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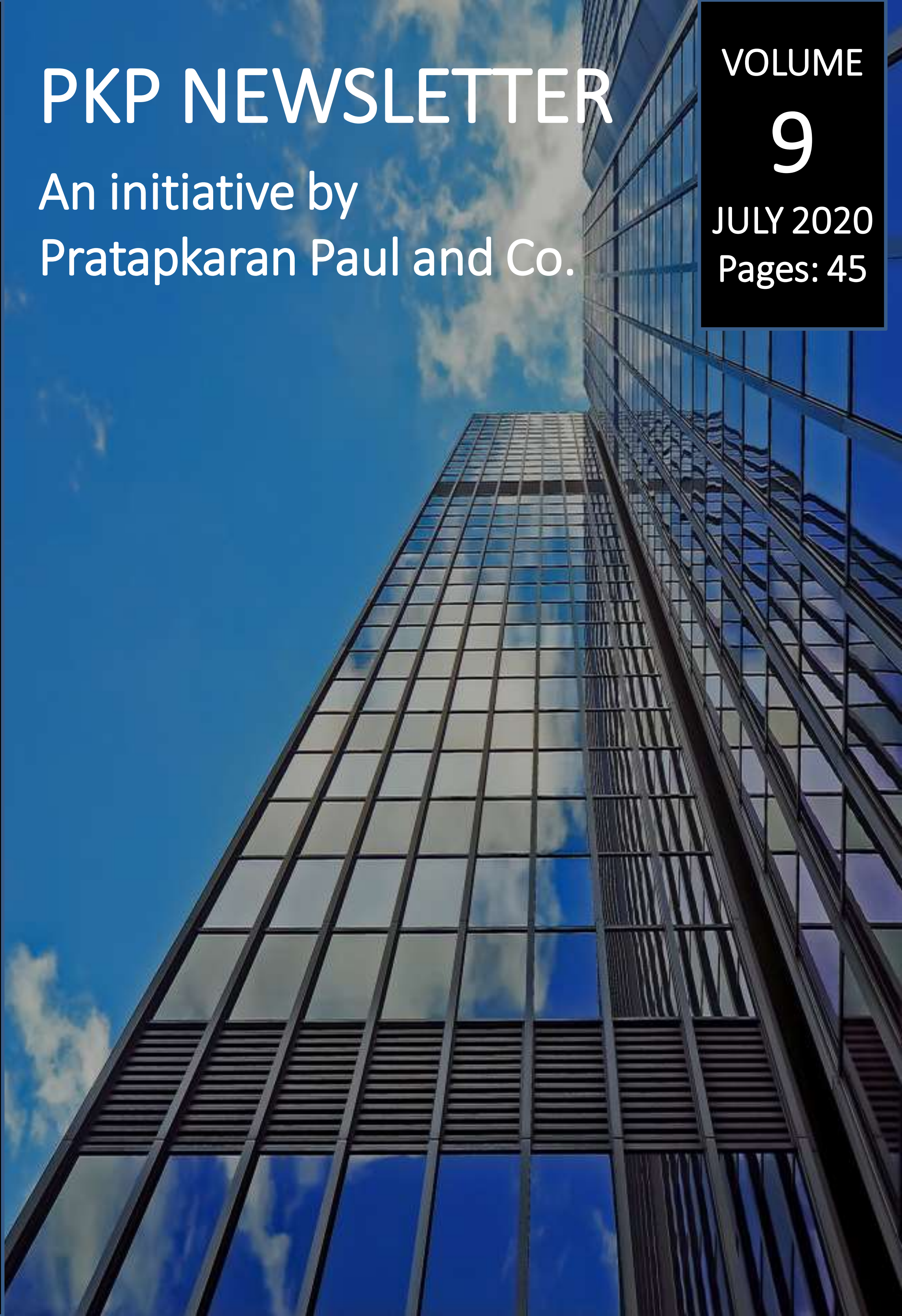

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INSIDE

Working under lockdown

We are happy to present you with the 9th edition of the PKP & Co. newsletter. Remote working is the new normal and we find ourselves in a work environment like never before.

Rising to new challenges is characteristic of the work ethic at PKP and Co. and therefore we have continuously are modifying the manner in which we operate. We hope this newsletter is a interesting read. Your suggestions are always welcome. Stay safe!

Regards,
PKP Presentation Team

FROM THE MANAGING PARTNER's DESK

INTRODUCTION

Dear PKPians,

It gives me immense pleasure to write this for the 9th Newsletter. The baton has passed and the new editorial team has taken up this responsibility with enthusiasm and zeal. The growth in the issues addressed as well as the roundup of recent circulars in the relevant areas makes this a valued communication for all.

It is hard to imagine that we have completed a quarter of a year in the lockdown. We have attempted and been able to achieve the stage of planned execution of the assurance services, advisory for the tax return filings and also reached out to assist clients in all areas.

Today is celebrated as CA day and I was following the addresses of some of our Past Presidents on the profession and the way forward. The common string of thought was that a glorious future lay ahead of all the students and it was up to them to seize the moment. The training methods followed and improving the same were deliberated in detail. Communication was emphasized as a prerequisite for all the students.

INTRODUCTION

Also the general notion that was wrongly being insisted , that the exams were the only things which mattered for a student, overlooking the practical training. There was a suggestion to ensure that the practicing professionals are regulated to ensure that the students joining them get enough and adequate exposure in all areas. This set me thinking about our firm and whether we would qualify as being a place where the student is able to get adequate exposure in all areas. The measures taken over the past few years to ensure that the student gets overall exposure also needs constant review and updation.

In the new normal atmosphere of Covid, we have many getting ready for their exams. Wishing them all success and best wishes in their future. Communicate with your team leaders and the partners with your suggestions, improvements , process updation to make things effective and making the whole work area a better place to be in. Its in your hands !
Best wishes. Stay safe.

Pratapkaran Paul
Managing Partner

DIRECT TAX OLD vs NEW INCOME TAX REGIME

Kavin Raj
Article Assistant

INTRODUCTION

With a slew of measures to boost the Indian economy suffering from a slowdown, Finance minister Nirmala Sitharaman tabled the Union Budget 2020-21 in the Lok Sabha. She announced the launch of a new personal income tax regime which can help the middle-class save taxes.

