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CONTENTS

Editorial	1
Internal Audit Alert	2
Direct Tax Alert	5
Indirect Tax Alert	10
Statutory Audit Alert	15
Corporate Finance Alert	17
Corporate & Legal Alert	21
Tax Calander	23



EDITORIAL

Dear Readers

During the month of February 2023, our CEO, Mr. Raghu Marwah moderated a virtual Masterclass on “Union Budget 2023” with leaders from the Textile, Hospitality and Auto industry such as Mr. Madhu Sudan Bhageria, CMD Filatex Ltd, Mr. Chander K. Baljee, CMD Royal Orchid Hotel Ltd. and Mr. Nishant Arya, VC JBM Auto Ltd, other than RNM leaders Mr. Sumeet Singh, Partner Direct Tax, Mr. Nitish Sharma, Partner Indirect Tax and Mrs. Jagruti Sheth, Partner Corporate Legal. The discussion provided learnings into the industry reaction as well as some of the impactful changes proposed in the Union Budget. For those who missed it, please visit the YouTube channel of RNM India for the full webinar. I hope the special edition of RNM Alert on Breaking Down the Union Budget 2023 by RNM India was separately received by all of you electronically.

Team RNM was back on the road with various client interactions in Mumbai market this month, with a launch of our new branch office in Goregaon, Mumbai. Our team strength in Mumbai continues to increase from corporate legal to taxation departments at the present time.

On the Direct Tax front, in a judgment of the ITAT Pune in the matter of Mukesh Padamchand Sogani it was held in a TDS matter that the requirement for allowing credit is only of the amount of tax deducted at source and not the amount eventually getting deposited with the Government after deduction. The ITAT Pune passed directions to the Assessing Officer to allow credit of tax deducted on salaries even if same was not deposited by employer. Team RNM is of the view that this judgement is a very balanced judgement providing relief to many deductee’s where TDS mismatch notices or demands thereto were received.

On the Indirect Tax front, the 49th GST Council Meeting has recommended various changes, including relaxation in revocation for cancellation of registration, extension of time period of best judgement assessment upon non-filing of returns and reduction of late fee for filing of annual returns.

We would like to take this opportunity to wish all our Readers the very best of wishes for the festival of Holi. Holi, the festival of colors is celebrated throughout the world to commemorate the eternal and divine love of god Radha Krishan.

CA U N Marwah
Chairman- RNM India

Internal Audit



Internal Audit in Digital Era

In a world of rapid change on almost every front, where organisations must adapt and grow - or risk decline and eventual demise - everyone confronts the same reality: either step up to contribute long-term value or be left behind. As the risks and complexities organizations face change, so do the focus, skill sets and capabilities needed by internal audit.

Internal audit in the digital era involves using advanced technologies to enhance the effectiveness and efficiency of internal audit processes. With the rapid advancement of technology, internal auditors are required to keep up with the digital transformation to ensure they provide timely and relevant insights to their organizations.

This article explores the challenges and opportunities of internal audit in the digital era:

Challenges of Internal Audit in the Digital Era

a) **Cybersecurity risks:** As organizations increasingly rely on digital technologies, they become more vulnerable to cyber threats, including hacking, malware, and phishing attacks. These threats can compromise sensitive data, disrupt operations, and damage the organization's reputation. Internal auditors need to have a deep understanding of cybersecurity risks and controls, including firewalls, encryption, and access controls. They also need to stay abreast of emerging threats and vulnerabilities and ensure that the organization's cybersecurity program is up-to-date and effective.

b) **Data analytics:** With the proliferation of data, internal auditors need to leverage data analytics tools to identify patterns and anomalies that may indicate fraud or other risks. However, many auditors lack the necessary skills and training to use data analytics effectively. To overcome this challenge, organizations should invest in training programs for their internal auditors and provide them with access to the latest data analytics tools and techniques.

c) **Cloud computing:** Cloud computing has become ubiquitous in today's digital landscape, offering many benefits, including scalability, flexibility, and cost-effectiveness. However, it also presents unique risks, including data privacy and security concerns. Internal auditors need to understand the risks and benefits of cloud computing and ensure that the organization's cloud-based systems are secure and compliant with applicable laws and regulations.



Opportunities of Internal Audit in the Digital Era

a) **Automation:** The digital era offers many opportunities for automation, including robotic process automation (RPA) and artificial intelligence (AI). Internal auditors can leverage these technologies to streamline their audit processes and focus on higher-value activities, such as risk assessment and data analysis. Automation can also improve the accuracy and efficiency of internal audit activities, reducing the risk of errors and improving audit quality.

b) **Continuous monitoring:** With the advent of digital technologies, internal auditors can now monitor business processes in real-time, providing them with more timely insights into potential risks and opportunities. Continuous monitoring can also help auditors identify emerging risks and issues before they become more significant problems, allowing the organization to take proactive measures to mitigate them.

c) **Collaboration:** The digital era offers many opportunities for collaboration, including virtual meetings, shared workspaces, and online communication tools. Internal auditors can leverage these technologies to collaborate more effectively with stakeholders, including management, audit committees, and external auditors. Collaboration can improve audit quality and enhance stakeholder confidence in the internal audit function.

d) **Data analytics:** The proliferation of data in the digital era provides internal auditors with a wealth of information to analyse and leverage. Data analytics can help auditors identify patterns and anomalies that may indicate fraud or other risks, allowing the organization to take appropriate action to mitigate them. Data analytics can also improve audit quality by providing auditors with more objective and reliable evidence to support their findings and recommendations.

