WORKSHOP ON GOODS AND SERVICES TAX
at Shimoga
on Friday 21st & Saturday 22nd April 2017

BASAVANAGUDI CPE STUDY CIRCLE
Discussion on
Real Estate Regulations – What lies within?
on Friday, 28th April 2017

Discussion on
IFC - Non large company perspective &
Ind-AS accounting for income taxes - non large company perspective
on Friday, 12th May 2017

Details Inside

You Know
Dear Professional Colleagues,

THE SUMMER!!! A sultry season awaits all of us. It teaches us a hard fact of life that, a suffer will not dissolve unfruitful. As summer crept across the earth igniting the weeds and grasses that grew in the cracked pavement, flowers sprouting on trees, falling leaves making way for new life, Hence there is a lot to learn from summer. It gives us a hope of good living by hard suffering. Welcome the new financial year with vacations, joyful trips, time for family togetherness.

Hope you all started your new financial year with Hectic Bank Audits. The new era has begun in Banking sector by merger of associate banks of State Bank group creating a fortune 500 enterprise in India with the highest network.

As you are aware, Chief Commissioner of Income Tax has provided a waiting lobby to tax representatives in its Koramangala, Bengaluru Office. Association has taken possession of the place and is planning to furnish the place. A separate fund has been set up by the association to equip and maintain this place. We request the members to contribute liberally for an elegant waiting lobby. All contributions beyond Rs. 25,000 will be recognised in the contributors list inside the waiting lobby. Interested members can please write to president@kscaa.com or call me up for any further information.

Our GST Workshops are most sought after, we thank all the participants who enrolled themselves to our second batch of GST work shop to be held in Sadashivanagar, Bengaluru. Inspired by your overwhelming response we are planning to conduct another batch of GST workshop in south Bengaluru in the coming month. Details will be published soon in website, also you can reserve your seats by informing our office.

News Recapitulation

Parliament passed four legislations to pave the way for roll out of the historic Goods and Services Tax (GST) from the target date of July 1. The Central GST Bill, 2017; The Integrated GST Bill, 2017; The GST (Compensation to States) Bill, 2017; and The Union Territory GST Bill, 2017 were returned by the Rajya Sabha after negation of a host of amendments moved by the opposition parties. The Lok Sabha had passed these bills on March 29. All the states will now have to pass the States GST Bill after which the new indirect tax regime can be rolled out. Finance Minister insisted that the GST, which will usher in a uniform indirect tax regime in the country, will not lead to inflation as apprehended by some sections. The rates are to be discussed by the GST Council on May 18-19.

The Ministry of Corporate Affairs has issued a Notification regarding amendment in Schedule III to the Companies Act 2013, wherein it has been mentioned that every company shall disclose the details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016.

Further, the Ministry of Corporate Affairs has amended the Rules pertaining to Chapter X of the Companies Act, 2013, wherein it has been provided that the auditor of a company is required to disclose in the Auditor’s Report “whether the company had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and if so, whether these are in accordance with the books of accounts maintained by the company.

The relevant Notification may be accessed from www.mca.gov.in

Upcoming Events & Programs for the month

GST workshop is organised on evenings from 24th April to 29th April in Sadashivanagar, Bengaluru. This workshop is organised keeping in mind working professionals who can work as well as attend the workshop in evening. Registered participants can check the details from our website.

For the benefit of mofussil members, two days’ Workshop on Goods & Services Tax is organised in Shimoga on 21st and 22nd of April. This workshop is aimed to provide recent amendments to GST along with in depth knowledge on the subject. Eminent speakers on the subjects are participating to enlighten on the most sought after topic.

Basavanagudi CPE Study Circle is organising following study circle Meetings:

a. A discussion on Real Estate Regulations - What lies within on 28th April, 2017 which through light on recent real estate regulations framed by State Governments including Karnataka Government.

b. A two in one session is organised to understand “IFC-Non large company perspective” & “Ind-AS accounting for income taxes- non large company perspective” on 12th May, 2017.

Details of above is published elsewhere in news bulletin.

Thought for the month

According to Chinese Philosopher Lao-Tzu, who founded Taoism:

Health is the greatest possession. Contentment is the greatest treasure. Confidence is the greatest friend. Non-being is the greatest joy.

Always at your service!

CA. Raghavendra Puranik
President
Srividya Jois, Chartered Accountant and a Hindustani classical vocalist from Bangalore, was born into a musical family. From the tender age of six, she was fortunate enough to have received training for 12 years, under the tutelage of Pt Rama Rao V Naik, a stalwart of the Agra Gharana. Later, for a short span, she was under the guidance of Pt. Indudhar Nirody during her college days. For the past 6 years, she has been under the tutelage of Pt. Sudhindra Bhaumik, Mumbai.

Srividya’s first public performance was at the age of twelve, in front of a Galaxy of many senior musicians from all parts of India, on the occasion of honouring her Guru Pt. Rama Rao Naik, who received the Tansen Sanman. Further, she has performed for various major music organisations like Sursagar, Hindustani Kalakar Mandali, Bharatiya Vidya Bhavan, Canara Union, Indian Institute of World Culture etc at Bangalore, Sirsi and Swara Sankula at Mysore. She has also featured in various Doordarshan music programs and a recipient of Musical scholarships from Sursagar.

Srividya has also participated in many creative projects like Malhar Utsav, Kalyan Utsav, Tumri Utsav directed by her Guru Pt. Rama Rao Naik, “Meera Shyam” – Bhajans of Meera - conducted by Pt. D.S. Garud and “Chatur Sujaan Dinarang Ek Parampara” conducted by Vidushi Aditi Upadhya.

She performed Khayal Sufi Jugalbandi with Sumathi Murthy at Mysore Sampadaparshe at a cultural fest comprising - Drama, folk dance, music, organised by theatre personality B. Jayashree.

A Chartered Accountant by qualification, Srividya has 12 years of work experience in Auditing, Accounting & Financial Analyst roles in Firms like NCS Raghavan, Price Waterhouse, and McAfee Software Pvt Limited. She is currently working with Dell Technologies.
Funding Of Start-Ups

CA. S. Krishnaswamy

“Innovation occurs when ripe seeds fall on fertile ground”

1. Introduction
2. Google and Apple II
3. Fund options
4. SEBI Regulations on Investment funds
5. Crowd Funding
6. Conclusion

INTRODUCTION

The start-up Eco System (a confluence of mutually supporting Institutions, players, Government agencies and policies) comprise of Start-ups which by definition have a large traction, technology driven, and disruptive but sustainable ideas funded by various Venture Capital funds and Angel Investors, both at the seed level and during further growth rounds before they take off to the IPO route. The funding is very large and the future cash streams of venture funds are so uncertain that revision in valuations start-ups takes place every quarter.

The reason big billion day of Flipkart being funded Rs. 9,000 Crores ($ 1.4 billion) by foreign venture capitalists, they Tencent, eBay and Microsoft made headlines today (April 11, 2017), given a revised valuation of $ 11.6 billion. These are strategic investors and in addition to existing foreign investors. Comment on the mega funding – “Calling it a landmark deal, Flipkart founders Sachin Bansal and Binny Bansal, in a statement, said “The deal endorses our tech prowess, innovative mindset and the potential we have to disrupt traditional markets and is a resounding acknowledgement that the home-grown tech eco-system is thriving, succeeding in solving genuine problems in people’s lives across India.”

