

Newsletter

Bhatia & Bhatia Chartered Accountants



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KEY DATES FOR SEPTEMBER 2021:

- TDS/ TCS payment 7th September.
- GSTR1 (Monthly) by 11th September.
- GSTR 2B by 14th September.
- Second instalment of advance tax for AY 2022-23 by 15th September.
- GSTR 3B (Monthly) by 20th September.
- Last date for issuing credit note or making any amendments for invoices raised during the AY 2021-22 by 30th September.
- Last date of availing ITC for AY 2021-22 by 20th September.
- Return of income for non-corporate assessee (where tax audit is not applicable) by 30th September.



*"Play by the rules, but be ferocious."
– Phil Knight, founder, Nike*

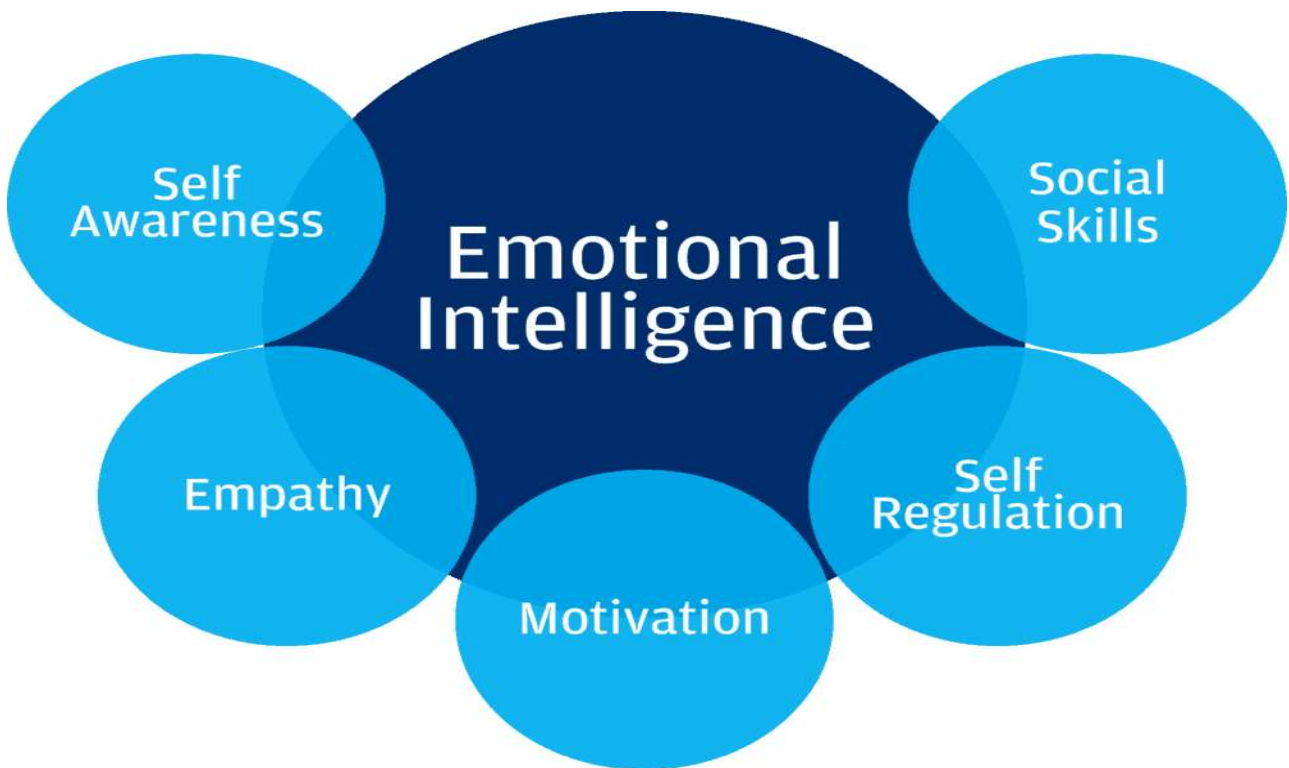


Emotional Intelligence (EI) is an essential part of professional development. Emotional Intelligence is the ability to understand and manage your own emotions, as well as recognize and influence the emotions of those around you. These skills have been strongly associated with both dynamic leadership and satisfying personal life experiences.

Emotional intelligence can transform good leaders into great leaders, and those great leaders can subsequently transform their organizations and its culture. Engaging in building emotional intelligence can help individuals to strengthen professional relationships and leadership skills. This can also contribute to foster an individual's leadership potential by understanding the complex relationship between emotions and action.

