



Newsletter

Sharp View

July 2021

**SHARP &
TANNAN**

Assurance | Consulting | GRC | Taxation

Ahmedabad | Bengaluru | Chennai | Coimbatore | Delhi | Goa | **Mumbai** | Pune | Vadodara



July 21

At the outset, we extend a warm and hearty Chartered Accountants' Foundation Day to each one of you. 1st July is observed and celebrated across India as Chartered Accountants' Day. A day to honour our Alma matter, 'ICAI' and all its members. We would like to present you a few less known facts about our institute and its members! Here they are...

ICAI is the 2nd largest professional body of Chartered Accountants in the world, with a strong tradition of service to the Indian economy.

ICAI is India's oldest professional body and also among very few of the world's professional bodies formed under an Act of the Parliament.

Shri Gopaldas Padamsey Kapadia was the first Chartered Accountant and the first President of ICAI.

Total number of members as on 1st April 2020: 307238

Our motto: 'Ya Esha Supteshu Jagarti' in Sanskrit means: The only one who is awake among those who sleep. Here 'awake' means 'alert.'

ICAI currently has 34 Chapters abroad that promote Brand 'CA' ahead of similarly placed qualifications. The upcoming 2 Chapters are: Luxembourg Chapter and the UAE (Fujairah) Chapter.

ICAI will host the World Congress of Accountants on 18 - 21 November 2022 in Mumbai, India.



Assurance

Recently, changes to certain Ind AS were made vide Ind AS amendment Rules 2021. While some changes are clarificatory in nature, others have an impact on presentation and disclosure of the financial statements. Mr. Romin Gandhi, Mr. Sunil Satwani and Mr. Jagrut Muley present you the concise summary of the amendments. (Pg 5 to 13)



GRC

Distributed Control Systems are computerized systems which are linked to production plants to regulate, monitor and control the plant operations in a computerized environment. Mr. Hardik Manvar throws light upon the technical side of DCS, which is of utmost importance while managing the operations of a manufacturing set-up, in a digitalized environment. (Pg 15 to 17)



Taxation

Various announcements are recently made under the GST law. From certain clarifications & notifications to amendment in the GST Act itself, Mr. Shouvik Roy summarizes the major highlights in the GST arena. (Pg 19 & 20)



Consulting

India is gearing up for consolidation of its present labour regulations into four distinct Codes, viz. Wages, Social Security, Industrial Relations & Occupational Safety, Health and Working conditions. Ms. Sakshi Shah presents to you a consolidated summary of Code on Wages 2019, which addresses all enactments aimed at regulating minimum wages, timely payment of wages, payment of bonus and prohibition of discrimination in lieu of remuneration, recruitment. (Pg 22 to 27)

Assurance



Ind AS Amendments



Assurance | Ind AS Amendments (1/9)

Companies (Indian Accounting Standards) Amendment Rules, 2021

The Ministry of Corporate Affairs (MCA), vide Notification dated 18 June 2021, has issued the Companies (Indian Accounting Standard) Amendment Rules, 2021 ('Rules 2021') in consultation with the National Financial Reporting Authority (NFRA). It is applicable with effect from 18 June 2021. These have arisen mainly from the issue of a Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS) issued by the Institute of Chartered Accountants of India ('ICAI').

Conceptual Framework

The Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS) ('the Conceptual Framework') is issued with effect from 1 April 2020. The Conceptual Framework describes the objective of, and concepts for, general purpose financial reporting. The purpose of the Conceptual Framework is to:

- a. assist ICAI in formulation of Ind ASs that are based on consistent concepts;
- b. assist preparers to develop consistent accounting policies when no Ind AS applies or when an Ind AS allows a choice;
- c. assist all parties to understand and interpret the Ind ASs.

It is neither an Ind AS nor overrides any Ind AS. Since the Conceptual Framework is introduced by ICAI, where there has been an amendment from the earlier Framework, it is reflected in the appropriate place in the accounting standard.

A brief summary of the key amendments are provided below. This is followed by a table that takes a more detailed look at the amendments.

- Ind AS 102 Share Based Payment - The amendments in terms of defining the term 'Equity Instrument' applicable from 1 April 2021 or retrospectively if it is practical or would not involve undue cost or effort.
- Ind AS 106 Exploration for and evaluation of mineral resources – The amendment is in respect of expenditures related to the development of mineral resources that shall not be recognized as exploration and evaluation assets.
- Ind AS 34 Interim Financial Reporting – Clarifies that, as per Conceptual framework:
 - i. recognition is the process of capturing, for inclusion in the Balance Sheet or Statement of Profit and Loss, an item that meets the definition of one of the elements of the financial statements (in paragraph 31);
 - ii. An essential characteristic of income (revenue) and expenses is that the assets and liabilities related inflows and outflows have already taken place. It does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities (in paragraph 33);
- Ind AS 103 Business Combination (paragraph 11) - It talks about the identified assets and assumed liabilities must meet the definition of 'assets' and 'liabilities' in accordance with the definition given in the Framework for the Preparation and Presentation of Financial Statements in accordance with Ind AS issued by ICAI at the acquisition time for qualifying the recognition criteria as per acquisition method.
- In Ind AS 104 Insurance Contracts - there are no amendments except for references to IFRS. Hence there is no financial or reporting impact of Ind AS 104 on the preparation and presentation of financial statements.
- Ind AS 34 Interim Financial Reporting - The amendments to this standard are made in reference to the conceptual framework of Financial Reporting in Ind AS. Amendment in Para 31 and Para 33 w.r.t. conceptual framework is effective from Q1 FY 2020-21. Any retrospective effect of these amendments shall be considered by entity w.r.t. Ind AS 8. It clarifies that if related inflows and outflows of assets and liabilities have already taken place, then only related revenue and expense are recognized.
- Ind AS 109 Financial Instruments - The amendment provides a practical expedient by inserting new paras 5.4.5 to 5.4.9 for assessment of contractual cash flow test, for the changes in the financial assets or liability that may arise as a result of Interest Rate Benchmark Reform. An additional temporary exception from applying hedge accounting is also added for Interest Rate Benchmark Reform.
- Ind AS 107 Financial Instruments: Disclosures - Para 24 I and J clarifies the certain additional disclosures to be made

Assurance | Ind AS Amendments (2/9)

when entity applies the amendments to Ind AS 109 like

- i. the nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform;
- ii. the entity's progress in completing the transition to alternative benchmark rates, and how the entity is managing the transition.

