

EVERYTHING THAT CONCERNS YOUR MONEY

THE GREEN DIGEST

PAGES 19 | NOVEMBER 2020 | 66 MINUTES



THE GAP

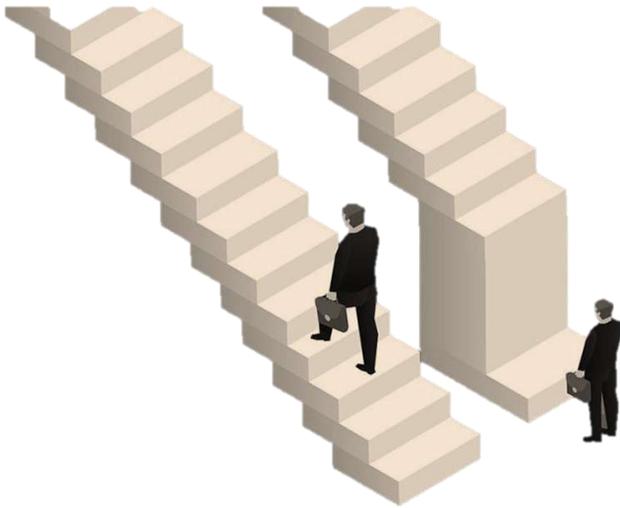
LET'S BLAME THE VIRUS!



FOR PRIVATE CIRCULATION ONLY



Economic recovery isn't same for everyone, it's time to mind the widening gap!



“Last week, one of our employees *Shiv Kumar*, made an unusual request for an advance against his salary. While the need for advance during current times is self-explanatory, we were surprised at the amount that he requested, as it was almost twice his salary. For his way of living, the amount was unusually high and I immediately asked if his family members were safe and healthy. When *Shiv Kumar* replied affirmatively, I became concerned as to where he wanted to spend the money, especially amid pandemic when everyone's savings have taken a hit. *Shiv Kumar* explained that he wanted to buy a mobile phone for her daughter who is studying in Class 8, and needs a mobile phone to join the online classes of her school, and it's urgent as she had already missed a few weeks. I had no words to speak; I immediately handed over the money.”

There are thousands of such parents and many other stories where a pandemic has forced people in unusual ways. While *Richie Rich* is concerned about

lack of fun and entertainment since pandemic, the slumdog is concerned about his basic right to education – two stories of the same classroom. And do you know what's the worst part? We don't know whom to blame for this situation.

How has pandemic exposed India's digital divide?

On one hand, BYJUs, Unacademy, Vedantu, Zoom and others are boasting about their online platforms and how they have helped continued education during the pandemic. India is one of the fastest-growing edtech economies in the world. However, the work is half done, or should we say, their work has only helped the elite few? According to a survey by NGO Pratham, only one in ten students have the access to live online classes. With most schools shut and teaching and learning moved to online platforms, the expectation that the poor or those in rural India would buy devices and data to receive education feels like a violation of the fundamental right to education.

According to a UNICEF report, only 24% of Indian households have internet facility to access online education. India's education system was never efficient even in the best of the years and pandemic has just written off the milestones. India, as a country, is already divided by economic disparity, religious chaos, and a rumour-mongered society, and if education is not made affordable and available to every household, we are taking a step towards further widening the gap. With schools forcing parents to bring their kid online, the disparity has widened.

Getting rid of the pandemic is not an easy job and it might take at least a couple of years before we overcome COVID-19 completely.

With governments barely intervening the situation, we can just hope that the situation stays reversible in future. While a few states have started telecasting educational programmes on the television, the same needs a better reach and content.

How unequal are we as a country?

While we boast the tag of fastest-growing economies in the world, it is important to bring to the attention of many that we are one of the most unequal countries as well. According to Oxfam International,

- 77% of the nation's wealth is held by the top 10% of the population
- India had 9 billionaires in 2000, today we have at least 119 billionaires whose wealth is increasing 10 times every decade
- INR 24,422 billion – the total fortune of our billionaires was equal to the fiscal budget of the country in 2018-19
- 2 people every second are pushed to poverty because of healthcare costs every year
- A minimum-wage worker would take 941 years to earn what a top executive of his company would earn in a year.

It is comforting to hear that we continue to be the fastest-growing economy in the world, however, within India who is growing and who is left behind, is a more pertinent question, as the numbers indicate that disparity in the income is not going to end easily, instead it is growing faster, with pandemic

worsening the situation.

What is inequality conundrum?

One of the most comprehensive analysis on inequality situation has been made by Thomas Piketty in his book 'Capital in the Twenty-first Century'. According to his prognosis, if capital grows at a faster rate than the economy, the economy is bound to unequal distribution of income. Wealthy people retain their wealth in the form of capital such as real estate, investments, deposits, etc.

If the return on capital (r%) is higher than the growth rate (g%) of gross domestic product (GDP), the rich people whose wealth is stored as capital is going to increase faster and are going to get richer every day. This is because the increase in the wages of the salaried class is proportional to the increase in GDP – the national distribution of income, as against return on capital which is retained by the few elite people.

