



dvmgopal & associates
Company Secretaries



NEWSLETTER

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Cryptocurrency

What Is Cryptocurrency?

Cryptocurrency is a medium of exchange, created and stored electronically in the blockchain, using encryption techniques to control the creation of monetary units to verify the transfer of funds.



Has no intrinsic value in that it is not redeemable for another commodity such as gold.



Has no physical form and exists only in the network



Its supply is not determined by a central bank and the network is completely decentralized.

- ✚ A cryptocurrency is a form of digital asset based on a network that is distributed across a large number of computers. This decentralized structure allows them to exist outside the control of governments and central authorities.
- ✚ The word “cryptocurrency” is derived from the encryption techniques which are used to secure the network.
- ✚ Blockchains, which are organizational methods for ensuring the integrity of transactional data, are an essential component of many cryptocurrencies.

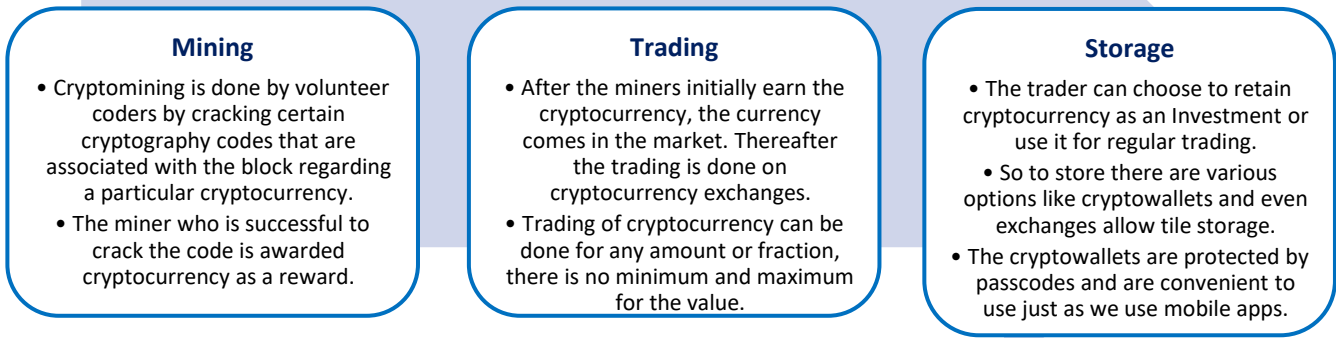
What Is Fiat Money?

- ✚ Fiat money is a government-issued currency that is not backed by a commodity such as gold.
- ✚ Fiat money gives central banks greater control over the economy because they can control how much money is printed.
- ✚ Most modern paper currencies, such as the U.S. dollar, are fiat currencies.
- ✚ One danger of fiat money is that governments will print too much of it, resulting in hyperinflation.

CONVENTIONAL CURRENCY VS CRYPTOCURRENCY

	Fiat or Conventional Currency	Cryptocurrency
Type	Real	Virtual
Intermediates	Yes	No (Peer-to-Peer)
Profitability	Yes (except heavy cash)	Highly portable
Durable	Moderate	Highly durable
Acceptance	National	Global (throughout the internet)
Secure (Cannot be counterfeited)	Moderate	High
Scarce (Predictable Supply)	Low	High
Sovereign (Government issued)	Yes	No
Decentralised	No (Central bank control)	Yes (Controlled by Complex math)
Smart (Programmable)	No	Yes

How Cryptocurrency works?



Some other points are: -

- Wallets are available on both online and offline mode. Online wallets also known as hot wallet are based on cloud concepts, where the data is stored on a cloud online. Offline wallets also called cold wallet i.e. data is stored offline in an external storage device.
- The wallets are protected by passcodes, i.e. private and public keys. Public key is just like a username or say mail id which can be shared with others and private key is just like password.

Types of Cryptocurrencies

The types of cryptocurrencies are majorly divided into

- Coins- These are crypto currencies which have their own blockchain. The coins other than Bitcoin are called Altcoins.
- Tokens- Tokens are offered through Initial Coin Offering just like IPO in stock. Crypto tokens are built on existing blockchains.

The other cryptocurrencies popularly traded are- Ethereum, Ripple, Waves, Counterparty, Bitcoin, Peercoin, Litecoin, Dogecoin, Auroracoin, Namecoin etc.



