

Proxcel Advisory Services Private Limited

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TAX NEWSLETTER

Edition: March'2020

Volume 2, Issue 2

Summary of Regulatory updates for February'2020



PROFICIENTLY ADVISING
GLOBAL BUSINESSES
FOR TRADE IN INDIA

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1. Direct Tax Updates

Notification & Circulars:-

1.1 Procedure of PAN allotment through Common Application form (CAF):

A Common Application Form (CAF) for the purpose of registration, opening of bank and demat accounts and application for Permanent Account Number (PAN) has been notified for the Foreign Portfolio Investors (FPIs) and in exercise of powers conferred as specified in the proviso to sub rule (1) to rule 114 of Income tax rules, Principal Director General of Income-tax lays down the classes of persons, forms, format and procedure for Permanent Account Number (PAN) as under

Particulars	Procedure
Classes of persons to which Common Application Form (CAF) will apply	New Foreign Portfolio investors (FPIs)
Applicable form	Common Application Form (CAF) for Foreign Portfolio Investors (FPIs)
Procedure	Application for allotment of Permanent Account Number (PAN) will be uploaded in CAF. After due examination and generation of FPI Registration certificate, SEBI will forward data in form 49AA to prescribed Income Tax Authority through the signature of Authorized Signatories of its Designated Depository Participants (DDPs)
Format	XML

_Notification no 11/2020 dated 7th Feb '2020

1.2 Special Court designated in Jammu & Kashmir:

Central Govt. in exercise of its powers as specified under sub section (1) of section 280A of Income Tax Act, 1961 & section 84 of Black Money and Imposition of Tax Act, 2015 designates Courts of Chief Judicial Magistrates of the Union Territory of Jammu and Kashmir, in consultation with Chief Justice of High Court of Jammu & Kashmir, as "Special Courts" for the purposes of the said sections within their respective territorial jurisdictions.

_Notification no 09/2020 dated 12th Feb' 2020

1.3 Income Tax (4th Amendment) Rules, 2020

CBDT has inserted Rules 21AE & 21AF in order to prescribe the manner of exercising the option as specified under Section 115BAA(5) & 115BAB(7) respectively.

Rule No.	Rule	Particulars of Rule
Rule 21AE	Exercise of option under section 115BAA(5)	<ol style="list-style-type: none"> 1. This option is exercised by a domestic company in accordance with section 115BAA (5) for any previous year relevant to the AY beginning on or after 1st April, 2020. 2. This option is to be exercised in Form 10-IC. The same shall be furnished electronically either under digital signature or electronic verification code.

Rule 21AF	Exercise of option under section 115BAB(7)	<ol style="list-style-type: none"> 1. This option is exercised by a domestic company in accordance with section 115BAB(7) for any previous year begins on or after 1st April,2020 2. This option is to be exercised in Form 10-ID. The same shall be furnished electronically either under digital signature or electronic verification code.
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In respect of above mentioned forms Principal Director General or Director General of Income Tax (Systems) specify the procedure for filing, data structure and manner of generation of EVC for the purpose of verification of person filling said form & also responsible for formulation & implementing appropriate security, archival & retrieval policies in relation to form furnished.

—Notification no 10/2020 dated 12th Feb '2020

1.4 Income Tax – (5th Amendment) Rules, 2020

CBDT has inserted Rule 114AAA (Manner of making permanent account number inoperative) for the purpose of Section 139AA (2).

1. As per sub rule (1) rule 114AAA, Where a person, who has been allotted the permanent account number as on the 1st day of July, 2017 and is required to intimate his Aadhaar number under sub-section (2) of section 139AA, has failed to intimate the same on or before the 31st day of March, 2020, the permanent account number of such person shall become inoperative immediately after the said date for the purposes of furnishing, intimating or quoting under the Act.
2. As per sub rule (2) of rule 114AAA, where a person whose permanent account number has become inoperative, it shall be considered that the person is not having PAN and he shall be liable for all the consequences under the act for not furnishing of PAN, wherever it is required.
3. As per sub rule (3) of rule 114AAA, where the person referred to in sub-rule (1) has intimated his Aadhaar number under sub-section (2) of section 139AA after the 31st day of March, 2020, his permanent account number shall become operative from the date of intimation of Aadhaar number for the purposes of furnishing, intimating or quoting under the Act and provisions of sub-rule (2) shall not be applicable from such date of intimation.
4. As per sub rule (4) of rule 114AAA, the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems) shall specify the formats and standards along with the procedure for verifying the operational status of permanent account number under sub-rule (1) and sub-rule (2)."

—Notification no 11/2020 dated 13th Feb'2020

1.5 Income Tax –(6th Amendment) Rules, 2020

In the Income-tax Rules, 1962, in rule 11UAC, in the Explanation, for clause (b), the following clause shall be substituted, namely:

(b) Unauthorized colony means a colony or development comprising of a contiguous area, where no permission has been obtained for approval of layout plan or building plans and has been identified for regularization of such colony.

—Notification no 12/2020 dated 17th Feb'2020

1.6 Condonation of delay under section 119(2)(b) of the Income-tax Act, 1961 in filing of Return of Income for A.Y 2016-17,2017-18, and 2018- 19 and Form No.9A and Form No. 10.-Reg.

Earlier, CBDT in exercise of its power under section 119(2)(b) authorize Commissioner of Income tax to admit the belated application of Form 9A/Form 10 for Charitable trust. However, in those cases where the Income Tax

Returns have also been filed beyond the due date prescribed under section 139(1) of the Act, the condonation of delay in filing of Form 9A & Form 10 by the Commissioners is not of any help to the assessee, as section 13(9) of the Act, inserted w.e.f. 01.04.2016, stipulates twin conditions of filing of Form 9A/Form 10 and also of filing Return of Income before the due date.

