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**NEWS CHRONICLE**

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*“ Think About Future*

*Think About Final Objective / Goal*

*Think How Will It Be Achieved*

*Think Risk/ Problems*

*Think Solutions*

*Think Process*

*Think About The Journey To Achievement*

*Think About Achievement ”*

**Editor: Sunaina Jhingan**

**(Knowledge Manager with Acquisory)**

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# AT A GLANCE

ACQUISORY NEWS CHRONICLE MARCH, 2018

## ARTICLE

### *Role of National Financial Reporting Authority*

Union Cabinet has now approved the proposal for establishing the National Financial Reporting Authority (NFRA), intended to serve as an independent regulator for the auditing profession.

We believe establishment of NFRA as an independent regulator for the auditing profession will improve the transparency and reliability of financial information presented by listed and unlisted companies in India.

### *RBI Regulations on Cross Border Mergers*

This notification could boost foreign direct investment into the country. The notification of FEMA (Cross Border Merger) Regulations, 2018, is the last leg of legal provisions which allows both inbound and outbound mergers of companies in India. The real beneficiaries of these regulations would be MNCs which in many cases want to consolidate the business of a region and require mergers involving an Indian company with other companies in foreign jurisdictions

## LEGAL UPDATES

- *Condonation of Delay Scheme, 2018 has been extended upto 30th April, 2018* - MCA extends the Condonation of Delay Scheme (CODS) 2018 upto 30th April, 2018. The MCA has introduced this scheme giving an opportunity for the non-compliant, defaulting companies to rectify the default.
- *Last date of filing of AOC-4 XBRL E-Forms using Ind AS under the Companies Act, 2013, for the financial Year 2016-17 without additional fees has been extended upto 30th April, 2018.* - MCA extends the last date of filing AOC – 4 XBRL E-Forms using Ind AS under the Companies Act, 2013 without any additional fees to 30th April, 2018.
- *SEBI Board Strengthens Corporate Governance Norms* - Securities and Exchanges Board of India (SEBI) has accepted 40 out of 80 recommendations that were suggested by the Uday Kotak committee on corporate governance.
- *Government: E-way Bill Rollout from Apr 1, GSTR-3B to be Filed Till June* - Government has notified April 1 as the implementation date for e-way bill, which will be required for transporting goods valued over Rs 50,000 between states. Besides, CBEC has also notified the requirement of filing summary return GSTR-3B till June 2018.
- *Government. Extends Due Date of Linking Aadhaar with PAN till 30th June, 2018* - Central Board of Direct Taxes ( CBDT ) has extended the due date of Linking Aadhaar with PAN till 30th June 2018.



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# ROLE OF NFRA - NATIONAL FINANCIAL REPORTING AUTHORITY

## ROLE OF NFRA

National Financial Reporting Authority (NFRA) is a body proposed in CA 2013 for the establishment and enforcement of accounting and auditing standards and it would oversee the services and quality of services provided by the auditors and mainly listed companies and large unlisted public companies will fall under the jurisdiction of NFRA. It will be an audit watchdog and a regulator for the Government.

Government of India has recently set up the National Financial Reporting Authority ('NFRA'), which will be an independent regulator for the audit professionals. Section 132 of the CA 2013 deals with the constitution of 'NFRA' and power of central government to appoint Chair person, member, secretary and other staff at NFRA. MCA has also notified NFRA (Manner of appointment and other terms and conditions of service of Chairperson and Members) Rules, 2018.

These sub-sections have been notified at a time when the incidence of financial frauds committed with the help of auditors are coming out in the open. NFRA is expected to play a bigger role in curbing the involvement of the professional in financial frauds or cases of professional misconduct.

*“NFRA is the authority proposed to serve as an independent regulator for the auditing profession and to investigate professional matters or misconduct of any member or a firm of CA’s.”*

### WHAT IS NATIONAL FINANCIAL REPORTING AUTHORITY ('NFRA'):

The idea for NFRA came after the Satyam scam in 2009, following which the Standing Committee on Finance recommended the creation of an audit regulator. Later CA, 2013 section 132 (1) authorized the Central Government to constitute a National Financial Reporting Authority to provide for matters relating to accounting and auditing standards. The role of NFRA is:

- To make recommendations to the Central Government on the formulation and laying down rules for accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be;
- To monitor and enforce the compliance with accounting and auditing standard;
- To oversee the quality of service of the professionals associated with ensuring compliance with accounting and auditing standard;
- To suggest measures required for improvement in the quality of service of the professionals;



## ROLE OF NFRA

### Constitution of NFRA?

NFRA will comprise of a chairperson, three full-time members and a secretary. The number of members including full time and part time members will not exceed 15. The Central Govt. has right to appoint the chairman and other members of NFRA on the recommendation of the search-cum-selection committee.

Chairperson and full time members of NFRA shall not be associated with any audit firm (including related consultancy firms) during the course of their appointment and two years after ceasing to hold such appointment and will give a declaration to the Central Govt. regarding no conflict of interest or lack of independence in respect of their appointment to the NFRA.

Central Govt. may also appoint a secretary and such other employees as it may consider necessary for the efficient performance of the functions by NFRA.

NFRA (Manner of appointment and other terms and conditions of service of Chairperson and Members) Rules, 2018 covers detailed provisions regarding the composition of NFRA and the terms and conditions of the appointment of the Chairperson and members of NFRA.

### What will be ICAI's role now?

The role of ICAI stands significantly diluted. ICAI's role will continue in respect of its members, in general, and, specifically, with respect to audits pertaining to private limited companies and public unlisted companies below the threshold limit to be notified in the rules.

ICAI would continue to play its advisory role with respect to accounting and auditing standards and policies by making its recommendations to the Central Govt. As listed companies and large unlisted companies will fall under the jurisdiction of NFRA, the audit of private companies and unlisted companies (below threshold limit) will be under ICAI.

In a way, it indicates a certain lack of trust in ICAI to effectively address malpractices indulged in by recalcitrant members.

How does the community view it?

'Chartered accountants are watch-dogs, and not blood-hounds,' goes an argument. Things turn bad when entries are not recorded at all. In such instances, CAs can do very little, it is argued.



## ROLE OF NFRA

### Powers of NFRA:

Apart from making recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards, the NFRA will have the investigative and disciplinary powers. NFRA can:

1. investigate either suo moto or on the reference made to it by Central Govt. into the matters of professional or other misconduct, committed by any member or firm of chartered accountants, registered under the Chartered Accountants Act, 1949.

2. impose penalties of not less than 1 lakh which may extend to five times of the fees received, in case of individuals professionals and of not less than 10 lakhs which may extend to ten times of the fees received, in case of professional firms; IF the misconduct is proved.

3. debaring the member or the firm from engaging himself or itself from practice as the member of the Institute of Chartered Accountant of India for a minimum period of six months which may extend to a period of 10 years.

4. NFRA has been vested with the same powers as are vested in civil courts under the Code of Civil Procedure, 1908 while trying a suit, relating to:

- discovery and production of books of account and other documents, as may be specified by the National Financial Reporting Authority;
- summoning, enforcing the attendance of persons and examination them on oath;
- issuing commissions for the examination of witnesses or documents;
- inspection of any books, registers and other documents of

### Are only Chartered Accountants covered by NFRA:

If we read section 132 of the CA 2013, the major focus has been kept on the services provided by the member or the firm who are engaged in practice as members of the Institute of Chartered Accountant of India (ICAI). The provisions of section 132 of CA 2013 use the terms 'audit', 'accounting standards' and 'professions associated with ensuring compliance with such standards', which are not defined anywhere as of now and by simple interpretation covers statutory audit. Government in future may define these terms and may increase the scope of these terms by including secretarial audit, cost audit, which will result in other professionals like Company Secretaries and Cost Accountants falling under the ambit of NFRA. It will be interesting to see how NFRA emerges as a single regulator for different professions and what will the role of the existing regulators of these professions in the future.

