

MCCI MSME

CONNEXIONS

E Bulletin - By the MCCI Council on MSME



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CONTENTS

➤ **MESSAGES**

➤ **NEWS**

- **GST News**
- **Income Tax News**
- **Customs News**
- **RBI News**
- **Business News**

➤ **GLIMPSES OF MSME EVENTS**

➤ **ABOUT MCCI**

MESSAGE



Shri Rishabh C. Kothari

President, MCCI

MESSAGE from Shri Rishabh C Kothari, President, MCCI

Dear friends,

We are happy to bring to you the 2nd edition of MCCI MSME Connexions.

The Micro, Small and Medium Enterprises (MSME) sector is the founding pillar of sustainable, inclusive growth and development of the economy. This is particularly so when the whole nation is celebrating 75th Year of Indian Independence, Azadi ka Amrit Mahotsav.

The Central Government has taken number of initiatives under the AatmaNirbhar Bharat Abhiyan to promote the MSMEs sector in the country. The State Government has also provided strong priority towards development of this sector.

I feel that a long-term roadmap should be charted out for MSMEs, when India celebrates her 100th Year of Independence.

The Chamber has instituted quite a few unique initiatives to provide mentoring and handholding services to MSMEs. MCCI MSME Help Desk, a coveted initiative of the Chamber, deserves special mention.

The Chamber is setting up Zonal Councils viz. MCCI Haldia Zonal Council and MCCI Asansol-Raniganj-Durgapur Council, which will provide handholding services to the MSMEs at the district level.

I look forward to your advice and support towards providing value added services to the MSME fraternity. Please feel free to share your suggestions and views on the same.

Happy reading !

Rishabh C Kothari

MESSAGE



Shri Sanjib Kumar Kothari

Chairman, MSME

MESSAGE from Shri Sanjib Kumar Kothari, Chairman, Council on MSME, MCCI

Dear friends,

On the occasion of 75th Indian Independence, we have come with the 2nd edition of MSME Connexions.

Our state of West Bengal being the 6th largest state in India in terms of GDP, has the 2nd largest MSME base in India. It is heartening to note that the focus has been on strengthening the MSME base in several initiatives of the Central & State Government.

MCCI is committed to make a difference in the MSME fraternity. The Chamber, which has a huge MSME membership base, has taken up quite a few initiatives towards promotion and handholding of MSME units.

The Chamber is also reaching out to the districts to provide mentoring and handholding of MSMEs, in order to accomplish further development MSMEs of a few selected regions, thereby assuring more development pattern.

In all its initiatives, the Chamber has been fortunate to receive support from the Central & State Governments, banks, regulatory bodies and other concerned authorities.

We seek support, co-operation and guidance of all to accomplish our mission.

Sanjib Kumar Kothari

EDITORIAL



Shri Vivek Jalan

Member – MCCI MSME Council

Dear friends,

*You're either growing or dying. Stagnation does not exist in the universe. From improvement to innovation – Business is a journey of constant change. **Indian business is fast changing!***

The RBI released various forward-looking surveys and predicted that Services sector companies' demand conditions was optimistic in terms of overall business situation and turnover in Q2:2022-23; Also, Manufacturers demand conditions outlook was optimistic, as reflected in their expectations on production, order book, and employment for Q2:2022-23. Manufacturers perceive sequential improvement in demand conditions and overall business situation till Q4:2022-23. **Hence the Indian Business Story seems upbeat in 2022-23.**

However, the upbeat scenario is only for those businesses which structure themselves fast and come to pace with the changing compliances and taxation dynamics. The 47th GST Council Meeting was a mega-budget so to say, with all sectors and businesses effected. On the one hand the GST Rates of goods and services in almost all sectors got effected, on the other hand the CBIC issued circulars on issues like "fake invoices" and "Filing GSTR 3B Correctly". CBDT was not to be left behind and the Faceless Assessments were sought to be streamlined with an SOP to take care of conflicts and disputes between the assesseees and department.

Prospects of J&K looks bright as a new business destination. Defense and Electrical Vehicle Sector is opening up.

We cover all of these and much more in this Edition. We hope that this newsletter adds value to your businesses!

Vivek Jalan

Member – MCCI MSME Council

1. GST-Transitional credit can be claimed by all taxpayers incase missed earlier

Transitional credit can be claimed by all taxpayers - Supreme Court directed opening of portal for two months to enable taxpayers to file TRAN-1 and TRAN-2 forms for claiming transitional credit. The window will be available for two months from 1st September to 31st October, 2022. It has further directed that any aggrieved taxpayer may file or revise the already filed form whether or not he / she has filed writ petition before High Court and whether or not the case has been decided by IT Grievance Redressal Committee. The department has been given time of 90 days to verify the claim and pass orders on merits after granting reasonable opportunity to taxpayers. The Apex Court has not expressly stated the opportunity to be a hearing but it may include the same. After verification and passing of order, the transitional credit is to be reflected in the electronic credit ledger of respective taxpayers [CASE: FILCO TRADE CENTRE PVT. LTD. & ANR.]

2. GSTR 3B Filing – File Correctly from Now!

An extensive **Circular No. 170/02/2022-GST dated 6th July 2022** has been issued. It requires the filing of GSTR 3B correctly in a way specified. All Taxpayers would now require to file GSTR 3B correctly as per the Circular. The salient features are as follows -

1. File Table 3.2 also which many taxpayers skipped.
2. Take the entire ITC available in Table 4A and then determine and reverse as follows –
 - A. Permanent Reversal in 4B(1)
 - B. Temporary Reversal in 4B(2)
3. The disclosure of reversals for time barring credit as per 16(4), ITC not available for a different PoS, etc would be required to be disclosed in 4D(2).

All taxpayers are advised to please read the circular carefully as wrong returns filed may deny the states their claim of GST and may invite departmental action.

3. Liquidated damages (LD), notice period pay, are not liable to GST

CBIC has issued Circular No. 178/10/2022-GST dated 3-8-2022 to put to rest a long standing dispute and clarify that where there is no express or implied agreement to refrain from or tolerate an act or do anything for the party paying such LD, the agreement is for doing anything else or 'not doing' that activity and the Payment is a mere flow of money, there is no GST. The following transactions are thus not liable to GST-

- i. Liquidated damages paid for breach of contract;
- ii. Compensation given to previous allottees of coal blocks for cancellation of their licenses pursuant to Supreme Court Order;

- iii. Cheque dishonour fine/penalty charged by a power distribution company from the customers;
- iv. Penalty paid by a mining company to State Government for unaccounted stock of river bed material;
- v. Bond amount recovered from an employee leaving the employment before the agreed period;

However, the following are liable to GST –

- 1. Late payment surcharge or fee
- 2. Retention money/ No Show charges

4. For Transporters – There are 3 options on ways to Charge GST –

The following are the 3 options for Transporters from 18th July 2022 to apply GST -

- i. Payment by Recipient of 5% GST vide Reverse Charge – No declaration required. Only GTA to file GSTR 1 by showing the same and the invoice to be issued accordingly
- ii. Payment by GTA of 5% GST vide Forward Charge – No ITC is available - Declaration required as below
- iii. Payment by GTA of 12% GST vide Forward Charge – ITC is available - Declaration required as below

