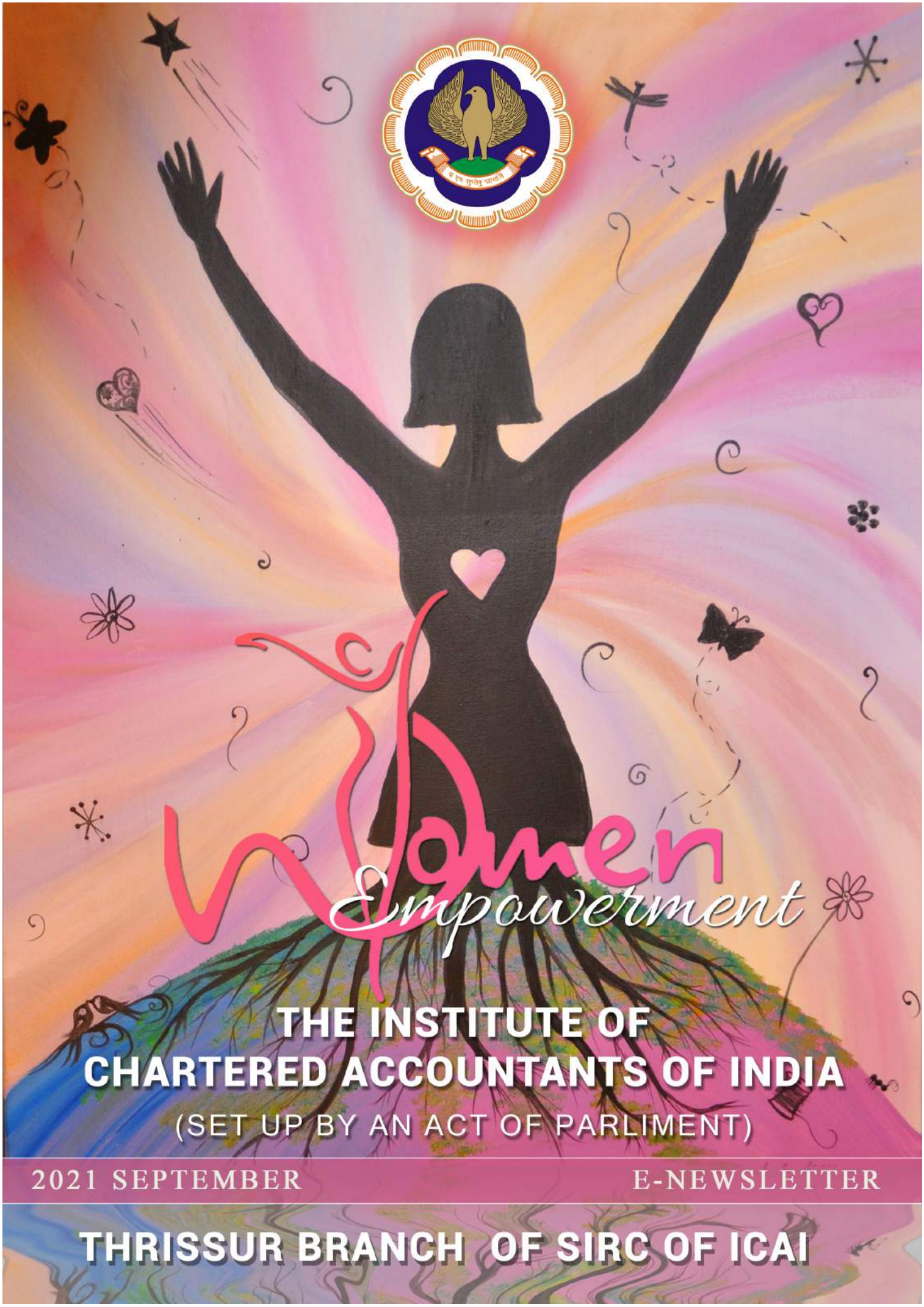

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(SET UP BY AN ACT OF PARLIMENT)

2021 SEPTEMBER E-NEWSLETTER

THRISSUR BRANCH OF SIRC OF ICAI

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INSIDE

EDITOR'S DESK

FRIENDS,

There was so much to do in the month of August, so much to see that I don't even know where the last 30 days went. It was a busy month, but not so much work-wise. But here we are into the month of September and every CA office is into the hot season of completion of audits and E- Filing.

But August was a month of rejuvenation and revitalising. After a long time we CA friends met physically for a Thiruvathira performance at a beautiful heritage location and couple of us also took part in Onappattu. The shoot for the virtual programme went on for a full day but the whole experience; meeting everyone personally, the practice days which preceded, the chit-chats everything gave us a new energy. After one and a half years we got a chance to sit together, perform together etc. To all the viewers the virtual Onam celebration was a feast to the eyes and ears.

This month our branch has also planned to conduct our flagship programme JWALA the WMEC conference, on the 7th and 8th of September. Even though the dark shade of COVID is still around us the preparations for the virtual conference is going on in full swing.

This month we have three articles included in the newsletter; one on "Some Practical issues on the new TDS & TCS provisions on goods" by CA. Dr. K. Santhakumar, "Remission of Duties and Taxes on Exported Products (RoDTEP) by CA. Spudarjunan S. and "Interest Rate Benchmark Reforms" by CA. Mini Chandran. All the articles are well presented and truly informative and will definitely add to your knowledge.

Wish you all a happy reading,
CA. Silpa Ramdas, FCA, DISA, DIRM(ICAI)

CHAIRMAN'S MESSAGE

My Dear Professional Colleagues,

During the previous month our offices returned to normal working. Our busy season has already started with Income Tax return filing and audit of corporate clients.

Our branch celebrated Onam virtually on 28th of August with the support of members, their family, students and staff. Many offices celebrated Onam and submitted their entries for "Pookkalam" competition. Active involvement by the Women's Club of our branch added colour to the whole celebration.

We had conducted seminars on 11 days on different topics of professional interest including 10 days joint programmes with other branches across our State.

On 05.08.2021 we held a VCM by our branch member CA Ranjith J on " Tools For Digital Life". On 07.08.2021 we jointly with Thiruvanathapuram and Palakkad Branches by ICAI hosted a Virtual CPE Seminar by CA.Saurabh Goenka on "Audit using Artificial Intelligence and Office Automation".

From August 11th to 19th the all Kerala CA Conference Navaratna Season 2 , 9 days Programme, was successfully hosted by all the Branches in Kerala with 9 distinct speakers on various topics. Each branch hosted in turn one day's event.

We are moving on to busier days and the ICAI council elections have been declared and the election code of conduct is effective from 1st of September, 2021. Let us wish all candidates all good luck.

