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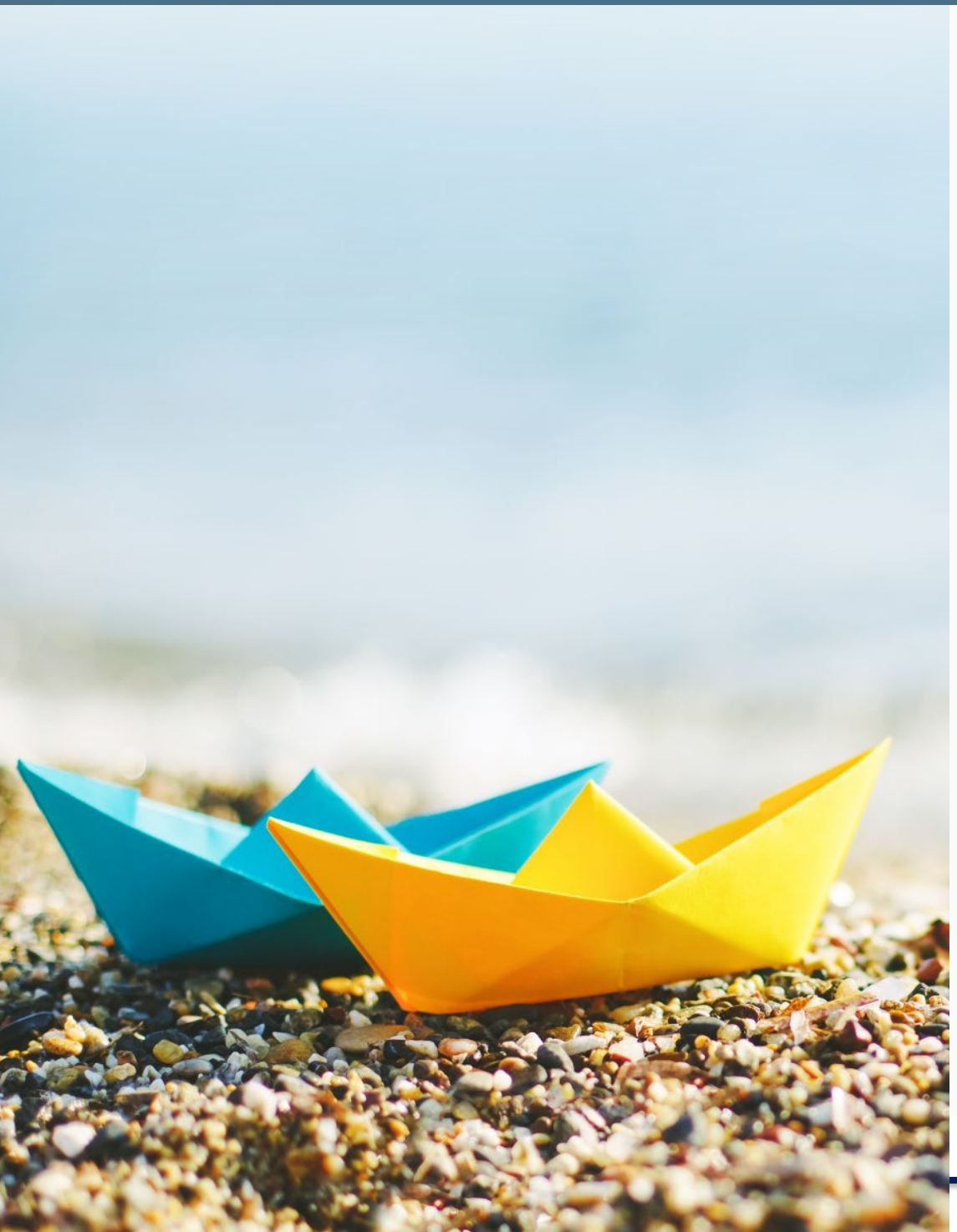

Dear Reader,

We are happy to present **kcmInsight**, comprising of important updates in the legislative changes in direct tax law, corporate & other regulatory laws, as well as recent important decisions on direct taxes.

We hope that we are able to provide you an insight on various updates and that you will find the same informative and useful.

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Detailed Analysis

Abbreviations

For detailed understanding or more information, send your queries to kcminsight@kcmehta.com

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Important Rulings

Accumulation u/s 11(2) cannot be denied on ground that it is not for specific purpose

Bal Jeevan Trust V. ITO (E), ITA No 1872/Mum/2023, Mumbai ITAT

The Taxpayer is a public charitable trust registered u/s 12A of the ITA, having objective of providing Health care, Nutrition, Literacy and Basic education to rag picking/street children in Mumbai. During the year under consideration, the Taxpayer claimed accumulation of income u/s 11(2) in Form 10 for the purpose of Basic education, Health care and Nutrition of under privileged children.

The AO disallowed the accumulation made u/s 11(2) on the ground that the purpose for accumulation as shown in Form 10 was a general purpose and not specific purpose, so, the same does not satisfy the requirement of section 11(2) of the ITA. According to AO, accumulation of amount u/s 11(2) is for fulfilment of any project within its objects or objects which need heavy outlay of money.

CIT(A) upheld the order of AO on the ground that that since the reason given for accumulation was not specific and is only reiteration of broad objectives of the trust.

Aggrieved by the order of CIT(A), the Taxpayer filed an appeal before ITAT.

ITAT observed that the Taxpayer's claim for accumulating income u/s 11(2) of the ITA, has fulfilled the conditions prescribed therein since in Form 10 the Taxpayer has spelled out the purpose for accumulation as basic education, health care and nutrition to under privileged children, which is in consonance with the main object. ITAT relied on the decision of Delhi HC in the case of Hotel and Restaurant Association 261 ITR 190 wherein it was held that even though it is true that specification of certain purpose or purposes is needed for accumulation of trust's income u/s 11(2) of the ITA but at the same time, the purposes to be specified cannot go beyond the objects of the Trust. In the present case, income sought to be accumulated was to achieve the object for which assessee was incorporated and it is not a case that any of purpose mentioned in Form 10 were beyond the objects of the Trust or not charitable purpose.

In view of the above, Mumbai ITAT allowed the appeal of the Taxpayer.

the Taxpayer.

Section 56(2)(vii)(c) cannot apply to bonus shares

DCIT V. Sh. Kul Prakash Chandhok, ITA No. 1921/Del/2021, Delhi ITAT

During the year under consideration, the Taxpayer earned capital gain on sale of shares, which was adjusted against loss on sale of other shares and mutual funds. During the year, the Taxpayer also received bonus shares on which AO invoked provisions of Section 56(2)(vii)(c) of the ITA since he was of the view that bonus shares were received by the Taxpayer without any consideration.

CIT(A) deleted the addition made by AO on the ground that market price of any share after bonus issue gets reduced almost in proportion to bonus issue. Hence, even if on sale of original shares held by assessee, the assessee incurs loss, such loss is likely to be compensated on sale of bonus shares as and when it happens because cost of acquisition of bonus shares is Nil. Further, the overall wealth of a person post bonus and pre bonus remains the same. Therefore, the Taxpayer has not received additional benefit or income on allotment of bonus shares because it is only a case of split of his total rights in wealth of the company which remains same even after bonus issue.

