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A. Financial Statements

Highlights of changes in disclosures of Financial Statements by the Companies

Significant changes have been made in the disclosure requirements in annual financial statements of the corporate entities which are prepared as per the format prescribed under Schedule III to the Companies Act, 2013. The key amendments which are relevant for standalone and consolidated financial statements are summarized below in two sections (a) additional disclosure / new requirements and (b) changes in existing disclosure requirements.

Additional disclosures / new requirements:

- **Changes in regard to promoters and related parties**

- i. Disclose shareholding of promoters for each class of shares separately including changes in shareholding during the year. Promoter is as defined under section 2(69) of the Companies Act, 2013.

Shares held by promoters at the end of the year				% Change during the year
S.NO	Promoter name	No of Shares**	% of Total shares**	

**Details shall be given separately for each class of shares.

- ii. Disclosure of loans granted to promoters, directors, KMPs and related parties. Additionally, disclose the ratio of loans given to each of the above as a % of total loans. These disclosures are required when loans are repayable on demand or terms / period of repayment have not been specified.

- **Disclosures with regard to trade receivables and trade payables**

- i. Disclose ageing of outstanding trade receivables and trade payables as at balance sheet date. The ageing is based on the due date of payment / receipt
- ii. Following ageing buckets are specified
 - a. Trade receivables (up to 6 months, 7-12 months, 13 - 24 months, 25 - 36 months and > 36 months)
 - b. Trade payables (up to 12 months, 13 - 24 months, 25 - 36 months and > 36 months)
 - c. Ageing is further break-down into disputed amounts and others in case of Trade payables and receivables. Further, breakup is required for disputed amounts payable to MSME and other vendors.

- **Related to borrowed funds and utilisation**

- i. Disclose the reasons for utilization of funds borrowed from bank / financial institution for the purposes other than for which they were borrowed. This will also apply to funds raised through share premium or any other sources or kind of funds.
- ii. Company needs to disclose if the books of account are tallied with the quarterly or monthly returns filed with banker in cases where company has borrowed funds from banks on the basis of securities of current assets, or else a separate reconciliation statement needs to be provided for material discrepancies.
- iii. Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, details to be given in regard to date of declaration as wilful defaulter along with nature and amount of default.

- **Related to Property, Plant and Equipment**

- i. Details of all the immovable property whose title deeds are not held in the name of company along with reasons.
- ii. In cases where revaluation has been done in case of property plant and equipment and intangible assets, the company shall disclose if the valuation was done by registered valuer.
- iii. For capital-work-in progress and intangible assets under development, ageing schedule shall be given along with details of projects temporary suspended. In case of projects which are overdue for completion or have cost overruns as compared to original plan, projected timeline for completion needs to be additionally disclosed.

- **Details of Benami Property held**

Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder, the company shall disclose the following: -

- (a) Details of such property, including year of acquisition,
- (b) Amount thereof,
- (c) Details of Beneficiaries,
- (d) If property is in the books, then reference to the item in the Balance Sheet,
- (e) If property is not in the books, then the fact shall be stated with reasons,
- (f) Where there are proceedings against the company under this law as an abetter of the transaction or as the transferor then the details shall be provided,
- (g) Nature of proceedings, status of same and company's view on same.

- **Other disclosures**

- i. Disclose details of crypto currency or virtual currency transactions during the year along with year end balances.

- ii. Figures reported in financial statement needs to be rounded off which was optional earlier. Further, the criteria for rounding off shall be based on “total income” in place of “turnover”.

Total Income	Rounding off
a) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof
b) one hundred crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.

- iii. Disclose details of overdue compliance in regard to registration of charges or its satisfaction to be registered with Registrar of Companies. Further, reasons for overdue are also required to be explained in financial statement
- iv. Detailed disclosure of CSR expenses including payment to related parties and shortfall in previous years along with its reasons.

● **Following Ratios to be disclosed: -**

- (a) Current Ratio,
- (b) Debt-Equity Ratio,
- (c) Debt Service Coverage Ratio,
- (d) Return on Equity Ratio,
- (e) Inventory turnover ratio,
- (f) Trade Receivables turnover ratio,
- (g) Trade payables turnover ratio,
- (h) Net capital turnover ratio,
- (i) Net profit ratio,
- (j) Return on Capital employed,
- (k) Return on investment.

The company shall explain the items included in numerator and denominator for computing the above ratios. Further explanation shall be provided for any change in the ratio by more than 25% as compared to the preceding year.

