



# NEWSLETTER

October 2021

## Contents

Reserve Bank of India (RBI)  
Securities Exchange Board of India (SEBI)  
Central Board of Direct Taxes (CBDT)

## Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances

The Reserve Bank of India (RBI) on October 01, 2021, issued the master circular to introduce, a phased manner, prudential norms for income recognition, asset classification, and provisioning for the advances portfolio of the banks so as to move towards greater consistency and transparency in the published accounts.

The RBI wanted that the classification of assets of banks has to be done on the basis of objective criteria which would ensure a uniform and consistent application of the norms and also the provisioning should be made on the basis of the classification of assets based on the period for which the asset has remained non-performing and the availability of security and the realizable value thereof.

RBI advises banks to ensure that while granting loans and advances, realistic repayment schedules may be fixed on the basis of cash flows with borrowers. This would go a long way to facilitate prompt repayment by the borrowers and thus improve the record of recovery in advances.

[Click here to view the notification.](#)

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## RBI issues clarification on eligibility Limit for Instruments Denominated in Foreign Currency/Rupee Denominated Bonds Overseas under Basel III Capital Regulations

The Reserve Bank of India (RBI) on October 04, 2021, has issued a notification to clarify the eligibility Limit for Instruments Denominated in Foreign Currency/Rupee Denominated Bonds Overseas under Basel III Capital Regulations.

After receiving various requests from several banks RBI clarified that the "eligible amount" for purpose of issue of PDIs in foreign currency as per para (ii) of Annex 4 to the Master "Eligible amount" in this context shall mean the higher of:

(a) 1.5% of RWA and

(b) Total Additional Tier 1 capital

as on March 31 of the previous financial year.

\*Not applicable to foreign banks' branches"

All the other terms of the Master Circular on Basel III Capital Regulations dated July 1, 2015, referred to above, as amended from time to time, shall remain unchanged. The issuances as above shall be subject to all applicable prudential norms and FEMA guidelines.

[Click here to view the notification.](#)

## RBI revises the Subsidiary General Ledger (SGL) Account Guidelines and Constituents' Subsidiary General Ledger (CSGL) Account Guidelines

The Reserve Bank of India (RBI) on October 05, 2021 has issued revision in the eligibility criteria and Subsidiary General Ledger (SGL) Account Guidelines and Constituents' Subsidiary General Ledger (CSGL) Account Guidelines.

The eligibility criteria and guidelines for the Subsidiary General Ledger (SGL) Account are as followed:

- Licensed Banks
- Primary Dealers authorised by Reserve Bank of India
- Financial institutions as defined in terms of Section 45-I (c) (ii) of the Reserve Bank of India Act, 1934 (2 of 1934)
- Central Government
- State Governments
- Insurance Companies regulated by Insurance Regulatory and Development Authority
- Mutual Funds regulated by Securities and Exchange Board of India
- Provident and Pension Funds and Pension Fund Managers
- Foreign Central Banks with prior approval of the Bank
- Depositories as defined under the Depositories Act 1996
- Stock Holding Corporation of India (SHCIL)

The eligibility criteria and guidelines for the Constituents' Subsidiary General Ledger (CSGL) account are as followed:

- Licensed banks with minimum net worth of Rs.100 cr.
- Primary Dealers authorised by Reserve Bank of India
- Depositories as defined under Depositories Act 1996
- Clearing Corporation of India Limited or other Clearing Corporations as may be approved by the Bank
- National Bank for Agriculture and Rural Development (NABARD)
- Stock Holding Corporation of India Ltd (SHCIL)

[Click here to view the notification.](#)

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## RBI issues enhancement in family pension of employees of banks

The Reserve Bank of India (RBI) on October 4, 2021 has issued Enhancement in family pension of employees of banks -Treatment of additional liability. The additional liability on account of revision in family pension consequent to the settlement should be fully recognised and charged to the Profit and Loss Account in the current financial year.

