



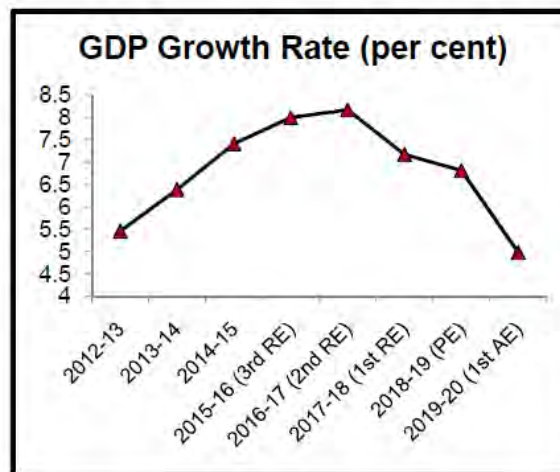
TAX & ECONOMY UPDATE DURING LOCKDOWN (CORONA PANDEMIC)

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As we know that Corona is declared as Pandemic by World Health Organisation(WHO)and it has touched the life & economy of almost all people& countries of the earth, Since social distancing & lockdown is emerged as the only available solution to cope up the emerging widespread of Covid-19 in absence of medical vaccinations & treatment. Government of India has also decided to have 21 days lockdown(further extended to 3rd May 2020).Indian economy will also see the changes due to the lockdown, which we will analysis as we move forward.

Form the 5th largest economy in the world with GDP of \$2.9 trillion in 2019, India was aiming to be a \$5 trillion economy, to achieve that we would be needing 9% growth over 5 year to achieve \$5 trillion economy. During Corona lockdown almost majority of rating agency like Fitch , Goldman Sachs has slashed India's FY21 GDP forecast to 1.6% to 2% which is last 30 year's low.

As per the latest report on economic survey Services sector is the largest sector of India. Gross Value Added (GVA) at current prices for Services sector is estimated at 92.26 lakh crore INR in 2018-19. Services sector accounts for 54.40% of total India's GVA of 169.61 lakh crore Indian rupees. With GVA of Rs. 50.43 lakh crore, Industry sector contributes 29.73%. While, Agriculture and allied sector shares 15.87%.



(Chart reference Budget 2020 presented by Finance Minister),

If we see the value creation cycle in India, While service sector is working from home to do the work but due to lack of demand from customer , cut in discretionary spend it is quite expected& evident that value driver will not run in full capacity post lockdown& will impact badly for Q-1 & Q-2 for FY21, manufacturing sector was already showing low contribution & low growth to contribute in GDP, However it is also expected that lockdown will removed in a staggered manner & consumer sentiment will not be same post corona, Indian economy being a consumption driven economy will see sharp decline in GDP.

We can estimate negative growth in Q-1 & Q2 in FY 2020-21 as estimated by rating agencies as Recreation, Restaurant, Hotel, Education, Aviation, Transport Services, will see hard hit due to impact of coronavirus will be substituted by nominal growth over Health & FMCG Food sector.

Although Government has announced Rs 1.70 lakh crore relief package to fight against corona virus & almost all the statutory & constitutional body like Supreme Court, NCLT, MCA, Ministry of Finance, Ministry of Commerce & Industry, Reserve Bank of India , SEBI, IBBI, CBDT,CBIC has announced relief in terms of compliances,

reduction on penalty, increase of compliances timelines but MSME sector & the Industry who are having working capital crunches & negating working capital model will be impacted & overall consumer driven economy is already set to see a sharp decline.

Following is the table for initiative take by Central Board of Indirect Taxes and customs with respect to GST

Extension in filing GSTR – 3B

To provide some relaxation to small business man who were finding it hard to earn their bread and butter it was decided that GSTR – 3B which is due in March, April and May 2020 can be filed by the last week of June, 2020.

No Interest, late fee and penalty is to be charged.

This scheme is only for those having Aggregate annual turnover less than Rs. 5 Crore vide CBIC Notn no.32/2020 dt 03.04.2020 for late fees & CBIC Notn no.31/2020 dt 03.04.2020 for interest

Decrease in Interest Rate

For those having Aggregate annual turnover more than Rs. 5 Crore can file their returns which are due in March, April and May 2020 by last week of June 2020 but the same would attract reduced rate of interest @9 % per annum from 15 days after due date. Before COVID 19 Interest Rate for delay in filing was 18% per annum vide CBIC Notn no.32/2020 dt 03.04.2020

No late fee and penalty to be charged, if complied before till 30th June 2020.

Input GST credit - restriction rule of 10% with reference to GSTR2A

The said condition shall not apply to input tax credit availed by the registered persons in the returns in FORM GSTR-3B for the months of February, March, April, May, June, July and August, 2020, but that the said condition shall apply cumulatively for the said period and that the return in FORM GSTR-3B for the tax period of September, 2020 shall be furnished with cumulative adjustment of input tax credit for the said months in accordance with the 10% condition vide CBIC Notn no.30/2020 dt 03.04.2020

Extension of Composition Scheme

Composition Scheme is a scheme for small GST taxpayers whose turnover is less than Rs. 1.5 crores. Date for opting for composition scheme is extended till the last week of June, 2020.

Extension in filing of GST Annual Returns

Date for filing GST annual returns of FY 18-19, which is due on 31st March, 2020 is extended till the last week of June 2020.

Extension for issue of notice, notification, approval order and many more Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents, time limit for any compliance under the GST laws where the time limit is expiring between 20th March 2020 to 29th June 2020 shall be extended to 30th June 2020.

As shared in GEETA by Lord Krishna who motivates Arjuna “to cope with illness” confidence, focus on right actions, positive coping are the key to cope with pandemic, Let’s wait that “best is Yet to come for Indian Economy post lockdown”

Bibliography

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2. Rating agency Fitch, Goldman Sachs official website
3. Press release of relief announcement made by Government
4. BhagwatGeeta
5. CBIC website & relevant notifications