EVERYTHING THAT CONCERNS YOUR MONEY

THE GREEN DIGEST

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BANNED!

APPS, AUDITORS AND CHINESE

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Banning Products – Practical or Sentimental, Do bans serve the purpose portrayed?

This is not the first time the topic has made headlines. Time and again 'Ban Chinese Products' has been used as a slogan in many speeches and discussions. However, for the first time, it is the Government who has officially called a ban on 59 (Chinese) mobile apps and a few days ago, additional 47 clone apps of the above, citing the apps are "prejudicial to the sovereignty and integrity of India, defence of India, security of state and public order". The mobile app companies have been given a chance to explain their case and this might take some time. The ban arrives at an hour when the India Chinese relations are unstable after the recent military faceoff in Galwan Valley. The Government is allegedly using every economic recourse to control or restrict imports from China. On the other hand, China has been allegedly using the Vietnam route to dump goods in India, at a lower duty without additional checks. Meanwhile, media and citizens are elated and once again 'Ban Chinese Products' is making rounds.

In the corporate world, the National Financial Reporting Authority (NFRA) has banned and fined CA Udayan Sen, the Engagement Partner, and CA Rukshad Daruwala, the Quality Control Reviewer of Infrastructure Leasing & Financial Services (IF&FS) for their lapses in FY18 Audit. However, the jurisdiction of NFRA to ban auditors is still being adjudged in a petition made by the above partners at Delhi High Court. In the same case, the National Company Law Tribunal (NCLT) had earlier banned the auditing firm Deloitte, Haskins and Sells LLP (auditors until FY18) and BSR & Associates (auditors in FY18 and FY19) for 5 years when Government initiated the proceedings under section 140(5) of the Companies Act after the Serious Fraud Investigation Officers (SFIO) probed the case. The Government had also initiated criminal proceedings in Bombay High Court. However, the High Court rejected the 5-year ban imposed by NCLT as the auditors had already resigned and thereby 140(5) cannot apply. Further, the High Court also rejected the criminal charges calling it 'bad in law' and 'non-application of mind'.

There have been several other bans over the past few years, however, one question that remains unanswered is 'Are they serving their purpose?' Well various factors have to be considered here and we will leave for you to decide. However, here's some insights into this entire debacle.

Sequence of major events relating to China

- China's ambitious Belt & Road initiative
- China building forces in Pakistan, Indian Ocean
- US-China trade war, China border issues
- China claims South China Sea
- Sentiments about China spreading COVID-19
- Suit against China in US Court for spread of virus
- Policy for FDI by neighbouring countries changed
- India-China Galwan Valley faceoff
- China occupying Nepal, Nepal amending its map
- India slaps anti-dumping duty on China
- India bans 59 (Chinese) apps
- Sentiment to ban Chinese products rises in India
- India bans additional 47 clone apps

Do Chinese companies generate employment?

Foreign entities find labour in India cheaper than the same in other countries. Most parts cannot be manufactured in India because India does not have the facility to produce the same. However, India being a huge consumer market, parts are usually manufactured outside India, and assembled in India. This generates huge employment opportunities for Indians. Following are major Chinese investments in India who are generating employment for Indians:

- Automobiles – MG Motors (SAIC Motors), BYD, Wanfeng, Colsight, YAPP Automobiles, Volvo
- Industrial – Dongfang, Fiberhome, ZIT, TG Advait, and Hengtong
- Services – Alibaba, Tencent, Steadview, Didi Chuxing have investments in Bigbasket, Zomato, Delhivery, Byju's, Flipkart, Makemytrip, Paytm, Policy Bazaar, Swiggy
- Technology – Xiaomi, Oppo, Vivo, Huawei, Oneplus, Realme and 13 more brands, 100s of Apps by bytedance, Tencent, Cheetah Mobile, etc. (Huawei has permit to conduct 5G trials in India)

Do Chinese companies contribute to tax revenue?

(a) Foreign companies in India are taxed at the rate of 40% in general and 50% for royalty income, besides surcharge and cess. This rate is higher than the rate applicable for Indian companies.

(b) Goods and Services Tax (GST) is an indirect tax where the seller collects tax from the buyer and deposits the same to the Government. All taxes paid on all eligible purchases is reimbursed to the seller when it claims the input tax credit in returns. Thus, tax is indirectly paid by the end consumers while business entities merely act as collection agents for the government and pay indirect tax only when they are end consumers of certain services. Thus, only a small percentage of indirect tax is actually paid by a company whether Indian or Foreign.

(c) Imported products in India are subject to customs duties at various rates, irrespective of the importer. Thus, foreign companies assembling or manufacturing products in India pay custom duties in India for product components imported. The cost is subsumed in the price of a product and competes at par with Indian products. Various levies of customs ensure that products imported are at part with the prices of the same in India.

(d) Every large corporate in India contributes 2% of its profits towards Corporate Social Responsibility every year. This spending is for the people in India and foreign companies are not exempt.

(e) All local taxes are equally applicable to foreign companies, as applicable to the Indian companies.