In order to prevent above hardship faced by Charitable Trusts, CBDT issued this circular and decided to admit applications where the belated applications of Form 9A and Form 10 has been filed and the return of income has been filed on or before 31st March of the respective assessment years for the Assessment Years 2016-17, 2017-18 and 2018-19 for condonation of delay in filing of return of Income.

For all other application for condonation of delay not mentioned above, the power of condonation of delay under section 119(2)(b) of the Income Tax Act, 1961 will continue with the respective authorities as per the extant Rules and Practice.

—Circular no 06/2020 dated 19th Feb'2020

1.7 Special Court designated in Punjab and Haryana and Union territory of Chandigarh:

Central Govt. in exercise of its powers as specified under sub section (1) of section 280A of Income Tax Act, 1961 & section 84 of Black Money and Imposition of Tax Act, 2015 designates Court of Chief Judicial Magistrate in each sessions division in the states of Punjab & Haryana and the court of chief judicial Magistrate in the union territory of Chandigarh, in consultation with Chief Justice of Punjab & Haryana High Court, as “Special Courts” for the purposes of the said sections within their respective territorial jurisdiction in the states of Punjab and Haryana and in the Union Territory of Chandigarh.

—Notification no 13/2020 dated 26th Feb '2020

2. Income Tax Case Laws

2.1 Ananda Social & Educational Trust v. CIT – 114 taxmann.com 693 (SC)

A newly registered Trust is entitled for registration under section 12AA on basis of its objects, without any activity having been undertaken

2.2 Salem Sree Ramavilas Chit Company (P.) Ltd. v. DCIT - 114 taxmann.com 492 (Madras)- HC

States that electronic assessment proceedings, though laudable, “can lead to erroneous assessment if officers are not able to understand the transactions and statement of accounts of an assessee without a personal hearing”; Opines that since the assessment proceedings no longer involve human interaction and are based on records alone, the assessment proceeding should have commenced much earlier to enable the AO to come to a definite conclusion on facts after fully understanding the nature of business of the assessee; Remarks that “....assessment proceeding under the changed scenario would require proper determination of facts by proper exchange and flow of correspondence between the petitioner and the respondent Assessing Officer”

2.3 P. N. Gadgil Jewellers (P.) Ltd. v.ACIT . - 113 taxmann.com 354 (Pune - Trib.)

TPO is barred from benchmarking 'specified domestic transactions' when Assessing Officer makes a reference to him for benchmarking international transactions.

2.4 Siemens Power Engineering (P.) Ltd. V/s ACIT 112 taxmann.com 92 (Mumbai - Trib.)

Assessment made in name of non-existent entity is void ab initio and deserves to be quashed.

2.5 Nokia India (P.) Ltd. v.DCIT New Delhi- 2020] 114 taxmann.com 442 (Delhi - Trib.)

Assessee Company was primarily engaged in business of trading and manufacturing of mobile handsets, spare parts and accessories. It entered into an agreement for supply of cellular mobile phones with HCL and from this agreement between assessee and HCL, it was evident that relationship between assessee and HCL was that of principal to principal and not that of principal to agent and discount which was offered to distributors was given for promotion of sales. There was absence of a principal-agent relationship and thus, benefit extended to distributors could not be treated as commission liable for withholding tax under section 194H

3. GST Updates

Notification, Circulars & Orders:-

3.1 Due dates for furnishing GSTR-3B for taxpayers having turnover upto Rs. 5 Crores for the month of January, February & March

The Commissioner, on recommendations of the Council, has decided to amend Notification No. 44/2019- Central Tax dated 09th October, 2019, so as to provide due dates for filing returns in form GSTR-3B in the following manner:

Sl. No.	Turnover in previous F.Y.	Registered person, whose principal place of business is in	Due date for furnishing Returns in Form GSTR 3B
1	Aggregate turnover of up to Rs. 5 Crore	States : Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana or Andhra Pradesh Union territories :Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands and Lakshadweep	22nd day of the following month
2	Aggregate turnover of up to Rs. 5 Crore	States : Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha Union territories : Jammu and Kashmir, Ladakh, Chandigarh and Delhi	24th day of the following month.

_Notification No 07/2020 – Central Tax dated 3rd February, 2020

3.2 Extension of Time Limits for submitting declaration in form GST TRAN-1:

The Commissioner, on recommendations of the Council, hereby extends the period for submitting declaration in form GST TRAN-1 till 31st March, 2020 for the class of persons who couldn't file the same on account of technical difficulties on the GST portal.

_Order No 01/2020 – GST dated 7th February, 2020

3.3 Amendment in GST rate on supply of Lottery:

The Central Government, on recommendations of the council, hereby amends the applicable tax rate on the supply of Lottery from 12% to 28%.

_Notification No. 1/2020-Central Tax (Rate),

Integrated Tax (Rate), Union Territory Tax (Rate)

4. Custom Updates

Notifications:

4.1 Maintenance of Duty Credit Ledger under Customs

A feature has been proposed in Union Budget, 2020 i.e. insertion of Section 51B under the Customs Law so as to implement a system of maintenance of Duty Credit Ledger in the automated Customs system in the form of Electronic Duty Credit Ledger for persons eligible for receipt of such credit.

4.2 Providing exemptions on gifts received by the Red Cross Society

The Central Government has decided to further amend notification no.148/1994-Customs, dated the 13th July, 1994 so as to exempt wool, woolen fabrics and apparels received as gifts by the Indian Red Cross Society.

_Notification No. 04/2020-Custom (Tariff) dated 2nd February, 2020

4.3 Providing exemptions on imports to Defense Public Sector Units & Public Sector Units

The Central Government has decided to amend notification no. 19/2019- Customs, dated the 6th July, 2019 so as to extend the exemption from BCD and IGST to DPSUs and PSUs on imports of specified military equipment.

