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## **FINANCE BILL 2020: PASSED BY THE PARLIAMENT**

Finance Bill 2020 was presented by the Finance Minister on February 1, 2020 and suggestions were invited from various stake holders. Clarifications were also issued where necessary. The Parliament on March 23, 2020 passed the bill with certain changes when compared to the Finance bill tabled on February 1, 2020.

### **The Key Changes are summarised below:**

#### **A. Tax Residency of Individuals:**

<b>Proposed by Finance Bill</b>	<b>Finance Bill as passed by Parliament</b>
1. Treatment of Indian citizens and Persons of Indian Origin as Resident in India if period of stay is 120 days or more in that Financial Year.	Indian citizens and Person of Indian Origin will be treated as “Resident in India” only if period of stay is 120 days or more and total Income of such Individual exceeds INR 1.5 million in that Financial Year.
2. Treatment of Indian citizens as deemed residents if such Individual is not liable to tax in any other country or territory.	Indian citizens will be treated as deemed residents only if such Individual is not liable to tax in any other country or territory and whose Total Income exceeds INR 1.5 million in the said Financial Year.
	<b><u>Amendment for Point 1 &amp; 2 above:</u></b> An Indian citizen or Person of Indian Origin who by virtue of above provisions becomes a “Resident”, In such a case, If his period of stay in India is more than 120 days but less than 180 days or Indian citizen is not liable to tax in any other country or territory will be treated as “not ordinarily resident”.
3. Treatment of an Indian or Hindu Undivided Family (HUF) as “not ordinarily resident” if such Individual or HUF is a non-resident in 7 out of 10 years preceding that year	Proposal of Finance Bill is withdrawn and the existing provision i.e Individual or HUF will be treated as “not ordinarily resident” if such Individual or HUF is a non-resident in 9 out of 10 years preceding that year.

**B. Tax on Dividends:**

<b>Proposed by Finance Bill</b>	<b>Finance Bill as passed by Parliament</b>
1. Proposed removal of Dividend Distribution Tax and taxation of the dividends in the hands of the recipient as per existing tax rates w.e.f 1 <sup>st</sup> April, 2020.	Proviso has been inserted in this section to provide exemption to investors in cases where dividends were declared prior to April 1, 2020 but received on or after April 1, 2020.
2. Section 80M was inserted by Finance bill, where any Domestic Company which is in receipt of dividend from other Domestic Company, then first said Domestic Company can take deduction to the maximum of dividend distributed by it on or before one month prior to the date of furnishing the Return u/s 139.	<b><u>Clarification:</u></b> The scope of this section has been increased to provide deduction to dividends received by a domestic company from a foreign company or a business trust.
	<b><u>Taxation of Dividends received by Non-Residents:</u></b> Dividend income earned by non-resident individuals will be subject to a maximum surcharge of 15%.  The higher surcharges of 25% and 37% will not be applicable to dividend earned by non-resident individuals

**C. New Sections –**

## i. Equalization levy on E-Commerce transaction by non-resident operators:

Equalization levy currently includes payments made to non-residents for specified services like Online advertisement, advertising space or any other similar service. The scope has now been expanded to include E-Commerce transactions (supply of goods or service or both) by non-resident operators from April 01, 2020.

**Levy for Non-resident E-commerce Operators:** 2% of the amount of consideration received by the e-commerce operator for supply or services rendered or facilitation of supply or service to:

- a. Person resident in India; or
- b. Non-resident under certain circumstances I.e Sale of data collected from a person resident in India etc.; or
- c. Person who buys goods or services through an IP address located in India.

**Exception:** In case, Non-resident E-commerce operator has a permanent establishment (PE) in India and such e-commerce activities is effectively connected to such PE or Sales/Turnover/Gross receipts of the E-commerce operator from such e-commerce supply is less than INR 20 million during the said Financial year.

## ii. Section 194-O: TDS on E-commerce transactions:

<b>Proposed by Finance Bill</b>	<b>Finance Bill as passed by Parliament</b>
<p>TDS at 1% on the gross amount of such sales or service or both at the time of credit of amount of sale or service or both to the account of e-commerce participant or at the time of payment thereof to such participant by any mode, whichever is earlier.</p> <p>Exception: E-commerce participants being Individual or HUF whose gross amount of sales or services or both during the previous year does not exceed five lakh rupees and such e-commerce participant has furnished his Permanent Account Number (PAN) or Aadhaar number to the e-commerce operator.</p>	<p>The applicability of the provision is deferred from April 1, 2020 to October 1, 2020.</p>

## iii. Section 194-N: TDS on payments in cash:

<b>Proposed by Finance Bill</b>	<b>Finance Bill as passed by Parliament</b>
<p>Every person, being banking company, co-operative society or post office who is responsible for paying any sum, or, as the case may be, aggregate of sums, in cash, in excess of one crore rupees during the previous year, to recipient from one or more accounts maintained by the recipient with it shall, at the time of payment of such sum, deducts an amount equal to 2% of sum exceeding one crore rupees.</p>	<p>The existing provision continuous to exist,</p> <ol style="list-style-type: none"><li>1. However, TDS will be at 2% on entire amount paid.</li><li>2. In case of a recipient, who has not filed Return of Income u/s 139 of Income tax act for all of the 3 Assessment years immediately preceding the previous year of such cash payment, TDS will have to deducted as below:<ol style="list-style-type: none"><li>a. Cash paid more than 2 million but less than 10 million – 2% of the entire sum</li><li>b. Cash paid more than 10 million – 5% of the entire sum</li></ol></li></ol>

- iv. Tax exemption to Abu Dhabi Investment Authority (ADIA), Sovereign wealth funds and Pension funds:

<b>Proposed by Finance Bill</b>	<b>Finance Bill as passed by Parliament</b>
The finance bill had proposed tax exemption in respect of Income of Specified person (ADIA and Sovereign wealth funds) in the nature of dividends, interest or long-term capital gains arising from an investment made by it in the form of debt or equity, In a company carrying on the business of developing, or operating and maintaining, or developing, operating or maintaining any infrastructure facility (as defined under section 80-IA(4)(i) of the Act) or other notified businesses.	The existing provision continuous to exist, <ol style="list-style-type: none"> <li>1. Definition of “Specified person” will include Pension Funds subject to meeting of certain conditions.</li> <li>2. Exemption will now be available for investment in Real Estate Investment Trust’s, Infrastructure Investment Trust and Category I or II Alternative Investment Funds having 100% Investment in one or more company or enterprises engaged in specified infrastructure facilities and other businesses.</li> </ol>

- v. Section 194J: Fees for Professional or Technical services:

<b>Proposed by Finance Bill</b>	<b>Finance Bill as passed by Parliament</b>
Section 194J was amended to provide concessional rate of tax at 2% on fees for technical services (not being professional service).	The scope of the proposed provision is increased to include Royalty, provided such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films. All other payments covered under this section will be subject to TDS at 10%.

