

KSCAA

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Interactive Session on Returns under GST: Filing of GSTR-1, 2 & 3

On Wednesday, 17th May, 2017
at Bengaluru

Seminar on Co-Operative Taxation & Recent Changes in Tax Audit Report

On Friday, 26th May, 2017
at Vijayapur

BASAVANAGUDI CPE STUDY CIRCLE

Assessments under Income Tax Act and Stay on disputed demands

On Friday, 09th June 2017

Changes in Income Tax Returns for AY 2017-18

On Friday, 16th June 2017

You Know

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Details Inside ▶



Dear Professional Colleagues,

Nation is anxiously gearing up to adopt much talked "GST- one nation one tax regime" amidst various debates. Government is strongly expecting GST to be economy booster, however some of

the experts are still debating that the form in which GST is being introduced all with CGST, SCGST, IGST is the most terrible thing that will happen to the country mentioning about the 32 laws regulating VAT, service tax and excise duty, while with GST it should have been one. The moot point for such scepticism is GST allows each state to levy its own SGST (State GST) and hence the entire point of simplification of laws is lost. Whatever is the outcome I feel that, the government at the centre and states are committed to implement GST in time bound manner. Many of the state assemblies will have to pass the state GST Act within short span. In terms of preparedness, Karnataka Government is much ahead in implementation of GST as compared to any other states. Industry is also having their fingers crossed in guessing GST implementation date and rate applicable to them.

For the professionals, GST is opening up a plethora of opportunities. Indian companies are rushing to bring in experts to do impact study, prepare up their accounting and information technology systems for the tax-system overhaul. That's throwing up a windfall gain for firms to assess the impact of the GST's implementation and also how best to implement computer-based systems to manage their supply chain, procurement and accounting processes.

Updates on Professional Lounge at Income Tax Office, Koramangala, Bengaluru : The furnishing of Professional Lounge at Income Tax Office, Koramangala, Bengaluru is on fast track. The opening up of Professional Lounge will provide range of facilities including library for Tax Professionals who generally wait for hours to address their official work at the Income Tax Office.

News Recapitulation

The government has closed the enrolment of tax assesseees, for now, on the Goods and Services Tax Network (GSTN), the IT backbone of GST, for technical reasons. GST Enrolment/ Registration window is expected to re-open for remaining Taxpayers from 1 June 2017.

The Income Tax Department has made it easy for taxpayers to link their PAN with Aadhaar. Responding to grievances of taxpayers regarding difficulties in linking PAN with Aadhaar of the assesseees whose names did not match in both systems, the Department has come out with a simple solution now. Taxpayers can logon to www.incometaxindiaefiling.gov.in and click on the link on the left pane-> Link Aadhaar, provide PAN, Aadhaar no. and enter name exactly as given in Aadhaar Card and submit. After verification from UIDAI, the linking will be confirmed.

Upcoming Events & Programs for the month

- We will be organising an interactive session on Returns under GST - Filing of GSTR-1, 2 & 3 on 17th May 2017. Joint Commissioner of Commercial Taxes will provide inputs on Returns, Forms and Procedures under GST. This program is free program and 75 participants can attend on first come first serve basis.
- Third successive GST workshop is organised from 22nd May to 27th May in Jayanagar, Bengaluru. Enthralled by overwhelming response to the previous two workshops, we have kept this workshop in evenings on weekdays and full day on Saturday. Very limited seats are available, hence reserve your seats well in advance. Registered participants can check further details from our website.
- For the benefit of mofussil members, Seminar on "Co-Operative Taxation & Recent Changes in Tax Audit Report" is being organised in Vijayapur on 26th May 2017. The seminar throws light on taxation aspects of Co-operative Bank, Society including Souharda and recent changes Tax Audit Reports. Do connect with co-ordinators to book your seats in advance.

Basavanagudi CPE Study Circle is organising following study circle Meetings:

- a. Assessments under Income Tax Act and Stay on disputed demands on 9th June, 2017 which through lights on how to face assessments and how to obtain stay on the disputed demands by the Income Tax Department.
- b. It has become a trend to make modifications to the details to be furnished in the Income Tax Returns (ITR) which professionals have to keep themselves abreast with. Various disclosure requirements crept in the ITRs requires expert guidance, hence organised to understand "Changes in Income Tax Returns for AY 2017-18" on 16th June, 2017.

Programs details are published elsewhere in this news bulletin and also available on the association website www.kscAA.com.

Thought for the month

Buddha said our actions are reflexes of our thoughts. Positive thoughts create positive vibrations and vice versa. Hence our thoughts create beautiful mind and world, it augers well to keep our thoughts simple and pure.

"We are what we think.

All that we are arises with our thoughts.

With our thoughts, we make the world."

Always at your service!

CA. Raghavendra Puranik
President

KSCAA

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

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“You Know” Series

CA. Giridhara T

A practicing Chartered Accountant, specializing in the area of direct, indirect taxes and Government Accounting. Having grown up in the area surrounded by forest, unsurprisingly he is inclined towards nature, wildlife photography and exploring the gorgeous part of world. He has taken this as a hobby, has today become a serious passion of his life. Understanding the behavioral aspects of the animals and birds, feeling the peace in the jungle and drives filled with surprises is all about wildlife photography. His photographs received wider acclamation from the viewers. He has sent his photographs to various national competitions. He won several recognitions for his images. Apart from this passion, he is serious sports enthusiast and conducted several state level sports events across Karnataka.

Malabar Trogon

Malabar Trogon (*Harpactes fasciatus*) is belonging to trogon family and found in forests of India and Srilanka. In India, it is mainly found in Western Ghats, forests of Central India and Eastern Ghats. This picture was taken in Kalgar, Sahyadri range of Western Ghats. They feed insects and not migratory. Male and female vary in plumage. The nest is made in rotting trees or stumps that are easy to carve and pulverize using their bills. Female lays 2-3 eggs normally and both incubate them. Within 19days, hatchlings will come out and they are fed by adults for 5-6 months. The conservation status in “least concern” however these birds are becoming rarer now a days.

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



A START UP – PLANNING THE STRUCTURE

CA. S. Krishnaswamy

“Structure goes a long way”

“All humans are entrepreneurs not because they should start companies but because the will to create is encoded in human DNA, and creation is the essence of entrepreneurship”.
– Reid Hoffman

A start up to start with should draw a business plan that will include a brief note on the structure and the legal form chosen. This decision will depend upon its valuation and that the funding it is looking for. Normally, the funding of a Start up enterprise, starting with seed Capital and further rounds of funding can be only through Venture Capital or Angel Investors. The definition of a start up and the incentives it is eligible for are set down in the income tax Act, for tax incentives and in DIPP regulations for recognition and GOI Incentives. The definitions give a clue to the legal form acceptable.

Income tax Act- 80IAC - Explanation to Definition

“Eligible Start-up” means a company or a limited liability partnership engaged in eligible business.

DIPP – Explanation to Definition

Entity means a private limited company (as defined in the Companies Act 2013) or a registered partnership firm (registered under Section 59 of the Partnership Act 1932 or a limited liability Partnership (under the limited liability Partnership Act, 2002)

The income tax Act excludes Partnership and entertains only Incorporated Entities. The DIPP permits the Partnership which is not a body corporate. Venture Capitalists do not recommend One Person Company, as the shares can be held by one person only. And Equity funding by VCs are not feasible.