Declaration in Annexure V on or before the 15th March of the preceding Financial Year needs to be provided to the Dept. The option for the Financial Year 2022-2023 shall be exercised on or before the 16th August, 2022. Invoice for

supply of the service charging Central tax at under forward charge at rates specified may be issued during the period from the 18th July, 2022 to 16th August, 2022 before exercising the option for the financial year 2022-2023 but in such a case the supplier shall exercise the option to pay GST on its supplies on or before the 16th August, 2022. However every invoice under forward charge has to have a declaration under Annexure III;

Further There is no more exemption on GTA Services upto Rs.750 per consignee or Rs.1500 for all consignments in a carriage. Now the Transporters have to pay GST from Re.1 per consignee/carriage. **However there remains no GST on Goods Transport Operators.**

5. GST on Residential Dwelling

From 18th July 2022 there will be a 18% GST Incase residential dwelling is provided to registered persons on Rent [N No 4/2022 CENTRAL TAX(R) amending N No 12/2017 CENTRAL TAX (R) clause 26]. The same needs to be paid on Reverse Charge basis by The Registered Tenant [Notification 5/2022 CENTRAL TAX (R) read with N No 13/2022 CENTRAL TAX (R)]. Hence a residential dwelling provided on rent by an Individual (Salaried person) also to a registered business entity shall also be liable to GST. However, incase not otherwise disallowed, the ITC of the GST paid can be availed by the recipient of services.

6. No Interest under GST on ITC availed but not utilized

ITC wrongly availed shall be construed to have been utilised, when the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, and the extent of such utilisation of input tax credit shall be the amount by which the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed. The interest would be levied on only such utilized amount of ITC.

7. Inverted Duty Refunds – Formula Change

As per the amendment vide Notification no. 14/2022, Maximum Refund in inverted duty cases shall be as per the following formula:-

Maximum Refund Amount = $\{(\text{Turnover of inverted rated supply of goods and services}) \times \text{Net ITC} \div \text{Adjusted Total Turnover}\}$ –

“{tax payable on such inverted rated supply of goods and services x (Net ITC ÷ ITC availed on inputs and input services)}.”

The amendment in the 2nd limb of the formula would result in higher refunds. Taxpayers are suggested to not wait for change in GST Portal and file refunds by amending the fields in the formula. Also while the notification is prospective, in case of earlier lower refunds sanctioned, it needs to be seen whether the same is now refundable.

8. Taxpayers tagged as “Risky exporters” to now get atleast GST Refunds

Where refund is withheld in accordance with the provisions of Customs Act and the proper officer of the Customs passes an order that the goods have been exported in violation of the provisions of the Customs Act, 1962 (52 of 1962), then, such claim shall be transmitted to the proper officer of Central tax, State tax or Union territory tax, as the case may be, electronically through the common portal in a system generated FORM GST RFD-01 and the intimation of such transmission shall also be sent to the exporter electronically through the common portal, and notwithstanding anything to the contrary contained in any other rule, the said system generated form shall be deemed to be the application for refund in such cases and shall be deemed to have been filed on the date of such transmission.

9. GST on Packaged Commodities

There was a hue and cry on the changes in GST on packaged commodities. The following is the crux of the matter for quick guidance –

GST shall be applicable when the following conditions exist -

1. The Goods are in a pre-package with a label, whether sealed or not
2. It has declarations as per Legal Metrology Act
3. It is not supplied by a restaurant or fast food centre

4. It is not supplied for Retail sale in more than 25Kg/25 lts packages
5. It is not supplied for Retail sale of agricultural farm produce sold in packages above 50 kilogram
6. It is not supplied for Retail sale of packaged commodities meant for industrial consumers or institutional consumers.
7. It is not supplied for wholesale trade directly to a consumer
8. It is supplied for wholesale trade to an intermediary.
9. **However, vide the FAQs issued by The CBIC on 17th July 2022, it is clear that packages above 25 Kgs, even in wholesale trade would not be required to charge GST.**

10. Recredit of ITC now possible through PMT-03A in 1 month

GSTN has recently developed a new functionality of FORM GST PMT-03A which allows proper officer to re-credit the amount in the electronic credit ledger of the taxpayer, to provide for re-credit in the electronic credit ledger where the taxpayer deposits the erroneous refund sanctioned to him. Within a period of **30 days** from the date of receipt of request in specified application form for re-credit of erroneous refund amount so deposited or from the date of payment of full amount of erroneous refund along with applicable interest, and penalty, wherever applicable, whichever is later.

11. GST On Employee Benefits: Paid not as an employee

Perquisites provided by the employer to the employee in terms of contractual agreement entered into between the employer and the employee, will not be subjected to GST when the same are provided in terms of the contract between the employer and employee. **However, incase the perquisites provided are not in the contract of employment then GST will be applicable.**

12. No GST on Access to Road provided by Private Party

HC has set aside CBIC Circular negating GST exemption to annuity paid for road construction: CBIC issued Circular No.150/06/2021-GST dated 17-6-2021 clarifying that annuity paid in such cases is not exempted since what is exempted is the service of access to road or bridge and not service of construction. The High Court held that annuity is paid to concessionaires in lieu of toll charges and the circular is contrary to notifications and cannot stand. The way to deny exemption would be to issue fresh notification and it cannot be done through a circular [2022-VIL-500-KAR][M/s DPJ BIDAR - CHINCHOLI (ANNUITY) ROAD PROJECT PRIVATE LIMITED]

13. Supreme Court seeks implementation of DIN system in all States

The Apex Court said that implementation of such system for electronic (digital) generation of DIN for all communication sent by SGST officers to taxpayers would be in larger public interest and enhance good governance as it will bring transparency and accountability in the indirect tax administration [PRADEEP GOYAL Vs UNION OF INDIA & ORS]

14. Beware of “Fake Invoices” as the liability is on the recipient of fake invoices

Circular 171 under GST clarifies that incase “fake invoices” are supplied without corresponding supply of goods or services and ITC is availed by the recipient, then Action u/s 73/74 would be initiated against the recipient too. In many other cases of “fake ITC” actions can be initiated against the recipient u/s 122 alongwith punishment u/s 132. **All taxpayers are advised therefore to do a careful due diligence of the vendors they deal with.**

15. Other clarifications -

A. Electric vehicles whether or not fitted with a battery pack, attract GST rate of 5%:

The explanation of 'Electrically operated vehicles' in entry 242A of Schedule I of notification No. 1/2017-Central Tax (Rate) reads as: 'Electrically operated vehicles which run solely on electrical energy derived from an external source or from one or more electrical batteries fitted to such road vehicles and shall include E-bicycles.'

B. Stones :otherwise covered in S. No. 123 of Schedule-I (such as Napa stones), which are not mirror polished, are eligible for concessional rate under said entry: minor polished stones do not qualify as mirror polished stones

C. Water: falling under heading 2201, with certain specified exclusions, is exempt from GST vide entry at S. No. 99 of notification No. 2/2017-Central Tax (Rate), dated the 28th June, 2017. the word 'purified' is being omitted from the above-mentioned entry vide notification No. 7/2022-Central Tax (Rate), dated the 13th July, 2022.

D. Mangoes: fresh falling under heading 0804 are exempt; Mangoes, sliced and dried, falling under 0804 are chargeable to a concessional rate of 5%; while all other forms of dried mango, including Mango pulp, attract GST at the rate of 12%.

