

KSCAA

Karnataka State Chartered Accountants Association ®

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Income Tax | GST | Financial Reporting | Data Protection - Challenges for CAs



Inside

47th Annual Report
2019-20



Dear Professional friends,

I write to you as the President of this association for the 12th time in the newsletter and this experience to work from home has been new normal for all of us. The association continues to operate by adopting to new normal and has been conducting webinars on various topics of interest to members.

1st day of the month of July is celebrated as CA day and this year unlike many years was different from the rest of the year. I hope that the role of professionals like Chartered Accountants is taking a paradigm shift in the way world sees the profession and accordingly our members have also entered various fields and portfolios of influence. We see lot of CA firms adopting themselves to the new way of working from home and these are signs of adopting themselves to the crisis. While the profession is yet to see these in the background of challenges and practical adoption without dilution of quality of work, I see this to stay with us to attract new talents and reduce cost of facility. Many companies across industry see work from home as means to reduce the cost of maintaining facility and time of commuting, these are inversely proportion to productivity. The busy lives have got breaks and it is the right time to get discipline in food habits, improve immunity etc.

Personal Data Protection Bill, 2019 is also applicable to Chartered Accountants. An article by Adv. M. G. Kodandaram on 'Challenges for Chartered Accountants in the Privacy Realm' is published in this issue. The article discusses the details of the proposed bill to be followed by all CAs. This will help all practitioners to adapt themselves to the changing scenarios around the globe.

There is a delay in process of conduct of AGM and declaration of financial statements for the year 2019-20 by a month due to restriction placed in public assembly.

News Roundup

Goods and Service Tax

On the one side, at the stroke of mid night hour of 1st July 2020, India Celebrated 3rd Anniversary of GST roll out. On the other side, covid-19 pandemic continues to pose new challenges to the Government to keep the Governments taxation machinery running while facilitating taxpayers by addressing to their concerns. The Government has been responsive to the felt needs of the trade and industry which covid-19 pandemic in these trying times presents and in this directions it has given reliefs in the form of conditional waiver of late filing fees on GST returns and charging of interest on late payment of taxes at abated rate.

Government's recent circular on the applicability of GST on director's remuneration should help clear much of the haze this area has been so far surrounded with.

It is also clarified that, as a consequence of, and consistent with invoking of Rule 36(4), the refund claims related to accumulated ITC would be restricted only to the purchase invoices that reflected in GSTR-2A.

The last date for various other compliances like filing appeals,

submission of reply, etc. which was earlier extended to 30th June 2020 is now further extended to 30th August 2020.

Corporate and Business Law

MCA has further extended the time limits for Name Reservations and resubmissions of certain forms for companies and LLPs. Additional time has been provided for such forms due between 15th March to 31st July 2020.

With the change in definition of MSMEs, the Indian Industries Associations (IIA) has mandated all the MSMEs to re-register as MSME under the new "Udyam Registration" which has come into effect from 1st July 2020.

MCA has further extended the timelines for creation of Debenture Redemption Reserves and investment of 15% amount of maturing Debentures to 30th September 2020

Direct Tax

- The Department released Income-tax (15th Amendment) Rules, 2020 that will make changes in the Income-tax Rules, 1962. The amendment will come into force from the 1st day of April 2020 and shall be applicable for assessment year 2020-21 and subsequent assessment year.
- CBDT issued Notification on Extension of time limits under the Income Tax Act, 1961 and related Acts.
- Central Board of Direct Taxes (CBDT) has issued tax refunds worth Rs. 26,242 crores to 16,84,298 assesses since 1st April 2020 to 21st May 2020.
- CBDT released concerning provisions to subsection (3) of section 9A of the Income-tax Act, 1961 (43 of 1961), the notification states that the conditions specified in clauses (e), (f) and (g) of the said subsection will be not applicable in case of an investment fund set up by a Category-I foreign portfolio investor registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, made under the Securities and Exchange Board of India Act, 1992 (15 of 1992). The notification will come into force from the 23rd of September 2019.

Conclusion

As the saying goes, time is the best healer, the tuff day or the bad days do not stay long with anyone. With passage of time, we conquer new skill sets to beat the pain or strive to adopt to situation. Either ways with passage of time, we come out of the tragic and pain of current phase of life. Some also argue that, time is a fiction which we create and the success or loss is the reality which we create or suffer with passage of time. But the fact that time is treated as god by many generations, even in Bhagavat Geetha Lord Krishna tells "*kalo 'smi loka-ksaya-krt pravrddho*", which translates to 'I'm the time destroying as well as famously excel the world'. So, I personally believe that the sacrosanct immaterial or non-living being concept heals the tuff days and current days are not exception.

My Wishes to you all for a great learning and enriching experience.

Yours Sincerely,

CA. Chandrashekara Shetty
President

KSCAA

News Bulletin

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PENALTY IN SEARCH CASES

CA. S. Krishnaswamy

- *Penalty for undisclosed income detected at Search is steep - it is 30% if accepted and 60% if not accepted.*
- *It is essential to come to a consensus in Search proceedings on facts and to reconcile them with sworn statements, the authority must inform the searched assessee the penal provisions.*
- *Books of account maintained, not required to be maintained, other documents to be clearly understood.*
- *Other issues as noted in case laws.*

1. Introduction:

The Income Tax Act, 1961 provides specific sections for levy of penalty where search has been initiated. i.e. Sec. 271AAA and Sec. 271AAB. The elements of the sections are in three parts-

- wherein the undisclosed income was found during the search being initiated on or after 15th December 2016 - Section 271AAB (1A).
- wherein the undisclosed income was found during the search which had been initiated on or after 1st July 2012 but before 15th December 2016 - Section 271AAB (1)
- wherein search has been initiated on or after 01.06.2007 but before 01.07.2012- Section 271AAA.

It is crucial in search cases, to submit substantial evidence in respect of suspected undisclosed income. The sworn statement given at the time of search, if not withdrawn may justify penalty proceedings. A number of judicial decisions bring out the standard of evidence to invoke the section as the natal ounce is on the department.

2. Time of disclosure:

Sec 271AAA and Sec 271AAB are mutually exclusive. Both cannot be levied upon the assessee simultaneously. The purpose of Sec 271AAB is to curb the loops of Sec 271AAA and to block the defaulter to escape by any means whatsoever without paying taxes on unexplained

monies. Sec 271AAA enforceable up to 30th June, 2012 and Sec.271AAB w.e.f 1st July, 2012.

Time of disclosure of undisclosed income by the assessee	Penalty	
	u/s 271AAA	u/s 271AAB
At any time during the course of Search	NIL	10% of the un-disclosed income.
Between any time from the date of termination of search to date of Return Filing	10% of the un-disclosed income.	20% of the un-disclosed income.
At any time after the Return Filing Date	20% of the undisclosed income.	Min 30% -Max 90% of the undisclosed income as per the discretion of Income-Tax Officer

3. SEC:271AAB (1A)-

“(1A) The Assessing Officer may, notwithstanding anything contained in any other provisions of this Act, direct that, in a case where search has been initiated under section 132 on or after the date on which the Taxation Laws (Second Amendment) Bill, 2016 receives the assent of the President, the assessee shall pay by way of penalty, in addition to tax, if any, payable by him-

- a sum computed at the rate of thirty per cent of the undisclosed income of the specified previous year, if the assessee-
 - in the course of the search, in a statement under sub-section (4) of section 132, admits the undisclosed income and specifies the manner in which such income has been derived;
 - substantiates the manner in which the undisclosed income was derived; and
 - on or before the specified date-

- A. pays the tax, together with interest, if any, in respect of the undisclosed income; and
 - B. furnishes the return of income for the specified previous year declaring such undisclosed income therein;
- b) a sum computed at the rate of sixty per cent of the undisclosed income of the specified previous year, if it is not covered under the provisions of clause (a).”

4. SEC. 271AAB(1):

“(1) The Assessing Officer may, notwithstanding anything contained in any other provisions of this Act, direct that, in a case where search has been initiated under section 132 on or after the 1st day of July, 2012 but before the date on which the Taxation Laws (Second Amendment) Bill, 2016 receives the assent of the President, the assessee shall pay by way of penalty, in addition to tax, if any, payable by him,-

- a) a sum computed at the rate of ten per cent of the undisclosed income of the specified previous year, if such assessee-
 - i. in the course of the search, in a statement under sub-section (4) of section 132, admits the undisclosed income and specifies the manner in which such income has been derived;
 - ii. substantiates the manner in which the undisclosed income was derived; and
 - iii. on or before the specified date-
 - A. pays the tax, together with interest, if any, in respect of the undisclosed income; and
 - B. furnishes the return of income for the specified previous year declaring such undisclosed income therein;
- b) a sum computed at the rate of twenty per cent of the undisclosed income of the specified previous year, if such assessee-
- i. in the course of the search, in a statement under sub-section (4) of section 132, does not admit the undisclosed income; and
 - ii. on or before the specified date-
- A. declares such income in the return of income furnished for the specified previous year; and;
 - B. pays the tax, together with interest, if any, in respect of the undisclosed income;

- c) a sum computed at the rate of sixty per cent of the undisclosed income of the specified previous year, if it is not covered by the provisions of clauses (a) and (b)”

5. SEC. 271AAA:

“(1) The Assessing Officer may, notwithstanding anything contained in any other provisions of this Act, direct that, in a case where search has been initiated under section 132 on or after the 1st day of June, 2007 but before the 1st day of July, 2012, the assessee shall pay by way of penalty, in addition to tax, if any, payable by him, a sum computed at the rate of ten per cent of the undisclosed income of the specified previous year.”

The penalty provisions are summarised as under -

Sections	271AAA	271AAB(1)	271AAB(1A)
Search initiated u/s 132	Between 01.06.2007 to 30.06.2012	Between 01.07.2012 to 14.12.2016	On or after 15.12.2016
Penalty rate	10% of undisclosed income	10% or 20% or 60% of undisclosed income	30% or 60% of undisclosed income
Whether immunity from penalty is available?	Yes	No (However, concessional rate of penalty 10% is available)	No (However, concessional rate of penalty 30% is available)

6. ADDITIONS MADE UNDER SECTION 68, 69, 69A, 69B, 69C OR 69D:

Section 271AAC is for additions made Section 68, 69, 69A, 69B, 69C or 69D. However, in specified year even additions made Section 68, 69, 69A, 69B, 69C or 69D, penalty will be levied u/s 271AAB(1A) as Section 271AAC does not override the provisions Section 271AAB(1A).

7. CASE LAWS:

- a. It was held in various judicial pronouncements that Section 271AAA/271AAB and section 271(1)(c) have different concomitant scopes and are mandated to operate exclusively-
 - ACIT v. Prakash Steelage Ltd. [(2015) 153 ITD 493 (Mum.)

- Dr. Naman A. Shastri v. ACIT [(2015) 155 ITD 1003 (Ahd.)
- Sandeep Chandak v. ACIT [(2017) 55 ITR (Trib.) 209 (Luck.)
- Gillco Developers & Builders Pvt. Ltd. v. DCIT [(2017) 189 TTJ 355 (Chd.)
- b. Ratio has been laid down in **CIT vs. Mahendra C. Shah (2008) 299 ITR 305 (Guj)**, while dealing with exception (2) of Explan. 5 to section 271(1)(c) which was precursor to 271AAA / S. 271AAB(1)(a) as under-

“As regards the burden on the part of the assessee to specify in the statement under section 132(4) regarding the manner in which undisclosed income had been derived, it is important to note that, when the statement is being recorded by the authorized officer, it is incumbent upon him to explain the penal provision in its entirety to the assessee concerned and the authorized officer could not stop short at a particular stage so as to permit the revenue to take advantage of such a lapse in the statement.

In the first instance, the statement is being recorded generally in the question and answer form and there would be no occasion for an assessee to state and make averments in the exact format stipulated by the provisions, considering the setting and stressful conditions in which such statement is being recorded. Secondly, considering the social environment, it is not possible to expect from an assessee, whether literate or illiterate, to be specific and to the point regarding the conditions stipulated by section 271AAB while making statement under section 132(4). Thus, even if the statement does not specify the manner in which the income is derived, if the income is declared, tax thereon is paid and return is filed within specified date, there would be substantial compliance not warranting any further denial of the benefit under section 271AAB”

The above decision is followed in **ITO vs. Pannalal Banthia, ITA No. 6145/Mum/2010**, **ITO vs. Shital Banthia, ITA No. 156/PN/2014**.

- c. It was held in the case of **CIT vs. Radha Kishan Goyal (2006) 152 Taxman 290 (All.)**, **Pramod Kumar Jain v. Dy. CIT [2013] 33 taxmann.com 651 (Cuttak-Trib.)** that-

“We are of the view that as per section 132(4) of the Act unless authorized officer puts a question with regard

to the manner in which income has been derived, it is not expected from the person to make a statement in this regard and in case in the statement the manner in which the income has been derived has not been stated but has been stated subsequently, that amounts to the compliance with Explanation 5(2) of the Act. In the absence of any specific statement about the manner in which such income has been derived, it can be inferred that such undisclosed income was derived from the business which he was carrying on or from other sources.

The object of the provision is achieved by making the statement admitting the non-disclosure of money, bullion, jewellery, etc. Thus, we are of the opinion that much importance should not be attached to the statement about the manner in which such income has been derived. It can be inferred on the facts and circumstances of the case, in absence of anything to the contrary. Therefore, mere non-statement of the manner in which such income was derived would not make Explanation 5(2) inapplicable.”

- d. It was held in the case of **Sunil Kumar Bansal vs. DCIT [2015] 70 SOT 137 (Chd.)** that where no question was asked during statement recorded under section 132(4), in respect of manner of earning income surrendered, assessee could not be expected to substantiate same later on; penalty could not be levied under section 271AAA.
- e. Where during course of search assessee admitted undisclosed income, paid tax together with interest, filed return showing said income as business income and Assessing Officer had accepted same, it could not be said that assessee had not specified manner or could not substantiate manner in which income was derived – Therefore, penalty under section 271AAA was not leviable as assessee’s case fell under sub-section (2) of section 271AAA as held in the case of **M/s. Concrete Developers Vs. ACIT (2013) 34 taxmann.com 62 (Nagpur)**.
- f. During the course of search assessee admitted payment made in cash for purchase of raw material. Assessing Officer treated the same as undisclosed income within the meaning of Explanation to section 271AAB and accordingly levied penalty. It was held that there was no irregularity found in books of account so far as stock of raw material was concerned. Hence, even if some purchases were made in cash, however, stock being duly

recorded in the books of account, income surrendered by assessee during search could not be treated as 'undisclosed income' within the meaning as defined in Explanation to section 271AAB- 'Undisclosed income' means-

- (i) any income of the specified previous year represented, either wholly or partly, by any money, bullion, jewellery or other valuable article or thing or any entry in the books of account or other documents or transactions found in the course of a search under section 132, which has-
 - a. not been recorded on or before the date of search in the books of account or other documents maintained in the normal course relating to such previous year; or
 - b. otherwise not been disclosed to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner before the date of search; or
- (ii) any income of the specified previous year represented, either wholly or partly, by any entry in respect of an expense recorded in the books of account or other documents maintained in the normal course relating to the specified previous year which is found to be false and would not have been found to be so had the search not been conducted. [**Shri Balaji Industrial Engineering Ltd. v. ACIT (2019) TaxPub (DT) 4325 (ITAT Jaipur)**]
 - g. It was held that the surrender had been made on account of discrepancy /shortage in stock. This short stock had not been accounted for by assessee. The same therefore, had been rightly held to qualify as "undisclosed income" as per the definition of the same in section 271AAB. Moreover the issue was squarely covered by the order of the ITAT in the case of M/s SEL Textiles Limited, wherein identical surrender made on account of the discrepancy in stock was held by the ITAT to qualify as undisclosed income liable to penalty under section 271AAB. In view of the same, levy of penalty under section 271AAB was justified.- **M/s Royal Lifestyle Jewellers (P) Ltd v. DCIT – Date of Judgement : 21.06.2019 (ITAT Chandigarh)**
 - h. It was held in the case of **ACIT v. Vishal Agarwal (2019) 175 DTR 127 : 174 ITD 125 ITAT Kolkata** when the assessee suo motu admitted undisclosed income and substantiated manner in which such undisclosed

income was earned and had also paid tax together with interest, assessee is liable to pay penalty at rate of 10 per cent in terms of clause (a) of section 271AAB(1) but not under clause (c) at rate of 30 per cent of section 271AAB(1). Also held in the case of **ACIT v. Shailaja Park (P) Ltd (2019) 175 DTR 127 (ITAT Kolkata)** and **ACIT v. Vikash Agarwal (2019) 175 DTR 127 (ITAT Kolkata)**.

- i. Search initiated on or after 1st June, 2007 when no specific query to substantiate the manner of earning undisclosed income was put forward to the assessee by the authorised officer levy of penalty was held to be not valid when the taxes were paid on the amount surrendered.

Dismissing the appeal of the revenue, the Tribunal held that when no specific query to substantiate the manner of earning undisclosed income was put forward to the assessee by the authorised officer levy of penalty was held to be not valid when the taxes were paid on the amount surrendered - **ACIT v. Beena Kedia – pronounced on 28.02.2018 ITAT Delhi**.

- j. Search initiated on or after 1st day of July 2012, levy of penalty on the basis of loose sheets found in the course of search was held to be not justified as loose sheets represented only projection; imposition of penalty is directory and not mandatory.

