



KSCAA NEWS BULLETIN



Vol. 3 • Issue 10 • ₹ 25/- • June 2016

English Monthly
for Private Circulation only



43rd AGM

on 9th July 2016
at 6:00 pm,
Pai Vista
Bengaluru

One Day Workshop on TDS, Service Tax and Co-Operative Audit

on Friday, 17th June, 2016
at District Central Co-operative Bank Auditorium,
Navanagar, Bagalkot

President's Communique

Dear Professional Colleagues,

"No matter how much time passes, no matter what takes place in the interim, there are some things we can never assign to oblivion, memories we can never rub away."

A year almost passed through, in the penultimate month as President of association, I am overwhelmed by the work has gone through in these eleven months and dissatisfaction too for not completing some of the tasks. In one of the mofussil programme, our professional colleague appreciated saying association now a days active in mofussil areas as compared to earlier years, this gives me a sense of relief that, we as a team done something for the profession. I always moved by the fact that, mofussil members are not so fortunate have professional programmes as compared to metros like Bengaluru. Association making all the possible efforts to give a regular programmes at non metro areas across Karnataka. As part of this aim, last two months we are extensively engaged in conducting programmes in Shimoga and Bagalkot.

Updates for the month

The finance Minister has burdened the masses with a new cess (Tax) called Krishi Kalyan Cess(KKC) levied at 0.5 per cent on all taxable services, proceeds of which would be exclusively used for financing initiatives relating to improvement of agriculture and welfare of farmers. The impact of KKC on various services and the economy, Make in India Program and initiative of ease of doing business. Consequently KKC's introduction will affect the rate of service tax and it will become 15% after the 1st June 2016.

The Central Board of Direct Taxes (CBDT) has notified the rules for equalization levy of 6% on payments relating to online advertisements with effect from June 1, 2016. Any person making payment to a non-resident (who does not have a permanent establishment in India) exceeding in aggregate of Rs.1,00,000/- in a year will have to withhold tax at 6 percent of gross amount paid, as equalization levy. The levy will only apply to business to business transactions. This levy is on specified digital services which include online advertising or any services, rights or use of software for online advertising, including advertising on radio and television, designing, hosting or maintenance of websites, digital space for website, e-mails, blogs, facility for online sale of goods or services or collecting online payments.

Programs conducted

The Seminar on Direct Taxes and Indirect Taxes held at Shivamogga on 21st May was well received by the audience. Taxation of Charitable Trusts & Input Tax Credit Analysis under KVAT 2003 were discussed at length. Programme was well presented by Speakers CA. Prashanth G S and CA Siddeshwar Yalamali. Shimoga CPE Chapter and Shimoga District Chartered Accountants Associations were instrumented this programme.

The Seminar on Seminar on Direct Taxes and Indirect Taxes held at Bagalkot on 25 May was also a grand success.



Sri. Veeranna Charantimath, Chairman, BVV Sangha, Bagalkot and our SIRC Member CA. Pannaraj S were the chief guests of the programme. CA. Pannaraj S, shared his vision and requirements of CAs to the nation. Wide spread publicity was given by the media friends who attended the programme. This programme was a joint programme with Bagalkot District Chartered Accountants Association and Vijayapura District Chartered Accountants Association. Speakers CA. D R Venkatesh and CA. Raghavendra T N addressed the audience on TDS provisions under Income Tax Act & Levy of Excise Duty on jewellery.

Another seminar on direct taxes was held in Shivamogga on 11th June 2016. CA D R Venkatesh and CA Sandeep C were addressed the participants on ICDS and Latest amendments to TDS & TCS. Shimoga CPE chapter and Shimoga District Chartered Accountants Association organized the seminar and KSCAA hosted the programme.

Upcoming Programme:

Association is conducting One Day workshop on Co-Operative Societies. This programme emphasizes on Income Tax, Service Tax and Audit of Co-operative Credit Societies. The programme is organised jointly by Bagalkot District Chartered Accountants Association, Bagalkot District Non Agricultural credit co-operative Societies Co-operative Union Limited and Co-operative Department, Bagalkot.

Shimoga District CA Association, Shimoga CPE Chapter, Bagalkot District CA Association, Vijayapur District CA Association were actively engaged in our programmes, we appreciate efforts of these organisations in strengthening the knowledge bank of mofussil members. Our mofussil members CA. Kumar Jigjinni and CA Shriram S S for their untiring support to conduct these programmes.

I am failing my duty if I do not express my gratitude to the contributors of our legal fund. Members from Bagalkot, Vijayapur, Shimoga and Sagar were generously contributed to the legal fund of the association to fight the cause of the profession. It boosts our morale and strength to take up further challenges which are haunting our profession. I on behalf of Executive Committee of the Association, my deepest sense of gratitude to taking part in this noble cause.

July 1 is a memorable day for every Chartered Accountant. On 1 July 1949, our mother Institute, ICAI has taken birth through Chartered Accountants Act, 1949. This Act provides a detail rules and regulation to be followed by Chartered Accountants in India who were known as Registered Accountant before enactment of this Act. Let's Celebrate the day with some meaningful activities and be proud to be a CA professional which is being considered as one of the most reputed professions and CA course is one of the toughest courses in India.

I Wish you a wonderful year ahead as a chartered accountant, with prosperity & success in professional life...

In service of the Profession,

CA. Dileep Kumar T M
President

KSCAA

News Bulletin

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Vol. 3 Issue 10
No. of Pages : 44

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

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Website: www.kscaa.com

One Day Workshop on TDS, Service Tax and Co-Operative Audit

on
Friday, 17th June, 2016

At
District Central Co-operative Bank Auditorium,
Navanagar, Bagalkot

Jointly with
Bagalkot District Chartered Accountants Association &
Bagalkot District Non-Agricultural Credit
Co-operative Societies' Co-operative Union and
Department of Co-operatives, Bagalkot

TOPICS & SPEAKERS

- Recent amendments to TDS & TCS provisions
- CA. Venkatesh D.R.
- Service Tax
- CA. Raghavendra T.N.
- Audit of Co-operative Societies
- CA. Dileep Kumar T.M.

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DISCLOSURE OF ACCOUNTING POLICIES IND AS 1 AND ICDS

CA S Krishnaswamy

One of the threshold standards is the disclosure of Accounting Policies which spans across the standards map.

A policy arises when an option exists to choose between one or more permissible methods of accounts. For example a change from cash method accounting to mercantile method is not a change in policy as it is from a wrong method to a correct method. However Section 145 of the income tax act gives an option.

Section 145(1) reads,

“Income chargeable under the head "Profits and gains of business or profession" or "Income from other sources" shall, subject to the provisions of sub-section (2), be computed in accordance with either cash or mercantile system of accounting regularly employed by the assessee.”

So in respect of Income Computation and Disclosure Standards, a change from cash method to mercantile method may amount to change in accounting “Method” as distinguished from a shift in policy.

TAS provision in this regard are:

Fundamental Accounting Assumptions

ICDS

2. The following are fundamental accounting assumptions:

“(a) Going Concern

“Going concern” refers to the assumption that the person has neither the intention nor the necessity of liquidation or of curtailing materially the scale of the business, profession or vocation and intends to continue his business, profession or vocation for the foreseeable future.

(b) Consistency

“Consistency” refers to the assumption that accounting policies are consistent from one period to another;

(c) Accrual

“Accrual” refers to the assumption that revenues and costs are accrued, that is, recognised as they are earned or incurred (and not as money is received or paid) and recorded in the previous year to which they relate.”

Ind AS 1 refers to the fundamental principles,

- Going concern (Para 25)
- Consistency and classification (Para 38, 41, 42)
- Accrual (Para 27)

Accounting Policies

ICDS

3. “The accounting policies refer to the specific accounting principles and the methods of applying those principles adopted by a person.”

Under Ind AS 8:

Para 5: Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Comment:

Ind AS does not use the word “method”.

Considerations in the Selection and Change of Accounting Policies

ICDS

4. Accounting policies adopted by a person shall be such so as to represent a true and fair view of the state of affairs and income of the business, profession or vocation. For this purpose,
 - (i) the treatment and presentation of transactions and events shall be governed by their substance and not merely by the legal form; and
 - (ii) marked to market loss or an expected loss shall not be recognized unless the recognition of such loss is in accordance with the provisions of any other Income Computation and Disclosure Standard.
5. An accounting policy shall not be changed without reasonable cause.

Under Ind AS 8: (on change)

Para 5: Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

Para 7: When an Ind AS specifically applies to a transaction,

other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Ind AS.

Para 8: Ind ASs set out accounting policies that result in financial statements containing relevant and reliable information about the transactions, other events and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from Ind ASs to achieve a particular presentation of an entity's financial position, financial performance or cash flows.

Para 9: Ind ASs are accompanied by guidance to assist entities in applying their requirements. All such guidance states whether it is an integral part of Ind ASs. Guidance that is an integral part of the Ind ASs is mandatory. Guidance that is not an integral part of the Ind ASs does not contain requirements for financial statements.

Para 13: An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an Ind AS specifically requires or permits categorisation of items for which different policies may be appropriate. If an Ind AS requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

An entity shall change an accounting policy only if the change:

- (a) is required by an Ind AS; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

Comment:

- The Ind AS is more elaborate. Substance over form is a characteristic of financial statement taken as a whole and is referred to in Framework for the Preparation and Presentation of Financial Statements issued by the Institute of Chartered Accountants of India.
- Fair Value Accounting Method (marked to market) is not permitted under ICDS.
- While AS 1 permits changes in accounting policies if it would result in a 'more appropriate presentation', the TAS does not permit changes in accounting policies without a 'reasonable cause' would involve exercise of judgment by management and the tax authorities.

- The TAS does not provide any specific guidance on how the impact of any change in policies should be included in the computation of income.

Disclosure of Accounting Policies

ICDS

6. All significant accounting policies adopted by a person shall be disclosed.
7. Any change in an accounting policy which has a material effect shall be disclosed. The amount by which any item is affected by such change shall also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact shall be indicated. If a change is made in the accounting policies which has no material effect for the current previous year but which is reasonably expected to have a material effect in later previous years, the fact of such change shall be appropriately disclosed in the previous year in which the change is adopted and also in the previous year in which such change has material effect for the first time.
8. Disclosure of accounting policies or of changes therein cannot remedy a wrong or inappropriate treatment of the item.

Under Ind AS 8 :

Para 28:

When initial application of an Ind AS has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- (a) the title of the Ind AS;
- (b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
- (c) the nature of the change in accounting policy;
- (d) when applicable, a description of the transitional provisions;
- (e) when applicable, the transitional provisions that might have an effect on future periods;
- (f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - (i) for each financial statement line item affected; and
 - (ii) if Ind AS 33 Earnings per Share applies to the entity, for basic and diluted earnings per share;

(Contd. in page 38)



SECTION 67A Vs. POINT OF TAXATION – CONTRADICTIONS NOT CLEARED



CA Madhukar N Hiregange and CA Mahadev R

Whenever there is a change in rate of tax or introduction of new levy like swachh bharaat cess (SBC) or krishi kalyan cess (KKC), confusion starts in the minds of assessee on applicability of new rate of tax or cess. This is mainly due to contradictions which exist between Section 67A of Finance Act 1994 and point of taxation provisions. In the recent budget, Government has made attempt to resolve this issue. In this article, we have tried to analyse if the contradictions and the position after amendment in Section 67A.

