



Bangalore Branch of SIRC e-Newsletter

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BUDGET 2019-20

- Half a day Seminar on **GST Amendment Act, 2018**
9th February 2019
- One Day Seminar on **Investor Awareness Programme**
2nd March 2019
- **Advanced Workshop on GST**
16th, 17th, 23rd & 24th February 2019
- One Day Seminar on **Bank Branch Audit**
23rd March 2019

Chairman's Communique . . .

Dear Professional Colleagues,



Let me begin my last message from the esteemed office of the **Chairman of Bangalore Branch of SIRC of ICAI** with best wishes for my dear membership fraternity. Let me acknowledge that I am moving from this office with warmth, love and faith each of you have bestowed on me, not just during my tenure in this responsible position, but also in the entire stint of 6 years in the managing

committee of the branch in various positions. It has been a wonderful journey, as the 49th Chairman of Bangalore Branch of SIRC of ICAI for the year 2018-19 and more so as the youngest one, under the guidance of my predecessors, with the support from eminent and expert resource persons, with able staff at branch, and with the timely assistance from my colleagues in the committee.

I am glad to share a snapshot of the significant activities during the year:

A. Significant initiatives taken up during the year:

- 1. Activation of Job Portal:** To bridge the gap existing between the students looking for articleship / paid assistant jobs and CA firms looking for enrolling articles for training, Bangalore Branch activated the job portal. As of today we have 598 enrolled job providers / CA Firms who have benefited from this. This portal is available to all Branches of ICAI in Karnataka.
- 2. Rehabilitation of Slum dwellers near ICAI Building, Vasanth Nagar:** The slum dwellers around our Institute in Tank Bed Area, Vasanthnagar, have been rehabilitated to a government allotted area with hygienic and habitable conditions. The old sheen of Tank Bed area is back. This has been possible only after continuous and serious follow ups with the Govt. of Karnataka and BBMP Commissioner's office, along with the help of other Govt. and Quasi Govt. bodies in the area.
- 3. Live Streaming of Seminars/ Conferences on Facebook LIVE:** To enable farther and deeper reach of our technical sessions, and enable knowledge dissemination at a large scale, Bangalore Branch has commenced live streaming of most of its sessions on "Facebook LIVE". Members, Students, and anyone with the hunger to learn, can follow the sessions by hitting the 'LIKE' button our page 'Bangalore ICAI' on Facebook.
- 4. Revamping of Mobile App:** We have initiated a thorough revamping of Bangalore Branch Mobile App for the benefit of Members & Students to enrol for the registrations of the programmes and viewing live sessions.
- 5. Breakfast Series programmes:** To beat the evening traffic blues, to gain knowledge when one is at the freshest of their minds, to enable a disturbance free learning atmosphere, Bangalore Branch came up with an all new series of technical sessions branded as the "Breakfast Meetings" on selected Saturdays.
- 6. Highest number of CA placed:** Latter half of 2018 saw the highest ever placements of newly qualified chartered accountants – as high as 300 in one go. This has been a first for any branch in the whole Country!

7. Focus on unconventional areas of practise: This year, focus was put on having sessions which would open up newer opportunities for our members – Seminar on UAE VAT, Foreign Trade Policy, and Course on Data Analytics topped the charts.

B. Bangalore Branch has conducted 574 hrs of CPE Programs for Members in the period Feb 2018 to Feb 2019:

Sl. No.	Activity	No. of Events	No. of CPE hrs.	No. of Participants
1	Study Circle Sessions	70	146	7398
2	Half day Seminars	11	40	787
3	Full day Seminars	24	197	3249
4	Conferences	7	54	6284
5	Workshops	12	129	1396
6	Special Sessions / Awareness Programmes	3	8	1224
7	Certificate Courses	11	More than 240 Hrs	468

C.As our Corporate Social Responsibility, we conducted the following training programs :

1. Investor Awareness Programme for Scientist & Executives at R & D Center, HPCL, Hoskote.
2. Three days' IND AS Training Programme for Chief Financial Officers – Banking Industry organized specially to Canara Bank officers.
3. Two Days In-House Training Programme to Officers of Karnataka Power Corporation Limited on IND AS.

D. Activities carried out to enhance the image of ICAI as partners in nation building.

- a) Investors Conclave INC.LINE in association with the Department of professional studies at Christ University
- b) Conference on IND AS with BCCI at Hotel ITC Windsor Manor
- c) An Interactive Meeting with Shri. B.R. Balakrishnan, IRS, Principal Chief Commissioner of Income Tax, Karnataka & Goa Region, Director General of Income Tax (Karnataka & Goa) & other Officials from Income Tax Department
- d) National Conference on Corporate Bond Market "Second Generation reforms for Bond Market" organized by The Associated Chambers of Commerce & Industry of India in association with Bangalore Branch of SIRC of ICAI at Hotel Vivanta by Taj, Bengaluru
- e) Letter addressed to The Economic Times on false information published about Chartered Accountants on 19th July 2018
- f) Seminar on "Recent trends in accounting and their impact on business" on 18th August 2018 at St. Josephs Evening College.
- g) National Conference on Insolvency & Bankruptcy Code jointly held in association with ASSOCHAM at Hotel Hyatt Centric, Bengaluru

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Chairman's Communique . . .

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- h. Seminar on Emerging Practices – Enterprise Risk Management (ERM) organized at **Sindhi College**.
- i. Cricket Match between Income Tax officials and Bangalore Branch Members at Alur Cricket Ground.

E. GMCS & Coaching Classes:

Our Branch saw a growing demand for GMCS and Orientation Classes during the year. Students from all over the country generally cluster at our Branch to undergo their training in OP/GMCS due to high quality of training provided by our expert Resource persons. In order to fulfil the demand, we ran multiple batches, and parallel batches at times, by hiring facilities outside ICAI centres.

This year, the students' wing – SICASA has conducted innumerable programs, activities, career counselling sessions, and industrial visits. Students visited Hindustan Aeronautics Limited and Infosys, Mysore.

The month that was – January 2019

One Day **Seminar on Real Estate GST, Estate Planning and Retirement Planning** was organized on 5th January 2019 at Vasanthnagar Branch Premises. 130 Members were empowered through the same.

On 8th January 2019, One Day **Seminar on Pharma Industry** was held at Vasanthnagar Branch Premises and 35 Members benefitted from the above.

One Day **Seminar on Auditing Standards** organized on 12th January 2019 was organized at Vasanthnagar Branch premises. 162 Members empowered from the same. I thank all the Speakers for addressing and a remarkable one in this seminar.

One Day **Seminar on E-commerce Industry** was held on 19th January 2019 at Vasanthnagar Branch Premises. 246 Members empowered through the same. I thank all the Speakers for making this seminar an informative one.

Half a day **Seminar on Income Tax Implications on Restructuring Entities with Practical case studies** was held on 22nd January 2019 at Vasanthnagar Branch Premises. 126 Members benefitted from the same.

Breakfast Meeting on Latest Updates in GST – Practical cases was organized on 26th January 2019 between 9.00 am & 11.00 am. 145 Members empowered through the same.

Half a day **Seminar on US Tax Reforms: Observations One Year Later** - was organized on 28th January 2019 at API Bhawan, Millers Tank Bed Area, Vasanthnagar, Bangalore. I thank Vinay Navani, CPA Shareholder, Wilkin & Guttenplan, PC & CA. CA. Kirit Mehta, Mumbai for touching upon various keys issues under US taxation. 118 Members empowered through the same.

In-house **Training Programme on IND AS** was organized on

28th & 29th January 2019 at HRD training centre to the officers of Karnataka Power Corporation Limited between 10.00 am & 5.00 pm.

