



NEWS LETTER

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AHMEDABAD BRANCH OF WIRC OF ICAI

Stay Happy Stay Healthy



Chairman's Message

Respected Members,

Greetings and Best Wishes for the New Fiscal Year 2016-17.

Almost one month has passed since our new committee has taken over. The new team is working in a very cohesive manner and each of the team member is contributing to his best. Team work is the Mantra to Success and hence support of every single member counts. We are very happy

with the way the things are turning around for us.

In the previous month we had series of events and the biggest one in current month was on 9th April, 2016 lecture meeting by Dr. Subramanian Swamyji. This program was followed by the members' meet with Hon'ble President CA. M. Devaraja Reddy and Hon'ble Vice President CA. Nilesh Vikamsey. We have a record participation of more than 1200 members at "Sardar Patel Smarak" which was followed by Gala Dinner in open & fresh air at lush green lawns along with Live Music. The program was widely appreciated for the arrangements and meticulous planning. This was a wonderful team spirit due to which the program was planned and executed impeccably. Apart from the above mega event we also organised one program jointly with GCCI and ICSI on Mergers and Acquisitions where in the top class speakers from their respective fields were present.

Also I am delighted to share with you that though most members were engrossed in Bank Audits, the Month of March 2016 was full of Activities at Unprecedented Scale. Ahmedabad Branch conducted Certification Courses on Wealth Management & Financial Planning, Seminar on Bank Branch Audit, Members-Students Volleyball Match, Live Screening of India V/S Pakistan T20 Clash. Also Gyan Setu Study Circle has started its events encompassing varied topics of need to members. Also for the Students who are future of our profession we organised Career Counseling, Mock Test for IPCC and Final CA Students, Revision Lecture Series, INDUSTRIAL VISIT at ESSAR REFINERY, Jamnagar. All the events were well received by the Members & Students.

OFFICE BEARERS

CHAIRMAN

CA. Vikash Jain
93277 15892

VICE CHAIRMAN

CA. Chintan Patel
90999 21163

SECRETARY

CA. Nirav Choksi
98254 91291

TREASURER

CA. Harit Dhariwal
99789 42299

MEMBERS

CA. Bishan Shah

CA. Fenil Shah

CA. Ganesh Nadar

CA. Rajiv Ravani

EX. OFFICIO MEMBERS

CA. Dhinal Shah, CCM
98250 29950

CA. Purushottam Khandelwal, RCM
98250 20844

CA. Aniket Talati, RCM
98255 51448

CA. Priyam R. Shah, RCM
98240 96112

NEWSLETTER COMMITTEE

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CONVENER : CA. Harshid Patel

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After taking over on 25th February, we have done many small changes and the effect will be visible in the long run. Our profession requires constant updates, up-gradation, in knowledge as well as learning & unlearning of topics & techniques. In this endeavour we have conducted various CPE & Non-CPE events in the Month of March 2016 & which will also continue in the Month of April 2016. Harvey MacKay once said, "Time is free, but it's priceless. You can't own it, but you can use it. You can't keep it, but you can spend it. Once you've lost it you can never get it back." In light of the same one such change is a vow to start each and every program on time and to cut down the formalities to the minimal. The next big step is to record all the major events and host on the website so that the event can be viewed by the members at any later point of time at their convenience.

A Half Day Workshop on Service Tax in starting of the month of April 2016. Also IFRS Batch is commencing from 23rd April, 2016. We have also decided to have training programs in MS Excel for our senior members so that couple with their rich experience and the technology they can produce better results with ease. On social front we are celebrating the Dr. Babasaheb Ambedkar Jayanti with the under privileged children of Residential school of Gandhi Ashram, Ahmedabad. We also would be having a blood donation program on 30th April at branch.

On a parting note, I would like to conclude by saying that, "Be specific enough to be believable and universal enough to be relevant."

With warm regards

CA. Vikash Jain

Chairman, Ahmedabad Branch of WIRC of ICAI



Editorial

CA. Fenil Shah

Dear Professional Colleagues,

After receiving a very positive response to the March Edition of Newsletter on theme "COLOURS", It gives me immense pleasure to publish the April Edition on the theme of "HEALTH". Friends we all need to accept that in our busy life and hectic schedule we miss to look after our health. But one should take care of health and with that intention this edition is highlighting the habits if followed will help us to maintain Happy & Healthy Life. Someone has very rightly said, "We spend half of our life in making

Wealth by ignoring Health and then the remaining life we spend Wealth for maintaining Health."

I appreciate the response received from the Members to the request soliciting the Articles published in earlier newsletter. We have received many articles, of which few are selected by the Editorial Team. But due to paucity of space in Physical Newsletter, we have incorporated all selected Articles in Newsletter in Soft copy.

Hereby I take this opportunity to thank the contributors of updates till now and sparing time for the Profession. Let me also admit that in order to make this newsletter more resourceful, your support by way of contributing Updates, useful tips, etc. is required. We request you to send your contributions on the topics of Direct & Indirect Tax, Corporate Law, VAT, Information Technology, Economics and other interesting topics. Kindly mail your contributions, achievements, etc. on ahmedabad@icai.org. The Editorial Team will publish the best contribution at its own discretion. I extend thanks to the Editorial Team for their hard work to publish this Newsletter.

"Take care of your body & its health. It's the only place you have to live."

CA. Fenil R. Shah,
Chairman, Editorial Team





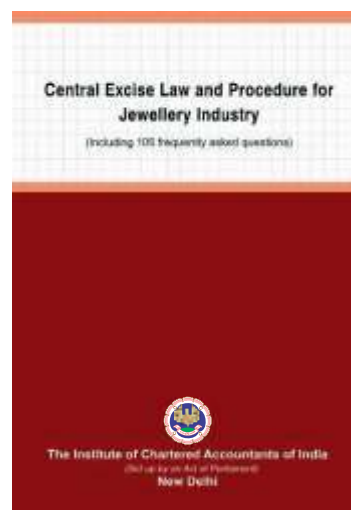
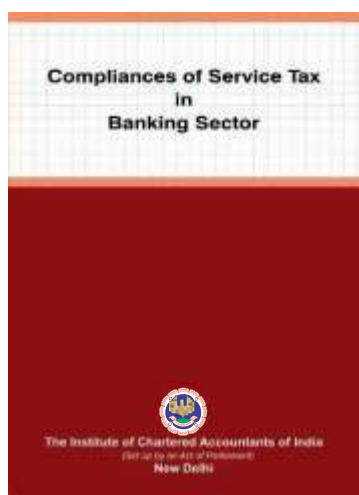
NEW / REVISED PUBLICATION- INDIRECT TAXES COMMITTEE

The Indirect Taxes Committee of ICAI keeps the members updated with the changes through its updated publications which member may subscribe at their choice. The following publications have been published by the Committee:

Compliances of Service Tax in Banking Sector

The Chartered Accountants conducting bank audit would find support for smooth compliance with various provisions of service tax laws in banking. This publication provides a detailed Questionnaire for Service Tax compliances of Banks. In addition to the questionnaire, the publication further highlights major incomes & expenditures of banks liable for service tax, CENVAT Credit provisions, procedural checks for banks etc.

