● EASING COST DISTRIBUTION WITHIN FIRMS

# Council may revise norms for GST levy

## Companies in GST-exempt sectors suffer due to lack of input tax credit

**PRASANTA SAHU**
New Delhi, April 20

WITH COMPANIES COMPLAINING about the levy of tax on allocation of salary cost of head-office employees to branches under the so-called cross-charge mechanism, the Goods and Services Tax Council will likely refer the matter to its law committee to review its applicability.

The levy has increased the cost of firms in sectors currently exempt from goods & services tax (GST) and raised the compliance burden for most others.

"References have come from many places, including some industry associations on the matter. It will be taken to the GST law committee," a senior official told *FE*. Industry sources said there has been a sudden surge in the Directorate General of GST Intelligence (DGGI) investigation where issues such as inclusion of salary in cross-charge is being raised. GST is 18% on supply of services under cross charge.

In December 2021, the Appellate Authority for Advance Ruling (AAAR), Maharashtra had ruled in the case of Cummins India that allocation and recovery of the salary of the employees of the head office from the branch office/units will be subject to GST. The company had sought a ruling on the applicability of GST on allocation and recovery of the salary cost of the head office employees from the branch offices in different states. The objective of cross-charge was to pass on the input tax credit from head office to branch offices in different states seamlessly for GST paid on common services of a company such as rent, IT and advertisement, industry sources said. However, there are no specific guidelines on the manner and structure of cross charge or whether to include salary costs of head office staff or not in it for taxation purpose.

"The GST Council needs to examine whether cross charge mechanism should continue and in what form. The most important issue is as to whether salary of one office (typically head office) staff has to be included in this for levying GST," said Pratik Jain, Partner, Price Waterhouse & Co LLP.

The most impacted sectors are those exempt from GST such as healthcare, education, electricity and petroleum as input tax credit is not available, Jain said. It is also adversely impacting sector such as restaurants and real estate which don't get input tax credit on taxes paid on input services and it becomes an additional cost for them.

Companies in these sectors, which were already suffering from GST on cross charges for common services, will see further rise in operational cost due to inclusion of salary. For other companies, it is more sort of a compliance burden as taxes paid in supply of services to branches are recovered through ITC mechanism.

In the pre-GST regime, any supply of service between head office and branch offices was not taxable. Hence, it has been a matter of dispute between companies and tax officials after the GST was rolled out in July 2017.

■ Companies have been complaining about the levy of tax on allocation of salary cost of head-office employees to branches under the so-called cross-charge mechanism

■ The GST Council will likely refer the matter to its law committee to review its applicability

● BUFFER STOCK

# Centre starts procuring onion from three states

**NANDA KASABE**
Pune, April 20

THE CENTRE HAS begun procuring onions from Maharashtra, Gujarat and Madhya Pradesh, to create a buffer stock to tackle any sharp rise in prices later during the year through the National Agricultural Cooperative Marketing Federation (NAFED).

NAFED has set a target of procuring around 250,000 tonne this year, the bulk of which will be procured from Maharashtra. In Maharashtra, NAFED will be procuring onion through wholesale markets in the Lasalgaon, Pimpalgaon, Pune agriculture produce market committees (APMCs) and neighbouring wholesale markets. Around 90% of the onion will be purchased at the prevailing market price from the wholesale markets and farmers producers' companies (FPCs) in and remaining 10% from other onion growing states, officials said.