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ITAT noted that the same issue arose in case of Taxpayer's wife wherein on identical facts, ITAT in ITA No. 387/Del/2021 held that bonus shares issued by capitalization of reserves is merely reallocation of funds of company and there is no fresh inflow of funds or increase in capital employed. Thus, any profit derived by Taxpayer on account of receipt of bonus shares is adjusted against depreciation in value of equity shares held by him. Since on issue of bonus shares, money remains with the company and nothing comes to shareholders as there is no transfer of property, provisions of section 56(2)(vii)(c) are not attracted.

On parity of the facts with the instant case, ITAT dismissed the appeal of the Revenue.

Unrealized Loss incurred on forward contracts entered for hedging allowable u/s 37(1)- SLP dismissed

PCIT V. Emmsons International Ltd, SLP (Civil) Diary No. 49827 of 2023, Supreme Court of India

The Taxpayer is engaged in the business of international trading in commodities. The Taxpayer had the practice of hedging a substantial part of its foreign currency losses through forward contracts in foreign exchange and had not indulged in any foreign currency speculation. The forward cover was about 50% of the Export turnover. During the year under consideration, the Taxpayer suffered a loss of foreign exchange fluctuation out of which some were on account of MTM losses in accordance with AS 11 on foreign exchange forward contracts. The Taxpayer claimed such notional forex loss in the return of income filed.

The AO rejected the reliance of the Taxpayer on the decision of Apex Court in case of CIT v. Woodward Governor India P Ltd 179 Taxman 326 on the ground that issue of loss from foreign exchange forward contract was not considered by SC in the said judgement. Accordingly, AO treated the said loss on forward contract as notional and contingent in nature and disallowed the claim.

CIT(A) placed reliance on CBDT instruction no. 03/2010 dated March 23, 2010 and held that companies make adjustment through trading and P&L account by valuing financial instruments at market rate, such adjustments give rise to notional loss as no sales/conclusion/settlement of contract had taken place. According to CIT(A) also, the decision of the Hon'ble Apex Court in Woodward Governor (supra) did not apply to Forward Contracts/Derivatives and, therefore, disallowance of loss was confirmed based on CBDT instruction.

However, Delhi ITAT observed that losses booked by the Taxpayer are in compliance with mandatory accounting standards AS 11 and it is not in dispute that in the preceding two years, there had been gain from forward contracts which have been offered to tax by the Taxpayer. ITAT further observed that Revenue cannot tax gains on the basis of accrual in one year and disallow deduction on basis of notional loss in second year. Further, no CBDT circular or instruction can be contrary to the decision of Apex Court, even if it is issued subsequent to the decision of the Apex Court. Accordingly, ITAT held that loss on account of foreign exchange fluctuation on balance sheet date is item of expenditure u/s 37(1) of ITA irrespective of the fact that liability had not been discharged in which fluctuation in the rate of foreign exchange occurred.

HC noted that Apex Court in the case of Woodward Governor, held that expenditure on account of foreign exchange fluctuation is deductible if that is required to be accounted as per mercantile system of accounting consistently followed by the assessee, for losses and gains both, according to nationally accepted accounting standards. Further, CBDT Circular no. 3/2010 referred by the AO has

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been issued in respect of loss on account of trading in foreign exchange derivatives. Since in the present case, Taxpayer has entered into derivative contract in order to hedge its exchange risk and not for trading per se, the said CBDT Circular has no application in the facts of the case.

Hon'ble Apex Court dismissed the SLP of the Revenue.

It appears that ICDS was not applicable in the year under consideration. It is therefore necessary to examine the applicable ICDS in addition to rely upon such decision to claim forward contract loss.

Important Updates

Key announcements under Interim Budget 2024

Finance Bill 2024, Bill no. 14 of 2024, As introduced in Loksabha

Finance Bill 2024 did not propose any substantial amendments or changes in tax rates, except extension of sunset clause for few tax holiday/exemption provisions:

1. As per the provision of section 80IAC of ITA, a new eligible startup to obtain tax holiday, it needs to be incorporated between April 1, 2016, to March 31, 2024. The sunset date of incorporation of eligible startups to claim tax holidays has been extended by one year i.e. up to March 31, 2025.
2. Similarly, sunset date for provisions pertaining to commencement of operations in the IFSC u/s 80LA, investments made by sovereign wealth funds/pension funds is proposed to be extended from March 31, 2024, to March 31, 2025.
3. The timeline for the CG to issue directions for introduction of faceless schemes for transfer pricing matters, international taxation matters before the Dispute Resolution Panel and appeals before tribunals has been extended from March 31, 2024 to March 31, 2025.
4. To improve Taxpayer services, FM in the Budget Speech announced withdrawal of petty, non-verified, non-reconciled or disputed direct tax demands up to Rs. 25,000 pertaining to the period up to FY 2009-10 and up to Rs. 10,000 for FY 2010-11 to FY 2014-15.
5. There had been certain changes in TCS provisions vide Finance Act 2023, which were subsequently amended vide Press Release of Finance Ministry on June 28, 2023. The said changes are now codified in Law as below:
    a. The threshold limit of Rs. 7 lakh per financial year per individual is restored for TCS on all categories of LRS payments, through all modes of payment, regardless of their purpose. Beyond Rs. 7 lakhs, TCS shall be at rate of-
        i. 0.5% (if remittance for education is financed by loan taken from financial institutions)
        ii. 5% (remittance for education/ medical treatment)
        iii. 20% (For others)

Important Updates

b. Purchase of overseas tour package shall continue to apply rate of 5% for TCS for the first Rs. 7 lakh per individual pa. and 20% rate will apply for the expenditure above the limit.

c. Increased TCS rates shall apply from October 1, 2023.

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For detailed understanding or more information, send your queries to ***kcminsight@kcmehta.com***

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Indian Rulings

Employment under Section 6(1) of the ITA includes self-employment

Nishant Kanodia [ITA No. 2155 / Mum. / 2023 & cross objection no. 115 / Mum. / 2023 – Order dated 08 January 2024]

Taxpayer is an individual and left India for the purpose of employment with Firstland Holdings Ltd., a company situated in Mauritius and he is also holding 100% stake in the Firstland Holdings Ltd. The taxpayer stayed in India for 176 days in the FY and went back to Mauritius. Accordingly, the taxpayer has claimed his residential status as "Non-Resident ("NR")" and has not offered his global income to tax in India at the time of filing of return of income in India.

AO while passing the order denied the benefit of Explanation 1(a) to section 6(1) of the ITA since the taxpayer has stayed in India for a period of 176 days which is more than 60 days in current FY and has been in India for a period of more than 365 days within four years preceding the current year. According to AO the taxpayer was held to be a "Resident" as per the provisions of clause (c) of section 6(1) of the ITA and hence global income of the taxpayer was liable to tax in India. The core issue under consideration is related to residential status which ultimately depends on whether the taxpayer was left India for the purpose of employment or not.

Hon'ble bench of Mumbai ITAT has accepted the benefit of Explanation 1(a) to section 6(1) of the ITA taken by the taxpayer and concluded that the residential status of the taxpayer for the current FY will be NR by stating as under.

