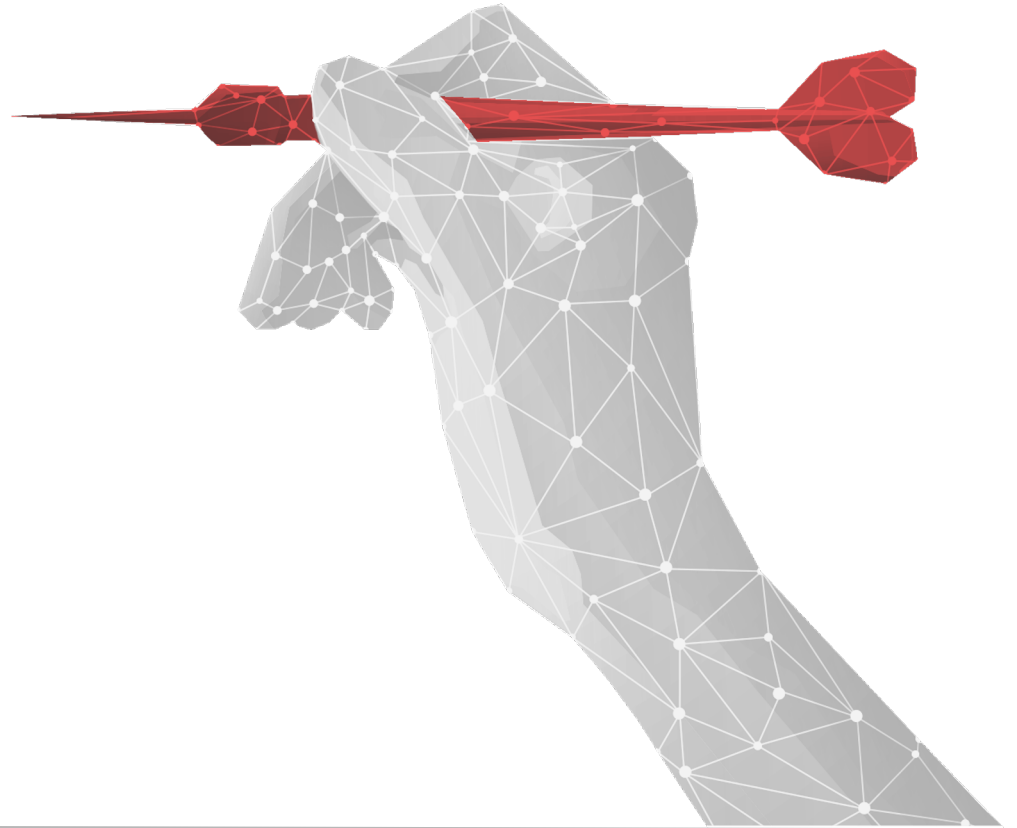


J A A & ASSOCIATES
CHARTERED ACCOUNTANTS



Newsletter

September- October 2021

Direct tax updates

Safe harbour rules



The tax department has notified the 'safe harbour' rates for 2020-21 for calculation of transfer price for transactions with Associated Entities



The Central Board of Direct Taxes, through a notification, extended the applicability of Safe Harbour Rules (SHR) to 2020-21



Generally, safe harbour is defined as circumstances in which the tax authority shall accept the transfer price declared by the taxpayer to be at arm's length.



As per the notification, the rates under SHR was initially applicable from 2016-17 to 2018-19, and later extended to 2019-20, will now continue to apply for 2020-21 as well.

OECD Global Tax Deal

Recent development


- On October 8, 136 out of 140 countries have committed to potentially fundamental changes to corporate tax system
- The proposed solution consists of two components-
 - ✓ pillar one which consists of reallocation of additional share of profit to market jurisdictions
 - ✓ Pillar two minimum corporate tax rate @15%

Implementation

- OECD informs that the deal would next go to the Group of 20 economic powers to formally endorse at a finance ministers' meeting in Washington on October 13 and
- Then it will be presented on to a G20 leaders summit at the end of the month in Rome for final approval. .

OECD Global Tax Deal

India's reaction

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- India supported this deal after a 4 year long negotiation
 - CBDT Chairman in a press meet expressed his views on the matter saying India will gain from this measure
 - One needs to await the upcoming tax reforms to implement the tax deal for MNC's in India and put the profit shifting disputes at rest

Only countries who backed out from the deal are Kenya, Nigeria, Sri Lanka and Pakistan

GST updates

Input Tax Credit

GSTN has advised that, where the vendors report invoices dated FY20-21 in GSTR1 after the due date of filing GSTR3B for September (i.e. after 20th October), such tax may not be eligible as credits.

Necessary follow-ups can be made with the vendors to ensure all invoices/debit notes pertaining to FY20-21 are reported before 20th October and final GSTR2A/2B as at 20th October may be downloaded for record purposes.

JAA View

Tax officers have been insisting on filing of GSTR3B for the month of September within the due dates, if ITC pertaining to FY20-21 is to be claimed in such returns.

Though legal provisions relating to the above can be contested at appropriate forums, to avoid unnecessary disputes with tax authorities, taxpayers are suggested to comply with the timelines

Thank You