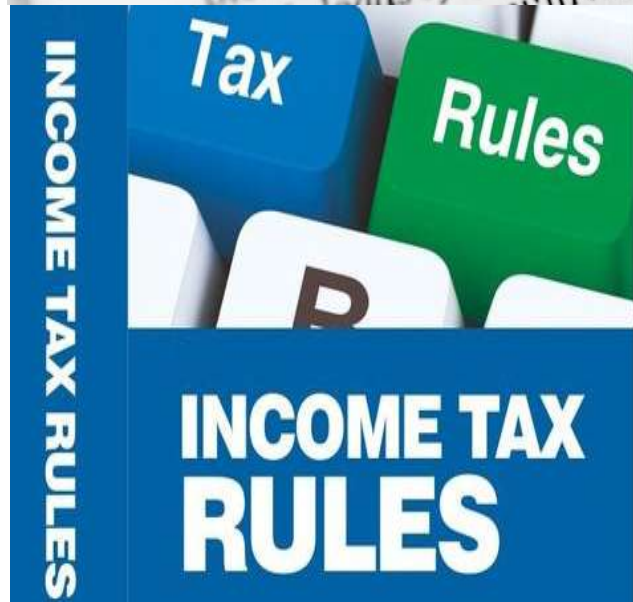
As we begin to embark on a post-COVID world, EI is more relevant than ever as there is rise in demand for technological, social and rise in emotional and higher cognitive skills. Being an effective leader is not only about technical skill, strategic thinking and knowledge. Being a great leader also requires Emotional Intelligence.

CA Neeru Singh
Partner



CBDT notifies rules to compute exemption & income taxable at concessional rates in hands of specified fund vide Notification No. G.S.R. 545(E) [NO. 90/2021/F.NO. 370142/20/2021-TPL]

The Central Board of Direct Taxes (CBDT) hereby amend the Income-tax Rules, 1962, for the Computation of exempt income of specified fund for the purposes of section 10(4D) for income attributable to units held by non-resident (not being the permanent establishment of a non-resident in India). Also the CBDT amends the rules for determination of income of a specified fund attributable to units held under section 115AD (1A) by way of short-term or long-term capital gains.



CBDT notifies Rule for computation of tax relief on Book Profits increased due to APA/Secondary Adjustments vide Notification No. G.S.R. 551(E) [NO. 92/2021/F. NO.370142/21/2021-TPL]

The Finance Act, 2021 has inserted a new Section 115JB(2D) according to which, the Assessing Officer, on an application by the assessee in Form 3CEEA, shall re-compute the book profit of the past years and tax payable thereon if assessee's current year's income has increased due to APA or secondary adjustment. CBDT has further notified new Rule 10RB prescribing manner for computation of relief in tax-payable under section 115JB (1) due to operation of newly inserted section 115JB(2D). The tax credit allowed to the assessee under section 115JAA shall be reduced by the amount equal to the amount of reduction allowed under this rule

CBDT extends due dates for filing of various forms vide Circular No. 16/2021 for extending the due dates for e-filing of certain forms under the Income-tax Act, 1961 (the Act)

The application for registration or intimation or approval in Form No.10A or 10B may be filed on or before March 31, 2022.

The Equalization Levy Statement in Form No. 1 for the Financial Year 2020-21, has been further extended to December 31, 2021.

CBDT extends the last date of payment of the tax liability (without any additional liability) under section 3 of the Vivad se Vishwas Act to October 31, 2021.



“Mistakes are the growing pains of wisdom.”

– William George Jordan, writer/editor



CHARITABLE

TRUST



Excess of income over expenditure by itself was not a reason to hold that assessee-trust was not engaged in charitable activities

CIT vs Angels Educational Trust in TC Appeal No. 619 of 2011, Madras High Court

Assessee applied for the registration under section 12AA of the Act. Ld Commissioner of Income Tax (Ld CIT) rejected the application on the ground that the income for previous consecutive years was more than the expenditure. Observing the same, the application of the assessee was rejected by the Ld CIT, without bringing any cogent material on record.

Considering the decision of High Court of Punjab and Haryana in St. Lawrence Educational Society (Regd.) v. CIT reported in (2013) 353 ITR 320 and also in Tolani Education Society v. Dy. DIT (Exemptions) reported in (2013) 35 ITR 184, wherein the High Court has observed that the petitioner (therein) has a surplus of income over expenditure for the three years cannot by any stretch of logical reasoning, lead to the conclusion that the petitioner therein does not exist solely for educational purposes or that it exists only for profit, has held in the case of the instant assessee that “the Trustees were authorized to administer the Trust, the same was held to be not a reason to reject the case of the assessee-Trust and it is common that the day-to-day activities of a Trust cannot be entrusted to all 14 Trustees and therefore, the President and Secretary of the Trust have to administer the Trust and there is nothing wrong in such an arrangement made by the assessee Furthermore, the Tribunal was right in observing that if in any particular assessment year, if there was any error in the manner in which the funds of the Trust were administered, it would be open to the Assessing Officer to examine the case and decide as to whether the assessee-Trust was entitled to the benefit of Section 11 of the Act for a particular assessment year or not. Thus, the Tribunal rightly held that the assessee-Trust was entitled to registration under section 12AA of the Act.”

Where assessment orders passed in case of assessee under section 153A of the Act, pursuant to search operation were passed in gross violation of principles of natural justice matter was to remanded back to Assessing Officer for adjudication afresh

Vetrivel Minerals vs ACIT, CC-2 in WP(MD) Nos 11261 11271,1272,11273 and 11765 of 2021, Madras High Court

Search was conducted on the assessee under section 153A of the Act. While culminating the assessment proceedings the revenue had not given all panchamas to the assessee. Neither the copies of materials seized which were used for framing assessment were supplied to assessee nor was any opportunity of cross examination provided. Also the provisions of section 65B of the Indian Evidence Act were not complied with before admitting electronic evidence.

