

Manubhai & Shah LLP

Webinar with MSME Clients

IMPACT OF COVID-2019

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IMPACT OF COVID-2019

Matters affecting labour laws covering various aspects

By : Kshitij Patel - Partner

Background

- On March 24, 2020 the Government of India announced a twenty-one day nationwide lockdown to prevent and contain the spread of Covid-19, which lock down has been further extended until 3 May 2020.
- Pursuant to the announcement of lock-down, in exercise of powers contained in the Epidemics Disease Act, 1897 and the Disaster Management Act, 2005, both Central and State Governments have issued orders, notifications, press notes, guidelines, advisories and circulars (**Notifications**) in connection with the manner of implementation of the lockdown and various aspects connected therewith.
- While these Notifications deal with measures to be adopted to 'prevent and contain' the spread of Covid-19, a few measures contained in the Notifications go beyond the realm of 'prevention and containment' of Covid-19. One such measure is the direction to all private establishments to make payment of wages /salaries in full to their workers/employees during the lock down period and also not to terminate any employees from their employment.

March 20, 2020 (Advisory)

- The Ministry of Labour and Employment, Government of India, issued D.O.No. M-11011/08/2020-Media to All Employer's Association, with the following **'Advisory'** –
- *"In the backdrop of such challenging situation, all the Employers of Public/Private Establishments are advised to extend their coordination by not terminating their employees, particularly casual or contractual workers from job or reduce their wages. If any worker takes leave, he should be deemed to be on duty without any consequential deduction in wages for this period..."*
- Pursuant to the above Advisory issued by the Ministry of Labour and Employment, Government of India, several State Governments such as Gujarat, Delhi, Haryana, Kerala, Maharashtra, Punjab, Telanagana etc., issued advisories/orders directing the private establishments/government to consider the employees as 'on duty' and pay the wages to their employers during the period of lockdown. These advisories/orders also refrain the employers from terminating the employees during the lockdown period.

March 29, 2020 (Order)

- The Ministry of Home Affairs, Government of India, in exercise of powers contained in Section 10(2)(I) of the DMA, by way of Order No. 40—3/2020-DM-1(A) made the earlier Advisory of 20 March 2020 regarding on payment of wages by private establishments/government mandatory by directing that any violation will be punishable under the DM Act. The Order reads as under:
- *“Whereas, to deal with the situation and for the effective implementation of the lockdown measures, and to mitigate the economic hardship of the migrant workers, in exercise of the powers, conferred under Section 10(2)(I) of the DMA, the undersigned, in the capacity as Chairperson, National Executive Committee here directs the State/Union Territory Government and State/Union Territory Authorities ... to take following additional measures:*
- *(i) ...*
- *(ii) ...*
- *(iii) All the employers, be it in the industry or in the shops and commercial establishments, shall make payment of wages of their workers, at their work places, on the due date, without any deduction, for the period their establishments are under closure during the lockdown; ...”*

Epidemic Diseases Act, 1897 (ED Act)

- The objective of the Epidemic Diseases Act is to address the spread of 'Dangerous Epidemic Diseases'. In the wake of an outbreak of any dangerous epidemic disease, the Epidemic Diseases Act enables the Central Government to take suitable measures and prescribe regulations for the inspection of any ship or vessel leaving or arriving at any port in India and or detain any person intending to sail therein, or arriving thereby, as may be necessary.
- Similar powers are also vested on the State Governments also to prescribe temporary regulations to be observed by the public to prevent the outbreak of such disease or the spread thereof. Disobeyance of any regulation or order made under this the Epidemic Diseases Act is punishable under Section 188 of the Indian Penal Code.

Disaster Management Act, 2005 (DM Act)