BRANCH ELECTIONS FOR THE TERM 2019 – 2022

On behalf of SIRC of ICAI, I congratulate the new Managing Committee of Bangalore Branch for winning the election that was held on 27th January 2019, for the term 2019 – 2022. The new team shall be assuming charge shortly.

The month ahead – February & March 2019

Advanced Workshop on GST is being organized between 16th February and 24th February 2019 at Race Course Road. Details are presented elsewhere in this newsletter.

One Day **Seminar on Bank Branch Audit** is being organized on Saturday, the 23rd March 2019 at Hotel Chancery Pavilion, Residency Road. Details of the programme structure are presented elsewhere in this newsletter.

Nothing is permanent in this life. As I leave the office, let me say that we need to respect our work, not just because it gives us our bread and butter, but because our work touches the lives of others.

I thank all the past chairmen, present and past regional council members, present and past central council members from our Branch, and team SIRC for their continuous support and guidance. I wish the incoming team all the very best!

Special thanks to all the Chairmen, under whom I have worked in the committee from the year 2013, who have been instrumental in encouraging and grooming this novice and inexperienced chap into a person confident enough to take up higher responsibilities, including that of the Chairman. All of the last 6 years have been a fantastic learning experience. I appreciate all Staff members, including DCO team, for thoroughly carrying out the directions and working together as a team. I also thank my Colleagues in the Managing Committee, Students, Friends, Partners and my team at the office.

Last, but never the least, I always owe my success to my Family, importantly my Mother and Father, who have always been supportive of all my actions and have been the necessary pillars of strength in my life.

Let me conclude by quoting our First President of ICAI – Shri G P Kapadia –

With humility and full dedication,

I salute my Institute – I adore my profession.

It is never a 'good-bye', it is always a 'see you later'.

With warm regards,

CA. Shravan Guduthur
Chairman

Bangalore Branch of SIRC of ICAI



CALENDAR OF EVENTS - FEBRUARY & MARCH 2019

DATE AND DAY	TOPIC / SPEAKER	VENUE/TIME	CPE CREDIT
05.02.2019 Tuesday	A Session on Discussions on Interim Budget 2019-20 CA. Naveen Khariwal G <i>Delegate Fees : Rs.100/- Inclusive of GST</i>	Branch Premises 6.00 pm to 8.00 pm	2 hrs
06.02.2019 Wednesday	DTAA Article 7 Major Issues & Recent Judicial Pronouncements CA. Krishna Upadhya S	Branch Premises 6.00 pm to 8.00 pm	2 hrs
09.02.2019 Saturday	Half a day Seminar on GST Amendment Act, 2018 <i>Delegate Fees : For Members: Rs.500/- Inclusive of GST</i> <i>Details at Pg. No. 5</i>	Branch Premises 4.00 pm to 8.00 pm	4 hrs
13.02.2019 Wednesday	Compromises arrangements amalgamation under Sec. 230 to 240 of Companies Act, 2013 CS. Pramod S.M.	Branch Premises 6.00 pm to 8.00 pm	2 hrs
16th, 17th, 23rd & 24th February 2019	Advanced Workshop on GST <i>Delegate Fees : Members : Rs. 6500/- Inclusive of GST</i> <i>Details at Pg. No. 8</i>	ICAI, 29/1, Race Course Road, Next to Sugama Travels, Bengaluru-560 001 Tel : 080 4092 9607 9:30 am to 5:30 pm	24 hrs
20.02.2019 Wednesday	Half Day Seminar - "MANTHANA" <i>Delegate Fees : Rs.100/- Inclusive of GST</i> <i>Details at Pg.No. 6</i>	Branch Premises 2.30 pm to 5.45 pm	3 hrs
20.02.2019 Wednesday	NBFC – Latest issues from Audit perspective CA. Mohan R Lavi	Branch Premises 6.00 pm to 8.00 pm	2 hrs
27.02.2019 Wednesday	GST Provisions & Issues - Export, Import deemed Export & SEZ supplies CA. Annapurna Kabra	Branch Premises 6.00 pm to 8.00 pm	2 hrs
02.03.2019 Saturday	One Day Seminar on Investor Awareness Programme <i>Delegate Fees : Rs.300/- Inclusive of GST</i> <i>Details at Pg.No. 6</i>	Branch Premises 9.30 am to 6.00 pm	6 hrs
06.03.2019 Wednesday	Latest amendments in labour laws and Labour Law Compliance Importance and Benefits Shri. Ram K Navaratna	Branch Premises 6.00 pm to 8.00 pm	2 hrs
13.03.2019 Wednesday	Assessments under GST Law CA. A. Saiprasad	Branch Premises 6.00 pm to 8.00 pm	2 hrs
20.03.2019 Wednesday	Impairment of Assets – Impact on Accounting, Auditing, Income Tax & GST CA. Mohan R Lavi	Branch Premises 6.00 pm to 8.00 pm	2 hrs

CALENDAR OF EVENTS - FEBRUARY & MARCH 2019

DATE AND DAY	TOPIC / SPEAKER	VENUE/TIME	CPE CREDIT
23.03.2019 Saturday	One Day Seminar on Bank Branch Audit <i>Organized by :</i> Bangalore Branch of SIRC of ICAI <i>Delegate Fees :</i> Members : Rs. 2,200/- Inclusive of GST Non Members : Rs. 5,000/- Inclusive of GST <i>Details at Pg. No. 7</i>	Chancery Pavilion #135, Residency Road Bengaluru – 560 025 9.30 am to 6.00 pm	6 hrs
26.03.2019 Tuesday	Hands on Training on Excel for Bank Branch Audit CA. H. Shivakumar <i>Delegate Fees :</i> For Members: Rs.500/- Inclusive of GST	ICAI, 29/1, Race Course Road, Next to Sugama Travels, Bengaluru-560 001 Tel : 080 4092 9607 5.00 pm to 8.00 pm	3 hrs
27.03.2019 Wednesday	Internal Financial Control Standards Compliance <i>Speaker to be finalized</i>	Branch Premises 6.00 pm to 8.00 pm	2 hrs

Half a day Seminar on GST Amendment Act, 2018

Organised by **Bangalore Branch of SIRC of ICAI**

On **9th February 2019** at **4.00 pm to 8.00 pm**

Venue: **Vasanthnagar Branch Premises**

4 hrs
CPE

Timings	Topics	Speakers
3.30 pm to 4.00 pm	Registration	
4.00 pm to 6.00 pm	a) Amendments to Input Tax Credits b) IGST Amendments, c) All other Amendments	CA. Jatin Christopher
6.00 pm to 6.15 pm	Tea Break	
6.15 pm to 8.15 pm	Amendments to Filing of Returns	CA. Venugopal Gella

Online Registration open

DELEGATE FEES: RS. 500/- INCLUSIVE OF GST FOR MEMBERS

Mode of Payment: Online/Cash/Cheque/DD in favour of "**Bangalore Branch of SIRC of ICAI**", payable at Bengaluru

For Registration, Please contact: **Ms. Geetanjali D.**, Tel: **080 - 3056 3513 / 3500**

Email : **blrregistrations@icai.org** | Website : **www.bangaloreicai.org**

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Half Day Seminar - "MANTHANA"

Organised by **Bangalore Branch of SIRC of ICAI**
On **Wednesday, 20th February 2019** at **2.30 pm to 5.45 pm**
Venue: **Vasanthnagar Branch Premises**