Advantages	Disadvantages
Funds transfer between two parties will be easy without the need of third party like credit/debit cards or banks	The almost hidden nature of cryptocurrency transactions makes them easy to be the focus of illegal activities such as money laundering, tax-evasion and possibly even terror-financing
It is a cheaper alternative compared to other online transactions	Payments are not irreversible
Payments are safe and secured and offer an unprecedented level of anonymity	Cryptocurrencies are not accepted everywhere and have limited value elsewhere
Modern cryptocurrency systems come with a user “wallet” or account address which is accessible only by a public key and private key. The private key is only known to the owner of the wallet	There is concern that cryptocurrencies like Bitcoin are not rooted in any material goods. Some research, however, has identified that the cost of producing a Bitcoin, which requires an increasingly large amount of energy, is directly related to its market price.
Funds transfer are completed with minimal processing fees.	----

Is Cryptocurrency Legal in India?

Although trading in cryptocurrency is legal in India but cryptocurrency is not a legal tender in itself.

That is, we cannot do any transaction like sale/purchase using cryptocurrency in India unlike many western countries.

Tax on income from trading in Cryptocurrency

Presently there is no sections or provisions in Income Tax Act for cryptocurrency, following views can be taken on the basis of existing provisions of law-

- If treated as Capital Gains- It will be taxed on basis of period of holding and rate as applicable for STCG (normal rate of tax on income)/LTCG (20% with indexation) can be applied.
- If treated as business income- It will be taxed at normal rate as applicable to the assessee and expenses related to that business will be allowed.
- If treated as income from other sources- The income can also be treated as income from other sources if it is neither investment nor business. In this case normal rates as applicable to the assessee will be applicable.

Monthly Updates

Key FAQs on SEBI -Share Based Employee Benefits and Sweat Equity Regulations

SEBI had notified the Securities and Exchange Board of India (**Share Based Employee Benefits and Sweat Equity**) Regulations, 2021 (“SEBI (SBEB & SE) Regulations”) in place of erstwhile Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 to streamline and rationalize the existing provisions with best global practices, vide its notification dated August 13, 2021.

To offer a simplistic explanation / clarification of key terms / concepts, SEBI has now released FAQs on the said Regulations.

FAQ's	Answers
Whether the provisions of SBEB and SE Regulations, 2021 apply to any other employee benefits schemes like Restricted Stock Units ?	These provisions shall be applicable to all the Schemes including the Scheme pertaining to Restricted Stock Units satisfying applicability conditions under Regulation 1(4).
Whether the provisions of SBEB and SE Regulations, 2021 apply to Phantom Stock Options ?	These provisions shall not be applicable on the Phantom Stock Units as they do not involve any actual purchase or sale of the Equity Shares of a listed company.
Whether contractual employees are eligible to receive benefits under Share Based Employee Benefits schemes?	Yes, contractual employees are also eligible to receive benefits under the Share Based Employee Benefits schemes provided they are designated as employees and are exclusively working with such company or its group company including subsidiary or its associate company or its holding company.
Based on the definition of “ group ” under the SBEB and SE Regulations, 2021, if there are two companies (Company A and Company B) that together hold 26% of the share capital of a listed company (Company X), can company X grant options, SAR or other benefits to the employees of each of Company A and Company B even if Company A and Company B are not part of same group?	Yes. Company X may grant benefits to the employees of Company A and Company B even if they are not part of the same group. Further, each of Company A and Company B may also grant benefits to employees of Company X. However, neither Company A nor Company B can grant such benefits to each other’s employees if they are not part of the same group.
Are employees of joint ventures eligible to receive benefits under Share Based Employee Benefits schemes?	As per Section 2(6) of the Companies Act, 2013, the term Associate Companies includes Joint Ventures. Since the employees of Associate Companies are now included in the definition of “Employees” under Regulation 2 of SBEB and SE Regulations, 2021, employees of joint ventures are also eligible to receive benefits under share based employee benefits schemes
What is the treatment in cases where the holding in shares of the Trust exceeds the threshold as prescribed under Regulation 3(11) of these regulations, due to action other than of its own?	In cases where there is a reduction of paid-up capital on account of any corporate actions like buyback, the trust may be permitted to hold on to their shares, however, the trust shall not be permitted to acquire any further shares
In terms of Regulation 6(3)(d), whether separate resolution needs to be passed for the identified employees, class wise or name wise?	Separate resolution needs to be passed for each employee name wise.

What is the treatment to the options, SAR or other benefits which are granted and not vested to the directors who have vacated the office due to retirement ?	Subject to the terms of the company's policies, all grants, SARs or other benefits would continue to vest in accordance with the respective vesting schedules even after the cessation of directorship due to retirement.
Whether shareholders' approval shall be required for variance in only those terms which are mentioned in the explanatory statement as provided in Part C of Schedule-I or for those changes in the scheme as well which do not form part of the explanatory statement?	Shareholders' approval is required for only those terms which are covered in Part C of Schedule-I of the SBEB and SE Regulations, 2021.
Whether the lock-in period is applicable to the Trust, if an ESPS scheme is implemented through Trust route?	No. The lock-in requirement is applicable at the level of employee and not at the level of Trust. Lock-in in terms of regulation 22(2) shall be applicable from the day shares are received by the employees.
Whether shares held by the trust will be taken into account for the determination of percentage of voting rights under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SAST Regulations")	Shares held by the trust formed as per the provisions of SEBI (SBEB & SE) Regulations shall be taken into account for the determination of percentage of voting rights under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SEBI (SAST) Regulations").
Pursuant to the issue of sweat equity shares to the employees beyond the threshold limits as prescribed under provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Regulations"), whether open offer shall be triggered in the hands of the beneficiaries?	The Beneficiaries of Sweat Equity Shares shall be liable to make an open offer if the acquisition exceeds the threshold limits under SEBI (SAST) Regulations.

