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Editorial

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Read more…

Interview with CS Padmavathi K Founder-Director, Prozone



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Read more…

Gist of Regulatory Changes in Companies Act, 2013 in the month of January 2016



Four regulatory changes in Companies Act, 2013 in the month of January.

View the list…

Compliance Calender

Due dates for Income tax, Professional tax, Service tax, Companies Act, 2013 etc has been captured for your ready reference.

View the list…

Editorial

Dear Reader,

The New Year began on an eventful note. We had the mega meet on Start-Up India where our Prime Minister announced the new Start-up Policy which has the potential to change Corporate India and the Indian Economics.

In this issue, we have interviewed CS Padmavathi K, of Prozone who has willingly shared with us learnings from her two decades' professional experience. Being a start-up ourselves, we though it fit to share what we would like for Start-ups from the Union Budget 2016 that is scheduled for this month. In addition, we have our regular feature Regulatory Gist covering changes made in January 2016 to the Companies Act, 2013.

The positive response we got for our first research report **INDIA SECRETARIAL PRACTICES 2015** is overwhelming and it encourages us to work even harder. Our research on Secretarial Audit Report of S&P BSE 500 Companies is underway. Initial findings are quite interesting and informative. We plan to release the report this month.

We are eager to know what you think of iComply Please do share your thoughts with us at contact@cimplyfive.com

Happy reading,
Shankar Jaganathan
Editor
February 2, 2016

Interview with CS Padmavathi K, Founder-Director, Prozone

1. In your experience what do you see as the most important driver for legal compliance in the Indian Corporate world?

Indian culture is known for its focus on duties and obedience to rituals and rules handed down by our elders, mainly parents and teachers. We are taught that the rituals and rules are for our own good. This same idea inspires companies to comply with rules and regulations. Today the basic belief is that regulations are made for the benefit of individual companies and the economy and is very essential for all of us. It is this idea that drives compliance in the Indian Corporate World.

2. If there is one change in the Companies Act 2013 you would like to see to promote Ease of Doing Business, what it would be and why?

I believe there are many changes that can be made to the Indian Companies Act, 2013 in the spirit of promoting Ease of Doing Business. Since you have asked for one, I will limit myself to one, which is the most pressing. It is the filing of Annual Returns both MGT-7 and AOC-4, where the details required to be filed are the same irrespective of their size, with minor exemptions given for private companies. I do not know what is done with the data collected on the annual filings especially of small companies.

In many cases, the company is not adequately staffed or does not have enough bandwidth to fill up this form and Company Secretaries have to do it for them. For small companies, the cost of compliance is quite stiff as they are not able to afford every a few lakhs, as their revenue earning capacity is quite low, as they were set up for various non-commercial reasons in the past.

3. What is the extent of technology adoption by Company Secretaries today? Is there scope for more technology to be adopted by them?

There is more scope for adopting technology by Company Secretaries, but what is limiting is the absence of the needed technology. One reason for this could be the lack of resources to invest in technology as Company Secretary is an emerging profession and many in this field are still in the process of securing their economic base which leaves no resource for investment in technology.

However, some of us have invested in technology as we had to cater to a large number of companies.

If you take me as an illustration, I have invested in generic technology to primarily reduce manual work by computerization, improve communication modes by investing in internet connectivity, video and audio conference facilities, accounting software and backup power facilities and collaborating with fellow professionals. Our investment in technology paid off with improved productivity. As more technologies emerge for the Company Secretaries, we will be in a position to invest in it.

4. Large number of women are entering CS profession. Given your vast experience, what do you see is their major challenge and what is the biggest attraction for them?

Company Secretary is a safe profession for women as they deal with corporates which are registered entities and have a history promoting traceability. Traceability is a key criterion. It is also attractive for us as women are more inclined to systemic working, methodical and keep a trail of what they do. All these attributes are an asset in this profession. This translates to immediate results, immediate recognition and provides job satisfaction. Though you cannot earn as much as you can in other professions, it is a job that offers women safety and job satisfaction.

5. If you were granted one wish by the technology fairy, what would you ask for and why?

For me, technology should add to my personal memory and organizational memory. For instance, I know I have done an assignment for some company five years back and I need it now. How can technology help me to find it? Past records are on paper and not scanned and stored. If past records can be scanned, stored and indexed for ready reference it would be great.

Another area where technology can be a great boon to Company Secretaries is in creating a central knowledge management portal, a one stop site for all company secretaries to collaborate and capture their professional knowledge.

Gist of regulatory changes in Companies Act, 2013 in the month of January, 2016

13.01.2016

S.O. 125(E) Commencement of provisions of sub-section (5), sub-section (6) [except with respect to the manner of administration of the Investor Education and Protection Fund] and sub-section (7) of section 125

- Notifies the effective date, 13.01.2016 for the existing sections on constitution of Investor Education and Protection Fund (IEPF) and the manner of appointing chairperson, members, chief executive officer and conduct of its meetings.