3 hrs
CPE

Timings	Topics	Speakers
2.00 pm to 2.30 pm	Registration	
2.30 pm to 4.00 pm	Landmark Judgements impacting GST	CA. K.S. Ravishankar
4.00 pm to 4.15 pm	Tea Break	
4.15 pm to 5.45 pm	Direct Tax Proposal in Interim Budget & Certain Other Recent Developments	CA. Padamchand Khincha

DELEGATE FEES: RS. 100/- INCLUSIVE OF GST FOR MEMBERS

One Day Seminar on Investor Awareness Programme

Organised by **Bangalore Branch of SIRC of ICAI**
On **Saturday, 2nd March 2019**
Venue: **Vasanthnagar Branch Premises**
Time: **9.30 am to 6.00 pm**

6 hrs
CPE

Timings	Topics	Speakers
9.00 am – 9.30 am	Registration	
9.30 am – 10.00 am	Inauguration by a Distinguished Personality	
10.00 am – 11.30 am	Derivatives Demystified	CA. Rudramurthy B.V
11.30 am – 12.00 pm	Tea Break	
12.00 pm – 1.30 pm	Mutual Funds & Equities	<i>Speaker to be finalized</i>
1.30 pm – 2.30 pm	LUNCH	
2.30 pm – 4.00 pm	Accounting as per IFRS	CA. Anjani Khetan
4.00 pm – 4.30 pm	Tea Break	
4.30 pm – 6.00 pm	Taxation on Investments – Cross Border Transactions	CA. P.V. Srinivasan

CA. Shraavan Guduthur
Chairman
Bangalore Branch of SIRC of ICAI

CA. Raveendra S. Kore
Secretary
Bangalore Branch of SIRC of ICAI

Online Registration open

DELEGATE FEES: RS. 300/- INCLUSIVE OF GST FOR MEMBERS

Mode of Payment: Online/Cash/Cheque/DD in favour of "**Bangalore Branch of SIRC of ICAI**", payable at Bengaluru

For Registration, Please contact: **Ms. Geetanjali D.**, Tel: **080 - 3056 3513 / 3500**

Email : **blrregistrations@icai.org** | Website : **www.bangaloreicai.org**

One Day Seminar on Bank Branch Audit

Organised by **Bangalore Branch of SIRC of ICAI**

On **Saturday, 23rd March 2019**

Venue: **Hotel Chancery Pavilion**, Residency Road, Bengaluru

Time: **9.30 am to 6.00 pm**



Timings	Topics	Speakers
9.30am to 9.45am	Registration & Networking	
9.45am to 10.15 am	Inauguration by the Chief Guest Shri. Mahabaleshwara M.S <i>Managing Director & Chief Executive Officer, Karnataka Bank Ltd</i>	
10.15am to 11.30am	TECHNICAL SESSION - 1 - Update of recent circulars by RBI	CA. P.R. Suresh
11.30am to 12.00pm	Tea Break	
12.00pm to 1.30pm	TECHNICAL SESSION - 2 - Expectations of Bank Branch Audit Report - Audit Documentation and Reporting	CA. Shyam Ramadhyani
1.30pm to 2.30pm	LUNCH	
2.30pm to 4.00pm	TECHNICAL SESSION - 3 - Limitations of Bank's CBS - Care to be taken on system level lapses and frauds.	CA. A. V. Pal
4.00pm to 4.30pm	Tea Break	
4.30pm to 6.00pm	TECHNICAL SESSION - 4 - Use of latest Audit Tools, - Use of Advanced Excel for Analytical procedures and Audit documentation	CA. R. Vittal Raj <i>Chennai</i>

CA. Shravan Guduthur
Chairman
Bangalore Branch of SIRC of ICAI

CA. Raveendra S. Kore
Secretary
Bangalore Branch of SIRC of ICAI

Online Registration open

DELEGATE FEES:

FOR MEMBERS **FOR NON MEMBERS**
RS. 2,200/- (INCLUSIVE OF GST) **RS. 5,000/-** (INCLUSIVE OF GST)

Mode of Payment: Online/Cash/Cheque in favour of
"Bangalore Branch of SIRC of ICAI", payable at Bengaluru

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KIND ATTN : MEMBERS

Bangalore Branch is delighted to inform you that the Registration commenced for

'Advanced Workshop on GST'

in **Bengaluru** from **16th February, 2019**.

Kindly note that participating Members are expected to have a working knowledge of the GST Act and preferably should have completed the 'Certificate Course on GST' prior to attending this workshop.

The details are as under:

No. of days	: 4	Timings	: 9:30 am to 5:30 pm
Batch Days	: Weekends only	Venue	: Race Course Road Premises of Bangalore Branch
Dates	: February, 2019 - 16th, 17th, 23rd & 24th		: Institute of Chartered Accountants of India
Batch size	: 50 participants		29/1, Racecourse Road, Next to Sugama Travels
CPE	: 24 hours		Bengaluru – 560001, Tel: (080) 4092 9607
Fee	: Rs. 6500 including GST		<i>For payment and details about the course, please visit -</i>
			http://bangaloreicai.org/member/events

*For more details, please contact : C. R. Kulashekhara, Section Officer (SU), Bangalore DCO,
The Institute of Chartered Accountants of India, No. 16/0, Millers Tank Bed Area, Vasanth Nagar, Behind Bhagwan Mahaveer Jain Hospital, Bengaluru – 560 052, Telephone - (080) 3056 3541*

Session	Timing	Duration (Minutes)	Topics Covered
16th February, 2019, Saturday			
Session 1	9:45 AM	180	Intrinsic Issues with Concepts of Supply, Business, Taxable Person and Valuation <ul style="list-style-type: none"> - Difference between various components of Supply - Legal vs Illegal Supplies - Business- Definition, Legal Jurisprudence, Comparison with definitions in other Laws - Relevance of Mutuality under GST - Schedule-III, difference between Immovable Property, Land and benefits arising out of Land - Concept of Movable Works Contracts and its nature of Supply - Negative Supply and its Taxability? - Exemptions under Reverse Charge Mechanism - Consideration vs. Value - Interplay between Section 15 and Valuation Rules - Facilities provided to receive a supply-Whether Consideration? - Issues in Post Supply Discount and Linking with Credit Notes - Concept of Pure Agent vs taxability of Reimbursements - Highlight reasons for trade dissatisfaction in related AARs
Session 2	2:00 PM	180	Understanding General Rules of Classification and their specific Impact <ul style="list-style-type: none"> - Importance of correct Tariff Classification and Impact of Incorrect Classification - International Structure of the goods Classification - Relevance of Customs Tariff Act & Classification Rules in GST [Ref. 1/2017 (CTR)]. - Rules of Classifications (along with landmark judicial precedents) - Harmonized System – Explanatory Notes - Classification of services and relevance of HSN - Types of Supply (Composite and Mixed Supply) and Classification Methodology - Highlight reasons for trade dissatisfaction in related AARs

