

R.C.JAIN AND ASSOCIATES LLP

NEWSLETTER

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2021

“Attitude is a choice. Happiness is a choice. Optimism is a choice. Kindness is a choice. Giving is a choice. Respect is a choice. Whatever choice you make makes you. Choose wisely”

-Roy T Bennett



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Income Tax

1. CLARIFICATION REGARDING USE OF FUNCTIONALITY UNDER SECTION 206AB AND 206CCA OF THE INCOME TAX ACT

Finance Act, 2021 inserted two new sections 206AB and 206CCA in the Income-tax Act 1961 which takes effect from 1st July, 2021. These sections mandate tax deduction (section 206AB) or tax collection (section 206CCA) at higher rate in case of certain non-filers (specified persons) with respect to tax deductions (other than under sections 192, 192A, 194B, 194BB, 194LBC and 194N) and tax collections. Higher rate is twice the prescribed rate or 5%, whichever is higher. Specified person means a person who satisfies both the following conditions: -

- He has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately before the previous year in which tax is required to be deducted / collected. Two previous years to be counted are required to be those whose return filing date under sub-section (1) of section 139 has expired.
- Aggregate of tax deducted at source and tax collected at source is rupees fifty thousand or more in each of these two previous years.

To ease this compliance burden the Central Board of Direct Taxes is issuing a new functionality Compliance Check for Sections 206AB & 206CCA. This functionality is made available through reporting portal of the Income-tax Department. The tax deductor or the collector can feed the single PAN (PAN search) or multiple PANs (bulk search) of the deductee or collectee and can get a response from the functionality if such deductee or collectee is a specified person. For PAN Search, response will be visible on the screen which can be downloaded in the PDF format. For Bulk Search, response would be in the form of downloadable file which can be kept for record.

To know more about the functionality please refer https://incometaxindia.gov.in/communications/circular/circular_11_2021.pdf

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2. CBDT EXTENDS TIMELINES FOR CERTAIN COMPLIANCES

Particulars	Last Extended Due Date	New Extended Due Date
Linkage of Aadhaar with Pan	30 th June 2021	30 th September 2021
Payment under Vivad Se Vishwas Scheme(without additional amount)	30 th June 2021	31 st August 2021
Payment under Vivad Se Vishwas Scheme(with additional amount)	-	31 st October 2021
Time Limit for Passing Assessment Orders/ Penalty Orders.	30 th June 2021	30 th September 2021
Equalisation Levy Returns	30 th June 2021	30 th September 2021
Exercising of option to withdraw application (filed before Income Tax Settlement Commission)	27 th June 2021	31 st July 2021
Statement of Deduction of Tax (Q4 FY 2020-21)	30 th June 2021	15 th July 2021
Certificate of TDS in Form 16	15 th July 2021	31 st July 2021
Registration/Provisional Registration/Intimation/ Approval/Provisional Approval for the Trust/Institutions/Research Associations etc. application made u/s 80G,12AB,10(23C),35(1)(ii)/(iia)/(iii).	-	31 st August 2021
Form 15G/15H declarations (Quarter ending 30 th June 2021)	-	31 st August 2021
Equalization Levy Statement FY 2020-2021.	-	31 st July 2021
Objections to DRP and AO u/s 144C	1 st June 2021	Filed within time provided in that section or 31 st

		August whichever if earlier
Filing of Form 64D by Investment Funds for PY 20-21	30 th June 2021	15 th July 2021
Filing of Form 64C by Investment Funds for PY 20-21	15 th July 2021	31 st July 2021
Quarterly Statement in Form No. 15CC to be furnished by authorized dealer in respect of remittances made for the quarter ending on 30 th June, 2021	15 th July 2021	31 st July 2021
Annual Statement by Eligible Investment Fund Form 3CEK	29 th June 2021	31 st July 2021
Compliances to be made by Taxpayers such as Investment, Deposits, Payment, Acquisition, Purchase, or Construction for claiming exemption u/s 54 to sec 54GB for which last date falls between 1 st April 2021 to 29 th September 2021		30 th September 2021

3. TAX EXEMPTION

Many taxpayers have received financial help from their employers and well-wishers for meeting their expenses incurred for treatment of Covid-19. In order to ensure that no income tax liability arises on this account, it has been decided to provide income-tax

exemption to the amount received by a taxpayer for medical treatment from employer or from any person for treatment of Covid-19 during FY 2019-20 and subsequent years.