I examine in this article, the special features of a Start-up and the various modes of funding by taking two examples of Google and Apple II. You need experienced intuitive Venture Capitalists and Angel Investors, who will contribute not only money capital but also knowledge capital. It is interesting that one of the Angel Investors for Google was an Indian by name Ram Shriram (called the rainmaker of Silicon Valley), who wrote a cheque for $100,000 for the young founders in the year 1998, when the company was not incorporated & bank account was not yet opened and became of the Director of the company, the resulting wealth in the investment is mind-blowing and he is worth today about 2 billion dollars.

Birth of Google by two PhD students of Stanford University

By early 1998 Page and Brin’s database contained maps of close to 518 million hyperlinks, out of approximately 3 billion by then on the Web. Page was eager that Google not remain just an academic project but would also become a popular product. “You make an invention you think is great, and so you want it to be used by many people as soon as possible.”

The desire to turn their dissertation topic into a business made Page and Brin reluctant to publish or give formal presentations on what they had done. But their academic advisors kept pushing them to publish something, so in the spring of 1998 they produced a twenty-page paper that managed to explain the academic theories behind Page Rank and Google. Titled “The Anatomy of a Large-Scale Hyper textual Web Search Engine,” it was delivered at a conference in Australia in April 1998.

“In this paper, we present Google, a prototype of a large-scale search engine which makes heavy use of the structure present in hypertext,” they began. By mapping more than a half billion of the Web’s 3 billion links, they were able to calculate a Page Rank for at least 25 million Web pages, which “correspond well with people’s subjective idea of importance. “They detailed the “simple iterative algorithm” that produced Page Ranks for every page. “Academic citation literature has been applied to the web, largely by counting citation or backlinks to a given page. This gives some approximation of a page’s importance or quality. Page Rank extends this idea by not counting links from all pages equally.”

Page and Brin began by trying to license their software to other companies, and they met with the CEOs of Yahoo!, Excite, and Alta-Vista. They asked for $1 million fee, which was not exorbitant since it would include the rights to their patents as well as the personal services of two of them. A lot of them told them, “Search is not that important.”

As a result, Page and Brin decided to start a company of their own. It helped that within a few miles of the campus there were successful entrepreneurs to act as angel investors, as well as eager venture capitalists just up Sand Hill Road to provide...
working capital. In August 1998 Page and Brin met with Bechtolsheim, who had also cofounded Sun Microsystems.

Page and Brin were able to give a compelling demo of their search engine, showing that they could download, index, and page-rank much of the Web on racks of minicomputers. It was a comfortable meeting at the height of the dotcom boom, and Bechtolsheim's questions were encouraging.

That meant there was an obvious revenue stream waiting to be tapped. “This is the single best idea I have heard in years,” he told them. They talked about valuation for a minute, and Bechtolsheim said they were setting their price too low. “I'm sure it'll help you guys if I just write a check.” He went to the car to get his checkbook and wrote one made out to Google Inc. for $100,000. “We don't have a bank account yet,” Brin told him. “Deposit it when you get one,” Bechtolsheim replied. Because of his name other four investors including an Indian Ram Shri Ram put in $10,000 each.

**Birth of Apple II Steve Jobs and Wozniak**

To produce the fully packaged Apple II would require significant capital, so they considered selling the rights to a larger company. Jobs went to AI Alcorn and asked for the chance to pitch it to Atari's management. He set up a meeting with the company's president, Joe Keenan, who was a lot more conservative than Alcorn and Bushnell. "Steve goes in to pitch him, but Joe couldn't stand him," "He didn't appreciate Steve's hygiene." Jobs was barefoot, and at one point put his feet up on a desk. "Not only are we not going to buy this thing," Keenan shouted, "but get your feet off my desk!" Alcorn recalled thinking, “Oh, well. There goes that possibility.” Jobs wanted a simple and elegant design, which he hoped set Apple apart from the other machines, with their clunky gray metal cases.

The tooling of this plastic case was going to cost, like, $100,000” Jobs said. “Just to get this whole thing into production was going to be, like, $200,000.” He went to Nolan Bushnell, this time to get him to put in some money and take a minority equity stake. “He asked me if I would put $50,000 in and he would give me a third of the company,” said Bushnell. “I was so smart, I said no.

Bushnell suggested that Jobs try Don Valentine, a straight-shooting former marketing manager at National Semiconductor who had founded Sequoia Capital, a pioneering venture capital firm. His first impression was that Jobs looked and smelled odd “Steve was trying to be the embodiment of the counterculture. He had a wispy beard, was very thin, and looked like Ho Chi Minh” Valentine told him “You need to have one person as a partner who understands marketing and distribution and can write a business plan. Jobs met Mike Markkula a marketing man who would end up playing a critical role at Apple for the next two decades.

Markkula offered to guarantee a line of credit of up to $250,000 in return for being made a one-third equity participant. Apple would incorporate, and he along with Jobs and Wozniak would each own 26% of the stock. The rest would be reserved to attract future investors.

Markkula wrote his principles in a one-page paper titled “The Apple Marketing Philosophy” that stressed three points. The first was empathy, an intimate connection with the feelings of the customer: The second was focus: “In order to do a good job of those things that we decide to do, we must eliminate all of the unimportant opportunities.” The third and equally important principle, awkwardly named, was impute.

The Apple II was born, marketed, in various models, for the next sixteen years, with close to six million sold. More than any other machine, it launched the personal computer industry. Wozniak deserves the historic credit for the design of its awe-inspiring circuit board and related operating software, which was one of the era's great feats of solo invention. But Jobs was the one who integrated Wozniak's boards into a friendly package, from the power supply to the sleek case. He also created the company that sprang up around Wozniak's machines.

**The various modes of funding available to Startups are;**

1. **Bootstrapping (own funds) at seed stage.**
2. **Angel Investors (High net worth individual)**
   Essentially, angel investors are the opposite of venture capitalists. Angel investors are also called informal investors, angel funders, private investors, seed investors or business angels. These are affluent individuals who inject capital for startups in exchange for ownership equity or convertible debt.
3. **Venture Capital.**
   Venture Capital is financing that investors provide to startup companies and small business that are believed to have long-term growth potential (see SEBI Regulation)
4. **Crowd Funding.**
   A New concept- Definition separately given.
5. **IPO (getting listed on a stock exchange)- SEBI enabled with consistent**
6. **Incubator.**
   Facility established to nurture young (startup) firms during their early months or years. It usually provides affordable space, shared offices and services, hand-on management
7. Accelerator.

Often it becomes necessary to receive advice and guidance from a business accelerator difference than incubator.

8. Various Funds created by sectors like oil and Gas, Science and Technology for startups. Dedicated Funds setup by Central and State Government.

SEBI REGULATION

SEBI has issued SEBI (Alternative Investment Funds) Regulation 2012 which regulates various categories of investors. The definition of key terms will give an idea of the funds and players;

There is a separate regulation for foreign Venture capital Investors

Definition:

- “Alternative Investment Fund” means any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate.
- “Equity linked instruments” includes instruments convertible into equity shares or share warrants, preference shares, debentures compulsorily or optionally convertible into equity;
- “hedge fund” means an Alternative Investment Fund which employs diverse or complex trading strategies and invests and trades in securities having diverse risks or complex products including listed and unlisted derivatives;
- “Infrastructure fund” means an Alternative Investment Fund which invests primarily in unlisted securities or partnership interest or listed debt or securitized debt instruments of investee companies or special purpose vehicles engaged in or formed for the purpose of operating, developing or holding infrastructure projects;
- “Private equity fund” means an Alternative Investment Fund which invests primarily in equity or equity linked instruments or partnership interests of investee companies according to the stated objective of the fund;
- “Category I Alternative Investment Fund”
- “Category II Alternative Investment Fund”
- “Category III Alternative Investment Fund”
- “Venture Capital Fund” means an Alternative Investment Fund which invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model;
- “Venture capital undertaking” means a domestic company which is not listed on a recognised stock exchange in India at the time of making investment.

