

TAX CHAT - Updates



Monthly Newsletter from SSJCO

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July 2021

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Dear Madam / Sir,

Namaste!

"We pray for our situation to change.

We forget that the situation was designed for us to change."

The message in this couplets is that lets not wait for changing of current situation rather accept it that the situation is there for us to change for betterment.

The New Income Tax portal 2.0 was launched on 07th June, 2021. In the beginning there was lot of issues and now day by day the issues are being sorted out, still there are issues. The department is trying to rectify the same on daily basis. It has conducted three webinars of one hour each, wherein they have briefed about the functioning of new portal and have also requested everyone to revert to them with their queries and they have assured that they will contact and resolve the issue.

In this July 21 edition of Tax Chat, along with the regular features, we have included an interesting article published in Free Press Journal on "Nominee in the Shares of a Co-op Society is not the owner.....". We recommend everyone to please go through the same.

As always Rishabh has contributed an article titled as 'Why should you buy Term Insurance without return of premium'.

Trust you will find the same useful.

Happy Reading!

With Regards,

Team - S S Jhunjunwala & Co

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Happy Independence Day

Circulars, Notifications and Others:

(Compiled by: Ms Sonakshi Jhunjhunwala)

- 1. Section 274 of the Income-Tax Act, 1961, read with Para 2(XI) of National Faceless Penalty Scheme, 2021: Penalty: Procedure for: Designated Portal for Faceless Penalty: Order No. F. No. CIT (NaFAC)-1/2021-22/204, dated 29th June, 2021:**

I am directed to hereby designate the web portal www.incometax.gov.in as the "designated portal" for the purpose of Faceless Penalty in terms of sub-para (xi) of Para 2 of National Faceless Penalty Scheme, 2021 (Notification No. 2 of 2021).

This issues with the approval of the Principal Chief Commissioner of Income-tax (National Faceless Assessment Centre), New Delhi.

- 2. CBDT issues guidelines to clarify provisions related to TDS u/s 194Q on purchase of goods: Circular 13 of 2021, dated 30th June, 2021:**

The Finance Act, 2021, has inserted a new Section 194Q in the Act with effect from 01-07-2021. This section requires deduction of tax at source by a buyer who is responsible for paying any sum to any resident seller for purchase of any goods of the value or aggregate of value exceeding Rs. 50 lakhs in any previous year. This Section empowers the CBDT (with the approval of the Central Government) to issue guidelines for the purpose of removing

difficulties faced by the taxpayer while complying provisions of section 194Q of the Act.

In exercise of such power, the board has issued following clarifications:

- a) Threshold limit of Rs. 50 lakhs is to be computed from 01-04-2021;
- b) Where tax is required to be deducted at the time of credit of amount in the account of seller and in terms of the agreement or contract between the buyer and the seller, the component of GST comprised in the amount payable to the seller is indicated separately, tax shall be deducted on the amount credited without including such GST;
- c) Where tax is deducted on payment basis because the payment is earlier than the credit, the tax would be deducted on the whole amount;
- d) In case of purchase return, if money is refunded by the seller then the tax deducted may be adjusted against the next purchase against the same seller. However, if seller replaced the goods, no adjustment is required;
- e) A non-resident, whose purchase of goods is not effectively connected with the permanent establishment in India, is not required to deduct tax at source;
- f) No tax is required to be deducted where seller is a person who is exempt from income tax under the Income-tax Act or any other Act passed by the parliament. Similarly, no tax is required to be collected under Section 206C(1H) of the Act, where buyer is a person who is exempt from income tax under the Income-tax Act or any other Act passed by the parliament;
- g) Tax is required to be deducted on advance payment made by the buyer to the seller;
- h) If a transaction is covered both within the purview of Section 194-O of the Act as well as Section 194Q of the Act, tax is required to be deducted under section 194-O of the Act and not under section 194Q of the Act;
- i) If a transaction is covered both within the purview of section 194-O of the Act as well as Section 206C(1H) of the Act, tax is required to be deducted under section 194-O of the Act.

3. Central Government notifies amendment to the Tribunal, Appellate Tribunal and other Authorities Rules, 2020: G.S.R. 458(E), dated 30th June, 2021:

In exercise of the powers conferred by section 184 of the Finance Act, 2017, the Central Government has amended the Tribunal, Appellate Tribunal, and other Authorities (Qualifications, Experience and other Conditions of Service of Members) Rules, 2020.

Rule 15 has been substituted by the Government and new limit for availing the benefit of House Rent Allowance (HRA) has been prescribed.

With effect from 01-01-2021, the Chairman, Chairperson, President, Vice Chairman, Vice-Chairperson, or Vice President shall have the option to avail of accommodation to be provided by Central Government or entitled to House Rent Allowance (HRA) subject to a limit of Rs. 1,50,000 per month.