Compliance Calendar

INCOME TAX				
Compliance details	Applicability	Reporting period	Due Date	Form
Deposit of Tax Deducted	Non-government deductors	November, 2021	7th December, 2021	Challan 281
Issue of TDS certificate u/s 194IA, 194IB and 194M	All deductors	October, 2021	15th December, 2021	Form 16B & 16C
Challan-cum-statement for TDS u/s 194IA, 194IB and 194M	All deductors	November, 2021	30th December, 2021	Form 26QB & 26QC
Advance tax	All taxpayers having tax payable more than Rs.10,000	A.Y.2022-23	15th December, 2021	
Equalisation Levy statement	All Tax deductors under equalisation levy	A.Y.2021-22	31st December, 2021	Form-1
Return of income	all assessee other than (a) corporate-assessee or (b) non-corporate assessee (whose books of account are required to be audited) or (c) partner of a firm whose accounts are required to be audited or the spouse of such partner if the provisions of section 5A applies or (d) an assessee who is required to furnish a report under section 92E	A.Y.2021-22	31st December, 2021	Respective ITR's

GST

Compliance details	Applicability	Reporting period	Due Date	Form
Return of outward supplies of taxable goods and/or services	GST Taxpayers who have not opted for QRMP scheme	November, 2021	11th December, 2021	GSTR 1
Return of outward supplies of taxable goods and/or services	GST Taxpayers who opted for QRMP scheme -Optional	November, 2021	13th December, 2021	GSTR 1
Summary Return of Outward and Inward Supplies along with payment of Tax	GST Taxpayers who have not opted for QRMP scheme	November, 2021	20th December, 2021	GSTR 3B
GST Challan Payment if no sufficient ITC	GST Taxpayers who opted for QRMP scheme	November, 2021	25th December, 2021	
Return for Details of Supplies and the amount of tax collector	E-commerce Operator	November, 2021	10th December, 2021	GSTR 8
Return for TDS under GST	Government Authorities	November, 2021	10th December, 2021	GSTR 7
Return for details of ITC received and distribution	Input Service Distributors	November, 2021	13th December, 2021	GSTR 6
Summary Return of Outward taxable supplies and tax payable	Non-Resident GST Taxpayers	November, 2021	20th December, 2021	GSTR 5 & 5A
Return for details of goods and services purchased in India	Taxpayer claiming Refund & having UIN	November, 2021	28th December, 2021	GSTR-11

Companies Act

Compliance details	Applicability	Reporting period	Due Date	Form	Extended Date due to Covid 19 / other Measures
Four Board meetings (& Audit Committee in case of listed company) of the calendar year.	All the companies except OPC and small companies. For OPC and small companies - Two Board meetings of the calendar year.	-	31st December, 2020	-	-
Filing of Annual Return and Annual Report with ROC	All Companies filing in respect of Financial ending 31/03/2021	Financial ending 31/03/2021	Form AOC-4 within 30 days from AGM Form MGT-7/7A within 60 days of AGM	e-forms AOC-4, AOC-4 (CFS), AOC-4, AOC-4 XBRL AOC-4 Non-XBRL and MGT-7/MGT-7A	31st December, 2021

FEMA

Compliance details	Applicability	Reporting period	Due Date	Form
Reporting of actual transactions of External Commercial Borrowings (ECB) through AD Bank under FEMA	All categories of ECB	November, 2021	7th December, 2021	ECB-2 Return
Annual performance Report (APR)	An Indian Party (IP) / Resident Individual (RI) which has made an Overseas Direct Investment (ODI)		31st December, 2021	FORM ODI PART-II

Labour Laws

Compliance details	Applicability	Reporting period	Due Date	Form
Deposit of Provident Fund Contributions	Entities registered with PF Authorities	November, 2021	15th December, 2021	Monthly ECR
EDLI Return (Employees Deposit Linked Insurance)	All companies and firm deducting PF	November, 2021	25th December, 2021	
Deposit of E.S.I.C Contributions	Entities registered with ESIC Authorities	November, 2021	15th December, 2021	Monthly ECR