



KSCAA NEWS BULLETIN

Upholding the Moral & Professional Excellence

Vol. 2 • Issue 10 • ₹ 25/- • June 2015

English Monthly
for Private Circulation only

Thank You

With sheer support of members and well wishers, we restored the confidence and revived the glory.

- KSCAA EC Team - 2014-15

Inauguration of Two Day National Tax Conference



Inauguration of Co-operative Banks Seminar at Belagavi



Inauguration of Co-operative Banks Seminar at Dharwad

Workshop on Co-operative Audit

on 4th July 2015 at Tumkur



KSCAA 1st Women CA Conference

on 11th July 2015
at Hotel Vijay Residency, Bengaluru



42nd AGM

on 18th July 2015
at 6:00 pm,



API Bhavan
Bengaluru

From the President

ಆತ್ಮತೃಪ್ತಿಯ ಪರಿಪೂರ್ಣ ವಿದಾಯ.....

ಹುಟ್ಟಿನಿಂದಲೇ ನಿಸ್ವಾರ್ಥ ಮನೋಭಾವ ಬೆಳೆಸಿ, ನನ್ನನ್ನು ಸ್ವಾಭಿಮಾನಿಯನ್ನಾಗಿ ರೂಪಿಸಿದ ನನ್ನ ಮಾತಾಪಿತರಿಗೆ ವಂದಿಸುತ್ತ, ಭವಿಷ್ಯತ್ತಿನ ಭಾರತಕ್ಕೆ ಮಾರ್ಗದರ್ಶಕರಾಗಿರುವ ಲೆಕ್ಕಪರಿಶೋಧಕರ ಈ ಹೆಮ್ಮೆಯ ಹಾಗೂ ಪ್ರತಿಷ್ಠಿತ ಸಂಸ್ಥೆಯಾದ ಕರ್ನಾಟಕ ರಾಜ್ಯ ಲೆಕ್ಕಪರಿಶೋಧಕರ ಸಂಘವನ್ನು ನಿಮ್ಮೆಲ್ಲರ ನಿರೀಕ್ಷೆಯಂತೆ, ಕಾಂಸಾ, ವಾಚಾ, ಮನಸಾ, ಆತ್ಮಸಾಕ್ಷಿಗನುಗುಣವಾಗಿ ಮುನ್ನಡೆಸಲು ಹಾಗೂ ಸಂಸ್ಥೆಯ ಪ್ರತಿಷ್ಠೆಯನ್ನು ಮರುಸ್ಥಾಪಿಸಲು ಸದವಕಾಶ ಮಾಡಿಕೊಟ್ಟ ಸಹೃದಯ ವೃತ್ತಿಬಾಂಧವರಿಗೆಲ್ಲ ತೃಪ್ತಿದಾಯಕ ವಿದಾಯದ ನಮನಗಳನ್ನು ಸಲ್ಲಿಸುತ್ತಾ.....

Dear Professional Colleagues,

KSCAA Organizing its first ever program only for women members - KSCAA Women Conference on 11th July, 2015 at Vijay Residency, Gandhi Nagar, Bangalore. There are more than 1000 women Chartered Accountants in the state and we request all of them to participate in this first of its kind unique gathering, as this program open only for women members. We expect this exceptional program to benefit all the women members to share their thoughts and ideas and to mark an identity in the profession. KSCAA is conducting a workshop on Co-operative Audits jointly with Tumkur District Chartered Accountants Association on 04th July, 2015 at Tumkur. Details of the program are provided elsewhere in this news bulletin.

The Two Day National Tax Conference jointly organized by KSCAA along with All India Federation of Tax Practitioners and Bangalore Branch of SIRC of ICAI, received a very good response and program was a Grand Success. More than 200 delegates attended the program, which was inaugurated by Honorable Minister for Law and Justice, Government of India, Sri Sadananda Gowda on 13th June 2015 at Hotel, Le-Meridien, Bangalore.

Association conducted joint seminars on 'Co-operative Bank - Tax Audit and Compliances' held at Belagavi and Dharwad on 20th June 2015. Both the programs received a great applause and appreciated by delegates participated from North Karnataka districts. We thank the Chairman and office bearers of Belgaum Branch of SIRC of ICAI, the President and other MC members of KCC Bank Ltd, Dharwad & Mahalaxmi Co-operative Bank Ltd, Dharwad for the success of these programs. Our sincere thanks to CA. N S Ayyangoudar for co-ordinating this seminars in a fruitful manner. This is a unique attempt made by the Association to educate members and the employees of Co-operative sector which made a sense of contentment in our minds and ignited our minds to do more such programs across Karnataka.

Dear Friends,

With a great sense of satisfaction, I am writing this last communiqué as President of KSCAA as 6 years of my journey at KSCAA in various capacities coming to an end in early next month. I have a mixed feeling at this juncture, proud to serve as an youngest person to head this

esteemed association and the person sailed from a remote village about 600 kms distance from capital city of Bengaluru. In the last 6 years, I sincerely served the Association occupying various positions - from an ordinary EC Member to the President. As a Chairman of Membership

Development Committee, encouraged the new memberships and that process continued till date with introduction of more than 300 new members. As a Chairman of Sports Committee, re-started annual sports and cultural meet at KSCAA and then, moved on to become Treasurer, Secretary, Vice President and finally, as the President of this prestigious Association. I have learnt a lot in my life in these years, made lots and lots of good friends, worked day and night and walked into various offices to make all the programs successful, and much more, words not enough to express the experience and gratitude I owe to you.

In my tenure as the President of this prestigious Association, we are able to repose the trust and brought back the lost image and yet a financially successful year. We worked along with our theme 'Embodiment of Virtues' - Upholding the moral & professional excellence, set for the year and succeeded. We assumed office at a time when confidence in the Association was waning. Arrogance, indiscipline, irrational, unprofessional and unilateral decisions had paralyzed the governance at the Association. Image of the Association was shunning amongst members and vendors, which was built bricks by bricks by our Past Presidents. When we took the responsibility, it was really a tough challenge for our new team to cope up with all your anticipations as most of us were inexperienced. With Gods grace, guidance from past presidents and your support and blessings bestowed on us, we systematically went about addressing these challenges one by one. As a result, we present to you with another glorified year of absolute success!

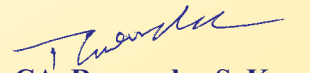
At this juncture, I would like to thank all the Executive Committee Members, who worked hard for the success of the Association at various programs and events of the association. A special thanks to Office Bearers for their meticulous efforts to execute the plan in an efficient manner and CA. Maddanaswamy B V for the valuable guidance in Association activities. Also I am grateful to members of the Association for their continued support, staff of the Association who stood by us through and one and all who helped me in this eventful journey.

My Special Thanks to my Family Members who understood me and gave up their time for me to serve for the Association. I express gratitude and thanks to partners of my firm who stood with me and taken care of office work during my association stint. Hope, now onwards I can give some time to return the favor!

With quoting the following lines of Mahatma Gandhi, I am ending my communication as President of KSCAA:

“You must be the change you wish to see the world”

In service of the Profession,


CA. Raveendra S. Kore
President

Executive Committee of KSCAA

welcomes members and their family to the

Annual General Meeting and Family Dinner

on 18th July 2015 at API Bhavan

Near to Bangalore Branch of SIRC of ICAI, Millers Tank Bed Area, Vasanthnagar, Bangalore-560 052

Two Day National Tax Conference held on 13th & 14th June 2015



Two Day National Tax Conference held on 13th & 14th June 2015



Seminar on Co-operative Banks held on 20th June 2015 at Dharwad



Seminar on Co-operative Banks held on 20th June 2015 at Belagavi



Seminar on Issues under FCRA jointly held with FKCCI



KSCAA

News Bulletin

June 2015
Vol. 2 Issue 10
No. of Pages : 48

CONTENTS

Construction Contracts also Real Estate Development Contract CA. S. Krishnaswamy	6
Service Tax under reverse charge – Branch Payments CA. Madhukar N Hiregange & CA. Mahadev R.	8
Tax Updates under the Karnataka Commercial Tax Law CA. Srikanth Acharaya & CA. Annapurna Kabra	10
Indirect Taxes Update – May 2015 CA. C.R. Raghavendra & CA. Bhanu Murthy J.S.	12
Valuation of Goods Transferred in the Execution of Construction Contracts Vikram A. Huilgol	15
KSCAA Membership Application Form	18
42nd Annual Report 2014-15	19

Disclaimer

The Karnataka State Chartered Accountants Association does not accept any responsibility for the opinions, views, statements, results published in this News Bulletin. The opinions, views, statements, results are those of the authors/contributors and do not necessarily reflect the views of the Association.

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

email: info@kscaa.co.in

Website: www.kscaa.co.in

Karnataka State Chartered Accountants Association® Bengaluru

is spreading its wings, as the women's wing is organising

KSCAA 1st Women CA Conference

on Saturday, 11th July 2015

at Vijay Residency, Opp. Sapna Book House, Gandhinagar, Bangalore

Programme

09:00 AM	Registration	
09.30 AM	INAUGURAL SESSION	Entry only for Women CA's
10.15 AM	FIRST SESSION Conflict Management - CA. Sangeeta Shankaran Sumesh , Vice President and CFO <i>Dun & Bradstreet Technologies and Data Service Private Limited</i>	
11.15 AM	Tea Break	
11.30 AM	SECOND SESSION Work Life Balance : A positive approach - Dr .Shailaja Shastri , Professor and Head of Department of Psychology, <i>Jain University</i>	
12.30 PM	"Celebrate - the Difference" Men and Women - not Men Vs Women - CA. Roopa Venkatesh , MD and CFO, <i>T8 International</i>	
01.30 PM	Lunch	

Delegate Fee : Rs. 500/-

Cash/Cheque/DD in favour of "KSCAA" payable at Bengaluru

Conference Co-ordinators :

CA. Tara Bevinje
+91 99019 00802

CA. Bhavya Parvathi K
+ 91 94489 12518

Karnataka State Chartered Accountants Association®, Bengaluru Organizes

Workshop on Co-operative Audit

on Saturday, 4th July 2015 at TUMKUR

jointly with

Tumkur District Chartered Accountants Association, Tumkur

Programme

09:30 AM	Registration	
10.00 AM	Inaugural Session	
10.30 AM	Workshop on Co-operative Audit - CA. Shivakumar H , Bengaluru	Delegate Fee : NIL
02.00 PM	Lunch	

For details contact

CA. Raveendra S. Kore
President, KSCAA
+91 99020 46884

CA. Dileep Kumar T.M.
Vice-President, KSCAA
+91 98453 30800

CA. G.V. Vasudev
President, TDCAA
+91 98440 09404

CA. Raghavendra Puranik
Secretary, KSCAA
+91 96322 45475

CA. T.N. Raghavendra
Secretary, TDCAA
+91 94484 16521



CONSTRUCTION CONTRACTS ALSO REAL ESTATE DEVELOPMENT CONTRACT

CA. S. Krishnaswamy

1.	ICDS on Construction Contracts
2.	AS 7 on Construction Contracts
3.	Ind AS-115 on Construction Contracts
4.	Real Estate Development vs Construction Contracts

1. Income computation and Disclosure Standards. The Govt of India – Ministry of Finance – Department of Revenue – Central Board of Taxes – issued a draft on ICDS in January 2015. It is applicable for Computation of Income and not for the purpose of maintenance of books of accounts. In the case of conflict between the provisions of the Act and ICDS, the Act will prevail.

The draft defines fundamental accounting presumptions.

- Going concern
- Consistency
- Accrual

Then it proceeds to discuss “Accounting policies” and consideration on the selection and change of accounting policy.

- The treatment and presentation of transactions and events shall be governed by their substance and not merely by the legal form; and
- Marked to market loss or an expected loss shall not be recognised unless the recognition of such loss is in accordance with the provisions of any other Income Computation and Disclosure Standard.

A. ICDS

Effective from 01-04-2015

- ICDS 1. Valuation of Inventories
- ICDS 2. Construction contracts
- ICDS 3. Revenue Recognition
- ICDS 4. Tangible Fixed Assets
- TAS 5. Effects of change on Foreign Exchange Rates
- ICDS 6. Govt Grants.
- TAS 7. Securities
- TAS 8. Borrowing costs
- TAS 9. Leases
- ICDS 10. Intangible Assets.
- ICDS 11. Provisions, contingent liabilities and contingent assets.

B. Indian Accounting Standards. (Ind AS)

2. Soon after the revised road map for implementing and Accounting Standards was announced in Jan, 2015 the MCA has notified the companies (Indian Accounting

Standards) rule 2015 along with Indian Accounting Standards.

Construction Contracts.

This article will deal with ICDS 2 – construction contracts. It refers to recognition of contract revenue and expenses under what is known as “Percentage of completion method of construction”, in contrast to completion method”. In other words recognition should not be deferred to the date of completion. The stage of completion shall be determined with reference to:

Recognition of Contract Revenue and Expenses

“Para – 18 the stage of completion of a contract shall be determined with reference to:

- The proportion that contract costs incurred for work performed upto thereporting date bear to the estimated total contract costs; or
- Surveys of work performed; or
- Completion of a physical proportion of the contract work.

Progress payments and advances received from customers are not determinative of the stage of completion of a contract.

Para – 19 when the stage of completion is determined by reference to the contract costs incurred upto the reporting date, only those contract costs that reflect work performed are included in costs incurred upto the reporting date. Contract costs which are excluded are: reporting date bear to the estimated total contract costs; or

- Contract costs that relate to future activity on the contract; and
- Payments made to subcontractors in advance of work performed under the subcontract”.

Para – 20 during the early stages of a contract, where the outcome of the contract cannot be estimated reliably contract revenue is recognised only to the extent of costs incurred. The early stage of a contract shall not extend beyond 25% of the stage of completion.

ICDS – In determining the ‘stages of competition’ it reproduces literally – para 29 of AS7

Accounting Standard – AS7

The erstwhile accounting standard set out the condition for the recognition income on percentage of completion method.

“Para – 21 when the outcome of a construction Contract can be estimated reliably; Contract revenue & costs associated with the construction contract should be recognised as revenue & expenses respectively by reference to the **stage of completion of the contract activity** at the reporting date.

AN expected loss on the construction contract should be recognised as an expense immediately as per Para 35”.

“Para – 29 the stage of completion of a contract may be determined in a variety of ways. The enterprise uses the method that measures reliably the work performed. Depending on the nature of the contract, the methods may include:

- The proportion that contract costs incurred for work performed upto the reporting date bear to the estimated total contract costs; or
- Surveys of work performed; or
- Completion of a physical proportion of the contract work. Progress payments and advances received from customers may not necessarily reflect the work performed”.

C. Position under IND AS 115

Para 46 – 90

“When (or as) a performance obligation is satisfied, an entity shall recognize as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with paragraphs 56–58) that is allocated to that performance obligation”.

“For each performance obligation satisfied over time, revenue is recognised by measuring the progress towards complete satisfaction (by using either output or input methods) and only if it can reasonably measure its progress towards completion; else, revenue should be recognised only to the extent of contract costs incurred of which recovery is probable”.