The Central Board of Direct Taxes (CBDT) issued a circular on April 13, directing all employers to obtain a declaration from employees if they wish to opt for the new tax regime.
Under the new tax regime, there are 7 income slabs.

The Union Budget earlier this year had offered an individual the choice of paying tax under the new tax structure with lower rates but foregoing deductions or continue paying tax under the existing tax laws and claiming the applicable exemptions.

Income-tax rates under the new tax regime v/s the old tax regime

Income slabs (Rs)	Tax Rate(Old Regime)	Tax Rate(New Regime)
Up to 2.5 lakh	Nil	Nil
2.5-5 lakh	5%	5%
5-7.5 lakh	20%	10%
7.5-10 lakh	20%	15%
10-12.5 lakh	30%	20%
12.5-15 lakh	30%	25%
Above 15 lakh	30%	30%

Note: The above rates are subject to surcharge and cess, as applicable.

Which Exemptions And Deductions Are Allowed And Which Have Been Removed?

Exemptions means the taxpayer is free from the tax burden on certain incomes. For example, you do not have to pay tax on income from agriculture.

Deduction means removing certain investments and expenditures the taxpayer makes and then calculating the gross income. For example, if you pay Rs. 20,000 as health insurance premium, you can deduct this amount from your total income.

Removed	Retained
Leave Travel Allowance	Income from Life Insurance
House rent allowance	Agricultural Income
Standard deduction of Rs 50,000	Standard deduction on rent
Entertainment allowance deduction	Retrenchment compensation
Professional tax	Leave encashment on retirement
Deductions under Chapter VI-A*	VRS proceeds upto Rs 5 lakhs
	Death cum retirement benefit
	Money received as scholarship for education

*(80C,80D, 80E,80CCC, 80CCD, 80D, 80DD, 80DDB,, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc.) (Except, deduction under Section 80CCD(2)—employers contribution to NPS, and Section 80JJA)

Which tax regime is beneficial?

Both systems have their own sets of pros and cons. The old system has many exemptions and deductions under numerous sections. On the other hand, the new system gives people more flexibility and tries to simplify the process. If your taxable income is below 5 lakhs or above 15 lakhs, then tax rates are same in both; hence the older regime that allows exemptions is more suited. Out of all the exemptions that have been removed, check how many are applicable for you and how much money you can save by opting for those. This will help you in the next step. Based on your net taxable income post exemptions/deductions, calculate total income tax under old as well as new regime.

Let’s take three examples with different scenarios to see how deductions and exemptions or lack of them will impact taxes in both regimes.

Scenario 1: Assessee claiming few exemptions and deductions

A is a bank employee who earns Rs 8 lakh a year. Being salaried, he contributes towards EPF and also gets HRA benefits in his salary as he is living on rent. Apart from this, he is eligible for LTA and this year, he incurred Rs 25,000 on his travelling and will be claiming it. Due to his family obligations, he is not able to save anything beyond his EPF contribution.
Let’s see which tax regime will save more taxes for him.

Income Tax Calculation		
	Old Tax Regime (₹)	New Tax Regime (₹)
a) Annual Income	8,00,000	8,00,000
b) Standard Deduction	-50,000	
c) EPF Contribution (Section 80C)	-25,000	
d) HRA	-30,000	
e) Leave Travel Allowance	-25,000	
f) Total (Deduction & Exemption)	1,30,000	
Net Taxable Income (a-f)	₹6,70,000	₹8,00,000

Tax Slab	Old Rates	New Rates	Tax (Old)	Tax (New)
0 – 2,50,000	0%	0%		
2,50,000 – 5,00,000	5%	5%	12,500	12,500
5,00,000 – 7,50,000	20%	10%	34,000	25,000
7,50,000 – 10,00,000	20%	15%		7,500
10,00,000-12,50,000	30%	20%		
12,50,000 – 15,00,000	30%	25%		
15,00,000 & above	30%	30%		
Total taxes			46,500	45,000
Cess			1,860	1,800
Total tax need to pay			48,360	46,800

As you can see, A will save more taxes in the new tax system, with tax burden going down by **Rs 1,560**

Scenario 2: Assessee claiming all major exemptions and few deductions

B, an IT professional, earns Rs 13 lakh a year. Being salaried, he contributes towards the EPF. Also, he has invested Rs 40,000 in Tax saving mutual fund (ELSS) and purchased a term life insurance with a coverage of Rs 1 crore. For this, he has paid a premium of Rs 10,000. Moreover, he is also eligible to claim tax exemption for Rs 30,000 in HRA , Rs. 20,000 in LTA, and Rs 26,400 for Sodexo meal coupons respectively in his taxable income.

Now, let's see how his tax liability changes in either of the tax structure

Income Tax Calculation		
	Old Tax Regime (₹)	New Tax Regime (₹)
a) Annual Income	13,00,000	13,00,000
b) Standard Deduction	-50,000	
c) Section 80C	-75,000	
d) HRA	-30,000	
e) Sodexo (Meal Coupons-2200*12)	-26,400	
f) Leave Travel Allowance	-20,000	
g) Total (Deduction & Exemption)	2,01,400	
Net Taxable Income (a-g)	₹10,98,600	₹13,00,000

Tax Slab	Old Rates	New Rates	Tax (Old)	Tax (New)
0 – 2,50,000	0%	0%		
2,50,000 – 5,00,000	5%	5%	12,500	12,500
5,00,000 – 7,50,000	20%	10%	50,000	25,000
7,50,000 – 10,00,000	20%	15%	50,000	37,500
10,00,000-12,50,000	30%	20%	29,580	50,000
12,50,000 – 15,00,000	30%	25%		12,500
15,00,000 & above	30%	30%		
Total taxes			1,42,080	1,37,500
Cess			5,683	5,500
Total tax need to pay			1,47,763	1,43,000

As you can see, in this case too, the new tax system works better. In fact, in the old tax regime, B will end up paying **Rs 4,763** more in taxes. However, that doesn't mean he should stop investing or stop his term insurance policy. Tax benefits should not be seen as an advantage and the primary reason to invest or buy insurance.