E. By-products of milling of pulses/ dal :

such as Chilka, Khanda and Churi are appropriately classifiable under heading 2302 that consists of goods having description as bran, sharps and other residues, whether or not in the form of pellets, derived from the sifting, milling or other working of cereals or of leguminous plants - the subject goods which inter alia is used as cattle feed ingredient are appropriately classifiable under heading 2302 and attract GST at the rate of 5% vide S. No. 103A of Schedule-

I of notification no. 1/2017-Central Tax (Rate), dated the 28th June, 2017 and that for the past, the matter would be regularized.

F. Rate of GST applicable on supply of ice-cream by ice-cream parlors during the period from 01.07.2017 to 05.10.2021 would be regularized.

G. Whether storage or warehousing of cotton in baled or ginned form is covered under entry 24B of Notification No. 12/2017-Central Tax (Rate) which exempted services by way of storage and warehousing of raw vegetable fibres such as cotton before 18.07.2022 : **Yes**

I. Activity of selling of space for advertisement in souvenirs is eligible for concessional rate of 5% : (i) of entry 21 of notification No. 11/2017-Central Tax (Rate) dated 28.06.2017 selling of space for advertisement in print media attracts GST @ 5% - Yes

J. Taxability and applicable rate of GST on transport of minerals from mining pit head to railway siding, beneficiation plant etc., by vehicles deployed with driver for a specific duration of time : such renting of trucks and other freight vehicles with driver for a period of time is a service of renting of transport vehicles with operator falling under Heading 9966 and not service of transportation of goods by road. This being so, it is not eligible for exemption under Sl. No. 18 of notification No. 12/2017- Central Tax (Rate) dated 28.06.2017. On such rental

services of goods carriages where the cost of fuel is included in the consideration charged from the recipient of service, GST rate has been reduced from 18% to 12% with effect from 18.07.2022. Prior to 18.07.2022, it attracted GST at the rate of 18%.

K. Whether location charges or preferential location charges (PLC) collected in addition to the lease premium for long term lease of land constitute part of the lease premium or of upfront amount charged for long term lease of land and are eligible for the same tax treatment: constitute part of upfront amount charged for long term lease of land and are eligible for the same tax treatment, and thus eligible for exemption under Sl. No. 41 of notification no. 12/2017- Central Tax (Rate) dated 28.06.2017.

L. Whether the additional toll fees collected in the form of higher toll charges from vehicles not having fastag is exempt from GST: Yes

15. Other Sector-wise Issues :

Almost all sectors have been impacted by The recent GST Rate Changes apropos the 47th GST Council meeting. Taxpayers should look minutely in the notifications and circulars issued in this regard.

1. Faceless assessment: Fresh SOPs issued to address taxpayers' conflicts

Since inception, Faceless Assessments witnessed various conflicts between the assesses and the Revenue Authorities. The biggest conflict was the invocation of Best Judgement Assessments without giving any opportunity of being heard or taking cognizance of the written submissions of the assesses. Other disputes included - not being granted adjournments, too many questionnaires been sent to assesses, too much of repeated information being asked for, etc.

The NaFAC has issued SOP for various units viz., Assessment unit (AU), verification unit (VU, Technical unit (TU) and Review unit (RU) under the Faceless Assessment provisions of Sec 144B, to provide for the procedures to be followed by various units for conducting faceless assessment. Most of these disputes have been addressed therein. However, **the same is with a Caveat that the SOPs is strictly for Departmental Use only. If any conflict in the SOP is noticed with the statute, then the provisions of the Statute shall prevail.** Hence this cannot be used against the Department in a Court of Law.

For the AU, the following are the major points -

1. Question on specific grounds viz., ground on which case is selected or set aside or

reopened shall be included in the framed questionnaire u/s 142(1) – This is a welcome move and hence incase the SCN going forward is other than these grounds, then the same can be challenged.

2. Further all internal and external information available with the department including other databases like MCA, etc should be used for making the initial questionnaire. Effort should be made to make the initial questionnaire exhaustive, so that no more questionnaires are required.

3. The AU would work in a Time Bound Manner and specific requirements in this regard have been laid down in the SOP -

a. Time limit of 15 days for initial notice and 7 days for subsequent notices shall be provided for compliance by the assessee. This time limit may be curtailed in time-barring cases.

b. Adjournment shall be granted up to a period of 7 days – The no:of adjournments allowed are not mentioned. However as per the principles of natural justice, it is possible that atleast 3 adjournments be granted.

c. In case of non-compliance of notices by the assessee, reminder notices shall be sent to all the registered email IDs with a request to comply within 5 days.

d. Further, physical letter thorough speed post or SMS in the registered mobile number may be sent.

e. Penalty under section 271(1)(b) may be initiated and also Show-cause notice u/s 144 shall be issued.

f. After examining the reply of the assessee, additional questions may be framed.

g. SCN shall be issued where any addition or disallowance is proposed and shall give at least 7 days time to the assessee to respond. This 7 days time limit may be curtailed in time barring cases.

h. Within 2-3 days of the request of the assessee, the personal hearing shall be mandatorily granted to the assessee.

i. The adherence to principles of natural justice has been given due importance as per the SOP.

4. The assessing officer will prepare an income and loss determination proposal (ILDP) after considering the taxpayers' reply to a show-cause notice and a personal hearing in each case as follows –

a. ILDP should be fair and judicious.

b. The assessing officer must submit it for risk analysis within a reasonable time.

5. The faceless authority has even defined roles of the AU, VU, TU and RU in the revised SOP, which was absent earlier.

6. The authority also suggested key conditions for verifying the assessment case. It should be done in case of non-availability of digital footprint of "third person" (other

than assessee). The assessing officer can seek verification if it requires -- cross verification of evidence, examination of books, recording of statement, examining of witness, etc.

7. The faceless authority has even defined roles of the assessment unit, verification unit, technical unit and review unit in the revised SOP, which was absent earlier.

8. Further, to improve compliance, the department will send a centralised communication to taxpayers in case of non-responsiveness of the notices.

9. The assessing officer can also seek special audit in a specific case such as nature and complexity of accounts, volume of accounts, doubts about transactions, and specialised nature of business activity

While this SOP is a positive step by The NfAC, yet the fact that it cannot be used by the assesses would mean that it may not have the desired impact on ground. It is important that atleast the salient features of this SOP be codified by the CBDT in the form of a Circular such that it becomes binding on the officers and invokable by the assesses.

2. Cash payment for 'business necessities' cannot be disallowed arbitrarily

In various businesses like civil contractors, transporters, hotels and restaurants, mines, etc where huge unorganised labourers are

involved, there is no option but to pay labourers in cash. These payments are generally looked at with aspersions by the field officers and sometimes a part of them are added back without much reason. In case cash amounts are transferred for the business exigencies of the company and not for personal use and there is no doubt on their genuineness, then the expenses cannot be disallowed. Hence in case cash payments have to be made by contractors to labourers for extra hours worked, it will be considered as a business necessity. The same was held in the case of DY.CIT-14(1)(1) Vs M/s AYG REALTY LTD [2022-VIL-979-ITAT-MUM]. Therefore, in case there is a business case, the cash payments cannot be added back arbitrarily.

