

US-India Tax Forum

NEWSLETTER

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Headlines News

US-India Strategic Partnership Forum's Key Recommendations for Union Budget 2025-26: Driving Investment, Enhancing Innovation, and Promoting Sustainable Growth

[Click here](#) to read the full Press Release



The Ministry of Commerce and Industry has extended the hybrid work model for employees working in Special Economic Zone (SEZ) units until December 31, 2027.

Gazette notification can be accessed [here](#) and summary can be accessed [here](#).



55th GST Council Meeting - Key Recommendations



Changes in GST Rates Goods



Services



Clarifications on Goods and Services



Measures for Trade Facilitation



Compliance Streamlining



Legal and Procedural Reforms



Other Key Decisions

[Click here to read more](#)

Updates on GST Council Meeting held on 21st December 2024

Press Release of the key recommendations can be accessed [here](#) and key updates can be accessed [here](#).



Meeting at Directorate General of Hydrocarbons (DGH) with key industry representatives on GST Issues received for Oilfield Service Providers.

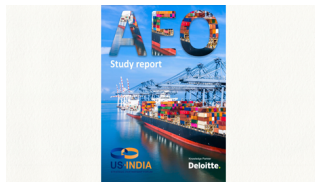
5th December, 2024

Thought leadership



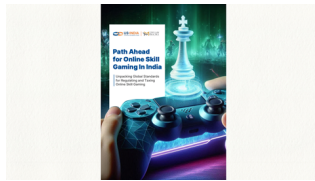
Improving Ease of Doing Business for Telecom Sector in India

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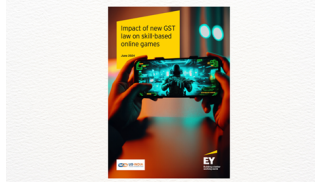
USISPF – Deloitte joint report on Authorised Economic Operator (AEO) Scheme.

[Click here to read](#)



TMT- USISPF report 'Path Ahead for Online Skill Gaming in India: Unpacking Global Standards for Regulating and Taxing Online Skill Gaming.

[Click here to read](#)



USISPF –EY joint report on the Impact of new GST law on skill-based online games.

[Click here to read](#)

Continued focus on publications to be released: Report on understanding taxation landscape for digital services in India.

Goods and Services Tax

GST: Continued Advocacy



Rate Rationalisation

- GST exemption on health insurance premiums
- Challenges faced by the Oil & Natural Gas Sector
- Issues faced by Airline Sector
- Seeking sugar content-based tax on aerated drinks
- Concessional tax rates for Maintenance Repairs and Operations (MRO) company (new unit)
- Reduction in state VATs on ATF and inclusion of ATF in GST
- Clarity on implication of 28% GST on online gaming
- & Others



Inverted Duty

- Input tax credit refund advocacy for edible oil industry
- Advocacy to address inverted duty rates for MRO sector
- inverted duty structure for oil field service providers,
- & Others



Legislative & Procedural Issues

- Banking Sector:
 - Levy of GST on investment services for overseas investors by classifying them as 'intermediary services'
 - Clarification on valuation of cross-charge transactions between Indian branch office and foreign branch office
- Request for extension on date for implementation of Invoice Management System introduced by GSTN
- Issues faced by E-commerce Operators (ECOs) under Section 9(5)
- Challenges pertaining to levy of GST on sourcing and risk assessment services provided by Indian Insurance Brokers to Overseas Clients
- & Others

Corporate Tax

Central Board of Direct Taxes (CBDT) or the Indian Tax Administration, issued its 6th Annual Report on India's advance pricing agreement (APA) program (the Annual Report or the Report).

The annual report covers the financial year (FY) 2023-24. To access the report click [here](#)

Inputs for Comprehensive Review of Income Tax Act review

As part of the comprehensive review of the Income Tax Act announced by Finance Minister Nirmala Sitharaman in the Budget, the Central Board of Direct Taxes (CBDT) invited inputs. These inputs have been submitted by forum through the e-filing port under four categories – language simplification, litigation reduction, compliance reduction, and redundant or obsolete provisions



Simplification of Language

Section 194J



Compliance Reduction

Sections 194Q and 206C(1H), Section 194-O, Section 195, Section 115A, Section 90, Section 139, Section 203 and 199



Litigation Reduction

Section 201 and 40(a), Section 245, Section 220, Section 254, Section 144B, Section 143, Section 250, Section 263, Section 9



Obsolete Redundant Provision

[Click here to read more](#)

Key Recommendations on Transfer Pricing and Safe Harbour Rules



Revising Safe Harbour Rules (SHR)

The current Safe Harbour rates need urgent revision to align with prevailing market realities and industry benchmarks.

Streamlining Advance Pricing Agreements (APAs)

APAs are an essential tool for mitigating Transfer Pricing disputes; however, the current process remains cumbersome and slow.



Eliminating Secondary Adjustments (SA) for Permanent Establishments (PEs)

Secondary adjustments often create undue complexity for businesses, especially for transactions involving permanent establishments (PEs).

Strengthening the Mutual Agreement Procedure (MAP)

The Mutual Agreement Procedure (MAP) is a critical mechanism for resolving Transfer Pricing disputes and avoiding double taxation.



