

Tribute to Indian Army

RNM ALERT
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NEWSLETTER

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EDITORIAL

Dear Readers

During the month of July 2024 our CEO, Mr. Raghu Marwah visited the Indian Parliament to hear the Honorable Finance Minister deliver her Budget Speech on the floor of the Lok Sabha. The full Union Budget of 2024, after the vote on account in February 2024, has created many flutters and I am sure you would have enjoyed reading the RNM Budget Analysis shared separately. The onset of monsoon weather across India has brought its own charm and delectable treats.

The Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023 had granted time until 30 September 2024 to complete all formalities for dematerialization of shares of all private companies, except small companies. The said due date is fast approaching and for companies, its shareholders who are in the process of complying it would be worthwhile to be mindful of ensuring stamp duty on past physical share certificates have been fully paid.

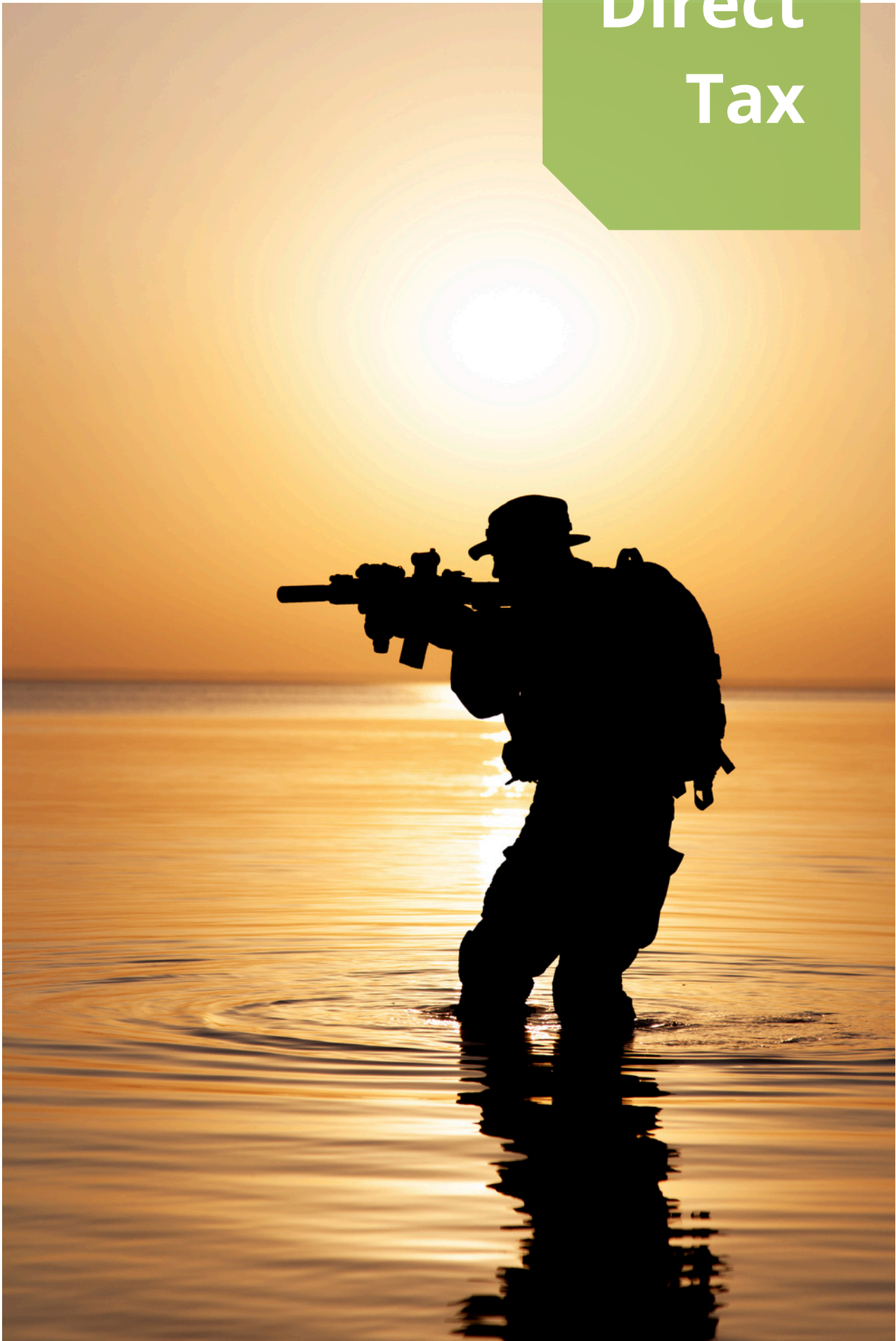
On the Assurance side, the Institute of Chartered Accountants of India (ICAI) has issued a Guidance Note on Financial Statements of Limited Liability Partnerships and Guidance Note on Financial Statements of Non-Corporate Entities effective for financial statements covering period on or after 1 April 2024. Standardization will streamline reporting and ensure accuracy thru the excel file also provided.

On the Foreign Regulations front, the Reserve Bank of India (RBI) has issued new Master Directions on Overseas Investments during the month. The said Master Directions makes relaxations for investment by unlisted Indian companies in IFSC regulated funds thru the Overseas Portfolio Investment (OPI) route.

We would like to take this opportunity of wishing all our readers a happy Independence Day on 15th August. On this day when we commemorate the sacrifice of the freedom fighters in giving us a free and independent nation.

U N Marwah
Chairman - RNM India

Direct Tax



The table below shows the proposed changes to Tax Deducted at Source (TDS) rates by the Finance (No. 2) Bill 2024 compared to the existing rates.

