



NEWS CHRONICLE

October, 2016

Stay Connected with Acquisory





DISCLAIMER

All rights reserved. No part of this news chronicle may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means without the prior permission in writing of *Acquisory Consulting LLP* or as expressly permitted by law. Enquiries concerning the reproduction outside the scope of the above should be sent to the relevant department of Acquisory Consulting LLP, at the address mentioned therein below.

The readers are advised not to circulate this News Chronicle in any other binding or cover and must impose this same condition on any acquirer.

For internal circulation, information purpose only, and for our clients, associates and other consultancy firms.

Readers shall not act on the basis of the information provided in the News Chronicle without and seeking legal advice.

*“We care more than others think is wise....
We dream more than others think is practical....
We expect more than others think is possible....”*

Editor: Sunaina Jhingan

(Knowledge Manager with Acquisory)



CONTENT

ARTICLES

<u>REAL ESTATE ASSET MANAGEMENT – A PARADIGM SHIFT IN INDIAN INVESTMENT MARKET</u>	5
---	----------

<u>REAL ESTATES RULES TIGHTENED – A CHECK ON THE REAL ESTATE MARKET</u>	8
--	----------

<u>NEWS UPDATES</u>	12
----------------------------	-----------

<u>CORPORATE</u>	12
-------------------------	-----------

<u>RESERVE BANK OF INDIA (RBI)</u>	12
---	-----------

<u>MINISTRY OF CORPORATE AFFAIRS (MCA)</u>	17
---	-----------

<u>SECURITIES EXCHANGE BOARD OF INDIA (SEBI)</u>	19
---	-----------

<u>TAXATION</u>	22
------------------------	-----------

<u>OTHERS</u>	25
----------------------	-----------



HIGHLIGHTS

Article

Real Estate Asset Management – A paradigm shift in Indian Investment Market

The Article Highlights about the meaning of term Asset management and how the Indian Investment Market is open to Asset Management/Investment Management.

Investment Management is the professional management of various securities (shares, bonds and other securities) and assets (real estate) to meet specified investment goals for the benefits of the investors. The asset management industry in India is among the fastest growing in the world. The country's financial services sector consists of the capital markets, insurance sector and non-banking financial companies (NBFCs).

Real Estates Rules Tightened – A Check on the Real Estate Market

The recent notified Real Estate Rules have been briefly described in this Article. Mainly captures the major enactments of the Real Estate (Regulation and Development) (General) Rules, 2016. 70% Of Unused Amounts Collected For Ongoing Projects To Be Kept In A Separate Bank Account, Promoters To Declare Original Sanctioned Plans, Changes Made Later, Fresh Timeline For Completion of Ongoing Projects Registration of Projects With Regulatory Authorities Incentivized By Reducing Fee Substantially, Interest To Be Paid Both By Promoters and Allottees Is SBI Marginal Cost Lending Rate Plus 2%, Promoters to Make Public A Host of Information And Report Quarterly Progress To Enable Informed Decisions By Buyers.

Legal Updates

Review of sectoral caps and simplification of Foreign Direct Investment (FDI) Policy – RBI in the recent Circular has provided the salient features of the amendments made regarding the changes made with respect to Sectoral caps and FDI Policy.

Foreign investment in Other Financial Services - RBI through its Circular dated 20th October, 2016 has decided to allow foreign investment up to 100% under the automatic route in 'Other Financial Services'.

External Commercial Borrowings (ECB) by Startups – RBI through its Circular dated 27th October, 2016 has given permission to AD Category-I banks to allow Startups to raise ECB under the specified framework as provided under the Circular.

Extension of last date of filing Annual ROC Form to 29.11.2016 – Ministry of Corporate Affairs (MCA) through its circular dated 27th October, 2016 has decided to extend the last date of filing financial statements and annual returns without payment of additional fee, till 29th November, 2016.

Freezing of Promoter and Promoter group Demat accounts for Noncompliance with certain provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015- SEBI vide Circular dated 26th October, 2016 has issued circular with regard to Freezing of promoter and promoter group Demat accounts for non-compliance with certain provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.



Real Estate Asset Management – A paradigm shift in Indian Investment Market

India was a top investment destination in the mid to late 2000's. Even after the Global meltdown of 2008 India has remained one of the top investment destination and it continues to show a vast potential for foreign investment and foreign players. India has become the fourth largest economy in the world and it has the second largest GDP (Gross Domestic Product) among developing countries in terms of purchasing power parity. By 2025 the Indian economy is projected to be about 60% of the size of the US economy. It is being observed that the transformation into a tripolar economy (US, China and India) will be complete by 2035.



Brief Background about Asset Management

Asset management is often used as the synonym of investment management or post investment management. Asset management has become a keyword for potential and enhancement of investor value.

Asset management has been further classified into different heads – Investment Management, Wealth Management, Private Wealth Management, Fixed Asset Management & IT Asset Management [Software Asset Management and Hardware Asset Management].

Real Estate Investment Management is the professional management of various asset backed investment (shares, bonds and other securities) and assets (real estate) to meet specified investment goals for the benefits of the investors in these companies or asset.