Wishing you all a happy Audit season ahead,

Your's in Service of the profession,

CA. ARYAN K K
CHAIRMAN

SOME PRACTICAL ISSUES ON THE NEW TCS & TDS PROVISIONS ON GOODS

Dr. CA. K. SANTHAKUMAR

During the last one year, three new provisions on TDS have become operational such as:

- 194-O is tax deduction at source by ecommerce operator, the rate is 1.0% and it has come into effect from 1st October 2020.
- 194Q is tax deduction at source by buyer of goods from the payments made to sellers, rate is 0.1% and it has come into effect from 1st July 2021.
- 206C(1H) is tax collection at source by seller of goods from the buyers, rate is 0.1% and it has come into effect from 1st October 2020.

A few questions on these provisions I had countenanced and which I have addressed are reproduced below:

Q1) If the seller is charging the TCS on invoices in the month of June-2021 and due to transportation or any other reasons, buyer booked the invoice in books on or after July 1, 2021 and assuming buyer fulfilling the requirements of section 194Q then Buyer will deduct TDS under this question and seller may not able to realize the TCS and therefore, may raise disputes between the Buyer & Seller?

A1) In this case, the seller raises the invoice including the amount of TCS. But, the time of deduction is at the time of receipt/ collection of such amount from buyer. So, even though he has requested for payment of TCS, his obligation to deduct arises only on receipt of the amount from the buyer.

From the Buyer's point of view, his obligation for TDS u/s 194Q arises at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier. So, naturally, he will be deducting tax at the time of payment.

In other words, though the provisions of Second proviso to Section 206C (1H) which says "the provisions of this sub-section shall not apply, if the buyer is liable to deduct tax at source under any other provisions of this Act on the goods" excludes a transaction on which tax is actually deducted under any other provision (which will cover Section 194Q as well), Section 194Q (5) does not create a similar exception for a transaction on which tax is collectible under Section 206C(1H). Thus, the buyer shall have the primary and foremost obligation to deduct the tax and no tax shall be collected on such transaction under Section 206C (1H).

In conclusion, it may be stated that the Buyer would be effecting the deduction, before the time to collect TCS arises as far as the seller is concerned. That being so, the Second proviso to Section 206C (1H) comes into the rescue of the Seller, thus relieving him of the obligation to collect TCS and thus saving both the Buyer & Seller from any disputes that would otherwise have arisen.

Q2) Public sector companies like KSEB may collect TCS in their sale/ service bill to us. Now, we would become liable to TDS, then how we can deduct TDS and make balance payment to KSEB when they have already included TCS in bill? Please share any circular/ notification in support of this. I understand that once 194Q is attracted 206C (1H) should not attract?

A2). In the case of KSEB, I hope that they are selling/supplying electricity. Since the provision came into force from 01.10.2020, you would have by now known from the invoices raised by them whether they are effecting TCS?

The first question to be addressed is whether electricity is 'goods'? The Apex Court in the case of State of Andhra Pradesh v. National Thermal Power Corporation (NTPC) (2002) 5 SCC 203, held that electricity is a movable property though it is not tangible. It is 'goods'. Further, the Custom Tariff Act has covered 'Electricity' under heading 2716 00 00, which also clarifies that Electricity is 'goods'. Similarly, under 'The Central Goods and Services Tax Act, 2017',

'Goods' means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply"

The CBDT vide Circular #17/20 has clarified that the transaction in electricity, renewable energy certificates and energy-saving certificates traded through power exchanges registered under Regulation 21 of the CERC shall be out of the scope of TCS under the provision of Section 206C(1H). However, in cases where electricity is purchased directly from the supplier, in this case, KSEB, TCS is applicable.

Section 194Q provides for the deduction of tax on the payment made for the purchase of goods.

As clarified earlier, TCS is collected along with the receipt of the value of the invoice. Since you (buyer) would be deducting Tax u/s 194Q, the supplier KSEB need not collect TCS in view of the Second proviso to Section 206C (1H). You could inform KSEB that they need not include TCS in their invoice.

Thus, it may be concluded that the tax should be deducted from the payment/credit to KSEB, post July 1st 2021.

Q3) When we bill the vendor with TCS as exceeded Rs.50Lacs, but the customer deducts TDS & we are aware of the same only when the remittance is received after the credit period (say 30 days). We might have paid the TCS & we cannot get back the same & also the customer will deduct TDS on payment made by them to us?

A3). This question is partially answered under reply to Q1.

When is the timing of collection of TCS? Tax should be collected at the time of receipt of amount from the buyer. Thus, TCS liability does not arise on the event of sale of goods.

Secondly, according to Rule 37CA (2) all sums collected in accordance with the provisions of section 206C by collectors other than an office of the Government shall be paid to the credit of the Central Government within one week from the last day of the month in which the collection is made. Hence, the question of remittance of TCS, prior to its collection is not envisioned in the law.

Q4) Our vendors are charging TCS under S. 206C on sales to us (as it is applicable) which we pay. But when after 1.7.21, do we need to deduct tax at source u/s 194Q on payments (exceeding Rs.50Lacs) made during 1.4.21-30.6.21 also.

E.g.: Vendor charged TCS on invoices to us for total sales of Rs.60 Lacs till April 2021- Jun 2021. Now when they give invoice for Rs.10 Lacs in July 2021 (total sale now is 70 Lacs), we can inform them to share invoice without TDS as we are obliged to deduct tax at source w.e.f 1.7.21 & exceeded Rs.50Lacs.

On what amount we need to deduct tax in July 2021

a) Rs.10 Lacs (July invoice amount) or

b) on 20 Lacs (Rs.60+10 Lacs total invoice less 50Lacs)?

A4). The Finance Bill, 2021, has inserted Section 194Q, with effect from 01-07-2021, to provide for the deduction of tax on certain purchases. The TDS has to be deducted if the value or aggregate purchase value exceeds Rs. 50 lakhs during the previous year. How this limit of Rs. 50 Lakh for deducting TDS shall be reckoned for the financial year 2021-22? Should it be from 01-04-2021 or 01-07-2021?

Similar confusion arose when Section 206C(1H) was introduced by the Finance Act, 2020, with effect from 01-10-2020. In respect of which the CBDT vide Circular No. 17, dated 29-09-2020, has clarified that since the threshold of Rs. 50 lakhs are with respect to the previous year, calculation of sale consideration for triggering TCS under this provision shall be computed from 01-04-2020. Hence, if a seller has already received Rs. 50 lakhs or more up to 30-09-2020 from a buyer, TCS under this provision shall apply on all receipts of sale consideration on or after 01-10-2020.