India vs Bangladesh, on per capita basis

In the latest Global Economic Outlook report by International Monetary Fund, the economists project that Bangladesh would surpass India's per capita in 2020 and also states that India would be one of the steepest declining economies in 2020. Following the pandemic, India is expected to face a 10% contraction in the GDP while Bangladesh would see a 4% growth in its economy. While India and Bangladesh are two economies with a different set of opportunities and challenges, the per capita comparison is still relevant to some extent, as it depicts how Bangladesh has made progress in recent years while Indian economy has been suffering an economic slowdown even before the pandemic arrived.

The situation is temporary as the IMF report also predicts an impressive 8.8% GDP growth rate in 2021 which will regain India the tag of fastest-growing economy, the projections highlight how India is one of the worst affected economies in the world owing to COVID-19. Even China, where the whole pandemic began from, is estimated to record a positive growth rate in 2020, the only major economy to achieve so.

We are abundant and yet hungry

Global Hunger Index (GHI) 2020 places India at 94th place amongst 107 countries, marking the situation of our country as 'serious'. India's score happens to be even worse than its neighbouring countries Pakistan (88), Bangladesh (75) and Nepal (73). On one hand, indeed, the aforesaid countries don't have a billion mouths to feed, however, it is also a fact that the other nation with similar population tops the same list – China who is placed at number 1 along with 15 other countries.

There's no doubt that India is rich and bountiful with resources, and yet 14% of Indian population is undernourished. And these statistics relate to the pre-pandemic world, the situation is expected to be grim after the same. Our struggle with hunger is even more surprising, as we had 70 million tons of food stock with Food Corporation of India (FCI) in September 2020 which is enough to ensure that the people are fed properly. So, the question that remains unanswered is, where is the food going? How did we land into such a big pothole?

According to the Food and Agriculture Organisation (FAO) of the United Nations, 40% of the food produced in India, is lost or wasted every year due to

inefficiency of our supply chains. We lack appropriate food storage and cooling facilities to ensure the good produce reaches every corner of our country. And thus, the disparity between the rich and poor grows further. With broken chains of supply, there's no doubt that the food reaches first to those who can afford it and pay a better price, while the leftovers and balance capacities are used to supply to the others who cannot. Thus, Richie Rich is well taken care of, while the slumdog struggles for necessities.

Predictions by the World Bank

According to the World Bank's 'Poverty and Shared Prosperity 2020' report, about 88 to 115 million people are expected to be pushed into extreme poverty (earning less than USD 1.9 per day) owing to the global pandemic. It is expected that about 9.1–9.4% of the global population will be affected by extreme poverty. From 36% in 1990 to 8% in 2019, the world had made great progress at removing poverty across the world, however, the pandemic is undoing the good work achieved. Further, it is expected that the growth of poverty would be more in urban cities, as against the rural areas.

We have already seen people in huge numbers, reverse-migrating to their native places during the lockdowns – about 10 million according to the official data, however, it is estimated the actual number is far higher than the same. Lack of employment in urban areas has pushed people to rural areas, however, this is also expected to adversely affect the education of the children. The situation is dire in poor countries who have been drowned down by the pandemic. Countries like Kenya have shut down schools till 2021.

With unemployment at its peak, many African countries are at the brink of hunger situation, as almost 40% of the Africa is under the age of 15.

The Responsibility of the Governments

Pandemic has exposed how poorly the governments have invested in the healthcare system. Against the recommended 15% allocation of budget to health, 132 countries out of 158 have failed to do so, India being one of them. India spends only 4% of its budget (1.1% of the GDP) on health services and that should leave no doubt why the home to billion people is worst affected by the pandemic. An estimated 98% of the health facilities in India are provided by hospitals where less than 10 people are employed. This explains

how poorly we are equipped to face a pandemic and with the wide income disparity, the situation is much direr for the low-income groups.

The country needs radical reforms and higher budget allocations to improve the healthcare and education system – the path to a sustainable future. The wide gap between the rich and poor has grown even wider with the pandemic and this is not going away in a few years. It might take decades to resolve the situation if we start on the right path today so that one day parents like *Shiv Kumar* can afford education for their children and raise a better future India. However, all that begins with a few right steps, in the right direction. (This article was contributed by the editorial team.)

(Annual income of a family of four)



Source: OECD

Which income class does your family income fit in?

Median income

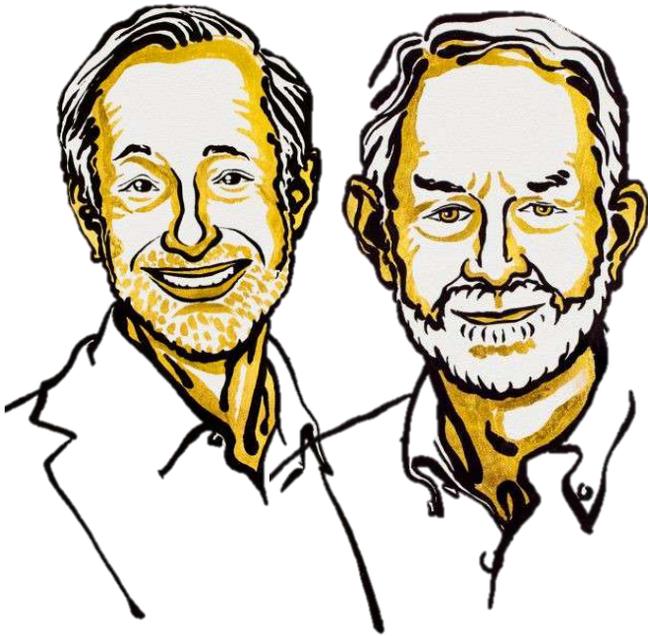
(% of Indian citizens)





