iComply

Editorial

Dear Reader,

They say there is nothing like a good beginning and I am happy to share with you that the year 2017 began for us on a very happy note.

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Interview with Surendra Choudhary, Director, Accounting Advisory Services, KPMG



1.What are the major challenges you see in complying with the Companies Act, 2013? How has it changed after the first year of implementation?

The major challenges to be seen in complying with the Act are:

a. Internal financial control in small entities/start up entities

b. Inter corporate loans and advances and loans to Directors

c. Requirement of resident Director for foreign companies

d. Companies having foreign holding companies, challenges in terms of further issue of shares for most of the local fund requirements due to non-permissibility of loans from holding company

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Compliance calendar



Due dates for Income tax, Professional tax, Service tax, Companies Act, 2013 among others has been captured for your ready reference. View the list…

Gist of Regulatory Changes in Companies Act, 2013 in the month of January, 2017



Three Regulatory changes in Companies Act, 2013 in the month of January.
View the list…

Union Budget 2017: Companies, their Profitability and Compliance Status; Are Indian Companies Compliant?



The Company Secretary fraternity has something to cheer about in the Union Budget 2017, for the Union Finance Minister presenting the budget indicated his desire to promote company format for MSME firms.

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What's New in BLISS?

1. Send Emails of Agenda and Minutes and track different versions of a document using BLISS.
2. Summary Dashboard displayed based on criticality.
3. Attendance of Company Secretary is now displayed under the caption "In Attendance".
4. Provision to capture SRN of the returns filed
5. Users can add Action tracker items based on their need, unrelated to resolutions.
6. Provision to store documents in Records Page under User Defined Heading.

View details…

Editorial

Dear Reader,

They say there is nothing like a good beginning and I am happy to share with you that the year 2017 began for us on a very happy note. January 2017 saw the highest level of enquiries, request for product demos and some marquee customer signings. We believe we are on the right track and take inspiration from our customer feedback as we look ahead to meet their growing expectations.

In this issue we have interviewed Surendra Choudhary, Director Accounting Advisory Services of KPMG to seek his experience on dealing with companies with non-resident Directors and Investors and their challenges.

For the first time in India, the Union Budget 2017 was presented on February 1. In this issue you will see a brief article extending the concept elaborated by our Finance Minster of India being a Tax-non compliant society to evaluating where Indian Corporate Sector stands with regard to Company Law Compliance status. Our other regular features in the newsletter– Gist of Regulatory Changes and Compliance Calendar are also available in this issue.

Before I conclude this month's editorial, I thank all our readers for their support in using www.ca2013.com and referring it to their professional colleagues. The result is over 2000 page views per day. With your support, I am sure we will be able to accelerate it to reach 5000 page views per day soon.

We at CimplyFive are extremely thankful to you and are greatly enthused by your words. Please do share your feedback on this issue of ***icomply***. You can share your thoughts with us at contact@cimplyfive.com.

Happy reading,
Shankar Jaganathan
Editor
February 6, 2017

Interview with Surendra Choudhary, Director, Accounting Advisory Services, KPMG

1. **What are the major challenges you see in complying with the Companies Act, 2013? How has it changed after the first year of implementation?**

   The major challenges to be seen in complying with the Act are:

   a. Internal financial control in small entities/start up entities
   b. Inter corporate loans and advances and loans to Directors
   c. Requirement of resident Director for foreign companies
   d. Companies having foreign holding companies, challenges in terms of further issue of shares for most of the local fund requirements due to non-permissibility of loans from holding company

   No major change from first year of implementation. However, relaxations and exemptions to private companies have helped to ease in doing business. Further, the process for incorporation has been streamlined, but the paperwork is still cumbersome and for foreign investee companies it still continues to be a challenging task due to various restrictions under FEMA, resident Director Requirement and further issue of shares.

2. **How do non-resident investors and directors view the compliance requirements of the Indian Companies Act, 2013? Is there any specific suggestions you have on how to make it more acceptable?**

   The non-resident Directors and investors feel the compliance requirements under the new law towards conducting board meeting, general meeting etc. have all of a sudden increased manifold. The relaxations available to private companies on loans to directors, approval of board for certain items etc. have been removed and this has increased the complexities.

3. **Video-conference is a norm today in global business practice. What are the practical challenges you see in conducting a board meeting or Indian companies with video conference participation?**

   Even though video conference is allowed, there are still some items like approval of accounts, merger etc. which are out of the scope of meetings where participation is though video conference. These excluded items should be also allowed to be discussed by video conference for the purpose of promoting Ease of Doing Business in India. Further, the requirement of attendance of one Board Meeting physically by the Directors during the year should be withdrawn.

