

# KSCAA

Karnataka State Chartered Accountants Association ®

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Income Tax | GST | Financial Reporting | Union Budget 2018

# Prerana

*to inspire & explore possibilities*

## 30<sup>th</sup> kscaa annual conference 2018

9<sup>th</sup> & 10<sup>th</sup> March 2018

Friday & Saturday

**Jnana Jyothi Convention Centre**

Central College Campus, Bangalore University  
Palace Road (Near SBM Circle), Bengaluru - 560 009



annual conference

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### Dear Professional Friends,

It is indeed my pleasure in welcoming you all to the 30<sup>th</sup> KSCAA Annual Conference “**Prerana**: to inspire & explore possibilities” on Friday, 9<sup>th</sup> and Saturday, 10<sup>th</sup> of March 2018 at Jnana Jyothi Convention Center, Bengaluru. The conference is specially designed for you to relish the contemporary topics from renowned domain experts, facilitate key

knowledge take-aways topped with invigorating panel discussions. We have endeavored to schedule various topics of interest to keep you abreast with the latest on-goings and needs of profession specifically while crafting the sessions. We shall go all out in our efforts to make this a memorable event in Bengaluru. All that we look forward to is your active support by your attendance and request you all do spread a word on this to your friends in practice and Industry. We have a very good team in Conference Committees and I am sure that we would be able to deliver a memorable conference to all the participants.

We congratulate newly elected President of ICAI, CA. Naveen N.D. Gupta and Vice-President CA. Prafulla Chhajed. We extend our hand of cooperation in an endeavor to take the ICAI forward in leaps and bounds.

#### Representation:

To start with we have represented before the Pr. CCIT, DGIT (Investigation), Bengaluru and the Chairman, CBDT appropriately, seeking for a rational approach and release of information in media with proper due diligence on facts in response to the Press Release regarding tax practitioner Nagesh Shastry who in the guise of being Chartered Accountant had lured and connived along with employees of reputed software companies in Bengaluru to obtain refunds illegally. We, have through our representation “Brandishing CA community in slanderous manner,” highlighted the fact that there is a need for exercise of caution and certain restraint to address community as it would lead to tarnishing of a community in public baselessly.

We have written to our Hon. Union Finance Minister on Simplification of GST Returns and claim of ITC, providing them the issues faced by MSMEs and large dealers as well as suggestions in easing the process. It gives us utmost satisfaction that we have been heeded and attended to in all these representations and fruitful results are being seen.

Further, we have written to the Director of Cooperative Audit in Karnataka emphasizing the need to keep our members abreast with the latest circulars and notifications about Cooperative Audit and in this direction have sought their support in providing us latest updates regularly to present to our members in news bulletin.

We request members to write to us giving pointers where they need support and we are more than willing to build around it and populate before right forums.

#### News Roundup:

Union Budget is construed as an annual tug-of-war between populism and fiscal prudence, arguably it is the latter that prevailed in the past four budgets tabled by the NDA. Consequently, populism seems to have gained an upper hand in its latest effort. Despite exceptional buoyancy in direct tax revenues (18.7% growth in FY18) and record disinvestment proceeds (Rs.1 lakh crore), shortfalls in GST mop-ups and

dividend receipts have forced the Finance Minister to ease off on fiscal consolidation as mandated by the FRBM Act. The Budget has reported a fiscal deficit of 3.5% of GDP for FY18 and has pegged it at a high 3.3% for next year. The National Health Protection Scheme, to provide Rs.5 lakh health cover to 10 crore households, is a much-needed social security intervention to benefit poor households that rely overwhelmingly on private health care. While being liberal in announcements for rural India, the Budget has been economical in its giveaways to the middle class and the corporate sector. Expectations of an increase in the basic exemption limit on income tax have been belied; instead, a standard deduction of Rs. 40,000, in lieu of a few allowances, is back for the salaried taxpayers. The clamour for an across-the-board cut in the basic corporate tax rate from 30 to 25% has also been ignored, with the cut limited to mid-size companies (up to Rs.250-crore turnover). The imposition of 10% long-term capital gains tax on profits from shares and equity mutual funds has dampened market sentiment in the near term but is unlikely to have any structural impact on domestic equity flows as mostly it is driven by earnings offtake and benignity of inflation. Overall, the Budget has a sense of direction that is difficult to find fault with. If some of the proposals seem half-hearted or are not taken to their logical end, it may be the result of revenue constraints. It is to be hoped that as the revenue base improves, and GST collections stabilize, future budgets can put the finishing touches on the welfare proposals. Overall, a balancing effort.

#### Upcoming events and programs for the month:

KSCAA is conducting Career Orientation programs in KLE Society's Basavaprabhu Kore Arts, Science and Commerce College, Chikodi on 21<sup>st</sup> February and Vidya Samvardhak Mandal's Arts, Commerce & Science College and KLE Society's G I Bagewadi Arts, Science and Commerce College, Nipani on 22<sup>nd</sup> February. These programs provide interesting insights of CA Course to students and create awareness about CA course in rural areas.

Basavanagudi CPE Study Circle is organizing a discussion on “Union Budget, 2018 – Changes in Direct Tax” by CA. Naveen Khariwal on Monday 26<sup>th</sup> February 2018 at Vasavi Vidyaniketan Trust, Basavanagudi, Bengaluru. Members are requested to make use of these programs.

The program details are published elsewhere in this news bulletin. You may also visit [www.kscAA.com](http://www.kscAA.com) for details.

I wish to conclude this message with a provoking thought:

“The difference between ordinary and extraordinary is that little extra.” - Jimmy Johnson

This is a cute way of pointing out the difference between what makes things extraordinary rather than ordinary. It really is a matter of a few degrees, going that little bit further to push things past the frontiers of the regular. The key to this is to always strive and leap towards the extraordinary. Doing a few extraordinary things might make you complacent, and make you rest on your laurels. But then you run the risk of slipping back into ordinary behaviors and slip to the 'Rule of the Average'. Hence the need to add an extra in a positive fashion in whatever you stride towards.

With warm regards,

**CA. Raghavendra T.N.**  
President

# KSCAA

## News Bulletin

February 2018

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### Disclaimer

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Website: [www.kscaa.com](http://www.kscaa.com)

## Career Counselling Programme

Organised by

Karnataka State Chartered Accountants Association ®

Jointly With

KLE Society's Basavaprabhu Kore Arts, Science and Commerce College, Chikodi

On 21st February, 2018

Venue : KLE Society's Basavaprabhu Kore Arts, Science and Commerce College,  
Chikodi, Belagavi District, Karnataka.

10.30 AM	<b>INAUGURATION</b> Inaugural address by: <b>CA. Raghavendra T N</b> , President, KSCAA
10.50 AM - 12.20 PM	<b>All about Chartered Accountancy Course</b> <b>CA. Ganesh V Shandage</b> , Executive Committee Member, KSCAA <b>CA. Raghavendra Puranik</b> , Immediate Past President, KSCAA

## Career Counselling Programme

Organised by

Karnataka State Chartered Accountants Association ®

Jointly With

Vidya Samvardhak Mandal's Arts, Commerce & Science Degree College, Nipani

On 22nd February, 2018

Venue : Vidya Samvardhak Mandal's Arts, Commerce & Science Degree College,  
Nipani, Belagavi District, Karnataka.

10.00 AM	<b>INAUGURATION</b> Inaugural address by: <b>CA. Raghavendra T N</b> , President, KSCAA
10.20 AM - 11.50 AM	<b>All about Chartered Accountancy Course</b> <b>CA. Ganesh V Shandage</b> , Executive Committee Member, KSCAA <b>CA. Raghavendra Puranik</b> , Immediate Past President, KSCAA

## Career Counselling Programme

Organised by

Karnataka State Chartered Accountants Association ®

Jointly With Department of Commerce

KLE Society's G I Bagewadi Arts, Science and Commerce College, Nipani

On 22nd February, 2018

Venue : KLE Society's G I Bagewadi College,  
Nipani, Belagavi District, Karnataka.

