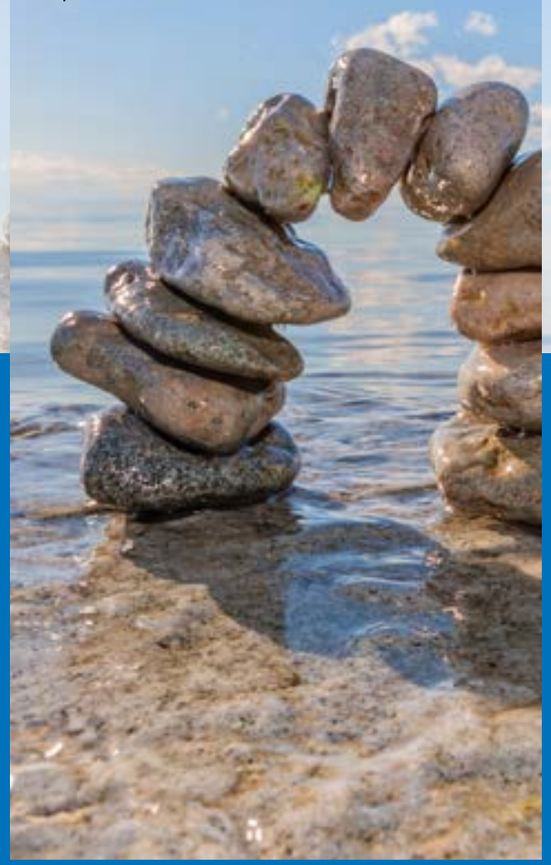
CHAPTER 3

Regulatory updates



Eligibility of CSR funds for creating health infrastructure and oxygen generation to combat COVID-19

The Ministry of Corporate Affairs (MCA) through a circular dated 5 May 2021 has clarified that spending of funds earmarked for Corporate Social Responsibility (CSR) for certain activities would be considered as eligible CSR activities under Schedule VII of the Companies Act, 2013 (2013 Act). The following are the activities that have been included in the eligible CSR activities list:

a. Creating health infrastructure for COVID-19 care

b. Establishment of medical oxygen generation and storage plants

c. Manufacturing and supply of oxygen concentrators, ventilators, cylinders and other medical equipment for countering COVID-19 or

d. Other similar activities.

The above activities would fall in item no. (i) and (xii) of the Schedule VII relating to promotion of health care, including preventive health care and disaster management respectively.

Companies may undertake these activities directly by themselves or in collaboration as shared responsibility with other companies, subject to the fulfillment of the Companies (CSR Policy) Rules, 2014 and circulars issued by MCA relating to CSR from time to time.

(Source: MCA general circular no. 09/2021 dated 5 May 2021)

Clarification on unspent CSR amount

Background

MCA through a notification dated 22 January 2021 had issued certain amendments to the provisions of the CSR under the 2013 Act. In accordance with the amendments, a company would be mandatorily required to utilise the unspent amount earmarked for CSR activities, failing which it would be transferred to a fund specified in Schedule VII of the 2013 Act in the following manner:

- **Unspent amount of CSR on ongoing CSR projects:** In case the CSR amount remains unspent pursuant to any ongoing CSR project undertaken by a company as per its CSR policy, then the company should transfer such unspent amount to a special account within a period of 30 days from the end of the Financial Year (FY).

  The company should spend the amount transferred to the unspent CSR account within a period of three FYs from the date of such transfer as per its obligation towards the CSR policy.

  In case it fails to spend the amount within the specified period, it would be required to transfer the same to a fund specified in Schedule VII of the 2013 Act, within a period of 30 days from the date of completion of the third FY.

- **Unspent CSR amount in cases other than ongoing projects:** When there is no ongoing project, the unspent amount should be transferred to a fund specified in Schedule VII of the 2013 Act within a period of six months from the expiry of the FY.

The amendments came into effect from 22 January 2021.

