LLB & Co.
Chartered Accountants

Strength and growth come only through continuous effort and struggle.
~ Napoleon Hill

Connection

Volume V, Issue 12 March 2017

Volume V, Issue 12 Innovate Create Lead March 2017

LLB & CO.

Just to remind you:

- Mar 21 - MVAT Return for February
- Mar 21 - Payment of ESI of Feb
- Mar 31– E-payment of Service Tax for the month/quarter ended March
- Mar 31 - Filing of ITR for AY 2016-17 and AY 2015-16
- Mar 31 - Payment of Advance Income Tax by All

Inside this issue:

IFSC Companies

IFSC stands for "INTERNATIONAL FINANCIAL SERVICES CENTRES". An IFSC caters to customers outside the jurisdiction of the domestic economy. Such centres deal with flows of finance, financial products and services across borders. Some examples of Global Financial Centres are London, New York and Singapore. However, Shanghai and Dubai, are emerging IFSCs around the world and are aspiring to play a global role in the years to come. An expert panel headed by former World Bank economist Percy Mistry submitted a report on making Mumbai an international financial centre in 2007. However, the global financial crisis that unfolded in 2008 made countries including India cautious about rapidly opening up their financial sectors.

FIRST IFSC ESTABLISHED IN INDIA & ITS ADVANTAGES:

Gujarat International Finance Tec-City (also called GIFT City), inaugurated in April 2015 is India's first IFSC. Following shall be the advantages of GIFT City:

- Major Infrastructures as never before in India.
- High Technologies.
- International Popularity. (Will increase Foreign Investment)
- GIFT could provide as many as 5,00,000 direct and indirect jobs and absorb 5.76 million square metres of real estate, creating a mini-boom in and around GIFT city.
- Business friendly Regulations and policies. (SEZ)

IFSC VIS-À-VIS SEBI

Securities and Exchange Board of India (SEBI) has approved the IFSC guidelines 2015 allowing Indian as well as foreign stock exchanges, clearing corporations and depositories to set up subsidiaries to undertake their business in IFSC. Under the IFSC guidelines that will regulate financial services relating to securities market in an International Financial Services Centre, SEBI relaxed the shareholding and net worth requirement norms for intermediaries setting up their subsidiaries.

Gujarat International Finance Tec-City (GIFT) would be the country's first IFSC and the BSE and NSE have already signed MoUs for setting up international exchanges. The move is expected to capture an estimated Rs 1,334 crore per day or Rs 2 lakh crore per year worth of trading in rupee derivatives that currently goes to locations outside India.

The guidelines also permit issuance of depository receipts and debt securities in IFSC by domestic as well as foreign companies and also provide for listing and trading of equity shares issued by companies incorporated outside India. Non Resident Indian, foreign investors, institutional investors, and Resident Indian eligible under FEMA may participate in IFSC. Even mutual funds and Alternative Investment Funds set up in IFSC can invest in securities listed in IFSC, securities issued by companies incorporated in IFSC and securities issued by foreign issuers.

SEBI also strengthened the continuous disclosure norms. While all listed companies will now be required to disclose information related to all events to the stock exchanges within 24 hours, the board outcome will have to be disclosed within 30 minutes of the closure of board meeting.

SEBI also approved regulations for issuance and listing of debt securities by Municipality. The regulations state that the issuer shall only issue revenue bonds and the issuer's contribution for each project shall not be less than 20 per cent of the project cost. While credit rating has been made mandatory, the minimum tenure has been fixed at 3 years.

IFSC VIS-À-VIS FEMA

To operationalise the IFSC, a **Notification under the Foreign Exchange Management Act, 1999** (FEMA) shall be issued by Reserve Bank of India (RBI) in March 2015, making regulations relating to financial institutions set up in the IFSC. The key features of these regulations will be that any financial institution (or its branch) set up in the IFSC-

- shall be treated as a non-resident Indian located outside India,
- shall conduct business in such foreign currency and with such entities, whether resident or non-resident, as the Regulatory Authority may determine, and
- subject to certain provisions, nothing contained in any other regulations shall apply to a unit located in IFSC.