Central Excise law and procedure for jewellery industry



We are glad to inform you that Indirect Taxes Committee of ICAI has come out with a new publication on Central Excise Law and Procedure for Jewellery Industry with a view to support and acquaint the Jewellery industry with the fine nuances of excise law and procedures and the implications of the amendments. It would also help our members, trade & industry and other stakeholder to understand the intricacies involved in taxation of Jewellery. For ease of understanding the concept of levy, valuation, payment, exemption, registration, invoicing, return etc. have been briefly explained in the form of frequently asked question (FAQ).

ORDERING INFORMATION

The Publication can be purchased directly from the sales counter at the ICAI's Regional Offices / Branches or at the Head Office. Member may also download these Guides from Indirect Taxes Committee Website: <http://idtc.icai.org/publications.html>. To order by post, requisition may be sent to the Postal Sales Department of the ICAI at postalsales@icai.in or can be order online at <https://icaionlinestore.org/indirect-taxes-committee>

Your Comments/ Suggestions are welcome at idtc@icai.in

Secretary
Indirect Taxes Committee
The Institute of Chartered Accountants of India
ICAI Bhawan, A-29, Sector - 62, NOIDA (U.P.) India
Telephone Direct - +91 120 3045 954
Website: <http://www.idtc.icai.org/> s.singhal@icai.in





Income Tax Updates

(Contributed by CA. Jasmin Shah)

jbs2628@gmail.com

LEGAL DECISIONS:

S. 14A/ 115JB: (i) Investments in subsidiary companies are strategic investments to whom s. 14A disallowance does not apply (ii) Receipt on forfeiture of share warrants is a capital receipt and has to be excluded from "Book Profits" even if credited to the P&L A/c. The assessee has duly disclosed the fact of forfeiture of share warrants amounting to Rs. 12,65,75,000/- in its notes on accounts vide Note No. 6 to Schedule 11 of Financial Statements for the year ended 31.3.2009. the profit and loss account prepared in accordance with Part II and III of Schedule VI of Companies Act 1956, includes notes on accounts thereon and accordingly in order to determine the real profit of the assessee. DCIT vs. Binani Industries Ltd (ITATKolkata)

S. 37(1): Expenditure on "application software" is revenue as it allows efficient carrying on of business and requires to be constantly updated due to rapid advancements in technology and increasing complexity of the features. Such software enhances the efficiency of the operation. It is an aid in the manufacturing process rather than the tool itself. Therefore, the payment for such application software, though there is an enduring benefit, does not result in acquisition of any capital asset and it merely enhances the productivity or efficiency and hence, has to be treated as revenue expenditure. Indian Aluminum Company vs. CIT (Calcutta High Court)

S. 44AB/ 271B: Belief that a mutual association like a club is not liable for tax audit is a bona fide one and constitutes reasonable cause u/s 273B. Under the general law relating to mutual concerns, the surplus accruing to a mutual concern cannot be regarded as income, profits or gains for the purpose of the Act (s.4), and where the contributors are to receive back a part of their own contributions, the complete identity between the contributors and recipients negatives the idea of any profit, for no man can make profit out of himself. Therefore, a mutual concern can carry on an activity with its members, though the surplus arising from such activity is not taxable income or profit. The principle of mutuality has also been accepted in the case of a voluntary organization, which receives contributions from its members. Koramangala Club vs. ITO (Karnataka High Court)

S. 68: Law on when share application moneys and share premium from private companies can be treated as bogus and assessed as cash credits explained. The Assessing Officer had not considered the evidence filed by the assessee during the course of assessment proceedings i.e. affidavits confirming the transaction, PAN number, complete addresses of creditors, copy of balance sheet, ITR for A.Y. 2008-09, bank statement and form No. 18. The assessee had discharged its onus by providing the requisite evidences to prove the identity, genuineness and creditworthiness of the cash creditors. The Assessing Officer herself had accepted the remaining cash creditors to the tune of Rs. 3.95 crores explained on the basis of similar evidences produced by the assessee as genuine. The loan/share capitals were received from the private limited companies. They also are filing return under the company's law and all information is available on MCA website. The ADIT report was not conclusive to held that the cash creditors were not genuine. It is not required under the law to prove the source of source U/s 68 of the Act. Primary burden lies on the assessee has been discharged by filing the requisite evidences before the Assessing Officer and shifted on the Assessing Officer to disprove the cash creditors' transactions are not genuine or bogus. The share application money was received by the appellant and subsequently returned through banking channel. In case of 7 companies, the notices were served on it on given addresses. There is no evidence directly or indirectly with the Assessing Officer that the assessee had routed undisclosed money in the guise of share application money or loan. ACIT vs. Dhanlaxmi Equipment Pvt. Ltd (ITATJaipur)

S. 80-IB(4): Subsidies (such as transport subsidy, Interest subsidy and power subsidy) paid to the assessee with the object of reducing the cost of production constitutes "profits derived from the business of the industrial undertaking" and is eligible for deduction u/s 80-IB. Liberty India 317 ITR 218 (SC) is distinguishable on facts. CIT vs. Meghalaya Steels Ltd (Supreme Court)

S. 115JB: As the loss suffered on transfer of business was rightly debited to the P&L A/c as per AS 13, it cannot be added back to the Book Profits. There was, thus no mistake on the part of the assessee in debiting the loss to the profit and loss account. Once it is realized that the assessee had correctly debited the profit and loss account for the loss arising out of the transfer of investment division. CIT vs. Binani Cement Ltd (Calcutta High Court)

YOGA - it is not for the flexible, but it is for the willing

- YOGA is not about SELF IMPROVEMENT, It's about SELF-ACCEPTANCE.
- The Study of Asana is not about Mastering Posture, It's about using Posture to Understand & Transform Yourself.





S. 115JA/115JB: Capital receipts (such as subsidy & carbon credits), which have no income element, have to be excluded from book profits even if credited to the P&L A/c. The thrust is to find out the real working results of the company. Inclusion of receipt in the computation of MAT would defeat two fundamental principles, it would levy tax on receipt which is not in the nature of income at all and secondly it would not result in arriving at real working results of the company. The real working result can be arrived at only after excluding this receipt which has been credited to P&L a/c and not otherwise. ACIT vs. L. H. Sugar Factory Ltd (ITAT Lucknow)

S. 147/ 148: Providing the assessee with the recorded reasons towards the end of the limitation period and passing a reassessment order without dealing with the objections results in gross harassment to the assessee. The Principal Commissioner of Income Tax would take serious note of the above and after examining the facts, if necessary, take appropriate remedial action to ensure that an assessee is not made to suffer for no fault on its part. This is particularly so as almost the entire period of two years from the end of the financial year in which the notice is issued was consumed by the Assessing Officer in failing to give reasons recorded in support of the impugned notice. Nevertheless, the Assessing Officer proceeds to pass a draft Assessment order without dealing with the objections filed by the Petitioner. Bayer Material Science Pvt Ltd vs. DCIT (Bombay High Court)

S. 195/ 40(a) (ia): Controversy whether in view of retrospective amendment to s. 195 to provide that s. 195 applies whether or not the non-resident person has a residence or place of business or business connection in India, even commission to non-resident agents for services rendered outside India is liable for TDS u/s 195 and has to suffer disallowance u/s 40(a)(ia) to be reconsidered by ITAT. Sesa Resources Ltd vs. DCIT (Bombay High Court)