Applying the same principle, it should be concluded that threshold of Rs. 50 lakhs shall be computed from 01-04-2021. The limit of Rs. 50 Lakhs need to be calculated from 1st April 2021 but TDS needs to be calculated from 1st July 2021. Thus, if a buyer has already crossed the threshold limit of Rs. 50 lakhs up to 30-06-2021 from a seller, TDS under this provision shall apply on all purchases on or after 01-07-2021.

Point of Taxation: TDS shall be deducted (i) at the time of credit of such sum to the account of the seller or (ii) at the time of payment thereof by any mode; whichever is earlier. In simple words, the tax should be deducted where the payment is made or amount is credited on or after 01-07-2021. Thus, where any of the trigger events (i.e., payment or credit) has occurred before the date of applicability of provision, no liability to deduct tax will arise.

Therefore, with reference to your specific query based on your illustration, it could be opined that respecting purchases effected up to and including 30.06.21, in case payment or credit to the account of the supplier has not happened prior to 01.07.2021, the provisions of S. 194Q will be attracted. Otherwise, TDS will apply only on Rs. 10 lakhs (July invoice amount)

Q5) We participate in e-auction (provided by the e-commerce operator) and on successful bidding, Seller will give us approval order for so & so quantity at so & so rate and last date for taking the delivery. Upon successful payment (net of EMD already deposited before bidding), Seller will issue digitally signed release order (with our GST number) which is to be presented while taking delivery of the commodity. Whether this transaction will be covered by S. 194O or are we to deduct tax u/s 194Q?

A5) The Central Board of Direct Taxes gave the Guidelines under Section 194Q of Income Tax Act, 1961vide Circular No.13 dated 30th June 2021. The said circular also covers how Sections 194Q, 194-O and 206C(1H) are interlinked. It is quite clear from the circular that Only One Section can be applicable on any transaction.

In the instant case, there is an e-auction process and Sellers, Auctioneers and Buyers are the parties. Prior to Sec 194 Q in the Auctioneer used to deduct TDS u/s 194 O being an e-commerce operator from the participants and the Sellers used to charge TCS u/s 206C(1H) on the ultimate buyers. After the advent of Sec 194 Q, there was a confusion initially which is now quite clear after this circular.

Section 194Q (5) states that no TDS need be effected if

(a) tax is deductible under any of the provisions of this Act; and

(b) tax is collectible under the provisions of section 206C, other than a transaction to which sub-section (1H) of section 206C applies

So prima facie it seems that Sec 194 Q continues to apply even if Sec 206C(1H) is applicable but according to Sec 206 C(1H) second proviso, which states that TCS under this provision shall not be collected, if the transaction is covered under any other provision of the Act. So a conjoint reading of both the sections leads us to the conclusion that Sec 194 Q over-rides and would apply and the liability is on the buyer to deduct tax.

Now, if we read Sec 194 O, there is exclusion which leads us to the conclusion that if a transaction suffers from applicability of Sec 194O, 194Q and 206C(1H), Sec 194 O would apply and the other two sections would cease to apply as Sec 194 Q (5) (a) specifically states that if TDS is applicable under any other provisions of the act (herein Sec 194 O is applicable) Sec 194 Q will not apply.

Accordingly:

1) 194-O is applicable in Auctions and Auctioneer is responsible for deducting tax at source under 194-O from the payments made to sellers.

2) 194Q is not applicable in such Auctions as Auctioneer is deducting tax at source under 194-O.

3) With effect from 1st July 2021, 206C(1H) is *also not applicable in such auctions.*

Dr. CA. K. SANTHAKUMAR

REMISSION OF DUTIES AND TAXES ON EXPORTED PRODUCTS (RoDTEP)

CA. SPUDARJUNAN S

Background

Dispute Resolution Panel (DRP) of World Trade Organisation (WTO) ruled that India's export subsidy schemes violate global trade norms and has been asked to withdraw some export subsidy programmes, since subsidy schemes run by the Indian government were giving undue advantage to Indian businesses. Indian Government has appealed to the appellate body of WTO, challenging the decision of DRP. Currently the appeal is pending before the dysfunctional appellate body of WTO which provides time to Indian Government time to replace the present subsidy schemes. Meanwhile, Indian government decided to discontinue existing export incentive schemes which are not in compliant with global trade rules. Merchandise Exports from India Scheme (MEIS) is one of the scheme which is affected by the ruling of DRP of WTO.

As a revival Indian Government has come up with a WTO compliant proposed scheme called **'Remission of Duties or Taxes on Export Products' (RoDTEP)** to replace the present scheme of MEIS which aims to reimburse the taxes and duties incurred by exporters such as local taxes, coal cess, mandi tax, electricity duties and fuel used for transportation, which are not getting exempted or refunded under any other existing scheme. These would be covered for reimbursement under the RoDTEP Scheme. The rebate would be claimed as a percentage of the Freight On Board (FOB) value of exports.

RoDTEP Scheme, to benefit the exporters in place of MEIS was announced vide press release dated 31-Dec-2020, w.e.f. 01-Jan-2021, to all export goods. After a long wait of 8 months from such press release, Ministry of Commerce & Industry under Department of Commerce has finally come - out with the Scheme Guidelines by issuing the ***Notification No. 19/2015-2020 dated 17th August 2021*** providing for the contour of the Scheme. It has also provided for the rate of benefit applicable on various products being exported from India which would be applicable to all exports made w.e.f. 01st January 2021.

This scheme is going to give a boost to the domestic industry and Indian exports providing a level playing field for Indian producers in the international market so that domestic taxes/duties are not exported. Further, The Scheme will be implemented with end-to-end digitization.

An exporter desirous of availing the benefit of the RoDTEP scheme shall be required to declare his intention for each export item in the shipping bill or bill of export. The RoDTEP shall be allowed, subject to specified conditions and exclusions. In this article we would discuss on the Objective and Operative principles of the notified scheme.

Introduction of the scheme

The benefit of RoDTEP is being provided under chapter 4 of Foreign Trade Policy (FTP) 2015-20 "Duty Exemption Remission Scheme"

The basic distinction between RoDTEP to MEIS is that the scheme notified is a remission of duties vis-à-vis the former scheme ("MEIS") was an incentive scheme under chapter 3 of FTP 2015-20 "Export from India Schemes"

Hence, the RoDTEP scheme provides the exporter a right to claim the unrefunded tax incidences borne which could be more legally insisted compared to the former scheme where the Government had a upper -

Objective of the scheme

The objective of the scheme is

• to **refund** the currently un-refunded **duties/taxes/levies at Central, State and local level**

• **borne on the exported product,**

• including prior stage cumulative indirect taxes on goods and services

• used **in** the **production** of the exported product and

• *such* indirect duties/taxes/levies **in respect of distribution** of exported product.

