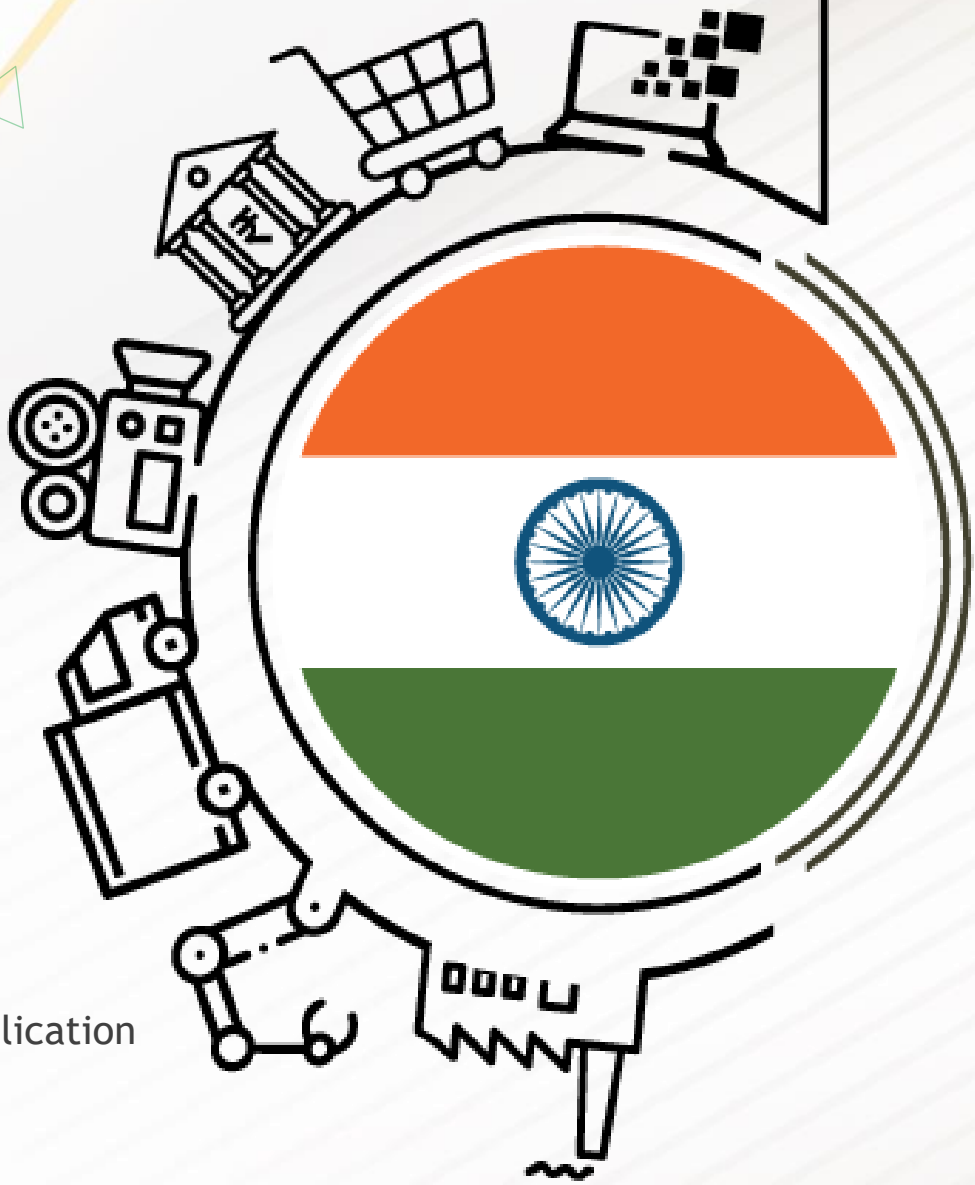
INDIA UNION BUDGET 2022-23
AN OVERVIEW



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FOREWORD

Nearly two years into the pandemic with arguably, a V-shaped economic recovery in the bag, the Hon'ble Finance Minister, Ms. Nirmala Sitharaman, presented the annual Union Budget 2022 that focused on growth and recovery. It may be said that this Budget sets the tone for the future of the Indian economy and its next growth phase. Unsurprisingly, the Budget has been hailed as progressive, universally by the captains of the industry and business.

The cornerstone of the Annual Budget 2022 is the buoyancy in direct and indirect tax collections. For January 2022, the GST collections reached an all-time high of INR 1.41 lac crores for the first time after its introduction in July 2017. A strong rebound in revenue has meant that the Government will comfortably meet its target for the year while maintaining the support and ramp-up capital expenditure. Therefore, it is no surprise that the direct tax collections for FY 2022-23 are pegged at INR 14.20 lac crores, with corporate tax collection itself at INR 7.20 lac crores, against INR 3.65 lac crore budgeted for the current fiscal. Given that the tax revenue is projected to grow at only 9.5% compared to the GDP growth forecast at 9.2%, most believe that the tax revenue will comfortably over-achieve, reducing the budgetary deficit estimated at 6.4% of the GDP.

It is heartening to note that India is finally reaping the benefit of a stable tax regime that decidedly moved away from being tax adversarial when the present Prime Minister, Mr. Narendra Modi, took office in 2014. The introduction of GST in July 2017 with the pioneering digitisation of the tax administration is proving to be a game-changer.

The tax measures introduced in this Budget exemplify the tax laws' maturity with fewer changes, while many are clarificatory. The introduction of a provision under which a taxpayer can file an updated tax return, even after two years of the due date, is a clever move to reduce avoidable litigation and gives taxpayers a chance to correct their filings. Another measure that would be welcomed is that the Tax department may not need to file repetitive tax appeals on a question of law pending before the High Court or the Apex Court, where an earlier ruling favours the taxpayer.

Taking the role of change-maker seriously, the Budget has also introduced several socio-economic measures such as extending the last date of commencement of manufacturing or production by one more year and extension of date of incorporation for an eligible start-up for exemption. These are welcome reliefs to make the success of the Make-in-India program that is receiving a significant boost as manufacturing shifts out of China. Moreover, aided by the success of the Production-Linked Incentive (PLI) scheme, the revival of the manufacturing sector could be a major booster to the economy that can create millions of jobs in the country.

The Budget delivered clarity to the taxation of digital assets, such as cryptocurrency and NFT, by introducing a 30% tax on the transfer of such assets. With the announcement of the introduction of the Digital Rupee by the Reserve Bank of India soon, India is setting itself up to create an ecosystem for digital assets that are in sync with the rapid stride in this part of the global economy.

Mindful that to boost the success of the Indian industry and remain competitive, the Budget recommended several changes in the customs regime to thwart imports with tariff barriers that will encourage domestic manufacturing.

To sum up, the overall budgetary provisions are future-focused and, for once, take the sting out of the annual fiscal exercise, which was long feared as the harbinger of tax woes. For this, the Hon'ble Finance Minister and her team deserve compliments and gratitude from the citizens.

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ECONOMIC INDICATORS & FUTURE OUTLOOK

The Economic Survey 2022 (the Survey) was tabled before the Parliament on 31 January 2022 by the Hon'ble Finance Minister Ms. Nirmala Sitharaman. This financial year witnessed 2 waves of the COVID-19 pandemic viz., the second and third wave. While the second wave was severe forcing the Central and State governments to take stringent lockdown measures, thankfully, the third wave did not cause much damage to the Indian economy.

The Survey expects the economy to grow by 9.2% during the current financial year, indicating a recovery to the pre-pandemic level. Agriculture and allied sectors have been the least impacted by the pandemic and the sector is expected to grow by 3.9% in 2021-22 after growing 3.6% in the previous year. Industry sector (including mining and construction) will rise by 11.8% in 2021-22 after contracting by 7% in 2020- 21. The Services sector which has been the hardest hit by the pandemic, is estimated to grow by 8.2% this financial year following last year's 8.4% contraction.

For FY 2022-23, the Survey is estimated GDP growth at 8%-8.50%. The projection is made on certain key assumptions:

- widespread vaccine coverage, gains from supply-side reforms and easing of regulations, robust export growth, and availability of fiscal space to ramp up capital spending;
- oil prices between USD 70-75 per barrel against the current price of USD 90; and
- no further destabilisation of the economy due to the pandemic

Overall, macro-economic stability indicators suggest that the Indian economy is well placed to take on the challenges of 2022-23. The combination of high foreign exchange reserves (USD 634bn) sustained foreign direct investment and rising export earnings will provide an adequate buffer against possible global liquidity tapering in 2022-23. India has transformed from being among the 'Fragile Five' nations to the 4th largest forex reserve.

The fiscal support given to the economy as well as the health response caused the fiscal deficit and government debt to rise in 2020-21. However, there has been a strong rebound in government revenues in 2021-22. The revenue receipts of the GOI during April- November 2021 have gone up by 67.2%(YoY), as against an estimated growth of 9.6% in the 2021-22 BE. The tax collections have been buoyant for both direct and indirect taxes, with GST collections clocking upwards of 1 lakh crore consistently since July 2021. This has resulted in the fiscal deficit being contained at 46.2% of the BE. This will give an additional buffer to the GOI for capital expenditure and other stimulus measures.

The table below indicates the GOIs fiscal indicators (in %):

Items	2016-17	2017-18	2018-19	2019-20	2020-21 (PA*)	2021-22 (BE^)
Revenue Receipts	15.0	4.4	8.2	8.4	-3.1	9.6
Gross Tax revenue	17.9	11.8	8.4	-3.4	0.7	9.5
Net Tax revenue	16.7	12.8	6.0	3.0	4.9	8.5
Non-tax revenue	8.6	-29.4	22.3	38.8	-36.4	16.8
Non-debt capital receipt	3.8	77.0	-2.5	-39.2	-16.0	226.2
Total non-debt receipt	14.4	7.7	7.4	5.2	-3.6	17.0
Total expenditure	10.3	8.4	8.1	16.0	30.7	-0.8
Revenue expenditure	9.9	11.1	6.8	17.1	31.3	-5.1
Capital expenditure	12.5	-7.5	16.9	9.1	26.5	30.5

*PA – Provisional Actual
^BE – Budget Estimate

The big blip in GOI's action plan was the disinvestment target. The BE for disinvestment proceeds for the year 2021-22 was fixed at INR 1,75,000 crore, of which the GOI has only managed to receive INR 9330 crores, as on 24 January 2022.

As per the Survey, FDI into India amounted to USD 24.7bn during April-November 2021. Computer software and hardware attracted the highest FDI equity inflows of UDS 7.1bn and Singapore continues to be the top investing country followed by the US.

With a view to monetise surplus land bank lying with CPSEs such as MTNL, BSNL, BPCL, etc. the GOI has set up an SPV (National Land Monetisation Corporation) with capacity & expertise to carry out the monetisation of land and other non-core assets in an efficient and prudent manner, in line with international best practices. The Survey indicated that there is a potential unlocking of approximately INR 6 lakh crore worth of non-core assets of the central government over a 4-year period from 2021-22 to 2024-25. The Top 5 sectors including roads, railways, power, oil & gas pipelines and telecom account for around 83% of the aggregate value. The privatisation of Air India has given a big boost to the privatisation drive of the GOI.

The Survey also goes on to say that for India to achieve a USD 5tn GDP by 2025, it will be required to spend USD 1.4tn over this period on infrastructure.

Other key highlights from the Survey are as follows:

- India's consumption story is intact despite the third wave. It has grown 7% in 2021-22 with a significant kitty coming from government spending.
- India has the third largest start-up ecosystem in the world after the US and China.
- India's capital markets, have done exceptionally well and have allowed record mobilisation of risk capital for Indian companies.
- India's banks are well capitalised and the overhang of NPAs seems to have structurally declined even allowing for some lagged impact of the pandemic.
- In April-November 2021, IPOs of 75 companies have listed, garnering INR 89,066 crore, as compared to 29 companies raising INR 14,733 crore during April-November 2020, indicating a rise of 504.5% in fund mobilisation.
- The Indian railway sector in the next 10 years will see a very high level of capital expenditure leading to it eventually becoming the engine of national growth.

BUDGET PROPOSALS
DIRECT TAXES

1. CORPORATE TAXATION

1.1 Clarification regarding treatment of cess and surcharge

Section 40 of the IT Act provides for non-deduction of certain amounts while computing the income chargeable to tax under the head "Profits and Gains of Business or Profession". As per section 40(a)(ii) of the IT Act, any sum paid as tax or rate levied on the profit and gains of any business or profession shall not be allowed as a deduction.

The Hon'ble Bombay High court in the case of Sesa Goa Limited Vs. JCIT[1] and Hon'ble Rajasthan High Court in the case of Chambal Fertilizers and Chemicals Limited vs. JCIT[2] has held that education cess can be claimed as allowable deduction while computing the income chargeable under the head Profits and Gains of Business and Profession.

The Finance Bill following the decision of the Hon'ble Supreme Court in the case of CIT vs K Srinivasan[3] (wherein it has been held that surcharge and additional surcharge named as cess are tax) now proposes to clarify that the term 'tax' includes and shall be deemed to have always included any surcharge or cess, by whatever name called, on such tax.

This amendment shall be made effective from fiscal year 2004-05.

1.2 Clarification in respect of disallowance under section 14A of the IT Act

Section 14A of the IT Act provides that no deduction shall be allowed in respect of expenditure incurred by the taxpayer in relation to an income that does not form part of the total income.

CBDT Circular No. 5/2014, dated 11 February 2014, which clarifies that Rule 8D of the IT Rules read with section 14A of the IT Act provides for disallowance of expenditure even in the event where no exempt income has been earned during the year. However, some Courts have held that where no exempt income has accrued, arisen or received by the taxpayer during a year, no disallowance under section 14A of the IT Act can be made.

The Finance Bill proposes to clarify that the provisions of section 14A of the IT Act shall and always have been deemed to apply and that the expenditure to be disallowed even if no exempt income has accrued or arisen or has been received during the year.

Further, the Finance Bill proposes to include a non-obstante clause to section 14A(1) of the IT Act for denying deductions of expenditure in relation to an exempt income.

These amendments shall be made effective from fiscal year 2021-22.

1.3 Clarification on allowability of expenditure under section 37 of the IT Act

Section 37 of the IT Act provides for allowability of revenue expenditure which is incurred wholly and exclusively for the purpose of business or profession for computation of Income from Profit and Gains of Business or Profession. Further, Explanation 1 of section 37(1) of IT Act provides that expenditure incurred for any purpose which is an offence or which is prohibited by law, shall not be allowed as deduction from the Income from Profits and Gains from Business or Profession.

[1] (2020)117 taxmann.com 96
[2] (2018) Income tax appeal No. 52/2018
[3] (1972), 83 ITR 346

However, expenses incurred in providing various benefits in violation of the provisions of the Indian Medical Council Regulations, 2002 and expenses incurred for a purpose which is an offence under foreign law were claimed and allowed by Tax Tribunals/ Courts.

In order to make intentions of the legislation clear, the Finance Bill proposes to clarify that the expression 'expenditure incurred by a taxpayer for any purpose which is an offence or which is prohibited by law' shall include and shall be deemed to have always included the following:

- Expenses incurred by a taxpayer for any purpose which is an offence under or is prohibited by any extant law of India or outside India; or
- Expenses incurred to provide any benefit or perquisite to a person whether or not carrying on a business or profession, if acceptance of such benefit or perquisite by such person is violation of any extant law/ rules/ regulations/ guidelines governing the conduct of such person; or
- Expenses incurred on compounding of offence under any extant law in India or outside India.

This amendment shall be made effective from fiscal year 2021-22.

1.4 Clarification regarding deduction on payment of interest only on actual payment

Section 43B of the IT Act provides that certain deductions such as interest payable on any loan or borrowing from specified financial institutions or NBFCs or scheduled banks or co-operative banks, shall be allowed only on actual payment made. Taxpayers however have been claiming deduction under section 43B of the IT Act for the amount of interest payable on the conversion of such interest payable into debentures, considering such conversion to be a constructive discharge of liability.

The Finance Bill proposes to clarify that conversion of interest payable into debentures or any other instruments by which liability to pay is deferred to a future date, shall not be deemed to have been actually paid for the purposes of this section and consequentially no deduction under section 43B of the IT Act shall be available.

This amendment shall be made effective from fiscal year 2022-23.

1.5 Extension of due date for commencement of commercial production for applicability of concessional tax regime under section 115BAB of the IT Act

As per the existing provisions of section 115BAB of the IT Act, new domestic manufacturing company set up and registered after 1 October 2019 shall be eligible for concessional rate of 15% provided it commences manufacturing or production on or before 31 March 2023 and does not avail of any specified incentives or deductions.

