

NEWSLETTER

July 2020

J P Chawla & Co. LLP

Chartered Accountants

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



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The economic scenario in India continues to get better with economic activity increasing day by day. There are still certain regions in India which are impacted more in terms of Covid than the other regions. As cases related to Covid-19 go down, more and more sectors are being unlocked every month by the government.

India is a land of opportunities and looking into the same Indian government has introduced new education policy 2020, which gives a great push for foreign education institutions to open up shop in India and which not only will create job opportunities in India but will also lead to skilling of Indian demographics. The education policy 2020 will change the way India learns and gets educated and shall be sync will the global education system. The education business shall be the major beneficiary of such change.

On a very positive side, Indian forex reserves continued to hit record high levels as they rose by \$1.275 billion for the week ended July 17 to \$517.63 billion, according to the latest data put out by the Reserve Bank of India (RBI).

In another major investment news, Google plans to invest in India US\$ 10 billion in partnerships, operations, infrastructure, the digital ecosystem, and equity investments over the next five to seven years to help accelerate the adoption of digital technologies in India. This investment will focus on providing affordable access and information for every Indian in their own language and Encouraging businesses as they continue or embark on their digital transformation.

Further Continuing with last month, various Covid related relaxations have been introduced in the area of compliances related to Income tax, Goods and service tax and corporate laws.

We sincerely hope this volume of the 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

India jumped one position & ranked 34th globally in JLL's Global Realty Transparency Index on the back of regulatory reforms, better market data and green initiatives, as per property consultant JLL. The first rank is held by the United Kingdom (UK) in the list of 99 countries, followed by the United States, Australia and France.

Economic highlights in July 2020:

- **The new advisory platform, RestartIndia, launched to help MSME sector:** Mr. Nitin Gadkari, Minister of MSMEs sector launched www.restartindia.in, a mentoring platform primarily aimed at aiding the sector to restart businesses across the country. It is in sync with Atmanirbhar (Self-reliant) project and is a single platform to get information on various schemes that the Government has initiated and to connect with professionals/experts from various fields.
- **Tamil Nadu government signs MoUs for Rs 10,000 crore new investments, jobs creation:** The Tamil Nadu Government signed eight new Memorandum of Understanding (MoUs) worth Rs 10,399 crore (US\$ 1.48 billion) with an estimation of 13,507 jobs across the state in solar cells, data centres and industrial parks, according to an official release in the areas of solar cells and modules manufacturing, agro-tech and iron foundry, among others.
- **Google to invest US\$ 10 billion in India:** Google plans to invest US\$ 10 billion in partnerships, operations, infrastructure, the digital ecosystem, and equity investments over the next five to seven years to help accelerate the adoption of digital technologies in India. This investment will focus on providing affordable access and information for every Indian in their own language and Encouraging businesses as they continue or embark on their digital transformation.
- **World Bank and Government of India sign US\$ 750 million Agreement for Emergency Response Programme for Micro, Small, and Medium Enterprises:** An agreement of US\$ 750 million has been signed between World bank and GOI for the MSME Emergency Response Programme to support the increased flow of finance into the hands of micro, small, and medium enterprises (MSMEs), severely impacted by the COVID-19 crisis. This programme will address the immediate liquidity and credit need's of some 1.5 million viable MSMEs to help them withstand the impact of the current shock and protect millions of jobs.
- **German economic outlook brighter for 3rd month post-shutdown:** With coronavirus restrictions eased, German business outlook rose in July for the third month in a row as economic activity continues to pick up. The Ifo institute's index rose to 90.5 points from 86.3 points in June as per the Munich-based organization.
- **Arab economies to shrink by 5.7% amid coronavirus fallout in UN report:** Pandemic suffered Arab countries are facing economic contraction of 5.7% this year, pushing millions into poverty and compounding the suffering of those affected by armed conflict described in a UN report.
- **India's forex reserves reach a new peak at \$518 billion:** Forex reserves continued to hit record high levels as they rose by \$1.275 billion for the week ended July 17 to \$517.63 billion, according to the latest data put out by the Reserve Bank of India (RBI).
- **Indian refiners cut crude processing as low fuel demand with margins fade:** Many Indian refiners are cutting crude processing and shutting units as they are facing low fuel demands from local and global markets while refining margins are getting weaker.

