EVERYTHING THAT CONCERNS YOUR MONEY

THE GREEN DIGEST

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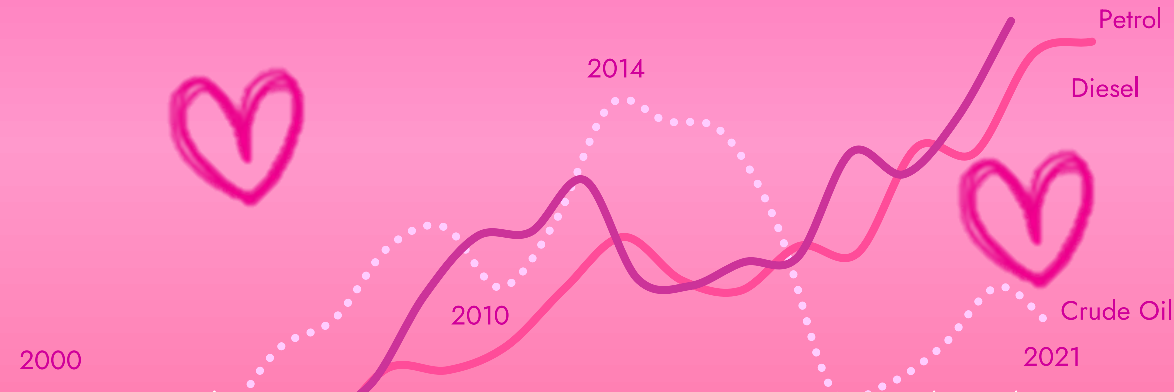

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Accountability – How Governments make and break 'pinky promises', while citizens pay interest and penalty!

Memory is important – whether it's your laptop, mobile or yourself, especially the last one, because you can easily buy and upgrade the other two. Voters have a fickle memory and governments benefit the most from it. Old memories get erased slowly and steadily as and when new incidents happen in life – it's a natural process, as memories do need some space. However, when your life is being crowded with new unimportant incidents, the old memories get wiped off quicker and easier – this process is called 'Brainwashing'.

Political parties around the world have become accustomed to using such practices, benefitting from fickle memories of the voters. They make promises that you might believe in, however, there's no legal arrangement for its enforcement. You bring people to power and suddenly, all pinky promises turn childish. "How I wish, the same applied for taxes as well" – Promise to pay taxes in the financial year and just forget them in the assessment year. However, that doesn't happen to us – 'the commoners', we are liable to pay interests, penalties and even charged with civil and at times, criminal charges. While the Governments are free to make and break promises because it's democracy (or maybe it's not).

In 2013-14, the sitting Government (then the opposition party) had run 'Jail Bharo' (Voluntary detention), Bharat Bandh (Nationwide strike) and many other campaigns against the rising fuel prices. The issue became the central point of political turnaround. The price of crude oil at that point of time was approximately USD 100 per barrel and above, while the prices of petrol and diesel were subsidised and available to the citizens at INR 71 per litre and INR 52 per litre respectively. However, today the prices of petrol and diesel are approximately INR 95 per litre and INR 80 per litre, while crude oil is available at USD 62 per barrel. Now, there hasn't been any deflection in the inflation, exchange rates, imports or other economic factors, however, the ratio of crude oil to petrol and diesel has become inverse. So what really changed? Taxes.

Situation prior to 2014

A growing economy needs fuel to run the industry and thereby the economy and thus, fuel was one of the most important factors. Thus, the Governments subsidized petroleum products and fuels such as petrol, diesel, kerosene and cooking gas. However, crude oil became expensive year by year. Thus, the subsidies resulted in a huge burden for the Governments and thereby the Government proposed decontrolling the prices of petrol in 2010. Although, the decision to deregulate petroleum products and their price in phases was already taken in 2002, to allow the prices to align with market prices, however, two Governments passed by and nobody did anything – better to lose public money, than the public vote. Petrol prices finally got deregulated in June 2010.

Deregulation meant the prices were no longer controlled by the Government. Thus, the market participants i.e. the oil marketing companies such as Hindustan Petroleum (HPCL), Bharat Petroleum (BPCL) and others would decide the price of petrol and diesel based on the market situations. Now, the prices of crude oil kept on climbing and during the period between 2011 to 2013, immediately after deregulation, the crude oil price stayed at USD 100 per barrel. Thus, the petrol prices increased as a result of a dual blow by deregulation of prices and rising crude oil prices.

Interestingly, the opposition parties (now the Government) blamed the Government in 2013 for poor economics and lack of ability to provide subsidy due to the same. Let's bookmark this as point A.

Situation after 2014

Prices of crude oil decline steeply after 2014. From USD 100 per barrel in 2014, the crude oil prices reached USD 29 per barrel in 2015 and stayed approximately USD 50 – 60 per barrel since then. The fall in the prices was majorly due to the increase in oil production by the United States, the changes in OPEC regulations and a few other reasons. Meanwhile, the new Government also deregulated the prices of diesel. Thus, petrol and diesel prices were both influenced by the market, said books and theories.

In real life, petrol and diesel prices continued to be regulated by the new Government by changing excise duty rates. Crude oil prices decreased, however, petrol and diesel prices didn't fall in tandem, in fact, the prices even increased during the said period, thanks to the excise duty rates.