Circulars :

The CBDT has issued Circular No. 07/2016 dated 07.03.2016 in which it has pointed out that a consortium of contractors is often formed to implement large infrastructure projects particularly in Engineering, Procurement and Construction ("EPC") contracts and Turnkey Projects. The tax authorities, in many cases have taken a position that such a consortium constitutes an Association of Persons ('AOP') i.e. a separate entity for charging tax. The claim of taxpayers, on the

other hand, is contrary to this view. This has led to tax disputes particularly in those cases where each member of the consortium, although jointly and severally liable to the contractee, has a clear distinction and role in scope of work responsibilities and liabilities of the consortium members. With a view to avoiding disputes, the CBDT has issued clear-cut guidelines on the attributes that a consortium arrangement for executing EPC/Turnkey contracts must possess for it not to be treated as an AOP

The CBDT has issued an Office Memorandum dated 07.03.2016 stating that in view of the large volume of pending refunds which are subject to proceedings u/s 245 and the timeline of 30 days for responding to the notice allowed to the assessee and the same time period allowed to the assessing officer to confirm/ correct the demand, it is taking too long for the demand to be verified and the refunds to be issued, leading to rise of grievances. With a view to clear the pendency of refunds which are subject to verification under section 245, the CBDT has been decided that the timeline of 30 days for the assessee and the assessing officer specified in the O.M. dated 29.01.2016 may be reduced to 15 days with regard to the notices under section 245 to be issued in the balance period of the current financial year.

CBDT Directs Reopening Assessments In Claim Of Bogus Capital Gains/ Loss In Penny Stocks Scam By Taxpayers

The CBDT has issued a letter dated 16.03.2016 in which it has noted that an investigation has been conducted by Kolkata Investigation Directorate in respect of large number of penny stock companies, whose share prices were artificially raised on the Stock Exchanges in order to book bogus claims of Long Term Capital Gains or Short Term Capital Loss by various beneficiaries. It is stated that extensive investigation, including search and seizure/survey action on entry providers, riggers, beneficiaries etc. was conducted by the Investigation Directorate in such cases. Based upon outcome of such investigation and analysis of the data, the Systems Directorate has now uploaded details of such information in respect of individual assessee who have made transactions in such penny stocks. The CBDT has directed that the information relating to the "Penny Stock" should be considered by AO's for making assessments u/s 143(3) and reopening assessments u/s 148 of the Act.

Benefits of Yoga

- Helps digestion and increases metabolism
- Lower Stress Level and increases peace of mind
- Less chance of heart diseases and increases oxygen to brain



Vat Updates

(Contributed by CA. Monish S. Shah)
shahmonish@hotmail.com

IMPORTANT CASE LAWS

- 1) The claim of goods return to the Principal of other State in absence of Form F is allowed on the basis of stock transfer voucher and transport receipt. The claim of exemption u/s. 6(2) is denied merely on non-production of transport receipt is held admissible upon production of E1 and C in M/s. Nimit Steels Pvt Ltd S.A. No 179 of 2014 decided on 09/04/2015. Reported at 2015GSTB I page 162
- 2) In M/s. Shree Kutch Vijay saw Mill S.A. NO 636 of 2009 decided on 01/05/2015 reported at 2015 GSTB Part I Page 229 it was held that Order levying tax and penalty on account of preferring a route for entering in to the state by the driver where the boarder check post is not situated is set aside
- 3) In the case of M/s. Sundha traders S.A. No 45 to 48 of 2015 decided on 9th April 2015 reported at GSTB I page 52 it was held that the responsibility to carry transport pass is on the transporter or person in charge of the vehicle and not on owner of the goods
- 4) Goods manufactured in Maharashtra and brought in Gujarat for execution in Works Contract then tax is not leviable in Gujarat but payable in Maharastra held in SA no 22 of 2001 and 351 to 355 of 2001 reported at 2015-GSTB II Page 542
- 5) The Budget has been approved and the major controversy has been raised with Commissioner of Surat issuing letter stating that any car registered with RTO after 1/4/2016 though purchased before hand should be liable to increase rate of 20%. The same is in line with the Judgment issued by Supreme Court in Civil Appeal of 2446 of 2007 of M/s. K.T.C. Automobiles. wherein the honorable court Even if

the motor vehicles were to be treated as specific and ascertained goods at the time when the sale invoice with all the specific particulars may be issued, according to Section 21 of the Sale of Goods Act, in case of such a contract for sale also, when the seller is bound to do something to the goods for the purpose of putting them into a deliverable state, the property does not pass until such thing is done and the buyer has notice thereof. In the light of circumstances governing motor vehicles which may safely be gathered even from the Motor Vehicles Act and the Rules, it is obvious that the seller or the manufacturer/dealer is bound to transport the motor vehicle to the office of registering authority and only when it reaches there safe and sound, in accordance with the statutory provisions governing motor vehicles it can be said to be in a deliverable state and only then the property in such a motor vehicle can pass to the buyer once he has been given notice that the motor vehicle is fit and ready for his lawful possession and registration. If this Judgment is to be accepted lot of definition with regards to sale and point of sale will change. However with due respect the judgment seems to be bad in law as the Point of Sale and definition of Sale under Sale of Goods Act warranty for four conditions (i) Two Parties i.e. Offeror and Acceptor (ii) Consideration in cash or kind (iii) Goods or services (iv) Acceptance by both on Mutual terms. Liability of RTO is on Purchaser and has nothing to do with vendor. If a purchased car is not registered in RTO or registered late then the penalty is on the Purchaser and not seller. Even unregistered car meets with an accident then the same is not replaced by the seller nor is the Purchaser indemnified thus to say that the car is only sold once registration is done is wrong and bad in law as per opinion. However till such judgment is challenged we have to accept the judgment led in M/s. K.T.C. Automobiles issued on 29/01/2016.

MEDITATION

- It is a practice where we Quiet the Mind and The Soul will Speak.
- Prayer is when you talk to GOD, Meditation is when You listened to GOD.
- It is like a Gym in which you develop the powerful mental, muscles of calm and insight.





Information Technology

(Contributed by CA Student Tarun Masani)

tarun.masani@gmail.com

7 Alternatives of Salesforce for CRM

For more than a decade now, technology has evolved completely, becoming more complex & translating the way business people work. Once viewed as a simple way to manage relationships is now a tech-backed strategy for efficient business operations. Looking into sales application ecosystem, Salesforce is being looked as "must to have tool". Moreover, for upcoming start-ups Salesforce Alternatives are also emerging as a good choice.

Let us have a glance at these Salesforce Alternatives

1. Pipedrive: - www.pipedrive.com

A multilingual software to serve small sales team. Pipedrive offers wonderful features that salespeople love to use it. Cheap & efficient; this software works with all major currencies. It offers flawless integration with the Google apps suite (Docs, Gmail, etc.). Pipedrive has a marvellous interface offering timeline view that allows salespeople to organize their future events including estimation of the dates for sales. It also facilitates the sales manager by providing the feature of a master timeline that allows the manager to view the timelines of his/her team-mates. This enables the manager to manage the sales team efficiently.