In order to provide relief to the family members of such taxpayer, it has been decided to provide income-tax exemption to ex-gratia payment received by family members of a person from the employer of such person or from other person on the death of the person on account of Covid-19 during FY 2019-20 and subsequent years. The exemption shall be

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allowed without any limit for the amount received from the employer and the exemption shall be limited to Rs. 10 lakh in aggregate for the amount received from any other persons.

4. GUIDELINES UNDER SEC 194Q OF INCOME TAX ACT APPLICABLE W.E.F 1/7/2021

A Buyer while purchasing goods during the year from resident sell will deduct the TDS.

➤ **Conditions:**

- During the Financial Year purchase of goods exceeds Rs.50 Lakhs from the resident seller.
- Total Turnover of the Buyer in previous Financial Year was exceeding Rs.10 Crores.

➤ **Rate of TDS**

- TDS to be deducted at the rate of 0.1% on amount of purchase excess Rs.50Lakhs.

➤ **Deduction of TDS**

- TDS to be deducted at the time of **credit in books** or **payment** whichever is **earlier**.

➤ **Calculation of Threshold Limit i.e.Rs.50Lakhs**

- Purchase made from 1.04.2021 will be counted. However TDS to be deducted on amount of purchase done after 1.07.2021 only.

➤ **Exemption available u/s 194Q**

- Transactions on which TDS is already deductible under other provisions of the Income Tax Act; or
- Transactions on which TCS is collectable as per provisions of section 206C [other than a transaction on which TCS is collectable under section 206C (1H)].

Some Illustrations are as follows:

Buyer	Buyer's Last Year Turnover	Seller	Seller's Last Year Turnover	Goods purchased during the year	TDS/TCS
Mr. A	2 Crore	Mr. B	12 Crore	40Lakhs	No TDS/TCS

Mr. A	2 Crore	Mr. B	12 Crore	80 Lakhs	Mr. B will collect TCS u/s 206C(1H) on Rs. 30Lakhs (80Lakhs-50Lakhs)
Mr. A	12 Crore	Mr. B	2 Crore	40 Lakhs	No TDS/TCS
Mr. A	12 Crore	Mr. B	2 Crore	60 Lakhs	Mr. A will deduct TDS of Mr. B u/s 194 Q @0.1% on Rs. 10Lakhs(60Lakhs-50Lakhs)
Mr. A	7 Crore	Mr. B	5 Crore	1 Crore	No TDS/TCS
Mr. A	12 Crore	Mr. B	15 Crore	70 Lakhs	Mr. A will deduct TDS of Mr. B u/s 194 Q @0.1% on Rs. 20Lakhs (70Lakhs-50Lakhs).
Mr. A	15 Crore	Mr. B (E-commerce participants)	20 Crore	80 Lakhs	TDS u/s 194O will be deducted by e-commerce operator from payment to be done to Mr. B.

The CBDT on 30th June, 2021, has issued a set of guidelines in regards to the application of Section 194Q w.e.f. 1st July, 2021 vide Circular No. 12/2021.

Key points of CBDT issues guidelines u/s Section 194Q

TDS under section 194Q on net of GST if charged separately. However for section 206C(1H) GST is to be included.

Transactions on recognised exchanges and power exchange exempted from 194Q.

Hierarchy of section 194-O, 194Q and Section 206C(1H) clarified.If section 194-O is applicable to a transaction then 194Q and 206C(1H) will not apply. If 194Q is applicable

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then section 206C(1H) shall not be applicable. If section 194-O and 194Q are not applicable section 206C(1H) will be applicable.

Turnover/ Gross receipts of 10 crore of buyer for applicability of this section 194Q will mean Turnover/ Gross receipts in business only. Hence receipts by way of rent, interest , capital gain etc if not considered as business income are not to be included.

Further provision of section 194Q not to apply in first year of an entity as no turnover / gross receipts in preceding year since entity was not in existence.

For more details please refer https://incometaxindia.gov.in/communications/circular/circular_13_2021.pdf

5. COST INFLATION INDEX

For the FY 2021-2022 The cost of Inflation Index would be 317.

