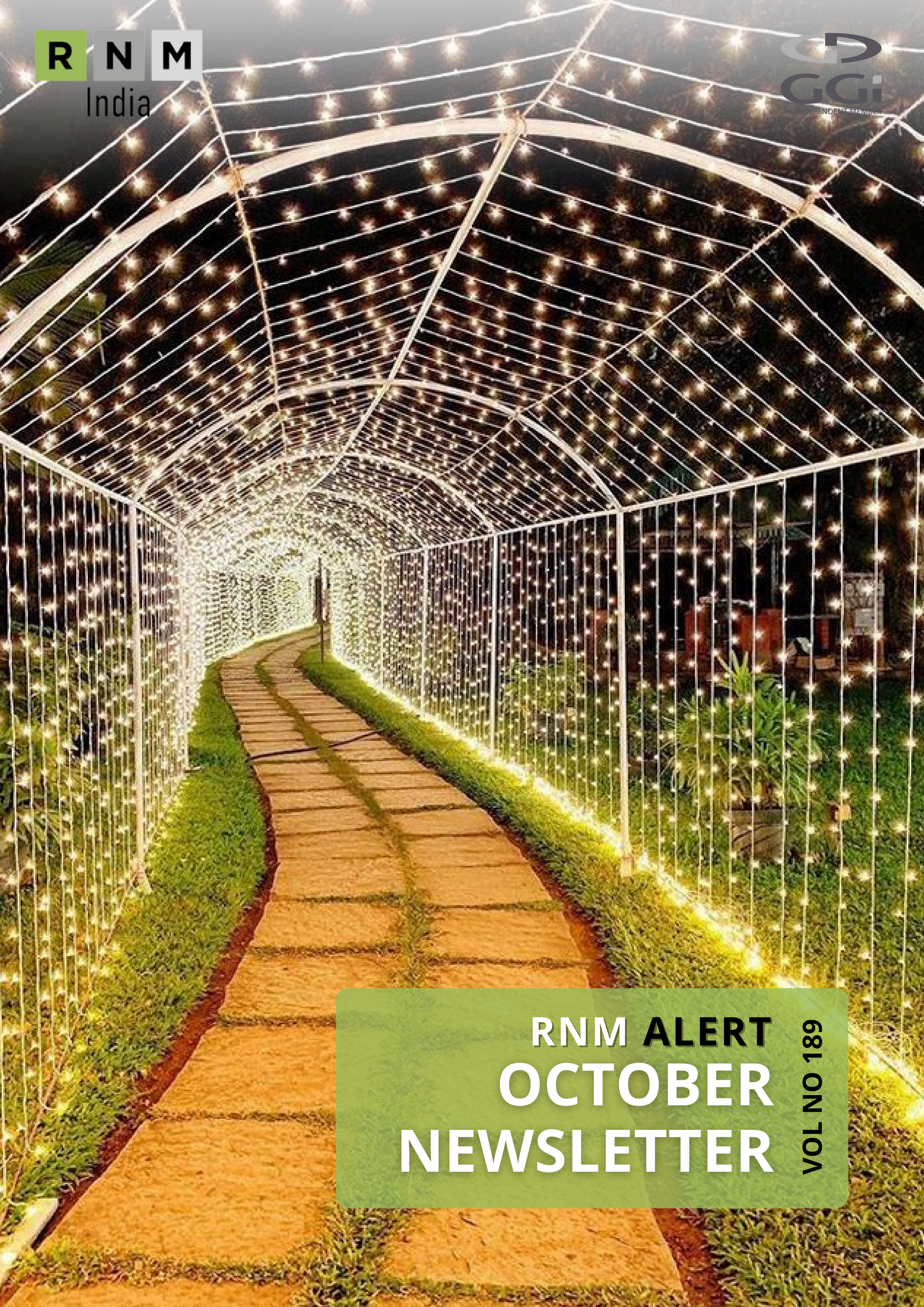
RNM India



RNM ALERT OCTOBER NEWSLETTER

VOL NO 189

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EDITORIAL

Dear Readers

During the month of October 2024 our CEO, Mr. Raghu Marwah attended the Annual Summit organized by the Gift Co at Gift City, Gujrat. Mr. Thomas Brand, Senior Lawyer and Partner at Brand & Partner, Moscow visited our head office in New Delhi. Mr. Peter Kaeser and Ms. Sarinthip Srisasiwilai from GGI, Switzerland and Bangkok offices respectively also visited New Delhi and had a wonderful meeting over a meal. Team RNM alongwith Albatross Capital is proud to announce the opening of its 6th office in India at Brigade International Financial Centre (BIFC), Gift City, Gandhinagar, Gujrat and the on-boarding of Mr. Vikas Jain, Fund Manager and Ms. Manpreet Kaur, Compliance Officer of RNM Capital FME IFSC LLP. Subject to the relevant approvals from the IFSCA, the RNM Equity Opportunities Fund- Non Resident will be launched as a Restricted Scheme soon as a Long Only Fund catering to international investors.

On the Indirect Tax front, few changes have been introduced in the GST return mechanism such as reversal of ITC under Rule 37A implemented in GSTR 2B, GSTR 9/ 9C made available for FY 2023-24 and introduction of Invoice Management System (IMS) from October 1 on the portal.

On the Direct tax front, the due date for filing the tax returns for companies, partnership firms or persons whose accounts were required to be audited under the Income Tax Act, 1961 or any other law has been extended to 15 November 2024 from October 31, 2024 providing relief to assessee's struggling in the Diwali season.

