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Chartered Accountants

Audit - Consulting - Tax - IFRS - Valuation

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GST LEGAL UPDATES

No reverse charge applicable in case of goods transport agency charging taxes at the rate of 12%

When services are supplied by Goods transport Agency to a certain category of persons, tax was liable to be paid under reverse charge mechanism at the consolidated tax rate of 5% by the recipient of those services. The input tax credit was not available to the goods transport agency either. As per the amendment made through notifications dated 22nd August 2017, an option to pay taxes has now been given to the goods transport agency. Goods transport agency can opt to pay taxes at the rate of 12% after collecting the same from the recipient. Further, it will be allowed to avail input tax credit on the goods and services procured. If the goods transport agency opts for this rate of 12%, then no reverse charge will be applicable in the hands of the recipient for the said supply.

Reverse charge for supplies from un-registered persons

Under Section 9(4), it has been provided that all supplies received by a registered person from unregistered persons will be liable to reverse charge and the recipient will be liable to pay tax in such cases. Vide Notification no. 10/2018-Central tax (Rate) and Notification no. 11/2018-Integrated Tax (Rate) dated 23rd March 2018, reverse charge under Section 9(4) has been deferred till 30th June 2018. This means that all such supplies will be treated as exempt in nature till 30 June 2018. It has been deferred further till 31 March, 2019.

Simplification of sending of goods on job work basis

(a) The challan may be issued either by the principal or the job worker for sending goods to another job worker (b) The challan issued by the principal may be endorsed by the job worker indicating the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal. (c) The challan endorsed by the job worker may be further endorsed by another job worker, indicating therein the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal.

Manner of furnishing LUT / Bond (for Export of Goods and / or Services)

The facility to furnish LUT has become active on the GST portal. So, one can directly make an application for acceptance of LUT online. The authorized signatory registered on the GST portal can act as the signing authority for application of such LUT. The registered person needs to fill and submit Form GST RFD 11 on the common portal. An LUT shall be deemed to be accepted as soon as an acknowledgement for the same bearing Application Reference Number is generated online. In this situation no documents need to be physically submitted to the jurisdictional office for acceptance of LUT If it is discovered that an exporter whose LUT has been so accepted was ineligible to furnish an LUT, then the LUT will be liable for rejection. Once rejected, it shall be deemed to have been rejected ab initio. This has been clarified vide Circular no. 40/14/2018-GST dated 6th April 2018.

Eway bill limit within Maharashtra is proposed to be raised to Rs 100,000/- from existing Rs. 50,000/-

Income Tax

Income Tax Return Forms (AY 2018-19) –

ITR	Description
ITR 1	For individuals being a resident other than not ordinarily resident having Income from Salaries, one house property, other sources (Interest etc.) and having total income upto Rs.50 lakh
ITR 2	For Individuals and HUFs not having income from profits and gains of business or profession
ITR 3	For individuals and HUFs having income from profits and gains of business or profession
ITR 4	For presumptive income from Business & Profession
ITR 5	For persons other than:- (I) Individual, (ii)HUF, (iii)Company, and (iv) Person filing Form ITR-7
ITR 6	For Companies other than companies claiming exemption under section 11
ITR 7	For persons including companies required to furnish return under sections 139(4A) or 139(4B) or 139(4C) or 139(4D) or 139(4E) or 139(4F)

Due dates for filing return of income

1	Any company other than a company who is required to furnish a report in Form No. 3CEB under section 92E.	September 30 of the assessment year
2	Any person (may be corporate/non corporate) who is required to furnish a report in Form No. 3CEB under section 92E (Transfer pricing return applicable)	November 30 of the assessment year
3	Any person (other than a company) whose accounts are to be audited under the Income tax act or under any other law	September 30 of the assessment year
4	A working partner of a firm whose accounts are required to be audited under Income tax Act or under any other law	September 30 of the assessment year
5	Any other assessee	July 31 of the assessment year

Penalty for late filing o Income Tax Return

As per section 234F Penalty for late filing of ITR is effective from AY 2018-19 (FY 2017-18). If ITR is filed after due date but before 31st Dec 2018, then Penalty of Rs.5000/- will be levied and If ITR is filed after 31st Dec then Rs. 10000 will be levied as penalty.