Goods and Service Tax

Notification No. 55/2020 – Central Tax

In view of global pandemic of covid-19 the government vide this notification has extended the due dates of any compliance or any action by any authority or any person which is prescribed or notified under the act which falls during the period of 20.03.2020 to 30.08.2020 shall be extended up to 31st day of August 2020. The compliances include followings:

- (a) completion of any proceeding or passing of any order or issuance of any notice, intimation, notification, sanction or approval or such other action, by whatever name called, by any authority, commission or tribunal, by whatever name called, under the provisions of the Acts stated above or
- (b) filing of any appeal, reply or application or furnishing of any report, document, return, statement or such other record, by whatever name called, under the provisions of the Acts stated above

The above extension shall not be applied on the following provisions:

1. Chapter IV - Provisions of time of supply
2. Section 10(3) - Non availability of composition scheme if the turnover of the person exceeds the prescribed limit during the period 20.03.202 to 29.06.2020.
3. Section 25 – Procedure for Registration
4. Section 27 – Special provisions relating to casual taxable person and non-resident taxable person
5. Section 31 – Provisions relating to tax invoice
6. Section 37 – Provisions relating to returns of outward supplies.
7. Section 47 – Provisions of levy of Late Fees
8. Section 50 – Provisions of Interest on Delay payment of taxes
9. Section 69 – Provisions related to power to arrest.
10. Section 90 – Provision related to liability of partners of firm to pay tax
11. Section 122 – Provisions related to penalty for certain offences
12. Section 129 - Detention, seizure and release of goods and conveyances in transit.
13. Section 39 except 39(3), 39(4), and 39(5) – Provision related to furnishing monthly returns
14. Section 68 – Provision related to inspection of goods in movement.
15. Rules made under above provisions

Earlier the time limit had been extended till 30th June 2020.

Notification No. 56/2020 – Central Tax

In view of global pandemic of Covid-19 the government on recommendation of GST council have extended the due date of passing order of Refund under section 54(7) in case where the notice of rejection has been issued and time limit of the same has been falls during the period 20th March 2020 to 30th August 2020, in all such cases the time limit of issuance of order shall be 15 days from the receipt of reply to the notice or the 31st day of August 2020, whichever is later.

Earlier the time limit had been extended till 30th June 2020.

Notification No. 57/2020 – Central Tax

Earlier the government waived off the late fees for the taxpayer who failed to furnish GSTR-3B by the due date for the period July 2017 to January 2020 but files before 30th Day of September 2020 up to the amount which is in no case exceed Rs. 500 (Rs. 250 CGST and Rs. 250 SGST). Further there is no late fees in case of NIL returns.

Now under this notification the above waiver of late fees shall also apply on the GSTR-3B for the period February 2020 to July 2020.

Notification No. 58/2020 – Central Tax

The government in order to facilitate the tax-payer inserted a rule where a tax payer can file NIL GST returns i.e. NIL GSTR-3B and NIL GSTR-1 can file through short messaging services (SMS) using the registered mobile number and the said returns shall be verified by a registered mobile number Based One Time Password (OTP) facility.

Notification No. 59/2020 – Central Tax

The government vide this notification extends the due date of filling GSTR-4 being filed by a composition dealer from 15th July 2020 to 31st August 2020.

Direct Tax

CBDT announced one-time relief for assesses to complete the verification process by 30th September, 2020 and relaxes the time for issuing the intimation u/s 143 till 31.12.2020

As a one-time measure for resolving the grievances of the taxpayers associated with non-filing of ITR-V for earlier Assessment Years and to regularize such returns which have either become Non-est or have remained pending due to non-filing/non-receipt of respective ITR-V Form, in case of returns for Assessment Years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 which were uploaded electronically by the taxpayer within the time allowed under section 139 of the Act and which have remained incomplete due to non-submission of ITR-V Form for verification, permitted verification of such returns either by sending a duly signed physical copy of ITR-V to CPC, Bengaluru through speed post or through EVC/OTP modes. Such verification process must be completed by 30.09.2020.

However, this relaxation shall not apply in those cases, where during the intervening period, the Income Tax Department has already taken recourse to any other measure as specified in the Act for ensuring filing of tax return by the taxpayer concerned after declaring the return as Non-est.

