# NEWSLETTER

## November 2019

J P Chawla & Co. LLP

Chartered Accountants

Taxation | Audit | Outsourcing | Regulatory | Transaction Advisory | Consultancy Services

# INDEX

# CEO's MESSAGE

India has set a very ambitious aim of becoming a US$ 5 trillion economy with the Finance Minister stating that India plans to spend US$ 1.4 trillion on its infrastructure in next 5 years, to become a US$ 5 trillion economy by 2024.

Further it was also reported that India Inc. has become socially responsible by spending over US$ 7.15 billion over last five years on corporate social responsibility.

On goods and service tax regulations, certain relaxations have been made in due dates of annual return and annual GST audit filings, further certain flexibility in such returns have been introduced to ensure the ease of doing business. On regressive side a 20% input rule has been introduced, which will increase the working capital requirements of Indian corporates.

On corporate regulatory arena, new wage code has been notified, which combines laws such as The Payment of Wages Act, 1936, The Minimum Wages Act, 1948, The Payment of Bonus Act, 1965 and The Equal Remuneration Act, 1976.

In Audit and Risk, all audit reports have been modified to ensure more transparency in the audit process and accurately reporting the responsibility of the auditor.

On direct taxes major changes have been introduced in corporate tax rates for certain domestic companies and manufacturing companies by reducing corporate tax rate. Changes in rate of minimum alternate tax has also been made. Abolition of buy back tax has also been notified.

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

Happy Reading!!

Sincerely Yours,

**Rajat Chawla**

**Managing Partner & CEO**
**New Delhi**

India plans to spend US$ 1.4 trillion on its infrastructure in next 5 years, to become a US$ 5 trillion economy by 2024, according to Union Minister for Finance, Ms Nirmala Sitharaman, who also said "We are already applying Public Private Partnership (PPP) models in the country. We have adopted the Asset Recycling model to modernize existing infrastructure, like highways, while providing government with up-front capital to support new infrastructure" and for infrastructure investment, India is trying to develop the brown field assets as a separate asset class.

**Some of the other highlights are:**

- Companies have spent Rs 50,000 crore on CSR in 5 years: Every fiscal year since 2014-15, the corporate sector has set aside over Rs 10,000 crore (US$ 1.43 billion) towards the corporate social responsibility. Over the last 5 years, companies have contributed more than Rs 50,000 crore (US$ 7.15 billion) towards the CSR (Corporate Social Responsibilities) activities.

- The user base of real-time payment system Unified Payments Interface (UPI) expected to expand fivefold to 500 million in the next three years according to National Payments Corp. of India (NPCI), chief executive officer Mr. Dilip Asbe said. Mr. Asbe added, "UPI has recently crossed 100 million users, making it one of the fastest adoptions of any payments system anywhere in the world. NPCI's objective for the next three years is to expand the UPI user base to 500 million." NPCI had developed UPI, which is supported by the Reserve Bank of India.

- India is placed at 63rd position among the 190 countries in the World Bank's 'Ease of Doing Business 2020' report, 14 places higher than the last time. The country has improved its performance in six of the Parameters used for ranking. The improved parameters include starting a business, dealing with construction permits, trading across borders, resolving insolvency, paying taxes and getting electricity. Prime Minister Narendra Modi had set the target for India to break into the top 50 ranking this year but India will have to wait for another year to achieve the target.

- DHL Express India, an International express service provider, plans to invest Rs 100 Crore (US$ 14.31 million) this fiscal year. The investment will be focused on expanding its presence by setting up facility centres and investing in technology

- According to RBC Capital Markets' Mark Mahaney, self-claimed as Wall Street's "oldest internet analyst", India in present scenario is more popular market than countries like China because of the lesser regulations and same growth dynamics

- Strengthening 'rural pay', Suresh Narayanan, Chairman and Managing Director, Nestle India said, the government's recent move to slash corporate taxes is in right direction and the company is looking further strengthen its presence in rural markets.

