



# ACQUISORY NEWS CHRONICLE

JUNE 2017

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*Success is walking from failure  
To failure with no loss of enthusiasm.*

**Editor: Sunaina Jhingan**

**(Knowledge Manager with Acquisory)**

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## AT A GLANCE

ACQUISORY NEWS CHRONICLE JUNE 2017

### ARTICLE

#### ***GST – A Brief Outlook***

In one of the boldest tax reforms, India rolled out a single tax regime from 1<sup>st</sup> July 2017. GST has a four-slab tax structure for different goods, ranging from 0-28 per cent. The newly-implemented goods and services tax (GST) will support productivity and boost the long-term growth prospects by unifying direct & indirect taxes reform. GST will improve the ease of doing business, unifying the national market and enhancing India's attractiveness as a foreign investment destination.

By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses. While GST is a harbinger of growth, lack of effective infrastructure opens GST up to a series of possible teething troubles in the first few months.

#### ***Digital Economy - A New Area in a State of Formation***

Digital Economy has the potential to propel societies forward, enable innovative business models and help governments address legitimate policy concerns. The exponential growth in digitization and internet connectivity is the backbone of the Fourth Industrial Revolution.

The aim of the World Economic Forum's System Initiative on Shaping the Future of Digital Economy and Society is to cultivate a shared, trusted digital environment that is a driver of inclusion, economic development and social progress. The System Initiative aims to create networks that enable and encourage action to promote the long-term health and stability of digitally enabled economies and societies.

Ever evolving first fueled by the growing use of personal computing devices, enterprise computing capabilities and Internet access, Digital Economy is now being driven by more advanced digital technologies, namely viz wireless networks, mobile devices, positioning technologies (i.e., GPS), embedded sensors and real-time analytics.

### LEGAL UPDATES

#### ***MCA comes out with further exemptions to Private Companies and notifies the amendment to the principal notification dated 5<sup>th</sup> June, 2015***

MCA has notified various exemptions to the Private Limited Companies vide notification dated 5th June, 2015. MCA has come out with further exemptions and notified the amendments to the principal notification dated 5th June, 2015. All one person company, small company, dormant Company, private company (if such private company is registered as a start-up) not to include the cash flow statement with its financial statement. Further, the private Company can now accept deposits from its members, not exceeding one hundred per cent of aggregate of the paid up share capital, free reserves and securities premium account and all start-up companies can accept deposits, for five years from the date of its incorporation or other companies which fulfill certain conditions. Partial relief under section 92(1)(g) for small companies have been given as they have to only show aggregate amount of remuneration drawn by their directors only, earlier KMP were also included. Exemptions are also provided from the provisions of Section 143(3)(i) w.r.t comment in the Auditors Report on Adequate Internal Financial Controls system, to One Person Company or Small Company and to Private Company, if its turnover is less than Rs. 50 Crores or borrowings are less than Rs. 25 Crores.

#### ***Relaxation in return filing procedure for first two months of GST implementation***

Ministry of Finance vide Press Release dated 18<sup>th</sup> June, 2017, With the objective of ensuring smooth rollout of GST and taking into account the concerns expressed by the trade and industry regarding filing of the returns in GST regime, it has been decided that, for the first two months of GST implementation, the tax would be payable based on a simple return (Form GSTR-3B) containing summary of outward and inward supplies which will be submitted before 20<sup>th</sup> of the succeeding month.

#### ***Notifying [www.gst.gov.in](http://www.gst.gov.in) as the Common Goods and Service Tax Electronic Portal***

Ministry of Finance, Central Board of Excise and Customs (CBEC) vide Notification No. 4/2017 dated 19<sup>th</sup> June, 2017 notifies [www.gst.gov.in](http://www.gst.gov.in) as the Common Goods and Service Tax Electronic Portal. The notification shall come into force on the 22<sup>nd</sup> day of June, 2017.



## GST – A Brief Outlook

### What is GST ?

The long awaited Goods and Services Tax has finally roll out on July 01 2017, ending a swerve of indirect taxes imposed by the Centre as well as respective States and Union Territories till now GST, the single tax rate for products and services will be applicable in any part of the country. The present 17 indirect taxes have been merged into one tax i.e. GST. The taxes that have been merged are – Central Excise duty, Duty of Excise (Medicinal and Toilet preparations), Additional Duties of Excise (Goods of Special Importance), Additional Duties of Excise (Textiles and Textile Products), Additional Duties of Customs (commonly known as CVD), Special Additional Duty of Customs (SAD), Service Tax, Cesses and surcharges insofar as they relate to supply of goods or services, State VAT, Central Sales Tax, Purchase Tax, Luxury Tax, Entry Tax (All forms), Entertainment Tax (except those levied by the local bodies), Taxes on advertisements, Taxes on lotteries, betting and gambling, State cesses and surcharges insofar as they relate to supply of goods or services.

*“GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage.”*



The GST will have a big impact on the compliances for trade and industry sector. There will be seamless flow of credit across the value chain. Also there will be removal of cascading effect. The GST has been segregated as Central Goods and Service Tax (CGST), State Goods and Service Tax (SGST) and Integrated Goods and Service Tax (IGST). The prescribed GST rates shall be – 5%, 12%, 18% and 28%. The same has been defined as Destination based tax, the taxable event for GST is supply. It all depend where the supply of Goods or services has taken place and accordingly tax is being charged.

The government has also prescribed a threshold exemption limit – INR 20 lakhs & INR 10 lakhs for special category States & North Eastern States. It’s a PAN based registration. The government has provided to deposit taxes by internet banking, NEFT/RTGS, debit card, credit card & over the counter (OTC). The main technology backbone of GST is Goods and Service Tax network (GSTN). It provides IT Infrastructure and services to the Central and State Governments, tax payers and other stakeholders for implementation of the Goods and Service Tax (GST).



## GST – A Brief Outlook

### Benefits of GST

GST is a win – win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. It will lower the cost of goods and services, give a boost to the economy and make the products and services globally competitive. The significant benefits of GST are:

- **Creation of unified national market** – GST aims to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level.
- **Mitigation of ill effects of cascading** – By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses.
- **Elimination of multiple taxes and double taxation** – GST will subsume majority of existing indirect tax levies both at the Central and State level into one tax i.e. GST which will be leviable uniformly on goods and services. This will make doing business easier and will also tackle the highly disputed issues relating to double taxation of a transaction as both goods and services.
- **Boost to ‘Make in India’ initiative** - GST will give a major boost to the ‘Make in India’ initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market.
- **Buoyancy to the Government Revenue** – GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance.

### GST – Applicability

The GST shall be applicable where the taxable event arises. The taxable event under GST Act is Supply, which become an integral part of charging the tax. Under the old regime, taxable events for various taxes were different. For example, for excise duty the taxable event is manufacture or production of goods. Similarly, for services the taxable event was provision of service. Under Central Sales Tax (CST) and Value Added Tax (VAT) it was sale of goods. To replace such multiplicity, GST has brought in a single and uniform taxable event, which is, SUPPLY.

Supply term has been very subjectively and inclusively defined in the CGST Act. The types of supply has been clearly recognized under the Act –

- Supply which are made or agreed to be made for a consideration by a person in the course or furtherance of business
- Import of services which are for consideration (whether or not in the course or furtherance of business).
- Schedule I activities (whether or not for consideration) like transfer of goods from principal-agent transaction etc.
- Schedule II activities (activities to be treated as supply of goods or supply of services)



## GST – A Brief Outlook

Following few activities are specifically not to be considered as SUPPLY and these are:

1. Schedule III activities which include :

- **Services from an employee to employer**
- Services by any court or Tribunal
- Functions performed by Member of Parliament etc.
- Services of funeral, burial, crematorium or mortuary
- Sale of land and, Schedule II(5)(b), sale of building
- Actionable claims, other than lottery, betting and gambling

2. Activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council.

### Composite Supply and Mixed Supply

When two or more goods are sold in a combination, it becomes difficult to identify the rate of tax to be levied. For such goods or services, CGST, 2017 has provided with two terms – Composite Supply and Mixed Supply. Composite supply is similar to the concept of “bundled service” as under service tax laws in the existing regime. Both Composite supply and Mixed supply consist of two or more taxable supplies of goods or services or both but the main difference between the two is that Composite supply is naturally bundled i.e., goods or services are usually provided together in normal course of business and cannot be separated. Whereas in Mixed supply, the goods or services can be sold separately. e.g. F&B & hotel room rents

### Composition Scheme

Composition Scheme is a scheme which is mainly devised for small taxpayers who find filling of monthly returns both difficult and costly. A registered tax payer under this scheme enjoys benefits like concessional rate of tax and filing of quarterly returns instead of monthly return. To be eligible for registration under Composition scheme it is required that the aggregate turnover of a registered tax payer should not exceed Rs. 50,00,000/- in the preceding financial year.

It is important to note that, registration under this scheme is optional and the registered tax payer whose aggregate turnover is less than Rs. 50,00,000/- can opt not to register for the scheme. A quarterly return in form GSTR-4 is required to be filed within eighteen days after the end of each quarter or part thereof.

### Conditions & Restrictions

- A Casual tax payer and a non-resident taxable person cannot register under this scheme
- The registered person under composition scheme is not permitted to collect tax and thus cannot issue a taxable invoice
- Input tax credit is not available
- Tax payers making inter- state supplies or making supplies through ecommerce operators who are required to collect tax at source shall not be eligible for composition scheme



## GST – A Brief Outlook

- A person should not be engaged in the supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II, to opt for this scheme
- Supplier of goods which are not taxable under the CGST Act/SGST Act/UTGST Act is not eligible to register under this scheme.

### Levy and Classification

Under GST regime, the tax shall be levied as Dual GST separately but concurrently by the Union (CGST) as well as the States (including Union Territories with legislatures) (SGST) and Union territories without legislatures (UTGST). The Parliament would have exclusive power to levy GST integrated GST (IGST) on inter-State trade or commerce (including imports) on goods or services or both. Alcohol for human consumption is kept out of the purview of GST. Also, GST on specified petroleum products (crude, high speed diesel, petrol, ATF and natural gas) would be levied from a later date on the recommendation of the GST Council.