What is Crowdfunding?

SEBI has issued a concept paper on crowd funding calling for suggestion on various specific questions.

Crowdfunding is solicitation of funds (small amount) from multiple investors through a web-based platform or social networking site for a specific project, business venture or social cause.

Types of Crowd-Funding

As per IOSCO Staff Working Paper - Crowd-funding: An Infant Industry Growing Fast, 2014 (IOSCO Paper’), Crowd-funding can be divided into four categories: donation crowdfunding, reward crowdfunding, peer-to-peer lending and equity crowdfunding. Following are the types of Crowdfunding:

1. Social Lending/Donation Crowdfunding
2. Reward Crowdfunding
3. Peer-to-Peer Lending
4. Equity Crowdfunding

Benefits of Crowdfunding:

1. Crowdfunding provides a much needed new mode of financing for start-ups and SME sector and increases flows of credit to SMEs and other users in the real economy.
2. Financial crisis (2008) resulted in failure of number of Banks and, consequently the Basel III Capital adequacy norms have been made applicable to Banks. As a result, Banks have become increasingly constrained in their ability to lend money to the ventures or start-ups which may have high risk element. Hence, there is a need for funding for SME through alternative sources.
3. SMEs are able to raise funds at lower cost of capital without undergoing through rigorous procedures in this mode.
4. Crowdfunding provides new investment avenue and provides a new product for portfolio diversification of Investors.
5. It increases competition in a space traditionally dominated by a few providers (providing finance to Start-ups and SMEs).
6. The operators of a crowdfunding platform may engage in vetting or due diligence of projects to be included on their website, to maintain the reputation of the website.

(Contd. on page 7)
GST bills have been passed by Loksabha as well as Rajyasabha. It is very likely that the law would get implemented from 1st July 2017 unless there is strong resistance from trade and others on account of time required for preparation. Mainly due to changes required in information technology systems. It is important for businessmen to understand the impact of GST on their business. Anti-profiteering clause is one important aspect which needs to be understood at this stage which could have impact on pricing structure. Section 171 of CGST Bill 2017 enables the central government to constitute an authority to examine if input tax credit availed by any registered person or the reduction in tax rate have actually resulted in commensurate reduction in price of goods or services supplied. Even the transitional provisions in CGST bill requires the registered person to pass on the benefit of extra credits by way of reduction in prices. However, we need to wait and see how fast government can constitute authority to monitor this clause. Anti-profiteering clause is not a new concept in GST as countries like Malaysia and Canada had this when GST was introduced there. This was mainly to reduce the impact of inflation on goods and services. It also led to litigations and difficulty in implementation. In fact, separate rules were made for implementation of anti-profiteering clause. Even in India, this clause could pose lot of practical challenges. The prices of goods or services may see rise before implementation of GST to avoid any impact during transition to GST regime. Quantification of benefits to be passed on would be practically very difficult. Such a provision could have been avoided as India is a growing market with lot of competition. Businessmen would love to reduce the price of goods or services to increase their market share. In fact, many entities are operating in loss by offering goods or services at lesser than cost. Proper guidelines need to be issued for implementation and monitoring of anti-profiteering clause. Otherwise, this clause could lead to increase in corruption as well where revenue department misuses it. Industry could also make representation to abolish the provision or issue guidelines wherein businessmen should have liberty to prove anti-profiteering on business verticals or division level and not on product level. He should not be harassed for earning profits, if any, due to other business factors. We should also hope that this clause is made applicable only during transitional phase as intention could be to curb inflation during transition to GST law. Revenue Secretary Hasmukh Adhia also recently confirmed to this view and stated that only based on complaints action would be taken in this regard. Conclusion: Professionals need to educate the businessmen about this danger and guide on steps to be taken to track additional credits or benefit of reduced tax rates. This requires detailed analysis of pricing pattern and factors considered. Government would not be empowered to question rise in price of goods or services on account of factors such as price of goods, demand from customers, increase in labour cost, change in policies etc. A detailed GST impact study could mitigate the future issues.

Authors can be reached on e-mail: madhukar@hiregange.com or mahadev@hiregange.com

---

Funding Of Start-Ups (Contd. from page 6)

Indian Scenario

Existing Legal Framework

The provisions in the existing legal framework for raising funds by companies are regulated under Companies’ Act 2013 and Securities Act i.e. SEBI Act, 1992, Securities Contracts (Regulation) Act, 1956, Depositories Act, 1996. Raising of pooled managed investment funds by various entities such as Alternative Investment Fund (AIF), Mutual Fund (MF) etc. is regulated under Securities Laws.

Conclusion:

Startups must diligently choose an appropriate investor from a basket of traditional and strategic investors. Innovation is at the heart of Startups, its need to be incubated and accelerated. It needs to be mentored by a seasoned by venture capitalist and Angel investor. A start-up should have value model, passion and ability to execute. India continues to be the third largest Eco System in the world there are 4,750 Startups and is likely to reach 10,000 by 2020. There are 350 Plus active Angel which domain expertise.

Author can be reached on e-mail: skcoca2011@yahoo.in
**STAY OF DISPUTED DEMAND OF INCOME-TAX WHILE THE FIRST APPEAL IS PENDING**

CA. Prakash Hegde and CA. Raghavendra N

It is common to see Assessing Officers ('AO's) making adjustments by way of addition to income or disallowance of expenses, resulting in income-tax demands beyond the paying capacities of the taxpayers. Under the provisions of the Income-tax Act (‘the Act’), where a notice of demand under section 156 is issued, the taxpayer is obligated to pay the amount within 30 days. Even where the taxpayer has preferred an appeal before the Commissioner of Income-tax (Appeals) [‘CIT(A)’], being the first appeal, the AOs insist for the payment of the disputed tax demand as filing of an appeal does not give a taxpayer any right to defer the payment of the disputed tax demand. Section 220 of the Act has vested the AO with discretionary powers to treat the taxpayer as not an ‘assessee in default’ (i.e. grant stay of demand) subject to his satisfaction of the facts and circumstances of the case and subject to conditions that may be specified.

Guidelines from the Central Board of Direct Taxes (‘CBDT’)

The CBDT has been issuing instructions from time to time on the conditions and circumstances under which an AO has to use his discretionary powers not to consider a taxpayer as an ‘assessee in default’ (i.e. grant stay of demand). In this context, it is pertinent to note that, unfortunately, many of these instructions are very subjective and considered to be ambiguous by the taxpayers. Added to this, in most of the cases, the AOs tend to interpret the instructions in not so favorable manner to the taxpayer and do not grant stay or grant stay only subject to payment of a major portion of the amount of tax demand.

One of the important instructions issued by the CBDT in this regard is Instruction no. 1914 dated 02 February 1993. The Instruction clarifies that, mere filing of an appeal by the tax payer cannot be the basis for grant of stay. Certain illustrations have been provided in the said Instruction specifying the kind of cases to which stay may be granted by the AO. However, the illustrations given therein are not exhaustive and the Instruction leaves enough room for the AO to use his discretion in accordance with the guidelines provided therein.

On 29 February 2016, the CBDT has issued an Office Memorandum (‘OM’) modifying Instruction no. 1914 discussed above. As per this OM, where a taxpayer has preferred an appeal before the CIT(A), the AO shall grant stay of demand till the disposal of the same on payment of 15% of the disputed tax demand. The OM also clarifies that the AO may increase this percentage in circumstances that warrant the same. It also provides that if the AO is of the view that payment should be lesser than 15% in the given circumstances, he should refer the matter to the Principal CIT or CIT who will then decide the matter.

