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SPECIAL ISSUE

RELEASING SOON

Dive deeper and discover reality. It's 2021. Don't be shy to ask *why*?



Hello friends, I am 2021.

“Hello friends, how are you doing? I am glad you are safe. By now you already know me – I am 2021, welcome to my age! Firstly, kudos to you for successfully graduating 2020. It's okay if you didn't fetch good marks. It was a challenging year with too many out of syllabus questions. *Therefore, I am exempting you from all hardships this year, except from wearing masks and paying GST (Sorry, I don't make those rules).*

You see, I have come here to deliver an important message. You might be thinking you graduated 2020, and life is all cakewalk now. However, the last decade has been a mess, especially the last year and it's your job to clean it up. Else, as I see the future right now, it's all abyss! Your hashtags from 2020, the WhatsApp laurates, and manufactured news are not going to work anymore. I am 2021 and much smarter than

2020. Don't be scared, I just look tough, but if you follow one simple ground rule, I bet this year would be a great grand party!

You see, just look around yourself. *Everyone is eager to tell you their version of what, when, who, how, and where – it's impossible to differentiate between the real facts and fake ones.* It's exciting to hear stories, however, it's not bedtime yet. You have a life to live and a world to live in. Therefore, it's important you focus on one important aspect - the why of everything.

Trust me, I am 2021, I am not your foe. Just find you why behind everything – be it the economy, the politics, or your own life – don't be shy to find your why. You will have to dive deeper through all the fabricated stories - it's a tough job. However, be persistent and clarity awaits you on the bottom of everything where you will find all the secrets buried. Bravo, do you copy?

Btw folks, when are you throwing a 2020 graduation party? Do invite me. It's never too late to be happy. Take care.” *#PleaseNoHashtag.*

The scarcity of people asking 'why'

We have all witnessed the spread of misinformation in the past few years and not just on social media, but even the press and the print media and every other aspect of life. Fake financial apps scamming people into loans, people being misguided for a chip embedded in a 2000 rupee note, mobs attacking

mobs attacking individuals merely on suspicion, the multifold stories on the death of a celebrity including alleged black magic and the ten rupees coin still being widely unaccepted – these are all examples of how misinformed and misguided we have become as a country. Over the past decade, the sources of news have increased, and at the same time, almost every source has also been corrupted by their sponsors. There's a scarcity of people asking why to such authorities and sources. Discussions are based on distorted facts and arguments are based on myths. It has become pertinent to fact-check before believing and research before talking. We bring you here some of the important why's of today and an explainer on various recent events.

WHY experts aren't buying the government's argument against MSP for crops?

The protests against new farm laws largely surround the concern for minimum support price (MSP) – a guaranteed price at which the government buys the proceeds of the farmers if the open market has lower prices. However, this is not guaranteed by any law and thus, there is always uncertainty around it. While many promises have been made in the past before the elections by various parties, to legalize MSP, the same have never been fulfilled till date. After the ongoing farmer protests, Government opened up its stance on the MSP and argued that half of India budget's expenditure will go in the procurement of crops if minimum support price (MSP) is made legal.

However, according to the experts, this is not the actual case, as it depends on the market circumstances of the crops to a large extent. The

Karnataka state government adopted the Market Intervention Scheme for tur (arhar). The production of tur dal was 14 lakh tonnes during the last year, however, the government was required to procure only 2.5 lakh tonnes because the market rates stabilised after the intervention. With just 15% procurement by the government, the prices of tur were stabilised in the market. [The presence of the government in the market makes a huge difference to keep private traders in check who indulge in cartelisation in the absence of any government control.](#) To keep the market forces under control, government's intervention is important and this is only possible when the government legalizes MSP, as it will keep a check on the middlemen too and provide competitive prices for the produce.

WHY 1.05 lakh crore GST collection is still not good enough to be celebrated?

For a long time, Government has been trying to achieve its GST collection target of INR 1 lakh crore per month and recently, the government has been able to achieve so for consecutive months, passing record for highest collection each month. Besides, for the first nine months of the year, the GST collection has summed to INR 7.8 lakh crore. If the trend persists, the deficit in collections shall be truncated and the final shortfall would be in the region of INR 80,000 crore to INR 1 lakh crore for the current period. Given the very slow start, this will be an achievement. However, apart from screwing the GST laws to extract maximum possible tax collection from the businesses, Government spending has been a key feature behind the GST collections.

There were liquidity infusions by Reserve Bank of India (RBI), free food being given to the poor, increase in the MGNREGA wages and payouts, credit guarantees to various business segments, increase in capital expenditure of the government, advances to government employees for spending, and many others. Intuitively, all these measures led to higher spending, which was the main objective of the stimulus and automatically generated revenue for the government in the form of GST collections.

However, [if the numbers are put in perspective, it seems that the GST collections still fall short of the expectations, though they are higher than ever before](#), especially when Government provided INR 2 lakh crore credit guarantees, INR 30 lakh crore through production-linked incentive (PLI), INR 1.43 lakh crore through Kisan Credit Cards, and through many such other schemes.

Besides, the growth in GST collections is being driven by Government spending and not the market players. Thus, it seems there's still a long road to be travelled before the Government can celebrate the success of GST implementation. Please note, GST laws have completed 3.5 years and we are still talking about its breakeven.

[WHY the cryptocurrency bitcoin rallied during the recent past and it's not just a bubble?](#)

Bitcoin is a digital currency that runs on a blockchain and thus, isn't controlled by any regulator. Bitcoin has been on a rally in recent past and just a few months back when it was hovering around USD 10,000, it peaked at USD 40,625 last month. There was a similar rally in 2017 when the bitcoin rallied and

all of sudden when the entire world was talking about it, the bitcoin price dropped from USD 20,000 to USD 3,000.

