EVERYTHING THAT CONCERNS YOUR MONEY

THE GREEN DIGEST

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CONFUSED?

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Distracted by television news and social media? don't worry, we got you covered!

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 situation where a virus has already taken away our decade's work.

Future is uncertain and businesspeople always account for it; however, this time a lot is at stake and clarity is yet to be excavated. You might be confused about the future course of action, whether to build or not, start or postpone, stay safe or ride the risk – well, rest assured, you are not alone, everybody here, is confused. You are confused, people are confused and so is the Government; and if the communication line in between doesn't perform its work responsibly, well, we are in a state of mental lockdown here, although the material world might be unlocking itself. Let us bridge that gap with a roundup of what's happening in the real world to stay abreast of the present and clear about the future.

Vaccine Development

A virus which spreads so easily can only be quarantined if an effective vaccine is developed and injected to every person – even a few individuals left out can spread the virus again. While the current focus is on the development of the vaccine, the Government also needs to be prepared with an effective plan to disperse the same. There are atleast 21 vaccines under human trials around the world. India has three vaccines which are undergoing human trials –

1) Covaxin developed by Bharat Biotech and Indian Council of Medical Research (ICMR)
2) ZyCov-D developed by Zydus Cadila
3) Covishield developed by Oxford University for which Serum Institute of India is undertaking trials in India, while AstraZeneca will be manufacturing the vaccine for India.

All vaccines have to undergo three phases of trials which can take more than 6 months to test on a variety of humans, and study the results, as a wrong vaccine can be more fatal. Thus, if successful, India may get a vaccine by January 2021. Meanwhile, Russia has declared successful testing of its vaccine to become the first nation to do so, however, the fast track development of a vaccine has drawn outrage over safety, across the world.

New Education Policy

After 1968 and 1986, in a world which is changing over the decades, the long-overdue reform in education policy was finally released. The key change in the policy is the '5+3+3+4' design of education instead of '10+2' structure, for age group 3-8 years (foundational), 8-11 years (preparatory), 11-14 years (middle) and 14-18 years (secondary).

Some of the key recommendations are as follows:

1. UGS, AICTE will be replaced with one single Higher Education Commission of India
2. Opening up higher education to Foreign players
3. Multi-disciplinary programmes (allowing free choice of subjects across streams e.g. economics for science students) and also all institutions to become multi-disciplinary (instead of stream specific) by 2040.
4. Flexible bachelor degree courses with multiple exit options such as one year with a certificate, two years with a diploma, four years course with one year research allowing entry into one-year master's programme or five years integrated bachelor-master's programme.
5. Mphil to be discontinued, entry to PhD with four-year bachelor programme where one year is dedicated to research or after a master's degree.

While the policy presents a promising picture, the implementation of the same would require mutuality of the Central and State Government and passing various laws in the parliament and legislative councils, education being concurrent subject. Besides, every state is free to adopt its version of the policy as Tamil Nadu has a two language programme, instead of three as in other states. In 2013, foreign universities did not show any interest when invited to India. Thus, the implementation might take years.

Taxpayer's Charter

Delivering on the budget speech, the Government has introduced Taxpayer's Charter which enshrines in law the rights and duties of the taxpayers.

Here's what the taxpayer's charter says about its commitment to taxpayers:

- Fair, courteous and reasonable treatment
- Treat taxpayers as honest
- A mechanism for appeal and review
- Complete and accurate information
- Timely decisions
- Collect the correct amount of tax
- Respect privacy
- Maintain confidentiality
- Hold the authorities accountable
- Enable representative of choice
- A mechanism to lodge complain
- Fair and just system
- Public service standards and reports
- Reduce the cost of compliance

Following are the expectations from the taxpayers:

- Be honest and compliant
- Be informed
- Keep accurate records
- Know what the representative is doing on behalf
- Respond in time
- Pay in time

As idealistic and existing it might sound, the taxpayer charter allows officials and taxpayers an official reference in law to claim their rights or mark their duties, if they are being scrutinized, or approach the Taxpayers' Charter Cell under the Principal Chief Commissioner of Income tax in each zone for compliance to this charter.

Faceless Assessments

A Central computer will pick up tax returns for scrutiny based on risk parameters and mismatches. The case will be randomly allotted a tax official in any city. The scrutiny by these tax officers will be further reviewed by some other tax officer in another city. Notices will be sent by the Central computer and taxpayers are expected to answer them electronically – Welcome to the New Tax Assessment System - No visiting tax departments, no harassment by tax officers (or vice versa), no bribery, no corruption. Cases would be selected for physical appearance only when there are serious frauds, tax evasions or other crimes involved.

This is one of the best policy change that has been brought in the tax system of India since a while now. However, there are serious questions around its successful implementation:

1. Will the tax officials abide by the rules? There is already a letter submitted by the Income Tax Employees' Association raising concerns over the new scheme.
2. How will grievances be redressed? Are written communications alone going to be sufficient explanations and effective for the assessment? The written communications between the taxpayers and officials in our country, as on date, are not something that we can rely on.
3. The system is moving on to be based completely on the statistics. However, numbers do not always represent the complete picture, thus, certain taxpayers might be inadvertently tagged on the risk parameters.
4. The statistics would be generated based on the previous filings and reports from various authorities like CBIC, RBI, etc. and information collected from institutions such as banks, hotels, credit card companies, etc. Will the information flow appropriately from one end to the other end? If not, how will the taxpayer clarify such situations? Or assessment system account for it?

