

FAQS

on Taxes & Related ISSUES



Dr. Suresh Surana, founder, RSM Astute Consulting Group, answers readers' queries on various issues pertaining to taxes that need to be paid by the jewellers. Readers are encouraged to send in their questions and receive clarifications through this column.



We are a Partnership engaged in the business of manufacturing of Diamond Jewellery. We understand that due to the COVID-19 crisis, the Government has provided certain extended timelines to the taxpayers for making eligible investments under Chapter VIA or u/s 54 to 54GB of the IT Act. In respect to the same, whether the investment threshold limit for the said investments has been enhanced? Also, how do we reflect the same in the Income Tax return?

The due for making investments under Chapter VIA or u/s 54 to 54GB of the Income Tax Act, 1961 (hereinafter referred to as 'The Act') has been extended from 31 March, 2020 to 30 June 2020. In accordance with the same, the newly notified income tax return provides for the periodic details of investment made as follows:

- i. Investments made upto the period of 31 March 2020 and
- ii. Investments made from 1 April 2020 to 30 June 2020.

The investment details would be required to be provided in the Schedule - Detailed Investments ('DI'). Also, it is worthwhile to note that there is no increase in the threshold limits for the investment despite of extension of time limit of investments.



We are a Listed Corporate engaged in the business of trading of gold and silver jewellery. We have other group entities in different parts of the World engaged in the same business with whom we enter into intra group financing arrangements. We would like to know the applicability of interest rates as per the Safe Harbour Rule wr.t. loans advance in Indian Rupees to such entities?

Safe Harbour Rules refers to the situations/circumstances in which the tax authorities shall accept the prescribed transfer price declared by the taxpayer to be at arm's length. These rules are optional and provide the transfer price/minimum operating margin a tax payer may declare for certain categories of transactions.

CBDT has recently notified the Safe Harbour Rules for AY 2020-21. The interest rate declared in relation to the eligible international transaction is not less than the one-year marginal cost of funds lending rate of State Bank of India as on 1st April of the relevant previous year plus basis points as mentioned below:

- 175 basis points, where the AE has CRISIL credit rating between AAA to A or its equivalent.

- 325 basis points, where the AE has CRISIL credit rating of BBB-, BBB or BBB+ or its equivalent.
- 475 basis points, where the AE has CRISIL credit rating between BB to B or its equivalent.
- 625 basis points, where the AE has CRISIL credit rating between C to D or its equivalent.
- 425 basis points, where credit rating of the AE is not available and aggregate amount of loan advanced to all AEs as on 31st March of the relevant previous year < Rs.100 crore.

? We are an Indian entity engaged in the trading and manufacturing of Gems & Jewellery. We have not yet filed the return for FY 2018-19 and would like to know about the due dates, including extension if any, applicable for income tax return filing for the said year and also for FY 2019-20?

The Government had passed 'The Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance 2020' on 31 March 2020 which provided certain relaxations and relief measures. As per the ordinance, the due dates filing returns and other compliances falling within 20 March 2020 and 29 June 2020 has been extended to 30 June 2020. As such, the due date for filing income tax returns (belated and revised returns for FY 2018-19) was extended to 30 June 2020. Thus, the belated return for FY 2018-29 can now be filed upto 30 June 2020.

The Government has now extended the due dates of all the income tax returns for the FY 2019-20 from 31 July 2020 and 31 October 2020 to 30 November 2020. Further, the due date for tax audit has been extended from 30 September 2020 to 31 October 2020.

? We are a Partnership engaged in the trading and manufacturing of Gold Jewellery. Recently, we understand that Government has announced certain benefits for MSMEs. We would like to know the criteria for being categorized as an MSME.

MSMEs are also known as Micro, Small and Medium Enterprises. The Government has recently revised the definition for MSMEs as per which organisations would be categorized as an MSME based on their Investment and Annual Turnover. As per the revised criteria, the following

	Amount in Rs.		
	Micro	Small	Medium
Investment upto	1 Crore	10 Crore	50 Crore
Turnover upto	5 Crore	50 Crore	250 Crore

classification would prevail for MSMEs:

Also, it is pertinent to note that turnover with respect to exports will not be counted in the limits of turnover for any category of MSME units whether micro, small or medium. Thus, in order for any organisation to fall within the definition of MSME, it has to simultaneously fulfill both the Investment as well as Turnover Criteria.

? We are a domestic company with manufacturing business of diamonds. Since manufacturing of diamonds involves assignment of the said work to various contract labourers, we would like to know the TDS to be deducted on payment made to such labour contractors and if there has been any revision in the said rate?

Payments made to contractors are liable for TDS deduction u/s 194C of the Act provided the said payment is likely to exceed a threshold limit of Rs. 30,000 for single transaction or Rs. 1,00,000 p.a. TDS on such payments is liable to be deducted at the rate of 2% (except 1% in case the payment is made to an individual or HUF).

However, CBDT issues a press release dated 13 May 2020, as per which the TDS rates for all non-salaried payment to residents, and TCS rates was reduced by 25% of the specified rates for the remaining period of FY 2020-21 i.e. from 14 May 2020 to 31 March 2021. However, it is to be noted that this reduced rate of TDS would not in any way affect the final tax liability. Any deficit or shortfall has to be paid either by way of advance tax or self-assessment tax for the financial year 2020-21. ■

Particulars	Threshold for Deduction	Rate at which Tax is to be Deducted (1 April 2020 to 13 May 2020)	Rate at which Tax is to be Deducted (14 May 2020 to 31 March 2021)
Payment to Contractors u/s 194C	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a	2% (1% for individual and HUF)	1.5% (0.75% for individual and HUF)

*Courtesy: RSM Astute Group (www.astuteconsulting.com)
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