

# Nucleus ADVISORS

# RoundUp

April 2021 | F&A | Volume VIII



Welcome to our  
Monthly Newsletter

We bring you a concise and noteworthy regulatory developments in Income Tax, Goods & Services Tax, Companies Act and Audit & Assurance during April 2021. We had tried to cover all important updates occurred during April 2021 in this volume of newsletter. The sole purpose of this circulation is to update finance professionals and business owners on direct & indirect taxes and other compliances. Feedbacks are welcome at [info@nucleusadvisors.in](mailto:info@nucleusadvisors.in).



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### Why this Volume of Newsletter is important for reader?

Through the series of this newsletter, we aim at covering all relevant Income Tax, Goods & Service Tax, MCA, Audit & Assurance notification, circulars and case laws which may directly or indirectly impact our readers. At Nucleus, it is our utmost priority to help our readers to be informed with respect to the changes in relevant laws for a smoother compliance.



# DIRECT TAX UPDATES



## Notification No. 39/2021, dated April 27, 2021:- Time for Payment under Vivad se Vishwas Act, 2020

- Time for payment of amount payable under the Direct Tax **Vivad se Vishwas Act, 2020**, without an additional amount, is extended to June 30, 2021 from April 30, 2021.

## Notification No. 38/2021, dated April 27, 2021:- Extension of Time Limit

- In the light of several representations received() and to address the hardship being faced by various stakeholders, the Central Government has decided to extend the time limits to June 30, 2021 in the following cases where the time limit was earlier **extended to April 30, 2021** through various notifications issued under the Taxation and Other Laws (Relaxation) and Amendment of Certain Provisions Act, 2020, namely:-
  - (i) Time limit for passing of **any order for assessment or reassessment** under the Income-tax Act, 1961(hereinafter called 'the Act') the time limit for which is provided under section 153 or section 153B thereof;
  - (ii) Time limit for passing an **order consequent to direction of DRP** under sub-section (13) of section 144C of the Act;
  - (iii) Time limit for issuance of notice under section 148 of the Act for **reopening the assessment** where income has escaped assessment;
  - (iv) Time Limit for sending intimation of **processing of Equalisation Levy** under sub-section (1) of section 168 of the Finance Act 2016.

## Notification No. 35/2021:- Canada Pension Plan Investment Board Private Holdings (4) Inc.

- Central Government hereby **specifies 'Canada Pension Plan Investment Board Private Holdings (4) Inc.'**, as the specified person for the purposes of sub-clause (iv) of clause (c) of the Explanation 1 to clause (23FE) of section 10 of Income-tax Act, 1961 **in respect of the eligible investment** made by it in India on or after April 22, 2021 but on or before March 31, 2024.



## Notification No. 33/2021:- Sovereign Wealth Fund

- The Central Government specifies the sovereign wealth fund, namely, the Norfund, Government of Norway, (hereinafter referred to as “the assessee”) as the specified person for the purposes of the sub-clause (iv) of clause (c) of the Explanation 1 to clause (23FE) of section 10 in respect of the investment made by it in India on or after the date of publication of this notification in the Official Gazette but on or before March 31, 2024.

## Notification No. 32/2021:- Amendment of Income Tax Rule 2DB

- CBDT amends Income Tax rule 2DB which relates to conditions to be satisfied by the pension fund for exemption under section 10(23FE) and substitutes/amends Form No. 10BBA - Application for notification under sub-clause (iv) of clause (c) of Explanation 1 to the clause (23FE) of section 10 of the Income-tax Act, 1961 (Pension Fund).

## Notification No. 31/2021:-Amendments to the Indian Income Tax Rules, 1962 (the Rules)

- The Central Board of Direct Taxes (CBDT), vide notification on April 5, 2021, issued amendments to the Indian Income-tax Rules, 1962 (the Rules), namely Income-tax (9th Amendment) Rules, 2021. These amendments are applicable for Financial Year ending March 31, 2021 relevant to Assessment Year 2021-22.

Amendment in Rule 10DA(4) - Where there are more than one constituent entities resident in India of an international group, the Form No. 3CEAA may be furnished by any one constituent entity

Replaces the words "constituent entities resident in India of an international group" to "constituent entities of an international group required to file the information and document under sub-rule (2)."

Non-resident constituent entities in India, having taxable income in India and/or filing return of income are also required to comply with Indian transfer pricing regulations. The transfer pricing compliances also included the filing of Master File in Form No. 3CEAA, if specific thresholds are met.

Prior to this amendment, where an International group had multiple constituent entities, resident and non-resident constituent entities were required to file Form 3CEAA separately due to the words "constituent entities resident in India" in Rule 10DA(4). The multiple resident constituent entities could designate a single resident entity to file the Master file on behalf of all the resident designated entities. In the case of non-resident constituent entities, they were required to file the same individually, leading to an administrative compliance burden.

However, with this amendment, Form 3CEAA is now required to be filed by any one of the entities designated in Form 3CEAB for both resident and non-resident entities.

