

NEWSLETTER

July 2021

J P Chawla & Co. LLP

Chartered Accountants

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



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Indian economy is showing a dramatic recovery with all the sectors stabilizing after covid related lockdown, economic activity has picked up despite fear of the third wave. It is estimated if the third wave is not as severe as the second, the Indian economy will recover and grow faster than before.

Indian forex reserves have touched US\$ 608.99 billion in June 2021, India has emerged as the fifth-largest foreign exchange reserves holder in the world after China, Japan, Switzerland and Russia. Also, India's foreign exchange reserves position is comfortable against any unforeseen shocks.

In June 2021, foreign portfolio investors (FPIs) turned net buyers by investing US\$ 1.78 billion into the Indian markets. According to depositories data, FPIs invested US\$ 2.31 billion in equities in June.

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 clarified the issues relating to the extension of the time limit for completion of various actions by any authority or by any person, under the CGST Act, which falls during the specified period, which had been extended up to a specific date. This comes in terms of the Hon'ble Supreme Court's Order dated 27.07.2021.

MCA has vide its notification dated 22nd July 2021 notified that Section 4 of Companies Amendment Act, 2020 shall commence w.e.f. 1st September 2021. Section 4 of Companies Amendment Act, 2020 relates to amendment in Section 16 of Companies Act, 2013 which includes provisions relating to rectification of name of Company registered through inadvertence or otherwise. As per the revised provisions, the timeline for changing the name as per the direction of the Central Government has been reduced to three months from six months. Further, penalty provisions have been introduced by way of this amendment.

In accounting, the Exposure Draft of AS 102, Share-based Payments, has been issued by the ASB for public comments.

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's economy is projected to register an increase of 6.5-7% from FY23 onwards driven by supportive government reforms including modification in MSME definition, privatization of public sector banks, export PLI scheme, rapid roll-out of vaccination drive and restrictions imposed to reduce spread and impact of the virus.

Economic and Trade highlights in July 2021:

- **India ranks among the top 10 in ITU's Global Cybersecurity Index** - India was ranked as the tenth best country globally on key cyber safety factors in the Global Cybersecurity Index (GCI) 2020 launched by the International Telecommunication Union (ITU). The country moved from 37 place to rank among the top 10. India is evolving as a global IT superpower, emphasizing its digital independence with company measures to protect online rights of citizens and data privacy.
- **FPIs invest INR 13,269 cr in Indian markets** - In June 2021, foreign portfolio investors (FPIs) turned net buyers by investing INR 13,269 crore (US\$ 1.78 billion) into the Indian markets. According to depositories data, FPIs invested INR 17,215 crore (US\$ 2.31 billion) in equities between June 1, 2021, and June 30, 2021.
- **Indian e-commerce industry set to grow by 141% through 2025** - According to the report published by GlobalData, a consulting company, the e-commerce industry in India is expected to grow at ~ 141% through 2025, to reach US\$ 111.4 billion in 2025 from US\$ 46.2 billion in 2020.
- **PLI Schemes covering 13 sectors in the next 5 years: Piyush Goyal** - Mr. Piyush Goyal on India's Emerging Industry & Trade Architecture applauded the progress in the country's startup arena as India has 15 more unicorns in the H1 2021. Also, Centre has announced the PLI Schemes worth US \$26 billion covering 13 sectors in the 5 years. The PLI scheme will transform India into a powerhouse of leading industries in the post COVID world. He also stated that despite COVID-19 disruptions, there are clear indications of economic revival in India. Exports are going up and FDI inflows are highest.
- **Make in India initiative focuses on 27 sectors under 2.0** - Make in India initiative has made significant achievements and presently focuses on 27 sectors under Make in India 2.0. Department for Promotion of Industry and Internal Trade is coordinating action plans for manufacturing sectors, while Department of Commerce is coordinating service sectors. Investment Outreach activities are being carried out for enhancing International co-operation for promoting FDI and improve Ease of Doing Business in the counter.
- **India's Software Market Revenue to Reach US\$ 7.6 billion by End of 2021, according to IDC** - According to a report published by International Data Corporation (IDC) on global 'Semi-annual Software Tracker 2H20 (July–December)', the software market in India is estimated to reach US\$ 7.6 billion by the end of 2021, from US\$ 7.0 billion in 2020. In 2020, India's market share to the Asia/Pacific (excluding Japan and China) (APEJC) software market, was estimated at 17.5%. The market was led by players such as SAP, Microsoft and Oracle.
- **PLI scheme for specialized steel is a big boost for the industry, says JSW's Rao** - Mr. Seshagiri Rao, Group Chief Financial officer of JSW Steel Ltd said that the production-linked incentive (PLI) scheme for 'specialty steel' will be a big positive for India's steel industry. With a financial outlay of Rs. 6,322 crore (US\$ 849.2 million) for a period of five-years, it is expected to bring in investment of approximately Rs. 40,000 crore (US\$ 5.37 billion) and capacity addition of 25 million tonnes for specialty steel.

