

KSCAA[®]

Karnataka State Chartered Accountants Association (R)

NEWS BULLETIN





▶ CARO ▶ RERA ▶ Financial Reporting ▶ IPR
▶ MOOWR ▶ Provisional Attachment - GST

January 2022
Vol. 9, Issue 5
₹ 25/-



Since 1957

English Monthly
for Private Circulation only

 Karnataka State Chartered Accountants Association
 @karnatakacaassociation
 @kscaa_ca
 kscaa.com

E-INVOICING and E-WAY BILLS UNDER GST





Dear Reader,

Wishing all my fellow members a very happy new year 2022! New Year starts with new resolution to better ourselves and our work. It gives us an opportunity to reflect on our inefficiencies and rectify and better our strengths. This year amazes us with multiple deadlines around the same time and hence we have toiled hard to achieve those IT deadlines, inspite of severe glitches and ill prepared software. We should

also be mindful that any new system consumes a decent amount of time to start functioning seamlessly, and we hope that the new IT website ensures better compliance, reduces time on clerical data feed and redundancy and helps us in achieving the ease of doing business.

India has already entered third wave with Omicron variant of virus and the infection seems to spread faster and there are multiple signs of information which we get to read in media. On a positive note, the virus is less lethal and vaccines do still work but sadly it seems to transmit faster than the earlier two variants. Let us not get complacent at this point of time, rather help ourselves, near ones and also the government by behaving more socially responsible. The fight against pandemic is not only that of the public health system but also the joint responsibility of everyone in the society. The system can win only if we all join together consciously, especially when we know the truth of how fragile our system can get with large explosion of cases.

News Roundup

Direct Tax

Judicial developments:

- ✓ **ITAT Ahmedabad:** Day of arrival to be excluded while counting days of stay in India for the purpose of residential status
- ✓ **HC Allahabad:** No sec. 40A(3) disallowance if assessee submitted affidavit that purchaser insisted for cash payment
- ✓ **HC Delhi:** All reassessment notices issued under the old provision are quashed. As new reassessment provisions/procedure/time-limits made applicable w.e.f. 1-4-2021 by FA 2021 reassessment notices issued on or after 1-4-2021 must comply with new procedure/provisions/time-limits. Neither the Finance Act, 2021 nor section 3(1) of the Relaxation Act, 2020 delegate power to the Central Government to defer applicability of new reassessment provisions/procedure enacted by Finance Act, 2021
- ✓ **ITAT Delhi:** FA 2021 amendment disallowing employee's contribution to ESI/PF has no retro-effect

Executive developments:

- ✓ No change in interest rates of small saving schemes for quarter January 2022 to March 2022
- ✓ CBDT provides one-time relaxation to verify e-filed returns; ITRs filed for AY 2020-21 can be verified by 28-02-2022
- ✓ CBDT notifies Faceless Appeal Scheme, 2021; CIT(A) is bound to allow request for personal hearing

Indirect Tax

The months of Dec-Jan have been very tumultuous on the Indirect taxes front.

There have been multiple changes in the GST Rates, some noteworthy changes are with respect to footwear (5% to 12%), certain Government contracts (12% to 18%), Textiles (5% to 12%), however, the rate of tax for textiles has been rolled back to 5% after the uproar by the textile industry.

Even the taxation mechanism for food e-commerce operators has undergone a drastic change.

Last but not the least in the scheme of changes is a notification of the amendment in Sec 16 & making GSTR-2B as the basis to take credit.

Most of these changes are effective from 01st January 2022. In spite of all the changes, the GST Collections for this period have remained strong at 1.29 lakh crores.

Finally, the comforting news that the annual returns under GST being GSTR-9 and GSTR-9C which were originally falling due on 31st December have been extended to 28th Feb 2022. The due date for application and payment of tax under the Karasamadhana scheme is extended by a month.

Corporate and Allied Laws

Companies Act, 2013 – Relaxation on levy of additional fees for Annual Financial Statement filings:

- ▶ The Ministry of Corporate Affairs vide General Circular No. 22/2021 dated 29.12.2021 has relaxed the levy of additional fees for annual financial statement / return filings required to be done for Financial Year 31.03.2021. Accordingly, there will be no additional fees levied for filing of e-forms upto 15.02.2022 in respect of AOC-4, AOC-4 (CFS), AOC-4 XBRL, AOC -4 Non-XBRL and upto 28.02.2022 for filing of e-forms MGT-7/MGT-7A.

RBI - Restriction on storage of actual card data [i.e. Card-on-File (CoF)]:

- ▶ The RBI vide its circular dated 23-12-2021 had the authorised non-bank payment aggregators and merchants on-boarded by them in prohibiting from storing card data (CoF) from June 30, 2021. Further, the same is extended until December 31, 2021. RBI circular - RBI/2021-22/142 CO.DPSS.POLC.No.S-1211/02-14-003/2021-22.

Introduction of Legal Entity Identifier for Cross-border Transactions-

The Legal Entity Identifier (LEI) is a 20-digit number used to uniquely identify parties to financial transactions worldwide to improve the quality and accuracy of financial data systems. LEI has been introduced by the Reserve Bank in a phased manner for participants in the over the counter (OTC) derivative, non-derivative markets, large corporate borrowers and large value transactions in centralised payment systems.

In order to further harness the benefits of LEI, it has been decided that AD Category I banks, with effect from October 1, 2022, shall obtain the LEI number from the resident entities (non-individuals) undertaking capital or current account transactions of ₹50 crore and above (per transaction) under FEMA 1999. As per Circular RBI/2021-22/137 - A.P. (DIR Series) Circular No. 20 dated 10-12-2021.

Conclusion

One of the famous writer James Clear explains the power of tiny habits and persistence of the same and why such habits are important for success. He says in the book 'Atomic habits' "The greatest threat to success is not failure but boredom. We get bored with habits because they stop delighting us. The outcome becomes expected. And as our habits become ordinary, we start detailing our progress to seek novelty." This is very relevant in the world when the data we process gets large and compliance gets stringent. Only if we can win over boredom, our ability to persuade the repeated data & routine work gets us ahead of all.

Happy Reading!

Yours' faithfully,

CA. Chandan Kumar Hegde A
President

KSCAA®

NEWS BULLETIN

January 2022

Vol. 9 Issue 5

No. of Pages : 36

CONTENTS

CARO

REPORTING REQUIREMENTS UNDER CARO, 2020 AND RECOMMENDED AUDIT PROCEDURES	4
CA. Parthasarathy Sudarsanam	
CA. Udupi Vikram	

INDIRECT TAX

PROVISIONAL ATTACHMENT UNDER GST LAW	10
CA. Annapurna Kabra	

MOOWR

MOOWR 2019: EMBOLDENING 'MAKE IN INDIA' INITIATIVE	12
CA. Sandeep Jhunjunwala	
CA. Tarun Daga	

IN FOCUS

E-INVOICE & E-WAY BILL IN RETAIL TRADE	14
CA. Madhukar N Hiregange	
CA. Akshay M Hiregange	

FINANCIAL REPORTING

FINANCIAL REPORTING AND ASSURANCE	21
CA. Vinayak Pai V	

RERA

RERA - ESTIMATED COST OF THE REAL ESTATE PROJECT	24
CA. Vinay Thyagaraj	

IPR

INTELLECTUAL PROPERTY RIGHTS AND PROTECTION IN INDIA PROTECTION OF PREPARATIONS FOR ENTERING THE EXPORT MARKET	27
Adv. M G Kodandaram	

HEALTH & FITNESS

STROKE.... LET'S TALK	32
Dr. Amritha T T	

BRAIN TEASERS	34
---------------	----

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)

VISION

- KSCAA shall be the trusted and value based knowledge organisation providing leadership and timely influence to support the functional breadth and technical depth of every member of CA profession;
- KSCAA shall be the nucleus of activity, amity and unity among members aimed at enhancing the CA profession's social relevance, attractiveness and pre-eminence;
- KSCAA shall in the public interest, be a proactive catalyst, offering a reliable and respected source of public statement and comments to induce effective laws and good governance;
- KSCAA shall be the source of empowerment for leadership and excellence; disseminating knowledge to members, public and students; building a framework for new opportunities and partnerships that enhance life in the community and beyond; encouraging highest ethical standards and professional integrity, in realization of India global leadership vision.

MISSION

- The KSCAA serves the interests of the members of CA profession by providing new generation skills, amity, unity, networking and leadership to strengthen the professional capabilities, integrity, objectivity, social relevance, standards and pre-eminence of India's Chartered Accountants nationally and internationally through; becoming gateway of knowledge for Chartered Accountants, students and public; helping members add value to their customers/employers by enhancing their professional excellence and services; offering a reliable and respected source of public policy advice and comments to bring about more effective laws and policies and transparent administration and governance.

MOTTO: KNOWLEDGE IS STRENGTH

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

email: journal@kscaa.com | Website: www.kscaa.com

Disclaimer

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



CA. Parthasarathy Sudarsanam
CA. Udupi Vikram

REPORTING REQUIREMENTS UNDER CARO, 2020 AND RECOMMENDED AUDIT PROCEDURES

Initial public offer

Whether moneys raised by way of initial public offer or further public offer (including debt instruments) during the year were applied for the purposes for which those are raised, if not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported

Paragraph 3(x)(a)

Relevant audit considerations	Audit procedures	Reporting and documentation
<ul style="list-style-type: none"> The auditor is required to report upon the disclosure of end-use of the money by the management in the financial statements. The auditor is also required to state whether he has verified the disclosure made by the management in this regard. Initial public offer or further public offer shall cover issue of equity shares, convertible securities, non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instruments, perpetual non-cumulative preference shares, Indian depository receipts and securitized debt instruments the expression, “public offer” includes initial public offer or further public offer of securities to public by a company, or an offer for sale of securities to the public by an existing shareholder, through issue of prospectus. Currently, there is no legal requirement under the Act to disclose the end use of money raised by initial public offer or further public offer (including debt instruments) in the 	<ul style="list-style-type: none"> The public offer document mentions the end-use of the money proposed to be raised, Auditor shall examine such document The auditor should verify that the amount of end-use of money disclosed in the financial statements by the management is not materially different from the proposed and actual end use. If, for any reason, the auditor is not able to verify the end-use of money raised from initial public offer or further public offer (including debt instruments), he should state that he is not able to comment upon the disclosure of end-use of money by the company since he could not verify the same. It may be noted that while reporting under this clause, the auditor should also have regard to the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (hereinafter referred as SEBI LODR Regulations), which contain a number of disclosures requirements in the balance sheet. 	

financial statements. The companies, however, make such a disclosure in the Board's Report. Schedule III to the Act requires that only unutilized amount of any initial public offer or further public offer (including debt instruments) made by the company should be disclosed in the financial statements of a company. In the absence of any legal requirement of such disclosure, it appears that this clause envisages that companies should disclose the end use of money raised by the initial public offer or further public offer (including debt instruments) in the financial statements by way of notes and the auditor should verify the same.

- It is not necessary to establish a one-to-one relationship with the amount of moneys raised by way of initial public offer or further public offer (including debt instruments) and its utilisation. Section 40(3) of the Act requires that, all monies received on application from the public for subscription to the securities shall be kept in a separate bank account for utilisation for specified purposes. The money from this account may get transferred to a common bank account of the company in order to replenish funds utilised from that bank account for purposes mentioned in the public offer. In such cases, it should not be construed that the amount has not been utilised for the purpose for which it was raised.
- It may happen that the company might have acquired improved version/model of assets as against the assets for which the moneys were raised. It should not be construed that the moneys raised has not been applied for the purpose for which it was raised.
- It may so happen that the moneys raised during the year might not have been applied for the stated purpose during the year, for example, the moneys were raised at the fag-end of the year. In such a case, the auditor should mention in his audit report that the moneys raised during the year have not been utilised because moneys were raised at the fag-end of the year.
- Surplus funds temporarily invested: In such cases, the auditor should mention the fact that pending utilisation of the funds raised through initial IPO.
- Where the auditor concludes that moneys raised from the initial public offer or the further public offer (including debt instruments) were not applied for the purpose for which the same were raised, the auditor should mention in his report the amount involved as well as the nature of default including delay in utilization.

