NEWSLETTER
March 2020

J P Chawla & Co. LLP
Chartered Accountants

Taxation | Audit | Outsourcing | Regulatory | Transaction Advisory | Business Intelligence

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Corona Virus related lock down has struck the entrepreneurial world by surprise. Businesses have activated Business continuity plans, invoked force majeure clauses of their agreements and have gone into hibernation. On the other side this has exposed the risks of uncertainty of entrepreneurship, leading to individual thought process of safeguarding their own economic ecosystem. Government has also come up with various measure to provide regulatory, food, economic, monetary security to Indian strata. Economic package of USD 22.5 Billion for common man has been introduced by the central government. Further for entrepreneurs', certain measures in terms of tax, regulatory and RBI led monetary relief has been introduced.

Covid-19 relief measures, which will lead to ease of doing business in this difficult time for entrepreneurs relate to Direct tax, Indirect tax- GST & Customs, Foreign Trade policy, Corporate Laws- Companies act, LLP Act and SEBI and RBI related relaxations.

Other major development in this month relates to notification of Budget 2020 with few amendments, clarification of refund process in GST and issue of guidance from ICAI on impact of Covid-19 on financial statements.

We sincerely hope this volume of newsletter will update you regarding new developments in the area of Business, Tax, Assurance & Accounting and regulations.

Happy Reading!!

Sincerely Yours,

Rajat Chawla

Managing Partner & CEO
New Delhi

The gross GST revenue collected in the month of February, 2020 is Rs 1,05,366 crore (US$ 15.08 billion) of which CGST is Rs 20,569 crore (US$ 2.94 billion), SGST is Rs 27,348 crore (US$ 3.91 billion), IGST is Rs 48,503 crore (US$ 6.94 billion) (including Rs 20,745 crore [US$ 2.97 billion] collected on imports) and Cess is Rs 8,947 crore (US$ 1.28 billion) (including Rs 1,040 crore [US$ 148.81 billion] collected on imports).

Here are the other economic/fiscal highlights for March 2020 :-

- **Pradhan Mantri Garib Kalyan Yojana:** Finance Minister announces Rs 1.70 Lakh Crore relief package under Pradhan Mantri Garib Kalyan Yojana for the poor to help them fight the battle against Corona Virus.

- **Benefits to Front Line Workers:** INR 50 lakh medical insurance cover per worker will be given to frontline workers consisting of doctors, ASHA workers, paramedics, nurses and sanitation staff who are fighting against Covid-19 Pandemic. The benefit would be to 2 million such workers.

- **Benefit to Others:** To help 80 Crore Economically Backward Indians, government is giving free additional 5 Kg rice/wheat per person for three months and free 1 Kg regional pulses per household per month for three months, which can be taken in two installments.

Economic Security to people:

- Government to front-load Rs 2,000 (US$ 28.61) paid to farmers in first week of April under existing PM Kisan Yojana to benefit 8.7 crore farmers.
- 80 crore poor people will get 5 kg wheat or rice and 1 kg of preferred pulses for free every month for the next three months.
- 8 crore Families below Poverty Line covered under Ujjwala SchemeFree LPG Gas Cylinder.
- 5 crore families under National Rural Employment Guarantee Act Wage increase leading to additional INR 2,000 per month.
- Ex-gratia of Rs 1,000 (US$ 14.30) to 3 crore poor senior citizen, poor widows and poor disabled.
- 63 lacs Self Help Groups covering 7 crore Households with Collateral-free loans doubled from 10 Lakh to Rs 20 lakh for Self Help groups.
- For Employees being members of EPFO, the rules amended to allow 75% advance of credit outstanding in their account limited to three months of their salary.
- For establishments having upto 100 Employees out which 90 % of Employees draw less than INR 15,000 salary per month, the 24% Employer (12%) and Employee (12%) shall be paid by the government for three months.
- 3.5 Crore Registered Construction workers: States instructed to use 31 thousand crore Building and Other construction worker welfare fund to prevent any economic disruption in lives of construction workers.

RBI lead Banking Relief:

- Rescheduling of Payments – Term Loans and Working Capital Facilities; Banks and NBFC's are permitted to grant a moratorium of three months on payment of all installments falling due between March 1, 2020 and May 31, 2020. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium. In respect of working capital facilities sanctioned, recovery of interest may be deferred for three months.
- Easing of Working Capital Financing; Banks and NBFC's are permitted to recalculate drawing power by reducing the margins and/or by reassessing the working capital cycle, relief available till 31st May 2020.

- Moratorium and relief related actions taken by lending institutions pursuant to RBI directions will not adversely impact the credit history of the beneficiaries nor result into Non Performing asset classification of their loans.
- RBI cuts repo rate by 75 bps to 4.40% to mitigate Covid-19 impact. The RBI's MPC has voted in favour of an interest rate cut to the tune of 75 basis points, which brings the repo rate down to 4.4 per cent from 5.15 per cent. The reverse repo rate has also been reduced by 90 basis points to 4 per cent in a bid to maintain financial stability and revive growth.
- Cash Reserve Ratio of all banks reduced by 100 basis points to 3 percent of net demand and time liabilities with effect for one year from March 28. CRR has been cut to unlock liquidity.

