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FINANCE

1.0 RBI Revisits Concurrent Audit System of Banks

The Reserve Bank of India (RBI) has revised the norms for concurrent audit system of banks. Concurrent audit aims at shortening the interval between a transaction and its independent examination.

Some of the revised norms includes:

- The scope of work for concurrent auditors is left at the discretion of the head of internal audit of banks, with the due prior approval of the Audit Committee of the Board of Directors (ACB)/Local Management Committee ((LMC) in case of foreign banks) of the bank. Earlier it was provided that the audit was to cover at least 50% of the advances and 50% of deposits of a bank.
- The option to consider whether concurrent audit should be done by bank's own staff or external auditors continues to be left to the discretion of individual Banks.
- The head of internal audit in the bank should participate in selection of

concurrent auditors where such function is outsourced and should be responsible for the quality review (including skills of the staff employed) of the work of the concurrent auditors reporting to her/him.

- In case the bank has engaged its own officials as concurrent auditors, they should be experienced, well trained, sufficiently senior and must be independent of the branch/business unit, where concurrent audit is conducted.
- ACB/ LMC of the bank shall decide the maximum tenure of external concurrent auditors with the bank.
- The tenure of external concurrent auditors with a bank should not be more than 5 years on continuous basis. However, no concurrent auditor shall be allowed to continue with a branch/business unit for a period of more than three years.
- The age limit for retired staff engaged as concurrent auditors may be capped at 70 years.
- The remuneration to be paid to external concurrent auditors shall be decided by the ACB/ LMC of the bank.

- A quarterly review containing important features brought out during concurrent audits should be placed before the ACB/LMC. The zone-wise findings of concurrent audit may be reported to ACB/LMC on a quarterly basis.

2.0 Tax Rates Slashed for Corporates

The Government has announced that New contract manufacturing outfits can avail of the 15% corporate tax scheme but companies that opt for the 22% tax regime won't be eligible for accumulated minimum alternate tax (MAT) credit

It further slashed the corporate tax rate to 22% without any exemptions or incentives and to 15% from the current 25% for new manufacturing companies. The effective tax rate, including surcharge and education cess, will be 25.17% and 17.16%, respectively.

Tax on Buyback of shares exempted for the cases where listed companies have announced the buy back before July 05, 2019.

MAT for companies that want to use tax exemptions reduced to 15% from 18.5%.

New tax rate will be applicable from Financial Year 2019-20.

3.0 NRIs can now apply for Aadhaar

Non-resident Indians (NRIs) with valid Indian passport can now apply for Aadhaar on arrival, without the 182-day waiting period, with the government issuing a notification in this

regard. Following the notification, the Unique Identification Authority of India (UIDAI) has also come out with a circular stating that "NRI after his arrival in India, shall be entitled to obtain Aadhaar number".

4.0 Proposed National Logistics Policy sent for Cabinet approval

The commerce ministry has sent the proposed National Logistics Policy, aimed at promoting seamless movement of goods across the country and reducing high transaction cost of traders, to the Cabinet for approval.

The proposed policy focuses on increasing the warehousing capacity, and identifying gaps that could be bridged to bring down the cost of logistics for traders.

5.0 RBI cuts risk weight on consumer credit to 100 percent

The Reserve Bank of India (RBI) has reduced the risk weight requirement for consumer loans to 100 per cent. Earlier, the risk weight requirement for such loans was 125 per cent.

Corporate Laws

1.0 Extension of filing BEN-2 and BEN-1

The Ministry of Corporate Affairs has extended the time limit for filing e-form No. BEN-2 up to December 31, 2019. Consequent to the extension in the date of filing of e-Form BEN-2, the date of filing of Form BEN-1 may be construed accordingly.

2.0 NFRA Scope Widens

The Ministry of Corporate Affairs has notified National Financial Reporting Authority (Amendment) Rules, 2019 which provides that "Banking Companies" will now include "corresponding new banks" (Almost all PSBs) and 'subsidiary bank' within its scope.

This will empower NFRA to monitor and enforce compliance with accounting standards and auditing standards; oversee the quality of service rendered by auditors in public sector banks and even undertake investigation of the auditors of the PSBs.

Further the Last date for filing of Annual Return have been notified 30th November every year in Form NFRA-2.