On the Assurance front, the NFRA has proposed significant changes to the Standard on Auditing (SA) 600 to better orient it with the International Standard on Auditing (ISA) 600. The proposed revision seeks to improve group audit quality in India by enhancing the principal auditors oversight, improving coordination with component auditor and aligning with ISA 600.

We would like to take this opportunity of wishing all our readers a happy Diwali on 31st October. On this day we celebrate the victory of light over darkness, good over evil and knowledge over ignorance.

U N Marwah
Chairman - RNM India

Direct Tax

1. CBDT extends ITR due date from 31st October to 15th November 2024

The CBDT vide Circular No. 13/2024 has extended the due date for furnishing the Income Tax Return (ITR) for Assessment Year 2024-25 under section 139(1) of the Income Tax Act from 31-10-2024 to 15-11-2024.

2. ORDER NO. F. No. 173/118/2024-ITA-I, DATED 7-10-2024

The CBDT further extends due date for filing audit report in Form 10B/10BB for AY 2023-24 to Nov 10, 2024.

3. NOTIFICATION S.O. 4571(E) [NO. 116/2024/F. NO. 500/1/2014-APA-II]

The CBDT vide notification dated 18.10.2024 notifies tolerance range under transfer pricing for AY 2024-25.

4. CBDT issued revised guidelines for compounding of offences under Income-tax Act

The CBDT vide press release dated 17.10.2024 Issues Revised Guidelines for Compounding Offences under the Income-Tax Act, 1961.

5. NOTIFICATION G.S.R. 645(E) [NO. 114/2024/F. NO. 370142/21/2024-TPL]

The CBDT vide notification dated 16.10.2024 amends Rules 31AA & 37-I; specifies conditions for allowing TCS credit to a person other than the collectee.

6. NOTIFICATION NO. G.S.R. 639(E) [NO. 112/2024/F. NO. 370142/19/2024-TPL]

The CBDT vide notification dated 15.10.2024 notifies new Form 12BAA incorporating details of tax deducted or collected by others.

7. CIRCULAR NO. 12 OF 2024 [F. NO. 370142/22/2024-TPL

The CBDT vide circular no. 12/2024 dated 15.10.2024; releases FAQs on Direct Tax Vivad Se Vishwas Scheme 2024.

Important Judicial Precedents

1. FA 2022 amendment making Sec. 14A applicable even in absence of exempt income applicable from AY 2022-23: HC

[2024] 167 taxmann.com 284 (Delhi-HC) PCIT vs. Alchemist Ltd

Where income of an assessee has both taxable and non-taxable elements, it would be principle of apportionment of expenditure relating to non-taxable income which would have to be identified for purpose of making disallowance under section 14A.

2. AO has no jurisdiction to consider claim made in revised ITR filed after time limit prescribed by sec.139(5): SC

[2024] 167 taxmann.com 139 (SC) Shriram Investments vs. CIT

Section 139(5), read with section 254, of the Income-tax Act, 1961 - Return of income - Revised return (Time limit for filing) - Assessment year 1989-90 - Assessee filed its original return under section 139(1) - Thereafter, assessee filed a revised return - Assessing Officer did not take cognizance of said revised return - Tribunal directed Assessing Officer to consider assessee's claim regarding deduction of deferred revenue expenditure - However, High Court set aside order of Tribunal on ground that after revised return was barred by time, there was no provision to consider claim made by assessee - Whether Assessing Officer had no jurisdiction to consider claim made by assessee in revised return filed after time prescribed by section 139(5) for filing a revised return had already expired - Held, yes [Para 8] [In favour of revenue]

3. HC can't re-examine factual issues not presented before lower authorities while exercising sec. 260A jurisdiction; SLP dismissed

[2024] 167 taxmann.com 191 (SC) Manoj Jain (HUF) vs. ITO

SLP dismissed against ruling that High Court exercising jurisdiction under Section 260A is required to consider as to whether any substantial question of law has arisen for consideration; High Court cannot be converted into an appellate Tribunal to examine factual issue which was never placed by assessee before Assessing Officer or before Commissioner (Appeals) or before Tribunal.

4. Sec. 54F exemption cannot be denied if new house property is not registered within prescribed time limit: ITAT

[2024] 167 taxmann.com 686 (Visakhapatnam - Trib.) ACIT vs. Siva Jyothi Palam.

Where assessee sold vacant land in October/November, 2016 and purchased a house property and had paid entire sale consideration on 14-11-2016 and possession of property was also given to assessee on same day itself, merely because registration of house property (new) was delayed or done beyond prescribed time limit of 24 months from date of disposal of capital asset, it could not be a ground to deny exemption claimed under section 54F by assessee.

5. Trust providing food to poor & needy without any discrimination eligible for sec. 12AB registration: ITAT

[2024] 167 taxmann.com 459 (Rajkot - Trib.) Akhil Bhartiya Pashwachandra Jain Charitable Trust vs. CIT (Exemption)

Where assessee charitable trust was established with objects of construction and maintenance of crematorium for monks and Saints, to maintain and manage temple, gurumandir, upashraya, construction of canteen, guest house etc., since facilities provided by assessee were intended to serve needs of attendees of various activities without any discrimination based on caste, colour, or creed, thus, its objects were for general public benefit and were not restricted to a particular persons or community or caste, assessee deserved registration under section 12AB.

6. Properties acquired in name of wife & sons using unaccounted amount to be treated as Benami

[2024] 167 taxmann.com 291 (SAFEMA - New Delhi) DCIT (BP) vs. Domendra Dhariwal

Where beneficial owner acquired properties in names of his sons and wife who had no sufficient means to acquire same and properties were for immediate or future benefit of beneficial owner who provided consideration, said properties were rightly attached under PBPT Act.