Why were the Chinese apps banned?

There cannot be a definitive answer to the same. Google - one of the largest technology company in the world provides all its services free of cost – search engine, email client, web browser, maps, app store, voice assistant, news, podcasts, etc. It thrives on the data collected from all these apps and uses it (after anonymising) to show relevant advertisements where advertisers are the real customers. Apple and Microsoft as well have similar platforms, however, less popular. Popular social media apps Facebook, Instagram and WhatsApp are all owned by the same parent entity to pool data (amongst other benefits).

Reliance Jio is an Indian company which has entered the same sphere to achieve similar benefits. All apps today operate on a similar model – collect data, store and use it for advertisements. Companies like Google, Apple, Microsoft or Facebook can maintain higher security standards, however, the same may not be the case with other apps. There aren't only 59 apps on the apps store which violate of data privacy. While some apps are using data (access with permission) some others are stealing data (access without permission), but in conclusion, everyone is collecting data. Google, Apple and Microsoft have their policy on handling such apps and have banned numerous apps when found to have malware or violate privacy.

The data from the apps are stored on servers which may or may not be located in India e.g. in case of Tiktok the data is stored in Singapore and the United States. The apps were banned probably under the suspicion of sharing such data with China and other countries. However, Facebook (a US company, with servers in the US) was probed for meddling by Russia in the US elections. Google has been fined $2.7 billion (world record) by the European Union for anti-trust breach and unfair trade practices. Apple, Microsoft, Softbank, Alibaba, Tencent, etc. all technology companies have faced some sort of probes for fooling around with data. So, neither having data locally helps, nor having a domestic company.

Did the Government ban all Chinese apps?

Tiktok, Vigo Video and Helo are apps owned by Bytedance which were banned. However, Risso another app owned by Bytedance wasn't banned because the same was listed with 'Moon Video Inc', a company registered in 'British Virgin Islands' – a tax haven. India had also imposed heavy anti-dumping duties on Chinese products, however, the same products made their way through Vietnam, Thailand and other countries. Tiktok and others are moving their offices and servers to India to comply with the data privacy conditions. So, it is pertinent to ask, 'Is ban serving the purpose portrayed?'

Can India survive without Chinese products?

Mobile apps are replaceable and so are the Diwali lights. We can easily give up on such products. However, these are relatively insignificant in value as the real import of India consists of technology and industrial raw material. Countries like China, Japan, South Korea, etc. excel in technology and are a global hub for the production of certain parts and products. Before banning the Chinese imports, India will need to produce such components and raw material in India first. However, India does not have even a single company operating in the same sphere, and with global oligopolies, the market is competitive and difficult to survive. Chinese companies with manufacturing India heavily serve our consumer needs – even recent Government projects are given to the Chinese companies. Most unicorns in India are owned by Chinese investors. India does not have Alibaba, Tencent or SoftBank of its origin who would fund the home-grown startups.

The vision of Aatma-nirbhar Bharat is ambitious – the one that our country needs. However, the country needs more than just a vision to become self-reliant.

(This article was contributed by the editorial team.)

Decoding the 'Lemonade Recipe' – How one company is disrupting the entire insurance sector

By Amit Chandak, Associate Director, Greenvissage

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 – simple, transparent and with all the goodness.

Well, at least the insurance sector is heading towards it – with one company leading the pack – Lemonade Inc. Hola! They certainly have got a name, and analysing their business model, one can say they have an industry-disrupting recipe and also all the goodness of a kindergarten at the same time. Sounds unreal? Let me take you through their journey and how they are changing the future landscape of the insurance business.

Why is Lemonade in headlines right now?

Lemonade Inc, an insurance company located in New York, recently completed its Initial Public Offering (IPO) on New York Stock Exchange (NYSE) raising $319 million from the capital market, with Goldman Sachs, Morgan Stanley, Allen & Co and Barclays underwriting the offer. The 11 million shares offered for $29 apiece in IPO, sky-rocketed 144% on its debut day on the exchange. A time where companies are postponing their IPOs due to pandemic and recession, Lemonade has made a dream debut.

In April 2015, the company was co-founded by Daniel Schrieber (former president of Powermat) and Shai Wininger (also co-founder of Fiverr).

- Seed funding in 2015, $13m from Sequoia Capital and Aleph LP each
- Series A funding in 2016, $13m from XL Innovate
- Series B funding in 2016, $34m by General Catalyst
- Series C funding in 2017 and Series D funding in 2019 by Softbank infusing $120m and $180m.

Here's how the shareholding pattern looked like -

Investors	Pre-IPO	Post-IPO
SoftBank	27.30 %	16.40 %
Co-founders	16.98 %	10.20 %
Sequoia Capital	10.30 %	6.19 %
Aleph LP	10.30 %	6.19 %
General Catalyst	7.30 %	4.39 %
XL Innovate	5.20 %	3.12 %
Others	22.62 %	13.59 %
Public	0.00 %	39.92 %

Lemonade Inc is backed by big stalwarts, with total funding of USD 480 million even before the IPO. This is the reason why the public highly trusted the company making the IPO a runaway success. However, many people still wondering why there is so much chatter about an insurance company. In the end, it's just another insurance company, takes premium, addresses claims and makes profits – what new can happen here? Well, almost everything.

