



**Bengaluru Branch of SIRC of ICAI**

Institute of Chartered Accountants of India  
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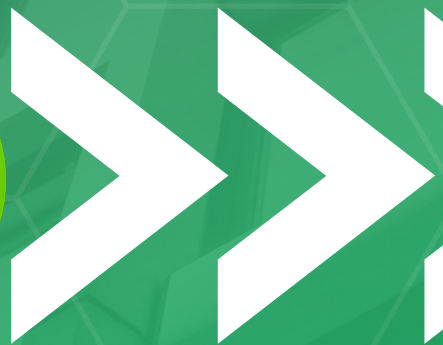


**SOUTHERN INDIA CHARTERED ACCOUNTANTS STUDENTS ASSOCIATION  
SICASA, BENGALURU**

**SICASA**

*News Letter*

September-2022



**OECD**



<https://bangaloreicai.org/>



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Bangalore Branch of SIRC of ICAI

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**It is better to be  
roughly right than  
precisely wrong**

**John Maynard Keynes**

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## CHAIRMAN's MESSAGE||

*Dear Students,*

Who doesn't know dreams and dreaming? Everyone knows that, because dreams born along with us. We see various types of dreams, but today what I am going to tell you that, the dream what you see it should change your life. I mean always dream big, there is absolutely no harm in dreaming big, no taxes, no side effects. Evaluate your dreams, discuss with near and dear ones and put it into action immediately. Never delay your dreams, if you delay it somebody else may overtake your dreams, only caution is never ever become a day dreamer. I would like to quote Dr. APJ Abdul Kalam here **“Dreams are not what you see in your sleep, dreams are those that don't let you sleep”**

My message to you friend always:

*Dream big*

*Think Big*

*Grow big*

My best wishes to your upcoming exams.

*Endeavour to Evolve*

*Engage to Excel*

Best Regards

**CA Srinivasa.T**

**Chairman**

**Bangalore Branch of SIRC of ICAI**



# SICASA CHAIRPERSON'S MESSAGE||

Dear Wannbe CAs,

Greetings from SICASA Bengaluru !

*“Don't settle for average. Bring your best to the moment. Then, whether it fails or succeeds, at least you know you gave all you had.” —Angela Bassett quoted.*

It is time for your exams, which is relevant to you all. CA Exams are one the toughest exams in the country, and you all have to be proud that you are not just attempting such tough exams but also coming out with flying colours from such exams. Just focus and get the best in you. Every time, you do this, you will find a newer version of yourself who is much stronger than yesterday. So, Good Luck to you!

SICASA is coming out with a MOOT Tribunal competition on 14th October 2022. I request you all to come and witness this first of its kind event happening in our own Branch.

The National Conference is fast approaching, and SICASA is working on a program schedule that will bring you varied interesting as well as informative topics. The conference will be designed in a way to enrich your knowledge not just from exams perspective but also provide you with an understanding of the latest happenings in the commerce world. I am excited and eagerly looking forward to seeing you all as speakers and audience.

Good luck and loads of love to you all,☺

Yours Truly,

**Kavitha Paramesh**

**Chairperson – SICASA**

**Bengaluru Branch of ICAI of SIRC**

# DECODING THE LEGAL JARGONS||

## De Jure –by right



**D**e **jure** means a state of affairs that is in accordance with law (i.e. that is officially sanctioned). Most commonly, these phrases are used to describe the source of a business or governmental leader's authority, but they apply to a wide variety of situations. Here are some example sentences that use the phrases:

- “Our country is going through some very difficult times. We have an elected prime ministry, but he has no actual power. Instead, the general who sits at the head of the military is the *de facto* ruler of the nation”.
- “I know that, *de jure*, this is supposed to be a parking lot, but now that the flood has left four feet of water here, it's a *de facto* swimming pool”.

Many international business matters and legal issues will involve **these concepts**. Rare are the businesses that can afford, for business or financial reasons, to get official counsel on all matters. As a result, practical solutions will often be carried out for many years before it is discovered that a law, regulation or official policy has been overlooked. The precise terms of **contracts in particular**, especially in form agreements, will often be disregarded during normal operations as business partners work through issues in practical ways that are outside or in conflict with the terms of the agreement.

# EQUALIZATION LEVY 2.0 ||

## INTRODUCTION

Information Technology has seen an increased growth phase in India and internationally in the last decade. This has resulted in an increase in the supply and purchasing of online services. This has given rise to a number of business models, where there is a heavy dependence on online and telecommunications networks.