In June 2012, concept of negative list of services was introduced for taxing the services. During the introduction, a new Section 67A was introduced in Finance Act 1994 effective from 28th May 2012 which read as below: “67A. The rate of service tax, value of a taxable service and rate of exchange, if any, shall be the rate of service tax or value of a taxable service or rate of exchange, as the case may be, in force or as applicable at the **time when the taxable service has been provided or agreed to be provided.**”

Section 67A makes it clear that the rate of tax would be rate as applicable at the time when taxable services provided or agreed to be provided. Until introduction of this Section, Rule 5B of Service tax Rules 1994 was effective which also provided that rate of tax would be the rate prevailing at the time when the services are deemed to have been provided as per Point of Taxation Rules 2011 (POT Rules).

However, after removal of Rule 5B, Section 67A when read with POT Rules does not provide clarity. Rule 4 and Rule 5 of POT Rules do not sync with Section 67A as these rules always do not consider time of providing taxable services as taxation point. For example, clauses in Rule 5 do not consider date of providing taxable service for levy of KKC but considers only invoice date and payment date. In fact, strict interpretation would lead to conclusion that KKC is payable even on bills outstanding as on 1st June 2016 due to which presently, whole service industry is worried about.

The basic rule in understanding law is that provisions of Act would prevail over provisions in Rules. If we go by this rule, then Section 67A would prevail and provisions of POT Rules would be redundant. Considering the decision of honourable Supreme Court in the case of *CCE vs. Vazir Sultan Tobacco Co.*

Ltd. [1996 (83) ELT 3 (SC)], there cannot be any tax liability if the taxable event happened before introduction of levy.

With an intention to synchronise POT Rules provisions with Section 67A, the following new clause (2) has been introduced with effect from 14th May 2016 in Section 67A:

“The time or the point in time with respect to the rate of service tax shall be such as may be prescribed”

POT Rules was also amended vide notification no.10/2016-ST dated 01-03-2016 to provide that POT Rules are framed as per Section 67A(2). This amendment is effective from 14th May 2016 which is date of enactment of Finance bill 2016. TRU circular issued with respect to service tax amendment also makes it clear that the amendment is made to overcome contradictions between Section 67A and POT Rules.

However, following issues are still unclear for assessee and professionals:

- Whether the amendment in Section 67A (2) has retrospective impact or it is only prospective?
- Whether introduction of new clause has really solved the problem?

Strict interpretations imply that the amendment is prospective and not retrospective. If it is held so, then POT Rules could be held as invalid prior to introduction of Section 67A (2). High court has struck down levy of service tax on services procured from outside India prior to 18th April 2006 as Section 66A was not effective prior to this date. Secondly, even after introduction of new clause in Section 67A, the contradictions still continue. This is for the reason that Section 67A (1) and Section 67A(2) are themselves contrary to each other.

(Contd. in page 10)



KARNATAKA HIGH COURT'S JUDGMENT IN SONAL APPAREL V. STATE OF KARNATAKA

Vikram A. Huilgol, *Practicing Advocate*

On March 29, 2016, in Sonal Apparel Pvt. Ltd. v. State of Karnataka, 2016 (85) KLJ 1 (HC), a Single Judge of the Karnataka High Court passed a landmark judgment on the vexed issue relating to the interpretation of Section 10(3) of the Karnataka Value Added Tax Act, 2003 ("KVAT Act"). The judgment was widely expected to clear the confusion prevailing in the trade and industry as to the time of availment of input tax credit under the KVAT Act. However, much to the disappointment of the trade, the High Court's judgment appears to have made no difference whatsoever as officers of the Commercial Taxes Department continue to pass orders denying input tax credit on the ground that the dealer failed to avail it in the month in which the selling dealer raised his tax invoice. In addition, the amendment to Section 10(3) vide the Karnataka Value Added Tax (Amendment) Act, 2016 ("2016 KVAT Amendment Act"), which was intended to be a clarificatory amendment, has only added to the prevailing confusion. This article briefly analyzes the High Court's judgment in Sonal Apparel, discusses the effect that the 2016 KVAT Amendment Act has on the said judgment, and concludes that the authorities under the KVAT Act are incorrect in continuing to deny input tax credit merely on the ground that the dealer availed credit of the input tax paid by him in his returns filed for a month other than the month in which the selling dealer raised his invoice.

Background.

Section 10(3) of the KVAT Act, prior to its amendment, read as follows:

"Subject to input tax restrictions under Sections 11, 12, 14, 17, 18 and 19, the net tax payable by a registered dealer in respect of each tax period shall be the amount of output tax payable by him in that period less the input tax deductible by him as may be prescribed in that period and shall be accounted for in accordance with the provisions of the Act." (Emphasis added).

On July 31, 2014, in State of Karnataka v. Centum Industries Ltd., (2014) 80 KLJ 65, a Division Bench of the Karnataka High Court interpreted Section 10(3) of the KVAT Act

to mean that a dealer must claim credit of input tax in its returns filed for the month in which input tax is paid by it. More specifically, the Court held that, "it is clear the words 'in that period' specifies the period during which input tax is paid." The Court further clarified that if a dealer does not claim credit of input tax in its returns filed for the month in which the input tax is paid, he may file revised returns for the same month within the time-period prescribed under Section 35(4) of the KVAT Act, that is, 6 months from the end of the relevant tax period.

Thereafter, relying on the judgment of the Court's judgment in Centum Industries, the authorities under the KVAT Act reassessed a number of dealers, denying them the benefit of input tax credit that had claimed by them in a month other than the month in which the purchase invoice was raised. Aggrieved by the denial of input tax credit on the ground that input tax credit ought to have been availed in the month in which the purchase invoice was raised, a number of representations were filed before the Department requesting for a relaxation of the harsh interpretation of Section 10(3) adopted by the authorities.

In order to alleviate the hardship caused by the interpretation of Section 10(3) that was adopted by the authorities based on the judgment in Centum Industries, Section 10(3) was "substituted" vide the Karnataka Value Added Tax (Amendment) Act, 2015 ("the 2015 KVAT Amendment Act"). As a result of the said amendment to Section 10(3), an assessee was permitted to avail credit of tax paid on inputs purchased five months prior to the tax period in which the credit is being availed.

However, despite the above amendment to Section 10(3), the authorities under the KVAT Act continued to pass orders denying credit of tax that had been availed by dealers on the ground that the said credit was availed in a month other than the month in which the purchase invoices were raised. Aggrieved by such disallowance of input tax credit, some dealers filed writ petitions before the Karnataka High Court praying that the Court read down the provisions of Section

10(3), as it read prior to the 2015 amendment, so as to enable dealers to avail input tax credit irrespective of the month in which the purchase invoice was raised. The dealers submitted that they have consistently been claiming credit in the month in which they account for the purchases, and that the same is in accordance with well-accepted accounting principles and further promotes fiscal discipline. In the alternative, the dealers also prayed that the Court hold that the Section 10(3) of the Act, as substituted by the 2015 KVAT Amendment Act, operates retrospectively in respect of tax periods prior to April 2015.

The High Court's Judgment.

After hearing the parties at length, the High Court disposed of the batch of petitions vide a common order dated 29.03.2016 by accepting the dealers' primary contention as regards the interpretation of Section 10(3), as well as their alternative contention regarding the retrospective operation of the new provision as substituted vide the 2015 KVAT Amendment Act.

As regards the interpretation of Section 10(3) as it read prior to the 2015 amendment, after noting a number of practical difficulties faced by dealers that prevented them from availing credit in the month in which the purchase invoice was raised, the Court observed that if Section 10(3) is interpreted to mean that credit is only available in the month in which the selling dealer raises his invoice, dealers would stand to lose a large amount of input tax credit, and the same would defeat the object of the KVAT Act, which is to avoid the cascading effect of taxes. The Court also observed that if the Revenue's interpretation of Section 10(3) is accepted, "the scheme [of the KVAT Act] would be defeated and it may result in double taxation." The Court also rejected the Revenue's contention that dealers are required to avail credit in respect of prior purchases by filing revised returns within 6 months from the end of the relevant tax period in which the purchase invoice was raised. In this regard, the Court observed that "such a view could not have been the intention of the legislature as that would lead to a situation where filing of a revised return would become a rule, rather than the exception."

The Court further observed that in Centum Industries, the Division Bench merely held that as per Section 10(3), "a dealer is required to avail credit of input tax in the month in which 'the input tax' is paid by the purchasing dealer," and that the said judgment "does not support the proposition that input tax must be availed in the month in which the selling dealer raises his invoices." Accordingly, the Court held that

"the revenue is hence not justified in seeking to apply the said decision in support of its reasoning."

In conclusion, the Court interpreted the provisions of Section 10(3), as they read prior to its amendment in 2015, to mean that dealers are permitted to "calculate the net tax liability by deducting the input tax paid on its purchases from its output tax liability, irrespective of the month in which the selling dealer raises invoices." Accordingly, the Court read down the provisions of Section 10(3) so as to enable purchasers to calculate their net tax liability by deducting the input tax paid on its purchases from its output tax liability, irrespective of the month in which the selling dealer raises invoices. In other words, the Court categorically concluded that there was no time limit prescribed by the provisions of Section 10(3), as they originally read, and that dealers cannot be denied the benefit of input tax credit merely because they may have availed credit in a month other than the month in which the selling dealer raised his invoice.

The Court also accepted the dealers' alternate contention and held that Section 10(3), as substituted by the 2015 KVAT Amendment Act, has retrospective operation. In this regard, the Court observed that "the ambiguity as to the purport of Section 10(3) arose as a result of the Department's clouded interpretation of the *Centum Industries Private Limited's* case," and that "the newly substituted provision clears the air and puts to rest the ambiguity." The Court, therefore, concluded that the amendment to Section 10(3) vide the 2015 KVAT Amendment Act is clarificatory and must be given retrospective effect.

2016 Amendment to Section 10(3).

Immediately after the High Court pronounced its judgment in Sonal Apparel, ostensibly in order to nullify the effect of the said judgment, insofar as it alternatively held that the 2015 amendment to Section 10(3) has retrospective effect, the State of Karnataka once again amended the provisions of Section 10(3) vide the 2016 KVAT Amendment Act. Vide the said Amendment Act, the Legislature omitted that portion of Section 10(3) that was substituted by 2015 KVAT Amendment Act, which permitted dealers to avail credit of tax paid on goods purchased five months prior to the tax period in which the credit is availed. The Amendment Act also inserted a proviso to Section 10(3) to be operative with effect from April 1, 2015. The said proviso reads as under:

"Provided that, a registered dealer while calculating the net tax payable on or after the First Day of April, 2015 may

claim input tax relatable to goods purchased during the period immediately preceding five tax periods of such tax period, if input tax of such goods is not claimed in any of such five preceding tax periods.”

