KSCAA

Karnataka State Chartered Accountants Association ®

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From the President

Dear Professional friends,

KSCAA wishes all its members a merry Christmas and happy new year. It's that part of the season in a year which wraps our efforts and consciously takes us to next part our journey with gut, for the glory ahead.

We wish all the candidates best for the recently concluded regional and central election, and its result will elevate our own members to represent ICAI in the council. The percentage of voting, particularly at Tier 1 cities was disheartening to watch, especially considering the turmoil of events at national level. As Mr. George Jean Nathan said *"Bad officials are the ones elected by good citizens who do not vote".*

With great a sense of joy and satisfaction, we inform that our maiden attempt of organizing Sports and Talent meet simultaneously across different parts of Karnataka was a mega success. Over 400 young members participated in outdoor sports meet at BEL Grounds, Bengaluru, showcased their talents and exhibited excellent sportsmanship and camaraderie. We are really humbled and overwhelmed by such great response received from members and their families for outdoor and indoor activities. This will definitely boost our enthusiasm to conduct more such events, scale our events to newer heights and take it to places in years to come. Truly these memories will be treasured and cherished for long. Some memorable and enjoyable moments of the event are captured and presented to you elsewhere in the News Bulletin.

News Roundup

The Finance Ministry has extended the last date for filing annual GST return forms by three months until March 31, 2019. The annual returns form in which businesses registered under the GST have to provide consolidated details of sales, purchases and input tax credit (ITC) benefits accrued to them during the financial year 2017-18 was notified in September. The last date for filing was set at December 31, 2018. In a statement, the Central Board of Indirect Taxes and Customs (CBIC) said, the competent authority has decided to extend the due date for filing Form GSTR-9, GSTR-9A and GSTR-9C till March 31, 2019. The requisite Forms shall be made available on the GST common portal shortly.

As per the Companies (Registered Valuers and Valuation) Rules, 2017 issued by the Ministry of Corporate Affairs in October 2017, a Chartered Accountant with three years of post-qualification experience could become a Registered Valuer if she/he is a graduate. Since the scheme of Chartered Accountancy course has been approved by the Ministry of Corporate Affairs wherein a Chartered Accountant may or may not be a graduate, ICAI had represented the Government with its request to remove the criteria of graduation for becoming a Registered Valuer. The Ministry considering the request of ICAI, has amended the said Rules and revised the concerned prerequisites. Now, any Chartered Accountant with three years of post-qualification experience as Chartered Accountant can become a Registered Valuer, even if she/he is not a graduate.

ICAI Council has also decided that based on the conflict in roles as statutory and internal auditor simultaneously, the bar on internal auditor of an entity to accept tax audit under Income-tax Act, 1961 will also be applicable to GST audit under Central Goods and Service Act, 2017. Accordingly, the internal auditor of an entity cannot undertake GST audit of the same entity.

Representations

In representations segment, I wish to appraise our members that our timely representation on extension of due date and due early release of annual GST form was well taken by the finance ministry. They have immediately responded with an extension of due date up to 31st Mar 2019. We wish to extend our appreciation and sincere thanks to the finance ministry for understanding the difficulties of the dealers, trade and practitioners and rolling out much needed extension. We appeal to our members to populate matters of importance requiring representation before regulators and administrators so that we can continue on the good work for the larger benefit of our members.

Upcoming Events and programs

We are organizing workshop on **IND AS** on Thursday 3rd January and Friday 4th January 2019 at Vasavi Vidyanikethan Trust Bengaluru. I earnestly request members to actively participate in our programs and make use of it.

For registrations, please visit www.kscaa.com.

Sincerely,

CA. Raghavendra Shetty
President

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Together We Grow

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KSCAA welcomes articles & views from members for publication in the news bulletin / website.

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REPRESENTATION ON EXTENSION OF DUE DATE FOR FILING OF ANNUAL RETURN IN FORM GSTR-9 AND AUDIT REPORT IN FORM GSTR-9C

To,

Date: 1st December 2018

Shri. Arun Jaitleyji
Hon. Union Minister of Finance and Corporate Affairs
Government of India
North Block, New Delhi - 110001

Hon'ble Sir,

SUBJECT: REPRESENTATION ON EXTENSION OF DUE DATE FOR FILING OF ANNUAL RETURN IN FORM GSTR-9 AND AUDIT REPORT IN FORM GSTR-9C

The Karnataka State Chartered Accountants Association (R) (in short **'KSCAA'**) is an association of Chartered Accountants, registered under the Karnataka Societies Registration Act, in the year 1957. KSCAA is primarily formed for the welfare of Chartered Accountants and represents before various regulatory authorities to resolve the professional problems faced by chartered accountants and business community.

We have written to your good selves many a times populating issues and possible solutions. Herein, we are presenting before your good selves the difficulties and hardship faced by the trade, consultants and companies at large due to delay in enabling GST Annual & Audit related returns, requirement to file state-wise Audit and GST reconciliations for large corporates.

There is sufficient cause and need for the extension of filing of Annual Forms GSTR-9, 9A, 9B and 9C for a reasonable period of time to give justice to the correctness of returns considering the need for reconciliations state-wise. The reasons for the request are as outlined below:

- GST has been a bold and epic reform of the Government, which introduction had taken a decade to reach a logical end. Naturally, this introduction had its fair share of issues on trade and companies due to capacity constraints of GSTN IT infrastructure and various other issues, which required incessant changes of forms, dilution etc. Since, it was unable to introduce in lucid form, it has tumultuous impact on reconciliation of accounts for corporates and other bodies. This has continuously percolated and intruded into time required for GST as well as other compliances and has continued a chain reaction of effects.
- Income Tax returns filing due date for individuals, corporates were regularly extended due to aforesaid and other factors. The frequent changes in e-schema, due date for filing income tax returns and introduction of mandatory late fees along the normal interest not helping the cause either.
- GST Annual Returns and audit are expected to be completed before Dec 31st, 2018 and October 20th being the legitimate date for claiming of lost/ unclaimed Input Tax Credit, and inconsistencies along with the follow-ups thereto had been engaging considerable time and effort of the stakeholders.
- To make matters worse, the GSTR Annual forms mentioned above have a considerable delay in being enabled for filing. Further, since the forms are being filed pan India, dealers may have to face considerable difficulties to achieve this herculean task within the next four weeks or so.
- Also, unless proper reconciliation is effected, it could be a matter for extended litigation later-on to the unreconciled returns and/or qualified Audit Reports by auditors if proceeded as it were. The reconciliation element possibly arises partly due to the niggling issues in GST and loose ends therein pursuant to delayed corrections / submissions from suppliers of goods and services for genuine reasons, onslaught of financial difficulties having cumulative bearing on compliances.
- Without proper reconciliation and audit reports, even Revenue would face its fair share of difficulties to rely upon the inputs thrown from audit and it may lead to prolonged litigation, which could be mitigated by an appropriate extension.
- The ground realities mentioned above emerge from the communications received by the professionals from the entities, companies, managements and other stakeholders and the same being sought herein for redressal through your august office.

We hereby appeal your good selves to consider the issues faced by the corporates and consultants and provide a reasonable extension for filing of annual forms GSTR-9 to 9C.

This write-up is on the back of representation received from corporates, trade bodies and practitioners who are in the thick of things and their request for seeking redressal to issues faced.

We would be highly thankful if you could extend the due date well in advance, which would be very useful in planning the filings for the corporates and practitioners meaningfully.

Thanking you,

Yours sincerely,

For **Karnataka State Chartered Accountants Association ®**

CA. Raghavendra Shetty President	CA. Kumar Jigajinni Secretary	CA. Vijay Sagar Shenoy Chairman, Representation Committee

CC To: O/O the GST Council Secretariat, Connaught Place, New Delhi – 110 001

Taxablity of Share Premium of Closely held Companies

CA S. Krishnaswamy

- Object of preventing transfer of shares through issue and transfer of closely held companies and secondly, to counter the tax avoidance practices carried out, using shares as a device to negate the tax liability.
- Sec.56(2)(vii) – Taxing of a value of shares issued at lower than of fair market value in the hands of Individual and HUF on receipt of shares.
- Sec.56(2) (viib) - Taxing of share premium received in excess of fair market value of the shares by closely held companies.
- Sec.68 Proviso-Source of share application, Share Capital & Share Premium to be satisfactorily explained.
- Sec.115QA – Tax on Distributed income of Domestic Company for Buy-Back of shares.

The Income Tax Department having noticed yet another area of tax evasion through issue and transfer of shares of unlisted companies, legislative response has come in the form of amendments to the Income tax Act, 1961. These briefly are-

1. <u>The definition of 'Income' expanded:</u>

   "*Sec.2 (24)-*

   ….

   ….

   (xiii) any sum referred to in clause (v) of sub-section (2) of section 56;

   (xv) any sum of money or value of property referred to in clause (vii) or clause (viia) of sub-section (2) of section 56;

   (xvi) any consideration received for issue of shares as exceeds the fair market value of the shares referred to in clause (viib) of sub-section (2) of section 56;

   (xvii) any sum of money referred to in clause (ix) of sub-section (2) of section 56;

   (xviia) any sum of money or value of property referred to in clause (x) of sub-section (2) of section 56;"

2. <u>Income from other sources:</u>

   A new Section 56(2) (vii) was introduced by Finance Act (No.2) of 2009 w.e.f 01-10-2019 which defines-

   Taxing in the hands of the unlisted company any money received in excess of fair market value to be determined in accordance with Rule 11UA of the Income Tax Rules 1962.

   "Sec.56 (2)

   (i) ……….

   (ia) ……….

   (ib) ……….

   (ic) ……….

   (ii) ……….

   (iii) ……….

   (iv) ……….

   (v) ……….

   (vi) ……….

   (vii)

   (a) ….

   (b) ….

   (c) *any property, other than immovable property,—*

   (i) *without consideration, the aggregate fair market value of which exceeds fifty thousand rupees, the whole of the aggregate fair market value of such property;*

   (ii) *for a consideration which is less than the aggregate fair market value of the property by an amount exceeding fifty thousand rupees, the aggregate fair market value of such property as exceeds such consideration :*

   (Further, property has been defined in clause (d) of Explanation to include "shares and securities")

   (viia) ……….

   (viib) where a company, not being a company in which the public are substantially interested,

receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares:

Provided that this clause shall not apply where the consideration for issue of shares is received—

(i) *by a venture capital undertaking from a venture capital company or a venture capital fund; or*

(ii) *by a company from a class or classes of persons as may be notified by the Central Government in this behalf.*

Explanation.—For the purposes of this clause,—

(a) *the fair market value of the shares shall be the value—*

i. as may be determined in accordance with such method as may be prescribed; or

ii. as may be substantiated by the company to the satisfaction of the Assessing Officer, based on the value, on the date of issue of shares, of its assets, including intangible assets being goodwill, know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature, whichever is higher;

(b) "venture capital company", "venture capital fund" and "venture capital undertaking" shall have the meanings respectively assigned to them in clause (a), clause (b) and clause (c) of Explanation to clause (23FB) of section 10;"

(viii) …….