The COVID-19 pandemic has resulted in some delay in setting up of new domestic companies or commencement of manufacturing or production by new domestic companies. Since this is a beneficial provision, the Finance Bill proposes to provide relief to such companies by extending the due date of manufacturing or production by such companies from 31 March 2023 to 31 March 2024.

This amendment shall be made effective from fiscal year 2021-22.

1.6 Carry forward and set-off of losses provisions in case of strategic disinvestment of erstwhile public sector company

Under the existing provisions of section 79(1) of the IT Act, a specified closely held company shall not be allowed to carry forward and set off of losses incurred in prior years if shares carrying at least 51% of the voting power are not beneficially held by persons holding such share in the year of incurrence of loss and set off. However, in certain prescribed circumstances, the above provisions shall not apply.

The Finance Bill proposes to relax this condition with respect to erstwhile public sector company. However, this relaxation is available if post strategic disinvestment of erstwhile public sector company, the ultimate holding company continues to hold at least 51% of its voting power, either directly or through its subsidiaries.

The Finance Bill also provides that if the aforesaid condition is not complied in any year, then provisions of section 79(1) of the IT Act shall apply from such year onwards.

The expressions "erstwhile public sector company" and "strategic disinvestment" shall have the meaning assigned to in clause (ii) and (iii) of the Explanation to section 72A(1)(d) of the IT Act.

These amendments are proposed to facilitate the strategic disinvestment of loss-making Public Sector Companies by the Government.

These amendments shall be made effective from fiscal year 2021-22

1.7 Withdrawal of Concessional rate of tax on dividend from foreign company

The provisions of section 115BBD of the IT Act provides concessional rate of tax on dividend income received by an Indian company from specified foreign company (wherein the Indian Company holds 26 % or more in nominal value of equity shares). The rate of tax applicable under this section is 15% which aligns with the rate of dividend distribution tax (levied on a domestic company distributing or declaring dividend) provided under section 115-O of the IT Act.

The Finance Act, 2020 abolished dividend distribution tax under section 115-O of the IT Act and now levies tax on dividend in the hands of shareholders at the applicable rate of tax. In order to provide parity in the tax treatment in case of dividends received from domestic companies and from foreign companies, the Finance Bill proposes to amend section 115BBD of the IT Act to provide that this section shall not apply to any fiscal year beginning on or after 1 April 2022.

This amendment shall be made effective from fiscal year 2022-23.

2. INDIVIDUAL TAXATION

2.1 Phasing out of certain outlived exemptions

The provisions of section 10 of the IT Act provides exemption of specified income of following person subject to fulfilment of certain prescribed conditions:

- Section 10(8): individual assigned to duties in India
- Section 10(8A): in case of consultant (being an Indian citizen who is NR/RNOR or foreign citizen or any other person being a NR)
- Section 10(8B): individual who is an employee of the consultant referred in Section 10(8A)
- Section 10(9): family member of such individual covered in aforesaid sections

The aforesaid sections provide for exemption in relation to income such as:

- remuneration/fee/other income received in connection with any technical assistance programmes and projects in accordance with an agreement entered into by the Central Government and the Government of Foreign State or an agency;
- any other income which accrues or arises outside India, and is not deemed to accrue or arise in India, in respect of which such individual is required to pay any income or social security tax to the Government of that Foreign State; etc.

The Finance Bill proposes to phase out the aforesaid exemptions as they have outlived their utility in the era of simplification of tax laws where exemptions and tax incentives are being phased out as a matter of stated policy of the Government. However, an individual may opt to be governed by the beneficial provisions of the applicable DTAA signed between India and country of residence of such individual, in relation to the above incomes.

These amendments shall be made effective from fiscal year 2022-23.

2.2 Clarification on liability of Directors of Private Company

The provisions of section 179 of the IT Act currently provides that directors of a private company shall be jointly and severally liable for payment of “tax due” if the same could not be recovered from the private company. This section currently titled as “Liability of directors of private company in liquidation” makes no reference to a company being in liquidation.

The Finance Bill proposes to amend the title to “Liability of directors of private company”. Further, it proposes to include “fees” under the scope of “tax due” for clarificatory purposes and to avoid litigation.

These amendments shall be made effective from fiscal year 2021-22.

2.3 Exemption for COVID assistance received for medical treatment and on account of death

The Finance Ministry had issued a Press Release on 25 June 2021 which provided a tax exemption on COVID assistance received from an employer or any other person during fiscal year 2019-20 and onwards.

The Finance Bill now proposes to provide for consequential amendments to the provisions of the IT Act as below:

- Section 17(2) of the IT Act to not treat as "perquisite" for any amount received from the employer for actual expenditure incurred on medical treatment of COVID-19 illness of employee or his family.
- Section 56(2)(x)(i) of the IT Act to not treat as "income" any sum received from any person for actual expenditure incurred on medical treatment of COVID-19 illness of taxpayer or his family.
- Section 56(2)(x)(ii) of the IT Act to not treat below amounts as "income" if it is received by family members of the deceased taxpayer on account of COVID-19 within 12 months from the death (on account of COVID-19) of the taxpayer subject to the below:
  - Any amount received from the employer of the deceased taxpayer
  - Amount up to INR 1mn received from any other person

Further, the Finance Bill proposes to clarify that "family" for the above amendments would include:

- spouse and children of taxpayer; and
- parents, brothers and sisters of taxpayer or any of them, wholly or mainly dependent on the taxpayer

These amendments shall be made effective from fiscal year 2019-20.

2.4 Rationalisation of deduction under section 80DD of the IT Act

As per extant section 80DD of the IT Act, an individual/HUF taxpayer can claim deduction of up to INR 75,000 for disabled dependant and up to INR 1,25,000 for severely disabled dependant. However, section 80DD(3) provides that the annuity/ lumpsum received by the taxpayer on account of death of such disabled dependant shall be taxed in the hands of taxpayer.

In order to remove genuine hardships, the Finance Bill proposes to amend section 80DD of the IT Act to allow deduction for any annuity/lumpsum for the benefit of a dependant, being a person with disability –

- In the event of the death of the individual or the member of HUF in whose name subscription to the scheme has been made; or
- On attaining the age of 60 years or more by such individual or the member of HUF, and the payment or deposit to such scheme has been discontinued.

Also, the Finance Bill proposes that section 80DD(3) of the IT Act shall not be applicable to the amount received by the disabled dependant, before his death, by way of annuity or lumpsum.

These amendments will take effect from fiscal year 2022-23.

3. SECTOR SPECIFIC PROPOSALS

3.1 Financial Services

Tax Incentives to International Financial Service Centre (IFSC)

The Government has shown its intent to further incentivise the IFSC to make it a global hub for financial services sector. Accordingly, the Finance Bill 2022 proposes to exempt the following incomes generated by a non-resident from the IFSC, subject to certain conditions prescribed therein.

- **Incentives for Investment in certain derivative instruments with offshore banking units**

  Section 10(4E) of the IT Act provides exemption to any income accrued or arisen to or received by a non-resident as a result of transfer of non-deliverable forwards contracts entered into with an Offshore Banking Unit (OBU) of an IFSC as referred to in section 80LA(1A) of the IT Act, which fulfils such conditions as may be provided by rules.

  The Finance Bill proposes to amend section 10(4E) of the IT Act to extend this exemption to the income accrued or arisen to or received by a non-resident as a result of transfer of offshore derivative instruments or over-the-counter derivatives entered into with an OBU of an IFSC.

- **Incentives for ship leasing**

  At present, Section 10(4F) of the IT Act provides exemption to any income of a non-resident by way of royalty or interest, on account of lease of an aircraft in a fiscal year, paid by a unit of

an IFSC as referred to in section 80LA(1A) of the IT Act, if the unit has commenced its operations on or before 31 March 2024. The aforesaid section was introduced in Finance Bill 2021 in order to boost undertaking of aircraft leasing activities in IFSC.

Similarly, in order to boost undertaking of ship leasing activities, the Finance Bill proposes to extend the said exemption to any income of a non-resident by way of royalty or interest, on account of lease of a "ship" paid by a unit of an IFSC subject to the conditions prescribed therein.

Additionally, any income on transfer of an asset being a ship by an unit in IFSC will be eligible for tax holiday under section 80LA(1A) of the IT Act. This is in line with the earlier tax holiday provided to income on transfer of an asset being an aircraft.

- **Incentives for Investments managed by portfolio manager in IFSC**

  The Finance Bill proposes to introduce section 10(4G) in the IT Act to provide exemption to any income received by a non-resident from portfolio of securities or financial products or funds, managed or administered by any portfolio manager on behalf of such non-resident, in an account maintained with an OBU, in any IFSC as referred to in section 80LA(1A) of the Act, to the extent such income accrues or arises outside India and is not deemed to accrue or arise in India.

  For the above amendment, "portfolio manager" shall have the same meaning as assigned to it in Regulation (2)(1)(z) of International Financial Services Centre Authority (Capital Market Intermediaries) Regulations, 2021 made under the International Financial Services Centre Authority Act, 2019.

- **Alternative Investment Funds (AIFs) in IFSC to be considered for exception under section 56(2)(viib) of the IT Act**

  Section 56(2)(viib) of the IT Act inter alia states that, where a closely held company receives consideration from a resident for issue of shares, that exceeds the face value of such shares, then the amount in excess of the Fair Market Value (FMV) shall be deemed to be the income of the concerned company and accordingly taxed in the hands of the Company. The aforesaid section was introduced with an objective to deter the generation and use of unaccounted money through subscription of shares of a closely held company, at a value which is higher than the FMV of shares of such company.

  The Explanation to section 56 of the IT Act provided carve outs to exclude certain genuine transactions by a venture capital undertaking from a venture capital company or a venture capital fund or a specified fund.

  The Finance Bill proposed to amend the Explanation to section 56(2)(viib) of the IT Act to provide that 'specified fund' shall also include Category I or a Category II AIF which is regulated under the International Financial Services Centre Authority Act, 2019.

  These amendments shall take effect from fiscal year 2022-23.

- **Provisions of bonus stripping and dividend stripping made applicable to securities and units**

  Section 94 of the IT Act is an anti-tax avoidance provision which inter alia provides for bonus and dividend stripping. Dividend stripping refers to an activity wherein the taxpayer purchases shares/securities prior to declaration of dividend. The shares/securities are sold immediately post declaration of dividend at a price lower than that at which they were acquired, thereby enabling taxpayers to incur short term capital losses. Similarly, bonus stripping refers to an activity wherein taxpayers acquire units. These units are acquired before bonus shares are issued and immediately sold post-issue, incurring short term capital losses. Accordingly, the anti-tax avoidance provisions ignoring the loss to the extent of dividend income under 94(7) and for the purpose of bonus stripping in case of 94(8), the amount of loss is considered to be cost of acquisition of such additional units.

  The current sub-section (7) and (8) of section 94 of the IT Act seek to tax dividend stripping and bonus stripping respectively. The said provision of section 94(8) of the IT Act is applicable only to units of mutual funds registered under Securities

and Exchange Board of India (SEBI) Regulations or Unit Trust of India and does not include securities and units of Infrastructure Investment Trust (InVIT) or Real Estate Investment Trust (REIT) or AIFs as the term 'units' has not been modified.

The Finance Bill proposes to include securities and units of InVIT, REIT and AIF under bonus stripping provisions by way of an amendment in the definition provided in explanation to the provisions of section 94 of the IT Act.

Further, as a consequential amendment for inclusion of units issued by several investment vehicles under the ambit of dividend and bonus stripping regulations, the Finance Bill proposes to include the above-mentioned entities i.e., InVIT, REIT and AIFs as authorities to fix record dates[4] in the definition of the term 'record date'.

These amendments shall take effect from fiscal year 2022-23.

3.2 Start-ups

- **Extension of time limit for incorporation of eligible start-up for claiming tax benefit**

  As per section 80-IAC of the IT Act, an "eligible start-up" is qualified to claim deduction of an amount equal to 100% of the profits and gains derived from an eligible business for any of the 3 consecutive fiscal years out of 10 years at the option of the taxpayer. One of the specified conditions is that the "eligible start-up" is incorporated on or after 1 April 2016 but before 1 April 2022.

  Due to the pandemic, there have been delays in setting up of such units. In order to compensate for such delays and promote such eligible start-ups, the Finance Bill proposes to extend the outer date for incorporation of start-up to 1 April 2023 from existing time limit of 1 April 2022

  This amendment shall be made effective from fiscal year 2021-22.

3.3 Introducing the scheme for taxation of virtual digital assets

Considering a phenomenal increase in transactions in virtual digital assets, the Finance Bill proposes to introduce a new scheme for taxation of such virtual digital assets.

- **Computation of income from transfer of virtual digital assets**

  In this context, a new Section 115BBH to the IT Act is proposed to be inserted to provide that any income arising from transfer of any virtual digital asset, shall be taxed at 30%. Further no deduction in respect of any expenditure other than cost of acquisition or allowance or set off of any loss shall be allowed to the taxpayer under any provisions of the IT Act while computing income from transfer of such asset.

- **Set off and carry-forward of losses**

  Set-off of any loss arising from transfer of virtual digital asset shall not be allowed against any income computed under any other provisions of the IT Act and such loss shall not be allowed to be carried forward to subsequent AYs.

  These amendments shall be made effective from fiscal year 2022-23.

- **Withholding tax Implications**

  The Finance Bill proposes to insert new section 194S to the IT Act to provide for withholding of tax on payment made in relation to transfer of virtual digital asset to a resident at the rate of 1% of such consideration. However, no tax is to be withheld in case the payer is the specified person and the value or aggregate value of consideration to a resident is less than INR 50,000. In any other case, the said limit is INR 10,000. Specified person has been defined by way of Explanation to section 194S of the IT Act. Further, if tax is withheld under section 194S of the IT Act, no tax is to be withheld or collected in respect of the said transaction under any other provisions of Chapter XVII of the IT Act.

  This amendment shall be made effective from 1 July 2022.

- **Gifting of virtual digital assets**

  In order to provide for taxation of gifting of virtual digital assets, the Finance Bill proposes to amend Explanation to section 56(2)(x) of the IT Act to inter-alia, provide that for the purpose of the said clause, the expression "property" shall include virtual digital asset.

  This amendment shall be made effective from fiscal year 2022-23.

[4] Record date is a fixed date to determine holders of securities or units. The holders of securities or units only up to the record date shall be entitled to dividend and/or bonus and the same is currently fixed by companies, mutual fund/ administrator.

- **Definition of the term virtual digital assets**

  The Finance Bill proposes to define the term 'virtual digital asset' in clause 47A to be inserted to Section 2 of the IT Act.

  This amendment shall be made effective from fiscal year 2021-22.

4. WITHHOLDING TAX PROPOSALS

4.1 Rationalisation of computation of interest on default in deduction/collection/payment of tax

Section 201 of the IT Act provides for consequences in case of failure to deduct tax or pay tax after deduction. The mechanism for computing the interest liability for such delayed deduction/payment of withholding tax is provided under section 201(1A) of the IT Act. Similarly, section 206C(7) of the IT Act provides for the mechanism to compute interest liability for similar defaults pertaining to TCS. In order to mitigate litigation on the computation of such interest liability, the Finance Bill proposes that where an order is made under section 201(1) or 206C(6A) of the IT Act, the interest liability shall be payable as per such order.

This amendment shall be made effective from fiscal year 2021-22.

4.2 Rationalisation of higher rate of withholding tax/tax collection for non-filers of income-tax returns

The Finance Act 2021 had introduced section 206AB/ section 206CCA of the IT Act to provide for higher rate of tax withholding/tax collection for non-filers of income-tax return. The tax deductor/collector is required to withheld collect tax at a higher rate when making/receiving payments to/from the 'specified person' (i.e., the taxpayer who has not filed the tax return for the two fiscal years immediately preceding the fiscal year). A non-resident who does not have a PE in India is excluded from the scope of 'specified person'.

The Finance Bill proposes to reduce the two years requirement of filing the tax return to one year by amending section 206AB / section 206CCA of the IT Act.

Further, the Finance Bill proposes to exclude transaction covered under section 194-IA, section 194-IB and section 194M of the IT Act from the purview of section 206AB of the IT Act

Also, the Finance Bill proposes to rectify drafting error in section 206AB/section 206CCA of the IT Act by omitting the term 'deductee'/'collectee', as the same is not used in the said sections. Since the returns are filed electronically, the Finance Bill also proposes to substitute the word 'filed the returns of income' by 'furnished the return of income'.