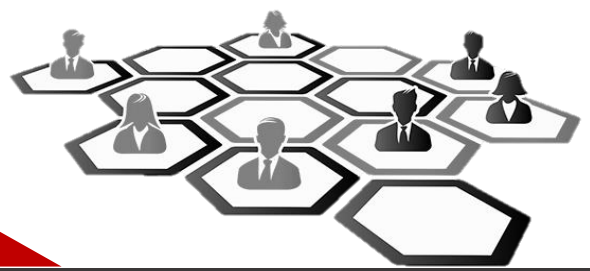
any person to whom NFRA has summoned, enforced the attendance and examined on oath;



It is also being provided in section 132 of CA 2013 that no other institute or body shall initiate or continue any proceedings in such matters of misconduct where the NFRA has initiated an investigation under this section.

However, any person aggrieved by any order of the NFRA may appeal before the Appellate Authority constituted for this purpose.

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## RBI Regulations on Cross Border Merger

### Background

The FEM (Cross Border Merger) Regulations, 2018 have now been notified vide notification no. FEMA 389/ 2018-RB dated 20 March, 2018 and are effective from the date of notification.

As per the Regulations, merger transactions in compliance with these regulations shall be deemed to have been approved by RBI, and hence, no separate approval should be required. In other cases, merger transactions should require prior RBI approval.

# Mergers Made Easy

## Foreign Exchange Management (Cross Border Merger) Regulations, 2018

Covers inbound and outbound investments



**MNCs likely to be real beneficiaries**

May impact insolvency proceedings

### NEW RBI RULES

**Indian cos can merge foreign businesses with domestic cos**

**Foreign cos need not maintain Indian co after merger**

**Any deal in compliance with the norms deemed to have RBI's prior approval**

Image source : <https://economictimes.indiatimes.com>

### Definitions

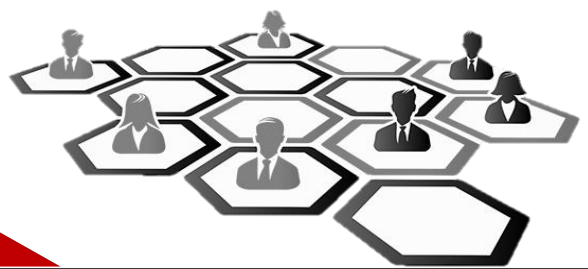
“*Cross Border Merger*” means any merger, amalgamation or arrangement between an Indian company and foreign company, in accordance with Companies (Compromises, Arrangements and Amalgamation) Rules, 2016 notified under the Companies Act, 2013 (Under the draft regulations, the word “demerger” was part of the definition of “Cross border merger.” However, the same has been deleted in the notified regulations).

“*Foreign company*” means any company or body corporate incorporated outside India whether having a place of business in India or not.

“*Indian company*” means a company incorporated under the Companies Act, 2013 or under any previous company law.

“*Resultant Company*” means an Indian company or a foreign company, which takes over the assets and liabilities of the companies involved in the cross border merger.

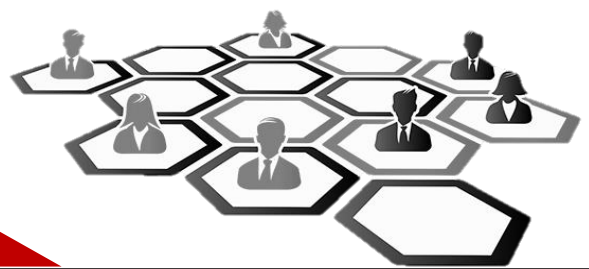




## RBI Regulations on Cross Border Merger

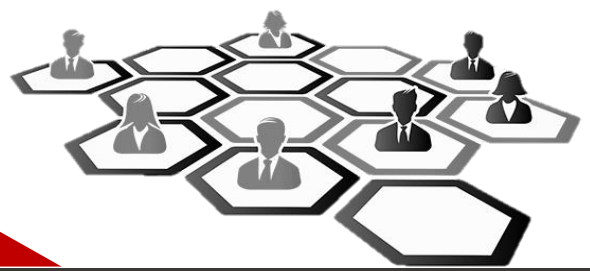
### Major Highlights

Particulars	Inbound Merger	Outbound Merger
<b>Definition</b>	Cross border merger in which the Resultant Company is an Indian company.	Cross border merger in which the Resultant Company is a foreign company. The foreign company should be incorporated in a jurisdiction specified in Annexure B to Co. Rules.
<b>Conditions for Issue of Security by the Resultant Company</b>	<ul style="list-style-type: none"> <li>▪ Compliance with FEM (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017 concerning inbound investments, including pricing guidelines, entry routes, sectoral caps, attendant conditions and reporting requirements.</li> <li>▪ Additionally, compliance required with FEM (Transfer or issue of any Foreign Security) Regulations, 2004 concerning outbound investments in the following cases:                             <ul style="list-style-type: none"> <li>- Where transferor foreign company is a joint venture (JV) / wholly owned subsidiary (WOS) of the Indian Company.</li> <li>- Where the merger results in acquisition of step – down subsidiary (SDS) of JV/WOS outside India.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Compliance with FEM (Transfer or issue of any Foreign Security) Regulations, 2004 concerning outbound investments.</li> <li>▪ Compliance with FEM (Transfer or issue of any Foreign Security) Regulations, 2004 concerning outbound investments.</li> <li>▪ In case of Shareholder of transferor Indian Company is a resident individual, the fair market value of foreign securities should be within the limits prescribed under the liberalized Remittance Scheme.</li> </ul>
<b>Treatment of office of transferor company</b>	<ul style="list-style-type: none"> <li>▪ Any office of the transferor foreign company outside India will be deemed to be the branch/office outside India of the resultant Indian Company</li> <li>▪ FEM (Foreign Currency Account by a person resident in India) Regulations, 2015 to be complied with post-merger</li> </ul>	<ul style="list-style-type: none"> <li>▪ Any office of the transferor Indian company in India will be deemed to be the branch / office in India of the resultant foreign company.</li> <li>▪ FEM Establishment in India of a branch office or a liaison office or a project office or any other place of business) Regulations, 2016 to be complied with post-merger.</li> </ul>
<b>Guarantees and outstanding borrowings of transferor company</b>	<ul style="list-style-type: none"> <li>▪ Guarantees and borrowings of the transferor foreign company from overseas sources, which become guarantees and borrowings of the resultant Indian company to comply with the relevant FEMA regulations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Resultant foreign company should not acquire any liability payable to local Indian lenders, which is not in conformity with FEMA or guidelines issued thereunder - NOC to be obtained from lenders in India.</li> </ul>



