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Economic Survey 2020-21 Amid Pandemic Covid-19

GDP Growth 2020-21

- India extended a nationwide lockdown to 40 days from 21 days, but relaxed restrictions in rural areas to facilitate agricultural harvesting in the second half of April.
- According to the UN Report, India's economic growth is forecast to slow to 1.2 per cent in 2020.
- While India could clock a 1.2 per cent GDP growth, China is estimated to record a 1.7 per cent growth rate. All other economies in the world, including the US (-4.8 per cent), Japan (-4.2 per cent), European Union (-5.5 per cent) and the United Kingdom (-5.4 per cent) are projected to shrink this year.

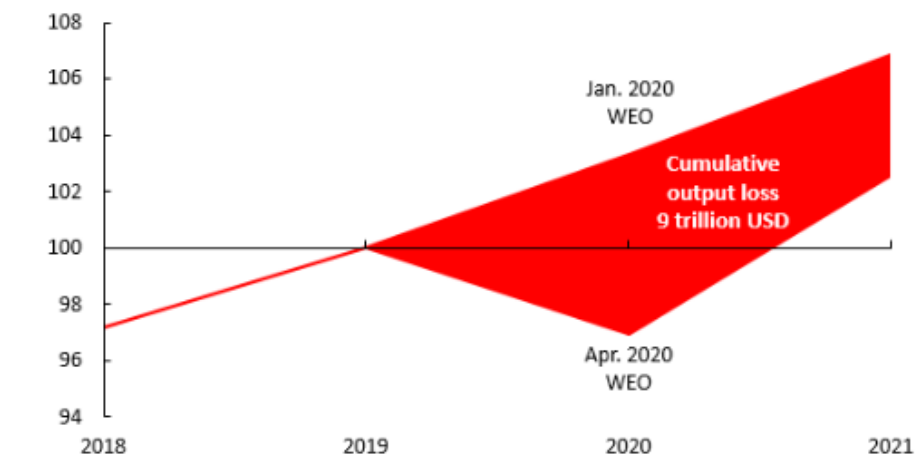
World's Economy

- UN has predicted that the world economy will contract by 3.2 per cent in 2020 amid the coronavirus crisis, the sharpest contraction since the Great Depression in the 1930s.
- According to IMF, the cumulative loss to global GDP over 2020 and 2021 from the pandemic crisis could be around 9 trillion dollars.

Output losses

The cumulative output loss over 2020 and 2021 from the pandemic crisis could be around 9 trillion dollars.

(global real GDP level, index)

