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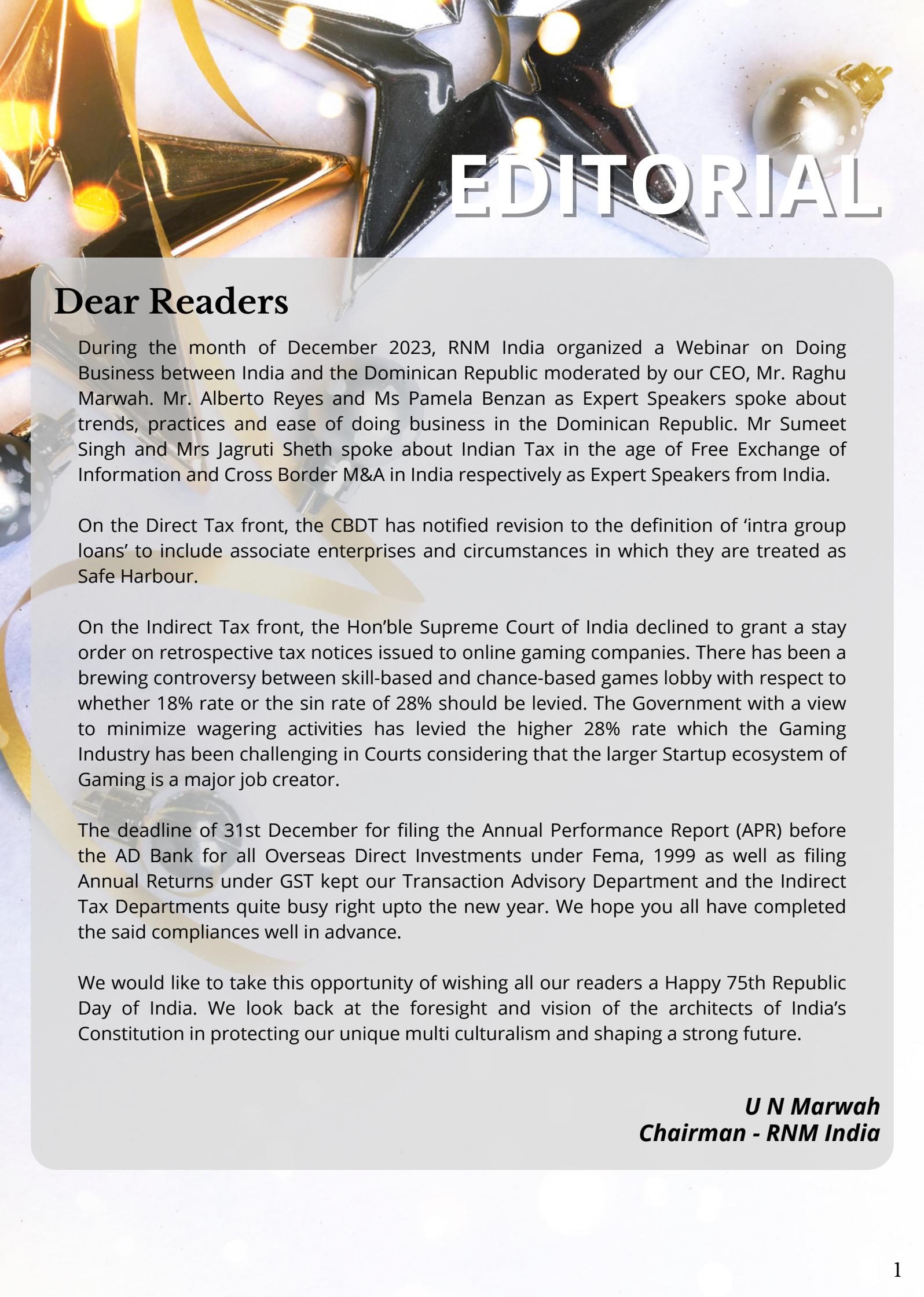
**RNM ALERT
DECEMBER
NEWSLETTER**

VOL NO 179

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EDITORIAL

Dear Readers

During the month of December 2023, RNM India organized a Webinar on Doing Business between India and the Dominican Republic moderated by our CEO, Mr. Raghu Marwah. Mr. Alberto Reyes and Ms Pamela Benzan as Expert Speakers spoke about trends, practices and ease of doing business in the Dominican Republic. Mr Sumeet Singh and Mrs Jagruti Sheth spoke about Indian Tax in the age of Free Exchange of Information and Cross Border M&A in India respectively as Expert Speakers from India.

On the Direct Tax front, the CBDT has notified revision to the definition of 'intra group loans' to include associate enterprises and circumstances in which they are treated as Safe Harbour.

On the Indirect Tax front, the Hon'ble Supreme Court of India declined to grant a stay order on retrospective tax notices issued to online gaming companies. There has been a brewing controversy between skill-based and chance-based games lobby with respect to whether 18% rate or the sin rate of 28% should be levied. The Government with a view to minimize wagering activities has levied the higher 28% rate which the Gaming Industry has been challenging in Courts considering that the larger Startup ecosystem of Gaming is a major job creator.