Proper investment management in real estate aims to meet investment goals for the benefit of the investors. These investors may be individual investors – referred to as private investors – who have built investment contracts with fund managers, or institutional investors who may be pension fund corporations, governments, educational establishments or insurance companies or such fund managers who manage money on behalf of pension funds, sovereign funds etc a wide range of source investing.



Investment management services provide asset allocation, financial statement analysis, stock selection, monitoring of existing investments and plan implementation. In many cases, the fiduciary responsibility is also on the Asset Manager.

Real Estate Investment Management Industry

The Industry has seen big boom with easing out norms for foreign investments in India and government regularizing the real estate sector. Running an investment management business involves hiring professional managers, running individual assets and asset classes research, dealing with marketing, settlement, preparation of reports for clients, and internal auditing.

The Investment Management involves deep understanding of the nature of each investment and the nuances thereof. Frequent and periodic update of market situations, regulatory changes, new policy enhancements to help formulate new strategies for value enhancement. The financial services firms providing Investment

Management services represent investor interest on board of investee companies. The service providers also ensure periodic and frequent monitoring of project progress about comparison of budgets and actuals, avoidance of cost overruns and MIS and cognizance of any difference w.r.t. budget.



The Investment Management Service firms also provides strategic advice about Exit Strategy formulation, advise on structure, promoter buy backs, third party strategic sales, listings and IPOs, mergers et al to optimize value of investors and shareholders; and Present all alternatives to the Invest Companies board for taking informed decisions based on prevalent situations. They ensure that investors interests are optimized without jeopardizing the relations between the investors and the investees.



Potential of Real Estate Asset Management Investment in India

The Indian real estate sector has been a major beneficiary of the strong economic growth witnessed in India since the year 2000. The growth in the sector, supported by series of reforms, has not only resulted in significant residential and commercial real estate, but also complemented the development of physical and social infrastructure of the country.

The liberal economic policies, aimed at improving private participation and opening of economy to foreign investments, adopted by the Indian Government has helped in capitalizing the strong fundamentals of the Indian economy which include young population, rising urbanization and a growing middle class population. It is seen that since the year 2000, Indian GDP has quadrupled and is expected to become the third largest economy worth USD 6.6 trillion by 2028.

The real estate sector which opened its door to foreign investors in 2005, has witnessed an inflow of about USD 10.5 billion, which is about 5 percent of the total FDI inflow since 2005. Several notable global investors have invested and exited in India over last decade. Several rounds of fund raising have been made and these investments have yielded mixed returns.

However, with the coming of foreign investments in the period commencing from 2007 to 2011 funds that have invested in the Real estate have either made exit or are on the verge of exit pressure. This has made the services of financial firms to come ahead and provide hand holding to the foreign investors to smoothly exit the investment or to protect & enhance investor's interest in case of funds which end of tenure is still some years in the future.

The Indian real estate market is expected to touch US\$ 180 billion by 2020. The housing sector alone contributes 5-6 per cent to the country's Gross Domestic Product (GDP). In the period FY2008-2020, the market size of this sector is expected to increase at a Compound Annual Growth Rate (CAGR) of 11.2 per cent. Retail, hospitality and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs.

The Indian real estate sector has witnessed high growth in recent times (last 2 years) with the rise in demand for office as well as residential spaces. Most recently Approximately USD- 3-4 bn od dedicated foreign funds have been raised by various institutions. Once deployed, across various real estate related sectors and assets these investment will also need post investment monitoring and management, Creating more opportunities for asset management firm to the add value.



Real Estates Rules Tightened – A Check on the Real Estate Market

Real Estate Rules Notified - 70% Of Unused Amounts Collected For Ongoing Projects To Be Kept In A Separate Bank Account, Promoters To Declare Original Sanctioned Plans, Changes Made Later, Fresh Timeline For Completion of Ongoing Projects Registration of Projects With Regulatory Authorities Incentivized By Reducing Fee Substantially, Interest To Be Paid Both By Promoters and Allottees Is SBI Marginal Cost Lending Rate Plus 2%, Promoters to Make Public A Host of Information And Report Quarterly Progress To Enable Informed Decisions By Buyers

Ministry of Housing and Urban Poverty Alleviation notified the much-awaited Real Estate Rules on 31st October, 2016. With the enactment of the Real Estate (Regulation and Development) Act, 2016 which was partly brought into effect on 1st May, 2016, the rules and regulations to govern such an industry was required and model regulations were circulated to give effect to the governing of the real estate market. Thus, the Real Estate (Regulation and Development) (General) Rules, 2016 have been notified as it was stipulated in the Real Estate (Regulation & Development) Act, 2016 which aims to bring transparency and set accountability in the sector. The same are applicable to the five Union Territories without Legislature viz., Andaman & Nicobar Islands, Dadra & Nagar Haveli, Daman & Diu, Lakshadweep and Chandigarh.