Conclusion:

In conclusion, internal audit in the digital age necessitates tech-savvy internal auditors who utilise cutting-edge tools and technologies to increase their efficacy and efficiency. Internal auditors must adapt to new technologies and be skilled in digital tools and techniques to effectively carry out their roles. Internal auditors who embrace digital transformation can help their companies meet their strategic goals by offering timely and pertinent insights.



Direct Tax



1. NOTIFICATION [No.09/2023/F.No.300196/39/2021-ITA-I] dated 01.03.2023

Vide this notification the Central Board of Direct Taxes (CBDT) has notified 'Insolvency and Bankruptcy Board of India' for the purposes of the clause (46) of section 10 of the Income-tax Act, 1961. The exemption shall be available in respect of Grants-in-aid, fees & fines collected under IBC and interest income accrues on them.

2. NOTIFICATION G.S.R. 118(E) [NO. 7/2023 [F. NO.370142/47/2023-TPL] dated 22.02.2023

Vide this notification the Central Board of Direct Taxes (CBDT) notifies new audit reports to be furnished by charitable or religious trusts and other institutions. That the CBDT via this Notification dated 22.02.2023 notified Income-tax (third amendment) rules, 2023 - substitution of rules 16CC and 17B, and substitution of form Nos. 10B and 10BB.

1. NOTIFICATION G.S.R. 156(E) [NO. 8/2023 (F. NO. 370142/51/2022-TPL)] DATED 28.02.2023

Vide this notification the CBDT has issued corrigendum to its Notification G.S.R. 91(E), dated 10-02-2023 issued to notify new Income-tax Return (ITR) forms applicable for the Assessment Year 2023-24. The corrigendum is issued to correct minor errors/omissions in the ITR forms.

Important Judicial Precedents

1. Re-assessment order stands invalidated where passed without enabling assessee to cross examine relevant witness whose statement was relied on to pass order; Rules of Natural Justice contravened: ITAT

In the absence of providing opportunity to cross examine Mr Nuruddin Ajani, there is violation Principles of natural justice. Before us, the revenue has expressed its inability to produce the sworn statement recorded from Mr Nuruddin Ajani or Mr D N Israni. Hence, it is not clear as to whether the above said two parties have implicated the assessee in this deal, if any. Even if it is assumed for a moment that these parties have admitted to have received amount of Rs.60 lakhs from the assessee, it is not shown that the action taken by the revenue in the hands of the above said two persons in respect of the above said amount. Hence, on a conspectus of the matter, we are of the view that the AO was not justified in making addition of Rs. 60.00 lakhs in the hands of the assessee, as other corroborative evidences militate against the impugned addition. Accordingly, we set aside the order passed by CIT (A) on this issue and direct the AO to delete this addition.

[2023-TIOL-150-ITAT-MUM _ ITA No. 2838/Mum/2016 _AY 2005-06 _ LATE SHRI NAZMIN JAMAL Vs. INCOME TAX OFFICER-20(3)(5)]

2. Where assessee sold land at a price less than stamp duty value and AO made additions on basis of difference between value declared by assessee and value determined by DVO, since value determined by DVO was based on estimation, additions made on basis of estimation could not be foundation for under-reported income for purpose of imposition of penalty under section 270A

Section 270A, read with section 43CA, of the Income-tax Act, 1961 - Penalty for under-reporting and misreporting of income - Assessment year 2017-18 - Assessee sold land at a price less than stamp duty value - Assessing Officer made additions by taking note of stamp value - Later, on receipt of report from DVO, rectification order was passed and additions were made on basis of difference between value declared by assessee and value determined by DVO - Consequently, Assessing Officer also imposed penalty under section 270A - It was noted that value determined by DVO was an estimate based on other properties at different rates and then rates were averaged to find out value which property ought to have realised on transfer - Whether since difference between value determined by assessee and by DVO was minimal, additions made on basis of estimation could not be foundation for under-reported income for purpose of imposition of penalty under section 270A and same was to be deleted - Held, yes [Paras 3 and 4 [In favour of assessee]

[2023] 147 taxmann.com 333 (Pune - Trib.)(10-02-2023) Jaibalaji Business Corporation (P.) Ltd. vs. ACIT, Circle-14.