#### RBI Regulations on Cross Border Merger

	<ul style="list-style-type: none"> <li>▪ Timeline of two years prescribed for above compliance. No remittance for repayment can be made within these two years.</li> <li>▪ Conditions with respect to end-use would not apply.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Guarantees and borrowings of the transferor Indian company to be repaid as per terms of the scheme that may be sanctioned by the National Company Law Tribunal (NCLT).</li> </ul>
<b>Bank account in country of transferor entity</b>	<ul style="list-style-type: none"> <li>▪ Resultant Company permitted to open a bank account in foreign currency in the overseas jurisdiction for putting through transactions incidental to the merger.</li> <li>▪ This bank account can be maintained for a maximum period of two years from the date of sanction by the NCLT.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Resultant Company is permitted to open a Special Non-Resident Rupee Account (SNRR Account) in accordance with FEM (Deposit) Regulations, 2016</li> <li>▪ This bank account can be maintained for a maximum period of two years from the date of sanction by the NCLT.</li> </ul>
<b>Acquisition/ holding of any other asset of transferor entity</b>	<ul style="list-style-type: none"> <li>▪ Resultant Company permitted to acquire and hold asset outside India to the extent permitted under FEMA guidelines.</li> <li>▪ Asset or security not permitted to be acquired or held under FEMA guidelines should be sold within two years from the date of sanction by the NCLT.</li> <li>▪ Proceeds to be repatriated to India immediately on sale                             <ul style="list-style-type: none"> <li>– Proceeds could be utilized for payment of an overseas liability not permitted to be held under FEMA guidelines within the two year period.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Resultant Company permitted to acquire and hold any asset in India to the extent permitted under FEMA guidelines.</li> <li>▪ Asset or security not permitted to be acquired or held under FEMA guidelines should be sold within two years from the date of sanction by the NCLT.</li> <li>▪ Proceeds to be repatriated outside India immediately on sale                             <ul style="list-style-type: none"> <li>– Proceeds could be utilised for repayment of Indian liability within the two-year period.</li> </ul> </li> </ul>
<b>Other conditions</b>	<ul style="list-style-type: none"> <li>• Valuation Valuation of the Indian company and the foreign company to be in accordance with Rule 25A of the prescribed Co. Rules, i.e., internationally accepted principles on accounting and valuation.</li> <li>• Compensation Payment of compensation by the Resultant Company, to a holder of a security of the Indian company or the foreign company to be in accordance with the Scheme sanctioned by the NCLT</li> <li>• Regularisation of non-compliances Companies to ensure completing requisite regulatory actions prior to merger with respect to any non-compliance, contravention, violation under FEMA.</li> <li>• Reporting compliances Certificate confirming compliance with above guidelines to be furnished by the managing director/ whole-time director and company secretary (if available) to be submitted to the NCLT. Other reporting guidelines to be prescribed by the RBI in consultation with the Government of India.</li> </ul>	



## RBI Regulations on Cross Border Merger

### Transition cases

- Merger cases pending before the competent authority as on 20 March, 2018 to be governed by the above guidelines.

### Conclusion

The notification of FEMA regulations laying down the framework in relation to cross border mergers is a positive development, which we believe should facilitate international merger and acquisition transactions. Given that the guidelines deal with a new set of transactions, they are likely to evolve based on practical experience, as may be encountered in the due course of time.

The rules will allow Indian companies to merge their foreign businesses with their domestic companies while foreign companies will no longer be required to maintain an Indian company after a merger and instead fold it up into a single entity. This is expected to encourage cross-border M&A activity.

The move is likely to have an impact on insolvency and bankruptcy proceedings as well, since it will encourage foreign bidders to consider buying Indian assets.

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# RBI UPDATES

## **01** *RBI decision on Discontinuance of Letters of Undertaking (LoUs) and Letters of Comfort (LoCs) for Trade Credits*

RBI vide Circular dated 13<sup>th</sup> March, 2018 has decided to discontinue the practice of issuance of Letters of Undertaking (LoUs) and Letters of Comfort (LoCs) for Trade Credits for imports into India by AD Category –I banks with immediate effect. Letters of Credit and Bank Guarantees for Trade Credits for imports into India may continue to be issued subject to compliance with the provisions contained in Department of Banking Regulation, Master Circular on “Guarantees and Co-acceptances”, as amended from time to time. The aforesaid Master Direction will be updated to reflect the changes. The changes will be applicable from the date of issuance of this circular.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11227&Mode=0>

## **02** *Submission of returns by the Government-owned Non-Banking Financial Companies*

RBI has decided to apply the Master Direction – Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016 dated September 29, 2016 to all the Non-Banking Financial Companies, being Government Companies. Accordingly, all such NBFCs shall put in place a reporting system for filing periodic returns with the Bank, as detailed in the aforesaid Master Directions, to the extent applicable to them. The returns should be compiled on the basis of the figures available in the books of accounts of such NBFCs and filed with the RBI online (using the COSMOS software package) by an authorised official of the NBFC, who shall be specifically authorised in this regard by the Board of Directors of such NBFC concerned. The first set of returns should be filed with effect from the: (i) last Friday of December 2017 for the weekly return; (ii) quarter ended - December 31, 2017 for the quarterly returns; (iii) half-year ending March 31, 2018 for the half-yearly returns; and (iv) year ending March 31, 2018 for the annual returns. All weekly, quarterly returns upto December 31, 2017 shall be submitted by April 15, 2018.

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11229&Mode=0>



# MCA UPDATES

## **01 MCA notifies Companies (Accounts) Amendment Rules, 2018**

MCA has notified the Companies (Accounts) Amendment Rules, 2018 which shall come into force on the date of their publication in the Official Gazette i.e 27-02-2018. All companies which are required to comply with Companies (Indian Accounting Standards) Rules, 2015 shall also forward their statement in Form AOC-3A. The amendment are being carried out to introduces FORM AOC-3A which is a Statement containing salient features of the financial statements under Division II- Schedule III to the Companies Act, 2013. It is divided in to three parts i.e. Abridged Balance Sheet, Abridged Statement of Profit and Loss and Abridged Cash Flow Statement.

[http://www.mca.gov.in/Ministry/pdf/CompaniesAccountsAmendmentRule\\_01032018.pdf](http://www.mca.gov.in/Ministry/pdf/CompaniesAccountsAmendmentRule_01032018.pdf)

## **02 199 companies face penalty for non-compliance of CSR norms**

MCA vide Press Release dated 6<sup>th</sup> March, 2018 has announced that The Government has accorded permission for initiating penal action against 199 companies for non-compliance of provisions of section 135 read with section 134 (3) (o) of the Act.

The Government has no proposal to review the state of implementation of the provisions of the existing Act related to Corporate Social Responsibility. Whenever violation of Corporate Social Responsibility (CSR) provisions is found, action under section 134 (8) of the Companies Act, 2013 (the 'Act') is initiated.

## **03 MCA issues Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Amendment Rules, 2018**

MCA has notified the amended Rules which may be called as the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Amendment Rules, 2018 and shall come into force on the date of their publication in the Official Gazette i.e 08-03-2018. The amendment are carried out to clarify that the XBRL filing shall remain applicable on such Companies, even if the Company has moved out of any of

the mandatory condition for XBRL filings. The companies which have filed their financial statements shall continue to file their financial statements and other documents though they may not fall under the class of companies specified therein in succeeding years. Further, the companies which have filed their financial statements under the erstwhile rules, namely the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011, shall continue to file their financial statements and other documents, though they do not fall under the class of companies specified therein.

<http://www.egazette.nic.in/WriteReadData/2018/183599.pdf>

## **04 MCA Revises e-forms**

The Ministry of Corporate Affairs has notified the revised the versions of eforms - Form AOC-4 (Form for filing financial statement and other documents with the Registrar), Form INC-28 (Notice of Order of the Court or any other competent authority) and Form IEPF-1 (Statement of amounts credited to Investor Education and Protection Fund). The revised forms are available on the portal on the portal w.e.f 9th March, 2018. Stakeholders are advised to download the latest version before filing, as only new version of e-form shall be accepted. Form- wise date of last version change is available at on the website of MCA.