- **Reporting format:** In our opinion and according to the information and explanations given to us, the company has utilised the money raised by way of initial public offer/ further public offer (including debt instruments) for the purposes for which they were raised, except for the following cases:

Nature of fund raised	Purpose for which funds were raised	Total amount raised / Opening unutilised balance.	Amount utilised for the other purpose	Unutilised balance as at balance sheet date	Details of default. (Reason/ Delay)	Subsequently rectified (Yes/ No) with details
•	•	•	•	•	•	•

Preferential allotment

Whether the company has made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year and if so, whether the requirements of section 42 and section 62 of the Companies Act, 2013 have been complied with and the funds raised have been used for the purposes for which the funds were raised, if not, provide details in respect of amount involved and nature of non-compliance

Paragraph 3(x)(b)

Relevant audit considerations	Audit procedures
<ul style="list-style-type: none"> • Auditor is required to check on the compliance with requirements of section 42 and section 62 of the Act and the Rules framed thereunder have 	<ul style="list-style-type: none"> • The term 'Private Placement' has been defined under the Explanation I to section 42(3) of the Act, to mean any offer or invitation to subscribe or issue of securities to a select group of persons by a company (other than by way of public offer) through private placement offer- cum-application letter, which satisfies

been compiled with.

- Further this clause also requires the auditor to report upon the utilization of the said funds for the purposes for which it has been raised, if not, reporting is required giving details of the amount involved and nature of non-compliance.

the conditions specified in section 42 of the Act.

- It may be noted that the term “Preferential Allotment” is not defined under the Act. However, section 62 of the Act read with Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014 deals with issue of shares on preferential basis.

In case the requirements of section 42 and section 62 of the Act and Rules framed in this regard are not complied with, the auditor should report incorporating following details

Nature of securities viz. Equity shares/ Preference shares/ Convertible debentures	Type of issue (preferential allotment or private placement)	Amount Involved	Nature of non- compliance
•	•	•	•

Fraud reporting

Whether any fraud by the company or any fraud on the company has been noticed or reported during the year, if yes, the nature and the amount involved is to be indicated;

Paragraph 3(xi)

Relevant audit considerations	Audit procedures	Reporting and documentation
<ul style="list-style-type: none"> • Under this clause, the responsibilities of the auditor have been widened by removing the words “officers or employees” • This clause requires the auditor to report whether any fraud has been noticed or reported either on the company or by the company during the year and is not limited to frauds by the officers or employees of the company • If any fraud is noticed / reported, the auditor is required to state the amount involved and the nature of fraud. • This clause does not require the auditor to discover such frauds on the company and by the company. The scope of auditor’s inquiry under this clause is restricted to frauds ‘noticed or reported’ during the year. • the auditor is also required to comply with the requirements of SA 240, “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements”. 	<p>While planning the audit, the auditor should discuss with other members of the audit team, the susceptibility of the company to material misstatements in the financial statements resulting from fraud. While planning the audit, the auditor should also make inquiries of management to determine whether management is aware of any known fraud or suspected fraud that the company is investigating</p> <p>The auditor should examine the reports of the internal auditor with a view to ascertain whether any fraud has been reported or noticed by the internal auditor and also the minutes of audit committee meeting.</p>	<ul style="list-style-type: none"> • Under clause 3(viii), the auditor is required to consider whether any transactions not recorded in the books of account have been surrendered or disclosed as income during the year in the tax assessments. • The auditor should also consider if there are any adverse findings noticed by him while reporting under clause 3(ii)(b) which requires the auditor to provide details if the quarterly returns or statements filed by the company with banks or financial institutions for sanctioned working capital limits are not in agreement with the books of account of the company. • Where the auditor notices that any fraud by the company or on the company has been noticed or reported during the year, the auditor, apart from reporting the existence of fraud, is also required to report, the nature of fraud and amount involved. For reporting under this clause, the auditor may consider the following:

Further, the auditor is required to comply with the requirements of section 143(12) of the Companies Act, 2013.

- The term ‘fraud’ as defined in explanation to section 447 of the Act in relation to affairs of a company or any body corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss.
- The term “fraud” is defined in SA 240 as “An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage”.
- Two types of intentional misstatements are relevant to the auditor's consideration of fraud - misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.
- Fraudulent financial reporting may be committed by the company because management is under pressure, from sources outside or inside the entity, to achieve an expected (and perhaps unrealistic) earnings target particularly when the consequences to management of failing to meet financial goals can be significant.

- (i) This clause requires that all frauds noticed or reported during the year shall be reported indicating the nature and amount involved.
- (ii) While reporting under this clause with regard to the nature and the amount involved of the frauds noticed or reported, the auditor may also consider the principles of materiality outlined in Standards on Auditing.

The following is an example of reporting under this clause:

“We have been informed that the accountant of the company had misappropriated funds amounting to rupees ten lakhs during the preceding year and the year under audit. Investigations are in progress and the accountant has been dismissed and arrested. The company has withheld his terminal benefits and it is estimated that the amount misappropriated may not exceed the terminal benefits due to the accountant. The company is also adequately covered by fidelity insurance cover.”

Fraud reporting

Whether any report under sub-section (12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government

Paragraph 3(xi)(b)

Relevant audit considerations	Audit procedures	Reporting and documentation
<p>This clause requires the auditor to report if any report under sub-section (12) of section 143 of the Companies Act 2013 has been filed by the auditors in Form ADT-4. Rule 13 of the Companies (Audit and Auditors) Rules, 2014 specifies the manner in which the auditor is required to report on fraud to the Central Government and Form ADT-4 prescribed in these Rules provides the format and information to be included in such report.</p> <p>As per section 143(12) of the Act, “Notwithstanding anything contained in this section, if an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence of fraud involving such amount or amounts as may be prescribed, is being or has been committed in the company by its officers or employees, the auditor shall report the matter to the Central Government within such time and in such manner as may be prescribed.</p> <p>Provided that in case of a fraud involving lesser than the specified amount, the auditor shall report the matter to the audit committee constituted under section 177 or to the Board in other cases within such time and in such manner as may be prescribed.</p>	<ul style="list-style-type: none"> The auditor should consider whether any fraud has been reported by him during the year and upto the date of issuance of auditor’s report under section 143(12) of the Act and if so, the same needs to be reported under this clause. The reporting requirement under this clause would also apply to situations where during the year the predecessor auditor of the company has reported under section 143(12) before the appointment of the successor auditor. The auditor should obtain management representation in this regard. Reporting requirement under section 143(12) of the Act on frauds is equally applicable to the cost accountant in practice, conducting cost audit under section 148 of the Act; and to the company secretary in practice, conducting secretarial audit under section 204 of the Act. The auditor reporting under this clause, should consider whether cost auditor or secretarial auditor has filed any report under section 143(12) of the Act in Form ADT-4 and accordingly the fact shall be reported. The auditor should obtain written representations from management in this regard. 	<p>Section 143(12) of the Act read with Rule 13(1) of the Companies (Audit and Auditors) Rules, 2014 prescribes that if an auditor of a company in the course of the performance of his duties as auditor, has reason to believe that an offence of fraud involving an amount of one crore rupees or above, is being or has been committed against the company by its officers or employees, the auditor shall report the matter to the Board or the Audit Committee, as the case may be, immediately but not later than two days of his knowledge of the fraud, seeking their reply or observations within forty-five days.</p> <p>On receipt of such reply or observations, the auditor shall forward his report in Form ADT-4 and the reply or observations of the Board or the Audit Committee along with his comments (on such reply or observations of the Board or the Audit Committee) to the Central Government within fifteen days from the date of receipt of such reply or observations. In case the auditor fails to get any reply or observations from the Board or the Audit Committee within the stipulated period of forty-five days, he shall forward his report in Form ADT-4 to the Central Government along with a note containing the details of his report that was earlier forwarded to the Board or the Audit Committee for which he has not received any reply or observations.</p>

Whistle blower

Whether the auditor has considered whistle-blower complaints, if any, received during the year by the company

Paragraph 3(xi)(b)

Relevant audit considerations	Audit procedures	Reporting and documentation
<p>This is a new reporting requirement in the Order and requires the auditor to consider whistle blower complaints, if any, received by the company during the year (emphasis applied) under audit.</p>	<p>Where establishment of whistle blower mechanism is mandated by law (as discussed above), the auditor should check as to whether the company has an ethics /whistle blower / hotline</p>	<p>While reporting under this clause with regard to the consideration of the whistle blower complaints, the auditor may also consider the principles of materiality outlined in Standards on Auditing.</p>

The establishment of whistle blower mechanism is not mandatory for all companies and therefore the auditor should consider the requirements prescribed in the Act and in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations) in this regard. Section 177(9) of the Act requires the following class of companies to establish a vigil mechanism for their directors and employees to report their genuine concerns or grievances:

Every listed company.

- Companies which accept deposits from the public.
- Companies which have borrowed money from banks and public financial institutions in excess of fifty crore rupees.

The vigil mechanism under section 177(9) of the Act shall provide for adequate safeguards against victimisation of persons who use such mechanism and make provisions for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases.

Regulation 4(2)(d) of the SEBI LODR Regulations also mandates all listed entities for devising an effective whistle blower mechanism enabling directors, employees or any other person, to freely communicate their concerns about illegal or unethical practices

The auditor is not required to consider whistle-blower complaints pertaining to earlier years while reporting under this clause.

process with adequate procedures to handle anonymous complaints (received from inside and outside the company), and to accept confidential submission of concerns about questionable accounting, internal control, or auditing matters.

The auditor is required to consider every complaint received by the company including anonymous complaints while deciding the nature, timing and extent of audit procedures. The auditor should also evaluate whether whistle blower complaints are investigated and resolved by the company in an appropriate and timely manner.

Where there is no whistle blower mechanism established by the company considering that it is not a mandatory requirement either under the Act, or under SEBI LODR Regulations or under any other law, the auditor should ask from the management to share all whistle blower complaints and review the whistle blower complaints while reporting under this clause.

The auditor should enquire from the management about investigation of all whistle blower complaints received and the findings, if any. The auditor shall review the minutes of audit committee and board meetings to identify whistle blower complaints, if any.

The following are examples of reporting by the auditor under this clause:

For a listed company and other companies which are required to establish vigil mechanism under Section 177 of the Act / SEBI LODR Regulations:

“We have taken into consideration the whistle blower complaints received by the company during the year while determining the nature, timing and extent of audit procedures”.

For other companies, wherein establishment of vigil mechanism is not mandated by the Companies Act, 2013 or by SEBI LODR Regulations:

”We have taken into consideration the whistle blower complaints received by the company during the year and shared with us for reporting under this clause”.

In case no whistle-blower complaints are received during the year:

“As represented to us by the management, there are no whistle blower complaints received by the company during the year”.

Authors can be reached at :

partha.rbse@gmail.com & vikram.u@sureshandco.com

KSCAA REPRESENTATIONS:

- 1) Joint representation on extension of various due dates of filing audit reports and income tax returns under Income Tax Act, 1961 in the backdrop of technical glitches on the IT portal coupled with COVID-19 third wave dated 8th January, 2022 to Smt. Nirmala Sitharaman, Hon'ble Union Ministers of Finance and Corporate Affairs.
- 2) Representation permitting Chartered Accountants and their staffs to discharge their professional work as usual even on weekends dated 5th January, 2022 to Shri. P Ravi Kumar, Chief Secretary to Government of Karnataka.

For full text of above representations, please visit: www.kscAA.com



CA. Annapurna Kabra

PROVISIONAL ATTACHMENT UNDER GST LAW

The powers relating to provisional attachment are normal currency in fiscal statutes. The provision relating to provisional attachment is inserted to protect the revenue from unscrupulous dealers/assessee.