● **Relationship with Struck off Companies**

Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details, namely: -

Name of struck off Company	Nature of transactions with struck-off Company	Balance outstanding	Relationship with the Struck off company, if any, to be disclosed
	Investments in securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other outstanding balances (to be specified)		

B. Income Taxes

a) Mandatory Re-Registration Under Section 12A and 80G of Income Tax Act by Existing NGO before 30.06.2021

In order to claim exemptions under section 11 & 12 of Income Tax Act, 1961, it is mandatory for all NGOs to get re-registration under section 12A of the act. It is also mandatory re-registration of 80G if existing trust hold such certificate. Earlier registration under 12A/12AA and 80G was given as one time registration and once the registration is granted it will be held good till cancellation. From 1st April 2021, all new registration will be given for 5 years only and organisation must apply for renewal after each 5 years except in the case of provisional registration which shall be valid for three years.

The application can be made by filing form 10A online on the income tax site incometaxindiaefiling.gov.in The form is available on the income tax website under Income Tax Forms Section under e-file menu which is visible after login on the website.

b) Income Tax relief due to Covid -19 Pandemic vide press release dtd. 01.05.2021

Compliances	Due date	Revised Due date as per relief
Appeal to Commissioner (Appeals) under Chapter XX of the Act	last date of filing appeal is 1st April 2021 or thereafter before 31 st May 2021	31 st May, 2021
Objections to Dispute Resolution Panel (DRP) under Section 144C of the Act	last date of filing is 1st April 2021 or thereafter before 31 st May 2021	31 st May, 2021
Income-tax return in response to notice under Section 148 of the Act,	last date of filing is 1st April 2021 or thereafter before 31 st May 2021	31 st May, 2021
Filing of belated return under sub-section (4) and revised return under sub-section (5) of Section 139 of the Act, for Assessment Year 2020-21	31.03.2021	31 st May, 2021

Payment of tax deducted under Section 194-IA, Section 194-IB and Section 194M of the Act, and filing of challan-cum-statement for such tax deducted	30.04.2021	31 st May, 2021
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c) Case Laws:

i) Assistant Commissioner of Income-tax, Tumkur v. M/s Thirumala Rice Industries, Tumkur in ITAT Bangalore

Issue: Payments received by retired partner: Taxability under Income Tax Act, 1961

Three existing partners of the Assessee firm got retired after withdrawing the appreciated amount of the assets as Capital of retirement from the assessee's firm. There is no element of transfer of interest in the Partnership Assets by the retired partner to the continuing partners and the amount received by the retiring partner is not Capital Gain u/s. 45 of the Income Tax Act. Even if retirement is assumed to be covered within the ambit of expression 'otherwise' section 45(4) will not apply to retirement where only money value of the partner's interest in the firm is paid to the outgoing partner and no specific asset is distributed or transferred to the outgoing partner, because the firm continues to own the asset and for section 45(4) to attract, the firm should cease to be the owner of the asset.

ii) Empire Infraspace India Pvt Ltd vs. Addl. CIT in Delhi ITAT

Issue: Notional Rent for Vacant Property: Addition under section 23

The assessee challenged the confirmation of the order of the AO in computing the Annual Letting Value of property situated at Anna Salai, Chennai @ 11,37,878/-. The assessee in appeal assailed the addition of Rs.11,37,878/- on account of notional rent in respect of vacant property.

Ld. Representative of the assessee relied on the decision of Hon'ble ITAT in the assessee's own case for the A.Y 2014-15 titled as Empire Capital Pvt. Ltd. Vs. ACIT. It was an undisputed fact that the property in question was let out in the past, during the period relevant to assessment year under appeal the property was lying vacant for the entire year and hence, no actual rent was received by the assessee. Consequently, the assessee did not offer any rental income to tax. In the given facts, the provisions of section 23(1)(c) of the Act get attracted to accept rental income from the vacant property as nil. Since the facts were not distinguishable at this stage, the case of the assessee has duly been covered by the Hon'ble ITAT in the assessee's own case, therefore, the finding of the CIT(A) on these issues was set aside and the claim of the assessee was allowed.

iii) Lalita Agarwal (Legal Heir of Late Subhash Chandra Agarwal) vs Addl. CIT in Delhi ITAT

Issue: Applicability of section 292BB to a legal representative

Reliance was placed on the decision of hon'ble Delhi High Court in the case of Savita Kapila Vs. ACIT, that section 292BB of the Act, 1961 is applicable to an assessee and not to a legal representative. Section 292BB is in place to take care of contingencies where an

assessee is put on notice of the initiation of proceedings, but who takes advantage of defective notices or defective service of notice on him. It cannot be invoked in cases where the very initiation of proceedings is against a dead person.

d) The Word "ten" is substituted for "five" by the Act No. 12 of 2020, w.e.f. 1-4-2021 in Section 56(2)(x) of Income Tax Act. The said section pertains to any person receives, on or after the 1st day of April 2017, —

(a) any sum of money, without consideration, the aggregate value of which exceeds fifty thousand rupees, **the whole of the aggregate value of such sum.**

(b) any immovable property, —

(A) without consideration, the stamp duty value of which exceeds fifty thousand rupees, the stamp duty value of such property.

