EVERYTHING THAT CONCERNS YOUR MONEY

THE GREEN DIGEST

PAGES 21 | OCTOBER 2020 | 80 MINUTES

PLOUGHING

THE FARMS OR THE FARMERS?

FOR PRIVATE CIRCULATION ONLY

Greenvissage

www.greenvissage.com

The New Farmers' Bills : Beyond the narratives, is our '*Anna-daata*' being taken care of?

We buy, cook, eat and even waste food with such ease and live in comfort as food is always available at our realms. We are grateful that we aren't amongst the 73 million in Africa, 43 million in the Middle East and 18.5 million in the Caribbean who live with an acute food crisis. In an overpopulated country like India where billion-plus live without a crisis over food, it is quite apt to refer the farmers with a Godly stature '*anna-daata*' – the providers of food. However, while averting the crisis of our lives, many of them have run into a crisis of their own – debt, exploitation, uncertainty and poverty has become a life they ought to live.

Every fifth year, political parties promise to address the situation, however, only a few and, a very little has been delivered so far. Now, in the midst of a pandemic, the Government has moved some 'historic reforms' (as referred in their speeches) and yet the bills were passed in the Parliament in an unusual hurry, amid farmers protests at several places and a wave of confusion in the country. Of course, ignorance has also played its part as the audience doesn't understand the complexity and the mainstream media doesn't care to explain! Let us decode the new farmers' bills and understand what difference do they make.

Sequence of Events

- On June 5, the Government promulgates three farmers related reforms as 'ordinance'. An ordinance can be passed by President of India on the recommendation by Union Cabinet if the Parliament is not in session. Looking at the nature of reforms proposed, the urgency to bring an ordinance is questionable.
- On September 14, the three ordinances are negatived and three bills are introduced in the Lok Sabha. Opposition parties request for referring the bills to the Parliamentary Committee for review, however, the same is rejected. As the Government holds a clear majority in the Lok Sabha, on September 17, the bills are passed by voice vote, as it speeds up the process.
- On the same day, Union Minister of Food Processing Industries, Ms Harsimrat Kaur Badal resigns from the post in protest of the bills introduced. The resignation is accepted by the President on recommendation of Prime Minister.
- On September 20, the bills are introduced in the Rajya Sabha. Several opposition parties request for referring the bills to the Select Committee of Rajya Sabha, however, the same is denied.
- In the first half of the same day, extending the usual time 1:00pm of Rajya Sabha proceedings, the bills are put to voice vote and deputy speaker announces that 'Ayes have it, the bill is passed'.
- The government does not have a clear majority in Rajya Sabha and thus, considering the bill passed by mere voice vote didn't seem reasonable. The

The opposition parties demanded a 'division of vote' (electronic voting machines be used), however, the deputy speaker denies the same (as per rules, this request cannot be denied). And thus, begins the ruckus which even Rajya Sabha TV had to censor and turn off the Live Telecast.

- Later, eight members of Rajya Sabha are suspended for their behaviour during the proceedings. The opposition parties boycott the Rajya Sabha proceedings. Making most of the opportunity, the Government passed seven bills within four hours, in absence of an opposition.

What is the existing law?

Decades ago, when the farmers then were also suffering from the debt crisis, lack of access to markets was identified as a key issue leading to exploitation of the farmers, as their perishable products didn't find a buyer. Farming in India is fragmented as 85% of farmers hold land which measures less than one hectare. This makes agricultural an unorganised sector as there are no big players, instead of small farmers with very little quantity to offer to the market and thus, unable to access the bigger markets. To address the same, the Government then introduced model laws for the states which eventually over decades was adopted by the states and Agricultural Produce Market Committees (APMC) were established, as agriculture is under the state list. However, laws such as Essential Commodities Act, 1955 were passed by the Central Government stretching the legal provisions to the furthest, as the Article 248 of the constitution allows Government to form laws 'in the national interest'.

Modus operandi under APMC

- The state government divides the state into various geographical areas and mandis are set up for each such area.
- All farmers producing regulated items have to mandatorily bring their produce at the mandis in their area. They cannot sell elsewhere.
- Sales occur at prices decided by auction and price discovery depending on the demand and supply, with a Government decided Minimum Support Price (MSP) acting as the reserve price.
- Only licensed traders are allowed to buy from the farmers at mandis to further sell the produce to the wholesalers, retailers, food processing industries, direct consumers or anywhere else.
- All produce which is not bought by the traders would automatically be bought by the State Government at the MSP.

Benefits of APMC mandis

1. Mandis bring the unorganised and fragmented farmers together who can sell the produce in aggregation to the traders who are interested in bulk buying.
2. Price is decided by auction and with MSP ensuring cover towards the costs incurred, farmers get a fair price or at least the overall cost is covered.
3. Since the produce is perishable, farmers were forced to sell the produce at distress prices quoted by traders. However, with Government guaranteeing the purchase of the unsold produce, the farmers are saved from exploitation.

Problems with APMC mandis

1. The licensing of traders led to license raj whereby at various places trading license was available only to those with political connections. Many farmers illegally sold their produce outside the mandis.
2. The traders at various mandis formed cartels and exploited the farmers by buying only at prices decided by them. Thus, many farmers were deprived of fair prices.
3. MSP was too low in comparison to the prices that the ultimate consumers or the processing industries paid. There is no legal status of MSP in absence of laws to enforce the same.

What are the new reforms?