Further, if not fully charged to the Profit and Loss Account

during the financial year 2021-22, be amortised over a period not exceeding five years beginning with the financial year ending March 31, 2022, subject to a minimum of 1/5th of the total amount involved being expensed every year.

Therefore, the liability for enhancement of family pension shall be fully recognised as per applicable accounting standards.

[Click here](#) to view notification.

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## RBI issues value free transfer (VFT) of Government Securities

The Reserve Bank of India (RBI) on October 5, 2021 has issued Value Free Transfer (VFT) of Government Securities. It has been decided to issue revised Value Free Transfer Guidelines to further streamline VFT of government securities.

• The following transactions shall be eligible for VFT of government securities:

• Transfers on account of gifts and inheritance, between one CSGL account to another.

• Own account transfer of securities from SGL/CSGL accounts to SGL/CSGL accounts where there is no change in beneficiary ownership.

• Transfer of securities on account of mergers/demergers, acquisitions and amalgamations.

• Transfer of securities on account of change of custodians by Foreign Portfolio Investors.

• Transfer of Gilt Account Holder's (GAH) securities from one CSGL account to another CSGL account, in case a GAH decides to close his gilt account with one CSGL account holder and open a new gilt account with another CSGL account holder.

• Permission for VFT for any other purpose may be granted on a case-to-case basis by the Bank.

• The auditor shall verify that the transactions fall under eligible VFT transactions under para 3/para 4 of the Guidelines. Any deviations may be brought to the notice of the Bank by the SGL/CSGL holders immediately.

[Click here](#) to view the notification.

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## RBI includes "Paytm Payments Bank Limited" in the Second Schedule of the Reserve Bank of India Act, 1934

The Reserve Bank of India (RBI) on October 07, 2021 has issued a notification to include "Paytm Payments Bank Limited" in the Second Schedule of the Reserve Bank of India Act, 1934.

[Click here](#) to view the notification.

## RBI extended the facility of Priority Sector Lending on Banks to NBFCs

The Reserve Bank of India (RBI) on October 8, 2021 has issued an extension in the facility of Priority Sector Lending on Banks' lending to NBFCs for on-lending.

Therefore, in the view of increasing the traction observed in delivering credit to the underserved/unserved segments of the economy has been extended till March 31, 2022 as issued Statement on Developmental and Regulatory Policies, dated October 8, 2021.

Further, Loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity whichever is earlier, and the bank loans to HFCs for on-lending for the purpose of housing, as prescribed in para 23 of our MD on PSL dated September 4, 2020, will continue as hitherto.

[Click here](#) to view the notification.

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## RBI issues Data Format for Furnishing of Credit Information to Credit Information Companies

The Reserve Bank of India (RBI) on October 14, 2021 has issued Data Format for Furnishing of Credit Information to Credit Information Companies. The RS details are very important in establishing cross-linkages across the three modules that is Consumer, Commercial and MFI Bureaus while providing comprehensive credit information of a borrower to Credit Institutions (CIs) by CICs.

Further, it has been decided that the reporting of RS data by CIs to CICs would henceforth be mandatory. To ensure implementation in a non-disruptive manner, the reporting requirement may be staggered in the manner, namely: -

• A phased approach shall be followed for reporting of legacy data as detailed below:

a. The accounts opened during the period (July 1, 2021 to June 30, 2022) have to be updated by January 1, 2023.

b. The accounts opened in past three years (July 1, 2018 to June 30, 2021) have to be updated by July 1, 2023.

c. A timeline for reporting of the remainder legacy data would be reviewed by the Technical Working Group and the CIs would be advised in due course.

• The reporting would be mandatory in respect of new loan accounts opened after July 1, 2022.

The CIs are advised to commence reporting the aforesaid information as per the prescribed timelines to CICs.

[Click here](#) to view the notification.

## Gol issues new series of Sovereign Gold Bond Scheme (SGB) 2021-22

The Government of India (GoI) on October 21, 2021 has issued new series of sovereign Gold Bonds Scheme 2021-22.

