M/s PRANJAL JOSHI & CO

CHARTERED ACCOUNTANTS

Audit Consulting Tax IFRS Valuation

Office 9, Suvan, Opp. Jog High School, Mayur Colony, Kothrud, Pune – 411 038. Tel – 020 – 25430276 www.capranjaljoshi.com

Quarterly Newsletter – April 2016

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CA Pranjal Joshi

CA Arti Kirpekar

CA Amit Tanpure

Direct Tax

Individuals, HUF, Firm

- No change in tax slabs. But, Rebate under Sec 87A increased from existing limit of Rs.2,000 to Rs.5,000. So relief for those having income upto Rs 5 Lacs.
- Increase in surcharge from 12% to 15% on individuals, HUFs having income exceeding Rs. 1 crore
- Deduction under section 80GG for rent paid increased from Rs. 2,000 p.m to Rs. 5,000 p.m.
- NRIs who do not have PAN cards would not be subjected to a higher TDS of 20% if they submit Tax Identification Number.
- Additional income tax of 10% in the hands of shareholders, being an individual, Hindu undivided family (HUF) or a firm, being resident in India, in case amount of dividend received exceeds Rs.10 lakhs on gross basis.

Corporate

- For newly setup domestic companies in manufacturing sector Tax Rate shall be 25%, provided such companies will not be claiming certain specified deductions/claims.
- Tax rate proposed to be reduced to 29% for domestic companies whose total turnover or gross receipts in the previous year 2014-15 does not exceed Rs 5 crores.

Small Business / Professionals (MSME's)

- Benefit of presumptive taxation scheme proposed to be increased from Rs. 1 crore to Rs. 2 crore. So they can claim profits @ 8% of their turnover without keeping books.
- Presumptive taxation regime proposed to be extended to professionals having gross receipts not exceeding Rs. 50 lakhs in the previous year at a sum equal to 50% of such gross receipts to be disclosed as profits.
- The threshold limit for tax audit under section 44AB, for getting accounts audited proposed to be increased from Rs. 25 lakhs to Rs. 50 lakhs,
- Assessee under presumptive taxation scheme can pay advance tax in March only.

Assessments

- Now, assessment u/s 143(1) shall also include adjustments on the basis of data available with tax department as per audit report, past returns, 26AS and Form 16/16A, after providing opportunity to assessee.
- Provisions made for e-assessments – sending notices and accepting replies on email.

Direct Tax

Start ups -

•A deduction of 100% of the profits derived by an eligible start-up (business involving innovation development, deployment or commercialization of new products, processes or services driven by technology or intellectual property) for a start-up setup before 01.04.2019.

•This Deduction may be claimed for any 3 consecutive assessment years out of 5 years.

•However, MAT will apply to such start ups.

•But Capital Gains will not be taxed if invested in regulated/notified Fund of Funds.

•Further, a specified fund shall be created by Central Government to promote start-ups. Where any person for claiming exemption of long term capital gains tax can park the proceeds up to Rs. 50 lakhs in the units of such Fund which will have the lock in period of 3 years.

Advance Tax, TCS and TDS –

•Seller shall collect the tax @1% from the purchaser on sale of motor vehicle of the value exceeding Rs. 10 lakhs and sale in cash of any goods (other than bullion and jewellery), or providing of any services (other than payments on which tax is deducted at source under Chapter XVII-B) exceeding Rs. 2 lakhs

•Changes in TDS for rates and increase in monetary limits in few cases made. (Sec 194C – aggregate limit raised to Rs 100,000, Section 194H limit raised to Rs 15,000 and TDS rate is reduced to 5% from current 10%)

•Advance Tax dates for corporate and non-corporate assessee shall be same from next year.

•Benefit of section 197A (submitting form 15G/H) so as to claim income without tax to be extended to recipients earning rental income.

Miscellaneous –

•Belated return can be filed only before end of the assessment year.

•Income Declaration Scheme- For taxing undisclosed income by paying @ 45% such income.

•Direct Tax Dispute Resolution and One time Dispute Resolution schemes launched.

SERVICE TAX

Exemptions withdrawn –

services provided by-

(i) a senior advocate to an advocate or partnership firm of advocates providing legal service; and

(ii) a person represented on an arbitral tribunal to an arbitral tribunal. Service tax would be payable under forward charge on such services.