This change is also made in Appendix II, in Form No. 3CEAB, where the words "resident in India" are removed from the heading.

- **Amendment in Rule 10DB**

### Before Amendment

For the purposes of subsection (7) of section 286, the total consolidated group revenue of the international group shall be five thousand five hundred crore rupees.

### After Amendment

For the purposes of subsection (7) of section 286, the total consolidated group revenue of the international group shall be six thousand four hundred crore rupees.

Replaces the m "five thousand five hundred crore rupees" to "six thousand four hundred crore rupees."

For CbCR related compliances to be applicable, the International group's consolidated group revenue shall have to exceed INR 64 billion (corresponding to approx. 750 million Euros, taking into consideration the current foreign exchange rates) as against erstwhile threshold of INR 55 billion. This would help align the CbCR filing threshold in India with global requirements.

## Notification No. 29/2021:- DTAA Between India and Iran

- CBDT notifies Agreement between the Government of The Republic of **India** And The Government of The Islamic Republic of **Iran** for The Avoidance of Double Taxation and the Prevention of Fiscal Evasion With respect To Taxes on Income. Notification No. 29/2021-Income-tax Dated 1st April, 2021. [Click](#) here to read the whole **DTAA**.

## Notification No. 28/2021:- Amendment in IT Rules Regarding Form 3CA-3CB-3CD

### Rule 6G

Since there is gap of 1 month between tax audit date and return filing date, that may cover some payments falling u/s 40 (TDS) and 43B. It might be possible to disallow those at time of tax audit but later on in ITR Filing, these may be allowed on payment. Hence revision allowed.

### Clause 8(a)

From AY 2021-22, New tax regime u/s 115BAC on individuals/HUF is applicable and 115BAD on resident cooperative society. Hence required changes are made.

### Clause 17

To cover up the changes made in section 56(2)(x) and 43CA

### Clause 18

To cover the disallowable portion of depreciation u/s 115BAC and 115BAD. Please note 115BAA effect had already been taken in AY 2020-21 form 3CD.

### Clause 32(a)

To give effect to provisions of new schemes u/s 115BAC and 115BAD corresponding changes have been made in brought forwarded loss and unabsorbed depreciation schedule as well.

### Clause 36 Omitted

It is due to abolition of DDT u/s 115O. Hence clause 36 which requires information about of dividends declared and DDT by companies is omitted.



# GST UPDATES

## Limitation Period shall exclude March 15, 2020 to March 14, 2021

The Honorable Supreme Court, in view of **Global Pandemic Situation** across the Country, took suo moto cognizance of the situation arising out of the **difficulties faced by the litigants** in filing petitions/applications/suits/appeals/all other proceedings within the period of limitation prescribed under the general law of limitation or any under special law and finally by way of an order dated March 08, 2021 has issued following directions: -

1. In computing **any period of Limitation**, for any suit, appeal, application or proceedings, the period from March 15, 2020 till March 14, 2021 shall **stand excluded**. Consequently, the balance period of Limitation remaining as on March 15, 2020, if any shall become **available with effect from March 15, 2021**.
2. In cases, where **limitation would have expired** during the period between March 15, 2020 till March 14, 2021, notwithstanding the actual period of limitation remaining, **all persons shall have a limitation period of 90 days from March 15, 2021**. In the event, the actual balance period of limitation remaining, with effect from March 15, 2021, is greater than 90 days, that longer period shall apply.
2. Under **Article 142** of the Indian Constitution, the above Supreme Court order shall be applicable for the Tax Payers under GST Act, 2017 also and therefore, proper officer defined under this Act is bound to act in accordance with the directions issued in the above Supreme Court order.
3. At present, **due to non-filing of returns** by the Tax Payers, the Proper officer after issue of notice cancel the Registration issued under GST by invoking Section 29(c) of GST Act.
4. The affected tax payers, **whose registration have been cancelled** for non-filing of returns during the period from March 15, 2020 to March 14, 2021, when **approached the proper officer for Revocation of Cancellation of Registration** after the prescribed period of 30 days, the said **application was rejected by the proper officer** on the ground that the limitation period prescribed by the Act had already expired.