7. No prosecution if tax was deposited with interest belatedly and there was no concealment: HC

[2024] 167 taxmann.com 355 (Jharkhand-HC) Narendar Singh vs. Union of india

Where assessee filed income-tax return pointing out tax liability for relevant assessment year, however, tax liability was not deposited, since tax amount was deposited with interest in light of section 240(A) and there was no penalty provision against assessee, entire criminal proceeding including cognizance order, by which, cognizance had been taken for offence under section 276(C)(2) and section 277 against assessee, was to be quashed.

Indirect Tax

GST Calendar –Compliances for the month of October’2024.

Nature of Compliances	Due Date
GSTR-7 (Tax Deducted at Source ‘TDS’)	November 10,2024
GSTR-8 (Tax Collected at Source ‘TCS’)	November 10,2024
GSTR-1	November 11,2024
IFF- Invoice furnishing facility (Availing QRMP)	November 13,2024
GSTR-6 Input Service Distributor	November 13,2024
GSTR-2B (Auto Generated Statement)	November 14,2024
GSTR-3B	November 20,2024
GSTR-5 (Non-Resident Taxable Person)	November 20,2024
GSTR-5A (OIDAR Service Provider)	November 20,2024
PMT-06 (who have opted for QRMP scheme)	November 25,2024

Supreme Court clarifies Input Tax Credit eligibility for construction: Functional use test to determine 'Plant' Status.

Issue:

- In a much-anticipated judgment, the Supreme Court addressed a significant issue under the Goods and Services Tax (GST) regime, specifically the interpretation and applicability of Section 17(5)(d) of the Central Goods and Services Tax Act, 2017 (CGST Act). The case revolved around whether a building constructed for the purpose of leasing or renting could be categorized as a 'plant' for the purpose of availing Input Tax Credit (ITC).
- The Court clarified that when the construction of a building is indispensable for the provision of services, such as leasing or renting, the building could be treated as a 'plant'—thus permitting the availment of ITC. This interpretation arose from the Court's differentiation between the terms 'plant and machinery' in Section 17(5)(c) and 'plant or machinery' as mentioned in Section 17(5)(d) of the CGST Act. The distinction is crucial, as it affects the extent to which ITC can be availed for immovable property.

Facts:

The petitioner, an entity involved in the construction of a commercial shopping complex, undertook the development of immovable property with the objective of leasing individual premises to various tenants under commercial agreements.

- In the course of construction, the petitioner accumulated substantial Input Tax Credit (ITC) on the procurement of goods and services that were integral to the construction process of the shopping mall. The petitioner sought to offset this accumulated ITC against the GST liability arising from the taxable rental income to be derived from the lease of the completed premises.
- However, the petitioner's claim for ITC was disallowed by the tax authorities, who invoked the restrictive provisions of Section 17(5)(d) of the Central Goods and Services Tax (CGST) Act. The said provision explicitly prohibits the availment of ITC on goods and services used for the construction of immovable property, except where the immovable property is intended for sale, thus precluding ITC in cases where the property is leased or otherwise not sold.

Ruling:

The Supreme Court, in delivering its judgment in favor of the taxpayer, meticulously construed the statutory framework embodied within clauses (c) and (d) of Section 17(5) of the CGST Act, while simultaneously affirming their constitutional validity. The Court's observations and legal conclusions are detailed as follows:

<u>Interpretation of Clauses (c) and (d) of Section 17(5) of the CGST Act:</u>

Distinction between "plant and machinery" versus "plant or machinery":

The Court distinguished between the phrase "plant and machinery" as utilized in Clause (c) of Section 17(5), which is expressly defined under the CGST Act, and the term "plant or machinery" in Clause (d), which lacks a statutory definition. The Court noted that this nuanced distinction is pivotal. The isolated reference to "plant or machinery" indicates that either plant or machinery, individually considered, may qualify for ITC under certain conditions, whereas the combined term "plant and machinery" is subject to a more restrictive interpretation that explicitly excludes land, buildings, and other civil structures. This dichotomy of terms reflects the legislative intention to apply differential treatment based on the scope and nature of the construction.

Adoption of the commercial meaning of ‘plant’:

As the term “plant” remains undefined under the CGST Act and its associated rules, the Court held that its interpretation must be guided by the ordinary, commercial meaning as understood within the relevant business or trade context. The adoption of such an interpretation aligns with established principles of statutory construction, wherein undefined terms are construed in accordance with their general or industry-specific usage. The Court underscored that in the absence of a statutory definition, it is incumbent upon the courts to adopt a pragmatic, purposive approach.

Intentional use of "or" in Section 17(5)(d):

The Court further emphasized that the legislature's decision to employ the disjunctive term “or” in Clause (d) of Section 17(5), rather than the conjunctive “and”, is both deliberate and unequivocal. It is not a mere drafting oversight. The Court clarified that this intentional distinction allows for the exclusion of ITC where the construction of immovable property is carried out on the taxpayer's own account, particularly when such property is for personal use or for use as a business premise. However, the exclusion would not extend to instances where the property is constructed for the purpose of sale, lease, or licensing—activities that constitute taxable supplies under GST law.

Legislative prerogative in structuring ITC exclusions:

The Court reaffirmed the principle that ITC is a legislative construct, and the legislature possesses the inherent authority to delineate and exclude specific categories of goods and services from the purview of ITC. The exclusion of works contracts under Clause (c), which encompasses the construction of immovable property, does not contravene the overarching objectives of the CGST Act. Such exclusions are consistent with the broader regulatory framework established under GST law and reflect a valid exercise of legislative discretion.