A. The options open & consideration for a business structure decisions are:-

1. Capital – Own - Bootstrapping
2. Inviting Investors’ – making a pitch to investors like VCs & Angel Investors
3. Promoter Size
4. Choice dictated by income tax Act for recognition and incentive
5. Choice dictated by DIPP for recognition

6. Ease of scaling up to next level
 7. Migrating to next corporate structure
 8. Do you want to go Public
 9. Do you plan for taxation
 10. Do you want to limit your risk
 11. Knowledge & talent base
 12. Sector in which it proposes to operate & incentives available in that sector. For example Oil and natural Gas, Science & Technology.
 13. Time taken to setup a new business
 14. Cost involved
 15. Area of operation
- B. The legal forms available are
1. Sole Proprietorship
 2. Partnership
 3. Limited Liability Partnership (LLP)
 4. Private Limited company
 - Small
 - Not small
 - One man company
 5. Public Limited Company
 - Listed
 - Unlisted

SOLE PROPRIETORSHIP

“Solitary genius is a myth”

- Basically trading firms without much investment on infrastructure opt for this form.
- This form is easy to operate without many legal compliances and the owner is the master of his business who can decide the place of business, the modalities etc
- He can provide own funds or seek funds from relatives, friends or normal banking channels

Upside

- Easy to start, simple to maintain
- Low cost and flexibility to operate
- Under Income tax Act, can set off losses against income from other heads

- Income tax payable on slab basis , with initial exemption
- Owner has full managerial control
- Can always migrate to incorporation or partnership
- Audit only if turnover crosses the limit under Income tax Act.

Downside

- Not recognised under tax laws , income tax as a start-up and hence no incentives, also not recognised under DIPP (Department of Industrial Promotional Policy)
- Personal liability for debts
- The owner bears the full burden of legal and other responsibilities
- Funding is difficult
- Venture Capitalists and Angel investors will not look at it

PARTNERSHIP

- The law pertaining to partnership is laid down in the Partnership Act which lays down the Duties and Liabilities of the Partners.
- Is only a compendious name to carry on business. As per section 4 of Partnership Act of 1932, “Partnership is defined as the relationship between two or more persons who have agreed to share the profits of a business run by all or any one of them acting for all”.
- A popular form for trading activities without involving much investment on infrastructure
- Easy exit option and reconstitution option
- Number of persons who can contribute capital limited
- Partners can be active or passive
- Although not a legal entity recognised as an ‘unit’ under Tax laws
- Partners are jointly and severally liable

Upside

- Taxed as an unit
- Easy to form and dissolve
- Pooling of capital and talent
- Flexibility in constitution
- Option to create different profit ratios
- Less legal compliance
- Cost of formation - negligible
- Recognised by DIPP

Downside

- Not recognised under tax laws , income tax as a start-up and hence no incentives, also not recognised under DIPP (Department of Industrial Promotional Policy)

- Losses cannot be carried forward or adjusted in Partners’ hands
- Not an incorporated body
- Income tax Act places limits to Salary and interest on Partners.
- Partners are jointly and severally liable.
- Not a body corporate and not separate from its partners
- Prone to conflicts

ONE PERSON COMPANY (OPC)

The revolutionary new concept of ‘One Person Company’ (OPC) has been introduced by the Companies Act, 2013. This concept of OPC was first recommended by the expert committee of Dr.JJ Irani in 2005. OPC provides a whole new bracket of opportunities for those who look forward to start their own ventures with a structure of organised business. OPC will give the young businessman all benefits of a private limited company which categorically means they will have access to credits, bank loans, limited liability, legal protection for business, access to market etc all the name of a separate legal entity.

One person company has been defined as – means a company which has only one person as a member.

The prohibition in regard to invitation to the public for subscription of the securities of the company.

Section 3 of the Companies Act – Formation of company.—
(1) A company may be formed for any lawful purpose by—
one person, where the company to be formed is to be One Person Company that is to say, a private company, by subscribing their names or his name to a memorandum and complying with the requirements of this Act in respect of registration:

Provided that the memorandum of One Person Company shall indicate the name of the other person, with his prior written consent in the prescribed form, who shall, in the event of the subscriber’s death or his incapacity to contract become the member of the company and the written consent of such person shall also be filed with the Registrar at the time of incorporation of the One Person Company along with its memorandum and articles: Provided further that such other person may withdraw his consent in such manner as may be prescribed:

Provided also that the member of One Person Company may at any time change the name of such other person by giving notice in such manner as may be prescribed:

Provided also that it shall be the duty of the member of One Person Company to intimate the company the change, if any, in the name of the other person nominated by him by indicating in the memorandum or otherwise within such time

and in such manner as may be prescribed, and the company shall intimate the Registrar any such change within such time and in such manner as may be prescribed:

Provided also that any such change in the name of the person shall not be deemed to be an alteration of the memorandum.

(2) A company formed under sub-section (1) may be either—

- a company limited by shares; or
- a company limited by guarantee; or
- an unlimited company.

The only exception provided by an Act to an OPC is that according to the rules only “NATURALLY-BORN” Indian who is also a resident of India is eligible to incorporate an OPC. Meaning thereby, the advantages of an OPC can only be obtained by those INDIANS who are naturally born and also a resident of India. At the same, it shall also be worth mentioning that a person cannot form more than 5 OPCs.

One of the features of an OPC includes;

An OPC limited by shares shall comply with following requirements:

- Shall have minimum paid up capital of INR 1 Lakh
- Restricts the right to transfer its shares
- Prohibits any invitations to public to subscribe for the securities of the company

An OPC has certain privileges and exemptions which are not available to private companies. One of the exemptions is Signatures on Annual returns – Section 92 of the Companies Act, 2013

Upside

- An incorporate entity recognised as a Start-up under Income tax Act and DIPP and entitled for benefits
- Can incorporate 5 OPCs
- Enjoy the benefits of a Private Limited company
- Different from a sole proprietorship
- Can migrate to full-fledged Private Limited Company or to public limited company
- Different from Sole Proprietorship
- Limited Liability
- Succession - through a nominee

Downside

- Funding is difficult – even conventional sources
- Venture Capitalists and Angel investors may not look at it, hence mentoring and handholding by expert lenders not available
- Compulsory migration after it attains a certain turnover or capital

LIMITED LIABILITY PARTNERSHIP

The limited liability partnership act 2008 is a path breaking law giving one more option for businesses to have a new form of body corporate, in addition to regular partnership. It is defined as

- A limited liability partnership is a body corporate formed and incorporated under this Act and is a legal entity separate from that of its partners.
- A limited liability partnership shall have perpetual succession
- Any change in the partners of a limited liability partnership shall not affect the existence, rights or liabilities of the limited liability partnership.

It satisfies the definition for an eligible start-up under section 80IAC if Income tax Act, for the purpose of tax holiday subject to other conditions and also satisfies the definition under DIPP.

LLP facts sheet

As on 29th February 2016, a total number of 55,182 LLPs were registered in the country, of which 54,294 of them were active. About 75.15% active LLPs (40,803 in number) have obligation of contribution less than or equal to Rs. 5 lakh each, and only about 4.93% (2,675 in number) of LLPs have obligation of contribution above Rs. 1 crore each.

Broad economic sector-wise classification of active LLPs as on 29th February 2016 reveals that the Service sector accounts for 40,850 LLPs, followed by Industry and Agriculture sectors accounting for 12,409 and 1,028, respectively. Economic activity-wise classification of active LLPs as on 29th February 2016 reveals that a large number of LLPs are in Business Services (21,197) followed by Trading (6,598), Real Estate & Renting (6,375) and Manufacturing (5,987).

The above trends clearly indicate that the LLP is increasingly becoming a preferred business structure across sectors.

The reason for enacting this law was stated thus – “in an increasingly litigious market environment, the prospect of being a member of a partnership firm with unlimited personal liability is, to say the least, risky and unattractive. Indeed, this is the chief reason why partnership firms of professionals, such as accountants, have not grown in size to successfully meet the challenge posed today by international competition; this makes a LLP a most suitable vehicle for partnerships among professionals such as lawyers and accountants”.

