PKC MANAGEMENT
CONSULTING

E-Invoice, TDS FTP

11-Nov-2024

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A. RECENT AMENDMENTS

1. Time Limit for raising E-Invoices (1/2)

Source:
Advisory dated 05th Nov 2024. Click here to access advisory

Changes:
All Taxpayers with Aggregate Annual Turnover of more than Rs. 5 Crores is required to raise an E-Invoice on the government portal apart from raising a Tax Invoice.

However, there has been no validation on the portal restricting when the E-Invoice can be raised. Eg: An Invoice dated 1st April 2024 can be reported on any date without restriction.

However, now a timeline of 30 days is being fixed to restrict raising E-Invoice on the government portal (that is, an invoice dated 1st April 2025, cannot be reported after 30th April 2025).

- For taxpayers with Aggregate Annual Turnover of more than Rs. 100 crore, the time limit is applicable for E-Invoices raised from 1st Nov 2024
- For taxpayers with Aggregate Annual Turnover between Rs. 10 crore and Rs. 100 crore, the time limit is applicable for E-Invoices raised from 1st April 2025
- For taxpayers with Aggregate Annual Turnover less than Rs. 10 crore, there is no time limit as of now

Pls note this time limit is applicable to all Invoice, Credit Notes, Debit Notes for which E-Invoice is required to be raised.

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A. RECENT AMENDMENTS

1. Time Limit for raising E-Invoices (2/2)

Pls note, that Aggregate Annual Turnover is the sum of turnovers of all GSTINs linked to the same PAN. If the turnover limit specified above is crossed in any Financial Year, then it may be applicable. However, the same is not clearly mentioned in the Advisory.

Consequence of Non-Raising of E-Invoice:

If E-Invoice is not raised for an invoice, then the invoice issued would be considered an invalid Invoice & the buyer would not be eligible to claim ITC on such invoice.

Also a penalty of Rs. 10,000 or tax amount whichever is higher is applicable for each invoice for which E-Invoice has not been raised. Further penalty of Rs. 25,000 may also be levied for issuing an incomplete invoice (Invoice without QR Code).

Hence it is advisable to ensure that Invoice is issued only with the QR Code affixed.

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A. RECENT AMENDMENTS

2. Changes in the TDS Rates

With effect from 1st October 2024, the following TDS Rates are revised:

1. TDS Rates for **all commission payments have been revised to 2%** from existing 5% (this includes commission on Insurance[194D], Lottery Tickets [194G], Other commissions [194H])

2. For few sections (like 194C, 194J, 194H, 194I), TDS needs to be deducted by Individuals/HUFs who are engaged in business or profession generating turnover of more than Rs. 1 crore or generating gross receipts of more than Rs. 50 lacs. However, **Section 194I-IB & 194M** requires deduction of TDS even if these conditions are not met for certain transactions. The TDS Rate under both these sections have been **reduced from 5% to 2%.**

3. When **Insurance companies make payments for Life Insurance payouts or maturity**, if the Insurance amount is taxable in hands of recipient then the Insurance company would deduct TDS under Section 194DA at the rate of 5%. Now the rate has been **revised to 2%**

4. On the **sales made through E-Commerce Operators (ECO)**, the ECO would deduct TDS at the rate of 1% before making payment to the seller. This **rate has been reduced to 0.1%**.

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A. RECENT AMENDMENTS

3. New TDS Sections Introduced (1/2)

Section 194T:

Currently, a partnership firm is allowed to pay to it's partners sums in the nature of **salary, remuneration, commission, bonus or interest**. Such payment is subject to limits under Section 40(b) of the Income Tax Act, 1961.

Such payments are deductible as expense in hands of the firm & are taxed in the hands of the partner. Till now, there was no liability to deduct TDS on such expenses.

This section would be applicable from 01-Apr-2025.

Such TDS deduction only kicks for partners to whom the sum of all the above sums exceeds Rs. 20,000.

The due date for deposit of TDS is 7th of the month succeeding the deduction (same as for any other TDS Section)

Once TDS has been deducted & paid, they need to be included in the TDS Return Form No 26Q to be filed quarterly.

If no deduction such deduction is made by the firm, then 30% of the expense amount on which TDS has not been deducted will be added to the income of the firm (i.e., the expense will be disallowed) & the firm will be required to pay tax on such additional income also.

