

BHUTA SHAH & CO LLP
CHARTERED ACCOUNTANTS

BSC BEACON

**AUDIT &
ASSURANCE**

*Covering developments during
March, 2021 to August, 2021



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Key amendments to Schedule III of the Companies Act, 2013

On 24 March, 2021, the Ministry of Corporate Affairs (MCA) revised or amended the requirements of Schedule III. The latest amendment is made with an objective of enhancing the existing disclosure requirements while preparing the financial statements of a Company. Though there are amendments in all three segments or divisions, this article focuses on key developments in Division II to Schedule III of the Companies Act, 2013.

The amendments in Division II have been further classified into three categories:

A) DISCLOSURES ON THE FACE OF BALANCE SHEET

There are three changes on the face of Balance sheet. These are:

a. Current maturities of long-term borrowings [Regrouping from Other Financial Liabilities to Borrowings] - Prior to amendments, 'Current maturities of long-term borrowings' were part of 'Other Financial Liabilities'. Pursuant to amendments, these are to be shown as part of 'Current Borrowings'.

b. Security Deposit [Regrouping from Loan to Other Financial Assets, both current and non-current] - Pursuant to amendments, 'Security deposits' are required to be disclosed under 'Other Financial Assets' as against 'Loans' prior to amendments.

c. Lease Liabilities [Regrouping from Other Financial Liabilities to Lease Liabilities, both current and non-current] - 'Lease Liabilities', which were a part of 'Other Financial Liabilities' prior to the amendments, will be shown separately on the face of the Balance sheet under 'Financial Liabilities' both under current and non-current liabilities.

B) DISCLOSURES IN ALIGNMENT WITH CARO REQUIREMENTS

Few amendments in Schedule III is made to align with the disclosures requirements of Companies (Auditor's Report) Order, 2020 (CARO 2020). This will facilitate the auditors in reporting CARO 2020, as they are also required to report similar matter in their Audit Report.

Disclosures in Notes in alignment with CARO	Relevant Clauses in CARO 2020
Details of immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) where title deeds are not held in the name of the Company in a specified format.	Reporting on Property, Plant & Equipment [Clause – 3(i)(c)]
In case if fair valuation of investment property is carried out, disclosure is required whether the fair value of investment property is based on the valuation by registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.	Reporting on Property, Plant & Equipment [Clause – 3(i)(c)]
In case if revaluation of Property, plant and equipment & intangible assets is carried out, disclosure is required whether the revaluation is based on the valuation by registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.	
Where revaluation of property, plant and equipment and intangible assets is carried out, separate disclosure is required in reconciliation of gross carrying amount and net carrying amount if the amount of revaluation exceeds 10% of net carrying amount of such class of asset.	Reporting on Property, Plant & Equipment [Clause – 3(i)(d)]
Loans and advances in nature of loans to promoters, directors, KMPs and related parties: Disclosure is required if loans and advances in nature of loans are repayable on demand or are given without specifying any term or period of repayment in a specified format.	Reporting on Loans given by Company, Loans to Director [Clause – 3(iii) and 3(iv)]

Disclosures in Notes in alignment with CARO	Relevant Clauses in CARO 2020
Where the company has not complied with the number of layers of investment prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship or extent of holding of the company in such downstream companies shall be disclosed.	Reporting on Investments, loans and advances given [Clause – 3(iv)]
Any income which the Company has not been recorded but which arises during the course of Income Tax assessment or other tax assessments, shall be disclosed unless any scheme exempts this disclosure. Also, any previously unrecorded income or assets have been properly recorded in the books of accounts.	Reporting on Transactions not recorded [Clause – 3(viii)]
The amendment requires a disclosure if the Company has been declared as a “willful defaulter” by any bank, financial institution or other lender about date of declaration and details of defaults.	Reporting on Repayment of Loan [Clause – 3(ix)(b)]
Utilisation of borrowed funds: Where funds are given/received by a Company which are to be given as loan, investment, security or guarantee to a third company via an intermediary company to the ultimate beneficiary, the Company & the intermediary company shall make a disclosure of details of funds exchange, details of ultimate beneficiaries & compliance with FEMA & PMLA.	Reporting on Repayment of Loan [Clause – 3(ix)(c)]
If any proceedings has been initiated or pending against the Company under the Benami Transactions (Prohibition) Act, 1988, the Company shall disclose the details of property, amount, beneficiary details, whether it is recorded in the books of accounts or not, nature of proceedings and company's view on the same.	Reporting on Property, Plant & Equipment [Clause – 3(i)(e)]
If funds borrowed from banks and financial institutions are not used for the specified purpose for which they are raised, disclosure of where the funds have been used is required to be made.	Reporting on Repayment of Loan [Clause – 3(ix)(c)]
For CSR expenditure, in case of shortfall, details of shortfall for current year and cumulative shortfall amount are to be given along with reasons thereof.	Reporting on CSR [Clause – 3(xx)]