The Hon’ble High Court observed that if the department uses incriminating materials for framing of the assessment, copies of the same should be given to the assessee. Non furnishing of the panchanama to the assessee is a violation of the principles of natural justice as it disables the petitioners from having knowledge of the seized materials and the alleged incriminating materials relied upon by the department. In context with the opportunity of cross examination not been granted to the assessee it was further observed by the Hon’ble High Court that the basic principles of jurisprudence governing the law of evidence can in no way be interfered by the Income-tax Act provisions and neither the authorities functioning under the Income-tax Act has any discretion in such matters. The Hon’ble High Court was further pleased to observe that as no certificate was placed on record for admitting the electronic record, as required under section 65B of the Indian Evidence Act. In light of the said observation the impugned assessment orders were set aside and the matter was remanded back to the file of the Assessing Officer for denovo assessment.



Management consultancy not within the ambit of, “Technical consultancy”

Shri Pramod Lele vs. Income Tax Officer in ITA No. 4306/Mum/2019, Mumbai Income Tax Appellate Tribunal

Assessee is an individual carrying on the business of Management Consultancy services. The return of income for the A.Y.2015-16 was filed which admittedly included Management Consultancy fee received by the assessee. The Assessing Officer levied the penalty u/s.271B of the Act on the ground that since the gross receipts of the assessee engaged in profession had exceeded Rs.25,00,000/- as per Section 44AA(1) of the Act, “Management Consultancy” also falls under the said Section and accordingly, the assessee ought to have got its accounts tax audited u/s 44AB of the Act and failure of which would result in levy of penalty.

The Hon’ble Tribunal taking recourse to provisions of Section 44AA of the Act observed that the expression “Management Consultancy” could not be brought within the ambit of “Technical consultancy”, hence provisions of Section 44AA(1) of the Act cannot be made applicable. Therefore the assessee is not liable for getting its accounts tax audited. Accordingly, no penalty can be levied in the case of the assessee.

Payments to Facebook, Amazon Web Services for advertising, marketing not taxable as Royalty

Urban Ladder Home Décor Solutions Pvt. Ltd. Vs ACIT in ITA No. 615 to 620/Bang/2020, Bangalore Income Tax Appellate Tribunal

The assessee has made payments to the non-residents i.e. Facebook, Ireland, and to Amazon Web Services for providing facilities of advertisement, and information technology infrastructure on rental basis, respectively. A survey operation was conducted to examine compliance with TDS provisions. During the course of survey operation, the A.O. noticed that the assessee company has made payments to non-residents without deducting TDS. Treating the payments made by the assessee as royalty and taking the view that the assessee is liable to deduct TDS has raised the demand under section 201(1) of the Act, invoking provisions of section 9(1)(vi) of the Act and USA India DTAA.

The Hon’ble Tribunal observed that, mere usage of facility provided by the non-residents does not render the payments as “royalty payments”, since the core point of parting of any “copy right” attached to the said facilities does not arise at all. It was further clarified that these non-resident companies do not give any specific license for use or right to of any of the facilities (which include software) and those facilities are not going to be used for the business of the assessee. The right to use those facilities, as stated earlier, is intertwined with the main objective of placing advertisements and does not give rise any income chargeable in India hence there is no requirement to deduct tax at source from those payments u/s 195 of the Act.

“Out of your vulnerabilities will come your strength.”

– Sigmund Freud, neurologist



iPads not substitute for computers, ineligible for depreciation at 60%

Kohinoor Indian Pvt. Ltd.vs ACITCircle-1, in ITA No.234 to 316/ASR/2017, Amritsar Income Tax Appellate Tribunal

The CIT(A) upheld the action of the Assessing Officer in restricting the depreciation on Apple ipad at general rate of 15% which was reduced to 7.5% on the basis of the date of purchase in place of the rate applicable to the computers @ 60%.

The Hon'ble Tribunal referring to the definition of 'Computers' under the Information Technology Act, 2000 and analysing the predominant purpose of iPads under the common parlance, that is serves, has held that iPads perform some functions that are performed by a computer but it cannot replace a computer therefore iPads are ineligible for higher rate of depreciation of 60%.



Professional expenses incurred at pre-operative stage for business expansion allowable as revenue expenditure

ITO vs Blue Coast Infrastructure in ITA No. 143/CHD/2019, Chandigarh Income Tax Appellate Tribunal

Revenue filed an appeal against the order of the Ld. CIT(A) who allowed the appeal of the assessee that professional expenses incurred by the assessee are allowable as revenue and not to be capitalized being preoperative expenses since it was for the purpose of expansion of existing business.

