

REGULATORY UPDATE

COMPREHENSIVE NOTE ON RELAXATION IN VIEW OF COVID-19

COMPANIES ACT

INCOME TAX ACT

GST

CUSTOM

OTHERS

INTRODUCTION

As in our last article, we have discussed the Global Economic Impact of COVID-19 outbreak and in the midst of this, a lot of quick actions has been taken by the Government of India to give relief in the financial sector and due dates for returns.

Here is a quick view of decisions concerning statutory and regulatory compliance matters related to various sectors.

COMPANIES ACT

- Following matters can be held through video conferencing or other audio visual means from the 19th March to 30th June 2020:
 - The approval of the annual financial statements
 - The approval of Board's report
 - The approval of the prospectus
 - The Audit Committee Meetings for consideration of financial statement including consolidated financial statement if any, to be approved by the board
 - The approval of matters relating to amalgamation, merger, demerger, acquisition and takeover.
- No additional fees will be charged for late filing during a moratorium period from 01st April to 30th September 2020, in respect of any document, return, statement etc., required to be filed in the MCA-21 Registry, irrespective of its due date.
- The requirement of holding meetings of the Board of the companies is being extended by a period of 60 days till next two quarters i.e., till 30th September. Accordingly, as a one-time relaxation the gap between two consecutive meetings of the Board may extend to 180 days till the next two quarters, instead of 120 days.
- The Companies (Auditor's Report) Order, 2020 shall be made applicable from the financial year 2020-2021 instead of being applicable from the financial year 2019-2020.
- As per the regulatory requirements, if the meetings of Independent Directors of a company have not been held, it shall not be considered as a violation
- The deposit repayment reserve of 20% of deposits maturing during the financial year 2020-21 before 30th April 2020 shall be allowed to be complied with till 30th June 2020.
- The Deposits which were due for maturity on or before 30.04.2020 for which a deposit reserve of 20% had to be created has been extended for compliance till 30.06.2020.
- For newly incorporated companies, there is a requirement to file declaration on commencement within six months, which has been extended by additional six months to file their returns. Thus, the newly incorporated companies have been given a time of one year to file their Commencement of Business Return.
- Minimum Residency requirement not applicable for this Financial Year.
- Due to the emerging financial distress faced by most companies on account of the large-scale economic distress caused by COVID 19, it has been decided to raise the threshold of default under section 4 of the Insolvency and Bankruptcy Code, 2016 to Rs 1 crore (from the existing threshold of Rs 1 lakh). This will by and large prevent triggering of insolvency proceedings against Micro Small Medium Enterprises (MSME).
- The Ministry of Corporate Affairs (MCA) has clarified that spending on Corporate Social Responsibility (CSR) funds for COVID-19 are eligible CSR activity dated 23rd March 2020. The Companies have to file a simple Form Company Affirmation of Readiness towards COVID-19 till 30th March 2020.
- Applicability of Companies (Auditor's Report) Order, 2020 shall be made applicable from the financial year 2020-2021 instead of from 2019-2020 as notified earlier. This will significantly ease the burden on companies & their auditors for the year 2019-20.
- Earlier advisories were issued to implement work from home policy for employees of corporate sector.

DIRECT TAX

- Belated / Revised Income Tax Returns for financial year 2018-19 can be filed by June 30th, 2020.
- Last date for Aadhaar-PAN linking extended to June 30th, 2020.
 - All investments for rollover benefit of capital gains under the Income Tax Act, Prohibition of Benami Property Transfer Act, Black Money Act, Securities Transaction Tax law, equalization levy law extended to June 30, 2020.
 - "Vivaad se Vishwas", the Amnesty Scheme for settlement of tax disputes without payment of additional 10 % amount, where the time limit was expiring on March 31st, 2020, now extended to June 30th, 2020.
 - For delayed payments of advanced tax, self-assessment tax, regular tax, TDS, TCS, equalization levy, STT, CTT, made between 20th March 2020 and 30th June 2020, reduced interest rate at 9% instead of 12% and 18% per annum (i.e. 0.75% per month instead of 1/1.5% per month) will be charged for this period. No late fee/penalty shall be charged for delay relating to this period.

INDIRECT TAX

- Those having aggregate annual turnover less than Rs.5 Crore can file GSTR-3B due in March, April and May 2020 by the last week of June, 2020. No interest, late fee, or penalty to be charged.
- Others can file returns due in March, April and May 2020 by last week of June 2020 but the same would attract reduced rate of interest @ 9 % per annum from 15 days after due date (current interest rate is 18 % per annum). No late fee or penalty to be charged, if complied before till 30th June 2020.
- Date for opting for Composition Scheme is extended till the last week of June, 2020. Further, the last date for making payments for the quarter ending 31st March, 2020 and filing of return for 2019-20 by the composition dealers will be extended till the last week of June, 2020.
- Date for filing GST annual returns of FY 18-19, which is due on 31st March, 2020 is extended till the last week of June 2020.
- Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents, time limit for any compliance under the GST laws where the time limit is expiring between 20th March 2020 to 29th June 2020 shall be extended to 30th June 2020.

