

Veritas Finance Private Limited

# REGULATORY UPDATE

August 2023

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## INTRODUCTION

### **Objective:**

Keeping up to date with Legislations, Rules and Practices applicable to our NBFC sector to stay compliant and be aware of repercussions, to plan consequential actions, to add value to business and to achieve a competitive edge.

### **Period:**

August 2023

### **Coverage:**

The Newsletter would broadly cover the following applicable areas:

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**RESERVE BANK OF INDIA:**

<b>Circular Number</b>	<b>Date of Issue</b>	<b>Subject / Applicability</b>	<b>Gist</b>
RBI/2023-24/53 DoR.MCS.REC.28/01.01. 001/2023-24	August 18, 2023	<b>Fair Lending Practice - Penal Charges in Loan Accounts</b>  <a href="https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12527&amp;Mode=0">https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12527&amp;Mode=0</a>	<p>On a review of the practices followed by the entities for charging penal interest/charges on loans, the RBI has issued instructions for adoption.</p> <p>These instructions shall, however, not apply to Credit Cards, External Commercial Borrowings, Trade Credits and Structured Obligations which are covered under product specific directions.</p> <p>These instructions shall come into effect from January 1, 2024. The entities are advised to carry out appropriate revisions in their policy framework and ensure implementation of the instructions in respect of all the fresh loans availed/renewed from the effective date.</p> <p>In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date or six months from the effective date of this circular, whichever is earlier.</p>
RBI/2023-24/54 DoR.SIG.FIN.REC.31/03. 10.001/2023-24	August 18, 2023	<b>Review of Regulatory Framework for IDF-NBFCs</b>  <a href="https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12528&amp;Mode=0">https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12528&amp;Mode=0</a>	<p>In order to enable Infrastructure Debt Fund-NBFCs (IDF-NBFCs) to play a greater role in the financing of the infrastructure sector and to harmonize the regulations governing financing of infrastructure sector by the NBFCs, a review of the guidelines applicable to IDF-NBFCs has been undertaken, in consultation with the Government of India.</p> <p>The revised regulatory framework for IDF-NBFCs has been released and the said guidelines shall come into effect from the date of this circular.</p>
RBI/2023-24/56 DOR.AML.REC.33/14.06. 001/2023-24	August 18, 2023	<b>Implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of</b>	<p>As per Section 52 of our Master Direction on Know Your Customer dated February 25, 2016 as amended on May 04, 2023 (MD on KYC), "Regulated Entities (REs) shall ensure meticulous compliance with the "Procedure for Implementation of Section</p>

Circular Number	Date of Issue	Subject / Applicability	Gist
		<b>Unlawful Activities) Act, 2005: Designated List (Amendments)</b>  <a href="https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12530&amp;Mode=0">https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12530&amp;Mode=0</a>	<p>12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005” laid down in terms of Section 12A of the WMD Act, 2005 vide Order dated January 30, 2023, by the Ministry of Finance, Government of India (Annex III of the Master Direction on Know Your Customer).”</p> <p>In this regard, Ministry of External Affairs, GoI has informed that the UNSC Committee enacted amendments, specified with strikethrough and/or underline in certain entries on its Sanctions List of individuals and entities.</p> <p>Hence, the ‘designated list’ communicated vide circular DOR.AML.REC.23/14.06.001/2023-24 dated July 04, 2023, is amended in accordance with the changes in these relevant entries.</p> <p>The latest version of the UNSC Sanctions lists on DPRK &amp; Iran are accessible on the UN Security Council’s website at the following URLs:</p> <p><a href="https://www.un.org/securitycouncil/sanctions/1718">https://www.un.org/securitycouncil/sanctions/1718</a></p> <p><a href="https://www.un.org/securitycouncil/content/2231/list">https://www.un.org/securitycouncil/content/2231/list</a></p>

