NEWS CHRONICLE

May 2019

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ACQUISORY NEWS CHRONICLE MAY, 2019

The MODIfied Government

The seven phased General elections concluded on 19th May, 2019. 23rd May, 2019 witnessed the return of the incumbent government with a larger majority.

Based on the work done in its previous tenure, we expect renewed focus on certain major policy areas in the next five years.

Few of the main areas have been Digitization, ease – of doing business, strengthening of the MSME sector, encouraging the start-ups, and stream lining of the Taxation regime. The expected impact on each of these sectors have been discussed further in this newsletter.

NEWS UPDATES

RBI Updates

- RBI to inject INR 150 billion through OMO purchase auction in June 2019 in order to induce liquidity in the market.
- RBI notifies the VRR for investments by FPIs and opens allotment "on tap", to encourage FPIs to invest in Indian debt markets for a minimum retention period of three years.
- Changes in RTGS settlement time; RBI extends time for customer transactions from 4:30 p.m. to 6:00 p.m.
- RBI placed on its website a draft circular on Liquidity Risk Management for NBFCs and CICs to invite feedback and suggestions as a step towards strengthening the ALM framework.

MCA Updates

- Stricter reporting norms expected for auditors and changes most likely to be proposed in CARO.
- Responsibility placed on Directors for non – filing of INC-22A before 15th June, 2019. The status of DIN will be shown as Active/ De-activated according to the compliance status of INC-22A filed the Company(ies) in which the individual is Director.
- Clarification issued for Companies who filed the details of appointment of auditor in Form ADT-1 through GNL-2 before 20th October, 2014.
- Incorporation Rules amended to include clarifications regarding name approval.

SEBI Updates

- SEBI plans to modify Buy-Back rules to clarify whether consolidated figures are to be taken into consideration while calculating the debt – equity ratio which is stated at 2:1. This is in view of its rejecting L&Ts buy back offer in January 2019.
- To protect the interest of investors and enable DTs to perform their duties more efficiently, SEBI has issued amendments related to additional disclosures required in case of listed debt securities. Additional disclosure requirements have been laid down for the DTs to be disclosed on their website.
- Participation of Portfolio Managers has been permitted in ETCD by SEBI with an aim to deepen participation in the segment. The portfolio managers may participate in ETCDs after entering into an agreement with clients.
- SEBI had launched the IGP to provide major push to listing of start-ups in India and notified the framework for authorization of investors for the IGP.
- SEBI has permitted participation of MFs in CDM with the aim to deepen the emergent commodity market. The MFs can participate in all ETCDs except for in "sensitive commodities".
- SEBI has issued directions to all Stock exchange depositories and all Registered intermediaries regarding procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967.The previous order has been modified and replaced with new order dated 14th March, 2019.

Taxation Updates

- Inputs are invited from stakeholders regarding amendment in Form 10B of the Income Tax Rules 1962 in order to align it with the requirements of present times.
- CBDT synchronizes Form 16 with ITR – 1 for ease of filing returns and also with Form 24Q to facilitate easier filing of TDS returns.
- Date extended to 31st July, 2019 for report to be submitted by Task Force formed for New Direct Tax legislation.

MODIFIED GOVERNMENT - WILL THE CORPORATES HAVE MORE "ACCHE DIN"?

The election results of 2019 have been a resounding mandate for the incumbent Government. With the hype and excitement of the result behind, the Indian corporates / industry can now focus on what they expect of the re-instated Government to do as a priority on the economic front.

There are certain areas which have been on the priority list of the previous Government. We may expect the Government in this tenure to extend its focus on these areas with renewed vigour:

1. FOCUS ON MSMEs

MSMEs have been a key area of focus for the Government, and rightly so. As per the data maintained by the Ministry of Commerce, MSMEs contribute about 37% to the GDP and 43% of our exports. MSMEs employ a large part of our population and it is imperative that the sector receive major support from the Government to flourish. The Government has focused on improving the financial health of MSMEs. In that respect:

a. Recent amendments in the Companies Act focuses on filing return to the MCA by large corporates stating the amount of payment due to MSMEs by them and reasons for delay, if any. The Government is taking a serious view to ensure the development of the MSME sector and is mindful that they do not suffer in the hands of larger corporates by way of blocked working capital.

b. In addition, a Credit Guarantee Scheme has been introduced by the Government of India to cater to credit needs of the MSMEs at reasonable interest rates in order to enhance access of MSMEs to more capital.