Section 83: Provisional Attachment Prior to 31.12.2021

state that where **during the pendency** of any proceedings under Section 62, 63, 64, 67, 73, 74 The Commissioner is of the opinion that for the purpose of protecting the interest of the Government revenue, it is necessary so to do, he may, by order in writing attach provisionally any property, including bank account belonging to **the taxable person** in such manner as may be prescribed. Every such provisional attachment shall cease to have effect after the expiry of a period of one year from the date of the order made under sub-section.

With effect from 01.1.2022, the Notification 39/2021 – CT dated 21.12.2021 has amended section 83 of the CGST Act

Where **after the initiation** of the proceedings under **Chapter XII, Chapter XIV or Chapter XV**, the commissioner is of the opinion that for the purpose of protecting the interest of the Government Revenue, it is necessary to do so, he may by order in writing attach provisionally any property including bank account belonging to **the taxable person or any person specified in section 122(1A)**, in such manner as may be prescribed. Every such provisional attachment shall cease to have effect after the expiry of a period of one year from the date of the order made under sub-section.

The Proceeding means ‘an action’ or ‘that which initiates an action’ or ‘a step in an action’. To start Proceeding against someone would mean, to start taking ‘a legal action against him’. Legal proceeding is pending as soon as it is commenced and until it is concluded. Proceeding will be considered as pending until the order is issued by the authorities. In case of **Vinod Kumar Murlidhar Chechani [2021] 123(Gujarat)**, it was held that the property cannot be provisionally attached where proceedings under Section 67 are no longer pending. Additionally, pursuant to the search, proceedings under any of the other sections mentioned in

Section 83 have not been initiated. Provisional attachment shall come to an end as soon as proceedings under any of the specified sections are completed. In case of **Kaish Impex (P.) Ltd. [2020] 114 (Bombay)**, the Provisional attachment of property merely on the basis of summons issued U/s 70 is not valid as it is out of the scope of Section 83. Now **after the amendment** all the above decisions will be reviewed as the scope of sections is widened by including the term **‘after the initiation of the proceedings’** It will not only cover the specified sections but covers the **chapter** of assessment, inspection, search, seizure, Arrest and Demand and Recovery. Therefore, once the action is initiated under any of the above chapters, the provisional attachment can be made anytime irrespective of the fact that activity under the impugned provision is completed.

The expression “reason to believe” may also apply to Section 83 of the CGST Act. These inter alia include holding of belief in good faith and such belief not being based on mere suspicion, gossip, or rumour by the department. The reasons to believe must have a rational connection with the formation of belief. There must be direct nexus between material coming to the notice of the officer and formation of his beliefs. GST law does not mandate the Commissioner to provide any reasons for attaching property provisionally. (**Radha Krishnan Industries Vs State of Himachal Pradesh (CA 1155 of 2021 dated 20.4.2021)**). Therefore, it is always open to the court to examine the question whether reasons for formation of opinion have rational connection or relevant bearing to the formation of such opinion and are not extraneous to the purposes of the statute (**Bhikhubhai Vithalbhai Patel (Gujarat) AIR 2008 SC 1771**)

The word “may” indicate not only discretion, but an obligation to consider that a necessity has arisen to pass an order of provisional attachment. The provisional attachment should be done in case if it harms the interest of the revenue or when there is uncertainty in relation to collection of tax. The Commissioner should first form opinion that petitioner would not be able to pay the tax dues after assessment proceedings are over [**Patran Steel Rolling Mill –[2019] 105 (Gujarat)**]. Property should be attached only if there is reasonable apprehension that assessee may default the

ultimate collection of demand (*Valerius Industries [2019] 109 (Gujarat)*). Where property is mortgaged with bank and value of property is less than outstanding bank dues, provisional attachment of such property is meaningless, as the basic purpose of attachment is not fulfilling [*Bindal Smelting Private Limited [2020] 116 (Punjab & Haryana)*].

The properties that can be attached of the taxpayer are like Immovable property, movable property, bank accounts, saving account, current account, fixed deposit/recurring deposits, depository account. The properties like current account having debit balance, mortgage property, cash credit account as it is loan account cannot be attached (*Superfine Impex Private Limited v. Union of India' - 2020 (12) TMI 1165 (HC)*). Where the property to be provisionally attached consist of the share or interest of the concerned taxable person in property belonging to him and another as co-owners the provisional attachment shall be made by order to the concerned person prohibiting him from transferring the share or interest or charging in any way.

Previously, the Commissioner can provisionally attach property of only 'taxable person.' The Property belonging to another person cannot be attached. Section 83 does not provide for automatic extension to any other taxable person. The property of a person (other than taxable person), who is inquired by sending summon under Section 70, cannot be attached (*Gehna Trading LLP [2020] 114 (Bombay)*). After the amendment the scope of section 83 is widened. The persons specified in section 122(A) is also included like any person who retains the benefit of a transaction or at whose instance such transaction is conducted like

- ❑ Supply of any goods or services or both without issue of any invoice or issues an incorrect or false invoice with regard to any such supply
- ❑ Issue any invoice or bill without supply of goods or services or both in violation of the provisions of this Act or the rules made thereunder
- ❑ Availment or utilization of Input Tax Credit without actual receipt of goods or services or both either fully or partially, in contravention of the provisions of this Act or the rules made thereunder
- ❑ Takes or distributes Input Tax Credit in contravention of Section 20, or the rules made thereunder

In case of '*JSK & Sons v. State of Gujarat' - 2020 (43) G.S.T.L. 154 (Guj)*, wherein the bank accounts of the petitioners have been provisionally attached under Section 83 as in the case of the petitioners no proceedings are pending under any of the sections mentioned therein. The High Court observed that prima facie it appears from the

record that the petitioners were involved in the activity of bogus billing and generation of E-way bills without physical movement of the goods. It cannot be said that the impugned orders are passed for provisional attachment are used as a tool to harass the petitioners or it would have irreversible detrimental effect on the business of the petitioners. The Court held that it cannot be said that the Revenue has no reason to form an opinion as required under Section 83 of the CGST Act for passing the impugned provisional attachment order. The High Court dismissed the petitioner being devoid of merits Therefore in instances of bogus billing/circular trading/wrongful availment of input tax credit, the property of even the taxable person as specified in section 122(1A) can be provisionally attached.

The time limit of one year is specified and it is not open ended. The authorities continuing beyond one year is reprehensible and contrary to law. If the appropriate authority is of the opinion that such an attachment is further required to protect the interest of revenue, then they may issue a fresh order.

The person whose property is attached can file an objection if such property was not liable to be attached. The assessee can file an objection within seven days of attachment. The GSTN portal provides details of attachment. The taxable person can file objection in reply to such details at the GSTN Portal itself. If commissioner accepts such objection, he will release the property by issuing Form GST DRC 23. If Commissioner rejects and does not accept the objection, property will remain attached for one year. When objection is not accepted by the Commissioner, one would need to file a write petition before the jurisdictional High Court as no alternative remedy is available under the law (*Principal Additional Director General DGGI, Chennai v. Sri Marg Human Resources (P) Ltd.[2021] 130 taxmann.com 12 (Madras)*).

The term 'It is necessary to do so' is often disregarded or overlooked. In many instances the powers are exercised more to stop the business of the taxpayer than to protect the revenue interests. The High Courts have intervened and reduced the rigors arising from reckless use of attachment weapon under GST. Therefore, the author believes that by extending the scope of section 83, the provisional attachment will become routine matter and the attachment of bank account will be harsh on the person and will affect the running of the business. Therefore, the power of provisional attachment should be exercised as a last resort and not as a routine affair by the department officials.

Author can be reached at :
annapurna@hskaadvisors.com



CA. Sandeep Jhunjhunwala
CA. Tarun Daga

MOOWR 2019: EMBOLDENING 'MAKE IN INDIA' INITIATIVE

MOOWR

The 'Make in India' initiative is snowballing and has never been easier than it is now, especially in terms of the Government's support through fiscal policies. One such unsung scheme is the 'Manufacturing and Other Operations in a Warehouse Regulations, 2019' or 'MOOWR'. However, the 2019 scheme is not novel and is a reprised version of an erstwhile scheme of the same name introduced in 1966. The license can be obtained by any person intending to avail the benefit under the MOOWR Scheme upon applying for a license under Section 58 and Section 65 of the Customs Act, 1962. Prior approval of the Principal Commissioner/ Commissioner of Customs should be obtained who will take into consideration the nature of premises, the facilities, equipment, and personnel put in place for secure storage of goods, before granting of the license.

Nonetheless, the new scheme is not merely old wine in a new bottle. Various conditions plaguing the erstwhile schemes for manufacturing in a bonded warehouse seem to be remedied. Promising features include unlimited validity of in-bond manufacturing license until cancelled or surrendered, removing the attachment of Customs officers to the bonded premise and instead entrusting charge of the warehouse to the manufacturer, etc. Also, the creation of a single point of approval, common application form, and timely response to queries by the Government are some of the key pain points resolved in the amended scheme.

BENEFITS GALORE

The scheme is plush with features that are sure to intrigue the interest of any manufacturer.

Duty deferment: The Scheme allows for deferment of payment of customs duty on imports into licensed premises and the duties will have to be paid only when the goods are cleared for home consumption

thereby leading to working capital advantage. Unlike other customs schemes such as EOU or Advance Authorisation, this scheme allows for such benefits without any export obligation in exchange. This is the crown jewel feature of the scheme that allows any domestic manufacturer (even 100% domestic) to claim benefits that are typically reserved for an exporter.

No minimum investment: The scheme also does not require any minimum investment criteria making the scheme very attractive to the smallest of manufacturers.

No geographical restrictions: There are no geographical restrictions on the placement of the warehouse as any premises, even existing, is eligible to apply to be a licensed warehouse.

While the scheme may seem benevolent, on a closer look, the reason for such benevolence is for India to remain acquiescent with the World Trade Organization ('WTO') rules. The WTO ruling requires India to withdraw schemes favouring exporters such as Special Economic Zones ('SEZ'), Export Oriented Units ('EOU'), Export Promotion Capital Goods Scheme ('EPCG'), Advance Authorisation, etc. However, the MOOWR scheme is likely to be WTO compliant as there are no export obligations in exchange for benefits.

READING THE FINE PRINT

The title of the regulation is 'Manufacture and OTHER operations in a warehouse' are typically misconstrued by companies while studying the applicability of the scheme. Echoing on the term 'Others' it could be inferred that the applicability of the scheme is not confined to manufacturers, and extends to service providers/job workers if such services provided have a pivotal role in the manufacturing process. Illustratively, a job worker carries out certain services for a manufacturer for conversion of materials to

semi-finished or finished goods, the job worker can also apply for a license under the scheme and import the capital goods required for carrying the job without payment of upfront duty even if the recipient is located in a Domestic Tariff Area ('DTA'). Such upbeat features are not found in certain exporters favouring schemes as discussed above. In practicality, even companies that merely re-package and re-label goods in a facility for a brand have received approval for a MOOWR license.

On the flip side, the fine print does depict certain snags such as mammoth documentation for approval of license, certifications, etc. The rules require a solvency certificate from a scheduled bank for an amount as decided by the Commissioner of Customs which can be an arduous task to obtain even for well-funded multinational companies. Also, it is imperative to note that the grant is heavily contingent on the fitment views of the Commissioner of Customs. Beguilingly though, there seems to be no mechanisms prescribed in the regulations for the conversion of an existing EOU/SEZ unit to a MOOWR warehouse. Such ambiguity has perplexed existing players who are a good fit for such a license.

BOTTOM LINE

As the adoption rate of the scheme is relatively low in comparison with other parallel schemes, a meticulous study would be required prior to applying for the license despite the benefits. Further, most companies are wary of the strict reporting compliances of the scheme and do not wish to commit the time, effort, and money required to submit the application and hold lengthy discussions with the customs authorities. However, should companies take the leap of faith and seek to apply for this scheme, the adoption rate of the scheme could see a spike in the near future given that grandfathering of schemes such as SEZ, EOU, and Advance Authorisation is imminent on account of the adverse WTO ruling against export linked schemes in India.