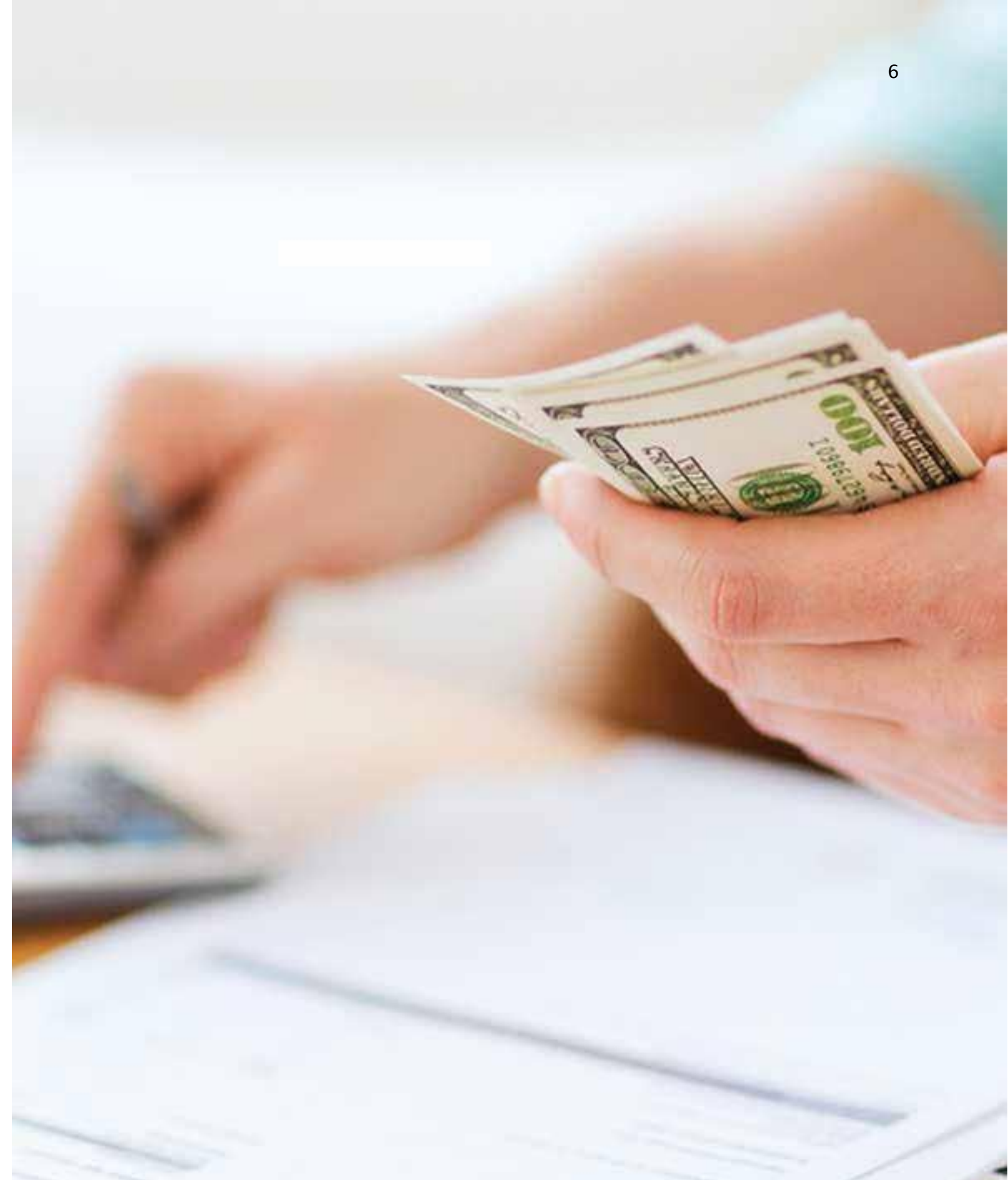


Sources: IMF, *World Economic Outlook*; and IMF staff calculations.



Foreign Direct Investment

- Net Foreign Direct Investment (FDI) in half year of 2019-20 is 21.3 US\$ billion as compared to 30.7 US\$ billion in 2018-19 for the full year.
- Rise in foreign investment in India is due to continuous liberalization of FDI guidelines.
- Although, During COVID-19 pandemic, FDI in India increased by \$2873Million in February of 2020 and was expected to 4000 Million by the end of March 2020.
- In April 2020, Government of India notified changes in FDI rules which made prior approval of the Government mandatory for foreign investments from countries that share border with India, to prevent opportunistic takeover of domestic firms amid Covid-19 pandemic.



Non-Tax Stimulus Package Amid Pandemic Covid-19

Businesses Including MSMEs

New Definition of MSMEs

- Investment limit revised upwards
- Addition criteria of turnover brought in to define MSMEs
- Manufacturing and service-bases MSMEs to now enjoy same benefits

Existing MSME Classification			
Criteria: Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment<INR 2.5 Million	Investment<INR 50 Million	Investment<INR 100 Million
Services Enterprise	Investment<INR 1 Million	Investment<INR 20 Million	Investment<INR 50 Million
Revised MSME Classification			
Composite Criteria: Investment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment<INR 10 Million And Turnover<INR 50 Million	Investment<INR 100 Million And Turnover<INR 500 Million	Investment<INR 200 Million And Turnover<INR 1 Billion.