(ix) ……..

(x) …….."

Section 56(2)(vii) is a charging section which creates the charge on a transaction by providing that where assessee being **Individual or HUF** receives the shares at a value lower than its FMV then, gain made by the assessee on receipt of such shares will be chargeable as income of the previous year. It is pertinent to note that taxable event is defined as receipt of shares by the assessee. This section also applies to shares of company in which public is substantially interested i.e. Listed companies also.

Section 56(2)(viib) applies to a company, not being a company in which public are substantially interested from a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares. The Section aims to tax the share premium received in excess of fair market value.

Note: Sec. 56(2)(viib) not applicable to startups having paid up share capital upto Rs. 10 crore vide Notification from Ministry of Commerce and Industry (Department of Industrial Policy and Promotion) dated 11th April, 2018.

An attempt is made by the Department to tax it under provision of Sec.68 of the Income tax Act on the following grounds.

- **Proviso of Sub-section 68 refer to subscription of share capital:**

Section.68/69 is extended in its application to receipt of shares subscription to the capital of unlisted companies. Three cretieria-1) identity of the subscriber 2) credit worthiness of the subscriber and 3) genuineness of the transaction held to be satisfactory explanation - ***Sumati Dayal vs. CIT (1995) 214 ITR 801 (SC)*** cited in ***Shreenath H. L P Ltd vs. Pr. CIT (Raj) (2018) 408 ITR 198 (Raj)***.

"There cannot be two opinions on the aspect that the pernicious practice of conversion of unaccounted money through the masquerade or channel of investment in the share capital of a company must be firmly excoriated by the Revenue."

Certain judicial pronouncements have created doubts about the onus of proof and the requirements of this Section, particularly, in cases where the sum which is credited as share capital, share premium etc.

Judicial pronouncements, while recognizing that the pernicious practice of conversion of unaccounted money through masquerade of investment in the share capital of a company needs to be prevented, have advised a balance to be maintained regarding onus of proof to be placed on the company. The Courts have drawn a distinction and emphasized that in case of private placement of shares the legal regime should be different from that which is followed in case of a company seeking share capital from the public at large. In the case of closely held companies, investments are made by known persons. Therefore, a higher onus is required to be placed on such companies besides the general onus to establish identity and credit worthiness of creditor and genuineness of transaction. This additional onus, needs to be placed on such companies to also prove the source of money in the hands of such shareholder or persons making payment towards issue of shares before such sum is accepted as genuine credit. If the company fails to discharge the additional onus, the sum shall be treated as income of the company and added to its income.

It is, therefore, proposed to amend section 68 of the Act to provide that the nature and source of any sum credited, as share capital, share premium, etc., in the books of a closely held company shall be treated as explained only if the source of funds is also explained by the assessee-company in the hands of the resident-shareholder. However, even in the case of closely held companies, it is proposed that this additional onus of satisfactorily explaining the source in the hands of the shareholder, would not apply if the shareholder is a well-regulated entity, i.e., a Venture Capital Fund, Venture Capital Company registered with the Securities and Exchange Board of India (SEBI).

It was held in ***M/s. Classic Flour & Food Processing Vs C.I.T. (ITAT Kolkata) vide ITA Nos..764 to 766/ Kol/2014 judgement on 05-04-2017*** that -

"1st proviso to Sec.68 of the Act inserted by the Finance Act, 2012 w.e.f. 1-4.2013 was only prospective in operation, we are of the view that since section 68 covers `*any sum credited*' in the books without any exception, which, inter alia, includes share capital, it cannot be held that the examination of share capital with premium etc. was earlier outside the ambit of section 68 and now this amendment has brought it into its purview. The amendment has simply made express which was earlier implied. We are therefore of the view that the assessee is always obliged to prove the receipt of share capital with premium etc. to the satisfaction of the AO, failure of which calls for addition u/s 68 of the Act."

A controversy was put at rest by Supreme Court in the case of ***CIT vs. Lovely Exports Pvt. Ltd. (2008) (216 CTR 195)*** wherein their Lordships held that no amount could be taxed in the hands of assessee company where names and address of shareholders are given to AO. As a resort to above problem, income tax department can tax the alleged shareholders by reopening their cases in accordance with law.

(To overrule the above judgment of Apex court, a proviso to section 68 was inserted by Finance Act, 2012.)

- **Tax on distributed income to shareholders.**

"115QA. (1) Notwithstanding anything contained in any other provision of this Act, in addition to the income-tax chargeable in respect of the total income of a domestic company for any assessment year, any amount of distributed income by the company on buy-back of shares (not being shares listed on a recognised stock exchange) from a shareholder shall be charged to tax and such company shall be liable to pay additional income-tax at the rate of twenty per cent on the distributed income.

Explanation.—For the purposes of this section,—

(i) "buy-back" means purchase by a company of its own shares in accordance with the provisions of 5[any law for the time being in force relating to companies];

(ii) "distributed income" means the consideration paid by the company on buy-back of shares as reduced by 6[the amount, which was received by the company for issue of such shares, determined in the manner as may be prescribed7].

(2) Notwithstanding that no income-tax is payable by a domestic company on its total income computed in accordance with the provisions of this Act, the tax on the distributed income under sub-section (1) shall be payable by such company.

(3) The principal officer of the domestic company and the company shall be liable to pay the tax to the credit of the Central Government within fourteen days from the date of payment of any consideration to the shareholder on buy-back of shares referred to in sub-section (1).

(4) The tax on the distributed income by the company shall be treated as the final payment of tax in respect of

(Contd. on page 14)

Time Limit for GST ITC on Delayed RCM Payments

CA Madhukar N Hiregange & CA Mahadev R

The time limit for claim of ITC of GST paid on procurements for FY 2017-18 ended with the due date of filing the GST returns for the month of October 2018. There is also an alternative argument that the actual date for claim of ITC is the date of filing annual return as the present return GSTR-3B is not a return prescribed in Section 39. The CBIC also issued a press release dated 18th October 2018 stating that the due date of taking ITC would remain due date of filing return for the month of October 2018 for FY 2017-18. There could be few GST payments in the period October 2018 to December 2018 on account of reverse charge liabilities which could get highlighted to tax payers during the course of audit exercise. A brief analysis has been made on eligibility of ITC of such GST paid in this article.

Time limit for ITC claim

In terms of Section 16(4) of CGST Act 2017, a registered person would not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.

Considering that GSTR-3B is a return specified under Section 39, the due date for claim of credit for FY 2017-18 would be 25th October 2018 as the due date was extended to 25th October 2018 this time.

Restriction is with respect to invoice or debit note

Section 16(4) restricts the credit in respect of any invoice or debit note. For GST law, invoice means invoice referred in Section 31 which covers the invoices to be issued on supply of goods or services including those issued for compliance under reverse charge mechanism. Debit note means means a document issued by a registered person under sub-section (3) of section 34 in case of short charge of taxable value or tax amount by the registered supplier.

In terms of Rule 36 of CGST Rules, registered person could claim the ITC in respect of following documents:

(a) an invoice issued by supplier of goods or services or both in accordance with the provisions of section 31;

(b) an invoice issued in accordance with the provisions of clause (f) of sub-section (3) of section 31, subject to the payment of tax;

(c) a debit note issued under section 34;

(d) a bill of entry or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for the assessment of integrated tax on imports;

(e) an ISD invoice or ISD credit note or any document issued by an Input Service Distributor.

Based on the above list, bill of entry is also one of the specified documents for claiming ITC which is not covered under Section 16(4) for restriction of time limit. Therefore, if any credits are missed out on any bill of entries, assessee could take calculated risk based on the interpretation that time limit is not applicable on bill of entries.

Invoice in case of RCM payments

Section 31(3) (f) warrants a registered person who is liable to pay tax under reverse charge mechanism under Section 9(3) or 9(4) to issue an invoice in respect of goods or services or both received by him from an unregistered supplier as on the date of receipt of goods or services or both. This is generally known as self-invoice for claiming ITC.

Though the there is a specific provision provided in Section 12 and Section 13 to determine the time of supply in case of reverse charge payments, there is no specific provision providing for time limit for issue of invoice for payments made under reverse charge mechanism. There is an alternative view that the invoice needs to be issued based on time of supply provisions which may not hold good.

ITC in case of RCM payments

Invoice issued under Section 31(3) (f) is also one of specified document in Rule 36 for claiming ITC. It is interesting to note that the self-invoice is needed only when supplier is unregistered. When the supplier is registered but tax is payable by recipient under reverse charge, it is not clear if the ITC is eligible for the recipient based on invoice issued by the supplier which may not have many details prescribed in the tax invoice.

Rule 36(2) provides that ITC is eligible only if the credit document contains the details of the amount of tax charged, description of goods or services, total value of supply of goods or services or both, GSTIN of the supplier and recipient and place of supply in case of inter-State supply.

There could be many instances where the tax payers would have realised or identified the transactions where the GST needs to be paid under reverse charge mechanism after 25th October 2018. The question in such cases is eligibility of credits.

Eligibility / Ineligibility of ITC

Self-invoice being one of the prescribed documents, the tax payer could raise invoices in case of transactions where GST is being paid after the lapse of due date for taking the ITC. Such self-invoice could be the basis for ITC which would be with current date.

Section 16(4) is being reproduced below for reference:

A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier

The favourable arguments in this regard could be as follows:

a) The provision restricts the credit in respect of invoice or debit note for supply of goods or services. RCM is levied on receipt of goods or services and therefore, Section 16(4) is not applicable.

b) Restriction is only in respect of invoices which are dated in previous financial year and linked to financial year and not to supply made in financial year.

There could also be a contrary argument that the ITC would become ineligible even if self-invoice is issued with current date as it would be still in respect of supply of goods or services of previous financial year.

Conclusion

GST being a new law in India, assessees may be undergoing a lot of difficulties in compliance. Professionals could help them in proper compliance which otherwise could invite trouble from the department. Even if there is an unintentional mistake on the part of assessee, the demand notice could be issued under GST by the department for three years after end of the due date for filing the annual return for a particular financial year. Mistakes like claim of credit after the due date prescribed could have interest and penalty implication. Those assessees who have missed to pay and claim ITC under revere charge for expenses pertaining for FY 2017-18 could consider the pros and cons considering the arguments / views expressed in this article to decide on taking/ not taking the ITC.

