



**The Malad  
Chamber of  
Tax  
Consultants**

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# MCTC Bulletin

*"Every Passing Minute is Another Chance to Turn it Around"*

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## President's Communique

My Dear Professional Colleagues,

As I pen this message, as my last communication with you all as the President, I take this opportunity to thank all the members for their overwhelming support throughout the year. As the president of this august association, I have tried my best efforts to make the year as eventful as possible on Zoom platform. As my tenure as the President comes to an end, I would like to share that as much as I have tried to contribute towards the benefit of all members, the Chamber has given me a learning experience of a lifetime. It has been a privilege for me to head this esteemed association.

I must thank all the Past Presidents for their valuable guidance and support. I also thank the Managing Committee members as well as Sub-Committee members, for their support & co-operation, without whom all these activities would not have been possible.

With the financial year coming to an end, I request you all to attend the 42nd Annual General Meeting scheduled to be held on 4th July, 2021 on Zoom.

This will be my last newsletter & I m really overwhelmed by the support & confidence you all had reposed in me. It was a very momentous year & I will carry memories of it forever with me. The success of all the activitiec of the Chamber has been possible by the team work of all the office bearers, Committee Members, the Guidance by the Seniors & Past Presidents & Whole Hearted participation by all members in our programs & endeavours. My regards to all the Compliers of the Bulletin CA Haresh Kenia, CA Bhavin Mehta, CA Rupal Shah & Monarch Bhatt for their contribution to the Bulletin, their timely law updates & insightful notes. I am also thankful to our Editor Shri Kishorbhai Vanjara the printer of the Bulletin & the postal Department who have made it possible for reaching the message of the chamber to all the members.

As I hand over my duties, I would like to quote that-

**"Before you are leader success is all about growing yourself,  
when you become a leader success is all about growing others"**

- Jack Welch

With a heavy heart I take leave from all of you & wishing perpetual success of our Chamber.

Thank you,

With Warm Regards

**CA M. D. Prajapati**

President

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Please send message on 7039006655 or email to [maladchamber@gmail.com](mailto:maladchamber@gmail.com)**

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**Life Membership Fees ₹ 2,500**

## : Forthcoming Events :

14th Study Circle Meeting on 18th June 2021 at 6.00 p.m. to 7.30 p.m.  
New Income Tax Filing Portal by CA Mitesh Katira

15th Study Circle Meeting on 26th June 2021 at 11.00 a.m. to 1.00 p.m.  
Company Law Compliances to SME by CA Yagnesh Desai

42nd Annual General Meeting on 4th July on Zoom

## DIRECT TAXES - Law Update

*Haresh P. Kenia & Deepak M. Lala*



### SECTION 119 OF THE INCOME-TAX ACT, 1961 - CENTRAL BOARD OF DIRECT TAXES - INSTRUCTIONS TO SUBORDINATE AUTHORITIES - NOTIFIED AUTHORITIES TO PASS REGISTRATION ORDER FOR TRUSTS, INSTITUTIONS AND FUNDS

**NOTIFICATION S.O. 1443(E) [NO. 30 /2021/F. NO. 370142/4/2021-TPL], DATED 1-4-2021**

In exercise of the powers conferred by clause (i) of sub-rule (1), sub-rule (5) and sub-rule (6) of rule 2C of the Income tax Rules, 1962 ("the Rules"), sub-rule (1), sub-rule (5) and sub-rule (6) of rule 5CA of the Rules, clause (a) of sub-rule (1), sub-rule (5) and sub-rule (6) of rule 11AA of the Rules and clause (i) of sub-rule (1), sub-rule (5) and sub-rule (6) of rule 17A of the Rules, the Central Board of Direct Taxes hereby authorizes the Director of Income Tax (Centralized Processing Centre), Bengaluru and Commissioner of Income Tax (Exemption), Bengaluru, for the following purposes, namely,—

- (i) for receiving applications for provisional registration or registration or provisional approval or approval or intimation in Form 10A under clause (i) of sub-rule (1) of rule 2C of the Rules, sub-rule (1) of rule 5CA of the Rules, clause (a) of sub-rule (1) of rule 11AA of the Rules or clause (i) of sub-rule (1) of rule 17A of the Rules;
- (ii) for passing order granting provisional registration or registration or provisional approval or approval in Form 10AC under sub-rule (5) of rule 2C of the Rules, sub-rule (5) of rule 11AA of the Rules or sub-rule (5) of rule 17A of the Rules;
- (iii) for issuing Unique Registration Number (URN) to the applicants under sub-rule (5) of rule 2C of the Rules, sub-rule (5) of rule 5CA of the Rules, sub-rule (5) of rule 11AA of the Rules or sub-rule (5) of rule 17A of the Rules;
- (iv) for cancelling the approval granted in Form 10AC and Unique Registration Number (URN) under sub-rule (6) of rule 2C of the Rules, sub-rule (6) of rule 5CA of the Rules, sub-rule (6) of rule 11AA of the Rules or sub-rule (6) of rule 17A of the Rules.

This amendment will come into effect from the date of Notification in the Official Gazette.

### SECTION 3 OF THE TAXATION AND OTHER LAWS (RELAXATION AND AMENDMENT OF CERTAIN PROVISIONS) ACT, 2020 - RELAXATION OF CERTAIN PROVISIONS OF SPECIFIED ACT - EXTENSION OF DUE DATE FOR COMPLETION OF ACTION UNDER SPECIFIED ACTS

**NOTIFICATION S.O. 1703 (E) [NO. 38 /2021/ F. NO. 370142/35/2020-TPL], DATED 27-4-2021**

In view of the severe Covid-19 pandemic raging unabated across the country and in view of requests received from taxpayers, tax consultants & other stakeholders that various time barring dates, which were earlier extended to 30th April, 2021 by various notifications, be further extended, the Central Government has decided to extend the time limits to 30th June, 2021 in the following cases where the time limit was

earlier extended to 30th, April 2021 through various notifications issued under the Taxation and Other Laws (Relaxation) and Amendment of Certain Provisions Act, 2020, namely:-

- (i) Time limit for passing of any order for assessment or reassessment under the Income-tax Act, 1961 (hereinafter called 'the Act' ) the time limit for which is provided under section 153 or section 153B thereof;
- (ii) Time limit for passing an order consequent to direction of DRP under subsection (13) of section 144C of the Act;
- (iii) Time limit for issuance of notice under section 148 of the Act for reopening the assessment where income has escaped assessment;
- (iv) Time Limit for sending intimation of processing of Equalisation Levy under sub-section (1) of section 168 of the Finance Act 2016.

□ **SECTION 4, READ WITH SECTION 3 OF THE DIRECT TAX VIVAD SE VISHWAS ACT, 2020 - FILING OF DECLARATION AND PARTICULARS TO BE FURNISHED - NOTIFIED DUE DATE FOR FILING OF DECLARATION OF AMOUNT PAYABLE BY DECLARANT BEFORE DESIGNATED AUTHORITY - AMENDMENT IN NOTIFICATION NO. S.O. 3847(E) [NO. 85/2020, F. NO. IT(A)/1/2020-TPL], DATED 27-10-2020**

**NOTIFICATION NO. S.O. 1704 (E) [NO. 39/2021/ F.NO. IT(A)/01/2020-TPL], DATED 27-4-2021**

It has been decided that time for payment of amount payable under the Direct Tax Vivad se Vishwas Act, 2020, without an additional amount, shall be further extended to 30th June, 2021.

