



NEWSLETTER

November 2021

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Reserve Bank of India (RBI)
Ministry of Corporate Affairs (MCA)
Securities Exchange Board of India (SEBI)
Central Board of Direct Taxes (CBDT)

RBI issues Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks

The Reserve Bank of India (RBI) on November 2, 2021 has issued Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks. The objective of the PCA Framework is to enable Supervisory intervention at appropriate time and require the Supervised Entity to initiate and implement remedial measures in a timely manner, to restore its financial health. The provisions of the revised PCA Framework will be effective from January 1, 2022.

The Provisions under the Prompt Corrective Action framework for Scheduled Commercial Banks are as follows: -

- Capital, Asset Quality and Leverage will be the key areas for monitoring in the revised framework.
- Indicators to be tracked for Capital, Asset Quality and Leverage would be CRAR/ Common Equity Tier I Ratio 2, Net NPA Ratio 3 and Tier I Leverage Ratio 4 respectively.
- Breach of any risk threshold may result in invocation of PCA.
- The PCA Framework would apply to all banks operating in India including foreign banks operating through branches or subsidiaries based on breach of risk thresholds of identified indicators.
- A bank will generally be placed under PCA Framework based on the Audited Annual Financial Results and the ongoing Supervisory Assessment made by RBI.
- Exit from PCA and Withdrawal of Restrictions under PCA - Once a bank is placed under PCA, taking the bank out of PCA Framework and/or withdrawal of restrictions imposed under the PCA Framework will be considered.

[Click here to view the notification](#)

Master Circular- Income Recognition, Asset Classification, Provisioning and Other Related Matters - UCBs

The Reserve Bank of India (RBI) on November 01, 2021 has issued the Master Circular- Income Recognition, Asset Classification, Provisioning and Other Related Matters - UCBs to reflect a bank's actual financial health in its balance sheet and as per the recommendations made by the Committee on Financial System, the Reserve Bank has introduced, in a phased manner, prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks.

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

Master Circular- Guarantees, Co-Acceptances & Letters of Credit - UCBs

The Reserve Bank of India (RBI) on November 02, 2021 has issued the Master Circular- Guarantees, Co-Acceptances & Letters of Credit – UCBs.

The key points of the Master Circular are as followed:

- Common Guidelines
 - o Credit Exposure Norms and Statutory / Other Restrictions on Non- fund Based Limits
 - (i) UCBs are required to strictly observe exposure norms and statutory / other restrictions prescribed for non-fund based limits (e.g. LCs, Guarantees, Co-acceptances, etc.) as detailed in the Master Circular on 'Exposure Norms and Statutory / Other Restrictions and other norms issued by RBI from time to time.
 - (ii) The exposure ceilings and other restrictions particularly prescribed for
 - a) total credit exposure including non-fund based limits,
 - b) unsecured guarantees,
 - c) advances to bank's Directors,
 - d) loans and advances to relatives of Directors,
 - e) advances to nominal members, must be strictly observed.
 - Guidelines for Grant of LCs Facility
 - LCs for Commodities covered under Selective Credit Controls
 - Payment under LCs - Immediate Settlement of Claims
- [Click here to view the notification.](#)

RBI issues review on Investment by Foreign Portfolio Investors (FPIs) in Debt

The Reserve Bank of India (RBI) on November 8, 2021 has issued the review on Investment by Foreign Portfolio Investors (FPIs) in Debt. FPIs permit to invest in debt securities issued by Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs).

Therefore, FPIs can acquire debt securities issued by InvITs and REITs under the Medium-Term Framework (MTF) or the Voluntary Retention Route (VRR). Such investments shall be reckoned within the limits and shall be subject to the terms and conditions for investments by FPIs in debt securities under the respective regulations of MTF and VRR.

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

RBI issues Master Circular - Guarantees and Co-acceptances

The Reserve Bank of India (RBI) on November 09, 2021 has issued Master Circular - Guarantees and Co-acceptances relating to the conduct of guarantee business by banks.

This circular shall be applicable to all Scheduled Commercial Banks, excluding Payments Banks and Regional Rural Banks.