In the coming years, we may also witness :

- More focus on technological access and key upgradation on MSMEs.
- Additional technological centers to be set up for mentoring the skills required and prototyping of MSMEs, and
- Establishment of a National Traders Welfare Board and creation of National Policy for Retail Trade for the growth of retail business.

These steps look to transform the MSME into more organized and regulated sector.

2. CLEANING MCA RECORDS AND WIPING OUT SHELL DATA

Last FY saw a number of notifications and compliances introduced to clean the regulatory system. Steps such as forms DIR3 KYC, ACTIVE INC 22A, DPT-3, etc., were undertaken to identify ghost individuals and shell companies which were created for purposes other than carrying out actual business. Forms such as ACTIVE INC-22A was a major step in identifying data filed by false Companies w.r.t. to their registered offices, which did not exist on ground. Keeping their track record in mind, we expect that such changes may be made at various intervals in upcoming years to further the Government's aim towards transparency.

In addition, amendments in the Companies Act was one of the focus areas of the government during their election campaign manifesto which aimed at imposing civil liabilities for technical and procedural defaults of minor nature, thus unclogging the majority of the cases in the courts.

It is safe to surmise that we will be witnessing more amendments in the Companies Act and other allied corporate laws to curb hoax details by Companies. We can also hope to see amendments to facilitate ease – of- doing business, which is another focus area of the new Government (Please refer to point no 6 of this article.)

3. RATIONALISATION OF TAXES (Direct and Indirect)

❖ DIRECT TAXES

The budget is likely to be presented in early July. In the interim budget announced by the Government, there were reliefs to the salaried class and to certain taxation brackets.

a. The rebate u/s 87A of the Income Tax Act, effectively stating nil taxes for income till INR 5 lakhs p.a. are more likely to stay for this financial year.

b. Corporate tax as per the budget was stated @ 25% for companies having turnover up to INR 50 crores and 30% for companies having turnover above INR 50 crores. If the recommendations and reviews are taken into consideration, the corporate taxes may overall drop to 25% for all companies irrespective of turnover.

❖ INDIRECT TAXES

After GST was implemented, many amendments have been made by the GST council which meets regularly to review the impact and implementation of GST and go through any further recommendation.

a. With the Government being re-elected, we can expect the GST regime to move forward in a phased manner. We expect more simplification in the GST rules. The GST tax slab rates might be merged into two main rates from the present four rates.

b. Automated GST Refunds and a single authority for processing GST Refunds are two most likely simplifications expected in the GST Regime in the upcoming months.

4. DIGITISATION

This has been perhaps one of the most significant steps taken by the Government. From digitizing data through Aadhar card to filing of online returns, the country has witnessed a wave of digitization in the past 5 years, we have witnessed:

a. Regulatory authorities viz. the RBI undergo a massive exercise when it introduced the Single Master Form (SMF) which captured all the data related to FDI, FC-GPR form filing etc. in one portal.

b. Listed Companies and deemed public companies were asked to dematerialize its shares by SEBI.

c. Filing of income tax returns through online portal (except for very senior citizens) has been made mandatory.

d. The Government is expected to move forward on digitization of land records, as one the target areas. The procedure followed will be on similar lines as that of Aadhar project.

Apart from the compliance point of view, the Government has always had more focus on cash-less transactions. We can expect flexibility and more encouraging steps towards electronic payments. We can expect digitization in other fields where there is still a large set of paper work and manual intervention required.