<u>Constitutional Validity of Clauses (c) and (d) of Section 17(5):</u>

Compliance with Article 14 of the Constitution and reasonable classification:

In addressing the constitutional challenge to the validity of clauses (c) and (d), the Court held that the impugned provisions withstand scrutiny under Article 14 of the Constitution of India. The Court articulated that the challenge failed to meet the threshold of reasonable classification, a foundational test for determining the constitutionality of statutory provisions. To pass this test, the classification must be based on intelligible differentia—a rational and discernible distinction between those included and those excluded by the statute—and the classification must bear a rational nexus to the object sought to be achieved by the legislation.

Legitimacy of classification between immovable property and goods for GST purposes:

The Court held that the classification of immovable property and immovable goods for the purposes of GST constitutes a distinct and legitimate category under the law. The denial of ITC on goods and services used for the construction of immovable property is justified as a policy measure aimed at preventing an overlap with the States' exclusive legislative domain under Entry 49 of List II of the Constitution, which deals with taxes on land and buildings. This classification and the consequent exclusion of ITC serve the dual purpose of maintaining legislative harmony between the Union and the States while safeguarding the GST framework.

No basis for reading down the provisions:

The Court, interpreting the plain language of clauses (c) and (d) of Section 17(5), found no ambiguity in the statutory text that would necessitate a reading down of the provisions. The provisions, when read in their entirety, align with the legislative intent, and the Court saw no reason to dilute or modify their scope. The Court unequivocally held that the clear and unambiguous statutory language does not warrant any judicial intervention to alter or read down the exclusions imposed by the legislature.

The GSTN has provided guidance on restricting changes to auto-filled values in Form GSTR-3B.

This Tax Alert outlines the recent advisory issued by the Goods and Services Tax Network (GSTN) on the hard-locking of auto-filled values in GSTR-3B.

Key points from the advisory include:

- GSTN has enhanced the return filing experience by introducing a pre-filled GSTR-3B form, which includes auto-populated tax liabilities based on data from GSTR-1/1A or the Invoice Furnishing Facility (IFF), as well as input tax credit (ITC) details from GSTR-2B, along with a comprehensive PDF report.
- Taxpayers can now make corrections to incorrect outward supplies in GSTR-1/IFF through GSTR-1A before submitting GSTR-3B and can manage inward supplies for accurate ITC claims using the Invoice Management System (IMS).
- Beginning tentatively in January 2025, the GST Portal will prevent alterations to auto-filled tax liabilities in pre-populated GSTR-3B to ensure accuracy. Necessary adjustments should be made via GSTR-1A.
- The locking of auto-populated ITC in GSTR-3B will follow the implementation of IMS, with a separate advisory to address IMS-specific concerns after its rollout.

The procedure for filing a rectification application to claim a refund of Input Tax Credit (ITC) in line with the newly introduced sections 16(5) and 16(6) of the CGST Act involves the following steps:

Background

- Notification Issuance: The notification has been issued following the introduction of sub-sections 16(5) and 16(6) of the CGST Act, as amended by section 118 of the Finance Act (No. 2), 2024, which is effective retrospectively from July 1, 2017.
- Section 16(5): This section extends the deadline for claiming Input Tax Credit (ITC) concerning any invoice or debit note under section 16(4) of the CGST Act. Taxpayers can now claim ITC through any GSTR-3B return filed up until November 30, 2021, for the financial years 2017-18 to 2020-21.
- Section 16(6): This provision allows taxpayers to claim ITC for an invoice or debit note during the interim period between the cancellation of GST registration and the revocation of that cancellation, provided the return is filed within 30 days of the revocation order. However, ITC claims must not be barred by the time limits set under section 16(4) at the time of the cancellation order.
- Special Rectification Procedure: A new procedure has been established for rectifying demand orders related to incorrect claims of ITC due to violations of section 16(4) of the CGST Act. This applies to situations where the ITC is now available under the newly introduced provisions in sub-sections (5) or (6) of section 16 and where no appeal against the original order has been filed.

Amendment

- Filing Deadline: The rectification application must be submitted within six months from the date of the notification, which is October 8, 2024. Therefore, the final date for submission is April 8, 2025. The application must include the information specified in the prescribed Form detailed in Annexure A of the notification.
- Order Issuance: The proper officer is mandated to issue the rectified order in the prescribed format within three months from the date of the application. Additionally, a summary of the rectified orders will be uploaded.
- Natural Justice Principles: Authorities are required to adhere to the principles of natural justice, particularly in cases where the rectification adversely impacts the applicant.

This amendment outlines the timeline and procedural requirements for submitting rectification applications, ensuring that the process remains fair and transparent.

Internal Audit

Technology Risk in doing Audits

Technology plays a vital role in today's business environment, as we can see that every industry is using the high-end ERP systems to run their business smoothly whether it is their regular day to day operations or the regulatory compliances as applicable to the business. Due to change in business environment the complexity of commercial transactions are also getting increased therefore, to cope up with the business requirement and to satisfy the client, the Audit approach should also be changed and should be adaptive to technology which will help the auditors to improve the efficiency, accuracy and overall quality of audit.