- **80,000 Micro Enterprises to be Assisted in Current Financial year under PMEGP:** PMEGP is a credit linked subsidy scheme which promotes self-employment through setting up of micro enterprises, where subsidy up to 35 percent is provided by the Government through Ministry of MSME for loans up to Rs 25 lakh (US$ 35,770.4) in manufacturing and Rs 10 lakh (US$ 14308.1) in service sector.

- **Rs 53,370 crore has been provided for infrastructure and socio and economic development of North Eastern Region in the financial year 2019-20:** Government accords very high priority to holistic development of North Eastern Region. All the central Ministries/Departments are mandated to spend 10 per cent of their gross budgetary allocation on Central Sector and Centrally Sponsored Schemes in the North Eastern States.

- **28,979 start-ups recognised by DPIIT:** As on March 1, 2020, 28,979 start-ups were recognised by the Department for Promotion of Industry and Internal Trade (DPIIT), Commerce and Industry Minister Mr Piyush Goyal said in a written reply to the Lok Sabha. The highest number of start-ups are from Maharashtra (5,477), followed by Karnataka (4,206), Delhi (3,740), Uttar Pradesh (2,342), Haryana (1,635), Telangana (1,609), Gujarat (1,555), and Tamil Nadu (1,509).

- **India to spend US$ 1.3 billion to boost pharmaceutical production:** India plans to set up a nearly Rs 1 lakh crore (US$ 1.3 billion) fund to provide boost to companies to manufacture pharmaceutical ingredients domestically.

- **FDI in Defence Sector:** FDI inflows of over Rs 3,155 crore (US$ 451.42 million) have been reported in Defence and Aerospace sectors so far (i.e. till December 2019).

- **Services PMI in February jumps to 7-year high of 57.5:** According to private survey, India's services sector witnessed a solid performance in February. The services sector contributes for over 57 per cent in India's gross domestic product (GDP).The result of the survey is known as the Purchasing Managers' Index (PMI). In February 2020, sector recorded 57.5, indicating the quickest expansion since January 2013. The PMI in January stood at 55.5. In February 2020, the growth of private sector was to an eight-year high in both manufacturing and services. The composite PMI Output Index was up at 57.6 in February from 56.3 in January, remaining above its long-run average of 54.6.

Goods and Service Tax

In view of COVID-19 outbreak, the Finance Minister had announced several relief measures in GST

Due date of filling GSTR 3B

All those taxpayers having a turnover less than 5 crore can file GSTR 3B for the month of February 2020, March 2020 and April 2020 by the last week of June 2020. No interest, penalty and late fees shall be charged in respect of such late filling. Further, all those taxpayers whose turnover is more than 5 Crores can file GSTR 3B for the month of February 2020, March 2020 and April 2020 by the last week of June 2020 but the same would attract a reduced rate of interest (i.e. 9%). No penalty and interest will be charged if complies before 30th June 2020.

Date for opting Composition Scheme

Earlier a taxpayer who is not registered under the composition scheme can opt for composition scheme for the year 2020-21, on or before 31st March 2020 However the same date has been extended by the honorable finance minister upto the last week of June 2020.

Date of filling Annual Return

The government has extended the due date of filling the annual return for the financial year 2018-19 till the last week of June 2020.

Other

Further, the due dates for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents, time limit for any compliance under the GST laws where the time limit is expiring between 20th March 2020 to 29th June 2020 shall be extended to 30th June 2020.

Necessary legal circulars and legislative amendments to give effect to the aforesaid GST relief shall follow with the approval of the GST Council.

The payment date under Sabka Vishwas Scheme shall be extended to 30th June 2020. No interest for this period shall be charged if paid by 30th June 2020.

Recommendations in 39th GST Council Meeting held on 14th March 2020.

- Increase the rate of GST on Mobile phones from 12% to 18%.
- Blanket GST rate of 12% on matches (earlier it was 5% on handmade matches and 18% on other matches)
- Reduce of GST rate on Maintenance, Repair and overhauling services in respect of aircraft from 18% to 5% with full ITC.
- It is recommended that interest on delay payment of tax shall be charge on only tax component only. Earlier it was charged on both cash and credit component.

- Relaxation to the taxpayer having turnover below 5 Crore from filling GSTR 9 and GSTR 9C for the financial year 2018-19.
- Due date of filling GSTR 9 and GSTR 9C for the financial year 2018-19 to be extended to 30.06.2020
- Waiver of late filing fees of GSTR 9 and GSTR 9C for the financial year 2017-18 and 2018-19 for the taxpayer having turnover less than INR 2.00 Crore.
- A new facility called 'Know Your Supplier' to be introduced so as to enable every registered person to have some basic information about the suppliers with whom they conduct or propose to conduct business.
- Certain class of registered person (insurance company, banking company, financial institution, non-banking financial institution, GTA, passenger transportation service, etc.) to be exempted from issuing e-invoices or capturing dynamic QR code.
- The dates for implementation of e-invoicing and QR Code to be extended to 01.10.2020.
- Current system of filing GSTR 3B and GSTR 1 shall be continued till September 2020.

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Exemption from GST Audit – GSTR 9CNotification No. 09/2020 – Central Tax

Government vide this notification exempts foreign airline companies covered under the notification issued under section 381(1) of Companies Act 2013 and who had complied from CARO 2014, from filing reconciliation statement under Form GSTR 9C.