### Classification

Goods under GST regime, will be classified under, Harmonised System of Nomenclature (HSN) code whereas services will be classified as per the Services Accounting code (SAC). HSN is an internationally standardized system of names and numbers to classify traded products. At present, HSN code is used to classify goods under Value added tax.

### Liability for Registration

Section 22 of the Central Goods & Services Tax (CGST) Act, 2017 specifies persons who are liable for registration under GST whereas section 24 of CGST Act, 2017 specifically provides list of persons who are compulsorily required to take registration. A list of such persons liable to obtain registration under CGST Act, 2017 has been summarised as under:

1	Supplier	Supplier of taxable goods and services exceeding the specified threshold limit
2	Licensee	Holder of license under the existing law
3	Transferee	Transfer of business as a going concern which is carried on by a taxable person
4	Transferee under a scheme	Transfer pursuant to sanction of a scheme or an arrangement for amalgamation or demerger of two or more companies
5	Interstate supplier	Persons making any inter state taxable supply
6	Casual Taxable person	Casual taxable person making taxable supply
7	Payer or reverse charge	Persons who are required to pay tax under reverse charge
8	Specific Categories	Persons who are required to pay tax under sub-section (5) of section 9
9	Non-resident	Non – resident taxable persons making taxable supply
10	Deductor of Tax at Source	Persons who are required to deduct tax under section 51, whether or not separately registered under this Act.



## GST – A Brief Outlook

11	Supplier on behalf of another person	Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise.
12	Input Service Distributor	Whether or not separately registered under this Act.
13	Supplier through Electronic Commerce Operator	Persons who supply goods or services or both (other than supplies specified under sub-section (5) of section 9), through such electronic commerce operator who is required to collect tax at source under section 52
14	Electronic Commerce Operator	Who owns, operates or manages digital or electronic facility or platform for electronic commerce
15	Supplier of online information	Every person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered person
16	Government notified	Such other person or class of persons as may be notified by the Government on the recommendations of the Council

### Input Tax Credit

Input Tax Credit (ITC) of CGST and SGST/UTGST will be available throughout the supply chain, but cross utilization of credit and SGST/UTGST will not be possible, i.e. CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST. However, cross utilization will be allowed between CGST/SGST/UTGST and IGST i.e. credit of IGST can be utilized for the payment of CGST/SGST/UTGST and vice versa.

Since GST is a destination based consumption tax, revenue of SGST will ordinarily accrue to the consuming States. The inter-state supplier in the exporting State will be allowed to set off the available credit of IGST, CGST and SGST/UTGST (in that order) against the IGST payable on interstate supply made by him. The buyer in the importing state will be allowed to avail the credit of IGST paid on inter- state purchases made by him. Thus, unlike the existing scenario where the credit chain breaks in case of inter-state sales on account of non-VATable CST, under GST regime there is seamless credit flow in case of inter-state supplies too.

The revenue of inter-state sale will not accrue to the exporting State and the exporting state and the exporting state will be required to transfer to the Centre the credit the credit of SGST/UTGST used in payment of IGST. The Centre will transfer to the importing State the credit of IGST used in payment of SGST/UTGST. Thus, the inter-State trade of goods and services would need a robust settlement mechanism amongst the State and the Centre. A central agency is needed which can act as a clearing house and verify the claims and inform the respective Governments to transfer the funds. This is possible only with the help of a strong IT infrastructure.



## GST – A Brief Outlook

### Goods and Services Tax Network (GSTN)

GSTN is a special purpose vehicle which has been set to provide a shared infrastructure and services to Central and State Governments, taxpayers and other stakeholders for implementation of GST. The functions of the GSTN, inter alia include –

- ❖ Facilitating registration;
- ❖ Forwarding the returns to Central and State authorities;
- ❖ Computation and settlement of IGST;
- ❖ Matching of tax payment details with banking network;
- ❖ Providing various MIS reports to the Central and the State Governments based on the taxpayer return information;
- ❖ Providing analysis of taxpayer's profile; and
- ❖ Running the matching engine for matching, reversal and reclaim of input tax credit.

### Invoicing under GST

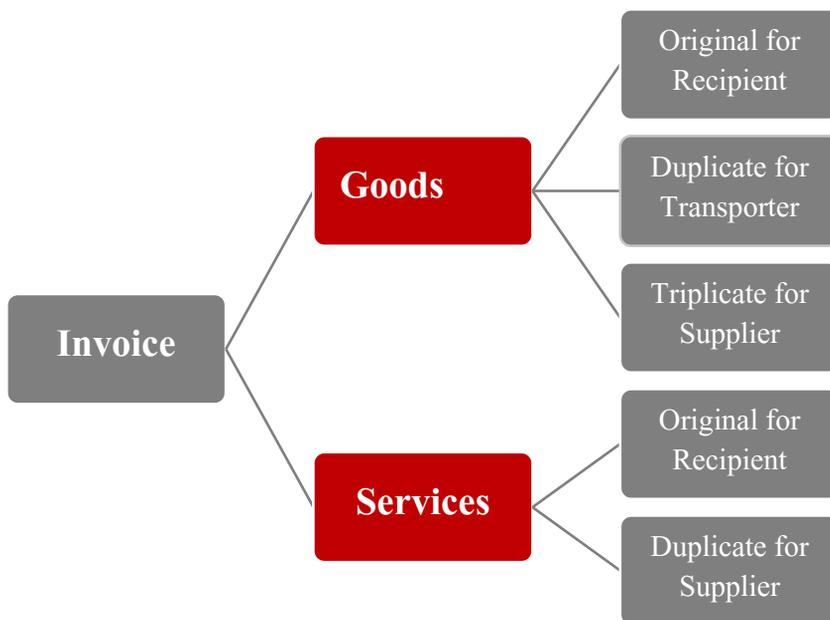
All registered taxpayers are free to design their own invoice format under GST; however, it is required that certain fields as mentioned in the invoice rules be incorporated in all invoices. Some of these fields are as follows:

- name, address and GSTIN of the supplier;
- a consecutive serial number, in one or multiple series,
- date of its issue;
- name, address and GSTIN or UIN, if registered, of the recipient;
- name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered and where the value of taxable supply is fifty thousand rupees or more;
- HSN code of goods or Accounting Code of services;
- description of goods or services;
- quantity in case of goods and unit or Unique Quantity Code thereof;
- total value of supply of goods or services or both;
- taxable value of supply of goods or services or both taking into account discount or abatement, if any;
- rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
- place of supply along with the name of State, in case of a supply in the course of inter-State trade or commerce;
- address of delivery where the same is different from the place of supply;
- whether the tax is payable on reverse charge basis;
- Signature or digital signature of the supplier or his authorized representative etc.



## GST – A Brief Outlook

**Invoice under GST shall be issued in the following manner:**



### Conclusion

GST is expected to serve as a strong antidote to numerous direct and indirect economic ailments, Indian taxation has been struggling with, since independence. It surely seems to be a much simpler and ideal tax net.

Assuming the average rate of GST to be 18%, the consumers at large, have reasons to believe, that for most goods, there would be a significant reduction in the overall costs, while bringing more businesses and tax payers on board.

By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses. While GST is a harbinger of growth, lack of effective infrastructure opens GST upto a series of possible teething troubles in the first few months.

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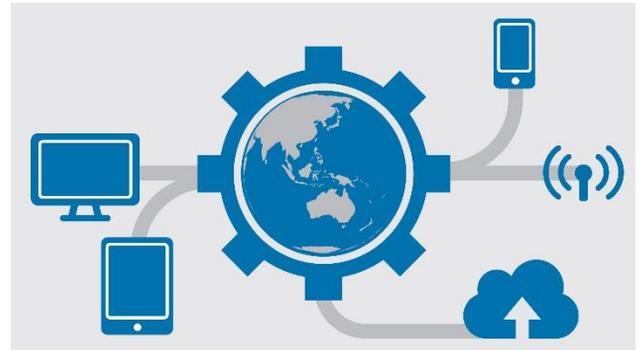
# Digital Economy- A New area in a State of Formation

## Benefits of Digital Economy

There are numerous benefits for digital economy. This has been identified by organizations all over the world including governments of many developed and developing countries, who have made conscious efforts to digitize the economy to improve the efficiency of tedious governmental processes as well as provide convenience to citizens.

It is seen that people around the world rely on mobile communication, internet access and social media for interaction with each other, sharing information and obtaining new knowledge and services, while governments and businesses increasingly prefer the internet for disseminating information, delivering services, communications, marketing and doing business in general. As per the World Development Report 2016, the digital technologies in many instances have boosted growth, expanded opportunities, and improved service delivery. Digital technologies have the power to deeply transform the economy as a whole and across various sectors. It is being observed that the more efficient use of digital

technologies is a key driver for a more competitive economy, growth and jobs.



As technologies continue to develop rapidly, so does their user friendliness. Gadgets these days are easy to handle and use superior technologies and software at lower costs. Thus, a digital economy is efficient, cost effective as well as convenient.

## Prospects in India

India is currently in the midst of a large effort to modernise its financial services and move individuals into electronic financial space. The year 2017 is an important milestone and will mark the transition from a cash economy to a less cash and a digital economy. Goldman Sachs predicts that India - comprising 15% of the world population, with a growth rate of 7 to 8%, could be the second largest economy by 2030. India's new leadership considers the digital economy as a major growth enabler.

The Department of Electronics & Information Technology of India published Internet of Things policy estimating IoT industry in India grow up to INR 940 billion, by 2020. Focus areas include agriculture, health, water quality, natural disasters, transportation, security, automobile, supply chain management, smart cities, automated metering and monitoring of utilities, waste management, oil and gas.

The Aadhaar innovation is India's singular contribution to accelerating development in the social sector through

biometric technology. Lauding it in its World Development Report for 2016, the World Bank said, "A digital identification system such as India's Aadhaar, by overcoming complex information problems, helps willing Governments promote the inclusion of disadvantaged groups."