□ **SECTION 245B OF THE INCOME-TAX ACT, 1961 - INCOME-TAX SETTLEMENT COMMISSION - EFFECTIVE DATE OF CESSION OF OFFICE OF SETTLEMENT COMMISSION**

**NOTIFICATION G.S.R. 302(E) [F. NO. Q-21013/1/2021-AAR], DATED 28-4-2021**

In exercise of the powers conferred by the proviso to article 309 of the Constitution, the Central Government hereby notifies the date as 1st May 2021 on which the Chairman, Vice-Chairman or Member shall cease to hold office as provided in 3rd proviso of rule -7 of Settlement Commission (Income-tax and Wealth-tax) (Recruitment and Conditions of Service of Chairman, Vice-Chairmen and Members) Amendment Rules, 2021.

□ **SECTION 119 OF THE INCOME-TAX ACT, 1961 - CENTRAL BOARD OF DIRECT TAXES - INSTRUCTION TO SUBORDINATE AUTHORITIES - EXTENSION OF TIME LINES RELATED TO CERTAIN COMPLIANCES BY TAXPAYERS UNDER THE ACT**

**CIRCULAR NO. 8 OF 2021 [F. NO.225/49/2021/1T A-II], DATED 30-4-2021**

In view of severe pandemic, the Central Board of Direct Taxes, in exercise of its powers under section 119 of the Income-tax Act, 1961, provides following relaxation in respect of Income-tax compliances by the taxpayers:

- (a) Appeal to Commissioner (Appeals) under Chapter XX of the Income-tax Act, 1961 for which the last date of filing under that Section is 1st April 2021 or thereafter, may be filed within the time provided under that Section or by 31st May 2021, whichever is later;
- (b) Objections to Dispute Resolution Panel (DRP) under section 144C of the Income-tax Act, 1961, for which the last date of filing under that Section is 1st April 2021 or thereafter, may be filed within the time provided under that Section or by 31st May 2021, whichever is later;
- (c) Income-tax return in response to notice under section 148 of the Income-tax Act, 1961, for which the last date of filing of return of income under the said notice is 1st April 2021 or thereafter, may be filed within the time allowed under that notice or by 31st May 2021, whichever is later;

- (d) Filing of belated return under sub-section (4) and revised return under sub-section (5) of Section 139 of the Income-tax Act, 1961 for Assessment Year 2020-21, which was required to be filed on or before 31st March 2021, may be filed on or before 31st May 2021;
- (e) Payment of tax deducted under section 194-IA, Section 194-IB and Section 194M of the Income-tax Act, 1961 and filing of challan-cum-statement for such tax deducted, which are required to be paid and furnished by 30th April 2021 under Rule 30 of the Income-tax Rules, 1962, may be paid and furnished on or before 31st May 2021;
- (f) Statement in Form No. 61, containing particulars of declarations received in Form No. 60, which is due to be furnished on or before 30th April 2021, may be furnished on or before 31st May 2021.

□ **INCOME-TAX (THIRTEENTH AMENDMENT) RULES, 2021 - INSERTION OF RULE 11UD**

**NOTIFICATION G. S. R. 314(E) [NO. 41 /2021/ F. NO. 370142/11/2018-TPL], DATED 3-5-2021**

In exercise of the powers conferred by the clause (a) and clause (b) of Explanation 2A to sub-section (1) of section 9 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

**Short title and commencement**

1. (1) These rules may be called the Income-tax (13th Amendment) Rules, 2021.  
(2) They shall come into force with effect from the 1st day of April, 2022.
2. In the Income-tax Rules, 1962, after rule 11UC, the following rule shall be inserted, namely:-  
"11UD. *Thresholds for the purposes of significant economic presence.*—(1) For the purposes of clause (a) of Explanation 2A to clause (i) of sub-section (1) of section 9, the amount of aggregate of payments arising from transaction or transactions in respect of any goods, services or property carried out by a nonresident with any person in India, including provision of download of data or software in India during the previous year, shall be two crore rupees;  
(2) For the purposes of clause (b) of *Explanation 2A* to clause (i) of sub-section (1) of section 9, the number of users with whom systematic and continuous business activities are solicited or who are engaged in interaction shall be three lakhs. "

□ **INCOME TAX (FIFTEENTH AMENDMENT) RULES, 2021 - AMENDMENT IN RULE 2B**

**NOTIFICATION G.S.R. 320(E) [ NO. 50/2021/F. NO.370142/14/2021-TPL], DATED 5-5-2021**

In exercise of the powers conferred by clause (5) of section 10 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:

**Short title and commencement**

1. (1) These rules may be called the Income-tax (15th Amendment), Rules, 2021.  
(2) They shall be deemed to have come into force from the 1st day of April, 2021.
2. In the Income-tax Rules, 1962, in rule 2B, after sub-rule (1), the following sub-rules shall be inserted, namely:—  
"(1A) For the assessment year beginning on the 1st day of April, 2021, where the individual referred to in sub-rule (1) avails any cash allowance from his employer in lieu of any travel concession or assistance, the amount exempted under the second proviso to clause (5) of section 10 shall be the amount, not exceeding thirty-six thousand rupees per person, for the individual and the member of his family, or one-third of the specified expenditure, whichever is less, subject to fulfilment of the following conditions, namely:-  
(i) the individual has exercised an option to avail exemption under the second proviso of clause (5) of section 10, in lieu of the exemption under clause (5) of section 10 in respect of one unutilised journey during the block of four calendar years commencing from the calendar year 2018;

- (ii) the payment in respect of the specified expenditure is made by the individual or any member of his family to a registered person during the specified period;
- (iii) the payment in respect of the specified expenditure is made by an account payee cheque drawn on a bank or account payee bank draft, or use of electronic clearing system through a bank account or through such other electronic mode as prescribed under rule 6ABBA; and
- (iv) the individual obtains a tax invoice in respect of specified expenditure from the registered person referred in clause (ii).

*Explanation 1-* For the purpose of this sub-rule,-

- (i) 'tax invoice' means an invoice issued by the registered person under section 31 of the Central Goods and Services Tax Act, 2017 (No. 12 of 2017);
- (ii) 'registered person' shall have the meaning assigned to it in clause (94) of section 2 of the Central Goods and Services Tax Act, 2017 (No. 12 of 2017);
- (iii) 'specified expenditure' means expenditure incurred by an individual or a member of his family during specified period on goods or services, which are liable to tax at an aggregate rate of twelve per cent. or above under various Goods and Services Tax (GST) laws and goods are purchased or services procured from GST registered vendors or service providers;
- (iv) 'specified period' means the period commencing from the 12th day of October, 2020 and ending on the 31st day of March, 2021.

*Explanation 2* For the removal of doubt, it is hereby clarified that if the amount received by or due to an individual, as per the terms of his employment, from his employer in relation to himself and member of his family, in connection with the specified expenditure is in excess of the thirty six thousand rupees per person, for the individual and the member of his family, the exemption under this sub-rule would be restricted to thirty-six thousand rupees per person, for the individual and the member of his family, or one-third of the specified expenditure, whichever is less.

*Explanation 3* It is hereby clarified that the clarification issued by the Department of Expenditure, Ministry of Finance, vide OM F. No 12(2)/2020-EII (A) Dated 12th October, 2020 and any subsequent clarifications, if any, issued in this regard shall apply mutatis mutandis to the exemption under this sub-rule.

(1B) Where an exemption under the second proviso to clause (5) of section 10 is claimed and allowed, sub-rule (2) shall have effect as if for the words 'two journeys', the words 'one journey' has been substituted."