2. Nimble: - www.nimble.com

Social media is considered as an essentiality in maintaining the relationships. What if your CRM facilitates you with connection of not only emails but also social media accounts? Nimble incorporates all these features. The specialty of Nimble is that its inbox feature. Nimble collects all your emails with clients along with your interactions with them on Twitter, LinkedIn and Facebook in an in-CRM message inbox. This can be a good for Salesforce Alternatives.

3. Highrise: - www.highrisehq.com

Available at very flexible pricing, Highrise was launched in 2007. The interface of the software is user friendly. There are no fancy features that might confuse a CRM beginner. It also provides features of integration with Zendesk, Freshdesk,

Mailchimp & many more. This is one of best software from the Salesforce Alternatives.

4. Insightly: - www.insightly.com

This software has integrated project management functionality which sets it apart from other software in same category. It facilitates you to stay on top of customers in relation to your projects all-in-one. This software targets small business which is reflected in their pricing & light style. This can be one of the Salesforce Alternatives.

5. BaseCRM: - getbase.com

Launched in 2009, this software provides impressive feature of sales analytic. The other lucrative features include call tracking and recording. It also analyses the recorded calls. Apart from these, Base's mobile app is also there which is most searched if we go by the list of Android Reviews.

6. OnePageCRM: - www.onepagecrm.com

The company is based in Ireland, their objective is to deliver "extraordinary user experience" for small sales team. This can be inferred throughout the design of the CRM. The option of lead clipping allows to collect information of leads from LinkedIn or Gmail with a single mouse click. Their mobile app is also there which facilitates salespeople in prioritizing their projects by providing instant reminders about the start, due date of the project among many others. The software also takes care to prompt you to set the next action so that you are encouraged enough to follow-up your clients in timely manner. This can be one of the Salesforce Alternatives.

7. Nutshell: - www.nutshell.com

The extremely customizable features of nutshell makes it an interesting solution altogether. The user interface is undoubtedly intuitive facilitating enough complexity for an expert along with appropriate simplicity for inexperienced as well. The software can be configured in such a manner that certain users can only see certain information. It can even update people by sending real time push notifications through email or app.

Benefits of Meditation

- Helps Reverse Heart Diseases
- Increases Energy
- Reduce feeling of Depression, Anxiety, Anger & Confusion



Service Tax Updates

(Contributed by CA. Rahul Maliwal)
ray1associates@gmail.com

Notifications

1. Notification No. 08/2016-Service Tax dated 1st March, 2016 issued to amend notification no 26/2012 and specify certain changes in rates of abatement and conditions applicable while availing amendment w.e.from 01/04/2016.
 - In case of Transport of Goods and Transport of passenger by Rail cenvat credit on inputs and capital goods are not available while opting for abatement.
 - In case of Transport of Goods in container by rail taxable value will be 40% of total value.
 - In case of Goods Transport by Road for used household goods taxable value will be 40% of total value and in respect of other than used household goods value will be 30% only.
 - The abatement rate in respect of services by way of construction of residential complex, building, civil structure, or a part thereof, is being rationalized at 70% by merging the two existing rates (70% for high end flats and 75% for low end flats).
 - The abatement rate in respect of services by a tour operator in relation to packaged tour (defined where tour operator provides to the service recipient transportation, accommodation, food etc) and other than packaged tour is being rationalized at 70%. (Now no more 60% abatement is available)
2. Notification No. 09/2016-Service Tax dated 1st March, 2016 issued to amend notification no 25/2012 for mega exemption notification.
 - In case of Service Tax on Advocates the exemption bifurcated in two parts
 - (a) Partnership firm of advocate or an individual as an advocate other than senior advocate provide service to any other advocate, any firm of advocate, any person other than business entity or business entity with turnover less than Ten lac will be exempted from service tax.

(b) In case of Senior Advocate only service provided to person other than business entity will be exempted from service tax.

- Legislature in its Budget of the year 2015 withdrew the exemption to the services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of –
 - (a) a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;
 - (b) a structure meant predominantly for use as
 - (i) an educational,
 - (ii) a clinical, or
 - (iii) an art or cultural establishment; or
 - (c) a residential complex predominantly meant for self-use or the use of their employees or other persons specified in the Explanation 1 to clause (44) of section 65 B of the said Act

However many service providers who have entered into an agreement before withdrawing the exemption in 2015 with government for providing aforesaid service were severely affected by this amendment as they had to bear additional burden of service tax.

Therefore, in order to safeguard various service providers, legislature has now provided exemption to the aforesaid services provided under a contract which has been entered prior to 01.03.2015 and on which appropriate stamp duty has been paid wherever applicable.

Further this exemption shall be available only upto 31.03.2020 and if the contracts entered prior to 01.03.2015 were not completed by this date, then they would be liable to pay service tax on services provided w.e.f. 01.04.2020.

- Low cost housing project having carpet area of 60 Sq Meter per house approved by competent authority under " Affordable Housing" or any housing scheme of state government shall be exempted from service tax w.e.f. 01/03/2016

WALKING

- An Early Morning Walk is Blessing for The Whole Day.
- Walking is world's Oldest Exercise & Today's Modern Medicine.
- All truly great thoughts are conceived by walking.





Economy Updates

(Contributed by CA. Rutvij Modi)

carutvij@yahoo.com

GOOGLE ECONOMICS

There are three dominant tech giants, i.e. Apple, Microsoft and Google. We all know how apple and Microsoft make money but we always wonder how does Google makes money as virtually it is providing everything free. So meteoric is the rise of the Google that every one wonders how it earns. In the year 2014 Google had revenue of whopping \$66 billion and net profit of \$14 billion. That's an astonishing figure.

HOW GOOGLE EARNS

We all know Google's major revenue comes from advertisement. 96% of Google's revenue comes from advertisement. But still question remains how? The answer to the question is Google AdSense and Google AdWords.

GOOGLE ADSENSE

Google AdSense allows over a million publishers like us to make money by displaying relevant ads on our websites or blogs. AdSense allows owners of other websites to join Google's network and run Google-branded ads. Google's algorithms do all the work. Website owner just have to sign up for the network and his website might end up running ads for property, loans, books etc. Companies that pay Google to run those ads indirectly benefit site owners who use AdSense.

GOOGLE ADWORDS

Google AdWords generates the maximum ad revenue for Google. It allows to advertise business on Google's search result pages. When we search anything on Google, we see "Ads" across search result pages. For example, if we search for "loans" or say "insurance" on Google then we'll find ads relevant to "loans" or "insurance" itself. These ads are sponsored by advertisers on Google AdWords who pays Google every time we click any of those ads. It is also known as cost per click

Pricing of AdWords

The price an advertiser pays for a click usually depends on a lot of factors. Google is using a kind of bidding system. The advertiser has to select the keywords for which he wants to show ads so that when someone searches for those keywords on Google, his ads is shown.

For example, an insurance company wants to find customers, then the company has to bid on keywords related to "Insurance" like "buy insurance", "life insurance" etc. So, whenever a user searches for "buy insurance" or "life insurance" on Google.com insurance company's ads will be shown. However, if there several other bidders bidding for the same keyword then insurance company has to bid high to show their ad on top.

The Cost per Click varies from \$0.01 to \$100 (or maybe even more). For example, advertisers are willing to pay as high as \$54 per click for insurance, mortgages, and loans related keywords.

