EVERYTHING THAT CONCERNS YOUR MONEY

THE GREEN DIGEST

Cryptocurrency Edition

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BITCOIN

NEW FINTECH ~~REVOLUTION~~

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Cryptocurrencies: New Fintech 'Resistance', not 'Revolution'. A long battle ahead before dawn of a new era!

Prologue

If the Indian Government were a parent, it would be the kind who would like to accompany you even on your honeymoon! For the past few years we have experienced how Government is trying to establish its control over various aspects of our life – Be it the internet, social media, news, finance, food, religion, art, gaming, entertainment and even opinions, earlier which was restricted to fewer aspects such as education, health, taxes and society.

The role of Governments is restricted to our public life, where it creates rules for public harmony and enforces them through its administrative machinery. However, the Governments around the world, and not just India alone, have taken the liberty to extend their control over personal aspects of life as well.

'Free world' is a concept left alone in books, as our life is increasingly controlled by the self-proclaimed 'higher authority' who decide the good and bad for our living, according to the secret society backing them and their agenda to stay in power.

While you may not have imagined the above conversation in the context of cryptocurrencies which is merely a financial instrument, the underlying and less-talked story of the emergence of the cryptocurrencies needs your attention today before we talk about the future aspects of this new development. Because cryptocurrencies are not a new 'fintech revolution' which aims to improve our living, instead they are a new 'fintech resistance' which aims to change our living radically!

The journey so far

(1) In 2008, when the world met eyes with reality, as the global financial crisis emerged, an anonymous person 'Satoshi Nakamoto' was developing a new 'peer to peer network' to create a system for electronic transactions without any third party involved – a system like earth, where trust is no longer required, as the network is capable of taking care of itself based on cryptography. And the result was 'Bitcoin'.

(2) Before development, Satoshi Nakamoto had registered the domain 'Bitcoin.org' and also uploaded a white paper 'Bitcoin: A Peer-to-Peer Electronic Cash System' to let people know about his views and research. The link to that paper is https://bitcoin.org/bitcoin.pdf. To date, we do not have any whereabouts of the person who developed bitcoin, and the name 'Satoshi Nakamoto' has only emerged from this paper, probably a pseudonym.

(3) In 2009, the source code of bitcoin was found hosted on Sourceforge. This meant the Bitcoin protocol and software were published openly and any developer around the world could review and make a modified version of the Bitcoin software. Based on the same, various developers started developing other cryptocurrencies, today referred to as 'Altcoins' (meaning, alternatives to bitcoins). There are more than 9,000 altcoins in the crypto market with variations of bitcoin technology, different features and alternate purposes.

(4) After mining bitcoin for the first time, a few early takers started sharing bitcoins amongst themselves, as a gesture. However, the first known real-world bitcoin transaction was an indirect payment for the purchase of Papa John's Pizzas. Laszlo Hanyecz, a Florida Programmer, offered 10,000 bitcoins to any volunteer who would pay for two large Papa John's pizzas worth USD 25. On May 22, 2010, the offer was accepted by a volunteer in England who paid to Papa John's and collected 10,000 bitcoins which were worth USD 0.0041 per bitcoin, at that time and made a profit of 16 dollars. The value of those 10,000 bitcoins was already equal to USD 10,000 when the bitcoin price equated to a dollar, nine months later. 11 years later, the two pizzas are worth USD 637,295,000 (approximately INR 4,780 crores) as of April 13, 2021, when bitcoin hit its highest ever price.

(5) In 2013, high demand in China increased the value of Bitcoin to more than USD 1,000 (from USD 13 at the beginning of that year), highlighting its high-risk volatility. Bitcoin was more prevalent in the Black Markets. In October 2013, the Federal Bureau of Investigation (FBI) shut down Silk Road, an online black marketing and darknet website for illegal drugs, guns and pornography, and seized 144,000 Bitcoins, the largest cryptocurrency seizure to date. These bitcoins were sold in a blind auction – an auction where bidders provide sealed bids and the asset is sold to the highest bidder.

(6) Also in 2013, the US Financial Crimes Enforcement Network (FinCEN) issued guidelines for 'Decentralized Virtual Currencies' classifying bitcoin miners as Money Service Businesses (MSBs), disregarding bitcoin as a currency, but allowing it to continue under the watch of Anti-money Laundering laws. Later that year, US authorities seized the accounts of Mt. Gox, the largest online Bitcoin exchange, for not registering under the new regulations. Later, in February 2014, Mt. Gox declared bankruptcy after 650,000 Bitcoins went missing, presumed to be stolen by hackers. Meanwhile, on May 15, 2013, People's Bank of China, the Central Bank, announced a prohibition for Chinese financial institutions from using bitcoins. The legal framework in developed nations started catching up with this new development.

(7) In 2017, China banned trading in bitcoin and a complete ban on bitcoin from February 2018. In the same period, China also approved the development of its Government-backed digital currency called as Digital Yuan. In April 2020 the Digital Yuan was available in four cities for testing and in 2021, after initial success, the testing has been expanded to six regions. The digital currency follows a two-tier system whereby the central bank distributes it to banks and then the banks to the customers either through bank accounts or exchange of coins or currency notes. To promote trials, the Chinese government distributed millions of dollars worth of digital yuan to people via lottery.

(8) In 2018, the Reserve Bank of India issued a circular banning the use of cryptocurrencies in India and directed all banks to suspend bank accounts of those dealing in cryptocurrencies. Earlier, in 2017, an Inter-Ministerial Committee (IMC) formed to study the virtual currencies reported the positive aspects of the blockchain technologies, however, the Government didn't accept the recommendations and proceeded with a ban. Later in 2019, another Government Committee suggested banning all private cryptocurrencies and award a jail term of up to 10 years and heavy penalties for anyone dealing. However, in March 2020 the Supreme Court stayed the ban and allowed cryptocurrencies.

(9) In 2019, the Intercontinental Exchange who owns the New York Stock Exchange (NYSE) began trading bitcoin futures on its new exchange called Bakkt. Bakkt provides a custody service to store bitcoin securely on behalf of institutional investors and thereafter offers futures on the bitcoin to traders who could bet prices of bitcoins. Meanwhile, Facebook announced that it is working on its own digital currency 'Libra' but a month later declared that it won't be launched until all regulatory approvals were received. Later in October, many associates of the Libra Association i.e. Paypal, eBay, Mastercard, Visa and others left the association. In 2020, Facebook rebranded Libra to Diem and Diem association has 27 member companies. Unlike Bitcoin, Diem is based on 'trust' derived from the money invested by the member companies. However, Facebook is circled by the US regulators and would find it difficult to launch its digital currency, any time soon.

(10) In January 2021, Russia allowed cryptocurrency trading, mining and investing, however, banned it from use for exchange or any goods or services. Russia had already declared any activities involving cryptocurrencies as criminal and placed them under the lens of anti-money laundering regulations. Russian banks were allowed to open up cryptocurrency exchanges under the supervision of the central bank — and issuing new digital currencies under the control of the central bank, instead of a complete ban on the cryptocurrency ecosystem.

(11) In February 2021 the Reserve Bank of India (RBI) Governor Shashikanta Das announced that the Indian Government is working on Central Bank Digital Currency (CBDC). CBDC is a digital currency similar to Digital Yuan and is expected to be similar to the Chinese currency. Later, Finance Minister, Nirmala Sitharaman said that the Government is not going to shut down all options for cryptocurrency and will take a ‘calibrated’ stance on the same and will allow a certain window for people to experiment on the blockchain, bitcoins or cryptocurrency.

(12) In March 2021, the Ministry of Corporate Affairs (MCA) issued a notification that the companies need to disclose the details in financial statements with effect from April 1, 2021, if a company has traded or invested in cryptocurrency or virtual currency during a financial year, and also disclose the amount of currency held as on the reporting date, and the deposits or advances in cryptocurrency.