Scenario 3: Someone availing all major exemptions and deductions

For this instance, let's take an example of C, who earns Rs 20 lakh annually. He avails the full Rs. 1.5 lakh limit of Section 80C through a combination of contribution to EPF and ELSS mutual funds. Besides this, he bought health insurance for which he paid a premium of Rs 25,000 that he claims as tax deduction under Section 80D. Also, to save more taxes from his salary, he made additional investments of Rs 30,000 in NPS. Similar to A, he also claimed a LTA amount of Rs 25,000, which is tax exempted.

Now let's see which tax regime will give more money in his hand.

Income Tax Calculation		
	Old Tax Regime (₹)	New Tax Regime (₹)
a) Annual Income	20,00,000	20,00,000
b) Standard Deduction	-50,000	
c) Section 80C (EPF +ELSS Mutual fund)	-1,50,000	
d) HRA	-50,000	
e) Health Insurance	-25,000	
e) Leave Travel Allowance	-25,000	
e) NPS 80CCD (1B)	-30,000	
f) Total (Deduction & Exemption)	3,30,000	
Net Taxable Income (a-f)	₹16,70,000	₹20,00,000

Tax Slab	Old Rates	New Rates	Tax (Old)	Tax (New)
0 – 2,50,000	0%	0%		
2,50,000 – 5,00,000	5%	5%	12,500	12,500
5,00,000 – 7,50,000	20%	10%	50,000	25,000
7,50,000 – 10,00,000	20%	15%	50,000	37,500
10,00,000- 12,50,000	30%	20%	75,000	50,000
12,50,000 – 15,00,000	30%	25%	75,000	62,500
15,00,000 & above	30%	30%	51,000	1,50,000
Total taxes			3,13,000	3,37,500
Cess			12,540	13,500
Total tax need to pay			3,26,040	3,51,000

In this case, the old tax slab works better. It will result in lower taxes with the difference of **Rs 24,960**

When to make the choice

Individuals not having business income shall be given choice to select between old or new scheme each year, and thus, may exercise the more beneficial option after careful evaluation each year. However, for individuals having business income, option once exercised shall be final. Salaried individuals are granted an option to choose between old and new scheme at the time of making their tax declaration to employer for the purpose of TDS. Having said that, even if any individual chooses one option at the time of making declaration to employer for TDS, he is free to change the option and select another one, at the time of filing the ITR.

Central Board of Direct Tax (CBDT) has issued circular in this regard to provide the clarification that an employee, having income other than business income and willing to opt for new tax regime may intimate his deductor(employer) about exercising the option in each year and deductor may deduct his/her tax according to new tax regime. Further, in case no declaration given by employee, then employer can deduct TDS as per old tax regime.

Employer can Receive a simple application from employees liable for TDS as a confirmation about new or old tax slab rate. (Application format is given as Anneuxre-1). It has to be obtained together with income declaration from the employee.

Anneuxre-1
Format of declaration u/s 115BAC:

From,

____

(Name and address of Employee)

To,

HR Payroll

_____________________(Company Name)

Address of Company

Subject: Declaration u/s 115BAC for opting old tax regime/ new tax regime under Income Tax Act for computation of TDS on salary

Dear HR Pay roll,

I ____________________(Name of employee) hereby declare that I want to opt for _________________(old tax regime/ new tax regime) under Income tax act for computation of TDS on salary. I also know that if I opt for new tax regime than I will have to forgo all the deduction under the Income tax act and pay taxes as per the new slab rates notified by the Finance Act 2020. Whereas if I opt for old tax regime than I will have get benefit of all the deduction under the Income tax act and pay taxes as per the old slab rates notified by the Finance Act 2020.

Please consider this declaration and calculate and deduct the TDS.

Yours sincerely,

___________________(Name of employee)

____

(Signature)

IMPACT OF COVID-19 PANDEMIC ON FINANCIAL REPORTING.

Gayathri Sundarrajan
Article Assistant

INTRODUCTION

The COVID-19 Pandemic had created a significant impact on global trade and economy with consequential impact on Global and Indian Markets. There is a great deal of uncertainty as to how the COVID-19 situation will continue to evolve and the scenario is dynamic. The uncertainty arises primarily because of interruption in production, supply chain, unavailability of personnel, closure of facilities / offices due to the rapid outbreak of COVID-19, decline in demand, liquidity, business continuity issues, etc. This document provides advisory to the Management related to key issues pertaining to Financial Reporting that may arise on account of this Pandemic.

The Management must carefully evaluate the unique circumstances prevailing at the time of preparation of Financial Statements giving regards to the concepts of Accounting Standards and IND AS Requirements

ACCOUNTING REQUIREMENTS:

As the Covid-19 outbreak is rapidly spreading in India, specifically at the year end, Business entities would be indulging in efforts to mitigate the impact of this catastrophe on their operations. The financial reporting impacts of the COVID-19 outbreak will depend on facts and circumstances, including the degree to which a company's operations are exposed to the impacts of the outbreak. Some of the key accounting and financial reporting considerations for the companies are explained below.

It is pertinent to note that, even though the Accounting Standards (AS) and Indian Accounting Standards (IND AS) have their own similarities and differences, both suffers the same level of impact on account of COVID-19,unless otherwise mentioned.

1) GOING CONCERN ASSESSMENT:

AS-1 & IND AS 1:

The Standard instructs to follow a uniform approach for better understanding of the financial statements & to enhance meaningful comparison between the financial statements of different organizations. It lays down the fundamental accounting assumptions such as, Accrual, Going Concern & Consistency.

Going Concern- Fundamental Accounting Assumption

The Financial statements are normally prepared on the assumption that an entity is a going concern and will continue its operation for the foreseeable future. Management of the entity should assess the impact of COVID-19 and the measures taken on its ability to continue as a going concern.

How to assess Going Concern?

