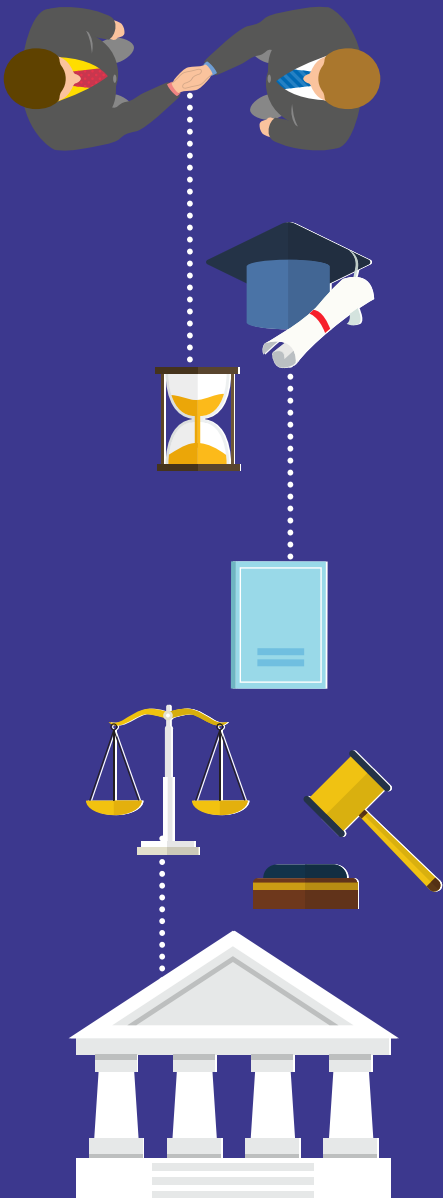


# Regulatory updates



## MCA notified sections of the Companies (Amendment) Act, 2017 and modified certain rules under the Companies Act, 2013

The Ministry of Corporate Affairs (MCA) issued two notifications on 5 July 2018 notification no. S.O. 3299 E. and S.O. 3300 E. to notify certain provisions of the Companies (Amendment) Act, 2017 (the Amendment Act).

Following are some of the key provisions of the Amendment Act recently notified:

- **Company to Report Satisfaction of Charge (Section 82):** Under 2013 Act Section 82(1) requires companies to intimate to the Registrar of Companies (RoC) within 30 days of the payment or satisfaction in full of registered charge. The Amendment Act provides that RoC may on application by the company allow such intimation to be made within 300 days of payment or satisfaction on payment with additional fees as prescribed. This section is applicable from 5 July 2018.

- **Prohibition on acceptance of deposits from public (Section 73):** Currently, Section 73(2) of the 2013 Act permits a company to accept deposits from its members and public, subject to specified conditions. One of the conditions requires a company to deposit an amount, not less than 15 per cent of the amount of its deposits maturing during a Financial Year (FY) and the FY next following, in a scheduled bank (in a separate bank account) to be called as 'deposit repayment reserve account'. The Amendment Act changes the requirement for maintaining a deposit repayment reserve account in a scheduled bank to 20 per cent of the amount of deposits maturing during the following financial year.

Further, the requirement to provide a deposit insurance in respect of the amount of deposits accepted by the company has been dispensed with. Additionally, companies which have made good the default committed in the past would be allowed to accept deposits after five years from the date of the default remediation. These notified amendments are effective from 15 August 2018.

- **Repayment of deposits (Section 74):** The timeline for repayment of deposits accepted by the company before the commencement of the 2013 Act has been modified by the Amendment Act. It clarifies that the amount of deposits accepted by a company before the commencement of the 2013 Act should be repaid on within the following periods (whichever is earlier):
  - Within three years from the date of commencement of the 2013 Act (earlier the time period was one year), or

- Before the expiry of the period for which the deposits were accepted (earlier it was the date on which such payments are due).

Additionally, renewal of such deposits would take place as per the provisions of Chapter V of the 2013 Act and related Rules.

This notified amendment is effective from 15 August 2018.

On 5 July 2018, the MCA also issued following amendment rules:

- **Companies (Registration of Charges) Amendment Rules, 2018:** The notification amends Rule 8 of the Companies (Registration of Charges) Rules, 2014. According to the amendment, a company or a charge holder would (from the date of satisfaction in full of any registered charge) give an intimation of the same to the RoC in the Form CHG-4 within a period of 300 days instead of 30 days. The amended rules are effective from 6 July 2018.