Session	Timing	Duration (Minutes)	Topics Covered
17th February, 2019, Sunday			
Session 3	9:45 AM	120	Simplifying Input Tax Credit <ul style="list-style-type: none"> - Transition Credit and Common Errors along with Reconciliation with Returns - Part receipt of Goods, Services received in part/ lots, - Relevance of receipt of goods under deemed service transaction, - Payment of invoices within 180 days and business concept of Credit Period, - Effect of discount and settlement, SD & ED deductions, - Computation of D2 (in Rule 42) whether mandatory? - Credit eligibility: Festival expenses, business gift items, Job Works - Credit Eligibility: Motor Vehicle related supplies, Works Contract, Construction, P&M, Telecom towers. - Key issues in rule 43 (not annual review) and rule 42 (approach to annual review of multi-year supplies) - Highlight reasons for trade dissatisfaction in related AARs
		60	Cross Charge and ISD <ul style="list-style-type: none"> - Concept of ISD in GST and its relevance - ISD Vs. Cross Charge - Cost Allocation and Taxability - Taxability of HO vs Marketing Office - Case Study on ISD vs Cross Charge - Identification of point of Supply within same company - Issues & Limitations of ISD registration - Highlight reasons for trade dissatisfaction in related AARs
Session 4	2:00 PM	90	Movement of Goods and Inspection (E-Way Bill) <ul style="list-style-type: none"> - Document to be carried with goods in movement (Rule 55A, 138A) - Requirement of EWB, Data Flow and Audit Trail - Requirement of EWB on other than traded goods (fixed assets, equipment for repair etc.) - Inspection of Goods in movement - Seizure/ Detention of Vehicle/ Goods - Penal consequences after completion of movement - Landmark Judicial Precedents for EWB - Highlight reasons for trade dissatisfaction in related AARs
		90	Place of Supply <ul style="list-style-type: none"> - Difference between POS and Address for Delivery - Difference between Section 10(1)(a) and 10(1)(c) of IGST Act - Specific Case Studies of POS for: <ul style="list-style-type: none"> o Travel Industry o Transportation Industry o Real Estate and its allied Services (including Renting) o Training Services o IT Industry - Highlight reasons and implications of PoS excluded from scope of AARs
23rd February, 2019, Saturday			
Session 5	9:45 AM	90	Records to be maintained <ul style="list-style-type: none"> - Section 35(1) read with Rule 56 to 58 of CGST Rules - Types of registers to be maintained - Judicial Precedents from earlier laws for record keeping - Method of Record Keeping and reconciliation with books of accounts - Case Study on accounting entry in records and its impact in GSTR
		90	Finalization of Accounts from GST perspective <ul style="list-style-type: none"> - Disclosures in Audited Financial Statements on GST - Reporting under CARO for GST - Year End adjustment entries and impact on GST - Reconciliation of GSTR, Annual Return and Books of Accounts - Reconciliation Statement under GST - Reporting of no reconciliation and possible reasons - Key learnings from practices in computerized environment



Session	Timing	Duration (Minutes)	Topics Covered
Session 6	14:00	180	Show Cause Notice, Adjudication and Introduction Appeals - Correspondence and provision prior to SCN - Anatomy of SCN: What to look for, how to identify and spot deficiencies. - Identification of charge(s) and aspects missed - Reply to SCN: Preliminary Objections and admissions - Scope of Writ - Misapplication of facts or law – identify, bring out and substantiate - Evidence: Contemporaneous Record, affidavit and new evidences - Adjournment: Discipline, Right & Reasonable Opportunity - Written Submission, Record of Verbal Submission - Filing of Appeal - Pre- Deposit, and effect of non-payment on legality of appeal - Limitation: effect and remedy - Grounds of Appeal: Drafting & Prayer
			24th February, 2019, Sunday
Session 7	9:45 AM	120	Introduction to Customs Law (Relevant to GST) - Brief Introduction of Customs - Levy of Customs Duty - Levy of IGST from Customs point of View - Amendments in Customs Act due to IGST - GST in High Seas - Circular No 33/2017 and 46/2017 under Customs. - Levy of IGST on Imports with specific reference to - Samples, Non-GST Items, Gifts - Valuation under Customs and Difference from GST - Valuation Rules - Electronic Import of Goods - MEIS and SEIS Schemes
		60	Precautions to be taken to avoid disputes - Correspondence with Department (Suo-Motto) - Tax Clauses in the Agreements - Opinions under Indirect Tax and its relevance - Disclosures in the Invoices and supporting documents - Internal Control testing from GST perspective - Data Analysis Case Study to under GST Health of an assessee.
Session 8	2:00 PM	45	Introduction to Annual Audit - Legal Provisions for Annual Audit - Requirements and Formalities - GST Audit vis-à-vis Statutory Audit under other Acts - Common compliance checks done in relation to erstwhile laws in previous audits - Discussion on suggestive standard checklist for GST Audits - Standard on Auditing useful for GST Audits
		45	Advance Ruling - Concept (Binding/Persuasive Nature, questions & Difference with previous regime) - Strategy, limitations and Implications - Appeal against Advance Ruling - How to file a question under Advance Ruling - Discussing various Advance Ruling Orders in past few months and its Impact
		90	Assorted Complex Issues - Approaches to calculate Exempt supply aggregate turnover and ITC Reversal - Identifying Fixed establishment for Supplier of Service - Anti-profiteering-How to Calculate and How to comply, - Specific Issues in refund of ITC- Capital Goods, Input Services - Various Certificates to be issued by Chartered Accountants under GST- Precautions to be taken

TOP THREE RANK HOLDERS

The Institute of Chartered Accountants of India (ICAI) announced the following results:

1. Chartered Accountants Final Examination (Old/New Syllabus) held in November, 2018
2. Foundation Examination held in November, 2018
3. Common Proficiency Test (CPT) held in December, 2018

Since December 1949, the Chartered Accountancy Examination is held twice in a year in the months of May/June and November/December.

Chartered Accountants Final Examination (Old syllabus) held in November, 2018

Details of **top three rank holders** on All India Basis for **Chartered Accountants Final Examination (Old Syllabus)** held in November, 2018 are mentioned below :

	All India Topper First Rank	All India Second Rank	All India Third Rank
Name	Shadab Hussain	Shahid Husen Shokat Memon	Rishabh Sharma
City	Kota (Rajasthan)	Koday (Gujarat)	Purulia (West Bengal)
Roll No.	363663	315144	333162
Marks	597/800	584/800	575 / 800
Percentage %	74.63%	73%	71.88%
Phone	8239822581	9974791062	8250226136

Final Examination (Old Syllabus)

- No. of Students admitted in the Final Exam – 109016
- No. of Final Exam Centres across the globe - 364

Chartered Accountants Final Examination (New Syllabus) held in November, 2018

Details of **top three rank holders** on All India Basis for **Chartered Accountants Final Examination (New Syllabus)** held in November, 2018 are mentioned below :

	All India Topper First Rank	All India Second Rank	All India Third Rank	All India Third Rank
Name	Siddhant Bhandari	Rohit Kumar Soni	Pulkit Arora	Jay Bohra
City	Jodhpur (Rajasthan)	Raipur (Chhattisgarh)	Ahmedabad (Gujarat)	Kolkatta (West Bengal)
Roll No.	508224	512580	500153	508779
Marks	555/800	544/800	541/800	541/800
Percentage %	69.38%	68%	67.63%	67.63%
Phone	9967434881	9617208822	8583017576	9038839850

Final Examination (New Syllabus)

- No. of Students admitted in the Final Exam – 15503
- No. of Final Exam Centres across the globe - 243

Foundation Examination held in November, 2018

Details of **top three rank holders** on All India Basis for **Foundation Examination** held in November, 2018 are mentioned below:

	All India Topper First Rank	All India Second Rank	All India Third Rank	All India Third Rank	All India Third Rank
Name	Garvit Jain	Kshitij Mittal	Hardik Gandhi	Saumyaa Giriraj Jaju	Mrrithunjayan Ravichandran
City	Dewas (MP)	Faridabad (Haryana)	Bhilai (Chhattisgarh)	Jalgaon (Maharashtra)	Salem (Tamil Nadu)
Roll No.	123373	118492	117273	125896	142697
Marks	374/400	370/400	368/400	368/400	368/400
Percentage %	93.50%	92.50%	92%	92%	92%
Phone	8349872771				



Bangalore Branch of SIRC of The Institute of Chartered Accountants of India

ANNOUNCEMENT

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Examinations – New & Old Syllabus Students

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Schedule for all the subjects will be announced in due course of time.