## MINISTRY OF CORPORATE AFFAIRS:

Notification Number	Date of Issue	Subject	Gist
G.S.R. 584(E)	August 02, 2023	<b>The Companies (Incorporation) second amendment, 2023</b>  <a href="https://www.mca.gov.in/content/mca/global/en/home.html">https://www.mca.gov.in/content/mca/global/en/home.html</a>	<p>The Ministry of Corporate Affairs vide notification dated August 02, 2023, has issued the Companies (Incorporation) Second Amendment Rules, 2023.</p> <p>The said Rules have revised Form No. RD-1 to be used by companies for filing application to Central Government (Regional Director) for approval of Compromises, Arrangements, Amalgamations, and conversions.</p>
Update	August 01, 2023	<b>Launch of Refund Form on V3 portal</b>  <a href="https://www.mca.gov.in/content/mca/global/en/notifications-tender/news-updates/updates.html">https://www.mca.gov.in/content/mca/global/en/notifications-tender/news-updates/updates.html</a>	<p>The Ministry of Corporate Affairs has launched the Refund form on V3 portal effective August 04, 2023. Refund form on V2 portal shall continue for availing refund for forms filed in V2.</p>
Update	August 16, 2023	<b>Launch of VPD service in V3 portal</b>  <a href="https://www.mca.gov.in/content/mca/global/en/notifications-tender/news-updates/updates.html">https://www.mca.gov.in/content/mca/global/en/notifications-tender/news-updates/updates.html</a>	<p>View Public Documents [VPD] V3 Beta version has been made available under Document Services from 7pm to 10pm. This feature has been made for testing purposes only and forms prior to May 2023 filed in V3 portal are available for download.</p>

## SEBI UPDATES:

Notification Number	Date of Issue	Subject	Gist
SEBI/HO/OI AE/OIAE_IAD - 1/P/CIR/202 3/135	August 04, 2023	<b>Corrigendum cum Amendment to Circular dated July 31, 2023, on Online Resolution of Disputes in the Indian Securities Market</b>  <a href="https://www.sebi.gov.in/legal/circulars/aug-2023/corrigendum-cum-amendment-to-circular-dated-july-31-2023-on-online-resolution-of-disputes-in-the-indian-securities-market-74976.html">https://www.sebi.gov.in/legal/circulars/aug-2023/corrigendum-cum-amendment-to-circular-dated-july-31-2023-on-online-resolution-of-disputes-in-the-indian-securities-market-74976.html</a>	SEBI had issued circular no. SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/131 dated July 31, 2023, providing the guidelines for online resolution of disputes in the Indian securities market.  Pursuant to the feedback received, the need for additional clarity or correction of language used, clauses 8, 11, 13, 17, 27 and various amendments in clauses 20, 21, 24, 25, 49 and 50 in the circular has been modified.
SEBI/HO/CF D/TPD1/CIR /P/2023/140	August 09, 2023	<b>Reduction of timeline for listing of shares in Public Issue from existing T+6 days to T+3 days</b>  <a href="https://www.sebi.gov.in/legal/circulars/aug-2023/reduction-of-timeline-for-listing-of-shares-in-public-issue-from-existing-t-6-days-to-t-3-days-75122.html">https://www.sebi.gov.in/legal/circulars/aug-2023/reduction-of-timeline-for-listing-of-shares-in-public-issue-from-existing-t-6-days-to-t-3-days-75122.html</a>	Pursuant to extensive consultation with the market participants and considering the public comments received, it has been decided to reduce the time taken for listing of specified securities after the closure of public issue to 3 working days (T+3 days) as against the present requirement of 6 working days (T+6 days); 'T' being issue closing date.  The T+3 timeline for listing shall be appropriately disclosed in the Offer Documents of public issues.  Accordingly, the revised timelines for listing of specified securities and various activities involved in the public issue process are specified in Annexure to this circular.
No. SEBI/LAD- NRO/GN/202 3/149	August 23, 2023	<b>Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2023</b>  <a href="https://www.sebi.gov.in/legal/regulations/aug-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-third-amendment-">https://www.sebi.gov.in/legal/regulations/aug-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-third-amendment-</a>	The SEBI (LODR) Regulations, 2015, has been amended wherein Chapter VIA has been inserted which relates to the Framework for voluntary Delisting of Non-Convertible Debt Securities or Non-Convertible redeemable preference shares and obligations of the listed entity on such delisting.

Notification Number	Date of Issue	Subject	Gist
		<a href="#">regulations-2023_75861.html</a>	

### IBBI UPDATES

Notification Number	Date of Issue	Subject	Gist
NIL	NIL	NIL	NIL

**OTHER UPDATES:**

Notification Number	Date of Issue	Subject	Gist
NO. 22 OF 2023	August 11, 2023	<b>The Digital Personal Data Protection Act, 2023</b>  <a href="https://www.meit.gov.in/writereaddata/files/Digital%20Personal%20Data%20Protection%20Act%202023.pdf">https://www.meit.gov.in/writereaddata/files/Digital%20Personal%20Data%20Protection%20Act%202023.pdf</a>	<p>The Digital Personal Data Protection Bill, 2023 introduced on 3 August 2023 and was passed by the Lower House of the Parliament on 7 August 2023 and by the Upper House of the Parliament on 9 August 2023.</p> <p>The bill has received the Presidential assent followed by official gazette notification on 11 August 2023.</p> <p>The Digital Personal Data Protection Act, 2023, lays down procedures to process personal data in a lawful manner. The Act seeks to establish a comprehensive national framework for processing personal data, replacing the limited data protection framework under the IT Act.</p> <p>While only “sensitive” personal data was covered in the erstwhile law, this new law covers all “personal data” which is defined as “any data about an individual who is identifiable by or in relation to such data”.</p> <p>The Act has defined terms such as “Data Fiduciaries,” “Significant Data Fiduciaries,” for whom the Act is applicable and provides rights for “Data Principals”.</p>