GOING CONCERN ASSESSMENT

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Management is responsible for ascertaining the going concern assumption while preparing the Financial Statements

ASSESS THE IMPACT OF COVID-19

Entities should assess the impact of COVID-19 and the measures taken, on its ability to continue as a going concern

IMPACT OF COVID-19 AFTER THE REPORTING DATE

If Management after the reporting date either intends to liquidate the entity or to cease trading then the financial statements should not be prepared on going concern basis.

DISCLOSURES

Necessary disclosures shall also be made, such as material uncertainties that might cast significant doubt upon an entity's ability to continue as a going concern, if any.

Scenario 1	When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis
Scenario 2	In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate

How management should update or change its assessment of the entity's ability to continue as a going concern from previous periods in the current situation?

The following sources of information may provide evidence to assess the reasonableness of the assumptions used:

- Industry & Analyst reports
- Data from the World Health Organization (WHO) or local institutions about the expected progression of the COVID-19 outbreak in the countries.
- Data from governmental sources about the severity and estimated duration of the economic downturn and actions the government may take to mitigate the effects.

DISCLOSURE REQUIREMENTS

Sources to estimate uncertainty under IND AS 1 - Many Uncertainties about the likely future scenarios which may affect the estimation of amounts recognized in the balance sheet as of reporting date

Breach of Loan Covenants - Including classification of liabilities into current and non-current. Instances of Breach of Loan Covenants which may trigger the liability becoming due for payment and liability becoming current

Comparative Information - Consider making adequate disclosures and explanatory notes regarding the impact of COVID-19 on its Financial position, performance and Cash flows

2) VALUATION OF INVENTORIES

AS- 2 & IND AS-2

Valuation Methodology -The closing inventory has to be realized at Cost / Net Realizable Value whichever is lower

COVID-19 IMPACT:

Due to the increasing severity of COVID –19, it could be more probable that the Net Realizable Value of the Inventory items may become lower than the cost due to the ongoing disruption in the supply chain, reduction in sales price or obsolescence of inventory. Thus, the management may require to write off the inventory to the extent of the NRV has to be made in the current year's P&L Statement

Measurement of Inventory	**Allocation of fixed production overheads** 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
	NRV Consideration It might be necessary to write down inventories to net realizable value due to: * Reduced movement in inventory * Decline in selling prices * Inventory Obsolescence due to lower expected sales
	Disclosure Assess the significance of any write-downs and need to make disclosures

3) POST BALANCE SHEET EVENTS

AS-4 & IND AS 10

- It defines the Circumstances when an entity should adjust its financial statements for events after the reporting period;
- The Disclosures which an entity has to give about the date when the financial statements were approved for issue and about events after the reporting period;

COVID-19 IMPACT

Disclose significant recognition &measurement uncertainties

- Entities must disclose significant recognition and measurement uncertainties that might have been created by the outbreak of the COVID -19 in measuring various assets and liabilities

Disclose how they have dealt with the impact

- They should also disclose how they have dealt with the impact of COVID -19 on the financial position and financial performance of the entity

4) REVENUE :

AS-9 & IND AS 115

It prescribes the accounting treatment of revenue arising from certain types of transactions and events. Revenue is income that arises in the course of ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends and royalties. Revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

COVID-19 IMPACT

- Entities may have postponed recognition of revenue due to significant uncertainty of collection in view of the impact of COVID-19

- Disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

5) PROPERTY, PLANT AND EQUIPMENT.

AS-10 & IND AS 16

To prescribe the accounting treatment for properties, P&E (Plant and Equipment) so that the users of financial statements could recognize and appreciate the information about the investment made by any enterprise in property, P&E and the also understand the changes made in such investments.

COVID-19 IMPACT:

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.
- Further, COVID-19 impact affects the expected useful life and residual life of PPE also.

Consideration:

The management may review the residual value and the useful life of an asset due to COVID 19 and, if expectations differ from previous estimates, it is appropriate to account for the change(s) as an accounting estimate. **(AS-5 & IND AS 8)**

6) IMPAIRMENT OF NON FINANCIAL ASSETS

AS 28 & IND AS 36

Ind AS 36 Impairment of Assets, and AS 28 Impairment of Assets, require an entity to assess, at the end of each reporting period, whether there is any indication that non-financial assets may be impaired. The impairment test only has to be carried out if there are such indications. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

COVID-19 IMPACT :

It is necessary to test the Assets for impairment as there may be a situation where it is difficult to account for the ability of an asset to generate cash flows in the future due to events such as temporary ceasing of operations and an immediate decline in demand or prices.

Procedures to be adopted.

1. Assess	Entity to assess, whether there is any indication that non-financial assets may be impaired. The impairment test has to be carried out ONLY if there are such indications
2. Recoverable amount	If any such indication exists, the entity shall estimate the recoverable amount of the asset
3. Observe if any decline in demand or price exist	Due to COVID 19, there might be temporary ceasing of operations or an immediate decline in demand or prices resulting in lowering of revenues and profitability and reduced economic activity.
4. Indicators requiring impairment testing	Management may consider these factors as indicators requiring impairment testing
5. Annual Impairment Testing	For indefinite useful life intangible asset or an intangible asset not yet available for use and goodwill, Ind AS 36 requires an annual impairment testing

6. Impairment Testing of Goodwill and indefinite useful life intangible assets	There could be an indicator that impairment testing of goodwill and indefinite useful life intangible assets are tested as of reporting date even if the entity follows other annual testing cycle as per Ind AS 36.
7. Estimate the recoverable amount	An entity needs to estimate the recoverable amount of the asset for impairment testing
8. Applicability of Accounting Estimates	Where the recoverable amount is estimated based on value in use, the considerations on Accounting estimates apply.

For example, an entity has done an Impairment Testing on 31st Jan, 2020 and no impairment was found as on that date. After then, some significant changes in the Macro economic conditions (eg.COVID-19) were identified. Then in such a case, these assets **(mentioned in point-5)** should compulsorily be tested as on the Balance sheet date irrespective of the testing done on 31st Jan,2020

7) PROVISIONS,CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

AS-29 & IND AS-37:

The objective of this standard is to ensure that appropriate recognition and measurement criteria are met for identification, measurement & disclosure of the provisions and contingent liabilities in the financial statements.