- vi. Tax Collection at Source: Section 206C to include TCS on foreign remittance through Liberalised Remittance Scheme (LRS) and on selling of overseas tour package as well as TCS on sale of goods over a limit:

<b>Subsection</b>	<b>Liability occurs when</b>	<b>Rate</b>	<b>Threshold</b>
1G	Every person, — (a)being an authorised dealer, who receives an amount, for remittance out of India from a buyer, under the Liberalised Remittance Scheme of the Reserve Bank of India;  (b)being a seller of an overseas tour program	5%	(a) seven lakh rupees or more in a financial year No Threshold Limit

	package, who receives any amount from a buyer, being the person who purchases such package,		
1H	Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year	0.1 % of the sale consideration exceeding fifty lakh rupees (1% in case Aadhaar/PAN is not furnished)	Exceeding fifty lakh rupees

**D. Amendments:**

- i. The applicability of the above provision is deferred from April 1, 2020 to October 1, 2020.
- ii. TCS at 0.5% instead of 5% for remittance overseas under LRS for purpose of pursuing any education and the remittance is out of a loan obtained from a financial Institution.
- iii. Remittance overseas under LRS for an amount of less than INR 700,000/- for the purchase of overseas tour program package will be covered under TCS and not exemption will be available.
- iv. Applicability of TCS on Sale of goods will exclude payments made for goods which have been exported out of India
- v. Definition of Buyer will exclude person importing goods into India.

**Direct Taxes: CBDT Directions/ Clarifications:**

Due to outbreak of the pandemic Covid-19 virus, there is severe disruption in the normal working of almost all sectors, including functioning of the Income tax Department. In such a scenario, the applications filed by the payees u/s 195 and 197 of the Act for lower or nil rate of deduction of TDS and applications by buyers/licensees/lessees u/s 206C (9) of the Act for lower or nil rate of collection of TCS for F.Y. 2020-21, have not been attended in a timely manner by the TDS/TCS Assessing Officers, causing hardship to tax payers.

Considering the constraints of the Field Officers in disposing of the applications for lower or nil rate of TDS/TCS, for F.Y. 2020-21 and to mitigate hardships of payees and buyers/licensees/lessees, the CBDT on March 31, 2020 issued a notification easing the requirements of making an application for issue of certificates for lower or Nil TDS or TCS, for the F.Y. 2020-21.

**A. The directions/clarifications given by CBDT is as under:**

- i. All the assesses who have filed application for lower or nil deduction of TDS/TCS on the Traces Portal for F.Y.2020-21 and whose applications are pending for disposal as on March 31, 2020 and in case of assesses who could not apply for issue of lower or nil deduction of TDS/TCS but have been issued such certificates for FY 2019-20, then such certificates would be valid till June 30,

2020 of F.Y. 2020-21 or disposal of their applications by the Assessing Officers, whichever is earlier, in respect of the transaction and the deductor/collector for whom the certificate was issued for F.Y. 2019-20.

- ii. In cases where the assessee has not applied for issue of lower or nil deduction of TDS/TCS in the Traces Portal for the FY 2020-21, and he is also not having any such certificate for F.Y.2019-20, a modified procedure for application and consequent handling by the TDS/TCS Assessing Officer through emails is laid down.
- iii. On payments to Non-residents (including foreign companies) having Permanent Establishment in India and not covered by (a) and (b) above, tax on payments made will be deducted at the rate of 10% including surcharge and cess, on such payments till June 30, 2020 of F.Y. 2020-21, or disposal of their applications, whichever is earlier.

### **PM Cares Fund:**

A special fund “Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND)” has been set up for providing relief to the persons affected from the outbreak of Corona virus.

Any donations made to the PM CARES Fund shall be eligible for 100% deduction under section 80G of the Income-Tax Act. Further, the limit on deduction of 10% of gross income shall also not be applicable for donation made to PM CARES Fund.

As the date for claiming deduction u/s 80G under Income-Tax Act has been extended up to 30<sup>th</sup> June 2020, the donation made up to 30<sup>th</sup> June 2020 shall also be eligible for deduction from income of FY 2019-20. Hence, any person including corporate paying concessional tax on income of FY 2020-21 under new regime can make donation to PM CARES Fund up to 30<sup>th</sup> June 2020 and can claim deduction u/s 80G against income of FY 2019-20 and shall also not lose his eligibility to pay tax in concessional taxation regime for income of FY 2020-21.

# INDIRECT Taxes



## RELIEF MEASURES PROVIDED BY THE GOVERNMENT OF INDIA DUE TO THE SPREAD OF COVID-19

### A. Due dates for the following filing requirements have been extended upto June 30, 2020:

- i. GSTR-3B return for the period March 2020, April 2020 and May 2020 for those with an annual aggregate turnover of up to Rs 5 crore.
- ii. Central Excise returns due in March, April and May 2020.
- iii. Filing of appeal, refund applications etc., under the Central Excise Act, 1944 and Service Tax and rules made thereunder is due from 20th March 2020 to 29th June 2020.
- iv. Last date for filing of appeal, refund applications etc., under the Customs Act, 1962 and rules made thereunder is from 20th March 2020 to 29th June 2020.
- v. Date for making payment to avail the benefit under Sabka Vishwas Legal Dispute Resolution Scheme 2019.
- vi. Time limit for any compliance under the GST laws (like filing of returns, opting composition scheme, applying for LUT, Time limit for Refund application etc.)

### B. Exemption of Late filing fee and relaxation of interest for delay in payment of tax:

- i. Companies with an annual turnover of up to Rs 5 crore will be exempted from interest, late fee and penalty.
- ii. Companies with an annual turnover of more than Rs 5 crore are exempted from late fees and penalty if any. However, the interest will be levied at a reduced rate of 9% if paid between 20th March 2020 and 30th June 2020.

### C. Relief for a smooth EXIM trade: Customs clearance will operate 24×7 up to 30th June 2020.

**Following are the major recommendations as per the 39<sup>th</sup> GST Council Meeting held on March 14, 2020:****A. Postponement of the implementation of the New GST Return System:**

The implementation of the New GST Return system, e-invoicing and QR code has been postponed to October 01, 2020.