1. New property shall be deemed to have been acquired only when assessee gets its possession: ITAT

Section 54 of the Income-tax Act, 1961 - Capital gains - Profit on sale of property used for residence - Assessment year 2019-20 - Assessee, a non-resident Indian, had sold his bungalow and earned long term capital gain - He claimed deduction of partial capital gain under section 54 for investment made in a residential flat - Assessing Officer held since new property purchased by assessee was beyond one year preceding to sale of old property, thus, he was not entitled for deduction under section 54 - It was noted that assessee had sold old property on 23-10-2018 - Further, he entered into an agreement with developer on 21-12-2016 for purchasing new residential flat i.e. he had only received right to get flat from developer - However, it was only on 24-1-2018 that assessee received possession letter of said new property after construction was completed - Whether new property shall be deemed to have been acquired only when it was ready, full consideration had been paid and possession was received by assessee - Held, yes

Whether further where at time of execution of agreement, residential property was not in existence, date of possession of flat would be actual date of purchase for claiming exemption under section 54 - Held, yes - Whether, in view of facts and principles, since assessee had received possession of new flat on 24-12-2018 which was within prescribed time limit under section 54 from date of sale of old residential house i.e. 23-10-2018, therefore, assessee was entitled to benefit of exemption under section 54 - Held, yes [Paras 8 and 9] [In favour of assessee]

4. Whether credit for TDS should go to person in whose hands income is finally assessed to tax in accordance with law irrespective of person in whose hands TDS was deducted and TDS Certificate was issued at first place - YES: ITAT

The CBDT has framed Rule 37BA which contains the conditions for granting credit for TDS for the purposes of section 199. The CIT(A) has extracted Rule 37BA in his appellate order. The Jaipur Bench in ITA No. 676/JP/15 in *Jai Ambey Wines, Ajmer vs ACIT - 2017-TIOL-326-ITAT-JAIPUR* observed that the essence of the provisions of the Section 199 r.w. corresponding Rules is that the tax deducted at source (TDS) is nothing but tax, and credit for TDS should go to the person in whose hands the income is rightfully and finally assessed to tax in accordance with law irrespective of the person in whose hands the TDS has been deducted and TDS Certificate has been issued at first place; In so far as the assessee, Hari Shankar Singhania Estate is concerned, it shall abide by the procedure laid down u/s 199 r.w. Rule 37BA(2)(i), as amended by the Income Tax (Eight amendment) Rules, 2011 to enable the AO to give credit of TDS of Rs. 15,00,000/- in the hands of Late Hari Shankar Singhania (Individual) in AY 2013-14.

[2023-TIOL-231-ITAT-DEL_ITAT DELHI _ITA No. 4176/Del/2019 _AY: 2014-15 _HARI SHANKAR SINGHANIA ESTATE Vs. JCIT]

5. Whether PCIT can invoke its own jurisdiction u/s 263 of the Act in cases where AO failed to initiate penalty proceeding observing that the order of the AO is erroneous and prejudicial to interest of revenue - NO: ITAT

Judicial proceedings hold that Commissioner is not entitled to set aside the assessment order passed by ITO on the ground that there was no mention of initiation of penalty proceedings in the order and that he could not direct the ITO to make fresh assessment to initiate penalty proceedings. Accordingly, we have no hesitation in holding that PCIT is not correct in assuming jurisdiction u/s 263 of the income tax act where AO has failed to initiate penalty proceedings and also does not record any satisfaction of furnishing of inaccurate particulars or concealment of income in the assessment order.

[2023-TIOL-147-ITAT-MUM _ ITA No. 1071/Mum/2022 _AY 2011-12 _ KUSEGOAN REALTY PVT LTD Vs. PCIT-2]

6. Whether deduction u/s 54B is not available on 'on-money consideration' paid for purchase of agricultural land in cash - YES: ITAT

Exemption u/s 54B does not emanate from the order of CIT (A), as no such ground of appeal was raised before the CIT (A). It is only before this Tribunal, the assessee has sought the relief u/s 54B in the form of additional ground of appeal. It is stated that the sale consideration received on sale of agricultural land was invested in purchase of agricultural lands in the name of son and daughter-in-law. It is further submitted that in respect of addition to above consideration, the assessee paid to on-money consideration for purchase of said agricultural land in cash. It is further submitted that the assessee also invested the same consideration in construction of the house property at Kedgaon by withdrawing the said amounts. Therefore, the assessee also sought the claim for deduction u/s 54B. Therefore, the assessee is not entitled for deduction in respect of section 54B;

[2023-TIOL-160-ITAT-PUNE _ ITA No. 1533/Pun/2016_AY 2011-12_ POPAT MANAJI RAHINJ Vs. ITO]

7. Non-filing of Form No. 10B in time can't be a ground to deny sec. 11 exemption to trust: HC

Assessee obtained audit report from Chartered Accountant well before time, however, same could not be uploaded along with return of income inadvertently - In absence of any audit report, CPC had not granted exemption under section 11 which otherwise was available to it since many years and resultantly demand was raised - Assessee therefore filed a rectification application under section 154, seeking to place on record audit report to CPC but same was rejected on ground that Form No. 10B audit report, was not filed in time - Assessee filed an application before CBDT to condone delay in filing Form No. 10B audit report, however same was rejected.

