



THE TAX POST

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The World Of Indirect Taxes**

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PREFACE

“The budget is not just a collection of numbers, but an expression of our values and aspirations”

- Jacob J. Lew

The 53rd GST Council meeting was held on 22 June 2024 in New Delhi. The GST Council had recommended various legislative amendments to the provisions of the GST law. Further, it approved issuance of clarifications on various issues faced by the industry in addition to trade facilitation measures, amendment in the Central Goods and Services Tax Rules, 2017, and making some changes in rates. The ‘Cover Story’ section of this Tax Post dissects major amendments made by the Finance Bill (No. 2), 2024 pursuant to the recommendations made by the 53rd GST Council meeting.

This edition’s ‘Expert Speak’ segment provides a comparative analysis of the concept of ‘Input Service Distributor’ (ISD) and ‘Cross-charge’ mechanism. Further, it also examines the proposed amendments to Section 20 of the Central Goods and Services Tax Act, 2017 which seeks to mandatorily implement the ISD mechanism while also evaluating the demarcating features between ISD and cross-charge.

The ‘In Tales’ section of this edition dissects the Sports events industry, highlighting the global outlook and India’s position in the industry. The section also highlights the various challenges faced by the industry, including the challenges from the indirect tax perspective.

The ‘Decoded’ segment of this edition dissects a vital judgement of the Hon’ble Allahabad High Court which has upheld the validity of notification no:9/2023 dated 31 March 2023 inter alia extending the time limit for issuing demand notices and orders issued under Section 73 of the Central Goods and Services Tax Act, 2017 for FY 2017-18.

We continue to bring the latest news on indirect taxes from across the globe in our feature ‘Global Trends’.

We wish our readers a happy reading!



GUNJAN PRABHAKARAN
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COVER STORY

GST GETS A TUNE-UP: KEY CHANGES FROM THE 53RD COUNCIL MEETING INCLUDING AMENDMENTS PROPOSED BY THE FINAL UNION BUDGET 2024-25

Introduction

The 53rd GST Council Meeting was held on 22 June 2024 in New Delhi. Since this meeting was scheduled after a prolonged break of over 8 months, the GST Council had a significant quantum of matters to be considered. One of the key agenda items was to propose the amendments to the GST law, viz. the Central Goods and Services Tax Act, 2017 (CGST Act) and the Integrated Goods and Services Tax Act, 2017 (IGST Act). In this section, we summarise the key amendments proposed in the law, which have been introduced via Finance Bill (No. 2), 2024 (FA 2024), pursuant to the recommendations of the Council Meeting.

Scope of Supply, Taxability of Goods/ Services and Exemptions

- **Section 9 of the CGST Act:**
 - Exclusion of Rectified spirit/ Extra Neutral Alcohol (ENA) used for the manufacture of alcoholic liquor for human consumption, from the levy of GST.
 - This is a consequential amendment to give effect to the decision taken in the 52nd GST Council meeting. This would allow States to levy tax (VAT/CST) on ENA.
- **Section 11A of the CGST Act:**
 - A new provision to be inserted to empower the Government to regularise non-levy or short-levy of GST, where tax was being short-paid or not paid due to common trade practices. The proposed provision is identical to the provision present under the Customs, Central Excise and Service tax laws.
 - While this provision is proposed to be introduced, the Government, in the past, had regularised non-payment/ short payment of tax based on prevalent trade practices under the GST law. Examples of such regularisations include Fish Soluble Paste, Desiccated Coconut, imitation Zari thread or yarn, etc.
- **Schedule III to the CGST Act:**
 - The following activities/ transactions to be included in Schedule III to the CGST Act:
 - Co-insurance premium apportioned by Lead insurer to the Co-insurer for supply of insurance service to the insured in co-insurance agreements.
 - Transaction of Ceding commission/ Re-insurance commission between insurer and re-insurer.

Input Tax Credit (ITC) Including Transition Credit

- **Section 16(4) of the CGST Act (retrospective amendment with effect from 1 July 2017):**
 - The last date for claiming ITC for FY 2017-18 to FY 2020-21 will be deemed to be 30 November 2021, in respect of any invoice or debit note reported through any Form GSTR-3B filed up to 30 November 2021. The amendment seeks to further extend the benefit provided by the Kerala High Court ruling in *M. Trade Links vs Union of India & Ors.* [TS-343-HC(KER)-2024-GST].
 - The time limit for claiming ITC is relaxed in cases of revocation of cancellation of registration, where returns for the period from the date of cancellation of registration/ effective date of cancellation of registration until the date of revocation of cancellation of registration, are filed by the registered person within thirty days of the order of revocation or the time limit provided under Section 16(4) of the CGST Act, whichever is later.
- **Section 17(5) of the CGST Act:**
 - With effect from FY 2024-25, restriction in the availment of ITC of GST paid under situations of alleged fraud, suppression, etc., has been removed.
 - Also, the ITC of tax paid under detention, seizure and confiscation of the CGST Act, is now proposed to be made available from a date to be notified.
- **Section 140(7) of the CGST Act (retrospective amendment with effect from 1 July 2017):**
 - Transitional credit to be allowed on invoices pertaining to services provided before 1 July 2017, where such invoices were received by the Input Service Distributor (ISD) before such date.
 - This amendment seeks to bring conclusion to ongoing disputes pertaining to this issue, where the Bombay High Court had been hearing the matter.

Zero-rated Supply and Refund

- **Section 16 of the IGST Act and Section 54 of the CGST Act:**
 - Refund of IGST paid or ITC accumulated, in respect of zero-rated (exports/ SEZ supplies) supply of goods, which are leviable to export duty, would not be available.

Demands, recovery and penalties

Sections 73, 74 and 74A of the CGST Act:

- In respect of demands for the period starting from FY 2024-25, a common time limit has been fixed for issuance of demand notices and orders, irrespective of whether those cases involve fraud, suppression, wilful misstatement etc., or not. A comparative tabular matrix of the proposed time limits pre and post amendment is as under:

PARTICULARS	TIME LIMIT TO ISSUE NOTICE		TIME LIMIT TO ISSUE NOTICE	
	EXISTING	PROPOSED	EXISTING	PROPOSED
Cases involving fraud, wilful misstatement, suppression of facts, etc.	54 Months*	42 Months*	60 Months (5 Years)*	12 Months#
Cases other than above	33 Months*	42 Months*	36 Months (3 Years)*	12 Months#

* - From the due date of filing annual return or date of erroneous refund, as the case may be

- From the date of issuance of show cause notice. Time limit can be extended by a further period of up to 6 months