_Notification No. 03/2020-Custom (Tariff) dated 2nd February, 2020

5. Companies Act Updates

5.1 Companies (Accounts) Amendment Rules, 2020:

Ministry of Corporate Affairs vide its Notification dated January 30, 2020 has issued the Companies (Accounts) Amendment Rules, 2020. In terms of the said Rules, every Non-Banking Financial Company (NBFC) that is required to comply with Indian Accounting Standards (Ind AS) shall file the financial statements with Registrar together with Form AOC-4 NBFC (Ind AS) and the consolidated financial statement, if any, with Form AOC-4 CFS NBFC (Ind AS).

Source: http://www.mca.gov.in/Ministry/pdf/Rules_31012020.pdf

5.2 Commencement Notification dated February 3, 2020:

MCA vide its notification dated February 3, 2020 has provided that the provisions of Section 230(11) and 230(12) of the Companies Act, 2013 shall come into effect from the date of this notification.

Section 230(11) deals with provision related to compromise or arrangement (including takeover offer) in case of an unlisted company.

Section 230(12) deals with provision related to application to the Tribunal by an aggrieved person in the event of any grievances with respect to the takeover offer of unlisted companies.

Source: http://www.mca.gov.in/Ministry/pdf/Notification_04022020.pdf

5.3 Companies (Compromises, Arrangements, and Amalgamations) Amendment Rules, 2020:

Ministry of Corporate Affairs (MCA) vide notification dated February 03, 2020 has introduced the Companies (Compromises, Arrangements, and Amalgamations) Amendment Rules, 2020. These rules are effective with immediate effect.

The key highlights of the aforesaid amendment are as follows:

1. In case of an unlisted company, members of the company holding not less than three- fourth of the shares in the company can make a takeover offer for acquiring any part of the remaining shares of the company by making an application to the National Company Law Tribunal (NCLT).
2. Application of arrangement for takeover offer shall contain:
 - a) A valuation report issued by a registered valuer shall be annexed with the application disclosing the details of the valuation of the shares proposed to be acquired by the member after taking into account the following factors:—
 - the highest price paid by any person or group of persons for acquisition of shares during last twelve months;
 - the fair price of shares of the company to be determined by the registered valuer after taking into account valuation parameters including return on net worth, book value of shares, earning per share, price earning multiple vis-à-vis the industry average, and such other parameters as are customary for valuation of shares of such companies
 - b) Details of a bank account to be opened separately by the member wherein a sum of not less than one-half of total consideration of the takeover offer is deposited.
 - c) Fees of 5,000 has been prescribed for filing application for compromise arrangement and amalgamation

Source: http://www.mca.gov.in/Ministry/pdf/Rules1_04022020.pdf

5.4 National Company Law Tribunal (Amendment) Rules, 2020:

Ministry of Corporate Affairs (MCA) vide its notification dated February 03, 2020 has introduced National Company Law Tribunal (Amendment), 2020. These rules are effective with immediate effect.

As per the amendment Rules, an aggrieved party may make an application to the Tribunal in the event of any grievances with respect to the takeover offer of unlisted companies in Form NCLT-1 and payment of fees of Rs. 5,000.

Application shall be accompanied by following documents:-

- a. Affidavit verifying the petition
- b. Memorandum of appearance with copy of the Board's Resolution or the executed vakalatnama, as the case may be.
- c. Documents in support of the grievance against the takeover.
- d. Any other relevant document.

Source: http://www.mca.gov.in/Ministry/pdf/Rules3_04022020.pdf

5.5 Companies (Issue of Global Depository Receipts) Amendment Rules, 2020:

Ministry of Corporate Affairs (MCA) vide its notification dated February 13, 2020 has introduced the Companies (Issue of Global Depository Receipts) Amendment Rules, 2020. These rules are effective with immediate effect.

The key highlights of the aforesaid notification are as follows:

1. Depository Receipts can be issued by the companies by way of public offering or private placement or in any other manner prevalent in the concerned jurisdiction and may be listed or traded on the listing or trading platform in the concerned jurisdiction.
2. Proceeds of issue of depository receipts may be remitted in an International Financial Services Centre Banking Unit (IBU) and utilized in accordance with the instructions issued by the Reserve Bank of India from time to time.

Source: http://www.mca.gov.in/Ministry/pdf/notices_13022020.pdf

5.6 Nidhi (second Amendment) Rules, 2020:

Ministry of Corporate Affairs (MCA) vide its notification dated February 14, 2020 has introduced Nidhi (second Amendment) Rules, 2020. These rules are effective with immediate effect.

As per the aforesaid amendment every company functioning on the lines of a Nidhi company or Mutual Benefit Society but has either not applied for or has applied for and is awaiting notification to be a Nidhi or Mutual Benefit Society shall get itself declared as such within a period of one year from the date of its incorporation or within a period of nine months from the date of commencement of Nidhi (Amendment) Rules, 2019, whichever is later.

Earlier, the time period allowed was one year from the date of its incorporation or within a period of six months from the date of commencement of Nidhi (Amendment) Rules, 2019, whichever is later.

Source: http://www.mca.gov.in/Ministry/pdf/rule_14022020.pdf

5.7 Filing of forms by the Insolvency Professional under Insolvency Bankruptcy Code, 2016:

Ministry of Corporate Affairs (MCA) has issued a General Circular dated February 17, 2020 regarding filing of forms by the Insolvency professional (Interim Resolution Professional (IRP) or Resolution Professional (RP) or Liquidator appointed under Insolvency Bankruptcy Code (IBC), 2016.

As per the said Circular, the procedure to be followed by the Insolvency Professional shall be as prescribed below:

- a. The IRP/ RP/ Liquidator would have to first file the NCLT order approving him as the IRP/RP/Liquidator in form INC-28 on the MCA21 portal by selecting the option "Others" at serial no. 5(a)(i) from the drop down menu in the form. After filling in the form, the IRP/RP/Liquidator while affixing his DSC, shall choose his designation as "Others" in the declaration box.
- b. The master data for the company shall, after the approval of Form No. INC-28 clearly display that the said company is under CIRP or liquidation, as the case may be, and the name of the IP so appointed shall be displayed in the CEO column.
- c. The IP shall be responsible and will be able to file all necessary documents/ disclosures/ returns for the purposes of compliances under the Companies Act, 2013.