Section	Nature of Income	Payer	Payee	TDS Rates	
				Existing	Proposed
(a)	(b)	(c)	(d)	(e)	(f)
194DA	Payment in respect of Life Insurance Policy	Every Payer	Resident Person	5%	2%
194F	Repurchase of Units by Mutual Fund or UTI	Every Payer	Any Individual or HUF	20%	Omitted
194G	Commission and other payments on sale of lottery tickets	Every Payer	Any person (resident or non-resident) engaged in business of stocking, distributing, purchasing or selling of lottery tickets.	5%	2%
194H	Commission and Brokerage	Any person (Refer note 3)	Resident Person	5%	2%
194-IB	Payment of Rent by Certain Individuals or HUF	Any Individual or HUF (not covered under Section 194-I)	Resident Person	5%	2%
194M	Payment to contractor, commission agent, broker or professional by certain Individuals or HUF	Individual or HUF not liable for deduction under section 194C, 194H and 194J	Resident person	5%	2%
194-O	Payment by e-commerce operator to e-commerce participant	E-commerce operator	Resident e-commerce participant	1%	0.1%
194T	Payment in the nature of salary, remuneration, commission, bonus or interest to partners of the firm	Any Person	Resident Person	-	10%
195	Long-term Capital Gains exceeding Rs. 1.25 lakh from transfer of listed equity shares, units of equity oriented mutual fund or business trust as referred to in Section 112A	Any Person	Non-resident person or foreign company	10%	12.5%

Section	Nature of Income	Payer	Payee	TDS Rates	
				Existing	Proposed
(a)	(b)	(c)	(d)	(e)	(f)
195	Long-term capital gain from transfer of unlisted shares or shares of a closely held company	Any Person	Non-resident person or foreign company	10%	12.5%
195	Long-term Capital Gains from transfer of specified assets by a non-resident Indian	Any Person	Non-resident Indian	10%	12.5%
195	Long-term Capital Gains from transfer of any other capital asset	Any Person	Non-resident person or foreign company	20%	12.5%
195	Short-term Capital Gains from transfer of listed equity shares, units of equity oriented mutual fund or business trust on which Securities Transaction Tax (STT) is paid	Any Person	Non-resident person or foreign company	15%	20%

Important Judicial Precedents

1. Granting a license to developer for land development is not transfer of land; SLP dismissed

[2024] 164 taxmann.com 665 (SC)_DCIT vs. Darshana Anand Damle

SLP dismissed against High Court ruling that where assessee had only granted a licence to Developer to enter into assessee's land for purpose of development, same did not amount to 'allowing possession of land' as contemplated under section 53A of Transfer of Property Act, 1882 and, therefore, section 2(47)(v) would not apply.

2. HC set-asides order passed by AO who didn't hear assessee as it violates principle of natural justice

[2024] 164 taxmann.com 672 (Kerala -HC)_Johnson Koomullil Thomas vs. Income-tax Officer

Assessing Officer of assessee issued a show cause notice under section 148A(b) stating that income chargeable to tax for relevant assessment year had escaped assessment and passed order under section 148A(d) - Assessee filed instant petition contending that order passed under section 148A(d) was without jurisdiction as impugned order was not passed by person who had heard assessee - Whether since order under section 148A(d) was not passed by Officer who had heard assessee, same was to be set aside - Held, yes [Para 6] [In favour of assessee]

3. No additions on account of sundry creditors if outstanding amount was written off in books of account: HC

[2024] 164 taxmann.com 264 (Delhi -HC)_ PCIT vs. Topline Buildtech (P.) Ltd

Where Assessing Officer in relation to assessment year 2013-14 made additions to assessee's income on account of a credit standing in name of a sundry creditor, since impugned credit was outstanding as on 31-3-2013 which was written off on 31-3-2014 and addition of credit amount would be double addition for amount had been written off and was offered to tax, impugned addition was to be deleted.

4. AO can't deny Sec. 54 relief to non-resident merely on ground that she didn't file ITR claiming deduction: ITAT

[2024] 164 taxmann.com 329 (Mumbai - Trib.)_ Seema Heera vs. ACIT (OSD) (IT)

Where assessee, a non-resident, furnished all details and documentary evidences in respect of sale of immovable property by her as well as in respect of new residential flat purchased by her, for claiming deduction under section 54, benefit under section 54 could not be denied to assessee on ground that she did not furnish return of income claiming such deduction

5. Whether the addition should be restricted to the extent of bringing the gross profit rate on alleged bogus purchases at the same rate of other genuine purchases - YES: ITAT

[2024-TIOL-871-ITAT-MUM _ITA No. 106/M/2024 _ M/s R RAMESH & COMPANY Vs. ACIT]

We have carefully considered the rival contention and perused the orders of the lower authorities. We find that the facts of this case are identical to the facts of the case of the assessee for assessment year 2011 - 12. In this case also the assessee is found to have obtained the bogus purchase invoices from 4 different parties amounting to Rs. 19,403,736/-. Before AO, assessee failed to prove the genuineness of such purchases and therefore, they hundred percent addition was made by AO. Same was confirmed by CIT - A. We find that the assessee has produced to prove the genuineness of the purchases the various evidence in the form of the income tax return, the audited financial statements, account confirmation, purchase invoices, bank statement and affidavit of the sellers. Over and above the assessee has also demonstrated that the goods purchased from these four different parties have been exported and the sales realization is Rs. 20,253,868/- which resulted into the gross profit of 5.42%. this cross profit has already been offered for taxation. Therefore, with similar direction we also direct the assessee to show the gross profit earned by it from untainted purchase and the gross profit earned by the assessee on these alleged bogus purchases, AO on verification is directed to restrict the addition to the extent of difference of gross profit from untainted purchases.