The Presiding Offices and Members shall have the option to avail of accommodation to be provided by Central Government or entitled to HRA subject to a limit of Rs. 1,25,000/- per month. Erstwhile Rule 15 had provided that members shall be entitled to HRA at the same rate that was admissible to a Government of India officer holding Group 'A' post carrying the same pay.

4. CBDT notifies Rule 8AB for computation of sum attributable to capital asset u/s 48(iii): Notification No. 76/2021, dated 02-07-2021 and Circular No. 14 of 2021, dated 2nd July, 2021:

Finance Act, 2021 inserted a new Section 9B in the Act which provides that whenever a partner or member (Specified person) receives any capital asset or stock in trade or both from a firm/AOP/BOI (Specified entity), during the previous year, in connection with the dissolution or reconstitution of such specified entity, then it shall be deemed that the specified entity have transferred such capital asset or stock in trade or both, as the case may be, to

the specified person. Further, Section 45(4) of the Act was substituted to provide that where a specified person receives any money or capital asset or both from a specified entity, during the previous year, in connection with the reconstitution of such specified entity, then any profits or gains arising from such receipt by the specified person shall be chargeable to income-tax as income of the specified entity under the head "Capital gains".

Consequently, Section 48 of the Act was amended to provide that the amount chargeable to income-tax as income of such specified entity under Section 45(4) of the Act, which is attributable to the capital asset being transferred by the specified entity, shall be reduced from the full value of consideration while computing capital gains.

The CBDT was empowered to specify the manner in which such computation is to be made. In exercise of such power CBDT has inserted Rule 8AB which provides that where the amount is chargeable to income-tax as income of specified entity under Section 45(4) of the Act, the specified entity shall attribute such amount to capital asset remaining with it in the following manner:

(a) Where the amount chargeable to tax under Section 45(4) of the Act, relates to revaluation of any capital asset or valuation of self-generated asset or self-generated goodwill, of the specified entity, the amount attributable to the capital asset remaining with it shall be the amount which bears to the amount charged under Section 45(4) of the Act in the same proportion as the increase in, or recognition of, value of that asset because of revaluation or valuation bears to the aggregate of increase in, or recognition of, value of all assets because of the revaluation or valuation; or

(b) Where the amount chargeable to tax under Section 45(4) of the Act, does not relate to revaluation of any capital asset or valuation of self-generated asset or self-generated goodwill, of the specified entity, or relate only to the capital asset received by the specified person from it, the amount charged to tax under Section 45(4) of the Act shall not be attributed to any capital asset for the purposes of Section 48(iii) of the Act.

Further, the CBDT has also clarified that the Rule 8AB is also applicable to the capital assets forming part of block of assets. The specified entity is required to furnish the details of amount attributed to capital asset remaining with the specified entity in Form No. 5C.

5. India joins OECD/G20 Inclusive Framework tax deal: Press Release dated 2nd July, 2021:

Majority of the members OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (including India) adopted yesterday a high-level statement containing an outline of a consensus solution to address the tax challenges arising from the digitalization of the economy. The proposed solution consists of two components- Pillar One which is about reallocation of additional share of profit to the market jurisdictions and Pillar Two consisting of minimum tax and subject to tax rules. Some significant issues including share of profit allocation and scope of subject to tax rules, remain open and need to be addressed. Further, the technical details of the proposal will be worked out in the coming months and a consensus agreement is expected by October. The principles underlying the solution vindicates India's stand for a greater share of profits for the markets, consideration of demand side factors in profit allocation, the need to seriously address the issue of cross border profit shifting and need for subject to tax rule to stop treaty shopping. India is in favour of a consensus solution which is simple to implement and simple to comply. At the same time, the solution should result in allocation of meaningful and sustainable revenue to market jurisdictions, particularly for developing and emerging economies. India will continue to be constructively engaged for reaching a consensus based ready to implement solution with Pillar one and Pillar two as a package by October and contribute positively for the advancement of the international tax agenda.

6. Processing of Returns with Refund claims under Section 143(1) beyond prescribed time limits in non-scrutiny cases: Order F. NO. 225/98/2020IITA-II, dated 5th July, 2021:

CBDT had earlier issued instructions/orders u/s 119 of the Act from time to time relaxing the prescribed statutory time limit upto 30th October, 2020 for processing of validly filed returns with refund claims in non-scrutiny cases for various assessment years up to the assessment year 2017-18.

The matter has been re-considered by Board in view of pending taxpayers' grievances related to issue of refund. The CBDT hereby relaxes the time-frame prescribed in second proviso to section 143(1) of the Act and directs that all validly filed returns up to assessment year 2017-18 with refund claims, which could not be processed under section 143(1) of the Act and which have become time-barred, subject to the exceptions mentioned in para below, can be processed now with prior administrative approval of Pr. CCIT/CCIT

concerned. The intimation of such processing under sub-section (1) of section 143 of the Act can be sent to the assessee concerned by 30-9-2021. All subsequent effects under the Act including issue of refund shall also follow as per the prescribed procedures.