With so many companies providing services in the whole world, they register themselves in a country wherein the tax rates are very low and pay very low taxes on their global income. So, government introduced equalization levy to give effect to one of the guidance of OECD.

While the OECD is working towards developing consensus on an inclusive framework to address tax challenges from digitalisation of the economy, several countries have introduced unilateral measures to tax the digital economy. In 2016, India introduced an Equalisation Levy on revenue earned by non-residents from online advertising and related services. In 2019, the Indian Income tax law was amended to introduce the concept of 'significant economic presence'. However, while passing the Finance Act 2020, the Indian government deferred its implementation, citing the absence of effective measures in the tax treaties. What came as a surprise to everyone was the introduction of an Equalization Levy on sales of goods and services in India by overseas e-commerce operators, which did not form part of the original Union Budget 2020-21 proposals. This levy was effective from 1 April 2020 and in its present form, has wide-ranging coverage.

## EQUALIZATION LEVY

The Equalisation Levy introduced by the Finance Act 2016, was charged at 6% on certain online advertising and related services. The Finance Act 2020 amended the Finance Act 2016, introducing a new Equalisation Levy at 2% on the consideration received/receivable by an e-commerce operator from the following

transactions (e-commerce supply or services):

- Online sale of goods owned by the e-commerce operator; or
- Online provision of services provided by the e-commerce; or
- Online sale of goods or provision of services or both, facilitated by the e-commerce operator; or
- Any combination of the above-mentioned activities.

The levy is applicable on consideration received by the e-commerce operator on the above transactions from a:

- Person resident in India
  - Non-resident, where the:
1. Sale of advertising, which targets a customer who is resident in India, or a customer who accesses the advertising through an IP address located in India; and
  2. Sale of data, collected from a person who is resident in India or from a person who uses an IP address located in India
  3. Person, who buys goods or services, or both, uses an IP address located in India.

Thus, the levy captures online sales of any goods or provision of any services by or through a non-resident e-commerce operator.



## KEY FEATURES

### UNDERSTANDING THE IMPACT

The consideration subject to the Equalisation Levy has been exempted from Indian Income tax and thus not subject to tax withholding. Further, no credit is available for the Equalisation Levy against the Income tax liability in India. While the Equalisation Levy is imposed at 2%/6%, as the case may be, the rate of tax withholding on certain transactions could be anywhere from 10% to 20%. To analyse the overall impact, one needs to consider the credit for withholding tax that may be available in the country of residence. Thus, a threadbare examination of certain services may be required to determine whether they are subject to the Equalisation Levy or Withholding taxes.

### EXCLUSION

The levy does not apply in the following cases:

1. E-commerce operator has a Permanent Establishment in India and the e-commerce supplies or services are effectively connected with such Permanent Establishment
2. Transactions covered by the Equalisation Levy under Finance Act 2016;
3. Where sales, turnover or gross receipts from e-commerce supplies or services is less than INR 20 million during the relevant tax year.

### COMPLIANCE

Unlike the earlier Equalisation Levy which required the levy to be deducted by the service recipient, the new levy is to be collected by the e-commerce operator. The e-commerce operator is required to deposit the levy to the credit of the Indian treasury on a quarterly basis:

Quarter Ending On	Due Date of Payment
30-Jun	07-Jul
30-Sep	07-Oct
31-Dec	07-Jan
31-Mar	31-Mar

### EXTRA-TERRITORIAL OPERATION

Transaction(s) between two non-residents where either the market place is in India or the IP address is Indian, are brought under the ambit of the new levy. Based on a plain reading of the law, the levy would cover transactions of a non-resident tourist purchasing goods or services on a non-resident-operated e-commerce platform, using an Indian IP address (irrespective of the place of consumption and the mode of payment). Thus, even where the transaction is between two non-residents, the payment is made from a foreign bank account, and the goods or services consumed overseas could be subject to the levy, merely due to use of an India IP address. Practical operation and implementation of the levy in such a situation may be a different challenge.

Another challenge could be in attributing the income in the case of a consolidated consideration. For instance, a Multinational Enterprise might implement a global advertising campaign to target global audiences, for which purpose it approaches a digital platform operator and agrees a consolidated fee. In this case, there would be challenges in allocating the consideration in relation to the targeted Indian audience.