5. Hence, all the tax payers whose applications have been rejected by the proper officer for the above said reasons **approached the DC, GST Appeals** and obtained order of Revocation of cancellation.
6. The Proper officer, being quasi-judicial authority and Deputy Commissioner, GST Appeals, Joint Commissioner, GST Appeals being judicial authorities are also **bound by the order of the Supreme Court** and hence, for the purpose of revoking the cancellation of Registration issued under GST Act, 2017, following instructions are issued: -
  - 6.1. If the Registration certificate **issued under GST is cancelled for the reasons referred in Section 29(a) to (d)**, and any application for revocation of cancellation of Registration received after thirty days from the date of cancellation, and if **such period falls between** March 15, 2020 till March 14, 2021 the balance period of Limitation remaining as on March 15, 2020, if any shall become available with effect from March 15, 2021.
  - 6.2. The prescribed period of **30 days shall be calculated from the date of cancellation of Registration Certificate by excluding the days failing during the period** from March 15, 2020 to March 14, 2021.
  - 6.3. If the tax payer filed application for revocation of cancellation of Registration and if the said date of filing application falls **within 30 days** after excluding the period from March 15, 2020 to March 14, 2021, the Proper officer **shall pass revocation order on merits subject to fulfillment of conditions** stipulated in the Rules by considering the said application filed within 30 days.
  - 6.4. If **any application for revocation** of cancellation of Registration is **already rejected on the ground of exceeding 30 days** without considering the period from March 15, 2020 to March 14, 2021, the said tax payers may be requested **to file an application again** and orders passed on merits.
  - 6.5. If any appeals have been filed against the Cancellation of Registration order by the Tax Payers, and if the said period falls beyond the period the prescribed period specified under Section 107, then the Deputy Commissioner, GST Appeals. and Joint Commissioner, GST Appeals shall **admit the application and pass order on merits** if the prescribed period specified under Section 107 available with effect from March 15, 2021 after excluding the period from March 15, 2020 to March 14, 2021.



6.6. In paragraph 2 of the order of Honourable Supreme Court, it has been ordered that in cases where the limitation would have expired during the period between March 15, 2020 till March 14, 2021, notwithstanding the actual balance period of limitation remaining, **all persons shall have a limitation period of 90 days from March 15, 2021**. In the event the actual balance period of limitation remaining, with effect from March 15, 2021, is greater than 90 days, that **longer period shall apply**. Therefore, if the application for revocation has been filed in less than 30 days prior to March 15, 2020 or after March 15, 2020, the limitation period of 90 days would be available after March 14, 2021. Therefore, Proper officer may **proceed to finalize such applications for revocation of cancellation of registration on merits**, even if they have been rejected during this period on the grounds of exceeding the limitation period of 30 days provided in the Act. The appellate authorities shall also take into account this extended limitation period provided by Honourable Supreme Court.

- All the Joint Commissioners of Territorial Divisions are hereby directed to issue appropriate instructions to the proper officers working under their control and to ensure that the above instructions are followed without deviation.

Reference: -: Honorable SC order in *Suo Moto Writ Petition (Civil) No. 3 of 2020* dated March 08, 2021

**CBIC has enabled 2 new features on GST Portal**

1. **Change** the GSTR frequency.
2. Users can **check** the return filing status of last 5 months

Goods and Services Tax

Dashboard Services GST Law Downloads Search Taxpayer Help and Taxpayer Facilities e-Invoice

NUCLEUS AAR ADVISORS

Dashboard

Last logged in on 24/04/2021 12:08

Currently logged in from IP: 122.162.187.180

Welcome NUCLEUS AAR ADVISORS LLP to GST Common Portal

Return filing preference (Apr-Jun 2021) : Monthly (Change)

**Returns Calendar (Last 5 return periods)**

GSTR-1 / IFF	Nov - 2020 Filed	Dec - 2020 Filed	Jan - 2021 Filed	Feb - 2021 Filed	Mar - 2021 Filed
GSTR-3B	Nov - 2020 Filed	Dec - 2020 Filed	Jan - 2021 Filed	Feb - 2021 Filed	Mar - 2021 Filed

You can navigate to your chosen page through navigation panel given below

RETURN DASHBOARD > CREATE CHALLAN > VIEW NOTICE(S) AND ORDER(S) >

NUCLEUS AAR ADVISORS LLP

View Profile

Quick Links

- Check Cash Balance
- Liability ledger
- Credit ledger

**CBIC allows Companies/LLP to File GST Returns Without DSC with Mobile OTP**

- CBIC allowed the companies to file GST Returns without Digital Signature Certificate (DSC) with Mobile One Time Password (OTP). The government notified the Central Goods and Services Tax (Second Amendment) Rules, 2021 which seeks to amend Central Goods and Services Tax Rules, 2017.

**Notification No. 07/2021 - Central Tax: Seeks to Make Second Amendment (2021) to CGST Rules**

In the Central Goods and Services Tax Rules, 2017, in rule 26 in sub-rule (1), after the third proviso, “Provided also that a registered person registered under the provisions of the Companies Act, 2013 (18 of 2013) shall, during the period from **April 27, 2021 to May 31, 2021**, also be allowed to furnish the return under section 39 in **FORM GSTR-3B** and the details of outward supplies under section 37 in **FORM GSTR-1** or using invoice furnishing facility, verified through electronic verification code (EVC),” proviso shall be inserted.

**Maximum Penalty of Rs. 1000 shall be Levied in case of Minor Clerical Error in E-way Bill**

E Way Bill is an Electronic Way bill for movement of goods to be generated on the E Way Bill Portal. A GST registered person cannot transport goods in a vehicle whose value exceeds Rs. 50,000 (Single Invoice/bill/delivery challan) without an e-way bill that is generated on [ewaybillgst.gov.in](http://ewaybillgst.gov.in). Alternatively, Eway bill can also be generated or cancelled through SMS, Android App and by site-to-site integration through API. When an e-way bill is generated, a unique E way Bill Number (EBN) is allocated and is available to the supplier, recipient, and the transporter.