In each of the cases, as a principle of natural justice, a ‘speaking order’ by the AO / Principal CIT / CIT, as the case may be, is a basic necessity, as such order should be able to justify the reasons for the conclusion arrived at.

Disputes on stay of demand

The matter of grant of stay subject to payment of a part of the disputed demand has been an issue of dispute in many of the cases, particularly when the assessment is ‘high-pitched’ i.e. the income assessed is substantially more than (exceeding two times) the income declared by the taxpayer. In many instances, the AOs tend to mechanically stick to the payment of a certain specified percentage of disputed demand by the tax payer before they consider an application for stay of demand. Even when the taxpayer is unable to pay even a fraction of the amount of demand due to genuine reasons like erosion of resources due to recurring losses or even when there are

---

1 A ‘speaking order’ means an order that speaks for itself. To put it simply, every order must contain reasons in support of it.
decisions of the Income-tax Appellate Tribunal or High Courts on a similar or identical issue which are favorable to the tax payer, the AOs compel the tax payer to pay / attempt to pay huge amount of disputed demand resulting in financial hardship.

Karnataka High Court (‘HC’) on stay of demand

Recently, the Honorable HC of Karnataka had an occasion to examine the approach followed by the income-tax authorities in respect of grant of stay of demand in the matter of Flipkart India (P.) Ltd. Vs ACIT [2017] 79 taxmann.com 159. The HC observed that, the income-tax authorities were required to examine whether the assessment is ‘unreasonably high-pitched’ or whether the demand for depositing 15% of the disputed demand amount ‘would lead to a genuine hardship being caused to the assessee or not’. The HC also observed that the OM dated 29 February 2016 partially modified the Instruction no. 1914 and had not totally super ceded it and hence, the income-tax authorities were required to apply these two important factors mentioned in Instruction no. 1914 before rejecting an application for stay of tax demand filed by the assessee.

Conclusion

The above decision of the HC makes it abundantly clear that a stay of demand by the AO subject to payment of 15% of the disputed demand by the taxpayer while the appeal is pending before the CIT(A) is just a rule of thumb and not a mandatory requirement. The AO has to carefully consider and analyze the facts and circumstances of each case for grant of stay of demand in line with the CBDT instructions and a speaking order has to be passed by the AO providing the reasons for granting / not granting the stay of demand.

Authors can be reached on e-mail:
sirsiprakash@gmail.com and bengraghu30@gmail.com
1. **INTRODUCTION**

Financial accounting and reporting of revenue is up for a massive overhaul in a year’s time from now with the arrival of IFRS 15 (IND-AS 115) that provides principles for accounting for revenue from contracts with customers. The new principle marks a shift from revenue recognition based on “risk and reward model”, “progress of completion model” and “percentage of completion models” to a single “transfer of control model” for all contracts with customers.

The new fiscal year heralds the go-live of many areas of convergence of USGAAP with IFRS albeit the divergences are growing by the day. Closer home, it’s time for preparing equity and bottom-line reconciliations under the new accounting framework for unlisted companies that are part of phase 1 of IFRS convergence in India. Demonetization related disclosures by corporates supplemented by auditor’s comments on the same have been incorporated in Schedule III and the Companies Act. India’s convergence with upgraded versions of certain International Auditing Standards (ISAs) has been delayed by a year. Clarifications have also started to trickle in on the ICDS front.

2. **FINANCIAL REPORTING UPDATES**

a) **RECONCILIATIONS UPON FIRST-TIME ADOPTION OF IND-AS**

The first phase IND-AS companies that include unlisted companies need to provide equity and net income reconciliations in their first annual financial statements prepared under the Indian variant of IFRS for fiscal year ended March 31, 2017. A template for illustrative purposes is provided herein below.

**Illustrative Equity reconciliation**

<table>
<thead>
<tr>
<th>Particulars (Amounts in Rs crore)</th>
<th>At date of transition April 1, 2015</th>
<th>As at end of March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity under AS (Accounting Standard Rules)</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Adjustments:</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>IND-AS 102: Stock based compensation</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>IND-AS 19: Defined benefit plans</td>
<td>xxx</td>
<td>xxx</td>
</tr>
</tbody>
</table>

**Illustrative Net income reconciliation**

<table>
<thead>
<tr>
<th>Particulars (Amounts in Rs crore)</th>
<th>Year ending March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit under AS (Accounting Standard Rules)</td>
<td>xxx</td>
</tr>
<tr>
<td>Adjustments:</td>
<td>xxx</td>
</tr>
<tr>
<td>IND-AS 102: Stock based compensation</td>
<td>xxx</td>
</tr>
<tr>
<td>IND-AS 103: Goodwill amortization</td>
<td>xxx</td>
</tr>
<tr>
<td>IND-AS 19: Employee Benefits</td>
<td>xxx</td>
</tr>
<tr>
<td>IND-AS 109: Fair value of financial instruments</td>
<td>xxx</td>
</tr>
<tr>
<td>IND-AS 12: Deferred taxes</td>
<td>xxx</td>
</tr>
<tr>
<td>Total comprehensive income IND-AS (Indian Accounting Standard Rules)</td>
<td>xxx</td>
</tr>
</tbody>
</table>

b) **DEFERMENT OF REVISED STANDARDS ON AUDITING**

Our institute has deferred the applicability date for 4 revised Standards on Auditing by one year from the initial planned date of April 1, 2017 to April 1, 2018, being the applicable date for audits of financial statements commencing on or after the date. The prevailing versions of SAs 700, 705 and 706 will continue to apply in the attest function.

The in-scope deferred standards are as follows:

1. **SA 700** - Forming an opinion and reporting on financial statements,
c) AMENDMENT TO SCHEDULE III OF COMPANIES ACT – DISCLOSURE REQUIREMENT FOR SBNS

The MCA has notified additional disclosure requirement in the notes to the financial statements as a corollary to the demonetization initiative of the central government.

The said disclosure requirement with respect to specified bank notes (SBNs) applies to all companies (AS and IND-AS preparers) for the financial statement for the fiscal year 2016-17.

As per the notification, companies are required to disclose holding and transaction levels of SBNs and Non-SBN notes in the form of a reconciliation statement for the period November 08, 2016 to December 30, 2016. The disclosure statement requires reconciliation of the closing cash on hand as of November 08, 2016 with the closing cash on hand as of December 30, 2016 with permitted receipts, permitted payments and amounts deposited in banks entering the reconciliation.

d) AMENDMENT TO COMPANIES (AUDIT AND AUDITORS) RULES, 2014

The Ministry of Corporate Affairs has notified amendments to the Audit and Auditors Rules and included an additional matter to be commented on by the statutory auditors in the section “other matters” to be included in auditor’s report. This inclusion comes into force from March 30, 2017.

Accordingly, the auditors report is required to include their views and comments on the following additional matter.

“Whether the company had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes (SBNs) during the period from November 08, 2016 to December 30, 2016 and if so, whether these are in accordance with the books of accounts maintained by the company.”

e) TREATMENT OF GOVERNMENT GRANTS UNDER ICDS (REVISED)

Revised Income Computation and Disclosure Standards (ICDS) are applicable from Assessment Year 2017-18 and the salient aspects of treatment of securities held as stock-in-trade addressed in ICDS VIII. Securities are provided herein below.

- Upon initial recognition, a security is to be measured at actual cost comprising purchase price and acquisition related charges.
- In case the acquisition of securities is in a non-monetary exchange, the security should be measured at the fair value of the security.