5. START – UPS

Another major focus areas of the government has been to encourage start-ups. A new scheme is expected to be launched by the Government which will provide collateral – free credit up to INR 50 lakhs to young entrepreneurs. This is aimed at the growing youth population to encourage them to start their own ventures.

In order to facilitate start-ups, the following steps are expected to be undertaken:

a. Easing regulatory requirements for the start – ups: We expect more simplification in the process of incorporation of companies, attaining licenses and approvals from various government authorities at the time of incorporation and few months after incorporation.
b. Time spent for tax compliance: Digitization has helped in reducing time on calculation and deposition of tax, as well as filing of returns of the same. However, a lot more has to be done and is expected to be done in this area of regular compliance.
c. Angel Tax Exemption: 541 start-ups had been granted angel tax exemption till 28th May, 2019.

6. EASE OF DOING BUSINESS

In the World Bank Review in 2018, India was ranked 77th amongst 190 economies as compared to 134th in 2015 out of 189 economies. To further improve India's standing, we can expect the Government to come up with more simplified norms in near future.

The incumbent government has promised faster custom clearance of international cargo by relaxing certain clearance procedures, adopting new scanning new methods, etc. This will also facilitate and streamline imports.

7. AGRICULTURE AND VILLAGE SECTOR

In order to de-stress our agro-economy, more focus on technological advancement in the agricultural sector is expected. Mobile based apps will be introduced for promoting availability of agricultural machines and equipment on rental/ custom hiring basis. The Government aims to develop young agri-scientists who can make use of Artificial intelligence, machine learning, etc. to bring in technological improvement in the agricultural sector. Solar power may also be added as an additional source of earning for the farmers.

CONCLUSION

Re-instatement of the incumbent government has given rise to the expectation of the corporate world of an environment of stability and continuity. There were many initiatives which were taken by the earlier government. Few of them did not turn out to be as effective as they were expected to be, but in the second term, the government can ensure that the initiatives which were left incomplete, or which didn't reap as good results as were expected, are reviewed, amended and made more effective. Apart from the on-going projects, various other steps for the development of the economy have been promised by the government. If these promises are fulfilled, we expect to look forward to an upward trend in the economy and may witness "acche din" in the coming days.

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RBI TO INJECT LIQUIDITY THROUGH OPEN MARKET OPERATIONS (OMO) PURCHASE AUCTION IN JUNE 2019

RBI has decided to purchase Government Securities of INR 150 billion to inject liquidity into the financial system through Open Market Operations (OMO) on June 13, 2019. The decision has been taken by the RBI in view of evolving liquidity conditions and assessment of durable liquidity needs in upcoming days. The Government securities to be purchased in the auction would be communicated in due course.

Source:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47118

RBI NOTIFIES THE REVISED VRR SCHEME FOR INVESTMENTS BY FOREIGN PORTFOLIO INVESTORS (FPIs) AND OPENS ALLOTMENT 'ON TAP'.

A separate scheme was notified by the RBI called the "Voluntary Retention Route" (VRR) which is to encourage Foreign Portfolio Investors (FPIs) to invest in Indian debt markets for a minimum retention period of three years. The FPIs shall maintain a minimum of 75% of the allocated amount in India.

Under this scheme, FPIs have been given greater operational flexibility in terms of instrument choices apart from exemptions from specific regulatory requirements. The VRR scheme was offered for allotment 'on tap' between March 11, 2019 to April 30, 2019. Certain changes have been made by the Bank in the said scheme after taking into consideration feedback received and in consultation with the Government. The investment limit shall be INR 54,606.55 crores under the combined category which allows investment in Government securities and debt.

The revised scheme was notified on 24th May, 2019 vide A.P. (DIR Series) Circular No. 34. The tap will be kept open till the limit is fully allotted or till 31st December, 2019, whichever is earlier.

Source:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47119

REAL TIME GROSS SETTLEMENT (RTGS) SYSTEM – EXTENSION OF TIMINGS FOR CUSTOMER TRANSACTIONS

Changes in RTGS Time – window have been notified by RBI w.e.f. 1st June, 2019. The initial cut-off time for customer transactions has been extended from 4:30 pm to 6:00 pm. Accordingly, time varying charges structure has also been notified.