The deadline of 31st December for filing the Annual Performance Report (APR) before the AD Bank for all Overseas Direct Investments under Fema, 1999 as well as filing Annual Returns under GST kept our Transaction Advisory Department and the Indirect Tax Departments quite busy right upto the new year. We hope you all have completed the said compliances well in advance.

We would like to take this opportunity of wishing all our readers a Happy 75th Republic Day of India. We look back at the foresight and vision of the architects of India's Constitution in protecting our unique multi culturalism and shaping a strong future.

U N Marwah
Chairman - RNM India

Direct Tax



1. NOTIFICATION NO. 105/2023; Dated: December 22, 2023

That the CBDT vide Notification No. 105 of 2023; notifies new ITR Forms (ITR-1 SAHAJ & ITR-4 SUGAM) for AY 2024-24.

Important Judicial Precedents

1. Whether re-opening of assessment can be resorted to solely on assumption that Assessee did not file ITR for the relevant AYs, thus revealing non-application of mind on part of AO - NO: ITAT

[2023-TIOL-1607-ITAT-DEL ITA No. 2335/Del/2022_AY: 2012-13 DCIT, INTERNATIONAL TAXATION, Vs. SHRI VIKAS ARORA]

That the Assessing Officer has proceeded to reopen the assessment assuming that the assessee has not filed his return of income for the assessment year under dispute, clearly reveals non-application of mind by the Assessing Officer to the facts and materials on record. On perusal of return of income and the computation of income filed by the assessee, it is evident that the assessee has considered the income derived from sale of property credited to the bank account. That being the factual position emerging on record, in our view, reopening of assessment appears to be without proper application of mind and based on conjectures and surmises. There is no live link between the materials available on record and the formation of belief. Therefore, in our view, learned first appellate authority was justified in holding the reopening of assessment under section 147 of the Act to be invalid.

2. [2024] 158 taxmann.com 45 (Delhi - Trib.) HCL Singapore PTE. Ltd. Vs. ACIT, Circle IT-2(1)(1)

Where assessee, a Singapore based company, was engaged in providing onsite software services to clients of HCL India, since place of provision of services was outside India and contract for providing such services had been effectively concluded outside India, payment received by assessee, from its Indian subsidiary was only in nature of revenue share and could not be construed as income that accrues or arises in India or deemed to accrue or arise in India and, hence, could not be brought to tax as fee for technical services under section 9(1)(vii)(b).

3. [2024] 158 taxmann.com 10 (Delhi-HC) Angelantoni Test Technologies Srl Vs. ACIT, Circle INT. Tax 1(1)

Where assessee, a foreign company, made investment in shares in its Indian subsidiary, said investments could not be treated as income as same was in nature of capital account transaction and would not give rise to any income, thus impugned orders passed under section 148A(d) and notices issued under section 148 were to be set aside.

4. [2023] 157 taxmann.com 298 (Delhi - Trib.) Kirti Singh Vs. ACIT, CC-II

Where AO made addition under section 69A with respect to jewellery found during search on ground that same was relatable to assessee's sister-in-laws, since assessee and her family members were high net worth individuals and considering their high status, holding such jewellery found in custody of members of their families could not be seen to be abnormal and consequently unexplained.

5. [2023] 157 taxmann.com 175 (Delhi) PCIT, Central – 1 Vs. Oxygen Business Park (P.) Ltd.

A search and seizure operation conducted at premises of assessee - Consequently, a notice under section 153A was issued to assessee - In response, assessee requested to treat original return as return filed in response to notice - Assessing Officer disallowed deduction claimed under section 80IAB and added back same to income declared in return - Assessee claimed that no incriminating material was found during search and proceedings under section 153A were bad in law - It was noted that subsequent to search a statement was recorded of valuer which formed basis for disallowance of deduction claimed under section 80IAB - Whether since no assessment was pending on date of search and no incriminating material was found during search, fresh material/information received after date of search would not be sufficient to reopen assessment under section 153A - Held, yes [Para 8] [In favour of assessee]

6. [2023] 157 taxmann.com 530 (SC) Gee Cee Metals (P.) Ltd. (AOP) Vs. PCIT

SLP dismissed as withdrawn against impugned order of High Court that where assessee filed an application seeking rectification of assessment and refund of TDS after about 12 years from assessment year, same was barred by limitation and hence not maintainable, with liberty to make a representation to CBDT under section 119 so as to seek adjustment in view of rectification made by Department with regard to PAN number of assessee.

