



Bangalore Branch of SIRC e-Newsletter

English Monthly

Volume 04 | Issue 11 | June, 2016 | Pages : 52

For Private Circulation only

Jnana Pragathi

- Seek Knowledge, Gain Progress

Two Day Karnataka State Level CA's Conference

16 & 17 July 2016

Jnana Jyothi Convention Centre
University Campus, Palace Road, Bengaluru

12 hrs
CPE

Hosted by

Bangalore Branch of SIRC of ICAI

Jointly organized by

Belgaum, Bellary, Hubli, Kalaburagi, Mangalore, Mysore & Udupi Branches of SIRC of ICAI



Utilize the Great Networking Opportunity !



Ballari



Belagavi



Bengaluru



Hubballi



Kalaburagi



Mangaluru



Mysuru



Udupi

Chairman's Communique . . .



Dear professional friends,

It's my pleasure to communicate to you all through this e-journal. All branches across the country **have** now adopted to send e-journal and there will be no hard copy of journal printed hence forth. As **a part of the** "Go Green" initiative, ICAI has asked the branches and Regional Offices to implement e-newsletter – saving our time, energy and the increasing expenditure on the cost of circulation. However we have requested ICAI Delhi to permit us to print hardcopy of the newsletter, members are requested to co-operate in this regard.

We are very eagerly anticipating for the 1st day of July, it is significant day for the CAs are concerned. It is our day! Celebrated as CA day. Each one of us can be proud of being a member of our prestigious institution. With its humble start the profession has now grown in leaps and bounds and ICAI has achieved recognition as a Premier Accounting Body not only in the country but also globally. The ICAI is regarded as the 2nd largest Accounting Body in the world, and is the backbone of Indian Financial System. It is our responsibility to keep up the **high standards that have been set** to safeguard the interest of our profession by rendering quality service to our clients. To commemorate the day, we have invited CA D L Suresh Babu, our past Central Council Member to hoist the flag on 1st July 2016 at 9:30 am at Bangalore branch premises and address the gathering. Members are invited to actively participate in this celebration.

Pleasure in sharing details about Upcoming Programs:

Apart from regular study circle meetings and workshops on international taxation, we are going to conduct Tax Clinics. As a part of Tax Clinic programs on 10th June 2016, CA K K Chythanya addressed the Members on latest Case Laws on Direct Taxes. CA Deepak Rao will conduct a session on 24th June on "Recent Amendments and important Case Laws" on Indirect Taxes which will be a value addition to each one of us.

I would like to remind you that the Residential Refresher Seminar is being organized by SIRC of ICAI, hosted by Bangalore branch in association with Bellary Branch at Hampi; The most sought for historical place with magnificent monuments, will make us to take a break from our busy office schedule and provide us a better platform to network among professional colleagues of different branches.

Successful May 2016 report:

Besides our regular study circle meet, Tax Clinics and workshops on international taxation, a Seminar on issues relating to Co-operative societies conducted on 14th May was a grand success. There were 140 participants for this Seminar and presentations by our eminent speakers specialized in co-operative Audit were very well received by the delegates. I profusely thank **Shri Prakash C Majgi, Director of Cooperative Audit** for being with us to inaugurate the Programme and address our members in spite of his busy schedule. I congratulate CA B V Raveendranath, Sagar who has coordinated the said Programme in a very effective manner.

I would like to inform the members that a special study circle meet on "**Personal Ethics and Balance Sheet of life**" was conducted by his Holiness **Bhakti Rasamritha Swamy, ISCKON** and was well received by the delegates. I sincerely thank **CA Rajesh Sharma** for being the co-ordinator of the said programme.

On 24th may we had one more spiritual session by **Pujya Gnanavatsal Swamiji, BAPS Swaminarayan Mandir, Akshardhama, New Delhi** which was an intellectual illumination for the delegates, which is need of the hour.

Before concluding, I request you to block two days in your diary for our forthcoming State Level Conference on 16th and 17th July 2016 – "**Jnana Pragathi**" – Seek knowledge and gain progress. Professionalism is skills and values in perfect balance. With radical changes lined up in every sphere of our professional practice, we have to be very keen in updating ourselves. Hence, this State Level Conference being organized by Bangalore Branch of SIRC of ICAI and hosted by all the other Branches in Karnataka is designed to meet the requirements of Chartered Accountants both in Practice and Service. This mega event will be an ideal platform for the members to network and to have quality deliberations exchanging our views and ideas for the betterment of our prestigious profession. Besides this Conference will nurture the feeling of togetherness & belongingness amongst us with a wide mission & vision. Hence you are requested to participate actively making this mega event a grand success.

With warm regards

CA. Pampanna B E
Chairman



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)



Jnana Pragathi

- Seek Knowledge, Gain Progress

Two Day Karnataka State Level CA's Conference

16 & 17 July 2016

Jnana Jyothi Convention Centre
University Campus, Palace Road, Bengaluru

Hosted by Bangalore Branch of SIRC of ICAI

Jointly organized by **Belgaum, Bellary, Hubli, Kalaburagi, Mangalore, Mysore & Udupi Branches of SIRC of ICAI**



We deem it a pleasure to inform you that "Jnana Pragathi – Seek Knowledge, Gain Progress" – 13th State Level Conference is being organised on Saturday, 16th & Sunday, 17th July 2016 by Bangalore, Belgaum, Bellary, Hubli, Kalaburagi, Mangalore, Mysore & Udupi Branches of SIRC of ICAI and is being hosted by Bangalore Branch of SIRC of ICAI.

Objective: The Conference is designed to meet the requirements of Chartered Accountants both in Practice and in Service. This Mega Event will be an ideal platform for the Members to Network and to have Quality Deliberations exchanging their views and ideas for the betterment of our prestigious profession.

Over a period of time, the spectrum of services provided by the CAs has extended beyond Conventional Accounting and Auditing jobs. We have to specialise in multiple diverse areas of our Profession in order to satisfy the ever increasing expectations of our Clients, various Stake Holders especially the Corporate Sector and the Government Institutions in India. Hence this "Jnana Pragathi – Seek Knowledge, Gain Progress".

This conference will also pave way in disseminating updated knowledge to perform better, nurturing a feeling of togetherness and belongingness amongst us with a wide Mission & Vision. This unique event will also justify the following remarkable quote of late Dr. Abdul Kalam "The ICAI-The Indian Accounting Regulator and Partner in Nation Building".

Utilize the Great Networking Opportunity !



Ballari



Belagavi



Bengaluru



Hubballi



Kalaburagi



Mangaluru



Mysuru



Udupi

Jnana Pragathi

- Seek Knowledge, Gain Progress

Two Day Karnataka State Level CA's Conference

16 & 17 July 2016 | Jnana Jyothi Convention Centre, Bengaluru



Sat, 16th July 2016

08:30 AM Registration

10:00 AM INAUGURAL SESSION

CHIEF GUEST:

Shri N.R. Narayana Murthy

Co-founder of Infosys

CA. M. Devaraja Reddy*

President, ICAI

CA. Nilesh Shivji Vikamsey*

Vice-President, ICAI

SPECIAL ADDRESS:

CA. T.N. Manoharan

Chairman, Canara Bank & Past President, ICAI



11:15 AM Tea Break

11:30 AM I TECHNICAL SESSION

Winds of Change in Accounting Standards

CA. M.P. Vijay Kumar, Chennai

Central Council Member, ICAI



01:00 PM Lunch

02:00 PM II TECHNICAL SESSION

Recent Case Laws on Joint Development Agreements in favour of Assessee

CA. A. Shankar

Advocate, Bengaluru



03:30 PM Tea Break

03:45 PM III TECHNICAL SESSION

Challenges to practicing CA's Under the ever changing Companies Act & other statutes

CA. K. Gururaj Acharya, Bengaluru



05:15 PM Entertainment Programme

Followed by Theme Dinner with family

*confirmation awaited

Sun, 17th July 2016

08:30 AM Breakfast

09:15 AM SPIRITUAL SESSION

"Converting Your Dreams into Reality"

Pujya Gnanvatsal Swami of BAPS Swaminarayan Sansthan

Akshardham, New Delhi



10:15 AM IV TECHNICAL SESSION

Taxation of Charitable Trust - Recent Amendments

CA. H. Padamchand Khincha, Bengaluru



11:45 AM Tea Break

12:00 PM V TECHNICAL SESSION

Recent Trends from the Judiciary (Service Tax Perspective)

CA. Sunil Ghabawalla, Mumbai



01:30 PM Lunch Break

02:30 PM VI TECHNICAL SESSION

Post-carbon Economy and Rise of Social Commons

Mr. Sharad Sharma, Bengaluru

Co-founder & Governing Council Member iSPIRT Foundation



04:00 PM Tea Break

04:15 PM VII TECHNICAL SESSION - PANEL DISCUSSION

Works Contract - Taxation Aspects

Moderator : **CA. Sanjay M Dhariwal, Bengaluru**

Panelists : **CA. Madhukar N Hiregange**

Central Council Member, ICAI

CA. Ashok Raghavan, Bengaluru

CA. S. Vishnumurthy, Bengaluru

Mr. Suresh Kris

Chief Financial Officer & Executive Director,

Brigade Enterprises Ltd, Bengaluru



Delegate Fee: For Members - Rs.2200/-

Early Bird Registrations - Rs.2000/-

(on or before 15th June 2016)

Non Members - Rs.5000/- + Service Tax

Mode of Payment: Cash or Cheque / DD

in favour of "Bangalore Branch of SIRC of ICAI"

payable at Bengaluru

For Registration, Please contact:

Tel: 080 - 3056 3513 / 3500











Email: blrregistrations@icai.org

Website: www.bangaloreicai.org

CA - Alphabets of Trust



CALENDAR OF EVENTS - JUNE 2016




Date/Day/ Time	Topic / Speaker	CPE Credit
01.06.2016 Wednesday 6.00pm to 8.00pm	Study Circle Meet Practical Aspects of Filing form 15CA & CB CA. Cotha S Srinivas VENUE: Branch Premises	 2 hrs
04.06.2016 Saturday 9.30am to 5.30pm	One Day Seminar on Companies Act 2013 Co-ordinator: CA. K Gururaj Acharya Delegate Fee: Rs. 750/- VENUE: Branch Premises	 6 hrs
04.06.2016 Saturday 6.00pm to 8.00pm	Intensive Workshop on International Taxation Article 23: Methods for the elimination of double Taxation and Section 91 CA. Ishita Bhaumik & CA. Ramya S Nayak VENUE: Branch Premises	  2 hrs
08.06.2016 Wednesday 6.00pm to 8.00pm	Study Circle Meet Issues and Concerns under the Commercial Tax Laws CA. Annapurna D Kabra VENUE: Branch Premises	 2 hrs
10.06.2016 Friday 6.00pm to 8.00pm	Tax Clinic - Direct Taxes Latest Case Laws CA. K K Chythanya VENUE: Branch Premises	 2 hrs
11.06.2016 Saturday 5.00pm to 8.00pm	An Awareness Programme on IDS 2016 and Interactive Session with Commissioners of Dept. of Income Tax - Demystifying Income Disclosure Scheme (IDS)2016 Mr. Naresh Saka, IRS Addl. Commissioner Ms. Sowmya V, IRS, Dy. Commissioner Mr. Ramachandran A, ITO Mr. Suresh Babu, ITO CA Naveen Khariwal G VENUE: Branch Premises	 3 hrs
14.06.2016 Tuesday 5.30pm to 8.30pm	Hands on Training MS Excel as Statutory Audit Tool of Small Companies CA. H. Shivakumar Delegate Fee: Rs. 500/- (Computers will be provided by the Branch) VENUE: ICAI Bhawan, No. 29/1, Race Course Road, Next to SBI, Bangalore	 3 hrs
15.06.2016 Wednesday 6.00pm to 8.00pm	Study Circle Meet FEMA & Latest Changes in FDI Policy CA. Vishnu Moorthi. H VENUE: Branch Premises	 2 hrs
16.06.2016 Thursday 6.00pm to 8.00pm	Study Circle Meet at South Bangalore Critical Issues • Income from Salary • House Property • Income from other Sources CA. Krishna N Delegate Fee: Rs. 250/- VENUE: Jain University Auditorium, J C Road, Bangalore (Next to Bangalore Stock Exchange)	 2 hrs



CALENDAR OF EVENTS - JUNE & JULY 2016

Date/Day/ Time	Topic / Speaker	CPE Credit
18.06.2016 & 19.06.2016	Two Day Residential Refresher Seminar at Hampi VENUE: Royal Orchid Central, Kireeti, Station Road, Hospet, Hampi	
18.06.2016 Saturday 6.00pm to 8.00pm	Intensive Workshop on International Taxation Article 24: Non Discrimination CA Omar Abdullah S M VENUE: Branch Premises	
21.06.2016 Tuesday 5.30 pm to 7.30 pm	International Day of Yoga Session on "Upa Yoga module" M/s. Isha Foundation VENUE: Branch Premises	—
22.06.2016 Wednesday 6.00pm to 8.00pm	Study Circle Meet Impact assessment of Insolvency and Bankruptcy Code 2016 CA Sandeep Jhunjunwala VENUE: Branch Premises	
24.06.2016 Friday 6.00pm to 8.00pm	Tax Clinic - Indirect Taxes Discussion on recent Amendments & Important Case Laws on Indirect Taxes Mr. Deepak Rao VENUE: Branch Premises	
25.06.2016 Saturday 5.00pm to 8.00pm	Study Circle Meet Recent changes in TDS & TCS CA. D R Venkatesh Accounting Standards applicable to Real Estate Sector CA. Mohan R Lavi <i>Delegate Fees: Rs.250/- Programme will be followed by dinner</i> VENUE: Karnataka State Hockey Association, Rhenius Street, Langford Town, Bangalore - 560025	
28.06.2016 Tuesday 4.00pm to 8.00pm	Impact Seminar on Discussion on Draft GST Law - 2016 Dr. B V Murali Krishna <i>Joint Commissioner of Commercial Taxes, DVO -1</i> CA. S Venkataramani VENUE: Branch Premises Delegate Fee: Rs. 250/-	
29.06.2016 Wednesday 6.00pm to 8.00pm	Study Circle Meet Penalties & Prosecutions under Income Tax Act - 1961 CA. Nulvi C R VENUE: Branch Premises	
01.07.2016 Friday 9.30am	CA Day <i>Flag Hoisting & Celebration</i> <i>Chief Guest: CA. D L Suresh Babu</i> VENUE: Branch Premises	—
02.07.2016 Saturday 6.00pm to 8.00pm	Intensive Workshop on International Taxation Article 25, 26 & 27: Mutual Agreement Procedure, Exchange of Information & Assistance in the Collection of Taxes CA Vikram Bapat VENUE: Branch Premises	

CALENDAR OF EVENTS - JULY 2016

Date/Day/Time	Topic / Speaker	CPE Credit
06.07.2016 Wednesday	Holiday on account of Ramzan	—
08.07.2016 Friday 6.00pm to 8.00pm	Tax Clinic - Direct Taxes Equalisation levy & Direct Tax Dispute Resolution Scheme - 2016 CA Sudheendra B R VENUE: Branch Premises	 2 hrs
13.07.2016 Wednesday 6.00pm to 8.00pm	Study Circle Meet Business Intelligence and Analytics CA D R Krishna Prasad & CA Raghavendra S VENUE: Branch Premises	  2 hrs
16.07.2016 & 17.07.2016 Saturday & Sunday	Jnana Pragathi <i>- Seek Knowledge, Gain Progress</i> Two Day Karnataka State Level CA's Conference VENUE: Jnana Jyothi Convention Centre, Palace Road, Bengaluru <i>Details in page No: 3 & 4</i>	12 hrs

Study Circle Meetings for CA Students - June 2016

organized by SICASA of Bangalore Branch at Bangalore Branch Premises

Date	Topic	Speakers	Timings
11-06-2016 Saturday	Minimum Alternative Tax(MAT) u/s.115JB of Income Tax Act	CA Rakshith Kothari	6.00 pm to 8.00 pm
18-06-2016 Saturday	Guide to Capital Gains Tax	CA Nitin Kumar P	6.00 pm to 8.00 pm
24th, 25th & 26th June 2016	Sports Activities for Students	Cricket, Chess, Carrom, Volleyball, Throw ball & Athletics. <i>For details visit: www.bangaloreicai.org</i>	

Note: No fee for the study circle meetings. **High Tea** at 5.30PM
For registration send E-mail to blrsicasa@icai.org

CA Raveendra S Kore
SICASA, Chairman

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Advt. material should reach us before 22nd of previous month.				

