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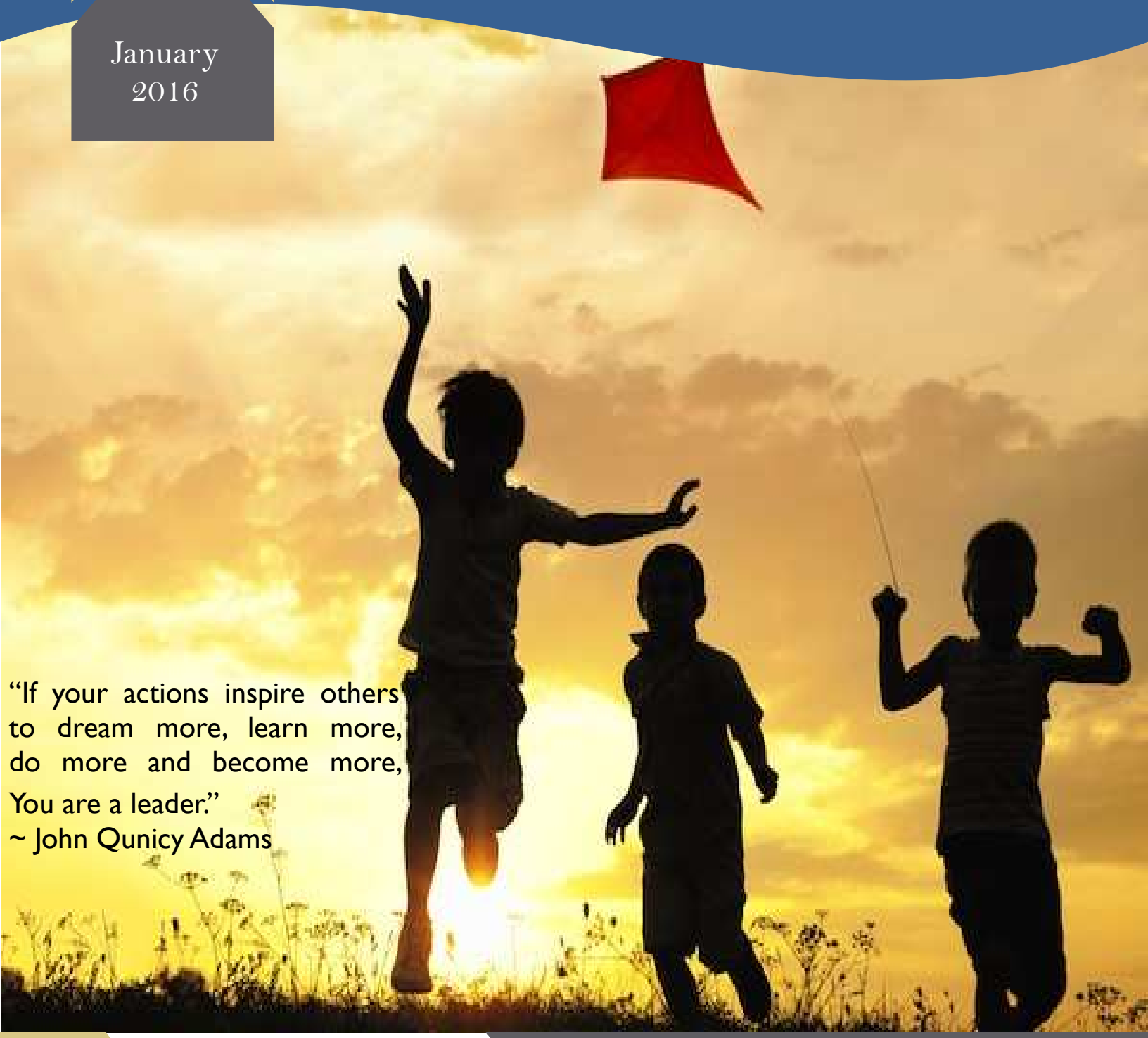
Connection

January
2016



"If your actions inspire others to dream more, learn more, do more and become more, You are a leader."
~ John Qunicy Adams

INNOVATE CREATE LEAD

Lalit Bajaj & Associates
Chartered Accountants

LALIT BAJAJ & ASSOCIATES

Volume IV, Issue 9 January 2016

Communiqué

Dear Seniors, Friends & Colleagues,

Happy New Year, New Hope, New Sun Rays and Euphoria

At the outset, I am thankful for reposing faith and electing me to 22nd Regional Council for the period 2016-19. I can feel the responsibility now of working on the Vision statement in coming years.

It's time when we have stepped into New Year with new thoughts, new ideas and new hopes. New Year helps in chalking out plan to build future and explore new adventures. There are many people who say new year is no different to past year but then we have to go and see our accounting principle of periodic concept where entity is judged based on past period, and based on past periods performance next year's target budgets are determined. Likewise we have to assess our performance based on year and deliberate how was the last year and things which can be improved in coming year. Life is a continuous process of learning and refinement and new hopes brings more euphoria in this.

In today's hectic life I often hear that people are much tensed and it's difficult to maintain balance between personal and professional life. It's time to sit and bring more clarity on day to day work and give time to family life also. It has been rightly said by Mr. Obama that "It's not countries GDP but it's real per capita income which improves country's stability and equal growth". On the same lines fraternity members should also devote equally important time to family in this year.