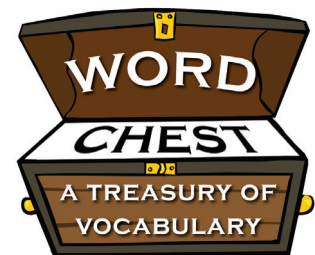
MOOWR

*Author can be reached at :
writetosandeepj@gmail.com*

Solution to Sudoku -16 December 2021

2	3	9	1	7	4	8	5	6
8	6	1	9	3	5	2	7	4
7	5	4	8	2	6	3	1	9
5	4	8	3	6	1	7	9	2
6	9	7	5	8	2	4	3	1
3	1	2	7	4	9	5	6	8
4	2	5	6	9	7	1	8	3
9	7	3	4	1	8	6	2	5
1	8	6	2	5	3	9	4	7

17



Finance Tech Term of the Month:

Insurtech

What is this?

Insurtech refers to the use of technology innovations designed to squeeze out savings and efficiency from the current insurance industry model. Insurtech is a combination of the words “insurance” and “technology,” inspired by the term fintech. Insurtech is a term, similar to fintech, for a company using technology to disrupt the insurance industry.

Insurtech is exploring avenues that large insurance firms have less incentive to exploit, such as offering ultra-customized policies, social insurance, and using new streams of data from Internet-enabled devices to dynamically price premiums according to observed behaviour.



CA. Madhukar N Hiregange
CA. Akshay M Hiregange

E-INVOICE & E-WAY BILL IN RETAIL TRADE

Mandatory E-invoicing is an additional compliance function brought in to curb fake invoices. The excess credit claims were adversely impacting the GST tax collection. E-way bill is a replacement of a similar system under VAT to track and provide information on the movement of goods. E-way bill now has been linked to the VAHAN system and the implementation of fast tag across India & RFID in vehicles will ensure that every movement is tracked.

Change management with all stakeholders was not carried out. As far as industry/ trade is concerned due to lack of training, clear information about the changes in law, and lack of infrastructure at the taxpayer's end, there is bound to be inadvertent non-compliance which could lead to significant costs later to rectify including facing disputes with customers as well as tax authorities. This article helps understand the applicability of the law and common issues faced by the Retail Industry.

Introduction

Any large retail trader (goods) falling within the turnover range of Rs. 50-500 crore (or more) would have to comply with the following:

- Real-time E-invoice instead of a tax invoice (B2B, SEZ)
- Real-time E-invoice – credit note/debit note (B2B, SEZ)
- Tax invoice (B2C)
- Bill of Supply (B2C & B2B)
- B2C – Dynamic QR code for 500 Cr. + entities
- E-way bill compliance against movement of goods
- Delivery Challan for certain movements
- GST returns – 1, 3B, 9 & 9C
- ITC reconciliation– GSTR 2A/2B Vs Books

In this article we would be focusing our attention on various e-invoicing (E-INV) and e-way bill (EWB) compliances and practical issues faced by the industry.

E-Invoice in Retail Trade

Refer to Rule 48(4) of CGST Rules. 1st Jan 22 for Rs. 100 crore + entities; 1st April 22 for Rs. 50 crores + entities.

Generally, e-invoicing system software patches are provided to the accounting software, wherein, invoices are raised based on purchase/service order upon accounting. In the retail trade industry, an invoice must be presented to customers immediately upon purchase but may be relaxed on the ground at times. However, compliance with e-invoicing must take place immediately and, in an error-free manner.

Presently, e-invoicing applies only to B2B transactions, to give government control over the same and check fake invoicing and undue input tax credit claims.

Billing software generally does not have an e-invoicing patch which makes it difficult. Some traders are manually raising the e-invoice after giving the normal tax invoice under Rule 46.

E-invoices are being raised at a later point in time. Such e-invoice is generally not shared with the B2B customer. Also, sometimes, e-invoices are not raised at all leading to complete non-compliance.

The reason this issue arises is that billing software being used may be legacy or indigenous software wherein, the internal IT/software team of the entity may not have the technical ability to automate e-invoicing through their present systems.

Some vendors provide customisation of present billing systems wherein the patch would be in-built. Alternatively, separate e-invoicing tools are available which would mediate between the billing software and the government portal and provide the e-invoice (IRN & QR).

If automated the time to generate an e-invoice for a B2B customer (ideally waiting at the billing desk) would be 5-10 seconds!

Generally, traders do not ensure appropriate classification on the presumption that the manufacturers of the goods or 1st stage dealers would have ensured the same. The compliance burden is always on the supplier, and therefore a trader must ensure independent classification and GST rate applicability of his goods. HS Codes in the e-invoice portal and GST rates (search based on HSN/description) in the CBIC portal can be used as preliminary sources to identify/confirm the levy.

Important points to note:

1. The e-invoice govt. portal (<https://einvoice1.gst.gov.in/>) does not save your e-invoice copies. Therefore, such copies must be maintained through an internal database (software) or 3rd party tools without fail.
2. E-invoice cannot be modified after being raised. It can be cancelled within 24 hrs only. This would necessitate the issue of debit/ credit notes for corrections adding to more documentation and compliance.
3. Turnover limit to be verified in the past financial years. If crossed, then applicable from the current financial year. (Ex: If 50 crore crossed in Dec 2021, applicable from 1.4.22)

In addition to the above, the software must be able to distinguish between the following:

- B2C & B2B transactions – E-invoice for B2B only (incl. SEZ)
- Exempt & taxable transactions - E-invoice mandatory for taxable supply only
- Exempt + taxable supply to B2B is not possible. Separate invoicing required
- Minimum 6-digit HSN availability – E-invoice with 6 or > digits only

Compliance actions:

- i. IRN & QR code must be generated and displayed in the e-invoice
- ii. Supply to SEZ - invoice to have additional declarations as per Rule 46
- iii. E-invoice to be raised as per the time of supply provisions (Section 10 of IGST Act)
- iv. E-invoice copy to be maintained in records for minimum 6 years from GSTR 9 due date of FY as per Rule 56.

Consequences - non-compliance

- Rs. 10,000 or tax evaded, whichever is higher
- Customer's input tax credit can be questioned and denied – leading to non-payment and loss of trust and reputation.
 - o Check vendors if listed in this dynamic list of GSTINs performing e-invoicing shared by the govt. - [https://einvoice1.gst.gov.in/ Others/GSTINsGeneratingIRN](https://einvoice1.gst.gov.in/Others/GSTINsGeneratingIRN)
 - o Obtain written declaration from vendors on applicability to avoid future disputes.

E-Way Bill in Retail Trade

Refer Rule 138 of CGST Rules

EWB is required for the movement of goods where consignment value is > Rs. 50,000.

Consignment value is taxable value + taxes but does not include the value of exempt supplies.

Documents to be carried during movement would be - Invoice or delivery challan as applicable and valid EWB in physical form or EWB in electronic form mapped to RFID of conveyance.

Exemptions from raising E-way bill (mostly applicable for retail trade):

- i. Exempted supplies
- ii. Used personal and household effects
- iii. Movement through non-motorized conveyance
- iv. Other specific exemptions under Rule 138(14) as applicable

Transactions common for retail trade include - door delivery, delivery to other than the billing address, goods handed over to the customer at shop/showroom.

In Focus

EWB Issues & Resolutions:

Sl no.	EWB situations	Solutions
1	Purchased at the store and taken by B2C customer	EWB is not required as the registered supplier cannot confirm termination of delivery. Tax can be passed on based on the address on record. (disputable)
2	Purchased at the store and taken by B2B customer	Either supplier or customer to raise EWB against e-invoice. Sl no. 1 application here is disputable. Cannot be said to be a 'used personal effect'.
3	Purchased at the store and delivered to B2C customer	Supplier to raise EWB against tax invoice/invoice-cum-bill of supply.
4	Purchased at the store and delivered to B2B customer	Supplier to raise EWB against e-invoice.
5	Purchased at the store and delivered to another address	Supplier to raise EWB against e-invoice and consider 'Transaction Type' as 'Bill to Ship To'
6	Purchase at the store in location 1 and delivered from location 2	Supplier to raise EWB against e-invoice and consider 'Transaction Type' as 'Bill From Ship From'
7	Purchase at the store in location 1 and delivered from location 2 + billing and shipping address is different	Supplier to raise EWB against e-invoice and consider 'Transaction Type' as 'Combination of 2 and 3'
8	Exchange of old product for new product	Supplier to raise EWB against e-invoice for the new product. Old product EWB may not be required if 'used personal/household effect' or < 50,000.

Sl no.	EWB situations	Solutions
9	Purchased and asked for delivery after a specified time limit	Supplier to raise EWB against e-invoice upon actual delivery only.
10	Purchased and asked to deliver various products in 3 instalments	Supplier to raise EWB against delivery challans (3). Delivery challan to have a link to e-invoice. Copy of invoice to be attached along with first 2 movements, and original invoice to be sent along with the last instalment.

* - Wherever e-invoice is given in the solution. Assume B2B supply.

Consequences - non-compliance

- Penalty, detention, seizure, confiscation, auction & sale.
- Where the owner of the goods comes forward for payment of applicable tax and penalty: Taxable goods –Penalty equal to 200% of tax payable
- Where the owner does not come forward for payment of applicable tax and penalty: Taxable goods-Penalty equal to higher of 50% of the value of goods or 200% of the tax payable on such goods
- Exempted goods –Lowest of 2% of the value of goods or Rs. 25,000/-
- 25% of pre-deposit under Section 107 of CGST Act, 2017, for the purpose of appeal, in case of E-way bill orders along with bank guarantee to release goods & conveyance.
- Rs. 1 lakh to get back conveyance (not goods)

Conclusion

Considering the stringent measures in place against non-compliance, the possibility of customers not making the payment and the impact on reputation and trust makes such compliances under GST very important. Due to the nature of the activity for retail trade, the immediate readiness and seamless integration with their various software's will hold the key in compliance and growth in the future.

Authors can be reached at :
madhukar@hiregange.com &
akshay@hiregange.com



UDYOGASETU™

We help INDIAN MSMEs Grow

Only platform for enriching and enhancing the growth path of Micro Small and Medium Size Enterprises.



Scan Here to
Register for
FREE

Services

- Recruitment
- Supplier Connect
- Consulting Services
- Business Leads
- Training & Certification
- Market Place

Benefits

- ✓ New business opportunities for the SME
- ✓ Attract and employee industry relevant skilled workforce
- ✓ Networking opportunities and building relationships
- ✓ Hub for Innovation and Research & Development between SME and Academia
- ✓ Access to industry leaders and domain consultants
- ✓ SME can Connect and co-create in-order to explore alternate business models

www.udyogasetu.com

Follow us on



Advt

KSCAA SPORTS & TALENT MEET 2022

Held on 11th December, 2021 at BEL Sports Ground



KSCAA SPORTS & TALENT MEET 2022

Held on 12th December, 2021 at KGS Club, Cubborn Park



PHOTO GALLERY

Snapshots of eminent speakers in the Workshop series on 'Basics & Practical Overview of Ind-AS' held from 12th November, 2021



GST Update by #TeamKSCAA

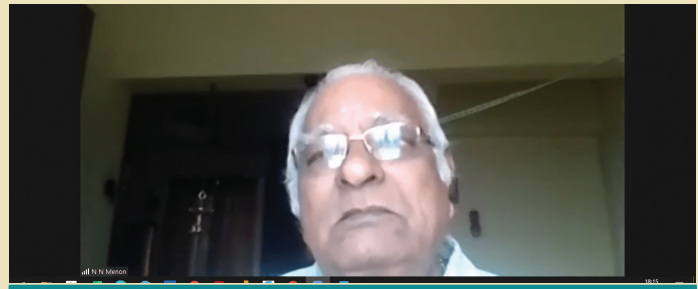


Rule 36(4) & Sec 16(2)(aa) setting in from 01-01-2022. What it means for business and Professionals handling compliance?