(13) Presently, cryptocurrencies are legal in many countries and are being accepted by many corporates across the world, however, none of the countries has given it the status of legal tender. Cryptocurrencies are legal in the United States, European Union, Japan and South Korea while illegal in China and few others. Meanwhile, the prominent global companies who accept cryptocurrencies are Microsoft, Starbucks, Tesla, BMW, Square, JPMorgan, Goldman Sachs, Expedia, BurgerKing, PizzaHut, Paypal, etc.

Our Currency System

We live in a digital world today where although our money is physical i.e. coins and notes, we still use it digitally through bank accounts, debit cards, credit cards, wallets and online payment and transfer thereon. So what is so different about Cryptocurrencies? To understand this, we first need to understand the history of our currency system. In ancient times, people bartered goods and services and the quantity bartered would depend on the demand and supply, as rare things were more valuable than others. Over time, metals were discovered and they gained higher value, as their quantity was limited and thus, metals coins became the storage of value i.e. a medium of transacting. Later, as the world realised Gold and silver coins which were more rare and valuable became storage of value and continued to be a medium of transacting for a long time.

Commodity Currency

Gold coins had their limitations, as they couldn’t be carried and stored easily. Besides, with an increase in the value of gold, it became difficult to transact, as the coins weren’t divisible. These problems were resolved when printed currency notes were introduced which were to be exchanged against commodities, referred to as ‘Commodity Currency’. Gold became the defacto commodity owing to acceptance of its value. This is known as the ‘Gold standard’ where the value of the money is based on gold e.g. when first introduced in 1861, United States Government declared the value of one ounce of gold equivalent to USD 20.67. Thereby, the currency in circulation was equal to the gold reserves with the Government. Meanwhile, people were assured that the paper currency in their hand had value attached to it, as the currency note was a promissory note that its value could be redeemed against gold.

Fiat Currency

As the world developed, more gold reserves were found and mined, and with increased supply, the value of gold and the currency issued on the gold standard dropped. This made the value of currency notes unstable. When World War I broke out, the Governments needed more money for their military activities, however, the gold reserves weren't going to shoot up magically. To print more money, the Governments temporarily suspended the Gold standard and printed currency, as required.

With more money in circulation, the trust in the value of the currency was lost and thus, people realising the importance of gold started hoarding it. This resulted in lesser money in circulation, and economies moved towards deflation, as recessions emerged. In 1933, when the Great Depression reached its peak, the United States had to shut down all its banks, as its gold reserves were depleting with people heavily exchanging it for gold. With new rules in place, all gold with banks was turned to the Central Bank, and the general public was not allowed to exchange the currency for gold.

The United States, over years, created a huge reserve of gold and held the majority of the world's gold supply. Since US Dollars were issued against the same reserve, the trust increased and US Dollar became a standard, instead of gold. The rate of currencies of different countries was pegged against US Dollars instead of Gold and thus, the foreign exchange rates emerged. Thus, gold was the underlying asset for US Dollar and US Dollar became the underlying asset for their global currencies.

However, later when the United States prospered and imported in large paying in US Dollars, many countries became worried about huge reserves of US Dollars with them. Thus, they started redeeming the US dollar for Gold which depleted the United States's Gold reserves and in 1970, when the United States could no longer meet the growing obligation, it closed the conversion of US Dollars into Gold and ended the Gold Standard completely. The currency was now no longer backed by any underlying asset and such currency is known as 'Fiat Currency'.

The value of fiat currency which has no underlying asset is thus left to its demand and supply, which indirectly relies on the country's economic performance. If a country isn't performing, the demand for its currency would fall, as there is a lesser guarantee for the redemption of currency for some value, goods or services. This is the reason why, when the economy doesn't perform, INR/USD increases i.e. more INR is required for 1 USD than before, as INR is not as valuable as before. To ensure that the currency holds value, the Central Government control the interest rates, increase it if there is more supply of money (inflation) and decrease it if there is less supply of money (deflation), as lower interest rate would force people to invest instead of keeping it idle.

Crypto Currency

Necessity is the mother of invention. The fiat currency system has worked well for mankind for a long time now. The Central Banks have an ardent job of maintaining their value, however, the Governments enjoy controlling the currency. In 2008, when the world faced a financial crisis, the economies contracted and Governments lowered their interest rates to near-zero percentage and in some economies even opted for negative interest rates. However, when all still didn't go back to normalcy, Governments printed more money and circulated the same to boost domestic economies, however, the money in hands of the public was now of less value.

Governments have always controlled our money – if you are not a routine follower of the Central Bank's Monetary Policy and Guidance, this might be new to you, however, still the plain truth.

In 2008, amidst the global pandemic, Satoshi Nakamoto felt that 'the trust-based model' where a third party (the Central bank) is necessary to ensure that money is not being double-spent or in case of physical currency – counterfeit notes should be done away with. He provided a solution to the same in his paper where a peer to peer network system based on cryptography can self-authenticate the transactions without any central agency regulating it (and thus, not controlling it) – 'Bitcoin', the first cryptocurrency which later Satoshi Nakamoto first mined in 2009.

'Crypto' means secret or concealed. Cryptocurrency is a digital or rather a virtual currency secured by cryptography, a system that makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology – a distributed ledger enforced by a disparate network of computers. A defining feature of cryptocurrencies is that they are generally not issued by any central authority, rendering them theoretically immune to government interference or manipulation.

Over the past 13 years, Bitcoin has emerged through various bugs and fault, and the system has improved over the years. Money is no longer based on some storage of value or standard, its value fluctuates according to the demand and supply – cryptocurrency takes the same system into the virtual world, overcoming all fallacies of fiat currency as well as digital transactions. The idea of cryptocurrency is fascinating, as it finally does away with the central agency concept and the need to 'trust somebody' that the currency we hold has value and transactions occurring are real. However, even after 13 years, not there is still so much of uncertainty around Cryptocurerncy, have you wondered why?

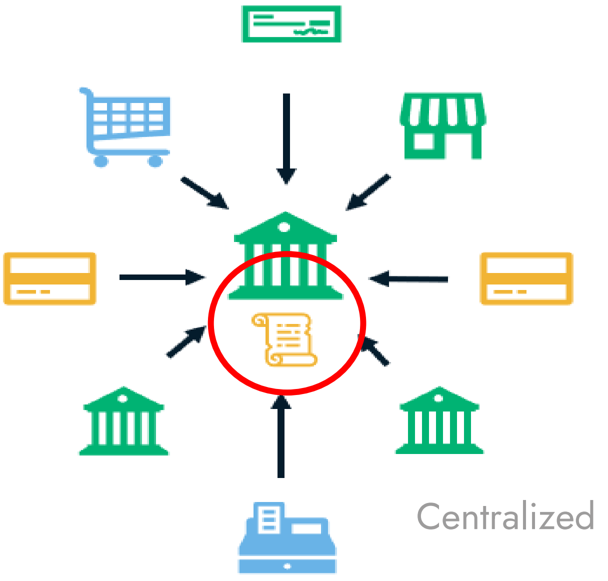
Are Cryptocurrencies robust?

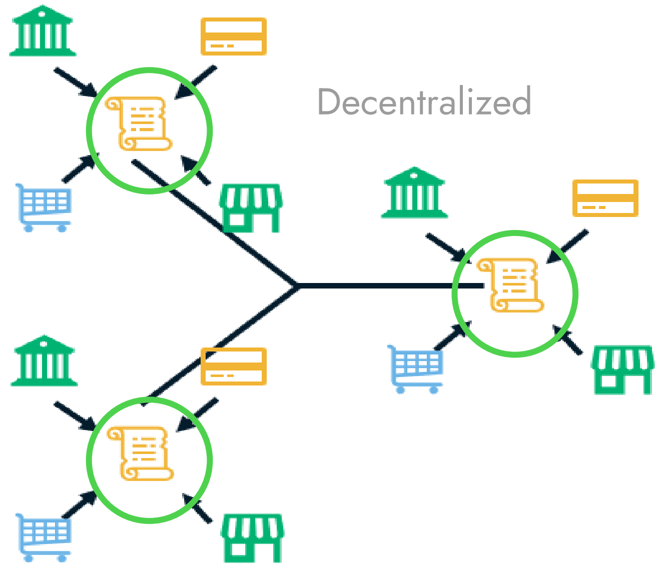
Cryptocurrency network has been considered robust, the reason why it has garnered support so far. To understand the same, let's understand how cryptocurrencies operate.