The bills are now enforceable by law as the President's assent has also been received. While the protests by farmers are ongoing, the Government has advertisements at various forums including English newspapers, addressing the farmers to explain the truth and the lies. While most farmers may not read English newspapers, the gist of reforms is as below –

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020

- Farmers are allowed barrier-free intra-state and inter-state trade outside the APMCs.
- Anyone is allowed to trade the farmer's produce, paving the entry of private players.
- Anyone can enter into a trade to buy future scheduled farmer's produce i.e. contract farming.
- Anyone can establish electronic trading platforms for direct buying and selling of farmers produce.
- State Governments cannot charge any fee, cess or any other charge on such trades.
- The dispute between farmers and trader to be settled by Sub-Divisional Magistrate.

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020

- Anyone can contract with farmers for buying future produce. Aggregators or others can also act as third parties in such agreement.
- The minimum duration of the agreement will be one cycle, maximum five years by default unless otherwise decided by the parties to the agreement.
- The farming agreement would be exempt from all state laws surrounding farming produce.
- Price can be mutually decided. If the price is variable on certain factors, then there should a guaranteed price mentioned in the agreement and reference to how additional premium would be decided.
- At least two-thirds of the agreed amount must be paid at the time of delivery. The remaining amount can be paid within 30 days from delivery.

The Essential Commodities (Amendment) Bill, 2020

- The central government can regulate the supply of certain food items (to be notified later) including cereals, pulses, potato, onions, edible oilseeds, and oils, under extraordinary circumstances such as war, famine, extraordinary price rise, and natural clamity of grave nature.

- The central government can regulate how much stock a person can hold if there is a 100% price increase in horticultural produce or 50% in non-perishable agricultural food items. Price prevailing 12 months before or 5 years average retail price, whichever is lower, would be considered.
- The above limits shall not apply if the same is lower than overall installed processing capacity (in case of food processing industries) or the demand for export (in case of the exporter).
- The act shall not apply to Public Distribution Systems e.g. Government-sponsored ration shops.

Significance of the reforms

1. The reforms will unlock the heavily regulated agricultural sector and allow farmers the freedom to trade within or even beyond the states.
2. Private sector companies can directly deal with the farmers and provide a higher price.
3. Farmers can enter into contracts to continuously supply the produce to a particular private food processing industry or anyone else by way of Farming Contracts.
4. The entry of agricultural aggregators or online marketplaces will technologically aid the farmer and also help increase his access to the market.
5. Amendments to Essential Commodities Act will allow the Government to control prices of food items and also prevent hoarding of the same.

Criticisms against the reforms

1. In an open market, prices are decided by negotiations, unlike APMC mandis where prices are decided by auction. Private players can easily encroach the small farmers as they do not have the negotiation power to deal with them.
2. There are no taxes on the open trades under new reforms, while APMC mandis will continue to have tax levies by the state. This makes the APMC mandis less attractive and thereby, indirectly ending the mandi system.
3. Though by far-stretching the constitutional powers the government has legally introduced laws on a state subject, the current reforms override the state government's powers. Creating an alternate space where the states cannot collect taxes affects the revenue of the states. Further, the law prohibits the state from regulating the farming contracts, retaining all power with the centre on a state subject.
4. The reforms are more inclined to benefit the private players and multinational corporates than the farmers. Agricultural is one of those sectors where Government regulation is required in the national interest. Leaving it out at the hands of the market would make the sector profit-oriented.
5. Concerns surround the farmers, if they are empowered to raise a dispute or litigate against the private players; or in the first place, owing to lack of knowledge, even negotiate fair contractual terms (paperwork) with the private players.
6. 'The middlemen will be eliminated' doesn't hold, as the same middlemen can now operate as sponsors for farming contracts, freely and legally and continue to exploit profits from farming.

Do the bills end the APMC mandis or MSP regime?

No, not directly. The reforms create an alternate market space where there are no taxes, free trade, and no government intervention. Theoretically, free trade sounds great, however, practically free trade works on negotiation powers and other tactics – something that private players are well-versed at. 'Hands-on experience with paperwork' doesn't appear on a farmer's resume. By making the alternate space more attractive, Government is pushing the traders and corporates to opt for direct trades, not mandis.

The renowned 'Swaminathan Report 2006' had recommended MSP to be fixed at 50% above the weighted average cost of production. The farmers and many economists demanded to legalize the MSP i.e. dealing below MSP as illegal and punishable by law. However, the bills did nothing about MSPs, it doesn't even talk about it. Instead, 'one nation, one market' is being advertised and it is claimed that 'free trade will ensure the right price'. However, free markets are profit-oriented and thus, there is no surety that there will always be win-win situations.

What went wrong?

The sanctity to law-making definitely went for a toss.

- The laws were introduced directly as ordinances, the need for which is unexplained. There isn't any urgency for contract farming or free agro trade. The timing co-incidences the Bihar Elections, however, there's no definitive answer here.
- The laws were promulgated as ordinances, thus, the Government had six months to pass laws in the Parliament or rollback the ordinances. This explains why the Government seemed to be in a hurry to pass the bills (by all means); laws which shouldn't have been ordinances in the first place.
- Any major reform in any sector is first discussed with its stakeholders and held up for months to gather comments. A law which affects the entire farming sector was neither passed on to stakeholders for review nor thoroughly discussed in the parliament. How do we trust this law?
- Agriculture is a state subject. The current APMC boards have been established by state laws. However, the new farmer bills bypass the states' power. In the name of 'national interest', the bills are a 'power-game', as they leave no scope for state's intervention though the Constitution primarily bestows the same on states' shoulders.
- On one hand, the reforms are being referred to as 'historic', however, they were not referred to the Select Committee because they are insignificant (as per interviews). Either the reforms are historic or insignificant, they can't be both. Referring to the Select Committee would have allowed a thorough investigation of the proposed law and discussion of the findings in parliament.

So, what's the verdict?