# Goods and Service Tax

## Furnishing Bank Account Details

**Rule 10A : Effective Date: 24 Sept 2019**

Earlier a taxpayer had to furnish Bank details at the time of registration. Now rules have been amended to provide that a tax-payer has to furnish details of Bank Account on the common portal within 45 days from the date of grant of registration or the date on which the return required u/s 39 is due to furnished whichever is earlier.

## Advance Ruling

**Section 103 : Effective date: 1 Sept 2019**

Advance ruling pronounced by the Authority or appellate authority shall be binding on the applicants only who had sought it in respect of any matter referred to in sec 97(2) and on the concerned officer or the jurisdictional officer in respect of the applicant

## Annual Filling

**(Notification No. 47/2019 – Central Tax)**

Central government on recommendation of GST council vide this notification has given the option to the taxpayers having turnover less then Rs. 2 Crore to furnish annual return under section 44(1) of CGST Act 2017. This notification is applicable for the financial year 2017-18 & 2018-19. If any taxpayer having turnover less, than Rs. 2 crores, has not filed the annual return till the due date then such return shall be deemed to be furnished on the due date.

## Input tax credit in respect of invoices not reflected in GSTR 2A

**New Insertion – Rule 36(4)**

CBIC vide notification no. 49/2019 – Central Tax inserted a new rule 36(4) under which a taxpayer is eligible take input tax credit in respect of those invoices which are not reflected in GSTR 2A on GST portal up to the extent of 20% of total eligible credit reflected in GSTR 2A on GST portal. CBIC also issued Circular no. 123/2019 – Central Tax, to clarify the manner of taking input tax credit to comply with this rule.

## Changes in Reverse Charge Applicability

**Effective Date 1 October 2019**

| Category of supply of services | Supplier of services | Recipient of Services and Liable to pay GST on reverse charge |
|---|---|---|
| Supply of services by a music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original dramatic, musical or artistic works to a music company, producer or the like. | Music composer, photographer, artist, or the like | Music company, producer or the like, located in the taxable territory. "; |
| Supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub -section (1) of section 13 of the Copyright Act, 1957 relating to original literary works to a publisher. | Author | Publisher located in the taxable territory: Provided that nothing contained in this entry shall apply where, - (i) the author has taken registration under the Central Goods and Services Tax Act, 2017 (12 of 2017), and filed a declaration, in the form at Annexure I, within the time limit prescribed therein, with the jurisdictional CGST or SGST commissioner, as the case may be, that he exercises the option to pay central tax on the service specified in column (2), under forward charge in accordance with Section 9 (1) of the Central Goods and Service Tax Act, 2017 under forward charge, and to comply with all the provisions of Central Goods and Service Tax Act, 2017 (12 of 2017) as they apply to a person liable for paying the tax in relation to the supply of any goods or services or both and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option (ii) the author makes a declaration, as prescribed in Annexure II on the invoice issued by him in Form GST Inv-I to the publisher. " |
| Services provided by way of renting of a motor vehicle provided to a body corporate. | Any person other than a body corporate, paying central tax at the rate of 2.5% on renting of motor vehicles with input tax credit only of input service in the same line of business | Any body-corporate located in the taxable territory. |
| Services of lending of securities under Securities Lending Scheme, 1997 ("Scheme") of Securities and Exchange Board of India ("SEBI"), as amended. | Lender i.e. a person who deposits the securities registered in his name or in the name of any other person duly authorised on his behalf with an approved intermediary for the purpose of lending under the Scheme of SEBI | Borrower i.e. a person who borrows the securities under the Scheme through an approved intermediary of SEBI.". |

## Decisions taken in 37 GST Council Meeting

1. Exemption given to small taxpayers having turnover less than Rs. 2 Crore, from filling annual returns for the financial year 2017-18 & 2018-19
2. Waiver of the requirement of filing FORM GSTR-9A for Composition Taxpayers for the tax periods 2017-18 & 2018-19.
3. In order to nudge taxpayers to timely file their statement of outward supplies, imposition of restrictions on availment of input tax credit by the recipients in cases where details of outward supplies are not furnished by the suppliers in the statement under section 37 of the CGST Act, 2017.
4. New return system now to be introduced from April, 2020 (earlier proposed from October, 2019), in order to give ample opportunity to taxpayers as well as the system to adapt and accordingly specifying the due date for furnishing of return in FORM GSTR-3B and details of outward supplies in FORM GSTR-1 for the period October, 2019 - March, 2020.
5. In principle decision to link Aadhar with registration of taxpayers under GST and examine the possibility of making Aadhar mandatory for claiming refunds.

