

## TAX EDGE

Monthly Tax & Regulatory Updates



*Audit*



*Tax*



*Regulatory*

# Contents

**1 Goods & Services Tax (GST)**



**2 Direct Tax**



**3 International Taxation**



**4 Companies Act, 2013**



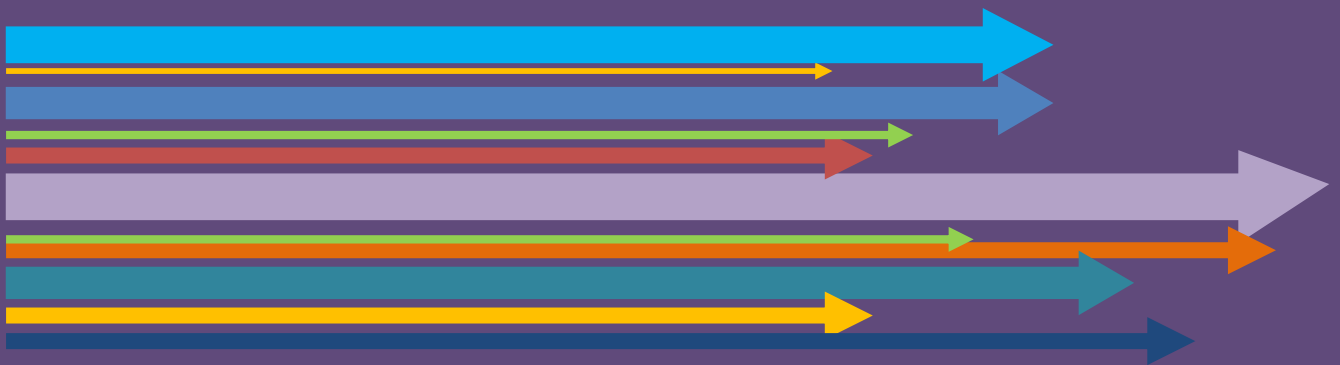
**5 Reserve Bank of India (RBI)**



**6 SEBI Regulations**



# Goods & Services Tax (GST)



# Goods & Services Tax

## Decisions taken in 34th GST Council Meeting held on 19 March, 2019

### **Background:**

The GST Council in the 34<sup>th</sup> meeting held on 19<sup>th</sup> March, 2019 at New Delhi discussed the operational details for implementation of the recommendations made by the council in its 33<sup>rd</sup> meeting for lower effective GST rate of 1% in case of affordable houses and 5% on construction of houses other than affordable house. The council decided the modalities of the transition as follows.

### **Option in respect of ongoing projects:**

Promoters shall be given one -time option to continue to pay tax at the old rates (effective rate of 8% or 12% with ITC) on ongoing projects (buildings where construction and actual booking have both started before 1 April 2019) which have not been completed by 31 March, 2019. Where the option is not exercised within the prescribed time limit, new rates shall apply.

### **New tax rates:**

New tax rates which shall be applicable to new projects (or ongoing projects which have exercised the option to pay tax in the new regime) are as follows.

- I. New rate of 1% without input tax credit (ITC) on construction of affordable houses shall be available for,
  - a. all houses which meet the definition of affordable houses as decided by GST Council (area 60 sqm in metros / 90 sqm in non- metros and value upto Rs. 45 lakhs), and
  - b. affordable houses being constructed in ongoing projects under the existing central and state housing schemes presently eligible for concessional rate of 8% GST (after 1/3<sup>rd</sup> land abatement).
- II. New rate of 5% without ITC shall be applicable on construction of,
  - a. all houses other than affordable houses in ongoing projects whether booked prior to or after 1 April, 2019. In case of houses booked prior to said date, new rate shall be available on instalments payable on or after the said date.
  - b. all houses other than affordable houses in new projects.
  - c. commercial apartments such as shops, offices etc. in a residential real estate project (RREP) in which the carpet area of commercial apartments is not more than 15% of total carpet area of all apartments.

### **Conditions for the new tax rates:**

- a. ITC shall not be available,
- b. 80% of inputs and input services (other than capital goods, TDR/ JDA, FSI, long term lease (premiums)) shall be purchased from registered persons. On shortfall of purchases from 80%, tax shall be paid by the builder @ 18% on Reverse Charge Mechanism (RCM) basis. However, Tax on cement purchased from unregistered person shall be paid @ 28% under RCM, and on capital goods under RCM at applicable rates.

# Goods & Services Tax

## *Transition for ongoing projects opting for the new tax rate:*

- Ongoing projects (buildings where construction and booking both had started before 1 April, 2019) and have not been completed by 31 March, 2019 opting for new tax rates shall transition the ITC as per the prescribed method.
- The transition formula approved by the GST Council, for residential projects extrapolates ITC taken for percentage completion of construction as on 1 April, 2019 to arrive at ITC for the entire project. Then based on percentage booking of flats and percentage invoicing, ITC eligibility is determined. Thus, transition would thus be on pro-rata basis based on a simple formula such that credit in proportion to booking of the flat and invoicing done for the booked flat is available subject to a few safeguards.
- For a mixed project transition shall also allow ITC on pro-rata basis in proportion to carpet area of the commercial portion in the ongoing projects (on which tax will be payable @ 12% with ITC even after 1 April 2019) to the total carpet area of the project.

## *Treatment of TDR/ FSI and Long term lease for projects commencing after 1 April 2019:*

- Supply of TDR, FSI, long term lease (premium) of land by a landowner to a developer shall be exempted provided the constructed flats are sold before issuance of completion certificate and tax is paid on them.
- Exemption shall be withdrawn in case of flats sold after issue of completion certificate, however such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses. This will achieve a fair degree of taxation parity between under construction and ready to move property.
- The liability to pay tax on TDR, FSI, long term lease (premium) shall be shifted from land owner to builder under RCM. The date on which builder shall be liable to pay tax in respect of flats sold after completion certificate is being shifted to date of issue of completion certificate.
- Liability of builder to pay tax on construction of houses given to land owner in a Joint Development Agreement is also being shifted to the date of completion. The treatment mentioned above is expected to address the problem of cash flow in the sector.