Everybody is ploughing – some are ploughing the farm, to sow seeds for good harvests in the future, while some others are ploughing the farmers, to sow seeds for good votes in the elections. We don't know who's is who, as all discussions lead to one question, "Is capitalism good for our country? Or for time being, good for our *anna-daata*?" Only time-travel can fetch us an accurate answer to that question.

(This article was contributed by the editorial team.)

Why cricket amid pandemic? The business of cricket, Indian Premier League (IPL) explained

By Amit Chandak, Associate Director, Greenvissage

COVID-19 cases are raking up every day and yet the cricketing body, Board of Control for Cricket in India (BCCI) is organising the mega event – Indian Premier League (IPL). The league involves hundreds of star cricketers, their support staff, broadcasting teams, groundsmen, rich team owners, the staff at hotels and other facilities and above all a huge audience, and all of them are at risk if the event happens. And yet, the BCCI is conducting the league though without a live audience and at a completely different venue, still, the cricketers, staff, team owners, groundsmen, broadcasters and name anyone else, is readily compromising health and life, without a word uttered – just for the sake of cricket? Well, not really.

IPL is a business first and cricket later and not just another business, it is such a mega-profitable business that every participant is happy to be involved in, even during such unpleasant times. General elections, fear of terrorists' attacks, water crisis, match-fixing scandals and many other controversies and yet the IPL has happened every year, overcoming all obstacles, as if there wasn't any. Let's forget cricket for a while and try to understand the business of IPL and what makes it so lucrative.

About the League

The cricket league which started in 2008, after controversies surrounding the ban on Indian Cricket League (ICL) and the participating cricketers, was the mastermind of Lalit Modi who wanted to create cricket league in India similar to Football abroad. The league has a brand value of INR 475 billion according to a report by Duff & Phelps in 2019. According to a survey by KPMG Sports Advisory Group, the league contributed INR 11.5 billion to the Indian GDP and had an overall impact of INR 26.5 billion on the economy (1.2% of GDP) in 2015.

One of the most-watched sporting events around the world, the current IPL season is its thirteenth edition, once every year since 2008 and has also conducted six editions of an international league between domestic teams from various countries - the Champions League (CLT20) during the period 2008 to 2014, eventually scrapped due to poor viewership.

The Legal Structure

IPL is an event organised by the BCCI. BCCI was registered as a Society in 1928 under the Tamil Nadu Societies Registration Act. The State Cricket Associations are its members who appoint the representatives through elections, forming the board currently chaired by Saurav Ganguly.

The BCCI, in turn, appoints a governing council for IPL which currently consists of six members who manage the entire event. There are no other direct employees, teams or committees who look after the IPL. It's all about six people conducting the entire event by outsourcing the various functions to different companies.

Who benefits from the profits of IPL?

BCCI, the society of state cricket associations, is the legal owner of IPL. The surplus profits from the league are owned by the board. These profits, similar to other revenue streams of BCCI, are utilised towards upgrading and maintaining stadiums, organising domestic cricket, paying the cricketers – national as well as domestic teams, various prize money, player welfare etc. Thus, cricket is the beneficiary of IPL surplus.

Who are the target customers?

While most audience feels they are the customers of the IPL, the real clients of the IPL are the Sponsors. The audience is merely a rating agency – the approval ratings of the audience helps the advertisers decide where to spend their marketing budget. The league is so cash-rich because it is full of sponsorship money. Corporates looking for an opportunity to advertise themselves, through IPL sponsorships, team sponsorships, the broadcasting channels or through various other means participate in the league and are the real customers who run the business of the IPL.

What are the revenue streams?

Since sponsors are the customers, the league earns its revenue from selling rights.

1. **Sponsorships** – Title Sponsor (Dream11, Vivo, Pepsi, DLF), Associate Sponsors (Polycab, Kamala Pasand, Asian Paints, ITC, Coco-Cola), Official Broadcaster (Star Sports, Sony Max), Official Digital Broadcaster (Hotstar), Official Partners (Altroz, Unacademy, Cred), Umpire Partners (Paytm), Official Strategic Timeout Partners (Ceat), etc. are all means through which corporates advertise themselves in the league, as their names are mentioned, announced, photographed and even talked about in the commentary (e.g. Ceat tyre strategic timeout). Over years various creative methods have evolved in the sponsorship business. The IPL earns approximately INR 700 Crore per year through these sponsorships.
2. **Broadcasting Rights** – The right to record and telecast the match Live or its highlights or its official videos anywhere on the internet remains with the broadcaster. The broadcasters like Star Sports and Sony Sports pay in exorbitant sums to BCCI to acquire these rights. Star Sports currently holds the broadcasting rights for 5 years (2018-2022) by paying INR 16,347 Crore to BCCI. The digital broadcasting rights are held by Disney Hotstar currently.
3. **Franchise Ownership Fees** – When the IPL started in 2008, the teams were auctioned to various corporates who bought the same for huge amounts by the bidding in the auction. Eight teams were auctioned and at the end of the bidding process, BCCI sold the teams for a total of approximately INR 3,200 Crore. However, the team price was payable over a period of ten years as Annual Fee and when team owners changed, the balance was payable by the new owners.

Team	Original Owner	$ mn
MI	Reliance Industries	112
RCB	United Breweries	111
DC	Deccan Chronicle	107
CSK	India Cements	91

Team	Original Owner	$ mn
DD	GMR Group	84
KXIP	Priety Zinta, Ness Wadia	76
KKR	Red Chillies Entertainment	75
RR	Emergining Media Group	67

The Franchises

The franchises who buy IPL teams paying approximately INR 400 Crore over 10 years, also have to bear the costs of players' fees, the support staff's fees, the travel and stay, the advertisement of their teams and various other costs involved in the process every year. Running a team isn't much different from running a business. Thus, the revenue sources for the team owners are important which heavily depend on the performance of the team. Besides, other factors like the home ground, popularity, fanbase, sponsors, etc also affect the revenue.