Businesses Including MSMEs

Relief to MSMEs

- Collateral Free Automatic Loan for MSMEs including:
 - INR 3 Trillion worth loans for those firms with INR 2500 Million outstanding loans or annual turnover is over INR 1 Billion.
 - 4 -year tenure on the loans
 - moratorium of 10 months to be offered
 - 100% credit guarantee to banks and NBFCs on principal and interest
 - offer valid until October 31,2020
 - no fresh collateral required
 - no extra fee to be charged
- INR 200 Billion Subordinate Debt for Stressed MSMEs
 - Two Lakh MSMEs are likely to benefit
 - Functioning MSMEs which are NPA or are stresses will be eligible
 - Govt to provide INR 40 Billion to Credit Guarantee Funds Trust for Micro and Small Enterprises (CGTMSE)
 - CGTMSE will provide partial Credit Guarantee support to Banks.
- Fund of Funds
 - Funds of Funds (FoF) with Corpus of INR 100 Billion with be set up.
 - Infusing INR 500 Billion equity into MSMEs for those who are viable and eligible
 - FoF will be operated though mother-fund and daughter-fund framework
 - to help MSMEs expand capacity and eventually get listed on main board of Stock Exchanges



Relief to Contractors

- Extension of up to 6 months without costs to Contractor:
 - All Gov agencies, such as railways, roadways, Central Public Works Dept. etc. will provide 6 months extension to contractors.
 - No cost extension of upto six months for govt contractors to comply with contract conditions construction work, goods and services contract, completion of work.
- Government agencies to partially release bank guarantees to the extent contracts are partially completed, to ease cash flows.

Relief to Real Estate

- Covid-19 period should be treated as a force majeure and relax timelines.
- Registration and completion date should be extended suo-moto by 6 months for all registered projects expiring on or after 25th March 2020 without individual applications.
- Extension of timeliness for various statutory compliances under RERA concurrently
- Issue of fresh 'Project Registration Certificates' automatically with revised timelines.