- Government's year to provide **sancuity** to **GSTR 2B** is accomplished with new Sec 16(2)(aa) and amendment to Rule 36(4), wef 01-01-2022.
- What now? Only those credits **APPEARING** in **GSTR 2B** would be eligible for claim in a particular month, as per amended Rule 36(4).
- What is GSTR 2B? This populates the GSTR-1 filings done onto a GSTIN b/w 11th/13th of a month to 11th/13th of subsequent month (11th where vendors file monthly & 13th where vendors file quarterly).
- It is now important to **FILE** GSTR 1/Invoice Furnishing Facility **WITHIN** the **due date**. Delay would impact the receiver, a month's lag in claiming ITC. **Huge working Capital Impact!**
- **No more leeway** beyond what is appearing in GSTR 2B. Erstwhile 20%, 10% & 5% **leeway is brought to ZERO** effective from 01-01-2022.
- **Impact on Compliance?** Earlier we were starting with Books ITC and reconciling with ITC as per GSTR 2A/2B. Now we need to reverse this!
- **Advice to clients?** From their outward supply side – **DON'T miss** to file GSTR 1 on time. All vendor engagements can have a clause on **releasing GST** portion upon reflection of ITC in **GSTR 2B**.
- **Technology adoption?** Those who were not reconciling/reconciling manually may update themselves to adopt/take support of technology to do this reconciliation job
- **Training to Team** – This is of utmost importance as they are at the helm of daily affairs, where it **CANT** go wrong, as it is something to do with **WORKING CAPITAL** of clients!



Webinar on opportunities in Customs and Foreign Trade Policy held on 07th January 2022 by Customs and FTP Expert N N Menon



A group photo of the Secret Santa event held at the 77th Meeting of the Eloquent Professionals jointly conducted with Bangalore CA's Toastmasters Club on 25th December 2021





CA. Vinayak Pai V

FINANCIAL REPORTING AND ASSURANCE

1. UPDATES: *Monthly Roundup*¹

AS Ind AS	<ul style="list-style-type: none"> • ICAI Publication: <ul style="list-style-type: none"> ◦ Indian Accounting Standards (Ind AS): An Overview (Revised 2021). • ICAI Exposure Draft: <ul style="list-style-type: none"> ◦ Guidance Note on Accounting for Hydropower Industry. [Applicable to Ind AS entities.] • ICAI Booklets on Valuation: <ul style="list-style-type: none"> ◦ Fair Value – Purchase Price Allocation. ◦ Valuation on Complex Securities.
Assurance	<ul style="list-style-type: none"> • IFAC Publication: <ul style="list-style-type: none"> ◦ Technology is a Double-edged Sword with both Opportunities and Challenges for the Accountancy Profession. • IAASB Non-authoritative Support Material: <ul style="list-style-type: none"> ◦ <i>Using Automated Tools and Techniques on Audit Planning</i>.
MCA SEBI	<ul style="list-style-type: none"> • Relaxation on levy of additional fees in filing e-forms AOC-4, AOC-4 (CFS), AOC- 4 (XBRL) and AOC -4 (Non-XBRL) for FY ending 31st March, 2021. (i.e. Upto 15th February, 2022.) [MCA General Circular No. 22/2021 dated 29th December, 2021.]
RBI	<ul style="list-style-type: none"> • Notifications <ul style="list-style-type: none"> ◦ General permission for infusion of capital in overseas branches and subsidiaries and retention/ repatriation/ transfer of profits in these centres by Banks incorporated in India. ◦ Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs).
IFRS	<ul style="list-style-type: none"> • IFRS 17, Insurance Contracts <ul style="list-style-type: none"> ◦ Transition Option provided by IASB: Initial Application of IFRS17 and IFRS 9 – Comparative Information. • IASB Publication: <ul style="list-style-type: none"> ▪ <i>Investor Update</i> No. 25 (December, 2021)
US GAAP	<ul style="list-style-type: none"> • Financial Accounting Standards Board’s (FASB) Issue of Two New Chapters to the Conceptual Framework [FASB Concepts Statement No. 8]: <ul style="list-style-type: none"> ◦ Chapter 4, Elements of Financial Statements, ◦ Chapter 7, Presentation. • FASB Exposure Draft - Proposed Accounting Standards Update: <ul style="list-style-type: none"> ◦ Liabilities – Supplier Finance Programs (Sub Topic 405-50): Disclosure of Supplier Finance Program Obligations.

¹Updates for the month of December, 2021

2 CASE STUDY: *Audit Committee Review Of Appropriateness Of Management's Accounting In Areas Of Heightened Identified Risks*

About the Company: Company X is an online retailer which through its market-leading app and web experience enables customers to shop a curated list of products sourced from global and local third-party brands alongside its in-house labels.

Financial Reporting – Areas of Risk: The Audit Committee discussed areas of risk with the auditors and agreed for the following areas of heightened risk to be reviewed and assessed in the audit of the Company's financials for the period under report:

- i) **Revenue may not be correctly recorded:** as revenue is recognised on despatch and the returns provision is based on estimates, there is a risk that revenue may not be accurately recorded;
- ii) **Inventory not recorded correctly:** having regard to the significant level of inventory holdings, and the fast-moving nature of the fashion market, there is an increased risk that the closing inventory is not accurately recorded or that the inventory provisioning is not complete in the financial statements; and
- iii) **Consideration of the impact of COVID-19:** given the significance of the impact of COVID-19 on the global economy, customer behaviours and associated cash flows, the carrying amount of assets and projected future cash flows in the context of going concern and impairment assessments.

Specific Accounting Aspects: Estimates and judgements involved in the financial statement preparation and reporting process (relevant for the purpose of this case study) in three specific areas are as follows:

- **Inventory valuation:** Inventory is carried at the lower of cost and net realisable value, on a weighted average cost basis, which requires an estimation of products' future selling prices. A provision is also made to write down any slow-moving or obsolete inventory to net realisable value.
- **Refund accruals:** Accruals for sales returns are estimated on the basis of historical returns and are recorded so as to allocate them to the same period in which the original revenue is recorded. These accruals are reviewed regularly and updated to reflect management's latest best estimates. Despite the increased uncertainty associated with COVID-19, management does not believe that the difference between the accrual estimate and actual returns will be material.
- **Depreciation of property, plant and equipment and amortisation of other intangible assets:**

Depreciation and amortisation are provided to write down assets to their residual values over their estimated useful lives. As Domains have indefinite useful lives they are not amortised. The determination of these residual values and estimated lives, and any change to the residual values or estimated lives, requires the exercise of management judgement. The average UEL (Useful Economic Life) for intangible assets is 6.8 years with the average UEL for tangible assets being 4.6 years. UELs applied to non-indefinite lived assets range from 3-20 years.

How the Audit Committee addressed the significant financial statement reporting issues:

Inventory valuation: The Audit Committee considered the Company's provisioning policy applied and reviewed a management paper setting out the key judgements made in respect of inventory provisions, including the ongoing impact of Covid-19 on trading.

The Committee also **reflected on the results of the Statutory Auditor's work** on inventory, which included a review of the provisions held.

The Committee concluded that the **methodology** for calculating the net realisable values of inventories, including management's judgements on provisions, was **balanced and appropriate**.

Refund accruals: The Audit Committee **assessed the assumptions** used by management to determine the refund accrual to be recognised, in addition to the right to return assets included within the inventory.

The Committee observed that over the last twelve months there had been significant volatility in the volume of returns being received from customers, driven by Covid-19's impact on consumer behaviour and sentiment. The second half of the year had seen a normalisation of underlying return rates as restrictions eased.

The Committee **reflected on the results of the Statutory Auditors' work** on revenues which included a review of the provisions held.

The Committee concluded that the **judgements made by management** in calculating the provisions required **were reasonable**.

Depreciation of property, plant and equipment and amortisation of other intangible assets: Property, plant and equipment and other intangible assets are depreciated/ amortised on a straight-line basis over their useful economic lives. Management of the Company reviews the appropriateness of asset's useful economic lives at least annually – any changes could affect prospectively depreciation/amortisation rates and asset carrying values.

The Audit Committee was satisfied that there was

appropriate oversight and challenge applied in the review of the appropriateness of existing UELs.

During the year, the Company acquired brand and customer relationship assets from another entity for which there was significant judgement involved in determining the UELs. Management carried out **market benchmarking** and sought **guidance from advisers** to validate the conclusions reached.

The Audit Committee, having **consulted with external experts**, concurred with the judgement made by management and was satisfied that the UELs for the acquired assets were appropriate.

3 FINANCIAL STATEMENT EXTRACTS: Trade Receivables

Financial Statement extracts related to Trade Receivables of a listed global company are provided hereinbelow.

Accounting Policy: Trade receivables (including supplier advances) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets that result from transactions that are within the scope of the Revenue Recognition, irrespective of whether they contain a significant financing component or not.

The group establishes a provision for impairment of trade receivables when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in or delinquency in payments are considered indicators that the trade receivable is impaired.

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The group considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate.

The carrying amount of the asset is reduced using an allowance account and the amount of the loss is recognised in the income statement within administrative expenses.

When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Extracts from Notes to the Financial Statements:

- Trade receivables represent amounts due from wholesale customers and advance payments to suppliers.
- The fair value of trade and other receivables is not materially different from the carrying value.
- Where specific trade receivables are not considered to be at risk and require a provision, the trade receivables impairment provision is calculated using the simplified approach to the expected credit loss model, based on the following percentages:

Age of trade receivable	2021 (%)	2020 (%)
60 - 90 days past due	1	1
91 - 120 days past due	5	5
Over 121 days past due	90	90

**Author can be reached at :
vinayakpaiv@hotmail.com**

Income Tax Savings Schemes

54EC

Capital Gains Bonds

AAA rated 5 year Lock in

5% Annual Interest payable on June 30th.

Min : ₹ 10,000/-
Max : ₹ 50,00,000/-

80C

Save Money & Save Tax

Invest in 3 years ELSS Equity Linked Saving Scheme

Save up to ₹ 1.5 Lakh ELSS - 3 Yr Lock in

80CCD 1(B)

Invest in National Pension Scheme (NPS)

Get an additional Tax benefit of ₹ 50 K pa.

Save up to ₹ 50 K

For further information / clarification, please feel free to contact us:
 ☎️ Kiran Boal: 98803 93743 📞 080 2226 4742 ✉️ wecare@wealthlab.co.in

Achieve your Financial Goals with proper Financial Planning

Advt



CA. Vinay Thyagaraj

RERA – ESTIMATED COST OF THE REAL ESTATE PROJECT

(PART - VIII OF RERA SERIES)

The process of creating plans to spend and use finance in an organisation makes up budgeting (estimates). Budgeting (estimates) helps determine the spread of resources/finance available for project development. Execution of budgeting (estimates) in project management/development is essential. This ensures that project efficiency, standards, timely delivery of the project.

A good Project Budget sustains itself as a tool to estimate project costs. All costs that are likely to incur in a project can highlight in the planning stage. A good project budget would include the following cost planning:

1. Labour costs.
2. Material costs.
3. Operating costs.
4. Borrowing Costs

Considering the similar requirement while the development of Real Estate Project, the RERA Act 2016 has included the concept of "estimated cost of real estate project" and defined the under Section 2(v)"estimated cost of real estate project" means the total cost involved in developing the real estate project and includes the land cost, taxes, cess, development and other charges.