- In case of a cum-interest purchase, the subsequent receipt of interest needs to be allocated to the pre and post acquisition periods with the pre-acquisition portion deducted from the actual cost of the security.
- At the end of each previous year, securities should be valued at lower of cost and net realizable value with the comparison of the two measurement bases done at the level of category of investment and not at the level of the individual security.
- Securities categorization is based on the following four classifications:
  - Shares,
  - Debt securities,
  - Convertible securities, and
  - Other securities.

- In case securities are not listed or listed but not regularly quoted, they shall be valued at actual cost.
- In case actual cost cannot be ascertained by the specific identification method, they shall be determined based on the FIFO or weighted average cost method.

f) CLARIFICATIONS ON ICDS BY CBDT

The Central Board of Direct Taxes has issued certain clarifications with respect to ICDS vide Circular dated March 23, 2017. The ICDS in conjunction with the FAQs in the circular have a bearing on the current and deferred tax components in the financials. Certain clarifications issued in the recent circular are summarized herein below.

- ICDS shall apply to corporates for computation of “Profits and Gains” and “Income from Other Sources” irrespective of the applicable accounting framework (AS or IND-AS framework).
- Derivatives that are not within the scope of ICDS VI – The Effects of Changes in Foreign Exchange Rates will be governed by ICDS I–Accounting Policies.

Author can be reached on e-mail:
vinayakpaiv@hotmail.com
Introduction:

With the advent of the internet era, a significantly large number of commercial transactions in India are currently carried out through e-commerce platforms or facilities. With the increase in e-commerce transactions, merchant vendors, service providers, e-commerce companies and the Governments are finding it difficult to comprehend and meet the requirements of newer challenges posed by this ecosystem. Through this article, an attempt is being made to explain the provisions related to e-commerce transactions as per the CGST Bill 2017 which is passed in the Lok Sabha on 29.03.2017.

Definitions:

Electronic commerce means supply of goods and/or services including digital products over digital or electronic network – u/s 2 (44)

Electronic commerce operator means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce – u/s 2 (45)

Tax collection at source – u/s 52:

• Every e-commerce operator as defined u/s 2 (45), not acting as an agent on behalf of principal, shall collect an amount not exceeding 1 % CGST + not exceeding 1 % SGST, as may be notified by the Central Government or State Government, of the net value of taxable supplies of goods and/or services made through such e-commerce operator. However, the responsibility of collecting the proceeds of such supplies should be with the e-commerce operator only.

The net value of taxable supply shall mean gross aggregate value of taxable supplies during any month made by all registered taxable suppliers through such e-commerce operator reduced by, the value of taxable supplies returned to the supplier and value of taxable supplies related to services notified u/s 9 (5). Acting on various representations against model GST law of June 2016 wherein the e-commerce operators were expected to collect tax from every supplier who routes their supply through e-commerce operator notwithstanding whether such supplier is registered or not. It is indeed a welcome change for e-commerce industry wherein the requirement of tax collection would apply only to registered suppliers and small suppliers who enjoy threshold based exemption from registrations do not have to face rigors of tax collection requirements of section 52.

Unlike the model GST law of June 2016, wherein section 43C specifically provided that the tax shall be collected either at the time of credit of any amount to the account of the supplier or at the time of payment, whichever is earlier. However such corresponding provisions not manifested both in revised model GST law of November 2016 and in CGST Bill 2017. However, as a prudent practice, it is suggested that the tax is collected at the earliest of the events as mentioned in model GST law of June 2016 referred above.

Certain e-commerce platforms like Olx, Quikr, 99acrs, etc. merely act as mediators or facilitators between the customers and the suppliers of goods and/or service on C2C e-commerce business model where consideration with respect to such supply of goods and/or services is directly paid by the customer to supplier. Such transactions by e-commerce operators do not invoke the requirement to collect tax u/s 52. So in order to trigger applicability of section 52 (1), it is imperative that the responsibility of collection of the consideration with respect to supply is cast on the e-commerce operator, for instance in case of e-commerce operators Flipkart, Amazon, Snapdeal, etc., such e-commerce operators facilitate both supply and in general they also collect the consideration on their own.

In case of cash on delivery (COD) type of supply of goods and/or services made through these e-commerce operators the consideration is collected from the customers at the time of delivery of goods and/or services either by the e-commerce operator himself or by the supplier, then in such situation depending on who collects the consideration section 52 would be either invoked or
otherwise. That in case e-commerce operator collects the consideration from the customer at the time of delivery of goods and/or services, section 52 would apply and accordingly, he would be required to collect tax at source.

Tax to be collected u/s 52 is on the gross amount of supply consideration before deducting the commission or service charges payable to e-commerce operator for his services. On the value of commission or service charges, e-commerce operator would be liable for levy of tax u/s 9 (1) as such e-commerce service is a Supply u/s 7 (1). Thus e-commerce operator is duty bound to collect & pay tax at source u/s 52, pay tax on notified services u/s 9 (5) and also pay taxes on the taxable value of supply of services he renders to merchant vendors and service vendors u/s 9 (1).

• The amount collected shall be paid to the account of appropriate Government by the e-commerce operator within 10 days succeeding the month in which the amount is collected in the form and manner to be prescribed. Also, the operator is required to furnish an electronic statement comprising details of outward supplies effected through it, returns and amounts collected within 10 days succeeding the month in which the amounts is collected. The amount of tax so collected and deposited by e-commerce operator may be claimed by the supplier as credit in the electronic cash ledger.

• The details of the supplies furnished by e-commerce operator are subsequently matched with corresponding details of outward supplies furnished by concerned suppliers through GSTR1 u/s 37 (1). In case there is any mismatch, such mismatch details are communicated to both e-commerce operator and the supplier for rectification. As both electronic statements furnished by e-commerce operator and GSTR1 furnished by suppliers is on the same common day that is 10th of the subsequent month, practically e-commerce operator would have no leeway to rectify any discrepancy found in the mismatch report. Although supplier would have the time for rectification until 20th being the due date for filing GSTR3 u/s 39 (1). The final law yet to come could appropriately address this issue.

The supplier or the e-commerce operator are expected to rectify the discrepancy in the valid return being filed u/s 39 (1) or statement as the case may be, for the month in which mismatch report is being communicated. If discrepancy is not rectified in the valid return u/s 39 (1) or statement as the case may be, the tax related to the discrepancy along with applicable interest u/s 50 (1) shall be added to the output tax liability of the supplier, in his return u/s 39 (1) for the month succeeding the month in which the discrepancy was communicated. So the supplier and e-commerce operator has around 30 days for rectification, else related tax amount along with interest u/s 50 (1) would automatically get added as an liability in supplier’s return u/s 39 (1) to be filed on the 60th day.

Valid return refers to GSTR3 furnished u/s 39 (1) on which self-assessed tax has been paid in full.

• Deputy Commissioner and any officer above his ranks have been given powers to call from e-commerce operator the details relating to supplies made and stocks of suppliers held in the godown or warehouse, etc. of the e-commerce operator. In order to call details relating to stocks in the godown or warehouse, etc. it is important that such godown or warehouse etc. has been defined as an additional place of business in the registration certificate of the supplier who keeps his stock.

In case e-commerce operator fails to furnish the information required by the officer in 15 working days, he is liable to a penalty up to Rs. 25000.