More problems would arise when the actual implementation occurs, however, this move is towards the right end and after a few years of disruption, we might see a better assessment system.

National Recruitment Agency

In a welcoming move, Government has announced to set up a National Recruitment Agency (NRA) who will conduct a Common Eligibility Test (CET) to screen candidates for all Central Government jobs. This would significantly reduce the recruitment cycle and ease the process of obtaining Government jobs. The Government has approved INR 1,517 crore to set up the National Recruitment Agency. over a period of three years. The fund will also be used to set up examination infrastructure in the nearly 117 districts.

National Digital Health Identity

In times of pandemic, the biggest realization is about our health – how we are and where we stand. Realising the same, the Government has announced to launch a massive program where every citizen would be given a health ID which would contain information about medical data, prescriptions and diagnostic reports, previous hospitalisations, etc. This would ensure that the Government, as well as the doctors, will have a patient's medical history in hand.

However, the safety and security of the data becomes paramount. The idea proposed by the Niti Aayog makes the health ID optional, however, as with most Government schemes, it would become imperative to participate, if not mandatory by law. In 2005, the UK Government initiated a similar program to create health records by 2010. However, the program was unsuccessful and resulted in £12 billion loss.

Negative GDP, false hopes, 5 trillion is off the tables

For the first time since 1996, India has recorded a negative quarterly GDP growth rate for the Q1 of 2020-21 owing to pandemic and lockdowns. India's GDP contracted 23.9% with manufacturing sector contracting 39.3% and construction sector 50.3% which is much worse than the same predicted by the analysts. This officially ends the country's chase to 5 trillion dollar economy by 2024.

Cannot pay GST compensation due to 'Act of God'

The Ministry of Finance revealed that the Centre would not be able to pay the compensation cess to the states. While owing to the current economic situation this was around the corner, the excuse that the Government has used has raised eyebrows of many – 'Act of God', a clause that private contracts contain to indemnify one or both parties from carrying out the contract due to events beyond control. Instead the Government has offered borrowing options to the states which may involve lower interest rates.

When GST was introduced, Central Government offered to compensate the states with shortfall in the GST collections. While the idea seemed appropriate, what sounded unreasonable was 14% annual growth rate of the collection – even when GDP growth rate was in single digits. State Governments happily accepted the GST proposal back then.

Reliance and Adani Group spoiling level playing field

Two years ago India launched a program to private the airports and use the proceeds for government schemes. However, all six airports went to one bidder – Adani Group. Meanwhile, Mukesh Ambani who launched Reliance Jio in 2016 single-handedly crushed all competition with only Bharti Airtel and loss-ridden BSNL left in the competition while Vodafone Idea is struggling to pay the AGR dues. This is not the end of the story, as the recent activities by Reliance Industries such as acquiring Future Group, the launch of JioMart, copy-pasting Google Meet to create JioMeet, plans of acquiring Urban Ladder, etc. have brought up the issue again – Will India be dominated by a handful capitalists? The need for a better competition policy is being felt more than ever.

Coalfields at the cost of ancient forests

The Government has announced that 40 new coalfields would be opened to mining to boost the economy and reduce imports. While the move promotes the Self-Reliant India plan, these coalfields are located in India's most ecologically sensitive forests. The coalfields will be privatized and amongst the top bidders will be the Adani Group which operates the largest coal power plants in India. India is the second-largest consumer of coal in the world with annual imports of 247 metric tonnes. The move also comes as a surprise as the Government had announced recently its ambitions to promote green energy and renewable sources, at various forums.

(This article was contributed by the editorial team.)

Old is gold, but why is gold never old? – 'Gold as an investment' explained

By Amit Chandak, Associate Director, Greenvissage

Unlike the west, celebrations are a big thing in India, especially weddings. Like spring and autumn, Indian weddings also have seasons based around the same time, and it's not just a big family get-together, but also a huge marketplace for various businesses in India. However, with social distancing norms in place, the business surrounding weddings and the festivals have been ruined in the pandemic year. As families purchase gold jewellery on weddings to gift and on festivals as a tradition, India is one of the largest consumers of gold bars. Unfortunately, this year with a loss of savings, businesses sluggish and fear of health, people have refrained from buying. The demand drop is so bad that Metals Focus Limited has estimated Indian gold jewellery consumption is likely to decline by 36% this year.

And yet, strangely, the Gold market has seen the biggest rally in gold prices ever. Gold which traded at around INR 40,200 (10 grams of 24 carats) at the beginning of the year, is now trading at INR 53,650 with a peak of INR 58,050 on August 6. What's happening? Did we miss something? Indeed, because someone else is buying the gold.

Who is buying gold?