Upside

- No personal liability as in Partnership
- Treated as a private limited company for taxation purposes

- No limit on number of partners
- Ideal when a number of people wish to join without personal liability
- Different from a limited liability company
- No minimum Capital

Downside

- Not favoured by venture capital or angel investors
- Still to get popular recognition
- No issuance of share certificates
- Not prone to promoter's conflicts

PRIVATE LIMITED COMPANY

The companies Act, 2013 defines a Private Limited Company and places restrictions and provides relaxation from certain provisions that are applicable to public company. A popular form for Start up making entry and exit of Venture Capitalists and angel investors easy through transferability of shares

Definition

A company may be formed for any lawful purpose by - two or more persons, where the company to be formed is to be a private company.

Upside

- Easy transferability of ownership
- Spread of investors
- Less Legal Compliances as compared to a Public limited company
- Easy to migrate to next level
- Attracts Venture Capital and Angel Investors.
- Compared to a public company – 13 exemptions
- A small company define and less legal compliance

Downside

- Not in public view
- Number of shareholders is limited to 200.
- Restrictions on Transferability
- Shares not publicly traded
- No invitation to public for investment

PUBLIC LIMITED COMPANY

Only when a certain revenue and profit has been attained, a start up can go for public listing. SEBI has come out with a liberalised scheme – SEBI enables listing of Start-ups without IPO, sets rules for Angel Investments.

SEBI has approved the proposal for amendment of SEBI Regulations to permit listing of Start-ups and SMEs in Institutional Trading Platform (ITP) without having to make

an IPO. Institutional Trading Platform will be accessible to informed investors and they will have to invest minimum of Rs. 10 lakh.

SEBI has also waved the standard regulation, where listed companies have to offer upto 25% of its shareholding to public in order to get listed. However, listing of companies on ITP comes with a rider that they will not be permitted to raise capital, though they can continue to make private placements.

The SEBI amendment also says that standard norms of entry for companies, eligibility criteria, continuous disclosure requirements, simplified exit rules and corporate governance norms will be prescribed.

The average time period for a Start up to mature into an IPO is close to 13 years based on statistics.

Upside

- No personal liability
- Wide spread ownership
- Shares traded in the market
- A visible market value
- Public Image
- Subsequent IPOs
- Can be listed in foreign markets
- Listing without an IPO – SBI Regulation

Downside

- Revenue and profitability criteria
- Exit difficult.
- Market scrutiny of performance & valuation
- Control issues
- For an IPO , the cost of incorporation is high
- SEBI regulations restrictive

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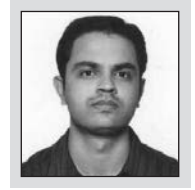
KSCAA WELCOMES NEW MEMBERS - APRIL 2017

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1	SHRIKRISHNA R. KULKARNI	BANGALORE
2	SHEETAL NISHANT SINGH	BANGALORE



REVERSE CHARGE COMPLIANCE IN GST

CA. Madhukar N Hiregange and CA. Mahadev R



Reverse charge mechanism is not a new concept for indirect tax assesses. Most Indian State VAT laws provides for levy of VAT on procurement of taxable goods from unregistered persons. Even in service tax, there are specified categories of services such as manpower supply services, rent-a-cab services, road transport service etc. which are liable for tax under reverse charge basis. Services from outside the Country are also liable on RCM. Under central excise law, where molasses are produced in a Khandasari sugar factory, the person who procures such molasses for use in manufacture of any commodity should pay the excise duty.

In this article, we try to analyse the requirement, issues with respect to reverse charge compliance in new GST law.

Reverse charge mechanism (RCM) refers to payment of taxes by recipient of goods or services rather than supplier of goods or services. According to Section 9(4) of CGST Act 2017, GST in respect of taxable supplies by unregistered to a registered person should be paid by such registered recipient. Section 9(3) provides for GST levy under reverse charge on specified goods or services. Such specified services or goods could be even from registered persons. Electronic commerce operator would be made liable for GST under RCM on specified categories of services (*not on goods*) provided within the state. Such levy is applicable only when specified services are supplied through electronic commerce operator.

The list of goods or services which are always liable for GST under RCM are yet to be notified. Normally the areas where there is not much organised activity or where the suppliers would be uneducated and may not comply or will not comply are areas where RCM is imposed. It is also imposed on suppliers who cannot be reached like those who are located outside India on whom India would not have any jurisdiction. The services like goods transportation agency services could still continue to be under RCM.

The dangerous part of RCM is levy of GST on procurement of any taxable goods or services from unregistered persons. This could be unfair to the small suppliers and create lot of practical issues and few of them are discussed in subsequent paragraphs.

Levy due to registration

A person engaged in only export of goods or services would have obtained registration for limited purpose like claim of refund though there is no output GST payable by him. However, such registered person would also be liable for compliance under RCM on procurement of goods or services from unregistered persons. A person who is required to pay tax under reverse charge mechanism has to take compulsory registration under GST law.

Identification of all supplies for payment of taxes

Big challenge for compliance could be identification of all taxable supplies from unregistered suppliers and applying the rate of taxes. There could be procurements such as biscuits, coffee or tea for employees, gift items, stationary items etc., all of which could be liable for GST. There could be miscellaneous services such as electrical maintenance, plumbing, carpentry etc. The assessee needs to identify all such procurements and ascertain rate of taxes for payment which could be a tedious exercise. There could be lot of expenses which are incurred by the employees travelling at other places. Even these expenses need to be screened every month to discharge liability under reverse charge.

Credit eligibility would be subject to conditions specified in Section 16 of CGST Act. Items like biscuits, coffee would not be eligible for credit as credit on such items are specifically restricted. This would add to the cost of procurements.

Documentation requirement

Registered person liable to pay GST under RCM should raise tax invoice (on self) according to Section 31(3)(f) of CGST Act on the date of receipt of goods or services. Tax invoice should contain various details like description of goods, HSN or SBC, rate of taxes etc. The invoices need to be generated for each of the procurement separately. In addition to invoice, he also needs to issue a payment voucher to the supplier at the time of making the payment. These details need to be disclosed in the GSTR return on monthly basis.

RCM affects small businesses

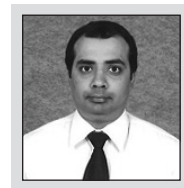
Due to increased compliance, the registered persons would start avoiding procurements from small time vendors. Though this could force registration of non-compliant vendors, the genuine small vendors would suffer. Registration, complying with complicated return filing requirements could force small vendors to opt out of business. This could create employment problem as well.

(Contd. on page 17)



BEPS AND INDIA'S ACTIONS

CA. Prakash Hegde and CA. Raghavendra N



What is BEPS ?

Base Erosion and Profit Shifting ('BEPS') refers to tax planning strategies adopted by Multi-National Companies ('MNCs') that exploit gaps and mismatches in tax rules, to make profit 'disappear' for tax purpose or shift profits to jurisdictions, where there is less or no real activity and taxes are low resulting in little or no taxes being paid¹.

What is BEPS Action Plan ?

Despite many measures taken by the Governments across the world, including transfer-pricing and others, various concerns were raised that MNCs were avoiding the payment of their fair share of taxes and were shifting profits to low tax jurisdictions. In this backdrop, the G20 nations initiated the BEPS Action Plan project to ensure profits are taxed, where the economic activities are performed and value was created. The task of developing the Action Plan to tackle BEPS in a comprehensive manner was given to the Organisation for Economic Co-operation and Development (OECD).

