CoralMetrix

Issue 01

17 January, 2025

NEWSLETTER

In this newsletter you can expect:

Crack the Code

55th GST Council Meeting: Key Updates

The 55th GST Council meeting held in Jaisalmer, Rajasthan, highlighted significant policy updates and industry-centric decisions. Chaired by Union Finance Minister Nirmala Sitharaman, the Council's recommendations aim to balance revenue generation with taxpayer convenience

Dear readers,

It gives me immense pleasure to introduce the inaugural edition of the CoralMetrix Newsletter. This initiative is our effort to stay better connected with our clients, partners, and stakeholders while providing valuable insights to help you navigate the ever-evolving world of compliance and business regulations.

Through this newsletter, we aim to keep you informed about the latest updates in taxation, legal advisory, and industry developments, alongside sharing what's happening within CoralMetrix.

A. Changes in GST Rates

GST on Goods:

- CESS for Merchant Exporters: Reduced to 0.1%.

GST on Services:

- Sponsorship services by corporates moved from RCM to Forward Charge Mechanism.
- Restaurant Services:
- Effective 01.04.2025, GST rates depend on accommodation value:
- 18% with ITC if accommodation exceeds ₹7,500.
- 5% without ITC otherwise.
- Renting of commercial/ immovable property by unregistered persons excluded from RCM for composition taxpayers.
- GST on old and used vehicles (excluding EVs and those already taxed at 18%) increased from 12% to 18%.

CA Sujatha G

B. Clarifications via Circulars

Vouchers (Circular 243/2024):

- Vouchers distributed on a principal- to-principal basis are not taxable.
- Breakage (unredeemed vouchers) is not considered supply, exempting them from GST.
- Online Services (Circular 242/2024):
- Tax invoices for B2C online services must include the recipient's state name, deemed as the address on record.
- Input Tax Credit for Ex-Works Contracts (Circular 241/2024):

Clarification on ITC availability for goods delivered to the supplier's business location.

E-Commerce Operators (Circular 240/2024):

- ITC clarification for services supplied through platforms under Section 9(5) of CGST Act, 2017.

C. Compliance Updates

- Track and Trace Mechanism:
- Unique Identification Marking to track specified commodities like paan masala and gutka.
- State Reporting for Online Services:
- B2C transactions now require mandatory state details in GSTR-1 filings.

D. Legal and Procedural Recommendations

- Section 17(5)(d) Amendment:
- Replaces "plant or machinery" with "plant and machinery" retrospectively, impacting ITC claims for construction services.
- This amendment aligns with the Safari Retreat judgment, where functionality tests were recommended. A review petition has been filed by the Revenue Department in the Supreme Court.

CBIC Chairman Sanjay Kumar Agarwal acknowledged a drafting error in the GST Act, 2017, which could have resolved earlier to avoid litigation and taxpayer uncertainty.

Dematerialisation of Securities for Private Companies

The Ministry of Corporate Affairs (MCA) had made dematerialisation of shares mandatory for public companies through a notification on October 2, 2018. In October 2023, the MCA extended this requirement to private limited companies through Rule 9B of the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023. This provision does not apply to government companies and small companies.

Subrule 1 of Rule 9B: “Every private company, other than a small company, shall within the period referred to in sub-rule (2) -

a. issue the securities only in dematerialised form; and
b. facilitate dematerialisation of all its securities, in accordance with provisions of the Depositories Act, 1996 (22 of 1996) and regulations made thereunder”.

A small company is defined as a non-public company with:

1. Turnover not exceeding ₹40 crore in the preceding financial year.
2. Paid-up capital not exceeding ₹4 crore in the preceding financial year.

Exclusions: Holding or subsidiary companies, Section 8 companies, and companies registered under special acts are not considered small companies.

Sub Rule 2 (Compliance Timeline)

A private company, which as on last day of a financial year, ending on or after 31st March, 2023, is not a small company as per audited financial statements for such financial year, shall, within eighteen months of closure of such financial year, comply with the provisions of this rule.

Sub Rule 3

Every private company referred to in sub-rule (2) making any offer for issue of any securities or buyback of securities or issue of bonus shares or rights offer, after the date when it is required to comply with this rule, shall ensure that before making such offer, entire holding of securities of its promoters, directors, key managerial personnel has been dematerialised in accordance with the provisions of the Depositories Act, 1996 (22 of 1996) and regulations made thereunder.

Obligations for Companies

Private companies must ensure the dematerialisation of securities held by promoters, directors, and key managerial personnel (KMPs) before making offers for rights issues, bonus shares, buybacks, or private placements.

Impact: Non-compliance with these requirements restricts companies from issuing further securities. Companies are responsible for initiating the dematerialisation process by obtaining an ISIN from a depository participant and facilitating the dematerialisation for security holders.

Sub Rule 4

Every holder of securities of the private company referred to in sub-rule (2),

a. who intends to transfer such securities on or after the date when the company is required to comply with this rule, shall get such securities dematerialised before the transfer; or
b. who subscribes to any securities of the concerned private company whether by way of private placement or bonus shares or rights offer on or after the date when the company is required to comply with this rule shall ensure that all his securities are held in dematerialised form before such subscription.

Obligation:

By virtue of the above sub rule 4 every security holder shall ensure that before any transfer of shares or subscription of new shares all his prevailing shares are dematerialised.

Impact on the securityholder:

He will not be able to transfer or subscribe for new shares until his existing shares are dematerialised.

Impact on the company:

Through sub rule 4 tries to explain that it is an obligation of the security holders to get his shares dematerialised, but primarily it is the responsibility of the company to facilitate and initiate the dematerialisation of the securities of the company by making arrangements to procure the ISIN from the depository participant.

Reporting Requirement:

Every Company whose shares are dematerialised shall file a Reconciliation of Share Capital Audit Report (Half-yearly) in PAS 6 with MCA. This form shall be filed within 60 days from the end of each half year.

Anushree Keshav

Practising Company Secretary

Key Announcements

Enhancing Our Expertise with Zoho Software

Our team attended 3 days of physical training session on Zoho Books organized by KSCAA. This enriching learning experience has quipped us to manage and ensure compliance for our clients more effectively using cloud-based accounting solution.

Meeting at TiE Global Inauguration

We had the opportunity to meet Dr. Ekroop Caur, IAS, Secretary to the Government, Department of Electronics, IT, Biotechnology, and Science & Technology, Government of Karnataka, during the inauguration of TiE Global. It was a pleasure to engage in a fruitful discussion on innovation, technology, and collaboration in today's dynamic business landscape.

Expanding Horizons with Legal Services

We are proud to announce the addition of Legal Advisory Services to our portfolio. Led by our newly appointed Legal Advisor, K. Raghuraman (B.E., LLB), a gold medalist in LLB.

With Mr. Raghuraman's expertise and achievements, we're ready to serve you in this critical area and ensure your business is legally secure.

K. Raghuraman B.E. LLB
Legal Advisor

Commitment to Excellence: GST Training Through MSME Technology Development Centre

Since 2017, we have proudly been part of the MSME training initiative through the MSME Technology Development Centre - Process and Product Development Centre, Agra. With over 100+ hours of GST training successfully completed, this reflects our dedication to staying updated and delivering the best expertise to our clients.

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