This amendment shall be made effective from fiscal year 2021-22

4.3 Consequential amendment to section 194-IB of the IT Act

As per section 194-IB of the IT Act, where tax is required to be withheld on payment of rent by certain individuals or HUFs under section 206AA or section 206AB of the IT Act, such deduction shall not exceed the amount of rent payable for the last month of the fiscal year or the last month of the tenancy.

The Finance Bill proposes to omit the reference of section 206AB of the IT Act from section 194-IB of the IT Act.

This amendment shall be made effective from fiscal year 2021-22.

4.4 Rationalisation of provisions of withholding tax on sale of immovable property

Section 43CA and section 50C of the IT Act provides that the transferor of a land or building or both shall consider the 'stamp duty value' of such assets to be the 'sale consideration', where the stamp duty value of such asset exceeds 110% of the actual sale consideration.

Separately, section 194-IA of the IT Act requires a purchaser of an immoveable property (other than agricultural land) to withhold tax at source from the consideration payable to a resident transferor. Such tax is required to be withheld @ of 1% where the consideration is more than INR 5mn.

Section 194-IA of the IT Act merely provides that the consideration for transfer of immoveable property shall include certain specific incidental charges. Requirement to use 'stamp duty value' or 'actual consideration' is not specifically mentioned. To this extent, there is inconsistency in the provisions of section 194-IA and sections 43CA and 50C of the IT Act.

The Finance Bill proposes to:

- Amend section 194-IA of the IT Act to provide that the withholding shall be made on the amount of consideration or the stamp duty value of such property, whichever is higher.
- The Finance Bill further proposes to provide that the said provisions shall not apply where both, the actual sale consideration and the stamp duty value of such property are less than INR 5mn.
- Insert clause (c) to the Explanation to define 'stamp duty value' to have the meaning assigned to it in clause (f) of the Explanation to section 56(2)(vii) of the IT Act.

The proposed amendment is being made to bring in parity with the provisions of sections 43CA and 50C of the IT Act. However, the buffer of 10% on actual consideration under section 43CA and Section 50C of the IT Act is not provided in section 194-IA of the IT Act. Therefore, a situation may arise where income under section 43CA or section 50C of the IT Act is calculated based on actual consideration; however, withholding tax is made on the stamp duty value.

This amendment shall be made effective from fiscal year 2021-22.

4.5 Introduction of section 194R to the IT Act

Many businesses pass on certain benefits to their agents as part of business promotion strategy. Such benefits are chargeable to tax under section 28(iv) of the IT Act in the hands of recipient. However, in many cases, the recipient does not report such benefits in their income-tax return.

The Finance Bill proposes to introduce section 194R in the IT Act to provide for a withholding tax @ 10% on any benefit or perquisite, whether convertible into money or not, arising from carrying out of a business or exercising of a profession by a resident. Such tax shall be withheld by any person responsible for providing the benefit/perquisite to such resident subject to a threshold of INR 20,000 for a fiscal year.

In case the cash component of the benefit/perquisite is not sufficient to withhold tax, person responsible for providing the benefit/perquisite shall ensure payment of tax before releasing such benefit/perquisite.

Provisions of section 194R of the IT Act shall not apply to an individual or a HUF, subject to certain conditions.

As a consequence of withholding of tax, the recipient will have to disclose such benefits/perquisites in the tax return and pay taxes thereon.

This amendment shall be made effective from 1 July 2022.

5. ADMINISTRATIVE AMENDMENTS AND RATIONALISATION MEASURES

5.1 Provisions for filing of updated income-tax return

The existing provision of section 139(1) of the IT Act provide for filing income tax return before the due date. Further, section 139(4) and section 139(5) of the IT Act provide for filing belated income-tax return and revised income-tax return respectively. The relevant due dates for fiscal year 2021-22 for original, belated and revised return are as :

SR. NO.	TAXPAYER CATEGORY	DUE DATE		TIME AVAILABLE FOR FILING BELATED / REVISED RETURN FROM DUE DATE OF ORIGINAL RETURN
		FOR ORIGINAL RETURN	FOR BELATED / REVISED RETURN	
1	A company or a person (other than a company) whose accounts are required to be audited under the IT Act or under any other law	31 October 2022	31 December 2022	2 months
2	Taxpayer who is subject to Transfer Pricing compliances	30 November 2022		1 month
3	Any other taxpayer	31 July 2022		5 months

The existing due dates are not adequate to motivate the taxpayer towards the desired objective of voluntary tax compliance and filing correct tax return. To achieve this, the Finance Bill proposes to introduce section 139(8A) in the IT Act to provide for furnishing of updated income-tax return as under:

- Any taxpayer may furnish an updated income-tax return within 36 months from the end of the fiscal year (for example, on or before 31 March 2025 in respect of tax return for fiscal year 2021-22) for which tax return is to be updated. Updated return can be filed irrespective of whether original return, belated return or revised return has been filed or not.
- Updated return can be filed only if it is not a income-tax return of loss, results in increase in tax liability, or decrease in refund due.
- Updated return cannot be filed in case the taxpayer is subject to specified actions such as search, survey, seizure etc. in the relevant fiscal year and two immediately preceding fiscal years.
- Further, updated return cannot be filed in certain specified circumstances such as where taxpayer is subject to assessment or reassessment or prosecution proceedings for the relevant fiscal year, where tax authorities are in possession of information under the DTAA or other specified laws and such information is communicated to the taxpayer prior to filing updated return.
- Updated return filed once cannot be updated again.

Opting to file an updated return would be subject to additional tax (including surcharge and cess) over and above the regular tax, interest and fee (to be determined in the prescribed manner) under the proposed new section 140B of the IT Act as under:

SCENARIO	ADDITIONAL TAX
If updated return is filed after the expiry of the time available for filing belated and revised return and before completion of period of 24 months from the end of the relevant fiscal year For example, if updated return for fiscal year 2021-22 is filed after 31 December 2022 and before 31 March 2024.	25% of the tax and interest payable
If updated return is furnished after the expiry of 24 months but before the period of 36 months from the end of the relevant fiscal year For example, if updated return for fiscal year 2021-22 is filed after 31 March 2024 but before 31 March 2025.	50% of the tax and interest payable

These amendments shall be made effective from fiscal year 2021-22.

5.2 Amendment in section 263 of the IT Act regarding revision of orders

Section 263 of the IT Act provides for revision of an order, which is erroneous and prejudicial to the interests of the tax authorities. Such orders can be passed within two years from the end of the fiscal year in which the order sought to be revised was passed. There was lack of clarity on revision of the order passed by a Transfer Pricing Authority.

The Finance Bill proposes to amend the provisions of section 263 of the IT Act to enable passing of an order directing revision of the order of the Transfer Pricing Authority.

This amendment shall be made effective from fiscal year 2021-22

5.3 New procedure for an appeal by the tax authorities before the Tax Tribunal where an identical question of law is pending before jurisdictional High Court or Supreme Court

Section 158AA of the IT Act lays down procedure for an appeal by the tax authorities before the Tax Tribunal where an identical question of law is pending before the Supreme Court against order passed by the High Court in favour of the taxpayer for another year. The said section provides for filing an application before the Appellate Tribunal stating that appeal on the question of law in the taxpayer's case may be filed when the Supreme Court's decision on the question of law becomes final for such other year, subject to the acceptance of the same by the taxpayer to the effect that the question of law in the other case is identical to that arising in his case.

With a view to avoid filing of an appeal where a question of law is common and where a decision of the jurisdictional High Court on the same question of law is available, thereby reducing litigation, the Finance Bill proposes to insert section 158AB of the IT Act. The said section provides that where the collegium (comprising of the specified tax authorities) is of the opinion that any question of law arising in the case of a taxpayer for any year is identical with a pending question of law already raised in his case or in the case of any other taxpayer for any year before the jurisdictional High Court or the Supreme Court or in a special leave petition under Article 136 of the Constitution, the collegium may decide not to file any appeal before the Appellate Tribunal or before the High Court as the case may be.

With the introduction of section 158AB in the IT Act, a sun-set clause is proposed to be inserted to section 158AA of the IT Act to avoid duplication in procedure for filing an appeal.

This amendment shall be made effective from fiscal year 2021-22.

5.4 Enabling tax authority to pass consequential order based on order from Dispute Resolution Committee

The Finance Act, 2021 introduced a new Chapter XIX-AA in the IT Act consisting of section 245MA of the IT Act for constituting Dispute Resolution Committee (DRC) for specified taxpayers.

After the resolution of the dispute by the DRC, the assessed income of the taxpayer who had applied to DRC has to be determined. However, the existing provisions of the said section do not contain any provision enabling the tax authority to pass an order giving effect to the directions of the DRC.

Therefore, the Finance Bill proposes to amend section 245MA of the IT Act to enable the Tax Authorities to pass an order giving effect to the directions of the DRC.

This amendment shall be made effective from the fiscal year 2021-22.

5.5 Application of refund of withholding tax in specified circumstances

As per section 248 of the IT Act, where under an agreement or arrangement, a taxpayer who has borne and paid withholding tax under section 195 of the IT Act on any sum (other than interest) paid to a non-resident, may appeal to the Commissioner (Appeals) for a declaration that no withholding tax was required on such sum.

In order to obtain a refund of the tax withheld and paid, where it was not required, no recourse is available to the taxpayer to approach the lower tax authority under section 248 of the IT Act.

The Finance Bill proposes to introduce new section 239A in the IT Act to provide for filing application for refund in such cases before the lower tax authority. If the taxpayer is not satisfied with the order of the lower tax authority, then an appeal before first-appellate authority can be preferred. Accordingly, it is proposed that section 248 of the IT Act shall not apply in cases where withholding tax is paid on or after 1 April 2022.

These amendments shall be made effective from fiscal year 2021-22.

5.6 Extension of date introducing Faceless Scheme for specified proceedings

The Faceless Schemes under section 92CA, 144C, 253 and 264A of the IT Act were introduced through Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 with effect from 1 November 2020 and under section 255 of the IT Act, inserted through Finance Act 2021 with effect from 1 April 2021.

The date of limitation for issuing direction to implement faceless scheme under section 92CA, section 144C and section 253 of the IT Act was 31 March 2022 and date of limitation under section 255 of the IT Act was 31 March 2023.

Section 92CA and 144C of the IT Act dealing with Transfer Pricing and international taxation, are presently out of the regime of faceless assessment. New schemes for these two functions will form part of assessment function and therefore, should follow the faceless assessment procedure. This will have an impact on the information technology structure.

The Finance Bill proposes to extend the date for introducing faceless scheme in respect of section 92CA and section 144C of the IT Act till 31 March 2023.

Section 255 of the IT Act deals with faceless procedure of Tax Tribunal whereas section 253 of the IT Act deals with faceless appeal before Tax Tribunal. The Tax Tribunal is deemed to be a Civil court. Therefore, the faceless scheme under section 255 and section 253 of the IT Act needs to be formulated after due consultation with Ministry of Law and Justice.

Hence, the Finance Bill proposes to extend the date for introducing faceless scheme in respect of section 253 and section 255 of the IT Act to 31 March 2023.

These amendments shall be made effective from fiscal year 2021-22.

5.7 Amendment to Faceless Assessment under section 144B of the IT Act

The Faceless Assessment scheme was introduced into the IT Act to provide for a mechanism to reduce the physical interaction between taxpayers and tax authorities. The scheme envisions a mechanism to conduct assessments through the use of technology driven platforms which would allow the aggregation and utilization of the Income Tax Authorities' resources effectively.

The Finance Bill proposes to substitute section 144B of the IT Act to modify some procedural aspects as well as deal with some of the logistical matters in conducting the Faceless Assessments.

The key differences between the previous provision and the current provision are as follows:

- The new substituted provisions enlarge the scope of the faceless assessments to cover reassessment proceedings under Section 147.
- The Faceless Assessment scheme now comprises of the NaFAC, Assessment Unit (AU), Verification Unit(VU), Technical Unit (TU) and Review Unit (RU). The Regional Faceless Assessment Centre has been done away with as part of the new substituted provisions
- The NaFAC would first assign a case to an Assessment Unit (AU) and inform the taxpayer that the assessment would be conducted through the procedure laid in the provisions.
- Use of technical unit for determination of arm's length, valuation of property, withdrawal of registration, approval, exemption or any other technical matter
- An AU is required to show cause the taxpayer in the event that it proposes a variation to the income or loss. Previously this was done by the NaFAC.
- Based on the income or loss determination proposal received from the AU, the NaFAC can either convey to the AU to proceed with a draft assessment order or assign the proposal through an automated allocation system to a RU.

- The RU will provide a review report which will be forwarded by the NaFAC to the AU.
- The AU after considering the review report may accept or reject, some or all the modification proposed by the RU. Where the AU rejects the modification proposed by the RU, it would be required to record the reasons for such rejections before preparing the draft order.
- Cases where the AU believes that the provisions of section 142(2A) of the IT Act would need to be invoked are to be dealt separately under a new procedure.
- Where taxpayer requests for a personal hearing, the AU shall allow for an oral hearing exclusively through video conferencing or video telephony.

The Finance Bill proposes to simplify the Faceless Scheme while keeping the procedure robust enough to allow for the effective utilization of the various specialized units formed to deal with specific areas.

This amendment shall be made effective from fiscal year 2022-23

Section 144(9) of the IT Act provides that the assessment proceedings shall be void if the procedure laid down under section 144B of the IT Act was not followed. Due to large number of disputes arising on account of technical issues, the Finance Bill has proposed to omit the said sub-section.

This amendment shall be made effective from fiscal year 2021-22.

5.8 Clarity on certain provisions related to reassessment

In order to bring clarity in the existing provisions and to align them with the intent of the IT Act, the Finance Bill has proposed the following amendments.

- Explanation 1 to section 148 of the IT Act is proposed to be amended to expand the scope of "information available with the tax authority" which suggests escapement of income by including, inter-alia, the following types of information
  - Any audit objection.
  - Any information received from the foreign jurisdiction under an agreement or directions contained in the court order.
  - Information received under a scheme notified under section 135A of the IT Act (dealing with faceless collection of information).
- Section 149(1)(b) of the IT Act is proposed to be amended to clarify that the books of accounts, documents or evidence, which reveal that the income chargeable to tax, represented,
  - In the form of asset or expenditure in respect of a transaction or in relation to an event or occasion, or
  - Any other entry or entries in the books of account,

which has escaped assessment amounts to or likely to amount to INR 5mn or more for that year.

- Section 149(1A) of the IT Act is proposed to be introduced to provide that in respect of circumstances covered under section 149(1)(b) of the IT Act, investment in such asset or expenditure in relation to such event or occasion has been made or incurred, in more than one fiscal year, notice under section 148 of the IT Act shall be issued in respect of every such fiscal year.
- Section 148A of the IT Act shall not apply in cases where the tax authority has received any information under section 135A of the IT Act pertaining to income chargeable to tax escaping assessment for any year.

This amendment shall be made effective from fiscal year 2021-22.

6. OTHER AMENDMENTS

Amendments Related To Successor Entity Subsequent To Business Reorganization

6.1 Assessment proceedings in case of business reorganisation

In the event of business reorganisation (involving amalgamation or demerger or merger of business of one or more entities) the process of filing an application with the adjudicating authority or any High Court and consequently arriving at a conclusion with respect to such reorganization is a long-drawn process without any limitation of time.

Further, the reorganisation or restructuring order is normally effective from a preceding date. During such pendency of the proceedings before the Court or Tax Tribunal or Adjudicating Authority under Insolvency and Bankruptcy Code, 2016, the income tax proceedings and assessments are carried on and often completed on the predecessor entities only.

Therefore, the Finance Bill proposes to insert a sub-section (2A) to section 170 of the IT Act to provide that the assessment or other proceedings pending or completed on the predecessor in the event of a business reorganization, shall be deemed to have been made on the successor.

This amendment shall be made effective from fiscal year 2021-22.

6.2 Modified return in case of business reorganisation

In case of reorganisation of the business there is significant gap between the effective date of reorganisation order and the date on which such orders are issued by the competent authority. This affects the final accounts of such entities as they are unable to modify their already filed returns in accordance with the reorganisation.

Therefore, in order to remove this difficulty, the Finance Bill proposes to insert a new section 170A in the IT Act. This new section would enable the entities undergoing such business reorganisation, to file the modified returns in such form and manner as may be prescribed, within a period of six months from the end of the month in which the reorganisation order is issued.

This amendment shall be made effective from fiscal year 2021-22.

