PKP NEWSLETTER

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An initiative by Pratapkaran Paul and Co.

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INSIDE

Working under lockdown

We are happy to present you with the 6th edition of the PKP & Co. newsletter. Contrary to the positivity of a good harvest that is normally characteristic of this time of year, we find ourselves in the middle of a global pandemic. Coronavirus (Covid-19) has not only affected the health of people across the globe and also caused severe disturbances in the global economic environment. We hope that our team's efforts keep you abreast of all the legal updates that you may need to be aware of for the smooth functioning of your concern in the foreseeable future. We stand with you in these confusing times and are always at your call for any financial or legal assistance. Stay safe!

Regards,
PKP Presentation Team

Managing partner's address

Stay Home, Stay Safe ! I am sure that all PKPians are steadfastly following the directives of the Government. It was about 2 weeks ago, that we were confronted with the prospect of the situation, due to the spread of the Corona Virus becoming serious and leading to a shutdown. We embarked on a quick review of the situation to put in place a system of " Work from Home " Our system support personnel also helped and we were able to set up the process. In the meanwhile the lockdown was announced and after all our staff reached their homes, we had already established daily meetings of all Team leads and were reviewing the work to be done by each of the Teams.

I am extremely satisfied and wish to compliment each and every member of our firm on this accomplishment of bringing out the Sixth edition of the Newsletter, on time and with topical information relating to the situation. I am sure that it will be useful for all of our clients. I must admit that it has surprised me , both on the work which can be accomplished from home and the extent of involvement of all our staff. We were able to fulfill our monthly disbursals from home and have now put in place a system of regular review and appraisal of work to be done and the completion thereof. We have issued a certificate for remittance of foreign exchange overseas to an individual client and I am sure it must have been a surprise and relief to the client. Congratulations and best wishes to each and every one of you for the progress which we have achieved together and also for the future as we look to a scenario, which may unfold in stages which even the best of minds cannot decipher or fathom. One thing is sure, we are all together doing our best and ensuring that we are able to provide the best of services as required by our clients.

I am also aware of the amount of work and efforts which have been put into the Auditing tools which we are developing. Needless to say, sincerity, commitment and dedication will definitely lead to success and I'm sure that this will embody the spirit with which this Auditing software Tool is being developed.

Wishing each and every one all the very best in all your future endeavors.

Pratapkaran Paul

Managing Partner

Extension of due date for filing ITR:

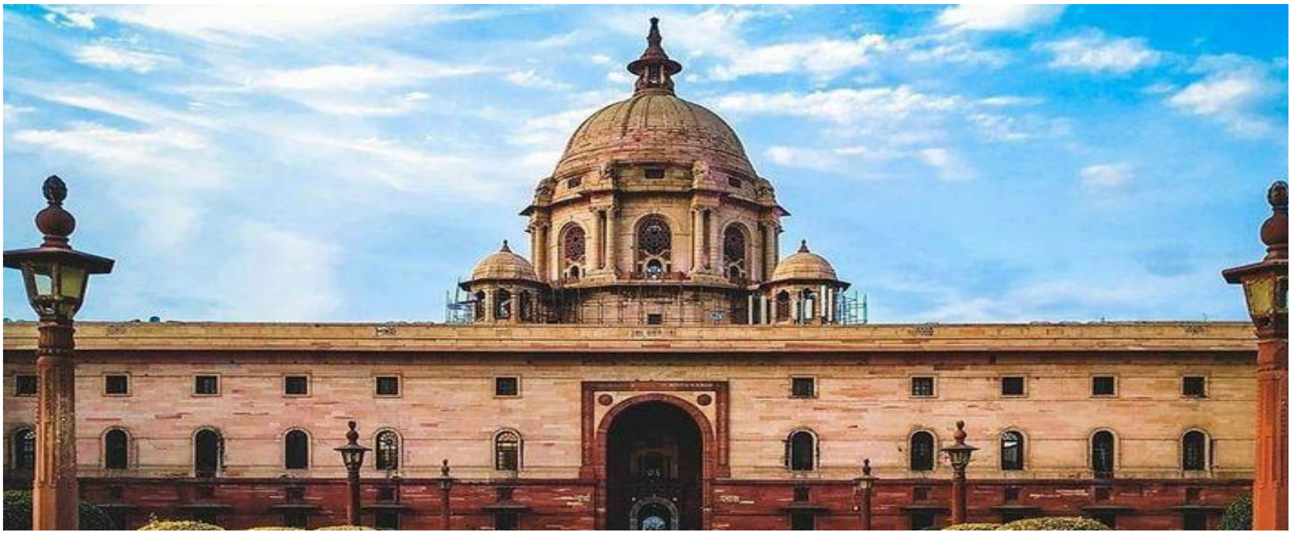
- The last date for the belated / revised filing of the income tax returns for the FY 2018-19 (AY 2019-20) is extended from 31st March 2020 to **30th June 2020.**

- Aadhaar-PAN linking date is extended from 31st March, 2020 to **30th June, 2020.**

- The assessees and/or the tax authorities have got an extended time limit of up to **30th June 2020** where the time limit for the following compliance matter expires between 20th March 2020 and 29th June 2020:

  a. Issue of notice/ intimation/ notification/approval order/ sanction order.
  b. Filing of an appeal/furnishing of a return/statements/reports or any other documents
  c. The time limit for the completion of proceedings by the tax authority
  d. Investment in saving instruments or investments for rollover benefit of capital gains under the Income Tax Act, Wealth Tax Act, Prohibition of Benami Property Transaction Act, Black Money Act, STT law, CTT Law and Equalisation Levy law.

- For delayed payments of advanced tax, self-assessment tax, regular tax, TDS, TCS, equalization levy, STT, CTT made between 20th March 2020 and 30th June 2020, interest at a reduced rate of 9% p.a. shall be charged instead of 12% or 18% p.a. No late fee/penalty shall be charged for delay relating to this period.



- Payment of TDS, filing of TDS returns, SFT filing and issue of Form 16, Form 16A for the months March 2020 to May 2020 has been extended to **30th June 2020**.

