



MAJOR REGULATORY REFORMS DURING COVID-19 PERIOD

- 4th July, 2020

BHUTA
SHAH
& CO
LLP

CHARTERED
ACCOUNTANTS



1

Income Tax Act

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Companies Act

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Ease of Doing business

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Labour Welfare reforms

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MSME Measures

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FEMA

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INCOME TAX

Relief in Income Tax provisions and extension of due dates



Relaxation of Residency Norms

(vide Circular No. 11 of 2020)



A person who has come to India on a visit before 22 nd March, 2020, and	This period shall be excluded while computing the residential status
has been unable to leave India on or before 31 st March, 2020	Stay from 22 nd to 31 st March, 2020
has been quarantined in India on account of COVID-19 on or after 1 st March, 2020,	Stay beginning from his quarantine till the date of his departure or 31 st March, 2020, as the case maybe
and has departed on an evacuation flight on or before 31 st March, 2020, or has been unable to leave India on or before 31 st March, 2020	
has departed on an evacuation flight on or before 31 st March, 2020.	Stay from 22 nd March, 2020 to the date of his departure

DUE DATE EXTENDED: INCOME TAX RETURN & STATUTORY REPORTS

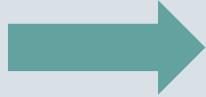
Sr. No.	Return of Income & Statutory reports	As per relevant Finance Act	Extended as per Ordinance no. 2 of 2020 dt. 31.03.2020 or Atmanirbhar Bharat	Current due date as per Nt. dated 24.06.2020
1.	Belated and Revised returns for AY 2019-20	31.03.2020	30.06.2020	31.07.2020
<u>For FY 2019-20 (AY 2020-21) :</u>				
1.	Return of income for all cases other than covered under point no. 2 & 4 below	31.07.2020	30.11.2020	30.11.2020
2.	Return of Income in case of companies, persons liable to tax audit, working partners of firms liable to tax audit	31.10.2020	30.11.2020	30.11.2020
3.	Tax audit report other than covered under point no. 5 (i.e. Form 3CA, 3CB)	30.09.2020	31.10.2020	31.10.2020
4.	Return of Income for persons liable for Transfer Pricing Audit	30.11.2020	30.11.2020	30.11.2020
5.	Tax Audit report & Transfer Pricing Audit report for persons covered by point no. 4 (i.e. Form 3CA/3CB & 3CEB)	31.10.2020	31.10.2020	31.10.2020

REDUCED INTEREST FOR DELAYED PAYMENTS OF TAXES

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(vide The Taxation and Other Laws Ordinance No. 2 of 2020)

Due date for the payment of any tax, duty (e.g. TDS, Advance Tax, GST, etc.)



falls between 20.03.2020 to 29.06.2020.

&

The amount has not been paid within such time, but paid on or before 30.06.2020.



Example :-

Mr. A entered into a contract with Mr. B on 05th March, 2020. The contract was completed on 15th March, 2020 and the payment was made to Mr. B on the same date after deducting the applicable TDS on such payment.

Due date to deposit this TDS: 30th April, 2020.

Actual payment made on 04th June, 2020.

Interest leviable @ 1.5% per month from date of deduction (March) to the date of payment (June).

Post Ordinance No. 2 of 2020, the interest will be levied @ 0.75% per month for the said period.

- The interest rates for such delayed payment have been reduced from the **current 1% or 1.5% per month to 0.75% per month.**
- Further, such delayed payments will **not attract penalty or prosecutions.**

INTEREST U/S 234A OF THE ACT (INTEREST ON DELAYED FILING OF ROI)

(vide Notification No. 35 dated 24.06.2020)

- Interest u/s 234A of the Act is levied when the Return of Income ('ROI') is not filed within the prescribed due date.
- As per the announcement in Atmanirbhar Bharat Package and Notification No. 35 dated 24.06.2020, though the due date of filling of ROI is extended for all class of assessee's, however interest u/s 234A of the Act will continue to be charged from the date of filing of return as per the Act till the date on which the return is filed (even if return is filed within the extended time lines).
- However, if the tax on total income after reducing the all reliefs, TDS/TCS, advance tax, etc is less than INR 1 Lakh, then no interest shall be leviable.