The investors are buying the gold – not physically, but the derivatives of the same. Investors look for return against their investments. And if the market is not safer, they look to park it somewhere till the markets stand up again. This acts as a cushion against their investment portfolio and way to safeguard the money when the markets go upside now. With the global pandemic, the capital markets went haywire and erratic. The obvious move would be to switch to debt investments, however, even the interest yields are at an all-time low. So where would the investors go? Gold! That's what led to the rally – investors selling off from capital markets, withdrawing from debt markets and putting all their money in Gold.

Why put away money in gold?

Because gold is an excellent 'store of value'. What does that mean? Everything depreciates over time – vegetables and diary perish immediately, products and services go outdated, trees and plants wither away, money is discounted by inflation and even the humans die, however, that is not the case with gold. Gold does not wither away, doesn't perish, not discounted by inflation nor does it get outdated – it stays the same, forever! Thus, your investment in gold stays safer even over the years. So, if you are looking to preserve your wealth – gold will store your wealth. Amid global pandemic, investors are looking to preserve their wealth, hence, putting away money in gold.

Why is gold the standard store of value?

Gold has been used since ancient civilizations as system to trade or alternative to currency. This is because of the peculiar attributes of gold.

1. **Durable** – Gold can easily be carried on over generations. Unlike most other metals, gold does not get corroded. This may not be the case with metals such as iron or even paper money.
2. **Portable** – Gold is extremely dense which makes it easier to carry and handle as compared to oil or most other metals. If one wishes to put away entire wealth, gold can easily carry a huge value in a small bag at the times of crisis, which is not the case with other metals.
3. **Liquid** – Gold does not have many grades unlike diamonds or even land. This makes it liquid and easily transferable.
4. **Stable** – The supply of gold isn't going to shoot up in a day or even over years. It is stable and new gold mines don't seem much likely. Unlike currency whose supply can easily be managed by the Governments or values can easily be debased by an order.
5. **Trust** – Valuation of land or even diamonds are quite complex as the quality of asset cannot be measured reliably. However, the purity of gold can be easily tested anywhere in the world, while counterfeit notes are difficult to trace. This makes gold a lot more trustworthy over the years.

What if the prices of gold fall?

Gold is a limited resource and also not a consumable. It cannot be produced nor does it get destroyed. Thus, it only changes its form and hands, while the quantity on the globe remains almost constant. Since it is an excellent store of value and does not depreciate, the price of gold in the world fluctuates with its demand as the supply is constant. Thus, in a pandemic, where the investors have chosen to put their money in gold, the demand will only result in higher prices until the other investment products provide better returns e.g. increase in interest rates or confidence in the equity market. Historically, it has been proven that whenever interest rates have decreased, gold rates have always rallied.

So, is gold a good investment product?

Well, that's where most people go wrong. Prices fluctuate with demand-supply. In the case of gold, the supply is constant and demand always exists. Thus, if you buy gold in India and sell in the United States, you are merely making profits out of the exchange rate between the two countries and not the value of gold. When you buy gold today and sell it tomorrow in the same currency, you merely saved from inflation or hurt by deflation.

This is because gold and currency values are interlinked. When a country imports gold, it reduces the supply of domestic currency, making the value of currency weaker, and vice versa. Thus, more exports lead to a stronger currency and more imports lead to a weaker currency. In brief, gold retains the value of your wealth, it does not increase your wealth. It's a safe haven, not an investment product, as investments are for increasing wealth, gold only retains it, safe from inflation and other factors.

It's a good thing to keep your wealth in gold, to safeguard it over generations. However, to grow your wealth, you must invest it where it grows.

Goods and Services Tax

- An intimation vide email was rolled out by GSTN to all taxpayers whose aggregate turnover for the FY 2019-20 exceeds INR 5 Crore, as computed by the GST system based on the GSTR-3B returns filed during the year, without mentioning the computed value. Where the returns were not filed, the turnover is calculated by extrapolation of the existing returns. Further, for taxpayers with multiple GSTINs, the turnover is calculated in aggregation at PAN level. The email states that in case of discrepancies, the taxpayer can file a grievance on GST portal declaring the turnover as per their calculations.

Our Guidance:

1. This is not a tax notice, but merely an intimation. The aggregate turnover for the preceding year is an important criterion for switching on or off certain features and calculations on the GST portal e.g. return filing date, computation of late fee, the applicability of annual returns and the reconciliation statement, etc.
2. Irrespective of whether you have received an email or not, calculate the aggregate turnover for the FY 2019-20 on a self-assessment basis. Please note, the aggregate turnover includes all taxable supplies, exempt supplies, the export of goods or services, as well as inter-state supplies between two units of the same taxpayer, however, does not include supplies where tax is paid on reverse charge basis.
3. If the aggregate turnover exceeds INR 5 Crore and you have received an email stating the same, you need not take any further action.
4. If the aggregate turnover exceeds INR 5 Crore, however, you have not received any such email, ensure that you have filed all GSTR-3B returns and have declared your taxable and exempt turnover appropriately.
5. If the aggregate turnover does not exceed INR 5 Crore, however, you have received the intimation, raise a grievance on GST portal in the manner as instructed in the email.