- The date for making various investment/ payment for claiming deduction under chapter – VIA-B of Income Tax Act which includes Section 80C (LIC, PPF, NSC, etc.,), 80D(Mediclaim), 80G (Donations), etc., has been extended to 30th June 2020. Hence the investment/ payment can be made up to 30.06.2020 for claiming the deduction under these section for F.Y 2019-20.

- Date for commencement of operation of SEZ units for claiming deduction under section 10AA of the Income Tax Act has also extended to 30.06.2020 for the units which received necessary approval by 31.03.2020.

Trust can make investments in Co. in which NPCI holds 51% shareholding:
Notification No. 15/2020 dated 05/03/2020

The CBDT has inserted a new clause (v) to Rule 17C of the Income-tax Rules which prescribed modes of investment/deposits by a charitable or religious trust or institution. Now, investment in equity share capital or bonds or debentures of a Co. engaged in operations of retail payments system or digital payments settlement shall be an eligible investments. However, 51% of equity shares of said Co. are to be held by NPCI (National Payments Corporation of India.

Direct Tax Vivad Se Vishwas Rules, 2020

Notification No. 18/2020 dated 18/3/2020

The Central Government has notified the Direct Tax Vivad se Vishwas Rules, 2020 and Forms for declaration, undertaking, payment and certificate to be issued by designated authority.

The following 5 types of Forms have been notified under the Rules:

Form No.	Purpose of Form
Form-1	Form for filing declaration
Form-2	Undertaking u/s 4(5) of the Direct Tax Vivad Se Vishwas Act, 2020
Form-3	Form of Certificate u/s 5(1) of the Direct Tax Vivad Se Vishwas Act, 2020
Form-4	Intimation of payment u/s 5(2) of the Direct Tax Vivad Se Vishwas Act, 2020
Form-5	Order for Full and Final Settlement of Tax Arrear under section 5(2) read with section 6 of The Direct Tax Vivad Se Vishwas Act, 2020

Changes in Form-3 (Form of Certificate u/s 5(1) of the Direct Tax Vivad Se Vishwas Act, 2020):

Notification No. 21/2020 dated 20/03/2020

The declarant is hereby directed to make the payment of sum payable, if any, as per **column (8)** within **fifteen days** from the date of receipt of this certificate. Previously the payment is to be done as per Column (7) within thirty days.

Extension of deadline to settle tax disputes under the Vivad se Vishwas scheme:

Under Vivad Se Vishwas scheme, the date has also been extended up to **30th June, 2020.** Hence, declaration and payment under the scheme can be made up to 30th June 2020 without any additional charge of 10%.

Amendment of sections 10 and 80G of Act 43 of 1961:

- Section 4(i) of the Ordinance provides that the income of Prime Minister's Citizen Assistance and Relief Emergency Situation Situations Fund (PM CARES FUND) shall be exempt from income tax under section 10(23C).

- Section 4(ii) of the Ordinance provides for the insertion of Prime Minister's Citizen Assistance and Relief Emergency Situation Situations Fund (PM CARES FUND) in section 80G(2) of the Income Tax Act, 1961.

Donation to a fund prescribed in section 80G(2) qualifies for 100 per cent deduction from the Gross Total Income of the assessee without any limit of 10% of adjusted Gross Total Income.

Issue of Non/Lower rate TDS Deduction certificate during COVID Lockdown:

Order-Us-119-F-No-275/25/2020-IT

Due to outbreak of COVID-19, the Income-tax Dept. is operating with limited number of officers. Consequently, the Dept. is unable to dispose off the application received for nil/lower TDS/TCS certificate. The CBDT has, thus, clarified that tax can be deducted as per the existing TDS/TCS certificates up to June 30, 2020 for the Financial Year 2020-21 until their application is disposed off by the Assessing Officer.

No Extension of the Financial Year:

Press note dated 30/03/2020

The Ministry of Finance has clarified that there is no extension of the Financial Year 2019-20.

- GSTR 3B due dates for the period February 2020 to May 2020 **extended to June 30,2020** with no liability to penalty, interest and late fees. (including Composition scheme)

  Exception: In case of delayed payment of tax, for taxpayers having aggregate turnover exceeding 5 Crores will be liable to pay interest at the rate of 9% after 15 days from the original due date.

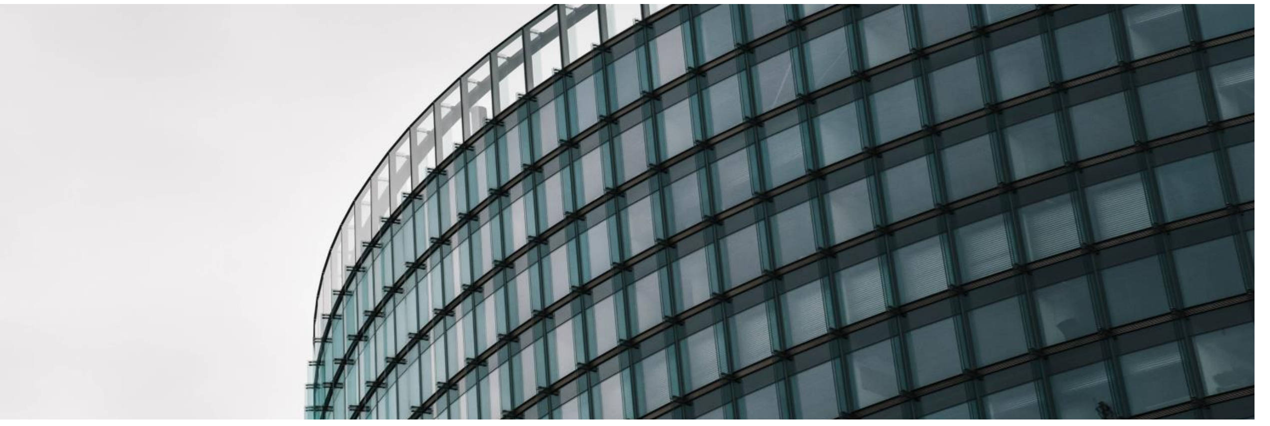
- The due date for issue of notice, statements, returns etc, whose lime limit for its compliance under the GST laws expiring between 20th March 2020 to 29th June 2020 has been **extended to 30th June 2020** (including Composition scheme and Sabka Vishwas (Legacy Dispute Resolution Scheme)

- The due date for filing annual return for the FY 2018-19 has been **extended to 30th June 2020.**

- In order to be eligible for GST Registration, Authentication of Aadhar number from 01st April 2020 and failure of which mandates physical verification of principal place of business within **60 days of application** for registration by the officer.

