



C.V.O.CA'S

FOR MEMBERS / SUBSCRIBERS / VOL. 24 - NO. 12 - JULY 2021

NEWS & VIEWS



From President's Desk...

Dear Professional Colleagues and Readers,

As I pen down my last communication, I feel a great sense of satisfaction as I introspect my year as the President of this esteemed Association. Although, this is my last communication I would continue to work for the betterment of the Association. With a history of forty-eight years, our Association has set up solid roots, reached its maturity and achieved a significant level of influence. All this could not have been possible without the wise vision, the strong leadership and the intensive efforts of all of my honourable predecessors. And I should not forget many people who have devoted part of their time working on the different committees and cooperating on numerous activities.

Events in Retrospect

RRC & PD committee organised a Professional Development webinar on **Effective ways to growth: practices at CA office**. The webinar among other issues also addressed important issues faced by firms in retaining and attracting client and difficulties in effective work from home policies. The program was very well appreciated by all.

Program Committee organised a webinar on **"Share if you Care- what your Family should know"**. The webinar saw highest live you tube viewership of more than 750 participants. The webinar covered various aspects on how a family should be prepared to manage financial affairs even in absence of the person who manages them. The speaker also shared toolkit and checklist that outlines the various aspects one needs to keep in mind while organizing Family affairs.

Capital market Committee organised **1st conference on Capital Market "INVEST-O-NOMICS"**. The conference was organised for 2 days with six speakers on six different Topics. The speakers delivered their best and made us think how one can still remain invested in equity markets and invest in stocks and sectors which can add to our values and portfolio.

"CA" is not only two Alphabets, its symbol of Trust, Ethics, and Integrity: More importantly Independence. We create a Happy Economy, we create Smiles at Work, we create Opportunities, and we create Reliable Financials. We are Creative Accountants; we are Chartered Accountants. **Wishing all Chartered Accountants and aspiring CA students a very Happy Chartered Accountants Day.**

"CHALLENGE TO CHANGE" was our Motto for the year 2020-2021. I feel we have achieved this goal to a great extent and for that I sincerely place on record heartfelt gratitude to everyone who have contributed to my successful journey of last one year.

It's now time to pass on the baton to my successor. I wish him a very successful and eventful year. I am sure that under his vision the association will touch newer heights.

"To change your life, you have to change yourself. To change yourself you have to challenge to change your mindset." With this note I lay down the office as president of esteemed association with pleasant memories that I will cherish throughout my life.

Thank you all..... Always in Gratitude

CA Jigar Ratilal Gogri

CHALLENGE TO CHANGE!!!

July 1, 2021

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FROM THE DESK OF CHAIRMAN



CA Ketan Nanji Gada

ASSOCIATION

CREATING AFFLUENCE

Affluence is a feeling joy, health, happiness and vitality in every moment of our existence. All material creation has same origin. Nature goes to the same place to create a cluster of nebulas, galaxy of stars, a rain forest, or a human body as it goes to create a thought.

Everything we can see, touch, hear, taste or smell is made from the same stuff and comes from the same source. Knowing this gives us the ability to fulfill any desire we have, acquire any material object we want, and experience fulfillment and happiness to any extent we aspire.

These principles not only relate to the creation of unlimited material wealth, but can also be applied to fulfill any desire. They are the same principles that nature uses to create material reality out of a nonmaterial essence. All material creation is structured out of information and energy. The impulses of energy and information that create our life experiences are reflected in our attitudes towards life.

Affluence or wealth means that one is easily able to fulfill one's desires, whatever they may be, whether they apply to the material realm or to our emotional, psychological or spiritual needs, or to the realm of relationships.

A truly wealthy person's attention is never focused on money alone. Moreover, wealthy person never has money concerns. You have millions of rupees in the bank, but if you think all the time about money, if you have concern about it, if you worry about getting more, about not having enough, or about losing it, then irrespective of money you possess, you are poor.

To have true wealth or affluence is to be totally carefree about everything in life, including money. True wealth consciousness, is therefore consciousness. It is pure awareness. It is the unified field. It is the field of all possibilities.

The best way to acquire knowledge of this field of pure being is through meditation. The main advantage of alternating the experience of meditation is the more we dice into the field of pure being, pure awareness, pure consciousness, the more our activity becomes infused with it. And then our activity acquires the qualities inherent in our being, in pure consciousness, infinite, inbounded, abundant, affluent and immortal.

LET'S NURTURE potofwealth

ALGO TRADING IS

WAY FORWARD . . .

Compiled by:



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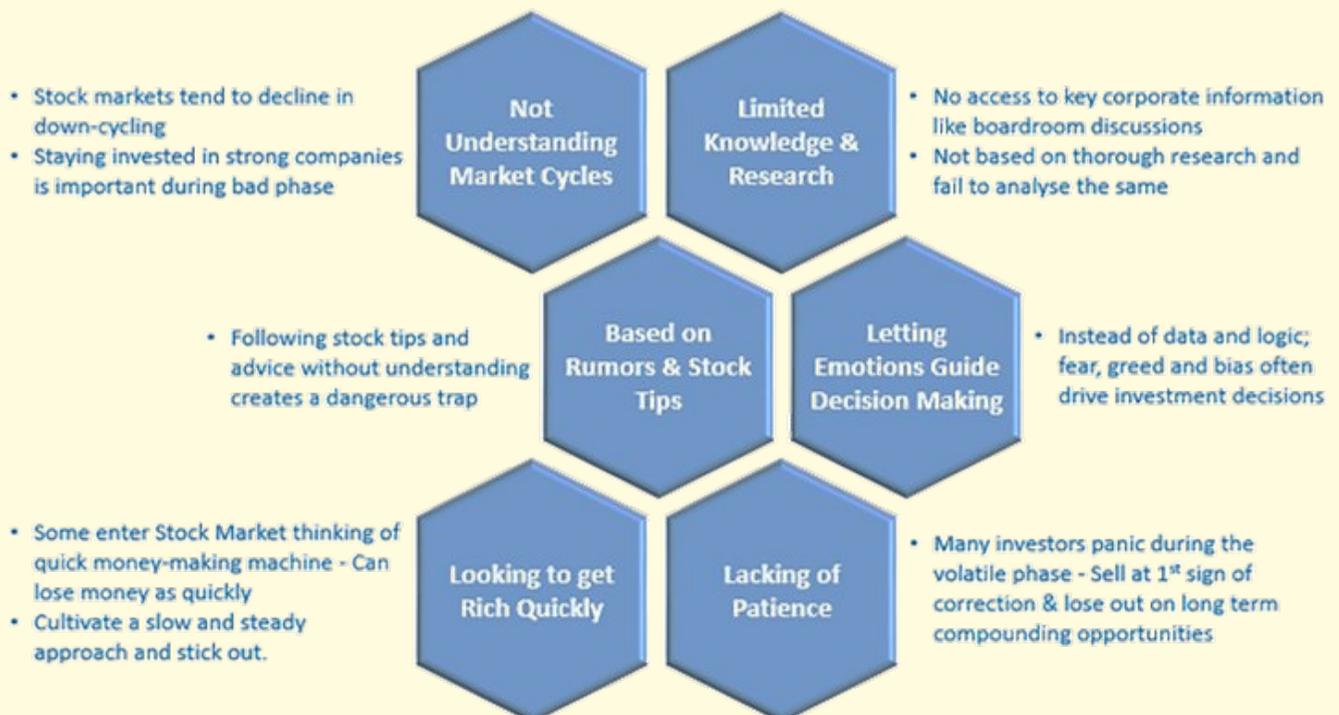
Why do Retail Investor Loose in Stock Markets?

Among all investment classes, equities have given the best returns over the century. Despite that, the failure rate here is abnormally high. A deep analysis suggests that personal flaws of human nature are more at work here.

Equity remains the most sought after class of investment. It attracts veterans and novices alike. The best part about equity investment is that it can be started with a very small amount. The returns are also quite high compared to other investment instruments.

For these reasons, a gush of new retail investors enters the market every year. Most of these investors enter the market under the illusion of making easy and quick money. This perception breaks early and most of them end up losing their hard-earned money. Saddled with the losses, many of them leave the market vowing to never return.

So, why do a staggering number of retail investors end up losing their money in the stock market? Let's examine a few factors here:



Key takeaways:

Succeeding in the stock market requires a host of combinations. It requires a dedicated and disciplined approach over a longer period of time. A retail investor must cultivate enough knowledge and good habits to back their decisions. Also, it is important to stay calm.

What is Algo Trading?

Algorithmic trading (also called automated trading, black-box trading, or algo-trading) uses a computer program that follows a defined set of instructions (an algorithm) to place a trade. The trade, in theory, can generate profits at a speed and frequency that is impossible for a human trader.

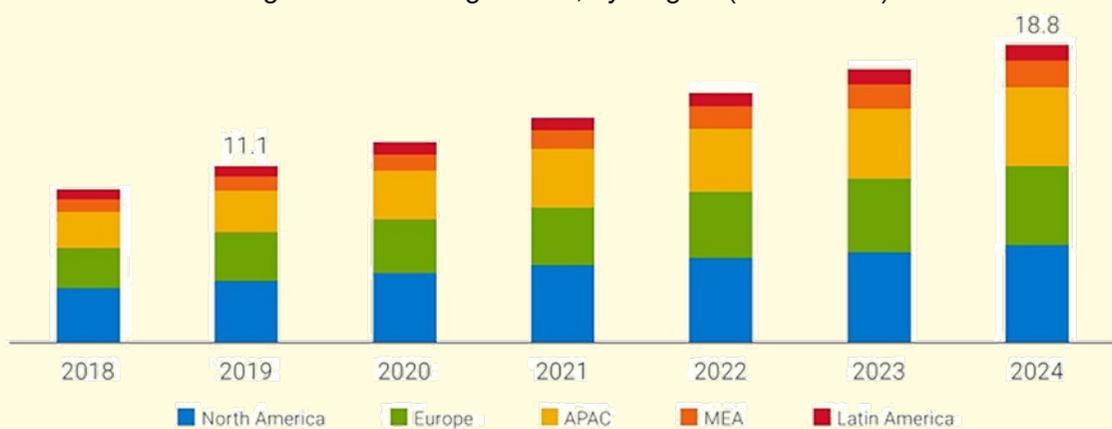
The defined sets of instructions are based on timing, price, quantity, or any mathematical model. Apart from profit opportunities for the trader, algo-trading renders markets more liquid and trading more systematic by ruling out the impact of human emotions on trading activities.

Using simple instructions, a computer program will automatically monitor the stock price (and selected indicators) and place the entry and exit orders when the defined conditions are met. The trader no longer needs to monitor live prices and graphs or put in the orders manually. The algorithmic trading system does this automatically by correctly identifying the trading opportunity.

Global Scale of Algo Trading:

The global algorithmic trading market is expected to grow from \$11.1 billion in 2019 to \$18.8 billion by 2024^[1]. The growth is likely to be driven by rising demand for quick, reliable, and effective order execution. Lowered transactional costs, heightened government regulations, and increased demand for market surveillance are also few of the major catalysts for the growth of the Algo Trading Market.

Algorithmic Trading Market, by Region (USD Billion)



Source : MarketsandMarkets Analysis

- More than 60% of trades for ticket sizes over \$10 million were executed in March 2020 via an algorithm, stated a JPMorgan survey^[1].
- 50% of stock trading volume in the US is driven by computer-backed high-frequency trading^[1].

Present Algo Trading:

According to a National Institute of Financial Management (NIFM) report, the share of algorithmic trading in exchange turnover was stabilised at around 47% (till February 2017) in India across the cash and derivatives segment on the NSE. In March 2018, this rose to 48% in equity derivatives and around 45 % in cash market ^[2]. Thus the algorithmic trading in India across the cash and derivatives market as a percentage of total turnover has increased up to around 50% in 8 years from merely 9.26% (average) in 2010^[2].

Further, the majority of the trading activity of algo players is only in liquid scrips/contracts and in developed markets such as the US, it stands at approximately 70-80% and the high frequency trading accounts for as much as 70% of the US equity market turnover.



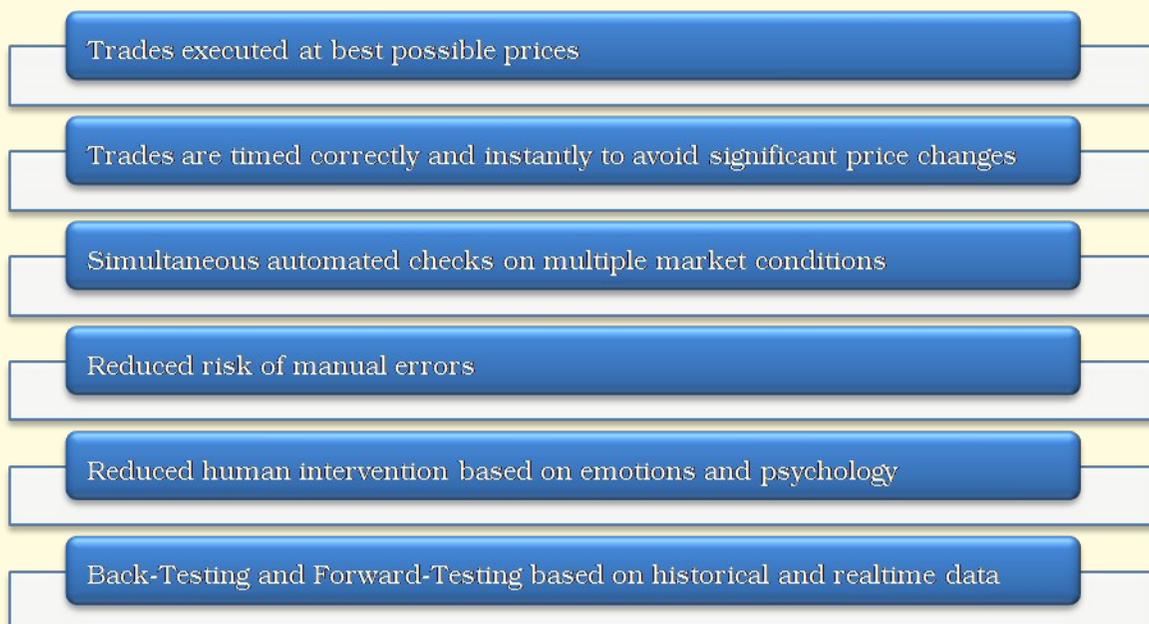
Source: Article named "Algorithmic trading share in total turnover grows to 50% in 8 years" in Financial Express by Bharadwaj Sharma dated May 8, 2018

"The daily turnover of equity market is around Rs 25,000 crores to Rs 30,000 crores, and in the F&O market, it is around Rs 3.5 lakh crores to Rs 4 lakh crores on a daily basis. Investors mainly use algos for options trading," said Chandan Taparia, derivatives and technical analyst at Motilal Oswal Securities. However, as far as awareness of the retail investor is concerned, it is less in India. "This is mainly because it requires specialised skills in addition to tools. Apart from quantitative analysis, one needs to know coding to implement the strategy," added Anil Ghelani, senior VP, DSP Blackrock.