**SECTION 269ST OF THE INCOME-TAX ACT, 1961 - DEPOSITS - MODE OF UNDERTAKING TRANSACTIONS - NON-APPLICATION OF SAID SECTION TO SPECIFIED PERSONS OR CLASS OF PERSONS PROVIDING COVID TREATMENT TO PATIENTS ON RECEIPT OF PAYMENT IN CASH DURING 1-4-2021 TO 31-5-2021 ON OBTAINING PAN OR AADHAAR**

**NOTIFICATION S.O. 1803(E) [NO. 56/2021/F. NO. 225/58/2021-ITA.II], DATED 7-5-2021**

AS CORRECTED BY NOTIFICATION S.O. 1839(E)[NO. 59/2021/F.NO. 225/58/2021-ITA.-II], DATED 10-5-2021

The Central Government, in exercise of powers conferred by clause (iii) of Proviso to Section 269ST of the Income-tax Act, 1961, hereby specifies Hospitals, Dispensaries, Nursing Homes, Covid Care Centres or similar other medical facilities providing Covid treatment to patients for the purpose of Section 269ST of the Income-tax Act, 1961 for payment received in cash during 1-4-2021 to 31-5-2021, on obtaining the PAN or AADHAAR of the patient and the [payer] and the relationship between the patient and the [payer] by such Hospitals, Dispensaries, Nursing Homes, Covid Care Centres or similar other medical facilities.

❑ **LAUNCH OF NEW E-FILING PORTAL OF THE INCOME TAX DEPARTMENT - NON-AVAILABILITY OF E-FILING SERVICES FROM 1-6-2021 TO 6-6-2021**

**LETTER D.O.F. NO. PR. DGIT (S)/486-2020-21, DATED 19-5-2021**

The Income-tax Department is going to launch its new E-filing portal on June 7th, 2021. In preparation for this launch and for migration activities, the existing portal of the Department at [www.incometaxindiaefiling.gov.in](http://www.incometaxindiaefiling.gov.in) would not be available for a brief period of 6 days from 1st June to 6th June 2021.

All Officers may be directed to fix any hearing or compliances only from June 10<sup>th</sup> onwards to give taxpayers time to respond on the new system. If they have already scheduled any hearing or compliance which requires submissions online during this period, they may prepone or adjourn the hearing and reschedule the work items after this period, etc.

❑ **EXTENSION OF TIME LIMITS OF CERTAIN COMPLIANCES TO PROVIDE RELIEF TO TAXPAYERS IN VIEW OF THE SEVERE PANDEMIC**

**CIRCULAR NO 9 DATED 20TH MAY 2021 F. NO. 225/49/2021-ITA-II**

Sr No	Compliance	Original/Extended Due Date	Further Extended Due Date
1	Filing of Statement of Financial Transactions (SFT) return for the FY 2020-21	31-May-2021	30-June-2021
2	Filing of Statement of Reportable Account for Calendar year 2020 u/r 114E	31-May-2021	30-June-2021
3	Q4 TDS return for FY 2020-21	31-May-2021	30-June-2021
4	Statement of deduction of Tax from contributions paid for superannuation fund for FY 2020-21	31-May-2021	30-June-2021
5	Issue of Form 16 to employees for FY 2020-21	15-June-2021	15-July-2021
6	TDS/TCS book adjustment in form no 24G for month of May 2021	15-June-2021	30-June-2021
7	Statement of Income paid/credited by investment fund in Form No 64C for FY 2020-21	30-June-2021	15-July-2021
8	Due date of filing ITR for non-tax audit cases (including individuals) for AY 2021-22	31-July-2021	30-September-2021
9	Due date for furnishing tax audit report for non-TP cases for AY 2021-22	30-September-2021	31-October-2021
10	Due date of filing ITR for tax audit and non TP cases for AY 2021-22	31-October-2021	30-November-2021
11	Due date for furnishing of tax audit report and Transfer Pricing Report for AY 2021-22	31-October-2021	30-November-2021
12	Due date of filing ITR for TP Cases for AY 21-22	30-November-2021	31-December-2021
13	Due date of Filing ITR for AY 2021-22 for others	30-November-2021	31-December-2021
14	Due date of filing belated/revised return for AY 2021-22	31-December-2021	31-January-2022

**Note:**

- 234A will be applicable where tax liability exceeds 1 Lakh
- For the above, Self Assessment Tax paid by Resident Individual within due date (without extension under this circular) shall be deemed to be advance tax.

## DIRECT TAX CASE LAWS

Compiled by CA Rupal Shah



### **Aditya Balkrishna Shroff vs. ITO Mumbai**

Citation: [2021] 127 taxmann.com 343, ITAT Mumbai, 17 May 2021

**Taxability of foreign exchange gain on repayment of loan advanced in foreign currency.**

#### **Facts:**

Assessee is an individual and had granted loan of USD 200,000 to his friend in Singapore under the Liberalised remittance scheme on 29th March 2010 when the exchange rate was

₹ 45.14 for one dollar. The loan was repaid on 24 May 2012 when the exchange rate was ₹ 56.18 for one dollar. Thus, in terms of Indian rupees, the assessee sent ₹ 90,30,758 and the repayment in terms of INR was ₹ 1,12,35,326. The difference between the two being the foreign exchange gain due to increase in the value of the dollar.

The assessee explained that the money was sent to the friend under Capital account transactions of the Liberalised scheme and hence the exchange was on account of capital transaction and hence should be treated as a capital receipt and not liable to be taxed.

AO however, held that the gain on realization of loan would partake character of an income under the head income from other sources.

On appeal before CIT(A), the learned CIT(A) made a reference to the FAQ released by RBI on Liberalised remittance scheme. According to the CIT(A) the answers to Question no 4, which relates to loan by individuals to NRI/PIO settled outside India, imply that the loan should be advance only in INR. Thus, the excess amount received in terms of INR is a capital gain and taxable.

#### **Held:**

In terms of the provisions of the Income Tax Act, all 'gains' are not covered by the scope of 'income'. For capital gains, Section 2(24)(vi) provides that "income, includes.....any capital gains chargeable under section 45". Once the statutory provision itself lays down the principle that only such capital gains are included in the scope of 'income' as are chargeable under section 45, it is only elementary that a capital gain, which is not chargeable under Section 45 is not chargeable at all.

The excess amount received cannot be taxed as interest also, as from the point of view of borrower he has not paid any extra money. Thus, the surplus cannot be taxed as interest.

Also, everything that is exempted from being taxes under the head capital gains cannot be taxed under Section 56 as income from other sources.

Thus, appeal of the assessee is allowed.

#### **Decisions relied upon:**

*CIT Vs D P Sandu & Bros Chembur Pvt Ltd [(2005) 273 ITR 1 (SC)]*

*Nalinikant Ambalal Mody v. CIT [(1966) 61 ITR 428 (SC)]*

*Shaw Wallace & Co Ltd Vs DCIT [(2001) 71 TTJ 478 (Cal)]*

### **Raja Builders vs. National Faceless Assessment Centre**

Citation: [2021] 127 taxmann.com 339 (Bombay), Bombay HC, 13 May 2021

**Validity of assessment order passed under the faceless assessment scheme without giving an opportunity of hearing to the assessee.**

#### **Facts:**

In the wake of National Faceless Assessment Scheme, the assessment proceedings of the assessee were being conducted on the faceless platform that is available on the e-filing portal of Income tax.

A show cause notice dated 20 April 2021 and a draft assessment order has been issued to Petitioner requiring to show cause as to why the assessment should not be completed in terms of the draft assessment order. He submits that the said show cause appeared for the first time on the E-filing portal on 22nd April 2021 and on the same day he filed an online reply requesting for an opportunity of being heard.