What does the company offer?

Lemonade currently offers insurance products to renters and homeowners in the United States. In Germany and the Netherlands, it offers liability insurance. The insurance in the United States covers any kind of stolen or damaged property, and also covers personal liability, to protect the consumer if they turn out to be responsible for any accident or damage to another person or their property. The company also offers switching from existing insurance policies from other companies. Almost 70% of its existing customers are under the age of 35.

How is Lemonade different from others?

For the starters, Lemonade is a new age tech-based insurance company. Here's what the company says it on its website, "Lemonade reverses the traditional insurance model. We treat the premiums you pay as if it's your money, not ours. With Lemonade, everything becomes simple and transparent. We take a flat fee, pay claims super-fast, and give back what's left to causes you care about." And they mean every word of that statement.

(a) Unlike traditional insurance which runs through agents, Lemonade offers its services through mobile app and leverages on Artificial Insurance (AI) bots, to create an end to end digital experience. To get new insurance, the customer has to interact with AI Maya and after answering questions, they would receive a quote within the next few minutes. Similarly, most of the claims are settled by chatting with AI Jim while customer support enquires are settled by interacting with CX.AI bot. So yes, bots at your service. This is quire appealing to the millennial generation.

(b) Coming to premiums, the company has a radical approach to handling the money. Like other insurance companies, they collect premiums, however, they retain only a fixed portion (flat fee) of such premium to meet their costs and earn profits. In 2019, the company made 67 million Revenue and 108 million losses – a typical SoftBank investment! However, the story gets more interesting when we talk about the balance money.

(c) The balance amount is pooled separately for settling claims from the customers. At the end of every year, if any amount is left, the company will donate the same to charities of the customer's choice – they won't keep it. And this all happens at their annual event 'Giveback'. So, either you get the money (when in need) or someone else gets it who needs it badly. In fact, the company has paid out $53k in 2017, $162k in 2018 and a whopping $631k in 2019 to charities as 'Giveback'. Historically, the insurance companies have been seen as evil corporates who do not settle claims when needed or try to escape them. However, with Lemonade's model, there is no conflict of interest as the balance goes to charities.

(d) Lemonade asserts that it settles customer claims faster than any other traditional insurance company. And it's true to quite an extent. In 2016, a customer filed an insurance claim for a stolen coat, he answered a few questions on the company's mobile app and the claim was settled in world record time by reviewing, approving and paying the claim in merely 3 seconds. Of course, not all claims are settled in 3 seconds, sometimes takes a few minutes, and in most cases, the settlement rate is faster than any other insurance company.

How does Lemonade secure itself?

The company is a for-profit company and settling claims faster would mean a dilution in the verification process and thereby, exposing itself to insurance frauds. However, Lemonade has a different approach to the whole business.

(a) In 2017, a policyholder had filed a claim for a stolen laptop. The company approved the claim instantly and transferred the amount to his account. The customer was delighted. However, a few days later, the same gentleman approached the company office, to return the money from the payout, saying he has recovered his laptop and he no longer needs the funds, because it was the right thing to do. The claims officer was stunned, as this was unusual. There is a general sense of distrust between insurers and their customers which translates to fraud. However, Lemonade only takes a small fee out of the premiums and committing fraud would mean cheating a poor charity from much-needed funds. The feature of 'Giveback' makes it is less likely for the customers to commit fraud. Overcoming conflicts of interest and making insurance business transparent are two significant pillars of Lemonade.

(b) The company uses artificial intelligence at the heart of its operations. What is the most important thing for artificial intelligence to be robust? Data! And for the insurance business, collecting data is an integral part of the process. Thus, with more customers, insurances, settlements and frauds in the process, the AI-based technology would become robust over the years and can be used in many ways right from pricing the products to setting up verification processes for different products.

(c) Technically, the company is equipped to fight with the frauds, however, what if the rightful claims go higher than the amount of premiums collected? Well, the company reinsures its policies like other insurance companies, however, Lemonade does it for almost all its policies. This means Lemonade buys insurance from other companies against the insurance sold to their customers and covers itself against risk. The company pays a major chunk of the premium collected (out of the balance funds after collecting flat fee) to the reinsurance companies who settle claims when liability occurs. Thus, the company has to ensure that the premiums being collected from customers are enough to at least pay the reinsurance premium apart from its flat fee and thus, it can securely carry out its business.

Criticisms against the Lemonade's business model

While Lemonade presents an excellent innovation to the age-old insurance business, there are quite a few pitfalls in its way. If the company is not able to control the insurance frauds in long run, the reinsurance companies would have to shell out a lot of money and thus, the cost of reinsurance may leave little to charity. The relationship with reinsurers would also be put to test if they continue to renew contracts. Besides, Lemonade's major customer base consists of millennials and thereby, maintaining customer loyalty would be a challenge. The company is also heavily dependent on AI and if the same does not deliver, the business cannot survive the cost of alternative options.