- In light of the above background, If the condition of the taxpayer leaving India for employment purpose is satisfied, the period of stay in India of 182 days as per explanation 1(a) to section 6(1) of the ITA shall be applicable instead of 60 days period as provided in section 6(1)(c) of the ITA for deciding the residential status of the taxpayer.
- The taxpayer has submitted the copy of the appointment letter. Further, the taxpayer was also provided various other benefits, perquisites, allowances, etc.
- The taxpayer has also placed on record the occupation permit issued by the Government of Mauritius as an Investor.
- Hon'ble bench of Mumbai ITAT concludes that "employment outside India" includes "doing business" by the taxpayer. The same was also supported by various judgements including judgment passed by the Hon'ble Kerala HC in case of Abdul Razak [[2011] 337 ITR 350] considering CBDT circular no. 346 dated 30 June 1982 by holding that no technical meaning can be assigned to the word "employment" used in Explanation and thus going abroad for the purpose of employment also means going abroad to take up self-employment like business or profession. However, Kerala HC also held that the term "employment" should not mean going outside India for purposes such as tourists, medical treatment, studies or the like.
- Accordingly, the Hon'ble bench of ITAT has concluded that the taxpayer left India for the purpose of taking employment and accordingly threshold of 182 shall apply. As the taxpayer was in India for 176 which is less than 182 days accordingly, he shall be treated as NR only and global income will not be taxable in India.

The ruling is clarificatory in nature which clarifies meaning of employment outside India which is very useful for the Individual taxpayers who are doing business outside India even without having employment outside India. In this case the taxpayer has also provided employment related documents to support that the taxpayer had gone outside India

for employment. However, the Hon'ble bench of Mumbai ITAT has emphasized that if the taxpayer has left India for business purpose that will also be considered as left India for employment purpose and not emphasized on the details of employment produced by the taxpayer which was also a strong proof to establish that the taxpayer left India for employment purpose.

Income from Subscription, Professional and Training services are not FTS

Service Now Nederland BV [ITA Nos. 2022 & 2023/Del/2023 – Order dated 13 December 2023]

Taxpayer is a company incorporated in and a tax resident of Netherlands. During the AYs under dispute, the taxpayer had earned income from subscription, professional & training services after deduction of tax u/s 195 of the ITA.

The taxpayer believed that under the India-Netherlands DTAA, the scope of FTS was restricted by the Make available condition. Therefore, it claimed a refund of tax deducted on the above-mentioned income.

DRP relying on its preceding year's order, upheld that the receipts from subscription, training and professional fees were taxable in India as FTS. The core issue under consideration before the Hon'ble bench of Delhi ITAT was the taxability of abovementioned income as FTS.

Hon'ble bench of Delhi ITAT ruled in favour of the taxpayer by holding that subscription, professional and training services rendered by the taxpayer do not fall within the definition of FTS under DTAA. In this regard, the Hon'ble bench of Delhi ITAT relied on its own decision for the same taxpayer in previous year, wherein, it had noted that taxpayer had merely granted access to software and there is no transfer of technology, accordingly, as per Article 12 of DTAA read with section 90 of the Act, the said services does not fall withing the purview of definition of FTS. The Hon'ble bench of Delhi ITAT made reference to the tax treaty between India-Singapore for the scope of term "fee for technical services" and emphasized that those services which enables the person acquiring the service to apply technology contained therein could be considered as 'made available'. For the purpose of referring India-Singapore DTAA for expanded scope of FTS, the tribunal relied on the MFN clause provided in protocol to the India-Netherlands DTAA.

Further, with reference to the definition of FTS under the ITA, it relied on SC's ruling in case of Kotak Securities wherein the SC had held that services provided by BSE to Kotak did not amount to 'technical services' since they were common services that every member of Stock Exchange was necessarily required to avail and not specifically sought for by user.

It is noteworthy that neither the Assessing officer had alleged nor did the Delhi ITAT discuss taxpayer's existence as Permanent establishment in India. Further, while analyzing of agreement between taxpayer and service recipient, the tribunal observed that it was in fact an agreement for access of software which was being held by revenue as Royalty so far and is alleged as FTS only for this AY. Moreover, while the given ruling is pronounced much after Hon'ble Supreme Court's judgement in case of Nestle SA, the tribunal did not discuss the non-availability of automatic application of MFN clause (given in protocol) without appropriate notification by the government and also not dealt with CBDT circular 3/2022 dated 3rd February 2022.

Important Rulings

Management fee on ECB is "interest", exempt under Article 11 of India-Germany DTAA

Aka Ausfuhrrkreditgesellschaft MBH [TS-43-ITAT/Del/2024 - Order dated 19 January 2024]

The taxpayer is a non-resident banking company incorporated in the Federal Republic of Germany and a tax resident of Germany. It advanced ECB Loan to certain Indian entities including M/s Filatex India Ltd granted by Hermes - Deckung Germany. As against the loan granted, it received interest along with related fees such as management/processing fees, documentation fees and commitment fees.

The taxpayer did not file return of income in India in respect of such receipts. Revenue on the basis of Form 15CA filed by M/s Filatex India Ltd found that remittance towards management/processing fees was made without deducting TDS and reopened the assessment in case of taxpayer. The taxpayer contended that interest along with various fees charged in respect of the loan granted were not taxable as per Article 11(3)(b) of India-Germany DTAA. Revenue accepted the contention of the taxpayer for interest not being taxable under Article 11 of the DTAA but held that the management/processing fee is not covered in the definition of interest as provided in Article 11 of India-Germany DTAA. It further held that the management/processing fee is in the nature of FTS and hence is taxable in terms of Article 12 of DTAA as well as section 9(1)(vii) of the Act.

Aggrieved by the order of AO, the taxpayer raised objections before the DRP. However, the DRP also relied upon the observations of AO. Hence, the aggrieved taxpayer filed an appeal before the ITAT. The ITAT held that on plain reading of Article 11 of the treaty, interest paid to a resident of the Federal Republic of Germany in consideration of loan granted by Hermes - Deckung shall be exempted from Indian tax.

As per Article 11(4) of India-Germany DTAA, interest has been defined to mean, income from debts claim of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profit and in particular, income from Government securities and income from bonds or debentures, including premiums and prizes attached to such securities, bonds or debentures except penalty charges for late payment. On the other hand, section 2(28A) of the Act defines interest as interest payable in any manner in respect of any moneys borrowed or debt incurred including a deposit, claim or similar right or obligation and includes any service fee or other charge in respect of moneys borrowed or debt incurred or in respect of any credit facility which has not been utilized.

The Hon'ble bench of Delhi ITAT observed that the provision clearly covers service fees and charges related to borrowed money or debt. Accordingly, it held that since management fee is closely connected with the loan granted and cannot be distinguished from the documentation fee and commitment fee, it is similar to documentation and commitment fee and partakes the character of interest under section 2(28A) of the Act and would be exempt from taxation as per Article 11(3)(b) of the India-Germany DTAA.

Thus, it is relevant to note that management fee for ECB shall be considered as a part of documentation and commitment fee and accordingly, partake the character of "interest". While not explicitly mentioned, it appears from a minute reading of the ruling that the Bench of ITAT has held that "management fee" for ECB should be covered within definition of "interest" even under the DTAA. This could raise an interesting angle to pending litigation where taxpayers may have taken an argument of non-taxability of management fees for loans based on its non-inclusion in the definition of "interest" under DTAA.