On the other hand economy has started with whimper note in the current year mainly because of macro environment prevailing in the world like Chinese market influencing our economy which has been reflected in stock market. Although it is believed from various research reports that Indian economy is fundamentally strong and stable and no need to panic, here also our members can contribute in strengthening the economy by advising proper course of actions and exercising enforcement of adequate internal controls. As we have been said that "we are partner in nation building" we should really be firm on this tag line and work towards this.

Happy Republic Day!

Best Wishes,

CA Lalit Bajaj

Just to Remind You

- Jan 15 - e-Filing of MVAT Audit Report 2014-15
- Jan 15 - e-Filing of TDS Returns
- Jan 15 - e-Payment of PF for December
- Jan 21 - MVAT Return for month/quarter ended December
- Jan 30 - Issue of TDS/ TCS Certificates

Inside this issue:

E-Governance In Terms Of Indian Companies Act, 2013

"e-Governance is an imperative and highly prudent requirement in every country of the world"

Introduction

In this age of well-developed information technology and telecommunications, the Electronic Governance of all business-related activities, administrative activities, and managerial functions of the corporate world, can certainly be very convenient, efficient, transparent, and fully accountable and responsible. Therefore, undoubtedly, e-governance in the corporate sector is an imperative and highly prudent requirement in every country of the world, inevitably including India. As India is one of the major, fast-progressing, and highly influential economies of the world, this e-governance is absolutely essential and beneficial to Indian corporate world, especially in present-day world of cutthroat corporate competition, and ever-increasing need for greater transparency and accountability in the corporate sector. Considering these highly significant facts and business scenarios, the Government of India has rightly promulgated the provisions for e-governance in the corporate sector of the country, in its latest Companies Act of 2013.

E-Governance or Electronic Governance is basically proper and efficient utilization of the technologies of the information technology and telecommunications, for performing various functions and activities by an organization. Such use of Information and Communication Technologies [ICTs] can preferably be made at all levels of a business corporation also, in order to obtain faster and more efficient business activities, greater customer satisfaction, more accountable and transparent corporate administration and management, better profits and satisfaction of the shareholders, and the best possible progress and growth of the corporation.

Major E-Governance Provisions under Companies Act 2013

(A) Maintenance, Security, and Inspection of Books and Records in Electronic Form

Regarding the account keeping and maintenance of records and books related with the business activities of a company, and the well-rounded security and efficient and transparent inspection of these documents, the new Companies Act of India has proper provisions, suggestions, and recommendations. These prudent provisions and recommendations are provided in the Section 120 of the Indian Companies Act of 2013, and the Companies (Management and Administration) Rules of 2014. The Section 120 facilitates that a company must keep a safe account of all business and management related documents, records, registers, minutes, etc., preferably in the electronic forms, in such a manner that these could easily be inspected or reproduced whenever necessary. Again, the Rules ranging from Rule 27 to Rule 29 of the Indian Companies (Management and Administration) Rules of 2014, further clarify things in this context, as follows: -

- As per Rule 27, every listed company, or any other company with 1000 or more shareholders and security holders, must maintain its all such secretarial records and documents preferably [but not necessarily or mandatorily] in the electronic form. The Ministry of Corporate Affairs [MCA] vide its Notification dated 24th July, 2014, has substituted the word 'shall' by the word 'may' in Rule 27 of Companies (Management and Administration) Rules of 2014, and thereby, the task of maintaining such records strictly in the electronic form has been made optional, for time being. However, it will be wise to convert these data and records to the electronic form [from the physical form] as quickly as possible.
- The Rule 28 dictates that the MD, CS, or any other Director or Officer of the company shall be made responsible for proper and safe keeping of all records and documents of the company in electronic or physical form.
- While the Rule 29 provides provision for inspection of all electronic records and reproduction of these as per requirements, the charge for any such reproduction shall not be more than ten rupees per page.

(B) Service of Documents (Section-20)

This advocates that every presentation, submission, or despatch of company-related documents should preferably be made through electronic means, to the concerned officials, shareholders, or the Registrar.

(C) Notice of Meetings

The notices of the Board Meetings and the General Meetings are also to be sent by electronic means and in the prescribed manner, as are described in the Section 173

(3), and Section 101, respectively. Also, the Rule 18 of the Indian Companies Rules of 2014 recommends that a record of any failed transmissions of such notices and subsequent re-sending of these, must be retained by the company as "Proof of Sending". Notices to shareholders, directors, or auditors regarding electronic voting on a resolution and participation in a general meeting, may also be published on the website of the company. In addition to presenting all details about the concerned meeting, the company has also to clearly mention that the facility of voting through electronic means is available. More information about the sending of notices for general meetings and the electronic voting, is provided in the sections below.

(D) Payment of Dividend

As per Section 123, any dividend payable in cash can also be remitted in any electronic mode to the entitled shareholders, besides being paid by Cheques or Warrant.

(E) Admissibility of Certain Documents as Evidence

Any document reproduced from returns, or any document related with the administration, management, or business activities of a company formally filed with the Registrar on paper or in electronic form and duly authenticated by the Registrar, shall be admissible to any proceedings of the company, without any further proof or production of the original documents as evidence.