Hon'ble Tribunal uphold the CIT (A)'s findings supported by the Delhi HC ruling in SRF Ltd. and Mumbai Tribunal ruling in Reliance Footprint Ltd. wherein it was held that expenses incurred on expansion of existing business, were to be treated as revenue expenditure. Hon'ble Tribunal further referred to the co-ordinate bench ruling in DSM Sinochem Pharmaceuticals India (P) Ltd. wherein it was held that indirect expenses would constitute Revenue expenditure only and would not become capital merely for the reason that such expansion was termed as new project.”



Upholds validity of the notice initiating re-assessment despite disclosure in Form 3CEB: Daimler India Commercial Vehicles Private Limited [(2019) 416 ITR 343]

The Hon'ble Madras HC has decided the issue pertaining to re-assessment proceedings initiated after four years from the relevant AY. The Hon'ble Court opines that if a reassessment proceeding has been initiated after expiration of the relevant years under considerations, then it cannot be violative of fundamental rights merely on the ground that the limitation period for the same had passed. It has been held that if a reassessment proceeding has been initiated in connection with AO having the reason to believe that income has escaped assessment then the same cannot be said to be ultra vires. If a notice has been issued with the reason to believe, then the same shows that complex facts and circumstances are involved that needs to go under further adjudication. If the reason to believe is based on finding of some concrete evidence, then the assessee shall cooperate with scrutiny and completion of the reassessment process. On the issue of validity of writ petition the Court has quoted, ““Every case is based on the facts and circumstances depending on the merits of its relevant particulars and the same has to be decided by the fact-finding authority.” Therefore, on deciding the validity of reason recorded by the AO, the HC held that the same can be decided under the reassessment proceedings and not in a writ.

Divi's Laboratories Ltd [ITA Nos.708 to 711/Hyd/2015]: Benchmarking of AEs cannot be done using CRISIL against LIBOR rates

The ITAT Hyderabad on deciding the issue pertaining to benchmarking of interest on loans using CRISIL against LIBOR provided by AEs has held that the TPO in computation of ALP for the loans under consideration had adopted the said method of comparison corresponding to foreign currencies. The Tribunal in arriving at the ruling has relied on the judgment of Foursoft India Ltd. wherein it has been held that only LIBOR rates can be adopted on the event of international financial transactions.



Supreme Court to hear the SLP in Canon India case on AMP expenses forming a part of international transaction

On the issues pertaining to AMP expenses and marketing intangibles, the Hon'ble SC has listed the case of Canon India SLP wherein the judgment of Delhi High Court is challenged. The same is scheduled to be heard on 28th and 29th September 2021. The issue under question herein pertains to whether AMP expenditure is in nature of international transaction or not. The parties in the case are asked to prepare short and non-repetitive submissions. Maruti Suzuki's matter is said to be considered as a lead case in the present issue. The Hon'ble Court has also provided clarification on issues related to appeals with tax effect less than INR two crore shall be regarded as dismissed.

Bennett Coleman & Co Ltd v DCIT [ITA No: 298/Mum/2014]: TP relief for interest-free debt-funding to overseas SPV

Primarily the judgment laid down by the Tribunal deals on issues of comparison of interest free debt funding with that of loan simpliciter and whether the TP adjustment can be computed resorting to CUP method. It must be noted that the interest free debt funding in the present case was made for the purpose of acquisition of the overseas target company. The Tribunal on deciding the same has held that as the essence of the said funding was based on conditional obligation for acquisition, the same could not be compared with the usual funding provided as loan simpliciter to associated enterprise. Further, the Tribunal held that even if it is considered in performance guarantee issued by the assessee in favour of the overseas SPV for acquisition of the target company, the arm's length price of such a performance guarantee will not be ascertainable under the CUP method due to unavailability of a valid comparable of the similar nature of guarantee.

“Strength and growth come only through continuous effort and struggle.”
– Napoleon Hill, author

HC Holds corporate guarantee as an international transaction but limited adjustment to the extent of amount being utilized

Rain Industries Ltd v DCIT [ITA Nos.1950 & 2020/Hyd/2017 & 1471/Hyd/2018]

Hyderabad ITAT, in the present case has decided the issues pertaining to corporate guarantee for the assessment years under considerations. The assessee's contention on corporate guarantee not being a part of international transaction and no benchmarking being required on the same has been rejected. It has been held by the ITAT that the same is part of international transaction and falls under the provisions of Explanation to Section 92B of the Income Tax Act, 1961 having retrospective implications as well. In terms of adjustments to the corporate guarantee being made, the ITAT held that the adjustments to the amount of corporate guarantee could be made only to the extent of amount utilized for the same. Therefore, the issue has been remitted back to the TPO for re computation of the entire transaction.

CMA CGM Delmasa SA v. Federal Inland Revenue Service [TAT/LZ/CIT/028/2017]: Tax treaties supersede OECD Model tax treaty in applicability

The issue before the Tax Appeal Tribunal of Nigeria was whether the non-freight income is covered by Article 8(1) of the tax treaty and thus exempted from tax in Nigeria or not. The Tax Appeal Tribunal of Nigeria in the present case has noted that the wordings of Article 8 of the France Nigeria tax treaty is dissimilar to Article 8 of the OECD Model Tax Treaty and therefore, ruled that the Commentary to Article 8 of the OECD Model Tax Treaty is inapplicable to the interpretation of the Article 8 of the France Nigeria tax treaty. Also, it observed that the Commentary may indeed provide useful guide on interpretation and application of the OECD Model Tax Treaty and could be consulted in the interpretation of the tax treaties. However, this must be with regards to tax treaties which have adopted the wordings of the OECD Model Tax Treaty verbatim.