**B. The below mentioned rates will come into effect from April 01, 2020 (Notification issued on 25.03.2020 and 26.03.2020)**

- i. GST on mobile phones and specified parts was increased from 12% to 18%. This decision was taken to avoid difficulties due to the inverted duty structure
- ii. All types of matches have been rationalised to a single GST rate of 12%. Till now, the handmade ones were taxed at 5% and the rest was taxed at 18%
- iii. GST on Maintenance, Repair and Overhaul (MRO) service in respect to aircraft was reduced from 18% to 5% with full ITC

**C. Calculation of interest on Delayed payment of GST:**

The interest for delayed GST payment will be calculated on the net tax liability. This amendment will apply retrospectively from July 01, 2017.

D. Taxpayers who have cancelled their GST registration till March 14, 2020 can file an application for revocation of cancellation of registration. The window to fill this application is available till June 30, 2020. The extension is a one-time measurement to facilitate those who want to continue conducting the business.

E. The GSTR-9 & 9C deadline is extended to June 30, 2020 for FY 2018-19. Also, the turnover limit will be increased from Rs 2 crore to Rs 5 crore for mandatory annual return filing. Hence, filing GSTR-9C is optional for the taxpayers having the turnover less than Rs 5 crore. The taxpayers with an aggregate annual turnover of less than Rs 2 crore in FY 2017-18 and FY 2018-19 will not pay any late fee for delayed filing of GSTR-9(Notification 15/2020-Central Tax, dt. 23.03.2020).

F. A new scheme called 'Know your Supplier' has been introduced so that the taxpayers are informed about the basic details of the suppliers with whom they transact or propose to conduct business.

G. The GSTR-1 for 2019-20 will be waived for certain taxpayers who could not opt for the special composition scheme (notification No. 2/2019-Central Tax (Rate) dated 7th March 2019) by filing Form CMP-02.

H. A special GST procedure is prescribed during the CIRP period for the GST registered corporates who are undergoing insolvency/resolution procedure under IBC Code, 2016(Notification 11/2020-Central Tax, dt. 23.03.2020).



- I. A transition plan is laid down till May 31, 2020 for the taxpayers belonging to Dadra and Nagar Haveli & Daman and Diu, due to the merger in January 2020(Notification 10/2020-Central Tax, dt. 23.03.2020).
- J. Refund claims will now be processed in bulk for the benefit of the exporters.
- K. Seeking information return from Banks and to curb fake invoicing and fraudulent passing of ITC, restrictions to be imposed on passing of the ITC in case of new GST registrations, before physical verification of premises and Financial KYC of the registered person.

**Notifications/ Circulars issued during March 25, 2020 to April 03, 2020:**

- A. Seeks to waive off the requirement for furnishing FORM GSTR-1 for 2019-20 for taxpayers who could not opt for availing the option of special composition scheme under notification No. 2/2019-Central Tax (Rate).
- B. Seeks to make third amendment (2020) to CGST Rules regarding authentication of Aadhar number for grant of GST registration (Notification no. 16/2020-Central Tax, dt. 23-03-2020).
- C. Notifying the class of persons who shall be exempted from Aadhar authentication, a person who is not a citizen of India or to a class of persons other than authorised signatory, managing & authorised partners and karta of an HUF.
- D. Notifying the date from which an individual shall undergo authentication, of Aadhaar number in order to be eligible for registration is the same date when it comes it force on April 01, 2020.
- E. Extended due date for furnishing GST returns for those taxpayers whose principal place of business is in the erstwhile State of Jammu and Kashmir for the July, 2019 to February 2020 on or before March 24, 2020 and for those taxpayers whose principal place of business is in the Union territory of Jammu and Kashmir or the Union territory of Ladakh for November 2019 to February 2020 to on or before March 24, 2020.
- F. The due date for furnishing FORM GSTR-1 for the quarters April 2020 to June 2020 and July 2020 to September 2020 for registered persons having aggregate turnover of up to 1.5 crore rupees in the preceding financial year or the current financial year is as mentioned below:

Sl. No.	Quarter for which details in FORM GSTR-1 are furnished	Time period for furnishing details in FORM GSTR-1
1	April 2020 to June 2020	July 31, 2020
2	July 2020 to September 2020	October 31, 2020

- G. The due date for furnishing FORM GSTR-1 is 11<sup>th</sup> of the such succeeding month by such class of registered persons having aggregate turnover of more than 1.5 crore rupees in the preceding financial

year or the current financial year, for each of the months from April 2020 to September 2020. For the period March 2020 to May 2020 due date is extended to June 30, 2020 under COVID 19 Relief Measures.

H. GSTR – 3B Return due date for the period April 2020 to September 2020:

Sl. No.	Taxpayers with aggregate turn over	Taxpayers having principal place of business in state/UT	Due Date for filing of Form GSTR 3B
1	More than Rs. 5 Crore	All States and UTs	20 <sup>th</sup> day of succeeding such month
2	Upto Rs. 5 Crore	State of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana or Andhra Pradesh or the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands and Lakshadweep	22 <sup>th</sup> day of succeeding such month. For the period Mar-2020 to May-2020 due date is extended to 30.06.2020 under COVID 19 Relief Measures
3	Upto Rs. 5 Crore	State of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha or the Union territories of Jammu and Kashmir, Ladakh, Chandigarh and Delhi	24 <sup>th</sup> day of succeeding such month. For the period Mar-2020 to May-2020 due date is extended to 30.06.2020 under COVID 19 Relief Measures

I. Refund circular No. 135/05/2020:

1	Circular No. 125/44/2019-GST dated 18.11.2019 stands modified to that extent i.e. removal of the restriction on clubbing of refund claims across financial years.
2	Refund of accumulated ITC under clause (ii) of sub-section (3) of section 54 of the CGST Act would not be applicable in cases where the input and the output supplies are the same. (i.e, in case of Inverted duty structure).
3	In cases of refund, where the tax to be refunded has been paid by debiting both electronic cash and credit ledgers (other than the refund of tax paid on zero-rated supplies or deemed export), the refund to be paid in cash and credit shall be calculated in the same proportion in which the cash and credit ledger has been debited for discharging the total tax liability for the relevant period for which application for refund has been filed.
4	The Refund of accumulated ITC shall be restricted to the ITC as per those invoices, the details of which are uploaded by the supplier in FORM GSTR-1 and are reflected in the FORM GSTR-2A of the applicant.
5	HSN/SAC Code column has been added to the Annexure-B format of the circular no. 125/44/2019-GST dated 18.11.2019 and stands modified to that extent.

**Notifications/ Circulars issued during March 25, 2020 to April 03, 2020:**

**A. Tariff:**

- i. Present IGST and cess exemptions on the imports made under the AA/EPCG/EOU schemes will continue up to March 31, 2021.
- ii. Further amended notification No. 69/2011-Customs to deepen the tariff concessions under the India-Japan CEPA.