EDITOR :
CA. PAMPANNA B.E.

SUB EDITOR :
CA. SHRAVAN GUDUTHUR

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ANNOUNCEMENT

Kind Attention Members

**Sub: Invite to attend Study Circle Meet on
"Recent Changes in TDS & TCS" and
"Accounting Standards Applicable to Real Estate Sector"**

**3 hrs
CPE**

We are delighted to inform you that a 3 hour Study Circle Meeting is being organised by Bangalore Branch of SIRC of ICAI at Karnataka State Hockey Association, Rhenius Street, Langford Town, Bangalore- 560025 on 25th June 2016 between 5.00pm & 8.00pm. We have identified this venue especially for the benefit of Members residing in Central area of Bangalore -in and around Double Road, Wilson Garden and other surrounding areas. The details are appended below:

Date	Time	Topic	Speaker
25/06/2016	5.00pm to 6.00pm	Recent Changes in TDS & TCS	CA D R Venkatesh
	6.00pm to 8.00pm	Accounting Standards applicable to Real Estate Sector	CA Mohan R Lavi

DELEGATE FEES FOR MEMBERS: ₹ 250/-

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

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

We request you to make use of this opportunity, join us the programme & derive maximum benefit out of the same. Programme is followed by dinner.

IMPORTANT DATES TO REMEMBER DURING THE MONTH OF JUNE 2016

Due Date	Statute	Compliance
5 th June 2016	Excise	Monthly Payment of Excise duty for the month of May 2016
	Service Tax	Monthly Payment of Service tax for the month for May 2016
6 th June 2016	Excise	Monthly E- Payment of Excise duty for the month of May 2016
	Service Tax	Monthly E- Payment of Service Tax for the month of May 2016
7 th June 2016	Income Tax	Deposit of Tax deducted / collected during May 2016.
10 th June 2016	Excise	Monthly Performance Reports by Units in EOU, STP, SEZ for May 2016.
15 th June 2016	VAT	Payment and filing of VAT 120 under KVAT Laws for month ended May 2016 (for Composition Dealers).
		Quarterly Payment and filing of VAT 100 under KVAT Laws for quarter ended May 2016.
	Provident Fund	Payment of EPF Contribution for May 2016 (No grace days).
		Return of Employees Qualifying to EPF during May 2016.
		Consolidated Statement of Dues and Remittances under EPF and EDLI For May 2016.
		Monthly Returns of Employees Joined the Organisation for May 2016.
	Income Tax	Monthly Returns of Employees left the Organisation for May 2016.
20 th June 2016	VAT	Payment of Advance tax (15% of tax on total income) for all assessees for the A.Y 2017-18.
	Professional Tax	Monthly Returns (VAT 100) and Payment of CST and VAT Collected/payable During May 2016.
21 st June 2016	ESI	Monthly Returns and Payment of PT Deducted During May 2016.
30 th June 2016	ESI	Deposit of ESI Contribution and Collections of May 2016 to the credit of ESI Corporation.
	Excise	CA Certified Annual Performance Reports by Units in EOU, STP, Non-STP, SEZ for F.Y 2015-16.



IND AS ACCOUNTING STANDARDS

CA Mohan R Lavi

Ind AS Transition Facilitation Group (ITFG)

In its second bulletin, the ITFG has come out with responses to six questions on Ind AS. The responses have been summarized.

Issue 1. – Treatment of foreign exchange differences

Y Ltd. is a first time adopter of Ind AS. The date of transition is April 1, 2015. On April 1, 2010, it obtained a 7-year US\$ 1,00,000 loan. It has been exercising the option provided in Paragraph 46/46A of AS 11 and has been amortising the exchange differences in respect of this loan over the balance period of such loan. On the date of transition, the company intends to continue the same accounting policy with regard to amortising of exchange differences. Whether the Company is permitted to do so? Whether amortisation of balance of Foreign Currency Monetary Item Translation Difference Account (FCMITDA) be routed through profit or loss or through Other Comprehensive Income (OCI).

Response: Paragraph D13AA of Ind AS 101 provides that a first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately

before the beginning of the first Ind AS financial reporting period as per the previous GAAP. Therefore, if an entity opts to follow the aforesaid paragraph of Ind AS 101, it has to continue to apply the accounting policy followed for such long-term foreign currency monetary item. In view of the above, Company Y can continue to follow the existing accounting policy of amortising the exchange differences in respect of this loan over the balance period of such long term liability.

Since the amortisation of exchange differences under the existing policy as per the previous GAAP would be to recognise periodic amortised amount in the statement of profit and loss affecting the profit or loss for the period, amortisation of balance of Foreign Currency Monetary Item Translation Difference Account (FCMITDA) shall be routed through profit or loss and not through Other Comprehensive Income (OCI).

Authors Note: Though the intention appears to be to permit entities to continue the accounting treatment for exchange differences arising from translation of long-term foreign currency monetary items as per para 46/46A of the present AS 11, the methodology followed can give rise to interpretational issues. Para 7AA of Ind AS 21 scopes out entities who have chosen the exemption

provided in Para D13AA of Ind AS 101. However, Ind AS 101 is only applicable for first time adoption. The exemption in Para D13AA is only for a first time adopter. In addition, the exemption mentions exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP- it does not make any mention of exchange differences in future years.

To prevent interpretation issues, it would be preferable to scope out all exchange differences on long term foreign currency monetary items in Ind AS 21 separately without drawing reference to Para D 13AA of Ind AS 101.

Issue 2. Applicability of Ind AS to an Indian subsidiary of a foreign company.

Company X Ltd. and Company Y Ltd. registered in India having net worth of Rs 600 crores and 100 crores respectively are subsidiaries of a Foreign Company viz., ABC Inc., which has net worth of more than Rs. 500 crores in financial year 2015-16. Whether Company X Ltd. and Y Ltd. are required to comply with Ind AS from financial year 2016-17 on the basis of net worth of the parent Foreign Company or on the basis of their own net worth?

**Response:**

As per Rule 4(1)(ii)(a) of the Companies (Indian Accounting Standards) Rules, 2015, Company X having net worth of Rs.600 crores in the year 2015-16, would be required to prepare its financial statements for the accounting periods commencing from 1st April, 2016, as per the Companies (Indian Accounting Standards) Rules, 2015. Company Y Ltd. having net worth of Rs.100 crores in the year 2015-16, would be required to prepare its financial statements as per the Companies (Accounting Standards) Rules, 2006. Since, the Foreign company ABC Inc., is not a company incorporated under the Companies Act, 2013 or the earlier Companies Act, 1956, it is not required to prepare its financial statements as per the Companies (Indian Accounting Standards) Rules, 2015. As the foreign company is not required to prepare financial statements based on Ind AS, the net worth of foreign company ABC would not be the basis for deciding whether Indian Subsidiary Company X Ltd. and Company Y Ltd. are required to prepare financial statements based on Ind AS.

Issue 3. Is there an option to select date of transition?

Company X Ltd. has prepared its financial statements under IFRS for the first time for year ended March 31, 2016. It had adopted its date of transition to IFRS as April 1, 2014. As per the Companies (Indian Accounting Standards) Rules, 2015, Company X Ltd. is mandatorily required to prepare its financial statements as per Ind AS for the year ended March 31, 2017 and hence under Ind AS, the date of transition would be April 1, 2015.

Whether Company X Ltd. can select date of transition under Ind AS as April 1, 2014 instead of April 1, 2015 since it has already carried out exercise of transition on April 1, 2014 for the purposes of IFRS.

Response: X Ltd. is required to mandatorily adopt Ind AS from April 1, 2016, i.e. for the period 2016-17, and it will give comparatives as per Ind AS for 2015-16. Accordingly, the beginning of the comparative period will be April 1, 2015, which will be considered as the date of transition as per Ind AS.

Although Company X Ltd. has already carried out exercise of transition on April 1, 2014 for the purposes of IFRS, Company X Ltd. cannot select date of transition under Ind AS as April 1, 2014.

Issue 4. Capitalization of Spare parts.

A Company has a spare part, which it terms as 'insurance spare', is required to be used along with equipment. Whether the spare part is required to be recognised as part of that equipment? Whether depreciation is required to be calculated separately for that spare part or along with the equipment for which it has been used?

Response:

If an item of spare part meets the definition of 'property, plant and equipment' as mentioned above and satisfies the recognition criteria as per paragraph 7 of Ind AS 16, such an item of spare part has to be recognised as property, plant and equipment separately from the equipment. If that spare part does not meet the definition and recognition criteria as cited above that spare part is to be recognised as inventory. The depreciation on such an

item of spare part will begin when the asset is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. In case of a spare part, as it may be readily available for use, it may be depreciated from the date of purchase of the spare part. In determination of the useful life of the spare part, the life of the machine in respect of which it can be used can be one of the determining factors.

Issue 5. Capitalization of expenditure

Company X has incurred expenditure on construction of a road on the land which is not owned by the Company. Whether the expenditure incurred on construction of such a road by the Company has to be capitalised or expensed out under Ind AS?

Response: The capitalisation of expenditure incurred on construction of assets on land not owned by a company would depend on facts and circumstances of each case, particularly, considering paragraph 16(b) of Ind AS 16, Property, Plant and Equipment (PPE), which states that such an expenditure should be necessary for making the item of PPE capable of operating in the manner intended by the management.

Issue 6. Calculation of Effective Interest Rate (EIR)

A Company has opted for the accounting treatment under paragraph 46A of AS 11, The Effects of Changes in Foreign Exchange Rates, under the Companies (Accounting Standards) Rules, 2006, in respect of purchase of other than depreciable assets and accordingly, exchange difference on account of long term foreign currency loans is accumulated and amortised over

the balance period of such loan. The company has taken a long-term loan of Rs. 1000 crores and incurred upfront / processing fee of Rs. 40 crores. Under the Companies (Accounting Standards) Rules, 2006, Rs. 40 crores had been charged off as finance cost in the statement of profit and loss in the year of loan and Rs.1000 crores is carried as long term loan. The loan which is outstanding on the balance sheet date (for simplicity it is assumed that repayment of loan has not yet started) is translated at the rate of exchange prevailing at the date of balance sheet and the exchange difference is parked in Foreign Currency Monetary Item Translation Difference Account (FCMITDA), which is being amortised over the term of loan.

Under the Companies (Indian Accounting Standards) Rules, 2015, on the date of transition, the effective rate of interest will be worked out based on the net inflow of loan amount i.e. Rs. 960 crores in this case. Whether the balance of FCMITDA based on loan inflow of Rs. 960 crores or Rs. 1000 crores be continued as per Ind AS on date of transition as per the Paragraph D13AA of Ind AS 101, First time Adoption of Indian Accounting Standards.

Response:

The first time adopter needs to revise the balance of FCMITDA based on the loan at amortised cost of Rs. 960 crores retrospectively if the loan is not designated as at fair value through profit or loss (FVTPL).

Ind AS Standards to be applied while presenting financial information in offer documents

Vide Circular No SEBI/HO/CFD/DIL/

CIR/P/2016/47 dated 31st March 2016, the Securities and Exchange Board of India (SEBI) has mandated that entities covered in the roadmap announced by the Ministry of Corporate Affairs(MCA) on Ind AS, should present the financial information as per Ind AS. Offer documents normally present financial information for a period of five years past. For the first set of entities covered in the MCA roadmap (listed or unlisted with net worth>Rs 500 crores), SEBI has provided a rather complicated table on presenting financial information as per Ind AS:-

Period of filing offer document	Latest financial year	Second latest financial year	Third financial year	Second earliest financial year	Earliest Financial year
Upto 31 st March 2017	Indian GAAP	Indian GAAP	Indian GAAP	Indian GAAP	Indian GAAP
01.04.2017-31.03.2018	Ind AS	Ind AS	Ind AS	Indian GAAP	Indian GAAP
01.04.2018-31.03.2019	Ind AS	Ind AS	Ind AS	Indian GAAP	Indian GAAP
01.04.2019-31.3.2020	Ind AS	Ind AS	Ind AS	Ind AS	Indian GAAP
On or after April 1 2020	Ind AS	Ind AS	Ind AS	Ind AS	Ind AS

Author's Note: If an entity is presenting three past years of financial information as per Ind AS, they might as well present all five years as per Ind AS since the incremental cost for 2 years is going to be minimal.

Other points mentioned in the SEBI Circular are:

- Disclosures of interim period, if any, shall be made in line with the accounting policies followed for latest financial year.
- For issuer companies to which Ind AS is applicable in Phase 2 of MCA

Roadmap (beginning from FY 2017-18), the above timelines w.r.t. filing of offer documents shall be followed with time lag of one year.

- The issuer company may, at its discretion, choose to present all the five year periods using the Ind AS framework instead of accounting standards otherwise applicable for such period(s).
- The issuer company shall clearly disclose the fact that the financial information has been disclosed in accordance with Ind AS while

suitably explaining the difference between Ind AS and the previously applicable accounting standards, and the impact of transition to Ind AS. For this purpose, the issuer company shall ensure compliance with the requirements of para 22 of Ind AS 101 on First time adoption of Indian Accounting Standards. Further, the issuer company shall also provide transitional disclosures as envisaged in para 23 to 26 of Ind AS 101 in the annual financial statements.

Conclusion: Ind AS is here to stay.



