

MONTHLY NEWSLETTER

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S M L & ASSOCIATES,
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Getting Started

By Partners

Greetings to All!

Once again, we extend our gratitude for your responses about our monthly newsletter and here it is for the month of August'22!

Though ITR due dates for non-audit cases are done, there are many tasks and responsibilities that come with being a business owner. One must obey the government's laws and regulations in order to be a law-abiding citizen. In India, a company must adhere to several compliances in order to continue operating.

Here, we have prepared a Compliance Calendar for Tax and Statutory Due Dates for August 2022, that includes Compliance Calendar for GST due dates and Compliance Calendar for Income Tax Return due dates for the month of August 2022.

Why worry around due dates now! Check our newsletter, make a **well-planned month and enjoy this month with 100% Compliance!**



“FOREIGN TAX CREDIT” IN INCOME TAX

By CA. A. Lakshmanan

INTRODUCTION:

- A person resident in India may earn income which is taxable in a foreign country too. As a resident is liable to tax in India on his global income, this results in double taxation of the same income. To avoid such double taxation, the assessee shall be allowed to claim credit for the taxes paid outside India in form of Foreign Tax Credit (FTC).

DOUBLE TAXING CASE:

- Let's assume a person is resident of country A, earns income in country A and also earns income in another country B. If country A exercises taxing right based on residence and country B exercises taxing right based on source of income, then the person will be subjected to double taxation on the income earned from Country B.

HOW CAN THE ABOVE BE AVOIDED:

- The above scenario can be avoided using the Double Taxation Avoidance Agreements (DTAA) between the countries ('Contracting States') which allocates the taxing right either to residence country or source country or both (concurrent right to tax).
- If the Contracting States (i.e. India and Foreign Country) have entered into DTAA?
 - YES → then relief is provided u/s 90 and 90A of Income Tax Act, 1961 (bilateral relief)
 - NO → then relief is provided u/s 91 of Income Tax Act, 1961 (unilateral relief)

VARIOUS METHODS FOR ELIMINATION OF DOUBLE TAXATION:

- The primary responsibility for relieving double taxation rests upon the residence state. There are principally two methods for elimination of double taxation:
 - Exemption Method
 - Full Exemption
 - Exemption with progression
 - Credit Method
 - Full Credit
 - Ordinary Credit
- India follows the Ordinary Credit method to allow the relief for the taxes paid in the source state. However, in respect of some countries, both the exemption and ordinary credit method are followed.

Foreign Tax Credits



MEANING OF CERTAIN TERMS:

- Foreign Tax
 - Has India entered into DTAA with a foreign country?
 - If Yes, then foreign tax means the tax which is covered under the said agreement.
 - If No, then foreign tax means the tax payable under the law in force in that country.
- Year in which credit is allowed
 - A resident shall be allowed to claim credit of the foreign tax paid by him in the foreign country in the year in which such income (on which tax has been paid) is offered to tax or assessed to tax in India
- Credit to be allowed from tax
 - Foreign Tax paid can be subtracted from the following components of Indian Income Tax amount:
 - Tax
 - Surcharge
 - Cess
 - But it cannot be subtracted from the following components:
 - Interest
 - Fee
 - Penalty
- No credit for the tax in dispute
 - No credit shall be allowed in respect of tax paid outside India which is disputed in any manner by the assessee. The credit for such disputed tax shall be allowed in the year in which such income is offered or assessed to tax in India, provided all the following conditions are fulfilled within 6 months from the end of the month in which dispute is finally settled:
 - (a) The assessee furnishes evidence of settlement of the dispute.
 - (b) The assessee furnishes evidence to the effect that the liability for the payment of such foreign tax credit has been discharged.
 - (c) The assessee furnishes an undertaking that no refund in respect of such amount has been claimed or shall be claimed, whether directly or indirectly.

DOCUMENTS REQUIRED TO CLAIM FTC:

- Statement of income and tax in Form 67
 - The assessee shall furnish a statement of income offered to tax for the previous year and foreign tax which has been deducted or paid on such income. Such statement shall be furnished electronically in Form No. 67
- Statement of income and tax from a source country
 - It should be obtained from the tax authority of the foreign country or the person responsible for deduction of such tax. It should be signed by the assessee and accompanied by:
 - (a) An acknowledgement of online payment or bank counterfoil or challan for payment of tax, where the payment has been made by the assessee;
 - (b) Proof of deduction, where tax has been deducted.

ILLUSTRATION:

Example, Mr. X, a resident individual, derived income of Rs. 7,50,000 from services performed outside India. A tax of Rs. 1,00,000 has been deducted on such income in the source country. Other income taxable in India is Rs. 28,20,000.

<i>Particulars</i>	<i>Amount</i>
Income derived within India [A]	28,20,000
Income derived outside India [B]	7,50,000
Total Income [C = A + B]	35,70,000
Tax on total income [D]	9,18,840
Average tax rate [E = D/C]	25.74%
Tax in India on foreign Income [F = B * E]	1,93,050
Tax paid outside India [G]	1,00,000
Foreign tax credit [H = Lower of F and G]	1,00,000
Net tax payable [I = D - H]	8,18,840

DUE DATES FOR GST RETURNS - AUG' 22

DUE DATE	FORM TO BE FILED	PERIOD	WHO SHOULD FILE?
10.08.2022	GSTR 7	July 2022	GSTR 7 is a return to be filed by the persons who is required to deduct TDS (Tax deducted at source) under GST
	GSTR 8	July 2022	GSTR-8 is a return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST
11.08.2022	GSTR 1	July 2022	Taxpayers having an aggregate turnover of more than INR 5 Crores or opted to file Monthly Return
13.08.2022	GSTR 1 IFF (QRMP)	July 2022	GST return for the taxpayers who opted for QRMP scheme (Optional)
	GSTR 6	July 2022	Input Service Distributors
20.08.2022	GSTR 5 & 5A	July 2022	Non-Resident Taxpayers and ODIAR services provider
	GSTR 3B	July 2022	The due date for GSTR-3B
	GST Challan PMT-6	For all Quarterly filers	GST Challan Payment if no sufficient ITC for July(for all Quarterly Filers)

WARNING
**DUE DATES ARE CLOSER
THAN THEY APPEAR**

**DUE DATES FOR INCOME TAX COMPLIANCE / PF / ESI -
AUG 2022**

07.08.2022	Challan No. ITNS-281	July 2022	Payment of TDS/TCS deducted /collected in July 2022.
14.08.2022	TDS Certificate	June 2022	Due date for issue of TDS Certificate for tax deducted under Section 194IA in the month of June, 2022
	TDS Certificate	June 2022	Due date for issue of TDS Certificate for tax deducted under Section 194IB in the month of June, 2022
	TDS Certificate	June 2022	Due date for issue of TDS Certificate for tax deducted under Section 194M in the month of June, 2022
15.08.2022	Form 24G by Government officer	July 2022	Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of July, 2022 has been paid without the production of a challan
	Form No. 3BB	July 2022	Due date for furnishing statement in Form no. 3BB by a stock exchange in respect of transactions in which client codes been modified after registering in the system for the month of July, 2022
	Quarterly TDS Certificate	June 2022	Tax taken from payments other than salaries quarterly TDS certificate for the quarter ending June 30, 2022
	Provident Fund	July 2022	PF Payment for July, 2022
	ESI	July 2022	ESI payment for July, 2022
30.08.2022	Section 194-IA	July 2022	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA for the month of July, 2022

30.08.2022	Section 194M	July 2022	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194M in the month of July, 2022
	Section 194-IB	July 2022	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IB in the month of July, 2022