D. Construction Contract vs. Real Estate Development

AS-7 Construction Contract is not wholly applicable for real estate development. The ICAI has issued a Guidance note on Accounting for Real Estate Transaction (Revised 2012) in multiple situations. The applicable of percentage completion method should be applied of conditions mentioned on para-3.3 of the guidelines exist i.e., where economic substance is similar to construction contracts. Some further indicators of such transactions/activities are also enumerated in para-5.1 of the guideline.

In ITO vs. MVR Construction ITA No.976 to 978/Bang/11 the tribunal held

- Coming to accounting standard (AS-7), relied on by the AO, it applies in the case of a contract for construction but not to a developer as held by the Bangalore Bench of Tribunal in Prestige Estate projects (P) Ltd aforesaid. AS-7 cannot and doesn't enlarge the ambit of taxation but it is only a measure of the income and point of taxation of such accrued income. Turning to the facts, I find that even before the construction was complete, the entire building Rajatha Plaza including the share of land owners was agreed to be let out to M/s.Pantaloons, which means that the building was sought to be enjoyed by the appellant itself and intended not to be sold.
- The case of a builder and construction contractor engaged in civil construction on behalf of others stands on a different footing. In the case of a contractor engaged in civil construction on behalf of others, the gross revenue is known or can be reasonably estimated; whereas in the case of a developer, he builds for the purpose of ultimate sale to a third party. Unless and until there is an even of sale, there cannot be any accrual of income. Transaction of sale in the case of a developer will be complete only when the building is completed and ultimately sold. Till such time, it cannot be said that any income has accrued to a developer.
- As far as AS-7 is concerned, as already stated, the revised AS-7 effective from 1.4.2003 prescribes only one method i.e., percentage completion method for accounting profits. As we have already observed the said method of accounting is applicable only to a construction contractor and not to a developer.
- AS-9, Income recognition Standard corresponding to ICDS - Revenue Recognition may also be referred to, in recognizing Income from Real Estate transactions.

Author can be reached on e-mail: skcoca2011@yahoo.in

KSCAA WELCOMES NEW MEMBERS - MAY & JUNE 2015

Name	Place	Name	Place	Name	Place
1 Ireddy Doddamani	Bengaluru	13 Sahana Nayenegali	Bengaluru	24 Vinayak Shridhar	Bengaluru
2 Sachin Vijapur	Bagalkot	14 Prateek Marlecha	Bengaluru	Hegde	
3 Vijendra Kamath	Sagar	15 Sujata M.	Bailhongal	25 Prakash Adiga B	Bengaluru
4 Basavaraj V. Mattur	Haveri	Dhawaleshwar		26 Narasimha	Bengaluru
5 Prashant	Kalaburagi	16 Channabasayya	Gangavathi	Murthy K.M	
6 Santosh Ratkal	Kalaburagi	Soppimath		27 Shrikrishna V	Bengaluru
7 Jagadeesha B.M	Bengaluru	17 Betageri	Dharwad	28 Vasudha B	Bengaluru
8 Govinda Bhandary B	Bengaluru	Shiddalingappa S		29 Sagar Ganti	Kalaburagi
9 Chaudhry Rakesh	Bengaluru	18 Gururaja S.T	Bengaluru	30 Rahul Chillal	Kalaburagi
Kumar		19 Dhruva Hegde	Bengaluru		
10 Sathisha R.	Bengaluru	20 Hanumanthe Gowda R	Bengaluru		
11 Suresh Kumar K	Bengaluru	21 Kumar N	Bengaluru		
12 Sood Mamta	Bengaluru	22 Bhanumathi N	Bengaluru		
Brahmprakash		23 Kamalakar Bhat	Bengaluru		

Legal Fund Contributor	
Name	Amount
CA. G. Nethravathi	Rs.2264/-



SERVICE TAX UNDER REVERSE CHARGE – BRANCH PAYMENTS



CA. Madhukar N Hiregange & CA. Mahadev R.

“Service” has been defined as an activity between two persons. In normal course the principle of “mutuality” is applied and there can be no tax when one deals with oneself. However an exception has been created in the Service tax law for dealing with a branch outside India.

The Place of Provision of Services Rules 2012 has deemed certain locations as the place of provision. This depends on the nature of activity. Where the place is outside India, no service tax is payable.

The transactions between the foreign branch and the HO therefore in certain cases be liable to service tax on reverse charge.

In case of multinational companies, transactions between various branches across the world are quite common. There are numerous tax laws which are to be complied with in case of such transactions such as income tax, service tax etc. In this article an effort has been made to analyse the service tax implication on transactions between the HO & foreign branch under reverse charge mechanism.

What is reverse charge?

Under the service tax law, every person providing a taxable service is required to pay service tax at prescribed rate. However, in certain cases the service recipient is made liable to pay service tax on the services received. Since the person receiving services is made liable to pay service tax, the mechanism of collection of such tax is called as reverse charge mechanism (RCM). This concept is set out in service tax law by virtue of Section 68(2) by empowering the Central Government to notify services on which the said RCM would apply. To support this, the person liable to pay service tax as defined in Rule 2(1)(d) of the Service Tax Rules, 1994 also includes service recipients. Please note that such concept was in place even before introduction of the new scheme of negative based taxation from 01.07.2012.

As per Section 68(2) read with Notification no.30/2012-20.03.2012, in respect of any taxable services provided or agreed to be provided by any person who is located in a non taxable territory and received by any person located in the taxable territory, the person who is receiving service shall be liable to discharge the service tax. Section 66A, which existed prior to 01.07.2012, in addition to the then main charging Section 66, under the old law gave the statutory backing for levy of service tax on import of services.

Liability of service tax on branch payments

As per explanation to clause (44) of section 65B, an establishment of a person located in taxable territory and another establishment of such person located in non-taxable territory are treated as establishments of distinct persons. Similar provision existed in erstwhile Section 66A (2)]. In

subsequent paragraphs, we have analysed different types of scenarios in case of branch payments and the service tax impact.

Concept of mutuality and its implication in branch payments

As per Section 65B (44), “service” means any activity carried out by a person for another for consideration, and includes a declared service. One cannot make profit or provide service to oneself. The principle of mutuality is based on the theory that a person cannot make profit out of himself. Applying this ratio, it could be understood that the transactions between office in India and branch outside India are mutual and there is no distinct person. However, due to the deeming provision as discussed earlier, branches outside India needs to be considered as distinct persons under service tax law until judicially decided as not liable.

Fund transfers from Head office to Branches

On many occasions it may so happen that head office in India would be taking care of day to day working capital needs of the branch outside India. Such working capital could be utilised by branch towards payment of salaries, rent, marketing etc. The service tax department has been demanding service tax on such reimbursements.

Based on the deeming fiction that branches are distinct persons, department has been demanding service tax from assessee. In the Mumbai Tribunal decision in case of *KPIT Technologies Vs. CCE [2014 (36) STR 1098]* it was held that expenditure which has been reimbursed by the head office to its branch office by way of salaries or other expenses cannot be said to be consideration paid for any service rendered by branch to head office. It was also held that Section 66A is for taxing the import of services and not for taxing monetary transactions between branch and head office. Such transactions are beyond the taxing jurisdiction of the Indian authorities. This ratio could be applied even now and it could be argued that funds transferred from Indian office to branch office to meet regular expenses are not taxable even under the new law.

One more alternative argument could be that actual reimbursements are not liable for service tax as held in *Intercontinental Consultants & Technocrats Pvt Ltd. Vs. UOI 2013 (29) STR 9 (Del.)*. In this case, the High court has held that expenditures incurred in course of providing taxable services cannot be a consideration liable for service tax. Rule 5(1) of Service Tax (Determination of Value) Rules 2006 which provides for taxation of reimbursement was held ultra vires by the High court. However, to overcome the impact of this decision, Section 67 of the Finance Act 1994 has been amended from 14th May 2015 to provide that the definition of consideration includes any reimbursable expenditure or cost incurred by the service provider and charged, in the course of providing or agreeing to provide a taxable service.

Services procured and consumed outside India

There may be a scenario wherein the services are procured and consumed by the branches outside India but payments for the same are made by office in India. Even on these types of payment, service tax is being demanded by department. Service tax on such payments need not be discharged where one could take following contentions:

- As per the deeming provision, establishment of a person located in taxable territory and another establishment of such person located in non-taxable territory are treated as establishments of distinct persons. Therefore, it could be argued that the service tax received by branch is nowhere related to office in India and the provisions of RCM not applicable.
- Another argument which could be taken in this regard is that the services would not actually be received by office in India. Instead services are received by branch outside India for which only funding would be done by office in India.

Taking similar contentions, the tribunal in case of *Infosys BPO Ltd Vs. CST [2014-TIOL-1847-CESTAT-BANG]* has held that if the services are provided outside India and also received & utilised outside India, unless it could be established that the services are received in India, service tax would not be payable. The tribunal also held that the treatment of branch as separate establishment for levy of service tax and treating the same as part of office in India for levy of service tax on services received outside India is not correct.

Service tax liability on sharing of expenses among branches

There may be a situation where a branch charges office in India towards a sum representing the latter's share of expenses. It could be argued that pure cost allocation without there being a service, would not be liable in the hands of the Indian office. However, when there is a service which is also received in India, then it would be ideal to discharge the service tax. Otherwise the usage in India being reimbursed would need to be established.

Services provided by branches to office in India

The branches situated outside India are treated as separate establishments. Services which are provided by such branch to office in India could be liable for service tax. However, one should refer the Place of Provision of Service Rules 2012 to determine the place of provision of service. The liability would arise only when place of provision of service is in taxable territory (whole of India except state of Jammu and Kashmir) and also recipient of service is in taxable territory. If these conditions are not satisfied, the liability of service tax under RCM does not arise.

In situations where liable, the assessee shall ascertain the category of service for payment of service tax after claiming eligible deductions, abatements if any.

Conclusion:

Service tax is still evolving and the introduction of negative list based taxation also has not addressed many practical issues, the branch payments are not free from dispute. There are different views among professionals and even among departmental officers. A prudent assessee should not hesitate to express his views and intimate the department about the view and reasons thereof when he chooses not to pay the ST on RCM. Here he needs to seek the confirmation of his understanding from the revenue. Assessee should also consider the option of discharging the service tax in cases where liability is not clear to be on the safer side. This option would be feasible especially when assessee could avail the Cenvat credit of service tax paid on branch payments. If no credit is available then he may pay under protest again under intimation to revenue.

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

ADVERTISEMENT TARIFF

Colour full page

Outside back	₹ 20,000/-
Inside back	₹ 16,000/-

Inside Black & White

Full page	₹ 12,000/-
Half page	₹ 6,000/-
Quarter page	₹ 4,000/-

Advt. material should reach us before 5th of the month, 15% rebate if booked for minimum of 3 issues.



TAX UPDATES UNDER THE KARNATAKA COMMERCIAL TAX LAW

CA. Srikanth Acharaya & CA. Annapurna Kabra



I) Input Tax Credit Cannot be denied merely not disclosed in Monthly Return :

In case of Paharpur Cooling Towers Ltd., vs. Assistant Commissioner of Commercial Taxes TS-152-HC-2015(Kar)-VAT

The Notice was issued under 52(1) of KVAT, 2003 and in reply to this the required documents were submitted by the Appellant. This notice was issued on the ground that the Appellant had not claimed input tax credit in VAT FORM 100. However, the Appellant had submitted all relevant documents like audited report in VAT FORM 240, FORM VAT 100 etc. A reply was submitted but this was not appreciated or considered by the Assessing officer and stated that the audited report and other documents were not filed. The Honorable High Court of Karnataka has set-aside the order denying the input tax credit on the grounds that such input tax credit is not declared in the monthly returns filed in Form VAT 100. Appellant contested that the audit report in Form VAT 240 (books of accounts) had been submitted but the assessing officer had committed a grave mistake and hence would fall under the purview of violation of principles of natural justice. Since the officer had not applied his mind judiciously and did not consider the audit report and account books which had admittedly been filed by the assessee, it was allowed that the orders would be quashed passed by the Assessing Authority for fresh decision after considering the papers and other documents as well as relevant documents filed in VAT FORM 240. From the above case law it can be understood that the audited report filed to the department should be considered and input tax credit claimed or declared in VAT 240 cannot be denied for the fact that the same was not declared in VAT 100.

II) *Jay Steel and Tubes Traders Vs State of Gujarat (2015) 80 VST 530 (Guj)*

The assessing officer raised an additional tax demand against the dealer and imposed interest and penalty on the basis thereof. The Tribunal was of the opinion that the dealer had sufficient input tax credit and those tax credits could have been adjusted against the dealers additional assessed tax liability. The Tribunal cancelled the interest and penalty. On appeal it was rightly held that the basic intention of attempting to evade or avoid payment of taxes would be necessary for imposing penalty. When the Tribunal had found on facts that in view of availability of input tax credit as against the assessed

additional tax there was no intention on part of the dealer to avoid payment of taxes the question of imposing interest and penalty will not arise.

Whereas under Karnataka VAT Act wherein in most of the cases the Assessing officer deny the adjustment of carry forward input tax credit with the additional tax liability and accordingly interest and penalties are levied. Therefore only when the admissible Input tax credit is less than output tax liability of current year, a dealer should be liable to pay interest on balance due amount of output tax after adjustment of input tax credit.

III) Relevant Advance Ruling under Karnataka Entry Tax Law

The Application for Advance Ruling should be made in FORM 43 with reference to Section 12-C. The Advance Ruling Authority will clarify the rate of tax applicable and exigibility of any transactions to tax under the Act on an application by dealer registered under the Act.

Gist of Relevant Advance Rulings under KTEG Law

- If the notified goods are procured from outside the state and sold to customers outside the local area i.e customer of another state then the transaction does not attract entry tax under the clause re-export as the goods are neither sold, consumed nor used within local area.
- If the notified goods are purchased from the dealers against Form 40 who would have procured the same from outside the local area by paying entry tax and the same is sold outside the local area by the dealer the similarly on the above lines the dealer is not supposed to discharge the entry tax on the said transaction as it happens to be sale outside the local area. Basically purchase being made against Form 40 the question of paying entry tax does not arise. However entry tax can be charged and collected on the invoices.
- If the goods are procured from outside the state/outside the local area in the current month and the same is sold next month to the dealers outside the local area/outside the state, then the dealer has to discharge the entry tax on the purchase of such goods during the current month of purchase and then if whole or some portion of such goods are sold outside the local area during the same months or subsequent months the dealer is entitled for availing a set off of such amount during the month in which it is sold,

under the clause re export in the return and he has to pay the net tax payable after deducting such amount. If goods are manufactured outside the local area and brought into local area for sale then there is levy of entry tax.