6. Whether case can be remanded back in interest of justice and for non-affording reasonable opportunity of being heard by subordinate authorities - YES : ITAT

[2024-TIOL-864-ITAT-DEL_ITA No.41/Del/2024_ CONARCH ASSOCIATES Vs. ACIT]

It is evident from the CIT(A)'s order that there is delay in filing the appeal. However, the CIT(A) has neither condoned the delay nor has rejected the appeal being belated. He has decided the appeal on merit. The CIT(A) has condoned the delay and thereafter he has decided the case on merit. The AO had not examined the case properly. Therefore, in the interest of justice and non-affording reasonable opportunity of being heard by the subordinate authorities, it was held that this case needs to be restored back to AO and not to the CIT(A). The AO should provide reasonable opportunities of being heard to the assessee to file the relevant details and represent its case on merits. After all, the AO has to pass the order as per law and therefore, she/he is free to examine and verify all documentary evidences furnished by the assessee and do needful as per the law. Therefore, deem it fit to set aside the impugned order and remit the matter back to the file of the AO for de-novo consideration and accordingly ordered so. The assessee should ensure compliances during the set-aside proceeding before the AO who is also required to provide reasonable opportunities of being heard to the assessee before deciding the case on merit. In view of same appeal is allowed for statistical purposes.



Indirect Tax



GST Calendar –Compliances for the month of July 2024.

Nature of Compliances	Due Date
GSTR-7 (Tax Deducted at Source 'TDS')	August 10,2024
GSTR-8 (Tax Collected at Source 'TCS')	August 10,2024
GSTR-1	August 11,2024
IFF- Invoice furnishing facility (Availing QRMP)	August 13,2024
GSTR-6 Input Service Distributor	August 13,2024
GSTR-2B (Auto Generated Statement)	August 14,2024
GSTR-3B	August 20,2024
GSTR-5 (Non-Resident Taxable Person)	August 20,2024
GSTR-5A (OIDAR Service Provider)	August 20,2024
PMT-06 (who have opted for QRMP scheme)	August 25,2024

SC Upholds Legislative Power of States to Impose Taxes on Mineral Rights

This Tax Alert highlights a recent Supreme Court (SC) decision regarding the allocation of legislative authority between the Union and States concerning the taxation of mineral rights.

A nine-judge bench of the SC, with a majority of 8:1, determined that:

- Parliament cannot impose taxes on mineral rights under Entry 54 of List I of the Constitution of India.
- State legislatures have the authority to levy taxes on mineral-bearing land under Entry 49 of List II and may use the mineral produce or royalty as a basis for taxation.
- Royalty is a payment made by the lessee to the lessor of a mining lease for the use of mineral rights and to compensate for the loss in the value of minerals experienced by the owner.
- Parliament cannot use its residuary powers to tax mineral rights when the matter is explicitly listed under Entry 50 of the State List.
- The Central Government's prescription of royalty rates under Section 9 of the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act) does not constitute a "compulsory exaction by a public authority for public purposes."
- While the MMDR Act regulates the exercise of proprietary rights in minerals in the broader public interest, the lease agreement is ultimately between the State Government (or a private entity) and the lessee.
- A payment made under a contract to the State Government for acquiring exclusive privileges and rights related to a specific activity cannot be considered an "impost" or "tax" under Article 366(28) of the Constitution of India.

Clarification on Taxability of Corporate Guarantee

In October 2023, the Council proposed several clarifications and amendments regarding the taxability of inter-company corporate guarantees. Many issues remained unresolved, which have now been addressed in this circular. This alert analyzes the circular and provides our views on its legal implications.

Issue No. 1: Does sub-rule (2) of Rule 28 of the CGST Rules apply to corporate guarantees issued before October 26, 2023? Is GST applicable to intra-group corporate guarantees issued before this date at "1% of the guarantee amount"?

Clarification: The service of providing a corporate guarantee (CG) was taxable before the introduction of Rule 28(2) on October 26, 2023. Rule 28(2) specifies the valuation method, not its taxability. For CGs issued before October 26, 2023, valuation should follow the old rules. For guarantees issued or renewed on or after October 26, 2023, valuation should adhere to Rule 28(2).

Issue No. 2: How is the value of the CG service determined if only part of the loan is disbursed, or none at all? Can the recipient claim full Input Tax Credit (ITC) before the entire loan is disbursed?

Clarification: The provision of a CG service is independent of loan disbursement. The value of the CG service is based on the guaranteed amount, not the disbursed amount. The recipient can claim ITC, provided all other conditions specified in the Act and Rules are met.

Issue No. 3: Does GST apply if an existing loan is taken over, and there is only an assignment of an already issued CG?

Clarification: When a corporate entity provides a CG, it is the service supplier, and the related entity is the recipient. If another entity takes over a loan, GST does not apply unless a new CG is issued or an existing one is renewed.

Issue No. 4: When multiple entities or co-guarantors provide a CG, how is GST calculated for each co-guarantor?

Clarification: For multiple related entities providing CGs, the value of the service is determined by the total consideration paid or payable to the co-guarantors. If this total exceeds 1% of the guaranteed amount, GST is calculated on the actual consideration paid by each co-guarantor. If the total is less than 1%, GST is payable proportionately by each co-guarantor on 1% of the guaranteed amount.

Issue No. 5: Should GST on an intra-group CG be paid by the recipient under reverse charge, considering the recipient may not have an actual invoice or payment to claim ITC from the domestic guarantor?

Opinion: GST should be paid under the forward charge mechanism for domestic corporate entities issuing intra-group guarantees. The service supplier must issue an invoice under Section 31 of the CGST Act, 2017, in accordance with relevant rules.

Issue No. 6: Should the tax liability on a CG, calculated at 1% of the guaranteed amount, be discharged one-time, yearly, or monthly? How should this be handled for fixed-term guarantees?

Opinion: Rule 28(2) has been retrospectively amended from October 26, 2023. The value of providing a CG service is 1% of the guaranteed amount per annum or the actual consideration, whichever is greater. For a specified number of years, the value is 1% per year multiplied by the number of years or the actual consideration, whichever is greater. For CGs issued for less than a year, the value may be prorated.