Blockchains concept

Cryptocurrencies work on blockchains – imagine a virtual chain of blocks placed one after the other, where the blocks represent the transactions. Blockchains maintain a ledger of transactions that cannot be seen by any human, but only the system knows it. Traditionally, all digital transactions have suffered from the dangers of hacking and online theft. To prevent the same, the blockchain uses Digital Signatures. A public key allows you to receive cryptocurrency, a private key which is an astronomically large number that allows you to send cryptocurrency. While a public key is generated from the private key, it's practically impossible to reverse-engineer and generate the private key from a public key. This makes the digital signing process robust.

When you own a cryptocurrency, in reality, you own the private key to it which allows you open and spend it. Your digital wallet contains the private keys to the





cryptocurrency blockchains. The blocks store the public key of the owner and only with its matching private key, the person can spend it i.e. transfer the ownership. The ownership can easily be verified when you provide the public key. When you spend cryptocurrency the network sends an encrypted message containing the public key of another person and signed with your private key, which is verified by the network system and stored as 'mempool'. The new mempool contains the public key of the new owner and can only be spent with matching private key.

Several transactions combined to form a new block. When the maximum capacity of the block is reached the block is processed and verified which is known as 'hashing' and when completed, a new block is added to the blockchain. Each block in the chain is also given an exact timestamp of when it was added to the blockchain. Thus, the blockchain contains details of all previous owners and are linked i.e. the private key signed while creating a new block should match with the public key in the previous block, and thus, a hacker cannot insert any blocks in between to gain ownership of the cryptocurrency. The only way a hacker can take away your cryptocurrencies is by gaining access to your private keys. Thus, the choice of a digital wallet is of prime importance while buying cryptocurrencies. These private keys can also be stored offline in hard disks or such storage devices.

Bitcoin Mining

The blockchain concept takes care of the system's integrity and the conduct of transactions. However, the blockchain being a computing concept would require someone to take care of it, or rather a large group of such someones. These participants are known as 'Miners'. The task of the miners is simple – they have to provide the cryptocurrency network with the infrastructure to perform transactions. If the miners are gone, you will still own the cryptocurrencies, however, cannot perform transactions. For the network to survive, it would require a certain number of miners in proportion to the transactions occurring which as a date is sufficiently available, thanks to the skilful contribution of China and other countries like Iceland, Georgia, Canada, United States, Russia, Venezuela, etc. However, the system is not dependent on any miner in particular and the miners can enter or exit the system any time they like.

Mining Process

The task of cryptocurrency miners is to be the auditors of the blockchain and verify the blocks being added to the blockchain. Each time a transaction occurs, the encrypted details are circulated in the entire network and stored on the 'nodes' i.e. the mining computers. When a block is completed, the hashing process begins and the miners get to work. The details of the blocks are converted into a hash by a mathematical function. The hash is always unique, of the same size irrespective of input and can never be reversed engineered to find the input. The task of the miners is to find the hash for the block and only when they find the accurate hash or the closest answer, the block is considered authenticated and verified and added to the blockchain. It's a game of permutations to 'guess' the closest answer to the 64-digit hash!

Imagine your friend, selects a number 25 from a choice between 1 to 100 and others have been asked to make the best guess. There are only 100 possibilities here and if three people guess 15, 21 and 26, the person guessing 21 wins as it is lower than the selected number and closest to it. However, guessing a 64-digit hash would require advanced computing devices which is essentially the infrastructure that the miners are providing the blockchain. The first miner to come up with a 64-digit hexadecimal number (hash) which is lesser or equal to the target hash, is a winner and automatically receives a reward or fee when they mine 1 megabyte worth of such transactions, for their work while helping the blockchain verify transactions. You can watch the movie 'The Imitation Game' to understand this concept, as the movie depicts Alan Turing, a British mathematician, who tries to decipher the encrypted messages during the World War and finds success in forming a device which considered as the beginning of the computing era.

Mining Reward

For mining one megabyte block, the miner earns is 6.25 bitcoins. These bitcoins are new bitcoins added to the global supply. This reward is reduced by half every 2,10,000 blocks or four years. When bitcoin was first mined in 2009, mining one block would give 50 bitcoins. In 2012, this was halved to 25 bitcoins, and 12.5 bitcoins in 2016. This process acts as adjustment of inflation as it happens with the fiat currency. To date, approximately 18.5 million bitcoins have been mined or 'minted' – as in Gold was mined and later fiat currencies were printed. There is no surety if all gold mines have been found, and no trust that the Government won't print additional currency, however, the bitcoin software contains a protocol to allow only 21 million bitcoins in supply – that's the cap. This means 88% is already mined and the balance will be mined over the years. While the milestone seems near, the reward is halved every 4 years, which makes it challenging and it is predicted that the last bitcoin will only be mined in 2140.

Transaction Fees

Apart from receiving new bitcoins as rewards, miners also receive the transaction fee attached to the bitcoin transactions. A person spending the bitcoin has to pay the Bitcoin network's miners a fee to get the transactions accepted. However, there's more to it. If you attach a higher fee to your transaction, the transaction will get be completed faster because miners have more incentive and encourage them. Senders who are in a hurry usually pay a surcharge to push their transaction in front of the queue while lower fees will generally take between 10 and 30 minutes. When all the bitcoins are mined, the transaction fee will continue to be an incentive.

Bitcoin Forks

Each time a transaction happens, the details travels through the network to all the nodes (i.e. the miners) who maintain their version of the blockchain and is updated when a new block is added. In simpler terms, these nodes are sync with each other, updating details as and when the processing is completed. Thereby, it is pertinent that sometimes there may be a conflict in the transaction chain based on different user opinions about transaction history. These are called 'Bitcoin Fork'. The splits create a new version of Bitcoin currency, and a natural phenomenon of the blockchain system, as it operates without a central authority.

The interesting thing about 'Bitcoin forks' i.e. glitch resolution and software upgrades, which although sounds technical is also the part of the network where bitcoin miners get a right to say. The bitcoin forks introduce changes to the cryptocurrency network, following a set of rules known as the 'Consensus Rules'. These consensus rules require 95% of the miners to upgrade the changes for being introduced – something which is written in core protocols of the cryptocurrency network. Thus, the miners have a special influence over how the cryptocurrency network operates and what changes can be brought while the users or owners of the cryptocurrency do not enjoy any such rights.

Why are Cryptocurrencies volatile?

Bitcoin, the most popular cryptocurrency, is not yet recognized as legal currency by any government. However, any person can buy, hold or sell and even trade cryptocurrencies, subject to rules and regulations in their countries. Buying cryptocurrencies is similar to buying stocks - Investors can purchase bitcoins through cryptocurrency exchanges and store them in their digital wallets like we store equity shares in Demat accounts. When bitcoin was launched in 2009 it had no official price since it wasn't being traded. However, when the first exchanges began to appear, a price developed. From just a few cents in 2009, bitcoin was priced at USD 1,000 by end of 2013. The prices of cryptocurrencies are tracked by 'Cryptocurrency Exchanges' who take an average of prices by other exchanges and the results of trading activity on their platform. This is the reason why, the prices of cryptocurrencies on different platforms at the same point of time differ slightly similar to equity markets where we experience different prices of the same stock on NSE, BSE and other exchanges.

One of the most important aspects of 'Bitcoin' is that the supply of bitcoin is restricted to 21 million. This supply unlike fiat currency cannot be increased by printing notes or mining in this case. With the limited supply, the number of transactions and trades that occur with cryptocurrencies are limited, as compared to equity stocks and foreign currencies. If you are an equity investor, you would have noticed small-cap shares often go into one direction and hit the circuit for back to back days. Such phenomenon is rarely seen in the case of mid to large-cap stocks, except when exceptional news or rumour spreads because the volume of trades in such shares is high – i.e. a large number of buyers exist and at the same time, a large number of sellers willing to sell, which is not the case with small-cap stocks.