- **The Companies (Acceptance of Deposits) Amendment Rules, 2018:** The notification amends following provisions of the Companies (Acceptance of Deposits) Rules, 2014:
  - Rule 4 of the amended rules provides that a certificate of the statutory auditor of the company should be attached along with the circular for invitation of deposits from its members, stating that the company has not committed any default in the repayment of deposits or interest on such deposits. In case a company had committed a default then certificate should state that the company had made good the default and a period of five years has lapsed since the rectification of default.
  - Pursuant to amendment in Section 74 of the 2013 Act, the requirement of deposit insurance from the regulations have been omitted. Accordingly Rule 5 relating to the details of deposit insurance forming part of Register of Deposits has been omitted.
  - Rule 13 provides that the amount of deposits in 'deposit repayment reserve account' with a scheduled commercial bank at any time should not fall below 20 per cent (instead of 15 per cent) of the amount of deposits maturing during the financial year.
  - The new Form DPT-1 and DPT-3 have been issued.

The amended rules are effective from 15 August 2018.

- **Companies (Appointment and Qualification of Directors) Fourth Amendment Rules, 2018:** Rule 11 of Companies (Appointment and Qualification of Directors) Rules 2014 has been amended to provide that every individual who has been allotted a Director Identification Number (DIN) as on 31 March of a financial year is required to submit e-form DIR-3-KYC to the central government on or before 30 April of immediate next financial year. Also the directors who have already been allotted DIN as at 31 March 2018 are also required to submit e-form DIR-3 KYC on or before 31 August, 2018. In case of default, central government has the authority to deactivate the DIN of the defaulters. The amended rules are effective from 10 July 2018.

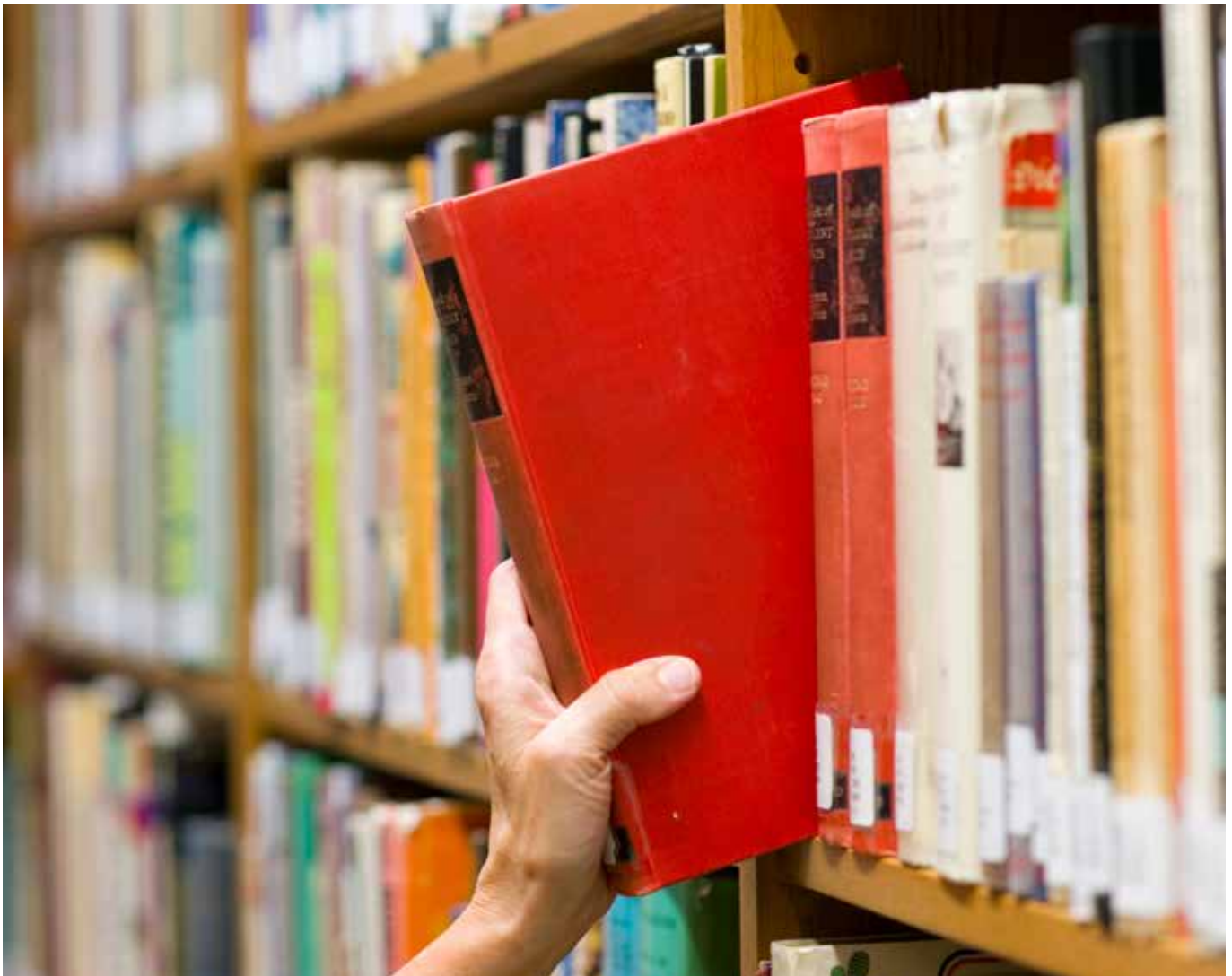
(Source: MCA notifications no. S.O. 3299 E. and S.O. 3300 E. , Companies (Registration of Charges) Amendment Rules, 2018, Companies (Acceptance of Deposits) Amendment Rules, 2018, Companies (Appointment and Qualification of Directors) fourth Amendment Rules, 2018 dated 5 July 2018)