Revisiting the Limitation on Interest Deduction

The current limitations on interest deductions for cross-border borrowings are placing considerable financial strain on companies, discouraging them from seeking international funding and increasing the cost of capital.

[Click here to read more](#)

Forum's recommendation for Budget 2025-26



Dispute Resolution

- Framework for negotiated settlement or mediation for large taxpayers
- Standard Operating Procedures (SOPs) to mitigate challenges under faceless assessments



International Tax

Transfer Pricing (TP)

- Scope of safe harbour rules to be expanded, and mark-ups to be rationalized
- Streamlining of transfer pricing assessment procedure.
- Fast track APA and MAP procedures

Digital tax

- Clarity around 6% interim levy (6% Equalisation levy)
- Certain transactions be excluded for SEP constitution
- 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 for attributing profits to Permanent Establishments (PE).



Driving Investments in India

- Extend 'tax neutrality' to reorganisation by non-corporate investment funds outside India
- Relaxations to International Financial Services Centre (IFSC) on deemed dividend provisions
- Exclude Finance Companies' including treasury centres in IFSC from Section 94B, at par with NBFC



Rationalization of TDS/TCS provisions

- Harmonization of rates in the TDS framework
- Dispensation of requirement for dissemination of quarterly TDS / TCS certificates
- Simplify compliance burden in respect of foreign remittances



Ease of compliance

- Address issues under return filing
- Faster refunds
- Less complex audit /assessment procedures

Customs

Tax Forum Customs Engagements



Comprehensive review of duty structure on:

- Simplification of multiple and complex tariff slabs
- Rate rationalisation on:
 - Electronics equipment
 - Telecom equipment such as part, sub-part and inputs used for manufacturing mobile phones, camera modules, connectors, coil modules etc.
 - Certain drugs and vaccines
 - Raw materials for manufacturing certain Fast moving Consumer Goods
 - Lubricants and spare parts used by Airlines Industry
 - Import of Cocoa beans, corns, Dried Distillers' Grains, sorghum, animal feed supplements etc.
 - Manufacturing toys



Remission of Duties and Taxes on Exported Products (RoDTEP) scheme

- Issues in availing benefits under the scheme
- Recommendations on applicable rates



Special Valuation Branch (SVB)

- Request for time bound investigations
- Automation of SVB refund



Authorised Economic Operators (AEO) Scheme

- Support in expediting license
- Issues in availing benefits
- Policy recommendations on further strengthening the scheme



CAROTAR (Customs Administration of Rules of Origin under Trade Agreements) Rules

- Procedural and Interpretation issues leading to delays in shipments clearance
- Expediting furnishing of verification reports by country of origin
 - Release of Bank Guarantees
- Issues in availing other Free Trade Agreement Benefits



All India Customs Consultative Group (AICCG)

- Bi-annual representations on legislative and procedural issues around customs



Classification disputes

- Electronics Industry
- Medical/Pharmaceutical Industry
- Semiconductor Industry
- Telecom industry
- Heavy Engineering
- Fast Moving Consumer Goods Industry
- Second-hand products for Research & Development
- Amendments/extension of customs notification
- Medical/Pharmaceutical Industry



Procedural issues

- Digital filing of appeals under customs
- Amnesty scheme to settle past disputes
- Prioritization of re-assessment of bill of entries

Quality Control Orders (QCOs)

Representation to address industry wide issues in implementing QCOs around

- Toys (Quality Control) Order, 2020
- Electronics and IT Goods (Requirement for Compulsory Registration) Order, 2021
- Air Conditioner and its related Parts, Hermetic Compressor and Temperature Sensing Controls (Quality Control) Order, 2019
- Footwear Made from Leather and Other Materials (Quality Control) Order, 2024
- Bolts, Nuts and Fasteners (Quality Control) Order, 2023

Special Economic Zone (SEZ)

Focused advocacy for simplification and amendments to Special Economic Zone (SEZ) Rules, 2006 around:

- Issues in the smooth implementation of ICEGATE portal in SEZ
- Challenges in disposal of IT and non-IT assets, scrap removal, and asset transfers
- Uncertainties around duty exemptions for solar/wind power plants and leasing transactions
- Complex export procedures for Software Technology Parks of India units
- Delays in SEZ invoice endorsement impacting cash flow
- Re-evaluation of Domestic Tariff Area (DTA) pocket policy
- Exemption of duty and benefits to solar/wind power plants set up in SEZ
- Digitalization of platforms and standardization of processes and reporting
- Ongoing issues with Global Capability Centres (GCCs) operating in SEZs

BLOOMBERG TAX DAILY/TAX REPORT: INDIA'S BID TO SETTLE TAX DISPUTES
DRAWS MULTINATIONAL INTEREST



Several members of the US-India Strategic Partnership Forum, which has a network of 400 plus companies, are considering taking up the deal, especially when litigation costs and uncertainty outweigh any potential gains from going through the courts, said Shweta Kathuria, senior director at the forum. "For such cases, the scheme's promise of timely resolution and relief from penalties and interest is particularly attractive. There are reservations, especially for cases involving significant amounts or matters of principle where accepting a settlement might set an unfavorable precedent."

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