### GLOBAL REACTIONS

Major tech giants across the globe have expressed their concerns over the new levy, remarking that the effective time window for them to comply with the new levy is too short. Many have also expressed concern that their systems would need to keep track of IP addresses, and their invoicing systems may require considerable overhaul. On the other hand, businesses have raised concerns over unilateral measures adopted by these countries without waiting for a global consensus. While digitalisation of the economy has solved many business challenges, it has given rise to tax challenges, which appear to be far from being solved.

The Organisation for Economic Co-operation and Development (OECD) is a group of 37 member countries that discuss and develop economic and social policy. OECD members are typically democratic countries that support free-market economies.

## INTRODUCTION

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- Members of the Organisation for Economic Co-operation and Development (OECD) are typically democratic countries that support free-market economies.
- The stated goal of the Organisation for Economic Co-operation and Development (OECD) is to shape policies that foster prosperity, equality, opportunity and well-being for all.
- The Organisation for Economic Co-operation and Development (OECD) was established on Dec. 14, 1960, by 18 European nations, plus the United States and Canada.
- The organization is headquartered in the Chateau de la Muette in Paris, France.

The OECD is variously referred to as a think tank or a monitoring group. Its stated goal is to shape policies that foster prosperity, equality, opportunity and well-being for all. Over the years, it has dealt with a range of issues, including raising the standard of living in member countries, contributing to the expansion of world trade, and promoting economic stability. The OECD was established on Dec. 14, 1960, by 18 European nations, plus the United States and Canada. It has expanded over time to include members from South America and the Asia-Pacific region. It includes most of the world's highly developed economies.

In 1948, in the aftermath of World War II, the Organisation for European Economic Co-operation (OEEC) was established to administer the predominantly U.S.-funded Marshall Plan for post-war reconstruction on the continent. The group emphasized the importance of working together for economic development, with the goal of avoiding any more decades of European warfare.<sup>5</sup> The OEEC was instrumental in helping the European Economic Community (EEC), which has since evolved into the European Union (EU), to establish a European Free Trade Area.

In 1961, the OECD articles from the December 1960 convention went into effect, and the United States and Canada joined the European members of the OEEC, which changed its name to OECD to reflect the broader membership. The organization is headquartered in the Chateau de la Muette in Paris, France.

The OECD maintains a so-called "black list" of nations that are considered uncooperative tax havens, although there are not any nations currently on the list since by 2009, all nations on the original list had made commitments to implement the OECD standards of transparency. The OECD is leading an effort with the Group of 20 (G20) nations to encourage tax reform worldwide and eliminate tax avoidance by profitable corporations. The recommendations presented for the project included an estimate that such avoidance costs the world's economies between \$100 billion and \$240 billion in tax revenue annually. The group also provides consulting assistance and support to nations in central Asia and eastern Europe that implement market-based economic reforms.

# NEWS UPDATE||

## National Update

### **Stock Radar: After 20% rally in 3 months, this smallcap holds above 55-EMA on daily charts**

Craftsman Automation, part of the S&P BSE Small cap index, rose 30 per cent in the last 3 months which helped the index to break above 6-month consolidation in July to hit a fresh 52-week high above Rs 3,000 in September.

The stock rose from Rs 2,378 on 7 July 2022 to Rs 2,925 as on 7 October 2022 which translates into an upside of about 23 per cent. The stock hit a fresh 52-week high of Rs 3,005 on 20 September but failed to hold on to the momentum.

<https://economictimes.indiatimes.com/markets/stocks/news/stock-radar-after-20-rally-in-3-months-this-smallcap-holds-above-55-ema-on-daily-charts/articleshow/94737843.cms>

### **IDBI Bank Privatisation: Financial bids likely by march, sale process to conclude by sept**

The financial bids for IDBI Bank privatisation is likely to be invited by March and the conclusion of the sale process is expected in the next financial year, officials said on 10 October. Earlier in the government along with Life Insurance Corporation (LIC) invited preliminary bids for selling 60.72 per cent stake in IDBI Bank. As per details, the last date for putting in Expression of Interest (EoI) is December 16.

The data room access would be given to qualified bidders once the EoIs come in and the interested parties clear RBI's 'Fit and Proper' assessment and gets Ministry of Home Affairs (MHA) security clearance. Only after due diligence, bidders would put in financial bids.