- It is clarified that Seepage water pumps, Crude transfer pumps and Booster pumps do not fall under the commodity description “ Machinery (all kinds) and parts and accessories thereof but excluding Agricultural Machinery and hence no entry tax is payable on said goods as they are not notified in the Notification No FD 11 CET 2002 dated 30.3.2002.
- If the applicant agrees to have taken delivery of goods so as to claim as the first dealer then Form 40 issued by him has relevance and applicant has clear tax liability cast upon him under the KVAT Act as subsequent movement into the local area of the purchaser does constitute local sale. On the contrary if the dealer holds that the transaction under question are E-1 sale in such a case the onus of paying entry tax rest on the purchaser who has taken delivery of the goods and thus caused actual entry of goods into the local area as provided under subsection (2) of section (3) of KTEG Act 1979. The Form 40 issued by the applicant for a value consisting purchase price including other expenses is in fructuous.

- It is clarified that Radiator coolant which is a lubricating oil and petroleum product is liable to entry tax at 5% as per serial number 1(viii) (a) of the table in the Notification No FD 11 CET 2002 dated 30.3.2002
- It is clarified that used oil or waste oil and EXXSOL D95 FLUID which is a petroleum product is liable for entry tax at 5% under section 3(1) of the Karnataka Tax on Entry of Goods Act 1979 .
- It is clarified that unmanufactured tobacco packed in sachets/sealed containers at 5% with effect from 02.10.2013 in terms of the Notification No FD 208 CSL 2013(III) dated 01.01.2013
- It is clarified that cutting tools like drill bits/taps/reamers cutters end mills grinding wheels etc are not consumables. They are liable to tax at the rate of 2% as machinery accessories.
- It is clarified that Air Dryer and its parts are liable to entry tax at 2% under serial number 7 of the Table in the Notification No FD CET 2002 (1) dated 30.3.2002.

*Authors can be reached on
query@dnsconsulting.net*

A handbook on **KARNATAKA CO-OP AUDIT PRACTICES**

SALIENT FEATURES OF THE BOOK a handbook on karnataka co-op. audit practices

- Foreword by Sri Mahadeva Prasad Hon. Minister of Co-operation.
- Audit practices to cover Co-operative and Souharda societies.
- Format of Audit reports - clean, qualified, adverse and disclaimer both in English and Kannada.
- Detailed long form audit reports as per Co-op. Act and Rules both in English and Kannada.
- Format of all schedules and statements (A) to (Z) in English & Kannada.
- Audit procedures, fee details, classification of society.
- All the Kannada reports in downloadable CD attached to Book.

HOW TO GET THE HANDBOOK

- Pay online Rs. 900/- or send cheque / draft.
- Email us the details of payment and your address with phone number.
- Hand book will be sent by courier.

Details of Bank Account for online payment : Excel Academy

Account No. 0422201002718, Canara Bank, IFSC Code : CNRB0000422

Cheque / DD should be in favour of “Excel Academy” to be sent to EXCEL ACADEMY, No. 11, Gr. Floor, Resham Mahal Complex, Cubbonpet Main Road, Bangalore – 560 002.

Phone : 080-22218628, Mobile : Mahesh 9845540448

Email : handbookcoopaudit@gmail.com



Author : H Shivakumar FCA



INDIRECT TAXES UPDATE – MAY 2015

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



A. NOTIFICATIONS AND CIRCULARS

SERVICE TAX

- a) Consequent to withdrawal of abatement to chit fund transactions in the budget, definition 'chit fund' has been omitted in the notification No. 26/2012-ST which deals with the abatement. [Notification No. 13/2015-ST dt. 19.05.2015]
- b) Amendments vide Finance Act, 2015 relating to increase in rate of service tax to 14%, changes to composition rates on certain services, amendment to negative list along with related definitions and exemptions and non applicability of Education cess and Secondary and Higher Education Cess on services, would be effective from 1.6.2015. [Notification No. 14-16/2015-ST dt. 19.05.2015]

B. IMPORTANT DECISIONS

1. CCE & C Vs M/s Kraps Chem Pvt Ltd 2015-TIOL-102-SC-CX

In the context judicial discipline, Hon'ble Supreme Court held that where it was found that there is a conflict of opinion rendered by two coordinate Benches of Tribunal (CESTAT), the only course of action open for the Tribunal was to refer the matter to the larger Bench to resolve this conflict. It was observed that judicial discipline requires that when there is conflict of opinion between two benches, the Tribunal should refer the issue to a Larger Bench.

2. M/s SERVO-MED INDUSTRIES PVT LTD, 2015-TIOL-103-SC-CX

Facts: Assessee would buy syringes and needles in bulk from the open market and sells the same after undertaking the sterilization process and packing the sterilized syringes and needles in a pouch

Issue: Whether the process of sterilization amounts to Manufacture? Whether the said process is essential to complete manufacture before the products are sold in the market?

Held: Supreme Court held that neither the character nor the end use of the syringe and needle has changed post-sterilization. The syringe and needle retains its essential character as such even after sterilization. Surgical equipment such as a knife continues to be a surgical knife even after sterilization. If the Department were right, every time such instruments are sterilized, the same

surgical instrument is brought forth again and again by way of manufacture and excisable duty is chargeable on the same. Further, relying upon various decisions of Apex Court, specifically on the decision in the case of J.G. Glass, the Court held that the process does not amount to manufacture.

3. CCE, Pune II Vs. Pethe Brake Motors P Ltd., 2015-TIOL-114-SC-CX

Issue: Department had denied SSI exemption under Notification No.1 /93-CE dated 28.2.1993 on the ground that it was using surname name of director of the company and the same is the branded name of another person and therefore in terms of para 4 of the said Notification it was not entitled to the exemption.

Decision: Supreme Court based on the finding of fact as recorded by the Tribunal in the impugned judgment that the assessee was not using the brand name of another person and the name used was the surname of the director of the assessee, viz., 'PETHE', held that the assessee is not using brand name of other person and the case does not fall within the mischief of para 4 of the aforesaid Notification No.1/93.

4. M/s Dharampal Satyapal Ltd Vs DC of CE, Gauhati 2015-TIOL-121-SC-CX

Issue: The issue before the Supreme Court was whether recovery proceedings can be initiated without issue of show-cause notice under Section 11A of the Excise Act, 1944?

In this case department was seeking to recover the amount payable by virtue of Section 154 of the Act of 2003 which was enacted retrospectively and the constitutional validity of the said Section had already been upheld by the Apex Court in R.C. Tobacco case 2005-TIOL-115-SC-CX at the time of issuance of notice for recovery. The appellant wanted to contend that Section 11A of the Excise Act was applicable, which requires this procedure to be followed.

Decision: Hon'ble Supreme Court dealing with the question whether before passing such an order of recovery, was it necessary to comply with the requirement of show-cause notice, held that even if the provision is not applicable, it is fundamental that before taking any adverse action against a person, requirement of principles of natural justice is to be fulfilled. It is also trite that when a statute is silent, with no positive words in the Act or

Rules spelling out need to hear the party whose rights or interests are likely to be affected, requirement to follow the principles of natural justice.

While reiterating the position that rules of natural justice are to be followed for doing substantial justice, it was held that, it would be of no use if it amounts to completing a mere ritual of hearing without possibility of any change in the decision of the case on merits.

5. M/s Malladi Drugs & Pharmaceuticals Ltd Vs UoI 2015-TIOL-1262-HC-MAD-CX

Facts: Assessee had challenged the provisions of Rule 8(3A) of Central Excise Rules, 2002, which had imposed prohibition on utilization of CENVAT Credit for payment of duty during the period of default.

Held: High Court agreed with the ratio of Gujarat High Court decision in the case of Indsur Global Ltd., 2014 (310) E.L.T. 833 (Guj.) wherein it was held that Rule 8(3A) as unconstitutional. The availment of CENVAT credit is a right that accrues to an assessee and denial of such credit can be made only by procedure prescribed by the law. The implication of CENVAT credit and the utilisation thereon has been clearly highlighted by the Supreme Court in paragraph-17 of the judgment in Collector of Central Excise, Pune v. Dai Ichi Karkaria Ltd., 2002-TIOL-79-SC-CX-LB.

It is not the case of the Department in this batch of writ petitions that the petitioners-assessee have illegally or irregularly taken the CENVAT credit. The right to pay duty by utilising the CENVAT credit that had accrued cannot be defeated, unless it is a case of illegal or irregular credit. To that extent, this sub-rule (3A) arbitrary and therefore violative of Article 14. The right that has accrued to an assessee by way of CENVAT credit, that is duty paid on the inputs, cannot be taken away under a rule, which only provides for the manner and method of payment of duty and for levying of interest, if there is a default. The object of the term “without utilizing the CENVAT credit” would run counter to the scheme of availment of the CENVAT credit on the duty paid inputs. It is a legitimate right that has accrued to an assessee and that cannot be denied arbitrarily under the provision under challenge. Therefore, Hon’ble High Court concurred with the reasoning of Gujarat High Court in Indsur Global Ltd., (supra) that Rule 8(3A) is ultra vires of Article 14 on the ground of arbitrariness.

6. CCE Vs. M/s. Amritlal Chemaux Ltd 2015-TIOL-130-SC-CX

Issue: Products are various dyes & dye bases, naphthols & fast bases, and chrome pigments covered in Chapter 29 and Chapter 32 CETA, 1985. Assessee is not a manufacturer of these products in traditional sense. It buys the same from a manufacturer in bulk quantities

in bulk packing. Thereafter, they undertake the process is of repacking and / or labeling and that has given rise to the dispute as to whether such a process amounts to manufacture or not.

Relevant Chapter Notes (identical): “In relation to products of this chapter, labelling or re-labelling of containers and re-packing from bulk to retail packs or the adoption of any other treatment to render the product marketable to the consumer, shall amount to manufacture.”

Decision: Supreme Court held that the intention of the legislature is manifest that insofar as the process of label or relabeling of containers is concerned, it would amount to manufacture only if the other condition, viz., repacking from bulk to retail pack is also satisfied.

The aforesaid view gains credence from other fact, i.e., where the second process is treated as manufacture, viz., “adoption of any other treatment to render the product marketable to the consumer”, the expression ‘any other treatment’ and that too, with intention to render it marketable clearly shows that insofar first part is concerned, both the conditions have to be satisfied.

[Note: Relevant chapter notes have been amended by Notification No. 11/2008-CE (NT) dated 1.3.2008 where the word ‘and’ has been substituted by the word ‘or’]

7. Wipro Ltd. Vs. Asst Collector of Cus & ors 2015-TIOL-79-SC-CUS

Issue: As per Customs Valuation in 1993 under the provisions of the Customs Valuation (Determination of Price of Imported Goods) Rules, 1988, value for determining the Customs duty shall include loading, unloading and handling charges associated with the delivery of the imported goods at the place of importation, which is fixed statutorily at 1% of FOB value.

Assessee had imported a consignment of 315 kgs, the actual loading, unloading and handling charges amounted to Rs.65.40 as per the tariff of the International Airport Authority of India, Madras. However, the Customs Authorities, on the basis of the impugned rule added a sum of Rs.15,214.69 to the value of the goods as handling charges as the impugned provision entitles the authorities to add 1% of the F.O.B. value of goods on account of loading, unloading and handling charges.

Whether 1% loading can be added only if actual charges are not ascertainable:

Decision: Supreme Court observed that the department’s justification for loading 1% is that of ‘uniformity’, however, this justification would apply where loading, unloading charges are not ascertainable. Where such charges are known and determinable, there is no reason to have such a yardstick. Hence, Supreme Court held that the authorities have not been able to satisfy as to how

such a provision helps in achieving the object of Section 14 of the Act. It cannot be ignored that this provision as well as Valuation Rules are enacted on the lines of GATT guidelines and the golden thread which runs through is the actual cost principle.

The Court held that the proviso (ii) to sub-rule (2) of Rule 9 introduced vide Notification dated 05.07.1990 (adding 1% for loading, unloading and handling charges) is unsustainable and bad in law as it exists in the present form and it has to be read down to mean that this clause would apply only when actual charges referred to in Clause (b) are not ascertainable.

8. CCE Vs M/s PNB Metlife India Insurance Co Ltd 2015-TIOL-1097-HC-KAR-ST

Facts: The appellant is engaged in providing 'Insurance Services' and had claimed Cenvat credit on the service tax paid on re-insurance services received. Demand proceedings were initiated and the same was culminated through order. Hon'ble CESTAT allowed the appeal filed by the assessee against the demand, wherein the cenvat credit on 're-insurance services' received by the assessee was allowed. Revenue preferred an appeal against the order of CESTAT allowing the credit.

Held: Hon'ble High Court held that Rule 2(1) of the CENVAT Credit Rules 2004 provides that 'Input Service' means service used by a provider of taxable service for providing an 'Output Service'. Hence, it rejected Department/appellant's submission that once the Insurance Policy is issued by the Insurer, the transaction comes to an end and as such the service provided would not come within the ambit of input service. The re-insurance is taken by the Insurer immediately after the insurance policy is issued, as is required under Section 101A of the Insurance Act, 1938. Since re-insurance is a statutory obligation, and the same is co-terminus with the Insurance policy issued by the respondent, the stand taken by the Tribunal is correct.

Service Tax is levied for certain service rendered and the provision of giving the CENVAT credit is so that there may not be double taxation. If a person has collected service tax, no doubt the same has to be deposited, but if in the process of the same transaction he has paid some service tax, which is necessary for its business, then he is entitled to the CENVAT credit to the extent of service tax which has been paid by it. In the present case, if the entire Service Tax which is collected by the Insurer, while selling its insurance policies, has to be deposited without being given the credit of the tax which is paid by it while procuring a policy of reinsurance as (mandatorily required in law), the same would be against the ethos of CENVAT credit policy, as the same would amount to double taxation, which is not permissible in law.

9. M/s Hotline CPT Ltd Vs CCE 2015-TIOL-798-CESTAT-DEL

Facts: The appellant is a manufacturer of colour picture tubes (CPT) and they received back certain defectives which were accounted for under Rule 16 of the CER 2002 and credit was availed on the returns. The goods were dismantled, refurbished and re cleared on payment of duty. Department demanded reversal of cenvat credit alleging since re-making does not amount to manufacture, they would not be entitled to Cenvat credit in respect of the fresh parts used for re-making of the CPTs. The demand proceeding was adjudicated and demand was confirmed and on appeal the demand was upheld by Commissioner (Appeals) and agitated herein.

Held: Tribunal held that under the provisions of Rule 16 of the Central Excise Rules, 2002, when duty paid goods are returned to the factory of manufacture, for being repaired, remade, refined, reconditioned, etc., the manufacturer take the cenvat credit of the duty originally paid and thereafter in terms of provisions of sub-rule (2), at the time of clearance of the repaired/remade goods, if the process undertaken does not amount to manufacture, he is required to pay the duty amount equal to the cenvat credit taken, but if the process amounts to manufacture, he is required to pay the duty chargeable on the goods at the rate applicable on the date of removal and on the value determined under the provisions of Section 3(2), Section 4 or Section 4 A, as the case may be. Rule 16 does not provide that Cenvat credit in respect of the inputs used in the process of repairing/refining would not be available.

10. M/s FICCI Vs CST, Delhi 2015(38) STR 529 (Tri.-Delhi)

Issue: The main issue before the Tribunal was whether Federation of Indian Chambers of Commerce & Industries (FICCI) is qualifies to be club or association in terms of section 65(25a) /65(25aa) of Finance Act, 1994 to levy service tax on the charges collected by the association.

