



***COVID-19 BACKGROUND,
GENERAL IMPACT ON INDIAN
ECONOMY &
MEASURES UNDERTAKEN BY
GOVERNMENT***

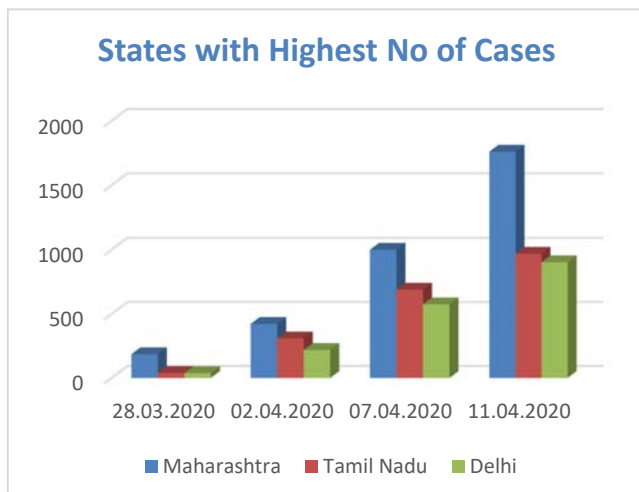


ORIGIN & BACKGROUND

Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2), a virus responsible for Coronavirus Disease 2019 (COVID – 19) previously also known as “2019 novel coronavirus” has created havoc worldwide. The Virus whose origins have been linked to a “Wet market” in Wuhan, China has been declared as a Pandemic by the World Health Organization (WHO) on 11th March, 2020. The Virus has caused unprecedented Social, Economic & Financial crisis worldwide.

In India the first case of Covid-19 was reported on 30th January, 2020 from the state of Kerala. Thereafter the cases increased manifolds with major rise in the month of March. Most cases reported in India were of those who had a travel history to the already infected countries or people who had come in contact with these travelers, known as local transmissions. The Indian Council of Medical Research (ICMR) has stated there is still no evidence of Community transmission of the virus in India. As on 11th April 2020, the no. of cases reported are 7,529 of which 653 patients have recovered so far and 242 people have died all over India. Majority of the cases were reported from the State of Maharashtra, Tamil Nadu and Delhi.

As a precautionary measure to control the spread of Virus, Prime Minister of India announced a Nation-

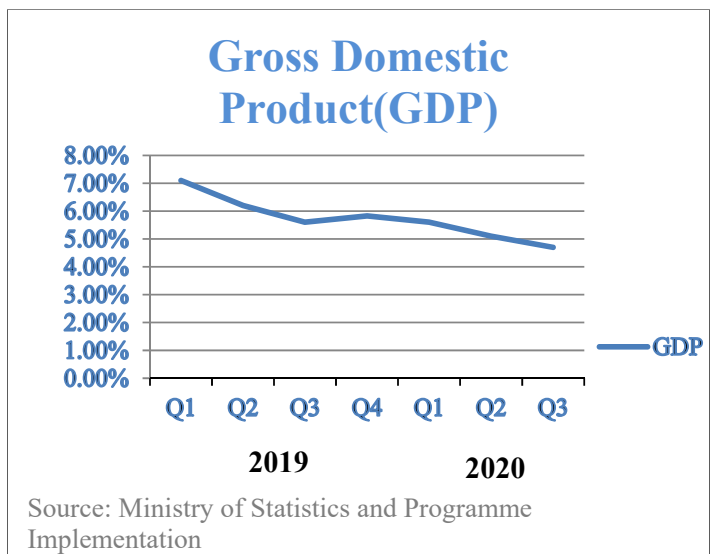


wide lockdown for 1 day on 22nd March, 2020 and then further extended the lockdown on 24th March, 2020 for 21 days from 25th March, 2020 to 14th April, 2020.

