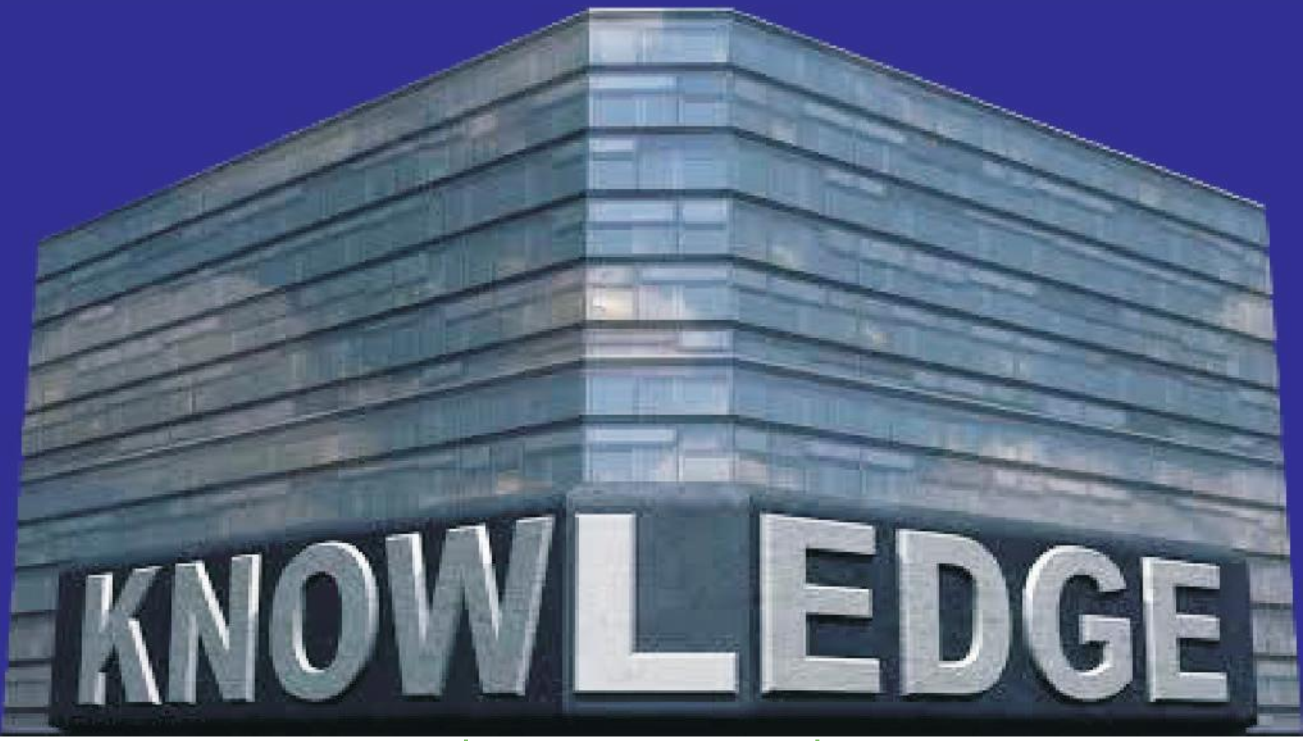
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

AMRITSAR BRANCH OF NIRC
NEWSLETTER DECEMBER 2020

KNOWLEDGE KEYSTONE OF THE MODERN ECONOMY



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Printed and Published by :
Amritsar Branch of NIRC of ICAI
(for Private Circulation Among Members Only)

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Chairman

ब्रह्मध्वज नमस्तेऽस्तु सर्वाभीष्टफलप्रद ।
प्राप्तेऽस्मिन् वत्सरे नित्यं मद्गृहे मङ्गलं कुरु।।

We salute the Brahmadhvaja which provides all the desired fruits,
May this New Year be auspicious for all.

जो सारे अभीष्ट फलों को प्रदान करता है, उस ब्रह्मध्वज को नमन है,
प्रार्थना है कि यह नव वर्ष मंगलमय हो।

From the Desk of the Chairman..

Esteemed Professional Colleagues

जय श्री राम

Wish you all a very Happy and Prosperous New Year

I hope that this communication finds you in best of your health & spirits. 2020 has been testing year for all of us, but we cannot let that stop us from living our best lives in 2021! Amidst our endeavor to free ourselves from the past, we ought to simultaneously remember to keep all our treasure – worthy lesser safe with us for lifetime. A new year also brings with it chance for us to recall our aims and goals and realign our targets with ever changing circumstances. As we approach 2021, there is hope and certain optimism, despite the ravages of the pandemic, we look forward for brighter, digitally enabled future. New Year is all about resolutions, though we don't follow them with utmost sincerity, we do take them with great probity. It is of course a good sign to start New Year with positive resolutions.

- Step outside your comfort zone- Challenging your limits
- Live your Dreams- Live life king size
- Believe in yourself and gain confidence- I am the best
- Learn from your mistakes and move forward- Forgive and Forget
- Remove negativity or anything that makes you lousy

Don't just set it and forget it! Make this year where you actually stick to New Year's resolutions.

Members we are committed to put our best possible efforts to ensure the betterment of profession. Your branch executive team working towards hosting knowledge sharing sessions, and standing with members and students wholeheartedly. We are always open to any ideas that will help us to improve our efforts to serve members and student at large. I am pleased to share that we are planning colorful celebrations of first ever "Kite Flying Competition" and Cricket Match for Members and Students soon.

Be at War with Your Vices, at Peace with Your Neighbours, and Let Every New Year Find You a Better Man

Stay Safe Stay Healthy

December, 2020

With Warm regards.
CA SANJAY ARORA
B.Com., F.C.A., D.I.S.A., (ICAI)
Chairman, 2020-21
Amritsar Branch of NIRC of ICAI

From the Desk of the Secretary...

Respected Members,

Warm Greetings,

"Reach high, for stars lie hidden in you. Dream deep, for every dream precedes the goal." Rabindranath Tagore.

First of all, We with immense delight present our members another edition of Newsletter for the month of December 2020.

In the month of November, I hope all of us celebrated the auspicious occasion of Diwali and 551th birthday of Sri Guru Nanak Dev ji, the founder of Sikhism, brought down the arrogant walls of caste, creed and religion with love, compassion and humility. In his eyes, all were equal. Sarbat da bhala, (welfare of all) is one of the core principles of Sikhism that can lead us to a humane world.

During the month of December 2020, The members will busy in the Tax and other Audits and in filing GST Audit/Annual Returns as due dates of Audit filing etc are approaching.

