



# The **TAX** POST

A bimonthly bulletin on the world of Indirect Taxes

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# PREFACE

*“Milestones are markers of progress, not destinations. Celebrate them as such.”*

- Steve Maraboli, Author

The Goods & Services Tax (GST) completed six years on 30 June 2023. This time has been transformative in the realm of indirect taxation and the accomplishments to date have fairly surpassed the challenges.

Now it is the time to reassess the progress and identify the areas that need focus. The anticipation for the next five to seven years includes bringing the petroleum sector within the ambit of GST to eliminate the cascading effect of duties/ taxes which are non-creditable; rationalisation of rate structure; phasing-out of GST Compensation Cess; broadening of the Input Tax Credit (ITC) mechanism to achieve seamless flow of ITC; and addressing the various open issues of the industry.

A good beginning has already been made with the 50th GST Council meeting, held on 11 July 2023, making multiple decisions to address the issues of the industry. The ‘Cover Story’ of this edition of ‘The Tax Post’ explores the journey of the GST law, while also highlighting the key recommendations in the meeting, including subsequent Circulars issued by CBIC, as well as the industry’s expectations in the next five to seven years.

This edition’s ‘Expert Speak’ discusses the recent ruling of the Hon’ble Supreme Court holding that a manufacturer’s credit note to a dealer for free replacement of parts under warranty is leviable to sales tax. The article also examines the impact of the aforesaid ruling in respect of the open sales tax/ VAT assessments. While evaluating the corresponding impact under the GST law, the article also touches upon the recommendations made in the recent GST Council meeting as well as the clarifications provided by Circulars issued by CBIC.

The section ‘In Tales’ dissects the textile industry and India’s position in the global arena, including the key government initiatives to bolster the industry. This section also summarises some of the indirect tax issues faced by the industry.

The ‘Decoded’ segment of this edition provides a comprehensive analysis of the provisions concerning taxation of ‘intermediary services’ supplied to a recipient situated outside India under the GST law. This section also summarises the judgements of the Hon’ble Gujarat and Hon’ble Bombay High Courts, which examined the constitutional validity of the levy of GST on the aforesaid ‘intermediary services’.

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

We wish you an interesting read.



**GUNJAN PRABHAKARAN**

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# COVER STORY

## GST: A SIX-YEAR RIDE

The advent of the GST law was India's most significant indirect tax reform; transforming the indirect taxation landscape. On the sixth anniversary of GST in India, it is worthwhile to reflect on the legislative journey and its consequent impact on the industry.

The introduction of the GST law was based on some foundational principles, such as 'One Nation, One Tax', 'Seamless flow of credit', and 'Elimination of cascading effect'. These objectives have largely been achieved. However, there were both 'hits' and 'misses' in the roller coaster journey to achieving these objectives.

### SIGNIFICANT ACHIEVEMENTS DURING THE SIX YEARS

The significant achievements made under the GST law have been summarised below:

- **Increase in revenue collection:** Gross GST revenue in June 2023 touched INR 1.61tn, recording a 12% Y-o-Y growth. The average monthly Gross GST Collection in Q1 of FY24 was INR 1.69tn, which was INR 1.51tn for Q1FY23 and INR 1.10tn for Q1 FY22, showing significant growth<sup>1</sup>.
- **Co-operative Federalism:** The GST Council is a shining example of the true spirit of co-operative federalism. Over the course of 49 meetings, the GST Council had arrived at ~1,500 decisions on tax policy and rates in a consensual manner<sup>2</sup>.
- **Use of technology:** The online compliance processes have made compliances cost-effective and have also reduced the administration costs, while allowing the assesseees to leverage the technology to optimise internal processes. Further, these online compliance processes are also helping the Government in its efforts to identify tax evaders. The GST Authorities, in collaboration with GSTN and the Directorate General of Analytics and Risk Management, have initiated the use of Artificial Intelligence (AI) and data analytics to identify fake registrations, bogus ITC claims, etc.
- The other known benefits include the minimisation of cascading effects of taxes, uniform tax structure across the country, and improved logistics efficiency.

### INDUSTRY EXPECTATIONS QUA GST

While considerable progress has been made on the roadmap to achieve the foundational principles of GST, there is still a long way to go before we can fully realise the potential of this transformational tax regime. To this effect, the industry expectations *qua* GST are set out hereunder:



<sup>1</sup> <https://pib.gov.in/PressReleasePage.aspx?PRID=1936636>

<sup>2</sup> <https://www.financialexpress.com/opinion/an-example-of-cooperative-federalism/3163929/#:~:text=The%20GST%20Council%20is%20a%20shining%20example%20of%20the%20spirit%20of%20cooperative%20federalism&text=Since%20its%20inception%20on%20September,the%20preparation%20for%20its%20launch.&text=A%20journey%20of%20a%20thousand%20miles%20begins%20with%20a%20single%20step.>

- **Rate Rationalisation:** Presently, there are seven different rates of GST on 'goods' and 'services' with the highest rate being 28%. Multiplicity in GST rates could result in various classification disputes. This makes it an important area to address and the industry would look forward to a reduced number of tax rate slabs. This activity would also need to consider the need to address inverted tax structure for industries like textile and electric vehicles, which face challenges of ITC accumulation due to inverted tax structure.
  - **Restrictions on ITC claim:** One of the foundational principles of the introduction of GST law was to allow a seamless flow of ITC in the entire supply chain. However, over the span of six years, the conditions for availment of ITC and the list of blocked credits (in respect of which, ITC is restricted) have been expanded as against the ask of the industry to liberalise the conditions to avail ITC and to prune the list of items ineligible for ITC.
  - **Taxation of Virtual Digital Assets (VDAs):** While the income tax law has brought in a clear mechanism to tax VDAs, the GST implications in respect of such assets have not been clarified. Given that VDAs cannot be considered under the purview of the term 'securities', there could be a possibility to levy GST on the sale of VDAs. In the absence of any specific clarification in this regard, the industry currently grapples with a unique set of issues.
  - **GST Appellate Tribunal (GSTAT):** While the 50th GST Council meeting has *inter alia* approved rules governing the appointment of the President and Members of GSTAT with the aim to operationalise the same in the current financial year, considering that the First Appellate Authorities in various cases have already issued orders and the appeals in this regard are pending to be filed before GSTAT, it is important to not lose any time and operationalise the GSTAT at the earliest. This is important since all the disputes that will be heard presently would pertain to disputes for the initial period of implementation of GST and any delay in determination of such matters will delay any course correction opportunity to the industry. The delay in constitution of GSTAT also causes an additional interest exposure (on adverse outcome for the assessee) and working capital blockage (owing to mandatory pre-deposits made by the assessee before the constitution of GSTAT).
  - **Inclusion of petroleum sector under GST:** While the GST law has subsumed various Central and State levies, all petroleum products remain outside the purview of the GST law and are leviable to excise duty and VAT/CST. As a result, a major portion of the economy is outside the purview of GST. The inclusion of petroleum products under the GST law would eliminate the cascading effect of taxes and would substantially reduce costs resulting in taxes being fully fungible.
  - **Continuation of the sectoral groups:** In the initial phase of the introduction of GST, various sectoral groups were set up by the GST Council, which interacted with the respective industries and brought out clarifications on the common issues faced by the industry. There is a need to reinstate such sectoral groups so that existing or emerging issues of the industry can be addressed proactively.
- RECOMMENDATIONS IN THE 50TH GST COUNCIL MEETING**
- The GST Council in its 50th meeting made various recommendations to address some of the key open issues. The gist of the key recommendations is as follows:
- Casinos, Horse Racing, and Online Gaming would be leviable to GST @28% on the following value:
    - **Casino:** Face value of chips purchased
    - **Horse Racing:** Full value of bets placed with bookmaker/ totalisator
    - **Online Gaming:** Full value of bets placed
  - Rules for setting up the GSTAT have been approved with an aim to operationalise the same in the current financial year.
  - Value of goods supplied by Duty Free Shops at arrival terminals in international airports to the incoming passengers to be included in the value of exempt supplies for computing ITC reversal.
  - Following clarifications have been issued by CBIC:
    - ITC on common input services procured from a third-party by the Head Office, the benefit of which is attributable to the other Branch Offices can either be distributed in terms of the Input Service Distributor (ISD) mechanism or the Head Office can issue additional tax invoices (i.e., cross-charge mechanism).
    - Further, in respect of internally generated services by the Head Office to the Branch Offices, in determining the value of supply under the cross-charge framework, it has been clarified that in the cases where the full ITC is not available to the Branch Offices, the value of salary costs incurred by the Head Office is not mandatorily required to be included in the value of supply.
    - In determining whether the assessee has wrongly availed and utilised IGST credit, the total ITC balance as per the Electronic Credit Ledger under the heads IGST, CGST, and SGST has to be taken into account and that the IGST credit would be considered as wrongly availed and utilised IGST credit only if the total ITC balance is less than the amount of wrongly availed IGST credit.
- These clarifications are detailed and largely cover all the issues.