(iii) transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway

Changes in abatements –

Uniform rate of abatement of 70% on services by way of construction of residential complex, building, civil structure, or a part thereof, irrespective of the carpet area of the units and amount charged for such units.

A lower rate of abatement of 60% on shifting of used household goods by a Goods Transport Agency (GTA) without CENVAT credit on inputs, input services and capital goods.

Changes in Service Tax Rules –

•Benefit of quarterly payment of service tax to One Person Company (OPC) and HUF having value of services up to Rs. 50 lakh. Further, payment of service tax on receipt basis is also extended to such OPC.

•Any service provided by Government or local authorities to business entities are leviable to service tax. Consequently, service tax would be payable on any service by the service recipient on reverse charge basis from said date.

Krishi Kalyan Cess (from 01.06.2016)

It is proposed to levy a Krishi Kalyan Cess on ANY OR ALL the taxable services at the rate of 0.5% of the value of taxable services. It is important to note here that unlike Swachh Bharat Cess, service provider shall be allowed to utilize the CENVAT credit of Krishi Kalyan Cess paid on input services for payment of such cess on the output service provided by it.

Increase in exemptions –

service tax payable on a performance in folk or classical art forms of music/ dance/ theatre is exempt provided the consideration therefor exceeds Rs. 1,00,000. This limit has been increased to Rs. 1,50,000.

Interest rates –

Interest rates on delayed payment of duty/tax across all indirect taxes are proposed to be made uniform at 15% p.a. However, under service tax, in case where any amount is collected as service tax but amount so collected is not paid to the credit of the Central Government on/before the date on which such payment becomes due, proposed interest rate is 24% p.a.

New Exemptions –

•Services of life insurance business provided by way of annuity under the National Pension System.

•Services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship.

Miscellaneous –

•The time-limit for issuance of show cause notice under section 73, for recovery of service tax not levied/paid/short- levied/short paid/erroneously refunded, for nonfraud cases is proposed to be enhanced by 1 year, i.e. from 18 months to 30 months.

•The annual return will also have to be filed by Service Tax assessees, above a certain threshold, taking total number of returns to three in a year for them.

•Time limit for filing application for refund of CENVAT Credit, in case of export of services, is made as 1 year from the date of :

- •(a) receipt of payment in convertible foreign exchange, where provision of service has been completed prior to receipt of such payment; or
- •(b) issue of invoice, where payment, for the service has been received in advance prior to the date of issue of the invoice

Emotions (energy in motion) are expressed state of our feelings. Feelings emanate from Vruttis (Reactions) formed by holding to thoughts which precede them. When thoughts are understandable they become feelings. Feelings when expressed become Emotions. Life is nothing but the emotions. Manage your emotions to manage Life ! *(By Guruji)*

State Budget 2016 –Mvat Provisions

Amnesty Schemes

Amnesty scheme for Profession Tax enrollment holder. Tax liability and penalty will be restricted to previous three years.

Amnesty for tax administered by Sales Tax. For dues upto 31st March, 2005 subject to full tax payment, the interest and penalty shall be waived and for disputed dues from 1st April, 2005 to 31st March, 2012 subject to full tax payment, and 25% interest payment under VAT Act, balance dues will be waived.

Vat Rate increase

VAT rate increased for goods covered under schedule C from 5% to 5.5%, excluding declared goods.

Motor Vehicle Tax enhanced on two wheelers and three wheelers owned by individual. Tax to be based on engine capacity - upto 99cc - 8%, 100cc to 299cc – 9%, 300cc and above – 10%. Institutional and Imported Vehicles to be subjected to double the rate of tax.

Reduction in Vat Rates from 12.5% to 5.5%.

Sterile water for injections reduced LED Tubes
Pyrolysis Oil, Steel Wire Mesh, Barbed Wire and Chain links, Pencil Box, Stapler pins, Dusters, Gum and Gum-sticks used by student

Vat Composition scheme

The VAT composition tax rate 8% to hotels and restaurants having turnover of sales Rs. 3 Crore and more

Turnover limit for composition to retailers under the MVAT Act increased from Rs.50 Lakh to Rs. 1 Crore

State Budget 2016 –Mvat Provisions

VAT Exemptions

Mammography machines used for detection of breast cancers
Bamboo Products excluding Bamboo furniture
Warping and Sizing of Yarn for promoting the Textile Industry

System Implementation

Implementations of SAP based Computer system in Sales Tax Department. Input Tax Ledger to be made available to the tax payer.