1. **Central Sponsorship Revenue** – One half of the sponsorship revenue generated by the BCCI through various title sponsorship and other sponsors is shared with the team owners in equal ratio. This forms a fixed source of revenue for the teams.

2. **Broadcasting Rights** – The broadcasting revenue that the BCCI earns is also shared with the teams. However, this share depends on the ranking of the team as the higher ranked team gets higher viewership during the matches.

3. **Team Sponsors** – The sponsorship of jerseys are a major source of revenue. Over years the number of logos on jerseys has increased as the sponsors have become creative. Official partnerships, advertisements by players and in various other various ways, the team owners generate sponsorship revenue of their own. This revenue varies from team to team based on the popularity of the team as advertisers would prefer popular teams for marketing.

4. **Ticket Sales and Ground Advertisement** – The revenue generated from the sale of tickets in stadiums goes to the home team owners. Around 80% of the tickets are held by the team owners who get the proceeds of the same. Besides, a share of sponsorship revenue from the boundary lines, banners and other areas of the stadiums, also go to the home team.

5. **Stall Rentals** – The food and beverages stalls that serve the spectators are given on contract basis to contracting company who sub-contracts it to others. The revenue generated from stall rentals is retained by the home team.

6. **Merchandise Sales** – Teams release official tshirts, caps, watches and various other products, ultimately bought by the fans, are also a stream of revenue for the IPL franchises.

The Broadcasters

The bidding for broadcasting rights goes to unprecedented amounts, however, in turn, the broadcasters also sign up 35-40 brands for commercials during the Live matches. They earn further revenue from advertisements during the during highlights and other shows telecasted later. With records viewership expected in 2020, Star Sports charges a whopping INR 12.5 Lakh for every 10 seconds advertisement during the Live Matches. So, every second is worth a lakh. The broadcasters also share their broadcasting rights with other broadcasters to telecast matches or highlights in other countries. While the cost of recording, telecasting and others remains same, broadcasters generate a much higher revenue during the IPL. Digital broadcasters like Hotstar also earn huge amounts from sponsorships of their own displayed during the Live telecast and also in-app advertisements of various kinds. It promotes their app and also increases their subscribers.

Event Managers

Since the only employees of IPL are the six members of the Governing council, most of the work is done by outsourcing and Event Managers are at the centre of all these. Event managers manage everything right from the auctions to the ground arrangements with their team of experts and by hiring contractors. Reliance IMG, the joint venture of UK based IMG and Reliance Industries, has been the event manager for almost a decade now. The Event Managers charge approximately INR 30-40 Crore per IPL season.

Cricketers

The auction process of the cricketers is well-known to everyone now. Players get paid according to their market demand and often end up getting paid much higher than they would have earned over the year through other forms of cricket. Many cricketers are now opting to play league cricket alone instead of international or domestic cricket. The best part is that the players get paid irrespective of whether they play a match or not – they just have to make themselves available with the team, free of injury or other commitments. It's a fixed salary! With some good performances in the league, a player can also gain popularity and bag advertisement contracts.

Support Staff

When the league is so cash-rich, and the opportunity to earn more depends heavily on performance and popularity, the support staff becomes much more important and the teams leave no stone unturned. The Mumbai Indians team for years has been known for hiring a support staff team almost equal to their cricketing squad. Other teams have followed the same and many ex-cricketers have opportunities here. The pay, just like any other aspect of IPL, is higher than what they would have earned during other days of the year.

Hotel and Facility Managers

With a league of such a stature involving star cricketers – Indian as well as foreign, rich team owners, Bollywood celebrities and many other eminent personalities, the travel companies, hoteliers and various other high-end facility providers also make a great deal of money by contracting with particular or multiple teams.

And many others

The above are only the direct participants of the IPL, some celebrities get paid for appearances, cheerleaders, media managers, marketing companies and a lot of other types of service providers who earn from the IPL. So, if money flows to you as water flows from the tap, will a businessperson turn off the tap or grab a glass? Well, you already know the answer – the IPL is happening, the show (business) must go on!

Goods and Services Tax

- System computed values of GSTR-1 statement are now being made available while filing GSTR-3B, in the form an auto-drafted PDF statement. The statement contains the following details:

  Table 3.1(a) – Outward supplies

  Table 3.1(b) – Outward supplies (zero-rated)

  Table 3.1(c) – Other supplies (nil, exempted)

  Table 3.1(e) – Non–GST outward supplies

  Table 3.2 – Supplies made to unregistered, or composition taxpayers and UIN holders

- GST portal has now delinked debit notes and credit notes from the original invoice. Earlier, all debit notes and credit notes had to be linked to the original invoice against which they have been issued. However, now taxpayers can raise a consolidated debit note or credit note against multiple invoices. Further, the filed taxable amount has also been made optional, to allow taxpayers to raise debit note or credit note for the difference in GST amount.

- GST portal now provides an offline tool to reconcile input tax credit as per GSTR-2B and as per Purchase Register. Taxpayers have to import into the offline tool, the GSTR-2B JSON file downloaded from portal and purchase register prepared in the template provided for the same. The offline tool supports 3,000 documents at once.

- New Form GSTR-2B has been enabled on the portal which provides details of input tax credit to assist in filing GSTR-3B. Unlike GSTR-2A, GSTR-2B is a static statement which does not update after the cut-off date, even if supplier files return at a later date. This statement comes in light of recent provision under Rule 36(4) of CGST Rules permitting provisional credit only to the extent of 110% of the eligible ITC as per GSTR-2A. However, no legal provisions have been amended yet to clarify the status of GSTR-2B.