(F) Voting Through Electronic Means [Electronic Voting System]

Voting through electronic means at the general meetings of a company, is one of the highly significant provisions introduced by the new Indian Companies Act of 2013, to support e-management and governance. Section 108, New Revised Clause 35B of the Listing Agreement of SEBI, and the Rule 20 of the Companies (Management and Administration) Rules of 2014, all emphasize that every listed company or a moderately big company with at least 1000 shareholders, should utilize preferably the facility of voting electronically by the shareholders and members at the general meetings of the company, for passing any resolution (Ordinary/Special).

Swift Electronic Voting offers certain exclusive advantages to both the company [and its share transfer agents] and the shareholders, provided it is fully secured and unbiased. Some of the most significant and outstanding advantages of electronic voting [e-voting] are the following: -

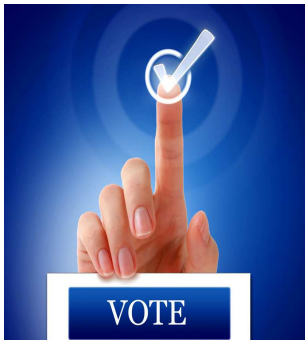
- It is Fast and Cost-Effective
- Full Authenticity
- Reduces Paperwork and Eliminates the Need of Storing the Physical Ballot Papers
- Quick and Accurate Counting of Votes
- Votes are not Delayed or Lost in Transit
- Voting from Everywhere in any time
- Increased Efficiency and Transparency

Processes to be followed by the Company for Electronic Voting

A public limited company which opts for providing the electronic voting facility to its shareholders and members, with a view to make the task of voting faster, cost-effective, and transparent, on any resolution, now has to follow the following provisions and processes: ---

- Such a company is essentially required to send notices to its all shareholders, members, directors, or auditors as per the Section 101, through electronic or postal means, for the purpose of voting on any certain resolution electronically. Notices regarding invitation for such a voting to all the members should also be published on the website of the company. The provision given in the Rule-18 is also applicable for such notices sent electronically.
- Any such notice must explicitly inform the procedure and manner for voting electronically, time schedule for voting, logging information [login ID], and measures and techniques for casting one's vote conveniently and fully securely.
- The company is legally required to publish a self-illustrative advertisement regarding the sent notice of voting and general meeting, in the most popular newspaper in the concerned areas, at least five days before the beginning of the voting period, in order to ensure participation of all members of the company in the voting process. Such an advertisement should include the following matters-objectives of the general meeting; the date of completion of sending of notices by company; the date and time of the commencement and ending of voting through the electronic mode only;

"Swift electronic voting offers certain exclusive advantages to both the company and shareholders"



any agency for offering information about the meeting; any responsible person or agency for receiving grievances connected with electronic voting; etc.

- The process of casting votes electronically shall remain open for at least one full working day, and a maximum of three days. The closing date of voting must fall before the date of pertinent general meeting by three clear days. Depending upon the receipt of sufficient votes, any resolution is deemed to be passed on the predetermined date for the general meeting.
- A shareholder [holding shares in physical or dematerialized form] is entitled to cast a vote on any specific resolution only once, he is not legally permitted to change his opinion subsequently. Again, casting of a vote is not allowed after the end of voting period.
- To scrutinize the electronic voting process in an unbiased, fair, and transparent manner, the Board of Directors shall appoint an independent, dignified and expert scrutinizer, who is not an employee of the company. Well-versed in the system of e-voting, such a scrutinizer shall present his impartial and judicious report [in favour of or against the resolution] to the Chairman of the company, within a period of three working days counted from the closing date of e-voting period. Any such scrutinizer may avail support of one or more persons or witnesses [who are not in employment of the company], for performing scrutiny blamelessly. This Scrutinizer may be a practicing Chartered Accountant, a Company Secretary, a Costs Accountant, or an Advocate. The final result of the voting, along with the scrutinizer's report is to be necessarily published on the website of the company, within two days of passing of the specified resolution at the relevant general meeting of shareholders and members. The scrutinizer is also responsible for maintaining a register of detailed information about each shareholder, the number of shares held by him, the nominal value of shares, his reaction to the voting, and certain other valuable pieces of information regarding the shareholders, in interest of the company.

Conclusion

Thus, the provisions for e-governance stipulated by the new company law of India, the Companies Act of 2013, comprehensively cover all areas of activities of a company, especially the public limited companies, and are really highly elegant for making all vital tasks of a company, such as the proper maintenance and inspection of documents, conduction of efficient business activities, and flawless corporate administration and management, rather easy and cost-effective, amply transparent, and fully accountable and trustworthy. Naturally, the listed companies and the big public limited companies will be the very first to adopt these provisions for e-governance; as mentioned above, the Government of India has given them broad and clear hints for the quickest possible conversion of their statutory books of accounts and records to the electronic mode from the physical mode.

Interest Rates on Advances

"All rupee loans sanctioned and credit limits renewed w.e.f. April 1, 2016 will be priced with reference to MCLR"

A reference is invited to paragraph 22 of the first Bi-monthly Monetary Policy Statement 2015-16 announced on April 7, 2015 which stated that in order to improve the efficiency of monetary policy transmission, the Reserve Bank will encourage banks to move in a time-bound manner to marginal-cost-of-funds-based determination of their Base Rate'. Accordingly, draft guidelines on computation of Base rate based on marginal cost of funding were hosted on the RBI website on September 1, 2015 for comments/feedback from stakeholders.

