

# TAX CHAT - Updates



Monthly Newsletter from SSJCO

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Dear Madam / Sir,

Namaste!

50 days of the new year has passed and it seems things are settling down and we are reaching new normalcy. Let's all of us work together with more enthusiasm, so that we can recoup the loss incurred in this period of two years. We have learnt many things in these period and lets do our best with sharpen skill in the coming days.

Hon'ble Finance Minister presented the Budget 2022 including Finance Bill 2022 on 1<sup>st</sup> February, 2022. There are more than 80 amendments proposed under the Income Tax Act, 1961 and some of them are substantive. We have discussed the same in our Study Note "The Finance Bill 2022 - Ek Samiksha" which has been circulated earlier. We only want to emphasis that it is always good to have consistency in tax policies and the Hon'ble FM again deserves a round of applause for not tinkling with rates of taxes in Finance Bill, 2022.

In this February 2022 edition of Tax Chat, we are attempting to summarize the direct tax updates in this month. As the year end is approaching, in the simple language Rishabh has provided a Note on "Best Options for Saving Taxes before Financial Year Ends".

Trust you will find this edition useful.

Happy Reading!

Stay Safe, Connected & Updated

With Regards,

Team - S S Jhunjunwala & Co



**Contents:**

Circulars, Notifications and  
Others under Income Tax ... 02 - 08

**Article:**

Best Options for Saving Taxes  
before Financial Year Ends ... 09 - 11

Action Points for the Month  
of March, 2022 ... 12

Story of the Month ... 12



**Happy Mahashivratri**

**Circulars, Notifications and Others:**

*(Compiled by: Ms Sonakshi Jhunjhunwala)*

**1. In view of Covid- 19 surge, the Supreme Court extends limitation for filing of cases in Courts and Tribunals: Cognizance For Extension of Limitation, dated 10th January, 2022:**

Taking Suo Motu cognizance of the difficulties faced by the people in filing petitions/applications/suits/appeals/all other quasi proceedings within the period of limitation prescribed under the general law of limitation or under any special laws due to the outbreak of the COVID-19 pandemic, the Supreme Court has given the following directions:

(1) The period from 15-3-2020 till 28-2-2022 shall stand excluded for the purposes of limitation as may be prescribed under any general or special laws in respect of all judicial or quasi-judicial proceedings.

(2) Where the limitation would have expired during the period between 15-3-2020 till 28-2-2022, notwithstanding the actual balance period of limitation remaining, all persons shall have a limitation period of 90 days from 1-3-2022. In the event the actual balance period of limitation remaining, with effect from 1-3-2022 is greater than 90 days, that longer period shall apply.

(3) The period from 15-3-2020 till 28-2-2022 shall also stand excluded in computing the periods prescribed under sections 23(4) and 29A of the Arbitration and Conciliation Act, 1996, Section 12A of the Commercial Courts Act, 2015 and provisos (b) and (c) of Section 138 of the Negotiable Instruments Act, 1881 and any other laws, which prescribe period(s) of limitation for

instituting proceedings, outer limits (within which the court or tribunal can condone delay) and termination of proceedings.

**2. UAE announces corporate income tax at 9%, effective from June 2023: Announcement dated 31st January, 2022:**

The Federal Tax Authority of UAE announces that federal corporate tax on business profits will be introduced for financial years starting on or after June 1, 2023. It specifies that taxable profits upto AED 375,000 shall be taxable at 0% to support small businesses and start-ups whereas profits exceeding AED 375,000 shall be taxed at 9%. It further states that corporate tax will be payable on the profits of UAE businesses as per their financial statements prepared in accordance with internationally acceptable accounting standards, with minimal exceptions and adjustment.

It clarifies that no corporate tax will apply on personal income from employment, real estate and other investments, or on any other income earned by individuals that does not arise from a business or other form of commercial activity licensed or otherwise permitted to be undertaken in the UAE.

It provides that business of extraction of natural resources is excluded from levy of corporate tax, which is subject to Emirate level corporate taxation. The Announcement further clarifies that no advance tax payments would be required to be made.

Transfer pricing and documentation requirements will apply to UAE businesses with reference to the OECD Transfer Pricing Guidelines.