On 23 April 2021, he filed a detailed reply to the show cause notice with documentary evidence. However, without considering his request for hearing or the detailed reply, assessment order dated 23 April 2021 came to be passed, even though the time limit to pass the assessment order was extended to 30 June 2021.

In pursuance of the assessment order, there is a notice of demand for a sum of ₹ 17,71,87,220/- in addition to the penalty proceedings that have been initiated.

#### **Held:**

Pending the final disposal of this petition, a stay is imposed by the Hon'ble High Court on the assessment order, demand notice and the penalty proceedings.

## INPUT TAX CREDIT OF IGST PAID ON IMPORT OF GOODS RECORDED IN BOOKS OF ACCOUNTS BUT NOT CLAIMED IN GST RETURN. WHETHER SAME CAN BE AVAILED AFTER LAPSE OF PRESCRIBED TIME LIMIT MENTIONED IN SECTION 16(4) OF THE CGST ACT, 2017?



**Compiled by CA Bhavin Mehta**

**Example:** A registered taxable person, M/s XYZ has imported raw material from USA in the month of March 2019. At the time of clearance of goods from the customs he paid IGST along with custom duty. He forgets to claim the credit in his GST returns. In the month of November 2019, at the time of GST Audit of 2018-19 by his CA, it was noticed that IGST on import of goods was recorded in books of accounts but was not claimed in GST returns filed by M/s XYZ. The issue here is whether M/s XYZ can claim such ITC in the November 2019 or any subsequent month GST return.

### My Comments

The issue arises, whether credit amount shown in GSTR-3B, alone would be considered as credit taken. Tax credit in any value-added taxation is the second most important aspect after the levy, as it goes to reduce the basic cost. If credits are not available fully, it adds to the cost of the product or service resulting in cascading effect of taxes. To avoid cascading effect of taxes registered person is entitled to input tax credit in terms of section 16 of the CGST Act.

The restriction to entitlement to take ITC within the stipulated date is provided in sub-section (4) of section 16 of the CGST Act, which is examined below.

### Section 16:

- (1) Every registered person shall be, subject to such conditions and restrictions as may be prescribed and in manner specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.
- (2) Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless, -
  - (a) he is in possession of a tax invoice or .....
  - (aa) .....
  - (b) .....
  - (c) .....
  - (d) .....
- (3) Where the registered person .....
- (4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier.

Provided that the registered person .....



On close reading of above sub-sections of section 16, it can be observed that section 16(1) permits registered person to claim ITC on goods and services used or intended to be used in the course of furtherance of his business. Sub-section (2) starts with the wordings “Notwithstanding anything contained in this section”, which will mean sub-section (2) will override/supersede the other sub-sections contained in section 16, namely, sub-section (1), (3) & (4). It may be noted that sub-section (2) will not applicable where tax is paid by recipient under reverse charge basis.

1. The conditions for taking input tax credit within stipulated time is prescribed in sub-section (4) which does not override sub-section (1). Whether the provision is mandatory, or directory (procedural) would, in the ultimate analysis, depend upon the intent of the law maker and that has to be gathered not only from the phraseology of the provision but also considering the nature, its design and the consequence which would follow from construing it in one way or other. Procedural provision even if uses “shall”, may be construed as directory if no prejudice is caused. The Supreme Court in the case of **State of U.P. V. Manbodhan Lal Srivastava, 1957 AIR 912**, held that the question as to whether a statute is mandatory, or directory depends upon the intent of the legislature and upon the language in which the intent is clothed. With respect to section 16, there should be no dispute that sub-section (1) is substantive provision whereas sub-section (4) providing time limit to claim the ITC can be considered as procedural in nature. Sub-section (4) is subservient to sub-section (1).
2. In **Suksha International v. UOI - 1989 (39) E.L.T. 503 (S.C.)**, the Hon’ble Supreme Court has observed that an interpretation unduly restricting the scope of beneficial provision is to be avoided so that it may not take away with one hand what the policy gives with the other. Similar observation was made by the Apex Court in the **Formica India v. Collector of Central Excise - 1995 (77) E.L.T. 511 (S.C.)** in observing that once a view is taken that the party would have been entitled to the benefit of the notification had they met with the requirement of the concerned rule, the proper course was to permit them to do so rather than denying to them the benefit on the technical grounds that the time when they could have done so, had elapsed. The law is settled now that substantive benefit cannot be denied for procedural lapses. Procedure has been prescribed to facilitate verification of substantive requirement. The core aspect or fundamental requirement for ITC is goods or services is received with valid documents and used or intended to use in the course or furtherance of business. If this requirement is met, the other procedural deviations can be condoned.
3. Sub-section (4) starts with the wordings “A registered person shall not be entitled to take input tax credit”. This means a registered person shall be entitled to take input tax credit within the stipulated date. In other words, the right of taking the input tax credit must be exercised within the stipulated period. Accounting the input tax credit in books of accounts shall be considered as exercise of such right, i.e., taking the credit. Therefore, input tax credit shown in books of accounts within the stipulated period will fulfill the condition prescribed in sub-section (4). No time limit is provided for availment and utilization of ITC.

### Conclusion

In the premises of above, in the opinion of author, sub-section (1) of section 16 being substantive provision will override sub-section (4). Recording of ITC in books of account can be considered as entitlement to ITC and thereby fulfills the conditions of time limit prescribed in sub-section (4). Therefore, in the instant example, M/s XYZ can avail the ITC in the GSTR-3B after expiry of time limit prescribed in the section 16(4) of the CGST Act.



## GST PE CHARCHA

### Additional Time for GST compliances due to Second Wave of COVID-19 (Part II)

Compiled by **Monarch Bhatt, Advocate**

(Partner at FairLaw Consultancy)



Various GST related due dates and reliefs have been announced by the GST councils in their 43rd and 44th meeting for which notifications have also been issued in June 2021. The major important reliefs related to GST considering the longer effect of second wave of COVID-19 are as follows:

1. Amnesty Scheme for failure to file GSTR 3B – July 2017 to April 2021
2. Maximum cap limit on late fees has been reduced for delayed filing of GSTR 3B and GSTR 1 – From June 2021 onwards
3. Maximum cap limit on late fees has been reduced for delayed filing of GSTR 4 to be filed by composition tax payer– From 2021-2022 onwards
4. Maximum cap limit on late fees has been reduced for delayed filing of GSTR 7 - From June 2021 onwards
5. GSTR 3B Interest & Late Fees Waiver - March 2021, April 2021 & May 2021 and January 2021 to March 2021
6. Deferment of ITC Restriction - April 2021 & May 2021
7. GSTR 1 Extension of Due Date – May 2021
8. GSTR 4 Extension of Due Date – April 2020 to March 2021
9. ITC 4 Extension of Due Date – January 2021 to March 2021
10. Other Due Dates Extensions

Each of these reliefs are discussed in detail below.

#### 1. Amnesty Scheme for failure to file GSTR 3B – July 2017 to April 2021:

In December 2018, notification number 76/2018-Central Tax dated 31.12.2018 was issued for reduction of late fees under GST. As per the notification, late fees for delayed filing of GSTR 3B was reduced to Rs. 25 per day, where there is a tax payment and in case tax payment is nil, late filing fees was reduced to Rs. 10 per day. Hence, effectively late fees are Rs. 50 (25 CGST + 25 SGST) where there is tax payment and Rs. 20 (10 CGST + 10 SGST) for nil tax payment. Further, in the same notification one-time amnesty scheme was announced for complete waiver of late fees for those who have not filed their GSTR 3B for the period July 2017 to September 2018 but filing their returns during the period 22.12.2018 to 31.03.2019.