Goods and Services Tax

- Kerala Government has issued guidelines for GSTR-3B to avoid incorrect disclosure of input tax credit. According to the guidelines, the taxpayers must report reversal of credit and ineligible credit separately without netting off the same against eligible credit, as the same results in the short settlement of tax credit between the Centre and the state. The circular further warns, "Such incorrect information of ITC in periodic returns indicates impropriety in return(s) filed by taxpayers. It may result in selection of cases of such taxpayers for scrutiny. And, which later on might result in the imposition of penalty under the CGST/SGST act(s)."
- The Government is planning to improve the existing GST returns filing system instead of its earlier plan of rolling out a new model. There are plans to introduce a new GSTR-2B form which will have details of purchases of the enterprise similar to GSTR-2A with some new additional information. This will be preceded by update in GSTR-1 to capture additional sales related information. Data in GSTR-3B will be auto-populated as a result of these changes.
- Apart from the above updates, GSTN is also working on a system to share a statement of liability as per GSTR-1 through emails, to file GSTR-3B. This move will disclose the 'flow of details from GSTR-1 to GSTR-3B' as per the system and will be helpful to taxpayers and professionals in better understanding of returns.
- Media reports quoting anonymous person from GST council say that the GST council is looking forward to rationalizing the tax rates to 8%, 18% and 28% instead of existing 5%, 12%, 18% and 28%. Further, it is also working on rectifying the duty distortions in sectors like textile, furniture and fertiliser where the tax rate is higher on inputs than the finished goods.
- The due date for filing Annual Return by composition dealers in GSTR-4 for FY 2019-20 has been extended from July 15 to August 31. GST composition scheme can be opted only by taxpayers with turnover less than INR 1.5 crore where 1% tax (5% in case of restaurants) is to be paid on turnover without claiming the input tax credit. GSTR-4 has been enabled for filing on the GST portal since July 22.
- Alcohol-based hand sanitizers would attract 18% GST, according to a latest AAR ruling. The ruling states that hand sanitizers cannot be exempted merely because of classification as an essential commodity.
- In the case of Masterminds, a coaching institute, AAR has ruled that the coaching institutes for CA and CMA are not exempt from GST. It cannot be covered by 'Supply of service of education as per the curriculum prescribed by statutory authorities or government' exempted by entry no. 66(a) of Notification 12/2017-CT (Rate) dated June 28, 2017.
- E-invoicing will be applicable for entities with turnover exceeding INR 500 crore, instead of the earlier threshold of INR 100 crore. The mechanism is expected to be effective October 1.
- The ban on deemed approval of GST Registrations has been lifted. Earlier, the GST administration had imposed a ban on registrations during the lockdown to avoid misuse of the mechanism in the absence of tax officers.

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

Income Tax

- The taxpayers will have to report the amount on which tax collected at source (TCS) has not been collected from the buyers. Rules 31AA, 37BC, 37CA and 37I have been amended to accommodate the above provision. Updated form 27EQ will be available soon with Appendix II consisting of Party-wise breakup of TCS. The amendment comes in the light of new provisions of section 206(1H) TCS on Sale of Goods applicable w.e.f. October 1, now along with these new rules. As per these provisions, where the aggregate sales during preceding years exceed INR 10 crore, aggregate sales to a single party if exceeds INR 50 lakh during the current period, would attract TCS.

Our Guidance:

1. Consider the applicability based on prior-year turnover, if the same exceeds INR 10 crore.
2. If applicable, build a system to track party-wise sales on an ongoing basis. Buyers with multiple GSTIN will have to be combined, for this purpose. Export sales, sales on which TDS is deducted or TCS is already being collected are exempt and to be excluded from these sales.
3. TCS is applicable only on the portion exceeding INR 50 lakh, not the entire amount. Further, the applicability is on receipt-basis. Receipts post-October 1 (whether of prior or current sales) would attract TCS at 0.1%. For ongoing sales with longer credit period e.g. 60 days, consider to either notify the buyers October 1 onwards to pay along with TCS or proactively levy the same on sales invoices from August 2 onwards (for 60 days credit period).
4. If sales and their corresponding receipts have been received before October 1, the same would not be considered for collecting TCS in FY 2020-21. Receipts must exceed INR 50 lakh post-effective date i.e. October 1.
5. The value on which TCS is to be collected is the net amount collected from the party. The amount of GST collected has to be excluded here.
6. TCS becomes due for payment only on receipt of the sale proceeds from the buyer. If sales turn into bad debts, TCS is not required to be paid. However, if TCS is not collected from the buyer, the liability falls on the seller to pay the same.
7. If PAN/ Aadhar number is not furnished, 1% TCS has to be levied. The buyer does not have an option to obtain 'tax collection at lower rates or nil rates' against the same.
8. Form 27EQ for TCS return would be applicable in addition to existing Form 26Q and Form 24Q for tax deducted at source. TCS not collected is also required to be indicated in Appendix II of this return.