Deletion of TP adjustment on outstanding receivables benchmarked using SBI term deposit rates

S&P Capital IQ (India) Private Limited v DCIT [I.T.A. No. 1559/HYD/2019]

TP adjustments based merely on delayed outstanding receivables from AEs has been directed for deletion by the ITAT as the same was benchmarked on SBI term-deposit rates for the relevant assessment year. The adjustments under question were not made as per LIBOR rates that apply to international transactions. Relying on the judgements in case of Progress Software Development Private Limited [ITA Nos.347 & 391/Hyd/2015], Valuemomentum Software Services Private Limited [ITA No.2197/Hyd/2017], Open Text Corporation India Private Limited [ITA No.152/Hyd/2017] and Hexagon Capability Center India Private Limited [ITA No.2032/Hyd/2017] it was held that the transaction was wrongly benchmarked and no comparables on the same are available that provide necessary benchmarking in such uncontrolled circumstances.

Humboldt Wedag India Pvt. Ltd [ITA No. 475/Del/2021; ITA No. 8119/Del/2016]: Upholds validity of mark up charged on services availed

The contention of the assessee herein was that the TPO disallowed the mark up on services availed from AEs and the observation of the revenue that the parent company gets benefited by better synergies, scale of economy, better coordination and reporting cannot be accepted. The Tribunal in deciding the same has noted that while the assessee avails supervision services from its AEs and pays markup charges, it also provides such services to the AEs for their third party contracts and receives markup charges. The pricing basis and the results arising from the same have been accepted by the TPO. Therefore, disallowing the mark-up on receipt of services while in-principle accepting the provision of similar services rendered having similar intent and basis of pricing cannot be valid ground to disallow the markup. Hence, the Tribunal finally held that the contention of the revenue that the AE invariably derives some benefit and hence no markup should be charged, cannot be accepted.



"Everyone wants to live on top of the mountain, but all the happiness and growth occurs while you're climbing it."

– Andy Rooney, *journalist*

NCC Limited [ITA Nos.1719/Hyd/2016 435 & 2154/Hyd/2018]: Upholds Corporate guarantee as an international transaction and mere nature of the same being the shareholding activity does not affect the same

On the issue pertaining to corporate guarantee being an international transaction under Section 92B of the Income Tax Act, 1961, the Tribunal has held that the amendment with insertion of Explanation to the said section has retrospective effect and therefore the assessee's corporate guarantee for the relevant assessment years under consideration falls under the ambit of international transaction. The assessee's contention that corporate guarantee being a shareholder activity that does not fall under the meaning of Section 92B stands dismissed. The Tribunal in arriving at the judgement has relied on the decision under Redington India and distinguished the same with assessee's reliance on Micro Ink Ltd [(2013)144 ITD 610 (Ahd)], Bharti Airtel Ltd [SLP (C) NO. 35574 OF 2017] and Bartronics India Ltd [DCIT (2018) 65 ITR 540].

"The only way you are going to have success is to have lots of failures first."
– Sergey Brin, co-founder, Google



Discussion paper on Tax & TP implications of Inter-Bank Offered Rate reform released by ATO

A discussion paper has been released by the ATO on tax and TP implications. The discussion includes in its ambit the Inter-Bank Offered Rate (IBOR), LIBOR, EURIBOR reform transitioning to alternative risk-free rates (RFRs), benchmarking of interest rates etc. Since the transitioning to RFRs is believed to carry certain complexities as they are structurally different from IBORs, the ATO focuses on discussions related to tax implications on IBOR reforms. Common considerations pertaining to changes made to certain financial arrangements that are driven by IBOR reform are discussed in the paper. Further, financial arrangements liable to be a subject of Taxation of Financial Arrangements (TOFA) are discussed and the uncertainty on availability of risk-free rates (RFRs) having implications on operation of financial arrangements are highlighted in the paper. The ATO is calling for feedback from taxpayers by 10th September 2021 on the issues discussed in the paper.



Transfer Pricing

Extension in EVC Facility for filing GSTR 3B & GSTR 1 by companies.

The said period has been further extended to 31st October, 2021 from 31st August, 2021.

Blocking of GSTR-1 if GSTR-3B is not filed.

From 1st September 2021, taxpayers will not be able to file GSTR-1 or use the IFF for August 2021 on the GST portal if they have pending GSTR-3B filings. It applies if GSTR-3B is pending for the past two months till July 2021 (monthly filer) or for the last quarter ending 30th June 2021 (quarterly filer), as per CGST Rule 59(6).



NOTIFICATION

Due date to apply for Revocation of Cancellation of Registration fell between 1st March, 2020 to 31st August, 2021 extended to 30th September, 2021.