Cryptocurrencies are currently similar to small-cap stocks, as the volume of trades is low. When the volume of transactions is high, it is difficult for one person to sway the market, however, with lower volumes it is easier. Besides, news and rumours surrounding cryptocurrencies are high, especially about their regulation and legality across the world. There are situations of panic selling and elated buying when the cryptocurrency markets go frenzy over speculations or even tweets by business celebrities, in support or against the cryptocurrencies. There is no regulator, no upper circuit or lower circuit rules, no central authority keeping details or KYC of people buying and selling. Although exchanges are proactively keeping details of their traders, however, this is only the case with new customers. Many bought and hold bitcoins for a long time and there is no public knowledge of their identity. This is one reason why cryptocurrencies are volatile. Bitcoin which was trading at USD 18,870 on December 1, reached a peak of USD 63,237 on April 15, more than a 235% gain in approximately five months. And suddenly, when China declared a ban on cryptocurrencies, it tumbled down to USD 34,742 in a single day. There are no limits to the rally and also no limits to the collapse.

The second reason for the volatility of cryptocurrency is a pretty obvious one – liquidity. You can invest in bitcoin at any time, you exit at any time and the transactions are fast and easy. Thus, anybody with a good amount of money can enter and exit the market at any point in time. Since there is no regulatory authority to overlook as in the case of bulk deals and block deals that occur at Equity Stock Exchanges, cryptocurrency markets can be easily manipulated. Further, the owners of the bitcoins are anonymous, as there are 'bitcoin giants' holding a huge number of bitcoins who can sway the market (or have already done that) in a way that would profit them. In brief, low volumes and high liquidity is a perfect breeding ground for a manipulative market.

Why are Cryptocurrencies rejected?

Blockchain technology and the Cryptocurrency ecosystem is revolutionary – it can change the entire financial world and make it more efficient than ever before. However, there are several problems with the current version. Let's discuss a few of them.

(1) The miners who are auditors of the blockchain are also empowered with authority to accept or reject the changes in the bitcoin network. With a majority of miners located in authoritative countries like China who can announce a new law any day and force the and force the companies to share the transaction details with the Government, makes other countries vulnerable as every mining node, simply the computers, have the entire history of the transactions, irrespective of their location. Data privacy is already the subject of this century, will we be able to protect it? With powers in hands of miners, if more money is brought into the crypto market, will we be able to keep the miners in check?

(2) There's more to miners – what if a group of miners decide to rebel against the others? What if there is no consensus amongst the miners? Mining needs technology and infrastructure which not every country can afford in abundance. What if one day a powerful country decides that it would shut down all its mining centres? Will the Cryptocurrency network survive in such situations. The reason why each country has its currency is to retain control of its economy and not leaving it to the realms of other countries. One global currency can lead to manipulation by powerful countries, if not kept in check. What would happen in situations of wars and conflicts, is a question without trusted answers.

(3) Bitcoin mining requires infrastructure backed by electricity. The electricity generation across the world isn't clean and eco-friendly or through renewable sources. Most of the mining in the hub of China is backed by thermal electricity generation. The paper currency does not impact the environment as much as the mining may affect the same.

(4) While Cryptocurrency as legal tender is far from foresight, as an investment as well poses a lot of questions and one major criticism is its intrinsic value. Gold is backed by tangible metal which can be seen, possessed and stored. Equity, bonds, and debt instruments are all backed by assets. A key premise of any kind of investment is the asset by which the investment is backed, – land, for this reason, is, therefore, considered a solid investment. However, cryptocurrencies are not backed by any real asset and it is difficult to attach a value to them which leaves it entirely to the demand and supply and makes it too risky as a long term investment – not something that you can plan your retirement on.

(5) Cryptocurrencies as a short investment have made people filthy rich and have also eaten up the retirement funds of many others. The unregulated market is manipulated by bitcoin giants who can dump bitcoins at any time and buy them back when the market is beaten to the corner. It's almost a vegetable market where if you are vigilant and lucky you will find the best vegetables, else the crowd is usually circulating the loudest.

(6) It's unlikely that the Government would give up its power to control money and let the money chase the marke. While the idea of cryptocurrency is tempting, every government would eventually land up issuing its own 'Central Bank Digital Currency (CBDC) which may or may not be backed by blockchain technology but will serve the purpose of digital transactions. Digital Yuan is already up there and we would most like to see Japan, Russia, the United States, India and others come up with digital versions of their currencies, circulated by the Reserve Bank and thus, private cryptocurrencies may not be allowed to exist or allowed with curbs.

Cryptocurrencies – a fad or future?

If the world wants a better financial world, Cryptocurrency is the future. However, what the world wants is decided (and even influenced) largely by the political bodies in every country. The Governments are the key to Cryptocurrency's success. If the Governments do not accept them wholeheartedly the cryptocurrencies are going to die – and that's the most probable scenario if you understand the dynamics here. We are probably going to receive an over-cooked version of the cryptocurrency. The central idea of Satoshi Nakamoto was to remove the 'Central trusted authority' i.e. the federal or reserve banks and leave the currency network to take care of its own. While this would have many problems as noted above, with rules and regulations in place, the cryptocurrency network can be made better and safe from manipulation. However, this would also mean minimum interference from the Governments and thereby, giving up the power to control the money and grant freedom, in its truest sense to the world. Is that possible?

In the present scenario, the way cryptocurrencies have operated so far, the way Governments have ignored it or tried to restrict it, we are nowhere close to cryptocurrencies being accepted as legal tender. This makes cryptocurrencies only an investment option, in a market where manipulation is common. Thus, with no future landscape in focus, cryptocurrencies would soon become a fad that existed in the early twenty-first century. However, if the Governments work towards making a better financial world with benefits such as the ability to track transactions, collecting taxes efficiently and also providing a safer and secure financial ecosystem to the public to transact and prevent frauds, with little regulation and restricted interference of the Government, Cryptocurrency can become the ground-breaking revolution of this century. Cryptocurrency is the future, only if we nurture it, else just another fad!

Revolution vs Resistance

Compare any point of time in your past with the present time, you will realise how quickly our world is changing in different spheres of life. Old, outdated and obsolete is being replaced by new, novelty and advancements, in a very brief period. This is what we generally refer to as a 'Revolution' to depict how the world around us is changing. The introduction of bitcoin has changed our world and can completely change our future financial world. However, don't you find it strange that the world is talking about a revolution and the architect of the revolution has hidden forever behind the pseudonym 'Satoshi Nakamoto'? Maybe because he is shy or too noble, or maybe, because it not a revolution, it's a resistance!

Satoshi Nakamoto came up with his idea of 'decentralised virtual currency in midst of 2008 global financial crisis when the Governments around the failed and did nothing about the real factor leading to the crisis – the governments themselves. The economic world succumbed to the profit-making strategies of the large corporates and nothing could be done about them. It's the common public who lost money, and it's the common public who will lose them again. Cryptocurrencies are a revolution for sure, however, only if they are implemented as a revolution and not as an investment fad. Most countries have allowed cryptocurrencies to exist, to depict a positive picture, however, none of them has made any push towards making it legal tender or anything close to it. The Governments are resistant to change, the powerful ones who manage and manipulate from behind the scenes are resistant to change and even the general public will probably never be explained the past, current and future system of economic manipulation. *Bitcoin is a 'Resistance', not 'Revolution' – because it is not a change implemented successfully, but the beginning of a long battle to bring the change!*

Government Policies

- Cairn Energy has identified USD 70 billion overseas Indian assets for the seizure to collect USD 1.72 billion due from the government, which includes Air India's planes, Vessels belonging to the Shipping Corporation of India, properties owned by the public banks and Oil and gas cargoes of PSUs. If the company is successful, India will be the third country after Pakistan and Venezuela to face enforcement action over failure to pay arbitration awards.