KRISHI KALYAN CESS FROM JUNE 1, 2016 – FEW ISSUES

CA. N.R. Badrinath, B.Com, Grad CWA, FCA & **CA. Madhur Harlalka**, B.Com, FCA, LL.B



A new cess named 'Krishi Kalyan Cess' ('KKC') has been introduced by our Hon'ble Finance Minister Mr. Arun Jaitley while announcing the Union Budget 2016-17 on 29.02.2016. Just like Swachh Bharat Cess which was introduced with the objective of promoting hygiene and cleanliness, this new cess has been introduced with an objective to finance and promote initiatives to improve agriculture and farmer welfare in India or for any other purpose relating thereto.

Similar to Swachh Bharat Cess ('SBC'), KKC will be levied as service tax at 0.5% on all or any of the taxable services w.e.f June 1, 2016 resulting in increase in effective rate of Service Tax from 14.5% to 15%. However, unlike SBC, cenvat credit of KKC paid on input services shall be allowed to be used for payment of KKC on output services provided by a service provider.

The compliance burden for businesses especially the small businesses in India has increased substantially in the past one year, due to increase in the rate of service tax and the introduction of various cesses such as the SBC and the KKC. It is to be noted that service tax was increased from 12% to 14% from June 1, 2015; SBC was introduced in the middle of the month from November 15, 2015 and now KKC has been introduced from June 1, 2016 onwards. Within one year, the effective rate of

service tax has undergone a change three times!

Following are some of the practical difficulties faced by the trade and industry due to the above:

- A manufacturer liable to pay Central Excise duty but not providing any taxable output service will not be able to utilize the Cenvat credit of KKC. Thus, a manufacturer using input services for manufacturing of his goods will not be able to avail the benefit of cenvat credit of KKC paid by him on the input services. This will place an extra burden of the new cess on a manufacturer, which will increase the total cost of production due to the cascading effect of the taxes/cess. The manufacturer of goods would be at a disadvantageous position as compared to a provider of taxable output service as the manufacturer would have to bear the extra cost of this cess.
- Rule 5 of the Point of Taxation Rules, 2011 ('POTR') has been made applicable in case of new levies such as KKC. According to the latest amended Rule 5, payment received on or after rate increase for which services have been rendered and billings have been done prior to rate increase, the new service tax rate will be applicable. This rule will have a major impact on all businesses since

generally, any business will have outstanding bills receivables as on 31st May, 2016 for services rendered and billings done prior to May 31, 2016. In such cases, when payment is received on or after 1st June, 2016, the service provider will have to raise separate debit notes/invoices for each of their clients to recover the additional KKC applicable apart from running the risk of some clients not agreeing to pay the additional service tax in the form of KKC.

- Rule 7 of POTR will be applicable in case of payment made reverse charge mechanism. According to the third proviso inserted under Rule 7, if services have been rendered and billings have been done prior to 31st May, 2016 but payment has not been made on or before 31st May, 2016, the old rate of service tax will be applicable and not the new rate of service tax after rate increase or new levy. Thus, separate rules have been laid down for payment of service tax under forward charge and reverse charge, which further increases the compliance burden.
- The frequent changes in the Service Tax law ranging from increase in rate to new levies introduced by Government has affected the businesses who are required to deal with the fallout of these frequent changes in the form of various

transitional matters such as services provided/billing done/payment received before or after date of new levies or increase in the service tax rates in various permutations and combinations.

- These rate increases and new levies also forces the businesses to make frequent changes in their accounting/ERP systems/invoicing. The big companies stand a better chance to make changes to their systems compared to small/medium-sized businesses without adequate staff and infrastructure.
- The credit rules are different for taking and utilising credits for Service tax, SBC and KKC. While service tax credits can be used only for paying service tax and excise duty, SBC credit is not allowed at all and KKC credit is allowed only for payment of KKC by service providers. Thus, from a businessman's perspective, he needs to deal with three different taxes/cesses in the same invoice.
- Credits of Service Tax, Excise Duty and the erstwhile Education cess and Secondary and Higher education

cess also cannot be used to pay SBC and KKC.

- The service tax, SBC and KKC payments and utilisation of their respective credits would have to be accounted, paid in the service tax challans and captured in the service tax returns separately. Any small mistake in tracking of the above or credits utilised incorrectly due to clerical errors could lead to substantial penalties and interest.
 - In a short span of fifteen months, there has been considerable disparity in the Central Excise rate i.e. 12.5% as against the Service tax rate of 15% post KKC levy from June 1, 2016, which were the same till 28th February, 2015 @ 12.36%. This increases the scope of tax arbitrage by the businesses and also possible tax disputes between the tax payer and the tax authorities due to interpretational issues for certain overlapping transactions such as software services, packaging, job-working, printing, etc.
- The introduction of this new cess has further increased the already

complicated compliance burden of the businesses especially for small and medium size businesses in India which could have been easily avoided; not to mention impact on inflation, pricing and profitability of businesses due the increase in service tax rate especially for long-term committed contracts.

The new changes introduced by the Government as mentioned above contradicts with the 'Make in India', 'Ease of Doing Business in India' and 'Start-up India' initiatives of the Central Government. The above tax levies and complications are also not required especially at a time when the country is moving to the GST era which is supposed to be a simple, transparent and business friendly law with minimal rates.

In order to avoid any unnecessary burden and to simply the compliance procedure for all business, it is recommended that the various cesses should be merged into a higher rate of service tax and credits should be allowed seamlessly for service providers and manufacturers alike, which will avoid any disparity between service providers and manufacturers.

Bangalore Branch of SIRC of ICAI

is looking for immediate outright purchase of commercially converted land measuring between 20,000 to 40,000 sq. feet in Bengaluru- preferably in Basavanagudi, Jayanagar, Banashankari, JP Nagar, BTM Layout, Rajajinagar, Malleshwaram, Vijayanagar, and surrounding areas with proper and good approach road with 40 feet width, preferably a Prime Location having connectivity to Metro / Bus Station with clear title and / or Commercial Building between 40,000 to 60,000 Sq. Ft. built up area, constructed strictly as per BBMP approved plan without any deviation, OC Certificate is a must. Ready to move.

Interested parties can send mail

blrbldgicai@gmail.com, blradmin@icai.org | Ph: 080-30563508



Attention: IPCC, FINAL & CPT Students

ANNOUNCEMENT

Coaching Classes: CPT, IPCC & FINAL for November 2016 Examinations at Bangalore Branch of SIRC of ICAI

Admissions open for Subjectwise Coaching

In pursuance of our objective to provide fruitful and quality teaching to our students, we are pleased to inform you that IPCC and FINAL coaching classes will be commencing at the Bangalore Branch of SIRC of ICAI from 23rd May 2016. The classes will be concluded by 31st August 2016. Tentative date for the commencement of CPT Coaching for Dec 2016 exams in on 4th July 2016.

Salient features:

- Experienced, Expert and Dedicated faculty members
- Methodology – Conceptual teaching
- Affordable Coaching Fee
- The journey of CA with Bangalore Branch is that of progress with innumerable activities of knowledge supported and guided by our senior renowned faculty members- resource persons.
- During the course, amazing, inspiring and motivational sessions and Orientation Classes will be conducted. Hence be proud to be a part of the Branch by enrolling as a student to become a prestigious member of this glorious profession

Course	Fees	Duration	Timings
CPT	₹ 8000/- for all subjects	4 th July 2016 to 15 th Nov 2016	05.30pm to 07.30pm & 07.30am to 12.00pm (Sunday)
IPCC & FINAL	₹ 13,000/- for Both Groups ₹ 9,000/- for Single Group ₹ 3,500/- for Single Subject	23 rd May 2016 to 31 st Aug 2016 (Tentative)	06.30am to 09.30am & 06.00pm to 09.00pm & (Monday to Saturday) 08.00am to 05.30pm (Sunday)

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

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

For further details please contact

Student registration section: Tel: **080 - 3056 3500 / 510 / 511 / 512**

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



BANGALORE BRANCH OF SOUTHERN INDIA REGIONAL COUNCIL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

"ICAI Bhawan", #16/O, MILLERS TANK BED AREA, BANGALORE – 560052

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **54th Annual General Meeting** of the members of the Bangalore Branch of Southern India Regional Council of the Institute of Chartered Accountants of India, will be held on **Friday, 29th July 2016, at 4 pm** at '**S Narayan Auditorium**', "ICAI Bhawan", #16/O, Millers Tank Bed Area, Bangalore -560052 to transact the following business:

1. To receive the Annual report of the Bangalore Branch for the year 2015-2016.
2. To adopt the Audited Accounts of the Bangalore Branch for the year ended 31st March 2016.
3. To transact any other business that may be brought out before the meeting with the permission of the "Chair".

By order of the Managing Committee

Sd/-

(CA. Shravan Guduthur)

Secretary

Place : Bangalore

Date : 28.05.2016

- Note :
1. Members are requested to send their queries, if any, on audited financial statements for the year ended 31.03.2016, and any other business i.e. intended to be brought out before the meeting with the permission of the "Chair", within 14th of July 2016 to the Branch by post or email: blrchairman@icai.org
 2. Hard copy of the Annual Accounts can be collected at the Branch Premises.

MANAGING COMMITTEE 2016-17

CA. Pampanna.B.E	Chairman
CA. Geetha.A.B	Vice Chairperson
CA. Shravan Guduthur	Secretary
CA. Bhat Shivaram Shankar	Treasurer
CA. Raveendra S Kore	Chairman SICASA
CA. Bhojaraj T Shetty	Member
CA. Divya S	Member
CA. Srinivasa T	Member
CA. Madhukar N Hiregange	Ex-Officio, Central Council
CA. Cothas.S.Srinivas	Ex-Officio, Regional Council
CA. Babu.K.Thevar	Ex-Officio, Regional Council



54th Annual Report

Dear Members,

We are pleased to present the 54th Annual Report of the Bangalore Branch of SIRC of the Institute of Chartered Accountants of India, together with the audited accounts for the year ended 31st March 2016.

The Bangalore Branch, representing the Institute of Chartered Accountants of India, New Delhi is one of the most dynamic and Active Branch. This is the largest Branch in the country catering to the need of over **11823** members and over **11026** (undergoing Article ship) students. The Branch conducts various programmes for the benefit of Members & Students like Conferences, Seminars, Workshops, Tele-conferences, Study Circle Meetings, Practice alert discussion and Study Tours on the subjects of professional interest.

For the year 2016-17 following Office Bearers have been elected in the Managing Committee Meeting held on 19th February, 2016

OFFICE BEARERS - 2016-17

CA.Pampanna.B.E	: Chairman
CA.Geetha.A.B	: Vice Chairman
CA.Shravan Guduthur	: Secretary
CA. Bhat Shivaram Shankar	: Treasurer
CA. Raveendra S Kore	: Nominated as SICASA Chairman

OFFICE BEARERS - 2015-16

CA.Allama Prabhu.M.S	: Chairman
CA. Pampanna.B.E	: Vice Chairman
CA.Geetha.A.B	: Secretary
CA. Shrvan Guduthur	: Treasurer
CA.Bhat Shivaram Shankar	: Chairman, SICASA

The Theme for the year 2016 – 17 is

'Pragathi: SERVE TO GROW – GROW TO SERVE'

The theme of the year is "PRAGATHI". The word "PRAGATHI" stands for progress. Originally as a Sanskrit word "PRAGATHI" postulates PRA-GATHI. "PRA" means positive. "GATHI" means movement.

Therefore, "PRAGATHI" means moving positively. Going by the theme "PRAGATHI" we in the managing committee of 2016-17 are committed to move towards positive direction.

Tag line to the theme is "SERVE TO GROW – GROW TO

SERVE". The growth is symbolically displayed in the form a growing tree - the tree of knowledge. The knowledge, specially the professional knowledge powered by the pen.

While growth is the object, service is the media. Service is meant by service to the profession. By continuous service to profession we need to grow. Therefore serve to grow. Growth so achieved has to sustained by continues service. The nexus of growth and service is inter dependant with each other and hence "SERVE TO GROW – GROW TO SERVE".

The Branch has conducted the following important events during the period 01st April 2015 - 31st March 2016:

Conferences:

- Two Day Conference Joint programme with (AIFTP) with KSCAA.
- Two Day National Level Conference-"Jnanadayini"
- Two Day National Conference on Indirect Taxes
- National Conference on International Taxation
- National Conference on Forensic Accounting and Fraud Prevention

Seminars:

- Analysis of Finance Act 2015 on Direct Taxes
- Impact Seminar on Audit Action points and provisions relating to Pvt. Ltd Cos
- Impact Seminar on Derivatives – futures and option Concepts, Accounting and Taxation
- Impact Seminar on Statutory Audit of NBFCs – Regulatory Issues
- Impact Seminar on Women as the Changing landscape for women CA professional
- Impact Seminar on Recent Judgements on International Taxation
- Interface with CEOs, CFOs, Resource person & other members, seeking views on proposed New Scheme of Education & Training for CA Course
- One Day Seminar on Co- Operative Audit
- "Megha Sandesha" One Day Seminar on Cloud Computing
- One Day UGC National Seminar on GST
- An update on Companies Act – 2013
- Interactive session on State Trade Policy

- Clause by Clause Discussion on Union Budget – 2016 Direct Taxes & Indirect Taxes
- An Awareness programme – Analysis of Union Budget 2016
- Bank Branch Audit Seminar
- One Day Seminar - GST

Workshops:

- Comprehensive Workshop on Companies Act,2013
- Workshop on Internal Financial Controls (IFC) under Companies Act 2013
- Two Day Workshop on Taxation of Real Estate Transactions
- Two Day Workshop on Basics in International Taxation
- Half a day Workshop on Corporate Restructuring, Mergers & Acquisitions
- Workshop on 44AB Audit & on TDS
- Half a Day Workshop on Hands on Training using Tally and e-upass upload & enhanced audit tools
- Workshop on e-TDS Procedures and Issues
- Series of Intensive Workshop on International Taxation - 1
- Interactive Session on e-UPaSS input Tax Credit, Matching, Issues and Concerns
- Intensive Workshop on Changes in IT Returns
- Intensive Workshop on International Taxation – 2
- Intensive Workshop on Issues in Tax audit Report
- Intensive Workshop on Changes in ITR Form & Form 3CD
- Intensive Workshop on International Taxation – 3
- Intensive Workshop on International Taxation – 4
- Intensive Workshop on International Taxation – 5
- Intensive Workshop on International Taxation – 6
- One Day Workshop on Income Computation & Disclosure Standards – ICDS
- Intensive Workshop on International Taxation – 7
- Intensive Workshop on International Taxation – 8
- Awareness Creating Workshop on INC – 29
- Intensive Workshop on International Taxation – 9
- Training Programme on Internal Audit for Officials of Audit & Accounts Dept. of BEML
- 2 Days Training Programme on Indirect Taxation for BEML Officers
- Certificate Course on Valuation
- Certification Course on Indirect Taxes
- Corporate Accountants Meet
- Intensive Workshop on International Taxation – 10
- Intensive Workshop on International Taxation – 11
- Workshop on IndAS

