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INSIDE THE ISSUE:

I. CHART OF FORTHCOMING DUE DATES: -

a) GST

Month	GSTR -1 Monthly	GSTR -3B
September 2019	11th	20th

Statement cum Challan for Composition Taxpayers

b) Others

Month	TDS Payment	Advance Income Tax	ESIC Payment	P.F. Payment	Income Tax Return*	DIR-3-KYC	Form BEN-2&
September 2019	7th	15th	15th	15th	30th	30th	30th

* For all corporate assessees and to whom Tax Audit is applicable

&Applicable for every company which has received declaration from Significant Beneficial Owner

II. OVERVIEW:

o STARTUP INDIA – UNVEILING NEW POSSIBILITIES FOR START-UP VENTURES

➢ ELIGIBILITY CRITERIA FOR STARTUP RECOGNITION

For recognition as a "Startup" following are the conditions:

Should be incorporated as a Private Limited Company / Registered as a Partnership Firm or LLP in India

Age Limit:

- For biotechnology sector – up to 10 years from incorporation / registration
- For Others – up to 7 years from incorporation / registration

Turnover Limit:

- Should not exceed Rs. 25 Crores in any financial years since incorporation / registration

Should be working towards innovation, development or improvement of products / processes / services

An entity formed by splitting up or reconstruction of a business already in existence shall not be considered a "Startup"

➢ ADVANTAGES FOR BUSINESS UNDER STARTUP INDIA:

- Single Window Clearance even with the help of a mobile application
- 10,000 Crore fund of funds announced for new enterprises under the Startup India Action Plan
- 80% reduction in patent registration fee and schemes to provide IPR protection to start-ups and new firms
- Modified and friendlier Bankruptcy Code to ensure 90-day exit window
- Income Tax Reliefs for Startup and Investor in Startup
- Innovation hub under Atal Innovation Mission
- Self-certification compliance and Encourage entrepreneurship.

- Making India globally stand as a start-up hub

➢ TAX EXEMPTIONS:

Sr. No.	Section of IT Act 1961	Conditions for claiming exemption	Exemptions available
1.	80 IAC	a. Only Private company or LLP; b. Incorporated after 1st April 2016; c. Recognized as Startup	Post getting clearance for Tax exemption, the Startup can avail tax holiday for 3 consecutive financial years out of its first ten years since incorporation
2.	56	a. Entity should be a DPIIT* recognized Startup b. Aggregate amount of paid up share capital and share premium of the Startup after the proposed issue of share, if any, does not exceed INR 25 Crore	Post getting recognition a Startup may apply for Angel Tax exemption.
3.	54EE	a. A part / entire Capital Gain should be invested in fund notified by Central Government, b. Within 6 months from the date of transfer of assets c. Maximum amount of investment is Rs. 50 lakh d. Amount shall remain invested for a period of 3 years.	Exemption from Tax on Long Term capital gain
4.	54GB	a. Gains from sale of residential property should be invested in equity of eligible startups; b. Investment should be 50% or more; c. Such shares should not be sold / transferred within 5 years from date of acquisition.	Exemption from Tax on Long Term Capital Gains from sale of residential property

* DPIIT – Department for Promotion of Industry and Internal Trade

In case of change of shareholding, set off of carry forward losses and capital gains allowed in respect of eligible startups

- FOREIGN INVESTMENT IN STARTUPS

  - Permission to raise 100% funds from SEBI registered Foreign Venture Capital Investor ("FVCI") under automatic route, FDI Policy 2017.
    - Equity / Equity linked / debt instruments can be issued by startups to FVCI
    - In case of startup being LLP / partnership firm, investment can be in the form of capital / any profit sharing arrangement.
  - Startups allowed to issue convertible notes to person resident outside India on fulfillment of certain conditions.

- GOVERNMENT INITIATIVES

  - The Ministry of Human Resource Development and the Department of Science and Technology have agreed to partner in an initiative to set up over 75 startup support hubs
  - Reserve Bank of India takes steps to help improve the ease of doing business in the country and contribute to an ecosystem that is conducive for the growth of start-up businesses.

