

A Monthly E-Newsletter

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July 2021

# The Bottom Line

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## KEY METRICS

### Indices

BSE SENSEX	52,550	1.18%	▲
NSE NIFTY50	15,748	1.06%	▲
NASDAQ Composite	14,528	5.67%	▲
NIKKEI 225	28,792	-0.24%	▼

### Currency

USD/INR	74.29	-2.45%	▼
EURO/INR	88.36	0.32%	▲
GBP/INR	102.78	0.24%	▲
JPY/INR	0.67	-1.51%	▼

Note: The month-on-month movement as on June 30, 2021 is represented in percentages  
Source: Yahoo Finance, Investing.com

# DIRECT TAX

## Notifications/Circulars

### Further extension of timelines for specified compliances

Due to severity of pandemic, CBDT extends certain compliance deadlines:

Particulars	Extended Due Date
Filing of E-TDS for the last quarter of FY 2020-21	July 15, 2021
Furnishing Form 16, Equalization Levy Statement in Form No. 1	July 31, 2021
Objections to DRP/AO u/s 144C, Uploading declarations in Form No. 15G/15H	August 31, 2021
Passing assessment, reassessment and penalty orders, linking PAN with Aadhaar, processing of Equalization Levy statements	September 30, 2021
Last date for payment under VsV Act	October 31, 2021

*Circular No. 12 of 2021, Notification No 74 & 75 dated June 25, 2021*

### Tax relief in respect of COVID related receipts and ex-gratia payments

Any sum received by taxpayer from employer or any person towards COVID-19 treatment during FY 2019-20 and subsequent years shall be exempt. Further, in case of death due to COVID-19, ex-gratia payment received by family members of employee from employer shall be fully exempt and exempt upto Rs. 10 lakhs where received from any other person.

*Press Release dated June 25, 2021*

## Judicial Rulings

### Offshore supply does not warrant PE constitution

The assessee being a foreign company and tax resident of Japan, supplied only equipment and spare parts to an Indian company. No activity of installation and commissioning of equipment was provided. Observing the facts, the Court held that the assessee had no PE in India as per Article 5 of the DTAA between India and Japan. Hence no portion of assessee's income from said offshore supply would be taxable in India.

*Sumitomo Corporation v. DCIT (International Taxation) (Delhi ITAT)*

### Assessment order after April 01, 2021, must comply with section 144B

Hon'ble High Court of Delhi set aside the assessment order dated April 15, 2021 u/s 143(3), holding that after April 01, 2021, assessment order can only be passed in consonance with provisions of Section 144B. The Hon'ble Court also held that even though an appeal was filed by the assessee against the assessment order, then too the Writ is maintainable as the assessment order was passed without jurisdiction.

*Gurgaon Realtech Ltd. v. National Faceless Assessment Centre (Delhi High Court)*

### Timelines further extended for specified compliances

### Assessment order after April 01, 2021, must comply with section 144B

### Tax relief in respect of COVID related receipts and ex-gratia payments





# INDIRECT TAX

## Notifications/Circulars

### Interest on net cash liability

The recommendation of the Council to levy interest only on net cash liability has now been given effect retrospectively from July 1, 2017.

*Notification No. 16/2021-Central Tax dated June 1, 2021*

### Amnesty scheme and rationalization of late fee

Late fee has been capped where return GSTR-3B has not been filed for the tax periods falling between July 2017 to April 2021, provided the return has been filed between June 1 to August 31, 2021. The cap provided is Rs. 500 per return where there was no tax liability and Rs. 1000 in other cases. Further, now the late fee has been linked to turnover and tax liability on a prospective basis, ranging from Rs. 500 to 5000.

*Notification No. 19 to 22/2021-Central Tax dated June 1, 2021*

### Restriction on availment of ITC relaxed

Rule 36(4) of the CGST Rules, 2017 restricts availment of unmatched credit only to the extent of 5 per cent each month. This restriction has been relaxed and shall apply on cumulative basis for April, May and June 2021. The GSTR-3B return for June 2021 can be filed with cumulative adjustment for April and May 2021, if any.

*Notification No. 27/2021-Central Tax dated June 1, 2021*

### Determination of place of supply in case of MRO service

For the supply of MRO services, in respect of ships and other vessels, their engines and other components,

the place of supply shall be the location of the recipient of service.

*Notification No. 03/2021-Integrated Tax dated June 2, 2021*

### Service of construction of road under deferred payment

The activity of construction of road where the consideration is received in deferred payment shall not fall under the Entry 23A of the exemption Notification 12/2017-Central Tax (Rate). The same shall be taxable under GST.

*Circular No. 150/06/2021-GST dated June 17, 2021*

### Clarification on applicability of Dynamic Quick Response (QR) code

Various clarifications have been issued in response to queries raised on the applicability of Dynamic QR code. The clarifications cover situations of advance / part payments, over-the-counter sales, supplies to UIN holders, amongst others.