[Transcript from Article named "Algorithmic trading share in total turnover grows to 50% in 8 years" in Financial Express by Bharadwaj Sharma dated May 8, 2018]

Benefits of Algorithmic Trading

Algo-trading provides the following benefits:



Algo-trading is used in many forms of trading and investment activities as enumerated below:

Category	Participants	Algo Trading used for
Mid to Long-term investors or buy-side firms	Pension funds, Mutual Funds, Insurance companies	<ul style="list-style-type: none"> • To purchase stocks in large quantities when not wanting to influence stock prices with discrete, large-volume investments
Short-term traders & Sell-side participants	Market Makers (such as brokerage houses), Speculators & Arbitrageurs	<ul style="list-style-type: none"> • To automate trade execution • To create sufficient liquidity
Systematic traders	Trend followers, Hedge Funds, or Pairs Traders*	<ul style="list-style-type: none"> • To have efficient trade setup based on programmed trading rules

* *Pair Trading is a market-neutral trading strategy that matches a long position with a short position in a pair of highly correlated instruments such as two stocks, exchange-traded funds (ETFs) or currencies*

Algorithmic trading provides a more systematic approach to active trading than methods based on trader intuition or instinct.

Algorithmic Trading Strategies

Any strategy for algorithmic trading requires an identified opportunity that is profitable in terms of improved earnings or cost reduction. The following are common trading strategies used in algo-trading:

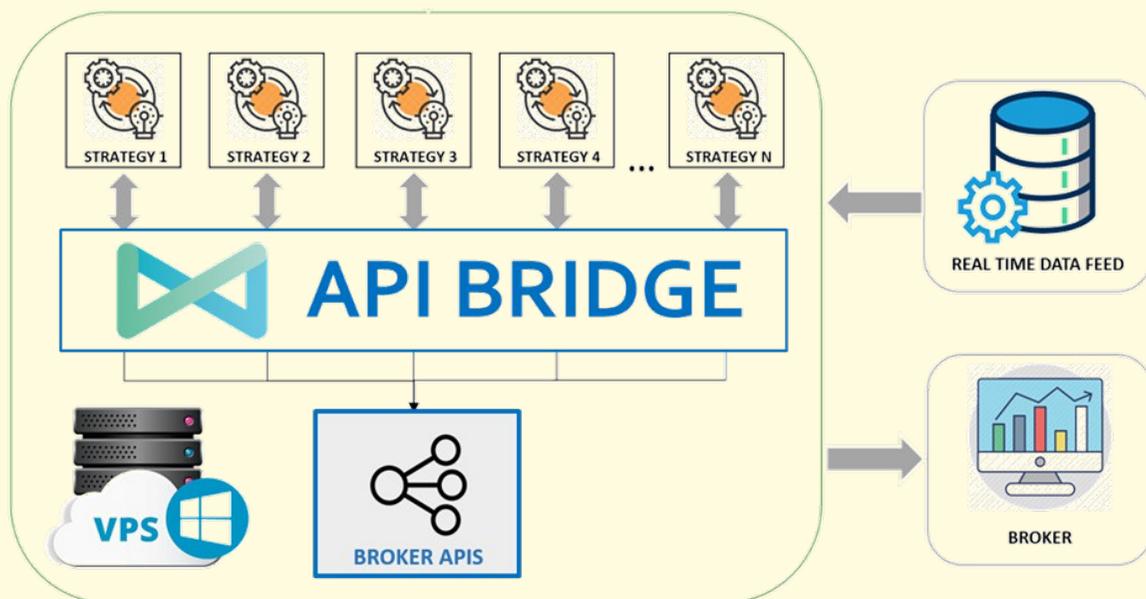
- Trend-following Strategies
- Arbitrage Opportunities – time based, price based, volatility based, etc.
- Mathematical Model-based Strategies - delta-neutral trading strategy, ratio based trading strategy
- Trading Range (Mean Reversion)
- Scalping based on Volume-weighted Average Price (VWAP) & Time Weighted Average Price (TWAP)

Technical Requirements for Algorithmic Trading

Implementing the algorithm using a computer program is the final component of algorithmic trading, accompanied by back testing (trying out the algorithm on historical periods of past stock-market performance to see if using it would have been profitable). The challenge is to transform the identified strategy into an integrated computerized process that has access to a trading account for placing orders. The following are the requirements for algorithmic trading:

- Computer-programming knowledge to program the required trading strategy, hired programmers, or pre-made trading software.
- Network connectivity and access to trading platforms to place orders.
- Access to market data feeds that will be monitored by the algorithm for opportunities to place orders.
- The ability and infrastructure to back-test the system once it is built before it goes live on real markets.
- Available historical data for back-testing depending on the complexity of rules implemented in the algorithm.

The below chart tries to summarize different components to be figured out for execution of any algorithmic trading setup.



Flips of Algo Trading:

Though algo execution looks easy, the practice of algorithmic trading is not that simple to maintain and execute. Remember, if one investor can place an algo-generated trade, so can other market participants. Consequently, prices fluctuate in milliseconds and even microseconds. In a scenario, if a buy trade is executed but the sell trade does not because the sell prices change by the time the order hits the market; trader will be left with an open position making the arbitrage strategy worthless.

There are additional risks and challenges such as system failure risks, network connectivity errors, time-lags between trade orders and execution and, most important of all, imperfect algorithms. The more complex an algorithm, the more stringent back-testing is needed before it is put into action.

Points to Ponder:

In India, we are far behind in terms of algorithmic trading compared globally. Hence, the mis-pricing or certain phenomena in instruments like time decay in options would still prevail, inspite of growing and maturing markets. Further, algorithmic trading has recently being opened by some tech companies to retail traders. We believe that in the near future human-machine interaction could go to the next level. Through Deep Learning, AI, algorithms will self-correct and adapt to dynamic markets. Algos will be everywhere, in HFT, mid-to-low frequency, arbitrage, scalping, hedging, market making and anything you can define to a machine.

References:

1. <https://analyzingalpha.com/algorithmic-trading-statistics>
2. <https://www.financialexpress.com/market/algorithmic-trading-share-in-total-turnover-grows-to-50-in-8-years/1159020/>



INTERPLAY BETWEEN TDS AND TCS PROVISIONS

Compiled by:



CA Pooja Nilesh Maru

The ambit of Tax deduction at source (TDS) and Tax collection at source (TCS) has been widened over a period of time. Recently, the Finance Act 2020 and 2021 has introduced many amendments under the TDS and TCS provisions which are not only expanding the scope of levy but also ensuring regularization of income tax return filed by the tax payer.

We now understand the amendments brought in by the Finance Act under the TDS and TCS provisions.

A. Section 194Q & 206C(1H) – TDS on purchase / sale of goods

The following are the provisions regarding the amendments brought in relation to purchase of goods:

Particulars	TDS u/s 194Q	TCS u/s 206C(1H)
Effective Date	1 st July 2021	1 st Oct 2020
Applicable to	Buyer whose turnover or gross receipts exceeds Rs 10 crore in immediately preceding financial year	Seller whose turnover or gross receipts exceeds Rs 10 crore in immediately preceding financial year
Levy	On purchase of any goods exceeding 50 lakhs from resident seller	On receipt of consideration for sale of any goods (other than exports) exceeding 50 lakhs
Point of levy	At the time of credit or payment whichever is earlier	At the time of receipt of such amount
Rate of Tax	0.1%	0.1%
Exclusion	Transactions where: TDS under other provisions are applicable TCS provisions (other than 206C(1H)) are applicable on the said transaction	Transactions where other provisions of TDS and TCS are applicable on the said transaction
Rates in case PAN is not available	5% (Section 206AA)	1%

Practical Approach/Issues:

1. In case TDS (194Q) / TCS [206C(1H)] both provisions are applicable – priority has to be given to TDS provisions. Thus, the entity whose turnover exceeds Rs. 10 crore is liable to :
 - a. deduct TDS on purchases made exceeding Rs 50 lakhs

- b. collect TCS from those customers who are not deducting TDS and receipts from it exceeds Rs 50 lakhs
2. Practically, the sellers and buyer will have to decide upon the taxability beforehand in order to avoid multiple levy of taxes. Declarations may be taken from the party about the preceding year's turnover to know the applicability of TDS / TCS provisions. However, timely reconciliation with Form 26AS is recommended to ensure that declaration are abided by the other party.
3. This provision deals with Purchase / Sale of Goods – however the term 'Goods' has not been defined. The term "Goods" is wide enough and would include all goods used in business purpose for eg: Stationery, Fixed Asset, Electricity, etc.
4. In cases where purchase are made before 1st July, 2021 or advance is paid before 1st July, 2021, one can take a view that the TDS provisions are not applicable since point of levy is earlier of credit or payment.
5. CBDT Circular No. 17 of 2020 clarified that no adjustment on account of sales returns, discounts or indirect taxes is required to be made since the collection of TCS is made on receipt of sale consideration. Similar analogy can be applied to provisions of TDS on purchases. However, the clarity is awaited from CBDT in this regards.
6. In case of liability under Composite contract, one needs to determine the true nature of contract and deduct TDS under applicable provisions. In absence of bifurcation, S. 194C would preliminarily apply, if not, then S. 194Q shall be applied.
7. For computing threshold of Rs 50 lakh aggregate value of Purchase including other charges like insurance, freight etc. are to be included
8. In case of export of goods, seller need not collect TCS because of explicit exclusion u/s 206C(1H). However, no exemption is provided to Non-resident for deduction of TDS. Clarification expected from CBDT on the said issue.
9. CBDT Circular No. 17 of 2020, provided exemption only where transaction securities were entered on recognized stock exchange. Hence, all other transaction of shares/securities would be covered within the ambit of TDS / TCS
10. The aforementioned limits are to be checked on entity level. Thus, purchase through multiple branches of same the entity will require aggregation.

A. Higher rate of TDS/TCS for non-filers of Income tax return w.e.f 1st July, 2021

Section 206AB :-

Currently, 206AA provides for higher rate of TDS for non-furnishing of PAN. This has served in ensuring obtaining and furnishing PAN by various persons.

In order to ensure filing of return of income too, a new section 206AB has been inserted to provide for higher rate of TDS for non-filers of Income tax return. The TDS to be deducted of the **specified person** under this section will be higher of:-

- a. twice the rate specified in the relevant provision of the act;
- b. twice the rates in force; or
- c. the rate of 5%

This section will **not** apply where tax is required to be deducted under following section:

Section	Particulars
192	Salary
192A	Payment of accumulated balance due to an employee
194B	Winning from Lottery or crossword puzzle
194BB	Winnings from Horse race
194LBC	Income in respect of investment in securitization trust
194N	Payment of certain amount in cash

In case, the person does not furnish PAN, provisions of section 206AA would be applicable. The TDS to be deducted in such case, will be higher of the applicable rates as per Section 206AA or Section 206AB.

For the purpose of this section, **specified persons**:

- a. are the person whose aggregate of TDS & TCS deducted/collected exceeds Rs. 50,000/- in each of the 2 previous years preceding the previous year in which tax is required to be deducted and he has not filed income tax return for both the relevant assessment years and the due date for filing the return of income has expired.

Example 1 :For testing the applicability (before the expiry of due date filing of return of income as per sec 139(1)) of these provisions of this section to the transactions of F.Y. 2021-22 with Mr. A, all the following conditions are to be satisfied:

- the aggregate of TDS and TCS of Mr. A for P.Y. 2019-20 and P.Y. 2018-19 should exceed Rs 50,000 for each year and
- he has not filed his income tax return for A.Y. 2020-21 and A.Y 2019-20

Example 2 :For testing the applicability (after the expiry of due date filing of return of income as per sec 139(1)) of these provisions of this section to the transactions of F.Y. 2021-22 with Mr. B, all the following conditions are to be satisfied:

- the aggregate of TDS and TCS of Mr. B for P.Y. 2020-21 and P.Y. 2019-20 should exceed Rs 50,000 for each year and
- he has not filed his income tax return for A.Y. 2021-22 and A.Y 2020-21

- b. shall not include a non-resident who does not have a permanent establishment in India.

Section 206CCA

Analogous to section 206AB, finance act has introduced the higher rate of TCS for non-filers of Income tax return vide newly inserted section 206CCA. The TCS to be collected from the **specified person** under this section will be higher of:-

- a. twice the rate specified in the relevant provision of the act;

b. the rate of 5%

In case, the person does not furnish PAN, provisions of section 206CC would be applicable. The TCS to be collected in such case, will be higher of the applicable rates as per Section 206CC or Section 206CCA.