E-Assessment under Income tax

Income tax Department has started with the conducting assessment proceedings through 'E-Proceeding'. Important procedural aspects in his regard are as under:

4.1 Enquiry before assessment in electronic mode: For enquiries before assessment in terms of section 142(1) (ii) of the Act, notice shall be issued electronically and delivered upon the assessee in his 'E-Filing' account. While filing the response electronically in compliance with notice under section 142(1) (ii) of the Act, the concerned assessee shall verify it in the manner prescribed under Rule 14 of Income-tax Rules, 1962.

4.2 Use of digital signature by Assessing Officer: All departmental orders / communications /notices being issued to the assessee through the `e-Proceeding' facility are to be signed digitally by the Assessing Officer.

4.3 Time for compliance: Online submissions may be filed till the office hours on the date stipulated for compliance.

4.4 Availability of facility for electronic submission of documents in time barring situation or where case has been finally heard by the Assessing Officer: The facility for electronic submission of documents through 'E-Proceeding' shall be automatically closed seven days before the time barring date. In other situations, upon completion of proceedings, before passing the final order, concerned Assessing Officer, on his volition, shall close the e-submission facility after mentioning in electronic order sheet that 'hearing has been concluded'. However, if required, in exceptional circumstances, the concerned Assessing Officer may enable further filing of submissions electronically under intimation to the Range Head in ITBA.

4.5 In assessment proceedings being carried out through the 'E-Proceeding' facility, a particular proceeding ***<u>may take place manually</u>*** in following situation(s): **i)** where manual books of accounts or original documents have to be examined; **ii)** where Assessing Officer invokes provisions of section 131 of the Act or a notice is issued for carrying out third party enquiries / investigations; **iii)** where examination of witness is required to be made by the concerned assessee or the Department; **iv)** where a show-cause notice contemplating any adverse view is issued by the Assessing Officer and assese requests for personal hearing to explain the matter.

4.6 Maintenance of 'Record' in the context of 'E-Proceeding': In cases being assessed through 'E-Proceeding', from now on, as far as possible, case-records as well as note sheet of proceedings shall be maintained electronically.

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Ind AS 115 Revenue from Contracts with Customers

Background

In May 2014, after more than 10 years of work, the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) published converged standards on revenue recognition. The IASB issued IFRS 15 Revenue from Contracts with Customers and FASB issued ASU 2014-09 with the same title.

In convergence with IFRS, the Ministry of Corporate Affairs (MCA) issued Ind AS 115, Revenue from Contracts with Customers on 28 March 2018. The new standard replaces existing revenue recognition standards Ind AS11, Construction Contracts and Ind AS 18 Revenue and revised guidance note on Accounting for real estate transactions for Ind AS entities, issued by ICAI. It is applicable effective 1st April, 2018.

Basic Aspects

The core principle of the Standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This core principle is described in a five-step model framework:

- **Step 1:** Identify the contract with the customer.
- **Step 2:** Identify the separate performance obligations in the contract.
- **Step 3:** Determine the transaction price.
- **Step 4:** Allocate the transaction price to separate performance obligations.
- **Step 5:** Recognise revenue when (or as) each performance obligation is satisfied.

As such, all the entities that enters into contracts with customers are affected with the introduction of this standard.

Significant Considerations

Some of the significant considerations as regards application of Ind AS 115 are as follows –

1. Under Ind AS 115, revenue is recognised when a customer obtains control of a good or service, while under existing principles of Ind AS, revenue is recognised when there is a transfer of risk and rewards.
2. Ind AS 115 is a single model of revenue recognition applicable across all industries based on allocation of transaction price to different performance obligations arsing from identified contracts.
3. As such the focus is on control rather than mere risk and rewards.
4. Under Ind AS 115, an entity must reflect the time value of money in its estimate of the transaction price if the contract includes a significant financing component.
5. Identification of performance obligation requires understanding what a customer expects to receive as a final product to assess whether goods or services should be combined and accounted as a single performance obligation or separate elements.
6. Under Ind AS 115, if the consideration is variable, then a company will need to estimate this variability at the inception of the contract subject to a constraint.
7. Consideration as to whether performance obligations are satisfied over time or at a point in time.

Transition to Ind AS 115

For transition, entities can apply one of the two transition methods - Retrospective or Modified retrospective.