- Prakash Kumar, Chief Executive Officer (CEO) of Goods and Services Tax Network (GSTN), has announced that the company is working on pre-filled GSTR-3B based on GSTR-1 and GSTR-2B and the same would be rolled out over next few months in phases.

- Government has discontinued the proposed New GST return filing system comprising of RET Forms and ANX Forms (Annexures). Existing forms with new upgrades and changes, along with new GSTR-2B statement will continue.

- The Central Board of Indirect Taxes (CBIC) has announced that the due date for filing Annual Returns GSTR-9 and GSTR-9C for the FY 2018-19 has been extended to October 31 which earlier stood at September 30 after multiple extensions. Taxpayers and accountants had expressed common desire for the due date to be extended to at least December 31.

- Delhi Government has notified Delhi Goods and Services (Amendment) Act, 2020 which amends section 132 to designate availing of input tax credit without invoice or bill as a cognizable and non-bailable offence. Amongst other amendments, the act now empowers Delhi Government to notify categories of services or supplies for which tax invoice would be issued in a particular manner. The amended act retrospectively exempts supply of fishmeal between July 2017 and September 2019. It also retrospectively reduces the GST rate on supply of pulley, wheels and other parts used in agriculture to 6% during the period between July 2017 to December 2018. The act also provides that the tax already collected shall not be refunded.

- The Authority for Advance Ruling (AAR), Karnataka bench, in a ruling with regards to GST registration of applicant Mr Anil Kumar Agarwal ruled on various sources of income whether the same would be considered under taxable turnover or not. According to the GST law, a taxpayer has to register under GST, if the aggregate turnover exceeds INR 20 Lakh. Further, the definition of aggregate turnover is also important for filing Annual Returns GSTR-9 and GSTR-9C. Aggregate turnover is defined to include taxable supplies, exempt supplies, exports of goods or services, inter-state branch transfer of supplies between two units having same PAN.

Our Guidance:

Type of income and whether included in aggregate turnover :

1. Partner's Salary or Share of Profit or Interest on Capital, from a Partnership Firm – *No, as the same is not supply of goods or supply of service while share of profit is merely application of money*
2. Director's Remuneration from a Private Limited Company – *No, however, if the director is a Non-executive director, then the same shall be included in aggregate turnover.*
3. Interest received on loan or advances; interest on fixed deposits, debentures, post office deposits, national savings certificates, public provident fund, national pension fund – *Yes, these are exempted services under 12/2017, hence, must be included in aggregate turnover*
4. Receipt on maturity of life insurance policies – *No, as insurance premiums are already taxable under GST, the proceeds on maturity are outside the ambit of GST*
5. Rent on commercial property and residential property – *Yes, as the same amounts to supply. Tax is not payable on rent from residential property as the same is exempt, however, the receipts must be included in aggregate turnover.*
6. Dividend on shares; Capital gain or loss on shares – *No, as the term 'Goods' specifically excludes 'securities'.*

- The Authority for Advance Ruling (AAR), Karnataka bench, in a latest ruling has adjudged that property taxes cannot be reduced while leving GST on rent value of immovable properties. Further, the amount of security deposit will not be considered under total turnover, however, if any portion of the same is not refunded at the end of lease term, such amount shall be taxable. Notional interest on security deposit shall be included in taxable turnover only when such notional interest reduces the agreed value of rent.

- Delhi High Court has rejected the plea of Manufacturers Traders Association (a society of textile manufacturers) to notify 5% as universal rate on all kinds of fabrics. Categories of fabrics falling under Chapter 50 to 63 are taxed at 5% except for fabrics falling under Chapter 58 and 59 which are taxed at 12%.

- Gujarat High Court in the case of Britannia Industries has allowed its unit in Special Economic Zone (SEZ) to claim a refund of input tax credit (ITC) distributed by Input Service Distributor (ISD), as its outward supplies were zero-rated. Input Service Distributor (ISD) is a provision whereby one branch (or head office) can distribute its input tax credit to other branches, where all have GSTIN from a common PAN. This allows companies to distribute ITC to its branches.

- The Authority for Advanced Ruling (AAR), Maharashtra bench, in the case of Tata Motors Limited, has ruled that input tax credit shall be available in case of GST charged on hiring vehicle with capacity of more than 13 persons used for transportation of employees to workplace, to the extent the expense is borne by the employer.

- Composition taxpayers who have not filed their GSTR-4 return for any period until March 31, 2019, and also GSTR-10 return can now file the same by paying a maximum late fee of INR 500, according to the Notification 68/2020 dated September 21.

- The Central Board of Indirect Taxes and Customs (CBIC) has extended the due date and validity of e-way bill to October 31, in respect of good sent, received or returned during March 20 to October 30. Earlier, the notification specified due date as June 30 for the period from March 20 to June 29.

- Comptroller and Auditor General (CAG) has reported that Government has violated the law by retaining INR 47,272 Crore of GST Compensation Cess in the Consolidated Fund of India during FY 2017-18 and FY 2018-19 and used the money for other purposes. Earlier, Finance Minister had claimed COVID-19 an act of God being reason why the Central Government did not have funds to compensate the states as per GST (Compensation to States) Act, 2017.

- The GST collections in August stood at INR 86,449 crore which is 88% of the collections during the same period last year. This is a significant improvement over the collections during the month of April to July.

- E-invoicing mechanism has been enabled for all taxpayers with turnover exceeding INR 500 Crore. E-invoicing is mandatory from October 1 for such companies. GST Network has issued a list of frequently asked questions.

- To enhance ease of doing business, the Government is considering the removal of provisions in GST law that allow officers powers to arrest taxpayers suspected of evasion or claiming the undue input tax credit.