6.3 Reduction of tax demand in case of business reorganisation

In cases of business reorganisation, where the Court or Tribunal or an Adjudicating Authority, under Insolvency and Bankruptcy Code, 2016, as a part of the restructuring process, recasts the entire liability to ensure future viability of sick entities, modify the income tax demand created through various income tax proceedings of the past.

However, there is no provision under the IT Act to reduce such income tax demand from the outstanding demand register. Therefore, in order to remove this difficulty, the Finance Bill proposes to insert a new section 156A in the IT Act to give effect to the orders of the abovementioned Competent Authority and to modify such demands in accordance with such directions.

This amendment shall be made effective from fiscal year 2021-22.

6.3.1 Reduction of Goodwill from block of assets to be regarded as 'transfer'

Finance Act 2021 provided that from the fiscal year 2020-21, goodwill of a business or profession shall not be considered as a depreciable asset and thereby not entitled for depreciation. A consequential amendment was carried out in section 50 of the IT Act by inserting a proviso to section 50(2) of the IT Act.

The Finance Bill proposes to make consequential amendment in section 50 of the IT Act to clarify that for the purpose of section 50 of the IT Act, reduction of goodwill from the block of assets shall be deemed to be transfer.

This amendment shall be made effective from fiscal year 2020-21.

6.3.2 Clarificatory amendment in the definition of 'slump sale'

Finance Act 2021 had expanded the scope of 'slump sale' to cover all forms of transfer under slump sale. However, inadvertently, in the last sentence of definition contained in section 2(42C) of the IT Act, there is reference to the word 'sales' instead of 'transfer'.

The Finance Bill proposes to make consequential amendment by replacing the word 'sales' used therein with the word 'transfer'.

This amendment shall be made effective retrospectively from fiscal year 2020-21

7. TAX RATES

7.1 Individual / HUF / AOP / BOI / Artificial Juridical Person

Option A: Normal tax rates

Income slabs (INR)	Individual			HUF / AOP / BOI / AJP
	Age below 60 yrs	Age 60 yrs below 80 yrs	Age 80 yrs and above	
Up to INR 2,50,000	NIL	NIL	NIL	NIL
INR 2,50,001 to INR 3,00,000	5%	NIL	NIL	5%
INR 3,00,001 to INR 5,00,000	5%	5%	NIL	5%
INR 5,00,001 to INR 10,00,000	20%	20%	20%	20%
INR 10,00,001 and above	30%	30%	30%	30%

The rates of tax for fiscal year 2022-23 are same as those for fiscal year 2021-22.

Rebate of INR 12,500 under section 87A of IT Act is same as allowed for fiscal year 2021-22 in case of resident individuals with annual taxable income up to INR 0.50 mn.

The amount of income tax shall be increased by the surcharge which shall be levied at the following rates:

Income slabs (INR)	Surcharge rates on income other than capital gains covered under section 111A, section 112, section 112A and dividend income	Surcharge rates on capital gains covered under section 111A, section 112, section 112A and dividend income
Up to INR 50,00,000	NIL	NIL
INR 50,00,001 to INR 1,00,00,000	10%	10%
INR 1,00,00,001 to INR 2,00,00,000	15%	15%
INR 2,00,00,001 to INR 5,00,00,000	25%	15%
INR 5,00,00,001 and above	37%	15%

In case the total income exceeds INR 20 mn on account of dividend income, income from capital gains covered under section 111A, section 112 and section 112A of the IT Act, then surcharge @ 15% would be applicable on the total income irrespective of quantum of income other than capital gains and dividend income.

Marginal relief will be same as allowed for fiscal year 2020-21 in cases where taxable income is more than INR 5 mn, INR 10 mn and INR 50 mn.

Health and Education Cess shall continue to be levied at the rate of 4% on the tax computed inclusive of surcharge (wherever applicable) in all cases.

Option B: Concessional tax rates for individual and HUF

Following concessional tax rates are available on fulfilment of certain conditions

Income slabs (INR)	Individual and HUF
Up to INR 2,50,000	NIL
INR 2,50,001 to INR 5,00,000	5%
INR 5,00,001 to INR 7,50,000	10%
INR 7,50,001 to INR 10,00,000	15%
INR 10,00,001 to INR 12,50,000	20%
INR 12,50,000 to INR 15,00,000	25%
INR 15,00,001 and above	30%

7.2 Company

The rate of income tax will continue to be the same as those specified for fiscal year 2021-22

S. No	Particulars	Basic Tax Rate		Surcharge		
		Turnover for fiscal year 2020-21 <= INR 4,000mn	Turnover for fiscal year 2020-21 > INR 4,000mn	Total Income up to INR 10mn	Total Income above INR 10mn up to INR 100mn	Total Income above INR 100mn
1	Domestic company					
	▪ Normal Tax Rate	25%	30%	Nil	7%	12%
	▪ Minimum Alternate Tax	15%	15%	Nil	7%	12%
2	Foreign Company					
	▪ Normal Tax Rate	40%	40%	Nil	2%	5%

Marginal relief will continue to be allowed in cases where taxable income is more than INR 10 mn or INR 100 mn.

Health and Education Cess shall continue to be levied @ 4% on the tax computed inclusive of surcharge (wherever applicable) in all cases.

Tax rates for Domestic company on opting to pay taxes under section 115BAA and 115BAB of the IT Act

Particulars	Basic Tax Rate		Surcharge	H & EC
	All Companies	New manufacturing companies and companies engaged in the business of generation of electricity		
Domestic Company				
- Normal Tax Rate	22%	15%	10%	4%
- Minimum Alternate Tax	Not Applicable	Not Applicable		

The concessional tax rate under section 115BAA of the IT Act is applicable subject to the fulfilment of prescribed conditions.

7.3 Partnerships (including LLP)

The rates of income tax will continue to be the same as those specified for fiscal year 2021-22.

Limit	Tax Rate (%)
On the whole of the total income	30%

Surcharge shall be levied at 12% where the taxable income exceeds INR 10 mn.

Marginal relief will continue to be allowed in cases where taxable income is more than INR 10 mn.

Health and Education Cess shall continue to be levied at 4% on the tax computed inclusive of surcharge (wherever applicable) in call cases.

BUDGET PROPOSALS
INDIRECT TAXES

1. GOODS AND SERVICES TAX

1.1 KEY AMENDMENTS TO CENTRAL GOODS AND SERVICES TAX ACT, 2017 [CGST ACT]

(To be effective from the date to be notified, upon enactment of Finance Bill, 2022, unless otherwise specified)

1.1.1 Additional condition for availment of Input Tax Credit (ITC)

Sub-clause (ba) to section 16(2) of the CGST Act is proposed to be inserted to restrict the ITC to the extent the credit reflected in auto-generated, inward supplies statement as per the newly introduced Section 38 of the CGST Act. Section 38 of the CGST Act provides that an auto-generated statement which will give details of ITC permissible along with restricted credits.

1.1.2 Extension of timeline for availment of ITC in respect of Invoice or Debit note

Section 16(4) of the CGST Act is proposed to be amended to extend the timeline for availing ITC to 30 November of the following fiscal year, as against due date for monthly return for the month of September (i.e., 20 October), currently.

1.1.3 Cancellation of GST registration

Section 29 (2) (b) and section 29 (2) (c) of the CGST Act is proposed to be amended to provide that the registration of a person is liable for cancellation by the proper officer, where:

- A composition taxpayer has not furnished the return for a fiscal year beyond three months from the due date of furnishing of the said return;
- Any registered person (other than composition taxpayer) has not furnished returns for such continuous tax period as may be prescribed.

1.1.4 Extension of timeline for issue and declaration of credit notes

Section 34 (2) of the CGST Act is proposed to be amended to extend the timeline for issue and declaration of Credit notes in GST returns to 30 November of the following fiscal year, as against due date of furnishing returns for the month of September (i.e., 20 October), currently.

1.1.5 Conditions and relaxations in filing outward supply returns

- Section 37 of the CGST Act is proposed to be amended to prescribe additional conditions and restrictions to furnish the details of outward supplies and to communicate the details outward supplies to recipients. Similar amendment has been made in section 38 of the CGST Act for inward supplies.
- The existing provision which restricted taxpayers to furnish details of outward supplies during the eleventh day to fifteenth day of succeeding tax period has been removed.
- The provisions governing the mechanism for two-way communication between the supplier and recipient for accepting or rejecting the outward supply details submitted by the any taxpayer has been omitted.
- The time limit for rectification of errors in respect of outward supplies furnished by taxpayers, is proposed to be extended to 30 November, from the due date for furnishing returns for the month of September (i.e., 20 October of the following fiscal year), currently.
- Sub section (4) is inserted in Section 37 of CGST Act to restrict the taxpayer from furnishing details of outward supplies for a tax period, if the taxpayer has defaulted in furnishing the details for any previous tax period.

1.1.6 Auto-generated statement for availing input tax credit

The taxpayer would be allowed to avail ITC based on an auto-generated, inward supplies statement which would consist of details pertaining to inward supplies on which the recipient may avail ITC. Further, the statement would provide details of supplies, in respect of which the taxpayer shall be restricted to avail ITC either wholly or partly due to any of the following reasons-

- Supplies furnished under Section 37(1) of the CGST Act by the supplier is within such period of taking registration as may be prescribed; or
- Supplies furnished by a supplier who has defaulted in payment of tax and such default has continued for a period as may be prescribed; or
- Supplier has disclosed higher tax as part of outwards supply return (GSTR-1) as compared to the tax discharged during the tax period, and such difference in tax exceeds the limit prescribed; or
- Supplier has availed credit of ITC more than credit that can be availed by him as per the auto-generated inward supplies statement; or
- Supplier who has not followed the restriction of utilizing maximum allowed amount that can be utilized from electronic credit ledger for discharging output tax liability in terms of newly inserted Section 49(12) of CGST Act; or
- Any other class of taxpayers as may be prescribed.

1.1.7. Conditions and relaxations in filing monthly returns

- Section 39 (5) (a) of the CGST Act is proposed to be amended to change the due date for filing monthly returns of registered non-resident taxable person from the 20th of the succeeding month to the 13th of the succeeding month.
- The proviso to section 39(7) of the CGST Act inserted now provides an option to the taxpayer to furnish return and pay either the self-assessed tax as per the returns or an amount that may be prescribed.
- The time limit for rectification of errors in respect of particulars furnished by taxpayers under Section 39, is proposed to be extended to the 30th day of November following the fiscal year from the due date for furnishing returns for the month of September (i.e., 20 October), currently.
- Sub section (10) of Section 39 of the CGST Act is proposed to be amended to restrict the taxpayer from furnishing returns under the section, if the taxpayer has defaulted in furnishing the details of outward supplies (GSTR-1) under section 37(1) of the CGST Act for any previous tax period.

1.1.8 Removal of provisional availment of input tax credit

Section 41 of the CGST Act is proposed to be omitted, to do away with claim of ITC on provisional basis. The proposed amendment is to align the ITC availment process as per the auto-populated statement of ITC under the newly introduced section 38 of the CGST Act.

1.1.9. Omission of two-way matching and communication process between supplier and recipient

Sections 42 (Matching, reversal and reclaim of input tax credit), section 43 (Matching, reversal and reclaim of reduction in output tax liability) and section 43A (Procedure for furnishing return and availing input tax credit) of the CSGT Act is proposed to be omitted. These provisions provided for the two-way communication process in filing returns between the supplier and the vendor and matching of returns for claiming ITC is done away with. Removal of these provisions are in-line with the changes made to ITC availment process.

1.1.10 Late fee for delayed filing of return where tax is collected at source

Section 47 of the CGST Act is proposed to be amended to provide for levy of late fee in case of delay in filing returns by e-commerce operators under section 52 of the CGST Act. The Finance Bill 2022 also seek to omit levy of late fee for delay in filing inward supplies as required under section 38 of the CGST Act, as the same will be auto- generated as per the newly substituted provision which introduces a robust mechanism to monitor credit availment.

1.1.11 Authorisation to Goods & Service Tax Practitioners

Section 48 of the CGST Act provides for authorisation of Goods and Services tax practitioners. Based on the proposed amendment in Section 38 of the CGST Act, authorisation of GST practitioners to furnish inward details under Section 38 has been deleted.

1.1.12 Restriction for usage of Electronic Credit Ledger for making payment of output liability

The Finance Bill 2022 proposes to amend section 49(2) of the CGST Act to restrict utilisation of Electronic Credit Ledger for payment of output tax liability.

Further, the Finance Bill 2022 proposes to insert section 49(12) in the CGST Act to empower the Government to prescribe maximum proportion of output tax liability which may be discharged through the Electronic Credit Ledger, subject to conditions and restrictions.

1.1.13 Inter-operability of funds in electronic cash ledger

Section 49(10) of the CGST Act proposes facility of transfer the amount of Electronic Cash balance under the heads CGST and IGST between one GSTIN to another GSTIN of the same entity. This would enable the taxpayers to transfer unutilised cash balance in one State registration to another State registration within the same legal entity to ease cash flow.

1.1.14. Interest applicable only when ITC is availed and utilised

The Government through a press release had earlier clarified that interest under section 50(3) of CGST Act would be levied on ineligible ITC availed and utilised and not on mere availment of ineligible ITC. Further, the Press release also provided that the interest in such a case would be restricted to 18%. While the said provision was made retrospectively with effective from 1 July 2017, there was no notification issued in relation to the same. The Finance Bill 2022 proposes to amend section 50(3) of the CGST Act, to provide for interest @18% on the ineligible ITC availed and utilised.

1.1.15 Timeline to rectify return in case of any omission or error for E-commerce operator

The proposed amendment to section 52(6) of the CGST Act would provide additional time to e-commerce operators to rectify returns in case any omission of incorrect particulars as part of the returns submitted. The due date for rectification of such omission or incorrect particulars is proposed to be increased to 30 November of the following fiscal year as against the due date for furnishing returns for the month of September (i.e., 20 October of the following fiscal year), currently.

1.1.16 Amendment in withholding or deduction from refund

The Finance Bill 2022 proposes to amend section 54 (1) of the CGST Act to increase the scope of withholding of or recovery from refunds.

Currently, in case of any registered person who has defaulted in furnishing any return or who is required to pay any tax, interest, or penalty (which is not stayed by any court), refund payable only in relation to unutilised ITC could be withheld or deducted by the tax authorities. However, as per the proposed amendment, the tax authorities can withhold or deduct the refund claim from any kind of refund claims, namely refund of excess tax payment or other refunds.

1.1.17 Relevant date for filing refund in case of SEZ supplies

Section 54(1) of the CGST Act provides a timeline of two years from the "relevant date" for filing refund. Further, for refund in case of zero-rated supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit, there is no specific relevant date defined.

Accordingly, the Finance Bill 2022 proposes to add sub-clause (ba) to Explanation 2 of section 54 of the CGST Act, defining the relevant date as "due date for furnishing of return under section 39" in respect of refund for zero-rated supply of goods or services or both.

1.1.18. Other amendments

- A new form is proposed to be introduced for claiming refund of balance in Electronic Cash Ledger.
- Time limit to apply for refund is proposed to be extended from 6 months to 2 years for specialised agencies like UNO, and the like as mentioned in section 55 of the CGST Act.

1.2 KEY RATE CHANGES

1.2.1. Exemption on supply of unintended waste during production of fish meal

The Finance Bill 2022 proposed to extend exemption on supply of unintended wastes generated during the production of fish meal (falling under heading 2301) except for fish oil, with retrospective effect from 1 July 2017 and if any tax paid already, it would not be eligible for refund.

1.2.2. GST not applicable on service by way of grant of alcoholic liquor license

Service by way of grant of license for alcoholic liquor against consideration in the form of license fee or application fee or by whatever name called by the State Governments, shall be treated neither as 'supply' of goods nor as supply of services, retrospectively from 1 July 2017 as against 1 September 2019. No refund shall be granted on such GST which has been paid.

2. THE SPECIAL ECONOMIC ZONES ACT (SEZ ACT)

2.1. SEZ ACT TO BE REPLACED BY A NEW LEGISLATION

The SEZ Act 2005 was enacted with a major objective of generation of additional economic activity, promotion of export of goods and services, encourage domestic and foreign investment and creation of employment opportunities.

The Current Special Economic Zones Act and Rules, which imposes restriction on location/area, tax exemptions, sales to domestic market, large export obligations, etc., seem to have caused loss of interest for fresh investment and employment generation. It is proposed that the SEZ Act will be replaced with a new legislation, which is expected to enable the States to become partners in 'Development of Enterprise and Service Hubs'. It will cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports. In addition to the above, certain reforms in Customs Administration of SEZs is proposed to be undertaken, which would be fully IT driven with a focus on higher facilitation and with only risk-based checks to promote 'ease of doing business' by SEZ units. This reform shall be implemented by 30 September 2022.