The above relaxation will not apply to the following:

- a) returns selected in scrutiny;
- b) returns remain unprocessed, where either demand is shown as payable in the return or is likely to arise after processing it;
- c) returns remain unprocessed for any reason attributable to the assessee.

7. Global Tax Deal May Challenge Singapore's Investment Lure: Wong; Bloomberg Tax, Daily Tax Report dated 5th July, 2021 (through Taxsutra)::

A potential global agreement on taxes may make it harder for Singapore to attract investment, meaning the city-state will need to work "even harder" to attract and retain investments via non-tax factors, Minister of Finance Lawrence Wong said in Parliament Monday.



Happy Muharram

Mr. Wong was referring to an OECD-sponsored agreement in the works to set a global minimum corporate tax rate and a new regime for sharing the taxes on the profits of multinational firms.

8. Finance ministry begins an independent survey on faceless scheme: Business Standard dated 7th July, 2021:

The finance ministry has initiated a time-bound internal survey of the ongoing faceless assessment regime to examine its effectiveness and implications both on the tax department and taxpayers. The survey will focus on various features of the scheme, including video conferencing, which is a bone of contention for taxpayers. The final report of the survey is expected to be submitted in August.

Sources said that the findings of the survey will be crucial as it will cover the impact. It may also suggest some changes that could fix certain ambiguities of the scheme.

9. CBDT notifies rule for computation of capital gain and WDV u/s 50 if depreciation was claimed on goodwill: Notification No. 77 of 2021, dated 7th July, 2021:

The Finance Act, 2021, has amended the various provisions of the Income-tax Act, 1961, to prohibit the deduction for depreciation on goodwill. Section 2(11), which defines the term “block of assets” was amended to remove the goodwill of business or profession from the ambit of a block of asset.

The CBDT was empowered to specify the manner in which the written down value (WDV) and capital gains are to be computed where goodwill forms part of a block of assets. In the exercise of such powers, CBDT has inserted a new Rule 8AC to the Income-tax Rules, 1962. This Rule provides that where the goodwill of the business or profession was the only asset or one of the assets in the block of asset “intangible” for which the assessee obtained depreciation in the assessment year beginning on 01-04-2020, the WDV of this block of an asset for the previous year relevant to the assessment year commencing on 01-04-2021 shall be determined in the following steps:

Step 1: Determine the Opening WDV of a block of assets as on 01-04-2020;

Step 2: Add the Actual cost of the asset (other than goodwill) acquired during the previous year;

Step 3: Reduce the money payable in respect of any asset, sold, destroyed, discarded, or demolished during the previous year together with the scrap value, if any;

Step 4: Reduce the WDV of the assets, transferred under ‘slump sale’ falling under that block; and

Step 5: Reduce the Actual cost of goodwill after reducing depreciation allowed, falling within the block.

Further, Rule also provides that if the actual cost of goodwill after reducing depreciation (amount calculated at Step 5) exceeds the aggregate of opening WDV and the actual cost of asset acquired during the year, such excess shall be

deemed to be the capital gains arising from the transfer of short-term capital assets.

Furthermore, it also provides that if goodwill of the business or profession was the only asset in the block of asset for which assessee had obtained depreciation in the assessment year 2020-21, and the block of asset ceases to exist on account of there being no further asset



Happy Raksha Bandhan

acquired during the assessment year 2021-22 in that block, there will not be any capital gains or loss on account of the block of asset having ceased to exist.

10. Oman: Country-by-country reporting is suspended, dated 7th July, 2021 (through Taxsutra):

The tax authority of Oman on 7 July 2021 announced the suspension of the requirement to file a country-by-country (CbC) report, until further notice.

Previously, a CbC report for the reporting period 1 January 2020 through 31 December 2020 (the reporting fiscal year 2020) was due to be filed in Oman by certain multinational enterprises (MNEs) before the end of the current calendar year (that is, on or before 31 December 2021). It is this specific requirement that has been suspended until further notice.

However, the CbC notification requirement for reporting fiscal year 2021 continues to remain applicable.

11. Exemptions: Statutory Authority / Body / Commission: Notified Body or Authority: Section 10(46) of the Income Tax Act, 1961:

The Central Government hereby notifies following entities 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)	(2)	(3)	(4)
1	Competition Commission of India (CCI)	Notification No. 72 of 2021 dated 9 th June, 2021	Notification shall be applicable to the financial years 2021-2022,

			2022-2023, 2023-2024, 2024-2025, and 2025-2026
2	Haryana Building and Other Construction Workers Welfare Board' (PAN AAATH6995H)	Notification No. 78/2021/F.No.300196/5/2018-ITA-I dated 9 th July, 2021	Notification shall be deemed to have been applied from 01-06-2020 to 31-03-2021 in the financial year 2020-2021 and shall apply from the financial years 2021-2022, 2022-2023, 2023-2024 and 2024-2025
3	'Himachal Pradesh Computerization of Police Society', (PAN AABAH0360G)	Notification S.O. 2827(E) [No. 81/2021 /F. No. 300196/40/2018-ITA-I], dated 14 th July, 2021	Notification shall be deemed to have been applied for the financial years 2018-19, 2019-20 and 2020-21 and shall apply with respect to the financial years 2021-22 and 2022-23

The terms and conditions have been prescribed.