C) OTHER NEW DISCLOSURES

a. Share Capital: To provide details of promoters' shareholding as per the following format –

Sr. No.	Shares held by promoters at the end of the year			% Change during the year
	Promoter name	No. of shares**	% of total shares**	

Notes:

- Promoter here means promoter as defined in the Companies Act, 2013.
- Details shall be given separately for each class of shares.
- Percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.

b. Trade Payables:

To provide ageing schedule as per the following format (only overdue cases, including where no due date of payment is specified):

Particulars	Outstanding for following periods from due date of payment				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME					
(ii) Others					
(iii) Disputed dues – MSME					
(iv) Disputed dues – Others					

Notes: Unbilled dues to be disclosed separately.

c. Trade Receivables:

To provide ageing schedule as per the following format (only overdue cases, including where no date of payment is specified):

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade Receivables – considered good						
(ii) Undisputed Trade Receivables – which have significant increase in credit risk						
(iii) Undisputed Trade Receivables – credit impaired						
(iv) Disputed Trade Receivables – considered good						
(v) Disputed Trade Receivables – which have significant increase in credit risk						
(vi) Disputed Trade Receivables – considered impaired						

Notes: Unbilled dues to be disclosed separately.

d. Statement of current assets filed with banks and financial institutions for borrowing facilities:

The Company is required to disclose whether the statements of current assets filed with bank and financial institutions for borrowings are in agreement with books of accounts. If they are not in agreement with books of accounts, the reconciliation and description of material discrepancies are required to be given.

e. Capital work in progress (CWIP) and Intangible assets under development (IAUD):

To provide ageing disclosure for CWIP and IAUD as per following format:

CWIP / IAUD	Amount in CWIP for a period of				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Projects in progress					
Projects temporarily suspended					

For CWIP and IAUD, whose completion is overdue or has exceeded its cost compared to its original plan, following details shall be given:

CWIP / IAUD	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

Note: Separate disclosure is required for projects which are suspended.

f. Accounting for Scheme of Arrangements

Where the Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company in accordance with the Scheme and in accordance with accounting standards and any deviation in this regard shall be explained.

g. Disclosure of Ratios: Following ratios will be required to be disclosed –

1. Current Ratio	5. Net profit ratio	9. Net capital turnover ratio
2. Debt Service Coverage Ratio	6. Debt-Equity Ratio	10. Return on Capital employed
3. Inventory turnover ratio	7. Return on Equity Ratio	11. Return on investment
4. Trade payables turnover ratio	8. Trade Receivables turnover ratio	

- h. Relationship with Struck-off companies:** If Company has any transaction with stuck off companies under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956, it shall disclose the following details:

Name of the Struck off Company	Nature of transactions with struck-off Company	Balance out-standing	Relationship with the Struck off company
	Investments in securities		
	Receivables		
	Payables		
	Shares held by stuck off company		
	Other outstanding balances (to be specified)		

- i. Registration of charges or satisfaction with Registrar of Companies:**

The Company shall disclose whether any charge or satisfaction of charge is pending to be registered with ROC beyond the statutory period, details, and reasons thereof.

- j. Inclusion of prior period errors:**

Format of statement of changes in equity changed, to include prior period errors column in equity share capital reconciliation.

- k. Details of Crypto Currency or Virtual Currency:**

For entities investing and trading in crypto and virtual currencies during the year, details of amount of gain/loss, amount of currency held at the reporting date, and deposits or advances taken for trading/investing in crypto currencies need to be given.