<https://www.livemint.com/news/india/idbi-bank-s-financial-bids-likely-to-be-invited-by-march-say-officials-11665405442367.html>

### **TATA Motors sees huge bearish formation**

MUMBAI: Tata Motors was the most actively traded counter on the NSE today amid JP Morgan downgrading the stock to neutral from overweight while cutting its price target to ₹455 from ₹525.

The traded value of the stock on NSE was ₹1303.59 crore. The futures contracts saw a rise in outstanding positions by 34.45% to 1.35 lakh contracts as the contract price declined by 4% to ₹395.95, indicating huge bearish sentiment. "The stock could face more pressure, given the jump in Open interest (outstanding positions)," said Rajesh Palviya, technical and derivatives head at Axis Securities.

<https://www.livemint.com/market/stock-market-news/tata-motors-sees-huge-bearish-formation-11665415255172.html>

### **Secrets of why Ukraine's army is better than Vladimir Putin's Russian military**

As on March 31, 2022, India's foreign exchange reserves at \$ 607.3 billion is equivalent to 12 months of merchandise imports in 2021-22 or 98.8 per cent of outstanding external debt at end-December 2021, according to the latest RBI data. Exactly a year ago in March 2021 reserves were adequate to fund 17.4 months' imports.

Significantly, capital flows through various channels slowed or reversed during the year. Net FDI flows fell to \$ 11.0 billion during October-January 2022 from \$ 18.9 billion a year ago on the back of higher outward FDI flows and repatriations by FDI companies.

<https://timesofindia.indiatimes.com/world/europe/secrets-of-why-ukraines-army-is-better-than-vladimir-putins-russian-military/articleshow/94750748.cms>

## India receives fourth set of Swiss bank account details of its citizen

India is among 101 countries with whom Switzerland has shared particulars of nearly 34 lakh financial accounts under an annual automatic information exchange. PTI

India has received the fourth set of Swiss bank account details of its nationals and organisations as part of an annual automatic information exchange under which Switzerland has shared particulars of nearly 34 lakh financial accounts with 101 countries.

Officials said the new details shared with India pertain to "hundreds of financial accounts", including many cases of multiple accounts associated with some individuals, corporates and trusts.

<https://www.hindustantimes.com/business/india-receives-4th-set-of-swiss-bank-account-details-of-its-citizens-101665420351547.html>

## International update

### War in Ukraine 'may be blessing' for climate, says UN weather agency chief

The head of the U.N. weather agency says the war in Ukraine "may be seen as a blessing" from a climate perspective because it is accelerating the development of and investment in green energies over the longer term — even though fossil fuels are being used at a time of high demand now. The comments from Petteri Taalas, secretary-general of the World Meteorological Organization, came as the world is facing a shortfall in energy needs — prompted in part by economic sanctions against key oil and natural gas producer Russia — and prices for fossil fuels have risen.

<https://www.hindustantimes.com/world-news/war-in-ukraine-may-be-blessing-for-climate-says-un-weather-agency-chief-101665495610383.html>

## HC in London begins hearing Nirav Modi's plea in extradition case

The high court in London began its hearing in the final leg of the Nirav Modi extradition case on Tuesday. The day's arguments saw an extended discussion on the definition of mild, moderate and severe depression.

The crux of Modi's appeal is that his mental health is such that extraditing him to India would be oppressive and inevitably result in suicidal behaviour. Two leading forensic psychiatrists, Professor Andrew Forrester appeared for Nirav Modi while Professor Seena Fazel appeared for the Crown Prosecution Service (CPS). The evidence they gave was subjected to vigorous cross-examination and on several occasions the court had to grapple with the variance between clinical and legal terminologies.

<https://www.hindustantimes.com/india-news/hc-in-london-begins-hearing-nirav-modi-s-plea-in-extradition-case-101665515112825.html>