## Returns

**44/2019 Central tax - Seeks to prescribe the due date for furnishing FORM GSTR-3B for the months of October 2019 to March,2019.**

| Months | Due Date of furnishing GSTR 3B | Due date of payment of Tax |
|---|---|---|
| October 2019 | 20th November 2019 | 20th November 2019 |
| November 2019 | 20th December 2019 | 20th December 2019 |
| December 2019 | 20th January 2020 | 20th January 2020 |
| January 2020 | 20th February 2020 | 20th February 2020 |
| February 2020 | 20th March 2020 | 20th March 2020 |
| March 2020 | 20th April 2020 | 20th April 2020 |

**46/2019 Central Tax - Seeks to extend the due date for furnishing FORM GSTR-1 for registered persons having aggregate turnover of more than 1.5 crore rupees for the months of October 2019 to March,2020 and for registered persons having aggregate turnover of up to 1.5 crore rupees for the months of October 2019 to March,2019 as follows :**

| Months | For taxpayer having aggregate turnover of more than 1.5 Crore | For taxpayer having aggregate turnover of up to 1.5 Crore |
|---|---|---|
| October 2019 | 20th November 2019 | 20th November 2019 |
| November 2019 | 20th December 2019 | 20th December 2019 |
| December 2019 | 20th January 2020 | 20th January 2020 |
| January 2020 | 20th February 2020 | 20th February 2020 |

## Annual return

The Government has decided to extend the due dates of filing of Form GSTR-9 (Annual Return) and Form GSTR-9C (Reconciliation Statement) for Financial Year 2017-18 to 31st December 2019 and for Financial Year 2018-19 to 31st March 2020. The Government has also issued simplified forms by making various fields of these forms as optional.

# Direct Tax

## The Taxation Laws (Amendment) Bill, 2019

The Government has made changes in the Income Tax Act, 1961 in September 2019 through promulgation of The Taxation Laws (Amendment) Ordinance 2019 since the Parliament was not in session at that time. Now the Government has introduced 'The Taxation Laws (Amendment) Bill, 2019 in the Lok Sabha that will replace the Taxation Laws (Amendment) Ordinance 2019.

The Government has proposed various amendments in the form of reduced tax rate and incentives in the Income tax act. These changes have been proposed to lure the foreign investments and boost domestic business sentiments and consumer demand. Such changes would be applicable from AY 2020-21. We have discussed the changes in detail with possible impact:

### 1. Tax on income of certain domestic company u/s 115BAA of Income tax Act, 1961

New taxation regime has been prescribed u/s 115BAA for existing companies with reduced corporate tax rate of 22% without any turnover threshold. It implies that all existing companies would be eligible to opt for new regime (even if its turnover exceeds Rs 400 crores- the current threshold limit).

Further, provisions of MAT would not be applicable on companies opting for, reduced corporate tax rate under new regime.

**Following the Circular issued by CBDT in October regarding restriction on unutilized MAT Credit, an Amendment has been proposed by The Taxation Laws (Amendment) Bill, 2019 in Section 115JAA to provide that unutilized MAT credit shall not be available to be set-off by companies opting for reduced tax rate under new regime.**

Effective tax rate would be 25.17% (22%+10%+4% = 25.17%)

**Conditions to be satisfied in order to opt for new corporate tax rate of 22%**

**a) No profit/investment linked deductions**

Companies opting under this new taxation regime cannot claim profit/investment linked deductions under sections 10AA(Special economic zone units),32(1)(iia)(Additional depreciation), 32AD(Investment in new plant and machinery in notified backward areas), 33AB(Tea, coffee or rubber development account), 33ABA(Site restoration fund), 35(Expenditure on scientific research), 35AD(Specified business deduction), 35CCC(Agriculture extension project)and 35CCD(Skill development project).

