

A Monthly E-Newsletter

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KEY METRICS

Indices

BSE SENSEX	58,254	-2.08%	▲
NSE NIFTY50	17,354	-2.18%	▲
NASDAQ Composite	15,645	0.69%	▲
NIKKEI 225	28,792	-3.49%	▲

Currency

USD/INR	74.47	0.83%	▲
EURO/INR	84.65	0.55%	▲
GBP/INR	100.75	-0.92%	▼
JPY/INR	0.65	2.35%	▲

Note: The month-on-month movement as on December 31, 2021 is represented in percentages
Source: Yahoo Finance, Investing.com



DIRECT TAX

Notifications/Circulars

Provision of personal hearing under faceless appeal scheme

Faceless appeal scheme, effective from December 28, 2021, provides for following key changes:

- Compulsory personal hearing to be allowed, if requested
- Digital signing of the orders passed by Commissioner (Appeals)

All the appeals under section 246A or 248 pending or instituted on or after December 29, 2021 (except those falling under Central Charge or International Taxation) shall be completed under the new scheme.

Notification No. 139/2021 dated December 28, 2021 and Order dated December 29, 2021

OECD releases rules for 15 per cent global minimum tax

The OECD/ G20 Inclusive Framework on BEPS released Model Global Anti-Base Erosion (GloBE) Rules under pillar 2 for domestic implementation of 15 per cent global minimum tax from 2023. The GloBE Rules provide for a co-ordinated system of taxation that imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum rate. It outlines the scope and sets out the operative provisions and definitions. It will further assist countries to bring the GloBE rules into domestic legislation from 2022 as part of a common approach.

OECD Press release dated December 20, 2021

E-verification scheme notified

E-verification scheme, 2021 towards faceless collection of information of the taxpayer by the Assessing Officer notified. It specifies procedure for electronic collection and verification of data, random allocation of information, issue and service of notice, response to notice, communication by electronic mode and authentication of electronic records.

Notification No. 137/2021 dated December 13, 2021

Judicial Rulings

Reassessment notices under section 148 issued as per old provisions after March 31, 2021 quashed

The Court observed that neither the Finance Act, 2021 nor section 3(1) of the Relaxation Act, 2020 delegated power to the Government to extend the erstwhile reassessment provisions beyond March 31, 2021 or to defer applicability of new reassessment provisions enacted by Finance Act, 2021. Therefore, explanations in Notifications 20/2021 & 38/2021, which allowed department to issue reassessment notices till June 30, 2021 under the old provisions deserve to be quashed as ultra vires section 3(1) and reassessment notices issued, under 'extended' old time-limits based on these notifications deserve to be quashed if time-barred as per new provisions.

Mon Mohan Kohli v. Assistant Commissioner of Income Tax (Delhi High Court)

Provision of personal hearing under faceless appeal scheme

OECD releases rules for 15 per cent global minimum tax

Reassessment notices under section 148 issued as per old provisions after March 31, 2021 quashed

Legal fees paid by Indian lawyer to non-residents distinct from FTS

ITAT held that payments made to foreign attorneys is not chargeable to tax. Consequently, there is no requirement to withhold tax. It was observed that section 40(a)(i) and 40(a)(ia) bring out a clear distinction between FTS and fees for professional services, as section 40(a)(ia) encompasses both FTS and fees for professional services whereas section 40(a)(i) applies only for TDS default on payments made as FTS.

Chander Mohan Lall v. Assistant Commissioner of Income Tax (Delhi ITAT)



INDIRECT TAX

Circulars / Notifications

Implementation of provisions of Finance Act, 2021

Various provisions of the Finance Act, 2021 have been made effective from January 01, 2022. The key provisions are:

- No ITC shall be available unless the supplier has actually furnished the details in GSTR-1 and the same has been communicated to the recipient in Form GSTR-2B.
- No appeal can be filed against an order in respect of detention or seizure of goods or conveyance, unless a sum equal to 25% of the penalty has been paid by the appellant.
- Self-assessed tax shall include to mean the tax payable as per GSTR-1 but not included in GSTR-3B.

Notification No. 39/2021-Central Tax dated December 21, 2021

Due date for filing Annual return extended

For the FY 2020-21, the date of filing annual return in Form GSTR-9 and self-certification statement in Form GSTR-9C has been extended till February 28, 2022.

