



A Monthly E-Newsletter

Vol 01 Issue 07
December 2020

The Bottom Line

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KEY METRICS

Indices

BSE SENSEX	44,150	11.45%	▲
NSE NIFTY50	12,969	11.39%	▲
NASDAQ Composite	12,199	11.80%	▲
NIKKEI 225	26,434	15.04%	▲

Currency

USD/INR	73.99	0.76%	▲
EURO/INR	88.26	-1.64%	▼
GBP/INR	98.56	-2.16%	▼
JPY/INR	0.715	-0.34%	▼

Note: The month-on-month movement as on November 30, 2020 is represented in percentages
Source: Yahoo Finance, Investing.com



DIRECT TAX

Notifications/Circulars

Safe harbor tolerance limit increased to 20 per cent

As part of the “Aatmanirbhar Bharat Package 3.0”, hardships faced by both home-buyers and developers have been reduced. The safe harbor tolerance limit has been increased from 10 to 20 per cent u/s 43CA and 56(2)(x). The increased limit shall be in respect of primary sale of residential units, having value up to INR 2 crores, during the period November 12, 2020 to June 30, 2021.

Press release dated November 12, 2020

SOPs to facilitate faceless assessment

With the faceless assessment scheme picking up pace, SOPs have been issued to provide guidance to various units of regional e-assessment centers and outlining the process for facilitating assessments in faceless environment.

Notification F. No. Pr. CCIT/NeAC/SOP/2020-21 dated November 23, 2020



Judicial Rulings

Foreign exchange gain not at par with capital gains

Foreign exchange gains were earned on the repatriation of consideration received on account of redemption of shares. Such redemption was not subject to capital gains as the shares were redeemed at par value. It was held that foreign exchange gains would not fall under the purview of capital gains in the absence of any gains arising as a result of redemption of shares.

Havells India Ltd [TS-580-ITAT-2020 (ITAT Delhi)]

Discount on issue of ESOP is allowable deduction

The primary objective for issue of ESOPs at a discounted price was to earn profits by securing consistent services of the concerned employees. The discount was clearly an expenditure incurred wholly and exclusively for the purpose of business, and thus an allowable business deduction.

CIT vs. Biocon Ltd. [TS-608-HC-2020] (Karnataka High Court)

Proper approval is a pre-requisite for valid reopening

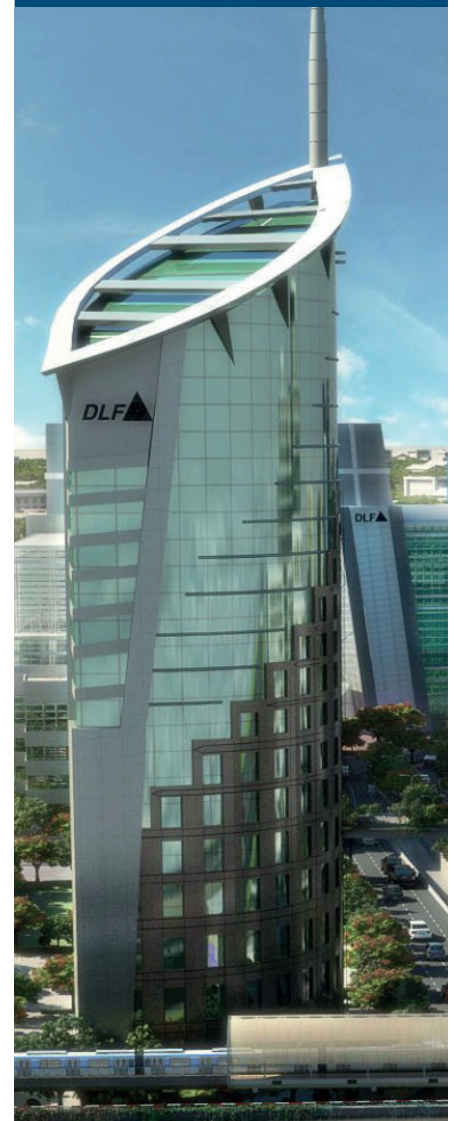
An approval by the prescribed authority without expressing proper satisfaction on presence of underlying materials showing escapement of income does not fulfil the requirement of law. A valid reopening requires a proper and descriptive satisfaction to be recorded.