RBI has also formulated a **Draft Scheme for the setting up of IFSC Banking Units**

IFSC

(IBUs) by banks, whose broad contours may be summarised as follows:

i. Setting up of IBUs: Eligible banks intending to set up IBUs (which would be regulated and supervised by RBI) would be required to apply to the Department of Banking Regulation (DBR) of RBI under Section 23 of the Banking Regulation Act, 1949. To begin with, only Indian banks (public and private, authorised to deal in forex) and foreign banks having a presence in India would be eligible to set up IBUs. Banks already having offshore presence would be preferred and each bank would be permitted to set up only one IBU in one IFSC.

ii. IBUs vis-à-vis foreign branches of banks: For most purposes, the IBU will be treated on par with a foreign branch of an Indian bank, like the application of prudential norms, the 90 days' Income Recognition Asset Classification and Provisioning norms, adoption of liquidity and interest rate risk management policies.

iii. Role of the Parent Bank's Board: The bank's Board would set comprehensive overnight limits for each currency for IBUs, may set out appropriate credit risk management policy and exposure limits, and monitor overall risk management and ALM framework of the IBU.

iv. Capital Requirements: The parent bank would be required to provide a minimum of USD 20 million upfront as capital, and the IBU shall have to maintain minimum capital on an on-going basis as may be prescribed.

v. Liabilities and Advances: The IBU's liabilities will be exempt both CRR and SLR. But liabilities only with original maturity period greater than one year are permissible, although short-term liabilities may be raised from banks subject to RBI prescribed limits. Deposits will not be covered by deposit insurance and RBI shall not provide liquidity or Lender of Last Resort support. Funds may be raised only from entities not resident in India, though the deployment may also be with entities resident in India, subject to FEMA, 1999. Advances by IBUs shall not be a part of the Net Bank Credit of parent banks.

vi. Permissibility of activities: Opening of current or savings accounts and issuance of bearer instruments is not allowed. Payment transactions can only be undertaken via bank transfers. IBUs can undertake transactions with non-resident entities other than retail customers/HNIs, and can deal with WOS/JVs of Indian companies abroad. They may undertake Factoring/Forfaiting of export receivables, but are prohibited from cash transactions.

vii. Ring Fencing: All transactions of IBUs shall be in currency other than INR, and IBUs would operate and maintain balance sheet only in foreign currency, except a Special Rupee Account to defray administrative and statutory expenses. Separate Nostro accounts will have to be maintained by IBUs with correspondent banks. IBUs will not be permitted to participate in domestic call, notice, term, forex, money and other onshore markets and domestic payment systems.

IFSC VIS-À-VIS IRDA

IRDA would also be permitting insurers including foreign insurer or reinsurers to set up branch in IFSC. Government would be permitting IRDA to allow such life and non-life insurance services, health insurance services and reinsurance services, as may be specified.

SERVICES PROVIDED BY IFSC:

- Fund-raising services for individuals, corporations and governments
- Asset management and global portfolio diversification undertaken by pension funds, insurance companies and mutual funds
- Wealth management
- Global tax management and cross-border tax liability optimization, which provides a business opportunity for financial intermediaries, accountants and law firms.
- Global and regional corporate treasury management operations that involve fund-raising, liquidity investment and management and asset-liability matching
- Risk management operations such as insurance and reinsurance
- Merger and acquisition activities among trans-national corporations

CAN AN IFSC BE SET UP IN A SPECIAL ECONOMIC ZONE (SEZ)?

- The SEZ Act 2005 allows setting up an IFSC in an SEZ or as an SEZ after approval from the central government.

WHAT DOES AN IFSC REQUIRE?

IFSCs such as Dubai International Financial Centre and Shanghai International Financial Centre, which are located within SEZs, have six key building blocks:

—Rational legal regulatory framework

—Sustainable local economy

—Stable political environment

—Developed infrastructure

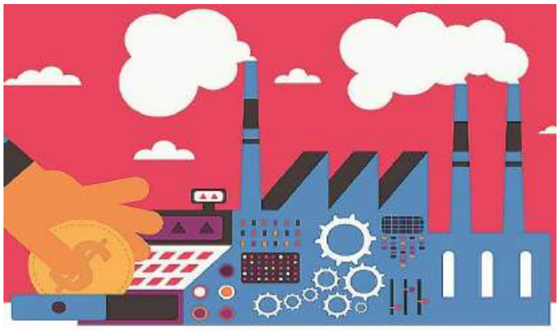
—Strategic location

—Good quality of life

RELAXATIONS GIVEN BY GOVERNMENT (MINISTRY OF CORPORATE AFFAIRS) TO IFSC COMPANIES:

Government allows 39 modifications or exemptions for private firms licensed to set up businesses in international financial services centres from clauses in Companies Act. Some of which are as:

- A specified IFSC private company will only be limited by shares.
- All such companies have to suffix International Financial Services Centres or IFSC in their names.
- Companies also have relaxation for filing their documents under the exemptions—the time given for submitting verification for registered addresses to the registrar of companies (ROC) for IFSC companies will be sixty days instead of thirty, filing copies of every resolution and agreement with the ROC can be done in sixty days.
- For IFSC companies, an officer or any other person authorized by the company can authenticate documents and other contracts (under the Companies Act, for all other companies, only an officer of the company can do so).
- IFSC companies can make private placement offers and will not be restricted by earlier offers which haven't been completed or withdrawn.
- An extract of the annual return of the company will not have to be included in the board's report. IFSC companies will not have to comply with the secretarial standards prescribed by the Institute of Company Secretaries of India.
- IFSC companies only need internal audit if their articles of association provide for the same.
- IFSC firms can make investments through more than two investment companies