For the purpose of this section, the definition of the **specified persons** is identical to the provision of Section 206AB.

Utility has been released by CBDT to identify thenon filers. However, the declarations along with a copy of Income tax return acknowledgement can be called for from the party whose aggregate TDS amount in both the preceding financial year exceeded Rs 50,000/-

Conclusion

Apart from disallowance of expenditure, interest & penalty provisions, there are prosecution implication in case of non-compliance with TDS provisions. Thus, timely compliance with relevant provision is need of an hour. Thus, the business will have to keep procedures in place to obtain declaration, building system for post transaction compliance and regular monitoring for the threshold applicability.

Note : This article was submitted before the issue of guidelines u/s194Q by CBDT vide circular No. 13 of 2021 detailed 30th June 2021





Compiled by:



CA Meghna Vihang Makda

IND AS 102 - SHARE BASED PAYMENT & IND AS 103 - BUSINESS COMBINATION

The objective of Ind AS 102 is to specify the financial reporting by an entity when it undertakes a share-based payment transaction. In particular, it requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees.

On 4 November 2020, ICAI issued two Guidance Notes (GN) formulated by the Research Committee. The GN is applicable to companies following accounting standards (AS) under the Companies (Accounting Standards) Rules, 2006, as amended under Section 133 of Companies Act, 2013. Entities following Ind AS are required to continue to follow Ind AS 102. The GN is applicable for plans with a grant date on or after 1 April 2021. Companies are not required to apply this GN to share-based payment to equity instruments that are not fully vested as of April 1, 2021.

Although the aim of the guidance note is to align with Ind AS 102, the guidance note only recommends the measurement of the cost of the share-based payment using the fair value method and continues to permit to account for the cost using the intrinsic value of options.

Important changes in the GN would likely have an impact on the measurement. These are:

It is no longer permitted to consider zero historical volatility in case of determining the fair value of an instrument involving an unlisted company. The guidance note now issued also mandates that in case of graded vesting (e.g. 25% shares over 4 years), each grant would be considered to be a separate award such that effectively there will be front-ending of costs in the P&L in earlier years.

Question 1:

Which share-based payment arrangements are within the scope of Ind AS 102?

Answer 1:

Ind AS 102 should be applied to every share-based payment arrangement. Identifying arrangements that fall within or outside of the scope of Ind AS 102 becomes more complex when:

- There is judgment involved in determining whether or not the associated contract for the purchase of goods/service is subject to Ind AS 32/Ind AS 109 (and represents a financial instrument),
- Equity instruments are issued in a business combination in exchange for both control of the acquiree entity and post-combination employee services, and
- Equity instruments are issued to employees of another entity within the group. Ind AS 102 contains the relevant guidance to be applied.

Question 2:

Are there any specific exclusions?

Answer 2:

Yes. Certain specific exclusions are:

- Shares issued to an employee in his/her capacity as a shareholder (e.g. right issue of shares to all shareholders, including employees who are shareholders),
- Shares issued in a business combination in exchange for control of the acquiree entity, and
- Shares issued for goods other than those needed to be used in the business and/or arrangements entered into for speculative purposes.

Share-based payments in a business combination Ind AS 103, 'Business combinations', provides guidance to determine accounting for replacement share awards issued in a business combination. The key issue is whether such awards should form part of the consideration for a business combination and therefore be included in the calculation of goodwill or whether they should be accounted for as an expense for post-combination services. Is it a share-based payment if an acquirer makes a grant in connection with a business combination? It depends on what the acquirer receives in return for the share-based awards:

- If the acquirer receives control of the acquired entity, the arrangement is excluded from the scope of Ind AS 102. Ind AS 103 requires the acquirer to measure the shares at their fair value on the date of exchange.

If the acquirer issues awards to employees in return for post-combination employee services (e.g. to encourage them to continue working for the acquiree after acquisition), Ind AS 102 applies. In practice, it may be difficult to determine whether the shares have been issued in return for control of the acquired entity (Ind AS 103) or for future employee service (Ind AS 102). Often, such grants are a mixture of both types, i.e. for acquiring control and for post-combination services, which means that both Ind AS 103 and Ind AS 102 will apply. Accordingly, in such situations, a portion of the fair value of the awards will be included in business combination accounting and the remaining portion will be considered for recognising employee share-based payment expense in the postcombination period. Typically, where the grant is made to employees of the acquired entity in their capacity as shareholders, it forms part of the cost of the business combination and falls outside the scope of Ind AS 102. On the other hand, in cases where the grant requires the provision of post-combination services, Ind AS 102 applies. It is also important to note that the cancellation, replacement or modification of existing share-based payment arrangements as result of a business combination should be accounted for under Ind AS 102.

Different types of share-based payment:

Equity-settled sharebased payments	Cash-settled sharebased payments	Choice of settlement
<p>Transactions in which the entity (a) receives goods or services as consideration for its own equity instruments (including shares or share options), or (b) receives goods or services but has no obligation to settle the transaction with the supplier</p> <p>The issue of options to employees that give them the right to purchase the entity's shares at a discounted price in exchange for their services is one of the examples of equity-settled share-based payments.</p>	<p>Transactions in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity</p> <p>Share appreciation rights that entitle employees to cash payments based on the increase in the employer entity's share price are one of the examples of cash-settled share-based payments.</p>	<p>Transactions in which the entity receives or acquires goods or services, and the terms of the arrangement provide either the entity or the supplier of those goods or services with a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.</p>

What is the appropriate accounting treatment for vesting conditions?

The following table summarises the implications of various vesting and non-vesting conditions in accounting for share-based payments. This is often a complex area requiring careful analysis of the key terms of the plan, especially when there are conditions other than the straightforward service vesting condition.

	Vesting conditions			Non-vesting conditions		
	Service Conditions	Performance conditions		Neither the entity nor the counterparty can choose whether the condition is met	Paying contributions towards the exercise price of a share-based payment	Continuation of the plan by the entity
		Performance conditions that are market conditions	Other performance conditions			
Example Conditions	Requirement to remain in service for three years	Target based on the market price of the entity's equity instruments	Initial public offering with a specified service requirement	Employee will receive shares if a commodity index increases by a minimum percentage. (E.g. 50%)	Paying contributions towards the exercise price of a share-based payment	Continuation of the plan by the entity
Include in grant value date fair value?	No	Yes	No	Yes	Yes	Yes*
Accounting treatment if the condition is not met after the grant date and during the vesting period	Forfeiture. The entity revises the expense to reflect the best available estimate of the number of equity instruments expected to vest.	No change to accounting. The entity continues to recognise the expense over the remainder of the vesting period.	Forfeiture. The entity revises the expense to reflect the best available estimate of the number of equity instruments expected to vest	No change to accounting. The entity continues to recognise the expense over the remainder of the vesting period	Cancellation. The entity recognises immediately the amount of the expense that would otherwise have been recognised over the remainder of the vesting period.	Cancellation. The entity recognises immediately the amount of the expense that would otherwise have been recognised over the remainder of the vesting period.

***In the calculation of the fair value of the share-based payment, the probability of continuation of the plan by the entity is assumed to be 100%**

The coronavirus outbreak may significantly impact how employees of the entity are remunerated. The outbreak will also affect various estimates and actuarial assumptions that the management has been making in measurement of employee benefit obligations. For instance, there may be an impact on discount rate used to discount employee benefit obligations and future salary growth rates may no longer hold good. Entities considering layoffs might have to provide for termination benefits if they are committed to a restructuring plan on the reporting date or can no longer withdraw benefits of those offers. Entities may also have to modify their existing employee stock option plans ("ESOP") to ensure that employees are fairly compensated for the decrease in share prices.

Question 3:

An entity has rolled out an employee stock option plan (ESOP). Vesting conditions of ESOP include that an employee should be in employment as on 31 March 2020 and share price of the entity should achieve a certain growth as on 31 March 2020. Due to significant volatility, share price of the entity has come down and no shares are expected to vest. How should the entity account for it?

Answer

Ind AS 102 Share-based Payment requires that market conditions upon which vesting (or exercisability) is conditioned should be taken into account when estimating the fair value of the equity instruments granted. For grants of equity instruments with market conditions, the entity is required to recognize the goods or services received from a counterparty who satisfies all other vesting conditions, irrespective of whether the market condition is satisfied. Accordingly, subsequent accounting of the option will not change whether or not share price targets are achieved. This is because possibility of non-achievement of the share price target has already been captured in grant date fair value of the option. The entity should account for expenses in the current period based on the number of employees who have satisfied service conditions (along with other vesting conditions, if any).

Question 4:

Due to significant decrease in share price of the entity, it has reduced exercise price of its ESOP. How should this modification be accounted for?

Answer

As the entity has reduced exercise price of the option, it will result in increase in fair value of the equity instruments granted. The entity should include the incremental fair value granted (difference between fair value, as on the modification date, of the modified equity instrument and that of the original equity instrument) in the measurement of the amount recognized for services received over the remaining vesting period. Had such modifications increased the exercise price or otherwise reduced fair value of the option granted, the entity would have continued accounting for ESOP without taking into account such modification.

Question 5:

An entity has a number of equity settled share-based payment schemes for its employee across different categories. During last financial year i.e. 2018-19, the entity had granted equity shares to senior management which will vest on April 30, 2021, and one of the conditions for final eligibility of equity shares is based on target market price of the entity's share by the end of the financial year 2020-21 i.e. March 31, 2021.

Considering the current scenario affected by global pandemic, the entity expects to experience a severe depressed economic environment in its business sector and substantial decline in its financial performance and cash flows over next two years and, therefore, consequential decline in the market price of its equity shares. As of March 31, 2020, the share price of the entity's equity share is much below the target price required under the employees' share-based payment scheme. How should the entity consider this development in the accounting for its equity settled share-based payments for the current financial year 2019-20?

Answer

Equity settled share-based payments are subject to the accounting requirements of Ind AS 102 Share-based Payments. The eligibility condition of the scheme mentioned above i.e. condition of the equity shares of the entity reaching a target price at the financial year March 31, 2021, is part of a vesting condition which is market condition as defined in Appendix A of Ind AS 102.

According to paragraph 21 of Ind AS 102, Market Conditions such as a target share price upon which vesting (or exercisability) is conditioned, shall be taken into account when estimating the fair value of the equity instruments granted. The standard further states that the entity shall continue to recognise the services received, provided other vesting conditions are satisfied, irrespective of whether the market condition is satisfied at each reporting date.

It may also be noted that the fair value of the shares granted is determined at the grant date and it is not revised subsequently. Therefore, neither increases nor decreases in the fair value of the equity instruments after grant date affect the equity share based payment cost recognised by the entity (other than in the context of measuring the incremental fair value transferred if a grant of equity instruments is subsequently modified).

In summary, entities having significant share-based payment arrangements are likely to report higher expense upon the adoption of Ind AS 102.

Key GAAP differences

What are the key differences from Indian GAAP?

Under Indian GAAP, an entity could have used the intrinsic value method or the fair value method of accounting. However, Ind AS requires all types of share-based payments and transactions to be measured at fair value and recognised over the vesting period. Further, costs with respect to awards granted with graded vesting will have to be recognised on an accelerated basis under Ind AS, which could have been recognised on a straight-line basis under Indian GAAP.

To conclude:

The entity shall recognise an amount for services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates, based on the fair value determined at the grant date.

However, companies with share-based payments whose vesting depends on achieving non-market performance conditions – e.g. earnings per share targets – may need to revise their estimate of the number of instruments expected to vest, which would impact the charge in the profit and loss account over the remaining vesting period.

Ind AS 103 – Business Combination

Ind AS 103 provides guidance on accounting for business combinations under the acquisition method (acquisition accounting), with limited exceptions. A business combination is a transaction or other event in which an acquirer obtains control of one or more business.

Business Combination- A transaction or other event in which an acquirer obtains control of one or more businesses.

Business - “an integrated set of activities and assets conducted and managed for providing....return to investor or economic benefit to stakeholders....generally consists of inputs and processes applied to those inputs, and resulting in outputs that are, or will be used to generate revenues”.



The acquirer in a business combination can elect, on a transaction-by-transaction basis, to measure 'ordinary' Non-Controlling Interest (NCI) at fair value, or at their proportionate interest in the net assets of the acquiree, at the date of acquisition. All other components of NCI (such as equity components of convertible bonds and options under share-based payments arrangements) shall be measured at fair value or in accordance with other relevant Ind ASs.

Goodwill is recognized at the date of acquisition, measured as a residual. Goodwill previously recorded by the acquiree is not recorded as a separate asset by the acquirer. When the residual is a deficit (gain on a bargain purchase), it is recognized in other comprehensive income and accumulated in equity as capital reserve after reassessing the values used in the acquisition accounting.

Acquisition Date –Some issues

- Agreement entered into on 23rd May but it may provide that date of control effective from 1st April
- Agreement provides that effective date of transfer is 1st April but it is subject to shareholder approval on 1st May
- Shares are acquired on April 1 but the same need to be registered with regulators. They are registered on 1st June
- Public offer for purchase of 75% shares made, 51% shares received on 23rd May and offer closes on 31st May

Date of Exchange V/S Acquisition Date

- Date of exchange is date of each exchange transaction whereas acquisition date is date of obtaining control of acquiree.
- Valuation is based on date of exchange but all the components that existed at the date of acquisition are recognised.

Measurement Period

During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized and additional assets and liabilities that existed at the acquisition date to reflect new information obtained.

The measurement period ends as soon as the acquirer receives the information it was seeking or learns that more information is not obtainable.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete.