COVID-19 IMPACT:

Onerous Contracts (including Executory Contracts) - As a result of COVID - 19, some contracts may become onerous for reasons such as increase in cost of material/ labour, etc. Test for impairment before a liability for an onerous contract is recognized. Losses from imposition of penalty due to delay in supply of goods, may need to be considered. If the management is unable to assess whether some of the executory contracts are onerous due to inadequacy of information, the same should be disclosed.

Contingent Assets – Insurance Claims Entities may have insurance policies that cover loss of profits due to business disruptions due to events like COVID-19. Entities claims on insurance companies can be recognized only if the recovery is virtually certain i.e. the insurance entities have accepted the claims

Recognition of Provisions - Provisions for future operating costs or future business recovery costs should not be made. An entity should however, disclose the nature of the obligation and the expected timing of the outflow of economic benefits

Companies would have accounted for some percentage of their accounts receivables as bad debts. Given the current scenario, there is a possibility of delay or failure to repay from Debtors. In such case, Companies need to figure out an additional provision for bad debts

CONCLUSION:

It is important to remember that this situation is dynamic, and so it becomes necessary to keep the assessments up to date. It is crucial to ensure that all the judgements made are current and are based on the information available at the latest date possible (i.e. the date on which the financial statements are authorised and approved). The Management has to ensure due care in this Scenario.

Since the Management and Auditors both have a public interest obligation to report financial statements in accordance with high professional standards and ethical requirements, their role will remain quite critical. There should not be any non-compliance in spite of the challenges and uncertainties posed by COVID-19 and this is the situation that requires more strict compliance to the Standards and Disclosure requirements to have fair presentation of the Financial Statements.

SEZ Meaning, Incentives & Relaxations during pandemic

Sai Sagar
Article Assistant

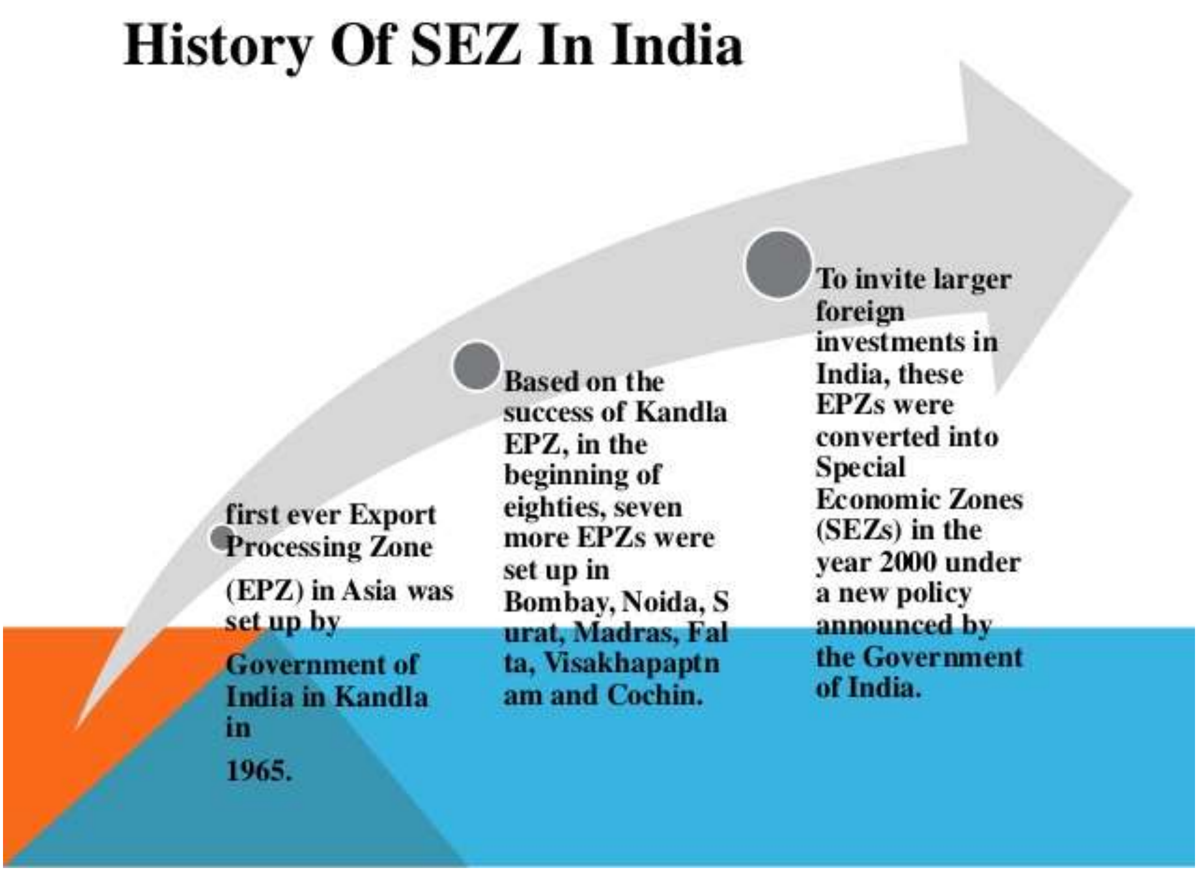
Special Economic Zone:

A Special Economic Zone (SEZ) is a geographical region in a country that is subject to unique economic regulations that differ from other regions of the same country. SEZs are located within a country's national borders, and their aims include increased trade balance, provide employment, increased investment and effective administration. SEZs was introduced to provide an internationally competitive and hassle-free environment for the exports. SEZ Regulations are tend to be conducive to FDI.

SEZ Introduction in INDIA:

- The Special Economic Zone policy was announced in April 2000 with a view to overcome the shortcomings on account of multiplicity of controls and clearances absence of world class infrastructure and an unstable fiscal regime and with a view to attract larger foreign investments in India.

- After meetings were held by minister of commerce and industry and SEZ Act was passed by parliament in **May 2005** and the president assent was received **23rd June 2005**. Finally, SEZ act supported by SEZ Rules came into effect from **10th Feb 2006.** SEZs is a designated duty-free enclave to be treated as a territory outside the customs territory of India for the purpose of trade operations duties and tariff.