• General Guidelines

o As regards the purpose of the guarantee, as a general rule, the banks should confine themselves to the provision of financial guarantees and exercise due caution with regard to performance guarantee business.

o As regards maturity, as a rule, banks should guarantee shorter maturities and leave longer maturities to be guaranteed by other institutions.

o No bank guarantee should normally have a maturity of more than 10 years. However, where banks extend long term loans for periods longer than 10 years for various projects, it has been decided to allow banks to also issue guarantees for periods beyond 10 years. While issuing such guarantees, banks are advised to take into account the impact of very long duration guarantees on their Asset Liability Management. Further, banks may evolve a policy on issuance of guarantees beyond 10 years as considered appropriate with the approval of their Board of Directors.

• Compliance to the Prudential Norms

Banks shall comply with all the related prudential norms issued by RBI as amended from time to time.

• Compliance to the regulations of Foreign Exchange Management Act, 2000

o Banks should note to comply with the directions, regulations issued under Foreign Exchange Management (Guarantee) Regulations, 2000 as amended from time to time.

• Precautions to be taken in the case of Letter of Credit

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

RBI issues Integrated Ombudsman Scheme, 2021

The Reserve Bank Of India (RBI) on November 12, 2021 has issued Integrated Ombudsman Scheme, 2021 to make the alternate dispute redress mechanism simpler and more responsive to the customers of entities regulated by Reserve Bank, hereby integrates the three Ombudsman schemes – (i) the Banking Ombudsman Scheme, 2006, as amended up to July 01, 2017; (ii) the Ombudsman Scheme for Non-Banking Financial Companies, 2018; and (iii) the Ombudsman Scheme for Digital Transactions, 2019 into the Reserve Bank - Integrated Ombudsman Scheme, 2021.

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

RBI clarifies on Master Direction on Interest Rate on Deposits under Foreign Currency (Non-resident) Accounts (Banks) Scheme

The Reserve Bank of India (RBI) on November 12, 2021 has Clarifies on Master Direction on Interest Rate on Deposits under Foreign Currency (Non-resident) Accounts (Banks) Scheme by referring to previous notifications.

RBI has decided to permit banks to offer interest rates on FCNR (B) deposits using widely accepted 'Overnight Alternative Reference Rate (ARR) for the respective currency' with upward revision in the interest rates ceiling by 50 bps.

Following Sections have been Amended of the to Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 dated March 03, 2016

- Section 19(d), Interest on floating rate deposits shall be paid within the ceiling of swap rates for the respective currency/ maturity and in case of fixed rate deposits, interest shall be paid within the ceiling of Overnight Alternative Reference Rate* for the respective currency/ maturity.

- Section 19(g), kindly refer to the Annexure in the original document.

- Section 19(h). The Overnight Alternative Reference Rate* for the respective currency / Swap rates quoted/displayed by Foreign Exchange Dealers Association of India (FEDAI) shall be used as the reference for arriving at the interest rates on FCNR (B) deposits.

The following sections have been amended of the Master Direction – Reserve Bank of India (Co-operative Banks – Interest Rate on Deposits) Directions, 2016 :

- Section 18(d), Interest on floating rate deposits shall be paid within the ceiling of swap rates for the respective currency/ maturity and in case of fixed rate deposits, interest shall be paid within the ceiling of Overnight Alternative Reference Rate* for the respective currency/ maturity.

- Section 18(f), The Overnight Alternative Reference Rate* for the respective currency /SWAP rates as on the last working day of the preceding month shall form the base for fixing ceiling rates for the interest rates offered effective in the following month

- Section 18(g), kindly refer to the Annexure in the original document.

- Section 18(h), The Overnight Alternative Reference Rate* for the respective currency / Swap rates quoted/displayed by Foreign Exchange Dealers Association of India (FEDAI) shall be used as the reference for arriving at the interest rates on FCNR (B) deposits.

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

RBI clarifies prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances

The Reserve Bank of India (RBI) on November 12, 2021 has issued clarification on prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances.

• Specification of due date/repayment date

It has been observed that due dates for repayments are sometimes not specifically mentioned in the loan agreements, and instead a description of due dates is mentioned, leaving scope for different interpretations. The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest but complied with at the earliest but not later than December 31, 2021.

• Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

It is further clarified that the instructions on SMA classification of borrower accounts are applicable to all loans², including retail loans, irrespective of size of exposure of the lending institution.