- CHALLENGES FACED BY STARTUPS:
  - The first and the most common type of challenge is raising funds.
  - Insufficient information on marketing strategies
  - Being not able to execute the new idea or plan
  - Insufficiency of competent workforce due to lack of funds at the initial phase
  - The risk of reaching failure is greater in startups as compared to other organizations

- CONCLUSION:

  Startups are being highly encouraged by the government. The benefits enjoyed by them are immense, which is why more people are setting up startups. In India the opportunities for startups are immense and so are the challenges, it will take combined efforts from the government and the startups to overcome these challenges.

III. COMPANIES ACT

o REMOVAL OF REQUIREMENT FOR CREATION OF DEBENTURE REDEMPTION RESERVE:

The Companies (Share Capital and Debenture) Rules were amended by the Ministry of Corporate Affairs vide notification dated 16th August, 2019 by removing the requirement of creating Debenture Redemption Reserve ("DRR") for Listed Companies, Non-Banking Financial Companies ("NBFCs") and Housing Finance Companies ('HFCs").

Earlier Requirement	New Requirement
• Listed Companies, NBFCs and HFCs : For public Issue as well as Private Placements, required to create (DRR) of 25% of the value of outstanding debentures	• Listed Companies, NBFCs and HFCs : Not required to create DRR
• Unlisted Companies: Required to create DRR of 25% of the outstanding debentures	• Unlisted Companies: Required to create DRR of 10% of the outstanding debentures.

Purpose of the amendment:

- Reduction in cost of capital raised by companies through issue of debentures
- To significantly deepen the Bond Market
- Safeguarding the interests of the Investors
- To create a level-playing field between NBFCs, HFCs, listed companies on one hand and the Banking Companies & All India Financial Institutions on the other, which were already exempted from DRR.

o BENEFITS FOR SMALL COMPANIES UNDER COMPANIES ACT 2013:

What is Small Company?

As per Section 2(85) of the Companies Act, 2013:

"Small Company" means a company other than public company:

- Paid up share capital should be < Rs. 50 Lakhs
- Turnover as per profit and loss for the immediately preceding financial year should be < Rs. 2 Crore.

Exemptions to Small Companies:

Financial Record requirements	• Small companies are not required to prepare cash flow statement as a part of the financial records
Remuneration details in Annual Return	• As per Section 92 of the Companies Act, 2013, companies are required to give details of remuneration of directors and key managerial personnel, but in small companies, only aggregate amount of remuneration drawn by directors is required
Restrictions on number of Board Meetings	• A small company instead of 4 Board meetings in a year, is to have only 2 Board Meeting per year i.e. one Board Meeting in each half of the calendar year with minimum gap in 2 board meetings of 90 days
Rotation of Company Auditors	• Small companies are not required to follow the conditions laid down in Section 139(2) of the Companies Act 2013, which mandates rotation of auditor every 5 years (individual auditor) and every 10 years (firm of auditors)
Exceptions in auditors report	• Small companies are not required to give report on internal financial controls with reference to financial statements and the operative effectiveness of such control
Reduction in penalties	• Small companies are exempted from punishment or often given lesser penalties under Section 446 of the Companies Act 2013

IV. GOODS & SERVICE TAX

o ITC-04 FOR JULY 2017 TO MARCH 2019 WAIVED OFF:

➢ What is Form ITC-04?

FORM GST ITC-04 must be submitted by the principal every quarter on or before 25th day of the month succeeding the quarter with the following details:

- Goods dispatched to a Job worker
- Received from a Job Worker
- Sent from one job worker to another

➢ What is Job Work?

As per GST Act, Job Work means any treatment or process undertaken by a person on goods belonging to another registered person. The person doing the job work is called job worker.

➢ Input Tax Credit on Job Work:

The Principal Manufacturer will be allowed to take credit of tax paid on purchase of goods sent on Job Work.