Main Objectives of SEZ Act:

- generation of additional economic activity
- promotion of exports of goods and services
- promotion of investment from domestic and foreign sources
- creation of employment opportunities
- development of infrastructure facilities

Incentives and facilities to units in SEZ:

1. Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units. No routine examination by customs authorities of export/import cargo

2. SEZ Developers /Co-Developers and Units enjoy Direct Tax and Indirect Tax benefits as prescribed in the SEZs Act, 2005.

3. Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.

4. Single window clearance for Central and State level approvals.

5. Supplies to SEZ s are Zero rated under IGST act 2017.

6. No licence required for import made under SEZ units.

7. 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.

8. Facilitated to retain 100% in foreign currency in EEFC (Exchange Earners Foreign Currency) Account

Approval mechanism for setup of SEZ:

The developer submits the proposal for establishment of SEZ to the concerned state government and the state government forwards the proposal with its recommendation within 45days from the date of receipt of such proposal to the Board of Approval. The applicant also has the option to submit the proposal directly to the Board of Approval.

SEZs-Relaxations during pandemic:

- **Manufacturing and industrial** establishments functioning in Special Economic Zones (SEZ) and Export Oriented Units (EOU), industrial estates and industrial townships have been allowed to resume operations after 20th April 2020.
- The transportation of workers shall be arranged by the employers in dedicated transport by ensuring social distancing.
- The last date to commence operations falling due between 20th March 2020 to 29th June 2020 for claiming deduction U/S 10AA of IT Act has been extended to 30th June 2020
- Due date for filing of Quarterly Progress Report (QPR) duly authorized by Independent chartered Engineer, by SEZ developer for the quarter ending 31st March 2020 has been extended to 30th June 2020.
- Relief measures with regard to lease rent for SEZs. It has been announced that there shall be no increase in lease rents for SEZs for the FY2020-21.
- Payment of lease rent for the first quarter to be deferred to 31st July 2020
- RBI has released a notification dated 31st March 2020 extending the time limit for realization of export proceeds against the export of goods or services from 9 months to 15 months.
- Relaxations provided by RBI with respect to delay/postponement of orders faced by exporters. RBI has decided to increase the maximum permissible period of pre shipment and post shipment export credit sanctioned by banks from one year to 15 months, for disbursements made up to 31st July 2020

Direct Tax Legal updates

In view of the challenges faced by taxpayers in meeting the statutory and regulatory compliance requirements across sectors due to the outbreak of Novel Corona Virus (COVID-19), the Government has issued a Notification on 24th June, 2020 extended Various Time Limits.

Nature of Compliance	Existing Due Date	Revised Due Date
Tax Returns		
Belated Return and Revised Return of Income for AY 2019-20	30-06-2020	31-07-2020
Original Tax Returns for AY 2020-21 for non-audit cases	31-07-2020	30-11-2020
Original Tax Returns for AY 2020-21 for Audit cases	31-10-2020	30-11-2020
Original Tax Returns for AY 2020-21 for Transfer Pricing cases	30-11-2020	30-11-2020
TDS / TCS Process		
eTDS / TCS Return for (Q4) of FY 2019-20	30-06-2020	31-07-2020
eTDS / TCS Return for (Q1) of FY 2020-21	31-07-2020	31-03-2021
eTDS / TCS Return for (Q2) of FY 2020-21	31-10-2020	31-03-2021
TDS Statements for payments covered by Sec. 194-IA / 194-IB / 194M for the month of February or March 2020	30-06-2020	31-07-2020
TDS Statements for payments covered by Sec. 194-IA / 194-IB / 194M for the month of April to Nov 2020.	30days from the month on which tax is deducted	31-03-2021
Issuance of Form 16 for FY 2019-20	30-06-2020	15-08-2020
Issuance of Form 16A for (Q4) of FY 2019-20	30-06-2020	15-08-2020
Issuance of Form 16B/16C/16D for February and march 2020	30-06-2020	15-08-2020
Issuance of TCS Certificates for (Q4) of FY 2019-20	30-06-2020	15-08-2020
Tax Audit and other Reports		
Tax Audit u/s. 44AB for AY 2020-21	30-09-2020	31-10-2020
Country by Country Report in Form 3CEAD for Financial Year ending on March 31, 2019	30-06-2020	31-03-2021
Country by Country Report in Form 3CEAD for Financial Year ending on December 31, 2019	31-12-2020	31-03-2021

Nature of Compliance	Existing Due Date	Revised Due Date
Other Compliances		
Investment for claiming benefit of exemption from Capital Gains u/s 54 to54GB	30-06-2020	30-09-2020
Making investment / payments for claiming deductions u/s 80C to 80GGC [LIC, PPF, Mediclaim, NPS, Donation, etc.]	30-06-2020	31-07-2020
Beginning of manufacture or production of articles or things or providing any services referred to in section 10AA of the Act, in a case where Letter of Approval has been issued on or before 31 March 2020	30-06-2020	30-09-2020
Linking of Aadhar with PAN	30-06-2020	31-03-2021
Vivad Se Vishwas		
Vivad Se Vishwas- Filing of Declaration& Payment of Tax without additional payment	30-06-2020	31-12-2020
Assessment & Appeals		
Sending an Intimation u/s 143(1) after processing of return of income if the return is filed during the FY 2018-19	31-06-2020	31-03-2021
Assessment u/s. 143(3)/144 for AY 2018-19 **(non-TP cases)**	30-09-2020	31-03-2021
Assessment u/s. 143(3)/144 for AY 2017-18 **(TP cases)**	31-12-2020	31-03-2021
Time limit for any of the following proceedings under Specified Acts by any Authority, Commission or Tribunal, except mentioned above (a) Completion of any proceeding (b) Passing of any order (c) Issuance of any notice, intimation, notification, sanction or approval (d) Such other action, by whatever name called	20-03-2020 to 31-12-2020	31-03-2021
Time limit for any of the following actions under Specified Acts by any Authority or Taxpayer - (a) Filing of any appeal, reply or application (b) Furnishing of any report, document, return, statement or such other record, by whatever name called	20-03-2020 to 31-12-2020	31-03-2021

1. Interest u/s 234A

The Notification also clarifies that in case of delay in filing of ITR , Interest u/s 234A would be levied for Return of Income pertaining to AY 2020-21, if filed after Original Due Date as specified in the above table. Further, no such interest would be levied if net tax payable after allowing credit of TDS, MAT credit, FTC etc. is Rs. 1 Lakh or less.