*Circular No. 156/12/2021-GST dated June 21, 2021*

## Judicial Rulings

### Taxation of intermediary

The petitioner is providing marketing and promotion services to persons located outside India. The said services fall under the definition of intermediary. Accordingly, as per deeming fiction created by Section 13(8)(b) of the IGST Act, levy of CGST and SGST would arise. The Bench was divided on the issue of whether the said Section is ultra-vires and offends various articles of the Constitution. The matter

Notification issued for levy of interest on net cash liability only

Annuities in form of deferred payments for construction of road are taxable

Controversy over taxation of intermediaries increases

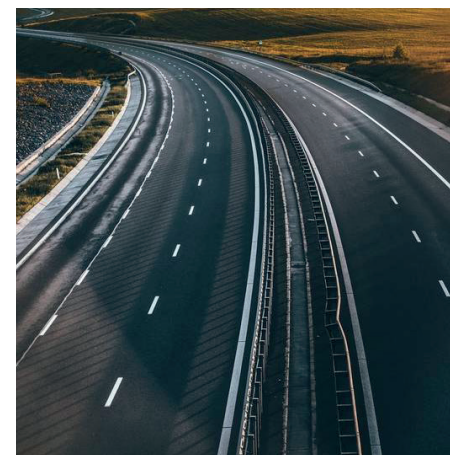
has now been referred to the Chief Justice.

*M/s Dharmendra M. Jani v The Union of India & others (Bombay High Court)*

### ITC in case of consumption loss

The portion of inputs which are lost during manufacturing are inherent to the process of manufacture. Such loss cannot be equated with disallowance of ITC u/s 17(5) (h) relating to "goods lost, stolen, destroyed, written off..." And ITC on such consumption loss during the manufacturing process will be allowed.

*ARS Steels & Alloys International Pvt Ltd v. State Tax Officer, Group-1, Chennai (Madras High Court)*



# CORPORATE & ALLIED LAWS

## Notifications

### Relaxations provided for additional matters to be taken up at Board Meetings held through VC

The restrictions on transacting certain matters only at a duly convened Board Meeting have been done away with. Now, the following items can be transacted through Board Meeting held via VC or OAVM:

- Approval of financial statements
- Approval of matter relating to merger/amalgamation
- Approval of matter relating to takeover/acquisition
- Approval of prospectus for issue of shares

*Notification No. GSR 409(E)/MCA/dated June 15, 2021*

### Relaxation on levy of additional fees

No additional fees shall be levied upto August 31, 2021 on certain forms due for filing between April 01 to July 31, 2021 under Companies Act, 2013 and LLP Act, 2008.

*General Circular No. 11/2021/MCA/dated June 30, 2021*

### Relaxation to hold EGM

EGM can be conducted through VC or OAVM or agendas can be transacted through postal ballot upto December 31, 2021. This measure has been introduced as further relaxation in lieu of COVID-19.

*General Circular No. 10/2021/MCA/dated June 23, 2021*

Approval of annual accounts permitted in Board Meeting via VC

Further relaxation upto August 31, 2021 for filing forms

EGM can be held through VC or OAVM till December 31, 2021

### Registration for Shops and Commercial Establishments now at the time of company incorporation

The Company can now avail registration of Shops and Commercial Establishments along with Companies incorporation process simultaneously with other available facilities viz. GSTIN, ESIC, EPFO and opening of Bank Account under substituted form termed as AGILE-PRO S.

*Notification No. GSR 392(E)/MCA/dated June 07, 2021*

### Micro, Small and Medium Enterprises (MSME's)

The existing Entrepreneurs Memorandum (EM) Part II and Udyog Aadhaar Memorandum (UAMs) of the MSMEs obtained till June 30, 2020 shall remain valid till December 31, 2021.

*Notification No. 63/2021-22/RBI/dated June 25, 2021*





## CFO WATCH

### MCA notifies amendments in Ind-AS Criteria for SMCs revised for applicability of accounting standards

#### Companies (Indian Accounting Standards) Amendment Rules, 2021 notified

MCA has issued new Rules for Ind-AS applicable from FY beginning April 01, 2021. The key changes include additional disclosures related to interest rate benchmark reform, issuance of Conceptual Framework for Financial Reporting under Ind-AS and extension of COVID-19 related rent concessions beyond June 30, 2021 vis-à-vis Ind-AS 116.

#### New definition of SMCs for applicability of accounting standards

Companies (Accounting Standard) Rules, 2021 shall be applicable for accounting period(s) commencing on or after April 01, 2021. New rules come up with the revised definition of SMCs for applicability of accounting standards. The threshold of turnover shall now be Rs. 250 crores instead of Rs. 50 crores and borrowings limit enhanced to Rs. 50 crores from Rs. 10 crores. Further, it is clarified that where a company, being an SMC, has qualified for any exemption previously but no longer qualifies for the relevant exemption in the current accounting period, the relevant accounting standards or requirements become applicable from the current period and the figures for the corresponding previous accounting period need not be revised.