Late fees on GSTR3B reduced going forward

Late Fees Amnesty Scheme in respect of GSTR 3B for the period July, 2017 to April, 2021 increased from 31st August, 2021 to 30th November, 2021.

Sl. No.	Nature of Return	Late Fee Capped under Amnesty Scheme
1	Nil Return	Rs. 500 per return (CGST – Rs. 250, SGST – Rs. 250)
2	Other than Nil Return	Rs. 1,000 per return (CGST – Rs. 500 & SGST – Rs. 500)

Facing issues in adding the required HSN details in Table 12 and filing of statement of outward supplies in form GSTR-1 through offline tool.

It has been noticed in a few cases that the taxpayers have not used the latest version of offline tool while uploading their GSTR-1 return through offline mode on the GST Portal. In some instances, it was observed that HSN code and tax rate fields were left blank in table 12 and hence the system has not processed the said GSTR-1 hence the tax payers have been advised to download the latest version of offline tool (version 3.0.4).



Govt to offer incentives to boost exports, notifies RoDTEP rates

The government has decided to extend the benefit of Remission of Duties and Taxes on Exported Products (RoDTEP) scheme to all goods, with effect from January 1, 2021, according to a notification by the Directorate General of Foreign Trade (DGFT). The rates for different sectors include 0.5 per cent, 2.5 per cent and 4 per cent. Under the RoDTEP, various central and state duties, taxes, levies imposed on input products among others are refunded to exporters to boost exports. Government's new incentive scheme is compliant with WTO rules. The government plans to spend Rs 19,440 crore offering incentives to exporters under the scheme that would be effective from January 2021.

India's Total FDI Inflow Rises 168% To \$22.53 Billion In June Quarter

India attracted a total foreign direct investment (FDI) inflow of \$ 22.53 billion from April to June which was 90 per cent higher from \$11.84 billion in the year-ago period. FDI equity inflow grew by 168 per cent in the first three months of FY 2021-22 (\$17.57 billion) compared to the year-ago period (\$6.56 billion). Automobile industry emerged as the top sector during the first three months of FY 2021-22 with 27 per cent share of total FDI equity inflow followed by computer software and hardware (17 per cent) and services sector (11 per cent) respectively.

"Only those who will risk going too far can possibly find out how far one can go."

– T.S. Eliot, author



India launches incentives scheme supporting 75 startups in telemedicine, digital health and AI

The government is launching a special incentives scheme to support 75 startups in telemedicine, digital health and artificial intelligence. It will offer the incentives through the Biotechnology Industry Research Assistance Council (BIRAC), an enterprise run by the Department of Biotechnology. BIRAC has been supporting and promoting new biotechnology ventures under its Startup India and Make in India programmes. It has so far lent funding of over Rs 21.28 billion (\$280 million) to around 1,500 startups, enterprises, and small businesses.

Rs 15,000 cr FDI Plan of Anchorage Infrastructure Investment cleared by government

The government recently approved INR 15,000 crore FDI in Anchorage Infrastructure Investment Holding Ltd, an arm of Canada's Fairfax Financial Holdings Ltd, which indirectly holds stake in Bangalore International Airport. Anchorage is eyeing infrastructure, construction, airport and transport assets in the country including the assets that the government plans to monetize. The company was set up to invest in India assets including in the airport sector and aviation-related businesses and services. The approval is expected to enable Anchorage to participate in the government's asset monetization plan.

168%
Increase in FDI equity
inflow to India during
April-June 2021*

Indian firm Optimus, Taiwan's Wistron sign deal to make mobile devices

Taiwanese giant Wistron is expanding its business to go beyond manufacturing mainly iPhones in India following an agreement with Optimus Electronics to make mobile devices, IT hardware and telecom products and is now exploring electric vehicles. Delhi-based Optimus is eligible for incentives under the Indian government's production-linked incentive (PLI) scheme for mobile devices and IT hardware. This is an advantage that Wistron could leverage to manufacture mass-priced products for its customers across the globe from India. The strategic alliance will design and manufacture tablets, laptops, hearables, wearables, telecom products, Internet of Things/industrial Internet of Things, smart meters and automotive-electric vehicle products under contract manufacturing. As part of the deal with Wistron, Optimus will invest over Rs 1,350 crore over five years. It is aiming at a revenue of Rs 38,000 crore across all products.

PLI scheme finalised for textile sector

The scheme, expected to provide incentives of around INR 7,000 crore for man-made fibre (MMF) apparel, and around INR 4,000 crore for technical textiles, is aimed at reviving the labor-intensive Indian textile sector. The scheme is expected to cover around 40 MMF apparel product categories and around 10 in the technical textile category. An incentive of 3 to 11 per cent of the incremental revenues' year-on-year for five years may be provided to existing as well as proposed investments in the sector.

"It is better to fail in originality than to succeed in imitation."