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A. RECENT AMENDMENTS

3. New TDS Sections Introduced (2/2)

Pls note that generally the calculation of such salary, interest is done after the end of the Financial at the time of audit and finalization of accounts for Filing.

However, since such payments are liable for TDS deduction, if the practice continues, then the firm would need to pay Interest on the TDS amounts which would be 1.5% per month or part of a month.

Hence, it is advisable to close the books regularly & perform calculation of interest & salary in accordance to the partnership deed & the Income Tax Act & deposit TDS regularly.

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B. PKC KNOWLEDGE BULLETIN

1. Foreign Trade Policies (1/4)

1.What is Foreign trade policy?

Foreign trade policy, or FTP, is an essential set of rules on how country does business with the world. The Directorate General of Foreign Trade (DGFT) takes charge of it.

The main goals of country's FTP are to boost exports, create favourable conditions for trade, and support steady economic growth.

2.Objectives of FTP:

- To increase India’s export and import growth.
- To stimulate long-term economic growth by increasing access to intermediates, components, consumables, essential raw materials, and capital goods.
- To improve the competitiveness of the agriculture industry and services, create new employment opportunities and encourage the attainment of internationally accepted quality standards.
- To supply high-quality services and goods at an affordable cost. Canalization is a critical component of Exim Policy, as it restricts the import of certain goods to designated agencies. For example, only SBI and a few foreign banks or recognised organisations may import gold in bulk.

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B. PKC KNOWLEDGE BULLETIN

1. Foreign Trade Policies (2/4)

Advance Authorization Scheme (AAS):

1. About this Scheme:

This scheme allows an exporter to import goods without payment of any duty provided the goods imported is used to produce goods which will be exported by them. This waiver is allowed to them on the condition that a particular value of export is achieved by them.

Apart from inputs used in the export of goods the following imports are also covered under this scheme:

- Fuel, Oil, Catalysts which are consumed to produce the export items.
- Mandatory spares that are required to be exported along with the resultant export product subject to further conditions
- Specified spices for specified activities like crushing, grinding, sterilization, etc

This authorization is valid for 12 months & imports in the 12 month period only are exempted from duty. The exporter would need to reapply for a fresh authorization after expiry of authorization at hand.

2. Who are eligible?:

Only exporters who also manufacture products or are tied up with a supporting manufacturers are eligible for this scheme (provided few additional conditions are satisfied & forms are filed).

3. What duties are waived off?:

- Basic Customs Duty
- Additional Customs Duty
- Education Cess

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B. PKC KNOWLEDGE BULLETIN

1. Foreign Trade Policies (3/4)

Advance Authorization Scheme (AAS):

3. What duties are waived off? (Contd):

- Anti-dumping duty
- Safeguard Duty
- Integrated tax, and Compensation Cess.

4. Conditions to be fulfilled:

Once the scheme is granted, the exporter is expected to make a value addition of atleast 15%. However, for some products, the minimum value addition may be different.

This minimum value addition should be achieved within the period as may be prescribed at the time of grant of authorization (generally 18 months).

Minimum Value addition is calculated as the following:

$$\frac{\text{FOB Value of export realized}}{\text{CIF value of inputs for which duty was not paid}} - 1$$

The above should be atleast 15% or 0.15

5. Penalty in case of Non-compliance:

In case, the of failure to export the above within the prescribed period, the exporter would be required to pay the duties waived off along with interest & penalty for evasion of duty may also apply.

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B. PKC KNOWLEDGE BULLETIN

2. Foreign Trade Policies (4/4)

Duty Free Import Authorization (DFIA):

1. About this Scheme:

DFIA scheme is similar to Advance Authorization scheme where import is made duty free but the benefit is passed on only post export (unlike AA Scheme where benefit of exemption is passed on before import itself).

Under this scheme, after export of specified products (only) & realization of sale proceeds, **the amount of Basic Customs Duty** will be issued as scrips which can be transferred to others or used for payment of Duty in future imports (Input IGST & Compensation Cess should be paid by the exporter).

Since the benefit is only passed on after export is done, there is no export obligation.

2. Who are eligible?:

Similar to AA Scheme, only exporters who also manufacture products or are tied up with a supporting manufacturers are eligible for this scheme (provided few additional conditions are satisfied & forms are filed).

3. Conditions to be fulfilled:

Once the scheme is granted only if a minimum value addition of 20% is achieved (formula is the same as that for Advance Authorization)

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