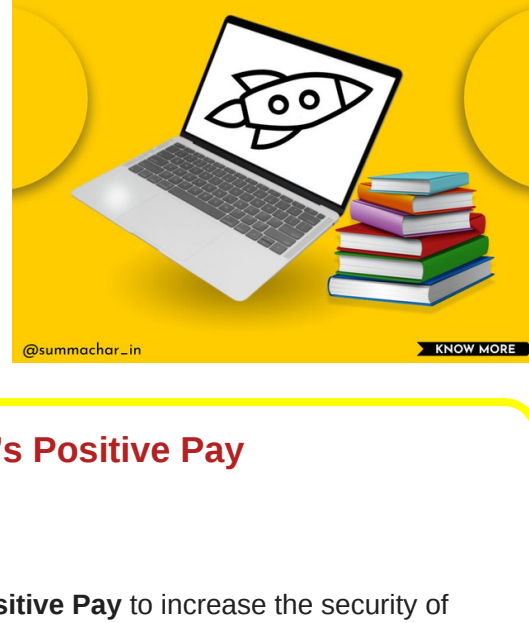
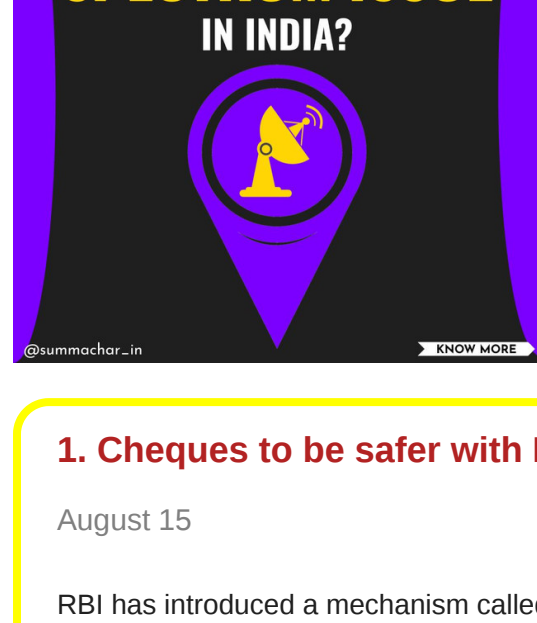
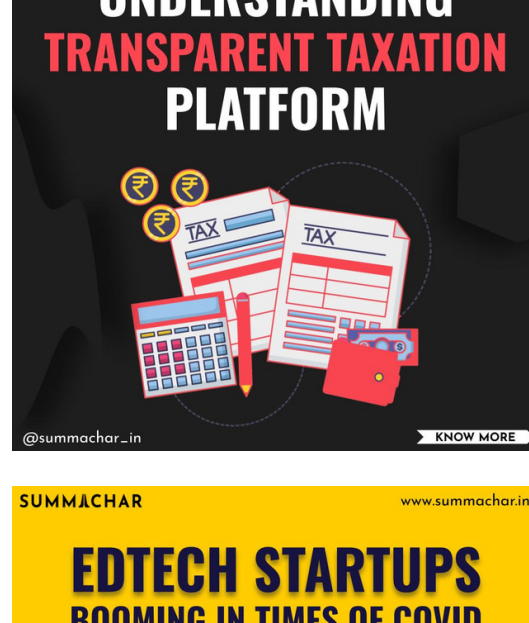


# SUMMACHAR

## BUSINESS NEWSLETTER

Hey!

This week we'll talk about **RBI's positive pay**; understand **Transparent Taxation Platform**; discuss about **Spectrum** in India and the boom of **EdTech startups**. For the new members of the Summuchar Family, get yourself featured in the next newsletter by trying your luck at the **quiz section**.



### 1. Cheques to be safer with RBI's Positive Pay

August 15

RBI has introduced a mechanism called **Positive Pay** to increase the security of cheques, giving banks the burden to verify the details of cheques. It would be valid for cheques worth above **₹50,000**. This move comes amidst the ongoing debate on whether the Indian government should decriminalize cheque dishonoring.

So how does the mechanism work?

- Let's say **Mr A**, having a bank account with **SBI** issues a cheque of ₹1 lakh to **Mr B** having a bank account in Yes Bank. Earlier, Mr B could do fraud by changing the amount, duplicating the cheque, etc.
- But, with Positive Pay Mechanism, Mr A will notify SBI the cheque number, date, payee name, payee account number, amount, image of the front and back of the cheque before issuing it to Mr B.
- So whenever Mr B deposits cheque into Yes bank, SBI will verify the details of the cheque sent by Mr A. Cheque is honoured if the details match, and referred back to the issuer if not.