Tax on notified services rendered through e-commerce operator– u/s 9 (5):

• Central or State Government on the recommendation of the GST council could notify specified categories of services provided by suppliers through e-commerce operator wherein the supplier of such services to get a reprieve from tax compliances under GST law and in- lieu thereof the responsibility is actually cast on the e-commerce operator to comply with tax compliances under GST law. In a nutshell, in the case of notified services rendered through e-commerce operator, that e-commerce operator enters into the shoes of original supplier and provisions of GST law would apply, mutatis mutandis, to that e-commerce operator. Hence powers of Central or State Government u/s 9 (5) are restricted for per se services. In other words, provisions of section 9 (5) would not be applicable to the supply of goods.

• The tax paid by the e-commerce operator u/s 9 (5) is a forward charge and is akin to the tax on supply of services
on own account and therefore no question would arise on availing of input tax credit on such taxes paid.

- It is pertinent to note that, unlike section 68 (2) of Finance Act 1994 which overrides general charging section 68 (1) of Finance Act 1994 to enable payment of service tax on notified services by recipient of such services under reverse charge mechanism, similar overriding clause such as ‘Notwithstanding anything to the contrary contained in section 9 (1)’ for strange reasons missing in section 9 (5) of the GGST Bill 2017. Therefore technically with the plain reading of section 9 of CGST Bill 2017 in its entirety, it is still possible to levy a tax on notified services both under the main charging section 9 (1) and also u/s 9 (5). The same inconsistency is also present in section 9 (3) wherein tax on notified goods and services is payable on the reverse charge basis and the tax is paid by the recipient of such goods and services.

- In case the e-commerce operator who is liable to pay tax u/s 9 (5) does not have a physical presence in the taxable territory, it is mandatory on his part to appoint a representative to discharge his obligations under GST law. Term ‘Taxable territory’ is defined u/s 2 (109) to mean the territory to which the provisions of this Act apply. As per section 1 (2), provisions of this Act extends to the whole of India except the state of Jammu and Kashmir.

Registration:

U/s 2 (107), Taxable person means a person who is registered or liable to be registered u/s 22 or 24.

As per section 22 (1) read in conjunction with section 25 every supplier shall be liable to be registered within 30 days in every such State from where he makes a taxable supply of goods and/or services, if his aggregate turnover (as defined u/s 2 (6)) in a financial year exceeds Rs. 20 Lakhs (Special category states of north east region Rs. 10 Lakhs).

However, section 24 which overrides section 22 (1) specifies specific category of persons who are mandated to take registration irrespective of the aggregate turnover threshold specified in section 25. In the context of e-commerce transactions section 24 includes, inter alia, following category of persons who are required to take registration irrespective of their aggregate turnover threshold specified in section 25:

- E-commerce operators who are required to pay tax on notified services u/s 9 (5).
- Every other e-commerce operator.
- Persons who supply goods and/or services through e-commerce operator who is liable to collect tax u/s 52.

As an important measure of relief to small service providers who supply notified services through e-commerce operator, in respect of such services, the responsibility to comply with GST law is cast on the e-commerce operator u/s 9 (5) through whom such services are rendered. For example, the cab owners who have tie-ups with e-commerce operators such as Ola, Uber, etc. subject to notifying that service u/s 9 (5), the cab owners are not required to comply with GST law and instead the e-commerce operator would step into the shoes of cab owner and discharge the requirements of GST law.

Thus it can be inferred from above that, in all the 3 situations listed above the each of those persons are required to take registration right from day one they start their business operations. The leeway of 30 days for registration provided u/s 25 (1) to other persons does not apply to any of these persons.

In so far as e-commerce operator is concerned, he is bound to take registration irrespective of his aggregate turnover threshold specified in section 22 (1), in every such state from where he makes the taxable supply. The registration of e-commerce operator is independent of the place of business of merchant vendors and service vendors who supply goods and/or services through him, where they are situated or registered. In case e-commerce operator provides e-commerce services from a single state to merchant vendors and service vendors situated in different states in taxable territory, he would still be required to take registration only from that single state from where he is providing the taxable supply of e-commerce services.

Author can be reached on e-mail:
ganesh.shandage@gmail.com

OBITUARY

We deeply regret to inform the sad demise of our beloved
CA. Narasimhamurthy A
Shimoga
Member KSCAA & Past President of Shimoga District CA Association

May his soul rest in peace.
Amendments Under Commercial Taxes of Karnataka

CA. Srikanth Acharya and CA. Annapurna Kabra

With the introduction of GST there is no proposal to change in the rate structure in Karnataka VAT law. A revenue collection target of commercial taxes of Rs. 55,000 Crore is fixed for 2017-18 as against 51,338 crore for current year 2016-17. The Maharashtra Budget 2017-2018 focuses on easier compliance, simpler tax administration and speedy appeal disposal. The Kerala budget 2017-2018 extends amnesty to dealers focuses on assessment completion before GST. There are no tax concessions in Tamilnadu Budget 2017-2018. The following are exemptions, amendments and reliefs under Karnataka commercial taxes law which are notified and are effective from 01.4.2017

1) Exemption Notification

Vide Notification No. FD 20 CSL 2017, Bengaluru, Dated: 31.03.2017 the Government of Karnataka hereby exempts with effect from the 1st day of April 2017, the tax payable by a dealer under the said Act on the sale of following goods, namely Paddy and Rice, Wheat, Pulses Flour and Soji of Rice and Wheat, Maida of Wheat, Ragi Rice (Processed Ragi), Flours of Navene, Same, Aaraka, and Baragu (Siridhanyagalu) and Husk of Coconut and Pulses.

Through the issue of this Notification, the Government of Karnataka has exempted the above mentioned goods from the levy of VAT from 01/04/2017.


The Karnataka VAT (Amendment) Act 2017 is an act to further amend the KVAT Act 2003. It shall come into force from first day of April 2017.

Section 40 pertains to period of limitation for Assessment.

Section 40(1): An assessment under section 38 or reassessment under section 39 of an amount of tax due for any prescribed tax period shall not be made after five years after the end of the prescribed tax period “the second proviso is inserted as provided also that an assessment or reassessment relating to any tax period commencing from the 1st day of April 2012 upto the period ending 31.3.2014 shall be made within a period of six years after the end of the prescribed tax period”

Therefore as per the above issued notification any assessment or reassessment carried out for the tax period April 2012 to 31st March, 2014, shall be completed within a period of six years beginning from the date of the prescribed tax period.

Section 40(3) states that in computing the period of limitation specified for assessment or reassessment as the case may be under this Act, the period taken for disposal of any appeal against an assessment or other proceeding by the appellate authority, a tribunal or competent court or any Revisional proceeding by the Joint Commissioner or the Additional Commissioner or the Commissioner shall not be taken into account in computing such period for assessment or reassessment as the case may be.

Therefore, in computing the period of limitation for assessment, the period taken for disposal of an Appeal against an assessment or other proceeding by the appellate authority, a tribunal or competent court, any Revisional proceeding by the Joint Commissioner or the Additional Commissioner or the Commissioner, shall not be taken into account for such computation. The above amendment deemed to be inserted with retrospective effect from first day of April 2005.

The Entry 34 has been inserted in First schedule of KVAT Act as liquor including beer, fenny, liqueur and wine. The Entry 59-A of the Third schedule of KVAT Act has been deleted which was pertaining to Liquor including beer, fenny, liqueur and wine, Therefore vide above Notification the liquor including beer, fenny, liqueur and wine is exempted from tax.

FEATURES OF KARASAMADHANA SCHEME 2017 UNDER COMMERCIAL TAXES

In the Budget speech for the year 2017-18, the Hon’ble Chief Minister and Finance Minister has announced that in the view of proposed introduction of Goods and Services Tax, a Karasamadhana Scheme will be introduced aiming at reducing the arrears of tax and other amounts due. Hence, a Scheme for waiver of penalty and interest under the following Acts formulated. The government has passed the following order dated 31st March, 2017, vide No.FD 24 CSL 2017.