Whether since assessee was a public charitable trust for past 30 years and substantially satisfied conditions for availing exemption under section 11 it should not be denied exemption merely on bar of limitation especially when legislature had conferred wide discretionary powers to condone such delay - Held, yes - Whether thus, impugned order of rectification under section 154 was quashed and set aside and application for condonation of delay filed by assessee before respondent was allowed - Held, yes [Para 5] [In favour of assessee]

[2023] 147 taxmann.com 283 (Gujarat-HC) Social Security Scheme of GICEA vs. CIT (Exemptions)]



Indirect Tax



GST Calendar –Compliances for the month of February '2023.

Nature of Compliances	Due Date
GSTR-7 (Tax Deducted at Source 'TDS')	March 10, 2023
GSTR-8 (Tax Collected at Source 'TCS')	March 10, 2023
GSTR-1	March 11, 2023
IFF- Invoice furnishing facility (Availing QRMP)	March 13, 2023
GSTR-6 Input Service Distributor	March 13, 2023
GSTR-2B (Auto Generated Statement)	March 14, 2023
GSTR-3B	March 20, 2023
GSTR-5 (Non-Resident Taxable Person)	March 20, 2023
GSTR-5A (OIDAR Service Provider)	March 20, 2023
PMT-06 (who have opted for QRMP scheme)	March 25, 2023



Case Law-1 Rejection of Revocation Application to Restore Cancelled Registration solely on ground of delay in moving such application was not sustainable

Background

- i. A Writ petition has been filed against the order dated 14-5-2019 cancelling the registration of the petitioner under the U.P. Goods and Services Tax Act, 2017 and the order dated 25-3-2021 passed by the First Appellate Authority upholding the order of cancellation of registration.
- ii. Due to non-filing of the return by the petitioner, a show cause notice was issued by the Department which remain unattended by the petitioner and the registration of the firm stood cancelled by the order dated 14-5-2019 as stated in the show cause notice dated 29-4-2019.
- iii. The show cause notice further stated that there was an outstanding Central Tax amounting to Rs.3, 21,205/- and State Tax/UT Tax amounting to Rs.3, 21,205/- The petitioner deposited the amount on 30th January, 2021.
- iv. On 3rd February,2021, a revocation application was preferred by the petitioner as required under Rule 23 of U.P. GST Rules, 2017 (hereinafter referred to as the 'Rules, 2017), in FORM GST REG-21.
- v. On 17th February, 2021, the Taxing Authority rejected the revocation application of the petitioner on the ground that he has not filed the return within time.
- vi. Against the order rejecting the revocation application, an appeal was filed by the petitioner before the Additional Commissioner, Grade-2 (Appeal), Commercial Tax, Muzaffarnagar. By the order impugned dated 25.3.2021 the first appeal has been dismissed.

Issue

Whether the rejection of revocation application to restore cancelled registration solely on ground of delay in filing of return is valid or not?

HELD

- i. The Hon'ble Allahabad High Court has held as under-
 - That the purpose of including the provision under Rule 23 regarding service of notice on the assessee is to give him the opportunity to move a revocation application so as to save the registration from being cancelled permanently and his business being hampered.
 - As the petitioner has come with the case that he has deposited the entire tax and has filed return in the year 2021, the said Act having not been denied by the State, the rejection of registration solely on the ground of delay in moving the revocation application, is not sustainable in law.
 - Moreover, the Appellate Authority has not recorded any categorical finding as to the service of notice and merely on the ground that the application was time barred, proceeded to uphold the order of rejection of revocation application.[in favor of assessee]

Case Law-2 Whether treated water obtained from Common Effluent Treatment Plant (CETP) is exempted from GST

Background

- i. CETP has been set up to treat and recycle effluent for conveyance, treatment and disposal of waste water generated from industries which is suitable for industrial use.
- ii. Applicant contended that treated water is not purified and therefore exemption is available

Issue

1. Whether treated water obtained from CETP (classified under Chapter 2201) will be eligible for exemption from GST by virtue of SI. No. 99 of the exemption notification No. 02/2017-Integrated Tax (Rate) dated 28-06-2017 (as amended) as Water (other than aerated, mineral, purified, distilled, medical, ionic, battery, demineralized and water sold in sealed container)? Or
2. Whether 'Treated Water' obtained from CETP (classifiable under Chapter 2201) is taxable at 18 per cent by virtue of SI. No.24 of Schedule - III of Notification No. 01/2017-Integrated Tax (Rate), dated 28-6-2017 (as amended) as 'Waters, including natural or artificial mineral waters, and aerated waters, not containing added sugar or other sweetening matter nor flavored (other than Drinking water packed in 20 liters bottles)