## GST UPDATES

Notification Number	Date of Issue	Subject	Gist
F. No. 190354/133/2023- TRU	August 01, 2023	<b>Clarifications regarding applicability of GST on certain services</b>  <a href="https://taxinformation.cbic.gov.in/view-pdf/1003175/ENG/Circulars">https://taxinformation.cbic.gov.in/view-pdf/1003175/ENG/Circulars</a>	<p>Clarifications on the following issues has been proffered by the Department as below:</p> <p><b>1. Whether services supplied by director of a company in his personal capacity such as renting of immovable property to the company or body corporate are subject to Reverse Charge mechanism?</b> – It is hereby clarified that services supplied by a director of a company or body corporate to the company body corporate in his private or personal capacity such as services supplied by way of renting of immovable property to the company or body corporate are not taxable under RCM.</p> <p>Only those services supplied by the director of company or body corporate, which are supplied by him as or in the capacity of director of that entity shall be taxable under RCM in the hands of the company or body corporate.</p> <p><b>2. Whether supply of food or beverages in cinema halls is taxable as restaurant service?</b> – It is clarified that supply of food or beverages in a cinema hall is taxable as ‘restaurant service’ as long as: a) the food or beverages are supplied by way of or as part of a service, and b) supplied independent of the cinema exhibition service.</p>
ADVISORY	August 24, 2023	<b>MERA BILL MERA ADHIKAAR SCHEME</b>  <a href="https://www.gst.gov.in/newsandupdates/read/599">https://www.gst.gov.in/newsandupdates/read/599</a>	<p>As per the direction from the Government, the GSTN has developed and launched a mobile application (available on iOS and Android platforms) and a web portal for the “<b>Mera Bill Mera Adhikaar</b>” scheme.</p> <p>This scheme will be implemented from September 01, 2023 initially in the States of Gujarat, Assam, Haryana and UTs of Puducherry and Daman &amp; Diu and Dadra &amp; Nagar Haveli, as per the policy decision of the Government.</p> <p>For ease of use and to guide taxpayers through the process of participating in the scheme via the mobile application or web portal, a detailed user</p>

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			<p>manual is available at the link below for your reference:</p> <p><a href="https://tutorial.gst.gov.in/downloads/news/mbma_user_manual_18_august_2023_final.pdf">https://tutorial.gst.gov.in/downloads/news/mbma_user_manual_18_august_2023_final.pdf</a></p>
ADVISORY	August 28, 2023	<p><b>Advisory for applicants where GST Registration application marked for Biometric-based Aadhaar Authentication</b></p> <p><a href="https://www.gst.gov.in/newsandupdates/read/600">https://www.gst.gov.in/newsandupdates/read/600</a></p>	<p>Rule 8 of CGST Rules had been amended to provide that those applicants who had opted for authentication of Aadhaar number and identified on the common portal, based on data analysis and risk parameters, shall be placed for biometric-based Aadhaar authentication, and taking photograph(s) of the applicant.</p> <p>Pilot for implementation of the above change is ready for roll out by GSTN portal and is being launched in Puducherry from August 30, 2023, in the pilot phase.</p> <p>After submission of application in Form GST REG-01, the applicant will either get the message for visiting GST Suvidha Kendra (GSK) or a link on the declared Mobile and Email ID; as may be applicable, based on identification by common portal so that registration process may be completed.</p> <p>Applicants who get message for visiting GSK, will have to visit at the designated GSK as conveyed on Mobile/Email and get biometric authentications for all required persons as per the GST Application Form REG-01 before the TRN expiry date as detailed in e-mail for Biometric-based Aadhaar Authentication process.</p> <p>Application Reference Number (ARN) will be generated only after the completion of Biometric-based Aadhaar Authentication process.</p>
ADVISORY	August 31, 2023	<p><b>Introducing Electronic Credit Reversal and Reclaimed statement</b></p> <p><a href="https://www.gst.gov.in/newsandupdates/read/601">https://www.gst.gov.in/newsandupdates/read/601</a></p>	<p>Certain changes were introduced in Table 4 of Form GSTR-3B vide Notification No. 14/2022 – Central Tax dated July 05, 2022, so as to enable the taxpayers in reporting correct information regarding ITC availed, ITC reversal, ITC re-claimed and ineligible ITC.</p> <p>The re-claimable ITC earlier reversed in Table 4(B)2 may be subsequently claimed in Table 4(A)5 on fulfilment of necessary conditions. Such</p>