The above-extracted proviso to Section 10(3) states that while calculating the net tax payable on or after the first day of April 2015, a dealer may claim input tax credit relatable to goods purchased during the immediately preceding five months. Therefore, by amending Section 10(3) and inserting the proviso with effect from 01.04.2015, the Karnataka State Legislature clarified that dealers can claim credit of tax paid on purchases during the preceding five months only while calculating the net tax payable with effect from 01.04.2015.

Discussion.

As a result of the 2016 amendment, there are three variations of the provisions of Section 10(3) from the inception of the KVAT Act, which are applicable during different time periods: (a) the provision as it originally read from 01.04.2005 to 31.03.2015; (b) the provision substituted vide the 2015 KVAT Amendment Act; and (c) the provision inserted with effect from 01.04.2015 vide the 2016 KVAT Amendment.

As regards the period mentioned in (a), that is from 01.04.2005 to 31.03.2015, the High Court has interpreted the provisions of Section 10(3) to mean that there is no time limit prescribed for the availment of input tax credit, and that input tax cannot be denied merely because a dealer availed credit in a tax period other than the month in which the selling dealer raised his invoice. It is, however, appropriate to add a word of caution here. Even though the Court went to the extent of holding that there is no time limit whatsoever in order to claim input tax credit, it would be prudent to read the said judgment to mean that there is no time limit for availment of input tax credit so long as the credit is availed in the month in which the dealer accounts for the purchases. Therefore, if a dealer has accounted for purchases effected by it in a particular month, and has failed to avail input tax credit due to oversight or for any other reason in the returns filed for that month, the dealer would stand to lose such credit unless he files a revised return under Section 35(4) within 6 months from the end of the relevant tax period. This, in my opinion, is the correct interpretation of Section 10(3) as it read from 01.04.2005 to 31.03.2015, and would be the appropriate manner of applying the judgment of the High Court.

As regards the provision substituted vide the 2015 Amendment Act, the same is no longer relevant as the wording substituted

in the said amendment has been omitted with retrospective effect from 01.04.2015 vide the 2016 KVAT Amendment Act. In short, by retrospectively omitting the words substituted vide the 2015 KVAT Amendment Act and by inserting the proviso to Section 10(3) with effect from 01.04.2015, the State has ensured that the provisions, as they read between 01.04.2015 until they were amended in 2016, would have no effect whatsoever, retrospective or prospective.

Finally, by inserting the proviso to Section 10(3) with effect from 01.04.2015 vide the 2016 KVAT Amendment Act, and further clarifying in the said proviso that the five-month period is only applicable for the purpose of calculating a dealer's net tax liability on or after 01.04.2015, the State has effectively nullified the judgment in Sonal Apparel, insofar as it was alternatively held that the 2015 Amendment to Section 10(3) had retrospective operation. In other words, the 2016 amendment clarifies that the amendment introducing the five month restriction on the availment of input tax credit would apply only with effect 01.04.2015 and not in respect of tax periods prior to April 2015. Therefore, with effect from 01.04.2015, dealers must avail input tax credit within five months from the date on which the selling dealer raises his invoice, failing which he would have to file revised returns under Section 35(4) within six months from the end of the relevant tax period.

However, it is vitally important to bear in mind that the amendment in 2016 has no effect whatsoever on that aspect of the judgment where the High Court has interpreted Section 10(3), as it read prior to 01.04.2015, to mean that dealers were free to avail input tax credit in any tax period irrespective of the month in which the selling dealer raised his invoice. Therefore, with respect to tax periods prior to April 2015, the judgment of the High Court in Sonal Apparel, insofar as it interprets Section 10(3) to mean that it prescribes no time limit for the availing of input tax credit, would undoubtedly apply and credit cannot be denied merely on the ground that a dealer has availed credit in a month other than the month in which the selling dealer raises his tax invoice.

Rather unfortunately, even after the unambiguous and binding judgment of the High Court in Sonal Apparel, it has been the experience of some dealers in the State that the authorities under the Act are still denying input tax credit in respect of tax periods prior to April 2015 on the ground that the credit was availed in a month other than the month in which the invoice was raised by the selling dealer. This, in my opinion,

is grossly incorrect and contrary to the law of precedents, which requires all subordinate authorities in the State to follow a judgment rendered by the jurisdictional High Court. Moreover, some authorities have been refusing to follow the High Court's judgment on the ground that the same has been nullified by the 2016 amendment to Section 10(3). Again, this is entirely incorrect as, for the reasons explained in detail earlier, the 2016 amendment has no effect whatsoever on the pre-April 2015 provisions of Section 10(3), which have been clearly and unambiguously interpreted by the High Court in Sonal Apparel.

Conclusion.

In sum, as a result of the High Court's landmark judgment, the authorities under the KVAT Act should not deny input tax credit availed by a dealer in respect of tax periods prior to April 2015, merely on the ground that the dealer did not avail credit in the month in which the purchase invoice was raised. As per the Court's judgment in Sonal Apparel, there is no time restriction prescribed by the KVAT Act for availment of input tax credit in respect of tax periods prior to April 2015, and unless and until the State files an appeal and the Division Bench sets aside the order of the Single Judge, the authorities under the Act are bound to follow the Single Judge's judgment. Pertinently, the authorities can no longer rely on the Division Bench judgment in Centum Industries, in support of the proposition that dealers must avail credit only in the month in which the selling dealer raises his invoice. As discussed

earlier, the High Court, in Sonal Apparel, has analyzed the judgment in Centum Industries and categorically held that the said judgment was rendered in entirely different facts and circumstances, and that the judgment does not stand for the proposition that input tax must be availed in the month in which the selling dealer raises his invoices. In short, prior to April 2015, the authorities must allow input tax credit claimed by a dealer irrespective of the month in which the selling dealer raises his invoice. As cautioned earlier, if the dealer has not claimed credit in the month in which he has accounted for the purchases, and has further failed to file revised returns within the prescribed time period in order to claim such credit, he runs the risk of losing out on such credit altogether.

However, in respect of tax periods after April 2015, there appears to be more clarity, and the five month time period would apply as a result of the 2016 amendment to Section 10(3), which has retrospectively been brought into force with effect from April 1, 2015. Therefore, for the purpose of calculating the net tax liability of a dealer in respect of any tax period on or after April 2015, input tax credit must be taken within 5 months from the date on which the selling dealer raises his invoice, failing which the dealer has an additional 6 months to file revised returns and claim the credit.

*Author can be reached on
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SECTION 67A Vs. POINT OF TAXATION – CONTRADICTIONS NOT CLEARED

(Contd. from page 6)

Sub-clause (1) provides that rate of tax would be as applicable when services are provided or agreed to be provided. On the other hand, Sub-clause (2) provides that the point of taxation should be as prescribed in POT Rules.

Conclusion: It could be concluded that the Government has failed to resolve the issue even by insertion of new Section 67A (2) effective from 14th May 2016. Corrective action is necessary to overcome the defect and clear the confusion which exists in minds of assessee and professionals. A representation from industrial association could prompt the Government to take action in this regard.

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

Congratulations



CA. S. Prakash Chand

has been appointed as Co-opted Member of
Committee for Members in Industry (CMII)
of SIRC of ICAI for the year 2016-17.



43rd Annual Report 2015-2016

INVITATION

Dear Member,

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

Executive Committee

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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

kscaabl@gmail.com • www.kscaa.com

KSCAA

ROLL OF HONOUR

| YEAR/S | PRESIDENT | SECRETARY |
|---------|--------------------------------|-----------------------------|
| 1957-61 | CA. S Kaleeswaran | CA. MR Rangarathnam (Late) |
| 1961-62 | CA. BK Ramadhyani | 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 Muruges | 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. MV 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 |
| 2015-16 | CA. Dileep Kumar T.M | CA. Raghavendra T.N |

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

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

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NOTICE

Notice is hereby given to the members of the **Karnataka State Chartered Accountants Association** that the **Forty Third Annual General Meeting** of the Association will be held at **6.00 PM on Saturday, the 9th of July 2016**, at **Maple Hall, Pai Vista, No.3, 27th Cross, K.R. Road, Opp. Sevakshetra Hospital, Near Monotype, Banashankari 2nd Stage, Bengaluru – 560 070, Karnataka** to transact the following business:

AGENDA :

1. To confirm the proceedings of the Forty Second Annual General Meeting held on 18th July, 2015.
2. To consider & adopt the Annual Report of the Executive Committee.
3. To consider & approve the audited accounts for the year ended 31st March 2016.
4. To Appoint the Auditors for the year 2016-2017 & fix their remuneration.
5. To elect Thirteen Members to the Executive Committee for the year 2016-2017.
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 T. N.

Secretary

Place : Bengaluru

Date : 13th June 2016

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, 27th June, 2016**
- Last date of withdrawal of the nominations: **Before 5.00 pm on Thursday, 30th June, 2016**
- Announcement of final list of candidates contesting for election: **At 6.00 pm on Thursday, 30th June, 2016**
- The Final list of the Candidates shall also be uploaded at our website www.kscaa.com
- Members are requested to bring their copy of Annual Report to the AGM; Extra copies will not be provided at the Meeting.

KSCAA

43rd ANNUAL REPORT

Dear esteemed member,

A year ago, you had entrusted us with the responsibility and honor of serving the Association. With great pleasure and satisfaction, we present you the 43rd Annual Report and the Audited Accounts of the Association. The Annual Report covers the brief details of all the events and progress made during the period from 19th July 2015 to 13th of June 2016.

EXECUTIVE COMMITTEE AND OFFICE BEARERS

In the 42nd Annual General Meeting held on 18th of July 2015, 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 | Dileep Kumar T.M., <i>President</i> |
| 2 | Raghavendra Puranik, <i>Vice-President</i> |
| 3 | Raghavendra T.N., <i>Secretary</i> |
| 4 | Nagappa B. Nesur, <i>Joint Secretary</i> |
| 5 | Raghavendra Shetty, <i>Treasurer</i> |
| 6 | Mallesappa B. Hullatti <i>Chairman, Representation Committee</i> |
| 7 | Ravindranath K <i>Chairman, Corporate & Allied Laws Committee</i> |
| 8 | Chandrashekara Shetty <i>Chairman, Membership Development Committee</i> |
| 9 | Ghani Khan A <i>Chairman, Library & Publications Committee</i> |
| 10 | Jigajinni Kumar Shivalingappa <i>Chairman, Mofussil Programme Committee</i> |
| 11 | Shriram S.S. <i>Chairman, Student Welfare Committee</i> |
| 12 | Ashwin Kumar H.V. <i>Chairman, Taxation Committee</i> |
| 13 | Ramesh Sharma <i>Chairman, Sports & Public Relations Committee</i> |

CA. Raveendra S. Kore rendered his valuable services in the capacity of Immediate Past President and was part of the Committee with his advice, guidance and support.