Dismissing the appeal of the revenue the Tribunal held that levy of penalty on the basis of loose sheets found in the course of search was held to be not justified as loose sheets represented only projection. Imposition of penalty is directory and not mandatory - **ACIT v. Marvel Associates (2018) 194 TTJ 338**.

8. CONCLUSION:

During search proceedings, undisclosed income attracts steep penalty, if accepted 30% and if not accepted 60% it is very important to identify at the stage of search assessment the ownership of the asset seized, belongs to self, or wife, or HUF or a third person and also if it is recorded in books of account as in case of stock inspection and other critical factors to determine what is undisclosed as defined.

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GST ON DIES AND MOULDS MANUFACTURED BUT NOT DESPATCHED TO BUYERS

CA. Madhukar N Hiregange & CA. Mahadev R



Type of GST payable under GST is dependent on nature of supply (goods or services) and place of supply. The State GST charged cannot be claimed as input tax credit by the customer in the other State. Similarly, the GST charged by Indian supplier would be a cost to the foreign buyer and this could impact the competitiveness of Indian suppliers in foreign market. To avoid this, the export of goods and services have been exempted from indirect taxes. they are exempted from GST in most cases unless place of supply is India. In this article, we analyse the GST impact on dies and moulds, or similar goods manufactured but not despatched to customers.

It is a common practice in a few industries such as engineering and automobile, where vendors/job workers manufacture the goods such as dies and moulds etc. for the manufacturer for use in production of components or parts. Such goods could be sent to the customers or the OEMs for approval and return. There would be instances wherein the goods would be used by the manufacturer without sending them for approval. Such customers may be within India or outside India.

Place of supply of goods when there is no movement

In terms of Section 10 (1) (c) of IGST Act 2017, the place of supply of goods (other than import/ export) where the supply does not involve movement of goods by the supplier or the recipient is the location of such goods at the time of the delivery to the recipient. Therefore, the general rule of considering the address of the customer's location should not be applied when there is no movement of goods.

Therefore, if the customer is within the State, CGST & SGST would be applicable where supplier's location and place of supply would be in same State. Even if the customer is outside the State, CGST & SGST are to be charged by the customer based on Section 10(1) (c) when there is no movement of goods. This would result in loss of credit to the customer.

It is relevant to understand that 'export' for the purpose of GST means taking the goods out of India to a place outside India. In terms of Section 11 of IGST Act 2017, place of supply of goods exported from India is location outside India. When the goods are not taken out of India, then the transaction would not be considered as 'export' and GST

would be applicable. The place of supply would be location of goods at the time of delivery to recipient resulting in CGST & SGST liability.

A simple solution appears to be despatching the goods to the customer outside the State charging IGST and getting it back. However, many a times this would not be feasible due to transportation cost involved to transport to other State/ other country, timelines, weight of moulds and they may also be prone to damage during transportation due to which they may become useless.

Court rulings

The issue was also there in erstwhile VAT / sales tax laws as well. The Karnataka High court in case of **IBEX Engineering Vs. State of Karnataka - 2012** held that when there is no actual movement of goods outside India, sales tax would be liable. The court also opined that the mere fact that the buyer may be outside India does not in any way detract from the transaction to be taken as a local sale as the goods can be delivered on behalf of the foreign buyer to any person available locally. Court expressed that when the assessee has received payment and the moment the goods have come into existence, the payment is with reference to the goods and so finished and the transaction gets completed and therefore, the assessee holds the goods on behalf of the buyer. Delivery can be actual or symbolic and the delivery in the instant case is definitely symbolic as once the goods have become the property of the foreign buyer and the assessee has not only held on behalf of foreign buyer but also has acted on the instructions of the buyer for by using the goods to further manufacture other goods for the use and benefit of the foreign buyer.

Recently in case of *In re Dolphine Die Cast (P) Ltd (GST AAR Karnataka) - Ruling No. KAR ADRG 35/2020*, it was held that in the case of manufacture of die by the applicant and invoiced to the recipient, without moving the goods, the applicant has to raise the tax invoice addressed to the foreign buyer and collect the CGST & SGST and discharge the liability.

Possible options

Following are few of the possible options which professionals or taxpayers could consider mitigating the GST impact. It is important to seek professional advice before implementing as these options are yet to be tested in GST law and may need to be adopted considering the facts and circumstances.

A. Contract restructuring

Service element can be substantial in case of highly sensitive dies, moulds or tools. Designing of such goods and testing could be the major objective in most cases. Therefore, it is important to understand if the contract is for service or goods. If it is service, then the place of supply could be place of service recipient. If recipient is outside State but within India IGST can be charged which can be claimed as ITC by recipient. If recipient is outside India, the supply of service can be treated as export. If entire activity is not a service, then identification of service value and goods value can be an option to reduce the tax burden. For this purpose, the concept of composite supply should also be considered which could have impact on taxation.

B. Bill to ship to model

In terms of Section 10(1) (b), where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, it shall be deemed that the said third person has received the goods and the place of supply of such goods would be the principal place of business of such person". One question which could arise is whether the manufacturer of dies bill to customer and ship to his own place so that customer's place could be treated as place of supply in case of inter-State supplies. If this is accepted, then customer would be able to take the ITC and issue job work challan on the manufacturer for such dies manufactured. Generally, shipping involves transportation. In the absence of transportation, this rationale may not be accepted.

C. Benefit of invoicing provision

A registered person who is supplying the taxable goods shall **before** or **at the time of removal** of goods for supply to recipient should issue tax invoice where the supply involves movement of goods in terms of Section 31(1) of CGST Act 2017.

Therefore, when the dies or moulds manufactured are meant for delivery to customers but after usage for manufacture of components which may be after few months or years, it can be contested that invoice is issued **before removal of goods** considering the location of customer as place of supply to charge GST. This may not be possible in case of exports as in terms of Rule 96A of CGST Rules 2017, the exporter has to execute a bond or letter of undertaking to pay GST with interest if the goods under export invoice are not exported within 3 months from invoice date.

D. Add amortised value in components price

Conservatively, the value of dies or moulds could be added to the pricing of components being manufactured instead of billing separately. In this scenario, as the components would get exported or cleared to customers location and place of supply would be determined accordingly. Manufacturer could also request for advance money from the customers if the investment is high. GST impact would also be not there as presently advance towards goods are not subject to GST on receipt date.

Conclusion: Considering the overall objective of the GST, Government should consider providing the benefit of zero tax even for the dies and moulds manufactured for further use in manufacture of goods for export. There are few countries who have already made such goods GST free. The Australian GST law provides exemption to jigs, patterns, templates, dies, punches, and similar machine tools used in manufacture of goods for export purpose. Similar law could help the Indian exporters to improve competitiveness.

Professionals could also guide the taxpayers with structuring of transactions reducing the burden considering the various possibilities within the corners of law.

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THE SAGA OF TAX DEDUCTIBILITY OF INDIA INC'S CSR SPENDS

CA. Sandeep Jhunjunwala & CA. Arshita Khetan



Prosperity is best achieved in an inclusive society. Corporates have realised the constructive impact of social accountability and are increasing becoming aware of the ramifications a business can have on the social and environmental ecosystem. Most companies have long practiced some form of corporate social and environmental responsibility with the broad goal of contributing to the well-being of the communities and society they affect and on which they depend. While there is no one 'right' way, many corporate initiatives strive to positively contribute to the public, the economy or the environment. Though these activities should be a voluntary contribution to the society and environment by and large, India had become the first country to legally mandate Corporate Social Responsibility ("CSR") by enacting the provisions under Section 135 of the Companies Act 2013. Companies fulfilling the threshold specified in terms of net worth or turnover or net profits are required to spend at least 2 percent of its average net profit of three immediately preceding financial years towards the prescribed CSR activities. The broad intent behind this law was to establish a fair co-relation between the company's social and environmental activities with its business purpose and values as the well-managed companies seemed less interested in devising a cogent CSR program aligned with its purpose and values, while also holding them socially accountable.

With a new expenditure hitting the books of accounts, the tax deductibility of CSR was a glaring question. During the initial years, there were multiple debates on whether in the absence of specific provisions, CSR expenditure should be regarded as a deductible business expenditure or was that to be considered as an expenditure incurred for non-business purposes. Subsequently, insertion of Explanation 2 to Section 37(1) of the Income tax Act, 1961 ("the Act") paved way for disallowing CSR activities under Section 135 of the Companies Act, 2013. Although, CBDT vide its Circular No 1/2015 dated January 21, 2015 issued a further explanation that the CSR expenditure which is of the nature described in Section 30 to Section 36 of the Act shall be

allowed as deduction under those specified sections subject to fulfilment of conditions, if any, it is clearly evident that the expenditure towards CSR activities cannot be claimed as an expenditure/ allowance while computing the income under the head 'Profits from business and profession' as under the existing provisions, expenditure incurred wholly and exclusively for the purposes of the business is only allowed as a deduction for computing taxable business income. CSR expenditure being an application of income is not incurred wholly and exclusively for the purposes of carrying on the business. Interestingly, the Raipur bench of ITAT¹ had upheld the thread of distinction between mandatory CSR and voluntary CSR spends. It sounds very bizarre that what is mandatory is not allowable as an expense and what is voluntary is allowable as an expense, though the nature of expense in both the cases remains the same.

The Karnataka High Court has dealt with the issue of disallowance of CSR expenditure under Section 37 of the Act. In one such case², the expenditure for installing traffic signals was allowed as a deduction as the Court held that the traffic signals were for the benefit of the employees and could be regarded as business expenditure. In yet another case³, expenditure for community development was disallowed in the absence of nexus with business activities. The High Court of Madras⁴ had allowed expenditure towards establishing drinking water facilities to residents in vicinity and providing aid to school run for benefit of children of local residents on the ground that winning goodwill of people of locality, helps in boosting business in many ways.

While Section 37 of the Act specifically disallows CSR expenditure, Section 80G of the Act is silent on the same and not covered by this embargo. Section 80G of the Act, since its inception, provides for deduction available under Chapter VIA of the Act up to 100 percent and 50 percent of

- 1 ACIT vs Jindal Power Limited ITA No 99/BLPR/2012
- 2 CIT vs Infosys Technologies Ltd (2014) (360 ITR 714)
- 3 CIT vs Wipro Ltd (360 ITR 658)
- 4 Commissioner of Income-Tax vs Madras Refineries Ltd [(2004)266 ITR 170]

the donation made only to specified funds or institutions. As the donations to these specified funds or charitable institutions forms part of CSR policies of companies, these CSR expenditure could be claimed as deduction under Section 80G of the Act. Section 37 of the Act being related to computation of business income, is limited to Chapter-IV only. The scope of the restriction imposed in Section 37 does not extend to Chapter VI-A of the Act which is independent of Section 37. However, there is specific exclusion/ disallowance for contribution towards Swachh Bharat Kosh and Clean Ganga Funds in pursuance of CSR obligation by the assessee under the Sub-clauses (iiihk) and (iiihl) of the Clause (a) to the Sub-section (2) of the Section 80G of the Act. Noteworthy take here is that the subclauses (iiihk) and (iiihl) are the specific CSR activity expenditure to be excluded from Section 80G of the Act and not all the donations made in pursuance of CSR obligations.

The interoperability between Section 135 of the Companies Act, 2013, Section 37(1) and Section 80G of the Act has been the trending subject matter of litigation under the income tax law. While companies disallow the expenditure under Section 37 of the Act, a corresponding deduction was being claimed under Section 80G of the Act. Indian Revenue Authorities have been taking a view that CSR expenditure cannot qualify as a deduction under any provision of the Act. One of the key contentions of the Revenue Authorities has been that CSR expenditure is a legislative mandate under Section 135 of the Companies Act, 2013, but not a donation, as it lacked the element of voluntary aid for the eligibility of claim under Section 80G of the Act. In spite of the fact that the word 'Donation' is not defined in the Act, it can be generally construed as a 'Gift' for charity, humanitarian aid or to benefit a cause and the word 'gift' refers to an amount paid voluntarily without any consideration bearing the status of *no quid pro quo*. Hence, the Revenue Authorities disqualified the CSR expenditure for not being a donation. The Hon'ble Delhi ITAT⁵ while approving a registration under Section 12AA of the Act, had laid down that it was a settled principal of law and fact that the CSR activities are public charitable activities *per se*. Further, the Hon'ble ITAT also held that mere compliance of CSR obligations under Section 135 of the Companies Act, 2013 does not change the nature of such activity/ contribution as 'Charity'. However, the issue of deductibility of CSR expenditure was not discussed in this case. Therefore, the basis/ intent

behind such contribution is nothing but charity and it does not vary with meeting of the compliances as mandated by the legal provisions. In the absence of specific exclusion of funds other than Swachh Bharat Kosh and Clean Ganga Funds, deduction under Section 80G of the Act should not be denied.

The Revenue Authorities have also been contending that the objective of mandating CSR is to lend a helping hand to the Government in providing benefits to the society and an additional tax-deductibility would result in subsidising these expenditure which was not the intent of the legislators while proposing for Section 135 of the Companies Act. Also, the PM's relief fund was consciously included in Schedule VII covering CSR activities so as the reduced tax collection on account of Section 80G deduction would ultimately be offset by direct contributions received by the Government from the corporates. Notwithstanding the above, MCA has *vide* its FAQ No 20 in Circular no 1/2016 dated January 1, 2016 clarified that the sole objective of the provision under Section 135 of the Companies Act, 2013 is indeed to involve the corporates in discharging their social responsibility with their innovative ideas and management skills and with greater efficiency and better outcomes. Further, the FAQ also stated that CSR spending shall not be considered as a source of financing the resource gaps in Govt schemes. Therefore, such a contention does not bear any substance to it. Further, the views of the Revenue Authorities for allowance of CSR contribution to PM's relief fund as against other specified funds in Section 80G seemed discriminatory in nature and hence not tenable in the eyes of law.

Taxpayers had been fervently waiting for the Appellate Authorities to rack brains on this intricate issue. The Hon'ble Bangalore ITAT has been the first to deliberate upon this issue and has pronounced three back to back orders, all in the favour of the taxpayers⁶. Without testing and reflecting upon the aforesaid contentions of the Revenue Authorities, as per the Hon'ble ITAT, a deduction under Section 80G of the Act is an application of income and eligible for deduction from 'Total Taxable Income'. Moreover, CSR expenses forming part of claim under Section 80G of the Act would already stand excluded under Section 37(1) of

⁵ Goldman Sachs Services Pvt Ltd vs JCIT [2020] IT(TP)A No 2355/Bang/2019; Allegis Services (India) Pvt Ltd vs ACIT [2020] ITA No 1693/Bang/2019; First American (India) Pvt Ltd vs ACIT [2020] ITA No 1762/Bang/2019

⁵ Escorts Skill Development vs CIT [2019] 108 taxmann.com 53

(Contd. on page 54)



INTERMEDIARY UNDER GST – SOLUTION IN SIGHT?

CA. Srikantha Rao T

It has been three years now since we have had Goods & Services Tax in India and these three years have taught us a lot. Unfortunately, one of the things we realise is that litigation in indirect taxes is very much here to stay. We have had plethora of Advance Rulings in GST already to such an extent that many of us would have lost count of the number of rulings we have till date. While there have been some good rulings, many of them have gone along expected lines. There have been very few in favour of assessee (if any at all) where the law is not very clear and interpretation could be taken either way. One of the aspects which has seen plenty of headaches for the assessee of late has been that of the concept of “intermediary” under GST.

Readers who have been dealing with service tax would be familiar with the fact that this concept saw a change in 2014 i.e. effective from 1st October 2014 owing to amendment in definition. This actually led to lot of litigation in service tax in subsequent years. Cases are common where refunds of service exports have been denied owing to changed norms on place of provision of service as well as demand notices sent to many assesseees asking them to pay tax by holding services as being provided in India.

One silver lining though has been the fact that the CESTAT has more often than not given ruling in favour of assessee in deserving cases. This is significant for us as the definition of the term “intermediary” under Rule 2(r) of Place of Provision of Service Rules 2012 is almost identical to the one we have under Section 2(13) of the IGST (Integrated Goods & Services Tax) Act 2017.

In the absence of any contrary intention in GST law to regard the term as something distinct from what it was in the earlier provision, or to bring about a change in context, one could rely on the well-known principle that the subsequent statute incorporating the term or phrase would be construed in the same way the said term or phrase was interpreted by Judiciary in the previous statute or provision (Diwan Brothers vs Central Bank of India Bombay & Others 2018 ACR 943 Supreme Court of India).

This is where one of the Circulars issued under Service Tax (F. No. 334/15/2014-TRU, dated 10-7-2014) at the time of amendment of the term seeking to explain intention behind amendment should come to our aid coupled with the withdrawal of C.B.I. & C. Circular No. 107/26/2019-GST, dated 18-7-2019 which had sought to regard back end support services as intermediary services under GST.

A clear trend that can be observed is of parallel views being taken by CESTAT in the context of cases in service tax as compared to Advance Rulings being given by Revenue officers under GST. While the Advance Rulings do not bind other assesseees who are not party to the applications, it is still cause for concern owing to such Rulings signifying revenue intent and disposition on the subject matter. The risks of Revenue holding the arrangement as “intermediary services” are very high especially where the agreements executed are found to be agency agreements.