- In a ruling by Gujarat High Court, the court allowed businesses to claim a refund for the unutilised tax credit on any inputs, arising due to inverted duty structure and underlined that the amended rules are in violation in the act. Inverted duty structure is a situation where the rate of tax on inputs is higher than the rate of tax on output, leading to accumulation of tax credit. The Central Board of Indirect Taxes and Customs (CBIC) had laid down rules to restrict the meaning of 'inputs' to input goods while input services and capital goods were denied a refund.

- To ease out the filing of Annual Return and Reconciliation Statement, the Central Board of Indirect Taxes and Customs (CBIC) has provided a new facility to download document wise details of auto-populated values in Table 8A of Annual Return GSTR-9 (aggregated from GSTR-2A) in a spreadsheet for FY 2018-19 onwards. This will help taxpayers as well as Auditors to reconcile the input tax credit as per books with the GST portal. The spreadsheet also mentions whether the tax credit is available or not and the reasons for non-availability. To download the details, log in on GST portal and navigate to Services > Returns > Annual Return > Form GSTR-9 > Prepare Online and click on 'Download Table 8A document details' option.

- Aadhar authentication has been introduced for all new GST registrations where the authorised person's Unique Identification Number (UID)

Aadhar would be used as a basis for the application. Applicants who do not provide Aadhar or where Aadhar validation fails will have to wait for site verification by officials before obtaining GST registration. The option to allow registration based on documents verified rests with the officer.

- The Directorate General of GST Intelligence (DGGI) in a circular has issued broad guidelines to the intelligence officers directing them not to issue summons to the top management of big firms including public sector enterprises in the first instance during probe and maintain a balance between strict investigations and that no excesses meted out to taxpayers while respecting their sensibilities.

- Delhi High Court in a ruling laid down that tax rates cannot be challenged in a court of law unless the same is abundantly 'confiscatory' in nature. The court dismissed a plea to include alcohol-based sanitisers in the list of essential commodities under the Essential Commodities Act, 1955 and reduce the GST to either 5% or 12% which currently attracts GST at 18%.

- National Anti-Profiteering Authority (NAA) imposed a penalty in case of DS Brothers for not passing the benefit of GST rate reductions to the customers. GST rates on certain products were reduced from 28% to 18%, however, the enterprise increased the base price despite the reduction in GST rates.

- The Central Board of Indirect Taxes and Customs (CBIC) has notified that interest on GST liability shall be levied on the gross liability (current period liability before set off against brought forward ITC balance) until August 31, and on net cash liability (liability after set-off) from September 1 onwards. While the GST council had recommended a change in rules retrospectively from July 1, 2017, the CBIC has chosen a path which may lead to litigations, as Orissa High Court had disposed of a case based on the decision made in the 39th meeting of GST Council.

- The GST portal has restored the GST returns data for the year 2017 and clarified that the access was lost due to glitch in the system and the loss of access to data was not intended.

- E-invoicing applicable to taxpayers with turnover exceeding INR 500 Crore is set to begin from October 1. Approximately 48,000 taxpayers who contribute 45% of the GST collection are liable to comply with these regulations.

- The GST portal now offers an excel based offline tools for composition taxpayers to prepare GSTR-4 Annual Return.

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

Income Tax

- The Income Tax E-filing Portal now displays the GST data under compliance portal. To review and submit responses, a taxpayer has to log in on E-filing portal, navigate to Compliance > E-Campaign. Under this tab, three options appear with details as applicable - Significant Transactions, Non-filing of Returns and High-Value Transactions. FY 2019-20 onwards taxpayers are expected to submit their responses to the information tabulated on the compliance portal. Currently, tax deducted at source (as appearing in Form 26AS) and turnover as per GSTR-1 appears under the Significant transactions section. Earlier, the Central Board of Direct Taxes (CBDT) and Central Board of Indirect Taxes and Customs (CBIC) had signed a Memorandum of Understanding (MOU) for exchange of information.

- In a major judgement, the Supreme Court ruled that daughters will have a right over the property in a Hindu Undivided Family (HUF) even if the coparcener died before the date when Hindu Succession (Amendment) Act, 2005 came into force. According to the Hindu Succession Act, husband, wife and all male ascendants had a right in the family property. With the amendment in the law in 2005, daughters were also given equal rights, however, legal interpretations led to prospective application of the said law from 2005 onwards since the amendment was introduced in the said year. The recent judgement by the Supreme Court now overrides the interpretation.

- Supreme Court has admitted the appeal by the Income Tax Department which challenges the powers of the Income Tax Settlement Commission. In a case against Patel brothers who were named in Panama papers, however, did not disclose their foreign income or assets, the Gujarat High Court had ruled that the Income Tax Settlement Commission had the jurisdiction to settle the case of black money in foreign countries.

- The income tax surveys conducted to collect information for scrutiny assessment will now be undertaken only by the investigation wing and the tax deducted at source (TDS) directorate. The Central Board of Direct Taxes (CBDT) has in an order directed the tax officers that only

  1. Directorate General of Income Tax – Investigation (DGIT-Investigation)
  2. Principal Commissioner of Income Tax (PCIT)
  3. Chief Commissioner of Income Tax – TDS (CCIT-TDS)

  shall be the exclusive competent authority for approving any survey actions with effect from August 13, 2020.