The Blueprint is awaited on treatment of businesses operating in existing SEZs to address any transition issues, tax treatment under the new policy, comparative incremental benefits and compatibility with the WTO approved scheme.

3. CENTRAL EXCISE

3.1. PROPOSED AMENDMENTS TO CENTRAL EXCISE ACT, 1944

3.1.1. Insertion of new tariff item relating to E12 and E15 fuel blends

The Finance Bill proposes to insert new tariff items in Chapter 27 of the Fourth Schedule to the Central Excise Act, 1944 relating to E12 and E15 fuel blends (Ethanol Blended Petrol) confirming to BIS 17586. This amendment is in line with proposed amendment to the First Schedule to the Customs Tariff Act, 1975.

The proposed Basic Excise Duty (BED) rate for Chapter heading 2710 12 43 for E12 fuel and 2710 12 44 E15 fuel is 14% + INR 15 per litre.

3.2. PROPOSED AMENDMENTS TO THE FINANCE ACT, 2001

3.2.1 Amendment in Central Excise tariff item for levy of NCCD

The Government pruned the list of goods on which Retail Sales Price (RSP) based valuation is applicable. The same is proposed to restrict RSP based valuation to specified goods like chewing tobacco, preparations containing chewing tobacco, Zarda scented tobacco and Pan masala containing tobacco.

3.3. NON-TARIFF NOTIFICATION

3.3.1 Retail Sales Price (RSP) based valuation for specified goods

(Effective from 1 February 2022)

The Government pruned the list of goods on which Retail Sales Price (RSP) based valuation is applicable. The same is proposed to restrict RSP based valuation to specified goods like chewing tobacco, preparations containing chewing tobacco, Zarda scented tobacco and Pan masala containing tobacco.

3.4. TARIFF NOTIFICATION

3.4.1 Change in BED for petrol and diesel Effective from 1 October 2022)

The Government has proposed to levy an additional basic excise duty for entries falling under the heading 2710 of Chapter 27 of the Fourth Schedule to the Central Excise Act, 1944. The said rate changes are proposed to promote blending of Petrol with ethanol/methanol and blending of High-Speed Diesel with biodiesel sold to retail consumers.

Sr No	Item	Current Rate (BED)	New Rate BED)
1	Petrol - unbranded (Not so blended with ethanol or methanol as per BIS specification)	1.4	3.4
2	Petrol - branded (Not so blended with ethanol or methanol as per BIS specification)	2.6	4.6
3	High speed diesel – unbranded (Not so blended with biodiesels as per BIS specification)	1.8	3.8
4	High speed diesel – branded (Not so blended with biodiesels as per BIS specification)	4.2	6.2

4. CUSTOMS

4.1. KEY AMENDMENTS TO THE CUSTOMS ACT, 1962

4.1.1 Proper officers under Customs will include officers of Customs (Preventive) and Director General of Revenue Intelligence

The Hon'ble Supreme Court, in the case of Canon [Civil Appeal No. 1827 of 2018 dated 09 March 2021] had held that the Show Cause Notice (SCN) issued by the officers of Director General of Revenue Intelligence (DRI) is not valid. The relevant provisions of Customs Law are proposed to be amended retrospectively to include officers of DRI, other officers of Customs in the Audit/Preventive wings and other subordinates as 'proper officers' to investigate and issue SCN under the Act. To avoid any future disputes regarding jurisdiction, it is also proposed to empower the Central Board of Indirect Tax and Customs (CBIC) to assign any functions to any officer of customs and to act as a 'proper officer'. To validate SCNs issued by DRI in the past, it has also been clarified that any action performed by such proper officers, prior to the prosed amendment, shall be deemed to have been validly performed under the Act.

4.1.2 Other changes with respect to provisions regarding "Officer of Customs"

The introduction of faceless assessments and other trade facilitation initiatives has created other practical difficulties with respect to the jurisdiction of a customs officer. Therefore, sub-section (4) proposed to be inserted in section 5 of the Customs Act lays down criteria which the Government may adopt while imposing limitations or conditions or while assigning functions to the officer of Customs. This change has been proposed to fulfil the need for the development of industry/sector-specific expertise in assessments or where the Government may need to confine jurisdiction to certain goods or classes of goods. Further, sub-section (5) to section 5 is being proposed to be inserted to permit two or more officers of customs to concurrently exercise powers and functions, in case of faceless assessments.

4.1.3 Measures to address under-valuation in imports

Section 14 of the Customs Act is sought to be amended to provide that the importer may be entrusted with additional obligations to provide documentary proof regarding the value of imports, if there are reasons to believe that the declared value of imported goods is not declared truthfully or accurately having regard to the trend of the declared value of such goods or any other relevant criteria.

4.1.4 Amendments in Advance Rulings provisions

- It has been proposed that the Advance Ruling application can be withdrawn at any time before an Advance Ruling is pronounced, as against the current time limit of 30 days from the date of filing of application.
- The validity of advance ruling has been proposed as three years or till there is a change in law or facts based on which the advance ruling has been pronounced, whichever is earlier.

4.1.5. Jurisdictional Customs Authority will have the sole authority to exercise jurisdiction even in case of a subsequent inquiry, investigation, audit

- Section 110AA is proposed to be inserted in the Customs Act to provide that even in case of a subsequent inquiry, investigation, audit by any other officer of customs, he shall transfer the relevant document along with reports in writing to the jurisdictional officer who allowed such refund, drawback, etc. In case of multiple jurisdictional officers, it would be transferred to an officer to whom such matter is assigned by CBIC.

4.1.6. Publication of any import and export related information has been made punishable

- Data privacy is one of the key issues in the digital era with automation of compliances, where importer or the exporter would submit various information with Customs Department. In order to protect the import and export data, it has been proposed that the publication of any information relating to the value, classification, or quantity of imported and exported goods would be punishable with imprisonment for a term which may extend to 6 months, or with a fine which may extend to INR 50,000 or with both

4.2. NON-TARIFF NOTIFICATIONS

(Effective from 1 March 2022)

- Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 has been amended vide Notification No:07/2022-Customs (NT) to introduce end-to-end automation and provide submission of all the necessary details electronically through a common portal with the following specific amendments.

- New and standardised forms have been prescribed for submission of required details on the Common Portal.
- Modalities for maintenance of records by importer, job worker, etc.
- Procedure for transfer of imported goods to other units, re-export of unutilised/defective goods and depreciation applicable on imported capital goods (if it is cleared for other purposes).
- Monthly Statement to be submitted on the Common Portal for effective monitoring of the use of goods for the intended purposes.
- Option for voluntary payment of the applicable duties and interest through the Common Portal.

4.3. KEY CHANGES IN CUSTOMS DUTY RATES

- Customs duty rates have been increased for umbrellas, imitation jewellery, electrical and electronic items (loudspeaker and headphones), solar cells and modules while rates are reduced for ferrous waste and scrap, specified fabrics and garments, stainless steel, methyl alcohol, acetic acid.
- The Customs duty rate structure on capital goods and project imports has been comprehensively reviewed and exemption on capital goods/project imports are being phased out in a gradual manner for various sectors (like power, fertiliser, textiles, leather, footwear, food processing and fertilizers) and to be eventually taxed at 7.5 %. However, Customs duty exemptions for certain specialised machinery would continue.
- Customs Duty exemptions on inputs, like specialised castings, ball screw and linear motion guide, to encourage domestic manufacturing of capital goods.
- More than 350 exemption entries are proposed to be gradually phased out including exemption on certain agricultural produce, chemicals, fabrics, medical devices and drugs and medicines for which sufficient domestic capacity exists.
- It has been clarified that even if some components are missing in the EV kit, the benefit of concessional rate of duty available to CKD/SKD kits would still be available provided that the kit as presented has the essential character of an EV.
- As part of the exercise for simplification of the Customs tariff structure and to maintain the effective Basic Customs Duty rate (and applicable cesses) of certain items unchanged, it is proposed to make suitable amendments in Customs Tariff Act, 1975 effective 1 May 2022 by suitably omitting corresponding entries on respective exemption/concessional notifications, prescribed currently.

- The Supreme Court's Judgement of 2019, in the case of Unicorn Industries [2019 (370) ELT 3 (SC)] and subsequent clarification issued by CBIC vide Circular No. 02/2020-Customs dated 10 January 2020, had created dilemma for the importers claiming exemption from Social Welfare Surcharge (SWS) on imports where Basic Customs Duty (BCD) itself is exempt. The CBIC has issued another clarification vide Circular No. 3/2022-Customs dated 01 February 2022 to clarify that SWS is levied and collected, as a duty of customs, vide Section 110 of the Finance Act, 2018 (13 of 2018) and SWS applies at the rate of 10% of the aggregate of customs duties payable on import of goods and not on the value of imported goods. Hence, SWS payable would be 'Nil' in cases where the aggregate of customs duties (which form the base for computation of SWS) is zero even though SWS has not been exempted. This clarification would settle the disputes of the past where exemption of SWS has been availed and provide clarity to contain unproductive litigations and avoid tax controversies which are at the cost of confidence of the business.

- Anti-Dumping duty is being revoked on certain metals. Duties on drugs used for rare diseases is being exempted.

5. PRODUCTION LINKED INCENTIVE (PLI) SCHEME

5.1. ADDITIONAL ALLOCATION FOR SOLAR PLI SCHEME

The Government has so far committed INR 1970bn in PLI in 14 sectors. Recently, a PLI scheme had been announced for drones and drone components with an additional layout of INR 1.2bn.

With the success of the PLI Scheme for various sectors and to further facilitate domestic manufacturing to achieve the goal of 280 gigawatts of installed solar capacity by 2030, the government has proposed to make additional allocation of INR 195bn under PLI scheme for manufacturing of high-efficiency modules with a priority to fully integrated manufacturing units from polysilicon to solar PV module. The scheme is expected to reduce dependence on imports of solar modules and boost domestic manufacturing, in line with the Government's green initiative.

5.2. 5G PLI SCHEME

Telecommunication in general, and particularly 5G technology, can enable growth and offer job opportunities. The Government has announced that it would conduct required spectrum auctions in 2022 to facilitate rollout of 5G mobile services within 2022-23 by private telecom providers.

In order to build a strong eco-system and facilitate the growth for 5G/digitalisation, a PLI scheme for design-led manufacturing is proposed to be launched.

REGULATORY UPDATES

SECURITIES & EXCHANGE BOARD OF INDIA

1. INVIT REGULATIONS / REIT REGULATIONS

1.1 Raising of funds by InvITs and REITs by way of public issue

SEBI, vide its notification dated 30 July 2021, has introduced the SEBI (InvITs) Amendment Regulations, 2021 and SEBI (REITs) Amendment Regulations, 2021 providing the following:

- If the InvIT/REIT raises funds by public issue, a minimum subscription amount from any investor in initial and follow-on offer shall fall within the range of INR 10,000 to INR 15,000.
- In case of listing of publicly offered units of InvIT/REIT, trading lot for the purpose of trading of units on the designated stock exchange shall consist of one unit.
- The minimum number of unit holders in an InvIT, other than the sponsor(s), its RPs and its associates shall be 5, together and collectively holding at least 25% of the total units of the InvIT, at all times. Further, SEBI vide it's another circular dated 4th August 2021, clarified that the registered unlisted InvITs which have already issued units as on the date of this circular shall comply with the above requirement within a period of 6 months from the date of this circular.

1.2 Manner and mechanism of providing exit option to dissenting unit holders

SEBI, vide its circular dated 5 October 2021, has amended the manner and mechanism of providing exit option to dissenting unit holders of REITs and InvITs, details of which are as under:

- The exit option for dissenting unit holders would now be available in case of an acquisition, change in sponsor, inducted sponsor or change in control of sponsor or inducted sponsor which is triggered pursuant to an open offer under the provisions of Takeover Regulations. In all such cases,
  - The Relevant Date would mean the date of public announcement made for the acquisition in terms of Takeover Regulations.
  - The exit price would be enhanced by an amount equal to a sum determined at the rate of 10% per annum for the period between the first notice date and second notice date.
  - Summary of activities pertaining to exit option/offer to take place as per the timelines prescribed by SEBI in this circular.

2. LODR Regulations

2.1 BRSR by listed entities

SEBI, vide its circular dated 10 May 2021, introduced new sustainability related requirements in the form of BRSR which is a notable departure from the existing BRR. The BRSR shall be applicable to top 1000 listed entities (by market capitalisation) and reporting of which shall be voluntary for FY 2021-22 and mandatory from FY 2022-23.

Some of the key disclosures sought in the BRSR are highlighted below:

- An overview of the entity's material Environment, Social and Governance (ESG) risks and opportunities, approach to mitigate or adapt to the risks along-with financial implications of the same.
- Sustainability related targets and performance against the same.
- Environmental disclosures covering aspects such as resource usage, pollutant emissions, waste generated & management practices, biodiversity etc.
- Social related disclosures covering the workforce, value chain, communities, and consumers.

2.2 SEBI (LODR) (Second Amendment) Regulations, 2021 ("Second Amended LODR Regulations")

SEBI, vide its notification dated 11 May 2021, has introduced the Second Amended LODR Regulations, highlights of which are as under:

- The requirement to constitute an RMC is made applicable to top 1000 listed entities (by market capitalisation). The Second Amended LODR Regulations also prescribes the requirements relating to constitution of RMC, meetings & quorum of RMC and the roles and responsibilities of members of RMC.
- Listed entities are required:
  - To undertake secretarial audit & annex its report with the annual report and submit secretarial compliance report (taken from a practicing company secretary) each financial year.
  - Submit a quarterly compliance report on corporate governance in the prescribed format to the recognised stock exchange(s) on quarterly basis.
  - Submit the report received from monitoring agency, where listed entity has appointed any such monitoring agency to monitor utilisation of proceeds of a public or rights issue.
- To re-classify the status of promoter to public, the listed entity and its promoters are required to adhere to the prescribed procedural requirements. Further, in case of reclassification pursuant to an open offer or a scheme of arrangement, the procedure mentioned shall not be applicable if the intent of the erstwhile promoter(s) to reclassify has been disclosed in the letter of offer or scheme of arrangement.
- Information such as audio or video recordings and transcripts of quarterly calls, secretarial compliance report, policy for determination of materiality of events, details of KMP, dividend distribution policy, annual return etc. are required to be disseminated on the website of the company, subject to given conditions.

2.3 SEBI (LODR) (Third Amendment) Regulations, 2021 ("Third Amended LODR Regulations")

SEBI, vide its notification dated 3 August 2021, introduced the Third Amended LODR Regulations, highlights of which pertaining to the chapter 'obligations of listed entity which has listed its specified securities' are as under:

- **Definition of ID** has been amended to mean a non-executive director, other than a nominee director of the listed entity
  - Who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the 3 immediately preceding financial years or during the current financial year.
  - List of various conditions to be fulfilled by the relatives of such IDs are now stipulated.
  - Further, it is also added that ID or his/her relative shall not hold the position of a KMP or is or has been an employee of any company belonging to the promoter group of the listed entity, subject to a prescribed condition.
- **Board of Directors:** The listed entity to ensure that approval of shareholders for appointment of a person on the BOD is taken at the next general meeting or within a time of 3 months from the date of appointment, whichever is earlier.
- **Audit Committee & Nomination and Remuneration Committee:** At-least two-thirds of the members of AC & Nomination and Remuneration Committee shall be the IDs. Further, in case of a listed entity having outstanding Superior Rights equity shares, the AC shall only comprise of IDs.
- **Related Party Transactions:** RPTs shall be approved by only those members of the AC, who are IDs.

- **Obligation relating to ID:**
  - The appointment, re-appointment, or removal of an ID of a listed entity, shall be subject to the approval of shareholders by way of a special resolution. ID can be appointed as executive/whole time director in the listed entity, its holding, subsidiary or associate company or company belonging to its promoter group, only after completion of 1 year from the date of resignation of ID.
  - The listed entity must fill the vacancy of ID within 3 months from the date of such vacancy.
  - With effect from 1 January 2022, top 1,000 listed entities by market capitalisation calculated as on 31 March of the preceding financial year shall take 'Directors and Officers Insurance' for all their IDs.