During the month of November 2020, Amritsar branch office bearers also celebrated Diwali with Lakshmi Pooja in the branch. After Diwali, Branch organized two CPE Hour programs i.e Virtual CPE meetings as per demand of members one of which was conducted on 21st Nov. on the Topic of clause by clause discussion on Tax Audit by by eminent speaker CA Nitin Kanwar (NIRC Member). Secondly another important Virtual CPE meeting of Two hours was organized on Reply to various Notices and Summons under GST by eminent speaker CA Rajender Arora NIRC Member. We are going to organize some important CPE Virtual meetings by some reknowned experts and speakers of Income Tax and GST. Team Amritsar branch is continuously making untiring efforts to ensure the betterment of profession and for the benefits of members. Amritsar branch is standing wholeheartedly with members and students 24 by 7. Team Amritsar branch is continuously working for knowledge sharing sessions and also for students for smooth conduct of Exams in Amritsar Centres.

Dear Students,

"There Are No Limits To What You Can Accomplish, Except The Limits You Place On Your Own Thinking."

Exams will be over for students in the month of December. ICAI has made his best efforts to conduct exams successfully. Exam has been conducted by ICAI with very organized manner following the Covid guidelines of social distancing. Those who opt out in this attempt may get chance for exams in January 2021 without much wait. I hope all of the students have done well to crack this attempt of Exam. After Exams we will hopefully bring some students activities as per demand of students.

Keep yourself safe and stay healthy in the pandemic.

With Warm regards.
Sd/-
CA Shashi Pal
Editor in Chief
Secretary, ICAI Amritsar Branch

December, 2020

Secretary

CA SHARAT SEKHRI

OUR MENTORS

CA. Sharat Sekhri is a Fellow Member of ICAI and a practicing Chartered Accountant. He is a Commerce Graduate and Qualified Chartered Accountancy in the Year 1975. He has also done a Certificate Course in Information Systems Audits from ICAI.

He started his Professional Journey as Solo Practicing Chartered Accountant but as years went by he formed Partnership Firm in the name of M/s Sharat Sekhri & Co. He has diverse 46 years of post – qualification experience spreading across various sectors, Government departments and Industries including the field of Auditing, Taxation, Law, Banking and Finance.

He was a past Chairman at Amritsar branch and has shown his outstanding leadership qualities during his tenure as a chairperson. He has consistently maintained strong business ethics at work and has been an exemplary and visionary mentor for all his fellow members and articles.

CA VIJAY UMAT

OUR MENTORS

CA. Vijay Kumar Umat is a Fellow Member of ICAI (Institute of Chartered Accountants of India). He is a Commerce Graduate From D.A.V. College , Amritsar , He Qualified Chartered Accountancy in the Year 1984.

He has started his Professional Journey Solely as Practicing Chartered Accountant. He has over 36 years of experience in Range of Areas including Taxation consultancy, Law, Auditing, Banking and Finance. Today, he is the Senior Partner in V.K. Umat & co.

He is also well known for religious and Social Activities in Amritsar. He is associated with religious and Social Associations. He has been Financial Secretary of Lumsden Club Since 2000 till today. He is also President of Shree Shakti Dera Chartiable Society and Shree Ram Kanya Mahavidyalya Trust. He is also handling and taking part in the activities related to Municipal Corporation Amritsar as his wife Madam Poonam Umat is Councilor of Municipal Corporation Ward no. 9 of Amritsar.

GOOGLE-FACEBOOK TAX
TAX ON COMPANIES HAVING NO PHYSICAL PRESENCE IN INDIA

GAURAV AGGARWAL
www.aroraaggarwal.com

Google or Facebook Tax

There are many digital platforms, which all of us are using now a days, which have no origin in India and they are widely expanding its base in the world. Google, Facebook, LinkedIn, Pinterest, Instagram, Amazon, Netflix, Yahoo etc. are a few examples of such digital platforms. Having no physical presence in countries like India, these Multinational Entities were end up paying Zero taxes in developing countries. Multinational Entities now represent a significant proportion of global GDP. So there arise a need to tax their revenue, it if has been earned using the internet space of the particular country and target the customer base in India. That is why Equilisation Levy on payments to such entities has been implemented in India in 2016.

At present, in the digital domain, business may be conducted without regard to national boundaries and may dissolve the link between an income-producing activity and a specific location.

Hence, business in digital domain doesn't actually occur in any physical location but instead takes place in "cyberspace". Persons carrying business in digital domain could be located anywhere in the world. Entrepreneurs across the world have been quick to evolve their business to take advantage of these changes. It has also made it possible for the businesses to conduct themselves in ways that did not exist earlier, and given rise to new business models that rely more on digital and telecommunication network, do not require physical presence, and derives substantial value from data collected and transmitted from such networks.

Google Tax or Digital Tax Collection in India

As per Business Today, India collected Rs 4,000 crore 'Google Tax' since 2016; Rs 1,100 crore in FY20. Media reports indicate that the equalisation levy collection after the second instalment deadline of October 7, 2020 is Rs 738 crore. The corresponding amount last year was Rs 545 crore, when the only online advertisement was covered within the purview of the equalisation levy.

Organisation for Economic Cooperation and Development (OECD) Recommendations for Equiliation Levy (popularly known as Google Tax)

Due to the tax challenges arising from digitalization, the G20-OECD BEPS (Base Erosion and Profit Shifting) Action Plan Committee as part of its 2015 Action 1 Report identified a number of broader tax challenges raised by digitalisation, notably in relation to nexus, data and characterisation.

The Action Report 1 analysed the following three options, namely -

(i) a new nexus rule in the form of a “significant economic presence” test,

(ii) a withholding tax which could be applied to certain types of digital transactions, and

(iii) an equalisation levy, intended to address a disparity in tax treatment between foreign and domestic businesses where the foreign business had a sufficient economic presence in the jurisdiction.

EQUALISATION LEVY - CHAPTER VIII IN THE FINANCE ACT, 2016

Pursuant to the recommendations of the Committee constituted by CBDT to evaluate the alternatives suggested in the BEPS Action Report 1 for addressing the challenges arising on taxing the digital economy, Chapter VIII of the Finance Act, 2016, titled "Equalisation Levy" was introduced.

It provides for an equalisation levy@6% of the amount of consideration for specified services received or receivable by a non- resident not having PE in India, from a resident in India who carries out business or profession, or from a non-resident having PE in India.

(1) Charge of Equalisation Levy on 'Specified Services' [Section 165 of Finance Act, 2016]:

The CBDT issued a notification dated 27th May, 2016, stating that the provisions of Chapter VIII relating to the equalisation levy would come into effect from 1st June 2016.

