

# NEWSLETTER

August 2021

J P Chawla & Co. LLP

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Chartered Accountants

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



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Indian economy is growing post-pandemic with GDP at Current Prices in the year Q1 2021-22 estimated at ₹ 51.23 lakh crore, as against ₹ 38.89 lakh crore in Q1 2020-21, showing a growth of 31.7 percent as compared to the contraction of 22.3 percent in Q1 2020-21. GVA at Basic Price at Current Prices in Q1 2021-22, is estimated at ₹ 46.20 lakh crore, as against ₹ 36.53 lakh crore in Q1 2020-21, showing a growth of 26.5 percent.

Foreign direct investments into India are increasing, reaching US\$ 12.1 billion in May this year, according to Commerce and Industry Minister Mr Piyush Goyal. In 2020-21, India got the greatest amount of FDI it has ever received. It increased by 10% to US\$ 81.72 billion, with FDI totaling US\$ 12.1 billion in May 2021, which is 203% more than May 2020.

In direct taxes, CBDT has allowed relaxation for filing of Form 15CA and 15CB. The taxpayers can now submit the Form 15CA and 15CB in manual format to the authorized dealers till 15th August 2021. A facility will be provided on the new e-filing portal to upload these forms at a later date for the purpose of generation of the Document Identification Number.

In Indirect taxes, the government has introduced new rules for filing the annual return for the financial year 2020-21 onwards. Government has also exempted the class of registered persons from filing GSTR-9 for the financial year 2020-21, whose aggregate turnover for the financial year 2020-21 does not exceed two crore rupees.

The Limited Liability Partnership (Amendment) Act, 2021 which was passed by Rajya Sabha on 4th Aug 2021 & by Lok Sabha on 9th Aug 2021 has received the assent of the President on the 13th of August 2021. This act will further amend the provisions of LLP Act, 2008. Some of the key highlights of this act are Introduction of small LLP, De-Criminalization of Monetary Penalties and Accounting standards for Classes of LLPs.

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**

Despite the covid-19 severe shock, India's economy is ready for faster growth than it has been for a long time. A strong rebound is expected on the back of rapid vaccinations, a recovering monsoon boosting agricultural output, thrust on infrastructure investments by the government and growth in exports.

## Economic and Trade Highlights in August 2021:

- **Foreign direct investments rise to US\$ 12.1 billion in May: Piyush Goyal** - Foreign direct investments into India are increasing, reaching US\$ 12.1 billion in May this year, according to Commerce and Industry Minister Mr Piyush Goyal. "In 2020-21, India got the greatest amount of FDI it has ever received. It increased by 10% to US\$ 81.72 billion, with FDI totalling US\$ 12.1 billion in May 2021, which is 203% more than May 2020."
- **India's renewable energy developers raise over Rs. 26,300 cr in H1 2021: Report** - According to a report released on Wednesday, India's renewable energy (RE) producers issued green bonds worth Rs. 26,300 crore (US\$ 3.5 billion) in the first half (H1) of 2021, breaking previous one-year records. Green bonds issued in overseas markets have raised more than Rs. 78,200 crore (US\$ 10.51 billion) for India's RE developers since 2014, with Greenko and ReNew Power accounting for around 70% of all issuances by value.
- **India's GDP likely to grow at 18.5% in April-June quarter this fiscal: SBI report** - According to SBI's research report Ecwrap, India's gross domestic product (GDP) is anticipated to expand at about 18.5% in the first quarter of this fiscal year, lower than the RBI's forecast of 21.4%. According to the study, "the predicted GDP growth for Q1 FY22 would be about 18.5% (with upward bias) based on our 'Nowcasting' model."
- **India's Exports Reach \$35.43 Billion In July 2021; 49.85% Increase Compared To 2020** - Thanks to a rebound in major global markets and robust demand, India exported products worth US\$ 35.43 billion in July, the highest amount ever in a month, according to statistics released by the Commerce and Industry Ministry. In July 2020, outbound shipments grew by almost 50%, 49.85% to be exact. In comparison to the pre-Covid number, the rise was 35% as of July 2019.
- **India among top 4 markets for 5G devices sans network support; 40 mn shipments likely in 2021** - According to market research organisations, India has already surpassed the United States as the fourth largest market for devices supporting the next-generation technology in terms of shipments. According to IDC, India comes fourth in terms of 5G smartphone shipments, with an average selling price of US\$ 410 behind China, the United States, and Japan.
- **India auto retail sales up 34% in July 2021** - Automobile retail sales in India rebounded sharply in July with total sales increased by 34% to 15,56,777 units, compared to 11,60,721 units in the same month previous year after showroom opened across the country due to the relaxed covid restrictions.
- **Investment of US\$ 27 billion to boost refining capacity by 2025 in India** - With the world's third-largest importer and consumer of oil, India's state refiners plan to invest INR 2 trillion (US\$ 26.96 billion) by 2025 to increase oil refining capacity by 20% in Asia's third-largest economy, according to Mr. Rameswar Teli, Minister of State Ministry of Petroleum and Natural Gas. He also stated that refining capacity is scheduled to increase to 298 million tonnes per year by 2025. India has a refining capacity of around 249 million tonnes per year, or around 5 million barrels per day (BPD).