CBDT, also relaxes the time-frame for issuing the intimation u/s 143(1) of the Act till 31st December, 2020. In refund cases, while determining the interest, provision of section 244A (2) of the Act would apply.

-[Circular No. 13 /2020 dated 13th July, 2020]

CBDT clarifies applicability of notification w.r.t.exemption from deduction of tax on cash payment under section 194N as amended by Finance Act 2020.

(a) Notification 68 of 2019 dated 18.09.2019: Cash Replenishment Agencies (CRAs) and franchise agents of White Label Automated Teller Machine Operators (WLATMOs) for the purpose of replenishing cash in ATMs operated by these entities subject to conditions mentioned in the said notification

(b) Notification 70 of 2019 dated 20.09.2019: Commission agent or trader operating under Agriculture Produce market Committee (APMC) and registered under any law relating to Agriculture Produce Market of the concerned State have been exempted subject to conditions specified in the said notification

(c) Notification 80 of 2019 dated 15.10.2019: the authorized dealer and its franchise agent and sub-agent and Full Fledged Money Changer (FFMC) licensed by the Reserve Bank of India and its franchise agent for the purposes of:-

(i) Purchase of foreign currency from foreign tourists or non-residents visiting India or from resident Indians on their return to India, in cash as per the directions or guidelines issued by Reserve bank of India; or

(ii) Disbursement of inward remittances to the recipient beneficiaries in India in cash under Money Transfer Service Scheme (MFSS) of the Reserve Bank of India; and subject to the conditions specified in the said notification.

It has been clarified that the above mentioned three notifications shall be deemed to be issued under fourth proviso to section 194N as amended by the FA, 2020.

- **[Circular No. 14 /2020 dated 20th July, 2020]**

CBDT notifies forms for application and quarterly statement for Sovereign Wealth Fund (SWF)

- **[Circular No. 15 /2020 dated 22th July, 2020]**

CBDT notified various amendments to Income Tax Rules

Rule 11UAC: new rule has been substituted in place of old rule w.e.f. 1st April, 2020.

Rule 11UAD: Newly introduced to give non applicability of section 50CA to certain unquoted shares w.e.f. 1st April, 2020.

Rule 31A: Amendment to rule 31A and forms for TDS returns have been notified to include the changes brought in by Finance Act 2020 which includes deduction of tax under section 194K, 194O, 197A, etc.

Rule 31AA, 37BC, 37CA and 37-I: Rules and form have been amended in view of amendment brought in by the Finance Act 2020 such as TCS on sales of foreign exchange, overseas tour package and on sale of goods. - [Notification No. 40, 42, 43 and 54/2020]

CBDT notifies investment fund to which clauses (e), (f) and (g) of section 9A(3) will not apply w.e.f. 23rd September, 2020.

Section 9A deals with certain activities not to constitute business connection in India. CBDT notified that the conditions specified in clauses (e), (f) and (g) of the said sub-section shall not apply in case of an investment fund set up by a Category-I foreign portfolio investor registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, made under the Securities and Exchange Board of India Act, 1992 (15 of 1992).

- **[Notification No. 41/2020/F. No. 142/15/2015-TPL- Part (1)]**

National Pension Scheme Tier II- Tax Saver Scheme, 2020 for Central Govt. employees has been notified. The Scheme has a lock-in-period of 3 years with minimum investment of INR 1,000/- for first time contribution and INR 250/- for subsequent contribution. Contributor to the NPS shall be eligible to take exemption under section 80C.

- **[Notification No. 45 /2020/F. No.370142/26/2019-TPL]**

MoU signed by CBDT with SEBI, MoMSME and CBIC sharing of data

A formal MOU was signed on 8th July, 2020 between CBDT and SEBI for data exchange between the two organizations. In addition to regular exchange of data, SEBI and CBDT will also exchange with each other, on request and suo moto basis, any information available in their respective databases, for the purpose of carrying out their functions under various laws.

- **[Press Release dated 8th July, 2020]**

The MoU signed between CBDT and Ministry of Micro, Small and Medium Enterprises, Government of India (MoMSME) will facilitate seamless sharing of certain Income-tax Return (ITR) related information by the Income Tax Department to MoMSME. This data will enable MoMSME to check and classify enterprises in Micro, Small and Medium categories as per the criteria notified in the Notification No. S.O. 2119(E) dated 26/06/2020 of MoMSME.