The notification number 52/2020-Central Tax dated 24.06.2020 amended the notification number 76/2018 and fourth proviso was inserted whereby, second time amnesty scheme was announced for those assesseees who have not filed their GSTR 3B for the period July 2017 to January 2020 by the specified due dates but filing their GSTR 3B between 01.07.2020 to 30.09.2020.

Now, third time the amnesty scheme has been announced by insertion of ninth proviso to original notification number 76/2018-Central Tax whereby, assessee who have not filed their GSTR 3B for the period July 2017 to April 2021 by the specified due dates but filing their GSTR 3B between 01.06.2021 to 31.08.2021 are eligible to avail the benefit of the scheme. The benefit of the scheme are as follows:

Particulars	Benefit if GSTR 3b filed between 01.06.2021 to 31.08.2021
Tax Payable under GSTR 3B is "NIL"	Maximum late fees ₹ 500/- (₹ 250 CGST + ₹ 250 SGST)
Other than "NIL" Tax payable	Maximum late fees ₹ 1,000/- (₹ 500 CGST + ₹ 500 SGST)

**Note 1 :** No such benefit has been granted on the delayed filing of GSTR 1. It is applicable only for GSTR 3B.

**Note 2 :** There is no change in per day late fees payable on delayed filing of GSTR 3B. It is same which is ₹ 25 per day, where there is a tax payment and in case tax payment is nil, late filing fees is ₹ 10 per day.

(Reference Notification Number 19/2021-Central Tax dated 01.06.2021)

**2. Maximum cap limit on late fees has been reduced for delayed filing of GSTR 3B and GSTR 1 – From June 2021 onwards:**

The maximum late fees for delayed filing of GSTR 3B and GSTR 1 has been reduced by waiving the fees which is in excess of the specified amount for the tax period June 2021 onwards for specified class of assessee. The same has been mentioned below:

Particulars	Maximum Late fees if GSTR 3B OR GSTR 1 not filed within the due dates
Tax Payable in the return is "NIL"	Maximum late fees ₹ 500/- (₹ 250 CGST + ₹ 250 SGST)
Other than "NIL" Tax payable Aggregate turnover UPTO 1.5 CRORE	Maximum late fees ₹ 2,000/- (₹ 1,000 CGST + ₹ 1,000 SGST)
Other than "NIL" Tax payable Aggregate turnover MORE THAN 1.5 CRORE and UPTO 5 Crore	Maximum late fees ₹ 5,000/- (₹ 2,500 CGST + ₹ 2,500 SGST)

**Note 1 :** There is no change in per day late fees payable on delayed filing of GSTR 3B. It is same which is ₹ 25 per day, where there is a tax payment and in case tax payment is nil, late filing fees is ₹ 10 per day.

**Note 2 :** The maximum late fees for assessee whose aggregate turnover is more than 5 crore has not been reduced yet which was announced as ₹ 10,000/- in 43rd GST council meeting.

**(Reference Notification Number 19/2021-Central Tax dated 01.06.2021)**

**(Reference Notification Number 20/2021-Central Tax dated 01.06.2021)**

**3. Maximum cap limit on late fees has been reduced for delayed filing of GSTR 4 to be filed by composition tax payer– From 2021-2022 onwards:**

The maximum late fees for delayed filing of GSTR 4 which is to be filed by composition Tax payer has been reduced by waiving the fees which is in excess of the specified amount from 2021-2022 onwards for specified class of assessee. The same has been mentioned below:

Particulars	Maximum Late fees if GSTR 4 not filed within the due dates
Tax Payable in the return is "NIL"	Maximum late fees ₹ 500/- (₹ 250 CGST + ₹ 250 SGST)
Other than "NIL" Tax payable	Maximum late fees ₹ 2,000/- (₹ 1,000 CGST + ₹ 1,000 SGST)

**(Reference Notification Number 21/2021-Central Tax dated 01.06.2021)**

**4. Maximum cap limit on late fees has been reduced for delayed filing of GSTR 7 - From June 2021 onwards:**

The maximum late fees for delayed filing of GSTR 7 has been reduced by waiving the fees which is in excess of ₹ 2,000/- (₹ 1,000 CGST + ₹ 1,000 SGST) for the month of June 2021 onwards.

**(Reference Notification Number 22/2021-Central Tax dated 01.06.2021)**

**5. GSTR 3B Interest & Late Fees Waiver - March 2021, April 2021 & May 2021 and January 2021 to March 2021:**

In December 2018, notification number 76/2018-Central Tax dated 31.12.2018 was issued for reduction of late fees under GST. As per the notification, late fees for delayed filing of GSTR 3B was reduced to ₹ 25 per day, where there is a tax payment and in case tax payment is nil, late filing fees was reduced to ₹ 10 per day. Hence, effectively late fees are ₹ 50 (25 CGST + 25 SGST) where there is tax payment and ₹ 20 (10 CGST + 10 SGST) for nil tax payment.

On 03.04.2020 by issuance of notification number 32/2020-Central Tax, third proviso was added for conditional waiver of late fees for the period February 2020, March 2020 and April 2020, where waiver was granted based on the aggregate turnover of the previous year. Thereafter, again on 24.06.2020 notification number 52/2020-Central Tax was issued and third proviso to the original notification number 76/2018 substituted for the conditional waiver of late fees.

Now again, by issuance of Notification number 19/2021 – Central Tax dated 01.06.2021 the late fees have been waived for the limited period of 15 days for the month of March 2021, April 2021 and May 2021 for the assessee whose aggregate turnover in the preceding financial year is above ₹ 5 Crore. The late fees have been waived for the limited period of 30 days for the month of March 2021, April 2021 and May 2021 for the assessee whose aggregate turnover in the preceding financial year is upto ₹ 5 crore and not opted for the Quarterly Return Monthly Payment (QRMP) Scheme. The late fees have been waived for the limited period of 30 days for the quarter January 2021 to March 2021 for the assessee whose aggregate turnover in the preceding financial year is upto ₹ 5 crore and opted for the Quarterly Return Monthly Payment (QRMP) Scheme.

Similarly, for interest payment by notification number 18/2021-Central Tax dated 01.06.2021, interest has been waived or reduced by insertion of new serial numbers 4 to 7 in first proviso of the notification.

Therefore, notification number 18/2021 and 19/2021 have been issued for waiver of Late fees and waiver or reduction of interest for the month of March 2021, April 2021, May 2021 and quarter January 2021 to March 2021. It is to be noted that due date has not been extended for the filing of GSTR 3B. The bifurcation has been made into three categories based on the aggregate turnover of previous year. The term “aggregate turnover” has been discussed in detail in our last month’s column of GST Charcha.

### 5.1 Tax payer having aggregate turnover of MORE THAN 5 CRORE in the preceding financial year

It is applicable for GSTR 3B to be filed for the month of March 2021, April 2021 and May 2021. It is to be noted that due date for filing of GSTR 3B has not been extended only waiver from the levy of late fees has been provided, if return has been filed within a period of 15 days from the original due dates. 100% relief has not been provided on the interest payment, only interest rates has been reduced which is at the rate of 9% for the delayed period of first 15 days. After 15 days of delay, late fees will be leviable and interest will also be payable at the rate of 18% from the 16th day till the date of filing of return.

The same has been explained in the table below:

Month	Due Date	100% Interest Waiver	9% rate of interest	18% rate of interest	100% waiver of late fees
(1)	(2)	(3)	(4)	(5)	(6)
Mar 21	20.04.2021	N.A.	9% 21.04.21 to 05.05.21	18% 06.05.21 till date of filing of return	05.05.2021
Apr 21	20.05.2021	N.A.	9% 21.05.21 to 04.06.21	18% 05.06.21 till date of filing of return	04.06.2021
May 21	20.06.2021	N.A.	21.06.21 to 05.07.21	18% 06.07.21 till date of filing of return	05.07.2021

Frequently asked questions in respect of delay in compliances in various situations have been discussed below.