Bitcoin is incredible and apart from its great features, it is highly unpredictable which makes a lot of people feel it is just a bubble which might burst someday soon. However, this time bitcoin is rallying on a different note. In 2017, the retail investors helped the rally of Bitcoin to make some money out of the bull run. People weren't invested in the long run and were primarily investing because of FOMO—the fear of missing out. However, this time it seems the participation is driven by institutional investors.

Fidelity's survey of large institutional investors in the United States and Europe found more than a quarter owned Bitcoin. PayPal announced in October that it would allow its customers in the United States to buy and sell using Bitcoins. And so on [many institutional investors might have joined the league this time which is why the Bitcoin's rally this time, is different](#).

Meanwhile, the Indian government is planning to ban Bitcoins and consider bringing its own Central Bank Digital Currency (CBDC). The concept of digital currency certainly will go a long way. And given the current trends, it is prudent to stay put and watch the change happen.

[WHY are the airlines moving towards smaller airports?](#)

IndiGo, SpiceJet, GoAir and others have all announced new flights and interestingly, a majority of these flights connect to tier-2 and tier-3 cities. IndiGo surprisingly announced seven new stations including Leh, Darbhanga, Agra and also Kurnool

and Bareilly which will be connected by air for the first time. IndiGo will directly kickoff with SpiceJet in Darbhanga and other peers such as Vistara, Air India, and GoAir, on routes like Leh and Rajkot. The government has been trying to push regional aviation for a long time, however, the same didn't prove much fruitful. However, there has been a spur in the number of flights connecting to the tier-2 and tier-3 cities after the COVID-19 pandemic. It's becoming a fierce competition and finally, India is now entering into regional aviation. So what made the aviation companies drive this change?

[Post-pandemic more and more people have preferred to travel through flight, even for shorter durations, for safety reasons.](#) This has increased the demand for the flights such that the tier-2 and tier-3 airports have already reached the pre-pandemic traffic. People have become more open to spending on flights to reduce their travel times. Besides, railways have been irregular and riskier during the post-pandemic period. FlyBig, the recent addition to the aviation sector, also has its primary focus on surrounding the Government's UDAN scheme which encourages tier-2 and tier-3 connectivity. Thus, overall the regional aviation has kicked off in India and it would be interesting to see if the same continues after railways start full-fledged once the country is vaccinated.

[WHY the privacy concerns around WhatsApp doesn't make sense?](#)

Data privacy concerns are real – whether it is mobile phone data, the government databases, or the databases maintained by various companies including the banks, telecom, e-commerce, etc.

However, recently WhatsApp seemed to be caught amidst the whole privacy concern debacle when it released its new privacy policy and people didn't like the change much, especially when rumours travelled that the data would be publicly shared with the Facebook.

WhatsApp clarified later, however, the damage was done. Signal gained momentum, thanks to its simple and privacy-backed features and also Elon Musk's tweet. However, it's strange to see WhatsApp alone facing the wrath when all other apps and websites are freely selling your data around the world.

Websites don't earn from your usage, as much they earn from their advertisers. However, advertisers need data to target customers and there begins the hunt for collecting data. Now, [the data collected by the sophisticated apps and large companies such as Google or Facebook is anonymized meaning though your specific data collected \(which is also mentioned on its apps and websites\) it is not reveal your identity to the advertisers.](#) It only reveals the relevant data such as age, gender, preferences, approximate location, apps installed, services used, etc. along with some numerical id assigned to you. This helps advertisers target you with appropriate products.

There are many apps which do not anonymise your identity. There are many small and large associations where you might have signed up even offline and the data collected through forms might have been sold to other advertisers – it's becoming customary! Now you might understand why all of sudden gradually your SMS or email spams increase over time – because everybody is selling.

The data selling a business is so huge that the change WhatsApp wanted to bring was meagre and least affects the privacy. In today's world, if you want to keep yourself private and do not wish to share your data you will have to be a ghost-identity like the Professor (Money Heist) and stop using the internet and signing up anywhere and filling up any form. Remember, WhatsApp is managed by one of the largest technology companies in the world. Meanwhile, your Aadhar data is managed by Government which is more vulnerable to be hacked than WhatsApp. So, should be concerned about WhatsApp selling your data anonymously or the Aadhar data (and everything that the government has asked you to link) with the government? WhatsApp privacy policy change is just a drop in the ocean.

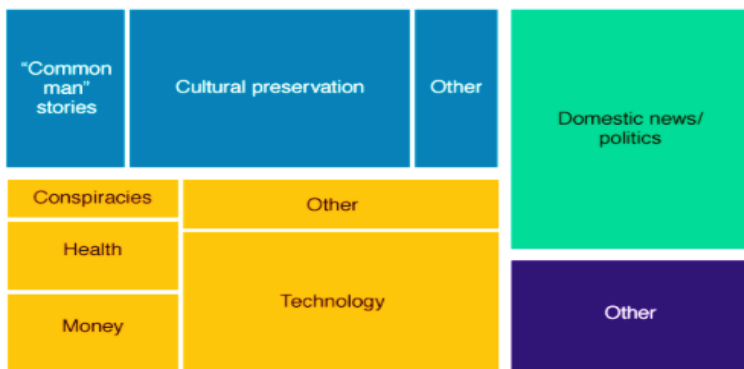
WHY recommending stocks on television channels or other forums is a sham business?

On January 13, CNBC Awaaz co-host Hemant Ghai, his wife and mother were barred from the stock markets by the Securities and Exchange Board of India (SEBI). According to the SEBI, an analysis of the trading pattern of the two entities - Jaya Hemant Ghai and Shyam Mohini Ghai for the period between January 2019 and May 2020 show a high correlation of the trades of the aforesaid entities with the

recommendations furnished in their show Stock 20-20 aired on news channel CNBC Awaaz. These trades violate provisions of the Securities and Exchange Board of India (SEBI) Act and the SEBI (Prevention of Fraudulent and Unfair Trade Practices) Regulations. The co-host through his family has prima facie earned proceeds amounting to INR 2.95 crore through the limited trades during the aforesaid period. CNBC Awaaz has terminated Hemant Ghai as soon as the order was passed for misleading unsuspecting viewers.