2. Taking into consideration the feedback received, it has been decided that banks shall follow the following guidelines for pricing their advances:

a) Internal Benchmark

i. All rupee loans sanctioned and credit limits renewed w.e.f. April 1, 2016 will be priced with reference to the **Marginal Cost of Funds based Lending Rate (MCLR)** which will be the internal benchmark for such purposes.

ii. The MCLR will comprise of:

- Marginal cost of funds;
- Negative carry on account of CRR;
- Operating costs;
- Tenor premium.

iii. Marginal Cost of funds

The marginal cost of funds will comprise of Marginal cost of borrowings and return on net-worth.

iv. Negative Carry on CRR

Negative carry on the mandatory CRR which arises due to return on CRR balances being nil, will be calculated as under:

Required CRR x (marginal cost) / (1- CRR)

The marginal cost of funds arrived at (iii) above will be used for arriving at negative carry on CRR.

v. Operating Costs

All operating costs associated with providing the loan product including cost of raising funds will be included under this head. It should be ensured that the costs of providing those services which are separately recovered by way of service charges do not form part of this component.

vi. Tenor premium

These costs arise from loan commitments with longer tenor. The change in tenor premium should not be borrower specific or loan class specific. In other words, the tenor premium will be uniform for all types of loans for a given residual tenor.

vii. Since MCLR will be a tenor linked benchmark, banks shall arrive at the MCLR of a particular maturity by adding the corresponding tenor premium to the sum of Marginal cost of funds, Negative carry on account of CRR and Operating costs.

viii. Accordingly, banks shall publish the internal benchmark for the following maturities:

- overnight MCLR,
- one-month MCLR,
- three-month MCLR,
- six month MCLR,
- One year MCLR.

In addition to the above, banks have the option of publishing MCLR of any other longer maturity.

b) Spread

i. Banks should have a Board approved policy delineating the components of spread charged to a customer. The policy shall include principles:

- To determine the quantum of each component of spread.
- To determine the range of spread for a given category of borrower / type of loan.
- To delegate powers in respect of loan pricing.

ii. For the sake of uniformity in these components, all banks shall adopt the following broad components of spread:

a. Business strategy

The component will be arrived at taking into consideration the business strategy, market competition, embedded options in the loan product, market liquidity of the loan etc.

b. Credit risk premium

The credit risk premium charged to the customer representing the default risk arising from loan sanctioned should be arrived at based on an appropriate credit risk rating/scoring model and after taking into consideration customer relationship, expected losses, collaterals, etc.

iii. The spread charged to an existing borrower should not be increased except on account of deterioration in the credit risk profile of the customer. Any such decision regarding change in spread on account of change in credit risk profile should be supported by a full-fledged risk

profile review of the customer.

iv. The stipulation contained in sub-paragraph (iii) above is, however, not applicable to loans under consortium / multiple banking arrangements.

c) Interest Rates on Loans

i. Actual lending rates will be determined by adding the components of spread to the MCLR. Accordingly, there will be no lending below the MCLR of a particular maturity for all loans linked to that benchmark

ii. The reference benchmark rate used for pricing the loans should form part of the terms of the loan contract.

d) Exemptions from MCLR

i. Loans covered by schemes specially formulated by Government of India wherein banks have to charge interest rates as per the scheme, are exempted from being linked to MCLR as the benchmark for determining interest rate.

ii. Working Capital Term Loan (WCTL), Funded Interest Term Loan (FITL), etc. granted as part of the rectification/ restructuring package, are exempted from being linked to MCLR as the benchmark for determining interest rate.

iii. Loans granted under various refinance schemes formulated by Government of India or any Government Undertakings wherein banks charge interest at the rates prescribed under the schemes to the extent refinance is available are exempted from being linked to MCLR as the benchmark for determining interest rate. Interest rate charged on the part not covered under refinance should adhere to the MCLR guidelines.

iv. The following categories of loans can be priced **without** being linked to MCLR as the benchmark for determining interest rate:

- Advances to banks' depositors against their own deposits.
- Advances to banks' own employees including retired employees.
- Advances granted to the Chief Executive Officer / Whole Time Directors.
- Loans linked to a market determined external benchmark.
- Fixed rate loans granted by banks. However, in case of hybrid loans where the interest rates are partly fixed and partly floating, interest rate on the floating portion should adhere to the MCLR guidelines.

e) Review of MCLR

i. Banks shall review and publish their **Marginal Cost of Funds based Lending Rate (MCLR)** of different maturities every month on a pre-announced date with the approval of the Board or any other committee to which powers have been delegated.

ii. However, banks which do not have adequate systems to carry out the review of MCLR on a monthly basis, may review their rates once a quarter on a pre-announced date for the first one year i.e. upto March 31, 2017. Thereafter, such banks should adopt the monthly review of MCLR as mentioned in (i) above.

f) Reset of interest rates

i. Banks may specify interest reset dates on their floating rate loans. Banks will have the option to offer loans with reset dates linked either to the date of sanction of the loan/credit limits or to the date of review of MCLR.

ii. The Marginal Cost of Funds based Lending Rate (MCLR) prevailing on the day the loan is sanctioned will be applicable till the next reset date, irrespective of the changes in the benchmark during the interim.

iii. The periodicity of reset shall be one year or lower. The exact periodicity of reset shall form part of the terms of the loan contract.

g) Treatment of interest rates linked to Base Rate charged to existing borrowers

- Existing loans and credit limits linked to the Base Rate may continue till repayment or renewal, as the case may be.
- Banks will continue to review and publish Base Rate as hitherto.
- Existing borrowers will also have the option to move to the Marginal Cost of Funds based Lending Rate (MCLR) linked loan at mutually acceptable terms. However, this should not be treated as a foreclosure of existing facility.

h) Time frame for implementation

In order to give sufficient time to all the banks to move to the MCLR based pricing, the effective date of these guidelines is **April 1, 2016**.