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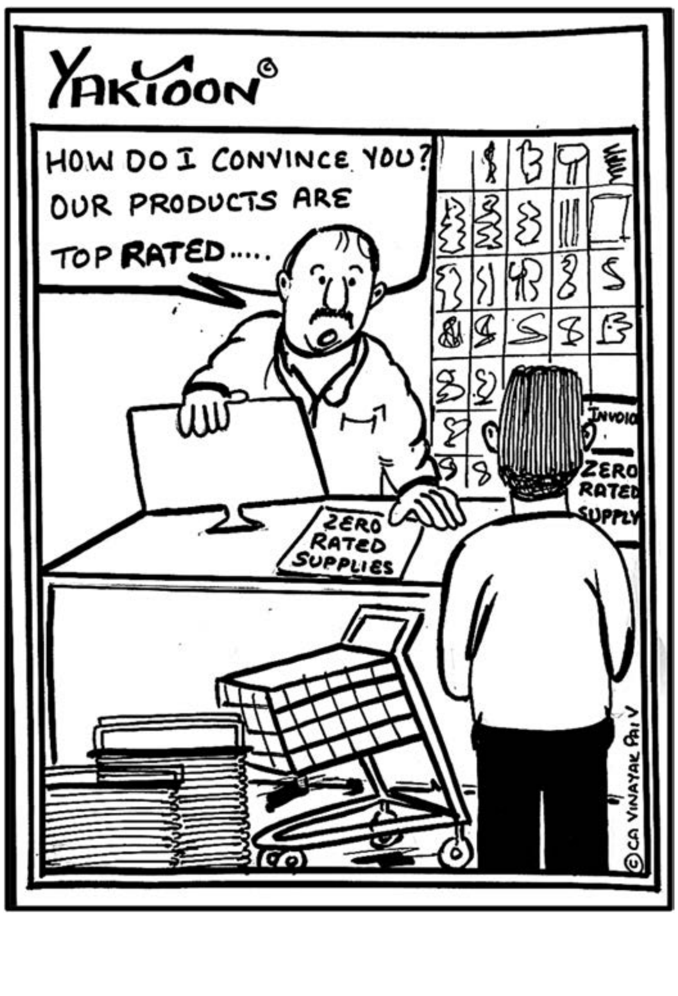

Financial Reporting and Assurance

CA Vinayak Pai V

1. **Heads Up – Latest/Upcoming Changes**

AS (Accounting Standards) / IND-AS (Indian Accounting Standards)	
1	NFRA Rules Notified – ***NFRA to monitor and enforce compliance with Accounting Standards***.
IFRS (International Financial Reporting Standards)	
1	International Accounting Standards Board's (IASB) research project on ***Goodwill and Impairment.***
2	The IASB has voted to propose a **one-year deferral** of the effective date for **IFRS17-** ***Insurance Contracts*** from 2021 to 2022.
Assurance	
1	Exposure Draft - *Guidance Note on Audit of Banks (2019)* – ***Bank Branch Audit*** *Other than Foreign Exchange Transactions*.
2	Exposure Draft – *Guidance Note on Audit of Banks (2019)* – ***Statutory Central Audit***.
3	Exposure Draft – *Guidance Note on Audit of Banks (2019)* – ***Foreign Exchange Transactions and Integrated Treasury***.
4	**Implementation Guide** – ***Resignation/Withdrawal*** *From An Engagement To Perform Audit Of Financial Statements*.
5	Exposure Draft – **Standard On Auditing For Audits Of Smaller And Less Complex Entities**– SASE 200 – *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing for Audits of Smaller and Less Complex Entities*.
6	**Revised Implementation Guide** to ***SA 230 – Audit Documentation***
7	**Implementation Guide** on *Auditor's Report under Rule 11(d) of Companies (Audit and Auditors) Amendment Rules, 2017 and Amendment to Schedule III to Companies Act, 2013* - **Withdrawn**
Company Law – Accounts and Audit Related	
1	Companies (**Cost Records And Audit**) **Amendment Rules**, 2018
2	The **Companies (Amendment) Ordinance**, 2018
3	Companies (**Registered Valuers and Valuation**) Fourth **Amendment Rules**, 2018 – Notification dated November 13, 2018.
4	National Financial Reporting Authority (**NFRA) Rules, 2018** – MCA Notification dated November 13, 2018.
Certain Reserve Bank of India Notifications	
1	• **External Commercial Borrowings (ECB)** Policy o ***Infrastructure*** space – Changes to Minimum Average Maturity and Hedging Provisions. o Reduction in mandatory hedge coverage from 100% to 70% for ECBs raised under **Track I.** • **NBFCs** o Guideline on securitization transactions – ***Relaxation of Minimum Holding Period (MHP)*** *requirement for originating NBFCs*. • **Basel III Framework on Liquidity Standards** o ***Net Stable Funding Ratio (NSFR) Guidelines*** to be effective from April 1, 2020.

2. **New Definition of "Material" under IFRS**

Alert: Amendments to IND-AS 1 and IND-AS 8 expected consequent to the amendment discussed herein below.

The definition of material helps a company determine whether information about an item, transaction or other event should be provided to users of financial statements. The IASB as part of its plan to promote ***Better Communication in Financial Reporting*** has recently amended the definition of "material" to facilitate reporting entities to make materiality judgements consequently **amending IAS 1 and IAS 8**. The extant and amended definition of "Material" is provided in the table herein below.

Extant definition	Amended definition
Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements.	Information is material if omitting, misstating or **obscuring** it could **reasonably be expected to influence** the decisions that the **primary users** of **general purpose financial statements** make on the **basis** of those financial statements, which provide financial information about a **specific reporting entity**.

3. **Case Study – Impact Of New IND-AS Revenue Recognition Standard**

The new IND-AS revenue recognition standard (IND-AS 115) is based on the core principle that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The standard is effective from fiscal 2018-19.

Case Study: The following case study is based on quarterly results of a listed company based on information available in the public domain.

Impact on topline	**Increase of Rs. 60 crores (2% of revenues).**

Sales made on **Sale or Return** have been recorded on gross basis and dealer margin as cost resulting in increase in sales value reported in the income statement.

- Consequent to migration to the new standard, certain clients of the company have renegotiated contractual terms from Sale or Return (SOR) to OR basis. Consequently, inventories lying with such clients as of end of the previous financial year have been recognized as sales in the current period.

4. **Companies (Amendment) Ordinance**

Certain salient aspect of the ***Companies (Amendment) Ordinance, 2018*** notified on November 2, 2018 by the MCA related to financial reporting and assurance is summarized in the table herein below.

Financial Year	Instead of Tribunal, the application for following a different financial year is to be submitted to Central Government.
Registration of Charges	The Registrar may not allow to register charge after 60 days and a further period of 60 days is allowed to register charges.
Report on Annual General Meeting	In case of default, per day penalty has been introduced. Penalty for continuing default has been inserted.
Copy of financial statement to be filed with Registrar	For non filing of Financial Statements in time, monetary penalty has been levied. Penalty for continuing default has been inserted. In case of default, per day penalty has been introduced.
Removal, resignation of auditor and giving of special notice.	For non compliance by the auditor of the provisions of removal, resignation, penalty for continuing default has been inserted.

5. **Case Study: IND-AS Transition Impact**

The following case study of an **IND-AS first-time adopter** is based on published financial statements available in public domain.

IND-AS Measure	Transition Impact (%)
Net profit for the comparative period	**Increase** of **1.0%**
Total Income for the comparative period	**Decrease** of **3.9%**
Total Equity at date of transition	Increase of 45.4%

Key **Contributing Factors** for IND-AS Impact:

- During the year, the Company received an **interest free loan** from an Industrial & Investment Corporation that is amortized under IND-AS based on the EIR method and the amortized portion is **treated as government grant.**
- Under AS, certain portion of **government grants** that were given with reference to **total capital outlay** were **credited to capital reserve** and treated as part of shareholders' funds. Under **IND-AS, Government grants** are **included as deferred income** and are credited to profit or loss on a straight- line basis over the expected lives of the related assets and presented within other income.
- Under AS, revenue in case of **sales of tools** was recognized upon transfer of significant risk and reward of ownership. Under IND-AS, tooling revenue is **recognized on the basis of percentage of completion method** and accordingly revenues and costs are recognized on the basis of the stage of completion of tools.
- **NCI is part of total equity** in IND-AS consolidated balance sheet.

6. **National Financial Reporting Authority Rules**

Certain salient aspects of the ***National Financial Reporting Authority (NFRA) Rules, 2018*** notified by the MCA on November 13, 2018 are summarized in the table herein below.

Classes of Companies Governed by NFRA	• Companies with securities listed on any stock exchange (India or outside India). • Unlisted pubic companies o Paid up capital Rs. 500 crore or more, or Annual turnover Rs1,000 crore or more, or Outstanding loans, debentures or deposits in aggregate of Rs.500 crore or more as of March 31 of preceding financial year. • Insurance, Banking and Electricity companies. • Body corporates incorporated or registered outside India – subsidiary/associate relationship with income/net-worth specified proportion of consolidated numbers.
Powers of the Authority	• Recommending o **Accounting Standards** o **Auditing Standards** • **Monitoring and enforcing compliance** with o Accounting Standards o Auditing Standards • Overseeing the **quality of audit service** and suggesting measures for improvement. • **Powers to investigate.**
Form NFRA-1	Every existing body corporate other than a company governed by these rules, shall inform the Authority within 30 days of the commencement of these rules in Form NFRA-1, the particulars of the auditor as on the date of commencement of these rules.
Annual Return by Auditor	Every auditor referred to in Rule 3 (Classes of Companies governed under these rules) shall file a return with the Authority on or before April 30 every year.
Financial reporting advocacy and education	NFRA to take suitable measures for the promotion of awareness and significance of accounting standards, auditing standards, auditors' responsibilities and audit quality.

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Evidence in Quasi-Judicial Proceedings

Adv. Vikram A. Huilgol

High Court Government Pleader & Sr. Central Govt. Standing Counsel, CBIC

Evidence in judicial proceedings is bound by the rules prescribed under the Indian Evidence Act, 1872. Therefore, the procedure and manner in which evidence is to be recorded is codified under the Indian Evidence Act, and courts are bound to strictly follow the rules prescribed under the Act. The Supreme Court, in a number of judgments, has held that tribunals and authorities exercising quasi-judicial functions are, however, not bound by the strict rules of evidence as contained in the Evidence Act. See State of Mysore v. Shivabasappa Shivappa Makpaur, AIR 1963 SC 375; K.L Shinde v. State of Mysore, (1976) 3 SCC 76. However, that is not to say that quasi-judicial authorities are not bound by any rules whatsoever in the matter of recording evidence. This article discusses: (a) what exactly constitutes quasi-judicial proceedings and what distinguishes them from judicial and administrative proceedings; and (b) the general rules of evidence applicable to authorities exercising quasi-judicial functions.