## MERGERS & ACQUISITIONS

### Global M&A activity rises to record high levels during first half of 2021

Globally, there were 28,175 M&A deals done during the six months ending June 30, 2021 with a record-setting value of USD 2.8 trillion which is 132% more than the deal value during the same period last year. The record is powered by the second quarter with USD 1.6 trillion in deal value. This uptick is driven by low interest rates and higher deal-making in sectors like technology, media, industrials, etc. that have received a boost from the pandemic. Companies seem to continue to borrow cheap funds and spend their cash reserves on transformative deals to reposition themselves for a post-COVID world.

The tech sector led the way in deal activity, generating USD 671.6 billion worth of M&A in the first half which represented almost one-quarter of the total while private equity backed buyouts totalled USD 533.3 billion accounting for 18% of all M&A activity. Additionally, SPACs accounted for USD 387.4 billion in the deal activity.

The biggest deals of the year include the announced merger of AT&T's Warner Media with Discovery for USD 43 billion, PE buyout of medical-supply company Medline Industries for USD 30 billion and ride-hailing giant Grab's merger with US based SPAC Altimeter Growth Corp for USD 40 billion. Microsoft's acquisition of Nuance for USD 19 billion and merger of Gojek with e-commerce firm Tokopedia for USD 18 billion were also among few other mega transactions.

*Source- Economic Times, Forbes, Reuters*



# IN THE NEWS



## Webinars

### Restructuring in India

June 29, 2021

*Speakers:* Himanshu Srivastava, Partner, Business Advisory Services and Kazuharo Kono, Advisor

This webinar covered how restructuring could be a useful tool to expand or optimize business operations in India during these difficult times.

## Other Webinars

### Virtual CPE meeting on Accounting Standards - June 9, 2021

*Speaker:* Parveen Kumar, National Head, Assurance

Organised by Southern India Regional Council (SIRC) of The Institute of Chartered Accountants of India, Parveen spoke about Accounting for Taxes on Income (AS22)

### India after the Second Wave

June 16, 2021

*Speaker:* Ajay Sethi, Managing Partner Bridge India invited Ajay to speak at

a panel discussion on the outlook for Indian economy after the second wave.

## Articles

### Audit of Property, Plant and Equipment - June 10, 2021

*Author:* Parveen Kumar, National Head, Assurance

Published by Taxsutra Greentick, this article is a synopsis of the Guidance Note on Audit of Property, Plant and Equipment.

### Audit of Cash & Bank Balances June 22, 2021

*Author:* Parveen Kumar, National Head, Assurance

Published by Taxsutra Greentick, this article covered the interpretation and impact of the Guidance Note on Audit of Cash and Bank Balances.

### Applying MFN Clause in Tax Treaties – Indian Court Paves Way!

June 24, 2021

*Author:* Sunil Arora, Partner, Taxation and Ameet Baid, Senior Manager, Taxation

Published in Taxmann, this article summarizes the key principles emanating from the judgement of Hon'ble Delhi High Court examining the applicability of MFN clause.

### Can RWA collect GST when the monthly subscription is below Rs. 7500?

June 29, 2021

*Author:* G Viswanathan, Director, Accounting and Business Support

Published by Taxsutra, this article looked at whether the collection of GST on monthly subscriptions below Rs 7500 per month is permissible under the legal framework.



# GLOSSARY



## AO

Assessing Officer

## CBDT

Central Board of Direct Taxes

## DRP

Dispute Resolution Panel

## DTAA

Double Taxation Avoidance Agreement

## ESIC

Employees' State Insurance Corporation

## EPFO

Employees' Provident Fund Organization

## EGM

Extra – Ordinary General Meeting

## FY

Financial Year

## GSTIN

Goods and Services Tax Identification Number

## ITAT

Income Tax Appellate Tribunal

## Ind-AS

Indian Accounting Standards

## ITC

Input Tax Credit

## MCA

Ministry of Corporate Affairs

## MRO

Maintenance, Repair and Overhaul

## M&A

Mergers & Acquisitions

## OAVM

Other Audio Visual Means

## PAN

Permanent Account Number

## PE

Permanent Establishment

## RWA

Resident Welfare Association

## SMCs

Small and Medium Sized Companies

## SPACs

Special Purpose Acquisition Companies

## TDS

Tax Deducted at Source

## UIN

Unique Identity Number

## USD

United States Dollar

## VC

Video Conference

## VsV Act

Vivad se Vishwas Act, 2020



We value your feedback. Please send us your comments and suggestions at [editorial@asa.in](mailto:editorial@asa.in)

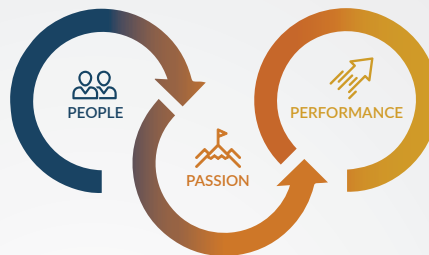


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