2. Reduced rate of interest of 9% for delayed payment of taxes, levies etc. as stated in the Ordinance dated 31-03-2020, would not be applicable for payments made after 30-06-2020. Hence, normal rate of interest as applicable in the relevant provisions would be levied for payment made after 30-06-2020.

3. Cost Inflation Index for the for the Financial Year 2020-21

CBDT Notifies Income Tax cost Inflation Index for the financial year 2020-21 vide Notification No.32/2020-Income Tax dated 12th June 2020 at 301. Cost Inflation Index helps taxpayers calculation his long term Capital Gain on sale of Long term Capital Assets

1.Extension of due date for filing GSTR -3B and reduced rate of interest:

FORM GSTR-3B For the Months of:-	Aggregate Turnover in the preceding F.Y. >Rs. 5 Crores		Aggregate Turnover in the preceding F.Y. < = Rs. 5 Crores		
	Late Fee	Nil Interest for first 15 days & 9 % thereafter till	No Late Fee & Nil Interest If filed within		Reduced interest @ 9 %, if filed upto
			A*	B*	
February,2020	No Late fee if filed till 24th Jun, 2020.	24th Jun, 2020	30th June,2020	30th June,2020	30th Sept,2020
March ,2020			3rd July,2020	5th July,2020	
April,2020	Late fee of Rs.500/-(Zero in case of Nil returns) if filed till 30th Sep, 2020		6th July,2020	9th July,2020	
May,2020	Late fee of Rs.500/-(Zero in case of Nil returns) if filed till 30th Sep, 2020	N.A. (Regular due date i.e 20th June, 2020)	12th Sept,2020	15th Sept,2020	
June,2020		N.A. (Regular due date i.e 20th July, 2020)	23rd Sept,2020	25th Sept,2020	
July,2020		N.A. (Regular due date i.e 20th Aug, 2020)	27th Sept,2020	29th Sept,2020	
Extension of Due Date for furnishing GSTR-3B for the month of August, 2020 for taxpayers with annual turnover up to Rs. 5 crores.:-					
August,2020	N.A. (Regular due date i.e 20th Sep, 2020)		1st October, 2020	3rd October, 2020	-

***A -** Taxpayers whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep.

***B-** Taxpayers whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi.

2.Reduction in Late Fee for past Returns:-

Late Fee for non-furnishing **FORM GSTR-3B** for the tax period from **July, 2017 to January, 2020** has been reduced / waived as under: -

FORM GSTR- 3B	Condition	Late Fee payable
For the months of :- July, 2017 to January, 2020	If furnished before 30.09.2020	Maximum late fee capped at Rs. 500/- per return if there is any tax liability
		NIL' late fee if there is no tax liability

3.Waiver of late fee for delay in furnishing FORM GSTR-1

Sl. No.	Form GSTR-1 for the Month/ Quarter	No Late Fee if filed within
1.	March, 2020	10th day of July, 2020
2.	April, 2020	24th day of July, 2020
3.	May, 2020	28th day of July, 2020
4.	June, 2020	05th day of August, 2020
5.	January to March, 2020	17th day of July, 2020
6.	April to June, 2020	03rd day of August, 2020

4. Extension of due date

Any time limit for completion or compliance of any action, by any authority or by any person, which falls during the period from the 20th day of March, 2020 to the 30th day of August, 2020, shall be extended up to the 31st day of August,2020.

5.Extension of time limit for issuance of refund order

In case where a notice has been issued for rejection of refund claim, in full or in part & where time limit for issuance of order (i.e. 60 days From receipt of application) falls during the period From 20th March 2020 to 30th August 2020 in such cases the time limit for issuance of said order shall be extended to 15 days after receipt of reply of notice from registered person or 31st day of August, whichever is later.

6.Option to file return through EVC for a corporate Tax payers

- Option has been given to companies to file GSTR-1 through EVC from 27.05.2020 to 30.09.2020
- Option has been given to companies to file GSTR-3B through EVC from 21.04.2020 to 30.09.2020

GST on Directors Remuneration

Clarification in respect of levy of GST on Director's Remuneration

Ministry of Finance has recently issued a circular on applicability of GST on Director's remuneration in the light of recent orders of the various AAR where the benches interpreted the issue from a different perspective.

The issue of remuneration to directors has been examined under following two different categories:

1. Remuneration paid to the independent directors or those directors who are not the employees of the company

In respect of such directors who are not the employees of the said company, the services provided by them to the Company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable. The recipient of the said services i.e. the Company, is liable to discharge the applicable GST on it on reverse charge basis.

2. Remuneration paid by companies to the whole-time directors including managing director who are employees of the said company

Whether a director, irrespective of name and designation, is an employee, and all the activities performed by the director are in the course of employer-employee relation (i.e. a "contract of service") or is there any element of "contract for service". On the basis of the contractual relationship of master and servant with the company, i.e. under a contract of service (employment) entered into with the company.

i. The part of Director's remuneration which are declared as "Salaries" in the books of a company and **subjected to TDS under Section 192** of the IT Act, are **not leviable to tax under GST**, being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III of the CGST Act, 2017

ii. The part of employee Director's remuneration which is declared separately other than "salaries" in the Company's accounts and **subjected to TDS under Section 194J** of the IT Act as Fees for professional or Technical Services shall be treated as consideration for providing services which are outside the scope of Schedule III of the CGST Act, and is therefore, taxable and **GST is liable to be paid**. Further, the recipient of the said services i.e. the Company, is liable to discharge the applicable GST on it **on reverse charge basis**.