Existing	Rule	Amendment	Nature of amendments	Impact
Para 63D of Ind AS 102 Share-based Payment	2(B)(i)	After paragraph 63D, the following shall be inserted, namely:- 63E Amendments to References to the Conceptual Framework in Ind AS issued in 2021 amended the footnote to the definition of an equity instrument in Appendix A. An entity shall apply that amendment for annual periods beginning on or after 1 April, 2021. An entity shall apply the amendment to Ind AS 102 retrospectively, in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendment to Ind AS 102 by reference to paragraphs 23–28, 50–53 and 54F of Ind AS 8.	The amendments in terms of defining the term 'Equity Instrument' applicable from 1 April 2021 or retrospectively if it is practical or would not involve undue cost or effort.	The amendment is made in reference to the Conceptual Framework.
Footnote to Appendix A of Ind AS 102 Share-based Payment	2(B)(ii)	The footnote relating to equity instrument, the following shall be substituted, namely:- * The Conceptual Framework issued by ICAI, defines a liability as a present obligation of the entity to transfer an economic resource as a result of past events.	The amendment is made in reference to the Conceptual Framework.	Amendment provides definition of the liability in line with Conceptual Framework.
Para 10 of Ind AS 106 Exploration for and Evaluation of Mineral Resources	2(F)(i)	For Paragraph 10, the following shall be substituted, namely:- 10. Expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets. The Conceptual Framework issued by ICAI, and Ind AS 38, Intangible Assets, provide guidance on the recognition of assets arising from development.	Conceptual Framework and Ind AS 38, provide detailed guidance on the recognition of assets arising from development and this amendment provides clarification that expenditure related to the development of mineral resources are not to be recognised as exploration and evaluation assets.	The amendment is made in reference to the Conceptual Framework.
Para 25 of Ind AS 106 Exploration for and Evaluation of Mineral Resources	2(F)(ii)	After paragraph 25, the following shall be inserted, namely:- —Effective date 26 [Refer Appendix 1] 26A Amendments to References to the Conceptual Framework in Ind AS issued in 2021, amended paragraph 10. An entity shall apply that amendment for annual periods beginning on or after 1 April, 2021. An entity shall apply the amendment to Ind AS 106 retrospectively in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendment to Ind AS 106 by reference to paragraphs 23–28, 50–53 and 54F of Ind AS 8.	Amendment is clarificatory in nature.	Amendment is clarificatory in nature.

Assurance | Ind AS Amendments (3/9)

Existing	Rule	Amendment	Nature of amendments	Impact
Para 1 of Appendix A of Ind AS 106 Exploration for and Evaluation of Mineral Resources	2(F)(iii)	Paragraph 1 of Appendix 1, the following shall be substituted, namely:- 1. Paragraph 26 of IFRS 6 related to Effective Date has not been included in Ind AS 106 since it is not relevant in Indian context. The transitional provisions given in IFRS 6 have not been given in Ind AS 106, since all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, First-time Adoption of Indian Accounting Standards, corresponding to IFRS 1, First-time Adoption of International Financial Reporting Standards.	Amendment is clarificatory in nature.	Amendment is clarificatory in nature.
Paras 15, 19, 20, 23, 24, 28, 89 of Ind AS 1 Presentation of Financial Statements	2(M)(i) to (vii)	In place of the word "Framework" in the mentioned paras, "Conceptual Framework" the shall be substituted.	The amendment is made in reference to the Conceptual Framework.	No impact
Paras 95 of Ind AS 1 Presentation of Financial Statements	2(M)(viii)	In place of the words "hedged forecast cash flow affect" in the mentioned para, "hedged forecast cash flows affect" shall be substituted.	Cosmetic corrections	No impact
Paras 95 of Ind AS 1 Presentation of Financial Statements	2(M)(ix)	Paragraph 139S, the following shall be substituted, namely:- 139S Amendments to References to the Conceptual Framework in Ind AS issued in 2021, amended paragraphs 15, 19–20, 23–24, 28 and 89. An entity shall apply those amendments for annual periods beginning on or after the 1st April, 2021. An entity shall apply the amendments to Ind AS 1 retrospectively in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to Ind AS 1 by reference to paragraphs 23–28, 50–53 and 54F of Ind AS 8.	Amendment is clarificatory in nature.	Amendment is clarificatory in nature.
Paras 10 of Appendix A of Ind AS 1 Presentation of Financial Statements	2(M)(x)	Para 10 of Appendix 1, the following shall be substituted, namely:- 10. Paragraphs 139 to 139M and 139O-139P related to Transition and Effective Date have not been included in Ind AS 1 as these are not relevant in Indian context. Paragraph 139R relates to IFRS 17, Insurance Contracts, for which corresponding Ind AS is under formulation. However, in order to maintain consistency with paragraph numbers of IAS 1, these paragraph numbers are retained in Ind AS 1.	Amendment is clarificatory in nature.	Amendment is clarificatory in nature.
Paras 11 of Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors	2(N)(i)	In place of the word "Framework" in the mentioned para, "Conceptual Framework" the shall be substituted.	The amendment is made in reference to the Conceptual Framework.	No impact

Existing	Rule	Amendment	Nature of amendments	Impact
Paras 54F & 54G of Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	2(N)(ii)	<p>Paragraphs 54F and 54G, the following shall be substituted, namely:-</p> <p>54F Amendments to References to the Conceptual Framework in Ind AS issued in 2021 amended paragraph 11(b). An entity shall apply those amendments for annual periods beginning on or after 1 April, 2021. An entity shall apply the amendments to paragraph 11(b) retrospectively in accordance with this Standard. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to paragraph 11(b) by reference to paragraphs 23–28 of this Standard. If retrospective application of any amendment in Amendments to References to the Conceptual Framework in Ind AS would involve undue cost or effort, an entity shall, in applying paragraphs 23–28 of this Standard, read any reference except in the last sentence of paragraph 27 to 'is impracticable' as involves undue cost or effort' and any reference to 'practicable' as 'possible without undue cost or effort'.</p> <p>54G If an entity does not apply Ind AS 114, Regulatory Deferral Accounts, the entity shall, in applying paragraph 11(b) to regulatory account balances, continue to refer to, and consider the applicability of, the definitions, recognition criteria, and measurement concepts in the Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards issued by the ICAI instead of those in the Conceptual Framework issued in 2020. A 'regulatory account balance' and 'rate regulator' have the same meaning as defined in Ind AS 114.</p>	The amendment is made in reference to the Conceptual Framework.	Self-explanatory
Para 5 of Appendix 1 of Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	2(N)(iii)	<p>Paragraph 5 of Appendix 1, the following shall be substituted, namely:-</p> <p>5. Paragraphs 54–54E of IAS 8 related to Effective date and transition have not been included in Ind AS 8 as these are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IAS 8, these paragraph numbers are retained in Ind AS 8.</p>	Amendment is clarificatory in nature.	Amendment is clarificatory in nature.
Para 31 of Ind AS 34 Interim Financial Reporting	2(S)(i)	<p>Paragraph 31, the following shall be substituted, namely:-</p> <p>31 Under the Conceptual Framework issued by ICAI, recognition is the process of capturing, for inclusion in the Balance Sheet or Statement of Profit and Loss, an item that meets the definition of one of the elements of the financial statements. The definitions of assets, liabilities, income, and expenses are fundamental to recognition, at the end of both annual and interim financial reporting periods.</p>	The amendment is made in reference to the Conceptual Framework. It clarifies on recognition principle of accounting for capturing items of balance sheet or statement of profit and loss.	Impact is on recognition of items of balance sheet or statement of profit and loss.