6. GUIDELINES FOR COMPULSORY SELECTION OF RETURNS FOR COMPLETE SCRUTINY DURING FY 2021

Parameters for compulsory selection of returns for Complete Scrutiny during Financial Year 2021-22:-

Sr No.	Parameter	Assessment Proceedings to be conducted by-
1	<u>Cases in which notices u/s 148 of the Act have been issued</u>	
	(i) Cases where no return has been furnished in response to notice u/s 148* of the Act. *Section 148-Assessment or Reassessment Notice	In such cases, Jurisdictional Assessing shall officer issue notice u/s 142(1) of the Act, calling for information regarding the issues on the basis of which notice u/s 148

		was issued, subsequent to which, assessment proceedings in such cases will be conducted by NaFAC.
	(ii) Cases where return has been furnished in response to notice u/s 148* of the Act.	After the issue of notice u/s 143(2) of the Act by the Jurisdictional Assessing Officer for compulsory selection, assessment, proceedings in such cases will be conducted by NaFAC.
2	Cases where registration/approval under various sections of the Act, such as section 12A, 35(1)(ii)/(ia)/(iii) 10(23C), etc. have not been granted or have been cancelled/withdrawn by the Competent Authority, yet the assessee has been found to be claiming tax-exemption/ deduction in the return. However, where such orders of withdrawal of registration/ approval have been reversed/set-aside in appellate proceedings, those cases will not be selected under this clause.	After the issue of notice u/s 143(2) of the Act by the Jurisdictional Assessing Officer for compulsory selection, assessment proceedings in such cases will be conducted by NaFAC.
3	Cases pertaining to Search and Seizure	
	Assessments in Search and Seizure cases to be made under section(s) 153A, 153C read with section 143(3) of the Act and also for return filed for assessment year relevant to previous year in which the Search was conducted under section 132 or requisition was made under section 132A	The cases falling u/s 153C, if lying outside Central Charges, the Jurisdictional Assessing Officer is required to issue notice u/s 143(2) in cases where return is

	of the Act.	furnished u/s 153C or 142(1) calling for information in cases where no return is furnished u/s 153C. Such cases shall be transferred to Central Charges u/s 127 of the Act within 15 days of issue of notice u/s 143(2)/142(1) of the Act.
4	<p>Cases pertaining to survey u/s 133A of the Income-tax Act, 1961(Act).</p> <p>*Survey u/s 133A- Any place at which a business or profession or an activity for charitable purpose is carried on.</p>	<p>(i) After the issue of notice u/s 143(2) of the Act by the Jurisdictional Assessing Officer for compulsory selection, assessment proceedings in such cases will be conducted by NaFAC. The Assessing Officer shall upload the Survey Report in the ITBA at the time of issue of notice u/s 143(2) of the Act.</p> <p>(ii) After the issue of notice u/s 143(2) of the Act by the Jurisdictional Assessing Officer for compulsory selection, cases selected for compulsory scrutiny which have impounded material, shall be transferred to Central Charges u/s 127 of the Act</p>

		within 15 days of issue of notice u/s 143(2)/142(1) of the Act.
5	Cases in which notices u/s 142(1) of the Act, calling for return, have been issued	
	(i) Cases where no return has been furnished in response to a notice u/s 142(1) of the Act.	These cases will be taken up for compulsory scrutiny by NaFAC.
	(ii) Cases where return has been furnished in response to notice u/s 142(1) of the Act and where notice u/s 142(1) of the Act was issued due to the information contained in NMS Cycle/ AIR information/information received from Directorate of I&CI.	These cases will not be taken up for compulsory scrutiny and the selection of such cases for scrutiny will be through CASS cycle.
	(iii)) Cases where return has been furnished in response to notice u/s 142(1) of the Act and where notice u/s 142(1) of the Act was issued due to the specific information received from Law Enforcement Agencies.	After the issue of notice u/s 143(2) of the Act by the Jurisdictional Assessing Officer for compulsory selection, assessment proceedings in such cases will be conducted by NaFAC

-Compiled by Bhavesh Bang

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Case Laws:

1) Issue Involved:

Can gift from father to son be considered as taxable income in hands of son?

➤ **Sh Kuldeep Singh V. Income Tax Officer (Amritsar- Trib)**

GIST OF THE CASE

During the course of assessment proceedings, the Assessing Officer (AO) observed that the assessee had made cash deposit in the undisclosed bank account. The assessee submitted that the cash deposit was from the gift received by him from his father. He further submitted that said amount represents the sale consideration derived by his father from sale of certain agricultural land and from his savings and also submitted sale deeds and record of land which proves his father was agriculturist and had sufficient agriculture land. However, the AO rejected the contention of the assessee and made addition under section 68. Aggrieved by the same, assessee filed appeal before the Ld. CIT(A). It upheld the order of AO and confirmed the reopening of the assessment.

