

TAX EDGE

**YOUR MONTHLY GUIDE TO STAYING
AHEAD**

JANUARY 2025

RBI's new rule : Depositing over 10Lacs in savings accounts

Announcement

The Reserve Bank of India has announced that cash deposits exceeding ₹10 lakh in savings accounts within a year or ₹50,000 in a single day will now require the submission of PAN card details and information about the source of the deposited funds.

Consequences of Exceeding the limit

- The Income tax Department may request details on the source of Income.
- Failure to furnish the sources of Income could result in the department issuing notice under section 68 of Income Tax Act, 1961.
- If the assessee cannot provide valid documentation, the department may treat it as unexplained tax credit and impose a tax rate of 78%, inclusive of surcharge and cess.

Other Clarification related to cash deposit

It has been clarified by the RBI the threshold limit of 10 Lacs as cash deposit is not applicable to current a/c and fixed deposit maintained by the assessee.

Government Vision & Motto

- This measure helps the government combat money laundering and related fraud.
- It also enhances transparency in the accounting of transactions.
- By implementing this, the government can significantly restrict the circulation of unaccounted income.

Foreign Asset Disclosure in ITR

The Black Money Act (2015) requires Indian taxpayers to disclose foreign assets and income to curb tax evasion and ensure transparency in cross-border transactions.

Who Needs to Report Foreign Assets?

- All Resident and Ordinarily Resident (ROR) individuals.
- Beneficial owners of foreign financial assets or
- Those with signing authority over foreign bank accounts
- Beneficiaries of foreign assets

What are Foreign Assets?

- Bank Accounts in other countries
- Investments in real estate
- Investments in Stock Mutual Funds
- Financial interest in any foreign entity.

Reporting of Foreign Assets and Important Dead Lines

To report foreign assets, you need to fill in Schedule FA in your Income Tax Return (ITR).

In this schedule, you must provide details of the foreign asset, including the country, account number, balance, and any income earned from these assets, such as dividends, interest, or capital gains.

The regular deadline for filing your ITR is 31st July. However, if you missed the original deadline or need to make corrections, you can file a revised or belated return.

For FY 2023-24, the last date to report foreign assets through revised or belated returns is 31st December 2024.

Penalties for Non-Disclosure of Foreign Assets and How to Avoid Them

To report foreign assets, you need to fill in Schedule FA in your Income Tax Return (ITR), providing details such as the country, account number, balance, and any income earned (e.g., dividends, interest, or capital gains).

The regular ITR filing deadline is 31st July, but if you miss it or need to make corrections, you can file a revised or belated return. For FY 2023-24, the last date to report foreign assets through revised or belated returns is 31st December 2024.

New Capital Gains Tax Rules for Property

Key Amendments in the Finance Bill You Need to Know

Removal of indexation benefit for long-term capital gains (LTCG) on all assets, except for properties purchased before July 23, 2024.

Before Budget

Indexation benefit is available on sale of Land or Building

After Budget

- In case of transfer of land or building acquired before July 23, 2024, taxpayers have the option to pay tax at either a rate of 12.5% without indexation benefits or 20% with indexation benefits.
- In Land or building purchased on or after 23rd July, 2024, the tax rate will be 12.5% without indexation benefit, applicable to assets qualified as long term.

Note:

1. This relief is exclusively available to individuals and Hindu Undivided Families (HUFs) with resident status under the Income-tax Act.
2. Consequently, non-resident individuals (NRIs) are not eligible for this benefit on properties acquired before July 23, 2024.
3. Additionally, ancestral properties inherited by NRIs will also be subject to taxation without the indexation benefit upon sale.



TDS on Transportation Charges

Businesses must deduct TDS on transportation charges for transporters owning more than 10 goods carriages. TDS is also dependent on whether the business is subject to a tax audit under Section 44AB of the Income Tax Act.

Tax Audit Requirement

- Applies if turnover > Rs. 1 crore (or Rs. 5 crores if > 95% transactions are digital).
- If applicable, TDS must be deducted and deposited on time. Failure to do so leads to disallowed transportation expenses under Section 43B until TDS is paid.

Criteria for Deduction

TDS applies to transporters owning more than 10 vehicles.