G.S.R 26(E) Investor Education and Protection Fund Authority (Appointment of Chairperson and Members, holding of meetings and provision for offices and officers) Rules, 2016.

- Rules for composition of the Investor Education and Protection Authority notified. The Secretary, Ministry of Corporate Affairs to be its ex-offico Chairperson. The qualifications for its six Members and Chief Executive Officer is also prescribed.

22.01.2016

S.O. 218(E) Establishment of Central Registration Centre (CRC) having territorial jurisdiction all over India

- A Central Registration Centre (CRC) with jurisdiction for entire India is established for processing applications for reservation of names of Companies. This center will consider only applications received for name under INC-1. Integrated application for Incorporation of companies will follow the current process.

Companies (Incorporation) Amendment Rules, 2016

- Conditions limiting the proposed name for Companies removed giving flexibility to promoters to that need not follow certain defined logic like links to Companies objectives or promoters' name.

Compliance Calendar

February 5, Friday	Physical payment of Excise duty, Non SSI for the month of January,2016
February 6, Saturday	E-payment of Excise duty, Non SSI for the month of January,2016
February 7, Sunday	Pay Tax Deducted at Source(TDS) for Tax Deducted in January,2016
February 15, Monday	Pay PF contribution for January,2016
February 20, Saturday	Submission of VAT return along with the Payment due for the previous month after considering input credit
	Professional Tax payment
February 21, Sunday	ESIC monthly deposit

What Start-Ups want from the Union Budget 2016?

By Shankar Jaganathan[1]

An ideal gift is one that does not cost the donor even though it benefits the receiver. The next best is the gift that which costs the donor a fraction of the benefit the receiver gets. Will the Union Budget 2016 have the heart and pocket to accommodate both the gifts for the start-up?

Government bosting Liquidity of Start-Ups at No-cost

By definition, start-ups are in their gestation period. During this period, they use the money raised from shareholders in creating a profitable and growing business. Their only source of income in this early stage is the interest earned on their cash balance. A risk and hassle free instrument for start-ups is to invest it in bank fixed deposits.

The current IT law requires banks to deduct 10% of the interest paid to start-ups as TDS or tax deducted at source. Once this amount is deducted, a start-up has to file its Income Tax returns and wait for the assessment to be completed before this deduction is refunded to the start-up, a process which can take anywhere between 6-10 months after the yearend. This means the start-up loses liquidity for an average of 12-20 months as it earns interest right through the year on which tax is deducted.

What are the implications of this TDS?

1. Start-ups loose liquidity
2. Banks incur a cost on deducting and paying TDS
3. Government only saves the interest on TDS deducted till it is refunded, but incurs the cost of assessment and refunds.

Given the economics of TDS, by giving start-ups exemption from TDS on interest income from banks could the government give start-ups liquidity without any cost to itself?

Given the proposal of our government to exempt start-ups from Income tax in its first three years, TDS exemption could also be extended to all other incomes received by a start-ups thereby giving a tremendous boost to liquidity in start-ups.

[1] Shankar Jaganathan is the Founder & Chief Executive of CimplyFive Corporate Secretarial Services Private Limited

Government enhancing the Capital of Start-Ups

While the ability of start-ups to create employment is accepted beyond doubt, there is definitely some skepticism on the stability of the employment they generate. The reason for this is not hard to see as the failure rate of start-ups is quite high and visible.

The most common reason why start-ups fail is that they erode their net worth before their idea can be successfully translated into a business. Can the government supplement the net worth of start-ups and provide them a grace period for proving their ideas?

Start-up by virtue of their costs exceeding revenue have losses which are valuable as tax shields. Start-ups can use their tax shield only when they turn profitable. Given this catch-22 scenario where start-ups cannot use their tax shields, can the government permit start-ups to 'trade their taxable losses'?

'Trading in taxable losses' is not a novel idea as there is precedence with some states in the USA permit it. Structured well, it can benefit all the parties concerned, i.e. the government, the buyer of tax losses and the start-up. As an illustration, with a marginal tax rate of 33%, the buyer could be given a set off of only 25%, thereby the government gaining 8%. Since the tax loss is traded in the market, the buyer would not pay the full 25% tax saved and will want a share of it, say 5% and the start-up on selling the loss will gain a cash flow of 20%

This simple provision for trading in tax losses can enhance the capital of start-ups and increase their success rate. A possible by-product of this would be to encourage more entrepreneurs to start ventures.

India Secretarial Practices 2015



Nifty 50 Annual Reports Analysis

Focuses on six distinct areas: Board Composition and Sub-committees of the Board, Directors Report, Secretarial Audit, Company Secretary, Corporate Social Responsibility and the AGM notice, It is an in-depth analysis of the Secretarial Practices of companies that form part of the NIFTY 50 Index of the National Stock Exchange

To read the report click here

About us

CimplyFive Corporate Secretarial Services Pvt Ltd

Vision:

Eliminate procedural non-compliance risk for entities incorporated under 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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