The dictionary meaning of the word "quasi" is "not exactly." Therefore, a literal translation would imply that quasi-judicial proceedings are "not exactly" judicial proceedings. A quasi-judicial authority has some of the trappings of a court of law, such as the obligation to determine certain legal issues, but certainly not all. In G. Nageshwar Rao v. Andhra Pradesh State Transport Corporation, AIR 1959 SC 308, the Supreme Court succinctly observed that. "the concept of a quasi-judicial act implies that the act is not wholly judicial, it describes only a duty cast on the executive body or authority to conform to norms of judicial procedure in performing some acts in exercise of its executive power."

In a broad sense, judicial functions are exercised by judges and magistrates, who constitute the judicial branch of the State. Quasi-judicial authorities, on the other hand, are not considered to be a part of the Indian judiciary, as recognized by the Constitution. See M.P. Steel Corporation v. Commissioner of Central Excise, (2015) 7 SCC 58. Simply put, the Indian court system, comprising of trial courts, the High Courts, and the Supreme Court, alone exercises judicial functions, and Tribunals and other authorities, who are called upon to decide legal disputes, in addition to exercising other functions can be said to be quasi-judicial authorities. Thus, it is fairly simple to discern the difference between a judicial proceeding and a quasi-judicial one.

The distinction between a quasi-judicial function and an administrative function is, however, much finer. In Indian National Congress v. Institute of Social Welfare, (2002) 5 SCC 685, the Supreme Court was called upon to determine whether the Election Commission, exercising its powers under Section 29-A of the Representation of People Act, 1951, to decide whether to cancel the registration of a political party, is exercising a judicial or an administrative function. In its judgment holding that the Election Commission was exercising a quasi-judicial function, the Supreme Court held as follows:

> *"Where (a) a statutory authority empowered under a statute to do any act (b) which would prejudicially affect the subject (c) although there is no lis or two contending parties and the contest is between the authority and the subject and (d) the statutory authority is required to act judicially under the statute, the decision of the said authority is quasi-judicial.*
>
> *Applying the aforesaid principle, we are of the view that the presence of a lis or contest between the contending parties before a statutory authority, in the absence of any other attributes of a quasi-judicial authority is sufficient to hold that such a statutory authority is quasi judicial authority. However, in the absence of a lis before a statutory authority, the authority would be quasi-judicial authority if it is required to act judicially."*

In Neelima Misra v. Harinder Kaur Paintal, (1990) 2 SCC 746, the Supreme Court observed that "an administrative function is called quasi-judicial when there is an obligation to adopt the judicial approach and to comply with the basic requirements of justice." Professor Wade, in his celebrated treatise on Administrative Law, states that, "a quasi-judicial decision is, therefore, an administrative decision which is subject to some measure of judicial procedure, such as the principles of natural justice."

Thus, the vital distinction between an administrative function and a quasi-judicial one is that in an administrative proceeding, there is no *lis* or contest. As clarified in Indian National Congress, the *lis* need not be between two contesting parties, it could even be between a party and the authority determining the issue. Since quasi-judicial functions necessarily involve the determination of a *lis*, it entails an obligation to follow certain basic principles of judicial procedure and fairness, such as the principles of natural justice. Therefore, when admitting and appreciating evidence in the process of deciding issues before them, quasi-judicial authorities, though not bound by the strict rules under the Evidence Act, must ensure strict compliance with the principles of fairness.

In Mohd. Yunus Khan v. State of U.P., (2010) 10 SCC 539, the Supreme Court observed that in quasi-judicial proceedings, though the technical rules of procedure and evidence do not apply, the principles of natural justice require to be strictly observed. Another leading case on this issue is State of Kerala v. K.T. Shaduli Grocery Dealer, (1977) 2 SCC 777, wherein the Supreme Court observed as follows:

> *"Now, the law is well settled that tax authorities entrusted with the power to make assessment of tax discharge quasi- judicial functions and they are bound to observe principles of natural justice in reaching their conclusions. It is true, as pointed out by this Court in Dhakeswari Cotton Mills Ltd. v. Commissioner of Income Tax, West Bengal, that a taxing officer 'is not fettered by technical rules of evidence and pleadings, and that he is entitled to act on material which may not be accepted as evidence in a court of law, but that does not absolve him from the obligation to comply with the fundamental rules of justice which have come to be known in the jurisprudence of administrative law as principles of natural justice."*

Therefore, even though the technical rules of evidence may not apply in quasi-judicial proceedings, basic fairness demands that the principles of natural justice be adhered to before any decision is taken. For instance, in K.T. Shaduli, the assessee therein was required to prove the correctness of his return before the taxing authority. The taxing authority alleged, on the basis of books of accounts of certain other dealers, that the assessee had not correctly disclosed its sales turnover. In this context, the Supreme Court observed as under:

> *"Now, obviously 'to prove' means to establish the correctness, or completeness of the return by any mode permissible under law. The usual mode recognised by law for proving a fact is by production of evidence and evidence includes oral evidence of witnesses. The opportunity to prove the correctness or completeness of the return would, therefore, necessarily carry with it the right to examine witnesses and that would include equally the right to Cross-examine witnesses examined by the Sales Tax Officer."*

Having so observed, the Supreme Court held that since the authority proposed to enhance the assessee's turnover on the basis of certain entries on other dealers' books, the principles of natural justice would require an opportunity being provided to the assessee to cross examine those other dealers. The Supreme Court concluded by holding that the authority's refusal to summon the other dealers for cross examination by the assessee was a violation of the assessee's rights and that, therefore, the order of assessment in the absence of such an opportunity being provided would be vitiated.

Similarly, in Andaman Timber Industries v. Commissioner of Central Excise, (2016) 15 SCC 785, an adjudication order was passed on the basis of statements by two witnesses, which suggested that the assessee had not declared the true value of the goods cleared by it. The adjudicating authority refused to permit the assessee to cross examine the two persons even though he questioned the correctness of their statements. In appeal, the CESTAT upheld the adjudication order on the ground that providing an opportunity of cross examination would not have made any material difference. In appeal against the order of the CESTAT, the Supreme Court set aside the orders of the CESTAT and the adjudicating authority, observing as follows:

> "*According to us, not allowing the assessee to cross examine the witnesses by the adjudicating authority though the statements were made the basis of the impugned order is a serious flaw which makes the order nullity inasmuch as it amounted to violation of principles of natural justice because of which the assessee was adversely affected. It is to be borne in mind that*

the order of the Commissioner was based upon the statements given by the aforesaid two witnesses. [….] As far as the Tribunal is concerned, we find that rejection of the plea is totally untenable. The Tribunal has simply stated that cross-examination of the said dealers could not have brought out any material which would not be in the possession of the appellant themselves to explain as to why their ex-factory prices remain static. It was not for the Tribunal to have guesswork as to what purposes the appellant wanted to cross-examine those dealers and what *extraction the appellant wanted from them.*"

The Supreme Court has, therefore, consistently recognized that, though the strict principles of evidence would not apply, quasi-judicial authorities must, while adjudicating disputes and appreciating evidence, follow the principles of fairness and natural justice, and any deviation from those principles would vitiate the orders. That said, as explained in my earlier article on the principles of natural justice, the said rules cannot be straightjacketed and their application would depend on the facts and circumstances of each case. For example, in Telstar Travels Pvt. Ltd. v. Enforcement Directorate, (2013) 9 SCC 549, the Supreme Court held, in the facts of that case, that the denial of a right of cross examination would not vitiate the order impugned, as the petitioner had been permitted to examine the documents that were being relied upon against him, and that he had been given an opportunity to rebut their contents. In such circumstances, the Supreme Court held that no prejudice was caused to the petitioner by his being denied a right to cross examine the persons from whom the documents had been obtained.

In conclusion, a quasi-judicial authority must adjudicate an issue before it after admitting and appreciating all the evidence that he feels is appropriate and necessary, without being fettered by the more technical rules under the Evidence Act. However, while doing so, the authority must ensure that the basic principles of fairness and natural justice are followed, failing which any order passed by it would be a nullity.

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Taxablity of Share Premium of Closely held Companies

(Contd. from page 6)

the said income and no further credit therefor shall be claimed by the company or by any other person in respect of the amount of tax so paid.

(5) No deduction under any other provision of this Act shall be allowed to the company or a shareholder in respect of the income which has been charged to tax under sub-section (1) or the tax thereon."

Only shares which are issued for cash are covered within the purview of distributed income.

- o It was held by ITAT Mumbai in ***DCIT vs. Varsity Education Management Pvt. Ltd vide ITA No. 6991/Mum/2016*** that the AO cannot assess the share premium as income on the ground that it is "*excessive*". The share premium worked out in the Valuation Certificate is the minimum amount that can be collected by the assessee under RBI regulations. There is no bar on collecting higher amount as share premium. There are several factors that are taken into consideration while issuing the equity shares to shareholders/investors, such as Venture capital funds and Private Equity funds. The premium is determined between the parties on the basis of commercial considerations and cannot be questioned by the tax authorities. The AO is not entitled to sit on the arm chair of a businessman and regulate the manner of conducting business.
- o Hon'ble Bombay High Court held in ***M/s. Vodafone India Services (P.) Ltd. v. Addl. CIT [2014] 368 ITR 1/50 taxmann.com 300/[2015] 228 Taxman 25*** that share premium can under no circumstances be construed as a revenue receipt chargeable to tax.

- **Conclusion:**

  The Section aims at determining the use of shares or securities in a company for conversion of unaccounted money to a legitimate source. The ounce is on the tax payer to prove the genuineness of the transaction and accommodation entries do not conceal the real nature of transaction.

