

Veritas Finance Private Limited

REGULATORY UPDATE

DECEMBER 2019

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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: December 2019

Coverage:

The Newsletter would broadly cover the following applicable areas:

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Image courtesy : Reserve Bank of India (website: <https://rbi.org.in/>)

RESERVE BANK OF INDIA

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Circular Number	Date of Issue	Subject / Applicability	Gist
RBI/2019-20/121 DOR.NBFC(PD) CC.No.106/03.10.124/2019-20	23.12.2019	Review of Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017 https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11764&Mode=0	<p>RBI has amended the Prudential Norms with regard to the Peer to Peer (P2P) Lending Platform.</p> <p>The aggregate exposure of a lender to all borrowers at any point of time, across all P2P platforms, shall be subject to a cap of ₹ 50,00,000 provided that such investments of the lenders on P2P platforms are consistent with their net-worth.</p> <p>The lender investing more than ₹ 10,00,000 across P2P platforms is now required to produce a certificate to P2P platforms from a practicing Chartered Accountant certifying minimum net-worth of ₹ 50,00,000.</p> <p>Further, all the lenders are now mandated to submit a declaration to P2P platforms that they have understood all the risks associated with lending transactions and that P2P platform does not assure return of principal/payment of interest.</p> <p>The Fund transfer between the participants on the Peer to Peer Lending Platform shall now be only through Escrow accounts which would be operated by a bank promoted trustee.</p> <p>At least two escrow accounts (one for funds received from lenders and one for disbursal) are to be maintained and all fund transfers shall be through and from bank accounts and cash transaction is strictly prohibited.</p>



Image courtesy : Securities and Exchange Board of India (website :<https://www.sebi.gov.in/>)

SECURITIES AND EXCHANGE BOARD OF INDIA

SECURITIES AND EXCHANGE BOARD OF INDIA

Circular Number	Date of Issue	Subject / Applicability	Gist
CIR/CFD/CMD1/162/2019	24.12.2019	<p>Format on Statement of Deviation or Variation for proceeds of public issue, rights issue, preferential issue, Qualified Institutions Placement (QIP) etc.</p> <p>https://www.sebi.gov.in/legal/circulars/dec-2019/format-on-statement-of-deviation-or-variation-for-proceeds-of-public-issue-rights-issue-preferential-issue-qualified-institutions-placement-qip-etc-45447.html</p>	<p>As per Regulation 32 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all the listed entities are required to submit to the stock exchange, a statement of deviation or variation, after review by the Audit Committee, on a quarterly basis for public issue, rights issue, preferential issue, QIP, indicating deviations, if any, in the use of proceeds and the category wise variation between projected utilisation of funds and the actual utilisation of funds.</p> <p>This statement of deviation or variation shall be submitted to the Stock exchange till the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved.</p> <p>SEBI has issued a common format for submitting the statement of deviation or variation.</p> <p>The first such submission shall be made by the listed entities for the quarter ending December 31, 2019.</p> <p>The subsequent submissions shall be quarterly along with the declaration of financial results (within 45 days of end of each quarter / 60 days from the end of the last quarter of the financial year) until the proceeds have been completely utilised or the purpose for which these proceeds were raised has been achieved.</p>
SEBI/LAD-NRO/GN/2019/45	26.12.2019	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2019	<p><u>Regulation 34(2)(f) is modified</u> - SEBI requires the top One Thousand Listed Entities based on market capitalization to describe in its business responsibility report the initiatives taken by it from an environmental, social and governance perspective. This requirement was earlier limited to top Five Hundred Listed Entities.</p> <p><u>Proviso is inserted to Regulation 42(2)</u> In case of rights issue, the Listed entities shall intimate the Record Date to the stock exchange/s at least Three working days prior instead of Seven working days.</p>



सत्यमेव जयते

Ministry of Corporate Affairs
Government Of India

Image courtesy : Ministry of Corporate Affairs (website <http://www.mca.gov.in/MinistryV2/homepage.html>)

