

US-India Tax Forum

NEWSLETTER

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Tax forum's
recommendations to the
Ministry of Finance on

Union Budget 2024-25

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News coverage on Tax Forum's recommendations on the Union Budget



[Budget 2024 US-India tax forum pushes for
investment friendly tax policies](#)



Rationalization of certain tax provisions

- Reduction in corporate tax rates for foreign companies including banks (40% vs 22% with a base tax rate differential of 18%).
- Extension of Sunset Date under 115BAB for priority sectors like semiconductor, solar modules, chemicals, etc.
- Rationalization of capital gain tax regime.
- Employee Stock Option Plan - Remittance made towards ESOPs be excluded from the purview of Tax Collected (a) at Source

**Union Budget 2024 | US-India forum urges
Nirmala Sitharaman for stable &
predictable tax environment**



**Ahead of budget, U.S.-India forum urges
Nirmala Sitharaman for stable and
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**Ahead of budget, US-India forum urges FM
Sitharaman for stable & predictable tax
environment**



Driving investments in India

- Extend 'tax neutrality' to reorganisation by non-corporate investment funds outside India, akin to Indian mutual funds.
- Provide relief from deemed dividend provisions for corporate treasury centres in International Financial Services Centre (IFSC) on receiving loan or advances from their group companies .
- Exclude 'Finance Companies' including treasury centers in IFSC from Section 94B, at par with Non-Banking Financial Company (NBFC)



(TCS) on Liberalized Remittance Scheme (LRS) (b) Transfer Pricing mark-up be not applied on notional ESOP expenses.



International Tax

- Notifications be for enforcement of Most Favored Nation (MFN) clause under India's tax treaties with France, Belgium, Netherlands etc. with retrospective effect.
- Formal guidelines be issued for attributing profits to Permanent Establishments (PE).
- Roadmap on Base Erosion and Profit Shifting (BEPS) Pillar 2 implementation be announced.



Rationalization of TDS/TCS provisions

- Scope of Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) provisions be rationalized.
- Relax the requirement for payers to issue TDS / TCS certificates and grant tax credit solely based on Form 26AS.
- Reduce TCS rate on foreign remittances to 5%.





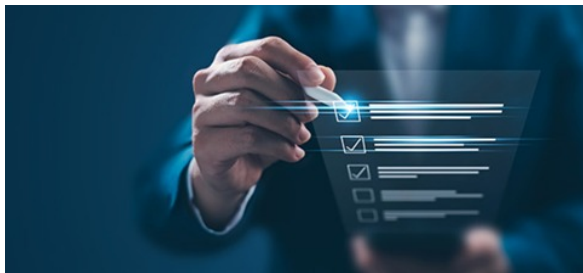
Dispute Resolution

- New framework be introduced for negotiated settlement or mediation for large taxpayers.
- Issue Standard Operating Procedures (SOPs) and guidelines to mitigate challenges under faceless assessments.



Digital Tax

- Certain transactions be kept out of scope and applicability of Equalization Levy.
- Enabling adjustment against income-tax liability in case of subsequent PE determination.
- Appeal mechanism be provided for non-resident e-commerce operators with respect to EL disputes. Mechanism for obtaining certainty on EL applicability be introduced .
- Certain transactions be excluded for Significant Economic Presence (SEP) constitution.
- Need for specific rules be issued for attribution of profits when SEP is triggered.
- Return of Income (ROI) and Form 3CEB filing requirement be relaxed.