“And the Noble Prize in Economics goes to ... the Auction Theorists!” – How discoveries of two men solved the “winner’s curse” explained

By Amit Chandak, Associate Director, Greenvissage



Auctions are exciting – a live ongoing fierce competition with people bidding to win a prized asset. It is common for items of art and historical importance to be auctioned; however, auctions have been more commonly used in selling items such real estate property, commodities, minerals, etc. since a long time. The concept has gained increasing significance in business transactions over the years, as it is one of the best ways of securing a fair market price for the product. On one hand, the banks and financiers auction properties and stock when a borrower fails to repay loans; meanwhile, eBay took the auction concept to a whole new level when it started online auctions. Auctions are so beloved that

now even humans are auctioned legally in sports leagues and illegally in human trafficking!

Over the years, as the world has become complex, auctions have also grown complicated. Now we have coal mines, oil fields, exploratory sites, mobile frequencies, advertising space, etc. being auctioned to the highest bidder besides the traditional commodities. While the conduct of auction proceedings remains the same, the complexities involved in the product turns even a winning bid, into a curse – referred to as ‘The Winner’s Curse’.

The Winner’s Curse

Let’s take coal mines for example. Coal extractions are approved when necessary, and the quantity of coal to be extracted from various mines is declared. However, the coal which is yet to be extracted is auctioned off to the highest bidder even before the mining takes place. Now this is blind bidding, although research, trials, reports and historical results can help the bidder with the certain prior knowledge to bid, however, the buyer is still not sure what grade of coal will be extracted – it can be of the highest quality or degraded quality with little end-use. Accordingly, the supplier of coal might suffer losses or gains – it’s risky! And it gets even further risky in case of oil fields where after a few trial drillings and geologic ultrasound analysis, the entire

the entire field is sold to bidders – “What if the trial happens in the best part of the cake, while rest all is devoid of oil or contains much little than expected?” It’s all about estimates and even after winning the bidding, the buyer might still end up losing a lot, as faulty predictions are quite a possibility.

What did the auction theorists achieve?

Paul Milgrom and Robert Wilson developed auction theories to overcome the winner’s curse. Wilson developed the theory to explain why in an auction of items with a common value, the bidders often offer bids lower than they think the object or service is worth of because they fear overpaying for the item – the winner’s curse. Milgrom, on the other hand, came up with his theory to explain why private values vary from bidder to bidder in an auction. When Wilson and Milgrom came together, they developed new formats of the auction to sell many inter-related items simultaneously.

The theories were also practically used in 1994 when the United States sold radio frequencies to telecom operators. On the success of the theory, the same was followed by many other countries to sell spectrums in their countries. Their theories also had a profound effect on the sale of advertisements in search engine and public auctions such as eBay.

Their work was also used in financial trading which is also a type of auction over the internet, with bidders spread across the country. The laureates’, thus, not only devised the theory, but they also developed the practical applications of the same which is rare. Their theory of simultaneous auctioning of interrelated items is what won them the ‘Noble Memorial Prize for

Economic Sciences 2020’ by Noble Foundation.

How is the auction theory used?

When a seller wants to achieve the best outcome from selling an item through an auction, he must carefully design the format of auction. This is where the auction theory comes into use. Auction theories are used by researchers to develop auction formats so that the seller receives the best price for the product. The outcome of an auction usually depends on three main factors – the rules of the auction, the item being auctioned and the uncertainty involved in information.

The rules of the auction can allow open or closed bids, restrict the number of times a bidder can participate or allow free bidding, the winner can be expected to pay the highest bid or the second-highest one, etc.

Meanwhile, an auctioned object can have different perceived value for different bidders depending on the use, or it can have more the same value – the auction of PM Modi’s suit can have a high value for his supporters while less important for others.

The factor being key constraint is information, as the whole gamble surrounds it. The quantum of information a bidder has, the kind of information and the certainty of the information can cause the bidders to behave differently. The auction theory helps researchers to plan auctions accordingly considering the possible behaviour of various bidders.

About Paul Milgrom

72-year-old Paul Milgrom is an American Economist and a professor for humanities and sciences at

Stanford University, who earlier worked as an actuary for several years. He is an expert in Game theory and specifically concerning auction theory and pricing strategies. He bagged Nemmers Award in 2008, BBVA Award in 2012 and Golden Goose Award in 2014 for his work related to game theory and auction theories. He had advised Google in its 2004 Initial Public Offering (IPO) and has also been an advisor for Yahoo and Microsoft.

About Robert Wilson

83-year-old Robert Wilson is also an American Economist and a professor for Management at Stanford University. He had completed his MBA from Harvard Business School and has been faculty at Stanford University since then. Wilson is known for his research and teaching in topics concerning the industrial organisation and information economics. His expertise in game theory and its applications are well known around the world. He bagged BBVA Award in 2015 for his work in auction theories.

