

# M&R NewsBites

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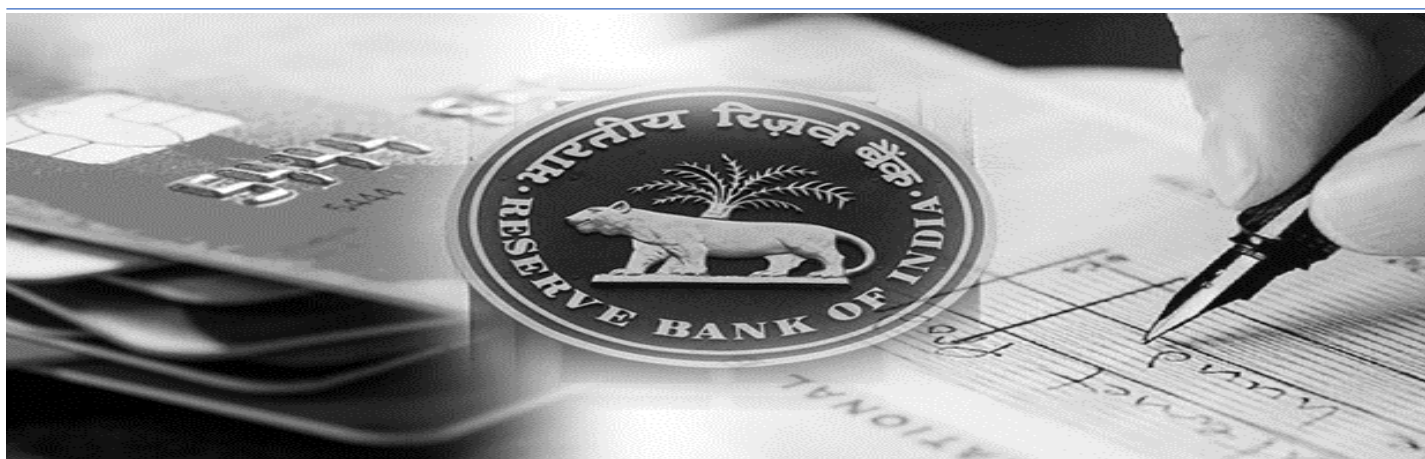
1. Amendment in application for incorporation of company in e-form INC 35.
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3. Amendment of Ind AS through the Companies (Indian Accounting Standard) Amendment Rules, 2021.
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1. Cost Inflation Index for FY 2021-22.
2. Section 194Q on Purchase of Goods.
3. Introduction of new TDS & TCS provisions- 206AB & 206CCA.
4. Government grants further extension in timelines of compliances. Also announces tax exemption for expenditure on Covid treatment and ex-gratia received on death due to Covid.
5. New section 9B and sub-section (4) of section 45 pertaining to receipt of any capital asset or stock in trade or both from a specified entity by a specified person inserted.

### Indirect Tax Updates:

1. Reduction in GST rates on Covid Related Goods/Services.
2. Clarification on various GST issues as recommended by GST council in its 43rd Meeting.



## RBI UPDATES

### 1. Resolution Framework -2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses – Revision in the threshold for aggregate exposure

The RBI with reference to its circular DOR.STR.REC.11/21.04.048/2021-22, dated May 5, 2021 had clarified that the eligible borrowers who may be considered for resolution under the framework include the following :

(b) Individuals who have availed loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than INR 25 crore as on March 31, 2021.

(c) Small businesses, including those engaged in retail and wholesale trade, other than those classified as MSME as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than INR 25 crore as on March 31, 2021.

This limit of INR 25 Crore has been enhanced to INR 50 Crores. The other provisions of the circular remain unchanged.

### 2. Resolution Framework -2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) – Revision in the threshold for aggregate exposure

Circular DOR.STR.REC.12/21.04.048/2021-22, dated May 5, 2021 states that MSME accounts having aggregate exposure not exceeding INR 25 Crores as on March 31 2021 are eligible for restructuring under the framework. It has now been decided to enhance this limit from INR 25 Crores to INR 50 Crores.

### 3. Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021

The directions on Certificate of Deposit (CD) are as follows. These Directions have come into force with effect from June 07, 2021.

Eligible issuers: CDs may be issued by Scheduled Commercial Banks, Regional Rural Banks and Small Finance Banks. CDs issued by the All-India Financial Institution shall be guided by the Directions contained in Master Circular No. FID.FIC.1/01.02.00/2015-16 issued by the Reserve Bank on Resource Raising Norms for Financial Institutions dated July 01, 2015, as amended from time to time.