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

Income Tax

- Income Tax Department has proposed to extend the faceless assessment scheme to eight new proceedings: faceless income escaping assessment, faceless rectification, faceless amendment notice or intimation, faceless collection and recovery of tax, faceless revision of returns, faceless effect of orders, faceless approvals or registrations, faceless inquiry or valuation and collection of information.

- The Central Board of Direct Taxes (CBDT) has extended the due date for filing belated or revised returns for FY 2018-19 to November 30. Earlier, the date was extended to June 30 and September 30.

- Ajay Bhushan Pandey, Finance Secretary, has announced that faceless appeals in income tax shall be implemented from September 25. The income tax department had rolled out a faceless assessment from August 13. However, cases of the penalty and transfer pricing are under consideration if the same can be included in this regime. Two-third of the CBDT staff has been deployed under the faceless assessment scheme.

- October 1 onwards, 0.1% tax has to be collected at source on receipts against the sale of any kind of goods, if the quantum of such receipts exceeds INR 50 Lakh. This applies to taxpayers with turnover exceeding INR 10 Crore in the previous financial year. Refer our August edition of 'The Green Digest' for detailed guidance.

- October 1 onwards, 5% tax has to be collected at source for any remittances outside India, if the same exceeds INR 7 Lakh, unless the payment already attracts tax deduction at source. If the remittance is education-related, the rate of tax collection at source is 0.5%. The limit of INR 7 Lakh will not apply to foreign tour packages.

- As per a latest ruling by Income Tax Appellate Tribunal, Bangalore bench, expenses incurred by a corporate taxpayer for buyback of shares are revenue expenditure and the same shall be a permissible expense. The tribunal relied on the Karnataka High Court's decision in case of CIT vs Motor Industries Co. Ltd.

- The Central Board of Direct Taxes (CBDT) has clarified that scrip-wise reporting applicable only when claiming Long Term Capital Gains (LTCG) exemption and not for intraday traders or short-term gains, while filing Income Tax Returns.

- The Central Board of Direct Taxes (CBDT) has notified Shri Ram Jamnabhoomi Teerth Kshetra, the trust created for construction of Ram Mandir in Ayodhya, as a 'place of historic importance and a place of public worship'. Thereby, any donation to the said trust would be eligible for 50% deduction under section 80G.

- The Central Board of Direct Taxes (CBDT) has issued pending refunds INR 1,01,308 crore to more than 27.55 lakh taxpayers between April to September, as per a tweet by Income Tax Department. Interestingly, they also tagged 30+ news channels in this tweet.

- Comptroller and Auditor General (CAG) has reported 77% of the additions made to the income owing to Search and Seizure cases do not withstand the judicial scrutiny at appellate tribunals. This is based on sample scrutiny of cases where it noted that tax officials have not considered existing judgements or failed to mention the provisions of law under which the additions have been made to the income.

- The Government shared that 35,074 direct tax disputes have been resolved under Vivad Se Vishwas Scheme as on September 8. As per an estimate, there is around 6 lakh pending tax cases at different levels where INR 10 Lakh Crore of tax revenue is under litigation.

- Income Tax Appellate Tribunal (ITAT) in a latest ruling adjudged that once a return has been accepted under section 44AD, subsequent additions to income owing to unexplained sources shall also be taxed at 6% or 8% as applicable.

- Delhi High Court in the case of Ashok Chaddha has ruled that normal jewellery collected over a period of 25 years of married life cannot be considered as unexplained income. The income tax had found 906 grams of jewellery during search. Assuming 400 grams as reasonable 'stree dhan', balance was added to income u/s 69.

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

Corporate Laws

- The Registrars of Companies (ROC) have allowed a three-month extension to companies in holding Annual General Meeting (AGM). Companies can now conduct AGM up to December 31.

- The Ministry of Corporate Affairs (MCA) has also extended the following due dates:

  1. Creation or modification of charges as covered by Notification 23/2020 – extended to December 31 instead of September 30.
  2. Conduct of Extraordinary Meetings (EGM) through Video Conferencing or Other Audio-Visual Means – extended to December 31.

- The Ministry of Corporate Affairs (MCA) has extended the last date for 'Companies Fresh Start Scheme, 2020' and also 'LLP Settlement Scheme' to December 31, instead of the original September 30 deadline, owing to disruption due to COVID-19.
- The Ministry of Corporate Affairs (MCA) has amended the rules to allow startups to raise funds through corporate bonds or other convertible instruments convertible or repayable in 10 years instead of 5 years, an amount up to INR 25 Lakh. The same will not be considered as 'Deposits'.
- The Ministry of Corporate Affairs (MCA) has extended the due date for submitting the Cost Audit Report to the Board of Directors to November 30.
- In a written reply to Lok Sabha, Anurag Thakur, Minister of State for Corporate Affairs, mentioned that the Government is planning to use data analytics and artificial intelligence for corporate profiling, behaviour analysis and fraud analysis, with the aid of Artificial Intelligence.

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

Customs and Foreign Trade

- Central Board of Indirect Taxes and Customs (CBIC) has announced that faceless assessment shall be rolled out for import of all goods at all ports in phases by October 31. Earlier, the faceless assessment was introduced in Bengaluru and Chennai ports in June and later extended to Delhi and Mumbai customs in August. Under faceless assessment, an assessing officer, physically located elsewhere will assess the Bill of Entry about imports at any other location. The Bill of Entry shall be assigned to different officers across various ports through an automated system.
- 5% customs duty has been reimposed on Open Cell used in Television manufacturing from October 1. Earlier, the Government had exempted the same till September 30 to allow domestic industry time to build capacity. To enhance production and domestic sales, the Government had levied 20% customs on television import in December 2017.
- The Government has imposed anti-dumping duty on the commonly used drug Ciprofloxacin, an antibiotic used for bacterial infections, if the same is 'Made in China', irrespective of the country of import, from September 2 onwards. The decision was taken after complaints from domestic manufacturers.
- As per new rules, importers are now required to do due diligence of their imports to meet the prescribed 'Rules of origin' provisions for availing the concessional rates of customs under Free Trade Agreement (FTA) from September 21 onwards. Importer has to now enter details of origin of goods in the bill of entry as available in the Certificate of Origin.