About Nobel Memorial Prize in Economics

Nobel Memorial Prize was established in 1968 by the Bank of Sweden. The award is different from the Nobel Prize distributed by Nobel Foundation, as there is no Noble prize in economics, however, the Nobel Foundation recognizes the award and lists the same on its website along with Nobel Laureates. Noble Prize in Economics has significantly boosted the credibility of economics science, however, the same has been a matter debate.

Is Economics a Science?

Unlike physics or other sciences, economists cannot conduct laboratory experiments in some controlled environments. The theories and results of economics are often based on historical data and merely predict what a result might be. Therefore, economics has always been considered a 'Social Science' and not a science. Recognizing economics as social science helps us loosen its perception as hard facts, instead considering it as mere commentary.

Do you recognize these Indian Nobel Prize Laureates?



NEW

Government Policies

Changes in government policies can bring massive opportunities to tap or explore and have a favourable or adverse effect on businesses. That's why we bring this new section to keep you abreast with the policy changes. Monitoring the government's plans and driving your businesses accordingly can help you stay ahead of the competition and aware of the future, even before it unveils itself.

- The government will soon be distributing property cards under the Survey of Villages and Mapping with Improvised Technology in Village Areas (SVAMITVA) scheme. These physical cards would serve as proof of ownership and allow the rural masses to use the property as a financial asset for procuring loans. The scheme, in a phased manner, shall cover 662,000 villages by 2024.
- To boost consumer spending, the Government has launched Leave and Travel Concession (LTC) cash vouchers for public sector employees. Leave travel concession is a sponsored holiday reimbursed to employees subject to specific limits, once in a block of four years and is also a tax-free portion of salary. Owing to the pandemic, many employees who were not able to avail this travel benefit in the block of 2018-2021 are now free to claim this portion of salary, by expending an amount equal to three times the concession on items attracting GST at 12% or more in digital mode before March 31 or the benefit would lapse otherwise.
- To further boost consumer spending during the festival season, Government is permitting public sector employees to avail interest-free advance of INR 10,000 in the form of a pre-paid RuPay card which can be used for spending up to March 31. The amount shall be repayable in 10 instalments, while charges will be borne by the government.
- Government has announced its plans to spend INR 12,000 crore on defence infrastructure, roads, water supply and urban development, additionally apart from the budgeted amount, by March 31, to boost the demand. The State Governments can also procure INR 12,000 crore interest-free loan repayable over 50 years, to spend on capex.
- Government has released 17 new biofortified crops and also reiterated its commitment to the procurement of declared crops at Minimum Support Price (MSP). To mark the 75th year of the Food and Agriculture Organisation (FAO), the government released a special INR 75 coin.
- Highlights of Reserve Bank of India (RBI)'s Monetary Policy Statement (MPC):
 1. The economy is expected to contract 9.5% this fiscal year where contraction of 9.8% and 5.6% is expected in Q2 and Q3 while 0.5% growth is expected in Q4.
 2. Policy Repo Rate – 4% (unchanged)
Reverse Repo Rate – 3.35% (unchanged)
Marginal Standing Facility Rate – 4.25% (unchanged)
Bank Rate – 4.25% (unchanged)
Accommodative stance maintained.
 3. Retail inflation is expected to be 6.8% in Q2.
 4. The threshold for exposure to one borrower has been increased to INR 7.5 crore instead of existing INR 5 crore.

Goods and Services Tax

- The due date for filing GSTR-9 and GSTR-9C for FY 2018-19 has been extended to December 31.