Pilot Project will be started by Sales Tax Department for implementation of Digital Billing system.

Others

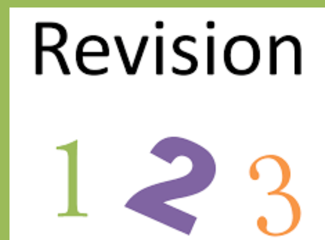
Concept of fair market value is introduced. It is proposed to give power to officers to assess a dealer on the basis of Fair Market Price if Goods are sold below market price with intention to evade tax.

Employers awarding the contact to obtain Registration for TDS under the Act and file TDS return containing TDS details.

Vat set off to be available on leased vehicles to the extent of output tax.

Revision of returns

Multiple Revised Returns: Dealer can file revised returns multiple times before due date of filing VAT Audit report.



Affordable Housing Budget 2016 Provisions

Deduction for First Home Buyer

An additional deduction of Rs. 50,000 in respect of interest payable on home loan taken by an individual during the financial year 2016-17. This deduction is available to a person not owning a house property and where the cost of house does not exceed Rs.50 lakhs and the loan does not exceed Rs. 35 lakhs

Service Tax abatement –

The abatement rate in respect of services by way of construction of residential complex, building, civil structure, or a part thereof, is being rationalized at 70% by merging the two existing rates (70% for high end flats and 75% for low end flats).

Income Tax Incentives for Promoting Housing for All

100% deduction of the profits of an assessee developing and building affordable housing projects if the housing project is approved by the competent authority before the 31st March, 2019 subject to certain conditions which include –

• (i) The project is completed within a period of three years from the date of approval,

•(ii) The project is on a plot of land measuring not less than 1000 sq. metres where the project is within 25 km from the municipal limits of four metros namely Delhi, Mumbai, Chennai & Kolkata and in any other area, it is measuring not less than 2000 sq. metres where the size of the residential unit in the said areas is not more than thirty sq. metres and sixty sq. metres, respectively,

•(iii) where residential unit is allotted to an individual, no such unit shall be allotted to him or any member of his family, etc

New Exemptions under Service Tax –

•Services by way of construction etc. in respect of-

•(i) housing projects under Housing For All (HFA) (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY);

•(ii) low cost houses up to a carpet area of 60 square metres in a housing project under "Affordable housing in Partnership" component of PMAY,

•(iii) low cost houses up to a carpet area of 60 square metres in a housing project under any housing scheme of the State Government,

are being exempted from Service Tax with effect from 1st March, 2016.

Internal Financial Controls over Financial Reporting

IFC

- The Companies Act, 2013 has introduced new requirements relating to audits and reporting by the statutory auditors of companies under Section 143(3)(i) of the Act.
- This requires the statutory auditor to state in his audit report ***whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.*** The Act specifies that the auditor's reporting on internal financial controls shall be only in the context of audit of financial statements.
- Further, Board of Directors' report of all the companies also need to state the details in respect of adequacy of internal financial controls with reference to the "financial statements".
- Most importantly, this requirement is applicable to all companies.
- "Internal financial controls over financial reporting" mean "A process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
- The auditor should report if the company has adequate internal control systems in place and whether they were operating effectively as at the balance sheet date.
- ICOFR includes policies & procedures –
  - For maintenance of records which will accurately & fairly reflect the transactions & dispositions of assets of the company.
  - To provide reasonable assurance that transactions are recorded and presented in accordance with GAAP &
  - To reasonably ensure that Receipts and expenditures are made with proper authorizations.
  - To provide reasonable assurance regarding prevention & timely detection of unauthorized acquisition, use or disposition of the company assets that could have a material effect on the financial statements.
- The companies may adopt different frameworks so as to include all essential components of internal controls viz. Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring activities.
- Although, it appears to be additional burden on the companies as regards compliance and auditing of Internal Financial Controls, once implemented, will provide companies and its stakeholder greater benefits in the long run.