(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) has further announced that the new 'Positive Pay' system for cheque payments will be effective from January 1. The facility will be available at the discretion of the account holders, however, the banks are allowed to make it mandatory in case of cheques with an amount exceeding INR 5 Lakh. Under the positive pay system, the issuer of the cheque has to upload the details of cheque issued on the bank's mobile app or the net banking portal. The facility will be made available by National Payments Corporation of India (NCPI) to the banks in due course.

- Legislation to bring Cooperative Banks under Reserve Bank of India's (RBI) supervision has been passed in Lok Sabha. The legislation has been made already made effective by an ordinance signed by the President.

- The Ministry of Finance (MoF) has issued a statement clarifying that there is no decision has been taken on stopping the printing of INR 2,000 denomination notes. During the FY 2019-20, according to Reserve Bank's report, not even a single INR 2,000 denomination note was printed, while the number of notes printed has also declined steadily since its introduction in 2016.

- The Reserve Bank of India (RBI) has directed banks to develop an automated IT system to classify assets and create provisions to ensure compliance related to the classification of advances Non-Performing Assets (NPA). RBI had issued a similar circular in August 2011.

- In another round of sovereign bonds offered by Reserve Bank of India (RBI), the bonds went unsold owing to lack of interest by investors. Government borrowing has jumped to INR 12 lakh crore in recent times, as the Central Government and State Governments are cash-strapped. The yield rates on the bonds are unappealing.

- T Rabi Sankar, Executive Director of Reserve Bank of India (RBI), said that the central bank is planning to create a new Digital Payment Index (DPI) to access the extent of digitisation in India. Per-capita penetration of digital payments is quite low and thus, an index can help.

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

Accounting and Auditing

- The Reserve Bank of India (RBI) has introduced a Revised Long Format Audit Report (LFAR) to improve the efficiency of the internal audit and risk management systems of the banks for FY 2020-21 onwards. The LFAR provides an insight into the gaps and vulnerable areas in the business operations of the bank to the board of directors. The Board would be required to place the same before Audit Committee and also submit the same within 60 days to RBI.

- The Institute of Chartered Accountants of India (ICAI), the premiere auditing body in India, has introduced a new Assessment Test for students who have passed CA-Final examination, however, have not applied for membership or who were members earlier, and wish to restore membership, after a period of 3 years in both cases. According to the institute president, Mr Atul Gupta, the move is aimed at maintaining high quality.

- National Financial Report Authority (NFRA) has issued a list of frequently asked questions about Form NFRA-2. NFRA-2, dubbed as Auditors' Annual Return, is a form where the auditor has to provide annual information about resignations as auditors and names of such companies, withdrawal of financials and number of such cases in past three years and a statement on quality control, amongst other details.

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

Payroll and Statutory Contributions

- Comptroller and Auditor General (CAG) in its report has stated that 82% salaries taxpayers are 'harassed' by Income Tax Department, due to non issue of refunds for tax deducted at source (TDS) owing to mismatch as per Form 26AS and income tax returns. It is recommended that to collect Form 16 from employers and file the returns accordingly to avoid such situations.

- Comptroller and Auditor General (CAG) has reported that the National Pension System (NPS) has not ensured full coverage of all eligible Government employees, even after 15 years of implementation, amongst other flaws and delays.

(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 (%)	Jun-20	−23.9	3.10
Inflation (%)	Aug-20	6.69	6.73
Unemployment (%)	Jun-20	11.00	23.50
Trade Balance ($m)	Aug-20	−6770	−4830
GOI Bond 10yr (%)	Aug-20	6.02	5.94

- The movement in the major indices of various stock exchanges across the world, during the month of September, 2020 was as follows:

Equity Index	Country	%
NIFTY 50	India	– 1.23
BSE SENSEX	India	−1.45
INDIA VIX	India	– 14.47
NIFTY BANK	India	– 9.69
DOW JONES	USA	– 1.79
NASDAQ	USA	– 4.56
S&P 500	USA	– 3.41
FSTE 100	UK	– 1.29
NIKKEI 225	Japan	+ 0.20
SHANGHAI COM	China	– 5.23
MOEX	Russia	– 1.88
CAC 40	France	– 2.30
DAX	Germany	– 0.95
ASX 200	Australia	– 4.04
BOVESPA	Brazil	– 4.86
FTSE STI	Singapore	– 0.03
KOSPI	South Korea	+ 0.07
HANG SENG	Hong Kong	– 6.82

- The movement in the major commodities futures with latest expiry, as per MCX during the month of September, 2020 was as follows:

Commodity	Expiry	Price	%
Gold	04/12	50,529	– 2.27
Silver	04/12	61,270	– 13.01
Crude Oil	19/10	2,926	– 6.96
Natural Gas	27/10	189	– 0.94
Aluminum	30/10	144	– 1.23
Copper	30/10	525	– 0.47
Cotton	30/10	18,200	2.65

- The movement in the reference rates of major global currencies during the month of September, 2020 was as follows:

Currency Pair	Sep 30	Aug 31	%
INR/1 USD	73.85	73.60	– 0.35
INR/1 GBP	94.97	98.13	+ 3.22
INR/1 EUR	86.17	87.57	+ 1.60
INR/100 YEN	69.92	69.67	– 0.36

- Movement in the major cryptocurrencies during the month of September, 2020 was as follows:

Currency	Pair	Price	%
Bitcoin	BTC/USD	10,781.00	– 7.89
Ethereum	ETH/USD	355.34	– 18.02

Currency	Pair	Price	%
Tether	USDT/USD	1.00	– 0.03
XRP	XRP/USD	0.24	– 14.31
Btc Cash	BCH/USD	226.18	– 18.19

Corporate News

- **Tata Projects** wins the bid to construct new parliament building at a cost of INR 861.90 crore. The new building is expected to involve 21 months of construction work.