## **05 IBBI signs a Memorandum of Understanding with the Reserve Bank of India**

Insolvency and Bankruptcy Board of India signs a Memorandum of Understanding with the Reserve Bank of India. Both the RBI and the IBBI are interested in the effective implementation of the Code and its allied rules and regulations, through a quick and efficient resolution process, have agreed under the MoU to assist and co-operate with each other for the effective implementation of the Code, subject to limitations imposed by the applicable laws. The MoU provides for sharing of information between the two parties, subject to the limitations imposed by the applicable laws; sharing of resources available with each other to the extent feasible and legally permissible; periodic meetings to discuss matters of mutual interest, including regulatory requirements that impact each party's responsibilities, enforcement cases, research



# MCA UPDATES

and data analysis, information technology and data sharing, or any other matter that the parties believe would be of interest to each other in fulfilling their respective statutory obligations; cross-training of staff in order to enhance each party's understanding of the other's mission for effective utilisation of collective resources; capacity building of insolvency professionals and financial creditors; joint efforts towards enhancing the level of awareness among financial creditors about the importance and necessity of swift insolvency resolution process of various types of borrowers in distress under the provisions of the Code, etc..

[http://ibbi.gov.in/webadmin/pdf/whatsnew/2018/Mar/RBI-IBBI%20MoU%20Press%20Release\\_2018-03-12%2017:37:59.pdf](http://ibbi.gov.in/webadmin/pdf/whatsnew/2018/Mar/RBI-IBBI%20MoU%20Press%20Release_2018-03-12%2017:37:59.pdf)

## 06 MCA notifies Provisions related to appointment of Chairperson and Members of NFRA w.e.f. 21.03.2018

MCA vide Notification dated 21.03.2018 has appointed the 21<sup>st</sup> March, 2018 as the date on which the provisions of sub-sections (3) and (11) of section 132 of the said Act shall come into force.

[http://www.mca.gov.in/Ministry/pdf/commencementNotification2103\\_21032018.pdf](http://www.mca.gov.in/Ministry/pdf/commencementNotification2103_21032018.pdf)

## 07 MCA notifies norms for appointment of Chairperson & members of NFRA

MCA vide Notification dated 21.03.2018 has notified National Financial Reporting Authority NFRA (Manner of Appointment and other Terms and Conditions of Service of Chairperson and Members) Rules, 2018.

[http://www.mca.gov.in/Ministry/pdf/ReportingAuthorityRule2103\\_21032018.pdf](http://www.mca.gov.in/Ministry/pdf/ReportingAuthorityRule2103_21032018.pdf)

## 08 MCA notifies Companies (Incorporation) Second Amendment Rules, 2018

MCA has notified the Companies (Incorporation) Second Amendment Rules, 2018 which shall come into force on the date of their publication in the Official Gazette i.e 23-03-2018. Amendment is being done to provide the much needed relief to the stakeholders. Accordingly, an application for reservation of

name shall be made through the web service by using form RUN (Reserve Unique Name) along with fee as provided in the Companies (Registration offices and fees) Rules, 2014, which may either be approved or rejected, as the case may be, by the Registrar, Central Registration Centre after allowing re-submission of such application within fifteen days for rectification of the defects, if any. Further, in addition to one re-submission, two names can be applied at a time under RUN.

[http://www.mca.gov.in/Ministry/pdf/CompanyRule2303\\_23032018.pdf](http://www.mca.gov.in/Ministry/pdf/CompanyRule2303_23032018.pdf)

## 09 IBBI Amends Registration Norms for Insolvency Professionals

MCA vide Press Release dated 28<sup>th</sup> March, 2018 has announced that the IBBI has notified the Insolvency and Bankruptcy Board of India (Insolvency Professionals) (Amendment) Regulations, 2018 (Amendment Regulations). Insolvency and Bankruptcy Board of India has amended the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2018 to fix a time frame for identifying resolution applicants.

According to the amendment regulations,

- Subject to meeting other requirements, an individual shall be eligible for registration as an insolvency professional if he has passed the Limited Insolvency Examination within the last 12 months and has completed a pre-registration educational course from an insolvency professional agency, as may be required by the Board.
- The syllabus, format, qualifying marks and frequency of the 'Limited Insolvency Examination' shall be published on the website of the IBBI at least three months before the examination.
- An individual with the required experience of 10 / 15 years is eligible for registration as an insolvency professional. In addition, an individual with little or no experience shall be eligible for registration as an insolvency professional on successfully completing the Graduate Insolvency Programme, as may be approved by the IBBI.
- As a condition of registration, an insolvency professional shall undergo continuing professional education as may be required by the IBBI.



# MCA UPDATES

e. An insolvency professional shall not outsource any of his duties and responsibilities under the Code.

f. A company, a registered partnership firm or a limited liability partnership shall be eligible for recognition as an insolvency professional entity, if –

i. its sole objective is to provide support services to insolvency professionals, who are its partners or directors, as the case may be;

ii. it has a net worth of not less than one crore rupees;

iii. majority of its shares is held by insolvency professionals, who are its directors, in case it is a company;

iv. majority of capital contribution is made by insolvency professionals, who are its partners, in case it is a limited liability partnership firm or a registered partnership firm;

v. majority of its partners or directors, as the case may be, are insolvency professionals;

vi. majority of its whole-time directors are insolvency professionals, in case it is a company; and

vii. none of its partners or directors is a partner or a director of another insolvency professional entity.

1st April, 2018.

g. An insolvency professional shall disclose the fee payable to him, the fee payable to the insolvency professional entity, and the fee payable to professionals engaged by him to the insolvency professional agency of which he is a professional member and the agency shall publish such disclosure on its website.

The amendment regulations are effective from 1st April, 2018.

## **10** *Condonation of Delay Scheme, 2018 has been extended upto 30th April, 2018.*

Ministry of Corporate Affairs has extended the Condonation of Delay Scheme (CODS) 2018 upto 30th April, 2018. The MCA has introduced this scheme giving an opportunity for the non-compliant, defaulting companies to rectify the default.

[http://www.mca.gov.in/Ministry/pdf/GeneralCircularNo02of2018\\_29032018.pdf](http://www.mca.gov.in/Ministry/pdf/GeneralCircularNo02of2018_29032018.pdf)

## **11** *Last date of filing of AOC-4 XBRL E-Forms using Ind AS under the Companies Act, 2013, for the financial Year*

## **2016-17 without additional fees has been extended upto 30th April, 2018.**

MCA vide Circular dated 28<sup>th</sup> March, 2018 the last date of filing AOC – 4 XBRL E-Forms using Ind AS under the Companies Act, 2013 without any additional fees has been extended to 30<sup>th</sup> April, 2018.

[http://www.mca.gov.in/Ministry/pdf/GeneralCircularNo01of2018\\_29032018.pdf](http://www.mca.gov.in/Ministry/pdf/GeneralCircularNo01of2018_29032018.pdf)

## **12** *MCA amends the Principal rules and notifies Companies (Indian Accounting Standards) Amendment Rules, 2018*

MCA has made the amendments to the principal rules and notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 which shall come into force from the 1st day of April, 2018. The amendment were carried out to provide more clarity to the provisions and to remove the difficulties, wherever occurring while complying in the Companies (Indian Accounting Standards) Rules, 2015. Every Company having net worth of more than Rs. 500 Crores and their subsidiary, holding & associate companies are required to prepare their financials on IndAS basis for the year 2016-2017 and going forward every listed Company and companies having net worth of more than Rs. 250 crores along with their subsidiary, holding & associate companies are required to prepare their financials on IndAS basis for the financial year 2017-2018.