Applicable to Non-resident having No Permanent Establishment (PE) in India

(i) Equalisation levy @6% is leviable on the amount of consideration for specified service received or receivable by a person, being a non-resident from -

a) a person resident in India and carrying on business or profession; or

b) a non-resident having a PE in India.

(ii) Equalisation levy is not chargeable, where –

a) the non-resident providing the specified service has a PE in India and the specified service is effectively connected with such PE;

b) the aggregate amount of consideration for specified service received or receivable in a previous year by the non-resident from a person resident in India and carrying on business or profession, or from a non-resident having a PE in India, does not exceed `1 lakh; or

c) where the payment for the specified service by the person resident in India, or the PE in India is not for the purposes of carrying out business or profession.

(i) Specified Services: It includes

a) Online advertisement;

b) Any provision for digital advertising space or any other facility or service for the purpose of online advertisement;

In order to widen and deepen the equalisation levy net beyond online advertisement, its scope has been extended to consideration received or receivable for e-commerce supply or services made or provided or facilitated on or after 1.4.2020.

2) New Provisions relating to Equilisation Levy w.e.f. April 1, 2020 (A.Y. 2021-22)

Charge of Equalization levy on E-commerce supply or services [Section 165A of the Finance Act, 2016]

(i) Chargeability of Equalization levy on "E-commerce supply or services":

From A.Y.2021-22, equalization levy@2% would be chargeable on the amount of consideration received or receivable by an e-commerce operator (Non-resident) from e-commerce supply or services made or provided or facilitated by it—

(1) to a person resident in India; or

(2) to a non-resident in the "specified circumstances" as provided below; or

(3) to a person who buys such goods or services or both using internet protocol address located in India.

(ii) Non-chargeability of equalization levy:

The equalization levy shall not be charged—

(1) where the e-commerce operator making or providing or facilitating e-commerce supply or services has a permanent establishment in India ; and such e- commerce supply or services is effectively connected with such PE;

(2) where the equalization levy is leviable under section 165; or

(3) Sales, turnover or gross receipts, as the case may be, of the e-commerce operator from the e-commerce supply or services made or provided or Facilitated is less than Rs.2 crores during the previous year.

(iii) Meaning of "E-Commerce Supply or Services"

a) online sale of goods owned by the e-commerce operator; or

b) online provision of services provided by the e-commerce operator; or

online sale of goods or provision of services or both, facilitated by the e-commerce operator; or

any combination of activities listed in (a), (b) or (c) above

(iv) Meaning of "specified circumstances":

(1) sale of advertisement, which targets a customer, who is resident in India or a customer who accesses the advertisement though internet protocol address located in India; and

(2) Sale of data, collected from a person who is resident in India or from a person who uses internet protocol address located in India.

3. "E-commerce supply or service" Equilisation Levy Effects (ESS EL)

1) ESS EL is likely to be cost of doing business without ability of claiming tax credit in home country. Impact may be even more significant on businesses where the margins are slender.

2) Thus, digital offerings of Non Residents such as online books/online games/online gaming services (under specified circumstances) come under the purview of "E-commerce supply or service" Equilisation Levy (ESS EL). Similarly, if an e-commerce operator, such as an online marketplace, earns a service fee from an Indian resident for selling its goods or services online, the fee earned by the marketplace would be subject to ESS EL.

4. Relevant provisions in the Income-tax Act, 1961:

i) Insertion of Explanation 3A in Section 9(1)(i) w.e.f. 01.4.2021- Income will be treated deemed to accrue or arise in India

Accordingly, such income would be deemed to accrue or arise in India in the hands of a non-resident and be subject to income-tax in his hands w.e.f. A.Y.2021-22 to provide that income attributable to the operations carried out in India would include income from –

(i) such advertisement which targets a customer who resides in India or who accesses the advertisement through internet protocol address (IPA) located in India;

(ii) sale of data collected from a person who resides in India or from a person who uses IPA located in India; and

(iii) sale of goods or services using data collected from a person who resides in India or from a person who uses IPA located in India.

ii) Amendment in Section 10(50)- Exempt Income - No Double Taxation

In order to avoid double taxation on account of Equalisation Levy and income-tax liability under the provisions of the Income-tax Act, 1961, section 10(50) exempts any income arising from providing any specified service on or after the date on which the provisions of Chapter VIII of the Finance Act, 2016 comes into force, or arising from any e-commerce supply or services made or provided or facilitated on or after 1.4.2021 and chargeable to equalisation levy under that Chapter.

Therefore, exemption under section 10(50) is available in respect of amounts which have been subjected Equalisation Levy.

iii) Amendment in Section 40(a)(ib)- Disallowance of Expense if EL not paid

In order to ensure compliance with the provisions this Chapter, section 40(a)(ib) provides that if any consideration is paid or payable to a non- resident for a specified service on which equalisation levy is deductible, and such levy has not been deducted or after deduction, has not been paid on or before the due date under section 139(1), then, such expenses incurred by the assessee towards consideration for specified service shall not be allowed as deduction.

Further the disallowance is 100% of the consideration paid or payable to a non- resident for specified service and not restricted to 30%

EXAMPLES

Example 1:

M/s. ABC Private Limited has advertised on Facebook to expand his business of Immigration Business. It has to pay Rs. 5,00,000 in FY 2019-20 to Facebook for the advertising services availed.

If the amount has been paid to a division of Facebook having PE in India, No Equilisation Levy will be applicable.

However, if the amount has been paid to a division of Facebook billing from USA and no PE in India, the ABC Private Limited will have to pay an Equilisation Levy of Rs. 30000/- to the Government Exchequer. It can claim a total expenditure of Rs. 530000/- in its books of accounts.

Example 2:

M/s. Alibaba.com, incorporated in China has no physical presence in India. It sells goods worth Rs. 5 crores to Indian residents and Services worth Rs. 3 crores to Non residents, who used internet protocol address located in India during F.Y. 2020-21.

So Equilisation levy will be applicable @2% on total of Rs.8 crores payable by Alibaba.Com even though it has no presence in India. Obviously the goods and services will become 2% costlier for buyers.

Example 3:

I am an individual and want to advertise online for personal purposes, do provisions of equalisation levy apply to me as well ₹

No provision of equalisation levy are applicable if the payments are made for personal purpose.

Example 4:

I have advertised on Facebook to promote my business. I have to pay Rs. 50,000 in FY 2019-20 to Facebook for the advertising services availed. Equalisation levy is applicable to me₹

No, since during the financial year your annual payments did not exceed Rs. 1,00,000 you are not liable to deduct equalisation levy.