Why **should** Cheque Bounce be **decriminalized**?

- In the month of June this year, the **Union Finance Ministry** had proposed to decriminalize cheque bounce cases and proposed to count it as a civil offence rather than a criminal offense.
- The government believes that by doing so, ease in doing business will increase and reduce the burden on courts as currently **~40 lakh cheque bounce cases** are pending as per **213th Law Commission Report**.
- Currently, the punishment for bounced cheques is **jail imprisonment** of up to 2 years and/or fine double the amount of cheque.

Why **shouldn't** it be decriminalized?

- Business unions say it will cause **great instability in the trade cycle** & worsen the trust in the market. Cheques have value because of the strict laws and business people may stop taking cheques because of fear of being unpaid, leaving them in a financial turmoil.
- Some corporate lawyers also believe that it may prove to be **counterproductive for foreign investors**.

**Did you know?** The Academy Award-nominated feature film, *Catch Me If You Can*, starring **Leonardo DiCaprio** is inspired by **Frank Abagnale Jr's** life. Abagnale is an American security consultant known for his career as a con man, check forger, and impostor.



### 2. Understanding The Transparent Taxation Platform

August 17

PM Modi announced the **Transparent Taxation Platform – Honouring the Honest** on August 13. Currently, there are only **~1.5 crore people** out of India's 130 crores population that are paying income tax. This platform is aimed at bringing inclusivity and transparency.

Now 3 things have been introduced in the new reforms:

- Faceless assessment:** Assessment orders are issued by the **Income Tax department** to make sure the taxpayer has not understated income or inflated expenses. From now on, such orders will be generated in city A, a review will be done in city B and accessed appeal will be finalized in city C, i.e. territorial jurisdiction would be removed as cities would be selected at random.

Moreover, human interference will also be minimized as assessments will be carried out through systems using data-analytics and AI. Though there will be **exceptions** if the case involves **serious frauds, major tax evasion, international tax issue, Black Money Act & Benami property**.

- Faceless appeal:** In India, taxpayers generally assessed tax amounts to be paid to the government on their own. In case of a discrepancy in tax declared, the Income Tax department would issue an appeal or an order to that taxpayer. Such appeals were required to be solved by visiting the Income Tax office. Now due to faceless appeals, there is **no need to visit the office or the officer**. Moreover, appeals would be allocated to a random officer in the country and the identity of that officer will be kept anonymous.

- Taxpayers' charter:** The charter clearly lists out the income tax department lists out commitments to the income taxpayer as well as what the department expects from the taxpayers. Taxpayers can now approach the **Taxpayers' Charter Cell** under the **Principal Chief Commissioner of income tax** in each zone, for compliance to this charter.

### WHICH TRANSACTIONS WILL BE RECORDED IN FORM 26AS?

- Payment of education fees/donations above ₹1 lakh
- Health insurance premium above ₹20,000
- Life insurance premium above ₹50,000
- Electricity bill above ₹1 lakh per annum
- Purchase of white goods, jewellery, painting, marble, etc above ₹1 lakh

### WHICH TRANSACTIONS WILL BE RECORDED IN FORM 26AS?

- Payment of property tax above ₹20,000 in a year
- Deposits/credits in current account above ₹50 lakhs
- Deposits/credit in non-current account above ₹25 lakhs
- DEMAT a/c details, share transactions, bank lockers
- Domestic business class air travel & foreign travel
- Payments to hotel above ₹20,000

- Reducing Tax Evasions:** The Government has introduced a threshold on certain transactions, i.e. specified transactions above a certain limit will be visible in **Form 26AS**, which displays **any income on which tax has been deducted and taxes paid on a taxpayer's behalf** (could be by a bank, employer, etc). The entity on the receiving end will report such transactions to the government, bringing tax defaulters and evasions under the scanner.

**Did you know?** At the end of 2019, **~4.8 lakh** income tax appeals were pending in India. Thus the **Vivad Se Vishwas Act, 2020** was launched wherein a resolution process was formed for quick settlement of tax disputes.



### 3. What is up with Spectrum in India?

August 15

**AGR dues** is becoming complex as the Supreme Court (SC) seems to be defined over the matter of ownership of spectrum. Due to the lack of clarity on the definition of its **ownership**, it is hard to determine how will the insolvent telecoms like **RCom** pay the dues.

But what's a **Spectrum**?

