



A Monthly E-Newsletter

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The Bottom Line

WHAT'S INSIDE

Direct Taxes **2**

Indirect Taxes **3**

Corporate & Allied Laws **4**

CFO Watch **5**

M&A **5**

In the News **6**

Glossary **7**

About Us **8**

KEY METRICS

Indices

BSE SENSEX	39,614	4.06%	▲
NSE NIFTY50	11,642	3.51%	▲
NASDAQ Composite	10,912	-2.29%	▼
NIKKEI 225	22,977	-0.90%	▼

Currency

USD/INR	74.55	-1.35%	▼
EURO/INR	86.83	-0.74%	▼
GBP/INR	96.48	-1.53%	▼
JPY/INR	0.71	-2.12%	▼

Note: The month-on-month movement as on October 31, 2020 is represented in percentages
Source: Yahoo Finance, Investing.com



DIRECT TAX

Notifications/Circulars

Equalization levy procedural framework notified

In 2016, equalization levy at 6 per cent was imposed on digital advertising & related services provided by non-residents to Indian customers. The scope of the levy was further extended to revenues earned by non-resident e-commerce operators. This was made taxable at 2 per cent. The Equalization Levy (Amendment) Rules, 2020 lay down the procedural framework for the manner of payment, compliances to be undertaken and appeals process to be followed for the levy. These are made effective from October 28, 2020.

Notification No. 87/2020 dated October 28, 2020

Time limit extended for FY 2019-20 tax audit, reports and returns

In a major relief to pandemic hit taxpayers, the timelines for submission of tax audits, transfer pricing reports and tax returns has been extended. Now, tax returns for non-audit cases, tax audit and transfer pricing report may be filed by December 31, 2020. The tax returns in respect of audited taxpayers can be filed by January 31, 2021.

Press release dated October 24, 2020

Transfer pricing tolerance limits for FY 2019-20

The tolerance limit under transfer pricing provisions have been retained at 3 per cent for wholesale business and 1 per cent for other businesses in line with the previous financial years. Tolerance limit refers to the permitted variation between transaction price and the Arm's Length Price.

Notification No. 83/2020 dated October 19, 2020

Payment date further relaxed under one-time appeal settlement scheme

Owing to the pandemic, the sunset date under the one-time appeal settlement scheme VSVS was earlier extended to December 31, 2020. As an additional measure, the payment of tax under this scheme, in respect of matters settled by December 31, 2020, is now permitted by March 31, 2021.

Notification no. 85/2020 dated October 27, 2020

Judicial Rulings

Vodafone wins arbitration in International Court

The PCA at The Hague has ruled in favour of Vodafone with respect to Indian government's retrospective tax claim stemming from Vodafone's acquisition of the Indian assets of Hutch in 2007. In 2012, the SC had ruled that the tax department had no jurisdiction to impose obligations on Vodafone for transfer of shares of a foreign company between two non-residents. Thereafter, the Indian Parliament had made retrospective amendments to the Income Tax Act, 1961, which rendered the 2012 SC judgment ineffective. In its ruling, the PCA has viewed the tax position taken by India as breach of the guarantee of fair and equitable treatment under the bilateral investment protection treaty.

Vodafone International Holdings BV, September 25, 2020 (Permanent Court of Arbitration)

Time limit extended for FY 2019-20 tax audit, reports and returns

Due date for tax payment under VSVS further extended

Vodafone wins arbitration in International Court



INDIRECT TAX

Notifications/Circulars

Due date for Annual Return FY 2018-19 further extended

The due date of filing annual return in Form GSTR-9/9A and reconciliation statement in Form GSTR-9C has now been further extended from October 31 to December 31, 2020.

Notification No. 80/2020-Central Tax dated October 28, 2020

Threshold limit for filing Annual Return GSTR-9 for FY 2019-20

Annual return for FY 2019-20 shall be filed by taxpayers having aggregate turnover in excess of INR 20 million. It will be optional for other taxpayers.

Notification No. 77/2020-Central Tax dated October 15, 2020

HSN code disclosure on tax invoice

Taxpayers will need to mention the specified number of digits of HSN Codes in all tax invoices. With effect from April 1, 2021, taxpayers having aggregate turnover exceeding INR 50 million in preceding FY shall mention 6 digits of the code. For other taxpayers, 4 digits will be mandatory for tax invoices issued to registered persons.

Notification No. 78/2020-Central Tax and Notification No. 6/2020 - Integrated Tax both dated October 15, 2020



Court Cases/Advance Rulings

Determination of tax liability not a pre-requisite to arrest

Power to arrest may be exercised by Commissioner where he has reasons to believe that the assessee has committed an offence punishable with arrest under the CGST Act. Completion of assessment and determination of tax/penalty liability is not a prerequisite to arrest.