- The Income Tax Department conducted an 11 days e-campaign from July 20 to July 31, for taxpayers who are 'non-filers or have discrepancies/deficiency in their returns for the FY 2018-19'. The aim was to encourage taxpayers to validate their tax or financial transaction information online with the tax department to avoid notices and scrutiny process. Identified taxpayers received an email or text message to verify information sourced from Statement of Financial Transactions (SFT), Tax Deduction at Source (TDS), Tax Collection at Source (TCS), Foreign Remittances (Form 15CC) and other relation relating to GST, transactions in securities, derivatives, commodities, exports, imports, mutual funds, etc. The taxpayers were identified based on high-value transactions who did not file their returns for FY 2018-19 or where the transactions were not reported in returns filed. Meanwhile, due date for filing income tax returns for FY19 has been extended to September 30.

- The income tax department has given one-time relaxation to the taxpayers who have not verified their income tax returns for FY 2014-15 to FY 2018-19 to complete the same by September 30. Taxpayers can do the same by using Aadhar OTP or with Electronic Verification Code (EVC) or by sending a physical signed copy to Central Processing Cell (CPC) Bangalore.
- The Income Tax Department is in process of signing a Memorandum of Understanding (MoU) with National Intelligence Grid (NATGRID), the counter-terrorism platform, for automatic exchange of information linked to bank accounts, PAN, tax returns and any other agreed information with 10 agencies. These agencies are –
    1. Central Bureau of Investigation (CBI)
    2. Directorate of Revenue Intelligence
    3. Enforcement Directorate (ED)
    4. Central Board of Indirect Taxes & Customs (CBIC)
    5. Cabinet Secretariat
    6. Intelligence Bureau (IB)
    7. Directorate General of GST Intelligence
    8. Narcotics Control Bureau (NCB)
    9. Financial Intelligence Unit (FIU) and
    10. National Investigation Agency (NIA).
- The Central Board of Direct Taxes (CBDT) has notified four additional agencies — Cabinet Secretariat, Intelligence Bureau (IB), Narcotics Control Bureau (NCB) and National Investigation Agency (NIA) with whom the board shall disclose information regarding taxpayers under Section 138(1) of the Income-tax Act. Currently, the department has 50 notified agencies on this list.
- The Central Board of Direct Taxes (CBDT) and Central Board of Indirect Taxes & Customs (CBIC) have agreed to exchange data between them automatically and regularly. Further, the agreement also allows sharing data on specific requests spontaneously.
- The Central Board of Direct Taxes (CBDT) will now share details of depreciation on plant and machinery and sales turnover as per ITR-3, ITR-4, ITR-5 and ITR-6 as applicable, with Ministry of Micro, Small and Medium Enterprises (MSME) under powers granted by section 138 of the Income Tax Act.
- The Central Board of Direct Taxes (CBDT) has announced that FY 2020-21 onwards, a new improved format of Form 26AS will be available which would contain information with regards to specified financial transactions, as received by the Income Tax Department from various agencies. This move is aimed at improving voluntary compliance by the taxpayers, considering the information already available with the income tax department.
- In the case of KFC Franchise, the Income Tax Appellate Tribunal (ITAT) ruled that the onus to prove that the foreign assessee has a Permanent Establish in India is on the income tax department. The company had entered into a technology license agreement with Yum! Restaurants who operates the KFC restaurants in India and also had appointed various franchisee to operate restaurants with the brand name KFC. The income tax department was of the view that the Yum! Restaurant is a Permanent Establishment.
- The eight tax havens in the United Kingdom – Anguilla, Bermuda, Cayman Islands, the Falkland Islands, Montserrat, the Pitcairn Islands and St Helena, Ascension Island and Tristan da Cunha,

and the Turks and Caicos Islands have committed to allowing access to their records of ownership of companies located in their territories by 2023. The British Virgin Islands is the only territory in the United Kingdom which is yet to announce in this regard. The move will help in curbing money laundering and financial crimes.

- The income tax department has launched a facility on its e-filing website to ascertain the TDS rate applicable on cash withdrawals. As per newly introduced section 194N, all cash withdrawals exceeding INR 1 crore would attract 2% tax deducted at source by the bank, in case of those who have filed income tax returns. The same in case of non-filers would be 2% for withdrawals exceeding INR 20 lakh and 5% for withdrawals exceeding INR 1 Crore.
- Income Tax Appellate Tribunal (ITAT) in the case of DE Diamond Electric held that 40A(2)(b) cannot be invoked merely because the agreement is not registered. Section 40A(2)(b) permits tax officers to disallow any expenditure, if the transaction is with specified persons including relatives and related concerns, and the expenditure is unreasonable or excessive compared to its fair market value.