### • Period of subscription

The Subscription of the Gold Bonds under this Scheme shall be open (Monday to Friday) on the dates specified above, provided that the Central Government may, with prior notice, close the Scheme at any time before the period specified above.

### • Application

Subscription for the Bonds may be made in the prescribed application form Form A or in any other form as near as thereto, stating clearly the grams (in units) of gold and the full name and address of the applicant. Every application must be accompanied by valid 'PAN details' issued by the Income Tax Department to the investor(s). Scheduled Commercial Banks (excluding RRBs, Small Finance Banks and Payment Banks), designated Post Offices (as may be notified), Stock Holding Corporation of India Ltd (SHCIL), Clearing Corporation of India Limited and recognized stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange Ltd. are authorized to receive applications for the Bonds either directly or through agents and render all services to the customers. The Receiving Office shall issue an acknowledgment receipt in Form B to the applicant.

• All online applications should be accompanied by the email Id of the investor/s which should be uploaded on the E-kuber portal along with the subscription details.

[Click here](#) to view the notification.

## RBI revises Framework of Scale based Regulation for NBFCs

The Reserve Bank of India (RBI) on October 22, 2021 has issued a circular regarding the revision of the framework of Scale Based Regulations for Non-banking Financial Companies (NBFCs). RBI has decided to first issue an integrated regulatory framework for NBFCs under SBR providing a holistic view of the SBR structure, set of fresh regulations being introduced and respective timelines. Detailed guidelines as delineated in the Annex (Provided in the link), will be issued subsequently.

These guidelines shall be effective from October 01, 2022. The instructions relating to the ceiling on IPO funding given in the Annex shall come into effect from April 01, 2022.

[Click here](#) to view the notification.

## RBI issues Procedural Guidelines for Sovereign Gold Bond Scheme of GoI

The Reserve Bank of India (RBI) on October 22, 2021 has issued Procedural Guidelines for Sovereign Gold Bond Scheme of Government of India (GoI).

The consolidated Guidelines are as followed:

### • Procedural Guidelines for servicing the bonds:

#### o Application

(i) ROs are authorized to receive Application forms from eligible investors at the branches either directly or through agents. Applications shall be received at branches during normal banking hours on the weeks of subscription as notified by GOI/RBI from time to time. Subscription of the form shall be made in prescribed application Form A.

(ii) Every application must be accompanied by the 'PAN details' issued by the Income Tax Department to the investor(s). Relevant additional details may be obtained from the applicants, where necessary.

(iii) The Investor ID generated from RBI's E-Kuber is a unique id which is created while applying for SGB or Inflation Indexed National Savings Securities- Cumulative, 2013 (IINSC-C). In case the applicant already has an investor ID issued by RBI's E-Kuber portal for above investment in any of the earlier tranches, the same should invariably be quoted by investor while making any subsequent applications.

(iv) While accepting applications, ROs may ascertain from the applicant the details of existing investor ID if any. In case of failure to quote the same, the E-Kuber portal shall reject the application, while uploading the same.

(v) All payments for subscription to SGB shall be accepted in Indian Rupees through cash up to a maximum of Rs.20,000/- or cheque/ demand drafts/electronic banking.

The cheque/ demand drafts shall be drawn in favour of the RO. The payments for applications received for SGBs to be held in RDG Account shall be made through electronic banking only.

(vi) ROs need to ensure that the application is complete in all respects as incomplete applications are liable to be rejected.

(vii) The ROs may make arrangements to enable the investors to apply online, in the interest of better customer service. While providing online services, it is the responsibility of ROs to ensure that all relevant fields for capturing details of the applicant, mode of holding and other details as per the terms and conditions specified in Notification are duly provided for. All online applications should be accompanied by the email Id of the investor/s which should be uploaded on the Ekuber portal along with the subscription details.

vii) On receipt of complete application as above, the ROs shall issue an acknowledgement receipt in Form B.

(vii) An incomplete application is liable to be rejected if all the requirements of the application are not fulfilled within the period specified for subscription.

