

**VOLUME : V**

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Chartered Accountants

Ahmedabad • Mumbai • NCR • Rajkot • Baroda • Gandhinagar • Udaipur

# **NEWSLETTER**

## **August 2020**

Covering Updates for the Month of July' 20



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# INCOME TAX UPDATES



## i. TAX RATES FOR A.Y. 2021-22 (F.Y.2020-21)

### 1. Individual & HUF

**1.1.** In the Finance Act, 2020, a new section 115BAC is inserted in the Income-tax Act with effect from A.Y. 2021-22 (F.Y.2020-21) to reduce the tax rates for Individuals and HUFs. For this purpose the assessee will have to forgo certain exemptions and deductions such as deduction for HRA, standard deduction against Salary Income, deduction of interest on housing loan for self occupied property, Additional Depreciation u/s 32, deduction u/s 35 and 35AD, deduction under Chapter VI-A (U/sec 80C to 80U other than 80CCD(2) and 80JJAA) i.e. Contribution for PPF, Payment for LIP etc, deduction for donations and deduction for disability etc. For claiming this concession in tax rates, the assessee will have to exercise the option in the prescribed manner.

Further, the provisions of sections 115JC and 115JD relating to Alternative Minimum Tax (AMT) and credit for such tax will not apply to the person exercising option under section 115BAC.

### 1.2. Individual & HUF having no Business Income :

Where an Individual or HUF has no business income, this option can be exercised for A.Y. 2021-22 or any subsequent year at the time of filing of the return of income under section 139(1). In other words, the option can be exercised every year in the prescribed manner.

If the assessee does not exercise the option, he will continue to be taxed under the old regime.

### 1.3. Individual & HUF having Business Income :

If the assessee has income from business or profession, the option can be exercised for A.Y. 2021-22 or any subsequent year before the due date for filing the return of income for that year under section 139(1). Option once exercised shall apply to that year and all subsequent years. Such an assessee can withdraw the option at any time in a subsequent year and, thereafter, it will not be possible to exercise the option at any time so long as the said assessee has income from business or profession.

### 1.4. A synopsis of comparative tax rates under both the regimes are as under:

Sr. No.	Income (Rupees in Lakhs)	Old Regime (Existing Rate)	New Regime (Reduced Rate U/sec 115BAC)
1	Upto 2.50 *	Nil	Nil
2	2.50 to 5.00	5%	5%
3	5.00 to 7.50	20%	10%
4	7.50 to 10.00	20%	15%
5	10.00 to 12.50	30%	20%
6	12.50 to 15.00	30%	25%
7	Above 15.00	30%	30%

#### Note :

\* Under Old Tax Regime- Basic Tax Exemption Limit for Very Senior Citizen is Rs.5 lakhs and for Senior Citizen Rs.3 lakhs. It may be noted that there is no separate higher threshold for Senior and Very Senior Citizens in the above concessional New Regime of tax.

\*\* Surcharge and Cess at the specified rates will be chargeable.

### 1.5 AOP/BOI, etc.

It may be noted that the above option of New Regime of tax will not be available to AOP, BOI etc. The existing slab rates will continue to apply to them.



### 1.6 Reduction in tax rates for Co-Operative Societies under optional tax regime

New section 115BAD is now inserted in the Income-tax Act, effective from A.Y. 2021-22 (F.Y. 2020-21), to provide for reduced rate of tax of 22% for a Co-operative Society which exercises the option in the prescribed manner under section 115BAD. However, the Co-operative Society opting for the reduced tax rate shall have to forgo certain deductions exemption u/s 10AA, Additional Depreciation u/s 32, deduction u/s 35 and 35AD, deduction u/s 80G, 80P, etc, and set-off of brought forward losses related to these deductions/exemptions. This option is to be exercised before the due date for filing return of income under section 139(1) for the A.Y. 2021-22 or any subsequent year. The option once exercised cannot be withdrawn in any subsequent year. If the conditions contained in section 115BAD(2) are not complied with in any year, the above concession will not be given in that year or any subsequent year. In other words, this option can be exercised only once.

Further, the provisions of sections 115JC and 115JD relating to Alternative Minimum Tax and credit for such tax will not apply to a Co-operative Society exercising option under section 115BAD.