## *Amendment to ITC rules:*

- ITC rules shall be amended to bring greater clarity on monthly and final determination of ITC and reversal thereof in real estate projects. The change would clearly provide procedure for availing ITC in relation to commercial units as such units would continue to be eligible for input tax credit in a mixed project.

Please [Click Here](#) to read press release dated 19<sup>th</sup> March, 2019

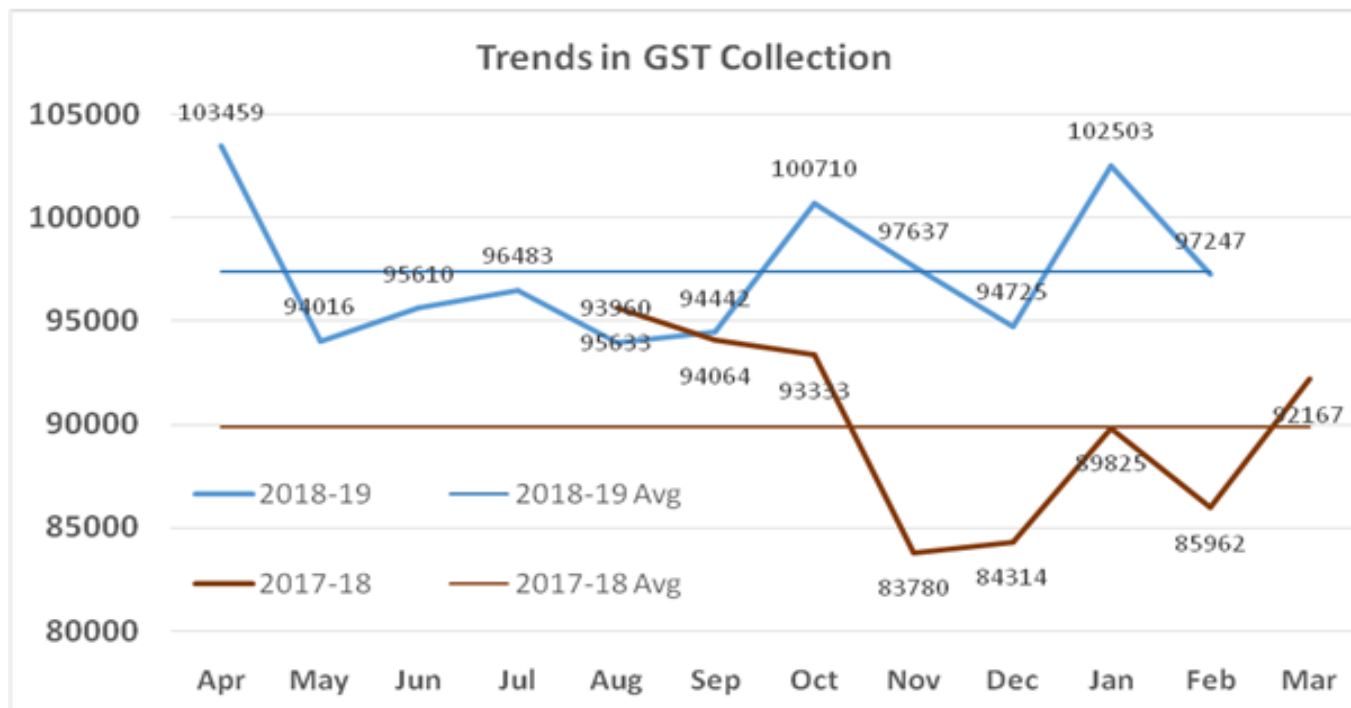
# Goods & Services Tax

## GST revenue collection for the month of February 2019: Rs. 97,247 Crore

Gross GST revenue collection in the month of February, 2019 is Rs. 97,247 crore (details given below), which is a growth of 13.12% over revenue collection for the same month last year (i.e, February 2018)

IGST (Integrated Goods and Services Tax)	Rs. 46,953 crore
CGST (Central Goods and Services Tax)	Rs. 17,626 crore
SGST (State Goods and Services Tax)	Rs. 24,192 crore
Compensation cess	Rs. 8,476 crore

Please [Click Here](#) to read press release dated 1st March, 2019



# Goods & Services Tax

## Clarification on doubts related to sales promotion schemes under GST

There are several promotional schemes in the market which are offered by taxable persons to increase sales volume and to attract new customers for their products. Some of these schemes have been examined and clarification regarding taxability, valuation, availability or otherwise of ITC in the hands of the supplier have been given by the Government as below:

Sales promotion scheme	Background	Clarification issued
Free Samples and Gifts	<ul style="list-style-type: none"><li>It is a common practice among certain sections of trade and industry, such as, pharmaceutical companies which often provide drug samples to their stockists, dealers, medical practitioners, etc. without charging any consideration.</li><li>The expression 'supply' includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business.</li></ul>	<ul style="list-style-type: none"><li>It has been clarified that samples which are supplied free of cost (i.e, without consideration) do not qualify as 'supply' under GST, except where the activity falls within the ambit of Schedule I of the CGST Act.</li><li>ITC shall not be available to the supplier to the extent they are used in relation to the gifts or free samples distributed without any consideration. However, where the activity of distribution of gifts or free samples is treated as 'supply' as per provisions contained in Schedule I, the supplier would be eligible to avail ITC.</li></ul>
'Buy one, get one free' offer	<ul style="list-style-type: none"><li>It may appear at first glance that in case of such offers, one item is being 'supplied free of cost' without any consideration.</li><li>In fact, it is not an individual supply of free goods but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one.</li></ul>	<ul style="list-style-type: none"><li>Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply. Rate of tax shall be determined as per section 8 of the CGST Act.</li><li>ITC shall be available to the supplier for the inputs, input services and capital goods used in relation to supply of goods or services or both as part of such offers.</li></ul>