Now, you might be wondering how much can the taxes affect the prices? Let's put some numbers into this discussion. During the period 2004-05 to 2014-15, the Government provided a subsidy of approximately INR 8,88,000 crore. However, during the period from 2014-15 to 2018-19, the Government collected excise duty (net of subsidy given on petrol) of approximately INR 9,79,500 crore. From providing a subsidy of 8.88 lakh crore in 10 years, the Government went to collecting 9.79 lakh crore taxes in merely 5 years. Do you now understand the sheer change in the dynamics?

When questioned about the increasing prices of fuels even when the crude oil prices were falling, the Government explained that it wants to maintain the prices of fuels by collecting taxes now to create a reserve for providing subsidy when the prices of crude oil increase. Let's bookmark this as point B.

The recent rise in fuel prices

India still imports 83% of its fuel requirement as per 2018-19 figures, which it had planned to reduce to 67% by 2022 from 77% in 2014. The expectation doesn't seem to be achievable as domestic production of oil hasn't picked up. However, that's not the concern

However, that's not the concern here as the crude oil prices have reduced from the highs of 2013. After the pandemic, crude oil prices even turned negative when the United States West Texas Intermediate (US WTI) fell from USD 17.85 per barrel to USD (37.63) per barrel on April 20, a 300% drop in a day. The OPEC+ also decided to cut its output by 10 million barrels a day to stabilise the prices. Since then, the prices have increased steadily over the year as the lockdowns were opened and have reached USD 60 per barrel level. This has been possible because the OPEC countries whose economy heavily relies on oil sales have been controlling the supply of oil, in a bid to increase the global prices. This is one reason why prices of petroleum products have increased over the year, as also quoted by the Government, apart from blaming the past Governments.

However, it is now important to put into perspective the aforesaid claim along with Point A and Point B that we bookmarked earlier. Firstly, if the heavy excise duty collections made during the past years to ensure a reserve surplus for future subsidies, where are the subsidies now when the country needs to control the fuel prices? Secondly, if the subsidies are not available, should we conclude that this is a result of failed economics by the current Government as claimed by the same political corners in 2014?

Excise duty and Aatmanirbhar Bharat package

When the Government announced the Aatmanirbhar Bharat package – the COVID-19 relief package, the economists were confused about where the amount required for this purpose would be generated. Of course, the Government was heavily borrowing, however, with the fall in crude oil prices, the Government saw an opportunity. While the general public was celebrating and lauding the move that Government is standing with them, little did they know that the Government had also increased the excise duty on petrol and diesel by a record INR 10 per litre on petrol and INR 13 per litre on diesel, to ensure a collection of INR 1,60,000 crore. Wow! And when Central Government can do it, why would cash-crunched State Government stay behind? So, the State Governments also increased their respective VAT rates on petrol and diesel to increase their revenue. Thus, together the Governments themselves accounted for 55-60% of the total retail price of petrol and diesel and all those pinky promises made before elections were sent to recycle bin.

You may feel that given the desperate COVID-19 situation, needed some desperate measures such as opening alcohol shops for increasing State VAT collections and similarly, increasing excise duty on petrol and diesel. However, this is not the first time this has happened. Rather this is only greed that has resulted out of long series of hikes in excise duty followed by state VAT rates. The excise duty on petrol was INR 9.48 per litre in 2014, and that on diesel was INR 3.56 per litre. When the global crude oil prices were falling, the excise duty on petrol and diesel was hiked 9 times in two years, without passing on benefits of lower price to the consumers. Excise duty was increased by INR 11.77 per litre on petrol and INR 13.47 per litre on diesel during those 15 months, increasing the excise duty collection on petroleum products from INR 99,000 crore in 2014-15 to INR 2,42,000 in 2016-17.

Barring the small changes in between, in March 2020, once again the Government hiked excise duty on petrol and diesel by INR 3 per litre. In May 2020, the prices of crude oil went further lower and Government grabbed the opportunity by further hiking excise duty on petrol and diesel by INR 10 per litre and INR 13 per litre respectively. Thus, the excise duty on petrol which was INR 9.48 per litre in 2014, is now INR 32.98 per litre in 2021, while the same on diesel was INR 3.56 per litre is now INR 31.80 per litre. Of course, the State Governments have followed the lead and together have stayed quiet on the topic.

Why worry about a few rupees hikes?

Barring the lower income group, everybody can afford a few rupees hike, why so much noise for so little? Well, yes, we can afford a little hike in petrol and diesel prices, however, what if the prices of all your products and services is hiked by the same amount? That will hurt you a little. And it has because there's no product or service which can be produced, supplied or rendered without the aid of transportation or use of fuel. However, that's still a smaller point in the whole context.

When prices of petroleum products are increased, a ripple effect happens on the cost of all products and services. While for retail consumers this increases their expenses, for businesses this makes their products and services globally less competitive. How will we compete with global producers when our prices cannot beat the competitors' bids? Long term global contracts are hurt by such price increments and the opportunities built are sometimes lost forever. To build our exports and forex reserves our products and services must retain effective pricing in the global market. However, with an increase in fuel prices, this competitive edge is lost. In a world where we are trying to position ourselves amongst the powerful nations, losing a simple competitive edge can have a long term and far-reaching impact.