Deposits

- Current Deposits - The core portion of current deposits identified based on the guidelines on Asset Liability Management issued vide circular dated October 24, 2007 should be reckoned for arriving at the balance outstanding.
- Savings Deposits - The

"Actual lending rates will be determined by adding the components of spread to the MCLR"

core portion of savings deposits identified based on the guidelines on Asset Liability Management issued vide circular dated October 24, 2007 should be reckoned for arriving at the balance outstanding.

- Term deposits (Fixed Rate) - Term deposits of various maturities including those on which differential interest rates are payable should be included.
- Term deposits (Floating Rate) - The rate should be arrived at based on the prevailing external benchmark rate on the date of review.
- Foreign currency deposits - Foreign currency deposits, to the extent deployed for lending in rupees, should be included in computing marginal cost of funds. The swap cost and hedge cost of such deposits should be reckoned for computing marginal cost.

Borrowings

- Short term Rupee Borrowings - Interest payable on each type of short term borrowing will be arrived at using the average rates at which such short term borrowings were raised in the last one month. For eg. Interest on borrowings from RBI under LAF will be the average interest rate at which a bank has borrowed from RBI under LAF during the last one month.
- Long term Rupee Borrowings -

  Option 1: Interest payable on each type of long term borrowing will be arrived at using the average rates at which such long term borrowings were raised.

  Option2: The appropriate benchmark yield for bank bonds published by FIMMDA for valuation purposes will be used as the proxy rate for calculating marginal cost.
- Foreign Currency Borrowings including HO borrowings by foreign banks (other than those forming part of Tier-I capital) - Foreign currency borrowings, to the extent deployed for lending in rupees, should be included in computing marginal cost of funds. The all-in-cost of raising foreign currency borrowings including swap cost and hedge cost would be reckoned for computing marginal cost of funds.
- Marginal cost of borrowings - The marginal cost of borrowings shall have a weightage of 92% of Marginal Cost of Funds while return on networth will have the balance weightage of 8%.

B. Return on Networth

Amount of common equity Tier 1 capital required to be maintained for Risk Weighted Assets as per extant capital adequacy norms shall be included for computing marginal cost of funds. Since currently, the common equity Tier 1 capital is (5.5% +2.5%) 8% of RWA, the weightage given for this component in the marginal cost of funds will be 8%.

In case of newly set up banks (either domestic or foreign banks operating as branches in India) where lending operations are mainly financed by capital, the weightage for this component may be higher ie in proportion to the extent of capital deployed for lending. This dispensation will be available for a period of three years from the date of commencing operations.

The cost of equity will be the minimum desired rate of return on equity computed as a mark-up over the risk free rate. Banks could follow any pricing model such as Capital Asset Pricing Model (CAPM) to arrive at the cost of capital. This rate can be reviewed annually.

Marginal cost of funds = 92% x Marginal cost of borrowings + 8% x Return on networth

CBDT Streamlining Scrutiny Assessment

The Income Tax Department is committed to providing fair and transparent tax administration and continuously improve taxpayer services.

Taking another step in this direction, Central Board of Direct Taxes (CBDT) has issued instructions to the assessing officers to be specific in enquires made in the case of tax payers whose returns are under scrutiny. The directions are comprehensive and cover cases selected through Computer Aided Scrutiny Selection (CASS) for limited scrutiny for verification of information contained in Annual Information Return (AIR)/ Form no 26AS or received through Central Information Branch, or complete scrutiny. The assessing officers have been advised to inform the assessee forthwith of the reasons for limited scrutiny, confine enquiries on the specific points for which the case has been selected and conclude the proceedings expeditiously in a limited number of hearings. Cases selected for limited scrutiny can be converted to complete scrutiny only with the approval of the Principal Commissioner of Income Tax/ Commissioner of Income tax if the potential income escaping assessment exceeds a certain monetary limit. In all cases the initial notice will be accompanied with a specific questionnaire. Any addition to income or disallowance of deductions will be made only after following due process of natural justice.

The Department has also initiated a pilot project for carrying out an e-mail based scrutiny assessment in select cases of non-corporate charges at Delhi, Mumbai, Bengaluru, Ahmedabad and Chennai. Through this pilot, the Department endeavours to completely remove the need for the taxpayer to visit the offices of the Department while moving towards paperless scrutiny assessment proceedings.

Separately, the CBDT has directed all its officers to mention e-mail address and phone numbers in all communications to facilitate electronic interface of the taxpayer with the Department.

These recent measures are steps towards obviating the need for avoidable personal interface with the Department and ushering in a non-adversarial tax regime.