Assurance | Ind AS Amendments (5/9)

Existing	Rule	Amendment	Nature of amendments	Impact
Para 33 of Ind AS 34 Interim Financial Reporting	2(S)(ii)	<p>Paragraph 33, the following shall be substituted, namely:-</p> <p>33. An essential characteristic of income (revenue) and expenses is that the related inflows and outflows of assets and liabilities have already taken place. If those inflows or outflows have taken place, the related revenue and expense are recognised; otherwise they are not recognised. The Conceptual Framework does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities.</p>	The amendment is made in reference to the Conceptual Framework. It clarifies the essential characteristic of income and expenses and when to recognise them.	Impact is on recognition of income and expenses.
Para 58 of Ind AS 34 Interim Financial Reporting	2(S)(iii)	<p>Paragraph 58, the following shall be substituted, namely:-</p> <p>58. Amendments to References to the Conceptual Framework in Ind AS issued in 2021 amended paragraphs 31 and 33. An entity shall apply those amendments for annual periods beginning on or after 1 April 2021. An entity shall apply the amendments to Ind AS 34 retrospectively in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to Ind AS 34 by reference to paragraphs 43–45 of this Standard and paragraphs 23–28, 50–53 and 54F of Ind AS 8.</p>	The amendment is made in reference to the Conceptual Framework.	Self-explanatory
Para 7 of Appendix 1 of Ind AS 34 Interim Financial Reporting	2(S)(iv)	<p>Para 7 of Appendix 1, the following shall be substituted, namely:-</p> <p>7 Paragraphs 46-54 and 56-57 related to effective date have not been included in Ind AS 34 as these are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IAS 34, these paragraph numbers are retained in Ind AS 34.</p>	Amendment is clarificatory in nature.	Amendment is clarificatory in nature.

Rule 2(C) of Companies (Indian Accounting Standards) Amendment Rules, 2021 – Indian Accounting Standard (Ind AS) 103 'Business Combination'

Existing	Rule	Amendment	Nature of amendments	Impact
Para 11 Recognition condition	2 (C)	<p>Paragraph 11, the following shall be substituted, namely:</p> <p>To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards* issued by the ICAI at the acquisition date. For example, costs the acquirer expects but is not obliged to incur in the future to effect its plan to exit an activity of an acquiree or to terminate the employment of or relocate an acquiree's employees are not liabilities at the acquisition date. Therefore, the acquirer does not recognise those costs as part of applying the acquisition method. Instead, the acquirer recognises those costs in its post-combination financial statements in accordance with other Ind AS.</p>	The identified assets and assumed liabilities must meet the definition of 'assets' and 'liabilities' in accordance with the definition given in the Framework for the Preparation and Presentation of Financial Statements in accordance with Ind AS issued by ICAI, at the time of acquisition. Also given example in the paragraph 11 which is self-explanatory.	Amendment is clarificatory in nature.

Assurance | Ind AS Amendments (6/9)

*For this Standard, acquirers are required to apply the definitions of an asset and a liability given in Framework for Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards rather than the Conceptual Framework for Financial Reporting under Indian Accounting Standards issued in 2021.

Indian Accounting Standard (Ind AS) 115 'Revenue from Contracts with Customers'

Existing	Rule	Amendment	Nature of amendments	Impact
Para 27 of Appendix D Items provided to the operator by the grantor (Service Concession Arrangements: Disclosures)	2(K)(i)	In Appendix D, after paragraph 27, the following shall be inserted, namely — Effective date 28 [Refer Appendix 1] 28A-28C [Refer Appendix 1] 28D Ind AS 115 amended paragraphs 13-15, 18-20 and 27 of Appendix D (which was earlier notified as Appendix A of erstwhile Ind AS 11). An entity shall apply those amendments when it applies Ind AS 115. 28E [Refer Appendix 1] 28F Ind AS 116, amended paragraph AG8. An entity shall apply that amendment when it applies Ind AS 116.	These amendments have been made in order to maintain consistency with paragraph numbers of IFRS 15.	No major impact
Appendix -1 (Comparison with IFRS 15, Revenue from Contracts with Customers, IFRIC 12 and SIC 29)	2(K)(ii)	in Appendix 1,- (a) in paragraph 6, (i) for the opening paragraph, the following shall be substituted, namely:- "6. Paragraphs C1B, C8A and C9 of Appendix C and paragraphs 28 and 28E of Appendix D related to effective date and transition have been deleted due to following reasons:"; (ii) after item (b), the following shall be inserted, namely:- "(c) Paragraphs 28 and 28E of Appendix D are not relevant in Indian context as the same relate to effective date of IFRIC 12."; (b) for paragraph 7, the following shall be substituted, namely:- "7. Paragraph B57 of Appendix B of IFRS 15 and paragraphs 28A-28C of IFRIC 12 appear as "Deleted". However, in order to maintain consistency with paragraph numbers of IFRS 15 and IFRIC 12, the paragraph numbers are retained in Ind AS 115.";	These amendments have been made in order to maintain consistency with paragraph numbers of IFRS 15.	No major impact



Existing	Amendment	Nature of amendments	Impact
<p>Para 5.4.5-5.4.9</p> <p>Changes in the basis for determining the contractual cash flows of a financial asset or liability</p>	<p>Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform</p> <p>5.4.5 An entity shall apply para 5.4.6–5.4.9 to a financial asset or financial liability if, and only if, the basis for determining the contractual cash flows of that financial asset or financial liability changes as a result of interest rate benchmark reform. For this purpose, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark as described in paragraph 6.8.2.</p> <p>5.4.6 The basis for determining the contractual cash flows of a financial asset or financial liability can change:</p> <p>a) by amending the contractual terms specified at the initial recognition of the financial instrument (for example, the contractual terms are amended to replace the referenced interest rate benchmark with an alternative benchmark rate);</p> <p>(b) in a way that was not considered by—or contemplated in—the contractual terms at the initial recognition of the financial instrument, without amending the contractual terms (for example, the method for calculating the interest rate benchmark is altered without amending the contractual terms); and/or</p> <p>(c) because of the activation of an existing contractual term (for example, an existing fallback clause is triggered).</p> <p>5.4.7 As a practical expedient, an entity shall apply paragraph B5.4.5 to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform. This practical expedient applies only to such changes and only to the extent the change is required by interest rate benchmark reform (see also paragraph 5.4.9). For this purpose, a change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if, and only if, both these conditions are met:</p> <p>(a) the change is necessary as a direct consequence of interest rate benchmark reform; and</p> <p>(b) the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).</p> <p>5.4.9 If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, an entity shall first apply the practical expedient in paragraph 5.4.7 to the changes required by interest rate benchmark reform. The entity shall then apply the applicable requirements in this Standard to any additional changes to which the practical expedient does not apply. If the additional change does not result in the derecognition of the financial asset or financial liability, the entity shall apply paragraph 5.4.3 or paragraph B5.4.6, as applicable, to account for that additional change. If the additional change results in the derecognition of the financial asset or financial liability, the entity shall apply the derecognition requirements.</p>	<p>New paras inserted stating reasoning, conditions and applicability of changes in the basis for determining the contractual cash flows. The amendment provides a practical expedient for assessment of contractual cash flow test, which is one of the criteria for being eligible to measure a financial asset at amortized cost, for the changes in the financial assets or liability that may arise as a result of Interest Rate Benchmark Reform along.</p>	<p>A practical expedient shall apply to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform. This practical expedient applies only to the extent the change is required by interest rate benchmark reform and new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change)</p>