Exemption from GSTR 1Notification No. 12/2020 – Central Tax

Government vide this notification exempt such class of taxpayer from filing of GSTR 1, who had not opted the option of special composition scheme under notification no. 02/2019- Central Tax (Rate) and had filed GSTR 3B in the financial year 2019-20.

Exemption for E-invoicing and QR CodeNotification No. 13/2020 – Central Tax ,Notification No. 14/2020 – Central Tax

In order to give effect of decision taken in 39th GST council meeting, Government vide these notifications extend the date of implementation of e-invoicing and QR code from 1st April 2020 to 1st October 2020.

Annual Return – GSTR 9Notification No. 15/2020 – Central Tax

In order to give effect of decision taken in the 39th GST council meeting, Government vide this notification extends the due date of filling annual return for the financial year 2018-19 from 31st March 2020 to 30th June 2020.

GSTR 1Notification No. 27/2020 – Central Tax Notification No. 28/2020 – Central Tax

Government vide these notifications prescribed the due dates of filing GSTR 1 from April 2020 to September 2020 for a different class of taxpayer.

Taxpayer having aggregate turnover up to INR 1.5 Crore

Quarter for which details in FORM GSTR-1 are furnished	Time period for furnishing details in FORM GSTR-1
April – June 2020	31st July, 2020
July – September 2020	31st October, 2020

Taxpayer having aggregate turnover above INR 1.5 Crore

Month for which details in Form GSTR-1 are furnished	Time period for furnishing details in FORM GSTR-1
April 2020*	11th May, 2020
May 2020	11th June, 2020
June 2020	11th July, 2020
July 2020	11th August, 2020
August 2020	11th September, 2020
September 2020	11th October, 2020

GSTR 3B Notification No. 29/2020 – Central Tax

Government vide this notification prescribed the due dates of filing GSTR 3B from April 2020 to September 2020 for different class of taxpayer.

State	Turnover less than Rs. 5.00 Crore	Turnover more than Rs. 5.00 Crore
Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana or Andhra Pradesh or the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands and Lakshadweep	22nd day of the following month	20th day of the following month
Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha or the Union territories of Jammu and Kashmir, Ladakh, Chandigarh and Delhi	24th day of the following month	20th day of the following month

***Note: The due date of filling GSTR 3B for the month of April 2020 has been extended by the finance minister due to Covid-19* epidemic.

Direct Tax

INCOME TAX

CBDT gives relief for lower deduction certificates of TDS and TDS

Considering the constraints due to pandemic COVID-19 virus, the validity of lower/nil deduction certificates of TDS and TCS issued in FY 2019-20 is extended upto 30th June 20 or disposal of applications by the officers. Where such certificate was not issued in FY 2019-20 and application has not been made through online portal, email facility is provided for application.

In cases where assessee, have not been able to apply for such lower/nil deduction certificate on TRACES portal for FY 2020-21 but were issued such certificates for FY 19-20, again these certificates will be valid till June 30, 2020.

For payment to Non- residents, including foreign company, having Permanent establishment in India and not having certificates in FY 2019-20, the TDS 10 percent including surcharge and cess required to be deducted on such payments till 30th June of FY 2020-21 or disposal of their application whichever is earlier.

Finance Minister announces relief measures in view of COVID-19 outbreak

The Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman announced important relief measures taken in view of COVID-19 outbreak.

1. Extension of last date of filing of original as well as revised income-tax returns for the FY 2018-19 (AY 2019-20) to 30 June, 2020.
2. Extension of Aadhaar-PAN linking date to 30 June 2020.
3. The date for making various investment/payment for claiming deduction under Chapter-VIA-B of IT Act which includes Section 80C (LIC, PPF, NSC etc.), 80D (Mediclaim), 80G (Donations), etc. has been extended to 30 June, 2020. Hence the investment/payment can be made up to 30.06.2020 for claiming the deduction under these sections for FY 2019-20.
4. The date for making investment/construction/purchase for claiming roll over benefit/deduction in respect of capital gains under sections 54 to 54GB of the IT Act has also been extended to 30 June 2020. Therefore, the investment/ construction/ purchase made up to 30.06.2020 shall be eligible for claiming deduction from capital gains arising during FY 2019-20.
5. The date for commencement of operation for the SEZ units for claiming deduction under deduction 10AA of the IT Act has also extended to 30.06.2020 for the units which received necessary approval by 31.03.2020.
6. The date for passing of order or issuance of notice by the authorities under various direct taxes & Benami Law has also been extended to 30.06.2020.
7. It has provided that reduced rate of interest of 9% shall be charged for non-payment of Income-tax (e.g. advance tax, TDS, TCS) Equalization Levy, Securities Transaction Tax (STT), Commodities Transaction Tax (CTT) which are due for payment from 20.03.2020 to 29.06.2020 if they are paid by 30.06.2020. Further, no penalty/prosecution shall be initiated for these non-payments.

8. Under Vivad se Vishwas Scheme, the date has also been extended up to 30.06.2020. Hence, declaration and payment under the Scheme can be made up to 30.06.2020 without additional payment.