Shri Tyrone Patrick Lemos [TS-609-ITAT-2020(ITAT Ahmedabad)]

Safe harbor tolerance limit u/s 43CA and 56(2)(x) increased

Discount on issue of ESOP is allowable deduction

Proper approval is a pre-requisite for valid reopening



INDIRECT TAX

Notifications/Circulars

Quarterly Return Monthly Payment (QRMP) Scheme

Taxpayers having aggregate turnover not exceeding INR 50 million shall now have an option to file quarterly returns from January 2021. The salient features are:

- i. The existing taxpayers shall be automatically migrated to default option as laid down in the Scheme only if they have filed their October 2020 return on or before November 30, 2020.
- ii. The option may be changed by the taxpayer between December 5, 2020 and January 31, 2021.
- iii. The option is to be exercised only once though it can be changed subsequently.
- iv. Tax payment shall have to be made monthly on either "Fixed sum method" based on taxes paid in cash in previous quarter / month or "Self-assessment method" on actuals.
- v. Under the "Fixed sum method", 35 per cent of the tax paid in cash in previous quarter or 100 per cent of tax paid in cash in last month of the previous quarter shall be deposited in each of first two months of the quarter.
- vi. No interest shall be levied for any monthly shortfall of tax if taxes are paid on "Fixed sum method".
- vii. Different option may be chosen for different GSTIN under same PAN.
- viii. Taxpayers choosing quarterly option shall also have Invoice Furnishing Facility (IFF). Through IFF, invoice details, upto an aggregate value of INR 50 lakhs per month, can be reported for the first two months till the 13th of the next month. Tax credit

shall be available to the recipient on such invoices. This facility shall be optional.

- ix. Invoices which are reported in IFF shall not be included in Form GSTR-1 of the relevant quarter.

Notification No. 84/2020-Central Tax, 85/2020-Central Tax and Circular No. 143/13/2020-GST dated November 10, 2020

Issue of E-invoice made mandatory

The requirement of e-invoicing is now extended to taxpayers having aggregate turnover exceeding INR 1 billion in any preceding financial year since 2017-18. This will be effective from January 1, 2021.

Notification No. 88/2020-Central Tax dated November 10, 2020

QR code on B2C invoices

Taxpayers having aggregate turnover exceeding INR 5 billion in any financial year from 2017-18 onwards, were required to have QR code on all B2C invoices with effect from December 1, 2020. Now, relief has been provided in terms of waiver of penalty for non-compliance in this regard provided compliance is made from April 1, 2021 onwards.

Notification No. 89/2020-Central Tax dated November 29, 2020

Judicial Rulings

Taxability of transactions where goods do not cross custom frontiers of India

The trader in India procures goods from outside India. Such goods are not imported into India and are directly shipped by the foreign seller to a foreign customer of the Indian trader. It was held that

QRMP scheme announced for small taxpayers

Issue of E-invoice mandatory for taxpayers having aggregate turnover exceeding INR 1 billion

No taxability if goods do not cross customs frontiers

this transaction does not satisfy conditions of import of goods and no IGST shall be payable.

M/s Toshiba India Pvt Ltd (AAR Haryana)

Online examination tests fall under OIDAR services

Provision of online tests by person in non-taxable territory to individual test takers in India, even in cases where score of the online test are to be checked manually, shall be considered as involving, minimum human intervention and would be regarded as provision of OIDAR services.

M/s NCS Pearson Inc. (AAAR Karnataka)

Provisional attachment only if property or bank account belongs to taxpayer

Any property or bank account to be provisionally attached must belong to the registered taxable person in default. Provisional attachment of joint bank account with family members is not justified, unless the money belonging to such person is credited into the joint account.

Siddharth Mandavia v. Union of India and others (Bombay High Court)

CORPORATE & ALLIED LAWS

Investor Grievance Redressal Mechanism

To further strengthen the Investor Grievance Redressal Mechanism, following clarifications are issued by SEBI:

- Investor complaints to be resolved within 15 working days. Any additional information from the investor to be sought within 7 working days from receipt of complaint.
- Complaints related to trade, settlement and deficiency in services may be referred to Investor Grievance Redressal Committee
- Initiatives taken to strengthen arbitration proceedings.
- Advisory issued to stock exchanges for amendments to the relevant bye-laws, rules and regulations for implementation of the above initiatives and reporting the same to SEBI.

Circular No. 226, 2020/SEBI dated November 06, 2020

Laxmi Vilas Bank amalgamated with DBS Bank India

All the branches of the Lakshmi Vilas Bank Ltd. will function as branches of DBS Bank India Ltd. with effect from November 27, 2020 under the scheme of amalgamation sanctioned by government.