CONCLUSION

Google's success lies in the revolutionary advertising model it has adopted. This is contrary to traditional banner advertising where advertisers are required to pay whenever their ad is displayed on a banner network. Google makes money from their advertisers only when someone clicks on their ad and the consumer who is searching for something on Google sees only ads related to what he is searching. So, it is this advertising model that creates a win-win-win situation for Google, Advertisers, and the Consumers.

- Being the main driver of the economy, the service sector has contributed about 69% of the total growth during 2011-12 to 2015-16. It has, therefore, expanded its share in the economy to 53% from 49%.

OTHER KEY POINTS

- The Goods and Services Tax bill will mark an unprecedented reform measure.
- The year 2015 was a landmark year for India in terms of climate change initiatives.
- India ranks first in milk production, thereby accounting for 18.5% of the world production.
- The emphasis is on widening tax base, increasing tax rates on property and reasonable increase in taxes from rich agriculturalists.
- Stock markets in India are more resilient vis-à-vis its peers. India is the fastest-growing major global economy despite emerging economies affected by a slowdown.

Benefits of Walk

- Reduced risk of high blood pressure
- Strong Bones & Joints
- Improve Self-Image, Increase Energy



Company Law Updates

(Contributed by CA. Chintan Patel)

chintan@nareshco.com

1. Companies (Auditor's Report) Order, 2016.

Issue date: 29th March, 2016

MCA has issued notification for enforcement of the Companies (Auditor's Report) Order, 2016 in supersession of the Companies (Auditor's Report) Order, 2015. This order applies for the financial years commencing on or after 1 April, 2015. The Order will not apply to the auditor's report on Consolidated Financial Statements. http://www.mca.gov.in/Ministry/pdf/CoOrder_30032016.pdf

2. Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

Issue date: 30th March, 2016

MCA has issued notification for enforcement of the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 to amend the Companies (Indian Accounting Standards) Rules, 2015

http://www.mca.gov.in/Ministry/pdf/Notification_30032016_I.pdf

The MCA has issued the Companies (Indian Accounting Standards) (Amendment) Rules, 2016. Among other matters, the rules contain Ind AS roadmap for NBFCs. The rules have also notified Ind AS 11, Construction Contracts and Ind AS 18, Revenues and omitted Ind AS 115, Revenue from Contracts with Customers. The rules have also amended following standards:

- Ind AS 101: First time adoption of Indian Accounting Standards
- Ind AS 103: Business Combinations
- Ind AS 104: Insurance Contracts
- Ind AS 105: Non-current Assets Held for Sale and Discontinued Operations
- Ind AS 107: Financial Instruments: Disclosures
- Ind AS 109: Financial Instruments

- Ind AS 110: Consolidated Financial Statements
- Ind AS 112: Disclosure of Interests in Other entities
- Ind AS 1: Presentation of Financial Statements
- Ind AS 2: Inventories
- Ind AS 19: Employee Benefits
- Ind AS 23: Borrowing Costs
- Ind AS 28: Investments in Associates and Joint ventures
- Ind AS 32: Financial Instruments: Presentation
- Ind AS 34: interim Financial Statements
- Ind AS 36: Impairment of Assets
- Ind AS 37: Provisions, Contingent Liabilities and Contingent Assets
- Ind AS 38: Intangible Assets
- Ind AS 40: Investment Property

These amendment rules will come into force on the date of their publication in the Official Gazette.

3. Companies (Accounting Standards) (Amendment) Rules, 2016.

Issue date: 30th March, 2016

MCA has issued notification for enforcement of the Companies (Accounting Standards) (Amendment) Rules, 2016 to amend the Companies (Indian Accounting Standards) Rules, 2015.

http://www.mca.gov.in/Ministry/pdf/Notification_30032016.pdf

The MCA has issued Companies (Accounting Standards) Amendment Rules, 2016. This rules include the following accounting standards:

- Accounting standard 2: Valuation of Inventories
- Accounting standard 4: Contingencies and Event Occurring After Balance Sheet Date
- Accounting standard 10: Property, Plant and Equipment
- Accounting standard 13: Accounting for investments
- Accounting standard 14: Accounting for Amalgamations

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- Accounting standard 21: Consolidated Financial Statements
- Accounting standard 29: Provisions, Contingent Liabilities and Contingent Assets
- Accounting Standard 6, Depreciation Accounting, is omitted. This rule will come into force on the date of their publication in the Official Gazette.

4. Other Amendments:

(4A) Companies (Share Capital and Debentures) Amendment Rules, 2016.

Issue date: 10th March, 2016

MCA issued notification for Companies (Share Capital and Debentures) Amendment Rules, 2016 for inserting a new provision in rule 17, sub-rule(1), in clause (n) after sub clause (iii) regarding buy back of shares. http://www.mca.gov.in/Ministry/pdf/Notification_11032016.pdf

(4B) Companies (Share Capital and Debentures) Second Amendment Rules, 2016.

Issue date: 29th March, 2016

MCA has issued notification for enforcement of the Companies (Share Capital and Debentures) Second Amendment Rules, 2016 by inserting additional provision in rule 17 after sub-rule (5) of Companies (Share Capital and Debentures) Rules, 2014. http://www.mca.gov.in/Ministry/pdf/AmendmentRules_30032016.pdf

(4C) Companies (Removal of Difficulties) Order, 2016

Issue date: 29th March, 2016

1. In accordance with section 143(11) of the 2013 Act, the Central Government may, in consultation with the NFRA, by general or special order, direct, in respect of such class or description of companies, as may be specified in the order, that the auditor's report will also include a statement on such matters as may be specified therein. The Order clarifies that until NFRA is constituted, consultation will be held with the Committee chaired by an officer of the rank of Joint secretary or equivalent in the MCA

http://www.mca.gov.in/Ministry/pdf/CoOrder_30032016_III.pdf

2. To remove difficulties, in implementation of the Accounting Standards u/s 133, MCA has stated that until the NFRA is constituted, the Central Government may prescribe the standards of accounting of any, addendum thereto as recommended by the ICAI with and after examination or the recommendations made by the NACAS constituted under section 210A of the Companies Act, 1956.

http://www.mca.gov.in/Ministry/pdf/CoOrder_30032016_II.pdf

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SEMINAR ON BANK BRANCH AUDIT ON 19.03.2016



Seen (L to R) CA. Silva Shah, CA. Nirav Choksi, CA. Vikash Jain, Chairman, CA. Dhananjay Gokhale, Faculty, CA. Ganesh Nadar and Chintan Thakkar

Speakers



CA. Dhananjay Gokhale



CA. Atul Bheda



CA. Sanjay V. Shah

TECHNICAL ANALYSIS OF FINANCE BILL 2016 INDIRECT TAXES ON 05.03.2016



Seen (L to R) Adv. Jigar Shah, CA. Vikash Jain, Chairman, Adv. K. S. Ravi Shankar, Faculty, CA. Bishan Shah and CA. Nirav Choksi