Circular No. 166/22/2021-GST dated November 17, 2021

GST on services supplied by restaurants through ECO

Clarificatory circular has been issued in respect of Notification no. 17/2021 dated 18.11.2021. The key clarifications include ECO made liable to pay GST on restaurant services provided through it. Such liability to be paid in cash only. The invoice towards such services shall be raised by the ECO. GST would

be applicable and charged by the ECO even if an unregistered person supplies such services through the ECO. This would be effective from January 1, 2022.

Circular No. 167/23/2021-GST dated December 17, 2021

Judicial Rulings

Recovery from employees

The definition of business under the GST Act includes any activity which is incidental to the main object of the company. Therefore, the recoveries made from employees for canteen facility, insurance policy and telephone charges shall be considered as supply by employer to employee in course or furtherance of business and taxable under GST.

M/s Bharat Oman Refineries Ltd (AAR Madhya Pradesh)

In another case, it was held that the nominal charges recovered by employer from employee towards bus transportation facility shall not be taxable under GST since the employer is not providing any services to its employees and is also not in the business of providing transport / leasing services.

M/s Dr Willmar Schwabe (I) Pvt Ltd (AAR Uttar Pradesh) and M/s Integrated Decisions and Systems India Pvt Ltd (AAR Maharashtra)

Refund of ITC on export

The petitioner shall be eligible to claim refund of unutilized ITC on export of goods, even if the said goods are subject to tax at NIL rate of tax under GST.

M/s B.S. Minerals (Orissa High Court)

Due date for GSTR-9 and 9C extended

ITC to be available only if reflected in GSTR-2B of recipient

AAAR rules against applicability of GST on notice pay recoveries

ITC on electrical works etc.

ITC is specifically restricted on any goods or services used for construction of immovable property. Therefore, ITC in relation to central air-conditioning, electrical works, plumbing, external and internal sewage system, shall not be eligible since such fittings, after installation, becomes a part and parcel of immovable property.

M/s Tianyin WorldTech India Pvt Ltd (AAR Uttar Pradesh)

Notice pay recovery from employees

Merely because the employer is being compensated does not mean that any service has been provided by him or that he has tolerated any act of the employee. Therefore, the said recovery shall not be subject to tax under GST.

M/s Bharat Oman Refineries Ltd (AAAR Madhya Pradesh)

CORPORATE & ALLIED LAWS

Circulars / Notifications

Waiver of additional fees on specified forms of all the Companies

No additional fees shall be levied on Financial Statements, AOC-4, AOC-4 (CFS), AOC-4 XBRL, AOC-4 Non XBRL) until February 15, 2022 and Annual Returns (Form MGT-7, MGT-7A) until February 28, 2022 for the FY ended on March 31, 2021.

Circular No. 22/2021/MCA/dated December 29, 2021

Further extension in timelines to hold AGM through VC/ OAVM for FY 2020-21

Considering the difficulties and hardships faced by the stakeholders in conduct of AGM due to the second wave of COVID-19 and

consequent lockdown etc., Ministry had earlier extended the timeline to hold AGM to November 30, 2021 and the same could be conducted through VC or OAVM modes as well.

The ministry has now further extended the timeline to June 30, 2022 through VC or OAVM.

Circular No. 21/2021/MCA/dated December 14, 2021

Extension in holding EGM through VC/OAVM

Ministry has allowed Companies to hold EGM through VC/OAVM or through postal ballot upto June 30, 2022.

Circular No. 19/2021/MCA/dated December 08, 2021

Further extension to hold AGM through VC/OAVM

Waiver of additional fees on specified forms

Reserve Bank of India

RBI has issued clarification that NRIs/OCIs do not require prior approval of RBI for acquisition and transfer of immovable property in India, other than agricultural land/ farm house/ plantation property.

Press Release 1439/RBI/2021-22/ dated December 29, 2021



CFO WATCH

ECB and TC Policy - changes due to LIBOR transition

New IFRS 17 transition option

RBI issues circular to make changes in the benchmark rate after LIBOR discontinuance

In view of the imminent discontinuance of LIBOR as a benchmark rate, the RBI has issued a circular making changes to the all-in-cost benchmark and ceiling for foreign currency ECBs/ TC. Following are the key changes made:

- Henceforth, benchmark rate in case of ECB/TC shall refer to any widely accepted interbank rate or alternative reference rate (ARR) of 6-month tenor, applicable to the currency of borrowing.
- To consider differences in credit risk and term premia between LIBOR and the ARR, the all-in-cost ceiling for new ECBs and TCs has been increased by 50 bps to 500 bps and 300 bps respectively, over the benchmark rates.
- To enable smooth transition of existing ECBs/ TCs linked to LIBOR whose benchmarks are changed to ARRs, the all-in cost ceiling for such ECBs/ TCs has been revised upwards by 100 basis points to 550 bps and 350 bps respectively, over the ARR.