Expeditious issue of Refunds is a High Priority for CBDT

The Centralised Processing Centre (CPC) of the Income Tax Department (ITD) at Bengluru has already processed over 4.19 crore Income Tax Returns (ITRs) and issued over 1.62 crore refunds during the current financial year up to 10th February, 2017. The amount of refunds issued at Rs.1.42 Lakh Crore is 41.5% higher than the corresponding period last year.

As a result of emphasis on expeditious issue of refunds, 92% of all Income Tax returns were processed within 60 days demonstrating CBDT's commitment to faster and more efficient taxpayer service. Of the refunds issued, 92% are below Rs.50,000 due to the high priority given to expeditious issue of refunds to small taxpayers. Only 2% of refunds less than Rs. 50,000 are remaining to be issued. Majority of these cases relate to recently filed ITRs or where the taxpayer's response to the Department is awaited.

Taxpayers reposed faith in CBDT's e-governance initiatives by filing electronically a whopping 4.01 Cr ITRs till 10th February 2017 representing an increase of 20% over the previous year. Also, more than 60 lakh other online forms were filed with an increase of nearly 41% compared to the previous year.

Taxpayers are advised to verify and update their email address and mobile number on the e-filing website to receive electronic communication. CBDT is committed to ensuring best possible taxpayer services through its e-governance programs and increasing the coverage and scope of electronic filing and processing of various forms and applications.

Place of Effective Management (POEM)

The concept of POEM for deciding the residential status of a company, other than an Indian company, was introduced by the Finance Act, 2015. The existing provision of clause (ii) of sub-section (3) of section 6 of the Income-tax Act, 1961 (the Act) shall come into effect from 1st April, 2017 and accordingly, applies to Assessment Year 2017-18 and subsequent years. Guiding Principles for determining POEM of a company were issued by Circular No. 6 of 2017 on 24th January, 2017. Press Release on POEM guidelines dated 24th January, 2017 has, inter alia, stated that the POEM guidelines shall not apply to a company having turnover or gross receipts of Rs. 50 crores or less in a financial year .

2. In view of above, it is clarified that existing provision of clause (ii) of sub-section (3) of section 6 of the Act, shall not apply to a company having turnover or gross receipts of 50 crores or less in a financial year

GST Council approves CGST and IGST Bill

The Goods and Services Tax GST) Council, in its meeting held today in Vigyan Bhawan in New Delhi under the Chairmanship of the Union Minister for Finance & Corporate Affairs, Shri Arun Jaitley has approved the draft CGST Bill and the draft IGST Bill as vetted by the Union Law Ministry. This clears the deck for the Central Government to take these two Bills to the Parliament for their passage in the ongoing Budget Session.

Some of the main features of the two Bills, as finalized by the GST Council, are as follows:

i. A State-wise single registration for a taxpayer forfiling returns, paying taxes,and to fulfil other compliance requirements. Most of the compliance requirements would be fulfilled online, thus leaving very little room for physical interface between the taxpayer and the tax official.

ii. A taxpayer has to file one single return state-wise to report all his supplies, whether made within or outside the State or exported out of the country and pay the applicable taxes on them. Such taxescan be Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Union Territory Goods and Services Tax (UTGST) and Integrated Goods and Services Tax (IGST).

iii. A business entity with an annual turnover of upto Rs. 20 lakhs would not be required to take registration in the GST regime, unless he voluntarily chooses to do so to be a part of the input tax credit (ITC) chain. The annual turnover threshold in the Special Category States (as enumerated in Article 279A of the Constitution such as Arunachal Pradesh, Sikkim, Uttarakhand, Himachal Pradesh, Assam and the other States of the North-East) for not taking registration is Rs. 10 lakhs.

iv. A business entity with turnover upto Rs. 50 lakhs can avail the benefit of a composition scheme under which it has to pay a much lower rate of tax and has to fulfil very minimal compliance requirements. The Composition Scheme is available for all traders, select manufacturing sectors and for restaurants in the services sector.

v. In order to prevent cascading of taxes, ITC would be admissible on all goods and services used in the course or furtherance of business, except on a few items listed in the Law.