02.30 PM	<b>INAUGURATION</b> Inaugural address by: <b>CA. Raghavendra T N</b> , President, KSCAA
02.50 PM - 4.20 PM	<b>All about Chartered Accountancy Course</b> <b>CA. Ganesh V Shandage</b> , Executive Committee Member, KSCAA <b>CA. Raghavendra Puranik</b> , Immediate Past President, KSCAA

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# REVISION - INCOME TAX ACT, 1961

CA S. Krishnaswamy

Sec.263 of the Income-tax Act empowers the CCIT/ CIT to revise orders of Assessing Officer if the order is erroneous and prejudicial to the interest of revenue.

• **The conditions are -**

1. The CCIT or CIT considers that any order passed by the Assessing Officer is erroneous in so far as it is prejudicial to the interests of revenue;
2. An opportunity of being heard to the assessee.
3. After making or causing to be **made such enquiry** as he deems necessary.

• **The options are-**

1. Pass such order thereon as the circumstances of the case justify, including an order enhancing or modifying the assessment; or
2. Cancelling the assessment and directing a fresh assessment.

• **Remedy for the appellant if aggrieved :**

In the case of (1) above – remand- participate in assessment proceedings.

In the case of (2) above – file an appeal to ITAT - Sec.253 (1) (c).

• **Explanation:**

An order passed by the Assessing Officer shall be deemed to be erroneous in so far as it is prejudicial to the interests of the revenue, if, in the opinion of the Principal Commissioner or Commissioner,—

1. the order is passed without **making inquiries or verification** which should have been made;
2. the order is passed allowing any relief without inquiring into the claim;
3. the order has not been made in accordance with any order, direction or instruction issued by the Board under section 119; or
4. the order has not been passed in accordance with any decision which is prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person.

• **Limitation:**

1. **Sec. 263(2):**

No order shall be made under sub-section (1) to

Section 263 after the expiry of two years from the end of the financial year in which the order sought to be revised was passed.

2. **Sec. 263(3):**

Notwithstanding anything contained in sub-section (2), an order in revision under this section may be passed at any time in the case of an order which has been passed in consequence of, or to give effect to, any finding or direction contained in an order of the Appellate Tribunal, National Tax Tribunal, the High Court or the Supreme Court.

**Explanation-**

In computing the period of limitation for the purposes of sub-section (2), the time taken in giving an opportunity to the assessee to be reheard under the proviso to section 129 and any period during which any proceeding under this section is stayed by an order or injunction of any court shall be excluded.

• **Orders that can be revised**

- Section 263 is not limited to exercising revisional powers qua order of assessment only; it would take within its sweep even orders wherein either the proceedings are dropped or proceedings are filed.

*[New Jagat Textile Mills (P.) Ltd. v. CIT [2006] 282 ITR 399 (Guj)(HC)]*

- Income-escaping assessment order passed under section 143(3), r.w.s. 147, is an assessment order passed by Assessing Officer and therefore, any issue, which Commissioner thinks that Assessing Officer has not considered in the said assessment, can be brought to life by Commissioner in exercise of his powers under section 263.

*[Spencer & Co. Ltd. v. ACIT [2012] 137 ITD 141 (Chennai) (Trib) (TM)]*

- Any communication by the Assessing Officer under Section 195(2) that disposes of application made under section 195(1) and determines liability towards tax to be deducted at source in accordance with provisions of section 195(2), is an order for purposes of section 263.

*[Board of Control for Cricket in India v. DIT (Exemption) [2005] 96 ITD 263 (Mum.)(Trib.)]*



- The order passed by the authority, which is subordinate to the Commissioner, to give effect to the orders of the Tribunal is covered under the phrase “any order”. Thus, invoking of power of revision under Section 263 by the Commissioner is within the permissible limits of the law.

*[Pentamedia Graphics Ltd. v. ACIT [2012] 17 ITR 302 (Chennai) (Trib.)]*

- **The issues that emerge for consideration and judicial interpretation:**
- **Enquiry by the CCIT/CIT – essential pre-condition in Pr.CIT v. Delhi Airport Metro Express Pvt. Ltd (2017) 398 ITR 8 (Delhi).**

It was held that-

*“the order of the Assessing Officer is erroneous and prejudicial to the interests of the Revenue has to be preceded by some minima inquiry. In fact, if the Principal Commissioner of Income-tax is of the view that the Assessing Officer did not undertake any inquiry, it becomes incumbent on the Principal Commissioner of Income-tax to conclude such inquiry.”*

The second option available u/s 263 (1) of sending the entire matter back to the AO for a fresh assessment can be exercised by the PCIT only after he undertakes an inquiry himself and not otherwise.

- **In case of two opinions, AO can take one opinion and CIT cannot take the other.**
- *Malbar Industries Co Ltd v. CIT [2000] 243 ITR 83 (SC)*
- *CIT v. Max India Limited [2007] 295 ITR 282 (SC)*

A bare reading of this provision makes it clear that the prerequisite to exercise of jurisdiction by the Commissioner suo moto under it, is that the order of the Income-tax Officer is erroneous insofar as it is prejudicial to the interests of the revenue. The Commissioner has to be satisfied of twin conditions, namely,

- the order of the Assessing Officer sought to be revised is erroneous; and
- it is prejudicial to the interests of the revenue.

If one of them is absent - if the order of the Income-tax Officer is erroneous but is not prejudicial to the revenue or if it is not erroneous but is prejudicial to the revenue -- recourse cannot be had to Section 263(1) of the Act. There can be no doubt that the provision cannot be invoked to correct each and every type of mistake or error committed by the Assessing Officer; it is only when an order is erroneous that the section

will be attracted. An **incorrect assumption of facts or an incorrect application of law** will satisfy the requirement of the order being erroneous. In the same category fall orders passed without applying the principles of natural justice or without application of mind. The phrase prejudicial to the interests of the revenue is not an expression of art and is not defined in the Act. Understood in its ordinary meaning it is of wide import and is not confined to loss of tax. The scheme of the Act is to levy and collect tax in accordance with the provisions of the Act and this task is entrusted to the Revenue. If due to an erroneous order of the Income-tax Officer, the revenue is losing tax lawfully payable by a person, it will certainly be prejudicial to the interests of the revenue. The phrase prejudicial to the interests of the revenue has to be read in conjunction with an erroneous order passed by the Assessing Officer. Every loss of revenue as a consequence of an order of Assessing Officer cannot be treated as prejudicial to the interests of the revenue, for example, when an Income-tax Officer adopted one of the courses permissible in law and it has resulted in loss of revenue; or where two views are possible and the Income-tax Officer has taken one view with which the Commissioner does not agree, it cannot be treated as an erroneous order prejudicial to the interests of the revenue unless the view taken by the Income-tax Officer is unsustainable in law.

It was held in the case of **Commissioner of Income-tax v. Nirav Modi (2017) 390 ITR 292 (Bom)** that the Commissioner in his order of revision, did not indicate any doubts in respect of the genuineness of the evidence produced by the assessee. The satisfaction of the Assessing Officer on the basis of the documents produced was not shown to be erroneous in the absence of making a further enquiry. **This was a case where a view was taken by the AO on enquiry. Even if this view, in the opinion of the Commissioner was not correct, it would not permit him to exercise power u/s 263 of the Act.** The Tribunal was right in setting aside the order under section 263 of the Act.

- **Meaning of the term “erroneous”:**

The expression 'erroneous' refers to an order which has an error or is contrary to law. An order will be erroneous if it is based on a mistaken view of law or on erroneous application of legal principles. It is necessary that the Commissioner must come to a definite finding that the order is both erroneous as well as prejudicial to the interests of the Revenue. Even if an

order is prejudicial to the interests of the Revenue, it cannot be interfered with, if it is not erroneous. Again the Commissioner should not interfere with an order which is not prejudicial to the interests of the Revenue, even if it is erroneous. The above view was considered and affirmed by the judgment of the Supreme Court in **Malabar Industrial Co. Ltd. v. CIT [2000] 243 ITR 83.**

- **Meaning of the term “prejudicial to the interest of the revenue”:**

The words 'prejudicial to the interests of the Revenue' have not been defined in the Act, but it must mean that the orders of assessment challenged are such as are not in accordance with law, in consequence whereof the lawful revenue due to the State has not been realised or cannot be realised.