Eway bill must be generated when there is a movement of goods of more than Rs 50,000 in value to or from a registered person. A Registered person or the transporter may choose to generate and carry away bill even if the value of goods is less than Rs 50,000. In case goods are moved without generating a valid e-way bill, the authorities may impose a penalty of 10,000 INR or amount of tax sought to be evaded, whichever is higher.

### Implementation of PMT-03 to Re-Credit the ITC Sanctioned as Refund

A tax payer is entitled to refund of tax wrongly paid or paid in excess (other than zero rated supplies), in the same mode by which the tax liability was discharged. There by if the tax was paid by partly debiting the credit ledger and partly debiting the cash ledger, the refund shall be sanctioned in the same proportion. The cash part has to be sanctioned and credited to the bank account of the tax payer, and the credit part should be re-credited to the electronic credit ledger of the tax payer through PMT-03.

The PMT-03 functionality available at present in the online refund module is only for re-crediting of the rejected amount that has been debited at the time of filing of refunds. A new enhanced PMT-03 functionality has been developed and deployed in the system now. This new functionality would enable re-credit of proportional amount in accordance with the new GST rules.

### GST Compliance Relaxation:

- **Reduction** in rate of Interest for delayed payment for Form GSTR 3B

Form GSTR 3B	Period	Relief in Interest for Nos. of days
Turnover > 5 Crores	Mar-2021 & Apr-2021	@ 9% for first 15 days from Due Date @ 18% thereafter
Turnover upto 5 Crores (Monthly Filers)	Mar-2021 & Apr-2021	@ Nil for first 15 days from Due Date; @ 9% for next 15 days; @ 18% thereafter
Turnover upto 5 Crores (QRMP Scheme)	Jan To Mar-21 Quarter	@ Nil for first 15 days from Due Date; @ 9% for next 15 days; @ 18% thereafter

- **Waiver** of late fees

Form GSTR 3B	Period	Waiver of Late Fees for Nos. of days
Turnover > 5 Crores	Mar-2021 & Apr-2021	15 days from due date of furnishing return
Turnover upto 5 Crores (Monthly Filers)	Mar-2021 & Apr-2021	30 days from due date of furnishing return
Turnover upto 5 Crores (QRMP Scheme)	Jan To Mar-21 Quarter	30 days from due date of furnishing return

- **Updated Due Dates** for GSTR 1/IFF

From	Period	Due Date	
		Original	Revised
GSTR1	April 2021	May 11, 2021	May 26, 2021
IFF		May 13, 2021	May 28, 2021

- Relaxations to **Composition Taxpayers**

Form	Frequency	Due Date	Interest @ NIL		Interest @ 9%	
			From	To	From	To
CMP - 08	Quarterly(Jan - Mar' 2021)	April 18, 2021	April 19, 2021	May 3, 2021	May 4, 2021	May 18, 2021

- Due Date Extended of **GSTR 4** for FY 2020 21 to May 31, 2021



- Due date for filing **ITC 04** for the Q 4 (Jan - Mar) of 2020 - 21 has been extended to May 31, 2021.
- Rule 36(4) shall apply cumulatively for the period April, May' 2021 in the return **FORM GSTR 3B** for the tax period May' 2021.
- The time limit for **completion of action** of verification of the application for GST registration and its approval (Rule 9 of CGST rules) falls between May 01, 2021 to May 31, 2021 has been **extended** to June 15, 2021.
- Time limit extended to May 31, 2021 for **Completion or Compliance of Action** under GST for the period covered April 15, 2021 to May 30, 2021.

#### Coverage of extension

Completion of any proceeding or passing of any order or issuance of any of the following:

- Notice
- Intimation
- Notification
- Sanction
- Approval {by any authority, commission or tribunal}

Filing of any:

- Appeal
- Reply
- Application

Furnishing of any:

- Report
- Document
- Return
- Statement or such other record



# MCA UPDATES

## Revised E-Form INC-6 for Conversion of OPC to Private/Public Company and vice-versa, now available for Filing

- Form INC-6 is required to be filed in case of conversion of OPC into private or public or conversion of private into OPC. An One Person Company can be converted into Private/Public company through Form INC-6.
- A Private company can also make application for conversion into One Person Company by filing Form INC-6. Form has been revised by the MCA as per Companies (Incorporation) Second Amendment Rules, 2021. The two fields, namely, Capital structure of the company and Number of Members has been removed in revised form under part A of the form.

## E-Form CSR-1 w.e.f. April 01, 2021 for Registration of Entities which are Undertaking CSR Activities

Form CSR-1 is a registration form for getting CSR funding by implementing agencies from the Corporates. The Form mainly consists of two parts;

- Relating to the information about the entity who **intends to undertake CSR activities**.
- certification by **practicing professional**.