Press Release No. 686, 2020-21/RBI dated November 25, 2020

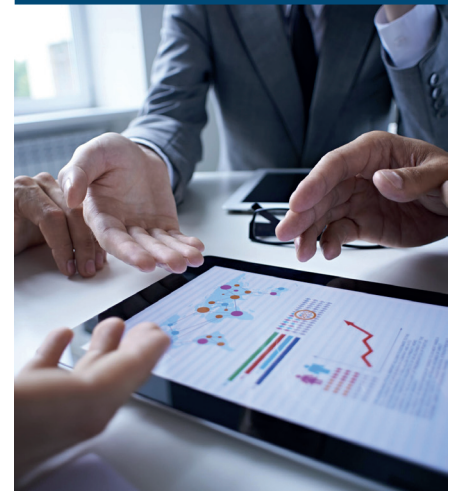
Benefits extended under LLP Settlement Scheme, 2020

LLP Settlement Scheme, 2020 was extended till December 2020 via circular no. 31/2020 dated September 28, 2020. The scheme benefitted defaulting LLP's whose documents were due for filing till August 31, 2020. The said scheme has now been extended to cover documents due for filing till November 30, 2020.

General Circular No. 37, 2020/MCA dated November 09, 2020

Initiatives by SEBI to strengthen Investor Grievance Redressal Mechanism

Extended benefits for defaulting LLP's under LLP Settlement Scheme, 2020



CFO WATCH

Government announced Stimulus Package 3.0 "Aatmanirbhar Bharat Abhiyan" for boosting the Economy

ICAI issued Revised Guidance Note on Accounting for Share-based Payments

Stimulus package 3.0 announced by government to further stimulate growth and economic recovery

The Government announced another stimulus package, called Aatmanirbhar Bharat Abhiyaan 3.0, amounting to INR 2.65 lakh crore. The package included a boost to formal employment, the PLI Scheme for ten sectors, fund allocation for industrial infrastructure, an increase in the fertilizer subsidy, housing incentives under PMAY, the rural employment programme, R&D grant for COVID Suraksha i.e. Indian Vaccine Development etc.

RBI recommendation for higher stake of promoters in private banks

Suggestion made by Internal Working Group of RBI that the cap on promoters' stake in the long run (15 years) may be raised from the current levels of 15 to 26 per cent of the paid-up voting equity share capital of the bank. This would require promoters, who have already diluted their holdings to below 26 per cent, to now raise it to increased threshold, subject to meeting certain requirements.

ICAI issued Revised Guidance Note on Accounting for Share-based Payments.

Recognizing the need for establishing uniform accounting principles and practices for all types of share-based payments for the companies, ICAI has issued 'Guidance Note on Accounting for Share-based Payments'. Significant change is that it also applies to share-based payment arrangements with non-employees and provides additional guidance with respect to accounting for group share-based payment plans.

MERGERS & ACQUISITIONS

Quick guide series – Fund raise for growth stage companies

Growth capital, also known as expansion capital, is a type of investment designed to facilitate company's accelerated growth through expanding operations, entering new markets, or consummating strategic acquisitions. Typical investors for growth equity include late-stage VCs, PE firms, or minority strategic investors.

Companies looking to raise growth stage funding generally need to consider the following:

1. Investors look for relatively mature operating companies with proven business models and prefer businesses which are perceived market leader or high potential firm within sector/market
2. At this stage, high focus is given to strength of the management team, levels of corporate governance, consistent performance and business scalability
3. PE firms generally take a minority stake and invest at inflection point where their investment can fuel substantial growth both in revenues and margins
4. Valuations are no longer purely based on DCF but also weightage is given to past performance and market multiples
5. While strategic investors are more focused on business synergies, financial investors mainly target superlative returns in the zone of 20-30% IRR and an exit around 3x of principal investment
6. PE's normally invest through preferred equity (CCPS, CCD etc.) which gets preference in liquidation to all other outstanding equity interests
7. Investor takes a board seat commensurate with investment, considering fully diluted ownership and preferred security. Tag, Drag, ROFR, ROFO, reserved matters are some of standard clauses in definitive agreements.
8. Financial investors at times seek redemption (put) right designed to create liquidity upon triggering events. Trigger events are sometimes linked to (a) time – generally 5-7 years (b) performance milestone (c) covenant default.

In our next and last edition of this series, we will be discussing fund raise options and challenges for large and matured stage companies.



IN THE NEWS

Webinars

ROAD TO RECOVERY - PANEL DISCUSSIONS SERIES

The *Road to Recovery* series of panel discussions, started in October, concluded now. These discussions were aimed at covering 5 major issues that companies need to consider to re-strategize their recoveries. CEOs and CFOs on the various panels deliberated on the learnings, strategies and tactics that worked for them during the lockdown and subsequent opening phases and what were their focus areas going forward.