- The time limit for availing the benefit of the reduced penalty (by paying tax along with interest) is sought to be increased from 30 days to 60 days from FY 2024-25 onwards in terms of Section 74A of the CGST Act.
- **Section 128A of the CGST Act - Amnesty Scheme:**
 - The scheme provides for conditional waiver of interest and/ or penalty in respect of demand notices issued under Section 73 (cases not involving alleged fraud, suppression, etc.) for FY 2017-18 to FY 2019-20.
 - The gist of the key conditions provided under Section 128A of the CGST Act is as follows:
 - **Applicability of the Scheme:** Demands pertaining to the following:
 - Show Cause Notices pending for adjudication;
 - Cases where no order has been issued by the First Appellate Authority or the GST Appellate Tribunal;
 - Cases where the show cause notice had alleged fraud, etc. whereas the same was subsequently held otherwise in adjudication/ appeal.
 - **Benefit:** Waiver of interest and/ or penalties if -
 - Tax is paid within the notified date (while GST Council had recommended such date to be 31 March 2025, the same is not mentioned in the Finance (No. 2) Bill, 2024.
 - Additional tax pursuant to order in respect of an appeal/ application filed by the Tax Authorities before the First Appellate Authority/ GST Appellate Tribunal/ Court is paid within 3 months from the date of the said order.
 - **Exceptions:**
 - The amnesty scheme is not applicable in cases where the amounts are payable on account of erroneous refund.
 - **Miscellaneous provisions:**
 - Pending appeal/ Writ petition (if any) must be withdrawn before the due date of payment.
 - The conclusion of the proceedings under this scheme is non-appealable qua the Taxpayers.
 - It may also be noted that it is essential to read the fine print of the scheme, which may be notified, in order to determine the eligibility and other procedural nuances pertaining to the scheme.
- **Section 122(1B) of the CGST Act (retrospective amendment with effect from 1 October 2023):** This penal provision would only apply to those e-commerce operators (ECOs) who are required to collect tax under section 52 of CGST Act, and not for other ECOs.



Appeals

- **Section 107 of the CGST Act:** The maximum pre-deposit for filing appeal before the First Appellate Authority is reduced from INR 0.25bn. each under CGST and SGST to INR 0.20bn. each under these legislations.
- **Section 112 of the CGST Act:**
 - The pre-deposit for filing appeal with the GST Appellate Tribunal (GSTAT) is proposed to be reduced from 20% (subject to the maximum of INR 0.50bn. CGST and INR 0.50bn. SGST) to 10% (subject to the maximum of INR 0.20bn. under CGST and INR 0.20bn. under SGST).
 - The three-month limitation period for filing appeals/ applications before GSTAT is now proposed to start from a date to be notified by the Government.
- **Sections 109 and 171 of the CGST Act:**
 - Section 171 of the CGST Act is proposed to be amended to provide a sunset clause for receipt of new application under anti-profiteering provisions under the GST law. (While the GST Council had recommended such date as 1 April 2025, the same is yet to be notified).
 - Section 109 of the CGST Act is proposed to be amended to enable the Principal Bench of the GSTAT to handle anti-profiteering cases.

Notifications and Circulars Issued by the CBIC Pursuant to the Recommendations of the 53rd GST Council Meeting¹

- **Notifications:** The notifications issued by the Central Board of Indirect Taxes and Customs (CBIC) *inter alia* pertain to the amendment to the Central Goods and Services Tax Rules, 2017 (CGST Rules), withdrawal of exemption from biometric-based Aadhaar authentication, exemption to small taxpayers having aggregate turnover of up to INR 20mn from filing annual return and reduction in the rate of Tax Collected at Source by e-commerce operators.
- **Circulars:** The Circulars issued by CBIC *inter alia* clarify taxability and value of supply in respect of Corporate guarantees, guidelines for recovery of outstanding dues, ITC eligibility on ducts and manholes used in the network of Optical Fiber Cables, monetary limits for filing appeal, etc.

Conclusion

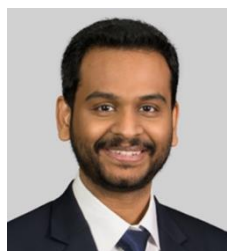
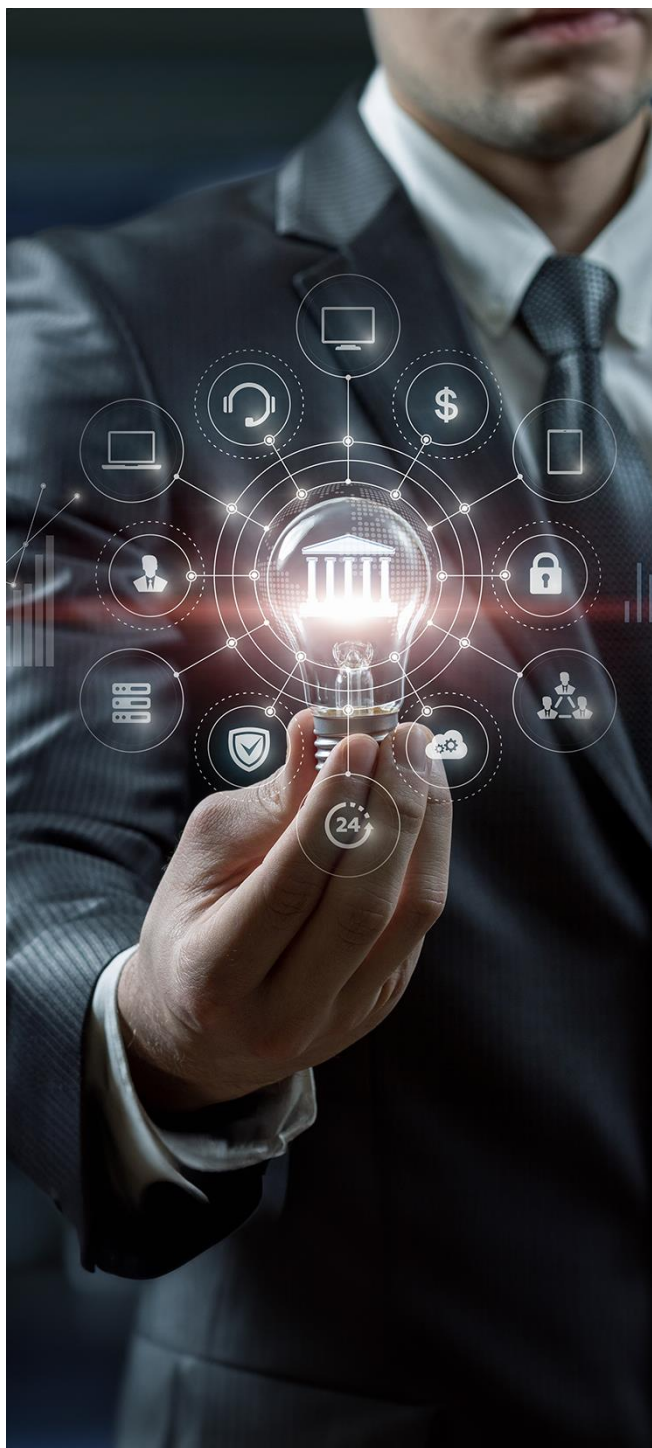
The first post-election budget, as expected, presents a mixed bag. The proposed trade facilitation measures, including the amnesty scheme, are welcome. However, clarifications issued by the CBIC based on the 53rd GST Council meeting on issues pertaining to the recovery of outstanding dues and taxability of corporate guarantees leave some open areas.



¹ Our alert / update on the relevant Notifications and Circulars issued by CBIC can be accessed by clicking [here](#), [here](#) and [here](#)

THE EXPERT SPEAK

DECODING INPUT SERVICE DISTRIBUTOR AND CROSS CHARGE MECHANISM UNDER GST



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Overview:

The Goods and Services Tax (GST) regime in India introduced significant changes in how the businesses manage their indirect tax obligations. For operational efficiency, companies set up their Head Office (HO) in one State and set up multiple branch offices (BO) all over India. Businesses often grapple with various mechanisms designed to streamline tax credit distribution and expense sharing among such distinct units. Two pivotal concepts in this landscape are Input Service Distributor (ISD) and Cross Charge, each serving unique purposes under the GST framework.