Adv. K. S. Ravi Shankar
Faculty

WALK THROUGH ON CONDUCTING BANK BRANCH AUDIT ON 25.03.2016



Seen (L to R) CA. Ganesh Nadar, CA. Akshay Gupta, Faculty and CA. Jignesh Shah



CA. Akshay Gupta, Faculty

SEMINAR ON BANK BRANCH AUDIT ON 12.03.2016



Seen (L to R) CA. Harit Dhariwal, CA. Vikash Jain, Chairman, CA. Chirag Bakshi, Faculty, CA. Ganesh Nadar and CA. Purushottam Khandelwal, RCM

Speakers



CA. Manish Baxi



CA. Chirag Bakshi

GYANSETU STUDY CIRCLE ON 18.03.2016



Seen (L to R) CA. Neerav Agrawal, CA. Nirav Choksi, CA. Vikash Jain, Chairman, Mrs. Sushma Vij, Faculty, CA. Avinash Rawani, Faculty, CA. Purushottam Khandelwal, RCM and CA. Hersh Jani

Speakers



CA. Avinash Rawani



Mrs. Sushma Vij



CA. Khushroo Panthaky



HALF DAY SEMINAR ON INCOME TAX ON 26.03.2016



Seen (L to R) CA. Neerav Agrawal, CA. Palak Pavagadhi, Faculty and CA. Hersh Jani

Speakers



CA. Palak Pavagadhi



CA. Divyang Shah

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Prof. Jignesh Chedda



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CA. Durgesh Singh



CS N. K. Singh



LECTURE MEETING WITH DR. SUBRAMANIAN SWAMY



Seen (L to R) CA. Harit Dhariwal, CA. Chintan Patel, CA. Rajiv Ravani, CA. Priyam Shah, RCM, CA. Aniket Talati, RCM, CA. Vikash Jain, Chairman, Dr. Subramanian Swamy, Faculty, CA. Nirav Choksi, CA. Purushottam Khandelwal, RCM, CA. Fenil Shah and CA. Bishan Shah



Memento to Dr. Subramanian Swamy, Faculty by CA. Purushottam Khandelwal, RCM



Dr. Subramanian Swamy Faculty



Floral welcome to Dr. Subramanian Swamy, Faculty by CA. Priyam Shah, RCM

MEMBERS' MEETING WITH HON'BLE PRESIDENT AND HON'BLE VICE PRESIDENT, ICAI



Felicitation Moments



Memento to CA. M. Devaraja Reddy, President, ICAI by CA. Vikash Jain, Chairman, A'bad Branch



Cross Section of Audience



MEMBERS' MEETING WITH HON'BLE PRESIDENT AND HON'BLE VICE PRESIDENT, ICAI



Felicitation Moments



Felicitation and Memento to CA. M. Devaraja Reddy, President, ICAI by CA. Vikash Jain, Chairman, A'bad Branch



Felicitation and Memento to CA. Nilesh Vikamsey, Vice President, ICAI by CA. Chintan Patel, Vice Chairman, A'bad Branch





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Phone : 079-3989 3989, 2768 0946, 2768 0537
Email : ahmedabad@icai.org Web : www.icaiahmedabad.org

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Book-Post

CORPORATE SOCIAL RESPONSIBILITY (CSR) – ACTIVITIES, REPORTING & ACCOUNTING

By CA Niyati Hemani [FCA, PG International Taxation]
E: niyati.ca@gmail.com

CSR CONCEPTS

Corporate Responsibility is the continuing commitment by business to behave ethically and a positive continuity towards social and economic development at large. It is the contribution of the corporate sector for philanthropic causes like education, health, water, environment and community welfare. Corporate responsibility evokes from good governance.

Good Governance covers moral values, powers, dedication, self-management, sagacity, self-conduct, synergy, simplicity and honesty.

Corporate Governance is the system by which the corporate entities are directed and controlled. It encompasses the entire mechanics of the functioning of a company and attempts to put in place a system of checks and balances between the shareholders, directors, auditors and the management.

Values are the soul of a company that defines its character and personality. Values guide, shape and influence the behavior and actions of the board of directors. The core values of a business enterprise are shaped around the belief that enterprises exist to serve society.

At the heart of the value system is an unwavering commitment to integrity, ethical conduct, meritocracy, teamwork and abiding concern for stakeholders.

GLOBAL CODES & STANDARDS ON CSR

1. **United Nations Global Compact:** The United Nations Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.
2. **Global Reporting Initiative (GRI):** GRI is an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.
3. **ISO 14000:** ISO 14000 is a series of environmental management standards developed and published by the International Organization for Standardization (ISO) for organizations. The ISO 14000 standards provide a guideline or framework for organizations that need to systematize and improve their environmental management efforts.

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E: niyati.ca@gmail.com

4. **ISO 26000:** ISO 26000:2010 is intended to assist organizations in contributing to sustainable development.
5. **Organisation for Economic Co-operation and Development (OECD):** The mission of the OECD is to promote policies that will improve the economic and social well-being of people around the world.
6. **International Labour Organisation Conventions:** The International Labour Organization Conventions aim to improve the labour standards of people around the world.
7. **National voluntary guidelines on social, environmental and economic responsibilities of business, 2011:** These guidelines released in July 2011 by the Ministry Of Corporate Affairs, Government Of India, provide a robust framework that may be adopted voluntarily by companies to address interests of various stakeholders, including employees, customers and investors. Accordingly, SEBI has mandated listed companies to report on Environmental, Social and Governance (ESG) initiatives undertaken by them.
8. **Section 135 of the Companies Act, 2013 (the Act):**

Section 135 of the Act requires the Board of Directors of every Company having :

- a) **Net Worth** of Rupees 500 crore or more; or
- b) **Turnover** of Rupees 1,000 crore or more; or
- c) **Net Profit** of Rupees 5 crore or more,

during any financial year, to ensure that the company spends in every financial year atleast 2% of the **average net profits** of the company made during the three immediately **preceding financial years** on CSR in pursuance of its policy in this regard.

The Act requires such companies to **constitute a CSR Committee** which shall formulate and recommend to the Board a **Corporate Social Responsibility Policy** which shall indicate the **CSR Activities** to be undertaken by the company as specified in **Schedule VII to the Act**.

CSR ACTIVITIES AS PER THE ACT

1. Schedule VII to the Act provides the activities that may be included by companies in their CSR Policies Activities. The same are mentioned in brief below:

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E: niyati.ca@gmail.com

- a) Eradication of extreme hunger and poverty;
 - b) Promotion of Education;
 - c) Promoting Gender Equity;
 - d) Reducing Child Mortality and Improving Maternal Health;
 - e) Women Empowerment;
 - f) Combating HIV-AIDS, malaria and other disease;
 - g) Ensuring Environmental Sustainability;
 - h) Employment Enhancing Vocational Skills;
 - i) Social Business Projects;
 - j) Contribution to Prime Minister's Relief Fund and other such State and Central Funds;
 - k) Rural Development Projects;
 - l) Slum Area Development;
 - m) Protection of National Heritage;
 - n) Measures for the benefit of armed forces veteran, war widows and their dependents;
 - o) Promote Sports; and
 - p) Such other matters as may be prescribed.
2. CSR Expenditure shall include all expenditure including contribution to corpus, for projects or programs relating to CSR activities approved by the Board on recommendation of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Act.
3. Only CSR activities undertaken in India will be taken into consideration.
4. Activities meant exclusively for employees and their families or undertaken in pursuance of the normal course of business will not qualify for CSR activities.
5. The amount spent in excess of 2% of the average net profits of immediately preceding 3 years cannot be carried forward for set off against the CSR Expenditure required to be spent in the future.
6. The Surplus arising out of CSR activities will have to be reinvested into CSR initiatives, and this will be over and above the 2% figure.
7. The company can implement its CSR activities through the following methods:
- a) Directly on its own;
 - b) Through its own non-profit foundation set up so as to facilitate this initiative;
 - c) Through independently registered non-profit organisations that have a record of at least three years in similar such related activities;
 - d) Collaborating or pooling their resources with other companies

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E: niyati.ca@gmail.com

Further, the company ought to specify the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.