- d. For filing e-forms SH-8 and SH-9 and iXBRL, the IP shall be allowed to file the same in his role as CEO instead of the form being signed by two Directors. In respect of e-form MGT-7 the IP shall sign the form instead of a Director and thereafter the form would have to be certified by a Company Secretary in practice.
- e. Unless INC-28 e-form is approved, no other forms would be enabled for filing by the IRP/RP/Liquidator in his role of designated CEO. The IRP/RP/Liquidator in his role as designated CEO shall again file e-form INC-28 upon the approval of the resolution plan, initiation of liquidation proceedings or upon withdrawal of the application for CIRP based on which the status of the company would get suitably reflected in the company master data.
- f. In case a new Board is required to be appointed in terms of the order passed by the Tribunal or Appellate Tribunal, the details of the first authorized signatory of such board will be inserted by the jurisdictional Registrar after receiving an application from the IP, wherein the SRN of relevant e-Form INC-28 shall be quoted. Consequently, the authorization for the IP to file documents on behalf of the company shall then cease and the new authorized signatory shall then take over the responsibility of filing e-forms on behalf of the company.
- g. It has been further clarified that in case the order of admission of a company (corporate Debtor) into CIRP or into liquidation is stayed or set aside by the Tribunal or Appellate Tribunal or other courts, such order shall be filed in Form INC-28 by the concerned IP, and the status of the company and the authorization for filing of forms on behalf of company would then change accordingly.

Source: http://www.mca.gov.in/Ministry/pdf/Circular_17022020.pdf

5.8 Companies (Incorporation) Amendment Rules, 2020:

The Central Government in its initiative towards Ease of Doing Business has further simplified the procedure for incorporation of a company vide the Companies (Incorporation) Amendment Rules, 2020 which shall come into force with effect from February 23, 2020.

As a part revised regime, the requirement for filing of web based Form RUN for reservation of name by proposed companies would be discontinued. Further, web based Form RUN would only be used for change of name by existing companies.

Revised Rule 9 of the Companies (Incorporation) Rules, 2014 pertaining to reservation of name is as reproduced below:

“9. Reservation of Name or change of name

An application for reservation of name shall be made through the web service available at www.mca.gov.in by using web service SPICe+ (Simplified Proforma for Incorporating Company Electronically Plus: INC-32), and for change of name by using web service RUN (Reserve Unique Name) along with fee as provided in the Companies (Registration Offices and Fees) Rules, 2014, which may either be approved or rejected, as the case may be, by the Registrar, Central Registration Centre after allowing resubmission of such web form within fifteen days for rectification of the defects, if any, with effect from 23rd February, 2020.”

Other changes as provided in the Amendment Rules are as follows:

- a) E-Form SPICe PLUS has substituted the earlier E-Form SPICe;
- b) E-Form SPICe PLUS has been divided into two parts:
 - i. Part A deals with application for reservation of name; and
 - ii. Part B deals with application for incorporation of company
- c) E-Form AGILE has been replaced by E-Form AGILE PRO;

- d) E-Form AGILE PRO can be used for mandatorily obtaining following additional numbers:
- Issue of EPFO registration
 - Issue of ESIC registration;
 - Issue of Professional Tax registration (in the state of Maharashtra);
 - Opening of bank account of the company

Source: http://www.mca.gov.in/Ministry/pdf/rule_22022020.pdf

5.9 Companies (Auditor's Report) Order, 2020:

The Ministry of Corporate affairs (MCA) vide its notification dated 25th February, 2020 has introduced Companies (Auditor's Report) Order, 2020 superseding the previous Companies (Auditor's Report) Order, 2016. The order shall apply to every report made by the auditor for the financial years commencing on or after April 1, 2019.

The order shall be applicable to every Company including a foreign Company as defined under section 2(42) of the Companies Act 2013 except:

- Banking Company as defined under the Banking Regulation Act, 1949;
- An Insurance Company as defined under the Insurance Act, 1938;
- A Section 8 Company or a One Person Company or Small Company;
- a private limited company, not being a subsidiary or holding company of a public company, having a paid up capital and reserves and surplus not more than one Crore rupees as on the balance sheet date and which does not have total borrowings exceeding one Crore rupees from any bank or financial institution at any point of time during the financial year and which does not have a total revenue as disclosed in Scheduled III to the Companies Act (including revenue from discontinuing operations) exceeding ten Crore rupees during the financial year as per the financial statements.

The matters to be included in the report by the Auditor have been provided in para 3 of the said order.

Where in the Auditor's Report, the answer to any of the question as provided in para 3 is unfavorable or qualified, the auditor's report shall also state the basis for such unfavorable or qualified answer.

Where the auditor is unable to express any opinion on any specified matter, his report shall indicate such fact together with the reasons as to why it is not possible for him to give his opinion on the same.

Source: http://www.mca.gov.in/Ministry/pdf/Orders_25022020.pdf

5.10 Companies (Appointment and Qualification of Directors) Amendment Rules, 2020:

MCA vide its Notification dated February 28, 2020 has introduced the Companies (Appointment and Qualification of Directors) Amendment Rules, 2020

Key Highlights of the Amendment Rules are as follows:

1. The period available to an individual who has been appointed as an Independent Director in a company, on the date of commencement of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 for inclusion of their names in the Data Bank has been revised and increased to five months from existing three months.
2. The Independent Director whose names has been included in the Data Bank shall pass an online self-assessment test within a period of one year from the date of inclusion of his name in the data bank except for those individual who has served as a Director or key managerial personnel for a period of not less than 10 years as on the date of inclusion of his name in one or more of the following:
 - a. Listed Company;
 - b. Unlisted Public Company having paid up share Capital of rupees ten Crores or more;
 - c. Body Corporate listed on a recognized stock exchange.