Keeping this case apart, the whole system of predicting a company's share price and recommending stocks seems sham business as the process of analysing stocks itself is a long and difficult process involving assumptions, availability of data and a lot of opinions. However, when you see the television anchors they hard do any analysis but offer you recommendations based on technical and merely indicators. While many consider technical a scientific/statistical method, do note that the whole prediction is based on one unrealistic assumption – 'Stock patterns shall repeat themselves because humans react to market events with remarkable consistency.' Thus, the whole analysis behind scrip recommendations is bound to fail any day.

(This article was contributed by the editorial team.)



% Messages shared on WhatsApp



Courtesy: BBC Survey



Wallstreet vs Reddit: How smart minds together brought investing barons to their knees

By Amit Chandak, Associate Director, Greenvissage



It's not unknown to anyone that the gap between the commoners and the mega corps has increased over the years. We have Google threatening to shut down its services in Australia if the new laws which allow news media to ask for a revenue share from the search engine's business. It's impossible to imagine our world without Google and same is the case with many other mega-corporations. It's not hidden that these companies influence various policy decisions of the Governments across the world due to the power at their behest and their mammoth status. When Governments cannot fight them, it's foolish for a commoner to even think of pulling out a fight with such corporates. However, a bunch of Reddit users think otherwise.

GameStop, a small retail company worth less than USD 400 million a few months ago is today a USD 10

billion company. Within a span of few days, the stock price of the company which was trading at USD 43 on January 21 went from bottom to top of the wall street charts on January 27 when its price became USD 347. And it's not that the company has some big announcement or mega project under its sleeves. It's just another corporate struggling to retain its business after the pandemic. The same is evident from the fall in the price of GameStop as the price is once again USD 53 on February 4. So what is happening with a rather not so happening stock? Well, it's not the company, but its fortune that it was caught in the middle of an unexpected war between the giant traders on the wall-street and a united front on the Reddit. We will get back to that, however, before that firstly, let's know what is GameStop.

What does GameStop do?

GameStop is a retail company which sells offline video games, consumer electronics and gaming merchandise through its stores across the United States. In the current scenario, it's a rather failed business as the gaming world has moved online. Do note here that GameStop is the largest video game retailer in the world with 5,509 retail stores in United States, Canada, Australia, New Zealand and other European countries. The company primarily operates its retail stores under the brand name GameStop and other names such as EB Games, ThinkGeek, and Micromania-Zing.

Formed in 1984 as Babbage's and later renamed to GameStop, the company seen huge success from 2004 to 2016. However, the market for physical video game declined and thereon began the downfall of GameStop.

In April 2020, after the pandemic and lockdown, while struggling to move its business online, GameStop announced that it is closing 450 stores in the United States, as the company was suffering losses. The company has been in controversies for its response to Covid-19 pandemic, as many people lined up at its stores for new game launches.

What happened on January 27?

The GameStop stock which was happily trading around USD 30 surged to USD 300 within a period of 2-3 days with a peak at USD 469 on January 28. The stock surge created USD 2 billion for its three largest individual shareholders, however, none of them has been reported to have sold their shares. The Wallstreet was taken by surprise as the surge in the GameStop price was backed by small investors buying the stock using Robinhood app and such other new trading services. Nothing changed about the company, it was merely investor sentiment. On further investigation, it turned out that a large number of investors were inspired by Reddit based on the discussion on a subreddit Wallstreetbets, or as the Redditors put it /r/wallstreetbets. Reddit is a social forum where people share memes, comment, discuss and place their opinion, generally humorous. However, the subreddit wallstreetbets to whom nobody paid attention so far, suddenly received the attention from the Reddit community when they started betting against the real wall street big boys

and winning as well.

Why did the stock price double in a few hours?

Ryan Cohen who was formerly Chief Executive Officer (CEO) of online pet-food company Chewy Inc was recently added to the board of GameStop and also acquired 12% ownership to help the company grow and succeed. Ryan has been a successful entrepreneur and he believed that GameStop could thrive as an online e-commerce platform. He became more and more vocal about it. The users behind the subreddit wallstreetbet believed in the words of Ryan and his move towards online platforms against the prospects of doomed business according to the experts. While the group of retail investors, on one hand, believed that Ryan would change the fortune of company and thus, started buying more and more shares of the company; the hedge funds on the Wall Street were short-selling the stock, expecting a fall in the shares in near future. This led the stock price being pushed to new and new higher levels and soon the stock price exploded. Trading of the shares was temporarily halted by New York Stock Exchange for at least nine times to contain the volatility, however, the stock price doubled in merely few hours. GameStop became the single most traded stock in the United States.

How were the big investors squeezed?

Let's say a box of apple currently costs USD 10. Your friend has 10 such boxes. You think the prices of apples are going to fall and you wish to make a profit out of it. So you simply borrow apples from your friend and sell it in the market at the current price of USD 10. Later when the prices fall, you buy the apple boxes from the market at say USD 8 and earn a profit.

You now have apple boxes which you return to your friend and pay a small fee to him. This is called Short Selling – selling, even when you don't own it.

In the stock market, this friend is your broker. He allows you to short sell shares. The hedge funds on the wall street had done a similar transaction for the GameStop – borrowed the shares from the brokers and short sell the same in the market, in a bid to drive the prices lower and buy them back.

However, the guys at subreddit wallstreetbets probably noticed the same and started buying shares against the bets of the giants. They successfully convinced many other Reddit users who joined the bandwagon and started buying shares. And in no time, the shares of GameStop surged and the retail investors made money. However, the hedge funds were in a problem, as they had gone short on the stock.

What is short squeeze?