Issue No. 7: Does the benefit of the second proviso to Rule 28(1), which deems the invoice value as the open market value when full ITC is available to the recipient, apply to cases under sub-rule (2)?

Opinion: A proviso has been added to Rule 28(2) retroactively from October 26, 2023, allowing the invoice value to be considered the value of the supplied service when full ITC is available to the recipient.

Issue No. 8: Does the valuation under Rule 28(2) apply to the export of CG services between related parties?

Opinion: The amendment to Rule 28(2) specifies that it does not apply when the recipient of CG services is located outside India. Therefore, it does not apply to the export of CG services.

Conclusion

The recent circular [Circular No. 225/18/2024 GST dated 11th July 2024] provides much-needed clarifications on the taxability of corporate guarantees, addressing several unresolved issues from previous amendments. While the circular attempts to clarify the application and valuation of GST on corporate guarantees, some interpretations, particularly regarding the valuation mechanism and its retrospective application, remain contentious.

RNM's analysis suggests that while some clarifications align with existing legal principles and provide practical solutions, others may lack legal authority and could be subject to judicial scrutiny. Corporates must carefully assess these guidelines and consider their implications, particularly for guarantees issued before October 26, 2023, and the valuation methods prescribed.

Staying abreast of these developments and seeking professional advice will be crucial for compliance and strategic planning in managing inter-company corporate guarantees under the GST regime.

Notification on Place of Supply for Deliveries to Unregistered Persons

Issue at Hand The place of supply according to the newly added Section 10(1)(ca) of the IGST Act, particularly when goods are supplied to an unregistered person and the billing address is different from the delivery address, especially through e-commerce platforms.

Clarification Provided

Example:

Ms. B (an unregistered person) in State M orders a laptop from an e-commerce platform to be delivered to an address in State N. Ms. B provides a billing address in State M when placing the order. The question arises: what is the place of supply for this laptop—State M (billing address) or State N (delivery address)?

Clarification:

For goods supplied to an unregistered person:

a. When the delivery address is different from the billing address on the invoice, b. The place of supply is the delivery address recorded on the invoice—in this case, State N.

Furthermore, in situations where the billing and delivery addresses differ, the supplier should record the delivery address as the recipient's address on the invoice to determine the place of supply for the goods.



Internal Audit



RERA Compliances to check for Internal Audit of Real Estate Companies

While conducting Internal Audit for a Real Estate company, amongst other areas, the auditor should consider checking the below mentioned points:

1. Promoter will first have to register its project with the authority before it shall advertise, sell or offer for sale. Therefore, all the real estate properties should be registered with RERA.
2. Promotor will transfer 70% of the money received in collection account to RERA account. Amount shall be withdrawn from the RERA account after it is certified by an engineer, architect and a CA. The same shall be submitted to RERA through Quarterly progress report(QPR) and Annual Progress Report (APR).
3. Promotor shall get its account audited by a CA in practice within 6 months after the end of every FY. CA should also verify that the money collected are utilized for the particular project.
4. Promotor shall not receive more than 10% of the cost of flat without first entering in written Agreement for sale. Therefore, all the agreement for sale shall be first executed before accepting money more than 10% of sales consideration.
5. Promotor shall not transfer its rights and obligation in a project to a third party without obtaining prior consent from 2/3rd allottees.
6. Promoter shall execute the conveyance deed and transfer the possession of flat within the time period specified in sanctioned plan. The promotor shall transfer the flat after receiving all the sales consideration from the customers.
7. After obtaining the OC and transfer of flats the promotor shall transfer all the necessary documents and plan to the association of allottees.
8. In case of delay in the transfer of possession of flat, the promoter shall pay the allottees interest at SBI MCLR rate plus 2% for every month of delay.
9. The promotor shall receive interest at SBI MCLR rate plus 2% from the allottees if there is delay in receiving of money from the customers.
10. The allottees shall take the possession of flat within 2 months of OC. If the customers don't accept the possession of flat, then the promotor may charge holding charges from the customers.
11. In case of delay in receiving of money from the customers, the promotor may cancel the unit by giving the cancellation letters to the customers. The Customer can also voluntarily cancel the flat. In both the cases the promotor shall forfeit the booking amount received from the customers as the cancellation charges.
12. Demand shall be raised to the customers as per the payment plan decided between the promotor and customer. The Demand shall be raised as per the timeline mentioned in the payment plan.
13. The Promotor shall sell its properties through a RERA registered real agent (broker).



Corporate Finance



Mankind Pharma to Buy Bharat Serums as Advent International Exits

Mankind Pharma Ltd has agreed to acquire Bharat Serums and Vaccines Ltd (BSV) from private equity firm Advent International for an enterprise value of \$1.63 billion (around INR 13,630 crore). The move marks a “significant leap” for Mankind Pharma, positioning it as a market leader in the Indian Women’s health and fertility drug market. The acquisition will also provide Mankind access to other high-entry barrier products in critical care with established complex R&D tech platforms. Moelis & Company acted as the executive financial advisors and AZB & Partners acted as legal counsel to Mankind Pharma. Advent and BSV were advised by Jefferies LLC and J.P. Morgan as financial advisors and Khaitan & Co as legal counsel.

(Source: VC Circle, 26th July 2024)

Private Equity

KKR to Acquire Kerala Hospital in Year’s Third India Healthcare Deal

Private Equity firm KKR struck a deal to acquire a majority stake in Kerala based Baby Memorial Hospital (BMH), two years after making a blockbuster exit from North India chain Max Healthcare. The PE firm routed the transaction through its Asian Fund IV to support Baby Memorial Hospital to build a Pan-India network of hospitals, both organic and inorganic routes. KKR will pick up a stake of around 70% for as much as \$240 million (around INR 2,000 crore). This is a third healthcare related by KKR in India this year.