2.4 SEBI (LODR) (Fourth Amendment) Regulations, 2021 ("Fourth Amended LODR Regulations")

SEBI, vide its notification dated 13 August 2021 introduced the Fourth Amended LODR Regulations which inter-alia provided for the followings:

- The disclosure of following items while submitting half yearly / annual financial results by listed entity is not required any more
  - Credit rating and the change if any
  - Asset-cover available
  - Debt-equity ratio
  - Previous due date for the payment of interest/ dividend for NCRPS / repayment of principal of NCPS / NCDS and whether the same has been paid or not; and
  - Next due date for the payment of interest / dividend on NCRPS /principal along with the amount of interest/ dividend of NCRPS payable and the redemption amount.
- The following requirements have been done away with:
  - providing an undertaking to the stock exchange(s) on an annual basis stating that all documents and intimations required to be submitted to Debenture Trustees in terms of Trust Deed and SEBI (Issue and Listing of Debt Securities) Regulations, 2008 have been complied.
  - To communicate half yearly with the holders of NCDS and NCRPS
- The listed entities are now required to:
  - Send soft copies of the full annual reports to all NCS holders having registered their email address(es)
  - Make the payment of interest or dividend on NCDS as well, along with that of the NCRPS.

2.5 SEBI (LODR) (Fifth Amendment) Regulations, 2021 ("Fifth Amended LODR Regulations")

SEBI, vide its notification dated 7 September 2021 introduced the Fifth Amended LODR Regulations. Some of the key changes of which are as under:

- The definition of NCDS, NCRPS are modified to mean the same as defined in SEBI NCS Regulations.
- Regulations pertaining to RMC are now made applicable even to HVD entity (entities having outstanding listed debt securities of INR 500 crores or more)
- Compliance/submissions related amendments:
  - A listed entity to submit disclosures of RPTs, copy of annual report / revised annual report to stock exchanges within given timeline.
  - A listed entity to give prior intimation to the stock exchange of at least two working days about board meetings in which the prescribed proposals like alternation in nature of NCS, date of interest / dividend etc. are to be considered.
  - A listed entity, in respect of its listed NCDS, is required to maintain 100% asset cover sufficient to discharge the principal amount for such securities
  - HVD entities to submit such disclosures along with its standalone financial results for the half year and undertake Directors and Officers insurance for all its IDs.

2.6 SEBI (LODR) (Sixth Amendment) Regulations, 2021 ("Sixth Amended LODR Regulations")

SEBI on 9 November 2021 has notified the Sixth Amended LODR Regulations which pertains to expanding the definition of RP and RPTs and provide for certain framework in view of the amendments. The key highlights of the Amended Regulations are summarised below:

- Revised definition of RP:
- Revised definition of RPT:
- Transaction exempted from the definition of RPTs:
- Materiality of RPTs:
- Prior approval of AC:
- Exemption from prior approval of AC and shareholders for certain RPTs:
- Disclosure of RPT:

Above circular is applicable to all entities that have listed their specified securities on recognised stock exchanges and shall come into force with effect from 1 April 2022.

3. ICDR Regulations

3.1 SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2021 ("Third Amended ICDR Regulations")

SEBI, vide its notification dated 13 August 2021, has notified the Third Amended ICDR Regulations, important highlights of which are as under:

- The lock-in of promoters' shareholding to the extent of minimum promoters' contribution shall be for a period of 18 months from the date of allotment in IPO / Further Public Offering instead of existing 3 years. However, in case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilised for capital expenditure, then the lock-in period shall be 3 years from the date of allotment in the IPO.
- The lock-in of pre-issue capital held by persons other than the promoters shall be locked-in for a period of 6 months from the date of allotment in the IPO instead of existing 1 year.

3.2 SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2021 ("Fourth Amended ICDR Regulations")

SEBI, vide its notification dated 26 October 2021, has notified the Fourth Amended ICDR Regulations, important highlights of which are as under:

- If an issuer has issued Superior Rights equity shares to its promoters / founders, the said issuer shall be allowed to do an IPO of only ordinary shares for listing on the main board subject to condition that the net-worth of the SR shareholder, as determined by a Registered Valuer, shall be maximum up to INR 1000 Crores. Further, while determining the net worth of an individual, his investment only in other listed companies shall be considered and not that of the issuer company.
- The Superior Rights equity shares have been issued and held for a period of at least 3 months prior to the filing of the red herring prospectus.

4. TAKEOVER REGULATIONS

4.1 SEBI (SAST) Amendment Regulations, 2021 ("Amended Takeover Regulations")

SEBI, vide its notification dated 5 May 2021, has introduced the Amended Takeover Regulations, highlights of which are as under:

- In line with the amendment in the Amended ICDR Regulations, the term 'Institutional Trading Platform' is renamed as IGP.
- Committee of IDs formed by the target company to not only provide its recommendation on the open offer but also disclose the voting pattern of the meeting in which such open offer proposal was discussed.
- The limits of certain provisions have been enhanced for the entities having listed their specified securities on IGP, details of which are as :

Provision	Existing Limits	Revised Limits
Acquisition of shares or voting rights requiring public announcement of open offer	25%	49%
Holding of shares or voting rights requiring voluntary public announcement of an open offer	25%	49%
Disclosure of aggregate shareholding and voting rights	5%	10%
Disclosure in case of change in shareholding of shares / voting rights.	2%	10%

4.2 SEBI (SAST) (Second Amendment) Regulations, 2021 ("Second Amended Takeover Regulations")

SEBI, vide its notification dated 13 August 2021, has introduced the Second Amended Takeover Regulations, highlights of which are as under:

- **Regulation 29** pertaining to disclosure of acquisition and disposal is modified to state that any acquirer, together with persons acting in concert with him acquiring shares or voting rights in a target company, which taken together aggregates to 5% or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights in such target company in the form specified.
- **Regulation 30** pertaining to the continual disclosures has been omitted.
- **Regulation 31(1) & (2):** Requirement of disclosing details of shares encumbered by promoter or by persons acting in concert with him in a target company and details of any invocation or release of such encumbrance is not applicable where such encumbrance is undertaken in a depository.

4.3 SEBI (SAST) (Second Amendment) Regulations, 2021 ("Second Amended Takeover Regulations")

SEBI, vide its notification dated 6 December 2021, has amended the regulatory framework for delisting of equity shares pursuant to open offer as provided under Regulation 5A of Takeovers Regulations, key features of which are as under:

- The acquirer may seek the delisting of the target company by making a delisting offer at the time of making open offer to acquire shares/voting rights/control of the target company in terms of Takeover Regulations.
- If the acquirer is desirous of delisting the target company, the acquirer must propose a higher price for delisting with suitable premium over open offer price.
- In case the response to the open offer leads to the delisting threshold being met, all shareholders who tender their shares shall be paid the same delisting price. In case where the threshold is not met, all shareholders who tender their shares shall be paid open offer price.
- Where the delisting offer is not successful, on account of specified reasons, the acquirer shall, within 2 working days in respect of such failure, make a public announcement in the newspaper and comply with all the applicable provisions of these regulations.
- In cases where the target company fails to get delisted pursuant to a delisting offer but results in shareholding exceeding the maximum permissible non-public shareholding threshold, the acquirer may undertake a further attempt to delist the target company in next 12 months from the date of completion of the open offer. Further, if the delisting is unsuccessful even in this extended period of 12 months, the acquirer, subsequently, must comply with the minimum public shareholding norm within a period of 12 months from the end of such period.

5. AIF REGULATIONS

5.1 Regulatory reporting by AIFs (Circular dated 7 April 2021)

With effect from quarter ending 31 December 2021, AIF to submit its activity report on quarterly basis within 10 calendar days from the end of each quarter in the revised prescribed format through SEBI intermediary portal. Additionally, Category III AIFs to also submit a quarterly report on leverage undertaken.

Further, vide this circular and with immediate effect, SEBI requires any change in terms of PP Memorandum and in the documents of the fund/scheme to be intimated to investors and SEBI on a consolidated basis, within 1 month of the end of each financial year clearly mentioning the changes, along with the relevant pages of revised sections/clauses.

5.2 SEBI (Alternate Investment Funds) (Second Amendment) Regulations, 2021 ("Second Amended AIF Regulations")

SEBI, vide its notification dated 5 May 2021, has introduced Amended Second AIF Regulations, key highlights of which are mentioned here under:

- 'Start-up' is defined to mean 'a private limited company or Limited Liability Partnership which fulfills the criteria for startup as specified by the Department of Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India vide notification no. G.S.R. 127(E) dated 19 February 2019 or such other policy of the Central Government issued from time to time'. The definition of 'VC undertaking' is revised to mean a domestic company which is not listed on a recognised stock exchange at the time of making investments.
- General investment conditions are amended as under:
  - AIFs, either directly or through investment in other AIFs, can invest its investable funds only up to limits below:
    - Category I and II of AIFs – 25%
    - Category III – 10%
  - AIFs which are authorised under the fund documents to invest in units of AIFs shall not offer their units for subscription to other AIFs.
  - AIFs shall not invest without the approval of 75% of investors by value of their investment in the AIF in
    - Associates or
    - units of AIFs managed or sponsored by its manager, sponsor, or associates of its manager/sponsor.
- Specific investment condition in relation to kind of investee company in which AIFs shall invest is revised to state as under:
  - Category I AIFs to invest in investee companies, VCUs, special purpose vehicles, LLPs or in units of other Category I AIFs of the same sub-category.
  - Category II AIFs to invest in investee companies or in the units of Category I or other Category II AIFs as may be disclosed in the placement memorandum.
  - Category III AIFs may invest in securities of listed or unlisted investee companies, derivatives, units of other AIFs or complex or structured products.
- Angel Funds can now invest in start-ups (instead of VCUs) which are not promoted or sponsored by or related to an industrial group, whose group turnover exceeds INR 300 crores.

5.3 Enhancement of overall limit for overseas investment by AIFs / VC Funds

At present, all SEBI registered AIFs and VCFs are permitted to invest overseas within overall limit of USD 750mn. RBI vide this circular dated 21 May 2021 has enhanced the said limit to USD 1500mn keeping all other terms and conditions related to overseas investment by eligible AIFs / VCFs unchanged.

5.4 Amendment to SEBI (AIF) Regulations, 2012

SEBI, vide its circular dated 25 June 2021 has notified certain changes for an AIF to invest in units of other AIFs / Investee companies, Code of Conduct and Investment Committee norms which are as under:

- AIFs may invest in the units of other AIFs without labelling themselves as a Fund of AIFs.

- Existing AIFs may also invest simultaneously in securities of investee companies and in units of other AIFs after making appropriate disclosures in the PP Memorandum and with the consent of at least two-thirds of unit holders by value of their investment in the AIF.
- The KMP and the Manager of AIFs shall abide by the Code of Conduct as specified in the AIF Regulation and their names shall be disclosed in the PPMs. Any change in KMPs shall be intimated to the investors and SEBI.

5.5 SEBI (AIFs) (Third Amendment) Regulations, 2021 ("Third Amended AIF Regulations")

SEBI vide its circular dated 3 August 2021 introduced the Third Amended AIF Regulations, highlights of which are as under:

- New definitions like 'accredited agency,' 'accredited investors', 'large value fund for accredited investors' is provided.
- The threshold investment limit of INR 1 crore is not applicable to accredited investor.
- With respect to launching of schemes, the requirement of prior filing of PPM with SEBI is not applicable to large value fund for accredited investors.
- Unlike close ended AIFs (i.e., Category I and Category II AIFs), a tenure of large value fund for accredited investors may be extended beyond the period of 2 years subject to terms of the contribution agreement and other fund documents.
- Large value funds for accredited investors are allowed to invest up to 50% of the investable funds in an Investee Company directly or through investment in the units of other AIFs (as against 25% in case of Category I and Category II AIFs).
- Large value funds for accredited investors of Category III AIFs are allowed to invest up to 20% of the investable funds in an Investee Company directly or through investment in the units of other AIFs (as against 10%).

5.6 SEBI (AIFs) (Fourth Amendment) Regulations, 2021 ("Fourth Amended AIF Regulations")

SEBI, vide its circular dated 13 August 2021 introduced the Fourth Amended AIF Regulations, highlights of which are as under:

- The definitions of 'debt fund', 'investable fund' and 'unit' has been modified.
- Regarding general investment conditions, an un-invested portion of the investable funds and divestment proceeds may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality till the deployment of funds as per the investment objective or the distribution of the funds to investors as per the terms of the fund documents.
- Category I AIFs can now invest in units of Category II AIFs.
- For Category I AIFs, at least 75% of the investable funds shall be invested in unlisted equity shares or equity linked instruments of a VC undertaking or in companies listed or proposed to be listed on a Small and Medium Enterprise Exchange, subject to prescribed condition.
- Investment condition for VC fund regarding investing at least 1/3rd of the investable funds in the manner prescribed, has been omitted.
- With respect to Social Venture Funds, the minimum amount of grant (i.e., at least INR 0.25 crores) shall not apply to accredited investors.
- Category II AIFs shall be exempted from applicability of certain provisions of PIT Regulations, relating to 'communication or procurement of unpublished price sensitive information' and 'trading when in possession of unpublished price sensitive information' in respect of investment in companies listed on the SME Exchange pursuant to due diligence of such companies and subject to prescribed conditions.
- Infrastructure Funds can also invest at least 75% of investable funds in units of Category II AIFs which invest primarily in such VC undertakings or investee companies or Special Purpose Vehicles.

6. OTHER REGULATIONS

6.1 Amendments to Securities Contracts (Regulations) Act, 1956 ("SCRA") by Finance Act, 2021 with effect from 1 April 2021

The Finance Act, 2021 has made certain amendments to SCRA introducing the concept of 'Pooled Investment Vehicle' ("PIV"), briefly as detailed below:

- PIV is defined as a fund established in India in the form of a trust or otherwise, such as mutual fund, AIF, collective investment scheme or a business trust as defined in Section 2(13A) of the Income tax Act, 1961 and registered with SEBI, or such other fund, which raises or collects monies from investors and invests such funds in accordance with such regulations as may be made by SEBI in this behalf.
- The term 'securities' to include units or any other instruments issued by PIV.
- PIV constituted as a trust or otherwise and registered with SEBI shall be eligible to borrow and issue debt securities in the manner and extent as specified under the SEBI regulations.

6.2 Regarding 'Off-market' transfer of securities by FPIs

The Finance Act, 2021 provides tax incentives for relocating foreign funds to IFSC. In view of this objective and to further facilitate such 'relocation', SEBI, pursuant to its circular dated 1 June 2021 has issued the following guidelines:

- FPI (original fund or its wholly owned special purpose vehicle) to approach its Designated Depository Participants for approval of a one-time off-market transfer of its securities to the resultant fund.
- The Designated Depository Participant to accord its approval for such transfer after appropriate due diligence.
- Relocation request will imply that the FPI has deemed to have applied for surrender of its registration.
- The off-market transfer shall be allowed without prejudice to any provisions of tax laws and FEMA.

6.3 SEBI (Delisting of Equity Shares) Regulations, 2021 ("New Delisting Regulations")

SEBI vide its notification dated 10 June 2021 has introduced the New Delisting Regulations repealing an erstwhile SEBI (Delisting of Equity Shares) Regulations, 2009 which mainly provide for the following:

- **Applicability:**

  It shall be applicable to delisting of equity shares of a company including of equity shares having superior voting rights from all or any of the recognised stock exchanges. The New Delisting Regulations would not be applicable in case where equity shares are listed and traded on the IGP without making a public issue as well as delisting made pursuant to a resolution plan approved under IBC, 2016.

- **Conditions for Delisting**
  - Period of 3 years should have elapsed from the date of listing of shares.
  - No instrument which is convertible into same class of equity shares should be outstanding.
  - Period of 6 months should have elapsed from the date of completion / allotment in case of an events like buy-back and preferential allotment (subject to certain conditions).
  - In case of proposal of delisting of shares by an acquirer, an acquirer must not:
    - Have sold the equity shares of the company for 6 months, prior to the date of the initial public announcement made in terms of Delisting Regulations.
    - Employ the funds of the company to finance an exit opportunity provided under the New Delisting Regulations.
    - Be engaged into any practice / transaction which could be fraudulent or manipulative, in connection with delisting sought or permitted under these regulations.

- **Compulsory Delisting**
  - Process to be followed by the stock exchange in case of compulsory delisting.
  - Rights of public shareholders.
  - Consequences of compulsory delisting.

- **Special provision for Small Companies/delisting of a subsidiary company through a Scheme of Arrangement / delisting in case of winding up.**

  The New Delisting Regulations provide that equity shares of a small company may be delisted from all the recognised stock exchanges where they are listed, without following the exit procedure subject to the condition that company's paid-up capital and net worth must not exceed INR 10 crores and INR 25 crores respectively as on the last date of preceding financial year and other prescribed conditions.

