

Info Capsule

Wednesday
July 14, 2021

President : CS Nagendra D. Rao

Vice President : CS Devendra V. Deshpande

❖ Indirect Tax

Goods and Services Tax

- **CGST Zones and Directorate General of GST Intelligence booked about 8000 cases involving fake ITC of over Rs. 35000 crore in FY 2020-21 (July 13, 2021)**

Misuse of the beneficial provision of Input Tax Credit (ITC) under GST regime is the most common modus of evasion under the GST Law. The field formations of the Central Board of Indirect taxes and Customs (CBIC) have been regularly detecting such cases from very beginning of the GST regime. During the financial year 2020-21 the CGST zones and the Directorate General of GST Intelligence (DGGI) have booked about 8000 cases involving fake ITC of over Rs. 35000 crore. During the financial year 426 persons including 14 professionals such as CAs, Lawyers and masterminds, beneficiaries, directors etc. were arrested.

For details:

<https://pib.gov.in/PressReleasePage.aspx?PRID=1735095>



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Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

❖ Direct Tax

Notification No. 79 (July 12, 2021)

The Central Government approves M/s Patanjali Research Foundation Trust, Haridwar (PAN:- AABTP8183E) under the category "Research Association" for Scientific Research for the purposes of clauses (ii) of sub-section (1) of section 35 of the Income-tax Act, 1961 read with rules 5C and 5D of the Income-tax Rules, 1962.

For details:

https://www.incometaxindia.gov.in/communications/notification/notification_79_2021.pdf

❖ Business and Economic News

NMDC board approves demerger with NMDC Steel (July 13, 2021)

National Mineral Development Corporation (NMDC) announced on Tuesday, July 13, 2021 that its Board of Directors has green-lit the demerger between NMDC Limited and NMDC Steel Limited.

"The Board of Directors of NMDC Limited, at its meeting held on July 13, 2021, has approved the Scheme of Arrangement for Demerger between NMDC Limited ("Demerged Company") and NMDC Steel Limited ("Resulting Company") and their respective shareholders, pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013", NMDC said via a regulatory filing.

For details:

<https://www.businesstoday.in/latest/corporate/story/nm-dc-board-approves-demerger-with-nm-dc-steel-301246-2021-07-13>

❖ ***Banking and Insurance***

• **FinSecy: Govt will privatise most PSBs 'eventually' (July 14, 2021)**

The government will “eventually” privatise most of the public sector banks and keep its presence to a bare minimum, as is the stated policy now, Finance Secretary T.V. Somanathan said on July 13, 2021.

Speaking at the India Policy Forum 2021 organised by economic think tank NCAER (National Council of Applied Economic Research), he stressed on the need to push subsidy reforms and improve the quality of public expenditure. Somanathan clarified that his remarks were in his personal capacity and did not reflect the views of the government of India.

For details:

<https://indianexpress.com/article/business/banking-and-finance/finsecy-govt-will-privatise-most-psbs-eventually/>

• **'Write-offs of Rs. 1.85 lakh crore aid banks to bring down bad loans' (July 14, 2021)**

Loan write-offs have again aided banks to report lower Non-Performing Assets (NPAs) during the year-ended March 31, 2021. However, total write-offs during the fiscal amounted to Rs. 1,85,000 crore, which is lower than Rs. 237,876 crore in the previous year ended March 31, 2020.

For details:

<https://indianexpress.com/article/business/banking-and-finance/write-offs-of-rs-1-85-lakh-crore-aid-banks-to-bring-down-bad-loans-7403408/>

❖ *International Business News*

Narrowing the trade finance gap for LDCs (July 13, 2021)

The Covid-19 pandemic has exacerbated the challenges Least Developed Countries (LDCs) face in accessing vital trade finance, as many have seen their local dollar liquidity shrink while foreign banks take a dimmer and not always accurate view of emerging market risk. Development banks, international organizations and LDCs themselves are however working to bridge the trade finance gap by improving product knowledge, mitigating compliance risk and investing in digitization.

For details:

<https://trade4devnews.enhancedif.org/en/news/narrowing-trade-finance-gap-ldcs>

❖ *Terminology for today*

Fishbone Diagram

A fishbone diagram is a problem-analysis tool that derives its name from its shape which resembles the skeleton of a fish. Developed by Dr. Kaoru Ishikawa, a Japanese quality control statistician, the fishbone diagram is a systematic way of looking at an effect and identifying and capturing the causes that contribute and result in that particular effect. For this reason, it is sometimes referred to as a cause and effect diagram

❖ *Market Watch*

Stock Market Indices as on 14.07.2021

S & P BSE Sensex	52904.05 (+134.32)
Nifty 50	15853.95 (+41.60)

Foreign Exchange Rates as on 13.07.2021

(<https://www.geojit.com/currency-futures/rbi-reference-rate.aspx>)

INR / 1 USD	INR / 1 EUR	INR / 1 GBP	INR / 1 JPY
74.43	88.29	103.30	0.68

❖ Pronouncement

June 28, 2021	In the matter of Mohit Agro Commodities Processing Pvt. Ltd. & Ors.	NCLAT
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When the ‘Transferor and Transferee Company’ involve a Parent Company and a Wholly Owned Subsidiary the meeting of Equity Shareholders and Creditors can be dispensed with.

Fact of the Case

The Appellant Company (‘Transferor Company’ and ‘Transferee Company’) filed Applications under Sections 230 to 232 and other relevant provisions of the Companies Act, 2013 seeking dispensation of the meeting of the Equity Shareholders, Secured Creditors and Unsecured Creditors in respect of the scheme of Amalgamation of the ‘Transferor Company’ with the ‘Transferee Company’. It is contented that there is no change in the capital structure of the ‘Transferor Company’ till the date of approval of the schemes by the Board of Directors. It is further stated that the ‘Transferor Company’ is a Wholly Owned Subsidiary of the ‘Transferee Company’ and that both the Companies are incorporated in similar type of nature of activities and that the ‘Transferee Company’ had acquired the ‘Transferor Company’ as a business supportive mechanism for ease of operations.

Judgment

The NCLAT has observed that Section 232(1) of the Companies Act, 2013 uses the word ‘may’ which introduces an element of discretion to the Tribunal to be exercised in the interest of justice in appropriate situations. Section 232 is a specific provision carved out by the Legislature when both conditions maintained in clauses (a) and (b) of sub-Section (1) of Section 232 are met.

Therefore, in the instant case it is held that the rights and liabilities of Secured and Unsecured Creditors were not getting affected in any manner by way of the proposed scheme as no new shares are being issued by the ‘Transferor Company’ and no compromise is offered to any Secured and Unsecured Creditors of the ‘Transferee Company’. Hence, when the ‘Transferor and Transferee Company’ involve a Parent Company and a Wholly Owned Subsidiary the meeting of Equity Shareholders, Secured and Unsecured Creditors can be dispensed with.

For details:

https://efiling.nclat.gov.in/nclat/order_view.php?path=L05DTEFUX0RvY3VtZW50cy9DSVNfRG9jdW11bnRzL2Nhc2Vkb2Mvb3JkZXJzL0RFTEhJLzlwMjEtMDYtMjg1cnRzLzZGFpbHkvMTYyNDk0MDcwMTg2NjE3NTkyODYwZGFhMDlkZDcyYTYucGRm

Prepared by Directorate of Academics

For any suggestions, please write to academics@icsi.edu, or call at 01204082116

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