(Source: VC Circle, 1st July 2024)

Brookfield Adds to India Renewables Portfolio with Acquisition of Leap Green

Canadian Investment firm Brookfield Asset Management Inc has stepped up its play in India’s renewable energy sector with the acquisition of a majority stake in Tamil Nadu based Leap Green Energy. Brookfield will make a \$200 million (around INR 1,670 crore) upfront equity investment in Leap Green, founded by the family of India’s first Formula One driver Narain Karthikeyan. The green energy firm seeks to increase capacity to above 3 GW in capacity in the coming four to five years.

(Source: VC Circle, 11th July 2024)

NSE gets another private equity backer as valuation hits new high

The National Stock Exchange (NSE), India’s largest stock exchange, has added another private equity investor, US-based Global Alternative Investment Management (GAIM), through a secondary transaction. GAIM, which focuses on unique private equity and venture capital opportunities, acquired shares at INR 3,850 or INR 4,150 each, valuing NSE at \$23-25 billion (around INR 1,92,000 – 2,08,800 crore). This is a significant premium over ChrysCapital’s recent valuation rollover at \$16.8 billion (around 1,40,300 crore). ChrysCapital had previously transferred its 3.93% stake in NSE for around \$660 million (around INR 5,511 crore).

(Source: VC Circle, 12th July 2024)

ValueQuest Bets \$36 Mn on Solar Cell Maker Jupiter

Boutique equity investor ValueQuest has invested \$36 million (around INR 300 crore) in Kolkata based photovoltaic solar cell maker Jupiter International Ltd, founded in 2009 by Alok Garodia. The investment will allow Jupiter to expand its current cell capacity and to begin module manufacturing operations. At present, the company has a cell manufacturing capacity of 800MW. Jupiter International is planning to set up a 1.8GW solar cell manufacturing capacity and a 1.2GW solar module manufacturing facility.

(Source: VC Circle, 16th July 2024)

Biogas Plant Maker Gruner Renewable Raises \$60 Mn

Gruner Renewable Energy, a Noida based company set up in 2023 providing biogas solutions, raised \$60 million (around INR 500 crore) in equity finding. Gruner will utilize the capital to set up new compressed biogas (CBS) plants across the country, and to expand its operations presence in the market. This will include scaling up CNG retail outlets, and exploring new business verticals such as sustainable aviation fuel (SAF) and green hydrogen.

(Source: VC Circle, 29th July 2024)

Venture Capital

Abu Dhabi Wealth Fund ADIA Bets \$120 Mn on Purple

ADIA invested \$120 million (around INR 1,000 crore) to increase its stake in the unicorn via a primary infusion of capital and through a secondary purchase of shares from some other shareholders, Purple. Verlinvest, Goldman Sachs and some angel investors were among the sellers. The round valued Purple at \$1.25 (around INR 10,430 crore). Purple will use the primary capital to improve access to customers and deliver products to them quicker; in addition to expanding its private label business. Apart from ADIA, Purple has raised funds from Peak XV Partners, Kedaara Capital, PremjiInvest, Verlinvest, and Blume Ventures, among others.

(Source: VC Circle, 1st July 2024)

Agritech Firm Arya.Ag Snags \$29 Mn from Blue Earth Capital, Quona Capital

Agritech platform Arya.ag, operated by Arya Collateral Warehousing Services Pvt. Ltd, has raised \$29 million (around INR 242 crore) in a Pre-Series D funding round. Switzerland based investment firm Blue Earth Capital led the round. The round also saw participation from existing investors Asia Impact and Quona Capital. Setuka Partners served as the strategic advisor for the equity round. The grain-commerce startup will use the funds to develop its technological stack and add more users to the platform.

(Source: VC Circle, 10th July 2024)

ResponsAbility, MS Dhoni Leas Pre-Series B Funding of EV Ride Hailing Co BluSmart

Home-grown electric vehicle (EV) ride hailing company BluSmart completed pre-series B round raising \$24 million (around INR 201 crore) from multiple investors including Swiss impact investor ResponsAbility, cricketer MS Dhoni's family office, ReNew Power's chief executive Sumant Sinha, amongst other existing investors. BluSmart's latest fundraising, post a \$42 million (around INR 350 crore) bridge round, will be used to support expansion plans.

(Source: VC Circle, 15th July 2024)

Dharana Capital Bets \$50 Mn on Urban Company

India focused Investment firm Dharana Capital, which has backed domestic companies such as NoBroker, Zomato, Zooper, Lentra and Itilite, has invested \$50 million (around INR 400 crore) in Urban Company via secondary transaction. Dharana Capital bought shares from Urban Company's employees and other shareholders. Vamsi Duvvuri, founder and managing director of Dharana Capital, will join Urban Company's board as a non-executive director.

(Source: VC Circle, 17th July 2024)

Simple Energy Raises \$20 Mn; Funds to Help Scale Production as Deliveries Start

Non Electric Vehicle and clean energy startup Simple Energy raised \$20 million (around INR 167 crore) in its latest funding round that saw participation from the company's current investors, including family offices of Haran, Dr. A Velumani, Vesavi, and Desai, promoter group of Apar Industries, among others. The company plans to scale up the production of electric two-wheelers. The fund will also support the company's entry into new markets, expand its presence across India, and facilitate new product development.

(Source: VC Circle, 29th July 2024)

Mergers & Acquisitions

CASHe Acquires Centcart to Foray into Insurance Broking

Aeries Financial Technologies Pvt. Ltd., which operates fintech startup CASHe, has forayed into insurance broking services with the acquisition of Hyderabad based Centcart Insurance Broking Services Pvt. Ltd. CASHe claims to have disbursed INR10,200 crore worth of digital loans over 3 million users across India over the last seven years. With a direct insurance broker license, it can now sell life, health, and vehicle insurance products from all insurance companies in India. This shall further allow CASHe to expand its presence across key sectors of the fintech industry, including lending, wealth management, and insurance domains.