When you are short on a stock and if the price rallies, you are in a bit of trouble. There are two situations here - losses to be mitigated and then the borrowed stocks to be returned. While the hedge funds have big pockets, nobody expected that the stock would rally from USD 50 to USD 469 at one point. So, firstly the hedge funds suffered huge losses. Now there's a second problem of returning the borrowed stocks. There's no option here – the hedge funds had to buy these shares from the open market and return it to the broker. This resulted in a further surge in the share price. This is called a Short Squeeze. And thus, the wallstreetbet players made a profit out of the whole GameStop saga.

What else did the Reddit guys do?

The smart minds behind the wallstreetbet and the others who joined them not only bought the shares of GameStop from the market but also bought the call options of the shares. Now, a call option is a contract whereby you have the right to buy the shares of a particular stock on a future date called the settlement date. However, call options are usually not held till settlement date and used as an option for trading. Now, when someone buys a call option, there is somebody else who is selling the call option. Thus, if the price rises, the person selling the call option would be in trouble. Thus, such sellers usually hedge their bets by buying the stock from the market. So if price rises and you are in losses, the shares you hold (whose value keeps increasing) offset the losses and thus, your profit or loss is secured. However, when Reddit users started buying call options in a frenzy, the sellers of the call options also started buying the shares to hedge their position. Thus, this further led to an increase in the price of the stock and what happened after that is history!

The strange world we live in

The retail investors aka the common man, are beating the professionals at their own game. Those at Wall Street have raised their eyebrows to weigh in on the matter and call out this frenzy trading as 'madness'. When professionals buy shares of loss-making companies and push their valuations to billions, nobody questions them. When the venture capitalists invest in startups and tell everyone that this is going to be a billion-dollar company, people call them visionaries, not madness. It's a strange world!

Government Policies

- Government has said that it will introduce a bill in the Budget session of the Parliament to make a facilitative framework for the creation of the official digital currency to be issued by the Reserve Bank of India, the bulletin of the Lok Sabha for the Budget session showed. The bill named 'Cryptocurrency and Regulation of Official Digital Currency Bill, 2021' will be introduced in the Parliament for consideration and passing. The Reserve Bank of India (RBI) had earlier announced that it is examining if there is a need to introduce central bank digital currency (CBDC) in the country and is exploring ways to operationalize it, if necessary. This comes against the backdrop of private digital currencies, virtual currencies and cryptocurrencies gaining popularity in recent years. In India, the regulators and governments have been skeptical about these currencies and are apprehensive about the associated risks.
- The International Monetary Fund (IMF) has projected an impressive 11.5 per cent growth rate for India in 2021, thereby, the only major economy of the world to register double-digit growth this year amidst the coronavirus pandemic. The International Monetary Fund's growth projections for India in its latest World Economic Outlook Update reflected a strong rebound in the Indian economy.
- Earlier Economic Affairs Secretary Tarun Bajaj, and now Reserve Bank of India (RBI) Governor Shashikanta Das, have confirmed that the government is exploring all options, including setting up of a bad bank, to improve the health of the country's banking sector. A bad bank is a corporate structure which isolates illiquid and high-risk assets held by a bank or a financial organisation, or perhaps a group of banks or financial organisations. Chief Economic Advisor

Krishnamurthy Subramanian has also said the idea of a bad bank has some merit.

- India is considering revising rules after traders in the country accused Amazon's Indian division and Walmart's Flipkart of creating complex structures to bypass investment regulations. However, further changes in FDI rules would limit e-commerce firms from leveraging their scale. US firms like Amazon and Walmart urged India not to tighten foreign investment rules for e-commerce companies.

Goods and Services Tax

- The Gujarat Authority of Advance Ruling (AAR) ruled that GST is payable on the common maintenance fund/ deposit collected from the members. The applicant, The Capital Commercial Cooperative (Service) Society Limited was a registered Commercial Co-Operative service society providing services of maintenance of common facilities or amenities to their members. The applicant collected money from their members under monthly maintenance fees and common maintenance fund/deposit. The AAR observed that the common maintenance fund/deposit so collected is the amount collected towards the future supply of service of maintenance, repair etc.
- The Gujarat High Court has asked the Government to take steps to stop provisionally attaching bank account of a person after the GST departments raids over suspected tax evasion or other irregularities.

- Functionality for Aadhaar Authentication and e-KYC where Aadhaar is not available has been deployed on GST Common Portal with effect from January 6, for existing taxpayers. All taxpayers registered as Regular Taxpayers (including Casual Taxable person, SEZ Units/Developers), ISD and Composition taxpayers can do their Aadhaar Authentication or e-KYC on GST Portal. This is not applicable for Government Departments, Public Sector Undertakings, Local Authorities and Statutory Bodies.
- Central Board of Indirect Taxes and Customs (CBIC) has deliberated that an increasing number of petitions related to GST and other taxes as well as policy matters are being filed before High Courts. Further, there is a growing trend of approaching High Courts directly, sometimes even against the issue of summons, thereby bypassing the statutory appellate mechanism. Therefore, CBIC is gearing up to put in place a large battery of lawyers to fight these cases.
- 6.03 crore GST e-invoices were generated in December 2020, higher than 5.89 crore in November, according to an official release. The government had made it mandatory for businesses with a turnover of over INR 500 crore to generate an electronic invoice or e-invoice for B2B transactions, from October 1.

(For queries or more information relating to GST, contact our colleague Ashish Gandhi at ashish.gandhi@greenvissage.com)

Income Tax

- The United States Trade Representative (USTR) has determined that digital services taxes adopted by India discriminated against American companies and inconsistent with international tax principles. However, the report does not mention any specific actions and instead says it will

continue to evaluate all available options.