Following are the major risk if an auditor does not use the technology while conducting the Audits:

1. Inefficiency: Manual Processes & manual working can slow down the audit process and it will lead to more time-consuming and labour-intensive due to which the cost of the audit will be high.
2. Limited Data Analysis: As we can see in today's dynamic working environment the industries are using the high-end ERP Systems like SAP, Oracle etc. which required the auditor to conduct the audit through systems only and sometimes auditor has to use some other advance Audit tools to analyze the data in a more approachable way to conduct the audit.
3. Compliance Risk: In today's economic environment there are various regulatory compliances for which the auditor is required to use the technology otherwise the deadlines to meet the various compliances cannot be met like GST, Income Tax etc.
4. Client Dissatisfaction: As client is growing its business exponentially and client is also depending on technology to enhance its business therefore the client also requires the Auditor to conduct the audit by using the more technology.
5. Lack of Access over data: Without using the technology like e-mail, conference call and VPN etc. there will be no sufficient reach on data and also there will be communication gap among the teams.
6. Improved Documentations: As digital documentation is available which result in reduction of physical maintenance of data and also it is easy to organize and it can be easily accessible from different locations.
7. Audit Trail: As client's are using the high-end ERP Software, which also facilitate to organize the data as per statutory compliance and it also helps in maintaining the proper audit trail.
8. Business Loss: If an auditor is not using the technology according to the size, nature and extent of business of client then such client would not be satisfied and Auditor may lose such client.
9. Adaptability Issues: while performing the Auditing services the Auditor has to always be ready and focused to adapt the changes in technology to make himself abreast with the amendments and to consult the same to its clients. Therefore, if an auditor is not adapting the technology then automatically he will be out of the league from the consultancy business.
10. On time Reporting: As technology helps in easy accessibility of data and with the use of analytical tools the performance auditor also enhances and further it will also result in on time reporting of audit to the clients.

Conclusion:

Hence, it can be said that in todays ever evolving environment it is inevitable for an auditor to avoid the use of technology in doing the audits.

Corporate Finance

Adani-Owned Ambuja Cements To Acquire Orient Cement

Ambuja Cements has announced its agreement to acquire Orient Cement Ltd, a company under the CK Birla Group, for an equity value of $964 million (around INR 8,100 crores). Ambuja will purchase 46.8% of OCL from its current promoters and certain public shareholders, and has also made an open offer to acquire an additional 26% from public shareholders. The acquisition will be fully funded through internal accruals. By acquiring OCL, Ambuja is set to achieve a cement capacity of 100 MTPA by FY25. This move will enhance Adani Cement's presence in key markets and increase its pan-India market share by 2%.

(Source: VC Circle, 22nd October 2024)

Private Equity

Bain Capital-Backed 360 ONE Asset Invests In A4 Hospitals

360 ONE Asset, an asset management firm supported by Bain Capital, has made an investment in A4 Hospitals (an undisclosed amount), based in Tamil Nadu, through its healthcare and life sciences fund. A4 Hospitals plans to leverage this growth capital to expand its operations throughout southern India in the coming years. Currently operating eight centers, A4 Hospitals specializes in fertility treatments, as well as maternity and perinatal care.

(Source: VC Circle, 09th October 2024)

Stakeboat Capital Invests In Vaccum Pump Maker Economy Process Solutions

Stakeboat Capital has invested $11.9 million (around INR 100 crores) in Economy Process Solutions Pvt Ltd through its second fund. The company intends to utilize these funds to broaden its production capabilities and develop new process equipment solutions targeted at the food and beverage industry. Since its inception in 2015, Economy Process Solutions has been supplying vacuum and process equipment for industrial and manufacturing applications. Its vacuum system offerings include vacuum pumps, boosters, blowers, accessories, and spares.

(Source: VC Circle, 10th October 2024)

India Sweet House Raises Funding Ahead Of Public Market Debut

India Sweet House has successfully raised new capital as it prepares for an initial public offering in the coming months. Currently operating 35 stores across Karnataka and employing 750 staff members, the company specializes in over 200 varieties of traditionally crafted Indian sweets and savory snacks. The recent funding round, which is estimated to have raised nearly $2.4 million (around INR 20 crores), was led by private investment firm Viney Equity Market LLP and financial portal Chittorgarh Infotech Ltd.

(Source: VC Circle, 14th October 2024)

Kotak Alts' Real Estate Fund Backs Gurugram Developer

Kotak Alternate Asset Managers has invested approximately $142 million (around INR 1,200 crores) in Elan Group, a Gurugram-based real estate developer led by Rakesh Kapoor. Previously supported by the private equity firm PAG, Elan Group plans to use the proceeds from this investment to meet its growth capital needs. This strategic funding will enable the company to enhance its development projects and expand its market presence, aligning with its long-term vision for sustainable growth in the competitive real estate sector.

(Source: VC Circle, 22nd October 2024)

Pantomath's Bharat Value Fund Invests In Aniket Metal

Capitalizing on the resurgence of consumer demand in India, Panthomath's BVF has invested $6.5 million (around INR 55 crores) for a sub-10% equity stake in Aniket Metals, a cookware manufacturer with three decades of experience. Aniket Metals Pvt Ltd specializes in the production and export of cookware, generating 100% of its revenue from exports. The company supplies its products to prominent global retail chains, including Walmart Inc., the British supermarket ASDA, US-based TJX, and the discount retailer ROSS Inc. Based in Mumbai, Aniket Metals offers a diverse range of over 650 products, including kitchen gadgets, cutlery, and kitchenware, with a primary focus on the US and UK markets.
(Source: VC Circle, 17th October 2024)

Venture Capital

AI-Focused Startup Neuron7.Ai Snags $44 Mn In Series B Round

Founded in 2020, Neuron7 addresses challenges in complex service environments by providing domain-specific solutions to its customers and forming significant strategic partnerships with major cloud platforms. The AI-driven customer and field service platform, Neuron7.ai, has successfully raised $44 million (around INR 370 crores) in a Series B funding round, with participation from existing investors Nexus Venture Partners and Battery Ventures. Neuron7 reported that the funding round was oversubscribed, bringing the total capital raised to date to over $63 million (around INR 529 crores).
(Source: VC Circle, 15nd October 2024)