(Source: VC Circle, 10th July 2024)

Indusland Adani-IHC Joint Venture Sirius Digitech to Acquire Cloud Firm Coredge.io

Sirius Digitech Ltd, a joint venture between billionaire Gautam Adani-led Adani Group and Abu Dhabi-based International Holding Company (IHC) unit Sirius International Holding, will acquire cloud platform company Coredge.io to expand its offerings for data centre operations through cloud and artificial intelligence (AI) solutions. As per agreement, Sirius Digitech will buy a 77.5% stake in Coredge's parent Parserlabs India Pvt Ltd. Parserlabs owns 100% of Coredge.io. The cost of acquisition will be INR 20,000 per equity share.

(Source: VC Circle, 17th July 2024)

Nazara Technology Buys out Promoters in Paper Boat, Raises Stake to 100%

Listed gaming firm Nazara Technology bought an additional 48.42% stake in Paper Boat Apps Pvt Ltd, making the company that develops and publishes popular learning app kiddopia its wholly-owned subsidiary. Nazara Technology, which has bought 50.91% stake in Paper Boat Apps in 2019, is buying the rest of the stake in tranches from promoters Anupan and Anshu Dhanuka for around \$35 million (around INR 300 crore). Nazara Technology aims to drive growth and expansion of the Kiddopia franchise through IP licensing and integration, global market expansion, and additional revenue streams including merchandising, video, and advertising revenues.

(Source: VC Circle, 19th July 2024)

Ultra Tech Board Approves \$472 MN Deal to Take Control of India Cements

UltraTech Cement, India's number one cement maker approved a \$472 million (around INR 3,954 crore) deal to gain control of India Cements, which will bolster its position in the country's southern states. UltraTech, part of India's Aditya Birla group, will buy a 32.72% stake in India Cements at INR 390 per share from its promoters and their associates, adding to the 23% stake it bought in June.

(Source: VC Circle, 29th July 2024)

Insurtech Platform Acko Acquires Healthcare Manager OneCare

General Atlantic backed digital insurance provider Acko, acquired digital chronic care management company OneCare, as the company looks to create a comprehensive healthcare ecosystem. The acquisition is a strategic move to re-emphasize Acko's broader vision of being a comprehensive healthcare provider to its customers going beyond the insurance services. The transaction will see OneCare founders Rakesh Shivran and Sagar Bhat joining the leadership team of Acko.

(Source: VC Circle, 24th July 2024)



Transaction & Regulatory Advisory Services



In this edition we have tried to bring to your notice, the latest amendment that followed in the month of July, 2024 issued by MCA, RBI and SEBI.

MCA UPDATE

- **Companies (Appointment and Qualification of Directors) (Amendment) Rules, 2024**

The Central Government notified the Companies (Appointment and Qualification of Directors) (Amendment) Rules, 2024. According to the Amended Rules the updating of directors' personal details namely mobile number and email address should be done within the mentioned time frame i.e upto 30th September of the financial year. In case he is desirous of updating the above-mentioned details more than one time during the financial year he can so do by filing of e-form DIR-3 KYC on payment of fees amounting to Rs. 500/-.

To read more:

<https://www.mca.gov.in/bin/dms/getdocument?mds=FBPSgUwyPTQpTzkMffyl3g%253D%253D&type=open>

- **Filings under section 124 and section 125 of the Companies Act 2013 read with IEPFA (Accounting, Audit, Transfer and Refund) Rules 2016 in view of transition from MCA 21 version 2 to version 3.**

In view of the transition of form from MCA 21 V2 to MCA 21 V3 and in order to provide opportunity to make compliances thereof, additional fee on filing of various IEPF e- forms (IEPF -1, IEPF-1A, IEPF-2, IEPF-4) and e- verification of claims filed in e-form IEPF-5 has been waived till 16th August, 2024. Similarly, one time relaxation for filing of e-verification under third proviso to sub rule (3) of rule 7 of IEPFA (Accounting, Audit, Transfer and Refund) Rules has also been provided till 16th August, 2024.

To read more:

<https://www.mca.gov.in/bin/dms/getdocument?mds=QSNy9t%252BHgFsNgyiDnZYWTg%253D%253D&type=open>

- **The (Incorporation) Amendment Rules, 2024**

The Central Government notified (Incorporation) Amendment Rules, 2024. As per the amended rules the word Nidhi shall be omitted from clause (p) which means that if the proposed name includes word Nidhi a declaration to be submitted by the applicant that the requirements mandated by the respective regulator have been complied with by the applicant is not mandatory.

To read more

<https://www.mca.gov.in/bin/dms/getdocument?mds=TaZb6FKHcrk2uA%252B354fxBA%253D%253D&type=open>

- **The Nidhi (Amendment) Rules, 2024**

The Central Government notified the Nidhi (Amendment) Rules, 2024 According to the Amended Rules in the Nidhi Rules, 2014, that a company shall not use the words "Nidhi Limited" in its name unless it is declared as such under sub-section (1) of section 406 of the Act." Thus, A Company shall not use the words "Nidhi Limited unless it is declared by the Central Government by notification in the Official Gazette as declared to be a Nidhi or Mutual Benefit Society, as the case may be.

To read more

[https://egazette.gov.in/\(S\(cniwgnyzz0zfjdqoslz0lb1\)\)/error.aspx?aspxerrorpath=/ViewPDF.aspx](https://egazette.gov.in/(S(cniwgnyzz0zfjdqoslz0lb1))/error.aspx?aspxerrorpath=/ViewPDF.aspx)

- **Extension of time for Filing of PAS-7-reg**

Every public company which had issued share warrants prior to commencement of the Companies Act, 2013 (18 of 2013) and not converted such warrants into shares should have informed the Registrar about the details of such share warrants in Form PAS-7 within a period of three months of the commencement of the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023.

Web-Form PAS-7 Form has now been deployed on MCA-21 Portal. Stakeholders may file requisite details in terms of Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023 through this Web-Form without payment of additional fees up to 05.08.2024.