- A special unit 'Foreign Assets Investigation Unit (FAIU)' has been created in the countrywide investigation wings of the Income Tax department for focused probe in cases of undisclosed assets held by Indians abroad and possession of black money in foreign shores.
- The Central Board of Direct Taxes (CBDT) has launched a dedicated e-portal to receive and process complaints on tax evasion, foreign undisclosed assets and Benami properties. The public can file a tax evasion petition through a link on the e-filing website of the income tax department. Upon the successful filing of the complaint, the income tax department will allot a unique number to each complaint and the complainant would be able to view the status of the complaint on the Department's website.
- Income Tax Appellate Tribunal (ITAT), Mumbai bench has ruled that taxpayers embroiled in litigation on capital gains arising out of the sale of their flats due to the sale price being lower than the stamp duty valuation, can take benefit of higher tolerance band of 10% for the difference between the sale price of a flat and the stamp duty valuation with retrospective effect.
- The Income Tax Department has started scrutinising invoices of companies to check for tax evasion even as the indirect tax department continues its aggressive drive against tax dodgers. The income tax department has started scrutinising financial statements of companies to check if there are any fraudulent transactions or false entry that could result in low payment of taxes, relying on a newly inserted section in the tax regulations that refers to a 'false entry (accounting entry) or omission of an entry' for evading taxes. The tax department is questioning certain

where it suspects either the sale has not happened or in cases where it's difficult to verify details of companies or clients.

- The Income Tax Department has brought out a faceless penalty scheme to handle recommendations for penalty issued under its faceless assessment programme.
- The Central Board of Direct Taxes (CBDT) has clarified that demand of less than INR 100 would not be enforced but is liable for adjustment against future refunds. Thereby, any tax dues less than INR 100 would be carried forward for setoff against the refunds of any future years.
- While processing ITR with a refund claim, for the first time the department is asking individual taxpayers for confirmation on the correctness of differences in income appearing in Form 16 or Form 16A or Form 26AS and also the difference in deduction/exemption as appearing in Form 16 and as claimed by the assessee while filing ITR. An income tax refund may be held up pending such confirmation. For refund to be credited into your bank account the taxpayer has to respond to the email sent by the Income Tax Department, asking confirmation of refund claim.

(For queries and more information relating to Income Tax, contact our colleague Sneha Halder at sneha.halder@greenvissage.com)

Corporate Laws

- The CSR rules that come into effect, allow time till April 1 to implementing agencies such as trusts and societies to register with the Ministry of Corporate Affairs (MCA) while setting a three-year time-limit for any CSR project, among a series of other amendments. It is a one-time registration in a simple single-page form where details of the members, PAN number etc. has to be provided which can help the ministry to identify the

implementing agencies on the portal.

- The Ministry of Corporate Affairs (MCA) has decriminalised Corporate Social Responsibility (CSR) offences, introduced impact analyses of CSR projects and has also made it mandatory for companies to transfer capital assets created by CSR funds to a registered public trust, society or another beneficiary, with effect from January 22.
- The Ministry of Corporate Affairs (MCA) will allow late applications for the Companies Fresh Start Scheme (CFSS) on a case-to-case basis, however, has ruled out a blanket extension of the scheme despite protests outside Registrar of Companies (ROC) across the country seeking an extension.

(For queries and more information relating to Corporate Laws, contact our colleague Adnan Ginwala at adnan.ginwala@greenvissage.com)

Customs and Foreign Trade

- Government is considering the launch of a one-time amnesty plan for the resolution of legacy disputes about customs duty after the success of two initiatives taken in the previous two budgets - Sabka Vishwas for settlement of Excise and Service Tax cases, and Vivad se Vishwas for Income Tax issues.
- The Central Board of Indirect Taxes and Customs (CBIC) issued comprehensive guidelines relating to the posting of officers and staff at Customs areas and collection of the Cost Recovery Charges. A gamut of issues was brought to the notice of the Board through various representations. The circular elaborates on the applicability, staffing norms, creation of posts, payment of cost recovery charges, eligibility, procedure and withdrawal of exemption, and de-notification and cost recovery charges.

(For queries and more information relating to Foreign Trade, contact our colleague Adnan Ginwala at adnan.ginwala@greenvissage.com)

Banking and Finance

- As per latest data released by the Reserve Bank of India (RBI) approximately INR 18,000 crore of unclaimed deposits were lying with banks in the calendar year 2019, up from INR 14,307 crore in 2018.
- The Reserve Bank of India has made legal entity identifiers mandatory for all fund transfers worth INR 50 crore and above. The LEI is a 20-digit number used to uniquely identify parties involved in financial transactions world over.
- The Reserve Bank of India (RBI) has expressed concerns over zero-coupon bonds for the recapitalisation of public sector banks. During 2017-18, Reserve Bank of India had resorted to recapitalisation bonds with a coupon rate for capital infusion into public sector banks and interest payment to banks for holding such bonds started from the next financial year. To save interest burden and ease the fiscal pressure, the government decided to issue zero-coupon bonds for meeting the capital needs of the banks. The first test case of the new mechanism was a capital infusion of INR 5,500 crore into Punjab & Sind Bank by issuing zero-coupon bonds of six different maturities last year, with tenure of 10-15 years and non-interest-bearing bonds valued at par. However, the RBI has now raised some issues concerning calculation of an effective capital infusion made in any bank through this instrument issued at par.
- The Reserve Bank of India is preparing to propose stricter rules on shadow banks in a bid to strengthen solvency and sustainability of the sector which has been showing signs of stress in recent years, since Infrastructure Leasing & Financial Services (IL&FS), the largest non-bank financial company, went bankrupt in 2018, and Dewan Housing Finance Limited (DHFL) and

Altico Capital defaulted on payments in 2019.

- B Mahesh, Assistant General Manager at Reserve Bank of India (RBI) said that the government is planning to withdraw the old series of currency notes including INR 100, INR 10, and INR 5 by March or April, this year.