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

Corporate Laws

- The Securities Exchange Board of India (SEBI) has withheld its plan to change the definition of and rules surrounding Related Party Transactions. A discussion paper issued by SEBI revealed its plan to increase the scope of Related Party Transactions to include deals with individuals related to promoters, and also lower the threshold for a case to be treated as Related Party Transaction to 5% in case of deals between the subsidiary company and those related to the promoter.
- Central Government has notified Consumer Protection (E-Commerce) Rules, 2020 to prevent unfair trade practices in e-commerce, direct selling and to protect the interests and rights of the consumers. The rules require e-commerce website to display country of origin, expiry date, seller information, verified images amongst other details. The rules further lay down that the e-commerce platform should prohibit fake customer reviews from being posted. Sellers on the e-commerce platform are warned against the manipulation of prices.
- The Securities Exchange Board of India (SEBI) is considering to allow Direct Market Access (DMA) to Retail Investors. This would mean investors can directly deal with exchanges without any intermediate brokers. For the move to be successful, exchange platforms would need user-friendly platforms similar to those provided by brokers.

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

Customs and Foreign Trade

- In a move to curtail the import of substandard imports, the Government is considering specifying standard specifications for a product list of 1,173 items including auto parts, compressors for AC, refrigerators, steel and aluminium machinery. This move allegedly affects the Chinese imports the most which value approximately USD 12 billion annually.
- The Government has introduced 'Turant Customs' for faster and contactless clearance of goods at customs, with new modern testing equipment, costing INR 80 crore. Further, the bank accounts and AD code can now be self-managed by the taxpayers on ICEGATE portal. A facility of the automated debit of bonds has been also announced.

- Anurag Thakur, Minister of State for Finance and Corporate Affairs shared that the Government is planning to impose 20% basic customs duty on import of solar modules while addressing the Confederation of Indian Industry (CII) webinar. Chinese firms supply 80% of the solar cells and modules in the Indian market, out of the total solar power equipment imports of USD 1.2 billion during April-December 2019.
- In line with the vision of 'Aatma-nirbhar Bharat,' the Government is planning to introduce Border Adjustment Tax (BAT) on imports to create a level playing field for Indian manufacturers. The tax would adjust the cost of imports to match the additional duties of electricity, mandi tax, clean energy tax, etc. borne by the local manufacturers.

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

Banking and Finance

- National Payments Corporation of India (NPCI) has launched UPI Autopay feature which allows automated recurring payments through UPI useful for payment of SIPs, insurance premiums, subscriptions, etc. For transactions up to INR 2,000 pin will be required only once during authentication while for other transactions exceeding INR 2,000 pin will be required to be entered to approve the transaction each time. This will work through a separate 'Mandate' section in each UPI app. Currently, investments in Initial Public Offers (IPOs) are being executed through such mandates.
- The circulars for deferment in repayment of loan instalments announced by Reserve Bank of India (RBI) do not apply to mutual funds and debentures, held by the Bombay High Court in the case Zee Learn who was seeking a three-month moratorium on payment of non-convertible debentures due to UTI Mutual Fund. The ruling further states that the same shall apply to all co-operative banks, all India financial institutions, all non-banking financial companies concerning terms loans and working capital facilities.
- Stress test reports of Reserve Bank of India (RBI) reveal that the pandemic has worsened the situation of bad loans. The dodgy loans which stood at 11.6% in FY 2017-18 were reduced to 8.5% in FY 2019-20. However, the expectations are that the same stands at 14.7% post-pandemic under extreme duress.
- The talks concerning Privatisation have gained momentum. It is expected that the Government may private-public companies under various sectors and retain only 1-4 strategic companies under its control, as earlier announced in Budget Speech. This would entail the sale of stake or merger of 6-7 public sector banks, sale of a stake in 4-5 fertiliser companies, more airports to be run by private players, sale of stake held by oil and gas companies ONGC and GAIL in other companies like HPCL or GSPC.
- Reserve Bank of India (RBI) has requested the Government in a report to provide an incentive for the usage of QR codes. The committee on QR code emphasized the usage of open interoperable standards (single barcode for multiple payment agencies) and phasing out the closed-loop QR codes (single brand codes).
- From 2016 to 2020, the annual growth rate of digital transactions has been 58% driving transactions from 22 million per day to 100 million per day, said P Vasudevan, the Chief General Manager in Payments and Settlements Department of Reserve Bank of India. He further added that there is a need for interoperable payment system between all mobile phones.

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

Accounting and Auditing

- National Financial Reporting Authority (NFRA) has barred CA Udayan Sen, the form chief executive of Deloitte Haskins and Sells LLP who was the engagement partner of Infrastructure Leasing and Financial Services Limited (IL&FS) for the financial year 2017-18, from practising audit for 7 years and has also imposed a penalty of INR 25 lakh. CA Udayan Sen was found guilty of professional misconduct, failure to maintain independence during the audit, failure to disclose material facts and low quality of auditing. A writ petition is still pending with the Delhi High Court against NFRA over its jurisdiction.
- National Financial Reporting Authority (NFRA) has also barred CA Rukshad Daruwala, partner at Deloitte Haskins and Sells LLP who was acting as the Engagement Quality Control Reviewer (EQCR) of Statutory Audit of Infrastructure Leasing and Financial Services Limited (IL&FS) for the financial year 2017-18, from practising auditing for a period of 5 years and imposed a penalty of INR 5 lakh. CA Rukshad Daruwala was found guilty of failing to highlight the lapses in the independence and inadequacies of the audit work.
- The Ministry of Corporate Affairs has notified major changes to the Indian Accounting Standards as a part of its annual refinements to align with the International Financial Reporting Standards (IFRS). The changes are in –