New development

On 10 May 2021, the Institute of Chartered Accountants of India (ICAI) through a Frequently Asked Question (FAQ) has clarified the effect of the above amendments on accounting treatment of amounts to be incurred towards CSR. In accordance with the provisions of Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets,* the obligating event requiring recognition of CSR expenditure (and a liability, as applicable) occurs as follows:

- During the FY, when carrying on CSR activities (spending/incurring)
- At the end of the FY, to the extent of the unspent amount relating to:
  a. Ongoing projects and
  b. Other than ongoing projects.

Basis above, it has been clarified that:

a. CSR expenditure would be recognised as an expense in the statement of profit and loss as and when such expenditure is incurred on the CSR activities as per the board approved CSR policy and CSR projects during the FY.

b. For the 'unspent amount', a legal obligation arises to transfer to specified unspent CSR account depending upon the fact whether such unspent amount relates to ongoing projects or not. Therefore, liability needs to be recognised for such unspent amount as at the end of the FY as per para 17(a) of Ind AS 37.

Further, as per Ind AS 34, *Interim Financial Statements,* CSR obligation will be recognised based on the principles for recognition of the same in annual financial statements.

The conclusions drawn above will equally apply for companies preparing financial statements as per the Companies (Accounting Standards) Rule, 2006.

(Source: FAQ on 'Accounting for amounts to be incurred towards CSR pursuant to the Companies (CSR Policy) Amendment Rules, 2021' issued by ICAI on 10 May 2021)

Clarification on offsetting excess CSR spent for FY2019-20

Pursuant to an appeal made by the MCA to the Managing Directors (MDs)/Chief Executive Officers (CEOs) of top 1,000 listed companies, certain companies claimed to have contributed CSR funds to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) over and above their prescribed amount for FY2019-20.

In view of the same MCA through a notification dated 20 May 2021 has provided clarification where a company has contributed any amount to 'PM CARES Fund' on 31 March 2020, which is over and above the minimum amount as prescribed under Section 135(5) of the 2013 Act for FY2019-20, and such excess amount or part thereof is offset against the requirement to spend under Section 135(5) for FY2020-21 in terms of the aforementioned appeal. This set off would not be viewed as a violation subject to the following conditions:

a. The amount offset as such should have factored the unspent CSR amount for previous FYs, if any

b. The Chief Financial Officer (CFO) should certify that the contribution to PM CARES Fund was indeed made on 31 March 2020 in pursuance of the appeal and the same should also be certified by the statutory auditor of the company and

c. The details of such contribution should be disclosed separately in the annual report on CSR as well as in the board's report for FY2020-21 in terms of Section 134(3)(o) of the 2013 Act.

(Source: MCA circular dated 20 May 2021)

Relaxations under the Companies Act, 2013 amid COVID-19

The MCA has issued relaxations from various compliances under the 2013 Act. Those are as follows:

- **Time gap between two board meetings:** Currently, Section 173(1) of the 2013 Act requires every company to hold minimum four meetings of its Board of Directors (BoD) every year with a gap of at least 120 days between two consecutive meetings.

  Relaxation

  MCA has decided to extend the gap between two board meetings by a period of 60 days for the first two quarters of FY2021-22. Accordingly, the gap between two consecutive board meetings may be extended to 180 days during the quarters from 1 April 2021 to 30 June 2021 and 1 July 2021 to September 2021, instead of 120 days as required under Section 173(1) of the 2013 Act.

  (Source: MCA general circular no. 08/2021 dated 3 May 2021)

- **No additional fees in delayed filing of certain forms:** Additional fees would not be levied upto 31 July 2021 for any delayed filing of various forms under the 2013 Act (other than charge related forms) that are due for filing during 1 April 2021 to 31 May 2021.

  (Source: MCA general circular no. 06/2021 dated 3 May 2021)

- **Forms related to creation or modification of charge:** MCA has provided relaxation from filing forms related to creation or modification of charges under the 2013 Act as follows:

  a. *In case the date of creation/modification of charge is before 1 April 2021, but the timeline for filing such form had not expired under Section 77 of the 2013 Act as on 1 April 2021:* The period beginning from 1 April 2021 and ending on 31 May 2021 would be excluded for the purpose of accounting the number of days under Section 77 or Section 78 of the 2013 Act.