However, there are several challenges peculiar to India that may constrain a full-scale digital transition in the foreseeable future. On the surface, this transition may not appear to be profoundly deep. But as it pans and plays out, the tectonic shift will have much wider implications and the policy executioners will have to contend with a diversity of exponential societal changes. The race to go digital cannot be turned into a marathon sprint. India culturally believes in cash and a paradigm shift in thinking will need time and resources. It will actually involve a migration to new social and cultural patterns and habits. In a way, it is more of a cultural-economic revolution.



## Digital Economy- A New area in a State of Formation

The new revolution will have better chances of success if it is driven less by financial punditry and more by empathetic governance. People take to new technologies when they see clear benefits, have greater confidence in the markets and services, find it convenient and can afford it. The painful reality is that providers too often focus on short-term incentives at the expense of long-term consumer trust and loyalty.

Increasing financial and digital literacy alone will not be enough. Some things are better addressed through regulation. If there are things that are clearly negative for consumers, then they don't need to exist. But changing the financial framework is also not enough. Consumers will have to walk that extra mile if they want to reap the harvest of these new financial tools.

Building inclusive digital economies requires the collective action of Governments, industry, financiers, and civil society. Before speeding ahead, we need to build the infrastructure, align the policies, and create the tools that will enable the poor to comfortably board the digital train.

When we design solutions that recognise all as equal partners, we have a real chance of making it to the goalpost. Each society is at different stages of the digital financial inclusion and the necessary solutions and interventions must be appropriate for the cultural and economic context.

By respecting the cultural outlook of the people and embracing their concerns we enlist their support, and that is what paves the way for lasting and sustainable success.

The drastic digitization over the past few years has indeed affected almost every sphere of our lives. One of the most recent effects has been the move towards a cashless economy in India. Starting with the note ban in November, 2016 due to the sudden withdrawal of the notes of INR 500 and INR 1000 denominations from the economy overnight, the Indian economy had gone cashless, least paper transactions will be involved, substituted by more digital transactions with the help of internet banking, digital wallets, Point-of-sale machines, credit and debit cards etc.

### Conclusion

The digital economy is characterized by the digitization of many products and services and by the use of Internet and other networks to support economic activities. Such computerization changes the manner in which business is done and considerably improves economic activities and competition. Digital economy or the internet economy is increasingly influencing our social and economy activities and even the way we live. The internet and its accessory activities including Information and Communication Technologies have given birth to new products, services, jobs, enterprises and even markets.

For a populous country like India, any future strategy for financial inclusion will call for technology to reach the bottom of the pyramid. In essence, the future for digital economy is limitless, and as long as it enhances the way of the global community, it will be a successful economy for decades to come.

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# RBI UPDATES

## ***1. Introduction of Legal Entity Identifier for OTC derivatives markets***

Reserve Bank of India (RBI) vide Notification No. RBI/2016-17/314 FMRD.FMID No.14/11.01.007/2016-17 dated 5<sup>th</sup> June, 2017 has introduced the legal Entity Identifier (LEI) for the OTC derivatives markets. The Legal Entity Identifier (LEI) code has been conceived of as a key measure to improve the quality and accuracy of financial data systems for better risk management post the Global Financial Crisis. The LEI is a 20-character unique identity code assigned to entities who are parties to a financial transaction.

It has been decided to implement the LEI system for all participants in the Over-the-Counter (OTC) markets for Rupee Interest Rate derivatives, foreign currency derivatives and credit derivatives in India, in a phased manner. Accordingly, all current and future participants would be required to obtain the unique LEI code as per time lines indicated in the schedule. Entities without an LEI code would not be eligible to participate in the OTC derivative markets, after the date specified in the schedule.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10988&Mode=0>

## ***2. Issuance of Rupee denominated bonds overseas***

Reserve Bank of India (RBI) vide Circular No. 47 dated 7<sup>th</sup> June, 2017 has revised the provisions in respect of maturity period, all-in-cost ceiling and recognized lenders (investors) of Masala Bonds. Further, On a review of the laid down framework for issuance of Rupee denominated bonds overseas (Masala Bonds) and with a view to harmonize the various elements of the ECB framework, it has been decided that any proposal of borrowing by eligible Indian entities by issuance of these bonds will be examined at the Foreign Exchange Department, Central Office, Mumbai.

It has been decided to revise the provisions in respect of maturity period, all-in-cost ceiling and recognized lenders (investors) of Masala Bonds as under:

a. Maturity period: Minimum original maturity period for Masala Bonds raised upto USD 50 million equivalent in INR per financial year should be 3 years and for bonds raised above

USD 50 million equivalent in INR per financial year should be 5 years.

b. All-in-cost ceiling: The all-in-cost ceiling for such bonds will be 300 basis points over the prevailing yield of the Government of India securities of corresponding maturity. c. Recognised investors: Entities permitted as investors under the provisions of paragraph 3.3.3 of the Master Direction but should not be related party within the meaning as given in Ind-AS 24.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10994&Mode=0>

## ***3. Recording of PPO Number in the passbook of Pensioners / Family Pensioners***

Reserve Bank of India (RBI) vide Notification No. RBI/2016-17/319 DGBA.GBD.No.3235/45.01.001/2016-17 dated 8<sup>th</sup> June, 2017 it has been decided to record the PPO number in all the pension passbooks of the pensioners/family pensioners issued to them. This is to alleviate the difficulties reported by pensioners/family pensioners to get duplicate Pension Payment Orders (PPO) in case of missing of original PPO, transfer of pension account from one bank/branch to another bank/branch, commencement of family pension to spouse or dependent children after the death of pensioner, etc. in the absence of ready availability of PPO numbers.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10997&Mode=0>

## ***4. Master Direction - Information Technology Framework for the NBFC Sector***

Reserve Bank of India (RBI) vide Notification No. RBI/DNBS/2016-17/53 Master Direction DNBS.PPD.No.04/66.15.001/2016-17 dated 8<sup>th</sup> June, 2017 has issued Master Direction



# RBI UPDATES

on Information Technology Framework for the NBFC sector. The focus of the proposed IT framework is on IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning and IT Services Outsourcing. The directions are categorized into two parts, those which are applicable to all NBFCs with asset size above Rs. 500 crore (Considered Systemically Important) are provided in Section-A. Directions for NBFCs with asset size below Rs. 500 crore are provided in Section-B. NBFCs may place these directions before their Board, together with a gap-analysis vis-a-vis the Master Direction and the proposed action by September 30, 2017. NBFCs- Systemically Important shall comply with the Master Directions by June 30, 2018 and other NBFCs (asset size below Rs. 500 crore) shall comply by September 30, 2018.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10999&Mode=0>

## ***5. Prudential Guidelines on Capital Adequacy and Market Discipline- New Capital Adequacy Framework (NCAF) - Eligible Credit Rating Agencies – INFOMERICS Valuation and Rating Pvt Ltd. (INFOMERICS)***

Reserve Bank of India (RBI) vide Notification No. RBI/2016-17/321 DBR.No.BP.BC.74/21.06.009/2016-17 dated 13<sup>th</sup> June, 2017 It has been decided that banks may also use the ratings of the INFOMERICS Valuation and Rating Pvt Ltd. (INFOMERICS) for the purpose of risk weighting their claims for capital adequacy purposes in addition to the existing six domestic credit rating agencies. The rating-risk weight mapping for the long term and short term ratings assigned by INFOMERICS will be the same as in case of other rating agencies.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11000&Mode=0>

## ***6. Recording of Details of Transactions in Passbook/ Statement of Account***

Reserve Bank of India (RBI) vide Notification No. RBI/2016-17/326 DBR.No.Leg.BC.76/09.07.005/2016-17 dated 22<sup>nd</sup> June, 2017 has decided that banks shall at a minimum provide the relevant details in respect of entries in Passbook/ Statement of Account. Banks shall also incorporate information about ‘deposit insurance cover’ along with the limit of coverage, subject to change from time to time, upfront in the passbooks.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11009&Mode=0>

## ***7. Payment of agency commission for government receipts***

Reserve Bank of India (RBI) vide Notification No. RBI/2016-17/327 DGBA.GBD.No.3333/31.02.007/2016-17 dated 22<sup>nd</sup> June, 2017 as the agency commission on government receipts is paid by Reserve Bank per transaction basis. In this connection, with reference to the implementation of Goods and Service Tax (GST) regime, it is advised that a single Common Portal Identification Number (CPIN), processed successfully leading to generation of a Challan Identification Number (CIN), under GST payment process, may be treated as a single transaction, even if multiple major head/sub major head/minor head of accounts are credited. This means that CGST, SGST, IGST and Cess etc. paid through a single challan would constitute a single transaction. Thus, all such records clubbed under a single challan i.e., CPIN have to be treated as a single transaction for the purpose of claiming agency commission. This will come into effect from July 1, 2017.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11010&Mode=0>



# MCA UPDATES

## ***1. MCA issues clarification w.r.t. the issue of duplicate shares to the IEPF Authority***

MCA vide Circular No. 07/2017 dated 5<sup>th</sup> June, 2017 has issued clarification w.r.t the issue of duplicate shares to the IEPF Authority. It has been stated that since transfer of shares to IEPF under Section 124(6) of the Companies Act, 2013, takes place on account of operation of law hence the procedure followed during transmission of shares may be followed in such cases and duplicate shares need not to be issued in such cases. The MCA has clarified that the procedure similar to what is followed in case of transmission of shares may be followed by companies while transferring shares to IEPF Authority pursuant to Section 124(6) of the Companies Act, 2013 read with applicable rules.

[http://www.mca.gov.in/Ministry/pdf/IEPFGcircular07\\_05062017.pdf](http://www.mca.gov.in/Ministry/pdf/IEPFGcircular07_05062017.pdf)

## ***2. MCA comes out with further exemptions to Private Companies and notifies the amendment to the principal notification dated 5<sup>th</sup> June, 2015***

MCA has notified various exemptions to the Private Limited Companies vide notification dated 5<sup>th</sup> June, 2015. MCA has come out with further exemptions and notified the amendments to the principal notification dated 5<sup>th</sup> June, 2015. All one person company, small company, dormant Company, private company (if such private company is registered as a start-up) not to include the cash flow statement with its financial statement. Further, the private Company can now accept deposits from its members, not exceeding one hundred per cent of aggregate of the paid up share capital, free reserves and securities premium account and all start-up companies can accept deposits, for five years from the date of its incorporation or other companies which fulfills certain conditions. Partial relief under section 92(1)(g) for small companies have been given as they have to only show aggregate amount of remuneration drawn by their directors only, earlier KMP were also included. Exemptions are also provided from the provisions of Section 143(3)(i) w.r.t comment in the Auditors Report on Adequate Internal Financial Controls system, to One Person Company or Small Company and to Private Company, if its turnover is less than Rs. 50 Crores or borrowings are less than Rs. 25 Crores.