## Goods and Service Tax

### Notification No. 30/2021 – Central Tax

#### Rules for filing annual return and reconciliation statement

New rules have been introduced for filing the annual return for the financial year 2020-21 onwards. The new rules are summarized in the following points:

- Every registered person other than input services distributor, casual taxable person, the non-resident taxable person shall furnish the annual return under Form GSTR-9 electronically on or before 31st December of the following the end of such financial year.
- Person registered as a composite taxable person shall furnish his annual return in Form GSTR-9A.
- Every Electronic Commerce Operator who required to collect TCS shall furnish an annual return in Form GSTR-9B.
- Every registered person, other than those referred to in the second proviso to section 44, an Input Service Distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person, whose aggregate turnover during a financial year exceeds five crore rupees, shall also furnish a self-certified reconciliation statement as specified under section 44 in FORM GSTR-9C along with the annual return referred to in sub-rule (1), on or before the thirty-first day of december following the end of such financial year, electronically through the common portal.

### Notification No. 31/2021 – Central Tax

Government vide this notification had exempted the class of registered person from filing GSTR-9 for the financial year 2020-21, whose aggregate turnover for the financial year 2020-21 does not exceed two crore rupees.

### Notification No. 32/2021 – Central Tax

Earlier a proviso has been inserted in April to provide that the GSTR-1 and GSTR-3B of a company during the period 27th Day of April 2021 to 31st May 2021 shall be allowed to verify through electronic verification code (EVC). Now the government vide this notification further extend this period as 27th Day of April 2021 to 31st October 2021. Further, it has been clarified that from 1st November 2021 the said proviso shall stand omitted.

### Notification No. 33/2021 – Central Tax

Earlier the government in order to provide relief to the taxpayer, the late fees for delay in filing GSTR-3B for the period July 2017 to April 2021 shall be capped at INR 1,000 per return however the late filing fees for the said period shall be capped at INR 500 per return where the outward tax liability is NIL for the month/quarter subject to the condition that the said return shall be filed between the period 1st June 2021 to 31st August 2021. Now the government had extended such time from 31st August 2021 to 30th November 2021.

### Notification No. 34/2021 – Central Tax

Under this notification where a registration has been cancelled under the said Act and the time limit for making an application of revocation of cancellation of registration falls during the period from the 1st day of March, 2020 to 31st day of August, 2021, the time limit for making such application shall be extended up to the 30th day of September, 2021.

**Advance Ruling (AAR)**  
**M/s Tata Motors Ltd.**

The application was submitted that they are maintaining canteen facility to its employees at its factory premises to comply with the mandatory requirement of maintaining the canteen as per the Factories Act, 1948. The applicant submits that as per the proviso to Section 17(5) (b) of Central Goods & Service Tax Act, 2017, ITC of GST paid on goods or services or both shall be available, where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

The applicant is recovering nominal amount on monthly basis to ensure the use of canteen facility only by authorized persons/ employees and expenditure incurred towards canteen facility borne by Applicant is part and parcel of cost to the company. In a press release dated 10.07.2017 also, it was clarified that supply by the employer to the employee in terms of contractual agreement of employment (part of salary/CTC) is not subject to GST. Once an employee ceases to be in employment with applicant, he/she is not authorized to use the canteen facility. In other words, the employer-employee relationship is a must to avail this facility.

In the above case the ruling is as follows:

- ITC on GST paid on canteen facility is blocked credit under Section 17 (5)(b)(i) of CGST Act and inadmissible to the applicant.
- GST, at the hands on the applicant, is not leviable on the amount representing the employees portion of canteen charges, which is collected by the applicant and paid to the Canteen service provider.

## Direct Tax

### Insert of New Rules for Computation of Capital Gain u/s 45(4)

The CBDT has inserted a new sub-rule in Rule 8AA and new Rule 8AB for computation of Capital Gain in case of reconstitution of Firm and attribution of income taxable under section 45(4) to the capital assets remaining with the firm or other association of persons or body of individuals.

- [Notification No. 76 /2021]

### Insert of New Rules for Computation of Capital Gain u/s 50

The CBDT has inserted a new Rule 8AC for computation of short term Capital Gain and written down value under section 50 where depreciation on goodwill has been obtained.