1. The Estimated Cost of the Real Estate Project has not been detailed in the Act or Rules. However, guidance is given by the State RERA authorities by way of formats of CA Certificates or explanatory notes or by circulars.
2. Promoters and professionals should know and understand the importance of The Estimated Cost of the Real Estate Project under RERA and how it impacts on the cash flow of the project. The details of such The Estimated Cost of the Real Estate Project shall be provided while filing an application for grant of registration of Real Estate Project.
3. As the term Estimated Cost of the Real Estate Project suggests, it is an estimate and cannot be accurate. Hence reasonable efforts shall be made by the promoters to arrive at the Estimated Cost of the Real Estate Project based on the scheme of the project, timelines for completion, funding for the project,

specifications, offering by the promoters etc.,

The Estimated Cost of the Real Estate Project =
Estimated Land Cost + Estimated development Cost

- a) Estimated Land Cost includes the cost of the land, rights acquired for additional construction by way of TDR / FSI etc, litigation or settlement amount, the amount remitted to clearance boards etc.,
- b) Estimated development cost includes - Onsite Costs, Off-Site Costs, Taxes, Borrowing Cost and any other costs associated in the development of the Real Estate Project
- c) Onsite Costs include all expenses related to the physical development of the project. Men, Material, machinery, consultants fees etc
- d) Offsite Costs would include administrative costs, management costs, which may be direct costs or on allocation or apportionment basis in case of promoter developing multiple projects / multiple businesses
- e) Taxes/levies - any taxes or levies in relation to the development of the project. Eg., Labour Cess, ground rent, property taxes, any other taxes as may levy by the state government or statutory authorities, GST if it is considered as Cost etc
- f) Income Tax is shall not be part of the Cost of the Project.
- g) Marketing or sales cost are not part of the Estimated Cost - as it is not associated with the development of the project (it is associated with sales and marketing activities)
- h) Borrowing / Interest cost - for the purpose of development of the project. Such borrowing cost shall have direct nexus to the project (many a time promoter does borrow based on the project, however, borrowed funds are deployed other than for the project. In those scenarios, such borrowing costs shall not be considered as part of the project cost)

- i) Borrowing/interest cost on land also can be considered as part of land cost.
 - j) Various states have given guidance on the estimated cost of Real Estate projects.
4. Challenges and practical difficulties in arriving at The Estimated Cost of the Real Estate Project -
- a) As the Estimated Cost of the Real Estate Project is required to be mentioned in the application, the costs tend to change depending on various factors, scheme of the project. E.g., changes in material costs, cost of borrowing depending on cash flow, government levies.
 - b) It is difficult to predict whether borrowing is necessary or not. As it depends on the sales velocity and collections (cash flows).
 - c) Apportionment or allocation of Common Costs depending on the business and number of projects or number of businesses etc., E.g., Promoter having multiple projects and development at a different stage of completion. Promoter having multiple businesses (eg., real estate, FMCG, Power etc)
5. Sensitivity and Importance of The Estimated Cost of the Real Estate Project -
- a) Sensitive and important for the purpose of withdrawal of funds from the Project Designated bank account
 - b) Basis for the Authority for levy or imposition of Penalties Under Chapter VIII of the Act.
 - c) Allottees/customers evaluate the quality of offerings based on the cost of the development
 - d) Various statutory authorities viz., GST, Income Tax may consider these costs while assessment
 - e) Investors or Lenders or financial institutions take the reference during the transactions
6. Professional Advice:
- a) Based on our experience over the years, we advise professionals and promoters shall prepare the Estimated Cost of the Real Estate Project scientifically with the help of experts of the field i.e., Engineers, Architect and CA at the time of filing an application for grant of registration.
 - b) Retain such Estimated Cost of the Real Estate Project workings, breakup and details as a reference till the end of the project.
 - c) Once the estimated cost of a Real Estate Project is filled in the application and registration is granted, then for all the practical purposes of issuance of professional certificates etc, the same

shall be considered. If the promoter intends to modify such costs, then separate applications shall be filed with supporting documents and details.

- d) Most of the states have referred how to arrive at the estimated cost of land in its Rules, acquisition cost or the guidance value as on date of application, whichever is higher shall be considered for the purpose of RERA Application.
7. Impact of not mention of the estimated cost of the real estate project -
- a) It is observed that many applications were filed without mentioning the land cost, development costs are erroneous as the same is not calculated on a scientific basis. This is not correct and results in impacting the withdrawal of funds from the designated project bank account under section 4(2)(l)(D) of the Act.

Questions frequently Asked on the estimated cost of the Real Estate Project -

1. **In case if the Land is inherited, what is the estimated cost for the purpose of RERA application** - Most of the states have referred how to arrive at the estimated cost of land in its Rules i.e., acquisition cost or the guidance value as on date of application, whichever is higher shall be considered for the purpose of RERA Application.
2. **Is it mandatory to mention the Land cost in case of Joint Development Agreement while filing an application for grant of registration** - Please note that the application for grant of registration is for the project (not for the promoter). The project includes Land and Development. Hence irrespective of the type of model (JDA, JV, Own, Lease) the Land Cost shall be mentioned in the application for grant of Registration.
3. **What is the impact of mentioning the estimated cost of the real estate project excess or less than what is calculated** - promoter or professionals shall calculate the estimated cost of the real estate project scientifically based on the various parameters. If such calculation is erroneous or values mentioned in the application is having large variance (less or more), which will have a direct impact ability of withdrawal of funds from the 70 % designated bank account.
 - a. **E.g., XYZ promoter mentioned 150 in place of 100 as the estimated cost of the real estate project.** If promoter incurs 30 as cost, then the percentage of completion is only $30/150=20\%$ instead of $30/100=30\%$. Means ability to

withdraw is only 20% against 30 %, also the authorities levy penalty based on the estimated cost of the real estate project.

4. **Can I amend the estimated cost of the real estate project once registration is granted** – promoters shall make a separate application and representation to the authorities to make necessary amendments along with necessary documents, affidavits and professional certificates.
5. **Should I report to RERA in case of overrun of the estimated cost of the real estate project** – The engineer certificate has a reference, wherein the engineer shall certify the additional expenses and details thereon. Otherwise, as the name says it is only the estimate, always actuals vary. Reasonable escalation or reduction is acceptable.
6. **Should I include GST as part of the estimated cost of the real estate** – Post amendment of GST applicable to Real Estate, in case of projects not eligible for ITC, can consider GST as cost. In case of projects that consume ITC, they can maintain separate ledger account for input and output and need not consider GST as cost of the project (in case of commercial or mixed development project, the promoter may consider input and output method and need not consider GST is a cost)
7. **Is borrowing cost on Land is part of the estimated cost of the real estate** – Yes, few RERA authorities have clarified that any interest incurred in relation to the acquisition of land can be considered as the cost of the land.
8. **Can CA Certify the estimated cost of the real estate** - In line with the guidance note, a Chartered Accountant can participate in the preparation of profit or financial forecasts and can review them, provided he indicates clearly in his report precise terms of reference, sources of information, the basis of estimates and the major assumptions made in arriving at the estimates, relying on the work of the experts etc. (As per SA 620: The estimation of the total project costs requires technical expertise which the engineer and the architect possess. Therefore, the Chartered Accountant may rely on such estimated total project cost for the purpose of his certification certifying the percentage of completion of the project work. The Chartered Accountant. to this extent is using the work of an Auditor's Expert.
9. **Under the Joint Development Agreement model, do I have the option to consider the cost of the development work pertaining to the share of the landowners as the cost of the land** – No, RERA rules or authority notifications defined how to calculate

the estimated cost of the land. Hence promoters will not have any other option other than to mention as per Rules

10. **Can I consider the cost of subvention as part of the estimated cost of the real estate project** – Yes, promoter or professionals shall calculate the cost of subvention (interest payout to the allottees in the project) based on the scheme of the project and offerings and shall be included under borrowing cost/interest cost
11. **In case of the development of the project in a phased manner, what is the best method to arrive at common cost as part of the estimated cost of the real estate** – in many instances promoters register the project in phase-wise in accordance with the explanation to section 3(2) of the RERA Act 2016, in those instances promoter and professionals shall calculate various common cost scientifically. Eg., borrowing cost based on the utilization of funds. Management cost based on the % development of work in the project etc
12. **Capital expenses viz., purchase of machinery etc., be considered as the estimated cost of the real estate** – In our opinion, the depreciation portion of the capital asset shall be considered for the purpose of the estimated cost of the real estate project.
13. **Is advance money paid to the landowner to be considered as the estimated cost of the real estate project** – nonrefundable and refundable advance or goodwill shall be included as part of the estimated cost of the real estate. As RERA always look at the amount realized and utilized (inflow and outflow)
14. **Is payment made for the acquisition of TDR or additional FSI to be included as land or development cost** – the format of CA Certificate notified by the authorities mentions that the amount incurred towards the acquisition of TDR, additional FSI, compensation, litigation expenses, rehabilitation expenses etc shall be considered as part of the estimated cost of the Land.

Conclusion – promoters shall take the support of experts or professionals in the respective field and arrive at the estimated cost of the real estate project scientifically. Not to be casual about it, we have seen over the last 5 years that many promoters have suffered from more penalties or are unable to withdraw the funds from the designated bank account etc for the erroneous value of the estimated cost of the real estate project.

*Author can be reached at :
vinay@vnnv.ca*



Adv. M. G. Kodandaram, IRS
Assistant Director (Retd.)

INTELLECTUAL PROPERTY RIGHTS AND PROTECTION IN INDIA

PREPARATIONS FOR ENTERING THE EXPORT MARKET

(PART - XVII OF IPR SERIES)

Commercializing the IP protected products

The deliberation made through these writings on various facets of IPRs clearly indicate that the commercialization of a product or a service, by exploiting the various IPRs to reach the requirements of consumers, and to continue to receive their goodwill towards the source is the most important element behind aspiring for these rights. In case of trademarks, the registered marks, in the role of identifiers of source, provide the necessary highway to reach the consumers in an accelerated mode. Providing constant quality of the products and related services are equally important factors to be adhered to, for receiving the continued goodwill of the consumers for prolonged period. In case of the designs applied to products, as they add the required visual treat and attract the consumers, make the product more saleable and profitable, are important ingredients for marketing a product. The Traditional Knowledge preserved through Geographical Indications provide appropriate platforms to reach the consumers. The Patents and the Copy rights also provide sufficient monopoly in the market, for the efforts and costs involved in inventions and creations so that the commercial returns are assured to the rights holder. In view of the above findings one can conclude that the primary intention of creation and protection of the IPRs are to fulfill the business requirements for better commercial presence and profits as a reward to the inventive, creative, and original efforts of the owners.

In the earlier articles we discussed the ways and means to commercialize the products and services, possessing IPRs of different types, in the domestic trade. The approach to commercialization explained for the Indian

markets holds good for the international markets also, but for some additional procedures and conditions to be followed as prescribed under law to meet the requirement of export regulations. For export of goods and services outside the country, the laws and procedures stipulated are different and therefore require to be understood and followed by exporters. There are requests from the readers to provide some key steps to be followed to fulfill their dream of selling products in the international markets. An attempt is made here to provide some basic information on export procedures so that the industries, especially MSMEs, keen to enter international market can plan and implement the measures in this direction. This will be helpful for expansion of the market for the Indian products beyond the National boundaries, by means of which the country could be benefitted by earning of the valuable foreign exchange from such sales abroad.

Establishment of an organization

Establishment of a suitable organization is the first step to start any business. Such a venture could be, (i) a Proprietary concern, fully owned by the proprietor (sole Proprietorship), (ii) a partnership firm with group of persons coming together to share the responsibility as partners or (iii) a HUF or a society or a trust or (iv) a Public Limited Company or a Private Limited Company/LLP etc., duly registered with concerned authorities as per the law in force. As on date almost all administering agencies provide online registration facilities which could be utilized. The Ministry of Corporate Affairs (MCA) is primarily concerned with the administration of the Companies Act 2013, The Limited Liability Partnership Act, 2008 & other allied Acts, rules & regulations framed

mainly for regulating the functioning of the corporate sector in accordance with law. To simplify the compliance procedures and provide consolidated information on applicable statutory measures to the stakeholders, MCA has launched E-Book for 10 acts and applicable Rules and Regulations for companies and LLPs administered by it. For more details and procedures please visit the following web utility of the MCA department. <https://www.mca.gov.in/content/mca/global/en/acts-rules/ebooks.html>

By using the above credentials, a PAN number could be obtained from Income tax department. Online application can be made either through the portal of NSDL <https://www.onlineservices.nsd.com/paam/endUserRegisterContact.html>

Further open a current account in a bank in the name and style of the entity. If there is an establishment with the above legal requirements being met, the same can be used for concentrating on the export related activities.