vi. In order to ensure that ITC can be used seamlessly for payment of taxes under the Central and the State Law, it has been provided that the ITC entitlement arising out of taxes paid under the Central Law can be cross-utilised for payment of taxes under the laws of the States or Union Territories. For example, a taxpayer can use the ITC accruing to him due to payment of IGST to discharge his tax liability of CGST / SGST / UTGST. Conversely, a taxpayer can use the ITC accruing to him on account of payment of CGST / SGST / UTGST, for payment of IGST. Such payments are to be made in a pre-defined order.

vii. In the Services sector, the existing mechanism of Input Service Distributor (ISD) under the Service Tax law has been retained to allow the flow of ITC in respect of input serviceswithin a legal entity.

viii. To prevent lock-in of capital of exporters, a provision has been made to refund, within seven days of filing the application for refund by an exporter, ninety percent of the claimed amount on a provisional basis.

ix. In order to ensure a single administrative interface for taxpayers, a provision has been made to authorise officers of the tax administrations of the Centre and the States to exercise the powers conferred under all Acts.

x. An agriculturist, to the extent of supply of produce out of cultivation of land, would not be liable to take registration in the GST regime.

xi. To provide certainty in tax matters, a provision has been made for an Advance Ruling Authority.

xii. Exhaustive provisions for Appellate mechansim have been made.

xiii. Detailed transitional provisions have been provided to ensure migration of existing taxpayers and seamless transfer of unutilised ITC in the GST regime.

xiv. An anti-profiteering provision has been incorporated to ensure that the reduction of tax incidence is passed on to the consumers.

xv. In order to mitigate any financial hardship being suffered by a taxpayer, Commissioner has been empowered to allow payment of taxes in instalments.

The remaining two Bills namely, State Goods and Services Tax (SGST) Bill and the Union territory Goods and Services Tax (UTGST) Bill, which would be almost a replica of the CGST Act, would be taken-up for approval after their legal vetting in the next meeting of GST Council scheduled on 16 March 2017.

Scheduled Banks free to determine savings bank deposit interest rate

Reserve Bank of India (RBI) has informed that the Scheduled Commercial Banks are free to determine their savings bank deposit interest rate, with the approval of their respective Board of Directors, subject to the following two conditions:-

(i) Each bank will have to offer a uniform interest rate on savings banks deposits up to Rupees one lakh.

(ii) For any end-of-day savings bank balance exceeding Rupees one lakh, a bank may provide differential rates of interest, if it chooses, subject to the condition that banks will not discriminate in the matter of interest paid on such deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.

RBI and Government has taken a number of steps for providing loans to the companies engaged in infrastructure development, which are as under:-

- Project Finance Guidelines of RBI.
- Long Term Structured Project Loans.
- Financing of Cost Overruns in Project Loans.
- Refinancing of Project Loans.
- Extension of Date of Commencement of Commercial Operations – Change in Ownership.

RBI has informed that the Industry Outstanding Advances is Rs. 29,98,424 crore as on 31.03.2016 and Rs. 29,66,442 crore as on 31.12.2016.

ICAI elects New Torch-Bearers for the year 2017-18

CA. Nilesh Vikamsey

President, ICAI

CA. Naveen Gupta

Vice-President, ICAI

Congratulations

LLB & CO.

525, The Summit Business Bay,
Behind Gurunanak Petrol Pump,
Near W.E. Highway Metro and
Cinemax, Andheri (East),
Mumbai - 400 069

Office No.: 5, Barsana,
Salasar Brij Bhoomi,
Near Maxus Mall,
Bhayandar (West),
Thane - 401101

Phone: +91 - 22 - 26831036
49242456
28040048

E-Mail: info@llbco.in

Web: www.llbco.in

Due date for submission of old demonetized notes for Indian citizens

The Specified Bank Notes (Cessation of Liabilities) Ordinance 2016 was promulgated by the President of India (GoI Ordinance No. 10 of 2016 dated December 30, 2016) and it came into effect from December 31, 2016. Subsequently, the Specified Bank Notes (Cessation of Liabilities) Act, 2017 was notified on 28th February, 2017.

A grace period has been provided during which the Specified Bank Notes can be deposited in accordance with this Ordinance/Act by Indian citizens who make a declaration that they were outside India between November 9 and December 30, 2016, subject to conditions that may be specified by notification by the Central Government. The grace period for Indian citizen residing in India is March 31, 2017 and for Indian citizen resident outside is June 30, 2017 as per Government of India notification no. 10 dated December 30, 2016. While there is no monetary limit for exchange for the eligible Resident Indians, the limit for NRIs is as per the relevant FEMA Regulations.

The Reserve Bank, if satisfied after making the necessary verifications, that the reasons for failure to deposit the notes till December 30, 2016 are genuine, will credit the value of notes in the KYC (Know Your Customer) compliant bank account of the tenderer. This facility is available only at five selected RBI Offices (Mumbai, New Delhi, Chennai, Kolkata, and Nagpur)