1) The Karnataka Sales Tax Act, 1957 (hereinafter referred to as KST Act);

2) The Central Sales Tax Act, 1956 (hereinafter referred to as CST Act);
3) The Karnataka Value Added Tax Act, 2003 (hereinafter referred to as KVAT Act);
4) The Karnataka Tax on Entry of Goods Act, 1979 (hereinafter referred to as KTEG Act);
5) The Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976 (hereinafter referred to as KTPTC &E Act);
6) The Karnataka Tax on Luxuries Act, 1979 (hereinafter referred to as KTL Act);
7) The Karnataka Agricultural Income Tax Act, 1957 (hereinafter referred to as KAIT Act);

Features of the Scheme are as follows:

I) The Scheme grants waiver of 90% of arrears of penalty and interest by a dealer relating to the assessment years upto 31/03/2005 under the following Acts:
   - The Karnataka Sales Tax Act, 1957;
   - The Central Sales Tax Act, 1956;

Procedure:

Application for Waiver of Arrears of Penalty and Interest under the Karasamadhana Scheme, 2017:

- An Application shall be submitted by the dealer opting for this Scheme relating to each year assessment / reassessment order relating to the tax periods for the years commencing from 01/04/2005 up to 31/03/2016 electronically through the website http://ctax.kar.nic.in on or before 31/05/2017 in the manner as specified in the website.
- It should be duly signed copy of the said Application downloaded shall be submitted to the concerned Assessing Authority / Prescribed Authority / Recovery Officer as prescribed on or before 31/05/2017 under the KVAT Act and CST Act.
- The Application to be filed separately for each assessment year under KVAT and CST Acts for each assessment/reassessment order relating to the tax periods from 01/04/2005 to 31/03/2016 under KVAT and CST Acts electronically.
- The Copy of the relevant assessment / reassessment order and penalty order and proof of withdrawal of Appeal or any other Proceeding to be enclosed to the copy of the application required to be submitted to the Assessing Authority / Recovery Officer / Prescribed Authority.

II) The Scheme grants waiver of 90% of arrears of penalty and interest payable by a dealer or person or proprietor, as the case may be, relating to the assessment or reassessment for all the years upto 31/03/2016 under following Acts also
   - KTEG Act;
   - KTPTC &E Act;
   - KTL Act;
   - KAIT Act; and
   - KET Act.

Procedure:

Application for Waiver of Arrears of Penalty and Interest under the Karasamadhana Scheme, 2017:

- An Application shall be submitted by the dealer opting for this Scheme relating to each year assessment / reassessment order relating to the tax periods for the years commencing from 01/04/2005 up to 31/03/2016 electronically through the website http://ctax.kar.nic.in on or before 31/05/2017 in the manner as specified in the website.
It should be duly signed copy of the said Application downloaded shall be submitted to the concerned Assessing Authority / Recovery Officer / Prescribed Authority as prescribed on or before 31/05/2017 under the following Acts:

• KTEG Act;
• KTPTC & E Act;
• KTL Act; and
• KAIT Act.

The Application to be filed separately for each assessment year under KTEG Act /KTPTC & E Act/ KTL Act/ KAIT Act electronically. The copy of the relevant assessment / reassessment order and penalty order and proof of withdrawal of Appeal or any other Proceeding to be enclosed to the copy of the application required to be submitted to the Assessing Authority / Recovery Officer / Prescribed Authority.

RELEVANT EXPLANATIONS

➢ **Arrears of tax:** It means tax assessed / reassessed relating to all the assessment years upto 31/03/2016 and remaining unpaid upto 15/03/2017 as per the provisions of the following Acts KST Act, CST Act; KV AT Act; KTEG Act; KTPTC & E Act; KTL Act; KAIT Act; and KET Act.

➢ **Arrears of penalty and interest:** It means all kinds of penalties levied and all kinds of interest accrued relating to all the assessment / reassessment for all the years upto 31/03/2016 and remaining unpaid upto 15/03/2017 as per the provisions of the following Acts i.e KST Act; CST Act; KVAT Act; KTEG Act; KTPTC & E Act; KTL Act; KAIT Act; and KET Act. This shall also include all kinds of penalties leviable and interest accrued till the date of filing of application by the dealer or person or proprietor, as the case may be, under the Scheme.

➢ **Prescribed Authority:** It means officer of the Commercial Taxes Department who has the jurisdiction under the provisions of the relevant Act or has been conferred jurisdiction by the Commissioner of Commercial Taxes under the relevant Act for the recovery of Tax / Penalty/ Interest.

➢ **Year:** It means the year commencing on the First day of April.

➢ **The Scheme:** Any dealer or person or proprietor shall be granted waiver of 90% of arrears of penalty and interest payable on making full payment of arrears of tax on or before 31/05/2017.

**PAYMENT TERMS**

- Any dealer or person or proprietor apart from payment of the `arrears of tax' shall have to make the payment of 10% of the `arrears of penalty and interest' put together on or before 31/05/2017. If he does so, the balance of `arrears of penalty and interest' shall be waived.

- Any dealer or person or proprietor who has no `arrears of tax', but only `arrears of penalty and interest', in such cases if he pays 10% of `arrears of penalty and interest' put together on or before 31/05/2017, the balance of `arrears of penalty and interest' shall be waived.

**PROCEDURE IN CASE OF PENDING APPEAL**

- Any dealer or person or proprietor who has filed Appeal or other Applications against the order or proceedings relating to `arrears of tax' and `arrears of penalty and interest' before any Appellate Authority or Court and it is still pending for disposal of such Applications, then he shall withdraw the Appeal or Application before availing the benefit of waiver of arrears of penalty and interest under this Scheme. Once it is withdrawn the quantum of arrears of tax / penalty and interest for purposes of this Scheme shall be considered as per the order against which Appeal or other Applications had been filed.

- Any dealer or person or proprietor shall not file Appeal or other Application before any Appellate Authority or Court or shall not seek rectification of orders / proceedings after filing Application for availing of the benefits of this Scheme or after availing the benefits of this Scheme for whatever the reasons.

- Any dealer or person or proprietor shall not be eligible to avail of the benefits of this Scheme if, in relation to the order giving rise to arrears of tax / penalty and interest:
  a) The state has filed Appeal before the Karnataka Appellate Tribunal; or
  b) The State has filed Appeal or Revision or any kind of Application before the High Court or the Supreme Court; or
  c) Any Officer of the Commercial Taxes Department has initiated suo moto Revision Proceedings as on 15/03/2017.

**PROCEDURE BY DEPARTMENTAL AUTHORITY AFTER RECEIPT OF APPLICATION**

- The concerned Assessing Authority / Recovery Officer / Prescribed Authority shall scrutinize the Application and workout the actual arrears of tax, penalty and interest
payable by the dealer or person or proprietor up to the date of filing of Application and if any discrepancies are found in the amount of ‘arrears of tax’ and ‘arrears of penalty and interest’ payable up to the date of Application as declared by the dealer or person or proprietor in his Application, then the concerned Authority shall inform the dealer or person or proprietor within 15 days from the date of filing of Application about the discrepancies.

- After receipt of information from the Assessing Authority / Recovery Officer / Prescribed Authority, the dealer or person or proprietor, at his option, may pay the balance amount of tax and ‘arrears of penalty and interest’ so as to avail of the benefits of this Scheme. All payments should be made on or before 31/05/2017. The dealer or person or proprietor shall file a declaration in support of withdrawal of Appeal or other Application along with Application for waiver of ‘arrears of penalty and interest’. Such declaration shall be filed separately under relevant Act for each year relating to ‘arrears of penalty and interest’.