➢ Conditions for claiming ITC on goods sent for Job Work:

1. Goods should be sent to the Job Worker either:
   - From the Principal's place of business; or
   - Directly from the place of supply of the supplier of goods

2. Effective Date for Goods Sent:
   - If sent form Principal's place of business – Date of Goods sent out;
   - If sent directly from the place of supply of the supplier of goods – Date of Receipt by the Job Worker.

3. Period for receipt back of goods sent:
   - For Capital goods – 3 Years
   - For Input Goods - 1 Year

   In case goods are not received within the above-mentioned period, such goods shall be treated as supply from the Effective date and will be taxable.

- Waiving of ITC-04

Registered persons required to furnish the details of challans in FORM ITC-04 as per rule 45(3) of the Central Goods and Services Tax Rules, 2017 read with section 143 of the said act shall not be required to furnish the Form ITC-04 for the period July, 2017 to March, 2019.

- Condition for Applicability of waiver:

Furnish the details of challans of goods dispatched to a job worker during the said period, but have not been received back from a job worker as on 31st March, 2019 in Form ITC-04 for the quarter April 2019 to June 2019

The details of extensions provided on various dates is as per below:
GST was implemented w.e.f. 1st July, 2017, the quarter July 2017 to September 2017 was the first quarter for which Form ITC-04 was required to be filed by 25th October 2017. Below are the details of various extensions provided:

Period	Due Date
July 2017 – September 2017	25th October 2017
July 2017 – September 2017	30th November 2017
July 2017 – June 2018	30th September 2018
July 2017 – September 2018	31st December 2018
July 2017 – December 2018	31st March 2019
July 2017 – June 2019	30th June 2019
July 2017 – June 2019	31st August 2019
July 2017 – March 2019	waived off

V. RBI

o ACCEPTANCE OF DEPOSITS BY ISSUE OF COMMERCIAL PAPERS:

The Reserve Bank of India vide notification dated 16th July, 2019, introduced the Foreign Exchange Management (Deposit) (Amendment) Regulations, 2019 by deleting the regulation 6 (3) of the principal regulation.

As per FEMA notification no. FEMA 5(R)/2016-RB dated 01.04.2016, the Acceptance of Deposits was governed by Regulation 6 of the said notification which is as follows:

6. (1) A company registered under Companies Act, 2013 or a body corporate shall not accept deposits on repatriation basis from a non-resident Indian or a person of Indian origin. The company may, however, renew the deposits which had been accepted on repatriation basis from an NRI or a PIO subject to terms and conditions mentioned in Schedule 6.

(2) A company registered under Companies Act, 2013 or a body corporate, a proprietary concern or a firm in India may accept deposits from a non-resident Indian or a person of Indian origin on non-repatriation basis, subject to the terms and conditions mentioned in Schedule 7.

(3) An Indian company may accept deposits by issue of Commercial Paper to a non-resident Indian or a person of Indian origin or a foreign portfolio investor registered with the Securities and Exchange Board of India subject to the following conditions, namely:

a) the issue is in due compliance with the Non-Banking Companies (Acceptance of Deposits through Commercial Paper) Directions, 1989 issued by the Reserve Bank as also any other law, rule, directions, orders issued by the Government or any other regulatory authority, in regard to acceptance of deposits by issue of Commercial Paper;
b) payment for issue of Commercial Paper is received by the issuing company by inward remittance from outside India through banking channels or out of funds held in a deposit account maintained by a Non-Resident Indian or a Person of Indian Origin in accordance with the Regulations made by Reserve Bank in that regard;
c) the amount invested in Commercial Paper shall not be eligible for repatriation outside India; and
d) the Commercial Paper shall not be transferable.

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Acceptance of Deposits by issue of Commercial Paper as per Companies Act, 2013:

Rule 2(c) (v) of the Companies (Acceptance of Deposit) Rules, the definition of Deposit excludes:

Any amount received against issue of Commercial Papers or any other instruments issued in accordance with the guidelines or notification issued by the Reserve Bank of India.