- **India emerges as the 5th largest forex reserves holder with US\$ 608.99 billion** - With India's forex reserves at US\$ 608.99 billion as on June 25, 2021, India has emerged as the fifth largest foreign exchange reserves holder in the world after China, Japan, Switzerland and Russia. Also, India's foreign exchange reserves position is comfortable in terms of import cover of more than 18 months and provides cushion against unforeseen external shocks.

Goods and Service Tax

Notification No. 28/2021 – Central Tax

Waive Penalty payable for non-compliance of provisions of generating E-invoice for B2C transactions and printing Dynamic Quick Response code

Government vide this notification waive the penalty for non-compliance payable under section 125 of CGST Act, 2017 for not generation e-invoice and QR code till 30th September 2021. Earlier the government vide notification no. 06/2021-Central Tax had waived off the penalty till 30th June 2021.

Clarification No. 157/12/2021-GST

Clarification regarding Extension of limitation under GST Law in terms of Hon'ble Supreme Court's Order dated 27.07.2021

The government has clarified the issues relating to the extension of the time limit for completion of various actions by any authority or by any person, under the CGST Act, which falls during the specified period, which has been extended up to a specific date, subject to some exceptions as specified in the said notifications.

The various action/compliances under GST can be broadly classified as follows:

1. Proceedings that need to be initiated or compliances that need to be done by the taxpayers:-

These actions would continue to be governed only by the statutory mechanism and time limit provided/ extensions granted under the statute itself. Various Orders of the Hon'ble Supreme Court would not apply to the said proceedings/ compliances on part of the taxpayers.

2. Quasi-Judicial proceedings by tax authorities: -

The tax authorities can continue to hear and dispose off proceedings where they are performing the functions as a quasi-judicial authority. This may interalia include disposal of application for refund, application for revocation of cancellation of registration, adjudication proceedings of demand notices, etc. Similarly, appeals which are filed and are pending can continue to be heard and disposed off and the same will be governed by those extensions of time granted by the statutes or notifications, if any.

3. Appeals by taxpayers/ tax authorities against any quasi-judicial order: -

Wherever any appeal is required to be filed before Joint/ Additional Commissioner (Appeals), Commissioner (Appeals), Appellate Authority for Advance Ruling, Tribunal and various courts against any quasi-judicial order or where a proceeding for revision or rectification of any order is required to be undertaken, the timeline for the same would stand extended as per the Hon'ble Supreme Court's order.

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 AS 102, Share-based Payments

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, 2006 (replaced by Companies (Accounting Standards) Rules, 2021) and those issued by the ICAI are applicable to entities to whom Ind AS are not applicable. However, based on 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 AS 102, Share-based Payments, has been issued by the ASB.

This document of the exposure draft is available at <https://resource.cdn.icai.org/65465asb52807.pdf> and comments on this can be offered by 7th August 2021.

Accounting

Amended Guidance Note on Accounting for Derivative Contracts (Revised Edition 2021)

The global developments regarding Interbank Offered Rates (IBORs) have an impact on the way financial information is accounted for in the financial statements. In order to avoid undue impact on the financial statements where the transactions are economically equivalent to the previous basis (i.e., before and after interest rate benchmark reform), a need was felt to provide necessary exceptions to hedge accounting.

Under Accounting Standards (AS), the relevant guidance about hedge accounting is prescribed under the Guidance Note on Accounting for Derivative Contracts issued by the ICAI in the year 2015. Accordingly, the Guidance Note has been revised to provide necessary exceptions to the hedge accounting.