Agency agreements

The Advance Ruling Authority in Karnataka in M/s FOM Aluminium Machines Pvt Ltd (2020 ACR 69 AAR Karnataka) based on the agency agreement furnished by the importer held him to be an intermediary service provider. The importer was found to engage in (i) importing the machines in his own name, stocking the same and selling the machines, (ii) booking the orders for the parent company M/s Fom Industrie s.r.l., Italy for sale of machines & earning sales commission and (iii) identifying the probable customers for M/s Universal Pack s.r.l., Italy by marketing their products and earning monthly 4000 euros irrespective of the result of the said marketing. It was found that the applicant was the sole agent of their parent company for the SAARC area and getting the commission for sale orders booked.

Reference to “liaison” in agreement

Even more alarming for many could be the Ruling of the Appellate Authority in GST in Infinera India Pvt Ltd (2020 33 GSTL 491 (AAAR Kar.)) wherein the Authority

has held even liaising to market the client's products in India to facilitate sale of products to end customers in India as amounting to intermediary services. The scope of work required that the applicant would engage himself in carrying out promotional activities in the taxable territory. In order to undertake these activities it was necessary for the applicant to first study the market conditions, identify the potential customers, meet them, convey the unique features and characteristics of the products of Infinera highlighting their advantages and usefulness etc. This created a visibility about Infinera in the market.

The prospective customers thereafter contacted Infinera USA and finalised the purchase. The sale was then made directly between Infinera USA and the customers. However in the entire process the applicant, who identified the prospective customer, convinced them about the products and passed on the information to Infinera USA. The Authority opined that the Terms 'broker' and 'agent' used in the definition of the term "intermediary" being fundamentally different and not forming any category or class, and with the phrase 'any other person, by whatever name called' following the terms, one could not hold the following phrase as drawing its colour from the preceding words which were altogether different. As a result, the Principle of ejusdem generis and Noscitur a sociis were held not to be applicable.

A similar view was taken by CESTAT under service tax in LAMHAS Satellite Services Ltd Vs CST Mumbai II (2019 (28) GSTL 31 (Tri-Mumbai)) in the context of channel distribution agreement entered into by an Indian company for and on behalf of foreign company with a channel distribution partner for carriage of Russia Today TV Channel in India. The Channel Distribution Agreement with Channel Distribution Partner was entered into only after written prior approval of the agreement by Globecast. Channel Carriage Fees paid by GlobeCast was as per the agreement entered into with the channel distribution partner and the claimant received the same from GlobeCast, and was obliged to pay it to the concerned Channel Distribution Partner within 24 hrs of receipt. Claimant received professional fees for marketing and administrative support.

The Channel Carriage for which Channel Carriage Fees was paid by GlobeCast, to Channel Distribution Partner through claimant, was the main service which had been provided by the Channel Distribution Partner and not the claimant who had acted only to mediate the provision of

service by the Channel Distribution Partner to GlobeCast. The Tribunal consequently held only the service charges receivable by LAMHAS towards services provided by it on its own account in the nature of administrative support and monitoring of carriage as qualifying for export benefit splitting it from charges for other services under the agreement.

Any indicators as to what can be "intermediary"?

One of the cases where some definitive indicators have been provided to clarify the issue is that of CESTAT Chandigarh in Orange Business Solutions Pvt Ltd Vs Commissioner of Goods & Services Tax Gurgaon II (2019 ACR 244 CESTAT Chandigarh). The Respondent here was providing Remote IT enabled network management, fault management and other related back office support services to companies within the Group globally for which administration was done by one of the group companies located in Ireland. This entity had been paying the Respondent for the services. The CESTAT ruling favourably for assessee held that to be an intermediary, the criterion laid down will have to be satisfied –

- (a) An intermediary arranges or facilitates a provision of a 'main service' between two more persons;
- (b) An intermediary is involved with two supplies at any one time (i) the supply between the principal and the third party; and (ii) the supply of his own service (agency service) to his principal, for which a fee or commission is usually charged;
- (c) An intermediary cannot influence the nature or value of service, the supply of which he facilitates on behalf of his principal, although the principal may authorize to negotiate a different price;
- (d) The consideration for an intermediary is separately identifiable from the main supply of service that he is arranging and is in the nature of fee or commission charged by him;
- (e) **The test of agency must be satisfied between the principal and the agent i.e. the intermediary.** The Guidance Note (CBEC dt.20.6.2012) states that the intermediary or the agent must have documentary evidence authorizing him to act on behalf of the provider of the main service;
- (f) The payment for such services is received by way of commission;

(g) The Principal must know the exact value at which the service is supplied (or obtained) on his behalf.

The need for satisfying the test of agency is vital as the Revenue authorities at present are ignoring this need in the context of GST where advance rulings are sought by assessees. In this regard it would also be worthwhile to look at couple of verdicts of the European Courts on the issue. In *Commissioner of Customs & Excise Vs DFDS A/S* (Case C-260/95 Judgment of the Court (Fifth Chamber) on 20.02.1997) while interpreting Article 26 of the Sixth Council Directive (77/388/EEC) of 17.05.1977, the Court while looking at the liability of a travel agent operating in another State and having a fixed establishment thereat, opined that the subsidiary in the other State which acts as an agent of the parent and not in its own name would be an intermediary. The subsidiary was found to be an auxiliary organ of the parent despite having own legal personality based on contractual obligations imposed on it by its parent.

More recently in *Vega International Car Transport & Logistic – Trading GMBH* (C-235/18 Judgment of the Court (Eighth Chamber) on 15.05.2019), the Court held Vega International as playing only an intermediary role in coordinating the procurement of fuel cards for its subsidiaries and enabling those units to refuel their vehicles at fuel stations using these cards. While the fuel stations were earmarked, the subsidiaries were free to approach any of the designated stations to refuel vehicles based on which bills were sent by the stations to Vega International. Vega International then recovered the cost with 2% surcharge thereon. Vega International consequently was seen as a credit service provider.

In *Evalueserve.Com Pvt Ltd Vs CST Gurgaon* (2018 ACR 390 CESTAT Chandigarh), financial services, market research and IP related services provided directly to client's customers on principal to principal basis with service provider having no direct nexus or arrangement with the end customer were held not to be intermediary services despite three parties being involved in the transaction. Similar view has been taken in *Marinetrans India Pvt Ltd Vs CST Hyderabad ST* (2020 (33) GSTL 241 (Tri-Hyd)) relying on a clarification earlier where a freight forwarder purchasing space from shipping line and selling the same to exporters with a margin was held not to be an intermediary as dealing was on principal to principal basis with no agency arrangement involved.

A review of the said verdicts would reveal that the thought process at CESTAT seems to be aligned to view on concept of intermediary in DFDS A/S case where importance of agency relationship was brought out. One saving grace is the clear definition of the term “intermediary” in India while the same has been loosely used in the European Union in many cases. This should ultimately help the Courts in India in resolving the issue in light of legislative intent in having the said term. Until this happens, issues are likely to persist for assessees. Due attention would also be needed to be paid to terms of contracts which would go a long way in determining the tax impact. Proper legal reviews and seeking timely advise from professionals to ascertain exact legal position would help assessee in mitigating risk of objection at a later date which usually results in penal action.

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srikantha@rceglobal.com



KSCAA

Karnataka State Chartered Accountants Association ©



47th Annual Report 2019-20

YEAR/S	PRESIDENT	SECRETARY
1957-61	CA. S Kaleeswaran (Late)	CA. MR Rangarathnam (Late)
1961-62	CA. BK Ramadhyan (Late)	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 (Late)
1971-75	CA. KY Shreshty (Late)	CA. JJ Madan
1975-78	CA. OR Pandurang (Late)	CA. K Rahaman Khan
1978-79	CA. Premraj Singhvi (Late)	CA. DL Suresh Babu
1979-80	CA. KV Shanmukhaiah (Late)	CA. MR Krishnamurthy
1980-82	CA. AR Vishwanathan (Late)	CA. AK Subramaniam
1982-84	CA. MS Ranganath (Late)	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 (Late)	CA. S Gowthamchand
1991-92	CA. SA Narayana Setty	CA. C Ganapathraj
1992-93	CA. R Subramanian	CA. Ravindra Raj Bhandari
1993-94	CA. A S Vishnu Bharath	CA. KY Ningoji Rao
1994-95	CA. M Goutham Prakash Khariwal	CA. K Ravi
1995-96	CA. K Y Ningoji Rao	CA. DC Chhajer
1996-97	CA. C Ganapathraj	CA. DR Venkatesh
1997-98	CA. S Prakash Chand	CA. IS Prasad
1998-99	CA. DR Venkatesh	CA. Lalit M Sharma
1999-00	CA. K Ravi	CA. R Venkatakrishna
2000-01	CA. IS Prasad	CA. V Dwarakanath
2001-02	CA. Lalit M Sharma	CA. Ravi Prasad
2002-03	CA. HBM Murugesh (Late)	CA. PR Suresh
2003-04	CA. TR Anjanappa	CA. HC Gulecha (Late)
2004-05	CA. PR Suresh	CA. AB Shivasubramanyam
2005-06	CA. S Krishnaswamy	CA. MV Lakshmikantha
2006-07	CA. Mallinath S Nainegli	CA. G Nataraj
2007-08	CA. M V Lakshmikantha	CA. K S Sreedhara Murthy (Late)
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
2016-17	CA. Raghavendra Puranik	CA. Nagappa B Nesur
2017-18	CA. Raghavendra T.N	CA. Chandrashekara Shetty
2018-19	CA. Raghavendra Shetty	CA. Jigajinni Kumar S.
2019-20	CA. Chandrashekara Shetty	CA. Chandan Kumar Hegde A.

NOTICE

Notice is hereby given to the members of the **Karnataka State Chartered Accountants Association** that the **Forty Seventh Annual General Meeting** of the Association will be held at **3.00 PM** on **Thursday, the 27th of August, 2020**, at **Maple Hall, Pai Vista**, No.3, 27th Cross, K.R. Road, Opp: Sevakshetra Hospital, Near Monotype, Banashankari 2nd Stage, Bengaluru 560070, Karnataka to transact the following business:

AGENDA:

1. To confirm the proceedings of the Forty Sixth Annual General Meeting held on 20th July, 2019.
2. To consider & adopt the Annual Report of the Executive Committee.
3. To consider & approve the audited accounts for the year ended 31st March 2020.
4. To Appoint the Auditors for the year 2020-2021 and fix their remuneration.
5. To elect Thirteen Members to the Executive Committee for the year 2020-2021.
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. Chandan Kumar Hegde A.

Secretary

Place: Bengaluru

Date : 13th July 2020

NOTES:

- Members who wish to send their nominations for the Executive Committee are required to submit the duly filled and signed Nomination Form at the Association Office or by sending signed scanned copy by an email to info@kscaa.com. Nomination Form is provided at the end of this Annual Report.
- Last date for submission of nomination: **Before 5.00 pm on Saturday, 8th August, 2020**
- Last date of withdrawal of the nomination: **Before 5.00 pm on Friday, 14th August, 2020**
- Announcement of final list of candidates contesting for election: **At 6.00 pm on Friday, 14th August, 2020**
- The Final list of the Candidates shall also be uploaded on 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. Also, soft copy of Annual Report can be downloaded from www.kscaa.com
- In case, if there are any changes due to COVID-19, alternate arrangements shall be informed, accordingly.



CA. Chandrashekara Shetty

President

Dear Members,

Karnataka State Chartered Accountants Association (KSCAA) was formed in the year 1957 with a aim to empower the members by providing timely training on skills and imparting the knowledge. It has ever since done this successfully and has also carved the best in members, who have also led the Association as Presidents and Executive Committee Members of the Association.

When we as team of Executive Committee members assumed the office for the year 2019-20, our humble attempt was to, bring out the larger grievances or difficulty of the members to the attention of authorities and regulators, provide platform to young talents to showcase and hone the talent and to reach KSCAA internally to all places of Karnataka and make a mark nationwide through collaboration and other means.

KSCAA is a force with many hands and the results, success, name etc are also of many forces acting together towards a common goal. The introduction of 'Eloquent Professional', which started as the step towards empowering the young CAs to build confidence has patently been credited to our Association. Committed young professionals have added fragrance of empowerment and confidence to the program. I hope my successors will maneuver and continue forward this as Association's realm. This journey of the Association has endless opportunities to create and make differences. But the constant master 'Time', decides on our ability to fulfil our endless wishes and desires. This Annual Report would showcase the fruitful work done during the year and these wouldn't have been possible without the support of numerous people who have directly or indirectly contributed to this success.

Like any other assignment or engagements, there have been hits and misses in equal proportion, and we acknowledge both of them with utmost sincerity and humbleness. We are of the opinion that we laid a sapling to grow big for the generation of leadership team of KSCAA which would derive benefits of this.

We look forward for one more activity filled year with the Association and best wishes for the future years.

Sincerely,

CA. Chandrashekara Shetty

CA. Chandan Kumar Hegde A.



CA. Chandan Kumar Hegde A.

Secretary

**Flag-bearers
of the
Profession**

**An
Investment
in Knowledge
always pays
the best
interest**

Knowledge is a treasure, but practice is the key to it - KSCAA is best positioned to help members find the treasure and keys to open it.

It has been the firm belief of KSCAA that the Association **is of the members, by the members and for the members**. The Association has lived up to this preamble for over 63 years. We have witnessed increased activism of the members associated with the organization and that is the best proactive response to the ever and fast changing landscape. Starting from conduct of numerous study circles, seminars, workshops, joint meets and webinars to hosting a flagship annual conference, members have vigorously ensured success of the events. Association has also witnessed many activities and new initiatives in the field of sports, communication, leadership and non-scholastic and the same has been well received by the members.

Team KSCAA (represented by the Executive Committee and sub-committee members) has ensured that all activities have been conducted under the able guidance of mentors who have built the Association and the profession.

It is also proud moment to note that the number of members associated with the Association has surpassed landmark number - 3000. This proves the relevance of the organization which is among oldest CA Associations in India. KSCAA, like any other Association, derives its strength from the people associated with it and we are all thankful for the support extended. We acknowledge that members are backbone of KSCAA and the Team KSCAA has been relentless, dedicated and devoted in ensuring that members benefit from wide variety of activities conducted by the Association. After all, the Association is of the members, by the members and for the members.



Theme: **CONVERGENCE - Creating Impact Together**

"None of us is as smart as all of us." --Ken Blanchard

In the era of divergent views, KSCAA has attempted to strike "CONVERGENCE" to be able to create impact together in the noble profession which is entrusted in responsibility of nation building. Consistent team work has often proved to be effective in achieving results, faster!

It is for this reason, KSCAA has empowered a team called as TEAM KSCAA comprising of Executive Committee members and Sub-Committee members for high performance actions. The only way to ensure success of an Association is to ensure convergence of people, time, efforts and money. We have witnessed exponential growth and the Association reaching new scales as a result of individual commitment to group efforts.

The choice of tag line "Creating Impact Together" and the logo for this tenure best represents our commitment to team efforts as we believe in Vivad Se Vishwas, as Sabka Vishwas leads to Sabka Vikas.

This report highlights KSCAA's 2019-20 fiscal year, which ended on March 31, 2020. In order to provide an up-to-date picture of the Association, it also includes information on major activities and initiatives, as available, updated till July, 2020.



The KSCAA :

- Proactively addresses the areas and issues which are of concern to the Chartered Accountants and fights for the member causes.
- At the behest of the members and/or on its volition represents before various regulatory authorities to resolve the professional problems faced by the Chartered Accountants.
- Provides opportunities for networking of Chartered Accountants, promotes new speakers and writers auguring their personal and professional development.
- Publishes news bulletin in an easy to comprehend form with crisp articles on current changes in law, economy and matters of professional interest to keep the members updated.
- Conducts annual sports, cultural and talents meet for the CA fraternity and their family members to promote parallel talents of members.

40+ Workshop, Study Circles & Webinars

45+ Eloquent Professional Meetings

1100+ Number of participants
in Annual Conference

1300+ attended Cultural & Family
programs of KSCAA Conference

12 Professional Development Programs

11 Representations on matters affecting
trade and profession

600+ Participated in Sports Meet

₹ 93.74 Lakhs

- Total Income for the fiscal 2019-20

₹ 11.67 Lakhs

- Surplus for the fiscal 2019-20

117 Members added

3000+ Total Members

6800+ Professionals participated in
Association activities

87+ Activities



“KSCAA has created numerous platform to speakers, professionals and public to share and exchange their knowledge for better life and profession. The activities of KSCAA create a bonding between members and families and instigate to believe in oneness.”