Order

The Hon'ble GAAR hereby pass the ruling:

- Water is exempted from GST as mentioned under heading 2201- Other type of water like aerated, mineral, distilled, medicinal, ionic, battery, de-mineralized and water sold in sealed container are liable to GST as they are not covered under entry in SI No. 99 of Notification No.2/2017- CT (Rate) - Only safe drinking water which is usually consumed by public is exempted
- Treated water obtained from CETP is not purified water and cannot be used for drinking but can be used in industries for their manufacturing process - CETP screens out solid waste, dust, disinfect water and purify it on a molecular level thus by various process demineralized water is obtained and same is taxable at 18 per cent [Section 11 of Central Goods and Services Tax Act, 2017/Gujarat Goods and Services Tax Act, 2017] [Paras 28.9 and 28.10] [In favour of revenue]

Case Law-3 Demand of tax and imposition of penalty on detention of vehicle is sustainable when e-way bill was not extended before expiry and no proof was produced to show vehicle suffered breakdown

Background

- i. This writ petition has been filed against the imposition of SGST and the penalty passed by the Assistant Commissioner, Bureau of investigation (North Bengal) Headquarter.
- ii. Vehicle suffered from breakdown and it was detained on the ground that e-way bill expired on 9th March 2022 and authority demanded tax and imposed penalty.
- iii. Petitioner contended that there was no intent to evade tax as same was paid and tax authority in originating State has no jurisdiction when goods are meant for inter-State supply.

Department argued that petitioner's consignment was found lying within territory of originating State when e-way bill had expired and they did not extend e-way bill and driver did not produce document to prove vehicle had mechanical defect .

Issue

Whether the respondent authority is permitted to impose penalty under section 129 as well as the SGST as the goods were found in the territory of the state.

HELD

The Hon'ble High Court of Calcutta has held as under-

- Under the fact and circumstances of the case this Court finds that the respondent authority is lawfully permitted to impose penalty under Section 129 as well as the SGST as the goods were found to be detained in the territory of the State.
- The writ petition is dismissed on contest however, without any costs.

Case Law-4 No GST exemption available on works contract service provided to Bio Centers, Dept. of Horticulture & Center of Excellence:

Background

The applicant is a proprietorship concern registered under the provision of Central and service Tax Act, 2017 as well as Karnataka Goods and Service Tax Act . The applicant states that they are bidding for a tender called by Department of Horticulture which includes the supply of manpower for Bio-Centre , Department of Horticulture, Center of Excellence of floriculture, Tunga Horticulture Farm, Shivamogga, for maintenance of plant , Tissue culture , production of mushroom and also for cleaning of office.

The applicant has sought advance ruling in respect of the following question

- Whether works contract service provided to Bio Centers, Department of Horticulture and Center of Excellence are exempt from payment of GST
- Whether GST is payable on supply of service by way of supplying manpower for tissue culture production and for handling research on flowers, planting and growing conducted by Horticulture Department.
- Whether supply of materials like fertilizers, soil and sand for use in Bio Centers is exempt from GST.

Order

The Hon'ble KAAR hereby pass the ruling:

- No specific exemption has been given for supply of any works contract service under the exemption notification –Works contract service provided to Bio Centres, Department of Horticulture and Centre of excellence are not exempt from payment of GST [Section 11 of Central Goods and Services Tax Act,2017]
- As manpower services supplied are to Horticulture Department and does not include any supply of goods, said supply is in nature of pure services - Tissue culture is not same as agriculture and there is no direct nexus to items listed under Eleventh Schedule and Twelfth Schedule to Constitution of India - Supply of manpower for such purposes is not provided by way of any activity in relation to any function entrusted to Panchayat or to any function entrusted to municipality - Impugned supply of manpower is subject to GST at 18 % [Section 11 of Central Goods and Services Tax Act, 2017/Karnataka Goods and Services Tax Act, 2017]
- No specific exemption has been given for supply of materials like fertilizers, soil and sand supplied for use in Bio Centers under the exemption notification - Materials like fertilizers, soil and sand supplied for use in Bio Centers are not exempt from payment of GST [Section 11 of Central Goods and Services Tax Act, 2017/Karnataka Goods and Services Tax Act, 2017] [Paras 12 & 13(iii)] [In favour of revenue]

Statutory Audit



Amendment in CSR rules

Sec. 135(1) was amended pursuant to Companies Amendment Act, 2017 with effect from 19th September 2018. Post this amendment, the criteria of net worth of Rs. 500 crores OR turnover of Rs. 1000 crores OR net profit of Rs. 5 crores for applicability of CSR provisions was limited only to the extent of immediately preceding financial year.