**Query 1 :** What are the benefits or consequences, if company is filing GSTR 3B for the month of April 2021 on 04.06.2021?

**Reply :** In this case company is filing GSTR 3B within 15 days from the due date (20.05.2021) of filing of GSTR3B for the month of April 2021. Hence, interest will be payable at the rate of 9% instead of 18% on the delay of first 15 days on the net cash liability and 100% waiver is granted on the payment of late fees.

**Query 2 :** What are the benefits or consequences, if company is filing GSTR 3B for the month of April 2021 on 05.06.2021?

**Reply :** In this case company is filing GSTR 3B on 16th day from the due date (05.06.2021) of filing of GSTR3B for the month of April 2021. Hence, company is entitled for concessional rate of interest at the rate of 9% for the first delay of 15 days and from 16th day interest will be payable at the rate of 18% for 1 day of delay. Further, as company is filing GSTR 3B after 04.06.2021, company will be liable for the payment of late fees for 1 day as 100% waiver on delayed filing of GSTR 3B is applicable only till 04.06.2021.

## 5.2 Tax payer having aggregate turnover of UPTO 5 CRORE in the preceding financial year and opted for monthly filing of GSTR 3B

It is applicable for GSTR 3B to be filed for the month of March 2021, April 2021 and May 2021. It is to be noted that due date for filing of GSTR 3B has not been extended. 100% relief has been provided on the applicability of interest, if it is filed within the specified period of 15 days and thereafter for further period of 45 days or 30 days or 15 days interest is applicable at the rate of 9% and thereafter interest is applicable at the rate of 18%. Further, benefit of 100% waiver from late fees is eligible to the tax payer, if return has been filed within the period of 60 days or 45 days or 30 days from the original due dates.

Month	Due Date	100% Interest Waiver	9% rate of interest	18% rate of interest	100% waiver of late fees
(1)	(2)	(3)	(4)	(5)	(6)
Mar 21	20.04.2021	NIL 21.04.21 to 05.05.21	9% 06.05.21 to 19.06.21	18% 20.06.21 till date of filing of return	19.06.2021
Apr 21	20.05.2021	NIL 21.05.21 to 04.06.21	9% 05.06.21 to 04.07.21	18% 05.07.21 till date of filing of return	04.07.2021
May 21	20.06.2021	NIL 21.06.21 to 05.07.21	9% 06.07.21 to 20.07.21	18% 21.07.21 till date of filing of return	20.07.2021

## 5.3 Tax payer having aggregate turnover of UPTO 5 CRORE in the preceding financial year and opted for Quarterly Return Monthly Payment Scheme (QRMP) for filing of GSTR 3B

It is applicable for GSTR 3B to be filed for the quarter January 2021 to March 2021. It is to be noted that due date for filing of GSTR 3B has not been extended. 100% relief has been provided on the applicability of interest, if it is filed within the specified period of 15 days and thereafter for further period of 45 days interest is applicable at the rate of 9% and thereafter interest is applicable at the rate of 18%. Further, benefit of 100% waiver from late fees is eligible to the tax payer, if return has been filed within the period of 60 days from the original due dates.

The due dates for such tax payers have been announced in staggering manner. Therefore, the same has been explained by way of two different table as per the states.

**CLASS 1** - Tax payer having an aggregate turnover of UPTO 5 CRORE in the preceding financial year and OPTED FOR QRMP SCHEME and whose principal place of business is in the state of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh or Union territories of Daman & Diu & Dadra & Nagar Haveli, Puducherry, Andaman & Nicobar Islands and Lakshadweep.

Month	Due Date	100% Interest Waiver	9% rate of interest	18% rate of interest	100% waiver of late fees
(1)	(2)	(3)	(4)	(5)	(6)
Jan 21 to Mar 21	22.04.2021	NIL 23.04.21 to 07.05.21	9% 08.05.21 to 21.06.21	18% 22.06.21 till date of filing of return	21.06.2021

**CLASS 2** - Tax payer having an aggregate turnover of UPTO 5 CRORE in the preceding financial year and OPTED FOR QRMP SCHEME and whose principal place of business is in the state of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha or the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi.

Month	Due Date	100% Interest Waiver	9% rate of interest	18% rate of interest	100% waiver of late fees
(1)	(2)	(3)	(4)	(5)	(6)
Jan 21 to Mar 21	24.04.2021	NIL 25.04.21 to 09.05.21	9% 10.05.21 to 23.06.21	18% 24.06.21 till date of filing of return	23.06.2021

In view of the above, it is to be noted that due date for filing of GSTR 3B to be filed for the month of March 2021, April 2021, May 2021 and for the quarter January 2021 to March 2021 has not been extended only late fees have been waived for a period of 60 days or 45 days or 30 days, as the case may be. 100% waiver of interest is not applicable to the assessee having aggregate turnover of preceding financial year more than 5 crore and they are entitled for the only reduced rate of interest benefit for the first delay of 15 days. The assessee having aggregate turnover upto 5 Crore are entitled for the 100% waiver from the payment of interest for the first 15 days and thereafter for a further delay of 45 days or 30 days or 15 days at the rate of 9% and thereafter interest will be applicable at the rate of 18%.

***(Reference Notification Number 18/2021-Central Tax dated 01.06.2021)***

***(Reference Notification Number 19/2021-Central Tax dated 01.06.2021)***

#### **6. Deferment of ITC Restriction - April 2021 & May 2021:**

As per Rule 36 (4) of CGST Rule, 2017 Input Tax Credit for availment of unmatched invoices / debit notes has been restricted and only 5% of ITC can be availed in excess of matched invoices / debit notes to the extent it has been unmatched. This is required to be done while availing the ITC on monthly basis.

The relief has been provided and this provision has been deferred for the month of April 2021 and May 2021. Therefore, relief has been provided from this provision for the month of April 2021 and May 2021. Assessee can avail the ITC available with him without matching it with GSTR 2A report while filing GSTR 3B for the month of April 2021 and May 2021. The ITC is required to be matched cumulatively while filing GSTR 3B for the month or quarter ending June 2021.

In other words, while filing GSTR 3B of June 2021, assessee is required to match the ITC for the month of April 2021, May 2021 and June 2021 with GSTR 2A and unmatched ITC needs to be reversed, if it goes beyond 5% of matched ITC of the said period.

***(Reference Notification Number 27/2021-Central Tax dated 01.06.2021)***

#### **7. GSTR 1 Extension of Due Date – May 2021:**

The due date for filing of GSTR 1 for the month of May 2021 has been extended till 26.06.2021 for all the assessee who are filing GSTR 1 on monthly basis.

The assessee opted for QRMP Scheme and want to upload the invoices for the month of May 2021 availing the Invoice Furnishing Facility (IFF) can upload the same during the period 01.06.2021 to 28.06.2021.

***(Reference Notification Number 17/2021-Central Tax dated 01.06.2021)***

***(Reference Notification Number 27/2021-Central Tax dated 01.06.2021)***

#### **8. GSTR 4 Extension of Due Date – April 2020 to March 2021:**

The annual return under form GSTR 4 is required to be filed by the Composition tax payers. The due date for filing of form GSTR 04 for the period April 2020 to March 2021 has been extended till 31.07.2021.