- The Disaster Management Act, 2005 was promulgated with the objective of providing a framework for the effective management of disasters.
- 'Disaster' is defined as a catastrophe, mishap, calamity or grave occurrence in any area, arising from natural or man-made causes, or by accident or negligence which results in substantial loss of life or human suffering or damage to, and destruction of, property, or damage to, or degradation of, environment, and is of such a nature or magnitude as to be beyond the coping capacity of the community of the affected area[5].
- Disaster Management[6] means a continuous and integrated process of planning, organising, coordinating and implementing measures which are necessary or expedient for—
 - (i) prevention of danger or threat of any disaster;
 - (ii) mitigation or reduction of risk of any disaster or its severity or consequences;
 - (iii) capacity-building;
 - (iv) preparedness to deal with any disaster;
 - (v) prompt response to any threatening disaster situation or disaster;
 - (vi) assessing the severity or magnitude of effects of any disaster;
 - (vii) evacuation, rescue and relief;
 - (viii) rehabilitation and reconstruction
- The DM Act lays down institutional and coordination mechanism for disaster management i.e. effective prevention, management and mitigation of disaster at the national, state, district and local levels by formation of National Executive Committee and State Executive Committee for providing effective management of disasters which deal with prevention, mitigation, capacity-building, preparedness, rehabilitation, reconstruction, etc.
- From an examination of provisions of the DM Act and its constitutional make-up it is evident that the DM Act imposes overt obligation on the Central and State Governments to take ensure effective measures for the prevention, mitigation and management of a disaster. Nothing contained in the DM Act states or remotely indicates that the DM Act confers or vests any power with the Central or the State Government to direct the payment of wages/salaries by private establishments or even there is nothing on termination of a person during a disaster.

Payment of Wages / Salaries a Moral Obligation

- On April 10, 2020, the Ministry of Corporate Affairs, Government of India, by way of General Circular No. 15/2020, in connection with a query of “Whether payment of salary/wages to employees and workers, including contract labour, during the lockdown period can be adjusted against the CSR expenditure of the companies?”, clarified that payment of salary/ wages to employees and workers during the lockdown period (including imposition of other social distancing requirements) shall not qualify as admissible CSR expenditure.” The rationale for disallowing the payment was that payment of salary/ wages in normal circumstances is a contractual and statutory obligation of the company and that payment of salary/ wages to employees and workers during the lockdown period is a moral obligation of the employers, as they have no alternative source of employment or livelihood during this period.
- It is a settled principal of law that a moral obligation cannot be converted into a legal obligation.

Government Expectation and Reliefs

Expectations

- Cooperation from Employers
- Not to terminate
- Not to reduce Wages

Reliefs by Government

- Govt to pay EPF contribution for low wage earners (Rs. 15000 and below) in small & medium establishments (Less than 100 employees).
- Timeline for EPF contribution for March 20 extended to 15 May, 20.
- Timeline for ESI contribution for Feb 20 and March 20 extended to 15 May, 20.
- Filing Annual Returns under labour laws extended to 30th April 20.

SLP before Supreme Court of India

- Writ Petition (Civil) under Article 32 of the Constitution of India.
- Nagreeka Exports Limited vs Union of India & Ors.
- Challenging the constitutional validity of Government order dated 29th March, 2020, being No. 40-3/2020-DM-1(A) issued by Ministry of Home Affairs, Government of India, under section 10(2)(I) of the Disaster Management Act, 2005
- Prayer
 - Stay the Operations of the Home Affairs Order dated 29th March, 2020, only to limit extent of compelling the Petitioner to pay full salary to all its staff, works and contract workers, casual workers during lock down, when its factories are not operational, during the pendency of the petition; and or during the pendency and final disposal of the Petition allow the Petitioner to pay 50% of basic and DA to employees (without PF or ESIC deduction)

How India Inc. is dealing

Indian Oil	Retrenchment and salary cut – complaint made to CLC	BSNL	Non-payment of salaries to 250 contract workers – complaint filed with labour commissioner
SpiceJet	10-30% deduction in pay – complaint made by group of employees to MoLE	NCPIL	Refusal to pay wages to 7 contract workers – complaint made to the labour commissioner
Zomato	Voluntary pay cuts	Marriott	Corporate staff asked to take 20% pay cut, 50% pay cut proposed for general managers and 30% cut for HODs.
MakeMyTrip	50% voluntary pay cut for leadership	Cars24	Voluntary pay cut in lieu of ESOPs worth 2x
Bajaj Auto	10% voluntary pay cut for staff	Droom	15% voluntary salary cut
Vistara	Leave without pay for 30% employees	LemonTree	Hiring freeze; Pay cut for senior leadership
TCS	Salary hikes frozen	OYO	Voluntary pay cut beginning at 25%
Acko	50-70% voluntary salary cut	TVS Motors	Annual increments deferred indefinitely
Dalmia	Advanced salary payment	PayTm	Plans on hiring and increase in ESOP pool
Reliance	Salary twice in a month	Tata Steel	No disruption in pay and timely payment of wages

Take away

- Termination will not be possible
- Layoffs / Leave without pay / reduction of salary / deferment of salary can be done with consent letter/agreement with employees to match with revenue or cash flow availability
- Bonus/increments/promotions can be deferred or cancelled.
- To wait for the judgement of Supreme Court of India.