However, Rule 3(2) which, before this amendment, was the guiding provision as to the number of years for which a company needs to comply with CSR provisions was not amended. Rule 3(2) mentioned that every company which ceases to be a company covered under section 135(1) of the Act for three consecutive financial years shall not be required to comply with CSR related provisions. As the guiding provision was shifted to Section 135(1) itself but Rule 3(2) was not amended to that effect, there arose an ambiguity with regard to CSR applicability. In case of companies which did not have net worth of Rs. 500 crore or above, did not have turnover of Rs. 1000 crore or above and not even had the net profit of Rs. 5 crore or more in the immediately preceding financial year; but had net profit of Rs. 5 crore or more in any of the three preceding financial years

On harmonious reading of Section 135(1) and rule 3(2), it appeared that:

The provisions of Section 135(1) will have to be read for the purpose of initiation of applicability of CSR provisions whereas Rule 3(2) will have to be read for the purpose of deciding till which financial year, the CSR provisions shall remain applicable, i.e., if in any immediately preceding financial year, the criteria under Section 135(1) are triggered, CSR provisions will become applicable. But just because in any one financial year, a Company did not meet the criteria specified under Section 135(1), it will not be allowed to discontinue the CSR activities. Only if a company did not meet the criteria specified under Section 135(1) for three consecutive financial years, then it can discontinue with CSR activities. But in this case, it meant that the amendment in section 135(1) done in 2018 could not be implemented at all.

To end this ambiguity, rule 3(2) has now been omitted w.e.f 20th September, 2022.

The effect of this deletion will be that, if a Company does not fulfil criteria of net worth, turnover and net profit as on financials of FY 2021-22, but net profit was more than Rs. 5 crores in as per financials of 2020-21, then it need not comply with the CSR provisions during FY 2022-23. This means the applicability of CSR provisions may keep changing on yearly basis, depending on the financials of immediately preceding financial year only.



Corporate Finance



I Squared Capital Buys Controlling Stake in Gram Power for \$100 Mn

I Squared Capital, a multinational private equity firm, has invested \$100 million for a controlling stake in the Jaipur-based smart metering business Gram Power (around Rs 826.55 crore). Gram Power is entirely owned by Singapore-based Polaris Smart Metering Pte Ltd. However, the enterprise value of the deal could not be ascertained. I Squared Capital, which oversees assets worth over \$36 billion, made this deal through its \$2 billion ISQ Growth Markets Infrastructure Fund, which aims to invest in the infrastructure sector across expanding countries in Asia & South America. The invested funds spent will be utilized to raise the production capabilities of Gram Power to international standards, to invest in R&D, talent up skilling, and acquisitions, as well as to take part in upcoming tenders.

Mergers & Acquisition

Dr Reddy's Acquires Mayne Pharma's USA Prescription Portfolio For \$105 Million

The USA Prescription Portfolio of Mayne Pharma has been purchased by Dr. Reddy's for \$105 million. The acquisition will add to Dr. Reddy's U.S. retail prescription pharmaceutical business. Additionally, it helps Dr. Reddy's initiatives to speed up and broaden access to patient-affordable pharmaceuticals. The portfolio consists of about 45 commercial products, four pipeline products, and 40 approved but unmarketed products, many of which are generic goods with a female health focus. For the purchased portfolio, Mayne Pharma reported total revenue of \$111 million.

(Source: VC Circle, 27 February 2023)

Motilal Oswal PE-Backed Molbio Diagnostics Acquires Prognosys Medical

The Goa-based diagnostics company Molbio Diagnostics Pvt. Ltd. acquired 70% share in Bengaluru's Prognosys Medical Systems. Under the trade name Prorad, Prognosys Medical Systems creates and manufactures radiography and fluoroscopy products. The goal of the acquisition is to increase Molbio's market share in digital radiography. In order to screen and confirm huge populations for infectious diseases including tuberculosis, Covid, and other chest anomalies, the Prorad and Truenat systems will be combined.

(Source: VC Circle, 20 February 2023)

Glass Maker Saint-Gobain Acquires UP Twiga

UP Twiga, a manufacturer of glass wool insulation, has entered into a binding agreement to be purchased by French glass and building products company Sain-Gobain for an unknown amount. UP Twiga runs two manufacturing facilities near Delhi and Mumbai. Since 2005, the business has had a technological licence from Saint-Gobain to produce glass wool in India.

(Source: VC Circle, 22 February 2023)

Motherson Buys 100% Stake in SAS Autosystemtechnik

Samvardhana Motherson International Ltd (SAMIL) and SAS Autosystemtechnik, a company based in Germany, have reached a deal to buy all of the company's shares for 540 million euros. The SAMIL subsidiary Samvardhana Motherson Automotive Systems Group BV (SMRPBV) has a contract with the SAS firm from Faurecia, a FORVIA Group company. An agreement to purchase a 100% stake in SAS Autosystemtechnik GmbH has been reached by Samvardhana Motherson Automotive Systems Group BV (SMRPBV), a 100% subsidiary of Samvardhana Motherson International Limited (SAMIL) (Germany).