12. M/s Patanjali Research Foundation Trust, Haridwar (PAN:- AABTP8183E) under the category "Research Association" for Scientific Research for the purposes of clauses (ii) of sub-section (1) of section 35 of the Income-tax Act, 1961 read: Notification No. 79/2021/F. No. 203/09/2020-ITA-II] dated 12th July, 2021

The Central Government hereby notifies following entities as eligible under section 35(1)(ii) 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)	(2)	(3)	(4)
I	M/s. Patanjali Research Foundation Trust, Haridwar (PAN:- AABTP8183E)	Notification No. 79/2021/F. No. 203/09/2020-ITA-II dated 12 th July, 2021	From the Previous Year 2021-2022 and accordingly shall be applicable for Assessment Year(s) 2022-23 to 2027-28.

The terms and conditions have been prescribed.

13. Finance Minister Smt. Nirmala Sitharaman attends Third G20 Finance Ministers and Central Bank Governors Meeting: Press Release Posted on 10th July, 2021:

Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman participated virtually in the Third G20 Finance Ministers and Central Bank Governors (FMCBG) Meeting under the Italian Presidency. The two-day meeting held on July 9th and 10th, 2021 saw discussions on a wide range of issues including global economic risks and health challenges, policies for recovery from the CoVID-19 pandemic, international taxation, sustainable finance and financial sector issues.

Regarding the “Statement on a two-pillar solution to address the tax challenges arising from the digitalisation of the economy” released by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS-IF) on July 1st, the G20 Finance Ministers called on the OECD/G20 BEPS-IF to swiftly address the remaining issues. Smt. Sitharaman suggested that further work needs to be done to ensure a fairer, sustainable and inclusive tax system which results in meaningful revenue for developing countries.

14. Qatar extends transfer pricing filing deadline to 30 September: Decision No. 8 of 2021 dated 17th June, 2021 (through Taxсутra):

The General Tax Authority in Qatar has extended until 30 September the deadline for the filing of master files and local files for the fiscal year ending 31 December 2020, through Decision No (8) of 2021 issued on 17 June.

Obligations for fiscal year ended 31 December 2020:

Qatar had issued transfer pricing regulations that are effective from 01 January 2020. Under Article (8) of Decision No 4 of 2020, resident entities and permanent establishments of non-resident entities in Qatar must submit transfer pricing documentation in the form of master file and local file if they undertake cross-border related party transactions and have a turnover or total assets of more than Qatari Riyal 50,000,000 (approximately USD 14 million) in the financial year.

The deadline for filing the documentation is six months following the end of the fiscal year, with the first filing obligation set at 30 June 2021.

The extension issued on 17 June is an exception to the provisions of Article (8) and will provide taxpayers with more time to collect and collate their documentation.

However, there has been no change with regards to the filing of the disclosure form, which should have been submitted on the same day as the corporate annual income tax return, i.e., 30 April 2021.

The objective of the master file is to provide the General Tax Authority with high-level information regarding the global business operations and transfer pricing policies of a taxpayer. The local file, on the other hand, is designed to provide detailed transactional information within a certain jurisdiction.

The General Tax Authority requires taxpayers to articulate consistent transfer pricing positions, so that it can effectively identify and evaluate transfer pricing risks of taxpayers and transactions.

15. Press Release on announcement of exemptions, extension of due dates in the wake of COVID-19: Press Release dated 19th July, 2021

Ministry of Finance issues a comprehensive press release on measures taken to tackle the pandemic. Shri Pankaj Chaudhary, Minister of State for Finance, made a written reply to the question raised in Lok Sabha about the income tax exemption, announced earlier, to be provided to taxpayers in the wake of COVID-19 crisis for FY 2019-20 and subsequent years.

The Minister stated that Income-tax exemption shall be provided to the amount received by a taxpayer for medical treatment from an employer or from any person for treatment of COVID-19 during financial year 2019-20 and subsequent years.

The Minister further stated that the aim of this exemption is to provide relief to taxpayers who suffered on account of COVID-19 and had to incur sum for medical treatment of COVID-19 after taking help from employer or any person. It is the stated policy of the Government to discourage cash transactions and move towards less cash economy. Hence, there is no proposal to increase the limit of cash transactions permissible under various provisions of the Income-tax Act, 1961, the Minister stated.

Giving more details, the Minister said that in order to provide relief to the family members of taxpayers who have lost their lives due to COVID-19, the Government has decided that income-tax exemption shall be provided to ex-

gratia payment received by family members of a person from the employer of such person or from other person on the death of the person on account of COVID-19 during FY 2019-20 and subsequent years.