Source: MCA notification dated 24 March 2021



Amendments to the Companies (Audit & Auditors) Rule 2014

MCA through notification dated 24 March 2021, issued the 'Companies (Audit and Auditors) Amendment Rules, 2021' which effectively amended 'Rule 11-Other Matters to be Included in Auditors Report' of the Companies (Audit and Auditors) Rule 2014.

Rule 11 prescribes the matters to be included in the auditor's report. Additional matters to be included in the audit report under 'Other Matters paragraph' are as below:

- a. The management has represented that to the best of its knowledge and belief, other than as disclosed in the notes to the accounts:
 - i. No funds have been advanced or loaned or invested (either from borrowed funds, share premium or any other sources/kind of funds) by the company to/in any other person(s) or entity(ies), including foreign entities (intermediaries), with the understanding (recorded in writing or otherwise) that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner

whatsoever by or on behalf of the company (ultimate beneficiaries) or provide any guarantee, security or the like on behalf of the ultimate beneficiaries.

- ii. No funds have been received by the company from any person(s) or entity(ies), including foreign entities (funding parties), with the understanding (recorded in writing or otherwise) that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or provide any guarantee, security or the like on behalf of the ultimate beneficiaries.
- b. Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to its notice that has caused an auditor to believe that the representations under points (i) and (ii) above contain any material

misstatement.

- c. The dividend declared or paid during the year by the company is in compliance with Section 123 of the 2013 Act.
- d. The company has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility. Further, it has been operated throughout the year for all transactions recorded in the software, the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.

Further, the requirement relating to disclosures relating to specified bank notes has been done away with from Rule 11.

Effective date: The amendment for points (a) to (c) above is effective from 1 April 2021 and point (d) would be applicable from financial year commencing on or after 1 April 2022.

Source: MCA notification no G.S.R. 206(E) dated 24 March 2021 and MCA notification no G.S.R. 248(E) dated 1 April 2021




Key amendments in Ind AS

Standard	Overview of the amendments
Ind AS 107, Financial Instruments: Disclosures	<p>Additional disclosures included relating to interest rate benchmark reform. Some of the important disclosures would include information about:</p> <ul style="list-style-type: none"> • Nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform and how the entity manages these risks and • Entity's progress in completing the transition to alternative benchmark rates and how the entity is managing the transition. <p>Effective date: An entity should apply the amendments when it applies amendments to Ind AS 109, Ind AS 104 or Ind AS 116.</p>
Ind AS 109, Financial Instruments	<p>A new paragraph has been included on changes in the basis for determining the contractual cash flows as a result of Interest rate Benchmark Reform (IBOR reform).</p> <p>As per the guidance provided, the basis for determining the contractual cash flows of a financial asset or financial liability can change in the following manner:</p> <ul style="list-style-type: none"> • By amending the contractual terms specified at the initial recognition of the financial instrument • In a way that was not considered by or contemplated in the contractual terms at the initial recognition of the financial instrument, without amending the contractual terms • Due to the activation of an existing contractual term. <p>Guidance has been provided on accounting for modifications of contracts resulting from changes in the basis for determining the contractual cash flows as a result of the IBOR reform.</p> <p>Additionally, various exceptions and relaxations have been provided in terms of various aspects of hedge accounting.</p> <p>Effective date: An entity should apply the amendments for annual reporting periods beginning on or after 1 April 2021.</p>
Ind AS 116, Leases	<p>In July 2020, MCA had issued amendments to Ind AS 116 with regard to COVID-19 related rent concessions. The aforementioned amendments introduced an optional practical expedient that simplified how a lessee accounted for rent concessions that were a direct consequence of COVID-19. Under that practical expedient a lessee was allowed to opt not to assess whether eligible rent concessions are lease modifications, and instead account for it under other applicable guidance provided certain conditions are met.</p> <p>MCA has extended the practical expedient by 12 months – i.e., by permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.</p> <p>The 2021 amendments are effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply these amendments early, including in financial statements not authorized for issue before the issuance of the 2021 amendment.</p> <p>The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it, being recognized in opening retained earnings. The disclosure requirements of paragraph 28(f) of Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors do not apply on initial application.</p> <p>Additionally, guidance has been provided on accounting for modifications of lease contracts resulting from the IBOR reform.</p>