Conclusion

There are a few important points to be noted out of this whole discussion. Firstly, it's wrong to say, that the prices of petrol and diesel are deregulated – the Government still controls the prices indirectly by fluctuating the excise duty rates. Secondly, petrol and diesel price hikes are more because of the Government's tax collection policy and not the global crude oil prices alone. The Government wants taxes to be collected more easily and petrol & diesel are just dream products. Thirdly, pinky promises made by the Governments should not be believed in. They firstly protest against FDI, against privatisation, against tax policies for the rich few, and petrol-diesel price hikes, then they blame each other and at the end of the day, end up doing the same thing which a few days ago they despised. And lastly and most important – continue paying all kinds of taxes and duties, in full, and within time limits; because you are not a Government, you will have to pay interest and penalties if you fail to keep your promise.

(This article was contributed by the editorial team.)

69% India levies highest taxes on petrol & diesel

Italy	64%	Spain	53%
France	63%	Japan	47%
Germany	63%	Canada	33%
UK	62%	US	19%

Source: Business Today

TOP INDIAN BUSINESSWOMEN


AZB & PARTNERS


BIOCON


APOLLO


HDFC


CIPLA


SALESFORCE


INDIA TODAY


CRISIL


HCL


MULTIPLES


STANDARD CHARTERED


TAFE


LUPIN


METROPOLIS


NYKAA


BANK OF AMERICA


ACCENTURE


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Hindu Undivided Family (HUF) – A uniquely Indian concept and tax savings

By Amit Chandak, Associate Director, Greenvissage

India is diverse and unique in many ways. Many of the economic theories and business models fail to hold in India owing to the unique nature of the economy, the country and the citizens. India is deeply influenced by and believes in its traditions passed on from generations to generations. These traditions are not merely restricted to the family rituals, celebrations or occasions, but also the businesses in India. Like traditions, most middle and upper-class families pass on a business legacy to their children who carry on the venture ahead. Even today, many of the corporates in India are held and controlled by business families. Thus, the laws in India are also uniquely designed to cater to the same. One such unique concept is Hindu Undivided Family (HUF).

Business entities have separate legal existence of which some emerge naturally i.e. humans while many emerge as a result of incorporation or by registration under any statue e.g. companies, partnerships, trusts, societies, etc. However, there is one entity type that has a separate existence, although not a human, and also does not emerge out of incorporation – Hindu Undivided Family (HUF). HUFs are a result of the custom or social practice of a particular community. In India, the law has never been aloof of the traditions pursued by the societies and thus, written laws always consider the practices and customs of the society and changes therein. Customary law is a branch that consists of customs that are accepted widely as legal requirements or rules of conduct. These customary laws later are so powerful that at some point in the timeline they acquire the force of law. HUF found its legal recognition in the late 19th century when the Income Tax Act in the pre-independence period gave it a status of a separate and distinct tax entity in 1922. The legal category has existed in our tax laws since then.

Hindu Undivided Family (HUF) is practically relevant for Indians. Most Indian families follow the practice of living today and also earning together through the common business source. Thus, the wealth accumulated as a result of the earnings does not belong singularly to any person, however, each family person has an equal right in it. However, the absence of any systematically written law on this topic has added to several confusions. Courts interpret prevailing social practices in the best possible way, however, the confusion remains and shall continue till a law is framed. Let us understand the various aspects of the Hindu Undivided Family (HUF) to the extent we know it, based on various juridical pronouncements.

Who can create a Hindu Undivided Family?

One person cannot form a HUF. A HUF is formed only by a family. People belonging to the Hindu, Buddhism, Jainism and Sikh community can form a Hindu Undivided Family.

How is a Hindu Undivided Family created?

A HUF is automatically created at the time of marriage. A Hindu male along with his wife and children automatically constitute a HUF. HUF is a creation of Hindu Law. It cannot be created by action or registration except for marriage and adoption. An undivided family is a normal condition of the Hindu society which is ordinarily joint not merely in the estate but also in food and worship. Thus, the concept of joint family is a result of birth, and possession of the joint property is not necessary for its constitution.

The definition of HUF remains the same as in Hindu law, which defined Hindu Undivided Family (HUF) as consisting of all persons lineally descended from a common ancestor and includes their wives and unmarried daughters. The common ancestor is a must. The HUF is fluctuating and its size increases with the birth of a member in the family and decreases on the death of a member.

What can become the property of HUF?

Property in the hands of a HUF can emerge in the following ways:

1. Ancestral property i.e. property inherited by a Hindu from paternal ancestors. Any property inherited from the maternal ancestor cannot be regarded as ancestral since one can not acquire the interest in it by birth.
2. Joint property acquired by members of the family earned by joint labour, however, mere acquisition in the name of all family members does not constitute family property.
3. Property is thrown in common stock by way of gift by any member or others
4. Any property acquired with the above joint funds

Who is Karta of the family?

The head of the family is called Karta. The senior-most male member of the family automatically becomes the Karta. Karta has the right to manage the HUF property. A junior male member of the family can become the Karta if all co-parceners agree to the same. In simple words, Karta is the manager of a joint family and joint family properties. He takes care of day to day expenses of the family, looks after the family and protects the joint family properties. The relationship between Karta and members is neither of principal or agent nor like partners in a partnership firm. Further, he is neither a trustee and cannot be questioned about spending, unless charges of misappropriation are filed and proved by any co-parcener.