FINANCIAL HIGHLIGHTS

FISCAL YEAR 2019-20

STATEMENT OF FINANCIAL POSITION

	2020	2019
SOURCES OF FUNDS	₹	₹
Corpus Fund	36,75,672	34,93,672
General Fund	1,67,17,094	1,55,50,538
Restricted and Other Funds	36,85,449	36,70,532
Total Sources of Funds	2,40,78,215	2,27,14,742

APPLICATION OF FUNDS		
Fixed Assets	26,64,933	24,74,482
Investments	1,83,52,953	1,89,25,239
Stock of Publications and Materials	2,41,484	1,77,462
Receivables	15,22,770	3,24,150
Cash and Bank Balances	19,66,081	2,56,317
Loans and Advances	12,87,074	10,08,220
Less: Current Liabilities and Provisions	(19,57,080)	(4,51,128)
Total Application of Funds	2,40,78,215	2,27,14,742

STATEMENT OF OPERATIONS

	2019-20	2018-19
INCOMES	₹	₹
Conference, Seminars and Other Programs	75,67,084	65,71,638
Interest Income	14,12,767	10,30,742
Other Income	3,94,213	5,73,114
Total Incomes	93,74,064	81,75,493

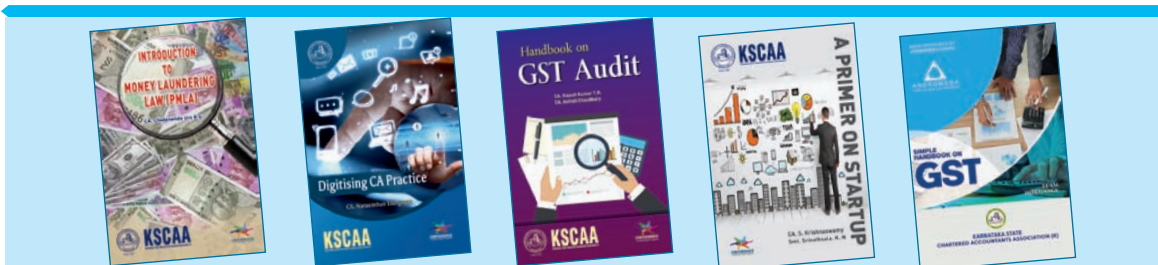
EXPENDITURE		
Conference, Seminars and Other Programs	54,60,822	48,40,045
Bulletins and Publications	9,77,670	9,21,682
Administrative Expenses	11,05,958	6,86,776
Other Expenses	5,28,135	4,92,588
Depreciation	1,34,924	1,16,670
Total Expenditure	82,07,509	70,57,760

EXCESS OF INCOME OVER EXPENDITURE	11,66,555	11,17,733
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NEWS BULLETINS



PUBLICATIONS



SOCIAL MEDIA & PUBLIC RELATIONS



1165+
Followers



762+
Followers



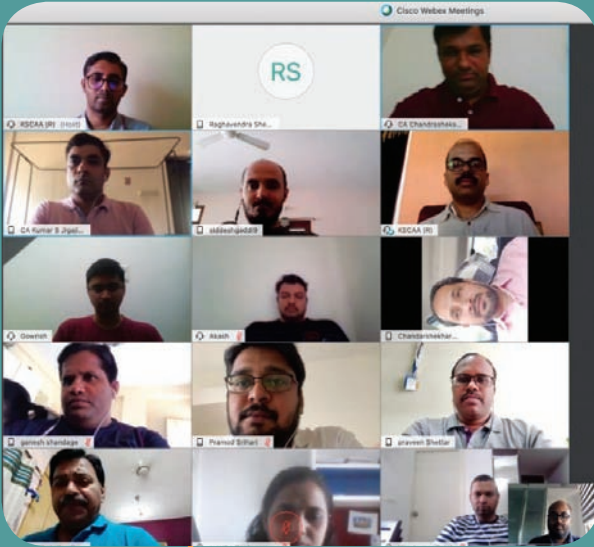
1791
Subscribers

More than **1,31,490**
views of videos



www.kscaa.com

64,172+ Hits
since Jan. 2019



A view of Executive Committee Meeting through Video Conference



The passion and commitment with with the Executive Committee and sub-committee (popularly known as 'Team KSCAA') has worked through the tenure is encouraging. With an intention to better serve members, Team KSCAA has been in 'always-ready-to-serve' mode, proactive and aggressive in approach. The same is evident from the number of meetings held and attended, decisions taken and successfully implemented. We had better representation from mofussil members due to digital initiatives in conducting meeting. Thanks to COVID!!

ATTENDANCE Executive Committee Meetings*

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	11	12	13	
			20.07.2019	21.07.2019	24.08.2019	21.09.2019	21.10.2019	23.11.2019	13.12.2019	17.01.2020	22.02.2020	03.04.2020	20.04.2020	03.06.2020	04.07.2020	
1	CA. CHANDRASHEKARA SHETTY	President	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	13(13)	
2	CA. JIGAJINNI KUMAR S.	Vice President	Present	Present	Absent	Present	Present	Present	Present	Present	Present	Present	Present	Present	12(13)	
3	CA. CHANDAN KUMAR HEGDE A.	Secretary	Present	Present	Present	Present	Absent	Present	Present	Present	Present	Present	Present	Present	12(13)	
4	CA. PRAMOD SRIHARI	Jt. Secretary	Present	Absent	Present	Present	Absent	Present	Present	Absent	Present	Present	Absent	Present	9(13)	
5	CA. SUJATHA G.	Treasurer	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	13(13)	
6	CA. SHIVAPRAKASH VIRAKTAMATH	Member	Present	Present	Absent	Present	Present	Present	Present	Present	Present	Present	Present	Present	12(13)	
7	CA. VIJAYKUMAR M. PATEL	Member	Present	Present	Present	Present	Absent	Present	Present	Present	Present	Present	Present	Present	12(13)	
8	CA. AKASH HEGDE	Member	Present	Present	Present	Present	Present	Absent	Present	Present	Present	Present	Absent	Present	11(13)	
9	CA. CHANDRASHEKHAR S M	Member	Present	Absent	Present	Present	Absent	Present	Present	Present	Absent	Present	Present	Present	10(13)	
10	CA. GOWRISH BHARGAV K.V.	Member	Present	Present	Present	Absent	Absent	Present	Present	Present	Present	Present	Present	Absent	10(13)	
11	CA. GANESH V. SHANDAGE	Member	Present	Absent	Present	Absent	Absent	Absent	Present	Absent	Present	Present	Present	Present	9(13)	
12	CA. PRAVEEN SHETTAR	Member	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	13(13)	
13	CA. SUNIL BHANDARY	Member	Present	Present	Present	Present	Present	Present	Absent	Present	Present	Present	Present	Present	12(13)	
14	CA. SATEESHA KALKUR	Member	NA	Present	Present	Present	Absent	Present	Present	Present	Present	Present	Present	Present	11(12)	
15	CA. SIDDESH GADDI	Member	NA	Present	Present	Present	Absent	Absent	Present	Present	Present	Present	Present	Present	10(12)	
16	CA. RAGHAVENDRA SHETTY	IPP	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	12(13)	

Present Absent NA

*Meetings held upto 4th July 2020

EXECUTIVE COMMITTEE



CA Chandrashekara Shetty
President



CA Kumar S Jigajinni
Vice-President



CA Chandan Kumar Hegde A.
Secretary



CA Pramod Srihari
Joint Secretary



CA Sujatha Raghuraman
Treasurer



CA Shivaprakash Viraktamath

Chairman
Journals Committee

CA Chandrashekhar S Muchchandi

Chairperson
Membership and Public Relations Committee

CA Praveen S. Shettar

Chairman
Direct Tax Committee

CA. Akash U hegde

Chairman
Accounting, Auditing, Corporate and Allied Law Committee

CA. Sateesha Kalkur

Chairman
Representation Committee

CA Vijaykumar M. Patel

Chairman
Media and Technology Initiative Committee

CA Ganesh V. Shandage

Chairman
Indirect Tax Committee

CA. Gowrish Bhargav K. V.

Chairperson
Mofussil Members Empowerment Committee

CA. Sunil Bhandary

Chairman
Sports and Cultural Committee

CA. Siddesh N. Gaddi

Chairman
Leadership and Skill Development Committee

CA Raghavendra Shetty

Immediate Past President

SUB COMMITTEES*

Journals Committee

Mentor
CA. Vinayaka Pai

Chairman
CA. Shivaprakash Viraktamath

Member
CA. Prasanna Hegde

Media and Technology Initiative Committee

Chairman
CA. Vijaykumar M. Patel

Convener
CA. Vinayaka N L

Members
CA. Vishal Patil
CA. Ananth Nyamannanavar
CA. Shivaprasada V
CA. Prakash Adiga

Membership and Public Relations Committee

Mentor
CA. Subramanya Hegde

Chairman
CA. Chandrashekhar S Muchchandi

Convener
CA. Virupaxi B Vantagitti

Members
CA. Narendra K V, Shivamogga
CA. Ashok Malipatil, Vijayapura

Indirect Tax Committee

Mentor
CA. Annapurna Kabra

Chairman
CA. Ganesh V. Shandage

Convener
CA. Nagappa B Nesur

Members
CA. Subramanya B L
CA. Prabhava Hegde
CA. Mukul H S
CA. Amar V Meharwade

Direct Tax Committee

Chairman
CA. Praveen S. Shettar

Convener
CA. Siddartha Javali

Members
CA. Sandeep Jhunjhunwala
CA. Ashwin Divakar
CA. Krishna Upadhya
CA. Deepak Chopra

Mofussil Members Empowerment Committee

Chairman
CA. Gowrish Bhargav K. V., Shivamogga

Convener
CA. Sriram S, Sagara

Members
CA. Basavaraj N Unki, Koppal
CA. Praveen Kumar H S, Hassan
CA. K B Balaji, Mysore
CA. Sumanth A, Chitradurga
CA. Siddarameshewra Gowda A, Ballari
CA Pankaj Kasat, Bagalkote
CA Mallesha Kumar, Udipi
CA Ashwath Shenoy, Mangalore

Accounting, Auditing, Corporate and Allied Laws Committee

Mentor
CA. Niranjan Prabhu

Chairman
CA. Akash U Hegde

Convener
CA. Santhosh Raj S

Members
CA. Deepabali Das
CA. Sini Thomas
CA. Naveen S Hegde
CA. Vijetha H

Sports & Cultural Committee

Mentor
CA. Raghavendra Shetty

Chairman
CA. Sunil Bhandary

Convener
CA. Kishore Shetty

Members
CA. Rajesh Prasad
CA. Nagaraj S
CA. Manjunath M Hallur
CA. Sachin Vijapur
CA. Varun Gore

Representation Committee

Mentor
CA. Raghavendra T. N.

Chairman
CA. Sateesha Kalkur

Convener
CA. Pramod Srihari

Members
CA Aditya Bhardhwaj
CA. Ajith B Balli

Leadership and Skill Development Committee

Chairman
CA. Siddesh Nagraj Gaddi

Convener
CA. Yusuf M

Members
CA. Sachin S. D.
CA. Sathish M
CA. Mohan
CA. Darshan K. R.
CA. Manjunath Gowda

Publications Committee

Mentor & Chairman
CA. H B M Murugesh

Convener
CA. Raghavendra Puranik

Members
CA. Rajesh Kumar T R
CA. Sachin Kumar B P
CA. P V Menon

ANNUAL CONFERENCE



KSCAA's flagship program, 32nd State Level Conference which bore a theme called "Anavarata" was successfully conducted in the month of March 2020. The event was well conducted, well organised and well attended (1100+ members). Few noteworthy changes were made the usual format with an intention to ensure maximum participation and value addition to members, such as conducting valedictory session and cultural events on Day 2 (attended by 1300+ members with their family). We are happy to mention that the fees for the event was reduced to 50% of the regular fee for newly qualified CAs, Mofussil members and students. Even otherwise, we believe the value of benefits in kind, far exceed the fees charged, not to quantify / forget the value of benefits derived from attending the event. The feedback on the 2 day session was very encouraging.



Technical Sessions

- Panel discussion on Opportunities to Small and Medium Practitioners (SMP) including outside India and Enabling Non-Traditional Areas of Practice
- CA Talk - Sharing an inward transformational experience
- Demystifying Regulatory Rules of Business valuation
- Auditors in a world of Advanced Analytics and Forensic Audit Scenarios
- VUCA - GST Panel Discussion
- Panel discussion on Companies Act Compliance - Regulatory vs Practitioners Perspective
- Vivisectioning Direct Tax Proposals in Union Budget, 2020
- Nuances of New Benami Law and its interplay with Income-tax Law, Anti-Money Laundering Law (PMLA) and other Economic Laws and role of CAs in handling these laws before the ED, IO and other authorities
- CARO - Advantage Auditors



Who's Who at Conference

Major General G D Bakshi	Adv. K. Vaitheeswaran
CA. Nityananda N.	CA. Venkataramani S.
CA Jay Chhaira	CA. K. Gururaj Acharya
CA. Babu Abraham K	Shri. C.V. Sajeewanan
CA. Madhukar Hiregange	CS. Sundaresan J
CA. Chetan Venugopal	CA. Dr. Girish Ahuja
CA. Guru Prasad	CA. Ashwani Taneja
CA. Chander Sawhney	CA. SriPriya Kumar
CA. Vivekananda Hallekere	Dr. Gururaj Karajagi
CA. Chetan Dalal	Mr. Vasu Dixit
CA. Sanjay Dhariwal	

KSCAA, being a PAN Karnataka Origination, has left no stone unturned to address the needs of Mofussil Members. From having representatives from such regions to conducting various programs for the benefit of members, KSCAA has been proactively addressing their needs. Conducting various webinars during the lockdown has helped KSCAA to serve more and more members from Mofussil area and even the members could benefit from the programs sitting at the comfort at their homes. KSCAA has also been responsive to the problem caused due to floods by initiating donation drive and ensuring that members / non- members benefit from such noble contributions. To encourage more and more students to join CA, the Organization has also conducted career counseling program.

MOFUSSIL PROGRAMS

Topics Covered

- Seminar on GST Annual Returns and GST Audit
- Clause by clause analysis on Tax Audit Report
- Recent amendments in Finance Act 1 and 2
- One day Workshop on Goods & Services Tax (GST)
- Seminar on Annual Return and Audit under GST
- Practical Approach on Filing of GSTR - 9 & GSTR 9C; Recent Amendments, Circulars and updates in CGST & IGST at 2017
- Practical training session on GSTR - 9 & 9C
- Career Counselling Programme-CA as Career Path

7
Programs

780
Participants

KSCAA IN ACTION



STUDY CIRCLES

Topics Covered

- Overview on International Taxation, TDS U/s 195 and Form 15CA & 15CB
- Section 270A and 270AA of Income Tax Act
- Recent Changes in GST, GST Annual Return & Audit
- Recent Changes in GST, GST Annual Return & Audit Overview of Forms GSTR-9 & 9C, Practical issues & possible solutions
- E-Assessments Issues & Challenges Ahead
- Analysis of recent SC judgement in Caclutta Club Ltd on Mutuality
- Intricate issues involved in GST on Real Estate Transactions

6

Study
Circles

875

Participants

KSCAA acknowledges the fact that CAs are respected for the knowledge they possess. To help members stay relevant in these fast changing times, KSCAA has successfully organized study circles on various topics of high relevance. The organization has also ensured that the topics were dealt by subject matter expertise to facilitate quality deliberation. We believe consistency is not the key to success, but success itself. To ensure consistency in learning, the Association has successfully embraced the online platform during and post lockdown. Thereby, ensuring maximum learning.



PROFESSIONAL DEVELOPMENT FUND PROGRAMS

During its early days, KSCAA had created a fund for professional development activities. Many CAs and CA firms have contributed to this fund. We have dedicated record number of webinars and workshops in the name of such contributors. We are grateful to the contributors. We would like to acknowledge that Members and the Association at large have benefited from their generous contribution.

Professional Development Series in the Name of -
 M/S. Manian Suresh Sundar & Vittal
 Sri. K.Y. Ningoji Rao
 Sri. K. Sachitananda
 M/s. A.S. Vishnu Bharath & Co;
 M/s. H.C. Kincha & Co;
 Sri. C.M.M. Sharam
 M/s. Shanmukhiah & Pandurang
 M/s Ostawal & Jain
 Sri. D. L. Suresh Babu
 M/s Singhivi Dev & Unni
 Sri. H.A.K. Rao
 Sri. P.S.M. Bhukhari

Topics Covered

- Key Changes in Direct Taxes in Finance Bill 2019
Income Tax filing for Individuals including Foreign Tax Payers AY 2019-20
- Workshop on Recent Amendments in GST
- Workshop on Revised Audit Report under SA 700, SA 705 and SA 706
- Workshop on "Proposed changes in Audit Report Applicable or Religious Trust or Institution"
- Workshop on GST Annual Return & GST Audit
- SABKA VISHWAS- Legacy Dispute Resolution Scheme, 2019
- Demystifying issues in 44AB, AD, AE & Clause to Clause analysis of Form 3cd, 3ca & 3cb"
- Taxation of Issue, Conversion & Transfer of Shares
- Recent Amendments in GST with Implications for Taxpayers
- Post-Audit Scrutiny of Annual Returns, Suggested Approach & Statutory Remedies
- Digital Initiatives in GST and the importance of Cloud Accounting

WORKSHOPS

13
Workshops

740
Participants

It has also been the effort of the Association to ensure quality (in service) and quantity (in service recipients). KSCAA is happy to present number of highly qualitative workshops conducted and numbers of members benefitted therefrom.

KSCAA IN ACTION



JOINT PROGRAMS

- Joint Interactive Session on SABKA VISHWAS (Legacy Dispute Resolution) Scheme, 2019.
- With - FKCCI • Decoding Union Budget-2020



2
Workshops

160
Participants

WEBINARS

Queries on 'input tax credit'

- Credit on pandemic insurance and supplies
- No credit in M1-2 if all suppliers file quarterly

Smarter Giants vs SME Practitioners

Giants	SME
<ul style="list-style-type: none"> • Automated schedule for Book keeping • Data availability & maintenance is in electronic mode • Pull mes barriers for data & various reports • Fees charged in five times the resource cost shellied out 	<ul style="list-style-type: none"> • Senior guidance monitors the workflow

Audit Assurance in Bank Audit

1. Audit completed in accordance of Standard on Audit issued by ICAI
2. Statements are free from Material Mis-statement
3. Statements show true & Fair view of the affairs of the branch
4. Assessment made on "Risk of material misstatement of the financial statement, whether due to fraud or error"
5. Transactions are with in the Branch Powers
6. Returns are Adequate and are in agreement with Books
7. Necessary information and Explanations required for the audit has been obtained
8. Auditors confidence on the over all IT Environment.