The communications issued by CBDT are available on the website of the Department at www.incometaxindia.gov.in

CBDT modifies rules related to payments to Non-resident

CBDT modifies rules related to payments to Non-resident

Recently the CBDT has modified the rules related to filing of Form 15CA & 15CB through Notification No: 93/2015 Dated: 16/12/2015 . These rules has provided clarification regarding the filing of detail where payment is made in respect of any sum which is not chargeable under the provision of Income Tax Act, 1961 (Act). Further, it has also relaxed the provision related to requirement of filing of Form 15CA & 15CB. The amendment in Rules will be applicable w.e.f. April 1, 2016. Gist of the changes made and filing requirement in Form 15CA & Form 15CA can be described as under:

A. Payment in respect of any sum chargeable under the Provisions of the Act

- If the payments made during the FY does not exceed Rs.5,00,000/-- Information in Form no. 15CA – Part A
- If the payments made during the FY exceeds Rs.5,00,000/-

  Incase certificate/order from AO u/s 197/194(3)(2) is available – Form no. 15CA – Part B

  In any other case – Form no. 15CA – Part C (after obtaining the certificate in Form No. 15CB)

B. Payment in respect of any sum not chargeable under the Provisions of the Act - Information in Form no. 15CA – Part D

C. No information is required to furnish if any sum which is not chargeable and also :

- The remittance is made by an individual and it does not require prior approval of RBI.
- The nature of remittance is as follows:

  Advance payments against imports

  Payment towards imports -settlement of invoice

  Imports by diplomatic missions

  Intermediary trade

  Imports below Rs.5,00,000/- (For use by ECD offices)

Changes in PAN Quoting Requirement for Specified Transactions

The Government is committed to curbing the circulation of black money and widening of tax base. To collect information of certain types of transactions from third parties in a non-intrusive manner, the Income-tax Rules require quoting of Permanent Account Number (PAN) where the transactions exceed a specified limit. Persons who do not hold PAN are required to fill a form and furnish any one of the specified documents to establish their identity.

One of the recommendations of the Special Investigation Team (SIT) on Black Money was that quoting of PAN should be made mandatory for all sales and purchases of goods and services where the payment exceeds Rs.1 lakh. Accepting this recommendation, the Finance Minister made an announcement to this effect in his Budget Speech. The Government has since received numerous representations from various quarters regarding the burden of compliance this proposal would entail. Considering the representations, it has been decided that quoting of PAN will be required for transactions of an amount exceeding Rs.2 lakh regardless of the mode of payment.

To bring a balance between burden of compliance on legitimate transactions and the need to capture information relating to transactions of higher value, the Government has also enhanced the monetary limits of certain transactions which require quoting of PAN. The monetary limits have now been raised to Rs. 10 lakh from Rs. 5 lakh for sale or purchase of immovable property, to Rs.50,000 from Rs. 25,000 in the case of hotel or restaurant bills paid at any one time, and to Rs. 1 lakh from Rs. 50,000 for purchase or sale of shares of an unlisted company. In keeping with the Government's thrust on financial inclusion, opening of a no-frills bank account such as a Jan Dhan Account will not require PAN. Other than that, the requirement of PAN applies to opening of all bank accounts including in co-operative banks.

The changes to the Rules will take effect from 1st January, 2016.

The above changes in the rules are expected to be useful in widening the tax net by non-intrusive methods. They are also expected to help in curbing black money and move towards a cashless economy.

- Immovable property

  Sale/ purchase exceeding Rs.10 lakh;

  Properties valued by Stamp Valuation authority at amount exceeding Rs.10 lakh will also need PAN.

- Motor vehicle (other than two wheeler)

- Time deposit

  Deposits with Co-op banks, Post Office, Nidhi, NBFC companies will also need PAN;

  Deposits aggregating to more than Rs.5 lakh during the year will also need PAN

- Opening an account (other than time deposit) with a banking company.

  Basic Savings Bank Deposit Account excluded (no PAN requirement for opening these accounts);

  Co-operative banks also to comply

- Hotel/restaurant bill(s) - Cash payment exceeding Rs.50,000/-.

- Cash purchase of bank drafts/ pay orders/ banker's cheques - Exceeding Rs.50,000/- on any one day.

- Cash deposit with banking company - Cash deposit exceeding Rs.50,000/- in a day.

- Foreign travel - Cash payment in connection with foreign travel or purchase of foreign currency of an amount exceeding Rs.50,000/- at any one time (including fare, payment to travel agent)

- Mutual fund units - Payment exceeding Rs.50,000/- for purchase.

- Shares of company

  Opening a demat account;

  Purchase or sale of shares of an unlisted company for an amount exceeding Rs.1 lakh per transaction.

- Debentures/ bonds - Payment exceeding Rs.50,000/-.

- RBI bonds - Payment exceeding Rs.50,000/-.

- Life insurance premium - Payment exceeding Rs.50,000/- in a year.

- Purchase of jewellery/ bullion - Deleted and merged with next item in this table

- Purchases or sales of goods or services - Purchase/ sale of any goods or services exceeding Rs.2 lakh per transaction.

- Cash cards/ prepaid instruments issued under Payment & Settlement Act - Cash payment aggregating to more than Rs.50,000 in a year.

Maharashtra VAT- Revision in rates of interest from 01.12.2015

Reference Notification No. VAT 1515/CR-81/Taxation-1, dated 5th November 2015.

Under the Maharashtra Value Added Tax Act, 2002, every dealer is required to pay tax within the prescribed time. If payment of such tax is delayed, then interest under Section 30 of the Maharashtra Value Added Tax Act, 2002 is attracted. The dealer is liable to pay interest as per the rate prescribed in Rule 88 (1) of Maharashtra Value Added Tax Rules, 2005.