## CONCLUSION

During the past six years, the journey of GST law in India has been nothing short of a roller coaster ride with its various ups and downs. Further, throughout the journey, the GST Council has made various path-breaking decisions with active participation from the industry.

The President of India, Ms. Droupadi Murmu, rightly remarked that taxpayers are not just sources of revenue, but are partners in nation-building<sup>3</sup>. Accordingly, as we enter the seventh year of GST in India, it would be incumbent upon the GST Council to consider the industry expectations and provide resolution in a time-bound manner.



<sup>3</sup> <https://www.thestatesman.com/india/treat-taxpayers-as-partners-in-nation-building-prez-to-irs-officers-1503162328.html>

# THE EXPERT SPEAK



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## LANDMARK RULING ON WARRANTY REPLACEMENTS OF AUTO PARTS AND THE ROAD AHEAD!

The tax implications of warranty transactions have been subjected to continuous debates and controversies, particularly under the sales tax regime. To market products with enhanced durability, warranties have become a common practice in industries such as automobiles, electronics, and FMCG, among others. Within these industries, manufacturers and dealers/ distributors employ various methods to fulfil warranty claims. This divergence in methods has added to the complexities surrounding the taxation of warranty transactions.

When it comes to replacing defective spare parts under warranty claims, two different scenarios can be observed. In Scenario I, the manufacturer has the choice to either manufacture the spare parts or acquire them from the market. These parts are then provided to the dealer, who replaces them in the customer's product. The defective parts are returned to the manufacturer by the dealer, without receiving any compensation. On the other hand, in Scenario II, the dealer can either procure replacement parts from the market or utilise their existing inventory. After replacing the defective parts, the dealer returns them to the manufacturer, who compensates the dealer for the replaced parts once their defectiveness is verified.

The issue of the taxability of warranty transactions has been subject to divergent interpretations, and the matter has reached both the Hon'ble Supreme Court and various High Courts on multiple occasions. Stakeholders, including both tax departments and taxpayers, have sought a conclusive judgment to provide clarity and resolve the ongoing disputes. The Delhi High Court [**Commissioner of Sales Tax Vs. Prem Nath Motors - 1979 (43) STC 52 (Del)**] has previously observed that if a car is sold with a warranty that includes free-of-cost replacement of defective parts, the sales tax cannot be levied on such replacements as the consideration for the defective parts is already included in the car's sale price. The Madhya Pradesh High Court [**Prem Motors, Gwalior Vs. Commissioner of Sales Tax, Gwalior-1986 (61) STC 244 (MP)**] has held that when a dealer replaces defective parts, it does not constitute a sale of those parts to the customer or the manufacturer and

therefore falls outside the definition of 'sale'. Similarly, the Kerala High Court [**Geo Motors Vs. State of Kerala-2001 (122) STC 285 (Ker)**] ruled that transactions where dealers replace defective parts during the warranty period, and the manufacturer reimburses them through credit notes, should not be treated as sales.

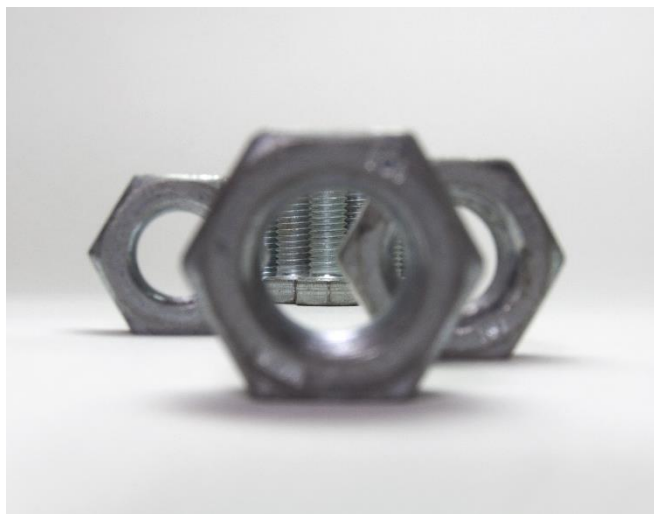
However, the Supreme Court [**Mohd. Ekram Khan & Sons Vs. CTT - 2004 (6) SCC 183**] distinguished the factual circumstances in previous cases and overruled their rulings. The apex court held that when spare parts are replaced by dealers under warranty, and the manufacturer compensates them through credit notes, the transaction becomes subject to sales tax.



Post the Supreme Court's decision in the Mohd. Ekram Khan case, conflicting rulings were given by different High Courts. These contradictory rulings held that the cost of the warranty was already factored into the initial sale transaction of automobiles and should not be subject to separate taxation. Additionally, they argued that warranty obligations were fulfilled without any additional charges or consideration involved, thus considering them as free of cost. These divergent interpretations resulted in a lack of uniformity and clarity regarding the taxability of warranty transactions.

The matter underwent litigation and was recently concluded by the larger bench of the Supreme Court in the case of **Tata Motors Ltd. Vs. Deputy Commissioner of Commercial Taxes, Civil Appeal No. 1822 of 2007, dated 15 May 2023**. The larger bench upheld the views of the Supreme Court in the case of Mohd. Ekram Khan and provided clarifications on its applicability in various scenarios as follows:

- When a dealer replaces a defective part from their own stock or purchases the spare part from the open market and the manufacturer issues a credit note upon the return of the defective part, the transaction between the manufacturer and dealer during the warranty period is considered a sale.
- A credit note issued by a manufacturer to a dealer for the replacement of a defective part from the dealer's own stock during the warranty period is considered valuable consideration within the definition of a sale.



- There is no sale transaction between the manufacturer and dealer when the manufacturer sends a spare part from its own factory or production unit to the dealer for the replacement of a defective part in an automobile and subsequently seeks the return of the defective part. The same applies if the manufacturer procures the spare part from the producer or the open market.
- Whether a stipulation in a sales contract is deemed as a condition or a warranty depends on the construction of the contract in each case.
- When a person purchases goods from a dealer and is provided with a guarantee issued by the manufacturer, the primary contract of sale exists between the dealer and the purchaser, while the manufacturer's guarantee constitutes a collateral contract between the manufacturer and the customer.