CA. Sujatha Raghuraman, Bengaluru and CA. Anant Nyamannavar, Industry Member were co-opted to the Executive Committee to further strengthen the team and support activities of the Association.

THEME FOR THE YEAR:

We have chosen the theme of the year as “Pravartana” which is an act of promoting knowledge through initiating novel ideas of learning, igniting professional minds to think beyond boundaries and inspiring people to succeed in their professional life. Be the change you want to see



in this world. Change is inevitable and change is the only permanent thing in life. Changing times throws up new opportunities. Let us initiate, ignite and inspire everybody to be part of our goal of knowledge dissemination to reap the benefits of this change.

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:

The First “Mentors' Meet” was held on 5th September 2015, Second meeting was held on 05th October, 2015 and Third meeting was held on 26th April, 2016. The meetings were attended by the Past Presidents, Past Secretaries, Core Supporters and senior members of the association.

In **First** meeting, we presented the proposed road map for the year ahead. We received best of the suggestions and we have tried our best to implement the same during our tenure.

In **Second** meeting, we presented the outcome of Public Interest Litigation (PIL) filed before Honourable High Court of Karnataka challenging Income Tax Department's stand not to extend due date of 30th September 2015 for filing return by



specified assesses and seeking intervention of the Court of law in this matter. The High Court directed CBDT to consider the PIL filed by KSCAA and finally CBDT issued order U/s. 119 of Income Tax Act, 1961 rejecting representations of KSCAA. However, the CBDT extended above due date subsequently. The members discussed the further course of action at length and advised the Committee for no further action since the matter is resolved by the extension.

In **Third Meeting**, we presented the outcome of writ petition filed before the Honorable High Court of Karnataka challenging the amendment to section 63 of the Karnataka Co-operative Societies Act, 1959 for including Cost Accountants / Cost Accountant firms in the audit of Co-operative societies. Section 63 of the Karnataka Co-operative Societies Act, 1959 (for short "KCS Act") was amended in Sept'2014 to include Cost Accountants and Cost Accountant firms for audit of Co-operative Societies. KSCAA filed a writ petition before the Honorable High Court of Karnataka on 16th January 2015 challenging the above amendment in KCS Act as null and void. Honorable High Court of Karnataka passed an Interim Order on 11th December 2015 staying the empanelment of Cost Accountants / Cost Accountant Firms for audit of Co-operative Societies. Finally, our writ petition was dismissed on 29th March 2016. The Honorable Court made a very categorical observation that Chartered Accountancy and Cost Accountancy professions are exclusive domains and are statutorily governed by separate enactments. There can be no overlapping and entrenchment of such functions. The Order dated 29th March 2016 was analyzed in detail. Since this judgement has national ramifications, members suggested to take the support of ICAI in whatever form possible and take this battle further to its logical conclusion i.e appeal to Division bench of High Court or Supreme Court.

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 "Epic Women from Epics" a series by CA. Roopa Venkatesh emphasizing on gender bias and women empowerment.

We continued our rich tradition of bringing **new talents** to our columns by introducing young and eminent columnists CA. Sathyanarayana, CA. S. Prabhudev Aradhya, CA. Kuber V. Hundekar and CA. R.S. Pavan Kumar who are enriching our readers on Co-operative Audits, Company Law VAT and Central Excise Matters.

To provide a quality updates to our readers - we have introduced one more very eminent columnist CS. Gopichand Rohra, a practicing Company Secretary for updating on Company Law matters and we continued articles from Mr. Vikram Huilgol, Advocate and a Harvard Law School Post Graduate who is enriching our readers with updates on VAT matters.

Apart from above, we are grateful to CA. S. Krishnaswamy, CA. Madhukar Hiregange, CA. Mahadev R, CA. G.B. Srikanth Acharya, CA. Annapurna Kabra, CA. C. R. Raghavendra, CA. J. S. Bhanu Murthy and CA. K. S. Satish 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 – 28th Annual Conference - "**SAMVIT**" held on 5th and 6th March 2016. Shri H. S. Mahadeva Prasad, Hon'ble Minister for Co-operation and Sugar, Government of Karnataka inaugurated the conference and his 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. Souvenir of 28th Annual Conference.
2. Practical Hand Book to Audit Report on "What Can Go Wrong?" authored by CA Gururaj Acharya.
3. Hand Book on International Taxation: Practice Concepts authored by CA. B.P. Sachin Kumar and his colleagues.

REPRESENTATIONS

The Association submitted following representations:

1. To the Chairman, Central Board of Direct Taxes, Ministry of Finance, Government of India, in connection with extension of due date for Tax Audit cases.
2. To the Principal Chief Commissioner and Chief Commissioner of Income Tax, Bengaluru in connection with extension of due date for tax audit cases.

3. Filed Public Interest Litigation (PIL) before the Honourable High Court of Karnataka to direct Central Board of Direct Taxes (CBDT) to extend due date of 30th September, 2015 for filing income tax returns for specified assesses.
4. Filed writ petition before Honorable High Court of Karnataka challenging the amendment to section 63 of Karnataka Co-operative Societies Act, 1959 for including Cost Accountants / Cost Accountant firms in audit of Co-operative Societies.

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 a gala time with activities such as Cricket, Badminton, Carrom, Singing, Rangoli, Dance etc.

Association also conducted Sports Meet jointly with Shimoga District Chartered Accountants Association and Shimoga District CA Students Association at Vasavi Grounds, Shivamogga. CA Students, Chartered Accountants and their family members had a wonderful time during the sports meet.

As referred in the Third Mentors Meet, Association has filed a writ petition before the Division Bench of the Honorable High Court of Karnataka with respect to recent amendment to Section 63 of Karnataka Co-operative Societies Act, 1959 after consulting with the mentors and experts in the field.

To fight these kind of legal battles, you all are aware that the Association has a very active Legal Cell. Further the Association has an earmarked legal fund to fight legal battles on various issues concerning the members and our profession. This legal fund had a carried forward balance of Rs.154,766.

During the period, Association received Rs.2,05,502/- and Rs.1,00,500/- paid towards legal expenses relating to filing of writ petition in the High Court of Karnataka and unutilized balance as on date is Rs.2,59,768/-.

ACCOUNTS & FINANCE:

We have pleasure in informing you that our Association has earned surplus of **Rs. 5,24,733/-** (after charging depreciation of Rs. 84,087/-) for the financial year 2015-16. Thus we have earned cash surplus of **Rs. 6,08,820/-** during the year.

The liquid investments of our Association stood at **Rs. 1,50,11,241/-** as on 31st March 2016, as against the figure of Rs. 1,45,48,320/- as on 31st March 2015.

Total of funds of Association were Rs. 1,84,04,949/- on 31st March 2016 as against Rs. 1,78,33,234/- of previous year.

The 28th Annual Conference contributed significant portion of the surplus, the details of which is furnished below for your kind appraisal:

| | | |
|---------------------------------|---|---------------|
| Number of Delegates | : | 666 |
| Gross Receipts from Conference | : | Rs. 26,50,410 |
| Conference Expenses | : | Rs. 18,75,845 |
| Net Surplus from the Conference | : | Rs. 7,74,565 |
| Annual Conference Receivables | | |
| Outstanding as on 13.06.2016 | : | Rs. NIL |

We append herewith the audited accounts and the Auditor's Report for the year ended 31st March 2016.

LIFE MEMBERS

During the year, the Life members of the Association touching 2500 mark! As on 13th June 2016, the total number of life members stood at 2495. We have admitted 103 life members during the year and we have completed the task of issuing Life Membership Certificates to 83 new members admitted till date.

AUDITORS

The present auditors - M/s. T.V. Veerabhadrappa & Co, Chartered Accountants, Bengaluru, retire at the ensuing Annual General Meeting. We propose to appoint M/s. Patil, Kabbur & Associates, Chartered Accountants, Bengaluru as auditors of the Association till the conclusion of next Annual General Meeting.

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/-
CA. Dileep Kumar T. M.
President

Sd/-
CA. Raghavendra T. N.
Secretary

Date: 13th June 2016
Place: Bengaluru



PROGRAMMES

ANNEXURE-A TO 43RD ANNUAL REPORT 2015-2016

| S.No. | DATE | ACTIVITY | TOPICS & SPEAKERS |
|-------|---------------------------------|---|--|
| 1 | 25th, July, 2015 Saturday | CA Awareness Programme for degree students <i>Hosted by KSCAA</i> At Govt. First Grade College, Shikaripura | CA Awareness Programme for degree students - CA. Shriram S.S., <i>Chairman, Student Welfare Committee</i> |
| 2 | 17th August, 2015 Monday | CPE Workshop of Basavanagudi CPE Study Circle <i>Hosted by KSCAA</i> At KSCAA Premises | Overview of Income Computation and Disclosure Standard (ICDS) - CA. Prashanth Kumar N |
| 3 | 5th September, 2015 Saturday | CPE Workshop of Basavanagudi CPE Study Circle <i>Hosted by KSCAA</i> At Maharaja Hall, The Bangalore City Institute, No.8, Pampa Maha Kavi Road, Opp. Makkala Koota, Bengaluru – 560 004 | Tax Audit – Issues and Solutions - CA A.S. Vishnu Bharath Deemed Sales under KVAT Act 2003 - CA. Raghavendra T. N. |
| 4 | 14th September 2015 Monday | CPE Workshop of Basavanagudi CPE Study Circle <i>Hosted by KSCAA</i> At KSCAA Premises | Depreciation under Companies Act, 2013 - CA. Malleshappa B. Hullatti |
| 5 | 31st October, 2015 Saturday | Workshop on GST <i>jointly with FKCCI</i> At FKCCI Cabinet Hall, K.G. Road, Bengaluru - 09 | Road Map for GST - Sri. K.S. Naveen Kumar, Advocate - Dr. M.P. Ravi Prasad <i>Joint Commssioner of Commercial Taxes</i> <i>Government of Karnataka</i> |
| 6 | 21st November, 2015 Saturday | Workshop on Tax Deducted at Source (TDS) <i>jointly with FKCCI</i> At FKCCI Cabinet Hall, K.G. Road, Bengaluru - 09 | First Technical Session Law of TDS (Act, Circulars & Notifications) - CA. D. R. Venkatesh Second Technical Session Forms, Certificates & Compliances under TDS Provisions - CA. Tarun Kumar Third Technical Session Judicial Pronouncements under TDS - Sri Naginchand Khincha |
| 7 | 22nd November, 2015 Sunday | Cricket League <i>Jointly with Bangalore Branch of SIRC of ICAI</i> At Bangalore University Grounds, Bengaluru | Cricket Tournament for Chartered Accountants |