All persons resident in India are eligible to invest in CDs.

#### General Guidelines:

a) CDs should be in dematerialized form. It shall be issued with a minimum denomination of INR 5 lakhs and in multiples of INR 5 Lakhs thereafter with a tenure not less than 7 days and shall not exceed 1 year.

- b) CDs may be issued at a discount to the face value. CDs may also be issued on a fixed / floating rate basis provided the interest rate on the floating rate CD is reset at periodic rests agreed to at the time of issue. The settlement cycle for OTC trades in CDs shall be T+0 or T+1.
- c) Buyback of CDs shall be at the prevailing market price and CDs bought back, partially or in full, shall be extinguished.
- d) Market timings shall be 9:00 AM to 5:00 PM on business days or as specified by RBI.

**Reporting requirements:**

- a) Details of primary issuance of a CD shall be reported by the issuer to the Trade Repository (TR) by 5.30 PM on the day of issuance or as decided by the Reserve Bank from time to time.
- b) All secondary market transactions executed in OTC market and/or on the recognised stock exchanges in CDs shall be reported, with time stamp, within 15 minutes of execution (the time when price is agreed) on the F-TRAC platform by each counterparty to the transaction.
- c) Details of the buyback of a CD shall be reported by the issuer on the F-TRAC platform by 5.30 PM on the day of buyback.
- d) The depositories shall report to the Reserve Bank, the details of the CDs held with them in the dematerialised form, in the prescribed format furnished in Annex I, at fortnightly intervals (on the 15th day and on the last day of the month) and as and when called upon to do so by the Reserve Bank.

In case of any violations the Reserve Bank may, in addition to taking any penal or regulatory action in accordance with law, disallow that person or agency from dealing in the CD market for a period not exceeding

one month at a time, after providing reasonable opportunity to the person or agency to defend its actions, and such action will be made public by the Reserve Bank.

**4. Risk based Internal Audit (RBIA) - Applicability extended to Housing Finance Companies**

As per [circular Ref. No. DoS.CO.PPG/SEC.05/11.01.005/2020-21 dated February 03, 2021](#), RBIA was mandated for all deposit taking NBFCs, irrespective of their size, all Non-deposit taking NBFCs (including Core Investment Companies) with asset size of INR 5,000 crore and above and all UCBs having asset size of INR 500 crore and above. It has been decided that the provisions of the aforesaid circular shall be applicable to Housing Finance Companies (HFCs) also, as stipulated below:

- a) All deposit taking HFCs, irrespective of their size
- b) Non-deposit taking HFCs with asset size of ₹5,000 crore and above



## SEBI UPDATES

### 1. Potential Risk Class Matrix for debt schemes based on Interest Rate Risk and Credit Risk

SEBI has advised the Mutual Funds that all debt schemes also be classified in terms of a Potential Risk Class matrix (PRC) consisting of parameters based on maximum interest rate risk (measured by Macaulay Duration (MD) of the scheme) and maximum credit risk (measured by Credit Risk Value (CRV) of the scheme)

This circular would come into force from December 01, 2021.

### 2. Relaxation from the requirement of minimum vesting period in case of death of employee(s) under SEBI (SBEB) Regulations, 2014

The provisions under the SBEB Regulations relating to minimum vesting period of one year shall not apply in case of death (for any reason) of an employee and in such instances all the options, stock appreciation rights or any other benefit granted to such employee(s) shall vest with his/her legal heir or nominee on the date of death of the employee.

This relaxation shall be available to all such employees who have deceased on or after April 01, 2020.

### 3. Automation of Continual Disclosures under Regulation 7(2) of SEBI (Prohibition of Insider Trading) Regulations, 2015- System driven disclosures for inclusion of listed Debt Securities

As per this notification, listed debt securities of equity listed companies must also be disclosed under the purview of the said System Driven Disclosures. Further, the procedure for implementation of System Driven Disclosures shall also be applicable for the listed Debt Securities.

The Depositories and Stock Exchanges shall make necessary arrangements for disclosures pertaining to listed Debt Securities along with equity shares and equity derivative instruments with effect from July 01, 2021 on their respective websites.