ISD and Cross Charge - Facilitating Seamless Credit Distribution:

An Input Service Distributor (ISD) acts as a centralised office within an organisation that receives invoices for input services (excluding goods or capital goods) and distributes the corresponding tax credits to other units operating under the same PAN. This mechanism ensures that businesses can efficiently manage and utilise input tax credits (ITC) across their different units. ISD comes into play when a business has multiple units or branches registered under GST and incurs common expenses or services centrally. Instead of each unit claiming ITC individually, the ISD consolidates these credits and distributes them in the ratio of the aggregate turnover in the States.

Cross charge under GST refers to the mechanism by which a business allocates or charges costs incurred for services provided by one unit or branch to another unit or branch within the same organisation. In contrast to ISD, the Cross Charge mechanism involves the issuance of separate invoices for supplies between distinct units within the same organisation. Although not explicitly defined under GST law, cross charge transactions are widely practiced to allocate expenses and share costs effectively among different business units.

Comparative Analysis - Cross Charge vs ISD:

Tabulated below is a comparative analysis of the credit distribution under cross charge vis-à-vis ISD:

PARTICULARS	ISD	CROSS CHARGE
Registration under GST	Mandatory separate registration	No separate registration is required
Nature of transactions	Facilitates centralised distribution of ITC for common services or expenses incurred centrally across multiple units or branches of the organisation	Involves direct cost allocation between different units or branches of the same entity for specific services or goods procured centrally but used by different units.
Distribution of ITC/ Valuation	Distribution of ITC as per prescribed formula - Section 20 of the Central Goods and Services Tax Act, 2017 (CGST Act) read with Rule 39 of the Central Goods and Services Tax Rules, 2017 (CGST Rules)	Valuation between distinct persons is defined under section 15 of the CGST Act read with Rule 28, 30 and 31 of the CGST Rules
Documentation and Compliance	Involves maintaining detailed records of invoices received and distributed ITC to ensure accurate reconciliation and compliance with GST regulations. Separate return compliances in GSTR-6 and GSTR-6A	Requires clear documentation of the transaction between units, ensuring that GST obligations are correctly fulfilled based on the nature of services provided and utilised. No separate returns
Existence of Supply	Not relevant - as ISD merely distributes the GST charged on the invoice	Yes

Ambiguity in ISD vs Cross Charge and Contradictory Advance Rulings:

Selection between ISD and Cross Charge has been an area of ambiguity both for the assessee and tax authorities since the inception of GST. Despite their distinct concept and purposes, they have often been perceived as choices or substitutes, as both essentially entail credit of common input services and apportionment of the same across units of the same Company located in different States. The ISD mechanism, designed for centralised credit distribution, has faced challenges in terms of compliance and administration. Consequently, many taxpayers have opted for cross charge from the HO to other locations, rather than using ISD for credit distribution. Furthermore, industry practices vary widely as regards the cross charge mechanism, particularly concerning the inclusion of costs for employees who are considered to provide services to other locations, under the cross-charge mechanism.

The industry has been perennially marred with the controversy of distribution of ITC through ISD mechanism vis-à-vis cross charge with the Revenue authorities questioning the manner of distribution under each route. The GST Advance ruling authorities have also pronounced contradictory rulings further complicating the issue. The AAAR, Karnataka in the case of Columbia Asia Hospitals Private Limited [2019 (20) G.S.T.L. 763] discussed the fundamental difference between the concept of an ISD and the cross charge mechanism. It was observed that in the case of cross charge, there is an element of service rendered by the person who cross charges their other units even though they belong to the same legal entity. On the other hand, in the case of ISD, there is no element of service at all, but a mere distribution of credit. Further, it was ruled that internal services provided by HO to BO would be taxable and HO employee cost should be considered for valuation purposes.

However, a contradictory view was taken by AAAR, Maharashtra in the case of Cummins India Limited [2022 (58) G.S.T.L. 549] in which it is ruled that the HO is not entitled to avail and utilise ITC of tax paid for common ITC received by it on behalf of BO/ other units and the taxpayer is bound to take ISD registration, if it intends to distribute credit of tax paid on such common input services to BOs / other units. In simple words, it was ruled that cross-charge of such expenses was not permitted under GST law and to distribute ITC on common input services to branches/ units, taxpayers have to mandatorily register as an ISD.



Circular No. 199/ 11/ 2023 - GST Dated 17 July 2023

The ISD vs Cross Charge controversy was deliberated in the 50th GST Council meeting, post which circular no:199/ 11/ 2023 - GST dated 17 July 2023 was issued wherein it was clarified that:

- **For third party invoices:** It is not mandatory for the HO to distribute ITC by ISD mechanism. HO can also issue tax invoices to the concerned BOs in respect of common input services procured from a third party by HO but attributable to the said BOs.
- **For internally generated services where full ITC is available:** Value declared on the invoice by HO to the said BO in respect of a supply of services shall be deemed to be the 'open market value' of such services as per Rule 28 of the CGST Rules, irrespective of the fact whether cost of any particular component of such services, like employee cost etc., has been included or not in the value of the services in the invoice. Further, if HO has not issued a tax invoice to the BO in respect of any particular services being rendered by HO to the said BO, the value of such services may be deemed to be declared as 'Nil' by HO to BO and may be deemed as open market value.
- **For internally generated services where ITC is not available:** The cost of salary of employees of the HO, involved in providing the said services to the BOs, is not mandatorily required to be included while computing the taxable value of the supply of such services.

Thus, the Circular validated the practice which was adopted by industry in the past and gave a huge relief to the taxpayers who were facing many enquiries by the DGGI authorities.

Proposed Amendment in Finance Bill 2024 Along with the Corresponding Amendments Made to Rule 39 of the CGST Rules²

The Finance Bill 2024 proposed amendments to Section 2(61) and Section 20 of the CGST Act pertaining to ISD:

- The HO receiving the input services at the behest of the branch offices shall now mandatorily be required to obtain ISD registration.
- With the above, the amended manner of distribution is also now prescribed along with restrictions and conditions.

It is imperative to note that the amendments proposed in the Finance Bill 2024 are yet to be made operative.

Way Forward

Though both the concepts - ISD and cross charge appear to lead to similar consequences, there is a fundamental difference in both the concepts, and both serve different purposes. On one hand, the ISD mechanism is required for distribution of credit pertaining to services received by other locations, wherein the invoices are raised on HO. On the other hand, the cross charge is to be used for the charging for the cost of support services provided by HO to other locations (and vice-versa, if any) while consuming various goods and services for providing such support services.

Therefore, to avoid any future disputes with the authorities, it would be crucial for industry to implement an appropriate system to identify the services on which credit has to be distributed via ISD and on which the cost needs to be reckoned for the purpose of cross charge.

In addition to the above, there are multiple open issues which remain unaddressed as on date - valuation mechanism for cross charge where the recipient is not eligible for full ITC, whether non-GST or exempt supplies to be included in the cost of provision of services for cross charge, how to interpret the term 'Internally generated services' in the context of exclusion of salary cost, etc.