HELD

Provision of section 68 relevant extracts from which are as follows:

Where any sum is found credited in the books of an assessee maintained for any previous year, and the assessee offers no explanation about the nature and source thereof or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the sum so credited may be charged to income-tax as the income of the assessee of that previous year

- 1) On further appeal, ITAT held that the Assessing Officer (AO) failed to bring on record any cogent evidence to prove that sale deed executed by assessee's father was wrong and the record of land was false or untrue. And since the assessee explained the source of bank deposits therefore income has not escaped assessment within the meaning of section 147 of the Act. Hence, the ITAT quashed the reassessment proceedings initiated by assessing officer.

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2) Issue Involved:

Can assessee claim exemption u/s 54F for entering into perpetual lease agreement with unlimited period?

➤ **N Ramaswamy V. ITO (Chennai-Trib)**

GIST OF THE CASE

Assessee entered into an agreement for perpetual lease for unlimited period and claimed exemption under section 54F.

Assessing Officer (AO) allowed the exemption claimed by the assessee. However, the Principal Commissioner (PCIT) observed that the assessee had acquired the property by way of perpetual lease deed agreement and therefore, it cannot be considered as absolute purchase of the property for claiming exemption under Section 54F of the Act. Thus, he revised the order of AO and disallowed the exemption claimed by assessee.

HELD

Provision of section 54F relevant extracts from which are as follows:

Subject to the provisions of sub-section (4), where, in the case of an assessee being an individual or a Hindu undivided family, the capital gain arises from the transfer of any long-term capital asset, not being a residential house (hereafter in this section referred to as the original asset), and the assessee has, within a period of one year before or two years after the date on which the transfer took place purchased, or has within a period of three years after that date constructed, one residential house in India (hereafter in this section referred to as the new asset), the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say, —

(a) if the cost of the new asset is not less than the net consideration in respect of the original asset, the whole of such capital gain shall not be charged under section 45;

(b) if the cost of the new asset is less than the net consideration in respect of the original asset, so much of the capital gain as bears to the whole of the capital gain the same

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proportion as the cost of the new asset bears to the net consideration, shall not be charged under section 45:

1) On appeal before the Tribunal, it held that a bare reading of section 2(47) shows that the agreement or arrangement which has effect of transferring or enabling the enjoyment of immovable property, has to be considered as transfer. Furthermore, section 269UA(2) of the Act clearly says that any lease for a term of more than 12 years including the possession of property has to be construed as transfer. Since the assessee had acquired the residential house by means of perpetual lease for more than 12 years, it had to be treated as acquisition of property within the meaning of section 54F.

2) Therefore, assessee was entitled to exemption under section 54F and allowed the appeal of the assessee.

-Compiled by Vishal Nayak

INDIRECT TAX

GST

Notifications

1) Notification No. 18/2021 – Central Tax, Dated 1st June, 2021

The notification seeks to provide relief by lowering rate of Interest as mentioned below for delay in filing of return in form GSTR-3B

Sr. No.	Turnover	Month	Rate of Interest
1	Taxpayers having an aggregate turnover of more than rupees 5 crores in the preceding financial year	March 2021, April 2021 & May 2021	9 per cent for the first 15 days from the due date & 18 per cent thereafter
2	Taxpayers having an aggregate turnover of up to rupees 5 crores in the preceding financial year who are liable to furnish the return as specified under subsection (1) of section 39 & under proviso to subsection (1) of section	March 2021	Nil for the first 15 days from the due date, 9 per cent for the next 45 days, and 18 per cent thereafter
		April 2021	Nil for the first 15 days from the due date, 9 per cent for the next 30 days, and 18 per cent thereafter
		May 2021	Nil for the first 15 days from the due date, 9 per cent for the next 15 days, and 18 per cent thereafter

	39		
3	Taxpayers who are liable to furnish the return as specified under sub-section (2) of section 39	Quarter ending March, 2021	Nil for the first 15 days from the due date, 9 per cent for the next 45 days, and 18 per cent thereafter

This notification shall be applicable from 18th May, 2021.

2) Notification No. 19/2021 – Central Tax, Dated 1st June, 2021

As per the notification the government has provide the waiver of late fee for delay in filing of return in FORM GSTR-3B as following:

Sr. No.	Turnover	Tax period	Period for which late fee is waived
1	Taxpayers having an aggregate turnover of more than rupees 5 crores in the preceding financial year	March 2021, April 2021 & May 2021	15 days from the due date
2	Taxpayers having an aggregate turnover of up to rupees 5 crores in the preceding financial year who are liable to furnish the return as specified under	March 2021	60 days from the due date of furnishing return
		April 2021	45 days from the due date of furnishing return
		May 2021	30 days from the due date of furnishing return

	sub-section (1) of section 39		
3	Taxpayers having an aggregate turnover of up to rupees 5 crores in the preceding financial year who are liable to furnish the return as specified under proviso to subsection (1) of section 39	January-March, 2021	60 days from the due date of furnishing return

Also, if the registered person failed to furnish the return in Form GSTR-3B for the month of July 2017 to April 2017 & furnishes the same between 1st June, 2021 to 31st August, 2021, the total amount of late fee shall stand waived which is in excess of Rs. 500 per act. Further, in case the return is nil, the total amount of late fees shall stand waived which is in excess of Rs. 250/- per act.

