

PAYROLL

ASSET MANAGEMENT

**The
COMMUNIQUE**



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Our Leadership Speaks

Rethinking Data Protection

Data protection has become a critical concern in our increasingly data-driven world, especially as data breaches and privacy issues continue to grow. Current data protection laws largely operate on a consent-based model, where individuals are informed about how their data will be used and are asked to give their approval. While this approach respects user autonomy, it often assumes that people can fully comprehend the complexities of data usage. In reality, most users may not have a complete understanding of the potential risks and implications, leading to a system where consent is often given without fully understanding the implications. This leaves organizations, as data custodians, with a greater responsibility to proactively safeguard client data beyond regulatory requirements.

However, this consent-based model faces certain limitations. While laws and policies help frame basic data privacy protocols, they sometimes fall short of addressing more complex scenarios. Data protection is about more than ticking boxes; it requires robust practices and continuous updates in our methods to ensure security. For instance, organizations should ensure that clients can trust their data is handled with complete transparency and protected against potential misuse.

There are growing calls for accountability measures that place greater responsibility on companies to act as data fiduciaries—entities that act in the best interests of the people to whom the data belongs (the data principals). But security goes beyond technology—it also involves fostering a culture where data privacy is a priority for every team member, with clear policies and training to embed these values across the organization.

Looking to the future, evolving data protection laws may need to adopt a more balanced framework to better address these concerns, one that combines consent with accountability and ethical responsibility. This shift would help protect individuals in a more comprehensive way, recognizing that privacy is not just about permission but about safeguarding the rights and interests of every data owner. By focusing on proactive safeguards rather than reactive consent, data protection laws can better serve the evolving privacy needs of society.

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Never miss a date

November 7th Due date for deposit of tax deducted/collected for the month of October 2024.	November 7th Collection and recovery of equalisation levy on specified services in the month of October, 2024	November 7th Declaration in Form 27C under sub-section (1A) of section 206C of the Income-tax Act, 1961 to be made by a buyer for obtaining goods without collection of tax for declarations received in the month of October, 2024	November 7th Due date for deposit of STT and CTT collected for the month of October 2024.
November 14th Due date for filing of audit report under section 44AB for the assessment year 2024-25 in the case of a corporate-assessee or non-corporate assessee (who is required to submit his/its return of income on October 31, 2024)	November 15th Quarterly TDS certificate (other than TDS on salaries) for the quarter ending September 30, 2024	November 15th Due date for filing of return of income for the Assessment Year 2024-25 if the assessee (not having any international or specified domestic transaction) is (a) corporate assessee or (b) non corporate assessee (whose books of account are required to be audited) or (c) partner of a firm whose accounts are required to be audited) or the spouse of such partner if the provisions of section 5A applies to such spouse (All income tax returns except ITR-1, ITR-2 and ITR-4.)	November 30th Due date for furnishing of challan-cum-statement in respect of tax deducted under Sections 194-IA, 194-IB, 194M, and 194S in the month of October, 2024.

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November 30 th	November 30 th	November 30 th	November 30 th
Return of income for the Assessment Year 2024-25 in the case of an assessee that is required to submit a report under section 92E pertaining to international or specified domestic transaction(s)	Payment of Self Assessment Tax (if due date of submission of return of income is November 30, 2024)	Annual Compliance Report on Advance Pricing Agreement (if due date of submission of return of income is October 31, 2024)	Application for exercise of options under: <ul style="list-style-type: none">• sub-section (4) of section 115BA• sub-section (7) of section 115BAB• sub-section (5) of section 115BAA• sub-section (5) of section 115BAD (if due date of submission of return of income is November 30, 2024)• clause (i) of sub-section (6) of section 115BAC• sub-section (5) of section 115BAE• sub-section (5) of section 115BAE
November 30 th	November 30 th		
Application for withdrawal of option under the proviso to sub-section (6) of section 115BAC of the Income-tax Act, 1961	Declaration to be filed by the assessee claiming deduction under section 80GG (if due date of submission of return of income is November 30, 2024)		

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ALL YOU NEED TO KNOW ABOUT — SUPREME COURT RULING ON INCOME TAX REASSESSMENT NOTICES

The Supreme Court of India recently issued a landmark verdict upholding income tax notices issued between April 1 and June 30, 2021. This ruling will affect over 90,000 taxpayers, particularly those who have been under scrutiny for past income that may have escaped taxation. The verdict not only resolves an ongoing legal debate between the tax authorities and taxpayers but also provides clarity on the procedures for reassessment notices, aligning them with the Finance Act of 2021.

Background of the Case

The controversy around these income tax notices began when the COVID-19 pandemic disrupted various administrative processes, including tax assessments and reassessments. In response, the government enacted the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 (TOLA). This Act extended several deadlines and provided flexibility in compliance requirements, acknowledging the operational challenges faced by both taxpayers and the tax department during the pandemic.