<http://www.mca.gov.in/Ministry/pdf/ExemptionPrivateCompanies.pdf>

## ***3. MCA comes out with further exemptions to Government Companies and notifies the amendment to the principal notification dated 5<sup>th</sup> June, 2015***

MCA has notified various exemptions to the Government Companies vide notification dated 5<sup>th</sup> June, 2015. MCA has come out with further exemptions and notified the amendments to the principal notification dated 5<sup>th</sup> June, 2015. One of the much needed exemption now provided through this amendment is relating to the place of Annual General Meeting with in the city, town or village in which the registered office of the company is situate or such other place as the Central Government may approve in this behalf. All powers of Tribunals as provided under the provisions of the Section 203-232 shall be exercised by the Central Government. Further, all Government Companies and its subsidiaries are now exempted from the provisions of Section 152(6) & (7) w.r.t retirement of directors by rotation.

[http://www.mca.gov.in/Ministry/pdf/ExemptionGovernmentCompanies\\_14062017.pdf](http://www.mca.gov.in/Ministry/pdf/ExemptionGovernmentCompanies_14062017.pdf)

## ***4. Insolvency and Bankruptcy Board of India notifies Fast Track Insolvency Resolution Process for Corporate Persons Regulations***

Ministry of Corporate Affairs, Insolvency and Bankruptcy Board of India vide Press Release dated 16<sup>th</sup> June, 2017 notifies Fast Track Insolvency Resolution Process for Corporate Persons Regulations. These regulations shall provide the process from initiation of insolvency resolution of eligible corporate debtors till its conclusion with approval of the resolution plan by the Adjudicating Authority. The process in these cases shall be completed within a period of 90 days, as against 180 days in other cases. However, the Adjudicating Authority may, if satisfied, extend the period of 90 days by a further period up to 45 days for completion of the process. A creditor or a corporate debtor may file an application, along with the proof of existence of default, to the Adjudicating Authority for initiating fast track resolution process. After the



# MCA UPDATES

application is admitted and the interim resolution professional (IRP) is appointed, if the IRP is of the opinion, based on the records of corporate debtor, that the fast track process is not applicable to the corporate debtor, he shall file an application before expiry of 21 days from the date of his appointment, to Adjudicating Authority to pass an order to convert the fast track process into a normal corporate insolvency resolution process.

The Ministry of Corporate Affairs has notified the relevant sections 55 to 58 of the Insolvency and Bankruptcy code, 2016 pertaining to the Fast Track Process and also notified that fast track process shall apply to the following categories of corporate debtors:

- a small company, as defined under clause (85) of section 2 of the Companies Act, 2013; or
- a Startup (other than the partnership firm), as defined in the notification dated 23rd May, 2017 of the Ministry of Commerce and Industry; or
- an unlisted company with total assets, as reported in the financial statement of the immediately preceding financial year, not exceeding Rs.1 crore.

## **5. MCA – Eforms**

DIR-5 (Application for surrender of Director Identification Number) will be deployed as an e-form for filing purposes w.e.f 21st June 2017. Stakeholders who wish to surrender DINs shall be required to file this e-form instead of it being filed as an attachment to form RD-1.

## **6. MCA – IBBI issues Public Notice to clarify the position under the Code as to who can render services as IP's**

IBBI, has issued a Public Notice to clarify the position under the Code as to who can render services as IP's. Accordingly, no person to function as an Insolvency Professional without obtaining Certificate of Registration from IBBI. Section 206 prohibits a person from rendering services as IP under the Code unless he is enrolled as a member of an IPA, and is also registered with the IBBI. Section 207 requires a person first to obtain membership of an IPA and then register himself with the IBBI. It empowers the IBBI to specify the categories of professionals or persons possessing such qualifications to be eligible for registration as IPs. No person other than persons

registered as IPs with the IBBI can act as IP. Further, Insolvency Professional Entities are neither enrolled as member of an IPA nor registered as IP with the IBBI and cannot act as IPs under the Code.

<http://ibbi.gov.in/webadmin/pdf/press/2017/Jun/IBBI.pdf>

## **7. MCA notifies Insolvency and Bankruptcy Board of India (Inspection and Investigation) Regulations, 2017**

MCA has notified the Insolvency and Bankruptcy Board of India (Inspection and Investigation) Regulations, 2017 which shall come into force on the date of their publication in the Official Gazette. These regulations shall apply to inspection and investigation of service providers. The Board shall conduct inspection and investigation of such number of service providers, as may be decided by the Board from time to time under section 218. If the Board, is of the prima facie opinion that sufficient cause exists to take actions under section 220 or sub-section (2) of section 236, it shall issue a show cause notice in accordance with regulation 12 to the service provider or an associated person and in any other case, close the inspection or investigation, as the case may be. The Board shall refer the show-cause notice to the Disciplinary Committee alongwith all the relevant records including the written submissions, if any, made by the noticee in the matter.

[http://ibbi.gov.in/The\\_Insolvency\\_and\\_Bankruptcy\\_Board\\_of\\_India\\_Inspection\\_and\\_Investigation\\_Regulations\\_2017.pdf](http://ibbi.gov.in/The_Insolvency_and_Bankruptcy_Board_of_India_Inspection_and_Investigation_Regulations_2017.pdf)

## **8. MCA increases paid up share capital limit for rotation of private companies auditors**

Ministry of Corporate Affairs (MCA) vide Notification dated 22<sup>nd</sup> June, 2017 has made amendment to Companies (Audit and Auditors) Rules, 2014, the rules may be called Companies (Audit and Auditors) Second Amendment Rules, 2017. The amendment has been made with respect to paid up share capital limit for rotation of auditors in case of private companies has been increased from rupees twenty crore to rupees fifty crore or more.

<http://www.mca.gov.in/Ministry/pdf/CompaniesAuditandAuditorsSecondAmendmentRules2017.pdf>



# MCA UPDATES

***9. Ministry of Corporate Affairs issues a notification exempting every person or enterprise who is a party to a combination from giving notice within 30 days for a period of 5 years from the date of publication of the notification; Measure has been taken to alleviate the concerns of stakeholders who felt constrained by 30 days deadline stipulated in the Act for submission of notices of combination to the Competition Commission of India.***

The Ministry of Corporate Affairs, in exercise of the powers conferred by clause (a) of Section 54 of the Competition Act, 2002, has issued a notification, in public interest, exempting every person or enterprise who is a party to a combination as referred to in Section 5 of the said Act from giving notice within thirty days mentioned in sub-section (2) of Section 6 of the said Act, subject to the provisions of sub-section (2A) of Section 6 and Section 43A of the said Act, for a period of five years from the date of publication of the notification.

The measure has been taken to alleviate the concerns of stakeholders who felt constrained by the thirty days deadline stipulated in the Act for submission of notices of combination to the Competition Commission of India.

India has a suspensory regime wherein combinations come into effect only after either 210 days have passed from the day on which the notice has been given to the Commission or the Commission has passed orders under Section 31, whichever is earlier. In most jurisdictions with such suspensory regimes, notice of combinations can be given by enterprises to Competition Authorities at their convenient point of time but prior to giving effect to the said combination. With this measure, the combinations regime in India will be in line with the global best practices and enterprises will be free to submit notice of combinations to the Commission at a time convenient to them but prior to giving effect to such combinations. Enterprises are also, as per the notification, mandated to submit the notice in compliance of sub-section (2A) of Section 6 of the Act prior to giving effect to combinations and are liable for penalty, under section 43A of the Act, if they fail to do so.

The measure is in line with the Government's objective of providing Ease of Doing Business in India and is expected to bring about immense relief in cases of combinations covered under the Competition Act, 2002.



# SEBI UPDATES

## ***1. Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2017***

The SEBI has amended the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and notified the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2017 which shall come into force on the date of their publication in the Official Gazette. A new definition of “Systemically Important Non-Banking Financial Company” which means a non-banking financial company registered with the Reserve Bank of India and having a net-worth of more than five hundred crore rupees as per the last audited financial statements has been inserted. Further, the monitoring agency shall now submit its report to the issuer in the format specified in Schedule IX on a quarterly basis instead of a half yearly basis, till at least ninety five percent of the proceeds of the issue excluding the proceeds under offer for sale and amount raised for general corporate purposes, have been utilized. The Board of Directors and the management of the company shall provide their comments on the findings of the monitoring agency as specified in Schedule IX.

<http://www.sebi.gov.in/legal/regulations/jun-2017/sebi-issue-of-capital-and-disclosure-requirements-regulations-2009-last-amended-on-may-31-2017-34697.html>

## ***2. Comprehensive guidelines for Investor Protection Fund, Investor Service Fund and its related matters at National Commodity Derivatives Exchanges***

Securities Exchange Board of India (SEBI) vide Circular No. CIR/CDMRD/DEICE/CIR/P/2017/53 dated 13<sup>th</sup> June, 2017 has issued the Comprehensive guidelines for Investor Protection Fund, Investor Service Fund and its related matters at National Commodity Derivatives Exchanges.

[http://www.sebi.gov.in/legal/circulars/jun-2017/comprehensive-guidelines-for-investor-protection-fund-investor-service-fund-and-its-related-matters\\_35095.html](http://www.sebi.gov.in/legal/circulars/jun-2017/comprehensive-guidelines-for-investor-protection-fund-investor-service-fund-and-its-related-matters_35095.html)

## ***3. Comprehensive Review of Margin Trading Facility***

Securities Exchange Board of India (SEBI) vide Circular No. CIR/MRD/DP/54/2017 dated 13<sup>th</sup> June, 2017 has revised the framework for Margin Trading Facility.