KSCAA has been quick to change with times. Has embraced the technology to conduct webinars during and post lockdown. In addition to conducting live programs, the Association has also hosted all the videos on its Youtube Channel for the benefit of members who could not attend live session.

To avoid any misinterpretation and to give benefit to bonafide persons working in abroad, the CBDT has issued a clarification on 02-02-2020 that in case of an Indian citizen who becomes deemed resident of India under this proposed provision, income earned outside India by him shall not be taxed in India unless it is derived from an Indian business or profession.

The Finance Act, 2020 introduced new section 61(A). The new provision provides that an Indian citizen shall be deemed to be resident in India only if his total income, other than income from foreign sources, exceeds Rs. 15 lakhs during the previous year.

For this provision, income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India).

Bank Branch Audit in Covid-times and recent developments

Bank Branch Audit – This year and future of RBI circular dated 27th April 2020

- Statutory branch audit of PSBs may be carried out so as to cover 90% of all funded and 90% of all non funded exposures of the bank. The banks may try to ensure that the selection of branches and centralised hubs for statutory audit include a representative cross section of rural / semi urban / urban and metropolitan branches, including branches which are not concurrent audit.



Topics Covered

- Impact on Business Relief & Stimulus measures by Government of India
- Changes in Finance Act 2020 vis a vis Finance Bill 2020 & Ordinance 2020 wrt. to Direct Taxes
- New Age Digital Accounting for Chartered Accountants
- Introspection of Self – Lockdown Times
- Panel Discussion on Impact of Lockdown in Corporate Law, Direct Tax Law & Indirect Tax Law
- GST – Issues unresolved in Supply, Valuation & ITC
- How to conduct Bank Branch Statutory Audit from home
- Bank Branch Audit in COVID times and Recent Developments
- GST – Intricacies and Controversies in Works Contract
- Representing before Appellate Authorities under Income Tax
- Retrospective Amendments in GST- Their Validity and Ramifications

V. Pain points: Board Meetings & General Meetings due to COVID- 19 ?

1. Whether Meetings can be conducted during lock-in period, keeping social distancing intact
 - Can board meetings of private companies be held in lock down period i.e., from last week of Mar-2018 till date?
2. All board Meetings & general meetings to be conducted via video conferencing due to covid. How should drafts for resolutions & notice for resolutions circulated for these meetings.
3. How to conduct board meetings of co operative bank during lockdown
4. Board meetings through VC is permitted for acceptance of financials. In case of put bid cos with only 2 individual shareholders (one of whom is residing outside India), accounts may be approved in this month, but the AGM would be conducted later. Would a gap of 3-4 months between the board meeting & AGM be a concern? Assuming International flights would not resume till June 2020.
5. What are revised due dates of Q4 BOD and AGM due to COVID 19

Impact of Covid-19 on business

1. Disruption to every business - "This is a global Black Swan event. No one is insulated."
 - a. Some temporary but for some it may be permanent (incl. Closure).
 - b. Manufacturing was already under Recession - Now Service sector also
2. Discrepancy in Demands
 - a. Expenses will not reduce proportionately
 - b. Reduction in prices – Huge discounts
 - c. Impairment of asset esp. PPE / Investment - Sensors down from 40,000 to 27,000 - 9th Apr 21.
 - d. Discrepancy in Collections & Bad Debts - Countries defaulting: Lebanon, Argentina, Venezuela - Etc.
3. Discrepancy in Supply – Income
 - a. Supply chain issue
 - b. Import dependent will be greatly affected - Forex loss apart - 9th Apr 5 @ Rs.76.55
4. Haven to liquidity situation
 - a. Total stoppage of revenue but liabilities unchanged!
 - b. Additional Working Capital requirement from Banks - Additional interest burden
5. Huge lay off of employees
 - a. IED warning: Pandemic can push 40 Cr. workers in India's informal sector into poverty
 - b. Pay hikes, incentives & bonus deferred
 - c. Delayed Placements
6. Import Substitution
 - a. Make in India product
 - b. Buy in India
 - c. Study in India
 - d. Localisation shift
 - e. Over dependent on China will reduce

SUMMARY OF DIRECT TAX RELATI QUESTIONS

Presentation by :
CA. Naveen Khariwal G
 Chartered Accountant
 No. 248, 3rd Main Road,
 Chamrajpet, Bangalore – 560 018.

naveenkhariwalg@gmail.com
 Mob No : 9880683725

REPRESENTATIONS & INTERACTIONS

KSCAA IN ACTION



Representations & Interactions on :

1. Joint representation for deferment and clarification of amendments to the equalisation levy by the Finance, Act 2020
2. Representation on dealing with COVID-19 impact on working capital and cash flows of consulting and professional firms - soliciting immediate intervention
3. Representation to classify services provided by Chartered Accountants and their firms as essential service
4. Memorandum for grant of CPE credit to Chartered Accountants attending programs of KSCAA
5. Joint representation for the amendments made in section 254 of the income tax act, 1961 - amendments made to section 254 of Income-tax Act, 1961 by Finance Bill, 2020 with respect to power of grant of stay by Income-Tax Appellate Tribunal
6. Joint representation for extension of timeline of 31st March 2020 for Vivad se Vishwas Scheme, 2020
7. Joint representation on clarifications and extension of income tax due dates of delayed payment of TDS for month of March and April, stay of demand and validity of certificates issued u/s. 197 of the Act
8. Representation regarding manner of taxability of services provided by an office of an organisation in one state to the office of that organisation in another state
9. Representataion seeking extension of time of 'comprehensive kara samadhana scheme 2019'
10. Request for extension of date of audit of co-operative societies due to floods and unforeseen monsoon
11. Memorandum seeking extension of due date for filing of income tax and gst returns due to floods and unforeseen monsoon



Any piece of policy or law to be successful needs a feedback loop, and KSCAA has positively involved with all the stakeholders to create a mechanism to restore the confidence in public and professionals. The timely intervention has allowed the policy makers, regulators and law makers in the field of taxation, corporate law etc., to saturate its effective implementation and wean the difficulty to all stakeholders. Enormous representation to various governing bodies and members is a testimony of the positive dialogues and result yielding attempt.

We have also nominated CA. Gururaj Acharya to represent this Association in 'Accounting and Finance Services Sectional Committee' under Services Sector Division Council of Bureau of Indian Standard.



Interactions with
Chief Minister, Dy.CM
State Minister, Pr. Chief
Commissioner

11
Representations

11
Interactions

SPORTS & TALENT MEET

We had successful sports and talent meet event on 10th November 2019 & 24th November 2019. The indoor sports event & Talent show was held at KGS ground, Cubbon Park and Outdoor sports event was held at BEL Ground. The sports event was inaugurated by CA. Vinay Mruthyunjaya, Treasurer, Karnataka State Cricket Association. Indoor games included games such as shuttle badminton, lawn tennis, carrom, chess etc for CAs & their Family. Singing, Dance, drawing, etc. was part of the talent show and other events.

Outdoor event had sports event such as Cricket, Volleyball, Tug of war, Athletics etc. For the first time in the history of KSCAA, 21 Teams have participated in cricket tournament from all over Karnataka including from mofussil districts such as Hubli, Bagalkot etc. Cricket tournament on 24th November, 2019 was inaugurated by Sri. Adit Morzaria, Managing Director of KHT motors and CA. Maddanaswamy B V, Past President of KSCAA.

The event witnessed extraordinary sportsmanship from CAs and their family and amazing talent show as well.



LEADERSHIP & SKILL DEVELOPMENT

“Eloquent Professionals” - New initiative



26 Physical Meetings

20 Virtual Meetings

20+ Average Attendees

KSCAA ventured in setting up a new Committee which devised a unique initiative under the banner “Eloquent Professionals” to bridge the gaps in improving public speaking skills and to empower the professionals with a 360-degree positive learning experience to develop leadership skills. The forum was launched with the august presence of CA.Shiva Subramanyam, Past President, KSCAA. We have been consistent in holding meetings on a week on week basis. The meeting structure is based on Agora International Speakers model.

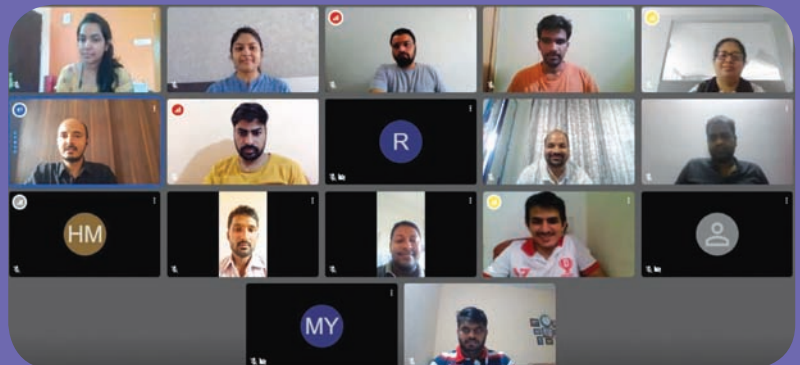
The duration of the meeting spans for around 2 hours with a welcome address. Followed by the Presidential address on the theme. The Master of Ceremonies spearheads the meeting in an elegant manner by handling various sessions viz. the prepared speech, pick and

prepared speeches are reviewed under the tutelage of experienced speakers as the speeches are based on the broad guidelines framed by globally recognized Speakers forum. Pick and speak session lets the butterfly out of your tummy to improve the impromptu speaking ability. The Evaluation session, headed by renowned evaluators, acts as a fulcrum to provide feedback on the entire session. They are assisted by timer, grammarian (notes

good and not so good use of grammar), ah-counter (checks on the fillers used) and listener (tests the listening ability of the participants). Best performers are rewarded with vouchers.

We have conducted special educational sessions that has benefited its members in better use of body language & voice modulation (Mr. Ramlal), speech building and importance of preparation (CA Chittur), Rhetoric and Logical fallacies (CA RajKumar, CA Sathish M, CA Shreehari, CA Pavitra, CA Yusuf Mohammed), speed reading (CA Siddesh) and social media for CAs (Mr. Himanshu Singh). Even during the lockdown, the Forum had adopted and embraced technology by conducting virtual meetings.

Mentors: CA. Shiva Subramanyam, CA Chittur Subramanyam, Mr. Lokesh S, Mr. Ramlal S, CA Raj Kumar Jayanth, CA Ravindranath N, CA B R Shetty, CA Sujatha G and many more.



ASSOCIATION'S SOCIAL RESPONSIBILITY TOWARDS

Relief Work during 2019 Floods



Nature's natural response to ever interfering human characters is the headwind it puts to many lives and risks the livelihood. The year 2019 saw a similar incident play by nature which destroyed the livelihood of people staying in the district of Belagavi, Shivamogga, Uttara Kannada, Dakshina Kannada, Bagalkot, Bijapur, Raichur and Other Malanad regions. KSCAA initiated a charity project to help the needy in these areas by calling upon the members to contribute towards the charity, either through monetary contribution or by providing relief material. We have contributed Rs. 4,15,000 to Shri Huchheshwara Higher school, (Kamathagi, Hunagunda Taluk, Bagalkote district) towards building toilet facilities for students which is affected by floods. As the saying by Annie Frank goes 'No one has ever become poor by giving', members response to the charity was overwhelming both in terms of monetary and non-Monetary contribution.

ASSOCIATION'S SOCIAL RESPONSIBILITY TOWARDS

Pledge-a-Meal and #Mission10KMeals

The world has changed substantially with COVID 19 and initial lockdown for around 40 days displaced the livelihood of many. While the lives were getting saved, the initial ramification to the poor and marginal was their challenge to daily bread. KSCAA through its Executive Committee members thought that it was its inbound duty to help and engage itself in the tuff hours of mankind. Living to the true Principles of Mahatma Gandhi, who once said "There are people in the world so hungry, that God cannot appear to them except in the form of bread", we decided to launch a charity work named 'Pledge-a-meal'.

This Initiative was for donors to 'Pledge-a-meal' by subscribing the pack of meals which KSCAA would distribute to needy and poor. The initial target of 5,000 meals was overwhelmingly subscribed, the pledge was raised to around 7,500 meals in total. On members demand, we had to rise our charity by naming it #mission10Kmeals and we were oversubscribed even in this mission. We concluded our service with more than **23,800 meals** during the first and second lockdown and the experience of this gesture was humble and great.



RECOGNISING OUR LEADERS



“Equity, Diversity and inclusion are Core Values of our Association, as we believe that as a Profession we must continue to support the creation of a more Equitable, Diverse and Inclusive Society.”



NEW INITIATIVES



Eloquent Professionals
Launched



Webinars



Virtual EC Meetings



Social Responsibilities

1. Charity during Flood
2. 'Pledge-a-Meal' Initiative during COVID 19 Lockdown



Expanded
Sub-Committees

AUDITORS

The Present Auditors M/s. Sumant T Hegde & Associates, Chartered Accountants, Bengaluru, retire at the ensuing Annual General Meeting and have expressed their willingness to continue as auditors for the ensuing year.



AUDITOR

OBITUARY



Words may not suffice to express the heartfelt sorrow that we feel for the passing of CA. H.B.M. Murugesh, Past President, KSCAA. World has lost a great human being, Profession has lost a great professional, The Association has lost a great mentor.

Though he was President for the term 2002-03, the Association has been beneficiary of his time, efforts, guidance and support till his last breath, to say the least.

A good heart has stopped beating, but a heart that has touched so many lives can't help but live on in those it loved. Our collective hearts are heavy with sympathy at the loss of great life.

BECAUSE OF YOU

Thank you to everyone who contributed to the Karnataka State Chartered Accountants Association. Our government, corporate, foundation, and individual donors and contributors in different varieties are vital partners as we all work together to ensure that CAs serve as leaders in transforming communities. Your gift to KSCAA enables us to advance our strategic plan goals. Every CA is a hub of community engagement, innovation and continual learning, and you are a part of that. Thank you for your many valued contributions to KSCAA.

Associations & Branches

Bangalore Branch of SIRC of ICAI
FKCCI, Bangalore
Belgaum Branch of SIRC of ICAI
Bellary Branch of SIRC of ICAI
Hubli Branch of SIRC of ICAI
Mangalore Branch of SIRC of ICAI
Mysore Branch of SIRC of ICAI
Udupi Branch of SIRC of ICAI
Basavanagudi CPE Study Circle
Davangere CPE Chapter of SIRC of ICAI
Shimoga CPE Chapter of SIRC of ICAI
Bagalkot CPE Study Chapter of SIRC of ICAI
Bagalkot District Chartered Accountants Association
Belagavi District Chartered Accountants Association
Shivamoga District Chartered Accountants Association
Tumkur District Chartered Accountants Association
Davanagere District Chartered Accountants Association

Speakers

CA. V. Raghuraman	CA. Jatin Christopher
CA P R Suresh	CA. Venugopal Gella
CA. (Adv) Bimal Jain	CA. Cotha S Srinivas
CA. Banusekar T.	CA. Rani N.R.
Adv. Vikram Huilgol	Adv. M.G. Kodandaram
CA. Raghavendra T.N.	Mr. Mahadevan
CA. Naveen Khariwal	Gopalakrishnan
CA. Annapurna Kabra	Mr. Venkat Raman
CA. Hanish S	CA. Shriram S.S.
CA. Sandesh S Kutnikar	CA. Ganesh V. Shandage
CA. Praveen Kumar Gella	CA. Shivaprakash
CA. Saiprasad	Viraktamath
CA. K. Gururaj Acharya	CA. Shri Ramasubramanian
CA. Sanjay Dhariwal	CA. Krishna Upadhya
CA. Dr. N. Suresh	CA. Prateek Marlecha

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CA. Raghavendra M N
CA. Ashwin Shetty
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Anand Shetty Hiriadka - Agency Partner Kotak
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IDFC First Bank
Fourth Dimension Wealth Management Services
Wealth Lab Private Limited
Chariot World Tours
Equitas Bank

INDEPENDENT AUDITOR'S REPORT

To,

**The Members of
Karnataka State Chartered Accountants Association**

Opinion

We have audited the Financial Statements of **M/s Karnataka State Chartered Accountants Association (KSCAA) ("the Association")**, which comprise the Balance Sheet as at 31st March 2020, 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.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements 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 of the State of Affairs of the Association as at 31st March 2020 and its surplus for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the *Code of Ethics issued by ICAI* and we have fulfilled our other ethical responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Executive Committee of Members of **Karnataka State Chartered Accountants Association** is responsible for the preparation of these financial statements that give a true and fair view in accordance with requirements of Karnataka Societies Registration Act, 1960 and generally accepted accounting principles and to provide for such internal controls as the Executive Committee determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with the Standards on Auditing (SAs) issued by *the Institute of Chartered Accountants of India* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the Association's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Committee.
- Conclude on the appropriateness of the Executive Committee's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Sumant T Hegde & Associates