Finance Bill, 2020 receives Presidential assent

Finance Bill, 2020 received nod of President with various amendments such as:

- Individual, being an Indian citizen or a person of Indian origin, visiting India and having India-sourced income exceeding INR 15,00,000/- during the relevant financial year, shall trigger residency if his/her stay in India exceeds 120 days (instead of 182 days as per existing provisions) in the relevant year. Such person shall, however, qualify as not ordinarily resident (NOR) in India.
- Deemed residency provisions restricted to only those Indian citizen individuals, who are not liable to tax in any other country or territory by reason of domicile or residence or any other criteria of similar nature and if their Indian sourced income exceeds INR 15,00,000/- in the relevant financial year. Such person shall, however, qualify to be NOR in India.
- Individual and HUFs carrying on profession will also have only a one-time option to opt for new tax regime like individual and Hindu Undivided Family (HUF) taxpayers engaged in business.
- Dividend declared on or before 31 March 2020 but received by shareholders on or after 1 April 2020 shall continue to be exempt if applicable DDT has been paid by the company and super-rich tax of 10% (plus applicable surcharge and cess), if applicable, is paid by the resident shareholder on such dividend.
- Reduced rate of TDS reduced to 2% for royalty paid to residents in consideration for sale, distribution or exhibition of cinematographic films.
- Date of applicability of new withholding tax on e-commerce operator deferred from 1 April 2020 to 1 October 2020.
- Scope of Equalisation Levy (EL) has been expanded to cover “e-commerce supply or services” w.e.f. tax year 2020-21. The applicable tax rate is 2% on amount of consideration received/receivable by a Non-Resident (NR) e-commerce operator from “e-commerce supply or services” made, provided or facilitated by such NR beyond threshold of INR 2,00,00,000/- during a tax year to:

    A. a person resident in India or

    B. NR (which entails) sale of advertisement targeted at a customer resident in India or accessing such advetise ment through an Indian IP address or

    C. NR (which entails) sale of data collected from a person resident in India or from a person who uses IndianIP address or a person who buys goods or services using Indian IP address.

- TDS on cash withdrawals u/s 194N - TDS @2% to apply when withdrawal exceeds Rs. INR 20,00,000 (in case of a recipient who has not filed his return of income within the due date prescribed under the ITA for all the three immediately preceding tax years) and @ 5% where the withdrawal exceeds INR 1,00,00,000.
- TDS of 10% on payment, to residents, of any income in respect mutual funds provided the aggregate amount of income paid exceeds INR 5,000. The requirement will not apply to payment of income in the nature of capital gains.

- Rate of TDS for dividend distributed to NR shareholders (other than companies) and foreign companies shall be subjected to WHT at the rate of 20% (plus applicable surcharge and cess).
- TCS on remittances under Liberalised Remittance Scheme (LRS), sale of overseas tour package and sale of goods deferred from 1 April 2020 to 1 October 2020.
- Benefit of inter-corporate dividend deduction to recipient domestic company to be extended to dividend received from a foreign company or a business trust.
- Withholding provisions are not to be applicable where mutual funds make payment of capital gains income arising at the time of repurchase or redemption of units to its resident unit holders.

Vide Press Note dated March 30, 2020 issued by Ministry of Finance, that there is no extension of financial year

Vivad Se Vishwas Bill, 2020 receives Presidential assent, Govt. notifies rules and forms

The scheme provides a resolution mechanism under which an appellant can file a declaration to the designated authority to initiate resolution of pending direct tax disputes. Based on the declaration, the designated authority will determine the amount payable by the appellant against the dispute and grant a certificate, containing particulars of the amount payable, within 15 days of the receipt of the declaration. The appellant must pay this amount within 15 days of the receipt of the certificate and inform the designated authority of such payment.

Important tax Decisions

Compensation received for not letting-out property for specified period, taxable as income from Other Sources

Assessee had entered into an option agreement with its existing tenant, as per which the assessee had given an option to the existing tenant to not to let out of unit No.1 & 2 [w.r.t property divided into 4 units] to the third party without consent of the tenant within a period of 9 months for which, assessee had received compensation from its tenant. ITAT explicates that "if any income is assessable under the head income from house property, it should be out of property let out or deemed to be let out for the relevant period. In this case, the property is neither let out nor vacant.", accordingly rules that the receipt by way of an option agreement cannot be assessed under the head income from house property. Further held that because of covenant by way of an option agreement with the party and hence, any amount received in pursuance of said agreement is in the nature of compensation which is assessable under the head income from other sources. - **Redwood IT Services P.Ltd [151-ITAT-2020(Mum)].**

Letting out 'jointly-resided' property to children, not sham; ITAT partially treats SOP as LOP

Assessee, an individual, was jointly residing with his family and children had let out to his two children who are major & unmarried. AO capped the interest deduction u/s. 24(b) to Rs. 1.5 lakh by treating the property as SOP on the ground the arrangement was a mere tax-avoidance device.

