

**PROFESSIONAL PROGRAMME**  
**(NEW SYLLABUS)**  
**SUPPLEMENT**  
**FOR**  
**ADVANCED TAX LAWS**

**(Part II - Direct Tax and International Tax)**

**(Relevant for Students appearing in December, 2021 Examination)**

**MODULE 1- PAPER 2**

Students appearing in December, 2021 Examination shall note the following:

1. For Direct taxes, Finance Act, 2020 is applicable.
2. Applicable Assessment year is 2021-22 (Previous Year 2020-21).
3. For Indirect Taxes: Goods and Services Tax 'GST' & Customs Law is applicable for Professional Programme (New Syllabus)

Students are also required to update themselves on all the relevant Rules, Notifications, Circulars, Clarifications, etc. issued by the CBDT, CBIC & Central Government, on or before 31<sup>st</sup> May, 2021.

*Note: The Finance Act, 2020 i.e. Assessment year is 2021-22 (Previous Year 2020-21) is applicable for Direct Tax & International Taxation Part – II for December 2021 examinations. Therefore, the students are advised to refer the study material for Direct Tax & International Taxation Part – II (based on Finance Act, 2020) for December 2021 exam. The same is available at ICSI website weblink:*

*<https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf>*

Sr. No.	Lesson No.	Amendments to Regulations /Rules /Act /Circular /Notification	Weblink (For Details)
1.	Lesson 18  Taxation of Companies, LLP and Non-Resident	<p><b>Imposition of charge on the prescribed electronic modes under section 269SU of the Income-tax Act, 1961 [Circular No. 16/2020 Dated August 30, 2020]</b></p> <p>Section 269SU of the Income tax Act, 1961 provides every person having a business turnover of more than Rs. 50 Crores during the immediately preceding previous year shall mandatorily provide facilities for accepting payment through prescribed electronic modes.</p> <p>However representations were received that banks are collecting charges on transactions carried out through UPI.</p> <p><i>Hence, Central Board of Direct Taxes 'CBDT' vide its Circular No. 16/2020 Dated August 30, 2020 advised banks to refund all the charges collected on and after 1st January 2020 on transactions carried out using the electronic modes as prescribed under section 269SU and not to impose any such charges on any future transactions carried through the prescribed digital modes.</i></p>	<a href="https://www.incometaxindia.gov.in/communications/circular/circular-16-2020.pdf">https://www.incometaxindia.gov.in/communications/circular/circular-16-2020.pdf</a>
2.	Lesson 20  Basics of International Taxation – Transfer Pricing	<p><b>Notification No. 83 (October 19, 2020)</b></p> <p>The Central Government vide Notification No. 83 Dated October 19, 2020 notifies that where the variation between the arm's length price determined under section 92C of the Income tax Act, 1961 and the price at which the international transaction or specified domestic transaction has actually been undertaken does not exceed 1% of the latter in respect of wholesale trading and 3% of the latter in all other cases, the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price for assessment year 2020-2021.</p> <p><i>Accordingly, the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price if the variation between the arm's length price and the price at which the international transaction or specified domestic transaction has actually been undertaken does not exceed 1% of the latter in respect of wholesale trading and 3% of the latter in all other cases.</i></p>	<a href="https://www.incometaxindia.gov.in/communications/notification/notification_83_2020.pdf">https://www.incometaxindia.gov.in/communications/notification/notification_83_2020.pdf</a>
3.	Lesson 18  Taxation of Companies, LLP & Non-Resident	<p><b>Amount of remuneration prescribed under section 9A(3)(m) of the Income-tax Act, 1961 (Circular No. 1/2021 Dated January 15, 2021)</b></p> <p>Finance (No 2) Act, 2019 amended clause (m) of sub-section (3) of section 9A of the Income-tax Act, 1961 w.e.f. 01.04.2019 to provide for payment of remuneration by an eligible investment fund to an eligible fund manager in respect of fund management</p>	<a href="https://www.incometaxindia.gov.in/communications/circular/circular_1_2021.pdf">https://www.incometaxindia.gov.in/communications/circular/circular_1_2021.pdf</a>