AS 14	IND AS 103
There are 2 methods of accounting: 1) Pooling of Interest Method and 2) Purchase Method	Prescribes only acquisition method , which is an extension of purchase method.
Does not deal with reverse acquisitions	Deals with reverse acquisitions
Goodwill arising on amalgamation in the nature of purchase has to be amortised over a period of max. 5 years	Goodwill is not amortised but tested for impairment on annual basis in accordance with IND AS 36 on impairment of assets
Deals only with mergers and amalgamations	Defines business combination, which has a wider scope
The acquired assets and liabilities are recognised at their existing book values or at fair values under the purchase method.	The acquired identifiable assets, liabilities and non-controlling interest to be recognised at fair value under acquisition method.
Does not provide specific guidance on this aspect.	The consideration includes any asset or liability resulting from a contingent consideration arrangement.
On other hand, the existing AS 21 states that the minority interest is the amount of equity attributable to minorities at the date on which investment in a subsidiary is made.	For each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.
There is no specific guidance on acquisition related costs.	Acquisition related costs to be charged to the statement of Profit and loss. Costs to issue debt or equity securities shall be recognised in accordance with IND AS 32 and 109.

Differences from IFRS

IFRS requires that for each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

AS 14 requires that the goodwill arising on amalgamation in the nature of purchase is amortised over a period not exceeding five years.

IFRS deals with reverse acquisitions whereas the existing AS 14 does not deal with the same.

As per IFRS, the consideration includes any asset or liability resulting from a contingent consideration arrangement. No guidance in AS 14. IFRS gives guidance on Preexisting relationships on which AS-14 is silent.

IFRS 3 requires a bargain purchase gain on business combination to be recognized in profit or loss for the period. However, Ind-AS 103 requires the same to be recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, companies will recognize the gain directly in equity as capital reserve, without routing the same through OCI.

To conclude:

IFRS 3 Business Combinations excludes common control business combinations from its scope. However, Ind-AS requires such combinations to be accounted using the pooling of interest method.





Compiled by:

CA Shraddha Umang Dedhia

YOUTUBE - A WAY FORWARD FOR PROFESSIONAL BRANDING

Why is YouTube your digital brand?

Since its launch in 2005, YouTube has now emerged as a powerhouse of reach and SEO. With more than 2 billion users and 30 million visits a day, YouTube moved branding from video over static content. Gone are the days when a Facebook post, a tweet or newsletters to clients would suffice. YouTube is no longer regarded as an entertainment site, but a portal for self-education and branding.

Let us take a simple example – Your client calls and asks you on simple steps to file GST return. You prepare a 4 pager document spending at least a full day in writing the same and share it with the client. The client now has to read the document and follow the steps written there and then visit the GST portal and try it for himself to understand each step.

Alternative, what could have been valuable to both the client and you is – screen recording the steps on GST portal, making a video and sharing it with the client. You could have just spend 10 minutes on same and the client would also have been comfortable watching the video.

The fact isn't hidden that visuals work better than texts for the consumer and the creator. And advantaging on these visuals, professionals can build a brand for themselves, that will have a reach globally. And if you are still not convinced that YouTube is the next thing you should start for branding your firm, the below pointers may help you:

- **YouTube is high in improving your SEO.** The YouTube Channel works as a second site and lends room for you to describe about yourself. Additionally, you may also describe each video with tags to optimize search results and reach maximum people. Tagging videos for SEO purpose gives an advantage of being found in general.
- **Global Audience** – YouTube is analogous to Google or Bing where users visit to find useful tutorials, explanation videos, product reviews.
- **Posting on YouTube will help people find you on google** which ultimately does the branding for you without you using any of the pull modes.
- **Videos build a brand for you** – Videos help humanize your brand. They bring it to life, taking your messages from flat and static to dynamic and engaging. Videos help your brand build trust and authority in such a unique way. If a brand really wants to connect with people, videos absolutely have to be a part of their digital marketing plan. Undeniably, videos capture our attention better than both text and images.



Now since, we have tried and convinced you that how important it is to have a YouTube Channel for your brand, let us help you get started with some tips on starting a YouTube channel.

1. **Setting up for a Business YouTube Account:**

While almost all Social Media requires users to create an account to access its content, YouTube does not have any such requirement. A User can view its contents without having an account but to upload your content you need an Account. Thought, Membership is required to view videos flagged as adult content. Follow these steps to create your business YouTube account:

1. Sign in to your company's Google account.
2. Click on your Google account's avatar. You'll find this in the top right corner. It's a small circle containing your profile picture.
3. Click on "Your channel." It's the top option in the first batch of icons.
4. Choose "use a business or other name." You'll need to select this option to get started with a business YouTube account. You can then enter your company's name.
5. Click "Create." - You have a business YouTube account.

In the top right corner of the page, there are four buttons. The first one is an icon of a video camera, directs you to the page where you upload a video. Next Icon is for YouTube apps. After that there is an Icon for Notifications and messages, it notifies you of your account activity, such as a new like or comment. The one closest to the right side, which is an icon of your profile picture, will direct you to your account information pulled from Google.

2. **Customizing your YouTube profile and Verifying your channel**

Once you've signed up for YouTube, you'll need to customize your profile with your business's information. Every user is assigned a channel according to their username, and you'll be given a specific URL so other people can find your channel through a direct link – but you'll need to do more than the basics to stand out from the competition.

A. **Customize your channel:**

- Add channel art
- Fill in your business info
- Create a channel trailer - While optional, a channel trailer – a brief video that introduces viewers to the content they'll find on your YouTube channel – is an excellent customization option to increase YouTube viewer engagement. Once you add this trailer, it will appear on your account's homepage when viewers visit, helping to reel them in and acquaint them with your brand



B. **Interacting with others on YouTube:**

There are several ways to interact with other YouTube users:

- a. Comments and replies to the Comments
- b. Likes : If the Channel Likes are public, it works as a Playlist for the Channel
- c. Subscription: Best way to get users.
- d. Playlists: You can organize related content together using the site's playlist feature. If you choose to publicize your playlists, they will appear on your channel's page below your uploaded content.

- e. Sharing: The site's social widget allows users to share videos on other social media networks, such as Twitter, Facebook, Google Plus, Blogger, Reddit, Tumblr, Pinterest and LinkedIn.

C. Verifying your YouTube channel:

How will you know if a channel is verified or not? There will be a small checkbox, which indicates a verification badge next to the channel's name. To apply for verification, your channel must have 100,000 subscribers.

D. YouTube Live:

Similar to Facebook Live, YouTube has its own livestreaming feature. Broadcasts are usually oriented around news or sports but now many speakers have started taking their session on YouTube Live. Also many apps like Zoom allows internal integration where you can simply do a zoom meeting and live stream it on YouTube.

3. Strategies on branding on YouTube

YouTube, just like almost any other Social Media, is a lot about how many views you generate and how active audiences you have. YouTube promotes the channels and videos through its own unique Machine Learning algorithm. There are no direct hacks available to achieve that but as always there is some smartwork and a few tips which we can try to generate more views and create a successful channel.

- Share videos on other social media platforms:

Link back to your videos whenever possible on your website and other social media networks. Don't stop at direct video links, though. Link back to your channel so your audience can see what it looks like and have the chance to subscribe.

Just uploading a video and sharing it on Social Media is not enough. You should have a proper Video Strategy on how you want to target your audience. For example: A Video explaining GST 3B around the due date will give you more views than on normal days.

- Use relevant keywords in a video's title, tags and description:

Experiment with different titles and descriptions. Selecting relevant keywords to increase hits is a common SEO strategy for marketers on any social networking site. It helps audiences find content that interests them. A quick exercise would be to watch one of your company's videos from the beginning and then create a list of relevant words and phrases as you watch.

- Engage with similar content uploaded by other users:

Like and comment on videos uploaded by other users. Not only might those users stumble upon your videos and channel, but anyone else who sees that comment or like might as well. Do this with videos that have a similar topic, interest or theme as yours to attract new viewers.

- Display content uploaded by other users:

In addition to liking and commenting on other users' videos, you can highlight featured channels and your liked videos on your own account. In doing so, you show that you're active in your industry's YouTube community and direct traffic – a much-needed internet commodity – to other YouTube users in your realm. Be sure to highlight videos that are relevant to your viewer base and not uploads from your direct competitors.

- Curate playlist:

If any of your videos follow a consistent theme, organize them together. Perhaps you upload a video every Friday morning; you could compile all those videos into a "Friday series" playlist. Your playlists will appear on your channel's page, right below your uploaded videos.

- Upload content regularly - MOST IMPORTANT:

Especially if you've developed a decent pool of subscribers, viewers will be counting on you to create, edit and upload new content. This adds relevance to your brand. This also applies to any other website where users can follow and engage with your content.

- Use clickable links to reference other content:

At the end of videos, you'll notice many videos reference previous, relevant or even newer content with a clickable link inside the video. You can add these while editing your video in the site's video manager. This feature can also link to any pages or sites your video covers.

- Use YouTube stories:

YouTube recently created YouTube stories, which are similar to Snapchat or Instagram stories. A story is a collection of short videos that can remain visible for a day or until they're deleted. It gives good visibility.

4. **Personal (firm) branding on YouTube:**

Creating a brand for yourself and your firm is what you should primarily look at YouTube and not to get clients or monetize. In craving of more reach and gaining clients (which at first shouldn't be the intent), the essence of branding should not be list. However, there are still ways in which you may have a personal brand on YouTube:

- Stick to your niche:

At first, find people you want to create your brand within. Your content should definitely be curated accordingly. For eg: you wish to showcase yourself as a GST expert, it is indeed very important to regularly post videos on that topic. Diverging topics for the sake of gaining followers will not help in anyway. The audience should be relevant and engaging and not more.

- Call to Action:

The Code Of Ethics doesn't allow us to mention contact or personal details in the educational video. However, the video description section is something that you may use to let people know how to reach you in case they have any queries. You may also use your profile to have contact details and email id or links to your professional social media profiles. This will make it easier for the viewer to reach out to you.

- Start and End Page:

Having a really good start and end page is as important as the content of the video. This is your chance to brand for yourself. For the end page, you may consider giving references to other videos which makes the viewers convenient to know where will they find their answers.

Concluding, if used with correct strategies and efforts (which we have tried and put it together in the article), YouTube can do branding for you and your firm (without ofcourse in any violation of the Code Of Ethics). However, it is also important to note that we do not violate any of the clauses in the COE (eg: As per Clause 2.14.1.6 (iv) – Q, the educational video should not make any reference to the CA Firm and should not contain contact details or website in the video. However, your channel page may have such details in description)





CURRENTIST

Compiled by:



CA Henik Dilip Shah

CASHFLOWS & TAX MANAGEMENT OF THE TOP 1%

Warren Buffet, according to Forbes' 2015 List of Billionaires, was the 2nd richest person in this world. At that time, more than 14000 US taxpayers (presumably individuals) reported in their tax returns, an "income" higher than Buffet.

In 2018, 25 of the wealthiest like Buffet, were worth \$1.1 trillion. Around 14.3 million ordinary American taxpaying individuals put together that same amount of wealth.

The personal federal (income) tax bill for the top 25 in 2018— \$1.9 billion only (in total). For those ordinary taxpayers— \$143 billion.

ProPublica, in their words, is "an independent, non-profit newsroom that produces investigative journalism with moral force." They obtained Internal Revenue Service (IRS, which is USA's CBDT) data on the tax returns of thousands of the nation's wealthiest people, covering major part of last two decades. That data provided ProPublica an unprecedented look inside the financial lives of America's titans, including Warren Buffett, Jeff Bezos, Elon Musk and Mark Zuckerberg. It showed not just their income and taxes, but also their investments, stock trades, gambling winnings and even the results of audits.

They published a report on the 8th of June, 2021, titled "The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax". This article tries to understand the cash flow and tax management strategies as discussed in that report, which enables the super-rich to have very less "income" (as a proportion to their wealth) and thereby have a very less income tax incidence. It further attempts to link the strategies in Indian context. This article ignores the "true tax rate" concept used by ProPublica as it calculates tax rate on asset-value appreciation. In reality, any income tax is levied on gains from sale of capital assets and not on a mere increase in value. This article also ignores tax management strategies like private trusts, investments in/from foreign companies, etc.

In the last article, we saw how Amazon dodged Indian regulators, relating to FDI, e-commerce and other norms. Let's now know about Jeff Bezos' federal tax data, the man behind Amazon.



To begin with, from 2006 to 2018, Bezos' wealth increased by \$127 billion, primarily because of increase in value of investments. Forbes list of 2019 valued his wealth at around \$131 billion. For those years, he reported a total of \$6.5 billion in income and paid \$1.4 billion in personal federal taxes.

In 2007, he was not liable for any federal taxes. Bezos, who filed his taxes jointly with his then-wife, MacKenzie Scott, reported a paltry \$46 million in income, largely from interest and dividend payments on outside investments (His annual "salary" is fixed at only \$80,000). He was able to offset every penny he earned with losses from side investments and various deductions, like interest expenses on debts and the vague catchall category of "other expenses."

(Interest expenses on "debts"? Why would a man like Bezos need any debt in personal capacity?)

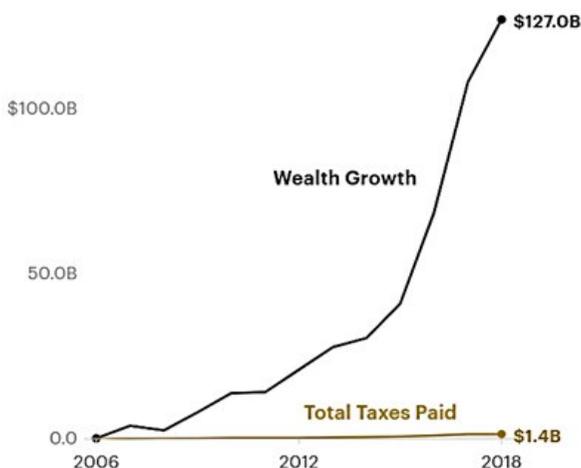
In 2011, Bezos filed a tax return reporting he lost money, i.e. his income that year was less than his losses. What's more, because, according to the tax law, he made so little, he even claimed and received a \$4,000 tax credit.