Standard	Overview of the amendments
References to Conceptual Framework	<p>The ICAI has developed the Conceptual Framework for Financial Reporting (the Conceptual Framework) under Ind AS, which corresponds to IASB's revised Conceptual Framework for Financial Reporting, 2018. The 2021 amendments aim to align certain standards with the Conceptual Framework.</p> <p>For example, in Ind AS 102, Share-Based Payment definition of liabilities has been amended to 'a present obligation of the entity to transfer an economic resource as a result of past events.'</p> <p>In Ind AS 103, the MCA clarified that for the purpose of this Ind AS, acquirers are required to apply the definitions of an asset and a liability given in the Framework for Preparation and Presentation of Financial Statements with Indian Accounting Standards rather than the Conceptual Framework.</p>
Other minor / clerical changes	<p>Other amendments refer to clerical changes, including rectification of certain errors, references or italics being brought in or some other minor changes to bring in convergence with IFRS. For example, the definition of 'recoverable amount' has been updated in Ind AS 105, Ind AS 36 and Ind AS 16 by substituting the term 'fair value less cost to sell' with 'fair value less cost of disposal'. There is no significant impact of these changes.</p>

Source: MCA notification no. G.S.R. 419(E) dated 18 June 2021



Accounting Standards for SMCs under the Companies Act, 2013

MCA through a notification dated 23 June, 2021 has issued the Companies (Accounting Standards) Rules, 2021. The Accounting Standards (AS) notified under the Rules will be applicable to companies (other than companies to which Ind AS are applicable) including Small and Medium sized Companies (SMCs) in preparation of financial statements. The Rules prescribe revised definition of a SMC. According to it, SMC would mean a company which meets the following criteria as at the end of the relevant accounting period:

- Whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India.
- Which is not a bank, financial institution or an insurance company.
- Whose turnover (excluding other

income) does not exceed INR 250 crore (earlier INR 50 crore) in the immediately preceding accounting year.

- Which does not have borrowings (including public deposits) in excess of INR 50 crore (earlier INR 10 crore) at any time during the immediately preceding accounting year and
- Which is not a holding or subsidiary company of a company which is not a SMC.

The key standards notified under the Rules include:

- AS 9, Revenue Recognition
- AS 10, Property, Plant and Equipment
- AS 12, Accounting for Government Grants

- AS 14, Accounting for Amalgamations
- AS 15, Employee Benefits
- AS 16, Borrowing Costs
- AS 18, Related Party Disclosures
- AS 19, Leases
- AS 21, Consolidated Financial Statements
- AS 25, Interim Financial Reporting
- AS 26, Intangible Assets
- AS 28, Impairment of Assets
- AS 29, Provisions, Contingent Liabilities and Contingent Assets.

Effective date: The AS are effective for accounting periods beginning on or after 1 April, 2021.

Source: MCA notification dated 23 June 2021

A close-up photograph of a hand holding a small, terracotta-colored pot containing a young plant with several bright green, heart-shaped leaves. The background is a soft, out-of-focus green, suggesting a natural setting. A yellow banner with a blue triangle at its bottom right corner is overlaid on the lower left of the image.

Clarifications on the Corporate Social Responsibility (CSR) Framework

Background

The broad framework of CSR has been provided in Section 135 of the Companies Act, 2013, Schedule VII of the Act and Companies (CSR Policy) Rules, 2014. Further, Ministry had also issued clarifications including FAQs from time to time on various issues concerning CSR. A number of significant developments have taken place since then. The Ministry has notified the amendments in Section 135 of the Act as well in the CSR Rules on 22 January, 2021 with an aim to strengthen the CSR ecosystem, by improving disclosures and by simplifying compliances. In response to such amendments, Ministry has received several references and representations from stakeholders seeking clarifications on the various issues related to CSR.

New Developments

Clarifications on unspent CSR amount: On 10 May 2021, the ICAI issued a Frequently Asked Question (FAQ) to clarify the effect of the amendments on accounting treatment of amounts to be incurred towards CSR. Key clarifications are as follows:

- CSR expenditure would be recognised as an expense in the statement of profit and loss as and when such expenditure is incurred on the CSR activities as per the board approved CSR policy and CSR projects during the Financial Year.
- For the 'unspent amount', a legal obligation arises to transfer to specified unspent CSR account depending upon the fact whether such unspent amount relates to ongoing projects or not. Therefore, liability needs to be recognised for

such unspent amount as at the end of the Financial Year as per Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets.