### 4. Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021

- a) These regulations shall apply to delisting of equity shares of a company including equity shares having superior voting rights from all or any of the recognised stock exchanges where such shares are listed.
- b) These regulations are not applicable to delisting of shares:
  - i. that have been listed and traded on the innovator's growth platform of a recognised stock exchange without making a public issue or
  - ii. made pursuant to a resolution plan approved under section 31 of the Insolvency Code, if such plan provides for:

- delisting of such shares; or
- an exit opportunity to the existing public shareholders at a specified price.

c) The Regulations also specify that:

- Existing public shareholders shall be provided the exit opportunity at a price which shall not be less than the price, by whatever name called, at which a promoter or any entity belonging to the promoter group or any other shareholder, directly or indirectly, is provided an exit opportunity.
- Details of delisting of such shares along with the justification for the exit price in respect of the proposed delisting shall be disclosed to the recognized stock exchange(s) where the shares are listed within one day of approval of the resolution plan under section 31 of the Insolvency Code.

The Regulations also cover the following aspects:

- Conditions for delisting
- Different situations under which delisting can happen and the procedure for the same like:
  - Voluntary delisting
  - Compulsory delisting
  - Special Provisions for Small Companies
  - Special Provisions for Companies Listed on Innovators Growth Platform
  - Special Provisions for a Subsidiary Company Getting Delisted through a Scheme of Arrangement wherein the Listed Holding Company and the Subsidiary Company are in the same line of business
  - Special Provision for Delisting by operation of Law

For the detailed regulation, please refer link below:

[https://www.sebi.gov.in/legal/regulations/jun-2021/securities-and-exchange-board-of-india-delisting-of-equity-shares-regulations-2021\\_50517.html](https://www.sebi.gov.in/legal/regulations/jun-2021/securities-and-exchange-board-of-india-delisting-of-equity-shares-regulations-2021_50517.html)



## COMPANY LAW UPDATES

### 1. Amendment in application for incorporation of company in e-form INC 35

- a) As per Rule 38A of Companies (Incorporation) Rules, 2014, previously, only registration of bank account was included in the application for incorporation of company. However, there has been an amendment to include registration under the Shops and Establishments. Thereby, all applications for incorporation of a company filed on or after June 7, 2021, shall include opening of bank account and shops & establishment registration.
- b) Accordingly, the form AGILE – PRO has now been amended to AGILE -PRO-S to include the registration under Shops & Establishment.

Refer to the attached form for details:



### 2. Omission of Rule 4 on matters not to be dealt in a meeting through video conferencing or other audio-visual means

- a) As per Rule 4 Companies (Meetings of Board and its Powers) Rules, 2014, following matters shall not be dealt with in any meeting held through video conferencing or other audio-visual means:
  - i. The approval of the annual financial statements;
  - ii. The approval of the Board's report;
  - iii. The approval of the prospectus;
  - iv. The audit committee meetings for consideration of accounts consideration of financial statement including consolidated financial statement, if any, to be approved by the Board under subsection (1) of section 134 of the Act;
  - v. The approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover.
- b) However, given the current circumstances of the Covid-19 and the uncertainties involved in carrying out normal business operations in person, the MCA has omitted this rule. With this, relaxation has been provided to conduct meetings through video conferencing or other audio-visual means to transact the above-mentioned items.

### 3. Amendment of Ind AS through the Companies (Indian Accounting Standard) Amendment Rules, 2021

Key highlights on the new Companies (Indian Accounting Standard) Amendment Rules, 2021