**B. Non-Tariff:**

- i. Applicable Exchange Rates:

Sl. No.	Foreign Currency	Rate of exchange of one unit of foreign currency equivalent to Indian rupees		Notification No.
		For Imported Goods	For Exported Goods	
1	Australian Dollar	47.35	45.15	No.35/2020-Customs (NT) dated 30.03.2020
2	Australian Dollar	47.80	45.65	No.37/2020-Custom (NT) dated 01.04.2020
3	Bahraini Dinar	203.05	197.60	No.37/2020-Custom (NT) dated 01.04.2020
4	Canadian Dollar	54.20	52.40	No.37/2020-Custom (NT) dated 01.04.2020
5	Chinese Yuan	10.80	10.50	No.37/2020-Custom (NT) dated 01.04.2020
6	Danish Kroner	11.35	10.95	No.37/2020-Custom (NT) dated 01.04.2020
7	EURO	84.75	81.75	No.37/2020-Custom (NT) dated 01.04.2020
8	Hong Kong Dollar	9.90	9.55	No.37/2020-Custom (NT) dated 01.04.2020
9	Kuwaiti Dinar	247.90	232.25	No.37/2020-Custom (NT) dated 01.04.2020
10	New Zealand Dollar	45.30	43.10	No.30/2020-Custom (NT) dated 24.03.2020
11	New Zealand Dollar	46.75	44.55	No.37/2020-Custom (NT) dated 01.04.2020
12	Norwegian Kroner	7.30	7.05	No.34/2020-Custom (NT) dated 27.03.2020 No.37/2020-Custom (NT) dated 01.04.2020
13	Pound Sterling	93.65	90.35	No.34/2020-Custom (NT) dated 27.03.2020
14	Pound Sterling	94.85	91.55	No.37/2020-Custom (NT) dated 01.04.2020
15	Qatari Riyal	21.40	20.10	No.37/2020-Custom (NT) dated 01.04.2020
16	Saudi Arabian Riyal	20.75	19.45	No.37/2020-Custom (NT) dated 01.04.2020
17	Singapore Dollar	53.95	52.15	No.37/2020-Custom (NT) dated 01.04.2020
18	South African Rand	4.35	4.05	No.37/2020-Custom (NT) dated 01.04.2020
19	Swedish Kroner	7.65	7.40	No.37/2020-Custom (NT) dated 01.04.2020

Sl. No.	Foreign Currency	Rate of exchange of one unit of foreign currency equivalent to Indian rupees		Notification No.
		For Imported Goods	For Exported Goods	
20	Swiss Franc	80.20	77.10	No.37/2020-Custom (NT) dated 01.04.2020
21	Turkish Lira	11.85	11.15	No.37/2020-Custom (NT) dated 01.04.2020
22	UAE Dirham	21.20	19.90	No.37/2020-Custom (NT) dated 01.04.2020
23	US Dollar	76.35	74.65	No.37/2020-Custom (NT) dated 01.04.2020
24	Japanese Yen	70.95	68.35	No.37/2020-Custom (NT) dated 01.04.2020
25	Korean Won	6.35	5.95	No.32/2020-Custom (NT) dated 26.03.2020
26	Korean Won	6.40	6.00	No.37/2020-Custom (NT) dated 01.04.2020

**C. Concessional Rate Notifications (Non-Tariff):**

- i. Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Silver- Reg (31/2020-Cus (NT) d.t 25.03.2020)
- ii. Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Silver- Reg (33/2020-Cus (NT) d.t 26.03.2020)
- iii. Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Silver- Reg (36/2020-Cus (NT) d.t 31.03.2020)



## **UPDATES IN THE COMPANIES ACT, 2013**

The Ministry of Corporate Affairs (“MCA”) has taken necessary measures to address the COVID-19 threat and in order to support and enable the Companies and Limited Liability Partnerships (“LLP’s”) in India including the economic disruptions faced by the organisations, has implemented the following:

The below updates (S. No 1-7) have been notified vide General Circular No.11/2020 dated 24<sup>th</sup> March 2020.

### **A. Interval between Two Consecutive Board Meetings:**

- i. As per Sec 173 of the Companies Act, 2013 (“CA-13”) there is a mandatory requirement that the interval between two consecutive board meetings shall not be more than 120 days.
- ii. A one-time relaxation has now been provided whereby the interval between two board meeting may extend to 180 for the next two quarters i.e., till September 30, 2020.

### **B. The Companies (Auditor’s Report) Order 2020 (“CARO 2020”):**

- i. CARO 2020 was initially notified on February 25, 2020 and it was applicable from the Financial Year (“FY”) 2019-20.
- ii. However, the applicability has been extended to FY 2020-21 to significantly ease the burden on Companies and Auditors for FY 2019-20.

### **C. Independent Directors Meetings:**

- i. As per Sec 149(8) read with Schedule IV (Code for Independent Directors) of the CA-13, the Independent Directors (ID’s) are required to hold at least one meeting without the attendance of Non-Independent Directors and members of management.

- ii. However, for the FY 2019-20, if the ID's of a company have not been able to hold such a meeting, the same shall not be viewed as a violation.
- iii. The ID's, however, may share their views amongst themselves through telephone or e-mail or any other mode of communication, if they deem it to be necessary.

**D. Acceptance of Public Deposits by Companies:**

- i. As per section 73(2)(c) of the CA-13 which deals with Prohibition on acceptance of Deposits from Public, every company which has accepted deposits from public shall deposit a sum not less than 20% of the deposits maturing during the following financial year on or before 30<sup>th</sup> of April.
- ii. Thereby, every company which has accepted deposits should have deposited a sum not less than 20% of the deposits maturing during FY 2020-21 on or before April 30, 2020.
- iii. However, this due date to create deposit repayment reserve has been extended till June 30, 2020.

**E. Director's Residential Status:**

- i. As per section 149(3) of the CA-13, every company shall have at least one director who stays in India for a total period of not less than 182 days in a financial year.
- ii. However, the non-fulfilment of the minimum residency in India by at least one director of every company shall not be treated as non-compliance for FY 2019-20.

**F. Maturity of Debentures:**

- i. As per Rule 18 of the Companies Rules 2014, companies which are required to create debenture redemption reserve have to invest or deposit on or before April 30, 2020, 15% of the amount of debentures maturing on March 31, 2021.
- ii. However, this due date to invest or deposit has been extended till June 30, 2020.

**G. Newly Incorporated Companies:**

- i. As per section 10A of the CA-13, newly incorporated companies are required to file a declaration in e-form INC-20A for commencement of business within 180 days from the date of incorporation.
- ii. Such companies are now allowed an additional period of 180 days for filing this e-form.