ITAT held that assessee is entitled to proportionate interest claim u/s. 24(b) with respect to the property which is "both a self-occupied [SOP] and a let out property [LOP].The decision is contrary to judgement of ITAT Ahmedabad in case of Shri Hitesh H Budhbhatti [TS-136-ITAT-2019(Ahd)] where it was held that co-owned property 'let-out' to mother, was an 'eyewash' to escape interest restriction u/s. 24 for SOP. - **Md. Hussain Habib Pathan(143-ITAT-2020(ITAT-MUM).**

Foreign attorneys' services for IP registration is fee for technical services u/s 9(1)(vii)

Assessee's (a Patent attorney in India) clients engaged assessee's services for obtaining patent registration in foreign countries and the assessee instead of providing the services on his own had appointed foreign associates. Fees paid by assessee to various foreign attorneys w.r.t. consultancy on overseas IP law constitutes Fees for Technical Services [FTS] u/s 9(1)(vii) of the Act for AY 2011-12, and not a case which is covered by the exception set out in Sec. 9(1)(vii)(b) as the services rendered by the foreign attorneys resulted in creation of source of income outside India for the clients of the assessee. - **Sri Subhatosh Majumder (117-ITAT-2020(KOL).**

Audit & Risk

COVID-19 Disruptions

ICAI advisory on Accounting and Assurance related issues for FY 2019-20

COVID-19 disruptions are hugely impacting businesses significantly and bring with it several issues and challenges to preparers of financial statements and auditors on various aspects concerning preparation and audit of financial statements. To guide the preparers of financial statements and auditors, the Accounting Standards Board (ASB) and Auditing & Assurance Standards Board (AASB) of ICAI, has developed an Advisory on "Impact of Coronavirus on Financial Reporting and the Auditors Consideration" highlighting few important areas which require particular attention in respect of financial statements for the year 2019-20. The document is available on **https://resource.cdn.icai.org/58829icai47941.pdf.**

This advisory document contains two sections: Impact of Coronavirus on Financial Reporting and Impact of Coronavirus on audit of Financial Statements.

Areas relating to Ind AS and AS have considered in the first section i.e. Impact of Coronavirus on Financial Reporting. Areas such as **Inventory Measurement, Impairment of Non-Financial Assets, Financial Instruments, Provisions, Contingent Liabilities and Contingent Assets, Going Concern Assessment, Post Balance Events, etc** are considered in this section.

In the second section, the key advisory has been given to auditors which are related to conditions that may arise as a result of COVID-19. Auditors must carefully evaluate unique circumstances prevailing in their audits and assess risk accordingly when applying the concepts in this Advisory in their audits. Principles of some Specific Standards on Auditing such as SA 240, SA 315, SA 320, SA 500, SA 501, SA 505, SA 540, SA 560, SA 570, SA 580, SA 600, SA 700, SA 701, SA 705, SA 706, SA 720 have been discussed in this section on which special attention of auditors is required.

Standard on Internal Audit

Exposure Drafts of Standards on Internal Audit

Internal Audit Standard Board (IASB), a board constituted by the Institute of Chartered Accountants of India (ICAI) which is responsible for formulate standards on internal audit after reviewing and identifying the area on which SIAs need to be developed. IASB also continuously review the existing Standards and Guidance on Internal Audit and to undertake their revision, if necessary. IASB has issued 21 SIAs on different areas such as internal audit management and conduct of internal audit assignments and 3 SIAs (SIA 130, Risk Management, SIA 520, Auditing in an Information technology Environment and SIA, Third Party Service Provider) are in draft phase on which IASB already sought public comments. Further, recently IASB has issued exposure drafts of following SIAs for public comments:

Exposure Draft	The objective of SIA and Relevant Link
SIA 140, Governance	To clarify the responsibilities of management and auditors towards various governance stakeholders (both internal and external), and the requirements which need to be met to assess, evaluate, report and provide independent assurance over the governance framework. Link: **https://resource.cdn.icai.org/58538iasb47693sia140.pdf**
SIA 150, Compliance with Laws and Regulations	To clarify the responsibilities of management and auditors over compliance with laws and regulations, and the requirements which need to be met to assess, evaluate, report and provide independent assurance over the compliance framework. Link: **https://resource.cdn.icai.org/58539iasb47693sia150.pdf**
SIA 250, Communication with Those Charged with Governance	To emphasise the need for a continuous dialogue and discussion on essential internal audit matters between the Internal Auditor and TCWG in a process driven manner and to ensure that this communication is independent, definite, effective, and timely. Link: **https://resource.cdn.icai.org/58540iasb47693sia250.pdf**

Last date to offer comment on above exposure draft is **29th March 2020.**

Guidance Note on CARO, 2020

Exposure Draft of Guidance Note on the Companies (Auditor's Report) Order, 2020

Ministry of Corporate Affairs has notified Companies (Auditor's Report) Order, 2020 on 25th February 2020. To provide guidance to the members carrying out audits on the matters specified in the order, Auditing and Assurance Standards Board (AASB) of the ICAI brings out the publication "Guidance Note on the Companies (Auditor's Report) Order, 2020"

This Guidance Note on CARO-2020 contains detailed analysis on the applicability of order, general approach of auditor, clause by clause audit procedures and reporting including a detailed reference on relevant provision or regulation.

Comments can be offered on this draft by **18th March 2020.**

Please note, as relief measure in view of COVID-19, CARO, 2020 now shall be applicable from FY 2020-21. CARO, 2016 has 21 points (including subparagraphs) and CARO, 2020 has 49 points (including subparagraphs) to be reported in the audit report. This relief will significantly ease the burden on companies & their auditors for the year 2019-20.