3. CBDT issues conditions, forms to get income tax exemption on covid 19 help money

The government, vide Union Budget 2022, confirmed that money received by an individual for expenses incurred on the treatment of Covid-19 or as ex-gratia received (by family members) on death due to covid-19 from an employer or any relative/well-wisher would be exempt from income tax. Now, the CBDT issued notification 92/2022 requiring family members (of individuals who had passed away due to covid, who had received ex-gratia payment from the employer of the

deceased or financial assistance from relatives and other well-wishers, to submit Form A and specified proofs to the assessing officer. Form A must be submitted within 9 months from the end of the financial year in which money is received or December 31, 2022, whichever is later. Hence, if you have received the money in FY 2020-21 (which ended on March 31, 2021), then you have to submit the 'Form-A' by December 31, 2022 deadline.

Further, the CBDT has specified the conditions under which the above-mentioned income tax exemption can be claimed by the family members and also records to be kept for the purpose. The conditions and records are as follows:

- a) Condition - the death of the individual should be within six months from the date of testing positive or from the date of being clinically determined as a COVID-19 case, for which any sum of money has been received by the member of the family;
- b) Record to be kept - the COVID-19 positive report of the individual, or medical report if clinically determined to be COVID-19 positive through investigations in a hospital or an inpatient facility by a treating physician;
- c) Record to be kept - a medical report or death certificate issued by a medical practitioner or a Government civil registration office, in which it is stated that

death of the person is related to coronavirus disease (COVID-19).

4. ITR processing Time reduced from 120 days to 30 days

Income Tax compliances are also slowly getting more and more stringent. The due date of this ITR was not extended from 31st July, even after multiple pressures on the Government. It also had the desired impact as 5.8 Crore ITRs actually got filed before 31st July 2022. This also substantiated the stand of the CBDT that the Income Tax Portal was actually working fine as it also created a record of sorts by supporting more than 70 Lakh ITRs filing on 31st July itself.

Now the time limit of processing of ITRs has been reduced from the current 120 days to 30 days. Hence taxpayers have to be on their toes. However, this change is effective for all returns filed post 31st July – which will be primarily returns which are impacted by tax audit and hence this would primarily impact the non-tax audit impacted returns from the next year.

5. TDS u/s. 194C deductible on Common Maintenance Charges

A question is raised by field formations many a times that whether payment of common maintenance charges (CAM) is in the nature of rent liable for TDS @ 10% u/s 194-I of the Income Tax Act, 1961? Like in many earlier

cases by Other Courts this time The Hon'ble ITAT Delhi has held in the case of Nijhawan Travel Service Pvt. Ltd. Vs ACIT; that CAM charges have been paid to different parties by executing agreements which do not form part of rent payment. The payment towards CAM charges are in the nature of contractual payment which are made for availing services/ facilities and not for the use of any premises/ equipment, therefore, same would be subject to deduction of tax at source u/s 194C of the Act and not u/s 194I of the Act.

6. No arbitrary adjustment u/s 245 without prior intimation

Most of the taxpayers suffer from adjustments made u/s 245, sometimes even without intimation. The purpose of giving prior intimation under section 245 of the Act, 1961 is to enable a party to point out factual errors or some further developments for example that there was a stay of the demand, or that there was a Supreme Court's decision covering the demand, which is the subject matter of a pending appeal which would not warrant an adjustment of the refund against the pending demand.

Where a party raises such issues in response to the intimation, the officer of the Revenue exercising powers under section 245 of the Act, 1961 must record reasons why the objection was not sustainable and also communicate it to the said party and that this

would ensure that the power of adjustment under section 245 of the Act is not exercised arbitrarily.

Where a party raises such issues in response to the intimation, the officer of the Revenue exercising powers under section 245 of the Act, 1961 must record reasons why the objection was not sustainable and also communicate it to the said party and that this would ensure that the power of adjustment under section 245 of the Act is not exercised arbitrarily.

Section 245 of Income Tax Act, 1961 envisages that when a refund is found to be due to any person under any of the provisions of the Act, the Revenue can set off/adjust the amount to be refunded or any part of that amount, against the sum which remains payable under the Act, 1961 by the person to whom the refund is due, after giving an intimation in writing to such person of the action proposed to be taken under this section. The same was held in the case of Greatship (India) Limited Vs ACIT (Bombay High Court) [2022-VIL-169-BOM-DT]. The Same Court in the case of Suresh B. Jain held that giving of prior intimation under section 245 of the Act was mandatory.

7. Only profit element (and not entire Cash Sales) of undisclosed turnover should be added to Income

Yet another judgement on whether profit in the undisclosed turnover ought to be

assessed as income. The Hon'ble ITAT Ahmedabad held that there is force in the pleadings of the assessee in treating cash deposits in the bank account as unexplained income of the assessee and the correct method is applying peak calculation method to compute the profit from the unaccounted cash sales made by the assessee. The account entries that indicated that cash deposits were being made and the same were withdrawn by issuing cheques to various parties. The assessee also gave peak calculation of the paper book filed by the assessee. The submission of the assessee that entire cash deposits in the bank account cannot be added as income of the assessee was accepted. HIMANSHU L. SHETHIA (HUF) Vs ITO [2022-VIL-922-ITAT-AHM]

Even under Service Tax/ GST the question still remains that while the Department adds undisclosed/estimated sales, should corresponding CENVAT/ITC be also allowed. Possibly the courts need to ponder further in this respect.

8. Interest on Deposits during Construction period cannot be taxed as IFOS

During construction period incase borrowings are made by the assessee for purchasing fixed assets and some of such amount is kept in FDs for the time being. The interest income earned therein will not be assessed under Income from Other Sources as such interest,

being, intrinsically connected with construction activity would go to reduce the cost of construction. The Hon'ble Supreme Court in CIT VS. BOKARO STEEL PLANT has held that interest and hire charges realized from contractor could not be taxed as 'Income from other sources'. Similarly In CIT VS. KARNAL COOPERATIVE SUGAR MILLS LTD., the Hon'ble Supreme Court specifically considered the amount of interest earned during construction period on the amount of fixed deposits for opening letter of credit, as not chargeable to tax as 'Income from other sources'. On similar grounds, relief was provided in the case of DANA INDIA TECHNICAL CENTRE PRIVATE LTD. Vs DCIT [2022-VIL-876-ITAT-PNE]

9. Would 'Provision for expenses' added back due to delay in receipt of bills

It is a general accounting practise that provisioning is made for expenses like retainership fees of consultants, rent, etc which are paid periodically. However sometimes bills are received after sometime. For example on 31st March a provision for rent is made, but the bill is received for the period on 1st April. This is allowed year after year, but suddenly field officers suddenly start imagining out of the box suddenly. A question was raised by disallowance of claim of Provision for expenses, being carried away by the fact that the liability to pay shall arise upon the assessee only after the receipt of

the relevant bills and not considering its accrual.

It was held in the case of L'OREAL INDIA PRIVATE LIMITED Vs ADDL./JOINT/DEPUTY/ ASSISTANT COMMISSIONER OF INCOME OFFICER [2022-VIL-864-ITAT-MUM], that the fact that there was an obligation upon the assessee to pay for the liability as a result of past event cannot be denied. By belated receipt of bills, the payment only gets postponed, but not the liability that has already accrued to the assessee. It is also a fact that the assessee has been providing for known expenses and losses year after year and the said provision has been verified by the statutory auditors of the assessee company. Hence such expenses were hitherto allowed.

10. Matching of Income and expenses every year

In another funny case, an AO disallowed expenses as there is no substantial income in one year, even though there was income reported in the next year. It was considered that these expenditures were not incurred wholly and exclusively for the purpose of business.