Retrospective application requires applying the new guidance to each prior reporting period presented. However, the standard provides certain practical expedients in applying the full retrospective method. The modified retrospective transition approach is intended to be simpler than full retrospective application; however, there are still challenges associated with that approach, including additional disclosure requirements in the year of adoption.

These additional disclosures effectively require an entity to apply both the new revenue standard and the previous revenue guidance in the year of initial application.

Closing Remarks

Ind AS 115, based on IFRS 15 Revenue for Contracts with Customers, is the culmination of IFRS and US GAAP (Generally Accepted Accounting Principles) convergence project.

Ind AS 115 would improve the comparability of revenue across entities, industries, global capital markets and would require more improved disclosures to help investors and analysts better understand entity's revenue.

However, it poses challenges in its implementation in the year of transition i.e. FY 2018-19.

Valuation Standards

The Institute of Chartered Accountants of India (ICAI) has issued Valuation Standards as a benchmark for Valuation Practices.

With a vision to promote best practices in this niche area of practice, the Standards lay down a framework to ensure uniformity in approach and quality of valuation output.

The following Valuation Standards have been issued by ICAI:

1. Preface to the Indian Valuation Standards
2. Framework for the Preparation of Valuation Report in accordance with the Indian Valuation Standards
3. Indian Valuation Standard 101 – Definitions
4. Indian Valuation Standard 102 – Valuation Bases
5. Indian Valuation Standard 103 – Valuation Approaches and Methods
6. Indian Valuation Standard 201 – Scope of Work, Analyses and Evaluation
7. Indian Valuation Standard 202 – Reporting and Documentation
8. Indian Valuation Standard 301 – Business Valuation
9. Indian Valuation Standard 302 – Intangible Assets
10. Indian Valuation Standard 303 – Financial Instruments

The Valuation Standards have been issued by the Institute of Chartered Accountants of India to set up concepts, principles and procedures which are generally accepted internationally having regard to legal framework and practices prevalent in India.

Applicability of Valuation Standards:

These Indian Valuation Standards will be applicable for all valuation engagements on mandatory basis under the Companies Act 2013. In respect of Valuation engagements under other Statutes like Income Tax, SEBI, FEMA etc, it will be on recommendatory basis for the members of the Institute.

These Valuation Standards are effective for the valuation reports issued on or after 1st July, 2018.

The valuation standards have been formulated by ICAI after considering the best practices followed "globally as well as in India", uniqueness of Indian conditions and current practices in India along with their advantages and disadvantages, among others.

Prohibition of Benami Property Transaction Act, 1988

Introduction

Benami is a Persian term which means something "without name". in the context of Benami Property Act, it means "proxy". So a Benami Property is a property bought by the original owner using a proxy. Obviously, this is done to park unaccounted money and avoid the payment of taxes to the Govt.

Basic concepts

Benami Transactions are transactions or agreements in a fictitious name where the owner of the property is unaware or denies ownership and where the person providing consideration is not traceable or is fictitious. Example – Mr ABC, NRI purchased flat for Rs 10 Lacs in the joint name of his brother and himself by making payment from unknown source or Mr ABC, resident purchases flat for Rs 10 Lacs in the name of his son, US resident. But he denies the ownership of the property.

Most important to note that the word "Property" used in the act, means –
Assets of any kind, whether movable or immovable, tangible or intangible, corporeal or incorporeal and includes any right or interest or legal documents or instruments evidencing to title to or interest in the property and where the property is capable of conversion into other form, then the property in the converted form and also includes proceeds from the property. As such, the legislation is applicable to movable as well as immovable properties – both.

Following transactions may be regarded as Benami transactions –

- Cash deposits in the bank account of servant / employee
- Purchases of property in the name of employees
- Partnership / proprietary concern in the name of employees
- Bank accounts including deposit accounts in the name of various individuals (not related), funded by third party etc.

Penalties and Fine

The property involved in a benami transaction can be seized/confiscated as soon as the order of initiation of proceedings against the benami transaction is authorized by the competent Authority. As per the Bill, there can be a penalty of rigorous imprisonment of one year up to seven years, and a fine which may extend to 25% of the fair market value of the benami property.

An accountant goes into a pet shop to buy a parrot. The shop owner shows him three parrots on a perch and says. "the parrot on the left costs $500."

"Why does that parrot cost so much?" asks the accountant.