MINISTRY OF CORPORATE AFFAIRS

MINISTRY OF CORPORATE AFFAIRS

Notification Number	Date of Issue	Subject	Gist
S.O. 4569(E) & S.O. 4570(E)	19.12.2019	Notification of special courts http://www.mca.gov.in/Ministry/pdf/SpecialCourtNotification_23122019.pdf	<p>The Ministry of Corporate Affairs ("MCA") has designated the following Special Courts in the Union Territory of Jammu & Kashmir, Ladakh and the state of Uttarakhand for the purpose of providing speedy trial of offences punishable with imprisonment of two years or more.</p> <p>A. To ensure speedy trial of offences punishable with imprisonment of two years or more-</p> <ul style="list-style-type: none"> • 'Court of IV Additional District and Session Judge, Dehradun' for State of Uttarakhand (and) • 'Principal Sessions Judge, Leh' for Union territory of Ladakh. <p>B. To ensure speedy trial of other offences-</p> <ul style="list-style-type: none"> • 'Court of II Additional Chief Judicial Magistrate, Dehradun' for State of Uttarakhand. • 'Sub - Judge / Special Mobile Magistrates, Jammu and Srinagar' for Union territory of Jammu and Kashmir. • 'Chief Judicial Magistrate, Leh' for Union territory of Ladakh.



INSOLVENCY AND BANKRUPTCY CODE, 2016(IBC)

Circular Number	Date of Issue	Subject / Applicability	Gist
Bill No. 376 of 2019	12.12.2019	<p>THE INSOLVENCY AND BANKRUPTCY CODE (SECOND AMENDMENT) BILL, 2019</p> <p>https://www.ibbi.gov.in/uploads/whatsnew/e8375d7cd983efcbf956da5937050ffc.pdf</p>	<p>In order to remove the difficulties and streamlining the Corporate Insolvency Resolution Process ("CIRP"), the Insolvency And Bankruptcy Code (Second Amendment) Bill, 2019 has been introduced for approval in the Houses of Parliament.</p> <p>The following are the proposed amendments:</p> <p>Insolvency Commencement Date (ICD)</p> <p>The CIRP shall be deemed to commence from the date of admission into insolvency, and not from date of appointment of Insolvency Resolution Professional (IRP), in case the two dates differ.</p> <p>Interim Finance</p> <p>The scope of interim finance is widened post amendment.</p> <p>While "such other debt" has been defined as of now, it leaves the window open for inclusion as may deem fit by the government.</p> <p>Application by Financial Creditor(FC)</p> <p>It has been amended that an application for initiation of CIRP can be filed only when such application is filed jointly by atleast:</p> <p>(a) 100 of such creditors in the same class; or</p> <p>(b) 10% of the total number of creditors in that class- Whichever is less., AND</p> <p>In case of application by allottees of a real-estate project, application has to be jointly filed by atleast:</p> <p>(a) 100 of such allottees under the same project; or</p> <p>(b) 10% of the total number of allottees of the same real estate project, Whichever is less.</p> <p>For applications not admitted before the commencement of the Amendment Act, the application is required to be modified in terms of the aforesaid proviso, failing which it shall be deemed to be withdrawn before admission.</p> <p>Persons not entitled to make application</p> <p>The Amendment Act has proposed that a corporate debtor is not ineligible under Section 11, from initiating CIRP against another corporate debtor.</p>

Circular Number	Date of Issue	Subject / Applicability	Gist
			<p>Moratorium</p> <p>The Amendment has proposed that a license, permit, registration, quota, concession, clearances or a similar grant or right given by the Central Government, State Government, local authority, sectoral regulator or any other authority constituted under any other law for the time being in force, shall not be suspended or terminated on the grounds of insolvency. It is subject to the condition that there is no default in payment of current dues arising for the use or continuation of the license, permit, registration, quota, concession, clearances or a similar grant or right during the moratorium period.</p> <p>Essential goods and services</p> <p>According to the Interim Resolution Professional (IRP) or Resolution Professional (RP), if the supply of goods or services is considered critical to protect and preserve the value of the Corporate Debtor and manage the operations of such Corporate Debtor as a going concern, then the supply of such goods or services shall not be terminated, suspended or interrupted during the period of moratorium. However if such Corporate Debtor has not paid dues arising from such supply during the moratorium period, then the same shall be terminated or suspended.</p> <p>Inapplicability of moratorium</p> <p>Moratorium is not applicable to such transactions, agreements or other arrangements as may be notified by the Central Government in consultation with any financial sector regulator or any other authority.</p> <p>Appointment of IRP</p> <p>IRP to be appointed on the insolvency commencement date and not within fourteen days from the insolvency commencement date.</p> <p>Committee of Creditors</p> <p>The Amendment prescribes further conditions on which a financial creditor who is regulated by a financial sector regulator shall not be considered to be a related party of the Corporate Debtor by providing power to the regulator to prescribe such transactions on completion of which a FC may not be considered as a related party.</p>