What are the rights of a Karta?

1. absolute management powers to manage the family assets for the benefit of the family
2. collect all income from its members, earned by

the HUF through the HUF property, as the same belongs to the HUF

3. right to represent the family in all matters whether legal, social or religious
4. enter into any transaction on behalf of the family and his acts are binding on the family
5. compromise any dispute against the family
6. acknowledge debt and to contract debt
7. enter into contracts on behalf of the family

What are the duties of a Karta?

1. maintain members of the family by providing necessary resources to live
2. render accounts of the property at the time of partition
3. recover advances made on behalf of the family
4. liability to spend reasonably
5. liability to not start any new business without consent of adult co-parceners

Who are Co-parceners and what are their rights?

Family members whether male or female who take birth in the family are co-parceners of the family. E.g. in the case of a HUF consisting of a Husband, wife, daughter and son, the Husband would become Karta while the daughter and son would become the co-parcener. All lineal descendants up to four generations from the common male ancestor become co-parcener by birth. The wife is only a member of the family and does not become a co-parcener in her husband's HUF, however, would remain a co-parcener in her father's HUF, even after marriage. Karta of the family is a co-parcener by default. Only co-parceners have the right to demand partition of the HUF. Members cannot demand the partition of HUF or claim in the property. They can claim their right to receive a share from the HUF property only through the coparceners.

What are the benefits of forming HUF?

The major advantage of creating a separate Hindu Undivided Family (HUF) entity is an extra PAN and splitting of the family income. This results in tax savings and reduces the tax outgo, without breaching any law. Besides, a HUF being a separate entity can avail loans on its own, invest in equity and even apply for an IPO, invest in life insurance and other investment tools except for small savings schemes such as provident fund and other post office schemes.

What are the drawbacks of forming a HUF?

One of the greatest disadvantages of forming a HUF is that all members have equal rights on the property and the common property cannot be sold without the consent of all the members. Thus, the income you earn through the HUF property remains with the HUF and all family members have an equal share in the property and can demand a partition.

The number of family members increase and decrease with birth and deaths respectively. Sometimes, a HUF can become large and difficult to maintain the same. Family issues and divorce cases can lead to legal troubles and parting away a share in the HUF property. Besides, a HUF cannot be closed like a company or other incorporated bodies by filing forms. A partition of the family estate amongst its members by complete dissolution of the assets is the only way to close a HUF.

Can a Husband and wife constitute a Hindu Undivided Family?

Yes and no. It has been held in the case of *Gowli Buddanna versus CIT* that to constitute a joint Hindu family, it is not necessary to have more than one coparcener in the family. A husband and wife can validly constitute a Hindu undivided family.

However, under income tax laws, an entity to be taxed as a HUF should have at least two co-parceners. For instance, if HUF consists of only the husband and wife, then there is only one coparcener. So it will not be taxed in the hands of HUF, instead of in the hands of the individual. The only exception to the above is in the case where the funds are received on the partition of a larger HUF.

Thus, a HUF can be formed by a husband (co-parcener) and wife (member), however, it can earn income separately for tax purposes only when there are two co-parceners i.e. when a child, whether male or female, becomes part of the family.

Can a woman become Karta of a HUF?

Yes, a woman can become the Karta of a HUF, if all co-parceners agree to do so. The Supreme Court in case of *Sujata Sharma versus Manu Gupta* had ruled in 2016 in this regard. The senior-most male member of the family automatically becomes the Karta of the HUF, and on his death, the next senior-most male member. However, if all co-parceners expressly agree to make a particular co-parcener whether male or female to act as co-parcener, the same is also acceptable. It is advised that in such cases, an agreement or declaration on this behalf in writing be executed and registered. It is important to note that only females in the family who are co-parceners can become Karta. Therefore, a wife cannot become Karta of her Husband's HUF, however, she can become a co-parcener in her father's HUF. All daughters have the right to become Karta in the HUF of their father, however, the same must be expressly agreed by all co-parceners.

Should a HUF be a resident of India?

HUF can be formed only by Indian Hindus. However, the HUF does not need to remain a resident of India. In case the control and management of the HUF are situated outside India, the HUF would be a non-resident. In simple words, if the Karta is resident in India (living in India for 182 days or more during the year) and managing the joint property from India then the HUF is also Resident, otherwise, if the affairs of the HUF are managed by the Karta from outside India, the HUF would be a non-resident. The taxation of HUF is similar to the taxation of individuals.

Can members of the HUF (in personal income tax returns) and the HUF separately claim deductions under Section 80C?

Yes, the HUF being a separate taxable assessee, can claim a deduction under section 80C separately from its members. However, it is important to note that the member and the HUF cannot claim a deduction in respect of the same investment made or expense incurred in both returns.

Can a person who is member of his father's HUF, forming his own HUF consisting of his wife and children separately?

Yes, under Hindu law, there can be a HUF within a HUF. Therefore, a son can have his own smaller HUF while he continues to be co-parcener of his father's HUF. In his father's HUF, he is a coparcener, however, in his own HUF, he will be a Karta.