# Goods & Services Tax

Sales promotion scheme	Background	Clarification issued
<b>Discounts including 'Buy more, save more' offers</b>	<ul style="list-style-type: none"><li>• Sometimes, the supplier offers staggered discount to his customers, such as - Get 10 % discount for purchases above Rs. 5000/-, 20% discount for purchases above Rs. 10,000/- and 30% discount for purchases above Rs. 20,000/-. Such discounts are shown on the invoice itself.</li><li>• Volume discounts passed on by suppliers through credit notes - Some suppliers also offer periodic / year ending discounts to their stockists, etc. For example- Get additional discount of 1% if you purchase 10000 pieces in a year, get additional discount of 2% if you purchase 15000 pieces in a year. Such discounts are established in terms of an agreement entered into at or before the time of supply though not shown on the invoice as the actual quantum of such discounts gets determined after the supply is effected and generally at the year end.</li></ul>	<ul style="list-style-type: none"><li>• Such discounts offered by the suppliers to customers shall be excluded to determine the value of supply provided they satisfy the parameters u/s 15(3) of the CGST Act, including the reversal of ITC by the recipient of supply as is attributable to the discount on the basis of document (s) issued by the supplier.</li><li>• Supplier shall be entitled to avail the ITC for such inputs, input services and capital goods used in relation to the supply of goods or services or both on such discounts.</li></ul>



# Goods & Services Tax

Sales promotion scheme	Background	Clarification issued
<b>Secondary Discounts</b>	<ul style="list-style-type: none"><li>• These are the discounts which are not known at the time of supply or are offered after the supply is already over. For example, M/s A supplies 10000 packets of biscuits to M/s B at Rs. 10/- per packet. Afterwards M/s A re-values it at Rs. 9/- per packet. Subsequently, M/s A issues credit note to M/s B for Rs. 1/- per packet.</li></ul>	<ul style="list-style-type: none"><li>• Representations have been received from industry that whether credit notes(s) u/s 34(1) of the CGST Act can be issued in such cases even if the conditions laid down in section 15(3)(b) are not satisfied. It is hereby clarified that financial / commercial credit note(s) can be issued by the supplier even if the conditions mentioned in section 15(3)(b) are not satisfied. In other words, credit note(s) can be issued as a commercial transaction between the two contracting parties.</li><li>• Such secondary discounts shall not be excluded while determining the value of supply as such discounts are not known at the time of supply and the conditions laid down in section 15(3)(b) are not satisfied.</li><li>• In other words, value of supply shall not include any discount by way of issuance of credit note(s) or any other means, except in cases where the provisions contained in section 15(3)(b) are satisfied.</li><li>• There is no impact on availability or otherwise of ITC in the hands of supplier in this case.</li></ul>

Please [Click Here](#) to read circular dated 7th March, 2019.

# Goods & Services Tax

## Nature of Supply of Priority Sector Lending Certificates (PSLC)

Government has issued the following clarification in relation to whether IGST or CGST/ SGST is payable for trading of PSLC by the banks on e-Kuber portal of RBI.

- Circular dated 12 September, 2018 was issued clarifying that GST on PSLCs for the period 1 July, 2017 to 27 May, 2018 will be paid by the seller bank on forward charge basis and GST rate of 12% will be applicable on the supply. Further, Notification dated 28 May, 2018 was issued levying GST on PSLC trading on RCM basis from 28 May, 2018 onwards to be paid by the buyer bank.
- It has been clarified that nature of supply of PSLC between banks may be treated as a supply of goods in the course of inter-State trade or commerce. Accordingly, IGST shall be payable on such supply for both periods i.e 1 July, 2017 to 27 May, 2018 and from 28 May, 2018 onwards. However, where the bank liable to pay GST has already paid CGST/SGST or CGST/UTGST, such banks shall not be required to pay IGST towards such supply.

Please [Click Here](#) to read circular dated 8th March, 2019.

## Increase in threshold limit for exemption from GST registration

Government has increased annual threshold limit for exemption from GST registration, from Rs.20 lakh to Rs.40 lakh except for following persons:

- Persons required to take compulsory registration u/s 24 of CGST Act
- Persons supplying following goods:

Tariff item, sub-heading, heading or Chapter	Description
2105 00 00	Ice cream and other edible ice, whether or not containing cocoa.
2106 90 20	Pan Masala
24	All goods, i.e. Tobacco and manufactured tobacco substitutes

- Persons making intra-State supplies in the States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand, and
- Persons exercising option u/s 25(3), or such registered persons who intend to continue with their registration under the CGST Act.

Please [Click Here](#) to read notification dated 7th March, 2019.

# Goods & Services Tax

## New scheme for supplier of services with a tax rate of 6% from 1st April, 2019

Government has notified composition scheme in case of intra-state supply of goods or services or both, at the rate mentioned below along with the corresponding conditions:

Description of supply	Rate (%)	Conditions
First supplies of goods or services or both up to an aggregate turnover of Rs. 50 lakh made on or after the 1st April in any financial year, by a registered person.	3	<ol style="list-style-type: none"><li>1. Supplies are made by a registered person, -<ol style="list-style-type: none"><li>I. whose aggregate turnover in the preceding financial year was &lt; Rs. 50 lakh;</li><li>II. who is not eligible to pay tax u/s 10(1) i.e. composition scheme;</li><li>III. who is not engaged in making any supply which is not leviable to tax;</li><li>IV. who is not engaged in making any inter- state outward supply;</li><li>V. who is neither a casual taxable person nor a non-resident taxable person;</li><li>VI. who is not engaged in making any supply through an electronic commerce operator who is required to collect TCS u/s 52; and</li><li>VII. who is not engaged in making supplies of:<ul style="list-style-type: none"><li>• Ice cream and other edible ice, whether or not containing cocoa.</li><li>• Pan masala</li><li>• Tobacco and manufactured tobacco substitutes</li></ul></li></ol></li><li>2. Where more than 1 registered persons are having same Permanent Account Number (PAN), central tax on supplies by all such registered persons is paid at the given rate.</li><li>3. The registered person shall not collect any tax from the recipient nor shall he be entitled to any credit of input tax.</li><li>4. The registered person shall issue, instead of tax invoice, a bill of supply.</li><li>5. The registered person shall mention the following words at the top of the bill of supply, namely: - 'Taxable person paying tax in terms of Notification No. 2/2019-Central Tax (Rate) dated 07.03.2019, not eligible to collect tax on supplies'.</li><li>6. Liability to pay central tax at the rate of 3% on all outward supplies notwithstanding any other notification issued u/s 9 or u/s 11 of CGST Act.</li><li>7. Liability to pay central tax on inward supplies on reverse charge u/s 9(3) or u/s 9 (4).</li></ol>

*PS: In computing aggregate turnover to determine eligibility of a registered person to pay central tax at the rate of 3% under this notification, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be considered.*

Please [Click Here](#) to read notification dated 7th March, 2019.

# Goods & Services Tax

## Notification of time limits for filing GST returns for the period April - June 2019

Due dates are tabulated below:

Returns	Tax Period	Due Dates
Monthly GSTR-1  (for taxpayers having aggregate turnover > Rs.1.5 crore in preceding financial year or current financial year)	April 2019	11th May, 2019
	May 2019	11th June, 2019
	June 2019	11th July, 2019
Quarterly GSTR-1  (for taxpayers having aggregate turnover upto Rs.1.5 crore in preceding financial year or current financial year)	April 2019 - June 2019	31st July, 2019
Monthly GSTR-3B	April 2019	20th May, 2019
	May 2019	20th June, 2019
	June 2019	20th July, 2019

Please [Click Here](#) to read the notification dated 7th March, 2019 for Monthly GSTR-1.

Please [Click Here](#) to read the notification dated 7th March, 2019 for Quarterly GSTR-1.

Please [Click Here](#) to read the notification dated 7th March, 2019 for Monthly GSTR-3B.

## Extension of threshold for Composition Scheme

Government has notified that a registered person may opt for Composition Scheme whose aggregate turnover in the preceding financial year is upto Rs. 1.5 crore (Rs.75 lakh in case of persons registered in Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand). The facility, however, is not available to manufacturer of following goods:

- Ice cream and other edible ice, whether or not containing cocoa.
- Pan Masala
- All goods, i.e. Tobacco and manufactured tobacco substitutes

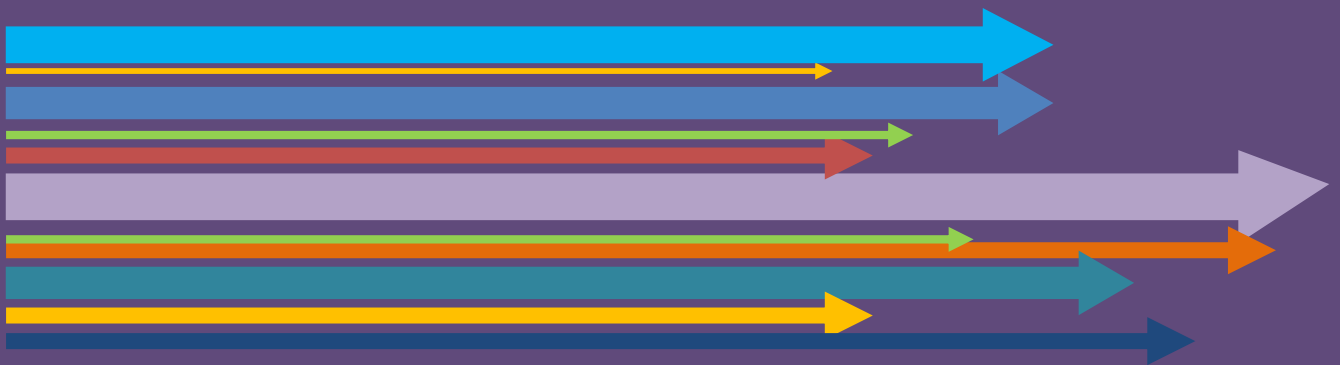
Please [Click Here](#) to read the notification dated 7th March, 2019.

## Tax collection at source (TCS) not to be included in the value of supply under GST

Government has clarified that TCS under the provisions of Income-tax Act, 1961 would not be includible in the value of supply under GST, as it is not a tax on goods but an interim levy on the possible 'income' arising from the sale of goods by the buyer and to be adjusted against the final income- tax liability of the buyer.

Please [Click Here](#) to read the Corrigendum to Circular No. 76/50/2018 dated 7<sup>th</sup> March, 2019.

# Direct Tax



# Direct Tax

## **Tax Free Gratuity limit increased from Rs.10 lakh to Rs.20 lakh**

CBDT has enhanced the income tax exemption for gratuity u/s 10(10)(iii) of the Income-tax Act, 1961 ('Act') to Rs.20 lakh. Once effective, this is likely to enable employees in the private sector as well as public undertakings and autonomous bodies under the government who are not covered under the Central Civil Services (Pensions) rules, receive higher amount of gratuity.

Please [Click Here](#) to read notification dated 8<sup>th</sup> March 2019.

## **Bogus donation racket busted by CBDT**

CBDT has recently busted a bogus donation racket u/s 35(1)(ii) by an NGO named M/s. Rural Development Society, Hyderabad which was issuing forged tax deduction certificates and raked in donations aggregating over Rs.40 crore over 2 years. CBDT has also launched a crackdown on the donors by providing their names and directing tax office to initiate remedial action. According to CBDT, the bogus benefit claimed by donors for above 2 years exceeds Rs.73 crore in aggregate.