| S.No. | DATE | ACTIVITY | TOPICS & SPEAKERS |
|-------|---|---|---|
| 8 | 29th November, 2015 Sunday | Sports and Talent Meet <i>Jointly with</i> Bangalore Branch of SIRC of ICAI At KGS Club, Cubbon Park, Bengaluru | Sports & Cultural Activities for Chartered Accountants and their family members |
| 9 | 23rd January, 2016 Saturday 250 Delegates | CA Course Awareness Programme <i>Jointly with</i> Bagalkot District Chartered Accountants Association and Basaveshwar Arts and Commerce Independent P.U. College, Vidyagiri, Bagalkot At Basaveshwar Arts and Commerce Independent P.U. College, Vidyagiri, Bagalkot | CA Course Awareness Programme by - CA. D. R. Venkatesh - CA. Nithin M. |
| 10 | 30th January, 2016 Saturday | CPE Workshop of Basavanagudi CPE Study Circle <i>Hosted by</i> KSCAA At KSCAA Premises | Applicability of ICDS for Co-operative Societies and other entities - CA. Shivakumar H. - CA. Prashanth Kumar N. |
| 11 | 30th January, 2016 Saturday | Sports Meet <i>Jointly with</i> Shimoga District Chartered Accountants Association and Shimoga District CA Students Association At Vasavi Grounds, Shivamogga | Sports meet for CA Students, Chartered Accountants and their family members. |
| 12 | 6th February, 2016 Saturday | Workshop on Issues in IT Assessments <i>Jointly with</i> Tumkur District Chartered Accountants Association At Tumakuru | Issues in IT Assessments - CA. Naveen Khariwal |
| 13 | 5th March, 2016 Saturday 666 Delegates | 28th KSCAA Annual Conference "SAMVIT" At Jnana Jyothi Convention Centre, Central College Campus Bengaluru | Inaugural Address - Shri. H. S. Mahadev Prasad, <i>Hon'ble Minister for Co-operation and Sugar, Government of Karnataka</i> First Technical Session Start-ups – Analysis & Opportunities - Funding - Mr. Ganapathy Venugopal Start-ups – Analysis & Opportunities - Valuation - CA. Anjana Vivek Start-ups – Analysis & Opportunities - Statutory & Taxation - CA. P.V. Srinivasan |

| S.No. | DATE | ACTIVITY | TOPICS & SPEAKERS |
|-------|---------------------------|----------|---|
| | | | <p><i>Second Technical Session</i> Reporting and Compliance requirements-Auditor's perspective Audit reports & IFC - CA. Gururaj Acharya Ind. AS - CA. Vinayak Pai</p> <p><i>Third Technical Session</i> Practical Issues in Income Tax - CA. Padamchand Khincha - CA. A. Shankar - CA. Dr. R.B. Krishna</p> |
| | 6th March, 2016 Sunday | | <p><i>Health / Wellness Session</i> Stress Management for Professionals - Dr. C.R. Chandrashekar, Psychiatrist & Author</p> <p><i>Fourth Technical Session</i> Practical Issues of Not for Profit Organizations (NPOs) - CA. S. Krishnaswamy - CA. Phalgun Kumar E</p> <p><i>Fifth Technical Session</i> E-Commerce - Taxation Issues VAT - CA. S. Venkataramani - Dr. B.V. Murali Krishna, JCCT, Govt. of Karnataka Service Tax - CA. A. Jatin Christopher Moderator: CA. Sanjay Dhariwal</p> <p><i>Special Session</i> Unbounded New Professional Opportunities - Am I Future Ready ? - CA. Madhukar Hiregange</p> <p><i>Sixth Technical Session</i> Union Budget Analysis-Panel Discussion Direct Tax - CA. K.K. Chythanya - CA. K.R. Sekar Indirect Tax - CA. V. Raghuraman - CA. Rajesh Kumar T.R. Moderator: CA. S. Ramasubramanian</p> |

| S.No. | DATE | ACTIVITY | TOPICS & SPEAKERS |
|-------|--|--|---|
| 14 | 21st May, 2016 Saturday | Seminar on Direct Taxes and Indirect Taxes <i>Hosted by</i> KSCAA <i>Jointly with</i> Shimoga District Chartered Accountants Association and Shimoga CPE Chapter of SIRC of ICAI At Star Crew, 3rd Floor, SS Complex, Harsha Show room, B.H. Road, Shivamogga 577202 | Taxation of Charitable Trusts - CA. Prashanth G. S. Input Tax Credit Analysis under KVAT 2003 - CA. Siddeshwar Y. |
| 15 | 25th May, 2016 Wednesday 226 Delegates | Seminar on Direct Taxes and Indirect Taxes <i>jointly with</i> Bagalkot District Chartered Accountants Association and Vijayapur District Chartered Accountants Association At BVV Sangha Auditorium, Bagalkot | <i>First Technical Session</i> Levy of Excise Duty on Jewellery - CA. Raghavendra T. N. <i>Second Technical Session</i> TDS Provisions under Income Tax Act - CA. Venkatesh D.R. |
| 16 | 11th June, 2016 Saturday | Seminar on Direct Taxes <i>Hosted by</i> KSCAA <i>Jointly with</i> Shimoga District Chartered Accountants Association and Shimoga CPE Chapter of SIRC of ICAI At Star Crew, 3rd Floor, SS Complex, Harsha Show room, B.H. Road, Shivamogga 577202 | Recent amendments to TDS & TCS provisions - CA. Venkatesh D.R. Discussion on ICDS - CA. Venkatesh D.R. and - CA. Sandeep C |
| 17 | 17th June, 2016* Friday | One Day Workshop on TDS, Service Tax and Co-Operative Audit <i>Jointly with</i> Bagalkot District Chartered Accountants Association & Bagalkot District Non-Agricultural Credit Co-operative Societies' Co-operative Union and Department of Co-operatives, Bagalkot At District Central Co-operative Bank Auditorium, Navanagar, Bagalkot | Recent amendments to TDS & TCS provisions - CA. Venkatesh D.R. Service Tax - CA. Raghavendra T.N. Audit of Co-operative Societies - CA. Dileep Kumar T.M. |

* 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 31.03.2016 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 2016.
- 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 2016.

For T. V. VEERABHADRAPPA & Co.,
Chartered Accountants
FRN : 04579S

Sd/-
(CA. VEERABHADRAPPA T.V.)
Proprietor
M No. 020725

Place: Bengaluru
Date: 04.06.2016

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

BALANCE SHEET

AS AT MARCH 31, 2016

| PARTICULARS | Schedule No. | As at 31.03.2016 Rs. | As at 31.03.2015 Rs. |
|--|--------------|----------------------|----------------------|
| SOURCES OF FUNDS: | | | |
| Corpus Fund | 1 | 2,864,672 | 2,698,835 |
| General Fund | 2 | 12,384,927 | 11,860,194 |
| Restricted & Other Funds | 3 | 3,155,350 | 3,274,205 |
| Total | | 18,404,949 | 17,833,234 |
| APPLICATION OF FUNDS: | | | |
| Fixed Assets | 4 | 2,328,441 | 2,379,928 |
| Investments | 5 | 15,011,241 | 14,548,320 |
| Current Assets, Loans & Advances | | | |
| (a) Inventories | 6 | 188,911 | 202,334 |
| (b) Receivables | 7 | 130,000 | 125,000 |
| (c) Cash & Bank balances | 8 | 484,334 | 392,959 |
| (d) Loans & Advances | 9 | 548,092 | 394,756 |
| | | 1,351,337 | 1,115,049 |
| Less: Current Liabilities & Provisions | 10 | 286,070 | 210,063 |
| Net Current Assets | | 1,065,267 | 904,986 |
| Total | | 18,404,949 | 17,833,234 |

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. Veerabhadrappa & Co
Chartered Accountants

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

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

Sd/-
CA. Dileep Kumar T.M
President

Sd/-
CA. Raghavendra T.N
Secretary

Date: 04.06.2016
Place: Bengaluru

Sd/-
CA. Raghavendra Shetty
Treasurer

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2016

| PARTICULARS | Schedule No. | Year ended 31.03.2016 Rs. | Year ended 31.03.2015 Rs. |
|---|--------------|---------------------------------|---------------------------------|
| A. INCOME: | | | |
| Conference, Seminars and Meetings | 11 | 2,829,618 | 2,874,185 |
| Interest Income | 12 | 1,201,354 | 1,161,752 |
| Other Income | 13 | 139,303 | 257,459 |
| A Total | | 4,170,275 | 4,293,396 |
| B. EXPENDITURE: | | | |
| Conference, Seminars and Meetings | 14 | 2,162,905 | 2,210,623 |
| Bulletins and Publications | 15 | 562,775 | 542,535 |
| Administrative Expenses | 16 | 722,360 | 652,470 |
| Other Expenses | 17 | 113,416 | 95,466 |
| Depreciation | 4 | 84,087 | 84,008 |
| B Total | | 3,645,543 | 3,585,102 |
| C. SURPLUS/(DEFICIT) FOR THE YEAR BEFORE EXTRA ORDINARY ITEM (A-B) | | 524,733 | 708,295 |
| D. EXTRA ORDINARY ITEM | | - | - |
| E. PRIOR PERIOD ITEMS- INCOME | | - | 176 |
| F. PRIOR PERIOD ITEMS- EXPENSE | | - | 45,827 |
| G. NET SURPLUS/(DEFICIT) TRANSFERRED TO GENERAL FUND | | 524,733 | 662,644 |

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. Dileep Kumar T.M
President

Sd/-
CA. Raghavendra T.N
Secretary

Date: 04.06.2016
Place: Bengaluru

Sd/-
CA. Raghavendra Shetty
Treasurer

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

SCHEDULES TO AND FORMING PART OF ACCOUNTS

AS AT MARCH 31, 2016

| PARTICULARS | | As at 31.03.2016 Rs. | As at 31.03.2015 Rs. |
|-------------|--|----------------------------|----------------------------|
| 1 | CORPUS FUND: | | |
| | Opening Balance | 2,698,835 | 2,577,910 |
| | Add: Life Membership Fee received during the year | 165,837 | 120,925 |
| | | 2,864,672 | 2,698,835 |
| 2 | GENERAL FUND: | | |
| | Opening Balance | 11,860,194 | 11,197,550 |
| | Add : Surplus for the year | 524,733 | 662,644 |
| | | 12,384,927 | 11,860,194 |
| 5 | INVESTMENTS: | | |
| | <u>TERM DEPOSITS WITH:</u> | | |
| | Andhra Bank | 2,870,753 | 2,956,233 |
| | Lakshmi Vilas Bank | 10,600,000 | 10,000,000 |
| | Saraswat Bank | 1,532,556 | 1,517,531 |
| | <u>ACCRUED INTEREST ON TERM DEPOSITS WITH :</u> | | |
| | Andhra Bank | 6,593 | 2,431 |
| | Lakshmi Vilas Bank | 1,339 | 56,576 |
| | Saraswat Bank | - | 15,549 |
| | | 15,011,241 | 14,548,320 |
| | <u>CURRENT ASSETS, LOANS & ADVANCES</u> | | |
| 6 | INVENTORY OF PUBLICATION AND OTHERS: (Valued at lower of cost or net realisable value) | | |
| | KSCAA Publications | 5,625 | 5,579 |
| | Other Materials | 183,286 | 196,755 |
| | | 188,911 | 202,334 |
| 7 | RECEIVABLES: | | |
| | Receivables - KSCAA Summit 2013 at Hubli | 80,000 | 80,000 |
| | Receivables- Advertisement News Letter | 20,000 | - |
| | Receivables - 28th SLC | 30,000 | - |
| | Receivables - 27th SLC | - | 30,000 |
| | 27th Annual Conference-Caution Money Deposit | - | 15,000 |
| | | 130,000 | 125,000 |



KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

SCHEDULES TO AND FORMING PART OF ACCOUNTS

AS AT MARCH 31, 2016

| PARTICULARS | As at 31.03.2016 Rs. | As at 31.03.2015 Rs. |
|---|----------------------------|----------------------------|
| 8 CASH AND BANK BALANCES: | | |
| Cash on hand | 7,401 | 33,997 |
| Andhra Bank SB Account-6886 | 83,222 | 137,873 |
| Canara Bank SB Account | 4,015 | 4,015 |
| Andhra Bank SB Account-6887 | 266,663 | 44,942 |
| Laxmi Vilas Bank | 123,033 | 172,132 |
| | 484,334 | 392,959 |
| 9 LOANS & ADVANCES: | | |
| DEPOSITS: | | |
| 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 | 14,000 | 75 |
| TOTAL A | 107,210 | 93,285 |
| OTHERS: | | |
| 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 | 138,579 |
| TDS 15-16 | 139,561 | - |
| TOTAL B | 440,882 | 301,321 |
| Other Advance | TOTAL C | 150 |
| TOTAL (A+B+C) | 548,092 | 394,756 |
| 10 CURRENT LIABILITIES & PROVISIONS: | | |
| CURRENT LIABILITIES: | | |
| Audit Fee | 25,000 | 22,472 |
| Outstanding Liabilities | 157,470 | 80,491 |
| NTC Delegate fee to be refunded | 18,100 | 18,100 |
| TOTAL A | 200,570 | 121,063 |
| PROVISIONS: | | |
| Miscellaneous Provisions | 85,500 | 89,000 |
| TOTAL B | 85,500 | 89,000 |
| TOTAL (A+B) | 286,070 | 210,063 |

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

SCHEDULES TO AND FORMING PART OF ACCOUNTS

FOR THE YEAR ENDED MARCH 31, 2016

| PARTICULARS | Year ended 31.03.2016 Rs. | Year ended 31.03.2015 Rs. |
|--|---------------------------------|---------------------------------|
| 11 INCOME FROM CONFERENCE ,SEMINARS & MEETINGS: | | |
| Annual Conference | 2,650,410 | 2,464,442 |
| Meetings, Seminars and Workshops | 179,208 | 409,743 |
| | 2,829,618 | 2,874,185 |
| 12 INTEREST & DIVIDEND INCOME: | | |
| Interest on Bank Term Deposits | 1,251,553 | 1,219,276 |
| Less: Transferred to Restricted fund | 57,245 | 71,063 |
| | 1,194,308 | 1,148,213 |
| On Saving Bank Accounts | 7,046 | 13,539 |
| | 1,201,354 | 1,161,752 |
| 13 OTHER INCOME: | | |
| Admission Fee | 16,685 | 12,269 |
| Annual membership fees | 500 | 890 |
| Miscellaneous Income | 8,658 | 74,550 |
| Sale of Publications | 5,760 | 5,300 |
| Advertisement in Bulletins | 107,700 | 164,450 |
| | 139,303 | 257,459 |
| 14 CONFERENCE, SEMINARS AND MEETINGS EXPENSES: | | |
| Annual Conference Expenses | 1,862,422 | 2,056,192 |
| Add/Less: Decrease/(Increase) in Consumable Stock | 13,469 | (108,381) |
| Add/Less: Decrease/(Increase) in Publications | (46) | 5,779 |
| | 1,875,845 | 1,953,590 |
| Meetings, Seminars and Workshops | 287,060 | 257,033 |
| | 2,162,905 | 2,210,623 |
| 15 BULLETINS & PUBLICATIONS: | | |
| Printing of News Bulletin | 562,775 | 542,535 |
| | 562,775 | 542,535 |



KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

SCHEDULES TO AND FORMING PART OF ACCOUNTS

FOR THE YEAR ENDED MARCH 31, 2016

| PARTICULARS | Year ended 31.03.2016 Rs. | Year ended 31.03.2015 Rs. |
|---|---------------------------------|---------------------------------|
| 16 ADMINISTRATIVE EXPENSES: | | |
| Salaries & Bonus | 333,000 | 312,000 |
| Staff Welfare | 14,811 | 17,192 |
| Electricity Charges | 19,913 | 16,432 |
| Water charges | 1,280 | 1,040 |
| Building maintenance | 12,500 | 10,515 |
| Telephone & Internet charges | 33,337 | 28,524 |
| Conveyance | 26,940 | 26,643 |
| Postage and courier | 31,979 | 24,163 |
| Printing and Stationery | 104,706 | 80,491 |
| Audit Fee | 25,000 | 22,472 |
| AGM Expenses | 118,894 | 112,164 |
| Service tax paid | - | 834 |
| | 722,360 | 652,470 |
| 17 OTHER EXPENSES: | | |
| Newspapers and Subscription | 4,861 | 4,850 |
| Ayudha Pooja expenses | 2,450 | 2,560 |
| Office Maintenance | 14,650 | 16,120 |
| Repairs and Maintenance | 11,100 | 3,904 |
| Bank Charges | 2,832 | 4,839 |
| Website Charges | 58,269 | 37,200 |
| Miscellaneous Expenses | 8,488 | 6,634 |
| Filing Fees with Registrar of Societies | 6,000 | 975 |
| Locker Rent | 342 | 4,818 |
| Interest / Penalty on delayed remittance of taxes | - | 58 |
| EC Meeting Expenses | 4,424 | 3,508 |
| 26th SLC Receivables written off | - | 10,000 |
| | 113,416 | 95,466 |

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

SCHEDULES TO AND FORMING PART OF ACCOUNTS

AS AT MARCH 31, 2016

SCHEDULE - 3

RESTRICTED AND OTHER FUNDS

(IN RUPEES)

| PARTICULARS | OP BALANCES AS ON 01.04.2015 | RECEIPTS DURING THE YEAR | TRANS- FERRED DURING THE YEAR | TOTAL | LESS UTILISED/ TRANSFERRED | CLOSING BALANCES AS ON 31.03.2016 |
|--|------------------------------------|--------------------------------|--|-----------|----------------------------------|--|
| 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 | 18,773 | | 5,075 | 23,848 | - | 23,848 |
| LATE S. NARAYANAN'S MEMORIAL PRIZE AWARD ACCOUNT | 70,052 | | 7,250 | 77,302 | - | 77,302 |
| PROFESSIONAL DEVELOPMENT FUND | 33,303 | | 36,720 | 70,023 | 61,000 | 9,023 |
| STUDENT WELFARE FUND | 15,861 | | 8,200 | 24,061 | 17,600 | 6,461 |
| LEGAL FUND | 154,766 | 3,000 | - | 157,766 | 100,500 | 57,266 |
| | 292,755 | 3,000 | 57,245 | 353,000 | 179,100 | 173,900 |
| 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) | 3,274,205 | 3,000 | 57,245 | 3,334,450 | 179,100 | 3,155,350 |
| Previous Year | 3,080,376 | - | 71,063 | 3,391,205 | 117,000 | 3,274,205 |

SCHEDULES TO AND FORMING PART OF ACCOUNTS AS AT MARCH 31, 2016

SCHEDULE - 4

FIXED ASSETS AND DEPRECIATION:

| PARTICULARS | GROSS BLOCK as on 01.04.2015 Rs. | ADDITIONS More than 180 days Rs. | ADDITIONS Less than 180 days Rs. | DELETIONS Rs. | GROSS BLOCK as on 31.03.2016 Rs. | ACCUMULATED DEPRECIATION as on 01.04.2015 Rs. | RATE % | DEPRECIATION FOR THE YEAR Rs. | ACCUMULATED DEPRECIATION as on 31.03.2016 Rs. | WDV as on 31.03.2016* Rs. | WDV as on 01.04.2015 Rs. |
|---|-------------------------------------|-------------------------------------|-------------------------------------|------------------|-------------------------------------|--|--------|----------------------------------|--|------------------------------|-----------------------------|
| IMMOVABLE PROPERTY: | | | | | | | | | | | |
| Land at Harohally Industrial Area | 1,694,630 | - | - | - | 1,694,630 | - | - | - | 551,316 | 1,694,630 | 1,694,630 |
| Office Building | 780,288 | - | - | - | 780,288 | 525,875 | 10% | 25,441 | 228,972 | 228,972 | 254,413 |
| 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 | 461,298 | 10% | 31,914 | 493,212 | 287,221 | 319,135 |
| Library Books | 94,018 | - | - | - | 94,018 | 93,634 | 60% | 230 | 93,864 | 154 | 384 |
| Computer , Printers & Software | 110,654 | - | 32,600 | - | 143,254 | 110,615 | 60% | 9,803 | 120,418 | 22,836 | 39 |
| Office Equipments | 361,591 | - | - | - | 361,591 | 250,267 | 15% | 16,699 | 266,966 | 94,625 | 111,324 |
| Assets not in use | 759 | - | - | - | 759 | 756 | | - | 756 | 3 | 3 |
| Total | 3,822,373 | - | 32,600 | - | 3,854,973 | 1,442,445 | | 84,087 | 1,526,532 | 2,328,441 | 2,379,928 |
| Previous Year | 3,821,838 | 535 | - | - | 3,822,373 | 1,358,437 | | 84,008 | 1,442,445 | 2,379,928 | 2,463,401 |

* Total WDV before adjusting provision for impairment loss of leasehold premise is Rs.24,62,002.

** 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 2016

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 Restricted Funds and the same has been transferred to Activity 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.

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. Physical possession was taken during the month of May 2016 and steps have been taken for leveling and fencing of the Land. The Association has approached KIADB for executing the Sale Deed. The Land allotted has been treated as fixed asset.
- c. The gross block and accumulated depreciation as on 1.4.2015 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
31.3.2016**

1. The balances as reflected in the Balance Sheet as at 31st March, 2016 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. Miscellaneous Provisions:

| Particulars | Amount |
|-------------------------|---------------|
| Corporation tax payable | 85,500 |
| Total | 85,500 |

4. Impairment of Assets

The Executive Committee has assessed the fixed assets for any impairment as on 31.03.2016 and

5. Audit Fees for the year Rs. 25,000/- (Previous Year Rs. 22,472).
6. 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.
7. Figures have been rounded off to nearest rupee value.
8. 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

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. Dileep Kumar T.M
President

Sd/-
CA. Raghavendra T.N
Secretary

Date: 04.06.2016
Place: Bengaluru

Sd/-
CA. Raghavendra Shetty
Treasurer



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 • kscablr@gmail.com • www.kscaa.com

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 2016-17 to be held during the 43rd Annual General Meeting on Saturday, the 9th of July 2016.