• Allotment of Bonds and Generation of “Certificates of Holding (COH)”:

- Nomination
- Transfer of Bonds
- Loan against the bonds and creation of pledge, hypothecation or lien.
- Payment of Interest
- Repayment of Bonds

[Click here](#) to view the notification.

## RBI amends Gold Monetisation scheme, 2015

The Reserve Bank of India (RBI) on October 28, 2021 has issued a notification to insert certain new paragraphs in the Gold Monetisation Scheme, 2015.

The inserted paragraphs are as followed:

• A new sub-paragraph 2.2.2 (f) has been inserted namely: “2.2.2 (f) Interest on premature closure of the deposit in case of death of depositor before and after lock-in period, The amount payable to the depositor shall be calculated as a sum of (A) and (B), as indicated below:

(A) Actual market value of the gold deposit on the day of withdrawal.

(B) Interest payable on the value of the gold for the period of deposit at the applicable rate.

(i) Before lock-in period:

(ii) After lock-in period:

• A new sub-paragraph 2.2.2 (g) has been inserted, namely: 2.2.2 (g) Interest on premature closure of the deposit due to default of loan taken against MLTGD before and after lock-in period

The amount payable to the depositor shall be calculated as a sum of (A) and (B), as indicated below:

(A) Actual market value of the gold deposit on the day of withdrawal.

(B) Interest payable on the value of the gold for the period of deposit at the applicable rate.

(i) Before lock-in period:

(ii) After lock-in period:

[Click here](#) to view the notification.

## Reserve Bank of India (Prudential Norms on Capital Adequacy for Local Area Banks) Directions, 2021

The Reserve Bank of India (RBI) on October 26, 2021 has issued the Reserve Bank of India (Prudential Norms on Capital Adequacy for Local Area Banks) Directions, 2021 which will be applicable to all Local Area Banks, licensed to operate in India by the Reserve Bank of India to specify the prudential norms from the point of view of capital adequacy.

The foremost provisions of the Directions are as followed:

- o Swap Transactions

Banks shall not enter into swap transactions involving conversion of fixed rate rupee liabilities in respect of Tier I/Tier II bonds into floating rate foreign currency liabilities.

- o Capital Charge for Subsidiaries

A consolidated bank defined as a group of entities which include a licensed bank shall maintain a minimum Capital to Risk-weighted Assets Ratio (CRAR) as applicable to the parent bank on an ongoing basis. The parent bank shall consider the following points while computing capital funds:

i. Banks shall maintain a minimum capital to risk weighted assets ratio of 9%. Non-bank subsidiaries shall maintain the capital adequacy ratio prescribed by their respective regulators. In case of any shortfall in the capital adequacy ratio of any of the subsidiaries, the parent shall maintain capital in addition to its own regulatory requirements to cover the shortfall.

ii. Risks inherent in deconsolidated entities in the group shall be assessed and any shortfall in the regulatory capital in the deconsolidated entities shall be deducted (in equal proportion from Tier I and Tier II capital) from the consolidated bank's capital in the proportion of its equity stake in the entity.

- o Scope and Coverage of Capital Charge for Market Risks

The capital charge for market risk shall cover the capital charges for interest rate related instruments in the trading book, equities in the trading book and foreign exchange risk (including gold and other precious metals) in both trading and banking books. Trading book for the purpose of capital adequacy shall include:

(i) Securities included under the Held for Trading category

(ii) Securities included under the Available for Sale category

(iii) Open gold position

(iv) Open foreign exchange position

(v) Trading positions in derivatives, and



(vi) Derivatives entered into for hedging trading book exposures.

o Banks shall manage the market risks in their books on an ongoing basis and ensure that the capital requirements for market risks are maintained on a continuous basis, at the close of each business day. Banks shall also maintain strict risk management systems to monitor and control intra-day exposures to market risks.