Chartered Accountants
FRN 020649S

Sd/-

CA. Sumant T Hegde

Proprietor
MN. 243620

UDIN: 20243620AAAAAF5194

Date: 4th July 2020
Place: Bengaluru

BALANCE SHEET

AS AT 31 MARCH 2020

PARTICULARS	SCHEDULE NUMBERS	AS AT 31 MARCH 2020 RUPEES	AS AT 31 MARCH 2019 RUPEES
SOURCES OF FUNDS			
Corpus Fund	1	36,75,672	34,93,672
General Fund	2	1,67,17,094	1,55,50,538
Restricted and Other Funds	3	36,85,449	36,70,532
		2,40,78,215	2,27,14,742
APPLICATION OF FUNDS			
Fixed Assets	4	26,64,933	24,74,482
Investments	5	1,83,52,953	1,89,25,239
Current Assets, Loans and Advances			
(a) Stock of Publications and Materials	6	2,41,484	1,77,462
(b) Receivables	7	15,22,770	3,24,150
(c) Cash and Bank Balances	8	19,66,081	2,56,317
(d) Loans and Advances	9	12,87,074	10,08,220
		50,17,409	17,66,149
Less: Current Liabilities and Provisions	10	19,57,080	4,51,128
Net Current Assets		30,60,329	13,15,021
		2,40,78,215	2,27,14,742

Significant Accounting Policies and Notes to Accounts 18

Schedules 1 to 18 form an integral part of the Accounts

As per our report of even date
Sumant T Hegde & Associates
 Chartered Accountants
 FRN :0206495

Sd/-
CA. Sumant T Hegde
 Proprietor
 M.No:243620
 UDIN :20243620AAAAAF5194

Date: 4th July 2020
 Place: Bengaluru

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

Sd/-
CA. Chandrashekara Shetty
 President

Sd/-
CA. Sujatha G
 Treasurer

Sd/-
CA. Chandan Kumar Hegde
 Secretary

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

PARTICULARS	SCHEDULE NUMBERS	YEAR ENDED 31 MARCH 2020 RUPEES	YEAR ENDED 31 MARCH 2019 RUPEES
A. INCOMES			
Conference, Seminars and Meetings	11	75,67,084	65,71,638
Interest Income	12	14,12,767	10,30,742
Other Income	13	3,94,213	5,73,114
	A	93,74,064	81,75,493
B. EXPENDITURE			
Conference, Seminars and Meetings	14	54,60,822	48,40,045
Bulletins and Publications	15	9,77,670	9,21,682
Administrative Expenses	16	11,05,958	6,86,776
Other Expenses	17	5,28,135	4,92,588
Depreciation	4	1,34,924	1,16,670
	B	82,07,509	70,57,760
C. SURPLUS FOR THE YEAR BEFORE PRIOR PERIOD ITEMS (A-B)		11,66,555	11,17,733
D. PRIOR PERIOD ITEM- EXPENSE		-	-
E. NET SURPLUS TRANSFERRED TO GENERAL FUND(C-D)		11,66,555	11,17,733
Significant Accounting Policies and Notes To Accounts	18		

Schedules 1 to 18 form an integral part of the Accounts

As per our report of even date
Sumant T Hegde & Associates

Chartered Accountants

FRN :020649S

Sd/-

CA. Sumant T Hegde

Proprietor

M.No:243620

UDIN :20243620AAAAAF5194

Date: 4th July 2020

Place: Bengaluru

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

Sd/-

CA. Chandrashekara Shetty

President

Sd/-

CA. Sujatha G

Treasurer

Sd/-

CA. Chandan Kumar Hegde

Secretary

SCHEDULES FORMING PART OF ACCOUNTS

AS AT 31 MARCH 2020

PARTICULARS	AS AT 31 MARCH 2020 RUPEES	AS AT 31 MARCH 2019 RUPEES
1 CORPUS FUND		
Opening Balance	34,93,672	31,61,672
Add: Life Membership Fee received during the year	1,82,000	3,32,000
	36,75,672	34,93,672
2 GENERAL FUND		
Opening Balance	1,55,50,538	1,44,32,805
Add : Surplus for the year	11,66,555	11,17,733
	1,67,17,094	1,55,50,538
5 INVESTMENTS		
<i>TERM DEPOSITS WITH:</i>		
Andhra Bank	5,19,958	5,07,311
Lakshmi Vilas Bank	1,62,16,453	1,68,00,000
Saraswat Bank	15,46,103	15,32,556
<i>ACCRUED INTEREST ON TERM DEPOSITS WITH:</i>		
Andhra Bank	-	8,190
Lakshmi Vilas Bank	58,001	53,701
Saraswat Bank	12,438	23,481
	1,83,52,953	1,89,25,239
6 STOCK OF PUBLICATIONS AND MATERIALS		
(Valued at lower of cost or net realisable value)		
KSCAA Publications	2,07,611	1,52,750
Other Materials	33,873	24,712
	2,41,484	1,77,462
7 RECEIVABLES		
Receivables	15,22,770	3,24,150
	15,22,770	3,24,150
8 CASH AND BANK BALANCES		
Cash on hand	62,616	9,863
Andhra Bank SB Account-6886	1,16,551	1,16,143
Canara Bank SB Account	4,514	4,514
Andhra Bank SB Account-6887	10,45,446	90,345
Lakshmi Vilas Bank Current Account	7,36,954	35,452
	19,66,081	2,56,317

SCHEDULES FORMING PART OF ACCOUNTS

AS AT 31 MARCH 2020

PARTICULARS	AS AT 31 MARCH 2020 RUPEES	AS AT 31 MARCH 2019 RUPEES
9 LOANS AND ADVANCES		
<i>DEPOSITS</i>		
Telephone Deposit	2,000	2,000
Electricity Deposit	26,110	26,110
Postal Department	475	475
Rental Deposit	3,65,000	65,000
GST Input Tax	-	2,09,225
A	3,93,585	3,02,810
<i>OTHERS</i>		
TDS 12-13	57,351	57,351
TDS 13-14	43,004	43,004
TDS 14-15	1,38,579	1,38,579
TDS 16-17	1,30,790	1,30,790
TDS 17-18	1,57,353	1,57,353
TDS 18-19	1,80,734	1,78,334
TDS 19-20	1,85,678	-
B	8,93,489	7,05,411
A+B	12,87,074	10,08,220
10 CURRENT LIABILITIES AND PROVISIONS		
<i>CURRENT LIABILITIES</i>		
Audit Fees Payable	31,500	30,000
Outstanding Liabilities	15,95,237	1,40,785
A	16,26,737	1,70,785
<i>PROVISIONS</i>		
Miscellaneous Provisions	3,30,343	2,80,343
B	3,30,343	2,80,343
A+B	19,57,080	4,51,128

SCHEDULES FORMING PART OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2020

PARTICULARS	AS AT 31 MARCH 2020 RUPEES	AS AT 31 MARCH 2019 RUPEES
11 INCOME FROM CONFERENCE, SEMINARS AND MEETINGS		
Annual Conference	59,32,656	48,95,697
Meetings, Seminars, Workshops, Sports & Cultural and Other Programs	16,34,429	16,75,941
	75,67,084	65,71,638
12 INTEREST INCOME		
Interest on Bank Term Deposits	14,48,416	10,58,507
Less: Transferred to Restricted fund	59,219	55,273
	13,89,197	10,03,234
Add: Interest on Saving Bank Accounts	23,570	27,508
	14,12,767	10,30,742
13 OTHER INCOME		
Admission Fees	36,200	33,400
Annual Membership Fees	-	500
Miscellaneous Income	6,807	12,086
Sale of Publications	70,488	30,418
Advertisement in News Bulletins	2,80,718	4,96,710
	3,94,213	5,73,114
14 CONFERENCE, SEMINARS AND MEETINGS EXPENSES		
Annual Conference Expenses	45,13,417	33,14,675
Add: Decrease/ (increase) in Stock of Materials	(9,161)	(26,763)
Add: Decrease/(Increase) in Publications	(54,861)	95,507
A	44,49,395	33,83,419
Meetings, Seminars, Workshops, Sports & Cultural and Other Programs	10,11,427	14,56,626
A+B	54,60,822	48,40,045
15 BULLETINS AND PUBLICATIONS		
Printing Charges of News Bulletins	9,77,670	9,21,682
	9,77,670	9,21,682

SCHEDULES FORMING PART OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2020

PARTICULARS	AS AT 31 MARCH 2020 RUPEES	AS AT 31 MARCH 2019 RUPEES
16 ADMINISTRATIVE EXPENSES		
Salaries and Bonus	5,43,323	4,35,832
Staff Welfare Expenses	16,032	16,172
Electricity Charges	18,743	21,543
Rent	2,70,000	-
Water Charges	5,720	1,400
Telephone and Internet Charges	23,610	21,222
Postage and Courier Charges	20,331	21,680
Printing and Stationery	47,164	71,421
Audit Fees	35,000	30,000
Annual General Meeting Expenses	1,26,035	67,506
	11,05,958	6,86,776
17 OTHER EXPENSES		
Subscription and Membership Expenses	4,000	4,000
Pooja Expenses	41,216	3,860
Office Maintenance Expenses	29,895	14,910
Repairs and Maintenance Expenses	14,659	29,220
Bank Charges	4,498	1,522
Website Charges	41,524	81,945
Miscellaneous Expenses	16,625	14,793
Logo registration	33,000	-
Locker Rent	2,124	2,124
Rates and Taxes	20,345	15,674
Property Tax	50,000	50,000
Email and SMS Charges	1,76,633	1,71,376
Commission on Online Payment Services	52,807	62,751
Executive Committee Meeting Expenses	10,810	10,413
Professional Lounge Maintenance Expenses	30,000	30,000
	5,28,135	4,92,588

SCHEDULES FORMING PART OF ACCOUNTS

AS AT 31 MARCH 2020

SCHEDULE - 3 RESTRICTED AND OTHER FUNDS

(IN RUPEES)

PARTICULARS		BALANCES AS ON 1 APRIL 2019	RECEIPTS DURING THE YEAR	ADD TRANSFERRED DURING THE YEAR	LESS UTILISED/ TRANSFERRED	BALANCES AS ON 31 MARCH 2020
A	RESTRICTED FUNDS					
	Endowment Fund	70,000	-	-	-	70,000
	Late S. Narayanan's Memorial Prize Award Account	1,00,000	-	-	-	1,00,000
	Professional Development Fund	5,06,488	-	-	-	5,06,488
	Student Welfare Fund	1,13,102	-	-	-	1,13,102
	A	7,89,590	-	-	-	7,89,590
B	ACTIVITY FUNDS					
	Endowment Fund	29,725	-	5,250		34,975
	Late S. Narayanan's Memorial Prize Award Account	98,552	-	7,500		1,06,052
	Professional Development Fund	14,446		37,987	42,413	10,020
	Student Welfare Fund	29,355		8,483	1,890	35,948
	Legal Fund	2,87,268		-	-	2,87,268
	B	4,59,346	-	59,219	44,303	4,74,263
C	UTILISED FUNDS					
	Library Fund	1,44,360	-	-	-	1,44,360
	Permanent Project	2,47,500	-	-	-	2,47,500
	Buidling Fund	50,000	-	-	-	50,000
	S. Amaralal Golden Jubilee Hall Fund	2,50,000	-	-	-	2,50,000
	Professional Lounge Fund	2,29,736	-	-	-	2,29,736
	Golden Jubilee Project Fund	15,00,000	-	-	-	15,00,000
	C	24,21,596	-	-	-	24,21,596
	GRAND TOTAL (A+B+C)	36,70,532	-	59,219	44,303	36,85,449
	PREVIOUS YEAR	36,49,842	10,000	55,273	44,583	36,70,532

SCHEDULES FORMING PART OF ACCOUNTS

AS AT 31 MARCH 2020

SCHEDULE 4

FIXED ASSETS

PARTICULARS	GROSS BLOCK AS ON 1 APRIL 2019 Rs.	ADDITIONS MORE THAN 180 DAYS Rs.	ADDITIONS LESS THAN 180 DAYS Rs.	DELETIONS Rs.	GROSS BLOCK AS ON 31 MARCH 2020 Rs.	ACCUMULATED DEPRECIATION AS ON 1 APRIL 2019 Rs.	RATE %	DEPRECIATION FOR THE YEAR Rs.	ACCUMULATED DEPRECIATION AS ON 31 MARCH 2020 Rs.	WDV AS ON 31 MARCH 2020 Rs.	WDV AS ON 31 MARCH 2019 Rs.
IMMOVABLE PROPERTIES											
Land at Harohally Industrial Area	16,94,630	25,000	-	-	17,19,630	-	-	-	-	17,19,630	16,94,630
Office Building	7,80,288	-	-	-	7,80,288	6,13,368	10%	16,692	6,30,060	1,50,228	1,66,920
Office Building on Leasehold Premises	-	37,800	-	-	37,800	-	-	12,600	12,600	25,200	-
OTHER ASSETS											
Furniture and Fixtures	10,94,739	2,62,575	-	-	13,57,314	6,29,485	10%	72,783	7,02,268	6,55,046	4,65,254
Library Books	94,018	-	-	-	94,018	93,996	40%	9	94,005	13	22
Computer, Printers & Software	2,09,054	-	-	-	2,09,054	1,66,286	40%	17,107	1,83,393	25,661	42,768
Office Equipments	4,16,011	-	-	-	4,16,011	3,11,126	15%	15,733	3,26,859	89,152	1,04,885
Assets not in use	759	-	-	-	759	756	-	-	756	3	3
TOTAL	42,89,499	3,25,375	-	-	46,14,874	18,15,017		1,34,924	19,49,941	26,64,933	24,74,482
PREVIOUS YEAR	41,55,029	1,27,580	6,890	-	42,89,499	16,98,347		1,16,670	18,15,017	24,74,482	24,56,682

SCHEDULES FORMING PART OF ACCOUNTS

AS AT 31 MARCH 2020

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.All/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, workshops and sports and cultural programs are recognized as income as and when conferences, seminars,

workshops and sports and cultural programs are organized and held.

- c. Admission Fee charged is recognized as income in the year of receipt.
- d. Ordinary Membership fee received is recognized as income in the year of receipt.
- e. Interest on Term Deposits held as investments is recognized on accrual basis.
- f. Income from Sale of publications is recognized as income as and when the publications are sold.
- g. Income from advertisement in bulletins is recognized as income as and when the advertisements are published in the bulletins.
- h. Interest on tax refunds is accounted on receipt basis.

2. Expenses

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

3. Allocation/Transfers to Restricted Funds

- a. The Association has a policy to allocate/transfer interest to Restricted Fund Accounts to recognize the interest attributable to those Funds.
- b. Allocation/Transfer of interest to Restricted Fund is made on the basis of proportionate interest attributable to the balance standing in the respective Fund account as at the end of the year.
- c. On such allocation/ transfer of interest to the Funds, specific expenses related to such Funds are appropriated to the extent of balance available in that respective activity fund.
- d. The practice to allocate/ transfer interest and expenses to the Restricted Funds has been consistently followed by the Association from the past.

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

The fixed assets which are held for use for administrative purposes and which are expected to be used for more than a period of twelve months have been capitalized at acquisition cost, with all identifiable expenditure incurred to make the asset fit for use. These assets are stated at cost less depreciation to date.

And also, the cost of an item of fixed asset is recognized as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the enterprise; and
- (b) the cost of the item can be measured reliably.

6. Depreciation

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.

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

The current investments are valued at lower of the cost or fair value, whereas the long-term investments are carried at cost unless and otherwise there is permanent diminution in the value of the investment.

9. Income Tax

The Association is registered under Section 12A (a) of the Income Tax Act, 1961. The provision for Income Tax is recognized according to the provisions of section 11 and 12 of the Income Tax Act, 1961.

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 MARCH 2020

1. The balances as reflected in the Balance Sheet as at 31st March, 2020 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. The Karnataka Industrial Areas Development Board (KIADB) has allotted Plot No.32-C, measuring 2703 sq.mts at Harohalli Industrial Area, 1st Phase, Kanakapura Taluk, Bengaluru. KIADB has issued the Possession Certificate vide No.IADB/16904/DO-1/812/2009-10, dated 22.08.2009. During the year we have carried out the activity of cleaning up and levelling of our site. We found that the dimension mentioned in existing possession certificate was different from what was available on the site. On resurvey conducted by the KIADB, we were provided with new dimension differing from existing possession certificate. The Association is liaising with KIADB

for new possession certificate and registration of Lease cum Sale Deed. The Land allotted and the improvement carried on during the year has been capitalized.

4. Investments includes investment of Restricted Funds amounting to Rs.7,89,590/- (FY 2018-19, Rs.7,89,590/-)
5. Miscellaneous Provisions:

Property Tax Payable

Particulars	Amount
Opening Balance of Property Tax Payable	2,80,343
Add: Provision Made During the Year 19-20	50,000
Closing Balance of Property Tax Payable	3,30,343

The provision for Property Tax for the year has been created based on the Show Cause Notice issued by the BBMP for the arrears.

6. The Association is registered under Section 12A (a) of the Income Tax Act, 1961. During the year the Association's accumulated income is in excess of 15%, has been deposited as per the provisions of section 11(2) of the Income Tax Act, 1961 and to be informed to the Income Tax Authorities by the Association in the prescribed format; hence no provision has been made towards income tax.
7. Audit Fees for the year is Rs. 35,000/- (Previous Year Rs. 30,000/-).
8. Figures have been rounded off to nearest rupee value.
9. Previous year figures have been regrouped / rearranged to be in conformity with the current year's presentation.