Source:

https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11564&Mode=0

RBI RELEASES DRAFT CIRCULAR ON LIQUIDITY RISK MANAGEMENT FOR NBFCs AND CICs FOR PUBLIC COMMENTS

An analysis of the recent developments in the NBFC sector pointed towards the need for a stronger Asset – Liability Management (ALM) framework in the NBFCs. In view of the same, on 24th May, 2019, the RBI placed on its website draft circular inviting feedback on the "Liquidity Risk Management Framework for Non – Banking Financial Companies (NBFCs) and Core Investment Companies (CICs)". The framework is to be adopted by all deposit taking NBFCs, non – deposit NBFCs with an asset size of INR 100 crore or more, and all CICs registered with the RBI.

The responses can be sent latest by 14th June, 2019 through hardcopy to Mumbai or through e-mail.

Source:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47125

➢ STRICTER REPORTING NORMS FOR AUDITORS.

The Ministry of Corporate Affairs (MCA) is planning stricter reporting norms for the auditors. With the new Government resuming its office, the following changes are expected:

- Disclosure regarding transactions/ provisions impacting the ability of the Company to continue to be a going concern.
- Valuation of assets and removal of those assets which impact the true and fair view of the books of account.
- Payment of Statutory dues by the Company on time.
- Certain tests and ratios to validate the comments and observations of the auditors to be included.

Source: *https://economictimes.indiatimes.com/news/company/corporate-trends/ministry-of-corporate-affairs-plans-to-tighten-audit-reporting-standards/articleshow/69420516.cms*

➢ LIABILITY ON DIRECTORS TO FILE FORM ACTIVE INC-22A

As per Amendment to the Companies (Appointment and Qualification of Directors) Rules, 2014, (hereinafter referred to as the Companies (Appointment and Qualification of Directors) Second Amendment Rules, 2019), the DIN of Director will be marked as per the status of the Company(ies) he/ she is Director in.

If the Company in which an individual is Director, fails to file Form ACTIVE INC-22A before 15th June, 2019, the DIN of the Director(s) will be marked as "**Director of ACTIVE non-compliant Company**". This will create responsibility on Directors to ensure that the Company(ies) in which he/she is a Director, mandatorily files Form ACTIVE INC-22A as per Rule 25A of the Companies (Incorporation) Rules, 2014.

After the Form ACTIVE INC-22A is filed in all the Companies in which an individual is a Director, only then the DIN will be marked as "**Director of ACTIVE compliant company**".

Source: *http://mca.gov.in/*

➢ CLARIFICATION ON ACTIVE FORM FOR COMPANIES WHO HAD FILED AUDITOR APPOINTMENT THROUGH FORM ADT-1 ATTACHED TO GNL - 2

Stakeholders who had filed form ADT-1 along with Form GNL-2 were facing problem while pre-filling the data in ACTIVE form, as the details of the auditors were not being automatically picked up by the system. MCA has issued clarification that those stakeholders who could file form ADT-1 only through GNL-2 due to no-availability of form ADT-1 at portal at that time (i.e. before 20th October, 2014), are allowed to re-fill and submit Form ADT-1 (now available on the MCA portal) without additional fee. Stakeholders are requested to file the details of Appointment of Auditor for the said period duly by choosing 'To' period of appointment date as any date on or before 31st March, 2019. Once the said form if filed and approved, the details of auditors will be pre-filled in the ACTIVE Form.

No relaxation is provided for stakeholders who filed ADT-1 through GNL-2 on or after 20th October, 2014.