(For queries and more information relating to banking and finance, contact our colleague Kethaan Parakh at ksparakh@greenvissage.com)

Accounting and Auditing

- The Quality Review Board (QRB), a government-established body who oversees the work of auditors, has come up with several guidelines to be followed by audit firms in its report for FY 2019-20, to improve the audit quality and restore lost glory of the audit profession. QRB has also advised auditors to maintain control over external confirmation requests while using external confirmation procedures. The report further advises auditors not to be over-reliant or readily accept the explanations of managements without challenging matters such as underlying assumptions or seek out evidence to corroborate estimates or treatments.
- As per the report of Quality Review Board (QRB), during FY 2019-20, the QRB completed 87 reviews of audit quality of 69 entities in India. Of these, QRB issued advisories to audit firms for further improvement in 71 cases and 3 cases were recommended to the Disciplinary Committee of the Institute of Chartered Accountants of India (ICAI) for disciplinary action.
- The Reserve Bank of India (RBI) has notified changes in norms on eligibility, empanelment and appointment of Statutory Branch Auditors in Public Sector Banks from the year 2020-21 onwards. The RBI's new Rotation Policy instead of Cooling Period for Bank Branch Audit for

for Chartered Accountants has done away with the concept of compulsory rest for two years for audit firms located in the specified centres, after completion of four years of continuous branch audit, followed till FY 2019-20.

In Focus: IndAS 8

- *Are individual entities within a group required to adopt uniform accounting policies in their stand-alone financial statements?* No, the IndAS do not mandate group entities to follow accounting policies in their standalone financial statements, same as those applied in the group's consolidated financial statements. Each entity within the group must select and apply appropriate accounting policies following Ind AS 8 in its standalone financial statements. However, where accounting policies followed in standalone financial statements of any group entity are different from those adopted in the consolidated financial statements, appropriate adjustments must be made while preparing consolidated financial statements to achieve conformity with the group's accounting policies. Therefore, though it is not mandatory to follow the same set of accounting policies, it is advisable to follow similar accounting policies to the extent possible, to ease the process of preparing consolidated financial statements.
- *Is a change in inventory cost formula a change in accounting policy or a change in accounting estimate?* Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. Paragraph 36(a) of Ind AS 2, Inventories, specifically requires disclosure of 'cost formula used' as a part of the disclosure of accounting policies adopted in the measurement of inventories. Accordingly, a change in cost formula is a change in accounting policy.
- *Whether a change in the functional currency of an entity*

represents a change in accounting policy? Paragraph 16(a) of Ind AS 8 provides that the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring are no changes in accounting policies. Paragraphs 9-12 of Ind AS 21 list factors to be considered by an entity in determining its functional currency. It is well-known that there may be cases where the functional currency is not obvious. In such cases, Ind AS 21 requires the management to use its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Accordingly, once determined, the functional currency is not changed unless there is a change in those underlying transactions, events and conditions. Thus, the functional currency of an entity is not a matter of an accounting policy choice.

- *Whether a change in an accounting policy is always required to be applied retrospectively? If not, what are the exceptions?* A change in an accounting policy that results from the initial application of an Ind AS should be accounted for following the specific transitional provisions, if any, of that Ind AS. Those transitional provisions may or may not require the retrospective application of the new accounting policy. In the absence of specific transitional provisions, or when an entity changes an accounting policy voluntarily, it is required to apply the change retrospectively. However, as per paragraph 17 of Ind AS 8, retrospective application of a change in accounting policy is subject to the following exceptions: a) The initial application of a policy to revalue assets following Ind AS 16, Property, Plant and Equipment, or Ind AS 38, Intangible Assets which is accounted for as a revaluation b) Where it is impracticable to determine the period-specific effect or the cumulative effects of changing an accounting policy.

- *Can an entity voluntarily change one or more of its accounting policies? An entity shall change an accounting policy only if the change: (a) is required by an Ind AS; or (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. Users of financial statements need to be able to compare the financial statements of an entity over time to identify trends in its financial position, financial performance and cash flows. Therefore, the same accounting policies are applied within each period and from one period to the next unless a change in accounting policy meets one of the above criteria.*
- *How should an entity account for the income-tax effects of retrospective application of changes in accounting policies (or correction of prior period errors)? Where an entity applies a change in accounting policy retrospectively or corrects prior period errors, it should include the related tax effect as part of the prior period adjustments. Therefore, income-tax effects of adjustments to the opening balance of retained earnings (or another component of equity) as at the beginning of the earliest prior period presented, resulting from either a change in accounting policy that is applied retrospectively or the correction of an error, shall be recognised directly in such component of equity. Similarly, income tax effects of adjustments to the comparative amounts for the prior period presented shall be included in the comparative amount of tax expense for the prior period following paragraph 61A of Ind AS 12.*
- *When is an entity required to present a third balance sheet as at the beginning of the preceding period? As per paragraph 40A of Ind AS 1, Presentation of Financial Statements, an entity shall present a third balance sheet as at the beginning of the*

preceding period in addition to the minimum comparative financial statements required by paragraph 38A of the standard if: (a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and (b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period.

- *Is change in the depreciation method for an item of property, plant and equipment a change in accounting policy or a change in accounting estimate? Depreciation method for a depreciable asset has to reflect the expected pattern of consumption of future economic benefits embodied in the asset. Determination of depreciation method thus involves an accounting estimate; depreciation method is not a matter of an accounting policy. Accordingly, a change in depreciation method should be accounted as a change in an accounting estimate, i.e., prospectively.*

(For queries and more information relating to Accounting, contact our colleague Rahul Mundada at rahul.mundada@greenvissage.com)

Payroll and Personal Savings

- The Authority of Advance Ruling (AAR) Gujarat, has held that recovery notice pay from employees would be liable to 18 per cent GST on the recovery of the pay, under the entry of services not elsewhere classified. As per the ruling, if a company recovers notice pay from an employee who exits without serving notice period, as specified in the appointment letter issued, the company shall be liable to collect GST at 18 per cent from such employee. Thus, the amount of notice pay recovery shall increase by 18%.