Vimal Yashwantgiri Goswami v. State of Gujarat (Gujarat High Court)

Cesses under service tax are not eligible for transitional credit

Accumulated credit in respect of EC, SHEC and KC cannot be carried forward under transitional provisions in GST. This now comes as a reversal of the Single Judge order of the same High Court upon appeal by the Revenue before the Division Bench.

Assistant Commissioner CGST and Central Excise v. M/s Sutherland Global Services Private Limited (Chennai High Court)

LO required to take registration and pay GST

Activities carried out by LO in terms of RBI approval are in the nature of liaison services. These will fall under intermediary services even though without consideration. The LO is required to register itself with GST and pay tax.

M/s Fraunhofer-Gesellschaft Zur Forderung der angewandten Forschung (AAR Karnataka)

Reimbursement of expenses is taxable under reverse charge

Expenses were incurred by overseas holding company on behalf of its

Due date for Annual Return FY 2018-19 further extended upto December 31, 2020

Determination of tax liability or penalty is not a pre-requisite to arrest assessee

AAR holds LOs are liable for GST registration and tax payment

Indian subsidiary. Reimbursement of such expenses is import of service by Indian subsidiary and subject to reverse charge.

M/s ICU Medical India LLP (AAR Tamil Nadu)

Provisional attachment cannot be arbitrary

Provisional attachment must be based on relevant material disclosing the reasons why it is necessary to provisionally attach the goods or the bank account for the purpose of protecting the interest of revenue. The existence of relevant proof is a precondition to the formation of an opinion as to attachment.

M/s Meenakshi Trendz v. State of Gujarat (Gujarat High Court)

Vague SC and order for cancellation of registration quashed by Court

The authorities had issued a vague SCN. Further, the order for cancellation of registration was issued without fixing a date of hearing nor waiting for a reply from the petitioner. Such order was quashed by the Court.

M/s Mahavir Traders v. Union of India (Gujarat High Court)

CORPORATE & ALLIED LAWS

Consolidated FDI Policy, 2020

Ministry of Commerce and Industry has issued consolidated FDI Policy, 2020 effective from October 15, 2020. Under the consolidated policy, prior government approval is required on FDI from a country which shares land borders with India. For this purpose, the country of the entity or beneficial owner of the investment into India or the citizen making such investment shall be taken into consideration.

Department for Promotion of Industry and Internal Trade/Policy Circular 2020

Ex-gratia Payment Scheme

Government mandates ex-gratia payment scheme for specified loan accounts. Under the said scheme, the lending institutions shall credit the difference between simple interest and compound interest charged from borrowers between March 1, 2020 to August 31, 2020 into their accounts.

RBI Circular No. 61/20-2021 dated October 26, 2020

Extension in SEBI's one-time settlement scheme

SEBI's settlement scheme which was proposed to provide one-time settlement opportunity and was introduced on July 27, 2020 stands extended till December 31, 2020. This scheme shall benefit entities which had executed trade reversals in the stock options segment of BSE during the period April 01, 2014 to September 30, 2015 and against which enforcement proceedings were approved by SEBI.

SEBI Public Notice dated October 31, 2020

Prior approval required on FDI from country sharing land borders with India

SEBI extends one-time settlement window



CFO WATCH

Government plans to bring more sectors under coverage of PLI Scheme to promote domestic manufacturing

PLI Scheme to be extended to more sectors

The government is considering an extension of the PLI scheme to around eight more sectors to promote domestic manufacturing. To make India a manufacturing hub, the government recently announced the PLI scheme for mobile phones, pharma products, and medical equipment sectors. The PLI scheme is an output-oriented scheme where manufacturers get cash incentives over 5-7 years for production.

RBI issues FAQs on the resolution framework for COVID-19 related stress assets

As per FAQs issued by RBI, lending institutions can invoke the resolution framework launched for COVID-19 linked stressed assets for resolution of all exposures. This includes investment exposures, which are credit substitutes such as corporate bonds and commercial papers.



MERGERS & ACQUISITIONS

Quick guide series - Startup fund raising from VC

Start-ups need funds to survive, grow and retain talent. However, many founders have no idea how to approach VCs and pitch their idea to raise growth capital. From our experience of dealing with many early stage companies, we have highlighted few areas that must be addressed while pitching to a VC fund.

1. **Objective:** Vision and mission of the company should be well defined and if possible, in just 'one sentence'.
2. **Problem & Solution:** Focus should be to address a problem which customer or market is facing currently. Existing pain points and solutions being offered by the startup needs to be explained unambiguously.
3. **Market potential:** Identify the Total Available Market (TAM) and Serviceable Available Market (SAM) for service or a product along with the market share which company plans to capture over the period i.e. Serviceable Obtainable Market (SOM).
4. **Competition:** Competition needs to be studied and detailed benchmarking on various key differentiators must be highlighted.
5. **Business model:** Business plan explaining the unit economics of the business and, in a nutshell, how business is making money in the long run, needs to be clearly defined along with funding milestone.
6. **Team:** A VC bets on the team and would like to understand the profile of key management such as CEO, CTO, CMO and the proposed organization structure post funding.
7. **Financials and KPIs:** Monthly or quarterly financial statements and Key Performance Indicators (KPI) for past 6-12 months and for at least next 12-24 months are extremely relevant for any VC to take the final decision.