IASB provides transition option to insurers applying IFRS 17

The IASB has issued a narrow-scope amendment to the transition requirements in IFRS 17 on Insurance Contracts. The amendment provides insurers with an option aimed at improving the usefulness of information to investors on initial application of the new Standard. It also adds a new transition option to IFRS 17 (the 'classification overlay') to alleviate operational complexities and one-time accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of IFRS 17. This amendment is effective for annual reporting periods starting on or after January 1, 2023.

MERGERS & ACQUISITIONS

India's M&A volume in 2021 at an all-time high

M&A volume in India was near its highest level with 85 strategic deals valued at more than \$75 million in 2021. M&A deals were also more broad-based than ever with more mid-sized deals ranging from \$500 million-\$1 billion, rather than the \$5 billion+ megadeals that drove activity in 2017-2019.

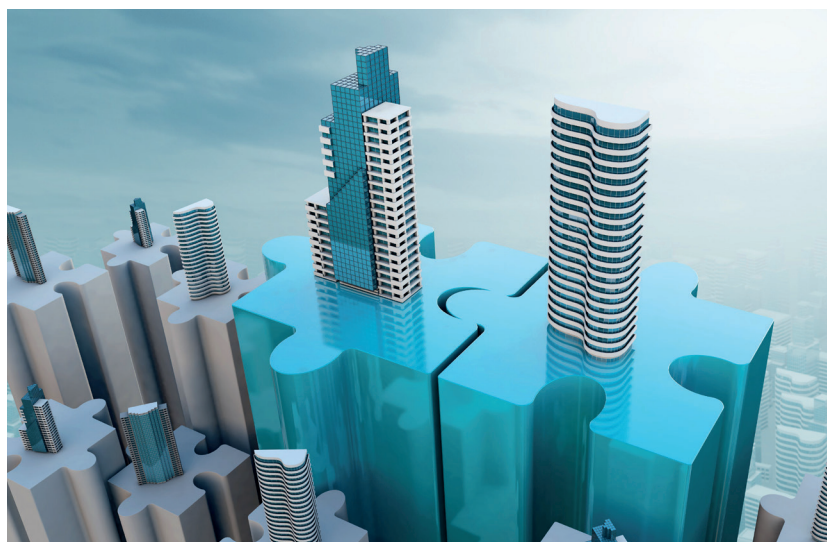
This is largely driven by more and more companies using M&A to transform their business. Surplus liquidity fuelled by low interest rate and FDI is helping companies to look at transformational deals where the objective is not just increasing scale but building new engines of growth and new capabilities, beyond the company's core business.

Key M&A Deals in 2021

Month	Target	Acquirer	Deal Size
April	Aakash Institute	Byju's	\$1 Billion
May	BigBasket	Tata Digital	\$1.7 Billion
June	Thyrocare	PharmaEasy	\$612 Million
Aug	BillDesk	Prosus	\$4.7 Billion
Sept	DHFL	Piramal Group	\$4.7 Billion
Sept	Zee Entertainment	Sony Pictures	\$1.5 Billion
Oct	Air India	Tata Sons	\$2.39 Billion
Oct	SB Energy India	Adani Holding	\$3.5 Billion

2022 Outlook

We foresee this trend continuing and another exceptional year for Indian M&A in 2022. With many claiming that Omicron variant is leading us towards an endemic stage, and macroeconomic factors supporting India as a preferred investment destination, outlook for M&A is looking even stronger than before.



IN THE NEWS



Own Webinar

Impact of Key Changes in Schedule III and CARO 2020

December 16, 2021

Speaker: Prateet Mittal, Partner, Assurance and Nitin Gupta, Executive Partner, Assurance

We organized a session on 'Key changes in Schedule III to the Companies Act 2013 and CARO 2020' where the practical impact of these changes on financial reporting of Corporates in India for the year 2021-22 were covered.

India's Electric Vehicle (EV) Policies and Trends

December 21, 2021

Speakers: Himanshu Srivastava, Partner, Business Advisory Services and Daikoku Hiroshi, Senior Investment Advisor, JETRO

A session in Nihongo was organized by us for our Japanese clients, where we covered the Indian Government's policies and the future

potential of the Indian Electric Vehicles Market that is currently estimated to grow at around 90% to \$152.21 billion by 2030.