  Accordingly, if the form is not filed within such period, the first day after 31 March 2021 would be reckoned as 1 June 2021 for the purpose of counting the number of days within which the form is required to be filed under Section 77 or Section 78 of the 2013 Act.

  b. *In case the date of creation/modification of charge is between 1 April 2021 to 31 May 2021:* The period beginning from the date of creation/modification of charge to 31 May 2021 would be excluded for the purpose of counting of days under Section 77 or Section 78 of the 2013 Act.

  Accordingly, if the form is not filed within such period, the first day after the date of creation/modification of charge would be reckoned as 1 June 2021 for the purpose of counting the number of days within which the form is required to be filed under Section 77 or Section 78 of the 2013 Act.

The relaxation will not apply, in case:

a. The forms i.e. CHG-1 and CHG-9 had already been filed before 3 May 2021 (i.e. the date of issue of this circular)

b. The timeline for filing the form has already expired under Section 77 or Section 78 of the 2013 Act prior to 1 April 2021.

c. The timeline for filing the form expires at a future date, despite exclusion of the time provided above.

d. Filing of Form CHG-4 for satisfaction of charges.

(Source: MCA general circular no. 07/2021 dated 3 May 2021)

Also refer, KPMG in India's First Notes on 'Extension of timelines of filing financial results for listed entities amid COVID-19 and other relaxations' dated 10 May 2021.

SEBI issues relaxations for listed companies amid COVID-19

- **Extension of timeline for filing financial results with the stock exchange(s):** The Securities and Exchange Board of India (SEBI) through its circulars dated 29 April 2021, has extended the timeline for filing financial results by listed companies for the quarter, half-year and year ended 31 March 2021 with the stock exchange(s) as follows:

  a. *Companies with listed specified securities (i.e. equity shares and convertible shares):* Financial results for the quarter/year ended 31 March 2021 can be filed upto 30 June 2021 (earlier 15 May 2021/30 May 2021).

  b. *Companies with listed Non-Convertible Debentures (NCDs)/Non-Convertible Redeemable Preference Share (NCRPS)/ Commercial Papers (CPs)/securitised debt instruments and municipal debt securities:* Financial results for half-year/year ended 31 March 2021 can be filed up to 30 June 2021 (earlier 15 May 2021/30 May 2021).

  Further, listed companies are permitted to use digital signature certifications for authentication/ certification of filings/submissions made to the stock exchanges under the relevant SEBI Regulations/circulars till 31 December 2021.

  For a detailed read, please refer KPMG in India's First Notes on 'Extension of timelines of filing financial results for listed entities amid COVID-19 and other relaxations' dated 10 May 2021.

  (Source: SEBI circular no. SEBI/HO/CFD/CMD1/P/ CIR/2021/556 and circular no. SEBI/HO/DDHS/DDHS_ Div11/P/CIR/2021/557 dated 29 April 2021)

- **Relaxation from compliance to REITs and InvITs:** SEBI has decided to extend the due date for regulatory filings and compliances for Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) for the period ended 31 March 2021 by one month over and above the timelines, prescribed under the SEBI (InvITs) Regulations, 2014 and SEBI (REITs) Regulations, 2014 and circulars issued thereunder.

  (Source: SEBI circular no. SEBI/HO/DDHS/DDHS_Div3/P/CIR/2021/563 dated 14 May 2021)

- **Relaxation in timelines for compliances by debenture trustees:** SEBI has decided to extend the timelines for the following regulatory requirements of the SEBI circular dated 12 November 2020 applicable to debenture trustees for the quarter/half-year/year ended 31 March 2021:

Sr. no.	Regulatory requirements	Extended timeline
1	Submission of reports/certifications to stock exchanges	15 July 2021
2	Following disclosures on website: a. Monitoring of asset cover certificate and quarterly compliance report of the listed entity b. Monitoring of utilisation certificate c. Status of information regarding breach of covenants/terms of the issue, if any action taken by debenture trustee d. Status regarding maintenance of accounts maintained under supervision of debenture trustee	15 July 2021
3	Reporting of regulatory compliance	31 May 2021

(Source: SEBI circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2021/561 dated 3 May 2021)

Amendments to LODR

On 5 May 2021, SEBI has issued various amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) with an aim to strengthen corporate governance practices and disclosure requirements, ease compliance burden on listed companies and realign it with recent regulatory developments. The amendments were approved by SEBI in its board meeting dated 25 March 2021.