3) **Notification No. 20/2021 – Central Tax, Dated 1st June, 2021**

As per the notification, for the month of June 2021 onward or quarter ending June, 2021 onward the late fees in excess of an amount specified in table below, shall stand waived for late filing of both form GSTR-1 & form GSTR-3B:

Sr. No.	Class of registered persons	Late fees Amount
1	Registered persons who have nil outward supplies in the tax period	Two hundred and fifty rupees per act
2	Registered persons having an aggregate turnover of	One thousand rupees per

.	up to rupees 1.5 crores in the preceding financial year, other than those covered under Sr. No. 1	act
3	Registered persons having an aggregate turnover of more than rupees 1.5 crores and up to rupees 5 crores in the preceding financial year, other than those covered under Sr. No. 1	Two thousand and five hundred rupees per act

4) Notification No. 21/2021 – Central Tax, Dated 1st June, 2021

As per the notification, the registered person who fails to furnish the FORM GSTR-4 by the due date from Financial Year 2021-22 onward, the late fees shall be waived which is excess two hundred & fifty rupees per act when total amount of tax payable is nil & in other case which is in excess of one thousand rupees per act.

5) Notification No. 22/2021 – Central Tax, Dated 1st June, 2021

As per the notification, if there is delay in furnishing form GSTR-7, the late fee would be twenty-five rupees per day per act & maximum restricted to thousand rupees per act.

6) Notification No. 23/2021 – Central Tax, Dated 1st June, 2021

The given notification excludes government departments and local authorities from the requirement to issue e-invoice.

7) Notification No. 25/2021 – Central Tax, Dated 1st June, 2021

As per the notification, the due date of the furnishing return in FORM GSTR-4 (composition dealer) for the financial year 2020-21 has been extended to 31st July, 2021.

8) Notification No. 26/2021 – Central Tax, Dated 1st June, 2021

As per this notification, the due date for furnishing FORM ITC-04 (Job work) for the period Jan-March, 2021 has been extended till 30th June, 2021.

9) Notification No. 27/2021 – Central Tax, Dated 1st June, 2021

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As per this Notification, below amendments are made in CGST rules

- Registered person would be allowed to file return in form GSTR-1 & GSTR-3B through EVC (Electronic verification code) until 31st August, 2021.
- Restriction on availment of Input Tax Credit shall be applied cumulatively for the period April, May & June and shall be furnished with the cumulative adjustment in the return of June, 21 or quarter ending June, 21

10) Notification No. 05/2021 – Central Tax (Rate), Dated 14th June, 2021

As per the Notification, the GST rate on below mentioned category of goods have been reduced:

Description of Goods	Reduced Rate
Remdesvir	2.5%
Covid-19 testing kits	2.5%
Hand Sanitizer	2.5%
Pulse Oximeter	2.5%
Oxygen/Ventilators	2.5%
Ambulance	6%

For detailed list of goods, kindly refer <https://www.cbic.gov.in/resources//htdocs-cbec/gst/notfctn-05-2021-2020-cgst-rate.pdf>

Circular

1) Circular No. 149/05/2021–GST, Dated 17th June, 2021

Accordingly, as per recommendation of the GST Council, it is clarified that services provided to an educational institution by way of serving of food (catering including mid- day meals) is exempt from levy of GST irrespective of its funding from government grants or corporate donations [under said entry 66 (b)(ii)]. Educational institutions as defined in the notification

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include anganwadi. Hence, serving of food to anganwadi shall also be covered by said exemption, whether sponsored by government or through donation from corporates.

For further clarification refer https://www.cbic.gov.in/resources//htdocs-cbec/gst/Circular_Refund_149.pdf

2) Circular No. 150/05/2021-GST, Dated 17th June, 2021

Certain representations have been received requesting for a clarification regarding applicability of GST on annuities paid for construction of road where certain portion of consideration is received upfront while remaining payment is made through deferred payment (annuity) spread over years.