Thus, before making ISD mandatory, it is important that the government brings clarification around the manner of valuation of cross charge, to avoid confusion in the mind of the taxpayer.

Conclusion:

In conclusion, while both Cross Charge and ISD mechanisms under GST serve to streamline tax credit utilisation within organisations, they cater to different scenarios and operational needs. ISD streamlines the distribution of ITC for input services within an organisation, and cross charge facilitates transparent cost allocation between distinct units. By leveraging these mechanisms strategically, businesses can not only enhance operational efficiency but also ensure regulatory compliance, paving the way for sustainable growth and profitability in the evolving GST landscape of India.



² Vide Notification No. 12/2024-Central Tax dated 10 July 2024. The effective date of the amendment to Rule 39 of the Central Goods and Services Tax Rules, 2017 is yet to be notified.

IN-TALES

Sports Events And GST

Introduction

Sports has turned itself into a big economic powerhouse! It is not merely fun-to-watch activity anymore. When people come to cheer their teams/ players, they spend money on tickets, food and souvenirs. This puts money in the pockets of businesses that supply these goods/ services.

Additionally, big sports events attract tourists from different parts of the country or even abroad, which result in improved occupancy of the hotels and restaurants, growing the local economy via tourism. Companies also spend money on advertisements on sports broadcasts, sports clothing and equipment, apart from sponsoring events and sportspersons. All this spending creates new jobs and makes the economy stronger.

Sports has an impact of bringing people together and creating a sense of national pride, which was on full display recently, when Indian Men's Cricket Team won the T20 World Cup. This also helps the economy in the long run. The sports industry is already a large powerhouse in India, and it is getting bigger and bigger.

Global Outlook

The global outlook of the sports events industry can be described based the following:

- **Market Valuation³:** The global Sports Events Market is expected to record a CAGR of 7.8% from 2024 to 2033. In 2024, the market size is projected to reach a valuation of USD 267.47bn. By 2033, the valuation is anticipated to reach USD 525.83bn. In 2023, the corresponding valuation of the global Sports Events Market was USD 248.12bn.
- **Market size - Sports Sponsorship⁴:** The market size was valued at USD 105.47bn in 2023 and is projected to reach USD 189.54bn by 2030, growing at a CAGR of 3.8%.
- **Growth Drivers:** The popularity of sports and increased media coverage are fuelling this growth. People are more interested in watching sports than ever before, and companies are willing to pay to advertise during these events.
- **Revenue Streams:** Sponsorships are a major source of income for sports events, making up a significant portion of the market. Ticket sales, merchandise sales and food and beverage revenue are other major revenue drivers.



Indian Outlook

The Sports events market in India as per the recent India Sports Sponsorship Report 2024 is summarised below⁵:

- India's sports industry clocked a growth of 11% recording a total revenue of INR 157.66bn (USD 1.90bn) in 2023 comprising of revenues from sponsorship spending (INR 73.45bn), media spending (INR 9.27bn) and endorsement fees (INR 74.94bn).
- Cricket has played the role of the lead actor in this growth story contributing to a 13% growth on a Year-on-Year basis aggregating to INR 137.01bn.
- While the on-ground revenue only rose marginally (6%), the biggest spike in the industry came from franchise fees, which jumped 60% (from INR 16.44bn to INR 26.28bn) in 2023. This is in addition to steady intake from key elements like endorsements and key sponsorships, which have recorded 24% and 22% growth rates respectively.
- Media Spends, which was recording impressive growth over the last two years after a pandemic-induced decline, witnessed a 1% drop in 2023.

³ <https://www.custommarketinsights.com/report/sports-events-market/>

⁴ <https://www.verifiedmarketresearch.com/product/sports-sponsorship-market/#:-:text=Sports%20Sponsorship%20Market%20size%20was,the%20forecast%20period%202024%2D2030>

⁵ <https://www.groupm.com/india-sports-sponsorship-report-2024/>

Challenges Faced by Sports Events

The gist of the key challenges faced by various stakeholders in organising a sports event is summarised hereunder:

- **Event organisers:**
 - **Logistics:** Securing venues, infrastructure, transportation, accommodation and catering, that too within the acceptable parameters, is one of the biggest challenges faced by event organisers in successfully organising the event.
 - **Security and Safety:** Implementing crowd control measures, emergency protocols including health and well-being of the athletes and guests (such as bubble concept (introduced during the COVID-19 pandemic) is another challenge in organising events.
- **Sponsors⁶:**
 - **Sponsorship Clutter:** A fair number of corporates are now willing to spend money to sponsor sports events/ teams. The challenge lies in standing out amidst the sponsorship clutter and ensuring that the brand's message resonates with the audience.
 - **Measuring Return on Investment (ROI):** Demonstrating the ROI of a sports sponsorship can be challenging. Brands need to devise effective strategies to measure the impact of their sponsorship in terms of brand awareness, customer engagement and conversion rates.
- **Athletes⁷:**
 - **Financial support:** Except cricketers, athletes in India face significant financial challenges. Considering the limited window of earnings of sportspersons and which often gets shortened due to injury, very few people choose to select sports as their career, due to inherent uncertainty.
 - **Lack of supporting infrastructure:** This is the biggest reason why only a handful of Indian sportspersons (other than cricketers) have managed to shine in International Sport Events. Compared to other countries, our sports infrastructure lacks in quality and scale, for a nation of India's size.

Challenges from the GST Perspective

There are many challenges that various stakeholders in the sports event industry face. The key issues faced, and important tax positions adopted by the sports events industry are set out below. For ease of reference, the challenges are summarised from the perspective of cricket, being the most popular and the most played sport in India⁸. However, these issues would equally apply to all other sports events.

- **Taxability of media rights:**
 - Board of Control for Cricket in India (BCCI) holds monopoly rights to organise cricketing events in India. The media rights for telecasting these events are a major source of revenue for BCCI.
 - **Taxability of media rights in the hands of BCCI:**
 - The amounts received for sale of media rights as 'franchise services' (prior to the negative list) is presently a subject matter of dispute before the Supreme Court⁹.
 - Under the GST law, it is well settled that revenue from sale of media rights is leviable to GST. Further, where media house is situated

outside India and the telecast would happen outside India, the transaction could be treated as export of services. However, the same can be disputed by the tax authorities.