(For queries and more information relating to Payroll, contact our colleague Kumari Snigdha at kumari.snigdha@greenvissage.com)

Economic Indicators

- Latest statistics relating to the key economic indicators of Indian economy stand as follows:

Indicator	As on	Current	Prior
GDP Growth (%)	Sep-20	-7.5	-23.9
Inflation (%)	Dec-20	4.59	6.93
Unemployment (%)	Nov-20	6.5	7.0
Trade Balance (\$m)	Dec-20	-15440	-9870
GOI Bond 10yr (%)	Jan-21	5.95	5.90

- The movement in the major indices of various stock exchanges across the world, during the month of January, 2021 was as follows:

Equity Index	Country	%
NIFTY 50	India	- 2.74
BSE SENSEX	India	- 3.31
INDIA VIX	India	+ 29.56
NIFTY BANK	India	- 2.11
DOW JONES	USA	- 2.04
NASDAQ	USA	+ 1.42
S&P 500	USA	- 1.11
FTSE 100	UK	- 0.82
NIKKEI 225	Japan	+ 0.80
SHANGHAI COM	China	+0.29
MOEX	Russia	- 0.36
CAC 40	France	- 2.74
DAX	Germany	- 2.08
ASX 200	Australia	+ 0.31
BOVESPA	Brazil	- 3.32
FTSE STI	Singapore	+ 1.54
KOSPI	South Korea	+ 3.58
HANG SENG	Hong Kong	+ 3.87

- The movement in the major commodities futures with latest expiry, as per MCX during the month of January, 2021 was as follows:

Commodity	Expiry	Price	%
Gold	05/02	49,106	- 2.33
Silver	05/03	69,765	+ 2.41
Crude Oil	19/02	3,822	+ 8.36
Natural Gas	23/02	192	+ 3.29
Aluminum	26/02	162	+ 0.87
Copper	26/02	596	+ 0.11
Cotton	26/01	20,940	+ 0.82

- The movement in the reference rates of major global currencies during the month of January, 2021 was as follows:

Currency Pair	Jan 31	Dec 31	%
INR/1 USD	72.95	73.50	+ 0.14
INR/1 GBP	100.02	99.60	- 0.42
INR/1 EUR	88.30	89.79	+ 1.66
INR/100 YEN	69.82	70.84	+ 1.44

- Movement in the major cryptocurrencies during the month of January, 2021 was as follows:

Currency	Pair	Price	%
Bitcoin	BTC/USD	34,281.00	+ 0.59
Ethereum	ETH/USD	1,364.52	+ 72.99
Tether	USDT/USD	1.00	+ 0.04
XRP	XRP/USD	0.34	+ 51.79
Btc Cash	BCH/USD	409.41	+ 12.21

- Gold prices fell sharply in Indian markets amid a selloff in global gold price because of the rise in the dollar index. With new government in the United States, a jump in treasury yields, a climb in the equities has weighed on gold prices. The dollar has also rebounded and thus, investors book profits.

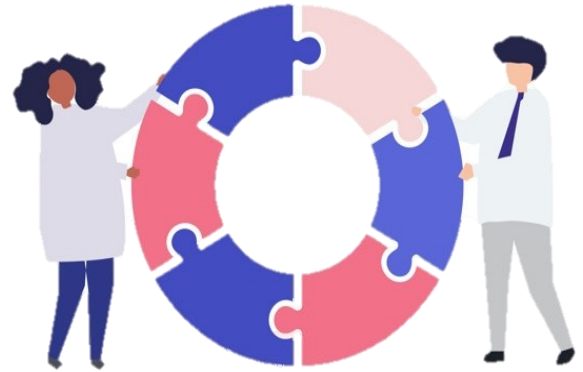
Corporate News

- Creating a rare foothold for the labour movement in the technology industry, a group of 225 **Google** engineers and other workers belonging to the company and its parent company Alphabet have formed a union known as 'Alphabet Workers Union'. However, the group only represents a fraction of the Alphabet's workforce, far short of the threshold needed to get formal recognition as a collective bargaining group in the United States. The union which will be affiliated with the larger Communication Workers of America says it will serve as a structure that ensures Google workers can actively push for real changes at the company. Its members say they want more of a voice not just on wages, benefits and protections against discrimination and harassment but also broader ethical questions about how Google pursues its business ventures.
- **Reliance Jio** has now emerged as the fifth strongest brand in the world, as per the latest research by Brand Finance, ahead of Apple, Amazon, Disney, Pepsi, Nike, Lego, Tencent, Alibaba and HDFC Bank, to name a few. The Brand Finance Global 500 list that pegs the world's strongest brands, sees China's WeChat lead, followed by Ferrari, SBER and Coke.
- The Tamil Nadu government has cleared **Tata Electronics** proposal to set up a mobile phone components manufacturing plant in Krishnagiri district at an investment of INR 5,763 crore.
- **Tata Motors** concerned by semiconductor shortages and Brexit-related supply disruptions as its luxury car sales recover, clarified that the production is not yet hampered due to these disruptions. Tata Motors has undergone three straight quarters of losses as the COVID-19 crisis dented sales and exacerbating uncertainties over Britain's European Union exit.
- **TVS Motor Company** has confirmed that the boards of TVS Holding Companies and TVS Investments and Holdings have approved a composite scheme of amalgamation and arrangement which is to be filed with the NCLT soon.
- Digital rights and civil liberties group Internet Freedom Foundation (IFF) has sought a stay from the Supreme Court on the **WhatsApp's** Privacy Policy Update, scheduled to go live on May 15. The IFF has requested an interim stay order as a measure to safeguard the personal data and privacy of over 400 million Indian WhatsApp users.
- **WhatsApp** has revealed that payments transaction data is encrypted and stored only in India and Facebook does not have access to data on UPI transactions, according to the RBI guidelines. WhatsApp rolled out its payments service in India in Nov 2020, after receiving approval from the National Payments Corporation of India (NPCI).
- **Samsung** has been granted a patent for a 'dual slidable electronic device' in March 2020 as per the documentation has been released this month. Similar to the LG Rollable smartphone, Samsung's implementation aims to eliminate the ugly crease and visual bulk associated with foldable devices.
- Q3 2020 was the most profitable quarter to date for **Apple Inc.** The company generated USD 111.4 billion in quarterly sales in the Q3 2020 and profits rose by 29% to USD 28.76 billion in the quarter, driven by growth in all product segments. While iPhone revenues fell in the last quarter, the Q3 saw YoY growth of over INR 65 billion, a 17% growth from the same quarter in the previous year.
- India's biggest online-education startup **BYJU** has acquired brick and mortar test prep leader Aakash Educational Services Limited for USD 1 billion.