6.4 SOP for listed subsidiary company desirous of getting delisted through a Scheme of Arrangement wherein the listed parent holding company and the listed subsidiary company ("both the companies") are in the 'same line of business'

SEBI circular dated 6 July 2021 lays down the criteria for 'same line of business', to enable delisting of the listed subsidiary company. The conditions as stated below is to be fulfilled by both the companies:

- The principal economic activities of both the companies are under the same group (3-digit numeric code) under the National Industrial Classification Code.
- Basis the last audited annual financial results submitted by both the companies in compliance with LODR Regulations, at least 50% of revenue from the operations must come from the same line of business and 50% of net tangible assets must be invested, in the same line of business.
- In case of change of name in last one year, at least 50% of the revenue calculated on a restated and consolidated basis, for the preceding one full year must be earned by it from the activity indicated by its new name.
- Both the companies to provide a self-certification stating the fact that they are in the same line of business.

Further, the circular also requires:

- Statutory Auditor and the SEBI registered Merchant Banker to certify all the above conditions; and
- the shares of both companies should have been listed for at least 3 years and the subsidiary company should have been a listed subsidiary company of the listed holding company at least for a period of 3 years.

6.5 Introduction of SEBI (Issue and listing of Non-Convertible Securities) Regulations, 2021

SEBI vide its notification dated 9 August 2021 has introduced NCS Regulations which shall be applicable to issuance and listing of debt securities and NCRPS by way of Public Issue or on PP basis. With the introduction of NCS Regulations, following two regulations gets repealed:

- SEBI (Issue and Listing of NCRPS) Regulations, 2013 and
- SEBI (Issue and Listing of Debt Securities) Regulations, 2008

The NCS Regulations, amongst other things, mainly provide for the following:

- **Eligibility Conditions:**

  A company is eligible to issue and list NCS, only if it and any of its promoters or directors are neither debarred from accessing securities market nor wilful defaulters / fugitive economic offender subject to certain exceptions.

- **Other Conditions:**

  Issuer also needs to comply with various general conditions for issuance and listing of its NCS, some of which are as under:
  - Get an approval of stock exchange(s).
  - Arrangement with depository for dematerialisation of NCS.
  - Appointment of Debenture Trustee (In case of Debt securities).
  - Appointment of Registrar to the issue.
  - Obtaining of Credit Rating from at least 1 Credit Rating Agency.

- **Public Issue and Listing of Debt Securities and NCRPS:**

  NCS Regulations also provides for public issue and listing of debt securities & NCRPS, which list out the process and various conditions for the same, such as:
  - Appointment of Merchant Banker(s) as lead manager(s).

- Filing of draft offer document with Stock Exchange(s)
- Issuance of advertisements with necessary disclosures
- Minimum subscription of 75% of issue size
- Due Diligence by Debenture Trustee

▶ **Listing of securities on Private Placement basis**

For the listing of securities issued on PP basis, an issuer is required to file a listing application with the stock exchange(s) containing prescribed disclosures and documents.

6.6 SEBI (Share Based Employee Benefits and Sweat Equity) Regulations 2021 ("the Regulations")

SEBI, vide its circular dated 13 August 2021, has introduced the Regulations which shall be applicable to all the listed entities which have issued or propose to roll out Employee Stock Option Schemes, Employee Stock Purchase Schemes, Stock Appreciation Rights Schemes, General Employee Benefits Schemes, Retirement Benefit Schemes and Sweat Equity Shares, highlights of which are as under:.

▶ **Definitions:**

The Regulations provide for some of the important definitions like ESOS, ESPS, Option, SAR, Vesting, Vesting period etc.

▶ **Implementation and Process:**

The Regulations provide for implementation and process of the schemes such as:

- Implementation through trust
- Eligibility conditions for employee to participate in the schemes
- Formation of compensation committee for administration and superintendence of the schemes
- Shareholders' approval to the schemes
- Variation of terms of the Schemes
- Listing and winding-up of the schemes

▶ **Administration of specific Schemes:**

The Regulations also provide for administration and implementation of specific schemes and detailed way each of the scheme shall be implemented and operated covering provisions like pricing, vesting period, rights of the option holder, consequence of failure to exercise an option, pricing and lock-in, etc.

▶ **Issue of Sweat Equity:**

The Regulations include detailed requirements like quantum of issue, special resolution, pricing, valuation, accounting treatment, auditor's certificate, lock-in, listing etc. in relation to Issue of Sweat Equity by a listed company

6.7 SOP on application filed under Regulation 37 of LODR Regulations with respect to Scheme of Arrangements

The BSE, vide its notice dated 1 November 2021, has produced the following standard SOP to be followed by listed entities with respect to the Scheme(s):

- The Scheme shall be submitted to stock exchange along with all the prescribed documents within fifteen working days of board meeting approving the draft Scheme. In case of non-submission, the company shall take fresh approval from its board considering fresh financials, valuation report etc.
- The application must be submitted along with the audited financials of last 3 years of unlisted company(ies) involved in the Scheme and the said financials shall be considered for preparation of Valuation Report by the valuer under income approach method.
- Exchange 1st Query: In case of any inadequacies/non-compliances in the documents, the Scheme shall be returned to the company for necessary rectifications to be done within five working days. On expiry of above timelines if the company is unable to make submissions, the fees for application shall be forfeited and the Scheme documents shall be returned to the company.
- Exchange 2nd Query: The stock exchanges may raise any additional clarifications on the replies and similar response period shall be provided to the company.

- Any refiling because of the previous unsatisfactory filing shall be made along with fresh set of valuation report, fairness opinion, recommendation of the AC, etc. The company shall be required to pay fresh fees to the exchange(s)/regulator.

6.8 Amendment to framework for Scheme of Arrangement by listed entities

SEBI on 16 November 2021, released a circular (Circular) amending certain provisions relating to the Schemes of Arrangement (Scheme) by listed entities as laid down under SEBI Master Circular dated 22 December 2020. The amended provisions shall come into effect immediately and be applicable for all the schemes filed with the stock exchanges from the date of the Circular.

The key highlights of the Circular are summarised below:

Additional documentation/declaration:

- The listed entity,
  - While submitting a valuation report to the stock exchange for its in-principle approval, must also submit along with it, an undertaking stating that there has been no material event impacting the valuation during the period under consideration for valuation report till the filing of the scheme documents with stock exchange.
  - Shall declare all past defaults of listed debt obligations of all the entities forming part of the Scheme.
  - Shall submit NOC from the lending scheduled commercial banks / financial institutions / debenture trustees.

Fractional entitlement:

- All fractional entitlements, if any, shall be aggregated and held by the trust and the trust shall sell such shares in the market, at such price, within a period of 90 days from the date of allotment of shares, as per the draft scheme submitted to SEBI.
- The listed entity shall submit to the designated stock exchange, a report from its AC and the IDs certifying that the listed entity has compensated all the eligible shareholders. Both these reports are to be submitted within 7 days of compensating the shareholders.
- Any misstatement or false information will result in punitive action for the listed company.

MINISTRY OF CORPORATE AFFAIRS

1. COMPANIES ACT, 2013 AND RELATED RULES

1.1 Amendment to Schedule V of the CoA

Certain provisions of Part II of Schedule V pertaining to remuneration to be paid to 'managerial person or persons' have been amended vide MCA's notification dated 18th March 2021:

- 'Other director' also now to be considered as managerial person. Accordingly, provisions with respect to remuneration shall also become applicable to 'other director.' Further, the notification clarifies that the term 'other director' would mean Non-Executive Director or an ID.
- The limits of annual remuneration payable to a managerial person (including other director) in case of no profits or inadequate profits in the company is revised as under:

Effective Capital	Remuneration limit for 'managerial person'	Remuneration limit for 'other director'
Negative or less than INR 5 crores	INR 0.6 crores	INR 0.12 crores
INR 5 crores & above but less than INR 100 crores	INR 0.84 crores	INR 0.17 crores
INR 100 crores & above but less than INR 250 crores	INR 1.20 crores	INR 0.24 crores
INR 250 crores and above	INR 1.20 crores plus 0.01% of the effective capital more than INR 250 crores	INR 0.24 crores plus 0.01% of the effective capital more than INR 250 crores

1.2 Notification dated 24 March 2021: Amendment to Schedule III of the Cos Act

MCA vide its notification dated 24 March 2021 has amended Schedule III of the Cos Act pertaining to presentation and disclosures required for preparation of financial statements to include additional disclosure (including its prescribed formats) while preparing financial statements of a company, some of which are mentioned here under:

- Disclosure of promoter shareholding
- Ageing schedule of trade payables and trade receivable
- Ageing schedule of capital work in progress and intangible assets
- Regulatory information regarding title deeds of immovable property not held in name of the company
- Detail of Benami property held
- Ratios like current ratio, debt-equity ratio, debt service coverage ratio, return on equity ratio, inventory turnover ratio and many more

The above notification is made applicable effective 1 April 2021.

1.3 Clarification on spending of CSR funds

MCA vide its various circular has included the spending of CSR funds for following activities, as an eligible CSR activity under Schedule VII of the Companies Act:

- For setting up makeshift hospitals and temporary COVID-19 care facilities
- Creating health infrastructure for COVID-19 care
- Establishment of medical oxygen generation and storage plants,
- Manufacturing and supply of oxygen concentrators, ventilators, cylinders and other medical equipment for countering COVID-19 or similar such activities, and
- COVID-19 vaccination for persons other than the employees and their families

1.4 Clarification on offsetting the excess CSR spent for FY 2019-20

MCA vide its circular dated 20 May 2021 has clarified that where companies have contributed any amount to 'PM CARES Fund' on 31 March 2020 which is over and above the minimum amount required to be spent as per CSR provisions for FY 2019-20, such excess amount or part thereof can be offset against CSR obligation for FY 2020-21, without being treated as violation, subject to certain conditions prescribed thereunder.

1.5 Amendment to the Companies (Meetings of Board and its Powers) Amendment Rules, 2014 (Notification dated 15 June 2021)

A provision related to restriction of conducting Board Meeting and AC Meeting through video conferencing or other audio-visual means, for prescribed matters (like approval of annual financial statement, board's report, prospectus etc.) has been permanently omitted.

1.6 The Companies (Accounting Standard) Rules 2021 ("Accounting Standard Rules")

MCA vide its notification dated 23 June 2021 and in consultation with the National Financial Reporting Authority has notified the Accounting Standard Rules, key features of which are as under:

- The Accounting Standard Rules shall be applicable to all those companies (and their auditors) which do not have to apply Ind AS as notified under Companies (Ind AS) Rules, 2015.
- It shall come into force with effect from 23rd June 2021 and in respect of financial statements for accounting periods commencing on or after the 1st April 2021.
- The definition of Small and Medium Sized Company ("SMC") has been revised to means as under:
  - Whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India.
  - Which is not a bank, financial institution, or an insurance company.

- Whose turnover (excluding other income) does not exceed INR 250 crores and borrowing (including public deposits) does not exceed INR 50 crore in the immediately preceding accounting year.
- Which is not a holding or subsidiary company of a company which is not a SMC.

- An existing company which previously was not a SMC but subsequently becomes one, shall be qualified to avail exemption only if it remains SMC for two consecutive accounting periods.
- Further, the Accounting Standard Rules also provides for general instructions to be followed by all SMCs and all other companies to which it is applicable, along with detailed accounting standards.

1.7 Companies (Appointment and Qualification of Directors) Amendment Rules, 2021 ("the Amended Rules")

MCA, vide its notification dated 19 August 2021 has introduced the Amended Rules according to which, an individual whose name is included in the data bank of IDs, is required to pass an online proficiency self-assessment test within 2 years from the date of inclusion of his/her name in the data bank with certain exceptions (based on previous work experience) as specified in the Amended Rules.

FOREIGN EXCHANGE MANAGEMENT ACT

1. FEMA ACT AND RELATED RULES

1.1 Sponsor Contribution to an AIF set up in Overseas Jurisdiction, including IFSC.

As per the Notification No. FEMA 120/RB-2004 dated 7 July 2004 ("extant framework"), an Indian Party can invest or make a financial commitment in an entity outside India which is engaged in the financial sector, subject to prescribed conditions.

RBI vide its A.P. (DIR Series) Circular No. 04 dated 12 May 2021 has clarified that an Indian Party can set up an AIF in overseas jurisdictions, including IFSCs, under the automatic route provided it complies with conditions prescribed under regulation 7 relating to 'Investment in Financial Services Sector' under the extant framework.

1.2 Circular dated 4 June 2021: Resolution of Covid-19 related stress of MSMEs ("Resolution Framework 2.0") - Revision in the threshold for aggregate exposure

On 5 May 2021, RBI had announced the Resolution Framework 2.0 for resolution of COVID-19 related stress of MSMEs having aggregate exposure (including non-fund-based facilities of the Lender's) up to INR 25 crores.

With a view enable larger set of borrowers to avail the benefits under Resolution Framework 2.0, RBI vide its circular dated 4 June 2021 has enhanced this maximum aggregate exposure threshold to INR 50 crores.

1.3 Declaration of Dividend by the NBFCs

RBI vide its circular dated 24 June 2021 has prescribed the guidelines on distribution of dividend by NBFCs which shall be applicable to all NBFCs regulated by RBI and effective for declaration of dividend from the profits of the FY ending 31 March 2022 and onwards.

1.4 Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs ("SBR Framework")

On 22 October 2021, the RBI issued a notification on SBR Framework which will come into effect from 1 October 2022 except for certain compliance requirements relating to funding of initial public offerings (IPOs) which would be effective from 1 April 2022.

Key pointers given the SBR Framework are as under:

- **Division:** Under the SBR Framework, the RBI has introduced four scale-based layers for regulating NBFCs.

NBFC - Base Layer (NBFC-BL)	1. Consists of Non-deposit taking NBFCs below the asset size of INR 1000 crore and undertaking the following activities: ▪ NBFC - Peer to Peer Lending Platform, ▪ NBFC-Account Aggregator ▪ Non-Operative Financial Holding Company and ▪ NBFCs not availing public funds and not having any customer interface.
NBFC – Middle Layer (NBFC-ML)	1. Consists of (i) all deposit taking NBFCs (NBFC-Ds), irrespective of asset size and (ii) non-deposit taking NBFCs with asset size of INR 1000 crore and above 2. NBFCs undertaking the following activities: ▪ SPDs ▪ Infrastructure Debt Fund – NBFC (IDF-NBFCs), ▪ CICs, ▪ HFCs ▪ Infrastructure Finance Companies (NBFC-IFCs).
NBFC – Upper Layer (NBFC-UL)	Consists of those NBFCs which are specifically identified by the RBI as warranting enhanced regulatory requirement-based parameters and methodology as provided in the circular. The top ten eligible NBFCs in terms of their asset size shall always reside in the upper layer, irrespective of any other factor.
NBFC – Top Layer (NBFC-TL)	NBFC can be considered as NBFC-TL if specifically categorised as such by RBI based on substantial increase in the potential systemic risk from specific NBFC-UL.

- **Key regulatory changes under SBR Framework for all the layers in the regulatory structure:**
  - The RBI has increased the minimum net owned fund (NOF) requirement for NBFC-ICC (Investment and Credit Companies), NBFC-MFI (Microfinance Institutions), and NBFC-Factor to INR 10 crores.
  - The RBI has prescribed a uniform overdue period of more than 90 days for classification of a non-performing asset (NPA) by all categories of NBFCs. NBFCs must ensure that the overdue period for classification of an asset as an NPA is not more than: (i) 150 days by 31 March 2024; (ii) 120 days by 31 March 2025; and (iii) 90 days by 31 March 2026.
  - There shall be a ceiling of INR 1 crore per borrower for financing subscription to IPO. NBFCs can fix more conservative limits.
- **Some compliance related requirements:**

  The SBR Framework also lays down certain Corporate Governance/compliance requirements to be followed by NBFCs.

1.5 External Commercial Borrowings and Trade Credits Policy – Changes due to LIBOR transition

In view of the imminent discontinuance of LIBOR as a benchmark rate, the RBI, vide its circular dated 8 December 2021 made the following changes to the benchmark rates and All-In-Cost (AIC) ceiling for FCY ECB / TC:

- **Benchmark rate of FCY ECB/TC –** It shall now refer to any widely accepted interbank rate or Alternative Reference Rate (ARR) of 6-month tenor, applicable to the currency of borrowings.
- **AIC ceiling for new FCY ECB/TC -** The all-in-cost ceiling for new FCY ECB and TC has been increased by 50 bps over the benchmark rates - for new FCY ECBs benchmark rate would be + 500 basis points and for all new FCY TCs, relevant benchmark rate would be + 300 basis points.