The benefit is not available in respect of those duties or taxes which are otherwise exempted or remitted or credited.

Illustrative list of such unrefunded duties/taxes/levies taxes would be as follows:

i. VAT and Excise duty on the fuel (5 goods) used in self-incurred transportation costs;

ii. VAT and Excise duty on the fuel used in generation of electricity via power plants or DG Sets;

iii. VAT and Excise duty on the fuel used in running of machineries/plant;

iv. Electricity duty on purchase of electricity;

v. Mandi Tax/ Municipal Taxes/ Property Taxes;

vi. Stamp duty on export documents;

vii. Un-creditable CGST/ SGST/ IGST/ Compensation Cess on items falling under Section 17 (5) [passenger transportation vehicles, food and beverages, rent-a-cab, works contract services, etc.]

viii. Un-creditable CGST/ SGST/ IGST/ Compensation Cess which normally gets lost due to defaults by suppliers, e.g. GSTR 2A default, Section 16 (2) default, Section 16 (4) default

…… etc.

Administration of the scheme

The Scheme shall be fully administered by the Department of Revenue whereas the former scheme MEIS was administered by Department of Commerce through DGFT.

A separate committee would be constituted comprising of Department of Revenue/Drawback division with suitable representation of the Department of Commerce/DGFT, line ministries and experts on the prioritized sectors.

Further, a separate RODTEP Policy Committee (RPC) chaired by DGFT would be constituted to address residual issues related to the Scheme.

The scheme operates in budgetary outlay for each financial year i.e., the remission would be limited to the budget allocated to this scheme. Further there would be no provision of carrying forward any remission arrears to next years.

Necessary changes may be bought in view of budget control measures as above and efforts would be made to review the rates of RoDTEP on an annual basis and be notified in advance before the beginning of the financial year.

Eligibility for the scheme & benefits of the scheme

1. RoDTEP scheme is notified based on the classification of the products as per tariff heading at 8-digit level. The benefit is given for almost all the products. However, there are some sectors i.e. steel, pharmaceuticals, chemical, textiles (covered by RoSCTL) etc. which have not been given benefit under the Scheme.

2. Both merchant exporters (traders) and manufacturer exporters are eligible

3. EOU, SEZ Units, persons availing the exemption of customs under jobbing notification no. 32/97- dated 01st April 1997 are presently kept outside the coverage of benefit from the RoDTEP scheme and however included from a later date based on the recommendations of the RoDTEP committee.

4. Other ineligible categories of exports for RoDTEP scheme are provided in para 4.55 of the FTP 2015-20.

5. There is no minimum turnover criteria to claim RoDTEP

6. Goods exported through e-commerce platforms via courier are also eligible.

7. Country of origin of the exported products should be India, re-exported products are not eligible.

8. The benefit under the scheme would be provided at a rate notified (Refer Appendix 4R of FTP 2015-20 to identify the notified rates) as a percentage of FOB or fixed quantum per unit with a value cap per unit

9. A transferrable duty credit/electronic scrip (e-scrip) would be credited in an exporter's ledger account with Customs and used to pay Basic Customs duty on imported goods. The credits can -

also be transferred to other importers just like MEIS/SEIS scrips. *(Rules, procedures regarding the manner of application, time limit and other matters are yet to be notified)*

10. The rebate would be allowed subject to receipt of sale proceeds within the time allowed under FEMA 1999, and such condition would not be looked into at the time of issuance. Adequate safeguards and systemic improvements would be implemented as in the cases of Duty Drawback, IGST refund relating to exports, to avoid any misuse of the scheme on account of non-realisation of export proceeds. In case of non-realisation, then benefit would be deemed never have been allowed and consequential recovery actions would be taken.

Broad procedural provisions are as under:

1. To avail the scheme exporter shall make a claim for RoDTEP in the shipping bill by making a declaration.

2. No separate Code or Serial Number is needed for taking the benefit of the scheme. RITC code given in the shipping bill will suffice.

3. The declaration on the shipping bill is needed to claim RODTEP. INFO CODE in Table SW_INFO_TYPE of the Shipping Bill should be mentioned as follows:

o RODTEPY - If RoDTEP is availed
o RODTEPN- if RoDTEP is not availed.

4. If RODTEPY is not specifically claimed in the Shipping Bill, no RoDTEP would accrue to the exporter.

5. Contrary view possible based on the stare decisis during the initial period of MEIS – *Amu Cashews vs Commissioner of Customs 2020 (371) E.L.T. 241 (Ker.), Pasha International vs Commissioner of Customs, Tuticorin 2019 (365) ELT 339 (Mad) etc.*

6. For every item where RODTEPY is claimed in INFO CODE, a declaration has to be submitted in the Statement Table of the Shipping Bill. No change would be allowed in the claim after filing of EGM. However, still proceed for amendment of the same under section 149 of Customs Act 1962.

7. Once export general manifest (EGM) is filed, claim will be processed by Customs.

8. Once processed a scroll with all individual Shipping Bills for admissible amount would be generated and made available in the users account at ICEGATE,

9. User can create RoDTEP credit ledger account under Credit Ledger tab. This can be done by IECs who have registered on ICEGATE with a DSC.

10. Exporter can log in into his account and generate scrip after selecting the relevant shipping bills.

11. Similar to MEIS scrips, RoDTEP scrips can also be transferred. The user to which the scrip is transferred also needs to have a valid credit ledger account.

12. Any difficulties faced may be brought to the notice of the Deputy Commissioner of Customs in-charge of Drawback, Drawback Section, Kolkata, immediately. The e-mail of the Drawback Department is igstr-kolcusport@gov.in.

Immediate action points for exporters:

1. RoDTEP rebate is provided based on the 8 digit HSN of the goods exported. Hence, it is very much important to ensure the proper classification in order to avoid the improper claim of benefit.

2. RoDTEP is provided with an objective of refunding the non-refunded/ non-credited/ non-remitted taxes, duties & levies at Centre/State/Local level. It is very much important to identify such duties/taxes which are forming part of the exported product. Such cost of tax to be compared with the benefit of RoDTEP and incase of variance, representation to be made with the RoDTEP committee to get the issue addressed.

3. Comparison analysis between other beneficial -

schemes like EoU/AA/DFIA/MOOWR/SEZ. (Unlike MEIS, RoDTEP cannot be claimed simultaneously with other beneficial schemes of FTP apart from EPCG.)

