

COMPLIANCE UPDATE

August – September, 2020

Companies Act, 2013

In order to reduce instances of non-compliance, the Ministry of Corporate Affairs (MCA) has announced various relaxations in August 2020 for numerous regulatory and statutory compliances. The notification and circulars are as follows:

▪ Extension of Annual General Meeting (AGM)

As per Section 96 of Companies Act, 2013 (**Act**), companies are required to hold their AGM for the Financial Year 2019-20 before or on March 31, 2020.

Circular – The circular dated August 17, 2020, clarified that companies may avail further timeline relaxation of up to 3 months for holding the AGM for the Financial Year ended on March 31, 2020. To avail such relaxation, the companies are required to file their applications for extension in form No. GNL-1 with the concerned Registrar of Companies on or before September 29, 2020.

(To view the Circular, please [click here](#))

▪ Relaxation to pharmaceutical companies and medical device manufacturers under CSR policies

Section 135 of the Act read with Companies (Corporate Social Responsibility Policy) Rules, 2014 (**Companies CSR Policy Rules**) gives effect to CSR obligations of incorporated entities in India. Earlier, the activities undertaken by a company in pursuance of its normal course of business were excluded from the scope of eligible CSR activities.

Notification – The notification dated August 24, 2020, amended the Companies CSR Policy Rules allowing Pharmaceuticals and medical device manufacturing companies to undertake research and development activity of new vaccine, drugs and medical devices related to Covid-19 in their normal course of business and such research and development activity will qualify as CSR activity for financial years 2020-21, 2021-22 and 2022-23.

(To view the Notification, please [click here](#))

▪ Notification for amendment of the Companies (Management and Administration) Rules, 2014

The Companies (Management and Administration) Rules, 2014 mandates that every company shall attach the extract of the annual return to the report of the Board of Directors in the Form No. MGT-9.

Notification – The notification dated August 28, 2020, has amended the Companies (Management and Administration) Rules inserting a new proviso in Rule 12, sub-Rule (1), which specifies that where a company has disclosed the web-link of the annual return in the Board's Report then the extract of the annual return is not required to be attached.

(To view the Notification, please [click here](#))

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Reserve Bank of India Notifications and Master Circulars

▪ Establishment of Online Dispute Resolution (ODR) system by Payment System Operators (PSOs)

In 2019, RBI had established Ombudsman Scheme for digital transactions for PSOs which could be approached if the PSOs did not reply to the complainant within one month or the complainant was dissatisfied with the reply.

Notification – The notification dated August 06, 2020, issued under Section 10(2) read with section 18 of Payment and Settlement Systems Act, 2007, is a step in the direction of the Payment System Vision-2021 of RBI advising PSOs, both banks and non-banks including their participants, to implement system(s) for ODR in a phased manner. The PSOs are required to implement quicker ODR system using system-driven and rule-based mechanism with zero or minimal manual intervention. In the first phase, PSOs are required to implement the ODR system for disputes related to failed transactions in their respective payment systems by January 1, 2021.

(To view the Notification, please [click here](#))

▪ Regulatory updates for Core Investment Companies

The RBI on August 13, 2020 reviewed the guidelines for Core Investment Companies (CICs) and provided the following regulatory updates:

- Restrictions on layers of group structure
- Mandatory constitution of Group Risk Management Committee
- Appointment of Chief Risk Officer
- Disclosure Requirements for better with regards to NBFC – CICs

(To view the Notification, please [click here](#))

▪ Framework for authorization of pan-India Umbrella Entity for retail payments

Since its inception in 2008, National Payments Corporation of India (NPCI) is operating with monopoly as the only umbrella organization for operating and settlement systems in India.