The OECD commenced work on BEPS Action Plan to address the concerns of the existing tax principles failing to keep pace with the modern business operating models. In September 2014, the OECD published seven papers as its first tranche of deliverables and later, eight papers forming the second tranche of its deliverables. In October 2015, the OECD issued the final 15 reports on BEPS focus areas and the same has been endorsed by the G-20 Finance Ministers at their meeting.

The 15 Action Plans of OECD in addressing BEPS are:

1. Digital Economy
2. Hybrid Mismatch Arrangements
3. Controlled Foreign Companies (CFC) regimes
4. Financial payments
5. Harmful tax practices
6. Treaty abuse
7. Permanent Establishment (PE) status
8. Transfer pricing and intangibles
9. Transfer pricing and risks/capital
10. Transfer pricing and other high risk transactions
11. Data and methodologies
12. Disclosure of aggressive tax planning
13. Transfer pricing documentation
14. Dispute resolution mechanisms and
15. A multilateral instrument.

¹ As quoted by Organisation for Economic Co-operation and Development

BEPS and India's Actions

India, being a member of the G20 nations, has actively participated in the OECD BEPS Action Plan project and is bound by the final announcements. The BEPS action plans are extremely relevant to India and will impact, not only outbound investments, but also inbound structures, financing arrangements of MNCs, especially the action plans dealing with digital economy, transfer pricing documentation and country-by-country reporting, treaty abuse, etc.

India has already introduced some of the measures, out of the above 15 Action Plans. The important ones are:

- Equalization Levy for specified digital transactions - introduced with effect from Financial Year ('FY') 2016-17 (Action Plan 1);
- Place of Effective Management ('POEM') - with effect from FY 2016-17 (similar to Action Plan 3);
- Thin Capitalisation - introduced with effect from FY 2017-18 (Action Plan 4);
- Patent Box Regime - introduced with effect from 2016-17 (Similar to Action Plan 5);
- Revisions in tax treaties - specifically with Mauritius and Singapore (Action Plan 6);
- Country-by-Country Reporting (CbC) - introduced with effect from FY 2016-17 (Action Plan 13);
- General Anti Avoidance Rules (GAAR) - with effect from FY 2017-18; and
- Buy-back tax - with effect from FY 2013-14.

Conclusion

BEPS Action Plan measures are significant and represent the need for substantial amendments / overhaul required in the international tax rules to adhere to the rapid changing business operating models. It is indeed expected that the BEPS measures would bring about changes in the mindset of MNCs and thereby help in profits being reported and taxed in the right jurisdiction, where the economic activities generate such income. Though India has accepted the BEPS Action Plan as a G20 member, it is still not bound by the OECD decisions, as it is an observer. But, it is interesting to note that, India has already implemented many of the measures under the Action Plan, without much delay to combat BEPS.

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THE LATEST IN FINANCIAL REPORTING

CA. Vinayak Pai V

1. INTRODUCTION

It's again the time for reporting on Internal Controls Over Financial Reporting (ICOFR) for fiscal year ended March 31 2017. ICOFR audits have limited history globally of approximately a decade. It is of very recent origin in the Indian audit space too.

The issues and challenges are varied in the audits of ICOFR be it large or non-large companies. It is a myth that smaller companies have good internal controls. Operational Controls are distinct from Reporting Controls.

Capability and competence in the reporting function of a company need to be analyzed in perspective. The challenges around ICOFR too take a different dimension at IND-AS transition and upon IND-AS steady state reporting.

ICOFR as a mechanism to plan the statutory audit is a different ball game altogether compared to forming an opinion on material weaknesses in ICOFR. The path ahead from the regulatory perspective on ICOFR reporting is an important distinction in scoping and arriving at an opinion on ICOFR.

2. FINANCIAL REPORTING UPDATES

a) TREATMENT OF BORROWING COSTS UNDER ICDS (REVISED)

Revised Income Computation and Disclosure Standards (ICDS) are **applicable from Assessment Year 2017-18** and the salient aspects of treatment of **borrowing costs** addressed in **ICDS IX- Borrowing Costs** are provided herein below.

- The ICDS does not deal with the actual or imputed cost of equity and preference share capital.
- The term borrowing costs includes **commitment charges** and **amortization of premium/discount** on borrowing instruments.
- Borrowing costs directly attributable to the acquisition, construction or production of a **qualifying asset** needs to be **capitalized as part of the cost** of the asset. **Other borrowing costs** should be recognized in accordance with **provisions of income tax law**.

- **Qualifying assets** (that **necessarily** require a period of **12 months or more** for acquisition/construction/production) include:

- **Tangible assets** – land, building, plant, machinery or furniture.
- **Intangible assets** – patents, copyrights, etc. and other business or commercial rights.
- **Inventories** – that require a period of twelve months or more to bring them to a saleable condition.

- With respect to **specific borrowings** related to qualifying assets, the **actual borrowing costs** incurred during the period shall be capitalized.

- With respect to **non-specific borrowings**, the capitalized interest will be based on a **formula viz. (A*B/C)**

- **A** is the borrowing costs incurred during the previous year **other than specific borrowings**.
- **B** is the **average of costs of qualifying assets** as appearing in the balance sheet on the first and last day of the previous year.
- **C** is the **average total assets** as per balance sheet on the first and last day of the previous year other than assets funded out of specific borrowings.

- The **transitional provisions** require that all borrowing costs incurred on or after April 1, 2016 shall be capitalized for the previous year commencing on or after April 1, 2016 after taking into account the amount of borrowing costs capitalized for the same borrowing for any previous year ending on or before March 31, 2016.

b) TREATMENT OF CAPITALIZED FOREIGN EXCHANGE LOSSES AT DATE OF TRANSITION TO IND-AS

The **second phase** of migration to the Indian variant of IFRS viz. IND-AS requires **unlisted companies** with a **net worth** in the range of **Rs. 250-500 crore (as of March 31, 2014)** to prepare an **opening IND-AS balance sheet as at April 1, 2016** while reporting their first set of financial statements under the new framework for **fiscal 2017-18**.

Under previous GAAP (AS 11) a company might have **capitalized foreign exchange differences** to the carrying amount of the asset that was financed by long-term foreign currency borrowings.

The first-time transition standard (IND-AS 101) provides a **menu of options** in switching over to the new accounting framework. One such option is that items of property, plant and equipment (PPE) can be carried into the IND-AS balance sheet as per **previous GAAP values**. The condition is that **if this option is invoked**, then **no further adjustments** to such deemed cost will be permitted.

The Transition Facilitation Group of our Institute has recently reiterated the position in IND-AS 101. Its views on this accounting matter are summarized herein below.

- It may be noted that when an entity **opts for deemed cost exemption** under paragraph D7AA of IND-AS 101 then it **cannot make any adjustments** to the carrying amount of PPE.
- Once an entity avails the exemption provided in paragraph D7AA, it will be carrying forward the previous GAAP carrying amount for all of its property, plant and equipment (PPE).
- Accordingly, a company **cannot reverse the impact of Para 46A** of AS 11 from its PPE where it has opted for the deemed cost exemption provided under D7AA of IND-AS 101.

c) **FAQ ON TREATMENT OF SECURITIES PREMIUM ACCOUNT UNDER IND-AS AT THE DATE OF TRANSITION**

Our Institute has issued a FAQ on the accounting treatment of securities premium **at the date of transition** to IND-AS.

As per the FAQ, the **excess of carrying amount** of a **financial liability** as per AS over the **amortised cost** arrived at by using the “**effective interest method**” per IND-AS 109 (dealing with financial instruments) as on transition date should be **reversed by crediting the Securities Premium Account** with corresponding debit to the relevant account which was credited earlier.

The salient aspects are summarized herein below.