- **Taxability of media rights in the hands of franchisee:**
 - In case of franchise sports (say IPL), BCCI shares a portion of the revenue received from sale of media rights with the franchise owners. Since BCCI would have already discharged applicable GST on the original sale of media rights to media houses, the taxability of such media rights again in the hands of the franchisees could be a subject matter of dispute.
 - While one may contend that the revenue-sharing arrangement is a mere flow of money without the supply of services, the same can be disputed by tax authorities alleging that franchisees have supplied services to BCCI, and hence, leviable to GST.
- **Revenue received from sponsorship and reversal requirements:**
 - BCCI and Franchisees earn major portion of their revenue from sponsorship arrangements such as IPL sponsors, Associate and Media sponsors, jersey sponsors, etc.
 - Sponsorships being leviable to GST under the Reverse Charge Mechanism (RCM), the BCCI / Franchisees are not liable to discharge output GST.
 - However, under section 17 of the CGST Act, ITC on goods/ services used partly for effecting taxable supplies and partly for exempt supplies would be restricted to the amount of ITC attributable to making taxable supplies (Section 17(2)). For calculation of reversal, Value of exempt supply under Section 17(2) inter alia includes supplies on which the recipient is liable to pay GST under RCM.
 - Thus, sponsorship services are to be treated as 'exempt supplies' and hence, ITC attributable to such supplies may not be available to BCCI / Franchisees. This creates a tax leakage leading to a break in the chain of ITC and also adds to the tax cost in the hands of BCCI/ Franchisees.
- **Player trading in case of franchise sports, say IPL:**
 - Franchise sports *inter alia* enables a franchise (seller) to trade players with another franchise (purchaser). The flow of consideration between seller and purchaser is as under:
 - **Player Fees:** Fees payable by the seller to the player (as per the auction or the re-negotiated price) would be paid by the Purchaser.
 - **Transfer Fee:** The seller also receives transfer fee from the purchaser which can either be entirely retained by seller or in certain cases be shared with the player.
 - While largely the arrangements would appear to be in the nature of supply, the contractual understanding would determine the nature and value of supply.
- **Prize Money to the team for winning the tournament:**
 - Prize money is offered by the organisers¹⁰ of the tournament to the winning team/ franchise as well as team owner/ franchise to the players¹¹. The GST implications on the prize money can be as under:

⁶ Source - Can be accessed by clicking [here](#).

⁷ Source - Can be accessed by clicking [here](#).

⁸ <https://blog.decathlon.in/articles/popular-sports-in-india-a-complete-list>

⁹ Appeal was filed before Supreme Court pursuant to the directions provided by the Bombay High Court in BCCI Vs. Commissioner of Service Tax, Mumbai-I [2023 (8) TMI 543 (Bom.)]. Source - <https://economictimes.indiatimes.com/industry/media/entertainment/media/bcci-seeks-supreme-court-view-on-media-rights-sale-as-franchise-services/articleshow/107533831.cms?from=mdr>

¹⁰ For example, organiser of World Cup / World Test Championship is the International Cricket Council (ICC) whereas the organiser of IPL is BCCI.

¹¹ For example, team management of World Cup / World Test Championship is the National Cricket Board (like BCCI) whereas the team management of IPL is franchise/team owners

- By organisers or any other person to the winning team/ franchise: Prize money received from the organisers may not be treated as consideration for the supply of services and hence, may not attract GST.
- By team owner/ franchise: Taxability of prize money given by team owner/ franchise to players/ support staff is dependent on the arrangement with players/ support staff.
 - **Employment arrangement:** Not leviable to GST (Schedule III to the CGST Act).
 - **Other cases:** Prize money may be considered as a performance incentive in the nature of additional consideration paid to players/ support staff and hence, leviable to GST.

Alternatively, one may seek to contend that prize money is an incentive without an underlying supply, and hence, not leviable to GST. However, the same could be litigious and based on the contractual arrangements.

- **Damages charged by the organisers:**
 - An organiser may recover damages from player/ team for certain defaults like slow over rate, violation of code of conduct, etc. A view may be adopted that such damages are not recovered for carrying out an independent activity and hence, not leviable to GST. However, the tax authorities may allege that such payments are consideration for the services (Para 5(e) of Schedule III) supplied by the organiser.
- **Miscellaneous issues:** In addition to the above, the other issues faced by various stakeholders from the GST perspective *inter alia* include the following:
 - Whether a franchisee is mandatorily required to obtain GST registration in the State where its home ground is situated, i.e., where the franchisee sells tickets?
 - Whether the sponsorship services can be classified as **“Marketing & Advertisement / Brand Promotion expenditure”** by contending that these services are for promoting brand visibility and enhancing target audience reach and hence, such services are leviable to GST under the forward charge mechanism.
 - Denial of ITC due to mismatches (between eligible ITC as per Form GSTR-3B vis-à-vis Form GSTR-2B) and other defaults by the supplier (such as non-filing of return, non-payment of tax, cancellation of GST registration, etc.).
 - Reversal of proportionate ITC as per Rules 42 and 43 of the CGST Rules.

Conclusion

Despite the challenges brought in by the COVID pandemic, sports in our country have been on a winning streak for the past three years. The year 2024 is packed with exciting events, like the recently concluded T20 Cricket World Cup where the Indian Cricket Team won the world cup after a long wait as well as upcoming events such as Paris Olympics, Indian Grand Prix (MotoGP), Syed Modi India International tournament (Badminton), etc.

However, it would also be imperative for the Government to address the issues highlighted above, including the challenges faced by various stakeholders from the GST perspective, and thereby giving an impetus to sports in India.



DECODED

VALIDITY OF NOTIFICATION NO:9/2023 DATED 31 MARCH 2023 EXTENDING THE TIME LIMIT FOR ISSUING ORDER UNDER SECTION 73 OF THE CGST ACT

Introduction

- Section 73 of the CGST Act requires the tax authorities to issue an order within a period of three years from the due date of furnishing of Annual Return, where the Show Cause Notice (SCN) is issued under the said section, i.e., without alleging fraud, etc. Further, the SCN in respect of such order must be issued at least three months prior to the last date for issuing the adjudicating order.
- For FY 2017-18 (*relevant period*), the due date for filing annual return in Uttar Pradesh was 7 February 2020. Accordingly, the time limits for issuance of SCNs and orders under Section 73 of the CGST Act were 7 November 2022 and 7 February 2023, respectively.
- However, as a consequence of the COVID-19 pandemic-led lockdown in the country, the Central Government had promulgated Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020 (TOLO)¹² (subsequently, Taxation and Other Laws (Relaxation of Certain Provisions) Act, 2020 (TOLA)) which introduced Section 168A in the CGST Act to *inter alia* provide the following:
 - The Central Government may, on the recommendations of the GST Council, by notification extend the time limit specified in or prescribed or notified under the CGST Act in respect of actions which cannot be completed or complied with due to force majeure.
 - The term '*force majeure*' was defined to mean a case of war, epidemic, flood, drought, fire, cyclone, earthquake or any other calamity caused by nature or otherwise affecting the implementation of any of the provisions of the CGST Act.
- In terms of Section 168A of the CGST Act, the following notifications were issued by CBIC¹³:
 - Notification no:35/2020-Central Tax dated 3 April 2020 wherein the time limits for various actions *inter alia* including completion of any proceeding or passing of any order, notice, intimation, etc., the time limit for which fell between 20 March 2020 and 30 August 2020 were extended until 31 August 2020.
 - Notification no:14/2021-Central Tax dated 1 May 2021 (Notification 14/2021) providing similar extension in respect of acts that were required to be performed between 15 April 2021 and 29 June 2021, until 30 June 2021.
 - Pursuant to 47th GST Council meeting held on 28/29 June 2022, notification no:13/2022-Central Tax dated 5 July 2022 (Notification 13/2022) was issued for extending the time limit for issuing order under Section 73 of the CGST Act for the relevant period until 30 September 2023.
- Thereafter, based on the recommendations of the GST Council in its 49th meeting held on 18 February 2023, notification no:9/2023-Central Tax dated 31 March 2023 (Impugned Notification) was issued by the Central Government *inter alia* extending the time limit for issuing order under Section 73 of the CGST Act for the relevant period until 31 December 2023.
- In this regard, various taxpayers *including Graziano Transmissionsi* (Taxpayer) had challenged the validity of the Impugned notification¹⁴ before the Allahabad High Court where the Allahabad High Court, in an important judgement¹⁵ had upheld the validity of the Impugned Notification for the relevant period. In this Section, we will analyse the Allahabad High Court ruling.