CASH LESS INDIANS - THE NEW NORMAL & SURVIVAL

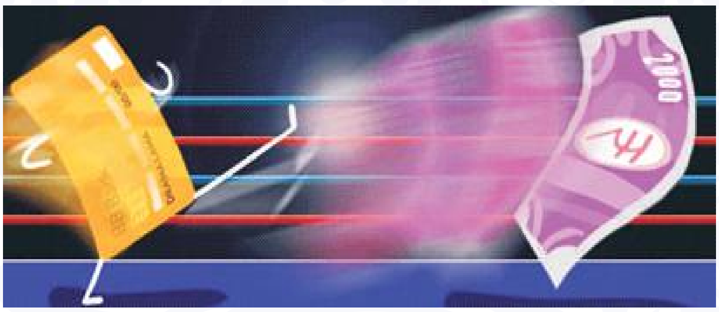
NITISH KALIA
nitishkalia54@yahoo.com

Digital payments in India began to boom even before any of us had heard of coronavirus. Just between 2018 and 2019, our country saw a mammoth growth of 383 per cent in digital payments (according to Razorpay's 'The Era of Rising Fintech' report). In 2020, easing of the national lockdown saw an uptick in digital transactions to ₹2.18-lakh crore in May, primarily due to the fear of contracting Covid-19 through cash transactions. Apart from convenience, digital payments offer the promise of greater transparency and reduced dependency on middle-men and banking monopolies. How do we accelerate the efforts to get all Indians the ability to conduct safe and convenient digital transactions as part of their daily lives₹

The digital payments market in India was valued at INR1,638.49 trillion in FY 2019 and is expected to reach INR4,323.63 trillion by FY 2024, expanding at a compound annual growth rate of 22 per cent during the FY 2020 -FY 2024 period. The industry has been equally supported by technological innovations. In the last 10 years, the country has seen many unique and state of the art product innovations in the digital payment industry. The advent of a younger population who has grown up with mobiles and data, has enabled faster adoption of technological advancements in digital payments. According to a survey conducted on parameters such as round-the-clock availability of the services, adoption, and immediacy of payments, India is considered to have a more evolved digital payment ecosystem compared to 25 other countries including the U.K., China and Japan.

The industry has also seen continued involvement from the government by way of its targeted regulatory policies in the payments space. While, demonetization indirectly pushed forward the digital transformation of the Indian payments ecosystem, other initiatives like the Digital India program (under the Ministry of Electronics and Information Technology or MeitY), Jan Dhan Yojna, mandating electronic payments for businesses having turnover over INR 50 Cr and several other incentive and awareness programs have directly contributed to the industry's growth. A number of remarkable innovations and initiatives have changed the way India transacts. For instance, push towards digital payments with initiatives such as United payments interface (UPI), Bharat interface for money (BHIM), RuPay cards, FASTags, introduction of interoperability on wallets, cash recyclers, or innovations by FinTech players like radio frequency identification (RFID) based fuelling apps, all-in-one quick response (QR) code for merchants and, QR-based cash withdrawals on ATMs; digital India clearly holds an extremely promising future. However, consumer awareness and security concerns continue to be amongst the biggest hurdles faced by the industry, and needs continuation of sustained collaborative drive from banks, payment providers, regulators and government. In the current COVID-19 situation, the digital payments sector witnessed a decline of 30 per cent in the transaction value, and recent data made available from National Payments Corporation of India (NPCI) attest to a sharp decline observed in the months when lockdowns were initiated (primarily due to the impact on the travel, hospitality and retail sectors). However, Government and regulator have pushed digital payments in such times by means of National electronic funds transfer (NEFT), Immediate payment service (IMPS), UPI, BHIM etc. so as to avoid usage of physical cash which has higher risk element of COVID-19 transmission. Such efforts along with opening of economy are further reflected in the recoveries observed in various digital payment platforms on NPCI in a relatively short period of time. This clearly indicates that the detrimental impact of COVID-19 on digital payments, although significant, is not lingering and digital payment ecosystem in India is expected to evolve rapidly to help shape the post-COVID-19 era growth.

REGULATORY IMPLICATIONS



In light of the potential growth expected in the digital payments backdrop due to COVID-19, regulation, compliance and vigilance around digital payments stand to gain further unequivocal relevance and importance, especially in a developing country like India. Even before the onslaught of the global pandemic, Indian government and regulators have focused greatly on enhancing penetration and acceptance of digital modes of payment. Consequently, regulations around digital payments are slated to be a growing need for the Indian digital economy.

a) **Administrative regulations–** Current initiative of NPCI to fast-track the merchant onboarding process for UPI and make it completely contactless may become a usual trend in the future if the pilot projects during the COVID-19 lockdown prove to be successful. This may also urge companies to look at know your customers (KYC) system through video as a regular option for contactless customer on boarding. Ease of acquisition on both the customer and vendor front, is expected to contribute in long-term growth of the industry.

b) **Emerging concepts –** With growing use of digital currency, many economies may consider accelerating their Central Bank Digital Currency (CBDC) testing and implementation initiatives. However, the product is in its nascent stages and it may be too early to comment on its implementation timelines in India.

Key growth factors going forward

TECHNOLOGY

1. Product innovations: According to a monetary policy press release in 2019, RBI mentioned that it is in early stages of thinking about considering a sovereign digital currency for the country. Furthermore, a much-needed boost to virtual card (open-loop) segment may come in, as RBI mandated tokenization of cards (currently only applicable on credit cards), thus, ushering in further growth for digitization. Removal of merchant discount rate (MDR) on RuPay cards and UPI transactions as well as creation of Payment Infrastructure Development Fund (PIDF) are among the government initiatives which are expected to provide required push for growth of merchant acceptance infrastructure and subsume more people within the digital ecosystem. Further, we also expect to see increased QR code usage across sectors which is expected to not only continue to aid the urban users but also empower the less digital-savvy sections of society due to the push provided for digital literacy beyond tier one and tier two cities. Some of the key product innovations in the digital payments space in India include:

a. QR Code: Quick Response Code-based payments are gaining popularity because it can be used to pay for fuel, grocery, utility bills, food, travel and several other services as well as the fact that QR codes can be scanned from both paper and screen.

b. UPI for Merchant transactions: It is an instant payment system wherein the customer can scan a dynamic QR code generated on the POS screen using any mobile-based UPI app which may include contactless payment solutions.

c. Payment gateway : Internet payment gateway enables merchants to accept payments through multiple payment channels via an e-commerce platform. This allows merchants to accept voluminous payments in a safe manner amid COVID-19 especially for online grocery, entertainment, food and other e-commerce merchants.

d. Contactless payments: The Near Field Communication (NFC) feature, coupled with magnetic secure transmission (MST) technology, allows customers to pay via their contactless credit or debit cards or through a 'Tap and Pay' feature on a mobile application by tapping them on the PoS terminal.

e. SMS-based payments: An SMS payment link sent by a merchant is used to pay for products or services especially for services preferring advance payments for booking or reservation such as restaurants and salons. The e-commerce companies are using this feature to migrate cash on delivery (COD) customer base to digital payments. SMS based payments have become less popular with the penetration of advanced smartphones and introduction of newer modes of payment. However, its scope remains high in the service sector.

f. Prepaid cards: Prepaid cards can be recharged or redeemed by using them on terminals, to serve as meal cards, transit cards or any such payment modes with designated purposes.

