

# TAX CHAT - Updates



Monthly Newsletter from SSJCO

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Dear Madam / Sir,

Technology has been advancing at a lightening space in this millennium. We have seen the power of internet and the future will be covered by advance in Artificial Intelligence (AI) and other technologies. Technology effects almost every aspect of our lives, from business and commerce to healthcare, socialization and productivity.

The New Year is around the corner. Are we ready for it? Are we updated in technology to cope up with it and above all are we going to be a better person in this New Year ...

***Wishing you a very healthy, compliant and prosperous New Year.***

As in the earlier months, in this edition of Tax Chat, we are attempting to summarize some of the updates in direct taxes.

Rishabh is enlightening us in his article on "Equity markets OR Gold, Which is a better investment vehicle?"

Trust you will find this edition useful and as in all these years, we will be happy to receive your valuable inputs for improvement.

Happy Reading!

Stay Safe, Connected & Updated

With Regards,

Team - S S Jhunjunwala & Co.

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Happy New Year 2023

**Circulars, Notifications and Others:**  
(Compiled by: Ms Sonakshi Jhunjhunwala)

**1. UAE introduces 'Corporate Tax Law'; 9% corporate tax applicable from June 01, 2023: Federal Decree-Law No. 47 of 2022 dated 3<sup>rd</sup> October, 2022:**

The United Arab Emirates (UAE) Ministry of Finance has published Federal Decree-Law No. 47 of 2022 providing the legislative framework for corporate tax on business profits in the UAE.

UAE Corporate Tax (UAE CT) will become effective for financial years starting on or after 1 June 2023. It shall apply to:

- (a) Individuals who are engaged in a business or business activity in UAE through an unincorporated partnership or sole proprietorship;
- (b) Juridical persons incorporated in the UAE;
- (c) Juridical persons effectively managed and controlled in the UAE; and
- (d) Foreign juridical persons that have a permanent establishment in the UAE.

The decree provides that the financial statements of businesses should be prepared in accordance with accounting standards accepted in the UAE. Taxpayers should prepare financial statements on an accrual basis unless they are permitted to use the cash basis of accounting instead.

Further, in determining Taxable Income, transactions and arrangements between Related Parties must meet the arm's length standard. The arm's length result of a

transaction must be determined by applying one or a combination of the prescribed transfer pricing methods.

The corporate tax shall be imposed on the Taxable income at the following rates:

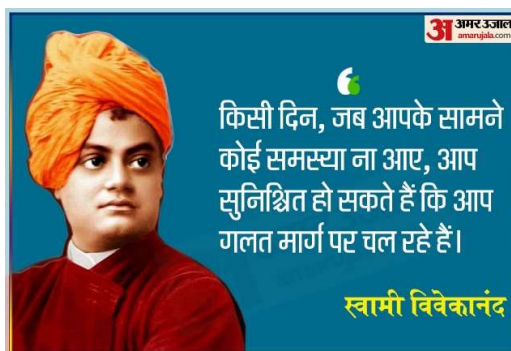
(a) For individuals and juridical persons - 9% on Taxable Income that exceeds the specified amount (to be decided by cabinet).

(b) In the case of Qualifying Free Zone Persons - 9% on taxable income that does not meet the qualifying income definition.

**2. CBDT specifies income-tax authorities for the purpose of authorization of survey under sec. 133A: Order F.no. 282/15/2022-IT (Inv.V) dated 22nd November, 2022:**

Section 133A enables an income-tax authority to enter any place of business or profession or charitable activity within his jurisdiction to verify the books of account or other documents, cash, stock, or other valuable article or thing, which may be useful for or relevant to any proceeding under this Act. Explanation of section 133A provides the definition of an income tax authority for the purposes of this section.

The Finance Act, 2022 amended the Explanation to section 133A to provide that income-tax authority shall be subordinate to Principal Director General or Director-General or Principal Chief Commissioner or Chief Commissioner, as the case may be, specified by the Board.



**Swami Vivekanand Jayanti**

Now, the Central Board of Direct Taxes (CBDT) has specified the that authorisation of action under section 133A shall be issued by the income-tax authority, not below the rank of Joint Director or Director Commissioner with prior approval of the Director General/Chief General for Central and TDS charge and the PCCIT in case of all other charges.