- The Department of Fertilisers has announced a 137% increase in Diammonium phosphate (DAP) subsidy from INR 511.55 to INR 1,211.55 per 50 kg, estimated to cost the Government an additional INR 14,775 crore in the upcoming Kharif season alone. DAP is the second most commonly used fertiliser in India, after Urea, with annual sales of INR 119.13 lakh tonnes in 2020-21 as compared to INR 350.42 lakh tonnes of Urea. The prices of DAP have surged globally over the past 6-7 months, as the average import prices of DAP increased from USD 395 per tonne to USD 570 per tonne.

- The Department of Heavy Industry (DHI)'s proposal for the implementation of the Production Linked Incentive (PLI) Scheme 'National Programme on Advanced Chemistry Cell (ACC) Battery Storage' to achieve the manufacturing capacity of 50 GWh of ACC and 5 GWh of Niche ACC batteries, has been approved with an outlay of INR 18,100 crore. ACCs are new generation advanced storage technologies that store electric energy as electrochemical or as chemical energy and convert it back as and when required.

- The Reserve Bank of India has announced that its board has approved the transfer of a surplus of INR 99,122 crore to the government for the nine months ended March 31. Higher than expected, it is estimated that the surplus may have resulted from a change in the central bank's accounting policy for forex gains. The surplus was approved and transferred for 9 months since the RBI is transitioning to an April-March accounting year from the financial year 2021-22 onwards.

- The Ministry of Power has decided to set up a National Mission on the use of Biomass in coal-based thermal power plants to further support the energy transition in the country and targets to move towards cleaner energy sources.

Goods and Services Tax

- After a long 7-month break, the GST council's 43rd meeting held on May 28, agreed and recommended to bring following changes in the GST law, which will be subsequently approved and circulated by the Central Board of Indirect Taxes and Customs (CBIC):

  a) COVID-19 relief items such as medical oxygen, oxygen concentrators and other oxygen storage and transportation equipment, certain diagnostic markers test kits and COVID-19 vaccines will be exempt from IGST until August 31, if imported for donating to the government or on the recommendation of state authority to any relief agency. The exemption was already available if the items were imported 'free of cost', now the exemption has been extended even if the same has been received by paying for the value.

  b) Amphotericin B used for the treatment of Black Fungus has also been exempted from IGST.

c) The GST rate on Diethylcarbamazine (DEC) tablets has been recommended to be reduced to 5% from 12%.

d) The GST rate on Maintenance, Repair and Overhaul (MRO) services in respect of ships or vessels have been recommended to be reduced to 5% from 18%, to provide a level playing field to domestic MROs vis-à-vis foreign MROs.

e) Clarification – Services supplied to an educational institution including Anganwadi (which provide pre-school education also), by way of serving of food including mid-day meals under any midday meals scheme, sponsored by Government is exempt from GST irrespective of funding of such supplies from government grants or corporate donations.

f) Clarification – Examination services and input services thereto, provided by the National Board of Examination (NBE), or similar Central or State Educational Boards where a fee is charged for such examinations, are exempt from GST.

g) Clarification – Services supplied by Government to its Public Sector Units (PSUs) by guaranteeing loans taken by such entity from banks and financial institutions is exempt from GST.

h) An amnesty scheme has been recommended for reducing late fee payable by small taxpayers and medium-sized taxpayers. Taxpayers can file their pending returns between June 1 and August 31, to avail the benefits of this amnesty scheme with reduced late fees. The maximum late fee is INR 500/- per return where no tax liability existed and INR 1000/- per return otherwise.

i) The maximum amount of late fee has been also reduced. It will come into effect prospectively. Maximum late fee for GSTR-1 and GSTR-3B shall be as follows:

   i. INR 500/- in case of nil outward supplies for GSTR-1 and no tax liability for GSTR-3B.

   ii. If turnover up to INR 1.5 crore in the previous year, INR 2,000/- per return

   iii. If turnover between INR 1.5 crore to 5 crores in the previous year, INR 5,000/- per return.

   iv. If turnover above INR 5 crore in the previous year, INR 10,000/- per return

j) The maximum late fee in the case of composition dealers for the delay in filing GSTR-4 will be INR 500/- per return if liability is nil, and INR 2,000 per return, otherwise. The late fee for GSTR-7 is reduced to INR 50/- per day and a maximum of INR 2,000/- per return.

k) GSTR-9C can be submitted on a self-certification basis, instead of certification by Chartered Accountants. The GSTR-9C for FY 2020-21 will apply only to large taxpayers with turnover for the year, exceeding INR 5 crore.

l) GSTR-9/9A will continue to be optional for FY 2020-21 for small taxpayers, having a turnover of less than INR 2 crore.

- The Madras High Court in the case of D. Y. Beathel Enterprises has ruled in the favour of the taxpayer who claimed the input tax credit even though the supplier failed to pay the tax to the government, after collecting the taxes from the buyer. The GST department had earlier denied the input tax credit under section 16(2)(c) of the CGST Act. According to the Court, there were no examination or recovery proceedings against the supplier and hence the order demanding entire tax liability from the buyer was in contravention of the principle of natural justice.

- Several importers have resorted to court against import duties levied on oxygen concentrators amidst the domestic shortage due to pandemic. Imported oxygen concentrators attract 12% IGST and only non-profit organisations registered under the Foreign Contribution (Regulation) Act (FCRA) are exempt from the same. Gifted or imported concentrators by individuals for personal use still attracts 12% IGST, which was lowered down from 28% recently. However, Finance Minister Nirmala Sitharaman has countered that full exemption from GST will result in higher prices as vaccine manufacturers will not be able to offset their input taxes. Finance Minister's argument clarifies that the Government is not interested in allowing a claim of input tax credit while exempting output tax which could have resulted in much lower prices if the manufacturers pass on the benefit to consumers.

- The GST Council's fitment committee, a key panel of Centre and state officials which looks into tax rate changes has recommended against lowering the tax rate on vaccines from the present 5%, as the same may result in increased cost of production as the manufacturers may not be able to avail input tax credit. While levying a minimal tax rate of 0.1% could have resulted in lower taxes and allowance of the input tax credit as well, the Government does not seem interested in giving up taxes from vaccines.

- The government has set up a panel for better valuation of services of casinos, online gaming portal and race-course for levying Goods and Services Tax (GST). The panel will also examine if any change is required in the legal provision.

- The Central Board of Indirect Taxes and Customs (CBIC) has launched a special drive to clear all pending GST refunds by May 31, on the lines of a similar drive organised for a refund of customs and duty drawback claims. In instruction to all Principal Commissioners of Central Tax (PCCT), the CBIC has highlighted that there is a need to focus on the timely disposal of pending GST refund claims to provide relief to business entities. The 'Special GST Refund Disposal Drive' continued from May 15 to May 31.

- The Central Goods and Services Tax Rules, 2017 prescribe for the generation of GSTR-2B for counter-party recipients. As per Rule 60(8), GSTR-2B is usually made available to the recipients by the 13th of the subsequent month. However, the due dates for filing GSTR-1 has been extended and therefore, GSTR-2B for April 2021 will be generated on May 29. Taxpayers who are willing to file GSTR-3B for April 2021 before GSTR-2B generation are allowed to do so on a self-assessment basis. ITC claimed in April & May 2021 shall be considered cumulatively under Rule 36(4), as per Notification No. 13/2021-CT dated 01.05.2021. This has been further amended by the latest GST Council's meeting and the ITC would now be cumulatively considered for the period April, May and June 2021, in the return for the period June 2021.

- Haryana Government has allowed reimbursement of GST paid by companies, non-governmental organisations and individuals on purchase of 15 items including vaccines, remdesivir injections, ventilators and oxygen cylinders that they have donated free of cost to the hospitals, to encourage the efforts.

- The Central Board of Indirect Taxes and Customs (CBIC) in a bid to rationalise the GST refund provisions has given taxpayers an option to withdraw refund applications at any time before issuance of refund order or refund payment/ withhold/ rejection order and has also excluded the period from the date of filing of refund application to date of issuance of deficiency memo by the officer from the overall time limit to file refund application. Earlier many GST refund applications were returned on the grounds of deficiency seeking the taxpayer to file a fresh application nad that rectified refund application was treated as a new refund application and thus, though the original refund application was filed within the time limit of 2 years, the department considering the date of rectified refund application as the relevant date rejected various refund applications.