The Real Estate act, 2016 is a major step in protecting the interests of consumers/buyers and also protects them from various kinds of frauds being played upon by the builders and also beneficial to genuine builders and developers. The newly notified rules will bring greater transparency in builder-buyer agreements and also makes it mandatory for builders and developers for timely construction of projects and possession thereof without applying any hidden charges etc. The said Rules also stipulate that the builders shall furnish additional information regarding the ongoing projects besides depositing 70 per cent of unused funds in a separate bank account to ensure their timely completion. The developers shall also be required to refund or pay compensation to the buyers/allottees with an interest rate of State Bank of India's highest marginal cost of lending rate plus two per cent within 45 days of the payments becoming due. The new rules stipulates that the developer, within three months of applying for registration of a project with the Real Estate Regulatory Authority shall deposit in a separate bank account, 70 per cent of the amount collected and unused for ensuring completion of ongoing projects. The developers shall also have to publish all kinds of vital information in respect of the said project including status of the project with photographs floor-wise, status of construction of internal infrastructure and common areas with photos, etc.



In order to make the provisions of the said Act more effective, the Rules also provide for compounding of punishment with imprisonment for violation of the orders of Real Estate Appellate Tribunal against payment of 10 per cent of project cost in case of developers and 10 per cent of the cost of property purchased in case of allottees and agents. Compliance with reasons for punishment shall be complied within 30 days of compounding.

Under the Rules, adjudicating officers, Real Estate Authorities and Appellate Tribunals shall dispose of the complaints within 60 days. The Real Estate Regulatory Authorities have to publish on their websites the information relating to profile and track record of promoters, details of litigations, advertisement and prospectus issued about the project, details of apartments, plots and garages, registered agents and consultants, development plan, financial details of the promoters, status of approvals and projects etc. The provisions of the Act further provides that Real Estate Regulatory Authorities are required to be put in place by April 30, 2017 before full Act is brought into effect.

Briefing of Specific Rules

Regarding Ongoing Projects

The rule regarding the ongoing projects clearly specifies that the ongoing projects that have not received completion certificate in specified time, developers will have to make public the original sanctioned plans with specifications and changes made later, total amount collected from allottees, money used, original timeline for completion and the time period within which the developer undertakes to complete the project, duly certified by an Engineer/Architect/practicing Chartered Accountant. Promoter shall also declare size of the apartment based on carpet area even if it was earlier sold on any other basis.

It has also made mandatory for the developer to deposit in a separate bank account 70% of the amount collected and unused for ensuring completion of ongoing projects within three months of applying for registration of a project with the Real Estate Regulatory Authority.



Registration of Projects

It has now been notified that for registration of projects with the authorities, developers will be required to submit authenticated copy of PAN card, annual report comprising audited profit and loss account, balance sheet, cash flow statement and auditors report of the promoter for the immediate



three preceding years, authenticated copy of legal title deed, copy of collaboration agreement if the promoter is not the owner of the plot. Promoter also has to declare information regarding the number of open and closed parking areas in the project.

Promoter shall upload on the webpage of the project, within 15 days of expiry of each quarter information regarding number and type of apartments or plots, garages booked, status of the project with photographs floor-wise, status of construction of internal infrastructure and common areas with photos, status of approvals received and expected date of receipt, modifications in sanctioned plans and specifications approved by the competent authority.

The requirement of disclosing Income Tax returns proposed earlier has been withdrawn in the final Rules keeping in view the confidentiality attached with them and as pointed out by legal experts and promoters.

Registration Fees

In order to incentivize registration of projects and Real Estate Agents with Regulatory Authorities, fee for the same has been reduced by half based on suggestions from promoters for reduction of fee. For registration of projects, the fee has been reduced to Rs.5 per sq.mt for up to 1,000 sq.mt area and Rs.10 per sq.mt beyond this limit subject to a maximum of Rs.5.00 lakh per project. For commercial and mixed development projects, it will be Rs.10 and Rs.15 per sq.mt subject to a maximum of Rs.7.00 lakh. For commercial projects, it will be Rs.20 and Rs.25 subject to a cap of Rs.10 lakh per project. For plotted development, it is Rs.5 per sq.mt with a ceiling of Rs.2.00 lakhs.

A cap has been placed on the total amount of registration fee based on the suggestion of real estate bodies.

Fee for renewing registration of projects with the Regulatory Authorities would be half of the registration fees.

For registration of Real Estate Agents, fee now prescribed is Rs. 10,000 for individuals and Rs. 50,000 for other entities as against Rs.25,000 and Rs.2,50,000 proposed in the Draft Rules.

Similarly, fee for renewal of registration of projects and agents has also been reduced to Rs.5,000 and Rs.25,000 respectively.

Interest to be paid in case of delay

Developers will be required to refund or pay compensation to the allottees with an Interest Rate of SBI's highest Marginal Cost of Lending Rate plus 2%.

It is also stipulated in the rules such payment to the allottee shall be made within 45 days of it becoming due. This interest applies to payments due to the developers by the allottee which is to be paid within the period to be specified in the Agreement of Sale.



Fee for appeals and complaints

For every appeal to be made to the Real Estate Appellate Tribunal, fee proposed is Rs.5,000. For every complaint to be made to Regulatory Authorities and Adjudicating Officers, fee proposed is Rs.1,000.

Compounding of punishment

Rules provide for compounding of punishment with imprisonment for violation of the orders of Real Estate Appellate Tribunal against payment of 10% of project cost in case of developers and 10% of the cost of property purchased in case of allottees and agents. Compliance with reasons for punishment shall be complied within 30 days of compounding.