Registration Fees - Mode of payment: DD should be drawn in favour of "**Bangalore Branch of SIRC of ICAI**" payable at Bangalore.

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REVERSE CHARGE MECHANISM UNDER GST

CA. Annapurna Srikanth FCA, DISA, CS

About Reverse charge

Reverse Charge is one of the talked about provisions under GST. This Article attempts to compile the various provisions relevant to Reverse Charge Mechanism along with the extract from the relevant notifications.

Levy & Reverse Charge

Every Tax Law will have a charging section enabling the payment & Collection of taxes which is generally called "**the Levy**". Similarly in GST we have the levy provisions as envisaged under the following Sections in the various Acts which are tabulated below.

Sl. No.	Act	Section
1.	CGST & SGST Acts	9
2.	IGST Act	5
3.	UTGST Act	7

Sub sections 3 & 4 of the above sections provides for reverse charge levy.

Analysis of the levy provisions of the CGST Act

Subsection 1 talks about levy on all intra state supplies except alcoholic liquor for human consumption.

Subsection 2 talks about levy on petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel in future.

Subsection 3 talks about supply of certain notified goods & services in case of which tax is to be paid by the recipient.

Subsection 4 talks about supply by an unregistered person to a registered

person, in which case along with the liability to pay tax, all the other applicable provisions are also required to be complied by such registered recipient in respect of such supplies.

Subsection 5 talks about certain notified **services** which are supplied through e commerce operator, in which case the e commerce operator himself is treated as if he is the supplier & hence the corresponding provisions of the law to apply accordingly.

Thus Sub Section 1 & 2 are Forward Charge provisions which uses the term levy, Sub section 3 & 4 are Reverse Charge provisions which determines who must pay tax.

Now, Can we say Sub Section 5 is a reverse charge ?

In fact there is a deeming fiction which is created therein treating the ecommerce operator himself as the supplier & hence it cannot be construed as a reverse charge.

This is further substantiated by the definition of reverse charge under Section 2(98) of The CGST Act which gives reference to only 9(3) & 9(4) and also 5(3) & 5(4) of IGST Act but not 9(5)/5(5).

In a forward charge, the liability to pay tax to the Government is vested with the Supplier (Registered). However the Supplier does not pay it from his pockets, he collects from the recipient & pays. He, in a sense acts as an agent between the government and the recipient. Thus

if we examine in a true sense it is the recipient who actually pays the tax to the government although through the supplier. Contrarily in reverse charge, the recipient of supply himself directly pays it to the government.

Reverse Charge & Registration

Section 24 of the CGST Act mandates registration under subsection (iii) to persons who are required to pay tax under reverse charge. This is an overriding section to Section 22(1) as it starts with a Non Obstante Clause. Thus owing to this provision if one falls within the ambit of Section 9(3), then he needs to register even though he is otherwise not required. Thus the turnover criterion does not apply at all in this scenario. Lets try to exemplify this. A partnership firm having an aggregate turnover of Rs.5 lakhs avails services from Goods Transport Agency (GTA) & pays Rs.1600/- as Freight Charges to GTA. Now owing to Section 9(3) read with Notification No. 13/2017 Central Tax (Rate) dated 28th June 2017 - Sl.No.1 Column 2(f) & 4(f), & Notification No 12/2017 Central Tax (Rate) dated 28th June 2017 - Sl.No.21 Column 3 (b)/(c), such partnership firm is mandatorily required to register & once registered all the relevant provisions of the Act would apply accordingly. However it may be noted that if the specified recipient is "Registered Person" then the above provisions of Registration do not apply. Example: Security Personnel Services.



Reverse Charge & Notifications under CGST & IGST Acts

The following Notifications have been issued till date pertaining to provisions of Section 9(3) & 9(4) -

Sl. No.	Date	Notification No	Type	Description
1.	28-06-2017	4/2017	Central Tax – Rate	Reverse charge on certain specified supplies of goods under section 9 (3)
2.	28-06-2017	8/2017	Central Tax – Rate	CGST exemption from reverse charge upto Rs.5000 per day under section 11 (1)
3.	28-06-2017	13/2017	Central Tax – Rate	To notify the categories of services on which tax will be payable under reverse charge mechanism under CGST Act
4.	22-08-2017	22/2017	Central Tax – Rate	Seeks to amend notification No. 13/2017-CT(R) to amend RCM provisions for GTA and to insert explanation for LLP.
5.	13-10-2017	33/2017	Central Tax – Rate	Seeks to amend notification No. 13/2017-CT(R) regarding services provided by Overseeing Committee members to RBI under RCM.
6.	13-10-2017	36/2017	Central Tax – Rate	Seeks to amend notification No. 4/2017-Central Tax (Rate).
7.	14-11-2017	43/2017	Central Tax – Rate	seeks to amend notification no. 4/2017- Central tax(rate) dated 28.06.2017 to give effect to gst council decision regarding reverse charge on raw cotton.
8.	25-01-2018	3/2018	Central Tax – Rate	Seeks to amend notification No. 13/2017- Central Tax (Rate) so as to specify services supplied by the Central Government, State Government, Union territory or local authority by way of renting of immovable property to a registered person under CGST Act, 2017 to be taxed under Reverse Charge Mechanism (RCM)
9.	28-05-2018	11/2018	Central Tax – Rate	Seeks to amend notification No. 04/2017- Central Tax (Rate) dated 28.06.2017 so as to notify levy of Priority Sector Lending Certificate (PSLC) under Reverse Charge Mechanism (RCM)
10.	29-06-2018	12/2018	Central Tax – Rate	Seeks to exempt payment of tax under section 9(4) of the CGST Act, 2017 till 30.09.2018.
11.	26-07-2018	15/2018	Central Tax – Rate	Seeks to amend notification No. 13/2017- Central Tax (Rate) so as to specify services supplied by individual Direct Selling Agents (DSAs) to banks/ non-banking financial company (NBFCs) to be taxed under Reverse Charge Mechanism (RCM).
12.	06-08-2018	22/2018	Central Tax – Rate	Seeks to exempt payment of tax under section 9(4) of the CGST Act, 2017 till 30.09.2019.
13.	31-12-2018	29/2018	Central Tax – Rate	Seeks to amend notification No. 13/2017- Central Tax (Rate) so as to specify services to be taxed under Reverse Charge Mechanism (RCM) as recommended by Goods and Services Tax Council in its 31st meeting held on 22.12.2018.
14.	29-01-2019	01/2019	Central Tax – Rate	Seeks to rescind notification No. 8/2017-Central Tax (Rate) dated 28.06.2017 in view of bringing into effect the amendments (regarding RCM on supplies by unregistered persons) in the GST Acts