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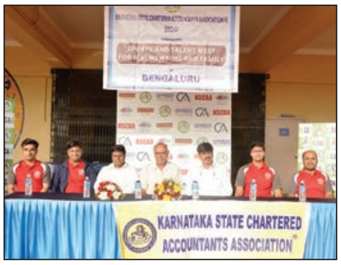








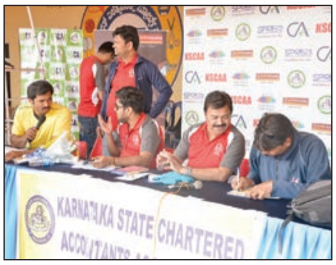


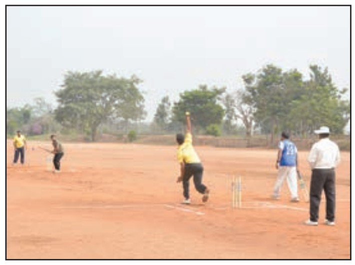

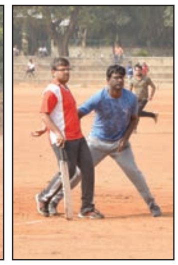
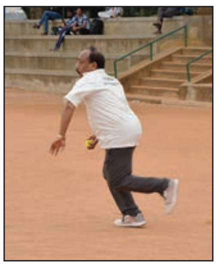
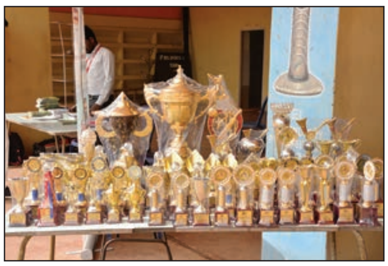
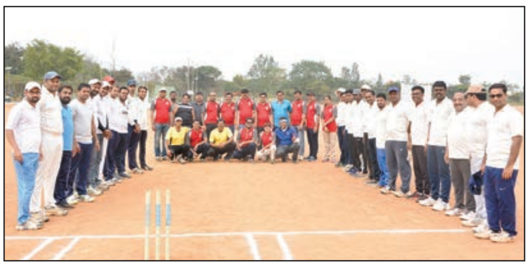


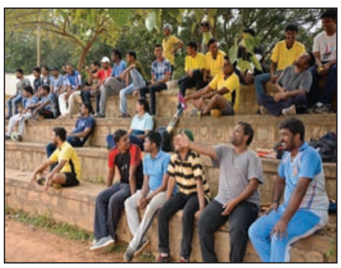

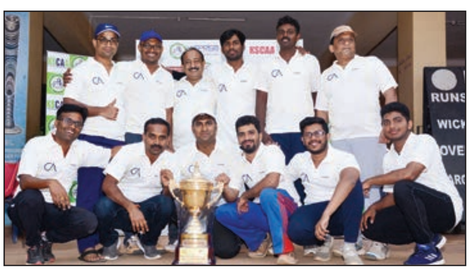




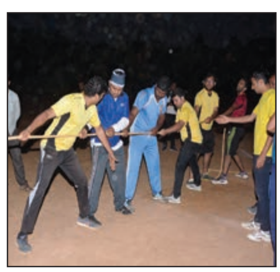
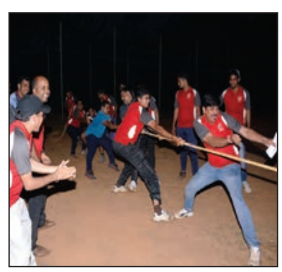

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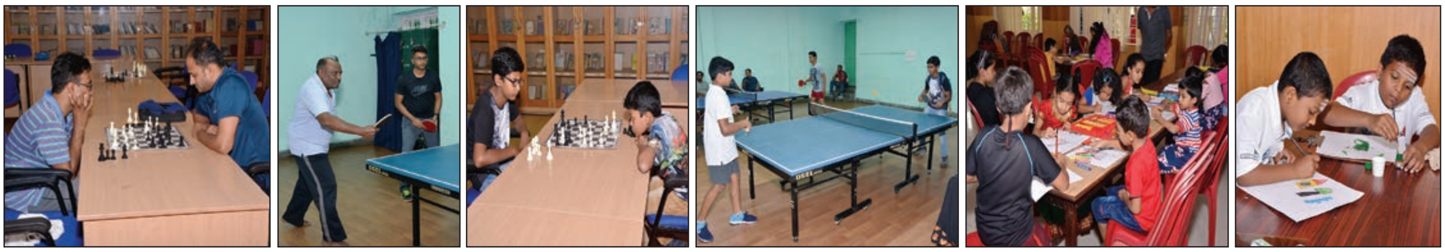

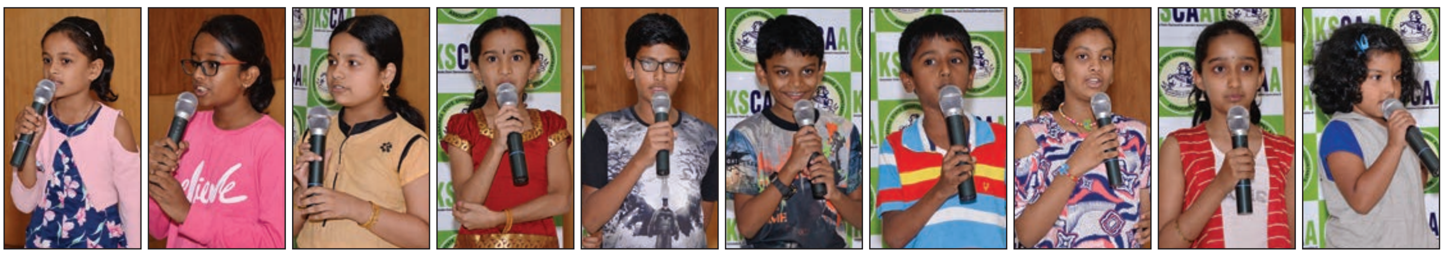

One Day Seminar on GST Annual Return, Reconciliation and Audit at Shivamogga

Workshop on Assessment & Reassessment under Income Tax Act 1961 - 27th Nov 2018

Workshop on Overview & Practical Approach to GST Audit - 21st Nov 2018

Workshop on GST Audit - 3rd Dec 2018

Tax Deduction at Source – Kar. VAT v. GST Regime

CA Annapurna Kabra & CA T.N. Raghavendra

Tax Deduction at Source (for short 'TDS') is nothing new to tax professionals and the industry. The concept of TDS existed in Income Tax Act for decades, and tax professionals and the industry are familiar with the scheme. TDS is a *'pay as you earn'* scheme and is also known as withholding tax in many countries.

TDS is system of paying tax as and when supplies are made. It is one of the methods to collect tax whereby a specified percentage of amount is deducted by a recipient while making payment or giving credit to a supplier in the books of account in respect of supplies made to him.

The Scheme of TDS ensures:

(a) Sharing responsibility of tax collection between the deductor and the tax administration

(b) Regular inflow of cash resources to the Government

(c) Creates an audit trial which checks tax evasion and expands the tax net

Under KVAT regime

TDS in case of Works Contract

Section 9-A of Kar. VAT Act, 2003 deals with deduction of tax at source in case of Works Contract. It provides that the Central Government or any State Government or any public sector undertaking of the Central or State Government or any joint sector undertaking of the Central Government or any State Government or any local authorities or statutory authorities or any trading, industrial or commercial undertaking (for short 'Deductor') shall deduct TDS out of the amount payable by them to the dealers in respect of any works contract executed for them within the State of Karnataka. The amount so deducted as TDS shall be equivalent to the tax payable as calculated by such dealers under the Kar. VAT Act.

No TDS shall be made where the amounts payable by the deductor are in respect of sales of any goods in the course of interstate trade or commerce or in the course of export out of the territory of India or import into the territory of India or outside the State.

TDS in case of Canteens

Section 18 of Kar. VAT Act, 2003 deals with deduction of tax at source in case of canteens. As per the said provisions, a factory or other industrial concern or any other establishment providing canteen or cafeteria or restaurant or other similar facility to its employees as amenities and such facility is being provided through a dealer, it shall deduct TDS out of the amount payable by them to such dealer in respect of sale of articles of food and drinks.

The amount of TDS deducted shall be equivalent to 4% of the consideration paid or payable by such factories or concerns or establishments to such dealer.

No TDS shall be made if the consideration payable to such dealer for sale of articles of food and drinks is less than Rs.5,00,000/- per year.

The Deductors were required file a statement containing details of tax deducted during a particular month and remit such TDS deducted within 20 days from the end of such month.

TDS Certificates were issued in manual form. Bureaucratic hurdles and laxity in issue of certificates by deductors created working capital woes for the dealers.

Under GST Regime

Section 51 of the CGST / KGST Act, 2017 prescribes the authority and procedure for 'Tax Deduction at Source'. Notification No. 50/2018 – Central Tax dated 13th September 2018 operationalized the TDS provisions w.e.f. 1st October 2018.

Notified Persons

The following are the notified persons who are required to deduct tax at source:

(a) A department or an establishment of the Central Government or State Government; or

(b) Local Authority; or

(c) Governmental Agencies; or

(d) Notified category of persons as per Notification No. 50/2018 – Central Tax dated 13th September 2018 are

  (i) An authority or a board or any other body, -

    - Set up by an Act of Parliament or a State Legislature; or
    - Establishment by any Government, with 51% or more participation by way of equity or control, to carry out any function;

(ii) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860 (21 of 1860)

(iii) Public sector undertakings

Rate of Tax Deducted at Source

The Tax deductor shall deduct @ 2% (in case of intra-state supplies - 1% CGST + 1% SGST and in case of interstate supplies – 2% IGST) of the payment made to the supplier of taxable goods or services or both, where the total value of such supply, under a contract, exceeds Rs.2,50,000/-.

Value of Supply

The value of supply for the purpose of deduction of tax at source shall be taken as the amount excluding the Central tax, State tax, Union Territory tax, Integrated tax and Cess indicated in the invoice i.e. Total Invoice value less taxes charged. Thus, the individual supplies may be less than Rs.2,50,000/-, but if the contract value is more than Rs.2,50,000/-, TDS will have to be deducted.

For instance, suppose a supplier makes a supply worth Rs.1,00,000/- to a recipient and the rate of GST applicable is 18% on the same. The recipient, while making the payment of Rs.1,00,000/- to the supplier, shall deduct 2% i.e. Rs.2,000/- as TDS. The value to be reckoned for TDS purpose shall not include 18% GST.

No deduction in certain Instance

No deduction shall be made if the location of the supplier and the place of supply are in a State or a Union Territory, which is different from the State, or as the case may be, Union Territory of registration of the recipient. For instance:

- Supplier, place of supply and recipient are in the same state. It would be intra-State supply and TDS (Central plus State tax) shall be deducted. It would be possible for the supplier (i.e. the deductee) to take credit of TDS in his electronic cash ledger.
- Supplier as well as the place of supply is in different states. In such cases, integrated tax would be levied. TDS to be deducted would be TDS (Integrated tax) and it would be possible for the supplier (i.e. the deductee) to take credit of TDS in his electronic cash ledger.
- Supplier as well as the place of supply is in State A and the recipient is registered in State B. The supply would be intra-State supply and Central tax and State tax would be levied. In such case, transfer of TDS (Central tax + State tax of State B) to the cash ledger of the supplier (Central tax + State tax of State A) would be difficult. So, in such cases, TDS would not be deducted.

Thus, when both the location of supplier as well as the place of supply is in a State or a Union Territory which is different from that of the recipient's, no tax deduction at source would be made.