**3. CBDT notifies specified income of 'Federation Internationale de Football Association' exempt under Section 10(39): Notification No. 126/2022, dated 30th November, 2022:**

Section 10(39) of the Income-tax Act provides that any specified income arising from a notified international sporting event held in India shall be exempt from tax. The assessee claiming exemption under this provision is required to fulfill the following conditions:

- a) Such sport event is approved by the international body regulating the international sport relating to such event;
- b) It has participation by more than two countries; and
- c) It is notified by the Central Government.

The Central Board of Direct Taxes (CBDT) has notified the "Federation Internationale de Football Association" organizing under-17 Women's Football World Cup, 2022 as an international sporting event, the 'Federation Internationale de Football' as the person and its specified income eligible for exemption.

The specified income of the association, up to Rs. 12,50,00,000, arising from the receipt from the following National supporters shall be exempt under section 10(39):

- a) Hero Motocorp Ltd.,
- b) The Department of Tourism, Government of Odisha, the National Thermal Power Corporation Limited; and
- c) The Power Grid Corporation of India Limited.



**4. Singapore releases E-Tax guide on tax exemptions for certain foreign-sourced income: E-Tax Guide issued by IRAS: Dated 1st December, 2022:**

The Singapore government has published an E-Tax guide that provides information on tax exemptions for certain types of foreign-sourced income. This guide is intended to help companies understand the conditions under which they may be eligible for tax exemptions on foreign-sourced dividends, foreign branch profits, and foreign-sourced service income.

Companies carrying out substantive business activities overseas and receiving specified foreign income in Singapore may be eligible for tax exemption under section 13(12) of the Income-tax Act (ITA) under certain specified scenarios provided the specified foreign income is remitted to Singapore. This exemption applies to foreign-sourced dividends, foreign branch profits, and foreign-sourced service income.

The updates in the Tax guide are expected to be applicable from the Year of Assessment 2024. The tax guide provides certain conditions and scenarios where exemption is allowed. The key exemptions enlisted are:

- a) Certain foreign-sourced income received in Singapore by resident companies under the scenarios specified in the e-Tax guide
- b) Certain foreign-sourced income received in Singapore by the trustees of Real Estate Investment Trusts listed on SGX (S-REITs), S-REITs' wholly-owned (directly or indirectly) Singapore incorporated and resident companies, or S-REITs' wholly-owned Singapore sub-trusts specified in the e-Tax guide.
- c) Certain foreign-sourced income received in Singapore by listed resident entities or their wholly-owned Singapore resident subsidiary companies from qualifying offshore infrastructure project/asset.
- d) Foreign-sourced income received in Singapore by resident taxpayers on a case-by-case basis.

**5. CBDT issues circular on TDS from salaries for Financial Year 2022-23: Circular No. 24/2022, dated 7th December, 2022:**

The Central Board of Direct Taxes (CBDT) has issued a circular for the deduction of tax at source from salaries. CBDT has explained the obligation of employers with regard to the deduction of tax at source from salaries under section 192 of the Income-tax Act, 1961 for the Financial Year 2022-23 in a comprehensive manner.

As per section 192, any person responsible for paying salary income must deduct income tax at the time of payment. The tax should be deducted at the average rate, calculated based on the rates in force for the current financial year, on the estimated salary income of the recipient for that year.

Section 192 also states that the person responsible for paying salary income must provide the recipient with a statement giving correct and complete particulars of perquisites or profits in lieu of salary provided to him and the value thereof.

This circular contains guidance for tax deduction at source on salaried payable to employees considering the various provisions of the Income-tax Act.

**6. NRs without PAN exempt from e-filing Form 10F upto Mar'23: F. No. DGIT(S)-ADG(S)-3/e-Filing Notification/Forms/2022/9227, dated 12th December, 2022:**

A non-resident can claim relief under a DTAA entered into between India and his resident country only if he obtains a Tax Residency Certificate (TRC) of his being a resident of such country. Such non-resident is also required to furnish some additional information in Form No. 10F.

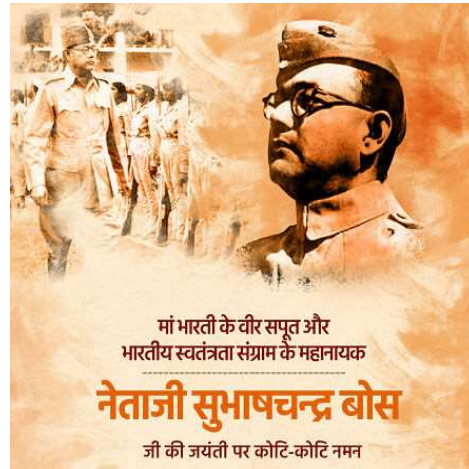
The Central Board of Direct Taxes (CBDT) vide notification No. 03/2022, dated 16-07-2022 made it compulsory for the taxpayer to furnish Form 10F electronically. However, non-residents who don't have PAN are facing difficulties in fulfilling this statutory compliance requirement.