- **[Press Release dated 20th July, 2020]**

The MoU signed on 21st July, 2020 supersedes the MoU signed between CBDT and the erstwhile Central Board of Excise and Customs (CBEC) in the year 2015. This MoU will facilitate the sharing of data and information between CBDT and CBIC on an automatic and regular basis. In addition to regular exchange of data, CBDT and CBIC will also exchange with each other, on request and spontaneous basis, any information available in their respective databases which may have utility for the other organization.

- **[Press Release dated 21st July, 2020]**

CBDT provides Utility to ascertain TDS applicability rates on cash withdrawals

This functionality has been available as “Verification of applicability u/s 194N” on www.incometaxindiaefiling.gov.in since 1st July, 2020. The Bank/Post Office has to only enter the PAN of the person who is withdrawing cash for ascertaining the applicable rate of TDS. On entering PAN, a message will be instantly displayed on the departmental utility: “TDS is deductible at the rate of 2% if cash withdrawal exceeds Rs. 1 crore” [if the person withdrawing cash is a filer of ITR] and “TDS is deductible at the rate 2% if cash withdrawal exceeds Rs. 20 lakh and at the rate of 5% if it exceeds Rs. 1 crore” [if the person withdrawing cash is a non-filer of ITR].

- **[Press Release dated 12th July, 2020]**

CBDT started e-campaign on Voluntary Compliance of Income Tax for FY 2018-19 from 20th July, 2020

The objective of the e-campaign is to facilitate taxpayers to validate online their tax/financial transaction information available with the I-T Department, especially for the assesseees for FY 2018-19 and promote voluntary compliance, so that they do not get into notice and scrutiny process etc.

The dept. has identified certain taxpayers with high value transactions who have not filed returns for AY 2019-20 (relevant to FY 2018-19). In addition to the non-filers, another set of return filers have also been identified wherein the high value transactions do not appear to be in line with their Income Tax Return.

Under the e-campaign, the taxpayers will be able to access details of their high value transaction related information on the designated portal. They will also be able to submit online response by selecting among any of the options given.

-**[Press Release dated 18th July, 2020]**

CBDT widens scope of ‘infrastructure’ for the purpose of exemption under newly inserted Sec. 10(23FE)

Notification provides for exemption of certain income of notified sovereign wealth fund or Pension Fund arising from investment in Indian ‘infrastructure’. CBDT widens the definition of infrastructure to align it with Harmonised Master List of

Infrastructure notified by Department of Economic Affairs [DEA] in August ,2018. Specifies business, for the purposes of sub-clause (iii)(b) of section 10(23FE), “to be the business which is engaged in the infrastructure sub-sectors mentioned in Updated Harmonised Master List.

- **[Notification No. 44 /2020]**

No notional rent addition u/s. 23 on a property which incapable of letting-out owing to legal restraint

The property in question during the period relevant to the year under consideration was under dispute and a court proceeding was operative, therefore, the same could not have been let out. Mumbai ITAT upholds CIT(A)’s deletion of Rs.4.50 crore on account of notional rent of properties as per the provisions of section 23(1)(a) r.w.s 23(4), observes that the reasonable rent for which the property might be let-out could not be computed owing to the legal restraint imposed by the High Court on letting the same out.

- **Haresh Natvarlal Sanghavi [TS-338-ITAT-2020(Mum)]**

Assurance and Accounting

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

Ministry of Corporate Affairs had 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 detailed reference on relevant provision or regulation.

This guidance note is available on <https://resource.cdn.icai.org/60117aasb48979-a.pdf>.

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 sub paragraphs) and CARO, 2020 has 49 points (including sub paragraphs) to be reported in audit report. This relief will significantly ease the burden on companies & their auditors for the year 2019-20.