Special Programmes of the Institute:

Apart from these programmes we had also conducted **94 Study Circle Meetings, 5 Teleconferences, 2 Programmes exclusively on Information Technology for Members and 8 Public Awareness Programmes.**

Some of the important dignitaries who had visited the Branch and graced the occasion for various programmes organized by Branch during the year:

STATE LEVEL DIGNITARIES

- Mr. M.R Bhat, ROC, Karnataka
- Shri. B N Biradar, Asst. Commissioner of Commercial Taxes, Bangalore
- CA. P.V Srinivasan, Corporate Advisor in Tax & Corporate Laws matters wipro ltd, Bangalore
- Mr. K.C Kaushik, Advocate Additional Solicitor General, New Delhi
- Shri N. Gopal DGM, DNBS, RBI
- Shri Raghavendra K Hegde, DY, SP- CID
- Dr. B.V Muralikrishna Joint Commissioner of Commercial Taxes (e- Audit)
- Dr B.T Rudresh, Renowned Homeopathy, President, Karnataka Homeopathic Board, Executive Member, central Council of Homeopathy, AYUSH, HFW Govt of India, New Delhi
- Shri SatyajitRoul, AROC
- Shri KeerthiTej, AROC
- Shri Prakash C. Majgi, Director of Co. Op. Audit
- CA. V.Balakrishnan, Former CFO Infosys
- CA.S.S.Naganand- Sr. Advocate
- CA.A.K.RaviNedungadi –CFO UB Group
- Dr.Shubhada Rao- Sr.President& Chief Economists, YES Bank
- CA.T.V.Mohandas Pai-Chairman, Manipal Global Education Services Pvt Ltd
- Shri Susobhan Sinha, GM –Department of Non-Banking Supervision, RBI
- Shri D.V Sadananda Gowda, Hon'ble Minister for Law and Justice, Govt. of India
- CA. Raveendra S Kore, President, Karnataka State Chartered Accountants Association
- Mr. Khurshed Batliwala (BaWa), Faculty at Art of living, Dean of students Affairs, Sri Sri University, Bhuvaneshwar
- Mrs. Madhura Veena M.L - SP, CID
- Sri Bharath LalMeena, IAS, Hon'ble Secretary for Higher Education, Government of Karnataka



- Ms. NutanWodeyar, Principal Chief Commissioner of Income Tax -2
- Mr. Sudhanshu Prasad, General Manager, RBI, Bangalore
- Shri. V.K Girijavallabhan, AAS Honourable Principal director of Commercial Audit, CAG, Bangalore
- CA. S Santhanakrishnan, Chairman, CL & CGC
- Ms. K RathnaPrabha, Assl. Chief Secretary, Industry & Commerce, Govt. Of Karnataka
- Sri. S. Rangappa, Spl. D.C KIADB
- Mr. NCN Acharya DGM (RBI)
- Mr. Vinod Kumar M, Hon'ble Chief Commissioner of Central Excise
- Mr. Nagendra Kumar, Hon'ble Principal Additional Director General of Central Excise Intelligence
- Mr. Ritvik Pandey, IAS, Hon'ble Chief Commissioner of Commercial Taxes
- CA. Upender Gupta, Commissioner, GST, CBEC
- Mr. M. Jayakumar, ROC, Karnataka
- Mr. A O Basheer , General Manager, RBI, Mumbai
- CA. P.V. Rajarajeshwaran, Chairman, SIRC of ICAI
- Shri. ChanchalapatiDasa, Vice Chairman, The AkshayaPatra, Foundation ISKCON, Bangalore
- CA. Indranil Chowdhury, Vice President, Volvo India (P) Ltd, Bangalore
- Ms. Uma Shankar, Regional Director, RBI, Karnataka
- Sri. A.M. Sridharan, Ex Dy. ROC, Chennai
- CA. N.V.ShivaKumar , Executive Director & Leader –Deals, India Pricewaterhouse Coopers Pvt Ltd.
- Dr.N.S.ChannappaGowda, IAS, Registrar of Cooperative Societies in Karnataka, Bangalore
- CA.A.SeharPonraj, Dy. ROC of Karnataka
- Mr. Sampathraman, President of FKCCCL
- CA. Joman.K.George, SICASA,Chairman, SIRC of ICAI
- Ms.Nirupama&Rajendra ,Abhinava Dance Company, Bengaluru
- Sri Sri Ravi Shankar-Spiritual Leader Founder-Art of Living Foundation , Bengaluru
- CA.SureshSenapathy-ED & CFO Wipro
- CA. B.P. Rao, Past President, ICAI

Central Level Dignitaries

- Mr. Susobhan Sinha, GM(RBI), Mr. NCN Acharya, DGM (RBI)
- CA. Madhukar N Hiregange, Central Council Member, ICAI

- CA K. Raghu, Past President , ICAI
- CA Charanjot Singh Nanda, Chairman, Committee for Members in Industry, ICAI
- CA P.R Suresh, Chairman, Grievances Committee, SIRC
- CA. Atul Kumar Gupta, Chairman, IDT Committee, ICAI
- Dr.Parthasarathi Shome, Chairman , Tax Administration Reforms Commission, New Delhi
- CA. S.Prakash Chand, Co-opted Member, CMII, ICAI, New Delhi
- CA. RajkumarAdukia, Chairman, Committee on Information Technology
- Ms. PremBhutani, Joint Director BOS, ICAI
- Dr. Parthasarathi Shome Chairman, International Tax Research and Analysis Foundation (ITRAF), Bengaluru
- Dr K. Gururaj Karajagi, Chairman, Academy for Creative Teaching
- CA. G. Sekar, Central Council Member,ICAI
- CA.M.Devraja Reddy,Chairman, Vice President, ICAI
- CA. Prafulla Preamsukh Chhajed, Vice Chairman, Board of Studies
- CA. Manoj Fadnis, President, ICAI
- CA. Amarjit Chopra, Chairman, NACAS

Coaching Classes:

It is very heartening to note that there has been a good response for the Subject wise Coaching Classes conducted by Bangalore Branch at its premises. The number of students joining for the Coaching has been improved remarkably.

Infrastructure Developments at Branch:

- Opening of Race Course Road 1st floor building with all refurbishments for Coaching classes & Jnanadayibni Hall.
- Renovation of Chairman's Cabin.
- Refurbishment of Accounts & Administration
- New Storages arrangements (Metal Fabricated) at Basement.
- Flag hoisting – Newly constructed at Ground Floor

Management Development Programme :

The Bangalore Branch conducts Management Development Programmes wherein officials of various public and private companies including govt. organisations are trained in field of finance and accounting. The Branch has won many accolades from the participating companies for the rich knowledge dissemination.

Students Activities:

The Branch is regularly organizing and conducting Coaching classes, Crash courses, Courses in Computer Training for the benefit of the students. The coaching classes conducted at the Branch are of high quality and cost effective also in comparison with other facilities available.

- ✓ **49** Batches of Course in General Management and Communication Skills-I were conducted at the Branch premises.
- ✓ **11** Batches of General Management and Communication Skills-II were also conducted at the Branch premises.
- ✓ **55** Batches of Integrated Professional Competency Course Orientation Programmewere conducted at Branch premises
- ✓ **102** Batches of ITT training has been Completed

ICAI CAMPUS INTERVIEWS – MARCH 2016			
Sl. No.	Candidate who have opted for the centre	No. of Companies participated	No. of Candidates selected
1	Bangalore	12	Mor than 300

ICAI CAMPUS INTERVIEWS – SEPT. 2015			
Sl. No.	Candidate who have opted for the centre	No. of Companies participated	No. of Candidates selected
1	Bangalore	17	164

RANK HOLDERS

IPCC MAY 2015 EXAM			
No	Reg.No	Name of the Student	Rank
1	SRO0481670	SHEETHAL R HOLLA	13
2	SRO0510233	VIGNESH BHATIA	14
3	SRO0510239	RANJITH KUMAR D R	21
4	SRO0483037	NANDIKA SHIVAYOGI A	38
5	SRO0485056	ABHISHEK NAGARAJ	42
6	SRO0443562	GOUTHAM H C	46
7	SRO0494241	MEHUL METHA	49
FINAL MAY 2015 EXAM			
1	SRO0313537	MADHUSUDHAN U A	44
2	SRO0352734	PRIYA K	46

IPCC NOV 2015 EXAM			
No	Reg.No	Name of the Student	Rank
1	SRO0372665	RAJESH SAHU	32
2	CRO0535936	HIMANSHI SURI	36
3	SRO0455202	DEEPALI R NAYAK	42
4	SRO0515508	MANOJ KUMAR M	46
5	SRO0508099	MIRA GANESH	48

Managing Committee Meetings :

During the period from 1st April 2015 to 31st March 2016, 8 meetings were held.

Accounts :

The audited financial statement of the Branch has been published in this issue of the newsletter.

Acknowledgements:

The Managing Committee wishes to place on record deep appreciation for the Guidance, Support and Services rendered by various Persons, Organisations and Institutions.

- ❖ President, Vice President, Past Presidents and Central and Regional Council Members of ICAI
 - ❖ Past Chairmen of the Bangalore Branch
 - ❖ Course Directors, Speakers, Coordinators of the various programmes
 - ❖ President and Executive Members of KSCAA
 - ❖ Members of the Faculty of Coaching Classes, Course on GMCS, IPCC Orientation Programme, Crash Courses and Management Development Programmes.
 - ❖ Statutory Auditors **M/s P. Chandrashkar Chartered Accountants** and Internal Auditors **M/s. BVS & Associates, Chartered Accountants**
 - ❖ Advertisers of Newsletters and Sponsors of Programmes/ Activities
 - ❖ Our Bankers Canara bank, Syndicate Bank, Punjab National Bank and Vijaya Bank, ICICI Bank.
 - ❖ Our Printers M/s Jwalamukhi Mudranalaya Pvt Ltd.
 - ❖ Our photographer Sri M.S.Nagaraj
 - ❖ DCO & Branch Officers and staff for their sincere and dedicated efforts in the overall administration of the Branch affairs.
 - ❖ Every member and student of the Branch for their unstinted support in the various activities of the Branch directly or indirectly
- For and on behalf of Managing Committee

Sd/-

(CA. Shravan Guduthur)

Secretary



INDEPENDENT AUDITOR'S REPORT

To,

**The Central Statutory Auditors
The Institute of Chartered Accountants of India
New Delhi**

We have audited the accompanying financial statements of **BENGALURU BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, BENGALURU** which comprise the Balance Sheet as at 31st March, 2016, Income and Expenditure Account and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the Chartered Accountants Act, 1949. the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Branch in accordance with the accounting principles generally accepted in India, This responsibility includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Branch and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our Audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion:

1. The employees of the branch are not covered under the provisions of Employees' Provident Fund and Miscellaneous Provisions Act, 1952 and the ESI Act, 1948. In the absence of information, the extent of liability

and provision towards the same could not be ascertained. The Branch not complied with the Accounting Standard 15 on Employee Benefits.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph :*

1. In the case of Balance Sheet , of state of affairs of the BengaluruBranch office of SIRC of ICAI as at 31st March, 2016
2. In case of Income and Expenditure account, of the Excess of Expenditure over Income for the period ended on that date.
3. In the case of Cash Flow Statement , of the cash flows for the year ended on that date.

Report on Other Requirements:

We report that

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. in our opinion, proper books of accounts as required by the Chartered Accountants Act, 1949 have been kept by the Branch Office so far as appears from our examination of those books;
- c. The Balance Sheet and Income and Expenditure Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained by the Branch Office.
- d. except for the matter described in the Basis for Qualified opinion paragraph , In our opinion , the Balance Sheet, Income and Expenditure account and Cash Flow Statement dealt with by this report ; comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable.
- e. In our opinion and to the best of our information and according to explanation given to us, the said accounts give a true and fair view:

**For M/s. P. Chandrasekar
Chartered Accountants**

FRN: 0005805

Sd/-

(CA. Mani Kumar.D)

Partner

Membership No.212544

Date: 14/06/2016

Place: Bangalore



BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

BALANCE SHEET AS ON 31/03/2016

(Amount in Rs.)

PARTICULARS	SCHEDULE	31/03/2016	31/03/2015
SOURCES OF FUNDS			
GENERAL RESERVE			
OPENING BALANCE		33,613,971	28,040,966
ADD: SURPLUS		(4,366,836)	567,734
GENERAL RESERVE BALANCE		29,247,135	28,608,700
TRANSFER FROM / TO EARMARKED FUNDS		-	5,005,271
TOTAL GENERAL RESERVE		29,247,135	33,613,971
EARMARKED FUNDS			
OPENING BALANCE	1	86,357,737	74,601,806
ADDITIONS		3,300,750	11,715,000
INTEREST INCOME		6,667,203	5,646,201
LESS EXPENSES/ADJUSTMENT		711,000	(5,605,271)
TOTAL EARMARKED FUNDS		95,614,690	86,357,736
CURRENT LIABILITIES			
FEES RECEIVED IN ADVANCE	2	3,125,088	3,508,287
CREDITORS FOR EXPENSES			
CURRENT			
FOR NON - CAPITAL ITEMS	3	2,186,734	2,362,555
OTHERS		-	127,191
OTHER LIABILITIES			
CURRENT			
STATUTORY DUES	4	449,279	314,759
OTHERS		21,000	373,485
NON CURRENT			
STATUTORY DUES		590,205	761,414
SUB : TOTAL OF LIABILITIES		6,372,306	7,447,691
INTER UNIT BALANCES:			
CAPITAL GRANT RECEIVED		28,874,342	11,842,011
ICAI CURRENT ACCOUNT	5	1,329,308	3,658,858
ICAI PUBLICATION PAYABLE A/C	6	2,783,529	4,462,190
TOTAL		32,987,179	19,963,059
ASSETS/APPLICATION OF FUNDS			
FIXED ASSETS	7		
GROSS BLOCK		40,095,542	31,332,665
LESS:DEPRECIATION BLOCK		11,774,406	3,299,317
FIXED ASSETS-(NET BLOCK)		28,321,136	28,033,348
EARMARKED INVESTMENTS	8		
FDRS WITH BANKS		95,614,690	86,357,736
EARMARKED INVESTMENTS TOTAL		95,614,690	86,357,736
OTHER INVESTMENTS	9		
CURRENT:FDRS WITH BANKS		16,804,933	5,446,384
NON CURRENT:FDRS WITH BANKS		5,055,404	6,975,565
OTHER INVESTMENTS TOTAL		21,860,337	12,421,949
ASSETS:			
STATIONARY STOCK-CURRENT		128,304	254,769
NON CURRENT: SECURITY DEPOSITS	10	2,224,848	1,615,680
CURRENT: OTHER RECEIVABLES	11	1,135,727	2,028,703
NON CURRENT: OTHER RECEIVABLES		1,080,078	3,243,088
CURRENT: ADVANCES & PREPAYMENTS INCLUDING CAPITAL ADVANCES	12	1,675,973	934,891
CURRENT			
BANK BALANCES	13	4,543,146	2,796,288
CASH IN HAND		32,266	-
TOTAL		10,820,342	10,873,419
INTER UNIT BALANCES:			
REGIONAL COUNCIL CURRENT A/C		-	-
INTERUNIT TRANSACTION WITH RCS & CC	14	6,069,485	6,497,569
PUBLICATION STOCK TRANSFER A/C	15	1,535,319	3,198,435
TOTAL		7,604,804	9,696,004
TOTAL		164,221,310	147,382,457

SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF ACCOUNTS

21

As per our Audit Report on even date

For M/s P Chandrasekar
Chartered Accountants
FRN: 000580S

Sd/-
(CA. Mani Kumar D)
Partner
Membership No. 212544

For Bangalore Branch of SIRC of ICAI

Sd/-
(CA. Pampanna B. E)
Chairman

Sd/-
(CA. Shravan Guduthur)
Secretary

Sd/-
(CA. Bhat Shivaram Shankar)
Treasurer

Date: 14/06/2016
Place: Bangalore

BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31/03/2016

(Amount in Rs.)