Other Webinar

India-Australia Comprehensive Economic Cooperation Agreement (CECA)

December 3, 2021

Speaker: Parveen Kumar, National Head, Assurance

ASSOCHAM nominated Parveen to speak about the challenges faced by services suppliers in India in a session with Shri Darpan Jain, Joint Secretary, Ministry of Commerce, Government of India.

Demystify the Ind AS/IFRS

December 3, 2021

Speaker: Pranav Pendharkar, Associate Director, Assurance

Pranav was invited by Achromic Point to speak at Demystify the Ind AS/IFRS – A digital training on practical aspects.

8th Banking and Finance Summit 2021 –December 9, 2021

Speaker: Parveen Kumar, National Head, Assurance

CII invited Parveen Kumar to speak at their 8th Banking and Finance Summit 2021, Towards Atmanirbhar Bharat: A Stronger Banking and Financial Sector Powered by Technology.



GLOSSARY



AAR

Authority for
Advance Ruling

AAAR

Appellate Authority
for Advance Ruling

AGM

Annual General
Meeting

ARR

Alternative Reference
Rate

BEPS

Base Erosion and
Profit Shifting

ECB

External Commercial
Borrowing

ECO

E-commerce
Operator

EGM

Extra-Ordinary
General Meeting

FDI

Foreign Direct
Investment

FTS

Fee for Technical
Services

FY

Financial Year

GST

Goods & Services
Tax

IASB

International
Accounting
Standards Board

IFRS

International
Financial Reporting
Standard

ITAT

Income Tax
Appellate Tribunal

ITC

Input Tax Credit

LIBOR

London Interbank
Offered Rate

M&A

Mergers &
Acquisitions

NRIs/ OCIs

Non Resident
Indians/ Overseas
Citizens of India

OAVM

Other Audio Visual
Means

OECD

Organisation for
Economic Co-
operation and
Development

RBI

Reserve Bank of
India

TC

Trade Credit

TDS

Tax Deducted at
Source

VC

Video Conference

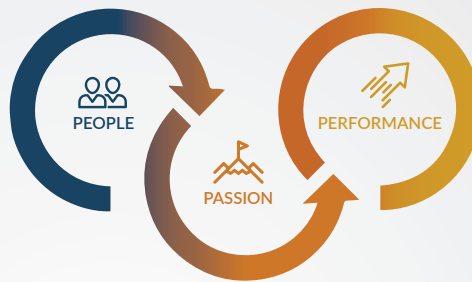
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ASA Corporate Catalyst India

New Delhi (Corporate Office)

Aurobindo Tower
81/1 Third Floor Adchini
Aurobindo Marg
New Delhi 110 017 INDIA
T +91 11 4100 9999

Ahmedabad

306 - B, Pinnacle Business Park
Corporate Road, Prahlad Nagar
Ahmedabad, 380 015 INDIA
T + 91 79 4891 5409

Bengaluru

Level - 2, Park Square
No.150, 36th Cross
Jayanagar 7th Block
Bengaluru 560 082 INDIA
T +91 80 4151 0751

Chennai

Unit No. 709 & 710,
7th Floor 'Beta Wing'
Raheja Towers
New Number 177
Anna Salai,
Chennai 600 002 INDIA
T +91 44 4904 8200

Gurgaon

Times Square Fourth Floor
Block B, Sushant Lok 1
Gurgaon 122 002 INDIA
T +91 124 4333 100

Hyderabad

Vasavi's MPM Grand
11th Floor, Unit No 1204
Yella Reddy Guda Road, Ameerpet
Hyderabad Telangana 500 073 INDIA
T +91 40 2776 0423

Kochi

Pioneer Tower
207-208 Second Floor
Marine Drive
Kochi 682 031 INDIA
T +91 484 410 9999

Mumbai

Lotus Corporate Park
D-401, CTS No.185/A
Graham Firth Compound
Western Express Highway
Goregaon (East)
Mumbai 400 063 INDIA
T +91 22 4921 4000

National Affiliates

Chandigarh, Kolkata, Pune,
Visakhapatnam, Nepal

Disclaimer: This publication has been jointly prepared by ASA & Associates LLP and ASA Corporate Catalyst India Pvt Ltd. We have taken all steps to ensure that the information in this document has been obtained from reliable sources and is accurate. However, this document is not intended to give legal, tax, accounting or other professional guidance. We recommend appropriate advice be taken prior to initiating action on specific issues.

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