The word 'prejudice' must be judicially examined. What constitutes 'prejudice to the Revenue' has been the subject-matter of a judicial debate. One view was that 'prejudicial to the interests of the Revenue' does not necessarily mean loss of revenue. The expression 'prejudicial to the interests of the Revenue' is not to be construed in a petti-fogging manner, but must be given a dignified construction. The interests of the Revenue are not to be equated to rupees and paise merely. There must be some grievous error in the order passed by the Income-tax Officer which might set a bad trend or pattern for similar assessments which, on a broad reckoning, the Commissioner might think to be prejudicial to the Revenue administration. The prejudice must be prejudice to the Revenue administration.

The words are of wide import and that they should not be limited to a case where the order passed by the Income-tax Officer can be considered to be one prejudicial to the revenue administration as such.

*[Bismillah Trading Co. Vs. Intelligence Officer, Squad No. II, Agricultural Income-tax and Sales Tax and ors. [2001]248 ITR292 (Ker)]*

- **Twin conditions to be satisfied:**

Recourse to Section 263(1) cannot be taken if the impugned order is erroneous but not prejudicial to the interest of the revenue; or if it is prejudicial to the interest of the revenue but not erroneous.

The twin conditions are required to be satisfied simultaneously.

**S. Murugan v. ITO [2012]135 ITD 527 (Chennai) (Trib.)**

In the case of **CIT v. G. R. Thangamaligai [2003] 259 ITR 129 (Mad.) (HC)** held that in absence of any finding that there is loss of revenue, interference under section 263 is not justified. In the case under consideration there is no tax effect even after revision by the CIT as the income of the assessee is exempt u/s 10B of the Income Tax Act, 1961.

In the case of **Punjab Wool Syndicate v. ITO [2012] 17 ITR 439 (Chandigarh) (Trib.)** held that where the tax effect because of an order passed by the Assessing Officer is NIL, such order even if erroneous being prejudicial to the interest of the revenue, is not open to revision under Section 263 of the Act. In the instant case, tax effect after passing the assessment order is NIL.

In the case of **Antala Sanjay kumar Ravjibhai v. CIT [2012] 135 ITD 506 (Rajkot) (Trib.)**, **Manish Kumar v. CIT [2012] 134 ITD 27 (Indore) (Trib.)** held that section 263 does not visualize a case of substitution of judgment of Commissioner for that of the Assessing Officer, unless the decision is held to be erroneous.

In the case of **Allied Engineers v. CIT [2009] 180 Taxman 70 (Mag.) (Delhi) (Trib.)** held that order passed by the Assessing Officer in accordance with law, judicial pronouncements and after considering relevant replies duly supported by evidence cannot be branded as erroneous, merely because the Commissioner is of other view or in his opinion order passed is weak and not a detailed order.

In the case of **Religare Finvest Ltd. v. CIT [2013] 152 TTJ 647 (Delhi) (Trib.)** held that as the Commissioner did not consider the merits of the objections raised by the assessee to the show cause notice, the matter was remanded to CIT for adjudication and to record his findings on the objections of the assessee.

- **Conclusion:**

Revision provision is an extraordinary power and has to be strictly interpreted having regard to the facts. It is not a substitute for the AO's power of judicial exercise in framing an assessment.

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# GST ON SALE OF OLD CARS

CA Madhukar N Hiregange & CA Mahadev.R



It is estimated that every one car out of four cars sold in India would be against exchange of old car. Market for used cars has increased in recent years in our country. As per the report by Frost and Sullivan research organisation, the used car market is pitted to grow at a CAGR of 12.5 percent from 3.94 million units in 2016 to 7.1 million in 2021. Sale of old cars were generally taxed at rates ranging from 5% to 15% depending on State laws. However, with introduction of GST, rate was way higher than earlier. There have been many developments with respect to taxation of old cars under GST which has led to lot of confusions as well. In this article, we have tried to address few of them.

## Taxation of old cars earlier

In Karnataka state, sale of old vehicles was also subject to tax of 14.5%. However, if the seller had not taken VAT input tax credit on purchase of such vehicles and State registration had been taken, the rate of tax was 5.5%. There was a restriction for taking credit on motor vehicles therefore many of the registered persons would not have taken the credit to be eligible for paying lower rate of VAT.

Dealers in motor vehicles also had the benefit of paying VAT at lower rate subject to fulfilment of similar conditions. The tax was payable only on the margin amount. The main issue in case of such dealers was requirement of paying VAT on purchase of vehicles from unregistered persons. If VAT was paid on such purchases, dealers would not have been eligible to pay tax at lower rate of tax only on margin amount.

## GST applicable on sale of old cars

GST is payable on supply of goods or services. Unless exempted, all goods are subject to tax at the specified rates. Most of the vehicles are subject to GST at the rate of 28%. In addition to this, applicable compensation cess was also payable at applicable rates which varies from 15% to 22%. If a SUV (vehicles of more than 1500 cc) which was procured before July 2017 was sold in GST regime, the tax rate applicable would have been around 43% as against 5% to 15% earlier. This resulted in reduction in margin for sellers. Especially for dealers in sale of used vehicles. Many dealers had to sell vehicles at loss or could not find the buyers due to higher prices due to tax rate of around 43%.

## Purchase price for valuation of goods

Similar to VAT benefit, the margin scheme for payment of tax is available in GST as well. Rule 32 (5) provides for payment of GST only on margin on sale of used goods as such or after such minor processing which does not change the nature of the goods and where no input tax credit has been availed on the purchase of such goods. If such margin is negative, no GST to be paid. Margin is nothing but difference between selling price and purchase price of goods. In VAT provisions, the benefit of paying tax was mostly provided for vehicles whereas in GST it is applicable for all used goods.

Used car dealers would undertake minor repair/reimbursement of vehicles procured before selling such vehicles. The main issue is whether purchase price could include expenses incurred towards such minor processing. If it is included, then the GST payable would also get reduced as it is payable only on margin. Prima facie reading of the words does not indicate such inclusion in purchase price as such price can include only the amounts paid to seller of vehicle to dealer. A clarification on this from CBEC could help thousands of dealers engaged in sale of old goods.

In case of banking companies or NBFCs, purchase value of goods repossessed from a defaulting borrower be deemed to be the purchase price of such goods by the defaulting borrower reduced by 5% for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.



Except in case of dealer of used goods, GST was payable on entire consideration by other sellers at applicable rates.

**Various notifications on rate of taxes and issues**

Tax exemption of 35%

Notification no.37/2017-CT (Rate) dated was the first notification issued providing relief of 35% of tax payable to sellers of motor vehicles. If GST rate is 43%, then tax payable applicable was 65% of 43% which is around 28% tax. This benefit is available up-to year 2020 and subject to fulfilment of following conditions:

- a) Supplier of vehicle is a registered person
- b) Such supplier had purchased the vehicle prior to 1<sup>st</sup> July, 2017 and has not availed input tax credit of central excise duty, VAT or any other taxes paid on such vehicles.

Entry tax could fit into other taxes paid category. This provided an alternative option to dealers of used vehicles. They had to compare the tax payable on margin versus tax payable at around 28% on total consideration to choose the better option. Rate of 28% is still higher which did not provide any respite to dealers.