Panel Discussion 4: Rethinking Your Business Model - November 4, 2020

Panel Chair: Deepak Kapoor, Former Chairman & CEO, PwC India

Panelists: Venu Nair, Managing Director and CEO, Shoppers Stop India; Sanjay Bhutani, Managing Director, India & SAARC, Bausch & Lomb India; Preet Dhupar, CFO, IKEA India Pvt Ltd; and Sandeep Khanna, Director, Strategy, ASA & Associates LLP

The panelists shared their experience on reinventing and reviving a business to adapt to a changing market or business environment

Panel Discussion 5: Going Digital - Harnessing the Power of Technology - November 25, 2020

Panel Chair: Vinod Sood, Co-Founder and Managing Director at Hughes Systique Corporation

Panelists: Vineet Sahni, Group CEO, Lumax-DK Jain Group; M P Vijay Kumar, CFO, Sify Technologies; Vikram Gupta, Founder, Managing Partner at IvyCap Ventures; and Sandeep Gupta, Partner, Accounting

& Business Support, Indirect Tax, ASA & Associates LLP

The final session saw the panelists discussing the impact of technology on various sectors and how they saw the role of technology evolving in the future.

Other Webinars

Empowering MSMEs and Bringing the Growth Back amidst the Changing Trade Dynamics - November 7, 2020

Subroto Bose, Executive Partner, Accounting & Business Support, Indirect Tax, was invited by the Confederation of Indian Industry (CII), Telengana, to speak during its 3rd edition of MSME SUMMIT. Subroto covered the key changes/relaxations in the statute / policy which would help MSME's.

ROAD TO RECOVERY SERIES

The panel discussions clearly brought out various aspects which paved the way for the road to recovery. The 4 major ones that emerged were:

- **Agility** – A constantly evolving business landscape has made it imperative that corporate decision makers have access to real time data from across their operations to quickly address oncoming threats and opportunities

- **Digitization** – Methodical, well planned, and prudent digitization is key to an organization's continued success
- **Value Chain** – Managements need to think of key suppliers, distributors and customers as business partners and work even closer with them in the future as a wholesome value chain rather than as individual components
- **Employees** – Talent needs to be retained during the downturn else the organization will start losing as the economy starts to improve

To view a recording of each of the webinars please see here 

To view the summaries of each panel discussion, please visit

Working Capital – New Ideas And Future Approach

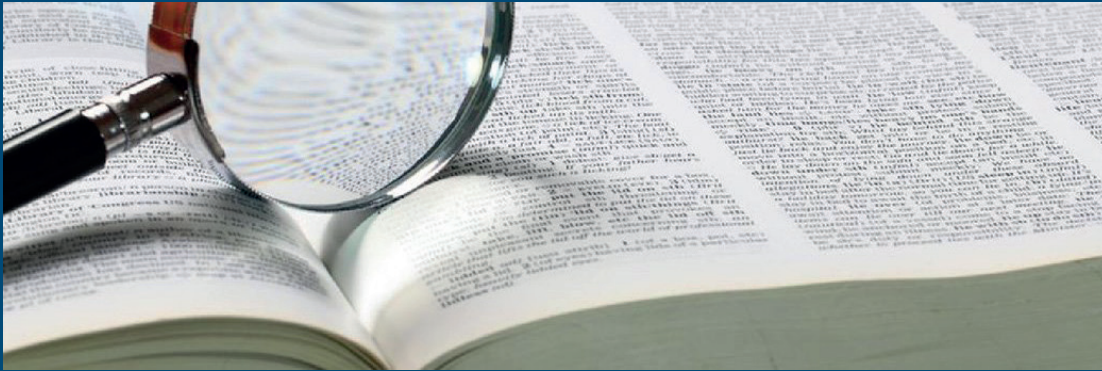
Tax Planning – Gearing Up For The Future

Business Continuity – Risk Management

Rethinking Your Business Model

Going Digital – Harnessing The Power of Technology

GLOSSARY



AAR
Authority for
Advance Ruling

AS
Accounting
Standard

B2C
Business to
Consumer

CCD
Compulsorily
Convertible
Debentures

CCIT
Chief
Commissioner of
Income Tax

CCPS
Compulsorily
Convertible
Preference Shares

CIT
Commissioner of
Income Tax

DCF
Discounted Cash
Flow

ESOP
Employee Stock
Ownership Plan

GST
Goods and Services
Tax

GSTIN
GST Identification
Number

ICAI
Institute of
Chartered
Accountants of
India

IGST
Integrated Goods
and Services Tax

INR
Indian Rupee

IRR
Internal Rate of
Return

ITAT
Income Tax
Appellate Authority

LLP
Limited Liability
Partnership

NeAC
National
e-Assessment
Centre

OIDAR
Online Information
and Database
Access or Retrieval

PAN
Permanent Account
Number

PE
Private Equity

PLI
Production Linked
Incentive

PMAY
Pradhan Mantri
Awas Yojana

QR Code
Quick Response
Code

R&D
Research and
Development

RBI
Reserve Bank of
India

ROFO
Right of First Offer

ROFR
Right of First
Refusal

SEBI
Securities and
Exchange Board of
India

SOPs
Standard Operating
Procedures

u/s
Under section

VC
Venture Capital

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