Example:

Mr. A (individual), filed his ROI for AY 2020-21 on **10th Nov, 2020** after paying SA Tax of **INR 10 Lakhs**.

- Due date (as per FA, 2020) : **31st July, 2020**
- **Extended due date : 30th November, 2020**

Interest u/s 234A will be levied @ 1% p.m. on INR 10 Lakhs from 01st Aug, 2020 to 10th Nov, 2020 (4 months as part of a month is to be considered as full)

TIME LIMIT FOR PASSING ASSESSMENT ORDER EXTENDED

Sr. No.	Nature of Assessment Proceedings	As per relevant Finance Act	Revised as per Atmanirbhar Bharat	Current due date as per Nt. dated 24.06.2020
1.	u/s 143(3) for AY 2018-19	30.09.2020	31.12.2020	31.03.2021
2.	u/s 143(3) for AY 2019-20	31.03.2021	30.09.2021	No change
3.	u/s 147 notice issued up to 31.03.2020	31.03.2021	30.09.2021	No change
4.	u/s 153A where search took place in FY 18-19	30.09.2020	31.12.2020	31.03.2021
5.	u/s 153A where search took place in FY 19-20	31.03.2021	30.09.2021	No change

NOTICES BY DEPARTMENT & COMPLIANCE BY ASSESSEE EXTENDED

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(Compliance due dates were extended in Ordinance No. 2 of 2020 and which is now further extended by Notification No. 35 dated 24.06.2020)

Status after Notification No. 35 dated 24.06.2020

Any action required to be taken by
the department

Any action/ compliance required to be
taken by the assessee

Between
20.03.2020
to
31.12.2020

Extended
up to
31.03.2021

Examples:

❖ Department

- Completion of any proceedings, passing of orders, issuance of notice, intimations, orders etc.,
- Filing of any appeal

❖ Tax Payers

- PAN Aadhar Linkage,
- Filing of any appeal, reply or application
- Filing of return, making of investment, deposits, payment, acquisition, etc. for claiming any deduction, exemption or allowance (*refer next slide*)
- GST compliance, etc.