Existing	Amendment	Nature of amendments	Impact
<p data-bbox="50 212 168 264">Para 6.9.1-6.9.13</p> <p data-bbox="50 291 188 478">Additional temporary exceptions arising from interest rate benchmark reform</p>	<p data-bbox="220 212 984 611">Para 6.9.1 - As and when the requirements in paragraphs 6.8.4–6.8.8 cease to apply to a hedging relationship an entity shall amend the formal designation of that hedging relationship as previously documented to reflect the changes required by interest rate benchmark reform, i.e. the changes are consistent with the requirements in paragraphs 5.4.6–5.4.8. In this context, the hedge designation shall be amended only to make one or more of these changes: (a) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk; (b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or (c) amending the description of the hedging instrument. (refer para 6.9.2 for conditions of application of this clause)</p> <p data-bbox="220 638 984 743">Para 6.9.3 - An entity may be required to amend the formal designation of its hedging relationships at different times, or may be required to amend the formal designation of a hedging relationship more than once.</p> <p data-bbox="220 770 984 875">Para 6.9.4 - An entity shall amend a hedging relationship as required in paragraph 6.9.1 by the end of the reporting period during which a change required by interest rate benchmark reform is made to the hedged risk, hedged item or hedging instrument.</p> <p data-bbox="220 903 1000 1173">Para 6.9.5 - If changes are made in addition to those changes required by interest rate benchmark reform to the financial asset or financial liability designated in a hedging relationship (as described in paragraphs 5.4.6–5.4.8) or to the designation of the hedging relationship (as required by paragraph 6.9.1), an entity shall first apply the applicable requirements in this Standard to determine if those additional changes result in the discontinuation of hedge accounting. If the additional changes do not result in the discontinuation of hedge accounting, an entity shall amend the formal designation of the hedging relationship as specified in paragraph 6.9.1.</p> <p data-bbox="220 1201 984 1358">Para 6.9.7 and 6.9.8 – Accounting for qualifying hedging relationship In case of amendment in the description of a hedged item or discontinued hedged relationship, the amount accumulated in the cash flow hedge reserve shall be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determine.</p> <p data-bbox="220 1386 984 1467">Para 7.2.43 - An entity shall apply Interest Rate Benchmark Reform—Phase 2 retrospectively in accordance with Ind AS 8, except as specified in paragraphs 7.2.44–7.2.46.</p> <p data-bbox="220 1495 1000 1577">Para 7.2.44 - An entity shall designate a new hedging relationship only prospectively (i.e. an entity is prohibited from designating a new hedge accounting relationship in prior periods).</p>	<p data-bbox="1024 212 1276 449">An additional temporary exception introduced (Para 6.9) to include the changes in hedge relationship because of changes required by interest rate benchmark reform.</p>	<p data-bbox="1300 212 1568 533">To review the hedge relationship at each reporting period, if changes required by interest rate benchmark reform. If hedge relationship changes then no change in accumulated hedge reserve amount due to change in hedge relationship.</p>

Amendments - Indian Accounting Standard (Ind AS) 109 'Financial Instrument'

Existing	Amendment	Nature of amendments	Impact
<p><u>Para 24I-24J</u> Additional disclosures related to interest rate benchmark reform</p>	<p>Para 24I- New para inserted. This amendment clarifies the certain additional disclosures to be made on account of Interest Rate Benchmark Reform as following: (i) the nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform; (ii) the entity's progress in completing the transition to alternative benchmark rates, and how the entity is managing the transition.</p> <p>Para 24J - To meet the objectives of above para, an entity shall disclose: (a) how the entity is managing the transition to alternative benchmark rates, its progress at the reporting date and the risks to which it is exposed arising from financial instruments because of the transition; (b) disaggregated by significant interest rate benchmark subject to interest rate benchmark reform, quantitative information about financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period, showing separately: (i) non-derivative financial assets; (ii) non-derivative financial liabilities; and (iii) derivatives; and (c) if the risks identified in paragraph 24J(a) have resulted in changes to an entity's risk management strategy (see paragraph 22A), a description of these changes.</p>	<p>An entity shall apply these amendments when it applies the amendments to Ind AS 109.</p>	<p>Additional disclosures and documentation required to enable users to understand the effect of interest rate benchmark reform.</p>





Distributed Control Systems (DCS)



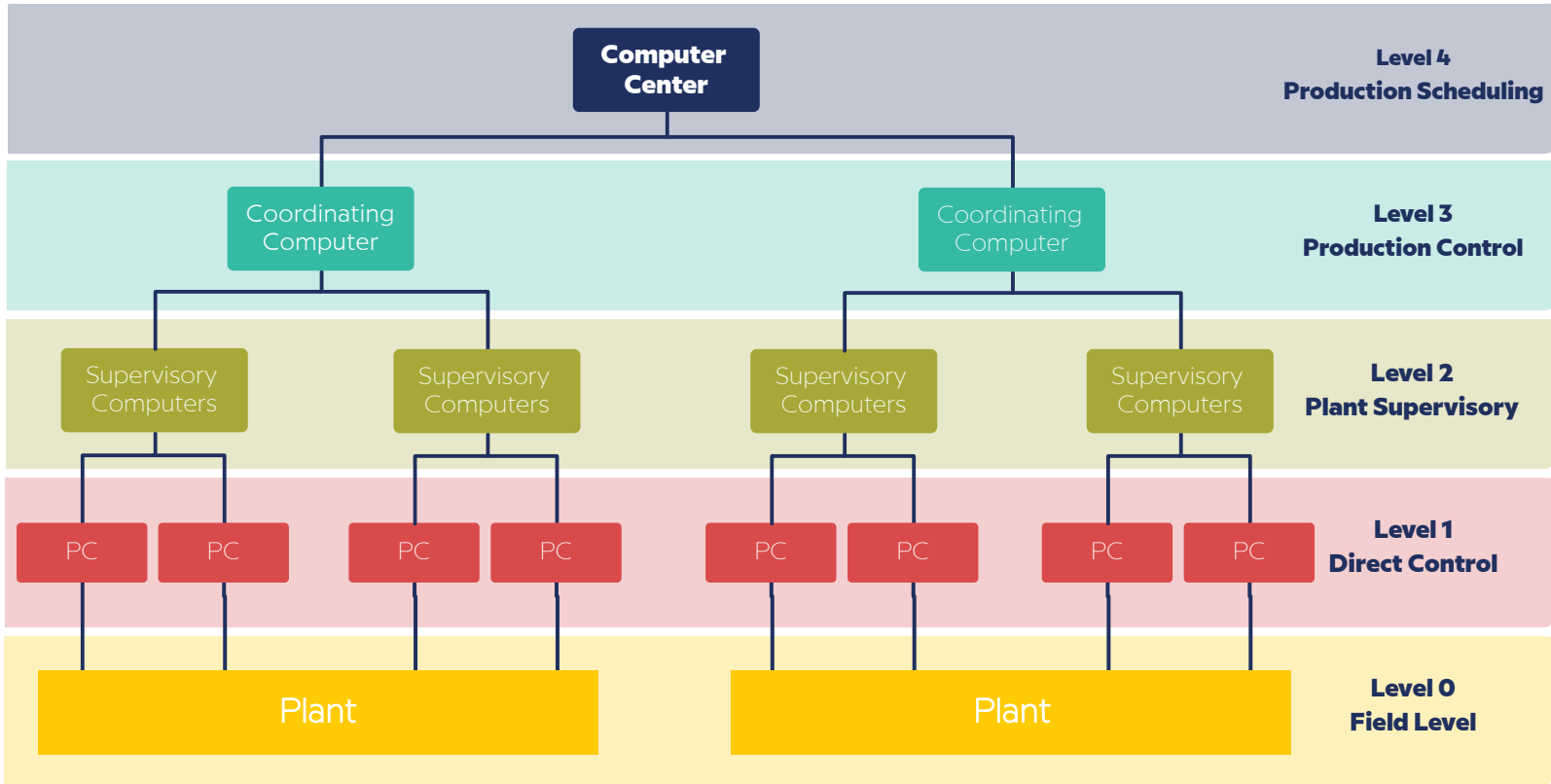
GRC | Distributed Control Systems (1/3)