- General Market Risk

(a) The capital charge for general market risk is designed to capture the risk of loss arising from changes in market interest rates. The capital charge shall be the sum of three components:

o the net short (short position is not allowed in India except in derivatives and Central Government Securities) or long position in the whole trading book;

o a small proportion of the matched positions in each time-band (the "vertical disallowance"); and

o a larger proportion of the matched positions across different time-bands (the "horizontal disallowance").

(b) Banks shall adopt the standardized duration method for computation of capital charge for market risk. Banks shall be required to measure the general market risk charge by calculating the price sensitivity (modified duration) of each position separately. The mechanics shall be as follows:

o first calculate the price sensitivity (modified duration) of each instrument;

o next apply the assumed change in yield to the modified duration of each instrument between 0.6 and 1.0 percentage points depending on the maturity of the instrument as specified in Annex 8;

o slot the resulting capital charge measures into a maturity ladder with the fifteen-time bands as specified in Annex 8;

o subject long and short positions in each time band to a 5 percent vertical disallowance designed to capture basis risk; and

- carry forward the net positions in each time band for horizontal offsetting subject to the disallowances specified in Annex 9.

#### Measurement of Capital Charge for Foreign Exchange and Gold Open Positions

Foreign exchange open positions and gold open positions shall be risk-weighted at 100%. The capital charge for foreign exchange and gold open positions (limits or actual whichever is higher) shall attract a capital charge at 9%.

[Click here](#) to view the notification.

## SEBI further relaxes the procedural matters relating to Issues and Listing

The Security Exchange Board of India has issued a circular on October 01, 2021, regarding the relaxation in the procedural matters related to Issues and Listing by referring to Circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020, which specifies Relaxations relating to procedural matters – Issues and Listing.

The relaxations provided are mentioned in Paragraph No. (iv) of the notification.

[Click here](#) to view the notification.

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## SEBI advises on Disclosure of Complaints against the Stock Exchange(s) and the Clearing Corporation(s)

The Security Exchange Board of India through a circular dated October 04, 2021, has issued to disclose the complaints against stock exchange(s) and the clearing corporation(s) to maintain transparency in the Investor Grievance Redressal Mechanism.

All the information has to be updated on the website by the 7th of the succeeding month.

[Click here](#) to view the notification.

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## SEBI issues Circular on Discontinuation of usage of pool accounts for transactions in units of Mutual Funds on the Stock Exchange Platforms

The Security Exchange Board of India has issued a circular on October 04, 2021, regarding the Discontinuation of usage of pool accounts for transactions in units of Mutual Funds on the Stock Exchange Platforms.

The recommendations of the Mutual Fund Advisory Committee are explained in the aforementioned circular.

[Click here](#) to view the notification.

## SEBI amends manner and mechanism of providing exit options under certain regulations of SEBI (InvIT) Regulations

The Securities Exchange Board of India has issued a circular on October 05, 2021, regarding the mechanism of providing exit options to dissenting unitholders pursuant to Regulation 22(5C) and Regulation 22(7) of SEBI (Infrastructure Investment Trusts) Regulations, 2014 by modifying an earlier circular SEBI/HO/DDHS/DDHS/CIR/P/2020/122 dated July 17, 2020.

The modifications have been made to Clause 2.5A and Clause 3.4.

[Click here](#) to view the notification.

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## SEBI issues circular on Mutual Funds

The Securities Exchange Board of India has issued a circular on October 04, 2021, regarding the discontinuation of usage of pool accounts by entities including online platforms other than stock exchanges for transactions in the units of Mutual Funds.

All the directions have been provided in the aforementioned circular.

[Click here](#) to view the notification.

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## SEBI amends manner and mechanism of providing exit options under certain regulations of SEBI (REIT) Regulations

The Securities Exchange Board of India has issued a circular on October 05, 2021, regarding the manner and mechanism of providing exit options to dissenting unitholders pursuant to Regulation 22(6A) and Regulation 22(8) of SEBI (Real Estate Investment Trusts) Regulations, 2014 by modifying an earlier circular SEBI/HO/DDHS/DDHS/CIR/P/2020/123 dated July 17, 2020.