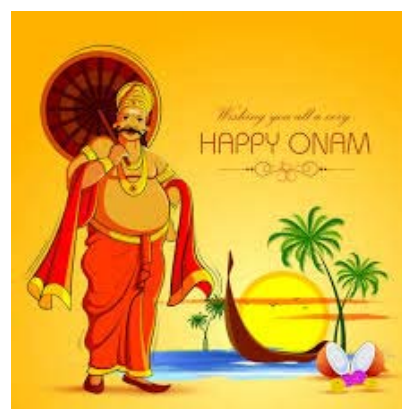
The exemption shall be allowed without any limit for the amount received from the employer and the exemption shall be limited to Rs. 10 lakh in aggregate for the amount received from any other persons, the Minister stated.

The Minister further said that the Government has extended various key tax compliance deadlines due to impact of COVID-19 pandemic. He also presented a detailed Annexure giving particulars of extensions given.

16. CBDT grants further relaxation in electronic filing of Income Tax Forms 15CA/15CB: Press Release dated 20th July, 2021:

As per the Income-tax Act, 1961, there is a requirement to furnish Form 15CA/15CB electronically. Presently, taxpayers upload the Form 15CA, along with the Chartered Accountant Certificate in Form 15CB, wherever applicable, on the e-filing portal, before submitting the copy to the authorized dealer for any foreign remittance.

In view of the difficulties reported by taxpayers in electronic filing of Income Tax Forms 15CA/15CB on the portal www.incometax.gov.in, it had earlier been decided by CBDT that taxpayers could submit Forms 15CA/15CB in manual format to the authorized dealer till 15th July, 2021.



It has now been decided to extend the aforesaid date to 15th August, 2021. In view thereof, taxpayers can now submit the said Forms in manual format to the authorized dealers till 15th August, 2021. Authorized dealers are advised to accept such Forms till 15th August, 2021 for the purpose of foreign remittances. A facility will be provided on the new e-filing portal to upload these forms at a later date for the purpose of generation of the Document Identification Number.

17. Infosys admitted glitches in I-T portal, resolving them: Finance Ministry: Business Standard dated 20th July, 2021:

Infosys has acknowledged the technical issues in the new Income Tax portal and some of the initial glitches like slow functioning of the portal and non-availability of certain functionalities have been mitigated, Parliament was informed on Tuesday.

The portal www.incometax.gov.in had a bumpy start from the day of its launch on June 7 as taxpayers, tax professionals and other stakeholders reported glitches in its functioning.

This prompted Finance Minister Nirmala Sitharaman to call a meeting on June 22 with officials of Infosys -- who developed the portal-- to review the issues.

In a written reply to a question in the Rajya Sabha, Minister of State for Finance Pankaj Chaudhary said more than 700 e-mails detailing over 2,000 issues including 90 unique issues/problems in the portal were received from various stakeholders including Institute of Chartered Accountants of India (ICAI), tax professionals and taxpayers.

"Infosys has acknowledged the technical issues in the functioning of the portal and have informed that technical issues...are continuously being resolved. Some of the initial issues experienced by taxpayers regarding slowness of the portal, non-availability of certain functionalities or technical issues in functionalities have been mitigated," he said.

The Income Tax Department is taking corrective measures through Infosys based on feedback from stakeholders, the minister added.

18. New multinational tax allocation rules will 'overlay' transfer pricing rules, OECD official says: MNE Tax, dated 13th July, 2021 (through Taxutra):

The reallocation of a portion of profits of the largest multinationals under the OECD's international tax reform framework will move away from the transfer pricing rules traditionally used for allocating profits but "is in effect an overlay on" those rules, according to Grace Perez-Navarro, Deputy Director of the OECD's Centre for Tax Policy and Administration.

Speaking virtually at a July 13 Tax Policy Center event, Perez-Navarro explained that the new allocation rules recently endorsed by 130+ countries partially set aside the arm's length principle but do not abandon transfer

pricing rules completely. She noted that the new system builds on transfer pricing rules, with “Amount A” – the portion of in-scope businesses’ profits to be reallocated to market jurisdictions – applying to a percent of residual profits.

In this sense, Perez-Navarro stressed the importance of the tax certainty process, with respect both to Amount A and related transfer pricing disputes. Under the statement endorsing the new rules, dispute prevention and resolution mechanisms would be available for in-scope companies to avoid double taxation.

Perez-Navarro described these mechanisms as “very innovative.” She added that they will allow tax certainty for in-scope multinationals for issues related to Amount A and related issues, such as transfer pricing and business profit disputes. The mechanisms will be mandatory and binding.

Asked about whether the new rules would be just a first step towards more formulaic apportionment of profits, Perez-Navarro replied, “I sort of doubt it at this point.” However, she added that “this will obviously be a test of whether a formulaic approach can be used more widely ... starting with a limited number of very large companies.”

Only about 80 of the largest multinationals are expected to be in-scope and subject to the new allocation rules.