Mean while, average Americans of his age paid more in taxes than they saw in wealth growth over that period. That is, for every \$100 of wealth growth over that period, typical Americans paid \$160 in taxes. Bezos paid only around \$1.06.

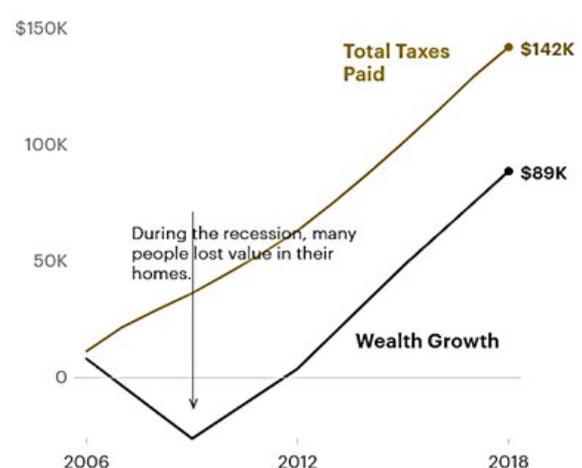
Compare Bezos' Financial Picture to a Typical American Household

While Bezos' wealth has grown astronomically over the last decade and he's paid a minuscule fraction of it in taxes, a typical American household paid more in taxes than it accumulated in wealth.

Jeff Bezos

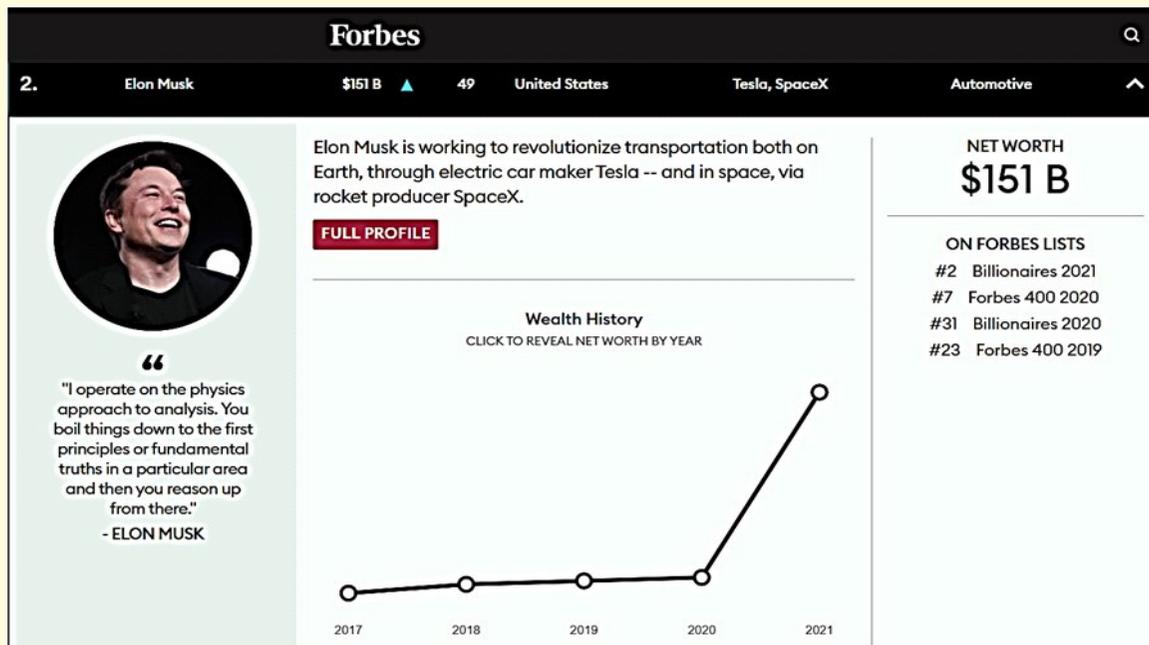


Typical American Household



For every \$100 increase in wealth, an average American paid \$160 in taxes. Jeff Bezos paid only \$1.06.

ProPublica apparently couldn't get data on Bezos' debt, however it could get some debt details of the second richest person in the world, Elon Musk.



For 2020, Tesla reported that Musk had pledged some 92 million shares, which were worth about \$57.7 billion as on the 29th of May, 2021, as collateral for personal loans.

Musk's tax bills in no way reflect the fortune he has (as normally any ordinary taxpayer would perceive). In 2015, he paid \$68,000 (only) in federal income tax. In 2017, it reduced to \$65,000 and in 2018 he paid no federal income tax.

For 2018, Elon Musk paid no federal income tax.

The cash inflow is from debt funding lifestyle and the interest cost helps reduce/nullify taxes. Voila!

When understood in depth, this “debt by investments as collateral” is a ruthless cycle with always increasing intensity. Simply because if Tesla's share value falls drastically for any reason, Musk will have a hard time repaying the loans.

We have seen this happen in India, when Kingfisher Airlines' value was hit hard due to the 2008 global recession. Although business loans were taken, however collateral included intangible assets and personal guarantee. When Mallya doesn't repay the loans (about Rs 9,000 crore) along with accrued interest in spite of his personal guarantee, it can be inferred as he is indirectly using that money for his personal lifestyle expenses.

In a recent update, the Bengaluru Debt Recovery Tribunal (DRT) has authorised the recovery officer for the sale of Mallya's shares to recover “Rs 6,203 crore along with costs and interest at 11.5 per cent calculating from June 25, 2013, till the date of recovery”. As per the plan, the recovery officer will sell around 22 lakh shares of McDowell Holding Limited, 4.13 crore shares of United Breweries Limited and 25.02 lakh shares of United Spirits Limited in a block deal on the 23rd of June, 2021. At 18th June's market price, McDowell Holdings will fetch Rs 13.8 crore, UBL stake will fetch Rs 5,565 crore while United Spirits shares will be sold at Rs 165 crore, totalling to around Rs 5743 crores only.^[1]

If the banks cannot recover 100% of their dues, they may have to settle for a lower amount, which is called a “hair cut”.

Banks have settled with a haircut multiple times in the past. As per data presented by HW News in an editorial, below are some significant “haircuts”^[2]:

Loan given to	Loan given by Banks	Resolved and settled at	Loss to the Bank	Concession & haircut
Essar	54,000 cr	42,000 cr	12,000 cr	23 %
Bhushan Steel	57,505 cr	35,571 cr	21,934 cr	38 %
Jyothi Structures	8,179 cr	3,691 cr	4,488 cr	55 %
Electrosteel Steels	13,958 cr	5,320 cr	8,638 cr	62 %
Monnet Ispat	11,478 cr	2,892 cr	8,586 cr	75 %
Alok Industry	30,200 cr	5,052 cr	25,148 cr	83 %
VIDEOCON	46,000 cr	2,900 cr	43,400 cr	94 %

EDITORIAL WITH SUJIT NAIR **#HWNEWS**

ARE RULES DIFFERENT FOR POOR BORROWERS VERSUS THE RICH 

For Hindi Log on to www.hindi.hwnews.in

Subject to certain provisions (especially GAAR) and assessee-favouring litigative views, this lifestyle by debt funded cash flows and tax management by interest cost may be possible in India. And anyway we've seen how difficult it is to recover the debt in case of any default.

From a tax payer perspective, such tax management by the super-rich may be called as morally unjust. However our tax laws have been drafted in way to favour such people. Rs 1 crore in income from salary or dividend will attract a 30% tax rate (highest slab). However, expenses can be claimed against dividend. Wealth-wise, the person earning a dividend of Rs. 1 crore would be owning shares of atleast Rs. 5 crore at face value (considering 20% payout) plus cash balance from that dividend. However a salaried person in that year will have a cash balance of around 65 lakhs only (assuming no personal expenditure). Further, sole proprietors and partnership firms are taxed at 30% (highest rate), but for companies it is around 22-25% (subject to certain conditions). MSMEs usually do not prefer a corporate legal structure because of the complexity and costs involved.

Just like ordinary Americans, even we ordinary Indians seem to be paying more in taxes as proportion to wealth growth. Also, we are being hit by “haircuts” as any loss to bank is loss of tax-payer money. There seems to be no long term policy of the Central Government to overcome this issue.

MSMEs and Salaried individuals pay more in taxes compared to Companies and their founders.

Point to ponder:

We, the tax professionals, understand the best for our clients. Enlightened by this article, can we improve our tax management strategies? Will our clients from the ordinary class approve and appreciate our efforts?

Think over it. Think different!

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2. <https://www.forbes.com/billionaires/>





Compiled by:



CA Meet Rameshchandra Gada

THREE LAWS OF PERFORMANCE - BY: STEVE ZAFFRON AND DAVE LOGAN

Everyone thinks of changing the world but no one thinks of changing himself.

The words of Leo Tolstoy still echo loudly as we live in the world that requires so much change but so little of it seems to happen.

The authors of this book explored just how we can create change in situations which seems not only unlikely but impossible. But here is a prediction and challenge:

Your mindset right now as you are sitting there on chair or in your car or wherever you are will completely determine what you will get of these ideas. It might even be the difference between your world being transformed or leading the same old life that you've always had.

I will ask you for just this once to check whatever thoughts you might have about what you hear in the next ten minutes at the door and truly try on these ideas for size. If you do, you will literally rewrite your future. Here we go.

Law #1: How people perform correlates to how situations occur to them.

Consider this - when you do something, it always makes complete sense to you. On the other hand, you might often find yourself thinking "why the hell are they doing it like that, it doesn't make any sense!"

Here is an example that we will use throughout the episode.

Consider that your company CEO just got shown the door from the board of directors. In her place comes a young hot shot from a smaller but innovative company. Karan, your co-worker, somebody has been in the trenches with that CEO and firmly believed in her vision, thinks that this is a dramatic step backwards for your company and it might even doom it to failure.

On the other hand, you 10 years younger than Karan, looks at this new CEO and sees a bright future filled with new opportunities.

These two interpretations are how the situation occurred to you and Karan. Consider how your performance under this new leader will differ depending upon your interpretations of the facts. And all of this occurs before the new CEO even speaks a word to you. If you think of this for a second, you start to see something profound.

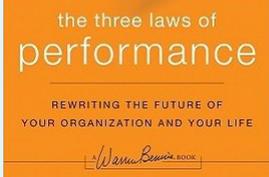
Both interpretations of the facts are valid interpretations, right?

But these interpretations are coloured with so many things - our upbringing, our social status, our gender, our culture and a multitude of other factors. The problem is we don't treat them as interpretations of the facts, we treat them as the facts themselves. For Karan, that the company is doomed into failure is not an interpretation of the facts, that's just the way it is.

As soon as we have decided that, we have written our future in such a way that we will do anything we can to make sure it comes true. The authors state a corollary to this law - that the leader has a say and should give others a say in how situations occur.

"An inspiring, practical book that will assist all who seek to rewrite the future of our world."
— Archbishop Emeritus Desmond Tutu, NOBEL LAUREATE

STEVE ZAFFRON
& DAVE LOGAN



This is a tough one to swallow as it puts complete responsibility of how a situation occurs to others directly on your shoulders.

If you accept this, then you now have the responsibility not only for your actions but how other people interpret your actions. This is a large responsibility to take on but one that can produce results beyond what you can imagine today.

Ask yourself these questions as you wrestle with the idea. How can I interact with others so that situations occur more empowering to them? What processes, dialogue, or meetings can I arrange so that people feel like that they are co-author of a new future not merely recipients of others decisions?

Law #2: How a situation occurs, arises in language.

Let's go back to our example. The facts are that CEO got fired and somebody else took their place. The thing that brought your interpretation of the facts to life was language. Consider the example of Helen Keller, who before she learned how to use sign language at the age of 8, knew only knew life with darkness and stillness.

She said that "my life was without past or future." As the authors say she saw language for what it is - a force that makes us human, that gives us a past and a future, allows us to dream, to plan, to set and realize goals. Keller made this dramatic shift when she was only 8 years old, an age old enough to remember forever.

For rest the of us language is just something that has been always with us, so we don't pay attention to its presence and we don't realize the true power our words and conversations have in the world, until now.

A lot of these conversations that we have with ourselves or others the authors call is a racket. There are 4 elements to a racket.

1. There is a persistent complaint. The constant complaint in this situation might be "he is not leading the way the old CEO did." Remember Karan will be looking for all the ways the new CEO differed from the old one so this shouldn't be surprising.
2. Fixed way of behaving, which for Karan might be resigned, sad, isolated and detached.
3. Payoff. The payoff for Karan in this situation might be that he gets to be right and gets to make that new hot shot CEO wrong. In fact, he probably will have a file folder for all the stupid mistakes he made since he took over. Have you ever felt like proving somebody wrong? It feels good right? Well, that's the payoff.
4. Last, the cost. The cost in this situation should be obvious. Karan's effectiveness and drive will plummet and he will probably drag down others in the department in the process. Overall, the effect is a disastrous negative for him. He will probably get fired and your company will suffer for as long as people like Karan are kept around.

Do you see any constant complaints in your life or in your organization?

The corollary to this law states that the leaders master the conversational environment. This means as a leader you realize anything and everything that happens in your company begins as a conversation. Mastering these conversations so that they do not focus on persistent complaints but instead help you to create a new future brings us to law number 3.

Law #3: Future based language that transforms how situations occur to people

Consider this. People - including you - live into future they see coming at them.