7. Whether as per settled law, money lost in doing business has the character of current expenses and writing off such expenses cannot be said to be aimed at reducing tax liability - YES: HC

[2024-TIOL-24-HC-MUM-IT_ITA No. 913 of 2018_PCIT-13, MUMBAI Vs. NATROYAL INDUSTRIES PVT LTD]

It is evident from the explanation of the assessee that the decision taken by it to write off the trade deposit was based on commercial sense and cogent reasoning since RCVPL was already declared as sick Company. Furthermore, RCVPL did not adjust the trade deposit against the trade deposit as per the terms of the agreement and was asking for payments against the bills. The assessee was thus compelled to make the payment in order to ensure future supplies and thus the assessee is justified in making a decision to write off the trade advance. This is perfectly probable and acceptable. Moreover, even the Supreme Court in its decision into the case of Mysore Sugar Company Ltd., has observed that the money lost in doing business based the character of current expenses. We do not find it jurisdictionally proper and necessary to substitute the view of the Tribunal with our view, especially since the same is based on facts. The Revenue is unable to indicate any question of law, leave aside any involving a substantial legal proposition.



8. Whether no tax is required to be deducted at source on various payments to foreign consultant in absence of 'make available' clause - YES: ITAT

[2024-TIOL-18-ITAT-MUM_ITA No. 1974/Mum/2023_DCIT Vs. KPMG ASSURANCE AND CONSULTING SERVICES LLP]

With respect to the disallowance of claim of professional fees, the AO in its assessment order observed that regarding the TDS on professional fees paid to various outside consultants outside India amounting to Rs. 79,915,590/- on which the tax has not been deducted by the assessee and therefore same has been disallowed. All the recipient are in the business of the services. Therefore, there income first classify under article of Business income. In absence of permanent Establishment, it cannot be taxed in source country [India]. Therefore, it goes out of the residuary article of 'Other income'. We do not find any infirmity in the order of the CIT(A) thus, the disallowance of Rs. 434,019,511/- for non-deduction of tax at source is correctly deleted.



Indirect Tax



**GST Calendar –Compliances for the month of
January 2024.**

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

The Supreme Court has rejected SLP concerning the discrepancy in Input Tax Credit (ITC) between GSTR-2A and GSTR-3B.”

Facts

The Assessee, after receiving a show cause notice (SCN) that alleged the suppression of outward supplies, saw the adjudicating authority pass the assessment order on April 23, 2019. Following this, the Assessee initiated an appeal before the Appellate Authority on December 16, 2019. According to Section 107(1) of the West Bengal Goods and Services Tax Act, 2017, any person feeling aggrieved by a decision or order from an adjudicating authority can file an appeal with the AA within three months from the date of communication of the said decision or order.

Furthermore, in accordance with sub-section (4), the Appellate Authority has the discretion to permit the presentation of an appeal within an additional period of one month if satisfied that the appellant was genuinely prevented from doing so within the initial three months. However, the AA declined to condone the delay based on Section 107. Consequently, the Assessee opted to file a writ petition before the Calcutta High Court. Upon review, the learned single judge, while interpreting the provisions of Section 107 and considering the decision in the case of New India Assurance Company Ltd vs. Hilli Multipurpose Cold Storage Private Limited, concluded that no appeal could be filed beyond the stipulated period of 4 months from the date of order communication. Dissatisfied with this decision, the assessee proceeded to file an appeal before the Division Bench of the High Court.

Rulings

The fundamental principle in assessing the applicability of the Limitation Act to a special law is to scrutinize the framework of the special law to ascertain whether there exists any explicit or implicit exclusion of the Limitation Act provisions.

Section 107, however, does not explicitly state that the appellate authority is barred from exercising jurisdiction to condone the delay beyond the prescribed period of limitation.

In alignment with this, Section 29(2) of the Limitation Act stipulates that, concerning the determination of any limitation period set by any appeal under a special or local law, the provisions contained in sections 4 to 24 of the Limitation Act shall apply only to the extent they are not expressly excluded by such special or local law.

In accordance with Section 5 of the Limitation Act, an appeal may be accepted after the prescribed period if the appellant can demonstrate to the court that there was sufficient cause for not filing the appeal within that stipulated period.

It's noteworthy that Section 107 lacks a non-obstante clause, making Section 29(2) of the Limitation Act inapplicable. The absence of a specific exclusion of Section 5 of the Limitation Act implies that it would be inappropriate to infer its implied exclusion.

Furthermore, Section 107, in its entirety, has not explicitly stated that Section 5 of the Limitation Act is excluded. Consequently, the provisions of Section 5 of the Limitation Act are applicable, allowing the appellate authority to extend the period for filing the appeal.

High Court Decides Fuel Provided Gratis by Service Recipient is to be Factored into GTA Service Value”

Facts

The Assessee, a Goods Transport Agency (GTA), engaged in an agreement to supply a vehicle along with a driver for transporting goods to the service recipient. According to the terms, the service recipient is obligated to provide fuel at no cost (FOC).

Subsequently, the Assessee sought an advance ruling to determine whether the fuel provided by the service recipient on an FOC basis should be considered in the value of the supplied GTA services.