Neysa Raises $30 Mn In Series-A Funding Round

Serial entrepreneur Sharad Sanghi's latest venture, Neysa, which offers artificial intelligence (AI) cloud and platform-as-a-service solutions, has raised $30 million (around INR 250 crores) in new funding, just six months after its seed round. The primary objective of this capital is to develop its compute, storage, and AI-native network infrastructure. Additionally, the funding will support go-to-market strategies and research and development efforts for building its platform.
(Source: VC Circle, 22nd October 2024)

Even Healthcare Raises $30 Mn in Series-A Funding round

Bengaluru-based healthcare company Even Healthcare has successfully completed its Series A funding round, securing $30 million (around INR 250 crores). The round was led by existing investor Khosla Ventures, with participation from Founders Fund, 8VC, Lachy Groom, and others. The newly raised capital will be utilized to initiate hospital operations and enhance patient care and resource processes, with plans to establish three secondary-care hospitals in Bengaluru.
(Source: VC Circle, 23rd October 2024)

LeapFrog-Backed Healthify Raises $20 Mn In Fresh Funding

Healthify, a startup offering a mobile health and fitness app, delivers personalized guidance on nutrition, fitness, and overall wellness to its users. The platform claims to support over 40 million users across more than 300 cities, backed by a team of over 600 coaches. Previously known as HealthifyMe, the health and fitness platform has recently secured $20 million (around INR 170 crores) in new funding, led by Khosla Ventures and LeapFrog Investments. This investment will be directed towards global expansion, particularly into the U.S. market, and enhancing its industry-leading AI capabilities.
(Source: VC Circle, 25th October 2024)

WishNew Gets Funding From IIT Delhi Alumni Group, DotPe Co-Founder

WishNew Wellness, a provider of health and wellness solutions, offers a diverse range of products, including nutritional supplements, skincare items, fitness aids, and mental wellness products. The company has recently raised $250,000 (around INR 2.1 crores) in an angel funding round, valuing it at $5.65 million (around INR 47 crores). This round was led by a group of alumni from the Indian Institute of Technology, with additional contributions from investors such as Gyanesh Sharma, co-founder of DotPe; Ashish Singh, a former executive at Nykaa; and the CTO of Virtualness, among others. The new funding will be used to enhance research and development, expand the product portfolio, scale manufacturing and distribution capabilities, and invest in marketing and brand-building initiatives.

(Source: VC Circle, 23th October 2024)

Mergers & Acquisitions

HCL Inks Deal To Acquire HDFC Education and Development Services Pvt Ltd.

Established in 2011, HDFC Education specializes in a range of educational services, including schooling, higher education, vocational training, and supplementary education. Shiv Nadar, the founder of HCL Technologies Ltd, has reached an agreement to acquire HDFC Bank's wholly owned subsidiary, HDFC Education and Development Services Pvt Ltd. The bank will divest this education company for $23 million (around INR 192 crores), representing more than ten times its total income for FY24.

(Source: VC Circle, 8th October 2024)

Bharat Forge To Buy American Axle's India Unit For $65 Mn

Bharat Forge Ltd, a leading auto components manufacturer, has reached an agreement to acquire AAM India Manufacturing Corporation Pvt Ltd, the Indian subsidiary of US-based American Axle & Manufacturing Holdings Inc. The Pune-based company will purchase AAM India at an enterprise value of $65 million (around INR 544 crores). Established in 2008, AAM India specializes in producing axles for light, medium, and heavy-duty commercial trucks, as well as passenger buses in India.

(Source: VC Circle, 17th October 2024)

Fullerton To Acquire Controlling Stake In Lendingkart

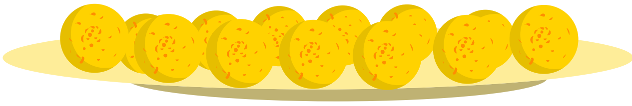
Fullerton Financial Holdings (FFH), a subsidiary of Singapore's state investment firm Temasek, is set to increase its stake in Lendingkart to gain control of the company. Following regulatory approvals, Fullerton plans to invest $30 million (around INR 252 crores), which will position it as the majority shareholder. This capital infusion will enable Lendingkart to expand its presence in underserved markets and enhance its technological capabilities.

(Source: VC Circle, 18th October 2024)

Adar Poonawala To Acquire A Partial Stake In Dharma Productions

Adar Poonawalla, the Pune-based tycoon and head of Serum Institute of India, the maker of the Covishield vaccine, has agreed to acquire a 50% stake in the Bollywood production house Dharma Productions and its digital content division, Dharmatic Entertainment, for $120 million (approximately INR 1,000 crores). Karan Johar will retain the remaining 50% stake. This alliance will serve to widen the scope of the Indian entertainment industry and domestic content at the global stage.

(Source: VC Circle, 21st October 2024)



Arihant Academy Acquires Majority Stake In Zen Educational and Learning(ZEAL)

Arihant Academy Ltd, listed on the NSE, has announced an agreement to acquire a 51% majority stake in Zen Educational and Learning (ZEAL) for a valuation of $2 million (around INR 17 crores). This acquisition will allow Arihant to broaden its academic offerings across the metropolitan region, enabling it to serve a larger student population. The transaction will be executed in two phases, with full completion expected by October 2025.
(Source: VC Circle, 24th October 2024)

Transaction & Regulatory Advisory Services

In this edition we have tried to bring to your notice, the latest amendments that followed in the month of October, 2024 issued by MCA and SEBI.