GST is exempt on service, falling under heading 9967 (service code), by way of access to a road or a bridge on payment of annuity [entry 23A of notification No. 12/2017-Central Tax]. Heading 9967 covers “supporting services in transport” under which code 996742 covers “operation services of National Highways, State Highways, Expressways, Roads & streets; bridges and tunnel operation services”. Entry 23 of said notification exempts “service by way of access to a road or a bridge on payment of toll”. Together the entries 23 and 23A exempt access to road or bridge, whether the consideration are in the form of toll or annuity [heading 9967].

Services by way of construction of road fall under heading 9954. This heading inter alia covers general construction services of highways, streets, roads railways, airfield runways, bridges and tunnels. Consideration for construction of road service may be paid partially upfront and partially in deferred annual payments (and may be called annuities). Said entry 23A does not apply to services falling under heading 9954 (it specifically covers heading 9967 only). Therefore, plain reading of entry 23A makes it clear that it does not cover construction of road services (falling under heading 9954), even if deferred payment is made by way of instalments (annuities). Accordingly, as recommended by the GST Council, it is hereby clarified that Entry 23A of notification No. 12/2017-CT(R) does not exempt GST on the annuity (deferred payments) paid for construction of roads.

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3) Circular No. 152/08/2021-GST, Dated 17th June, 2021

This is to clarify by above circular that when works contract service is provided to a Government Entity by way of construction such as of a ropeway shall attract GST rate of 18% and will not be eligible for concessional rate of 12%.

https://www.cbic.gov.in/resources//htdocs-cbec/gst/Circular_Refund_152.pdf

4) Circular No. 154/10/2021-GST, Dated 17th June, 2021

This is clarified that GST on supply of service by State Govt. to their undertakings or PSUs by way of guaranteeing loans shall be exempt under entry 34A of Notification no. 12/2017-Central Tax (Rate) dated 28th June, 2017.

5) Circular No. 156/12/2021-GST, Dated 21st June, 2021

This circular is to clarify that the penalty for non-compliance of the provisions of notification 14/2020-CT (i.e., mentioning QR code on B2C invoice issued by taxpayer having aggregate turnover more than 500 crores) has been waived for the period 01st December 2020 to 30th June 2021, subject to a condition that the person complies with the same from 01st July, 2021.

<https://www.cbic.gov.in/resources//htdocs-cbec/gst/156-12-2021%20GST%20Circular.pdf>

-Compiled by Tushar Zore

RBI**1. RBI/2021-22/46
DOR.STR.REC.20/21.04.048/2021-22****Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses - Revision in the threshold for aggregate exposure**

Clause 5 of the circular DOR.STR.REC.11/21.04.048/2021-22 on “Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses” dated May 5, 2021 specifies the eligible borrowers who may be considered for resolution under the framework and includes the following sub-clauses:

(a) Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than ₹25 crore as on March 31, 2021.

(b) Small businesses, including those engaged in retail and wholesale trade, other than those classified as MSME as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than ₹25 crore as on March 31, 2021.

It has been decided to enhance the above limits from ₹25 crore to ₹50 crore.

**2. RBI/2021-22/47
DOR.STR.REC.21/21.04.048/2021-22****Resolution Framework - 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) - Revision in the threshold for aggregate exposure**

Clause 2 of the circular DOR.STR.REC.12/21.04.048/2021-22 on “Resolution Framework 2.0 - Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)” dated May 5, 2021 specifies the eligibility conditions for MSME accounts to be considered for restructuring under the framework, which inter alia include sub-clause (iii) which states that the aggregate exposure, including non-fund based facilities, of all lending institutions to the MSME borrower should not exceed ₹25 crore as on March 31, 2021.

It has been decided to enhance the above limit from ₹25 crore to ₹50 crore.

Consequently, clause 2(v) would stand modified as under:

“(v) The borrower’s account was not restructured in terms of the circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 (collectively referred to as MSME restructuring circulars) or the circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19-related Stress.

**3. RBI/2021-22/49
DoR.RET.REC.19/12.05.009/2021-22**

**Submission of returns under Section 31 of the Banking Regulation Act, 1949 (AACS) –
Extension of time**

As many of the Primary (Urban) Co-operative Banks (UCBs), State Co-operative Banks and Central Co-operative Banks are facing difficulties in finalising their Annual Accounts due to the ongoing COVID-19 pandemic, it is considered necessary to allow more time for submission of the aforesaid return during the current period.