1. TDS Rates: 1% for individual/HUF transporters, 2% for others.
2. Exemption: No TDS for operators with <10 vehicles, provided they submit PAN & Non-Deduction Declaration.

What You Need to Do

1. Ascertain TDS applicability when paying transporters.
2. If TDS is applicable, deduct and pay the correct TDS rate by the 7th of the next month.
3. If no TDS is applicable, get the Non-Deduction Declaration signed by the transporter confirming they have <10 vehicles.

Declaration: We'll share the Non-Deduction Declaration form, which helps confirm whether TDS applies based on the transporter's vehicle count. Ensure to collect and maintain this for compliance.

Supplementary Refunds

Delayed application for a supplementary refund claim (additional refund after the assessment for the same year) can be accepted for condonation provided other conditions as referred in circular are fulfilled along with additional conditions mentioned below:

- The income must not be assessable in another person's hands.
- No Interest will be granted on late refund claim
- The Refund must result from excess tax deducted or tax collected, advance tax or self-assessment tax payments, as the applicable.

CBDT Condones Delay in filing Form No.10-IC, Form No.10-ID

CBDT has Issued a Circular dated on 18/11/2024 via notification Circular no.17/2024 with a subject matter of Condonation of delay under section 119(2)(b) of the Income-tax Act, 1961 in filing of Form No. 10-IC or Form No. 10-ID for Assessment Years 2020-21, 2021-22 and 2022-23.

Delegation of Powers

- Principal Commissioners and Commissioners of Income Tax can now accept applications for delays of up to 365 days.
- Principal Chief Commissioners, Chief Commissioners, and Director Generals of Income Tax are authorized to deal with applications for delays beyond 365 days.

Timeline for Filing of form

- Applications will not be entertained if filed period is more than three years from the end of assessment year to which the applications pertain. This 3-year time limit for filing applications will apply to those submitted on or after the issuance of this circular.
- Applications should, to the extent possible be resolved within 6 months from the end of the month in which they are received by the competent Authority.

Eligibility Criteria

When considering applications for condonation of delay in submitting Form No. 10-IC or Form No. 10-ID, authorities must ensure that the applicant's case qualifies for condonation under the current provisions of the Act. They must also verify that the following conditions are met:

- The income tax return for the relevant assessment year has been filed on or before the due date specified under section 139(1) of the Act.
- The assessee has chosen taxation under section 115BAA of the Act in the case of condonation of delay for Form No. 10-IC, and under section 115BAB of the Act in the case of condonation of delay for Form No. 10-ID, as indicated in the "Filing Status" section of "Part A-GEN" in the Income Tax Return Form ITR-6.
- The assessee was hindered by a reasonable cause from submitting the form before the expiration of the time allowed, and the case demonstrates genuine hardship on merit.

CBDT Guidelines Condonation of Delay Under Section 119(2)(b)

The CBDT issued Circular No. 17/2024 to provide guidelines for the condonation of delay in filing Form No. 10-IC or Form No. 10-ID for Assessment Years 2020-21, 2021-22, and 2022-23. Key points are:

Delegation of Powers

- Principal Commissioners/Commissioners can condone delays up to 365 days.
- Principal Chief Commissioners/Chief Commissioners/Directors General can handle delays beyond 365 days.

Timeline for Filing

- Applications must be filed within three years from the end of the relevant assessment year.
- Applications should ideally be resolved within 6 months of submission.

Eligibility Criteria

- Income tax return filed on time (Section 139(1)).
- The assessee must choose taxation under Section 115BAA (Form 10-IC) or Section 115BAB (Form 10-ID).
- A valid reasonable cause for delay must be demonstrated.

Conditions for Acceptance

- Delays should be due to a valid cause, with the applicant facing genuine hardship.
- Claims are subject to scrutiny by jurisdictional officers.
- Limit of Claims:
 - a. Up to ₹1 crore: Principal Commissioner/Commissioner.
 - b. ₹1 crore to ₹3 crores: Chief Commissioner.
 - c. Above ₹3 crores: Principal Chief Commissioner.