- a) **Ind AS 116 Leases** – The amendments extend the benefits of the COVID 19 related rent concession that were introduced last year (which allowed lessees to recognize covid 19 related rent concessions as income rather than as lease modification) from June 30, 2021 to June 30, 2022.
- b) **Ind AS 109 Financial Instruments** – The amendment provides a practical expedient for assessment of contractual cash flow test, which is one of the criteria for being eligible to measure a financial asset at amortised cost, for the changes in the financial assets that may arise as a result of Interest Rate Benchmark Reform along. Additional temporary exceptions from applying hedge accounting are also added for Interest Rate Benchmark Reform.
- c) **Ind AS 101 Presentation of Financial Statements**– The amendment substitutes the item (d) mentioned in paragraph BI as ‘Classification and measurement of financial instruments. The term ‘financial asset’ has been replaced with ‘financial instruments’.
- d) **Ind AS 102 Share Based Payment** - The amendments to this standard are made in reference to the Conceptual Framework of Financial Reporting under Ind AS in terms of defining the term ‘Equity Instrument’ which shall be applicable for the annual reporting periods beginning on or after April 01, 2021.
- e) **Ind AS 103 Business Combinations** –The amendment substitutes the definition of ‘assets’ and ‘liabilities’ in accordance with the definition given in the Framework for the Preparation and Presentation of Financial Statements in accordance with Ind AS for qualifying the recognition criteria as per acquisition method.
- f) **Ind AS 104 Insurance Contracts**–The amendment covers the insertion of certain paragraphs in the standard in order to maintain consistency with IFRS 4 and also incorporates the guidance on accounting treatment for amendments due to Interest Rate Benchmark Reform.
- g) **Ind AS 105 Non-current assets held for sale and discontinued operations** –Prior to the Amendment, the definition of “Recoverable Amount” was given as, “The higher of an asset’s fair value less costs to sell and its value in use”. This term “fair value less costs to sell”, has now been substituted with “Fair Value less Cost of Disposal”
- h) **Ind AS 106 Exploration for and evaluation of mineral resources** – The amendment has been made in reference to the Conceptual Framework for Financial Reporting under Indian Accounting Standards in respect of expenditures that shall not be recognized as exploration and evaluation assets.
- i) **Ind AS 107 Financial Instruments: Recognition, Presentation and Disclosure** – The amendment clarifies certain additional disclosures to be made on account of Interest Rate Benchmark Reform like (i) the nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform, (ii) the entity’s progress in completing the transition to alternative benchmark rates, and how the entity is managing the transition.
- j) **Ind AS 111 Joint Arrangements** – In order to maintain consistency with the amendments made in Ind AS 103, certain changes have been made in Ind AS 111.
- k) **Ind AS 114 Regulatory Deferral Accounts** – The amendment clarifies that an entity may only change its accounting policies for the recognition, measurement, and impairment and derecognition of regulatory deferral account balances if the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable.
- l) **Ind AS 115 Revenue from Contracts with Customers** – Certain amendments have been made in order to maintain consistency with number of paragraphs of IFRS 15.



- m) **Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – In order to maintain consistency with the amendments made in Ind AS 114 and to substitute the word ‘Framework’ with the ‘Conceptual Framework of Financial Reporting in Ind AS’, certain changes have been made in the standard.
- n) **Ind AS 16 Property, Plant and Equipment** –The amendment has been made by substituting the words ‘Recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use’ with ‘Recoverable amount is the higher of an asset’s fair value less costs of disposal and its value in use’.
- o) **Ind AS 34 Interim Financial Reporting** –The amendments to this standard are made in reference to the conceptual Framework of Reporting in Ind AS.
- p) **Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets**–The amendment substitutes the definition of term ‘Liability’ as provided in the Conceptual Framework for Financial Reporting under Indian Accounting Standards.
- q) **Ind AS 38 Intangible Assets** - The amendment substitutes the definition of term ‘Asset’ as provided in the Conceptual Framework for Financial Reporting under Indian Accounting Standards.

#### 4. Expansion of the definition of small and medium companies (SMC)

The ministry of corporate affairs has expanded the definition of small and medium companies (SMC), raising their turnover and borrowing limits. This would enable a wider set of companies to avail of greater flexibility in the accounting standards.

The notification defines small and medium companies as unlisted entities which have a turnover of up to INR 250 crore **and** borrowings up to Rs 50 crore in the immediately preceding accounting year.