- In a webinar by senior tax officials, the officials clarified that the income-tax department's faceless assessment regime will allow interaction between a taxpayer and officials through video conference in specific circumstances, however, the same shall be used sparingly to ensure anonymity.

- The Central Board of Direct Taxes (CBDT) has notified National e-Assessment Centre (NeAC) at Delhi and Regional e-Assessment Centres (ReACs) across 20 cities for implementing the faceless assessment scheme. Further, it has also released detailed guidelines on the roles and responsibilities of the officers. The guidelines lay down that all communications shall be in the name of NeAC though they may be raised by ReACs. Further, it also clarifies that apart from assessment proceedings, other functions such as rectification proceedings, tax recovery proceedings, demand collection management, proceedings to give effect to appellate orders, etc. shall remain with the field officers.

- The Central Board of Direct Taxes (CBDT) has assured tax officers that the faceless assessment regime will not result in any large-scale relocation of officers. The Income Tax Employees' Association had recently written to the Board that a majority of the workforce felt left out due to the disruption caused by the restrictions on the department owing to faceless assessment scheme.

- Foreign Investors investing in pooled-in vehicles of real estate and private equity are now exempted from obtaining PAN if TDS has been deducted on such income. The Central Board of Direct Taxes (CBDT) has inserted a new Rule 114AAB notifying that Non-residents who do not earn any income in India apart from investment in Category I or II Alternative Investment Funds (AIF), shall not be required to mandatorily obtain PAN if TDS has been deducted on income from such investments.

- The Finance Ministry has released data highlighting that the number of cases selected for tax scrutiny has been reduced to 0.25% in AY 2018-19 versus 0.55%, 0.40% and 0.71% in AY 2017-18, AY 2016-17 and AY 2015-16 respectively.

(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 clarified that the companies which were unable to hold their Annual General Meeting for the financial year ending on March 31, 2020, can hold the meeting beyond the statutory period of six months. However, the company has to file Form GNL-1 on or before September 29 to seek an extension of time. MCA has also clarified that the meetings can be conducted through video conferencing or other audio-visual means.

- The Supreme Court has observed that the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES) shall not be audited by Comptroller and Auditor General of India (C&AG), since PM CARES is a public charitable trust and therefore, will be audited by private Chartered Accountants only. The Public Interest Litigation (PIL) seeking transfer of funds in PM CARES to National Disaster Relief Funds (NDRF) was also dismissed, as a result.

- The Securities Exchange Board of India (SEBI) and National Stock Exchange (NSE) have urged the banks to utilise the exchange platform for sourcing gold and also using it as an option to hedge and manage risks. Recently, NSE has operationalised the India Good Delivery Standards introduced by Bureau of Standards (BIS) this year, for 32 goods including Gold and Silver.

- The Securities and Exchange Board of India (SEBI) has issued disclosure standards for proxy advisory firms, policy for managing conflict of interest, and asked them to give companies a chance to respond. Proxy advisory firms, currently governed by Research Analyst Norms, 2014, provide institutional investors with research, data, comments and recommendations on management and shareholder proposals.

- Ministry of Corporate Affairs (MCA) has initiated discussions with Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI) and Department of Promotion of Industry and Internal Trade (DPIIT) to develop a single platform for compliance and integration of data.

- The Securities Exchange Board of India (SEBI) has made the execution of 'Power of Attorney' for opening Demat accounts optional, because of instances of misuse where stockbrokers were taking authorisation for prohibited activities against the guidelines of the SEBI.

- The Ministry of Corporate Affairs (MCA) has amended the Companies (Management and Administration) Rules, 2014 to provide that the companies will no longer have to attach the extract of the annual return with the Board's report in MGT-9 if the web link of annual return has been disclosed.

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

Customs and Foreign Trade

- Following a recommendation by Directorate General of Trade Remedies (DGTR), the investigation arm of Ministry of Commerce, India has imposed anti-dumping duty on import of black toner in powder form, used in printers and photocopiers, from China, Malaysia and Chinese Taipei for six months to safeguard domestic businesses.