Sl. No.	Date	Notification No	Type	Description
15.	28-06-2017	4/2017	Integrated Tax - Rate	Reverse charge on certain specified supplies of goods under section 5 (3)
16.	28-06-2017	10/2017	Integrated Tax - Rate	To notify the categories of services on which integrated tax will be payable under reverse charge mechanism under IGST Act
17.	22-08-2017	22/2017	Integrated Tax - Rate	Seeks to amend notification No. 10/2017-IT(R) to amend RCM provisions for GTA and to insert explanation for LLP.
18.	13-10-2017	34/2017	Integrated Tax - Rate	Seeks to amend notification No. 10/2017-IT(R) regarding services provided by Overseeing Committee members to RBI under RCM.
19.	13-10-2017	37/2017	Integrated Tax - Rate	Seeks to amend notification No. 4/2017-Integrated Tax (Rate).
20.	14-11-2017	45/2017	Integrated Tax - Rate	seeks to amend notification no. 4/2017- Integratedtax(rate) dated 28.06.2017 to give effect to gst council decision regarding reverse charge on raw cotton.
21.	25-01-2018	3/2018	Integrated Tax - Rate	Seeks to amend notification No. 10/2017- Central Tax (Rate) so as to specify services supplied by the Central Government, State Government, Union territory or local authority by way of renting of immovable property to a registered person under CGST Act, 2017 to be taxed under Reverse Charge Mechanism (RCM).
22.	28-05-2018	12/2018	Integrated Tax - Rate	Seeks to amend notification No. 04/2017- Integrated Tax (Rate) dated 28.06.2017 so as to notify levy of Priority Sector Lending Certificate (PSLC) under Reverse Charge Mechanism (RCM).
23.	29-06-2018	13/2018	Integrated Tax - Rate	Seeks to exempt payment of tax under section 5(4) of the IGST Act, 2017 till 30.09.2018.
24.	26-07-2018	16/2018	Integrated Tax - Rate	Seeks to amend notification No. 10/2017- Integrated Tax (Rate) so as to specify services supplied by individual Direct Selling Agents (DSAs) to banks/ non-banking financial company (NBFCs) to be taxed under Reverse Charge Mechanism (RCM).
25.	06-08-2018	23/2018	Integrated Tax - Rate	Seeks to exempt payment of tax under section 5(4) of the IGST Act, 2017 till 30.09.2019.
26.	31-12-2018	30/2018	Integrated Tax - Rate	Seeks to amend notification No. 10/2017- Integrated Tax (Rate) so as to specify services to be taxed under Reverse Charge Mechanism (RCM) as recommended by Goods and Services Tax Council in its 31st meeting held on 22.12.2018.
27.	19-06-2017	5/2017	Central Tax	Seeks to exempt persons only engaged in making taxable supplies, total tax on which is liable to be paid on reverse charge basis

Reverse Charge & Composition

A question may arise as to whether a composition registered person is required to comply with Reverse charge provisions?

Although Section 10 which envisages provisions pertaining to Composition starts with an Non obstante clause there is specific exclusion to this Non-Obstante clause as the words subject to Sections 9(3) & 9(4) have been used. Thus even a composition registered person is required to comply to the reverse charge provisions. Hence one needs to carefully evaluate whether composition options is viable in the light of the category of supplies dealt by him.



Reverse Charge & Time of Supply

The time of Supply provisions are envisaged in Section 12(3) for goods – (Date of Receipt of goods, Date of Payment as per bank account, Date of entry in the books or 31st day from the date of invoice whichever is earlier)

The time of Supply provisions are envisaged in Section 13(3) for services – (Date of Payment as per bank account, Date of entry in the books or 61st day from the date of invoice whichever is earlier)

Responsibilities under Reverse Charge

In case of a 9(3) transaction if the supplier is a registered person, then responsibility of recipient is limited to the extent of payment of tax to the government & issue of GST payment voucher as provided in Section 31(3) (g) read with Rule 52 along with the corresponding reporting in the returns.

On the other hand in case the supplier is an unregistered person & the recipient is a registered person, whether it is 9(3) or 9(4) the following additional responsibilities vest on the recipient along with the payment of tax,

- Classification of the supply & corresponding determination of HSN (if applicable)
- Application of time of supply provisions
- Determination of the rate of tax,
- Issue of an Invoice (Section 31(3) (f)) read with Rule 46 - A Self Tax Invoice
- Issue of payment voucher (Section 31(3)(g) read with Rule 52 - A GST Payment Voucher
- Reporting the details under the relevant heads in the returns.

If any errors or mistakes occur in discharge of the above responsibilities the penal consequences (if any) would be applicable to the registered recipient & that is the biggest risk & burden of compliance under reverse charge.

Reverse Charge & Tax payment

The reverse charge liability must always be discharged in Cash & cannot be discharged through balances lying in the electronic credit ledger. Rule 85(4) as envisaged in Notification 10/2017(Central Tax - dated 28-06-2017) clearly provides for the same. It is reproduced here below-

Rule 85(4) The amount deducted under section 51, or the amount collected under section 52, or **the amount payable on reverse charge basis**, or the amount payable under section 10, any amount payable towards interest, penalty, fee or any other amount under the Act shall be paid by **debiting the electronic cash ledger** maintained as per rule 87 and the electronic liability register shall be credited accordingly.

Reverse Charge & Reporting in Returns

A Registered Person (Supplier) supplying Outward Supplies subject to Reverse Charge is required to raise a Reverse Charge Tax Invoice & file in GSTR 1 under Table 4B. Presently there is no provision to report such transactions in GSTR 3B. However the same is required to be reported in GSTR 9 – Table 5C and also it has a place in the proposed returns formats.

A Registered person (Recipient) procuring the goods/services subject to RCM is required to report the Self Tax Invoices & GST Payment Vouchers in

GSTR 1 – Table 13. Such liability to be reported in 3.1(d) of GSTR 3B and based on eligibility credit could be claimed in 4(A)(3). Further it requires reporting in Table 4H of GSTR 9.

Reverse Charge & Compliance Time Line

Based on the analysis of the various provisions & Notifications with respect to Reverse Charge Mechanism under GST we may create a time line for compliance as under -

01-07-2017 to 12-10-2017 - The reverse charge provisions under both Section 9(3) & 9(4)/5(3) & 5(4) would be applicable. (Subject to time of Supply provisions)

13-10-2017 till now - The reverse charge provisions under only Section 9(3) /5(3) would be applicable.

Owing to Notification 38/2017(Central Tax - Rate) dated 13-10-2017 and Notification 32/2017 (Integrated Tax - Rate) dated 13-10-2017, exemption from the applicability of provisions of Section 9(4) & 5(4) respectively has been made applicable to all registered persons.

This has been further extended to 30-09-2019 vide Notification 22/2018 (Central Tax - Rate) dated 06-08-2018 and Notification 23/2018 (Integrated Tax - Rate) dated 06-08-2018,

This indeed is a welcome move to ease the burden of compliance by the registered persons.

For Ease of Reference the following list is compiled for Notified Goods/Services for RCM.

Notified Goods under 9(3) RCM

(Notification Reference - Central Tax Rate - 4/2017, 36/2017, 43/2017, 11/2018)

Sl.No.	Goods	Supplier	Recipient
1.	Cashew nuts, not shelled or peeled	Agriculturist	Any registered person
2.	Bidi wrapper leaves (tendu)	Agriculturist	Any registered person
3.	Tobacco leaves	Agriculturist	Any registered person
4.	Silk yarn	Any person who manufactures silk yarn from raw silk or silk worm cocoons for supply of silk yarn	Any registered person
5.	Supply of lottery	State Government, Union Territory or any local authority	Lottery distributor or selling agent.
6.	Used vehicles, seized and confiscated goods, old and used goods, waste and scrap	Central Government, State Government, Union territory or a local authority	Any registered person
7.	Raw cotton	Agriculturist	Any registered person
8.	Priority Sector Lending Certificate	Any registered person	Any registered person

Notified Services under 9(3) RCM

(Notification Reference - Central Tax Rate - 13/2017, 22/2017,33/2017,3/2018,15/2018/29/2018)

Sl.No.	Services	Supplier	Recipient
1.	GTA Services - Transportation of goods by road (who has not paid integrated tax at the rate of 12%," shall be inserted)	Goods Transport Agency (GTA)	1) Any Factory, 2) Any Society, 3) Any Co-operative Society, 4) Any Registered person in GST 5) Any Body Corporate 6) Any Partnership firm 7) Any Casual Taxable person
2.	Advocate Services	An individual advocate including a senior advocate or firm of advocates	Any business entity located in the taxable territory.
3.	Services supplied by an arbitral tribunal to a business entity.	An arbitral tribunal.	Any business entity located in the taxable territory
4.	Services provided by way of sponsorship to any body corporate or partnership firm	Any person	Any body corporate or partnership firm located in the taxable territory
5.	Services by Govt to business entity excl (1) renting of immovable property, and (2) services specified below- (i) services by the Department of Posts (ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; (iii) transport of goods or passengers.	Central Government, State Government, Union territory or local authority	Any business entity located in the taxable territory.
5A.	Services supplied by the Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under the Central Goods and Services Tax Act, 2017 (12 of 2017	Central Government, State Government, Union territory or local authority	Any person registered under the Central Goods and Services Tax Act, 2017.