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

Income Tax

- The Income Tax Department is set to launch a new e-filing portal on June 7 and that the existing portal will not be available from June 1 to June 6. The new income tax portal shall be moved to www.incometax.gov.in from the existing www.incometaxindiaefiling.gov.in. Since the portal will not be available for taxpayers as well as the department officers, the officers have been directed not to fix any compliance dates during the six days.

- The Central Board of Direct Taxes (CBDT) has extended various dues date under Income Tax law, owing to the second wave of the COVID pandemic. The extended due dates, for FY 2020-21, are as follows:

  a) Income tax return for Non-audit entities – September 30, instead of July 30
  b) Income tax return for audited entities – December 31, instead of November 30
  c) Belated or Revised returns – January 31, instead of December 31
  d) Furnishing Tax Audit Report, Transfer Pricing Report – November 30, instead of October 31
  e) TDS/TCS Return Filing for FY 2020-21 Quarter 4 – June 30, instead of May 31
  f) Issuing TDS/TCS certificates – July 15, instead of June 15.
  g) Statement of Specified Financial Transactions and reportable accounts – June 30, instead of May 31.

- The Central Board of Direct Taxes (CBDT) has notified a new rule for computation of fair market value of capital assets in a slump sale. As per the amendment, Rule 11UAE under section 50B has given two formulae for calculation and has stated that the fair market value will be higher among the two values. The rule provides that all assets of the business undertaking other than five specific categories of assets - immovable property, jewellery, shares, securities and artistic work will be valued based on book value. Meanwhile, the fair market value of these five categories will be determined as per existing valuation rules, assuming these assets were being transferred individually.

- The National Securities Depository Limited (NSDL) has released a new version of e-TDS and TCS return filing utility to accommodate the amendments in the income tax act concerning alternate tax slabs under section 115BAC in Form 24Q, additional details for dividend remittances in Form 27Q and other minor changes.

- The Central Board of Direct Taxes (CBDT) has allowed hospitals to accept cash payment over INR 2 lakh, from April 1 to May 31, subject to providing the Permanent Account Number or Aadhar Number of the patient or any other person making the payment on behalf of the patient and his relationship with the patient.

- The due date to submit claims for benefits under the LTC Special Cash package scheme was extended to May 31, owing to the difficulties faced.

- The Pune Bench of Income Tax Appellate Tribunal (ITAT) in a recent ruling in the case of BYK Germany who had incurred certain welfare and training expenses in India, has set two conditions for Indian arms of Foreign companies, for reimbursement of expenses incurred in India, without having tax implications – 1) there should be a one-to-one direct correlation between the outgo and the inflow, 2) the receipt and payment must be of identical amount, without any profit.

- Foreign Hedge Funds can now operate in International Financial Services Centres (IFSC) without obtaining Permanent Account Number (PAN). Foreign investors of Category III Alternative Investment Funds (AIFs) will not require PAN if they deduct tax from their income and provide details of investors' name, address, country of residence and Tax Identification Numbers every quarter.

(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 clarified that where a company has contributed any amount to 'PM CARES Fund' on March 31, 2020, over and above the minimum amount prescribed under section 135(5) of the Companies Act, 2013 for FY 2019-20, such amount can be offset against the requirement to spend under section 135(5) for FY 2020-21 subject to certain conditions –

  a) the amount offset as such shall have factored the unspent CSR amount for previous financial years, if any

  b) the Chief Financial Officer shall certify the contribution to 'PM-CARES Fund' was made on March 31, 2020, and the same shall also be certified by the statutory auditor

  c) the details of such contribution must be disclosed separately in the Annual Report on CSR and the Board's Report for FY 2021.

  Earlier, in the wake of COVID-19, MCA had appealed on March 30, 2020, to MDs/CEOs of top 1000 companies in terms of market capitalization, to contribute generously to the 'PM CARES' fund.

- The Securities Exchange Board of India (SEBI) has proposed in a consultation paper to reduce the lock-in period on the 20% minimum promoter shareholding to one year and other pre-IPO shares to six months, except in situations of project financing. Further, SEBI has also proposed to remove reference to 'Promoter' from various regulations and instead introduce the concept of 'Person in Control' over three years transition period. Presently, 20% of promoters' contribution is locked in for 3 years from the listing date and any other pre-IPO capital is locked in for 1 year, except for some exemptions.

- The Ministry of Corporate Affairs (MCA) has allowed spending CST funds for the establishment of medical oxygen generation and storage plants; manufacturing and supply of oxygen concentrators, ventilators, cylinders and other medical equipment, as eligible CSR activities.

- The Securities Exchange Board of India (SEBI) has released a consultation paper with a fresh proposal for segregation and monitoring of collateral at the client level and to build a mechanism for reporting, dissemination and usage of information about collateral other than those pledged or repledged. The proposal comes in the wake of the Karvy Stock Broking crisis where clients' shares had been pledged illegally as collateral against the loan.

- The Securities Exchange Board of India (SEBI) has notified new rules for the top 1,000 listed companies by market capitalisation who will now have to mandatorily formulate a dividend distribution policy. The new rules also place a framework for applicability, constitution and role of the Risk Management Committee (RMC) and eased norms for re-classification of a promoter as a public shareholder. SEBI has mandated listed companies to make audio and video recordings of analyst and investor meet available on their websites as well as with stock exchanges within 24 hours or before the next trading day.

- The Securities Exchange Board of India (SEBI) has released disclosure requirements under Business Responsibility and Sustainability Reporting, covering environmental, social and governance perspectives, applicable on the top 1,000 listed entities by market capitalisation, and the same will replace the existing Business Responsibility Report (BRR), to bring greater transparency and enable market participants to identify and assess sustainability-related risks and opportunities. In the BSBR report, listed entities will have to disclose an overview of the entity's material ESG (Environmental, Social and Governance) risks and opportunities, their approach to mitigate or adapt to the risks, and the financial implications.

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

Customs and Foreign Trade

- The Central Board of Indirect Taxes and Customs (CBIC) has extended anti-dumping duty on seamless tubes and pipes till October 31 to guard the domestic manufacturers from Chinese imports. The duty was first imposed in May 2016 for five years and now is extended for another five months. The commerce ministry's investigation arm Directorate General of Trade Remedies (DGTR) had recommended the extension, after concluding a probe, following which the Ministry of Finance has imposed the same.

- The Central Board of Indirect Taxes and Customs (CBIC) has allowed businesses to import and export goods without furnishing bonds to the customs authorities until June 30, to ensure no delay or disruption in trade amid pandemic. Importers and exporters can furnish an undertaking to the Customs authorities instead of the bonds.

- The Central Board of Indirect Taxes and Customs (CBIC) has amended the Customs (Import of Goods at Concessional Rate of Duty) Amendment Rules, to lay down the procedures and manner in which an importer can avail concessional duty on import of goods required for domestic production of goods or providing services. Importers will now have to give prior information to the customs officers about goods being imported, the estimated quantity and value. One welcoming move has been permitting goods to be sent out for 'job work' which had earlier constrained the industry, especially the MSME sector which did not have the complete manufacturing capability in-house.

- The Central Board of Indirect Taxes and Customs (CBIC), issued an instruction to all customs Principal Chief Commissioners (PCC) to run a

'Special Refund and Drawback Disposal Drive' with the objective of priority processing and disposal of all pending refund and drawback claims, considered on merit basis, from May 15 to May 31.

- The Central Board of Indirect Taxes and Customs (CBIC) is in process of imposing anti-dumping duty on rubber imported from China, the European Union, Japan, and Russia, to safeguard domestic manufacturers from cheap inbound shipments. Directorate General of Trade Remedies (DGTR) has recommended the duty after concluding in its probe that 'Acrylonitrile Butadiene Rubber' from these regions has been exported at dumped prices into India. The recommended duty is the difference between the landed value of the product and USD 2,086 per tonne.

- The Central Board of Indirect Taxes and Customs (CBIC) is in process of imposing anti-dumping duty on Phthalic Anhydride imported from China, Indonesia, South Korea and Thailand based on the recommendation from the Directorate General of Trade Remedies (DGTR). The recommended duty is between USD 40.08 to USD 140.17 per MT on the imports of the chemical which is an intermediate used in the plastic industry.