The Authority for Advance Ruling (AAR) issued a decision stating that FOC fuel would indeed be included in the value of the GTA service. Displeased with this ruling, the Assessee has now lodged an appeal before the Appellate Authority for Advance Ruling (AAAR).

Section 101(3) of the Central Goods and Services Tax Act, 2017 (CGST Act) explicitly states that no advance ruling will be issued regarding questions under appeal or reference if the members of the Appellate Authority disagree on any points. In this case, due to a divergence of opinions between the State and Central members of the Appellate Authority for Advance Ruling (AAAR), no ruling was provided.

Given the impasse and lack of recourse within the system, the Assessee, left with no alternative, filed a writ petition before the Chhattisgarh High Court (HC).

Rulings

The High Court made reference to the Supreme Court's rulings, which delineated the fundamental components of taxation as: i) The taxable event; ii)

The person on whom the levy is imposed; iii) The rate at which the levy is imposed; and iv) The measure or the value to which the rate will be applied.

The court underscored that the entire viability and existence of the Goods Transport Agency (GTA) business revolve around the utilization of vehicles and fuel for the transportation of goods. This acknowledgment highlights the intrinsic connection of the GTA industry with the essential elements of taxation as articulated by the Supreme Court.

The evident factor is that a vehicle cannot operate without fuel. Hence, the entire framework of Goods Transport Agency activities is structured around the provision of fuel to the respective vehicles.

If the GTA has strategically arranged to deliver its services by securing fuel on a free-of-cost (FOC) basis through a contractual agreement with the recipient company, this occurrence goes beyond the surface level of the contract. Consequently, the revenue authorities have the authority to lift the veil to discern the underlying object and purpose, recognizing a broader shift in the nature of the contract.

Referring to the rulings cited by the assessee, the High Court observed that a meticulous examination of the mentioned proposition would reveal that the nature of services rendered in those cases differed. In the case of Goods Transport Agency (GTA), the crux of the matter revolves around the service provided by the GTA, and this service is inherently reliant on the supply of fuel.

The decisive factor is the nature of the business, and if such a consideration is altered through an agreement, it would encroach upon the domain of the GTA. The parties, through an agreement, cannot override the statutory provisions related to tariff matters.

The responsibility for expenses related to filling diesel in the vehicle, as part of providing services under normal conditions, lies with the Goods Transport Agency (GTA). It is the GTA's obligation to fulfill such supply. The statutory provision of Section 15(2)(b) encompasses the value of expenses incurred by the recipient. Therefore, even if there is an agreement between the GTA and the service recipient, this statutory liability cannot be circumvented.

Fuel is an indispensable component used in offering transportation services and is crucial for the GTA service provider. The entire business of the GTA is dependent on fuel, and without it, the business cannot thrive. Consequently, fuel cannot be separated to evade tax liability.

The Circular referenced by the assessee is confined to a specific subject matter and does not offer assistance given the nature of the business.

In conclusion, the High Court affirmed that fuel provided free of cost by the service recipient would be included in the value of the supply of GTA services.

The High Court asserts that a reasonable period for filing a reply to a Show Cause Notice (SCN) is 30 days.

This Tax Alert encapsulates a recent judgment from the Madhya Pradesh High Court [1]. The focal point of the matter was the duration deemed reasonable for responding to a show cause notice (SCN).

In this instance, the Revenue served the SCN to the taxpayer on 3 September 2022, and subsequently, the demand order was issued on 12 September 2022, merely 9 days after the SCN issuance. The taxpayer contested both the SCN and the order before the High Court.

The taxpayer argued that the denial of a reasonable opportunity to be heard occurred as the demand order in question was issued within 9 days of the SCN's issuance. Additionally, the SCN lacked self-containment by failing to disclose adverse material, forming the basis of the notice.

The High Court noted that Section 73(1) of the Central Goods and Services Tax Act, 2017 (CGST Act) provides an opportunity for the recipient of the notice to respond, explaining why they should not pay the specified amount mentioned in the notice along with any applicable interest and penalty.

While Section 73 doesn't specify a response time for the noticee, the High Court deems a reasonable period for replying to a Show Cause Notice (SCN) to be at least 15 days, if not more. However, considering the statutory 30-day period for payment mentioned in Section 73(8), the court considers 30 days as reasonable.

In this case, the 9-day gap between SCN issuance and the demand order is deemed insufficient for a reasonable opportunity to be heard. Additionally, the SCN lacks adequate material.

As a result, the High Court sets aside the SCN and the demand order, giving the Revenue the option to issue a fresh, legal SCN.

The High Court asserts that an unsigned order is not considered a valid order in the eyes of the law.

This Tax Alert provides an overview of a recent ruling from the Andhra Pradesh High Court (HC) [1]. The focal point of the matter revolves around the examination of the validity and enforceability of an unsigned order issued by the revenue authority.

In the current case, the competent officer issued an order under Section 73(9) of the Central Goods and Services Tax Act, 2017 (CGST Act). However, the crucial point of contention arises as the order lacks a signature. The assessee responded by filing a writ petition, contesting the validity of the order and asserting that it cannot be legally enforced.