Source: http://www.mca.gov.in/Ministry/pdf/rule_28022020.pdf

6. SEBI Updates

6.1 Common Application Form for Foreign Portfolio Investors:

Government of India vide notification number F. No. 4/15/2016-ECB dated January 27, 2020 notified the Common Application Form (CAF) for the purpose of (a) registration of Foreign Portfolio Investors (FPIs) with Securities and Exchange Board of India, (b) allotment of Permanent Account Number (PAN) and (c) carrying out of Know Your Customer (KYC) for opening of Bank & Demat Account. The applicants seeking FPI registration shall be required to duly fill CAF and 'Annexure to CAF' and provide supporting documents and applicable fees for SEBI registration and issuance of PAN.

It has been clarified by SEBI vide its Circular dated February 4, 2020 that Designated Depository Participants may continue to accept in-transit FPI registration applications in the form prescribed in operational guidelines issued on November 5, 2019, for a period of 60 days from date of issuance of this Circular.

Source:

https://www.sebi.gov.in/legal/circulars/feb-2020/common-application-form-for-foreign-portfolio-investors_45899.html

6.2 Disclosure Standards for Alternative Investment Funds (AIFs):

SEBI vide its Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 5, 2020 has laid down disclosure requirements for Alternative Investment Funds (AIFs). It is an attempt for streamlining the disclosure requirements by providing template for Private Placement Memorandum (PPM) and mandatory Performance benchmarking for AIFs.

1. Template for PPMs

The template has been divided in two parts:

Part A: section for minimum disclosure, and

Part B: supplementary section to allow full flexibility to the fund in order to provide any additional information, which it deems fit.

The requirements shall come into force from March 1, 2020

2. Performance Benchmarking of AIFs

- It is developed for comparing performance of AIF industry with the other investment avenues to help the investors assess the performance of the industry. It is decided to introduce:
- A mandatory benchmarking of the performance of AIFs (including venture capital fund) and the AIF industry.
- A framework for facilitating the use of data collected by Benchmarking Agencies to provide customized performance reports.

In addition to the above many other requirements have been mandated for performance benchmarking like agreement with one or more benchmarking agencies etc.

Source: <https://www.sebi.gov.in/legal/circulars/feb-2020/disclosure-standards-for-alternative-investment-funds-aifs-45919.html>

7. RBI Updates

7.1 Legal Entity Identifier Code for participation in non- derivative market:

In terms of RBI Notification dated November 29, 2018 and April 26, 2019, all participants, other than individuals, undertaking transactions in the markets regulated by RBI viz., Government securities markets, money markets (markets for any instrument with a maturity of one year or less) and non-derivative forex markets (transactions that settle on or before the spot date) and meeting the criteria as provided in the aforesaid Notification shall obtain Legal Entity Identifier (LEI) code.

The LEI is a 20-character unique identity code assigned to entities who are parties to a financial transaction. In case of non-derivative forex transactions, while all inter-bank transactions shall be subject to LEI requirement, client transactions shall require LEI code for transactions involving an amount equivalent to or exceeding USD one million or equivalent thereof in other currencies.

The last date for applying for the Code for entities having net worth up to Rs. 2000 Million is March 31, 2020.

Source:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11424&Mode=0>and

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?ID=11547>



8. Companies (Auditor's Report) Order, 2020

Ministry of Corporate affairs (MCA) vide its notification dated 25th February, 2020 has introduced Companies (Auditor's Report) Order, 2020 [CARO 2020] superseding the previous Companies (Auditor's Report) Order, 2016 [CARO 2016]. The order shall apply to every report made by the auditor for the financial years commencing on or after April 1, 2019.

The order shall be applicable to every Company including a foreign Company as defined under section 2(42) of the Companies Act 2013 except:

- Banking Company as defined under the Banking Regulation Act, 1949;
- An Insurance Company as defined under the Insurance Act, 1938;
- A Section 8 Company or a One Person Company or a Small Company;
- A private limited company, not being a subsidiary or holding company of a public company, having a paid up capital and reserves and surplus not more than one crore rupees as on the balance sheet date and which does not have total borrowings

exceeding one crore rupees from any bank or financial institution at any point of time during the financial year and which does not have a total revenue as disclosed in Scheduled III to the Companies Act (including revenue from discontinuing operations) exceeding ten crore rupees during the financial year as per the financial statements.

The matters to be included in the report by the Auditor have been provided in para 3 of the said order.

Where in the Auditor's Report, the answer to any of the question as provided in para 3 is unfavorable or qualified, the auditor's report shall also state the basis for such unfavorable or qualified answer.

Where the auditor is unable to express any opinion on any specified matter, his report shall indicate such fact together with the reasons as to why it is not possible for him to give his opinion on the same.

In this Article, we have provided a comparative analysis of the disclosure to be made in the Auditor's Report under CARO 2020 vis-à-vis CARO 2016.



Parameter	CARO 2020	CARO 2016
(i) Property, Plant, Equipment and Intangible Assets	<p>a. (A) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment; (B) whether the company is maintaining proper records showing full particulars of intangible assets;</p> <p>b. whether these Property, Plant and Equipment have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account;</p> <p>c. whether the title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the company, if not, provide the details as below:-</p> <ul style="list-style-type: none"> • Description of Property; • Gross Carrying Value; • Held in the name of; • Whether promoter, director or their relative or employee • Period held indicate range, where appropriate • Reason for not being held in the name of company • Also indicate if in dispute <p>d. whether the company has revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year and, if so, whether the revaluation is based on the valuation by a Registered Valuer; specify the amount of change, if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets;</p> <p>e. whether any proceedings have been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder, if so, whether the company has appropriately disclosed the details in its financial statements</p>	<p>a) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;</p> <p>b) whether these fixed assets have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account;</p> <p>c) Whether the title deeds of immovable properties are held in the name of the company. If not, provide the details thereof;</p>