For further questions regarding this presentation:

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Reliefs / Relaxation & Liquidity Support
From Banking Industry due to Covid 19

by – Hitesh Pomal, Partner

Reserve Bank of India Announcements:

The First is relaxing repayment pressures:

- All commercial banks, Co-op Banks, NBFC (“Lending Institutions”) are permitted to allow a moratorium of three months on payment of instalments in respect of term loan instalment falling due between March 1, 2020 to May 31, 2020. Interest shall continue to accrue on outstanding portion during moratorium/deferment period
- In respect of working capital facilities i.e. Cash Credit / Overdraft, lending institutions are permitted to allow a deferment of three months on payment of interest on outstanding as on March 1, 2020. This deferment is permitted upto interest due as on May 31, 2020. Interest shall continue to accrue on outstanding portion during moratorium/deferment period
- Since this moratorium/deferment is provided specifically to tide over the economic fallout, the same will not be considered as change in terms & conditions of the sanction & will not result in assets classification downgrade

Reserve Bank of India Announcements:

- Easing of Working Capital Financing
 - In respect of CC / OD, lending institutions may recalculate DP by reducing margins and/or by reassessing the working capital cycle for the borrowers.
 - The same is also will not be considered as rescheduling. Further, same will not have any adverse impact on the credit history of the beneficiaries

Relief Measures by Banks:

- All the lending institutions have implemented the relief announced by the RBI as discussed above.
- For any further clarification, FAQs are being uploaded by the lenders on their website
- The lenders, particularly nationalized banks have come up with the concept of permitting one time additional loans to their **existing clients** for a specific period at a very concessional rate of interest.

Relief Measures by Banks:

- SBI has launched COVID-19 Emergency Credit Line to its existing clients with a repayment period of 24 months (Including 6 months moratorium period). **The maximum cap is Rs. 200 Crore.** The rate of interest is one year MCLR at present it is 7.40%.
- Like that BOB, BOI, Union Bank of India, all have come up with permitting one time adhoc limit to its existing borrowers to tide over the economic fallout from COVID-19
- However, private banks, though permitting additional facilities to its existing borrowers, but are very selective and decide on case to case basis. The private banks are charging same rate of interest as it is applicable to existing loan

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RELIEFS/CHANGES UNDER TAX LAWS

INCOME TAX UPDATES

**Significant changes in
the Union Budget 2020**

Due dates of filing of Income tax Returns and Tax Audit Reports:

Type of assessee	Due Date of filing Audit Report	Due Date of filing Return of Income
Corporate assessee	30-09-2020	31-10-2020
Non-Corporate assessee whose books of account are required to be audited	30-09-2020	31-10-2020
Partner of a Firm whose accounts are required to be audited	30-09-2020	31-10-2020
Trust / AOP / BOI who is required to get the Accounts audited	30-09-2020	31-10-2020
Assessee who is also required to submit a report pertaining to international or specified domestic transactions under section 92E along with tax audit report u/s 44AB	31-10-2020	30-11-2020

Applicability of Tax Audit:

Increase in threshold limit for applicability of Tax Audit :

Turnover limit increased from Rs.1 crore to Rs.5 crore provided –

- Total cash receipt should not exceed 5% of Aggregate amount of sale / turnover / gross receipts during the year.

And

- Total cash payment should not exceed 5% of total payments made.

Dividend Distribution Tax:

- Provisions of Dividend Distribution Tax has been abolished w.e.f 1st April, 2020.
- Dividends are now taxable in the hands of the recipient.
- Further, TDS is required to be deducted by the company at the rate of 10% if the amount of dividend paid to a recipient exceeds Rs.5000 in the previous year .

Benefits for Start-up Entities:

- Turnover limit for start-ups claiming tax deductions is raised from 25 crores to 100 crores.
- The overall period for claiming tax deduction of 3 consecutive years out of 7 years is changed to 3 years out of 10 years.
- It is proposed to provide deferring TDS or tax payment in respect of income pertaining to Employee Stock Option Plan (ESOP) of start-up companies subject to certain conditions.