The revenue argued that in accordance with Section 160 of the CGST Act, any assessment, re-assessment, or similar proceedings initiated under the provisions of the CGST Act should not be deemed invalid solely due to a mistake, defect, or omission. The key criterion, according to the revenue, is whether these proceedings are, in substance and effect, in conformity with the intent, purpose, and requirements of the law.



The High Court noted that the phrase "any mistake, defect or omission therein" as used in Section 160 does not encompass the omission to sign the order. The court emphasized that an unsigned order holds no legal standing and, according to the law, it is not recognized as a valid order. Merely uploading the unsigned order on the GST portal by the competent authority, as per Section 169 of the CGST Act, does not rectify the inherent defect of validity associated with the order.

The High Court drew support from its previous ruling in the case of A V Bhanaji Row[2], affirming that signatures cannot be dispensed with. The court underscored that neither Section 160 nor Section 169 would provide a remedy in cases where the order lacks the essential signatures. Consequently, the High Court, based on this precedent, granted approval to the writ petition and annulled the contested order.



Internal Audit



Responsibilities of Internal Auditors towards Audit Trail

Internal Auditors play a vital role in ensuring the integrity and reliability of financial information within an organization. One critical aspect of their responsibilities is managing and scrutinizing the audit trail, which serves as a digital breadcrumb trail documenting every transaction and activity.

Following are the key responsibilities Internal Auditors bear concerning the audit trail:

1. **Establishing and Monitoring Controls:** Internal Auditors are tasked with creating and implementing robust controls to safeguard the audit trail. This involves ensuring that systems capture relevant data accurately, comprehensively, and in a timely manner.
2. **Detecting Anomalies and Irregularities:** Vigilance is crucial. Internal Auditors must actively monitor the audit trail for unusual patterns or suspicious activities that may indicate fraud, errors, or security breaches. Further, the Internal Auditors should check whether the audit trail feature is configurable (i.e., if it can be disabled or tampered with).
3. **Regular Audits and Reviews:** Conducting periodic audits of the audit trail itself ensures its effectiveness. This involves assessing the completeness and accuracy of the recorded information, identifying gaps, and rectifying discrepancies promptly.
4. **Collaboration with IT Teams:** Internal Auditors need to collaborate closely with IT departments to understand and evaluate the technology behind the audit trail. This partnership ensures that the system is resilient against cyber threats and technological vulnerabilities. Further, the Internal auditor should check whether the audit trail feature is enabled / operated throughout the year or not and also whether all transactions recorded in the software are covered in the audit trail feature or not.
5. **Documentation and Reporting:** Thorough documentation of audit trail procedures and findings is imperative. Internal Auditors should provide comprehensive reports to management and stakeholders, highlighting any identified risks and proposing remedial actions.
6. **Record retention:** The Internal auditor should check whether the audit trail has been preserved as per statutory requirements for record retention.
7. **Continuous Improvement:** Striving for continuous improvement is essential. Internal Auditors should recommend enhancements to the audit trail processes and systems, keeping pace with technological advancements and changes in the organizational landscape.
8. **Educating Stakeholders:** Internal Auditors play a role in educating stakeholders about the significance of the audit trail. This involves imparting knowledge on how it contributes to transparency, accountability, and overall organizational resilience.

In conclusion, the responsibilities of Internal Auditors toward the audit trail extend far beyond mere oversight. They are custodians of financial integrity, entrusted with the task of maintaining an unassailable record of an organization's transactions.

Statutory Audit



Matters in the Independent Auditor's Report

SA 701 deals with the responsibilities of an auditor to communicate the key audit matters in his/her audit report.

Introduction

SA 701 is intended for addressing both the judgment of an auditor as to what is required to be communicated in his/her audit report and the content and form of such communication. The purpose of communicating key audit matters is:

- Enhancing the communicative value of the report of the auditor by offering better transparency about the audit which was executed.
- It offers additional information to users of such financial statements in assisting them to understand those matters which in the professional judgment of the auditor, were of critical importance in the audit of financial statements of the relevant period.
- It might also assist the users of such financial statements to understand the entity and also help in understanding the areas of crucial management judgment in such audited financial statements.

Communicating the key audit matters in the report of the auditor is with respect to an auditor having formed his/her opinion on financial statements overall. However, communicating the key audit matters in auditor's report is:

- Not a substitute for the disclosures in financial statements that relevant financial reporting framework necessitates management to make, or which are otherwise essential for achieving fair presentation
- Not a substitute for an auditor expressing his/her modified opinion when circumstances of any specific audit engagement require such expression as per SA 705 (Revised)
- Not a substitute to report as per SA 570 (Revised) when any material uncertainty exists with respect to conditions or events which might bring substantial doubt on the ability of the entity in continuing as a going concern
- Not a separate opinion on the individual matters.