The State Government has issued a Notification No. VAT 1515/CR-81/ Taxation-1, dated 5th November 2015 in this respect. By virtue of the said notification an amendment to sub-rule (1) of the Principal rule 88 under Maharashtra Value Added Tax Rules, 2005 is effected.

Earlier under rule 88(1) the rate of interest was one and a quarter percent of the amount of delayed tax payment. By this amendment the rates of interest prescribed under rule 88(1) for the purpose of sub-section (1), (2) and (3) of section 30 of Maharashtra Value Added Tax Act, 2002 are revised. The said amendment is effective from 1st of December 2015.

The new rates of interest shall be as specified below:-

- Upto one month - One and a quarter per cent of the amount of such tax, for the month or for part thereof.
- Upto three months - One and a quarter per cent of the amount of such tax, for the month or for part thereof for the first month of delay and one and a half per cent of the amount of such tax, for each month or for part thereof for delay beyond one month upto three months.
- More than three months - One and a quarter per cent of the amount of such tax, for each month or for part thereof for the first month of delay, one and a half per cent of the amount of such tax, for each month or for part thereof for delay beyond one month upto three months and two per cent of the amount of such tax, for each month or for part thereof for the period delay beyond three months.

The old rates of interest will apply where the default starts and ends before 1st December 2015. In another words, if the tax has become due before the 1st December 2015 and default continues after the 1st December 2015, then for the period of default before 1st December 2015, the old rates of interest shall apply and in so far as the default continues on or after 1st December 2015, the new rates will apply as per the slabs which shall commence on 1st December 2015.

FAQs on SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

A. Definitions

Q1. Regulation 2(1)(b) of LR defines an 'associate company' to mean any entity which is anassociate under the Companies Act, 2013 or under the applicable accounting Whether both conditions have to be met or either of the two?

Answer: The definition of associate company should be viewed under the Companies Act, 2013 as well as Accounting Standards. If the condition is met under either of the two, then such entity should be classified as an associate company.

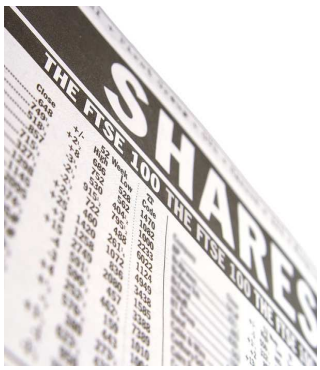
Q2. Regulation 2(1)(zb) of LR defines the term 'Related party' to mean related party under the Companies Act, 2013 or under the applicable Accounting Standards. Whether bothconditions have to be met or either of the two?

Answer: The definition of related party should be viewed under the Companies Act, 2013 as well as Accounting Standards. If the condition is met under either of the two, then such party should be classified as a related party.

B. Corporate Governance

Q3. Regulation 17(8) of LR requires a compliance certificate to the Board of directors byChief Executive Officer (CEO) and Chief Financial Officer (CFO). Whether the ManagingDirector or Whole Time Director may certify the compliance certificate, when the company has not designated a CEO?

Answer: Such certificates may be signed by the officials who hold powers, duties and responsibilities of a CEO/ CFO irrespective of their designations.



Q4. Regulation 23 (4) provides that all material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not. In this regard, whether only those related parties who are related to the concerned transaction/ contract should abstain from voting or whether related parties should altogether abstain from voting?

Answer: The requirement under Regulation 23(4), is applicable for listed entities subject to the provisions of Regulation 15. Hence, for applicable entities, the regulations clearly provide that all material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party for the particular transaction or not.

Q5. Regulation 24 (1) prescribes having at least one independent director of the listed entity as a director on the board of directors of 'unlisted material subsidiary, incorporated in India'. Sub -regulations (2), (3) and (4) to the same regulation refer to 'unlisted subsidiary'. Whether such sub-regulations (2), (3) and (4) are applicable to all unlisted subsidiaries or only material unlisted subsidiaries incorporated in India?

Answer: Listed entities may be guided by the provisions of Regulation 24. Wherever 'unlisted material subsidiary' and 'unlisted subsidiary' have been distinctly mentioned in a particular sub-regulation, such sub-regulation shall be applicable to material unlisted subsidiaries or all unlisted subsidiaries as the case may be.

C. Disclosure of Events or Information

Q6. Regulation 30(8) of LR requires posting of disclosures on the listed entity's website for a minimum period of five years. Whether the said provision is prospective from December 1, 2015 and pertains to disclosures relating to events happening thereafter?

Answer: The disclosures made under Regulation 30(8) shall be made w.e.f. December 01, 2015, i.e., the listed entity shall disclose on its website all such events or information which has been disclosed to stock exchange(s) under this regulation on or after the said date, and such disclosures shall be hosted on the website of the listed entity for a minimum period of five years from the date of disclosure to the stock exchange.

Q7. Regulation 30(9) of LR requires disclosure of all events and information with respect tosubsidiaries which are material. If both parent and subsidiary are listed entities, would it be sufficient compliance if the listed subsidiary has made a disclosure or whether same disclosure be made by the parent listed entity also?

Answer: Both the parent and material subsidiary in their own right as Listed Entities have to make disclosure separately as applicable under Listing Regulations.

Q8. Regulation 16 (1)(c) defines material subsidiary as – "material subsidiary" shall mean asubsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year." The Explanation to Regulation 16 (1)(c) states that the listed entity shall formulate a policy for determining material Can the listed entity adopt a different criteria for determining material subsidiary for the purpose of Regulation 30 (9)?