### ICAI issued Ind AS disclosure checklist

The disclosure component of the Ind AS plays a critical role similar to other components of Ind AS and also disclosure requirements under Ind AS are enhanced in comparison to the Accounting Standards (AS). With an aim to provide a compilation of all the disclosures required by Ind AS at one place, The Institute of Chartered Accountants of India (ICAI) issued Ind AS: Disclosure Checklist.

The disclosure checklist provides disclosures requirements under Ind AS applicable to entities preparing financial statements voluntarily and mandatorily in accordance with Ind AS. The disclosures checklist is based on Ind AS that are effective as on 1 April 2018, and includes disclosures required under Ind AS 115, *Revenue from Contracts with Customers*.

(Source: Ind AS: Disclosure Checklist issued by ICAI dated 30 June 2018)



## Exposure drafts issued by ICAI

Recently, ICAI has issued following exposure drafts:

- **AS 19, Employee Benefits**

The Companies (Indian Accounting Standards) Rules, 2015 lays down the road map for entities for implementation of Ind AS converged with IFRS in a phased manner. For other class of companies not covered under the corporate road map (i.e. primarily unlisted entities with net worth less than INR250 crore, including non-corporate entities) AS as notified under Companies (Accounting Standards) Rules, 2006 continue to remain applicable.

The MCA had requested the Accounting Standards Board (ASB) of ICAI to upgrade AS in order to bring them nearer to the requirements of Ind AS. In this context, ICAI has recently issued exposure drafts of AS 19, *Employee Benefits*

The exposure draft of AS 19 is based on principles of Ind AS 19, *Employee Benefits* and it will replace existing AS 15, *Employee Benefits*. The requirements of proposed AS 19 and Ind AS 19 are largely similar, except that AS 19 provides certain relief to small and medium-sized entities from certain recognition, measurement and disclosure requirements. Additionally, the exposure draft does not include guidance similar to Appendix B, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* of Ind AS 19. Appendix B provides guidance on interaction of ceiling of asset recognition and minimum funding requirements in case of defined benefit obligations.

The period to provide comments ends on 10 August 2018.

- **SA 800 (Revised), Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks:** The Standard on Auditing (SA) 800 (Revised) deals with special considerations in the application of the SAs to an audit of financial statements that are prepared in accordance with a special purpose framework. The exposure draft includes limited amendments to provide clarity about how the new and revised SAs<sup>1</sup> apply in the context of special purpose financial statements.