Held: The Tribunal held that the definition of club or association in section 65(25a) / 65(25aa) excludes any person or body of persons engaged in any activity having objectives which are in the nature of public service and are of a charitable, religious or political nature from the scope of club or association. In the FICCI's own case reported in AIR 1981 SC 1408, the Supreme Court has held that it is a charitable trust. Therefore, FICCI would not be a club or association in terms of the above referred sections to get attracted to levy of service tax.

*Authors can be reached on e-mail:
raghavendra@rceglobal.com; bhanu@vraghuraman.in*



VALUATION OF GOODS TRANSFERRED IN THE EXECUTION OF CONSTRUCTION CONTRACTS

Vikram A. Huilgol, B.S.L, LL.B, LL.M from Harvard Law School.
Practicing Advocate

Introduction.

In its landmark judgment in Larsen & Toubro v. State of Karnataka, (2013) 65 VST 1, the Supreme Court held that the activity of construction of apartments undertaken by a developer on the property of a third party amounts to execution of a works contract for the prospective purchaser of the apartment and, therefore, the value of goods involved in the execution of the works contract would be exigible to tax under the sales tax/VAT enactments of the States. Pertinently, the Supreme Court made a number of important observations regarding the valuation of goods involved in the execution of construction contracts. A number of States, including Karnataka, are grappling with how to give effect to some of the findings of the Supreme Court. The frontrunner in this regard is the Maharashtra State Government, which amended its Value Added Tax Rules (“MVAT Rules”), and issued Notifications and Trade Circulars in order to arrive at the value of goods on which tax can be levied.

On April 30, 2015, in CREDAI - Maharashtra v. State of Maharashtra, WP No. 4520/2014, a Division Bench of the Bombay High Court upheld the validity of these amended Rules, Notifications, and Trade Circulars. This article discusses the manner in which the MVAT Rules provide for the valuation of goods involved in the execution of works contracts as well as some of the issues dealt with in the Bombay High Court’s judgment. Finally, the article suggests that the Karnataka Government can take a cue from the Maharashtra Government insofar as implementation of an important aspect of the Supreme Court’s judgment in Larsen & Toubro is concerned.

Important Observations in Larsen & Toubro.

Before analyzing the relevant provisions of the MVAT Rules and the Bombay High Court’s judgment, it is pertinent to revisit some of the more important observations of the Supreme Court in Larsen & Toubro regarding the value of goods which constitutes the measure of tax. The relevant observations are as follows:

- (a) In a building contract or a construction contract, if the developer has received or is entitled to receive valuable consideration, the developer is executing a works contract on behalf of the purchaser of the flat and is, therefore, liable to pay sales tax/VAT on the value of goods involved in the execution of the works contract.
- (b) “Taxing the sale of goods element in a works contract is permissible even after incorporation of goods provided

tax is directed to the value of goods at the time of incorporation and does not purport to tax the transfer of immovable property.”

- (c) The “value of the goods which can constitute the measure of the levy of tax has to be the value of the goods at the time of incorporation of the goods in the works even though property in the goods passes later.”
- (d) “It may, however, be clarified that [the] activity of construction undertaken by the developer would be works contract only from the stage the developer enters into a contract with the flat purchaser. The value addition made to the goods transferred after the agreement is entered into with the flat purchaser can only be made chargeable to tax by the State Government.”

Maharashtra VAT Rules.

After the Supreme Court’s judgment in Larsen & Toubro, the Maharashtra State Government amended the MVAT Rules in order to give effect to the observations contained in the judgment. Rule 58(1) of the MVAT Rules, which provides for the manner in which the value of goods transferred in the course of executing a works contract is to be determined, remained unchanged. The said Rule contains a list of the amounts that a dealer is permitted to deduct in order to arrive at the taxable value. The deductions provided under Rule 58(1) are: (1) labour and service charges; (2) subcontractors’ payments; (3) planning, designing, and architects’ fees; (4) charges for hiring of machinery; (5) cost of consumables, the property in which is not transferred in the course of execution of the works contract; (6) cost of establishment relating to supply of labour and services; and (7) profit relating to the supply of labour and services. Similar to Rule 3(2)(m) of the Karnataka Value Added Tax Rules, 2005 (“KVAT Rules”), the proviso to Rule 58(1) states that if the contractor is unable to show that actual amounts expended towards labour and like charges, a prescribed percentage of the contract receipts shall be deducted based on the type of works contract being executed. Pertinently, a note appended to the Rule states that the percentage prescribed is to be applied after first deducting the cost of land determined under Rule 58(1-A) from the contract price.

Rule 58(1-A) was one of the provisions that was amended after the Supreme Court’s judgment in Larsen & Toubro. The said amendment was brought into effect from January 29, 2014. Rule 58(1-A), essentially, makes it explicit that the value of goods at the time of transfer shall be calculated after

deducting the cost of land from the total agreement value. As per the provision, “[t]he cost of land shall be determined in accordance with the guidelines appended to the Annual Statement of Rates prepared under the provisions of the Bombay Stamp (Determination of True Market Value of Property) Rules, 1995, as applicable on the 1st January of the year in which the agreement to sell the property is registered.”

The proviso to Rule 58(1-A), which was inserted with effect from January 29, 2014, states that “after payment of tax on the value of goods, determined as per this rule, it shall be open to the dealer to prove before the Department of Town Planning and Valuation of the actual cost of the land is higher than that determined in accordance with the Annual Statement of Rates[.]” The proviso further states that “[o]n such actual cost being proved to be higher than the Annual Statement of Rates, the actual cost of the land will be deducted and excess tax paid, if any, shall be refunded.”

Interestingly, the Maharashtra Government also inserted a new provision with effect from January 29, 2014, namely, Rule 58(1-B). The said Rule reads as under:

“Rule 58(1-B)(a) Where the dealer undertakes the construction of flats, dwellings, buildings or premises and transfers them in pursuance of an agreement along with the land or interest underlying the land then, after deductions under sub-rules (1) and (1-A) from the total contract prices, the value of the goods involved in the works contract shall be determined after applying the percentage provided in column (3) of the following Table depending upon the stage at which the purchaser entered into contract.”

The table appended to the above rule provides the following 5 stages during which the developer enters into a contract with the prospective purchaser, and specifies the corresponding percentage of the contract receipts to be the value of goods involved in the execution of the works contract:

- (a) Before issue of commencement certificate: 100%
- (b) From the commencement certificate to the completion of plinth value: 95%
- (c) After the completion of plinth level to the completion of 100% of the RCC framework: 85%
- (d) After the completion of 100% RCC framework to the occupancy certificate: 55%
- (e) After the occupancy certificate: Nil

For example, if the purchaser enters into an agreement with the developer before issuance of the commencement certificate, then the entire contract receipts, after deducting the labour charges and land value, shall represent the value of goods to be brought to tax. Similarly, if the agreement is entered into after completion of 100% RCC framework and before issuance of occupancy certificate, then only 55% of the receipts, after deduction of labour charges and land costs, shall be brought to tax. Rule 58(1-B) has clearly been inserted

keeping in mind the observations of the Supreme Court in paragraph 115 of the Larsen & Toubro judgment, wherein the Supreme Court held that only the value addition made to the goods transferred after the agreement is entered into with the flat purchaser can be brought to tax. Recognizing that it would be very difficult, and rather arbitrary, to determine the exact value addition to the goods after the developer enters into a contract with a purchaser, the Maharashtra Government has adopted an ad hoc percentage to denote the value of goods transferred to the purchaser depending on which stage it enters into a contract with the developer.

Rule 58(1-B)(b) states that in order to avail the benefit of the deductions provided under sub-rule (a), “it shall be necessary for the dealer to furnish a certificate from the Local or Planning Authority certifying the date of completion of the stages referred [in the table.]” Rule 58(1-C) states that “[i]f the dealer fails to establish the stage during which the agreement with the purchaser is entered, then the entire value of goods as determined after deductions under sub-rules (1) and (1-A) from the entire value of the entire contract, shall be taxable.”

Analysis of the Bombay High Court’s Judgment.

A number of writ petitions were filed before the Bombay High Court challenging the validity of the amendments effected by the State Government pursuant to the Supreme Court’s judgment in Larsen & Toubro. In essence, the petitioners contended that the amended Rule 58 fails to arrive at the true and correct value of goods at the time of their incorporation in the works contract. According to the petitioners, the “cost plus gross profit” method is a more viable and practicable mode of valuing the goods transferred while executing the works contract.

The petitioners further contended that the Rules resulted in tax being indirectly levied on immovable property because contractors were compelled to value the land transferred to the purchasers based on the guidelines appended to the Annual Statement of Rates prepared under the provisions of the Bombay Stamp (Determination of True Market Value of Property) Rules, 1995. According to the petitioners, the Annual Statement of Rates did not reflect the true value of the land that was transferred to the purchaser and, therefore, adopting the said value would often result in tax being levied on immovable property.

The petitioners also contended that Rule 58(1-B), which prescribed the percentage of the value of goods that can be brought to tax based on the stage at which the developer entered into the contract with the purchaser, was bad in law.

The Bombay High Court rejected all of the petitioners’ contentions and upheld the validity of the amendments. As regards the petitioners’ contention that the value of goods must be determined by applying the “cost plus profit” method, the Court observed that:

“[I]t is not possible to accept the contention that because the levy of MVAT is a levy on the transfer of goods in a works contract, the value of the goods must be limited to cost plus profit. The broader based standard may be adopted and would be within the authority and power of legislation. A standard which maintains a nexus with the essential character of the levy can be regarded as a valid basis for assessing the measure of tax.”

The Court, essentially, held that “[i]t is open for the legislature to adopt any basis for determining the value of a taxable article” and “the measure for assessing the levy need not correspond completely to the nature of levy.” The Court concluded by holding as follows:

“It is to be borne in mind that defining the subject of tax is a simple task and devising measure for tax is a far more complex exercise, as has been observed by the Supreme Court and legislature has to be given much more flexibility in the latter field. Once having taken into account that it is competent of the legislature to make a choice and if it does so for the matters of uniformity and convenience, the rules and circulars cannot be said to be ultra vires, unconstitutional or bad in law.”

The Supreme Court, in the case of Union of India v. Bombay Tyre International Ltd., (1984)1 SCC 467, held that the measure of tax is distinguishable from the nature of tax, and any standard adopted by the State to determine the measure of tax must be regarded as a valid basis so long as it maintains a nexus to the essential character of the levy. Therefore, it is a settled position of law that in order to determine the value of goods involved in the execution of works contracts, it is open to the States to adopt a convenient mode for such determination. As far back as in 1993, in Gannon Dunkerley v. State of Rajasthan, (1993) 88 STC 204, the Supreme Court had categorically rejected the contractors’ argument that the determination of the taxable value of goods can only be on the basis of the cost of acquisition of goods by the contractor. The Court held that “the value of goods which can constitute the measure for the levy of the tax has to be the value of the goods at the time of incorporation of goods in the works[.]” As regards the determination of the value of the goods which are involved in the execution of the works contracts, the Supreme Court accepted the States’ submission that “a more convenient mode for such determination is to take the value of the works contract as a whole and deduct therefrom the cost of labour and services rendered by the contractor during the course of execution of the works contract.” Therefore, the petitioners’ contention before the Bombay High Court, namely, that the State must accept only the cost plus profit method in order to value the goods was foreclosed by the Supreme Court more than 20 years ago. Accordingly, the Bombay High Court rightly rejected this argument of the petitioners.

The argument that Rule 58-A(1-A) is bad in law because it results in tax being levied on immovable property was also

rejected. The Court held that the proviso to Rule 58(1-A), which allows dealers to prove that the actual value of land was higher and then claim refund, provided enough of a safeguard to ensure that tax was not being levied on immovable property. Finally, the Court also rejected the arguments that Rule 58(1-B) was bad in law. The Court observed that the provision was inserted with the clear intention of ensuring compliance with the Supreme Court’s observations in paragraph 115 of the Supreme Court’s judgment in Larsen & Toubro. According to the Court:

“In order to overcome various difficulties, to have the value of taxable articles for the purpose of MVAT, the legislature or its delegate has prescribed a table giving stages for the purpose of computation of value of subject of tax. This appears to have been provided in order to have uniformity and to avoid vagaries, disparity or inconvenience from case to case. The same has been incorporated after deliberation and consultation with concerned departments and would not be liable to termed as arbitrary.”

Conclusion.

The Bombay High Court has rightly followed the well-settled law and rejected the petitioners’ challenge to Rule 58 of the MVAT Rules. As discussed earlier, it is beyond any doubt that the State has ample leeway regarding the adoption of a standard to determine the measure of tax. To show that the State must adopt the “cost plus profit” method to arrive at the taxable value of goods involved in the execution of a works contract was always going to be an uphill task, and it is no surprise that the Bombay High Court declined to accept the petitioners’ contentions in this regard.

To give credit where it’s due, the Maharashtra Government must be lauded for implementing the Supreme Court’s observations in paragraph 115 of Larsen & Toubro by inserting Rule 58(1-B). Understandably, the developers and the Karnataka Commercial Taxes Department have found it difficult to ascertain the value addition made to the goods transferred after the agreement is entered into with the flat purchaser. It is practically very difficult for developers to show the actual value of goods that have been transferred after it enters into a contract with the purchasers. Therefore, the Department has, unofficially, advised a number of developers to ignore the observations in paragraph 115 and pay tax on the entire consideration of goods transferred while executing contracts, irrespective of the stage at which the developer enters into a contract with the purchasers. Instead, it is advisable that the Karnataka Government takes a cue from Rule 58(1-B) and adopts a similar method in order to arrive at the correct taxable value of goods transferred in the course of execution of construction contracts.

*Author can be reached on
e-mail: vikram@kingandpartridge.in*



KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

7/8, 2nd Floor, Shoukath Building, SJP Road, Bangalore 560 002

Ph 080-2222 2155, 2213 0724 Telefax 080-2227 4679 email: info@kscaa.co.in, kscaabl@gmail.com Website: www.kscaa.co.in

New Membership Invited

KSCAA offers new memberships. Membership is now open at the same old fees, which was fixed in 1998. Cost of service to members has gone up since then. Despite strong reasons and suggestions to increase the fees, Association has hitherto consciously kept the membership fees at low, with a view to broad-base the representation and encourage new membership. Application form is appended for you to take a leap and join the Association bandwagon, without further delay.

Features

- Regular events, seminars, training programmes, annual conference, study circle meetings • Informative monthly bulletin • Library • Portal
- Publications • Fellowship • Catalyst functioning • Activities for members & families • Situated in central location with meeting hall facilities
- Guided by the seniors and experts • Having half-a-century of experience • Plans to set up campus for Centre of Excellence.