Registration of Deductor

A TDS deductor has to compulsorily register without any threshold limit. The deductor can obtain registration under GST without requiring PAN. He can obtain registration using his Tax Deduction and Collection Account Number (TAN) issued under the Income Tax Act, 1961. The documents required for obtaining registration are mainly as below:

(a) Latest photograph, Identity and Address proof of drawing and disbursing officer

(b) Latest photograph, Identity and Address proof of Authorized Signatories

(c) Proof of appointment of authorized signatory in the form of letter of authorization or copy of Board Resolution or Acceptance letter

(d) Proof of principal place of business in the form of Rent / Lease Agreement or Rent Receipt with NOC or latest Electricity bill or Property Tax paid receipt etc.,

Deposit of TDS with the Government

The deductor shall deposit the amount of tax deducted at source to the credit of Government account on or before 10th of the succeeding month. If the deductor fails to deposit the same, he shall be liable to pay interest @ 18% per annum under Section 50 of the CGST/KGST Act for delay beyond the due date.

TDS Return

The deductor is also required to file a return in Form GSTR-7 within 10 days from the end of the month. Form GSTR-7 is divided mainly into 4 tables, namely:

1. **Table 3 – *'Details of tax deducted at source'*** where the deductor will report deductee wise details of amount paid on which TDS is deducted and tax deduction at source thereon.
2. **Table 4 – '*Amendments to TDS details*'** where the deductor can amend the details of tax deduction at source suo moto under tab 'Uploaded by Deductor' and effect corrections to rejected details by the deductee under tab 'Rejected by Deductee'.
3. **Table 5 & 6 – *'Payment of tax'***, the information relating to tax payable will flow into these tables from Table 3 & 4 and interest will be computed automatically. The portal will also indicate payment of tax and other amounts to be made in cash, if any.
4. **Table 8 – *'Debit entries in electronic cash ledger for TDS / Interest payment'***, information will flow from the payment challan.

The details of tax deducted at source furnished by the deductor in Form GSTR-7 shall be made available to each of the suppliers in Part C of Form GSTR-2A electronically through the Common Portal and the deductee shall accept / reject the TDS details auto-populated in TDS and TCS credit received table. This action by deductee is mandatory for crediting the amount of TDS to cash ledger. TDS credit entries rejected by the deductee will be auto-populated into Table 4 of Form GSTR-7 and the relevant details will be required to be amended by the deductor in Form GSTR-7 of next tax period. Post correction of such details in Form GSTR-7, the data will automatically flow to concerned GSTIN (supplier) for accepting or rejecting it. This process will be repeated until TDS details are accepted by counter-party. Notification No 66/2018 dated 29/11/2018 has extended the time limit for filing GSTR-7 for the months of October 2018 to December 2018 till 31st January 2018.

TDS Certificate

TDS certificate is required to be issued by deductor (the person who is deducting tax) in Form GSTR-7A to the deductee (the supplier from whose payment TDS is deducted), within 5 days of crediting the amount to the Government, failing which the deductor would be liable to pay a late fee of Rs.100/- per day from the expiry of the 5th day till the certificate is issued subject to a maximum amount of Rs.5000/-. TDS certificate is a system generated certificate in Form GSTR-7A on the basis of information furnished by Deductor in his Form GSTR-7. The precondition for generation of TDS certificate is that deductor furnishes a return in Form GSTR-7 on the GST Portal and the deductee accepts the details uploaded by deductor and files his return.

Refund of Excess or Erroneous Amount deducted and paid

Any excess or erroneous amount deducted and paid to the Government account by the deductor shall be dealt for refund under section 54 of the CGST / KGST Act, 2017. However, if the deducted amount is already credited to the electronic cash ledger of the supplier, the same shall not be refunded.

TDS deduction not applicable

TDS provisions are not applicable in respect of supply of goods or services or both from a public Sector undertaking to another public sector undertaking, whether or not a distinct person, with effect from 1st October 2018.

When we compare the TDS provisions of GST vis-à-vis Kar. VAT, the scope of deduction of tax has been enlarged multifold to cover all supplies, whether of goods, services or both. Lower the threshold limit of Rs. 2,50,000/- will bring with its ambit all most all contracts of goods, services or both, leading to greater tax compliance. While pegging TDS rate @ 2% of consideration paid or payable instead of actual tax payable by the supplier is a major relief, automation of the entire process, deductor filing return, issue of TDS certificate and flow of TDS deducted into recipient's cash ledger has resolved working capital woes faced by the dealers in earlier regime. In all, its win-win situation for the Government as well as dealers.

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We thank following members for generously contributing towards expenditure of

KSCAA Sports & Talent Meet 2018

Name	Place	Contribution (Rs.)
CA Rajgopal A	Bengaluru	25,000
CA Nanjunda Poojari	Bengaluru	10,000
CA Madhava Murthy K.S.	Bengaluru	10,000
CA Raghavendra M N	Bengaluru	10,000
CA Ravindranath K	Bengaluru	5,000
CA Vijay Shetty	Bengaluru	5,000
CA Geetha A.B.	Bengaluru	5,000
CA Basavaraj Unki	Koppal	5,000
CA Sharath & Co	Bengaluru	5,000
CA Ashwin Shetty	Bengaluru	5,000
CA Raviraj Shetty	Bengaluru	5,000
CA Ashok Shetty	Udupi	5,000

Analysis of exemption from GST on supply of services: Notification No. 12/2017 Central Tax(Rate) Dated 28.06.2017

Exemption under GST for services of renting of immovable property:

CA Raghavendra C R & CA Bhanu Murthy J S

In this part, entry 7, 12, 13 and 14 of Notification 12/2017 CT(R) dt. 28.06.2017 which grants exemption to services of "renting of immovable property" has been analysed.

The relevant entries as amended from time to time is reproduced for the sake of easy reference:

Sl. No	*Chapter, Section, heading, Group or Service Code (Tariff)*	*Description of Services*	*Rate (%)*	*Condition*
12	Heading 9963 or Heading 9972	Services by way of renting of residential dwelling for use as residence.	Nil	Nil
13	Heading 9963 or Heading 9972 or Heading 9995 or any other Heading of Section 9	Services by a person by way of- (a) – (b) renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust under section 12AA of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) or a trust or an institution registered under sub clause (v) of clause (23C) of section 10 of the Income-tax Act or a body or an authority covered under clause (23BBA) of section 10 of the said Income-tax Act: Provided that nothing contained in entry (b) of this exemption shall apply to,- **(i)** **renting of rooms** where charges are one thousand rupees or more per day; **(ii)** **renting of premises**, community halls, kalyanmandapam or open area, and the like where charges are ten thousand rupees or more per day; **(iii)** **renting of shops or other spaces** for business or commerce where charges are ten thousand rupees or more per month	Nil	Nil
14	Heading 9963	Services by a hotel, inn, guest house, club or camp site, by whatever name called, for residential or lodging purposes, having value of supply [**declared tariff upto 26.7.2018**][1] of a unit of accommodation below one thousand rupees per day or equivalent.	Nil	Nil

Relevant definitions are as below:

(zz) "**renting in relation to immovable property**" means allowing, permitting or granting access, entry, occupation, use or any such facility, wholly or partly, in an immovable property, with or without the transfer of possession or control of the said immovable property and includes letting, leasing, licensing or other similar arrangements in respect of immovable property;

(zc) "**general public**" means the body of people at large sufficiently defined by some common quality of public or impersonal nature;

[1] Notification no. 14/2018- Central Tax (Rate) 26.07.2018

(e) against serial number 14, in the entry in column (3), for the words "declared tariff", the words "value of supply" shall be substituted

(w) **"declared tariff"** includes charges for all amenities provided in the unit of accommodation (given on rent for stay) like furniture, air-conditioner, refrigerators or any other amenities, but without excluding any discount offered on the published charges for such unit;

Analysis of the exemption entries

1. The scope and ingredients of the term "renting in relation to immovable property" as extracted above is as follows:

   a) Permission – The term incorporates the words 'allowing' , 'permitting' or 'accessing' and restricted to the said terms indicating mere right to use the facilities and not to impart any other right against the property.

   b) Immovable Property – wholly or partly in an immovable property i.e. the underlying object being the immovable property. It shall be noted that the phrase 'immovable property' is not defined in CGST Act, 2017. Therefore, meaning has to be borrowed from the provisions of General Clauses Act, 1897. In terms of the said statute, immovable property has been defined as below:

   "Immovable property" shall include land, benefits to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth

   Definition of immovable property in terms of Transfer of Property Act, 1882

   immovable property" does not include standing timber, growing crops or grass.

   c) Possession and control – the permission to use an immovable property may be with or without the transfer of possession or control. In other words permitting a person to use an immovable property without allowing such person the control or possession would also get covered under the renting activities. For instance, a car dealer allows the bank to use its premises to market its car loan products and charges a specified sum for allowing them to operate from their premises, then though the bank is not allowed the possession or control over the building, the amount which is received may get covered as rent. Similarly allowing a person to use the property for short duration or temporary purpose like for the purpose of conduct of social, cultural and religious functions etc are also covered.

   Further, the term renting of immovable property includes certain activities like leasing, licensing and letting etc and any other activity similar in nature are also covered.

   The levy of service tax on renting has been under dispute since its introduction w.e.f. 1.6.2007. With Delhi High Court in the case of Home Solution Retail (India) Pvt Ltd V UIO (2009) 14 STR 433 (Delhi) striking down the levy, the statutory provisions were retrospectively amended vide Finance Act, 2010. Presently, the constitutional validity of levy of service tax on renting of immovable property is pending before the Hon'ble Supreme Court and the matter is referred to 9 member bench of the Supreme Court as reported in Mineral Area Development Authority v. Steel Authority of India — (2011) 4 SCC 450 and UOI vs UTV News 2018 (13) GSTL 3 (SC).

2. **Entry 12**: **Services by way of Renting of residential dwelling for use as residence.**

   The term 'residential dwelling' is not defined in the CGST Act, 2017.

   In terms of Ramanath Aiyar's Advanced Law Lexicon:

   Residential : The term residential ordinarily means used, serving or designed as a residence or for occupation by residents; relating to or connected or connected with residence[Associated Idem Mechanical (P) Ltd vs W.B Small Industries Development Corpn. 2007 3 SCC 607]

   Residential accommodation:

   The expression 'residential' qualifies the word 'accommodation' and the former is clearly descriptive of the later. The expression therefore, clearly denotes the purpose for which the premises was built, the use to which it was intended to be put and the category to which it belongs. It is used in contradiction to a shop or a house of business.

   Dwelling unit: Dwelling unit means a building or part thereof which is used or intended to be used by a family for habitation.[Delhi Development Authority (Management and Disposal of Housing Estates) Regulations 1968.