As per our report of even date
Sumant T Hegde & Associates
 Chartered Accountants
 FRN :020649S

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

Sd/-
CA. Sumant T Hegde
 Proprietor
 M.No:243620
 UDIN :20243620AAAAAF5194

Sd/-
CA. Chandrashekara Shetty
 President

Sd/-
CA. Chandan Kumar Hegde
 Secretary

Date: 4th July 2020
 Place: Bengaluru

Sd/-
CA. Sujatha G
 Treasurer

NOTE

We request you to send in your queries if any, on the Audited Financial Statements for the year ended 31-03-2020, on or before 13th August, 2020 to the Association address either by normal post or by e-mail.

e-mail : president@kscaa.com; info@kscaa.com

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

No. 67, 1st Floor, 2nd Stage, West of Chord Road, Mahalaxmipuram, Below Rajajinagar Metro Station,
 Bengaluru-560 086 • Phone 080 2955 2155 • info@kscaa.com • www.kscaa.com



KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

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Bengaluru-560 086 • Phone 080 2955 2155 • info@kscaa.com • www.kscaa.com

NOMINATION FORM

The Secretary,

Karnataka State Chartered Accountants Association,

No. 67, 1st Floor, 2nd Stage, West of Chord Road, Mahalaxmipuram,
Below Rajajinagar Metro Station, Bengaluru - 560 086.

Dear Sir,

I wish to contest as a candidate for election to the Executive Committee of the Association for the year 2020-21 to be held during the 47th Annual General Meeting on Thursday, the 27th of August, 2020.

Yours faithfully,

(Signature of the Candidate)

Name:

Telephone No:

KSCAA Membership No.:

Mobile No.:

Address:

Email ID:

Proposer's Name :

Secunder's Name :

Proposer's Signature:

Secunder'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 duly filled and signed Nomination Form at the Association Office or by sending signed scanned copy by an email to info@kscaa.com.
- Last date for submission of nomination: **Before 5.00 pm on Saturday, 8th August, 2020**
- Last date of withdrawal of the nominations: **Before 5.00 pm on Friday, 14th August, 2020**
- Announcement of final list of candidates contesting for election: **At 6.00 pm on Friday, 14th August, 2020**
- The Final list of the Candidates shall also be uploaded on our website www.kscaa.com



TRANSITIONAL CREDIT – NO CLARITY IN THREE YEARS OF GST

CA. G B Srikanth Acharya

The Goods & Service Tax Act was implemented three years ago with one of the primary objectives being to provide a mechanism which allows for the seamless transfer of credit from one stage to another in the chain of value addition. Further, to ensure that pre – GST era credit was also available to the taxpayers, a bridge was provided by way of the transitional provisions to transfer the credit into GST regime.

The original period to claim the transitional credit was ninety days from the date of implementation of GST and the due date was further extended to December 27th, 2017. However, the well documented issues of the GSTN meant that a number of taxpayers were unable to file the TRAN -1 within the prescribed date.

Over the past three years, this transitional credit has been constantly subject to debate and the contradictory judgments passed by various courts have added to the confusion. This article aims to mainly summarise certain key judgments passed on this topic.

The judgement of the hon'ble high court of Allahabad in the case of *Continental Pvt. Ltd. v. Union of India* was one of the first judgments wherein the government was directed to extend the time limit for filing of TRAN 1 on account of technical difficulties faced by the taxpayers while filing the said form on the GSTN portal.

Accordingly, the government relaxed the timelines only for those taxpayers who faced “*Technical Glitches*” by extending the due date till March 31st 2019 and subsequently to 31st March 2020 by way of insertion of sub rule (1A) in rule 117 of the GST Rules.

Another key judgment which was in favour of the taxpayer was passed by the hon'ble high court of Gujarat in the case of *Siddharth Enterprises v. The Nodal Officer* wherein it was held that the right to carry forward the CENVAT credit is a right acquired under the erstwhile Central Excise Act, 1944 and under Section 174 (2) (c) of the Central Goods and Service Tax Act, 2017. It is a ‘vested right’ which cannot be taken away by the time limit prescribed under rule 117 of Central Goods and Service Tax Rules, 2017.

The common factor in both of the above cases was that the taxpayer was not able to file the form GST TRAN 1 within the stipulated period on account of technical glitches on the GSTN portal. However, there were numerous taxpayers who were seeking relief even though they could not establish that there was a technical glitch which resulted in the failure of filing the TRAN 1. This issue was put to rest through the judgement passed by the hon'ble Punjab and Haryana high court in case *Adfert Technologies. Pvt. Ltd. v. Union of India* wherein it was held that unutilized credit arising on account of duty / tax paid under former tax laws is vested right which cannot be taken away on procedural or technical grounds of non-filing of TRAN 1 by the deadline.

All the judgments were however not in favour of the taxpayer. For instance, the Gujarat high court in the case of *Willwood Chemicals Ltd v. Union of India* held that CENVAT credit is only a form of concession. The Bombay High Court also adopted this view in case of *JCB India Ltd. v. Union of India* by stating that CENVAT credit is a ‘concession’ and it is not an indefeasible and absolute right of a taxpayer.

The Hon'ble Bombay High Court held in the case of *Nelco Limited vs Union of India* that the time limit stipulated in rule 117 is in consonance with the transitional nature of the enactment and it is neither arbitrary or unreasonable. It further recorded that availment of ITC under section 140 of CGST Act is a concession which needs to be exercised within a specific time limit.

The most recent and significant judgment was however in the favour of the taxpayer. The Delhi High Court in the case of *Brand Equity Treaties Ltd. & Ors v. Union of India* has allowed carry forward of transitional credit, irrespective of the nature of ‘technical difficulty’. It was held that CENVAT credit is an accrued and vested property of taxpayers and is a constitutional right under article 300A of the Constitution of India.

Further, the hon'ble high court while interpreting the term “technical difficulty” held that it has a broad meaning and

cannot be restricted to difficulty faced due to electronic and similar glitches in the GSTN. This term would also include the availability of the internet, knowledge and skills of computer etc and that by prescribing a time limit and not allowing the carry forward of credit due to these difficulties which are to an extent not defined under the act is an unreasonable and arbitrary approach.

Therefore, credit should not be denied to any assessee and in the absence of any time limit given in the act, the Limitation Act would be applicable which provides for a time limit of 3 years. The judgment further went on to state that the direction would apply to everyone who could not file TRAN 1 and claim input tax credit.

Briefly, the Brand Equity Judgment and other judgments which were in favour of the taxpayer allowed for filing of TRAN 1 on the following grounds :

1. The denial of claim of ITC is a violation of article 300A of the constitution
2. The rule has acted beyond the scope of the act i.e., the time limit provided under rule 117 is merely directory in nature and not mandatory and cannot affect the right of the taxpayer to avail the credit.
3. The GSTN is in a trial and error phase and is prone to technical glitches for which the taxpayer should not be punished.

The Government reacted quickly to the Delhi High Court Decision by retrospectively amending Section 140 of the CGST Act 2017 vide the Finance Act 2020, to empower Rule 117 to frame timeline of availing credit. This amendment removes one of the taxpayers' grounds of appeal i.e., the time limit imposed under section 117 is beyond the powers of the rule making authority. However, this amendment tends to only one ground of appeal and It remains to be seen whether it can defeat the logic of the other grounds.

Conclusion

The Government does not seem to be keen to follow the various rulings which have been issued in favour of the taxpayers and is trying to explore all possible legal routes to break down the transitional credit bridge. However, Considering the current economic situation the country is engulfed in due to the Covid 19 pandemic the government would do well to allow those people who had not claimed transitional credit to claim the same. This would provide a stimulus to these taxpayers who would be reeling from the aftereffects of a nearly two-month lockdown. This leniency would also play a role in advancing the Aatmanirbhar Bharat vision of making our country Self Reliant.

*Authors can be reached on e-mail:
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THE SAGA OF TAX DEDUCTIBILITY OF INDIA INC'S CSR SPENDS

(Contd. from page 11)

the Act while computing income under the head 'Profit and Gains from Business and Profession'. Therefore, the Hon'ble ITAT held that denying the benefit under Chapter-VIA would tantamount to double disallowance to the assessee.

While these rulings provide a much-needed respite to taxpayers, certain key questions of law remain open for interpretation such as consideration of CSR expenditure in pursuance of Section 135 of the Companies Act, 2013 as 'Donation' eligible for claim under Section 80G of the Act and also a clarity on the intent of the legal provisions mandating such CSR expenditures. Representations have

been made to the CBDT to clarify these open questions and on the availability of CSR spends as tax deduction under other provisions such as Sections 35AC, 35CCC, 35CCD etc. The ongoing COVID-19 pandemic has made the Government stretch deeper into their pockets and corporates are being urged to lend a helping hand by way of CSR contributions to PM-CARES fund. A clarification from the CBDT on tax disputes around CSR contributions would further invigorate large business houses to extend their support towards social causes without fretting much about the convoluted income tax issues.

With inputs from Tilak Agarwal. Views expressed are personal.

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mailboxofsandeepj@gmail.com*



FINANCIAL REPORTING AND ASSURANCE

CA. Vinayak Pai V

1. UPDATES: *Monthly Roundup*¹

IFRS	<ul style="list-style-type: none"> • Amendments to IFRS 17, Insurance Contracts.
	<ul style="list-style-type: none"> • IFRS 17, <i>Insurance Contracts</i> - Deferral of effective date to annual reporting periods commencing January 1, 2023.
	<ul style="list-style-type: none"> • Amendment to IFRS 4, Insurance Contracts.
	<ul style="list-style-type: none"> • IFRIC Tentative Agenda Decision <ul style="list-style-type: none"> ○ Supply Chain Financing Arrangements – Reverse Factoring.
	<ul style="list-style-type: none"> • IASBs Project Update Publication <ul style="list-style-type: none"> ○ Combinations of Businesses Under Common Control – One Size Does Not Fit All.
Assurance	<ul style="list-style-type: none"> • ICAI Publication <ul style="list-style-type: none"> ○ Compendium of Auditing Guidance on Various Aspects amid Covid-19.
	<ul style="list-style-type: none"> • ICAI Guidance Note on <ul style="list-style-type: none"> ○ The Companies (Auditor's Report) Order, 2020².
	<ul style="list-style-type: none"> • IAASB Staff Audit Practice Alert <ul style="list-style-type: none"> ○ Auditing Accounting Estimates in the Current Evolving Environment Due to Covid-19.
Company Law/ SEBI	<ul style="list-style-type: none"> • MCA General Circular No. 24/2020 – Covid-19 – Extension of Time <ul style="list-style-type: none"> ○ Clarification with regard to creation of Deposit Repayment Reserve u/s 73(2) (C) and to invest/deposit 15% of debentures u/r.18 of Companies (Share Capital and Debentures) Rules.
	<ul style="list-style-type: none"> • SEBI Circular – SEBI/HO/CFD/CMD1/CIR/P/2020/106 <ul style="list-style-type: none"> ○ Further extension of time for submission of financial results for the quarter/half-year/ financial year ending March 31, 2020 due to Pandemic – (Extended to July 31, 2020).
	<ul style="list-style-type: none"> • SEBI Circular – SEBI/HO/CFD/CMD1/CIR/P/2020/110 <ul style="list-style-type: none"> ○ Relaxation of time gap between two Board/Audit Committee meetings of listed entities owing to the Covid-19 Pandemic.
RBI Notifications	<ul style="list-style-type: none"> • Assignment of Risk Weights on Credit Facilities (<i>Guaranteed Emergency Credit Line</i>) under the Emergency Credit Line Guarantee Scheme.
	<ul style="list-style-type: none"> • Section 24 of the Banking Regulation Act - Maintenance of Statutory Liquidity Ratio (SLR) – Marginal Standing Facility.
	<ul style="list-style-type: none"> • Section 42 (1) of the Reserve Bank of India Act – Change in Minimum Daily Maintenance of the Cash Reserve Requirement.
US GAAP	<ul style="list-style-type: none"> • ASU No. 2020-05 <ul style="list-style-type: none"> ○ FASB offers limited Effective Date Delays <ul style="list-style-type: none"> ▪ Topic 606 – <i>Revenue From Contracts With Customers.</i> ▪ Topic 842 – <i>Leases.</i>
	<ul style="list-style-type: none"> • FASB Taxonomy Staff Q&A Document <ul style="list-style-type: none"> ○ How to Apply the Taxonomy to Covid-19 Pandemic and Relief Disclosures.

¹ Updates for the period Jun 1 to Jun 30, 2020.

² Issued on July 1, 2020

2. GETTING UP TO SPEED: IAASB Audit Practice Alert – Auditing Accounting Estimates In The Pandemic Environment

On June 26, 2020, the International Auditing and Assurance Standards Board (IAASB) published a Staff Audit Practice Alert – *Auditing Accounting Estimates in the Current Evolving Environment Due to Covid-19*. It highlights key areas of focus in the current pandemic environment when undertaking audit procedures relating to accounting estimates and related disclosures in accordance with ISAs.

The Audit Practice Alert, inter-alia, highlights certain matters the auditor may want to focus on when performing risk assessment and related activities with respect to accounting estimates. Certain **Relevant Matters** covered include Regulatory Factors; Relevant Methods; Assumptions or Data and the need for changes in them; Understanding Controls; and Specialized Skills or Knowledge of the Engagement Team.

The publication is based on the requirements and guidance in **ISA 540 (Revised) – Auditing Accounting Estimates and Related Disclosures**. It may be noted that ISA 540 (R) includes more detailed requirements and application material relating to methods (including models), assumptions and data, and the consideration of inherent risk factors that may give rise to risks of material misstatement of an accounting estimate.

3. CASE STUDY: Reporting On A Key Audit Matter (KAM) – Capex

Background

Company X has incurred significant expenditure on capex (PPE and CWIP) and is in the process of executing various projects for expansions of existing capacity. These projects take a substantial period of time to get ready for intended use. The auditors considered this as a KAM on account of the significance of the amount for the period under audit; management judgement and estimate required in assessing assets meeting the capitalization criteria as per Ind AS; and the judgement involved in determining the eligibility of costs including borrowing costs and other directly attributable costs for capitalization.

How the scope of the audit responded to the KAM

The auditor's procedures included the following:

- The auditors obtained an understanding of the

Company's capitalization policy and assessed for compliance with the relevant accounting standards.

- The auditors **obtained an understanding**, evaluated the **design** and **tested** the operating effectiveness of **controls** related to capital expenditure and capitalization of assets.
- The auditors **performed substantive testing** on a sample basis **for each element of capitalized costs** including inventory issued to contractors for the purpose of these projects and physical verification performed by management along with reconciliation, including verification of underlying supporting evidence and **understanding nature of the costs capitalized**.
- In relation to borrowing costs, the auditors obtained the supporting calculations, verified the inputs to the calculation and tested the arithmetical accuracy of the model.
- The auditors assessed accounting for costs incurred when **projects suspended or delayed** for any reasons including the global **pandemic**.
- The auditors obtained an understanding on management assessment relating to progress of projects and their intention to bring the asset to its intended use.

4. FINANCIAL STATEMENT EXTRACTS: COVID-19 – Impact

Extracts from published financial statements (related to Disclosure of **COVID-19 impact** in the Notes to the Financial Statements for FY2020) of a listed company is provided herein below.

*The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of property, plant and equipment, investments, inventories, receivables and other current assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions including conditions in India because of this pandemic, the Company as at the date of the approval of these financial results has **assessed the impact on expected future performance** of the Company by using internal and external sources of information.*

*The Company has performed **sensitivity analysis on the assumptions** used and based on current estimates expects the carrying amount of the assets to be fully recoverable.*

The Company, being into **the business of essential products**, currently believes that the impact of Covid-19 on the Company's financial statements may not be material. The management continues to evaluate impact of Covid-19 situation on the Company.

5. **BACK TO BASICS: Sale of Goods – Revenue Recognition (Ind AS)**

The salient aspects of accounting for **sale of goods** under Ind AS are discussed herein below.

Revenue is recognized when **control** over the promised goods or services is **transferred to the customer** at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. A Company generally concludes that it is the **principal in its revenue arrangement** where typically it controls the goods or services before transferring them to the Customer.

Revenue is required to be **adjusted for variable consideration** such as discounts, rebates, refunds, credits, price concession, incentives, or other similar items in a contract **when they are highly probable** to be provided. The amount of revenue excludes any amount collected on behalf of third parties.

Revenue is **recognized** generally at the **point in time** when the products are delivered to customer or when it is delivered to a carrier for export sale, which is **when the control over products is transferred** to the customer. In contracts where freight is arranged by the selling company and recovered from the customers, the same is treated as a separate performance obligation and revenue is recognized when such freight services are rendered.

In revenue arrangements with **multiple performance obligations**, a Company accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the arrangement and if a customer can benefit from it. The consideration is allocated between separate products and services in the arrangement based on their stand-alone selling prices.

6. **TRIVIA**

Bookkeeper and words derived from it (e.g. **Bookkeeping**) are the only words in English with three sets of double letters³.