EFFECTS ON THE INDIAN ECONOMY

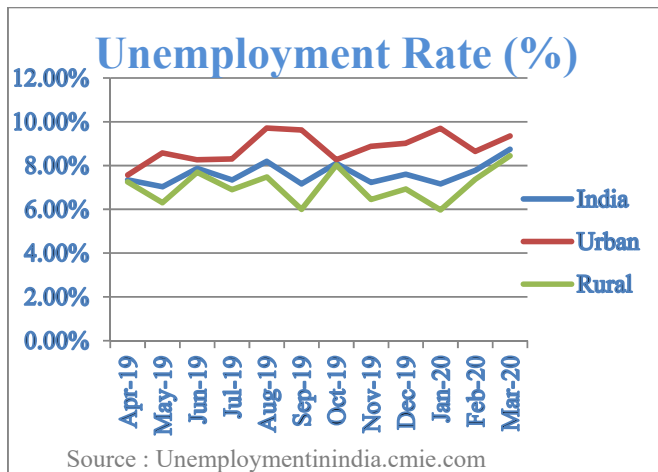
The Rapid Spread of Covid-19 and the nationwide lockdown has brought the Economy to a Halt. Indian Economy has been growing at a slower rate already, The Economy grew at a six-year low rate of 4.7% in the third quarter of FY 2019-20. The Government introduced various measures and it was expected that the Economy would grow in the fourth quarter of the fiscal year. The Government had estimated GDP for 2019-20 to be 5.0% in its Press Release dated 28th February, 2020. However due to Covid-19 outbreak the economy is now facing newer challenges which might derail the Economy entirely even if it's for a temporary period. Different predictions for the GDP for 2019-20 are being made by experts like Moody's Investor Service has predicted India's economic growth to be 2.5% from their earlier estimate of 5.3% due to Covid-19 outbreak.

Some of the most affected Sectors of the Economy are



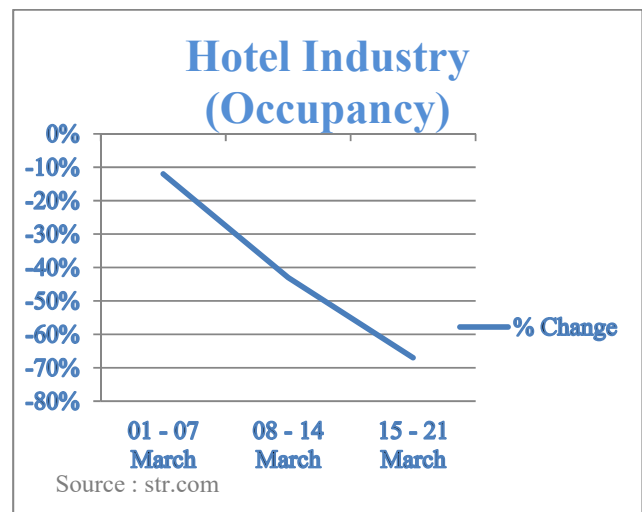
Aviation, Tourism & Hospitality. Closure of Shopping Malls have affected the consumption of Essential & Discretionary commodities. Consumption is not only affected by the closure of Malls and other shops but also because people are postponing their purchasing decisions fearing uncertainty of future times. Its also related to growing unemployment rates and reduced income specially for the wage earners. Infact one of the major setback of nationwide lockdown is felt by the

workers of unorganized Sectors. The Indian unemployment rate rose to nearly 9% which is the highest in 43 months according to the report published by CMIE. This has impacted the purchasing power of many citizens of India. Travel restrictions on the other hand have impacted the Tourism & Aviation Sector including the Hospitality sector.

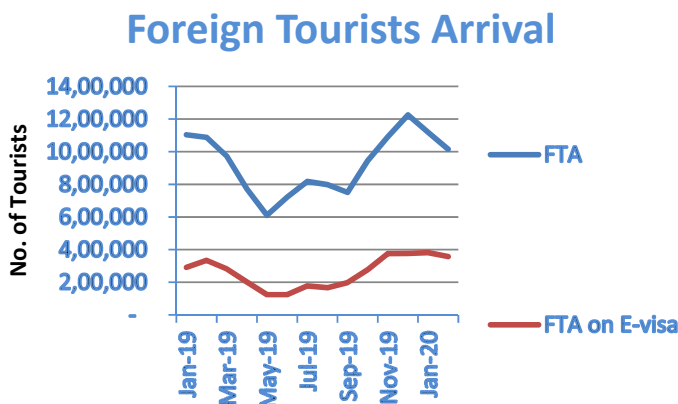


The hotel industry saw nearly negligible impact until the 3rd week of February. Since the FTA decreased from February the Indian Hotels industry was also impacted towards the end of February. In comparison to the same period in the last year, the industry saw a decrease of 12% in the occupancy level during the first week of March. Thereafter, in the second week the occupancy further decreased to 43% in comparison to the FY 2019. Further the decline went upto 67% in the 3rd week of March.

The Hotel occupancy during the period from 23rd to 29th March dropped to 11%. In the last few days of March with year-over-year occupancy declines over 80%. With the consistent decline the Average daily rate (ADR) decreased year-over-year by approximately 20% for eight consecutive days and went as low as Rs. 4924.18 on 28th March. Further the Revenue per available room (RevPAR) reached Rs. 537.54 on 22nd March.