4. **How do you see the compliance needs of a company with non-resident shareholders and directors differ from a company with all Indian shareholders and directors?**

   Except for KYC norms for Directors which involves a longer process for Foreign investors and Directors due to the requirement of apostille, notary and attestation, there is no difference in compliance requirements. However, in case of a foreign directors who does not have a PAN, it becomes difficult to obtain a PAN encrypted DSC which is needed for filing returns.

5. **Technology has entered all the spheres in business. On the secretarial and compliance front where do you see technology today and going forward what are the areas where you would like to see technology used more?**

   Technology today is at an evolving stage in the field of secretarial compliances and generally are used for limited purpose of record keeping and calendar management. Going forward we see a great opportunity to have tools which will automate various routine compliance work and also provide online guidance for various aspects related to basic compliances as well as completion of various forms. Technology can also reduce the time and gap between tool used for compliance and compliance support and the MCA utilities where through auto linking processes form filing can be done directly by using external tools.

Union Budget 2017: Companies, their Profitability and Compliance Status; Are Indian Companies Compliant?

-By Shankar Jaganathan

The Company Secretary fraternity has something to cheer about in the Union Budget 2017, for the Union Finance Minister presenting the budget indicated his desire to promote company format for MSME firms. He said 'In order to make MSME companies more viable and also to encourage firms to migrate to company format, I propose to reduce the income tax for smaller companies with annual turnover upto Rs.50 crore to 25%.' A five per cent reduction in income tax rate is a big incentive. Hence what can we expect it to deliver?

Like in most aspects of life, there are two sides to any issue including companies as a form of business organization in India. Our FM in another place revealed some telling information about India being a tax-noncompliant society, which included specifics data about the India Corporate Sector, which is worthy of deep introspection.

Table 1: Companies filing IT Returns

Description	#s	%
Total Companies as of 31-3-14	13,94,000	100
Filing return for AY 2016-17	5,97,000	43
Loss or zero PAT	2,76,000	20
<Rs.1 crore PAT	2,85,000	20
Rs.1 crore -10 crore	28,667	2
>Rs.10 crores	7,781	0.55

The data on tax filings by the companies reveal two critical aspects for the Company Secretary fraternity:

1. The potential market for CS services is large -13.94 lakh companies

2. At the same time, the potential for companies that can pay for Secretarial Services among other services is extremely limited at less than twenty nine thousand companies, as only these companies have Profit After Tax in excess of Rs.1 crore.

If we look a bit deeper and see the context of what the Finance Minister said of India being a tax-noncompliant

society, does it merit an extended examination to see if the Indian Corporate Sector is a Company Law compliant society?

The latest data on Indian Corporate Sector is available as of March 31, 2016, which is tabulated below for ready reference:

Table 2: Companies Registered in India

Description	#s
Registered Companies	**15,43,712**
Companies closed	285,845
Dormant companies	594
Inactive companies	138,691
Under closure	29,639
Being reactivated	163
Active Companies	**10,88,780**

Given that there were 10.88 lakh active companies in India, it is interesting to see how many of them are compliant on externally visible compliant parameters. Every company in India has to file an annual return, which is mandatory, in addition to other event based filings which are available for public scrutiny. Ministry of Electronics & Information Technology maintains a public portal 'etaal' that provides data on various filings with all government departments including the Ministry of Corporate Affairs. A review of the returns filed in MCA for the period April 1, 2016 to February 1 2017 reveals that the top 5 returns filed with MCA were MGT-7, DIR-3, DIR-12, ADT-1 and MGT-14 and the numbers filed is tabulated below:

Table 3: Top 5 Returns filed in MCA 21

Rank	Form	Number
1	Annual Returns (MGT-7)	632,192
2	DIN approval (DIR-3)	280,512
3	DIR/KMP appointment (DIR-12)	272,868
4	Statutory Auditor appointment (ADT-1)	184,373
5	Resolutions/ Agreement filed (MGT-14)	184,373

Given that the total number of active companies in India as on March 31, 2016 were 10.88 lakhs and the companies that have filed annual returns (mandatory filing) is only 6.32 lakhs, can we say India is a Company Law Compliant society? If not can Company Secretaries as professionals responsible for compliance in Indian Corporates take a lead role in making Indian Corporate Sector more compliant, before regulatory are forced to step in enforce the regulations.