Ind AS

New Accounting era started

Applicability Dates for Ind-AS			
S No	Conditions	Net worth of Rs 500 Crores or more	Net worth less than Rs. 500 Crores
01	Companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India (incl holding, subsidiary, joint venture or associate companies of such companines)	Accounting periods beginning on or after **1st April, 2016,** with the comparatives for the periods ending on 31st March, 2016	Accounting periods beginning on or after **1st April, 2017,** with the comparatives for the periods ending on 31st March, 2017
02	Companies whose equity or debt securities are NOT listed on any stock exchange in India or outside India (incl holding, subsidiary, joint venture or associate companies of such companines)	Accounting periods beginning on or after 1st April, 2016, with the comparatives for the periods ending on 31st March, 2016	Accounting periods beginning on or after **1st April, 2017,** with the comparatives for the periods ending on 31st March, 2017

The net worth shall be calculated in accordance with the stand-alone financial statements of the company as on 31st March, 2014 or the first audited financial statements for accounting period which ends after that date.

The insurance companies, banking companies and non-banking finance companies shall not be required to apply Indian Accounting Standards (Ind AS) for preparation of their financial statements either voluntarily or mandatorily

Important Points to be noted for first time adoption –

1. An entity shall apply this Ind AS in its first Ind AS financial statements as well as for each interim financial report, if any.
2. An entity shall prepare and present an opening Ind AS Balance Sheet at the date of transition to Ind ASs. This is the starting point for its accounting in accordance with Ind Ass
3. An entity shall use the same accounting policies in its opening Ind AS Balance Sheet and throughout all periods presented in its first Ind AS financial statements which shall comply with each Ind AS effective at the end of its first Ind AS reporting period.
4. An entity in its opening Ind AS Balance Sheet shall
   (a) recognise all assets and liabilities whose recognition is required by Ind ASs;
   (b) not recognise items as assets or liabilities if Ind ASs do not permit such recognition;
   (c) reclassify items that it recognised in accordance with previous GAAP in accordance with Ind ASs; and
   (d) apply Ind ASs in measuring all recognised assets and liabilities.

Ind-AS

5. Difference arising due to the accounting policies as per Ind AS Balance Sheet and previous GAAP shall be recognised directly in retained earnings (or, if appropriate, another category of equity) at the date of transition to Ind ASs .
6. An entity's first Ind AS financial statements shall include at least three Balance Sheet, two Statements of profit and loss, two Statements of cash flows and two Statements of changes in equity and related notes, including comparative information for all statements presented.
7. An entity shall explain how the transition from previous GAAP to Ind ASs affected its reported Balance sheet, financial performance and cash flows.
8. To do so, it shall provide following –

   (a) reconciliations of its equity as per previous GAAP and as per Ind ASs for both dates: (i) the date of transition to Ind ASs; and (ii) the end of the latest period as per previous GAAP.

   (b) reconciliation of its total comprehensive income as per Ind Ass and as per previous GAPP by taking starting point as total comprehensive income as per previous GAAP.

   (c) Disclosure for impairment under Ind-AS adoption.

Exemptions from Other Ind-AS on first time adoption *(only few aspects / paragraphs of following Ind-AS as specified)* –

(a) share-based payment transactions;
(b) Insurance contracts
(c) Deemed cost
(d) Leases
(e) cumulative translation differences
(f) Investments in subsidiaries, joint ventures and associates
(g) Assets and liabilities of subsidiaries, associates and joint ventures
(h) Compound financial instruments
(i) Designation of previously recognised financial instruments
(j) Fair value measurement of financial assets or financial liabilities at initial recognition
(k) Decommissioning liabilities included in the cost of property, plant and equipment
(l) Financial assets or intangible assets accounted for as per Ind AS 115 Service Concession Arrangements
(m) Borrowing costs
(n) Extinguishing financial liabilities with equity instruments
(o) Severe hyperinflation
(p) Joint arrangements
(q) Stripping costs in the production phase of a surface mine
(r) Designation of contracts to buy or sell a non-financial
(s) Revenue from contracts with customers
(t) Non-current assets held for sale and discontinued operations

Finance - Tips for NGO's

Functions to be handled efficiently –

1. Arranging of Finance (Fund Raising)
2. Management of Finance (Investing and spending), and
3. Reporting of Finances (Internal and External

2 Management of Finances –

- Have a proper Organisational hierarchy.
- Expenditure Management – Defined Authority, Expressed Spending areas and limits for Delegators incl. Discretionary powers, Adequate Documentation and timely legal compliance.
- Bank account operations – Defined Authority, Monitoring of Operations and reporting to concerned in timely manner.
- Fund raising source and Use of funds (source and application matching).
- Investment of surplus funds (incl. temporary parking of funds).
- Donors covenants and statutory restrictions in utilisation of funds.