**b) No deductions under Chapter VI-A, Part C**

Companies opting under this regime would not be able to claim deduction under Section 80H to Section 80RRB(Profit linked deductions). However, deduction under section 80JJAA will be available.

**c) No deduction of brought Forward losses**

Companies opting for new taxation regime would not be able to set-off unabsorbed business losses of earlier years to the extent of profit/investment linked deductions (under sections 10AA, 32AD, 33AB, 33ABA, 35, 35AD, 35CCC, 35CCD and deductions under section 80H to 80RRB).

**d) No deduction of brought Forward depreciation**

Companies opting for new taxation regime would not be able to set-off unabsorbed depreciation of earlier years to the extent of profit/investment linked deductions (under sections 10AA, 32AD, 33AB, 33ABA, 35, 35AD, 35CCC, 35CCD and deductions under section 80H to 80RRB).

**[This restriction has been proposed by the Taxation Laws (Amendment) Bill, 2019 which was not a part of Ordinance]**

**e) No set-off and carry forward of unabsorbed business losses and unabsorbed depreciation by successor of business**

In case of amalgamation, the successor company opting for new taxation regime would not be able to set-off unabsorbed business loss and depreciation of predecessor company as per deeming fiction of Section 72A of the Income Tax Act, where such business loss or depreciation is related to any of the deductions prescribed in Point a) above.

**[This additional restriction has been proposed by The Taxation Laws (Amendment) Bill, 2019, which was not a part of Ordinance]**

**f) Deduction of depreciation in current year**

Depreciation u/s 32 other than (additional depreciation u/s 32(1)(iia)) claim is allowable, determined in such manner as may be prescribed.

**g) No further deduction**

The loss referred in clause c above shall be deemed to have been already given full effect to and no further deduction for such loss shall be allowed for any subsequent year.

**h) Option cannot be withdrawn**

It must be exercised before due date of furnishing the returns of income u/s 139. Once such option of new taxation regime is exercised, it cannot be withdrawn in any subsequent year.

**i) Revised statutory tax rate applicable**

The Surcharge would be ten percent (10%) and Cess would be 4 percent (4%). This would give an effective statutory tax rate of 25.168 percent.

**Failure to satisfy conditions**

Where a domestic company opting for new taxation regime fails to satisfy any of the aforesaid conditions in any previous year, such option would become invalid in such year and subsequent assessment years and in such case, it would be liable to pay tax at normal rate of 25/30%.[This restriction has been proposed by the Taxation Laws (Amendment) Bill, 2019 and it was not a part of Ordinance]

**Concession for persons having unit in International Financial Service Centre**

In case of persons having unit in International Financial Service Centre and opting for new taxation regime, it would be entitled to deduction u/s 80LA in respect of such unit subject to fulfillment of aforesaid conditions. [This additional benefit has been proposed by the Taxation Laws (Amendment) Bill, 2019 and it was not a part of Ordinance]

**Adjustment of unabsorbed additional depreciation**

Any unabsorbed additional depreciation forgone due to adoption of reduced tax rate under new regime now could be added back to WDV of block of asset of business. However, the CBDT would prescribe the mechanism for such purpose.
[This adjustment has been proposed by the Taxation Laws (Amendment) Bill, 2019 which was not a part of Ordinance]

## 2. Tax on income of certain new domestic manufacturing company u/s 115BAB of Income tax Act, 1961

- Option of paying income tax at a further reduced base rate of fifteen percent (15%). Effective tax rate would be (15%+10%+4% = 17.16%)
- It must be set-up and registered on or after 1st October 2019
- It must be engaged in manufacture or production of an article or thing and the manufacturing must be commenced on or before 31st March 2023

- It is not formed by splitting up or reconstruction of business already in existence and at least 80 percent of its total value of plant and machinery must be new plant and machinery (simply put, it must be a NEW company with new plant and machinery);
- It does not use any building previously used as a hotel or a convention centre;
- Transfer pricing would be applicable
- MAT will not be applicable
- Conditions (a to g) as mentioned in point (1) above would be applicable

**Tax rate on other categories of income earned by manufacturing companies**

The Taxation Laws (Amendment) Bill, 2019 also provides the tax rate on other categories of income (other than manufacturing) earned by companies exercising option under new taxation regime. Thus, it provides that such companies earing income which has neither been derived from nor is incidental to manufacturing or production of article or thing (in respect of which no separate rate has been provided under this chapter) would be taxable on gross basis @ 22% instead of 15%. Accordingly, no deduction would be allowed from such income in respect of any expenditure or allowance under the Income Tax Act, 1961.