Unique CSR Registration Number shall be allotted upon successful application

April 2021 onwards, every entity, covered under sub-rule (1), who intends to undertake any CSR activity, shall register itself with the Central Government by filing the Form CSR-1 electronically with the Registrar. As per Notification issued by Ministry of Corporate Affairs dated January 22, 2021, w.e.f. April 1, 2021, CSR Funding will be released only to NGOs, those are registered with MCA.

## Extension of Companies (Audit and Auditors) Second Amendment Rules, 2021

Rule 11, clause (g) was introduced requiring auditors to ensure whether the company has used such **accounting software** for maintaining its books of account which has a feature of **recording audit trail** (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention. The rule will now be **applicable from April 1, 2022**.

## Companies (Accounts) Second Amendment Rules, 2021

Earlier, following proviso of Rule 3, sub-rule (1), was inserted:

“Provided that for the financial year commencing on or after the 1st day of April, 2021, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, **creating an edit log** of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.”

Now, the effective date has been changed to **April 1, 2022** from April 1, 2021.

## Clarification on Spending of CSR Funds for Setting up Makeshift Hospitals & Temporary COVID Care Facilities - Reg.

In continuation to this Ministry's General Circular No. 10/2020 dated March 23, 2020 wherein It was clarified that spending of CSR funds for COVID-19 is eligible CSR activity, It is further clarified that spending of CSR funds for 'setting up makeshift hospitals and temporary COVID Care facilities ' is an eligible CSR activity under item nos. (i) and (xii) of Schedule VII of Companies Act, 2013 relating to promotion of health care, including preventive health care, and, disaster management respectively.

The companies may undertake the aforesaid activities in consultation with State Governments subject to fulfilment of Companies (CSR Policy) rules, 2014 and the circulars related to CSR issued by this Ministry from time to time.

## Due Date Calendar from 1st April 2021- 30th June 2021(First Quarter)

E-FORM	Purpose of Form	Due Date	Extended Due Date
MSME-1	Form for furnishing Half-yearly return in respect of outstanding payments to MSME.	April 30, 2021	July 31, 2021
PAS-6	Reconciliation of Share Capital Audit	May 30, 2021	July 31, 2021
LLP-11	Annual Return of LLP	May 30, 2021	July 31, 2021
DPT-3	Return of deposits	June 30, 2021	-
CFSS	Benefit of CFSS Scheme	June 30, 2021	-



# AUDIT & ASSURANCE UPDATES

## ICAI Revises the Criteria for Classification of Non-Corporate Entities for applicability of Accounting Standards

The Council, at its 400th meeting, held on March 18-19, 2021, considered the matter relating to applicability of Accounting Standards issued by The Institute of Chartered Accountants of India (ICAI), to Non-company entities (Enterprises). The scheme for applicability of Accounting Standards to Noncompany entities shall come into effect in respect of accounting periods commencing on or after April 1, 2020.

1. For the purpose of applicability of Accounting Standards, Non-company entities are classified into four categories, viz., Level I, Level II, Level III and Level IV.

**Level I** entities are large size entities, **Level II** entities are medium size entities, **Level III** entities are small size entities and **Level IV** entities are micro entities. Level IV, Level III and Level II entities are referred to as Micro, Small and Medium size entities (MSMEs).

2. **Level I** entities are required to comply in full with all the Accounting Standards.
3. Certain exemptions/relaxations have been provided to **Level II, Level III and Level IV** Non-company entities.
4. This Announcement supersedes the earlier Announcement of the ICAI on 'Harmonisation of various differences between the Accounting Standards issued by the ICAI and the Accounting Standards notified by the Central Government' issued in February 2008, to the extent it prescribes the criteria for classification of Non-company entities (Non-corporate entities) and applicability of Accounting Standards to non-company entities, and the Announcement 'Revision in the criteria for classifying Level II non-corporate entities' issued in January 2013.
5. This Announcement is not relevant for Non-company entities who may be required to follow Ind AS as per relevant regulatory requirements applicable to such entities.

Criteria for classification of Non-company Entities as decided by the Institute of Chartered Accountants of India

### Level I Entities

Non-company entities which fall in any one or more of the following categories, at the end of the relevant accounting period, are classified as Level I entities:

- (i) Entities whose securities are listed or are in the process of listing on any stock exchange, whether in India or outside India.
- (ii) Banks (including co-operative banks), financial institutions or entities carrying on insurance business.
- (iii) All entities engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds rupees two-fifty crore in the immediately preceding accounting year.
- (iv) All entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees fifty crore at any time during the immediately preceding accounting year.
- (v) Holding and subsidiary entities of any one of the above.

### Level II Entities

Non-company entities which are not Level I entities but fall in any one or more of the following categories are classified as Level II entities:

- (i) All entities engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds rupees fifty crore but does not exceed rupees two-fifty crore in the immediately preceding accounting year.
- (ii) All entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees ten crore but not in excess of rupees fifty crore at any time during the immediately preceding accounting year.
- (iii) Holding and subsidiary entities of any one of the above.