Communicating Key Audit Matters

An auditor should describe each of the key audit matter, with the help of a suitable subheading, in the separate section of his/her audit report under "Key Audit Matters"

A. Key Audit Matters aren't a substitute to express a modified opinion

An auditor shouldn't communicate the matter in Key Audit Matters part of his/her report when he/she would require modifying the opinion as per SA 705 (Revised) as an end result of the matter.

B. Descriptions of Individual Key Audit Matters

The descriptions of each of the key audit matter in Key Audit Matters areas of the report should have reference to related disclosures (if any), in financial statements and should address:

- Why such matter(s) was determined to be significant in the audit and consequently considered to be the key audit matter;
- How such matter(s) was addressed in such audit



C. Circumstances where a Matter determined as a Key Audit Matter isn't part of the communication:

An auditor should describe each of the key audit matter in his/her report unless:

- Any laws or regulations prevent public disclosure of such matter;
- In very rare scenarios, the auditor considers that such matter shouldn't be communicated in his/her report since the adverse outcome of doing that would reasonably outweigh the benefits of public interest with such communication.

D. Form and Content of the Key Audit Matters Section in Other Circumstances

In case the auditor considers, based on the circumstances and facts of the audit and entity, that there aren't key audit matters for communicating, the auditor should provide a statement separately in a section to this effect in his/her report under "Key Audit Matters".

Communication with Person(s) Charged with Governance

An auditor should communicate with the person(s) charged with governance:

- Matters which the auditor considers key audit matters
- In case applicable, based on the circumstances and facts of the entity and the audit, the determination of the auditor that there aren't any key audit matters for the purpose of communicating in his/her report

Documentation

An auditor should include in his/her audit documentation:

- Matters which required his/her significant attention as determined as per point 2, and the basis for his/her determination whether such matter is a key audit matter
- Where applicable, the basis for the auditor in determining that there aren't key audit matters for the purpose of communicating with him/her
- Where applicable, the basis for the auditor in determining not to communicate in his/her report a matter which was considered to be a key audit matter



Corporate Finance



Blackstone Set To Sell Full Stake In Embassy Office Parks REIT

Blackstone will sell its entire 23.9% stake valued at \$833 million in India's largest real estate investment trust Embassy Office Parks, four years after it was first listed. Blackstone will sell 223.6 million units of Embassy REITs, in one of the biggest block deals this year, at a 7.7% discount to INR 335.75 per unit price as of December 19, according to the term sheet. The units will be sold via block deals in the secondary market. The deal marks Blackstone's exit from India's first ever listed REITs. The US based investment manager has been trimming its interest over time in Indian REITs. In 2022, it sold its entire stake in India's Mindspace Business Parks REIT for \$235 million.

Private Equity

ChrysCapital Acquires Majority Stake in Prohance in Maiden SaaS Bet

Indian private equity fund ChrysCapital has acquired a 75% stake in Prohance Analytics, marking its first investment in a software-as-a-service (SaaS) company. The financial details of the deal are not disclosed.

(Source: VC Circle, 7th December 2023)

Norwest, Qualcomm Ventures Exit ABI Health as PE Firm Joins Cap Table

Venture and growth investment firm Norwest Venture Partners and Qualcomm's corporate VC unit have exited health software-as-a-service firm, ABI Technologies Pvt. Ltd. The two investors have signed off from Bengaluru based ABI as a part of a \$10 million (around INR 83 crore) transaction where health-focused private equity firm InvAscent has picked a stake in the company.

(Source: VC Circle, 19th December 2023)

BII Leads Series F Round of MSME Lender Aye Finance

Micro-enterprise fintech lender Aye Finance has raised \$37 million (around INR 310) in a Series F funding round, led by UK's development finance institution and impact investor British International Investment (BII). The Waterfield fund of funds and Aye's existing shareholders also participated in this round.

(Source: VC Circle, 13th December 2023)

NIIF to Invest \$81 Mn in GMR's Bhogapuram Airport

National Investment and Infrastructure Fund (NIIF), India's quasi-sovereign fund, has signed a pact to invest \$81 million (around INR 675 crore) in GMR Visakhapatnam International Airport Ltd (GVIAL), a special purpose vehicle to develop and operate the Bhogapuram international airport.

(Source: VC Circle, 22nd December 2023)

Venture Capital

Zyla Health Snags Series A Funding From Exfinity Venture Partners, Others

Healthcare management platform Zyla Health has raised \$4 million (around INR 33.3 crore) in a Series A funding round led by venture capital firm Exfinity Venture Partners. Sony Innovation Fund, Venture Catalysts, and Paula Mariwala-led Aureolis joined the round.

(Source: VC Circle, 1st December 2023)

Biryani By Kilo Raises \$9 Mn At Flat Valuation

Biryani and kebab chain, Biryani By Kilo has secured \$9 million (around INR 75 crore) in a Series C round. Transaction is said to be the first tranche of Series C where the existing investors Alpha Wave Ventures and IvyCap Ventures also participated. The company is possibly planning to raise around \$25 million in this outing.