³ Source - Internet

Author can be reached on e-mail:
vinayakpaiv@hotmail.com

KSCAA WELCOMES NEW MEMBERS - JULY 2020

S.No.	Name	Place
1	Sumanth Chakli C.V.	Shimogga
2	Murali Agnihotri	Bengaluru
3	Prateek Balaji Darak	Yadgiri
4	Naman Runwal	Bengaluru
5	Ranganatha Krishna Achar	Udupi

S.No.	Name	Place
6	Subramanya Bhat Alevoor	Bengaluru
7	Jerin Kurian	Bengaluru
8	Deepak M	Bengaluru
9	Chirag R.Jain	Bengaluru
10	Krishna Upadhy S	Bengaluru



CHALLENGES FOR CHARTERED ACCOUNTANTS IN THE PRIVACY REALM

Adv. M G Kodandaram

IRS, Assistant Director (Retd), NACIN

Functions of the Chartered Accountants

The Chartered Accountants, (herein after CAs for brevity) generally, perceived to be professionals engaged in the services relating to accounting and auditing, have expanded their responsibilities and activities towards compliance management of various business laws and tax statutes. In certain situations they are chosen as a strategic planners and advisers thanks to their specialised knowledge and skill sets. In other words, CAs are also involved in decision making and entrepreneurial development and sustenance that add value beyond the traditional financial reporting and compliance responsibilities. The increasing business complexities on account of increased legal framework, formation of borderless e-economies, mandatory CSR provisions and similar dynamic changes in law and compliance mechanisms have acted as catalytic factors for remarkable growth of the profession.

In sync with the changing times, the Institute of Chartered Accountants of India (ICAI) in their Vision 2030 sets out four elements as the goals to be attained, viz., (a) the ICAI envisions becoming the world's leading accounting body by playing a predominant role in setting world class standards in identified service areas, developing thought leadership and research that addresses concerns **of all countries**; (b) It will drive core value to members through due thrust on its regulatory and developmental role with high standards of professional and ethical conduct; (c) It will undertake timely efforts to provide and prepare members with right skills to serve global markets; (d) It will strengthen facilities such as providing education, training and continuous updation of knowledge, research and development relevant to present so as to establish thought leadership in all areas where members have been providing services. In view of the stated visions, one can conclude that CAs have substantially diversified their role and shifted their focus towards planned decision making task in addition to the traditional financial accounting and reporting. In view of the changed scenario, the CA not only deals with debit-credit of the accounts but also play a vital and important function in building the Economy of the Nation. Former president Late Dr. APJ Abdul Kalam, president of

India, rightly stated that 'the Chartered Accountants are the partners in the Nation building'.

In the rapidly changing environment, the CA services, in brief, could be listed as (a) Accountancy services such as Book Keeping and preparation of financial statements; (b) Audit functions as prescribed under various statutes like Companies Act, Income Tax Act, Societies Act, Banking Act etc.; (c) Internal Audit services to evaluate effectiveness of internal controls; (d) Forensic Audit whenever required by courts or authorities or corporate; (e) practicing as tax professionals for compliance management of various statutes and regulations. In addition to general management consultancy services, the CAs are also appointed as (i) executors under a will or trust in order to manage the administration of the estate or settlements; (ii) an investigator to ascertain the financial position of business in connection with matters such as a new issue of share capital, the purchase or sale or financing of a business, reconstruction and amalgamations; (iii) as a decision maker in formulation of policies, day to day control, performance evaluation, etc. of an entity or establishment.

CA services in digital age

In all the stated activities and other similar ones, which are by nature are ever complex, diverse and expanding, the CAs face mounting challenges to update their functions and performance to be in line with the dynamic legal and technological frameworks. The advent of digital technology has made every social, business and commercial entity to exploit the same for their communication, administration and accounting purposes. The governments world over are switching over to use of ICT tools for Governance and remote administration. All Governments around the globe are moving towards e-governance measures for all their functions to maintain equity, transparency and fair principles and to curb the menace of corruption. All social, economic and governance activities and need of every resident on the earth are moving from traditional physical mode onto the virtual cyber mode by use of networks and hand held devices, with little respect for political or sovereign boundaries.

Almost every aspect of our lives, as of now, revolves around digital data. From social media companies to banks, retailers, and governments - almost every service provider is engaged and involved in the collection and analysis of our data, which may be personal and private to us. This transformed cyber data society has posed newer challenges to the CA fraternity, who find it extremely difficult to change over to protect and secured virtual mode that require continuous learning and adaptation.

It is pertinent to observe here that the CAs, who engage with the data world have huge responsibility to discharge as the data generated or collected, processed, stored, transmitted and allowed to access by eligible persons, during financial services should be in compliance with Information Technology laws [IT Law] of the land or country they are existing and serving. Any breach or violation of legal frame work in respect of the data at any stage would expose the practicing CAs to higher liabilities, damages, penalties and criminal prosecutions of the land. If any leaked data end up into the hands of cyber criminals, the emerging legal infringement and punishment issues that may crop up may go beyond the realm of the CAs. Therefore it is crucial to understand and implement the Information Technology laws of India and various other countries, if working for clients in such countries, so that the necessary compliances are met with. This helps one to withstand and protect oneself from the storm on hand or in the making.

Legal frame work for data protection

The Information Technology Act, 2000 [IT Act] is the primary legislation that regulates the use of computers, computer systems and computer networks as also the data and information in electronic format and provides necessary legal framework in regulation of the electronic applications, storage, processing, authentication as well as electronic contracts, e commerce, cyber offences and liability of network service providers and these are being followed and complied by CA entities. However as on date there is no exclusive and specific law in India that protects the personal, and privacy information or data of an individual from breaches by the business entities who are involved in aggregation of personal data. The privacy of an individual as a right has become a matter of greater concern as more and more entities are using data pertaining to individual's life and activities, for illegitimate purposes, like money-making in illegal ways, committing cyber crimes or spreading of privacy details to bring disrepute to individuals. The privacy concerns of a person in digital era have remained unprotected in India as of now.

The Union Government's initiative of 'Aadhaar project' to build a database of personal identity and biometric information covering every Indian without a proper backing of law, heightened the concerns of privacy of an individual. On being petitioned, the Supreme Court in the case of Justice K.S. Puttaswamy v/s Union of India [(2015) 8 S.C.C. 735 (India)], passed an historic judgment on 24th August 2017 affirming the Constitutional Rights of a citizen to protect her/his privacy. The Apex Court ruled that the privacy of a person is one of the fundamental rights flowing from the right to life and personal liberty. Further the individual's dignity is cited as the basis for extending to the status of a fundamental right as a part of right vested under Article 21 of the Constitution. In the meanwhile, on December 11, 2019, based recommendations of Justice (Rtd) B N Srikrishna, the Union Government, introduced the 'Personal Data Protection (PDP) Bill, 2019' [hereinafter PDP Bill or simply Bill], in the Lok Sabha. The Bill proposes to provide a legitimate structure for protection of personal data of an individual with regulated framework for collection and processing of such personal data or information by all such entities through establishment of a Data Protection Authority [DPA]. The said Bill, at present, is pending scrutiny at the hands of joint parliamentary select committee.

An attempt through this article is made to examine the types of data covered under the scope of the said law and the technological measures to be in place by CAs at their working spheres so as to move onto the ensuing privacy law regime with more comfort and confidence, and with least disruptions in the functioning. The main purpose of this writing is to prepare the CAs to the proposed personal data regime in India. In this regard, for better understanding, the readers may go through the writings by the author on the topic 'Overview of Personal Data Protection Bill, 2019' Published in the Bulletin for the month of June 2020.

Data protected under PDP Bill

As on date, all categories of digitally generated data are protected from unauthorised breaches under the Information Technology Act 2000, which are being complied by all CAs and entities concerned. There is no specific law in India that protects the personal data or information of an individual. World over such measures are in vogue and the most remarkable one being the General Data Protection Regulation 2016 [GDPR] passed by the European Parliament in April 2016 that is in force across the European Union since May 25, 2018. Similar efforts are on in India to bring in personal data protection measure through the PDP Bill 2019.

To begin with, one should know whether the data handled by CAs are covered within the legal protection frame work of the subject law. As per PDP Bill, protection is extended to all personal information of an individual irrespective of the medium or mode used to obtain such information. A data [clause 3(11) of PDP Bill] has been defined to include representation of information, facts, concepts, opinions or instructions suitable for communication, interpretation or processing by digital (automated) or non-digital (traditional writing mode on paper) methods. It is important to mention here that even the information, facts, concepts etc., that are being communicated in the traditional form, by way of writing on paper or in any similar manner, are treated as 'data' under this Bill, whereas the term 'data' under Information Technology act covers information that are stored or processed in digital medium only. The CAs generally use the non-digital mode at certain times, in the performance of their activities and services and therefore they should know that even such non-digital data are covered under the ambit of the proposed Bill. All categories of digital or non-digital data do not get protected under the Bill as such protections are awarded specifically to only such personal data with identification of the person, and by use of such information, the identification of the individual are possible. The category and nature of personal data that are protected are discussed in the following part.

Protected personal data

The digital and non-digital data which are personal in nature to an individual alone are considered for protection under the proposed Bill. The "personal data" has been defined [clause 3(28) of PDP Bill] as information relating to or about a natural person who is **directly or indirectly identifiable**, having regard to any characteristic, trait, attribute or any other feature of the **identity of such natural person**. Further to seek protection under the proposed statute, such personal data should be pertaining to the category or group of 'sensitive personal data' viz., financial data, health data, official identifier, sex life, sexual orientation, biometric data, genetic data, transgender status, intersex status, caste or tribe, religious or political belief or affiliation etc., of the individual natural person [clause 3 (36) of PDP Bill]. Normally activities of a CAs hover around management and handling of such 'sensitive personal data' of individuals as well as of legal entities. Only such individual's personal data and not that of the companies derive protection under this act. The provision of Information Technology act however continues to protect the digital information in respect of all sorts of computer generated data. As the activities of the CAs

revolve around obtaining, processing, transmitting of all such data as a bundle or group of data, classification and sorting of such information becomes difficult to initiate. Therefore every person working in the organization and all entities engaged in such service supply chain need to be aware of these provisions and implement such classifications in their respective environments at the beginning itself so that it is easier to handle the data at the subsequent stages of the service. Because of this required intricacy and complexity, more attention needs to be given by everyone involved, for proper execution and be compliant to the stated law.

This is elucidated with some examples so as to comprehend the concept.

- a) Let us take an example of an individual who furnishes certain sensitive personal data such as telephone number, aadhar number, email address, bank account, PAN details, financial data, other official identifier, biometric data or e-sign, caste or tribe or religion etc., for the purposes of filing the Income tax returns. As per the scope of the proposed bill all the above information in traditional mode or in digital mode get privacy rights protection.
- b) A proprietor shares the data detailed above in respect of his proprietary business for the purposes stated therein. Such data are covered for protection under the proposed privacy law.
- c) A Company, which is a separate entity, furnishes the data such as telephone number, email, address, company's bank account, company PAN details, company financial data, other company identifier, sales invoices, purchases, bank accounts of the company etc., which are more specific to the company, then such data are not covered for protection under the privacy law. However if the said information also contain the telephone numbers, Aadhar number, email address, bank account, PAN details, financial data, credit card and debit card number, other personal identifier, biometric data or e-sign, caste or tribe or religion etc of a director or of an employee or any individual, then such data are covered under the ambit of the privacy law. As such data, by CAs, are not segregated in the present practices before taking up for further process, the privacy Bill throws open more challenges in discharge of their responsibilities.

However notable reliefs under PDP provisions are that mere data will not confer any right to the Individual, unless there is an element, a unique link to an individual person that **connects such data to that person exists**. If such connection

or relationship is not forthcoming from the data, then no breach of personal data could be alleged to have been taken place under PDP Bill. Therefore necessary intervention measures to disconnect the personal identifiers of individuals with their personal data can keep one away from the penal measures of the said law. But how to enable this proposition is the challenge or strategy to be discovered and designed as suitable to their workplace on the field, by the CAs so that there is no breach under this law is contained.

Obligations of CAs

The natural person or individual to whom the personal data relates to is treated as the owner of her/his personal data. As per clause 3(14) of the PDP Bill such title-holder of data are called 'DATA PRINCIPAL'. The law is designed to provide all Indian citizens with fair control over their personal data. Any person, including the State, a company, any juristic entity, a firm, a HUF or any individual [refer clause 3(27)] who alone or in conjunction with others determine(s) the purpose and means of processing of personal data of a Principal are termed as the 'DATA FIDUCIARY' of the Bill [refer clause 3(13)]. The term Fiduciary originates from the Latin word 'fiducia', meaning "trust," or in general parlance, as a person or a business that has legal or ethical obligation to act for the beneficiary under circumstances which require total trust, good faith and honesty. Therefore all CAs, practicing as individuals or as a part of business entities, are treated as Data Fiduciaries, with strict legal obligations to be followed to extend protection of privacy rights to the Principal. Further all such CA fiduciary should follow all the mandatory requirements under the proposed law. In certain circumstances, such obligations may even go beyond the Fiduciary's work place, as the outsourced entities engaged by the Fiduciary in processing of such data [Data Processors- clause 3(15)] are covered under the scope of this law.

The obligations of the Data Fiduciary, in our case CAs and outsourced Data Processing entities, in brief, are as follows: the Fiduciary should collect and process personal data of a Principal only for a specific, clear and lawful purpose and that too, only after prescribed consent [Clause 4 of the Bill]; the Fiduciary should ensure, in a fair and reasonable manner the privacy of the Data Principal are protected; she/he should use such data for the only such purposes duly and specifically consented for by the Principal; and at the time of collection of the personal data, every Data Fiduciary shall give to the Data Principal a notice, in clear, concise and easily comprehensible manner and in multiple languages wherever necessary and obtain her/his approval.

Such notice served on the Principal, among other general details, should contain the information such as : (i) the nature and categories of personal data being collected; (ii) the purposes for which the personal data is to be processed; (iii) the identity and contact details of the Data Fiduciary and the contact details of the Data Protection Officer; (iv) the right of the data Principal to withdraw his consent, and the procedure for such withdrawal, if the personal data is intended to be processed; (v) the basis for such processing, and the consequences of the failure to provide such personal data; (vi) in case the personal data being collected from other sources, disclosure of the source of such data; (vii) the entities with whom such personal data may be shared; (viii) in case of any cross-border transfer of the personal data details of such entities; (ix) period of retention of personal data (x) the procedure for the exercise of rights of Principal; (xi) procedure for grievance redressal; (xii) the existence of a right to file complaints to the Authority. The consent of the Principal should be obtained in a free, clear and fair manner as specified and only such consents are treated as valid consents. Further the personal data shall be collected only to the extent that is necessary for the purpose of processing of such data. The CAs shall take necessary steps to ensure that the personal data processed is complete, accurate, not misleading and updated, having regard to the purpose for which it is processed.

In respect of Principal, prior to the introduction of the law whose personal data already exists with CAs, mandatory consent as indicated above are to be obtained within the time frame to be fixed under the law. In view of this stipulation, soon after the introduction of the law, the CAs, in respect of existing Principals, should start obtaining the consent letters before processing the personal data so as to avoid any legal contraventions. In respect of new Principal, the services should be offered only after due notice and written consent from such clients. The CAs shall undertake periodic review to determine whether it is necessary to retain the personal data in their possession. It is not a good practice henceforth to retain any personal data beyond the period necessary to satisfy the purpose for which it was processed. However in cases where retention for a longer period is necessary, it should be resorted to, only after obtaining of the necessary consent from the Data Principal. It is also advised that the CAs, even in cases where such consent of the Principal has been obtained, should not take responsibility to preserve and archive data for extended duration than necessary, unless strong cyber security measures as per prescribed standards are in place.

Consent of Principal by issue of notice


The primary objective of the Bill is to safeguard the right to privacy of the citizen /Principal. The Principal, in respect of the personal data pertaining to him/her, has rights namely, (a) right to confirmation and access to the personal data with the fiduciary;(b)right to seek correction of inaccurate, incomplete, or out-of-date personal data;(c) right to have personal data transferred to any other Data Fiduciary in certain circumstances[Data portability];(d) right to restrict continuing disclosure of their personal data by a Fiduciary, if it is no longer necessary or consent is withdrawn;(e) right to receive the data from the Fiduciary in a machine-readable format. These rights of Data Principal need to be noted carefully by CAs and the Data Processors. Every Data Fiduciary shall by notice inform the Authority about any breach [clause 25 of the bill] of any personal data processed by them, where such breach is likely to cause harm to the Data Principal.

The Fiduciary shall not engage, appoint, use or involve a Data Processor [clause 31 of bill] to process personal data on its behalf without a contract being entered into by them with such Data Processor. Further such appointed Data Processor shall not engage, appoint, use, or involve another Data

Processor in the processing data on its behalf, except with the authorization and permission of the Data Fiduciary. The Data Processor, or any employee of the Data Fiduciary or the Data Processor, shall only process personal data in accordance with the instructions of the Fiduciary and treat such data in secured and confidential environment.

In view of the law stipulation of serving of notice to the Data Principal and obtaining due permission of the Principal, it is expected that the CAs and their establishments, at the time and place of origin of data itself, to implement the same in letter and spirit so that there are no violations of this primary factor. The notice served needs to be elaborate incorporating all the rights of the Principal and assurances and obligations to be undertaken by the Fiduciary or their Processor, as the case may be. In case of new clients, the communication of this notice to the Principal may be in person in written form or by email. In cases of service of notice in written form, a written consent could be got signed by the Principal before provision of stated services. In cases of notice by e mail, the digitally signed or e-signed consent must be obtained and preserved for use. In respect of existing clients, the same procedure could be followed within the prescribed time, and personal data be processed thereafter.

(Contd. on next issue)




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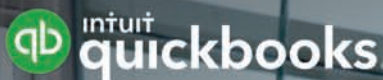
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