Source: *http://mca.gov.in/*

➢ CLARIFICATION AND CORRSPONDING AMENDMENT IN NAME APPROVAL RULES

MCA vide Companies (Incorporation) Fifth Amendment Rules, 2019 issued on 10th May, 2019 has stated that the names applied for new companies, if resembling too nearly with the names of the existing companies, will be regarded as same names. The major features of this amendment focusses on clarifying that trying to create an impression of differentiation of name w.r.t. following will be disregarded and treated as same name with an existing one:

a. Using shorter formats of proper words (eg. Pvt. Ltd. For Private Limited, or forming Pvt. Ltd. Co. of an existing limited company with same name).
b. Using singular or plural form of words.
c. Type and case of letters, spacing adjustments, punctuation marks and special characters.
d. Usage of different tenses of same words
e. Use of different phonetics spellings (including deliberate misspellings) Use of host names.

f. Usage of host names (like www or dot com)
g. Sequence of the words used
h. Usage of definite or indefinite article between words in a name.
i. Slight variation in spellings including grammatical variation.
j. Complete or partial translation of name in Hindi or English
k. Addition/ change of place of name in the new company's name from existing company name.

Clauses (f) to (h) and (k) and (l) can be disregarded only if a "No-Objection" has been obtained by the existing company by way of Board resolution.

Illustrations and guidelines on Undesirable names can be accessed on
Source:
http://mca.gov.in/Ministry/pdf/AmendmentRules_08052019.pdf

➢ REQUISITE NUMBER OF MEMBERS/ DEPOSITORS TO FILE APPLICATION U/S 245 (1) OF COMPANIES ACT, 2013

MCA has issued notification on 8th May, 2019 w.r.t. requisite numbers of members to file an application u/s 245 (1). The amendment notifies as follows:

(3) In case of a company having a share capital, the requisite number of member or members to file an application under sub-section (1) of section 245 shall be –
(i) (a) at least five per cent of the total number of members of the company; or
(b) one hundred members of the company,
whichever is less; or

(ii) (a) member or members holding not less than five per cent. of the issued share capital of the company, in case of an unlisted company;
(b) member or members holding not less than two per cent. of the issued share capital of the company, in case of a listed company.

(4) The requisite number of depositor or depositors to file an application under sub-section (1) of section 245 shall be –
(i) (a) at least five per cent of the total number of depositors of the company; or
(b) one hundred depositors of the company,
whichever is less; or;

(ii) depositor or depositors to whom the company owes five per cent of total deposits of the company."
Section 245 of the Companies Act, 2013 deals with class-action.
Source:
http://mca.gov.in/Ministry/pdf/AmendmentRules1_08052019.pdf

➢ NFRA (MEETING FOR TRANSACTION OF BUSINESS) RULES, 2019

MCA has notified the NFRA (Meeting of Business) Rules, 2019 vide their notification dated 22nd May, 2019. The Rules lay down the procedure of meetings and overall functioning of the NFRA.
Source:
http://mca.gov.in/Ministry/pdf/Rules1_23052019.pdf

➢ COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITITES) THIRD AMENDMENT RULES, 2019

MCA notified the amendment made to the Companies (Prospectus and Allotment of Securities) Rules, 2014 (the "Principle Rules") vide their notification dated 22nd May, 2019. These rules will come into effect on 30th September, 2019. According to these rules every unlisted public company which is governed by these rules will be required to submit in Form PAS-6 a half yearly, reconciliation of Share Capital Audit Report to the Registrar, within sixty days from the end of such half year with prescribed fees. The Form PAS-6 will be required to be duly certified by a Company Secretary in Practice or a Chartered Accountant in Practice. Form PAS-6 will form part of annexure to Form PAS-5 of the Principal Rules.
Source:
http://mca.gov.in/Ministry/pdf/Rules_23052019.pdf

SEBI PLANS TO MODIFY BUY – BACK RULES

At present, the debt – to – equity ratio for by-back is 2:1. Recently, SEBI refused to approve Buy-back offer of the engineering giant Larsen & Toubro on the grounds that the groups consolidated debt-to-equity ratio would exceed two times the paid up capital and free reserves.

