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Unlock 4, the ongoing process to open up economic activities in India, will start from September 1. Unlock 4 will come at a time when India's infection tally has ballooned to more than 3 million and over 58,000 people have died due to the coronavirus disease (Covid-19).

We are happy to share the latest changes in direct, indirect taxes & corporate law to the extent applicable on routine transactions and to all type of clients.

1. Direct Tax:

A. Bank charges collected on electronic mode as per section 269SU:

Circular No. 16/2020 was issued by CBDT on 30.08.2020 in which the banks have been advised to immediately refund the charges collected by them on or after 01.01.2020 on the transactions carried out via electronic modes prescribed under section 269SU of the Income Tax Act.

B. Clarification in respect of residency under section 6 of the Income-tax Act, 1961(residential Status):

1. Section 6 of the Income-tax Act, 1961 (the Act) contains provisions relating to determination of residency of a person. The status of an individual, as to whether he is resident in India or a non-resident or not ordinarily resident, is dependent, inter-alia, on the period for which the

person is in India during a previous year or years preceding the previous year.

2. Various representations have been received stating that there are number of individuals who had come on a visit to India during the previous year 2019-20 for a particular duration and intended to leave India before the end of the previous year for maintaining their status as non-resident or not ordinary resident in India. However, due to declaration of the lockdown and suspension of international flights owing to outbreak of Novel Corona Virus (COVID-19), they are required to prolong their stay in India. Concerns have been expressed that this extra stay in India may make them a resident of India under section 6 of the Act. 3.

In order to avoid genuine hardship in such cases, the Board, in exercise of powers conferred under section 119 of the Act, has decided that for the purpose of determining the residential status under section 6 of the Act during the previous year 2019-20 in respect of an individual who has come to India on a visit before 22nd March, 2020 and:

(a) has been unable to leave India on or before 31 st March, 2020, his period of stay in India from 22nd March, 2020 to 31 st March, 2020 shall not be taken into account; or

(b) has been quarantined in India on account of Novel Corona Virus (Covid-19) on or after 1 st March, 2020 and has departed on an evacuation flight on or before 31 st March, 2020 or has been unable to leave India on or before 31 st March, 2020, his period of stay from the beginning of his quarantine to his date of departure or 31 s l March, 2020, as the case may be, shall not be taken into account; or

(c) has departed on an evacuation flight on or before 31 st March, 2020, his period of stay in India from 22'd March, 2020 to his date of departure shall not be taken in to account.

2. Indirect Tax:

A. Interest on delay in GST Payment:

CBIC now vide Notification No. 63/2020 - Central Tax dated 25 August 2020, notified 01 September 2020 as the date on which proviso to Section 50 shall come into force. This notification released by CBIC bringing provisions of Section 50 from a prospective date led to many speculations that the amendment which was discussed in GST Council meeting to be made effective retrospectively from 01 July 2017 has rather been inserted prospectively from 01 September 2020. This prospective amendment may result in interest being levied and recovered by GST department on both cash as well as ITC component during the period 01 July 2017 to 31 August 2020.

An amendment, as proviso to Section 50 of CGST Act, 2019, to the effect that interest will be levied on net tax liability, i.e. cash portion only, was inserted in Finance Act, 2019 w.e.f. 01 August 2019 but the same was to be made applicable w.e.f. date to be notified later. Subsequently, GST council vide its 39th meeting held on 14 March 2020 clarified that this amendment in Section 50 must be brought retrospectively from 01 July 2017.

B. Extension of due date for filing FORM GSTR-4 for financial year 2019-2020:

The Central Government vide Notification No. 64/2020- Central Tax dated 31st August, 2020 has further extended the due date of filing of GSTR-4 for the year ending 31st March,2020 till 31st October ,2020.

C. Launch of GSTR-2B for the month of July 2020:

GSTR-2B is an auto-drafted ITC statement which will be generated for every registered person on the basis of the information furnished by his suppliers in their respective GSTR-1, 5 (non-resident taxable person) and 6 (input service distributor).

It is a static statement and will be made available for each month, on the 12th day of the succeeding month.

It is expected that GSTR-2B will help in reduction in time taken for preparing return, minimizing errors, assist reconciliation & simplify compliance relating to filing of returns.

Key features in GSTR-2B which would assist taxpayers in return filing are as under:

- 1. It contains information on import of goods from the ICEGATE system including inward supplies of goods received from Special Economic Zones Units / Developers. This is not available with the release of GSTR-2B for the month of July and will be made available shortly.*
- 2. A summary statement which shows all the ITC available and non-available under each section. The advisory given against each section clarifies the action to be taken by the taxpayers in their respective section of GSTR-3B;*
- 3. Document level details of all invoices, credit notes, debit notes etc. is also provided both for viewing and download;*

D. Import data in GSTR-2A:

Two new tables have been inserted in GSTR-2A for displaying details of import of goods from overseas and inward supplies made from SEZ units / SEZ developers. Taxpayers can now view their bill of entries data which is received by the GST System (GSTN) from ICEGATE System (Customs). The present data upload has been done on a trial basis to give a feel of the functionality and to get feedback from the taxpayers on the same.

Currently, the system is displaying data up to 6th August, 2020. Further, taxpayers may note that system is currently does not contain import information for bill of entries filed at non-computerized ports (non-EDI ports) and imports made through courier services/post office. This will be made available shortly.

It may also be noted that amendment information made in the details of bill of entries will also be provided soon.

3. Corporate Law:

A. Corporate Social Responsibility:

The Ministry of Corporate Affairs, vide Gazette Notification dated 24th August, 2020, has issued the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020 to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014.

Accordingly, changes to the Schedule VII to the Companies Act has been made vide notification dated August 24, 2020. The change has come into effect from 24th August, 2020..

Post this notification, any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22 and 2022-23 subject to the conditions that-

(i) Such research and development activities shall be carried out in collaboration with any of the institutes or organizations mentioned in item (ix) of Schedule VII to the Act.

(ii) Details of such activity shall be disclosed separately in the Annual Report on CSR included in the Board's Report"

Accordingly, necessary changes have also been made in related clauses of the policy.

B. MSME Registration

RBI has issued the Circular ([Click Here to read, Circular 1](#) dated 02.07.2020 and [Circular 2](#) dated 21.08.2020) for validity of UAM/EM-II till 31.03.2021. Also, In line with M/o MSME paperless approach, need of document for classification purpose has been done away with.

C. Changes in IND AS 116 – Leases

Pursuant to issuance of new leases Standard, following amendments in Schedule III are proposed to align the same with Ind AS 116(a) In the format of Balance Sheet, a separate line item to be added as 'Lease Liabilities' under the sub-head Financial Liabilities (under both current and non-current liabilities)(b) Line items 'Long term maturities of finance lease obligations' under non-current liabilities and 'Current maturities of finance lease obligations' under current liabilities to be deleted

D. Amendment in Ind AS 103, Business Combinations:

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment also removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs and brings out an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

E. Amendment in Ind AS 1, Presentation of Financial Statements and Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors

Definition of 'material' is proposed to be clarified vide these amendments.

F. Interest Rate Benchmark Reform — Amendments to Ind AS 109, Financial Instruments, and Ind AS 107, Financial Instruments, Disclosures

Proposed amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs). Specifically, the amendments:

Modify specific hedge accounting requirements so that entities would apply those requirements if the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered because of interest rate benchmark reform.

Apply to all hedging relationships that are directly affected by the interest rate benchmark reform

Require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

Thank you