To address genuine hardship, the CBDT has allowed non-residents who are not required to have a PAN under the Income-tax Act, 1961 to manually file Form 10F. These NRs may continue to manually file Form 10F until March 31, 2023, as was previously done before the issuance of Notification No. 3 of 2022.

**7. Inclusive Framework records almost 50,000 information exchange upto 2021, significant progress on Action 5: OECD Press Release dated 14th December, 2022:**

OECD/G20 Inclusive Framework on BEPS releases the latest peer review assessments for 131 jurisdictions in relation to the compulsory spontaneous exchange of information on tax rulings. 'The Harmful Tax Practices - 2021 Peer Review Reports on the Exchange of Information on Tax Rulings' i.e., sixth annual peer review, indicate significant progress in countering harmful tax practices with almost 50,000 exchanges of information in respect of 23,000 identified tax rulings.

The new peer review results reveal that 73 jurisdictions are fully in line with the BEPS Action 5 minimum standard while the remaining 58 jurisdictions, received a total of 61 recommendations, which are required to improve their legal or operational framework to identify the relevant tax rulings and exchange information. The peer review is based on exchange of information in the following categories of taxpayer specific rulings:



- (i) rulings related to certain preferential regimes,
- (ii) unilateral advance pricing arrangements (APAs) or other cross-border unilateral rulings in respect of transfer pricing,
- (iii) rulings providing for a downward adjustment of taxable profits,
- (iv) permanent establishment (PE) rulings, and
- (v) related party conduit rulings;

### **India's Position**

India has met all of the Terms of Reference (ToR) for the information gathering process and no recommendations were made.

In the prior years' peer review reports, it was determined that India's process for the completion and exchange of templates met all the ToR, except for ensuring that information on future APA rulings is exchanged as soon as possible. Therefore, India was recommended to ensure the timely exchange of information on future APA rulings. With respect to past rulings, no further action was required.

8. **Central Government notifies Special Court in Odisha for the purpose of Income Tax & Black Money Act: Notification No. 127 of 2022, dated 26<sup>th</sup> December, 2022:**

The Central Government, in consultation with the Chief Justice of the High Court of Orissa, has designated Special Courts in the State of Odisha for the purposes of section 280A of the Income-tax Act, 1961, and section 84 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

The Central Government has notified Additional Chief Judicial Magistrate-Cuttack, Additional Chief Judicial Magistrate-Berhampur, and Additional Chief Judicial Magistrate-Rourkela.

**9. CBDT notifies '1000242244 Ontario Inc.' for Sec. 10(23FE) exemption: Notification No. 128 of 2022, dated 28<sup>th</sup> December, 2022:**

The Central Board of Direct Taxes (CBDT) has notified pension fund, 1000242244 Ontario Inc., for the purpose of exemption under section 10(23FE). The notified funds shall be eligible to claim exemption in respect of eligible investment made in India on or before 31-03-2024 subject to prescribed conditions.



**Happy Basant Panchami - Maa Saraswati Bless All**



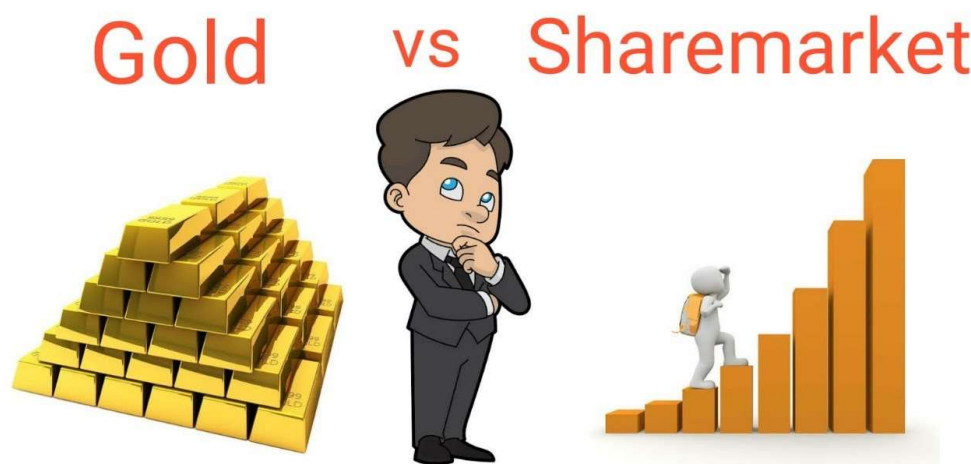
## ARTICLE:

### Equity markets OR Gold , Which is a better investment vehicle?

(by: CA Rishabh Adukia)

Indian investors love Gold, Gold has a sentimental value attached to it. We all love investing in assets that we can see with our eyes, touch and feel the assets we possess. We all have been investing in physical assets like real estate properties, gold, silver, artwork and other precious items. However in the recent past, data suggests that there is a gradual shift to investing in financial assets also referred to as financialisation of savings. Further When comparing investment option between gold and equity markets, we must consider several aspects.

In both the cases, the investors need to invest when the prices are low and hold them till the prices rise to expected levels. While investing in equities, usually investments are made by investors when the valuations are high. During the phase of correction, the investors do not wait till the markets recover. Hence they end up suffering losses by selling the stocks at a lower rate. Stocks selected for investment after careful analysis and consideration of their fundamentals might produce greater returns when it comes to investments, but gold performs best when there is persistent inflation and the rupee weakness versus the dollar. For high-risk/high-return investments, we would typically advise diversification investments across asset classes, but what should investors select between gold and equity?



## **Approaching the price rise and fall**

When we look at these two kinds of investments, we find that the basics remain the same for both gold and stock investments. Both the prices of gold and stocks are cyclical in nature and go up and down depending on several factors. The main difference between these two kinds of investments is that gold prices might go up when the stock prices suffer and gold prices might fall while the stocks perform well. This is because gold is always viewed by people as a safer investment option and hence they rush to invest in gold when the economy slumps.

At a time when economies are in the middle of a kind of struggle, stock prices become cheaper and gold prices become expensive. During that time, if the investors shift from stocks to gold, there would be heavy losses.

The present market condition is characterized by a fall in stock prices across a number of industries. Gold is selling at prices that are close to all time high. Hence it is advisable that both these investments are not linked to each other. To make a prudent decision, it is good to consider which is cheaper and which is expensive before investing. It is necessary to understand the investment basics to be able to invest in the right asset that will meet your investment goals. The thumb rule here is to invest in whichever is cheaper and avoid investing in whichever is expensive.

## **Word of caution**

It is always a good idea not to invest a huge amount in lump sum whether it is invested in gold or stocks. The best approach to investing in gold and stocks is to go for periodical investments in a diversified manner or resort to a systematic investment plan (SIP) in a diversified portfolio of funds. Also, learn to understand the market trend and take the right decision accordingly. Your investment can give you the desired results only when you are quick to rise up to the market situation especially during some crucial times. At times, you might need to wait for quite a long time for the stocks to recover in a struggling market. So, make the right decision after studying the contemporary trends while making the investment. While buying Gold as an investment we tend to forget to take into consideration factors like inflation, correlation with economic growth and liquidity. Gold has sentimental value to it but in times of uncertainty converting it into a liquid asset is a challenge while in equity option we can easily diversify our investment as per our needs.

Equity has delivered ~ 11-14% CAGR in the last decade (depending on the index) whereas Gold has delivered the CAGR of ~6%. During this year, the Indian market value erosion of the Indian equity market (Sensex/NIFTY 50) stands at ~-3%.

It is suggested to include Gold Mutual Fund, Gold ETF and Sovereign Gold Bonds for portfolio diversification and to average out the portfolio performance in times of economic crisis. Physical gold can be part of personal consumption but from an investment avenue, one should consider the options mentioned above.

## Conclusion

Stocks and gold both are significant investments, but they behave differently since equities have a track record of outperforming inflation over the long run while gold works as a buffer against uncertainty and improve portfolio diversity.

Wishing you all a very Happy & Prosperous New Year!!!