Reduction in GST rate for all old vehicles

The much-awaited bigger relief has been given through notification no.8/2018-CT (rate) dated 25<sup>th</sup> January 2018 by reducing the rate of tax on old vehicles as below:

Sl. No.	Particulars of vehicles	Effective GST
1	Old and used, LPG or CNG driven motor vehicles of engine capacity of 1200 cc or more and of length of 4000 mm or more	18%
2	Old and used, diesel driven motor vehicles of engine capacity of 1500 cc or more and of length of 4000 mm	18%
3	Old and used motor vehicles of engine capacity exceeding 1500 cc, popularly known as Sports Utility Vehicles (SUVs) including utility vehicles.	18%
4	All Old and used Vehicles other than those mentioned from S. No. 1 to S.No.3 above	12%

A normal registered person could pay GST at above rates only on his margin which would be the difference between sale price less depreciated value as per income tax provisions. A dealer engaged in sale of used vehicle can pay GST at above rates on his margin which is difference between sale and purchase price. Complete exemption from compensation cess is also provided on sale of all kinds of used vehicles.

The important question which arises now is whether benefit of notification no.37/2017 and no.8/2018 be claimed simultaneously i.e, if tax can be paid only at 65% of applicable GST. It is relevant to note that the benefit of notification no.37/2017 would not be applicable for vehicles purchased after 1<sup>st</sup> July 2017 or for vehicles sold after 1<sup>st</sup> July 2020. The notification no.8/2018 exempts tax above the regular rate specified. This can be applied only for vehicles purchased and sold after 1<sup>st</sup> July 2017. It would be ideal for the dealers to opt for the later notification as effective tax amount would be much lesser compared to option of paying tax of 65% of actual tax applicable. There are various dealers who would not have paid tax on sale of old vehicles as the rate was too high including compensation cess. Unless specifically provided, the new rates would be applicable only for transactions from 25<sup>th</sup> January 2018. For the past, the GST liability would still exist.

**Conclusion**

GST law is still evolving and as expected there have been regular amendment in the law with notifications being issued very often. It is critical for the tax payers to be aware of all important changes. The professionals need to be well prepared with regular updation of their knowledge which could impact client's business. There are still few issues such as computation of purchase price under margin scheme which needs clarification from CBEC. Professionals could also assist the clients in seeking advance ruling if stake involved is high.

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## GST UPDATES

CA B.G. Srikanth Acharya & CA Annapurna D Kabra



❖ **Extension of date for furnishing return by Input Service Distributor:**

Vide Notification No 8/2018 dated 23<sup>rd</sup> January 2018, the Commissioner hereby extends the time limit for furnishing the return by an Input Service distributor in Form GSTR-6 for the months of July 2017 to February 2018 till 31<sup>st</sup> March 2018.

❖ **GST on Old/Used Cars:**

- Vide Notification No 8/2018 – Central Tax (Rate) dated 25/01/2018, the GST at following rates will be leviable on the value that represents margin of the supplier on the following goods

a. Under HSN\_ 8703.

- The old and used petrol liquefied petroleum gases (LPG) or compressed Natural Gas (CNG) driven motor vehicles of engine capacity of 1200 CC or more and of length of 4000 mm or more = **liable to tax at 18%.**
- The old and used diesel driven motor vehicles of engine capacity of 1500 CC or more and of length of 4000 mm = **liable to tax @ 18%**
- The old and used motor vehicles of engine capacity of 1500 CC popularly known as Sports utility vehicles (SUV) including utility vehicles = liable to tax@ **18%.**
- All old and used vehicles other than the above will be liable to tax at **12%.**
- The Motor vehicle shall be determined as per Motor Vehicle Act 1988
- The rate of tax as specified above is applicable if the supplier of such goods have not availed GST credit under GST Act 2017, Cenvat Credit as defined in CENVAT Credit Rules 2004 or the Input Tax credit of VAT or any other taxes paid on such goods.
- If the supplier of goods has claimed depreciation under Income Tax Act 1956, then the value that

represents the margin of the supplier shall be the difference between the consideration received for supply of such goods and the depreciated value of such goods on the date of supply.

- The Margin of the supplier shall be difference between selling price and purchase price. And if the margin is negative it shall be ignored.
- Nil rated Compensation cess on old and used vehicles

❖ **Amendment in Rate of Taxes**

*Vide Notification 6/2018 – Central Tax (Rate) the following are the amendment in Rate of Taxes.*

- **Schedule -1 at Rate of 5% (Including CGST and SGST)**
  - Tamarind Kernel powder
  - Mehandi Paste in Cones
  - Rice bran (Other than de oiled rice bran)
  - Liquefied Propane and Butane mixture, liquefied propane, liquefied Butane and Liquefied Petroleum Gases (LPG) for supply to household domestic consumers.
  - Scientific and technical instruments, apparatus equipment, accessories, parts, components, spares, tools, mock ups and modules, raw material and consumables required for launch vehicles and satellites and payloads
- **Schedule -II at Rate of 12% (Including CGST and SGST)**
  - Sugar boiled confectionery
  - Drinking water packed in 20 litre bottles”
  - Fertilizer grade phosphoric acid
  - Bio- pesticides as notified
  - Bio diesel
  - Bamboo wood building joinery
  - Tableware and Kitchenware of wood
  - Sprinklers drip irrigation system including laterals mechanical sprayers

• **Schedule -III at Rate of 18% (Including CGST and SGST)**

- Groundnut sweets, Gajak and sugar boiled confectionery
- Cigarette Filter rods”
- Ghamella
- Sanitary ware and parts thereof, of iron and steel
- Buses for use in public transport which exclusively run on Bio-fuels

• **Schedule -IV at Rate of 28% (Including CGST and SGST)**

- Actionable claim in the form of chance to win in betting, gambling, or horse racing in race club

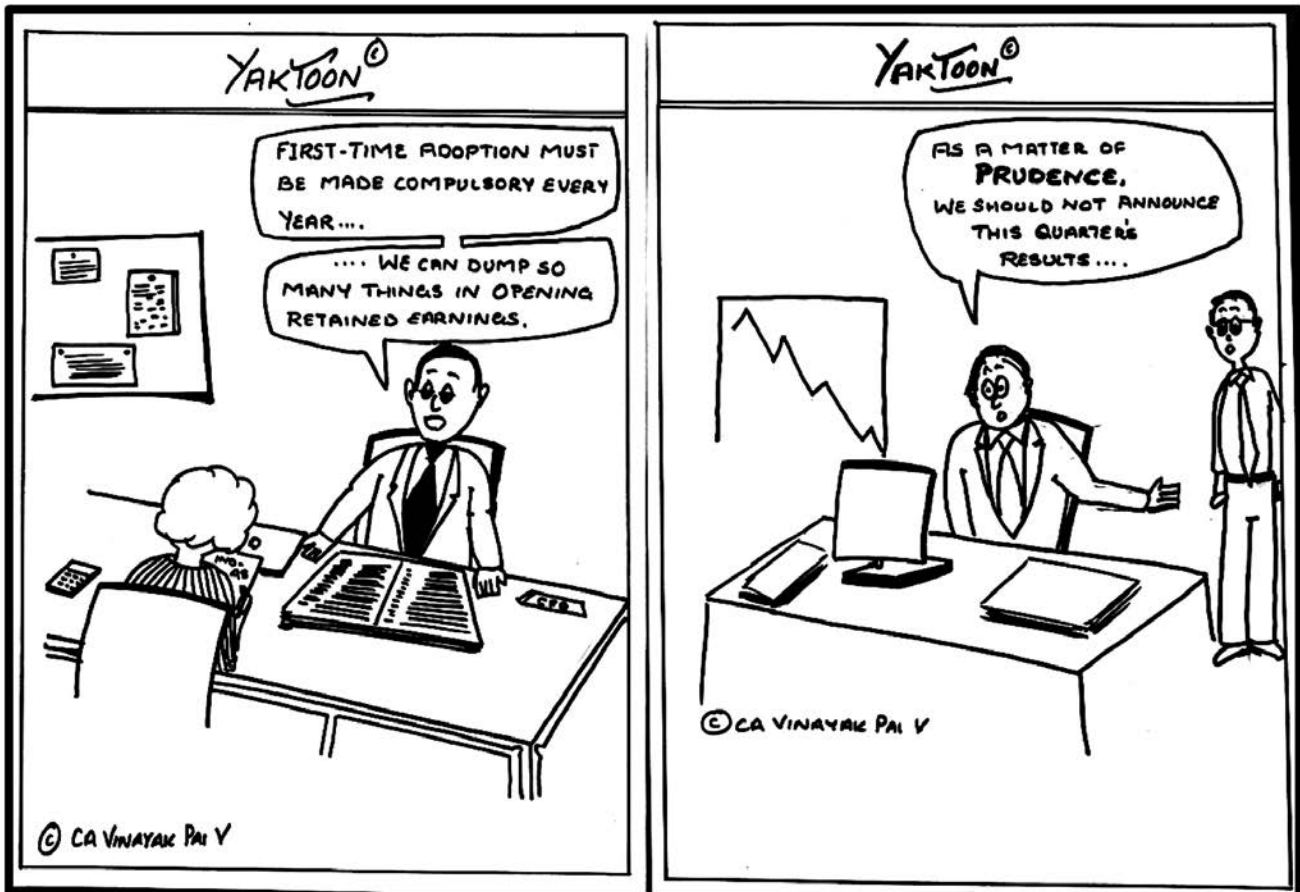
❖ **Reverse charge (Insertion of New entry)**