**H. Corporate Social Responsibility (CSR):**

- i. As per section 135 read with Schedule VII of the CA-13, Companies having:
- net worth of rupees five hundred crore or more; or
  - turnover of rupees one thousand crore or more; or
  - a net profit of rupees five crore or more in a financial year;
- shall ensure that they spend at least 2% of the average net profits of last 3 years of the company made during the 3 immediately preceding financial years on activities referred in Schedule VII.
- ii. Funds spent for activities related to COVID-19 under item no.(i) for eradication of hunger, poverty and malnutrition and item no. (xii) for disaster management, including relief, rehabilitation and reconstruction activities of the Schedule VII of the CA-13 shall qualify as CSR expenditure.
- iii. The Government of India has set up the Prime Minister’s Citizen Assistance and Relief in Emergency Situation’s Fund (“PM Cares Fund”) with the primary objective of dealing with any kind of emergency or distress situations such as those posed by COVID-19.
- iv. The above falls under item no. (viii) of Schedule VII of the CA-13 and it is hereby clarified that any contribution made to PM Cares Fund shall qualify as CSR expenditure.

Above is as per General Circular 10/2020 dated March 28, 2020 and Clarification eF.No.CSR-05/1/2020-CSR-MCA dated March 28, 2020.

**I. Insolvency and Liquidation of Corporate Debtors:**

- i. As per section 4 of Insolvency and Bankruptcy code, 2016 the application for matters relating to the insolvency and liquidation of corporate debtors can be filed where the minimum amount of default is one lakh.
- ii. This minimum amount of default has now been increased to one crore.

Above is notified on 28<sup>th</sup> March 2020.

**J. Companies Fresh start scheme, 2020 (“CFSS-2020”):**

- i. The MCA in order to give defaulting companies an opportunity to make good the defaults and enable them to file the belated documents with the MCA-21 registry, the Central Government in exercise of powers conferred under Sec 460 read with section 403 of the CA-13 decided to introduce the CFSS-2020. This scheme was introduced vide General Circular No. 12/2020 dated March 30, 2020.

- ii. This scheme is applicable to both Companies registered under the Companies Act 1956 and the Companies Act 2013.
- iii. This scheme shall come into force on the April 01, 2020 and shall remain in force till September 30, 2020.
- iv. This scheme provides one - time waiver of additional filing fees for delayed filings by companies filed during the between period April 01, 2020 to September 30, 2020, in respect of any document, return, statement etc. required to be filed in the MCA-21 Registry.
- v. The scheme provides the following benefits:
  - a) Waiver of additional late filing fees.
  - b) Granting of immunity from prosecution.
  - c) Granting of immunity from initiating penalty proceeding. However, any consequential proceedings involving interest of shareholders or its directors or key managerial personnel would not be covered by such immunity.
  - d) Provides opportunity to inactive companies to get their companies declared as dormant under Sec 455 of the CA-13 or apply for strike off.
- vi. The scheme shall not apply in certain cases:
  - a) To companies against which action for final notice for striking off the name u/s 248 of the CA-13 (Sec 560 of the Companies Act 1956) has already been initiated by the Designated Authority.
  - b) To Vanishing Companies.
  - c) To companies which have made application for strike off.
  - d) To companies which have amalgamated under a scheme of arrangement of compromise under the CA-13.
  - e) To companies which has already filed application for obtaining Dormant Status.
  - f) Where there is an increase in authorised capital (Form SH-7) and also charge related documents (CHG-1, CHG-4, CHG-8 and CHG-9).
  - g) To companies having matter of any appeal pending before the court of law or tribunal.
  - h) To companies having management disputes pending before any court of law or tribunal.
  - i) To companies where any court has ordered conviction in any matter or an order imposing penalty has been passed by an adjudicating authority and no appeal has been preferred against such orders, before the Scheme has come into force.
- vii. Procedure:
  - a) A defaulting company may file their overdue returns /documents/ other statements in prescribed e-Forms by paying the normal statutory filing fee as prescribed and no additional fee shall be payable.



- b) The application for seeking immunity in respect of the belated documents filed under the CFSS-2020 may be filed electronically through Form CFSS-2020 after closure of the scheme and after the documents are taken on file or on record or approved by Designated authority as the case may be but not after the expiry of 6 months from the date of closure of scheme.
- c) There shall be no fee payable for filing form CFSS-2020.
- d) After submission of the form an Immunity Certificate shall be issued by the Registrar of Companies for immunity from prosecution or imposition of penalty.

viii. Appeal Related:

- a) Where any defaulting company has filed an appeal against any notice issued or complaint filed or an order passed for violation of provisions under the Companies Act 1956 or CA-2013 shall withdraw such appeal and furnish such proof of withdrawal before filing an application for issue of immunity certificate.
- b) Where penalties were imposed by an adjudicating officer for delayed filing and no appeal was preferred by the concerned company the following shall apply as on the date of commencement of the CFSS -2020:
  - Where the last date for filing such appeal falls between 1<sup>st</sup> March 2020 to 31<sup>st</sup> May 2020 (both days included) a period of additional 120 days shall be allowed.
  - During such additional period, prosecution for non-compliance of the order in so far as it relates to delayed filing with the MCA-21 registry shall not be initiated.

- ix. On conclusion of the scheme, the Designated authority shall take necessary action under the CA-13 against those companies which have not availed this scheme and are in default for not filing documents in a timely manner.

Notes: The List of forms which are eligible for additional fee waiver under the CFSS-2020 and the LLP Settlement Scheme 2020 are attached for reference.

**K. Limited Liability Partnership (“LLP”) Settlement Scheme, 2020:**

- i. The Government in order to promote the ease of doing business decided to give a one-time relaxation in additional fees to the defaulting LLP’s to make good their default by filing pending documents and to serve as a compliant LLP in future.
- ii. This scheme was initially introduced vide General Circular No. 6/2020 dated 4<sup>th</sup> March 2020 and came into force on the 16<sup>th</sup> March 2020 and was to remain in force up to June 13, 2020.
- iii. However, to take necessary measures to address the COVID-19 threat and to reduce the compliance burden of the LLP’s the MCA made modifications to the applicability of the scheme vide General Circular No.13/2020 dated March 30, 2020 whereby the LLP Settlement Scheme

2020 shall come into force with effect from 1<sup>st</sup> April 2020 and would remain in force up to September 30, 2020.