Important Rulings

Taxpayer liable to pay tax on profits attributable to Indian PE notwithstanding global losses

Hyatt International-Southwest Asia Ltd [ITA Nos. 216 to 219/2020, 140/2021, 36/2022 and 201 & 215/2023 – Order dated 22 December 2023]

The taxpayer is a resident of UAE and has entered two Strategic Oversight Services Agreements ('the SOSA') with Asian Hotels Limited to provide strategic planning services and "Know-How" to ensure that the Hotel is developed and operated as an efficient and a high quality international full-service hotel. Further, Asian Hotels Limited also entered into a Hotel Operation Service Agreement ('HOSA') with Hyatt India Consultancy Pvt. Ltd. ('Hyatt India') whereby Hyatt India had agreed to provide day-to-day management assistance and render technical assistance for the operation of the Hotel. But Hyatt India was required to implement the strategic policies as set out by the taxpayer.

The issue before the Hon'ble Delhi HC was that whether the service charges received by the taxpayer under the SOSA were taxable as royalty and whether the taxpayer has PE in India in accordance with India-UAE DTAA. Additionally, whether Article 7(1) of DTAA is appliable to taxpayer as during the relevant financial years there were losses. In this background the Hon'ble Delhi HC has commented on each issue as below.

- Paragraph (2) of Article 12 of DTAA expressly provides that royalties may be taxed in the contracting state in which they arise according to the laws of that state. However, the tax so charged shall not exceed 10% of the gross amount of royalties. Paragraph (4) of Article 12 of the DTAA, inter alia, provide that paragraph (2) of Article 12 of the DTAA is inapplicable to where the beneficial owner of the royalties, being a resident of a contracting state carries on business in the other contracting state in which royalties arise through a PE and the right or property in respect of which the royalties arise is effectively connected with the PE. In such a case, provision of Article 7 of the DTAA would apply.
- It was apparent form the plain reading of the provision of the SOSA that the taxpayer has an overarching role in the management of the Hotel albeit at the policy level, with further right to oversee its implications to ensure that the Hotel is operated as an upscale Hotel commensurate with the standards of the Hyatt chain of hotels.
- Accordingly, the Hon'ble Delhi HC was unable to accept that the fee received by the taxpayer in terms of SOSA could be termed as consideration for use or right to use any design, model, process and also for information concerning commercial and scientific experience. Merely because the extensive services rendered by the taxpayer in terms of the SOSA also includes access to written knowledge, processes, and commercial information in furtherance of the services, it cannot lead to the conclusion that the fee received by the taxpayer was in the nature of royalty as defined under Article 12 of the DTAA.
- On the second issue, whether there exists PE of the taxpayer in Inda or not, there is no dispute that it is not necessary that an enterprise has a legal and exclusive control in respect of the fixed place of business for the same to be construed at its disposal.
- In terms of the SOSA, the taxpayer was required to identify, recruit and assist in appointing any non-local employees of the Hotel including General Manager, expatriate personnel and key executive members and the Asian Hotels Limited was required to reimburse the taxpayer. It is also relevant that

the taxpayer would have complete control and discretion in formulating and establishing the overall and general strategic plan with respect to all aspects of the Hotel operations. Further, the agreement entered into by the taxpayer provides a pervasive control.

- The taxpayer had the discretion to send its employees at its will without concurrence of either Hyatt India or the Asian Hotels Limited. This clearly indicates that the taxpayer exercised control over the premises of the Hotel for the purposes of its business. Thus, the condition that a fixed place (Hotel Premises) was at the disposal of the taxpayer for carrying on its business, was duly satisfied. Accordingly, the Hon'ble Delhi HC find no infirmity with the Tribunal's decision holding that the taxpayer had a PE in India in the form of a fixed place through which it carried on its business. The term of the SOSA was for twenty years, and it could be extended by a further period of ten years. The court has also relied on the decision in the case of Formula One World Championship Ltd. where in the SC accepted the finding that appellant has full access through its personnel to the said place and could also dictate who are authorized to enter the areas reserved for it.
- One of the principal contentions advanced by the taxpayer is that even if it is assumed that the taxpayer has a PE in India, there is no question of attributing any amount as income chargeable to tax under the Act to its PE, as it has incurred a loss on an entity level (global basis). The said issue is covered in favor of the taxpayer by a decision of the Coordinate Bench of this Court in the case of M/s Nokia Solutions and Networks OY. However, the Hon'ble Delhi HC had reservations regarding the said view and held that the profits attributable to the taxpayer's PE in India are required to be determined on the footing that the PE is an independent taxable entity. It is, thus, possible that a taxpayer makes a net loss at an entity level on account of losses suffered in other jurisdictions, which is partly offset by profits arising from India. In these circumstances, the taxpayer would be liable to pay tax on the income attributable to its PE in India notwithstanding the losses suffered in other jurisdictions.

This is an interesting case which differs from the decision of coordinate bench of the same HC in case of M/s Nokia Solutions and Networks OY. The Delhi HC has provided a detailed evaluation of all the clauses of the agreements entered by the taxpayer and concluded that the taxpayer had PE in India and also held that there may be circumstances that the tax is payable by the taxpayer even if it is incurring losses on a global basis. Further, to conclude the tax is payable by an Indian PE three conditions are required to be satisfied –

(i) There has to be Fixed Place of Business,
(ii) It should be at the disposal of the taxpayer and
(iii) Business should have been carried out through such fixed place of business.

However, in the current case, emphasis is given only to the first two conditions without a detailed discussion on the third.

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Foreign Updates

BOI publication of France clarifies the applicability of MFN clause to dividend income with Kenya

BOI publication dated 27 December 2023 bearing legal identifier number BOI-INT-CVB-KEN clarifies that Article 28 of the convention between France and Kenya contains a MFN clause allowing the application of tax exemptions or lower rates of withholding tax on dividends, interest or royalties as provided for in the DTAAs signed by Kenya with third Member States of OECD.

Following the signing of a DTAA between Kenya and South Korea in 2014, and in the application of the MFN clause, the rate of withholding tax applicable to dividends referred to in paragraph 2 of article 10 of the convention between France and Kenya is now:

- 8% of the gross amount of dividends if the beneficial owner is a company (other than a partnership) which directly holds at least 25% of the capital of the company paying the dividends;
- 10% of the gross amount of dividends in all other cases.

Philippines imposes 1% withholding tax on online merchants

The Bureau of Internal Revenue ("BIR") has announced that online merchants with more than PHP 500,000 annual earnings are now subject to a 1% withholding tax. BIR Revenue Regulation 16-2023 stated that the withholding tax would apply to one-half of the gross remittances by electronic marketplace operators and digital financial service providers to the sellers or merchants for the goods or services sold through their platform.

Further, the BIR defines an electronic marketplace as a digital service platform whose business is to connect online buyers/consumers with online sellers/merchants, facilitate and conclude the sales, and process the payment of the products, goods or services through such digital platform, or facilitate the shipment of goods or provide logistic services and post-purchase support within such platforms. These include marketplaces for online shopping, food delivery platforms, and platforms for accommodation booking.

However, it was clarified that the withholding tax would not be imposed if the annual total gross remittances to an online seller do not exceed PHP500,000, and the sellers subject to a lower income tax rate pursuant to any existing law are also excluded.