Extension of time limit for companies to conduct Board Meetings and EGMs via Video Conferencing or other Audio- Visual means under Rule 4 of the Companies Act, 2013

MCA vide Notification dated June 23, 2020, amended Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014, and extended the time period for convening of Board Meeting through video conferencing or other audio visual means for approval of Annual Financial statements, Board's Report, Prospectus, matters relating to merger, demerger, acquisition and takeover, the Audit Committee Meetings for consideration of Financial Statements including Consolidated

Financial Statements from June 30 to September 30, 2020.

Relaxation of time for filing forms related to creation or modification of charges a

The companies are required to file forms related to creation or modification of charges within the timelines of 120 days from the creation or modification of charge. On account of the pandemic caused by the COVID-19, the benefit of waiver of additional fees was extended to the charge related documents. This will be applicable for the Form No. CHG-1 and CHG-9 by a company or a charge holder, where the date of creation/modification of charge is before 01.03.2020, but the timeline for filing such form had not expired under section 77 of the Act as on 01.03.2020 or falls on any date between 01.03.2020 to 30.09.2020 (both dates inclusive).

SEBI – Legal updates

Extension of time for submission of financial results of year ending 31-03-2019 for Listed Companies

In furtherance of the SEBI Circulars dated March 19, 2020 and March 23, 2020, SEBI vide Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/106 dated June 24, 2020 extended timeline for submission of Financial Results for the quarter and year ending March 31, 2020 under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) [SEBI (LODR)] Regulations, 2015, from June 30, 2020 to July 31, 2020 and timeline for submission of Half Yearly and Annual Financial Results for the period ending March 31, 2020 for entities that have listed Non - Convertible Debentures, Non- Convertible Redeemable Preference Shares etc under Regulation 52 of SEBI (LODR) Regulations, 2015 is also extended to July 31, 2020.

MSME – Legal updates

A micro, small and medium enterprise (MSME) will now be known as **Udayam** as per the notification issued by the Ministry of MSME on 26 June 2020. The ministry has also produced detailed criteria for the classification of MSMEs, the procedure for registration and the arrangements made by the ministry for facilitation the following process :

- Composite criteria of investment and turnover for classification,
- Calculation of investment in plant and machinery or equipment,
- Calculation of turnover,
- Registration process,
- Registration of existing enterprises,
- Updating of information and transition period in classification,
- Facilitation and grievance redressal of enterprises.

- **Classification of Enterprise :** An enterprise shall be classified as Micro, Small and medium enterprise based on the following criteria, namely –
  - **Micro :** Investment in P&M does not exceed Rs.1 Cr and turnover does not exceed Rs. 5 Cr.
  - **Small :** Investment in P&M does not exceed Rs.10 Cr and turnover does not exceed Rs. 50 Cr.
  - **Medium :** Investment in P&M does not exceed Rs.50 Cr and turnover does not exceed Rs. 250 Cr.

- **Becoming a Micro, Small and Medium Enterprise :** Any enterprise who intends to establish a micro small or medium enterprise may file Udyam Registration online in the Udyam Registration portal, based on self-declaration with no requirement to upload documents, papers, certificates or proof.

- **Composite criteria of investment and turnover for classification :**
  - If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category.
  - All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values will be considered for deciding the category as micro, small or medium enterprise.

- **Calculation of investment in plant and machinery or equipment :**

    - The calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961.
    - In case of a new enterprise, where no prior ITR is available, the investment will be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.
    - The expression Plant & Machinery or equipment of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).
    - The purchase (invoice) value of a plant and machinery or equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.

- **Calculation of turnover :** Exports of goods or services or both, shall be excluded while calculating the turnover, Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN. The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

Registration process :

- The Registration application is available at
- There will be no fee for filing Udyam Registration.
- Aadhaar number shall be required for Udyam Registration, The Aadhaar number shall be of the proprietor in the case of a proprietorship firm, of the managing partner in the case of a partnership firm and of a karta in the case of a Hindu Undivided Family (HUF).
- In case of a Company or a Limited Liability Partnership or a Cooperative Society or a Society or a Trust, the organization or its authorized signatory shall provide its GSTIN and PAN along with its Aadhaar number.
- In case an enterprise is duly registered as an Udyam with PAN, any deficiency of information for previous years when it did not have PAN shall be filled up on self-declaration basis.

Registration of existing enterprises :

- All existing enterprises registered under EM-Part-II or UAM shall register again on the Udyam Registration portal on or after the 1st day of July, 2020.
- All enterprises registered till 30th June, 2020, shall be re-classified in accordance with this notification.
- The existing enterprises registered prior to 30th June, 2020, shall continue to be valid only for a period up to the 31stday of March, 2021.

Updation of Information and Transition period in classification :

- An enterprise having Udyam Registration Number shall update its information online in the Udyam Registration portal, including the details of the ITR and the GST Return for the previous financial year and such other additional information as may be required, on self declaration basis.

- Failure to update the relevant information within the period specified in the online Udyam Registration portal will render the enterprise liable for suspension of its status.
- The classification of the enterprise will be updated based on the information gathered from Government sources including ITR, GST returns.
- In case of graduation (from a lower to a higher category) or reverse-graduation (sliding down to lower category) of an enterprise, a communication will be sent to the enterprise about the change in the status.

Facilitation and grievance redressal of enterprises :

- Any person who is not able to file the Udyam Registration for any reason including for lack of Aadhaar number, may approach Single Window facilitation systems in their districts for Udyam Registration purposes with his Aadhaar enrolment identity slip or copy of Aadhaar enrolment request or bank photo pass book or voter identity card or passport or driving license and the Single Window Systems will facilitate the process including getting an Aadhaar number and thereafter in the further process of Udyam Registration.

- In case of any discrepancy or complaint, the General Manager of the District Industries Centre of the concerned District shall undertake an enquiry for verification of the details of Udyam Registration submitted by the enterprise and thereafter forward the matter with necessary remarks to the Director or Commissioner or Industry Secretary concerned of the State Government who after issuing a notice to the enterprise and after giving an opportunity to present its case and based on the findings, may amend the details or recommend to the Ministry of Micro, Small or Medium Enterprises, Government of India, for cancellation of the Udyam Registration Certificate.

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