4. Ensuring the declaration in Shipping Bill for claiming the benefit. If missed, you may apply for amendment of Shipping Bill. In case of erroneous disclosure of intention to claim and received the scrip in the ledger, it is suggested to payback the received rebate which is expected to be as same as paying back of drawback.

5. Creation of RoDTEP Credit Ledger in ICEGATE. A Credit ledger has to be created in ICEGATE; Shipping Bills where intention declared would be reflected in RoDTEP ledger; Generate the Scrips for such Shipping Bills; Once generated, exporter would be ready to either utilise the same for payment of BCD / transfer.

Conclusion

It is a welcome move that the Government has come up with an alternative WTO compliant scheme for exporters, to the withdrawn MEIS benefits which is contravening the global trade norms. However, the notified rates under RoDTEP is way lesser than to the benefit imparted through MEIS, also certain industries have been deprived with such remission scheme.

Further, the basis is ineligible categories of exports under RoDTEP doesn't seems consonant with the objective of the scheme. It bewilders why an EOU, SEZ, AA holder, MOOWR license holder are to be excluded from the RoDTEP scheme when they still have the unrefunded duties/taxes/levies.

It is suggested to the exporters identify their unreunded/credited duties/taxes in their business and represent to the RoDTEP committee through their export promotion council and it also expected that Government would relook into the rates notified and rational for ineligible categories in the upcoming years.

For any feedback/clarifications/suggestions, kindly send a mail to arjun@hiregange.com

Profile : CA Spudarjunan S B.com ACA has completed his schooling and graduation in Kanyakumari - Tamil Nadu, pursued CA course and completed his article ship in Trivandrum - Kerala. He qualified as a Chartered Accountant in the year 2017 and currently pursuing LLB.

Post Qualification, he joined an eminent CA firm specialising in Indirect Tax and currently heading the branch of the firm in Kerala. He has practical experience in UAE VAT and presently focussing on Customs and FTP whilst GST.

Apart from his work, he has authored, co-authored assisted & contributed to many other booklets and books under FTP, GST and UAE VAT like "Beneficial Schemes Under FTP", "Compendium of Issues and Solutions in GST", "Handbook on GST Audit" etc..

INTEREST RATE BENCHMARK REFORMS

CA. MINI CHANDRAN

Sandip Khetan, Partner and National Leader, Financial Accounting Advisory Services (FAAS) at EY India, announced the ministry has issued the second phase amendments to interest rate benchmark reform and "has consequently made amendments to Ind AS 109, Ind AS 107, Ind AS 104 and Ind AS 116".

What are these amendments for?

RBI has mandated banks to link all new floating rate personal, and micro and small enterprises(MSEs) loans to an external benchmark since 2019. The transmission of policy repo rate changes to deposit and lending rates in the banking system has improved since the introduction of external benchmark-based pricing of loans.

This triggered The Ministry of Company Affairs in consultation with NFRA for

Phase 2 Amendment-(Amendments to Ind AS 109, IND AS 107, IND AS 104 AND IND AS 116-

a.the standard is not contrary to either of the following principles—

i. an undertaking's accounts must give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss;

ii. ii. consolidated accounts must give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the accounts taken as a whole, so far as concerns members of the undertaking;

b. the use of the standard is likely to be conducive to the long term public good in the United Kingdom; and c. the standard meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

The basis for determining the contractual cash flows of a financial asset or financial liability can change: (a) by amending the contractual terms specified at the initial recognition of the financial instrument (for example, the contractual terms are amended to replace the referenced interest rate benchmark with an alternative benchmark rate); (b) in a way that was not considered by—or contemplated in—the contractual terms at the initial recognition of the financial instrument, without amending the contractual terms (for example, the method for calculating the interest rate benchmark is altered without amending the contractual terms); and/or (c) because of the activation of an existing contractual term (for example, an existing fallback clause is triggered)

Examples of changes that give rise to a new basis for determining the contractual cash flows that is economically equivalent to the previous basis (ie the basis immediately preceding the change) are:

(a) the replacement of an existing interest rate benchmark used to determine the contractual cash flows of a financial asset or financial liability with an alternative benchmark rate—or the implementation of such a reform of an interest rate benchmark by altering the method used to calculate the interest rate benchmark—with the addition of a fixed spread necessary to compensate for the basis difference between the existing interest rate benchmark and the alternative benchmark rate;

(b) changes to the reset period, reset dates or the number of days between coupon payment dates in order to implement the reform of an interest rate benchmark; and interest rate Benchmark reform

(c) the addition of a fallback provision to the contractual terms of a financial asset or financial liability to enable any change described in (a) and (b) above to be implemented.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, an entity shall first apply the practical expedient to the changes required by interest rate benchmark reform. The entity shall then apply the applicable requirements in this Standard to any additional changes to which the practical expedient does not apply.

For this purpose, the practical expedient shall apply only a change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if, and only if, both these conditions are met: (a) the change is necessary as a direct consequence of interest rate benchmark reform; and (b) the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

Several interest rate benchmarks have been reformed, or are expected to be either phased out or reformed in the near future, all with the goal of producing more robust and reliable rates. If any of your products refer to such interest rate benchmarks (e.g. EURIBOR, EONIA, LIBOR).Certain information are encapsulated to simplify the amendment:

What are interest rate benchmarks?

Interest rate benchmarks are used worldwide to determine the interest amounts payable under financial products (such as loans, mortgage loans, derivatives, bonds) and for the valuation of those financial products.

Examples of commonly used interest rate benchmarks are the Euro Interbank Offered Rate (EURIBOR), the Euro Overnight Index Average (EONIA) and the London Interbank Offered Rate (LIBOR).

Why are interest rate benchmarks being reformed?

Interest rate benchmarks must be robust and reliable. The interest rate benchmarks that are subject to reform are based on the rates used by banks when lending money to each other in the interbank market. Because the interbank lending has decreased substantially since the 2008 financial crisis, regulatory authorities are concerned that the existing rates may no longer be representative or reliable. To reform the publication and use of interest rate benchmarks, the European Parliament adopted the European Benchmarks Regulation, which came into effect on 1 January 2018. As a consequence of this regulation and other regulatory initiatives, alternative rates have been developed. These alternative rates are more based on actual transactions and are therefore perceived to be more robust and reliable.

What is going to change?

EURIBOR was successfully reformed in 2019 and is currently compliant with the European Benchmarks Regulation. That means that, according to the European Money Markets Institute (EMMI), the benchmark can continue to be used for new and legacy contracts after 1 January 2022. Nevertheless, the long-term sustainability of EURIBOR depends on factors such as the continued willingness of the panel of contributing banks to support it, and whether or not there is sufficient activity in its underlying market.