-- Herman Melville



Production-Linked Incentive (PLI) Scheme

About \$17.2B infused in Indian startup ecosystem by venture capital firms during Jan-July

Venture capital firms infused a total of \$17.2 billion investment into the Indian startup ecosystem during January-July 2021. This is much higher than the \$11.1 billion and \$13 billion investments made by VCs in 2020 and 2019, respectively. Some of the big VC deals included those in Udaan, Lenskart, Zomato, Swiggy, PharmEasy, Meesho, Pine Labs, Zeta, CRED, Razorpay, HealthifyMe, BYJU'S, Unacademy, Eruditus, Vedantu, Dunzo, Bira 91, Boat, Mamaearth, MyGlamm, Uniphore Software Systems, Yellow.ai, Entropik and others.

Microsoft collaborates with Invest India to support 11 tech startups

Microsoft India announced its collaboration with Invest India, Government of India's national investment promotion and facilitation agency, to support tech startups in the country. The startups selected to be a part of the Microsoft for Startups program will gain access to a plethora of benefits, including Azure credits, as well as support for technology and business acceleration, focused on scaling their growth. Startups will be able to utilize Microsoft technology including Azure, GitHub, and M365, allowing them to quickly build and run their businesses.



SEBI introduces accredited investors concept in Indian securities market

SEBI) has introduced the concept of 'accredited investors' in the Indian securities market, a move expected to open up a new channel for raising funds. A person or entity will be identified as an accredited investor on the basis of net worth or income. An individual, Hindu Undivided Family, (HUF), family trust or sole proprietorship, can be an accredited investor if their annual income is at least INR 2 crore or net worth is at least INR 7.50 crore, with at least half of it in financial assets. Such entities with a combination of at least INR 1 crore annual income and a net worth of INR 5 crore, with at least half in financial assets can also become an accredited investor. For trusts other than family trusts, a net worth of at least INR 50 crore would be required to qualify as accredited investors while for corporates, a net worth of INR 50 crore will be mandatory. In case of a partnership firm, each partner independently will have to meet the eligibility criteria for accreditation.



RBI issues Master Directions on Prepaid Payment Instruments

The Reserve Bank of India issued Master Directions on Prepaid Payment Instruments (PPIs) with fresh classification of the instruments. No entity can set up and operate payment systems for PPIs without prior approval or authorisation of the RBI. The master directions classify PPIs in two categories – small PPIs and full KYC PPIs. Small PPIs can have cash upto ₹10,000 loaded per month, not exceeding ₹1.2 lakh in a year. Full-KYC PPIs will be issued by banks and non-banks after completing Know Your Customer (KYC) of the PPI holder.

Chinese investment flows via hybrid route under lens

The government is reviewing the norms for use of some of the hybrid instruments for overseas investors after it came across instances of some Chinese companies seeking to circumvent rules around FDI in Indian entities. While the trigger was an investment by Chinese funding giant Tencent in a social media company earlier this year, with funds routed via Europe, some of the companies, such as Chinese conglomerate Fosun, which have investments in the country, are also considering pumping in money using this route.



Amazon backs Indian wealth management service Smallcase in \$40 million funding

Amazon has entered the financial services and insurance markets of India in recent years. Now it is paving the way to foray into the wealth management category. The American e-commerce giant has backed Bangalore-based startup Smallcase in a \$40 million Series C financing round. Founded by three IIT Kharagpur graduates in July 2015, Smallcase offers a platform to help introduce a new generation of investors to the Indian equity markets. The startup offers an in-house team of licensed professionals who offer more than 100 portfolios of stocks and exchange-traded funds, as well as provides its users access to independent investment managers, brokerages and wealth platforms.

Xander buys more logistics space in Tamil Nadu for INR 400-500 crore

Xander Investment Management, the private equity real estate arm of Singapore-based Xander Group said its industrial platform has acquired 1 million sq. ft of warehousing space in the Free Trade and Warehousing Zone (FTWZ) at Sriperumbudur, Tamil Nadu. Xander already owns 1 million sq. ft of warehouses in FTWZ and the new acquisition, which is part of its \$250 million industrial platform, will double its ownership in the park.



MAHARASHTRA • TOURISM •

Tamil Nadu government plans establishment of Fintech city

Tamil Nadu government will be developing Fintech city in Chennai in two phases at Nandambakkam and Kavanur. The first phase will be developed at Nandambakkam at an estimated cost of Rs 165 crore. SIPCOT parks will be created in industrially backward districts. Tidel parks will now be established in Tier II and Tier III towns across Tamil Nadu, and in the first stage, it will be set up in Thoothukudi, Vellore, Tiruppur and at Thiruchitrambalam in Villupuram district. An International Furniture Park will be set up at a cost of Rs 1,000 crore on 1100 acres of land in Thoothukudi district, to attract investment of Rs.4,500 crore and enable employment of 3.5 lakh persons.