- Desperate times has resulted in **ITC Hotels**, one of the leading luxury hotel chain in India, opening up its laundry to all customers, at all its properties across the country. It shall charge INR 650 for dry cleaning suits, INR 300 for a Sari and INR 245 for a Shirt. It has also tied up with Zomato and Swiggy to home deliver food. The hospitality industry is heavily affected by the pandemic.

- **PM Cares** fund has received exemption from the operation of all provisions of the Foreign Contribution (Regulation) Act, 2010 (FCRA) according to the frequently asked questions on its website. The law strictly monitors the sources of foreign funds received by an Indian entity and has been a havoc for various NGOs. Exemption is available only to organizations set up by Central or State law, however, PM Cares has already claimed multiple times that it is a private trust.

- The Income Tax Department has moved to Madras High Court against **A R Rehman** for allegedly routing income through A R Rehman Foundation, a charitable trust, to the tune of INR 3.47 crore in FY 2011-12. The singer had entered into a contract with Libra Mobiles, to donate his entire remuneration for making exclusive ringtones, directly to the charitable trust. However, as per income tax law, the income must first be received personally and tax must be paid on same and then the balance can be transferred to charitable trust.

- **Gati Limited** continues to receive several red flags and a qualified opinion in the Auditors' Report. Auditors Singvi and Co have highlighted unrecovered loan from subsidiary, impairment risks and excess remuneration. Mahendra Agarwal, the Managing Director of the company, has resigned with immediate effect from September 28. Allcargo had acquired 47% stake in the company and had court approval to remove Mahendra Agarwal from the position by holding an Extraordinary General Meeting on September 30. The meeting has been cancelled subsequently.

- According to data compiled by Capitaline, the dividend payout of **Nifty 500 companies** have risen to 42.5% in FY 2019-20. This is highest payout of dividend in the last seven years.

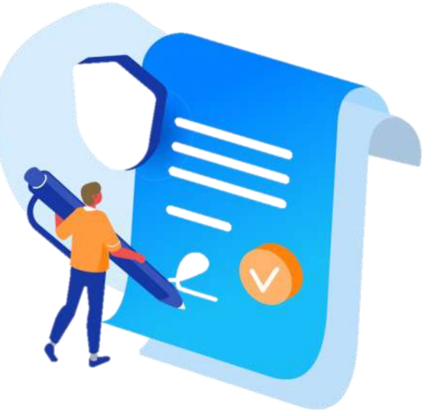
- The Securities Exchange Board of India (SEBI) has shortlisted **Airtel, Tata Communications and Wipro** to rewamp its IT infrastructure network and communication.

- **Yes Bank** has repaid its entire Special Relief Fund of INR 50,000 crore from State Bank of India on September 8. The chairman, Mr Sunil Mehta, confirmed that there are no plans of merger with the State Bank of India.

- **Britannia Industries** has settled the case with Securities Exchange Board of India (SEBI) for alleged failure to carry out due diligence before transmitting shares and issuing demand draft, by paying INR 46 lakh.

- The long battle between **Vodafone** and Income Tax Department seems to have finally come to an end with Vodafone winning the case at the International Court of Justic in Hague, Netherlands. Whether the Government agrees to would be an interesting call, as non-adherene would result in international defamation.

Practical aspects of the new TCS on sale of all goods effective October 1 As per Income Tax Act, 1961, certain persons are required to collect tax from their buyer at specified rate on specified transactions. In order to widen and deepen the tax net, it is proposed to amend section 206C to levy TCS on sale of goods above specified limit. In this article let's understand the detailed provisions and practical aspects related to this new type of levy affecting all kinds of sales ...



All you need to know about Advance Pricing Agreements There's never really a phase in life where we aren't awaiting some sort of results. We give some sort of test and await results while someone else is assessing our performance. It's anerve-racking phase where we travel the world of possibilities with too many questions on mind, and absolutely no answers, only likelihoods.This happens because our plans and course of actions are dependent on these results ...

Decriminalizing Cheque Bounce – Removing hurdle or adding new? Ministry of Finance has announced that it intends to decriminalize a list of 39 minor offences relating to 19 different laws which are not serious in nature, however, the punishment is punitive. Their rationale is, if we stop criminalizing some small offences, it could improve significantly improve ease of doing business in India (and the rankings), meanwhile also unburden ...

Transfer Pricing Methodologies – Profit Split Method John is an insurance agent. In a bid to increase his sales, he approached his friend Peter who was a Doctor and asked him to introduce John to Mr Black, a rich businessperson who happened to take routine services from Peter. Peter agreed and did a great job at mentioning a good word which landed John with a client which wouldn't have been possible otherwise. John felt really grateful about Peter and wanted ...

Newsletter by:

Greenvissage

Greenvissage Business Consulting LLP

LLPIN: AAB-9132

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

PUNE

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

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

MUMBAI

260, 2nd Floor, Satra Plaza,
Sector 19D, Vashi,
Navi Mumbai – 400703, India
Google Maps

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

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