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

Banking and Finance

- The Reserve Bank of India (RBI) has asked all licensed Prepaid Payment Instruments (PPIs) or mobile wallets such as PhonePe, Paytm, Google Pay and Mobikwik, to become interoperable from the financial year 2023 onwards. Thus, a mobile wallet user who has fulfilled all KYC norms will be able to send and receive money amongst various mobile wallets. Further, the RBI has also approved mobile wallets to allow cash withdrawals up to INR 2,000. The wallet limits have also been increased to INR 2 lakh from INR 1 lakh.

- The Reserve Bank of India (RBI) has informally urged lenders to cut ties with cryptocurrency exchanges and trader, despite the Supreme Court ruling. India is crafting a law to ban cryptocurrencies and penalise anyone dealing in them. The Reserve Bank of India (RBI) in 2018 had mandated banks from dealing in all transactions related to bitcoin and other such assets which were overturned by Supreme Court in March 2020.

- The Reserve Bank of India (RBI) has released a new set of guidelines to govern the appointment of auditors for commercial banks, NBFCs, and housing finance companies. Financial institutions can now appoint auditors for a period of three years, provided they satisfy all the eligibility norms, however, there will be a cooling-off period of six years after the same. Further, banks can no longer remove auditors during their tenure without prior approval from the RBI. RBI has also mandated that one audit firm can concurrently engage with a maximum of four commercial banks, eight urban cooperative banks and eight NBFCs, in any given year. The number of auditors to be hired shall be linked to the asset size of the financial institution.

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

Accounting and Auditing

In Focus: IndAS-20

- *If a company sets up an undertaking to manufacture a notified article and acquires plant and machinery for its operations in backward areas as notified by the Central Government under section 32AD of the Income Tax Act, 1961 which allows the company a deduction of a sum* equal to 15 per cent of the actual cost of such new asset acquired, whether such deduction will be accounted for as a government grant as per IndAS 20? Paragraph 2 of IndAS 20 states that the standard does not deal (b) with government assistance that is provided for an entity in the form of benefits that are available in determining taxable profit or tax loss or are determined or limited based on income tax liability. Examples of such benefits are income tax holidays, investment tax credits, accelerated depreciation. The deduction of 15% of the actual cost of the asset acquired as per the scheme under section 32AD of the Income Tax Act, 1961 is like benefit provided by way of reduction in taxable profit and is excluded from the scope of IndAS 20 and therefore, will not be accounted for as government grant.

- *A company has received a loan from the government at a nominal rate lower than the market rate subject to certain conditions to meet specific objectives. How should the company account for such a loan in its financial statements as per Ind AS?* Paragraph 10A of IndAS 20 states that the benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured according to IndAS 109 Financial Instruments, however, the benefit in the rate of interest must be measured and accounted for following IndAS 20. The company must consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate. The benefit of differential rate of interest should be accounted as a government grant as per IndAS 20. The difference between the fair value of the government loan on the transaction date and the proceeds received should be recognised as a government grant and recognised in the profit or loss either immediately or amortised over a period depending upon the objective/purpose of granting this loan at a below-market rate of interest.

- *A company operating in backward areas has incurred huge losses in previous years, and as per a scheme of Government is eligible to receive compensation against the loss. When should the grant from the Government be recognised in the Statement of Profit and Loss?* As per Paragraph 22 of IndAS 20, a government grant which may be receivable by an entity as compensation for expenses or losses incurred in a previous period shall be recognised in profit or loss of the period in which it becomes receivable, with disclosure to ensure that its effect is clearly understood. Thus, the company must recognise the government grant in the year in which it becomes receivable, irrespective of the actual date of receipt.

- *If a company is unable to conclude on its ability to fulfil the conditions for receipt of a grant, although it has already received the grant, should the company recognise such a Government grant?* Paragraph 7 of IndAS 20 states that the Government grants should not be recognised until there is a reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received. Even if the company has received the grant, it does not provide conclusively that the conditions attached to the same shall be fulfilled. Thus, the receipt should not be recognised even if the grant has been already received by the company. The receipt must be shown as 'Liability' until the conditions are fulfilled.

- *If a company receives a grant from the Government against expenditure for environmental protection and expected expenses are in a variation of the grant received, how should the grant be recorded in its financial statements?* As per paragraph 29 of IndAS 20, Grants related to income are presented as part of profit or loss, either separately or under a general heading such as 'Other income' and the related as 'Gross basis'. Alternatively, they can be deducted from the related expense, and net income or expense can be disclosed, commonly known as 'Net basis'. The IndAS 20 permits both methods.

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

Payroll and Personal Savings

- The Securities Exchange Board of India (SEBI) has mandated key employees of Asset Management Companies (AMCs) i.e. Mutual Funds to invest about 20% of their salary in the schemes they run or oversee. Further, they will have to continue to do so for 3 years or for the duration of the scheme, whichever is shorter. The new rule ensures that the Fund Managers do not take an inordinate amount of risks while managing the mutual fund.

- The Ministry of Labour and Employment has increased the Variable Dearness Allowance (VDA) for workers in Mines, Railway, Oil Fields, Ports, and other sectors in the Central Government.

In Focus: Sukanya Samriddhi Account

- The Sukanya Samriddhi Account is designed for parents to provide a bright future for girl child. It offers a high interest rates than all other Government schemes and also tax benefits similar to all other schemes.

- The Scheme is backed by the Government of India and hence, like other Small Savings Schemes, it is safe as the Government of India guarantees the money.

- Parents of a girl child below 10 years can open a Sukanya Samriddhi account with any bank which provides an attractive interest rate of 7.6% presently and the deposits are fully exempt from tax under section 80C.

- Only one such account can be opened in the name of a girl child and parents are allowed to open accounts for a maximum of two girl children.

- The minimum amount to be deposited is INR 1,000 in a financial year and a maximum of INR 1,50,000. If the minimum amount of INR 1,000/- is not deposited during any year, a penalty of INR 50/- is charged.

- Deposits in the account can be made till the completion of 14 years, from the date of opening of the account and the deposit shall mature on completion of 21 years from the date of opening of the account.

- To meet the financial requirements of the girl child for higher education and marriage, the account holder can avail partial withdrawal facility after attaining 18 years of age.

- If the beneficiary is married before the maturity of the account, the account has to be closed.

- The rate of return of various small savings schemes of the post office as compared to prior period are as follows:

Scheme	21-22 Q1	20-21 Q4	%
Savings	4.00	4.00	0.00
FD (5 years)	6.70	6.70	0.00
RD (5 years)	5.80	5.80	0.00
NSC	6.80	6.80	0.00
PPF	7.10	7.10	0.00
KVP	6.90	6.90	0.00
SSA	7.60	7.60	0.00

(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 (%)	Mar-21	1.6	0.40
Inflation (%)	Apr-21	4.29	5.52
Unemployment (%)	Mar-21	6.50	6.50
Trade Balance ($m)	May-21	−6320	−13930
GOI Bond 10yr (%)	May-21	6.01	6.03

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

Equity Index	Country	%
NIFTY 50	India	6.44
BSE SENSEX	India	6.43
INDIA VIX	India	−27.36
NIFTY BANK	India	8.96
DOW JONES	USA	1.33
NASDAQ	USA	−1.13
S&P 500	USA	0.18
FSTE 100	UK	1.57
NIKKEI 225	Japan	0.46
SHANGHAI COM	China	4.36
MOEX	Russia	6.78
CAC 40	France	3.09
DAX	Germany	2.20
ASX 200	Australia	2.69
BOVESPA	Brazil	7.58
FTSE STI	Singapore	−0.01
KOSPI	South Korea	3.10
HANG SENG	Hong Kong	3.21

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

Commodity	Expiry	Price	%
Gold	05-Aug	49,621	6.06
Silver	05-Jul	72,339	5.72
Crude Oil	21-Jun	4,970	5.39
Natural Gas	25-Jun	227	4.22
Aluminum	30-Jun	193	−0.13
Copper	30-Jun	764	1.36
Cotton	30-Jun	23,710	8.26

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

Currency Pair	Current	Prior	%
INR/1 USD	72.80	74.91	2.82
INR/1 GBP	103.31	103.81	0.47
INR/1 EUR	89.07	90.09	1.13
INR/100 YEN	66.97	69.40	3.50

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

Currency	Pair	Price	%
Bitcoin	BTC/USD	37,029	−35.54
Ethereum	ETH/USD	2,632	−9.18
Tether	USDT/USD	1.00	−0.71
XRP	XRP/USD	1.00	−36.06
Btc Cash	BCH/USD	692	−30.26

- To clamp down on the digital trading market, China has banned financial institutions and payment companies from providing services related to cryptocurrency transactions, quoting manipulation and lack of support by real value as the reasons.