- If the dealer or person or proprietor fails to do so, the Authority / Officer shall pass a speaking order rejecting the Application.

- On satisfaction that the applicant is eligible for the benefits of the Scheme, the Assessing Authority / Recovery Officer / Prescribed Authority shall pass the order waiving the balance amount of arrears of penalty and interest payable by the dealer or person or proprietor separately under relevant Act for each assessment year / each assessment or reassessment order relating to the relevant tax periods / week / month of the year.

- The order of waiver shall be passed within 30 days from the date of making payment as specified.

- The order of waiver shall be served on the dealer or person or proprietor within ten days from the date of such order.

- The Assessing Authority / Recovery Officer / Prescribed Authority shall help the dealer or person or proprietor in correct quantification of the amount of interest and penalty.

- If any difficulty arises in implementation of this order, the Commissioner of Commercial Taxes may issue such instructions as are necessary or expedient for removing such difficulty.

There are certain issues as whether the dealer can apply for the scheme if the order is passed post to 15 March 2017 or in case of withdrawal of appeal can it be contended that the disputed issues has been accepted. As this is special incentive scheme to dealers it can be advised to dealers to apply for the scheme in view of implementation of the GST as a way forward.

Authors can be reached on e-mail: query@dnsconsulting.net

---

**KSCAA WELCOMES NEW MEMBERS - MARCH 2017**

<table>
<thead>
<tr>
<th>S. NO.</th>
<th>NAME</th>
<th>PLACE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>VASUDEV PAI T</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>2</td>
<td>VIJAY. B</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>3</td>
<td>SIDDHARTH BHANDARI</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>4</td>
<td>RASHMI C</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>5</td>
<td>SHALINI L.</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>6</td>
<td>ARCHANA N</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>7</td>
<td>RICHA KHETAWAT</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>8</td>
<td>MANOJ KUMAR MEHTA</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>9</td>
<td>KOUSHIK S.R.</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>10</td>
<td>VADDI VENKATA NARASIMHA SAstry</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>11</td>
<td>OMPRAKASH K</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>12</td>
<td>SATHYA PRAMOD NAGARAJ</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>13</td>
<td>PADMANABHA C.K.</td>
<td>HASSAN</td>
</tr>
<tr>
<td>14</td>
<td>B HARI S.BAO</td>
<td>MANGALORE</td>
</tr>
<tr>
<td>15</td>
<td>GANESH M.BHAT</td>
<td>MYSORE</td>
</tr>
<tr>
<td>16</td>
<td>SUBHASH DANGI</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>17</td>
<td>HEGDE PRASHANT DEVARU</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>18</td>
<td>SHRINAP SUNKETA</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>19</td>
<td>PINKY M. WADHWA</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>20</td>
<td>JAGADESH B.M.</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>21</td>
<td>MADHUCHAR R. REDDDY</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>22</td>
<td>CHIRANJEEVI K.</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>23</td>
<td>RAMESH SRINIVAS KAMATH</td>
<td>BANGALORE</td>
</tr>
<tr>
<td>24</td>
<td>RAGHUNANDAN L.A.</td>
<td>BANGALORE</td>
</tr>
</tbody>
</table>
Goods and Services Tax Workshop (Batch-2)

Schedule

Workshop Content/Speakers

24 April 2017, Monday
4:00 PM to 6:00 PM
Overview of GST, Levy of CGST, SGST and IGST
- CA. Jatin Christopher
- Meaning and Scope of Supply, Time of Supply of Goods & Services
- Advocate Naveen Kumar K S

25 April 2017, Tuesday
4:00 PM to 6:00 PM
Opportunities in GST - Areas of Service in Pre-GST
- CA. Madhukar Hiregange
- Place of Supply of Goods and Services
- CA. Annapurna Kabra

26 April 2017, Wednesday
4:00 PM to 6:00 PM
Jobwork, E-Commerce operations, TDS & TCS Provisions
- CA. Rajesh Kumar R
- Input Tax Credit
- CA. Deepak Jain

27 April 2017, Thursday
4:00 PM to 6:00 PM
Valuation with illustrations
- CA. Pavan Kumar R S
- Exports, Refunds & Assessments under GST
- Advocate Bhanumurthy J S

28 April 2017, Friday
4:00 PM to 6:00 PM
Tax Invoice, Credit and Debit Notes, Accounts and Records
- CA. Raghavendra T N
- Demand & Recovery
- Advocate Saiprasad A

29 April 2017, Saturday
10:00 AM to 6:00 PM
Transitional Provisions with illustrations
- CA. Hanish S
- Payment & Filing of Returns and matching of input tax credits
- CA. Chandrahase
- How to advice client in Pre GST
- CA. Siddeshwara Yalambale
- Use of Technology

Interactive Session on GST Migration at Bengaluru

Interactive Session on GST Migration at Tumkur

Study Circle on Practical Approach to Bank Branch Audit
KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION*

Jointly hosting with

SHIMOGA DISTRICT CHARTERED ACCOUNTANTS ASSOCIATION

"WORKSHOP ON GOODS AND SERVICES TAX"

Organised by

SHIMOGA DISTRICT CPE CHAPTER

Speakers:
CA. Annapurna Kabra ~ CA. Rajesh Kumar T R ~ Advocate Bhanumurthy J S
CA. Raghavendra T N ~ CA. Siddeshwara Yalamali

on Friday 21st & Saturday 22nd April 2017
Venue: JAI MAATA GRANDEUR, VIDYANAGARA,
B H ROAD, SHIVAMOGGA-577203

FOR DETAILS CONTACT:
CA. Narendra K V, Deputy Convenor, SDCC - +91 98455 72531
CA. Nagappa Nesur, Secretary, KSCAA - +91 98867 11611

CA. Raghavendra Puranik
President, KSCAA

CA. Shivswamy
Convenor, SDCC

CA. K V Vasanth Kumar
President, SDCAA

BASAVANAGUDI CPE STUDY CIRCLE

Discussion on
Real Estate Regulations –
What lies within?

By CA. Sandeep Jhunjhunwala

on
Friday, 28 April 2017
at 5.00 PM to 8.00 PM

Venue:
Bangalore International Academy
# 244/C, 32nd Cross, 2nd Main Road, 7th block,
Jayanagar, Bengaluru - 560082

Fee: Rs.200/-

CPE Credit: 3 Hours

FOR DETAILS CONTACT:
Convener : CA. Maddanaswamy B V - +91 93412 14962
Dy. Convener : CA. Raghavendra T N - +91 98801 87870
Co-ordinator : CA. Nagappa Nesur - +91 98867 11611

Participation limited to 75 Members on First Come First Serve Basis

BASAVANAGUDI CPE STUDY CIRCLE

Discussion on
IFC - Non large company perspective &
Ind-AS accounting for income taxes - non large company perspective

By CA. Vinayak Pai

on
Friday, 12 May 2017
at 5.00 PM to 8.00 PM

Venue:
Bangalore International Academy
# 244/C, 32nd Cross, 2nd Main Road, 7th block,
Jayanagar, Bengaluru - 560082

Fee: Rs.200/-

CPE Credit: 3 Hours

FOR DETAILS CONTACT:
Convener : CA. Maddanaswamy B V - +91 93412 14962
Dy. Convener : CA. Raghavendra T N - +91 98801 87870
Co-ordinator : CA. Nagappa Nesur - +91 98867 11611

Participation limited to 75 Members on First Come First Serve Basis