(B) for a consideration, the stamp duty value of such property as exceeds such consideration, **if the amount of such excess is more than the higher of the following amounts, namely: —**

(i) the amount of fifty thousand rupees; and

(ii) the amount equal to Ten per cent of the consideration:

The said sum will be charged to Income under the head Income from Other Sources.

C. GST

I. Some relief granted in GST Compliances in view of spread of pandemic COVID-19 (vide notifications dated 1st May 2021)

1) Waiver of late fee to the extent as prescribed below: -

Category	Tax Period	Turnover Criteria	Waiver of late fees
Regular taxpayer	March & April 2021	Turnover more than 5 Cr in preceding financial year	Late fees waived for 15 days
Regular taxpayer-Monthly Scheme	March & April 2021	Turnover up to 5 Cr in preceding financial year	Late fees waived for 30 days
Regular taxpayer-Quarterly Scheme (QRMP)	January-March 2021	Turnover up to 5 Cr in preceding financial year	Late fees waived for 30 days

2) The due date for filing statement of outward supplies in FORM GSTR-1 for the month of April 2021 is extended to 26th May 2021. Further the due date for furnishing details of outward supplies (IFF) for the month of April 2021 is extended to 28th May 2021.

3) The due date for furnishing return by composition taxpayers on an annual basis in FORM GSTR-4 for the FY 2020-21 has been extended till the 31st of May 2021.

4) Relief on account of Interest on GST payment

Category	Tax Period	Turnover Criteria	Applicable Interest Rates
Regular taxpayer	March & April 2021	Turnover more than 5 Cr in preceding financial year	For first 15 days- 9% Thereafter- 18%
Regular taxpayer	March & April 2021	Turnover up to 5 Cr in preceding financial year	For first 15 days- NIL For next 15 days- 9% Thereafter- 18%
Composition taxpayer	January-March'21 Quarter	—	For first 15 days- NIL For next 15 days- 9% Thereafter- 18%

5) Relaxation in restriction on availment of Input Tax Credit under rule 36(4):
Rule 36(4) restricts the availment of input tax credit beyond 5% of the ITC reflected in Form GSTR 2A/2B. However, said restriction will not apply in individual months of April & May 2021, but will apply cumulatively for the period April & May 2021 and the return in FORM GSTR-3B for the month of May 2021 is to be furnished with the cumulative adjustment of input tax credit for those months.

II. E-Way Bill

With the amendment by Finance Act 2021, u/s 129 of the CGST Act under detention, seizure, and release of goods and conveyance in transit, the penalty applicable will be 200% of the tax payable

III. Input tax credit

- 1) With the amendment by Finance Act 2021, ITC will be available to the taxpayer, only if the supplier has uploaded the invoice in GSTR-1 and filed it within the due date and the invoice is reflecting in the GSTR-2B of the taxpayer.
- 2) Also, if there is a mismatch in GSTR-1 and GSTR-3B, the notice will be issued to the taxpayer, and if the Jurisdiction Officer is not satisfied with the Assessee's reply, or the assessee does not reply within the prescribed time period, the Jurisdiction officer can proceed for Cancellation of the GST Registration.

IV. HSN

As per Notification No. 78/2020 – Central Tax dated 15th October 2020. A registered person having aggregate turnover in the previous financial year, shall mention the number of digits of the HSN code as specified below:

Sr. no	Aggregate Turnover	Digits OF HSN
1	Less than or equal to Rs. 5 Crore	4
2	More than Rs. 5 Crore	6
3	In case of Export of Goods/Service	8

V. E-Invoice

As per Notification No. 05/2021 – Central Tax dated 08th March 2021, E-Invoice will be mandatory to all the registered person whose aggregate turnover crossed Rs. 50 Crores in any previous financial year from 2017-18 onwards.

VI. GST Refund

Refund for the F.Y. 2018-19 (2 years' time limit) can be claimed on or before 31st March 2021.

VII. GSTR - 3B & GSTR - 1 / IFF, using EVC enabled for Companies

Person registered under the provisions of the Companies Act, 2013 shall, during the period from the 27th day of April 2021 to the 31st day of May 2021, will be allowed to furnish the return in FORM GSTR-3B and the details of outward supplies in FORM GSTR-1 or invoice furnishing facility, which can be **verified through electronic verification code (EVC)**.

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