- It is a **range of electromagnetic waves** used for communication. A frequency range in spectrum of EM waves is called a **band**.
- The government allocates fixed bands for usage to avoid clashes and standardize antenna requirements to access bands. Eg: **800MHz**, is one such band for **cellular communication**.

How Telecoms use it?

- Telecom companies bid to acquire a license of the spectrum that is held by the Central Government under a trust. If the company wins the bid, the government would allow it to operate on **specified frequencies** for a fixed number of years. Till **2011**, the telecom operator's license and spectrum were linked with each other.

Then what happened?

- After 2011, telecoms were required to bid separately for license and to pay for spectrum usage fees to the government. **Reliance Jio** and **Vodafone 4G Spectrum's** use **1800 MHz** band whereas **Airtel's** use **2300 MHz**.
- To operate in any circle, a company needs spectrum and if it does not have any, it will use other companies to offer service at another band to their customers.
- The **2G scam** is an infamous telecom scam in India that cost the govt **₹1.76 lakh crore** as per CAG.

What does the SC have to say?

### SC'S QUESTIONS

SC has asked Govt to draw a plan for recovering **Adjusted Gross Revenue (AGR)** dues from **bankrupt telecoms**

SC has asked Govt for **details** regarding the spectrum owned by these companies as follows:

- Is Spectrum operational?
  - Yes: Who is using it?
    - If someone is using, then why is that company not liable to pay AGR dues?
  - No: Since when has it not been in use?

Should Jio Be Liable For RCom?

- Jio is currently using **38% of RCom's total spectrum** and both the companies entered a sharing agreement in 2016. However, Jio has informed the court that it is not liable to pay AGR dues for using RCom's spectrum via **'Spectrum Sharing guidelines'**.

On 21 August, the SC said that the companies using spectrum of insolvent companies will be liable to pay AGR dues.

**Did you know?** **Airband** is the name for a group of frequencies in the **VHF radio spectrum** allocated to radio communication in civil aviation. In most countries, a license to operate airband equipment is required and the operator is tested on competency in procedures, language, and the use of the phonetic alphabet.



### 4. Rise of Indian EdTech startups in the new normal

August 20

When most of the startups in the world are facing financial crunch due to COVID-19 and struggling to survive, startups in the EdTech sector are booming. How is that happening?

- Success closure of the school and colleges:** The free online courses and live classes by these startups have given them an upper edge in expanding their reach among students.
- In the last 5 years more than **4,450 EdTech startups** have been launched in India. Now such platforms are likely to create at least **3,000 new jobs by 2021**. Experts say that the education sector may spend **₹6 bn annually** on AR and VR technologies by 2023.

Let's see some of such startups which have emerged in the new normal:

- BYJU'S:** In 2019, it won the **sponsorship rights** for the **Indian cricket team jersey**, replacing **Oppeo**. During lockdown it introduced live classes and added **7.5 million new users**. It is now the **world's most valued EdTech startup** with a valuation of **~\$10.5 billion**, and India's second most valued startup after **Paytm**. In 2019, it won the sponsorship rights for the Indian cricket team jersey, replacing **Oppeo**.
- Whitehat Jr.:** It started **1 to 1 online** teaching platform for children (Age 6 to 18). **700,000 students** have registered themselves on the portal till date. Recently BYJU'S acquired it for **₹300 mn**.
- Unacademy:** In 2019 the startup has **\$36 million ARR** (Annual Recurring Revenue = Total amount of yearly subscription + Total amount gained from expansion - Total amount due to cancellation of subscriptions). During lockdown, in March **1.4 bn watch minutes** recorded were recorded on the platform & **ARR** grew to **₹100 mn**.
- Vedantu:** The Bengaluru based startup offers personalised teaching models, which are refined using **AI, ML and big data**. It raised **₹6.8 mn** from South Korea-based **KB Global Platform Firm** and **\$12.56 mn** from the China-based **Legend Capital**.

**Did you know?** In the last 5 years more than **4,450 EdTech startups** have been launched in India.



### Featured Face #7

Your week long wait is over! The correct answer to last week's question is **Lala Lajpat Rai, Bal Gangadhar Tilak and Bipin Chandra Pal**. Congratulations to the fastest first, **Ms. Shreya Shastri**! And thanks for participating, all of you biz lovers.

### Chance to be a Biz Whiz

One of you awesome people would yet again get a chance to be a trivia ninjal! You just have to **answer the question below and send the reply on this same email id**. We will tell you if you have got it right or not. The **fastest reply would be featured in the next newsletter!**

**What does the missing piece in Wikipedia's logo indicate?**

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