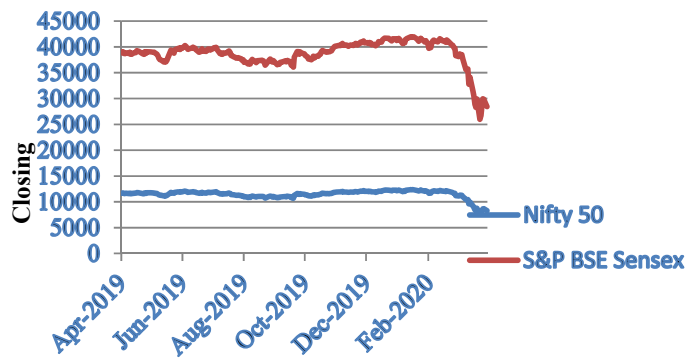


Uncertainties always tend to affect the financial markets, With the Covid-19 outbreak this has come true again. With widespread fear and panic amongst people, the financial markets have become extremely volatile. The major effects were seen on March 12th 2020 when the BSE Sensex dropped over 2,919 points which is its biggest one day fall in absolute terms and the NSE Nifty dropped by 868 points. The fall has continued till date as investors continue to relentlessly selling their shares. As on 23rd March, 2020 the equity market has plunged to new low. Sensex closed 3934 points lower at 25981 and Nifty closed 1135 points lower at 7610.



Source : Brief write-up on Tourism Inflow to India by tourism.gov.in

Stock Market



Source : nseindia.com
bseindia.com

Poultry Sector which is one of the major sub-sector of the Indian agriculture ecosystem has been on decline due to the misinformation circulated amongst the social media. It has caused enormous reduction in demand which resultantly led to fall in prices from Rs 80 per kg (approx.) to Rs 15 per Kg (approx.). The Sector is facing losses to the tune of 150-200 crore per day.

Real Estate Sector in India was already facing a funding Crisis due to issues plaguing the NBFC and Banking Sector. Events like Demonetization and Introduction of RERA and GST added further difficulties to the already painful sector. Covid-19 situation has led to a slump in demand which would further break the Real Estate Sector in India

Various Manufacturing & Retail Sectors in India depend upon China for their Raw materials, Intermediate & Final Products. Shutting down of Factories in China has delayed supply into these sectors. Later due to lockdowns in India the situation has only aggravated for these sectors. It would not be uncommon to assume that this would directly affect Jobs and Wages of workers working under these sectors. China has also been a major importer for Sea Food, Petrochemicals, Jewelry etc. from India. The slowdown of China's Economy and Export restrictions imposed in India due to Covid-19 has significantly affected export of these goods. India is amongst the top 15 countries majorly affected due to manufacturing slowdown in China. For India, the overall trade impact is estimated to be the most for the chemicals sector at 129 million dollars, textiles and apparel at 64 million dollars, automotive sector at 34

million dollars, electrical machinery at 12 million dollars, leather products at 13 million dollars, metals and metal products at 27 million dollars and wood products and furniture at 15 million dollars.

India being an importer of variety of medical consumables, disposables, orthopedic implants, gloves, syringes and other medical products is finding it difficult to source these important medical requirements from Chinese factories. This has led to a shortage of these goods further suggesting an upward pressure on medical devices in the short term

Outbreak of Coronavirus and the events that followed it like the nationwide lockdown have created some huge problems for the Retail Sector. Malls have been Shutdown, Shops have been closed, There is lesser demand for non-essential goods due to panic situation and delaying the purchasing decisions. This could lead to major job cuts since the companies would not be able to sustain this for a prolonged period of time

Cumulative downfall across various sectors has a direct impact on Transport & logistics. Transport sectors have already been affected and it's likely to affect more as the slowdown of economy continues. Even after the lockdown is lifted the downfall in passengers might continue due to the current situation which would affect public transport including metro and railways

At least 45% of Consumer durables in India are imported from China. Additionally nearly 70% of the components used in television, air conditioner, refrigerators and washing machines are imported from China. Slowdown of the manufacturing process in China has led to increased prices of these goods. It is anticipated that the prices of these consumer goods might see an increase of approx. 3-5%. Also reduced supply, lower purchasing power and shutdown of shops have hampered Sales of these durable goods.