- Certain financial liabilities are classified as subsequently measured at amortised cost under IND-AS.
- A reporting entity will have to **arrive at the amortised cost** of a financial liability **at the date of transition** by applying the effective interest method (EIM) with **retrospective effect** from the date of issue of debentures.
- The **amortised cost** computation **includes all transaction costs** that are directly attributable to the acquisition or issue of debentures, such as, expenses incurred on issue of debentures and premiums and discounts, if any.

- The Securities Premium Account utilised in past, may result into higher carrying amount of such liabilities as per Indian GAAP compared to amortised cost carrying amount required as per IND-AS as at the transition date and the **excess amount needs to be reversed** into an appropriate component of equity (i.e the **Securities Premium Account**).

d) **IMPLEMENTATION GUIDE ON AUDITORS REPORT RELATED TO DEMONETIZATION**

The MCA **amended Schedule III** (Companies Act) on March 30, 2017 as also the **Audit and Auditors Rule**. The amendment (AS and IND-AS) requires disclosure of details of **Specified Bank Notes** (SBN) held and transacted during the period Nov 8, 2016 to Dec 30, 2016 in the format specified. The statutory auditors are also required to report whether the company had provided requisite disclosures in its financials as to holdings as well as dealings in SBNs during the relevant period and if so, whether these are in accordance with the books of accounts maintained by the company.

Our Institute has issued an **implementation guide** in this regard and the illustrative **list of audit procedures** suggested are provided herein below.

- Obtention of **closing cash balance certificate** with denominations from management at at Nov 8, 2016 and Dec 30, 2016 in respect of SBNs and other demonination notes.
- Obtaining an **understanding of the controls and procedures implemented** by the company during the relevant period to ensure that there were no payments and receipts made in SBN other than those permitted and whether the controls (if implemented by the company) were **reasonable to prevent and detect** any non-permitted transactions.
- Obtaining listing from management as to how the **SBNs** available with the company as at closing on Nov 8 were **dealt with**.
- Obtaining **listing** from the management if there were any **receipts** of the SBNs during the relevant period, including the **nature of transaction** and **amount** with denominations.
- Obtaining of **reconciliation of the cash balance** from management.
- Obtaining relevant **management representation**.

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GST TRANSITIONAL PROVISIONS

- SERIES 1 (INPUT TAX CREDIT PROVISIONS)



CA. Raghavendra C.R., *Advocate* and CA. Bhanu Murthy J.S., *Advocate*

Central Goods and Service Tax Act, 2007 (CGST) and Integrated Goods and Service Tax Act, 2007 (IGST) have been enacted on 12th April 2017, which indicates that the introduction of much touted Goods and Service Tax (GST) is now imminent. We have to wait for notification of 'appointed day' by the Central Government on the basis of recommendation.

Transition from the existing law to the new taxation era under GST regime occupies a very important role as it would determine as to how the rights and obligations accrued under the existing law would have been given effect to under the new law.

For the purpose of 'transition' from existing law to GST regime, there are specific provisions dealing with various issues viz., Registration, Input Tax Credits, Refund, Adjudication & Appeals, etc.

In this paper, we propose to analyse the transitional provisions under CGST law pertaining to the transition of Cenvat credits and VAT credits to the GST regime.

I. Transition of the credits of a person who is registered under existing law:

Where a person is registered under either central excise law or state VAT law or under service tax provision and is filing returns under respective laws, the credit as accumulated and reflected in the return filed for the period ending prior to the appointed date (date from which the GST would be introduced) could be carried forward into GST regime. Various scenarios in which this provision works is summarized below:

Nature of business	Registration under	Credits that such person can carry forward
Manufacture and sale of good	Central Excise VAT	Cenvat credit on inputs, input services & capital goods VAT credit on inputs and capital goods

Nature of business	Registration under	Credits that such person can carry forward
Manufacturer+ sale of goods+ provider of taxable services	Central Excise VAT Service Tax	Cenvat credit on inputs, input services & capital goods relating to manufacture as well as service related activities. VAT credit on inputs and capital goods
Dealer in goods	VAT	VAT credit on inputs
Service provider	Service Tax	Cenvat credit on inputs, input services & capital goods relating to service related activities.
Dealer in goods+ service provider	VAT Service Tax	VAT credit on inputs Cenvat credit on inputs, input services & capital goods relating to service related activities.

Nature of credits eligible for carry forward

In terms of the CGST Act 2017, Cenvat credit shown in the returns could be carried forward. Cenvat includes all eligible duties taxes and includes cess on which credit could be availed. Under the State / UGST laws the credit would be the VAT credit reflected in the VAT returns.

Conditions to be complied

The transition credit is subject to certain conditions which are detailed below:

- a) Person claiming the transition credit shall be registered under GST and shall not be opting for composition scheme under GST.
- b) Credit which is being carried forward shall be an admissible credit is also admissible under the GST. In other words it shall not be a restricted credit under GST law.
- c) Person claiming the transitional credit should have furnished all the returns as required under the existing law for the period of six months immediately preceding the appointed date.

- d) said amount of credit does not relate to goods manufactured and cleared under such exemption notifications as are notified by the Government

Procedure to be followed for availing the transition credit

In terms of the draft Transition rules released, the person claiming the Transitional credit shall have to file details in Form GST TRAN-1 within 60 days of appointed date.

It shall be noted that person having centralized registration under service tax law, could also transfer the credit to his other registered places (under GST) having same PAN.

II. Balance credit on capital goods – not availed prior to appointed date:

It is to be noted that in terms of the provisions of Cenvat Credit Rules, 2004 credit on capital goods shall have to be availed 50% in the year of receipt of capital goods and balance in subsequent financial year. It could happen in any business that machinery (capital goods) are received but credit is not availed for various reasons.

In this background, the transitional provisions provide that portion of the credit on capital goods which is remains un-availed on the appointed date could be taken in to the Electronic Credit Ledger. This credit is subject to condition that the credit so availed shall not form part of the credit availed through returns and credit of such capital goods shall be eligible under GST.

Person claiming transitional credit of un-availed portion of the capital goods shall have to file the following details within 60 days of appointed date in Form GST-TRN-01 with respect to each of the capital goods:

- (i) The amount of tax or duty availed or utilized by way of input tax credit under each of the existing laws till the appointed day, and
- (ii) The amount of duty or tax yet to be availed or utilized by way of input tax credit under each of the existing laws till the appointed day

III. Transition of the credits relating to stocks with a person who is not registered under existing law:

The credit to the extent of stock of goods (inputs, semi finished goods and finished goods) as on day prior to the appointed date would be eligible following persons who are registered under GST

- a Person who was not liable to be registered under the existing law;
- b Person who was engaged in the manufacture of exempted goods or provision of exempted services under the earlier law;
- c Providing works contract services and was availing of

the benefit of notification No. 26/2012-Service Tax, dated 20.06.2012;

- d First/Second stage dealer or registered importer;
- e Depot of a manufacturer

However, in order to avail the benefit following conditions have to be complied by such person:

- a) Such inputs or goods are used or intended to be used for making taxable supplies under GST Act;
- b) The said registered person is eligible to avail input tax credit on such goods under GST Act;
- c) The said registered person is in possession of invoice or other prescribed documents evidencing payment of duty under the existing law in respect of such goods;
- d) Such invoices or other prescribed documents were issued not earlier than twelve months immediately preceding the appointed day;
- e) The supplier of services is not eligible for any abatement under GST Act and also shall not opt for composition scheme under GST
- f) The registered person shall have to submit an application in Form GST TRAN-01. The registered person shall have to submit details of stock of goods (segregating inputs, semi finished goods and finished goods) and credit that is related to such goods by correlating the said goods to the purchase invoice.