Such cases sometimes come up when the concerned authorities either do not reflect sufficiently on accounting and business principles or ARs do not represent appropriately. It is an easy understanding

that the AO has to give any finding and appreciate the accounts filed by the assessee before disallowing the expenses against the business income shown by the assessee. So long as the expenses are incurred for the purpose of business, it should be allowable as deduction and it is not necessary that the expenditure may result in income or there must be substantial income. The same was correctly held by in the case of ACIT Vs M/s EMCIP ELECTRONICS PVT. LTD. [2022-VIL-857-ITAT-DEL]

11. Prosecution u/s 276C In Income Tax for Non-filing of Income Tax returns: No relief from High Court

Taxpayers across the Country are now witnessing a new era where economic offenses are no more taken with an attitude of "Letting things be". Tax Professionals should also change accordingly and ensure that tax compliances are in order. We have heard many cases under GST and Customs where prosecution proceedings have been initiated for suspected evasion of tax/duty. Now the Income Tax Authorities have also got into the Act by invoking Section 276C of The Income Tax Act. Even when an assessee failed to file its Return in time and to pay the tax due before the due date of filing the return of income, prosecution u/s 276 CC and 276C (1) of the Income Tax Act was launched. The absence of assessee in India or the

communication gap between herself and her representative was not accepted as a ground to quash the prosecution.

Section 278E gives a presumption to lay prosecution in case of non-filing of Return within the time limit and suppression of income in the Return filed, is with malafide intention to evade Tax. Hence, the Court held that it cannot by exercising its power under Section 482 of Cr.P.C., quash the proceedings presuming the contrary.

**CUSTOMS AAR MUM [M/s RASHI PERIPHERALS PRIVATE LIMITED]:
Handheld computers, having bar code reading / scanning facility are classifiable as computers and not as smartphones**

Handheld computers, having bar code reading / scanning facility are used in inventory management, stores, tracking packages, etc., and are classifiable as automatic data processing (ADP) machines i.e. computers under heading 8471 and not as smartphones under Heading 8517, under heading 8517 relating to cellular phones / smartphones though they run based on mobile phone operating system. These products have SIM card and they have supplementary features for voice communication as well though this is not the primary purpose for which the product is made.

Reason – Primary Purpose Test ; Trade Parlance Test: many of the products / models do not have SIM facility and do not have cellular network functionality

Amendment IN STANDARD INPUT OUTFIT NORMS (SION) OF ENGINEERING PRODUCT GROUP SUSPENSION OF SIONS C-594, C-791 TO C-796 AND C-831

Ministry of Commerce and Industry has made the following amendments in the Standard Input Output Norms (SION):

2. The Standard Input Output Norms (SIONs) as appearing at the following serial numbers corresponding to the export item are suspended:

SI. No.	Export Item
C594	Carbon/ Alloy Steel Seamless Tubes (Cold Finished)
C791	Seamless Stainless Steel Tubes (Cold Finished)
C792	Seamless Stainless Steel Tubes (Cold Finished) (Stainless steel grade-304/304L/321)
C793	Seamless Stainless Steel Tubes (Cold Finished) (Stainless steel grade-316/316L/316 TI)
C794	Seamless Stainless Steel Tubes/ Pipes (Hot Finished)
C795	Seamless Stainless Steel Tubes (Hot Finished) (Stainless steel grade - 304/304L/321)
C796	Seamless Stainless Steel Tubes (Hot Finished) (Stainless steel grade - 316/316L/316TI)
C831	Stainless Steel Seamless Tubes/Pipes (Cold Finish)

3. An exporter desirous of obtaining Advance Authorisation for export of above said products may apply under Para 4.07 of Handbook of Procedures 2015-20.

Effect of this Public Notice:

Standard Input Output Norms (SIONs) appearing under C-594, C-791 to C-796 and C-831 arc suspended with immediate effect.

Amendment for import policy conditions for item under itc (hs) code 05119999 of chapter 05 of itc (hs), 2022, schedule – i (import policy) – 22/2015-2020 – foreign trade policy

Ministry of Commerce and Industry vide notification no. 22/2015-2020 dated 20.07.2022 has amended the policy condition of item under Chapter 05 of ITC (HS), 2022, Schedule - I (Import Policy) as follows :-

ITC(HS) code	Item Description	Import Policy	Existing Policy Condition	Revised Policy Condition
0511 99 99	Other:---- Other	Free	Import of Human Embryo is "Prohibited" except for research purposes based on the guidelines of the Department of Health Research.	Import of Human Embryo is "Prohibited" in accordance with the Assisted Reproductive Technology (Regulation) Act, 2021 and The Surrogacy (Regulation) Act, 2021.

				Act, 2021 and The Surrogacy (Regulation) Act, 2021.
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2. Effect of the Notification:

Import of Human Embryo under ITC (HS) 05119999 is "Prohibited" in accordance with the Assisted Reproductive Technology (Regulation) Act, 2021 and The Surrogacy (Regulation) Act, 2021.

Amendment in notification no, 22/2022-customs, dated 30.04.2022 TO enable TRQ holders to import gold through IIBX under TRQ mechanism of India-UAE CEPA

In the said notification, in the Annexure, in the Table, for the Condition No. 2 and the entries relating thereto, the following Condition No. and entries shall be substituted, namely: -

"2"	(a) Importer-Exporter Code (IEC), mentioned in TRQ authorization specified in clause (b) of Condition No. 1 above, shall be Importer-Exporter Code (IEC) of nominated agencies as notified by RBI (in case of banks) or DGFT (for other agencies) or IFSCA (for qualified
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jewellers through India International Bullion Exchange). Additionally, TRQ authorization shall also contain GST Identification Number (GSTIN) of the jewellery manufacturer to whom TRQ is being issued. (b) The importer follows the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017.”.

Amendment for import policy conditions for item under itc (hs) code 05119999 of chapter 05 of itc (hs), 2022, schedule – i (import policy) – 22/2015-2020 – foreign trade policy

Ministry of Commerce and Industry vide notification no. 22/2015-2020 dated 20.07.2022 amended the policy condition of item under Chapter 05 of ITC (HS), 2022, Schedule - I (Import Policy) as follows :-

ITC(HS) code	Item Description	Import Policy	Existing Policy Condition	Revised Policy Condition
0511 99 99	Other:---- Other	Free	Import of Human Embryo is "Prohibited" except for research purposes based on	Import of Human Embryo is "Prohibited" in accordance

			the guidelines of the Department of Health Research.	with the Assistance of the Reproductive Technology (Regulation) Act, 2021 and The Surrogacy (Regulation) Act, 2021.
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2. Effect of the Notification:

Import of Human Embryo under ITC (HS) 05119999 is "Prohibited" in accordance with the Assisted Reproductive Technology (Regulation) Act, 2021 and The Surrogacy (Regulation) Act, 2021.

Withdrawal of Exemption to research equipments imported by public funded research institutions or a university of an Indian Institute of Technology or Indian Institute of Science, Bangalore or Regional Engineering College, non commercial institutions etc

The Department of Revenue, Ministry of Finance, Government of India vide Notification No. 42/2022 -Customs dated 13-07-2022 notified Withdrawal of exemption from IGST on import - Seeks to amend Notification No. 51/96-Customs, dated the 23rd July, 1996 - Exemption to research equipments imported by public funded research institutions or a university of an Indian Institute of Technology or Indian Institute of Science, Bangalore or Regional Engineering College, non commercial institutions etc.