**3. CBDT extends last date for updating UDINs to Apr 30: ICAI's UDIN Directorate: Dated 31st January, 2022**

UDIN Directorate of the Institute of Chartered Accountants of India reports that the last date for updating Unique Document Identification Number (UDIN) for all the IT forms at the e-filing portal has been further extended to 30<sup>th</sup> April, 2022 by CBDT.

**4. Finance Bill 2022: on 1st February, 2022:**

The Hon'ble Finance Minister presented the Finance Bill 2022 in paperless form before the Parliament on 1<sup>st</sup> February, 2022.

The Finance Bill 2022 has proposed various amendments to the Income Tax Act, 1961. It has over 80 clauses proposing to amend the various provisions of the Income-tax Act.

Some of the amendments proposed are as under:

- a. Introduction of new provision for updating return upon payment of additional tax within 2 years from the end of relevant Assessment Year.
- b. MAT rate for co-operative societies reduced from 18.5% to 15%.
- c. Reduction in surcharge on cooperatives in respect of total income between Rs.1 Cr and Rs.10 Cr. from 12% to 7%.
- d. Extension of deadline for setting up startup for availing tax benefits extended by one year.
- e. Concessional tax regime u/s 115BAB for new manufacturing companies extended by one year.
- f. Introduction of specific tax regime for taxing Virtual Digital Assets.
- g. Gains from transfer of Virtual Digital Assets to be taxed @ 30%. No deduction other than cost of acquisition allowable while computing gains.
- h. Loss on sale of virtual digital assets not allowed to be set off.
- i. Gift of virtual digital assets taxable in hands of recipient.
- j. Litigation management system to be introduced to avoid repetitive appeals involving identical issues. Revenue shall defer from filing appeals against an Assessee until the substantial question of law is decided by the jurisdictional High Court or the Supreme Court.
- k. Income of a non-resident from offshore derivative instruments, or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC shall be exempt from tax, subject to specified conditions.
- l. Cap on surcharge for AOPs at 15%.

- m. Cap on surcharge on LTCG and STCG on sale of all classes of assets at 15%.
- n. Clarification that surcharge or cess is not an allowable business expenditure.
- o. No set off of losses allowed against undisclosed income or suppressed sales detected during search operations.
- p. Increase in the limit for employer's contribution to PF/NPS from 10% to 14% for state govt employees as well.
- q. Deduction of payment of lumpsum / annuity amount proposed to be allowed to the differently abled dependent during the life time of parents and guardian, where the age of such parent / guardian are senior citizens.
- r. Inapplicability of concessional rate of tax on dividend received from foreign companies.
- s. TDS on 'higher of consideration or stamp duty value' over transfer of immovable property.
- t. Grant of revisionary powers under Sec 263 to Principal Chief Commissioner or the Chief Commissioner or the Principal Commissioner or Commissioner qua transfer pricing orders passed by the TPO u/s 92CA.
- u. Dividend stripping and bonus stripping are to be extended to units of business trusts such as InvIT or REIT and AIFs.
- v. In the event of a business reorganisation, the assessment or other proceedings pending or completed on the predecessor shall be deemed to have been made on the successor.
- w. Section 194R for TDS at 10% on the value of benefit or perquisite covered u/s 28(iv) paid or likely to be paid by any person to a resident in excess of Rs.20,000/- during a financial year.

**5. Third State to be an OECD member to invoke MFN clause - CBDT issues clarification: Circular No. 3 of 2022, dated 3rd February, 2022:**

CBDT has received representations seeking clarity on the applicability of the MFN clause available in the Protocol to some of the DTAA's with OECD member States. Given the various decrees/bulletin/publication on interpretation of the MFN clauses, CBDT has issued certain clarifications on the applicability of the MFN clause.

CBDT has clarified that the third State has to be an OECD Member State on the date of the conclusion of DTAA with India to apply the MFN clause. CBDT has said that India has not issued any notification importing the benefit of treaties with Slovenia, Lithuania and Colombia to treaties with The Netherlands, France or the Swiss Confederation.