**[This clause has been proposed by The Taxation Laws (Amendment) Bill, 2019, which was not a part of Ordinance]**

**Tax rate on transfer pricing transactions**

The Taxation Laws (Amendment) Bill, 2019 provides for tax @ 30% in respect of the income not at arm's length price as prescribed under this section due to close connection between company opting new tax regime and any other person (including transfer pricing provisions).

**[This clause has been proposed by The Taxation Laws (Amendment) Bill, 2019, which was not a part of Ordinance]**

**Tax rate on short-term capital gains on non-depreciable asset**

It also provides that the rate of income tax would be 22% in respect of short-term capital gains arising from non-depreciable asset.

**[This clause has been proposed by The Taxation Laws (Amendment) Bill, 2019, which was not a part of Ordinance]**

**Failure to satisfy conditions**

Where a domestic company opting for reduced tax rate of 15% under new regime fails to satisfy any of the aforesaid conditions in any previous year, such option would become invalid in such year and subsequent assessment years and in such case, such company can exercise option to pay tax @ 22% u/s 115BAA

**[This clause has been proposed by The Taxation Laws (Amendment) Bill, 2019, which was not a part of Ordinance]**

**Non-availability of option of new taxation regime to certain manufacturing entities**

The Taxation Laws (Amendment) Bill has proposed a list of activities that shall not be considered as manufacture or production in order to avail benefit of reduced tax rate under new taxation regime. Accordingly, now companies would not be able to opt for tax rate of 15% under new taxation regime in respect of following activities :

a. Development of computer software in any form or in any media
b. Mining
c. Conversion of marble blocks or similar items into slabs
d. Bottling of gas into cylinder
e. Printing of books or publication of cinematographic films

However, companies engaged in aforesaid activities may opt new taxation regime u/s 115BAA and pay tax @ 22% after satisfaction of conditions prescribed therein.

[This clause has been proposed by The Taxation Laws (Amendment) Bill, 2019, which was not a part of Ordinance]
Changes in the Minimum Alternate Taxes (MAT):

- The base rate for MAT has been decreased from eighteen and one-half percent (18.50%) to fifteen percent (15%).
- The MAT will not be applicable to companies who have exercised the options of reduced income tax rate of 22 and 15 percent as discussed above.

**No MAT credits**

Provisions of section 115JB relating to MAT shall not be applicable to such companies which are exercising option of new taxation regime. Consequently, tax credit of MAT paid by such companies shall not be available once such option is exercised.

However, there is no time-limit within which such option may be exercised. Thus, companies with unabsorbed MAT credit can opt to pay tax under old taxation regime. In this way, they can utilize unabsorbed MAT credit with normal tax payments and after such utilization, they can avail option of new taxation regime in subsequent years.

## 3. Tax on distributed income to shareholders on buy-back of shares removed u/s 115QA:

Currently, companies are required to pay tax @20% on the distributed income on buy-back of shares (differential between the consideration paid by the company on buy-back and the amount which was originally received by the company on issue of such shares).

The amendment provides that the above tax will not be applicable for buy-back of listed shares, in respect of which public announcement has been made before 5th July 2019.

## 4. Roll back of Enhanced surcharge

The Hon. Finance Minister of India held a press conference on 23rd August 2019 decided to withdraw the enhanced surcharge on tax levied at special rate on income arising from transfer of equity shares/ units referred to in section 111A and 112A of the Act from the current FY 2019-20. These capital assets are:

a. Equity Shares in a company
b. Units of an equity-oriented fund
c. Units of a business trust

It is also decided that the tax payable on gains arising from the transfer of derivatives (Future & options) by Foreign Institutional investors which are liable to special rate of tax under section 115AD of the Act shall also be exempted from the levy of the enhanced surcharge.