EONIA will cease to exist as of early 2022 and the EURO Short-term Rate (€STR) is it's recommended replacement rate. €STR became available on 2 October 2019 and is calculated by the European Central Bank (ECB) based on transactions that banks report to the ECB on a daily basis.

In 2017 the Financial Conduct Authority (FCA) announced that it will not persuade or compel banks to submit data on which LIBOR is calculated after the end of 2021. On 5 March 2021 the FCA announced and confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

• immediately after 31 December 2021, in case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
• immediately after 30 June 2023, in case of the remaining US dollar settings.

Various market-led working groups have recommended replacement rates based on Risk Free Rates as alternatives to LIBOR. Below an overview of these recommended alternatives per jurisdiction.

Jurisdiction	IBOR	Working Group	Alternative Reference Rate	Description	Administrator
Euro area	EURIBOR, EONIA	Working Group on Risk Free Reference Rates for the Euro Area	Euro short-term rate (€STR)	Unsecured rate to reflect the wholesale euro unsecured overnight borrowing transactions with financial counterparties	European Central Bank
United States of America	USD LIBOR	Alternative Reference Rates Committee	Secured Overnight Financing Rate (SOFR)	Secured rate based on transactions in the US Treasury repo market	Federal Reserve Bank of New York
United Kingdom	GBP LIBOR	Working Group on Sterling Risk Free Reference Rates	Sterling Overnight Index Average (SONIA)	Unsecured overnight rate based on the rate at which interest is paid on sterling short-term wholesale funds where credit, liquidity and other risks are minimal	Bank of England
Switzerland	CHF LIBOR	The National Working Group on CHF Reference Rates	Swiss Average Rate Overnight (SARON)	Secured rate based on data from the Swiss repo market	SIX Exchange
Japan	JPY LIBOR	Study Group on Risk Free Reference Rates	Tokyo Overnight Average Rate (TONAR)	Unsecured rate based on uncollateralized overnight call rate market transactions	Bank of Japan

What does this mean for you?

As interest rate benchmarks are being reformed or replaced by alternative reference rates, this may impact products and services which are currently provided to you. As a consequence, contract amendments may be required.
Further steps to be taken:- to review the outstanding products and associated documentation to assess the potential implications on the business and financing arrangements. Amendments to legal documentation and the updates of operational procedures are just a few examples of key areas.
Which market developments and European legislation make necessary to reform the interest rate benchmarks?

Following the manipulations of the interest rate benchmark LIBOR, international standards were developed to improve the manner in which financial benchmarks are calculated. In Europe, the international standards were incorporated into the European Benchmark Regulation. The rules aim to make the benchmarks less sensitive to manipulation. For instance, benchmarks must be calculated more based on transactions and less on estimates (quotes) of banks. This makes benchmarks more robust. In addition, supervision of benchmark administrators and benchmark users has been introduced.

Due to various developments, such as the repurchase of bonds by the European Central Bank and the tightening of the liquidity requirements for banks, the number of transactions in the money market has decreased causing the representativeness of some benchmarks to come under pressure. Therefore, hybrid methods have been developed whereby benchmarks are based on a combination of transactions in the market and quotes of banks.

What is EURIBOR and what will change for EURIBOR?

EURIBOR is the Euro Interbank Offered Rate, which reflects the lending costs for banks on the unsecured money market.

Under the new hybrid method, EURIBOR will be is calculated based on a combination of transactions in the market and quotes of banks.

EMMI announced that the calculation of EURIBOR will be based on available transactions of panel banks and other sources as far as necessary, such as estimated funding cost of panel banks. Transactions and counterparties that qualify are expanded to reflect the wholesale funding sources of banks. This is clarified in the definitions. EMMI states that EURIBOR has always measured the lending costs for banks for wholesale funding on the unsecured money market. EMMI is of the opinion that the new calculation of EURIBOR does not constitute a substantial change of the underlying interest rate.

As the administrator of EURIBOR, EMMI received a licence from the Belgian supervisor on 2 July 2019. That the EMMI received a licence as administrator of the EURIBOR benchmark confirms that it satisfies all the requirements of the European Benchmark Regulation, therefore the benchmark can also be used after 1 January 2020. As EURIBOR satisfies the European Benchmark Regulation it has been added to the European ESMA register.

What is LIBOR and what will change for LIBOR?

LIBOR is the London Interbank Offered Rate, which reflects the lending costs for banks on the unsecured money market for various currencies such as the pound sterling, US dollar and Japanese yen. The administrator of LIBOR, ICE, already changed the LIBOR calculation method and received a licence from the British supervisor in 2018. However, British, American and Japanese supervisors are preparing for a transition from LIBOR to other reference rates. This was underlined by the announcement of the British supervisor that it will no longer oblige banks after 2021 to participate in the panel of banks that are involved in the determination of LIBOR.

Under the revised rules, entities are required to make additional disclosures related to interest rate benchmark reform. These dislcosures are to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

Entities would have to disclose the nature and extent of risks to which they are exposed arising from financial instruments subject to interest rate benchmark reform, and how the entities the manage these risks.

The disclosures will enable users of financial statements to understand the effect of these changes, including an entity's progress in completing the transition to alternative benchmark rates.