Singapore releases guide on "Tax Treatment of Gains or Losses from the Sale of Foreign Assets"

With effect from 1st January 2024, the Inland Revenue Authority of Singapore ("IRAS") has released a new e-tax Guide providing insights into the revised income tax regulations governing the treatment of gains or losses arising from the sale or disposal of movable or immovable property located outside Singapore, collectively referred to as "foreign assets".

In present scenario, gains from the sale of foreign assets that are capital in nature are not taxable. To address international tax avoidance risks relating to non-taxation of disposal gains in the absence of real economic activities, Singapore has amended its foreign-sourced income regime to subject foreign-sourced disposal gains to tax under specific circumstances. The amendment aligns with Singapore's focus on anchoring substantive economic activities in Singapore's longstanding policy to align key areas of tax regime with international norms. Foreign-sourced disposal gains will be chargeable to tax under section 10(1)(g) of the Income Tax Act, 1947, under specific circumstances:

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(a) the gains are received in Singapore from outside Singapore by a covered entity (i.e., entities covered by relevant groups within scope of section 10L of ITA of Singapore.
(b) the gains are derived by an entity without adequate economic substance in Singapore; or
(c) the gains are from the disposal of foreign Intellectual Property Rights ("IPRs")

Russia publishes a list of jurisdictions that do not participate in the exchange of Country-by-Country reports

The Russian Federal Tax Service vide order no. ED-7-17/915@, outlines a compilation of jurisdictions experiencing systemic failures in the automatic exchange of CbCRs. In such failures, a constituent entity within Russia belonging to a foreign-parented group might be obligated to file a CbCR locally (secondary local filing).

Specified jurisdictions are Australia, Austria, Belgium, Bermuda, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Slovenia, Spain, and Sweden.

The Maldives updates standards for eligible activities and minimum investment requirements for SEZ

The Maldives' Ministry of Economic Development and Trade has issued the Presidential Decree on Minimum Investment Threshold 2023/15 (in Dhivehi language) initially in December 2023. This decree amends the types of activities deemed eligible and minimum investment required to qualify for incentives in special economic zones which are as under:

- Export-oriented manufacturing.
- Transshipment ports, international logistics, ports, airports, bulk-breaking, bunkering, and docking services.
- Universities, tertiary hospitals, specialty hospitals, and world-class research and development facilities.
- World-class information and communication technology (ICT) parks and ICT-related facilities.
- International financial services and international trade centers.
- Renewable energy.
- Introduction of new technology to the Maldives.
- Food security.
- Gas exploration activities.

Further, to qualify for SEZ it has been clarified that the minimum investment amount should be USD 100 million.

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RBI Notifications

Inoperative Accounts / Unclaimed Deposits in Banks- Revised Instructions

RBI/2023-24/105 vide notification DOR.SOG (LEG).REC/64/09.08.024/2023-24 dated January 01, 2024

With an intent to assist account holders, RBI has consolidated instructions on **inoperative accounts**, being deposit accounts with credit balance which have not been operated upon for 10 years or more or any amount remaining unclaimed for 10 years or more and are required to be transferred by banks to "Depositor Education and Awareness" (DEA) Fund maintained by RBI.

Instructions by the Reserve Bank of India ("RBI") to reduce the quantum of unclaimed deposits in the banking system and return such deposits to their rightful owners/ claimants are as hereunder:

- Banks will inform account/deposit holders in writing through letters / email / SMS, of in-operation in their accounts/deposits in the last one year, and that it would become inoperative if no operations are carried in next one year. (*the account can be reactivated only by submitting KYC documents afresh*).
- Updation of KYC to be facilitated through Video-Customer Identification Process (V-CIP) if requested by the account holder, subject to the facility of V-CIP being provided by the banks.
- In case of no response to banks communication, the banks shall enquire about the account/ deposit holders. In case response is received, the banks shall continue to classify the account as operative and the account/deposit holder shall be advised to operate the account within a period of one year, failing which it shall be classified as inoperative[1].
- Zero balance accounts specially opened for beneficiaries of Central/State government schemes and for students who receive scholarship shall be segregated in the CBS from other accounts and not be classified as inoperative unless there are no transactions for 2 years.
- Interest on savings accounts shall be credited on a regular basis irrespective of the fact that the account is in operation or not.
- Banks shall host the details of unclaimed deposits which have been transferred to DEA Fund of RBI on their respective websites. The database hosted on the website shall provide a search option to enable the public to search for their unclaimed deposits.
- No penal charges for non-maintenance of minimum balances in inoperative account and for activation of the same.

[1] For the purpose of classifying an account as 'inoperative', only customer induced transactions and not bank induced transactions shall be considered. Such classification shall be account specific and not customer specific.

Master Direction – Reserve Bank of India (Commercial Paper and Non-Convertible Debentures of original or initial maturity upto one year) Directions, 2024

RBI / FMRD / 2023-24/109 vide notification no. FMRD.DIRD.09/14.02.001/2023-24 dated January 03, 2024

A well-functioning money market is a crucial link in the chain of monetary policy transmission, apart from being a basic necessity for pricing and liquidity in other financial markets. The Reserve Bank thus on a regular basis issues regulations covering different money market products – call money, repo, commercial paper, certificates of

deposit and other debt instruments with original maturity less than one year, etc.

With the objective of bringing consistency across products in terms of issuers, investors, and other participants, it is proposed to rationalize existing regulations covering different money market products. These directions would improve transparency and safety of money markets.

RBI issued the *Master Direction - Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021 and the Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021* and continuing with the series RBI has now notified *the **Master Direction – Reserve Bank of India (Commercial Paper and Non-Convertible Debentures of original or initial maturity upto one year) Directions, 2024***.

The salient features of the said Notification are:

Eligible Issuers	CPs / NCDs may be issued by the following entities (subject to all fund-based facilities availed, if any, by the issuer from banks/ AIFIs / NBFCs are classified as Standard at the time of issue): • Companies; • NBFCs, including Housing Finance Companies (HFCs); • InvITs and REITs; • All India Financial Institutions (AIFIs); • Any other body corporate with a minimum net-worth of ₹100 crore, provided that the body corporate is statutorily permitted to incur debt or issue debt instruments in India; • Other entity specifically permitted by the Reserve Bank; and • Co-operative societies and limited liability partnerships with a minimum net-worth of ₹100 crore
Eligible Investors	All residents and non-residents (subject to FEMA compliances) are eligible to invest in CPs and NCDs [Note: no person, resident / non-resident, can invest in CPs and NCDs issued by related parties, either in primary or secondary market].
General Guidelines	➢ Issue of CPs and NCD will be: • through Issuing and Paying Agent (IPA) (*and in case of NCD, Debenture Trustee shall also be appointed*); • In dematerialized form; • Minimum denomination of INR 5 Lakhs and multiples of INR 5 Lakhs thereafter;

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- Settlement within T+4 days and;
- Discount to face value (NCD can also be issued with fixed/floating rate coupon).

➢ Tenor of CP shall be between 7 days to 1 year and tenor of NCD between 90 days to 1 year;

➢ Buyback of the CP/NCD to be at the prevailing market rate and within the specified tenor;

➢ Issuance of a CP/NCD (i) with options (call/put) and (ii) to be underwritten or co-accepted, is not permitted;

➢ Total subscription by all individuals (including HUF) shall not exceed 25% of the total amount issued;

➢ Utilization of funds (*whether for financing current assets and operating expenses or otherwise*) to be disclosed in the offer document;

➢ CPs and NCDs shall also be traded either in OTC markets, including on ETPs, or on recognised stock exchanges, approved by the Reserve Bank for the purpose (*T+0 or T+1 settlement cycle*);

➢ No grace period for repayment of CP/NCD ang conversion of the same into another financial instrument after default can be as per agreement or restricting scheme.