What if a property is received by a male member from the partition of his father's HUF, after his marriage but before a child is born?

There is no clear law or judicial pronouncement in this matter. One view is that such property is an ancestral and joint property of the son's HUF, the other view is that since a second co-parcener is not yet born, the HUF cannot acquire ancestral property and the same must be taxed in the hands of the individual.

Can HUF receive gifts from anybody?

Yes, where a gift by a person with the intention that the money should be used for the benefit of the family, the same shall constitute HUF property. Such a gift can be received from anybody. There is no restriction for a HUF to accept gifts from any source. However, the intention of the donor should be clear and the gift should be genuine. The donee shall have to prove the identity and capacity of the donor as well as the genuineness of the gift. Friendship, relationship, closeness need to be established. However, gifts received from relatives shall not be taxable while gifts received from other people would be taxable under income tax, similar to the way the same is taxed in the case of individuals.

Is it necessary for the HUF to have ancestral property before receiving any income or gift from co-parceners?

No, the HUF does not need to have ancestral property, as the key essence is a common ancestor. A HUF can start empty-handed and earn income.

What is concept of Sole Surviving Coparcener?

When a family is reduced to only one coparcener, such coparcener is called the Sole Surviving Coparcener. For purposes of tax assessment, the sole surviving coparcener is assessed in the status of a HUF, and his powers are wide and unrestricted and similar to an individual. He can alienate the property in whatever manner he likes.

Can partitions be conducted orally?

Yes, no law mandates partitions to be written or registered. It is not necessary to effect partition by a written deed. It can be effected orally and be acted upon. Even a partition of immovable property can be by an oral agreement. However, for taxation and as for legal prudence, it is recommended that the partition is in writing.

Income	HUFs
Up to INR 5 lakh	9,47,386
INR 5 lakh – 10 lakh	1,23,532
INR 10 lakh – 20 lakh	37,111
INR 20 lakh – 50 lakh	9,792
INR 50 lakh – 1 crore	1,668
INR 1 crore and above	882

INR 4,40,76,40,00,000

Estimated annual income of Hindu Undivided Families (HUF) amongst 11,20,371 HUFs

Government Policies

- The government has liberalised the mapping policy whereby acquisition and production of geospatial maps and services including surveying and mapping by Indian private firms shall be allowed without any prior approval. Indian firms can now acquire, collect, generate, disseminate, store, share, distribute and create geospatial data including maps within the Indian territory, including underwater by using geospatial technologies. The spatial accuracy shall be restricted to 1 metre for horizontal or planimetry and 3 metres for vertical or elevation while and sensitive and restricted areas will be regulated, to ensure privacy and safety.

- The government has announced new rules for Over the Top (OTT) platforms to maintain the sovereignty and integrity of India'. The rules mandate the OTT for self-classification of content 13+, 16+ and A categories and a mechanism of parental lock be present.

- The government has announced new rules for social media portals which include 1) Social media companies to appoint a grievance officer 2) platform to make provision for voluntary verification of users 3) platforms to disclose the originator of mischief on request of the court or the Government 5) content involving nudity, morphed pictures of women to be removed in 24 hours.

- India's upcoming Foreign Trade Policy may have a separate chapter dealing with e-commerce to help small manufacturers become exporters. The Foreign Trade Policy 2021, being formulated, is expected to come into effect on 1 April. Suggestions have been made to the Directorate General of Foreign Trade (DGFT) to digitise and ease compliance burdens for micro, small and medium enterprises (MSMEs).

- The Fifteenth Finance Commission headed by N K Singh has suggested the merger of the 12 per cent and 18 per cent slabs under the Goods and Services Tax (GST) into one standard rate. The recommendations further include rationalising GST rates into a three-rate structure where the aforesaid standard rate shall be complemented by a 5 per cent merit rate and 28-30 per cent demerit rate. The long-standing demand from economists has found a way through the commission's report. GST council shall be discussing these points in its next council meeting.

Goods and Services Tax

- The government has extended the due date for furnishing GSTR-9 and GSTR-9C for the financial year 2019-20 to March 31, 2021, from the earlier extended due date of February 28, 2021. GSTR 9 is an annual return to be filed yearly by taxpayers consisting of details regarding the outward and inward supplies made or received during the year. GSTR-9C is a reconciliation statement between GSTR-9 and the audited financial statements.

- An advisory issued on Reconciliation statement Form GSTR-9C has clarified that the tax amount for tax rates 1%, 1.5% and 7.5% in section III (table 9 and table 11) and section V can be made in under label 'Others' of the said tables, wherever applicable. GSTR-9C requires the tax rate wise declaration of transactions for the concerned financial year.

- An advisory issued on Reconciliation statement

Form GSTR-9C has clarified that the tax amount for tax rates 1%, 1.5% and 7.5% in section III (table 9 and table 11) and section V can be made in under label 'Others' of the said tables, wherever applicable. GSTR-9C requires the tax rate wise declaration of transactions for the concerned financial year.

- The Central Board of Indirect Taxes and Customs (CBIC) has extended the time limit for sanction of refund in pending integrated goods and service tax (IGST) cases where records have not been transmitted on the portal due to mismatch in outward supplies returns and input tax credit.
- Thousands of GST non-filers i.e. taxpayers who have not filed their returns have been issued an auto-generated letter from the GST department, seeking filing of returns or to face the prospect of best judgement assessment by the tax department.
- The National Informatics Centre (NIC) has issued a list of 73,308 GSTINs as on January 27, 2021, to whom e-invoicing has been made mandatory and who to upload the invoice details and register supply transaction on the Government Invoice Registration Portal.