AMENDMENT IN SCOPE OF Exemption ON IMPORT OF specified defense equipment and their parts imported in India by the Ministry of Defence, Government of India or the defence forces

The Department of Revenue, Ministry of Finance, Government of India vide Notification No. 41/2022 -Customs dated 13-07-2022 notified Scope of exemption to persons who can import under this scheme - Seeks to amend Notification No. 19/2019- Customs, dated the 6th July, 2019 - Exemption to specified defense equipment and their parts imported in India by the Ministry of Defence, Government of India or the defence forces.

Tariff heading referring to the open cells for use in manufacture of TV Panels of heading 8524 amended

The Department of Revenue, Ministry of Finance, Government of India vide Notification No. 39/2022 -Customs dated 12-07-2022 notified amended notification No. 50/2017-Customs with respect to the tariff heading referring to the open cells for use in manufacture of TV Panels of heading 8524.

In the said notification, in the Table, against S. No. 515A, in Column (2), for the figure "8529", the figure "8524" was substituted.

1. Premature redemption under Gold Monetisation Scheme payable only in rupees: RBI

The Gold Monetisation Scheme (GMS) was launched in November 2015. The redemption under the scheme can be in INR or physical gold. However the pre-mature redemption of Medium or Long term Government deposit (MLTGD) will only be in INR

2. 2022-23 looks bright for manufacturers as well as Service Companies as per RBI

The RBI released various forward-looking surveys including OBICUS Survey on manufacturing sector and Services and Infrastructure Outlook Survey. Overall, the result of the surveys looks positive for businesses.

Services sector companies were optimistic on demand conditions in terms of overall business situation and turnover in Q2:2022-23. The job landscape is likely to improve in terms of both full-time and part-time employment. Cost pressures are expected to continue with rise in selling prices. In H2:2022-23, Enterprises expect further improvement in overall business situation, turnover and employment in the second half of the financial year. Input cost pressures may continue with gradual easing in the later half of the year.

Manufacturers retained their optimistic outlook on demand conditions, as reflected in their expectations on production, order book, and employment for Q2:2022-23. Pressures from purchase of raw materials, staff cost and cost of financing are likely to continue and to adjust for the cost escalation, the manufacturers expected improvement in pricing power and profit margin. The business expectations index (BEI) improved to 137.7 in Q2:2022-23 from 134.7 in the previous quarter. Manufacturers perceive sequential improvement in demand conditions and overall business situation till Q4:2022-23.

3. RBI gives payment aggregators a breather to submit applications for authorisation

The RBI had observed that applications received from some Payment Aggregators (PAs) had to be returned as they had not complied with eligibility criteria, including the minimum net worth criterion of Rs. 15 crores by March 31, 2021. This also implied that they have to discontinue their operations within a period of six months from the date of return of application. Though they have the option to apply afresh on meeting the prescribed criteria, ceasing operations may lead to disruption in payment systems. It is also possible that some PAs had not applied to RBI due to non-fulfilment of eligibility criteria. In view of the disruption caused by

the COVID-19 pandemic, the RBI has decided to allow another window to all such Payment Aggregators (existing as on March 17, 2020) seeking authorisation under the Payment and Settlement Systems Act, 2007 by September 30, 2022 and shall have a net worth of Rs. 15 crores as on March 31, 2022. The timeline of March 31, 2023 for achieving the net worth of Rs. 25 crores shall, however, remain. Earlier, they were required to apply to RBI by September 30, 2021.

PAAs are entities that facilitate e-commerce sites and merchants to accept various payment instruments from customers for completion of their payment obligations without the need for merchants to create a separate payment integration system of their own. PAAs facilitate merchants to connect with acquirers. In the process, they receive payments from customers, pool and transfer them on to the merchants after a time period. As per earlier RBI directives, online non-bank PAAs (existing as on March 17, 2020) were required to apply to RBI by September 30, 2021 for seeking authorisation under the Payment and Settlement Systems Act, 2007 (PSS Act).

4. RBI relaxes rules for checkout on guest transactions

The Reserve Bank of India (RBI) has relaxed card-on-file data storage norms pertaining to guest transactions checkout, whereby now,

apart from the card issuer and the card network, the merchant or its payment aggregator involved in the settlement of the transactions can save the data for a maximum of T+4 days or till the settlement date, whichever is earlier. And, acquiring banks have been permitted to store the card-on-file data until January 2023 for handling other post-transactions activities.

Guest checkout transactions are those where cardholders decide to enter card details manually at the time of undertaking the transaction. They just need to key in the 16-digit number and do the transaction. This would be a non-tokenized transaction. The complexity of the situation at the back end means that a proper technical solution will take time, the industry had informed the central bank.

5. External Commercial Borrowings (ECB) Policy – Liberalisation Measures

The Foreign Exchange Management Act vide circular number RBI/2022-23/98 dated 01.08.2022 circulated - Attention is invited to paragraph 2.2 of FED Master Direction No.5 on External Commercial Borrowings, Trade Credits and Structured Obligations, dated March 26, 2019 (as amended from time to time), in terms of which eligible ECB borrowers are allowed to raise ECB up to USD 750 million or equivalent per financial year under the automatic route, and paragraph

2.1.vi. *ibid*, wherein the all-in-cost ceiling for ECBs has been specified.

2. As announced in paragraph five of the press release on “Liberalisation of Forex Flows” dated July 06, 2022, it has been decided, in consultation with the Central Government, to:

i) increase the automatic route limit from USD 750 million or equivalent to USD 1.5 billion or equivalent.

ii) increase the all-in-cost ceiling for ECBs, by 100 bps. The enhanced all-in-cost ceiling shall be available only to eligible borrowers of investment grade rating from Indian Credit Rating Agencies (CRAs). Other eligible borrowers may raise ECB within the existing all-in-cost ceiling, as hitherto.

The above relaxations would be available for ECBs to be raised till December 31, 2022.

3. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers.

4. The aforesaid Master Direction No. 5, is being updated to reflect these changes.

5. Necessary amendments to the relevant regulations have been made through the Foreign Exchange Management (Borrowing and Lending) (Amendment) Regulations, 2022, notified vide notification No. FEMA.3(R)(3)/2022-RB dated July 29, 2022.

6. The directions contained in this circular have been issued under section 10(4) and 11(2) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

6. INTERNATIONAL TRADE SETTLEMENT IN INDIAN RUPEES (INR) - FEMA

The Chief General Manager at Reserve Bank of India issued Circular Vide No. 10 of RBI/2022-2023/90 dated 11.07.2022.

In order to promote growth of global trade with emphasis on exports from India and to support the increasing interest of global trading community in INR, it has been decided to put in place an additional arrangement for invoicing, payment, and settlement of exports / imports in INR. Before putting in place this mechanism, AD banks shall require prior approval from the Foreign Exchange Department of Reserve Bank of India, Central Office at Mumbai.

2. The broad framework for cross border trade transactions in INR under Foreign Exchange Management Act, 1999 (FEMA) is as delineated below:

a. Invoicing: All exports and imports under this arrangement may be denominated and invoiced in Rupee (INR).

b. Exchange Rate: Exchange rate between the currencies of the two trading partner countries may be market determined.

c. Settlement: The settlement of trade transactions under this arrangement shall take place in INR in accordance with the procedure laid down in Para 3 of this circular.