While the value proposition of each startup is very different, above factors are common to most fund-raise pitches and decide the success or failure of the process.

In our next edition, we will be discussing how the fund raise approach for a growth stage company is different than that of a startup.



IN THE NEWS



Webinars

ROAD TO RECOVERY - PANEL DISCUSSIONS SERIES

Road to Recovery series of panel discussions were initiated, covering 5 major issues that companies need to consider to re-strategize their respective recoveries. The panels comprise of 20 CEOs and CFOs deliberating on learnings from the lockdown, strategies and tactics that worked for them and what they will be implementing going forward.

Panel Discussion 1: Working Capital - New Ideas and Future Approach - October 14, 2020

Panel Chair: Sudip Bandopadhyay, Group Chairman, Inditrade Capital

Panelists: S Ranganathan, President & CFO, Edelweiss Financial Services; Sanjay Agarwal, CFO, Jyothy Labs; Sushanth Pai, CFO, Matrimony.com and Nitin Arora, Partner, Transaction Advisory Services, ASA & Associates LLP

Panel Discussion 2: Tax Planning - Gearing up for the Future - October 21, 2020

Panel Chair: Sanjiv Choudhary, Member International Ethics Standards Board for Accountants (IESBA), New York

Panelists: Raj Gandhi, President & Whole time Director, Varun Beverages; Somyajit Mallick, Head of Tax, Airbus

Group India; Arvind Singal, Head of Tax and Company Secretary, RBS Services India and Sunil Arora, Co-Practice Head, Mumbai and Partner, Taxation, ASA & Associates LLP

Panel Discussion 3: Business Continuity - Risk Management - October 28, 2020

Panel Chair: Richard Rekhy, Board Member KPMG Dubai, Former CEO, KPMG India

Panelists: Anand Prasad, Founder, AP Partners; Ivan Valcuende, CFO, Airbus Group India; Nikhil Mehrotra, VP & Global Head – Financial Assurance, (Corporate Audit) Bharti Group and Keyur Dave, Partner, Assurance & Practice Head Mumbai, ASA & Associates LLP

Other Webinars

Q&A on recent developments in Direct Taxes - October 27, 2020

Speaker: Karthik SS, Associate Director, Taxation

This covered recent developments in direct taxes with focus on Faceless Assessment/Appeal Scheme, Digital Tax and TCS

French Nationals in India - DeTaxing the COVID Impact - October 12, 2020

Speaker: Sunil Arora, Co-Practice Head, Mumbai and Partner, Taxation Organized by the Indo French

Chamber of Commerce and Industry, this webinar addressed the complex tax situation for French nationals in India due to COVID-19

Audit, Risk and Governance - Emerging Trends, Current Challenges and Way Forward - October 28, 2020

Speaker: Parveen Kumar, National Head, Assurance

Parveen moderated a digital panel discussion organized by ASSOCHAM on corporate frauds, technology and upcoming challenges

Articles of interest

Commercial Vehicles – The Conundrum - October 2020

Author: G Viswanathan, Director, Accounting & Business Support

Published in Motoring Trends in their September-October 2020 edition, this article throws light on the storms faced by the commercial vehicles industry and highlights plausible solutions to remediate the scenario

Automation of Income Recognition: Asset Classification And Provisioning Processes in Banks – October 2020

Author: Sivaraman V, Senior Manager, Assurance

This provides a synopsis of the RBI guidelines, the practical challenges of implementing them and the likely impact of these guidelines on the Indian banking system

GLOSSARY



AAR

Authority for Advance Ruling

BSE

Bombay Stock Exchange

CGST

Central Goods and Services Tax

CGST Act

Central Goods and Services Tax Act, 2017

CEO

Chief Executive Officer

CFO

Chief Financial Officer

CMO

Chief Marketing Officer

CTO

Chief Technical Officer

EC

Education Cess

FAQs

Frequently Asked Questions

FDI

Foreign Direct Investment

FY

Financial Year

GST

Goods and Services Tax

HSN

Harmonized System of Nomenclature

KKC

Krishi Kalyan Cess

KPI

Key Performance Indicator

LO

Liaison Office

PCA

Permanent Court of Arbitration

PLI Scheme

Production Linked Incentive Scheme

RBI

Reserve Bank of India

SC

Supreme Court

SCN

Show Cause Notice

SEBI

Securities and Exchange Board of India

SHEC

Secondary and Higher Education Cess

TCS

Tax collected at Source

VC

Venture Capital

VSVS

Direct Tax Act, 2020

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ABOUT US

A full services firm of corporate strategists, auditors, tax advisory experts and financial and marketing analysts.

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