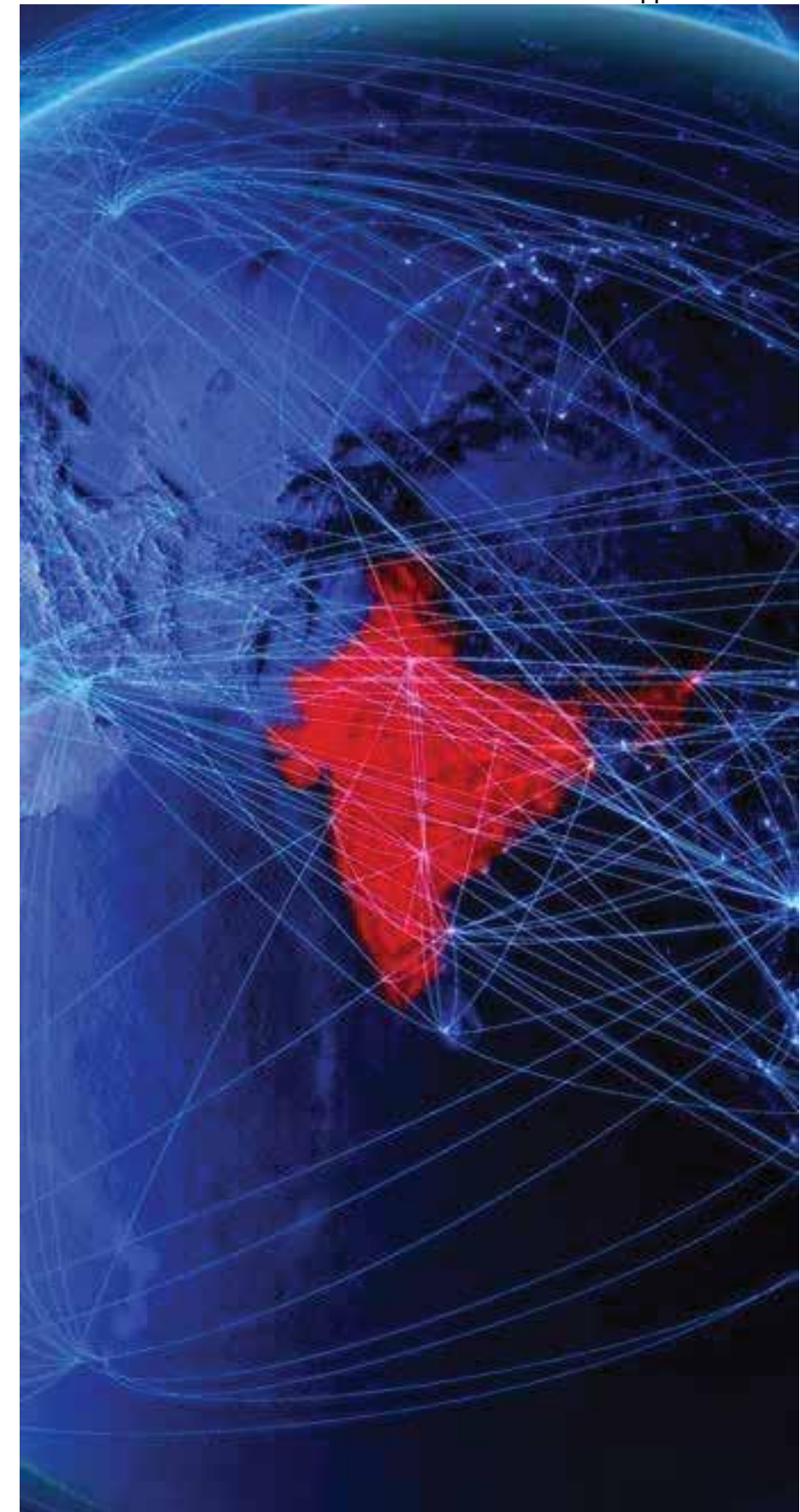


Relief to NBFCs

- Existing PCGS scheme to be extended to cover borrowings such as primary issuance of Bonds/CPs (liability side of balance sheets) of such entities.
- First 20% of loss will be borne by the Guarantor i.e. Government of India.
- AA paper and below including unrated paper eligible for investment (esp. relevant for many MFIs)

Other Key Points

- Global tenders will be disallowed in Government Procurement for tenders up to INR 2Billion. This will make India self-reliant.
- Seamless e-market linkages across the Board will be provided to MSMEs, considering their inability to participate in trade fairs due to COVID-19. All pending payments to MSMEs, from Central Government bodies & PSUs to be done within the next 45 days.
- Five pillars of a self-reliant India are: Economy, infrastructure, system, demography and demand.



Financial Relief Measures as Announced by RBI

- Repo Rate has been reduced by 75 basis points and reverse repo rate has been reduced by 90 basis points. The repo rate now stands at 4.4% and reverse repo rate now stands at 4%.
- RBI to conduct auctions of Targeted longer-term refinancing operations of up to three-year tenor of appropriate sizes for a total amount up to INR 1 Trillion at a floating rate.
- Cash reserve ratio of all banks to be reduced by 100 basis points to 3% for a year. (Effective date: 28th March 2020)
- The Marginal Standing Facility (MSR) raised from 2% of Statutory Liquidity Ratio (SLR) to 3%. (Effective date: The same shall be effective immediately and shall be applicable up to 30th June 2020)
- Above measures to infuse liquidity of INR 3.74 Trillion to our economy.
- Rescheduling of payments:
 - All lending institutions and banks are allowed a moratorium of three months on repayment of installments for term loans outstanding as on 1st March 2020. The same shall not result in asset classification downgrade..
 - The lending institutions are also allowed deferment of three months on payment of interest in respect to all such working capital facilities outstanding as of 1st March 2020. The same shall not result in asset classification downgrade.
 - Further deferring implementation of last tranche of 0.625% of capital conservation buffer to 30th September 2020.
- The banks in India that operate IFSC banking units allowed to participate in offshore INR NDF market. (Effective date: 1st June 2020)

Financial Relief Measures as Announced by RBI

- Reduction of Cash Reserve Ratio (CRR) has resulted in liquidity enhancement of INR 137 Billion.
- Targeted Long Term Repo Operations (TLTROs) of INR 1 Trillion for fresh deployment in investment grade corporate bonds, commercial paper, and non convertible debentures.
- TLTRO of INR 500 Billion for investing them in investment grade bonds, commercial paper, and non-convertible
- Announced special refinance facilities to NABARD, SIDBI and the NHB for a total amount of INR 500 Billion at the policy repo rate
- Announced the opening of a special liquidity facility (SLF) of INR 500 Billion for mutual funds to alleviate intensified liquidity pressures.
- Moratorium of three months on payment of instalments and payment of Interest on Working Capital Facilities in respect of all
- Easing of Working Capital Financing by reducing margins
- For loans by NBFCs to commercial real estate sector, additional time of one year has been given for extension of the date for commencement for commercial operations (DCCO).