Any person registered under CGST Act 2017 will be liable to pay service tax when Renting of Immovable property services are received from the Central Government, State Government, Union Territory or local authority.

❖ **E-Way bill in Karnataka:**

- Vide Notification (25/2017) No 47 CSL 2017 Bengaluru dated 29/12/2017, the Government of Karnataka appoints 1<sup>st</sup> day of February 2018 as the date from which the Provisions of Serial number 9 and 10 of Notification (4-D/2017) No FD 47 CSL 2017 dated 30.8.2017 published in Karnataka Gazette Extraordinary part IV-A number 849 dated 30.8.2017 shall come into force. Therefore E- Way Bills Rules will be effective from 01/2/2018 in Karnataka. Due to Technical glitches the website is not working and accordingly Nationalized E way bill is deferred. But the compliance of E way bill will be continued in Karnataka State under the old Vide Notification till any further notification is issued.

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# FINANCIAL REPORTING AND ASSURANCE

CA Vinayak Pai V

## 1. Heads Up – The Latest/Upcoming Changes

AS	
1	AS 10 /16 – <i>Property, Plant and Equipment</i>
IND-AS	
1	Amendments to IND-AS 20 – <i>Accounting for Government Grants and Disclosure of Government Assistance</i>
2	Revised IND-AS 12 – <i>Income Taxes dealing with Uncertainty Over Income Tax Treatments</i>
IFRS	
1	IFRS 9 – <i>Financial Instruments</i>
2	IFRS 15 – <i>Revenue From Contracts With Customers</i>
3	IFRS 3 - <i>Business Combinations: Business Combinations Under Common Control</i>
ICDS	
1	Union Budget 2018 Proposals to Amend Sections 36, 40A, 43AA, 43CB, 145A and 145B
Assurance	
1	Revised SA 720 – <i>The Auditors Responsibilities Relating to Other Information effective April 1, 2018</i>
2	Revised Formats of <b>Statutory Auditors Report for Urban Co-operative Banks</b>
3	SA 701 – <i>Communicating Key Audit Matters in the Independent Auditors Report effective April, 1 2018</i>

## 2. IND-AS Transition Impact: A Case Study

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

	Impact of IND-AS Transition		
	Equity	Fixed Assets (PPE)	Net Profits for the comparative period
Impact in comparison with reported numbers as per AS	Decrease of 0.1%	Decrease of 8.5%	Decrease of 0.3%

### Key Contributing Factors:

- **Investments in Mutual Funds** measured at Fair Value Through Profit and Loss (FVTPL) in contrast with their measurement at lower of cost and fair value under AS.
- **Re-measurements of employee defined benefit plans** accounted under IND-AS in Other Comprehensive Income in comparison with expensing it to Profit and Loss under AS.
- **Lease Deposits** measured at fair value initially and then subject to amortized cost accounting under IND-AS.
- Impact of **Share-based payment arrangements** accounting under IND-AS.

### 3. Certain Key Amendments to Companies Act Impacting Financial Reporting And Assurance

The **Companies Act (Amendment of 2017)** received presidential assent on **January 3, 2018**. Certain key amendments related to corporate financial reporting and assurance are summarized herein below.

<b>Associate Company</b>	<ul style="list-style-type: none"> <li>Explanation to definition substituted whereby the term significant influence now means control of at least <b>20% of the total voting power</b> as opposed to the previous explanation of 20% of total share capital.</li> </ul>
<b>Joint Venture</b>	<ul style="list-style-type: none"> <li>Amendment explains that a joint venture means a joint arrangement whereby the parties that have joint control of the arrangement have <b>rights to the net assets of the arrangement</b>.</li> </ul>
<b>Small Company</b>	<ul style="list-style-type: none"> <li>The <b>limit</b> up to which the paid up share capital and turnover can be <b>prescribed</b> under the Act stand increased to <b>Rs. 10 crore and Rs. 100 crore respectively</b>.</li> <li>It may further be noted that for the purposes of <b>turnover</b> reckoning, the term “as per last profit and loss account” has been substituted with “<b>as per profit and loss account for the immediately preceding financial year</b>”.</li> </ul>
<b>Subsidiary</b>	<ul style="list-style-type: none"> <li>The previous definition of a subsidiary company included a company that exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies.</li> <li>The definition now stands amended whereby <b>exercise or control is from standpoint of “total voting power”</b> as compared to “total share capital” earlier.</li> </ul>
<b>Consolidation of financial statements</b>	<ul style="list-style-type: none"> <li>Extant Explanation to Section 129 stated that for the purpose of Section 129 (3), the word subsidiary shall include <b>associate company and joint venture</b>.</li> <li><b>Section 2</b> that define associate company and joint venture have been amended.</li> <li><b>Section 129 (3)</b> (Financial Statements) stands amended as follows and now specifically includes associate companies.   <i>“Where a company has one or more subsidiaries or associate companies, it shall, in addition to financial statements provided under sub-section (2), prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards, which shall also be laid before the annual general meeting of the company along with the laying of its financial statement under sub-section (2):   Provided that the company shall also <b>attach along with its financial statement, a separate statement</b> containing the salient features of the financial statement of its subsidiary or subsidiaries <b>and associate company</b> or companies in such form as may be prescribed.</i> </li> </ul>
<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>At present, Section 143 (3) (i) requires the auditors report to state whether the company has adequate <b>internal financial control systems</b> in place and the operating effectiveness of such controls.</li> <li>The amended Act now requires the auditors report to state whether the company has adequate <b>internal financial controls with reference to financial statements</b> in place and the operating effectiveness of such controls.</li> </ul>
<b>Holding Company Auditors Right</b>	<ul style="list-style-type: none"> <li>The right to access has been extended to <b>associate companies</b> also.</li> </ul>



Certain other amendments with a bearing on financial reporting and assurance are provided herein below.

1	<b>Net worth</b> definition
2	<b>Related Party</b> definition
3	Definition of <b>Turnover</b>
4	Issue of <b>Shares at a Discount</b>
5	<b>Deposit Repayment Reserve</b> Account
6	<b>Computation of Profits</b> for dividend distribution
7	<b>Interim Dividend</b> Provisions
8	<b>Board of Directors</b> Report
9	<b>Filing of Financial Statements</b> with Registrar
10	<b>Related Party Transactions</b>

#### 4. Proposed Amendments in relation to notified ICDS

The **Union Budget 2018** presented on **February 1, 2018** proposes certain **amendments** to the **Income Tax Act** in order to bring certainty for the purposes of relevant income computation in the wake of recent judicial pronouncements with respect to **Income Computation and Disclosure Standards (ICDS)**.