Compliance Calendar

February 5, Sunday	Physical payment of Excise duty, Non-SSI for the month of January, 2017
	Physical payment of Service Tax for the month of January, 2017
February 6, Monday	E-payment of Excise duty, Non-SSI for the month of January, 2017
	E-payment of Service Tax
February 7, Tuesday	TDS Return for the month of January, 2017
February 15, Wednesday	Pay PF contribution for January ,2017
February 20, Monday	Professional Tax payment
February 21, Tuesday	ESIC monthly deposit
February 25, Saturday	PF return Filing-Monthly

Gist of regulatory changes in Companies Ac, 2013 in the month of January, 2017

- **04.01.2017**
  Notification –Exemption to Specified IFSC Public Company & IFSC Private Company –under section 462 of the Companies Act,2017

  Public and Private Companies located in International Financial Services Center (IFSC) are granted exemption to make it attractive for companies to set up their offices in India. An IFSC caters to customers outside the jurisdiction of the domestic economy and are set up in Special Economic Zones, and deal with flows of finance, financial products and services across borders.

  According to the notification IFSC companies can make private placement offers and will not be restricted by earlier offers which haven't been

completed or withdrawn. An extract of the annual return of the company is not mandatory to be included in the board's report. IFSC companies need an internal audit only if their articles of association provide for the same.

- **18.01.2017**
  The Investor Education and Protection Fund Authority (Recruitment, Salary and other Terms and Conditions of Service of General Manager and Assistant General Manager) Rules, 2017

  MCA has notified the IEPF Authority (Recruitment, Salary and other Terms and Conditions of Service of General Manager and Assistant General Manager) Rules, 2017 effective from the date of publication in Official Gazette. These rules provide method of recruitment and procedure of appointment on deputation of IEPF authorities.

- **25.01.2017**
  Companies (Incorporation) Amendment Rules, 2017
  1. Where PAN is issued by the Income Tax department, Certificate of Incorporation issued by the Registrar of Companies should mention the PAN in Certificate of Incorporation.
  2. Form INC 11 (Certificate of Incorporation) and Form INC 32 (SPICe) are substituted w.e.f. 30.01.2017.

What's New In BLISS?

BLISS (Board Leaders Integrated Software Solutions) is updated with six new features to enhance productivity, ease of use and better risk management. The features added are:

1. **Send Emails and track versions of a document using BLISS:** Primary benefit: Enhance Productivity: Users can now send and track e-mail of notice and minutes from BLISS. This will help them in keeping track of the documents though various stages of its creation for each meeting.
2. **Summary Dashboard based on criticality:** Primary benefit: Risk Management: Summary Dashboard has been made more action oriented by listing the companies that require prior action at the top of the Dashboard.
3. **Attendance of Company Secretary is now displayed under the caption "In Attendance":** Primary benefit: Enhanced Compliance: In compliance with Secretarial Standards, attendance of Company Secretary is captured as "In Attendance".
4. **Provision to capture SRN of the filed forms:** Primary benefit: Ease of use: New field has been added to capture SRN of the filed forms for record.
5. **Users can add new Action tracker items based on their need:** Primary benefit: Enhanced Productivity: This provision enables the users to add as many action trackers and assign them to different people in the organization.
6. **Storage for user defined documents in Records Page:** Primary benefit: Enhanced Productivity: A separate section has been added in records page where user can store any documents. The title of the section can also be named by the user.

About us

CimplyFive Corporate Secretarial Services Pvt Ltd

Vision:
Leverage research and technology to eliminate procedural non-compliance risk for entities regulated by the Indian Companies Act, 2013

Mission:

Provide a cost-effective, secure web-based, menu driven, subscription services that provides curated resolutions, timely alerts and informative dashboards to free the management bandwidth for pursuing business goals

BLISS
(Board Leaders Integrated Software Solution)

Our product BLISS (Board Leaders Integrated Software Solutions)

- A digital productivity tool for Compliance with the Companies Act,2013
- Provides comprehensive coverage of Board meetings, Shareholder meetings and Sub-committee meetings
- Rich bank of curated but editable resolutions
- Fully integrated modules- Agenda, Minutes, Registers and Returns
- Timely alerts and reminders
- Rich and real-time dashboard

www.ca2013.com: Company law at your fingertips. A free to use website, integrating Companies Act with Rules, Notification, Orders and Circulars that is real time and online

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