Refund and Loss Carry-forward

- Claims for refund and loss carry-forward can be accepted if filed within five years from the end of the relevant assessment year.
- Court-ordered refunds: The period pending in court is excluded from the five-year limit. Applications must be submitted within 6 months of the court order.

Supplementary Refunds

Delayed supplementary refund claims may be accepted if conditions are met, but no interest will be provided



CHANGES IN TDS RATES

- Recent amendments to TDS rates, introduced in the Union Budget 2024 and effective from October 1, bring significant reductions across various sections to ease compliance and benefit taxpayers. Key changes include lower rates for life insurance payouts, commissions, rent payments, and e-commerce transactions.
- The reductions in TDS rates across multiple sections reflect the government's efforts to:
 - Promote ease of compliance by streamlining tax deduction processes.
 - Enhance liquidity for taxpayers by reducing the upfront tax deduction burden.
 - Support specific industries like e-commerce, insurance, and real estate, encouraging their growth and sustainability

S.no	Section	Particulars	Old Rate	Amended Rate	Payer	Payee	Amount
1	194D	Insurance Commission	5%	2% (from 1st OCT 2024)	Any person	Any Resident	Amount Exceeding Rs15,000. (Note 1)
2	194DA	Payment in respect of Life Insurance Policy	5%	2% (from 1st OCT 2024)	Any person	Any Resident	Amount more than or equal to Rs1,00,000 (aggregate amount of payment to a payee in a financial year) Exception: Sums which are exempt U/S 10(10D). (Note 2)

S.no	Section	Particulars	Old Rate	Amended Rate	Payer	Payee	Amount
3	194G	Any income by way of Commission on sale of Lottery tickets	5%	2% (from 1st OCT 2024)	Any person	Any person	Amount exceeding Rs15,000
4	194H	Commission or Brokerage	5%	2% (from 1st OCT 2024)	Any Person (Other than Individual or HUF Whose income from Business / Profession does not exceed Rs1 Crore/ 50 Lakhs)	Any Resident	Amount exceeding Rs 15,000 Exception: Limit is not applicable in case of personal purpose but subject to sec u/s 194M (Note 3)
5	194IB	Payment of rent by certain Individual or HUF	5%	2% (from 1st OCT 2024)	Any Individual / HUF whose income from Business / Profession does not exceed Rs1 Crore / 50 Lakhs	Any Resident	Amount exceeding 50,000 p.m. or part of month (NOTE: 4)

S.no	Section	Particulars	Old Rate	Amen ded Rate	Payer	Payee	Amount
6	194M	<ul style="list-style-type: none"> • Payment to Contractors • Commission • or Brokerage Fees for Professional service 	5%	2% (from 1st OCT 2024)	Individual/HUF other than those who are required to deduct TDS under sec 194C or 194H or 194J	Any resident	Amount Exceeding Rs50,00,000 in a F. Y
7	194O	Payment made by E-Commerce operator for sale of goods or rendering of services	1% of Gross Amount	0.1% (from 1st OCT 2024)	Any person being Ecommerce Operator	Resident being Ecommerce participant	Amount Exceeding Rs5,00,000 Only in case of Individual / HUF and furnished his PAN / AADHAR to E-commerce Operator.
8	194T (Note 5)	Payments made to Partner (Payments include Salary, Bonus, Commission or interest)		10%	Firm, LLP's	Partner	Amount Exceeding Rs20,000

Benefit under section 115BAB

ITAT Hyderabad held that benefit of section 115BAB of the Income Tax Act granted even if Form 10ID filed prior to commencement of manufacturing activity, if assessee proves the commencement of manufacturing for the subsequent assessment year.

Delegation of Powers

- Principal Commissioner of Income-tax/ Commissioner of Income-tax (Pr. CIT/CIT) are authorized to handle claims of up to ₹1 crore per assessment year.
- Chief Commissioner of Income-tax (CCIT) are authorized to handle claims between ₹1 crore to ₹3 crores per assessment year.
- Principal Chief Commissioner of Income-tax (Pr. CCIT) are authorized to handle claims exceeding ₹3 crores per assessment year.

Case Law

Granules CRZO Private Limited vs ITAT Hyderabad

Provision

ITAT Hyderabad held that benefit of section 115BAB of the Income Tax Act granted even if Form 10ID filed prior to commencement of manufacturing activity, if assessee proves the commencement of manufacturing for the subsequent assessment year.