[http://www.mca.gov.in/Ministry/pdf/INDAsEngRule2018\\_29032018.pdf](http://www.mca.gov.in/Ministry/pdf/INDAsEngRule2018_29032018.pdf)



# SEBI UPDATES

## **01 SEBI issues Clarification in respect of investment by certain Category II FPIs**

SEBI vide Circular dated 13<sup>th</sup> March, 2018 has issued Clarifications in respect of investment by certain Category II FPIs. Collective investment vehicles putting in their money through the foreign portfolio investment route cannot have non-resident Indians as beneficial owners. Providing clarity on norms pertaining to Category II FPIs, the markets regulator said beneficial owners of such investments should be identified in accordance with provisions under Prevention of Money Laundering rules. Appropriately regulated institutions, persons, broad-based funds, university funds and pension funds, among other entities come under Category II. With regard to the collective investment vehicle of private banks/merchant banks investing on behalf of clients, the regulator said they should have fulfilled know your client (KYC) norms. Further, the client/ investor or their BO (Beneficial Owner) should not be Resident Indian/ NRI/ Overseas Citizen of India. Apart from ensuring that client should not have opaque structures, the collective investment vehicle of the bank should be broad-based and have more than 20 investors and with no investor having over 49 per cent stake.

[https://www.sebi.gov.in/legal/circulars/mar-2018/clarifications-in-respect-of-investment-by-certain-category-ii-fpis\\_38198.html](https://www.sebi.gov.in/legal/circulars/mar-2018/clarifications-in-respect-of-investment-by-certain-category-ii-fpis_38198.html)

## **02 SEBI issues clarification to Circular pertaining to Investor Grievance Redressal System and Arbitration Mechanism**

SEBI has issued Clarification to Circular pertaining to Investor Grievance Redressal System and Arbitration Mechanism. SEBI on the basis of the representations received from the national commodity derivatives exchanges (NCDEs) with respect to some of the clauses of the said circular which have been considered. Accordingly, it has been clarified that the NCDEs shall provide training of at least one day to every arbitrator each year and in order to discourage delayed filing by members, the additional fees payable by members who file their claim beyond the prescribed time-lines shall be non-refundable even if the arbitration award goes in favor of the member. The

provisions of this circular shall come into effect immediately.

[https://www.sebi.gov.in/legal/circulars/mar-2018/clarification-to-circular-pertaining-to-investor-grievance-redressal-system-and-arbitration-mechanism\\_38209.html](https://www.sebi.gov.in/legal/circulars/mar-2018/clarification-to-circular-pertaining-to-investor-grievance-redressal-system-and-arbitration-mechanism_38209.html)

## **03 SEBI issues Circular for Risk Management norms for commodity derivatives**

SEBI Vide Circular dated 21<sup>st</sup> March, 2018 has issued circular w.r.t Risk Management norms for commodity derivatives. SEBI in the past has issued various circulars from time to time prescribing risk management norms for commodity derivatives exchanges. It has been decided to align norms related to BMC and liquid net-worth for members of clearing corporations in commodity derivatives with those applicable for clearing members in equity and currency derivatives. Thus, members of Clearing Corporations in commodity derivatives segment shall maintain a minimum Liquid Net-worth of at least INR 50 Lakhs at all points of time and shall not have any Base Minimum Capital requirement. Further, Commodity Derivatives Exchanges shall also comply with the provisions of that circular w.r.t Acceptance of Fixed Deposit Receipts (FDRs) as collateral within three months from the date of this circular.

[https://www.sebi.gov.in/legal/circulars/mar-2018/risk-management-norms-for-commodity-derivatives\\_38334.html](https://www.sebi.gov.in/legal/circulars/mar-2018/risk-management-norms-for-commodity-derivatives_38334.html)

## **04 SEBI issues Circular on Due Diligence and Reporting requirements under Foreign Account Tax Compliance Act (FATCA)**

SEBI has issued circular w.r.t Due diligence and reporting requirements under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) as issued by the issued by the CBDT, New Delhi. The Reporting financial institution (RFI) are advised to take necessary steps to ensure compliance with requirements specified in the aforesaid rules for carrying out the necessary due-diligence and reporting for Foreign Portfolio Investors (FPIs). Further, RFI are required to obtain valid self-certifications/FATCA and CRS declaration forms with documentary evidence as part of the account opening documentation in relation to FATCA /





# SEBI UPDATES

CRS as specified in Rule 114H. The Custodian are required to carry out the due diligence on the accounts held by Global Custodian (GC) end clients. Further, RFIs are required to certify to SEBI on annual basis regarding compliance with the provisions of Rules 114F to 114H of income-tax rules relating to FATCA / CRS. This certificate would be a part of the audit report on internal controls submitted to SEBI annually.

<https://www.sebi.gov.in/legal/circulars/mar-2018/due-diligence-and-reporting-requirements-under-foreign-account-tax-compliance-act-fatca-and-common-reporting-standards-crs-38339.html>

## 05 SEBI issues Circular on Guidelines for Liquidity Enhancement Schemes (LES) in Commodity Derivatives Contracts

SEBI vide Circular dated 26<sup>th</sup> March, 2018 has issued Guidelines for Liquidity Enhancement Schemes (LES) in Commodity Derivatives Contracts subject to the requirements stipulated in SEBI Circular dated 23<sup>rd</sup> April, 2014.

In addition to the conditions and other requirements stipulated in the abovementioned circular, with regard to the eligibility of commodity derivatives contracts for LES, following additional requirements shall apply:- a. Any commodity that is classified as 'Sensitive Commodity' by the Exchange, shall not be eligible for LES. b. if any commodity derivative product is 'liquid' on any of the exchanges i.e. there is at least one exchange where the average daily turnover in Options or/and Futures on similar underlying commodity is more than or equal to INR 200 crore for agricultural and agri-processed commodity, and INR 1000 crore for non-agricultural commodity during the last six months, then no other exchange is eligible to launch LES on the same derivative product, unless the exchange where the product is liquid, has itself also launched a LES on said product.

<https://www.sebi.gov.in/legal/circulars/mar-2018/guidelines-for-liquidity-enhancement-schemes-les-in-commodity-derivatives-contracts-38419.html>

## 06 SEBI Board Strengthens Corporate Governance Norms

Securities and Exchanges Board of India (SEBI) has accepted

40 out of 80 recommendations that were suggested by the Uday Kotak committee on corporate governance.

<https://www.sebi.gov.in/media/press-releases/mar-2018/sebi-board-meeting-38473.html>



# TAXATION UPDATES

## **01** *CBDT notifies the scheme for centralized issuance of notice, to be known as the Centralised Communication Scheme, 2018*

The Central Board of Direct Taxes has notified the scheme for centralised issuance of notice, which may be known as the Centralised Communication Scheme, 2018 and shall come into force on the date of its publication in the Official Gazette. The Centralised Communication Centre shall issue notice to any person requiring him to furnish information or documents for the purpose of verification of information in his possession. The notice shall be issued under digital signature of the designated authority. The notice shall be served by delivering a copy by electronic mail, or by placing a copy in the registered account on the portal followed by an intimation by Short Message Service. The Centralised Communication Centre may prescribe a machine readable structured format for furnishing the information or documents by the person in response to the notice issued. No person shall be required to appear personally or through authorised representative before the designated authority at the Centralised Communication Centre in connection with any proceedings.