PARTICULARS	SCHEDULE	31/03/2016	31/03/2015
INCOME			
REVENUE GRANT		1,289,400	1,268,100
BRANCH ADMINISTRATIVE GRANT		200,000	-
		1,489,400	1,268,100
NEWS LETTER INCOME		1,406,574	523,300
SEMINAR INCOME		13,110,823	18,845,444
GMCS COURSE INCOME		17,606,600	18,300,000
IPCC ORIENTATION INCOME		6,939,000	8,607,750
INTEREST ON INVESTMENTS	16	2,336,071	3,295,674
OTHER INCOME	17	716,410	1,552,273
INCOME FROM COACHING CLASSES		4,760,399	5,872,546
COMMISSION ON SALE OF PUBLICATIONS		2,066,952	1,499,958
PRIOR PERIOD ADJUSTMENTS		121,630	108,612
COMPUTER LAB INCOME		13,203,000	10,457,000
		62,267,460	69,062,557
		63,756,860	70,330,657
EXPENDITURE			
EMPLOYEE BENEFIT EXPENSES	18		
1) SALARY,PENSION & OTHER ALLOWANCE		6,219,261	4,937,165
2) STAFF WELFARE EXPENSES		624,605	1,815,221
PRINTING, STATIONERY & PHOTOCOPYING		668,670	452,956
NEWSLETTER (RCS & BRS)		2,924,599	2,256,953
POSTAGE, TELEPHONE AND COURIER		227,756	188,332
RENT ELECTRICITY AND WATER		3,319,625	2,228,401
REPAIRS & MAINTENANCE		1,874,392	1,469,519
CONVEYANCE AND TRAVEL - STAFF		143,343	190,027
TRAVEL MEMBERS		8,631	90,411
MAGAZINE & PERIODICALS		16,065	21,648
PROFESSIONAL & CONSULTANCY FEES		538,405	530,539
SEMINAR EXPENSES		11,772,265	15,517,289
GMCS COURSE EXPENSES		8,606,570	8,942,237
IPCC ORIENTATION EXPENSES		3,281,423	4,627,445
OTHER EXPENSES	19	1,976,825	1,831,006
EXPENSES TOWARDS COACHING CLASSES		2,285,536	2,460,880
PRIOR PERIOD ADJUSTMENTS	20	2,478,645	97,022
COMPUTER LAB EXPENSES		8,509,668	7,091,556
		55,476,285	54,748,606
DEPRECIATION		9,346,661	3,299,317
		64,822,946	58,047,923
SURPLUS FOR THE YEAR		(1,066,086)	12,282,734
APPROPRIATIONS			
MAINTENANCE FUND		-	250,000
BUILDING MAINTENANCE FUND		-	250,000
CA STUDENT EDUCATION FUND		-	600,000
LIBRARY CORPUS FUND		-	100,000
STUDY CIRCLE SERIES FUND		-	500,000
FIXED ASSET ACQUISITION FUND		-	7,400,000
ITT RESERVE FUND		3,300,750	2,615,000
BALANCE TRANSFERRED TO GENERAL RESERVE		(4,366,836)	567,734

SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF ACCOUNTS

21

**As per our Audit Report on
even date**

For **M/s P Chandrasekar
Chartered Accountants**
FRN: 000580S

For **Bangalore Branch of SIRC of ICAI**

Sd/-
(CA. Mani Kumar D)
Partner
Membership No. 212544

Sd/-
(CA. Pampanna B. E)
Chairman

Sd/-
(CA. Shravan Guduthur)
Secretary

Sd/-
(CA. Bhat Shivaram Shankar)
Treasurer

Date:14/06/2016
Place: Bangalore



BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

CASH FLOW STATEMENT AS ON 31/03/2016

(Amount in Rs.)

PARTICULARS	31/03/2016	31/03/2015
A. Cash flow from operating activities		
Net Surplus before appropriations, tax & extraordinary items	(1,066,086)	12,282,734
Adjustments		
Depreciation and amortisation expense, net of adjustments	9,346,661	3,299,317
Interest income	(2,336,071)	(3,295,674)
Operating surplus before working capital changes	5,944,503	12,286,377
Movements in working capital :		
Increase / (decrease) in Earmarked funds	5,956,203	5,046,201
Increase / (decrease) in Fees received in advance	(383,199)	(4,031,296)
Increase / (decrease) in Creditors for Expenses	(303,012)	1,513,642
Increase / (decrease) in Other Liabilities	(389,174)	478,670
Increase / (decrease) in Inter-unit Balances	(1,917,011)	1,837,376
(Increase) / decrease in Stationery Stock	126,465	(188,607)
(Increase) / decrease in Security Deposits	(609,168)	(667,680)
(Increase) / decrease in Receivables	3,055,986	(991,228)
(Increase) / decrease in Advances and Prepayments	(741,082)	(50,718)
Net surplus before tax & extraordinary items	10,740,512	15,232,737
Less: Direct taxes paid	-	-
Net surplus before tax & extraordinary items	10,740,512	15,232,737
Add/less: extraordinary items	-	-
Net cash generated from operating activities	10,740,512	15,232,737
B. Cash flows from investing activities		
Purchase of tangible assets	(9,634,449)	(18,308,466)
Investments in Fixed Deposits for Earmarked funds (Net)	(9,256,954)	(11,755,930)
Interest received	2,336,071	3,295,674
(Increase) / decrease in Non-Current Fixed Deposits	1,920,161	(6,975,565)
Net cash used in investing activities	(14,635,171)	(33,744,287)
C. Cash flows from financing activities		
Capital Grant Received	17,032,331	3,655,000
Net cash generated from financing activities	17,032,331	3,655,000
Net increase/(decrease) in cash and cash equivalents (A + B + C)	13,137,673	(14,856,550)
Add: Cash and Cash equivalents at the beginning of the year	8,242,672	23,099,223
Cash and Cash equivalents at the end of the year	21,380,345	8,242,672

Note:

- 1) The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard -3 on Cash Flow Statement issued by the Institute of Chartered Accountant of India.
- 2) Cash and Cash equivalents include Fixed deposits with Banks other than Earmarked Deposits.

**As per our Audit Report on
even date**

For **M/s P Chandrasekar
Chartered Accountants**
FRN: 0005805

For **Bangalore Branch of SIRC of ICAI**

Sd/-
(CA. Mani Kumar D)
Partner
Membership No. 212544

Sd/-
(CA. Pampanna B. E)
Chairman

Sd/-
(CA. Shravan Guduthur)
Secretary

Sd/-
(CA. Bhat Shivaram Shankar)
Treasurer

Date: 14/06/2016
Place: Bangalore

BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31/03/2016

SCHEDULE : 1 - EARMARKED FUNDS

PARTICULARS	AS AT 01-04-2015	ADDITIONS	INCOME	DEDUCTIONS	AS AT 31-03-2016
	Rs.	Rs.	Rs.	Rs.	Rs.
ENDOWMENT FUNDS					
VISWESHWARAI AH PRIZE FUND	139,309	-	10,584	3,000	146,893
GURUPRASAD PRIZE FUND	87,518	-	5,826	13,000	80,344
BHANUMATHI PRIZE FUND	22,546	-	1,142	5,000	18,688
SEETHARAMAIAH PRIZE FUND	187,602	-	12,179	-	199,781
TOTAL (A)	436,975	-	29,731	21,000	445,706
DESIGNATED FUNDS					
STUDY CIRCLE SERIES FUND	1,441,668	-	83,980	-	1,525,648
CA STUDENT EDUCATION FUND	1,467,847	-	85,828	690,000	863,675
BUILDING MAINTENANCE FUND	15,573,900	-	1,302,370	-	16,876,270
LIBRARY CORPUS FUND	1,158,831	-	74,002	-	1,232,833
FIXED ASSET ACQUISITION FUND	48,405,473	-	3,683,989	-	52,089,462
MAINTENANCE FUND	7,609,842	-	481,475	-	8,091,317
ITT RESERVE FUND	10,263,201	3,300,750	925,828	-	14,489,779
TOTAL (B)	85,920,762	3,300,750	6,637,472	690,000	95,168,984
GRAND TOTAL (A) + (B)	86,357,737	3,300,750	6,667,203	711,000	95,614,690



BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31/3/2016 (Amount in Rs.)

PARTICULARS	31/03/2016	31/03/2015
SCHEDULE :2		
FEES RECEIVED IN ADVANCE		
CPT COACHING CLASS	102,538	262,769
IPCC CRASH COURSE	109,500	-
FINAL CRASH COURSE	86,200	-
IPCC ORIENTATION	630,000	504,000
MEMBERS FEES RECEIVED IN ADVANCE	4,000	1,000
CRASH COURSE ADVANCE	-	64,968
GMCS REFRESHMENT ADVANCE	30,200	80,500
GMCS COURSE FEES	1,181,400	1,324,000
MOCK TEST ADVANCES	122,250	48,050
ITT FEES RECEIVED IN ADVANCE	859,000	1,223,000
	3,125,088	3,508,287
SCHEDULE :3		
CREDITORS FOR EXPENSES (PAYABLE)		
COACHING CLASS / GMCS COURSE / IPCC ORIENTATION EXPENSES	257,823	367,127
FACULTY FEES PAYABLE	220,300	814,800
OVERTIME ALLOWANCE	37,490	-
PRINTING & STATIONERY	-	63,791
PROFESSIONAL FEES	73,551	35,826
RENT, ELECTRICITY AND WATER	443,663	461,672
SECURITY CHARGES	259,994	148,394
SEMINAR EXPENSES	728,738	166,820
MEMBERS FEES REFUNDABLE	-	122,192
ELECTRICITY ITT	93,760	31,889
TELEPHONE CHARGES ITT	2,860	1,784
PROFESSIONAL CHARGES ITT	-	11,236
LIABILITY TO STAFF	6,774	41,751
MISC LIABILITIES	804	3,200
SECURITIES CHARGES	-	90,526
CREDITORS FOR CAPITAL GOODS	-	127,191
ELECTION EXPENSES PAYABLE	11,000	-
REPAIRS AND MAINTENANCE	28,704	-
STAFF WELFARE PAYABLE	13,749	-
WEB MAINTENANCE PAYABLE	7,524	1,547
	2,186,734	2,489,746
SCHEDULE :4		
OTHER LIABILITIES - CURRENT		
a. STATUTORY DUES		
- TAX DEDUCTED AT SOURCE	306,514	275,168
- PROFESSIONAL TAX	2,600	3,100
- PROFESSIONAL TAX - ITT	1,000	1,000
LEAVE ENCASHMENTS	139,165	29,376
LEAVE ENCASHMENTS - ITT	-	6,115
	449,279	314,759
b. OTHER LIABILITIES		
NEWS LETTER INCOME ADVANCE	20,000	234,000
LEAVE ENCASHMENT RETENTION PAYABLE-ITT	-	10,000
SECURITY DEPOSIT-PATIL	1,000	1,000
SUNDRY LIABILITIES	-	5,000
RETENTION CAPITAL GOODS	-	123,485
	21,000	373,485
STATUTORY DUES- NON CURRENT		
LEAVE ENCASHMENTS	109,396	91,755
LEAVE ENCASHMENTS - ITT	-	16,223
GRATUITY PAYABLE	480,809	648,244
GRATUITY PAYABLE - ITT	-	5,192
	590,205	761414

BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31/3/2016

(Amount in Rs.)

PARTICULARS	31/03/2016	31/03/2015
SCHEDULE :5		
ICAI CURRENT A/C		
ICAI - GRATUITY GRANT PAYABLE	99,808	99,808
ITT COMMISSION PAYABLE TO HO	400,800	400,800
SHARE OF ITT FEE PAYABLE	316,200	1,274,250
ICAI - CERTIFICATE ON INDIRECT TAXES	-	54,000
SHARE OF GMCS FEES PAYABLE TO H.O.	512,500	1,830,000
	1,329,308	3,658,858
SCHEDULE :6		
ICAI PUBLICATION A/C (PAYABLE A/C)		
ARTICLE REGISTRATION FORMS	49,950	58,150
BRANCH PUBLICATION	335,500	165,700
PUBLICATIONS	930,201	1,471,834
REVISION TEST PAPERS	381,370	601,282
STUDY MATERIALS	1,800,264	1,786,283
SUGGESTED ANSWERS	162,450	378,941
PROVISION FOR PUBLICATIONS STOCKS	(876,206)	-
	2,783,529	4,462,190