The aforesaid Supreme Court judgment examines the various approaches to replacements made by a dealer within the warranty framework established by the manufacturer, resulting in different treatments for each method. Additionally, the judgment reaffirms the well-established principle that consideration for the sale of goods can originate from a third party. On the flip side, this verdict has effectively restricted the scope of Mohd. Ekram's decision, rendering it inapplicable to cases involving part-to-part replacement where the dealer receives a spare part from the manufacturer to replace a defective part in an automobile under warranty.

The ruling is expected to have significant repercussions on the open sales tax/ VAT assessments. It is possible that concluded sales tax/ VAT assessments may also be reopened (unless time-barred) to verify the relevance and applicability of this ruling. The ruling also has repercussions under the GST legislation, as the definition of "supply" is more extensive compared to the VAT legislation. The decision raises questions about the liability for GST when a dealer supplies replacement parts from its stock and obtains reimbursement from the manufacturer. Consequently, various representations were made by trade and industry to the GST Council, given the common trade practice of providing warranty on supply of goods or services.

In the recently held 50th GST Council meeting, the matter was discussed, and the press release had outlined that the Council had approved the issuance of a circular by the Central Board of Indirect Taxes and Customs (CBIC) clarifying the positions under GST. Promptly, the CBIC



issued Circular No. 195/07/2023-GST dated 17 July 2023, which provides further clarifications regarding the taxability of warranty transactions. The circular addresses situations where the distributor replaces parts under warranty on behalf of the manufacturer and outlines the GST implications for the possible scenarios, which are delineated below:

- **Replacement from the dealer's own stock:** If the distributor replaces the part(s) using their own stock or by purchasing from a third party and charges consideration for the replaced part(s) from the manufacturer through a tax invoice, GST would be payable by the distributor on the supply made to the manufacturer. However, no reversal of input tax credit by the distributor is required in respect of such replacement of parts.
- **Replacement from part(s) received by the manufacturer on free of charge basis:** In cases where the manufacturer provides part(s) to the distributor for a replacement to the customer during the warranty period without separately charging any consideration at the time of such replacement, no GST is payable on such replacement of parts by the manufacturer. Furthermore, no reversal of input tax credit is required to be made by the manufacturer in respect of the parts so replaced by the distributor under warranty.
- **Replacement from part(s) supplied by the manufacturer earlier:** If the distributor replaces parts under warranty using parts supplied earlier by the manufacturer, and the manufacturer issues a GST credit note for the replaced parts, the manufacturer may adjust the tax liability, provided that the distributor has reversed the input tax credit availed against the parts replaced.

Post the Apex Court's decision and the aforesaid CBIC circular, it is likely that the GST authorities may initiate audits or investigations on various manufacturers and OEMs to gain insights into the approaches and tax implications adopted by these entities regarding the replacement of parts or products under warranty.

Considering the above, it is of utmost importance for taxpayers to thoroughly reassess their warranty transactions. Each case demands meticulous examination to fully evaluate the ramifications of this ruling and circular and to proactively address any potential legal disputes that may arise in the future. Taking a fresh perspective on the facts and documentation surrounding each transaction is

crucial to ensure compliance with the ever-evolving tax landscape. The implications of this ruling and circular are wide-ranging, necessitating a comprehensive review of warranty transactions under both the erstwhile VAT legislation [subject to the limitation period] and the current GST framework.

With consumer marketing and the associated strategies, warranties are here to stay and will entail meticulous evaluation to keep the tax complexities aside.



# IN-TALES

## TEXTILE & APPAREL INDUSTRY: CHALLENGES AND OPPORTUNITIES

### INTRODUCTION

The textile industry covers a wide gamut of activities ranging from the production of fibres and yarns to fabrics and subsequently to value-added products such as garments and technical products. There are a wide variety of fabrics ranging from natural ones like cotton, jute, silk, and wool to man-made varieties like polyester, viscose, acrylic, and multiple blends of such fabrics.

### GLOBAL OUTLOOK

The global textile market size was valued at USD 1,695.13bn in 2022 and is anticipated to grow at a compound annual growth rate (CAGR) of 7.6% and in terms of revenue from 2023 to 2030 to USD 3,047.23bn. The ever-increasing apparel demand from the fashion industry, coupled with the meteoric growth of e-commerce platforms, is expected to drive market growth over the forecast period<sup>4</sup>.

Asia Pacific region has a dominant position in the global textile industry and its growth is attributable to the rise of disposable income, growing manufacturing industries, focus on agriculture, etc.<sup>5</sup> The textile and apparel industry is homogenising fashion across the globe. Textile leaders - China and India - are the driving forces behind the globalised world of fashion<sup>6</sup>.

### TEXTILE SECTOR IN INDIA

India is the world's second-largest producer of textiles and garments and is also the sixth-largest exporter of textiles, spanning apparel, home and technical products. The textile industry is vital for the Indian economy, contributing significantly to the GDP as well as generating foreign exchange earnings and also providing large-scale employment. The key statistic in this regard is summarised below:<sup>7</sup>

- **Contribution to GDP:** The textile and apparel industry contributes ~2.3% of the country's GDP, ~13% of the industrial production and ~12% of exports.
- **Market size and exports:** India's textile market grew from USD 137bn (in 2016) to USD 223bn (in 2021), recording a CAGR of 10.23%. Further, the Indian textiles and apparel exports increased from USD 30bn in FY21 to USD 44.4bn in FY22. It is budgeted that the total textile exports would reach USD 65bn in FY26.
- **Employment:** The textiles and apparel industry in India is the second largest employer in the country providing direct employment to 45mn people, and another 100mn people in allied industries<sup>8</sup>.

The key drivers for the growth of the textile sector in India are as follows:

- Presence of world-class infrastructure
- Increased focus on technical textiles due to the growth of end-user industries such as automotive, healthcare, infrastructure and oil and gas
- Abundance of raw materials and availability of skilled manpower
- Presence of entire value chains and large (and growing) domestic market
- Competitive manufacturing costs, organised retail landscape, and e-commerce
- Rising per capita income, higher disposable incomes, and preferences for brands.

In addition to the aforesaid drivers, there are various Government initiatives that can stimulate the growth of the textile industry in India, some of which are hereunder<sup>9</sup>:

- **Foreign Direct Investment (FDI):** 100% FDI through automatic route is permitted in the Indian textile sector. During the period 2017 to 2022, the amount of investment brought through FDI was USD 1.52bn.
- **Pradhan Mantri Mega Integrated Textile Region and Apparel (PM MITRA):** Inspired by 5Fs (i.e., Farm to Fibre to Factory to Fashion to Foreign), the PM MITRA Parks are a major step forward in realising the Government's vision of making India a global hub for textile manufacturing and exports. The Government has approved the setting up of seven PM MITRA Parks in Tamil Nadu, Telangana, Gujarat, Karnataka, Madhya Pradesh, Uttar Pradesh, and Maharashtra. The Ministry of Textiles will oversee the execution of these projects. An SPV owned by the Centre and State governments will be set up for each park which will oversee the implementation of the project<sup>10</sup>.
- **Production Linked Incentive (PLI) Scheme:** The Government has approved the PLI Scheme for textiles, with an approved outlay of INR 106.83bn, to promote the production of man-made fibre (MMF) Apparel, MMF Fabrics, and Products of Technical Textiles in the country to enable the textile sector to achieve size and scale, and to become competitive.
- **Free Trade Agreements (FTAs):** India has signed 13 FTAs including the recently concluded Comprehensive Economic Partnership Agreement with UAE and Economic Cooperation and Trade Agreement with Australia. Further, the Government has also initiated negotiations for FTAs with trading partners such as the

<sup>4</sup> <https://www.grandviewresearch.com/industry-analysis/textile-market#:~:text=The%20global%20textile%20market%20size%20was%20estimated%20at%20USD%201695.13,USD%203%2C047.23%20billion%20by%202030.>

<sup>5</sup> <https://www.fortunebusinessinsights.com/textile-market-103879>

<sup>6</sup> <https://www.fibre2fashion.com/industry-article/8484/china-and-india-emerging-powers-of-textile-and-apparel-industry>

<sup>7</sup> <https://www.ibef.org/industry/textiles>

<sup>8</sup> <https://www.investindia.gov.in/sector/textiles-apparel>

<sup>9</sup> <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1885410>

<sup>10</sup> <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1908052>

United Kingdom, European Union, Canada for enhancing market access of Indian products, including textiles.