3. In terms of Regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016, AD banks in India have been permitted to open Rupee Vostro Accounts. Accordingly, for settlement of trade transactions with any country, AD bank in India may open Special Rupee Vostro Accounts of correspondent bank/s of the partner trading country. In order to allow settlement of international trade transactions through this arrangement, it has been decided that:

a. Indian importers undertaking imports through this mechanism shall make payment in INR which shall be credited into the Special Vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller /supplier.

b. Indian exporters, undertaking exports of goods and services through this mechanism, shall be paid the export proceeds in INR from the balances in the designated Special Vostro account of the correspondent bank of the partner country.

4. Documentation: The export / import undertaken and settled in this manner shall be subject to usual documentation and reporting requirements. Letter of Credit (LC) and other trade related documentation may be decided mutually between banks of the partner trading countries under the overall framework of Uniform Customs and Practice for Documentary Credits (UCPDC) and incoterms. Exchange of messages in safe, secure, and efficient way may be agreed mutually between the banks of partner countries.

5. Advance against exports: Indian exporters may receive advance payment against exports from overseas importers in Indian rupees through the above Rupee Payment Mechanism. Before allowing any such receipt of advance payment against exports, Indian Banks shall ensure that available funds in these accounts are first used towards payment obligations arising out of already executed export orders / export payments in the pipeline. The said permission would be in accordance with the conditions mentioned in para-C.2 on Receipt of advance against exports under Master Direction on Export of Goods and Services 2016 (as amended from time to time). In order to ensure that the advance is released only as per the instructions of the overseas importer, the Indian bank maintaining the Special Vostro account of its correspondent bank shall, apart from usual due diligence measures, verify the

claim of the exporter with the advice received from the correspondent bank before releasing the advance.

6. Setting-off of export receivables: 'Set-off' of export receivables against import payables in respect of the same overseas buyer and supplier with facility to make/receive payment of the balance of export receivables/import payables, if any, through the Rupee Payment Mechanism may be allowed, subject to the conditions mentioned in para C.26 on Set-off of export receivables against import payables under Master Direction on Export of Goods and Services 2016 (as amended from time to time).

7. Bank Guarantee: Issue of Bank Guarantee for trade transactions, undertaken through this arrangement, is permitted subject to adherence to provisions of FEMA Notification No. 8, as amended from time to time and the provisions of Master Direction on Guarantees & Co-acceptances.

8. Use of Surplus Balance: The Rupee surplus balance held may be used for permissible capital and current account transactions in accordance with mutual agreement. The balance in Special Vostro Accounts can be used for:

- a. Payments for projects and investments.
- b. Export/Import advance flow management
- c. Investment in Government Treasury Bills, Government securities, etc. in terms of

extant guidelines and prescribed limits, subject to FEMA and similar statutory provision.

9. Reporting Requirements: Reporting of cross- border transactions need to be done in terms of the extant guidelines under FEMA 1999.

10. Approval Process: The bank of a partner country may approach an AD bank in India for opening of Special INR VOSTRO account. The AD bank will seek approval from the Reserve Bank with details of the arrangement. AD bank maintaining the special Vostro Account shall ensure that the correspondent bank is not from a country or jurisdiction in the updated FATF Public Statement on High Risk & Non Co-operative Jurisdictions on which FATF has called for counter measures.

11. The above instructions shall come into force with immediate effect. AD banks may bring the contents of this Circular to the notice of their constituents and customers concerned.

12. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

1. Investing in CSR may become easier with Zero coupon, zero principal bond declared as securities

The Finance Ministry has declared zero coupon zero principal instruments (ZCZP) as securities. This may help many organisations including corporates to utilise their fund marked for social responsibility and also help non-profit organisations to get funds in a more transparent manner. Neither any interest is paid nor principal is repaid under ZCZP. For Example Take the case of a corporate which is mandated to use part of profit under Corporate Social Responsibility (CSR), it will get an instrument to invest but not for return. Zero Coupon-Zero Principal instrument means an instrument issued by a not-for-profit organisation which shall be registered with the social stock exchange (SSE) segment of a recognised stock exchange in accordance with the regulations made by the Securities and Exchange Board of India (SEBI)

The notification also declared the inclusion of ZCZP in the list of securities under Securities Contracts (Regulation) Act, 1956. As on date, this list included shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities, derivative, units or any other instrument issued by any collective investment scheme, security receipt,

mutual fund units (excluding ULIPs), units issued by any pooled investment vehicle and government securities. These securities can be traded on a recognised stock exchange and such trading can be regulated by SEBI.

The new notification is a follow up to Finance Minister Nirmala Sitharaman's announcement in the FY20 Budget - It is time to take our capital markets closer to the masses and meet various social welfare objectives related to inclusive growth and financial inclusion. I propose to initiate steps towards creating an electronic fund raising platform — a social stock exchange — under the regulatory ambit of SEBI for listing social enterprises and voluntary organisations working for the realisation of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund.

To implement this, SEBI formed a working group which recommended that ZCZP bonds be listed on the SSE. They will carry a tenure equal to the duration of the project that is being funded, and at tenure, they will be written off the investee's books. Such bond is particularly well suited to investors who are looking to create social impact but do not wish to have their funds returned to them. However, such bonds are not without risk, as there is no guarantee that the social impact that an NPO (Non-

Profit Organisation) is promising will in fact be created. Accordingly, investors will be keen to channel funds only to credible and legitimate NPOs, which the SSE will ensure by requiring beneficiary NPOs to report on social impact in a standardised format. Furthermore, the group recommended investors in ZCZP bonds may also be awarded a tax benefit to incentivise their participation in this instrument. Accordingly, last September, the SEBI board approved a framework for SSE through which ZCZP can be issued. It has been proposed that the minimum issue size of ZCZP will be ₹1 crore while the minimum application size shall be ₹2 lakh.

2. Investing & Selling in J&K

J&K government has announced 300% GST-linked incentives of up to 300% of actual investment made in plants and machinery and construction for 10 years. Removal of Article 370 has created new possibilities and stability for J&K. Food processing, Pharma and packaging are sectors which are attracting investment. There are good incentives even for the information technology also. J&K may also open up immensely as a "Market" - initially for engineering goods and heavy machinery.

3. West Bengal gets a pie of FDI in India in Engineering Goods Sector

The manufacturing sector attracted foreign direct investments worth USD 21.34 billion in 2021-22, an increase of 76% year-on-year. The government has implemented several reforms under the FDI policy regime across sectors such as insurance, defence, telecom, financial services, pharmaceuticals, retail trading, and e-commerce. Singapore (27%) and the US (18%) are the top two investors during 2021-22 in India. India received the "highest" annual FDI inflows of USD 84.83 billion in 2021-22. Top five states receiving highest FDI in 2021-22 are Karnataka (38%), Maharashtra (26%), Delhi (14%), Tamil Nadu (5%) and Haryana (5%).

While Investments in West Bengal have been low, yet it is now also witnessing some buoyancy with certain FDI in manufacturing sectors like Engineering goods.