- [Notification No. 77 /2021]

### Insert of Income Tax Rule for Income Tax Returns

The CBDT has amended Rule 12 of Income Tax Rules. The following amendments have been done in Rule 12 :

- a. Substitution of Section 148(1) with Section 148 in Sub-rule(1) which prescribes the sections under which ITR is filed.
- b. Substitution of Year "2019" with Year "2020" which prescribes that Income Tax Return relates to the assessment year commencing on the 1st day of April 2020 or any earlier assessment year, it shall be furnished in the appropriate form as applicable in that assessment year.

- [Notification No. 82 /2021]

### Omission of Income Tax Rules and Forms

The CBDT has introduced a new Rule 130 which omitted the following rules 5A, 5AB, 6ABB, 12B, 12BA, 16D, 16DD, 16E, 16F, 18B, 18BB, 18BBA, 18DD, 18DDA, 20AB, 29AA, 29D, 37, 37E, 37F, 44A, 48, 123 and rule 124 of Income Tax Rules. The corresponding following Forms ITR-8, 2B, 2C, 2E, 3AA, 3AAA, 3BA, 4, 5, 5A, 10AA, 10C, 10CC, 10CCA, 10CCAA, 10CCAB, 10CCABA, 10CCAC, 10CCAD, 10CCAE, 10CCAF, 10CCAG, 10CCAH, 10CCAI, 10CCBA, 10CCBB, 10CCBBA, 10CCBC, 10CCBD, 10DB, 10DC, 10G, 10HA, 11, 11A, 12, 12A, 15I, 15J, 16AA, 22, 24, 26, 27E, 30, 34A, 34B, 34BA, 37, 37EE, 37F, 37G, 37H, 37-I, 54, 55, 56A, 56AA, 56B, 56BA, 56C, 56CA, 56E, 56F, 56FF, 56G, 56H, 58A, 58B, 63, 63A and Form 63AA which are related to above mentioned Rules shall be omitted.

Any proceeding pending before any income-tax authority, any Appellate Tribunal or any court, by way of appeal, reference or revision, shall be continued and disposed of as if any above-mentioned rules and forms have not been omitted.

- [Notification No. 83 /2021]

### Relaxation for Filing of Form 15CA and 15CB

The CBDT has allowed relaxation for filing of Form 15CA and 15CB. The taxpayers can now submit the Form 15CA and 15CB in manual format to the authorized dealers till 15th August, 2021. A facility will be provided on the new e-filing portal to upload these forms at a later date for the purpose of generation of the Document Identification Number.

- [Press Release]

## Assurance & Accounting

### Accounting Standards

#### Exposure Draft of Disclosures of Accounting Policies - Amendments to Ind AS 1, Presentation of Financial Statements

The Indian Accounting Standards (Ind AS) are based on the IFRS Standards issued by the International Accounting Standards Board (IASB). In this regard, it may be noted that IFRS Standards are being issued/revised by the IASB from time to time. As a part of convergence with IFRS Standards, the Ind AS may be issued/revised corresponding to the IFRS Standards. Accordingly, whenever any amendments are made or new IFRS Standard/IFRIC is issued by the IASB, the Accounting Standards Board of the ICAI considers for issuing amendments to Ind AS. While doing so, keeping in view the Indian conditions and circumstances, wherever considered appropriate, necessary changes are also proposed to the Ind AS.

In this regard, the Accounting Standards Board has issued the following Exposure Draft:-

- **Disclosures of Accounting Policies - Amendments to Ind AS 1, Presentation of Financial Statements**

The Exposure Draft of Amendments to Ind AS 1 requires companies to disclose their 'material accounting policy information' rather than their 'significant accounting policies'. To assist an entity in determining whether accounting policy information is material to its financial statements amendments are proposed to Ind AS 1. The downloadable version is available at: <https://resource.cdn.icai.org/65825asb53115.pdf>

- **Exposure Draft of Revised Accounting Standards for Public Comments**

The Indian Accounting Standards (Ind AS), as notified by the Ministry of Corporate Affairs in February 2015, and as amended from time to time are applicable to the specified class of companies as per Ind AS Roadmap. Accounting Standards notified under Companies (Accounting Standards) Rules, 2021 and those issued by the ICAI are applicable to entities to whom Ind AS are not applicable. However, on the basis of the discussions held at various standard-setting forums, it has been decided to revise Accounting Standards (AS). Accordingly, ASB is working on the project of revision of these standards which will be applicable to entities to whom Ind AS are not applicable. While formulating these Accounting Standards, the ASB decided to maintain consistency in the numbering of AS with Ind AS numbering.