Market committee officials said that NAFED has procured 5,149 quintals in a couple of days. NAFED had procured nearly 200,000 tonne last year from Maharashtra, Gujarat and Madhya Pradesh. The Centre has been creating a buffer stock of onions for the past few years to stabilise the wholesale onion prices and meet the demand in case of a scarcity situation that usually arises between July and September. Onions from buffer stocks are then released in a calibrated manner through retail intervention to retail agencies/states/UTs and for open market sale during the lean season or period, to contain prices and availability

According to Narendra Wadhavane, secretary, Lasalgaon APMC, there has been a rise of ₹200 per quintal in the average wholesale onion prices, from ₹900 per quintal last week to ₹1,100 per quintal this week. Market arrivals have been in the range of 12,000 quintals to 15,000 quintals in Lasalgaon and neighbouring markets as well. The arrival of fresh summer onions has increased in most mandis resulting in a sharp drop in prices in some markets. Earlier, the arrivals of the summer onions were around 20% of total supply of 15,000 quintals a day at Lasalgaon around a week back, while the remaining 80% of the arrivals were of late kharif onions. Now, the supply of summer onions has now increased to 75% of the total supply of the onions and the remaining 25% of the arrivals are of late kharif onions. Summer onions are fetching good prices as compared to the late kharif onions.

**The Centre has been creating a buffer stock for the past few years to stabilise wholesale prices, and to meet demand in case of a scarcity situation**

PK Gupta, director, National Horticultural Research and Development Foundation (NHRDF), said the drop in onion prices is because of higher production and a drop in exports. Several states including Uttar Pradesh, Haryana, Bihar, Rajasthan, Karnataka, Telangana and Andhra Pradesh have increased the area under onion cultivation leading to increased supplies in the market, he pointed out. Prices may drop further unless exports pick up, he said. This season, the area under cultivation of summer onions, which are harvested in March and April, has increased by 40% this year across Nashik district to 2.11 lakh hectares. The onion plantations in the district were damaged due to the rainfall last year, creating a scarcity of onions. Farmers had fetched better prices for their produce. Hence, most of the farmers preferred planting summer onions which led to a rise in acreage. There are three cycles of onion in a year — kharif, late and summer onions. The shelf life of kharif and late kharif onions is less than a month and the produce get rotten thereafter. On the other hand, summer onions have a shelf life of around six months and farmers prefer storing onions with the hope of getting better prices. The late kharif onions have a shelf life of less than a month and they start rotting thereafter. Hence, farmers have no option but to sell the late kharif produce at the prevailing market rates.

The price trend of average wholesale onion prices is expected to be downward in April and May, officials said. India's onion production is estimated to increase by 16.81% to 31.12 million tonne (mt) in the crop year beginning July 2022 on likely increase in acreage. The country had harvested 26.64 mt of onion in the 2021-22 crop year (July-June).

# Wheat procurement declines 32% so far this season

## Private companies buying more grains for exports

**PRESS TRUST OF INDIA**
New Delhi, April 20

THE CENTRE'S WHEAT procurement declined 32% to 6.92 million tonne (mt) till April 17 of the current rabi marketing year, as private companies are buying grains aggressively for exports, according to official sources.

As per the official data, about 6.92 mt of wheat has been purchased by the government agencies till April 17 of the ongoing 2022-23 rabi marketing season (RMS) as against 10.2 mt in the year-ago period.

The rabi marketing season runs from April to March but the bulk of procurement ends by June. State-owned Food Corporation of India (FCI) and state agencies undertake procurement at a minimum support price to meet the requirement

under the Public Distribution System (PDS) and other welfare schemes.

The Centre has set a target to procure record 44.4 mt of wheat in the 2022-23 marketing year as against an all-time high 43.34 mt in the previous marketing year. The official sources attributed the fall in wheat procurement so far to increased buying activities by private players, especially in Haryana and Madhya Pradesh.

However, they said that even if there is a small decline in the government's procurement, this will not have any impact as the government has surplus buffer stock for meeting any exigencies. The decline in the government procurement is largely seen in Madhya Pradesh and Haryana where private traders are actively purchasing wheat at present, they noted.

As per the data, the government's wheat procurement in Haryana reached 2.8 mt till April 17 of the current marketing year when compared to 4.4 mt in the year-ago period.