(Source: VC Circle, 20 February 2023)



Shobitam Makes Maiden Bet With House Of Blouse

Shobitam, an ethnic clothing company, has made its first acquisition of House of Blouse, a clothing company, to expand its product line. The Seattle-based Shobitam claims to be a developing direct-to-consumer (D2C) online marketplace for ethnic apparel that serves over 40 countries. It was founded by Aparna and Ambika Thyagarajan in 2019. Sarees and accessories are only a couple of the things it sells. With funding from Mumbai-based Hearth Ventures and angel investor Girish Laxman, this significantly enhances and complements our customers' experiences and allows us to broaden our product category by including additional one-of-a-kind products.

(Source: VC Circle, 20 February 2023)

MapmyIndia Invests Rs. 7 Cr in Drone Startup Indrones For 20% Stake

MapMyIndia, a provider of geospatial software and digital maps, has made a strategic investment of Rs 7 crore for a 20% share in drone solutions firm Indrones. MapMyIndia is listed as 'CE Info Systems'. The two businesses will together offer drones and drone-based solutions through this strategic investment for use cases like surveying, mapping, real-time monitoring, and inspections. By adding Indrones to our portfolio of drone-based solutions and services, we will be able to better serve the needs of both consumers and our enterprise clientele across a variety of industrial verticals.

(Source: VC Circle, 13 February 2023)

Venture Capital

Mintoak Raises \$20 Mn in Series A Round

Mintoak Innovations Pvt. Ltd., a fintech business, has raised \$20 million (Rs 165 crore) in a Series A fundraising round, which was spearheaded by PayPal Ventures. British International Investment, White Whale Venture Fund, as well as current investors HDFC Bank and Pravega Ventures, participated in the round as well. The Mumbai-based company intends to use the investment for hiring, expanding geographically into West Asia, Africa, and Southeast Asia, and developing its technological stack.

(Source: VC Circle, 21 February 2023)

MassMutual Leads \$7.5 Mn Round In Scrut Automation

A strategic financing round led by MassMutual Ventures saw Riversys Technologies Private Limited, the company behind software-as-a-service startup Scrut Automation, collect \$7.5 million (about Rs 62.09 crore). The company, which is based in Bengaluru, will use the additional money for both product development and global expansion. Scrut Automation enables small and medium-sized businesses (SMEs) to adhere to different information security standards and maintain security posture. The company asserts that it has reduced security and compliance tasks for these businesses by 70%.

(Source: VC Circle, 21 February 2023)

AdmitKard Raises Rs 50 Cr in Series A

AdmitKard, a startup for college admissions, has raised Rs 50 crore (\$6 million) in Series A funding, with the help of leading global Ed-tech investor GSV Ventures. AdmitKard, a Noida-based company, serves the "study abroad" industry by assisting students with the application process for higher education at schools and institutions in the US, UK, Canada, Australia, and New Zealand.

(Source: VC Circle, 20 February 2023)

Infurnia Secures Funding From Clutch Of Angel Investors

An angel investment round led by Yogesh Chaudhary (Jaipur Rugs) and Bhupinder Singh netted Infurnia Technologies, a software-as-a-service (SaaS) provider for architecture and interior design, \$1 million (Rs. 8.26 crore) (ex-Bentley Systems). The company plans to use the funds to expand geographically and develop new products. With the help of this finance, technology will be developed further in order to dominate the market for cloud-native architecture and interior design software, expand internationally, and fortify our position locally.

(Source: VC Circle, 16 February 2023)

Accel-Backed Venwiz Raises \$8.3 Mn In Series A Round

Software-as-a-service (SaaS) platform for business-to-business transactions, Venwiz, has raised \$8.3 million (about Rs. 68.8 crore) in a Series A fundraising round, led by Sanjay Nayar's early-stage venture capital firm, Sorin Investments. The company, which is run by Venwiz Technologies Pvt. Ltd., intends to use the funds for recruiting, product development, and customer base growth.

(Source: VC Circle, 15 February 2023)

Private Equity

Motilal Oswal Invests Rs 400 Cr in Rajkot-Based Pan Healthcare

For about \$50 million (about \$400 crore), Motilal Oswal Alternative Investment Advisers claimed to have acquired a minority position in Pan Healthcare, a company situated in Rajkot. The investment in Pan Healthcare is in line with Motilal Oswal's investment strategy, which emphasizes major distribution plays, underserved markets, and Indian manufacturing. The money raised will go into developing a strong organization, expanding the distribution network, and enhancing the brand in order to propel us into the next stage of growth.

(Source: VC Circle, 07 February 2023)

Verlinvest-Backed Spring Marketing Capital Eyes \$50 Mn

Venture capital firm Spring Marketing Capital is raising its second domestic fund, which will invest mostly in early-stage startups in consumer-facing areas. The investment business, which has offices in Mumbai and Bangalore, is aiming to raise \$40 million to \$50 million (330-413 crore) for this vehicle. It has already received commitments from limited partners (LPs) and anticipates reaching the first closure of the fund by the end of March.