Corporate News

- **Landomus Realty Ventures,** located in USA, has expressed interest to invest USD 500 billion into Indian's ambitious National Infrastructure Pipeline (NIP), through an appeal to Prime Minister through a front-page advertisement in Economic Times and Times of India. Although how the company has gained the interest of the country, the US-based company barely has a one-page website with negligible information and an address that doesn't have any commercial buildings.

- **Fidelity Investments** has launch 'Fidelity Youth Account', an investing and savings account for 13 to 17-year-old teenagers. The account will allow teenagers to buy and sell stocks, ETFs and Fidelity mutual funds, without any fee and the account activity can be monitored by their parents. This account is available only to teenagers with a parent who also has a Fidelity account.

- **Reliance Jio** is deploying two undersea cable systems with global partners and supplier SubCom to support data demand in India – 1) India-Asia-Xpress (IAX) System, connecting India with Singapore to be ready for service by 2023, and 2) India-Europe-Xpress (IEX) system, connecting India to the Middle East and Europe, to be ready in early 2024.

- **Reliance Jio** has been leading the telecom market according to the latest subscriber data released by the Telecom Regulatory Authority of India (TRAI) for February. Reliance Jio added 4.3 million subscribers, while the rival Airtel added 3.7 million subscribers and Vodafone Idea added 0.7 million subscribers. However, Reliance Jio continues to be trailing in the rate of active subscribers with a poor rate of 78% active subscribers, while Airtel has 98% active subscribers, and Vodafone Idea has 97% active subscribers.

- **GoAir** has announced that it is rebranding itself as Go First, as the airline is preparing for an IPO and ambitious expansion after a pandemic has derailed the aviation sector. The company was all set for its new phase of growth by starting international services and plans for inducting one new aircraft each month, however, pandemic derailed the plans. The airline is attempting to become the first all-neo airline in the country, and if succeeds it may place the company at No. 2 positions in the Indian Airline industry.

- **Bajaj Auto** has announced that it will continue to pay monthly salary up to INR 2 lakh for two years to the family of the employee who dies due Covid-19 as well as fund the education of a maximum of two children of the deceased up to INR 1 lakh per annum for those below Class 12 and up to INR 5 lakh per annum for those pursuing graduation. The company provided medical insurance will also be extended by five years for the dependents, over and above the other life insurance benefits. The support is being given to all permanent employees retrospectively from April 1, 2020.

- **HDFC Limited** has reported a 60% rise in its disbursements for individual borrowers in Q4 of 2021 — the highest ever growth in the history of the company, anchored by middle and low-income borrowers who looked to buy homes in metropolitan cities.

- **PharmEasy** has bought Medlife for an undisclosed amount, to consolidate the domestic online pharmacy sector of 2 million customers, and as a result, Medlife users will become PharmEasy customers as Medlife will discontinue its independent operations. The Bengaluru-based startup Medlife had been looking to raise USD 100-150 million in growth capital over the past year, however, didn't find success.

- **Infosys** and Majesco have jointly announced to collaborate strategically to customers accelerate their digital transformation, enable unlocking new opportunities, address the demand for personalised customer experiences, operational effectiveness, and digital adoption across the insurance business value chain.

- **Policybazaar** has been imposed with a fine of INR 24 lakh for violating advertisement norms concerning an SMS sent to customers last year about an increase in term insurance policy premiums. Policybazaar had sent SMS between March 15, 2020, and April 7, 2020, to its customers without mentioning its full registered name in the message and mentioned that life insurance prices were to increase from April 1 and that they could save up to INR 1.65 lakh by buying a term plan.

- **Zerodha**'s cofounder Nikhil Kamath has announced the launch of 'True Beacon Global', the first Alternative Investment Fund (AIF) in Gujarat's GIFT city, a special economic zone first envisaged in Budget 2015 to create an international financial services hub. Nikhil Kamath already manages a category III AIF outside GIFT city called 'True Beacon One' launched in September 2019, which delivered a return of 47.2% in 2020.

- **Oyo** has announced that its employees will now have a four-day work-week with a mid-week holiday on Wednesdays to let employees have a breather. Further, the company will also allow 'No-Questions-Asked-Flexible Infinite Paid Leave' to its employees.

- **HCL Technologies** has announced that it is expanding in United Kingdown by hiring 1,000 technology professionals to support its clients in the UK and around the world. The company will hire professionals in digital transformation, cloud, artificial intelligence and cybersecurity for its London, Greater London, and Manchester offices.

- **Amul India** has received a request from People for the Ethical Treatment of Animals (PETA) India to make a switch to producing vegan milk. In a letter to Amul Managing Director RS Sodhi, PETA said the dairy cooperative society should gain from the booming vegan food and milk market.

- **Twitter** has not sent details of Chief Compliance Officer to the Government, as per directive under the Digital Rules and instead has shared only shared details of a lawyer working in a law firm in India as their Nodal Contact Person and Grievance. The ongoing tussle between the Government and Twitter has reached Delhi High Court as Government has filed petition against the company for compliance with the rules. Twitter has alleged that the Government would harass their employees who will be named as Chief Compliance Officer. Meanwhile, Google, Facebook, and WhatsApp have shared details with the IT ministry as per directive under the digital rules.

- **WhatsApp** has filed petition in Delhi High Court raising concerns over the new rules as 'danger to invasion of privacy' and a threat to free speech. The petition claims enforcement of Rule 4(2) of the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) breaks WhatsApp's encryption which ensures messages can only be read by the sender and receiver. The case will be first major test of the New Privacy Laws in India.

- **India SME Forum**, an industry body for MSMEs, has sent representation to the Goods and Services Tax (GST) council for sustainance and revival of the sector tremendously hit by the pandemic. One of the suggestions includes allowing Input Tax Credit (ITC) to be turned into a secured tradable instruments to unlock capital.

Why India's Oxygen Supply Chain failed to deliver? Explained Oxygen – ironically earth's most freely available resource, and yet short in supply. Hospitals are suddenly running out of medical oxygen and there is more panic amidst the pandemic than ever before because the belief that the doctors and hospitals could save us has been shaken, as people have died in bulk owing to shortage of oxygen supply. Nobody would have imagined a day where …

How the income tax department is tracking your income! Have you ever wondered? Barely 1% of the population pays taxes in India and surprisingly, 100% of the country is still running, growing, developing and even globally competing with the money collected from the 1% population. Is the income disparity so high in India? Well, there are few myths in this understanding. Firstly, direct taxes are only 50% of the total collections of the Government and …

Your right to privacy is their highest selling product Facebook wants to bring people together. Google wants to make search more friendly. Amazon wants to make available everything at your doorstep. Jio wants everything available under one platform. Newsrooms want to ensure all the best news reach you, sitting at home. Websites and apps want to provide the best information to you, just a click or tap away. Even the government wants to merge and simplify your …

Amount paid for use of software is not 'Royalty'. "During the assessment year 1997-98 and 1998-99, several payments were made to foreign parties for the license to use the software. However, no tax has been deducted at source and thus, following section 40(a) these expenses must be disallowed. Therefore, I have reason to believe that income has escaped assessment as the assessee has failed to disclose material facts in the return filed. Reassessment proceedings are …

Newsletter by:

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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.

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