Assessment Proceedings/Litigation:

- At present only scrutiny assessments were being held online.
- Faceless appeal –E assessments has been introduced at the level of CIT(A).
- E Penalty assessment scheme has also been introduced wef 01/04/2020
- Stay of Demand:
ITAT can now grant stay of demand in respect of appeal filed before it if assessee deposits at least 20% of disputed tax or furnishes security for such amount.

Registration of Trusts:

- Any existing charitable / religious entity or trust or fund claiming exemption u/s 10(23C)/12A/12AA/35 shall be required to apply for fresh registration / approval which shall be valid for a maximum period for 5 years starting from April 1, 2020.
- Similarly, entity approved u/s 80G shall also be required to apply for fresh registration / approval which shall be valid for maximum period for 5 years starting from April 1, 2020.
- Application to be made from 1st June 2020 within 6 months.

TDS related provisions:

- TDS on e-commerce transaction:

Section 194-O provides that TDS @ 1% is required to be deducted by e-commerce operator to e-commerce participants for sale of goods or services facilitated by it through its digital or electronic platform

- TDS on Fees for technical Services:

TDS u/s 194J in case of fees for technical services other than professional services is now reduced from 10% to 2%.

- “Work” u/s 194C:

In case of contract manufacturing, raw material provided by the assessee or its associate shall fall within the scope of “WORK” as per provisions of section 194C.

TCS related provisions:

- TCS @ 5% to be collected by an authorized dealer on foreign remittance through Liberalised Remittance Scheme (LRS). In this case, if the person fails to submit PAN / Aadhar, rate of TCS shall be 10%.
- TCS @ 5% to be collected by seller of an overseas tour package on amount received from any person. In this case, if the person fails to submit PAN / Aadhar, rate of TCS shall be 10%.
- TCS @ 0.1% from sale consideration for sale of any goods for consideration from the buyer exceeding Rs.50 lakhs in a year. In this case, if the person fails to submit PAN / Aadhar, rate of TCS shall be 1%. **The said provision shall be applicable w.e.f. October 1, 2020.**

Penalty for fake invoices: Section 271AAD:

- A new section 271AAD has been introduced providing penalty for false or omission in entry in the books of accounts.
- Penalty payable shall be aggregate amount of false entries or omitted entries.
- False entries are proposed to include use or intention to use:
 - Forged or falsified documents such as a false invoice, a false document or
 - Invoice in respect of supply or receipt of goods or services or both issued without actual supply or receipt of such goods or services or both; or
 - Invoice in respect of supply or receipt of goods or services or both to or from a person who do not exist.

Vivad Se Vishwas Scheme:

- With a view to reduce litigation in Direct Taxes, the Finance Minister has proposed to introduce "VIVAD SE VISHVAS" Scheme for Direct Taxes on the same lines as "SABKA VISHVAS" Scheme introduced last year in Indirect Taxes.
- Under this Scheme any assessee whose appeal is pending with any appellate authority or court can pay the disputed tax by 30/06/2020 then the interest and penalties will be waived.
- If the payment is made after 30/06/2020, some additional amount besides disputed tax will be payable.
- This is a welcome measure which will reduce litigation in Direct Tax to a great extent

Relief to Tax Payers due to COVID - 19:

- Due date of following compliances extended to 30th June, 2020:
 - Completion of any proceedings, passing of order or issuance of notice etc. by the income tax authorities.
 - Filing of any appeal, reply or application or furnishing of any report, document, return, statement etc.
 - “Vivad se Vishwas Scheme” extended to 30th June, 2020 without payment of 10% additionally on disputed tax .
 - Filing of revised Income tax returns for F.Y. 18-19
 - Aadhaar – PAN linking
 - Making of investment, deposit, payment, acquisition etc. for claiming deductions, exemptions, etc. - Capital gain Section 54 to 54GB - Chapter VI-A-(B) – Deductions in respect of certain payments. 80C, 80G, 80D, etc.