(Source: VC Circle, 10 February 2023)

Mediterrania Brings LPs As Co-Investors For Morocco Pharma PE Deal

Mediterrania Capital Partners, a private equity company, has recently completed a new transaction in the healthcare sector. Mediterrania led a group of investors, including the European development finance institutions FMO, DEG, and Proparco, to purchase a minority stake in the Moroccan pharmaceutical firm Laprophan for MAD 750 million (\$72 million). Laprophan focuses on the development and marketing of pharmaceuticals and has contracts with various international pharmaceutical corporations. It anticipates using the funds to quicken its global expansion goals.

(Source: VC Circle, 27 February 2023)

Corporate & Legal



In this edition we have tried to bring to your notice the latest amendments that followed in the month of February 2023, issued by MCA, RBI, SEBI others.

MCA

MCA drops RoC approval for most corporate actions

The Ministry of Corporate Affairs has simplified the process for corporate reporting, eliminating the need for approval by Registrars of Companies (RoCs) in most cases and allowing companies to fulfil their reporting obligations with an online acknowledgement.

To read more:

[MCA drops RoC approval for most corporate actions | Mint \(livemint.com\)](https://www.livemint.com)

Circular by SEBI

Manner of achieving minimum public shareholding

SEBI, vide circular No. SEBI/HO/CFD/CMD/CIR/P/43/2018 dated February 22, 2018 on the captioned subject, had permitted different methods that may be used by listed entities to achieve compliance with the minimum public shareholding (MPS) requirements mandated under Rule 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 ("SCRR"). To facilitate listed entities achieve MPS compliance, few of the existing methods have been reviewed and rationalized and two additional methods have been introduced. The Stock Exchange(s) shall monitor the methods adopted by listed entities to increase their public holding and comply with MPS requirements in terms of this circular. Non-compliance, if any, observed by the Stock Exchange(s) with respect to the method(s) and / or conditions prescribed herein, shall be reported to SEBI on a quarterly basis.

To read more :

https://www.sebi.gov.in/legal/circulars/feb-2023/manner-of-achieving-minimum-public-shareholding_67801.html

Circular by RBI

RBI framework for invoicing and payments for international trade in Indian Rupee

The Reserve Bank of India (RBI) has allowed invoicing and payments for international trade in Indian Rupee vide A.P (DIR Series) Circular No. 10 RBI/2022-2023/90 dated 11.07.2022 on "International Trade Settlement in Indian Rupees (INR)".

The Circular lays down that all exports and imports under the arrangement may be denominated and invoiced in Rupee (INR) and the settlement of trade transactions under the arrangement shall take place in INR.

To read more :

<https://www.pib.gov.in/ErrorPage.html?aspxerrorpath=/PressReleasePage.aspx>

MSME

Enabling more micro units for Presumptive taxation

The Union budget 2023 increased the limits to Rs.3 crore and Rs 75 lakh, respectively, for taxpayers with less than 5% cash receipts. The FM has also proposed allowing a deduction for expenditures incurred on payments only when the payment is made to support MSMEs to receive payments on time. The Presumptive Taxation Scheme was previously available to micro – enterprises with a turnover of up to Rs. 2 crore and professionals with a turnover of up to Rs. 50 Lakhs.

To read more:

<https://www.hdfcbank.com/personal/resources/learning-centre/union-budget/union-budget-2023-2024-announcements-for-msme-sector>

Tax Calendar



March 2023 - Tax Calendar

2ND MARCH	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M in the month of January, 2023
7TH MARCH	Due date for deposit of Tax deducted/ collected for the month of February 2023
15TH MARCH	Due Date of Deposit 4th instalment of "Advance Tax" for the AY 2023-24
15TH MARCH	Due date for payment of whole amount of "Advance Tax" in respect of AY 2023-24 for assessee covered under presumptive scheme of section 44AD / 44ADA
15TH MARCH	Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of February, 2023 has been paid without the production of a Challan
17TH MARCH	Due date for issue of TDS certificate for Tax deducted under section 194-IA, 194-IB, 194M in the month of January, 2023.
30TH MARCH	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M in the month of February, 2023
31ST MARCH	Country-By-Country Report in Form No. 3CEAD for the previous year 2021-22 by a parent entity or the alternate reporting entity, resident in India, in respect of the international group of which it is a constituent of such group
31ST MARCH	Country-By-Country Report in Form No. 3CEAD for a reporting accounting year (assuming reporting accounting year is April 1, 2021 to March 31, 2022) by a constituent entity, resident in India, in respect of the international group of which it is a constituent if the parent entity is not obliged to file report under section 286(2) or the parent entity is resident of a country with which India does not have an agreement for exchange of the report etc.
31ST MARCH	Uploading of statement [Form 67], of foreign income offered to tax and tax deducted or paid on such income in previous year 2021-22, to claim foreign tax credit [if return of income has been furnished within the time specified under section 139(1) or section 139(4)]



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