CA. MINI CHANDRAN

Working for the past 12 years with Mohandas & Associates

Glimpses

05.08.2021
VCM ON TOOLS FOR A DIGITAL LIFE
CA. RANJITH J, THRISSUR

07.08.2021
VCM ON AUDIT USING ARTIFICIAL INTELLIGENCE AND OFFICE AUTOMATION
CA. SAURABH GOENKA, BANGALORE

Glimpses

11.08.2021

ALL KERALA VIRTUAL CPE CONFERENCE (9 BRANCHES TOGETHER 9 DAYS PROGRAMME)NAVARATNA SEASON 2

DAY -1 - REOPENING OF ASSESSMENTS UNDER INCOME TAX ACT

CA. BANUSHEKAR T CHENNAI

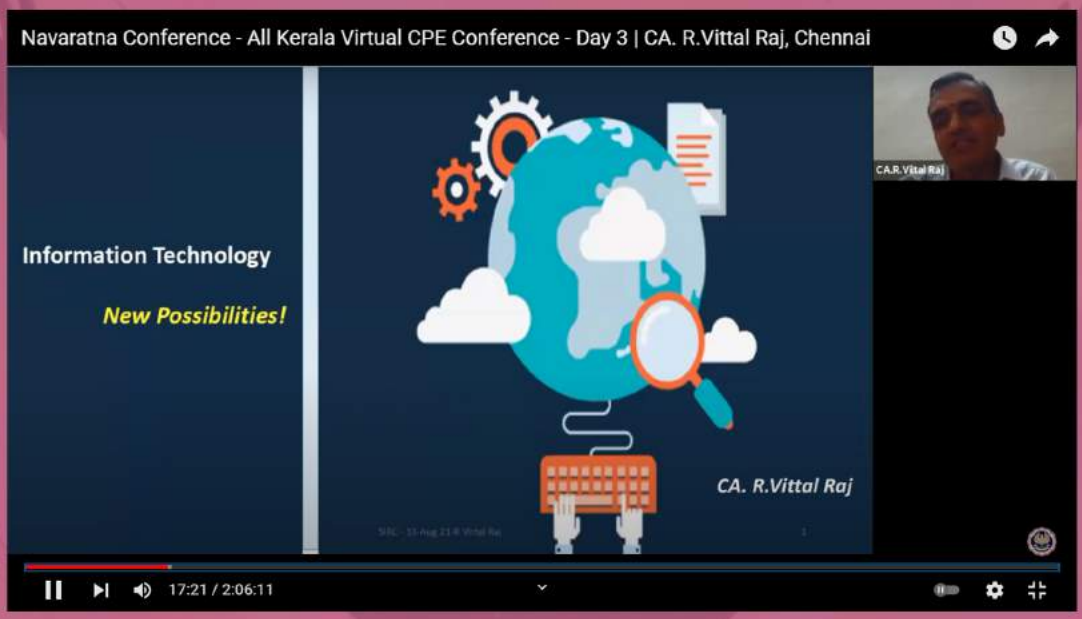
12.08.2021

ALL KERALA VIRTUAL CPE CONFERENCE (9 BRANCHES TOGETHER 9 DAYS PROGRAMME)NAVARATNA SEASON 2

DAY -2 - BRAND BUILDING BY CAS AND UP SCALING OF CA PRACTISE

CA. PATTABHI RAM CHENNAI

Glimpses

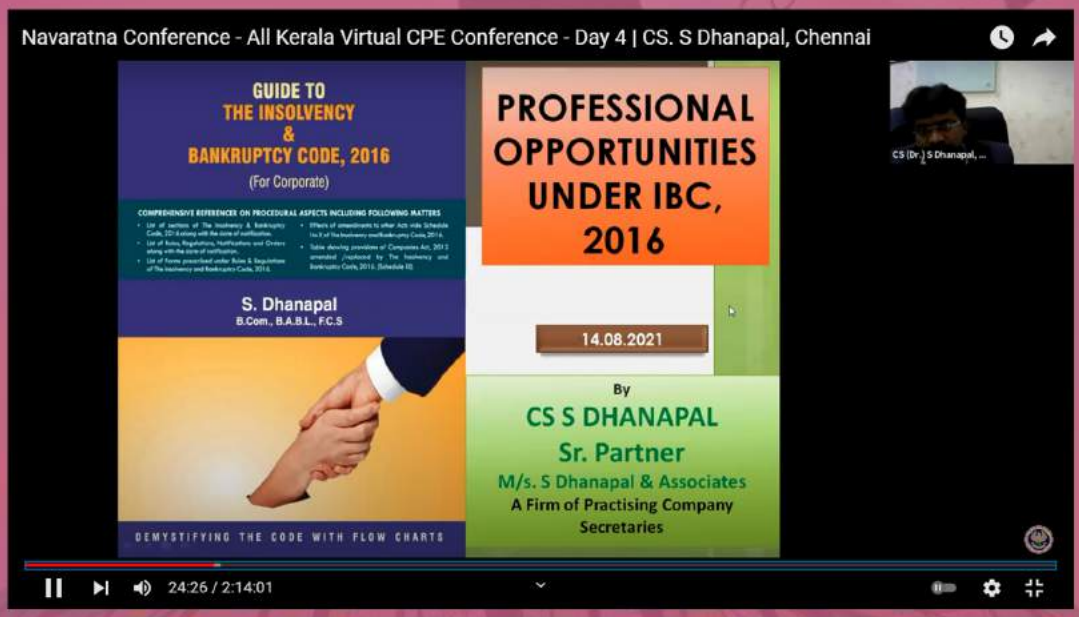


13.08.2021

ALL KERALA VIRTUAL CPE CONFERENCE (9 BRANCHES TOGETHER 9 DAYS PROGRAMME)NAVARATNA SEASON 2

DAY -3 - INFORMATION TECHNOLOGY- NEW POSSIBILITIES

CA. VITTAL RAJ CHENNAI



14.08.2021

ALL KERALA VIRTUAL CPE CONFERENCE (9 BRANCHES TOGETHER 9 DAYS PROGRAMME)NAVARATNA SEASON 2

DAY - 4 - INSOLVENCY & BANKRUPTCY PRACTISE- RECENT DEVELOPMENTS AND PROFESSIONAL OPPORTUNITIES

CS. DHANAPAL CHENNAI

Glimpses

15.08.2021

ALL KERALA VIRTUAL CPE CONFERENCE (9 BRANCHES TOGETHER 9 DAYS PROGRAMME)NAVARATNA SEASON 2

DAY -5 - THE COMPANIES ACT, 2013- LOANS, DEPOSITS & RELATED PARTY TRANSACTIONS