APPLICATION FOR MEMBERSHIP

Name (Mr. Mrs. Miss) _____

Father's Name _____

Mother's Name _____

Husband's Name _____

Membership No. of ICAI _____ Date of Registration with ICAI _____

Name of the Organisation _____

Status (Prop. / Partner / Employee) _____

Communication Address (Please tick) Office Residence

Office Address _____

Phone: _____ Fax: _____ Mobile: _____ Email: _____

Residential Address _____

Educational Qualifications _____ Date of Birth _____ Blood Group _____ Name of Spouse _____

I am enclosing herewith Cash/Cheque/DD bearing No. _____ Dated _____ for Rs. _____

Date _____ Place _____ Signature _____

Proposed by Name _____ KSCAA Membership No. _____ Signature _____

Seconded by Name _____ KSCAA Membership No. _____ Signature _____

Membership Fee Details

Fee Payable	Ordinary Member	Life Member		Institutional Member
		Enrolment with ICAI		
		Less than 5 Years	5 years & above	
a. Entrance Fee	100	100	200	200
b. Yearly subscription	500	-	-	-
c. Life-Membership	-	1,000	2,000	5,000
Total*	600	1,100	2,200	5,200

1. Cheque/Draft/Bank Transfer may be drawn in favour of 'KSCAA'. Outstation payment by Demand Draft only.

*Service Tax applicable @ 14% extra.

2. The Subscription for the financial year becomes payable before 31st March every year.

3. Every member shall intimate, from time to time, all changes in their address and other particulars to be entered in the Register relating to them.

4. Enclose photocopy of ICAI Membership Certificate.

Mail to

Chairman, Membership Development Committee

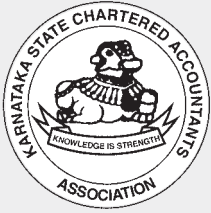
KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION, # 7/8, 2nd Floor, Shoukath Building, SJP Road, Bangalore 560 002

FOR OFFICE USE ONLY

Admitted at the Meeting of the Executive Committee held on _____

Membership No. Allotted _____

President _____ Secretary _____



42nd Annual Report 2014-2015

INVITATION

Dear Member,

We have great pleasure in inviting you and your family
for the dinner after the Annual General Meeting

Executive Committee

C	ROLL OF HONOUR	2
O	AGM NOTICE TO MEMBERS	3
N	ANNUAL REPORT	4
T	PROGRAMMES OF 2014-15	7
E	AUDITOR'S REPORT	12
N	BALANCE SHEET	14
T	INCOME AND EXPENDITURE ACCOUNT	15
S	SCHEDULES	16
	SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	22
	ELECTION NOMINATION FORM	25
	MEMBERS ATTENDANCE AT E.C.MEETINGS	26

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

7/8, 2nd Floor, Shoukath Building, SJP Road, Bengaluru - 560 002.

Phone 080 2222 2155 • Telefax 080 2227 4679

info@kscaa.co.in • www.kscaa.co.in

KSCAA

ROLL OF HONOUR

YEAR/S	PRESIDENT	SECRETARY
1957-61	CA. S Kaleeswaran	CA. MR Rangarathnam (Late)
1961-62	CA. BK Ramadhyan	CA. MR Rangarathnam (Late)
1962-68	CA. A Ramaswamy Iyengar	CA. J Gopalkrishnan
1968-69	CA. MR Rangarathnam (Late)	CA. P Shivaramakrishnan
1969-71	CA. J Gopalakrishnan	CA. AR Vishwanathan
1971-75	CA. KY Shreshty (Late)	CA. JJ Madan
1975-78	CA. OR Pandurang	CA. K Rahaman Khan
1978-79	CA. Premraj Singhvi (Late)	CA. DL Suresh Babu
1979-80	CA. KV Shanmukhaiah	CA. MR Krishnamurthy
1980-82	CA. AR Vishwanathan	CA. AK Subramaniam
1982-84	CA. MS Ranganath	CA. AK Subramaniam
1984-85	CA. JG Ostwal	CA. AK Subramaniam
1985-86	CA. KR Kumar (Late)	CA. NP Shivashankar
1986-87	CA. S Amarlal (Late)	CA. N Nityananda
1987-88	CA. NP Shivashankar	CA. R Ananda
1988-89	CA. MC Ramakrishna	CA. K Ramanath
1989-90	CA. R Ananda	CA. SA Narayana Setty
1990-91	CA. NCS Raghavan	CA. S Gowthamchand
1991-92	CA. SA Narayana Setty	CA. C Ganapathraj
1992-93	CA. R Subramanian	CA. Ravindra Raj Bhandari
1993-94	CA. A S Vishnu Bharath	CA. KY Ningoji Rao
1994-95	CA. M Goutham Prakash Khariwal	CA. K Ravi
1995-96	CA. K Y Ningoji Rao	CA. DC Chhajer
1996-97	CA. C Ganapathraj	CA. DR Venkatesh
1997-98	CA. S Prakash Chand	CA. IS Prasad
1998-99	CA. DR Venkatesh	CA. Lalit M Sharma
1999-00	CA. K Ravi	CA. R Venkatakrishna
2000-01	CA. IS Prasad	CA. V Dwarakanath
2001-02	CA. Lalit M Sharma	CA. Ravi Prasad
2002-03	CA. HBM Murugesh	CA. PR Suresh
2003-04	CA. TR Anjanappa	CA. HC Gulecha
2004-05	CA. PR Suresh	CA. AB Shivasubramanyam
2005-06	CA. S Krishnaswamy	CA. MV Lakshmikantha
2006-07	CA. Mallinath S Nainegli	CA. G Nataraj
2007-08	CA. M V Lakshmikantha	CA. K S Sreedhara Murthy
2008-09	CA. A.B. Shivasubramanyam	CA. Ravindra Beleyur
2009-10	CA. M. Marulasiddaiah	CA. Manoj Kumar G.
2010-11	CA. Allama Prabhu M.S.	CA. Maddanaswamy B.V.
2011-12	CA. Anant H. Mutalik	CA. Basavaraja H.M.
2012-13	CA. Maddanaswamy B V	CA. Raveendra S. Kore
2013-14	CA. C.R. Dhavalagi	CA. Virupakshappa M. Tuppad
2014-15	CA. Raveendra S. Kore	CA. Raghavendra Puranik

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

7/8, 2nd Floor, Shoukath Building, SJP Road, Bengaluru - 560 002.
Phone 080 2222 2155 • Telefax 080 2227 4679 • info@kscaa.co.in • www.kscaa.co.in

NOTICE

Notice is hereby given to the members of the **Karnataka State Chartered Accountants Association** that the **Forty Second Annual General Meeting** of KSCAA will be held at **6.00 PM on Saturday, the 18th of July 2015**, at **API Bhavan**, Millers Road, Bengaluru, to transact the following business :

AGENDA :

1. To confirm the proceedings of the Forty First Annual General Meeting held on 15th July, 2014 and adjourned meeting on 18th October, 2014.
2. To consider & adopt the Annual Report of the Executive Committee.
3. To consider & approve the audited accounts for the year ended 31st March 2015.
4. To Appoint the Auditors for the year 2015-2016 & fix their remuneration.
5. To elect Thirteen Members to the Executive Committee for the year 2015-2016.
6. To transact any other business for which a special notice is given under Rule 16 (e) of the Rules & Regulations of the Association.

By order of the Executive Committee

Sd /-

CA. Raghavendra Puranik

Secretary

Place : Bengaluru

Date : 22 June 2015

NOTES:

- Members who wish to send their nominations for the Executive Committee are required to submit the Nomination Form, duly filled in, at the Association Office. Nomination Form is provided at the end of this Annual Report.
- Last date for submission of nomination: **Before 5.00 pm on Monday, 6th July, 2015**
- Last date of withdrawal of the nominations: **Before 5.00 pm on Thursday, 9th July, 2015**
- Announcement of final list of candidates contesting for election : **At 6.00 pm on Thursday, 9th July, 2015**
- The Final list of the Candidates shall also be uploaded at our website www.kscaa.co.in
- Members are requested to bring their copy of Annual Report to the AGM; Extra copies will not be provided at the Meeting.

KSCAA

42nd ANNUAL REPORT

Dear esteemed member,

We have been able to restore trust!

Service, in our Indian ethos is the ultimate duty – Seva Parmo Dharma. One year ago, you had entrusted us with the responsibility and honour of serving the Association.

We assumed office at a time when confidence in the association was waning. Arrogance, irrational, unprofessional, unilateral decisions leading to financial indiscipline had paralysed the governance at association. Image of the association was fading away amongst members and vendors of the association, which was built bricks by bricks by our Past Presidents. A single year was about to erode the faith augmented over 57 years.

When we have taken responsibility of your association in the presence of unprecedented attendance of the members in 41st AGM, lots of challenges and expectations from the new team to instill trust and bring back the prestige of the association was thrust on us. It was really a tough challenge for the new team to cope up with all your anticipations as most of us were inexperienced. With Gods grace and your support and blessings bestowed on us, we systematically went about addressing these challenges. As a result, here we present you with yet another glorified year of absolute success!

With great pleasure and satisfaction, we present you the 42nd Annual Report and the Audited Accounts of your Association. The Annual Report covers the brief details of all the events and progress made during the period from 16th July 2014 to 22nd of June 2015.

EXECUTIVE COMMITTEE AND OFFICE BEARERS

In the 41st Annual General Meeting held on 15th of July 2014, the persons stated below were elected for the Executive Committee; the executive committee in turn elected the office bearers; the President elect assigned the chairmanship of sub committees to the Executive Committee members, details of which are also furnished alongside:

S.No.	Name & Designation
1	CA. Raveendra S. Kore, <i>President</i>
2	CA. Dileep Kumar T.M., <i>Vice-President & Chairman-Programme Committee</i>
3	CA. Raghavendra Puranik, <i>Secretary</i>
4	CA. Raghavendra T.N., <i>Joint Secretary & Chairman-IT Committee</i>
5	CA. Nagappa B. Nesur, <i>Treasurer</i>
6	CA. Bhavya Parvathi K., <i>Chairman-Indirect Taxes Committee</i>
7	CA. Giridhara T., <i>Chairman-Membership Development Committee</i>
8	CA. Malleshappa B. Hullatti, <i>Chairman-Representation Committee</i>
9	CA. Raghavendra Shetty, <i>Chairman-Sports & Public Relations Committee</i>
10	CA. Ravindranath K., <i>Chairman-Corporate and Allied Laws</i>
11	CA. Tara Bevinje, <i>Chairman-Direct Taxes Committee</i>
12	CA. Teertha G.R.R., <i>Chairman-Library & Publication Committee</i>
13	CA. Virupakshappa M. Tuppad, <i>Chairman-Student Welfare Committee</i>

CA. Maddanaswamy B V rendered his valuable services in the capacity of Special invitee - Past President and was part of the Committee in the series of absence of Immediate Past President.

CA. N S Ayyanagoudar, Hubballi and CA. Malakajappa Biradar, Kalaburagi were co-opted to the Executive Committee, to further strengthen the team.

THEME FOR THE YEAR:

We have chosen the theme as “Embodiment of Virtues” – Upholding the moral & professional excellence. We CA’s are representative of elite professional section of the society. Being a CA we have the responsibility of upholding the ethics and morality towards society at large. We intend



to create positive attitude towards ethics and principles through our activities.

Meetings of the Executive Committee were conducted at regular intervals wherein all the decisions relating to the events and activities of the Association were discussed and finalized. We have also published elsewhere the EC Meeting Member's Attendance table for your kind perusal.

MENTORS MEET:

Members of Executive Committee hosted "Mentors Meet" on 4th September 2014. The meeting was attended by the Past Presidents, Past Secretaries, Core Supporters and senior members of the association and we presented the proposed road map for the year ahead. We received the best of the suggestions and we have tried our best to implement the same during our tenure. We are indebted to all of them for their guidance, advice and support.

NEWS BULLETIN:

We published very useful articles during our tenure such as "Why Diabetes Today" by Dr. Raveendra KR emphasizing effects of changing lifestyle of professionals, "Gata Vaibhavadata CA Ghanate" by CA. Shivakumar H a cautioning article igniting us to introspect quality in our profession.

We continued our rich tradition of bringing new talents to our columns by introducing new, young and eminent columnists CA. Krishna Upadhyaya S, CA. Raghavendra TN and CA. Veerabasanna Gouda who are enriching readers on Transfer pricing, Income Tax and VAT matters.

To provide a quality updates to our readers we have introduced two more very eminent columnists: Vikram Huilgol, Advocate, Harvard Law School post Graduate and K Dushyantha Kumar, a practicing Company Secretary, updating on VAT matters and Company Law respectively.

Apart from above, we are grateful to CA. S Krishnaswamy, CA. Madhukar Hiregange, CA. GB Srikanth Acharya, CA. Roopa Nayak, CA. CR Raghavendra, CA. JS Bhanumurthy, and CA. Annapurna Kabra for their invaluable contributions to our news bulletin on regular basis to keep our readers up to date.

EVENTS & PROGRAMMES

All the programmes during our term were highly successful. Even the study circle meetings conducted by our Association witnessed almost full strength. This is highly encouraging and nothing but reaffirmation of your faith in our Association, demonstrating that Members do participate in our events for enriching their knowledge and also for fellowship, irrespective of the fact whether they get CPE or not.

The crowning glory of all the programmes was the mega event – 27th Annual Conference-"Vikaas" held on 7th and 8th of March 2015. Justice N. Kumar, Honourable Judge, High Court of Karnataka inaugurated the conference and his thought provoking speech impressed the whole gathering. The details of all the events and programmes that we conducted are given separately in the Annexure enclosed herewith.

PUBLICATIONS:

During the year, we brought out the following publications:

1. Real Estate Seminar-Background Materials
2. Souvenir of 27th KSCAA Annual Conference
3. Hand Book on Non-Profit Organisations and Family Trusts by Jnana Sagara CA. S. Krishnaswamy
4. Souvenir of Two Day National Tax Conference

REPRESENTATIONS

The Association submitted following representations:

1. To the Chairman, Central Board of Direct Taxes, Ministry of Finance, Government of India, in connection with Tax Audit.
2. To the Chief Commissioner of Income Tax, Panaji, GOA with respect to issues under u/s 80P of Income Tax Act pursuing the requests made by the Mofussil members.
3. To Honorable Governor of Karnataka with respect to amendment to Section 63 of Karnataka Co-operative Societies Act, 1959.

Further, we have submitted Pre-Budget Memorandum to Honorable Chief Minister, Government of Karnataka emphasizing various state tax issues faced by fellow professionals and clients.

WEBSITE

Our objective of providing more information to members through our website, KSCAA website has been revamped considering the changing needs of the members in this fast running internet era. Website is being updated periodically and provides the latest News Bulletin, Programmes & Events, Photographs and information. We are in the process of implementing online membership enrolment which may be live soon. However considering advancement in technology, there is much scope for improving the content and visibility of the website. The Executive Committee is constantly striving in this regard.

OTHER ACTIVITIES

To promote sports and cultural activities among our fellow professionals and their family, Association conducted Sports and Talent Meet jointly with Bangalore Branch of SIRC of ICAI. Members had gala time with activities such as Cricket, Badminton, Carrom, Singing, Rangoli, Dance etc.

International Tour to Indonesia, Bali, Malaysia was organized in association with Bangalore Branch of SIRC of ICAI.