Institutions approved / recognized u/s 35(i)(ii) provide donors an attractive weighted deduction @150%. There are several approved 'research associations' having 'scientific research' as the sole object as also 'universities, colleges and other such institutions which carry out 'scientific research' and have approval u/s 35(1)(ii).

Please [Click Here](#) to read circular dated 25th February 2019.

## **Income-tax Department continues to hit at terror financing activities in Jammu & Kashmir region**

The Income-tax Department conducted search actions at 5 locations in the Kashmir Valley on 14th March, 2019. Few places in Jammu were also searched. These actions were part of the Department's continued drive against use of black money by disruptive elements in the State. The operations are also meant to send a message of deterrence and obviation to those intending to vitiate the democratic process of free and fair elections.

As per the preliminary results announced by Government, undisclosed cash of Rs.1.44 crore and unaccounted jewellery of Rs.2.48 crore has been seized. The documentary evidence collected and examined so far shows undeclared property transactions of more than Rs.41 crore, primarily in the Kashmir valley and concealed financial transactions of nearly Rs.17 crore. Number of hard disks have also been seized that prima facie corroborate the evidence found in the seized documents. Their analysis is likely to lead to identification of third parties that have indulged in property and financial transactions that have been deliberately concealed from the tax authorities.

Please [Click Here](#) to read the Press Release dated 15th March 2019.

# Direct Tax

## CBDT releases Standard Operating Procedure (SOP) for dealing with 'demonetization' related cases of cash deposit where notice served by tax department has remained non-complied

### Background:

- In cases related to substantial cash deposits during the demonetisation period, CBDT had issued an SOP for issuance of notice under section 142(1) of the Act for filing of returns of income relating to Assessment Year 2017-18.
- The list of the targeted non-filers was made available to the jurisdictional income-tax authorities in AIMS module of ITBA and thereafter notice under section 142(1) of the Act was issued in around 3 lakh cases. In around 87,000 cases, taxpayers have not filed their return of income in response to notice issued u/s 142(1).
- Given the above, CBDT has come up on 5 March, 2019 with the below mentioned SOP to be followed in cases where notice u/s 142(1) has remained non-complied with.

### SOP to be followed:

- An updated information regarding address, bank-account, transaction detail, etc. in the identified cases would be provided to the jurisdictional Assessing Officer (AO) by the Pr. DGIT (Systems). Further, an internal Guidance Note for assistance of AOs for verification of cash deposits and framing of assessments in demonetisation related cases shall also be issued subsequently by the Pr. DGIT (Systems).
- In such cases, AO would proceed to complete 'best judgement assessment' u/s 144(1)(b) of the Act. The Range Head shall mandatorily issue directions from time to time u/s 144A of the Act. Further, Range Head would also monitor framing of the final assessment order.
- Through local enquiries, AOs should endeavour to identify possible addresses of the taxpayers as per the modes prescribed in the second proviso to Rule 127 of the Income-tax Rules, 1962. The results of these enquiries are to be captured on ITBA in accordance with modalities to be provided by the Pr. DGIT (Systems).
- While gathering material, section 133(6) of the Act should be suitably invoked by the AO so as to gather additional information about persons, transactions and fund flow from the banks where the suspected transactions took place. Such notices would be issued by the concerned AO after a careful appraisal of information at his disposal so that maximum possible additional information can be culled out. Further, a detailed analysis of past income tax returns, if available, should also be made to form an opinion regarding nature of transactions related to demonetisation.
- On the basis of all material and evidence gathered by the AO, during the course of assessment proceedings, assessee would be duly provided with an opportunity to explain his/her case.
- In cases where ultimate beneficiary of a transaction has been established, the concerned AO shall forward the material available at his/ her disposal to the AO having jurisdiction over the ultimate beneficiary so that appropriate action can be initiated in that case as per relevant provisions of the Act. Further, information regarding the entry operators in a particular chain should also be forwarded to the concerned jurisdictional AO for taxing the unaccounted commission receipts. The information to other income-tax authorities shall be routed through the ITBA.
- Where possible, the assessments in cases covered in this SOP may be completed by 31st March, 2019 and in any case by the first quarter of the next financial year i.e. by 30th June, 2019.

# Direct Tax

## CBDT notifies angel-tax exemption for start-ups as per relaxations notified by Department for Promotion of Industries and Internal Trade (DPIIT)

Notification No. 13 / 2019 dated 5 March, 2019 has been issued by CBDT in relation to angel-tax exemption to start-ups from taxation of excess share premium received by such start-up companies from resident investors.

### Background:

On 19 February, 2019 the DPIIT issued notification which significantly relaxed conditions and procedure for exemption from angel tax for start-up companies by adopting 'green channel' process instead of erstwhile approval-based process. In order to claim exemption, the so called 'start-up company' which fulfils the amended conditions had to simply self-declare saying that it has not invested in non-qualifying assets which shall be communicated by DPIIT to CBDT.