A synopsis of the tax rates are as under:

Income (Rupees)	Old Regime (Existing Rate)	New Regime (Reduced Rate U/sec 115BAD)
Up to Rs.10,000	10%	22%
10,000 to 20,000	(1000+ 20% of incremental income upto Rs.20,000)	22%
Above Rs.20,000	(3000+30% of incremental income above Rs.20,000)	22%
Surcharge on Total Income upto Rs.1 Crores	NIL	10%
Surcharge on Total Income above Rs.1 Crores	12%	10%
Effective Rate of Tax on Income up to Rs.1 Crore (including Education Cess & Surcharge)	31.2%	25.168%
Effective Rate of Tax on Income above Rs.1 Crores (including Education Cess & Surcharge)	34.944%	25.168%

### 1.7 REDUCTION IN TAX RATES OF SPECIFIED COMPANIES:

In the Finance (No.2) Act, 2019, as amended by the Taxation Laws (Amendment) Act, 2019, two sections 115BAA and 115BAB were added effective from A.Y. 2020-21 (F.Y. 2019-20). Under section 115BAA it is provided that the rate of tax in the case of any company which exercises the option will be 22% plus applicable surcharge and cess (i.e. effective rate of 25.17%). Further, section 115BAB provides that a manufacturing company, which is registered on or after 01.10.2019 and starts manufacturing activities on or before 31.03.2023, the rate of tax will be 15% plus applicable surcharge and cess (i.e. effective rate of 17.16%). For claiming the above benefit of lower rate under any of the sections, such companies have to exercise the option in the prescribed manner and also to forgo specified deductions and tax incentives such as exemption u/s 10AA, Additional Depreciation u/s 32, deduction u/s 35 and 35AD, deductions under Chapter VI-A i.e. u/s 80G to 80RRB(except deduction u/s 80JJAA). By amendments of these two sections by the Finance Act,2020 effective from A.Y.2021-22(F.Y.2020-21), it is now provided that such companies will have to forgo deduction U/ch-VI A, i.e U/s. 80C to 80U (excluding section 80JJAA).



## ii. Important Circulars & Notifications under Direct Taxes :

### 1. Extension of Due date for filing of tax return for AY 2019-20 (CBDT Notification No. 56/2020 dated 29.07.2020.)

The due date for furnishing belated and revised Income-tax return for the AY 2019-20 has been extended from 31-07-2020 to 30-09-2020 for all assesses.

### 2. Amendment in Form 27EQ for details of TCS (CBDT Notification No.54/2020 dated 24.07.2020)

The CBDT has amended Rule 31AA and annexure to Form 27EQ to incorporate necessary changes related to new TCS provisions as introduced by the Finance Act, 2020 for collection of tax on overseas tour travel package, remittance of Forex under Liberalised Remittance Scheme and sale of goods exceeding Rs. 50 lakhs.

### 3. Sharing of Information between CBDT & CBIC (Press Release dated 21/07/2020)

A Memorandum of Understanding (MoU) was signed between the Central Board of Direct Taxes (CBDT) and the Central Board of Indirect Taxes and Customs (CBIC), for exchange of data and information between CBDT and CBIC on an automatic and regular basis for any information available in their respective databases including GST. The MoU marks the beginning of a new era of cooperation and synergy between the CBDT and CBIC.

### 4. Information from Form 26AS (Press Release dated 18.07.2020).

It says that the taxpayers will see an improved Form 26AS which would carry some additional details which will be a ready reckoner of all their major transactions while filing the ITR. The Form 26AS from now onwards, will display in part E of the Form, different fields such as, nature of transactions, name of SFT filer, date of transaction, single/joint party transaction, number of parties, amount, mode of payment and remarks etc.

### 5. E Verification of Returns for A.Y. 2015-16 to A.Y. 2019-20 (CBDT Circular No. 13/2020, dated 13.07.2020)

CBDT has granted a one-time relaxation to verify Income-tax returns filed for the A.Y. 2015-16 to 2019-20, which are pending for verification either by sending signed copy of physical ITR-V form or through prescribed EVC/OTP modes by 30-09-2020.