- Decided in the 42nd GST Council Meeting, taxpayers can now file GSTR-3B quarterly from January 1 onwards, however, the taxes applicable have to be paid monthly by payment challan. The amount to be paid in first two months of a quarter will be fixed at 35% of net cash liability in the previous quarter, while the balance liability for the quarter as applicable, will have to be paid along with GSTR-3B. This option shall be available only to taxpayers with an annual turnover of less than INR 5 crore.
- The due date for filing quarterly GSTR-1 has been revised to 13th of the month following quarter i.e. January 13 and April 13, instead of January 30 and April 30 as per earlier rules. The change has been brought to align the same with the new facility of pre-filled GSTR-3B from January 1. Quarterly filing of GSTR-1 is available only to taxpayers with turnover less than INR 1.5 crore. All other taxpayers are expected to file the return on monthly basis by 11th.
- The levy of GST compensation cess can now be extended by the states beyond the initially decided period of five years, to bridge the revenue gap.
- From April 1, taxpayers with turnover exceeding INR 5 crore will have to mention 6-digit HSN/SAC code instead of 4-digit code as per ongoing rules, while those with turnover below INR 5 crore will have to mandatorily mention 4-digit HSN/SAC code on their invoices. For a specified class of supplies, the Government may in future, mandate mentioning 8-digit HSN/SAC code.
- The existing GST return filing system has been extended up to March 31 and the laws shall be amended to accommodate the same. The GST returns originally introduced in 2017 which were widely opposed, are, therefore, being scrapped with this announcement.
- Businesses with a turnover exceeding INR 100 crore have to mandatorily follow e-invoicing for B2B transactions and dynamic QR code norms for invoicing from January 1 onwards. The e-invoicing option shall be made available to all taxpayers from April 1 onwards.
- The applicability of providing dynamic QR codes on invoices has been deferred to December 1. These provisions are mandatorily applicable to suppliers with turnover exceeding INR 500 crore in any previous financial year.
- The Central Board of Indirect Taxes and Customs (CBIC) has amended the notification 13/2020 dated March 21, to specify that the aggregate turnover of INR 500 crore, considered for e-invoicing applicability shall be any preceding years from FY 2017-18 onwards. Thus, if turnover exceeds INR 500 crore in any of the years, the e-invoicing rules shall become applicable. Further, the rules shall also apply for exports, as per the amendment.
- Facility to generate E-way bills shall be blocked for taxpayers with annual aggregate turnover exceeding INR 5 crore if the taxpayer fails to file GSTR-3B for two consecutive months, from October 15 onwards.
- Facility to file GSTR-1 and GSTR-3B with Electronic Verification Code (EVC) instead of Digital Signature Certificate (DSC) for corporate taxpayers, is being withdrawn from November 1 onwards.
- In a recent ruling by Authority for Advance Ruling (AAR), Karnataka bench, provision of liaisoning services by a branch office (BO) of a foreign entity in India will attract GST even if the transactions do not involve any consideration, as the same falls under the scope of supply, as it relates to the furtherance of business.

- The Central Board of Indirect Taxes and Customs (CBIC) has clarified that taxpayers are required to report only values about FY 2018-19 while filing GSTR-9 for the said period. Values about FY 2017-18 which have been already reported or adjusted are not required to be mentioned. The notification further clarifies that no adverse view would be taken for those who have already filed their GSTR-9 of 2018-19 by including the details of about FY 2017-18.
- GST refunds shall now be transferred only to bank accounts validated with PAN and Aadhar from January 1 onwards.
- Finance Secretary Ajay Bhushan Pandey revealed that 69.5 lakh e-invoices were generated in the first week of the launch of e-invoicing.
- GST collections in September 2020 have increased to INR 95,480 crore, 4% higher than the same in September 2019.

(For queries or more information relating to GST, contact our colleague Ashish Gandhi at ashish.gandhi@greenvissage.com)

Income Tax

- Due date to file income tax returns has been extended to December 31 for non-audit entities. For those who are required to be audited, the date of filing audit report has been extended to December 31 and date of filing income tax returns to January 31.
- Ministry of Finance has clarified that the employees opting for Leave Travel Concession (LTC) cash voucher shall not be eligible to the alternate lower tax rate regime introduced from FY 2020-21 onwards.
- The Central Board of Direct Taxes (CBDT) has clarified that individuals opting for new tax regime for FY 2020-21 have to file a new Form 10-IE at the time of filing an income tax return. The new tax regime is available only to individuals and Hindu undivided families.
- The Income Tax Appellate Tribunal (ITAT), Bangalore bench, in the case of Wipro Private Limited, has laid down that depreciation on Software cannot be disallowed under section 40(a)(ia) for not deducting the tax at source.
- The Income Tax Appellate Tribunal (ITAT), Mumbai Bench, in the case of Dadiba Kali Pundole Esplanade House who is engaged in the business of auctioning decorative items and selling arts, has laid down that TDS is not required to be deducted on rent paid for hotel accommodation, if the same has been obtained casually and occasionally, as and when required.
- The Delhi Income Tax Appellate Tribunal (ITAT) has ruled that the Dividend Distribution Tax (DDT) payable by corporates on dividends distributed to non-resident shareholders shall be restricted to the tax rate specified in the tax treaties with the respective nations.
- The last date for payment without additional amount under Vivad se Vishwas scheme has been extended for the third time which now stands at March 31.
- The Central Board of Direct Taxes (CBDT) has clarified that the payment gateways will not have to deduct TDS under section 194-O if it obtains an undertaking from the e-commerce company that the said company has already deducted TDS on such payment.
- The Central Board of Direct Taxes (CBDT) has requested officers to take coercive and intrusive measures only after other means of recovery are exhausted, restricting the powers of assessing and tax recovery officers with immediate effect.

- A petition has been filed against the income tax faceless appeals scheme in the Delhi High Court as discriminatory owing to the option of 'right of being heard' which has been left to the discretion of the Chief Commissioner or the Director-General, rendering the whole scheme arbitrary and illegal.
- Income Tax Department has released Form No. 3CD and 3CEB on October 22 modified to include the newly added provisions of 115BA, 115BAA, 115BAB, 115BAC and 115BAD. Additional clauses have been added to provide information regarding the exercise of the option by the assessee and further adjustments in written down value if the same is exercised. In Form 3CEB, a new clause has been added for the specified domestic transactions entered into by the assessee with the persons who have availed the option under section 115BAB.