- Further, as per Ind AS 34, Interim Financial Statements, CSR obligation will be recognised based on the principles for recognition of the same in annual financial statements.
- The conclusions drawn above will equally apply for companies preparing financial statements as per the Companies (Accounting Standards) Rule, 2006.

(Source: FAQ on 'Accounting for amounts to be incurred towards CSR pursuant to the Companies (CSR Policy) Amendment Rules, 2021' issued by ICAI on 10 May 2021)

Clarification on offsetting excess CSR spent for FY 2019-20: The MCA through a notification dated 20 May 2021 has provided clarification where a company has contributed any amount to 'PM CARES Fund' on 31 March 2020, which is over and above the minimum amount as prescribed under Section 135(5) of the 2013 Act for FY2019-20, and such excess amount or part thereof is offset against the requirement to spend under Section 135(5) for FY2020-21 in terms of the aforementioned appeal. This set off would not be viewed as a violation subject to the following conditions:

- The amount offset as such should have factored the unspent CSR amount for previous FYs, if any
- The Chief Financial Officer (CFO) should certify that the contribution to PM CARES Fund was indeed made on 31 March 2020 in pursuance of the appeal and the same should also be certified by

the statutory auditor of the company and

- The details of such contribution should be disclosed separately in the annual report on CSR as well as in the board's report for FY2020-21 in terms of Section 134(3)(o) of the 2013 Act.

(Source: MCA circular dated 20 May 2021)

Additions to eligible CSR activities: MCA, through circular dated 22 April 2021 and 5 May 2021 has clarified that spending of CSR funds for following activities as an eligible CSR activity. Companies may undertake these activities directly by themselves or in collaboration as shared responsibility with other companies, subject to the fulfillment of the CSR rules.

- Creating health infrastructure for COVID-19 care
- Establishment of medical oxygen generation and storage plants
- Manufacturing and supply of oxygen concentrators, ventilators, cylinders and other medical equipment for countering COVID-19 or
- Other similar activities
- Setting up makeshift hospitals and temporary COVID-19 care facilities (Companies may undertake these activities in consultation with state governments subject to the fulfillment of CSR rules.)

(Source: MCA general circular no. 05/2021 dated 22 April 2021 and 09/2021 dated 5 May 2021)



Recent amendments in Listing Regulations of SEBI



SEBI issues a new format of compliance report on corporate governance for listed entities

Background

Regulation 27(2) of the Listing Regulations requires every entity with listed specified securities to submit a quarterly compliance report on corporate governance to the recognised stock exchanges. The report should be submitted within 15 days from close of the quarter in the format specified by SEBI. SEBI through its notifications dated 24 September 2015 and 16 July 2019 prescribed the formats of the compliance report to be submitted:

- a. On a quarterly basis
- b. At the end of Financial Year (FY)
- c. At the end of six months from the close of Financial Year.

New Developments

SEBI has tried to strengthen the disclosures around loans / guarantees / comfort letters / security provided by a listed entity, directly or indirectly to a promoter / promoter group entities or any other entity controlled by them. On 31 May 2021, it issued a circular and decided to mandate disclosures around loans, guarantees, comfort letters, etc. These disclosures have to be provided by a listed entity in the compliance report on corporate governance on a half-yearly basis.

Accordingly, in addition to the current disclosures, SEBI has issued a new format of specified disclosures to be made on a half-yearly basis as part of the compliance report on corporate governance. The format is effective

from first half-year of Financial Year 2021-22.

(Source: SEBI circular no. SEBI/HO/CFD/CMD- 2/P/CIR/2021/567 dated 31 May 2021)

Recent SEBI board decisions related to independent directors

SEBI in its meeting dated 29 June 2021, approved amendments to Listing Regulations relating to regulatory provisions of Independent Directors (IDs). The amendments are effective from 1 January 2022. Below is an overview of the SEBI decisions:

a. Appointment/re-appointment and removal:

- i. Shareholders' approval for appointment of a director including IDs should be taken at the next general meeting or within 3 months of appointment, whichever is earlier.
- ii. The process to be followed by Nomination and Remuneration Committee (NRC), while selecting candidates for appointment as IDs, has been elaborated and made more transparent including enhanced disclosures regarding the skills required for appointment as an ID and how the proposed candidate fits into that skillset.
- iii. Composition of NRC has been modified to include two-third of IDs (currently majority of IDs).
- iv. Appointment / re-appointment / removal of IDs would be through special resolution of shareholders.