1. IndAS-103 Business Combinations – Definition of business combinations
2. IndAS-116 Recognition, Presentation and Disclosure of Leases – Lease modification not to be treated as new lease contract
3. IndAS-1 Presentation of Financial Statements - Definition of material
4. IndAS-8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material
5. IndAS-10 Events after Reporting Period – Disclosures concerning material non-adjusting events
6. IndAS-34 Interim Financial Reporting – Definition of material
7. IndAS-37 Provisions Contingent Assets, Contingent Liabilities – Restructuring plan
8. IndAS-107 Financial Instruments: Disclosures - Exempting to hedges from being classified as ineffective
9. IndAS-109 Financial Instruments - Temporary exceptions from applying hedge accounting requirements

- Institute of Chartered Accountants of India (ICAI) has announced to provide medical financial assistance of INR 1.5 crore to members and their dependents suffering from COVID-19. A grant of INR 1.5 lakh is being sanctioned for members testing COVID-19 positive. However, any excessive amount, not utilised in treatment is to be refunded to the institute.

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

Payroll and Statutory Contributions

- Employees Provident Fund Organisation (EPFO) has revealed that KYC of 73.58 lakh subscribers was updated during Quarter 1 in the wake of social distancing norms. Updating KYC enables the members to avail online services such as withdrawal application, advance from EPF, transfer of PF account, etc.
- The Government has planned to table the Occupational Safety, Health and Working Conditions (OSH&WC) Code and Industrial Relations (IR) Code in upcoming parliamentary sessions in August. This would allow the states to

amend the labour laws to suit their industrial requirements, as the codes give power to 'appropriate authority' to make suitable amendments in central laws simply by issuing notifications.

(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 (%)	Mar-20	3.10	4.10
Inflation (%)	Jun-20	6.09	6.26
Unemployment (%)	Jun-20	11.00	23.50
Trade Balance ($m)	Jun-20	790	−3,150
GOI Bond 10yr (%)	Jul-20	5.84	5.89

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

Equity Index	Country	%
NIFTY 50	India	+ 2.68
BSE SENSEX	India	+ 2.55
INDIA VIX	India	+ 2.26
NIFTY BANK	India	– 3.57
DOW JONES	USA	+ 3.17
NASDAQ	USA	+ 6.71
S&P 500	USA	+ 5.31
FSTE 100	UK	– 2.02
NIKKEI 225	Japan	– 0.50
SHANGHAI COM	China	+ 6.82
MOEX	Russia	+ 4.58
CAC 40	France	– 2.62

Equity Index	Country	%
DAX	Germany	+ 0.95
ASX 200	Australia	– 2.18
BOVESPA	Brazil	+ 7.00
FTSE STI	Singapore	– 2.32
KOSPI	South Korea	+ 4.58
HANG SENG	Hong Kong	– 3.61

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

Commodity	Expiry	Price	%
Gold	05/10	53,445	+ 9.06
Silver	04/09	64,984	+ 29.03
Crude Oil	19/08	3,023	+ 0.27
Natural Gas	26/08	136	+ 4.31
Aluminum	31/08	144	– 0.10
Copper	31/08	501	+ 7.69
Cotton	31/08	16,250	+ 3.11

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

Currency Pair	Jul 31	Jun 30	%
INR/1 USD	74.77	75.53	+ 1.01
INR/1 GBP	98.17	92.68	– 5.92
INR/1 EUR	88.87	84.67	– 4.96
INR/100 YEN	71.64	70.15	– 2.12

- The movement in the major cryptocurrencies during the month of July, 2020 was as follows:

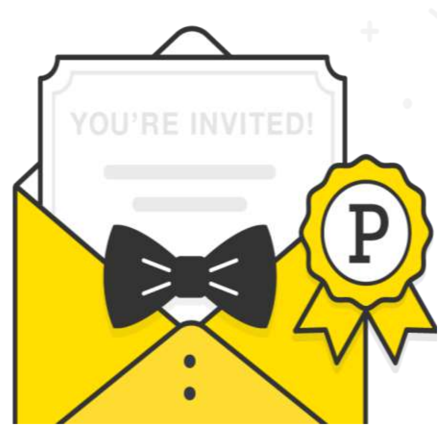
Currency	Pair	Price	%
Bitcoin	BTC/USD	11,214.00	+ 22.36
Ethereum	ETH/USD	384.87	+ 69.12

Currency	Pair	Price	%
Tether	USDT/USD	1.00	+ 1.08
XRP	XRP/USD	0.29	+ 62.00
Btc Cash	BCH/USD	290.81	+ 27.79