Now, in view of bringing consistency in statutory provisions/regulations relating to Commercial Papers, the RBI has deleted the regulation 6(3) which included acceptance of amount by issue of CPs as Deposits.

VI. OTHERS

o HIGHLIGHTS OF THE ARBITRATION AND CONCILIATION (AMENDMENT) ACT:

The Arbitration and Conciliation (Amendment) Bill 2019 introduced by The Ministry of Law and Justice received assent of the President of India on 9th August 2019 and will be called "***The Arbitration and Conciliation (Amendment) Act, 2019***"

➢ Highlights of the Amendment Act:

- Arbitral Institution defined:

  Section 1(ca) has been introduced to define an 'arbitral institution' as an arbitral institution designated by the Supreme Court or a High Court under the Act.

- Authority to establish Arbitration Council:

  The Central Government has now been authorized to establish Arbitration Council of India.

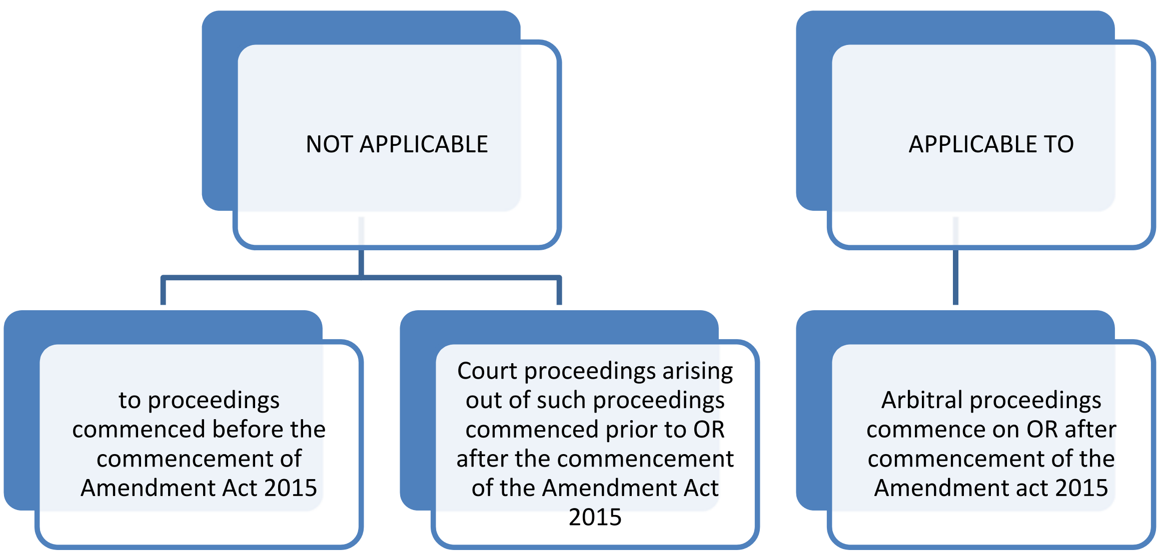
  The details of the Council would be as per below:
  - Council shall be: Body Corporate
  - Head office – Delhi
  - Members: 1 Chairperson; 4 Members; 1 Part-time Member and 1 CEO – Member-Secretary-ex-officio

- <u>Grading of Arbitral Institutions and Arbitrators</u>

  The Supreme Court / High Court shall have the power to designate Arbitral Institution which have been graded by the Council. The council shall make grading of arbitral institutions on the basis of criteria relating to:
  - Infrastructure
  - Quality and caliber of arbitrators
  - Performance and compliance of time limits for disposal of domestic or international commercial arbitrations

  The qualifications, experience and norms for accreditation of arbitrators will be such as specified in the Eighth Schedule to the Act.

- <u>Applicability of the Amendment Act 2015</u>



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Thanking you,
Yours faithfully,

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