This time association has formed Legal Cell and set up a Legal Fund, earmarked fund to fight legal battle on various issues faced by the profession. Association received Rs. 2,39,766/- during the year and Rs. 85,000/- paid towards expenses relating to filing of writ petition in the High Court of Karnataka and unutilized balance at the year end is Rs. 1,54,766/-.

Association has filed a writ petition before High Court of Karnataka with respect to recent amendment to the Karnataka Co-operative Societies Act, 1959 after consulting with the experts in the field.

ACCOUNTS & FINANCE:

We have pleasure in informing you that our Association has earned surplus of **Rs. 6,62,644 /-** (after charging depreciation of Rs. 84,008/- and prior period net expense of Rs. 45,651/-) for the financial year 2014-15. Thus we have earned cash surplus of **Rs. 7,46,652/-** during the year.

The liquid investments of our Association stood at **Rs. 145,48,320/-** as on 31st March 2015, as against the figure of Rs. 132,25,795/- as on 31st March 2014.

Total of funds of Association were Rs. 178,33,234/- on 31st March 2015 as against Rs. 168,55,836/- of previous year. The 27th Annual Conference contributed significant portion of the surplus, the details of which is furnished below for your kind appraisal:

Number of Delegates	:	746
Gross Receipts from Conference	Rs.	24,64,442
Conference Expenses	Rs.	19,53,590
Net Surplus from the Conference	Rs.	5,10,852
Annual Conference Receivables outstanding as on 22.06.2015		NIL

We proud in mentioning, surplus from our successful real estate Seminar also added big chunk to the net surplus of our association during the year under audit.

We append herewith the audited accounts and the Auditor's Report for the year ended 31st March 2015.

LIFE MEMBERS

During the year, the Life members of the Association almost touched 2400 mark! As on 22 June 2015, the total number of life members stood at 2392. We have admitted 116 life members and two ordinary members during the year. We have completed the massive task of issuing Life Membership Certificates to 419 new members admitted from the year 2010 to till date.

SPECIAL EVENTS

During our 27th Annual Conference, we have honored 4 senior Chartered Accountants – Jnanasagara CA. S. Krishnaswamy,

CA. O.R Pandurang, CA. M.S. Ranganath from Bengaluru and CA. T.S. Sadashivaiah from Tiptur, who have completed 50 years of service in profession. It was our privilege to honor these gems, who are a source of inspiration to our young Chartered Accountants' fraternity.

We have scheduled a unique event and first of its kind KSCAA's Women Conference on 11th July, 2015 at Vijay Residency, Bengaluru, which will give them an opportunity and platform for knowledge sharing and networking.

DIGNITARIES PARTICIPATED IN OUR EVENTS

The following are the dignitaries who have participated and graced our events during the year:

1. Sri. D.V. Sadananda Gowda, Honorable Union Minister for Law and Justice, Government of India
2. Justice. N. Kumar, High Court of Karnataka
3. Sri. Vivekananda Babu, Vice President, Puravankara
4. Sri. Prakash Tapashetti, President, Sri Basaveshwara Co-operative Bank Ltd, Bagalkot
5. Sri. I.S. Patil, President, Karnataka Central Co-operative Bank Ltd, Dharwad
6. Sri. Vijay Kulkarni, Chairman, Mahalaxmi Co-operative Bank Ltd, Dharwad
7. Dr. Aralumallige Parthasarathy, International celebrity
8. Sri. J.D. Nankani, National President, All India Federation of Tax Practitioners

AUDITORS

The present auditors M/s. T. V. Veerabhadrappe & Co, Chartered Accountants, Bengaluru, retire at the ensuing Annual General Meeting and have expressed their willingness to continue as auditors for the ensuing year.

ACKNOWLEDGEMENTS

We gratefully acknowledge the contributions of all the supporters, sponsors and advertisers of our Association. We thank, in particular, the Authors, Speakers & Resource Persons who actually gave support as the Brain, Heart and back bone of the Association.

We thank all the members and delegates for encouraging the activities of the Association by participating in the events and supporting us, directly and indirectly, for its welfare, progress and prospects.

For and on behalf of the Executive Committee of
Karnataka State Chartered Accountants Association

Sd/-	Sd/-
CA. Raveendra S Kore	CA. Raghendra Puranik
President	Secretary

Place : Bengaluru

Date : 22 June 2015

PROGRAMMES

ANNEXURE-A TO 42ND ANNUAL REPORT 2014-2015

S.No.	DATE	ACTIVITY	TOPICS & SPEAKERS
1	26th August, 2014 Tuesday	CPE Work Shop of Basavanagudi CPE Study Circle <i>Hosted by</i> KSCAA At Sri Bhagwan Mahaveer Jain College, Bangalore	<i>Practical Problems & Solution In Filing VAT 100</i> - CA Annapurna Kabra <i>Practical Problems & Solution In Filing ST 3 Returns</i> - CA Lakshmi G.K.
2	6th September, 2014 Saturday	Workshop on Recent changes in Indirect Taxes <i>Jointly with</i> Federation of Karnataka Chambers of Commerce & Industry (FKCCI) At FKCCI Cabinet Hall, K.G. Road, Bangalore	<i>Budget Changes in Service Tax Law</i> - CA. B.G. Chidananda Urs <i>Budget changes in Central Excise & Customs</i> - CA. C.R. Raghavendra <i>Recent case laws on Service Tax/Central Excise/Customs</i> - CA. N. Anand <i>GST – Way Forward</i> - CA.N.R. Badrinath <i>Moderator: CA. Madhur Harlalka</i>
3	8th September, 2014 Monday	CPE Work Shop of Basavanagudi CPE Study Circle <i>Hosted by</i> KSCAA At Sri Bhagwan Mahaveer Jain College, Bangalore	<i>e-TDS Returns Practical Challenges & Solutions</i> - CA .Vinay T <i>Changes in Tax Audit Reports-Form 3CA,3CB & 3CD</i> - CA. Suresh P.R.
4	11th October, 2014 Saturday	One Day Seminar on Tax Implications on Real Estate Sector at Edinburgh Hall, Hotel Fortune Park JP Celestial Race Course Road, Bangalore	<i>First Technical Session</i> <i>Service Tax Implications on Real Estate Sector</i> - CA. Raghuraman <i>Second Technical Session</i> <i>Direct Tax Implications on Real Estate Sector</i> - CA.K.K.Chythanya <i>Third Technical Session</i> <i>Joint Development Agreement- related Issue & Drafting</i> - Sri Arvind Raghavan <i>Fourth Technical Session</i> <i>KVAT Implications On Real Estate Sector</i> - CA. Annapurna Kabra
	209 Delegates		
5	22nd November, 2014 Saturday	CPE Work Shop of Basavanagudi CPE Study Circle <i>Hosted by</i> KSCAA At KSCAA Premises	<i>Practical Problems in Filing Company Forms- ADT1 and MGT 14</i> - CA Prashanthkumar N
6	13th December, 2014 Saturday	CPE Work Shop of Basavanagudi CPE Study Circle <i>Hosted by</i> KSCAA At Sri Bhagwan Mahaveer Jain College, Bangalore	<i>Practical Problems & Solutions in VAT Audit</i> - CA Annapurna Kabra <i>Practical Problems & Solutions in VAT Input Credit</i> - CA. Roopa Nayak

S.No.	DATE	ACTIVITY	TOPICS & SPEAKERS
7	14th December, 2014 Sunday	Cricket League <i>Jointly with</i> Bangalore Branch of SIRC of ICAI At Bangalore University Ground	Cricket Tournament for Chartered Accountants
8	20th December, 2014 Saturday	CPE Work Shop of Basavanagudi CPE Study Circle <i>Hosted by</i> KSCAA At Sri Bhagwan Mahaveer Jain College, Bangalore	<i>TDS Provision - Practical Issues</i> - CA. D.R.Venkatesh <i>Reassessment Procedures - Practical Issues</i> - CA. Prashanth G.S.
9	21st December, 2014 Sunday	Sports and Talent Meet <i>Jointly with</i> Bangalore Branch of SIRC of ICAI At KGS Club, Cubbon Park, Bangalore	Sports & Cultural Activities for Chartered Accountants, Family Members & Childrens
10	3rd to 9th February, 2015	International Tour <i>Organised by</i> Bangalore Branch of SIRC of ICAI <i>Jointly with</i> All other branches of SIRC of ICAI of Karnataka & KSCAA	International Tour covering Indonesia-Bali-Malaysia <i>6 Days/5 Nights</i>
11	7th March, 2015 Saturday	27th KSCAA Annual Conference "Vikaas" At Jnana Jyothi Convention Centre Central College Campus Bangalore	<i>Inagural Address</i> - Justice N. Kumar <i>First Technical Session</i> <i>Companies Act 2013-New Compliance Requirement</i> - CA. K. Gururaj Acharya <i>Second Technical Session</i> <i>Assessment of Charitable Trust</i> - CA. Dr. N.Suresh <i>Third Technical Session</i> <i>Consolidated Financials Statements for Unlisted Companies including Private Limited Companies 2014-15</i> - CA M.P.Vijayakumar <i>Fourth Technical Session</i> <i>GST-The Way Forward</i> <i>Central Excise & Customs</i> - CA. N.Anand VAT - CA. Venkataramani S. <i>Service Tax</i> -CA.Rajeshkumar T.R.
	746 Delegates		

S.No.	DATE	ACTIVITY	TOPICS & SPEAKERS
	8th March, 2015 Sunday		<p><i>Spiritual Session</i> <i>Spirituality for Professional Minds</i> - Dr. Aralumallige Parthasarathy</p> <p><i>Special Session</i> <i>Role of Council Members in ICAI</i> - CA. P.R.Suresh - CA. Cotha S.Srinivas - CA. Nithin Mahadevappa Moderator: CA. Nityananda N.</p> <p><i>Fifth Technical Session</i> <i>FEMA-Liberalised Scheme, Certification & TDS Issues</i> - CA. Vivek Mallya</p> <p><i>Sixth Technical Session</i> <i>Controversies in Domestic TDS Issues</i> - CA. Padamchand Khincha</p> <p><i>Seventh Technical Session</i> <i>Opportunities in Arbitration & Conciliation</i> - Sri. K.G. Raghavan</p> <p><i>Eighth Technical Session</i> <i>Union Budget Proposals-Panel Discussion</i> <i>Direct Tax</i> - CA. Vishnumurthy S. - CA. Prashanth G.S. <i>Indirect Tax</i> - CA. Vishnumoorthi H - CA. Madhukar N. Hiregange Moderator: CA. S.Rama Subramanian</p>
12	19th March, 2015 Thursday	<p>Seminar on Budget Amendments in Income Tax KVAT and Service Tax jointly with KASSIA at KASSIA Auditorium, Bangalore</p>	<p><i>First Technical Session</i> <i>Direct Tax Amendments</i> -CA. D.R.Venkatesh</p> <p><i>Second Technical Session</i> <i>KVAT Amendments</i> - CA. Annapurna Kabra</p> <p><i>Third Technical Session</i> <i>Service Tax Amendments</i> - CA. Madhukar Hiregange</p>
13	26th April, 2015 Sunday	<p>One Day Seminar on Co-operative Bank-Income Tax & Audit Compliances jointly with Bagalkot District Central Co-operative Bank Ltd., & Shri Basaveshwara Co-operative Bank Ltd., Bagalkot At Bagalkot DCC Bank Auditorium, Bagalkot</p>	<p><i>First Technical Session</i> <i>Critical Issues in Income Tax-Co-operative Banks</i> - CA. Venkatesh D.R</p> <p><i>Second Technical Session</i> <i>Disclosure and Presentation Requirements in Financial Statements of Co-operative Banks</i> - CA. Ravindranath B.V.</p> <p><i>Third Technical Session</i> <i>Compliance of Accounting & Auditing Standards relating to Co-operative Banks.</i> - CA. Shivakumar H.</p>

S.No.	DATE	ACTIVITY	TOPICS & SPEAKERS
14	25th May, 2015 Monday	Workshop on Issues on FCRA <i>Jointly with</i> Federation of Karnataka Chambers of Commerce and Industry (FKCCI) At FKCCI Cabinet Hall, K.G. Road, Bangalore	<i>Issues on Foreign Contribution Regulation Act (FCRA)</i> - Dr. CA. N. Suresh
15	13th June, 2015 Saturday	Two Day National Tax Conference <i>Jointly organised by</i> Bangalore Branch of SIRC of ICAI & All India Federation of Tax Practitioners (AIFTP) at Hotel Le-Meridian, Sankey Road, Bangalore	<i>Inaugural Address</i> <i>Chief Guest</i> Shri D.V. Sadananda Gowda <i>Hon'ble Minister for Law and Justice, Govt. of India</i> <i>Session I</i> <i>Gearing up for GST</i> - CA. Madhukar Hiregange <i>Chairperson: Ms. Anita Sumanth, Advocate.</i> <i>Session II</i> <i>Important Amendments in Service Tax</i> - Mr. K.Vaitheeswaran, Advocate <i>Chairman: Mr. K.C. Kaushik, Advocate</i> <i>Session III</i> <i>Companies Act 2013- Important provisions for practitioners</i> - CA. Gururaj Acharya <i>Chairman: CA. P V Srinivasan</i>
	234 Delegates		
	14th June, 2015 Sunday		<i>Spiritual Session</i> Dr. H.S. Ramesh, Family Counselor <i>Session IV</i> <i>Direct Taxes</i> <i>Finance Act 2015</i> <i>Discussion on provisions relating to -TDS & Place of effective management</i> - CA. PVSS Prasad <i>Chairman: Jnanasagara CA S. Krishnaswamy</i> <i>Session V</i> Labour Laws for practising professionals - Mr. B.C.Prabhakar, Advocate <i>Chairman: C.K. Devappa Gowda</i> <i>Session VI</i> <i>Panel discussion on Works Contract (VAT/Service Tax/Income Tax)</i> - CA. Raghuraman - CA. K.K.Chythanya - CA. Vishnumurthy <i>Moderator: CA. S. Ramasubramanian</i>

S.No.	DATE	ACTIVITY	TOPICS & SPEAKERS
16	20th June, 2015 Saturday	Seminar on Co-operative Bank-Income Tax & Audit Compliances <i>jointly with</i> Belgaum Branch of SIRC At Belgaum Branch of SIRC Premises	First Technical Session <i>Critical Issues in Income Tax-Co-operative Banks</i> - CA. Venkatesh D.R Second Technical Session <i>Disclosure and Presentation Requirements in Financial Statements of Co-operative Banks</i> - CA. Ravindranath B.V.
17	20th June, 2015 Saturday	Seminar on Co-operative Bank-Income Tax & Audit Compliances <i>jointly with</i> Karnataka Central Co-operative Bank Ltd, Dharwad, & Mahalaxmi Co-operative Bank Ltd, Dharwad At Mahalaxmi Bank Auditorium, Bank Road, Dharwad	First Technical Session <i>Disclosure and Presentation Requirements in Financial Statements of Co-operative Banks</i> - CA. Ravindranath B.V. Second Technical Session <i>Critical Issues in Income Tax-Co-operative Banks</i> - CA. Venkatesh D.R
18	4th July 2015* Saturday	Workshop on Co-operative Audit <i>Jointly with</i> Tumkur District Chartered Accountants Association at Tumkur	<i>Co-operative Audit</i> - CA. Shivakumar H.
19	11th July 2015* Saturday	KSCAA 1st Women CA Conference	First Technical Session <i>Conflict Management</i> - CA. Sangeeta Shankaran Sumesh <i>Vice President and CFO, Dun & Bradstreet Technologies and Data Service Private Limited</i> Second Technical Session <i>Work Life Balance : A positive approach</i> - Dr .Shailaja Shastri <i>Professor and Head of Department of Psychology, Jain University</i> <i>"Celebrate - the Difference"</i> <i>Men and Women - not Men Vs Women</i> - CA. Roopa Venkatesh <i>MD and CFO, T8 International</i>
* to be held			

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (REGD.)