(ii) physical verification of inventory and working capital limits	<p>a. whether physical verification of inventory has been conducted at reasonable intervals by the management and whether, in the opinion of the auditor, the coverage and procedure of such verification by the management is appropriate; whether any discrepancies of 10% or more in the aggregate for each class of inventory were noticed and if so, whether they have been properly dealt with in the books of account;</p> <p>b. whether during any point of time of the year, the company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets; whether the quarterly returns or statements filed by the company with such banks or financial institutions are in agreement with the books of account of the Company, if not, give details</p>	whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, whether they have been properly dealt with in the books of account;
(iii) Investments made/ guarantee or security provided/ loans or advances granted	<p>whether during the year the company has made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties, if so,-</p> <p>a. whether during the year the company has provided loans or provided advances in the nature of loans, or stood guarantee, or provided security to any other entity [not applicable to companies whose principal business is to give loans], if so, indicate- (A) the aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loans or advances and guarantees or security to subsidiaries, joint ventures and associates; (B) the aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loans or advances and guarantees or security to parties other than subsidiaries, joint ventures and associates;</p> <p>b. whether the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided are not prejudicial to the company's interest;</p> <p>c. in respect of loans and advances in the nature of loans, whether the schedule of repayment of principal and payment of interest has been</p>	Whether the company has granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. If so, a. whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest; b. whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular; c. if the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest

	<p>stipulated and whether the repayments or receipts are regular;</p> <p>d. if the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest;</p> <p>e. whether any loan or advance in the nature of loan granted which has fallen due during the year, has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to the same parties, if so, specify the aggregate amount of such dues renewed or extended or settled by fresh loans and the percentage of the aggregate to the total loans or advances in the nature of loans granted during the year [not applicable to companies whose principal business is to give loans];</p> <p>f. whether the company has granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment, if so, specify the aggregate amount, percentage thereof to the total loans granted, aggregate amount of loans granted to Promoters, related parties as defined in clause (76) of section 2 of the Companies Act, 2013</p>	
(iv) Loans, investments, guarantees, and security	In respect of loans, investments, guarantees, and security, whether provisions of sections 185 and 186 of the Companies Act have been complied with, if not, provide the details thereof	In respect of loans, investments, guarantees, and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof.
(v) Acceptance of Deposits	In respect of deposits accepted by the company or amounts which are deemed to be deposits , whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules made thereunder, where applicable, have been complied with, if not, the nature of such contraventions be stated; if an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal, whether the same has been complied with or not	in case, the company has accepted deposits, whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder, where applicable, have been complied with? If not, the nature of such contraventions be stated; If an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal, whether the same has been complied with or not
(vi) Maintenance of cost records	whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act and whether such accounts and records have been so made and maintained	Whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 and whether such accounts and

		records have been so made and maintained.
(vii) Statutory dues	<p>a. whether the company is regular in depositing undisputed statutory dues including Goods and Services Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated;</p> <p>b. where statutory dues referred to in sub-clause (a) have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned (a mere representation to the concerned Department shall not be treated as a dispute)</p>	<p>c. whether the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated;</p> <p>d. where dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. (A mere representation to the concerned Department shall not be treated as a dispute).</p>
(viii) Disclosure of unrecorded transactions	whether any transactions not recorded in the books of account have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961), if so, whether the previously unrecorded income has been properly recorded in the books of account during the year;	No such provision
(ix) Default in payment of loan or other borrowings	<p>a. whether the company has defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender, if yes, the period and the amount of default to be reported as below:-</p> <ul style="list-style-type: none"> • Nature of borrowing, including debt securities; • Name of the Lender (lender wise details to be provided in case of defaults to banks, financial institutions and government; • Amount not paid on due date; • Whether principal or interest; • No. of days delay or unpaid; • Remarks if any 	Whether the company has defaulted in repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders? If yes, the period and the amount of default to be reported (in case of defaults to banks, financial institutions, and Government, lender wise details to be provided).

	<p>b. whether the company is a declared wilful defaulter by any bank or financial institution or other lender;</p> <p>c. whether term loans were applied for the purpose for which the loans were obtained; if not, the amount of loan so diverted and the purpose for which it is used may be reported;</p> <p>d. whether funds raised on short term basis have been utilised for long term purposes, if yes, the nature and amount to be indicated;</p> <p>e. whether the company has taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures, if so, details thereof with nature of such transactions and the amount in each case;</p> <p>f. whether the company has raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies, if so, give details thereof and also report if the company has defaulted in repayment of such loans raised</p>	
(x) IPO/ FPO/ Preferential Allotment/ Private Placement of securities	<p>a. whether moneys raised by way of initial public offer or further public offer (including debt instruments) during the year were applied for the purposes for which those are raised, if not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported;</p> <p>b. whether the company has made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year and if so, whether the requirements of section 42 and section 62 of the Companies Act, 2013 have been complied with and the funds raised have been used for the purposes for which the funds were raised, if not, provide details in respect of amount involved and nature of non-compliance</p>	<p>Whether moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those are raised. If not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported;</p> <p>Whether the company has made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and if so, as to whether the requirement of section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised. If not, provide the details in respect of the amount involved and nature of non-compliance (<i>Refer Clause xiv</i>)</p>
(xi) Reporting of fraud by/ on the company	<p>a. whether any fraud by the company or any fraud on the company has been noticed or reported during the year, if yes, the nature and the amount involved is to be indicated;</p> <p>b. whether any report under sub-section (12) of section 143 of the Companies Act has</p>	<p>whether any fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated</p>

