

# Majmudar & Partners

INTERNATIONAL LAWYERS

## **CELEBRATING INCOME TAX DAY – INDIA**

**JULY 24, 2022**

A look back at some of the key recent updates with significant implications.

## Retrospective application of Indirect Share Transfer provisions nullified

Indian tax authorities have clarified that capital gains tax will not be levied on indirect share transfers that have been undertaken prior to May 28, 2012. See our update discussing these changes in detail [here](#).

## Digital Service Tax

India and the US have agreed to withdraw unilateral measures with regard to Digital Service Tax upon implementation of Pillar One of BEPS. The applicable interim period will be from April 1, 2022 until the implementation of Pillar One or March 31, 2024, whichever is earlier. See our recent case law update on India's digital tax (equalisation levy) [here](#).

## Virtual Digital Assets Tax

Indian tax authorities have clarified that the transfer of virtual digit assets (i.e., cryptocurrencies) will be taxed at 30% and a tax withholding of 1% will be levied. See our update on the legal validity of cryptocurrency [here](#) and our update on the Cryptocurrency Bill, 2021 [here](#).

## Signing of 62 Advance Pricing Agreements

The Central Board of Direct Taxes has entered into sixty-two (62) Advance Pricing Agreements in financial year 2021-22 with Indian taxpayers, despite the economic and social disruption caused by the pandemic.

## Ease of compliance for foreign residents

The Central Board of Direct Taxes has exempted non-resident entities that are located in an International Financial Services Centre from filing income tax returns.

## Updated tax return can be filed after end of time limit

Indian tax law now allows filing an updated return for errors or mistakes made in a tax return within two (2) years from the end of the financial year. See our update on Union Budget 2022 where this relaxation was announced, [here](#).

## **Tax relief on Covid-19 treatment expenses and compensation**

Indian tax law grants a tax exemption to persons who received money for Covid-19 medical treatment from their employer or any other person.

## **Faceless Assessment and Appeal Schemes**

Indian tax authorities have started utilizing technology and have done away with prolonged tax proceedings through the Faceless Assessment Scheme and the Faceless Penalty Scheme. The Faceless Appeal Scheme was also recently notified.

## **Lower tax regime for manufacturing companies extended to March 31, 2024**

The date of commencement of manufacturing or production has been extended from March 31, 2023 to March 31, 2024, for domestic companies to avail the lower tax rate of 15%.

## **Changes to the Advanced Rulings regime**

The Authority of Advanced Rulings has been replaced by the Board of Advanced Rulings, to provide rulings in a faster and timely manner.

## **Attempts to reduce the volume of tax litigation**

A new provision in the Indian tax law will prevent the tax authorities from filing repeated appeals in the High Courts and Supreme Court on a question of law that is already pending before a jurisdictional High Court or the Supreme Court.

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