Facts

- The taxpayer company was incorporated on 16 January 2023. It filed its return of income for the financial year 2022-23, corresponding to AY 2023-24, together with Form 10-ID. The Centralized Processing Center (CPC) processed the return and denied the taxpayer's claim under section 115BAB on the grounds that the taxpayer had not commenced production during the period covered by the return. The taxpayer's rectification application was rejected by the CPC.
- The taxpayer appealed the CPC's order, and the appellate proceedings reached the Hyderabad Bench of the ITAT. The taxpayer's key contention before the ITAT was that it had started manufacturing prior to 31 March 2024 and, therefore, was entitled to the benefit of the concessional tax regime under section 115BAB.

Conclusion

Held that the assessee has failed to fulfil the condition as laid down u/s 115BAB of the Act for the present assessment year, therefore, assessee's appeal is required to be dismissed, however the fact remains that the Revenue is under obligation to take into account the commencement of the manufacturing activity for the subsequent assessment year and should not act upon the earlier Form 10ID.

In view of the above, it is appropriate to consider the commencement of the manufacturing activities for the subsequent year and grant relief as the assessee may be entitled to. In view of the above, we are of the opinion that if the assessee is able to prove the commencement of manufacturing for the subsequent assessment year, the insistence of the fulfilment solely on the basis of the Form filed for the present assessment year should not be insisted upon and in a holistic and pragmatic view, the Assessing Officer to consider and grant the applicability of lower tax regime for the assessee for the subsequent assessment years.

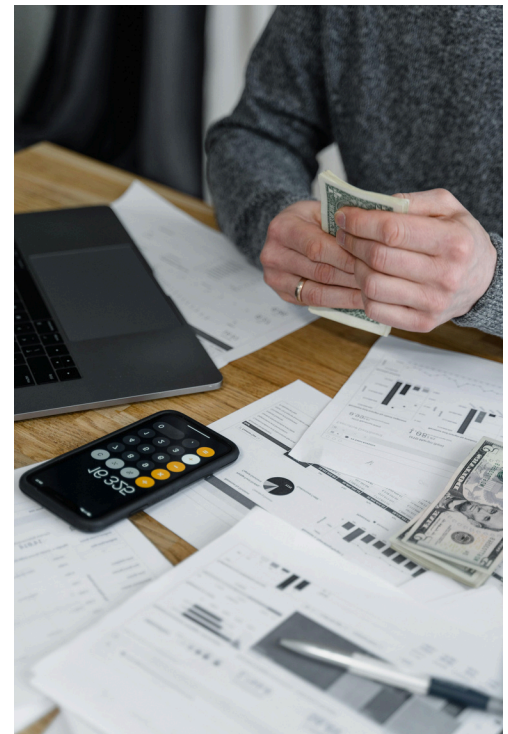
Section 115BAB

Section 115BAB enables new manufacturing entities registered on or after October 1, 2019, to opt for a lower corporate tax rate scheme of 15% (exclusive of surcharge and cess). However, to opt for the scheme, the companies must have begun their manufacturing operations on or before March 31, 2024.

Form 10-ID

Form 10-ID is required to be filed only if a domestic company chooses to opt for concessional tax rate of 15% (plus applicable surcharge and cess) under Section 115BAB of the Income Tax Act, 1961.

Once opted for Concessional Tax Rates once, it shall apply to subsequent years and cannot be withdrawn.



Vivad Se Vishwas Scheme 2024

Overview

Announced in the 2024 Budget, the Vivad Se Vishwas Scheme 2024 offers taxpayers a chance to resolve pending income tax disputes by waiving all outstanding penalties and interest. However, this relief is conditional: taxpayers must submit the required form and pay the disputed tax amount by the specified deadline. The scheme officially took effect on October 1, 2024.

The Central Board of Direct Taxes (CBDT), under its authority in section 97(2) of the Direct Tax Vivad Se Vishwas Scheme 2024, has extended the deadline for determining the payable amount. The new deadline is now January 31, 2025, instead of the previous date of December 31, 2024.