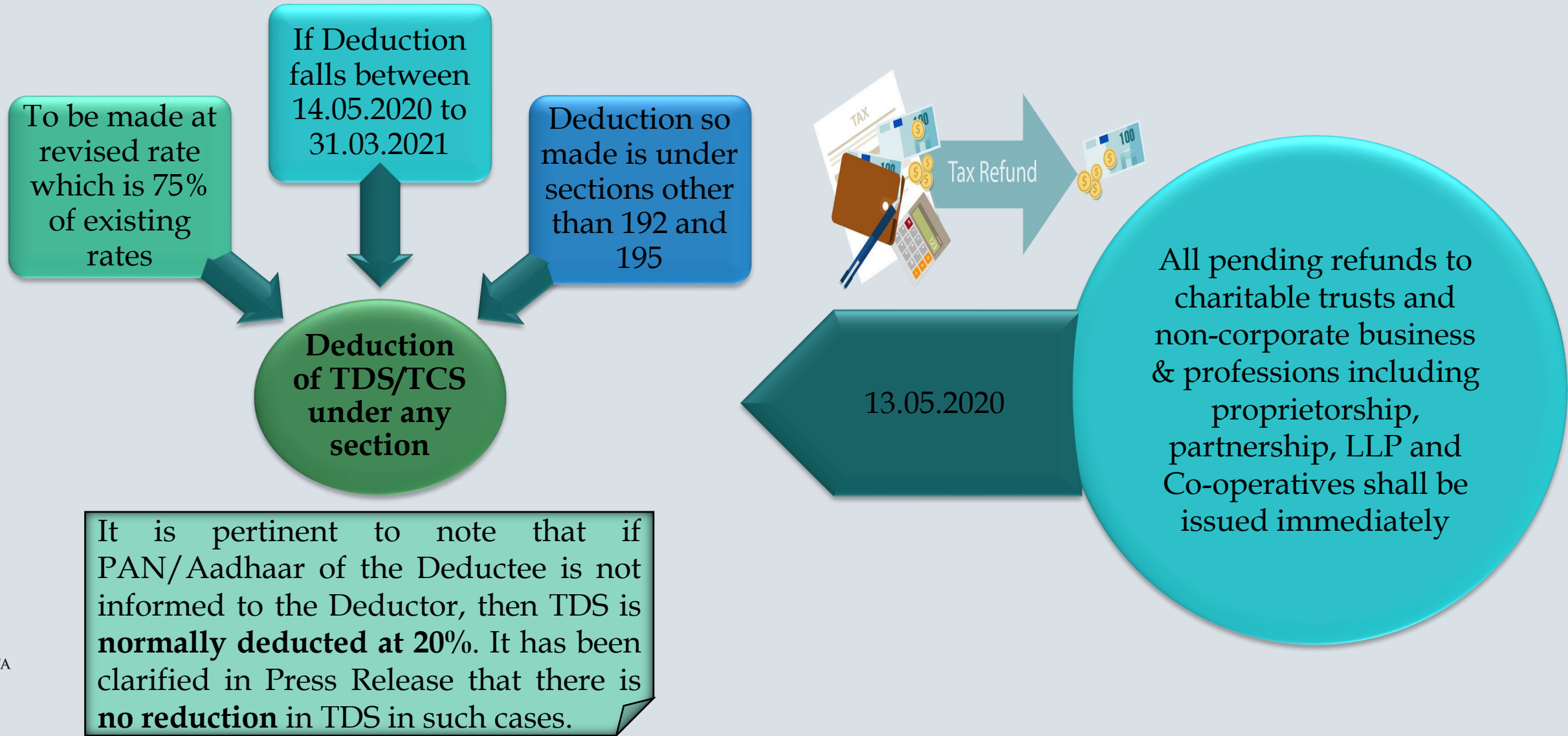
EXCEPTIONS TO EXTENSION OF COMPLIANCE DUE DATE OF 31.03.2021

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Sr. No.	Particulars	As per relevant Finance Act	Current due date as per Nt. dated 24.06.2020
1.	Returns for AY 2019-20 & AY 2020-21	<i>As per slide no. 5</i>	
2.	Furnishing of TDS/TCS statements for February or March, 2020 or quarter ended March, 2020 (Government department)	30.03.2020, 30.04.2020, 31.05.2020	15.07.2020
3.	Furnishing of TDS/TCS statements for February or March, 2020 or quarter ended March, 2020 (Non-government department)	30.03.2020, 30.04.2020, 31.05.2020	31.07.2020
3.	Issuance of TDS certificates <ul style="list-style-type: none"> Form 16 for FY 2019-20 Form 16A for Q4 of FY 2019-20 Form 16B/16C/16D for February 2020 Form 16B/16C/16D for March 2020 	15.06.2020 15.06.2020 14.04.2020 15.05.2020	15.08.2020
4.	Issuance of TCS certificates for Q4 of FY 2019-20	30.05.2020	15.08.2020
5.	Time limit for making investments for FY 2019-20 <ul style="list-style-type: none"> u/s 54 to 54GB (<i>Corrigendum to Notification No. 35 vide Notification No. 39</i>) Chapter VI-A (incl. donations to PM Cares Fund – 100% deduction) 	31.03.2020	30.09.2020 31.07.2020

REDUCTION OF TDS/ TCS RATES & ISSUE OF REFUNDS

(vide Atmanirbhar Bharat Day 1 Announcements)



CHARITABLE TRUSTS

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(vide Press Note dated 09th May, 2020)



introduced a new section 12AB,
wherein all charitable and
religious trusts registered u/s
12A and specified institutions
registered under section 10(23C)

within
three
months
from
01.06.2020

FA 2020

Registration

Existing

Time
Limit

Amended

Deferred

were compulsorily
required to re-apply
for fresh registration

CBDT has deferred
implementation of new
renewal provisions to
01.10.2020

VIVAD SE VISHWAAS SCHEME

% of the disputed tax/ interest/ penalty/ fine payable under the Scheme				
Nature of Tax Arrear	FA 2020		Ordinance 2020	Atmanirbhar Bharat Package and Nt. dated 24.06.2020
	Up to 31-03-2020	Up to 30-06-2020	Up to 30-06-2020	Up to 31-12-2020
Cases other than Search	100%	110%	100%	100%
Cases Covered under Search	125%	135%	125%	125%
Disputed interest or penalty or fine	25%	35%	25%	25%
Appeal/ Writ Petition/ SLP is filed by the Income-tax authority or, the assessee has a favourable order from higher authority	50%	60%	50%	50%