3.0 Constitution of the Company Law Committee

The Ministry of Corporate Affairs in order to promote and provide Ease of Doing Business to law abiding corporates, fostering improved corporate compliance and also to address emerging issues having impact on the working of corporates in the country has formed A Company Law Committee for examining and making recommendations to the Government on various provisions and issues pertaining to implementation of the Companies Act, 2013 and the Limited Liability Partnership Act, 2008.

The Committee shall initially have a tenure of one year from the date of its first meeting.

4.0 Reminder for filing of KYC of Directors

The Ministry of Corporate Affairs has issued circular and informed that every person who has already filed DIR-3 KYC will only be required to complete KYC through a simple web-based verification service, with pre-filled data based on the records in the registry.

The Last date for filing of DIR KYC WEB and DIR KYC for the year ending on March 2019 has been extended to October 14, 2019.

FINANCE

1.0 E-Assessment Scheme notified w.e.f. September 12, 2019

The Central Board of Direct Taxes (CBDT) has notified the E Assessment scheme in accordance with Section 143(3A) as inserted after the amendments provided in Finance Act 2018. The scheme provides for procedure for the assessment, penalty proceedings for non-compliance, Appellate proceedings, form of communication etc.

The scheme provides for exclusive communication via electronic mode between the National E Assessment Centres, Regional E Assessment Centres and assesses and/ or his authorised representatives.

The Assistant Commissioner of Income-tax (e-Verification), having headquarter at Delhi, has been notified to act as prescribed Income-tax Authority for the purpose of section 143 (2) in respect of returns furnished under section 139 or in response to a notice under section 142

(1) during the financial year commencing on April 1, 2018 for the purposes of issuance of notice under section 143 (2).

Cases have also been listed out where E Proceedings shall not be mandatory. The scheme has been made effective from September 12, 2019.

2.0 Tolerance limits specified under transfer pricing provisions

The Central Board of Direct Taxes (CBDT) have notified that where the variation between the arm's length price determined under section 92C and the price at which the international transaction or specified domestic transaction has actually been undertaken does not exceed 1% of the transaction price in respect of wholesale trading and 3% of the transaction price in all other cases, the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price for Assessment Year 2019-2020.

The term wholesale trade has also been defined.

3.0 New rules and forms notified for Section 80G and Section 10 (1) (23C) approval requirements

CBDT has substituted Rule 2C and Rule 2CA of Income Tax Rules with new Rule 2C for the exemption under sub-clause (iv), (v), (vi) and (via) of Section 10 (23C) of the Income Tax

Act. Also new form 56 has been notified for the application to be made in this regard.

The Rule 2C and Rule 2CA of Income Tax Rules provided for granting of exemptions to trust, funds, institutions etc. under the provision of section 10(1) (23C).

CBDT has further substituted Rule 11AA with new Rule 11AA providing for the requirements for approval of institution or fund under Section 80G (5) of the Income Tax Act. Also new form 10G has been notified for the application to be made in this regard.

4.0 Exceptions to monetary limits for filing appeals

CBDT has decided that appeals may be filed on the basis of merits as an exception to the circular providing for monetary limits for filing appeals under Income Tax Act. The appeals will be allowed by way of special-order directing filing of appeal on merit in cases involved in organised tax evasion activity.

Accordingly, CBDT has issued special order for filing of appeals in case of assesses claiming bogus LTCG/ STCL (Long Term Capital Gains/ Short Term Capital Loss).

5.0 Clarifications in respect of ITR Forms for AY 2019-20

CBDT has clarified various issues related to new ITR Forms for AY 2019-20. Various issues have been clarified relating to furnishing details in Schedule SH-1 and Schedule AL-1.

6.0 Relaxation of time provided for compounding of offences

The Central Board of Direct Taxes (CBDT) has provided a one-time relaxation of filing the compounding application till December 31, 2019 where the assesses were not able to file the application within the existing time limit.

This relaxation shall not be available in cases where an offence is generally/ normally not compoundable. Any compounding application filed for an offence, which was previously withdrawn by the applicant solely for the reason that such application was filed beyond 12 months can also be filed as per this relaxation.

7.0 Cost Inflation Index notified for Financial Year 2019-20

The cost inflation index in relation to explanation to section 48 of the Income Tax Act, for Financial Year 2019-20 has been notified as 289.