It is to be noted that where a registered person who is not in possession of the duty paid documents, is provided with an option as detailed below:

- **Applicability:** This scheme would be applicable where registered person is not required to register under existing law, wants avail credit of duties paid on the goods in stock, but such person is not in possession of any document evidencing payment of central excise duty /VAT.
- **Option available:** Such person would be allowed credit of 40% of the CGST paid on supply of such goods in stock, would be credited to Electronic Credit ledger. Credit would be given after CGST on the outward supply of such goods in stock is paid.
- **Time limit:** Credit would be given only where the goods (in stock) are supplied and CGST paid within 6 tax period (6 months) from the appointed date.
- **Conditions to be fulfilled and procedure to be followed:**
 - a) Person availing credit on the stock of goods, whether he is in possession of the documents or otherwise, shall have to submit details of stock of goods.

- b) Such goods in stock are not wholly exempt from duty of excise or were not nil rated.
- c) Document for procurement of such goods is available with the registered person.
- d) Shall submits a statement in FORM GST TRAN--- (Form number not yet notified) at the end of each of the six tax periods indicating there in the details of supplies of such goods effected during the tax period.
- e) The stock of goods on which the credit is availed is so stored that it can be easily identified by the registered person.

IV. Credit for a person who was engaged in the activities which are taxable as well as exempted:

Where a person is engaged in taxable as well as exempted activities, the credit to the extent of the taxable activities as shown in the final returns before the appointed date could be availed.

Further, as regards the credit of goods held in stock used for manufacture of exempted goods or provision of exempted services, the procedure as discussed above relating to availment of credit relating to stock by a person not liable to registered under existing law, shall be adopted.

V. Credit of eligible duties and taxes on inputs held in stock to be allowed to a taxable person switching over from composition scheme

A Person who was paying tax under composition scheme / similar schemes under current scheme, wherein there was a restriction on claiming credit, could take credit under GST scheme of taxes on inputs, semi finished goods and Finished goods in stock where such person is not eligible for composition or does not opt for composition scheme under GST. Scheme is similar to the provisions of Section 140(3) and the procedure prescribed is also similar.

However, where the duty paid documents are not available; there is no option to avail a prescribed percentage of GST paid as credit, under this section.

VI. Credit of eligible duties and taxes in respect of inputs or input services received after appointed date

Where inputs and input services are received after the appointed date but the duties or taxes have been paid under the existing law, then credit of such taxes/ duties could be also be availed under GST.

However, to avail this facility, the document (on the basis of which credit is to be availed) is accounted in books within 30 days of appointed date or such period as extended by the competent authority. The registered taxable person availing

this facility shall have to submit Form GST-TRN-1 and submit following information:

- (i) Name of the supplier, serial number and date of issue of the invoice by the supplier or any document on the basis of which credit of input tax was admissible under the existing law,
- (ii) Description, quantity and value of the goods or services
- (iii) Amount of eligible taxes and duties or, as the case may be, the value added tax [or entry tax] charged by the supplier in respect of the goods or services,
- (iv) The date on which the receipt of goods or services is entered in the books of account of the recipient.

VII. Availment of credit of input services which was earlier reversed on account of non-payment:

Present cenvat scheme requires that where credit on input service has been availed, the vendor of such services shall be paid within 3 months from the date of invoice. Where such payment is not made, the person claiming the credit shall reverse the credit so availed and he is eligible to take credit immediately after the payment to the vendor.

Where any CENVAT credit availed for the input services provided under the existing law has been reversed due to non-payment of the consideration as discussed above, before the appointed date and payment for such services is made within a period of three months from the appointed date, such credit can be reclaimed under GST.

VIII. Input service distributor:

The input tax credit on account of any services received prior to the appointed day by an Input Service Distributor shall be eligible for distribution as credit under GST Act even if the invoice(s) relating to such services is received on or after the appointed day.

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Congratulations



CA. K. Raghu,
Past President, ICAI
has been nominated as a
**member of the Technology Advisory
Group of IFAC (International
Federation of Accountants)**
for a period of two years.



GST IMPACT FOR WORKS CONTRACTORS

CA. Sanjay Dhariwal and CA. Annapurna Kabra



To make GST as one tax across India, parliament had to carry out one of the most complex and historic amendments in the Constitution of India. The scope of the amendment carried out by the 101st Constitutional Amendment Act, 2016. Central government vide Notification – SO2986 (E) has notified effective date from which the provisions of the amendment act would be effective as 16th of September 2016. There is no amendment in article 366 (29A), which defines the term tax on the sale or purchase of goods. Art. 366(29A) defines tax on sale of goods to include certain transactions such as works contract, leasing of goods, hire purchase system of purchase, tax on supply of food etc.

After the 46th amendment it has become possible for the states to levy sales tax on the value of goods involved in a works contract in the same way in which the sales tax was leviable on the price of goods and materials. The definition of dealer includes a person engaged in the transfer of property in goods involved in the execution of works contract. The definition of 'goods' to include goods as goods or in some other form involved in the execution of works contract. The definition of sale includes a transfer of property in goods (Whether as goods or in some other form) involved in the execution of works contract.

Under the existing law the concept of works contract is a contract, which involves the labour as well as the materials. The quantum of materials could vary from contract to contract. The difference between a sale and a works contract is that a sale involves transfer of property in the goods whereas in a works contract, there is only a contract to render work on the customer's property - whether movable or immovable. Transfer of goods involved in the execution of works contract is a deemed sale. The Building contracts entered into prior to completion certificate tantamount to works Contract.

Under the existing State VAT scheme like in Karnataka the works contractors can opt either for the Regular scheme or Composition scheme. The works contractors are paying concessional rate of 4% on the total turnover under the composition scheme without taking benefits of input tax credit and labour deductions. The works contractors are paying 14.5% on the total turnover after availing the deductions of labour and like charges (Actual/Adhoc) and can avail the benefit of input tax credit.

Under the service tax law, the service portion in the execution of a works contract are considered as 'declared services' and taxed to Service Tax. The value of service portion in

the execution of a works contract shall be equivalent to the gross amount charged for the works contract less the value of property in goods transferred in the execution of the said works contract. If the value cannot be determined above, then service tax shall be payable on 40 % (if its original works) and 70 % (on the remaining ones which includes repairs, renovations etc.)

Even the contractors can charge service tax based on Notification 26/2012 at 4.50% (30%*15%) on gross amount charged from the service receiver in case of construction of a complex, building, civil structure or a part thereof, intended for a sale to a buyer, wholly or partly except where entire consideration is received after issuance of completion certificate by the competent authority and the value of land is to be included in the amount charged from the service receiver. Therefore works contractors can pay the tax under valuation mechanism or based on the Notification 26/2012 under the service tax law subject to certain conditions.

As per Article 366(12A) "goods and services tax" (GST) means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. ***Now with the advent of GST whether the options are available to works contractors to opt for the abatements and composition schemes under the GST law.***

The Schedule II which defines the activities to be treated as supply of goods or supply of services. Supply of services namely construction of a complex, building, civil structure or a part thereof including a complex or building intended for sale to buyer wholly or partly except where the entire consideration has been received after issuance of completion certificate where required by the competent authority or after its first occupation whichever is earlier. Therefore the activities executed by the works contractors will be treated as supply of services under the GST law and therefore there is no requirement of abatements under the GST law.

Even the works contract as defined in section 2(119) with reference to Schedule II is composite supplies which shall be treated as supply of services. The works contract means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning **of any immovable property** whether transfer of property in goods (whether as goods or in some other form) involved in the execution of such contract. In Karnataka VAT law the 'Works contract' includes any agreement for carrying out for

cash, deferred payment or other valuable consideration the building, construction, manufacture, processing, fabrication, erection, installation, fitting out, improvement, modification, repair or commissioning of any movable or immovable property. Basically the definition was covering the activities of both movable and immovable property. There is abundant change in the definition of works contract from the existing State law to the new GST law. As the activities executed by the works contractors will be treated as supply of services under the GST law and therefore there is no requirement of abatements under the GST law.