• Clarification regarding definition of 'out of order'

In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, the extant instructions, inter alia, stipulate that the account should be treated as 'out of order' if there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period.

• NPA classification in case of interest payments

In case of interest payments in respect of term loans, an account will be classified as NPA if the interest applied at specified rests remains overdue for more than 90 days. These instructions shall be effective from March 31, 2022

• Upgradation of accounts classified as NPAs

It has been observed that some lending institutions upgrade accounts classified as NPAs to 'standard' asset category upon payment of only interest overdues, partial overdues, etc.

• Income recognition policy for loans with moratorium on payment of interest

• Consumer Education

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

RBI notifies on Auction of Government Securities

The Reserve Bank Of India (RBI) on November 12, 2021 has issued a notification regarding the auction of Government Securities of Non-Competitive Bidding Facility to retail investors With a view to encouraging wider participation and retail holding of Government securities, retail investors are allowed participation on "non-competitive" basis in select auctions of dated Government of India (GoI) securities and Treasury Bills.

Eligibility for the Auction :

Participation on a non-competitive basis in the auctions will be open to a retail investor who:

- does not maintain current account (CA) or Subsidiary General Ledger (SGL) account with the Reserve Bank of India; and
- Submits the bid indirectly through an Aggregator/Facilitator permitted under the scheme; or
- maintains the 'Retail Direct Gilt Account' (RDG Account) with RBI

Other Operational Guidelines :

- The retail investor desirous of participating in the auction under the Scheme would be required to maintain a depository account with any of the depositories or a gilt account under the constituent subsidiary general ledger (CSGL) account of the Aggregator/ Facilitator or 'Retail Direct Gilt Account' (RDG Account) with RBI.
- Under the Scheme, an investor can make only a single bid in an auction. An undertaking to the effect that the investor is making only a single bid will have to be obtained and kept on record by the Aggregator/Facilitator.

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RBI notifies on Appointment of Internal Ombudsman by Non-Banking Financial Companies

The Reserve Bank of India (RBI) on November 15, 2021 has issued a notification on Appointment of Internal Ombudsman by Non-Banking Financial Companies to appoint an Internal Ombudsman (IO).

- The following criteria should be followed by the NBFCs:
 - a) Deposit-taking NBFCs (NBFCs-D) with 10 or more branches.
 - b) Non-Deposit taking NBFCs (NBFCs-ND) with asset size of Rs.5,000 crore and above and having public customer interface.

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

RBI withdraws certain circulars on recommendation of RRA 2.0

The Reserve Bank of India (RBI) on November 16, 2021 has issued a notification to withdraw certain circulars on the Interim recommendations of Regulations Review committee 2.0.

The following circulars have been withdrawn with immediate effect:

- a) Introduction of Credit Default Swaps for Corporate Bonds: Date for Operationalisation Changed (IDMD.PCD.No.12/14.03.04/2011-12) dated October 20, 2011.
- b) Guidelines on Credit Default Swaps (CDS) for Corporate Bonds- Permitting All India Financial Institutions (IDMD.PCD.4085/ 14.03.04/2011-12) dated April 23, 2012.

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

RBI withdraws a circular on recommendation of RRA 2.0

The Reserve Bank of India (RBI) on November 16, 2021 has issued a notification to withdraw a circular on the Interim recommendations of Regulations Review committee 2.0.

Circular A.P. (DIR Series) Circular No.6 dated July 16, 2015 on Foreign Investment in India by Foreign Portfolio Investors has been withdrawn with immediate effect.

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

RBI excludes Baroda UP bank from schedule II of RBI act

The Reserve Bank of India (RBI) on November 22, 2021 has issued a notification to exclude the Baroda UP bank from the second Schedule of the Reserve Bank of India act, 1934 and include Baroda UP bank in the list of three erstwhile regional rural Bank (RRBs) by notification DOR.Rur.S1765/31.04.002/2021-22 dated October 12, 2021

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

MCA announces relaxation on levy of additional fees in filing of e-forms

On 29th October 2021, the MCA had issued a circular to announce the relaxation in levy of additional fees in filing of e-forms AOC-4, AOC-4 (CFS), AOC-4, AOC-4 XBRL AOC-4 Non-XBRL and MGT-7/MGT-7A for the financial year ended on March 31, 2021, under the Companies Act, 2013.