b. Eligibility requirement: A cooling off period of three years has been introduced for KMPs (and their relatives) or employees of the promoter group companies excluding relatives of employees of the company, its holding, subsidiary or associate company to become IDs.

c. Resignation: Resignation letter of ID to be disclosed along with a list of her/his present directorships and membership in board committees and introduced a cooling-off period of one year for an ID transitioning to a whole-time director in the same company/ holding/ subsidiary/ associate company or any other company belonging to the promoter group.

d. Audit Committee: At least two third of the members of the audit committee to be IDs and all related party transactions to be approved by only IDs on the audit committee.

e. Directors and Officers (D&O) insurance: The requirement of undertaking D&O insurance has been extended to the top 1,000 listed companies (by market capitalisation).

The SEBI Board also agreed to make a reference to the MCA, for giving greater flexibility to companies while deciding the remuneration for all directors (including IDs), which may include profit linked commissions, sitting fees, ESOPs, etc., within the overall prescribed limit specified under the 2013 Act.

(Source: SEBI-Press release PR.22/2021 dated 29 June 2021)

A photograph of two men in business attire standing in a modern office with large windows. The man on the left, wearing a light grey blazer, is smiling and holding a smartphone. The man on the right, wearing a dark blue blazer and glasses, is looking at the phone. A large yellow banner with white text is overlaid on the bottom left of the image.

Key Amendment in the Limited Liability Partnership (Amendment) Act, 2021

Background

There were practically no amendments passed under the Limited Liability Partnership (LLP) Act, 2008 until now. The Government of India recently introduced a new Limited Liability Partnership (Amendment) Bill, 2021, to amend the LLP Act 2008. The Rajya Sabha passed the Limited Liability Partnership (Amendment) Bill on 4 August 2021 and on 10 August 2021, Lok Sabha passed the Bill.

These amendments are made to boost further the ease of doing business, reduce penalties for various offences, compounding offences stipulated in the Act of 2008.

Key Amendments

a. Small LLP – A new concept of small LLP is introduced.

“Small Limited Liability Partnership” means a limited liability partnership—

- i. the contribution of which, does not exceed twenty-five lakh rupees (Rs. 25,00,000/-) or such higher amount, not exceeding five crore rupees, as may be prescribed; and
- ii. the turnover of which, as per the Statement of Accounts and Solvency for the immediately preceding financial year, does

not exceed forty lakh rupees (Rs. 40,00,000/-) or such higher amount, not exceeding fifty crore rupees, as may be prescribed; or

- iii. which meets such other requirements as may be prescribed, and fulfils such terms and conditions as may be prescribed.

b. Accounting and auditing standards: (Section 34A) – This is New Section inserted after Section 34 – Section 34A The Central Government may, in consultation with the National Financial Reporting Authority constituted under section 132 of the Companies Act, 2013 –

- a) prescribe the standards of accounting; and
- b) prescribe the standards of auditing,

as recommended by the Institute of Chartered Accountants of India constituted under section 3 of the Chartered Accountants Act, 1949, for a class or classes of limited liability partnerships.”.

c. Special Courts

There is a provision for the establishment of Special Courts for the speedy trial of offences under the Act. These special courts will follow the conditions laid down for

sessions judges and Additional Sessions for the offences punishable with the imprisonment of three years or more and Metropolitan Magistrate or a Judicial Magistrate for other offences. The order of the Adjudicating Authority of this court can be challenged and appealed for in the High Court.

d. General Penalties: (Section 74) – This Section fully substituted.

If a limited liability partnership or any partner or any designated partner or any other person contravenes any of the provisions of this Act or the rules made thereunder, or any condition, limitation or restriction subject to which any approval, sanction, consent, confirmation, recognition, direction or exemption in relation to any matter has been accorded, given or granted, and for which no penalty or punishment is provided elsewhere in this Act, the limited liability partnership or any partner or any designated partner or any other person, who is in the default, shall be liable to a penalty of five thousand rupees and in case of a continuing contravention with a further penalty of one hundred rupees for each day after the first during which such contravention continues, subject to a maximum of one lakh rupees.

Source: Gazette notification dated 13 August 2021

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