Changes due to COVID – 19 (Contd):

Lower / Nil rate TDS certificate for F.Y. 2020-21 :

- **Assessee having certificate for F.Y. 2019-20 and applied for F.Y. 2020-21**
 - Certificate for F.Y. 2019-20 will be valid upto June 30, 2020 or disposal of application by officer whichever is earlier
- **Assessee having certificate for F.Y. 2019-20 and not applied for F.Y. 2020-21**
 - Certificate for F.Y. 2019-20 will be valid upto 30th June, 2020 and application is to be made for further period.
- **Assessee not having certificate for F.Y. 2019-20 and not applied for F.Y. 2020-21**
 - Prescribed procedure for application is to be followed. Application and confirmation will be done through E-mail.
- **Payment to Non-resident (including foreign companies) having PE in india and not covered by first / second case**
 - TDS @10% including SC and Cess for payment till 30th June, 2020 or disposal of application whichever is earlier.

Changes due to COVID – 19 (Contd):

- Similarly, if the assessee has a valid 15G/15H certificate for F.Y. 2019-20, then the same will be valid till 30th June, 2020.
- Payment of Advance tax, TDS, TCS, Equalization levy, STT, CTT for the period between 20th March, 2020 to 29th June, 2020 is extended till 30th June, 2020 at a reduced rate of interest of 9% p.a. for such delayed period.
- Creation of PM Cares Fund due to COVID-19 : Donations shall be tax exempt u/s 80G FOR 100% exemption and shall also qualify as CSR expenditure under Companies Act 2013. Minimum amount which can be donated is as low as Rs 10/-
- Income tax refunds amounting to Rs 9000 crore released to around 1.4 million tax payers.

UPDATES ON GOODS & SERVICES TAX (GST)

Extension of GSTR 3B returns dates

Turnover in P Y is upto 1.5 crore	Extended due dates where no interest or late fees if filed till	Interest @ 18% and regular late fees from original due dates if filed after
Feb 2020	30/06/2020	30/06/2020
Mar 2020	03/07/2020	03/07/2020
Apr 2020	06/07/2020	06/07/2020
May 2020	12/07/2020	12/07/2020

Turnover in P Y is greater than 1.5 crore upto 5 crore	Extended due dates where no interest or late fees if filed till	Interest @ 18% and regular late fees from original due dates if filed after
Feb 2020	29/06/2020	29/06/2020
Mar 2020	29/06/2020	29/06/2020
Apr 2020	30/06/2020	30/06/2020
May 2020	12/07/2020	12/07/2020

Extension of GSTR 3B returns dates (contd.)

Turnover in P Y is greater than 5 crore	Extended due dates where no interest or no late fees if filed till	Extended due dates where interest @ 9% and no late fees if filed till	Interest @ 18% and regular late fees from original due dates if filed after
Feb 2020	04/04/2020	24/06/2020	24/06/2020
Mar 2020	05/05/2020	24/06/2020	24/06/2020
Apr 2020	04/06/2020	24/06/2020	24/06/2020
May 2020	27/06/2020	N.A.	27/06/2020

Extension of GSTR 1 returns dates

Period	Extended due dates where no late fees if filed till	regular late fees from original due dates if filed after
Mar 2020	30/06/2020	30/06/2020
Apr 2020	30/06/2020	30/06/2020
May 2020	30/06/2020	30/06/2020
Jan 20 to Mar 20 (for quarterly filers)	30/06/2020	30/06/2020

Annual Return Filing and GST Audit

FY 2018-19

- Due Date extended to 30/06/2020
- If Annual Turnover of FY 2018-19 is less than Rs. 5 Crores, GST Audit will not be required

FY 2019-20

- Current due date is 31/12/2020

Other Compliances

- All other compliances (such as issue of any notice, filing of any reply, LUT filing, TDS return) which falls between 20/03/2020 to 29/06/2020 the time limit for completion or compliance has been extended up to **30/06/2020**

E-Way Bill

If E-way bill generated which expires between 20/03/2020 to 15/04/2020 the validity period of such e-way bill has been extended till the 30/04/2020

Matching of suppliers' invoices with books of accounts

- Rule 36(4) i.e. 'matching of supplier invoices reflected in GSTR 2A with books of account for availing input tax credit' is relaxed.
- Matching of GSTR 2A with Books not required while filing GSTR-3B of Feb-20 to August-20
- However, such verification and reconciliation is required to be done for cumulative period of Feb 2020 to Sept 2020 while filing GSTR 3B of Sept 2020

Clarification on certain refund related issues

☐ **Restriction of clubbing of tax period removed across Financial Years**

☐ **Refund of Input Tax Credit**

- Refund of Input Tax Credit shall be restricted to the extent of invoices which are uploaded by the suppliers in GSTR 1 and are reflected in GSTR 2A of the applicant.