If there are any sectors that have gained a significant importance during this Crisis are the Fintech, Health Care & IT. Prominently during these times when social distancing is being promoted across the nation and methodologies like Work from home are adopted Nationwide, Fintech & Information Technology may emerge as a backbone to sustain the Economy. Healthcare is already one of India's largest sectors both in terms of Revenue & Employment. Due to the epidemic situation it has gained more prominence. India - the largest producer of hydroxychloroquine (an anti-

Malaria drug seen as a possible cure to Covid-19) recently agreed to lift the ban on the export of the medicine to the US.

MEASURES UNDERTAKEN BY GOVERNMENT

“Apart from ensuring the safe return of hundreds of Indians from China, Iran and other countries. The Indian Government has taken decisive measures to contain community spread”. Said Sriram Gutta, Head of Community Development, India and South Asia at the World Economic Forum. Even when the no of cases are on the rise in India yet the infection rate is relatively lower considering the population size of India. “India is doing quite well”, said the WHO Representative, Henk Bokedam.

The Government has undertaken key steps from lockdown to Relaxations & Relief measures for Citizens of India.

RELAXATIONS BY UNION FINANCE MINISTER -24.03.2020

Direct Taxes & Benami:

- I. Extension of last date of filing of original as well as revised income-tax returns for the FY 2018-19 (AY 2019-20) to 30th June, 2020.
- II. Extension of Aadhaar-PAN linking date to 30th June, 2020.
- III. The date for making various investment/payment for claiming deduction under Chapter-VIA-B of IT Act which includes Section 80C (LIC, PPF, NSC etc.), 80D (Mediclaim), 80G (Donations), etc. has been extended to 30th June, 2020. Hence the investment/payment can be made up to 30.06.2020 for claiming the deduction under these sections for FY 2019-20.
- IV. The date for making investment/construction/purchase for claiming roll over benefit/deduction in respect of capital gains under sections 54 to 54GB of the IT Act has also been extended to 30th June 2020. Therefore, the investment/ construction/ purchase made up to 30.06.2020 shall be

eligible for claiming deduction from capital gains arising during FY 2019-20.

- V. The date for commencement of operation for the SEZ units for claiming deduction under deduction 10AA of the IT Act has also extended to 30.06.2020 for the units which received necessary approval by 31.03.2020.
- VI. The date for passing of order or issuance of notice by the authorities under various direct taxes & Benami Law has also been extended to 30.06.2020.
- VII. It has provided that reduced rate of interest of 9% shall be charged for non-payment of Income-tax (e.g. advance tax, TDS, TCS) Equalization Levy, Securities Transaction Tax (STT), Commodities Transaction Tax (CTT) which are due for payment from 20.03.2020 to 29.06.2020 if they are paid by 30.06.2020. Further, no penalty/ prosecution shall be initiated for these non-payments.
- VIII. Under Vivad se Vishwas Scheme, the date has also been extended up to 30.06.2020. Hence, declaration and payment under the Scheme can be made up to 30.06.2020 without additional payment.

Indirect Taxes:

- I. Last date of furnishing of the Central Excise returns due in March, April and May 2020 has been extended to 30th June, 2020.
- II. Wherever the last date for filing of appeal, refund applications etc., under the Central Excise Act, 1944 and rules made thereunder is from 20th March 2020 to 29th June 2020, the same has been extended to 30th June 2020.
- III. Wherever the last date for filing of appeal, refund applications etc., under the Customs Act, 1962 and rules made thereunder is from 20th March 2020 to 29th June 2020, the same has been extended to 30th June 2020.
- IV. Wherever the last date for filing of appeal etc., relating to Service Tax is from 20th March 2020 to 29th June 2020, the same has been extended to 30th June 2020

- V. The date for making payment to avail of the benefit under Sabka Vishwas Legal Dispute Resolution Scheme 2019 has been extended to 30th June 2020 thus giving more time to taxpayers to get their disputes resolved.

In addition to the extension of time limits under the Taxation and Benami Acts as above, an enabling section has got inserted in the CGST Act, 2017 empowering the Government to extend due dates for various compliances inter-alia including statement of outward supplies, filing refund claims, filing appeals, etc. specified, prescribed or notified under the Act, on recommendations of the GST Council.