To read more

<https://www.mca.gov.in/bin/dms/getdocument?mds=lgNr5fS0LgEkFxBs9EOWCg%253D%253D&type=open>

RBI UPDATES

Foreign Exchange Management (Overseas Investment) Directions, 2022 - Investments in Overseas Funds

It has been decided by RBI that Authorised Persons may facilitate remittances for all permissible purposes under LRS to IFSCs for: i. Availing financial services or financial products as per the International Financial Services Centres Authority Act, 2019 within IFSCs; and ii. All current or capital account transactions, in any other foreign jurisdiction (other than IFSCs) through an FCA held in IFSCs. For these permissible purposes, resident individuals can open Foreign Currency Account (FCA) in IFSCs.

To read more

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12699&Mode=0x>

- **Release of foreign exchange for Miscellaneous Remittances**

Authorised Dealers are permitted to release foreign exchange for any current account transaction, on the basis of a simple letter containing basic information and subject to an upper limit of USD 25,000 or its equivalent. It was also advised that Authorised Dealers need not obtain any other documents, including Form A2.. With a view on streamlining the regulatory compliances and operational procedures, it is now decided that Authorised Dealers shall obtain Form A2 in physical or digital form for all crossborder remittances irrespective of the value of transaction.

To read more

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12696&Mode=0>

SEBI UPDATES

- **SEBI launches chatbot “SEVA” for investors on July 29, 2024**

SEBI has launched SEBI's Virtual Assistant (SEVA) – an Artificial Intelligence (AI) based conversation platform for investors. The chatbot is presently enabled to answer questions relating to general information on securities market, latest master circulars, grievance redressal process, etc. Based on the feedback received from the users, additional areas will be added to the chatbot. The beta version of the chatbot is available on SEBI's investor website (<https://investor.sebi.gov.in/>) and SAARTHI mobile app (both Android and iOS).

To read more:

https://www.sebi.gov.in/media-and-notifications/press-releases/jun-2024/sebi-boardmeeting_84448.html

Miscellaneous Laws

Ministry of Health and Family Welfare

- **Ministry of Health and Family Welfare FSSAI approves proposal to display nutritional information labelling of total sugar, salt and saturated fat in bold letters and bigger font size in 44th meeting of Food Authority**

The Food Safety and Standards Authority of India (FSSAI) has approved a proposal to display nutritional information regarding Total Sugar, Salt and Saturated Fat in bold letters and relatively increased font size on labels of packaged food items. The decision to approve the amendment in the Food Safety and Standards (Labelling and Display) Regulations, 2020 regarding. The amendment aims to empower consumers to better understand the nutritional value of the product they are consuming and make healthier decisions.

To read more:

<https://pib.gov.in/PressReleasePage.aspx?PRID=2031260>

Ministry of Micro, Small & Medium Enterprises

- **Notification under Section 7 of Aadhaar Act 2016 to identify the targeted beneficiaries by Aadhaar Authentication in in respect of ESDP Scheme**

The Central Government hereby notifies the following, namely: - (i) an individual eligible for receiving the benefits under the Scheme shall hereby be required to furnish proof of possession of the Aadhaar number or undergo Aadhaar authentication; (ii) any individual desirous of availing benefits under the Scheme, who does not possess the Aadhaar number or has not yet enrolled for Aadhaar, shall be required to make application for Aadhaar enrolment and in case such person is entitled to obtain Aadhaar as per section 3 of the said Act, such individual may visit any Aadhaar enrolment centre (iii) the Implementing Agencies shall offer Aadhaar enrolment facilities for the beneficiaries who are not yet enrolled for Aadhaar and in case there is no Aadhaar enrolment centre located in the respective Block or Taluka or Tehsil, the Implementing Agencies shall provide Aadhaar enrolment facilities at convenient locations in coordination with the existing Registrars of UIDAI or by becoming UIDAI Registrar themselves by applying under regulation 21 of the Aadhaar (Enrolment and Update) Regulations, 2016 and contact Regional Offices of UIDAI for the said purpose.

To read more:

[https://egazette.gov.in/\(S\(xybv4uh2t2jlynknrvj3ny1r\)\)/error.aspx?aspxerrorpath=/ViewPDF.aspx](https://egazette.gov.in/(S(xybv4uh2t2jlynknrvj3ny1r))/error.aspx?aspxerrorpath=/ViewPDF.aspx)



UK Tax Update Report



Consumer Duty: Ongoing Progress and Future Steps

Overview

Since 31 July 2023, Consumer Duty has been effective for open products and services. The FCA granted an additional year for the application of the Duty to closed products and services, culminating on 31 July 2024.

Industry Progress

Firms across the industry have diligently reviewed their closed products, committing to ongoing evaluations. By the recent 31st July deadline, firms were also required to evaluate and report their Duty implementation and outcomes to their boards. Future reporting, expected at least annually, may align with other reporting cycles.

Continued Implementation

The FCA underscores that implementing Consumer Duty is not a one-time task. Firms must integrate changes to ensure ongoing delivery of required customer outcomes. As firms shift to treating Consumer Duty as standard practice, they should reflect on their experiences and utilize metrics to assess their progress and identify further improvements.

Regulatory Review

In the forthcoming months, the FCA will conduct thematic reviews and in-depth analyses to identify both successful areas and those needing improvement. The regulator will also ensure boards have the appropriate data and management information (MI), reviewing board report samples and sharing insights to encourage best practices.

Best Practices and Support for Vulnerable Customers

Firms must adopt emerging best practices for Duty implementation and intensify efforts to assist vulnerable customers. This includes addressing the regulator's "tell us once" initiative, which aims for customers to disclose their vulnerability needs only once during their interactions with firms.