International Accounting Standard

Review of the IFRS for SMEs Standard

Accounting Standard Board (ASB) of ICAI has also invited comments on the Request for Information from the public on the International Accounting Standards Board's (IASB's) approach to updating the IFRS for SMEs Standard—the simplified accounting standard for small and medium-sized entities.

As defined in IFRS for SMEs, the Small and medium-sized entities are entities that:

(a) do not have **public accountability;** and

(b) publish **general purpose financial statements** for external users

The IFRS for SMEs Standard is required or permitted in more than 80 countries and is used by millions of companies.

The objective of the consultation is to seek views on whether and how to align the IFRS for SMEs Standard with full IFRS Standards, which are the Standards developed for publicly accountable entities and currently required in more than 140 jurisdictions.

The Request for Information asks for views on different approaches to updating the IFRS for SMEs Standard, as well as views on how the Standard could be aligned with newer IFRS Standards, such as IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

The downloadable version is available at **https://resource.cdn.icai.org/58809asb47898.pdf** and IASB has invited comments up to **30th May 2020** and comments can be offered electronically on **http://www.icai.org/comments/asb/**.

However, Responses to Request of IASB for Information can be given until **27th July 2020**.

Regulations

Companies (Amendment) Bill, 2020

Lately, the Companies (Amendment) Bill, 2020 which was introduced in Lok Sabha by the Minister of Finance and Corporate Affairs, Ms. Nirmala Sitharaman on March 17, 2020. The Bill proposed 72 changes to the Companies Act, 2013.

In September 2019, a Company Law Committee (CLC) was constituted by the government to make recommendations to the Govt. on re-categorisation of certain 'criminal compoundable offence' to 'civil wrongs' carrying civil liabilities and to facilitate and promote ease of living and doing business in India. Thereafter, based upon report submitted by CLC in November, 2019, this bill was introduced.

The bill shall come into force with the notification by the Central Government in the official gazette. The Govt. may appoint different dates for different provisions of this Act.

Below are the highlights of the bill:

1. The definition of listed company is proposed to be modified with the addition of proviso to clause (52) of Section 2 which states that "Provided that such class of companies, which have listed or intend to list such class of securities, as may be prescribed in consultation with the Securities and Exchange Board, shall not be considered as listed companies."

2. The Bill proposed to recategorize the offences, where the offences punishable with imprisonment was somewhere omittedthereby lessening down severability of the non-compliance, elsewhere the fines were reduced for many offences thereby providing relief to the companies and its officers in default.

3. Amendment in section 16, If a company is in default in complying with any direction givenunder section 16(1), the Central Government shall allot a new name with the fresh certificate of incorporation to the companies and the Registrar shall enter thenew name in the register of companies in place of the old name and issue a freshcertificate of incorporation with the new name.

4. Amendment in Section 56 will prescribe a fixed penalty of INR 50,000/-on the Company and every officer for making any default in complying with the provisions relating to Transfer and Transmission of Shares.

5. Amendment in Section 62(1)(a)(i), the period of offer letter as per current provisions is minimum 15 days and maximum of 30 days.Now it is proposed to reduce the minimum number to such lesser number of days as may be prescribed.

6. Power has been given to Central Government to exempt any class or classes of persons from complying with any of the requirements of section 89 except for compliance with sub-section 10 of section 89 which explains the beneficial interest in shares.

7. Exemption to non-banking financial company registered under Chapter IIIB of the Reserve Bank of India Act, 1934 and housing finance company registered under the National Housing Bank Act, 1987 is proposed to be provided under section 117 of the Act from passing of the resolution to grant loans, or give guarantee or provide security in respect of loans under clause (f) of sub-section (3) of section 179 in the ordinary course of its business.

8. A new Section 129A is to be inserted which shall require specific classof unlisted companies to prepare the financial results on such periodical basis and to obtain approval of the Board of Directors and complete audit or limited review of such periodical financial results and thereon to file a copy with the Registrar within a period of thirty days of completionof the relevant period.

9. It is proposed under Section 135 of the Act, that if the company spent excess amount on CSR than its limit in any financial year, then that can be set off against the amount to be spent in the succeeding financial years. Along with this, it is proposed that where the amount to be spent by a company does not exceed fifty lakh rupees, the requirement for constitution of the Corporate Social Responsibility Committee shall not be applicable and the functions of such Committee, in such cases, be discharged by the Board of Directors of the company.

10. Amendment to section 143 says, that the fine on "auditor, cost accountant or company secretary in practice" for not disclosing the fraud in their report is proposed to be reduced to five lakh rupees (in case of a listed company) and one lakh rupees (in case of any other company).

11. A new proviso is proposed to be inserted in sub-section(9) of Section 149 of the Act, which states that where the company has no profits or its profits are inadequate, then independent directors may receive remuneration exclusive of any fees payable under sub-section (5) of section 197, in accordance with the provisions of Schedule V.

    In line with above amendment, changes in section 197 is also made where word "any other non-executive director, including an independent director" shall be inserted after the words "whole-time director or manager" thereby allowing remuneration to non-executive directors and independent directors as per Schedule V, in cases where the company has no profits or its profits are inadequate.