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

Income Tax

- As per latest Supreme Court ruling, payments made to non-residents for software purchase cannot be taxed as royalty. Liability of foreign software seller without a permanent establishment in India is limited to the 2% equalisation levy, as against the 10% royalty tax, which the Indian buyer is liable to withhold.
- Government has clarified that transactions involving royalty or technical services fee would be taxable under income tax and not be liable for equalisation levy paid by foreign companies for conducting business with Indian parties. The Budget had clarified that transactions taxable under income tax are not liable for equalisation levy, on account of rising concerns on the interpretation of the equalisation levy provisions.
- Central Board of Direct Taxes (CBDT) chairman Pramod Chandra Mody, has clarified that the Budget provision which makes interest on employee contributions exceeding INR 2.5 lakh per year to the Employees' Provident Fund (EPF) taxable shall also be applicable to all Government Employees covered by the General Provident Fund (GPF).
- The Dispute Resolution Committee (DRC) proposed to be set up, as per the Budget announcement, will have multiple benches to give opportunity to small taxpayers to settle tax matters without going through the appellate process.
- The government has extended the due date for availing of the Direct Tax Vivaad Se Vishwas Dispute Resolution Scheme to March 31, from February 28. This is the fifth time the date has been extended.

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

Corporate Laws

- The Ministry of Corporate Affairs (MCA) has signed a Memorandum of Understanding (MoU) with Central Board of Indirect Taxes and Customs (CBIC) to facilitate sharing of data and information on an automatic and regular basis. These databases mainly comprise details of import-export transactions and financial statements of companies registered.

- Owing to revision in the definition of small companies under the Companies Act, 2013 whereby the threshold for paid-up capital has been increased from INR 50 lakh to INR 2 crore and for turnover from INR 2 crore to INR 20 crore, effective FY 2021-22, small companies won't have to prepare cash flow statements and have to provide only the aggregate amount of directors' remuneration in their annual return.

- The Ministry of Corporate Affairs (MCA) has announced that it will launch the data analytics-driven MCA21 Version 3.0 which will have modules for e-Adjudication, e-Consultation and compliance management.

- The Securities and Exchange Board of India (SEBI) has proposed to introduce dual-approval system for the appointment and removal of independent directors which requires majority of all shareholders as well as the majority of minority shareholders, other than the promoter and promoter group. Dual-voting structure has been adopted in countries such as the UK for premium listed companies.

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

Customs and Foreign Trade

- The Union Cabinet has approved the signing of the Comprehensive Economic Co-operation and Partnership Agreement (CECPA) between India and Mauritius whereby the countries will enter into free trade pact for more than 300 items including food stuff and beverages, agricultural products, textile and textile articles, base metals and articles, electricals and electronic items, plastics and chemicals, wood and articles thereof and several others.

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

Banking and Finance

- Reserve Bank of India (RBI) Governor Shashikanta Das clarified that the 'bad bank' proposed in the Union Budget will not affect the existing Asset Reconstruction Companies (ARCs). The central bank in the process of upgrading their regulatory structure and the bad bank will help to mobilize the bad assets with the Public Sector Banks.

- Increase in extreme weather events such as floods, droughts and cyclones over the recent years has increased the risk of bad debts with the India's banking institutions worth more than INR 6.19 trillion (or USD 84 billion), according to leading Non-profit Environmental Disclosure platform CDP.

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

Accounting and Auditing

In Focus: IndAS 10

- *What is the date of approval for issue of the financial statements prepared for a reporting period amongst date of preparation of financial statements, date of board review and approval, date on which financial statements are made available to shareholders, date of Annual General Meeting and date of filing the statements with regulatory authority?* As per IndAS 10 'Events occurring after Reporting date', the date of approval for issue of financial statements is the date on which the financial statements are approved by the Board of Directors in case of a company. In the case of an entity other than a company, the date of approval will be the date when the relevant approving authority of such entity approves the financial statements for issue. For example, in case of a partnership firm, the date when the partners approve the financial statements.

- *If financial statements are re-opened after approval of Board of Directors owing to any major fraud or other reasons, what would be the date of approval of financial statements?* Date of approval is the date on which the financial statements are approved by the Board of Directors in case of a company, and by the corresponding approving authority in case of any other entity for issue. However, if the financial statements are re-opened, there would be two dates on which the statements are approved. For the purpose of IndAS, the date on which financial statements are finally approved shall be considered as date of approval of financial statements.

- *If a tax notice is received during the period between after the reporting date and before approval of financial statements, will it be considered as an adjusting event?* Events after the reporting period are events, whether favourable or unfavourable, that occur between the end of the reporting period and the date when the financial statements are approved by the directors in case of a company. Two types of events can be identified: (a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events); and (b) those which are indicative of conditions that arose after the reporting period (non-adjusting events). If demand notice pertains to reporting period, where tax has been paid at lower rates, in respect of transactions already occurred during the said reporting period, the conditions for tax demand notice exist as on the reporting date, and receipt of notice later before approval confirms the same. Thus, it is an adjusting event for which the company must make a best estimate and record an expenditure or liability to be incurred.