- Determination of value of Supply of lottery [Rule 31A(2)] has been substituted as follows:
  "The value of supply of lottery shall be deemed to be 100/128 of the face value of ticket or of the price as notified in the Official Gazette by the Organising State, whichever is higher" which was earlier determined based on state run lottery and state government authorized lottery.

- **Foreign airline company** complied with Rule 4(2) of Companies (Registration of foreign companies) rules, 2014 shall not be required to file Form GSTR 9C if it submits statement of Receipts and payments for a financial year in respect of its Indian Business operations duly authenticated by a practicing CA by 30th September of the year succeeding the financial year.



- **Corporate debtor undergoing CRP:**

a. In case of registered person is a corporate debtor, such class of persons shall take a new registration in the states where the corporate debtor was earlier registered within **30 days of appointment of IRP/ RP**

b. Shall file first return as per section 40 of CGST Act,2017

c. ITC shall be availed from his first return

d. Registered persons receiving supplies from such class of persons is also eligible to avail ITC on invoices issued using such GSTIN

- Every registered person whose aggregate turnover exceeds 5 crores for the FY 2018-19 shall get his accounts audited and file Form GSTR 9C. Due date for GSTR 9 and 9C has been extended to 30th June 2020

- When refund is applied for any wrong or excess paid tax, proper office can re-credit it to the electronic credit ledger of the concerned person **by an order in Form GST PMT-03**, if found admissible. In case of refund made in cash, order is issued in **Form RFD – 06**

- **Recovery of refund of unutilized ITC or Integrated tax paid on exports of goods where export proceeds not realized:**

When refund of unutilized ITC or Integrated tax paid on exports of goods where export proceeds not realized within prescribed time, the person to whom refund is made shall deposit the same so refunded to the extent of non realization of sale proceeds with interest within **30 days of expiry of the said period** failing which shall be recovered in accordance with provisions of Section 73 or 74 of CGST Act.

Modification to LLP Scheme 2020 :

General Circular No. 13/2020

In order to support and enable Limited Liability Partnerships (LLPs) registered in India to focus on taking necessary measures to address the COVID-I9 threat and to reduce their compliance burden, certain modifications to the LLP Settlement Scheme, 2020 have been decided to be implemented with effect from 01.04.2020 vide General Circular No. 13/2020 dated 30/03/2020.

Particulars	**LLP Scheme (Revised)**	**LLP Scheme (original)**
Applicability	A defaulting LLP* for filing belated documents due till 31/08/2020	A defaulting LLP for filing belated documents due till 31/10/2019.
Non applicability	LLP which have voluntary filed application for striking of the name	LLP which have voluntary filed application for striking of the name
Benefits	Pay only normal fee. No additional fee is payable	Pay normal fee along with additional fee of Rs.10 per day default subject to the maximum of 5000/-.
Forms for which this scheme is applicable	All documents & forms required to file under LLP Act & Rules made there under.	Form -3 Form -4 Form -8 Form -11 No other forms except the above
Period for which scheme is open	01/04/2020 to 0/09/2020	16/03/2020 to 13/06/2020

**defaulting LLP means a LLP which has default in filing any documents due under LLP act and Rules made there under*

********belated documents means all documents and forms which required to be filed with MCA 21 registry under LLP Act and Rules made there under*

MCA introduces the "Companies Fresh Start Scheme, 2020" as a relief measure from COVID-19 for companies

General Circular No. 13/2020

To facilitate Indian companies to make a fresh start, MCA has taken certain alleviative measures for the benefit of all companies by exercising its power under section 460 & 403 of the Companies Act, 2013 and introduces the scheme "(CFSS-2020)" with effect from 1st April 2020 to 30th September 2020.

Applicability : This Scheme shall be applicable on any "Defaulting Company"@.

Non – applicability :

- Ø To Vanishing Companies.
- Ø Companies against which action for final notice for striking off the name u/s 248 of the act have already been initiated by the Designated Authority.
- Ø Companies which have already filed STK-2 for strike off of Company with ROC.
- Ø Companies which have amalgamated.
- Ø Companies which has already filed application for obtaining Dormant Status.
- Ø Company having any appeal which is pending before the Court of law.
- Ø Company having management disputes and pending before any Court of law or Tribunal.
- Ø Companies which are convicted by any Court in any matter and no appeal has been preferred against such orders of the Court before this Scheme has come into force
- Ø Companies upon which an order passed for imposing penalty by an adjudicating authority under the Act, and no appeal has been preferred against such orders of the Adjudicating Authority before this Scheme has come into force

Benefits:

- ✓ Condonation of all Additional fee for filing of Belated documents;
- ✓ Granting of Immunity from the Prosecution;
- ✓ Granting of Immunity from the Proceedings for imposing penalty;
- ✓ ROC shall withdrawal the all proceedings of adjudication of penalties u/s 454.

@Defaulting company" means a company which has made a default in filing of any of the documents, statement, returns, etc. including annual statutory documents (AOC-4 & MGT-7) on the MCA-21 registry on due time.