It has to be analyzed as whether the works contractor can opt for the composition scheme as specified under the GST law. GST law provides the option of availing the benefit of composition levy to small business houses. The provision related to composition levy is contained under Section 10 of the CGST Act, 2017. The said section provides for an option to the 'Registered person' whose 'aggregate turnover' during preceding financial year does not exceed fifty lakh rupees to discharge its GST liability on a composite or nominal rate. The Government has the power to increase the said limit of fifty lakh rupees to one crore rupees, by way of a notification. The 'aggregate turnover' as defined in GST law is the aggregate value of taxable supplies (excluding the value of inward supplies on which tax is payable on reverse charge basis), exempt supplies, export of goods or services or both inter-State supplies. The exact rates of composition are yet to be prescribed, however the maximum rates are classified for manufacturers, specific service providers (Restaurant services) and other suppliers. Therefore the composition scheme is made applicable to traders, manufacturers and hoteliers and not to the works contractor. Therefore the benefits of composition scheme under the GST law cannot be enjoyed by the works contractors as they are supplier of services.

Therefore with the arrival of GST there are no options available to works contractors to opt for the abatements and composition schemes under the GST law. It is believed that service sector is likely to attract a higher rate of 18% from the current 15% under the GST regime and making services slightly more expensive. Therefore in case no abatement/composition is provided, it may lead to significant increase in tax burden, especially if such services are taxed at Standard GST rate (which is 18%) and even if such services are subjected to lower tax rate (12%).

The value of a supply for works contractors would typically be the transaction value as per section 15 of CGST Act. Valuation includes taxes, duties, fees other than SGST, CGST or IGST, UTGST. Therefore stamp duties, registration charges may require inclusion in value of supply. There is no specific valuation provision for deduction of land as prescribed

under current law for construction contract or sale of under-construction property.

The contractors many a times enters into sub-contracting agreement for carrying out various jobs like plumbing, air-conditioning, electrical wiring, doors and window making etc. The liability of the contractor and sub-contractor under the Act is provided to be joint and several. If the contractor discharges the liability under the Act on the total contract, the sub-contractor does not have to pay tax. Similarly, if the sub-contractor discharges liability under the Works Contract Tax Act, the main contractor does not have to discharge tax liability to the extent of contract value which is executed through the sub-contractor. Under the existing law there is deduction mechanism towards the works executed by the sub-contractor. But under the GST law there is no deduction mechanism towards amount paid or payable to sub-contractors. The Input tax credit on GST paid or payable to sub-contractor is available as credit to main contractor. The input tax shall not be available in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Schedule III states that sale of land and sale of building are activities or transactions which shall be treated as neither as a supply of goods nor a supply of services. Therefore the building contracts entered into prior to completion certificate tantamount to works contract service and if the contract is entered after the completion of construction activity then it will tantamount to sale of immovable property. Therefore works contractors entering any post completion contract will not be liable to GST and accordingly the contractors are not eligible for input tax credit.

The Place of supply of services in relation of immovable property would be the location at which the immovable property is located or intended to be located. Thus works contract services would be mostly the place where works contract is being executed and completed project is handed over to customer.

In case of the Composition works contractors under the existing law and are planning to switch to Regular Scheme under the GST law then in such instances the transitional credit shall be allowed on inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day subject to the condition that such inputs must be used or intended to be used for making taxable supplies under the GST Laws and such credits should be eligible under the GST law and should possess the invoices not earlier than twelve months from appointed day.

The practical difficulty for the composition scheme works contractor is that the input tax credits are not disclosed in the returns as filed to the department as they are not eligible for

credit and in many instances it is capitalized as purchase cost and input tax credit is not bifurcated. Therefore it will be the challenging task to the departmental Authority to assess the transitional credit for composition scheme works contractors. And in case if the main contractor is under the regular scheme under the existing law and if the sub-contractor is under the composition scheme under existing law then in such instances the main contractor cannot carry forward the composition taxes paid to sub-contractors though the work is still in progress or it will be the challenging task to ascertain the transitional credit in such instances.

The State VAT Rules provides for the carry forward of unadjusted labour and like deductions and unadjusted sub-contractors deductions to the following tax periods. The Transition provisions from the existing law to GST law do not provide the explanation for the carry forward of unadjusted labour and like charges or unadjusted sub-contractor deductions from the existing law to GST law.

If the agreements are ongoing or non-divisible contracts in which rates are inclusive of VAT/Service Tax then the agreement should be redrafted again to take care of increased/decreased tax burden. In case of the agreements wherein rates are not inclusive of VAT/Service tax then in such instance

the inbuilt cost if any should be reworked from the taxes perspective.

There should be the system of maintaining intra billing among the multi location and intra division for supply of services and to decide the place of consumption in the respective state for the levy of taxes under the GST regime. The Goods and Services Tax (GST) regime would call for a fundamental redesign of the supply chain structures to make these simpler and more efficient especially for works contractors.

In today regime the topics relating to tax on works contract tax has become evergreen topics as day-to-day new developments go on. In addition to amendments to the Provisions, there are changes due to judgments and interpretations. Also in the field of tax legislation each case is a unique case and the tax implications depend on facts of the said case. Therefore no standard theory can be laid down for any kind of tax implications. The GST law will change the tax incidence, tax computation, tax structure, credit utilization, Input tax credit mechanism etc. which will completely transform the current indirect taxation system for the works contractor.

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REVERSE CHARGE COMPLIANCE IN GST

(Contd. from page 8)

The best way for government could have been to provide exemption on payment of tax under RCM to a certain limit for each vendor. However, presently it is not clear if government is even aware of the implication the RCM has on small vendors.

Conclusion: Procurement of goods or services from unregistered persons would increase the compliance cost in addition to extra man hours. One more disadvantage is non-eligibility of ITC to unregistered vendors which results in increased procurement cost. Before GST is implemented, there is a need to identify all unregistered vendors and they should be suggested to register, if beneficial and practical. Otherwise it is expected that businesses who are keen to safeguard their margins would avoid transactions with such unregistered suppliers. Professionals could keep an eye on such transactions during GST implementation support and suggest assesses to reduce or avoid it. However, this would affect the small businesses very badly unless government provides some relaxation by fixing threshold limit for RCM levy.

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Congratulations

CA. A. S. Vishnu Bharath,

Past President, KSCAA
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of Karnataka Chambers of
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the apex Trade & Industry body of
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CA. S. Prakash Chand,
Past President, KSCAA
has been nominated as
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3rd Batch of GST Workshop



GROW & SHARE TOGETHER
Goods & Services Tax
Concept & Application

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From 22 May 2017 to 27 May 2017
Monday to Friday – 4.00 PM to 8.00 PM
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GST is now a reality, with the Presidential Assent of the Bill. This implement of GST is touted to be a single largest reform to transform India to SHRESTA BHARATH with a holistic approach.

The entire framework of indirect taxation including nature of levy, rates of tax and tax administration is expected to have a radical transformation. It is expected to rationalise the tax element in product/service price, enhance the ability of business entities to compete globally and possibly dribble down the costs to benefit the ultimate customer.

GST is promoted as a tax panacea which subsumes most of indirect taxes like Excise, Service tax, VAT & CST, Entry tax etc and is expected to usher in

significant transformation of business. Also, this fast paced GST implementation requires adaptability and preparedness on the part of businesses and professionals especially requiring them to have an overhaul of entire practises, supply chain management, costing analysis, invoicing methodology, accounting software, documentation.