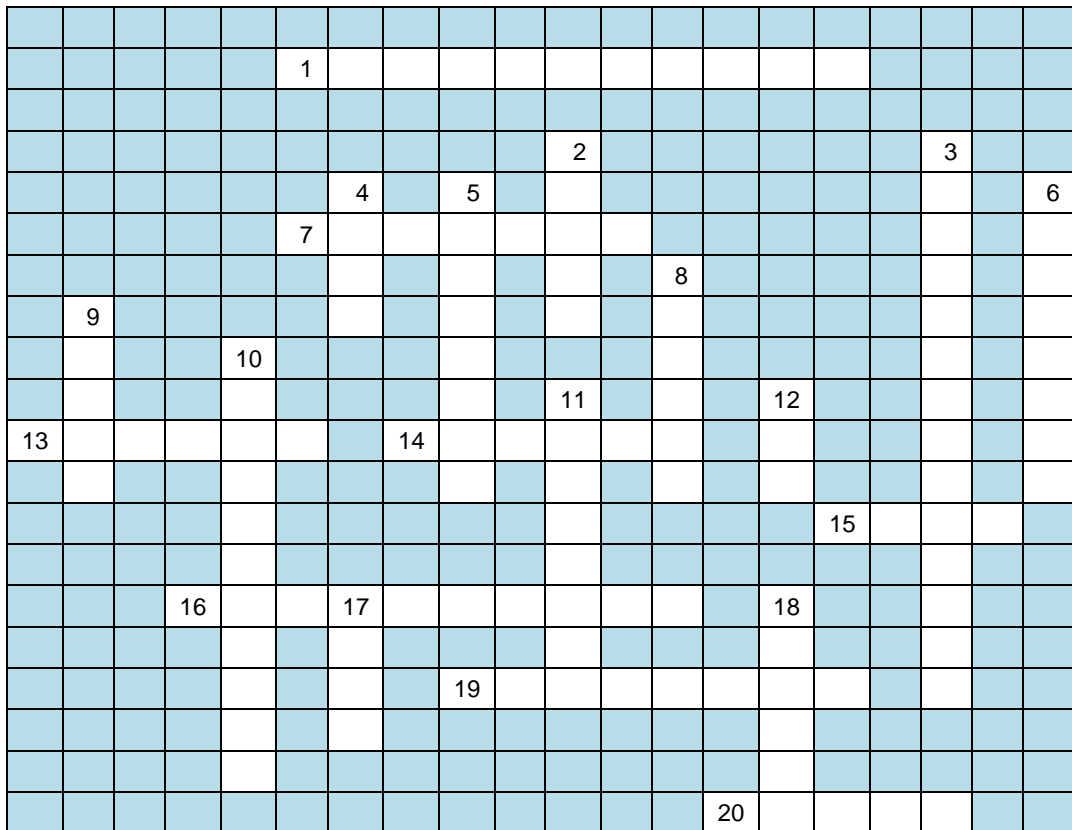
### Crypto exchange Bittrex fined \$53 million by US Treasury Dept

The U.S. Treasury Department said on Tuesday that cryptocurrency exchange Bittrex Inc was fined about \$53 million to settle "apparent violations" of U.S. sanctions on certain countries and anti-money laundering laws. The fines of more than \$24 million and \$29 million were announced by the Office of Foreign Assets Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN), respectively.

The OFAC alleged that Bittrex failed to prevent people located in the sanctioned jurisdictions of Ukraine's Crimea region, Cuba, Iran, Sudan, and Syria from using its platform between March 2014 and December 2017.

<https://www.livemint.com/market/cryptocurrency/crypto-exchange-bittrex-fined-53-million-by-us-treasury-dept-11665504923331.html>

# CROSSWORD



## Across

1. money you make when you sell something for a higher price than what you paid for
7. Income minus expenditure
13. Person who owes money to someone
14. money received through investments or work
15. something that is borrowed
16. an alternative to paying instead of cash, a plastic object
19. Someone you owe money to
20. capital raised by a company, you can invest on this in asx

## Down

2. Money paid or received for work services
3. Way to save for retirement
4. main provider of finance to businesses and consumers
5. Money paid to you by the company based on the performance
6. A \_\_\_\_\_ cost is anything that you don't have a defined amount of spending every week
8. estimation of revenue and expenses to manage money
9. A \_\_\_\_\_ cost is something you spend money on every week
10. person who specializes in buying and selling shares
11. Used by purchasers to buy real estate
12. Shares are bought and sold through \_\_\_\_\_

## GALLERY ||



## Quiz Competition



SICASA Chairperson CA Kavitha Paramesh presenting a token of appreciation to Dr. Sameer Hariyani on Quiz Competition held at ICAI Race course Road, Bangalore.



## Winners



## Winners



## Meet #206

SICASA Speakers Forum President presenting a token of appreciation General Evaluator DTM Ramlal on 206<sup>th</sup> meet held at ICAI race course Bangalore