Forms that can be filed:

Annual based forms:

- MGT – 7 – Annual Return
- AOC -4 – Financial Statements

Event based forms:

- INC – 22A (Active company tagging identities and verification)
- INC – 20A (Declaration for commencement of business)
- PAS – 3 (Return on allotment)
- ADT – 1 (Appointment of Auditor)
- MGT – 14 (Filing Resolutions 7 Agreements to the registrar
- DIR - 12 (Particulars of appointment of Directors and the key managerial personnel and the change among them)

This scheme is not applicable to Forms such as :

- SH- 7 (Increase in authorized share capital)
- CHG -1
- CHG -4
- CHG -8
- CHG -9

Charge related documents

Procedure for filing:

The defaulting company shall file their overdue documents/returns/other statements as well as statutory Annual Filing documents such as Financial Statements and Annual Returns in respective prescribed e-Forms by paying the normal statutory filing fee without CFSB-2020 and on the basis of self-declaration made by Director, the ROC will issue Immunity Certificate.

Special Measures under Companies Act, 2013 (CA-2013) and Limited Liability Partnership Act, 2008 in view of COVID-19 outbreak

General Circular No. 11/2020

In order to support and enable Companies and Limited Liability Partnerships (LLPs) in India to focus on taking necessary measures to address the COVID-19 threat, including the economic disruptions caused by it, the following measures have been implemented by the Ministry of Corporate Affairs to reduce their compliance burden and other risks: -

1. No additional fees shall be charged for late filing during a moratorium period from 01st April to 30th September 2020, in respect of any document, return, statement etc., required to be filed in the MCA-21 Registry, irrespective of its due date, which will not only reduce the compliance burden, including financial burden of companies/ LLPs at large, but also enable long-standing non-compliant companies/ LLPs to make a 'fresh start'. The Circulars specifying detailed requirements in this regard are being issued separately.

2. The mandatory requirement of holding meetings of the Board of the companies within the intervals provided in section 173 of the Companies Act, 2013 (CA-13) (120 days) stands extended by a period of 60 days till next two quarters i.e., till 30th September. Accordingly, as a one time relaxation the gap between two consecutive meetings of the Board may extend to 180 days till the next two quarters, instead of 120 days as required in the CA-13.

3. The Companies (Auditor's Report) Order,2020 shall be made applicable from the financial year 2020-21 instead of being applicable from the financial year 2019-2020 notified earlier. This will significantly ease the burden on companies & their auditors for the financial year 2019-20. A separate notification has been issued for this purpose.

4. As per Para Vll (1) of Schedule lV to the CA-13, independent Directors (IDs) are required to hold at least one meeting without the attendance of Non-independent directors and members of management. For the financial year 2019-20, if the IDs of a company have not been able to hold such a meeting, the same shall not be viewed as a violation. The IDs, however, may share their views amongst themselves through telephone or e-mail or any other mode of communication, if they deem it to be necessary.

5. Requirement under section 73(2)(c) of CA-13 to create the deposit repayment reserve of 20% of deposits maturing during the financial year 2020-21 before 30th April 2020 shall be allowed to be complied with till 30th June 2020.

6. Requirement under rule 18 of the Companies (Share Capital & Debentures) Rules, 2014 to invest or deposit at least 15% of amount of debentures maturing in specified methods of investments or deposits before 30th April 2020, may be complied with till 30th June 2020.

7. Newly incorporated companies are required to file a declaration for the Commencement of Business within 180 days of incorporation under section 10A of the CA-13. An additional period of 180 more days is allowed for this compliance.

8. Non-compliance of minimum residency in India for a period of at least 182 days by at least one director of every company, under Section 149 of the CA-1 3 shall not be treated as a non-compliance for the financial year 2019-20.

Clarification on spending of CSR funds for COVID-19.

General Circular No. 10/2020

Keeping in view of the spread of novel Corona Virus (COVID-19) in India, its declaration as pandemic by the World Health Organization (WHO), and, decision of Government of India to treat this as a notified disaster, it is hereby clarified that spending of CSR funds for COVID-19 is eligible CSR activity.

Funds may be spent for various activities related to COVID-19 under item nos. (i) and (xii) of Schedule VII relating to promotion of health care, including preventive health care and sanitation, and, disaster management. Further, as per General Circular 21/2014 dated 18.06.2014, items in schedule VII are broad based and may be interpreted liberally for this purpose.

Key Takeaways from Companies (Amendment) bill,2020

https://www.mca.gov.in/Ministry/pdf/Amendment_18032020.pdf

The government on 17th March 2020 has introduced a bill in Lok Sabha to amend the Companies Act proposing 72 changes to removing criminality from host of offences under the act and paving the way for direct overseas listing of Indian companies.

Objects of the Companies (Amendment) Bill,2020.

- ❑ To decriminalize some provisions of the Act, based on their gravity;
- ❑ To amend various provisions of the Act to decriminalize minor procedural or technical lapses under the provisions of the said Act, into civil wrong
- ❑ To constant Endeavour of the Government to facilitate Greater Ease of Living of Law-abiding corporates;
- ❑ To provide greater ease of living to corporates through certain other amendments to the Act.

Key Amendments of the Bill

- ✓ **Listing of Securities :** To allow direct listing of securities by Indian companies in permissible foreign jurisdictions as per rules to be prescribed;
- ✓ **Penalty Waiver :** To provide for a window within which penalties shall not be levied for delay in filing annual returns and financial statements in certain cases;
- ✓ **Filing of Periodical Financial Statements:** To provide for specified classes of unlisted companies to prepare and file their periodical financial results;
- ✓ **Extension of Exemptions** : To extend exemptions to certain classes of non-banking financial companies and housing finance companies from filing certain resolutions under section 117;
- ✓ **Corporate Social Responsibility (CSR)**: To provide that the companies which have CSR spending obligation

up to 50 lakh rupees shall not be required to constitute the CSR Committee and to allow eligible companies under section 135 to set off any amount spent in excess of their CSR spending obligation in a particular financial year towards such obligation in subsequent financial years;