Note: Nothing contained in the Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016, as updated from time to time, shall apply to the raising of funds by issuance of CPs, by any NBFC when such funds are raised in accordance with these Directions.

Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2024

Notification no S.O.332(E) issued by Ministry of Finance (Department of Economic Affairs) dated January 24, 2024

Ministry of Finance, Government of India vide Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2024, ("**the Rules**") has notified the Direct Listing Scheme ("**the Scheme**") for issue of shares in the International Stock Exchanges:

Key definitions:

- "International Exchanges" shall mean permitted stock exchange in permissible jurisdictions i.e., International Financial Services Centre in India- India International Exchange, NSE International Exchange.
- "Listed Indian company" means an Indian company which has any of its equity instruments or debt instruments listed on a recognised stock exchange in India and on an International Exchange and the expression "unlisted Indian company" shall be construed accordingly.

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Direct Listing of Equity Shares of Companies on International Exchanges Scheme

Public Indian companies are now permitted to issue equity shares or offer equity shares of existing shareholders listed on International Exchanges provided:

i. shares may listed on any of the specified international exchanges;
ii. adherence to sectoral caps and prohibited activities as specified in para 2 & 3 of the NDI Rules 2019
iii. shall be in dematerialised form and rank pari passu with equity shares listed on a recognised stock exchange in India.

Permissible holder:

Permissible holder means a holder of equity shares of the Company which are listed on International Exchange, including its beneficial owner but **does not include - not a person resident in India**. What this implies is that Indian residents are not permitted to purchase or sell shares of an Indian company listed on an international exchange through the Scheme as this is exclusively for overseas investors.

Furthermore, any existing holder who is a citizen of a country which shares land border with India, or an entity incorporated in such a country, or an entity whose beneficial owner is from such a country, can only hold equity shares under the Scheme with the approval of the Central Government.

Who are Eligible to Issue shares under the Scheme:

Any Public Limited Company is permitted to issue shares under the Scheme and includes:

- Unlisted Indian company may directly issue equity shares on international exchanges (not mandatory to list on domestic exchanges but can opt for both listings);
- Public Indian companies already listed in India, with Offer for Sale ("OFS") by already existing shareholders also permitted under the Scheme.

Pricing:

Event	Pricing
Issue of equity shares by listed company/ offered by existing shareholders	Price shall not be less than the price applicable to a corresponding mode of issuance of such equity shares to domestic investors
Initial listing of equity shares by a public unlisted Indian company	Price shall be determined by a book- building process and; shall not be less than the fair market value as per applicable Rules / Regulations under FEMA, 1999
Subsequent issuance or transfer of shares for the purpose of listing additional shares post initial listing	Pricing would be based on applicable pricing norms of the International Exchange and the permissible jurisdiction

FAQs on Direct Listing Scheme ("the Scheme") has been released by the International Financial Services Centres Authority for better understanding of the Scheme and can be viewed by clicking on the said link: *faqs-issued-by-central-government-of-india-on-direct-listing-scheme24012024061356.pdf (ifsca.gov.in)*

RBI Notifications

Risk Management and Inter-Bank Dealings – Hedging of foreign exchange risk

RBI/2023-24/108 vide notification no. A. P. (DIR Series) Circular No. 13 dated January 05, 2024

These Directions shall come into effect from April 05, 2024, replacing the existing Master Direction – Risk Management and Interbank Dealings dated July 5, 2016, as amended from time to time.

The Regulatory framework for hedging of foreign exchange risks has been consolidated to incorporate Directions from the currency futures (Reserve Bank) Directions, 2008 and Exchange Traded Currency Options (Reserve Bank) Directions, 2010 within the Master Direction – Risk Management and Interbank Dealings dated July 5, 2016. Furthermore, the revised Master Direction now provides greater clarity on certain hedging definitions & terms along with adding and amending certain provisions to reflect and take cognizance of the changing foreign exchange scenario.

Some of the important definitions are as under:

- "Anticipated Exposure" as the currency risk arising from current or capital account transactions permissible under the FEMA, 1999, which are proposed to be entered into in the future.
- "Contracted Exposure" is defined as the currency risk arising from current or capital account transactions permissible under the FEMA, 1999, which have already been entered into.
- "Currency Risk" is defined as the potential for loss due to movement in exchange rates of INR against a foreign currency or movement in exchange rates of one foreign currency against another.
- "Deliverable Foreign Exchange Derivative Contract" is defined as an OTC foreign exchange derivative contract, excluding non-deliverable contracts, where there is actual delivery of the notional amount of the underlying currencies.
- "Electronic Trading Platform (ETP)" is defined in alignment with Para 2(1)(iii) of the Electronic Trading Platforms (Reserve Bank) Directions, 2018 i.e. any electronic system, other than a recognized stock exchange, on which transactions in eligible instruments as mentioned below are contracted:
- 'Eligible Instruments' shall mean securities, money market instruments, foreign exchange instruments, derivatives, or other instruments of like nature, as may be specified by the Reserve Bank from time to time under section 45 W of Chapter III-D of the Reserve Bank of India Act, 1934.
- "Exchange Traded Currency Derivative" is defined in accordance with Regulation 2(xvi) of the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 i.e. means a standardised foreign exchange derivative contract traded on a recognised stock exchange to buy or sell one currency against another on a specified future date, at a price specified on the date of contract.
- "Foreign Currency Interest Rate Derivative Contract" refers to a financial contract deriving its value from changes in the interest rate of a foreign currency. Notably, contracts involving currencies of Nepal and Bhutan do not qualify under this definition.
- "Foreign Exchange Derivative Contract" is defined as a financial contract deriving its value from the change in the exchange rate of two currencies, with at least one not being the Indian Rupee.

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- "Non-Deliverable Foreign Exchange Derivative Contract" is defined as an Over the Counter ("OTC") derivative where there is no delivery of the notional amount of the underlying currencies, and settlement is in cash.
- "Over-the-Counter (OTC) Derivative" refers to a derivative traded outside recognized stock exchanges.

SEBI Notifications

Extension of timelines for providing 'choice of nomination' in eligible demat accounts and mutual fund folios

SEBI/HO/MIRSD/POD-1/P/CIR/2023/193 dated December 27, 2023

According to circular nos. SEBI/HO/MIRSD/POD-1/CIR/2023/158 dated September 26, 2023, and SEBI/HO/IMD/IMD-I POD1/P/CIR/2023/160 dated September 27, 2023 'choice of nomination' was required to be submitted by investors and mutual fund unit holders on or before **December 31, 2023.**

Based on the representations made by the stakeholders, SEBI has extended the last date for submission of '**choice of nomination**' for demat accounts and mutual fund folios to **June 30, 2024**.

Framework for Social Stock Exchange

SEBI / HO / CFD / PoD-1 / P / CIR / 2023 / 196 dated December 28, 2023

SEBI vide its circular SEBI/HO/CFD/PoD-1/P/CIR/2022/120 dated September 19, 2022, notified the detailed framework on Social Stock Exchange (SSE) specifying the minimum requirements for a Not-for-Profit Organization (NPO) with an additional avenue to raise funds.