Answer: The definition of 'material subsidiary' under regulation 16(1)(c) defines a subsidiary that is material to the listed entity. Further, the explanation to the aforesaid provision allows the listed entity to formulate a policy for the same, i.e., a listed entity can develop criteria that is stricter than what has been provided in the Regulations.

Regulation 30(9) requires the listed entity to disclose all events or information with respect to subsidiaries which are material for the listed entity. The said sub-regulation places stress on materiality of the events or information. Therefore, disclosure would be required in cases where the event or information originating from a subsidiary is material to the listed entity, irrespective of whether such a subsidiary is material or not as per the definition provided at regulation 16(1)(c).

Q9. Schedule III Part A, Para A, Clause 1(ii)(a) requires disclosures on acquisition or agreements to acquire shares or voting rights in a company, whether directly or indirectly, such that the listed entity holds shares or voting rights aggregating to five per cent or more of the shares or voting rights in the said company. Whether the disclosure is with respect to acquisition of shares or voting rights when the target company is a listed entity only or whether it is applicable to unlisted entities also?

Answer: The Schedule refers to the listed entity's acquisition of shares or voting rights in the company. Such target company can be listed or unlisted.

D. Other Clarifications

Q10. Under Regulation 33 (3), for submission of financial results for the last quarter,whether Unaudited Results can be submitted to the Exchanges?

Answer: Regulation (33)(3)(d) clearly states that the listed entity shall file audited annual results in 60 days from the end of the last quarter. Therefore, the financial statements for the last quarter shall necessarily be audited. The said provision was also there in the erstwhile Listing Agreement.

Employers to pay PF Contributions by 15th- Grace period removed

As per paragraph 38(1) of the EPF Scheme, 1952, paragraph 3 of EPS, 1995 and paragraph 8(1) of EDLI Scheme, 1976, the employers are required to pay the contributions and administrative charges within fifteen days of dose of every month. The employer, as per para 5.1.3 of Manual of Accounting Procedure (Part-I General), is also allowed a grace period of 5 days to remit the contribution.

The grace period of five days have been allowed for the employers to remit the contributions as the system of calculation of wages of the employees and their corresponding dues under the three schemes (Employees' Provident Fund Scheme 1952, Employees' Pension Scheme 1995 & Employees' Deposit Linked Insurance Scheme 1976) were done manually and its remittances in the bank required additional time in the earlier manual setup.

In the present era,, employers compute the wages and EPF liabilities electronically (in most of the cases on real time basis) and file Electronic Challan-cum-Return (ECR), The remittances are also being deposited through Internet Banking. This has reduced the process and time taken in calculation of PF dues and its remittances in the bank. Accordingly, it has been decided that concession of grace period of 5 days available to the employers for depositing the contribution & other dues is withdrawn herewith. This decision shall apply from February, 2016 (contributions for month of January, 2016 and payable in the month of February, 2016).

The employers shall pay the contribution and other dues as envisaged under EPF & MP Act, 1952 and Schemes framed thereunder within fifteen days of close of every month

PF Withdrawal Made Easier

Facts about new process of PF Withdrawal:

The Universal Account Number (UAN) facility was launched last year to facilitate PF transfers while subscribers change jobs. And all active subscribers have been allotted a number viz. UAN.

This facility is applicable for subscribers, if details such as Aadhaar, PAN and bank account are linked to their Universal Account Number (UAN) and their know-your-customer (KYC) verification done by their employers.

More than 2 crore subscribers have verified KYC norms with the employers and can avail this new withdrawal facility.

What is the change in process?

Under the earlier process, after leaving a job, employees were supposed to get their withdrawal forms attested through their employers for identification of their details. This attestation of documents by the previous employer has been done away with.

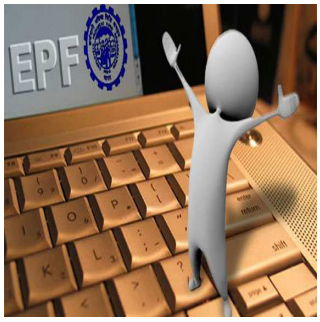
Subscribers filing their claims directly without employers' attestation would have to use new forms that have been simplified for the new process.

The easier withdrawal facility will help subscribers who find it difficult to contact their previous employers.

Withdrawal claims have to be manually submitted by subscribers directly to the provident fund office. (Eventually, the EFPO plans to make the withdrawal process online to make it more subscriber-friendly)

The earlier norm of a waiting period of two months after leaving the previous job still applies for withdrawal purpose.

Subscribers who wish to take an advance from PF account can make partial withdrawal through the submission of Form-31. EPFO allows subscribers to take an advance in certain situations like house construction, repayment of housing loan and education of children and illness.



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Empanelment with C&AG for 2016-17

Online Applications are invited from the Chartered Accountant firms/LLPs who desire to be empanelled with the office of the Comptroller and Auditor General of India for appointment as auditors of Government Companies/ Corporations for the year 2016-2017. The online application format will be available on our website: www.saiindia.gov.in from 1st January 2016 to 15th February 2016, the firms/LLPs can apply/update the data showing the status of their firms as on 1st January 2016. After filling/updating the data, they are required to generate online acknowledgement letter for the year. They are also required to submit hard copies of the relevant documents in support of their online application along with a print out of the acknowledgement letter generated online. The application which does not have an online acknowledgement letter would not be entertained as a valid application.