- *Are there any exceptions to the principle that adjusting events are those that provide evidence of conditions that existed at the end of the reporting period?* In accordance with change made in IndAS 1 to clarify that long term loan arrangement need not be classified as current on account of breach of a material provision, for which the lender has agreed to waive before the approval of financial statements for issue, an exception has been provided to the adjusting events in IndAS 10. As per the exception, in case of breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, if the lender, before the approval of the financial statements for issue, agrees to waive the breach, it shall be considered as an adjusting event.

- *What is the treatment of Proposed Dividend under IndAS 10?* If dividends are declared after the reporting period but before the financial statements are approved for issue, the dividends are not recognized as a liability at the end of the reporting period because no obligation exists for that liability as at the end of the reporting period. Such dividends are disclosed in the notes in accordance with Ind AS 1, Presentation of Financial Statements. Further, an entity's past practice of paying dividends does not give rise to a liability to pay dividends.

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

Payroll and Personal Savings

- Twelfth issue of sovereign gold bonds priced at INR 4,662 per gram has been opened for subscription. Gold bonds are issued by the Reserve Bank of India (RBI) on behalf of the government. The benefit of investing in these bonds is the potential appreciation in gold prices, apart from a fixed interest of 2.5% per annum. Gold bonds have a maturity period of eight years and if held till maturity, the capital gains on the same is exempt.

(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 (%)	Dec-20	0.40	– 7.30
Inflation (%)	Jan-21	4.06	4.59
Unemployment (%)	Jan-21	6.50	9.10
Trade Balance ($m)	Feb-21	– 12880	–14540
GOI Bond 10yr (%)	Feb-21	6.24	5.95

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

Equity Index	Country	%
NIFTY 50	India	+ 2.35
BSE SENSEX	India	+ 1.64
INDIA VIX	India	– 4.47
NIFTY BANK	India	+ 2.90
DOW JONES	USA	+ 1.43
NASDAQ	USA	– 4.00
S&P 500	USA	– 0.26
FSTE 100	UK	+ 2.64
NIKKEI 225	Japan	+ 4.29
SHANGHAI COM	China	+ 2.14
MOEX	Russia	+ 1.31
CAC 40	France	+ 3.95
DAX	Germany	+ 0.14
ASX 200	Australia	+ 0.78
BOVESPA	Brazil	– 8.48
FTSE STI	Singapore	+ 2.49
KOSPI	South Korea	– 0.15
HANG SENG	Hong Kong	+ 2.63

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

Commodity	Expiry	Price	%
Gold	05-Apr	44,905	– 8.55
Silver	05-May	67,945	– 2.61
Crude Oil	19-Mar	4,513	+ 18.08
Natural Gas	26-Mar	207	+ 8.09
Aluminum	31-Mar	176	+ 8.41
Copper	31-Mar	701	+ 17.63
Cotton	31-Mar	22,170	+ 5.87

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

Currency Pair	Feb 28	Jan 31	%
INR/1 USD	73.04	72.95	– 0.12
INR/1 GBP	101.90	100.02	– 1.88
INR/1 EUR	88.80	88.30	– 0.56
INR/100 YEN	68.78	69.82	+ 1.49

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

Currency	Pair	Price	%
Bitcoin	BTC/USD	51,364.00	+ 49.63
Ethereum	ETH/USD	1,629.79	+ 19.44
Tether	USDT/USD	1.00	+ 0.02
XRP	XRP/USD	0.45	+ 34.92
Btc Cash	BCH/USD	540.02	+ 31.90

- Copper prices have reached multi-year highs, as globally economies are investing more in infrastructure while the copper ore reserves are depleting at a pretty rapid rate. Investment in non-conventional energy sources such as Solar panels, electric vehicles, etc. requires copper.

Corporate News

- **SBI Cards and Payment Services** has announced that it is now available on the Jio Pay service to perform their transactions on the platform through credit. Currently, only cards issued in Indian territory are enabled on the Jio Pay service.

- **TCS** has emerged as the leader in the Everest Group PEAK Matrix for Life and Annuities (L&A) Insurance Application and Digital Services, in an assessment of 21 global service providers.

- **Bajaj Electricals** has partnered with Mahindra Logistics for innovative Logistics optimisation and outsourcing arrangement. A complete redesign and outsourcing of Bajaj Electricals' entire logistics by Mahindra Logistics, with the objective of achieving enhanced service levels and a logistics cost saving of 25%.

- **PolicyBazaar** has executed a secondary sale of shares worth about UDD 45 million, with existing investors, including private equity firm True North and individual investors selling their stake in the company. The secondary sale of shares has valued the company at USD 2.4 billion with an IPO coming up this year.

- **Adani Enterprises** has joined the elite club of INR 1 trillion market cap after its shares climbed over 90% this year. The stock hit an all-time high of INR 915 a piece with a market cap of INR 1.01 trillion. Earlier, Adani Green Energy and Adani Ports and Special Economic Zone have reached this landmark.