This guidance note was issued to address:

Phase 1- (Pre-replacement issues) affecting financial reporting in the period during which there is uncertainty about the timing or the amount of interest rate benchmark-based cash flows, an Announcement was issued by the ICAI in March 2021. The Announcement provided temporary exceptions from hedge accounting requirements, for accounting periods beginning on or after April 1, 2020.

Phase 2- (Replacement issues) affecting financial reporting when the uncertainty regarding the timing and the amount of interest rate benchmark-based cash flows is resolved and hedging relationships are affected as a result of the reform, Appendix IV has been added. The Appendix provides temporary exceptions for modifications of the financial contracts that are affected by interest rate benchmark reform. The same is effective for accounting periods beginning on or after April 1, 2021

This guidance note can be accessed at <https://resource.cdn.icai.org/65422asb060421.pdf>.

ICAI Announcements

Further Extension of validity of Peer Review Certificate in the wake of COVID -19 spurt across the country

Keeping in mind that Practice Units are facing operational break-down due to lockdown imposed by several State Governments across various parts of the country owing to the pandemic.

Therefore, to mitigate the hardship, the Peer Review Board has decided to grant a further extension to the Peer Review Certificates up to 31st August 2021. Accordingly, the validity of such certificates shall now be treated as 31st August 2021. However, to maintain the continuity of validity of the certificate, the Practice Units are requested to ensure the submission of the completed Final Clean Report to the Board well in advance before 31st August 2021.

Regulations

Company/LLP Law Updates

Relaxation on levy of additional fees in the filing of certain forms under the Companies Act, 2013 and the LLP Act, 2008

- a. In continuation to General Circular No. 06/2021 dated 03/05/2021, Ministry of Corporate Affairs, vide circular no. 11/2021 has granted additional time up to 31/08/2021 to Companies/LLP's to file forms under Companies Act, 2013/LLP Act, 2008 which were/are due for filing during 01/04/2021 to 31/07/2021 without any additional fees.
- b. Accordingly, no additional fees shall be levied upto 31/08/2021, for the delayed filings of forms which were due for filing during 01/04/2021 to 31/07/2021.

Relaxation of time for filing forms related to creation or modification of charges under the Companies Act, 2013

In continuation to General Circular No. 07/2021 dated 03/05/2021, Ministry of Corporate Affairs, vide circular no. 12/2021 decided to substitute the figures "31.05.2021" and "01.06.2021" wherever they appear in the said circular with the figures "31.07.2021" and "01.08.2021" respectively.

Earlier, MCA vide General Circular No. 07/2021 dated 03/05/2021 has allowed relaxation of time and condone the delay in filing of forms related to creation/modification of charges in respect of Form No. CHG-1 & Form No. CHG-9, where the date of creation or modification of charge:

- is before 01.04.2021, but the timeline for filing such form had not expired under section 77 of the Act as on 01.04.2021, or
- falls on any date between 01.04.2021 to 31.05.2021.

Rectification of name of company

MCA has vide its notification dated 22nd July, 2021 notified that Section 4 of Companies Amendment Act, 2020 shall commence w.e.f. 1st September, 2021.

Section 4 of Companies Amendment Act, 2020 relates to amendment in Section 16 of Companies Act, 2013 which includes provisions relating to rectification of name of Company registered through inadvertence or otherwise.

As per the revised provisions, the timeline for changing the name as per the direction of the Central Government has been reduced to three months from six months. Further, penalty provisions have been introduced by way of this amendment.

As per a new rule 33A inserted to Companies (Incorporation) Rules, 2014 vide MCA notification dated 22nd July, 2021, in case a company fails to change its name or new name, as the case may be, in accordance with the direction issued under sub-section (1) of section 16 of the Act within a period of three months from the date of issue of such direction, the letters "ORDNC" (which is an abbreviation of the words "Order of Regional Director Not Complied"), the year of passing of the direction, the serial number and the existing Corporate Identity Number (CIN) of the company shall become the new name of the company without any further act or deed by the company, and the Registrar shall accordingly make entry of the new name in the register of companies and issue a fresh certificate of incorporation in Form No. INC-11C.

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