It has been decided no additional fees shall be levied up to December 31 2021, for the filing of e-forms in respect of the financial year ended on March 31, 2021. During the said period, only normal fees shall be payable for the filing of the aforementioned e-forms.

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

MCA issues the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Second Amendment Rules, 2021

On 9th November 2021, the MCA had issued the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Second Amendment Rules, 2021 to further amend the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016.

The following amendments have been made:

- Schedule II, which specifies Documents to be submitted to the Authority to register transmission of securities has been amended.
- Schedule III, which specifies Documents to be submitted to the Authority in case of loss of securities held in physical mode has been amended.
- Schedule IV, which specifies the Procedure to be followed while disposing of the claims has been amended.
- Form which specifies Application to the Authority for claiming unpaid amounts and shares out of Investor Education and Protection Fund (IEPF) has been substituted.

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

MCA and IEPFA further simplify IEPFA Claim Settlement Process towards Ease of Doing Business and Ease of Living

On 12th November 2021, the MCA had issued a notification for further simplifying the claim settlement process through rationalization of various requirements under Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016.

• For Claimants:

The requirement of Advance Receipt has been waived off, the requirement of Succession Certificate/ Probate of Will/ Will has been relaxed up to Rs 5,00,000 (five lakh) both for Physical & DEMAT shares and notarization of documents has been replaced with self-attestation and requirements of Affidavits and Surety relatively have been eased.

• For Companies:

The requirement of attaching documents related to Unclaimed Suspense Account has been eased and companies have been given the flexibility to accept transmission documents viz. Succession Certificate, Will etc. as per their internal approved procedures and Newspaper Advertisement requirement for loss of physical Share Certificate has been waived off up to an amount of Rs.5,00,000.

This new regime envisages a trust-based model for faster citizen-centric services and turnaround time. It is expected that with these changes many more claimants shall come forward to claim their shares and amounts from Investor Education and Protection Fund Authority (IEPFA).

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SEBI issues Common and Simplified Norms for processing investor's service request by RTAs and norms for furnishing PAN, KYC details and Nomination

The Securities and Exchange Board of India on 8th The Securities and Exchange Board of India (SEBI) through a circular dated November 03, 2021, has issued Common and Simplified Norms for RTAs to process investor service requests, as well as Norms for PAN, KYC, and Nomination. All the information has been available in the aforementioned circular.

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

SEBI issues write-off of debt securities held by FPIs who intend to surrender their registration

SEBI through a circular dated November 07, 2021 has issued Write-off of debt securities held by FPIs who intend to surrender their registration.

Now, the FPIs are allowed to also write off all debt securities in their beneficiary account which they are unable to sell for any reason. This shall be applicable only to such FPIs who wish to surrender their registration.

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Securities and Exchange Board of India (Portfolio Managers) (Fourth Amendment) Regulations, 2021

The Securities and Exchange Board of India (SEBI) through a circular dated November 09, 2021, has issued the Securities and Exchange Board of India (Portfolio Managers) (Fourth Amendment) Regulations, 2021 to further amend the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.

The amendments have been made to Regulation 7, Regulation 9, Regulation 11, Regulation 22, and Regulation 24.

All the amendments made are explained in the aforementioned circular.

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

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021

The Securities and Exchange Board of India (SEBI) through a circular dated November 09, 2021 has issued the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 to further amend the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The amendments have been made to Regulation 23.

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

Securities and Exchange Board of India (Alternative Investment Funds) (Fifth Amendment) Regulations, 2021

The Securities and Exchange Board of India (SEBI) through a circular dated November 09, 2021 has issued Securities and Exchange Board of India (Alternative Investment Funds) (Fifth Amendment) Regulations, 2021 to further amend the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

The amendments have been made to Regulation 15 and Regulation 20.

All the amendments made are explained in the aforementioned circular.

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

SEBI modifies the Application and Approval Process under guidelines for the functioning of the Regulatory Sandbox

The Securities and Exchange Board of India (SEBI) through a circular dated November 16, 2021 has modified the redesigned regulatory sandbox structure and provided updated rules relevant to the Regulatory Sandbox's functioning at Annexure A-Standard Operating Procedure published under circular no. SEBI/HO/ITD/ITD/CIR/P/2021/575 dated June 14, 2021.