SCHEDULE -7 - FIXED ASSETS & DEPRECIATION

PARTICULARS	RATE OF DEP. (%)	WDV AS ON 01.04.2015 (In Rs)	ADDITIONS (In Rs)	DELETIONS (In Rs)	TOTAL (In Rs)	DEPRE- CIATION (In Rs)	WDV ON 31.03.2016 (In Rs)
AT BRANCH PREMISES							
AIRCONDITIONER	15%	437,092	190,281	-	627,373	92,464	534,909
BIO-METRIX	15%	51,103	-	-	51,103	7,665	43,438
LEASE HOLD BUILDING	39%	913,146	326,671	-	1,239,817	481,750	758,067
CANOPY	39%	2,084,431	-	-	2,084,431	1,281,744	802,687
COMPUTERS	60%	22,838	165,203	-	188,041	25,109	162,932
COMPUTER ACCESSORIES	60%	17,899	-	-	17,899	10,739	7,160
CCTV	15%	105,243	331,290	-	436,533	28,584	407,949
DIGITAL CAMERA	15%	35,514	-	-	35,514	5,327	30,187
ELECTRICAL FITTINGS	10%	707,962	-	-	707,962	70,796	637,166
FIRE ALARM SYSTEM	10%	98,069	-	-	98,069	9,807	88,262
FURNITURE	10%	2,224,007	410,293	-	2,634,300	250,252	2,384,048
FURNITURE-KITCHEN UTENSILS	10%	9,641	-	-	9,641	964	8,677
LAPTOP	60%	188,558	180,000	-	368,558	185,529	183,029
PROJECTORS	60%	259,731	148,276	-	408,007	191,054	216,953
LIBRARY BOOKS	100%	74,281	56,562	-	130,843	130,843	-
LIFT	10%	1,140,586	-	-	1,140,586	114,059	1,026,527
NETWORKING	60%	7,458	-	-	7,458	4,475	2,983
OFFICE EQUIPMENTS	15%	262,628	98,026	-	360,654	49,075	311,579
PHOTO GALLERY	15%	40,372	-	-	40,372	6,056	34,316
PRINTERS	15%	69,691	58,955	-	128,646	14,914	113,732
INTERIOR AUDITORIUM	**	784,524	-	-	784,524	520,422	264,102
INTERIORS	**	1,332,940	-	-	1,332,940	865,260	467,680
SOFTWARE	60%	107	-	-	107	64	43
UPS	15%	319,263	75,422	-	394,685	59,047	335,638
PLASMA TV	15%	50,474	-	-	50,474	7,571	42,903
PARKING & COMMON FLOOR	39%	543,529	-	-	543,529	270,672	272,857
RO & ACCESSARIES	15%	439,345	-	-	439,345	65,902	373,443
MICROPHONE	15%	10,610	-	-	10,610	1,592	9,018
WHITE BOARDS	10%	14,089	-	-	14,089	1,409	12,680
WATER CONTROLLER	15%	1,370	-	-	1,370	206	1,164
VIDEO CAMERA	15%	29,598	7,490	-	37,088	5,431	31,657
FIRE EXIT STAIRCASE	10%	684,307	-	-	684,307	68,431	615,876
CYCLE	20%	3,954	-	-	3,954	791	3,163
AT KEONICS							
FURNITURE KEONICS	10%	-	448,268	-	448,268	14,297	433,971
LIBRARY BOOKS KEONICS	100%	-	83,199	-	83,199	83,199	-
NEW CLASS ROOMS @ RACE COURSE	39%	4,168,987	-	-	4,168,987	1,625,905	2,543,082
INTERIORS RACE COURSE ROAD	39%	-	8,655,070	-	8,655,070	492,097	8,162,973
FIXED ASSET OFFICE EQUIPMENT KEONICS	15%	-	46,705	-	46,705	2,072	44,633
FIXED ASSET PROJECTOR KEONICS	60%	-	181,790	-	181,790	51,100	130,690
MOBILE	15%	53,090	-	-	53,090	7,964	45,126
SUB TOTAL (A)		17,186,437	11,463,501	-	28,649,938	7,104,638	21,545,300



BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31/3/2016

SCHEDULE -7 - FIXED ASSETS & DEPRECIATION (CONTD...)

PARTICULARS	RATE OF DEP. (%)	WDV AS ON 01.04.2014 (In Rs)	ADDITIONS (In Rs)	DELETIONS (In Rs)	TOTAL (In Rs)	DEPRECIATION (In Rs)	WDV ON 31.03.2015 (In Rs)
ITT CENTRE- AT BRANCH PREMISES							
COMPUTER LAB	10%	26,251	-	-	26,251	2,625	23,626
COMPUTERS	60%	39,343	-	-	39,343	23,606	15,737
CCTV	15%	37,330	-	-	37,330	5,600	31,730
COMPUTER LAB UPS	15%	185,745	-	-	185,745	27,862	157,883
FURNITURES	10%	99,232	16,088	-	115,320	11,146	104,174
OFFICE EQUIPMENTS	15%	5,739	444,575	-	450,314	29,150	421,164
SPEAKER & AMPLIFIER	15%	51,446	-	-	51,446	7,717	43,729
UPS	15%	29,591	-	-	29,591	4,439	25,152
WEBCASTER	60%	64,749	-	-	64,749	38,849	25,900
SUB TOTAL (B)		539,426	460,663	-	1,000,089	150,994	849,095
RACE COURSE ROAD							
COMPUTERS	60%	4,407,244	-	-	4,407,244	2,644,346	1,762,898
FURNITURE	10%	272,876	16,145	-	289,021	27,752	261,269
OFFICE EQUIPMENTS	15%	38,291	39,983	-	78,274	10,629	67,645
LEASE HOLD BUILDING	39%	3,161,453	-	-	3,161,453	1,232,967	1,928,486
PRINTERS	15%	-	10,600	-	10,600	1,573	9,027
PROJECTORS	60%	113,557	-	-	113,557	68,134	45,423
SUB TOTAL (C)		7,993,421	66,728	-	8,060,149	3,985,400	4,074,749
ITT SOUTH CENTER							
LAB-1							
AIRCONDITIONER	15%	160,214	-	-	160,214	24,032	136,182
OFFICE EQUIPMENT	15%	-	16,030	-	16,030	1,008	15,022
COMPUTER LAB	10%	45,551	-	-	45,551	4,555	40,996
COMPUTER ACCESSORIES	60%	-	44,035	-	44,035	9,193	34,842
PROJECTOR	60%	30,806	-	-	30,806	18,484	12,322
PRINTERS	15%	16,487	-	-	16,487	2,473	14,014
INTERIOR DECORATION	**	206,863	-	-	206,863	129,285	77,578
UPS	15%	168,562	-	-	168,562	25,284	143,278
CCTV	15%	43,875	-	-	43,875	6,581	37,294
FURNITURE	10%	76,195	-	-	76,195	7,620	68,575
NETWORKING	60%	444	11,237	-	11,681	5,494	6,187
ELECTRICAL FITTINGS	10%	80,028	-	-	80,028	8,003	72,025
LAB-2							
FURNITURE	10%	634,368	-	-	634,368	63,437	570,931
ELECTRICAL FITTINGS	10%	404,651	-	-	404,651	40,465	364,186
UPS	15%	178,116	-	-	178,116	26,717	151,399
DESKTOP	60%	267,904	-	-	267,904	160,742	107,162
SUB TOTAL (D)		2,314,064	71,302	-	2,385,366	533,373	1,851,993
TOTAL (B+C+D)		10,846,911	598,693	-	11,445,604	4,669,768	6,775,836
GRAND TOTAL (A+B+C+D)		28,033,348	12,062,194	-	40,095,542	11,774,406	28,321,136

BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31/3/2016

SCHEDULE - 8 - EARMARKED INVESTMENTS

PARTICULARS	In FDRs	INTEREST RECEIVABLE	INTEREST RECEIVED	NET INTEREST RECEIVABLE	BALANCE WITH INVESTMENT (GEN)	As At 31-03-2016
	Rs. (A)	Rs. (B)	Rs. (C)	Rs. (D) = (B-C)	Rs. (E)	Rs. (F) = (A+D+E)
VISWESHWARAIHAH PRIZE FUND	139,310	10,584	5,353	5,231	2,352	146,893
GURUPRASAD PRIZE FUND	87,518	5,826	2,540	3,286	(10,460)	80,344
BHANUMATHI PRIZE FUND	22,546	1,142	296	846	(4,704)	18,688
SEETHARAMAIAH PRIZE FUND	187,602	12,179	5,133	7,046	5,133	199,781
TOTAL (A)	436,976	29,731	13,322	16,409	(7,679)	445,706
STUDY CIRCLE SERIES FUND	1,441,668	83,980	29,847	54,133	29,847	1,525,648
CA STUDENT EDUCATION FUND	641,177	85,828	73,806	12,022	210,476	863,675
BUILDING MAINTENANCE FUND	16,837,146	1,302,370	784,107	518,263	(479,139)	16,876,270
LIBRARY CORPUS FUND	1,158,831	74,002	30,489	43,513	30,489	1,232,833
FIXED ASSET ACQUISITION FUND	49,351,634	3,683,989	1,461,070	2,222,919	514,909	52,089,462
MAINTENANCE FUND	7,899,800	481,475	287,700	193,775	(2,259)	8,091,317
ITT RESERVE FUND	15,079,754	925,828	347,030	578,798	(1,168,774)	14,489,779
TOTAL (B)	92,410,010	6,637,472	3,014,048	3,623,424	(864,451)	95,168,984
GRAND TOTAL (A) + (B)	92,846,986	6,667,203	3,027,370	3,639,833	(872,129)	95,614,690

BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31/3/2016 (Amount in Rs.)

PARTICULARS	31/03/2016	31/03/2015
SCHEDULE :9		
INVESTMENTS - GENERAL CURRENT		
FIXED DEPOSITS WITH CANARA BANK	4,000,000	2,500,000
FIXED DEPOSIT WITH PUNJAB NATIONAL BANK-ITT	513,891	750,000
FIXED DEPOSIT WITH SYNDICATE BANK-ITT	8,447,826	2,747,974
FIXED DEPOSITS WITH SYNDICATE BANK	2,971,086	2,822,730
FIXED DEPOSITS WITH PUNJAB NATIONAL BANK	-	1,000,000
FIXED DEPOSITS WITH VIJAYA BANK	-	11,000,000
	15,932,803	20,820,704
LESS : AMOUNT TO BE TRANSFERRED TO EARMARKED INVESTMENTS	872,129	(15,374,320)
	16,804,933	5,446,384
INVESTMENTS - GENERAL NON-CURRENT		
FIXED DEPOSITS WITH CANARA BANK	-	1,000,000
FIXED DEPOSITS WITH SYNDICATE BANK	2,730,236	5,461,674
FIXED DEPOSIT WITH PUNJAB NATIONAL BANK-ITT	2,325,168	513,891
	5,055,404	6,975,565
SCHEDULE :10		
SECURITY DEPOSITS NON-CURRENT		
DEPOSIT FOR READING ROOM	308,000	308,000
DEPOSIT TO GPO	15,000	15,000
DEPOSIT FOR RACE COURSE	1,261,848	652,680
DEPOSIT FOR RENT - BANGALORE SOUTH ITT CENTER	640,000	640,000
	2,224,848	1,615,680



BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31/3/2016

(Amount in Rs.)

PARTICULARS	31/03/2016	31/03/2015
SCHEDULE :11		
OTHER RECEIVABLES - CURRENT		
29.3.16 HANDS ON TRAINING ON USING EXCEL RECEIVABLE	1,000	-
11.03.16 CLAUSE BY CLAUSE ON DT RECEIVABLE	2,000	-
12.03.16 CLAUSE BY CLAUSE ON IDT RECEIVABLE	2,000	-
SIRC CONFERENCE MAHABALIPURAM RECEIVABLE	3,500	-
CLAUSE BY CLAUSE DISCUSSION RECEIVABLE	-	4,200
BOS PUBLICATIONS RECEIVABLE	-	7,860
SEMINAR ON BANK AUDIT RECEIVABLE	-	1,400
INTEREST ACCRUED BUT NOT DUE ON INVESTMENT- GENERAL	467,061	1,604,987
INTEREST ACCRUED BUT NOT DUE ON INVESTMENT- GENERAL ITT	618,666	403,756
JNANADAYINI ADVERTISEMENT INCOME RECEIVABLE	15,000	-
JNANADAYINI CONFERENCE FEES RECEIVABLE	20,000	-
GMCS FEES RECEIVABLE	6,500	6,500
	1,135,727	2,028,703
OTHER RECEIVABLES NON-CURRENT		
SICASA BANGALORE	1,050,828	3,213,838
DUE FROM EX EMPLOYEE	29,250	29,250
	1,080,078	3,243,088
SCHEDULE :12		
ADVANCE & PRE-PAYMENTS CURRENT		
DEPOSITS WITH KPTCL	729,297	206,287
ADVANCE TO STAFF	195,571	330,000
ADVANCE TO STAFF - ITT	-	16,000
PREPAID EXPENSES	269,097	328,592
PREPAID EXPENSES - ITT	47,615	22,104
ADVANCE - POST OFFICE FOR NEWSLETTER POSTING	38,878	21,908
SECURITY DEPOSIT- DEVRAJ URS BHAVAN	-	10,000
SEMINAR ON BANK BRANCH AUDIT RECEIVABLES	12,025	-
FORTUNE SELECT JP COSMOS-ADVANCE	23,040	-
ADVANCE-J J AUDITORIUM	270,450	-
HARISH ENGINEERING WORKS ADVANCE	90,000	-
	1,675,973	934,891
SCHEDULE :13		
CASH & BANK BALANCES		
CASH ON HAND	32,266	-
	32,266	-
CANARA BANK SB A/C.80172	16,693	184,590
CANARA BANK SB A/C.10825	551,403	17,795
CANARA BANK SB A/C.9499	(104,011)	(683,448)
CANARA BANK SB A/C.9759	1,360,209	1,308,457
CANARA BANK-ITT	152,693	11,810
PUNJAB NATIONAL BANK-ITT	147,655	660,900
ICICI BANK	2,418,505	1,296,184
	4,543,146	2,796,288

**BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31/3/2016**

(Amount in Rs.)

PARTICULARS	31/03/2016	31/03/2015
SCHEDULE :14		
CENTRAL COUNCIL CURRENT ACCOUNT		
TDS RECEIVABLE	4,259,755	3,812,986
SEMINAR GRANT RECEIVABLE	15,000	15,000
MEMBERSHIP FEES GRANT RECEIVABLE	380,300	61,025
SUNDAY TEST EXPENSES	28,421	28,421
ICAI CURRENT ACCOUNT	22,105	22,105
ICAI DECENTRALISED OFFICE, BANGALORE	290,629	1,494,590
BOS GRANT RECEIVABLE	42,000	42,000
AUDIT FEES GRANT RECEIVABLE	272,758	272,758
MEDICAL GRANT RECEIVABLE	7,285	7,285
CPT ONLINE EXAM RECEIVABLE	62,294	62,294
GST WAY FORWARD PROGRAMME RECEIVABLE	49,604	49,604
FIRST ISA MEET RECEIVABLE FROM H.O	6,085	6,085
EXPOSURE DRAFT PROGRAMME RECEIVABLE	3,513	3,513
SEMINAR ON CORPORATE LAWS	91,099	91,099
SIRC-SALARY A/C	83,549	7,568
CAREER GUIDANCE PROGRAM	53,137	53,137
ISA ET EXAM MAY 2013	3,540	3,540
W/S ENABLING SERVICE TAX LEVEL I & II RECEIVABLE	50,000	50,000
CFO MEET EXPENSES 2014 RECEIVABLES	-	276,238
MENTOR PROGRAMME FOR YOUNG CA'S	-	189,341
INTERNATIONAL CASTUDENT CONFERENCE EXPENSES RECEIVABLE	-	210,696
ISA ET EXAM NOV 2013	610	610
SERVICE TAX PAYABLE TO HO	(323,544)	(171,592)
DIRECTORS CERTIFICATION PROGRAMMES	-	(90,734)
FACULTY DEVELOPMENT PROGRAM	16,910	-
WOMEN CONFERENCE EXPENSES	140,233	-
CERTIFICATION COURSE ON VALUATION	34,700	-
CARRER GUIDANCE PROGRAM	12,000	-
CAREER COUNCILING PROGRAM	4,000	-
CERTIFICATION COURSE ON CONCURRENT AUDIT	238,500	-
AN UPDATE ON COMPANIES ACT 2013	25,000	-
BRANCH ADMINISTRATIVE GRANT	200,000	-
	6,069,485	6,497,569
SCHEDULE :15		
ICAI PUBLICATION STOCK ACCOUNT		
ARTICLE REGISTRATION FORMS	30,400	44,050
BRANCH PUBLICATIONS	189,000	40,200
PUBLICATIONS	814,145	1,388,510
REVISION TEST PAPERS	257,850	377,940
STUDY MATERIALS	1,011,320	960,195
SUGGESTED ANSWERS	108,810	387,540
PROVISION FOR PUBLICATION STOCK	(876,206)	-
	1,535,319	3,198,435



BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31/3/2016 (Amount in Rs.)