Georges Monin To invest INR 200 Cr in Telangana

French fruit beverages manufacturing company Georges Monin has doubled investment in its upcoming manufacturing plant in Telangana to INR 200 crore. Despite the setback due to the Coronavirus pandemic, the French company has now doubled its investment for the plant, targeting completion by 2023

Sai Life Sciences looking to invest INR 450 crores by 2023

Hyderabad-based Sai Life Sciences, a contract research, development & manufacturing organization, is investing about INR 450 crore at its integrated research and development (R&D) campus in Hyderabad by 2023. This 13-acre R&D campus houses over 1,200 employees. This investment is a part of an organizational transformation initiative (Sai Nxt), where the company is investing \$150 million (over Rs 1,000 crore) in the period between 2019 and 2023, to expand and upgrade its R&D and manufacturing facilities, induct global scientific and leadership talent, strengthen automation and data systems.

Maharashtra signs MoUs to boost tourism

In a serious bid to promote Maharashtra as a leading tourist destination and to also help the tourism sector that has been battered by the coronavirus-induced lockdown, the Maharashtra government has launched a slew of projects, including a new user-friendly website and MoUs with Make My Trip and Goibibo to promote MTDC properties and make them more accessible. The government had signed MoUs worth Rs 2,905 crore with the hospitality sector in the state on the occasion of Tourism Day.

Arcelormittal planning to invest INR 1 lakh crore in Gujarat

Arcelor Mittal Nippon Steel India (AM/NS) will invest INR 1 lakh crore in Gujarat for capacity expansion of its existing steel plant and renewable energy space. The Gujarat government statement stated that the group will invest additional INR 50,000 crore for their Hazira plant expansion and INR 50,000 crore for hydrogen gas and renewable energy field.

ITC to invest \$2bn in next few years

FMCG-to-hotels-to-tobacco major ITC is planning to invest around \$2 billion over the medium-term for capacity expansion and setting up new plants across businesses and bringing in contemporary technology to upgrade quality of products. The diversified conglomerate is setting up a packaging plant in Gujarat while a nicotine derivative plant will be built in Karnataka. It is also in the process of commissioning a state of art spice facility for domestic and export markets.



MG Motor to invest INR 2,500 crore to ramp up Halol plant capacity

MG Motor India is investing INR 2,500 crore by the end of next year to increase the production capacity at its Halol plant in Gujarat, as it gears up to launch its midsize SUV Asto. The investment will be for adding further capacity as the company prepares to meet demand of new models which are expected to hit the market around Diwali.

South Korean Company, Orion to set up manufacturing unit in Rajasthan

South Korean confectionary company Orion, makers of Choco-Pie, has announced an investment of INR 200 crore in India. The funds are meant for a new manufacturing facility at Bhiwadi in Almora district of Rajasthan. The company will also hire 1,000 people in India in the next two years to expand its business. The new plant will also cater to local taste preferences and will make a 100 per cent vegetarian range of Choco Pies.

Experienced advocates, accountants can become independent directors without proficiency test

Experienced advocates, chartered accountants, cost accountants and company secretaries are exempt from the requirement of a proficiency test in order to qualify for appointment as independent directors on the board of companies, the government said on Thursday.

As per the Companies (appointment and qualification of directors) Amendment Rules, 2021 notified by the ministry of corporate affairs, these professionals need not take the test if they have been practicing for ten years in the field. The ministry also made the norms more flexible for officials of central and state governments with expertise to be appointed as independent directors.

*"If you don't build your dream,
someone else will hire you to
help them build theirs."*

*– Dhirubhai Ambani, founder,
Reliance Industries*



CSR FAQs issued by MCA

The Ministry of Corporate Affairs (MCA) has made several clarifications with regard to the amendments made to the CSR law.

Clarification on Excess CSR Expenditure

The MCA has clarified that excess Corporate Social Responsibility (CSR) expenditure prior to FY21 cannot be set off against future CSR expenditure requirements. The MCA had earlier announced that any CSR expenditure in excess of the mandated 2 per cent expenditure can be set off against mandatory CSR expenditure in the three subsequent fiscals. The provision is a definite positive as it can encourage the corporates to further loosen their purse strings while spending on community development. It allows improvement of ease of CSR spending, as it does for ease of doing business for the corporates. However, this provision is not applicable for the excess CSR expenditure made prior to the latest financial year, for there was no such provision in the CSR law at the time.

Funds Transferred to Implementing Agencies

The MCA has also clarified that companies have to ensure that funds transferred to implementing agencies are actually utilized for them to be counted towards mandatory CSR expenditure. Therefore, according to this, simply transferring the amount to the NGO cannot qualify for CSR unless the said organization utilizes those funds for the purpose they were designated. This clarification helps in keeping the companies and their implementing agencies accountable for the funds released. It also closes down the loophole where corporates could claim tax benefits by transferring funds to an NGO, and the promoters of the said NGO taking personal benefits from the same.

Corporate donations to Government Schemes

In a move to bring about more transparency in governance and taking away opportunities for the government and corporates to associate with one another in unethical ways, the government has clarified that any corporate donations made to any government schemes will not be considered CSR. This clarification takes away grounds for corruption by the government officials by favoring particular corporates and also discourages the corporates from seeking favoritism from the government.

These clarifications by the government have been announced to bring about more transparency and accountability in the CSR law, which has aided the corporates to participate directly in the development of the country by contributing over 1 lakh crores in the last 7 years.



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