Under the Rules, Adjudicating Officers, Real Estate Authorities and Appellate Tribunals shall dispose of complaints within 60 days.

To enable informed decisions by buyers, Real Estate Regulatory Authorities shall ensure publication on their websites information relating to profile and track record of promoters, details of litigations, advertisement and prospectus issued about the project, details of apartments, plots and garages, registered agents and consultants, development plan, financial details of the promoters, status of approvals and projects etc.

Ministry of Urban Development is working on similar Rules which would be applicable for real estate sector in the National Capital Region of Delhi while the State Governments and other UTs with Legislatures are required to notify Rules for application in respective domains.

With notification of Real Estate Rules by the Ministry of Housing & Urban Poverty Alleviation, States and UTs are expected to do so soon. As per the provisions of the Real Estate (Regulation and Development) Act, 2016, Real Estate Regulatory Authorities are required to be put in place by April 30, 2017 before full Act is brought into effect, the next day.

LEGAL UPDATES

RBI



1. Import Data Processing and Monitoring System (IDPMS)

Reserve Bank of India (RBI) vide Circular No. 05 dated 6th October, 2016 has provided the details with regard to Import Data Processing and Monitoring System (IDPMS). In order to enhance ease of doing business and facilitate efficient data processing for payment of import transactions and effective monitoring thereof, Import Data Processing and Monitoring System (IDPMS) has been developed in consultation with the Customs authorities and other stakeholders.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10633&Mode=0>

2. Operating Guidelines for Payments Banks

Reserve Bank of India (RBI) vide Notification No. RBI/2016-17/80 DBR.NBD.No.25/16.13.218/2016-17 dated 6th

October, 2016 has issued operating guidelines for Payments Banks.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10635&Mode=0>

3. Operating Guidelines for Small Finance Banks

Reserve Bank of India (RBI) vide Notification No. RBI/2016-17/81 DBR.NBD.No.26/16.13.218/2016-17 dated 6th October, 2016 has issued operating guidelines for Small Finance Banks.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10636&Mode=0>

4. Revision of interest rates for Small Savings Schemes

Reserve Bank of India (RBI) vide Notification No. RBI/2016-17/82 DGBA.GAD.881/15.02.005/2016-17 dated 13th October, 2016 has provided the details with regard to revised rate of interest on various small savings schemes for the third quarter of the financial year 2016-17. As per the Notification No.5(4)-B(PD)/2016 dated October 3, 2016 of Ministry of Finance it has been notified that the deposits made under the Special Deposit Scheme for Non-Government Provident, Superannuation and Gratuity Funds, announced in the Ministry of Finance (Department of Economic Affairs)



Notification No;F.16(l)- PD/175 dated 30th June, 1975, shall with effect from 1st October, 2016 to 31 st December,2016,, bear interest at 8.0% {eight per cent} . This rate will be in force w.e.f. 1st October,2016.

5. Participation of Foreign Portfolio Investors (FPIs) in Government securities on NDS-OM platform

Reserve Bank of India (RBI) vide Notification No. RBI/2016-17/86 FMRD.DIRD.08/14.03.007/2016-17 dated 20th October, 2016 has decided to allow FPIs to trade Government securities in the secondary market through the primary members of NDS-OM including the Web-module. The primary members of NDS-OM shall be responsible for settlement of the trades, which will be on T+1 basis. This facility will become available with effect from December 1, 2016.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10646&Mode=0>

6. NDS-OM Web Module – Access to Gilt Account Holders (GAHs)

Reserve Bank of India (RBI) vide Notification No. RBI/2016-17/87 FMRD.DIRD.07/14.03.007/2016-17 dated 20th October, 2016 it has been reviewed that the access to the Web module of NDS-OM by the GAHs shall be subject to controls by the concerned PM as the PM would continue to be responsible for settlement of trades in respect of its GAHs as is the case at present. All trades executed by the GAHs on NDS-OM Web module shall be subject to the CSGL guidelines, rules, regulations, notifications and/or any other instructions issued by the Reserve Bank from time to time.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10647&Mode=0>

7. Review of sectoral caps and simplification of Foreign Direct Investment (FDI) Policy

Reserve Bank of India (RBI) vide A.P. (DIR Series) Circular No. 6 dated 20th October, 2016 has provided the salient features of the amendments made regarding the changes made with respect to Sectoral caps and FDI Policy.

Some of the Salient features are-

In all sectors where there is a limit/cap on foreign investment, such limit/cap shall be reckoned in a composite manner. In other words, "sectoral cap", i.e., the maximum amount which can be invested by foreign investors in an entity will include all types of foreign investments, direct and indirect.

"Total foreign investment" in an Indian company will be the sum total of direct and indirect foreign investments.

Portfolio investment up to aggregate foreign investment level of 49% or sectoral/statutory cap, whichever is lower, will not be subject to either Government approval or compliance with the sectoral conditions, as the case may be, provided such investment does not result in change in ownership leading to control of Indian entities by non-resident entities.

The onus of compliance with the sectoral/statutory caps on foreign investment and attendant conditions, if any, shall be on the company receiving foreign investment.