Sl.No.	Services	Supplier	Recipient
6.	Services supplied by a director of a company or a body corporate to the said company or the body corporate.	A director of a company or a body corporate	The company or a body corporate located in the taxable territory.
7.	Services supplied by an insurance agent to any person carrying on insurance business.	An insurance agent	Any person carrying on insurance business, located in the taxable territory
8.	Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company.	A recovery agent	A banking company or a financial institution or a non-banking financial company, located in the taxable territory.
9.	Supply of services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright	Author or music composer, photographer, artist, or the like	Publisher, music company, producer or the like, located in the taxable territory.
10.	Supply of services by the members of Overseeing Committee to Reserve Bank of India	Members of Overseeing Committee constituted by the Reserve Bank of India	Reserve Bank of India.”.
11.	Services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm to bank or non-banking financial company (NBFCs).	Individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm	A banking company or a non-banking financial company, located in the taxable territory.”;
12.	Services provided by business facilitator (BF) to a banking company	Business facilitator (BF)	A banking company, located in the taxable territory
13.	Services provided by an agent of business correspondent (BC) to business correspondent (BC)	An agent of business correspondent (BC)	A business correspondent, located in the taxable territory.
14.	Security services (services provided by way of supply of security personnel) provided to a registered person: Provided that nothing contained in this entry shall apply to, - (i)(a) a Department or Establishment of the Central Government or State Government or Union territory; or (b) local authority; or (c) Governmental agencies; which has taken registration under the Central Goods and Services Tax Act, 2017 (12 of 2017) only for the purpose of deducting tax under section 51 of the said Act and not for making a taxable supply of goods or services; or (ii) a registered person paying tax under section 10 of the said Act.	Any person other than a body corporate	A registered person, located in the taxable territory.”;

Additional Notified Services under 5(3) RCM

(Notification Reference - Integrated Tax Rate –10/2017;)

Sl.No.	Services	Supplier	Recipient
1.	Any service supplied by any person who is located in a non-taxable territory to any person other than non-taxable online recipient.	Any person located in a non-taxable territory	Any person located in the taxable territory other than non-taxable online recipient.
2.	Services supplied by a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India.	A person located in non-taxable territory	Importer, as defined in clause (26) of section 2 of the Customs Act, 1962(52 of 1962), located in the taxable territory

CGST Amendment Act - RCM under 9(4)

9(4) – Then

“The central tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.”.

9(4) – W.e.f. 01st February 2019

In section 9 of the principal Act, for sub-section (4), the following sub-section shall be substituted, namely:—

“The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.”.

However it may be pertinent to note that there are twin conditions which

needs to be fulfilled

- Specified Class of Registered persons
- Specified Categories of Goods or Services

- Both to be specified via a Notification

Further as of now such notification

has not been issued yet. Hence there is no requirement to discharge RCM u/s 9(4) for anybody. Further the Notification 8/2017 Central Tax Rate dated 28-06-2017 which provided for exemption of Rs.5,000/- per day for RCM under 9(4) has been rescinded vide Notification 01/2019 – Central Tax Rate dated 29-01-2019. The reason being, owing to the above amendment in the CGST Act, it became Superfluous.

One may need to wait in anticipation

to know the class of persons and the category of goods or services or both, as may be notified and prepare for the compliances...

Disclaimer: The views expressed are the personal views of the Author

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KEY AUDIT MATTERS (KAMS) - A DISCUSSION



CA. Mohan R Lavi

Introduction

Members would be aware that Standard on Auditing 701 (SA 701)- Communicating Key Audit Matters in the Independent Auditors' Report is applicable for audits of financial statements for periods beginning on or after April 1 2018 (in effect for the financial year ending 31st March 2019).

Applicability

Paragraph 5 of SA 701 states that the SA applies to audits of complete sets of general purpose financial statements of listed entities and circumstances when the auditor otherwise decides to communicate key audit matters in the auditor's report. This SA also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report. However, SA 705 (Revised) prohibits the auditor from communicating key audit matters when the auditor disclaims an opinion on the financial statements, unless such reporting is required by law or regulation.

KAMs- Definition

Paragraph 8 of SA 701 determines KAM to be those matters that, in the auditor's professional judgment, were of most

significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.

Determining KAMs

Paragraph 9 of SA 701 lays down some principles for the auditor to determine Key Audit Matters in the audit reports. These principles are:

1. Areas of higher assessed risk of material misstatement, or significant risks identified in accordance with SA 315- Identifying and Assessing the Risk of Material Misstatement.
2. Significant auditor judgments relating to areas in the financial statements that involved significant management judgment, including accounting estimates that have been identified as having high estimation uncertainty.
3. The effect on the audit of significant events or transactions that occurred during the period.

International Experience

ISA 701- Communicating Key Audit Matters in the Independent Auditors' Report issued by the International

Accounting and Audit Standards Board (IAASB) has been applicable for a couple of years now for international companies. Since SA 701 is based on ISA 701, learnings from audit reports issued after ISA 701 has been introduced could give us an idea of the impact of KAMs on financial reporting.

ACCA Survey

The Association of Chartered Certified Accountants (ACCA) analysed the impact of ISA 701 on financial reporting.

How many KAMs to finalise in an Audit Report?

An immediate question that crops up is how many KAMs should an auditor determine and report? Though this would vary from company to company, it appears that there should not be too many KAMs as not all matters are significant in an entity can pose a threat if material misstatement. The ACCA analysis showed that there were 1,321 KAMs reported across 560 audit report (an average of 2.35). Since SA 701 is new to India and all listed entities are reporting under Ind AS (with concepts such as Fair Valuation and financial instruments), one can expect there to be an average of 3 or 4 KAM's in audit reports in India.

Top KAMs		
	Area	Number of KAMs
1	Asset Impairment (other than Goodwill)	162
2	Revenue (not mentioning fraud)	102
3	Allowance for doubtful debts	95
4	Goodwill Impairment	90
5	Taxation including Deferred Tax	88
6	Investments	87
7	Financial Instruments	84
8	Valuation of Inventories	80
9	Property Valuation	79
10	Insurance	55
11	Property, Plant and Equipment	41
12	Acquisitions and disposals	39
13	Going Concern	34
14	Legal Provisions	31
15	IT related issues	29
16	Provisions-other than legal	28
17	Accounting for long-term contracts	26
18	Mining/Oil and Gas Accounting	18
19	Equity and Capital	17
20	Management Override/Related Parties	17
21	Fraud in Revenue Recognition	16
22	Development Costs	12
23	Pensions	12
24	Biological Assets	10
25	Leases	10
26	Consolidation Issues	9
27	Assets held for Sale	8
28	Contingent Liabilities	8
29	Hyperinflation	6
30	Restatement/Representation	5

Popular Areas of KAM

As per the ACCA analysis, the most common KAM was on asset impairment which was mentioned in over a quarter of all reports . Revenue recognition, excluding any reference to fraud, is the second most common KAM, followed by doubtful debt, goodwill impairment and considerations relating to tax, including the valuation of deferred tax assets. The high ranking of goodwill impairment and tax is in line with expectations and indicates that auditors challenge the valuation of key assets to ensure that they are not overvalued.