This definition excludes Banks, Financial Institutions and Insurance Firms

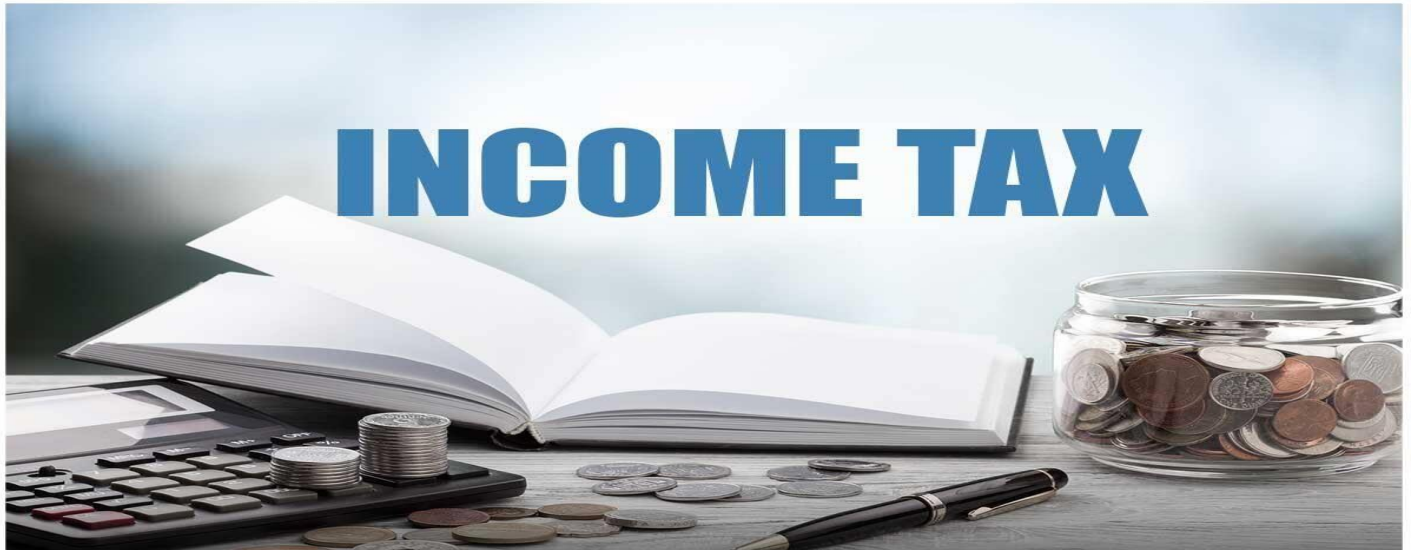
The threshold has been INR 50 crore and INR 10 crore for turnover and borrowings under the general accounting standards.

SMC which is a holding company or subsidiary company of a non-SMC will not qualify as a small and medium company.

The notification contains accounting standards tailored for the needs and capabilities of smaller businesses and acts as a common set of accounting standards that will be mandatory in its application to SMC in preparing its general-purpose financial statements. These accounting standards for SMC involve less complexity in its application in terms of the number of required disclosures which are less onerous

An existing company which was not a small and medium company previously but became so subsequently would not be able to avail of any exemptions in accounting standards. It can avail of these exemptions if it continues as a small and medium company for two consecutive accounting periods.

The limits are in line with a similar increase in threshold done by ICAI (Institute of Chartered Accountants of India) for non-corporate entities. For companies which have a turnover of less than Rs 500 crore and net worth of less than Rs 250 crore, the general-purpose accounting standards of ICAI apply. Rest of the companies follow the Indian accounting standards (IndAS).



## DIRECT TAX UPDATES

### 1. Cost Inflation Index for FY 2021-22

Central govt notifies cost inflation index for FY 2021-2022 to be **317**. This shall come into force from first day of April, 2022 and shall accordingly apply to the Assessment Year 2022-2023 and subsequent years.

### 2. Section 194Q on Purchase of Goods

A person (Purchaser) will be liable to deduct TDS if-

- i. His Total Sales/ Gross Receipts/ Turnover during the immediately preceding Financial Year exceeds INR 10 crores. AND
- ii. Purchaser purchases goods of value or aggregate of such value exceeding Rs.50 Lakhs in any previous year from a Seller AND
- iii. Purchase is made from a Resident Supplier.

**Rate of TDS: 0.1% of Total Value of Transaction.**

Time Limit for deduction of TDS: Earlier of payment or Credit to Account of Seller. Proviso to said section clarifies that even if the amount is credited to any account whether it be Suspense or any other, such credit shall be deemed to be Credited to Account of Seller and TDS shall apply accordingly.

Cases when TDS is not deductible:

- If TDS is deductible under any other provision or
- TCS is collectible under section 206C [excluding 206C(1H)]

### 3. Introduction of new TDS & TCS provisions- 206AB & 206CCA

The Finance Act, 2021 has introduced two new sections which will come into effect w.e.f July 01, 2021. This affects non-filers of Income Tax Return.

Section 206AB deals with deduction of tax (TDS) at a higher rate whereas Section 206CCA deals with the collection of tax (TCS) at a higher rate.