"Well," replies the owner, "it knows how to do complex audits."

"How much does the middle parrot cost?" asks the accountant.

"That one costs $1,000 because it can do everything the first one can't do, plus it knows how to prepare financial forecasts."

The startled accountant asks about the third parrot, to be told it costs $4,000.

Needless to say, this begs the question, "What can it do?"
to which the owner replies,
"To be honest, I have never seen him do a dam thing,
but the other two call him Senior Partner."

Features of the Health Insurance Policies

Medical Insurance paid is allowed as deduction u/s 80D of The Income Tax Act, 1961. Here is an effort to understand the key terms used in Health Insurance policies, and important check points to be considered while selecting the Insurer for taking out health insurance policy.

Key terms use in Health Insurance Policies

Cumulative Bonus: cumulative bonus is no claim discounts. For every claim free year, the sum insured will progressively benefitted with increase of coverage by 5%. However, the cumulative bonus is subject to maximum of 50 percent of the Capital Sum Insured and that the policy must be renewed continuously.

Deductible: The amount of loss borne by the insured. This loss can be a certain money amount or a percentage of the claim amount. Bigger the deductible, lower is the premium.

Exclusions: These are those conditions or circumstances for which an insured will not be given any benefit.

Long-term Disability Insurance: Pays an insured a percentage of their monthly earnings if they become disabled.

Pre-existing condition: A medical condition of an individual is excluded from coverage if the condition is believed to have existed prior to obtaining the policy from a particular insurance company.

Sum Insured: Sum Insured is the pay out amount that the insurer is liable to pay to the insured in case of an eventuality. It works on the principle of indemnity.

Waiting Period: When an individual signs up for a new health insurance policy, there is a fixed period of time after which certain benefits of the policy come in effect.

Points to be checked while comparing Health Insurance Policies of different Insurers

The Coverage Provided vis-à-vis the Premium Charged: Amount of coverage provided by the Insurance company for the premium charged. Policy with higher coverage with lesser premium is better.

Limits and Sub-limits: There are many limits and sub limits. For eg even though the coverage amount is Rs 15 Lacs, per day room rent is restricted to max 1% of sum assured or ICU charges are restricted to 2% of sum assured etc. Lesser the limits and sub limits, better the policy is.

Restrictions for Certain Treatments: there exists certain restrictions for say cataract operation etc.

Pre-existing Conditions and their Waiting Periods: Many Insurance policies contain a clause that existing diseases are covered after some waiting period e.g. after 36 months etc. Lesser the waiting period better the policy is.

Bonus and Discounts: Insurance companies offer discount for family coverage in single policy. Similarly, it also allows bonus in the form of additional coverage for each no claim year. Higher such benefits, better is the policy.

Claim Settlement Ratio: This is very important aspect. It suggests that how many policies are

Due Date Diary for July to September 2018

Due Date	Category	Description
07-07-2018	Income Tax	Payment of TDS
10-07-2018	GST	Monthly GSTR 1 (registered persons with aggregate turnover of more than Rs.1.50 cores)
15-07-2018	FEMA	Submission of FLA return
18-07-2018	GST	Quarterly return for composition dealers (GSTR-4)
20-07-2018	GST	GST monthly summary return for the month of June 2018 (GSTR-3B)
25-07-2018	GST	Principal to job worker (ITC on material sent to job worker) GST ITC-04 for the quarter).
31-07-2018	GST	Quarterly return for registered persons with turnover upto Rs.1.50 cores (GSTR-1).
31-07-2018	Income Tax	Quarterly TDS Returns
31-07-2018	Income Tax	Income Tax Return by non corporate and non tax audit assessee (except for partners in firms who are liable for tax audit)
07-08-2018	Income Tax	Payment of TDS
10-08-2018	GST	Monthly GSTR 1 (registered persons with aggregate turnover of more than Rs.1.50 cores)
20-08-2018	GST	GST monthly summary return for the month of June 2018 (GSTR-3B)
07-09-2018	Income Tax	Payment of TDS
10-09-2018	GST	Monthly GSTR 1 (registered persons with aggregate turnover of more than Rs.1.50 cores)
15-09-2018	Income Tax	Payment of Advance Income Tax
20-09-2018	GST	GST monthly summary return for the month of June 2018 (GSTR-3B)

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