Salient aspects of the proposed amendments are summarized herein below.

a)	<b>Marked to market losses</b> or other expected losses per ICDS shall be allowed deduction. (Section 36)
b)	No deduction or allowance in respect of marked to market loss or other expected loss shall be allowed except as allowable under newly inserted clause <b>(xviii) of sub-section(1) of section 36</b> .
c)	Any <b>gain or loss</b> arising on account of <b>effects of changes in foreign exchange rates</b> in respect of specified foreign currency transactions shall be treated as income or loss, which shall be computed in the manner provided in ICDS

d)	Profits arising from a <b>construction contract</b> or a <b>contract for providing services</b> shall be determined on the basis of percentage of completion method except for certain service contracts, and that the contract revenue shall include <b>retention money</b> , and contract cost shall not be reduced by incidental interest, dividend and capital gains.
e)	Other amendments relating to <b>valuation of inventory</b> including inventories of securities etc.

#### 5. Extracts from a Recent SEBI Order

Herein below is provided certain extracts from a recent Securities Exchange Board of India (SEBI) order with respect to audit/assurance.

- The auditors have not resorted to any independent verification nor have they verified the information from its original source. **By accepting the information provided** by the company at face value and **performing a perfunctory job**, the **auditor has failed to live upto the expectations** of the shareholders.
- While the statutory auditor is responsible for auditing the company's financial statements and forming an opinion as to their truth and fairness; the internal auditor is responsible for providing objective assurance as to the adequacy and effectiveness of a company's risk management and control framework. Any **external auditor** auditing company with huge cash balances and revenue generated through customer services documented in invoice **ought to have a basic co-ordination mechanism / a working relationship with the internal auditor**, which would comprise internal and external audit strategies, assessment of risks and the implications of audit work, implications of internal audit findings and whether there is any major area of risk or concern that internal audit did not appear to cover.
- The **defence that the 'closed' observations of internal auditor** are not a cause of concern by the statutory auditor **is not tenable**.

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# UNION BUDGET 2018: IT MAY BE TOO TAXING FOR DIGITAL INDIA

CA Sandeep Jhunjhunwala



"Global economy is transforming into a digital economy, thanks to development of cutting edge technologies in digital space - machine learning, artificial intelligence, internet of things, 3D printing and the like" - the Finance Minister mentioned in his speech of Budget 2018. Technology has rapidly invaded everyday life and has brought with it a whole new industry, technological developments, and, most importantly, new ways in which businesses operate, encouraging globalization and integration of markets. When the product is a digital service/content and the underlying assets, only an intellectual property, algorithm or code, international borders are just lines on the map. Given the sheer size of economy with digital footprints, tax authorities world over are focused on increasing their pie of tax share, thereby adding to the complexity of managing international tax affairs. The Base Erosion and Profit-Shifting (BEPS) project of the Organisation for Economic Cooperation and Development (OECD) dominated news in the international tax world last year and so was its approach to start protecting the tax base, in addition to focusing on preventing double taxation.

For a long time, nexus based on physical presence has been used as a proxy to identify business connection with a country. However, in the digital economy, where business models operate remotely, existing nexus rule to tax income seems to be inadequate. To say that virtual presence is the basis of taxation in India required re-writing of tax laws. Taking a cue from BEPS Action Plan 1 dealing with the digital economy, Union Budget 2018 proposes to provide that a "significant economic presence" shall constitute a business connection of a foreign enterprise in India. The term "significant economic presence" has been defined to mean: (a) Transaction in respect of any goods, services or property carried out by a foreign enterprise in India, including provision of download of data or software in India if the aggregate of payments arising from such transaction(s) during the year exceeds the prescribed amount; or (b) systematic and continuous soliciting of its business activities or engaging in interaction with such number of users as may be prescribed, in India through

digital means. In line with the Government's inclusive approach, threshold of revenue and users for determining "significant economic presence" in India would be decided in consultation with the stakeholders. An Explanatory Memorandum published alongside Budget 2018 explains - "For a long time, nexus based on physical presence was used as a proxy to regular economic allegiance of a non-resident. However, with the advancement in information and communication technology in the last few decades, new business models operating remotely through digital medium have emerged. Under these new business models, the non-resident enterprises interact with customers in another country without having any physical presence in that country resulting in avoidance of taxation in the source country. Therefore, the existing nexus rule based on physical presence do not hold good anymore for taxation of business profits in source country". The Memorandum explaining the provisions of the Finance Bill 2018, further clarifies that the proposed amendment in the domestic law would enable India to negotiate for inclusion of the new nexus rule in the form of significant economic presence in tax treaties. It would be interesting to see if USA, which is one of India's largest trading partner and home to most of the largest digital companies, agrees to negotiate its tax treaty with India, considering the fact that the USA has not signed the Multilateral Instrument (MLI) and also taking into account its inward approach in the recently announced tax reforms.

It is also worthwhile to note that BEPS Action Plan 1 had identified "significant economic nexus test" and "Equalisation Levy" as alternative measures that countries may adopt to tax digital businesses. India had already introduced Equalisation Levy in 2016 as a self-contained code to tax digital transactions (online advertisement & provision for digital advertising space or facilities). The Equalization levy provisions however do not apply in a case where the foreign company earns income through a Permanent Establishment (PE) in India. To that extent, Equalisation Levy and the new rule introduced now should be mutually exclusive. However, the chances of a

foreign company constituting a PE in India under the new rules proposed seems to be higher (particularly for large multinationals), given the extent of the automation and digitisation that are deployed by companies to garner user base in India. Mere act of downloading (apps, software, data, music, video on demand, books, games etc) could also create significant economic presence under the proposed rules. India has moved quickly to amend the domestic law, pending the discussions on digital economy taxation at the level of OECD (revised discussion draft on digital economy is due ~April 2018) and joined nations such as Italy, Israel and Turkey, which have taken local measures to introduce digital/ electronic/ bandwidth PE rules. While companies are still coping up with the issues such as foreign tax credit mechanism etc emanating from Equalization Levy, Budget 2018 has added one more reason to worry, specifically for those foreign companies which are residents in countries with which India does not have a tax treaty (as domestic laws would apply). Transfer pricing and income attribution issues could come up more significantly for determination of extent of activity and function in India. Entities operating in the digital space including cloud computing, e-commerce, apps stores, Internet of Things, big data, games stores, social media, online marketing, peer-to-peer payments, crypto currencies etc should watch out for the developments in this area.

Another important aspect is the expansion in the concept of Agency PE. As per the proposed amendment, a foreign enterprise would be regarded as having a business connection in India, if a person acting on behalf of the foreign enterprise is habitually authorised to conclude contracts, or habitually concludes contracts, or habitually plays the principal role leading to conclusion of contracts by the foreign enterprise, and the contracts are: (a) in the name of the foreign enterprise; or (b) for transfer of the ownership of, or for the granting of the right to use, property owned by that foreign enterprise or that the foreign enterprise has the right to use; or (c) for the provision of services by that foreign enterprise. This Dependent Agent PE threshold was widened by the BEPS project to include an agent habitually playing the 'principal role' leading to the conclusion of contracts that are routinely concluded without any material modification. The objective, understandably, is to tackle scenarios where contracts could be substantially negotiated in one country, but not formally concluded

there (finalized, executed or approved outside the country where negotiations took place). While some of the key treaty partners with India such as France, Japan and Netherlands have also opted for the above revised threshold postulated under BEPS, other significant partners such as UK and Australia have enacted unilateral measures by way of Diverted Profit Tax and Multinational Anti Avoidance Law respectively.


The Economic Survey 2017-18 stated that the success rate of the tax department at all three levels of appeals - Appellate Tribunals, High Courts, and the Supreme Court was under 30 per cent for both direct and indirect tax litigation and it remained 'undeterred' and 'persists in pursuing litigation at every level of the judicial hierarchy' making it the largest litigant in India. India's proposed amendment as a unilateral measure to tax digital transactions could also lead to protracted litigation, unless the policy makers consider and implement a reasonable basis to tax income arising out of India, after due consultations with the stakeholders.