☐ **HSN Code**

- Applicant is now required to mention HSN/SAC code which is mentioned on the inward invoices while making application of refund

IMPORTANT AAR Ruling - GST on Director's Remuneration

- Recently, in an order passed by AAR, Rajasthan it has been held that GST under RCM is applicable on consideration paid to Director of the company. Hence a controversy with regards to whether the companies are liable to pay GST under RCM on payment made to directors in the form of salary has emerged
- However, Sr. No. 1 of Schedule III of CGST Act 2017 provides that the services by an employee to the employer in the course of or in relation to his employment shall not be considered as supply of services liable for tax
- **General industry view:**
 - The services of an employee-director would not be subjected to GST. Evidence in terms of the AOA, Board resolution, employment contract (having terms of employment in the nature of duties to be performed, remuneration, repercussions on non-performance, etc.), TDS under Income Tax, PF, etc. should be maintained to prove the true nature of the relationship. However, sitting fees paid to nonemployee directors would be liable for GST which should be paid by the company under RCM.

THANK YOU!

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Accounting and Auditing Requirements due to COVID-19

Manubhai & Shah LLP

April 23, 2020

Contents of the presentation

- *Accounting and audit requirements in respect of Financial Statements*
 - Inventory
 - Trade receivables and customer advance
 - Loans / advances given to parties
 - Trade payables
 - Bank borrowings
 - Property, plant and equipment
 - Gratuity and leave liability
 - Deferred tax assets / minimum alternative tax
 - Capital and other commitments
- *Data accessibility and sharing of information / documents*

Inventory

- Physical verification to be carried out post lockdown
- Working for movement from March 31, 2020 till date of physical verification to be provided along with necessary documents
- To determine net realizable value of inventory as on March 31, 2020, sales order / sales invoices for the financial year 2020 – 21 to be provided
- Because of CoVID - 19, evaluate the possibility of inventory lying on March 31, 2020 to become obsolete

Trade Receivables and Customer Advance

- Balance confirmation from parties having material balance outstanding as on March 31, 2020
- Party wise management assessment – Provision for possible doubtful debts due to COVID-19
- Details of any rate difference or higher discount demanded by customers
- Details of reduction in sales order / cancellation of sales order by the parties post lockdown.
- Details of breach of terms of contract for non-supply or delayed supply of material which has resulted into the liquidated damages / penalty to be paid. Due to breach of contract, whether any contract is terminated / order is cancelled?

Loans / Advances given to Parties

- Balance confirmation from parties having material balance outstanding as on March 31, 2020
- Any further communication with the parties either for delivery of items or for refund of advance due to COVID – 19 effect
- Management assessment – Provision for possible doubtful loss due to COVID-19 effect

Trade Payables

- Balance confirmation from parties having material balance outstanding as on March 31, 2020
- Payment arrangement to MSME parties. Whether any interest provision is to be made for delayed payment?
- Any negotiation / confirmation from the parties for discount / waiver of the amount payable

Bank Borrowings

- Whether Regulatory Package given by RBI for moratorium of loan / deferment of interest taken?
- Details of any breach of terms of sanctioned / agreement

Property, Plant and Equipment

- If Physical Verification not done during the year, then post lockdown it is be carried out
- If already carried out, provide report of physical verification carried out by the Management or external party on their behalf
- Impact on useful life of the PPE needs to be evaluated, if any, affected by COVID-19

Gratuity and Leave Liability

- Details of changes in primary assumptions such as discount rate, increment rate, employee turnover rate used in actuarial valuation
- Data to be sent to actuary if the details are ready with Management and also share with us.

Deferred Tax Assets / Minimum Alternative Tax (DTA / MAT)

- If deferred tax assets is recognized on unabsorbed depreciation / business losses or MAT credit is accounted for in the books of account, then future profitability working to be prepared considering the COVID – 19 impact and the working to be made available to us.

Capital and Other Commitments

- Details to be provided for capital commitments, if there is cancellation of any capital contract or negotiation resulting in reduction in prices
- Details to be provided, if any breach in export obligation to be fulfilled for import of capital goods against EPCG license.