- **SpiceJet** has announced partnership with WheelTug Plc for reserving 400 production slots for electric taxi system. The application of such a system helps an aircraft move forward or backward without powering its engines or using external tugs. The electric taxi system will help the budget carrier in saving fuel and reducing carbon emissions as well as noise levels.

- **Reliance Jio**, India's largest wireless operator, has emerged as the top bidder in the country's INR 77,000 crore 4G airwaves auction, buying INR 57,000 crore worth of airwaves. The Reliance group had earlier raised USD 27 billion from global investors, including Google and Facebook. Jio has acquired 488.35 megahertz of airwaves suitable for 5G technology, dwarfing its competitors Airtel and Vodafone, who have spent more conservatively.

- **Reliance Jio** has partnered with US-based short video platform Firework, to offer vertical video in 'stories' format to KaiOS users in India. KaiOS is an mobile operating system based on Linux for keypad feature phones.

- **Bharti Airtel** has launched Airtel Ads, an advertising platform which will enable brands of all sizes to curate consent-based and privacy safe campaigns. Airtel has over 320 million customers across its businesses – Mobile, DTH and Homes. Airtel Ads has already delivered successful campaigns for over 100 brands across multiple categories – FMCG, BFSI, and Digital Startups.

- **Infosys** has won a USD 500 million deal from Google to provide customer experience, business process requirement, and data management support for its product.

- The makers of **Oreo biscuits**, the US-based intercontinental brands, has approached the Delhi High Court, for trademark infringement by Parle Products, alleging that the design of Parle's Fabio biscuits is deceptively similar to Oreo. Parle had launched its Fabio biscuits in January 2020 while Intercontinental Great Brands LLC, had launched Oreo in India about a decade ago. There have been similar cases in the biscuit industry in the past.

- **Bank of Maharashtra** has been imposed a penalty of INR 2 crore for non-compliance with certain provisions of the directions of Reserve Bank of India (RBI).

- **Reliance Industries** is teaming up with Facebook Inc. and Google, as well as a homegrown technology service provider, Infibeam Avenues to apply for a license from the Reserve Bank of India (RBI) to seek a license to enter India's digital payments business.

- **Reliance Industries** has doubled its holding in US-based SkyTran Inc to 54.46% from 26.3% for USD 26.76 million. With road traffic worsening by the day, impacting the quality of life and economic development across the world, SkyTran's pods aim to help people move around seamlessly.

- **IRCTC** has partnered with AbhiBus Services, an online e-ticketing platform that aggregates 3000 private bus operators. IRCTC will get the bus inventory across 100,000 bus routes to allow customers with option to book tickets for buses.

- **Infosys** has announced that the company will add 500 jobs in Calgary, Canada, over the next three years, doubling its workforce in the country to 4,000 by 2023.

- **Bharat Biotech**'s Covaxin has depicted 81% effectiveness in protecting people from COVID-19 in an early analysis of phase 3 trial data. The first interim analysis of the vaccine, co-developed by the Indian Council of Medical Research, is based on 43 covid cases.

- **Essar Power** has announced its plans to foray into renewable energy by developing a 90 MW solar plant in Madhya Pradesh at an investment of Rs 300 crore. As per CEO Kush Singh, the entry into the renewable segment is part of a strategic decision to rebalance the power portfolio.

- **Bosch** has announced that it shall open a global smart campus in Bengaluru, at an investment of INR 800 crore. The company is accelerating its digital strategy for the India with a portfolio of smart solutions beyond mobility sector.

- **Aditya Birla Fashion** has announced a partnership with designer Tarun Tahiliani's retail contemporary ethnic wear for men. ABFRL will acquire a 33.5% stake in Goodview Properties to access Tahiliani's business for INR 67 crore.

- **Air India** profitable ground-handling unit will be separately sold while privatising the national carrier making progress, announced the Government. The Finance Ministry may soon issue a preliminary document for interested bidders for Air India Airport Services Ltd (AI APS). It provides ground-handling services such as handling ramps, passengers, baggage, cargo and cabin.

- **Adani Ports** and Special Economic Zone (APSEZ) has announced that the company is acquiring 31.5 per cent stake of Windy Lakeside Investment in the Gangavaram Port (GPL) for INR 1,954 crore, subject to regulatory approvals.

Key Government Policy Announcements Budget 2021 New 'Prime Minister Atma Nirbhar Swasth Bharat' scheme with an outlay of INR 64,180 crore over next six years to develop primary, secondary, and tertiary health care systems. Intensified strategy to improve nutritional outcomes across 112 aspirational districts under Mission Poshan 2.0. Jaljeevan mission for universal supply of water in 4,378 urban local bodies and 2.86 crore households, to be implemented...

Don't be shy to find your why. Dive deeper and discover reality. 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 graduating2020. It's okay if you didn't fetch good marks. I understand it was a challenging year with too many out of syllabus questions. Therefore, I am exempt you from everything this year, except for ...

Interesting facts about India's budget and its unique traditions There are various traditions attached to the presentation of annual budget ever since the Republic of India presented its first budget in 1950. Let's go through a few them here in this article. Budget is presented every year on February 1, 11:00 am. The entire process of presenting budget starts about five to seven months before the scheduled date to prepare the annual budget of Union Government...

Wallstreet vs Reddit: How some geeks brought barons to their knees It's not unknown to anyone that the gap between the commoners and the megacorps 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 ...

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