(Source: VC Circle, 4th December 2023)

Lightspeed Leads Sarvam AI's \$41 Mn Series A Round

Sarvam, a homegrown startup in the generative artificial intelligence (AI) segment has raised \$41 million (around INR 360 crore) in its Series A funding round led by venture capital firm Lightspeed Venture Partners. Peak XV Partner and Khosla Ventures participated in this round.

(Source: VC Circle, 7th December 2023)

Snitch Pockets Large Series A Cheque

Fast fashion brand Snitch has raised \$13.1 million (around INR 110 crore) in a Series A funding round co-led by SWC Global and IvyCap Ventures and also saw participation from undisclosed angel investors.

(Source: VC Circle, 13th December 2023)

GIC Leads \$46 Mn Funding in Fruit Marketplace Vegrow as Early Investors Exit

Vegrow, a business to business agritech platform, has concluded its Series C round of funding led by a Singapore sovereign wealth fund GIC. Existing investors Prosus Ventures, Matrix Partners India, Elevation Capital, and Lightspeed Venture Partners also participated in this round. Total size of the round, including both primary and secondary capital was \$46 million (around INR 384 crore) and provided exit to some of its existing investors.

(Source: VC Circle, 13th December 2023)

Mergers & Acquisitions

TV18 Broadcast to Merge with Network18 in \$1.2 Bn Deal

India's TV18 Broadcast will merge with Network18 Media & Investments in a \$1.2 billion deal that will help the Reliance-owned companies expand their reach and cut costs.

(Source: VC Circle, 7th December 2023)

GIC Backed Max Healthcare to Acquire Sahara Hospital for \$113 Mn

Abhay Soi-led Max Healthcare Institute Ltd will acquire the 550 bed Sahara Hospital in Lucknow for an enterprise value of \$113 million (around INR 940 crore).

(Source: VC Circle, 8th December 2023)

Varun Beverages to Acquire South African Firm for \$159 Mn

Pepsi India bottler Varun Beverages will buy South Africa-based The Beverage Company in a deal valued at \$158.71 million (around INR 1316 crore), enabling it an entry into Africa's largest market.

(Source: VC Circle, 19th December 2023)

Mirae Asset to Acquire BNP Paribas Unit Sharekhan for \$370 Mn

South Korea's Mirae Asset Securities, an investment banking and stock brokerage firm, will acquire French bank BNP Paribas's Indian retail brokerage unit, Sharekhan, in a \$370.11 million (around INR 3082 crore) deal.

(Source: VC Circle, 12th December 2023)

KFC Operator Devyani International Enters Thailand with \$129 Mn Deal

India's Devyani International will begin operating KFC outlets in Thailand after it acquired Restaurants Development Company in a deal worth \$128.9 million (around INR 1083 crore) expected to be completed by March 2024. The Thai restaurant operator runs 274 KFC outlets.

(Source: VC Circle, 18th December 2023)



Transaction & Regulatory Advisory Services



In this edition we have tried to bring to your notice, the latest amendments that followed in the month of December, 2023 issued by MCA, RBI, SEBI, IBBI and others.

RESERVE BANK OF INDIA

Rationalization of Licensing Framework for Authorized Persons (APs) under Foreign Exchange Management Act (FEMA), 1999 (December 26, 2023)

It has been decided to rationalize and simplify the licensing framework for Aps. Keeping in view the progressive liberalization under FEMA, increasing integration of the Indian economy with the global economy, digitization of payment systems, evolving institutional structure, etc. The review aims to meet the emerging requirements of the rapidly growing Indian economy, achieve operational efficiency in the delivery of foreign exchange facilities to common persons, tourists, and businesses, while maintaining appropriate checks and balances.

To Read More:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=56993

Minutes of the Monetary Policy Committee Meeting (December 6-8, 2023)

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting decided to:

- (i) Keep the policy repo rate under the Liquidity Adjustment Facility (LAF) unchanged at 6.50 per cent.
- (ii) The Standing Deposit Facility (SDF) rate remains unchanged at 6.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.
- (iii) The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.

To read more:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=56982

SECURITIES LAWS AND CAPITAL MARKET

CCs to Replicate Risk Management Systems on SaaS Model

The market regulator has taken another step to ensure business continuity in the face of software disruptions. The CCs are directed to set up their critical risk management systems (RMS) in a software-as-a-service (SaaS) model. Each CC has been instructed to design their RMS-SaaS using the RMS software of a peer.

To Read More:

<https://www.moneycontrol.com/news/business/markets/toensure-business-continuity-ccs-to-replicate-risk-managementsystems-on-saas-model-11935031.html>

MISCELLANEOUS

CCI approves acquisition of control/stake in Reliance Capital Limited by IndusInd International Holdings Limited, IIHL BFSI (India) Limited, and Aasia Enterprises LLP

The proposed combination relates to the acquisition of control by acquiring shares in Reliance Capital Limited (RCL/Target Company) by IndusInd International Holdings Limited (IIHL), IIHL BFSI (India) Limited (IIHL BFSI), and Aasia Enterprises LLP (Aasia/ Acquirer).