Global Tenders upto INR 2 Billion to be Disallowed

- To avoid unfair competition from foreign companies. Therefore, Global tenders will be disallowed in Government procurement tenders upto INR 2 Billion.
- This will be a step towards Self Reliant India and also support Make in India plans
- Necessary amendments of General Financial Rules will be effected.
- This will also help MSMEs to increase their business.



Amendments under the Companies Act, 2013

- **Board Meeting:** The mandatory requirement of holding meetings of the Board of the Companies within the prescribed intervals under the Companies Act, 2013 (120 days) shall be extended by a period of 60 days till next two quarters i.e. till September 30th, 2020.
- **Meeting of Independent Directors:** The Independent Directors of companies who have not been a part of even one meeting in the last year, the same should not be treated as a violation in the F.Y. 20.
- **No Additional Fees by the Ministry of Corporate Affairs:** Moratorium will be issued from 01.04.2020 to 30.09.2020, no additional fees will be charged by the Ministry for the late filing.
- **Applicability of Companies (Auditor's Report) Order, 2020** shall be made applicable from the financial year 2020-2021 instead of from 2019-2020 notified earlier. This will significantly ease the burden on companies & their auditors for the year 2019-20.



Amendments under the Companies Act, 2013

- Commencement of Business: New Companies being given 6 more months for filing Declaration of Commencement of Business with the Registrar of Companies.
- Debentures: Requirement to invest 15% of debentures maturing during a particular year in specified instruments before 30th April 2020, may be done so before 30th June 2020.
- Deposit Reserve: Deposit Reserve required to be created by 30.04.2020 can now be created by 30.06.2020.
- Residency requirement for a Director: Minimum residency requirement for a director of 182 days in India is waived off for the current Financial Year.



Employee Provident Fund

INR 25 Billion EPF Support for Business & Workers for 3 more months

- Under Pradhan Mantri Garib Kalyan Package (payment of 12 of employer and 12 employee contributions was made into EPF accounts of eligible establishments)
- This was provided earlier for salary months of March, April and May 2020
- This support will be extended for 3 months i.e salary months of June, July and August 2020
- This relief would provide liquidity of INR 25 Billion to 367000 establishments and for 7.2 Million employees

EPF contribution reduced for Business & Workers for 3 months INR 67.5 Billion

- To support business, it is necessary to provide more take home salary to employees and also to give relief to employers in payment of Provident Fund dues.
- Therefore, statutory PF contribution of both employer and employee will be reduced to 10 each from existing 12 each for all establishments covered by EPFO for next 3 months.
- CPSEs and State PSUs will however continue to contribute 12 as employer contribution
- This scheme will be applicable for workers who are not eligible for 24 EPF support under PM Garib Kalyan Package and its extension
- This will provide relief to about 650000 establishments covered under EPFO and about 430 Million such employees.

Amendments under the Insolvency & Bankruptcy Code, 2016

The Insolvency and Bankruptcy Code: The announcement has made that the default threshold limit of INR 100,000 has been steeply raised to INR 10 Million. This is to help small companies facing the threat of defaults due to coronavirus-related lockdown, the government has raised the threshold that would trigger insolvency proceedings to INR 10 Million from current INR 1,00,000. This raising of the threshold will help small and medium enterprises (MSME's).

Tax Stimulus Package Amid Pandemic Covid-19

Income Tax

Direct Tax Rates

Amendments under the Income-tax Act:

- All pending refunds to charitable trusts, non-corporate business & professions including proprietorship, LLPs and co-operatives shall be processed immediately.
- Due Date of all ITR filings shall be extended from 31st July, 2020 & 31st October, 2020 to 30th November, 2020 and for tax audit filing from 30th September, 2020 to 31st October, 2020.
- Period of Vivaad Se Vishwas Scheme for making payments without additional amount extended to 31st December 2020.
- Date of assessments getting barred as on 30th September 2020 has been extended to 31st December 2020 and for those getting barred as on 31st March 2021 extended to 30th September 2021.
- TDS for period beginning from 14th May 2020 till 31st March 2021 has been reduced by 25% of the existing rate for non-salaried payments to residents. Payment for contract, professional fees, interest, rent, dividend, commission, brokerage etc. shall be eligible for this reduction in TDS rates. Similarly, TCS rates are reduced for same period and with same percent for specified receipts.