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

Banking and Finance

- The Reserve Bank of India (RBI) has clarified that all Micro, Small and Medium enterprises are required to obtain 'Udyam Registration' certificate. The existing Entrepreneurs Memorandum (EM-II) and Udyog Aadhar Memorandum (UAMs) obtained before June 30 shall remain valid till March 31, 2021. The Udyam Registration application will now capture depreciated value as on 31st March of the previous year, and therefore, the value of Plant and Machinery or Equipment for classification shall be construed to be the Written Down Value (WDV) under the new classification criteria and not the cost of acquisition or original price of assets.
- The Reserve Bank of India (RBI) has announced one-time loan restructuring scheme for stressed borrowers to provide relief specifically to those impacted by the Covid-19 pandemic. Companies or individuals who have not defaulted for more than 30 days as on March 1, 2020, are eligible for one-time restructuring. The restructuring plan has to be invoked before December 31 and implemented until June 31, 2021, for corporate borrowers and within 90 days for personal loans. The loan accounts must continue to remain standard till the date of invocation. Loans are classified Non-performing if the default continues for 90 days, excluding the moratorium period.
- The Reserve Bank of India (RBI) has barred all banks from opening current accounts for customers who have availed cash credit or overdraft facilities, stressing the need for financial discipline and routing of all transactions through cash credit or overdraft accounts, as the end-use of funds cannot be monitored if customers have multiple accounts.
- The Reserve Bank of India (RBI) has amended the priority sector lending norms to now include Startups under the purview of priority sector lending. Priority sector lending norms direct banks to provide a specified portion of the bank lending to specific unprivileged sectors such as Agriculture and allied activities, micro and small enterprises, students for education, housing for poor, etc. The borrowing limits for the renewable energy sectors such as solar power and compressed bio-gas plants has also been raised.
- To enhance the safety of cheque payments, the Reserve Bank of India has decided to introduce a 'Positive Pay' mechanism for all cheques written for value INR 50,000 and above. This measure will cover approximately 20% by volume and 80% by value of total cheques. Under Positive Pay mechanism, the issuer of cheque submits all the details of the cheques issued on the mobile application of the bank. The bank officials verify the details before funds are allowed to be encashed by the beneficiary. Currently, ICICI bank offers this optional facility to its account holders.
- Under a pilot scheme, the Reserve Bank of India (RBI) has allowed payment system operators (banks or non-banks) to allow offline digital transactions up to INR 200 with the total limit for such transactions on an instrument such as card, wallet, mobile phones, etc. at INR 2,000 at any point of time. The move comes in light of improving digital transactions at places where internet connectivity is not yet stable.
- The Ministry of Finance has directed banks not collect any charges on digital transactions and also

to refund any charges levied from January 1 onwards, as the same violates the circular issued by Central Board of Direct Taxes (CBDT). Digital transactions for this purpose include payments by RuPay Debit Card, UPI and UPI QR Code.

- According to the figures in Reserve Bank of India's (RBI) Annual Report 2020, the central bank did not print any 2,000 denomination currency notes during the year as a sufficient number of notes were in circulation. The 2,000 rupees notes which formed 50% of the total currency in circulation in 2017 after Demonetisation, now stands at 22% of the total circulation while the 500 denomination notes have increased from 22% to 60% during the same period.
- The Reserve Bank of India (RBI) Policy Rates after the Monetary Policy Committee's August meeting are as follows:
  1. Repo Rate – 4% (unchanged)
  2. Reverse Repo Rate – 3.35% (unchanged)
  3. Marginal Standing Facility Rate – 4.25% (unchanged)
  4. Bank Rate – 4.25% (unchanged)

  The MPC has maintained accommodative stance on monetary policy ruling out any hike, for the time being, expecting elevated inflation in Q2.

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

Accounting and Auditing

- The National Financial Reporting Authority (NFRA) has formed a Technical Advisory Committee (TAC) to advise on Accounting and Auditing Standards and to improve the Audit Quality Review Reports.
- The National Financial Reporting Authority (NFRA) has launched investigations against abrupt resignations of statutory auditors in the last few months which includes Price Waterhouse Coopers (PwC) who recently resigned as auditors of GVK Power and Infrastructure, citing non-cooperation in audit work for the Mumbai Airport operations.

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

Payroll and Statutory Contributions

- Working from home may have resulted in savings, however, tax deductions can occur at higher rates if alternative investments are not planned. As many employees are working from home and have returned to native places, non-availability of House Rent Allowance (HRA) exemption, Leave Travel Allowance (LTA) exemption, etc may result in higher tax outgo. Thus, employees need to plan their taxes and investments also considering with the new dual tax regime. Employers also need to consider the impact of dual tax regime on tax deducted at source (TDS) on salaries.
- Despite the fall in interest rates, lockdown and economic crisis, the Employees Provident Fund Organisation (EPFO) witnessed an addition of 6.55 lakh net subscribers in June. Earlier in the month of April and May, these additions in net subscribers were 0.20 lakh and 1.72 lakh respectively.

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

Economic Indicators

- The interest rates on fixed deposits offered by various banks have dropped to all-time lows. While the public sector banks are offering 6.05% on average, the same by private sector banks is 6.15%. Foreign banks are offering fixed deposits as low as 4.05%. However, at the same time, the borrowing rates have also dropped to single-digit.