Note: Unlike earlier, the due date for payment is not segregated in two tranches & is without any additional burden of tax liability.

COMPANIES ACT

Reducing stringent provisions



RATIONALIZATION OF PROVISIONS FOR COMPOUNDABLE OFFENCES

(vide Atmanirbhar Bharat Day 5 Announcements)

01

Omitted

- ✓ 7 compoundable offences have been dropped altogether

02

Framework

- ✓ 5 compoundable offences have to be dealt with under an alternative framework

03

Internal Mechanism

- ✓ Majority of the compoundable offences to be shifted to internal adjudication mechanism

Note: These offences are not yet notified.



DECRIMINALIZATION OF OFFENCES

(vide Atmanirbhar Bharat Day 5 Announcements)

Example: -

In case if there is delay in holding AGM.

- Company and every officer of the Company who is in default shall be punishable with fine upto INR 1 Lakh and in case of continuing default with a further fine which may extend to INR 5,000/- for every day during which such default continues (Section 99 of Co. Act, 2013).
- After the announcements, the said penalty will not attract.

Decriminalization



Shortcomings in CSR reporting

Inadequacies in board report

Delay in holding AGM

Filing defaults

EASE OF DOING BUSINESS

Measures under the Companies Act & IBC, leading to enhancement of ease of doing business.



CERTAIN NOTABLE MEASURES UNDER COMPANIES ACT

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(vide Atmanirbhar Bharat Day 5 Announcements)

Penalty

Lower penalty for Small Company, One Person Company, Producer Company, Start-up Company. The penalties are yet to be notified.

Listing

Currently, listing by Indian Companies in foreign jurisdiction can be done by way of ADR/GDR. Direct Listing will be made possible.

NCD's


Private companies listing non-convertible debentures (NCDs) on stock exchange not to be regarded as listed companies



AMENDMENTS IN THE IBC LAW

(vide Notification dated 24.03.2020, Atmanirbhar Bharat Day 5 Announcements and The IBC (Amendments) Ordinance, 2020)


The period of lockdown imposed by the Central Government shall not be counted for the purpose of computation of any time-line, in relation to CIRP (Corporate Insolvency Resolution Process) or Liquidation Process.



Minimum threshold to initiate fresh insolvency proceedings raised to INR 1 Crore



No fresh IBC proceedings for 6 months for any default on or after 25.03.2020



New section 240A to be introduced for MSMEs: *Special Insolvency Resolution Framework*

REAL ESTATE SECTOR

(vide Atmanirbhar Bharat Day 1 Announcements)



Treat Covid-19 as an event to invoke *force majeure* on contracts signed

01

02

Issue fresh “Project Registering Certificates” automatically with Revised timelines

03

Suo moto extend the registration and completion date by **6 months** (it may be extended for another period upto 3 months, if needed) for the projects registered on or before March 25th 2020

04

Concurrently Extend timelines under various statutory compliances under RERA

NEW PUBLIC SECTOR ENTERPRISE POLICY

21

(vide Atmanirbhar Bharat Day 5 Announcements)

01

Coherent Policy

- ✓ All sectors to be open for private sector
- ✓ Defined areas - PSEs



02

Strategic Sectors

- ✓ At least 1 PSE
- ✓ List of strategic sectors to be notified



03

Other Sectors

- ✓ PSEs would be privatized
- ✓ Timing to be decided based on feasibility



LABOUR WELFARE

Relaxation in various legislative provisions as a relief to labour class



PROVIDENT FUND CONTRIBUTION

(vide Press Release dated 26.03.2020 & Atmanirbhar Bharat Day 1 Announcements)