[https://www.incometaxindia.gov.in/COMMUNICATIONS/NOTIFICATION/NOTIFICATION\\_12\\_2018.PDF](https://www.incometaxindia.gov.in/COMMUNICATIONS/NOTIFICATION/NOTIFICATION_12_2018.PDF)

## **02** *Partial Withdrawal under NPS*

Ministry of Finance vide Press Release dated 6<sup>th</sup> March, 2018, The Pension Fund Regulatory Development Authority (PFRDA) has relaxed the norms for partial withdrawal under the National Pension Scheme (NPS). In accordance with the PFRDA (Exits and Withdrawals under the National Pension System) (First Amendment) Regulations 2017, the subscriber ought to be subscribed to the National Pension System, at least for a period of three years from the date of his or her joining to such system, to be eligible to make partial withdrawals, under specific circumstances as specified in such regulations.

The NPS subscribers can withdraw after three years from the date of joining the system and a maximum of three times during the entire tenure of subscription under NPS, but the partial withdrawal is linked with contributions made by the subscriber. The subscriber shall be permitted to withdraw accumulations not exceeding twenty-five per cent of the

contributions made by him or her and standing to his or her credit in his or her individual pension account, as on the date of application for withdrawal.

Earlier the subscriber under NPS was permitted to withdraw accumulations not exceeding twenty-five per cent of the contributions made by him or her after 10 years from the date of his or her joining the system, and a maximum of three times during the entire tenure of subscription under NPS.

## **03** *No GST If Cash Calls are Merely Transaction in Money: CBEC*

Central Board of Excise and Customs (CBEC) has clarified the liability to pay tax on the taxable services provided by the members of the Joint Venture (JV) to the JV and vice versa and inter se between the members of the JV under the Goods and Services Tax (GST) regime.

## **04** *CBEC amends Central Goods and Service Tax Rules, 2017*

CBEC has amended the Central Goods and Services Tax Rules, 2017 which shall come into force from the date of its publication in the Official Gazette. The Rule 117 (4)(b)(iii), has been amended to extend the date of submission of GST FORM TRAN-2 (A Transition Form for Registered persons under GST but unregistered under old regime, and a dealer or trader who does not have documents evidencing payment of taxes) from December 31, 2017 to March 31, 2018, or within such period as extended by the Commissioner, on the recommendations of the Council, for each of the six tax periods during which the scheme is in operation indicating therein, the details of supplies of such goods effected during the tax period". Further as per rule 138, Every registered person who causes movement of goods of consignment value exceeding fifty thousand rupees shall, before commencement of such movement, furnish information relating to the said goods as specified in Part A of FORM GST EWB-01, electronically, on the portal.

[http://www.cbec.gov.in/resources/htdocs-cbec/gst/Notification-12-2018-central\\_tax-English.pdf](http://www.cbec.gov.in/resources/htdocs-cbec/gst/Notification-12-2018-central_tax-English.pdf)



# TAXATION UPDATES

## **05 Recommendations regarding E-way Bill made during meeting of the GST Council**

Ministry of Finance vide Press Release dated 10<sup>th</sup> March, 2018, the GST Council has recommended the introduction of e-way bill for inter-State movement of goods across the country from 01st April 2018. For intra-State movement of goods, e-way bill system will be introduced w.e.f. a date to be announced in a phased manner but not later than 01st June, 2018.

Major improvements over the last set of rules, as approved by the Council now, are as follows:

- E-way bill is required to be generated only where the value of the consignment exceeds Rs. 50000/-. For smaller value consignments, no e-way bill is required.
- The provisions of sub-rule (7) of Rule 138 will be notified from a later date. Therefore, at present there is no requirement to generate e-way bill where an individual consignment value is less than Rs. 50,000/-, even if the transporter is carrying goods of more than Rs. 50,000/- in a single conveyance.
- Value of exempted goods has been excluded from value of the consignment, for the purpose of e-way bill generation.
- Public conveyance has also been included as a mode of transport and the responsibility of generating e-way bill in case of movement of goods by public transport would be that of the consignor or consignee.
- Railways has been exempted from generation and carrying of e-way bill with the condition that without the production of e-way bill, railways will not deliver the goods to the recipient. But railways are required to carry invoice or delivery challan etc.
- Time period for the recipient to communicate his acceptance or rejection of the consignment would be the validity period of the concerned e-way bill or 72 hours, whichever is earlier.
- In case of movement of goods on account of job-work, the registered job worker can also generate e-way bill.
- Consignor can authorize the transporter, courier agency and e-commerce operator to fill PART-A of e-way bill on his behalf.
- Movement of goods from the place of consignor to the

place of transporter up to a distance of 50 Km [increased from 10 km] does not require filling of PART-B of e-way bill. They have to generate PART-A of e-way bill.

- Extra validity period has been provided for Over Dimensional Cargo (ODC).
- If the goods cannot be transported within the validity period of the e-way bill, the transporter may extend the validity period in case of transshipment or in case of circumstances of an exceptional nature.
- Validity of one day will expire at midnight of the day immediately following the date of generation of e-way bill.
- Once verified by any tax officer, the same conveyance will not be subject to a second check in any State or Union territory, unless and until, specific information for the same is received.
- In case of movement of goods by railways, airways and waterways, the e-way bill can be generated even after commencement of movement of goods.
- Movement of goods on account of Bill-To-Ship-To supply will be handled through the capturing of place of despatch in PART-A of e-way bill.

## **06 Recommendations made during the 26th meeting of the GST Council**

Ministry of Finance vide Press Release dated 10<sup>th</sup> March, 2018 has made the following recommendations-

### 1) Return filing System

The present system of filing of GSTR 3B and GSTR 1 is extended for another three months i.e., April to June, 2018 till the new return system is finalized. A new model was discussed extensively and Group of Ministers on IT has been tasked to finalize the same.

### 2) Reverse charge mechanism

The liability to pay tax on reverse charge basis has been deferred till 30.06.2018. In the meantime, a Group of Ministers will look into the modalities of its implementation to ensure that no inconvenience is caused to the trade and industry.

### 3) TDS/TCS

The provisions for deduction of tax at source (TDS) under section 51 of the CGST Act and collection of tax at source (TCS) under section 52 of the CGST Act shall remain suspended till 30.06.2018. In the meantime, the modalities of



# TAXATION UPDATES

linking State and Central Governments accounting system with GSTN will be worked out so that seamless credit is available to the registered traders whose tax is deducted or collected at source.

#### 4) Grievance Redressal Mechanism

GST implementation Committee (GIC) has been tasked with the work of redressing the grievances caused to the taxpayers arising out of IT glitches.

### **07 26th Meeting of the GST Council decides Extension of tax exemptions for exporters for six months**

The GST Council in its 26th meeting held on 10<sup>th</sup> March, 2018 has decided to extend the available tax exemptions on imported goods for a further 6 months beyond 31.03.2018. Thus, exporters presently availing various export promotion schemes can now continue to avail such exemptions on their imports upto 01.10.2018, by which time an e-Wallet scheme is expected to be in place to continue the benefits in future.

### **08 Cabinet approves Agreement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion between India and Iran**

The Union Cabinet vide Press Release dated 14<sup>th</sup> March, 2018 has approved an Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income between India and Iran.

The Agreement will stimulate flow of investment, technology and personnel from India to Iran & vice versa, and will prevent double taxation. The Agreement will provide for exchange of information between the two Contracting Parties as per latest international standards. It will thus improve transparency in tax matters and will help curb tax evasion and tax avoidance.