Notification – RBI on August 18, 2020 introduced a framework with the objective of enabling setting up of pan-India New Umbrella Entities (NUE) for retail payments under Section 4 of the Payment and Settlement Systems Act, 2007. As per the framework, such entities shall be incorporated under the Companies Act, 2013 and may operate 'for profit' or as a company with charitable purposes. The umbrella entities after incorporation shall be required to fulfil the eligibility criteria relating to Shareholding Pattern, Foreign Investments, and Capital Requirement of minimum paid-up share capital of INR 500 crores.

(To view the Notification, please [click here](#))

Notifications, amendments, and ordinances for various labor and environment laws across states in India

▪ Assam

– **Exemption for workers in tea factories under the Factories Act**

The Chief Inspector of Factories, Assam has published an Exemption Order dated August 8, 2020, which provides exceptions to section 51 dealing with maximum working hours in a week, section 54 deals with maximum working daily hours and section 56 deals with spread over of the period of work of a worker.

Order – The order exempts the workers of the tea factories from the provisions of Section 51, Section 54 and Section 56 of Factories Act, 1948 in its application to Assam for a period of three months, w.e.f. August 1, 2020, to October 31, 2020. These exemptions have been provided to help them deal with the exceptional work pressure during the peak of manufacturing season.

(To view the Order, please [click here](#))

– **Industries generating hazardous waste to install display boards**

The Pollution Control Board of Assam published a notification dated August 17, 2020. There was no mandate for the installation of Online Display Board outside the factory premises by industries involved in hazardous chemicals and generating hazardous waste to display information related to discharges and emissions.

Notification – The notification has directed all industries involved in hazardous chemicals and generating hazardous waste to install display board outside the factory gate displaying information related to effluent discharge, air emissions and wastes. The installation of Online Display Board is mandated for all small, medium, and large-scale units.

(To view the Notification, please [click here](#))

– **Modification of Variable Dearness Allowance paid to specific categories of workmen**

The Office of the Labour Commissioner, Assam has published a notification on August 26, 2020, for the payment of Variable Dearness Allowances for various categories of workers. The five types of workers mentioned are classified based on different skills, such as highly-skilled, semi-skilled etc. This will apply to workers not covered under the Minimum Wages Act, 1948 and where the workers are not employed directly by the Principal Employer.

Notification – The Notification includes the Variable Dearness Allowance payable for various categories of workers employed by or through contractors which are not covered under the Minimum Wages Act, 1948 in its application to the state of Assam.

(To view the Notification, please [click here](#))

▪ **Goa**

– **Smart identity card under the Goa Employment (Conditions of Service) and Retirement Benefit Act, 2001**

The Government of Goa notifies issues of the smart card of the size 8cmx5cm with full details of the worker, including photograph, date of birth, gender, and blood group.

(To view the Notification, please [click here](#))

▪ **Himachal Pradesh**

– **Extension of relaxation in daily and weekly working hours**

Earlier under Section 51 and 54 of Factories Act, 1948, no worker can be allowed to work more than 9 hours a day and 48 hours a week.

Notification – The Himachal Pradesh government has extended the relaxation in daily and weekly working hours for further three months till November 2020.

(To view the Notification, please [click here](#))

▪ **Karnataka**

– **Implementation of Central Pollution Control Board Revised Guidelines**

Karnataka Pollution Control Board has extracted vital portions from Central Pollution Control Board (CPCB) guidelines on Handling and Disposal of Waste Generated During Covid-19 regarding scientific collection/handling of Covid-19 for implementation of the same for departments/organizations/stakeholders in the state.

Circular – The circular dated August 24, 2020, provides for the revision of guidelines for Handling, Treatment, and Disposal of Waste Generated during treatment/ Diagnosis/ Quarantine of Covid-19 Patients.

(To view the Circular, please [click here](#))

▪ **Kerala**

– **The Kerala Minimum Wages Notification (June 2020)**

The Government of Kerala, Labour, and Skills (E) Department has revised the variable dearness allowance for employment in Shops and Commercial establishments and employment in Computer Software Sector. As per the Notification, the Consumer Price Index (Cost of Living Index) Numbers applicable to employees in employment under the Minimum Wages Act for June 2020 are as ascertained by the Director-General of Economics & Statistics under clause (C) of Section 2 of the Act.