Background

Distributed Control Systems (DCS) is a computerized control system for a processor plant that consists of a large number of control loops, in which autonomous controllers are distributed throughout the system, but there is central operator supervisory control. DCS can be used to enhance reliability and reduce installation costs by localizing control functions near the process plant, with remote monitoring and supervision.

As the name implies, the DCS is a system of sensors, controllers, and associated computers that are distributed throughout the plant. Each of these elements serves a unique purpose such as data acquisition, process control, as well as data storage and graphical display. These individual elements communicate with a centralized computer through the plant's local area network – often referred to as the control network.

While DCSs are used across the process control industries to supervise complex production processes, they are widely deployed in continuous manufacturing plants. With the help of DCS these and other manufactures can efficiently coordinate adjustments in a top-down fashion using a centralized network of computers. Instructions from the DCS are deployed throughout a plant and fed to individual controllers. When configured appropriately, DCS can improve safety while also enhancing production efficiency.



DCS plays a vital role in manufacturing industries as they are used to control and manage the processes. The global total revenue of DCS will enhance to \$23.37 billion by 2025 with a CAGR of 4.5% owing to continued adoption of automation systems (DCS) in various industry verticals, according to [researchandmarkets.com](https://www.researchandmarkets.com) report.

However, DCS system control failures may lead to erroneous production / stock data reporting, which one MUST look upon as control review system.



Potential Risks

Modern processes used in the plants, generates a vast amount of online data that is often stored and processed efficiently for later analysis. Databases store all measurements, setpoints, controller outputs, device status, motor starts, alarms, operation tracking, etc. into history databases.

Nowadays, new malware and advanced cyber threats are increasing all the time. Production environments and critical infrastructures are tempting targets for cyber-attacks. By their nature, process automation systems are critical for production plants’ reliable operations. Consequently, companies need to have a proper security policy to ensure their business continuity, and it must cover their industrial automation systems.

Some of the possible incidents may include

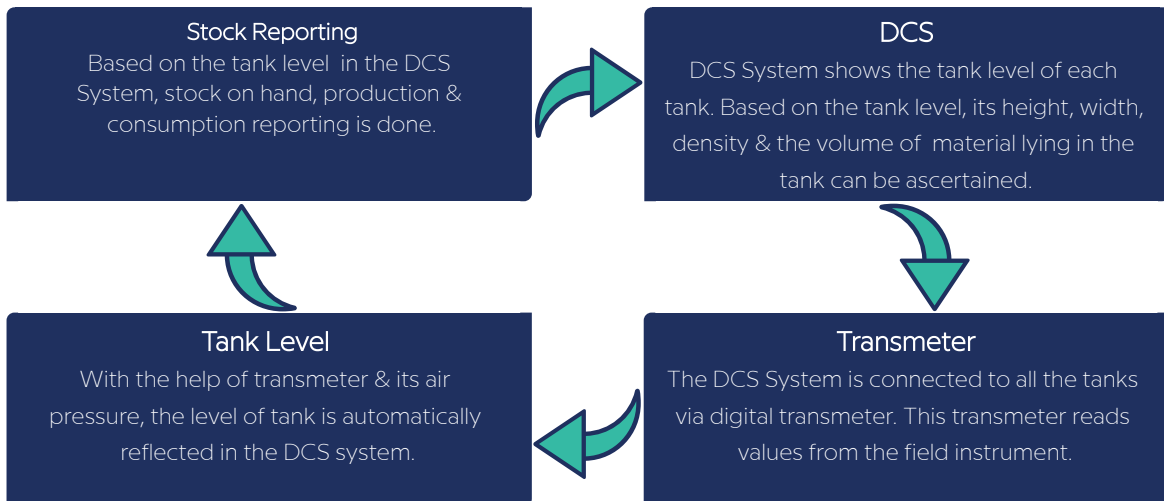
- Blocked or delayed flow of data through network’s disrupting operation.
- Unauthorized changes to instructions, commands, or alarm thresholds damaging, disabling or shutting down equipment causing environmental impacts and affecting safety.
- Inaccurate "spoofed" information may be sent to operators to disguise unauthorized changes and/or cause operators to initiate inappropriate actions. leading to various negative effects.
- Software or configuration settings may be modified by malware leading to similar negative effects. There is a myriad of disruptive scenarios that could negatively impact the operation and/or availability of equipment protection systems, endanger the costly and difficult-to-replace equipment, as well as safety systems that would endanger human life.

Condition monitoring and system control

Condition monitoring analysis and diagnosis of the recorded data is the key to achieve the benchmark growth in the industry which supports proactive production planning and reduction in downtime.

If the system control fails, there is huge risk of data capturing being failed and it ultimately results in the wrong data being captured in the system.

These systems have huge amount of instrumentation which generates huge amount of data. Hence the critical data capturing instrumentation should have adequate control to reset and for maintenance, as indicated in the below given flow diagram:-



GRC | Distributed Control Systems (3/3)

In case the transmitter or the air pressure in the transmitter fails, the data capturing system will reflect the wrong production and stock figures which ultimately results in the following:

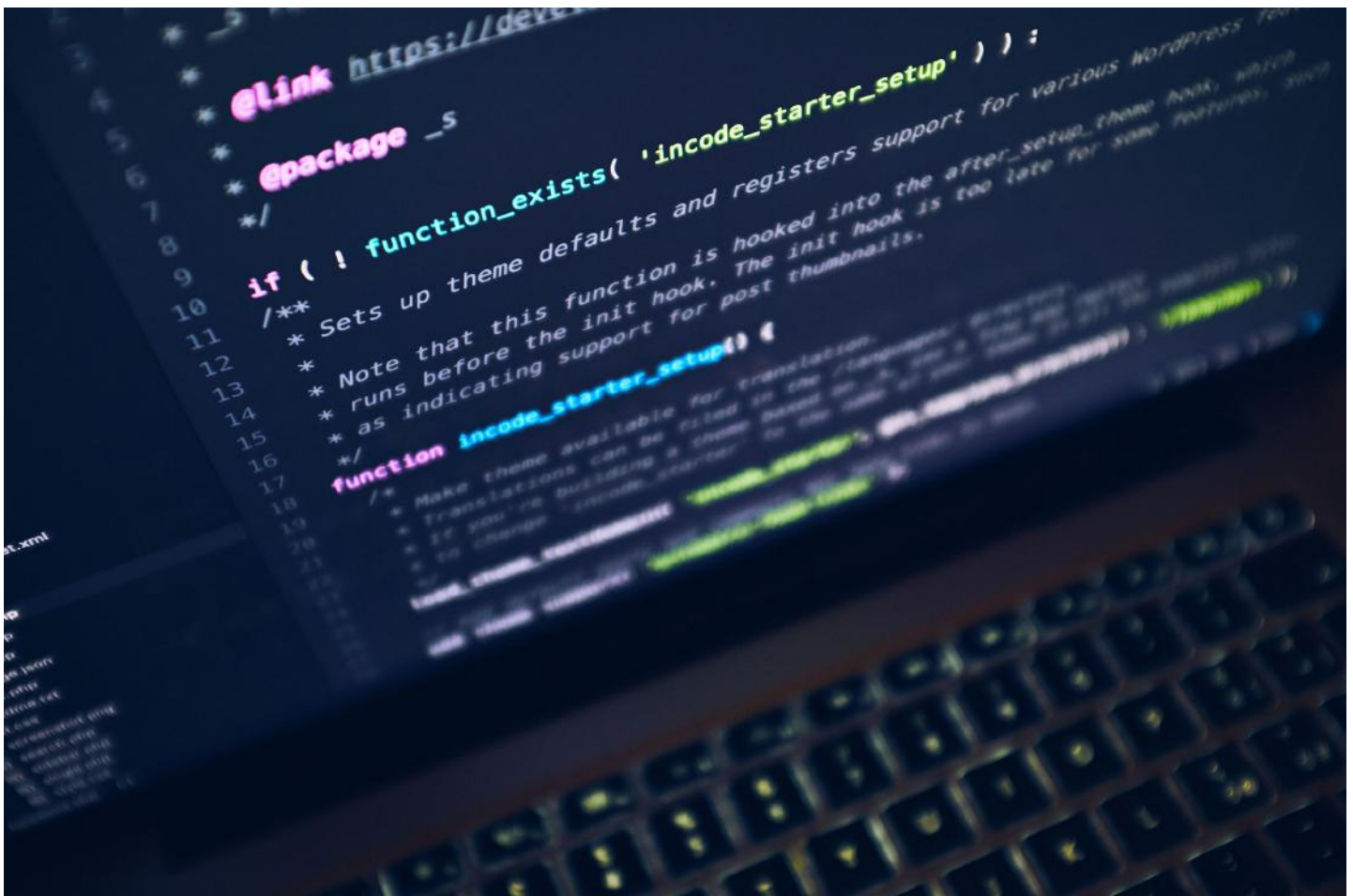
- Under reporting of stock & production.
- Theft of stock.
- Manipulation with the production efficiency.

Key Takeaway

With the help of the DCS system, you can analyse the stock trend & any sudden fall / rise in the stock patterns.

Another DCS vital control is to reset the equipment which controls the consumption and dispatch data. DCS generally uses the totaliser which gives this data. The consumption shall be booked based on the totaliser's reading which needs to be accumulated with daily consumption. Taking into consideration that the reading at the cut off time of the consumption booking shall not be allowed to be reset at any given point of time. In case, the same needs to be reset due to unavoidable circumstances then that shall be followed by the prescribed level of authority.

There are many softwares which record the critical setpoints and their deviations. To avoid recording these deviations, DCS has an option for the suppression of the critical recording and its reporting. To mitigate these risks there should be approval mechanism for the suppression of these tags.



Taxation



GST



I. 44th GST Council meeting held on 12 June 2021

Rates for most of the COVID relief material are now reduced to nil or 5% from the existing 12%. These rates will remain in force till 30 September 2021.

II. Recent CBIC circulars & clarifications

- a. Circular no 154/5/2021 dated 17 June 2021: CBIC has clarified that the services supplied by central/state governments to their undertakings or PSUs by way of guaranteeing loans taken by such undertakings or PSUs are exempt from GST as per entry no. 34A of notification no. 12/2017-Central Tax (Rate) dated 28 June 2017.
- b. Circular no 153/5/2021 dated 17/6/21: CBIC has clarified that 5% GST is applicable on the composite supply of service by way of milling of wheat into wheat flour, along with fortification, by any person to a state government for distribution of such wheat flour under Public Distribution System.
- c. Circular no 152/5/2021 dated 17 June 2021: Clarified that the construction services provided to a government entity, in relation to construction such as of a rope way on turnkey basis would attract 18% GST and will not be treated as exempt.
- d. Circular no 150/5/2021 dated 17 June 2021: CBIC has clarified that, in case of construction of roads/highways, where certain portion of consideration is received upfront while remaining payment is made through deferred payment (annuity) spread over years, such annuity (deferred - payments) will not be exempt from GST.
- e. Circular no 149/5/2021 dated 17 June 2021: It is clarified that services provided to an educational institution by way of serving of food (catering including mid-day meals) is exempt from levy of GST irrespective of its funding from government grants or corporate donations [under said entry 66(b)(ii)]. Educational institutions as defined in the notification include anganwadi. Hence, serving of food to anganwadi shall also be covered by said exemption, whether sponsored by government or through donation from corporates.

The circulars can be accessed at: <https://www.cbic.gov.in/htdocs-cbec/gst/cgst-circ-idx-2017>

III. Certain changes in GST Act notified

Finance Act 2021 had proposed a slew of changes in the GST Act, but not notified their effective dates with gazetted notifications. Now, the following changes have been notified to take effect from 1 July 2021.

a. Supply of goods/services by any person (other than individual) to its members is taxable

Prior to Finance Act 2021, supply of goods or services by any person to its members was implicitly taxable under schedule II of the CGST Act. However, in landmark decision of honourable Supreme Court in State of West Bengal vs. Calcutta Cricket Club Ltd – (Civil Appeal no 4184/2009), the doctrine of mutuality was propounded and it was ruled that such supply should not be taxed.

To neutralise/negate the effect of the doctrine of mutuality, Finance Act 2021 has amended section 7 of the CGST Act with retrospective effect from 1 July 2017. Accordingly, activities or transactions involving supply of goods or services by any person, other than an individual, to its members or constituents or vice versa, for cash, deferred payment or other valuable consideration, now stands explicitly taxable through the main statute (section 7) itself. Further, the said amendment has inserted an explanation to the section, stating that the person and its members or constituents shall be deemed to be two separate persons and the supply of activities or transactions inter se shall be deemed to take place from one such person to another, thereby making the negation of the concept of mutuality even more robust and direct through this new explanation.

As a result of the above amendments, paragraph 7 of schedule II to the CGST Act now stands omitted, as the same has become redundant owing to the amendment in the main statute.

b. Interest to be paid on net tax liability-amendment to section 50 of GST Act:

Finance Act, 2021 amended section 50 of the CGST Act to substitute proviso to sub section (1) with retrospective effect from 1 July 2017. Now, the interest has to be paid on net tax liability provided the person has not been issued any show cause notice under section 73 or section 74.