1. Concessional rates of contribution to EPF for workers not eligible for the PM Garib Kalyan Package

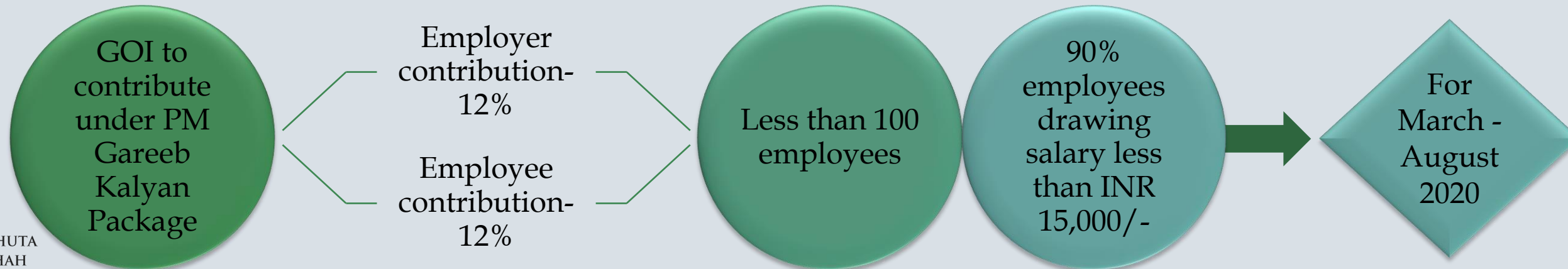
Category of enterprises	Employer Contribution	Employee Contribution
Central/State PSUs	12%	10%
Private Enterprise	10%	10%



For
June -
August
2020



2. Benefit under PM Garib Kalyan Package



WIDENING OF ESI SCOPE

24

(vide Atmanirbhar Bharat Day 1 Announcements)



Currently



Currently, ESI is only applicable for those organizations having more than 10 people employed with them.



Amendment



The task is to make available the ESI scheme on voluntary basis for those firms employing even less than 10 people.



Proposed



Also, the government is considering to make ESI scheme mandatory for employees working in hazardous industries with less than 10 employees.



MSME SECTOR

Reforms intended to mitigate the fear amongst MSMEs and to help them grow



CHANGE IN DEFINITION

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(vide Atmanirbhar Bharat Day 1 Announcements)

Existing MSME Definition

Criteria : Investment in Plant & Machinery or Equipment

Sector	Micro	Small	Medium
Mfg. Enterprises	Investment < INR 25 lakhs	Investment < INR 5 crores	Investment < INR 10 crores
Service Enterprise	Investment < INR 10 lakhs	Investment < INR 2 crores	Investment < INR 5 crores