- **National Technical Textile Mission (NTTM):** Under NTTM, 74 research proposals valuing INR 2.32bn have been approved in the category of speciality fibre and technical textiles. Further, 31 new HSN codes have been developed in the technical textiles sector. Synthetic & Rayon Textiles Export Promotion Council has been assigned the role of export promotion council for technical textiles<sup>11</sup>.
- **Amended Technology Upgradation Fund Scheme (ATUFS):** Under ATUFS, an Investment of INR 102.18bn was confirmed by the industry in 2,443 subsidy cases. A total of INR 6.21bn subsidy was released in 3,159 cases under ATUFS and Special campaigns organised at major clusters for settling backlog cases<sup>12</sup>.
- **Scheme for Rebate on State and Central Taxes and Levies (RoSCTL):** RoSCTL Scheme is notified by the Ministry of Textiles. Under this scheme, exporters are issued a Duty Credit Scrip for value of embedded taxes and levies contained in the exported product. Exporters can use this scrip to pay basic customs duty for the import of equipment, machinery or any other input. The scheme has been extended till 31 March 2024.

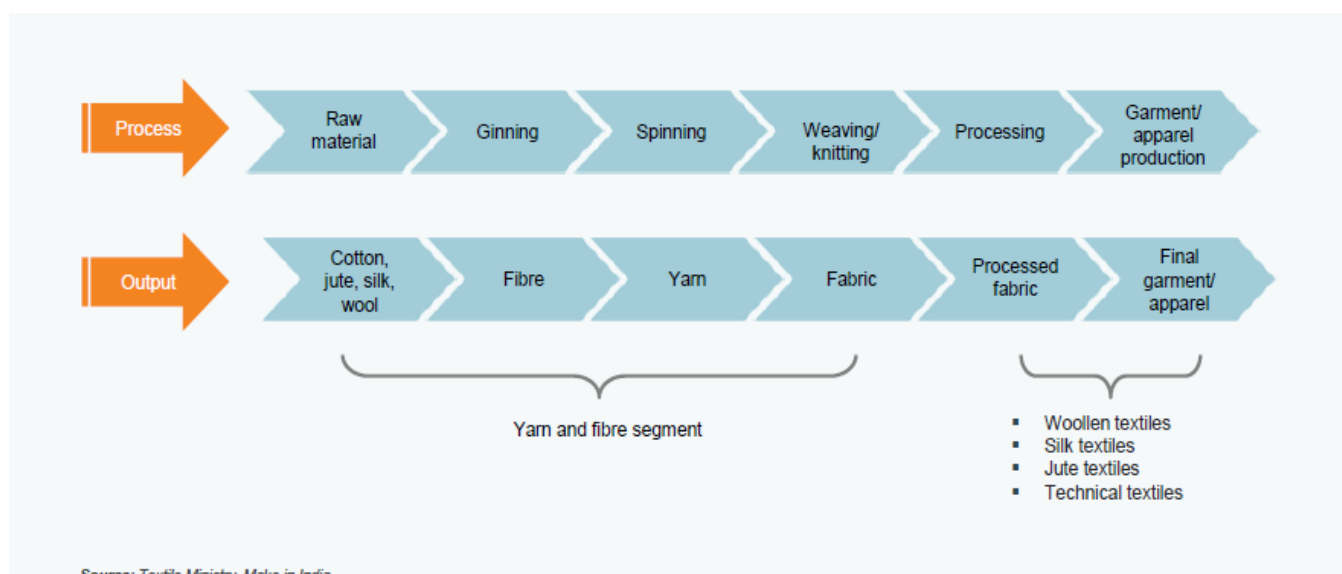
- **Market Access Initiative (MAI) Scheme:** MAI Scheme provides financial support to various Export Promotion Councils and Trade Bodies *inter alia* engaged in the promotion of textiles and garments exports, for organising and participating in trade fairs, exhibitions, buyer-seller meets, etc.
- In addition to the benefits available to an importer/exporter under the Foreign Trade Policy, 2023, the textile industry is also entitled to claim benefits under Special Advance Authorisation for the export of Apparel and Clothing Accessories.

#### Key issues faced by the textile industry under the GST law

The key issues faced by the textile industry under the GST law are summarised hereunder:

- **Inverted Duty Structure:**
  - There are various segments of the textile industry, each of which, provides an 'intermediate product' which is used for subsequent processing in the value chain. The key segments of the textile industry can be understood with the help of the following flow-chart:

#### Key segments of the textile industry



Source - IBEF<sup>13</sup>

<sup>11</sup> [https://pib.gov.in/PressReleaseframePage.aspx?PRID=1886628#:~:text=for%20technical%20textiles.-,Amended%20Technology%20Upgradation%20Fund%20Scheme%20\(ATUFS\),clusters%20for%20settling%20backlog%20cases.](https://pib.gov.in/PressReleaseframePage.aspx?PRID=1886628#:~:text=for%20technical%20textiles.-,Amended%20Technology%20Upgradation%20Fund%20Scheme%20(ATUFS),clusters%20for%20settling%20backlog%20cases.)

<sup>12</sup> [https://pib.gov.in/PressReleaseframePage.aspx?PRID=1886628#:~:text=for%20technical%20textiles.-,Amended%20Technology%20Upgradation%20Fund%20Scheme%20\(ATUFS\),clusters%20for%20settling%20backlog%20cases.](https://pib.gov.in/PressReleaseframePage.aspx?PRID=1886628#:~:text=for%20technical%20textiles.-,Amended%20Technology%20Upgradation%20Fund%20Scheme%20(ATUFS),clusters%20for%20settling%20backlog%20cases.)

<sup>13</sup> <https://www.ibef.org/industry/textiles>

- In the context of man-made textiles, the applicable GST rate on MMF is 18% whereas the corresponding GST rate on MMF yarn and MMF fabrics is 12% and 5% respectively.
- Considering the above, the following position emerges:
  - A person engaged in manufacturing MMF yarn from MMF pays GST @18% on its inward procurements, whereas it is liable to discharge GST @12% on its outward supplies.
  - A person engaged in manufacturing MMF fabric from MMF yarn would pay GST @12% on its inward procurements whereas it is liable to discharge GST @5% on its outward supplies.

In the aforesaid instances, the GST rate on inward supplies exceeds the applicable GST rate on outward supplies, typically referred to as 'Inverted Duty structure' (IDS).

- In IDS, the amount of eligible credits exceeds the corresponding output tax liability. This leads to the accumulation of ITC. For this, Rule 89(5) of the Central Goods and Services Tax Rules, 2017 enables an assessee having IDS to claim a refund of unutilised ITC as per the following formula:

*Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) x Net ITC ÷ Adjusted Total Turnover} - tax payable on such inverted rated supply of goods and services*

- In the aforesaid formula, 'Net ITC' is defined to mean ITC availed on 'inputs' during the relevant period. However, the ITC availed on input services and capital goods is not taken into account in determining the eligibility to claim a refund under Rule 89(5) of the CGST Rules.
- Aggrieved by the above, the validity of the aforesaid provision was challenged at various High Courts and ultimately, the Hon'ble Supreme Court in **Union of India and Ors. Vs. VKC Footsteps India Pvt. Ltd. [2022 (2) SCC 603]** upheld the validity of the aforesaid formula. However, considering the anomalies in the aforesaid formula, the GST Council was urged to reconsider the formula.