[http://www.sebi.gov.in/legal/circulars/jun-2017/circular-on-comprehensive-review-of-margin-trading-facility\\_35098.html](http://www.sebi.gov.in/legal/circulars/jun-2017/circular-on-comprehensive-review-of-margin-trading-facility_35098.html)

## ***4. Options on Commodity Futures – Product Design and Risk Management Framework***

Securities Exchange Board of India (SEBI) vide Circular No. SEBI/HO/CDMRD/DMP/CIR/P/2017/55 dated 13<sup>th</sup> June, 2017 has issued the guidelines with regard to the product design and risk management framework to be adopted for trading in options on commodity futures.

[http://www.sebi.gov.in/legal/circulars/jun-2017/options-on-commodity-futures-product-design-and-risk-management-framework\\_35096.html](http://www.sebi.gov.in/legal/circulars/jun-2017/options-on-commodity-futures-product-design-and-risk-management-framework_35096.html)

## ***5. Recording of Non Disposal Undertaking (NDU) in the Depository System***

Securities Exchange Board of India (SEBI) vide Circular No. CIR/MRD/DP/ 56 /2017 dated 14<sup>th</sup> June, 2017 has prescribed a framework for recording of Non – Disposal Undertaking (NDU) in the Depository System. The depository system provides a transparent mechanism for recording pledge transactions entered between lenders and borrowers. SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, requires promoters of a company to disclose details of their encumbered shares including NDUs by promoters which are covered under the scope of disclosures of 'Encumbrances'.

Therefore, in order to enable the shareholders to record the NDUs in the depository system, it has been decided to permit the depositories to offer a system for capturing and recording the NDUs. In this regard, the depositories are advised the following: Depositories shall develop a separate module/transaction type in their system for recording NDUs. Both parties to the NDU shall have a demat account with the same depository and be KYC compliant followed by other measures.

[http://www.sebi.gov.in/legal/circulars/jun-2017/recording-of-non-disposal-undertaking-ndu-in-the-depository-system\\_35106.html](http://www.sebi.gov.in/legal/circulars/jun-2017/recording-of-non-disposal-undertaking-ndu-in-the-depository-system_35106.html)



# SEBI UPDATES

## ***6. Interest and Dividend information reporting in case of Custodial Accounts-Rule 114G(1)(e) of the Income Tax Rules, 1962***

Securities Exchange Board of India (SEBI) vide Circular No. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/59 dated 15<sup>th</sup> June, 2017 has issued the circular with regard to reporting of Interest and Dividend Information in case of Custodial Accounts under Rule 114G(1)(e) of the Income Tax Rules, 1962.

It has been decided in consultation with Central Board of Direct Taxes, Department of Revenue, Ministry of Finance that:-a) Depositories shall provide additional field in the depository system to the RTAs by July 15, 2017 whereby the RTAs can incorporate the details of corporate action viz. dividend/interest in rupee terms per unit of the security at the time of setting up of corporate action. Depositories shall make available such information to DPs to enable them to do necessary reporting.

[http://www.sebi.gov.in/legal/circulars/jun-2017/-interest-and-dividend-information-reporting-in-case-of-custodial-accounts-rule-114g-1-e-of-the-income-tax-rules-1962\\_35115.html](http://www.sebi.gov.in/legal/circulars/jun-2017/-interest-and-dividend-information-reporting-in-case-of-custodial-accounts-rule-114g-1-e-of-the-income-tax-rules-1962_35115.html)

## ***7. Non-compliance with certain provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009***

Securities Exchange Board of India (SEBI) vide Circular No. Circular No.: CIR/CFD/DIL/57/2017 dated 15<sup>th</sup> June, 2017 has prescribed the fines on the Companies that Stock Exchanges can impose for non-compliance of following provisions of ICDR Regulations.

- Delay in completion of bonus issue
- Companies not allotting the shares on conversion of convertible securities within 18 months.
- Issuer not approaching the exchange for listing of equity shares within 20 days from date of allotment.

The fine for all the above mentioned non – compliance is - ₹ 20,000 per day of non-compliance till the date of compliance. If non-compliance continues for more than 15 days, additional fine of 0.01 % of paid up capital of the entity or ₹ 1 crore, whichever is less. Paid-up capital for this purpose shall be the paid up capital as on first day of the financial year in which the non-compliance occurs.

<http://www.sebi.gov.in/legal/circulars/jun-2017/non-compliance-with-certain-provisions-of-sebi-issue-of-capital->

[and-disclosure-requirements-regulations-2009\\_35112.html](http://www.sebi.gov.in/legal/circulars/jun-2017/continuous-disclosure-requirements-regulations-2009_35112.html)

## ***8. Continuous disclosures and compliances by issuers under SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015***

Securities Exchange Board of India (SEBI) vide Circular No. CIR/IMD/DF1/60/2017 dated 19<sup>th</sup> June, 2017 has issued circular with regard to continuous disclosures and compliances by issuers under SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.

[http://www.sebi.gov.in/legal/circulars/jun-2017/continuous-disclosures-and-compliances-by-issuers-under-sebi-issue-and-listing-of-debt-securities-by-municipalities-regulations-2015\\_35127.html](http://www.sebi.gov.in/legal/circulars/jun-2017/continuous-disclosures-and-compliances-by-issuers-under-sebi-issue-and-listing-of-debt-securities-by-municipalities-regulations-2015_35127.html)

## ***9. SEBI Board Meeting***

Securities Exchange Board of India (SEBI) vide Press Release dated 21<sup>st</sup> June, 2017 has taken following decisions-

a. Restructuring in stressed companies- it has been decided to extend the relaxations from preferential issue requirements under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and from open offer obligations under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 are available for lenders undertaking restructuring of listed companies in distress through Strategic Debt Restructuring (SDR) scheme in terms of the guidelines of RBI to the new investors acquiring shares in distressed companies pursuant to such restructuring schemes.

However, such relaxations shall be subject to certain conditions like approval by the shareholders of the companies by special resolution and lock-in of their shareholding for a minimum period of three years. Further, it has also been decided to extend the said relaxations to the lenders under other restructuring schemes undertaken in accordance with guidelines of RBI.

b. Resolution plans approved under the Insolvency and Bankruptcy Code, 2016 - The Board has also approved the proposal to provide exemption from open offer obligations, under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, for acquisitions pursuant to resolution plans approved by NCLT under the Insolvency and Bankruptcy Code, 2016.



# SEBI UPDATES

c. Extension of Lock-in-relaxation to Category II Alternative Investment Funds (AIF) - Presently, in case of an IPO, there are relaxed rules for lock-in provision to Category I AIFs. The Board approved the proposal for extending such relaxation to Category II AIFs also. This would bring about uniformity, ease of doing business and expand the investor base available for capital raising.

d. Consultation paper on Easing of access norms for investment by FPIs - SEBI proposes to carry out appropriate amendment (s) to SEBI (Foreign Portfolio Investors) Regulations, 2014 and issue necessary circular/guidelines etc. issued thereunder, to further ease the access norms for investments by FPIs in Indian securities market.

e. Offshore Derivative Instruments (ODI) - The Board has decided to levy a "Regulatory Fee" of US\$1000 on each ODI subscriber, to be collected and deposited by the ODI issuing FPI of such ODI subscriber, once every three years, starting from April 1, 2017. SEBI shall amend SEBI (FPI) Regulations, 2014 to implement the decision taken by the Board. The Board has decided to prohibit ODIs from being issued against derivatives, except on those which are used for hedging purposes. SEBI will issue a circular in this regard.

f. Growth and Development of Equity Derivatives Market in India - A paper was presented to the Board on "Growth and Development of Equity Derivatives Market in India". It was decided to have stakeholder consultation on the need to review the derivatives market framework including product suitability for investors so as to further strengthen the framework in line with the emerging trends and global best practices.

g. SEBI Annual Report 2016-17 - The Board considered and approved the SEBI Annual Report 2016-17. In compliance with Section 18(2) of SEBI Act, 1992, the same Annual Report would be submitted to the Central Government.

[http://www.sebi.gov.in/media/press-releases/jun-2017/sebi-board-meeting\\_35147.html](http://www.sebi.gov.in/media/press-releases/jun-2017/sebi-board-meeting_35147.html)

## **10. Participation of Category III Alternative Investment Funds (AIFs) in the commodity derivatives market**

Securities Exchange Board of India (SEBI) vide Circular No. SEBI/HO/CDMRD/DMP/CIR/P/2017/61 dated 21<sup>st</sup> June, 2017 has issued circular with regard to Participation of Category III Alternative Investment Funds (AIFs) in the commodity derivatives market subject to certain conditions.

Category III AIFs may participate in all commodity derivatives products that are being traded on the commodity derivatives exchanges as 'clients' and shall be subjected to all the rules, regulations and instructions, position limit norms as may be applicable to clients, issued by SEBI and Exchanges from time to time. They shall not invest more than ten percent of the investable funds in one underlying commodity.

[http://www.sebi.gov.in/legal/circulars/jun-2017/participation-of-category-iii-alternative-investment-funds-aifs-in-the-commodity-derivatives-market\\_35146.html](http://www.sebi.gov.in/legal/circulars/jun-2017/participation-of-category-iii-alternative-investment-funds-aifs-in-the-commodity-derivatives-market_35146.html)

## **11. Review of Offer for Sale (OFS) of Shares through Stock Exchange Mechanism**

Securities Exchange Board of India (SEBI) vide Circular No. CIR/MRD/DP/ 65 /2017 dated 27<sup>th</sup> June, 2017 has reviewed the Comprehensive guidelines on Offer for Sale of Shares through Stock Exchange Mechanism. In order to further streamline the process of OFS with an objective to encourage greater participation by employees, the existing provision with respect to restriction on sale of shares by promoters post OFS is modified as follows:

Promoters of eligible companies shall be permitted to sell shares within a period of 2(two) weeks from the OFS transaction to the employees of such companies. The offer to employee shall be considered as a part of the said OFS transaction.

The promoters may at their discretion offer these shares to employees at the price discovered in the said OFS transaction or at a discount to the price discovered in the said OFS transaction.

Promoters shall make necessary disclosures in the OFS notice to the exchange including number of shares offered to employees and discount offered if any.