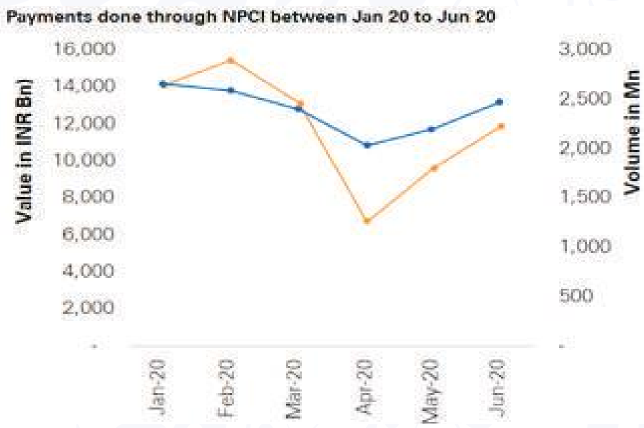
As digital payments increasingly become the preferred option in the future, there is a simultaneous need to tighten cybersecurity norms and evolve secured frameworks owing to the vulnerability of cashless to cyber threats.

2. Infrastructure Innovations: It can be said that India has led the path to payments innovations, especially with the introduction of interoperable QR codes, one of the first of its kind in the world. While, this has increased ease of payments and made the user experience seamless, similar innovations/ initiatives are required to ramp-up the merchant acquiring pace. For India's rural population, the key is minimal requirements for merchant onboarding and limited knowledge of operations. An Indian merchant in a tier three or tier four city may not be the most comfortable to use PoS machines because they may lack even minimal technical skill to operate it and not have continual access to PoS machine support services. Apart from government initiatives to make merchant onboarding seamless, innovations in acceptance of local languages, wearable device-based payments and biometric authorizations like fingerprints, face-recognition and voice-based payments are expected to be critical to use the COVID-19 situation to its advantage and increase acceptability of digital contactless payments, especially in tier one and tier two cities.

3. Analytics-based solutions: The first wave for adoption of digital payments was supported by the ease of transacting, the seamless user experience that it offered and cashbacks. The next wave of growth may be led by fierce competition amongst existing players aiming to capture the market share through value added services like payment reminders, automated debit instructions, individual cash management and analytics based on consumer spending and providing users with information on/ location of stores accepting digital paymentsOn the merchant front too, where the cash to digital switch is not compelling for the merchant, other value-added services can create a compelling value proposition for MSMEs. Aspects like customer relationship management, working capital management, access to credit, business intelligence based on sales data can assist small merchants with cash and inventory management by leveraging and organizing data that is generated as a part of everyday business activities.

4. Cybersecurity: To improve customer confidence in digital payments, it is of utmost importance to keep a control on the number of frauds that occur, and to ensure that customers are not impacted. Digital frauds and crimes are expected to be a persistent topic in future payment, especially as the global pandemic is considered in the equation. Balancing customer experience with cyber security is an ongoing challenge in the financial industry, and innovation in fraud prevention is a major focus that is expected to continue in the coming years. Identity imposters are evolving, and criminals are not only using stolen identification but also creating new, digital-only identities by knitting together real and fictitious information. These 'synthetic identities' exist only in the digital matrix. Existing fraud detection models are designed to prevent transaction fraud and cannot address these threats. Banks and payment companies must push to out-innovate fraudsters. Some are using new technologies such as geolocation, acoustic analysis and data analytics-based identification of abnormal events for digital applications and online, mobile and call centre servicing channels.In light of such growing fraudulent deceits, Artificial intelligence is expected to become essential for successful payments fraud prevention strategies. As India's dependence on digital payment systems deepens, particularly through the UPI and mobile wallets, these vulnerabilities are expanding the threat landscape for cyber-attacks, such as spoofing of identities, session hijacking, malware injection, 'Distributed Denial of Service' and 'Man in the Middle' attacks.

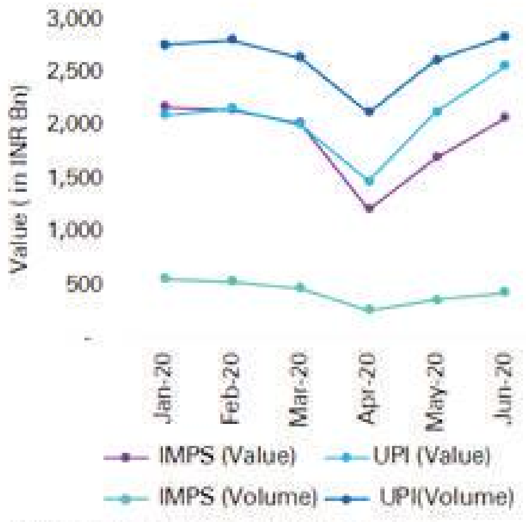
Analysis of payments products in times of COVID-1