Motivated by the participation in two workshops and also based on popular demand, **KSCAA** is further organising **Third Workshop** which would throw valuable insights and highlight its impact on your profession or business. The workshop is intended to keep you abreast with the recent developments and provide you with an in-depth analysis of the GST Act 2017 to understand its intricacies in a better fashion.

Who can attend?

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Registration/Enquiries

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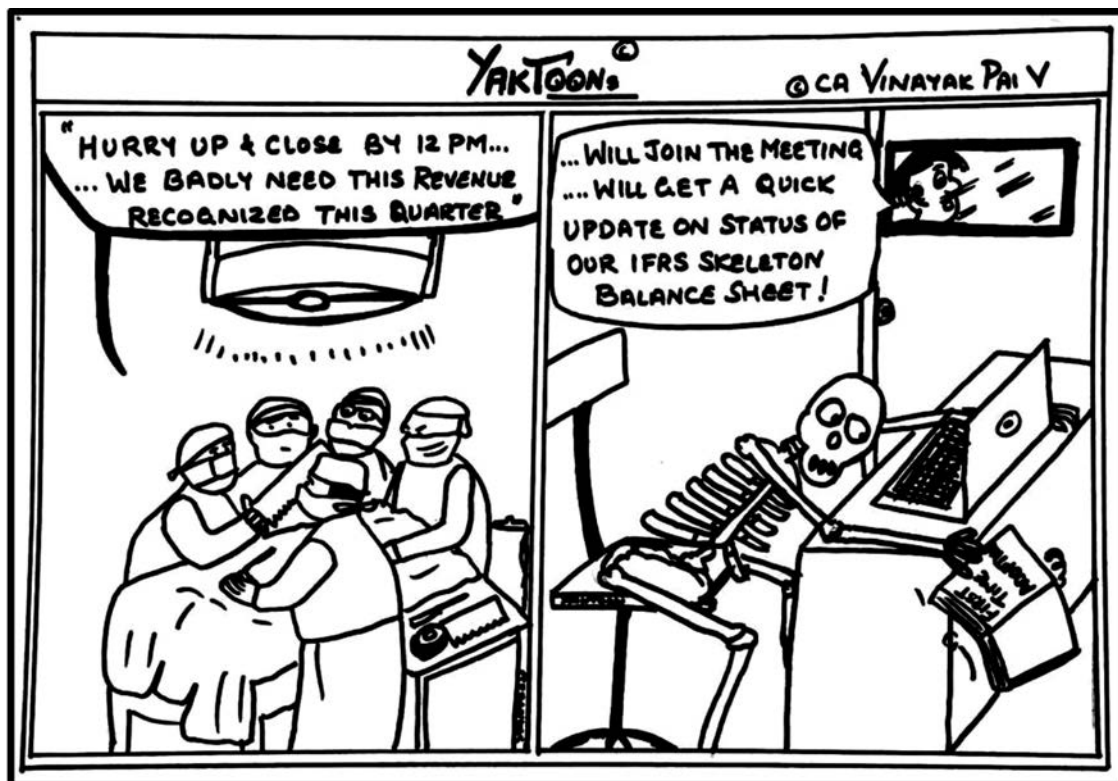
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- GST Impact study

Speakers:

CA. Jatin Christopher | CA. Rajesh Kumar T R
CA. Annapurna Kabra | CA. Naveen Rajpurohit
Advocate Sai Prasad A | CA. Roopa Nayak
CA. Raghavendra T N | CA. Hanish S
CA. Pavan Kumar R S | CA. B.D. Chandrashekar
CA. Kubera Hundekar | CA. Siddeshwar Yalamali
CA. Yashwanth

Registration Restricted to 50 Participants



II Batch GST Workshop at Bengaluru



CA. Jatin Christopher



Advocate
K.S. Naveen Kumar



CA. Madhukar Hiregange



CA. Annapurna Kabra



CA. Rajesh Kumar T R



CA. Deepak Jain



CA. Pavan Kumar R S



Advocate
Bhanumurthy J S



CA. Raghavendra T N



CA. Saiprasad A



CA. Hanish S



CA. Chandrhasa



CA. Siddeshwara
Yalamali



Cross Section of Participants

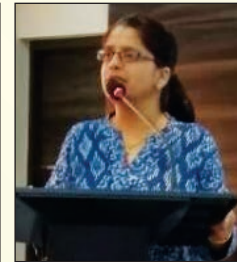


Sadhu Gnanavatsala
from Aksharadam

GST Workshop at Shimoga



Inauguration



CA. Annapurna Kabra



CA. Rajesh Kumar T R



Cross Section of Participants



CA. Siddeshwara Yalamali, Adv. Bhanumurthy J S
& CA. Raghavendra T N



Valedictory

Study Circle on Real Estate Regulation



CA. Sandeep Jhunjunwala

Discussion on Recent Changes in Income Tax Law with FKCCI



GST Manthan 5K Run with Service Tax Department



Karnataka State Chartered Accountants Association ®

organizes

Interactive Session on Returns under GST: Filing of GSTR-1, 2 & 3

By **Sri. K S Basavaraj, JCCT (e-Audit)**

CA. Annapurna Kabra

On **Wednesday, 17th May, 2017**

Time: **5:00 PM to 8.00 PM**



Venue :

Bangalore International Academy

No.244/C, 32nd Cross, 2nd Main, 7th Block,
Jayanagar, Bengaluru – 560 082

Contact:

info@kscaa.com / kscaabl@gmail.com

Program Coordinator:

CA. Raghavendra T N - +91 98801 87870

CA. Raghavendra Puranik

President

CA. Nagappa Nesur

Secretary

For details visit www.kscaa.com

*Participation Limited to
75 Members on First Come First Serve Basis*

Karnataka State Chartered Accountants Association ®

Organises Jointly with

Vijayapur District Chartered Accountants Association

Seminar on

Co-Operative Taxation & Recent Changes in Tax Audit Report

By **CA. D R Venkatesh**

Chief Guest:

Shri. Allabaksh M Bijapur

Deputy Director, Co-operative Audit, Vijayapur

On **Friday, 26th May, 2017** | Time: **10:30 AM to 4.00 PM**

Venue : **Shri Gurudatta Mangal Karyalaya**, Station Road, Vijayapur 586104

Program Coordinators:

CA. S M Andanimath, Secretary, VDCAA - +91 98440 31025

CA. Kumar Jigajinni, Treasurer, KSCAA - +91 94803 11197

CA. Raghavendra Puranik

President - KSCAA

CA. C D Mudalgi

President - VDCAA

Contact: **info@kscaa.com / kscaabl@gmail.com, +91 80 2222 2155**

For details visit www.kscaa.com

BASAVANAGUDI CPE STUDY CIRCLE

Assessments under Income Tax Act and Stay on disputed demands

By **CA. Channappa Nulvi**

On **Friday, 09th June 2017** at 5.00 PM

Fee: **Rs.200/-**



Venue: **Bangalore International Academy**

No.244/C, 32nd Cross, 2nd Main, 7th Block,
Jayanagar, Bengaluru – 560 082

FOR DETAILS CONTACT:

Convener : **CA. Maddanaswamy B V** - +91 93412 14962

Dy. Convener : **CA. Raghavendra T N** - +91 98801 87870

Co-ordinator : **CA. Nagappa Nesur** - +91 98867 11611

Participation limited to 75 Members on First Come First Serve Basis

BASAVANAGUDI CPE STUDY CIRCLE

Changes in Income Tax Returns for AY 2017-18

By **CA. Naveen Khariwal**

CA. Nitin Kumar P

On **Friday, 16th June 2017** at 5.00 PM

Fee: **Rs.200/-**



Venue: **Bangalore International Academy**

No.244/C, 32nd Cross, 2nd Main, 7th Block,
Jayanagar, Bengaluru – 560 082

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