Tax appeals covered under the scheme

The scheme applies to taxpayers in the following cases:

- Appeals, writ petitions, or special leave petitions pending before any appellate forum as of July 22, 2024.
- Objections filed before the Dispute Resolution Panel (DRP) under section 144C, where no direction has been issued by July 22, 2024.
- Cases where the DRP has issued a direction under section 144C(5), but the assessment is incomplete by July 22, 2024.
- Revision applications under section 264 pending as of July 22, 2024.

Old Appellant and New Appellant

- Old Appellant: A taxpayer whose case was pending as of January 31, 2020. These taxpayers are eligible for the scheme but generally face higher settlement amounts compared to new appellants.
- New Appellant: A taxpayer whose case has been pending after January 31, 2020. They are eligible for lower settlement amounts, making the terms more favourable for them.

Amount payable on the tax arrears

S. No	Nature of tax arrears	Amount payable where declaration made on or before 31.01.2025	Amount payable where declaration made on or after 31.01.2025
1	Tax arrears include disputed tax, interest, penalty (New Appellant)	100% of disputed tax	110% of disputed tax
2	Tax arrears include disputed tax, interest, penalty (Old Appellant)	110% of disputed tax	120% of disputed tax
3	Tax arrears related to disputed interest/ penalty/ fee (New Appellant)	25% of disputed interest/ penalty/ fee	30% of disputed interest/ penalty/ fee
4	Tax arrears related to disputed interest/ penalty/ fee (Old Appellant)	30% of disputed interest/ penalty/ fee	35% of disputed interest/ penalty/ fee

- The payable amount will be reduced by 50% in the following situations:
 - If the appeal was filed by tax authorities.
 - If an appeal was filed by the taxpayer and they received a favorable order, which has not been overturned by a higher authority.

- **Note:** For disputes involving the reduction of MAT/AMT (Minimum Alternative Tax/Alternative Minimum Tax) credits, losses, or depreciation, the taxpayer can choose either to include the tax amount related to these credits, losses, or depreciation in the disputed taxes or carry forward the reduced MAT/AMT credit, loss, or depreciation.

Forms notified for the Scheme

- Form-1: Form for filing declaration and Undertaking by the declarant.
- Form-2: Certificate to be issued by Designated Authority within a period of fifteen days from the date of receipt of the declaration above
- Form-3: Intimation of payment by the declarant within fifteen days of receipt of the Certificate above
- Form-4: Order for Full and Final Settlement of tax arrears issued by Designated Authority

The DTVSV Scheme requires that Form-1 be submitted separately for each dispute. However, if both the appellant and the income tax authority have filed appeals regarding the same order, a single Form-1 should be submitted in such cases.

The payment notification must be completed using Form-3, which should be submitted to the Designated Authority along with proof of the withdrawal of the appeal, objection, application, writ petition, special leave petition, or claim. Both Form-1 and Form-3 must be submitted electronically by the declarant

Tax Benefits on Conversion of Company into LLP

Meaning of LLP

LLP stands for Limited Liability Partnership. It is a type of business structure that combines elements of both partnerships and companies. In an LLP:

Limited Liability : The partners have limited liability, meaning they are not personally responsible for the debts and liabilities of the business beyond their capital contributions. This protects personal assets from being used to settle business debts, unlike in a traditional partnership where partners have unlimited liability.

Partnership Structure : Like a partnership, the business is owned and managed by its partners, and profits are typically shared according to a partnership agreement. However, unlike a traditional partnership, the partners' liability is limited, similar to that of shareholders in a company.

Benefits on Conversion of company into LLP

Limited Liability Protection

Just like a company, an LLP offers limited liability to its partners. This means that the personal assets of partners are protected from the LLP's debts and liabilities. Partners are only liable to the extent of their capital contributions to the LLP.

Ease of Management and Flexibility

Simple Structure: LLPs have a simpler governance structure than a traditional company. There are no requirements for a board of directors, shareholders, or annual meetings.

Flexible Profit Sharing: In an LLP, partners have the freedom to decide how to share profits and losses, unlike companies where profits are distributed according to shareholding.