### Notification to supersede erstwhile notification dated 24 May 2018 on the matter:

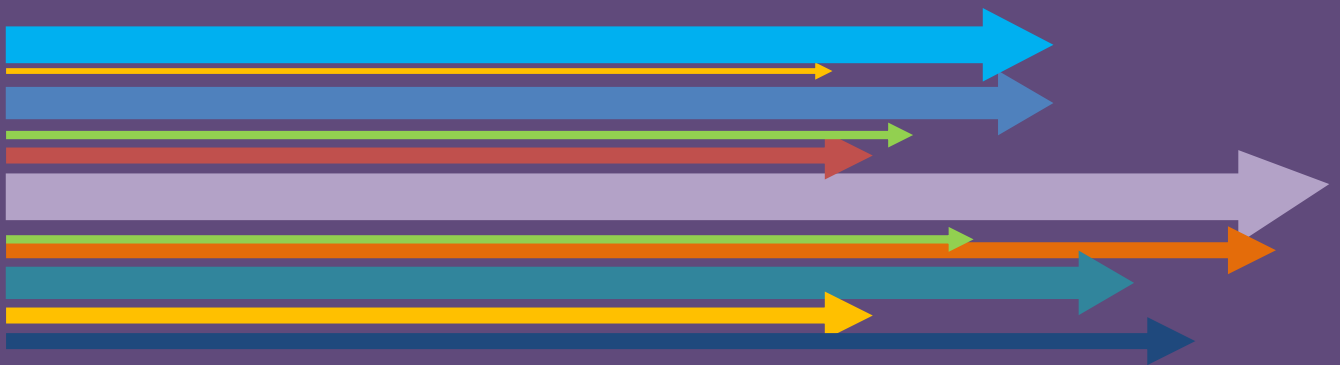
- Consequential to the new exemption regime dated 19 February 2019, the present notification dated 5 March, 2019 has been issued by CBDT which supersedes the earlier CBDT notification dated 24 May 2018 on the matter and grants exemption to start-ups from angel tax if the start-up company complies with the conditions specified in the DPIIT's Notification dated 19 February, 2019. The present notification comes into force from 19 February 2019.
- As far as past issue of shares is concerned, in line with the DPIIT's Notification dated 19 February, 2019, the relaxation will not apply to prior years where assessment order in relation to angel tax has already been passed by the tax department. As per media reports, CBDT has instructed tax office not to take coercive action and ensure speedy disposal of such appeals on priority basis.
- Where however no such demands are raised or notices are received but assessment orders are yet to be passed, taxpayers can expect relief from angel tax provision by complying with DPIIT's Notification dated 19 February, 2019. If conditions of the said notification are not fulfilled, taxpayers will need to defend their case on merits by justifying the share valuation.

Please [Click Here](#) to read the notification dated 5th March 2019.





# International Taxation



# International Taxation

## India and Brunei sign Tax Information Exchange Agreement (TIEA)

A TIEA has been signed between Governments of India and Brunei. The Agreement enables exchange of information, including banking and ownership information between the two countries for tax purposes. It is based on international standards of tax transparency and exchange of information and enables sharing of information on request as well as on automatic basis. The Agreement also provides for mutual assistance in collection of tax revenue claims between both countries.

Please [Click Here](#) to read Press Release dated 28<sup>th</sup> February 2019.

## Signing of Bilateral Agreement for exchange of Country by Country (CbC) Reports between India and USA

### Background:

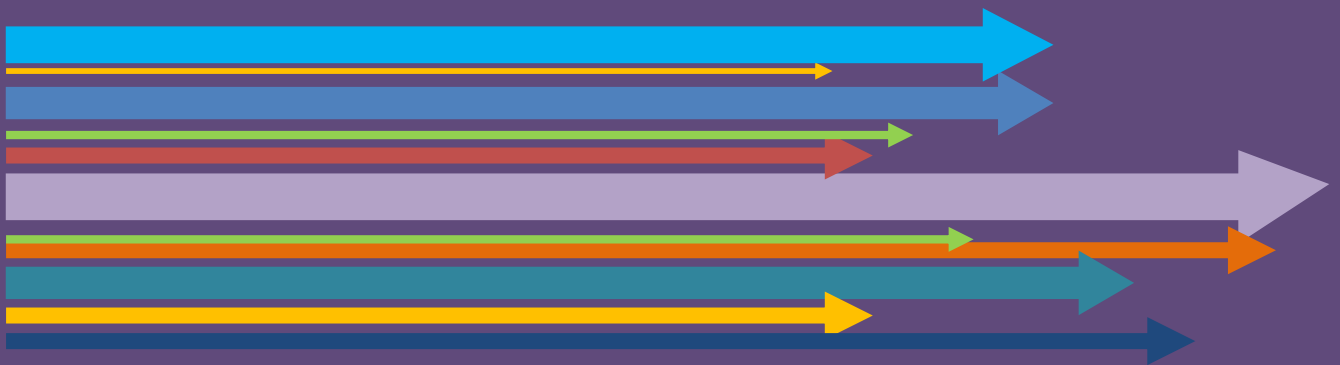
- Section 286(4) of the Act requires that a constituent entity of an international group, resident in India, other than a parent entity or an alternate reporting entity of an international group, resident in India, shall furnish the Country-by-Country (CbC) Report in respect of the said international group for a reporting accounting year within the period as may be prescribed, if the parent entity of the said international group is resident of a country or territory,—
  - a. where the parent entity is not obligated to file the CbC Report;
  - b. with which India does not have an agreement providing for exchange of the CbC Report;
  - c. where there has been a systemic failure of the country or territory and the said failure has been intimated by the prescribed authority to such constituent entity.
- Effective from 18th December, 2018, amendments to the Income-tax Rules, 1962 were carried out to provide that the period for furnishing of the CbC report (local filing) shall be 12 months from the end of the reporting accounting year.
- Vide Circular No.9/2018, dated 26th December, 2018, CBDT as a one-time measure extended the period for furnishing of CbC Report (local filing) in respect of reporting accounting years ending on or before 28th February, 2018 up to 31st March, 2019.

### Signing of bilateral agreement between India and USA:

- The absence of an agreement between India and USA till now entailed a possibility of local filing of CbC Reports in India.
- However, a Bilateral Competent Authority Arrangement, along with an underlying Inter-Governmental Agreement, for exchange of CbC Reports between India and the USA has now been finalized. This would enable both the countries to exchange CbC Reports filed by the ultimate parent entities of International Groups in the respective jurisdictions, pertaining to the financial years commencing on or after 1st January, 2016. As a result, Indian constituent entities of international groups headquartered in USA, who have already filed CbC Reports in the USA, would not be required to do local filing of the CbC Reports of their international groups in India.

Please [Click Here](#) to read the Press Release dated 15th March 2019.