In view of the above, Reserve Bank hereby extends the said period of three months for the furnishing of the returns under Section 31 of the Act for the financial year ended on March 31, 2021, by a further period of three months. Accordingly, all UCBs, State Co-operative Banks and Central Co-operative Banks shall ensure submission of the aforesaid returns to Reserve Bank on or before September 30, 2021. The State Co-operative Banks and Central Co-operative Banks shall also ensure submission of the aforesaid returns to NABARD on or before September 30, 2021.

**4. RBI/2021-22/53
DoS.CO. PPG.SEC/03/11.01.005/2021-22**

Risk Based Internal Audit (RBIA)

It has been decided that the provisions of the circular Ref. No. DoS.CO.PPG/SEC.05/11.01.005/2020-21 dated February 03, 2021 pertaining to Risk Based Internal Audit shall be applicable to Housing Finance Companies (HFCs) also, as stipulated below:

- All deposit taking HFCs, irrespective of their size
- Non-deposit taking HFCs with asset size of ₹5,000 crore and above

5. **RBI/2021-22/58**
DOR.CRE(DIR).REC.24/23.67.001/2021-22

Gold (Metal) Loans – Repayment

As per the extant instructions given by RBI through various instructions time to time, nominated banks authorized to import gold and designated banks participating in Gold Monetization Scheme, 2015 (GMS) can extend Gold (Metal) Loans (GML) to jewellery exporters or domestic manufacturers of gold jewellery. These loans are repaid in INR, equivalent to the value of gold borrowed, on the relevant date/s.

It has been decided as under:

- i) Banks shall provide an option to the borrower to repay a part of the GML in physical gold in lots of one kg or more, provided:
 - the GML has been extended out of locally sourced / GMS-linked gold;
 - repayment is made using locally sourced IGDS (India Good Delivery Standard)/ LGDS (LBMA's Good Delivery Standards) gold;
 - gold is delivered on behalf of the borrower to the bank directly by the refiner or a central agency, acceptable to the bank, without the borrower's involvement;
 - the loan agreement contains details of the option to be exercised by the borrower, acceptable standards and manner of delivery of gold for repayment;
 - the borrower is apprised upfront, in a transparent manner, of the implications of exercising the option.
- ii) Banks shall suitably incorporate the above aspects into the board-approved policy governing GML along with concomitant risk management measures. Banks shall continue to monitor the end-use of funds lent under GML.

6. **RBI/2021-22/59**
DOR.ACC.REC.No.23/21.02.067/2021-22

Declaration of dividends by NBFCs

These guidelines shall be effective for declaration of dividend from the profits of the financial year ending March 31, 2022 and onwards.

The Board of Directors shall, while considering the proposals for dividend, take into account the following aspects:

- (a) Supervisory findings of the Reserve Bank (National Housing Bank (NHB) for HFCs) on divergence in classification and provisioning for Non-Performing Assets (NPAs).
- (b) Qualifications in the Auditors' Report to the financial statements; and
- (c) Long term growth plans of the NBFC.

The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in these guidelines.

For further details refer:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12118&Mode=0>

7. **RBI/2021-22/61**
FMRD.DIRD.06/14.01.001/2021-22

Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021

The prudential borrowing limits for transactions in Call, Notice and Term Money Markets have been revised

For revised limits details please refer:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12120&Mode=0>

8. **RBI/2021-2022/62**
DOR.CRE(DIR).REC.26/21.04.103/2021-22

Appointment of Chief Risk Officer in Primary (Urban) Co-operative Banks

With increasing size and scope of business, Primary (Urban) Co-operative Banks (UCBs) are gradually getting exposed to greater degree of risks. It is, therefore, necessary that every UCB focuses its attention on putting in place appropriate risk management mechanism commensurate with its business profile and strategic objectives. In this connection, it has been decided that all UCBs having asset size¹ of ₹5000 crore or above,

shall appoint a Chief Risk Officer (CRO). The Board must clearly define the CRO's role and responsibilities and ensure that he/she functions independently.

For more details refer:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12121&Mode=0>

9. **RBI/2021-22/64**
DOR.ORG.REC.27/21.04.158/2021-22

Guidelines for Managing Risk in Outsourcing of Financial Services by Co-operative Banks

As the co-operative banks are increasingly using outsourcing as a means for reducing costs as well as for availing specialist expertise, where these are not available internally.

While it is entirely the banks' prerogative to take a view on the desirability of outsourcing a permissible activity having regard to all relevant factors, including the commercial aspects of the decision, such outsourcing results in banks being exposed to various risks. To enable the co-operative banks to put in place necessary safeguards for addressing the risks inherent in outsourcing of activities, guidelines on managing risks in outsourcing are given in Annex.