¹² TOLO was subsequently replaced with Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 (TOLA). However, the provisions under consideration in the present petition under TOLO and TOLA are *pari materia*.

¹³ Similar notifications were also issued by all State Goods and Services Tax Department, including the Uttar Pradesh Goods and Services Tax Department.

¹⁴ As well as the corresponding notification issued by the Uttar Pradesh Goods and Services Tax Department

¹⁵ *Graziano Transmissionsi Vs. Goods and Services Tax and Ors.* [TS-321-HC(ALL)-2024-GST].

Editor's Note: The petitions pertaining to similar notification issued for FY 2018-19 as well as the validity of Section 168A of the CGST Act would be heard and decided separately.

Contentions of the Taxpayer

- Marginal note to Section 168A of the CGST Act states '**Power of Government to extend time limit in special circumstances**'. Thus, a blanket extension of time was not contemplated to be granted by the legislature.
- The general power to grant extension is conferred by Section 172 of the CGST Act, which is subject to the issuance of a 'general order'.
- Limitation is a substantive right as it impacts the right of the Taxpayers. The power vested under Section 168A of the CGST Act is not a general power to be exercised for completion of certain actions but an exceptional power to be exercised in special circumstances.
- The power under Section 168A can be exercised only in case of '*force majeure*' circumstance and absent such circumstance, the exercise of power by issuing the Impugned Notification is patently *ultra vires* the CGST Act.
- The Impugned Notification only enumerates the difficulties and challenges that may have been faced by the tax authorities in completing the adjudication proceedings for the relevant period. However, it has not been shown that the action of framing adjudication orders within the prescribed time limit could not be completed or complied.
- Further, no compliance has been made with the statutory requirements of Section 168A of the CGST Act. Since the ingredients of '*force majeure*' circumstance did not exist on the relevant date, i.e., the date of issuance of the Impugned Notification, the same is *ultra vires*.
- The Government should act independent of the opinion/ advice of the GST Council. The power to issue extension notification delegated to the Government, no blind or mute compliance may be offered by the delegate to the opinion of the Council. Further, the Impugned Notification and the resolution of Law Committee considered by the GST Council are silent on the existence of '*force majeure*' circumstance relevant to the Impugned Notification.
- Unless such circumstance was shown to exist on the date of issuance of extension notification and unless application of mind had been made by the Government to that effect, an inconceivable situation may arise where the Council may continue to resolve to extend the limitation period for issuing adjudication orders indefinitely.
- Notification no:14/2021 did not cause any effect on the limitation to pass the adjudication order for the relevant period in as much as the extension up to 30 June 2021 was provided only in respect of acts that could not be completed or complied with during the period 15 March 2020 to 20 August 2020.
- While issuing the Impugned Notification, for the first time, the extension notifications have not arisen on an independent exercise but only by way of partial modification of the first extension granted by notification no:13/2022. Further, as on 31 March 2023, i.e., at the time of issuance of the Impugned Notification, there did not exist any COVID-19.
- Supreme Court *in Re: Cognizance for Extension of Limitation (Miscellaneous Application No. 408 of 2022 and connected matter)* (SC extension order) granted the exemption/ relaxation of limitation between 15 March 2020 and 28 February 2022 only. Thus, the executive authorities were aware that COVID-19 circumstance had come to an end on 28 February 2022. The fact that the tax authorities failed to perform adjudication proceedings may not be now protected by seeking extension of limitation to pass adjudication order.
- The power of the GST Council under Article 279-A(6)(h) of the Constitution of India (Constitution) to determine its procedure in the performance of its functions may not give rise to any other power to make any recommendation which is not in consonance with the Constitution and /or the GST law.
- The Supreme Court in *Union of India and Another Vs. Mohit Minerals Private Limited [2022 (10) SCC 700]* had held that the recommendations of the Council are of persuasive value, and they do not create the law. Under Section 168A of the CGST Act, the Government must offer an independent application of mind to the existence of '*force majeure* circumstance'. Instead, the Government has offered a mechanical compliance to the recommendations of the GST Council.
- The Impugned Notification, GST Council recommendations, Law Committee report and the Counter-Affidavit filed in the present petitions have failed to demonstrate circumstance that may have allowed the delegated legislative body to act under Section 168A of the CGST Act. Mere difficulties or existence of onerous conditions would never survive the test of Section 168A of the CGST Act. The legislature, in its own wisdom contemplated absolute impossibility in the performance of certain actions as the only permissible reason to exercise the powers delegated under Section 168A of the CGST Act.
- In the 47th and 49th GST Council meeting, wholly vague terms have been used to recommend issuance of notification for extension without referring to any specific '*force majeure*' circumstance existing or the period for which it may have operated or any factual or legal impossibility that may be generated. The reference to the difficulties faced during the initial period of GST regime is also extraneous to the issue. These difficulties would be irrelevant to the '*force majeure*' circumstance described under Section 168A of the CGST Act.
- Sections 73 and 74 of the CGST Act provide a clear difference between a person from whom tax may have remained to be collected, for reasons other than fraud and those on account of fraud respectively. The Impugned Notification is discriminatory and arbitrary as the legislative distinction between both these classes of persons is destroyed. Thus, Impugned Notification is violative of Article 14 of the Constitution.
- The *non-obstante* clause in Section 168A of the CGST Act may not be read to enable a general power to grant extensions of time to initiate and conclude the adjudication proceedings.

- Government can exercise powers under Section 168A only when prior recommendation is made by the GST Council. A recommendation was made by the Council in its 49th meeting to the Central Government but not to the State Government and thus the issuance of notification is wholly without jurisdiction.
- The Impugned Notification is not peripheral but substantial because time prescription is essential for the purpose of issuance of proceedings in the nature of reassessment and/ or adjudication. Therefore, absent '*force majeure*' circumstance, the primary legislative function cannot be seen to be validly exercised by the delegate, i.e., Government.
- The test of reasonableness in issuing the Impugned Notification stands satisfied in as much as -
 - The delegate of the principal legislature (i.e., Government) was vested with the authority to issue the Impugned Notification.
 - The relevant circumstance to issue such notifications existed that prompted the exercise of such function.
 - The procedural requirement of prior recommendation of the Council was complied with.
- There exists a presumption in favour of constitutionality and validity of a subordinate legislation and the burden to prove otherwise remains on the challenger, i.e., the Taxpayers before this Court.