Under normal circumstances, the Income Tax Department operates under strict timelines for reassessment. Typically, if the tax authorities suspect that an individual's or entity's income had escaped assessment, they could issue reassessment notices within four years. For more substantial amounts or cases of concealment, this window could extend up to six years, provided the suspected concealed income was above ₹1 lakh.

However, TOLA temporarily extended these deadlines to allow the tax department to issue reassessment notices for income that may have escaped assessment during this extraordinary period. This extension was deemed necessary as the pandemic brought several disruptions, making it difficult for the tax authorities to operate under regular timelines. TOLA thus provided the legal framework for issuing reassessment notices even beyond the usual statutory deadlines, an extension that some taxpayers later challenged in court.

The Legal Debate

This reassessment issue sparked a legal debate that centered around two key pieces of legislation: TOLA and the Finance Act, 2021. When the Finance Act came into effect on April 1, 2021, it redefined the reassessment procedures, effectively introducing new guidelines and timelines. The Finance Act brought in a more structured framework with shorter timeframes and added requirements for initiating reassessments, aiming for greater transparency and predictability in tax compliance.

Taxpayers argued that after April 1, 2021, any reassessment should follow the provisions outlined in the Finance Act rather than TOLA. They contended that the Finance Act's new reassessment rules were specifically designed to streamline the process, reduce administrative burdens, and provide taxpayers with more predictability. By issuing notices under the old provisions, they claimed, the tax department was acting outside the legal framework established by the new law.

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On the government's side, the tax department argued that TOLA's provisions should apply, given that these reassessment notices were based on financial years affected by the pandemic, which necessitated special consideration. According to the department, applying the Finance Act retrospectively to these cases would disrupt ongoing investigations and undermine the government's efforts to ensure tax compliance for prior years, particularly in cases where significant amounts of income were suspected to have been concealed.

Supreme Court's Verdict

The Supreme Court's ruling validated the reassessment notices issued between April 1 and June 30, 2021 under the pre-existing provisions of TOLA, while also integrating a unique provision. The Court mandated that these notices should be treated as though they were issued under the new Finance Act, thereby effectively bridging the gap between the old and new laws.

This verdict represents a pragmatic approach, taking into account both the taxpayer's rights under the Finance Act and the government's obligation to enforce compliance. By confirming the validity of the notices, the Court acknowledged the importance of continuity in tax enforcement, especially in a context disrupted by a global health crisis. At the same time, the requirement to treat these notices as issued under the new Finance Act underscores a commitment to the rule of law and procedural consistency, setting a precedent for future cases involving transitional legislation.

This ruling will likely impact the interpretation of legislative amendments, particularly in tax law, where procedural norms frequently evolve. The Supreme Court's approach suggests that legislative changes aimed at procedural fairness must be balanced with the government's ability to adapt to extraordinary circumstances like a pandemic.

Implications for Taxpayers

The verdict carries significant implications for the taxpayers involved. For those impacted by these notices, this ruling emphasizes the importance of maintaining thorough financial records and proactively reporting all taxable income, particularly in periods when legislative changes are anticipated. The Court's decision implies that taxpayers should be prepared for reassessments even if procedural norms are temporarily extended, especially when public interest and compliance goals are at stake.

For taxpayers, this decision means that compliance obligations may not always follow predictable patterns during exceptional circumstances. With reassessment periods extended to up to 11 years for cases involving significant undisclosed income (more than ₹50 lakh), taxpayers could face scrutiny over financial data dating back several years. This highlights the need for diligent record-keeping and proactive disclosure, as even minor discrepancies could attract attention during reassessments.

Moreover, the verdict serves as a reminder that procedural adjustments by the government, especially in times of crisis, are likely to be upheld by the courts. Taxpayers and businesses should thus prepare for potential extensions in scrutiny periods and possible retrospective assessments, as seen in this case.

Conclusion

This Supreme Court ruling provides much-needed clarity on how tax laws will be applied during periods of procedural transition, setting a precedent for how the judiciary might balance taxpayer rights with government enforcement powers. By allowing the reassessment notices to stand but requiring them to be treated under the new Finance Act's guidelines, the Court has crafted a balanced approach that respects both procedural integrity and compliance objectives.

This decision underlines the importance of compliance and transparency in tax reporting, especially in periods of significant regulatory change. It also highlights the evolving nature of tax law, where legislative amendments may be influenced by external factors such as economic disruptions, natural calamities, or global crises.

For businesses and individuals alike, this ruling underscores the need for vigilance in tax compliance and an awareness of the broader regulatory environment. As India continues to modernize its tax framework, both the government and taxpayers must work towards a transparent and cooperative compliance system, adapting to legislative changes while upholding the principles of fairness and accountability.



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