"Real estate business" shall mean dealing in land and immovable property with a view to earning profit therefrom and does not include development of townships, construction of residential / commercial premises, roads or bridges,



educational institutions, recreational facilities, city and regional level infrastructure, townships. Further, earning of rent income on lease of the property, not amounting to transfer, will not amount to “real estate business”

An entity engaged in single brand retail trading operating through brick and mortar stores, is permitted to undertake retail trading through e-commerce.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10648&Mode=0>

8. Investment by a Foreign Venture Capital Investor (FVCI) registered under SEBI (FVCI) Regulations, 2000

Reserve Bank of India (RBI) vide A.P. (DIR Series) Circular No. 7 dated 20th October, 2016 has liberalized and rationalized the investment regime for FVCIs in order to give a fillip to foreign investment in the startups.

It has now been decided that any FVCI which has obtained registration under the Securities and Exchange Board of India (FVCI) Regulations, 2000, will not require any approval from Reserve Bank of India and can invest in: Equity or equity linked instrument or debt instrument issued by an Indian company whose shares are not listed on a recognised stock exchange at the time of issue of the said securities/instruments and engaged in any of the following sectors:

Biotechnology
IT related to hardware and software development
Nanotechnology
Seed research and development
Research and development of new chemical entities in pharmaceutical sector
Dairy industry
Poultry industry

Production of bio-fuels, Hotel-cum-convention centres with seating capacity of more than three thousand Infrastructure sector (This will include activities included within the scope of the definition of infrastructure under the External Commercial Borrowing guidelines / policies notified under the extant FEMA Regulations as amended from time to time).

Equity or equity linked instrument or debt instrument issued by an Indian ‘startup’ irrespective of the sector in which the startup is engaged. A startup will mean an entity (private limited company or a registered partnership firm or a limited liability partnership) incorporated or registered in India not prior to five years, with an annual turnover not exceeding INR 25 Crores in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property and satisfying certain conditions given in the Regulations.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10649&Mode=0>

9. Foreign investment in Other Financial Services

Reserve Bank of India (RBI) vide A.P. (DIR Series) Circular No. 8 dated 20th October, 2016 it has been decided to allow foreign investment up to 100% under the automatic route in ‘Other Financial Services’. Other Financial Services will include activities which are regulated by any financial sector regulator viz. Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority,



Pension Fund Regulatory and Development Authority, National Housing Bank or any other financial sector regulator as may be notified by the Government of India in this regard. Such foreign investment shall be subject to conditionalities, including minimum capitalisation norms, as specified by the concerned Regulator/ Government Agency.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10650&Mode=0>

10. Rupee Drawing Arrangement - Trade related remittance limit

Reserve Bank of India (RBI) vide A.P. (DIR Series) Circular No. 9 dated 20th October, 2016, it has been decided that the permitted trade transaction, under the Rupee Drawing Arrangements (RDAs) shall not exceed fifteen lakh rupees per transaction.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10651&Mode=0>

11. External Commercial Borrowings (ECB) – Extension and conversion

Reserve Bank of India (RBI) vide A.P. (DIR Series) Circular No. 10 dated 20th October, 2016 has decided to simplify the process of dealing with matured but unpaid ECB.

To simplify the procedure relating to ECB, it has been decided to delegate the powers to designated AD Category-I banks to approve requests from borrowers for extension of matured but unpaid ECB, subject to the following conditions: No additional cost is incurred; Lender's consent is available; Reporting requirements are fulfilled.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10652&Mode=0>

12. Foreign Exchange Management (Manner of receipt and payment) Regulations, 2016

Reserve Bank of India (RBI) vide A.P. (DIR Series) Circular No. 11 [(1)/14(R)] dated 20th October, 2016 has notified new Regulations Foreign Exchange Management (Manner of receipt and payment) Regulations, 2016.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10653&Mode=0>

13. External Commercial Borrowings (ECB) by Startups –

Reserve Bank of India (RBI) vide Circular dated 27th October, 2016 has given permission to AD Category-I banks to allow Startups to raise ECB under the specified framework as provided under the Circular. An entity recognised as a Startup by the Central Government as on date of raising ECB can raise ECB for minimum average maturity period for 3 years.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10667&Mode=0>

14. Detection and Impounding of Counterfeit Notes –

Reserve Bank of India (RBI) vide Notification dated 27th October, 2016 has issued advisory related to Detection and Impounding of Counterfeit Notes wherein banks are advised to ensure that counterfeit notes making entry into the banking system are promptly detected and under no circumstance, returned to the tenderer or reissue them.



Banks are also advised that with a view to facilitating the detection of counterfeit notes, all bank branches / identified back offices should be equipped with ultra-violet lamps / other appropriate banknote sorting / detection machines. Further, banks should ensure that cash receipts in the denominations of ₹ 100 and above are not put into re-circulation without the notes being machine processed for authenticity. The said instructions are applicable to all bank branches, irrespective of the volume of daily cash receipt.

<https://www.rbi.org.in/Scripts/NotificationUse.r.aspx?Id=10666&Mode=0>



MCA



1. MCA – Release of updated C&I Taxonomy 2016

MCA has released updated C&I Taxonomy 2016 for filing Annual Financial Statements in Form AOC-4 XBRL in respect of financial years commencing on or after 01.04.2014. The revised business rules along with the change sheet and Taxonomy (2016) is available on MCA portal w.e.f. 05, October, 2016. MCA has also released MCA XBRL Validation Tool V3.0.4. The updated C&I Taxonomy 2016 and Validation Tool V3.0.4 is available on the XBRL Portal. Stakeholders are advised to refer the ‘Filing Manual’ available on XBRL portal for ease filing of the financials in XBRL format.