Necessary legal circulars and legislative amendments for giving effect to the aforesaid relief shall be issued in due course.

Income Tax

Direct Tax Rates

Amendments under the Income-tax Act:

- Income Tax Return :Deadline to file Income-tax return for the Financial Year (“FY”) 2018-19 has been extended to 30th June 2020.
- Delayed Payments: For delayed payments of advanced tax, self-assessment tax, regular tax, Tax Deducted at Source (“TDS”), Tax Collected at Source (“TCS”), Equalization levy, Security Transaction Tax (“STT”), Commodities Transaction Tax (“CTT”) made between 20th March 2020 and 30th June 2020, reduced interest rate at 9% instead of 12% / 18% per annum (i.e. 0.75% per month instead of 1/1.5% per month) will be charged for this period. No late fee/penalty shall be charged for delay relating to this period.
- Aadhaar PAN Linking: Aadhaar Pan linking has been extended from 31st March 2020 to 30th June 2020.
- Extension of date for Other purposes: Various dates of notices, intimation, notification, approval order, sanction order, filing of appeal, furnishing of returns, statements, applications, reports any other documents and any compliance by the taxpayer including saving and investment instruments or investments for roll-over benefit of capital gains under Income-tax Act, Wealth-tax Act, Prohibition of Benami property Act , Security Transaction Tax Law, Commodities Transaction Tax Law, Equilisation levy Law, where the time limit was expiring on 20th March 2020 has been extended to 30th June 2020.

Goods & Services Tax

- **Persons having aggregate turnover less than INR 50 million:**
 - Last date for filing GSTR-3B in March, April and May 2020 will be extended till the last week of 30th June 2020 (in staggered manner)
 - No interest, late fee and penalty to be charged.
- **Persons having aggregate turnover more than INR 50 million: If compliance is made before 30th June 2020 then:**
 - For any delayed payment made between 20th March 2020 and 30th June 2020 reduced rate of interest @ 9% per annum which be charged as against the current interest rate of 18 % per annum.
 - No late fee and penalty to be charged.
- **Sabka Vishwas Scheme**

Payment date under Sabka Vishwas Scheme shall be extended to June 30, 2020. No interest for this period shall be charged if paid by June 30, 2020.
- **Composition Scheme**
 - Date for opting composition scheme is extended till the last week of June, 2020.
 - Last date for making payments for the quarter ending March 31, 2020 and filing of return for FY 2019 - 20 will be extended till the last week of June, 2020.
- **Extension Due Dates**
 - Due date, i.e. 31st March 2020, for filing GST Annual Returns of FY 2018-19 is extended till the last week of June, 2020.
 - Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents, time limit for any compliance under the GST laws where the time limit is expiring between 20th March 2020 to 29th June 2020 shall be extended to 30th June 2020.

Necessary legal circulars and legislative amendments to give effect to the aforesaid GST relief shall follow with the approval of GST Council.

Amendment for Customs

- 24X7 Custom clearance till end of 30th June 2020.
- Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing applications, reports, any other documents etc., time limit for any compliance under the Customs Act and other allied Laws where the time limit is expiring between 20th March 2020 to 29th June 2020 shall be extended to 30th June 2020.

Ashok Maheshwary & Associates LLP

C H A R T E R E D A C C O U N T A N T S

About Us

Established in 1981 and headquartered in Gurgaon, we are an accounting, tax and business consultancy firm having an international presence. We are a team of over 140 professionals operating PAN India with multiple offices across India. Our resource pool consists of Chartered Accountants, MBA's, Company Secretaries, Lawyers and Financial Management Experts having in-depth experience in providing multi-disciplinary services in a wide range of areas including: Audit & Assurance, Corporate Finance, Tax and Regulatory, Funds Advisory & Compliances, Valuations, Mergers and Acquisitions, Business set up, International tax and Transfer Pricing . We have been consistently ranked by International Tax Review for the last 4 years and our practices have received international recognition. Our partners contribute to Indian and International Media publications.

Contact Information

Suite # 321, Tower A, Spaze I-Tech Park,

Sector - 49, Sohna Road,

Gurgaon - 122018, Haryana, India

Phone No: +91 124 6647500

Mobile No: +91 9810188104, +91 9811987402

info@akmglobal.com

www.akmglobal.com