The key amendments are as follows:

- **Applicability of LODR (Regulation 3):** Regulation 3 deals with applicability requirements of the LODR. The amendment provides that once any of the provisions of the LODR become applicable to a listed entity on the basis of market capitalisation, it would continue to apply to such entities even if they fall below such thresholds.
- **Corporate governance requirements with respect to a subsidiary of a listed entity (Regulation 24):** A listed entity should not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than or **equal to** 50 per cent or cease the exercise of control over the subsidiary without passing a special resolution in its general meeting. Currently, the requirement of passing special resolution is applicable in case the shareholding falls below 50 per cent.
- **Disclosure of events or information (Regulation 30 and Schedule III):** Regulation 30(6) provides that the disclosure of discussion held in a board meeting such as those relating to financial results, dividends, buy-back of securities to stock exchange should be made within 30 minutes from the conclusion of the board meeting.

  Regulation 30(6) and Schedule III have been amended to provide that in case of board meetings being held for more than one day, the financial results should be disclosed within 30 minutes of end of the meeting for the day on which it has been considered.
- **Business Responsibility and Sustainability Report (BRSR) (Regulation 34)**: Currently, top 1,000 listed companies[1] in India are required to furnish a Business Responsibility Report (BRR) to the stock exchanges as a part of their annual reports.

  The amendments have discontinued the requirement of submitting BRR by listed companies after FY2021-22. Accordingly, companies would be required to submit a new report on ESG parameters, namely Business Responsibility and Sustainability Report (BRSR) in the following manner:

  - **Mandatory from FY2022-23:** For top 1,000 listed companies by market capitalisation[1]
  - **Voluntary for FY2021-22:** For top 1,000 listed companies by market capitalisation[1]
  - **Voluntary for other companies:** Listed companies (other than top 1,000) and companies which have listed their specified securities on the Small and Medium Enterprises (SME) exchange may voluntarily submit BRSR in place of BRR effective FY2021-22 onwards.

  Additionally, SEBI through a notification dated 10 May 2021 has prescribed the format of new report, BRSR along with the guidance note to enable companies to interpret the scope of disclosures required to be made in the report.
- **Applicability and role of a Risk Management Committee (RMC) (Regulation 21):** SEBI has issued following amendments relating to the applicability and role of RMC of a listed entity:

  a. *Applicability:* Extension of the requirement of constituting RMC to top 1,000 listed entities on the basis of market capitalisation as at the end of the immediate previous FY (currently applicable to top 500 listed entities).

  b. *Members of RMC:* The RMC should have minimum three members with majority of them being members of the board of directors, **including at least one independent director**. Additionally, in case of a listed entity with outstanding SR equity shares[2], at least two-thirds of the RMC shall comprise independent directors.

  c. *Meeting and quorum of RMC:* The RMC should meet at least twice a year (earlier once a year). The meetings of RMC should be conducted in such a manner that on a continuous basis not more than 180 days should elapse between any two consecutive meetings.

     Further, the quorum for a meeting of the RMC should be either two members or one-third of the members of the committee, whichever is greater, including at least one member of the board of directors in attendance.

  d. *Role of RMC:* The role and responsibility of the RMC has been specified to, *inter alia*, include formulation of a detailed risk management policy and monitoring its implementation, periodic review of such policy, review of the appointment, removal and terms of remuneration of the Chief Risk Officer (if any), etc.

1. Based on market capitalisation calculated as on 31 March of every FY.
2. Equity shares having superior voting rights.

- **Revision of provisions relating to re-classification of promoter/promoter group entities (Regulation 31A):** Currently, Regulation 31A of the LODR permits reclassification of promoters of listed entities as public shareholders in different scenarios, subject to the specified conditions. The reclassification scenarios, *inter alia*, include the following:

  a. When a promoter is replaced by a new promoter

  b. Where a company ceases to have any promoters (i.e. becomes professionally managed).