Therefore, the enhanced surcharge shall be withdrawn on tax payable at special rate by both domestic as well as foreign investors on long-term & short-term capital gains arising from the transfer of equity share in a company or unit of an equity oriented fund/business trust which are liable for securities transaction tax, and also on tax payable at special rate under section 115AD by the FPI on the capital gains arising from the transfer of derivatives. However, the tax payable at normal rate on the business income arising from the transfer of derivatives to a person other than FPI shall be liable for the enhanced surcharge.

Summary of Comparative Effective tax rate(ETR) before and after exercise of option:

| S. No. | Nature of Domestic companies | Current ETR(%) | ETR on exerciseof option (%) | Reduction in tax liability(%) |
|---|---|---|---|---|
| 1. | Total Turnover or gross receipts<= INR 400 crores during FY 2017-18 or new manufacturing companies incorporated between March 01, 2016-September 30, 2019 | | | |
| | Income<INR 1 Crore | 26% | 25.17% | 0.83% |
| | Income between INR 1 Crores-10 Crore | 27.82% | 25.17% | 2.65% |
| | Income > INR 10 Crores | 29.12% | 25.17% | 3.95% |
| 2. | Optional tax rate for new manufacturing companies incorporated after October 01, 2019 | | | |
| | Income<INR 1 Crore | 26% | 17.16% | 8.84% |
| | Income between INR 1 Crores-10 Crore | 27.82% | 17.16% | 10.66% |
| | Income > INR 10 Crores | 29.12% | 17.16% | 11.96% |
| 3. | Other Domestic Companies | | | |
| | Income<INR 1 Crore | 31.2% | 25.17% | 6.03% |
| | Income between INR 1 Crores-10 Crore | 33.38% | 25.17% | 8.21% |
| | Income > INR 10 Crores | 34.94% | 25.17% | 9.77% |

## Audit & Risk

### Change in Reporting Requirements

The Institute of Chartered Accountants of India (ICAI) has revised the reporting requirements by revising existing standards of auditing (SAs) and issuing additional SA on reporting. In this revision, ICAI has revised existing SA 570, 700, 705, 706, and SA 720. ICAI has also issued a new SA 701, "Communicating Key Audit Matters in the Independent Auditor's Report".

All these revised / new SAs are effective for audits of financial statements for periods beginning on or after April 01, 2018. However, for SA 570 the effective date is on or after April 01, 2017.

**Brief about change**

| Standard of Auditing | Effective From | Change in* |
|---|---|---|
| SA 570 (Revised), "Going Concern" | On or after April 01, 2017 | Specific Inclusion of separate heading "Material Uncertainty related to Going Concern" to draw the attention of users to get the information about going concern of entity instead of form of EOM in the auditor's report https://resource.cdn.icai.org/44099aasb33841-sa570.pdf |
| SA 700 (Revised), "Forming an Opinion and Reporting on Financial Statements" | On or after April 01, 2018 | Format and structure of the auditor's report including mentioning of additional responsibility of auditor and illustrative format of auditor's report on financials statement of non-corporate entities https://resource.cdn.icai.org/44094aasb33841-sa700.pdf |
| SA 701, "Communicating Key Audit Matters in the Independent Auditor's Report" | On or after April 01, 2018 (Newly issued SA) | Specific Inclusion of separate heading "Key Audit matter" in the auditor's report and SA provides guidance to determine key audit matters and, communicate those matters by describing them in the auditor's report https://resource.cdn.icai.org/44095aasb33841-sa701.pdf |
| SA 705 (Revised), "Modifications to the Opinion in the Independent Auditor's Report" | On or after April 01, 2018 | Format and structure of the auditor's report in case of modified opinion https://resource.cdn.icai.org/44096aasb33841-sa705.pdf |
| SA 706 (Revised), "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report | On or after April 01, 2018 | Inclusion of Emphasis of Matter (EOM) and Other Matter (OM) paragraphs in the auditor's report and further it explains the relation in KAM and EOM https://resource.cdn.icai.org/44097aasb33841-sa706.pdf |
| SA 720 (Revised), "The Authors Responsibilities relating to other information" | On or after April 01, 2018 | Specific Inclusion of separate heading "Other Information" or "Information Other than the Financial Statements and Auditor's Report Thereon" in the auditor's report https://resource.cdn.icai.org/48707aasb32707.pdf |