CBDT also clarified that where there is any decision by any court on the issue favourable to the taxpayer, this Circular will not affect the implementation of the court order in such case.

Please note that the Hon'ble Income Tax Appellate Tribunal, Pune in the case of GRI Renewable Industries S.L reported in TS-79-ITAT-2022(PUN) has held that CBDT Circular No. 3 of 2022 dated 3<sup>rd</sup> February, 2022 specifying the need for a separate notification for importing the beneficial treatment from another DTAA cannot have a retrospective effect. It observes that once DTAA is notified all its integral parts, including Protocol, get automatically notified and there remains no need to again notify the individual limbs of the DTAA. On analysis of the Circular, ITAT observes that, "it becomes ostensible that the CBDT has mandated the issuance of a separate notification for importing the benefits of a treaty with second State into the treaty with the first State" by relying on provisions of Section 90(1). Further observes that the Circular specifying the need for a separate notification for importing the beneficial treatment from another DTAA as a corollary of Section 90(1) overlooks the plain language of the provision in juxtaposition to the language of the Protocol, which treats the MFN clause an integral part of the DTAA. It opines that it is trite law that a CBDT Circular is binding on the AO and not on the assessee or the ITAT or other appellate authorities and the Circular transgressing the boundaries of section 90(1) cannot bind the ITAT. It observes that the Circular attaches a new disability of a separate notification for importing the benefits of a DTAA with the second State into the treaty with first State, thus, cannot operate retrospectively to the transactions taking place in any period prior to its issuance. The appeal before ITAT pertained to AY 2016-17 and involved invocation of MFN clause under the Protocol to India-Spain DTAA by resorting to India-Portugal DTAA for taxability of royalty/FTS at a lower rate or 10%.

**6. Thailand, Vietnam & Lesotho sign MLI: OECD Press Release Dated 9th February, 2022:**

Lesotho, Thailand and Vietnam signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the [Convention](#) or MLI), becoming the 97<sup>th</sup>, 98<sup>th</sup> and 99<sup>th</sup> jurisdiction to join the Convention, which now covers over 1800 bilateral tax treaties.

**7. CBDT sets up GAAR Secretariat for references u/s 144BA: Letter dated 11th February, 2022:**

The Approving Panel under GAAR provisions has been constituted by Department of Revenue's office Order No. 37 of 2022 dated 24<sup>th</sup> January, 2022. GAAR Secretariat has been set up at Delhi. All references to the Approving Panel under GAAR as per section 144BA of the Act need to be sent directly to the GAAR Secretariat at the following address:

Sh. Tarun Jarwal, Secretary, GAAR Secretariat, Room No. 337C, C.R. Building, I.P. Estate, New Delhi-110002, e-mail: [secy.approvingpanel@incometax.gov.in](mailto:secy.approvingpanel@incometax.gov.in)

Further, Government notifies first GAAR Panel under chairmanship of Justice Chander Shekhar (Retd. Judge, High Court of Delhi) with Prof. Nigam Nuggehalli, (Registrar, NLSIU Bangalore) and Mr. Rajat Bansal (Pr. Chief CIT) as its members.

The terms and conditions have been prescribed.

**8. More than 29.8 lakh major Tax Audit Reports (TARS) filed on E-Filing Portal of Income Tax Department: Press Release, dated 16<sup>th</sup> February, 2022:**

More than 29.8 lakh major Tax Audit Reports (TARs) have been filed on the e-Filing portal of the Income-tax Department as on 15th February, 2022. On the last day, over 4.14 lakh major Tax Audit Reports/forms have been filed.

Out of 29.8 lakh of the major statutory forms, over 2.65 lakh Form 3CA-3CD and around 24.5 lakh Form 3CB-3CD have been filed in FY 21-22. More than 2.71 lakh other Tax Audit Reports (Form 10B, 29B, 29C, 3CEB, 10CCB, 10 BB) have been filed till 15<sup>th</sup> February, 2022.

Further, more than 5.41 crore Income-tax Returns(ITRs) filed have been verified out of 6.26 crore ITRs filed for AY 2021-22. Of the verified ITRs, more

than 4.50 crore ITRs have been processed and 1.58 crore refunds for AY 2021-22 have been issued.