[http://www.sebi.gov.in/legal/circulars/jun-2017/review-of-offer-for-sale-ofs-of-shares-through-stock-exchange-mechanism\\_35182.html](http://www.sebi.gov.in/legal/circulars/jun-2017/review-of-offer-for-sale-ofs-of-shares-through-stock-exchange-mechanism_35182.html)

## **12. Acceptance of e-PAN card for KYC purpose**

Securities Exchange Board of India (SEBI) vide Circular No.: SEBI/HO/IMD/FIIC/CIR/P/2017/068 dated 30<sup>th</sup> June, 2017 it is clarified that E-PAN issued by CBDT can also be produced by FPI for KYC compliance. The other instructions contained in Circular CIR/IMD/FPIC/123/2016



## SEBI UPDATES

dated November 17, 2016 remains unchanged.

[http://www.sebi.gov.in/legal/circulars/jun-2017/acceptance-of-e-pan-card-for-kyc-purpose\\_35210.html](http://www.sebi.gov.in/legal/circulars/jun-2017/acceptance-of-e-pan-card-for-kyc-purpose_35210.html)

### ***13. Specifications related to International Securities Identification Number (ISINs) for debt securities issued under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008***

Securities Exchange Board of India (SEBI) vide Circular No.: CIR/IMD/DF-1/ 67 /2017 dated 30<sup>th</sup> June, 2017 has issued specifications related to International Securities Number (ISINs) for debt securities issued under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008.

[http://www.sebi.gov.in/legal/circulars/jun-2017/specifications-related-to-international-securities-identification-number-isins-for-debt-securities-issued-under-the-sebi-issue-and-listing-of-debt-securities-regulations-2008\\_35215.html](http://www.sebi.gov.in/legal/circulars/jun-2017/specifications-related-to-international-securities-identification-number-isins-for-debt-securities-issued-under-the-sebi-issue-and-listing-of-debt-securities-regulations-2008_35215.html)

### ***14. Clarification on monitoring of Interest/ Principal repayment and sharing of such information with Credit Rating Agencies by Debenture Trustees***

Securities Exchange Board of India (SEBI) vide Circular No.: SEBI/HO/MIRSD/MIRSD3/CIR/P/2017/ 72 dated 30<sup>th</sup> June, 2017 has issued clarification on monitoring of interest / Principal repayment and sharing of such information with Credit Rating Agencies by Debenture Trustees (DTs). It is clarified that the DTs shall have adequate systems to ascertain the status of payment of interest/ principal by issuer companies on due dates in timely manner and efficiently share such information with the CRAs.

[http://www.sebi.gov.in/legal/circulars/jun-2017/clarification-on-monitoring-of-interest-principal-repayment-and-sharing-of-such-information-with-credit-rating-agencies-by-debenture-trustees\\_35219.html](http://www.sebi.gov.in/legal/circulars/jun-2017/clarification-on-monitoring-of-interest-principal-repayment-and-sharing-of-such-information-with-credit-rating-agencies-by-debenture-trustees_35219.html)

### ***14. Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)***

Securities Exchange Board of India (SEBI) vide Circular No.: SEBI/ HO/ MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dated 30<sup>th</sup> June, 2017 has issued clarifications in respect of monitoring

mechanism, disclosure norms and timelines are being brought to the attention of CRAs for compliance.

<http://www.sebi.gov.in/legal/circulars/jun-2017/monitoring-and-review-of-ratings-by-credit-rating-agencies-cras-35220.html>



# TAXATION UPDATES

## ***1. List of transactions not chargeable to securities transaction tax (STT)***

The Ministry of Finance, Department of Revenue notifies the list of transactions not chargeable to securities transaction tax (STT). Following transactions of acquisition of equity shares entered into on or after the 1st day of October, 2004 are not chargeable to securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004, such as, acquisition of existing listed equity share in a company through a preferential issue whose equity shares are not frequently traded in a recognised stock exchange of India, transaction for acquisition of existing listed equity share in a company which is not entered through a recognised stock exchange of India and acquisition of equity share of a company during the period beginning from the date on which the company is delisted from a recognised stock exchange and ending on the date immediately preceding the date on which the company is again listed on a recognised stock exchange in accordance with the Securities Contracts (Regulation) Act, 1956 read with Securities and Exchange Board of India Act, 1992 and the rules made thereunder. However, there are certain transactions to which this Circular shall not apply. This notification shall come into force with effect from the 1st day of April, 2018 and shall accordingly apply to assessment year 2018-19 and subsequent assessment years.

[http://www.incometaxindia.gov.in/communications/notification/notification43\\_2017.pdf](http://www.incometaxindia.gov.in/communications/notification/notification43_2017.pdf)

## ***2. CBDT extends deadline to furnish Form 16***

CBDT has notified the Income-tax (10th Amendment) Rules, 2017 which shall come into force from the date of their publication in the Official Gazette. In the Income-tax Rules, 1962, in Rule 31(3), the deadline to furnish Form 16 to employees extended till June 15 from 31st day of May every year. The Rule 31(3) provides for due date of furnishing of Form 16 (relating to TDS) to the employees; specifying that the employer is required to furnish Form 16 to the employees by June 15, 2017 following the financial year (FY) in which salary was paid and tax was deducted.

[http://www.incometaxindia.gov.in/communications/notification/notification42\\_2017.pdf](http://www.incometaxindia.gov.in/communications/notification/notification42_2017.pdf)

## ***3. 24 States pass the State GST (SGST) Act While 7 States viz. Meghalaya, Punjab, Tamil Nadu, Kerala, Karnataka, Jammu & Kashmir and West Bengal have yet to pass the SGST Act.***

Ministry of Finance vide Press Release dated 5<sup>th</sup> June, 2017 has announced that Twenty Four (24) States have passed the State GST (SGST) Act till today i.e. 5th June, 2017 while 7 States viz. Meghalaya, Punjab, Tamil Nadu, Kerala, Karnataka, Jammu & Kashmir and West Bengal have yet to pass the State GST (SGST) Act.

## ***4. CBDT notifies Transfer Pricing Tolerance Limit for Assessment Years 2017-18 and 2018-19.***

The CBDT has notified Transfer Pricing Tolerance Limit for Assessment Years 2017-18 and 2018-19. The Central Government notifies that where the variation between the arm's length price determined under section 92C of the Act and the price at which the international transaction or specified domestic transaction has actually been undertaken does not exceed one per cent. of the latter in respect of wholesale trading and three per cent. of the latter in all other cases, the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price for assessment year 2017-18 and assessment year 2018-19. For the purposes of this notification, "wholesale trading" means an international transaction or specified domestic transaction of trading in goods, which fulfils the following conditions, purchase cost of finished goods is 80% or more of the total cost pertaining to such trading activities and average monthly closing inventory of such goods is 10% or less of sales pertaining to such trading activities.

[http://www.incometaxindia.gov.in/communications/notification/notification50\\_2017.pdf](http://www.incometaxindia.gov.in/communications/notification/notification50_2017.pdf)

## ***5. Settled View on section 2(22)(e) of the Income Tax Act, trade advances***

Ministry of Finance (Department of Revenue) vide Circular No. 19/2017 has clarified the Settled View on whether trade advances are covered under section 2(22) (e) (i.e. definition of Dividend) of the Income Tax Act. Pursuant to the pronouncements of various courts CBDT has clarified that



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trade advances, which are in the nature of commercial transactions would not fall within the ambit of the word 'advance' in section 2(22)(e) of the Act. Accordingly, henceforth, appeals may not be filed on this ground by Officers of the Department and those already filed, in Courts tribunals may be withdrawn/not pressed upon.

[http://www.incometaxindia.gov.in/communications/circular/circular-19\\_2017.pdf](http://www.incometaxindia.gov.in/communications/circular/circular-19_2017.pdf)

## **6. Applicability of Explanation 2 to Section 132B of the Income Tax Act, 1961**

Ministry of Finance, Central Board of Direct Taxes (CBDT) vide Circular No. 20/2017 dated 12<sup>th</sup> June, 2017 has announced that it has now been settled that insertion of Explanation 2 to Section 132B of the Act shall have a prospective application and so, appeals may not be filed by the Department on this issue for the cases prior to 01.06.2013 and those already filed may be withdrawn/ not pressed upon.

[http://www.incometaxindia.gov.in/communications/circular/circular\\_20\\_2017.pdf](http://www.incometaxindia.gov.in/communications/circular/circular_20_2017.pdf)

## **7. Non-Applicability of the provisions of section 194-1 of the I.T. Act, 1961 on remittance of Passenger Service Fees (PSF) by an Airline to an Airport Operator**

Ministry of Finance, Central Board of Direct Taxes (CBDT) vide Circular No. 21/2017 dated 12<sup>th</sup> June, 2017 has provided that section 194-1 of the Income Tax Act, 1961, will not apply on Passenger Service Fees (PSF) by an Airline to an Airport Operator.

Under the existing provisions contained in section 194-1 of the Income Tax Act, 1961 ('the Act'), tax is required to be deducted at source on payment of rent. The term "rent" is defined in the Explanation to the said section to mean any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of (either separately or together) any (a) land; or (b) building (including factory building); or (c) land appurtenant to a building (including factory building); or (d) machinery; or (e) plant; or (f) equipment; or (g) furniture; or (h) fittings, whether or not any or all of the above are owned by the payee.

[http://www.incometaxindia.gov.in/communications/circular/circular\\_21\\_2017.pdf](http://www.incometaxindia.gov.in/communications/circular/circular_21_2017.pdf)

## **8. DGFT – Changes in IEC with the introduction of GST**

The Foreign Trade (Development & Regulation) Act, 1992 provides that no person shall make any import or export except under an Importer Exporter Code (IEC) number, granted by the Director General of Foreign Trade or the officer authorized by the Director General in this behalf. As a measure of ease of doing business, it has been decided to keep the identity of an entity uniform across the Ministries/Departments. Henceforth (with the implementation of GST), PAN of an entity will be used for the purpose of IEC, i.e., IEC will be issued by DGFT with the difference that it will be alpha numeric (instead of 10 digit numeric at present) and will be same as PAN of an entity. For new applicants, w.e.f. the notified date, application for IEC will be made to DGFT and applicant's PAN will be authorized as IEC. For residuary categories under Para 2.07 of HBP 201520, the IEC will be either UIN issued by GSTN and authorized by DGFT or any common number to be notified by DGFT. Further, for the existing IEC holders, necessary changes in the system are being carried out by DGFT so that their PAN becomes their IEC. DGFT system will undertake this migration and the existing IEC holders are not required to undertake any additional exercise in this regard. IEC holders are required to quote their PAN (in place of existing IEC) in all their future documentation, w.e.f. the notified date. The legacy data which is based on IEC would be converted into PAN based in due course of time.