- iv. This scheme provides any defaulting LLP to file belated documents which were due for filing till 31<sup>st</sup> August 2020.
- v. A defaulting LLP may avail this scheme for filing documents which have not been filed or registered in time, on payment of fees as normally payable for filing such document or return.
- vi. The scheme provides the following benefits:
  - a. Waiver of additional fees for belated filing of any documents.
  - b. No prosecution by Registrar for default in belated filing.
- vii. The scheme shall not apply to LLP's which have made an application in Form 24 for striking off their name from the register as per the provisions Rule 37(1) of the LLP Rules, 2009.
- viii. On conclusion of the scheme, the Registrar shall take necessary action under the LLP Act 2008 against the LLP's which not availed this scheme and are in default for not filing documents in a timely manner.



### **RELAXATION FROM COMPLIANCE WITH CERTAIN PROVISIONS OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 DUE TO COVID-19 VIRUS PANDAMIC**

The COVID-19 virus has hit populations around the world and has resulted in many restrictions, including free movement of people, thereby hampering businesses and day to day functioning of Companies. It has been declared a ‘pandemic’ by the World Health Organisation.

Developments arising due to the spread of the virus warrant the need for temporary relaxations in compliance requirements for listed entities. Accordingly, SEBI has decided to grant the following relaxations from compliance stipulations specified under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”) to listed entities.

Accordingly, SEBI has come up with relaxations to the listed companies vide multiple circulars on March 19, 2020, March 23, 2020 and March 26, 2020. The relaxations provided by the SEBI are listed below:

#### **SEBI vide its Circular dated March 19, 2020 has provided the following relaxations:**

##### **A. Extension of Timelines for Filing:**

- i. Under Regulation 7(3) of the LODR Regulations, every listed company is required to submit a Compliance Certificate in relation to Share Transfer Facility to the exchange within one month of the end of each half of the financial year, certifying compliance with the requirements of sub-regulation (2) of regulation 7. SEBI has extended the due date for such submission to May 31, 2020 from April 30, 2020.
- ii. Under Regulation 13(3) of the LODR Regulations, every listed company is required to file a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter with the recognised stock exchange(s) on quarterly basis within 21 days from the end of each quarter. SEBI has extended the due date for such filing to May 15, 2020 from April 21, 2020.
- iii. Under Regulation 24A of the LODR Regulations, every listed company and its material unlisted subsidiaries incorporated in India are required to undertake secretarial audit and annex with its

annual report, a secretarial audit report in the format specified by SEBI vide its Circular dated February 09, 2019, given by a Company Secretary in Practice. The same shall be filed with the annual report within 60 days from the end of financial year. SEBI has extended the due date for such filing to June 30, 2020 from May 30, 2020.

- iv. Under Regulation 27 (2) of the LODR Regulations, every listed company is required to submit the Compliance report on Corporate Governance in the format as specified by the Board to the recognised stock exchange on quarterly basis within 15 days from the end of the quarter. SEBI has extended the due date for such submission to May 15, 2020 from April 15, 2020.
- v. Under Regulation 31 of the LODR Regulations, every listed company is required to submit a statement showing the holding of securities and shareholding patterns separately for each class of securities in the format specified by SEBI, to the stock exchange(s) on quarterly basis within 21 days from the end of the quarter. SEBI has extended the due date for such submission to May 15, 2020 from April 21, 2020.
- vi. Under Regulation 33 of the LODR Regulations, every listed company is required to submit its financial results in the following manner:
  - a. The listed entity shall submit quarterly and year-to-date standalone financial results to the stock exchange within forty-five days of end of each quarter, other than the last quarter.
  - b. In case the listed entity has subsidiaries, in addition to the requirement as mentioned above the listed entity shall also submit quarterly/ year-to-date consolidated financial results.
  - c. The quarterly and year-to-date financial results may be either audited or unaudited subject to the following
    - In case the listed entity opts to submit unaudited financial results, they shall be subject to limited review by the statutory auditors of the listed entity and shall be accompanied by the limited review report.  
Provided that in case of public sector undertakings this limited review may be undertaken by any practicing Chartered Accountant.
    - In case the listed entity opts to submit audited financial results, they shall be accompanied by the audit report.
  - d. The listed entity shall submit annual audited standalone financial results for the financial year, within 60 days from the end of financial year along with the audit report and statement of Impact of Audit Qualifications for the audit report with modified opinion.

Provided that if the listed entity has subsidiaries, it shall while submitting annual audited standalone financial results also submit annual audited consolidated financial results along with the audit report and statement of Impact of Audit Qualifications for the audit report with modified opinion.

Provided further that, in case of audit reports with unmodified opinion(s), the listed entity shall furnish a declaration to that effect to the Stock Exchange(s) while publishing the annual audited financial results.

SEBI has extended the date of filing for quarterly and annual financial results to June 30, 2020 from May 15 and May 30, 2020 respectively.

**B. Relaxation of time gap between two board/ audit committee meetings:**

- i. Under Regulation 17 (2) of the LODR Regulations the Board of Directors of every listed entity are required to meet at-least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings; and
- ii. Under Regulations 18 (2) (a) of the LODR Regulations the Audit Committee of every listed entity are required to meet at least four times a year and not more than one hundred and twenty days shall elapse between two meetings;

For the regulatory requirements mentioned in clause (i) and (ii) above, the Board of Directors and Audit Committee of the listed entity are exempted from observing the maximum stipulated time gap between two meetings for the meetings held or proposed to be held between the period December 01, 2019 to June 30, 2020.

However, the Board of Directors / Audit Committee shall ensure that they meet at least four times a year, as stipulated under the regulations 17(2) and 18(2)(a) of the LODR.

**SEBI vide its Circular dated March 23, 2020 has provided the following relaxations in addition to the relaxation provided vide Circular dated March 19, 2020:****A. Extension of timeline for issuance and filings for issuers who have listed/ propose to list their Non-convertible debentures (NCDs), Non-Convertible Redeemable Preference Shares (NCRPS) and Commercial Paper(s) (CPs):**

- i. SEBI vide its circular no. CIR/IMD/DF/18/2013 dated October 29, 2013 provides that companies proposing to make public issue of debt securities are required to give the audited financials in the offer document, which are not older than 6 months from the date of prospectus. However compliant listed entities are allowed to disclose unaudited financials with limited review report, instead of audited financials, for the stub period.
- ii. Similarly, for issuers, which intend to list their CPs, SEBI has vide circular SEBI/HO/DDHS/CIR/P/2019/115 dated October 22, 2019 and SEBI/HO/DDHS/CIR/P/2019/167 dated December 24, 2019 provided that issuer has to submit its latest audited financials which should not be older than six month, however are allowed to file unaudited financial with limited review for the stub period in the current financial year.