- a) As per these sections (206AB & 206CCA), the rate of TDS/TCS shall be at the double of the normal rate or 5%, whichever is higher for all the payments to be made by any entity (company, partnership firm, LLP, individual,

HUF, trust, AOP, BOI liable to deduct TDS under the Income Tax Act and holding a valid TAN) to certain specified vendors who fall under the conditions specified by the two new sections.

- b) The specified conditions include those of the following persons who fulfil both conditions:
- i. Any person (individual, partnership firm, company, LLP, trust, AOP, BOI, etc) who has not filed returns of income for two years immediately prior (For FY 2021-22 this would include FY 2019-20 & FY 2020-21. Since the FY 2020-21 are still not due, i.e., time limit to file return under the Act has not yet expired, the two previous years would be FY 2018-19 and FY 2019-20).
  - ii. Such person has a TDS/TCS credit equal to or greater than INR 50,000 in the two such previous years as mentioned in point (a) above.
- c) If the vendors satisfy the two conditions aforementioned, the TDS/TCS rate shall be **twice the normal rates or 5%, whichever is higher**.
- d) If the vendor satisfies the condition but the deductor (i.e., your company/enterprise) fails to deduct the tax at higher rates, then the deductor shall be liable for non-compliance of TDS provisions.
- e) The tax deductor or tax collector is required to do a due diligence of satisfying himself if the deductee or the collectee is a specified person. This can lead to extra compliance burden. So, to ease this burden the CBDT has made a new functionality “Compliance check for Sections 206AB & 206CCA”.
- f) Principal Officers of tax deductors & collectors who are registered with the Reporting Portal through TAN can use the functionality through the reporting portal of Income Tax Department <https://report.insight.gov.in>.

The deductor or the collector may check the PAN in the functionality at the beginning of the FY and then he is not required to check PAN of non-specified person he deals with. The list would be drawn afresh at the start of each FY and the above process have to be repeated.

Note: The specified persons shall not include a non-resident who does not have a permanent establishment in India. Tax deductors and collectors are expected to carry out necessary due diligence in respect of a specified person established by the above referred functionality to consider him as non-specified, if he falls under these provisos.

#### 4. Government grants further extension in timelines of compliances. Also announces tax exemption for expenditure on Covid treatment and ex-gratia received on death due to Covid

##### a. Tax exemption

- i. Financial help from employers and well-wishers received by a tax payer for meeting the expenses incurred for treatment of Covid-19 during FY 2019-20 and subsequent years.
- ii. In order to provide relief to the family members of such taxpayer, it has been decided to provide income-tax exemption to ex-gratia payment received by family members of a person from the employer of such person or from other person on the death of the person on account of Covid-19 during FY 2019-20 and subsequent years. The exemption shall be allowed without any limit for the amount received from the employer and the exemption shall be limited to INR 10 lakh in aggregate for the amount received from any other persons.

##### b. Extension of Timelines

Sl. No	Particulars	Actual Due Date	Extended Due Date
1	Objections to Dispute Resolution Panel (DRP) and Assessing Officer under section 144C of the Income-tax Act, 1961	June 01, 2021 or thereafter	Within the time provided in that section or by August 31, 2021, whichever is later.

2	The Statement of Deduction of Tax for the last quarter of the Financial Year 2020-21 under Rule 31A	On or before May 31, 2021	On or before July 15, 2021
3	The Certificate of Tax Deducted at Source in Form No.16, required to be furnished to the employee under Rule 31 of the Rules	By June 15, 2021	On or before July 31, 2021
4	The Statement of Income paid or credited by an investment fund to its unit holder in Form No. 64D for the Previous Year 2020-21, under Rule 12CB of the Rules	On or before June 15, 2021	On or before July 15, 2021
5	The Statement of Income paid or credited by an investment fund to its unit holder in Form No. 64C for the Previous Year 2020-21, under Rule 12CB of the Rules	On or before June 30, 2021	On or before July 31, 2021
6	The application under Section 10(23C), 12AB, 35(1)(ii)/(iia)/(iii) and 80G of the Act in Form No. 10A/ Form No.10AB, for registration/ provisional registration/ intimation/ approval/ provisional approval of Trusts/ Institutions/ Research Associations etc.,	On or before June 30, 2021	On or before August 31, 2021
7	The compliances to be made by the taxpayers such as investment, deposit, payment, acquisition, purchase, construction or such other action, by whatever name called, for the purpose of claiming any exemption under the provisions contained in Section 54 to 54GB of the Act	For which the last date of such compliance falls between April 01, 2021 to September 29, 2021 (both days inclusive)	May be completed on or before September 30, 2021
8	The Quarterly Statement in Form No. 15CC to be furnished by authorized dealer in respect of remittances made for the quarter ending on 30th June, 2021, required to be furnished under Rule 37 BB of the Rules	On or before July 15, 2021	On or before July 31, 2021
9	The Equalization Levy Statement in Form No. 1 for the Financial Year 2020-21, which is required to be filed	On or before June 30, 2021	On or before July 31, 2021
10.	The Annual Statement required to be furnished under sub-section (5) of section 9A of the Act by the eligible investment fund in Form No. 3CEK for the Financial Year 2020-21	On or before June 29, 2021	On or before July 31, 2021
11.	Uploading of the declarations received from recipients in Form No. 15G/15H during the quarter ending 30th June, 2021	On or before July 15, 2021	On or before August 31, 2021
12.	Exercising of option to withdraw pending application (filed before the erstwhile Income Tax Settlement Commission) under sub-section (1) of Section 245M of the Act in Form No. 34BB	Which is required to be exercised on or before June 27, 2021	May be exercised on or before July 31, 2021
13.	Last date of linkage of Aadhaar with PAN under section 139AA of the Act	June 30, 2021	August 31, 2021