- Subsequently, the aforesaid formula was modified as under:

*Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) x Net ITC ÷ Adjusted Total Turnover} - {tax payable on such inverted rated supply of goods and services x (Net ITC ÷ ITC availed on inputs and input services)}*

- While the aforesaid change in the formula had resulted in an enhanced refund claim to the suppliers engaged in making supplies that suffer from IDS, given that refund of accumulated ITC on input services and capital goods is still not available, the same results in an increased cost and ITC accumulation.
- The aforesaid challenge of ITC accumulation is also faced by the textile industry *qua* certain products having inverted duty structure. It is estimated that ~15% of the textile sector comprises of MMF and MMF yarn segment which face the issue of Inverted Duty structure<sup>14</sup>. In respect of such products, the non-availability of refund of accumulated ITC on input services and capital goods results in an increase in the cost of supply (including the entire supply chain), thereby reducing the competitiveness of the Indian products.
- In this backdrop, the GST Council, in its 46th Council meeting held on 31 December 2021, directed the Group of Ministers<sup>15</sup> to examine the issue pertaining to inverted duty structure in respect of textile products and provide its views on feasibility to increase the GST rate from 5% to 12%. The matter is currently for the recommendations of the Group of Ministers, post which, the GST Council would decide on this matter.

#### Change in rate resulting in IDS:

- Even in cases where inward and outward supplies are the same, there could exist a situation of IDS. This is on account of change in the rate of GST which was reduced pursuant to the procurement of inward supplies. In this regard, it is imperative to examine whether the supplier can claim a refund of unutilised ITC arising due to the aforesaid IDS scenario.

<sup>14</sup> <https://www.moneycontrol.com/news/business/explained-why-gst-on-textiles-apparel-is-being-changed-industrys-concerns-7871681.html>

<sup>15</sup> Group of Ministers comprising of Hon'ble Chief Minister of Karnataka acting as the convenor along with other member States viz., Uttar Pradesh, West Bengal, Bihar, Rajasthan, Kerala and Goa

- In respect of the aforesaid example, Circular no.:135/05/2020 dated 31 March 2020 was issued by CBIC *inter alia* clarifying that refund of unutilised ITC on account of IDS would not be available in cases where the input and the output supplies are the same.
- The constitutional validity of the aforesaid Circular was challenged before various High Courts<sup>16</sup> wherein the Hon'ble Gauhati and Calcutta High Courts have taken a view in favour of the assessee, holding that the restriction/ condition provided in the aforesaid Circular ought to be ignored.
- Considering the likely rate changes in respect of textile products, the aforesaid issue could be faced by various players in the textile industry.
- In respect of such transactions, usually, the recipient makes payment to the supplier only upon the expiry of the usual credit period from the date of confirmation of purchase. Consequently, such payments may be made after the expiry of 180 days from the issue of the original invoice. As a result, the recipient would either be required to reverse ITC or may choose to defer its claim of ITC until the date of payment. Additionally, the recipient would also be required to ensure availment of credit as per the time limit provided under Section 16(4) of the CGST Act. This results in an additional compliance burden on the recipient in respect of availment of ITC on such supplies.

#### Goods sent on approval for sale or return basis:

- It is a common practice in the textile and apparel sector to send goods on approval for sale or return basis. In respect of such goods, the supplier is required to adhere to the following compliance requirements under the GST law:
  - At the time when the goods are originally sent to the prospective buyer, the movement of goods must be carried out under the cover of delivery challan issued under Rule 55(1)(c) of the CGST Rules.
  - Given that the movement of such goods is carried out for reasons other than supply, the supplier would not be required to issue a tax invoice and consequently, the question of discharging GST at the time of such movement would not arise.
  - However, as per Section 31(7) of the CGST Act, the invoice in respect of such goods should be issued before or at the time of supply (i.e., when the prospective buyer decides to purchase the goods) or the expiry of six months from the date of removal of goods, whichever is earlier.
- Considering the aforesaid stringent time limit to issue the tax invoice within a period of six months from the date of removal of goods, the supplier is mandated to track such due date in respect of each such transaction.
- Alternatively, to ease the compliance burden, the suppliers may resort to treating the movement of goods on approval for sale or return basis as an actual supply of goods under the cover of tax invoice and discharge applicable GST. However, this results in the following implications:
  - Supplier is required to discharge GST in advance, much before the actual sale transaction and hence, resulting in an increased working capital requirement for discharging GST.

#### Employer-Employee transactions:

- The textile industry is labour-intensive. It is common to offer various incentives and benefits to employees such as a canteen facility, transportation facility, free clothing, etc. In some instances, the cost of these facilities could be partially recovered from the employees.
- In respect of employer-employee transactions, there have been contradictory advance rulings. Further, considering that the employer and employees are treated as 'related' persons, it would be pertinent to determine the value of the supply of service and discharge applicable GST. Further, the eligibility of ITC in respect of such transactions must also be duly examined.

In addition to the above, there are various other issues plaguing the industry as a whole, such as cross charges relating to common costs, ITC reversal due to free gifts and samples, GST implications on sales promotion schemes, denial of ITC due to mismatches and defaults by the buyer, etc., and Textile and Apparel industry is also impacted by it.

#### Conclusion

The Indian textile industry is one of the largest and most important sectors in the economy in terms of contribution to GDP, foreign exchange earnings, and employment generation in India. It has a high potential to scale new heights in the globalised economy. It holds a significant position owing to the competitive advantage derived from the abundant availability of raw materials (such as cotton, wool, silk, and jute) and skilled manpower. Despite the challenges faced by the industry under the GST law, there is immense growth potential in the industry. A speedy resolution of the aforesaid issues could further bolster the Indian textile industry.

<sup>16</sup> In *BMG Informatics Private Limited Vs. Union of India & Ors.* [2021 (9) TMI 472 - Gauhati High Court] and *M/s. Shivaco Associates & Anr. Vs. Joint Commissioner & Ors.* [2022 (4) TMI 118 - Calcutta High Court].