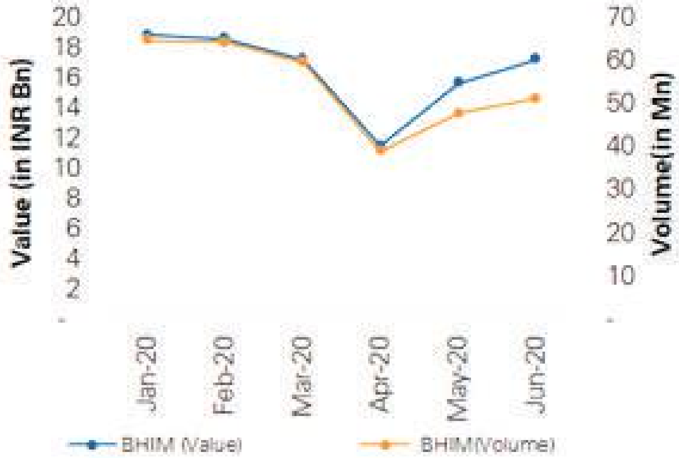
Payments done through NPCI: NPCI is an umbrella organization set up by banks under guidance of the Reserve Bank of India and is de-facto responsible for all retail payments done in India. It acts as an intermediary for processing of a multiple modes of digital payments such as IMPS, UPI, Bharat BillPay, among others. A review of the value and volume of such transactions from January 2020 to June 2020 has depicted a decline in payments in India in lieu of COVID-19 and accompanying containment measures but has later shown a quick recovery in subsequent months across various modes. The lockdown period was the period of significant limitation in spending among consumers, along with deferral of multiple routine monthly payments. Lockdowns caused significant uncertainty in decisions with respect to quantum and timing of spending and payments among consumers. This is reflected by a ~49 per cent decline in value of overall NPCI payment products observed across digital payment modes in April 2020, compared to March 2020 payments. Subsequently, conditional relaxations were offered after 20 April 2020 for the regions where the spread had been contained or was minimal. Businesses as well as consumers found avenues to kick start business, using alternative payments (digital over cash) and safer procurement methods e.g. e-commerce. The first unlock phase of lockdown, which started from 1 June 2020, led to resumption of multiple businesses and overall consumption. This coupled with the cascading effects of scheduled payment deferrals done in April-May 2020, aversion towards cash payments, shutdown of small-scale cash operated businesses, led to significant digital payments being done in June 2020, by which time payments done through NPCI had resumed to ~91 per cent of what they were in March 2020. On average, value of payments grew at a faster rate as compared to their volume, since the ticket sizes of payments have increased by ~10 per cent to 20 per cent across procurement categories, primarily in an attempt to limit physical exposure as well as proclivity to stock inventories. Growth trends observed in overall payments in June 2020 are expected to continue further, augmented primarily by prospects of digital payments for tapping into unpenetrated markets run primarily on cash and fulfilment of accumulated consumption needs as businesses build up the infrastructure to resume operations, safely and efficiently and as consumers find safer alternative means to satiate demand.

UPI, BHIM and IMPS

UPI and BHIM transaction values have both seen a decline of 30 per cent and 39 per cent in April 2020 respectively, as compared to January 2020, whereas IMPS transactions saw a decline of 44 per cent. UPI and IMPS primarily cater to the peer-to-peer transactions at an individual level. Ergo, this decline is potentially triggered by stringent lockdown regulations in April 2020, restricting expenditure to essential products and services, decrease in employment and manual labour, deferrals of routine fixed expenses such as rentals and maintenance and reduction of disposable income of the population. A considerable reason for curtailment of these digital payments was a near standstill observed in transport, travel and allied leisure accommodations, most noteworthy of which being suspension of Indian



Source: NPCI payments database as accessed in July 2020



Source: NPCI payments database as accessed in July 2020

Railway services, which holds considerable share in monthly UPI and IMPS transactions. Since, merchant shops and physical movement for purchase of commodities was restricted, individual consumers seem to have been encouraged to avail alternative online modes of purchase for essential as well as non-essential commodities. Further, considerable standstill during the lockdown resulted in suspension of payment of fixed routine expenses including employee benefits, rentals, etc. This, in turn, diminished the disposable income of the working population which curtailed per capita spending and subsequent individual UPI transactions. Retail outlets and malls, which attracted consumer spending were forced to shut down, which caused further reduction in retail BHIM UPI payments. Liquidity crises faced by small scale vendors catering to consumer needs were forced to dissolve, further limiting individual spending. However, post easing of lockdown restrictions from mid-May 2020, value transacted via UPI and BHIM in June 2020 have regained to ~122 per cent and 91 per cent of their January 2020 levels respectively. IMPS transactions have also reached to 95 per cent of its January 2020 transaction levels by June 2020. Consumers exploring e-commerce avenues for purchase needs, previously catered by brick-and-mortar stores, stocking of essentials, general resumption of routinely availed services and cascading payment of any personal dues and liabilities deferred are possible factors for the levels of recovery observed. Such trends have highlighted the significance of UPI's versatility and reliability. NPCI has stated that the relevance of UPI is expected to grow, by combining the physical and digital space, in a post COVID-19 world, with increasing relaxations being witnessed in India's lockdown. Additionally, NPCI has recently launched a campaign called 'UPI Chalega' with a dedicated microsite, which focuses on encouraging lockdown-related payments such as payments to grocers, supermarkets and salary payments through UPI. This campaign is estimated to have received nearly one billion impressions within its target audience, which further speaks towards increased awareness and acceptability of UPI as a payment method.

Bharat Bill Payment System (BBPS)

BBPS transactions have also seen a decline in transaction volumes, post lockdown, possibly due to non-payment of routine bills due to existent or anticipated cash crunches as well as significant deferrals in routine bill payments, A fall of 30 per cent was observed in the bill payments in April 2020 compared to January 2020. Nonetheless, the amount of bill fetch requests in the NPCI ecosystem surged in April 2020 by 26 per cent to 110 million, compared to 82 million requests in January 2020, potentially signifying enrolment of new billers and bill payers anticipating need for online settlement in lieu of cash payments options becoming inaccessible. This may have led to adoption of digital bill payments at end customer levels or even digital payment hubs by merchants who accept cash in return for indirect online payments. The corresponding impact of the same is observed In May 2020, with an immediate rise observed in bill payments, marginally surpassing the bill values paid in each month of January to March 2020 by INR 2 bn. This is further supplemented by cascading impact of bill deferrals done in April 2020, along with inclusion of new payment merchants such as FASTag payments, school fees, loan repayments, etc. In June 2020, 7 per cent growth was observed compared to May 2020, signalling that the increase in bill payments were maintained, possibly explained by the aversion to cash payment of bill, primarily by the rural and middle class, attributable to transmission fears. Further, considerable proportion of working population, working from home, primarily in tier one and tier two cities may have resulted in increase in average consumption of utilities such as electricity, water, gas and internet as well as rise in over the top (OTT) payments for at-home entertainment such as direct-to-home (DTH) and streaming services, in presence of restrictions on outside entertainment avenues such as theatres and shopping malls. the beginning of the academic year post June 2020 has boosted payment of school fees, presently incorporated within the BillPay infrastructure. Increased potential observed in bill payments in expected to be maintained, because new avenues for routine payments such as mutual fund payments, subscriptions, credit cards, housing society payments, recurring deposits, municipality taxes and services, etc. are slated to be covered by Bill Pay infrastructure.