14.	Last date of payment of amount under Vivad se Vishwas (without additional amount)	June 30, 2021	August 31, 2021
15.	Last date of payment of amount under Vivad se Vishwas (with additional amount)	-	October 31, 2021
16.	Time Limit for passing assessment order	June 30, 2021	September 30, 2021
17.	Time Limit for passing penalty order	June 30, 2021	September 30, 2021
18.	Time Limit for processing Equalisation Levy returns	June 30, 2021	September 30, 2021

## 5. New section 9B and sub-section (4) of section 45 pertaining to receipt of any capital asset or stock in trade or both from a specified entity by a specified person inserted

This section mandates that whenever a specified person receives any capital asset or stock in trade or both from a specified entity, during the previous year, in connection with the dissolution or reconstitution of such specified entity, then it shall be deemed that the specified entity has transferred such capital asset or stock in trade or both, as the case may be, to the specified person.

This deemed transfer would be in the year in which such capital asset or stock in trade or both are received by the specified person.

Any profits and gains arising from such deemed transfer is deemed to be the income of such specified entity of the previous year in which such capital asset or stock in trade or both were received by the specified person. Further, it is chargeable to income-tax as income of such specified entity under the head "Profits and gains of business or profession" or under the head "Capital gains", in accordance with the provisions of this Act.

The fair market value of the capital asset or stock in trade or both, on the date of its receipt by the specified person, shall be deemed to be the full value of the consideration received

The Finance Act 2021 also substituted sub-section (4) of section 45 of the Act.

This newly substituted sub-section (4) now provides that where a specified person receives any money or capital asset or both from a specified entity, during the previous year, in connection with the reconstitution of such specified entity, then any profits or gains arising from receipt of such receipt by the specified person shall be chargeable to income-tax as income of the specified entity under the head "Capital gains".

It has been further deemed that this income shall be the income of the specified entity of the previous year in which such money or capital asset or both were received by the specified person. A formula to calculate such profits and gains has also been provided in this subsection.

It has been further clarified that when a capital asset is received by a specified person from a specified entity in connection with the reconstitution of such specified entity, the provisions of sub-section (4) of section 45 of the Act shall operate in addition to the provisions of section 9B of the Act and the taxation under the said provisions thereof shall be worked out independently. Both, the new section 9B and substituted sub-section (4) of section 45 are applicable for the assessment year 2021-22 and subsequent assessment years.

This section has defined "specified person" as a person, who is a partner of a firm or member of other association of persons or body of individuals (not being a company or a co-operative society) in any previous year and

"Specified entity" as a firm or other association of persons or body of individuals (not being a company or a co-operative society);

[https://www.incometaxindia.gov.in/communications/circular/circular\\_14\\_2021.pdf](https://www.incometaxindia.gov.in/communications/circular/circular_14_2021.pdf)



## INDIRECT TAX UPDATES

### 1. Reduction in GST rates on Covid Related Goods/Services

Concessional rate of GST on Goods and services being used in Covid-19 relief and management: Reduced rates are applicable from **June 14, 2021 to September 30, 2021**.