MCA UPDATE

The Companies (Indian Accounting Standards) Third Amendment Rules, 2024

As per said amended rules, an insurer or insurance company may provide its financial statement as per Ind AS 104 for the purposes of consolidated financial statements by its parent or investor or venturer till the Insurance Regulatory and Development Authority notifies the Ind AS 117 and for this purpose, Ind AS 104 shall, as specified in the Schedule to these rules, continue to apply.

To read more:
https://www.mca.gov.in/bin/dms/getdocument?mds=uACoyuaVbuLEUjj8ds3Erw%253D%253D&type=open

RBI/ FEMA Update

Foreign Exchange (Compounding Proceedings) Rules, 2024

The amended Rules will supersede the existing Foreign Exchange (Compounding Proceedings) Rules, which were issued in 2000. As part of a broader initiative to streamline and rationalize existing rules and regulations to further facilitate ease of doing business, the compounding proceeding rules were comprehensively reviewed in consultation with the Reserve Bank of India.

To read more:
https://pib.gov.in/PressReleasePage.aspx?PRID=2054177

SEBI UPDATES

Timelines for disclosures by Social Enterprises on Social Stock Exchange ("SSE") for FY 2023-24

SEBI has extended the outer timeline for annual disclosures under Regulation 91C(1) and annual impact report under Regulation 91E(1) of LODR Regulations by Social Enterprises on Social Stock Exchange, for FY 2023- 24 upto January 31, 2025.

To read more:
https://www.sebi.gov.in/legal/circulars/oct2024/timelines-for-disclosures-by-social-enterprises-on-social-stockexchange-sse-_87387.html

SEBI calls for stricter review of AIF investors

On October 08, 2024, SEBI issued a circular that AIFs should not facilitate investors who are ineligible for QIB status on their own from availing the benefits.

To read more:
https://economictimes.indiatimes.com/markets/stocks/news/sebi-callsfor-stricter-review-of-aif-investors/articleshow/114061365.cms

Inclusion of Mutual Fund units in the SEBI (Prohibition of Insider Trading) Regulations, 2015

From November 01, 2024, AMCs shall disclose the details of the holdings of Designated Persons of AMCs, trustees and their immediate relatives on aggregate basis from November 1, 2024 on quarterly basis in the format prescribed in the circular. The holdings as on October 31, 2024 shall be disclosed on the platform of the Stock Exchanges by November 15, 2024.

To read more:
https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/oct-2024/1729586000981.pdf#page=1&zoom=page-width,-15,850

IFSCA

Single Window IT System inter-alia for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI

IFSCA further directed that, from October 01, 2024, all the applicants, except those mentioned in the circular, shall submit/file their applications exclusively through Single Window IT System (SWITS) for seeking license, registration or authorisation, as the case may be, from IFSCA; approvals from SEZ Authorities and registration from GSTN; and No objection Certificate (NoC)/requisite approval from appropriate regulators.

To read more:
https://ifsca.gov.in/Legal/Index?MId=uj1eJOXeiyU

NFRA

Responsibilities of Principal Auditor and Other Auditors in Group Audits

NFRA has issued a Circular clarifying the Responsibilities of Principal Auditor and Other Auditors in Group Audits. The Circular is issued in public interest as the existing obligations on statutory auditors which as observed by NFRA are not being interpreted correctly by a section of auditors of the Public Interest Entities under NFRA's purview.

To read more:
https://cdnbbsr.s3waas.gov.in/s3e2ad76f2326fbc6b56a45a56c59fafdb/uploads/2024/10/20241003679863187.pdf

(Real Estate Investment Trusts) (Third Amendment) Regulations, 2024 and (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2024

The amendments inter-alia include the reduction of the timeline for payment distribution to unit holders, requiring it within five working days from the record date, instead of fifteen. It also modifies voting provisions to calculate thresholds based on total votes cast rather than votes against, facilitating smoother unit holder meetings. A provision mandates video conferencing option for meetings and remote electronic voting. Additional regulations ensure that adequate backup systems and data integrity measures are in place for electronically maintained records. Overall, the amendments aim to enhance transparency, efficiency, and accessibility within the REIT/InvIT framework, aligning with evolving market practices and stakeholder needs.

To read more:
https://egazette.gov.in/(S(e1i0hybk3hk2riibnmknyjo1))/ViewPDF.aspx
https://egazette.gov.in/(S(e1i0hybk3hk2riibnmknyjo1))/ViewPDF.aspx

UK Tax Update

UK Winter Budget Summary

Reeves's Opening Remarks: Setting the Stage for National Renewal

Rachel Reeves has announced her vision for a decade of "national renewal," following the mandate for change that the UK electorate granted the Labour government. With the goal of putting "more pounds in people's pockets" and raising living standards, Reeves emphasizes the need for an "invest, invest, invest" approach to drive economic growth. Highlighting Labour's past achievements in rebuilding the economy, she pledges that they will "rebuild Britain once again." This budget, she notes, will raise taxes by £40 billion—a bold move that she believes is necessary to reverse years of economic decline under Conservative leadership.

National Insurance Adjustments

A significant policy shift in this budget is the increase in employers' national insurance contributions, rising by 1.2 percentage points to 15% starting April 2025. Additionally, the threshold for contributions will be reduced from £9,100 to £5,000. Expected to raise £25 billion annually by the forecast period's end, this measure represents the most substantial tax increase in the budget.