To read more:

<https://pib.gov.in/PressReleasePage.aspx?PRID=1991029>

UK Tax Update Report



Navigating Turbulence: FPC's Stewardship in a Complex Financial Landscape

Amidst global economic uncertainties, geopolitical tensions, and evolving market dynamics, the Financial Policy Committee (FPC) stands as a vigilant guardian of the UK's financial stability. We delve into the FPC's strategic responses to challenges, assessing global risk environments, financial market developments, and vulnerabilities in both household and corporate sectors. Exploring the resilience of the banking sector and the FPC's key decisions, we illuminate the committee's role in safeguarding the UK financial system.

Overall Risk Environment

The global risk environment remains challenging due to subdued economic activity, geopolitical tensions, and uncertainties in global growth and inflation. Long-term interest rates are elevated, posing challenges to borrowers and the market-based finance system. Despite ongoing monitoring, UK borrowers and the financial system have shown resilience to higher and volatile interest rates.

Financial Market Developments

Current market indicators suggest that policy rates in major economies are peaking, with central banks expecting to maintain these levels to address inflationary pressures. Long-term interest rates are high and volatile, posing challenges. Some risky asset valuations appear stretched, with credit spreads stable but leveraged loan spreads widening. Equity risk premia, particularly in the US, remain compressed.

Global Vulnerabilities

Higher interest rates challenge households and businesses globally, affecting corporate borrowing in financial markets. Banks in various jurisdictions face impacts, with potential consequences for UK financial stability. Vulnerabilities in the China property market persist, posing risks to broader sectors and impacting Hong Kong. Geopolitical events, such as those in the Middle East, increase uncertainty and may affect energy prices, impacting the UK macroeconomic outlook.

UK Household and Corporate Debt Vulnerabilities

Household income growth has outpaced expectations, reducing the share of households with high debt-servicing ratios. However, household finances remain stretched due to increased living costs and higher interest rates. Corporate debt servicing ability has improved, but smaller or highly leveraged firms may face pressure. Corporate insolvency rates have risen slightly but remain low.

UK Banking Sector Resilience

The UK banking system is well-capitalized and liquid, capable of supporting households and businesses even in adverse conditions. However, asset performance deteriorated in Q3, with certain lending areas more exposed to credit losses. Aggregate net lending remains subdued due to reduced demand and tightened risk appetites. Profitability is expected to stay robust, but net interest margins may have peaked.



UK Countercyclical Capital Buffer Rate Decision

The FPC maintains the UK countercyclical capital buffer rate at 2%, monitoring economic and financial conditions for potential adjustments in either direction based on vulnerabilities and the overall risk environment.

Resilience of Market-Based Finance

Vulnerabilities persist in market-based finance, especially in riskier corporate credit funds. Hedge fund positions and asset managers' leveraged positions in US Treasury futures have increased, contributing to potential market volatility. While the financial system has been resilient, market-based finance vulnerabilities could surface with higher interest rates, leading to dysfunction in core markets.

In conclusion, the Financial Policy Committee's unwavering commitment to vigilance and adaptability shines through in its strategic decisions. Maintaining the UK countercyclical capital buffer rate at 2%, the FPC demonstrates a keen understanding of the dynamic economic landscape. As global risks persist, the FPC's emphasis on financial stability, prudent lending practices, and responsiveness to market shifts reaffirms its pivotal role. In a world marked by uncertainties, the FPC remains a steady hand, steering the UK financial system through turbulent waters, safeguarding against potential shocks, and ensuring resilience in the face of an ever-evolving financial landscape.



Tax Calendar



January 2023 - Tax Calendar

7TH JANUARY	Due date for deposit of Tax deducted/collected for the month of December, 2023
7TH JANUARY	Due date for deposit of TDS for the period October 2023 to December 2023 when Assessing Officer has permitted quarterly deposit of TDS under Sections 192, 194A, 194D or 194H
14TH JANUARY	Due date for issue of TDS Certificate for tax deducted under section 194-IB, 194-IA, 194M, and 194S in the month of October, 2023
15TH JANUARY	Quarterly statement of TCS for the quarter ending December 31, 2023
15TH JANUARY	Due date for furnishing of Form 15G/15H declarations received during the quarter ending December, 2023
30TH JANUARY	Quarterly TCS certificate in respect of quarter ending December 31, 2023
30TH JANUARY	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 December, 2023.
31ST JANUARY	Quarterly statement of TDS for the quarter ending December 31, 2023
31ST JANUARY	Exercising the option to opt for alternative tax regime under Section 115BAA by a domestic company for assessment year 2021-22 Note: The CBDT, via Circular No. 19/2023, dated 23-10-2023, extended the due date for filing of Form no. 10-IC till 31-01-2024



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