For Karan, future is bleak and hopeless, for you the future is bright and full of opportunities. Karan's future is just as real to him as yours is to you. The authors call this the default future and we all have one. We live into that default future every single day of our lives until we change that default future and create a new one.

How we do that is through future based language. This doesn't really modify the default future; it completely and wholly replaces it.

This type of language is responsible for turning points in history like Churchill's fight them on the beaches speech that replaces the default future of death and destruction and Martin Luther King's, I have a dream speech that displace the default future of racial segregation.

Before we create a new future, we have to get rid of the old one that we have created. For instance, you and Karan would have to give up the futures you created when you heard that there was a new mafia in town.

There are 3 dimensions to doing something that we call blanking the canvas.

1. We need to see what binds and constrains us isn't the facts, it's language. In particular, this descriptive language merely states interpretation as facts. For Karan, it's pretty clear he is constrained by this language.
2. Articulate the default future and ask - "do we really want this as our future?" For Karan this would be a powerful question to ask.
3. Create a blank space we need to take on the most powerful and difficult subject - completing issues from the past. This means that you clean up any messes that your racket has created.

For Karan it might need reaching out to the members on his team and addressing the reason for his aloof and detached behaviour and take whatever action necessary to give up the racket.

Now you are ready to create a new future.

There are 3 principles that exist in generating a new future: (1) they inspire action, (2) they speak to everyone in the process - and this means your entire company - and (3) they exist in the moment speaking.

Like we talked about earlier, everything exists in language and conversations. Here is the question you need to ask if you going to create a future that inspires action. What conversations in the organization are missing, that if created and implemented will lead people with new pathways for action?

As you are starting to have these conversations your new future will start to generate itself. As you start to pick up steam you will encounter people like Karan who are still resigned to a default future of failure and it seems like nothing you say will make a difference to him. So instead of trying to keep inspiring him ask him this question, what is your counter proposal?

Your job as a leader is to keep on working until the entire organization says "this speaks to me" and they commit to this new future.

Conclusion

Remember, how people perform correlates to how situations occur to them and you are responsible for that. How the situation occurs arises in the language and leaders master the conversation environment. And lastly, future based language transforms how situations occur to people.



BRIEF UPDATE ON SEBI AND CORPORATE LAW



CA IP Neha Rajen Gada



CA IP Rajen Hemchand Gada

SEBI

A. REGULATIONS

1. Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021

[Issued by the Securities and Exchange Board of India vide Notification No. SEBI/LAD-NRO/GN/2021-25 dated June 10, 2021]

SEBI has repealed the SEBI (Delisting of Equity Shares) Regulations, 2009 and has introduced the updated SEBI (Delisting of Equity Shares) Regulations, 2021. The main emphasis is on timeliness and transparency in dissemination of information, completion of delisting procedures and investor protection.

B. CIRCULARS

1. Enhancement of overall limit for overseas investment by Alternative Investment Funds (AIFs)/Venture Capital Funds (VCFs)

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/IMD/DF6/CIR/P/2021/565 dated May 21, 2021]

The overall overseas investment limit of USD 750 million utilized by SEBI registered AIFs and VCFs has been increased to USD 1500 million.

2. Format of compliance report on Corporate Governance by Listed Entities

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/567 dated May 31, 2021]

Companies to which Corporate Governance provisions are applicable are supposed to file

compliance reports in specific formats on quarterly basis, at the end of each year and at the end of 6 months from the end of each financial year.

SEBI has now introduced an additional disclosure format to be filed at the end of every half year of a financial year commencing from FY 2021-22 the first of which has to be filed for half year ended September 30, 2021. This disclosure related to the loans/ guarantees/comfort letters/ security provided by the listed entity, directly or indirectly to promoter/ promoter group entities or any other entity controlled by them.

3. Disclosure of the following only w.r.t schemes which are subscribed by the investor: a. risk-o-meter of the scheme and the benchmark along with the performance disclosure of the scheme vis-a-vis benchmark and b. Details of the portfolio

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/566 dated May 31, 2021]

SEBI had mandated all Mutual Funds/ Asset Management Companies (AMCs)/Trustee Companies/Boards of Trustees of Mutual Funds to provide, w.e.f. June 01, 2021, disclosures regarding:

- (a) risk-o-meter of the scheme and the benchmark along with the performance disclosure of the scheme vis-à-vis benchmark; and
- (b) details of portfolio.

This disclosure requirement shall now be effective from September 01, 2021.

4. Circular on Relaxation in compliance with requirements pertaining to AIFs and VCFs.

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/568 dated May 31, 2021]

The due dates for regulatory filings by AIFs and VCFs which are due between the period ending March 2021 to July 2021 as prescribed under SEBI (Alternative Investment Funds) Regulations, 2012 and circulars issued there under are extended till September 30, 2021.

5. 'Off-market' transfer of securities by FPI

[Issued by the Securities and Exchange Board of India vide Circulars No. SEBI/HO/FPI&C/P/CIR/2021/0569 dated June 01, 2021]

The Finance Act, 2021 provides tax incentives for relocating foreign funds to International Financial Services Centre (IFSC) in order to make the IFSC in GIFT City a global financial hub. In order to facilitate such 'relocation' FPIs are requested to approach SEBI through their 'Domestic Depository Participants' (DDPs) for approval. This will also involve transfer of securities from existing DDPs to participant for special purpose vehicle in Gift city. The 'off-market' transfer shall be allowed without prejudice to any provisions of tax laws and FEMA.

6. Streamlining the process of IPOs with UPI in ASBA and redressal of investors grievances

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 02, 2021]

SEBI had put in place measures to have a uniform policy to further streamline the processing of ASBA applications through UPI process among intermediaries/SCSBs (Self-Certified Syndicate Banks) and also provided a mechanism of compensation to investors.

In this regard it has relaxed compliance with certain provisions such as:

- (a) information on SMS regarding the details of total number of shares applied/allotted/non-allotted etc.;
- (b) Uploading information on closed user group; and
- (c) Completion of unblocks of ASBA on T + 4 day.

7. Centralized Database for Corporate Bonds/ Debentures

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/DDHS/DDHS1/P/CIR/2021/572 dated June 04, 2021]

In order to further streamline the Centralized Database for Corporate Bonds/ Debentures and to provide further ease of access to investors, SEBI has updated the list of data fields to be maintained in the database along with the manner of filing the same. As such Depositories, Bond / Debenture Issuers, Stock Exchanges, Credit Rating Agencies and Debenture Trustees are required to undertake necessary filings as per the updated data field list so prescribed.

8. Circular on Potential Risk Class Matrix for debt schemes based on Interest Rate Risk and Credit Risk

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/IMD/IMD-II/DOF3/P/CIR/2021/573 dated June 07, 2021]

With effect from December 01, 2021, Mutual funds will have to categorize debt scheme based on the Potential Risk Class Matrix for debt schemes which is turn based on Interest Rate Risk and Credit Risk. The parameters are based on maximum interest rate risk (measured by Macaulay Duration (MD) of the scheme) and maximum credit risk (measured by Credit Risk Value (CRV) of the scheme). SEBI has laid down the detailed process and procedures in this Circular.

9. Revised Framework for Regulatory Sandbox

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/ITD/ITD/CIR/P/2021/575 dated June 14, 2021]

The Objective of the Regulatory Sandbox is, "To grant certain facilities and flexibilities to the entities regulated by SEBI so that they can experiment with FinTech solutions in a live environment and on limited set of real users for a limited time frame."

10. Revised Framework for Regulatory Sandbox

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2021/564 dated May 12, 2021]

On April 26, 2021, SEBI has amended the provision for change in control of SEBI Registered Portfolio Managers making it mandatory for seeking prior approval for change in control. SEBI has, vide this circular, laid down the procedure for seeking such prior approval. SEBI has, in order to enhance the reach and achieve the desired aim, revised the eligibility criteria of the Regulatory Sandbox.

11. Relaxation from the requirement of minimum vesting period in case of death of employee(s) under SEBI (Share Based Employee Benefit) Regulations, 2014

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/CFD/DCR2/CIR/P/2021/576 dated June 15, 2021]

In case of employee stock options and special appreciation rights, there is a minimum vesting period of 1(one) year as per the SEBI (Share Based Employee Benefit) Regulations, 2014. Further, in case of death of an employee while in employment, normally the benefits accrue to the deceased person's family only on completion of the vesting period.

However, in view of the Covid-19 pandemic and the hardships faced by the families of the deceased persons, SEBI has relaxed this requirement of 1(one) year. Now the benefits will accrue on immediate basis to the families of the persons who have deceased on or after April 01, 2020.

12. Settlement of Running Account of Client's Funds lying with Trading Member (TM)

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021]

SEBI has prescribed the revised procedure for the manner in which Brokers are supposed to undertake client's fund settlement after considering factors like pay-in obligations and margin obligations.

13. Automation of Continual Disclosures under Regulation 7(2) of SEBI (Prohibition of Insider Trading) Regulations, 2015 - System Driven Disclosures for inclusion of listed Debt Securities

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/ISD/ISD/CIR/P/2021/578 dated June 16, 2021]

Pursuant to this Circular, now with effect from July 01, 2021, even debt securities of equity listed Companies will be covered and disclosed under the System Driven Disclosures mechanism implemented by SEBI.

14. Framework for administration and supervision of Investment Advisers under the SEBI (Investment Advisers) Regulations, 2013

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2021/579 dated June 18, 2021]

Through the powers entrusted under Regulation 14 of SEBI (Investment Advisers) Regulations, 2013, SEBI has authorised BSE subsidiary BSE

'Administration & Supervision Limited' (BASL) as the "Investment Adviser Administration and Supervisory Body" ("IAASB"). As such, BASL has been entrusted with the administration and supervision of Investment Advisers. SEBI has also released an FAQ in this regard.

As such, all existing IAs have to become membership of IAASB with 3 months of recognition and also undertake all reporting to such supervising IAASB.

All new applications for registration will now be routed to the recognised IAASB.

CORPORATE LAW

A. NOTIFICATIONS

1. Companies (Incorporation) Fourth Amendment Rules, 2021

[Issued by Ministry of Corporate Affairs vide Notification No. G.S.R. ... (E) dated June 07, 2021]

MCA has amended the AGILE-PRO form to AGILE-PRO-S by adding a field for Shops and Establishment Registration.

2. Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2021

[Issued by Ministry of Corporate Affairs vide Notification No. G.S.R. 396 (E) dated June 09, 2021]

The Central Government has inserted new rule 6A after Rule 6. This rule deals with the manner in which the shares have to be transferred to the Investor Education and Protection Fund Authority and the manner of dealing with the benefits accruing to such transferred shares.

3. Companies (Meetings of Board and its Powers) Amendment Rules, 2021

[Issued by Ministry of Corporate Affairs vide Notification No. G.S.R. 409 (E) dated June 15, 2021]

MCA has deleted Rule 4 of Companies (Meetings of Board and its Powers) Rules, 2014 relating to "Matters Not to be Dealt with in a Meeting Through Video Conferencing or Other Audio-Visual Means". As a result, now the following items are permitted to be dealt with through in a meeting held through Video Conferencing or Other Audio-Visual Means:

- (i) the approval of the annual financial statements;
- (ii) the approval of the Board's report;
- (iii) the approval of the prospectus;
- (iv) the Audit Committee Meetings for 2[consideration of financial statement including consolidated financial statement if any, to be approved by the board under sub-section (1) of section 134 of the Act]; and
- (v) the approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover.



FEMA UPDATES

Compiled by:



CA Manoj Chunilal Shah CA Viral Vinod Satra

A.P. (DIR Series) Circular No. 04 dated May 12, 2021

Sponsor Contribution to an AIF set up in overseas jurisdiction including IFSCs:

It has been decided that any sponsor contribution from a sponsor Indian Party (IP) to an Alternative Investment Fund (AIF) set up in an overseas jurisdiction, including International Financial Services Centre (IFSC) in India, as per the laws of host jurisdiction, will be treated as Overseas Direct Investment (ODI).

Accordingly, IP as defined in Regulation 2(k) of Notification FEMA 120 can set up AIF in overseas jurisdictions including IFSCs under the automatic route provided it complies with Regulation 7 of Notification FEMA 120.

A.P. (DIR Series) Circular No. 05 dated May 31, 2021

Investment by Foreign Portfolio Investors (FPI) in Government Securities: Medium Term Framework (MTF):

Investment Limits for FY 2021-22:

- a. The limits of FPI investment in Government Securities (G-Secs) and State Development Loans (SLIs) shall remain unchanged at 6% and 2% respectively of outstanding stocks of securities for FY 2021-22.
- b. All investments by eligible investors in "specified securities" shall be reckoned under the Fully Accessible Route.
- c. The allocation of incremental changes in the G-sec limit (in absolute terms) over the two sub-categories – 'General' and 'Long-term' – shall be retained at 50:50 for FY 2021-22.
- d. The entire increase in limits for SDLs (in absolute terms) has been added to the 'General' sub-category of SDLs.

The revised limits for all categories shall be as under:

Table I – Investment Limits for FY 2021-22						
All figures in Rs. Crore						
	G-Sec Gener al	G-Sec Long Term	SDL Gener al	SDL Long Term	Corporat e Bonds	Total Debt
Current FPI Limits ^	2,34,5 31	1,03,531	67,630	7,100	5,41,488	9,54,280
Revised Limit for HY Apr 2021-Sept 2021	2,43,9 14	1,12,914	76,766	7,100	5,74,263	10,14,957
Revised Limit for HY Oct 2021-Mar 2022	2,53,9 28	1,22,298	85,902	7,100	6,07,039	10,75,637

A.P. (DIR Series) Circular No. 07 dated June 17, 2021

Liberalized Remittance Scheme for Resident Individuals – Reporting:

AD bank were required to upload the data in respect of number of applications received and total amount remitted under LRS on Online Return Filing Scheme (ORFS).