CA.PUNARWAS JAYAKUMAR BENGALURU

16.08.2021

ALL KERALA VIRTUAL CPE CONFERENCE (9 BRANCHES TOGETHER 9 DAYS PROGRAMME)NAVARATNA SEASON 2

DAY - 6 - MULTIDISCIPLINARY PARTNERSHIPS AND REVISED NETWORKING GUIDELINES

CA. G SEKAR CHENNAI

Glimpses

17.08.2021

ALL KERALA VIRTUAL CPE CONFERENCE (9 BRANCHES TOGETHER 9 DAYS PROGRAMME)NAVARATNA SEASON 2

DAY -5 - INTRICACIES IN INPUT TAX CREDIT UNDER GST

CA. BIMAL JAIN NEW DELHI

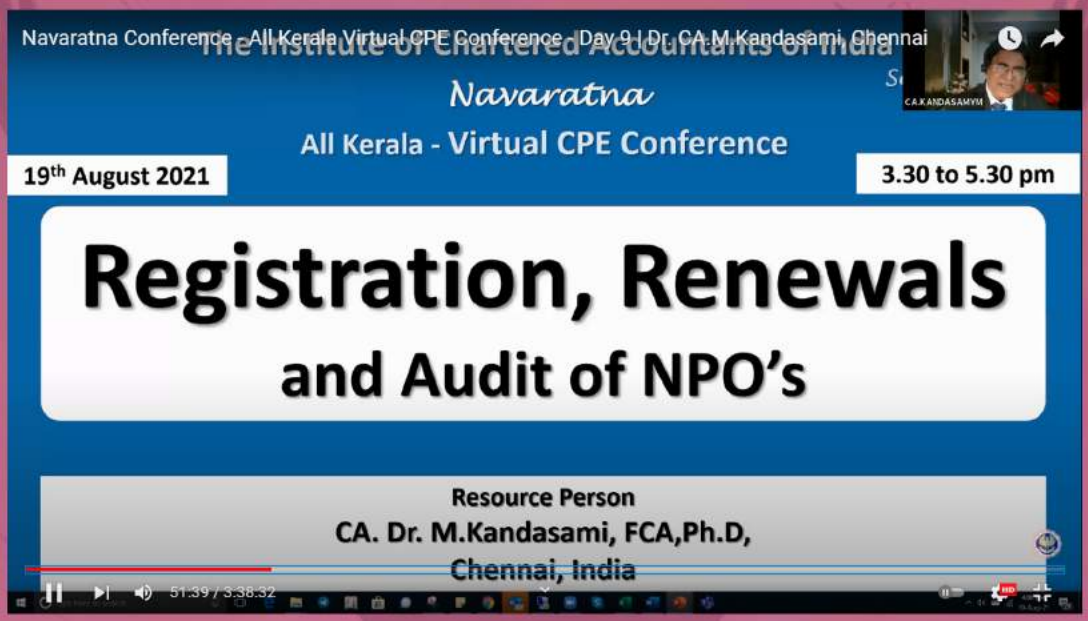
18.08.2021

ALL KERALA VIRTUAL CPE CONFERENCE (9 BRANCHES TOGETHER 9 DAYS PROGRAMME)NAVARATNA SEASON 2

DAY - 8 - SA PLANNING, DOCUMENTATION & REPORTING

CA. MOHAN R LAVI, BENGALURU

Glimpses



19.08.2021

ALL KERALA VIRTUAL CPE CONFERENCE (9 BRANCHES TOGETHER 9 DAYS PROGRAMME)NAVARATNA SEASON 2
DAY - 9 - REGISTRATION, RENEWALS, AND AUDIT OF NON-PROFIT ORGANISATIONS
CA. KANDASAMY M CHENNAI

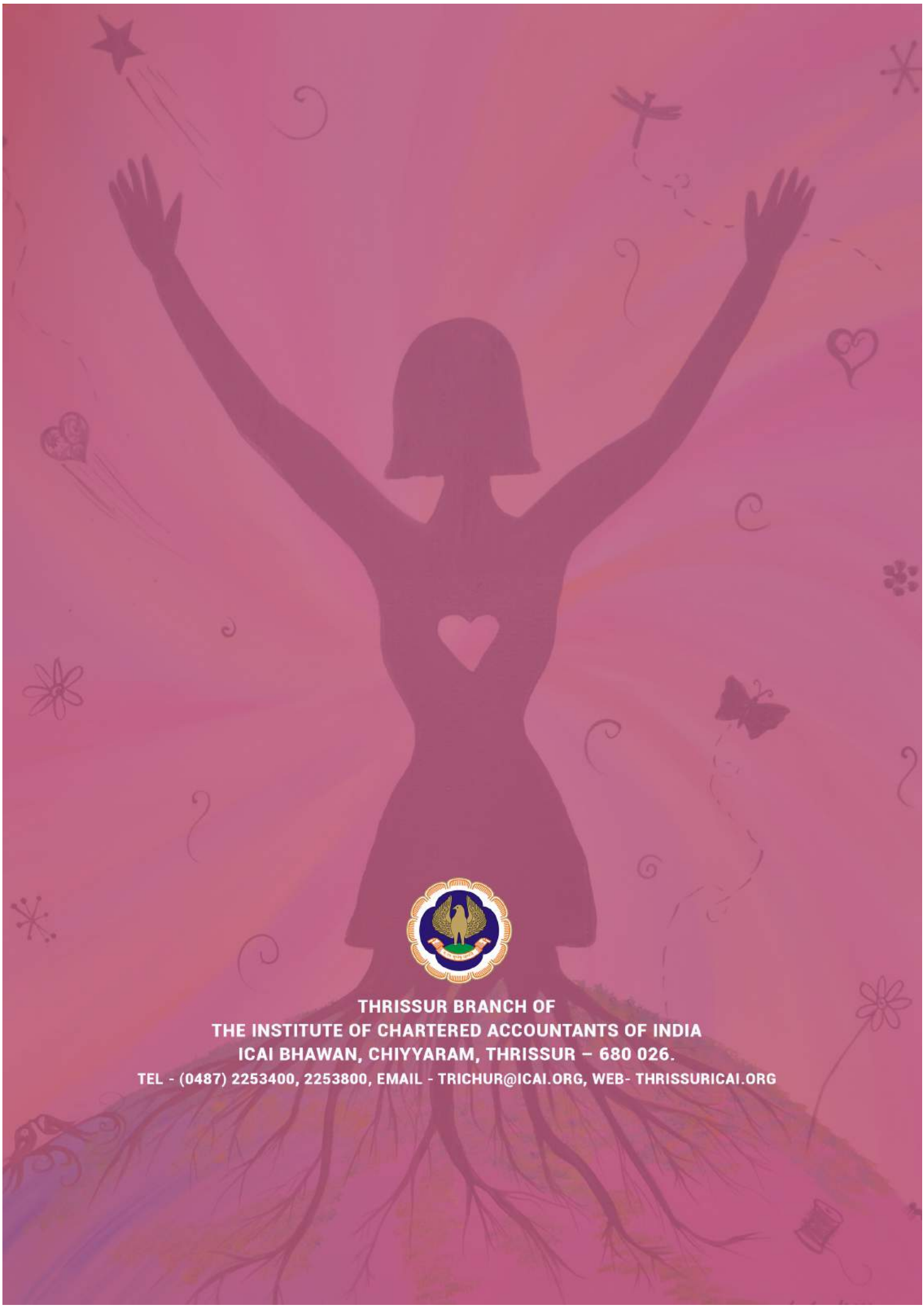
15.08.2021

CELEBRATED INDEPENDENCE DAY, FLAG HOISTING BY VICE-CHAIRMAN CA. AJITH KAIMAL R, MANAGING COMMITTEE MEMBERS AND STAFFS PARTICIPATED IN THE FUNCTION.

Glimpses

28.08.2021

CELEBRATED "VIRTUAL ONAM 2021", MEMBERS AND THEIR FAMILIES PARTICIPATED IN CULTURAL PROGRAMMES AS PART OF THIS CELEBRATION.



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