PARTICULARS	31/03/2016	31/03/2015
SCHEDULE :16		
INTEREST ON INVESTMENTS		
INTEREST ON FIXED DEPOSITS	991,442	2,269,539
INTEREST ON SB ACCOUNTS	484,355	262,956
INTEREST ON FIXED DEPOSITS - ITT	750,416	706,357
INTEREST ON SB ACCOUNTS - ITT	109,859	56,822
	2,336,071	3,295,674
SCHEDULE :17		
OTHER INCOME		
MOCK TEST INCOME	169,175	107,300
MODULE TEST/RE ONLINE EXAM- ITT	13,800	-
MISCELLANEOUS INCOME	270,913	304,017
COMMISSION ON SALE OF EXAM FORMS	99,600	187,125
BALANCES WRITTEN OFF	70,705	-
EXCESS PROVISION WRITTEN OFF - ITT	5,192	-
EXCESS PROVISION WRITTEN OFF	57,025	-
INTEREST ON BESCO DEPOSITS	30,000	-
STUDENTS GRANTS	-	953,831
	716,410	1,552,273
SCHEDULE :18		
SALARY & STAFF EXPENSES		
SALARY TO STAFF (INCLUSIVE OF INCENTIVE & OT)	6,219,261	4,937,165
	6,219,261	4,937,165
STAFF WELFARE EXPENSES	515,809	693,442
GRATUITY EXPENSES	-	1,025,832
UNIFORM EXPENSES	108,796	95,947
	624,605	1,815,221
SCHEDULE :19		
OTHER EXPENSES		
GENERAL EXPENSES	809,813	359,306
SECURITY CHARGES	967,122	466,731
BANK CHARGES	104,513	141,171
MOCK TEST EXPENSES	80,827	44,749
READING ROOM RACE COURSE ROAD	14,550	98,783
SWATCH BHARAT	-	20,266
CA BENEVOLENT FUND DONATIONS	-	500,000
DONATIONS TO SCHOOL- CA DAY	-	100,000
WEB DESIGN EXPENSES	-	100,000
	1,976,825	1,831,006
SCHEDULE : 20		
PRIOR PERIOD ADJUSTMENTS - EXPENSES		
SEMINAR EXPENSES	26,900	97,022
LEASE RENT	24,000	-
DEPRECIATION	2,427,745	-
	2,478,645	97,022

BANGALORE BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

SCHEDULE-21

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.03.2016.

A. SIGNIFICANT ACCOUNTING POLICIES

a. Accounting policy:

The financial statements have been prepared in accordance with the format provided by the ICAI, New Delhi, as per the "Accounting Manual for Branches of Regional council"

b. Revenue Recognition:

Revenue is recognized on accrual basis, as per the "Accounting Manual for Branches of Regional council"

c. Inventories:

Bangalore Branch does not own any stock of publications. Stock of publications held are on behalf of ICAI and the same is stated at the price invoiced to branch. As per the Accounting Manual for Branches of Regional council", 100% provision on publications and study materials older than 12 months and 25% on publications less than 12 months old from the date of receipt are provided for in the Books. Since stock is not owned by the branch, this provision is reduced from closing stock and payable to HO.

d. Fixed Assets & Depreciation:

Fixed assets are stated at written down value after providing for depreciation.

Depreciation is provided adopting rates provided in "Accounting Manual for Branches of Regional council.

In respect of lease hold assets and leasehold improvements, the depreciation is provided for the lease period as per the said Accounting Manual.

e. Investments:

Investments are stated at cost.

f. Deferred Tax Asset/Liability Is not applicable at branch level.

g. Employee benefits: Provision for gratuity and earned

leave encashment are recognized and restated as per the best estimate of the management as at 31st March 2016.

h. Contribution to Provident Fund: Employer and employee contribution for provident fund are neither recognized nor remitted as per the said Accounting Manual.

B. NOTES FORMING PART OF ACCOUNTS:

1. Prior period items: Depreciation for the leasehold assets are recomputed as per the said accounting manual to amortize over the remaining unexpired lease period. As a result, additional depreciation of Rs.24,27,745/- is charged to Income and Expenditure account pertains to prior period and disclosed separately.

The Branch during the year 2014-15 had conducted International Students Conference for the first time in its history. The advance extended to SICASA to conduct the same in a befitting manner was disclosed as receivables from SICASA in previous year, which is being decided to expense off as student seminar expenses under seminar expenses of Rs. 9,43,621/-. Further, fixed deposits of SICASA, including closing bank balance of conference account, amounting to Rs. 10,50,828/- was utilized to meet the conference expenses. The net excess of expenditure over income, of this conference, is Rs. 19,94,449/-.

2. Balances representing creditors for expenses & capital goods, other liabilities, regional council & central council accounts are subject to reconciliation & pending receipt of confirmations from parties.

3. Previous year's figures & figures in financial statements have been rounded off to the nearest rupee and previous year's figures have been regrouped/ rearranged wherever necessary to make them comparable with that of the current years.

As per our Audit Report on even date

For **M/s P Chandrasekar Chartered Accountants**
FRN: 000580S

Sd/-
(CA. Mani Kumar D)
Partner

Membership No. 212544

Date:14/06/2016
Place: Bangalore

Sd/-
(CA. Pampanna B. E)
Chairman

Sd/-
(CA. Shravan Guduthur)
Secretary

Sd/-
(CA. Bhat Shivaram Shankar)
Treasurer

For Bangalore Branch of SIRC of ICAI



COMPANY LAW - UPDATES - MAY 2016

CA K. Gururaj Acharya



1. MCA Updates

1.1 Clarification with regard to provisions of Corporate Social Responsibility (CSR) u/s 135 of the Companies Act, 2013 [GC 05/2016 dtd 16.05.2016]

In continuation to General Circular on FAQ's on CSR (dtd 12.01.2016), it is clarified that Co's, while undertaking CSR activities under provisions of the Act shall not contravene any other prevailing laws of the land (incl. Cigarettes & other Tobacco Products Act (COTPA), 2003).

1.2 Relaxation of Additional Fees and extension of last date of filing of various e-forms incl. LLP form 11 (Annual Return) (General Circular No. 06/2016 dated 16.05.2016 and No. 07/2016 dated 31.05.2016)

a. In view of the issues faced by the stakeholders pursuant to the launch of revamped MCA portal V2R2 on 28th March 2016, MCA had provided a one-time waiver of additional fees payable on e-forms which are due for filing by companies between 25.03.2016 to 30.04.2016 if filed on or before 10.05.2016 (Notfn. 03/2016 dtd. 12/04/2016) which was later extended to 10.06.2016 (Notfn. 06/2016 dtd 16/05/2016). This

one time waiver has further been **extended to 10.07.2016**.

b. In view of the above, the time limit for filing **Annual return in Form 11** in case of LLPs in respect of FYE 31.03.2016 whose due date was 30.05.2016 has been extended to **30.06.2016** without additional fees. **Penalty of Rs. 100/- per day is applicable in case of delay in filing beyond 30.06.2016.**

1.3 Special Courts designated and corresponding Sections notified (Notifications dtd 18.05.2016)

- a. Special Courts with respect to certain states (**Karnataka not yet included**) designated for the purposes of trial of offences punishable under Co's Act, 2013 with imprisonment \geq 2 Yrs in terms of S. 435
- b. Following corresponding Sections notified WEF 18.05.2016 –

Sec.	Relating to
2(29) (iv)	Definition of Special Courts established u/s 435
435	Establishment of Special Courts
436	Offences triable by Special Courts
437	Appeal and Revision
438	Application of Code of proceedings before Special Court
440	Transitional Provisions

1.4 CSR Activities can be carried out through S. 8 Co's / Regd. Trust & Regd. Societies established by Cent. / State Govt. / Act (CSR Amendment Rules 2016 23.05.2016)

The Board of a Company may decide to undertake its CSR activities approved by the CSR Committee through –

- a. Registered trust / Registered Society / S. 8 Co. established by the Co., either singly or along with any other Co.

(Prior to amendment - "established u/s. 8 of the Act by the Company, either singly or along with its holding or subsidiary or associate company, or along with any other company or holding or subsidiary or associate company of such other company")

The words which are struck off were redundant as – "with any other company" could always include it's holding or subsidiary or associate company - and have been deleted)

- b. Registered trust / Registered Society / S. 8 Co. **established by the Central Govt. / State Govt. or any entity established under an Act of Parliament or a State legislature. [New]**

In case of CSR activities through Registered trust / Registered Society / S. 8 Co other than 'a' & 'b' above, such entities must have an established track record of 3 years in undertaking similar programs / projects; & the Co. has specified the projects / programs to be undertaken, the modalities of utilization of funds of such projects and programs and the monitoring and reporting mechanism.

1.5 Rules enabling "**Conversion of Partnership Firms to Companies**" notified
(Co's (Authorized to Register) Amendment Rules 2016 dated 31.05.2016)

- a. Co's (Authorized to Register) Rules 2014 contains provisions for conversion of LLP to Co's leading to ambiguity as to whether "Partnership firms" are eligible. Now the ambiguity is resolved with the enabling provisions that Partnership firms also to be included where ever LLP is mentioned.
- b. Additional Requirements / documentation for conversion of LLP's and partnership firm to company -
 - o Undertaking that proposed Directors shall comply with requirements of Indian stamp Act.
 - o Statement of Assets and Liabilities (not older than 30 days from date of filing URC-1) certified by CA in practice.
 - o Copy of latest ITR
- c. Form URC-1 (Application by a company for registration U/s. 366) substituted with new form.

1.6 Other updates

- Amendment in Form No.GNL -1 and Form No. GNL-4 (*Companies (Registration Offices and Fees) Rules, 2014*)

2. ICAI Updates

2.1 Professionals / Companies are advised to apply the request for change in MOA of S. 8 Co's in Form GNL-1 instead of filing form RD-1 (*as power for approving change in MOA has been delegated to the ROOC*).

2.2 **Guidance Note on Accounting for Real Estate Transactions** (*for entities to whom Ind AS is applicable*) has been issued by the council of ICAI on **10.05.2016**.

2.3 The following **5 (Five)** Standards on Auditing (SA) have been revised and **1 (One)** New Standard was issued by ICAI on 17.05.2016. These Standards will be applicable for Audit of Financial statements for the period beginning on or after 01.04.2017.

- **Revised SA –**
 - SA 700 – Forming and Opinion and Reporting on Financial Statements
 - SA 705 – Modifications to the Opinion in the Independent Auditor's Report
 - SA 706 – Emphasis of Matter Para & Other Matter Para in the Independent Auditor's Report
 - SA 260 – Communication with those Charged with Governance
 - SA 570 – Going Concern
- **New SA –**
 - SA 701 – Communicating Key Audit Matters in the Independent Auditor's Report

CARO 2016 – POINTS TO NOTE

a. **CARO v/s MGT-8 (Certificate by a Company Secretary in Practice)**

As per the provisions of S. 143(11) of the Companies Act, 2013, the auditor's report shall also include a statement on such matters as may be specified therein. Such matters are accordingly required to be reported by the auditor in CARO. For the FY commencing on or after 1.4.2015, the revised CARO notified on 29th March 2016 would be applicable.

CARO is applicable to every Co. (incl. foreign Co.) for FY's commencing on or after 01.04.2015, except –

- **Banking & Insurance Co.,**
- **Section 8 Co.,**
- **OPC & Small Co.,**
- **Pvt Co., having**
 - **PUC [E+P] + Reserves & Surplus < Rs. 1Cr**
 - **O/s Loans from Banks / FI < 1 Cr**
 - **Total Revenue < Rs. 10 Cr.**

As per the provisions of S. 92 of the Co's Act, 2013, all Companies are required to prepare Annual Return in form MGT-7 as on close of the FY, i.e 31st March and such Annual return [except in case of Small Co's as defined u/s. 2(85)] must be certified by a practicing Company Secretary stating that the Annual Return discloses the facts correctly & adequately and compliance of the provisions of this Act. Further, in case of the following Class Companies, a Certificate by a Company Secretary in Practice in Form MGT-8 also needs to be attached to the Annual Return.



Class Companies for the purposes of MGT – 8

- a. **Listed Co's**
- b. **Co's having**
 - **Turnover > 50 Cr., or**
 - **Paid up Capital > 10 Cr.**

Both the **Auditor** and **Practicing Company Secretary** are required to comment on the compliance or otherwise of the following aspects in their report in **CARO & MGT -8** respectively:

- i. Advances / loans to its directors or persons or firms or companies referred in **S. 185** of the Act;
- ii. Contracts / Arrangements with Related Parties as specified in **S. 188** of the Act;
- iii. Disclosures of the **Directors**, Key Managerial Personnel and the **remuneration paid** to them
- iv. **Borrowings from its directors** / members / public FI / banks & others
- v. Acceptance / Renewal / Repayment of **Deposits**;
- vi. Loans / investments / guarantees given or providing of securities to other bodies corporate or persons falling under the provisions of **S. 186** of the Act.

The details specified by an Auditor in CARO must necessarily match with the details provided in the certificate by the Company Secretary issued in MGT-8. It would augur well to finalize both the reports by the concerned professionals simultaneously or to have any other mechanism to ensure that there are no conflicting opinion on the same subject.

b. CARO v/s Main Audit Report

- i. If any comment in CARO is adverse, consider if it has a bearing on

True & Fair view on FS warranting modification in main report [GN Para 55].

- ii. Every adverse comment under CARO would not necessarily result in a qualification in Main Audit report u/s 143(3), like.

a) *Adverse comment may be regarding a matter which has no relevance to True & Fair view presented by Financial Statements.*

b) *Non-compliance reported under CARO, not materially affecting True & Fair view presented by FS. EX: The failure of the company to deposit provident fund dues in time or to comply with the requirements regarding acceptance of deposits.*

c) *Non-compliance relates to an area calling for remedial action by management, but may not be sufficiently important for reporting u/s 143(3).*

iii. In deciding whether qualification in 143(3) report is necessary, use professional judgment in the facts & circumstances for each case [GN Para 58].

c. Disclaimer or unfavorable opinion in CARO - Noting points

i. If Auditor is unable to express any opinion, he should indicate such fact.

ii. Auditor to give reasons for any unfavorable / qualified answer / for his inability to express an opinion on any matters specified [GN Para 53].

iii. Explanation by management in case of unfavorable comment normally NOT included in CARO Report, unless felt necessary.