- iii. In order to enable issuers who intend/propose to list their NCD/NCRPS/CPs, SEBI has granted following relaxations in the timelines:

Particulars	Available Audited Financials	Date of issuance	Extended date of issuance
Cut Off date for issuance of NCDs/ NCRPS/ CPs	As on September 30, 2019	On or before March 31, 2020	On or before May 31, 2020

#### **B. Extension of timeline for filings under LODR Regulations:**

- i. A Listed entity, which is identified as a Large Corporate under the framework for Fund Raising by issuance of Debt Securities by Large Entities, issued by the SEBI vide its Circular SEBI/HO/DDHS/CIR/P/2018/144 dated November 26, 2018, shall make the following disclosures to the Stock Exchange(s), where its securities are listed:
- Within 30 days from the beginning of the financial year, disclose the fact that they are identified as large corporate, in the format as provided in Annexure A to the framework. (Initial Disclosure).
  - Within 45 days from the end of the financial year, the details of the incremental borrowings done during the financial year, in the formats as provided in Annexures B1 and B2 to the framework (Annual Disclosure).

SEBI has extended the date for filing both the Initial Disclosure and Annual Disclosure to June 30, 2020 from April 30, 2020 and May 15, 2020 respectively.

- ii. Under Regulation 52 (1) of the LODR Regulations, every entity whose Convertible Debt Securities (“CDS”) or Non-Convertible Redeemable Preference Shares (NCRPS) or both are listed, shall prepare and submit an unaudited or audited financial results on a half yearly basis in the format as specified by SEBI within 45 days from the end of half year to the recognised stock exchange(s).  
Provided that in case of entities which have listed their equity shares and debt securities, a copy of the financial results submitted to stock exchange(s) shall be provided to the Debenture Trustees on the same day the information is submitted to the Stock Exchange(s).
- iii. Under Regulation 52 (2) of the LODR Regulations, every entity whose Convertible Debt Securities (“CDS”) or Non-Convertible Redeemable Preference Shares (NCRPS) or both are listed, shall comply with the following requirements with respect to preparation, approval, authentication and publication of the annual and half yearly financial results:
- Un-audited financial results shall be accompanied by limited review report prepared by the statutory auditors of the listed entity or in case of public sector undertakings, by any practising Chartered Accountant, in the format as specified by the SEBI.

Provided that if the listed entity intimates in advance to the stock exchange(s) that it shall submit to the stock exchange(s) its annual audited results within sixty days from the end of the financial year, un-audited financial results for the last half year accompanied by limited review report by the auditors need not be submitted to stock exchange(s).

- b) Half-yearly results shall be taken on record by the board of directors and signed by the managing director / executive director.
- c) The audited results for the year shall be submitted to the recognised stock exchange(s) in the same format as is applicable for half-yearly financial results.
- d) If the listed entity opts to submit un-audited financial results for the last half year accompanied by limited review report by the auditors, it shall also submit audited financial results for the entire financial year, as soon as they are approved by the board of directors.
- e) Modified opinion(s) in audit reports that have a bearing on the interest payment/ dividend payment pertaining to non-convertible redeemable debentures/ redemption or principal repayment capacity of the listed entity shall be appropriately and adequately addressed by the board of directors while publishing the accounts for the said period.

SEBI has extended the date for filing both Half Yearly and Annual Results to June 30, 2020 from May 15, 2020 and May 30, 2020 respectively.

- iv. In case of entities who have listed their commercial papers, SEBI has extended the date of filing of half yearly and annual financial results to June 30, 2020 from May 15, 2020 and May 30, 2020 respectively.

### C. Extension of timeline for filings prescribed for Issuers of Municipal Debt Securities

- i. The timelines for certain filings as required under the provisions of the ILDM Regulations and SEBI circular nos. CIR/IMD/DF1/ 60 /2017 dated June 19, 2017 and SEBI/HO/DDHS/CIR/P/134/2019 dated November 13, 2019 are extended, as follows:

Sl No.	Regulation/ Associated Filing	Frequency	Due Date	Extended Due Date
1	Investor Grievance Report as per Municipal Bond	Half Yearly	April 30, 2020	June 30, 2020
2	Financial Results	Half Yearly	May 30, 2020	June 30, 2020
3	Accounts maintained by Issuers under ILDM Regulations	Quarterly	May 15, 2020	June 30, 2020

**SEBI vide its Circular dated March 26, 2020 has provided the following relaxations in addition to the relaxation provided vide Circular dated March 19, 2020 and March 23, 2020:**

**A. Extension of timeline for filings under LODR Regulations:**

- i. Under Regulation 40 (9) of the LODR Regulations, every listed company shall ensure that the share transfer agent and/ or in-house share transfer facility, as the case may be, produces a certificate from a Practicing Company Secretary withing one month from the end of each half of the financial year, certifying that all the certificates have been issued within 30 days of the date of lodgement for transfer, sub-division, consolidation, renewal, exchange or endorsement of call/ allotment monies. The due date for producing such certificate has been extended to May 31, 2020 from April 30, 2020.
- ii. Under Regulation 44 (5) of the LODR Regulations, the top 100 listed entities by market capitalization determined as on March 31<sup>st</sup> of every financial year, shall hold their Annual General Meetings within five months from the date of closing of the financial year. The due date for holding the AGM has been extended to September 30, 2020 from August 31, 2020.

**B. Conduct of Committee Meetings:**

- i. Under Regulation 19 (3A) of the LODR Regulations, the Nomination and Remuneration committee of every listed company is required to meet at least once in a year.
- ii. Under Regulation 20 (3A) of the LODR Regulations, the Stakeholders Relationship committee of every listed company is required to meet at least once in a year.
- iii. Under Regulation 20 (3A) of the LODR Regulations, the Risk Management committee of every listed company is required to meet at least once in a year.

In case the committees mentioned above in clause (i), (ii) and (iii) have not met during the financial year 2020, the SEBI has extended the timeline to meet up to June 30, 2020.

**C. Relaxation of the operation of the SEBI Circular on the Standard Operating Procedure dated January 22, 2020:**

SEBI vide circular no. SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020 issued the Standard Operating Procedure (SoP) on imposition of fines and other enforcement actions for non-compliances with provisions of the LODR, the effective date of operation of which is for compliance periods ending on or after March 31, 2020. The said circular dated January 22, 2020 shall now come into force with effect from compliance periods ending on or after June 30, 2020. It may be noted that the SoP circular dated May 03, 2018 would be applicable till such date.

**D. Publication of Advertisements in the news-papers:**

Regulation 47 of the LODR requires publishing, in the newspapers, information such as notice of the board meeting, financial results etc. SEBI has exempted publication of advertisements in newspapers as required under regulation 47 for all events scheduled till May 15, 2020.