# DECODED

## GST ON INTERMEDIARIES: A STORY OF CONFUSION & UNCERTAINTY

### INTRODUCTION

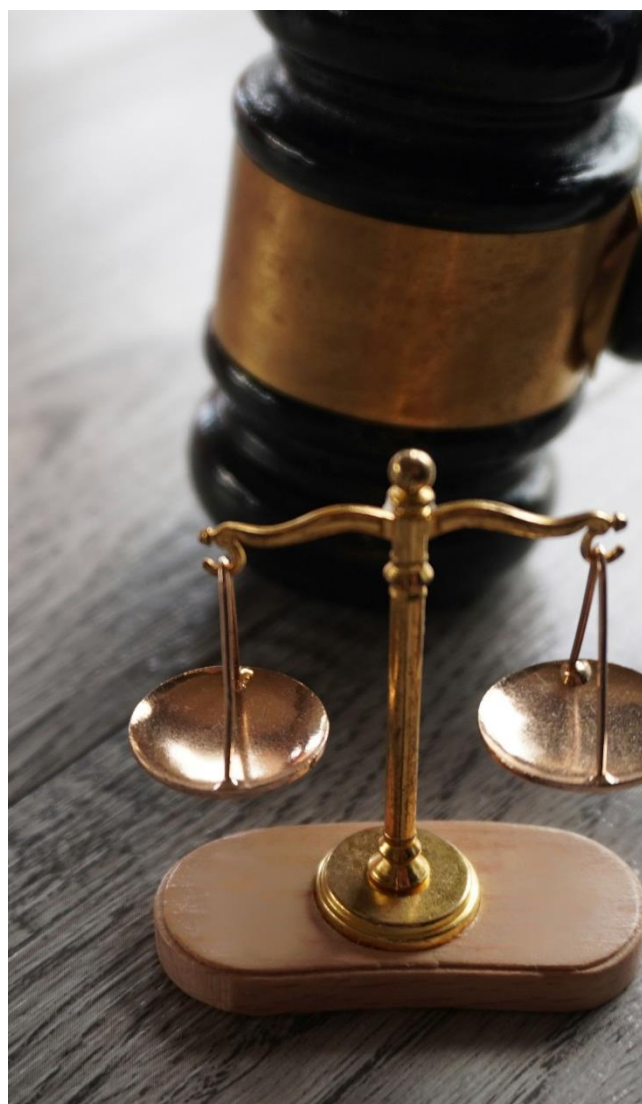
Intermediary, as a concept, was first introduced under service tax law from 1 July 2012<sup>17</sup>. The initial definition only included a person who was arranging or facilitating a provision of 'Service' between two or more persons. Effective 1 October 2014, the definition was expanded to also include a person arranging or facilitating the supply of 'Goods' between two or more persons. Therefore, a person arranging or facilitating the supply of 'Goods' or 'Services' between two or more persons was considered as intermediary. The definition under the service tax law was adopted *verbatim* in Section 2(13) of the Integrated Goods and Service Tax Act, 2017 (IGST Act) also.

Under the GST law, the relevant provisions concerning the taxability of intermediary services supplied by a person (situated in India) to a person situated outside India are summarised below:

- Section 13(8)(b) of the IGST Act provides that the Place of Supply (PoS) of intermediary services would be the location of the supplier of service, i.e., India in the present case.
- One of the conditions for treating a supply of service as an 'export of service' (as per Section 2(6) of the IGST Act) is that the PoS must be outside India. Since the PoS in the present case is in India (as highlighted above), the transaction would not be treated as an 'export of services'.
- Since the PoS and the 'location of the supplier of service' is in the same state/ union territory, the transaction would be treated as an 'intra-state supply' as per Section 8(2) of the IGST Act. Accordingly, the supplier would be liable to discharge CGST and SGST on such transactions.

As is observed from the aforesaid scenario, despite the fact that the services are supplied by an Indian intermediary to a recipient situated outside India, the transaction is treated as an intra-state supply and thereby, leviable to CGST and SGST and not as a zero-rated export of services. This indicates that the levy of GST in respect of such transactions is independent of where the services are actually consumed.

In this background, Writ Petitions were filed before the Hon'ble Gujarat High Court<sup>18</sup> and the Hon'ble Bombay High Court<sup>19</sup> challenging the constitutional validity of Section 13(8)(b) of the IGST Act. In this section, the key findings in respect of the rulings passed in these petitions are discussed<sup>21</sup>.



### DECISION OF THE DIVISION BENCH IN MATERIAL RECYCLING ASSOCIATION OF INDIA (SUPRA)<sup>20</sup>

The Hon'ble Gujarat High Court in *Material Recycling Association of India (supra)*, vide order dated 24 July 2020 had *inter alia* held as under:

- Parliament has exclusive power under Article 246A of the Constitution of India (Constitution) to frame laws for the inter-state supply of goods or services.
- Basic logic of Section 13(8)(b) of the IGST Act is to levy CGST and SGST on intermediary services and hence, outside the purview of the Act.

<sup>17</sup> Rule 2(f) of the Place of Provision of Service Rules, 2012

<sup>18</sup> Material Recycling Association of India Vs. Union of India & Ors. [Special Civil Application No. 13238 and 13243 of 2018]

<sup>19</sup> Dharmendra M. Jani [WP No. 2031 of 2018] and ATE Enterprises Pvt. Ltd. [WP(L) 639 of 2020]

<sup>20</sup> 2020-VIL-341-GUJ

<sup>21</sup> MCA/1/2020 (FOR REVIEW) In R/SCA/13238/2018

- There is no distinction between intermediary services provided by a person in India or outside India. Merely because the invoices are raised on the person outside India and consideration is received in foreign exchange, the same would not qualify to be 'export of services'.
- It cannot be said that Section 13(8)(b) read with Section 2(13) of the IGST Act are *ultra vires* or unconstitutional in any manner. However, it was left open for the Revenue Authorities to consider representation made by the Taxpayer to redress its grievance.

Aggrieved by the above, the Taxpayer has filed a review petition before the Division Bench of the Hon'ble Gujarat High Court which is currently pending .

#### DECISION OF THE DIVISION BENCH OF THE HON'BLE BOMBAY HIGH COURT

- The Division Bench of the Hon'ble Bombay High Court (comprising of Justice Bhuyan and Justice Ahuja), *vide* separate orders, had expressed divergent views. The key observations of both the members of the Division Bench are reproduced below:

##### - Key observations of Justice Bhuyan<sup>22</sup>:

- The Constitution does not empower the imposition of tax on services exported out of the territory of India by treating the same as local supply.
- Section 9 of the Central Goods and Services Tax Act, 2017 (CGST Act) cannot be invoked to levy tax on cross-border transactions i.e., export of services.
- Import and export of services are treated as inter-state supplies under Sections 7(1) and 7(5) of the IGST Act. However, Section 13(8)(b) of the IGST Act deems the PoS of intermediary services as the location of the supplier, despite the fact that such services could be supplied to a person outside India. Hence, the same is contrary to the scheme of CGST Act and IGST Act.
- Section 13(8)(b) of the IGST Act not only falls foul to the overall scheme of the CGST Act and IGST Act, but also offends Articles 245, 246A, 269A, and 286(1)(b) of the Constitution.

##### - Synopsis of observations of Justice Ahuja<sup>23</sup>:

- In terms of Articles 246A, 269A, and 286 of the Constitution, the provisions for determining the nature of supply (Sections 7 and 8 of the IGST Act) and POS (Sections 10 to 14 of the IGST Act) have been enacted.

- Once the Parliament has in its wisdom stipulated that the POS for intermediary service is the location of the supplier of service, no fault can be found by artificially attempting to link it with another provision to demonstrate constitutional or legal infraction.
- The special provisions of intermediary services (Sections 2(13) and 13(8)(b) of the IGST Act) would apply notwithstanding general provision, particularly when the constitutionality of both the aforesaid provisions are upheld.
- Section 13(8)(b) of the IGST Act merely provides the PoS for intermediary services irrespective of the location of the recipient of service. Consequently, the question of applicability of extra-territorial legislation would not arise.
- Sections 13(8)(b) and 8(2) of the IGST Act are constitutionally valid and operative for all purposes.
- In light of the divergent views of the Division Bench, the matter was referred to the third judge. Justice Kulkarni<sup>24</sup> *vide* order dated 18 April 2023, answered the reference made in the present matter as under:
  - Since the specific questions have not been formulated for reference, the question for reference has been formed independently by the third judge on the basis of the material before him.
  - Sections 13(8)(b) and 8(2) of the IGST Act are legal, valid, and constitutional.
  - Sections 13(8)(b) of the IGST Act is not *ultra vires* Section 9 of the CGST Act or the Maharashtra Goods and Services Tax Act, 2017 (MGST Act).
  - However, the operation of Sections 13(8)(b) and 8(2) of the IGST Act is confined to the provisions of the IGST Act only and the same cannot be made applicable for the levy of tax on services under the CGST or MGST Act. On such interpretation, the provisions are *intra vires* the Constitution, IGST Act, CGST Act, and MGST Act.
  - Accordingly, the matter was directed to be placed before the Division Bench of the Hon'ble Bombay High Court.
- Pursuant to the above, the aforesaid matter was placed before the Division Bench of the Hon'ble Bombay High Court for final orders. The Division Bench, *vide* Order dated 6 June 2023<sup>25</sup> , had held that the provisions of Section 13(8)(b) and 8(2) of the IGST Act are legal, valid, and constitutional.