Income Tax and Personal Allowances

Addressing income tax, Reeves confirms that tax thresholds will align with inflation beginning in 2028-29, which prevents an inadvertent drag of individuals into higher tax brackets. This step allows Reeves to affirm Labour's commitment to not increasing taxes on working people.

Capital Gains and Inheritance Taxes

Capital gains tax will see moderate increases, with the lower rate rising from 10% to 18% and the higher rate from 20% to 24%, though rates on the sale of second homes remain unchanged. Furthermore, the inheritance tax threshold freeze will extend until 2030, while pension pots inherited from 2027 onwards will be taxed. This policy reform aims to raise £2 billion annually through various tweaks, especially on business and agricultural assets.

Raising the Minimum Wage

In line with Labour's commitment to improve livelihoods, the "national living wage" will rise by 6.7% to £12.21 per hour, adding approximately £1,400 per year to the earnings of a full-time worker. There is also a plan to equalize wages for workers under 21 over time.

Tobacco, Alcohol, and Fuel Duty Adjustments

Reeves announced increased taxes on tobacco, vapes, and sugary drinks, but as a gesture to pub-goers, there will be a 1p reduction in the duty on draught pints. Fuel duty remains frozen for another year, maintaining the last government's 5p reduction to address rising costs due to international tensions.

VAT on Private School Fees

Starting January 2025, VAT will be applied to private school fees, a policy expected to be widely accepted due to its popularity among voters.

Investment in Education

The budget allocates £6.7 billion to capital investment in education, a 19% real-terms increase. This funding will help rebuild over 500 schools in urgent need of repair, support hiring teachers, and expand higher education funding.

Commitment to NHS and Public Health

Reeves announced a £22.6 billion increase for the NHS's daily operations, alongside a £3.1 billion capital boost. This includes £1 billion for repairs and upgrades and £1.5 billion to expand hospital beds and testing capacity.

Housing Investment

Labour aims to tackle the housing crisis with a £5 billion investment in housing in 2025-26. Local governments will retain earnings from council house sales, enabling reinvestment. New planning officers will also be hired to accelerate housebuilding.

Transport and Infrastructure

Reeves reaffirmed Labour's commitment to regional rail routes and confirmed HS2's extension to London Euston. There will also be a £500 million increase in the roads budget, primarily targeting pothole repairs.

Energy and Public Investment

Reeves announced £3.4 billion for home upgrades to reduce energy bills and established Great British Energy, a new entity based in Aberdeen. She has also introduced rules to ensure debt reduction over time, linking investment to the quality of public services.

Tax on Private Jets

Air passenger duty on private jets will increase by 50%, while short-haul flights will face a slight tax hike. This move, coupled with a quip about flights to California, serves as a reminder of Labour's focus on fairness and environmental responsibility.

Supporting Business and the Economy

The budget will permanently reduce business rates for retail, hospitality, and leisure sectors starting in 2026-27, with a 40% relief until then. Employment allowance will also increase, lowering national insurance for small businesses. Additionally, taxes on carried interest and oil profits will rise, and the concept of non-domicile status will be abolished.

Compensation for Past Scandals

Reeves announced compensation schemes for the infected blood and Post Office Horizon IT scandals, allocating £11.8 billion and £1.8 billion respectively. This move is aimed at addressing injustices that previous governments had apologized for but not financially addressed.

Targeting Tax Avoidance

Reeves pledges to raise £6.5 billion by cracking down on tax avoidance schemes, particularly those involving umbrella companies.

Conclusion: Investing in Britain's Future

Rachel Reeves's budget marks a bold shift toward increased public investment and social welfare. She outlined policies aimed at stabilizing the economy, building infrastructure, and improving public services, all while targeting fairer wealth distribution and transparency. Labour's new fiscal approach, with heightened spending on health, education, housing, and infrastructure, seeks to rejuvenate a weary nation and position it for long-term prosperity.

Tax Calendar

November 2024 - Tax Calendar

7TH NOV	Due date for deposit of Tax deducted/collected for the month of October, 2024.
14TH NOV	Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M & 194S in the month of September, 2024
15TH NOV	Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending September 30, 2024
15TH NOV [EXTENDED]	Due date for filing of return of income for the assessment year 2024-25 if the assessee (not having any international or specified domestic transaction) is (a) corporate-assessee or (b) non-corporate assessee (whose books of account are required to be audited) or (c)partner of a firm whose accounts are required to be audited or the spouse of such partner if the provisions of section 5A apply
30TH NOV	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M & 194S in the month of October, 2024
30TH NOV	Return of income for the assessment year 2024-25 in the case of an assessee if he/it is required to submit a report under section 92E pertaining to international or specified domestic transaction(s)
30TH NOV	Report in Form No. 3CEAA by a constituent entity of an international group for the accounting year 2023-24
30TH NOV	Statement of income distribution by Venture Capital Company or venture capital fund in respect of income distributed during previous Year 2023-24 (Form No. 64)
30TH NOV	Statement to be furnished in Form No. 64D by Alternative Investment Fund (AIF) to Principal CIT or CIT in respect of income distributed (during previous year 2023-24) to units holders
30TH NOV	Due date to exercise option of safe harbour rules for international transaction by furnishing Form 3CEFA
30TH NOV	Due date to exercise option of safe harbour rules for specified domestic transaction by furnishing Form 3CEFB
30TH NOV	Due date for filing of statement of income distributed by business trust to unit holders during the financial year 2023-24. This statement is required to be filed electronically to Principal CIT or CIT in form No. 64A
30TH NOV	Due date for e-filing of report (in Form No. 3CEJ) by an eligible investment fund in respect of arm's length price of the remuneration paid to the fund manager. (if the assessee is required to submit return of income on November 30, 2024)

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