Notification No	Particulars	Rate of Tax
04/2021 Central Tax (Rate) Dt June 14, 2021	Construction services with respect to structure for funeral, burial or cremation of deceased	5%
05/2021 Central Tax (Rate) Dt June 14, 2021	<ul style="list-style-type: none"> <li>- Medical Grade Oxygen</li> <li>- Remdesvir</li> <li>- Heparin (anti-coagulant)</li> <li>- Covid-19 testing kits</li> <li>- Inflammatory Diagnostic (marker) kits, namely- IL6, D-Dimer, CRP (C-Reactive Protein), LDH (Lactate De-Hydrogenase), Ferritin, Pro Calcitonin (PCT) and blood gas reagents</li> <li>- Hand Sanitizer</li> <li>- Helmets for use with non-invasive ventilation Gas/Electric/other furnaces for crematorium</li> <li>- Pulse Oximeter</li> <li>- High flow nasal canula device</li> <li>- Oxygen Concentrator/ generator</li> <li>- Ventilators</li> <li>- BiPAP Machine, Non-invasive ventilation nasal or oronasal masks for ICU ventilators, Canula for use with ventilators,</li> <li>- Temperature check equipment</li> </ul>	5%
	<ul style="list-style-type: none"> <li>- Tocilizumab</li> <li>- Amphotericin B</li> </ul>	NIL
	<ul style="list-style-type: none"> <li>- Ambulance</li> </ul>	12%

## 2. Clarification on various GST issues as recommended by GST council in its 43rd Meeting

Circular No & Dt	Clarification
149/05/2021-GST Dt 17/06/2021	<p>Services provided to an educational institution by way of serving of food (catering including mid- day meals) is exempt from levy of GST irrespective of its funding from government grants or corporate donations [under said entry 66 (b)(ii)].</p> <p>Educational institutions as defined in the notification include aganwadi. Hence, serving of food to anganwadi shall also be covered by said exemption, whether sponsored by Government or through donation from corporates.</p>
150/05/2021-GST Dt 17/06/2021	Consideration received in annuity or deferred payments for services by way of construction of road falling under the heading 9954 is not exempt from GST
151/05/2021-GST Dt 17/06/2021	<p>(i) GST is exempt on services provided by Central or State Boards (including the boards such as NBE) by way of conduct of examination for the students, including conduct of entrance examination for admission to educational institution [under S. No. 66 (aa) of notification No. 12/2017-CT(R)]. Therefore, GST shall not apply to any fee or any amount charged by such Boards for conduct of such examinations including entrance examinations.</p> <p>(ii) GST is also exempt on input services relating to admission to, or conduct of examination, such as online testing service, result publication, printing of notification for examination, admit card and questions papers etc, when provided to such Boards [under S. No. 66 (b) (iv) of notification No. 12/2017- CT(R)].</p> <p>(iii) GST at the rate of 18% applies to other services provided by such Boards, namely of providing accreditation to an institution or to a professional ( accreditation fee or registration fee such as fee for FMGE screening test) so as to authorize them to provide their respective services</p>
152/05/2021-GST Dt 17/06/2021	GST @ 18% is applicable on works contract services provided to a Government Entity, by way of construction such as rope way.
153/05/2021-GST Dt 17/06/2021	Clarification on GST on milling of wheat flour or paddy into rice for distribution by State Government under Public Distribution System
154/05/2021-GST Dt 17/06/2021	Guaranteeing of loans by Central or State Government for their undertaking or PSU is exempt from GST

[www.manian-rao.com](http://www.manian-rao.com)

**Address:****Bangalore**

#361, First Floor, 7<sup>th</sup> Cross, 1<sup>st</sup> Block,  
Jayanagar, Bangalore – 560011  
Phone: +91 80 26569500 / 9501

**Chennai**

# 4, Easwaran Koil Street  
Old Pallavaram,  
Chennai – 60017  
Phone: +91 44 22641404

**Madurai**

# 110, First Floor  
Old No 85, 4<sup>th</sup> Street  
Harvey Nagar, Arasaradi  
Madurai – 625016  
Phone: +91 452 2343630

**Key Contacts****Paresh Daga**

Senior Partner  
paresh@manian-rao.com

**R Srikanth**

Senior Partner  
srikanth@manian-rao.com

**Ravindra C**

Partner  
ravindra@manian-rao.com

**Pallavi V Rao**

Partner  
pallavi@manian-rao.com

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