***(Reference Notification Number 25/2021-Central Tax dated 01.06.2021)***

#### **9. ITC 4 Extension of Due Date – January 2021 to March 2021:**

The return under form ITC 4 is required to be filed for the inputs or capital goods sent to the job worker and received back from a job worker on quarterly basis. The due date for filing of form ITC 4 for the period January 2021 to March 2021 has been extended till 30.06.2021.

***(Reference Notification Number 26/2021-Central Tax dated 01.06.2021)***

#### **10. Other Due Dates Extension:**

##### **10.1 Extension for submission of Appeal or Reply to Show Cause Notice and other Returns:**

Time limit for filing of any appeal, reply or application or furnishing of any report, document, return, statement or such other record, by whatever name called, which is required to be filed under GST

provisions and such due date is falling during the period 15.04.2021 to 29.06.2021 has been extended upto 30.06.2021.

In view of the above, the time limit for submission of appeal or reply to Show Cause Notice which is due between the period 15.04.2021 to 29.06.2021 has been extended upto 30.06.2021.

In view of this, the due dates for other returns which is falling during the period 15.04.2021 to 29.06.2021 and not specifically provided has also been extended to 30.06.2021. For example, it is also applicable to the following returns.

Due Date	Return and Purpose
30.06.2021	GSTR 06 – Return to be filed by Input service Distributor
30.06.2021	GSTR 07 – Return for Tax Deducted at Source
30.06.2021	GSTR 08 – Return for Tax Collection at Source
30.06.2021	GSTR 05 - Return to be filed by Non-Resident Taxable Person

This extension is not applicable to-

- ❖ Time limit for issuance Tax invoice
- ❖ Registration
- ❖ Filing of GSTR 1 and GSTR 3B returns
- ❖ Levy & Late fees, Waiver of late fees
- ❖ E-way bills
- ❖ Interest, penalty & other amounts
- ❖ Power to arrest
- ❖ Detention, seizure and release of goods & conveyances in transit, etc.

**(Reference Notification Number 24/2021-Central Tax dated 01.06.2021)**

#### **10.2 Extension of Due Dates for Authority or Commission or Tribunal:**

Time limit for completion of any proceeding or passing of any order or issuance of any notice, intimation, notification, sanction or approval or such other action, by whatever name called, by any authority, commission or tribunal, by whatever name called, under the provisions of the GST Act has been extended to 30.06.2021, if such due date is falling during the period 15.04.2021 to 29.06.2021.

**(Reference Notification Number 24/2021-Central Tax dated 01.06.2021)**

#### **10.3 Extension of time for issuance of refund order and submission of reply:**

As per the GST provisions, officer shall issue refund order within a period of 60 days from the date of receipt of complete refund application. The cases where due dates are falling within the period 15.04.2021 to 29.06.2021, time for submission of reply to notices has been extended till 30.06.2021 and therefore, time for issuance of refund order by officer has also been extended by 15 days after receipt of reply to notice or 30.06.2021 whichever is later.

**(Reference Notification Number 24/2021-Central Tax dated 01.06.2021)**

#### **10.4 Extension of time for issuance of registration certificate and verification of application:**

As per Rule 9 of CGST Rules, 2017 the registration shall be granted within 7 working days from the date of submission of application. If there are any deficiency, officer shall issue notice to the applicant under form GST REG 03 within a period of 7 working days and thereafter applicant shall submit a reply under form GST REG 04 within 7 working days. The extension has been granted for this entire registration process which is falling during the period 01.05.2021 to 30.06.2021 and it can be completed within the extended period till 15.07.2021.

**(Reference Notification Number 24/2021-Central Tax dated 01.06.2021)**



## STUDENTS' CORNER

## CRUX OF TECHNICAL ANALYSIS

*Compiled by Neel Randeria*

It is my sincere request in the very beginning, to approach this write-up as a discussion and not as an article. Basically, this write-up is to induce few questions regarding stock markets. So, are all stock market aficionados ready?

Assuming majority of the readers would be investing in markets, the fundamental goal of every investor is clear- To predict the future prices and take positions accordingly. But, how to forecast future prices? There are 2 broad methods- Fundamental and Technical Analysis. The former studies intrinsic value of shares using financials of companies to conclude whether there is under or over valuation. The latter uses charts to predict future movements of prices. The intent of this write-up is to discuss about technical analysis because retail investors are not much acquainted with it and those who refer charts, too lack the roots of technical analysis. Thus, let us dive into this concept right away.

Being a commerce student, I had always heard that before investing in any stock, we should thoroughly read its financial statements and check its ratios. But later I came to know that there is a school of thought that preaches that- financial statements and ratio analysis are not at all important while investing in markets; and this made me uncomfortable. That school of thought was- Technical Analysis. I did not believe this in the first instance, but there are people earning fortunes just due to this concept. Hence, I started reading the best book available on Technical Analysis, written by John Murphy, and following is what I interpret.

Technical analysis is a concept built on 3 pillars.

1. History repeats itself.
2. Prices move in trends.
3. Price & Volume reflect everything.

A technical analyst (referred as- chartist) does not concern himself with the reasons of rise or fall in price. He is aware that there might be some factors leading to a change in price, but he is not bothered with the reasons at all. Rather, he is of the opinion that- charts used for technical analysis uses just 2 things- price and volume; which are enough to forecast future price changes because- if everything that affects market price is ultimately reflected in market price, then the study of that market price is all that is necessary. Isn't this true?

In the study of technical analysis, the most important role is played by past data. Chartists state that- future is nothing but just a repetition of past. The logic is straightforward- patterns that work in past will surely work in future because they are based on human psychology which does not change. But just like majority of concepts have criticisms, logic of technical analysis too has few.

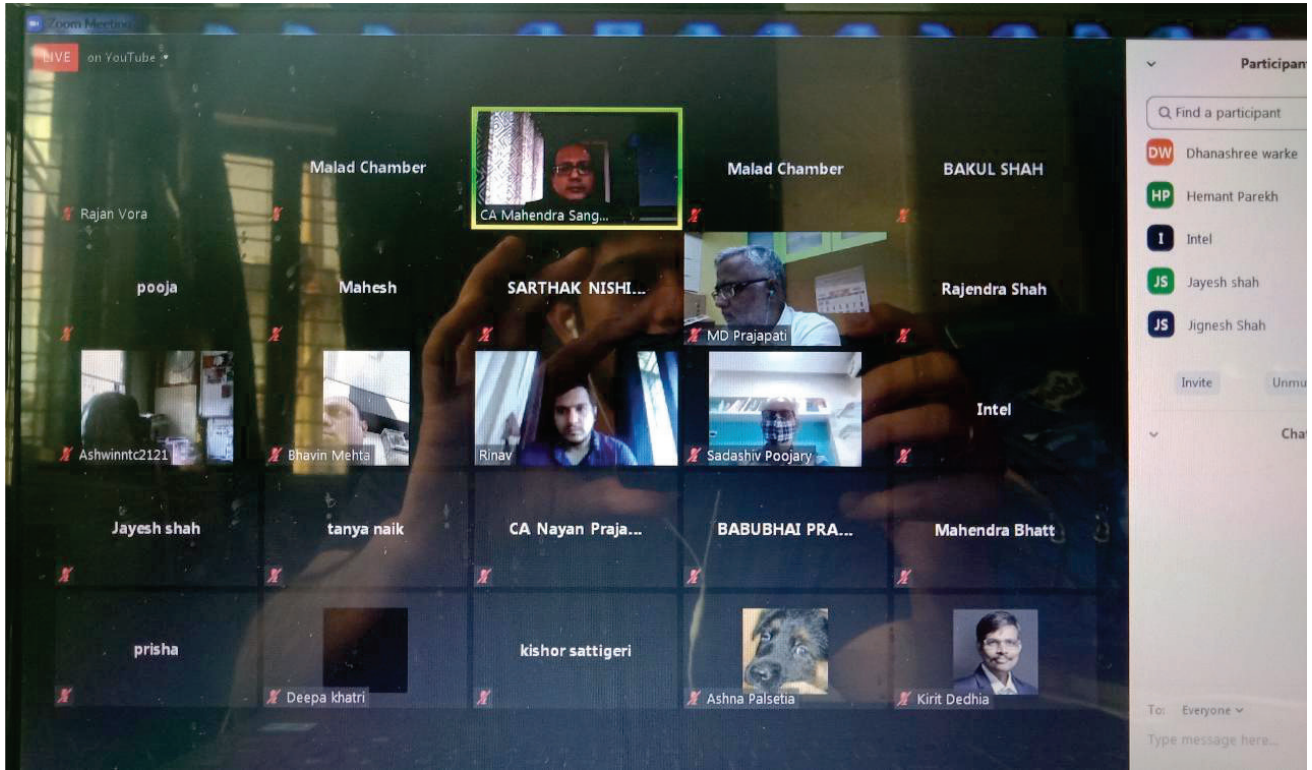
One of the biggest critic of this logic is **Random Walk Hypothesis**. This is a mathematical model which states that- price changes are random and unpredictable. There can be no trends. Past data is not a reliable indicator of future price direction. In short, price is serially independent. On the other hand, the technical analysis community totally rejects the presence of randomness in markets. What do you think? As for me, I would like to quote Nassim Nicholas Taleb:

***Mild success can be explainable by skills and labour. Wild success is attributable to variance.***





# 13TH STUDY CIRCLE MEETING HELD ON 22ND MAY, 2021

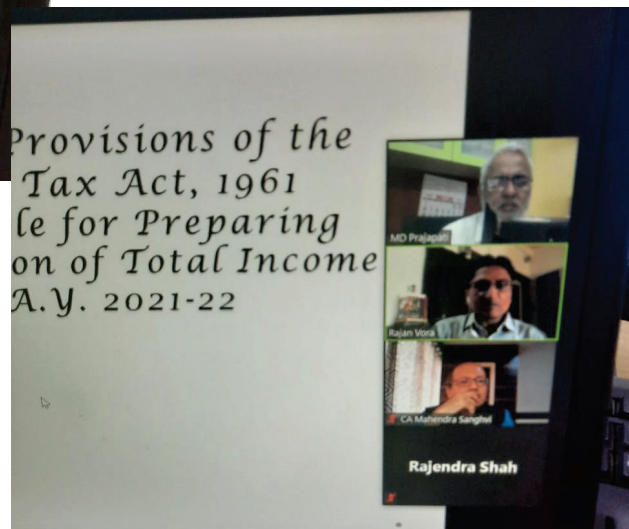


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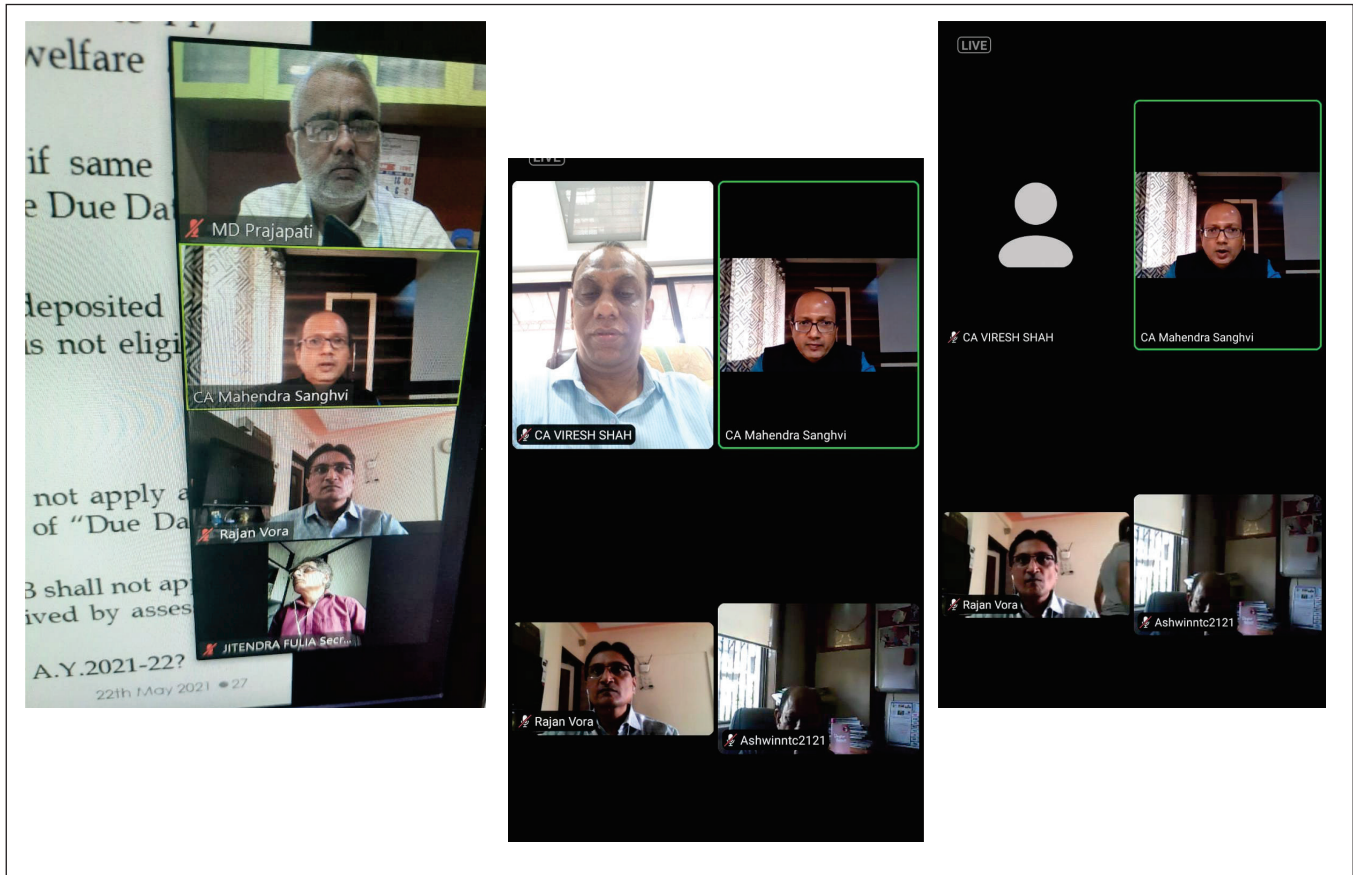
> Deductions/Exemptions allowable ....

Section	Particulars
10(10)	Exemption for gratuity
10(10A)	Exemption for pension
10(10AA)	Exemption for leave encashment
10(10B)	Exemption for retrenchment compensation
10(10D)	Exemption for sum received under the life insurance policy
10(11)	Exemption for payment received from statutory provident fund
10(12)	Exemption for payment received from recognized provident fund
10(12A)/(12B)	Exemption for payment received from NPS

MD Prajapati  
Rajan Vora  
Rajendra Shah



**13TH STUDY CIRCLE MEETING HELD ON 22ND MAY, 2021**



**Disclaimer :** Though utmost care is taken about the accuracy of the matter contained herein, the Chamber and/or any of its functionaries are not liable for any inadvertent error. The views expressed herein are not necessarily those of the Chamber. For full details the readers are advised to refer to the relevant Acts, Rules and relevant Statutes.

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