<http://dgft.gov.in/Exim/2000/TN/TN17/TN0918.pdf>

## **9. CBDT notifies Form no. 26QC for payment of TDS on rent u/s 194IB and Form No.16C for TDS Certificate**

Ministry of Finance, Central Board of Direct Taxes (CBDT) vide Notification dated 8<sup>th</sup> June, 2017 has provided that Every person responsible for deduction of tax under section 194-IB shall furnish the certificate of deduction of tax at source in Form No.16C to the payee within fifteen days from the due date for furnishing the challan-cum-statement in Form No.26QC under rule 31A after generating and downloading the same from the web portal specified by the Principal Director General of Income-tax (Systems) or the Director



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General of Income-tax (Systems) or the person authorised by him.

[http://www.incometaxindia.gov.in/communications/notification/notification48\\_2017.pdf](http://www.incometaxindia.gov.in/communications/notification/notification48_2017.pdf)

## ***10. CBDT provides clarification on Reduced Liability of Tax on complex, building, flat etc. under GST***

Ministry of Finance, Central Board of Direct Taxes vide Press Release dated 15<sup>th</sup> June, 2017 has issued clarification with regard to Tax liability on complex, building, flat etc.

The CBEC and States have received several complaints that in view of the works contract service tax rate under GST at 12% in respect of under construction flats, complex etc, the people who have booked flats and made part payment are being asked to make entire payment before 1st July 2017 or to face higher tax incidence for payment made after 1st July 2017. This is against the GST law. The issue is clarified as below:-

1. Construction of flats, complex, buildings will have a lower incidence of GST as compared to a plethora of central and state indirect taxes suffered by them under the existing regime.

2. Central Excise duty is payable on most construction material @12.5%. It is higher in case of cement. In addition, VAT is also payable on construction material @12.5% to 14.5% in most of the States. In addition, construction material also presently suffer Entry Tax levied by the States. Input Tax Credit of the above taxes is not currently allowed for payment of Service Tax. Credit of these taxes is also not available for payment of VAT on construction of flats etc. under composition scheme. Thus, there is cascading of input taxes on constructed flats, etc.

3. As a result, incidence of Central Excise duty, VAT, Entry Tax, etc. on construction material is also currently borne by the builders, which they pass on to the customers as part of the price charged from them. This is not visible to the customer as it forms a part of the cost of the flat.

4. The current headline rate of service tax on construction of flats, residences, offices etc. is 4.5%. Over and above this, VAT @1% under composition scheme is also charged. The buyer only looks at the headline rate of 5.5%. In other cities/states, where VAT is levied under the composition scheme @2% or above, the headline rate visible to the customer is above 6.5%. What the customer does not see is the

embedded taxes on account of cascading and sticking of input taxes in the cost of the flat, etc.

5. This will change under GST. Under GST, full input credit would be available for offsetting the headline rate of 12%. As a result, the input taxes embedded in the flat will not (& should not) form a part of the cost of the flat. The input credits should take care of the headline rate of 12% and it is for this reason that refund of overflow of input tax credits to the builder has been disallowed.

6. The builders are expected to pass on the benefits of lower tax burden under the GST regime to the buyers of property by way of reduced prices/ installments. It is, therefore, advised to all builders / construction companies that in the flats under construction, they should not ask customers to pay higher tax rate on instalments to be received after imposition of GST.

7. Despite this clarity on law position, if any builder resorts to such practice, the same can be deemed to be profiteering under section 171 of GST law.

## ***11. CBDT invites comments and suggestions on the Draft Notification in respect of foreign company said to be resident in India under Section 115JH of the Income-tax Act, 1961***

Ministry of Finance vide Press Release dated 15<sup>th</sup> June, 2017 has invited comments and suggestions on the Draft Notification in respect of foreign company said to be resident in India under Section 115JH of the Income-tax Act, 1961. Finance Act, 2016, inter alia, introduced special provisions in respect of foreign company said to be resident in India on account of Place of Effective Management (PoEM) by way of insertion of a new Chapter XII-BC consisting of Section 115JH in the Income-tax Act, 1961 (the Act) with effect from 1st April, 2017. Section 115JH of the Act, inter alia, provides that the Central Government may notify exception, modification and adaptation subject to which, provisions of the Act relating to computation of total income, treatment of unabsorbed depreciation, set off or carry forward and set off of losses, collection and recovery and special provisions relating to avoidance of tax shall apply in a case where a foreign company is said to be resident in India due to its PoEM being in India for the first time and the said company has never been resident in India before.



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It has been further provided that these transitional provisions would also cover any subsequent previous year upto the date of determination of POEM in an assessment proceedings.

## 12. Relaxation in return filing procedure for first two months of GST implementation

Ministry of Finance vide Press Release dated 18<sup>th</sup> June, 2017, With the objective of ensuring smooth rollout of GST and taking into account the concerns expressed by the trade and industry regarding filing of the returns in GST regime, it has been decided that, for the first two months of GST implementation, the tax would be payable based on a simple return (Form GSTR-3B) containing summary of outward and inward supplies which will be submitted before 20<sup>th</sup> of the succeeding month. However, the invoice-wise details in regular GSTR – 1 would have to be filed for the month of July and August, 2017 as per the timelines given below –

Month	GSTR – 3B	GSTR - 1	GSTR – 2 (auto populated from GSTR-1)
<b>July, 2017</b>	20 <sup>th</sup> August	1 <sup>st</sup> – 5 <sup>th</sup> September*	6 <sup>th</sup> – 10 <sup>th</sup> September
	20 <sup>th</sup> September	16 <sup>th</sup> – 20 <sup>th</sup> September	21 <sup>st</sup> – 25 <sup>th</sup> September

\* Facility for uploading of outward supplies for July, 2017 will be available from 15<sup>th</sup> July, 2017.

No late fees and penalty would be levied for the interim period. This is intended to provide a sense of comfort to the taxpayers and give them an elbow room to attune themselves with the requirements of the changed system. This not only underlines the government’s commitment towards ensuring that all the stakeholders are on board but also provides an opportunity to the taxpayers to be ready for this historic reform.

## 13. CBDT notifies rule for Computation of interest income pursuant to secondary adjustments

Ministry of Finance, Central Board of Direct Taxes (CBDT) vide Notification No. 52/2017 dated 15<sup>th</sup> June, 2017 notifies rule for Computation of interest income pursuant to secondary adjustment.

In order to make the actual allocation of funds consistent with that of the primary transfer pricing adjustment, Finance Act, 2017 inserted Section 92CE in the Income-tax Act, 1961 with effect from 1<sup>st</sup> day of April, 2018 to provide for secondary adjustment by attributing income to the excess money lying in the hands of the associated enterprise. The provision shall be applicable to primary adjustments exceeding one crore rupees made in respect of the assessment year 2017-18 and on wards. The said rule prescribes the time limit of repatriation of excess money and the rate at which the interest income shall be computed in the case of failure to repatriate the excess money within the prescribed time limit. In order to provide for an uniform treatment in respect of various types /situations of primary adjustments as referred to in sub-section(1) of section 92CE, it prescribes for a time limit of 90 days for repatriation of excess money.

[http://www.incometaxindia.gov.in/communications/notification/notification52\\_2017.pdf](http://www.incometaxindia.gov.in/communications/notification/notification52_2017.pdf)

## 14. CBEC notifies certain sections of IGST Act, 2017

Ministry of Finance, Central Board of Excise Customs (CBEC) vide Notification No. 1/2017 dated 19<sup>th</sup> June, 2017 appoints 22<sup>nd</sup> June, 2017 as the date to notify the provisions of Section 1, 2, 3, 4, 5, 10, 22, 23, 24, 25, 26, 27, 28, 29, 30, 139, 146 and 164 of Central Goods and Service Tax Act, 2017.

[http://www.cbec.gov.in/resources/htdocs-cbec/gst/notfctn\\_1\\_central-tax-english.pdf](http://www.cbec.gov.in/resources/htdocs-cbec/gst/notfctn_1_central-tax-english.pdf)

## 15. Notifying jurisdiction of Central Tax Officers

Ministry of Finance, Central Board of Excise and Customs vide Notification No. 2/2017 has notified the jurisdiction of Central Tax officers under Integrated Goods and Service Tax Act, 2017.

<http://www.cbec.gov.in/resources/htdocs-cbec/gst/notfctn-2-central-tax-english.pdf>



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## **16. Notifying the CGST Rules, 2017 on registration and composition levy**

Ministry of Finance, Central Board of Excise and Customs (CBEC) vide Notification No. 3/2017 dated 19<sup>th</sup> June, 2017 has prescribed the Central Goods and Services Tax Rules, 2017 on registration and composition levy which shall come into force with effect from 22<sup>nd</sup> June, 2017.

<http://www.cbec.gov.in/resources/htdocs-cbec/gst/notfctn-3-central-tax-english.pdf>

## **17. Notifying www.gst.gov.in as the Common Goods and Service Tax Electronic Portal**

Ministry of Finance, Central Board of Excise and Customs (CBEC) vide Notification No. 4/2017 dated 19<sup>th</sup> June, 2017 notifies [www.gst.gov.in](http://www.gst.gov.in) as the Common Goods and Service Tax Electronic Portal. The notification shall come into force on the 22<sup>nd</sup> day of June, 2017.

<http://www.cbec.gov.in/resources/htdocs-cbec/gst/notfctn-4-central-tax-english.pdf>

## **18. Seeks to exempt persons only engaged in making taxable supplies, total tax on which is liable to be paid on reverse charge basis**

Ministry of Finance, Central Board of Excise and Customs (CBEC) vide Notification No. 5/2017 hereby specifies the persons who are only engaged in making supplies of taxable goods or services or both, the total tax on which is liable to be paid on reverse charge basis by the recipient of such goods or services or both under sub-section (3) of section 9 of the said Act as the category of persons exempted from obtaining registration under the Central Goods and Services Tax Act, 2017.