CONCLUSION

The downward impact of COVID-19 on the payment landscape has been profound and significant, yet not irreparable. Elements in the payment ecosystem are most adaptable to disruption and least dependent on physical infrastructure have been able to withstand, mitigate and even so far as capitalize the crisis, turning an imminent threat to their advantage. The pandemic has compelled individuals as well as organizations to re-evaluate their payment framework and infrastructure so as to incorporate considerations of disruption mitigation and continuity planning. Additionally, the pandemic has put a spotlight on inherent flaws brought forth by rigidity or inflexibility of being overly reliant on cash as a sole method of payment, for many legacy players in the industry as well as individual consumers. The COVID-19 crises called into question the assumption of cash being the ultimate liquid asset, causing payers to evaluate its consideration as a sacrosanct payment method with the most access and convenience. Payers have displayed considerable apprehension to revert to cash payments once they have accepted digital modes of payment. That being said, cash is not expected to disappear anytime in the near future. Cash withdrawals in the NFS network have displayed signs of rebounding to pre-COVID-19 levels indicating that the Indian populace has a certain proclivity and propensity to transact in cash. Thus, COVID-19 may have given a sizable push in the endeavour to marginalize cash transactions, but not so far as to eradicate it completely. Nevertheless, COVID-19 has been a silver lining, in many ways, for acceptability of digital payments in India. A key factor that served as a festering barrier towards the growth of digital was the impenetrability of existing payment infrastructure. However, the disruption caused by the pandemic allowed businesses the bandwidth to step back and reconsider their payment protocols for inclusion of digital from a streamlining and ease perspective. Also, individuals were inclined to consider digital payments in lieu of prevention to physical access to their funds.

Decoding Clause 7 of Part-I of the First Schedule of the Chartered Accountants Act, 1949 –

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Restriction on Advertisement of Professional Servcies

In continuation of earlier Article on Clause 6, there is a related issue as provided in Clause 7 which prohibits advertising of professional attainments or services of a member, except with such guidelines as issued by the Council.

Clause (7) of the Part I of the First Schedule reads as follows:-

Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he:-

"advertises his professional attainments or services, or uses any designation or expressions other than chartered accountant on professional documents, visiting cards, letter heads or sign boards, unless it be a degree of a University established by law in India or recognised by the Central Government or a title indicating membership of the Institute of Chartered Accountants of India or of any other institution that has been recognised by the Central Government or may be recognised by the Council";

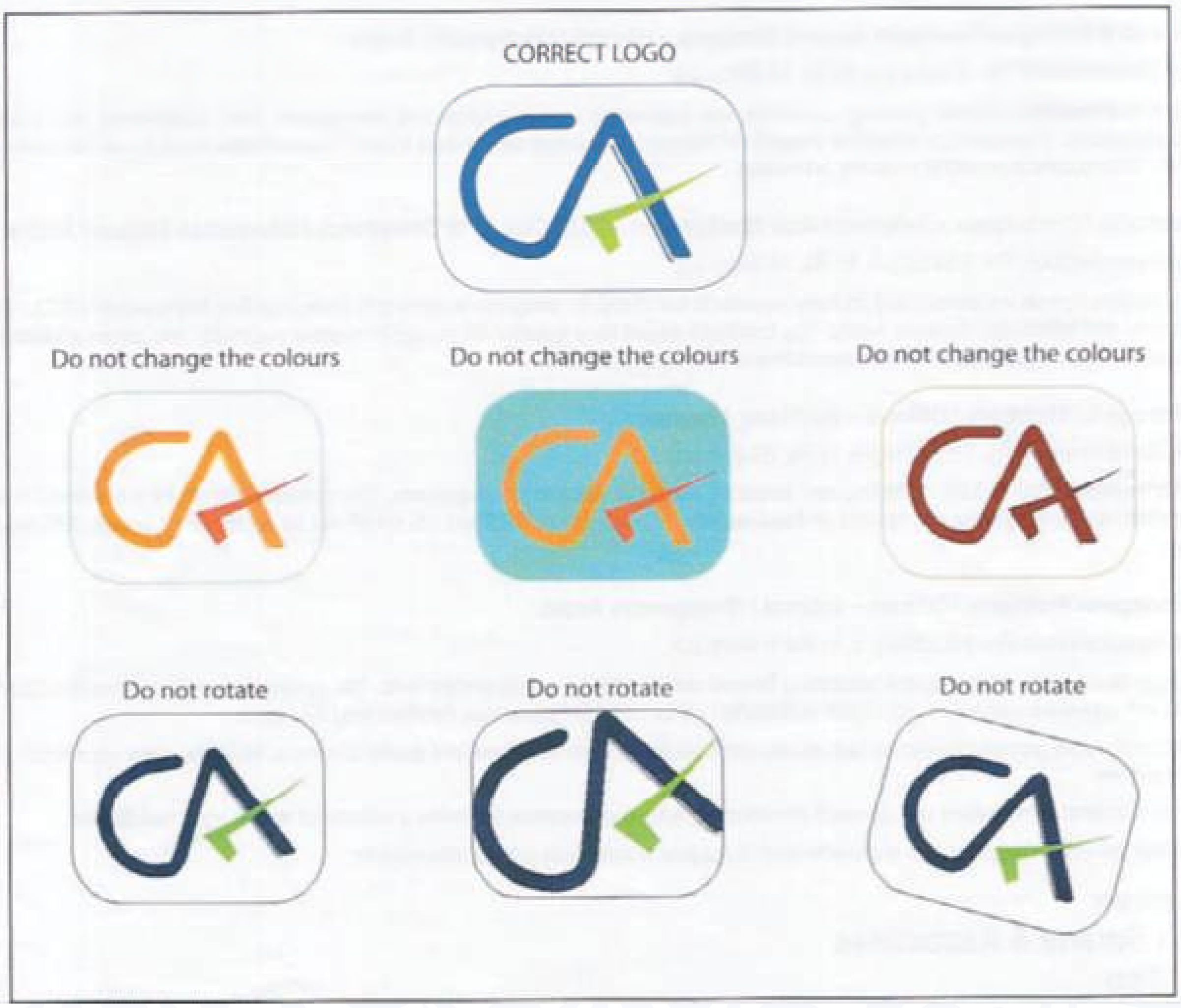
Provided that a member in practice may advertise through a write up, setting out the services provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council;

This clause restricts a Member in Practice to advertise his professional attainment, either through using different designations or other information through different means.