Data accessibility and Sharing of information / documents

- Over and above the accounting / auditing requirements as discussed, the present situation may require following support from the clients:
 - System access, if possible, should be made available to our office
 - Required system reports / data should be made available online
 - Scanned copies of relevant documents should be made available for our verification purpose
- In this regard, our IT team will co-ordinate with your IT team so that data security issues can be addressed properly. Further, we would like to assure that information / data / documents shared through system access or online will be kept confidential.

Thank You !

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SOPs and safety measures on reopening Businesses/Manufacturing Units post the Covid 19 pandemic.

Industry post lockdown

- | | |
|--|---|
| <ul style="list-style-type: none">• A: No COVID Cases and no migration of workers• C: No New Cases being reported | <ul style="list-style-type: none">• B: No COVID cases and there is migration of workers• D: New Cases being reported |
|--|---|

A: No COVID Cases and no migration of workers

- Cordon off such areas, no entry of persons should be allowed.
- Allow all sectors all services to operate, priority to export oriented units. Agriculture Harvesting and Sowing priority.
- For mobilizing labour for agriculture incentivize them by announcing those that come for operations will get additional benefits or quick transfers through DBT.
- Allow all local procurement.
- Allow shops to operate in a staggered manner. Give permits to adjacent shops to operate at different times and for longer hours.
- Allow Transportation of Goods to Non COVID areas freely by Railway, Air Cargo, Road, Courier services & Post services.
- All must use Aarogya Setu App, if travel to COVID Active areas.
- Re-entry only after testing / or allow Vehicle but use local drivers.
- Practice Social distancing.

B: No COVID cases and there is migration of workers

- Cordon off such areas.
- Operate special transportation. Bus, Rail to such areas can get on only post testing. In some cases, quarantine may be required.
- Allow all Sectors to operate sequencing of opening could be : extension of essential services, home needs, needs to address the onset of summer, export oriented units. Those units with own housing, Agriculture Harvesting or Sowing.
- Allow those with own housing to operate.
- Retail markets with staggered opening and longer working hours, if possible 24X7.
- Allow 12 hour shifts for those who operate two shifts so that reduced number of people travel.
- Allow all local procurement.
- Local Transport only with social distancing and 50% of fleet, (odd, even), courier services, post services.
- Allow Transportation of Goods to Non COVID areas freely.
- All must use Aarogya Setu App, if travel to COVID active areas, Re-entry only after testing / or allow Vehicle but use local drivers.
- Practice Social distancing.

C: No New Cases being reported

- Cordon off areas where existing cases located.
 - Extend local lockdown of these areas for 14 days.
 - Rapid Testing
 - In these areas allow only essential Services and export sectors, continuous process, with testing of workforce, social distancing.
- Rapid testing of all in the locality once no cases allow as A or B above
 - Delivery services to operate.

D: New Cases being reported

- Extend lockdown for first 14 days and additional if required.
- Set up isolation rooms.
- All should use Aarogya Setu app if have phone.
- Rapid testing of all, Isolation of those testing positive, Quarantine those in proximity for 14 days.
- Only health related and essential services including agriculture or those units or sites where they have own worker housing and it is COVID free with no migration of labour.
- Delivery services to operate only till edge of area, local residents to take from there – no human contact.

Guiding Principles

- Protection of Personnel
- Social distancing in travel to and from workplace and during interaction with suppliers and those in distribution chain
- Business protection & continuity comes next
- Guidance from Central Government., State Government. & WHO
- Implementing Best Practices for safety and prevention
- Create Standard Operating Procedures (SOPs) to ensure preventive measures are executed in a systematic way
- Introduce audit procedures to monitor and ensure safe practices are implemented
- Action plan in the event of persons feeling unwell in workplace.

Execution Team

- **For Factories**

- Lead by the senior most person in factory – Manager
- Site Human Resource Manager
- Production Manager(s) / Business supervisor
- Medical Expert for the site (may be full-time or part-time)
- Stores/Warehouse/Despatch In-charge
- Engineering/Maintenance/Utility Manager(s)
- Security personnel

- **For Service Organisation**

- The manager,
- The team leaders,
- Transport in charge,
- Human resource officer
- Security personnel

AAROGYA SETU APP

- Developed by the Ministry of electronics and information technology
- The app works on GPS and bluetooth on your phone
- It should be kept open all the time – especially when going out
- The app keeps track of all the red zones and of the people who have travelled to those red zones and alerts you if you come nearer to any of those people. It also alerts you if your travel routes includes any red zones.