Co-operative banks are advised to conduct a self-assessment of their existing outsourcing arrangements and bring the same in line with these guidelines within a period of six months from the date of issue of this circular.

For complete information of Annexure kindly refer

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12123&Mode=0>

-Compiled by Hritik Jain

ROC

1. COMPANIES (INCORPORATION) FOURTH AMENDMENT RULES, 2021

On 7th June, 2021, MCA notified Companies (Incorporation) Fourth Amendment Rules, 2021 and amended Rule 38A. The MCA website provides the web based incorporation facility through SPICE+ under which the AGILE-PRO facility allows the companies to obtain GSTIN, Bank Account, ESIC Registration, EPFO Registration and Profession Tax Registration at the time of incorporation itself.

Pursuant to this amendment, a company can also apply for Shop and Establishment registration Number through the web based facility and accordingly the web based Form is renamed as AGILE-PRO-S.

2. COMPANIES (MEETINGS OF BOARD AND ITS POWERS) AMENDMENT RULES, 2021

On 15th June 2021, MCA notified Companies (Meetings of Board and its Powers) Amendment Rules, 2021 and omitted Rule 4 which lists out the matters not to be dealt in a Meeting through Video Conferencing. Thus MCA has relaxed the requirement of holding Board Meeting with physical presence of Directors and all the matters can be decided by the Board via video conferencing also.

3. COMPANIES (CREATION AND MAINTENANCE OF DATABANK OF INDEPENDENT DIRECTORS) AMENDMENT RULES, 2021

On 18th June, 2021, MCA notified these rules pursuant to which if an individual , makes a delay for inclusion or renewal of his name in Databank then he shall be liable to pay Rs. 1000 on account of such delay.

4. COMPANIES (INDIAN ACCOUNTING STANDARDS) AMENDMENT RULES, 2021

On 18th June, 2021, MCA notified Companies (Indian Accounting Standards) Amendment Rules, 2021. These rules majorly include amendments in Interest Rate Benchmarking Reforms. The detailed amendment rules can be viewed through the below given link

<https://www.mca.gov.in/bin/dms/getdocument?mds=ItGIPzL9Zdszuby4p%252Bvmbw%253D%253D&type=open>

5. COMPANIES (ACCOUNTING STANDARDS) RULES, 2021

On 23rd June, 2021, MCA notified Companies (Accounting Standards) Rules, 2021 for Small and Medium Companies as per the revised SMC definition. Every Company to which Ind AS is not applicable shall comply with rules. For details refer:

<https://www.mca.gov.in/bin/dms/getdocument?mds=RKk43Bmg99ksfV0bUGr6XA%253D%253D&type=open>

6. CLARIFICATION ON PASSING OF RESOLUTIONS

On 23rd June, 2021, MCA issued General Circular 10/2021 and allowed companies to conduct EGM through Video Conferencing and other audio-visual modes or transact items through postal ballot upto 31st December, 2021 in accordance with the framework provided in earlier circulars in 2020 regarding the same

7. RELAXATION OF FILING CHARGE RELATED FORMS

On 30th June, 2021, MCA issued a General Circular 12/2021 in continuation of Circular 07/2021, pursuant to which the period between 1st April, 2021 to 31st July, 2021 shall not be considered for the purpose of counting days as per Section 77 or 78 of the Act and fees shall be calculated excluding the mentioned period.

8. RELAXATION IN LEVY OF ADDITIONAL FEES FOR CERTAIN FORMS

On 30th June, 2021, MCA issued a General Circular 11/2021 in continuation of Circular 06/2021 and decided to grant additional time for filing of Forms which are/were due for filing between 1st April, 2021 to 31st July, 2021. Thus Forms falling in this period can be filed upto 31st August, 2021 without any additional fees.

The list of Forms for the additional fees shall not be levied can be viewed through the below mentioned link-

<https://www.mca.gov.in/bin/dms/getdocument?mds=xIk8LHJJKnBG4BVxIUaSFQ%253D%253D&type=open>

-Compiled by Devang Thakkar

#Shining Stars

The best way to find yourself is to lose yourself in the service of others.

-Mahatma Gandhi



*At a meeting for a social cause heading towards the opening of Bharat Vikas Parishad with our beloved **CA RC Jain sir** being the President from Mulund, in the presence of the **Governor Bhagat Singh Koshyari** and the other members of the BVP*

Allow us to tell you more!



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