- ❖ Restriction on use of Other Designations:- It is improper for a CA in practice to state on his professional documents that he is Income-Tax Consultant, Cost Accountant, Company Secretary, Cost Consultant, Management Consultant or Corporate Lawyer. The Member is also restricted from using the designation such as 'Member of Parliament', 'Municipal Councilor' or any other functionary in addition to that Chartered Accountant. However, a Member empanelled as Insolvency Professional or Registered Valuer can mention "Insolvent Professional" or "Registered Valuer" respectively on his visiting card and letter head. The Member can mention his educational qualifications on his professional documents.
- ❖ The Member is not allowed to mention the date of setting up the practice or the date of establishment of the firm on the letter heads and other professional documents etc.
- ❖ Members in practice who are otherwise eligible may practise may practise as advocates subject to the permission of the Bar Council. However, there is restriction on the use of designation "Chartered Accountant" in respect of the matters involving the practice as an Advocate. This means, simultaneous use of both the designations is not allowed.
- ❖ Members in practice who are otherwise eligible may practise may practise as Company Secretary and/or Cost Management Accountant. However, there is restriction on the simultaneous use of designation "Chartered Accountant" and other Professional Institution. Also, in the event of the permission being granted to also hold COP of the sister Institute(s)/Bar Council, such a Member be treated as a Member in full-time practice.

vIt is not allowed to the Firm of Chartered Accountant to use the designation 'Chartered Accountants' except on professional documents, visiting cards, letter heads or sign boards. However, an individual member may use the prefix “CA” with his name.

- Members may appear on different social medias, print and electronic media and may give their names and describe themselves as Chartered Accountants. Firm name also be mentioned, however, any exaggerated claim or any kind of comparison is not permissible. What he may say or write must not be promotional of him or his firm but must be seen as an objective professional view of the topic.
- Members giving talks or lectures or attending conference may describe themselves as Chartered Accountants only when they are acting in their capacity as Chartered Accountants. However, reference to the professional firm of the member should not be given.
- A CA in practice holding training courses, seminars etc for his staff may also invite the staff of other Chartered Accountants and clients to attend the same. However, undue prominence should not be given to the name of the Chartered Accountant in any booklet or document issued in connection therewith.
- No specific size of the Sign Board for the office is being prescribed and the Member should exercise their own discretion and good taste while keeping in mind the appropriate visibility and illumination (limited to the sake of visibility only). **However, use of glow signs or lights on large sized boards as used by other commercial establishments is not permissible.** A member can have a name board at the place of his residence with the designation CA, provided it's a name board of an individual member and not of the firm.
- A Member appointed as Director in any of the Company, can use only the designation CA in any of the Company document. The member must ensure that descriptions about his expertise, specialisation and knowledge in any particular field or other appellations or adjectives are not published with his name. The name of the firm of the Chartered Accountant in which he is a partner should not be given.
- The use of logo/monogram of any kind/ form/ style/ design/ colour etc. whatsoever on any display material or media by the member in practice and/or the firm of the Chartered Accountants, be prohibited. Use/printing of member/firm name in any other manner or style tantamounting to logo/monogram is also prohibited.
- To promote the brand of CA profession in India, ICAI came up with a unique logo which could be used by all members, whether in practice or not. The common CA logo consists of the letters 'CA' with a tick mark (upside down) inside a rounded rectangle with white background. The letters 'CA' have been put in blue, the corporate colour which denotes creativity, innovativeness, knowledge, integrity, trust, truth, stability and depth. The upside down tick mark signifies the wisdom and value of the professional. The green colour in the tick mark signifies growth, prosperity, harmony and freshness. Members are advised not to change the design and colours, including the white background. The logo should not be rotated or tilted.



Now let's see at the proviso to the clause which provide for the guidelines of Advertisement by the Council and accordingly the same were issued on 14-05-2008. As per these guidelines, the Member in practice may advertise through a write up setting out the particulars or of their Firms and services provided by them. The said write up must be presented in such a manner as to maintain the profession's good reputation, dignity and its ability to serve the public interest. These guidelines specifically define the term “write up”. It states “write up” means the writing the particulars according the information given in the guidelines setting out services rendered by the Members or firms and any writing or display of the particulars of the Member(s) in practice or of Firm(s) issued, circulated or published by way of print or electronic mode or otherwise including in newspapers, journals, magazines and website (in Push as well as Pull mode) in accordance with the guidelines.

The said council guidelines specifies the contents that can be given in the said write up differently for the Member(s) and the Firm(s). The information that can be provided in the said write up is as follows:-

A. <u>For Members</u>

(i) Name................ Chartered Accountant
(ii) Membership No. with ICAI (Mandatory information)
(iii) Age
(iv) Date of becoming ACA/FCA

(v) Date from which COP held
(vi) Recognised Qualifications
(vii) Languages known
(vii) Telephone/Mobile/Fax No.
(ix) Professional Address
(x) Web
(xi) E-mail
(xii) C A logo
(xiii) Passport size photograph
(xiv) Details of Employees (Nos.--)
 (a) Chartered Accountants –
 (b) Other Professionals –
 (c) Articles/Audit Assistants --
 (d) Other Employees –
(xi) Name of the above employees and their particulars as mentioned above Services provided

B. For Firms

(i) Name of the Firm …………….. Chartered Accountants
(ii) Firm Registration No. with ICAI (Mandatory Information)
(iii) Year of establishment
(iv) Professional Address(s)
(v) Working Hours
(vi) Tel. No(s)/Mobile No./ Fax No(s)
(vii) Web Address
(viii) E-mail
(ix) No. of Partners
(x) Name of the proprietor/ partners and their particulars as applicable to the Member (as specified in A above)
(xi) C A logo
(xii) Details of Employees (Nos.--)
 (a) Chartered Accounts –
 (b) Other Professionals –
 (c) Articles/Audit Assistants –
 (d) Other Employees –
(xiii) Name of the above employees and their particulars as mentioned above Services provided

Important points to be noted:-

- The above list of particulars are exhaustive in nature and should be strictly restricted to.
- The Front of the said write-up should not be more than 14.
- While providing the detail of Services provided, in no circumstances, the details/name of the Clients, past or present should be disclosed.
- The write-up should not contain testimonials or endorsements concerning Members(s).
- The write-up should not contain any other representation(s) that may like to cause a person to misunderstand and/or to be deceived.
- The write-up should not be indecent, sensational or otherwise of such nature which may likely to bring the profession in to disrepute.
- The write-up should not claim superiority over any other Member(s)/ Firm(s).
- The write-ups should not contain any information about achievements / award or any other position held.

In the light of the above discussion and the Council guidelines for issuing write-up by the Member(s)/ Firm(s), it is clear that although there is restriction in general for the CA Member/ Firm in practice to advertise himself/itself but still, considering the fair level playing grounds with other professions, restricted advertisement with grace, dignity and preciseness has been allowed. The Members and the Firms should utilise these guidelines to the best of their benefits and become the best of the brand ambassador of this profession.

Thank you