RELIEF PACKAGE -26.03.2020

“We’ve immediately responded within 36 hours of the lockdown. We’ve first reached out to the poorest of the poor, who need help,” finance minister Nirmala Sitharaman said while announcing the package. Following are the host of steps under “PM Garib Kalyan Yojna”

- I. A medical insurance cover of Rs 50 lakh is provided to frontline medical personnel such as Doctors, Paramedics & other medical staff
- II. 5Kg of wheat or rice per person and 1kg of Lentils (Daal) per household for 3 months. Additionally free cooking gas (LPG) for Ujjwala beneficiaries for 3 months
- III. Rs 2000 each to approximately 87 million farmers under PM Kisan every month during the lockdown
- IV. Increase in wages from Rs 182 to 202 for those covered under the Mahatma Gandhi National Rural Employment Act (MGNREGA)
- V. Rs 500 per month for 3 months to approximately 200 million women having Jan Dhan Accounts
- VI. Ex-Gratia payment of Rs 1000 per month for 3 months to nearly 30 million poor Senior Citizens, Widows & disabled
- VII. Rs 20 lakh Collateral free loan to Women under Self Help Group (SHG)
- VIII. Government will pay entire PF contribution i.e. 24% of basic pay for 3months to those who earn less than Rs 15,000 per month in companies employing less than 100 workers.

- IX. The Employee’s Provident fund regulations will be amended to allow a non-refundable advance of 75% of the Corpus or 3 months wages whichever is lower
- X. States have been directed to use Rs 31 thousand crore of Construction worker’s welfare fund to provide relief to construction workers and District mineral fund for medical activities

LIQUIDITY BOOST -27.03.2020

Inorder to ease hardships that the borrowers might face during lockdown due to decreased liquidity. The reserve bank of India allowed Banks and Financial institutions to offer a 3 month Moratorium on Term loans and Credit Card bills which fall between 1st March and 31st May 2020. The moratorium is not a EMI holiday but a deferment this means the borrowers would still have to pay the interests on the outstanding Principal for 3 months later in June or as proportionate Installments, However it would benefit those facing liquidity crunch during the lockdown.

PM-CARES FUND 28.03.2020

A special fund “Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND)” has been set up for providing relief to the persons affected from the outbreak of Corona virus. The Ordinance also amended the provisions of the Income-tax Act to provide the same tax treatment to PM CARES Fund as available to Prime Minister National Relief Fund. Therefore, the donation made to the PM CARES Fund shall be eligible for 100% deduction under section 80G of the IT Act. Further, the limit on deduction of 10% of gross income shall also not be applicable for donation made to PM CARES Fund.

As the date for claiming deduction u/s 80G under IT Act has been extended up to 30.06.2020, the donation made up to 30.06.2020 shall also be eligible for deduction from income of FY 2019-20. Hence, any person including corporate paying concessional tax on income of FY 2020-21 under new regime can make donation to PM CARES Fund up to 30.06.2020 and can claim deduction u/s 80G against income of FY 2019-20 and shall also not lose his eligibility to pay tax in concessional taxation regime for income of FY 2020-

21. PM-CARES Fund was able to raise approximately Rs 6,500 crore within just 1 week since its launch.

Other Relaxations

(a) In respect of MCA21 Registry, there is a moratorium being issued from 1st April 2020 to 30th September 2020. No additional fees for late filing of forms applicable in this period.

(b) For holding Board meetings, relaxation given by a period of 60 days till next two quarters.

(c) Applicability of CARO 2020 deferred from FY 2020-21 instead of FY 2019-20.

(d) For the FY 2019-20, If Independent Directors haven't held any meeting, it's not a violation of Companies Act 2013.

(e) For newly incorporated companies, deadline for filing Form for Commencement of Business (Form 20A) extended from 6 months to 12 months.

(f) No violation if there is a director of a company who does not comply with minimum residency requirement of 182 days in India.

(g) Requirement for companies of creation of 20% deposit before 30th April 2020 deadline extended to 30th June 2020.

(h) Deadline for requirement of investing in specified instruments up to 15% of Debentures maturing during the year, extended to 30th June 2020.

(i) For triggering of Insolvency proceedings, threshold of default by companies increased from Rs. 1 Lakh to Rs. 1 Crore.

(j) COVID-19 Situation to be on constant watch by MoF – If situation remains same beyond 30th April, then Section 7,9,10 of Insolvency and Bankruptcy Code, 2016 may be suspended for period of 6 months thereafter.

(k) Debit Card holders withdrawing cash from any Bank ATM can do so without payment of any cash withdrawal charges.

(l) No minimum balance requirement for all bank accounts holders.

(m) Bank charges for digital trade transactions waived off for Trade Finance Consumers.

(n) Due to the ensuing disruption to businesses caused by Covid19, SEBI has relaxed certain compliance requirements for listed corporates under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 through a Circular issued on 19th March 2020.

Conclusion

Extraordinary times call for extraordinary measures. Timely introducing support measures by government and standing strong during these difficult times would help repair the Economy eventually in the long run.

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