IV. Recent GST case law

Dharmendra M. Jani v. Union of India & Ors. – Judgment dated 9 June 2021 by Justice Ujjal Bhuiyan and Judgment dated 16 June 2021 by Justice Abhay Ahuja, in Writ Petition No 2031 of 2018, Bombay High Court:

The Division Bench of the Bombay High Court has rendered a split verdict on whether sections 13(8)(b) and 8(2) of the Integrated Goods and Services Tax Act, 2017 ('IGST Act') are ultra vires Articles 14, 19, 245, 246, 246A, 269A and 286 of the Constitution of India and section 9 of the Central Goods and Services Tax Act, 2017 ('CGST Act'). Since the verdict is split, the matter has been referred to the Chief Justice, who may now constitute a larger bench to decide the matter..

The petitioner M/s Dynatex International was an "intermediary" as defined in S 2(13) of IGST Act. He used to provide sales promotion services to his customers (exporters) located overseas. He canvassed for orders from Indian purchasers for his overseas customers. The orders were placed directly by the Indian purchasers on the said overseas exporters, who were also paid directly by the purchasers. After the completion of this transaction, the petitioner intermediary received commission in foreign currency from the overseas customers on behalf of whom he procured the orders. He was charged IGST on this commission, by the mischief of the deeming fiction of section 13(8)(b) of the IGST Act, read with S 8(2) of the said Act.

Decision: Justice Bhuiyan vide his judgment dated 9 June 21, held that the said section 13(8)(b) is ultra vires the Constitution and struck it down, with consequential relief to the petitioner. Justice Ahuja, in his dissenting judgment dated 16 June 2021, upheld the constitutionality of this section, and consequentially the IGST on the commission was held to be valid.

V. Developments in other indirect tax laws - (erstwhile) Maharashtra VAT

Maharashtra Government notified Order no 366 dated 15/6/2021, for withdrawal of pending Value Added Tax (VAT) Assessment proceedings against select dealers, after applying select criteria. The selected dealers (more than 21,000) are named in the annexure to the order. This is being done for the effective utilization of the available manpower for the disposal of pending work under the Value Added Tax Act and the Central Sales Tax Act.



Consulting



Code On Wages, 2019



"I believe in dignity of labour, whether with head or hand; that the world owes no man a living but that it owes every man an opportunity to make a living."- John D. Rockefeller

Introduction

Labour legislation has always been a complex and vast subject in the Indian context. Reforms were required to consolidate a plethora of acts, rules and regulations under the Centre and State. In view of that, 29 enactments are in the process of being subsumed into 4 distinct codes viz. Wages, Social Security, Industrial Relations and Occupational Safety, Health and Working conditions. The Code on Wages, 2019 addresses all enactments aimed at regulating minimum wages, timely payment of wages, payment of bonus and prohibition of discrimination in lieu of remuneration, recruitment, etc.

Timeline of events:



Codes on Wages, 2019 Amalgamations:

26 Provisions

Payment of Wages Act, 1936

- Timely payment of wages
- Regulation of deductions

40 Provisions

Payment of Bonus Act, 1965

- Enabling payment of bonus
- Based on profitability/ productivity etc.

31 Provisions

Payment of Minimum Wages Act, 1948

- Regulate minimum wage rates

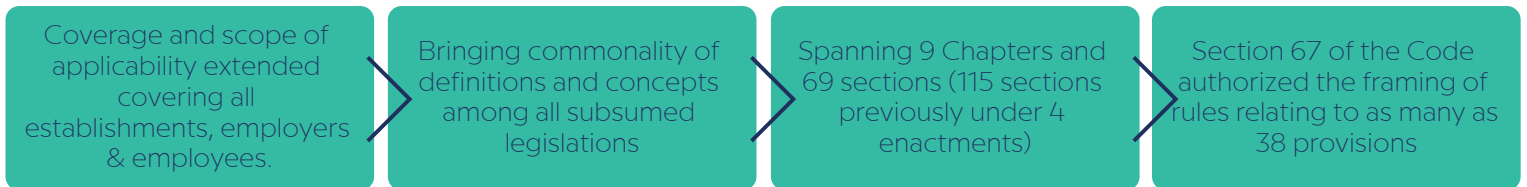
18 Provisions

The Equal Remuneration Act, 1976

- Avoiding gender discrimination
- Creating a gender neutral employment environment

Any action taken under the enactments repealed, any notification, appointment, nomination, order or direction, any amount of wage mentioned under these enactments shall remain in force to the extent they are not contrary to the provision of the code till they are repealed by the provision of this code or by notification by the Central government to that effect.

Bird's eye view:



Key changes under the Code on Wages, 2019:

a. Applicability

SN	Name of the Act	Provision before the Code	Provision after the Code	Key takeaway
1	The Minimum Wages Act, 1948	Restricted to scheduled employment (workers working in factories, mines, mills, public transport, etc.)	Not restricted to scheduled employment alone as the concept of scheduled employment is no longer present in the Code.	The coverage of the Act would be wider as it would be applicable to more types of employment.
2	The Payment of Wages Act, 1936	Applicable to employees earning upto INR 24,000 per month.	No such limit prescribed in the Code.	The Code will be applicable to employees irrespective of their salaries. No provision mentioned in the Code for the appropriate government to notify threshold. Now senior management will also be governed by the Code.
		Applicable only to 'Industrial and Other Establishments'.	Only 'Establishment' is used which is defined under the code as 'any place where any industry, trade, business, manufacture or occupation is carried on'.	It extends the application of payment of wages to commercial establishments as well.
3	The Payment of Bonus Act, 1965	Applicable to establishments employing 20 or more persons and earning wages upto INR21,000 per month.	Applicable to establishments employing 20 or more persons.	No wage threshold has been prescribed under the Code. New wage threshold for eligibility of employees/ computation of bonus is to be notified by the appropriate government.
4	The Equal Remuneration Act, 1976	An Act to provide for the payment of equal remuneration to men and women workers and for the prevention of discrimination, on the grounds of sex, against women in the matter of employment and for matters connected therewith or incidental thereto.	Applicable to all genders instead of merely male and female.	The benefit of the law has now been extended to all genders, including oppressed genders such as transgenders.

b. Definition of wages

Wages include basic + dearness allowance + retaining allowance but excludes,

- a. Bonus
- b. Value of house accommodation (supply of light, water, etc)
- c. Contribution by employer for PF / Pension scheme and its interest
- d. Conveyance/ travelling allowance
- e. Any sum paid to defray special expenses during employment
- f. HRA
- g. Remuneration payable by any award or settlement of court or Tribunal
- h. Overtime allowance
- i. Commission payable to employee
- j. Gratuity
- k. Any retrenchment compensation or other retirement benefit payable to the employee

Proviso 1 - If payment made towards perquisites exceeds 50% of all remuneration calculated then such exceeded amount shall be deemed to be remuneration and shall be added in wages.

Proviso 2 - For equal wages to all genders, conveyance, HRA, overtime allowance, remuneration payable by any award or settlement of court or Tribunal, shall be considered for computation of wage.

Key takeaway

- Main object is to ensure that employers include the majority of salary under first three components, namely- basic, DA, retaining allowance, which might be problematic for those categories of employees who draw significant amount of income through variables and deliverables. For instance, performance based, sales target based, etc.
- Any remuneration given in kind by employer, not exceeding 15% of the total wages shall be deemed to form part of the wages.
- If these specified exclusions cross 50% of the remuneration, the excess amount will be considered to determine 'wages' under the Code. Provisions made under the Code bill include basic salary will be 50 per cent or more of the total salary, thus changing the salary structure of an employee and increase in gratuity as well as the provident fund. Typically, the compensation structure in India across industries comprises basic salary, which is in the range of 30% to 50% of the gross, while allowances make up the balance. Rise of 6-10% in a company's wage bill, in case it now provides basic salary at 20-30% of the total compensation. For those whose basic salary is already at 40% of the gross, the cost implication would be lower, at around 3-4%.

c. Concept of floor wage

The National Floor Wage to be determined in consultation with the state government and the Central Advisory Board.