In addition to the above you can create an impressive web page with a URL (domain name). A domain name is the important stage of building an online presence for the establishment and the products and services it deals. Here you provide the details of products, activity, IPRs owned etc., for publicity and means to contact you electronically by the various vendors, consumers, and public. It will help to set the tone of how your customers all over the world, to find you on the website, think of your business, and engage with your brand. It is the pathway for people to visit your website, learn more about your business and purchase your products and services. You can use this virtual facility to procure orders electronically from anywhere in the world. However due care should be taken regarding the protection of financial returns against exports from abroad, which is the central factor in the international trade. As the buyer, who resides outside the National territory, is not bound by Indian laws, prescribed international practices for international trade transactions are to be adhered to with utmost care.

GST registration

For dealing in supplying goods or services or both in the domestic tariff area (National market), you must apply and obtain Goods and Service Tax registration by using the GST Network. If the entity is with aggregate turnover less than 20 lakhs (services) or 40 lakhs (goods) per annum, there is no need for GST registration for starting and staying in business. However, if you intend to export goods it is advisable to obtain GST registration from the initial stage itself so that the export incentives and benefits by various authorities could be received

in the bank accounts directly. The GST Registration is compulsory from the beginning without any eligibility for threshold exemption stated above for certain types of business such as a casual taxable person, a Non-Resident Taxable Person, e-commerce aggregator, agents of supplier and input service distributor etc. (refer Section 24 of CGST Act 2017).

Every GST taxpayer is given a unique fifteen-digit alpha numeric identification number called GSTIN during the registration process. The list of documents to be kept ready for applying for GST registration online are, the PAN of the Applicant; the Aadhaar card; the proof of business registration or Incorporation certificate; the identity and address proof of Promoters/ Director with photographs; the Address proof of the place of business; the Bank Account statement/Cancelled cheque; the Digital Signature and the letter of Authorization/Board Resolution for Authorized Signatory. There is no fee charged for registration and registration is valid unless it is surrendered or cancelled by the department under GST provisions. The exports are treated as zero rated transactions and the tax paid on the goods and services in the entire value chain are refunded to the exporter under various schemes which are dealt in the later part of the series. For more details about GST registration, visit <https://reg.gst.gov.in/registration/>.

Udyam Registration (MSME registration)

The Micro, small and medium enterprises (MSMEs), from the beginning have made significant contributions to the socio-economic development of the country and are the foundation for our strong economy. There are stated to be over 6 crore MSMEs actively doing business across the country. They generate 45% employment, 50% exports, and among them 95% of them are industrial manufacturing units. The Union government has always been in favor of providing benefits to MSMEs, which can be availed only if the business entity has registered as required under the provisions of Micro, Small, and Medium Enterprises Development (MSMED) Act, 2006. Therefore, to receive the benefits extended to MSMEs the entity may seek registration through <https://udyamregistration.gov.in/Government-India/Ministry-MSME-registration.htm>

An enterprise is classified as a micro, small or medium enterprise on the basis of the criteria viz., (i) a micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees; (ii) a small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and

turnover does not exceed fifty crore rupees; and (iii) a medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees. The MSME registration process is fully online, paperless and based on self-declaration. Aadhaar Number will be sufficient as proof of person for registration and no documents are required to be uploaded for registering an MSME. The MSME registration process is simple and easy. The entity seeking such registration are required to fill the one-page form - 'MSME / Udyam Registration'. The Registrants must fill up the following information in the application form: (1) Number of Personal Aadhar; (2) Name of your Industry; (3) The official address of the enterprise; (4) Details of bank account. The applicants will receive Udyam Registration Number after the submission form. Self-certification is enough to validate the information; no supporting documents are required to be attested with the form. This online system has been fully integrated with Income Tax and GSTIN systems and the details of entities (already possessing PAN & GST) the requisite details are obtained automatically from Government data bases. It must be noted that no enterprise shall file more than one Udyam Registration. However, any number of activities including manufacturing or service may be added in in single Registration. After completion of the process of registration, a permanent number will be given. A certificate also with a dynamic QR code for speedier access will be issued online. There will be no need for renewal of Registration.

An enterprise registered with any other organisation under the Ministry of Micro, Small and Medium Enterprises shall register itself under Udyam Registration. All existing enterprises registered earlier (under EM-Part-II or UAM) shall register again on the Udyam Registration portal on or after the 1st day of July 2020.

Benefits of registering an entity under MSME

Some of benefits available to MSMEs in India at present (in brief) are as follows:

1. Banks and Government offer collateral-free loans under the Credit Guarantee Fund Scheme (CGS) to the MSME sector.
2. Reservation policies for this sector for the exclusive manufacture of certain items.
3. Direct exemptions on Income tax for the first year of business, depending on its activities. It offers a major relief for enterprises from detailed bookkeeping habits and complex auditing

processes.

4. A subsidy for Bar Code registration.
5. Support against the delay of payment, the right of interest for any delay in making payment for goods by the buyers. If the enterprise registered under the MSME act is a supplier of goods, buyers are responsible for clearing dues earlier than the date of the agreement.
6. Minimum interest rates of banks - Interest rate is lower for MSME enterprises. Enterprises registered benefit from quick granting of loans for their initial run in the market.
7. 15% subsidy of Credit Linked CGSTI Subsidy Scheme (CLCSS) – This is a scheme aimed at providing support for technological upgradation of the businesses. The Following industries can avail benefits of CLCSS: Bio-tech Industry; Drugs and Pharmaceuticals; Common Effluent Treatment Plant; Food Processing (Ice-cream included); Rubber Processing including vehicle Tyres; Dyes and Intermediates; Industry based on Medicinal and Aromatic plants; Corrugated Boxes; Plastic Molded / Extruded Products and Parts/ Components; Poultry Hatchery & Cattle Feed Industry.
8. Concession in payment of electricity bill- if they apply to the electricity department.
9. Reimbursement of ISO certification charges if they send an application with the registration certificate to the respective authority. ISO certification is required for promoting the standards of enterprises registered as MSMEs at the time of bidding to various tenders.
10. **Businesses registered with MSME can receive 50% subsidy in patent registration.** For more details visit - <https://www.msmereregistration.org/blog/benefits-of-msme-registration>

Key Requirements for export business

Export business means selling products that are manufactured in India beyond the national territory to another country. International trade is the exchange of goods, and services across international borders or territories and they have huge social and economic impact. A country has a trade surplus when it exports goods more than it imports. It has a trade deficit when it imports more than it exports. The Exports facilitate international trade and stimulate domestic economic activity by creating higher employment, production,

and revenues. With the increased liberalisation of trade by the Indian Government, there is an abundant opportunity for establishing a profitable exports business. For undertaking an export business, an entrepreneur / entity should have a clear understanding of the rules and regulations along with the documentation pertaining to these export transactions.

Exports from India are governed by Foreign Trade (Development & Regulation) Act, 1992, under which Foreign Trade policy is formulated. The Directorate General of Foreign Trade (DGFT) is the primary governing body responsible for declaring the export and import policies of the country. India's Foreign Trade currently are regulated by policy notified by Central government i.e. the Foreign Trade Policy 2015-20, which is effective from 1st April, 2015 upto the extended period March 2022.

The Customs are the authorities mandated to implement the FTP. In addition to the above the Customs department are assigned the task of regulating the international trade and to collect valuable Customs duty on the goods imported into India and exports from India as per the provisions of Customs Act 1962 and Customs tariff act 1975. The Reserve Bank of India (RBI) is the authority to regulate the foreign exchange involved in these transactions. The guidelines issued by RBI from time to time must be strictly followed by the exporters and importers. Since an export trade should follow a specific set of procedures from receiving inquiries to completion of the transaction, exporters need to get themselves registered with the following authorities for ensuring all the legal formalities are met. This will also help in timely receipt of incentives which are allowed by the Government under the export promotion schemes.

IEC registration

As per the Foreign Trade Policy (FTP), for starting business in international trade (Exports or Imports) from India, it is mandatory to obtain Importer - Exporter Code (IEC). It is important to note that no person shall make any import or export of goods or services, except under an IEC Number granted by the Directorate General of Foreign Trade (DGFT). The nature of the firm obtaining an IEC may be Proprietorship, Partnership, LLP, Limited Company, Trust, HUF, and Society. Consequent upon introduction of GST, IEC number is the same as the PAN of the entity and the IEC would be separately issued by DGFT. For more details visit the URL - <https://www.dgft.gov.in/CP/>

The Para 2.05 of the FTP, 2015-20 lays down the procedure

to be followed for obtaining an IEC, which is PAN based. An application for IEC must be filed online at www.dgft.gov.in as per ANF 2A, by payment of application fee of Rs. 500/- through net Banking or credit/debit card along with requisite documents as mentioned in the application form. To Apply for IEC on the DGFT portal the following documents are necessary:

- A) Valid Login Credentials to DGFT Portal (After Registering on DGFT Portal);
- B) User should have an active Firm's Permanent Account Number (PAN) and its details like Name as per PAN. These details will be validated with the Income Tax Department site.
- C) following scanned documents for Upload in the System (PDF Only and Max file size of 5 MB). (a) Proof of establishment/incorporation/registration. (b) Proof of Address (can be any one of the following documents like Sale Deed, rent agreement, lease deed, electricity bill, telephone land line bill, mobile, postpaid bill, etc., and for proprietorship - Aadhar card, passport, voter (c) Proof of Firm's Bank Account (i. Cancelled Cheque ii. Bank Certificate) (d) User should have an active DSC or Aadhaar of the firm's member for submission. (e) Active Firm's Bank account for entering its details in the Application and to make online payment of the application fee.

Registration cum membership certificate (RCMC)

Export Promotion Councils (EPCs) are the organizations of exporters, non-profit organizations set up under the Societies Registration Act / Companies Act, with the sole objective of promoting Indian exports. The councils are responsible for promotion of a particular group of products/ projects/services as given in Appendix 2T of the Foreign Trade Policy (FTP). EPCs act as a bridge between Government and exporters that coordinates with both the parties with the primary goal of boosting exports. In addition to these councils, some export industries have Commodity Boards and Export Development Authorities set up through special Acts passed in the Parliament. The Federation of Indian Export Organisations (FIEO) is the apex body of all the export promotion councils. It acts as the crucial interface between Indian exporters, Central Government, State Governments, financial institutions, ports, railways, surface transport and other concerned stakeholders. It is estimated that FIEO serves more than 2,00,000 exporters from all the goods and services industries either directly or indirectly. There are 26

Export Promotion Councils, and 9 commodities board are present who are the concerned authorities for issuing RCMC. These organisations fall under the purview of the Ministry of Commerce of Government of India.

As mandated in the FTP, a Registration-cum-Membership Certificate (RCMC) issued by these EPCs is required for exporters to avail benefits under the FT policy. These institutions have been authorised by the Central Government to issue RCMC to the exporters. Every EPC and the commodities board in India categories itself depending on the type of products. In case, if the product line of exporter does not come under the category, then he shall apply for RCMC from Federation of Indian Exporters Organisation (FIEO).

An exporter using an application specified in an ANF 2C register can become a member of EPC. The applicant is granted with the RCM Certificate of EPC in the format that is given in Appendix 2R. To register as a manufacturer exporter, the applicant must furnish evidence of the activity he is doing. Even the prospective or potential exporters can register and become an associate member of an EPC. When applying for RCMC, an exporter must declare the mainstream business and the RCMC must be obtained from the Export Promotional Council, depending on the business. Eg., If a person is running a coconut business, the person comes under Coconut Development Board. If the person does not belong to any mentioned export promotion council, then the person can directly apply for the certificate to FIEO.