CSR GOVERNANCE AND REPORTING AS PER THE ACT

1. The CSR committee will be responsible for preparing a detailed plan on CSR activities, including the expenditure, the type of activities, roles and responsibilities of various stakeholders and a monitoring mechanism for such activities.
2. The Act requires that the Board of the company shall, after taking into account the recommendations made by the CSR committee, approve the CSR policy for the company and disclose its contents in their report and also publish the details on the company's official website, if any, in such manner as may be prescribed.
3. The Format for the Annual Report on CSR Expenditure to be included **Board's Report** is as under:
 - a) Brief Outline of the Company's CSR Policy, including overview of the projects or programs to be undertaken.
 - b) Composition of the CSR Committee.
 - c) Average Net Profit of the Company for the last 3 financial years. 21
 - d) Prescribed CSR Expenditure.
 - e) Details of the CSR Spent during the financial year (FY):
 - Total amount to be spent for the FY;
 - Amount unspent; if any
 - Below Details of the amount spent during the FY
 - (i) CSR Project or Activity identified;
 - (ii) Sector in which the project is covered;
 - (iii) Projects or Programs– a) Local area or other; b) Specify the state or district where the project or programs was undertaken
 - (iv) Amount Outlay (budget) project or program wise
 - (v) Amount spent on the project or programs a) Direct expenditure on projects or programs; b) Overheads
 - (vi) Cumulative Expenditure up to the reporting period
 - (vii) Amount spent: Direct or through implementing agency
 - f) If the company fails to spend the prescribed amount, the Board, in its report, shall specify the reasons.
 - g) A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the company.

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4. The amount of expenditure incurred on CSR Activities shall be disclosed by way of **Note to the statement of profit and loss account**. It shall be recognized as a separate line item as 'CSR Expenditure' and consist of the following:

- a) Gross Amount required to be spent by the company during the year.
- b) Below disclosure, may be made to the notes to the cash flow statement, where applicable:

Amount spent during the year on	In Cash	Yet to be paid in Cash	Total
Construction / Acquisition of any Asset			
On the purposes other than above			

- c) Details of related party transactions eg. Contribution to a Trust controlled by the company in relation to CSR Expenditure as per Accounting Standard 18, Related Party Disclosure.
- d) Provision for CSR Expenditure and movement in the same needs to be presented as per Schedule III to the Act.

CSR EXPENDITURE – ACCOUNTING ASPECTS

1. "Average Net Profit" is the amount as calculated in accordance with the provisions of section 198 of the Act.
2. "Net Profit" means the net profit of the company as per its financial statement prepared in accordance with the applicable provisions of the Act. It shall not include the following:
 - a) Profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
 - b) Any dividend received from other companies in India, which are covered under and complying the provisions of section 135 of the Act
3. "Net Worth" means the aggregate value of paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.

In case of a foreign company covered under provisions of section 135 of the Act, net profit means the net profit prepared in terms of section 381(1)(a) read with section 198 of the Act.

4. Some Accounting Issues:

- a) If the Company has already undertaken CSR Activity for which a liability has been incurred by entering into a contractual obligation, then in accordance with generally accepted principles of

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accounting, a provision for the amount representing the extent to which the CSR Activity was completed during the year, needs to be recognized in the financial statement.

- b) In case the expenditure incurred by the company is of such nature which may give rise to an 'asset', the below treatment is to be appropriated:
- (i) Where the control of the 'asset' is transferred by the company, it should not be recognized as an 'asset' in its books and such expenditure would need to be charged to the statement of profit and loss as and when incurred;
 - (ii) Where company retains the control of the 'asset' then it would need to be examined whether any future economic benefits accrue to the company. Future economic benefits from a 'CSR Asset' would not flow to the company as any surplus from CSR cannot be included by the company in business profits in view of Rule 6(2) of the Companies (Corporate Social Responsibility Policy) Rules, 2014.
- c) In case where the company supply goods manufactured by it or render services as CSR activities, the expenditure incurred should be recognized when the control on the goods manufactured by it is transferred or the allowable services are rendered by the employees.

The goods manufactured by the company should be valued in accordance with the principles prescribed in Accounting Standard 2, Valuation of Inventories. The services rendered should be measured at cost. Indirect Taxes on the goods and services so contributed will form part of the CSR Expenditure.

- d) The surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company as per Rule 6(2) of the Companies (Corporate Social Responsibility Policy) Rules, 2014.

For accounting purposes, such surplus would be considered as income. However as the surplus cannot be a part of the business profits of the company, the same should immediately be recognized as liability for CSR expenditure in the balance sheet and recognized as a charge to the statement of profit and loss.

Salary paid by the companies to regular CSR staff as well as to volunteers to the Companies can be factored into CSR project cost as part of the CSR expenditure.

Expenditure incurred by Foreign Holding Company for CSR activities in India will qualify as CSR spend of the Indian subsidiary if, the CSR expenditure are routed through Indian subsidiaries and if the Indian subsidiary is required to do so as per Section 135 of the Act.

CORPORATE SOCIAL RESPONSIBILITY (CSR) – ACTIVITIES, REPORTING & ACCOUNTING

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E: niyati.ca@gmail.com

CSR – ROLE OF PROFESSIONALS

The corporate sector depends on professionals for governance, management and growth. Professionals can significantly contribute in discharge of social responsibilities as under:

- a) Comply with the legal and regulatory framework of companies in letter and spirit by true and fair financial disclosure and tax compliance.
- b) Advising on best corporate governance practices, business values, policies, plans, execution and discharging social responsibility.
- c) Advising on business models where profit making and social welfare go hand in hand.
- d) Advising on preferred local area around the operations of companies for spending the amount earmarked for CSR activities.
- e) Advising on viability of public-private partnership (PPP) and corporate-aided community projects.
- f) Carry out audit on the below social areas:
 - 1. Social Responsibility Audit;
 - 2. Environmental Audit;
 - 3. Waste Management Audit.

For more information / clarifications, kindly post your queries on niyati.ca@gmail.com

Limited Liability Partnership (LLP)

➤ **Executive Summary:**

In India, The Limited Liability Partnership Act, 2008 was published in the official Gazette of India on January 9, 2009 and has been notified with effect from 31 March 2009. AS per MCA Report, during the year 2014, around 11616 no's LLP were registered in India. Moreover MCA has also clarified that LLP cannot be treated as body corporate in section 141 of the Companies Act 2013. Hence LLP of Chartered Accountants is allowed to conduct Statutory Audit. Thus we can say that the concept of LLP is at growing stage. Therefore it is necessary to understand the Basics of LLP and how it is formed

➤ **Preface:**

LLP is a partnership firm which is formed and incorporated under THE LIMITED LIABILITY PARTNERSHIP ACT 2008. LLP is the body corporate which gives the benefit of being a company as well as of being partnership firm. Partners in LLP have Limited Liability as per their Agreement with LLP.