Based on the amendments to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations"), SEBI vide this circular has amended the SSE framework as follows:

Minimum Requirements for registration

NPO desirous of registration on SSE shall fulfill the following requirements –

Broad Parameter	Requirements	Details
Exemption under Income Tax Act, 1961	Registration Certificate under section 12A/ 12AA/ 12AB/ 10(23C)/ 10(46) of the Income-tax Act, 1961.	➢ Registration certificate should be valid for at least next 12 months. ➢ Disclosure of details regarding pending notices or scrutiny cases. ➢ Fines/penalties, if imposed shall be disclosed as paid or appealed within 7 days.
Deduction under Income Tax Act, 1961	Valid 80G registration of the Income Tax Act, 1961 for entities registered under section 12A/ 12AA/ 12AB of the Income-tax Act, 1961.	Entity to ensure disclosure whether tax deduction is available or not to investors.

Procedure and conditions for public issuance of **Zero Coupon Zero Principal Instruments** have been formalized and are as follows:

- Zero Coupon Zero Principal Instruments shall be issued in dematerialized form;
- Such instruments shall not be transferable till expiry of tenure;
- Minimum issue size shall be INR 50 Lakhs and minimum application size shall be INR 10 Thousand;
- Minimum subscription of 75% of issue size should be achieved;
- In case of under subscription, NPO shall disclose following details in fund raising document:

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a) Manner of raising balance capital in case of under subscription between 75% to 100%;
b) Possible impact on achieving the social objective(s) in case such under subscription is not arranged.

Note: Funds shall be refunded in case the subscription is less than 75% of issue size.

- SSE shall maintain details of allotment pursuant to issue of said instruments.
- SSE shall specify the additional norms pertaining to issue procedure including on agreements with depositories, banks, etc., ASBA related matters, duration for public issuance, allocation methodology and any other ancillary matter.

Framework for Short Selling

SEBI / HO / MRD / MRD – PoD – 3 / P / CIR / 2024 / 1 dated January 05, 2024

SEBI vide its Master Circular no. SEBI/HO/MRD2/PoD-2/CIR/P/2023/171 dated October 16, 2023, has specified the Broad framework on 'Short Selling and Securities Lending and Borrowing Scheme'. The broad framework for Short Selling provides definitions along with guidelines and permissible trades under short selling as enumerated below:

- "**Short Selling**" means selling a stock which the seller does not own at the time of trade;
- Retail and institutional investors will be permitted to short sell;
- **Naked short selling**[1] shall not be permitted in Indian securities market. Investors would be required to mandatorily honor their obligation of delivering the securities at the time of settlement;
- Institutional investors will not be allowed to do intra-day trading.
- Stock Exchanges to take appropriate action against the brokers for failure to deliver securities at the time of settlement.
- Securities Lending and Borrowing (SLB) scheme to be put in place to provide the necessary impetus to short sell.
- Only the securities traded in F&O segment shall be eligible for short selling and will be reviewed by SEBI from time to time.
- Institutional investors will have to disclose upfront at the time of placement of order whether the transaction is a short sale whereas retail investors will be permitted to make a similar disclosure by the end of the trading hours on the transaction day.
- Brokers will be mandated to collate the details on scrip-wise short sell positions and submit it to the stock exchanges before the commencement of trading on the following trading day.

[1] Naked short selling, or naked shorting, is the practice of selling a stock short without first borrowing the shares or ensuring that the shares can be borrowed as is done in a conventional short sale. When the seller does not obtain the shares within the required time frame, the result is known as a "fail to deliver".

Facility of voluntary freezing / blocking of Trading Accounts by Clients

SEBI / HO / AFD / PoD1 / CIR / 2024 / 4 dated January 12, 2024

Online trading has picked up a big momentum with the advent of laptops, mobile phones and easy internet access. With the advent of digital age comes the associated problems of hacking, spamming, phishing, and other such digital misuses. However, wherever such suspicious activities are noticed by investors, the facility of freezing / blocking of trading accounts to prevent malafide use is not available with most of Trading Members.

SEBI Notifications

Coverage

SEBI in the past had made available the facility of voluntary blocking/ freezing of demat accounts but to prevent suspicious activities in trading accounts of customers, it now proposes to be offer investors the facility of blocking / freezing trading accounts as well by laying a framework in consultation with Brokers' Industry Standards Forum (ISF).

Timelines for implementation

Action Item	Responsibility	Timeframe
Facility of voluntary freezing/blocking the online access of the trading account	Trading Members	April 01, 2024
Implementation of guidelines by Trading Members as per framework	Stock Exchanges	July 01, 2024
Submission of compliance report on the reporting requirements by Trading Members	Stock Exchanges	August 31, 2024

Offer for Sale (OFS) of Shares to Employees through Stock Exchange Mechanism

SEBI / HO / MRD / MRD – PoD – 3 / P / CIR / 2024 / 6 dated January 23, 2024

SEBI vide its Master Circular no. SEBI/HO/MRD2/PoD-2/CIR/P/2023/171 dated October 16, 2023, had specified framework on Offer for Sale (OFS) of shares through Stock exchange mechanism. Under the said framework the promoters of eligible companies were permitted to sell the shares to employees within 2 weeks from OFS transaction at the discretion of the promoters (*at a price discovered in the OFS or at a discount to OFS*) and happened outside the Stock exchange mechanism.

Feedback received from stakeholders was that the OFS transaction outside the Stock Exchange mechanism was time consuming, involved additional costs and multiple activities.

Based on deliberations in the Secondary Market Advisory Committee of SEBI and discussions with stock exchanges and clearing corporations, it has been decided that the promoters can also offer the shares to employees in OFS through the Stock Exchange Mechanism.

Applicability:

With effect from 30th day of issuance of this circular.

MCA Notifications

Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024

Notification dated January 24, 2024

Department of Economic Affairs (DEA), Ministry of Finance, has amended the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 vide notification no. S.O. 332(E) dt. January 24, 2024 for the '*Direct Listing of Equity Shares of Companies incorporated in India on International Exchanges Scheme*' and simultaneously the Ministry of Corporate Affairs (MCA) has issued *the Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024* which enables **unlisted and listed public companies to issue securities for listing on approved stock exchanges in permissible jurisdictions**, including IFSC (International Financial Services Centre) in GIFT City, Gandhinagar.

By way of the Companies (Amendment) Act, 2020, enabling provisions were included in the Companies Act, 2013, to allow direct listing of prescribed class/(es) of securities of prescribed class/(es) of public companies on permitted stock exchanges in permissible jurisdictions. The enabling provisions of the Companies (Amendment) Act, 2020 were brought into force with effect from October 30, 2023.

The outcome of this move is that it will result in better valuation of Indian companies in line with global standards of scale and performance, boost foreign investment flows and unlock growth opportunities. The public Indian companies will have the added flexibility to access both markets i.e. domestic market for raising capital in Indian Rupees and the international market in IFSC for raising capital in foreign currency from overseas investors.