** for detailed, please click on links given of ICAI's website*

## Ind AS

### Ind AS Technical Facilitation Group (ITFG) Clarification Bulletins

Recently ITFG has issued clarification on practical issues on implementation and transition of Indian Accounting standard (Ind AS) 116, Leases. ITFG in its bulletin 21 and 22, clarifies the issue such as

- Classification of short-term lease agreements, being renewed every year, as short-term lease agreements.
- Accounting treatment of rent equalization liability created under earlier Ind AS 17 at the time of transition to Ind AS 116.
- Application of Ind AS 116 on long term lease hold properties.
- Application of Ind AS 116 on first Ind AS consolidated financial statement
- Treatment of foreign exchange difference relating to lease liability under Ind AS 116 at the time of first-time adoption of Ind AS.
- Clarification on different type of lease agreements

In ITFG Clarification Bulletin 23, ITFG has clarified the applicability, effects and accounting treatment of deferred taxes under Ind AS 12, Income Taxes, in lower tax rates are announced in The Taxation Laws (Amendment) Ordinance, 2019.

## Extension of time limit of UDIN generation from 15 days to 30 days

The ICAI has extended the time limit to generate the UDIN within 30 days in place of 15 days from the document signing date. This extension is one-time relaxation and only for document signed between 20th August 2019 to 31st December 2019. Further members of ICAI are instructed to communicate the UDIN to “Management” or “Those Charged with Governance” for disseminating it to the stakeholders from their end.

# Regulations

## The Code of Wages, 2017

The Second National Commission in its report in the year 2002 had recommended that the existing set of labour laws having similar characteristic should be amalgamated for the betterment of industrial and commercial enterprises and the society in whole. This was further analyzed by the said commission along with the recommendations made by the government, employers and industry representatives and brought into action a plan by the Modi government to bring a new labour legislation that would merge 44 labour laws under four categories (codes)-

1. Wages
2. Social security
3. Industrial safety and welfare
4. Industrial relations

This is planned for achieving the objective of the ease of doing business and attracting investment for spurring growth.

The Code of Wages, 2017 has got its place in the Lok Sabha and was introduced therein on August 10, 2017.The bill was then referred to the Parliamentary Standing Committee, which submitted its report on December 18, 2018.The bill, however, lapsed after the 16th Lok Sabha was dissolved in May. Now, on 03rdJuly, 2019 bill has been approved by the Union Cabinet, was introduced in Lok Sabha on July 23, 2019, got passed in Lok Sabha and Rajya Sabha on July 3 ,2019 and Aug 02, 2019.

Highlights of the code which regulates wages, bonus and related matters -

- It consolidates and replaces the following four laws:
    1. The Payment of Wages Act, 1936,
    2. The Minimum Wages Act, 1948,
    3. The Payment of Bonus Act, 1965,
    4. The Equal Remuneration Act, 1976.

- Unlike previous laws, the regulatory powers are divided between the central and state government. The Central government has been allotted some specific sectors including railways & mines and all other sectors are allotted to state government.

- Definitions which were scattered with different meanings in different laws are standardized smoothening the understanding to the concepts

- There will be National minimum wage" NMW", which may be decided by the central government and the state government are obliged to fix the minimum wage not lower than the National minimum wage for their states. Parallely, the minimum rate of wages (MRW) to be fixed on different parameters like MRW on time work, MRW on piece work and to secure the workers working on piece work the concept of MRW on piece cum time work is also brought into force.

- The government shall review or revise minimum rates of wages at an interval of five years.

- The overtime rate will be at least twice the normal rate of wages of the employee.

- The government may oblige specific establishments, the employer of which shall pay the wages only by cheque or by crediting the wages in his bank account.

- Time limit for payment of wages has been defined. The time limit can be changed for some specific circumstances by the appropriate government.