Ease of compliance

- Buyback Tax be repealed to provide parity between dividend taxation and buyback taxation.
- Non-residents be exempted from TP compliances including filing of Form 3CEB.
- In case of non-resident entities not holding PAN, providing Tax Identification Number of overseas signatory not be mandatory requirement under 10F.
- Difficulties in receiving One-Time Password (OTP) on international mobile number be resolved through alternate measures such as receiving OTP on email ID only, security questions, etc. may be implemented.
- Valuation done / financial statements prepared around 6 months before the date

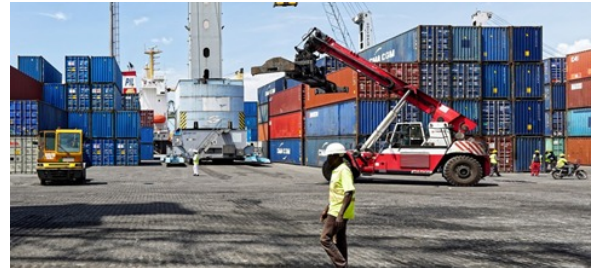


Transfer Pricing

- Bring in legislative and procedural changes in the Indian Transfer Pricing laws to align with international guidelines.
- Fast track conclusion of Unilateral Advance Pricing Agreement (APA) covering less complex transactions.
- Allowability of Section 10AA deduction on increased profits due to APA / MAP (Mutual Agreement Procedure).

of purchase be accepted for Rule 11UA valuation.

- Due date of filing of revised return of income be extended up to end of the financial year immediately following the relevant assessment year.



Suggestions around Special Valuation Branch (SVB) investigations

- Time bound investigations to liquidate all long-pending SVB investigations within a specified period.

Measures to reduce custom litigation

- Dispute resolution scheme leading to waiver of some or all of the penalties and interest be introduced (Amnesty scheme).
- Digitization of Litigation Process to resolve long-pending disputes under customs.

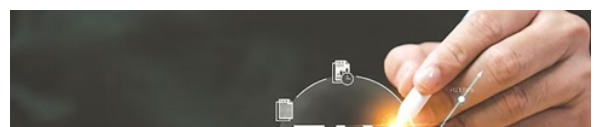


Recommendations for Special Economic Zones (SEZ) units

- Exemption from compensation cess on import of goods into SEZ units & developers.
- Speedy integration of SEZ Online Portal to the Indian Customs Electronic Gateway (ICEGATE).
- Permission to SEZ units to provide services to Domestic Tariff Area (DTA) units and receive remittances in Rupees.
- Clearance of used capital goods from SEZ to DTA be on depreciated, not transaction, value.
- The RoDTEP scheme to SEZs to be made permanent.

Recommendations on schemes

- Manufacturing and Other Operations in Warehouse (MOOWR) - Continuation of exemption/deferment of duty applicable on capital goods and inputs at the time of import across sectors including telecom, solar module, Pharmaceuticals, Life science and Healthcare.
- Remission of Duties and Taxes on Exported Products (RoDTEP) – clarify legibility of certain supplies to avail the benefit.





Export Oriented Units (EOU)

- Increase time limit of 90 days for return of goods to EOU from the sub-contractor / job worker to 1 year.
- Amendment of bill of entry be allowed where EOU pays IGST on clearance of unutilised raw materials in DTA.
- Need for uniformity in various procedures being followed by EOU for import, Bond maintenance, re-credits, etc.
- Need for suitable clarifications with regard to permitting/ condoning the storage loss/ handling loss/ transit loss of volatile goods with a waiver of Customs duty.

Sector focused recommendations

- Separate Harmonized System Nomenclature (HSN) code to demarcate import of (i) finished medical device (ii) parts & (iii) pre-owned medical device for any particular medical device.
- Exemption of Customs applicable to laying down of submarine cables in the Exclusive Economic Zone (EEZ).

Rationalization of tariff rates

Sr. No.	Description	HSN	Existing (%)	Proposed (%)
			2023-24	2024-25
1	Solar Cells	8541 42 00 /8541 43 00	25/40	20%
2	Charger/ Adapter	85044030/ 85044090	20	15
3	PCBA	85177910	20	15
4	Mic and receiver and Speaker	85177990 / 85182990	15	10
5	Battery based Energy Storage Systems (BESS)	8507	20/15	10
6	Cell	85076000	5	0
7	Other parts of Battery charger/Adapter	Any Chapter	2.5	0
8	Parts of PCBA	Any Chapter	2.5	0
9	Parts of Camera Module	Any Chapter	2.5	0
10	Parts of Connector	Any Chapter	2.5	0

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