Yours faithfully,

(Signature of the Candidate)

Name:

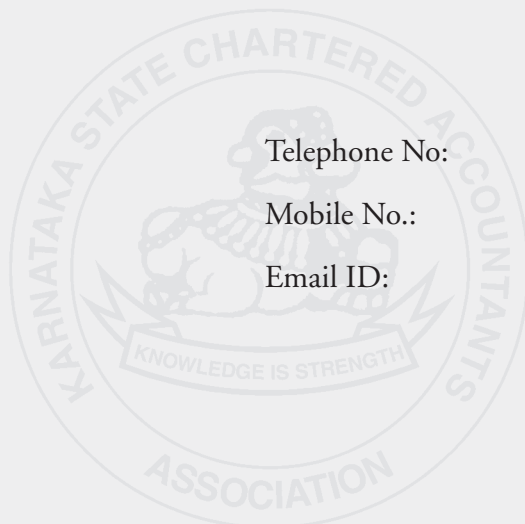
Telephone No:

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, 27th June, 2016**
- Last date of withdrawal of the nominations: **Before 5.00 pm on Thursday, 30th June, 2016**
- Announcement of final list of candidates contesting for election: **At 6.00 pm on Thursday, 30th June, 2016**
- The Final list of the Candidates shall also be uploaded at our website www.kscaa.com

KSCAA EC MEETING

MEMBERS' ATTENDANCE

10 Executive Committee Meetings were held from 18th July 2015 to 13th June 2016

| Sl. No. | Name of Executive Committee Members | Designation | Dates of Executive Committee meeting held | | | | | | | | | | Total number of meetings attended | |
|---------|--|---------------------|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------------------------------|--------|
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| | | | 18.07.15 | 19.07.15 | 08.08.15 | 10.10.15 | 28.11.15 | 11.01.16 | 25.02.16 | 26.04.16 | 13.05.16 | 13.06.16 | | |
| 1 | CA. Dileep Kumar T.M. | President | P | P | P | P | P | P | P | P | P | P | p | 10(10) |
| 2 | CA. Raghavendra Puranik | Vice President | P | P | P | A | P | P | P | P | P | P | p | 9(10) |
| 3 | CA. Raghavendra T.N. | Secretary | P | P | P | P | P | P | P | P | P | P | p | 10(10) |
| 4 | CA. Nagappa B. Nesur | Joint Secretary | P | P | P | P | P | P | P | P | P | P | p | 10(10) |
| 5 | CA. Raghavendra Shetty | Treasurer | P | P | P | P | P | P | P | P | P | P | p | 10(10) |
| 6 | CA. Malleshappa B. Hullatti | Member | P | P | P | A | P | A | P | P | P | P | p | 8(10) |
| 7 | CA. Ravindranath K | Member | P | P | A | A | P | P | A | P | P | P | p | 7(10) |
| 8 | CA. Chandrashekhara Shetty | Member | P | P | P | P | P | P | P | A | P | P | p | 9(10) |
| 9 | CA. Ghani Khan A | Member | P | P | P | P | P | P | P | P | A | A | p | 8(10) |
| 10 | CA. Jigajinni Kumar Shivalingappa | Member | P | P | A | P | P | P | P | P | P | P | p | 9(10) |
| 11 | CA. Shriram S.S. | Member | P | P | P | P | A | A | P | P | P | P | p | 8(10) |
| 12 | CA. Ashwin Kumar H.V. | Member | P | A | P | P | A | A | P | A | P | P | A | 5(10) |
| 13 | CA. Ramesh Sharma | Member | P | A | P | A | P | P | P | P | P | P | A | 7(10) |
| 14 | CA. Sujatha Raghuraman -Co-opted Member | Member | N.A | N.A | P | P | A | P | P | A | P | P | p | 6(8) |
| 15 | CA. Anant Nyamannavar -Co-opted Member | Member | N.A | N.A | N.A | N.A | N.A | p | p | p | p | p | A | 4(5) |
| 16 | CA. Raveendra S. Kore - Immediate Past President | Imm. Past President | P | P | P | P | P | A | A | A | P | P | p | 7(10) |

P - Present, A- Absent, N.A. - Not Applicable

NOTE

We request you to send in your queries if any, on the Audited Financial Statements for the year ended 31-03-2016, on or before 30th June, 2016 to the Association address either by normal post or by e- mail.

e-mails : 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



INPUT TAX CREDIT - ELIGIBILITY

CA B.G. Srikanth Acharya and CA Annapurna Kabra



The VAT credit on inputs under the Karnataka Value Added Tax Act has been amongst the most commonly litigated issues before the Judicial Authority. Most cases have revolved around the issue of establishing whether something qualifies as an inputs and whether there exists a nexus or relation between the inputs and the output taxable activity.

Input means goods purchased by a dealer in the course of his business. Input may be for manufacture, local sale, CST sale, Export, or processing, packing or any other use in the business. Input tax is the sum total of VAT paid or payable in the course of business on all purchases of taxable goods from registered dealers in the state.

The entire amount of tax paid by a dealer as input does not qualify as input tax deduction. There are restrictions imposed with regard to input tax deduction as per section 11, 12, 13, 14, 17, 18, 19 and 20 of the Acts. Input tax credit is the actual amount of input tax available tax deduction out of output tax or amount available for refund where input tax exceeds the output tax collected.

It is the general understanding that a dealer is not entitled for input tax credit on purchases used in obtaining exempted goods or where taxable goods are given as free sample or where the inputs are lost or damaged or stolen before use. In the following paragraphs it is discussed as to whether input tax credit can be availed on inputs when it is used, utilised, consumed in manufacture, processing or packing of goods shown to have lost, stolen, destroyed, distributed free of cost.

In order to promote sales of products manufactured, free samples are issued in the beginning of business. In case of Pharmaceutical business the physician samples are distributed free of cost then in such case it can be considered as free of cost. Therefore in Pharmaceutical trade free samples are given to doctors for use and not for sale.

These are free samples given with an intention to promote the same in the market. As per that free samples do not constitute sale and input tax rebate on the same is not available. Like in the case of sample wherein dealer has bought the medicinal goods by paying the taxes and such medicinal goods are given

free of cost to physicians as samples then in such instance there is change in use as such goods are not sold for the purpose for which such goods are bought then in such instance input tax credit to the extent of goods distributed as for samples are to be reversed.

The definition of sale does not include the free supplies as there is no consideration received for such supplies and it is not taxable. However, if free samples are supplied along with other medicines that are sold and for which consideration is received, only such consideration is liable for VAT. The tax charged on such free samples supplied will be eligible for input tax rebate at the hands of the retailer. Free samples given by the dealer cannot be taxed as there is no sale consideration. Therefore input tax credits pertaining to free samples are not eligible.

The word sample, Gifts, Incentive and free supply of goods are interlinked but there are different circumstances where in input tax credit could be allowed or disallowed. The incentives can be given in cash or in kind.

In the days of cutthroat competition the dealer is required to launch various schemes for the purposes of boosting sales/ Maintaining relative strength of the product in the market. Varieties of methodologies are being applied. At times the dealer may give goods free of cost or at reduced rate. The dealer may also buy certain goods not related to his business and may give it as free of cost or at substantial reduced rate to his customers. A question will arise here whether the dealer can claim input tax credit in respect of such goods which have been given as free of cost.

Free gifts are when goods are given away and there is no monetary or non monetary consideration. For example: A silver coin was attached in the lux soap and it was given as gift to the lucky purchaser. In such instances when silver coin is purchased is not the trading item and used for giving the gift or incentive then in such instance it is advisable to book it as an item of direct expense. Therefore in such instance whether there is eligibility of input tax credit on such silver coin. When there is rewarding employees with a gift of goods

manufactured or purchased then in such instance also input tax credit cannot be claimed. In Saturday Club Vs State of West Bengal (2013) 61 VST 252 (WBTT), the club was providing coupons to employees to obtain food stuffs on counter free of cost. It was held that this is not a sale. Therefore in above case input tax credit cannot be claimed.

The linked supplied concession applies where a minor article not necessarily physically with a main article and sold with it at a single price. For example an empty plastic storage jar attached to Horlicks of 500 Gms. Therefore input tax credit should be allowed on Jar as it is linked supplied concessions. Therefore where gifts are given along with the main product which is necessary for completion of sale contracts like 2+1 shirt (or) Bucket with detergent (or) Mosquito machine with mats (or) Car + Accessories then in such instance Supply of free items is part of sale contract and therefore input tax credit should be available. Therefore such purchases of free

items should be debited to purchases account rather than sale promotion expenses.

There is a provision in the KVAT law that when goods are sold at price lower than purchase price in the case of resale, or lower than cost price in the case of manufactured / processed goods, then input Tax Credit is restricted to the extent of tax payable on the resale value of goods or sale value of manufactured / processed goods. The input tax credit eligibility should be allowed considering the business model or marketing strategies of the dealer business in various instances. To bring uniformity in the KVAT law there should be separate provision under the KVAT law for the transactions like as sample, free supply of goods, gifts, Incentives, linked supply concession, etc.

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

DISCLOSURE OF ACCOUNTING POLICIES IND AS 1 AND ICDS

(Contd. from page 5)

Indian Accounting Standards

- (g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- (h) if retrospective application required by paragraph 19(a) or (b) is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

Para 29:

When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- (a) the nature of the change in accounting policy;

- (b) the reasons why applying the new accounting policy provides reliable and more relevant information;
- (c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - (i) for each financial statement line item affected; and
 - (ii) if Ind AS 33 applies to the entity, for basic and diluted earnings per share;
- (d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- (e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

Comment:

Disclosure under Ind AS is more elaborate. Both refer to disclosure of the impact of a change in policy on financial statement.

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



INDIRECT TAXES UPDATE – MAY 2016

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



Notifications

a) Krishi Kalyan Cess:

[Section 161 of Finance Act, 2016]

Krishi Kalyan Cess [KKC] is a cess levied as service tax in terms of Section 161 of Finance Act, 2016 on all taxable services at the rate of 0.5% of the value of services for the purpose of funding the research and development and other initiatives to improve the agriculture. Sub-section (2) provides that the KKC shall be levy and collected in accordance with the provisions of Chapter VI, sub-section (5) provides that all the provisions of chapter Finance Act, 1994, would equally be applicable to levy and collection of KKC.

The levy is effective from 1.6.2015 and in terms of sub-section (5) of Section 161 of Finance Act, 2016 read with Notification Nos. 27-31 /2016 ST dt. 20.05.2016, exemptions, valuation principles, abatement, reverse charge etc. as applicable to service tax would equally be applicable to KKC.