The net debt of L&T had shown increased figures due to high debt ratio of its NBFC arm L&T Financial Services, which is stated at 6:1 but is well within RBI guidelines. SEBI has discussed this issue with its self – appointed Primary Market Advisory Committee (PMAC) which has recommended that debt-equity ratio for companies should continue to remain at 2:1 but there should be relaxation for NBFCs.

Regulation 4 (ii) of the SEBI Buy-back rules of 2018 states:

The ratio of the aggregate of secured and unsecured debts owed by the company after buy-back shall not be more than twice the paid-up capital and free reserves.

Provided that if a higher ratio of the debt to capital and free reserves for the company has been notified under the Companies Act, 2013, the same shall prevail.

This does not specify whether the consolidated financial figures are to be considered or standalone.

Source:

https://economictimes.indiatimes.com/markets/stocks/news/sebi-plans-to-tweak-share-buyback-rules/articleshow/69437764.cms

ENHANCED DISCLOSURE IN CASE OF LISTED DEBT SECURITIES

To enhance transparency and enable Debenture Trustees (DTs) to perform their duties more effectively and efficiently, and to protect the interest of investors of listed debt securities, following amendments related to additional disclosures were notified on 7th May, 2019 by the SEBI vide their circular no. SEBI/ HO/ MIRSD /DOS3 / CIR/ P/ 2019 /68.

By	Mode	Particulars to be disclosed
DT	On their Website	▪ Nature of Compensation ▪ Incl. Minimum fees to be charged (in absolute terms or % of the issue size) ▪ Factors determining the compensation
DT	On their Website	**ISIN wise details of:** **I. For existing clients:** ▪ interest/ redemption due to Debenture holder in Financial year ▪ to be disclosed within 5 working days of start of FY **II. For new clients:** ▪ Details of issue handled within 5 working days of closure of issue **III. For payments:** ▪ Status of payment not later than 1 day of the due-date **IV. For delayed payment** ▪ Update calendar specifying the date of payment; ▪ Remark "delayed payment" to be mentioned
RTAs/ Issuers	To DT	▪ Details of Debenture holders at the time allotment ▪ Subsequently, by 7th working day of next month ▪ this is to help DTs keep their records updated

Additional Covenants in case of Privately Placed Issues

Default in Payment of interest and/or principal redemption on due dates	▪ Additional interest @ 2% p.a. over coupon rate for the defaulting period ▪ Payable by the Company
Delay in listing beyond 20 days from deemed date of allotment	▪ Penal Interest of at least @ 1% p.a. over the coupon rate ▪ From expiry of 30 days from deemed date of allotment till listing of such debt securities to the investor

*Amendments may be made to incorporate the additional covenants in summary term issued and/or agreements executed on or after 7th May, 2019.

Source: *https://www.sebi.gov.in/legal/circulars/may-2019/enhanced-disclosure-in-case-of-listed-debt-securities_43118.html*

➢ PARTICIPATION OF PFMs IN CDM

As per the latest circular by SEBI, PFMs have now been permitted to participate in Exchange Traded Commodity Derivatives (ETCD) on behalf of their clients with the objective to increase participation in the segment. Before dealing in the ETCD, the PFMs would be required to mandatorily appoint custodians registered under SEBI. The participation of the PFMs in ETCD is subject to certain conditions as mentioned in the circular. The PFMs will be required to provide adequate information to the clients regarding risk factors, margin requirements, etc. along with furnishing an exposure report on monthly basis to SEBI.

The provisions of the circular came into effect on 22nd May, 2019.

Source: https://www.sebi.gov.in/legal/circulars/may-2019/participation-of-portfolio-managers-in-commodity-derivatives-market-in-india_43058.html

➢ FRAMEWORK FOR THE PROCESS OF ACCREDITATION OF INVESTORS FOR THE PURPOSE OF INNOVATORS GROWTH PLATFORM

SEBI vide their circular dated 22nd May, 2019 notified the framework for the accreditation of investors for Innovators Growth Platform. SEBI has launched the Innovators Growth Platform (earlier known as the "Institutional Trading Platform) to provide a major push to listing of start-ups in India.