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			<p>reclaimed ITC also needs to be explicitly reported in Table 4D (1).</p> <p>In order to facilitate the taxpayers in correct and accurate reporting of ITC reversal and reclaim thereof and to avoid clerical mistakes, a new ledger namely <b><i>Electronic Credit and Re-claimed Statement</i></b> is being introduced on the GST portal.</p> <p>This statement will help the taxpayers in tracking of their ITC that has been reversed in Table 4B (2) and thereafter re-claimed in Table 4D (1) and 4A (5) for each return period, starting from August return period.</p>
Notification No. 38/2023 – Central Tax	August 04, 2023	<p><b>The Central Goods and Services Tax (Second Amendment) Rules, 2023</b></p> <p><a href="https://taxinformation.cbic.gov.in/view-pdf/1009820/ENG/Notifications">https://taxinformation.cbic.gov.in/view-pdf/1009820/ENG/Notifications</a></p>	<p>The Ministry of Finance, Department of Revenue, CBIC, has issued the Central Goods and Services Tax (Second Amendment) Rules, 2023, which has amended the existing Central Goods and Services Tax (CGST) Rules, 2017. Some of the key changes are as below:</p> <ul style="list-style-type: none"> <li>• <b>Amendment in Rule 9:</b> Under this amendment, the phrase “in the presence of the said person” has been eliminated which makes the procedure for verification of the registration of taxable persons under the Act more efficient and less dependent on physical presence.</li> <li>• <b>Amendment in Rule 10A:</b> A new deadline has been introduced for submitting bank account details wherein the same has to be furnished within 30 days of grant of registration or before filing of statement of outwards supplies in FORM GSTR-1/ IFF, whichever is earlier.</li> <li>• <b>Amendments in Rule 21A:</b> Rule 21A has been substituted to provide for system-based suspension of the registration of taxpayers who do not furnish valid bank account details as per timeline and automatic revocation of such system-based suspension has also been introduced upon compliance.</li> <li>• <b>Amendment in Rule 25:</b> This rule now provides for physical verification of applicant in certain high-risk cases, even where Aadhaar has been authenticated.</li> </ul>

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			<ul style="list-style-type: none"> <li>• <b>Amendments in CGST Rule 46:</b> Rule 46 has been simplified regarding “address on record of the recipient” for B2C supplies.</li> <li>• <b>Introduction of New Rule 88D:</b> A new rule, 88D, has been introduced to deal with the difference in input tax credit as per the auto-generated statement and that availed in the return. This rule helps streamline the process of availing input tax credit, reducing discrepancies and promoting accurate reporting.</li> </ul> <p>Many other rules have undergone changes and modifications as part of the Central Goods and Services Tax (Second Amendment) Rules, 2023, including Rules 108, 109, 138F, 142B, 162, and 163.</p> <p>Additionally, new forms have been launched, like FORM GST DRC-01C and FORM GST DRC-01D. Several existing forms, such as FORM GSTR-3A, GSTR-5A, GSTR-8, GSTR-9, GSTR-9C, and GST RFD-01, have also undergone prominent changes.</p>