   It shall be noted that exemption is for the services of renting of residential dwelling and which are used for residential purpose. However, where the residential dwelling is taken on rent for commercial, the same may not get covered under the exemption.

   In this context, reference is invited to the CBIC's Education Guide, which was issued while introducing negative list scheme of levy of service tax, w.e.f. 1.7.2012. It shall be noted that similar to GST exemption, under the erstwhile service tax regime, the services of residential dwelling was covered under negative list and were not liable to tax.

4.13.3 Would the nature of renting transactions explained in column 1 of the table below be covered in this negative list entry?

If…..	*Then……*
(i) a residential house taken on rent is used only or predominantly for commercial or non-residential use.	*the renting transaction is not covered in this negative list entry.*
(ii) if a house is given on rent and the same is used as a hotel or a lodge	*the renting transaction is not covered in this negative list entry because the person taking it on rent is using it for a commercial purpose.*
(iii) rooms in a hotel or a lodge are let out whether or not for temporary stay	*the renting transaction is not covered in this negative list entry because a hotel or a lodge is not a residential dwelling.*
(iv) government department allots houses to its employees and charges a license fee	*such service would be covered in the negative list entry relating to services provided by government and hence non- taxable.*
(v) furnished flats given on rent for temporary stay (a few days)	*such renting as residential dwelling for the bona fide use of a person or his family for a reasonable period shall be residential use; but if the same is given for a short stay for different persons over a period of time the same would be liable to tax.*

Entry 14 : Services by a hotel, inn, guest house, club or camp site, by whatever name called, for residential or lodging purposes, having value of supply [declared tariff] of a unit of accommodation below one thousand rupees per day or equivalent.

The services of accommodation or lodging provided by a hotel, inn, guest house, club or a campsite etc., having value of supply of less than one thousand rupees is covered under the exemption entry. It shall be noted that the exemption was allowed based on the declared tariff till the same was amended w.e.f. 26.07.2018

Declared tariff

The term declared tariff is defined

(w) "declared tariff" includes charges for all amenities provided in the unit of accommodation (given on rent for stay) like furniture, air-conditioner, refrigerators or any other amenities, but without excluding any discount offered on the published charges for such unit;

In terms of the above definition, declared tariff includes all the charges levied for providing various facilities such as stay, air-conditioner or any other amenities etc. as part of lodging and accommodation services. However, the discount, if any, offered on the said published rate should not be considered for the purpose of determination of the exemption.

For example, where the declared tariff of the room is Rs.1200/- and the amount of discount offered is Rs.300/-, though the effective price after discount would be less than i.e. 1000/-, the hotel is not eligible for exemption as the declared tariff is more than Rs.1000/-.

Alternatively, where the declared tariff is less than Rs. 1000/- but effective billing because of other supplies, such as food or beverages, laundry or taxi, exceeds Rs. 1000/-, then in such cases the entire amount would be exempt

Based on value of supply

However, the term 'declared tariff' is substituted with word 'value of supply' through *Notification no. 14/2018-Central Tax (Rate) 26.07.2018*

The implication of the said amendment is that the exemption is based on the value of supply in terms of section 15 of the CGST Act,2017 and not based on the declared tariff. Value of supply means price actually paid or payable for the service of lodging and accommodation services and includes all other adjustment as specified in section 15(2). Further, the value to be considered for purpose of exemption should be after discount or before discount will also be as per the explanation attached to section 15 of the CGST Act,2017.

Therefore, if the discount is given at the time of supply or known before the supply in terms of agreement then the discount will be deducted from the value of supply and the said value should be less than Rs.1000/- in order to claim exemption.

With the amendment, irrespective of the declared tariff, the exemption would be available where the value of service is less than Rs. 1000/-.

[Note: Entry 13 of the Notification has been discussed in our earlier parts under the heading 'exemptions to charitable institution']

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ICAI must Reinvent the Examination Process

CA Pattabhi Ram

The Institute of Chartered Accountants of India (ICAI) is both the certifying body and the regulator for the audit profession. Its role as a regulator has often drawn flak. Its responsibility as a certifier is now under pressure. The system needs adjustments, lest it should suffer a serious setback.

Before I continue, here are my credentials. I am a proud member of the Institute and have spent a large part of my adult life in teaching besides being engaged in CA work. I have therefore no ax to grind, and yet I don't want the seriousness of this article to be lost in the noise of misguided jingoism.

What I write is what I would like to see in a model situation in a professional course. If some of these are already followed by ICAI, that is wonderful.

SETTING PAPERS

Exam questions, both at the Intermediate and at the Final levels, should be original. Each time an examiner cannot pick questions from study materials, past exams or identifiable sources. If a problem has appeared four times in the last eight years with numbers modestly altered, it only means we have got our priorities wrong. And I believe that going by history, in the last ten years we have our priorities misplaced. If an odd item is to be so sourced and then tweaked, there should be 100% certainty that there are zero errors. For example, we should not have a question on inflation with inflation rate missing or one on portfolios with the risk-free rate carrying a beta of 0.99 w.r.t Sensex.

The syllabus is already extensive and to expect a 20-year-old to know everything under the sun is unfair. The concepts tested should have been discussed in the study material. If those who wrote the study material did not find an idea significant enough to be addressed, why should we make it a part of testing? In short, we should not test the candidate on what we have not taught him under the wrong thinking that learning has to be unlimited. The aim should be to keep the questions smart, not predictable. The objective should be to find out what the candidate knows, and not what the candidate does not know.

The inclusion or exclusion of topics in the Law and Tax papers, based on statutory changes made effective before a threshold of six-months, is excellent. But upgradation of the syllabus (and study material) on similar lines for those and other papers has to be carried out very early. It's essential that the views of the members and students are heard, considered, and disposed of suitably. The portal that provides for feedback needs to be managed efficiently, lest people take to the social media to ventilate views when it sees the ICAI turning a deaf ear.

QUESTIONS BANK:

Let us create a pool of questions and guideline answers round the year. These can be outsourced. Each question in each paper should get vetted (including language editing) by at least two persons before it goes to a data pool. Let these men and women be either academically strong or have rich, relevant industry background. Once the items go to the data pool, they reach the stage of finality. There should be two paper-setters for every exam who will agree on the sub-topic to be tested. After that allow the computer to select the relevant questions from the database. This is a process that will take time to implement, but we must begin now. Ensure that we pay everyone at above market rate and hold them accountable.

Next, let's remember that how we test a student has a bearing on how he learns. If we repeat questions and if the issues become predictable, rote learning will become standard practice. If rote reading happens, we are doing a disservice to a generation that will work in an era where the premium is on rapid learning and innovation.

Typically, the exam paper at Intermediate, be it Quantitative or Theory should have: (a) Multiple choice questions that test concepts (30 marks); (b) Short problems (30 marks); (c) Case lets (20 marks); Theory questions (20 marks). Having 30% of the paper on the MCQ mode is welcome.

On MCQ, it would be perfectly all right for each student to get a different paper. Modifying the sequence of questions and the series of answers can actually help convert 15 raw questions into about 930!

At the Final Level, the intensity of the questions should be stronger than what it is at Intermediate. However, question papers should be such that a good student is able to complete the paper in given time. Today, in certain subjects, it is virtually impossible to do so. The Case-lets should test practical knowledge imbibed in the Internship. Would it not be interesting to offer the candidates writing an audit paper a few documents and ask him to identify whether there is a fraud?

The paper must cover the entire syllabus. If the question is found to have an error, conceptual or otherwise, if an answer has a mistake, theoretical or otherwise, we must hold the person who set it accountable. An odd mistake once in ten years is understandable.

We should ensure that the questions are of international standards and the answers are not obvious. Examinations should be run every quarter with a student having the option of writing only the alternate exam. This will reduce the workload involved in each exam. The ultimate goal would, of course, be to let a candidate take an exam anytime when he is ready but that - I think - is far into the future.

I would even like to have the system to allow students to progressively move from one group to another only after they finish a particular group. Like, a student to take Group 2 of Intermediate should have completed Group 1 and similarly to take Group 2 of Final should have completed Group 1 of Final. In short, he takes only one Group at a time. This will ensure he gets a finer grip on the subject.

VALUING PAPERS

We must get into a central valuation of exam papers. We have surely moved to an era of work from home, or work from anywhere. But, valuation of exam papers requires a conducive environment and 100 percent dedication to the job. This can happen only when the valuer drops everything, comes to a central place ` and carries out the task. Yes, this would cost, but it's a cost worth taking for the cause. Only those who are in touch with the subject must value papers. Let's not get into the unrealistic assumption that a CA knows everything and can do anything. If for example, I specialize in valuation in my profession and do nothing with taxes, it would be utterly unfair for me to value a direct tax paper merely because I had once passed the CA exam and now have a guideline answer to guide me through the evaluation. Valuers should be subject-experts without any compromise.

Today, marks are scaled up for all candidates based on exigencies. There may be a variety of reasons for this, into which we do not have to now get into. But let's not forget that this is the era of transparency. We need to be up to the mark. Courts are unlikely to take tardiness in their stride. Raw scores are now visible to the judges, as also to the students as a photocopy of answer scripts are made available to them. Further, the institute should take ownership of the guideline answers shared with valuers or students.

Suffice to say, to avoid the anomalous situation of scoring not being uniform across exams and across subjects, the system of relative grading (a k a Grade Point Average) should be adopted. All business schools and all engineering colleges have transitioned to this with success. While life is not about the standard distribution curve, GPA will help iron out the troublesome case of marking. Next up, consider using Artificial Intelligence to grade essay questions. The Graduate Record Examination (GRE) uses AI to grade essays, and thus removes the human bias and tedium inherent in the lengthy drawn evaluation.

AUTONOMY

There may today be a Chinese wall between the Board and the Examination department, but so long as the two report to the same head, there will be a source of conflict. Most importantly, the examination body should be spun out of the office of the President and of the ICAI's Standing Committee. An independent CEO, who could be elected or selected exclusively for this purpose and holds a 5-year term, must head it. This should be a highly paid job handed out to a person of proven competence and integrity. No other elected member of the council should be a part of the body. This CEO will keep the President posted only on a need-to-know basis.

Results should be announced within three weeks. One way of doing it is running quarterly exams. A second would be to add evaluators. Before valuation, the evaluators should be walked through the answers in a workshop. This should be done after a few papers have been test-valued

(Contd. on page 29)

LLP Conversion Tax – Recent Ruling of Celerity Power Lifts the Primary Tax Shield Offered in the Past by Jurisprudence

CA Sandeep Jhunjhunwala

Limited Liability Partnerships (LLPs) have been rapidly emerging as an alternative to companies and partnership firms which have conventionally been used as forms of business vehicles. LLP provides nearly all the benefits of a private limited company, while eliminating the downsides of a partnership firm and provides the benefits of being lightly regulated, having limited liability, better tax efficiency, and allows its members the flexibility of organising their internal structure as a partnership based on a mutually arrived at agreement. The statistics released by the Ministry of Corporate Affairs (MCA) reveals that although the number of registrations of companies is higher than that of LLPs, there is an upward trend in terms of LLPs registrations.