Regarding timing for implementing the new allocation rules, Perez-Navarro stated that the OECD plans to have an implementation plan – complete with model legislation and application guidance – finalized by October. A multilateral treaty to implement the allocation rules will not be ready until 2022. Implementation is planned to start in 2023.

19. Centre mulls Ordinance for past tax assessment as litigation mounts: Business Standard dated 21st July, 2021:

The government is exploring legal options, including bringing an Ordinance, to tackle the problem of income-tax litigation on reassessment notices under old, time-barred norms, according to official sources. This has come in the wake of writ petitions filed by companies and individuals in recent weeks to challenge the validity of the notices issued by the tax department between April 1 and June 30 and under the old norms.

They said the department's action was void and arbitrary because it could not extend the old provisions of the Act. More than a dozen assesseees have secured an interim stay.

20. CBDT signs Bilateral-APA with US for software development and marketing support activities: Taxsutra dated 22nd July, 2021:

CBDT signs Bilateral APA (BAPA) with US for software development and marketing support activities. This BAPA covers a period of 9 years and thereby provides predictability and certainty to the taxpayer as well as to the Government, on transfer pricing issues.

21. Minister of State Finance affirms India's stand on Global Minimum Tax in Lok Sabha, dated 26th July, 2021:

In response to questions on global minimum tax posed by Dr. T.R. Paarivendhar (MP, Lok Sabha), Minister of State Finance Shri Pankaj Chaudhary responded as under:

On 1st July, 2021 majority of the members of Organization for Economic Cooperation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (Inclusive Framework) (130 out of 139 member jurisdictions including India) adopted a high-level statement which includes continuing work for an agreement on a global minimum tax with a rate of at least 15% on a country-by-country basis.

The minimum corporate tax is intended to ensure that large and profitable multinational enterprises pay a certain minimum level of tax on their income. It is targeted primarily at low or no tax jurisdictions and seeks to curb unhealthy tax competition, profit shifting and treaty abuse.

The IF member jurisdictions have agreed to carry out further work so as to reach an agreement on a minimum corporate tax regime. India is actively participating in this work.

ARTICLE:

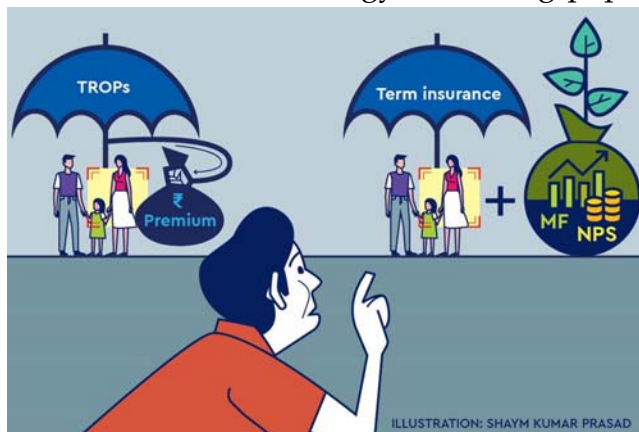
Why should you buy Term Insurance without return of premium?

(by: CA Rishabh Adukia)

The concept of term insurance has been picking awareness across people, given the wide marketing by insurance companies, agents and COVID acting as an catalyst for people to really think. People have started making a plan towards managing risk for their families in their absence. Gone are the days when people use to be hesitant to talk about death of loved ones and consider buying insurance.

Term Insurance as we all know is probably one of the most cost effective form of buying insurance and its a must have for every earning member in the family. It ensures that the lifestyle of the family is maintained in the absence of the earning member/insured. Its a mistake if you think term life insurance must only be bought after a certain age - mostly when you are flooded with responsibilities like dependent parents, wife, children, etc. A person needs to understand that buying a term plan is like taking a step forward towards fulfilling your responsibilities. A term life insurance policy is not just about the financial security of your dependents but is also about staying prepared in advance for any miss happening like your sudden demise. Buying a term life insurance plan at a young age like 25 comes with its own advantages!

With advent of technology and rising popularity of term insurance each insurance



company is coming with innovative products to grab the attention of masses trying to position their products as unique and the best amongst the industry. Amongst all of this, one such popular term insurance format is with return of premium. I.e. an insured can get back the amount of premium paid by him over the period of policy in case the person survives

the policy period and hence the amount of premium paid does not become a dead cost for the insured.

Despite their offer of returning the premium at the end of the plan period in Term Insurance with Return of Premium, it is NOT at all advisable to buy this product. Let us take an example to understand why it is so. If a person aged 30 years takes a Return On Premium for 25 years, he will pay Rs. 9,000 as premium per year and at then at the end of the plan the insurance company will return the total premium paid of Rs. 226,000. If it is a pure term insurance plan the premium will be Rs 2,800 per annum and at the end of the period he will get nothing.