		<p>activity undertaken by him on its behalf to be not less than the amount calculated in such manner as may be prescribed.</p> <p>Accordingly, rule 10V of the Income-tax Rules, 1962 has been amended, w.e.f. 01.04.2019, vide Notification No 29/2020 dated 27.05.2020 by way of insertion of sub-rules (12) and (13) as follow:</p> <p>Sub-rule (12) provides for the amount of remuneration to be paid by the fund to a fund manager. 2nd proviso of the said sub-rule provides that the fund may seek Board's approval in case where the amount of remuneration is lower than the amount so prescribed.</p> <p>In this regard, representations have been received expressing inability to comply with the provisions of sub-rule 12 of rule 10V of the Rules regarding the amount of remuneration to be paid by the fund to a fund manager for the financial year 2019-20 as the said Notification No 29/2020 was notified after the financial year got over and the financial year 2020-21 had already commenced.</p> <p><i>In order to avoid genuine hardship in such cases, the Board, provided that for the financial years 2019-20 and 2020- 21 in cases where the remuneration paid to the fund manager is lower than the amount of remuneration prescribed under sub-rule (12) of rule 10V of the Rules, but is at arm's length, it shall be sufficient compliance to clause (m) of sub-section (3) of section 9A of the Act. It is stated that the remuneration to be paid to the fund manager, for the financial year 2021- 22, shall be in accordance with sub-rule (12) of rule 10V of the Rules and the application for lower remuneration in terms of 2nd proviso for this year, if any, may be filed not later than 1<sup>st</sup> February, 2021.</i></p>	
4.	<p><b>Lesson 18</b></p> <p><b>Taxation of Companies, LLP and Non-resident</b></p>	<p><b>Thresholds for the purposes of Significant Economic Presence - Rule 11UD [Notification No. 41 Dated May 3, 2021]</b></p> <p>The Central Board of Direct Taxes has notified the Income-tax (13th Amendment) Rules, 2021 which shall come into force from 1st April 2022. Through this amendment a new rule 11UD has been inserted which notifies the threshold for significant economic presence.</p> <p>As per the new rule, for the thresholds “the amount of aggregate of payments arising from transaction or transactions in respect of any goods, services or property carried out by a non-resident with any person in India, including provision of download of data or software in India during the previous year, shall be <b>two crore rupees.</b>”</p> <p>Further, the number of users with whom systematic and continuous</p>	<p><a href="https://www.incometaxindia.gov.in/communications/notification/notification_41_2021.pdf">https://www.incometaxindia.gov.in/communications/notification/notification_41_2021.pdf</a></p>

		<p>business activities are solicited or who are engaged in interaction shall be <b>three lakhs</b>.</p> <p><i>Accordingly, the threshold limit has been notified for the purpose of significant economic presence.</i></p>	
5.	<p><b>Lesson 22</b></p> <p><b>Income Tax Implication on specified transactions</b></p>	<p><b>Income-tax (16th Amendment) Rules, 2021 [Notification No. 68 Dated May 24, 2021]</b></p> <p>The Central Board of Direct Taxes on 24th May 2021 has published the Income- tax (16th Amendment) Rules, 2021 which has notified a new rule for computation of fair value of capital assets in slump sale. As per the Amendment a new rule 11UAE has been inserted which provides two formulae for calculation of fair market value of the capital asset.</p> <p><i>The FMV1 shall be the fair market value of the capital assets transferred by way of slump sale determined and FMV2 shall be the fair market value of the consideration received or accruing as a result of transfer by way of slump sale.</i></p>	<p><a href="https://www.incometaxindia.gov.in/communications/notification/notification_68_2021.pdf">https://www.incometaxindia.gov.in/communications/notification/notification_68_2021.pdf</a></p>