### 6. Processing of Refund upto A.Y. 2017-18 (Circular F.No. 225/98/2000 dated 10-7-2020)

CBDT has extended time limit to process and issue refund for all the validly filed tax returns for several years upto A.Y. 2017-18 with claim of refund and which were not selected for scrutiny till 31.10.2020 from 31.12.2019 (as per CBDT Order No. F.No. 225/194/2019 dated 05.08.2019) subject to a prior approval of concerned Pr. CCIT/CCIT.

## iii. Important Circulars & Notifications under Allied Laws :

### 1. Extension of filing annual Accounts with Charity Commissioner ,Maharashtra (Notification No. 580/2020 dtd 04.08.2020)

Due date for filing of Annual Audited Accounts for the F.Y. 2019-20 by Public charitable Trust with the office of the Charity Commissioner in Maharashtra has been extended till 30.10.2020

### 2. Production Linked Incentive (PLI) scheme Notification dated 21.07.2020

Production Linked Incentive (PLI) scheme has been notified by the Ministry of Chemicals & Fertilizers for certain products under Chemicals & Bulk Drugs industry .

## IV. LANDMARK JUDICIAL DECISIONS UNDER DIRECT TAX :

### 1. Allowability of Education Cess as Business Expenditure :

**Sesa Goa Ltd. V/s JCIT 117 taxmann.com 96 (Bom):**

It was held by the Bombay High Court that 'Education Cess' can not be disallowed U/sec 40(a)(ii) as it can not be included under 'any rate or taxes' and therefore any 'cess' paid in relation to business is allowable business expenditure

### 2. Meaning of Permanent Establishment (PE) under Article 5 of DTAA :

**DIT(IT) V/s Samsung Heavy Industries Co.Ltd. 117 taxmann.com 870 (SC)**

The Hon'ble Supreme Court has held that the profits of the foreign enterprise are taxable only where the said enterprise carries on its core business through a permanent establishment. Office or maintenance of a fixed place of business which is of a preparatory or auxiliary in character in the trade or business of the enterprise would not be considered to be a permanent establishment under Article 5. The "permanent establishment" should be an establishment "through which the business of an enterprise" is wholly or partly carried on. So merely a Project Office/Liaison Office may not constitute a PE unless core business activities are carried on by the same.

# INDIAN ACCOUNTING STANDARDS UPDATES



Ministry of Corporate Affairs has amended Indian Accounting Standards by issuing the Companies (Indian Accounting Standards) Amendment Rules 2020. The amendment is applicable for annual reporting period beginning on or after April 01, 2020

## 1. Ind AS 103 – Business Combination

The definition of the term “Business” has been substituted.

Old definition	New definition	
An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.	An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities	Due to change in the definition of term “Business”, consequential changes have also been made in the Ind AS.

## 2. Ind AS 1 – Presentation of Financial Statements

The definition of the term “Material” has been substituted.

Old definition	New definition
Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.	Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- Information regarding a material item, transaction or other event is disclosed in the financial statement but the language used is vague or unclear
- Information regarding a material item, transaction or other event is scattered throughout the financial statements
- Dissimilar items, transactions or other events are inappropriately aggregated

- Similar items, transactions or other events are inappropriately disaggregated
- Understandability of financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Due to change in the definition of term “Material”, consequential changes have also been made in Ind AS – 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, Ind AS – 10 “Events after Reporting Period”, Ind AS – 34 “Interim financial Reporting”, Ind AS – 37 “Provisions, Contingent Liabilities and Contingent Assets”.

### 3. Ind AS 109 – Financial Instruments

An entity shall apply temporary exceptions from applying specific hedge accounting requirements to all hedging relationship directly affected by interest rate benchmark reform.

A hedging relationship is directly affected by interest rate benchmark reform only if the reform gives rise to uncertainties about:

- The interest rate benchmark (contractually or non-contractually specified) designated as hedged risk; and/or
- The timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.

Interest rate benchmark reform refers to the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board’s July 2014 report ‘Reforming Major Interest Rate Benchmarks’.

Consequent to above change in Ind AS – 109, consequential changes have also been made in Ind AS – 107 “Financial Instruments : Disclosures”.

### 4. Ind AS 116 – Leases

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the Covid – 19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this standard if the change were not a lease modification.