- Payment date under Sabka Vishwas Scheme shall be extended to 30th June, 2020. No interest for this period shall be charged if paid by 30th June, 2020.

BANKING SECTOR

- Reduction of 75 basis points in Repo Rate, bringing it down to 4.4 per cent which is lowest ever rate.
- Reverse Repo Rate, which sets the floor of the Liquidity Adjustment Facility (LAF) corridor, was reduced by 90 basis points to 4.0 per cent.
- Reduction of Cash Reserve Ratio (CRR) of all banks by 100 basis points to 3.0 per cent of Net Demand and Time Liabilities (NDTL) with effect from the reporting fortnight beginning March 28th, 2020 for a period of one year.
- Increase in the accommodation under the Marginal Standing Facility (MSF) from 2 per cent of the Statutory Liquidity Ratio (SLR) to 3 per cent with immediate effect. This measure will be applicable up to June 30, 2020.
- All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) ("lending institutions") are being permitted to allow a moratorium of three months on payment of installments in respect of all term loans outstanding as on March 1, 2020.

CUSTOMS

- 24X7 Custom clearance till end of 30th June, 2020.
- Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing applications, reports, any other documents etc., time limit for any compliance under the Customs Act and other allied Laws where the time limit is expiring between 20th March 2020 to 29th June 2020 shall be extended to 30th June 2020.

FINANCIAL SERVICES

- Relaxation of 3 months for debit cardholders to withdraw cash free of charge from any other bank's ATM.
- Waiver of maintaining minimum account balance.
- Reduced bank charges for digital trade transactions for all trade finance consumers.
- IT vendors who aid banking operations, banking correspondence and ATM operations and cash management agencies are exempted from lockdown.
- Data and call centers that are involved with government activities will be operational.

MEDICAL SECTOR

- Permission for retail selling of drugs to doorstep of consumers in order to meet the requirements of emergency arising.
- Restriction of the sale and distribution of drug 'Hydroxy Chloroquine' and preparation based thereon for preventing their misuse.
- Prohibition on export of all ventilators, surgical/ disposable (2/3 ply) masks only and textile raw material for masks and coveralls.
- Veterinary Hospitals, Pharmacies including Jan Aushadhi Kendra, and pharmaceuticals research lab are covered under essential services are exempted from lockdown.

DEPARTMENT OF COMMERCE

- Extension of timelines for various compliance and procedures will be given. Detailed notifications will be issued by Ministry of Commerce.

DEPARTMENT OF FISHERIES

- All Sanitary Permits (SIPs) for import of SPF Shrimp Broodstock and other agriculture inputs expiring between 01.03.2020 to 15.04.2020 has been extended by 3 months.
- Delay upto 1 month in arrival of consignments to be condoned.
- Rebooking of quarantine cubicles for cancelled consignments in Aquatic Quarantine Facility (AQF) Chennai without additional booking charges.
- The verification of documents and grant of NOC for quarantine would be relaxed from 7 days to 3 days.

RELIEF PACKAGE

- 5kg cereals (rice or wheat) and 1kg pulses for next three months in addition to what they are getting right now through Public Distribution System.
- Cash transfer to farmers, MANREGA, poor widows, pensioners and handicap, women having Jan Dhan Accounts, Ujjwala Scheme Beneficiaries, women in Deen Dayal Upadhyaya Scheme, and construction workers.
- Installment of Rs. 2000 in the first week of April will be transferred to farmer's account due to which 8.69 crore farmers will be immediately benefited.
- Women having Jan Dhan account will receive Rs 500 in their accounts so that they can take care of their households. This will happen for next 3 months.
- Women covered under Ujjwala Scheme will be given free cylinders for the next 3 months. This will benefit 8.3 crore BPL families.

- Under National Rural Livelihood Mission scheme collateral loans will be doubled to Rs 20 lakh for women.
- The PF scheme regulations will be amended to allow employees to draw non-refundable advance of 75% of amount standing to credit or 3 months wages, whichever is lower., resulting in benefit 4.8 crore workers.
- Under PM Gareeb Kalyan, Govt. will pay the EPF contribution for both employer and employee for the next 3 months. This is for establishments with upto 100 employees where 90 per cent earn less than Rs 15,000 per month.
- Worker's Welfare Fund of Rs 31,000 crore to be utilized for construction workers which will benefit 3.5 crore construction workers.
- 63 lakhs Self Help Group Women (SHG) will get collateral free loan of 20 lakhs which earlier was 10 lakhs.
- The State Government will utilize district mineral funds for coronavirus testing and medicines.

CONCLUSION

Nationwide & global lockdowns will have a significant impact on Global and India's GDP growth, making this possibly one of the worst economical crisis we have seen in our lifetimes, even worst than the 2008 Global financial crisis.

This will demand a stronger policy response from governments and resilience on part of the business community.

The announcement of **INR 1.7 Lakh Crore** relief scheme coupled with relaxations announced by the Government will be helpful to lessen the anxieties of business owners; it would also help accelerate the demand.

NOTE:

- *The above presented data has been captured from notification and circular issued by various concerned authorities and from press release by concerned authorities which are yet to be notified.*
- *This is an attempt from Lawrbit's Regulatory update team to help you abreast of the changes in current scenario.*



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