The Agreement is on similar lines as entered into by India with other countries. The proposed Agreement also meets treaty related minimum standards under G-20 OECD Base Erosion & Profit Shifting (BEPS) Project, in which India participated on an equal footing.

In so far as India is concerned, the Central Government is authorized under Section 90 of the Income Tax Act, 1961 to enter into an Agreement with a foreign country or specified territory for avoidance of double taxation of income for exchange of information for the prevention of evasion or

avoidance of income-tax chargeable under the Income-tax Act, 1961.

### **09 Supreme Court Extends Aadhaar Linking Deadline till Verdict on Validity by Constitution Bench**

Supreme Court has extended the deadline for mandatory linking of Aadhaar to avail various services and welfare schemes run by the government till a Constitution Bench rules on a batch of petitions challenging the validity of the Aadhaar Act.

### **10 DGFT Launches e-MPS-facility to make online payment for miscellaneous applications**

DGFT has Launch of e-MPS-facility to make online payment for miscellaneous applications. With an intention to bridge the gap, a facility is being made available to make online payment of fee / charges for all the applications where payment is currently being made through manual mode i.e. through Demand Draft/ Bank Receipt. Using this facility, the online payment can now be made even for a manual application made to a DGFT Regional Office/ DGFT HQ. The proof of payment, along with the relevant application has to be submitted to the concerned DGFT Regional Authority (RA)/ DGFT HQ. On submission, the concerned DGFT Regional Office will authenticate the payment from the system and update it as utilized. Further, both, the online payment and manual mode payment will be allowed for one month from the issue of this trade notice. At the expiry of the one month period all the fee payments will have to be made electronically only. It has to be noted that this new facility is not to be used for making payment for applications where an online payment facility coupled with online application facility is already available.

<http://dgft.gov.in/Exim/2000/TN/TN17/Trade%20notice%2025.pdf>

### **11 India and Hong Kong sign Double Taxation Avoidance Agreement (DTAA)**

CBDT through its press release announce that the India and Hong Kong sign Double Taxation Avoidance Agreement (DTAA) and the Prevention of Fiscal Evasion with respect to taxes on income. In so far as India is concerned, the Central



# TAXATION UPDATES

Government is authorized under Section 90 of the Income-tax Act, 1961 to enter into an Agreement with a foreign country or specified territory for avoidance of double taxation of income, for exchange of information for the prevention of evasion or avoidance of income tax chargeable under the Income-tax Act, 1961. The Agreement will stimulate flow of investment, technology and personnel from India to HKSAR & vice versa, prevent double taxation and provide for exchange of information between the two Contracting Parties. It will improve transparency in tax matters and will help curb tax evasion and tax avoidance. The Agreement is on similar lines as entered into by India with other countries.

<https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/694/India-Hong-Kong-sign-Double-Taxation-Avoidance-Agreement-Press-Release-20-3-2018.pdf>

## **12 Government Notifies Postponement of Reverse Charge Mechanism till June**

Central Board of Excise and Customs (CBEC) has notified that the implementation of Reverse Charge Mechanism (RCM) has been deferred until 30th June 2018.

## **13 Government Amends Rules relating to Anti-Profiteering Authority**

Central Board of Excise and Customs (CBEC) has notified the Central Goods and Services Tax Rules (Third Amendment) by amending the rules relating to anti-profiteering authority.

## **14 Government: E-way Bill Rollout from Apr 1, GSTR-3B to be Filed Till June**

Government has notified April 1 as the implementation date for e-way bill, which will be required for transporting goods valued over Rs 50,000 between states. Besides, CBEC has also notified the requirement of filing summary return GSTR-3B till June 2018.

## **15 Electoral Bond Scheme 2018 - Sale of Electoral Bonds at Authorised Branches of State Bank of India (SBI)**

Ministry of Finance vide Press Release dated 28<sup>th</sup> March, 2018 has announced the Sale of Electoral Bonds at Authorised

Branches of SBI. State Bank of India (SBI), in the 2nd Phase of sale, has been authorised to issue and encash Electoral Bonds through its 11 Authorised Branches (as per list enclosed) w.e.f. 02.04.2018 to 10.04.2018.

Electoral Bonds shall be valid for fifteen days from the date of issue and no payment shall be made to any payee Political Party if the Electoral Bond is deposited after expiry of the validity period. The Electoral Bond deposited by an eligible Political Party in its account shall be credited on the same day.

## **16 Temporary Vehicle No. Allowable for Generating E-Way Bill: GSTN**

Goods and Services Tax Network (GSTN) has clarified that the taxpayers can use the temporary vehicle number for generating E-way Bill.

## **17 Tamil Nadu Temporarily Exempts E-Way Bill from Intra-State Supply**

Tamil Nadu State Government has clarified that e-way bill is not required for intra-State movement of goods in the State of Tamil Nadu till any further orders.

## **18 Gujarat Government Notifies Exemption from E-way Bill for Intra-State Movement**

Gujarat Government has notified that no e-way bill is required for intra-State movement of goods.

## **19 Government Extends Due Date for Filing GSTR 6 by Input Service Distributors**

Central Government has extended the last date for filing GSTR 6 by Input Service Distributors for the months of July 2017 to April 2018 until the 31st day of May 2018.

## **20 Government Extends Due Date for Filing GSTR-1**

Central Board of Excise and Customs (CBEC) has extended the time limit for filing of GSTR-1 for both entities who have turnover up to 1.5 crores and more than 1.5 crores.



# TAXATION UPDATES

## **21** *Government Extends Due Date for filing TRAN-2*

Central Government has extended the due date for filing of TRAN-2 which can now be filed till 30th June 2018.

## **22** *Government. Extends Due Date of Linking Aadhaar with PAN till 30th June, 2018*

Central Board of Direct Taxes ( CBDT ) has extended the due date of Linking Aadhaar with PAN till 30th June 2018.



# OTHER UPDATES

## **01 Ministry of Labour & Employment issues Draft Labour Code on Social Security, 2018**

As an effort to simplify and rationalize the Labour Laws, the Ministry of Labour and Employment has issued a Draft Labour Code on Social Security, 2018, in lines with the recommendations of the 2nd National Commission on Labour (2002). This new draft of the Code has attempted to incorporate all such suggestions that were in line with the philosophy of the code. An Executive Summary and a Preamble has been incorporated now which also elucidate the objectives and reasoning behind the proposed provisions of the Code. Employers Organisations and Central Trade Unions recognised by the Labour Ministry and State Governments are invited to give their suggestion / inputs on the revised code dated by 31-03-2018.

[https://labour.gov.in/sites/default/files/Letter\\_of\\_Social\\_Security\\_Code\\_2018.pdf](https://labour.gov.in/sites/default/files/Letter_of_Social_Security_Code_2018.pdf)

## **02 Payment of Gratuity (Amendment) Bill, 2018 passed by Parliament**

Ministry of Labour and Employment vide Press Release dated 22<sup>nd</sup> March, 2018 has announced that the Parliament passed Payment of Gratuity (Amendment) Bill, 2018 a key bill that will empower the government to fix the amount of tax free gratuity and the period of maternity leave with an executive order. The legislation will enable the government to enhance the ceiling of tax free gratuity to Rs 20 lakh from the existing Rs 10 lakh for employees falling under the Payment of Gratuity Act. The amendment to the payment of gratuity law comes in the backdrop of Maternity Benefit (Amendment) Act, 2017 enhancing the maximum maternity leave period to 26 weeks.