2. Revision of version of e-forms

MCA has revised the version of e-forms : Form MGT-15 (Form for filing Report on Annual General Meeting), Form FC-3 (Annual accounts along with the list of all principal places of business in India established by foreign company), Form INC-4 (One Person Company-Change in Member/Nominee), Form MGT-14 (Filing of Resolutions and agreements to the

Registrar), Form 23C (Form of application to the Central Government for appointment of cost auditor), Form 23D (Information by cost auditor to Central Government), Form A-XBRL (Form for filing XBRL document in respect of compliance report and other documents with the Central Government), Form I-XBRL (Form for filing XBRL document in respect of cost audit report and other documents with the Central Government), Form 23AC BRL (Form for filing XBRL document in respect of balance sheet and other documents with the Registrar), Form 23ACA XBRL (Form for filing XBRL document in respect of Profit and Loss account and other documents with the Registrar) and Form AOC-4 XBRL (Form for filing XBRL document in respect of financial statement and other documents with the Registrar) were recently revised on MCA21 Company Forms Download page. Stakeholders are advised to check the latest version before filing. Further, Costing taxonomy 2012 for filing Forms I-XBRL and A-XBRL along with business rules is available on XBRL portal w.e.f. 08 Oct 2016.

3. MCA invites comments/suggestions on draft regulations on Insolvency and Bankruptcy Code, 2016

The MCA has issued Notice inviting comments/suggestions on the draft regulations relating to Insolvency and Bankruptcy Code, 2016 available on the website of MCA. MCA had set-up a working group consisting of practitioners and experts for making recommendations for drafting regulations for registration and regulation of insolvency professionals and insolvency professional agencies under the Code.



MCA, on behalf of the Insolvency and Bankruptcy Board of India has invited comments/ suggestions which shall be submitted in the prescribed format available on the website of MCA latest by 28 Oct. 2016.

4. Withdrawal of e-Form INC-29 (Integrated Incorporation Form)

MCA has notified that e-Form INC-29 (Integrated Incorporation Form) will be withdrawn w.e.f. 1st November, 2016. Accordingly, e-Form INC-29 will no longer be available on the MCA21 portal and stakeholders will not be able to file any previously downloaded versions from this date. Stakeholders are requested to plan accordingly and use SPICe (Simplified Proforma for Incorporating Company electronically), INC-2 (One Person Company), or INC-7 (Incorporation of Company) e-Forms, as applicable for incorporation of Companies under the Companies Act, 2013. MCA had recently released SPICe forms where the entire process of incorporation was made electronic.

5. Revision of E-Forms

Forms CHG-8 (Application to Central Government for extension of time for filing particulars of registration of creation / modification / satisfaction of charge OR for

rectification of omission or misstatement of any particular in respect of creation/ modification/ satisfaction of charge), Form AOC-4 (Form for filing financial statement and other documents with the Registrar) and Form 20-B (Filing annual return by a company having a share capital with the Registrar) are likely to be revised on MCA21 Company Forms Download page w.e.f 22nd OCT 2016.

6. Extension of last date of filing Annual ROC Form to 29.11.2016 –

Ministry of Corporate Affairs (MCA) vide Circular No. 12 dated 27th October, 2016 has decided to extend the last date of filing financial statements and annual returns e-forms AOC-4, AOC-4 (XBRL) AOC-4 (CFS) and MGT-7 without payment of additional fee, till 29th November, 2016.



SEBI



1. Investments by FPIs in Government securities

Securities Exchange Board of India (SEBI) vide Circular No. IMD/FPIC/CIR/P/2016/107 dated 3rd October, 2016 has revised the limit of FPIs in Government Securities. In pursuance of a Medium Term Framework (MTF) announced by SEBI for FPI limits in Government securities, the Board has decided to revise the limit for investment by FPIs in Government Securities, for the next half year, to INR 148,000 Cr on October 03, 2016 and INR 152,000 Cr on January 02, 2017 respectively. Similarly, FPI Limits have been revised for various other Government securities. All other existing terms and conditions, including the security-wise limits, investment of coupons being permitted outside the limits and investments being restricted to securities with a minimum residual maturity of three years, shall continue to apply.

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1475498739311.pdf

2. Exclusively listed companies of De-recognized/Non-operational/exited Stock Exchanges placed in the Dissemination Board (DB).

Securities Exchange Board of India (SEBI) in its Circular no. SEBI/HO/MRD/DSA/CIR/P/2016/110 dated 10th October, 2016 stated that exclusively listed companies (ELCs) on the Dissemination Board will be required to exercise one of the two options — either raise capital for listing on nation-wide stock exchanges or exit from the dissemination board. The nation-wide stock exchanges hosting the ELCs on its dissemination board will be referred to as designated stock exchanges. To facilitate listing on nation-wide stock exchanges, the ELCs on the dissemination board will be allowed to raise capital for meeting the listing requirements through preferential allotment route. The ELCs which fail to list on the nation-wide stock exchanges under the mechanism would provide exit opportunity to its investors. The regulator will take action against companies that will continue to be on the dissemination board which includes freezing of shares of the promoters and directors and freeze bank accounts and other assets of promoters to compensate investors.