- The Enforcement Directorate (ED) has initiated a probe against e-commerce giant **Amazon** for alleged violation of the foreign exchange law and rules. The probe is being conducted under various sections of the Foreign Exchange Management Act (FEMA) after the agency recently received a communication from the Commerce Ministry.
- **SpiceJet** has announced that it has launched 21 new domestic and international flights including four new flights which will run connecting Jharsuguda in Odisha with Mumbai and Bengaluru. SpiceJet is the first and only airline to connect this route as it aims at enhancing connectivity between metro and non-metro cities.
- **Airtel** has stated that it has become the country's first telecom company to successfully demonstrate and orchestrate Live 5G service over a commercial network in Hyderabad. Airtel did this over its existing liberalised spectrum through the NSA network technology. The telecom company seamlessly operated 5G and 4G concurrently within the same spectrum block.
- **Indian Oil Corporation (IOC)** has planned to expand its Chennai refinery for INR 31,500 crore through a joint venture with its subsidiary Chennai Petroleum Corporation Ltd (CPCL). IOC and CPCL will hold a 25% stake each in the joint venture that will set up the 9 million tonnes a year refinery. The remaining 50% of equity would be with financial investors.
- **Sundaram AMC** confirmed the purchase of the asset management businesses of Principal Asset Management. Sundaram will acquire the schemes managed by Principal AMC and acquire 100% of the share capital of Principal AMC, Principal Trustee Company and Principal Retirement Advisors.
- **Adani Wilmar** has halted all advertisements of its Fortune Rice Bran cooking oil featuring Sourav Ganguly as the former cricket and current BCCI president suffered a heart attack and social media users ridiculed the campaign that promoted heart health.
- **Aditya Birla Fashion** has signed a deal with India's largest designer brand Sabyasachi for acquiring 51% stake in the brand. Sabyasachi had FY20 revenues of INR 274 crore and ABFRL paid INR 398 crore for the stake purchase.
- The Reserve Bank of India (RBI) has imposed a monetary penalty of INR 2 crore on **Standard Chartered** for non-compliance with certain directions. The directions pertain to frauds classification and reporting rules for banks.
- **Bytedance** has decided to lay off employees in India due to permanent shutting down of business in the country. In response to the banning of TikTok and Chinese origin apps, authorities in China have reiterated that the ban violates India's agreement at the World Trade Organization for fair rules of business. India has banned over 250 apps of Chinese origin since June 2020, including TikTok and PUBG Mobile.
- **GameStop Corp** witnessed a steep climb by doubling its stock price and then surging another 50% after being mentioned in a tweet by Elon Musk. The market value flew past the USD 10 billion marks via a year-to-date rally that is pushing 700%. GameStop is now worth more than 10% of S&P 500 stocks including American Airlines Group Inc., Under Armour Inc. and Invesco Ltd.
- **Reliance** has signed a USD 15 million deal with Israeli company Breath of Health (BOH) to distribute their rapid COVID-19 breath testing kit which provides results within seconds. Reliance will purchase hundreds of systems from the Israeli company and will use them to conduct test.



Do product bans serve the purpose portrayed? Explained his is not the first time the topic has made headlines. Time and again ‘Ban Chinese Products’ has been used as a slogan in many speeches and discussions. However, for the first time, it is the Government who has officially called a ban on 59 (Chinese) mobile apps and a few days ago, additional 47 clone apps of the above, citing the apps are “prejudicial to the sovereignty and integrity of India ...



Recap 2020 – The need to learn from the past and think about future It’s a new year. The five-second task of scrapping the old calendars and replacing them with a new one, itself is a refreshing task. Writing date will have a fascination attached to it for the next few days. Finally, the year 2020 is done and dusted. We have a brand new year and a new decade to begin with. New resolution, new plans and new hopes – you don’t need public speaker to motivate ...



The winner’s curse, Auction theory and the Noble Prize 2020 Auctions are exciting – a live ongoing fierce competition with people bidding to win a prized asset. It is common for items of art and historical importance to be auctioned; however, auctions have been more commonly used in selling items such real estate property, commodities, minerals, etc. since a long time. The concept has gained increasing significance in business transactions over the years ...



Lock the people and unlock the economy, time to go digital Firstly, they forced us to stay inside home, and now forcing everyone to step out of house and bring back normalcy. The Government could have done better, with the resources it has at its realm. On January 30, India announced it’s the first case of COVID-19 when a student from Wuhan returned to his native in Kerala. It took a while for the Government to realise that India could be the next ...

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Greenvissage is a consulting firm with the passion and expertise in helping companies setup in India and in managing their finances, accounts, payroll, taxes and compliances. Greenvissage serves clients from over 12 countries and wades them through hundreds of statutory and internal target lines every year.

PUNE

106, Mayfair Tower I,
Next to BMW Showroom,
Wakdewadi, Pune – 411005, India

[Google Maps](#)

7, Kunal Puram Commercial Complex,
Opp Atlas Copco, Old Mumbai – Pune Highway,
Dapodi, Pune – 411012, India

[Google Maps](#)

MUMBAI

236, 2nd Floor, Satra Plaza,
Sector 19D, Vashi,
Navi Mumbai – 400703, India

[Google Maps](#)

Call: +91 20 6764 0900 | Email: info@greenvissage.com



If you have any queries, please write to us at info@greenvissage.com

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