Corporate News

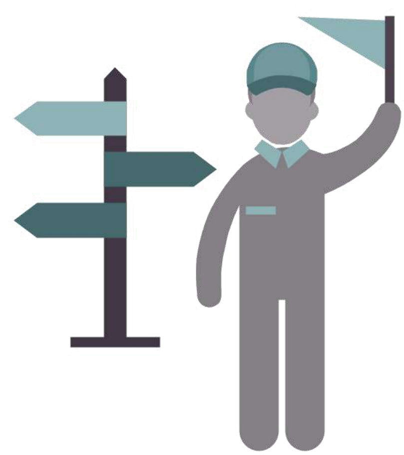
- At the Annual General Meeting, Mukesh Ambani announced that it has entered into a partnership with Alphabet's Google to build an Android Operating System to power a low-cost 4G or 5G smartphone. Earlier, Google had invested USD 4.5 billion in Reliance Jio to obtain a stake of 7.73%. Reliance Jio is set to thrash out the competition in Telecom-Smartphone-E-commerce sector, alone.
- There are various reports that Reliance is in talks with Amazon for investment in its Retail platform. Meanwhile, the company is also in the final stages of talks to acquire the Future Group's retail business.
- Reliance Industries has become the second most valued energy firm in the world with a market capitalisation of USD 0.19 trillion, surpassing ExxonMobil. The equity shares of Reliance have surged 46% this year while the shares of ExxonMobil have dipped 39% during the same period. Saudi Aramco securely holds the top position with USD 1.76 trillion market capitalisation.
- Mukesh Ambani has become the fifth richest person in the world with a net worth of USD 77.4 billion, of which USD 22.3 billion surged during the current year in light of recent investments by Facebook, Silver Lake and BP Plc. In this journey from 14th to 5th, the 63-year Indian veteran has surpassed Warren Buffet, Elon Musk and Google co-founders, Sergey Brin and Larry Page.
- The Central Bureau of Investigation (CBI) has given a clean chit to the income tax department in the case of VG Siddhartha, the owner of Café Coffee Day Group. The investigations found that INR 3,535 crore was siphoned off from the company to the entrepreneur's firms and erased the allegations of harassment on the income tax department.
- OYO has announced that it is permanently shifting to a hybrid workplace model – where some employees work remotely from their preferred place of work while coordinating with the central team. Companies like Uber, Swiggy, Zomato, Policybazaar have already given up office spaces, in a bid to cut rental costs.
- Tesla has reported the fourth consecutive quarter with profits, crushing all expectations amid pandemic. The company has reported a full year of profitability on a GAAP basis, which opens up its road to inclusion in the S&P 500 index. The company reported revenue of USD 6.04 billion with a net income of USD 104 million. The market capitalisation of the company rose to USD 209 billion post-results, USD 6 billion more than Toyota to become the most valuable automaker in the world. It's a huge feat for the company as Toyota has an annual revenue of USD 274 billion against USD 25 billion of Tesla.
- The Board of Control for Cricket in India (BCCI) has moved the Indian Premier League (IPL) to United Arab Emirates (UAE). The move has saved the cricketing body from loss of approximately INR 2,000 crore of which INR 1,500 crore is from the 50% share of broadcasting revenue from Star India, INR 439 crore is from the Title Sponsor Vivo and INR 161 crore from Official Partner Dream11. The balance of 50% of the broadcasting revenue is shared by the team owners who also earn from sponsorship and gate revenue.

A Complete Guide to Equalisation Levy in India Equalisation levy is an unilateral measure to tax some digital activities. It was introduced in Finance Act 2016 with the intention of taxing the digital transactions i.e. the income accruing to foreign e-commerce companies from India. To tackle taxation issues in transaction conducted in cyber space, equalisation levy has been introduced. The equalisation levy has recently been widened to ...



"Dear Money, visit India, opportunities await you" "Reformers will be the performers", a common quote in the world of foreign investors. If you are ever confused where to take your business ahead, look for and invest in the most reforming economy and you will definitely find yourself in the middle of a plethora of opportunities. In the current decade, India has been the economy which has consistently made buzz around the world for its reforms. Ever since India ...

Transfer Pricing – What are Associated Enterprises? Transfer Pricing is important as it serves two main purposes – 1) Understanding the internal Profitability and Costing of all Units of the same Organisation 2) Compliance with extensive reporting requirements placed by the Tax Authorities. Thus, transfer pricing is crucial for your business, as proceeding without having an appropriate pricing structure in place, may expose ...



A Chartered Accountant's guide to choosing the right business structure When you go for shopping with nothing specific on your mind, there are two things that usually go wrong – 1) You buy something absolutely unnecessary 2) You spend too much on something worth too little. Shopping may be for fun; however, business isn't. Selection of an appropriate business structure for your business firstly ensures that you don't land up into an ugly mess later. ...

Newsletter by:

Greenvissage

Greenvissage Business Consulting LLP

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Greenvissage is a consulting firm with the passion and expertise in helping companies setup in India and in managing their finances, accounts, payroll, taxes and compliances. Greenvissage serves clients from over 12 countries and wades them through hundreds of statutory and internal target lines every year.

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