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1476076928746.pdf



3. SEBI issues circular on easing rules on bullion as collateral

Securities Exchange Board of India (SEBI) vide Circular No. SEBI/HO/CDMRD/DRMP/CIR/P/2016/112 dated 14th October, 2016 has issued a circular easing rules on bullion as collateral.

SEBI has provided that Clearing members of commodity derivatives bourses can now keep a higher quantum of up to 30 per cent of their total liquid assets bullion as commodities collateral. Earlier, clearing members were permitted to have only up to 15 per cent of their total liquid assets as collateral.

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1476423384309.pdf

4. Facilitating transaction in Mutual Fund schemes through the Stock Exchange Infrastructure

Securities Exchange Board of India (SEBI) vide Circular No. SEBI/HO/MRD/DSA/CIR/P/2016/113 dated 19th October, 2016 in continuation of SEBI vide circular no. CIR/MRD/DSA/32/2013 dated October 04, 2013 has decided to allow SEBI Registered Investment Advisors (RIAs) to use infrastructure of the recognised stock exchanges to purchase and redeem mutual fund units directly from Mutual Fund/Assets Management Companies on behalf of their clients, including direct plans.

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1476869905025.pdf

5. Disclosure of financial information in offer document/placement memorandum for Infrastructure Investment Trusts (InvITs)

Securities Exchange Board of India (SEBI) vide Circular No. CIR/IMD/DF/114/2016 dated 20th October, 2016 has issued circular with regard to Disclosure of financial information in offer document/placement memorandum for InvITs.

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1476958899483.pdf

6. Freezing of Promoter and Promoter group Demat accounts for Noncompliance with certain provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Securities Exchange Board of India (SEBI) vide Circular No. SEBI/HO/CFD/CMD/CIR/P/2016/116 dated 26th October, 2016 has issued circular with regard to Freezing of promoter and promoter group Demat accounts for non-compliance with certain provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

It has been observed that some of the non-compliant listed entities have not paid the fines levied by the recognized stock exchange(s). In order to ensure effective enforcement, it has been decided in consultation with recognized stock exchanges to freeze the holdings of their promoters and promoter group entities.

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1477480389564.pdf



7. Enhanced Standards for Credit Rating Agencies (CRAs)

Securities Exchange Board of India (SEBI) vide Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated 1st November, 2016 has issued guidelines about Strengthening the Guidelines and Raising Industry Standards for Credit Rating Agencies (CRAs).

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1477999985100.pdf

TAXATION



1. Income Tax (24th Amendment) Rules, 2016

Central Board of Direct Taxes (CBDT) vide Notification No. 89 dated 4th October, 2016 has made amendment to Income Tax Rules, 1962, after rule 6, a new rule 6A shall be inserted – Expenditure for obtaining right to use spectrum for telecommunication services.

<http://www.incometaxindia.gov.in/communications/notification/notification892016.pdf>

2. Lump sum lease premium paid for acquisition of long term lease shall not be applicable for TDS under Section 194-I of the Income Tax Act, 1961

Central Board of Direct Taxes (CBDT) vide Circular No. 35/2016 dated 13th October, 2016 has clarified that lump sum premium or one-time upfront lease charges, which are not adjustable against periodic rent, paid or payable for acquisition of long term leasehold rights over land or any other property are not payments in the nature of rent within the meaning of Section 194-I of the Income Tax

Act, 1961 (Act). Therefore, such payments are not liable for Tax Deduction at Source (TDS) under Section 194-I of the Act.

http://www.incometaxindia.gov.in/communications/circular/circular35_2016.pdf

3. Tax on distributed income of Domestic Company for Buy-Back of Shares

Central Board of Direct Taxes (CBDT) vide Notification No. 94/2016 dated 17th October, 2016 has amended the Income Tax Rules, 1962, these rules may be called Income Tax (28th Amendment), Rules, 2016. They shall come into force from 1st June, 2016. The amendment has been made by insertion of Rule 40BB – related to tax computation on amount received by the Company in respect of issue of shares.

<http://www.incometaxindia.gov.in/communications/notification/notificaion942016.pdf>

4. Tax Audit & ITR due date extended for J&K State taxpayers

Central Board of Direct Taxes (CBDT) vide Instruction No. F.No. 225/195/2016/ITA.II dated 18th October, 2016 has extended the due date for filing Income Tax Returns and reports of audit under the provisions of Income-tax Act pertaining to Assessment Year 2016-2017 for all categories of taxpayers in the State of Jammu & Kashmir to 31st December, 2016.



5. Taxability of the Compensation received by the land owners for the land acquired under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR)

Central Board of Direct Taxes (CBDT) vide Circular No. 36 dated 25th October, 2016 has provided clarification with respect to compensation received in respect of award or agreement which has been exempted from levy of income tax vide section 96 of RFCTLARR act shall also not be taxable under the provisions of Income tax Act, 1961 even if there is no specific provision of exemption for such compensation in the Income Tax Act, 1961.