We have audited the Balance Sheet of **M/s. KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (REGD) (KSCAA)**, #7/8, 2nd Floor, Shoukath Building, S.J.P Road, Bangalore – 560002 as at 31.03.2015 and the Income and Expenditure Account for the year ended on that date, and a summary of significant accounting policies and other explanatory information annexed thereto.

Management's Responsibility for the Financial Statements:

The Executive Committee Members of **KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (REGD)** is responsible for the preparation of these financial statements in accordance with the requirements of Karnataka Societies Registration Act, 1960. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Associations preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, An audit also includes evaluating the appropriateness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

We report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Association so far as appears from our examination of those books;
- c. the Balance Sheet and Statement of Income and Expenditure dealt with by this Report are in agreement with the books of account;

In our opinion and to the best of our information, and according to the explanation given to us, the said accounts read with the schedules and notes thereto, are prepared, in all material respects, in accordance with the Karnataka Societies Registration Act, 1960 and give a true and fair view :

- a. In case of Balance Sheet, of the State of Affairs of the above named Association as at 31st March 2015.
- b. In case of the Income and Expenditure Account, of the surplus, being the Excess of Income over Expenditure of its accounting year ended 31st March 2015.

For T. V. VEERABHADRAPPA & Co.,

Chartered Accountants

FRN : 04579S

S/d

(CA. VEERABHADRAPPA T.V.)

Proprietor

M No. 020725

Place: Bengaluru.

Date: 08.06.2015

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

BALANCE SHEET

AS AT MARCH 31, 2015

PARTICULARS	Schedule No.	As at 31.03.2015 Rs.	As at 31.03.2014 Rs.
SOURCES OF FUNDS:			
Corpus Fund	1	2,698,835	2,577,910
General Fund	2	11,860,194	11,197,550
Restricted & Other Funds	3	3,274,205	3,080,376
Total		17,833,234	16,855,836
APPLICATION OF FUNDS:			
Fixed Assets (Net Block : Historical cost less depreciation)	4	2,379,928	2,463,401
Investments	5	14,548,320	13,225,795
Current Assets, Loans & Advances			
(a) Inventories	6	202,334	99,732
(b) Receivables	7	125,000	211,000
(c) Cash & Bank balances	8	392,961	838,524
(d) Loans & Advances (Others)	9	394,755	305,951
		1,115,049	1,455,207
Less: Current Liabilities & Provisions	10	210,063	288,567
Net Current Assets		904,986	1,166,640
Total		17,833,234	16,855,836

Significant Accounting Policies & Notes to Accounts

18

Schedules 1 to 18 form an integral part of the Accounts

As per our report of even date.
For **T. V. Veerabhadrapa & Co**
Chartered Accountants

for and on behalf of the Executive Committee of
Karnataka State Chartered Accountants Association®

Sd/-
CA. T. V. Veerabhadrapa
Proprietor
Memb No. : 020725
ICAI FRN: 04579S

Sd/-
CA. Raveendra S. Kore
President

Sd/-
CA. Raghavendra Puranik
Secretary

Date: 08.06.2015
Place: Bengaluru

Sd/-
CA. Nagappa B Nesur
Treasurer

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2015

PARTICULARS	Schedule No.	As at 31.03.2015 Rs.	As at 31.03.2014 Rs.
A. INCOME:			
Conference, Seminars and Meetings	11	2,874,185	2,650,000
Interest Income	12	1,161,752	1,227,836
Other Income	13	257,459	36,871
A Total		4,293,396	3,914,707
B. EXPENDITURE:			
Conference, Seminars and Meetings	14	2,210,623	2,945,713
Bulletins and Publications	15	542,535	548,573
Administrative Expenses	16	652,470	745,719
Other Expenses	17	95,466	95,130
Depreciation	4	84,008	107,974
B Total		3,585,102	4,443,109
C. SURPLUS/(DEFICIT) FOR THE YEAR BEFORE EXTRA ORDINARY ITEM (A-B)		708,295	(528,402)
D. EXTRA ORDINARY ITEM			
Provision for Impairment loss of leasehold building		-	133,561
E. PRIOR PERIOD ITEMS- INCOME		176	-
F. PRIOR PERIOD ITEMS- EXPENSE		45,827	-
G. NET SURPLUS/(DEFICIT) TRANSFERRED TO GENERAL FUND		662,644	(661,963)

Significant Accounting Policies & Notes to Accounts

18

Schedules 1 to 18 form an integral part of the Accounts

As per our report of even date.
For **T. V. Veerabhadrapa & Co**
Chartered Accountants

for and on behalf of the Executive Committee of
Karnataka State Chartered Accountants Association®

Sd/-
CA. T. V. Veerabhadrapa
Proprietor
Memb No. : 020725
ICAI FRN: 04579S

Sd/-
CA. Raveendra S. Kore
President

Sd/-
CA. Raghavendra Puranik
Secretary

Date: 08.06.2015
Place: Bengaluru

Sd/-
CA. Nagappa B Nesur
Treasurer

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

SCHEDULES TO AND FORMING PART OF ACCOUNTS

AS AT MARCH 31, 2015

PARTICULARS	As at 31.03.2015 Rs.	As at 31.03.2014 Rs.
1 CORPUS FUND:		
Opening Balance	2,577,910	2,422,910
Add: Life Membership Fee received during the year	120,925	155,000
	2,698,835	2,577,910
2 GENERAL FUND:		
Opening Balance	11,197,550	11,859,513
Add : Surplus / (Deficit)	662,644	(661,963)
	11,860,194	11,197,550
5 INVESTMENTS:		
<u>TERM DEPOSITS WITH:</u>		
Andhra Bank	2,956,233	2,806,233
Lakshmi Vilas Bank	10,000,000	8,850,000
Saraswat Bank	1,517,531	1,500,000
<u>ACCRUED INTEREST ON TERM DEPOSITS WITH:</u>		
Andhra Bank	2,431	1,559
Lakshmi Vilas Bank	56,576	50,471
Saraswat Bank	15,549	17,532
	14,548,320	13,225,795
<u>CURRENT ASSETS, LOANS & ADVANCES</u>		
6 INVENTORY OF PUBLICATION AND OTHERS: (Valued at lower of cost or net realisable value)		
KSCAA Publications	5,579	11,358
Other Materials	196,755	88,374
	202,334	99,732
7 RECEIVABLES:		
Receivables - KSCAA Summit 2013 at Hubli	80,000	180,000
Receivables - 26th SLC	-	16,000
26th Annual Conference-Caution Money Deposit	-	15,000
Receivables - 27th SLC	30,000	-
27th Annual Conference-Caution Money Deposit	15,000	-
	125,000	211,000

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

SCHEDULES TO AND FORMING PART OF ACCOUNTS

AS AT MARCH 31, 2015

PARTICULARS	As at 31.03.2015 Rs.	As at 31.03.2014 Rs.
8 CASH AND BANK BALANCES:		
Cash on hand	33,998	580
Andhra Bank SB Account-6886	137,873	185,318
Canara Bank SB Account	4,015	3,859
Kotak Mahindra Bank SB Account	-	5,634
Citi Bank Current Account	-	11,988
Andhra Bank SB Account-6887	44,942	422,800
Laxmi Vilas Bank	172,132	208,345
	392,961	838,524
9 LOANS & ADVANCES (OTHERS):		
<u>DEPOSITS:</u>		
Telephone Deposit	2,000	2,000
Electricity Deposit	26,110	26,110
Postal Department	100	100
Rental Deposit	65,000	65,000
Service Tax input	75	-
TOTAL A	93,285	93,210
<u>OTHERS:</u>		
TDS 05-06	22,256	22,256
TDS 07-08	9,711	9,711
TDS 08-09	22,558	22,558
TDS 10-11	7,862	7,862
TDS 12-13	57,351	57,351
TDS 13-14	43,004	43,004
TDS 14-15	138,579	-
TOTAL B	301,320	162,741
Other Advance	TOTAL C	150
TOTAL (A+B+C)	394,755	305,951
10 CURRENT LIABILITIES & PROVISIONS:		
<u>CURRENT LIABILITIES:</u>		
Audit Fee	22,472	22,472
Outstanding Liabilities	80,491	160,595
NTC Delegate fee to be refunded	18,100	16,500
TOTAL A	121,063	199,567
<u>PROVISIONS:</u>		
Miscellaneous Provisions	89,000	89,000
TOTAL B	89,000	89,000
TOTAL (A+B)	210,063	288,567

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

SCHEDULES TO AND FORMING PART OF ACCOUNTS

AS AT MARCH 31, 2015

PARTICULARS	As at 31.03.2015 Rs.	As at 31.03.2014 Rs.
11 INCOME FROM CONFERENCE ,SEMINARS & MEETINGS:		
Annual Conference	2,464,442	1,703,050
KSCAA Summit 2013 at Hubli	-	870,500
Meetings, Seminars and Workshops	409,743	76,450
	2,874,185	2,650,000
12 INTEREST & DIVIDEND INCOME:		
Interest on Bank Term Deposits	1,219,276	1,276,991
(Less) Transferred to Restricted fund	71,063	63,167
	1,148,213	1,213,824
On Saving Bank Accounts	13,539	14,012
	1,161,752	1,227,836
13 OTHER INCOME:		
Admission Fee	12,269	15,600
Annual membership fees	890	500
Miscellaneous Income	74,550	2,300
Sale of Publications	5,300	165
Advertisement in Bulletins	164,450	9,600
Interest on IT Refund	-	8,706
	257,459	36,871
14 CONFERENCE, SEMINARS AND MEETINGS EXPENSES:		
Annual Conference Expenses	2,056,192	1,620,935
Add/Less: Decrease/(Increase) in Consumable Stock	(108,381)	(28,323)
Add/Less: Decrease/(Increase) in Publications	5,779	(3,486)
	1,953,590	1,589,126
KSCAA Summit 2013 at Hubli Expenses	-	1,021,404
23rd Annual Conference Expenses	-	11,236
25th Annual Conference Expenses	-	48,347
Meetings, Seminars and Workshops	257,033	275,600
	2,210,623	2,945,713
15 BULLETINS & PUBLICATIONS:		
Printing of News Bulletin	542,535	548,573
	542,535	548,573
Add: (Increase) / Decrease in Stock of Publications	-	-
	542,535	548,573

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

SCHEDULES TO AND FORMING PART OF ACCOUNTS

AS AT MARCH 31, 2015

PARTICULARS	As at 31.03.2015 Rs.	As at 31.03.2014 Rs.
16 ADMINISTRATIVE EXPENSES:		
Salaries & Bonus	312,000	277,600
Staff Welfare	17,192	15,024
Electricity Charges	16,432	17,297
Water charges	1,040	960
Building maintenance	10,515	12,270
Telephone & Internet charges	28,524	31,520
Conveyance	26,643	26,356
Postage and courier	24,163	89,072
Printing and Stationery	80,491	35,539
Audit Fee	22,472	22,472
AGM Expenses	112,164	84,939
EGM Expenses	-	24,638
Rent for Lease Hold Premises	-	82,335
Service tax paid	834	25,697
	652,470	745,719
17 OTHER EXPENSES:		
Newspapers and Subscription	4,850	5,290
Ayudha Pooja expenses	2,560	1,184
Office Maintenance	16,120	18,690
Repairs and Maintenance	3,904	3,931
Bank Charges	4,839	2,343
Website Charges	37,200	20,350
Miscellaneous Expenses	6,634	12,589
Filing Fees with Registrar of Societies	975	6,355
Locker Rent	4,818	1,401
Interest / Penalty on delayed remittance of taxes	58	17,130
EC Meeting Expenses	3,508	5,867
26th SLC Receivables written off	10,000	-
	95,466	95,130

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

SCHEDULES TO AND FORMING PART OF ACCOUNTS

AS AT MARCH 31, 2015

SCHEDULE - 3

RESTRICTED AND OTHER FUNDS

(IN RUPEES)

PARTICULARS	OP BALANCES AS ON 01.04.2014	RECEIPTS DURING THE YEAR	TRANS- FERRED DURING THE YEAR	TOTAL	LESS UTILISED/ TRANSFERRED	CLOSING BALANCES AS ON 31.03.2015
A RESTRICTED FUNDS						
ENDOWMENT FUND	70,000			70,000		70,000
LATE S. NARAYANAN'S MEMORIAL PRIZE AWARD ACCOUNT	100,000			100,000	-	100,000
PROFESSIONAL DEV. FUND	506,488			506,488		506,488
STUDENT WELFARE FUND	113,102			113,102		113,102
	789,590	-	-	789,590	-	789,590
B ACTIVITY FUNDS						
ENDOWMENT FUND	12,473		6,300	18,773	-	18,773
LATE S. NARAYANAN'S MEMORIAL PRIZE AWARD ACCOUNT	61,052		9,000	70,052	-	70,052
PROFESSIONAL DEVELOPMENT FUND	519		45,584	46,103	12,800	33,303
STUDENT WELFARE FUND	24,882		10,179	35,061	19,200	15,861
LEGAL FUND	-	239,766	-	239,766	85,000	154,766
	98,926	239,766	71,063	409,755	117,000	292,755
C UTILISED FUNDS						
LIBRARY FUND	144,360			144,360		144,360
PERMANENT PROJECT	247,500			247,500		247,500
BUILDING FUND	50,000			50,000		50,000
S.AMARLAL GOLDEN JUBILEE HALL FUND	250,000			250,000		250,000
GOLDEN JUBILEE PROJECT FUND	1,500,000			1,500,000		1,500,000
	2,191,860	-	-	2,191,860	-	2,191,860
GRAND TOTAL (A+B+C)	3,080,376	239,766	71,063	3,391,205	117,000	3,274,205
Previous Year	3,057,209	-	63,167	3,120,376	40,000	3,080,376

SCHEDULES TO AND FORMING PART OF ACCOUNTS AS AT MARCH 31, 2015

SCHEDULE – 4

FIXED ASSETS AND DEPRECIATION:

PARTICULARS	GROSS BLOCK as on 01.04.2014 ** Rs.	ADDITIONS More than 180 days Rs.	ADDITIONS Less than 180 days Rs.	DELETIONS Rs.	GROSS BLOCK as on 31.03.2015 Rs.	ACCUMULATED DEPRECIATION as on 01.04.2014 ** Rs.	RATE %	DEPRECIATION FOR THE YEAR Rs.	ACCUMULATED DEPRECIATION as on 31.03.2015 Rs.	WDV * as on 31.03.2015 Rs.	WDV as on 01.04.2014 Rs.
IMMOVABLE PROPERTY:											
Land at Harohally Industrial Area	1,694,630	-	-	-	1,694,630		-	-		1,694,630	1,694,630
Office Building	780,288	-	-	-	780,288	497,607	10%	28,268	525,875	254,413	282,681
Office Building on Leasehold Premises***	293,940	-	-	-	293,940	160,379	10%	-	160,379	133,561	133,561
Less: Provision for Impairment Loss	(293,940)				(293,940)	(160,379)			(160,379)	(133,561)	(133,561)
Carrying amount after impairment loss										-	-
OTHER ASSETS:											
Furniture and Fixtures	780,433	-	-	-	780,433	425,839	10%	35,459	461,298	319,135	354,594
Library Books	93,483	535	-	-	94,018	93,058	60%	576	93,634	384	425
Computer, Printers & Software	110,654	-	-	-	110,654	110,556	60%	59	110,615	39	98
Office Equipments	361,591	-	-	-	361,591	230,621	15%	19,646	250,267	111,324	130,970
Assets not in use	759	-	-	-	759	756		-	756	3	3
Total	3,821,838	535	-	-	3,822,373	1,358,437		84,008	1,442,445	2,379,928	2,463,401
Previous Year	3,804,038	-	17,800	-	3,821,838	1,410,842		107,974	1,518,816	2,463,401	2,687,135

* Please Refer Note No 5 (c) to the Significant Accounting Policies

** Total WDV before adjusting provision for impairment loss of leasehold premise is Rs.25,13,486.

*** The lease hold office premise is not being used, hence depreciation is not claimed. The negotiations to continue or vacate are in process.