The Department expresses gratitude to all tax professionals and taxpayers for the support in compliances and requests the attention of taxpayers who are yet to accept the Tax Audit Report submitted by their CA to complete the process of submission.

**9. The Central Government hereby notifies following entity as eligible under section 10(46) of the Income Tax Act, 1961:**

<i>Sl. No</i>	<i>Name of the Entity</i>	<i>Notification No. and date</i>	<i>Period for which income is notified as exempt</i>
1	National Skill Development Corporation	Notification S.O. 294(E) [No. 10 /2022 F.NO.300196/21/2021-ITA-I], dated 21 <sup>st</sup> January, 2022	Notification shall be applicable with respect to the financial years 2021-2022, 2022-2023, 2023-2024, 2024-2025 and 2025-2026.
2	West Bengal Electricity Regulatory Commission, Kolkata (PAN: AAAGW0011J)	Notification S.O. [No. 357(E) 12/2022/F.NO. 300196/1/2022-ITA-I], DATED 27-1-2022	Notification shall be applicable for the financial years 2021-2022, 2022-2023, 2023-2024, 2024-2025 and 2025-2026

The terms and conditions have been prescribed.



**Happy International Women's Day  
Tussi great ho in all the roles**



# ARTICLE:

## Note on best options for saving taxes before financial year ends

(by CA Rishabh Adukia)

The financial year 2021-2022 is coming to an end. We hope you have already made some tax saving investments that would lower your tax outgo. Nevertheless, we have compiled this small note with most of the relevant tax deductible options given to us by the government. You can use it as a checklist to make sure that you have used all the different options that apply to you.

**Section 80 C** - This is the most popular tax saving option amongst investors. This section allows you to invest up to Rs 1.5 Lac tax free. There are many investment options available from which you can choose. You can invest in one or more of these options but the total amount across all the sections cannot exceed more than 1.5 Lakhs.



The various options that you can invest in under this section are -

1. ELSS - Equity linked Savings scheme
2. Public Provident Fund
3. Unit Linked Insurance Plan for self, spouse and children
4. National Savings Certificate Scheme (through post office)
5. 5 Year term deposit with a bank under a notified scheme or post office
6. Sukanya Samridhi account in the name of daughter (max 2 children)

Our only suggestion regarding this would be to choose your option wisely considering potential for risk, returns, lock-in period and your investment horizon.

## **National Pension System (NPS)**

The National Pension Scheme is a social security initiative by the Central Government. This pension programme is open to employees from the public, private and even the unorganised sectors except those from the armed forces.

The scheme encourages people to invest in a pension account at regular intervals during the course of their employment. After retirement, the subscribers can take out a certain percentage of the corpus. As an NPS account holder, you will receive the remaining amount as a monthly pension post your retirement.

Earlier, the NPS scheme covered only the Central Government employees. Now, however, the PFRDA has made it open to all Indian citizens on a voluntary basis. NPS scheme holds immense value for anyone who works in the private sector and requires a regular pension after retirement. The scheme is portable across jobs and locations, with tax benefits under Section 80C and Section 80CCD.

## **Insurance**

**Section 80 D** - This section allows you to pay up to Rs 55,000 as insurance premiums without having to pay any tax on that income. You can even pay this amount for super top ups or critical illness add-ons. Here are some rules that you should know -

You can avail this deduction for self, spouse or children -

1. You can claim upto 25,000 if you are under 60 years
2. You can claim upto 30,000 if you are over 60 years

Additional deductions when buying for parents -

1. You can claim upto 25,000 if parents are under 60 years
2. You can claim upto 30,000 if parents are over 60 years

## **Education**

**Section 80 E** - This deduction is only applicable for individuals. If you have taken an education loan, then you can avail this tax deduction against the interest paid on the loan amount. This section does not have an upper limit on the amount you can claim and is applicable on loans taken for education in both India and abroad. The deduction is only applicable to the interest part of the loan and not the principal part

of the loan. The loan must be taken from a financial institution or charitable foundation. Loans taken from relatives and friends are not allowed. You can claim this deduction for a maximum of 8 years.