The modifications have been made to Clause 2.5A and Clause 3.4.

[Click here](#) to view the notification.

## SEBI revised Formats for filing financial information for issuers of nonconvertible securities

The Securities Exchange Board of India through a circular dated October 05, 2021 regarding revised Formats for filing financial information for issuers of nonconvertible securities.

The revised format for reporting of financial information and limited review report has been explained in the aforementioned circular.

[Click here](#) to view the notification.

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## SEBI issues minimum percentage of trades carried out by mutual funds through RFQ platform

The Securities Exchange Board of India through a circular dated October 06, 2021 issued regarding the Minimum percentage of trades carried out by mutual funds through the RFQ platform by amending an older circular SEBI/HO/IMD/DF3/CIR/P/2020/130 dated July 22, 2020.

After the recommendations of the advisory committee, the changes have been made to paragraph 1(A) (i) of the aforementioned notification.

[Click here](#) to view the notification.

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## SEBI streamlines the issuance of SCORES authentication

The Securities Exchange Board of India through a circular dated October 14, 2021 introduced a new online mechanism for obtaining SCORES credentials for all "companies intending to list their securities on SEBI recognized stock exchanges. The official website for accessing the online forms is [www.scores.gov.in](http://www.scores.gov.in).

Companies shall attach a declaration, with the online form, on the letterhead of the company signed by the Compliance Officer.

[Click here](#) to view the notification.

## SEBI revises the formats for Limited Review/Audit report for issuers of non-convertible securities

The Securities Exchange Board of India through a circular dated October 14, 2021 has revised the formats for Limited Review/Audit report for issuers of non-convertible securities.

It was made mandatory to disclose financial results on a quarterly basis, including assets & liabilities and cash flows as well as requiring certain changes in the line items in the financial results.

The revised formats have been explained in the aforementioned circular.

[Click here](#) to view the notification.

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## SEBI clarifies on Modalities for filing of placement memorandum through a Merchant Banker

The Securities Exchange Board of India has issued a circular on October 21, 2021 to provide specifications on Modalities for filing of placement memorandum through a Merchant Banker under SEBI (Alternative Investment Funds) Regulations, 2012.

The specifications have been explained in the aforementioned circular.

[Click here](#) to view the notification.

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## SEBI made amendment in a circular pertaining to Investor Protection Fund (IPF)/Investor Service Fund (ISF) and its related matters

The Securities Exchange Board of India has issued a circular on October 22, 2021 to make amendments in a previous circular pertaining to Investor Protection Fund (IPF)/Investor Service Fund (ISF) and its related matters that are circular no. CIR/CDMRD/DEICE/CIR/P/2017/53 dated June 13, 2017.

The provisions of this circular shall come into effect from January 01, 2022.

[Click here](#) to view the notification.



## SEBI amends certain Circulars pertaining to Investor Grievance Redressal System and Arbitration Mechanism

The Securities Exchange Board of India has issued a circular on October 22, 2021 to make certain amendments in certain circulars which are related to Investor Grievance Redressal System and Arbitration Mechanism they are circular no CIR/CDMRD/DEICE/CIR/P/2017/77 dated July 11, 2017 and CIR/CDMRD/DCE/CIR/P/2018/48 dated March 14, 2018.

The provisions of this circular shall come into effect from January 01, 2022.

[Click here](#) to view the notification.

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## The Securities and Exchange Board of India (Foreign Portfolio Investors) (Second Amendment) Regulations, 2021

The Securities Exchange Board of India on October 26, 2021 has issued Securities and Exchange Board of India (Foreign Portfolio Investors) (Second Amendment) Regulations, 2021 to further amend the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019.

The amendments made in Regulation 4 are explained in the aforementioned circular.

[Click here](#) to view the notification.

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## SEBI issues Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes

The Securities Exchange Board of India through a circular dated October 26, 2021 has issued Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes.