### Level III Entities

Non-company entities which are not covered under Level I and Level II but fall in any one or more of the following categories are classified as Level III entities:

- (i) All entities engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds rupees ten crore but does not exceed rupees fifty crore in the immediately preceding accounting year.
- (ii) All entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees two crore but does not exceed rupees ten crore at any time during the immediately preceding accounting year.
- (iii) Holding and subsidiary entities of any one of the above.

### Level IV Entities

Non-company entities which are not covered under Level I, Level II and Level III are considered as Level IV entities.

### Additional Requirements

- (1) An MSME which avails the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an MSME, the Level of MSME and that it has complied with the Accounting Standards insofar as they are applicable to entities falling in Level II or Level III or Level IV, as the case may be.
- (2) Where an entity, being covered in Level II or Level III or Level IV, had qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be covered in Level II or Level III or Level IV, as the case may be. The fact that the entity was covered in Level II or Level III or Level IV, as the case may be, in the previous period and it had availed of the exemptions or relaxations available to that Level of entities shall be disclosed in the notes to the financial statements. The fact that previous period figures have not been revised shall also be disclosed in the notes to the financial statements.
- (3) Where an entity has been covered in Level I and subsequently, ceases to be so covered and gets covered in Level II or Level III or Level IV, the entity will not qualify for exemption/relaxation available to that Level, until the entity ceases to be covered in Level I for two consecutive years. Similar is the case in respect of an entity, which has been covered in Level II or Level III and subsequently, gets covered under Level III or Level IV.
- (4) If an entity covered in Level II or Level III or Level IV opts not to avail of the exemptions or relaxations available to that Level of entities in respect of any but not all of the Accounting Standards, it shall disclose the Standard(s) in respect of which it has availed the exemption or relaxation.
- (5) If an entity covered in Level II or Level III or Level IV opts not to avail any one or more of the exemptions or relaxations available to that Level of entities, it shall comply with the relevant requirements of the Accounting Standard.
- (6) An entity covered in Level II or Level III or Level IV may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard:  
Provided that such a partial exemption or relaxation and disclosure shall not be permitted to mislead any person or public.
- (7) In respect of Accounting Standard (AS) 15, Employee Benefits, exemptions/ relaxations are available to Level II and Level III entities, under two sub-classifications, viz., (i) entities whose average number of persons employed during the year is 50 or more, and (ii) entities whose average number of persons employed during the year is less than 50. The requirements stated in paragraphs (1) to (6) above, mutatis mutandis, apply to these sub-classifications.

## Individual CAs/Firms Cannot Retain Two Consecutive Audit Rotation Cycles

The Institute of Chartered Accountants of India (ICAI) has clarified regarding the applicability of the provisions of Section 139 of the Companies Act 2013 read with Rule 5 and 6 of the Companies (Audit and Auditors) Rules, 2014. The query put forth was whether a Proprietary firm (having FRN) or individual CA who is practicing either in his own name or trade name can be appointed for two terms as per Section 139 of Companies Act, 2013.

Section 139 of the Companies Act, 2013 provides that subject to the provisions of this Chapter, every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its sixth annual general meeting and thereafter till the conclusion of every sixth meeting and the manner and procedure of selection of auditors by the members of the company at such meeting shall be such as may be prescribed.

The ICAI has made it clear that a proprietary firm (having a firm registration number) or an individual CA (practising either in his own or trade name) can be appointed auditor of a company only for one term (of five consecutive years). An individual, as a proprietor, cannot use his name, say ABC, as well as his trade name (ABC&Co), to retain the audit mandate for two consecutive audit rotation cycles of five years each.

No listed company or a company belonging to two class or classes of companies as may be prescribed, shall appoint or re-appoint namely an individual as auditor for more than one term of five consecutive years and an audit firm as auditor for more than two terms of five consecutive years. As per Rule 5 and 6 of Companies (Audit and Auditor) Rules, 2014, the Class of Companies who are required to comply with the provisions of Section 139.

- Firstly, all unlisted public companies having paid up share capital of rupees ten crore or more;
- Secondly, all private limited companies having paid up share capital of rupees fifty crore or more.
- Thirdly, all companies having paid up share capital of below threshold limit mentioned above, but having public borrowings from financial institutions, banks or public deposits of rupees fifty crores or more.

As per Explanation I to Rule 6 of Companies (Audit and Auditor) Rules, 2014, the term “same network” includes the firms operating or functioning, hitherto or in future, under the same brand name, trade name or common control.

The ICAI stated that a Proprietary firm (having FRN) or individual CA who is practicing either in his own name or trade name can be appointed as auditor only for one term as per Section 139 of Companies Act, 2013.

## Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond June 30, 2021

The IASB had issued amendment to IFRS 16 in May 2020 which permitted lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. Among other conditions, the amendments also permitted lessees to apply the practical expedient only to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2021.