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News Bulletin

15  
February 2018



# ANALYSIS OF EXEMPTION FROM GST ON SUPPLY OF SERVICES: NOTIFICATION NO. 12/2017 CENTRAL TAX(RATE) DATED 28.06.2017 - SERVICES BY CHARITABLE INSTITUTIONS -PART II



**CA Raghavendra C R**, B.com, FCA, LLB, Advocate and **CA Bhanu Murthy J S**, B.com, FCA, LLB, Advocate

### Analysis of the entry No. 13 (a) of the exemption notification No. 12/2017-CT(R) dated 28.06.2017:

This is in continuation of the analysis on the exemption available to charitable or religious institutions, as detailed in the previous issue.

We reiterate here that before any exemption entry to be tested or to be applied the issue of taxability of such an entity shall have to be examined. This finds relevance in the background of the fact that only those activities which are in the course of business would alone be treated as supplies attracting levy of GST. Where an activity being a religious in nature does not fall within the ambit of supply, then the question of analysing exemption would not arise.

The exemption entry reads as below:

Sl. No.	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services	Rate (per cent.)	Condition
13	Heading 9963 or Heading 9972 or Heading 9995 or any other Heading of Section 9	Services by a person by way of- a) conduct of any religious ceremony;	Nil	Nil

Note: Similar exemption entry was there under Chapter V of Finance Act, 1994 [Service Tax law] vide notification No. 25/2012 ST dt. 20.06.2012 (entry No. 5) which granted exemption from service tax on the religious ceremony and renting of precincts of religious place. Further, the Pandal and Shamiyana services used for religious functions were excluded from levy.

### Services of conduct of religious ceremony:

This entry exempts the services of religious ceremony from GST. The phrase 'religious ceremony' is not defined in the notification.

Ramanth Aiyar's Advanced Law Lexicon defines ceremony as outward rites or observances held sacred. Similarly, 'religious rites or ceremonies' has been given meaning in the Advanced Law Lexicon as below:

'Rites or ceremonies of the nature of pertaining or appropriate to, concerned or connected with religion'

It is to be noted that section 9 of Civil Procedure Code 1908 refers to phrase 'religious rites or ceremonies' while prescribing that certain suits relating to office or religious property would be civil suits which could be tried before the courts. However, the Courts have evolved the principle that where the dispute is on the ritual or custom or rites relating to religion the courts would not interfere as the same is kept out of the civil dispute. In this context, in the case of Muriandikone Vs. Shri Ramantha Sethupathi AIR 1982 Mad 170, the Court while dealing with the issue whether the right to take a deity in procession on a festival day from one temple to another temple is a religious rite or not the Court observed that the word 'ritual' means 'pertaining or relating to, connected with, rites'. The word 'rite' is 'a formal procedure or act in a religious or other solemn observance'.

In the context of levy of Service Tax, attention is invited to decision of the High Court of Allahabad in the case of Lalloo Ji and Sons Vs. Officer in charge of Magha Mela, 2015 (39) S.T.R. 941 (All.), in the context of levy of service tax under the heading Pandal and Shamiyana services, referring to the provisions of United Provinces Mela Act, 1938 held that Magh Mela is a religious gathering and hence no service tax is leviable on the supply of services for such Mela.

Further, the issue before the Tribunal in the case of CCE Vs. Krishnapur Mutt, 2006 (3) S.T.R. 144 (Tri. - Bang.) was whether receipt of any consideration either by way of rent or in the form of 'Padakanika' for organising any religious function is liable to service tax in the background of the fact that the department contested that Marriage, Naming ceremony, Brahmopadeshm are social functions and not



religious functions. The Tribunal while holding that no service tax could be imposed on such collections observed that it is well settled position from the time immemorial that, marriage is sacred and sacrament as recognised under Hindu law.

The above would drive to a conclusion that any procedure which is prescribed as part of the religious texts or being followed as customs would qualify to be a religious ceremony.

**Nature of services / classification of services which are eligible for services:**

It shall be noted that column (2) of the exemption entry specifies the nature of services or classification of services which are eligible for exemption. In the case of exemption to religious ceremony the following entries are prescribed:

- a) Heading 9963 : Accommodation, food and beverage services
- b) Heading 9972 : Real estate services
- c) Heading 9995 : Services of membership organisations
- d) Apart from the above specific heading the notification also covers any other heading of Section 9 of CGST Act, 2017.

Therefore, in terms of the above a view could be possible that any service which is in the nature of or connected to religious ceremony would be eligible for exemption.

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## KSCAA WELCOMES NEW MEMBERS - JANUARY 2018

S.No.	Name	Place
1	CA Narayan Pasari	Mumbai
2	CA Chirag Vasani	Mysore
3	CA Ashish Jain	Shimoga
4	CA Srinivasa Rao B.S.	Chikkamangalore
5	CA Yathiraj J	Bengaluru
6	CA Vikram U	Bengaluru
7	CA Sachin B.R.	Bengaluru
8	CA Aneesh Kumar P	Bengaluru
9	CA Thippeswamy M.	Bengaluru
10	CA Sachitanand	Bengaluru
11	CA Nitin Pahilwani	Akota
12	CA Vigneshwara Bhat K	Bengaluru
13	CA Praveen Reddy M	Bengaluru
14	CA Ankit Marlecha	Bengaluru

S.No.	Name	Place
15	CA Mudiam Harish Babu	Bengaluru
16	CA Nikhil N	Bengaluru
17	CA Vijit Pithiya	Bengaluru
18	CA Vadiraj N Naik	Bengaluru
19	CA Murulidhar	Bengaluru
20	CA Niranjana Raman	Bengaluru
21	CA Girish Kumar Dundlodia	Bengaluru
22	CA Rajesh S Prasad	Bengaluru
23	CA Ritesh Mehta	Bengaluru
24	CA Vijay Tadimalla	Bengaluru
25	CA Kavitha P	Bengaluru
26	CA Sushma Jindal	Bengaluru
27	CA Sandeep Shah	Mumbai



# “START UP CONFERENCE-CHALLENGER PERSPECTIVE”

Jointly held by Karnataka State Chartered Accountants Association and  
Bombay Chartered Accountants' Society  
on 1st & 2nd December, 2017 at The Chancery Pavilion, Bengaluru

CA Vijay Sagar Shenoy

The much-awaited event 'Start-up Conference-Challenger Perspective', a blend of Venture Capitalists, Start-up aspirants and Chartered Accountants was held jointly by KSCAA and BCAS in Bengaluru to showcase the importance and relevance of Start-Ups in the current economic environment. The Conference of 2 days was organised through brainstorming sessions by domain experts, Start-up industry stalwarts, Venture Capitalists and Angel Investors (along with the start-ups) who shared their vision and approach.

The event was flagged off with the address by Karnataka's Honourable Minister of State for IT/BT/Science & Technology Mr. Priyank Kharge, who shared the Startup perspective and the phenomenal success of Start-up ventures in Karnataka.

Thereafter, CA. Sandeep Shah initiated panel discussion where panellists shared their views and insights. Mr. Abhishek Prasad discussed about the synergy, outlandish themes, size of opportunity, scalability proposition and how they spot the founder's capability. Mr. Ashesh Shah shared his perspective about start-ups gaining traction required to solve a problem, vision as well as forward looking approach. It is more important to move around an idea with promoter mind-set being critically important. Mr. Srikrishna Ramamoorthy of Unitus Seed talked about the business needs and founder's experience. Mr. K. S. Viswanathan from Nasscom shared his industry insights on Enterprise Connect, minimum viable product or service, user experience and BU validation. The panel also touched upon automation, ecosystem, maturity with role and responsibility required of entrepreneurs, investors and founders etc. This was followed by views from SIDBI and SBI spokespersons and the rainmaker's session which was more like the mentoring to the start-up aspirants.

The 2nd day took off with Mr. Raman Kumar speaking about his sojourn in the start-ups in Silicon Valley as well as his new venture on cryptocurrencies. He shared his experiences i.e. decisions being the crux of successful ventures, reckless passion, getting priorities straightened out, etc.