In this direction, the Exposure Draft of revised AS 105, Non-current Assets Held for Sale and Discontinued Operations, has been issued by the ASB for comments with the last date being September 14, 2021, which can be assessed at the link <https://resource.cdn.icai.org/66040asb53286.pdf>

## Accounting

#### Subsidiaries without Public Accountability: Disclosures

Indian Accounting Standards (Ind AS) are based on the IFRS Standards issued by the International Accounting Standards Board (IASB) of IFRS Foundation. The IASB, before issuing the new/amendments to IFRS Standards, issues consultative documents [such as Discussion Paper (DP), Exposure Draft (ED) etc] seeking public comments from across the globe. The Accounting Standards Board (ASB) of ICAI with the aim to provide an opportunity to the various stakeholders in India to raise their concerns at the



initial International Standard-setting stage itself, invites comments on the consultative documents issued by the IASB. It also helps the Indian stakeholders to be aware of the preparations required for the implementation of Ind AS in line with adhering to global timelines. Recently, the IASB has issued the following Exposure Draft for public comments:

This Exposure Draft sets out the proposal of the IASB for a new IFRS Standard Subsidiaries without Public Accountability: Disclosures (draft Standard). The draft Standard would permit a subsidiary to apply reduced disclosure requirements when applying IFRS Standards in its financial statements provided that:

1. the subsidiary does not have public accountability; and
2. its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Standards (see paragraph 6(c) of the draft Standard).

The above mentioned ED is hosted on the website of the ICAI for public comments with the last date as December 15, 2021, and can be accessed at the following link: <https://resource.cdn.icai.org/65993asb53228.pdf>.

## Regulations

### **Amendment to Companies (Registration of Foreign Companies) Rules, 2014**

Ministry of Corporate Affairs vide notification no. G.S.R. 538(E) dated 05/08/2021 amends the Companies (Registration of Foreign Companies) Rules, 2014 to insert the following explanation in clause (c) of sub-rule (1) of rule 2:

“Explanation- For the purpose of this clause, electronic-based offering of securities, subscription thereof or listing of securities in the international Financial Services centres set up under section 18 of the Special Economic Zones Act, 2005 (28 of 2005) shall not be construed as ‘electronic mode’ for the purpose of clause (42) of section 2 of the Act”.

The above said amended rule is to be called the Companies (Registration of Foreign Companies) Amendment Rules, 2021.

### **Amendment to Companies (Specification of Definitions Details) Rules, 2014**

Ministry of Corporate Affairs vide notification no. G.S.R. 539(E) dated 05/08/2021 amends Companies (Specification of definitions details) Rules, 2014 to insert the following explanation in clause (h) of sub-rule (1) of rule 2:

“Explanation. - For the purposes of this clause, electronic-based offering of securities, subscription thereof or listing of securities in the International Financial Services Centres set up under section 18 of the Special Economic Zones Act, 2005 (28 of 2005) shall not be construed as ‘electronic mode’ for the purpose of clause (42) of section 2 of the Act.”.

The above said amended rule to be called as Companies (Specification of definitions details) Third Amendment Rules, 2021.

### **Exemption from the Provision Of 387 To 392 of The Companies Act, 2013**

Ministry of Corporate Affairs vide notification no. S.O. 3156(E) dated 05/08/2021 exempts, from the applicability of provisions of sections 387 to 392 (both inclusive), the following: -

- a. foreign companies.
- b. companies incorporated or to be incorporated outside India, whether the company has or has not established, or when formed may or may not establish, a place of business in India, insofar as they relate to the offering for subscription in the securities, requirements related to the prospectus, and all matters incidental thereto in the International Financial Services Centres set up under section 18 of the Special Economic Zones Act, 2005 (28 of 2005).

### **The Limited Liability Partnership (Amendment) Act, 2021**

The Limited Liability Partnership (Amendment) Act, 2021 which was passed by Rajya Sabha on 4th Aug 2021 & by Lok Sabha on 9th Aug 2021 has received the assent of the President on the 13th of August 2021. This act will further amend the provisions of LLP Act, 2008.

Some of the key highlights of this act are as follows:

- a. Introduction of small LLPs
- b. De-Criminalization of Monetary Penalties

- c. Accounting standards for Classes of LLPs
- d. Resident in India etc.

### **The Insolvency and Bankruptcy Code (Amendment) Act, 2021**

The Insolvency and Bankruptcy Code (Amendment) Bill, 2021 which was passed by the Lok Sabha on July 28 and by the Rajya Sabha on 03.08.2021 has received the assent of the President on the 11th of August 2021.

This act will further amend the Insolvency and Bankruptcy Code, 2016 & shall be deemed to have come into force on the 4th day of April 2021.



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