Tax Efficiency Single Level Taxation in LLPs

LLPs are taxed at the entity level like a company, but the profits distributed to the partners are not taxed again. This is known as pass-through taxation. After the LLP pays its taxes, the remaining profits are distributed to partners and are not subject to tax again at the partner level (as long as it is profit sharing, not remuneration of interest).

In contrast, a company faces double taxation. The company pays corporate tax on its profits, and then shareholders pay tax on the dividends they receive. This means the same income is taxed twice: once when the company earns profits and once when dividends are distributed to shareholders.

Less Compliance and Regulatory Burden

Reduced Compliance: LLPs face fewer regulatory requirements than companies. For instance, LLPs are not required to conduct board meetings, maintain detailed minutes, or follow the more stringent corporate governance practices applicable to companies. **Less Filing with Authorities:** While LLPs still need to file certain annual forms (like annual returns and financial statements), they do not have the same level of scrutiny or filing obligations as a company.

No Capital Gains Tax on Transfer of Shares

In the case of an LLP, the transfer of ownership interests (i.e., the shares of a company) generally does not trigger capital gains tax, as would be the case when transferring shares in a company.

Reporting of Foreign Exchange Transactions to Trade Repository

Background and Scope

The Reserve Bank of India (RBI) requires Authorised Dealers (ADs) to report all over-the-counter (OTC) foreign exchange derivative contracts and foreign currency interest rate derivative contracts to the Trade Repository (TR) of the Clearing Corporation of India Ltd. (CCIL). These transactions, including those executed through overseas entities (such as branches, IFSC Banking Units, subsidiaries, and joint ventures), must be reported in accordance with the Master Direction – Risk Management and Inter-Bank Dealings dated July 5, 2016, as amended.

Expansion of Reporting Requirements

To ensure complete reporting of transaction data, the reporting scope has been expanded to include the following foreign exchange (FX) contracts in addition to derivative contracts:

- Foreign exchange cash
- Foreign exchange tom
- Foreign exchange spot (including value cash and value tom)

Note: Money changing transactions are excluded from these requirements and are governed by a separate Master Direction – Money Changing Activities dated January 1, 2016, as amended.

Reporting Timelines for Inter-Bank FX Contracts

Starting February 10, 2025, Authorised Dealers must report all inter-bank FX contracts to the TR of CCIL as per the following timelines:

- INR-related contracts:
 - Report in hourly batches within 30 minutes after the completion of the hour.
 - Contracts executed 60 minutes before CCIL's platform closure or after closure must be reported by 10 a.m. of the next business day.
- Non-INR contracts:
 - Contracts executed by 5 p.m. should be reported by 5:30 p.m. the same day.
 - Contracts executed after 5 p.m. must be reported by 10 a.m. of the following business day.

Reporting Timelines for FX Contracts with Clients

FX contracts with clients will be reported in a phased manner:

- USD 1 million or more (or equivalent in other currencies): Reported starting May 12, 2025.
- USD 50,000 or more (or equivalent in other currencies): Reported starting November 10, 2025.

Client transactions must be reported before 12 noon of the next business day.

Transaction Matching and Accuracy

- There is no requirement for matching transactions with overseas counterparties or clients in the TR.
- The responsibility for ensuring the accuracy of reported transactions lies with the Authorised Dealers.

Reporting Formats

- The reporting formats will be specified by CCIL, with prior approval from the RBI.

SEBI - Investments in Overseas Mutual Funds/ Unit Trust by Indian Mutual Funds

Introduction

The Securities and Exchange Board of India has issued a Circular dated November 04, 2024 with a subject notifying Investment in overseas Mutual funds/ Unit Trust by Indian Mutual funds. This is to Enhance Transparency in manner of Investment. Let us discuss the key points in brief manner.