Mr. Sanjay Mehta suggested to exploit articulated ideas with good foresight so as to grab any viable start up opportunity having a window and to act even if dilution of stake is necessary.

Mr. Parag Dhol from Inventus explained that raising external money for upfront investment business involves the risk factors but can help business grow faster. Nevertheless, the key benefits

accruing from raising funds would be access to mentoring, strategic inputs, organisational structuring and hiring guidance and relationships etc. Mr. Manav Nagaraj from Tatva Legal talked about readiness of the business to start with clean slate, having a well-defined employment contract, importance of registering the lease deed, compliance issues etc.

CA. Anjana Vivek deliberated on valuation issues in relation to ethics, importance of negotiations, value creation, building relationships, sensitivity analysis, shareholder's subscription agreement, company buyback etc. amongst others.

CA. Sandeep Jhunjhunwala highlighted on taxation matters pertaining to the start-ups, DIPP registration, Section 80IA tax holiday, the importance of being compliant and the role of Chartered Accountants in prestart-up stages etc.

Mr. S. Roy Kandpal and Mr. Peter Yorke brought in their synergies in the domain of Branding and Public Relations and explained the importance of PR being a tool of branding. They threw light on Awareness, Interest, Desire & Action (AIDA) etc. They also emphasised that Designing website is very paramount to success and it has to be interactive enough to understand and run the business.

These talks were followed by a panel discussion structured around the theme 'Angel Investor- Power of Network' moderated by CA. Anjana Vivek. Ms. Anju Gupta talked about carpet bombing, raising funds through networking. Ms. Revathy Ashok from Indian Angel Network talked about entrepreneur having to see what the investor is looking at. Mr Madan Padaki also shared his experiences as to how he raised funds through angel investor through a contact from his Chartered Accountant and the passion which gained greater heights which all but started as a small idea. Ms. Priya Krishnan, founder of Klay Schools, touched upon her journey and success story covering the challenges she had been through and what it takes for the aspirants who wish to succeed.

This conference was quite eventful and phenomenal in terms of impact it had on the strata of segments focused at the Conference. The participants appreciated the joint efforts of KSCAA and BCAS in conceptualising this memorable event, with the expectation of replication of this endeavour in other cities.

The Conference hugely enriched the participants with the thought provoking ideas and invaluable insights poured in by the learned speakers so as to ride onto the journey of success in Start-up Ventures.

# Workshop on New e-Way Bill System in GST in Bengaluru



CA Annapurna D Kabra



Dr. Soumya Sunkad,  
Asst. Commissioner of Commercial Taxes,  
e-Filing Help Desk, Bengaluru



Cross section of participants

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By **CA Naveen Khariwal G**

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Fees: **Rs. 350/-** Per Participant

Contact: **CA Maddanaswamy B V** - +91 93412 14962

**CA Raghavendra T N** - +91 98801 87870

**CA Sateesha Kalkur** - +91 98456 91705

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**Jnana Jyothi Convention Centre**  
Central College Campus, Bangalore University  
Palace Road (Near SBM Circle), Bengaluru - 560 009

## PROGRAMME STRUCTURE

### Friday, 9<sup>th</sup> March, 2018

08:30 AM	Registration
	<b>INAUGURAL SESSION</b>
09:15 AM	Inaugural Address by <b>Chief Guest</b> Release of Souvenir & Publications
10:45 AM	Inauguration of Exhibition & Tea Break <b>FIRST PLENARY SESSION</b>
11:00 AM	<b>Panel discussion on reporting requirements in Co-operatives</b> - Regulatory perspective - Issues and possible solutions in reporting <b>Sri S.L. Prashanth Kumar</b> , Director of Co-operative Audits <b>Sri Prakash Majjige</b> Additional Director of Co-operative Audits <b>CA. Umesh Bolmal</b> , Belagavi <b>CA. Ramesh Prabhu</b> , Mumbai Moderator: <b>CA. Ravindranath B.V.</b> , Sagar
12:00 PM	<b>Vivisectioning judicial dichotomy in Income tax cases with special emphasis on Co-operative Societies (Section 80P), Charitable &amp; Educational Institutions</b> <b>Sri Shivadass G</b> , Principal Partner, Lakshmikumaran & Sridharan <b>SECOND PLENARY SESSION</b>
12:45 PM	<b>Goods &amp; Services Tax Act</b> - Finer aspects in the domain of Co-operative Societies & Banks, NPOs etc., - Recent developments including Budget changes <b>Sri Shivadass G</b> , Principal Partner, Lakshmikumaran & Sridharan
01:30 PM	Lunch Break <b>THIRD PLENARY SESSION</b>
02:30 PM	<b>Investors' Protection - Role of Auditors</b> - Dos & don'ts w.r.t. collective investment schemes, chit funds & public deposits - Synopsis of regulatory framework & guidelines - SEBI, RBI, the Companies Act, 2013 and relevant penal provisions under Indian Penal Code <b>Sri Rajat Bopaiah</b> , Partner, ALMT Legal
	<b>SPECIAL SESSION</b>
03:30 PM	<b>Practice of Passion to Propel Success</b> <b>Sri Deepak Shinde</b> , Holy Alexander
04:15 PM	Tea Break <b>FOURTH PLENARY SESSION</b>
04:30 PM	<b>Brains Trust Session on practical issues in Income Tax</b> - Taxation of gifts, unexplained investments, cash credits, share premium etc., - Search & Seizure - Penalties & Prosecution <b>CA. Padamchand Khincha</b> <b>CA. K.K. Chythanya</b>
06:30 PM	<b>FAMILY ENTERTAINMENT PROGRAMME</b> followed by Theme Dinner

### Saturday, 10<sup>th</sup> March, 2018

08:30 AM	Breakfast <b>SPECIAL SESSION</b>
10:00 AM	A Talk on Health & Wellness by Padma Bhushana <b>Dr. B. M. Hegde</b>
11:15 AM	Tea Break <b>FIFTH PLENARY SESSION</b>
11:30 AM	<b>The Companies Act, 2013 - the changes and challenges to professionals</b> <b>Sri B. Ravi</b> , Company Secretary, Chennai <b>SIXTH PLENARY SESSION</b>
12:30 PM	<b>Virtual Currencies</b> - Understanding nuances - Regulatory stand point - All-pervasiveness of accounting & taxation - irrespective of legality of virtual currencies <b>CA. P.V. Srinivasan</b>
01:30 PM	Lunch Break <b>SEVENTH PLENARY SESSION</b>
02:30 PM	<b>Panel discussion on 'Profession - The way forward'</b> - Technology, a force multiplier in practice - Independent Regulatory Authority & future of ICAI - Aggregators in profession - Keeping predators at bay - ICAI Role - Focus on 'Brand CA' - ICAI collaboration with Industry <b>CA. Madhukar Hiregange</b> <b>CA. M.P. Vijay Kumar</b> <b>CA. SriPriya Kumar</b> <b>An Eminent Panelist from Industry</b> Moderator: <b>CA. Nityananda N</b>
03:45 PM	Tea Break <b>EIGHTH PLENARY SESSION</b>
04:00 PM	<b>Metamorphosis of Indian Economy - a candid talk</b> <b>Dr. Subramanian Swamy*</b>
05:30 PM	<b>VALEDICTORY SESSION</b>

\* Confirmation awaited

## DELEGATE FEES

<b>For CA</b>	₹ 2,200/- + ₹ 396/- (GST @ 18%) = <b>₹ 2,596/-</b> on or before 20.02.2018
	₹ 2,500/- + ₹ 450/- (GST @ 18%) = <b>₹ 2,950/-</b> after 20.02.2018
	₹ 3,000/- + ₹ 540/- (GST @ 18%) = <b>₹ 3,540/-</b>
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<b>Others</b>	₹ 3,000/- + ₹ 540/- (GST @ 18%) = <b>₹ 3,540/-</b>
<b>Students</b>	₹ 1,200/- + ₹ 216/- (GST @ 18%) = <b>₹ 1,416/-</b>

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