Conclusion

The industry has made commendable strides in implementing Consumer Duty, reflecting a significant commitment to enhancing consumer protection. However, the journey is far from over. Firms must continue to innovate and improve their practices, ensuring they meet evolving regulatory expectations and consumer needs. By embracing best practices and focusing on the most vulnerable customers, the industry can ensure that Consumer Duty remains a driving force for positive change. The ongoing efforts and collaborations will be crucial in maintaining momentum and achieving the desired outcomes for all consumers.

Foreign Market Update



China's New Company Law: Key Changes and Business Implications

Introduction

China has enacted major amendments to its Company Law, marking significant changes in corporate governance and business practices. Adopted by the Standing Committee of the National People's Congress on December 29, 2023, these reforms aim to modernize the legal framework for businesses, addressing issues such as corporate governance, shareholder rights, and aligning with international standards. The revised law, effective July 1, 2024, impacts foreign investment regulations, compliance requirements, and director liabilities, underscoring China's commitment to creating a globally competitive business environment.

Key objectives of the revised law

The Amended Company Law, effective July 1, 2024, has several key objectives. It seeks to enhance the flexibility of corporate structures, lessen regulatory burdens, and strengthen governance mechanisms. The amendment aligns with international standards and addresses the dynamics of foreign investment in China. It redefines the legal framework for companies, impacting both domestic enterprises and foreign investors under the Foreign Investment Law. These changes represent a significant effort to improve corporate compliance and formalize business operations in China.

Impact on Business Formation and Governance Changes

The overhaul of China's Company Law, effective July 1, 2024, brings significant changes to business formation and governance, focusing on Limited Liability Companies (LLCs) and Joint-Stock Companies. The revisions streamline company establishment procedures by removing the need for pre-approval of LLC names, allowing simultaneous name verification and registration to speed up the process. Capital contribution requirements are now more flexible, eliminating minimum capital barriers and encouraging varied methods of contribution. In addition, corporate governance structures have been revamped to enhance efficiency and accountability, with modifications to the Articles of Association granting more flexibility in defining the roles and responsibilities of directors, boards, and supervisors. Lastly, the revised law mandates improved corporate transparency through comprehensive information disclosure, including corporate bonds and share capital changes.

Shareholder Rights and Protections

The revised Company Law in China represents a significant advancement in reinforcing shareholder rights and protections, focusing on increasing transparency, accountability, and fairness in corporate governance. It enhances the rights of minority shareholders, who have historically struggled to exert influence within companies. The new law grants them improved supervisory power and voting rights, particularly in critical decisions involving related party transactions and significant corporate matters. Corporate directors and supervisors are now required to uphold a duty of care and loyalty, promoting ethical management practices that benefit all shareholders. To ensure a fair business environment, the law establishes clearer regulations on share transfers, particularly for publicly listed companies, to prevent harmful transactions. The right of first refusal gives existing shareholders priority over external parties during equity transfers, protecting against ownership dilution. The law also imposes stricter duties and liabilities on controlling shareholders, preventing abuses of power and safeguarding the interests of minority shareholders. It holds controlling shareholders accountable for conflicts of interest arising from related party transactions and protects the rights associated with different classes of shares, including preferred shares. Additionally, stringent compensation and governance regulations discourage controlling shareholders from prioritizing personal gain over the company's welfare.

Legal Implications and Compliance

The revisions to China's Company Law introduce substantial changes for entities operating within the country. These changes notably impact foreign-invested enterprises, enforce corporate social responsibilities, and set clear compliance timelines for the transition.

Foreign-Invested Enterprises (FIEs) must now follow new capital rules and a streamlined registration process, with stricter liability for directors and legal representatives to ensure due diligence and full payment of capital contributions. The updated law also broadens corporate social responsibility (CSR) expectations, requiring businesses to adopt sustainable and ethical practices, with penalties for non-compliance. Additionally, the law sets a clear timeline for transitioning to the new regulations, including specific procedures for liquidation or dissolution to protect creditor and investor interests, allowing businesses time to adjust and comply with the new framework.

China's commitment to a competitive business environment

The amendments to China's Company Law, represent a significant shift in corporate governance and business practices, aligning them with international standards. These reforms improve the flexibility of corporate structures, reduce regulatory burdens, and enhance governance mechanisms. Key changes include simplifying company formation for Limited Liability Companies and Joint-Stock Companies, promoting transparency, and strengthening shareholder rights. The revised law imposes stricter duties on controlling shareholders and establishes clear regulations for share transfers to safeguard minority interests. For foreign-invested enterprises, new capital rules and expanded corporate social responsibility requirements are introduced. Overall, these changes demonstrate China's commitment to creating a competitive and ethical business environment that encourages both domestic and foreign investments.

- Contributed by
MSA Consulting

About MSA

MSA is a fellow member of the GGI Global Alliance, and is a full-service accounting and strategic advisory partner, who assists foreign SMEs in the Chinese and Asian market with various accounting, taxation, finance and business needs. For over a decade we have been helping foreign companies with all their business needs in China and Asia, with a focus on high quality solutions.

Tax Calendar



August 2024 - Tax Calendar

7TH AUG	Due date for deposit of Tax deducted/collected for the month of July, 2024.
14TH AUG	Due date for issue of TDS Certificate for tax deducted under <u>section 194-IA</u> , 194-IB, 194M, and 194S in the month of June, 2024
15TH AUG	Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending June 30, 2024
30TH AUG	Due date for furnishing of challan-cum-statement in respect of tax deducted under <u>section 194-IA</u> , 194M, 194IB, and 194S for the month of July, 2024
31ST AUG	Application in Form 9A for exercising the option available under Explanation to <u>section 11(1)</u> to apply income of previous year in the next year or in future (if the assessee is required to submit return of income on October 31, 2024).
31ST AUG	Statement in Form no. 10 to be furnished to accumulate income for future application under <u>section 10(21)</u> or <u>section 11(1)</u> (if the assessee is required to submit return of income on October 31, 2024)





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