<sup>22</sup> 2021 (6) TMI 383 - Bombay High Court

<sup>23</sup> 2021 (6) TMI 594 - Bombay High Court

<sup>24</sup> 2023-VIL-240-BOM

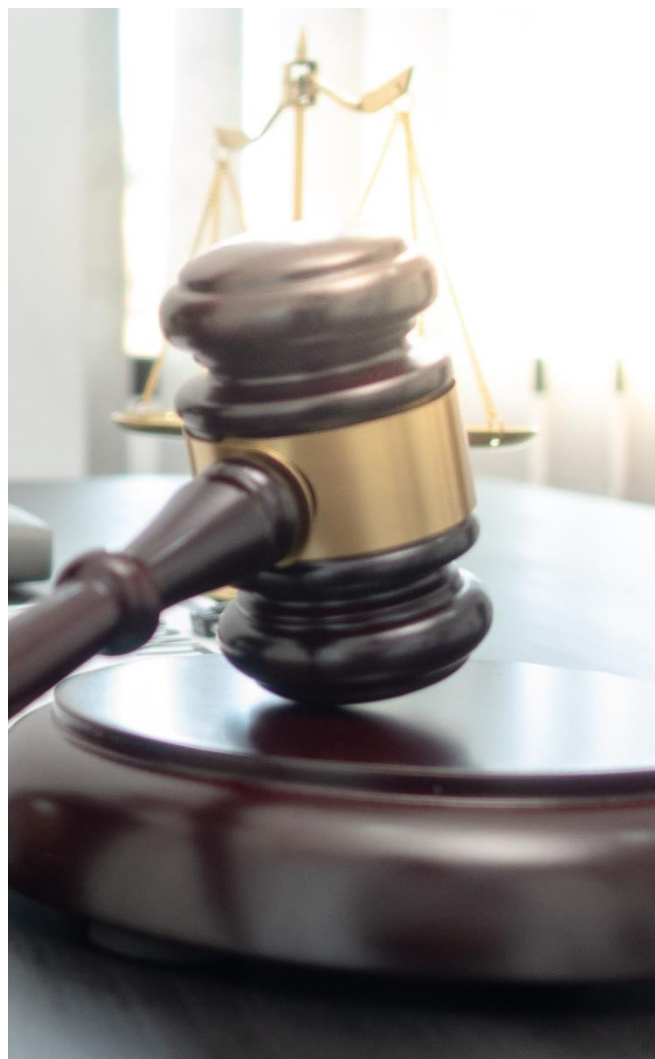
<sup>25</sup> 2023-VIL-346-BOM

### BDO India Comments

Considering that the matter in *Material Recycling Association of India (supra)* is currently pending for review before the Hon'ble Gujarat High Court, the same may not be treated to have attained finality.

As regards the matter in *Dharmendra M. Jani (supra)*, it is noteworthy to mention that the final ruling of the Division Bench is consistent with the third judge's (i.e., Justice Kulkarni) conclusion that the operation of Sections 13(8)(b) and 8(2) of the IGST Act is constitutionally valid. However, the final ruling did not provide any view on the other part of the conclusion of Justice Kulkarni, namely, that the operation of Sections 13(8)(b) and 8(2) of the IGST Act is limited to the provisions of the IGST Act and cannot be applied to the CGST Act or MGST Act. This part of the judgment, if implemented, can effectively result in non-levy of GST on services provided by the intermediary, since the judgment holds that provisions of section 13(8)(b) cannot be made applicable for levy of tax under CGST and MGST Act and since the place of supply is in the same place as the location of the supplier, IGST cannot be levied.

Since the final judgment of the Division Bench has not commented on this issue, it does not form part of the judgment and may not be treated as a *ratio decidendi*, especially since it is forming part of the judgment of a third judge, presiding to determine the difference in opinion matter. It would be quite interesting to see the observations of the Courts, when this proposition is specifically made as a ground urged before the Courts.





# GLOBAL TRENDS

## VAT/GST News:

### International



#### Kenya: Kenya Proposes Removal of VAT on Helicopters and Aircraft Spare Parts to Boost Aviation Sector

The Kenyan government is making significant strides to boost the local aviation sector by proposing the elimination of the 16% VAT on helicopters, aircraft, spare parts, and simulators. Considering the challenges faced by airlines due to high costs, the Treasury has proposed comprehensive removal of VAT on all aircraft and spare parts. This move aims to stimulate growth in the aviation industry.

<https://airspace-africa.com/2023/06/26/kenya-proposes-removal-of-vat-on-helicopters-and-aircraft-spare-parts-to-boost-aviation-sector/>



#### Poland: Zero-VAT rate on groceries until end of 2023 says PM

The Polish government has announced extension of the zero-VAT rate on some staple foods such as vegetables and dairy products until the end of 2023 (which was earlier due to expire on 30 June 2023).

<https://www.thefirstnews.com/article/zero-vat-rate-on-groceries-until-end-of-2023-says-pm-39421>



#### Vietnam: Lowers VAT to 8% again amid economic headwinds

Vietnam will reduce its Value Added Tax (VAT) from 10% to 8% from July to December, bolstering stimulus measures to support consumption and business activities as the export-oriented economy is amidst an economic slowdown. The National Assembly recently passed a bill to lower VAT rates on major products and services except telecommunications, information technology, insurance, metal products, and refined petroleum.

<https://asia.nikkei.com/Economy/Vietnam-lowers-VAT-to-8-again-amid-economic-headwinds>

#### EVs drive Britain's June car sales; industry body seeks VAT cut on public charging

New car sales in Britain increased by 25.8% in June 2023 on a year-on-year basis, due to increasing demand for electric vehicles (EVs) from businesses and fleet buyers. While new car sales rose to approximately 0.18mn units, the volumes remained below the pre-pandemic levels. In this regard, the Society of Motor Manufacturers and Traders (SMMT) has urged for a cut in VAT rates on public charging because it is unfair that drivers who are able to charge EVs at their home pay 5% VAT as against those who rely on the public network and pay 20% VAT.

<https://www.reuters.com/markets/europe/uks-june-new-car-sales-rise-25-smmt-2023-07-05/>

## VAT/GST News:



### India

#### Taxing EV charging: The GST conundrum on charging infrastructure

The EV industry is poised for a big leap. As per reports, it can become a USD 150bn industry by 2030. As a result, the issue of the applicability of GST is a key facet of the EV ecosystem. The charging infrastructure requires an examination as to whether the same would be treated as supply of 'goods' or 'services'. Given the strategic importance and the potential of the EV sector, certainty of taxation is critical and hence, clarity regarding the GST position should be brought in at the earliest.

<https://www.financialexpress.com/business/express-mobility-taxing-ev-charging-the-gst-conundrum-on-charging-infrastructure-3140222/>

#### Special All-India Drive Against Fake GST Registration - Menace and Safeguards

To eradicate the menace of fake GST registrations, the Revenue Department has joined hands with the GSTN which has deployed artificial intelligence, advanced data analytics, and risk assessment criteria to identify fake GSTINs.