(For queries and more information relating to Income Tax, contact our colleague Sneha Halder at sneha.halder@greenvissage.com)

Corporate Laws

- The Ministry of Corporate Affairs (MCA) has extended the due date for Companies Fresh Start Scheme, LLP Settlement Scheme, conducting EGM through virtual mode, and filing of forms relating to creation or modification of charges to December 31.
- The Securities Exchange Board of India (SEBI) has made it mandatory for all listed entities to disclose to the stock exchanges about any forensic audit carried out, along with a prior intimation before the start of such audit. Further, debenture trustees must now carry out an independent audit of the collateral against which the debentures of the company are being issued.
- The Securities Exchange Board of India (SEBI) has clarified that merchant bankers shall not share

details of bidding of initial share sales and rights issues with the investors during the bidding period as it creates information asymmetry.

- The Securities Exchange Board of India (SEBI) has imposed INR 6 crore penalty on National Stock Exchange (NSE) for acquiring a stake in six entities. NSE was penalised for engaging in activities which are unrelated to the business of stock exchange, and without prior approval of SEBI. The six entities where NSE invested directly or through its subsidiaries were as follows:
 1. Computer Age Management Limited (CAMS)
 2. Power Exchange India Limited (PXIL)
 3. NSE Information Technology Limited (NSEIT)
 4. NSDL E-Governance Infrastructure Limited (NSEIL)
 5. Market Simplified India Limited (MSIL) and
 6. Receivables Exchange of India (RXIL)

(For queries and more information relating to Corporate Laws, contact our colleague Adnan Ginwala at adnan.ginwala@greenvissage.com)

Customs and Foreign Trade

- Exports of basmati rice and tea have been choked owing to the depleting balance in the rupee-rial account. When the US imposed sanctions on Iran, India was forced to devise rupee-rial mechanism in 2018 whereby oil refineries in India would deposit rupees in designated banks for the import of crude from Iran. The rupee-rial account, thus created, was used to pay off the basmati rice and tea exporters in India. Iran accounts for nearly 33% of India's export of basmati rice and 21% of tea. However, with US-mandated sanctions on oil imports in May 2019, India has stopped importing oil leading to depletion of the rupee-rial fund.

(For queries and more information relating to Foreign Trade, contact our colleague Adnan Ginwala at adnan.ginwala@greenvissage.com)

Banking and Finance

- The long battle between Government and borrowers has finally come to an end. The Government has announced that it shall bear the difference between the compound interest and simple interest for six months (184 days) from March 1 to August 31, of borrowers whose sanctioned and outstanding limits as on February 29 does not exceed INR 2 crore (inclusive of all credit facilities). Thereby, Reserve Bank of India (RBI) has directed all Commercial banks, Co-operative Banks, Financial Institutions and Non-Banking Financial Companies to credit such differential amount on or before November 5. Banks have to lodge the claim for reimbursement of the total amount credited before December 20. The loans covered by this announcement are:

1. MSME Loans
2. Education Loans
3. Housing Loans
4. Consumer Durable Loans
5. Credit Card dues
6. Automobile Loans
7. Personal Loans to Professionals
8. Consumption Loans

- Interest Subvention Scheme on MSME Loans has been extended till the end of March 2021. The scheme covers all term loans and working capital to the extent of INR 100 lakh and provides an interest relief of 2% per cent per annum to eligible MSMEs.
- The Reserve Bank of India (RBI) has announced that financial companies in India cannot be set up with foreign direct investment (FDI) from Mauritius and other jurisdictions which do not meet the benchmarks laid down by the Financial Action Task Force (FATF).

- The Reserve Bank of India (RBI) had earlier released the framework for authorisation of pan India umbrella entities for retail payments which include setting up new payment systems in retail space. This is posed as a rival entity and payment systems to the existing Unified Payments Interface (UPI) set up by National Payments Corporation of India (NPCI). SBI, HDFC, Jio, PayTM, BSE and NSE are amongst the applicants who are contemplating to acquire the license.
- The Reserve Bank of India (RBI) announced that it will conduct a purchase auction of the state government bonds of INR 10,000 crore through open market operations (OMO). This is the first time RBI is conducting such an auction.

(For queries and more information relating to banking and finance, contact our colleague Kethaan Parakh at ksparakh@greenvissage.com)

Accounting and Auditing

NEW

In focus: MSME Disclosures

- *Who is required to provide MSME disclosure in the notes to the account of the financial statements?* Section 22 of the MSME Development Act, 2006 mandates all entities who are required to get their annual accounts audited under any law have to provide MSME disclosures.
- *What is Udyam Registration Certificate?* Entities seeking registration as MSME are required to file a memorandum with the Ministry of MSME which was earlier known as Entrepreneur's Memorandum (EM-II) and later became Udyog Aadhar recently, has been upgraded further to a new certificate which is known as Udyam Registration and all MSMEs must acquire the same before April 1, 2021.
- *How to identify MSME entities for MSME disclosures at the end of every year?* It is pertinent to seek update

from every vendor annually whether the entity is a registered MSME. Udyog Aadhar or Udyam Certificate must be collected from such vendors whose response is affirmative. Outstanding purchases from all such vendors must be considered for calculating the amount due and the interest thereon.