KKC paid on input services could be availed as cenvat credit by a service provider and the said credit shall be utilised only for payment of KKC and credit of other duties or taxes cannot be utilised for payment of KKC.

b) Retrospective exemption to Haj and Manasa sarovar yathra

Retrospective exemption has been granted to to specified organisations in respect of a religious pilgrimage facilitated by the Ministry of External Affairs of the Government of India, under bilateral arrangement. [Notification No. 25/2016-Service Tax dt. 17-05-2016]

c) Service tax on Senior Advocates:

In the Budget 2016, Service tax on senior advocates was removed from reverse charge and brought under regular charge. However, the same has been amended again and

the provision exemption & reverse charge relating to advocates and senior advocates is summarized below:

| Service provider | Nature of service | Recipient of service | | | | Person liable to pay |
|------------------------------|---------------------------|----------------------|------------------------|---|---------------------|----------------------|
| | | Other Advocate | Other than Bus. Entity | Bus. Entity with less than 10L turnover in PY | Other Bus. Entities | |
| Advocate Other than Sr. Adv. | All legal services | Exempt | Exempt | Exempt | Taxable | Business Entity |
| Sr. Adv | Representation | Taxable | Exempt | Exempt | Taxable | Business Entity |
| Sr. Adv. | Other than representation | Taxable | Exempt | Exempt | Taxable | Sr. Advocate |

[Notification No. 32-34/2016 ST dt. 06.06.2016]

IMPORTANT DECISIONS

1. **SURESH KUMAR BANSAL vs. UoI, W.P.(C) Nos. 2235/2011 & 2971/2011:**

Facts: The Petitioner entered into agreement with a builder to buy flats in a multi-storey group housing project. The petitioner challenged levy of service tax on the said transaction for purchase of flat levied in terms of provisions of Section 65(105)(zzzh) of Finance Act, 1994 which provides for levy of service tax on builders and Section 65(105)(zzzzu) which provides for levy of service tax on amounts paid for preferential location in the complex.

Held: On the issue levy of service tax on purchase of flats, the Court held that the legislative competence of the Parliament to tax the element of service involved in such transaction cannot be disputed but the levy itself fails, since it does not provide for a mechanism to ascertain the value of the services component which is the subject of the levy.

The High Court observed that:

- a) Service tax cannot be levied on the value of undivided share of land acquired by a buyer of a dwelling unit or on the value of goods which are incorporated in the project by a developer.
- b) The valuation mechanism does not provide for deduction of land value.
- c) The abatement to the extent of 75% by a notification or a circular cannot substitute the lack of statutory machinery provisions to ascertain the value of services involved in a composite contract.

On the issue of levy under the heading 'preferential location service' under clause (zzzzu) the court held that it cannot be held that such charges relate solely to the location of land. Thus, preferential location charges are charged by the builder based on the preferences of its customers. They are in one sense a measure of additional value that a customer derives from acquiring a particular unit. Therefore, service tax would be leviable on such charges

2. **Megha Cabs Pvt. Ltd. Vs UoI, 2016-TIOL-1061-HC-DEL-ST**

The Petitioner challenged the provisions of Rule 5A(2) of Service Tax Rules, 1994 as amended vide Notification dated 5.12.2014 which provides for demand of documents by departmental audit party and C&AG for audit and also challenged the provisions of Rule 94(2)(k) of Finance Act, 1994 which grants power to Central Government to frame rules relating to submission of information. The challenge was also made on the CBED instruction dated 30.04.2015 which provided guidelines for audit by departmental officers.

On the basis of analysis of the provisions of Section 94 & 72A of Finance Act, 1994 and the Rule 5A of Service Tax Rules, 1994, the High Court held that:

(i) Rule 5A(2) to the extent it authorises the officers of the Service Tax Department, the audit party deputed by a Commissioner or the CAG to seek production of the documents mentioned therein on demand is ultra vires the statutory provisions and therefore has strikes down the said rule to that extent.

(ii) The expression 'verify' used in Section 94 (2) (k) of the Finance Act, 1994 cannot be construed as audit of the accounts of an Assessee and, therefore, Rule 5A(2)

cannot be sustained with reference to Section 94(2)(k) of the Finance Act, 1994.

(iii) Circular No. 181/7/2014-ST dated 10.12.2014 declared to be ultra vires the provisions of Finance Act and strikes down the same.

(v) Declared that the CBEC Circular No. 995/2/2015-CX dated 27.02. 2015 which provided for guidance / instructions for Central Excise and Service Tax Audit norms to be followed by the Audit Commissionerates and the Central Excise and Service Tax Audit Manual 2015 issued by the Directorate General of Audit of the CBEC are ultra vires the provisions of Finance Act, 1994 does not have any statutory backing and cannot be relied upon by the department justify the audit undertaken by officers of the Service Tax Department.

The Court observed that there is a distinction between auditing and verifying the records. Audit is a special function which has to be carried out by duly qualified persons like a Cost Accountant or a CA. It cannot possibly be undertaken by any officer of the Service Tax Department.

3. **CCE VS. Federal Mogul TRP India. Ltd. 2016(42) STR 427(Kar)**

Facts: Assessee engaged in manufacture of piston rings, availed cenvat credit of service tax paid to job workers. The contention of the department was that the said activity of job work undertaken by the job worker was exempt from payment of service tax and hence the assessee cannot avail credit of the service tax paid by the job-worker.

Held: The appeal of the department is dismissed on following counts:

a) The notification granting exemption to job worker is a conditional notification and cannot be forced on the assessee.

b) The provisions of Section 5A(1A) of Central Excise Act, 1944 which provides that unconditional exemptions have to be availed and no duty shall be paid on such goods, is not applicable to service tax law.

c) Contention of the department that the job worker has wrongly paid service tax is not acceptable.

4. **CCE VS. HSBC Software Development (I) Pvt. Ltd. 2016(42) STR 575(Tri.-Mum):**

Facts: Assessee undertakes testing and maintenance of

software of clients located outside India. The process involves, accessing the client software through internet and undertaking testing or maintenance activities.

Issue: Whether such services would qualify as export of service prior to 1.3.2008, from which date such services provided through internet would termed as export based on location of recipient of services.

[These services were treated as export where services are performed outside India]

Held: Tribunal relying in the decision of Bombay High Court in the case of SGS India Pvt. Ltd (2014(34) STR 554) held that the services qualify as export and are not taxable. The Tribunal observed that the performance of these services are towards smooth functioning of the software located outside India. The location of the client cannot be uncoupled from performance and the services are partly performed outside India.

5. Universal Services India Pvt. Ltd. -2016(42) STR 585 (AAR)

Facts: Assessee is acting as collecting agent of a foreign company towards collection of service charges from the customers of such foreign company in India and remitting the same to foreign company.

Issue before AAR: What is the place of provision of such services and whether services qualify as export?

View of AAR: Services provided by assessee does not fall under intermediary services as they are not facilitating any services to customer in India but are providing their main service of collection of consideration, to the foreign company.

The services fall under Rule 3 of Place of Provision of Service Rules, 2012, which provides that location of recipient is the place of provision of service. Since place of provision of service being outside India, the services would qualify as export where all other conditions as required under Rule 6A of Service Tax Rules, 1994 would get fulfilled.

6. M/s GODADDY INDIA WEB SERVICES PVT LTD 2016-TIOL-08-ARA-ST:

Facts: GoDaddy India proposes to enter into a 'Services Agreement' with GoDaddy US. It proposes to provide

support services in an integrated manner to assist GoDaddy US develop its brand in India, carry on its operations efficiently and serve customers in India, which are as under:

Marketing and promotion services: Towards this, the applicant proposes to provide the following services:

- d) Direct Marketing: Applicant shall advise GoDaddy US regarding various aspects of the market situation prevailing in India from time to time.
- e) Branding Activities: Applicant shall assist GoDaddy US in developing its brand in India by arranging for advertisement activities of GoDaddy US.
- f) Offline Marketing: Applicant shall undertake marketing and promotional activities in India for GoDaddy US, by taking part in seminars, talk shows or any other events as speakers to spread awareness regarding the GoDaddy brand and services offered by GoDaddy US.
- g) Supervision of quality of third party customer care center services:

Issue before AAR: What is the place of provision of such services and whether services qualify as export?

View of the AAR: Authority for Advance Ruling held that proposed various services to be provided by GoDaddy India Web Services to GoDaddy US are a "bundle of Services" being naturally bundled in the ordinary course of business and accordingly is a single service, being business support service, in terms of Section 66F of the Finance Act 1994.

The services being support services, are covered under Rule 3 of the Place of Provision of Services Rules, 2012 and qualify as export of taxable services in terms of Rule 6A of the Service Tax Rules and therefore remain non-taxable for purpose of payment of service tax under the Finance Act.

Further, held that by providing the payment processing services to GoDaddy US, the applicant is not providing any service to the customers of GoDaddy US in India.

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

KSCAA Legal Fund - Contributors

(May-2016)

| Sl. No. | Name | Place | Amount (Rs.) |
|---------|----------------------------------|------------|--------------|
| 1 | CA. SEEMA SANGAMESH MANNUR | Bagalkot | 10,000 |
| 2 | M/S. G.L. MALPANI & CO. | Bagalkot | 10,000 |
| 3 | M/S. SHIVARAM HEGDE & CO. | Bagalkot | 10,000 |
| 4 | CA. P.S. JAIN | Bagalkot | 10,000 |
| 5 | CA. ANUP RATHI | Bagalkot | 5,000 |
| 6 | M/S. KASAT V.N.& CO. | Bagalkot | 5,000 |
| 7 | CA. SACHIN S. VIJAPUR | Bagalkot | 5,000 |
| 8 | CA. M. N. TAPASHETTI | Bagalkot | 5,000 |
| 9 | CA. I S YANNI | Bagalkot | 5,000 |
| 10 | CA. B S HADIMANI | Bagalkot | 3,000 |
| 11 | CA. SANTOSH KATVA | Bagalkot | 3,000 |
| 12 | CA. SHIVANAND H BUSARI | Vijayapur | 5,001 |
| 13 | CA. CHANNABASAPPA D MUDALGI | Vijayapur | 5,001 |
| 14 | CA. KIRAN D. INAMDAR | Vijayapur | 5,000 |
| 15 | CA. SHARANAGOUDA B. PATIL | Vijayapur | 5,000 |
| 16 | CA. AJAY LAXMICHAND DHARAMSHI | Vijayapur | 5,000 |
| 17 | CA. ASHOK G MALIPATIL | Vijayapur | 1,000 |
| 18 | CA. RAVEENDRANATH B.V. | Sagar | 10,000 |
| 19 | CA. SHRIRAM S S | Sagar | 5,000 |
| 20 | M/S. KPK FASERV INDIA PVT, LTD., | Bengaluru | 5,000 |
| 21 | M/S. SHIVASWAMY & CO. | Shivamogga | 5,000 |
| 22 | CA. NARENDRA K.V. | Shivamogga | 3,000 |
| 23 | CA. VASANTH KUMAR K.V. | Shivamogga | 2,500 |

*KSCAA requests the members to
generously contribute towards the legal fund
and support in its constant endeavour to
protect the interests of our profession.*

News Bulletins 2015-16



Publications 2015-16



Media Coverage



Seminar on Direct Tax & Indirect Tax at Shivamogga on 21st May 2016



Seminar on Direct Tax & Indirect Tax at Bagalkot on 25th May 2016



Seminar on Direct Tax at Shivamogga on 11th June 2016