- ✓ **Decriminalize certain offenses**: To decriminalize certain offences under the Act in case of defaults which can be determined objectively, and which otherwise lack any element of fraud or do not involve larger public interest;
- ✓ **Exclusions from Listed companies**: To empower the Central Government to exclude, in consultation with the Securities and Exchange Board, certain class of companies from the definition of" listed company", mainly for listing of debt securities;
- ✓ **Incorporation of Chapter XXIA**: To incorporate a new Chapter XXIA in the Act relating to Producer Companies, which was earlier part of the Companies Act, 1956;
- ✓ To set up Benches of the National Company Law Appellate Tribunal;
- ✓ **Charging of Additional Fees**: To relax provisions relating to charging of higher additional fees for default on two or more occasions in submitting, filing, registering or recording any document, fact or information as provided in section 403;
- ✓ **Extended Applicability of 446B**: To extend applicability of section 446B, relating to lesser penalties for small companies and one person companies, to all provisions of the Act which attract monetary penalties and also extend the same benefit to Producer Companies and start-ups;
- ✓ **Exemption from provisions of Chapter XXII:** To exempt any class of persons from complying with the requirements of section 89 relating to declaration of beneficial interest in shares and exempt any class of foreign companies or companies incorporated outside India from the provisions of Chapter XXII relating to companies incorporated outside India;
- ✓ **Reduction in Timeline**: To reduce timelines for applying for rights issues so as to speed up such issues of share capital under section 62;
- ✓ **Remuneration to Non-Executive Directors:** To make provisions for allowing payment of adequate remuneration to non-executive directors in case of inadequacy of profits, by aligning the same with the provisions for remuneration to executive directors in such cases.
- ✓ **Right Issue of Shares Section 62:** The offer shall be made by notice specifying the number of shares offered and limiting a time not being less than fifteen days "or such lesser number of days as may be prescribed" and not exceeding thirty days from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined.

Companies Affirmation of Readiness (CAR) towards COVID-19 Form

MCA has issued CAR Form which is simple web from with minimum fields and which can be filed from anywhere. There is no requirement of DSC and dose not involve any payment. Companies/LLPs have been advised to use the services w.e.f 23/03/2020 onwards at the earliest convenience.

Stakeholders(SHs) have been requested to please note that there is no fee applicable for form CAR. SHs may also please note that the form has been deployed as a purely confidence building measure to access the readiness of the companies to deal with COVID – 19 Threat in India.

Non Availability of MCA 21 Voice and Ticketing Helpdesk Services

In view of present total lockdown imposed on transport and people movement by the Government, availability of MCA21 Voice and Ticketing Helpdesk services have been severely impacted. The same would not be available till further notice.

Non Filing of DIR-3 KYC , DIR-3 KYC WEB & INC-22A Active Company Tagging Identities and Verification(ACTIVE) e-form:

DIN holders of DINs marked as ‘Deactivated’ due to non-filing of DIR-3KYC/DIR-3 KYC-Web and those Companies whose compliance status has been marked as “ACTIVE non-compliant” due to non-filing of Active Company Tagging Identities and Verification(ACTIVE) e form are encouraged to become compliant once again in pursuance of the General Circular No. 11 dated 24th March, 2020 & General Circular No.12 dated 30th March 2020 and file DIR-3KYC/DIR-3KYC-Web/ACTIVE as the case may be between 1st April, 2020 to 30th September, 2020 without any filing fee of INR 5000/INR 10000 respectively.

IMPACT OF COVID-19 IN FINANCIAL REPORTING AND AUDIT OF FINANCIAL STATEMENT

IMPACT ON FINANCIAL REPORTING

COVID-19 has unfavorably affected the economic environment which in turn has consequential impact on financial statements and reporting. There is also a need to advise the preparers of financial statements to ensure that the potential impact of COVID-19 is suitably considered in preparing and reporting their financial statements for the year ended March 31, 2020.

Applicable for :

- Entities to whom Ind AS is applicable and
- Entities to whom AS is applicable,
  - i) Companies to whom Companies, Accounting Standards Rules, 2006 is applicable and
  - ii) Non-corporate entities to whom AS issued by ICAI is applicable.

Areas to be considered:

Inventory Measurement (Ind AS 2 and AS 2)

- In accordance with Ind AS 2 and AS 2, Valuation of Inventories, it might be necessary to write down inventories to net realizable value due to reduced movement in inventory, decline in selling prices, or inventory obsolescence due to lower than expected sales.
- The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant. Unallocated overheads are recognized as an expense in the period in which they are incurred.
- Entities should assess the significance of any write-downs and whether they require disclosure in accordance with Ind AS 2/AS 2 as well as Net Profit or Loss for the Period, Prior Period items and Changes in Accounting Policies (AS 5).

Impairment of Non-Financial Assets (Ind AS 36 and AS 28)

Critical Factors to Consider:

- Determine the recoverable amounts before the outbreak of COVID 19 requires any change
- Determine discount rate to measure the recoverable amount require any adjustments;
- the forecasts or budgets for future cash flows prepared by management should be updated to reflect the impact of COVID 19;
- market assumptions used to determine fair value for recoverable amounts needs reconsideration time

Leases (Ind AS 116)

- In the terms of lease arrangements or lessor may give some concession to the lessee with respect to lease payments, rent free holidays etc. Such revised terms or concessions shall be considered while accounting for leases, which may lead to the application of accounting relating to the modification of leases. However, anticipated revisions should not be taken into account
- Variable lease payments may be significantly impacted, especially those linked to revenues from the use of underlying asses due to contracted business activity.
- Discount rate used to determine the present value of new lease liabilities may need to incorporate any risk associated with COVID-19.
- If any compensation is given/declared by the Government to the lessor for providing concession to the lessee, it should be considered whether the same needs to be accounted for as lease modification as per Ind AS 116 or whether assistance received from Government is to be accounted as government grants under Ind AS 20.

Revenue Recognition (Ind AS 115 and AS 9)

- Due to COVID-19, there could be likely increase in sales returns, decrease in volume discounts, higher price discounts etc. Under Ind AS115 these factors need to be considered in estimating the amount of revenue to recognised, i.e., measurement of variable consideration.
- Ind AS 115 also requires disclosure of information that allows users to understand the nature, amount, timing and uncertainty of cash flows arising from revenue. Therefore, entities may have to consider disclosure about the impact of COVID-19 on entities revenue.