Contentions of the Tax Authority

- The GST regime is based on self-assessment arising as a consequence of filing of Annual Return and only in cases where the tax is not paid, short paid, etc., the adjudication proceeding to recover the same would arise.
- For this, the GST law is dependent on the process of scrutiny and audit of the returns including Annual Returns. Unless such scrutiny is first made, initiation of proceedings under Section 73 of the CGST Act cannot take place.
- TOLA as well as TOLR were enacted merely to deal with the consequences arising from the spread of COVID-19. It provided a general relaxation to various taxation and other laws whereas a special mention was made to the GST law by inserting Section 168A in the CGST Act. Thus, there was a clear legislative understanding discernible from a plain reading of the said provision to deal with and provide differently all taxation and other laws in one way and the GST law in another.
- The Constitution empowered the GST Council with the matters pertaining to the GST law. The GST Council in its 49th meeting felt that there is a requirement to extend the limitation due to reduced staff, staggered timings and exemption to certain categories of employees from attending the office. This occurrence, although referable to the period prior to the date of issuance of the Impugned Notification, had led to delays in processing of returns involving scrutiny and audits which could only be attempted after the COVID-19 restrictions were lifted.
- The earlier extension of time limit under Section 168A of the CGST Act up to 30 September 2022 was insufficient and the inclusion of words '*due to force majeure*' in Section 168A would also include the after-effects that occurred directly from the spread of the COVID-19 pandemic.
- Since Annual Returns for various financial years were filed, owing to multitude of transactions, work was piled in the revenue offices. Such piling of work and slowdown of the revenue activity was directly attributable to the COVID-19 pandemic. Hence, Section 168A of the CGST Act enabled the Government to issue extension notification. Apart from the pandemic, no other fact or circumstance exists for the issuance of the Impugned Notification.
- Besides the specific circumstances enumerated in the meaning of '*force majeure*', a residuary clause exists to include an event that may otherwise affect implementation of any provisions of the GST law. The residuary clause therefore enlarges the scope of applicability of Section 168A to other circumstances that are not directly unforeseen and clearly definable events identified as '*force majeure*' circumstance. Thus, disruption of revenue functioning over a long period of time is a circumstance that may fall within the residuary clause.
- Section 168A of the CGST Act lays down the legislative policy but leaves the circumstance to be appreciated by the Executive - its delegate to exercise that power over the existence of such circumstances. Thus, essential legislative function cannot be described as having been left to the imagined appreciation of the Executive.
- The words '*in respect of*' in Section 168A does not restrict the exercise of power to pending adjudication proceedings only. The circumstances would have to be looked at holistically i.e., in the scheme of the GST law in which the adjudication proceedings may arise.
- The Kerala High Court in *Faizal Traders Pvt. Ltd. Vs. Central Board of Indirect Taxes and Customs & Ors. [TS(DB)-GST-HC(KER)-2024-691]* had repelled a similar challenge raised to the Impugned Notification.
- The extension of limitation was granted only to actions contemplated in Section 73 of the CGST Act i.e., proceedings other than fraud, etc. The request for extension of time limits under Section 74 of the CGST Act i.e., proceedings involving fraud, etc. was denied.

- The Impugned Notification are not original notifications but are issued to modify the principal notification, viz. Notification 35/2020¹⁶ only because the time extensions granted by the original notifications required revision/ enhancement. Since the Taxpayers did not raise any challenge to the original notifications, they may never be heard to challenge the modification notifications.

Observations and Ruling by the Hon'ble High Court

▪ Invocation of the powers under Section 168A of the CGST Act:

- The power under Section 168A of the CGST Act is a legislative and not an administrative power. The prescription of limitation to perform an action is a pure legislative function.
- In the present case, the Impugned Notification has been issued pursuant to the discussions as per Minutes of the 49th GST Council meeting which inter alia observes as under:
 - Difficulties were faced by the government department during the COVID period due to reduced staff, staggered timing, exemption to certain categories of employees leading to delay in the process of scrutiny and audit.
 - Proper functioning could happen only after the COVID restrictions were lifted. The earlier time extension was not sufficient considering the delay in scrutiny and audit process.

Thus, there was application of mind by the delegate in issuing the Impugned Notification based on the aforesaid materials.
- Having held that the issuance of the Impugned Notification was a legislative function and that there existed due deliberation/ consideration over the matter before the legislative function was performed, the condition as regards the existence of circumstances for the exercise of the power described as conditional legislation stands fulfilled.

▪ Existence of 'force majeure':

- The COVID-19 pandemic has disrupted all human activities and left no strata of society unaffected over a long duration of time. Thus, the tax authorities were faced with a circumstance beyond their control. It was neither a mere difficulty nor a transient impairment caused to their functioning. From 15 March 2020, it had disabled the working of the tax authorities over a long period, occasioned by a 'force majeure' circumstance.
- The aforesaid impossibility led to the obstruction of the preparatory action of scrutiny and audit. Once the obstruction was caused and the time was lost to COVID-19, the legal and factual impossibility to conduct and conclude the adjudication proceedings within the normal period of limitation of three years arose by way of a necessary consequence.

▪ Scope of Section 168A of the CGST Act:

- Section 168A of the CGST Act uses the words 'in respect of' before the phrase 'due to force majeure'. Thus, the preceding words are used to enlarge the scope of exercise of the conditional legislative function.

- Therefore, anything directly linked to the performance of action for which limitation may have been specified/ prescribed/ notified and which action is perceived as "cannot be completed or complied", the delegated/ conditional legislation in the shape of Section 168A of the CGST Act may arise.

- A legislative action cannot be complained of as being prejudicial on account of extension of limitation. Limitation, though statutory, is not a pre-existing vested right of any party. It gets created and extinguished in accordance with statutory law. In the context of a delegated legislative function, once the conditions for its exercise stood fulfilled, no further test or scrutiny may arise.

▪ Tenure of providing extensions:

- There was no statutory mandate to provide for only short extensions of time or limited extensions. Suffice to note that if the COVID-19 pandemic had continued beyond the third wave, the aforesaid argument would never arise.
 - It would be erroneous to infer a legislative intent based on the experience gained on the strength of initial remedial actions taken by the executive/ legislative bodies, in response to the spread of COVID-19 pandemic. How the legislature perceived the situation at a given time and what response it offered may never be a justiciable issue.
 - Suffice to conclude, inherent indication exists that initially the legislature treated the COVID-19 pandemic to be temporary and may pass in a short while. However, on its continuance, further extensions may have been felt desirable.
 - In so far as the power vested under Section 168A of the CGST Act is not shown to be a power that may be exercised once and it gets exhausted upon that exercise being made, the legislative wisdom to issue a further notification would always survive.
- In view of the above, it can be construed that the power to issue the Impugned Notification existed and the said power was exercised both within the confines of the legislative conditions and occasioned by circumstances confronted by the legislature. However, the extent to which the power may have been exercised, i.e., the length of time extension, would remain outside the scope of judicial review. Suffice to note that no excessive extension of time has been granted. Accordingly, the Writ Petitions challenging the validity of the Impugned Notification were dismissed with consequential reliefs.

Conclusion

This is a very important ruling on the validity of the Impugned Notification. While similar petitions have been filed before various other High Courts (such as Delhi High Court, Gujarat High Court, and Punjab & Haryana High Court), no ruling has been issued by these High Courts. It may, however, be noted that some of the petitions before the Allahabad High Court pertained to similar notification issued by the Government for FY 2018-19 as well as the validity of Section 168A of the CGST Act, which would be separately heard by the High Court.

Considering the fact that the matter is under challenge in multiple High Courts, it is likely that the final conclusion of this issue would only be achieved by a judgment of the Supreme Court.