Revised MSME Definition

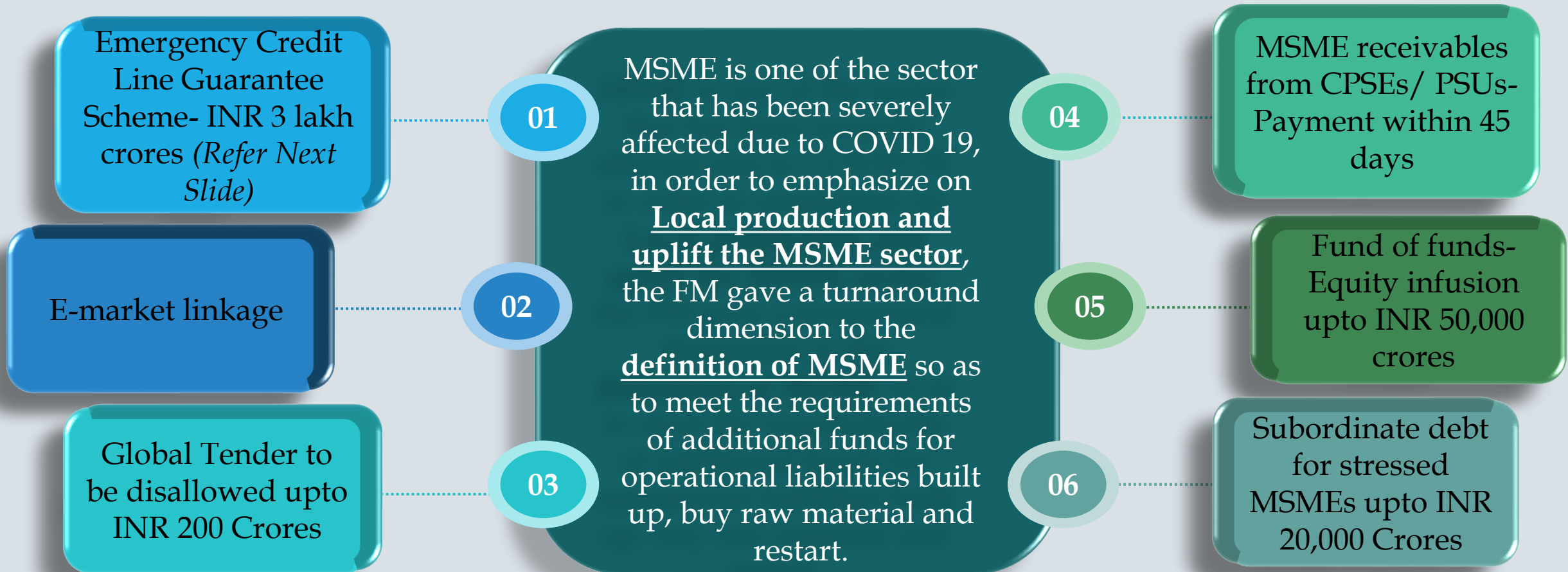
Composite Criteria : Investment and Turnover

Sector	Micro	Small	Medium
Manufacturing & Services	Investment < INR 1 crore & Turnover < INR 5 crores	Investment < INR 10 crores & Turnover < INR 50 crores	Investment < INR 20 crores & Turnover < INR 100 crores

- Government reforms intend to help MSMEs sustain and grow their businesses while dealing with the existing worldwide situation.
- Where growth was one of the key parameters of reform, the existing definition of MSME was a restricting factor.
- MSME also had a fear that if it grows in size it will get out of MSME definition and privileges.
- To mitigate this fear and to help MSMEs grow the definition is widened.
- The earlier limit in investment, defining MSME, is now revised upward and an additional condition for turnover is inserted to the definition.