Income Taxes (Ind AS 12)

- COVID-19 could affect future profits and/or may also reduce the amount of deferred tax liabilities and/or create additional deductible temporary differences due to various factors.
- Entities with deferred tax assets should reassess forecasted profits and the recoverability of deferred tax assets in accordance with Ind AS 12, Income Taxes, considering the additional uncertainty arising from the COVID-19 and the steps being taken by the management to control it.
- Management might also consider whether the impact of the COVID-19 affects its plans to distribute profits from subsidiaries and whether it needs to reconsider the recognition of any deferred tax liability in connection with undistributed profits.

Consolidated Financial Statements (Ind AS 110 and AS 21)

- The financial statements of parent and subsidiaries used in the preparation of the consolidated financial statements are usually drawn up to the same date.

- It may be noted that in any case, the difference between the reporting dates should not be more than three months.

Note :
But AS 21 prescribes that the financial statements of parent and subsidiaries used in preparation of the consolidated financial statements are usually drawn up to the same date. It may be noted that in any case, difference between the reporting dates should not be more than six months.

Property Plant and Equipment (Ind AS 16 and AS 10)

- Ind AS 16 and AS 10 require that useful life and residual life of PPE needs revision in annual basis. Due to COVID-19, PPE can remain under-utilised or not utilised for a period of time. It may be noted that the standards require depreciation charge even if the PPE remains idle.

Disclosure of Financial Statements (AS 1)

- Ind AS 1 requires presentation of minimum comparative information.
- Framework for the preparation and presentation of financial statements under Ind AS considers comparability as an important qualitative characteristic of financial statements.
- The Framework requires that users must be able to compare the financial statements of an entity through time in order to identify trends in its financial position and performance and also compare it with financial statements of other entities.

Borrowing Costs (Ind AS 23 and AS 16)

- Above standards require that the capitalization of interest is suspended when development of an asset is suspended. The management may consider this aspect while evaluating the impact of COVID-19.

Post Balance Events (Ind AS 10 and AS 4)

- **Adjusting events - Th**ose require adjustments to the amounts recognized in its financial statements for the reporting period .

- **Non-adjusting events - T**hose do not require adjustments to the amounts recognized in its financial statements for the reporting period. In certain cases, management judgment may be required to categorize the events into one of the above categories.

Interim Financial Reporting (Ind AS 34 and AS 25)

- The recognition and measurement guidance applicable to annual financial statements equally applies to interim financial statements. There are typically no recognition or measurement exceptions for interim reporting, although management might have to consider whether the impact of the COVID-19 is a discrete event for the purposes of calculating the expected effective tax rate.
- Ind AS 34, Interim Financial Reporting, states that there might be greater use of estimates in interim financial statements, but it requires that the information is reliable and that all relevant information is disclosed.
- Ind AS 34/AS 25 Interim financial information usually updates the information in the annual financial statements. However, Ind AS 34/AS 25 requires that an entity shall include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity.
- Further, the preparers may consider making suitable disclosures in the Management Discussion and Analysis section of the Annual Report about the effect of Coronavirus (COVID-19) on the overall risks to the businesses in which the entity is engaged.

Going Concern Assessment

The Financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future.
In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.
Management of the entity should assess the impact of COVID-19 and the measures taken on its ability to continue as a going concern.

IMPACT ON AUDIT OF FINANCIAL STATEMENTS

The global pandemic COVID-19 has already had a significant impact on global trade and economy with consequential impact on global and Indian financial markets.
This may also have accounting, disclosure, internal control and auditing implications for many entities.
There is a great deal of uncertainty as to how the COVID-19 situation will continue to evolve and the scenario is rapidly changing. The uncertainty arises primarily from interruptions in production, supply chain disruptions, unavailability of personnel, closure of facilities/offices due to the rapid outbreak of COVID-19, decline in demand, liquidity, business continuity issues, etc.

- Audits should continue to be planned and performed in compliance with the auditing standards. To enable the auditors to perform audits additional time may be required and alternate audit procedures may need to be performed in order to obtain sufficient appropriate audit evidence.
- This document discusses key Advisory to auditors related to conditions that may arise as a result of COVID-19. Auditors must carefully evaluate unique circumstances prevailing in their audits and assess risk accordingly when applying the concepts in this Advisory in their audits.
- Assessing Financial Impact and their Reasonable Estimation (SA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures)
- Valuation of Inventory on a date other than date of financial statements i.e. 31st March 2020 (SA 501, Audit Evidence - Specific Considerations for Selected Items)
- Audit of Consolidated Financial Statements where Components/component auditors are located in severely affected places (SA 600, Using the Work of Another Auditor)

- Subsequent Events or Events after Reporting date (SA 560, Subsequent Events)
- Going Concern (SA 570, Going Concern)
- Evaluation of Work of Management's Expert (SA 500, Audit Evidence)
- Written Representations (SA 580, Written Representations)
- Auditor's Opinion, (SA 700, Forming an Opinion and Reporting on Financial Statements, SA 705, Modifications to the Opinion in the Independent Auditor's Report, SA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report)
- Reporting on Key Audit Matters (SA 701, Communicating Key Audit Matters in the Independent Auditor's Report)
- The Auditor's Responsibilities Relating to Other Information (SA 720)
- Internal Control Considerations
- External Confirmations (SA 505, External Confirmations)

Identifying and Assessing the Risk of Material Misstatements and Materiality in Planning and Performing an Audit

- The outbreak of COVID-19 can have a number of potential issues for entities, particularly entities that operate in geographies that are significantly exposed to the outbreak.

- In addition there could also be impact on those entities whose vendors, bankers, suppliers, service providers are in geographies that are exposed. There is already a broader economic impact of the outbreak on global and Indian financial markets and the outbreak will also pose increasing risks and potentially have accounting implications for all entities with exposure to broader economic downturn and decline in financial markets.