It has now been decided to collect this information in XBRL system instead of the ORFS. AD Bank shall upload the requisite information on XBRL system on or before 5th of succeeding month from Jul 01, 2021 onwards.



RERA

UPDATES

Compiled by:



CA Ashwin Bhawanji Shah

Owing to covid situation and close down of government offices with restriction imposed from time to time, there has been lots of complaint in queue waiting for even 1st hearing since last 9-12 months. In spite of online video conferencing facility for appearances, it is observed that the main objective behind enactment of RERA i.e Speedy Dispute Resolution of grievances with in 60 days of filing complaint could not be achieved.

To streamline the process of hearing and to achieve target of speedy dispute resolution Maharashtra has recently vide its Circular No. 30,31,34 notified certain guidelines and clarification.

Guidelines for determining the seniority of complaints filed before the MahaRERA

Maharashtra Real Estate regulatory Authority issued a **Circular No 30/2021 dated 18.05.2021** where guideline for determining the seniority of complaints whereby it is clarified that based on date of filing complaint, the seniority shall be decided for fixing the hearing of the matter. However, this shall not apply to matters referred to conciliation forum.

It is clarified that, if a complaint is referred to the MahaRERA Conciliation Forum for availing the possibility of amicable settlement and if the conciliation between the parties fails, in that event, the complaint will then be referred back to the MahaRERA for hearing the same on merits and on receipt thereof, such complaints would be scheduled for hearing before the MahaRERA as per the original seniority of the said complaint and the seniority of the complaint would be decided as per the date of registration/filing of the complaint before the MahaRERA.

Therefore, even if a complaint is referred to the conciliation forum, the seniority of the said complaint will remain intact and the hearing/decision of such complaints shall be taken up strictly as per their seniority i.e. date of filing.

Further, the MahaRERA has issued another **Circular no. 34 dated 21.06.2021** wherein it is clarified that in following exceptional situation the seniority of the complaints will be changed and the hearing will be conducted accordingly:

1. Where Application along with the Certificate of doctor received from the complainant stating that complainant is suffering from with serious life-threatening illness.
2. Where direction is received from the superior Forum / Tribunal / Court that complaint is to be disposed of in a fixed time.
3. Where complaints in respect of same project are clubbed together for hearing.
4. Where disputes have been settled between the parties before the Conciliation Bench.
5. In addition to the above situation the seniority of the complaint can be changed with the approval of the Hon'ble Chairperson, MahaRERA after the submission of proper reason / justification.

Guidelines for functioning of MahaRERA Conciliation and Dispute Resolution Forum

The MahaRERA has established the MahaRERA Conciliation and Disputes Resolution Forum' vide Circular No. 15/2018 dated 29-01-2018 to ensure speedy disposal of the complaints and also to promote and popularize amicable and effective settlement of disputes arising between the allottees/promoter/ real estate agents.

To streamline the process of hearing /disposal of the complaints referred to MahaRERA Conciliation and Disputes Resolution Forum, MahaRERA has issued a **Circular No. 31 dated 18.05.2021** wherein is has prescribed the procedure for hearing to be conducted by the MahaRERA Conciliation and Disputes Resolution Forum in referred conciliation matters (online complaints) transferred by MahaRERA:

The following procedures have been notified :

1. The seniority of the complaint will be first scrutinized and accordingly the complaint will be assigned/ distributed to the concerned functional Conciliation Benches.
2. The assignment of not more than 10 complaints can be done at the initial stage.
3. Notice of the hearing will be issued to the parties with in one week from the date of receipt of assignment by Conciliation Benches.
4. The first hearing on such complaints should be conducted at least within 15 days.
5. After disposal of the assigned complaints, next lot of 10 complaints can be assigned to the conciliation bench.
6. The parties can be represented through advocates/Authorised representatives.
7. If the parties arrive at any mutual agreement, in that event, the concerned Bench should record the said proceeding in the Roznama and should refer such complaints to MahaRERA within a period of one week together duly with signed conciliation terms.
8. The said complaint will be treated as closed/finally disposed of only after the order is passed by the MahaRERA.
9. If the conciliation between the parties fails, in that event, such complaints be transferred back to MahaRERA within a period of one week for taking appropriate decision on merits.

Conclusion:-

The efforts put forth by Maharera are not enough and there is urgent need to speed up the resolution process by appointment of more Members of the Authority and Adjudication Officer. The time bound program should be set up to ensure the timely disposal of the complaints.

Further, Execution proceedings of the already concluded matters should be taken up on war footing. There are many orders pronounced by maharera but owing to non-execution , there is frustration amongst the complainants for the non-fulfilment of relief sought by them.



DIRECT TAXES

Compiled by:



CA Haresh Padamshi Kenia

LAW UPDATE

□ **INCOME- TAX (SIXTEENTH AMENDMENT) RULES, 2021 - INSERTION OF RULE 11UAE
NOTIFICATION G.S.R. 338 (E) [NO.68/2021/F. NO.370142/16/2021-TPL], DATED 24-5-2021**

In the Income-tax Rules, 1962, after rule 11UAD, the following rule shall be inserted, namely: —

11UAE.Computation of Fair Market Value of Capital Assets for the purposes of section 50B of the Income-tax Act.—

- (1) For the purpose of clause (ii) of sub-section (2) of section 50B, the fair market value of the capital assets shall be the FMV1 determined under sub-rule (2) or FMV2 determined under sub-rule (3), whichever is higher.
- (2) The FMV1 shall be the fair market value of the capital assets transferred by way of slump sale determined in accordance with the formula -
A+B+C+D - L, where,
 - A= book value of all the assets (other than jewellery, artistic work, shares, securities and immovable property) as appearing in the books of accounts of the undertaking or the division transferred by way of slump sale as reduced by the following amount which relate to such undertaking or the division, —
 - (i) any amount of income-tax paid, if any, less the amount of income-tax refund claimed, if any; and
 - (ii) any amount shown as asset including the unamortised amount of deferred expenditure which does not represent the value of any asset;
 - B = the price which the jewellery and artistic work would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer;
 - C = fair market value of shares and securities as determined in the manner provided in sub-rule (1) of rule 11UA;
 - D = the value adopted or assessed or assessable by any authority of the Government for the purpose of payment of stamp duty in respect of the immovable property;
 - L= book value of liabilities as appearing in the books of accounts of the undertaking or the division transferred by way of slump sale, but not including the following amounts which relates to such undertaking or division, namely: —
 - (i) the paid-up capital in respect of equity shares;
 - (ii) the amount set apart for payment of dividends on preference shares and equity shares where such dividends have not been declared before the date of transfer at a general body meeting of the company;
 - (iii) reserves and surplus, by whatever name called, even if the resulting figure is negative, other than those set apart towards depreciation;
 - (iv) any amount representing provision for taxation, other than amount of income-tax paid, if any, less the amount of income-tax claimed as refund, if any, to the extent of the excess over the tax payable with reference to the book profits in accordance with the law applicable thereto;

- (v) any amount representing provisions made for meeting liabilities, other than ascertained liabilities;
- (vi) any amount representing contingent liabilities other than arrears of dividends payable in respect of cumulative preference shares.
- (3) FMV2 shall be the fair market value of the consideration received or accruing as a result of transfer by way of slump sale determined in accordance with the formula- $E+F+G+H$, where,
- E = value of the monetary consideration received or accruing as a result of the transfer;
- F= fair market value of non-monetary consideration received or accruing as a result of the transfer represented by property referred to in sub-rule (1) of rule 11UA determined in the manner provided in sub-rule (1) of rule 11UA for the property covered in that sub-rule;
- G= the price which the non-monetary consideration received or accruing as a result of the transfer represented by property, other than immovable property, which is not referred to in sub-rule (1) of rule 11UA would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer, in respect of property;
- H= the value adopted or assessed or assessable by any authority of the Government for the purpose of payment of stamp duty in respect of the immovable property in case the non-monetary consideration received or accruing as a result of the transfer is represented by the immovable property.
- (4) The fair market value of the capital assets under sub-rule (2) and sub-rule (3) shall be determined on the date of slump sale and for this purpose valuation date referred to in rule 11UA shall also mean the date of slump sale.

Explanation.—For the purposes of this rule, the expression "registered valuer" and "securities" shall have the same meanings as respectively assigned to them in rule 11U.

❑ **SECTION 249 OF THE INCOME-TAX ACT, 1961 - COMMISSIONER (APPEALS) - CLARIFICATION REGARDING LIMITATION TIME FOR FILING OF APPEALS BEFORE CIT(APPEALS)**

CIRCULAR NO. 10 OF 2021 [F.NO.225/49/2021/ITA-II], DATED 25-5-2021

The Central Board of Direct Taxes has issued Circular No. 8 of 2021 on 30th April 2021 providing various relaxations till 31st May 2021 including extending time for filing the appeals before CIT(Appeals). At the same time, the Hon'ble Supreme Court vide order dated 27th April 2021 in *Suo motu Writ Petition (Civil) No. 3 of 2020* restored the order dated 23rd March, 2020 and in continuation of the order dated 8th March, 2021 directed that the period(s) of limitation, as prescribed under any General or Special Laws in respect of all judicial or quasi-judicial proceedings, whether condonable or not, shall stand extended till further orders.

The Central Board of Direct Taxes, clarifies that if different relaxations are available to the taxpayers for a particular compliance, the taxpayer is entitled to the relaxation which is more beneficial to him. Thus, for the purpose of counting the period(s) of limitation for filing of appeals before the CIT(Appeals) under the Act, the taxpayer is entitled to a relaxation which is more beneficial to him and hence the said limitation stands extended till further orders as ordered by the Hon'ble Supreme Court in *Suo motu Writ Petition (Civil) No. 3 of 2020* vide order dated 27th April 2021.

❑ **INCOME-TAX (SEVENTEENTH AMENDMENT) RULES, 2021 - AMENDMENT IN RULE 31A, FORM 26A, FORM 26Q, FORM 27EQ AND FORM 27Q**

NOTIFICATION G.S.R. 395(E) [NO. 71/2021/F. NO. 370142/19/2021-TPL], DATED 8-6-2021

As per the above notification, the deductor at the time of preparing statements of tax deducted shall

furnish particulars of amount paid or credited on which tax was not deducted or deducted at lower rate in view of notification issued under sub-section (5) of section 194A or in view of exemption provided under clause (x) of sub-section (3) of section 194A

The deductor at the time of preparing statements of tax deducted shall furnish particulars of amount paid or credited on which tax was not deducted in view of clause (d) of the second proviso to section 194 or in view of the notification issued under clause (e) of the second proviso to section 194.

The notification mandates the deductor at the time of preparing statements of tax deducted to furnish particular amounts paid or credited on which tax was not deducted in view of proviso to subsection (1A) or in view of sub-section (2) of section 196D.

Lastly, the deductor at the time of preparing statements of tax deducted to furnish particulars of amount paid or credited on which tax was not deducted in view of sub-section (5) of section 194Q with effect from 1st day of July, 2021.

The CBDT has amended the Rule 31A of Income Tax Rules, 1962 in respect of TCS, Form 26A, form 26Q and annexures to Form 26Q namely Deductee/Payee Wise Break Up Of TDS, Form 27EQ, annexures to Form 27EQ Party Wise Break Up Of TCS, Form 27Q and annexures to Form 27Q-Deductee Wise Break Up of TDS.

□ **SECTION 143 OF THE INCOME-TAX ACT, 1961 - ASSESSMENT - GENERAL - SCRUTINY ASSESSMENT - GUIDELINES FOR COMPULSORY SELECTION OF RETURNS FOR COMPLETE SCRUTINY DURING FINANCIAL YEAR 2021-22 - CONDUCT OF ASSESSMENT PROCEEDINGS IN SUCH CASES**

CIRCULAR F.NO.225/61/2021/ITA-II, DATED 10-6-2021

Kindly refer to the above.