The circular is issued to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

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SEBI issues clarifications regarding Schemes of Arrangement by Listed Entities

The Securities and Exchange Board of India (SEBI) through a circular dated November 18, 2021 has issued clarifications regarding Schemes of Arrangement by Listed Entities which issued under vide Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020.

As a result, it was decided to give more clarifications on the processing of draft schemes filed with stock exchanges, as well as make some revisions. These modifications aim to ensure that recognised stock exchanges only refer draft schemes to SEBI after being completely convinced that the listed firm complies with the SEBI Act, Rules, Regulations, and Circulars.

Circular shall be applicable for all the schemes filed with the stock exchanges from November 16, 2021.

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

SEBI notifies on Disclosure obligations of listed entities in relation to Related Party Transactions

The Securities and Exchange Board of India (SEBI) through a circular dated November 22, 2021 has issued a circular regarding the Disclosure obligations of listed entities in relation to Related Party Transactions. The RBI has decided to prescribe the information that must be presented to the audit committee and shareholders for RPT consideration.

The circular contains the information to be reviewed by the Audit Committee for approval of RPTs.

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

SEBI clarifies regarding amendment to SEBI (Alternative Investment Funds) Regulations, 2012

The Securities and Exchange Board of India (SEBI) through a circular dated November 22, 2021, has issued a circular regarding the clarifications on amendment of SEBI (Alternative Investment Funds) Regulations, 2012.

The RBI has specified that if the sum of the AIF's corpus and the value of the Co-investment managed by the AIF's Manager as Co-investment Portfolio Manager exceeds five hundred crore rupees, the requirement of appointing a custodian, as provided under Regulation 20(11) of the AIF Regulations, will apply.

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SEBI extends the timeline for commencement of certain provisions of Segregation and Monitoring of Collateral at Client Level

The Securities and Exchange Board of India (SEBI) through a circular dated November 23, 2021 has extended the timeline for the commencement of the provision said in circular no. SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021.

SEBI has decided that provisions of the said circular (apart from provisions of Paragraphs 4 and 5) shall come into force with effect from February 28, 2022 instead of December 01, 2021.

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SEBI amends SEBI ICDR Regulations, 2018 regarding Non-compliance with certain provisions

The Securities and Exchange Board of India (SEBI) through a circular dated November, 23, 2021 has issued Non-compliance with certain provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 by making an amendment in circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/94 dated August 19, 2019, specifying the fines to be imposed by the Stock Exchanges for non-compliance with certain provisions of SEBI (ICDR) Regulations, 2018.

The amendments have been made to Paragraph 9A of the aforementioned circular.

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SEBI notifies on Disclosure of Complaints against the Stock Exchanges (excluding Commodity Exchanges)/Derivatives Exchanges)/Depositories/Clearing Corporations

The Securities and Exchange Board of India (SEBI) through a circular dated November 23, 2021 has issued a circular on Disclosure of Complaints against the Stock Exchanges (excluding Commodity Exchanges)/Derivatives Exchanges)/Depositories/Clearing Corporations to bring about transparency in the Investor Grievance Redressal Mechanism, SEBI decided that all the Stock Exchanges (excluding Commodity Exchanges)/Depositories/Clearing Corporations shall disclose on their website

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Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957

The Securities and Exchange Board of India (SEBI) through a circular dated November, 23, 2021 has issued a Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957.

All the provisions are explained in the aforementioned circular. [Click here](#) to view the notification.

SEBI notifies for Publishing Investor Charter and Disclosure of Complaints by Merchant Bankers on their Websites

The Securities and Exchange Board of India (SEBI) through a circular dated November, 23, 2021 has issued Publishing Investor Charter and Disclosure of Complaints by Merchant Bankers on their Websites, too give investors an idea about the various activities pertaining to primary market issuances as well as exit options like Takeovers, Buybacks, or De-listings.

All the registered Merchant Bankers are hereby advised to disclose on their website, Investor Charter for each of the categories provided at Annexure-'A' to the circular.