- Operational disruption resulting in any changes to the business model arising from significant drop in demand, reduced customer base, disruption in supply chain, employee's absence or work from home, geographical implications of group operations, public lock down etc.
- Liquidity and working capital issues given the reduced/ impaired ability to service debt or replenish working capital requirements due to possible lower cash flows.
- Asset valuations – downward asset valuations may trigger legal and compliance issues or lead to liquidity challenge.
- In applying SA 315 - Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity

- The auditor shall revise materiality for the financial statements as a whole in the event of becoming aware of information during the audit that would have caused the auditor to have determined a different amount.
- If the auditor concludes that a lower materiality for the financial statements as a whole than that initially determined is appropriate, the auditor shall determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate."

Assessing Financial Impact and their Reasonable Estimation

The financial statements have various items which would have been affected by the outbreak of COVID-19, a detailed list of them has been mentioned in the Accounting Advisory.
In addition to the detailed list of items of financial statements mentioned in the aforesaid Advisory, specific accounting issues could arise in the following areas:

- Impairment of Goodwill, Property Plant and Equipment, Intangible Assets and Valuation & impairment of receivables, loans and advances.
- Valuation of defined benefit plans and obligations – due to significant changes in employee strength or de-valuation of underlying plan assets.
- Stock compensation performance conditions and obligations.
- Contractual penalties.
- Employment termination benefits.
- Insurance recoveries related to business interruptions.
- Onerous contract provisions.
- Allowance for expected credit losses.

Responsibilities of the Auditor

- The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern.
- These responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern.
- There could be several situations arising from the ongoing COVID-19 outbreak that could have an impact on the assumption relating to going concern. For some entities, the impact could be severe and may leave management with no realistic alternative but to liquidate or cease operations.

- There could also be entities which may have to scale down their operations while impact may not be significant for other entities.
- It is the responsibility of management to make the assessment as to whether the entity is a going concern.
- In the current scenario, while making this assessment, management would generally be expected to prepare detailed forecasts which, will require regular updation till the financial statements are authorized for issue. These forecasts should capture potential scenarios and management's plans.
- Management should consider the impact of COVID-19 on customers, suppliers and employees.

Reporting on Key Audit Matters:

- Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from the matters communicated with those charged with governance.
- The auditor shall determine, from the matters communicated with those charged with governance, those matters that required significant auditor attention in performing the audit.
- Significant auditor judgments relating to areas in the financial statements that involved significant management judgment, including accounting estimates that have been identified as having high estimation uncertainty.
- The effect on the audit of significant events or transactions that occurred during the period.
- The auditor should evaluate whether the impact of the disruption caused because of COVID-19 to the operations of the entity, consequential impact on the financial statements would be a key audit matter and if determined so, the auditor would need to report the same.

Conclusion

- The impact of COVID-19 on the economy, financial markets and entities in particular continues to evolve.
- The role of auditors at times like this is under increased scrutiny as the auditors have a public interest obligation to complete the audit work in accordance with professional standards and ethics requirements.
- Under the current circumstances, auditors must recognize that the manner in which they conducted the audits in the past may need significant modification to address the challenges and uncertainties arising out of the impact of COVID-19. Auditors should exercise a very high degree of skepticism
- Irrespective of the challenges and uncertainties, there should not be any dilution or non-compliance with the auditing standards in carrying out the audits.

MEASURES BY RBI TO DEAL WITH ECONOMIC FALLOUT OF COVID-19

As a reflection to the lock down and other impacts created by the pandemic Covid-19, RBI has come out with its steps to revive the financial stress and the market stability. A brief overview of the measures taken by RBI are presented below.

In Retail Banking Sector

1. Moratorium on term loans

RBI has advised all the commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) ("lending institutions") to allow a moratorium of three months for payment of the instalments in respect of all term loans outstanding as on March 1,2020."

However, simple interest may be charged on the amount unpaid during this moratorium period of three months resulting in additional interest being added to the current EMI amount for the loan period or increase in the number of instalments.
Hence it is advisable not to avail this moratorium option if funds are available for payment during these three months says SBI and other bankers.

2. Deferment of Interest on Working Capital Facilities

In respect of working capital facilities sanctioned in the form of cash credit / overdraft, lending institutions are being permitted to allow a deferment of three months on payment of interest in respect of all such facilities outstanding as on March 1, 2020. The accumulated interest for the period will be paid after the expiry of the deferment period. In respect of the above two regulatory measure RBI has clarified that these deferments will not treated as a default in the hands of borrower for NPA classifications by banks and CRISIL and other rating agencies shall not consider this deferment as a default for the purpose of Credit Rating.

3. Easing of Working Capital Financing

In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may recalculate the 'drawing power' by reducing the margins and / or by reassessing the working capital cycle. This relief shall be available in respect of all such changes effected up to May 31, 2020 and shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19.

4. 24/7 availability of Digital Payment Platforms

All the non-cash digital payment options like NEFT, IMPS, UPI and BBPS are available round the clock to facilitate fund transfers, purchase of goods / services, payment of bills, etc. without any time restrictions.

In Forex Management

Increase in time for realisation and repatriation of exports

The time period for realisation and repatriation of export proceeds for exports made up to or on July 31, 2020, has been extended to 15 months from the date of export. At present, the value of goods or software exports made by exporters is required to be realised fully and repatriated to the country within a period of nine months from the date of export.
The measure will enable the exporters to realise their receipts, especially from the Covid-19 affected countries within the extended period and also provide greater flexibility to the exporters to negotiate future export contracts with buyers abroad.

1. Targeted Long Term Repos Operations (TLTROs)

TLTRO is a repo operation in which RBI shall conduct auctions of targeted term repos of up to three years tenor of appropriate sizes for a total amount of up to Rs.1,00,000 crore at a floating rate linked to the policy repo rate. In simple words, RBI will sell money in auction keeping repo rate as base. (Repo rate is the rate at which commercial banks can borrow money from the RBI)

RBI has instructed that the liquidity availed under the scheme by banks has to be deployed in investment grade corporate bonds, commercial paper, and non-convertible debentures over and above the outstanding level of their investments in these bonds as on March 27, 2020. Banks have to acquire upto 50% of their incremental holdings of eligible instruments from primary issuances and the remaining 50% from the secondary market including mutual fund and non- banking finance companies.