8.0 37th GST Council - Takeaways

- GSTR 9A/Annual Return for composition tax payers filing have been waived for Financial Year 2017-18 and Financial Year 2018-19.
- GSTR 9/Annual Return for normal taxpayers made optional for tax payers having turnover up to Rs. 2 Crores
- Circulars to be issued for the uniformity of GST law across all jurisdictions in relation to procedure to claim refund in form GST RFD-01A

subsequent to favourable order in appeals etc. and also in relation to eligibility to file application where Nil refund application has already been filed for a particular period.

- Circular No.105/24/2019-GST dated June 28, 2019, which was issued in respect of post-sales discount to be rescinded.
- Suitable amendments to be done in CGST Act, UGST Act and SGST Acts in view of creation of Union Territory of Jammu & Kashmir and Ladakh.
- In principle decision taken to link Aadhar with registration of taxpayers under GST and examine the possibility of making Aadhar mandatory for claiming refunds.
- In order to nudge taxpayers to timely file their statement of outward supplies, restrictions to be imposed on availment of input tax credit by the recipients in cases where details of outward supplies are not furnished by the suppliers in the statement under section 37 of the CGST Act, 2017.
- Implementation of New GST Return System to be introduced from April, 2020 instead of October, 2019.
- Rate reduction in Hotel Industry: Transaction value of Rs. 1000 and Less- Nil GST, Rs. 1001-7500 : 12% GST, above Rs. 7500: 18% GST.

1.0 Foreign Portfolio Investor Regulation Simplified

Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 have been notified vide notification dated September 23, 2019. The New framework provides for:

- Simplified Registration process for Foreign Portfolio Investors (FPI).
- Categorisation of Foreign Portfolio Investors (FPI) under Two Category i.e Category I and Category II. Earlier SEBI categorised FPI under Three Category wherein Category III was most regulated.
- Government and Government-related investors such as central banks, sovereign wealth funds, international or multilateral organizations or agencies including entities controlled or at least 75 per cent directly or indirectly owned by such government and government related investor; pension and university funds would fall under the Category-I FPIs.
- Appropriately regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, broker dealers and swap dealers would come under the Category-I.

- Category II FPIs would include all the investors not eligible under Category I foreign portfolio investors such as appropriately regulated funds not eligible as Category-I foreign portfolio investor, endowments and foundations; charitable organisations; corporate bodies; family offices; individuals; appropriately regulated entities investing on behalf of their client; and unregulated funds in the form of limited partnership and trusts.

2.0 SEBI Amends Insider Trading provisions to attract Information against Insiders

The Securities and Exchange Board of India have vide notification dated September 17, 2019 notified Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations, 2019, which shall come in force on the 100th day from the date of their publication in the Official Gazette. The regulation provides for Submission of Information to the Board by the Informant, Informant Reward for an informant up to Rs. 1 crore, Provision for application for Reward, provision for Protection against retaliation and victimisation, Functions of Informant Incentive Committee and Public dissemination and incentivisation of Informant.

3.0 Position Limits in Interest Rate Derivatives (IRD)

The Securities and Exchange Board of India have vide Circular dated September 26, 2019,

revised the Position limits for Interest Rate Derivatives. Position limits for the 8-11year maturity bucket would be 10 per cent of open interest or Rs 1,200 crore, whichever is higher, for trading members, banks, primary dealers, insurance companies, pension funds and housing finance companies. The same position limits will be applicable to mutual funds (AMC level) and category I and II foreign portfolio investment.

For scheme-level mutual fund and category II FPIs, which include individuals, family offices and companies, the position limit has been pegged at 3 per cent of open interest or Rs 400 crore, whichever is higher.

4.0 Mutual Fund Amendment Regulations

The Securities and Exchange Board of India have vide notification dated September 23, 2019 notified Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2019 which provides that All

investments by a mutual fund scheme in equity shares and equity related instruments shall only be made, provided such securities are listed or to be listed.

However Mutual Fund Schemes may invest in unlisted non-convertible debentures up to a maximum of 10% of the debt portfolio of the scheme subject to such conditions as may be specified.

5.0 Penalties for glitches

The Securities and Exchange Board of India (SEBI) is planning to bring a new framework to impose penalties for technical snags and glitches that cost traders and investors.

SEBI is also planning to carve out a special department to supervise the compliance of market entities.

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