- The Wholesale Price Index (WPI) has remained negative for the fourth straight month in July, indicating a wedge between rising consumer prices and falling wholesale prices persists owing to supply disruptions. WPI is an index that measures the price of representative wholesale goods to track and measure the changes in the prices before they reach consumers, indicating the level of inflation.
- 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 (%)	Jul-20	6.93	6.09
Unemployment (%)	Jun-20	11.00	23.50
Trade Balance ($m)	Jul-20	-4830	790
GOI Bond 10yr (%)	Aug-20	5.94	5.84

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

Equity Index	Country	%
NIFTY 50	India	+ 3.58
BSE SENSEX	India	+ 3.44
INDIA VIX	India	– 9.89
NIFTY BANK	India	10.04
DOW JONES	USA	+ 7.57
NASDAQ	USA	+ 9.59
S&P 500	USA	+ 7.01
FSTE 100	UK	– 0.23
NIKKEI 225	Japan	+ 6.58
SHANGHAI COM	China	+ 3.04
MOEX	Russia	+ 2.53
CAC 40	France	+ 3.55
DAX	Germany	+ 5.59
ASX 200	Australia	+ 0.43
BOVESPA	Brazil	– 3.44
FTSE STI	Singapore	– 0.23
KOSPI	South Korea	+ 4.45
HANG SENG	Hong Kong	+ 2.40

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

Commodity	Expiry	Price	%
Gold	05/10	51,701	– 3.26
Silver	04/12	70,437	+ 8.39
Crude Oil	21/09	3,145	+ 4.04
Natural Gas	25/09	191	+ 40.63
Aluminum	30/09	146	+ 1.60
Copper	30/09	527	+ 5.30
Cotton	30/10	17,730	+ 9.11

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

Currency Pair	Aug 31	Jul 31	%
INR/1 USD	73.60	74.77	+ 1.57
INR/1 GBP	98.13	98.17	+ 0.04
INR/1 EUR	87.57	88.87	+ 1.46
INR/100 YEN	69.67	71.64	+ 2.75

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

Currency	Pair	Price	%
Bitcoin	BTC/USD	11,705.00	+ 4.38
Ethereum	ETH/USD	433.44	+ 12.62

Currency	Pair	Price	%
Tether	USDT/USD	1.00	– 0.03
XRP	XRP/USD	0.28	– 3.43
Btc Cash	BCH/USD	276.47	– 4.93

Corporate News

- **Reliance Industries** has acquired a 60% stake in online pharmacy company NetMeds for INR 620 Crore to broaden the market of Reliance Retail. Earlier, Amazon India, the direct competitor of Reliance Retail, had launched Amazon Pharmacy in Bangalore on a test basis, to allow customers to order prescription-based medicines.

- **Reliance Industries** via its subsidiaries has acquired the entire Future Group business (comprising of brands such as Big Bazaar, FBB, Central, Brand Factory, Foodhall, Easyday and Nilgiris) for INR 27,713 Crore. Certain undertakings will first be merged with Future Enterprises Limited (FEL) and then Reliance Retail Ventures (RRVL) will take over the retail and whole undertaking, while its subsidiary Reliance Retail and Fashion Lifestyle (RRFLL) will take over the logistics and warehousing undertaking, as per the deal. Future Group was on verge of entering into a major debt crisis as it failed to service the interest on USO notes listed on Singapore Stock Exchange in July.

- **Mukesh Ambani**, the richest man in India and amongst top ten in the world, is setting up a 'family council' to devise governance structure and succession plan to manage the family's business empire, according to media reports. Mukesh Ambani has three children – Akash, Isha and Anant who are expected to take over the reins of Reliance Industries. In the past, Mukesh Ambani and his younger brother Anil Ambani had issues after the demise of their father Dhirubhai Ambani which became a national drama and eventually the two split up the group.

- **Citibank** has sued hedge fund Brigade Capital, HPS Investment and Symphony Asset Management, for returning the money transferred due to 'a billion-dollar clerical error'. Citibank who was acting as loan agent for Revlon, the cosmetics company, while facilitating a transfer of interest payment on behalf of Revlon to a group of lenders, transferred full principal plus accrued interest of USD 900 million from its account instead of Revlon's account. While a few lenders agreed to return the money, Brigade Capital, HPS Investment and Symphony have denied refunding the surprise receipts. Revlon, hit hard by the pandemic, was already facing a suit by various lenders including Brigade Capital, HPS Investment and Symphony over its Debt Restructuring Plan.

- On March 28, the Ministry of Corporate Affairs (MCA) had clarified **PM CARES** contributions will be counted towards their Corporate Social Responsibility (CSR) obligations under item (viii) of Schedule VII, which mentioned 'any other fund set up by Central Government' and thus, also denied eligibility of contributions to Chief Minister's Disaster Relief Fund (CMDRF) since the same was not set up by Central Government. Thus, a large number of corporates donated to the fund to fulfil their CSR obligations. However, the Central Government repeatedly insisted that PM CARES is not answerable under the Right to Information Act (RTI), since it is not a public authority. This led to various controversies when MCA retrospectively amended the item (viii) of Schedule VII to include words 'or PM CARES Fund' effective March 28.

- Following the 8,764% rise in the share price of **Ruchi Soya** on relisting, after following insolvency and subsequent acquisition by Patanjali Ayurveda for INR 4,350 Crore, Securities Exchange Board of India (SEBI) has proposed in a study paper various options for stringent norms to increase public float after relisting. Ruchi Soya, one of the largest edible oil manufacturers in India, has 99.92% promoter and promoter group shareholding, after relisting. Meanwhile, Acharya Balkrishna on August 18 resigned as the Managing Director of the company and the post has been taken over by Ram Bharat, Baba Ramdev's younger brother.