The bill ensures harmony amongst employees in the private sector and Public Sector Undertakings/Autonomous Organizations under Government who are not covered under CCS (Pension) Rules. These employees will be entitled to receive higher amount of gratuity at par with their counterparts in Government sector. The bill was passed by the Rajya Sabha today and the Lok Sabha on 15th March, 2018.

The present upper ceiling on gratuity amount under the Act is Rs. 10 Lakh.

The provisions for Central Government employees under Central Civil Services (Pension) Rules, 1972 with regard to gratuity are also similar. Before implementation of 7th Central Pay Commission, the ceiling under CCS (Pension) Rules, 1972 was Rs. 10 Lakh. However, with implementation of 7th Central Pay Commission, in case of Government servants, the ceiling has been raised to Rs. 20 Lakhs.

Therefore, considering the inflation and wage increase even in case of employees engaged in private sector, this Government decided that the entitlement of gratuity should also be revised in respect of employees who are covered under the Payment of Gratuity Act, 1972. Accordingly, the Government initiated the process for amendment to Payment of Gratuity Act, 1972 to increase the maximum limit of gratuity to such amount as may be notified by the Central Government from time to time.

In addition, the Bill also envisages to amend the provisions relating to calculation of continuous service for the purpose of gratuity in case of female employees who are on maternity leave from 'twelve weeks' to such period as may be notified by the Central Government from time to time.

After enactment of the Act, the power to notify the ceiling of the amount of gratuity under the Payment of Gratuity Act, 1972 shall stand delegated to the Central Government so that the limit can be revised from time to time keeping in view the increase in wage and inflation and future pay commissions.

## **03 Payment of Gratuity (Amendment) Act, 2018 brought in force on 29th March, 2018**

Ministry of Labour & Employment vide Press Release dated 30<sup>th</sup> March, 2018 has announced that the Payment of Gratuity (Amendment) Bill, 2018 has been passed by Lok Sabha on 15th March, 2018 and by the Rajya Sabha on 22nd March, 2018, has been brought in force on 29th March, 2018.

The Bill as passed by both the Houses of Parliament, and assented to by the Hon'ble President and notified by the Government. This will ensure harmony amongst employees in the private sector and in Public Sector Undertakings/Autonomous Organizations under Government who are not covered under CCS (Pension) Rules. These employees will be entitled to receive higher amount of gratuity at par with their counterparts in Government sector.



# OTHER UPDATES

## **04 Cabinet approves formulation of a new Integrated Scheme for School Education from 1st April, 2018 to 31st March, 2020**

The Cabinet Committee on Economic Affairs, has approved the proposal of Department of School Education and Literacy to formulate a Integrated Scheme on School Education by subsuming Sarva Shiksha Abhiyan (SSA), Rashtriya Madhyamik Shiksha Abhiyan (RMSA) and Teacher Education (TE) from 1st April, 2018 to 31st March, 2020. An estimated allocation of Rs 75,000 crore over the period has been approved which is a 20% increase over the current allocations.

The scheme comes in the backdrop of PM’s vision of Sabko Shiksha, Achhi Shiksha and aims to support the States in universalizing access to school education from classes pre-nursery to XII across the country.

Main Features of the Scheme:

The vision of the Scheme is to ensure inclusive and equitable quality education from nursery to senior secondary stage in accordance with the Sustainable Development Goal for Education. The main emphasis of the Integrated Scheme is on improving quality of school education by focussing on the two T's - Teacher and Technology.

The objectives of the Scheme, across all levels of schooling, are:

- i. Provision of quality education and enhancing learning outcomes of students;
- ii. Bridging Social and Gender Gaps in School Education;
- iii. Ensuring equity and inclusion at all levels of school education;
- iv. Ensuring minimum standards in schooling provisions;
- v. Promoting vocationalization of education;
- vi. Support States in implementation of Right of Children to Free and Compulsory Education (RTE) Act, 2009; and
- vii. Strengthening and up-gradation of State Councils for Educational Research and Training (SCERTs)/State Institutes of Education and District Institutes for Education and Training (DIET) as nodal agencies for teacher training.

## **05 Cabinet approves MoU between India and Zambia in the field of Judicial Cooperation**

The Union Cabinet has approved the signing of the Memorandum of Understanding (MoU) between India and Zambia in the field of Judicial Cooperation.

During recent years, social, cultural and commercial relations between India and Zambia have developed in the positive direction. Signing of an agreement on cooperation in the field of justice will further enhance good relations between the two countries and add new dimensions in the field of judicial reforms.

## **06 Cabinet approves MoU between India and Canada on IPRs**

The Union Cabinet vide Press Release dated 28<sup>th</sup> March, 2018 has given its ex-post approval for the Memorandum of Understanding (MoU) between India and Canada. The MoU was signed on 23rd February, 2018 to establish bilateral cooperation activities in the field of Intellectual Property (IP). The MoU is intended to promote innovation, creativity and economic growth in both countries.

The MoU establishes a broad and flexible framework through which both countries can exchange best practices and work together on training programs and technical exchanges to raise awareness on IPRs and better protect intellectual property rights (IPRs).

The priority initiatives under the MoU include:

- i. Exchange of best practices, experiences and knowledge on how to raise IP awareness among the public, businesses and educational institutions of both countries;
- ii. Exchange of experts for interacting with the human resources engaged in specialized IP fields;
- iii. Exchange and dissemination of best practices, experiences and knowledge on IP with industry, Universities, research and development organizations and Small and Medium-Sized Enterprises (SMEs) through participation in programs, training, and events, organised singly or jointly by the participants;
- iv. Cooperation in the development of automation and implementation of modernization projects, new and existing documentation and information systems in IP and procedures for management of IP;





# OTHER UPDATES

v. Cooperation to understand how traditional knowledge is protected; and the exchange of best practices, including traditional knowledge related data bases and awareness raising of existing IP systems;

vi. Collaboration in IP related training for local IP and business communities, and

vii. any other cooperation activities they may mutually decide upon within the scope of this MoU.

## Glossary

CBDT	Central Board of Direct Taxes	MCA	Ministry of Corporate Affairs
CBEC	Central Board of Excise & Customs	MoU	Memorandum of Understanding
CGST	Central Goods and Service Tax	MSME	Micro Small and Medium Enterprises
DIN	Director Identification Number	NCLAT	National Company Law Appellate Tribunal
CA 2013	Companies Act 2013	NCLT	National Company Law Tribunal
FPI	Foreign Portfolio Investors	NBFC	Non Banking Financial Company
FRDI	Financial Resolution & Deposit Insurance	NPA	Non-Performing Assets
FDI	Foreign Direct Investment	NRI	Non resident Indian
GST	Goods and Services Tax	OTP	One Time Password
GIC	GST Implementation Committee	OCI	Overseas Citizens of India
ICDS	Income Computation and Disclosure Standards	PAN	Permanent Account Number
IGST	Integrated Goods and Services Tax	PIO	Person of Indian Origin
ITC	Input tax Credit	RBI	Reserve Bank Of India
IFRS	International Financial Reporting Standards	ROC	Registrar of Companies
ITR	Income Tax Return	SEBI	Securities and Exchange Board of India
IBC	Insolvency and Bankruptcy Code	TAN	Tax Account Number
IPs	Insolvency Professionals	UTGST	Union Territory Goods and Service Tax
Ind AS	Indian Accounting Standards	VAT	Value Added Tax
IBBI	Insolvency and Bankruptcy Board of India	IEPF	Investor Education and Protection Fund
IUs	Information Utilities	ISD	Input Service Distributer



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