- *How to trace whether a vendor continues to be an MSME?* The Udyog Aadhar Number can be verified on the Udyam Registration website. Further, the new Udyam Registration is linked to income tax returns whereby data concerning turnover and the depreciated value of plant and machinery is automatically fetched every year and the category (medium, small or micro) on the certificate is updated accordingly.
- The Institute of Chartered Accountants of India (ICAI) has issued notices to its member Chartered Accountants who have joined BNI and other similar networks for professional misconduct. According to these notices, the members are allegedly soliciting clients and professional work through these networks which is prohibited by the institute's professional ethics that every member is ought to follow.

(For queries and more information relating to Accounting, contact our colleague Rahul Mundada at rahul.mundada@greenvissage.com)

Payroll and Personal Savings

- Supreme Court in a recent decision dealing with notifications issued by Gujarat Government held that the factories cannot deny overtime wages to its workers during the lockdown period from April to July. Earlier Gujarat Government had issued notifications that the factories need not pay overtime wages owing to 'internal disturbance' caused by the pandemic and the economic slowdown that followed the same. However, the court ruled that the economic slowdown cannot be

termed as 'internal disturbance' and that the government has been exploiting the emergency powers.

- The Securities Exchange Board of India (SEBI) has updated the norms for the risk-o-meter displayed on information memorandums of mutual funds. The new norms lay down much broader parameters for the risk-o-meter categories and a new level 'very high'. The norms apply from January 1 onwards and the mutual funds have to update the same every month, based on the fund's actual portfolio at the end of the month.
- Insurance companies have been mandated to come up with a standard individual term life insurance policy called 'Saral Jeevan Bima' from January 1. This comes in the light of varying terms and conditions that insurance companies offer and thus, people end up buying policies they do not require or understand. With the introduction of a standard policy, if a person doesn't have the time to evaluate or lacks the understanding of the terms, one can choose the standard policy of any insurance company of their choice.
- The Employees' State Insurance Corporation (ESIC) has extended the due date for workers to avail the unemployment benefit to June 30. Under the scheme, unemployment benefits are paid to the workers covered under the ESI scheme.
- Employees' Provident Fund Organisation (EPFO) has launched new WhatsApp based helpline numbers to address the grievances of the subscribers.

(For queries and more information relating to Payroll, contact our colleague Kumari Snigdha at kumari.snigdha@greenvissage.com)

Economic Indicators

- Latest statistics relating to the key economic indicators of Indian economy stand as follows:

Indicator	As on	Current	Prior
GDP Growth (%)	Jun-20	-23.9	3.10
Inflation (%)	Sep-20	7.34	6.69
Unemployment (%)	Sep-20	6.7	8.4
Trade Balance (\$m)	Sep-20	-2720	-6770
GOI Bond 10yr (%)	Oct-20	5.88	6.02

- The movement in the major indices of various stock exchanges across the world, during the month of October, 2020 was as follows:

Equity Index	Country	%
NIFTY 50	India	+1.97
BSE SENSEX	India	+2.37
INDIA VIX	India	+34.89
NIFTY BANK	India	+7.44
DOW JONES	USA	-4.27
NASDAQ	USA	-1.48
S&P 500	USA	-2.34
FSTE 100	UK	-5.50
NIKKEI 225	Japan	-0.23
SHANGHAI COM	China	+0.20
MOEX	Russia	-5.67
CAC 40	France	-4.78
DAX	Germany	-8.93
ASX 200	Australia	+2.35
BOVESPA	Brazil	-0.07
FTSE STI	Singapore	-4.01
KOSPI	South Korea	-2.61
HANG SENG	Hong Kong	+2.76

- The movement in the major commodities futures with latest expiry, as per MCX during the month of October, 2020 was as follows:

Commodity	Expiry	Price	%
Gold	04/12	50,700	+0.34
Silver	04/12	60,920	-0.57
Crude Oil	19/11	2,639	-9.81
Natural Gas	24/11	249	+31.55
Aluminum	27/11	153	+5.68
Copper	27/11	526	+0.19
Cotton	27/11	19.450	+6.87

- The movement in the reference rates of major global currencies during the month of October, 2020 was as follows:

Currency Pair	Oct 31	Sep 30	%
INR/1 USD	73.97	73.85	-0.16
INR/1 GBP	96.33	94.97	-1.43
INR/1 EUR	86.96	86.17	-0.91
INR/100 YEN	70.87	69.92	-1.36

- Movement in the major cryptocurrencies during the month of October, 2020 was as follows:

Currency	Pair	Price	%
Bitcoin	BTC/USD	13,941.00	+29.31
Ethereum	ETH/USD	390.44	+9.88
Tether	USDT/USD	1.00	+0.03
XRP	XRP/USD	0.24	-0.25
Btc Cash	BCH/USD	263.74	+16.61

Corporate News

- Indian Railways** has rolled out the first batch of aerodynamically designed passenger electric locomotives which have the capacity to run at 160 kmph. The locomotives are environment friendly and require less maintenance which will replace the locomotives of all premium trains.