The certificate is issued for five years by the Export Promotional Councils or commodity board in India. The Fees structure start from INR Rs. 6,250/- for Individual Exporter. The following are the required documents required to be filed along with the application form of RCMC.

- (1) Duly filled and signed RCMC application form.
And self-certified copy of:
- (2) IEC Number issued by the regional licensing authority.
- (3) Permanent Account Number (PAN) granted.
- (4) Membership fee- demand draft in the name of 'Services Export Promotion Council' or through cheque.
- (5) Company's MOA (For Corporate/ institutional/ Private Limited/ Limited company); or Partnership Deed; Trust's Deed ;
- (6) Certificate issued by the Registrar of Companies regarding the company's registered office change.

- (7) Export Data (Foreign Exchange Earnings) certified by the Chartered Accountant for the last three years.
- (8) GST registration certificate.

The Export promotion councils help the exporters become aware of all the government schemes that have been introduced to boost exports. They collect export and import data, which helps members understand and analyze industry trends. They provide support on different aspects such as quality, technology and international standards of products and timely market intelligence reports. They regularly organise events such as trade fairs and exhibitions that help exporters meet prospective buyers across the world.

For more details on registration and benefits the following website could be visited. https://www.fieo.org/view_section.php%3Fid%3D0,31,32

In the coming part, the preparations to be made for expanding the business to overseas markets will be narrated. The Customs and other related export procedures will be deliberated in brief. The various export promotion incentives and benefits offered by the Union government will be made know to help the MSMEs expand their Business beyond the boundaries of India.

*Author can be reached at :
mgkodandaram@gmail.com*

MSSV & Co *Chartered Accountants*

MSSV & Co is a 40-year-old Chartered Accountant Firm based in Bangalore. We are currently expanding and looking for Chartered Accountants / Semi Qualified for Direct Tax Division, Indirect Tax Division and the Statutory Audit Division of the Firm. Interested candidates can email the resume to pm@mssv.in and can also indicate the preferred area of practice.

Contact details:-

Name: Prateek Marlecha

Mobile No: 9844995546

Email: pm@mssv.in

Head Office: No. 63/2, 2nd Floor, Railway Parallel Road, Kumara Park West, Bangalore 560 020

Branch Office: No. 58, 4th Floor, Railway Parallel Road, Kumara Park West, Bangalore 560 020

Advt

IPR



Dr. Amritha T T

STROKE.... LET'S TALK

Stroke is being heard frequently in recent times. This was once a disease of old age, at present this is seen in all age group and in both gender. Irrespective of cast and creed stroke is commonly seen in all age group. Recent survey suggests the incidence to 1 in 4 adults. As such, the incidence is alarming. When the prevalence is considerably high, it's always better to know about it. Knowing about stroke not only is good to take care of ourselves but also to help the needy. Each minute is precious, rightful act from a knowledgeable person can save life.

What is stroke?

In simple words, stroke can be defined as, weakness or complete loss of movement of either one limb or half part of the body, with or without the involvement of the face. The severity of the symptoms depends upon the amount of damage caused in the brain. Brain is the functional unit of our body. Any damage to it, lands up in lack of blood supply to the brain, leading to stroke. The cause may be hemorrhage or clot. Sometimes the stroke can take one's life.

Why stroke?

As such there is no direct cause leading to stroke. Predisposing factors can be, uncontrolled blood pressure, increased blood sugar level, lack of physical activity, munching on junk. Probably, drastic change in the food habits and lack of physical activity adds to the increased incidence of stroke in youngsters. Many of the times it runs in families too.

What are the symptoms?

Even though, symptoms purely depend on the area of the brain damaged, and how serious the injury is, still following can be taken as the most common symptoms of stroke.

- Weakness or loss of strength in the arm
- Weakness or loss of strength in the legs
- Or weakness in one half of the body involving one hand and leg.
- Deviation of mouth to one side
- Slurred speech, or complete loss of speech

- Altered consciousness or complete loss of consciousness.

How to avoid?

- Keeping one self physically active.
- Keeping a track on blood sugar, blood pressure and taking measures if not under control.
- Guided yoga will help to keep physical and mental wellness
- Avoiding junk food as much as possible
- Stress free life will help to avoid stroke

What Ayurveda says about stroke?

According to Ayurveda, either internal or external injury to brain is the reason for disease called Pakshaghata (name for paralysis in Ayurveda). The injury may be result of an accident or imbalance in doshas. Ayurveda believes vata, pitta, kapha as three doshas. Disparity in these dosha is considered to be the cause of all diseases and stroke is one of them. The unevenness of these basic functional elements of the body is due to dramatic changes that has taken place in our food and lifestyle.

Ayurveda treatment for stroke.

Ancient system of medicine always believes in "prevention is better than cure" .importance is always given to the preventive treatment. The treatment can be categorized into three sections. They are

1. Prevention treatment
 2. Stroke treatment
 3. Rehabilitation treatment.
1. Prevention treatment- as mentioned earlier, Ayurveda stresses upon preventive aspects. In clinical practice we find this disease running in families, hence those with family history of stroke can surely take this treatment to avoid stroke. People without family history can also suffer from it so any person who wants to lead a healthy life can adopt this treatment. The treatment mainly

includes detoxification therapies and stress relieving procedures.

2. Stroke treatment- once the disease has happened; we should go with the treatment to preserve the highest movements, which could allow the patient to do his/her normal activity without others helps. The treatment purely depends on the severity of the damage to the brain. Sooner the treatment is given faster the recovery. There are Ayurveda preparations and treatments which along with physiotherapy gives the best result.
3. Rehabilitation treatment- this is adopted in those who are already suffering from stroke since many years. These treatments help in improving the flexibility and improving mobility to some extent.

Diseases are miseries, which nobody wants to suffer; still these are unavoidable and have become part and parcel of our life. May be the changing environment, or changing lifestyle and food habit are the reason for the frequent encounter of different diseases in this modern world. Nothing is too late, better to adopt healthier habits to avoid as much disease as possible including stroke.

The Author is a Consultant & Professor of Department of Kayachikitsa at Sharada Ayurveda Medical College and Hospital, Talapady, Mangalore

**can be reached at :
raviamritha2008@gamil.com**

KSCAA Welcomes New Members December 2021

Sl.	Name	Place
1	Shivaraju K R	Bengaluru
2	Girish Ravikumar Bandodakar	Bengaluru
3	Amarnath Shetty	Bengaluru
4	B P Devaraj	Bengaluru
5	Anantamoorti B P	Bengaluru
6	Jaykumar M Shah	Bengaluru
7	Sachin B S	Bengaluru
8	Subramanya H G Bhat	Kalkere
9	Nikhil Shah	Bengaluru
10	Vijay Sundar A N	Bengaluru
11	Sunilkumar S C	Bengaluru
12	Sunil Kumar M N	Bengaluru
13	Rahul Jain	Bengaluru
14	Preteesh Jain	Bengaluru
15	Pratik Ashok Gandhi	Bengaluru
16	Pradeep Kumar K	Bengaluru
17	Nitin N Khincha	Bengaluru
18	Nithin Surana A	Bengaluru
19	Nikhil B Jain	Bengaluru
20	Mitesh Khariwal	Bengaluru
21	Jeev Gurjalkar K	Bengaluru
22	Bibhuti Ram Krishna	Bengaluru
23	Akshay Kumar	Bengaluru
24	Abhilash Thimmarayappa	Bengaluru
25	Shivaraj Kumar R	Bengaluru
26	Chandra Chetan	Bengaluru
27	Varun Pitaliya	Bengaluru
28	Varun Kumar Shetty A	Bengaluru
29	Sunil V R	Bengaluru
30	Sripathi V	Bengaluru
31	Srimanth Kumar K	Bengaluru
32	Sneha Venkatakrishnan	Bengaluru

Sl.	Name	Place
33	Sharath Kumar S	Bengaluru
34	Saranakantha B	Bengaluru
35	Sahana Shreyas	Bengaluru
36	Ramganes	Udupi
37	Prithviraj	Bengaluru
38	Mahendra Kochar	Bengaluru
39	Koushik Kumar C V	Bengaluru
40	Harshad K Jain	Bengaluru
41	Guruprasad G	Bengaluru
42	Ganesh Kamath B	Bengaluru
43	Chandrashekharayya Hiremath	Haveri
44	Bhuvan S Purohith	Bengaluru
45	Balur Subraya Purushothama	Bengaluru
46	Athresh K. N	Bengaluru
47	Ajith Anikar H R	Bengaluru
48	Ajay Harish Shenoy	Udupi
49	Somashekar R	Bengaluru
50	Sanjay Pitliya	Bengaluru
51	Rishi Jain	Bengaluru
52	Raghu A S	Bengaluru
53	Prasanth B	Bengaluru
54	Nagaraja Poojary	Udupi
55	Hitesh Kumar	Bengaluru
56	Deepak Kumar Jain	Bengaluru
57	Abhishek G N	Bengaluru
58	Sonith Shetty	Udupi
59	Shashank H S	Bengaluru
60	Shankar Araliganuru	Bengaluru
61	Saurabh Shrenikraj Lonawat	Bengaluru
62	Adarsh Shenoy	Bengaluru
63	Nayana K Murthy	Bengaluru
64	Shreyas Krishnan	Bengaluru
65	Jaykumar A S	Bengaluru

KEYWORD 5

Instructions

- From the given clues, find the words in connection with it.
- In each word so derived, the letter highlighted in colored box should be noted.
- Such letters derived from each word helps in forming the final Key-Word

- Validation services provided by accountants and other professionals. These services can help companies mitigate risks and identify problematic areas (9)

S

- The procedure where an issuer designs a marketable financial instrument by merging or pooling various financial assets into one group (14)

T

- The processes used to pursue _____, means "meeting the needs of the present without compromising the ability of future generations to meet their needs." (14)

S

- A type of shared database that differs from a typical database in the way that it stores information; data is stored in blocks that are then linked together via cryptography (10)

C

- A _____ market is an auction market in which participants buy and sell commodity and futures contracts for delivery on a specified future date (7)

U

- A network between a company and its suppliers to produce and distribute a specific product to the final buyer (11)

N

sudoku-17

		9	8					4
			3				7	
					1			
		6			8		9	
8	5			4	3	6		
9			6					
6	8				2	3		
					6	8		
7	3							

GUESS THE KEY WORD

A financial instrument that is based on the value of underlying securities such as stocks

Answers will be published in next month's News Bulletin.

Answers to "Key Word 4" (December 2021)

- Oligopoly, 2. Underwriting, 3. Deflation, 4. Spinoff,
- Carbon Credit, 6. Mixed Supply

Key Word : Option

Credits: CA. Archana Sridhar



SRINIDHI CATERING SERVICES

(Corporate & Out Door Caterers)

REG. OFFICE

**#473, 1st Floor, Muniram Reddy Building,
Opp. Konappana Agrahara Bus Stop, Electronic City Post,
Bangalore - 560 100**

Contact:

Santhosh Kumar Shetty

Proprietor

Mob.: 98456 69900, 98455 60730

email: srinidhicateringservices@gmail.com

www.srinidhicatering.in



India can now ride electric on their own terms.

the all-new bounce infinity E1, India's first electric scooter that comes with battery swapping and infinite range, lets you choose how you want to ride.

#powertothepeople

bounceinfinity.com



swappable battery



charge battery at home



5 colours + customisation



multiple ownership options

buy e-scooter with rented battery from ₹ 36,099

buy e-scooter with battery & portable charger from ₹ 59,999

pre-book @ ₹499

₹ 1500 discounts for CAs only

 **infinity**

headed by
CA Vivekananda HR
CEO & Co-founder