Notification – The notification dated August 18, 2020, is for the Consumer Price Index applicable to employees in employment under the Minimum Wages Act.

(To view the Notification, please [click here](#))

▪ **Madhya Pradesh**

– **Increase in threshold for the number of workmen**

On August 20, 2020, Madhya Pradesh Labour Department has promulgated The Labour laws (Madhya Pradesh Amendment) Ordinance, 2020 (**Ordinance**) which amends the threshold of workmen in Factories act, 1948 and Contract Labour (Regulation and Abolition) Act, 1970 with respect to Madhya Pradesh factory rules and Contract labour rules. The Factories Act, 1948 has a threshold for the number of workmen as ‘ten or more’ and the Contract Labour (Regulation and Abolition) Act, 1970 has a threshold for a number of workmen as ‘twenty or more’.

Ordinance – The Ordinance amends the definition of Factories by increasing the threshold for the number of workmen from ‘ten or more’ and ‘twenty or more’ to ‘fifty or more’ in the Factories Act, 1948 and Contract Labour (Regulation and Abolition) Act, 1970 respectively.

(To view the Ordinance, please [click here](#))

▪ **Maharashtra**

– **Increase in special allowance and HRA of registered security guards and officers**

The Maharashtra Private Security Guards (Regulation of Employment and Welfare) Act, 1981 regulates the terms and conditions of employment and welfare of security guards employed in factories and establishment in the State of Maharashtra. In pursuance of the same, the Security Guards Board for Brihan Mumbai and Thane district has been constituted to fix various allowances in the area.

Notification – The notification dated August 13, 2020, and effective from July 1, 2020, till December 31, 2020, revised the Special Allowance/Dearness Allowance and House Rent Allowance of the registered Security Guards/Officers from INR 754.00 p.m. to the rate of INR 936.00 p.m.

(To view the Notification, please [click here](#))

– **Amendment of the Maharashtra State Tax on Professions, Trades, Callings and Employments Rules, 1975**

The Maharashtra State Tax on Professions, Trade, Callings and Employment Rules, 1975 was formulated to give effect to the provisions of the Maharashtra State Tax on Professions, Trade, Callings and Employment Act, 1975. Rules 11A which deals with filing of returns and payment of tax by employers.

Amendment – The amendment mandates companies incorporated after July 22, 2020, to file their monthly returns from the day they are liable to pay tax and continue to furnish monthly return till the end of this financial year.

(To view the Amendment, please [click here](#))

– **Rates of special allowance in Maharashtra of scheduled employment**

The Minimum Wages Act, 1948 empowers the state governments in respect of scheduled employments within their jurisdictions to fix and revise the minimum wages and special allowances, house rent allowance etc. and enforce payment of the same. The Department of Labour, Maharashtra, in pursuance of the same releases these rates from time to time.

Notification – The notification dated August 5, 2020, specifies rates of special allowances for sixty-seven scheduled employments irrespective of the zones, applicable from July 1, 2020, till December 31, 2020.

(To view the Notification, please [click here](#))

– **Extension of time to deposit labour welfare fund**

Maharashtra Labour Welfare Fund Act, 1953 requires labour welfare fund to be collected from establishments by the Maharashtra Labour Welfare Board to organize all-round beneficial welfare activities, promoting welfare schemes for the labour.

Notification – The Notification has extended the time limit to deposit labour welfare fund till September 15, 2020.

(To view the Notification, please [click here](#))

▪ **Punjab**

– **Increase in the threshold for the number of workmen**

The Threshold limit for employing workers under section 1(4) of The Contract Labour (Regulation and Abolition) Act, 1970 was twenty or more on any day preceding twelve months.