The IASB has now issued another exposure draft on amendments to IFRS 16, leases: COVID-19-related rent concessions beyond June 30, 2021, for public comments which proposes to extend the applicability of the practical expedient in paragraph 46A so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met.

The ICAI also considers amendments with respect to Ind AS as per due process. Since Indian entities preparing Ind AS based financial statements were facing similar challenges and situations like the International scenario and to remain converged with IFRS standards, amendments to Ind AS 116, corresponding to aforesaid amendments issued by IASB, as recommended by ICAI and examined and recommended by NFRA, were notified by the MCA on July 24, 2020.

In March 2021 the IASB has issued Covid-19-Related Rent Concessions beyond June 30, 2021 (the 2021 amendment), to extend the availability of the practical expedient in paragraph 46A by one year so that it applies to rent concessions for which any reduction in lease payments affects payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The objective of the proposal is to continue providing lessees with practical relief during the ongoing COVID-19 pandemic while enabling them to continue providing useful information about their leases to users of financial statements.

Considering that Indian entities are also likely to continue face similar challenges, the Accounting Standards Board (ASB) of ICAI has issued the Exposure Draft of proposed amendments to Ind AS 116, Leases.

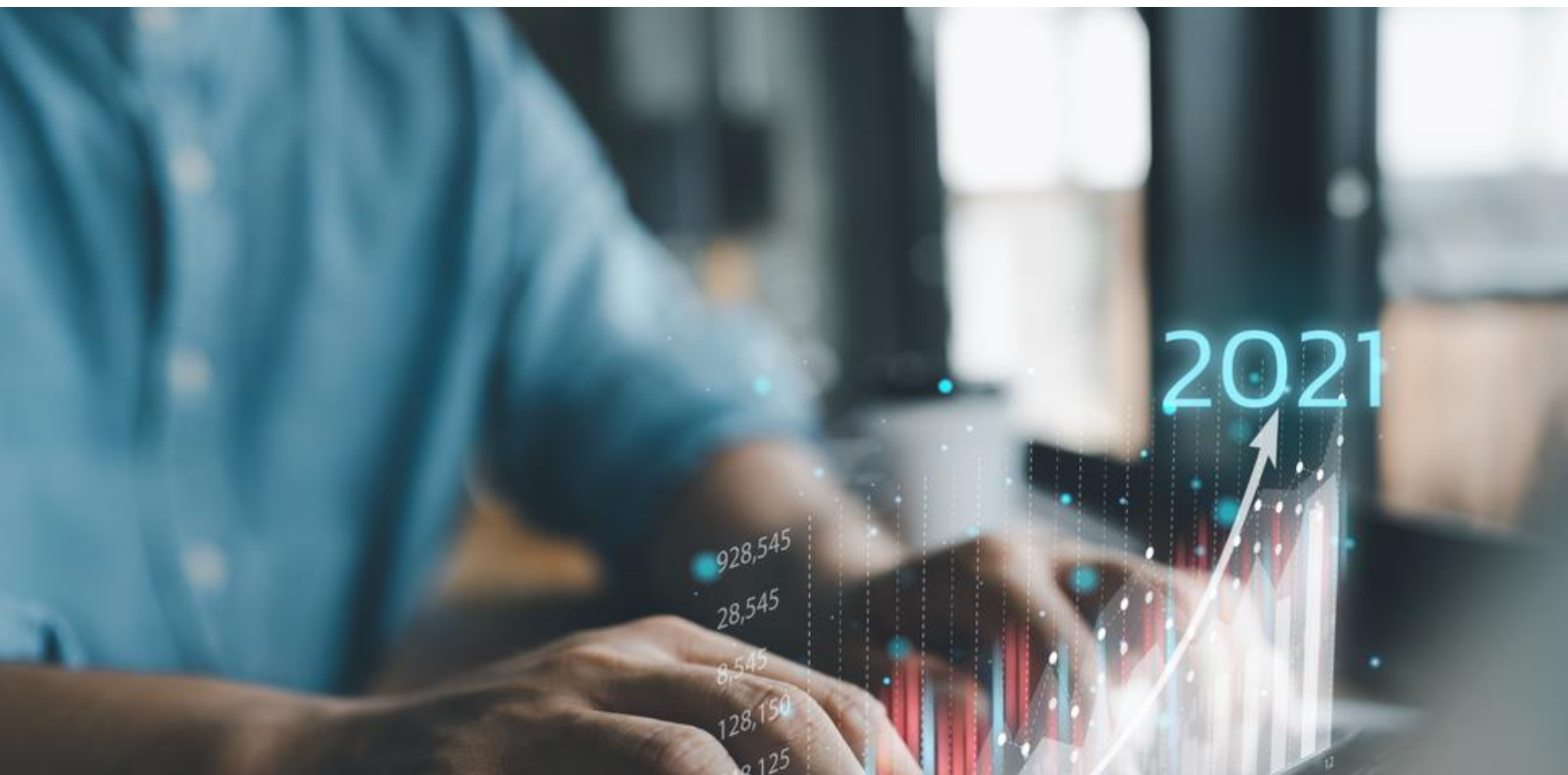
## Key Risks of Internal Audit in 2021

Internal audit continues to play a pivotal role in overall management of the organisations. The role of internal audit has significantly increased and undergone major changes in 2020 due global pandemic.