The following factors are to be considered for fixing the rate:

- The skills of workers- unskilled, semi skilled, highly skilled.
- Geographical area
- Difficulty of work such as temperature, humidity, hazardous occupations/ processes, underground work.
- Cost of living index.

Key takeaway

- It seeks to regulate wage and bonus payments in all employments and functions as a benchmark. Value of House accommodation.

d. Fixing of minimum wages

The Code has given the powers to the appropriate government to fix the minimum rate of wage on the basis of any one or more wage period, namely: by the hour, by the day (under existing law, it is fixed by the day), by the month. However, the concept of piece work rate remains unchanged in the Code.

Key takeaway

- Main object is to reduce disparity in minimum wages across the country.



Minimum Wages (Unskilled)

-  New Delhi
INR596 per day
-  Maharashtra
INR427.42 per day
-  Gujarat
INR348.20 per day
-  West Bengal
INR338 per day
-  Jharkhand
INR311.33 per day
-  Bihar
INR304 per day
-  Rajasthan
INR225 per day

*Rates considered as on 10 Jun 2021

e. Limitation Period For Claims

The period of limitation for filing of claims by an employee has been enhanced to 3 years as against existing time period varying from 6 months to 2 years.

Key takeaway

- The Code provides a supporting hand to the employees by giving extra time for filing claims.

f. Disqualification of bonus

The Code has introduced conviction of sexual harassment as a ground for disqualification from the payment of bonus. The Government's intent is clear - to discourage sexual harassment cases in the country by introducing such provisions.

Key takeaway

- The said provision is a progressive step towards dealing with this social evil especially at the workplace.

g. Maintenance of records

The Code helps in ease of doing business and maintenance of records as it mandates to maintain only two registers consisting details of persons employed, wages, muster roll and other details against approximately ten registers/forms to be maintained under the 4 statutes being amalgamated. The Code on Wages (Central Rules), 2020 provides the formats for maintenance of following two registers:

Form I - Register of wages, overtime, fine, deduction for damage and loss

Form IV - Employee register

Key takeaway

- Ease of maintenance of records
- Cost effective
- Facilitating compliance by reducing duplicity

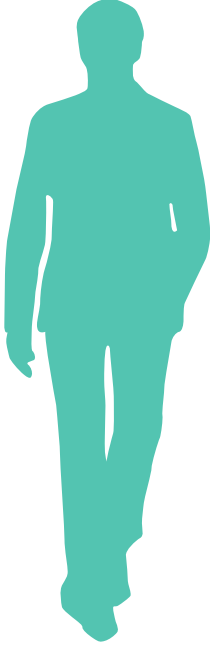
h. Other key changes

Provisions	Existing Law	Code on Wages, 2019	Key takeaway
Overtime	Section 14 of The Minimum Wages Act mentions the employer is liable to pay overtime rate as fixed by the appropriate government or by any Act, whichever is higher. Rule 25 of The Minimum Wages (Central) Rules, 1950- When a worker works in an employment for more than nine hours on any day or for more than forty-eight hours in any week, he shall be entitled for overtime wage.	Section 14- Overtime is proposed to be not less than twice the normal wage rate. Rule (6) of Code on Wages (Central)Rules, 2020 - The normal working day shall consist of eight hours of work and one or more interval of rest which in total shall not exceed one hour.	The said provision will help both employer and employee in understanding the overtime wage rate applicable for an extra hour worked by the employee.
Penalties	The fine ranges from minimum of INR500 to maximum of INR20,000 and/or imprisonment up to 6 months.	The fine range has been enhanced to maximum of INR1,00,000 or imprisonment up to 3 months or both. However, no imprisonment in case of first instance of violation. Further, Inspector-cum-facilitators shall give an opportunity to the employer to comply with the provisions of the Code.	While monetary penalties have been increased significantly, the opportunity being provided to remedy non-compliances may have a mixed impact.

Provisions	Existing Law	Code on Wages, 2019	Key takeaway
Payment of Wages	a) Wages may be paid in cash/ electronic mode. b) Payment of wages from the last day of expiry of wage period – 7th day if employees are <1000 and 10th day if employees >1000. c) In case of termination by employer- the wages payable to him shall be paid within two working days.	a) Government may direct to pay wages only by cheque or digital modes. b) Monthly salary shall be paid by 7th day of next month, those working on weekly basis shall receive the salary on last day of the week and daily wagers will receive it on the same day. c) In case of final settlement for removal, resignation, dismissal, retrenchment – the wages payable shall be paid within two working days.	The said provision is beneficial to employees and will aid in timely receipt of payments.

The Code on Wages has brought about several changes in labour laws. The unorganized sector comprises of significant portion of manpower in India and was not covered under the peripheries of Minimum Wages Act. The Code brings such unorganized sector under its ambit. Moreover, significant number of employees will be governed by the Code by removal of wage ceiling as opposed to present scenario wherein these employees are governed by the terms and conditions of employment contract.

Conclusion



“No human masterpiece has been created without great labour.” – Andre Gide



Ahmedabad

A2-807, "Palladium", Near Vodafone House,
Corporate Road, Prahalad Nagar,
Ahmedabad - 380015.
Phone: (91) (079) 2970 2082.

Bengaluru

103, Midford House, 1, Midford Gardens
Bengaluru 560 001.
Phone: (91) (80) 555 0987

Chennai

Parsn Manere, A Wing Third Floor,
602 Anna Salai, Chennai 600 006.
Phone: (91) (44) 2827 4368, 2822 9534.

Coimbatore

09, Verivada Street, Redfields,
Race Course, Coimbatore 641 045 .
Phone: (91) (422) 427 4500.

Goa

SF-9 , 2nd Floor , Block A Palmer Premises
Holders Co-op Soc Journalist Colony Road
Bardez Goa 403 521.
Phone: (91) 9820284854

Mumbai - 1

Ravindra Annexe 194, Churchgate Reclamation
Dinshaw Vachha Road , Mumbai 400 020.
Phone: (91) (22) 66338343 to 8347; Fax: (91)
(22) 66338352

Mumbai - 2

87, Nariman Bhavan, 227 Nariman Point
Mumbai 400 021.
Phone: (91) (22) 6153 7500 / 2202 2224 / 8857

New Delhi

205-207 Ansal Tower 38,
Nehru Place, New Delhi 110 019.
Phone: (91) (11) 4103 2506, 4103 3506 .

Pune

802 Lloyds Chambers , Dr. Ambedkar Road
Opp. Ambedkar Bhavan, Pune 411 011.
Phone: (91) (20) 605 0802

Vadodara

8th Floor, West Wing Aurum,
Behind Vasna HP Petrol Pump, Makrand
Desai Road, Vadodara - 390.007.
Phone: (91) 97268 95000 / 97278 95000

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