3. Défense Sector Supplies opening Up

The defence ministry approved the procurement of military equipment and weapons worth Rs 28,000 crore, including swarm drones and close-quarter battle carbines. The approval to the new procurement proposals came amid India's lingering border row with China in eastern Ladakh. The approval to procure four lakh close-quarter battle carbines was granted

to combat the "current complex paradigm of conventional and hybrid warfare" and terrorism at the borders.

In our 4th Edition of Fiscal Affair Bulletin for July 2022 we had remarked that Engineering Companies in Eastern India may look at this sector as a rising sector to enter into.

5. Udyam Registration Benefits for MSMEs

Around 1 crore micro small and medium enterprises have registered on the Udyam portal within a span of 25 months. The Digi Locker facility for Udyam Registration was also launched recently. Udyam Registration acts an identity for MSMEs to avail benefits of schemes for Ministry of MSME and for Priority Sector Lending of banks; International trade receives special consideration is made for the registered entities; Credit Linked Capital Subsidy Scheme is validated by the Udyam registered organisations; There is a Protection against delayed payments or supplied services; Certain Exemptions of direct tax are available;

6. How does India's electronic goods future looks like?

Country's electronic goods exports surged about 42% to nearly Rs 1.17 lakh crore in

the last fiscal. The country has witnessed a huge jump in both manufacturing and exports of electronic goods in the last five years. The export of electronic goods has substantially increased in the period 2017-18 to 2021-22 with a compound annual growth rate of 29% whereas the production has grown with a compound annual growth rate of 17.9%. There are various schemes for these manufacturers, including a production-link incentive scheme for large-scale electronics manufacturing, a phase manufacturing program, an electronic development fund etc.

With government has committing Rs 409 crore funds through electronics development, which aims to foster research and development and innovation in technology sectors – The electronic goods market is looking for a further upswing in months ahead.

MEMBERS OF COUNCIL ON MSME

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Co-Chairmen : **Shri Akhil Sonthalia**
 Shri Prateek Chaudhary, FCA

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Shri Sunil Kumar Bhoruka
Shri Smarajit Mitra
Shri Arkopaul Maiti
Shri Nirmal Saraf

Special Invitees :

Shri U Swaroop, IAS,
Director of MSME, Govt of West Bengal

Shri Debabrata Mitra, IEDS,
Joint Director& Head, MSME – DI, GoI

Shri Biswanath Bhattacharya
President, FOSMI

Shri Biplob Roy Chowdhury
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Shri Nikhil Nirmal, IAS
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Shri Rishabh Kothari, President, MCCI
Shri Lalit Beriwal, Senior Vice President, MCCI
Shri Namit Bajoria, Vice President, MCCI

GLIMPSES OF MSME EVENTS

**24th MCCI MSME Help Desk : Interaction with SATHI Foundation, IIT Kharagpur
on 30 June 2022 at 4.00 PM at MCCI**



Shri Sanjib Kumar Kothari, Chairman, Council on MSME, MCCI discussing a point at a Meeting with SATHI Foundation, IIT Kharagpur. On his left : **Dr. Avinash Joshi**, COO, SATHI; **Dr. Sawar Dhanania**, Board Member, SATHI & Chairman, Rubber Board and **Prof. Rabibrata Mukherjee**, Chair & Professor in Charge, SATHI Foundation. On his right : **Shri Akhil Sonthalia**, Co-Chairman, Council on MSME, MCCI **Shri Smarajit Mitra**, Chairman, Council on Start Up & Skill Development, MCCI and **Dr. Saugat Mukherjee**, Director General, MCCI.



Interaction with members of SATHI Foundation at 24th MCCI MSME Help Desk.



The Team : From L to R : Shri Vivek Jalan, Partner & Founder, Tax Connect Advisory Services LLP; Shri Smarajit Mitra, Chairman, Council on Start Up & Skill Development, MCCI; Shri Akhil Sonthalia, Co-Chairman, Council on MSME, MCCI; Shri R K Middy, Joint Director, MSME, Govt. of West Bengal [Chief Mentor of MCCI MSME Help Desk]; Shri Sanjib Kumar Kothari, Chairman, Council on MSME, MCCI; Prof. Rabibrata Mukherjee, Chair & Professor in Charge, SATHI Foundation; Dr. Sawar Dhanania, Board Member, SATHI & Chairman, Rubber Board; Dr. Avinash Joshi, COO, SATHI; Dr. Saugat Mukherjee, DG, MCCI and Smt. Munmun Banerjee, ADG, MCCI.

Session on "5 Years of GST : Looking Back and Surging Ahead" on 28 July 2022 at 4.00 PM at MCCI



Shri Sanjib Kumar Kothari, Chairman, Council on MSME, MCCI [3rd from right] representing MSME sector and sharing MSME perspectives & expectations on GST.

From R to L : **Shri Arun Kumar Agarwal**, Chairman, Council on GST, Indirect & State Taxes, MCCI; **Mr. Khalid Aizaz Anwar**, IAS, Commissioner, Commercial Taxes, Govt. of West Bengal; **Shri Santosh Saraf**, Past President, MCCI; **Smt. V Rama Mathew**, IRS, Principal Chief Commissioner, CGST & CX, Kolkata Zone; **Shri Vinod Kumar Gupta**, MD, Dollar Industries Ltd.; **Shri Sanjib Kumar Kothari**, Chairman, Council on MSME, MCCI; **Shri Apurva Salarpuria**, Director, Salarpuria Group and **Dr. Saugat Mukherjee**, DG, MCCI.

ABOUT MCCI

The Merchants' Chamber of Commerce and Industry is a 120-year-old non-government, not-for-profit, industry-led and industry-managed organization, with 700 direct members and 15,000 indirect members covering a wide cross-section of small, medium & large industries, trades and services. 10 Associations of Industry & Trade are also affiliated to MCCI.

The MCCI started its function in the name of "Vaishya Mitra Sabha", which was renamed as the "Merchants' Committee" in 1904 when membership was opened to all. It plunged itself into the Swadeshi Movement launched by Mahatma Gandhi in 1921. In 1952, the name was changed into "Merchants' Chamber of Commerce", which was ultimately changed to "Merchants' Chamber of Commerce & Industry" in 2016, to re-affirm and reflect its focus on trade, commerce & industry.

Today, the MCCI addresses various aspects of industry, trade and services and guides members in addressing their issues & challenges through several learning and best practice forums. We also help members to explore international business opportunities through its international connect initiatives.

MCCI works as a bridge between businesses and policy makers to create an economic environment conducive to industry while benefitting all the stakeholders in the economy. The Executive Committee, which has 30 Standing Committees reporting to it, is the principal facilitating structure of the Chamber.

MCCI has been working on the development of an indigenous vibrant industrial base in the country, especially in Eastern India. We are one of the leading Chambers of Eastern India relentlessly working for the betterment of MSMEs through several initiatives. MSME Helpdesk, IP facilitation, connecting with Banking and Financial institutions, technology for MSMEs, besides taking up members' issues at the appropriate level. Several business meets are organized for the benefit of the members.

In this era of "the new normal", the MCCI has evolved to reinvent itself to address the emerging challenges and opportunities.

For the year 2022, MCCI is prepared to provide opportunities for growth and development to its members through 4E's : Explore, Educate, Empower and Enable to help the members achieve the 5th E : Excellence in all spheres.

MCCI is presently focussing on the specific theme of "**Bouncing Back**" - working closely with the State and Central Government on policy matters and building bridges through international connect initiatives.

REACH US



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