However, the year 2021 poses new set of risk which needs to be mitigated by the companies. Internal Audit shall play an important role in tackling the risks. Some of the key risks to be managed in 2021 include the following.

1. **Crisis Management and Business Continuity:** Internal Audit shall require to assess the preparedness of the organisation to tackle a probable second wave of the pandemic or occurrence of other pandemic which might challenge the survival of the entity
2. **Fraud Risk:** The Risk of Fraud has increased significantly after the pandemic as a result of decreased head counts on field and increased remote working.

Internal Audit shall identify potential areas of fraud risk and verify the efficiency and effectiveness of the controls defined by the management.



# COMPLIANCE CALENDAR

## Direct Taxes

### May 7, 2021

Due date for deposit of Tax deducted/collected for the month of April, 2021. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an Income-tax Challan.

### May 15, 2021

- Due date for issue of TDS Certificate for tax deducted under section 194-IA, IB and M in the month of March, 2021.
- Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of April, 2021 has been paid without the production of a challan.
- Quarterly statement of TCS deposited for the quarter ending March 31, 2021
- Due date for furnishing statement in Form no. 3BB by stock exchange in respect of transactions in which client codes have been modified after registering in the system for the month of April, 2021

### May 30, 2021

- Submission of a statement (in Form No. 49C) by non-resident having a liaison office in India for the financial year 2020-21
- Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, M and IB in the month of April, 2021.
- Issue of TCS certificates for the 4th Quarter of the Financial Year 2020-21.

### May 31, 2021

- Quarterly statement of TDS deposited for the quarter ending March 31, 2021
- Return of tax deduction from contributions paid by the trustees of an approved superannuation fund
- Due date for e-filing of annual statement of reportable accounts as required to be furnished under section 285BA(1)(k) (in Form No. 61B) for calendar year 2020 by reporting financial institutions
- Due date for filing of the belated income tax return under sub-section (4) and revised return under sub-section (5) of Section 139 of the Income-tax Act, 1961, for the assessment year 2020-21.

- Due date for filing of Dispute Resolution Panel (DRP) under Section 144C of the Income-tax Act, 1961.
- Due date for filing of income-tax return in response to notice under Section 148 of the Income-tax Act, 1961
- Due date for payment of the tax deducted under Section 194-IA, Section 194-IB and Section 194M of the Income-tax Act, 1961, and the filing of the challan-cum-statement for such tax deducted, which was required to be paid by April 30, 2021, can now be paid on or before 31<sup>st</sup> May 2021.
- Due date for furnishing of the statement in Form number 61, containing the particulars of declarations received in Form number 60, which was required to be furnished by April 30, 2021, can now be furnished on or before May 31, 2021

## Indirect Taxes

### May 10, 2021

Due date for filing of GSTR 7 (Tax Deductor) and GSTR 8 (Tax Collector).

### May 13, 2021

Due date for filing of GSTR 6 (ISD).

### May 20, 2021

- Due date for filing of GSTR 3B (Regular Tax Payer)
- Due date for filing of GSTR 5 (Non-Resident Taxable Person).
- Due date for filing of GSTR 5A (Non-Resident OIDAR Service Provider).

### May 25, 2021

GST Challan Payment if no sufficient ITC for April (for all Quarterly Filers)

### May 26, 2021

Due date for filing of GSTR 1 (Regular Tax Payer)

### May 28, 2021

Due date for filing of GSTR 1 IFF QRMP Scheme (Optional)

### May 31, 2021

- Due date for filing of GSTR 4
- Due date for filing ITC 04 for the Q 4 (Jan Mar)





### Do You Know?

GST collection during April 2021 set another fresh record at Rs. 1.41 trillion. April month's GST revenues are about 14 per cent higher when compared with the collections of previous month. GST collections have consistently crossed Rs. 1 trillion mark for the last seven months. Despite the second wave of coronavirus pandemic affecting several parts of the country, Indian businesses have once again shown remarkable resilience by not only complying with the return filing requirements but also paying their GST dues in a timely manner during the month.



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# ABOUT US

Nucleus AAR Advisors LLP is an Investment Banking and Risk Advisory Firm providing specialized services in the field of Startup Advisory, M&A Advisory, International Taxation, Audit & Assurance. We partner with entrepreneurs in their critical decision making by providing them various analysis customized as per their requirement. We also help in the effective implementation of decisions and its subsequent monitoring as well.

Team Nucleus is comprised of people from Big4s and reputed consulting firms with combined experience of 30+ years. Team is distinguished by their functional and technical expertise combined with their hands-on experience, thereby ensuring that our clients receive the most professional



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