12. In case of winding up,thebill extends the rights of official liquidator to file an application with the tribunal if assistance is not provided by the required persons, thereon the tribunal shall gives out the order directing such persons to assist accordingly. Also, it is directed to the tribunal to forward the copy of the order to the registrar and the same is also required to be forwarded by the official liquidator.

13. It is proposed that the powers of the Appellate Tribunal to be exercised by the Benches there of, these Benches of the Appellate Tribunal shall ordinarily sit at New Delhi or such other places as the Central Government may, in consultation with the Chairperson.

14. Lesser penalties are proposed for certain type of companies i.e. One Person Company, small company, start-up company or Producer Company, or by any of its officer in default, or any other person in respect of such company. If penalty is payable for non-compliance of any of the provisions of this Act by such company then such company, its officer in default or any other person, as the case may be, shall be liable to a penalty which shall not be more than one-half of the penalty specified in such provisions subject to a maximum of two lakh rupees in case of a company and one lakh rupees in case of an officer who is in default or any other person, as the case may be.

15. Amendment in Section 450 is proposed to put a maximum cap of punishment where no specific penalty or punishment is provided.Maximum oftwo lakh rupees in case of a company and fifty thousand rupees in case of an officer who isin default or any other person is proposed.

It is proposed to amend various provisions of the Act to decriminalize minor procedural or technical lapses under the provisions of the said Act, into civil wrong; and considering the overall pendency of the courts, a principle based approach is to be adopted to further remove criminality in case of defaults, which can be determined objectively and which otherwise lack any element of fraud or do not involve larger public interest. In addition, the Government also proposes to provide greater ease of living to corporates through certain other amendments to the Act.

Regulation of Payment Aggregators and Payment Gateways

Reserve Bank of India (RBI) has on 17 March, 2020 issued Guidelines on Regulation of Payment Aggregators and Payment Gateways, thereby formalizing the activities undertaken by payment aggregators (PA) and payment gateways(PG). Major highlights of these guidelines are given below:

1. These guidelines are issued under Section 18 read with Section 10(2) of the Payment and Settlement Systems Act, 2007 and shall come into effect from April 1, 2020 other than for activities for which specific timelines are mentioned.
2. The guidelines shall be applicable to PAs. PAs shall also adopt the technology-relatedrecommendations given in these guidelines.
3. As a measure of good practice, the PGs may adhere tothese baseline technology-related recommendations.
4. Guidelines are not applicable to Cash on Delivery (CoD) e-commerce model.
5. Non-bank PAs shall require authorisation from RBI under the Payment and Settlement Systems Act, 2007. Application for authorization shall be made on or before June 30, 2021. They shall be allowed to continue their operations till they receive communication from RBI regarding the fate of their application.
6. PA shall be a company incorporated in India under the Companies Act, 1956/2013. The Memorandum of Association (MoA) of the applicant entity must cover the proposed activity of operating as a PA.
7. E-commerce marketplaces providing PA services shall not continue this activity beyond June 30, 2021. If they desire to pursue this activity, it shall be separated from the marketplace business and they shall apply for authorisation on or before June 30, 2021.
8. Existing PAs shall achieve
   A. a net-worth of ₹15 crore by March 31, 2021 and
   B. net-worth of ₹25 crore by the end of the third financial year, i.e., on or before March 31, 2023.
   The net-worth of ₹25 crore shall be maintained at all times thereafter.
9. New PAs shall have a minimum
   A. net-worth of ₹15 crore at the time of application for authorisation and
   B. shall attain a net-worth of ₹25 crore by the end of third financial year of grant of authorisation.
   The net-worth of ₹25 crore shall be maintained at all times thereafter
10. PAs shall submit a certificate in the prescribed format from their Chartered Accountants (CA) to evidence compliance with the applicable net-worth requirement while submitting the application for authorization.
11. PAs shall disclose comprehensive information regarding merchant policies, customer grievances, privacy policy and other terms and conditions on the website and/or their mobile application.
12. PAs shall have a Board approved policy for disposal of complaints/dispute resolution mechanism/time-lines for processing refunds, etc.

13. PAs shall appoint a Nodal Officer responsible for regulatory and customer grievance handling functions. PAs shall prominently display details of the nodal officer on their website.
14. Non-bank PAs shall maintain the amount collected by them in one escrow account with any scheduled commercial bank.
15. Permitted debits and credits to such escrow account has been prescribed in the guidelines.
16. PAs are required to put in place adequate information and data security infrastructure and systems for prevention and detection of frauds.
17. PAs shall submit the System Audit Report, including cyber security audit conducted by CERT-In empanelled auditors, within two months of the close of their financial year to the respective Regional Office of DPSS, RBI.