➤ **Features:**

• Partner :

Though LLP is a body corporate, LLP is formed by minimum 2 partners. There is no limit for maximum partners. Moreover Partner can be individual or body corporate

Following are the individual which cannot become the partners of LLP (as per LLP ACT 2008):

(a) Individual who has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;

(b) Individual has an undischarged insolvent; or

(c) Individual who has applied to be adjudicated as an insolvent and his application is pending.

• Designated partners:

The term designated partners means partner who have responsibility and accountability for regulatory and legal compliances of LLP apart from their liability as partner of LLP.

As per LLP act 2008, at least 2 such designated partners are required who are individuals or nominees of Body corporate and at least one of them should be Resident of India.

• Liability of Partner:

In LLP, liability of partner is limited to their agreed contribution at the time of becoming partners in LLP.

Moreover partners is also not liable for any misdeeds or unauthorised work done by the other partner

• Separate Legal entity

LLP has the separate identity from its partners. It can make a contract and can also hold property in the name of LLP.

• Perpetual Succession:

LLP has a separate legal entity and it continue its existence irrespective of changes in the partner.

• Objective of LLP:

LLP can be formed by minimum two partners with a view to carry a lawful business having objective is to earn profit. Hence entity which has Objective of not carrying a business with a profit motive cannot form LLP as for e.g Trust, NGO etc.

➤ **Accounts Aspects:**

LLP needs to maintain Annual accounts which reflects its True and Fair view of its state of affairs. LLP can maintain books on cash basis or accrual basis. Double entry system of accounting needs to be followed. Every LLP needs to maintain "Statement of Solvency" within 6 months from the end of financial year and shall be filled by LLP every year with the Registrar

➤ **Audit:**

LLP whose turnover exceeds Rs 40 Lakhs or whose contribution of partners in LLP exceeds Rs 25 Lakhs, is mandatory. ly required to get its books of accounts audited by Chartered Accountant in Practice. Designated

partners appoints Auditor of the LLP .The First Auditor must be appointed before the end of the financial year .Thereafter the appointment or Reappointment of the auditor must be made 1 month before the closure of the financial year.

➤ **Taxation Aspects:**

A. Income Tax

• Rates:

As per the Union Budget 09-10, LLP will be treated as a partnership Firm and hence it will be taxed at rate of 30%.

• Income of LLP

LLP has a separate legal identity. Therefore the Income of LLP will be taxed to LLP and not to Partners.

• Provision of AMT and DDT

Alternate Minimum Tax (AMT) is applicable to all person except companies, hence AMT will be applicable to LLP. As LLP is considered as a Partnership Firm, Dividend Distribution Tax (DDT) will not be applicable

• Remuneration to the partners:

As per LLP act 2008, there is no prescribed limitation on the limit of Remuneration to the partners. However the same limits can be prescribed under LLP Agreement.

As per Income Tax Act LLP is Treated as Partnership Firm , hence the deduction available on partners remuneration will be same as that of Partnership Firm (see section 40 b of Income Tax Act).However such remuneration will be chargeable in hands of Partners of LLP.

• Interest on contribution made by the partners:

Interest on contribution made by the partners is allowed to LLP provided that the same should be allowed in LLP Agreement. Deduction of the interest is available to LLP only if the condition of section 184 and 40 (b) of the Income Tax Act are satisfied. However such Interest will be chargeable in the hands of Partners of LLP.

• Section 44AD of Income Tax Act:

Section 44AD is the special provision for computing profits on a presumptive basis. An eligible Asseessee engaged in eligible Business is applicable to charge profit under section 44 AD. As per Income tax Act, Eligible Asseessee is defined as an individual, HUF, resident partnership firm, but excludes an LLP under the LLP Act, 2008 and any Assessee who has claimed a deduction under sections 10A, 10AA, 10B, 10BA or heading C of Chapter VIA (sections 80I-A, 80-IB, etc.). Hence we can say that Section 44AD will not be applicable to LLP.

B. Service Tax

For the matters of Service Tax, LLP will be treated as Partnership Firm. Hence Partial Reverse charge is not applicable to LLP.

➤ **Conclusion:**

LLP can be formed to do any type of business with the objective of earning Profit. Moreover Foreign Direct Investment is allowed with the specific approval of the government in those activites where 100% FDI is allowed under automatic route.

➤ **List of Reference:**

1. LLP Act 2008 by ICAI
2. MCA Website(<http://www.mca.gov.in/LLP>)

Enclosure:

CA Yesha Sutaria

Membership no:167121

Email id: yesha.1606@gmail.com

Circular No. 1015/3/2016-CX

F.No.268/8/2015-CX-8

Government of India

Ministry of Finance

Department of Revenue

Central Board of Excise & Customs

New Delhi, 3rd February, 2016

To

Principal Chief Commissioner/Chief Commissioner of Central Excise, Customs and Service Tax (All)

Principal Commissioner of Central Excise, Customs and Service Tax (holding charge of Chief Commissioner) (All)

Web Master, CBEC

Madam/Sir

Subject: – Refund of Excise duty on purchase of cars by physically handicapped persons- reg.

Attention is invited to **Sl. No 280 of Notification No. 12/2012-CE dated 17.03.2012** vide which concessional rate of duty has been provided for purchase of Cars by physically handicapped persons.

2. References have been received in the Board from intended beneficiaries that there have been instances where refund applications filed beyond one year from purchase of vehicle, have been rejected as they were hit by limitation under Section 11B of the Central Excise Act, 1944. Reason for such delay has been claimed in some cases as delay in procuring certificate from the line Ministry as prescribed in the notification, confirming the said goods are capable of being used by the physically handicapped persons.

3. In this regard, to ameliorate such situations it is directed that when a handicapped person approaches the Central Excise office for refund of duty paid on the vehicle, he should be advised that refund application should be filed within one year of payment of duty, irrespective of availability of certificate from the Line Ministry so that such claims are not time barred. The Officer processing the refund in turn should issue a deficiency

memo, if the said certificate is not available. On submission of the Certificate, refund can be processed and sanctioned. Interest would be payable only for period beyond three months from submission of the complete application with the certificate from the Line Ministry.

4. Wide publicity may be given to this Circular. Difficulty, if any, in implementing the circular should be brought to the notice of the Board. Hindi version would follow.

Shankar Prasad Sarma

Under Secretary (CX.8)

Relevant Sl. no. 280 of Notification no. 12/2012-CE Dated 17-03-2012

Sl. No.	Chapter or heading or sub - heading or tariff item of the First Schedule	Description of excisable goods	Rate	Condition No.
280	8703	Cars (for the transport of up to seven persons, including the driver) for physically handicapped persons	6%	28

Condition no. 28	If,- (i) an officer not below the rank of the Deputy Secretary to the Government of India in the Department of Heavy Industries certifies that the said goods are capable of being used by the physically handicapped persons; and (ii) the buyer of the car gives an affidavit that he shall not dispose of the car for a period of five years after its purchase.
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