As a much-expected effect of the Companies Act 2013 (with its new avatars almost every now and then) has been the urge for companies to decorporatise to avoid getting covered under the growing regulatory burden. Further, Dividend Distribution Tax (DDT) not applicable to LLPs has been an added benefit too. From an Income tax perspective, Section 47 (xiiib) of the Income Tax Act provides for specific anti-avoidance rules in relation to conversion of a Company to an LLP. The conversion of a Company into an LLP is not to be considered as "transfer" for the purpose of capital gains, if all the conditions specified under Section 47(xiiib) of the Income Tax are complied with. The conditions (a) to (d) mentioned under Section 47(xiiib) of the Income Tax ensure the continuity of same business by same shareholders, whereas conditions (e) and (f) are meant to restrict the tax benefit to smaller entities and to control evasion of DDT respectively. Special clause (ea) was introduced by the Finance Act of 2016 into Section 47(xiiib) of the Income Tax. Before introduction of this clause, the benefit of Section 47(xiiib) was restricted to size of the company having its revenue/ turnover and gross receipts from business not exceeding INR 6 million. Clause (ea) of Section 47(xiiib) relates to size of assets (not exceeding INR 50 million), which is an additional parameter to judge the eligibility of the company to claim income tax benefits on such transaction. Further, Section 47A(4) of the Income Tax Act specifically provides that where any of the conditions prescribed under Section 47(xiiib) are not complied with, capital gains not charged to tax in the year of conversion will be chargeable to tax in the hands of the successor LLP or shareholder of the predecessor company, in the year in which any of the prescribed conditions are not complied with.

In general, a transfer requires existence of two parties ie a party and a counterparty and incoming consideration *qua* the transferor. The scheme for conversion of a private limited company to an LLP is provided for in Section 56 of the LLP Act read with the Third Schedule thereto. To determine the income tax liability in such transaction involving conversion from PLC to LLP, reference may be made to the decision of Bombay High Court in the case of *CIT vs Texspin Engg & Mfg Works [2003] 263 ITR 345 (Bombay HC)*, wherein the Hon'ble Court held that conversion of a firm into a company does not involve transfer of assets from one entity to another and the process merely involves statutory vesting of assets into the fold of the company under the provisions of Part-IX of the Companies Act. A battery of tax rulings, including those of *Well Pack Packaging vs DCIT [2003] 130 Taxman 215 (Ahmedabad ITAT), Umicore Finance Luxembourg, In re [2010] 323 ITR 25 (AAR), United Fish Nets [2014] 372 ITR 67 (Andhra HC), ACIT vs Unity Care & Health Services [2006] 103 ITD 53 (Bangalore ITAT), R L Kalathia (2016) 381 ITR 180, Cadd Centre vs ACIT (2016) 65 Taxmann 291* etc have upheld similar principle in the past. The essence of these rulings have been that where an entity only changes its cloak, there is a vesting of capital assets from the old form of entity into the new form and such vesting of capital assets cannot be construed to be a "transfer", but as "transmission" of capital assets.

The recent ruling from Mumbai bench of the Income Tax Appellate Tribunal [ITA No 3637/ Mum/ 2015 pronounced on November 16, 2018] involves Celerity Power, a private limited company that acquired LLP status in September 2010. The Revenue Authorities, in this case, did not buy the company's argument that the conversion of Celerity Power Pvt Ltd into Celerity Power LLP had not involved any transfer of property, assets or liabilities, among others. The Mumbai Tribunal in its detailed order of 31 pages has taken a considered view that the scope of the term "transfer" has to be read in context of the Income-tax Act, 1961, and cannot be narrowed down to that defined in the Transfer of Property Act, 1882 (as was subscribed by the Authorised Representative of the Appellant). This decision could have far-reaching implications on M&A transactions involving entity form conversions. The principles enunciated by the Mumbai Tribunal could apply to pending income tax assessment proceedings where tax neutrality on conversion related transactions is to be tested. In certain cases, this may lead to re-assessment or revision of orders passed by the Revenue Authorities as well. In cases where conversion to LLP involves valuation of assets at higher than book value (primarily done to strengthen balance sheet or to increase net worth of the partners in LLP), capital gains tax liability could trigger. The Ruling of Celerity Power pertain to Assessment Year 2011-12. Post introduction of Section 50D by the Finance Act of 2012, fair market value of assets is to be taken as full value of consideration, in cases where the consideration is not ascertainable or cannot be determined. While Mumbai Tribunal in this ruling had clearly observed that the expression "full value of the consideration" does not mean "market value" of assets transferred (but it shall mean price bargained for by the parties to the transaction), it would be interesting to see the technical position that would be taken for similar matters that would pertain to Assessment Year 2012-13 and onwards, where the deeming force of Section 50D would also apply. The argument that the machinery provision contemplated in Section 48 of the Income tax Act, rendered unworkable, may not sustain due to existence of Section 50D. Another significant aspect of this ruling is that any income tax that had escaped taxation in the hands of the predecessor company could now be levied on the successor LLP, on account of application of Section 170(2) of the Income tax Act.

The ruling of Celerity Power could also impact the technical position on the applicability of stamp duty on entity form conversions, which currently based on the rulings of various courts, follow the principle that due to the statutory nature of automatic divesting and vesting involved in conversion, no registered instrument of transfer or conveyance is separately required. Recently, a stamp duty circular on mergers issued by the Inspector General of Registration in Tamil Nadu had put companies in a spot. Press articles indicate that the revamped direct tax code aims to simplify country's income tax law and making it more comprehensible, without focusing on revising or rationalising tax slabs. Bringing in tax certainty and reducing ambiguities seem to be the priority of the tax force. Given that LLPs are preferred mode of doing business, the Committee should take up mystifying issues such as LLP conversion taxation and attempt to demystify the same under the new code.

The views expressed above are the personal views of the Author.

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ICAI must Reinvent the Examination Process

(Contd. from page 27)

to understand how some answers and assumptions are different from the guideline answers. It would also be an idea to have at least two persons evaluate each answer paper, rather than a supervisor carrying out a random review of papers being assessed. The first examiner will value the first three questions and the second examiner will value the next three, across all papers that they value. This will bring about a sense of greater efficiency to the process. This is how internationally valuation in the CFA exam works.

I have not spoken of actual cases of commissions and omissions, lest it is sensationalized. The objective is that we move with changing times and uphold the integrity, sanctity, and thoroughness of our exam process, which increasingly has turned opaque. We should strive to make the examination and evaluation process enviably robust to ensure it is world-class.

CA Pattabhi Ram is a member of the ICAI. His debut novel Ticking Times is set in the backdrop of the audit profession.

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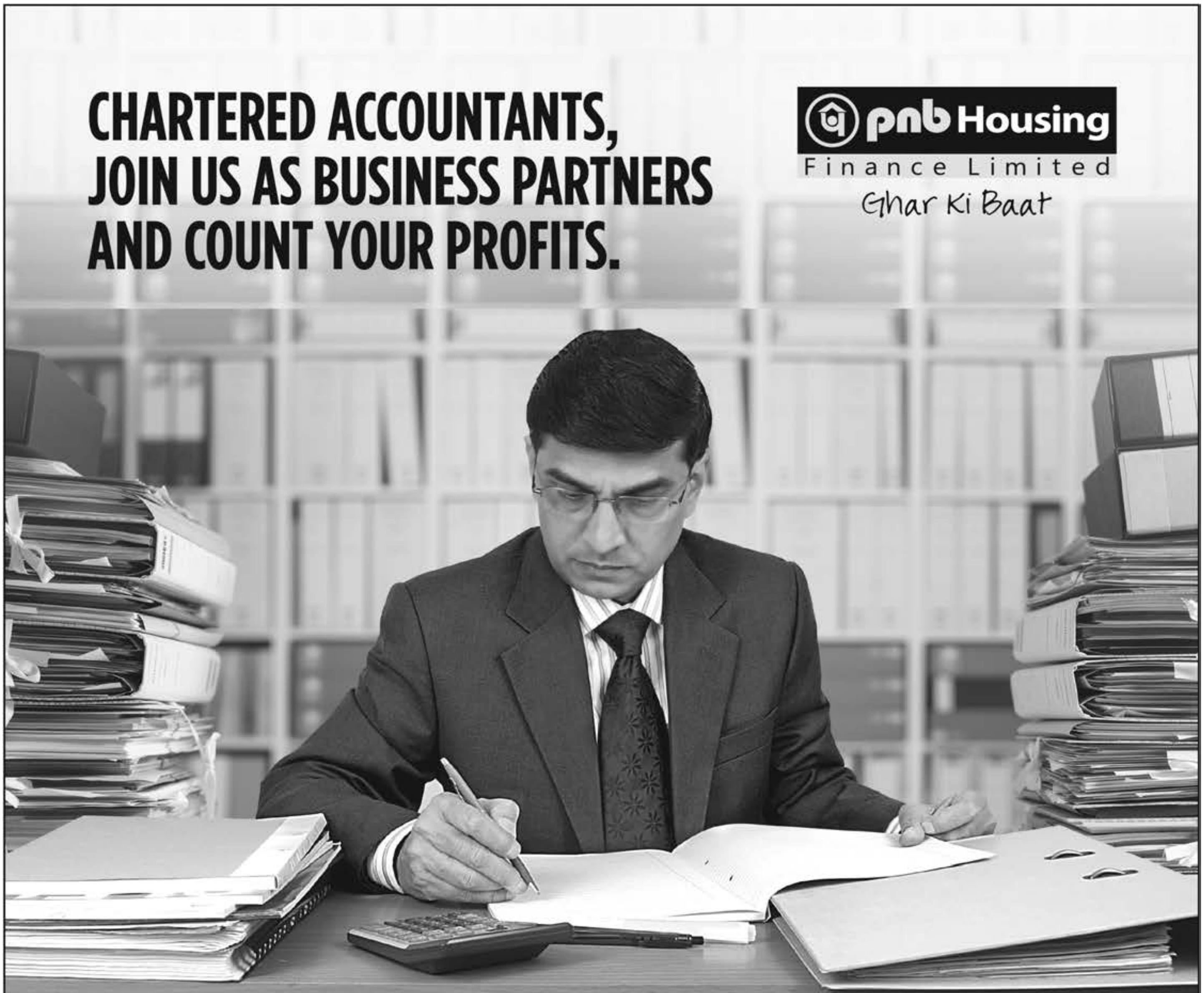

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