## **RBI announces further measures for dealing with the COVID-19 pandemic**

After providing relief to borrowers and financial markets to handle the disruption caused by COVID-19, the Reserve Bank of India has now come to the rescue of state governments, exporters and also provide relief to banks capital concerns.

### **A. Extension of realisation period of export proceeds:**

Value of the goods or software exports made by the exporters is required to be realized fully and repatriated to the country within a period of 9 months from the date of exports. In order to enable the exporters to realise their receipts, especially from COVID-19 affected countries within the extended period and also provide greater flexibility to the exporters to negotiate the future export contracts with buyers abroad the RBI in consultation with the Government of India has extended the time period for realization and repatriation of export proceeds for exports made up to or on July 31, 2020 to 15 months from existing 9 months.

### **B. Review of Limits of Way and Means Advances (WMA) of States/UTs**

The Ways and Means Advances are the temporary loans facilities provided by the Reserve Bank of India to the Central / State Governments. The Ways and Means Advances are meant to meet the temporary mismatches in the receipts and payments of the Government. The Reserve Bank of India has constituted the advisory committee for the review of the Ways and Means Limits for State Governments and Union Territories. Pending submission of the final recommendations from the Committee, the RBI has increased the WMA limit by 30 percent from the existing limits for all the State and Union Territory Government to enable the Governments to tide over the situation arising from the outbreak of the COVID-19 pandemic.

The revised limits have come into force from April 01, 2020 and will be valid till September 30, 2020.

### C. Implementation of countercyclical capital buffer (CcYB)

The framework on Countercyclical Capital Buffer was put in place by RBI vide the Guidelines for Implementation of Countercyclical Capital Buffer (CCCB) issued on February 05, 2015 wherein it was advised that the CCCB would be activated as and when the circumstances warranted, and that the decision would normally be pre-announced. The aim of Countercyclical Capital Buffer regime as envisaged in the guidelines is of two folds:

- a. It requires banks to build up a buffer of capital in good times which may be used to maintain flow of credit to the real sector in difficult times.
- b. It achieves the broader macro-prudential goal of restricting the banking sector from indiscriminate lending in the periods of excess credit growth that have often been associated with the building up of system-wide risk.

The framework envisages the credit-to-GDP gap as the main indicator, which is used in conjunction with other supplementary indicators.

Based on the review and empirical analysis of CCCB indicators, it has now been decided that it is not necessary to activate CCCB for a period of one year or earlier, as may be necessary.

### WMA Limit for Government of India for the first half of FY 2020-21

The Reserve Bank of India has, in consultation with the Government of India, announced the limits for Ways and Means Advances (WMA) for the first half of the financial year 2020-21 (April 2020 to September 2020) to the Government of India will be INR 1,20,000 crore (~USD 16 Billion) with the following terms:

- The Reserve Bank may trigger fresh floatation of market loans when the Government of India utilises 75 per cent of the WMA limit.
- The Reserve Bank retains the flexibility to revise the limit at any time, in consultation with the Government of India, taking into consideration the prevailing circumstances.
- The interest rate on WMA/overdraft will be:
  - WMA: Repo Rate
  - Overdraft: Two percent above the Repo Rate

## Investment by Foreign Portfolio Investors (FPI): Investment limits

### A. Investment Limits for FY 2020-21

The limit for FPI investment in corporate bonds is increased to 15% of outstanding stock for FY 2020-21. Accordingly, the revised limits are as under:

Limits for FPI investment in corporate bonds for FY 2020-21		
	(INR in Crore)	(USD in Billions)
Current FPI limit	3,17,000	~42.27
Revised limit for HY Apr 2020-Sep 2020	4,29,244	~57.23
Revised limit for HY Oct 2020-Mar 2021	5,41,488	~72.20

The revised limits for FPI investment in Central Government securities (G-secs) and State Development Loans (SDLs) for FY 2020-21 will be advised separately. Till such time, the current limits, shall continue to be applicable.

## Fully Accessible Route for Investment by Non-residents in Government Securities

1. A reference is invited to the announcement made in the Union Budget 2020-21 that certain specified categories of Central Government securities would be opened fully for non-resident investors without any restrictions, apart from being available to domestic investors as well.
2. Accordingly, the Reserve Bank, in consultation with the Government of India, introduces a separate route, called the 'Fully Accessible Route' (FAR), to enable non-residents to invest in specified Government Securities issued by Government of India.
3. Eligible investors (person resident outside India) can invest in specified Government securities (Government Securities as periodically notified by the Reserve Bank for investment under the FAR route) without being subject to any investment ceilings.
4. This scheme shall operate along with the two existing routes, viz., the Medium-Term Framework (MTF) and the Voluntary Retention Route (VRR).
5. Investment limits: There shall be no quantitative limit on investment by eligible investors in the specified securities. Investments made under FAR shall also not be subject to the limits specified in paragraphs 4(b), (c) and (e) respectively, of A.P. (DIR Series) Circular No. 31 dated June 15, 2018 (read with A.P. (DIR Series) Circular No. 18 dated January 23, 2020). All investments by eligible investors in the specified securities will be under the FAR from the date on which the FAR comes into effect.

6. Treatment of existing investments in specified securities: Existing investments by eligible investors in specified securities shall be reckoned under the FAR.
7. Process for Investment and reporting:
  - a. FPIs, Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs) and other entities permitted to invest in Government Securities under the Debt Regulations can invest under this route as hitherto under existing arrangements.
  - b. Eligible investors other than those referred to in (i) above, may invest through International Central Securities Depositories. The process for such investments will be notified by the RBI separately.
8. Transition for FPIs: FPIs who currently hold investments in the specified securities shall, within one year from the date on which the FAR comes into effect, readjust their investments under the MTF to comply with requirements mandated in A.P. (DIR Series) Circular No. 31 dated June 15, 2018 (read with A.P. (DIR Series) Circular No. 18 dated January 23, 2020).

Investments by eligible investors under the route shall be governed by other applicable provisions of FEMA and the rules, regulations and directions issued thereunder by the Reserve Bank from time to time, unless otherwise specified.

9. The Reserve Bank of India has notified the following Government Securities eligible for investments under the FAR:

Sl No	ISIN	Security
1	IN0020190396	6.18% GS 2024
2	IN0020180488	7.32% GS 2024
3	IN0020190362	6.45% GS 2029
4	IN0020180454	7.26% GS 2029
5	IN0020190032	7.72% GS 2049

10. In addition, all new issuances of Government securities of 5-year, 10-year and 30-year tenors from the financial year 2020-21 will be eligible for investment under the FAR as 'specified securities'
11. The Reserve Bank may add new tenors or change the tenors of new securities to be designated as 'specified securities from time to time.

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