(The author Rishabh Adukia is a Chartered Accountant and qualified professional advising on wealth management to individuals, millennial's, emerging HNIs including others and can be reached on [adukia.rishabh@gmail.com](mailto:adukia.rishabh@gmail.com))

## Action Points under Income Tax Act, 1961

### For the Month of January 2023:

7 <sup>th</sup> January	TDS Payment for December
31 <sup>st</sup> January	TDS Quarterly Return for quarter ended on 31 <sup>st</sup> December, 2022



....**STORY FOR THE MONTH....**

**True Story of Sudha Varghese and her institution Nari Gunjan**

Sudha Varghese, the eldest among 8 siblings in an upper middle-class family of Kerala, happened to read stories of poverty in Bihar in some magazine. She was so deeply touched that in 1964, at a tender age of 16, she decided to move to Bihar to work for the poor there, much against the wishes of the entire family. She had no knowledge, no experience, no contacts there. All she had was a burning sympathy for the poor and a deep desire to do something to help them. During her stay in Bihar, she joined an NGO to serve and also completed her graduation and later a degree in law (from Mysore University). A major turning point came in 1986, when she came in close contact with the Musahar community.

The word Musahar means Rat Eaters. Musahars are the most marginalised community in Bihar. They are dalits among dalits, untouchables among untouchables. They are landless, homeless, socially ostracised, politically disempowered, uneducated, unemployed - basically devoid of any social, economic or political dignity and voice in the society. Sudhaji started living with Musahars in their settlement in one of their huts and underwent all the sufferings like any other member of Musahar community. She has been living with them and serving them (especially their women) since then through her institution called Nari Gunjan.

Currently, Nari Gunjan works with thousands of Musahar women by providing----

1. Two fully residential Girls' schools for Musahar Community serving 255 girls.
2. 45 centers (Kishori Kendras) - for supplementary education for Musahar Community girls and boys
3. 17 young children centers (Anand Shiksha Kendra) - which act as play school cum nutritional centers for Musahar children.
4. Totally serving 3000 Musahar adolescent youth (mostly girls) and children through these interventions.

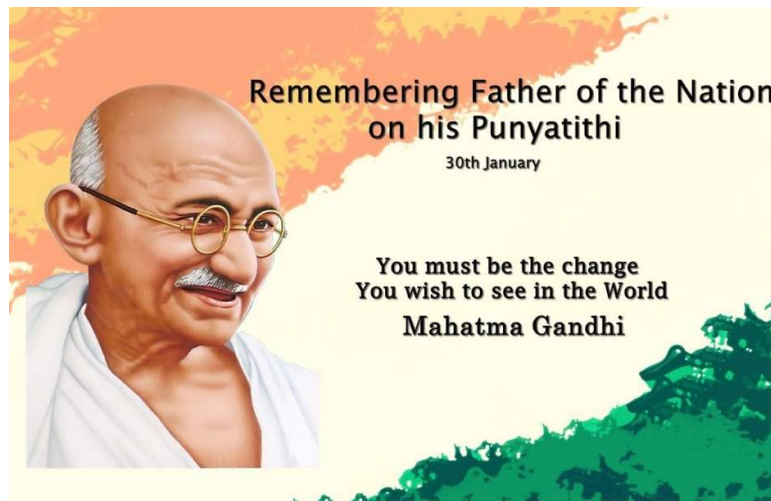
5. Women Empowerment of over 5000 Musahar women by creation of Self Help Groups to promote alternative livelihood like collective farming (on leased land), Poultry, goatry as well as to fight against atrocities.

She was awarded Padma Shri by the then President A P J Abdul Kalam in 2006 for her extraordinary services to the musahar community. In 2012, she was also appointed as Vice Chairperson of The Minority Commission, Govt of Bihar, for 3 years.

But awards have never been Sudhaji's motivation. In her own words,

"When I look back over the 36 years that I have lived and worked with the Musahar community, it has been the best reward of my life. It has been a long journey, outside and within, of more than 55 years, it is nothing less than active, adventurous, risky (I was called a Naxalite by the landlords), fearless, and never tiring. It also has been arduous and full of obstacles. I have died several deaths during this journey. But always came alive. Deep in my heart I know the outcast poor need my life, my service and above all my love."

When she can do all these all alone, can we atleast begin in this direction in the New Year- whatever we can.....



This Tax Chat is prepared only for information of our clients and colleagues in the office. In this Tax Chat an attempt has been made to summarize various changes / development in Direct Tax Law during previous months.

The information is of a general nature and is not intended to address specific facts and circumstances. Specific guidance may be obtained before acting on the same.

If you need full text of circular, notification, press release, etc., we will be happy to provide the same on hearing from you. We have compiled the information from Taxmann and Taxsutra websites and mails.

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