	Age (Yrs)	Term (Yrs)	Sum assured (Rs)	Premium (Rs)	Maturity value (Rs)
Maturity value (Rs)	30	25	10,00,000	9,000	226,000
Pure Term Plan	30	25	10,00,000	2,800	Nil
Premium difference				6200	

Though, the sum of Rs226,000 looks attractive, let us examine closely. Let us say the person only takes a pure term plan and not a Return On Premium, in that case he saves Rs. 6,200 per annum and if he invests that money elsewhere he gets a much better return.

Amount invested per annum (Rs)	Tenure (Yrs)	Assumed rate of return (%)	Maturity value (Rs) (Yrs)
6,200	25	7	422,000
6,200	25	8	492,000
6,200	25	10	612,000

The person who opts for the above benefits both ways. In case he dies, the beneficiary will get the insured sum of Rs.10,00,000 and the proportionate returns from the investment in which Rs.6200 was invested regularly.

If he survives the term, he will get the above return based on his investment at 7% (Rs 4,22, 000) or 8% (Rs 4,92,000) or 10% (Rs 6,12,000).

Let us understand with the help of an example Mr. Roger aged 40 years take an insurance cover for 31 years. The sum assured is Rs.1 crore. The premium for return of premium insurance is Rs.55,954 per year and the premium for pure term insurance is Rs.33,957 per year.

Sum Assured	1,00,00,000
Tenure	31
Please enter the premium: Return of Premium Term Insurance	55,954
Please enter the premium: Pure Term Insurance	33,957
Investment amount (in RD/PPF/SIP)	21,997
At the rate, you are expecting for investment amount	7%

If Mr. X invests Rs.55,954 per year in return of premium insurance, at the end of the plan he would get the total premium paid Rs. 17,34,574 if he survives the policy term and Rs.1 crore in case of death.

If he invests Rs.33,957 per year in pure term insurance, at the end of the period he will get nothing if he survives the policy term and Rs.1 crore in case of death.

Like in the above example, if he only takes a pure term plan and not a Return On Premium, he saves Rs.21,997 per annum and if he invests that money elsewhere he gets a much better return.

What we suggest, is to go ahead and invest Rs.33,957 in a pure term insurance policy and the difference premium of Rs.21,997 (return of premium – pure term insurance, i.e.Rs.55,954- Rs.33,957) to be invested in any investment, of your choice.

What happens if he invests this way?

Investing the additional premium in	Equity MF	Hybrid MF	PPF
Premium	21,997	21,997	21,997
Assumed return	12%	10%	7%
Term	31	31	31
Future value	₹ 66,83,738	₹ 44,02,430	₹ 24,02,472
Less : Long term capital gain tax @ 10%	₹ 6,68,374	₹ 4,40,243	0
Net gain	₹ 60,15,364	₹ 39,62,187	₹ 24,02,472
Return of premium amount	17,34,574	17,34,574	17,34,574
Additional gain	₹ 42,80,790	₹ 22,27,613	₹ 6,67,898

If he invests in Equity MF or Hybrid MF or PPF. This is what happens. If he survives the term, he will get the above return based on his investment at 7% (Rs. 24,02,472) or 10% (Rs 39,62,187) or 12% (Rs 60,15,364).

Conclusion

The conclusions one may derive out of this article is that taking a 'Return of Premium Term Plan' is NOT at all advisable and to be strictly avoided. Invest in Pure Term Insurance Plans. Taking pure term insurance policies online is much cheaper than taking the term insurance plans offline or through agents.

To take the right critical illness insurance, health insurance, life insurance and other investments, preparing a fundamentally strong, fool proof financial plan is required.

(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)



Happy Krishna Janmashtami

Action Points under Income Tax Act, 1961

For the Month of August 2021:

7th August	TDS Payment for July 2021
15th August	Quarterly TDS certificate (other than salary) for the quarter ending June 30, 2021
31st August (as extended)	Application for renewal / re-approval of registration u/s 12A and certificate u/s 80G of the Act by a Charitable Trust / Society / Section 8 Companies

NOMINEE IN THE SHARES OF A CO-OP SOCIETY IS NOT THE OWNER - RECENT AMENDMENT TO THE MAHRASHTRA CO-OP. SOCIETIES ACT REAFFIRMS THE POSITION IN LAW

T. S TIJORIWALA

Background

The ongoing pandemic has had a devastating effect on the lives of every Indian, with many losing their loved ones a little too early and without any chances of saying goodbye. The impact which the pandemic shall have can only be assessed once the dust settles and it is likely to lead to a vast influx of litigation flooding our courts.

As the death toll increases with each passing day, unfortunate as it maybe, inevitably this may lead to an increase in succession and property related disputes posing issues of inheritance. While, the law of succession is more or less settled as a result of various judgments of the Supreme Court and the High Courts, the competing rights of the nominee and the legal heir have always been a matter of debate. This debate finds its way onto the aspects of the inheritance of bank accounts, fixed deposits and shares in a company. However, perhaps the most significant of all is the aspect of inheritance of immovable property, especially in cities such as Mumbai where real estate plays a major role in the economics of the city. This article attempts to provide a brief primer on the following aspect of the law:

A member of a co-operative housing society dies with a nom-

inee in place for his shares in the housing society but also has legal heirs other than the person he has nominated. In such a situation, who is entitled to the shares and therefore, in turn, the apartment or the flat?