### **Home Loan**

**Section 80 EE** - This section allows you to save taxes on the interest that you would pay against a home loan. It is only applicable to individuals and you can avail a tax benefit of up to Rs 50,000. Some conditions that you need to meet in order to avail this loan are -

1. Value of the house should be 50 Lakh or less
2. Loan amount should be 35 Lakh or less
3. The loan must be sanctioned by a financial institution
4. You must not own any other property at the time of taking the loan

### **Donations**

**Section 80 G** - This section allows you to make donations to charitable organizations tax free. The scheme is applicable for only a selected few charitable organizations and the donation cannot be made in cash or kind (food, clothes etc.). Depending on the organization you choose, you can get a deduction of 50-100% of your donation amount.

*In case you have opted for new regime of tax u/s 115BAC of the Income Tax Act, 1961, you will not be eligible for these deductions.*

Hope you find this note helpful.

(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 March 2022:

<b>7<sup>th</sup> March</b>	Deposit of Tax deducted/collected for the month of February 2022.
<b>15<sup>th</sup> March</b>	Advance Tax Final Installment for F.Y. 2021-22 (A.Y. 2022-23)
<b>15<sup>th</sup> March (as extended)</b>	Furnishing of Return of Income of Audit Cases including assessee's to whom Transfer Pricing Report is applicable. Also, partners of the firm to whom the Audit is applicable.
<b>31<sup>st</sup> March (as extended)</b>	Furnishing revised / belated return of income.
<b>31<sup>st</sup> March (as extended)</b>	Filing Application for reregistration u/s 12A / 12AB and revalidation of certificate u/s 80G.

MCA again extends due date of filing Annual Return and Financial Statement: Notification dated 14<sup>th</sup> February, 2022:

Relaxation on levy of additional fees is given till 15<sup>th</sup> March, 2022 for filing of e-forms AOC-4M AOC-4 (CFS), AOC-4 XBRL, AOC-4 Non-XBRL and 31<sup>st</sup> March, 2022 for MGT-7 / MGT-7A for the financial year ended on 31<sup>st</sup> March, 2021

### ....STORY TO REMEMBER....

#### पतंग

एक बार अर्जुन ने कृष्ण से पूछा

माधव.. ये 'सफल जीवन' क्या होता है ?

कृष्ण अर्जुन को पतंग उड़ाने ले गए।

अर्जुन कृष्ण को ध्यान से पतंग उड़ाते देख रहा था.

थोड़ी देर बाद अर्जुन बोला-

माधव.. ये धागे की वजह से पतंग अपनी आजादी से और ऊपर की ओर नहीं जा पा रही है, क्या हम इसे तोड़ दें ? ये और ऊपर चली जाएगी।

कृष्ण ने धागा तोड़ दिया ..

पतंग थोड़ा सा और ऊपर गई और उसके बाद लहरा कर नीचे आयी और दूर अनजान जगह पर जा कर गिर गई...

तब कृष्ण ने अर्जुन को जीवन का दर्शन समझाया...

पार्थ.. 'जिंदगी में हम जिस ऊंचाई पर हैं..

हमें अक्सर लगता की कुछ चीजें, जिनसे हम बंधे हैं वे हमें और ऊपर जाने से रोक रही हैं; जैसे :

-घर

-परिवार

-अनुशासन

-माता-पिता

-गुरू-और

-समाज

और हम उनसे आजाद होना चाहते हैं...

वास्तव में यही वो धागे होते हैं - जो हमें उस ऊंचाई पर बना के रखते हैं..

इन धागों के बिना हम एक बार तो ऊपर जायेंगे परन्तु बाद में हमारा वो ही हश्र होगा, जो बिन धागे की पतंग का हुआ...'

अतः जीवन में यदि तुम ऊंचाइयों पर बने रहना चाहते हो तो, कभी भी इन धागों से रिश्ता मत तोड़ना.."

धागे और पतंग जैसे जुड़ाव के सफल संतुलन से मिली हुई ऊंचाई को ही 'सफल जीवन कहते हैं...!!

जय श्री कृष्णा

Success is liking yourself, liking what you do, and liking how you do it

- Maya Angelou

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.

**Compiled by:**

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