These amendments are not intended to substantively change the underlying premise of these engagements in accordance with the extant SAs. The exposure draft

is based on ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* issued by International Auditing and Assurance Standards Board (IAASB) in January 2016.

- **SA 805 (Revised), Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement:** The SA 805 (Revised) deals with special considerations in the application of the SAs to an audit of a financial statement or a specific element, account, or item of a financial statement. The exposure draft includes limited amendments to provide clarity about how the new and revised SAs<sup>1</sup> apply in the context of special purpose financial statements.

These amendments are not intended to substantively change the underlying premise of these engagements in accordance with the extant SAs. The exposure draft is based on ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* issued by IAASB in January 2016.

- **SA 810 (Revised), Engagements to Report on Summary Financial Statements:** The SA 810 (Revised) deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with SAs by the same auditor.

The limited amendments to SA 810 (Revised) leverage the additional transparency in the auditor's report on the audited financial statements resulting from new and revised SAs, in particular SA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, and new SA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*. The exposure draft is based on ISA 810 (Revised), *Engagements to Report on Summary Financial Statements* issued by IAASB in March 2016.

The period to provide comments on above exposure drafts relating to SA 800 (Revised), SA 805 (Revised) and SA 810 (Revised) ends on 25 August 2018.

(Source: Exposure Drafts of AS 19, SA 800 (Revised), SA 805 (Revised) and SA 810 (Revised) issued by ICAI dated 10 July 2018)

1. SA 260(Revised), Communication with Those charged with Governance  
SA 570 (Revised), Going Concern  
SA 700 (Revised) Forming an Opinion and Reporting on Financial Statements,  
SA 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report.  
SA 706(Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report.  
SA 720 (Revised), The Auditor's Responsibilities relating to Other Information.

## The CBDT revised monetary limits and certain conditions for the tax department to file appeals

On 10 December 2015, the Central Board of Direct Taxes (CBDT) issued a circular no. 21/2015, to specify the monetary limits and other conditions for the filing of appeals by the tax department on merits before the Income-tax Appellate Tribunal (ITAT), High Courts and Special Leave Petitions (SLPs) before the Supreme Court.

In order to reduce the litigation on income-tax matters, the CBDT issued circular (no. 3/2018) on 11 July 2018. This circular increases the threshold limit for filing of appeal before judicial authorities.

The following table provides the revised monetary limits:

Sr. No.	Appeals/SLPs in income-tax matters	Current monetary limit of tax effect (INR)	Revised monetary limit of tax effect (INR)
1.	Before the ITAT	10 lakh	20 lakh
2.	Before the High Court	20 lakh	50 lakh
3.	Before the Supreme Court	25 lakh	1 crore

Additionally, the circular provides a definition of tax effect, computation formula for determination of tax effect and exceptions to specified monetary limits.

For detailed discussion on this topic, refer KPMG in India's Tax Flash News - CBDT Circular: revision of monetary limits and certain conditions for the tax department to file appeals before the Income-tax Appellate Tribunal, High Courts and Supreme Court dated 13 July 2018

(Source: Circular no. 3/2018 dated 11 July 2018 issued by CBDT)

## The CBDT amends the Tax Audit Report (Form 3CD)

The CBDT through its notification dated 20 July 2018 amended the Income-tax Rules, 1962 with respect to the Tax Audit Report (Form 3CD). This form is required to be certified by an auditor under Section 44AB of the Income-tax Act, 1961 (IT Act). The amended rules will come into force from 20 August 2018.

The amended form 3CD requires following key additional disclosures:

- Deduction claimed under Section 32AD of the IT Act on investment in new plant and machinery in notified backward areas
- Disclosure with respect to payment basis deduction under Section 43B(g) of the IT Act of any sum payable by the taxpayer to the Indian Railways for the use of railway assets
- The amount received and date of receipt of the deemed dividend reference to in Section 2(22)(e) of the IT Act
- Information relating to amount received as a gift that are chargeable to tax as per Section 56(2)(x) of IT Act
- Break-up of the total expenditure of entities registered or not registered under the Goods and Services Tax (GST).

Please refer KPMG in India's Tax Flash News KPMG Flash News: CBDT amends the Tax Audit Report (Form 3CD) dated 25 July 2018 for a detailed overview of the above amendments.

(Source: Notification no. G.S.R. 666(E). dated 20 July 2018 issued by CBDT)