	<p>been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government;</p> <p>c. whether the auditor has considered whistle-blower complaints, if any, received during the year by the company;</p>	
(xii) Payment of managerial remuneration	No such provision	<p>Whether managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act? If not, state the amount involved and steps taken by the company for securing refund of the same</p>
(xiii) Nidhi company	<p>a. whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1: 20 to meet out the liability;</p> <p>b. Whether the Nidhi Company is maintaining ten per cent. unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;</p> <p>c. whether there has been any default in payment of interest on deposits or repayment thereof for any period and if so, the details thereof</p>	<p>whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1: 20 to meet out the liability and whether the Nidhi Company is maintaining ten per cent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability</p>
(xiv) Related party transaction	whether all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act where applicable and the details have been disclosed in the financial statements, etc., as required by the applicable accounting standards	whether all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards
(xv) Internal audit	<p>a. whether the company has an internal audit system commensurate with the size and nature of its business;</p> <p>b. whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor;</p>	No such provision
(xvi) Non-cash transaction	whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether the provisions of section 192 of Companies Act have been complied with	whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether the provisions of section 192 of Companies Act, 2013 have been complied with
(xvii) Registration with Reserve Bank of India	<p>a. whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) and if so, whether the registration has been obtained;</p> <p>b. whether the company has conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (COR) from</p>	whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained

	<p>the Reserve Bank of India as per the Reserve Bank of India Act, 1934;</p> <p>c. whether the company is a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, if so, whether it continues to fulfil the criteria of a CIC, and in case the company is an exempted or unregistered CIC, whether it continues to fulfil such criteria;</p> <p>d. whether the Group has more than one CIC as part of the Group, if yes, indicate the number of CICs which are part of the Group</p>	
(xviii) Cash losses	whether the company has incurred cash losses in the financial year and in the immediately preceding financial year, if so, state the amount of cash losses	No such provision
(xix) Resignation of Statutory Auditors	whether there has been any resignation of the statutory auditors during the year, if so, whether the auditor has taken into consideration the issues, objections or concerns raised by the outgoing auditors;	No such provision
(xx) Capability of the company in meeting its liabilities	on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, the auditor's knowledge of the Board of Directors and management plans, whether the auditor is of the opinion that no material uncertainty exists as on the date of the audit report that company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date;	No such provision
(xxi) Transfer of unspent CSR amount to Fund specified in Schedule VII of the Companies Act, 2013	<p>a. whether, in respect of other than ongoing projects, the company has transferred unspent amount to a Fund specified in Schedule VII to the Companies Act within a period of six months of the expiry of the financial year in compliance with second proviso to sub-section (5) of section 135 of the said Act;</p> <p>b. whether any amount remaining unspent under sub-section (5) of section 135 of the Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance with the provision of subsection (6) of section 135 of the said Act;</p>	No such provision
(xxii) Qualified or adverse remarks in the consolidated financial statements	Whether there have been any qualifications or adverse remarks by the respective auditors in the Companies (Auditor's Report) Order (CARO) reports of the companies included in the consolidated financial statements, if yes, indicate the details of the companies and the paragraph numbers of the CARO report containing the qualifications or adverse remarks.	No such provision

9. Understanding Incremental Borrowing Rate

The lease liability reflects the obligation to make their lease payments, and the right-of-use asset represents the right to use the underlying asset for the lease term. In most of the situations, the new lease accounting guidance requires recognition by a lessee of a right-of-use asset and a lease liability on its balance sheet. The lease liability is measured as the present value of remaining lease payments. In general, each lease will require its own discount rate unless the lessee has elected to apply a portfolio approach. Our analysis will present the requirements for developing the discount rate according to the new lease accounting guidance, with a focus on determining the Incremental Borrowing Rate for lessees.

Initial Measurement of the Lease Liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the Interest Rate Implicit in the Lease (IRIL), if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's Incremental Borrowing Rate (IBR).

Interest Rate Implicit in the Lease

The rate of interest that causes the present value of – (a) the lease payments and (b) the unguaranteed residual value to equal the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor.

Lessee's Incremental Borrowing Rate

The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

IBR Determination – Key Factors

When determining an IBR specific to a lease, there are some below mentioned key factors to consider in analysis:

1. Lessee-specific Credit Risk:

As the IBR is lessee-specific, the analysis over creditworthiness of the lessee is the base consideration for determining the IBR. If the lessee already has an established credit rating from one of the major credit rating agencies (e.g., Standard & Poor's or Moody's), that credit rating will be used to determine the base credit-risk profile of the lessee for IBR analysis. Alternatively, if lessee do not have an established credit rating, the Valuer will need to assign a rating to a firm based upon its liquidity and solvency financial ratios; this rating is called a synthetic rating. A synthetic credit rating can be determined using any of widely used approaches which includes linear regression, an Ordered Logit Model, Damodaran's Model or Moody's online credit rating tool. Once the credit rating is available, this rating can be used as the starting point for the credit-risk component of the IBR.

Adjustments to the Rating:

The public company ratings used in this analysis are “issuer ratings,” and therefore correspond to a senior unsecured rating. It needs to adjust the Company's senior unsecured issuer rating upward by one or two notches in order to arrive at the secured credit rating (one if BBB- or better, two if lower). Refer to “Notching Corporate Instrument Ratings Based on Differences in Security and Priority of Claim,” Moody's Investors Service published on October 26th, 2017.

The next step is to map the concluded secured rating into an appropriate yield curve. The output of this analysis is a yield curve, with varying rates corresponding to different maturities. The computed synthetic credit rating will be translated into an IBR by considering the Corporate Composite Yield Curve which is generally sourced from databases like Bloomberg or S&P Capital IQ. The Corporate Composite Yield Curve reflects the yields-to-maturity prevailing in the public debt market across a spectrum of geographies and maturities. Therefore, the Valuer may need to correct variation in order to get to an accurate IBR. When applying a credit-spread adjustment to the IBR, the Valuer should consider the term structure of the IBR curve and the nature of credit spreads varying by term.

Additionally, the lessee credit risk should be carefully considered for all leases that require an IBR calculation for a company. Specifically, applying the corporate parent's credit-risk profile to one of its subsidiaries is generally appropriate if the corporate parent assumes a guarantor relationship with the subsidiary. Understanding the guarantor relationship is a critical step in determining the IBR because it affects the scope of work for lessees. Consider, if a corporate parent guarantees the leases for all of its subsidiaries, then only the corporate parent's creditworthiness needs to be considered in the IBR calculation (not the subsidiaries' credit risk).