### INCOME TAX UPDATES:

Notification Number	Date of Issue	Subject	Gist
G.S.R. 579(E)	August 01, 2023	<b>The Income-tax (Fourteenth Amendment) Rules, 2023</b>  <a href="https://incometaxindia.gov.in/communications/notification/notification-54-2023.pdf">https://incometaxindia.gov.in/communications/notification/notification-54-2023.pdf</a>	<p>The amendment introduces Form No. 3AF for furnishing statements regarding preliminary expenses incurred by taxpayers which should be submitted one month prior to the due date for filing the income tax return.</p> <p>The form shall be furnished electronically either under digital signature or through an electronic verification code.</p> <p>The amendment also replaces Form No. 3AE in the Income-tax Rules, 1962, with new forms to be used for audit reports under section 35D(4)/35E(6) of the Income-tax Act, 1961.</p> <p>The rules shall come into force with effect from the 1st day of April 2024.</p>
G.S.R. 595(E)	August 09, 2023	<b>The Income-tax (Fifteenth Amendment) Rules, 2023</b>  <a href="https://incometaxindia.gov.in/communications/notification/notification-58-2023.pdf">https://incometaxindia.gov.in/communications/notification/notification-58-2023.pdf</a>	<p>The amendment provides that where an eligible assessee has entered into an eligible international transaction and the option for safe harbor is exercised, the transfer price declared by the assessee in respect of such transaction shall be accepted by the income-tax authorities. This move extends the applicability of Safe Harbour rules to Assessment Year (AY) 2023-24.</p> <p>This amendment is effective from 1st day of April, 2023.</p>
G.S.R. 604(E)	August 16, 2023	<b>The Income tax Amendment (Sixteenth Amendment), Rules, 2023</b>  <a href="https://incometaxindia.gov.in/communications/notification/notification-61-2023.pdf">https://incometaxindia.gov.in/communications/notification/notification-61-2023.pdf</a>	<p>The Sixteenth Amendment has inserted Rule 11UACA which specifies the manner of computation of income chargeable to tax related to the sums received under life insurance policies.</p>
G.S.R. 607(E)	August 17, 2023	<b>The Income-tax (Seventeenth Amendment) Rules, 2023</b>  <a href="https://incometaxindia.gov.in/communications/notification/notification-64-2023.pdf">https://incometaxindia.gov.in/communications/notification/notification-64-2023.pdf</a>	<p>The Income-tax (Seventeenth Amendment) Rules, 2023 specifies the rate of exchange for the purpose of deduction of tax at source on income payable in foreign currency.</p> <p>Under the new rule, the rate of exchange for the calculation of the value in rupees of income payable in foreign currency shall be the telegraphic transfer buying rate of such currency as on the date on</p>

Notification Number	Date of Issue	Subject	Gist
			<p>which the tax is required to be deducted at source under the provisions of Chapter XVIIIB by the person responsible for paying such income.</p> <p>This applies to income payable to an assessee outside India, to a Unit located in an International Financial Services Centre, and by a Unit located in an International Financial Services Centre to an assessee in India.</p>
G.S.R. 615(E)	August 18, 2023	<b>The Income tax (Eighteenth Amendment), Rules, 2023</b>  <a href="https://incometaxindia.gov.in/communications/notification/notification-65-2023.pdf">https://incometaxindia.gov.in/communications/notification/notification-65-2023.pdf</a>	<p>The Income-tax (Seventeenth Amendment) Rules, 2023, has issued the revised method for calculation of value of residential accommodation provided by the employer to employee for levy of income tax, on following scenarios:</p> <ul style="list-style-type: none"> <li>• Residential accommodation provided by government to employees</li> <li>• Residential accommodation provided by private employers</li> <li>• Residential accommodation owned by employer</li> <li>• Residential accommodation provided by employer through lease</li> <li>• Residential accommodation provided by employer in a hotel</li> </ul> <p>The main amendment made by these rules is to the definition of "perquisite" in section 17 of the Income-tax Act, 1961. The definition has been expanded to include the value of rent-free or concessional accommodation provided to an employee by his employer.</p> <p>The amended rules also provide for a few exemptions from the calculation of the value of the perquisite.</p> <p>These Rules shall come into force with effect from the 1st day of September 2023.</p>
G.S.R. 630(E)	August 28, 2023	<b>The Income-tax (Nineteenth Amendment) Rules, 2023</b>  <a href="https://incometaxindia.gov.in/communications/notification/notification-70-2023.pdf">https://incometaxindia.gov.in/communications/notification/notification-70-2023.pdf</a>	<p>The Finance Act 2023 amended Section 132 to provide enhanced scope to avail of the requisition services &amp; avail the services of the valuation officer by the authorized officer. Pursuant to amendments in Section 132, the CBDT has introduced the addition of Rule 13 and Rule 13A. These rules are accompanied by the introduction of two new forms: Form No. 6C and Form No. 6CA.</p>

Notification Number	Date of Issue	Subject	Gist
G.S.R. 637(E)	August 30, 2023	<b>The Income-tax (Twentieth Amendment) Rules, 2023</b>  <a href="https://incometaxindia.gov.in/communications/notification/notification-73-2023.pdf">https://incometaxindia.gov.in/communications/notification/notification-73-2023.pdf</a>	<p>The Finance Act of 2023 introduced a new sub-section (20) to Section 155, effective October 1, 2023. This sub-section applies in cases where income has been reported in an income tax return for a particular assessment year, but the tax was deducted at source (TDS) in a subsequent financial year.</p> <p>To facilitate this amendment, CBDT, through this amendment, has introduced a new Rule 134 into the Income-tax Rules, 1962, which mandates the submission of Form 71 to claim TDS credit in such scenarios.</p>