The parameters for compulsory selection of returns for Complete Scrutiny during Financial Year 2021-22 and conduct of assessment proceedings in such cases are prescribed as under:

S. No.	The Parameter	Assessment Proceedings to be conducted by
1	Cases pertaining to survey u/s 133A of the Income-tax Act, 1961(Act)	
	<p>Cases pertaining to Survey under section 133A of the Act subject to exclusion below:</p> <p>Exclusion:</p> <p>Cases where books of accounts, documents, etc. were not impounded and returned income (excluding any disclosure made during the Survey) is not less than returned income of preceding assessment year are not required to be considered for compulsory scrutiny.</p> <p>However, the said exclusion is not applicable where assessee has retracted from disclosure made during the Survey and such cases have to be considered for compulsory scrutiny.</p>	<p>(i) After the issue of notice u/s 143(2) of the Act by the Jurisdictional Assessing Officer for compulsory selection, cases selected for compulsory scrutiny which have impounded material, shall have to be transferred to Central Charges u/s 127 of the Act within 15 days of issue of notice u/s 143(2) of the Act.</p> <p>(ii) After the issue of notice u/s 143(2) of the Act by the Jurisdictional Assessing Officer for compulsory selection, assessment proceedings in respect of cases selected for compulsory scrutiny and where there is no impounded material will be conducted by National Faceless Assessment Centre(NaFAC). The Assessing Officer shall upload the Survey Report in the ITBA at the time of issue of notice u/s 143(2) of the Act.</p>

S. No.	The Parameter	Assessment Proceedings to be conducted by
2	Cases pertaining to Search and Seizure	
	Assessments in Search and Seizure cases to be made under section(s) 153A, 153C read with section 143(3) of the Act and also for return filed for assessment year relevant to previous year in which the Search was conducted under section 132 or requisition was made under section 132A of the Act.	The case's falling u/s 153C, if lying outside Central Charges, the Jurisdictional Assessing Officer is required to issue notice u/s 143(2) in cases where return is furnished u/s 153C or 142(1) calling for information in cases where no return is furnished u/s 153C. Such cases shall be transferred to Central Charges u/s 127 of the Act within 15 days of issue of notice u/s 143(2)/142(1) of the Act.
3	Cases in which notices u/s 142(1) of the Act, calling for return, have been issued	
	<p>(i) Cases where no return has been furnished in response to a notice u/s 142(1) of the Act.</p> <p>(ii) Cases where return has been furnished in response to notice u/s 142(1) of the Act and where notice u/s 142(1) of the Act was issued due to the information contained in NMS Cycle/AIR information/information received from Directorate of I&CI.</p> <p>(iii) Cases where return has been furnished in response to notice u/s 142(1) of the Act and where notice u/s 142(1) of the Act was issued due to the specific information received from Law Enforcement Agencies, including the Investigation Wing; Intelligence/Regulatory Authority/Agency; Audit Objection; etc.</p>	<p>These cases will be taken up for compulsory scrutiny by NaFAC.</p> <p>These cases will not be taken up for compulsory scrutiny and the selection of such cases for scrutiny will be through CASS cycle.</p> <p>After the issue of notice u/s 143(2) of the Act by the Jurisdictional Assessing Officer for compulsory selection, assessment proceedings in such cases will be conducted by NaFAC.</p>
4	Cases in which notices u/s 148 of the Act have been issued	
	<p>(i) Cases where no return has been furnished in response to notice u/s 148 of the Act.</p> <p>(ii) Cases where return is furnished in response to notice u/s 148 of the Act</p>	<p>In such cases, Jurisdictional Assessing shall issue notice u/s 142(1) of the Act, calling for information regarding the issues on the basis of which notice u/s 148 was issued, subsequent to which, assessment proceedings in such cases will be conducted by NaFAC.</p> <p>After the issue of notice u/s 143(2) of the Act by the Jurisdictional Assessing Officer for compulsory selection, assessment proceedings in such cases will be conducted by NaFAC.</p>

S. No.	The Parameter	Assessment Proceedings to be conducted by
5	Cases related to registration/approval under various sections of the Act, such as 12A, 35(1)(ii)/(ia)/(iii), 10(23C), etc.	
	Cases where registration/approval under various sections of the Act, such as section 12A, 35(1)(ii)/(ia)/(iii), 10(23C), etc. have not been granted or have been cancelled/withdrawn by the Competent Authority, yet the assessee has been found to be claiming tax-exemption/deduction in the return. However, where such orders of withdrawal of registration/approval have been reversed/set-aside in appellate proceedings, those cases will not be selected under this clause.	After the issue of notice u/s 143(2) of the Act by the Jurisdictional Assessing Officer for compulsory selection, assessment proceedings in such cases will be conducted by NaFAC.

Without prejudice to the above, the cases which are selected for compulsory scrutiny by the International Taxation and Central Circle charges following the above prescribed guidelines, shall, as earlier, continue to be handled by these charges.

The exercise of selection of cases for compulsory scrutiny on the basis of the above parameters and service of notice u/s 143(2) of the Act will have to be completed by 30-6-2021. As per the amendments brought vide Finance Act, 2021, the time limit for service of notice u/s 143(2) of the Act has been reduced to three months from the month of end of the Financial Year in which the return is filed.

❑ **RELAXATION IN ELECTRONIC FILING OF INCOME TAX FORMS 15CA/15CB**

PRESS RELEASE, DATED 14-6-2021

As per the Income-tax Act, 1961, there is a requirement to furnish Form 15CA/15CB electronically. Presently, taxpayers upload the Form 15CA, along with the Chartered Accountant Certificate in Form 15CB, wherever applicable, on the e-filing portal, before submitting the copy to the authorized dealer for any foreign remittance.

In view of the difficulties reported by taxpayers in electronic filing of Income-tax Forms 15CA/15CB on the portal www.incometax.gov.in, it has been decided that taxpayers can submit the aforesaid Forms in manual format to the authorized dealers till June 30th, 2021. Authorized dealers are advised to accept such Forms till June 30th, 2021 for the purpose of foreign remittances. A facility will be provided on the new e-filing portal to upload these forms at a later date for the purpose of generation of the Document Identification Number.

❑ **SECTION 48 OF THE INCOME-TAX ACT, 1961 - CAPITAL GAINS - COMPUTATION OF - NOTIFIED COST INFLATION INDEX UNDER SECTION 48, EXPLANATION (V) - FINANCIAL YEAR 2021-22 - AMENDMENT IN NOTIFICATION NO. S.O. 1790(E), DATED 5-6-2017**

NOTIFICATION S.O. 2336(E) [NO. 73/2021/E.NO.370142/10/2021-TPL], DATED 15-6-2021

The Cost Inflation Index for the Financial Year 2021-22 has been notified as 317

❑ **CBDT INTRODUCES NEW FUNCTIONALITY 'COMPLIANCE CHECK FOR SECTION 206AB & 206CCA CIRCULAR 11 OF 2021 DATED 22-06-2021**

To ease the compliance burden on tax deductor and tax collector in complying with provisions of section 206AB and 206CCA, the CBDT has introduced a new functionality "Compliance Check for Sections 206AB & 206CCA". This functionality is made available through reporting portal of the Income-tax Department to check whether deductee or collectee is a specified person for sections 206AB & 206CCA.

GST UPDATES

Compiled by:



CA Nitin Dhanji Kenia CA Bharat Kalyanji Gosar

NOTIFICATIONS - CENTRAL TAX:

- **Notification No. 16/2021 - Central Tax dated 1st June, 2021.**

Vide this Notification, Section 112 of the Finance Act, 2021 (13 of 2021) is made operational with effect from 01/06/2021 by substituting proviso in Section 50 of The CGST Act. By this substituted proviso with retrospective effect from 01/07/2017, interest on late filing of return will be payable only on that portion of the tax which is paid by debiting the electronic cash ledger.

- **Notification No. 17/2021 - Central Tax dated 1st June, 2021.**

The Notification seeks to extend the due date of furnishing of return in Form GSTR-1 for May, 2021 till 26/06/2021.

- **Notification No. 18/2021 - Central Tax dated 1st June, 2021.**

- **Notification No. 02/2021 - Integrated Tax dated 1st June, 2021.**

The Notification seeks to provide relief by lowering the interest rate for a prescribed time for delay in payment of tax for month March, 2021, April, 2021, May 2021 and the for quarter ending on March, 2021.

- **Notification No. 19/2021 - Central Tax dated 1st June, 2021.**

- **Notification No. 20/2021 - Central Tax dated 1st June, 2021.**

Late fee is waived for fifteen days from the due date of furnishing return of the return in Form GSTR 3B for the month March, 2021, April,

2021 and May 2021 for taxpayers having an aggregate turnover of more than rupees 5 crores in the preceding financial year. However, for taxpayers having an aggregate turnover upto rupees 5 crores in the preceding financial year, late fee is waived for 60 days from the due date of furnishing return for March 2021, for 45 days from the due date of furnishing return for April 2021, for 30 days from the due date of furnishing return for May 2021. Similarly, for quarterly return filer also late fee is waived for 60 days from the due date of furnishing such quarterly return

The registered persons who has defaulted in furnishing the returns in FORM GSTR-3B for the months/quarter of July, 2017 to April, 2021 but furnishes the said return between the period from the 01/06/2021 to the 31/08/ 2021, the total amount of CGST late fee will be restricted to maximum of Rs. 500/-. However, where CGST payable is Nil in such returns the total amount of CGST late fee will be restricted to maximum of Rs. 250/-.

For return in GSTR 3B for month June 2021 onwards or for quarterly return June 2021 ending onwards CGST late fee is restricted to Rs. 1000/- for Registered persons having an aggregate turnover of up to rupees 1.5 crores in the preceding financial year, it is restricted to Rs. 2500/- for Registered persons having an aggregate turnover of more than rupees 1.5 crores but upto 5 crores in the preceding financial year but it is restricted to Rs. 250/- if CGST payable is NIL in the return. (CGST Late fee for GSTR-1 is rationalized in line with late fee for GSTR 3B for month/ quarter June 2021 onwards).

- **Notification No. 21/2021 - Central Tax dated 1st June, 2021.**

Composition dealer defaulting in furnishing return for financial year in GSTR 4 for financial year 2021-22 year onwards, CGST late fee is now restricted to Rs. 250/- where CGST payable is NIL in the return and for other composition dealer it is restricted to Rs. 1000/-

- **Notification No. 22/2021 - Central Tax dated 1st June, 2021.**

Registered person who is required to deduct tax at source but fails to furnish the return in Form 7 for the month of June 2021 onwards by due date then CGST late fee payable will be Rs. 25 per day but restricted to maximum of Rs. 1000/-

- **Notification No. 23/2021 - Central Tax dated 1st June, 2021.**

The Notification Seeks to amend Notification no. 13/2020-Central Tax to exclude government departments and local authorities from the requirement of issuance of e-invoice.

- **Notification No. 24/2021 - Central Tax dated 1st June, 2021.**

The Notification seeks to extend specified compliances falling between 15.04.2021 to 29.06.2021 where completion or compliance of such action has not been made within such time, then the time limit for completion or compliance of such action is upto 30/06/2021.

- **Notification No. 25/2021 - Central Tax dated 1st June, 2021.**

The Notification seeks to extend the due date for filing FORM GSTR-4 by composition dealer for financial year 2020-21 to 31.07.2021.

- **Notification No. 26/2021 - Central Tax dated 1st June, 2021.**

The Notification seeks to extend the due date for furnishing of FORM ITC-04 for quarter ending March, 2021 to 30.06.2021.

- **Notification No. 27/2021 - Central Tax dated 1st June, 2021.**

Following Rule is amended in The Central Goods and Service Tax Rules, 2017. Rule is effective from 01/06/2021.

Rule 26(1): By substituting forth proviso, all registered Companies which were allowed to furnish return in Form GSTR-3B and the details of outward supplies in Form GSTR-1 using IFF through electronic verification code (EVC) for the period from 27/04/2021 to 31/05/2021 is now extended for the periods upto 31/08/2021.

Rule 36(4): As per this Rule, maximum cap of 5 % of eligible ITC as per GSTR 2A has been put on a registered tax payers for claiming ITC for which suppliers have not uploaded invoices/debit notes. Now, it is provided that the said condition shall apply cumulatively for the period April, 2021, May, 2021 and June 2021 the return in Form GSTR 3B for the tax period June, 2021 shall be furnished with the cumulative adjustment of input tax credit for the said month or quarter ending in accordance with the condition stated above.

Rule 59(2): Facility of furnishing details of outward supply using Invoice furnishing facility for the month of May 2021 will be available from 01/06/2021 till 28/06/2021.

NOTIFICATIONS – INTEGRATED TAX:

- **Notification No. 03/2021 – Integrated Tax dated 2nd June, 2021.**

The Notification seeks to amend Notification No. 4/2019-Integrated Tax dated 30.09.2019 to change the place of supply for B2B maintenance, repair or overhaul services in case of Shipping industry, to the location of the recipient.

CIRCULARS - CGST:

- **Circular No. 149/05/2021 - GST- dated 17th June, 2021**

It is clarified that services provided to an educat-

ional institution by way of serving of food (catering including mid- day meals) is exempt from levy of GST irrespective of its funding from government grants or corporate donations [under said entry 66 (b)(ii)]. Educational institutions as defined in the notification include aganwadi. Hence, serving of food to anganwadi shall also be covered by said exemption.

- **Circular No. 150/06/2021 - GST- dated 17th June, 2021**

It is clarified in the circular that Entry 23A of Notification No. 12/2017-CT(R) does not exempt GST on the annuity (deferred payments) paid for construction of roads. The Said entry 23A does not apply to services falling under heading 9954 but it specifically covers heading 9967 which covers services by way of access to a road or a bridge on payment of annuity.

- **Circular No. 151/07/2021 - GST- dated 17th June, 2021**

The Circular in details gives clarification on applicability of GST on supply of various services by Central and State Board such as National Board of Examination.

- **Circular No. 152/08/2021 - GST- dated 17th June, 2021**

After detail discussion in circular it is clarified that works contract service provided by way of construction such as of rope way will fall under entry at sl. No. 3(xii) of notification 11/2017- (CTR) and attract GST at the rate of 18%.

- **Circular No. 153/09/2021 - GST- dated 17th June, 2021**

GST on Composite supply of service by way of milling of wheat into flour along with

fortification, or paddy into rice for distribution by State Governments under PDS is eligible for exemption subject to condition that the value of supply of goods constitutes not more than 25 per cent of the value of the said composite supply. Where it exceeds 25% then GST rate applicable will be 5 %.

- **Circular No. 154/10/2021 - GST- dated 17th June, 2021**

It is clarified that guaranteeing of loans by Central or State Government for their undertaking or PSU is specifically exempt under entry No. 34A of Notification no. 12/2017- Central Tax (Rate) dated 28.06.2017.

- **Circular No. 155/11/2021 - GST- dated 17th June, 2021**

Laterals/parts to be used solely or principally with sprinklers or drip irrigation system, which are classifiable under heading 8424, would attract a GST of 12%, even if supplied separately. However, any part of general use, which gets classified in a heading other than 8424, in terms of Section Note and Chapter Notes to HSN, shall attract GST as applicable to the respective heading.

- **Circular No. 156/12/2021 - GST- dated 21st June, 2021**

The circular in details give clarification in respect of applicability of Dynamic Quick Response (QR) Code on B2C invoices and compliance of Notification 14/2020- Central Tax dated 21st March, 2020.



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