Circular Number	Date of Issue	Subject / Applicability	Gist
			<p>Office of RP</p> <p>Clarity has now been provided by the amendment that the RP shall continue to manage the operations of the corporate debtor after the expiry of CIRP period, until an order approving the resolution plan or appointing a liquidator is passed by the Adjudicating Authority</p> <p>Ineligibility to submit resolution plan</p> <p>As the scope of considering a FC not to be a related party widened, the scope of related party of a resolution applicant for determining eligibility under section 29A has also been accordingly narrowed.</p> <p>Liability for prior offences</p> <p>The liability of corporate debtor in respect of offences committed prior to the offence committed prior to the commencement of CIRP has been done away with subject to conditions.</p> <p>Power of CG to notify financial sector providers</p> <p>Power has now been provided to the CG in consultation with the appropriate financial sector regulators, to notify financial service providers or categories of financial service providers for the purpose of their insolvency and liquidation proceedings, which may be conducted under this Code, in such manner as may be prescribed.</p> <p>Power to make rules</p> <p>The said amendment allows the Central Government by way of rules, to prescribe, the transactions on completion of which the FC will not be treated as related party of CD.</p> <p>Power to make regulations- insertion of clause-(ia)</p> <p>The said amendment allows IBBI to set out regulations with respect to the changes as provided for in the Amendment Bill.</p>
No 16.2019	29.12.2019	<p>THE INSOLVENCY AND BANKRUPTCY CODE (AMENDMENT) ORDINANCE, 2019</p> <p>https://www.ibbi.gov.in/uploads/legalframework/d6b171ec9b9ea5c54f7423bc36f92977.pdf</p>	<p>The Insolvency and Bankruptcy Code, 2016 is amended vide this ordinance to fill critical gaps by incorporating the following:</p> <ul style="list-style-type: none"> to give the highest priority for repayment of last mile funding to corporate debtor to prevent insolvency. to provide immunity against prosecution of the corporate debtor. to prevent action against the property of such corporate debtor and successful resolution applicant subject to fulfillment of certain conditions .



GST UPDATES

GST UPDATE

HIGHLIGHTS OF 38TH GST COUNCIL MEETING- 10TH DECEMBER 2019

1. Due dates extended For GSTR-9 And GSTR-9c For Fy 2017-18 Till 31 January 2020

The due date of GSTR-9 and GSTR-9C are extended further till 31 January 2020 from the earlier date of 31 December 2019. It was done to allow more time for taxpayers to use the offline tool of GSTR-9C that is expected to be made available on 21 December 2019.

2. Provisional ITC claim in GSTR-3B further restricted:

The amount of ITC availed on a provisional basis restricted to 10% from the earlier 20%, where invoices or debit notes are not reflected in GSTR-2A. Hence, invoice matching must be frequently done and vendor communication becomes challenging.

3. Late fee waiver on GSTR-1 through amnesty scheme:

Waiver of late fee for GSTR-1 for tax periods between Jul 17 and Nov 19, if filed by 10 January 2020. If the taxpayer does not still file for more than two consecutive tax periods, then e-way bills of such taxpayer will be blocked from generation.

4. Standard Operating Procedure (SOP) in case of non filing of GSTR-3B defined for taxman:

The SOP is to be released for the benefit of tax officers about actions taken for non-filing of GSTR-3B. These will help in blocking or reversal of fake ITC availed.

5. Due dates for GST returns extended for certain category of taxpayers:

The due date extension for GST returns for some North Eastern States (November 2019) to be extended till 31 Dec 2019.

6. The GST Council decided to levy 28% tax on all lotteries

- Opts for voting to conclude the matter
- Date of applicability is 1 March 2020
- Prior, GST rates on lottery schemes were as follows:
 1. State-owned – 12%
 2. State-authorized – 28%

7. GST Rate rationalised to remove inverted tax structure

The GST Council imposes a uniform rate of 18% from earlier 12% on bags belonging to HSN code 3923/6305 from 1 January 2020 (woven and non-woven bags and sacks of polythene or polypropylene strips or the like, whether or not laminated, of a kind used for packing of goods including FIBC). It effectively removes the inverted tax structure.

8. GST exemption for the industrial land developers:

Supply should be a long-term lease of an industrial or financial infrastructure plots. The Central or State Government holds 20% or more shares in the developer's capital from the earlier share of at least 50%. Exemption to apply from 1 January 2020.

9. Other Decisions:

Amendments to the GST law to be taken up in the Union Budget 2020-21. Several thoughts deliberated on GST revenue augmentation. Grievance Redressal Committees (GRC) will be constituted at Zonal/State level to address grievances of specific/ general nature of taxpayers.

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