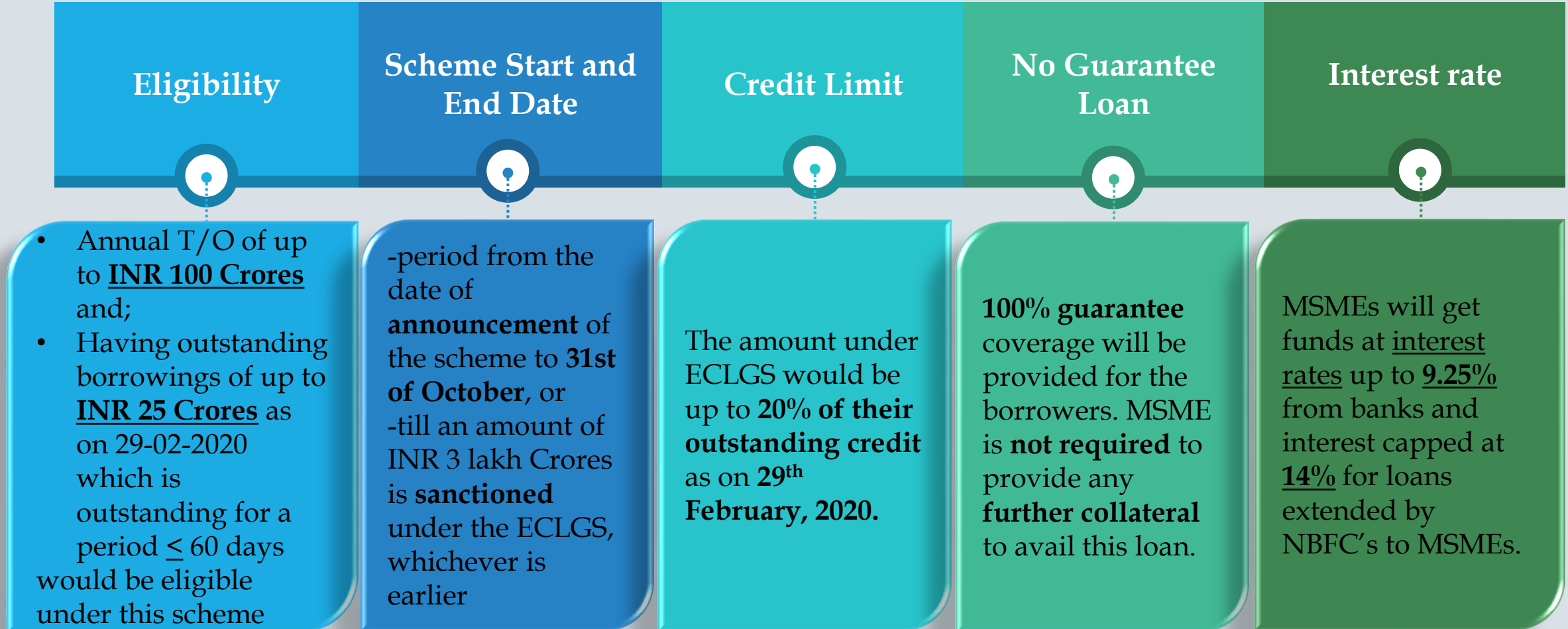
MSME REFORMS

(vide Atmanirbhar Bharat Day 1 Announcements)



Emergency Credit Line Guarantee Scheme (ECLGS) – 3 Lakh Crores

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Note: The loans will have a moratorium of a year on the principal amount, and must be repaid in four years thereafter.

FEMA

Relaxation of certain provisions and step towards engaging global investments in India.



RELAXATION FROM REALISATION AND REPATRIATION OF EXPORT PROCEEDS

30

(vide RBI AP (DIR Series) Circular No. 27)

Seeing the current pandemic of Covid-19, which has affected the whole world, it will not be reasonable for those exporters to realize the value, where the specified period is about to expire and also for new exports made during this trying times. In order to give relief to such exporters, the following changes had been made;

1

Current Time Limit

the full export value of goods and software services exported has to be realized and repatriated back to India within **9 months** from the date of export

2

Extended Time Limit

the current time limit of 9 months is **extended to 15 months**, for the exports made on or before July 31, 2020

3

Exceptions

However, the extended provision will not cover goods exported to warehouses established outside India, i.e. the current provisions will still be in effect.



INCREASE IN FDI LIMIT IN DEFENCE SECTOR

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(vide Atmanirbhar Bharat Day 4 Announcements)



FDI Limit under automatic route in
Defence Manufacturing Sector raised
from 49% to 74%



Some weapons and platforms will be
banned for imports and can only be
purchased from within the country

Attachments of the Circulars and Notifications from the Official Websites

Sr. No.	Particulars <i>(press ctrl + click to open the link)</i>	Announcement Date
1.	Residency Rule - Circular No. 11 of 2020	08.05.2020
2.	The Taxation & Other Laws (Relaxation of Certain Provision) Ordinance No. 2 of 2020	31.03.2020
3.	The Taxation & Other Laws Notification No. 35 of 2020 Corrigendum to the said Notification Corrigendum - Notification No. 39	24.06.2020
4.	Charitable Trust - Press release	09.05.2020
5.	Pradhan Mantri Garib Kalyan Yojana - Press release	26.03.2020
6.	FEMA Exports Repatriation - RBI AP (DIR Series) Circular No. 27	01.04.2020
7.	Atmanirbhar Bharat Package - Day 1 Announcements	13.05.2020
8.	Atmanirbhar Bharat Package - Day 2 Announcements	14.05.2020
9.	Atmanirbhar Bharat Package - Day 3 Announcements	15.05.2020
10.	Atmanirbhar Bharat Package - Day 4 Announcements	16.05.2020
11.	Atmanirbhar Bharat Package - Day 5 Announcements	17.05.2020
12.	The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2020	05.06.2020

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