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

SCHEDULES TO AND FORMING PART OF THE ACCOUNTS AS AT 31st MARCH 2015

SCHEDULE-18

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS:

OVERVIEW

Karnataka State Chartered Accountants Association is registered in the year 1957 under the Karnataka Societies Registration Act No. III of 1904 vide No.1710/57-58 dated 07.12.1957 and subsequently amendments were made under the Karnataka Societies Registration Act 1960.

It is registered under Section 12A(a) of the Income Tax Act, 1961, vide no. Trust/718/10A Vol.AII/K.503/90-91/ CIT II dated 10.12.1990.

The main objects, inter alia, are to encourage friendly feeling and unanimity among the members and to provide for opportunities for interaction among the members, the acquisition and dissemination of knowledge connected with the profession and also to promote and protect the mutual interests of the members.

GOVERNANCE

The Executive Committee has the overall responsibility for the general control, administration and management of the activities of the association. The responsibility is joint and several. The internal control system in operation provides reasonable assurance against errors and frauds.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting, unless otherwise stated elsewhere.

1. Revenue Recognition

- a. Life Membership Fees received is credited to Corpus Fund. This practice has been followed by the Association consistently from the past.
- b. Income from conferences, seminars and workshops are recognized as income as and when conferences, seminars and workshops are organized and held.
- c. Admission Fee charged is recognized as income in the year of receipt.
- d. Ordinary Membership fee received is recognized as income in the year of receipt.

- e. Interest on Term Deposits held as investments is recognized on accrual basis.
- f. Income from Sale of publications is recognized as income as and when the publications are sold.
- g. Income from advertisement in bulletins is recognized as income as and when the advertisements are published in the bulletins.
- h. Interest on tax refunds is accounted on receipt basis.

2. Expenses

All expenses are accounted on accrual basis to the extent they are ascertained for the period.

3. Allocation/Transfers to Restricted Funds

- a. The Association has a policy to allocate/transfer interest to Restricted Fund Accounts to recognize the interest attributable to those Funds.
 - b. Allocation/Transfer of interest to Restricted Fund is made on the basis of proportionate interest attributable to the balance standing in the respective Fund account as at the end of the year.
 - c. On such allocation/ transfer of interest to the Funds, specific expenses related to such Funds are appropriated to the extent of balance available in that respective activity fund.
 - d. The practice to allocate/ transfer interest and expenses to the Restricted Funds has been consistently followed by the Association from the past.
 - e. A new activity fund called Legal Fund has been set up during the year to meet the legal expenses incurred by the association. No interest has been allocated for this legal fund. The expenses on legal steps taken is utilized out of this fund during the year.
- ##### **4. Prior Period Items**
- Prior period items, being any income or expense, which has arisen in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods, are recognized as and when they are noticed and are shown separately.
- ##### **5. Fixed Assets**
- a. The fixed assets have been capitalized at acquisition cost, with all identifiable expenditure incurred to make the asset fit for use.

- b. The Karnataka Industrial Areas Development Board(KIADB) has allotted Plot No.32-C, measuring 2703 sq.mts at Harohalli Industrial Area, Ist Phase, Kanakapura Taluk, Bengaluru. KIADB has issued the Possession Certificate vide No.IADB/16904/DO-I/812/2009-10, dated 22.08.2009. Registration of Lease cum Sale Deed is pending due to ongoing dispute between the original land owners and KIADB. The Land allotted has been treated as a fixed asset.
- c. The gross block and accumulated depreciation as on 1.4.2014 are compiled by considering WDV as on 1.4.2000 and additions / deletions made thereafter based on records and information available.

d. Provision for Impairment Loss:

The association had given notice to the owner of leased portion of premise regarding vacating the premise during 2013-14. Therefore, provision for impairment loss of Rs.133,561 was made which is to the extent of carrying amount of leasehold building. However, as per the advice of Building Committee negotiation has been initiated with the owner of the said premise and association is yet to get the final response to the proposal made to the owner.

6. Depreciation

- a. Depreciation has been provided on the fixed assets except land on Written Down Value basis in accordance with the rates prescribed under Income Tax Act, 1961 readwith Income Tax Rules, 1962.
- b. Depreciation on leasehold premises is not provided as full provision for impairment was made in the previous year.

7. Inventory

The Association has a policy to value the stock of publications and other materials at lower of cost or net realizable value.

8. Investments

- a. Investments includes, investment of Restricted Funds amounting to Rs.7,89,590/-.

9. Income Tax

The Association is registered under Section 12A(a) of the Income Tax Act, 1961 and hence no provision has been made towards income tax.

10. Impairment of Assets:

The carrying amounts of assets are reviewed at each Balance Sheet date. If there is any indication of

impairment based on internal/external factors, an impairment loss is recognized wherever the carrying amount of an asset exceed its recoverable amount.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

11. Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when the Association has present obligation as a result of past event; it is probable that an outflow of resources will be required to settle obligations, in respect of which a reliable estimate can be made.

Contingent Liabilities, if any, not provided for are disclosed by way of Notes.

Contingent Assets are neither recognized nor disclosed. Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

NOTES FORMING PART OF ACCOUNTS AS ON 31.3.2015

1. The balances as reflected in the Balance Sheet as at 31st March, 2015 of Receivables, Payables, Loans and Advances and Deposits, are subject to confirmation and subject to any adjustments and reconciliation after confirmation.

2. In the opinion of the Executive Committee, the amounts shown in the Balance Sheet are reflected at their realizable values, unless stated otherwise.

3. Contingent Liability:

The association has given notice to the owner of leased portion of premise regarding vacating the premise. The owner may adjust the leasehold deposit of Rs.65,000 or any part of it towards reinstating the wall or other structure adjoining the leased premise and owned premise (Previous year- Rs.65,000) if landlord rejects the proposal of the association to continue the lease.

4. Miscellaneous Provisions:

Particulars	Amount
Corporation tax payable	85,500
RoS Filing fees payable	3,500
Total	89,000

5. Impairment of Assets

The Executive Committee has assessed the fixed assets for any impairment as on 31.03.2015 and has concluded that there has been no significant impairment in any of the fixed assets that needs to be recognized in the books of accounts except as stated in note 5 (d) to the significant accounting policies.

6. Audit Fees for the year Rs. 22,474/- (Previous Year Rs. 22,474).

7. The receivable includes an amount of Rs.80,000/- receivable from CA. G. V. Hegde Rs.50,000/-, N. S. Infotech Rs.20,000/- and Kanakadas Education Rs.10,000/- towards advertisements of KSCAA SUMMIT 2013 held at Hubli in November 2013. The association has not received the confirmation from above said parties and it was resolved in 41st adjourned AGM to hold CA. C. R. Dhavalagi, the then President responsible for the recovery of the said amount.

8. The prior period items includes followings:

Prior period expenses:	31.03.2015
a) Citi Bank Charges debited in previous years	8,989
b) Professional tax with interest paid for previous years	3,657
c) 26th Annual Conference Expenses	41,701
d) Recovery of Excess payment(TDS) to The Gateway Hotel, Hubli	(13,632)
e) Kotak Mahindra Bank charges debited in previous years.	5,112
Total	45,827

A. Prior period Income:	31.03.2015
a) Interest on Kotak Mahindra SB A/c for FY 13-14	176

9. Figures have been rounded off to nearest rupee value.

10. Previous year figures have been regrouped / rearranged to be in conformity with the current year's presentation.

Signatures to Schedules 1 to 18,

As per our report of even date.
For **T. V. Veerabhadrapa & Co**
Chartered Accountants

Sd/-
CA. T. V. Veerabhadrapa
Proprietor
Memb No. : 020725
ICAI FRN: 04579S

Date: 08.06.2015
Place: Bengaluru

for and on behalf of the Executive Committee of
Karnataka State Chartered Accountants Association®

Sd/-
CA. Raveendra S. Kore
President

Sd/-
CA. Nagappa B Nesur
Treasurer

Sd/-
CA. Raghavendra Puranik
Secretary



KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

7/8, 2nd Floor, Shoukath Building, SJP Road, Bangalore - 560 002.

Phone 080 2222 2155 • Telefax 080 2227 4679 • info@kscaa.co.in • www.kscaa.co.in

NOMINATION FORM

The Secretary,
Karnataka State Chartered Accountants Association,
7/8, 2nd Floor, Shoukath Building, S J P .Road,
Bangalore- 560 002.

Dear Sir,

I wish to contest as a candidate for election to the Executive Committee of the Association for the year 2015-16 to be held during the 42nd Annual General Meeting on Saturday on 18th July 2015.

Yours faithfully,

(Signature of the Candidate)

Name:

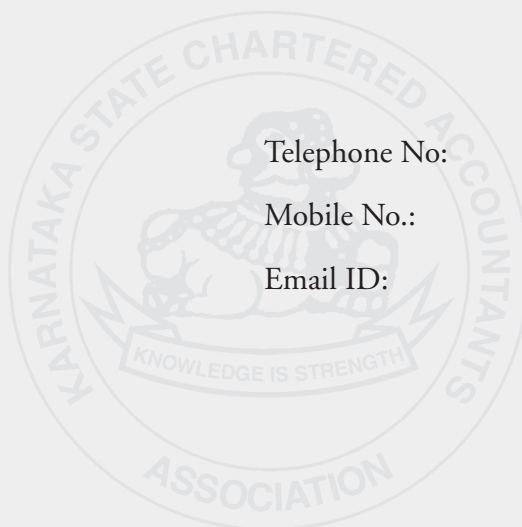
Telephone No:

KSCAA Membership No.:

Mobile No.:

Address:

Email ID:



Proposer's Name :

Seconder's Name :

Proposer's Signature:

Seconder's Signature:

Address:

Address:

KSCAA Membership No.:

KSCAA Membership No.:

NOTES:

- Members who wish to send their nominations for the Executive Committee are required to submit the Nomination Form, duly filled in, at the Association Office.
- Last date for submission of nomination: **Before 5.00 pm on Monday, 6th July, 2015**
- Last date of withdrawal of the nominations: **Before 5.00 pm on Thursday, 9th July, 2015**
- Announcement of final list of candidates contesting for election : **At 6.00 pm on Thursday, 9th July, 2015**
- The Final list of the Candidates shall also be uploaded at our website www.kscaa.co.in

KSCAA EC MEETING

MEMBERS' ATTENDANCE

12 Executive Committee Meetings were held
 from 15th July 2014 to 22nd June 2015

SL. NO.	NAME OF EXECUTIVE COMMITTEE MEMBERS	DATES OF EXECUTIVE COMMITTEE MEETING HELD												TOTAL NUMBER OF MEETINGS ATTENDED
		15.07. 2014	16.07. 2014	02.08. 2014	04.09. 2014	08.11. 2014	06.12. 2014	10.01. 2015	21.02. 2015	26.03. 2015	16.05. 2015	08.06. 2015	22.06. 2015	
1	RAVEENDRA S. KORE	P	P	P	P	P	P	P	P	P	P	P	P	12
2	DILEEP KUMAR T.M	P	P	P	P	P	P	P	P	P	P	P	P	12
3	RAGHAVENDRA PURANIK	P	P	P	P	P	P	P	P	P	P	P	P	12
4	RAGHAVENDRA T.N.	P	P	P	P	P	P	P	P	P	A	P	P	11
5	NAGAPPA B. NESUR	P	P	P	P	P	P	P	P	P	P	P	P	12
6	BHAVYA PARVATHI K.	P	P	P	A	P	A	P	P	P	P	A	P	9
7	GIRIDHARA T	P	P	A	A	P	P	A	A	P	P	A	P	7
8	MALLESHAPPA B. HULLATTI	P	P	P	P	A	P	P	P	P	P	P	P	11
9	RAGHAVENDRA SHETTY	P	P	P	A	P	A	A	P	A	P	A	P	7
10	RAVINDRANATH K	P	P	P	P	P	A	A	P	A	P	A	P	8
11	TARA BEVINJE	P	P	P	P	A	P	P	A	P	P	A	P	9
12	TEERTHA G.R.R.	P	P	P	P	A	P	P	P	P	P	P	A	10
13	VIRUPAKSHAPPA M. TUPPAD	P	P	A	P	P	P	P	P	P	P	P	P	11
14	N S AYYANAGOUDAR - Co-opted Member	N.A	N.A	N.A	P	A	A	A	A	P	A	A	A	2(9)
15	MALAKAJAPPA BIRADAR - Co-opted Member	N.A	N.A	N.A	N.A	N.A	A	P	A	A	P	A	P	3(7)
16	Dhavalagi C R. - Immediate Past President	P	A	A	A	A	A	A						1(7)
17	MADANASWAMY B.V - Special Invitee	N.A	P	P	P	P	P	P	P	P	P	P	P	11(11)

NOTE

We request you to send in your queries if any, on the Audited Financial Statements for the year ended 31-03-2015, on or before 11th July, 2015 to the Association address either by normal post or by e-mail.

e-mails : info@kscaa.co.in, kscaabl@gmail.com

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

8, 2nd Floor, Shoukath Building, SJP Road, Bengaluru - 560 002.

Phone 080 2222 2155 • Telefax 080 2227 4679

Memories 2014-15





Memories 2014-15



Publications 2014-15



Media Coverage



News Bulletin Memories 2014-15