Various measures taken in view of COVID Outbreak

Relaxation in Companies Act, 2013 and LLP Act, 2008

1. No additional fee from 1stApril, 2020 to 30th September, 2020, for late filing of any documents, return, statement etc to be filed with MCA by Companies/ LLPs.
2. Requirement of holding board meetings within an internal of 120 days is further extended by a period of additional 60 days, till 30thSeptember, 20.
3. The Companies (Auditor's Report) Order, 2020 shall be made applicable from financial year 2020-21 instead of 2019-20.
4. As per Schedule IV to the Companies Act, 2013, Independent Directors (ID) are required to hold atleast one meeting without the attendance of Non-Independent Directors and members of management. For FY 2019-20, if the ID have not been able to hold such a meeting, the same shall not be viewed as violation.
5. Timeline for creation of deposit redemption reserve of 20% of deposits maturing during the FY 2020-21 has been extended till 30thJune, 2020
6. Timeline to invest or deposit at least 15% of amount of debentures maturing in specified methods of investments or deposits before 30th April, 2020, is extended till 30th June, 2020.
7. Timeline for filing of declaration on commencement of business by New Companies within 180 days s extended by an additional period of 180 days.
8. For Financial year 2019-20, non-compliance of minimum residency period of 182 days by any one director, shall not be treated as non-compliance.
9. Further, Ministry has also clarified that spending of CSR funds for COVID-19 is eligible CSR Activity.

Relaxation in Insolvency and Bankruptcy Code, 2016

Due to the emerging financial distress faced by most companies on account of the large-scale economic distress caused by COVID 19, it has been decided to raise the threshold of default under section 4 of the IBC 2016 to Rs 1 crore (from the existing threshold of Rs 1 lakh). This will by and large prevent triggering of insolvency proceedings against MSMEs. If the current situation continues beyond 30th of April 2020, the government may consider suspending section 7, 9 and 10 of the IBC 2016 for a period of 6 months so as to stop companies at large from being forced into insolvency proceedings in such force majeure causes of default.

TAX CALENDER

April-2020

Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30

Date	Regulation	Obligation	Form No.
7	Income Tax	- Last date for deposit of Tax deducted by an office of the government for the month of March, 2020.	
7	FEMA	- Last date of reporting of actual transactions of External Commercial Borrowings (ECB) through AD Bank under FEMA	ECB-2
10	GST	- Last date of filing Form GSTR 7 for the month of March, 2020 (to be filled by the e-commerce operators required to deduct TDS under GST)	GSTR-7
10	GST	- Last date of filing Form GSTR 8 for the month of March, 2020 (to be filled by the person required to deduct TDS under GST)	GSTR-8
11	GST	- Last date of filing Form GSTR 1 for the month of March, 2020 for the taxpayer who has not chosen quarterly filing.	GSTR-1
13	GST	- Last date of filing Form GSTR 6 for the month of March, 2020 (to be filled by input service distributor)	GSTR-6
14	Income Tax	- Last date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB and 194M in the month of February, 2020	
15	Provident Fund	- Last date of online payment of provident fund for the month of March, 2020	PF Challan
15	ESI	- Last date of online payment of ESI fund for the month of February, 2020	ESI Challan
20	GST	- Last date of payment of GST for the month of March, 2020 for taxpayer having turnover more than 5 Crores	Form GSTR-3B and Form GST PMT -06, in case of payment of GST
20	GST	- Last date of filing Form GSTR 5 & 5A and payment of GST for the month of March, 2020 (to be filled by non-resident person)	GSTR-5 & 5A
25	Provident Fund	-Provident Fund return filing for March, 2020 (including pension and insurance scheme form)	
30	Income Tax	- Last date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB and 194M in the month of March, 2020	Form 26QB & 26QC
30	Income Tax	- Last date for deposit of Tax deducted by an assessee other than an office of the Government for the month of March, 2020.	Challan 281
30	GST	- Last date of filing Form GSTR 1 for the month of March, 2020 for the taxpayer who has chosen quarterly filing.	GSTR-1

About JPC

JPC is a professional services firm based in New Delhi & Noida, India. We were established in the year 1974 with the aim to create value for our clients by delivering quality, comprehensive, timely, practical and innovative services. We offer a comprehensive range of services, including taxation services, regulatory services, transaction advisory services, financial & management consultancy services, assurance & risk services, and outsourcing services. Over the past several decades, we have established significant competitive presence in the country. Our vast and diversified client base includes Multinational enterprises, domestic companies, high net worth individuals, government companies and institutions in all leading industry verticals. We are a team of distinguished Chartered Accountants, Management Accountants, Corporate Financial Advisors and Tax Consultants. Our team has the requisite skills and experience to provide complex business, financial, assurance, tax and regulatory services to our clients. Our strength lies in our timely performance-based, industry-tailored and technology-enabled services which are delivered by some of the most talented professionals in the country. For more information about JPC's service offerings, visit www.jpc.co.in

In this document, "JPC" refers to J P Chawla & Co. LLP Chartered Accountants (a limited liability partnership firm regulated by the Institute of Chartered Accountants of India, FRN : 001875N/ N500025).

J P Chawla & Co. LLP

Chartered Accountants

New Delhi office:
43 Darya Ganj,
New Delhi - 110002
INDIA

Noida office:
C-129, Sector 2,
Noida - 201 301 (U.P.), INDIA
Phone: +91-120-4573207, 4573208
General Email: info@jpc.co.in

Main Partners Hand Phone & Email

Rajat Chawla	+91-9871494499 | rajatchawla@jpc.co.in
J.P. Chawla	+91-9811028918 | jpchawla@jpc.co.in
Richa Chawla	+91-9990509709 | richajuneja@jpc.co.in

For further information, please email your details to rajatchawla@jpc.co.in or call +91-9871494499.