Source: *https://www.google.com/search?q=Innovators+Growth+Platform&rlz=1C1CHZL_enIN849IN849&oq=Innovators+Growth+Platform&aqs=chrome..69i57j69i60j0l4.8827j0j7&sourceid=chrome&ie=UTF-8*

➢ PARTICIPATION OF MFs in CDM

SEBI vide their circular dated 21st May, 2019 has permitted participation of MFs in ETCDs with a view to deepen the emergent commodity market. MFs are allowed to participate in all ETCDs except "sensitive commodities" (such as essential commodities in agricultural segment). Participation of Mutual Funds is subject to certain conditions as mentioned in the Circular.

Source: *https://www.sebi.gov.in/legal/circulars/may-2019/participation-of-mutual-funds-in-commodity-derivatives-market-in-india_43046.html*

➢ DIRECTIONS TO STOCK EXCHANGES, DEPOSITORIES AND ALL REGISTERED INTERMEDIARIES

SEBI vide their circular dated 28th May, 2019 has issued directions to stock exchanges, depositories and registered intermediaries regarding modification of order dated 27th August, 2009 with order dated 14th March, 2019 regarding procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967. Section 51A deals with powers of the Central Govt. for prevention, coping with terrorist activities.

Source: *https://www.sebi.gov.in/legal/circulars/may-2019/combating-financing-of-terrorism-cft-under-unlawful-activities-prevention-act-1967-directions-to-stock-exchanges-depositories-and-all-registered-intermediaries_43130.html*

➢ INPUTS INVITED FROM STAKEHOLDERS FOR AMENDMENT OF FORM 10B OF THE INCOME TAX RULES, 1962.

Form 10B is the format of the Auditors Report of the Charitable or Religious trusts or institutions. The proposed changes in Form 10B as per the draft notification are as follows:

a. Inclusion of declaration by the auditor in Form 10B.
b. Mentioning the PAN of the Charitable Institution.
c. Minor changes in sequence of information to be filled.

However, major changes have been proposed in the Annexure to Form 10B which is the Statement of Particulars of the audited institution or trust. Some of the major changes are as follows:

a. The annexure has been re-designed in the format of a proper return form requiring basic details of the charitable or religious trust or institution.
b. Various sections have been added to the Form such as that of legal status, modification of objects, Registration under FCRA, 2010, etc.
c. Separate bifurcation of deemed application of funds have been provided for land and building, salary and allowance, property purchased and so on.

Source:
https://www.incometaxindia.gov.in/news/amendment_10b_draft_notification_misccomm_21_5_19.pdf

➢ CHANGES IN FORM 16, FORM 24Q AND SYNCHRONISING FORM 16 AND ITR-1.

The new format of Form 16 was notified by the Central Board of Direct Taxes (CBDT) via notification dated 12th April, 2019 and came into effect on 12th May, 2019.

As per notification by the CBDT, Form 16 will now have detailed information bearing break up of tax exempt allowances paid by the employer and deductions from salary as claimed by the employee as declared to the employer.

Concurrent changes have been made in the format of the TDS return (Form 24Q in which the details of TDS deducted of employees is submitted by the employer to the Income Tax Department).

To make the task of filing ITR-1 easier for the salaried employees, the Income tax department has issued ITR-1 in sync with the revised Form 16. The salary details in the Income tax return are required to be filled in the following broad heads:

a. Gross salary
b. Allowances exempt under Section 10
c. Net Salary
d. Deductions u/s 16 (also mentioned in Part B of Form 16)

Once all the details are mentioned as per above four heads, the figure corresponding to "Income chargeable under the head salaries" will be automatically calculated, which should tally with the amount mentioned in Form 16.

Source:
https://www.incometaxindia.gov.in/news/notification_36_2019.pdf

➢ LAST DATE FOR FILING GSTR-9 FOR FY 2017 – 18 IS 30th JUNE, 2019.

Late fees for not filing GSTR-9 within due date is INR 200 per day (INR 100 under CGST and INR 100 under SGST). There is no late fee on IGST.