  Relaxation from this requirement was given by SEBI on a case to case basis.

  SEBI has issued following revisions to the existing provisions of the LODR:

  a. The BoD would be required to analyse the reclassification request immediately in the next board meeting or within three months from the date of receipt of the request from its promoter(s), whichever is earlier. Currently there is no definitive timeline for the BoD to analyse such requests.

  b. The time gap between the date of board meeting and the shareholders' meeting for considering the request of the promoter(s) seeking reclassification has been reduced to a minimum of one month and maximum three months (currently minimum three months and maximum six months).

  c. The requirement of seeking approval of shareholders would not apply in cases where the promoter seeking reclassification and persons related to the promoter(s) seeking reclassification, together holds shareholding of less than one per cent, subject to the promoter not being in control.

  d. Exemption from the procedure for reclassification would be granted in cases where reclassification is pursuant to an open offer or a scheme of arrangement in cases where the intent of the erstwhile promoter(s) to reclassify has been disclosed in the letter of offer or scheme of arrangement. Additionally, the requirement relating to minimum public shareholding requirements would also not be applicable in case of reclassification pursuant to an open offer.

Effective date: The amendments are applicable from the date of their publication in the official gazette i.e. 5 May 2021.

(Source: SEBI notification no. SEBI/LAD-NRO/GN/2021/22 dated 5 May 2021 and SEBI circular no. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated 10 May 2021)

Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of commercial banks, urban co-operative banks and non-banking finance companies

The Reserve Bank of India (RBI) through its notification dated 27 April 2021, has prescribed guidelines for appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SA) of commercial banks (excluding Regional Rural Banks (RRBs)), Urban Co-operative Banks (UCBs) and Non-Banking Finance Companies (NBFCs) (including Housing Finance Companies) for FY2021-22 and onwards. These guidelines supersede all previous guidelines issued by RBI on the subject.

The key guidelines, *inter alia*, include the following:

- **Prior approval of RBI:** Commercial Banks (excluding RRBs) and UCBs will be required to take prior approval of RBI (Department of Supervision) for appointment/reappointment of SCAs/SAs, on an annual basis.
- **Number of SCAs/SAs:** For entities with asset size of INR15,000 crore and above as at the end of previous year, the statutory audit should be conducted under joint audit of a minimum of two audit firms (partnership firms/Limited Liability Partnerships (LLPs)). All other entities should appoint a minimum of one audit firm (partnership firm/LLP) for conducting statutory audit. It should also be ensured that joint auditors of the entity do not have any common partners and they are not under the same network of audit firms.
- **Independence of auditors:** In case of commercial banks (excluding RRBs) and NBFCs (which are required to constitute an audit committee of the board), the Audit Committee of the Board (ACB)/Local Management Committee (LMC) should monitor and assess the independence of auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. In case of UCBs/remaining NBFCs, the BoD should monitor and assess the independence of the auditors.
- **Professional standards of SCAs/SAs:** The board/ACB/LMC of entities would review the performance of SCAs/SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SCAs/SAs or any other matter considered as relevant should be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the board/ACB/LMC, with the full details of the audit firm.
- **Tenure and rotation:** Entities will have to appoint the SCAs/SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. An audit firm

would not be eligible for reappointment in the same entity for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other entities.

One audit firm can concurrently take up statutory audit of a maximum of four commercial banks (including not more than one Public Sector Bank (PSB) or one All-India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI), eight UCBs and eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each entity and within overall ceiling prescribed by any other statutes or rules.

- **Statutory audit policy and appointment procedure:** Each entity should formulate a board/LMC approved policy to be hosted on its official website/public domain and formulate necessary procedure thereunder to be followed for appointment of SCAs/SAs.