- The employee who has resigned or has been removed or dismissed from service shall be paid for his service within two working days of his removal, dismissal, retrenchment or his resignation.

- The bonus will be paid based on wages drawn and certain limits specified by the respective government authority. Here, the general rate of bonus will be 8.33% of the wages drawn or Rs. 100 whichever is higher, and the maximum rate of bonus will be 20% of the wages drawn.

- The Central Advisory Board and State Advisory Board is to be constituted which shall be governed by the central and state government, respectively, to administer and resolve the issues relating to the welfare, wages and employment opportunities of the employers at their respective level.

- There will be an authority appointed by the appropriate government to hear and determine the claims which arises un-der the provisions of this Code and which shall have all the powers of a civil court under the Code of Civil Procedure, 1908 for all the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973.

- The disputes related to fixation of bonus, eligibility for payment of bonus or the application of this Code, in respect of bonus is deemed as an industrial dispute as defined under Industrial Dispute Act, 1947.

- The requirement of maintenance of register, notices and records is not mandatory for the employer who employs not more than five persons for agriculture or domestic purpose.

- For uniformity of the code, the appropriate government to appoint "Facilitators" who will apprise the employers and workers about this code and inspect the establishment as required under the code under the inspection scheme.

- The penal provisions were enhanced with increased fine and imprisonment along with this a substantial enhancement has also been made to the law by allowing compounding for offences which are punishable merely with fine.

With the approval on implementation of the code, the first step has been taken towards the advancement of labour laws and will effectively govern the employee rights and employer obligations, thereby building India an advanced economy with enhanced human resources regulations.

## TAX CALENDER

### December-2019

| 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 | Fri | Sat | Sun | Mon | Tue |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 31 |

| Date | Regulation | Obligation | Form No. |
|---|---|---|---|
| 7 | Income Tax | - Last date of online payment of Tax deducted at source/Tax collected at source for the month of November, 2019 | Challan 281 |
| 10 | GST | - Last date of filing Form GSTR 7 for the month of October, 2019 (to be filled by the e-commerce operators required to deduct TDS under GST) | |
| 10 | GST | - Last date of filing Form GSTR 8 for the month of October, 2019 (to be filled by the person required to deduct TDS under GST) | |
| 11 | GST | - Last date of filing Form GSTR 1 for the month of November, 2019 | |
| 13 | GST | - Last date of filing Form GSTR 6 for the month of November, 2019 (to be filled by input service distributor) | |
| 15 | Income Tax | - Third installment of Advance tax for the Assessment Year 2020-21 | Challan 280 |
| 15 | Income Tax | - Due date for issue of TDS Certificate for tax deducted under section 194-IA in the month of October, 2019 | |
| 15 | Income Tax | - Due date for issue of TDS Certificate for tax deducted under section 194-IB in the month of October, 2019 | |
| 15 | Income Tax | - Due date for furnishing of Form 24G by an office of the Government where TDS for the month of November, 2019 has been paid without the production of a challan | Form 24G |
| 15 | Provident Fund | - Last date of online payment of provident fund for the month of November, 2019 | PF Challan |
| 15 | ESI | - Last date of online payment of ESI fund for the month of November, 2019 | ESI Challan |
| 20 | GST | - Last date of filing Form GSTR 3B and payment of GST for the month of November, 2019 | 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 November, 2019 (to be fiiled by non-resident person) | |
| 25 | Provident Fund | -Provident Fund return filling for November, 2019(including pension and insurance scheme form) | |
| 30 | Income Tax | - Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IA in the month of November, 2019 | ITR1,2,3,4,5,7 |
| 30 | Income Tax | - Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IB in the month of November, 2019 | ITR1,2,3,4,5,7 |
| 31 | GST | - Last date of filing Form GSTR 9(Comprehensive annual return) for the FY 17-18 | |
| 31 | GST | - Last date of filing Form GSTR 9C(Reconciliation statement) for the FY 17-18 | |
| 31 | ROC | - Last date of filing Annual return | MGT-7 |
| 31 | ROC | - Last date of filing Cost Audit Report | CRA-4 |

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).

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