<http://www.cbec.gov.in/resources/htdocs-cbec/gst/notfctn-5-central-tax-english.pdf>

## **19. Modes of verification under CGST Rules, 2017**

Ministry of Finance, Central Board of Excise and Customs (CBEC) vide Notification No. 6/2017 dated 19<sup>th</sup> June, 2017 notifies the following modes of verification, for the purpose of the rule 26 of the Central Goods and Services Tax Rules, 2017, namely:-

(i) Aadhaar based Electronic Verification Code (EVC);

(ii) Bank account based One Time Password (OTP):

Provided that where the mode of authentication of any document is through any of the aforesaid modes, such verification shall be done within two days of furnishing the documents.

<http://www.cbec.gov.in/resources/htdocs-cbec/gst/notfctn-6-central-tax-english.pdf>

## **20. Service Tax Return for April to June 2017 to be filed by 15.08.2017**

Ministry of Finance, Central Board of Excise and Customs (CBEC) Vide Notification No. 18/2017 dated 22<sup>nd</sup> June, 2017 has notified the Service Tax (Fourth Amendment) Rules, 2017, Service tax return for the period April 2017 to June 2017 is to be filed on or before 15<sup>th</sup> of August 2017 and revised service tax return if required within 45 days from the date of filing the original return.

<http://www.cbec.gov.in/resources/htdocs-servicetax/st-notifications/st-notifications-2017/st18-2017.pdf>

## **21. GST Rollout: Government Starts Registration for GST Practitioners**

Government has opened registration for GST Practitioners. Standardized formats (GST PCT-1 to GST PCT- 5) have been prescribed for making application for enrolment as GST practitioner, certificate of enrolment, show cause notice for disqualification, order of rejection of application of enrolment etc.

## **22. GST Rollout: Andhra Pradesh, Gujarat & Jharkhand Governments Notifies Composition & Registration Rules**

Andhra Pradesh, Gujarat and Jharkhand Governments have notified Composition and Registration Rules which are applicable from 22<sup>nd</sup> July 2017.

## **23. Postponement of provision relating to TDS (Section 51) and TCS (Section 52) of the CGST /SGST Act 2017**

Ministry of Finance, vide Press Release dated 26<sup>th</sup> June, 2017 With the objective of ensuring smooth rollout of GST and taking into account the feedback received from the trade and industry regarding the provisions of deduction of tax at Source under Section 51 of the CGST / SGST Act 2017 and collection



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of tax at source under Section 52 of the CGST / SGST Act 2017, the following has been decided :-

1. The provisions of Tax Deduction at Source (Section 51 of the CGST / SGST Act 2017) and Tax Collection at Source (Section 52 of the CGST/SGST Act, 2017) will be brought into force from a date which will be communicated later.
2. Persons who will be liable to deduct or collect tax at source will be required to take registration, but the liability to deduct or collect tax will arise from the date the respective sections are brought in force.
3. The persons who were liable to be registered under clause (ix) of Section 24 of the CGST / SGST Act, 2017 (as they were supplying goods or services through electronic commerce operator who is required to collect tax at source under Section 52) will not be liable to register till the provision of Tax Collection at Source is brought under force. In other words, persons supplying goods or services through electronic commerce operator liable to collect tax at source would not be required to obtain registration immediately, unless they are so liable under Section 22 or any other category specified under Section 24 of the CGST / SGST Act, 2017 .

This step has been taken to provide more time for persons liable to deduct tax at source / E-Commerce Companies and their suppliers to prepare for the historic tax reform.

## **24. Revised PAN/ TAN application & TCS/TDS filing charges from July 1, 2017**

With effect from July 1, 2017, all the TIN-FC may collect the fees as per the following schedule from deductors/collectors/ filers/Accounts Officers/applicants along-with GST and other levies as applicable as clarified in the circular- NSDL/TIN/2017/009.:

1. PAN Application – INR 110/-
2. PAN Applications (where foreign address is provided as address for communication) – INR 1020/-
3. TAN Applications - INR 63/- e-TDS/e-TCS/Form 24G & AIR/SFT

0-100 records	INR 45/-
101-1000 records	INR 210/-
More than 1000 records	INR 683/-

## **25. Rules related to Registration and Composition Scheme have been notified on 19th June, 2017 & came into effect from 22nd June, 2017 in order to start the process of issue of Registration Certificate, called Goods and Services Tax Identification Number (GSTIN), to taxpayers already issued provisional ID for registration (PID) as well as to the new taxpayers.**

The rules related to Registration and Composition Scheme have been notified on 19th June, 2017. These rules have been brought into effect from 22nd June, 2017. The intent of notifying these rules is to start the process of issue of registration certificate, called Goods and Services Tax Identification Number (GSTIN), to taxpayers who have already been issued provisional ID for registration (PID) as well as to the new taxpayers.

Any person who has been granted PID and who opts for composition scheme, should submit an intimation of option in a prescribed form on GSTN on or before 21st July, 2017.

Any persons who has PID may submit the required documents on GSTN for getting the certificate of registration. It is clarified that a period of three months is allowed to complete this procedure i.e. the formalities can be completed on or before 22nd September, 2017. In the interim, they can issue tax invoice using the PID already allotted to them. Any person who has been granted PID and who opts for composition scheme, should submit an intimation of option in a prescribed form on GSTN on or before 21st July, 2017.

Any persons who has PID may submit the required documents on GSTN for getting the certificate of registration. It is clarified that a period of three months is allowed to complete this procedure i.e. the formalities can be completed on or before 22nd September, 2017. In the interim, they can issue tax invoice using the PID already allotted to them.

A person seeking fresh registration can apply for registration within thirty days from the date on which he becomes liable for registration. They can also opt for composition scheme at the time of filing of registration form.



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The applicant for grant of new registration can issue a bill of supply for supplying goods or services during the period from the date of liability to obtain registration till date of issuance of the registration certificate, if he has applied for registration within thirty days from the date he has become liable for registration. On grant of certificate of registration he can issue revised tax invoices for the supplies made during this period.

## ***26. Government imposes levy of 10% basic customs duty (BCD) on cellular mobile phone, specified parts thereof and certain electronic goods.***

The Government had constituted Inter Ministerial Committee [IMC] comprising of officers from Ministry of Electronics and Information Technology (MeitY), the Department of Commerce (DoC), Department of Telecommunication (DoT) and Department of Revenue (DoR) to identify electronic / IT / telecom products, which are not Information Technology Agreement [ITA] – I bound, for customs duty enhancement on them.

With effect from 01.07.2017, the Government has imposed 10% basic customs duty (BCD) on:

- a) Cellular mobile phones and specified parts of cellular mobile phones like charger, battery, wire headset, Microphone and Receiver, Key Pad, USB Cable etc.
- b) Certain other specified electronic goods.

The present exemption from basic customs duty on specified parts of mobiles, namely, Printed Circuit Board Assembly (PCBA), Camera Module, Connectors Display Assembly, Touch Panel / Cover Glass Assembly, Vibrator Motor / Ringer will continue.

Further, inputs and raw material for manufacture of parts of above specified electronics goods including mobile phones will also continue to be exempt from BCD.

## ***27. GSTN unveils excel template for to help taxpayers perform easy data entry offline before uploading on the GST portal; Excel template together with an offline tool will make uploading large numbers of invoices much easier and quick; Offline Tool to be unveiled on July 17, 2017.***

Goods and Services Network (GSTN) has unveiled a simple excel based template that will facilitate the taxpayers in preparing and filing their monthly returns with maximum ease and minimal cost.

The excel template is a part of GST Council's approach to make tax compliance highly easy and convenient for taxpayers and also reduce the time of compliance to improve ease of doing business. This excel workbook template can be freely downloaded from the GST Common portal ([www.gst.gov.in](http://www.gst.gov.in)), and can be used by taxpayers to collate all invoice related data on a regular basis.

The Excel format can be used by businesses to start maintaining their data. The taxpayer can prepare the details of his outward supply on weekly or any other suitable regular interval which can then be uploaded on GST portal on or before the 10th of subsequent month. The GSTR1 excel template workbook can be used to prepare the data for GSTR 1 return without connecting to internet in offline mode. This also benefits taxpayers in remote areas where Internet connectivity might not be good.

The template comprises of eight worksheets. Summary of key values in each worksheet has been provided at the top to help taxpayers easily reconcile the data entered in the worksheets with that recorded in his accounting system/books to accurately prepare the return. Based on data entered in the Excel sheet, offline tool will prepare a file which will have to be uploaded by the taxpayer on GST Portal to create GSTR-1. Only while uploading the file on the GST portal, Internet connectivity will be required.



# Contact Us

## Delhi-NCR

Unit 1116, 11th Floor  
World Trade Tower  
C 1, Sector 16  
Noida  
Uttar Pradesh 201301  
Tel: +91 120 614 3000  
Fax: +91 120 614 3033

## Mumbai

Peninsula Business Park,  
19th F, Tower B,  
Lower Parel  
Mumbai-  
Maharashtra 400013  
Tel: +91 22 6124 6124  
Fax: +91 2261246101

## Jaipur

1st F, B-144 A,  
Mangal Marg,  
Bapu Nagar,  
Jaipur  
Rajasthan 302015  
Tel: + 91 141 4050920  
Fax: +91 141 4050 921

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### Financial Reporting & Compliance

- Accounting & Reporting
- Secretarial
- Tax Consulting (Direct & Indirect)

Krishan Goyal

Rajarshi Datta

Divya Vij

Aftab Shaikh

[krishan.goyal@acquisory.com](mailto:krishan.goyal@acquisory.com)

[rajarshi.datta@acquisory.com](mailto:rajarshi.datta@acquisory.com)

[divya.vij@acquisory.com](mailto:divya.vij@acquisory.com)

[aftab.shaikh@acquisory.com](mailto:aftab.shaikh@acquisory.com)

Website- [www.acquisory.com](http://www.acquisory.com)

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