This measure is likely to increase buying pressure in the market as the banks are instructed to deploy their funds in the markets also lower the banks cost of funds because of this auction.

The first of the TLTROs was conducted on 27th March 2020 and had received a significant response from the market where the central bank received bids worth Rs 60,500 crore against a notified amount of Rs. 25, ,000 crore. The second tranche of TLTRO shall be on 3rd April 2020 which will lend Rs.25,000 crore.

Post the announcement of TLTROs, a highly illiquid corporate bond market had sprung back to life with renewed buying interest seen in the secondary market. The funds are expected to help lower banks cost of funds and prompt them to lend to customers in an effort to boost consumption and
Kick start the flagging economy.

2. Cash Reserve Ratio

CRR is the percentage of deposits that banks have to mandatorily keep with RBI. Reduction in CRR indicates that Commercial Banks can deposit lesser money with RBI and thereby more of their funds can be used for the lending to Public.

RBI has reduced the CRR by 100 basis points i.e.has reduced the rate from 3% to 4% for the next one year with effect from March 28th 2020. This is expected to release Rs.1.37 Lakh crore liquidity in the market.

3. Marginal Standing Facility

MSF is scheme by which the Commercial banks can borrow overnight funds from the Central bank by using 2% of their Statutory Liquid Ratio (the percentage of deposit to be held by banks with RBI in liquid cash, gold or other securities.)

RBI has now increased this limit of 2% to 3% with immediate effect from 27th March 2020. This measure will be applicable upto June 30,2020.

By such increase banks are given an option to borrow more fund through MSF resulting in extra
funds in the hands of Commercial banks to lend to the public.

The RBI expects that these three measures relating to TLTRO, CRR and MSF will inject a total liquidity of ` 3.74 lakh crore to the system.

4. Deferment of Implementation of Net Stable Funding Ratio (NSFR)

As part of reforms undertaken in the years following the global financial crisis, the Basel Committee on Banking Supervision (BCBS) had introduced the Net Stable Funding Ratio (NSFR) which reduces funding risk by requiring banks to fund their activities with sufficiently stable sources of funding over a time

horizon of a year in order to mitigate the risk of future funding stress. As per the prescribed timeline, banks in
India were required to maintain NSFR of 100 percent from April 1, 2020. It has now been decided to defer the implementation of NSFR by six months from April 1, 2020 to October 1, 2020.

5. Permitting Banks to Deal in Offshore Non-Deliverable Rupee Derivative Markets (Offshore NDF Rupee Market)

The offshore Indian Rupee (INR) derivative market - the Non-Deliverable Forward (NDF) market – has been growing rapidly in recent times. At present, Indian banks are not permitted to participate in this market. RBI has decided to permit banks in India which operate International Financial Services Centre (IFSC) Banking Units (IBUs) to participate in the NDF market with effect from June 1, 2020.

6. WMA facility

Ways and means advances (WMA) is a mechanism used by Reserve Bank of India (RBI) under its credit policy to provide to States, banking with it, to help them tide over temporary mismatches in the cash flow of their receipts and payments. The government has decided to enhance the WMA- a temporary facility to meet revenue mismatches- limits to states and union territories ahead of the recommendations of a committee it constituted for the purpose. "It has been decided to increase WMA limit by 30 percent from the existing limit for all States/UTs to enable the State Governments to tide over the situation arising from the outbreak of the COVID-19 pandemic" the Reserve Bank said in a release. The revised limits will come into force with effect from April 1, 2020 and will be valid till September 30, 2020. Reserve Bank had constituted an Advisory Committee under Sudhir Shrivastava to review the Ways and Means limits for State Governments and Union Territories.

7. Implementation of CCyB to be held

Counter Cyclical Capital buffer is the capital to be kept by a bank to meet business cycle related risks. It is aimed to protect the banking sector against losses from changes in economic conditions. Banks may face difficulties in phases like recession when the loan amount doesn’t return. To meet such situations, banks should have own additional capital. This is an important theme of the Basel III norms.

RBI has decided to put on hold the activation of the framework on countercyclical capital buffer
(CCyB) for a period of one year or earlier. The framework had been put in place by the RBI in terms of guidelines issued on February 5, 2015, wherein it was advised that the CCyB would be activated as and when the circumstances warranted, and that the decision would normally be pre-announced. This measure intends to reduce the pressure on banks to increase their capital.

List of due dates not extended and relaxations granted by the Government

- Interest at a reduced rate of 9% p.a. shall be charged instead of 12% or 18% p.a. towards the delayed payment/deposit of the following income tax levies, made between 20th March 2020 and 30th June 2020. Note that there is no extension in the deadlines.
    - Advance Tax
    - Tax Deduction at Source (TDS)
    - Tax Collection at Source (TCS)
    - Self-assessment tax
    - Equalisation levy

. No late fee/penalty shall be charged for any delay relating to this period.

- Due date with respect to various compliances under FEMA have not been extended. Incase compliances not completed within the due date, there may be penal consequences. There may also be penal consequences if the compliance is completed by the entity but is pending with the bank. (e.g.. SMF – FC GPR etc)

- Due dates of GSTR-3B for February 2020, March 2020, and April 2020 not extended for taxpayers having aggregate turnover of more than 5 crores. No late fee or penalty shall be levied. Any tax payments made after a delay of 15 days from the original due dates will attract a reduced interest at 9% p.a. instead of 18% p.a. The reduced interest charge will apply for the tax payments made between 20th March 2020 and 30th June 2020.

Pratapkaran Paul and Co.,
Chartered Accountants

B – 8, Gems Court.
25/14, Khader Nawaz Khan
Road, Nungambakkam,
Chennai , Tamil Nadu, India.
600006

Website: www.pkpandco.com

Email: pkpandco@gmail.com

LinkedIn: Pkp&co

Facebook: Pkp&co

Telephone: 044 2833 1646 /
1647