Applicability of the revised edition of Code of Ethics

Ethical Standards Board of The Institute of Chartered Accountants of India (ICAI) has announced that the revised 12th edition of Code of Ethics has come into effect from 1st July 2020. All 3 volumes of this revised (12th edition) code of ethics are available on:

Code of Ethics Volume – I: <https://www.icai.org/resource/55133CodeofEthics-2019.pdf>

Code of Ethics Volume – II: <https://www.icai.org/resource/60018code-of-ethics-2020vol2.pdf>

Code of Ethics Volume – III: <https://www.icai.org/resource/59111esb48239.pdf>

It may further be noted that the Council at its 393rd Meeting held on 30th June to 1st July 2020 has decided that due to the prevailing situation due to Covid-19, the following provisions of Volume-I of Code of Ethics, 2020 be deferred till further notification:-

- *Responding to Non-Compliance of Laws and Regulations (NOCLAR) [Sections 260 and 360]*
- *Fees - Relative Size [Paragraphs 410.3 to R410.6]*
- *Taxation Services to Audit Clients [Subsection 604]*

With the exception of aforesaid provisions, all other provisions of revised Code of Ethics are applicable w.e.f. 1st July 2020.

Technical Guide on Accounting for Expenditure on Corporate Social Responsibility Activities

The CSR Committee has released the Technical Guide on Accounting for Expenditure on Corporate Social Responsibility Activities on 1st July 2020. This technical guide is available on: <https://resource.cdn.icai.org/60115csr48973tg.pdf>

Subsequent to the issue of the Technical Guide on Accounting for Expenditure on Corporate Social Responsibility Activities, the Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities, issued on 15th May 2015, stands withdrawn.

Regulations

COMPANY LAW RELATED CHANGES

A. Amendment in Companies (Indian Accounting Standards) Rules, 2015

The Ministry of Corporate Affairs has vide its notification dated 24th July, 2020 amended the Companies (Indian Accounting Standards) Rules, 2015.

Ind AS 1, 8, 10, 34, 37, 106, 107, 109 been amended. The amendment was also introduced in Ind AS 116 which relates to principles for recognition, presentation and disclosure of leases.

The same was much awaited by corporates considering the rent concessions extended by various lessors to lessee in wake of coronavirus pandemic. The change was welcomed as it catered to the practical problems being faced by corporates. The amendment can be applied by lessees for the reporting period beginning on or after April 1, 2020.

Ind AS103 gave additional guidance on the definition of a business and provided for fair value concentration test.

Ind AS are now converged with International Financial Reporting Standards (IFRS).

B. Extension of last date of Filing of Form NFRA-2

The Ministry of Corporate Affairs has vide its General Circular No. 26/ 2020 dated 6th July, 2020 has decided that the time limit for filing of Form NFRA-2, for reporting period FY 2018-19, will be 270 days from the date of deployment form on the website of National Financial Reporting Authority (NFRA).

C. Availability of Form PAS-6 for filing w.e.f 15th July, 2020

Form PAS-6 is required to be filed by every unlisted public company, governed by The Companies (Prospectus and Allotment of Securities) Rules, 2014, within sixty days from the conclusion of each half year duly certified by a company secretary in practice or chartered accountant in practice.

Requirement of filing Form PAS-6 is enumerated in Rule 9A of the above said rules, wherein every unlisted public company shall issue securities only in dematerialised form and shall facilitate dematerialization of all its existing securities.

FEMA Related Changes

1. The Reserve Bank of India (RBI) has vide its Circular dated 6th July, 2020 extended timeline for finalization of audited accounts for the NBFC. As per the said circular, every applicable NBFC shall finalise its balance sheet within a period of 3 months from the date to which it pertains or any date as notified by SEBI for submission of financial results by listed entities.
2. RBI has vide its Circular dated 10th July, 2020 made amendment to registration exemption criteria for NBFC consequent upon the repeal of Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 and enactment of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 by substituting the word "Venture Capital Fund Companies" with "Alternative Investment Fund Companies".

3. RBI has issued its Circular on 24th July, 2020 explaining implementation of Indian Accounting Standards where it has decided that the unrealised gain/loss on a derivative transaction undertaken for hedging may be offset against the unrealised loss/gain recognized in the capital (either through Profit or Loss or through Other Comprehensive Income) on the corresponding underlying hedged instrument.
4. If after such offset and netting with unrealised gains/losses on other financial instruments, there are still net unrealised gains, the same should be excluded from regulatory capital as required by paragraph 3 of the annex to the said circular. It is also clarified that unrealized gains/losses shall be considered net of the effect of taxation. All other instructions remain unchanged.
5. RBI has vide its Circular dated 16th July, 2020 laid down fair practices code for Asset Reconstruction Companies registered with the Bank so as to ensure transparency and fairness in their operation.

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

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