(Source: RBI notification no. RBI/2021-22/25 dated 27 April 2021)

Corporate governance in banks – Appointment of directors and constitution of committees of the board

Basis a comprehensive review of the framework for governance in the commercial banks, RBI through a notification dated 27 April 2021 had issued certain instructions with regard to the chair and meetings of board, composition of certain committees of the board, appointment of whole-time directors. The instructions would be applicable to all the private sector banks including Small Finance Banks (SFBs) and wholly owned subsidiaries of foreign banks. In respect of State Bank of India (SBI) and nationalised banks, these guidelines would apply to the extent the stipulations are not inconsistent with provisions of specific statutes applicable to these banks or instructions issued under the statutes.

The key instructions are as follows;

- **Chair and meetings of the board:** The Chair of the board should be an independent director. In the absence of the Chair of the board, the meetings of the board should be chaired by an independent director. The quorum for the board meetings should be one-third of the total strength of the board or three directors, whichever is higher. At least half of the directors attending the meetings of the board should be independent directors.
- **Committees of the board:**
  a. *Audit Committee of the Board (ACB):* The ACB should be constituted with only Non-Executive Directors (NEDs). The Chair of the board should not be a member of the ACB. The ACB should meet at least once a quarter with a quorum of three members. At least two-thirds of the members attending the meeting of the ACB should be independent directors.
  b. *Risk Management Committee of the Board (RMCB):* The board shall constitute an RMCB with a majority of NEDs. The RMCB should meet at least once in each quarter with a quorum of three members. At least half of the members attending the meeting of the RMCB should be independent directors of which at least one member should have professional expertise/ qualification in risk management.
  c. *Nomination and Remuneration Committee (NRC):* The board shall constitute a NRC made up of only NEDs. The NRC should meet with a quorum of three members. At least half of the members attending the meeting of the NRC should be independent directors, of which one should be a member of the RMCB.
- **Tenure of MD and CEO and WTDs:** The post of the Managing Director (MD) and Chief Executive Officer (CEO) or Whole-Time Director (WTD) cannot be held by the same incumbent for more than 15 years. An individual may be considered for reappointment only after a minimum gap of three years subject to meeting other conditions. During this three-year cooling period, the individual should not be appointed or associated with the bank or its group entities in any capacity, either directly or indirectly.

Effective date: The instructions come into effect from the date of issue of the circular i.e. 26 April 2021. To enable smooth transition to the revised requirements, banks are permitted to comply with these instructions latest by 1 October 2021.

(Source: RBI notification no. RBI/2021-22/24 dated 26 April 2021)

Relaxations by RBI amid COVID-19

- **Resolution framework 2.0 for COVID-19 related stress of MSME:** RBI has decided to extend the resolution framework (for Micro, Small and Medium Enterprises (MSMEs)) for restructuring existing loans without a downgrade in the asset classification subject to specified conditions which, *inter alia*, includes the following:

  a. The borrower should be classified as a MSME as on 31 March 2021.

  b. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on 31 March 2021.

  c. The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed INR25 crore as on 31 March 2021.

  d. The borrower's account was a 'standard asset' as on 31 March 2021.

  e. Upon implementation of the restructuring plan, the lending institutions should keep provision of 10 per cent of the residual debt of the borrower.

  In respect of restructuring plans implemented as above, asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between 1 April 2021 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.

  In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, lending institutions are permitted, as a one-time measure, to review the working capital sanctioned limits and/or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by 30 September 2021.

  The reassessed sanctioned limit/drawing power should be subject to review by the lending institution at least on a half-yearly basis and the renewal/reassessment at least on an annual basis. The annual renewal/reassessment should be expected to suitably modulate the limits as per the then-prevailing business conditions.

  (Source: RBI notification no. RBI/2021-22/32 dated 5 May 2021).

- **Resolution framework 2.0 for COVID-19 related stress of individuals and small businesses:** RBI has issued additional set of measures to address the potential stress to individual borrowers and small businesses amid COVID-19. The key measures are as follows:

  a. Lending institutions are permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as standard upon implementation of the resolution plan subject to the specified conditions.