³⁸ *Pari materia* with Notification No. 445 dated 11 May 2020 issued by the state of Andhra Pradesh

GLOBAL TRENDS

VAT/ GST NEWS

International



Bulgaria: New Special VAT Regime for Small Businesses Announced

The Bulgarian National Revenue Agency announced a new VAT regime for small businesses after which EU member states will be permitted to set an annual turnover threshold for exempting certain supplies, with a maximum limit of EUR 85,000. Further, simplifications have been introduced for registrations and declarations for specified taxpayers.

(Source:

<https://www.globalvatcompliance.com/globalvatnews/bulgaria-special-vat-regime/>)



Romania: Ministry of Finance Enforces Mandatory Electronic Invoicing to Combat Tax Evasion

The Ministry of Finance announced that mandatory electronic invoicing for business-to-consumer (B2C) transactions will take effect from 1 January 2025. This initiative mandates all businesses issuing consumer invoices to report them via the National Electronic Invoicing System (RO e-Invoice system). Further, the exemptions and extensions for the mandatory use of the RO e-Invoice system have been provided.

(Source:

<https://www.globalvatcompliance.com/globalvatnews/romania-electronic-invoicing/>)



Vietnam mulls VAT on imported goods sold on ecommerce sites: report

Vietnamese lawmakers are proposing VAT on goods imported by ecommerce platforms, local outlets as imposed in Thailand and the Philippines. Under current rules, imports worth less than USD 39 are exempted from import tax and VAT. This will lead to an increase in the chances of local producers and/ or small businesses to compete on ecommerce platforms.

(Source: <https://www.techinasia.com/vietnam-mulls-vat-imported-goods-sold-ecommerce-sites>)

India



IATA opposes GST levy on foreign airlines in India

The Directorate General of GST Intelligence had issued summons to foreign airlines for alleged tax evasion for import of services by airlines in India. While investigations are underway, International Air Transport Association (IATA) opposed the summons and said that foreign airlines operating in India should not be liable to pay GST on services provided by their headquarters to local offices in India.

(Source:

<https://www.thehindubusinessline.com/economy/logistics/iata-opposes-gst-levy-on-foreign-airlines-in-india/article68249846.ece>)

CAMPCO urges Centre to reduce GST on arecanut

The Central Arecanut and Cocoa Marketing and Processing Cooperative Ltd. (CAMPCO), Mangaluru, has appealed to the Union Finance Minister to reduce GST on arecanut from 5% to 2% and on Copper Sulphate used as a pesticide in farming from 18% to 5%. The Government is urged to reduce customs duty on carbon fibre poles to make advance agricultural tools more affordable to farmers. Further, the government should fix the minimum auction price for seized arecanut, simplify the GST structure, and fund for research on the medicinal benefits of arecanut and combating Yellow Leaf Disease.

(Source:

<https://www.thehindu.com/news/cities/Mangalore/campco-urges-centre-to-reduce-gst-on-arecanut/article68359127.ece>)

25% drop in applications for GSTINs in 7 months

On account of the mandatory requirement of biometric-based Aadhar authentication, the Gujarat State Government has witnessed 25% drop in the applications for GST registrations in the seven months since November 2023. By putting stringent checks, the mandatory requirement of biometric-based Aadhaar authentication has effectively addressed the issues pertaining to widespread abuse of the system and getting GST registration using bogus documents and by impersonating economically disadvantaged individuals.

(Source:

<https://timesofindia.indiatimes.com/city/ahmedabad/25-drop-in-applications-for-gstins-in-7-months/articleshow/110951741.cms>)

CUSTOMS NEWS

International



EAC launches the first regional e-Tariff software in Africa

The Eastern African Community has launched a state-of-the-art Electronic Tariff (E-Tariff) Software. The E-Tariff Software is engineered to enhance stakeholder engagement and streamline tariff processes, offering a suite of benefits including improved stakeholder participation, comprehensive duty remission and stays of application, preferential tariff management, visual and interactive tools, seamless HS migration, and robust data and statistical analysis capabilities.

(Source:

<https://www.wcoomd.org/en/media/newsroom/2024/june/eac-launches-the-first-regional-etariff-software-in-africa.aspx>)



Korea, Japan agree to enhance cooperation on combating drug smuggling, customs affairs

Customs agencies of Korea and Japan have agreed to strengthen their cooperation on the crackdown on and the prevention of drug smuggling. The two nations discussed sharing information regarding illicit drug trafficking and other transborder crimes, and vowed to work more closely on the crackdown on and countermeasures against smuggling attempts in response to recently growing drug trafficking via ships and container cargo. They also agreed to expand cooperation on preliminary checks of country of origin and other customs affairs under the framework of the Regional Comprehensive Economic Partnership (RCEP)

(Source:

https://www.koreatimes.co.kr/www/nation/2024/06/113_375193.html)



Dubai Customs Launches Blockchain Platform for Reduced Paperwork, Tamper-Proof Data Sharing

Dubai Customs has launched a new blockchain platform to optimise commercial operations within the region, which is increasingly being seen as a pro-technology market. Blockchain technology, also referred to as distributed ledger technology, stores data on multiple nodes - which prevents the concentration of data on one server like traditional servers. This makes it more difficult for malicious hackers to breach networks. In addition, any data that is stored on blockchain networks leaves a permanent track, which brings transparency into businesses. Dubai's authorities are also looking to leverage other blockchain capabilities like real-time goods tracking and curbing instances of frauds and counterfeiting.

(Source: <https://www.gadgets360.com/cryptocurrency/news/dubai-customs-blockchain-platform-launch-6069512>)



India



Strategic reforms in customs duties, GST, commerce to push India's inclusive growth: GTRI

Global Trade Research Initiative (GTRI) opined that the implementation of key strategic reforms such as simplification of customs duty structure, GST, and not incentivising low value-added electric vehicles would help India ensure its sustainable development and inclusive growth. It said that the current basic customs duty structure, which affects USD 680bn worth of imports, has not been reviewed in 20 years, leading to over 27 different duty rates and over 100 specific or mixed duty slabs. Currently, 85% of customs duty revenue comes from less than 10% of tariff lines (or product categories), while 60% of tariff lines contribute less than 3% of revenue.

(Source:

<https://www.moneycontrol.com/news/business/economy/strategic-reforms-in-customs-duties-gst-commerce-to-push-indias-inclusive-growth-gtri-12747740.html>)

CBIC Clarifies 10% Import Duty on Mobile Display Assemblies

The Central Board of Indirect Taxes and Customs (CBIC) stated that the import duty for the components making up the display assembly of a cellular mobile phone will have a 10% concessional basic customs duty in a circular released on 7 June 2024. This clarification is meant to resolve interpretational issues faced by the industry regarding the applicability of the concessional duty rate on Display Assemblies. With the decrease in import costs, the cost of manufacturing mobile phones will also decrease. This could, in turn, make phones cheaper for customers. Besides this, the government has also been attempting to encourage smartphone manufacturing.

(Source:

<https://www.medianama.com/2024/06/223-cbic-clarifies-10-percent-import-duty-mobile-display-assemblies/#:-:text=We%20missed%20this%20earlier%3A%20The,released%20on%20June%207%2C%202024>)



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