Conclusion

- Uniform SOP across all sectors
- Usage of Aarogya Setu mobile APP
- Wearing of masks all the time – please use clothes masks which can be washed with soap and water

Thank You

- For further questions or doubt please write to:
- Ashish Shah (Partner)
- ashish.shah@msglobal.co.in

Manubhai & Shah LLP

Webinar with MSME Clients

IMPACT OF COVID-2019

Questions - Answers

GENERAL & ACCOUNTING QUESTIONS

- Q1 Can you please clarify the Expenses for COVID 19, whether these can be covered under CSR Expense. Also the Expenses related to free food and stay facility to workers can be booked under CSR Expense
- Ans As per FAQ issued by MCA Expenses on food and stay can be considered as CSR as the same being covered under clause (i) of Schedule VII and it is also clarified that this is to be interpreted liberally. But salary or wages paid during this period will not qualify under CSR Expense. Having regard to provisions of Income tax Act that expenditure on CSR activities is not allowable, it is advisable to claim it as a business expenditure instead of CSR expenses.
- Q2 What if a new company started its sell in december and have not sell of more what benefits wii government will give to support new firms ?
- Ans Nothing has been notified
- Q3 What to expect from the Indian economy for this year ?
- Ans Definite reduction in GDP and slow down is expected.
- Q4 Whether this impact requires any disclosure in financial accounting policy or in any other statutory compliance
- Ans There will not be any accounting policy on Covid - 19. Case to case basis disclosures are required to be seen. Whether extra-ordinary activities or as ordinary activities are of such size and nature for which separate disclosures are required.

LABOUR LAWS

Q1 What is the mandatory component to pay in salary?

Ans Full salary all components

Q2 Government has given permission to run certain companies under essential services category. Gujarat State Government has given order dated 10 April regarding paycut to those who are not attending office due to lockdown in this essential service companies. . Please guide. That means, we have to make payment to all the employees and contract workman irrespective of their attendance. Eventhough we are working on all days in the lockdown. Is this Correct ?.

Ans No you cannot cut. Yes, One will have to see what the outcome of SLP with Supreme Court

BANKING

Q1 All 3 months EMI need to pay on 1st June 2020 ?

Ans In case of Term Loan, moratorium of three months EMIs are permitted, meaning thereby, repayment schedule for such loans as also the remaining period will be shifted across the board by three months after moratorium period. However, in case of CC/OD, the accumulated accrued interest shall be recovered immediately after the 31st May, 2020

Q2 Cashflow will adversely affect if need to pay 3 installment at one time

Ans Definitely. We will have to consider it before we take deferment

Q3 Is there any changes to the NPA norms, whether any advances which becomes NPA in March 20 is considered as NPA or 3 months relaxation period is applied on that advances.

Ans Relaxation will be available. Whatever is the account classification as on 29th February will maintain status co. However, if account had slipped to NPA before 29th February, no relaxation in that case and the account will be NPA as on 31st March, 2020

INCOME TAX & GST

- Q1 Is the due date for filing GSTR-3B for the month of March 2020 extended? (For turnover above Rs 5 crs in previous year) It was extended upto 5th May 2020..is it extended further? As the delay would attract interest @9%.
- Ans No new notification issued at present for this
- Q2 Is this interest @9% on delay in filing GSTR-3B for March 2020 (Turnover >5 Crs) applicable only when there is "NET" outward liability or Outward liability before setting off against Input Tax Credit?
- Ans Interest to be paid on net liability
- Q3 Is TCS applicable on Collection from the Export Customers
- Ans GST TDS/TCS will not applicable to export transactions
- Q4 E-way bill not generated if GST returns not filled for two months. Is there any relaxation in that provision.
- Ans If you have supplied goods then e-way bill is applicable. Have to generate the same. No relaxation in that. Also if an e-way bill has been generated and its period of validity expires during the period 20th day of March 2020 to 15th day of April 202, the validity period of such e-way bill shall be deemed to have been extended till the 30th day of April 2020.
- Q5 In Vivad se Vishwas Scheme can we accepts disallowance partially. As there is some of the points is "Question of law with backed by strong High court case law and need to challenge to higher authority.
- Ans No scheme is for all the grounds in the appeal. Also the same has been clarified in Q 14 of FAQ by CBDT Circular no 7/2020 dated 4th March 2020