Source:

Key Audit matters - unlocking the secrets of the audit published by ACCA.

Benefits of KAMs

Introduction of KAMs in Audit Reports would possibly provide the following benefits:

- KAMs encourage better conversations between the auditor and those charged with governance; this in turn contributes to better governance
- KAMs help the auditor to focus on the areas of the audit requiring the most careful judgement; this in turn contributes to higher audit quality
- KAMs give preparers incentives for revisiting financial reporting and disclosures in areas related to those KAMs. This in turn leads to better financial reporting.

Together, these contribute to a much broader impact of KAMs on the financial reporting process beyond merely providing better information for investors. In the Indian context, one can expect a reduction in the number of Emphasis of Matters (EOM) in audit reports as they will certainly find a place in the KAM. ■



CRUCIAL ASPECTS OF INPUT TAX CREDIT



CA. Annapurna Kabra

- The Challenges in the Erstwhile Indirect tax Structure were multiple levies and compliances at the State and Centre levels, overlapping of tax on various transactions, complex laws on movement of goods, cascading of taxes, Ineligibility of input tax credit and multiple litigations with reference to classification, valuation, eligibility of credit, etc. The GST law has changed the tax incidence, tax computation, tax structure, credit utilization, Input tax credit mechanism etc. which completely has transformed the erstwhile indirect taxation system.
- The efficient indirect tax system will be a perfect mechanism when it allows the business entity to claim the input tax credit at the time of discharging the tax liabilities. If the Input tax credit is not allowed freely to the business entity, then always it remain the cost and result into tax inefficiencies.
- In the GST regime, the Input tax paid on inputs/input services/capital goods are allowed if they are used or intended to be used in course of business. The wider meaning is given to terms 'inputs' or 'input services' or 'capital goods' by using the words 'in course or furtherance of business' which was not existing in earlier regime.
- In the earlier tax regime, the Authorities have disallowed the input tax credit on the grounds like purchase from cancelled dealer, purchase from the sellers who has not deposited the tax, etc. wherein the claim of input tax credit to buyer is disallowed without appreciating the fact that the liability of the seller cannot be shifted to buyer. Every supplier who has collected the tax is under the obligation to deposit the same but in many instances the authorities are recovering the taxes from the recipient by disallowing their input tax credit. In the GST regime, one of the mandatory conditions to claim input tax credit is that supplier have paid the taxes to the government and if the taxes are not paid by supplier, the input tax credit is disallowed. Therefore, the liability of the supplier is shifted to the buyer by disallowing the input tax credit. There is no robust mechanism to verify the taxes paid by the supplier for the business entity who has claimed the input tax credit. In many scenarios it would be unreasonable / unrealistic to expect recipient to verify accounts of supplier to find out whether taxes have been paid or not. Therefore, there is always a risk factor in availment of input tax credit.
- In case of works contracts and many other contracts, there is a trade practice of retaining 5 to 10% of the contract value, even on completion of the entire contract (commonly known as Retention Money). For example, X appoints Y Ltd. to construct office building for Rs. 10 crores. On completion of the service, X will make payment of Rs. 9 crores only and withheld Rs. 1 crore which will be paid to Y Ltd. only after one or two years, so as to safeguard itself from any deficiency in service of the contractor. However, if the payment to the vendor for the value of services along with GST is not made within 180 days from date of Invoice, then such Input tax credit is to be reversed. In the Erstwhile law, in the case of *Hindustan Zinc Limited dated 30.10.2018 (Excise Appeal No. E/52554-52557/2018)* wherein the CESTAT has held that when there is no dispute that service tax is paid by the provider on full invoice value even though he has not received full/part payment from the service recipient, the CENVAT Credit can be availed by the recipient of service. Therefore, under the service tax regime, the credit of service tax can be availed on such retention money even when only service tax

is paid to the supplier of service. But under the GST regime there are various school of thoughts on this issue like 'fails to pay' will trigger when there is obligation to pay, or the retention amount can be considered as deposit or the principle held in service tax law can hold good under GST law, even though the drafting of the laws is different. So, there is no clarity on this issue and there is risk of reversal of Input tax credit.

- The concept of allowance of Input tax credit attributable to business vs non-business purpose has been emerged in the GST law. The GST law state that the 5% of common input tax credit should be reversed as attributable to non- business purpose if common input and input services are used partly for business and partly for non -business(personal) purpose. There will be independent assessment always to prove that input tax credit has been used only for business purpose as there are various scenarios where it is difficult to analyze to the extent used for business purpose or non-business purpose like input tax credit on mobile bills, Internet usage bills, travel bills, Restaurant bills ,etc. The registered person should not be denied the legitimate claim of input tax credit on superfluous grounds. Therefore, there is always a risk of disallowance of input tax credit for non-business purpose.
- In the earlier taxation regime, the common input tax credit on capital goods was not required to

be apportioned for exempt supply or non- business purpose whereas under the GST regime the input tax credit is required to be apportioned for each capital goods considering the life of capital goods as five years which is more cumbersome and challenging irrespective of the actual life of capital goods. The discretion of capitalizing the goods as capital goods is vested with the registered person and accordingly the specific provisions will be applicable to such classification. The capital goods would have been purchased at different point of time and being put to use at different point of time but the criteria is only capitalization of such goods. In certain instances even if any expenses incurred on immovable property like repair, renovation, alteration, etc and if such expenses are capitalized then input tax credit is blocked. With the risk of disallowance of input tax credit in many scenarios, the business entity have taken the option of availing depreciation on tax paid on capital goods rather than taking the option of availment of input tax credit on such capital goods.

- In the earlier taxation regime, the Input tax credit on pre- registration was allowed whereas in GST regime the pre-registration credits on inputs is not allowed if the person fails to take registration within thirty days.
- In the earlier taxation regime, the refund of unutilized input tax credit was able to be claimed in case of exports whereas in case of GST regime, the refund of unutilized

input tax credit can be claimed in case of exports and inverted duty structure.

- In the earlier taxation regime, the eligibility of input tax credit was not linked with the obligation of the employer under any law for time being in force. In the GST regime, the input tax credit in respect of food and beverages, health services, renting or hiring of motor vehicles, vessels and aircraft, travel benefits to employees etc., can be availed where the provision of such goods or services is obligatory for an employer to provide to its employees under any law for time being in force.
- Therefore, the criteria's, specification's, condition's, restriction's for enjoying input tax credit benefit has been transformed in the GST Regime. There are various scenarios as compared to the earlier tax regime wherein the decision of availment of credit has to be examined appropriately. Even the wrong availment of Input Tax Credit shall be treated as violation of the provisions of the law irrespective of whether it is utilized or not based on section 73 and section 74 of the GST Act. Even after more than a year of GST Implementation, there are lot of amendments in the provisions of Input tax credit with reference to its eligibility, availment and its utilizations. Therefore, the risk factors associated with the availment and utilization of input tax credit should be reviewed periodically for smooth compliance under the GST law. ■

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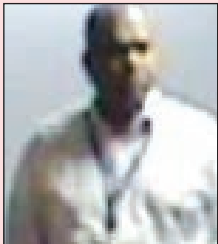


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Bangalore Branch Managing Committee Election for the Term 2019 to 2022



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