<https://timesofindia.indiatimes.com/blogs/voices/special-all-india-drive-against-fake-gst-registration-menace-and-safeguards/>

### Geotagging may become must for GST registrations

CBIC is planning to use geotagging for verification in the GST registration process. This move aims to prevent creation of fake office spaces for verification purposes. The CBIC is also considering biometric authentication for suspicious or risky registrations.

<https://economictimes.indiatimes.com/news/economy/policy/geotagging-may-become-must-for-gst-registrations/articleshow/101438613.cms>

### Automobile industry seeks 5% GST for 2-wheelers running on flex fuel, official says

The automobile industry has sought 5% GST on two-wheelers running on flex fuel, similar to electric-powered vehicles. The industry stakeholders have also asked for a price guarantee on fuel for Flex Fuel Vehicles (FFVs), with a 35% lower price than E10 fuel to offset the loss in fuel efficiency.

<https://economictimes.indiatimes.com/industry/auto/two-wheelers-three-wheelers/automobile-industry-seeks-5-gst-for-2-wheelers-running-on-flex-fuel-official-says/articleshow/101355151.cms>

### 28% GST on online gaming 'unconstitutional', will lead to job losses, say industry experts

Online gaming industry stakeholders expressed strong opposition to the recent decision by the 50th GST Council meeting held on 11 July 2023, to impose tax @28% on the total entry amount, including prize money. The decision, they claim, lumps skill-based online gaming with gambling activities, ignoring decades of established legal jurisprudence. For the online gaming industry, this recommendation would lead to a significant increase in tax incidence as compared to the position currently adopted by them, where they were paying tax only on platform fees.

<https://www.businesstoday.in/technology/news/story/28-gst-on-online-gaming-unconstitutional-will-lead-to-job-losses-say-industry-experts-389294-2023-07-12>

### Customs News:

#### International

### UAE: Dubai Customs implements new policies to boost foreign trade

Dubai Customs has implemented new policies to enhance foreign trade in the UAE following the signing of Comprehensive Economic Partnership Agreements (CEPA) with various countries including India. The policies which are part of the CEPA deals define the scope, obligations, rules of origin, preferential treatment, and general provisions related to the trade of goods. Specialised customs centres and departments are responsible for enforcing these policies, ensuring adherence to the terms and provisions of the agreements.

<https://www.thenationalnews.com/business/economy/2023/06/18/dubai-customs-implements-new-policies-to-boost-uaes-foreign-trade/>

### China: China to ban food imports from Japan citing safety reasons

Chinese officials have stated that import of food will be banned from about one-fifth of Japanese prefectures, citing safety reasons arising from Japan's move to discharge nuclear contaminated water into the sea. This move prevents the export of radioactive contaminated Japanese food to China and protects the food safety of Chinese consumer imports.

<https://theprint.in/world/china-to-ban-food-imports-from-japan-citing-safety-reasons/1658578/>

### EU: Central America preferential trade: update to Harmonised System 2022

On 29 June 2023, the EU-Central America Association Council has adopted Decision no:1/2023 modifying the list of working or processing required to be carried out on non-originating materials for their onward conversion into originating materials. The decision will come into effect from 29 December 2023.

[https://taxation-customs.ec.europa.eu/news/eu-central-america-preferential-trade-update-harmonised-system-2022-2023-07-05\\_en](https://taxation-customs.ec.europa.eu/news/eu-central-america-preferential-trade-update-harmonised-system-2022-2023-07-05_en)

### VAT/GST News:



India

### Removing customs duty on American Apples will have no impact on Indian farmers

India has decided to eliminate 20% retaliatory Customs Duty on imported American apples, along with other products such as chickpeas and lentils. These duties were initially imposed in 2019 in response to the America's measure to increase tariffs on certain steel and aluminium products. According to a senior government official, this decision will have no impact on the Indian farmers because the import duty on apples is still @50%.

<https://www.republicworld.com/business-news/india-business/removing-customs-duty-on-american-apples-will-have-no-impact-on-indian-farmers-articleshow.html>

### LPG shipments to draw customs duty of 15% & farm cess of equal amount

The Indian government has hiked the basic customs duty on LPG from 5% to 15% and also imposed a 15% Agriculture Infrastructure and Development Cess. However, this duty hike will not apply to imports of liquefied propane, liquefied butane, and a mixture of the liquefied propane and liquified butane imported by Indian Oil Corporation Ltd., Hindustan Petroleum Corporation Ltd., and Bharat Petroleum Corporation Ltd. for sale to household domestic consumers.

<https://economictimes.indiatimes.com/news/economy/policy/lpg-shipments-to-draw-customs-duty-of-15-farm-cess-of-equal-amount/articleshow/101438537.cms?from=mdr>

### Customs to introduce additional disclosures for export-import of medicinal plants from 1 July 2023

The CBIC is introducing additional disclosures for the import and export of medicinal plants starting from 1 July 2023, to accelerate clearance of shipments. The CBIC has mandated additional qualifiers for export of parts of plants to reduce Customs officials' queries, which often pose problems for EXIM traders engaged in exports of medicinal plants and chemicals.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/customs-to-introduce-additional-disclosures-for-export-import-of-medicinal-products-from-july-1/articleshow/100857065.cms>

### India-UAE sign pact for AEOs for faster customs clearances

In pursuance of greater trade facilitation and ease of doing business, India and UAE have signed Mutual Recognition Arrangement for Authorised Economic Operators (AEOs) of both countries. The AEO programme enables the Customs administration to identify safe and compliant exporters and importers, and to provide them better facilitation, thereby expediting the customs clearance.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/india-uae-sign-pact-for-aeos-for-faster-customs-clearances/articleshow/101221016.cms?from=mdr>

### India to start FTA talks with African Customs union in next 3-4 months

India and the five countries of the South Africa Customs Union (SACU) (comprising of South Africa, Namibia, Botswana, Lesotho and Eswatini) are exploring a Free Trade Agreement (FTA) and are expected to start talks on the same in the next three to four months. It is said that this FTA between India and SACU countries will help India find larger markets for its goods which are highly in demand. The most desired product on the list is vehicles, followed by engineering goods and machinery.

[https://www.business-standard.com/economy/news/india-south-african-customs-union-nations-eye-free-trade-agreement-123062500369\\_1.html](https://www.business-standard.com/economy/news/india-south-african-customs-union-nations-eye-free-trade-agreement-123062500369_1.html)



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The Ruby, Level 9, North West Wing  
Senapati Bapat Marg, Dadar (W)  
Mumbai 400028, INDIA

### Mumbai - Office 2

601, Floor 6, Raheja Titanium, Western  
Express Highway, Geetanjali, Railway  
Colony, Ram Nagar, Goregaon (E),  
Mumbai 400063, INDIA

### Mumbai - Office 3

Floor 20, 2001 & 2002 - A Wing, 2001 F  
Wing, Lotus Corporate Park, Western  
Express Highway, Ram Mandir Fatak Road,  
Goregaon (E) Mumbai 400 063, INDIA

### Mumbai - Office 4

The Ruby, Level 9, South East Wing  
Senapati Bapat Marg, Dadar (W)  
Mumbai 400028, INDIA

### Pune - Office 1

Floor 6, Building No. 1  
Cerebrum IT Park, Kalyani Nagar  
Pune 411014, INDIA

### Pune - Office 2

Floor 2 & 4, Mantri Sterling, Deep Bunglow,  
Chowk, Model Colony, Shivaji Nagar  
Pune 411016, INDIA

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