<http://www.incometaxindia.gov.in/communications/circular/circular362016.pdf>

6. Draft Rules for prescribing the method of valuation of fair market value in respect of the trust or the institution-Chapter XII-EB of the Income-tax Act, 1961

Central Board of Direct Taxes (CBDT) vide Instruction No. F. No. 370142/21/2016-TPL dated 24th October, 2016 has issued the draft rules for prescribing the method of valuation of fair market value in respect of the trust or the Charitable institution.

The Finance Act, 2016, inter alia, inserted a new Chapter XII-EB consisting of sections 115TD, 115TE and 115TF in the Income-tax Act, 1961 (the Act). This chapter contains specific provisions relating to levy of additional income-tax where the charitable institution exempt under the Act ceases to exist as charitable organization or converts into a non-charitable organization.

Sub-section (2) of newly inserted section

115TD provides that the accreted income for the purposes of sub-section (1) thereof means the amount by which the aggregate fair market value of the total assets of the trust or the institution, as on the specified date, exceeds the total liability of such trust or institution computed in accordance with the method of valuation as may be prescribed. Therefore, the method of valuation of fair market value in respect of the trust or the institution as on the specified date for determination of accreted income needs to be prescribed in the rules. Accordingly, it is proposed to insert rule 17CB in the Income-tax Rules, 1962.

http://www.incometaxindia.gov.in/communications/notification/draft_valuationrules-accreted%20income.pdf

7. Prohibition of Benami Property Transactions Rules, 2016

Central Board of Direct Taxes (CBDT) vide Notification No. 99 of 2016 dated 25th October, 2016 has issued Prohibition of Benami Property Transactions Rules, 2016. They shall come into force on 1st November, 2016.

http://www.incometaxindia.gov.in/communications/notification/notification99_2016.pdf

8. New Revised Double Taxation Avoidance Agreement (DTAA) between India and Republic of Korea comes into force with effect from 12th September, 2016;

Ministry of Finance vide Press Release dated 26th October, 2016 has revised the Double Taxation Avoidance Agreement (DTAA) between India and Korea for the Avoidance of Double Taxation and the Prevention of Fiscal evasion with respect to taxes on income.



Provisions of the new DTAA will have effect in India in respect of income derived in fiscal years beginning on or after 1st April, 2017.

8. Amendment in DTAA between India and Japan

Central Board of Direct Taxes (CBDT) vide Notification No. 102/2016 dated 28th October, 2016 has made amendment in Double Taxation Avoidance Agreement (DTAA) between India and Japan.



OTHER

1. Fixed Term Employment introduced for Apparel Manufacturing Sector- win-win situation for both Employer's and Employees

Ministry of Labour & Employment vide Press Release dated 7th October, 2016 has announced the Fixed Term Employment as introduced in Apparel Manufacturing sector in Industrial Employment (Standing Order) Act vide Notification dated 7.10.2016 of Ministry of Labour and Employment.

The decision would facilitate employment of workers in Apparel manufacturing on fixed term basis in the backdrop of seasonal nature of sector and would also ensure same working conditions, wages and other benefits for fixed term employee in the sector as a regular employee. It is thus win - win situation for both employer's and employees in Apparel manufacturing sector.

<http://pib.nic.in/newsite/pmreleases.aspx?mincode=21>

2. EPF- Death Case Claim Settlements Within 7 Days

Employees' Provident Fund Organisation vide Notification No. CSD-1/CPGRAMS/Pragati E-SamikSha/2016/12866 Dated 31st October, 2016 has issued instructions about settlement of Death Case Claims within 7 days. It is hereby Instructed to ensure that all death cases claims submitted by spouse/nominee/legal heir of EPF member be invariably settled within a period of 7 days from date of submission of claim form in concerned field office where the deceased members accounts are being maintained.

3. Real Estates Rules Notified

Ministry of Housing and Urban Poverty Alleviation vide Press Release dated 31st October, 2016 has notified Real Estate Rules. Real estate developers will have to furnish additional information regarding the ongoing projects for the benefit of the buyers besides depositing 70% of the unused funds in a separate bank account to ensure their completion. This has been stipulated in the Real Estate (Regulation and Development) (General) Rules, 2016 notified by the Ministry of Housing & Urban Population and applicable to the five Union Territories without Legislature viz., Andaman & Nicobar Islands, Dadra & Nagar Haveli, Daman & Diu, Lakshadweep and Chandigarh. These Rules were required to be notified on October 31, as stipulated in the Real Estate (Regulation & Development) Act, 2016 that was partly brought into effect on May 1st this year.



ACQUISORY CONSULTING LLP

<p>Delhi-NCR Unit 1116, 11th Floor WTT, C 1, Sector 16 Noida Office Phone: +91 120 614 3000</p>	<p>Mumbai Peninsula Business Park, 19th Floor, Tower B, Lower Parel, Mumbai- 400013 Office Phone: +91 22 6124 6124</p>
<p>Jaipur 1st Floor, B-144 A, Mangal Marg, Bapu Nagar, Jaipur-302015 Office Phone: + 91 141 4050920</p>	

Website- www.acquisory.com

Stay Connected with Acquisory