Applicability:

Unlisted public companies and listed public companies which issue their securities for listing on approved stock exchanges (*two approved Exchanges as of date stated below*) in permissible jurisdiction, being the International Financial Services Centre in India:

- India International Exchange
- NSE International Exchange

Listing on permitted stock exchanges in permissible jurisdictions:

1) An unlisted public company, which is not ineligible (*companies ineligible for listing are stated in para below*) and has no partly paid-up shares, may issue equity shares including offer for sale by existing shareholders of an unlisted public company for listing on a stock exchange.
2) In addition, listing of equity shares in permissible jurisdiction permitted to an unlisted public company which is also intending to get its equity shares listed with any recognized stock exchange in India as per Securities Contract (Regulation) Act, 1956 subject to it complying with the conditions stipulated by SEBI.

Compliances (pre and post listing):

1) The unlisted public company shall file the prospectus in **e-Form LEAP-1** within a period of seven days after the same has been finalised and filed in the permitted exchange.
2) Post listing of the equity shares in a permissible jurisdiction, the company shall comply with Indian Accounting Standards as specified in the Annexure to the Companies (Indian Accounting Standards) Rules, 2015 in preparation of their financial statements.

Companies not eligible for listing:

A company shall not be eligible for issuing its equity shares for listing in permissible jurisdictions, in case it-

MCA Updates

1) has been registered under section 8 or declared as Nidhi Company;
2) is a company limited by guarantee and also having share capital;
3) has any outstanding deposits accepted from the public as per Chapter V of the Companies Act, 2013 and the Rules thereunder;
4) has a negative net worth[1],
5) has defaulted in payment of dues to any bank or public financial institution or non-convertible debenture holder or any other secured creditor; [*Note: clause shall not apply if the company had made good the default and a period of two years has lapsed since the date of making good the default*].
6) has made any application for winding-up under the Act or for resolution or winding-up under the Insolvency and Bankruptcy Code, 2016 ("IBC") and in case any proceedings against the company for winding-up under the Act or for resolution or winding-up under the IBC is pending;
7) has defaulted in filing of an annual return under section 92 or a financial statement under section 137 of the Companies Act, 2013 within the specified period.

Effective Date:

Date of Publication in official Gazette

[1] "net worth" shall have the same meaning as assigned to it under clause (57) of section 2 of the Companies Act, 2013.

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Abbreviations

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Abbreviation	Meaning
AA	Advance Authorisation
AAR	Authority of Advance Ruling
AAAR	Appellate Authority of Advance Ruling
AAC	Annual Activity Certificate
AD Bank	Authorized Dealer Bank
AE	Associated Enterprise
AGM	Annual General Meeting
AIR	Annual Information Return
ALP	Arm's length price
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Person
APA	Advance Pricing Arrangements
AS	Accounting Standards
ASBA	Applications Supported by Blocked Amount
AY	Assessment Year
BAR	Board of Advance Ruling
BEAT	Base Erosion and Anti-Avoidance Tax
CBDT	Central Board of Direct Tax
CBIC	Central Board of Indirect Taxes and Customs
CCA	Cost Contribution Arrangements
CCR	Cenvat Credit Rules, 2004

Abbreviation	Meaning
CESTAT	Central Excise and Service Tax Appellate Tribunal
CGST Act	Central Goods and Service Tax Act, 2017
CIT(A)	Commissioner of Income Tax (Appeal)
COO	Certificate of Origin
Companies Act	The Companies Act, 2013
CPSE	Central Public Sector Enterprise
CSR	Corporate Social Responsibility
CTA	Covered Tax Agreement
CUP	Comparable Uncontrolled Price Method
Customs Act	The Customs Act, 1962
DFIA	Duty Free Import Authorization
DFTP	Duty Free Tariff Preference
DGFT	Directorate General of Foreign Trade
DPIIT	Department of Promotion of Investment and Internal Trade
DRI	Directorate of Revenue Intelligence
DTAA	Double Tax Avoidance Agreement
ECB	External Commercial Borrowing
ECL	Electronic Credit Ledger
EO	Export Obligation
EODC	Export Obligation Discharge Certificate

Abbreviation	Meaning
EPCG	Export Promotion Capital Goods
FEMA	Foreign Exchange Management Act, 1999
FII	Foreign Institutional Investor
FIFP	Foreign Investment Facilitation Portal
FIRMS	Foreign Investment Reporting and Management System
FLAIR	Foreign Liabilities and Assets Information Reporting
FPI	Foreign Portfolio Investor
FOCC	Foreign Owned and Controlled Company
FTC	Foreign Tax Credit
FTP	Foreign Trade Policy 2015-20
FTS	Fees for Technical Service
FY	Financial Year
GAAR	General Anti-Avoidance Rules
GDR	Global Depository Receipts
GMT	Global Minimum Tax
GILTI	Global Intangible Low-Taxed Income
GSTN	Goods and Services Tax Network
GVAT Act	Gujarat VAT Act, 2006
HSN	Harmonized System of Nomenclature
IBC	Insolvency and Bankruptcy Code, 2016

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Abbreviation	Meaning
ICDS	Income Computation and Disclosure Standards
ICDR	Issue of Capital and Disclosure Requirements
IEC	Import Export Code
IIR	Income Inclusion Rule
IMF	International Monetary Fund
IRP	Invoice Registration Portal
IRN	Invoice Reference Number
ITC	Input Tax Credit
ITR	Income Tax Return
IT Rules	Income Tax Rules, 1962
ITAT	Income Tax Appellate Tribunal
ITR	Income Tax Return
ITSC	Income Tax Settlement Commission
JV	Joint Venture
LEO	Let Export Order
LIBOR	London Inter Bank Offered Rate
LLP	Limited Liability Partnership
LOB	Limitation of Benefit
LODR	Listing Obligations and Disclosure Requirements
LTA	Leave Travel Allowance
LTC	Lower TDS Certificate

Abbreviation	Meaning
LTCG	Long term capital gain
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
MeitY	Ministry of Electronics and Information Technology
MSF	Marginal Standing Facility
MSME	Micro, Small and Medium Enterprises
NCB	No claim Bonus
OECD	The Organization for Economic Co-operation and Development
OM	Other Methods prescribed by CBDT
PAN	Permanent Account Number
PE	Permanent establishment
PPT	Principle Purpose Test
PSM	Profit Split Method
PY	Previous Year
QDMTT	Qualified Domestic Minimum Top-up Tax
RA	Regional Authority
RMS	Risk Management System
ROR	Resident Ordinary Resident
ROSCTL	Rebate of State & Central Taxes and Levies
RoDTEP	Remission of Duties and Taxes on Exported Products

Abbreviation	Meaning
RPM	Resale Price Method
SC	Supreme Court of India
SCN	Show Cause Notice
SDS	Step Down Subsidiary
SE	Secondary adjustments
SEBI	Securities Exchange Board of India
SEP	Significant economic presence
SEZ	Special Economic Zone
SFT	Specified Financial statement
SION	Standard Input Output Norms
SOP	Standard Operating Procedure
ST	Securitization Trust
STCG	Short term capital gain
SVLDRS	Sabka Vishwas (Legacy Dispute Resolution Scheme) 2019
TCS	Tax collected at source
TDS	Tax Deducted at Source
TNMM	Transaction Net Margin Method
TP	Transfer pricing
TPO	Transfer Pricing Officer
TPR	Transfer Pricing Report
TRO	Tax Recovery Officer
UTPR	Undertaxed Profits Rules
WHT	Withholding Tax
WOS	Wholly Owned Subsidiary