The recommendations of the Mutual Fund Advisory Committee are taken into account to standardize and bring uniformity in the Benchmarks of Mutual Fund Schemes.

The guidelines are explained in the aforementioned circular.

[Click here](#) to view the notification.

## SEBI issues maintenance of current accounts in multiple banks by Stock Brokers

The Securities Exchange Board of India through a circular dated October 28, 2021 has issued Maintenance of current accounts in multiple banks by Stock Brokers to clarify that stockbrokers should maintain an account in no. of banks as prescribed by Stock Exchanges/SEBI from time to time) for holding the client funds (i.e., Client Account), for settlement purposes (i.e., Settlement Account).

[Click here](#) to view the notification.

## Income-tax (31st Amendment) Rules, 2021

The Central Board of Direct Taxes (CBDT) on October 01, 2021 has issued the Income-tax (31st Amendment) Rules, 2021 to further amend the Income-tax Rules, 1962.

The following amendments have been made:

- Rule 11UE, which specifies, the Specified conditions under Explanation to fifth and sixth proviso to Explanation 5 to clause (i) of sub-section (1) of section 9, has been inserted, namely:

(1) For the purposes of clauses (i), (ii) and (iii) of the Explanation to fifth and sixth proviso to Explanation 5 to clause (i) of sub-section (1) of section 9, the declarant shall furnish an undertaking in Form No. 1 and shall append the undertakings from all the interested parties in Part M of the Annexure to the undertaking in Form No. 1 and furnish all the attachments required to be furnished under any clause or Part thereof.

(2) The conditions for the purposes of clause (iv) of the Explanation to fifth and sixth proviso to Explanation 5 to clause (i) of sub-section (1) of section 9 shall be the following, namely: -

(3) After the grant of certificate in Form No. 2, the conditions under sub-rule (2) of rule 11UE shall be fulfilled by the declarant and interested parties and an intimation to this effect shall be filed by the declarant in Form No. 3 within sixty days of the date of receipt of certificate in Form No. 2 under sub-rule (2) with the jurisdictional Principal Commissioner or Commissioner.

(4) The jurisdictional Principal Commissioner or Commissioner may, on an application made by the declarant, extend the period of sixty days under sub-rule (3) by a further period not exceeding sixty days.

(5) Where the intimation in Form No. 3 is filed after the period of sixty days under sub-rule (3) or further period extended under sub-rule (4), as the case may be, then, notwithstanding anything contained in any other provision of rule 11UE and this rule, such intimation in Form No. 3 shall be treated as invalid and the provisions of this rule shall apply as if such person had never furnished the intimation in Form No. 3.

(6) No intimation in Form No.3 under sub-rule (3) shall be required to be furnished by the declarant if the following conditions are satisfied.

- In principle rules, appendix IV has also been inserted.

[Click here](#) to view the notification.

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## CBDT exempts a certain class of people for furnishing IT returns

The Central Board of Direct Taxes (CBDT) on October 11, 2021 has issued a notification to exempt a class of people for furnishing Income-Tax return under certain conditions from assessment year 2021-22.

The class of people and the conditions are as followed, respectively:

- A non-resident, not being a company; or A foreign company.

- o The said class of persons does not earn any income in India, during the previous year, other than the income from investment in the specified fund referred to in sub-clause (i) of clause (c) of Explanation to clause (4D) of section 10 of the Income-Tax Act, 1961 which specifies Incomes not included in total income.; and

- o The provisions of section 139A of the Income-Tax Act, which specifies Permanent account number are not applicable to the said class of persons subject to fulfilment of the conditions mentioned in sub-rule (1) of rule 114AAB of the Income-tax Rules, 1962 (hereinafter referred to as „said rules“).

- A non-resident, being an eligible foreign investor.