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SEBI notifies on Publishing Investor Charter and Disclosure of Investor Complaints by Merchant Bankers on their Websites for public offers by REITs and InvITs

The Securities and Exchange Board of India (SEBI) through a circular dated November, 26, 2021 has issued about Publishing Investor Charter and Disclosure of Investor Complaints by Merchant Bankers on their Websites for public offers by REITs and InvITs on November 26, 2021. To provide investors with relevant information about primary market issuances by REITs and InvITs, SEBI has prepared an Investor Charter in consultation with Merchant Bankers that contains different services to investors at a single location.

SEBI advised all the registered Merchant Bankers to disclose on their websites, the Investor Charter for each of the provided at Annexure – A of the circular.

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SEBI notifies Publishing investor charter and disclosure of investor complaints by Merchant Bankers on their websites for private placements of Municipal debt securities

The Securities and Exchange Board of India (SEBI) through a circular dated November, 26, 2021 has issued regarding Publishing investor charter and disclosure of investor complaints by Merchant Bankers on their websites for private placements of Municipal debt securities to provide investors relevant information about the primary market issuances of municipal debt securities, an Investor Charter has been prepared by SEBI in consultation with Merchant Bankers.

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

Income tax (32nd Amendment), Rules, 2021

The Central Board of Direct Taxes (CBDT) on November 23, 2021 issued the Income tax (32nd Amendment), Rules, 2021 to further amend the Income-tax Rules, 1962. This shall come into force on November 23, 2021.

The following amendment has been made namely: -

- Form 52A which specify “The statement required to be furnished by a person carrying on production of cinematograph films” has been substituted namely: -

“Statement to be furnished to the Assessing Officer of the Income-tax Act, 1961, in respect of production of a cinematograph film.”

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

CBDT exempts a certain class of people for furnishing IT returns

The Central Board of Direct Taxes (CBDT) on November 25, 2021 has issued a circular regarding the guidelines related to sub-section (4) of section 194-0, sub-section (3) of section 194Q and sub-section (I-I) of section 206C of the Income-tax Act, 1961.

The Guidelines are as followed:

- E-auction services carried out through electronic portal:

- o From the representations made, the following facts have been noticed:

- (a) The e-auctioneer conducts e-auction services for its clients in its electronic portal and is responsible for the price discovery only which is reported to the client.

- (b) The price so discovered through e-auction process is not necessarily the price at which the transaction takes place and it is up to the discretion of the client to accept the price or to directly negotiate with the counter-party.

- (c) The transaction of purchase/sale takes place directly between the buyer and the seller party outside the electronic portal maintained by the e-auctioneer and price discovery only acts as the starting point for negotiation and conclusion of purchase/sale.

- (d) The e-auctioneer is not responsible for facilitating the purchase and sale of goods for which e-auction was conducted on its electronic portal except to the extent of price discovery.

- (e) Payments for the transactions are carried out directly between the buyer and the seller outside the electronic portal and the e-auctioneer does not have any information about the quantum and the schedule of payment which is decided mutually by the client and the counterparty.

- (f) For payment made to e-auctioneer for providing e-auction services, the client deducts tax under the relevant provisions of the Act other than section 194-0 of the Act.

- In order to remove difficulty, it is clarified that the provisions of section 194-0 of the Act shall not apply in relation to e-auction activities carried out by e-auctioneers if all the facts listed at (a) to (f) of para 5.1.2 are satisfied. This clarification shall not apply if any of these facts are not satisfied. Further, it is clarified that the buyer and seller would still be liable to deduct/ collect tax as per the provisions of section 194Q and 206C (I H) of the Act, as the case may be.

Thus, for a person to be considered as a buyer for the purposes of section 194Q of the Act, following conditions are required to be fulfilled:

- (a) Such person shall be carrying out a business/ commercial activity;

- (b) The total sales, gross receipts or turnover from such business/ commercial activity shall be more than Rs. 10 crore during the financial year immediately preceding the financial year in which goods are being purchased by such person.

- o Issue has been raised in case where any department of the Government will be considered as a 'seller' for the purposes of deduction of tax under section 194Q of the Act. In this regard, it is hereby clarified that for the purposes of section 194Q, Central Government or State Government shall not be considered as 'seller' and no tax is to be deducted by the buyer, in cases where any Department of Central or State Government are seller of goods.

- o In connection with above, it is further clarified that any other person, such as a Public sector Undertaking or corporation established under Central or State Act or any other such body, authority or entity, shall be required to comply with the provisions of section 194Q and tax shall be deducted accordingly.

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