Notification – The Punjab labour ministry promulgated The Contract Labour (Regulation And Abolition) (Punjab Amendment) Ordinance, 2020 dated August 11,, 2020, amending the Contract Labour (Regulation and Abolition) Act, 1970 and has increased the threshold limit from twenty or more to fifty or more.

(To view the Notification, please [click here](#))

– **Enhanced compensation on the closure of undertaking and retrenchment of workmen**

Any closure or retrenchment of workers beyond six months of employment should be compensated by paying an amount equal to fifteen days average pay for every completed year of continuous services, which falls under section 25O (8) and section 25N (9).

Notification – Governor of Punjab vide Notification dated August 11, 2020, has introduced an additional compensation which is an amount equivalent to three months average pay which is in addition to the existing payment mentioned above.

(To view the Notification, please [click here](#))

– **Relief to industrial establishments of Punjab engaged in the continuous process such as cement industries, fertilizer industries etc.,**

Earlier under Section 1(2) of the Punjab Industrial Establishment (National and Festival Holidays and Casual and Sick Leave) Act, 1965 which regulates the grant of various kinds of leave and holidays to workers applied to all establishments established in Punjab.

Notification – The Government of Punjab vide Notification dated August 6, 2020, has exempted industrial establishments of Punjab engaged in the continuous process industry from the provisions of the Punjab Industrial Establishment (National and Festival Holidays and Casual and Sick Leave) Act, 1965.

(To view the Notification, please [click here](#))

– **Relief to MSME from mandatory certification of Standing Orders**

Section 5 of the Industrial Employment (Standing Orders) Act, 1946 had made it mandatory for industrial establishments to get their standing orders certified.

Notification – The Government of Punjab has exempted all MSME Industrial establishments in the state from mandatory certification of Standing Orders if they comply with the provisions of Model Standing Orders given in schedule II to the Industrial Employment (Standing Orders) Punjab Rules 1978. In case of modification required, then it is mandatory to get certified.

(To view the Notification, please [click here](#))

▪ **Rajasthan**

– **Rajasthan Minimum Wages**

The Minimum Wages Act, 1948 empowers the state governments in respect of scheduled employments within their jurisdictions to fix and revise the minimum wages and enforce payment of minimum wages. The Labour Department, Rajasthan, in pursuance of the same release minimum wages from time to time.

Notification – The notification dated August 19, 2020, specifies minimum rates of wages for fifty-two scheduled employment effective from May 1, 2019. The applicable rates are:

- Unskilled: INR 225.00 per day
- Semi-skilled: INR 237.00 per day
- Skilled: INR 249.00 per day
- Highly skilled: INR 299.00 per day

(To view the Notification, please [click here](#))

▪ **Tamil Nadu**

– **Rationalization of Forms and Reports under various Labour Laws**

The Government of Tamil Nadu has implemented The Tamil Nadu Rationalization of Forms and Reports under Certain Labour Laws Rules, 2020 dated July 14, 2020. The labour laws which have consolidated the forms of registration, renewal, and notice of completion by Principal employer or contractor are as follows:

- Tamil Nadu Contract Labour (Regulation and Abolition) Rules, 1975
- Tamil Nadu Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2006
- Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) (Tamil Nadu) Rules, 1983

(To view the Notification, please [click here](#))

ABOUT US

UnComplycate is an end-to-end compliance and contract management solutions provider that integrates domain experience with IT-enabled implementation, monitoring and management protocols.

With more than thirty years' experience in helping clients discharge their compliance obligations, we have developed a repository of significant knowledge and practical experience in advising and assisting businesses on their regulatory compliance, litigation management, notice and contract management and other attendant requirements. We create bespoke products for clients that include, among other things, an audit of the functions of the company, offering technology-enabled platforms that provide solutions for effective control over the compliance and contract management functions. These services are not limited by geography and can be seamlessly extended to all operating sites of the client.

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