- o The said class of persons, during the previous year, has made transaction only in capital asset referred to in clause (vii ab) of section 47 of the Income Tax Act which specifies Transactions not regarded as transfer, which are listed on a recognised stock exchange located in any International Financial Services Centre and the consideration on transfer of such capital asset is paid or payable in foreign currency;

- o The said class of persons does not earn any income in India, during the previous year, other than the income from transfer of capital asset referred to in clause (vii ab) of section 47 of the said Act; and

- o The provisions of section 139A of the Income-Tax Act which specifies Permanent account number are not applicable to the said class of persons subject to fulfilment of the conditions mentioned in sub-rule (2A) of rule 114AAB of the said rules.

This notification shall come into force from the date of its publication in the Official Gazette.

[Click here](#) to view the notification.

## CBDT issues Guidelines under clause (23FE) of section 10 of the Income-tax Act, 1961

The Central Board of Direct Taxes (CBDT) on October 26, 2021 has issued Guidelines under clause (23FE) of section 10 of the Income-tax Act, 1961 to clarify that eligibility of exemption under clause (23FE) of section 10 of the Act shall be as follows:

- (a) if the loans and borrowings have been taken by the specified fund or any of its group concern, specifically for the purposes of making investment by the specified fund in India, such fund shall not be eligible for exemption under clause (23FE) of section 10 of the Act; and
- (b) if the loans and borrowings have been taken by the specified fund or any of its group concern, not specifically for the purposes of making investment in India, it shall not be presumed that the investment in India has been made out of such loans and borrowings and such specified fund shall be eligible for exemption under clause 23(FE) of section 10 of the Act, subject to the fulfilment of all other conditions under the said clause, provided that the source of the investment in India is not from such loans and borrowings.

[Click here](#) to view the notification.

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## Relaxation of Validation (section 119 of the Finance Act, 2012) Rules, 2021

The Central Board of Direct Taxes (CBDT) on October 13, 2021 has issued the Relaxation of Validation (section 119 of the Finance Act, 2012) Rules, 2021 to provide clarity in the section 119, of the Finance Act, 2012 which specifies Validation of demands, etc., under Income-tax act, 1961 in certain cases.

The following are the provisions of the rules:

- Form and manner of furnishing undertaking under first proviso to section 119.- The form and manner of furnishing undertaking under Explanation to fifth and sixth proviso to Explanation 5 to clause (i) of sub-section (1) of section 9 of the Income-tax Act, 1961 (43 of 1961) which specifies Income deemed to accrue or arise in India, as prescribed under sub-rule (1) and sub-rule (3) of rule 11UE, which specifies Specified conditions under Explanation to fifth and sixth proviso to Explanation 5 to clause (i) of sub-section (1) of section 9 and rule 11UF which specifies Manner of furnishing undertaking under rule 11UE of the Income-tax Rules, 1962, shall mutatis mutandis apply to clauses (i), (ii) and (iii) of the first proviso to section 119 of the Finance Act, 2012 (23 of 2012).
- Conditions under clause (iv) of first proviso to section 119.- The conditions for the purposes of clause (iv) of the Explanation to fifth and sixth proviso to Explanation 5 to clause (i) of sub-section (1) of section 9 of the Income- tax Act, 1961 (43 of 1961) which specifies Income deemed to accrue or arise in India, as prescribed under sub-rule (2) of rule 11UE of the Income-tax Rules, 1962 which specifies Specified conditions under Explanation to fifth and sixth proviso to Explanation 5 to clause (i) of sub-section (1) of section 9, shall mutatis mutandis apply to clause (iv) of the first proviso to section 119 of the Finance Act, 2012 (23 of 2012).

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## CBDT extends the timeline for refund claims of assessment year 2017-18

The Central Board of Direct Taxes (CBDT) on September 30, 2021 has issued an order to extend the timelines for all validly filed returns up to Assessment Year 2017-18 with refund claims, which could not be processed under sub-section (1) of the Section 143 of the Act, which specifies assessment and which had become time-barred. Earlier the date for the same was September 30, 2021 and now it has been extended till November 30, 2021.

All other contents of the said order u/s 119 of the Act dated July 05, 2021 will remain unchanged.

[Click here](#) to view the notification.