The alternative scenario, where the corporate parent is not the guarantor for its subsidiaries, requires the development of a specific subsidiary's credit-risk profile in determining the IBR.

2. Amount of the Lease Payments:

Since the discounted outstanding lease payments will be reported on the balance sheet as a liability, they will have an impact on the amount of the lessee's debt obligations. To the extent that the lease payments have a significant impact on the capital structure of the lessee, one should consider the increased credit-risk profile due to this increase in debt obligations. On the other hand, if the amount of the lease payments is insignificant compared to the lessees existing debt obligations, a risk adjustment to consider this component may be negligible.

3. Collateralized Nature of the IBR:

The IBR is on a collateralized, or secured, basis. Therefore, the rate should reflect the belief that the lessee can pledge its assets in the instance that it defaults on its lease payments. This is unique compared to unsecured debt, which typically has no recourse when the obligor defaults. Therefore, the IBR, on a secured basis, will typically command a lower rate of return compared to its unsecured counterpart. Market rates that reflect the lessee's credit-risk profile are generally on an unsecured basis. Therefore, an adjustment is needed to convert the market rates to reflect a secured borrowing rate for the lessee.

4. Currency of the Lease

The IBR applicable for each lease should be specific to the currency in which it is denominated. Suppose the Company has both USD and EUR leases, we require two separate yield curves. Accordingly, we first calculate the credit spread applicable to the USD-based yield curve (i.e., the premium over a USD risk-free rate). Next, we apply that credit spread to the EUR risk-free rates to determine the EUR-based curve (note that as of this time period, EUR-based risk-free rates were less than USD rates).

Last, the IBR specific to an individual lease of the Company would be determined based on the remaining term and currency of the lease, where the term is interpolated into the relevant curve to derive an appropriate yield.

5. The Term of the Lease

The term of the lease must also be taken into consideration when determining an appropriate IBR, as risks vary, depending on the length of time due to interest-rate risk and other factors that affect a yield curve's term structure. The IBR applicable for each lease should be specific to the remaining term of the lease. For example, given a typical upward sloping yield curve, a longer-term lease would have a higher IBR, all else equal.

Depending on the cycle of the economy and the general shape of the interest-rate curve, the discount rate is expected to differ based on the term. The entity should consider this in the determination of the IBR in order to reflect the risk profiles of leases appropriately. In other words, a lease with one year remaining should have a different IBR than a lease with ten years remaining because the risks are different.

6. Reassessment of the Discount Rate

Generally, a reassessment of the discount rate is required if any of the above components have changed since the initial determination of the IBR. It's important to assess how to determine the IBR on a forward basis when new leases are entered into after the implementation date.

The analysis and evaluation of each of aforementioned key factors requires significant professional judgment and proficiency. One must carefully consider the factors defined and seek assistance from Proxcel's Valuation Team due to the nuances and differing interpretations. Proxcel is committed to provide reliable deliverables and customized reports for Client's unique financial reporting needs based on our up-to-date knowledge of accounting and tax compliance issues, regulatory changes and the latest valuation developments.

Monthly Compliance Calendar March'2020

07 Mar TDS/TCS LIABILITY DEPOSIT Due date of depositing TDS/ TCS liabilities for previous month.	10 Mar GSTR-7 TDS/GSTR-8 TCS Due date for filing of GST Return for TDS deductor/TCS collector under GST Act.	11 Mar GSTR-1 RETURN FILLING DUE DATE GST returns Filing by registered person with aggregate turnover more than 1.50 crores	13 Mar GSTR-6 RETURN FILLING DUE DATE Due Date of filing return by Input Service Distributors for previous month
15 Mar FORM 16 B & 16C – Due date of issue of TDS certificate under Section 194-IA & Section 194-IB	15 Mar DUE DATE OF ADVANCE TAX Due date for payment of 4 th Instalment of Advance Tax for FY 2018-19.	15 Mar PROVIDENT FUND / ESI DUE DATES Due date for payment of Provident fund and ESI contribution for the previous month	20 Mar GSTR-5 & 5A (NON RESIDENT TAXABLE PERSON & OIDAR) Due date of filing return by Non Resident Taxable Person & OIDAR for previous month.
20 Mar GSTR-3B RETURN FILING DUE DATE Due date of GSTR-3B (for Prescribed State Taxpayers Whose turnover Exceeds 1.5 Crore) for the Previous month.	25 Mar EPF RETURN Due date for filing of EPF Return.	30 Mar CHALLAN CUM STATEMENT FOR TDS UNDER SEC 194-IA Due Date of filing of TDS return by the person deducting TDS under Section 194-IA.	31 Mar GSTR-9 and 9C FOR FY 2018-19 Taxpayers whose aggregate turnover in a financial year exceeds Rs 2 Crores need to file GSTR-9C

About Us

Proxcel is in specialized corporate advisory with a vision to deliver professional excellence in the field of corporate financial and management consultancy. We offer range of integrated professional services to help entrepreneurs set up businesses and constantly grow by leveraging all opportunities smoothly through advising them on the right financial and legal strategies for expansion.

Our Services include business set up services in India and outside India, business valuations for merger & acquisitions and in line with global regulatory compliance, financial re- porting, corporate law advisory, international taxation, direct and indirect tax advisory, internal and external audit etc.

Our Expert Team while sharing a common vision, belong to diverse technical, business and legal backgrounds and comprise of Chartered accountants, Chartered financial Analysts (US), Company Secretaries, Cost Accountants, Lawyers and Engineers. We deploy specialized and multidisciplinary teams to serve assignments requiring specific skills. This enables us to work proactively and closely with clients and respond effectively to their needs in a highly focused manner, which in today's fast changing business environment is quite crucial to a client's success.

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