What the Supreme Court held

After some initial conflicting judgments of various High Courts, the Supreme Court in 2016, in the landmark case of Indrani Wahi vs Registrar of Co-operative Society and others held that a co-operative society was bound by the nomination made by the deceased and that it was bound to transfer the shares to the nominee. However, transfer of shares in such a manner does not confer any right, title or interest over the property in favour of the nominee. The Supreme Court further held that it is always open to the legal heirs to pursue their case for succession or inheritance as per law.

Therefore, co-operative societies must transfer the shares in the name of the nominee on death of a member. This does not mean that the nominee becomes the owner of the property. The nominee merely holds the property in trust for the legal heirs. The legal heirs of the deceased can always approach the appropriate court to stake their claim to their share of the deceased's property including the

flat/apartment in question. Once they obtain the relevant order from the court, the legal heirs become the owners of the property and the society is bound to transfer the flat/apartment in their name.

Despite this clear position in law, several housing societies, once the shares were transferred to the nominee as a member, allowed the nominee to transfer the Flat without insisting on getting the no-objection from the other heirs, who may be otherwise entitled to the shares. Such societies freely gave their NOCs for sale of the flat to third parties.

The law in Maharashtra

The Maharashtra Co-operative Societies Act, 1960, which governs the law related to societies including housing societies in Maharashtra, earlier provided under section 30 that the society, 'shall' transfer the shares and the membership of the Society to the Nominee. As such, the nominee then became a regular member of the Society.

Amendment by an Ordinance

The Act has since been amended by way of an Ordinance in 2019 later enacted as a part of the law through an amendment in the same year. As per the newly introduced Section 154B-13 of the Maharashtra Co-operative Societies Act, 1960 (which overrides

section 30 mentioned above), a society can transfer the interest of a deceased member in the flat only when testamentary documents or succession certificate or heirship certificate or document of family arrangement has been produced by the legal heirs of the deceased member or person/s entitled to the flat.

The first proviso under this section further clarifies and clears the cloud of doubts that a nominee shall only be admitted as a provisional member in place of the deceased member till the time legal heirs or person/s entitled to the flat are admitted as member/s.

The concept of "provisional member" has been newly incorporated and the term has been defined under section 154B-1(18) as a person who is duly admitted as a member of a society temporarily after death of a member on the basis of nomination till the admission of legal heir/s as the member of the society in place of deceased member.

In light of the recent Maharashtra Co-operative Societies (Amendment) Act, 2019 the long-standing controversy of nomination vs. succession has been put to rest once and for all.

Therefore, now more than ever, correct estate planning is the need of the hour to ensure that properties are passed on smoothly as per the wishes and intentions of the deceased.



....STORY TO REMEMBER....

There are 7 puzzles which Buddha answered in his mystical way:

1) What is the SHARPEST thing in this world?

His people replied simultaneously: **The Sword**

Buddha answered:

The sharpest is the **human tongue**

because with the tongue, humans easily hurt the heart, hurt people's feelings, through slander etc ...

2) What is the MOST distant from us in this world?

Some replied : **Space, the moon, the sun**

Buddha answered:

The most distant is the **Past**.

Whoever we are, however rich we may be, we can NOT go back in time.

Therefore we must make good use of today & the days that will come.

3) What is BIGGEST thing in this world?

Someone replied:

Mountains, the Earth .. the Sun

Buddha answered:

The biggest thing in the world is Lust.

Many humans become wretched because they indulge their lusts.

All means are justified in order to realise the lusts of this world.

Therefore be careful with lust!

4) What is the HARDEST (and has the MOST WEIGHT) in this world ?

Someone replied:

Steel, iron .. elephant

Buddha answered:

The hardest is ... **a promise**

It's easy to say it but extremely hard to do it.

5) What is *LIGHTEST* thing in this world?

Someone replied:

Cotton, wind, dust, leaves

Buddha answered:

*The lightest thing in the world is humility, hence it is easy *to forget humility & to leave humility**

Look at the many people who are chasing after wealth and position .. they simply drop & leave humility.

6) What is *CLOSEST* to us in this world?

Someone replied:

Our parents, friends & relatives

Buddha answered:

*The closest to us is *DEATH**

because death is SURE and can happen any second.

7) Last question:

What's the easiest thing to do in this world?

They replied:

Eating, sleeping, hanging out

Buddha answered:

The easiest is to

SHARE THIS DHAMMA (message)

It will be a useful reflection for your friends who read it

Even non-Buddhists can use this knowledge and wisdom

May all living beings be joyful, peaceful & wise.

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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**पेट और पेट्रोल दोनों बढ़ रहे हैं
दोनों का एक ही इलाज...**