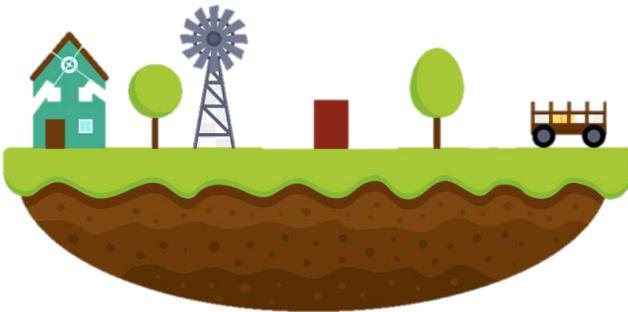
- In a major blow to the **Aviation companies**, and relief to the passengers, Supreme Court has accepted the recommendations of Directorate General of Civil Aviation (DGCA) whereby passengers whose flights were cancelled lockdown will receive refund of ticket fares. Refund for tickets booked through agents will be provided to agents who will refund the amount to passengers.
- In its forensic audit report submitted to Reserve Bank of India (RBI), Grant Thornton has highlighted that **DHFL** had created 2,60,315 fictitious home loan accounts between 2007 to 2019, to round-trip INR 11,756 crore through an imaginary entity in Bandra.
- In its first initiative of attracting private sector for running passenger trains, **Indian Railways** has received 120 applications for 12 clusters. L&T Infrastructure Development Projects, BHEL, GMR Highways, IRB Infrastructure Developers, and IRCTC are amongst the companies who have expressed interest in running the train services.
- **Amazon** has served legal notice to Future Group over the INR 25,000 crore deal with Reliance Retail, as Amazon has alleged violation of the agreement between Amazon and Future Group in August 2019 where it had acquired 49% stake in Future Coupons Limited who owns 7.3% of Future Retail. As a part of the said agreement, Amazon had received a call option to acquire promoters' shareholding in Future Retail between 3rd to 10th year. According to Amazon, the agreement also restricted share transfer to certain specified companies which included Reliance Retail.
- Credit card payment app **CRED** is in process of raising USD 100 million funds with a USD 800 million valuation. It is expected that half of this fund raising will be contributed by existing investors Sequoia Capital, Tiger Global Management and Hillhouse Capital.
- **Vendata** failed to delist its shares as only 125 crore shares were received against the requirement of 134 crore. The company is expected to come out with a revised price.
- **IndusInd Bank** has been imposed INR 4.5 Crore penalty by Reserve Bank of India (RBI) for non-compliance with 'exposure norms, prudential norms on income recognition, asset classification and provisioning pertaining to advances'.
- Shankar Nath, former PayTM Vice President, after a two year sabbatical, along with Ankit Gera, another PayTM alumnus, are in process of launching **Junio**, a kids-focused smart card which enables children to make digital payments. The card shall be linked to the mobile app installed on the parent's mobile and enables approving and viewing all transaction history.
- Solicitor General Tushar Mehta has recommended government to challenge the recent decision of Permanent Court of Arbitration (PCA) in **Vodafone's** 2012 tax case where the Indian Government had retrospectively amended law to override Supreme Court and tax Vodafone, for transfer of shares of a foreign company between two non-residents. The government is expected to submit reply to Delhi High Court by November 7.
- **Yamaha Motors** has announced that it tied up with Amazon to sell its apparels and accessories online. For the first time in India, a motor company would be selling its accessories online.
- **Dunkin' and Baskin-Robbins** have agreed to be acquired by Inspire Brands in a USD 11.3 billion deal. Inspire Brands which is backed by private equity investors, already owns chains such as Arby's, Buffalo Wild Wings, etc.
- **Nestle** has bought the United States based meal delivery company 'Freshly' in a deal valuing it at USD 950 million.



India Turning Digital – The Government Policies and Reality Check In a country where every seventh person on the earth resides, it cannot happen that there's only one big news, covering one person out of a billion, for a complete month, especially when we are talking about 2020 – the pandemic year. There are four pillars of democracy and certainly one is not performing its job here. The mainstream media and the hashtag community is keeping us behind in a ...

Lemonade

The 'Lemonade Recipe' – Decoding the Blockbuster IPO of 2020 Take a glass of chilled water, add a little lemon juice, salt to taste, and enough sugar to make sure that the drink is potable. Stir the contents well, and ta-dah! A sweet-sour refreshing drink which is non-carbonated, healthy and pure delight – Lemonade; a no-brainer recipe which is easy even for a fifth-grade kid and merely takes 90 seconds to prepare. I wish the whole world was a lemonade ...



The New Farmers' Bills: The Good and the Bad, Explained We buy, cook, eat and even waste food with such ease and live in comfort as food is always available at our realms. We are grateful that we aren't amongst the 73 million in Africa, 43 million in the Middle East and 18.5 million in the Caribbean who live with an acute food crisis. In an overpopulated country like India where billion-plus live without a crisis over food, it is quite apt that the farmers are ...



Withholding tax on foreign remittances When is it required to withhold tax on foreign remittance? The sum payable to a non resident or a foreign company is income in the hands of the non resident / foreign company. If this income is chargeable to tax in India under the provisions of Income Tax Act, then tax is required to be withheld on it. On the contrary, if the payment is not taxable in India then there is no need to withhold tax. How would one come to know that ...

Newsletter by:



Greenvissage Business Consulting LLP

LLPIN: AAB-9132

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