  Following borrowers would be eligible for the window of resolution to be invoked by the lending institutions:

  - Individuals who have availed of personal loans excluding the credit facilities provided by lending institutions to their own personnel/staff.
  - Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than INR25 crore as on 31 March 2021.
  - Small businesses, including those engaged in retail and wholesale trade, other than those classified as MSME as on 31 March 2021, and to whom the lending institutions have aggregate exposure of not more than INR25 crore as on 31 March 2021.

  b. The resolution plans implemented under this window may, *inter alia*, include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.

  c. The moratorium period, if granted, may be for a maximum of two years which should come into force immediately upon implementation of the resolution plan.

  d. The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable.

  e. The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window.

  f. Lending institutions publishing quarterly financial statements should make specified disclosures in their financial statements for the quarters ending 30 September 2021 and 31 December 2021. The said disclosures should also be made by companies publishing only annual financial statements in their annual financial statements.

  (Source: RBI notification no. RBI/2021-22/31 dated 5 May 2021).

CBDT extended timelines for certain filings due to COVID-19

The Central Board of Direct Taxes (CBDT) through its press release dated 20 May 2021 has extended the timelines for various compliances under the Income-tax Act, 1961 (IT Act). Those are as follows:

Particulars	Due date	Revised timeline
Statement of financial transactions for FY2020-21	31 May 2021	30 June 2021
Statement of reportable account for the calendar year 2020	31 May 2021	30 June 2021
Statement of deduction of tax for the last quarter of the FY2020-21	31 May 2021	30 June 2021
Certificate of Tax Deducted at Source (TDS) in Form No 16	15 June 2021	15 July 2021
TDS/TCS book adjustment statement in Form No 24G for the month of May 2021	15 June 2021	30 June 2021
Statement of deduction of tax from contributions paid by the trustees of an approved superannuation fund for the FY2020-21	31 May 2021	30 June 2021
Statement of income paid or credited by an investment fund to its unit holder in Form No 64D for the PY2020-21	15 June 2021	30 June 2021
Statement of income paid or credited by an investment fund to its unit holder in Form No 64C for the PY2020-21	30 June 2021	15 July 2021
Return of income for the Assessment Year (AY) 2021-22	31 July 2021	30 September 2021
Report of audit under any provision of the IT Act for the PY2020-21	30 September 2021	31 October 2021
Report from an accountant by persons entering into international transaction or specified domestic transaction under Section 92E of the IT Act for PY2020-21	31 October 2021	30 November 2021
Return of income for AY2021-22	31 October 2021 30 November 2021	30 November 2021 31 December 2021
Belated/revised return of income for AY2021-22	31 December 2021	31 January 2022

(Source: CBDT press release dated 20 May 2021)

Preparation of financial statements and auditor's report of insurance companies

The Insurance Regulatory and Development Authority of India (IRDAI) through a notification dated 5 May 2021 has issued certain amendments to the IRDAI (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002. The amendments are aimed to provide the manner in which the premium and unearned premium reserve should be recognised by insurers carrying on general insurance business.

As per the amendments:

- **Premium:** Premium should be recognised as income over the contract period or the period of risk, whichever is appropriate. Premium received in advance is the premium where the period of inception of the risk is outside the accounting period and is to be shown under current liabilities.

  Further, unallocated premium includes premium deposit and premium which has been received but for which risk has not commenced. It is to be shown under current liabilities.

- **Unearned premium reserve:** A reserve for unearned premium should be created as the amount representing that part of the premium written which is attributable to and allocated to the succeeding accounting periods. The reserve should be computed in the following manner:

  a. *Marine hull:* 100 per cent of net written premium during the preceding 12 months

  b. *Other segments:* 50 per cent of net written premium during the preceding 12 months or on the basis of 1/365th method on the unexpired period of the respective policies.

Insurance companies are required to follow the method of provisioning of unearned premium reserve in a consistent manner. Further, any change in the method of provisioning can be done only with the prior approval of IRDAI.

Effective date: The amendments are effective from the first day of FY after notification of the amendments.

(Source: IRDAI notification no F. No. IRDAI/Reg/5/177/2021 dated 5 May 2021)