# SC closes contempt proceedings after Rajasthan discoms comply with earlier orders

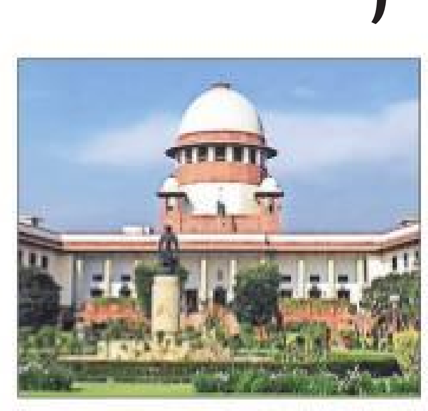
**INDU BHAN**
New Delhi, April 20

CLOSING CONTEMPT PROCEEDINGS initiated by Adani Power against three Rajasthan state-run distribution companies and their top brass, the Supreme Court (SC) on Tuesday noted that the discoms had paid over ₹5,996 crore towards full and final payments in compliance with its earlier August 31, 2020 and February 25, 2022 orders.

Rejecting Adani's plea for further payment of ₹1,300 crore, which it claimed to be the shortfall towards late payment surcharge, a bench led by Justice Vineet Saran said that the issue is left open and can be claimed before an appropriate forum. On February 25, the Supreme Court had asked the three Rajasthan state-run distribution companies to pay the balance ₹3,048 crore with 9% interest to compensate for higher fuel costs.

Adani senior counsel AM Singhvi argued that the discoms have paid a total of ₹59,996 crore till November last year, but the company had not received any further payment towards compensatory tariff for recovery of the higher cost of imported coal.

Meanwhile, the power distribution companies argued that no penalty should accrue from November last year as domestic coal had been offered since then, but Adani was not keen to use it.



Even Rajasthan Urja Vikas Nigam chairman Subodh Agarwal in its affidavit had said that it was entitled to certain claims, which were not part of the present case, and sought permission to file for recovery of its payments against Adani. However, the apex court said this issue was outside the purview of the current case, but gave liberty to the discoms to raise the issue in accordance with law. In August 2020, the apex court had had upheld the order of the Appellate Tribunal for Electricity that allowed compensatory tariff to Adani Power's 1,320-MW Kawai plant since 2013, to recover the additional cost incurred by it on importing coal, as the Rajasthan government could not keep its promise of making arrangements for domestic fuel supplies for the plant. The Adani group firm had cited lack of domestic coal linkage and import of Indonesian Coal to bat for higher compensatory tariff.

However, Adani Power later moved the SC seeking to initiate a contempt against the state discoms for recovery of the compensatory tariff of ₹6,738 crore including interest. Adani Power alleged that the Rajasthan discoms had failed to comply with the apex court's judgment.

Holding the three Rajasthan discoms guilty of contempt of its August 31, 2020 order that directed payment of compensatory tariff to Adani Power within four weeks, the judges in February had asked the top brass of the discoms — Rajasthan Urja Vikas Nigam chairman Subodh Agarwal and its MD Bhaskar Atmaram Sawant, Jaipur Vidyut Vitran Nigam MD Navin Arora, Ajmer Vidyut Vitran Nigam MD VS Bhati and Jodhpur MD Vidyut Nigam Avinash Singhvi — to be personally present before it for framing of charges if they failed to pay Adani in time.

The Rajasthan government and Adani Group had in 2008 signed a contract for setting up the coal-based power project in Kawai, where the state assured support to get coal linkage from the central. But the power unit was left out of the Centre's list for coal supply in 2013.

**Ban on unregulated deposit schemes: SC dismisses Karvy investors' plea:** The Supreme Court on Wednesday dismissed the Karvy Investors' Association's plea challenging validity of the Banning of Unregulated Deposit Schemes Act on the ground that it excluded from its ambit the deposits made before the Act came into force and not protecting people who had invested money in various Ponzi schemes before 2019.

A bench led by Justice UU Lalit while rejecting the plea gave liberty to the investors body to approach the high court on the issue.

**—FE BUREAU**