1.6 Introduction of LEI for Cross-border Transactions

With a view to harness the benefits of 20-digit LEI, RBI has introduced this circular dated 10 December 2021 providing for the following:

- All resident entities (non-individuals) undertaking capital or current account transactions of INR 50 crores and above (per transaction) under FEMA Act, 1999 must provide LEI number to AD Category I with effect from 1st October 2022.
- As regards non-resident counterparts/ overseas entities, in case of non-availability of LEI information, AD Category I banks may process the transactions to avoid disruptions.
- LEI number, once obtained, must be reported in all the transactions irrespective of its size.
- Further, AD Category-I banks shall have the required systems in place to capture the LEI information.
- Any LEI captured must be validated against the global LEI database available on the website of the Global LEI foundation.
- In India, LEI can be obtained from LEI India Ltd. (https://www.ccilindia-lei.co.in), which is also recognised as an issuer of LEI by the RBI under the Payment and Settlement Systems Act, 2007.

1.7 Prompt Corrective Action ("PCA") Framework for NBFCs

Considering the growing size and substantial interconnectedness of NBFCs with other segments of financial system and to strengthen the supervisory tools applicable to all Deposit taking NBFCs (NBFCs-D), all Non-Deposit taking NBFCs (NBFCs-ND) in middle, upper and top layers, including Investment and Credit Companies, CICs, Infrastructure Debt Funds, Infrastructure Finance Companies, Micro Finance Institutions and Factors, the RBI has introduced a PCA framework (vide its circular dated 14th December 2021) to enable supervisory intervention at appropriate time.

A PCA Framework would be made applicable based on the audited annual financial results and/or the supervisory assessment made by the RBI except for cases, where it can also be imposed if the circumstances so warrant. Further, a PCA Framework shall come into effect from 1st October 2022, based on the financial position of NBFCs on or after 31 March 2022.

INSOLVENCY AND BANKRUPTCY CODE

1. IBC, 2016 AND RELATED RULES AND REGULATIONS

1.1 IBBI (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2021("Amended Regulations")

IBBI, vide its notification dated 15 March 2021 produced the Amended Regulations making certain modifications to the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 ("CIRP Regulations") stated as under:

- A creditor shall update its claim as and when it is satisfied, partly or fully.

- Where any activity as specified (viz. public announcement, appointment of RP, issuance of information memorandum, issuance of request for resolution plan and completion of CIRP) is not completed by its given due date, the interim RP or RP shall file Form CIRP 7 within 3 days of the said date, and continue to file Form CIRP 7, every 30 days, until the said activity remains incomplete. Further, subsequent filing of Form CIRP 7 shall not be made until 30 days have lapsed from the filing of an earlier Form CIRP 7.
- Format for submission of claim by financial creditors (Form C) has been revised.

1.2 IBC (Amendment) Ordinance, 2021 ("the Ordinance")

The proposal to make amendments in the IBC, 2016 through the Ordinance was promulgated by President on 4 April 2021.

The amendments aim to provide an efficient alternative insolvency resolution framework for corporate persons classified as MSMEs under the IBC, 2016, for ensuring quicker, cost-effective and value maximising outcomes for all the stakeholders.

The Amendment Ordinance seeks to amend sections such as 4, 5, 11, 33, 34, 61, 65, 77, 208, 239, 240 & insert new sections such as 11A, 67A, 77A and a new chapter as IIIA on pre-packaged insolvency resolution process ("PPIRP") for MSMEs in IBC, 2016.

1.3 Introduction of IBBI (PPIRP) Regulations, 2021 ("PPIRP Regulations") and Insolvency and Bankruptcy (PPIRP) Rules, 2021 ("PPIRP Rules")

The IBC (Amendment) Ordinance, 2021 promulgated on 4 April 2021 provides for PPIRP for corporate debtors classified as MSMEs.

Vide separate notifications dated 9 April 2021, the IBBI has notified PPIRP Regulations & PPIRP Rules to enable its operationalisation with immediate effect.

PPIRP Regulations provides for the forms that stakeholders are required to use, and the manner of conducting various tasks by them as part of PPIRP.

Further, MCA has notified INR 0.1 crore as the minimum amount of default for which PPIRP can be initiated for Corporate MSMEs. The facility of PPIRP is not available for MSMEs that are run as sole proprietorships or partnerships.

1.4 Clarification regarding requirement of seeking No Objection Certificate or No Dues Certificate from the Income Tax Department during Voluntary Liquidation Process under the IBC, 2016

The provisions of the IBBI (Voluntary Liquidation Process) Regulations, 2017 mandates the liquidator to make a public announcement calling for submission of claims by stakeholders and even after providing such opportunity for filing of claims, the liquidators seek NOC or No Dues Certificate ("NDC") from the Income Tax Department which hinders time bound completion of the process.

Since IBC, 2016 does not envisage seeking any such NOC/NDC, IBBI, vide its circular dated 15 November 2021 clarified that that an IP handling voluntary liquidation process is not required to get NOC/NDC from the Income Tax Department as part of compliance in the said process.

GLOSSARY

Abbreviation	Meaning
5G	Fifth-Generation wireless
AA	Adjudicating Authority
AAR	Authority for Advance Ruling
AC	Audit Committee
AGM	Annual General Meeting
AD Bank	Authorised Dealer Bank
AE	Associated Enterprise
AED	Additional Excise Duty
AIDC	Agriculture Infrastructure and Development Cess
AIF	Alternative Investment Fund
AMT	Alternate Minimum Tax
ANW	Adjusted Net Worth
AO	Assessing Officer/ Tax Officer
AOP	Association of Person
APA	Advance Pricing Agreement
AY	Assessment Year
BCD	Basic Customs Duty
BE	Budget Estimate
BED	Basic Excise Duty
BIFR	Board of Industrial and Financial Reconstruction
Bn	Billion
BO	Branch Office
BOD	Board of Directors
BOE	Bill of Entry
BOI	Body of Individual
BRR	Business Responsibility Report
BRSR	Business Responsibility and Sustainability Reporting
CbCR	Country-by-Country Report
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Tax and Customs
CE Act	Central Excise Act, 1944
CE Rules	Central Excise Rules, 2002
Cenvat	Central Value Added Tax

Abbreviation	Meaning
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CETA	Central Excise Tariff Act, 1985
CETH	Central Excise Tariff Heading
CGST	Central Goods and Services Tax
CICs	Core Investment Companies
CIRP	Corporate Insolvency Resolution Process
CKD/SKD	Completely Knocked Down / Semi Knock Down
CIT	Commissioner of Income-tax
CoA	Companies Act, 2013
CoC	Committee of Creditors
CRO	Chief Risk Officers
CSR	Corporate Social Responsibility
CTA	Customs Tariff Act, 1975
CTH	Customs Tariff Heading
Customs Act	Customs Act, 1962
CVD	Countervailing duty
DDT	Dividend Distribution Tax
Delisting Regulations	SEBI (Delisting of Equity Shares) (Amendment) Regulations, 2018
DPR	Dividend Pay-out Ratio
DR	Depository Receipts
DRC	Dispute Resolution Committee
DTA	Domestic Tariff Area
DRI	Director General / Directorate of Revenue Intelligence
DTAA	Double Taxation Avoidance Agreement
DVR	Differential Voting Right
e-commerce	Electronic Commerce
EBP	Electronic Book Provider
ECBs	External Commercial Borrowings
ESOPs	Employee Stock Option Plans
EOGM	Extra Ordinary General Meeting

GLOSSARY

Abbreviation	Meaning
EOUs	Export Oriented Units
EV	Electric Vehicle
FATF	Financial Action Task Force
FAR	Fully Accessible Route
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 2000
FM	Finance Minister
FMV	Fair Market Value
FPI	Foreign Portfolio Investor
FY	Financial Year / Fiscal Year
GDP	Gross Domestic Product
GOI	Government of India
GRMC	Group Risk Management Committee
GST	Goods and Services Tax
GSTN	Goods and Service Tax Network
GSTR	Goods and Services Tax Return
HFC	Housing Finance Company
HSD	High Speed Diesel
HUF	Hindu Undivided Family
HVD	High Value Debt
IBBI	Insolvency and Bankruptcy Board of India
IBC	Insolvency & Bankruptcy Code
ICDR Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
ID	Independent Director
IFSC	International Financial Services Centre
IGP	Innovators Growth Platform
IGST	Integrated Goods and Services Tax
Ind AS	Indian Accounting Standard
INR	Indian Rupees
Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 2015

Abbreviation	Meaning
InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014
InvITs	Infrastructure Investment Trusts
IOSCO	International Organisation of Securities Commissions
IP	Insolvency Professional
IPO	Initial Public Offering
IPA	Insolvency Professional Agencies
IRP	Interim Resolution Professional
IT Act	Income Tax Act, 1961
IT Rules	Income Tax Rules, 1962
ITC	Input Tax Credit
JCIT	Joint Commissioner of Income-tax
KMP	Key Managerial Personnel
LEI	Legal Entity Identifier
LIBOR	London Inter-Bank Offered
LLP	Limited Liability Partnership
LO	Liaison Office
LODR	Listing Obligations and Disclosure Requirements
LODR Regulations	SEBI (Listing Obligations and Disclosure Requirements), 2015
LoUs	Letters of Undertakings
MAMP	Minimum Average Maturity Period
MCA	Ministry of Corporate Affairs
Mn	Million
MoF	Ministry of Finance
MRP	Maximum Retail Price
MSME	Micro, Small and Medium Enterprises
MTF	Medium-Term Framework
NA	Not Applicable
NAAA	National Appellate Authority for Advance Ruling
NaFAC	National Faceless Assessment Centre
NBFC	Non-Banking Finance Company
NCCD	National Calamity Contingent Duty
NCDS	Non-Convertible Debt Securities

GLOSSARY

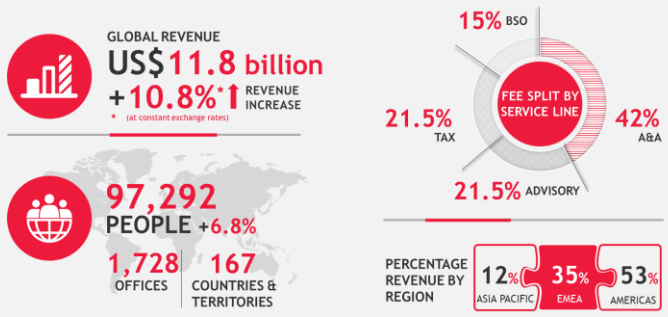
Abbreviation	Meaning
NCLT	National Company Law Tribunal
NCRPS	Non-Convertible Redeemable Preference Shares
NCS Regulations	SEBI (Issue and listing of Non-Convertible Securities) Regulations, 2021
NFRA	National Financial Reporting Authority
NOC	No Objection Certificate
NPA	Non-Performing Assets
NR	Non-resident
NRI	Non-resident Indian
NT	Non-Tariff
OBU	Offshore Banking Unit
OECD	Organisation for Economic Co-operation and Development
OCI	Overseas Citizen of India
OFS	Offer for Sale
PAN	Permanent Account Number
PE	Permanent Establishment
PLI	Production-Linked Incentive
PO	Project Office
PV	Photovoltaics
PP	Private Placement
RBI	Reserve Bank of India
RIC	Road and Infrastructure Cess
RDBs	Rupee Denominated Bonds
REF	Recovery Expense Fund
REIT Regulations	SEBI (Real Estate Investment Trusts) Regulations, 2014
REITs	Real Estate Investment Trusts
RNOR	Resident but Not Ordinary Resident
RP	Related Party
RPT	Related Party Transaction
RMC	Risk Management Committee
RP	Resolution Professional
RPT	Related Party Transaction

Abbreviation	Meaning
RMC	Risk Management Committee
RP	Resolution Professional
RSP	Retail Sales Price
SAD	Special additional duty of customs
SAED	Special Additional Excise Duty
SARFAESI	Securitization and Reconstruction Financial Assets and Enforcement of Securities Interest Act, 2002
,w	Substantial Acquisition of Shares and Takeovers
SBRT	Single Brand Product Retail Trading
SC	Supreme Court
SCN	Show Cause Notice
SEBI	Securities & Exchange Board of India
SEZ	Special Economic Zones
SFT	Specified Financial Transaction
SGST	State Goods and Service Tax
SOP	Standard Operating Procedure
SPV	Special Purpose Vehicle
Sqmtrs	Square metres
SWS	Social Welfare Surcharge
Takeover Regulations	SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011
TAN	Tax Deduction and Collection Account Number
TC	Trade Credits
TCS	Tax Collected at Source
Uno	United Nations Org
USD	US Dollar
VAT	Value Added Tax
VC	Venture Capital
VRR	Voluntary Retention Route
w.e.f.	with effect from
w.r.e.f.	with retrospective effect from
WOS	Wholly Owned Subsidiary
WTO	World Trade Organisation
YoY	Year-on-year

ABOUT BDO

ABOUT BDO GLOBAL

BDO is a leading professional services organisation and are global leaders of the mid-tier, with a presence in 165+ countries and over 97,000 people working out of more than 1,700 offices. We endeavor to deliver an exceptional client experience through a tailored solutions approach, while partnering with our employees and clients globally.



BDO Global Statistics as of 2021

ABOUT BDO IN INDIA

BDO in India offers Assurance, Tax, Advisory and Business Services & Outsourcing for both domestic and international clients across industries. The team at BDO in India consists of over 3,500 professionals led by more than 200 partners and directors operating out of 13 offices, across 10 key cities.

OUR SERVICES

ASSURANCE

- Accounting Advisory Services
- Financial Statement Audit and Attestation Services

ADVISORY

- Business Restructuring
- Corporate Finance and Investment Banking
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- Forensics
- Government Advisory
- M&A Tax and Regulatory
- Resolution Advisory
- Risk Analytics
- Risk and Advisory Services
- Valuations

BUSINESS SERVICES & OUTSOURCING

- Global Outsourcing
- Shared services & Outsourcing

DIGITAL SERVICES

- Business Analytics
- Business Process Management
- Cyber Security
- Digital Strategy & Transformation
- Technology Solutions

TAX

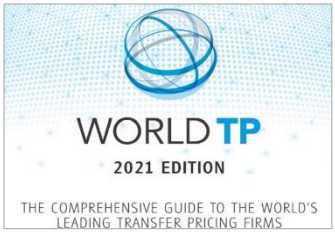
- Customs & International Trade
- Direct Tax Services
- Global Employer Services
- Goods & Services Tax (GST)
- Indirect Tax Assessment & Litigation Assistance
- International Tax Services (ITS)
- Representation and Litigation Support
- Tax Technology
- Transfer pricing Services

ABOUT BDO

ACCOLADES

BDO has been the recipient of a range of awards, recognising both our exceptional quality standards and service delivery. Alongside a number of awards won, at global level we were honoured to receive the IAB Network of the Year and the International Payroll Awards.

Tax Innovator of the year	#2 for PE and #3 for M&A deals on the League Table	Leading Transfer Pricing firm	Leading Tax firm
ITR Asia-Pacific Tax Awards	Venture Intelligence report	World Transfer Pricing- Comprehensive Guide to World's Leading Transfer Pricing Firms	International Tax Review - Comprehensive Guide to World's Leading Tax Firms
2021	2021	2014 - 2021	2012 - 2021



WHY BDO

A GLOBAL ORGANISATION YOU KNOW CAN DELIVER

- BDO has 50 years of experience delivering accounting, advisory, tax, business services and consulting services.
- We know your businesses & are poised to address your immediate and long-term service needs.

A DEDICATED AND ACCESSIBLE TEAM

- High level of involvement from partners/ directors.
- Access to specialised services teams.
- Dedicated project management support to ensure deadlines are met and any potential issues are highlighted early on.

INNOVATIVE SERVICES

- Flexible approach and methodology to manage the engagement efficiently.
- Ideas for business. improvements throughout the engagement.

PROVEN SECTOR EXPERIENCE

- Our team brings in broad-based experience, knowledge and business savvy approach to our clients.
- Our professionals are well versed with the challenges faced in your industry including new legislations and regulations.

VALUE FOR FEES TO SUIT YOUR NEEDS

- Openness and transparency in pricing our work; no surprises.
- Client service plan designed to identify and track issues and opportunities.

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