Investment Schemes

1. The SEBI has outlined that Indian Mutual fund schemes may also invest in overseas MF/UTs that have exposure to Indian securities, provided that the total exposure to Indian securities by these overseas MF/UTs shall not be more than 25% of their assets. But while Investing in the Overseas MF/UTs it should consider the following
 - **Pooling:** Contribution of all investors of the overseas MF/UT is pooled into a single investment vehicle that is no segregated Portfolios, Sub-funds.
 - **Pari-pasu and Pro-rata:** Corpus of the overseas MF/UT is a blind pool (i.e. common portfolio) with no segregated portfolios. All investors in the overseas MF/UT have pari-pasu and pro-rata rights in the fund.
 - **Independent investment manager/fund manager:** Overseas MF/UT is managed by an independent investment manager/fund manager who is actively involved in making all investment decisions for the fund. This ensures that the investments are made autonomously by the investment manager/fund manager without influence, directly or indirectly, from any of the investors or from any other entity.
 - **Public disclosure:** Such overseas MF/UTs disclose their portfolios at least on a quarterly interval to the public to maintain transparency.
 - **No advisory agreement:** There shall not be any advisory agreements between Indian Mutual Funds and underlying overseas MF/ UTs, to prevent conflict of interest and avoid any undue advantage to either of the parties

Breach of the limit

SEBI has also outlined when there was a breach in limit ie. Investment in overseas MF/UTs exceeds more than 25% limit.

1. At the time of making investments (both fresh and subsequent), Indian Mutual Fund schemes shall ensure that the underlying overseas MF/UTs do not have more than 25% exposure to Indian securities.
2. Subsequent to the investment, if the exposure by an underlying overseas MF/UTs to Indian securities exceeds 25% of their net assets, an observance period of 6 months from the date of publicly available information of such breach (e.g. portfolio disclosures) shall be permitted to Indian Mutual Fund schemes for monitoring of any portfolio rebalancing activity by underlying overseas MF/UTs.
3. During the observance period, the Indian Mutual Fund scheme shall not undertake any fresh investment in such overseas MF/UT and may resume their investments in such overseas MF/UT in case the exposure to Indian securities by such overseas MF/UT falls below the limit of 25%.

Non-Compliance

If the Indian Mutual Fund/ Asset Management Company fails to rebalance the portfolio of the scheme in line with the aforesaid requirements, then after the 6-month liquidation period, the Indian Mutual Fund/ Asset Management Company shall:

- not be permitted to accept any fresh subscriptions in concerned Indian Mutual Fund scheme
- not be permitted to launch any new scheme
- not levy exit load, if any, on the investors exiting such scheme.

Key Recommendations from the 55th GST Council Meeting - December 2024

Compensation Cess on Merchant Exports

Reduced to 0.1%, aligning it with the GST rate applicable to such supplies for better compliance.

GST on Food for Welfare Programs

A concessional 5% GST rate will apply to food inputs for free distribution to economically weaker sections as part of government welfare scheme.

Sponsorship Services Under Forward Charge Mechanism

The supply of sponsorship services by body corporates will now be subject to the Forward Charge Mechanism for GST purposes.

GST on Old/Used Vehicles

The GST rate on the sale of old and used vehicles, including Electric Vehicles (EVs), is increased to 18%, with exceptions for certain petrol and diesel vehicles and SUVs.

GST on Popcorn

Ready-to-eat popcorn will attract 5% GST if unpacked, 12% GST if pre-packaged, and 18% GST if mixed with sugar (e.g., caramel popcorn).

ITC on Ex-Works Contracts

Recipients can now claim ITC on goods delivered at the supplier's place of business in Ex-Works contracts if the property in goods is transferred at that point.



Late Fee Waiver for FORM GSTR-9C

A waiver of the late fee will be granted for FORM GSTR-9C filings from 2017-18 to 2022-23 if filed by 31st March 2025.

Reversal of ITC by ECOs

E-commerce Operators (ECOs) do not need to reverse ITC when paying tax on behalf of suppliers under Section 9(5) of the CGST Act.

Taxability of Vouchers

GST Council clarified that vouchers are not considered goods or services under GST, with no tax on principal-to-principal distribution, but GST applies on agent-based distribution, related services, and unredeemed vouchers.

Gene therapy

Gene therapy has been exempted from GST, providing relief to this emerging area of healthcare.

GST Rate on Fortified Rice Kernel (FRK)

GST Rate on Fortified Rice Kernel (FRK) classified under HSN code 1904, has been reduced to 5%.



Contact us for
further inquiries

 aakash@prakashkochar.com

 7395976838

 www.pkcindia.com

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