# Companies Act, 2013



# Companies Act, 2013

## Relaxation to companies for shifting of registered office and for incorporation of new company

Ministry of Corporate Affairs (MCA) through notification dated 06th March, 2019 has notified Companies (Incorporation) Second Amendment Rules, 2019.

### Background:

Earlier, for shifting of registered office from one state to another, a notice was required to be given in two newspapers i.e one in English newspaper having WIDEST circulation in state where registered office is situated and another in regional language.

### Relaxation provided vide notification dated 6 March, 2019:

- Going forward, a notice is required to be given in an English newspaper having WIDE circulation in the state where registered office is situated and another in regional language.
- The other amendment seeks to extend the benefit of zero registration fee for companies having capital upto Rs.15 lakh (instead of Rs.10 lakh) for all SPICe form to be filed on or after 18th March, 2019 for incorporation of new companies.

Please [Click Here](#) to read the notification dated 6<sup>th</sup> March, 2019

## Clarification on filing of e-form RD-1 for conversion of public company into private company and for change in a financial year

MCA has issued clarification on 11th March, 2019 on filing of e-form RD- I for conversion of public company into private company and for change in financial year.

### Background:

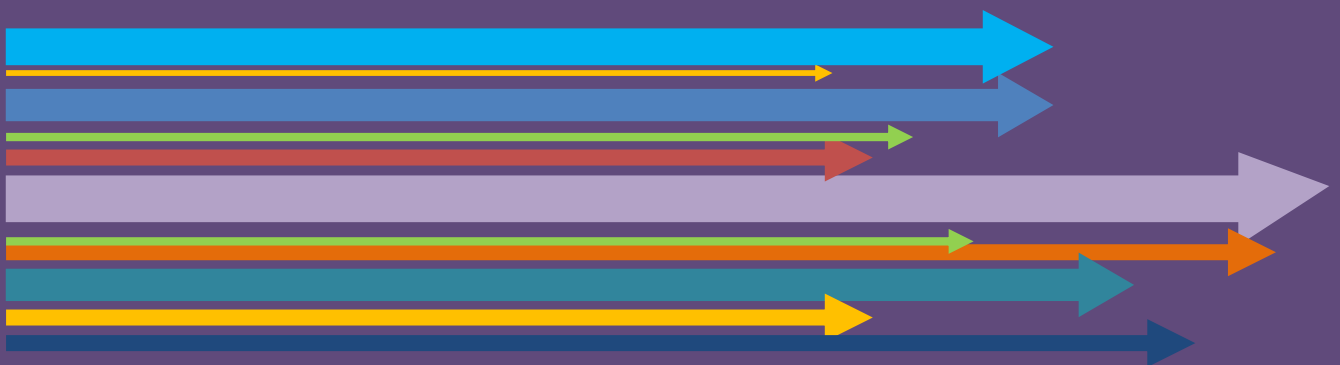
- MCA had recently notified Companies (Incorporation Fourth Amendment) Rules, 2018, whereby Regional Director was required to process applications for change in a financial year and for conversion of public limited company into private company in e-form RD-1.
- Stakeholders have expressed difficulty in filing e-form RD-1 on account of aforesaid 2 purposes pending deployment of revised version of e-form RD- 1.

### Clarification issued:

- It has been clarified that Regional Directors are advised to process e-form RD-1 for the same applications, if 'others' is selected on account of aforesaid two counts, till the revised form is deployed by MCA.
- Further, it is also clarified that such applications filed in e-form no. RD-1 should not be rejected merely on the ground that "others" is selected and "e form is not available", till Ministry deploys the form.

Please [Click Here](#) to read circular dated 11<sup>th</sup> March, 2019.

# Reserve Bank of India (RBI)



# Reserve Bank of India (RBI)

## RBI introduces Voluntary Retention Route (VRR) for investments by Foreign Portfolio Investors (FPIs)

- The Statement on Development and Regulatory Policies in the Monetary Policy Statement dated October 05, 2018 had announced a separate scheme called 'Voluntary Retention Route' (VRR) to encourage Foreign Portfolio Investors (FPIs) to undertake long-term investments in Indian debt markets.
- Under this scheme, FPIs have been given greater operational flexibility in terms of instrument choices besides exemptions from certain regulatory requirements.
- A discussion paper on the VRR scheme was placed on the Reserve Bank's website for public consultation. Based on the feedback from the public, the scheme has been finalized and has been notified vide A.P (DIR Series) Circular No. 21 dated 1st March, 2019.

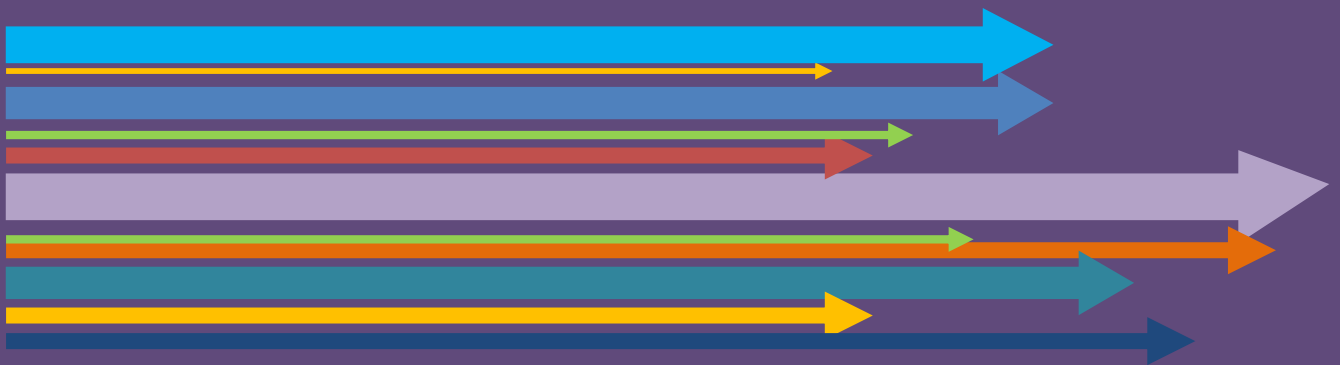
Investment under the VRR scheme shall be open for allotment from 11th March, 2019. The details are as under:

- a. Aggregate investment limit shall be Rs.40,000 crore for VRR-Govt and Rs.35,000 crore for VRR-Corp.
- b. The minimum retention period shall be 3 years. During this period, FPIs shall maintain a minimum of 75% of the allocated amount in India.
- c. Investment limits shall be available on tap for investments and shall be allotted by Clearing Corporation of India Ltd. (CCIL) on 'first come first served' basis.
- d. The investment limits under the current tranche shall be kept open till the limits are exhausted or till 30 April, 2019 whichever is earlier.
- e. FPIs desirous of investing may apply online to CCIL through their respective custodians.
- f. CCIL will separately notify the operational details of application and allotment.

Please [Click Here](#) to read Press Release dated 1<sup>st</sup> March, 2019.



# SEBI Regulations



# SEBI Regulations

## Timelines for Counter Offer Process under the process of delisting of equity share

SEBI has issued a circular dated 13th March, 2019 under the SEBI (Delisting of Equity Shares) Regulations, 2015 to specify the Timelines for Counter Offer Process.

### Background:

The counter offer is made in case the price discovered through Reverse Book Building (RBB) is not acceptable to the promoter or the acquirer. Earlier, there was no timeline prescribed for counter offer process. Through this circular SEBI has come out with the framework and timeline for the counter offer process.

### Timelines for Counter Offer Process:

Step no.	Activity	Timelines
1.	Public Announcement (PA) of Counter Offer by Promoter(s) / Acquirer(s) through stock exchange mechanism	Within 2 working days from date of closure of RBB bidding process
2.	Publication of Counter Offer PA in the same newspapers where original RBB PA was made	Within 4 working days from closure of RBB bidding process
3.	Option to withdraw the shares tendered during RBB process	Within 10 working days from the counter offer PA
4.	Dispatch of 'Letter of offer for counter offer'	Within 4 working days from closure of RBB bidding process
5.	Opening of counter offer bidding process	Not later than 7 working days from the date of public announcement
6.	Closing of counter offer bidding process	Counter offer bidding open for 5 working days
7.	Public announcement of success / failure of counter offer in the same newspaper in which public announcement under regulation 10(1) was made	Not later than 5 working days of closing of counter offer bidding process
8.	Payment of consideration and return of equity shares	Not later than 10 working days from the closing of counter offer

Please [Click Here](#) to read circular dated 13<sup>th</sup> March, 2019.



# SEBI Regulations

## Modification of circular on disclosure of Significant Beneficial Ownership (SBO) in shareholding pattern

### Background:

SEBI has issued circular dated 12th March 2019 to modify its earlier circular dated 7th December, 2018 on Disclosure of SBO in the shareholding pattern to sync it with the Companies (SBO) Amendment Rules, 2019 as notified by the MCA.

In the previous circular, certain requirements were specified with respect to disclosure of SBO in the shareholding pattern of listed entities. The said circular was based on the rules issued by MCA vide notification dated 14th June, 2018. Subsequent to the issue of the aforesaid circular, the rules were amended by MCA on 8th February, 2019.

### Changes in circular dated 7 December, 2018:

- The Circular shall be applicable to those listed entities that are reporting companies as per Companies (SBO) Rules, 2018 as amended from time to time.
- Submissions under this circular shall be aligned with the requirements specified under Companies (SBO) Rules, 2018 as amended from time to time.
- In view of the revised formats issued under the amended Rules, the format specified in the annexure to the circular dated 12<sup>th</sup> March, 2019 shall replace the format specified in Annexure to circular dated 7<sup>th</sup> December, 2018.
- Circular dated 12<sup>th</sup> March 2019 shall be applicable with effect from quarter ended 30<sup>th</sup> June, 2019.

Please [Click Here](#) to read circular dated 12<sup>th</sup> March, 2019



# Editorial Team



Editor



Direct Tax



Indirect Tax



Regulatory



Communications

## About KrayMan

KrayMan is an Accounting and Advisory Firm specializing in Assurance, Tax, Regulatory, Compliance & Outsourcing, Corporate Secretarial, Transaction Advisory and HR Advisory services. We cater to International & Domestic Clients.

We are a team of professionals comprising of Chartered Accountants, Company Secretaries, Cost and Management Accountants and MBAs who are truly committed in providing timely, professional and quality services to our Clients thereby building a long term relationship with them.

### We are members of following associations:

- **Japan Chamber of Commerce and Industry in India (JCCII)** – an organization of more than 400 Japanese companies working towards the welfare of Japanese companies in India
- **Prime Advisory Network (PAN), United Kingdom** - a network of Accountants and Lawyers with presence in more than 60 countries
- **Cross Border Associates (CBA), Germany** - specializing in mergers & acquisitions activities having presence in more than 95 countries
- **TiE Delhi** - world's largest entrepreneurial organization with 62 chapters in 18 countries

# Contact Us

## India Head Office

1159 & 1170A, 11<sup>th</sup> Floor, Tower B1  
Spaze i-Tech Park  
Sector 49, Sohna Road  
Gurugram – 122018 (India)  
T +91 (124) 4309418; 4003418

## Japan Office

2-11-2 O-toekkusukudou  
Bld. 4F/5F Nihombashi  
Kakigaracho, Chuo-ku, Tokyo,  
103-0014, Japan

Mumbai • Pune • Chennai • Bengaluru • Hyderabad • Kolkata



For any assistance, please write to us at:  
[communications@krayman.com](mailto:communications@krayman.com)

*This publication contains information of general nature . The information is only for general guidance and is not meant to be a substitute for professional advice in any manner. In case the reader requires any specific inputs / suggestions / advice from our end, please contact us separately.*