➢ ORDER UNDER SECTION 119 OF THE INCOME-TAX ACT.

In view of the cyclone "Fani" in the state of Odisha, following relief was granted to the taxpayers by the CBDT in Odisha:

a. Extends the due date of depositing tax deducted at source (TDS) for the month of April , 2019 from 7th of May, 2019 to the 20th of May, 2019.
b. Extends the due date of filing of Quarterly Statement of TDS for the last quarter of financial year 2018-19 from 31st of May, 2019 to the 30th of June, 2019, and
c. Extends the due date for issue of TDS certificates in Form 16 and 16A from 15th of June, 2019 to 15th of July, 2019

Source:
https://www.incometaxindia.gov.in/news/odisha_extension_due_date_tds_misccomm_24_5_19.pdf

TAX UPDATES

- **EXTENSION OF TERM FOR TASK FORCE DRAFTING A NEW DIRECT TAX LEGISLATION**

  A task force was constituted by the Government of India vide their Office order in F. No. 370149/230/2017 dated 22nd November, 2017, to review and re-draft the Direct tax legislation in India as per the prevalent economy and policy needs. The task force was required to submit its report by 31st May, 2019, which has further been extended for a period of 2 months. The task force can now submit their report by 31st July, 2019.

  Source:
  https://www.incometaxindia.gov.in/news/f_no_370149_230_2017_part_3_27_5_19.pdf

IBC UPDATES

- **INSOLVENCY PROFESSIONALS TO ACT AS IRP AND LIQUIDATORS (RECOMMENDATION) GUIDELINES, 2019**

  In case an operational creditor has made an application for CIRP and has not proposed an Interim Resolution Professional (IRP), in such cases, the AA is required to make reference to the Insolvency and Bankruptcy Board ("the Board") for an IP who may act as an IRP. [Section 16 (3) (a) of the IBC, 2016]

  The Board, within ten days of the receipt of the reference from the AA, is required under section 16(4) of the Code to recommend the name of an IP to AA against whom no disciplinary proceedings are pending.

  Source:
  https://ibbi.gov.in//webadmin/pdf/legalframwork/2019/May/IPs%20to%20act%20as%20IRPs%20and%20Liquidators%20(Recommendation)%20Guidelines%202019_2019-05-14%2020:09:47.pdf

Glossary

AA	Adjudicating Authority	**IP**	Insolvency Professional
ALM	Asset - Liability Management	**IRP**	Interim Resolution Professional
BJP	Bhartiya Janata Party	**L&T**	Larsen & Toubro
CARO	Companies (Auditor's Report) Order	**MCA**	Ministry of Corporate Affairs
CBDT	Central Board of Direct Taxes	**MF**	Mutual Funds
CDM	Commodity Derivatives Market	**MSME**	Micro, Small and Medium Enterprise
CGST	Central Goods and Service Tax	**NBFC**	Non - Banking Financial Company
CIC	Core Investment Companies	**NFRA**	National Financial Regulatory Authority
CIRP	Corporate Insolvency Resolution Process	**OMO**	Open Market Operations
DIN	Director Identification Number	**PAN**	Permanent Account Number
DT	Debenture Trustee	**PMAC**	Primary Market Advisory Committee
ETCD	Exchange Traded Commodity Derivatives	**PFM**	Portfolio Manager
FCRA	Foreign Contribution (Regulation) Act	**RBI**	Reserve Bank of India
FDI	Foreign Direct Investment	**RTA**	Registrar & Transfer Agent
FPI	Foreign Portfolio Investors	**RTGS**	Real Time Goss Settlement
FY	Financial Year	**SEBI**	Securities Exchange Board of India
GDP	Gross Domestic Product	**SGST**	State Goods and Service Tax
GST	Goods and Services Tax	**TDS**	Tax Deducted at Source
IBC	Insolvency and Bankruptcy Code	**VRR**	Voluntary Retention Route
IGP	Innovators Growth Platform	**W.E.F.**	With Effect From

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