1 Sources of Finance –

- Contributions from members, supporters & Affiliates (Corpus Fund or voluntary contributions)
- Contributions from Govt or Philanthropic organisations and Companies (Grants, Social Aids, Foreign Contributions, CSR contributions)
- Income generated through Activities of the trust incl Investment Income

3 Reporting of Finances

- Internal Reporting (Management Accounting) – through Budgets, periodic MIS, Administrative and Financial Reviews and tailor-made Management Reports.
- External reporting (Legal or Statutory Accounting) - to the Members (annually), to the Donors (periodically), to the Tax Dept and to FCRA Authority (as per law)

Income Tax (provisions to be followed)

- Register your NGO with Income Tax Dept to avail tax benefit.
- Apply and obtain 80G / 35AC recognition to raise funds from general public.
- Expend 85% of annual Income to get 100% exemption from tax.
- Set apart and notify to Dept. shortfall in expenditure over Income to get additional time period for utilisation without tax.
- Invest funds in permissible modes only.
- Avoid cash donations, anonymous donations.

FCRA (provisions to be followed)

- Register under FCRA before accepting any foreign contributions.
- Accept funds only through designated bank account.
- Make expenditure through registered utilisation bank accounts only.
- Do not mix domestic funds with foreign funds.
- Reporting on quarterly basis source of funds and utilisation.
- Filing of Annual FCRA return to continue permission for accepting foreign contributions.

Apr 2016 to June 2016

Imp Due Dates

Profession Tax –

- 30th April, 31st May, 30th June – Filing of Monthly PT returns
- Those having annual liability over Rs 50,000 of PT in FY 2015-16 are required to file monthly return in FY 2016-17

Vat –

- 21st April, 21st May, 21st June – Payment by monthly Vat filers
- 30th June – Filing of Annual WCT TDS Return

Service Tax –

- 25th April – Half Yearly Service Tax Return
- 5th May, 5th June – Monthly payment of Service Tax (other than Proprietary concerns, Partnership firms, OPC and HUF)

Income Tax –

- 7th April, 7th May, 7th June – Payment of Monthly TDS
- 15th May – filing of TDS return for fourth quarter
- 30th May – Issue of TDS certificates in Form 16A
- 31st May – Issue of Salary Certificate (Form 16) to employees
- 15th June – Payment of Advance Income Tax

Smile Please !

Personal Finance Tips

Investments Declaration by Employees -
Estimate your Income and declare only those Investments which you are certain to make. Otherwise your tax outgo at year end will be higher giving you very less take home salary.

Selection of Product for Tax benefit –
Although tax benefit is important aspect of investment selection, it should be by produce of your investment strategy. Never select the product merely for tax benefit without ascertaining its features and suitability in your overall financial planning.

Tracking of Investments –
Prudent Investment decisions involve most important step of tracking. Do track your investments on regular basis. Assess whether the corpus you are heading towards is being achieved through this or not. So that corrective action can be taken at right time. Please remember Investing also involves selling / liquidating investments at right time.

Repayment of Housing Loans from surplus funds –
Weigh your options properly. But in many cases, investing surplus funds will generate better returns than repaying housing loan, specifically when you are in highest tax bracket of 30%.

Immovable Property as a Investment tool –
Investment in immovable property is one of the most important asset class. But do not overdo this class only. Maintain investments so as to balance the liquidity . In case of recessionary markets, instead of betting on “so called developing areas”, it may be advisable to invest in “known and popular areas” by altering your choices (i.e. reducing area sq. ft or going for commercial property of less sq ft. than residential property) to manage your budget.

Investment in Market related assets –
Build your corpus through traditional assets (PF, PPF, LIC, FD etc), as well as through market related assets. On an average market related assets always perform better than the traditional investments, but always ensure that you are putting “surplus funds” only in such products so as to avoid panicky.

Purchase of Pension Funds by younger generation –
Considering the fact that, younger generation is not employed with one organisation for long, in order to build the retirement and corpus fund, it is advisable to purchase / contribute to pension funds. NPS (National Pension System) although contains few lacunas and restrictions, still is one of the good choice for pension funds.