

AUGUST NEWSLETTER

Monthly newsletter by KnowMo



GOLD PRICE RALLY

Gold prices reached the record high of ₹56,000 level for the first time.

GST COLLECTIONS FOR JULY 2020

₹87,422 crore gross GST revenue collected in July, which is 86% of the GST revenues in the same month last year.



ITR SENT FOR SCRUTINY

In order to facilitate better taxpayer services, the income tax department has drastically cut the number of Income Tax Returns sent for scrutiny over the years. Releasing the data of how many ITRs were sent for scrutiny each year, the I-T department said in the AY 2015-16, 0.71% of ITRs were sent for scrutiny while in 2018-19 the number dropped down to 0.25%.

POSITIVE PAY MECHANISM

To increase customer safety in cheque payments and reduce instances of fraud occurring on account of tampering of cheque leaves, the RBI has decided to introduce a mechanism of Positive Pay for all cheques of value ₹50,000 and above. Operational guidelines to follow.



ONE TIME LOAN RESTRUCTURING

- The moratorium, as scheduled, will expire at the end of Aug'20. But borrowers who had been repaying regularly till March 2020 can now have a one-time restructuring of their loan through a framework which will be decided by the bank.
- Accounts which were standard, and not in default for more than 30 days as on 1 Mar 20 will be considered.
- The borrower can get the restructured framework invoked before 31 Dec 20, and it needs to be implemented within 90 days for personal loans, and within 180 days for corporate loans from then
- The RBI has set up a five-member expert committee headed by K V Kamath, former Chairman of ICICI Bank, which will :
 - Make recommendations on the financial parameters required
 - Undertake a process validation of resolution plans above Rs 1,500 crore
- For cases where the aggregate debt is over Rs 100 crore, the lending institutions will have to obtain an independent credit evaluation for the resolution plan from a recognized credit rating agency.



DEFENCE EQUIPMENT BAN

As world's second largest arms importer, in order to push Atmanirbhar Bharat initiative, Government bans import of 101 defence equipment items.



QUALIFIED INSTITUTIONAL PLACEMENTS

In the last few days, India's three large private financial firms, HDFC, Axis Bank and ICICI Bank, chose the QIP route to raise Rs 35,000 crore, cumulatively, to meet their needs during such stressful times of the COVID-19 pandemic.

ICICI Bank raised around Rs 15,000 crore while housing finance major HDFC and private lender Axis Bank raised Rs 10,000 crore each.

TRANSPARENT TAXATION

Hon'ble Prime Minister of India has launched "Transparent Taxation-Honouring the Honest" programme digitally harped on three basic facets:

1. Faceless Assessment
2. Faceless Appeal
3. Citizens Charter

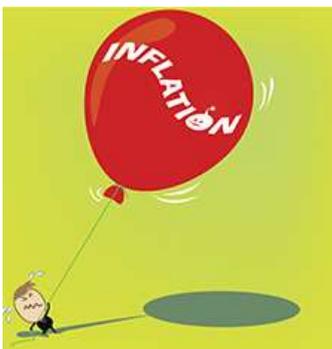
While the first and third are being launched today pan-India, the second will be launched on 25th Sept 2020.



CONSUMER PRICE INDEX

The country's CPI spiked to 6.93% in the month of July mainly on account of higher food prices, the data released by the Ministry of Statistics & Programme Implementation (MoSPI) showed.

The retail inflation which is measured by the CPI for the month of June was also revised to 6.23% from 6.09%.



AUDITORS' DISQUALIFICATION

NFRA has found various lapses in the statutory audit of IL&FS Financial Services Limited for 2017-18 that was done by BSR & Associates LLP.

Today, in its Audit Quality Review Report (AQRR), it has been concluded that the appointment of BSR as the statutory auditors of IFIN was ab initio illegal and void.



TRADE DEFICIT

India posted a trade deficit of \$4.83 billion in goods in July, after reporting its first trade surplus in over 18 years in the previous month.

CITI BLUNDER

- Revlon, an American cosmetic company, was expected to transfer a few million dollars to some of its lenders. Citibank was expected to facilitate this transfer. Instead of sending the money from Revlon's account, Citi transferred \$900 million to a group of lenders from its own account. That was quite larger than intended!!
- After realizing their mistake, Citibank asked the lenders to return the money – some of them agreed, some didn't, one of them being Brigade Capital – a hedge fund, which had received \$176.2 Mio instead of \$1.5 Mio. The lenders were demanding immediate payment from Revlon for a loan due several years later on grounds that the company had misused its collateral.
- The Citibank filed a lawsuit seeking the return of funds.



RULES OF ORIGIN

The Department of Revenue has notified the 'Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020' which would come into force on 21 Sep 2020. The regulations have been framed to check the wrong practice of availing concessional customs duty by routing exports to India through preferential trade countries.

OPERATION TWIST

- To cool down the surge in long term yields, RBI announced to conduct another tranche of Operation Twist over next 2 weeks.
- The Central Bank purchased securities with tenures between 4 and 12 years, and sold short-dated securities maturing in October and November. The bond-swapping programme for ₹10,000 crore each done on 27 August and 3 September.



GST INTEREST

The GST Council in its 39th meeting in March had decided that interest for delay in payment of GST to be charged on net tax liability with effect from 1 July 2017, and law would be amended retrospectively. However, 1 Sep 2020 was notified as the date from which interest would be charged on net tax liability, but was a disconnect with decision of the GST council. It has been clarified that the notification relating to interest on delayed payment of GST has been issued prospectively due to certain technical limitations and has assured that recoveries shall be made for the past period in accordance with the decision only.



BANK FRAUDS

One of the highlights from the RBI's annual report is the increase in the number of cases detected relating to banking fraud. Total cases of frauds have increased 159% by value to Rs 1.85 lakh crore. The average lag between the date of occurrence of frauds and their detection by banks/FIs was 24 months during 2019-20. In large frauds, i.e., 100 crore and above, however, the average lag was 63 months.