Notification can be accessed on following link:

[http://mca.gov.in/Ministry/pdf/Rule\\_24072020.pdf](http://mca.gov.in/Ministry/pdf/Rule_24072020.pdf)





## A wooden gavel is placed on top of a dark brown book with the words 'COMPANIES ACT' printed in white capital letters. The book is resting on a light-colored wooden surface. The background is a blurred image of a library or bookstore with many books on shelves.

Notification can be accessed at:

Notification can be accessed at:

# SEBI UPDATES



## Circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/140

Timeline for submission of financial results under regulation 33 of LODR Regulations, for the quarter/half year/ financial year ended on 30th June 2020 has been extended to 15th September, 2020.

Notification can be accessed on following link:

[https://www.sebi.gov.in/legal/circulars/jul-2020/extension-of-time-for-submission-of-financial-results-for-the-quarter-half-year-financial-year-ended-30th-june-2020\\_47183.html](https://www.sebi.gov.in/legal/circulars/jul-2020/extension-of-time-for-submission-of-financial-results-for-the-quarter-half-year-financial-year-ended-30th-june-2020_47183.html)

## Circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/145

Authentication / certification of any filing / submission made to stock exchanges under the LODR Regulations may be done using digital signature certifications till December 31, 2020. (Earlier it was permitted to be used till 30th June, 2020.)

Notification can be accessed on following link:

[https://www.sebi.gov.in/legal/circulars/jul-2020/use-of-digital-signature-certifications-for-authentication-certification-of-filings-submissions-made-to-stock-exchanges\\_47219.html](https://www.sebi.gov.in/legal/circulars/jul-2020/use-of-digital-signature-certifications-for-authentication-certification-of-filings-submissions-made-to-stock-exchanges_47219.html)



# DUE DATES



## Due dates of various compliances falling in the month of August 2020

Due Date	Act	Compliance Description
03-08-2020	GST	Quarterly Return for taxpayers having an aggregate turnover upto Rs.1.5 Crore for the period April 2020-June 2020 (GSTR 1)
05-08-2020	GST	Monthly Return for taxpayers having an aggregate turnover more than Rs.1.5 Crore for the month of June 2020 (GSTR 1)
31-08-2020	GST	Annual Return for Composition Dealer (GST-04) for period FY 2019-2020
31-08-2020	GST	Monthly Return for Non-Resident foreign taxpayers for the period March 2020-July 2020 (GSTR 05)
31-08-2020	GST	Monthly Return for Non-Resident OIDAR for the period March 2020-July 2020 (GSTR 5A)
31-08-2020	GST	Monthly Return for input service distributor for the period March 2020-July 2020 (GSTR 06)
31-08-2020	GST	Monthly Return for TDS Collector for the period March 2020-July 2020 (GSTR 07)
31-08-2020	GST	Monthly Return for TCS Collector for the period March 2020-July 2020 (GSTR 08)
07-08-2020	Income Tax	Due date for deposit of Tax deducted/collected for the month of July, 2020.
15-08-2020	Income Tax	Due date for issue of TDS/TCS Certificate for the quarter ended on March 31, 2020
15-08-2020	Income Tax	Certificate for Tax deducted at source to employees in respect of salary paid and tax deducted during Financial year 2019-2020.
15-08-2020	Provident Fund	Monthly PF Payment for the month of July 2020
25-08-2020	Provident Fund	PF Return filing for July 2020 (including pension and insurance scheme forms)
15-08-2020	ESIC	ESIC payment for the month of July 2020.

## Erratum in Newsletter July 2020.

### In respect on notification on MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

In the table of revised classification of Medium Enterprises

Investment amount should be read as Rs. 50 Crores instead of Rs. 20 Crores.

Turnover amount should be read as Rs. 250 Crores instead of Rs. 100 Crores.

Regret for mistake in reporting.



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Shivalik Corporate Park,  
Behind ICO Petrol Pump,  
132ft. Ring Road, Satellite,  
Ahmedabad - 380 015, Gujarat, India.

13th Floor, A Block,  
Ratnakar Nine Square,  
Opp. Keshav Baug party Plot,  
Mansi Road, Vastrapur,  
Ahmedabad - 380 015, Gujarat, India.

### **BRANCHES**

RAJKOT	UDAIPUR
BARODA	GANDHINAGAR