- The ed-tech startup **BYJU** has acquired Mumbai based WhiteHat Jr for USD 300 million cash to expand its dominant reach in the country. WhiteHat Jr, an 18-month-old startup, offers online coding classes to school-going students in India as well as the United States. This is the fastest exit story of a startup in India.

- **Paytm Money** has launched stockbroking services with free delivery trades and intraday trades at INR 10 per trade. The onboarding process has been made completely digital. Currently, the stockbroking ecosystem is dominated by Zerodha while other companies like 5Paisa, Upstox and Groww are also gradually scaling.

- American Law firm, Rosen Law, has announced an investigation and also a class action suit against **HDFC Bank** on behalf of shareholders of HDFC Bank. It has been alleged that the bank has issued materially misleading business information to induce investments. Recently, after an internal probe, the company had sacked a few individuals who forced auto loan borrowers to buy GPS devices costing INR 18,000 manufactured by TrackPoint GPS, a Mumbai based firm, to ensure sanctioning of the loan.

- **Yes Bank** has repaid INR 35,000 Crore to the Reserve Bank of India (RBI) out of the total INR 50,000 Crore Special Liquidity Facility (SLF) obtained earlier in March. Earlier, the bank had successfully raised INR 15,000 Crore from its follow-on public offer at INR 12 per share. The bank has also sold a 100% stake in 'Yes Asset Management' and 'Yes Trustee' to Prashant Khemka's White Oak group. Thus, the bank has effectively exited the Mutual Fund business with 'Yes Asset Management' and 'Yes Trustee' ceasing to be the subsidiaries of the bank.

- The Airports Authority of India (AAI) has put **GoAir** on a cash and carry mode from August 11. This means the company has to pay upfront for utilising the services of all airports operated by AAI. The company has not cleared unpaid dues of AAI amounting to approximately INR 50 Crore.

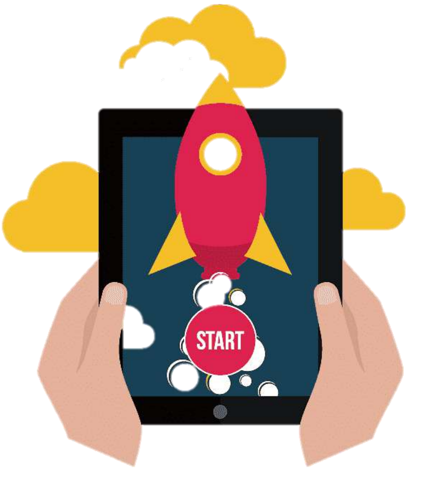
- **Dream11** has won the title sponsorship for 2020 Indian Premier League (IPL) for INR 222 Crore. The Board of Control for Cricket in India (BCCI) had called bids for title sponsorship after Vivo pulled itself out after there were increasing voices for removal of the Chinese company as title sponsors including the Confederation of All India Traders (CAIT). BCCI is looking to rope in Unacademy and CRED as official partners to generate approximately INR 300 Crore through sponsorship. The earlier title sponsorship deal with VIVO was for INR 440 Crore per year.

- **Star Group** will be charging INR 12.5 lakh for a ten seconds advertisement during the thirteen edition of Indian Premier League (IPL), according to media reports. The cricket league scheduled from September 19 in United Arab Emirates (UAE) will be played without any stand-in audience and thus, the television premiership is expected to be at an all-time high. Start Group pays INR 3,000 Crore per year for the broadcasting rights to the Board of Control for Cricket in India (BCCI) who shares 50% of the same with the team owners.

Startup India Initiative – Hassle-free Business Set up in India India has always been the dream marketplace of global entrepreneurs, whether during medieval times or the modern world. Companies like Microsoft, P&G, Nestle, PepsiCo, IBM, Sony, etc. have built a huge market for themselves in India and many more – small and big companies have invested in India. Businesses create a supply for the products and services which is futile without a demand ...

Safe Harbour Rules – How to keep your Transfer Price 'Safe'? "Earth is flat like a mat, it's a disc, not sphere," says Flat Earth Society. Do you ever wonder which is the last thing that humans unanimously agreed on? We have opinions and they differ, sometimes even radically. Therefore, we raise questions over contrary opinions. Questioning is good for science and our development, however, the same is not the case with the business world ...

Transfer Pricing Methodologies – Comparable Uncontrolled Price Method When it comes to taking important decisions, we humans, knowingly or unknowingly, often tend to look into our neighbourhood for past examples of how people have handled similar situations before. It's simple and straight forward – if someone else has already done similar work, let's just refer the same to meet our purposes and save some precious time ...



How to finance your business setup in India? People wonder how entrepreneurs discover amazing ideas and start new ventures they couldn't even think of. Did this question cross your mind too? Let me spill the beans – the ideas are right in front of you, it's just that your perception restricted your vision. We all face problems in life, what makes entrepreneurs different is that they perceive the same problem differently, and are curious, passionate, and courageous to ...

Newsletter by:

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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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