Ex. of such circumstances where comments are included [GN Para 54]

- To make comment more meaningful & complete.

(Ex. physical verification of inventories, though planned, not carried out because of strike / lockout.)

- To explain the fact why in spite of an unfavorable comment, the true and fair view of the financial statements is not vitiated.

(Ex. physical verification of a part of inventories at year-end not carried out, but sufficient other evidence produced by Management which satisfies reg. existence, condition / value of inventories.) ■

Attention: Chartered Accountancy Students

Bangalore Branch of SIRC of ICAI is happy to announce
Scholarship to CA Students on Merit cum Need basis.

Interested students are required to submit the prescribed application duly filled, to Bangalore Branch (Forms can be downloaded from branch website: **www.bangaloreicai.org**) **on or before 31st July 2016.**

Branch intends to distribute scholarship to the selected students on 15th August 2016 on the occasion of Independence Day celebrations.



TAX UPDATES - MAY 2016

CA Chythanya K.K., B.com, FCA, L.L.B., Advocate

VAT, CST, ENTRY TAX, PROFESSIONAL TAX

PARTS DIGESTED:

- a) 89 VST – Part 1, 4 & 5
- b) 90 VST – Part 1
- c) 84 KLJ - Part 2 & 3

Reference/ Description

[2016] 89 VST 547 (Chhattisgarh HC): Ultra Tech Cement Ltd. & Others v. State of Chhattisgarh & Others - In the instant case the Petitioner having leased mines for quarrying lime-stone converted the limestone into clinker at their clinkerisation units and then stock transferred to their respective units outside the State for manufacture of cement.

The Petitioner filed writ petition and challenged the imposition of a higher rate of entry tax at 25 per cent on limestone under Chhattisgarh Sthania Kshetra Me Mal Ke Pravesh Par Kar Adhinyam, 1976 when it was clinkerised in the local area but was stock transferred to their units outside the State for manufacture of cement.

On appeal before the Honourable Chhattisgarh High Court, the Court held as per the Section 4A vested power in the State Government to fix higher rate of entry tax in specified local areas on specified goods used, consumed or sold in such local area for manufacture of other goods, consumed or sold in

such local area for manufacture of other goods. In other words, if the goods entering a specified local area were not used, sold or consumed in such area in the form in which they entered but were used for manufacture or other goods in such local area it would attract a higher rate of tax. A higher rate of tax could be imposed based on the nature of the product manufactured from the goods entering the local area. Once the nature of the product manufactured was determined tax had to be applied uniformly and there could be no further imposition based on the nature of the end-user of the goods so manufactured. The Court observed that the notification dated 29.09.1997, made classification with regard to different rate of entry tax at 10 per cent based on production of clinker from limestone within local area as distinct from its use in a lime kiln.

In view of the above, the Court held that all limestone converted to clinker in a local area would form a class. The subsequent sub-classification of clinker for different rates of tax based on its end-user stands vitiated for lack of authority to levy such tax under Section 4A as the power stood exhausted. The sub-Classification sought to be done based on the end-user outside the local area was therefore clearly unsustainable in the law as having no nexus with the object to be achieved by levy of higher rate of entry tax.

Therefore, the Court held that the notification dated 31.03.2010 and consequential notifications dated 01.07.2014 & 05.07.2014 were to be held not sustainable to the extent that they imposed entry tax at 25 per cent on limestone clinkerised and stock transferred outside the State for manufacture of cement outside such local area.

[2016] 90 VST 1 (Delhi): Tata Power Delhi Distribution Ltd. v. CST and Others - In the instant case the Honourable Delhi High Court held that where the lease agreement occasioned the movement of goods from one State to another then, clearly it would partake of an inter-State sale within the meaning of Section 3(a) of the CST Act.

It further held that when the goods are available in the State and the agreement for transfer of the property in goods from the seller to the buyer is executed at that place, it can be said that the situs of sale is where the agreement is entered into.

Thus, the Court held that where in the instant case, there was a movement of goods from Maharashtra to Delhi which movement was occasioned by the lease agreement entered into Delhi, it cannot possibly be said that the situs of the sale was Delhi only because the agreement was entered into in Delhi.

In the aforesaid case, the Honourable Delhi High Court explained the decision



of the Supreme Court in the case of 20th Century Finance (119 STC 182) and held that merely because an agreement is entered into in one State, it cannot be treated as necessarily a local sale taking place in that State, when it is established that the goods have moved from that State to another State. It is only when there is no interstate movement arising as a result of sale, the State where the agreement is entered into would decide the situs of sale. When there is an interstate movement of goods arising as a result of sale, such sale has to be necessarily regarded as an interstate sale.

2016 (84) KLJ 446 (Kar. – Trib.)(DB): Parimala Agro and Feeds Private Ltd. v. State of Karnataka - In the instant case, the dealer was engaged in the sale of deoiled rice bran which is tax exempted commodity. The dealer on account of bona fide belief that sale of deoiled rice bran is exempted from levy of tax, did not collect tax on such sale nor included the tax element in the sale price charged to the customers. However, the bill/sales invoice issued by the dealer indicates 'inclusive of tax'.

The Honourable Karnataka Appellate Tribunal observed that the Honourable Gujarat High Court in the case of Subhash Iron & Steel Rolling Industries [1982] 50 STC 305 (Guj.), relying on the decision of the Honourable Supreme Court in the case of Delhi Cloth and General Mills Company Ltd. v. CST [1971] 28 STC 331 (SC) held that the phrase 'inclusive of tax' in the sale bills of the assessee does not amount to collection of tax.

In view of the above, the Honourable Karnataka Appellate Tribunal held that mere mentioning or generalising the

conditions in the purchase order without actually being executed/collecting tax separately in the bill, does not amount to collection of tax.

INCOME TAX

PARTS DIGESTED:

- a) 382 ITR – Part 1 to 5
- b) 383 ITR – Part 1, 2 & 3
- c) 237 Taxman – Part 2, 3, 6 & 7
- d) 238 Taxman – Part 1 to 3
- e) 41 ITR (Trib.) – Part 1 & 2
- f) 47 ITR (Trib.) – Part 1 to 4
- g) 157 ITD – Part 1, 4, 7 & 8
- h) 49 CAPJ – Part 3 & 4
- i) 48-A BCAJ – Part 1 & 2

Reference/ Description

[2016] 383 ITR 1 (SC): CIT v. Kotak Securities Ltd. - In the instant case, the question that arose for consideration before the Honourable Supreme Court was whether services provided by stock exchange to its members would amount to technical services under Section 9(1) (vii) of the IT Act.

The Honourable Supreme Court held as under:

- (a) Technical services like 'Managerial and Consultancy service' would denote seeking of services to cater to the special needs of the consumer-user as may be felt necessary and the making of the same available by the service provider.
- (b) It should pass the test of specialised, exclusive or customised services and individual requirement of the user or consumer who may approach the service provider.
- (c) There is a distinction between service provided and facility

offered. While the former is special and exclusive to the seeker of the service, the latter, even if termed as a service, is available to all and would therefore stand out in distinction to the former.

- (d) The services made available by the stock exchange to its members are fully automated for which transaction charges are paid and fails to satisfy the aforesaid test of specialised, exclusive or customized service.
- (e) Thus, the Court held that service rendered by stock exchange would be merely in the nature of facility offered or available which would not be covered under Section 9(1) (vii) of the IT Act.

The honourable Supreme Court has clarified that any payment for mere use of the facility cannot be regarded as fees for technical services. It has also been clarified that in order that the service is regarded as technical service, it is necessary such service should be exclusive, customised and specialised. Interestingly, on the basis of this decision, one may contend that General services do not constitute fees for technical services.

[2016] 383 ITR 9 (SC): CIT v. Bhagat Construction Co. Pvt. Ltd. & Others

- In the instant case the Honourable Supreme Court held Form ITNS 150 which contains a calculation of interest payable on the tax assessed, must be treated as part of the assessment order in the wider sense in which the expression has to be understood in the context of Section 143, which is referred to in Explanation 1 to Section 234B of the IT Act.

[2016] 383 ITR 59 (Karn. – HC): Karnataka Power Transmission Corporation Ltd. v. Dy.CIT (TDS) - In the instant case the Assessee was an undertaking of State Government engaged in power transmission. It purchased electricity from various parties by entering into power purchase agreement. For such purchases, when payment of purchase price was delayed, the agreement provided for payment of interest to suppliers of electricity by the Assessee.

For relevant assessment years, the assessee had created provisions for contingent payment of interest on belated payment to its suppliers and treated the said amount of provision as expenditure to arrive at the profit. However, later assessee, noticing that payment of such interest made in the provision would never be made in view of the understanding with its supplier, made corresponding reversal entry in its accounts and the amount was added back to arrive at the taxable income.

The TDS Officer, invoking the provision of section 194(A)(1), held that the assessee should have deducted tax at source on the aforesaid amount of provision and held the assessee in default by invoking the provision of sections 201(1) and 201(1A).

On appeal before the Honourable Karnataka High Court, the Court held that it is only that interest which finally partakes the character of income, alone is liable for deduction of the income-tax on that income by way of interest. If the said interest is not finally considered to be an income of the deductee, as per reversal entries of the provision, Section 194A(1) of the IT Act would not apply.

Thus, the Court held that absence of words 'chargeable to tax' under the provisions of Section 194A of the IT Act would not empower the authorities to invoke the provisions of Section 201(1) and 201(1A) of the IT Act ignoring the words 'any income by way of interest'.

The aforesaid decision categorically states that unless the relevant amount constitutes the income of the recipient chargeable to tax in his hands, question of deduction of tax at source does not arise. The aforesaid decision also clarifies that any retrospective amendment does not trouble the deductor.

[2016] 383 ITR 217 (SC): CIT v. Meghalaya Steels Ltd. - In the instant case the Assessee received amounts on account of (a) transport subsidy; (b) interest subsidy; (c) power subsidy; and (d) insurance subsidy. They claimed deduction for said subsidies treating them as profits derived from business.

The Assessing Officer held that the subsidies did not qualify for deduction and, accordingly, disallowed deduction.

On appeal before the Honourable Supreme Court, the Court held that that so long as the profits and gains emanate directly from the business itself, the fact that the immediate source of the subsidies is the Government would make no difference. Section 80-IB and Section 80-IC have reference to the expression 'net profit'. Net profit can only be calculated by deducting from the business of the Assessee, manufacturing costs and selling costs reimbursed to Assessee by the Government.

Thus the Court held that (a) transport subsidy; (b) interest subsidy; (c) power subsidy; and (d) insurance subsidy are eligible for deduction.

[2016] 383 ITR 258 (Mad. – HC): CADD Centre v. Asst. CIT - In the instant case, the Honourable Madras High Court held that when a partnership firm is transformed into a limited company with no change in the number of partners and the extent of property, there is no transfer of asses involved, there is no liability to pay tax on capital gains.

[2016] 383 ITR 297 (Cal. – HC): CIT v. Apeejay Medical Ltd. - In the instant case, the Assessee, a private limited company, was maintaining and conducting free medical and hospital facilities for poor people. It claimed exemption on its income under Section 10(22A) of the IT Act.

The Assessing Officer denied the exemption on the ground that 'private limited company' does not fall under the expression institution and it should be a company under Section 25 of the Companies Act, 1956.

On appeal before the Honourable Calcutta High Court, the Court held that under Section 25 of the Companies Act, 1956 a charitable or other company could have the word 'limited' or 'private limited' dispensed with in its name. By the said amendment, the Legislature did not intend to restrict the meaning of the institution by excluding 'private limited companies'.

Thus, the Court held that Assessee is eligible for exemption on its income under Section 10(22A) of the IT Act.

[2016] 237 Taxman 731 (Karn. – HC); 66 taxmann.com 279 (Karn. – HC): Shubhankar Estates (P.) Ltd. v. Senior Sub-Registrar - In the instant case, the Honourable Karnataka High Court held that where payment for



purchase of immovable property was made before insertion of section 194LA mandating 1% TDS on such payment, sale certificate presented for registration after introduction of section 194LA was required to be registered without proof of TDS.

[2016] 238 Taxman 9 (Mad. – HC); 67 taxmann.com 112 (Mad. – HC): Pipelines India v. Asst. CIT - In the instant case the Partners of Assessee-firm constituted a Private Limited Company. The said Company was admitted as partners in Assessee-Firm. Later on, natural partners executed a release deed giving up all their rights in Assessee-firm, in favour of Company. Natural Partners were allotted shares in Company on relinquishing their rights.

The Assessing Officer held that there was a transfer of assets by way of distribution of capital assets on dissolution of Assessee-Firm.

On appeal before the Honourable Madras High Court, the Court held that whatever rights natural Partners had in capital assets of Firm, by way of being its partners, continued to exist in form of equity shares they held in Company, hence there was no transfer of distribution of a capital asset.

[2016] 238 Taxman 14 (Bom. – HC); 66 taxmann.com 330 (Bom. – HC): CIT v. Parys (Eastern) (P.) Ltd. - In the instant case the Honourable Bombay High Court held that where deemed short-term capital gain arose out of sale of depreciable assets that was held for a period to which long-term capital gain apply, Assessee was entitled to claim set off said gain against brought forward long-term capital losses and unabsorbed depreciation; for purpose of Section 74,

deemed short-term capital gain would continue to be long-term capital gain.

[2016] 157 ITD (Weekly Browser); [2016] 67 taxmann.com 346 (Karn. – HC): CIT v. Teleradiology Solutions (P.) Ltd. - In the instant case the Honourable Karnataka High Court held that where assessee-Company engaged in business of running and operating a medical diagnostic centre, entered into contracts with doctors for providing medical diagnosis services in fields of radiology, pathology, cardiology, nuclear medicine etc., by using their personal knowledge, skills and expertise, amount paid to doctors for rendering said services was to be regarded as 'professional fee' requiring deduction of tax under Section 194J of the IT Act.

[2016] 157 ITD (Weekly Browser); [2016] 68 taxmann.com 22 (Mad. – HC): CIT v. M. Hemanathan - In the instant case the Honourable Madras High Court held that where revision proceedings under Section 263 are initiated against a deceased assessee after that IT Department comes to know of his death by notice returned by postal department with remarks 'addressee deceased', such proceedings are a nullity and are not saved by Section 292BB by reason of legal heirs having co-operated in revisions proceedings nor by Section 159 of the IT Act.

Thus the Court held that there is a distinction between proceedings initiated against a person, who is alive, but continued after his death and a case of proceedings initiated against a dead person. When the former is sustainable, the latter is invalid.

[2016] 238 Taxman (Weekly Browser) 10; [2016] 67 taxmann.

com 269 (Mum. – Trib.): Vishwanath Acharaya v. Asst. CIT - In the instant case the Honourable Mumbai Tribunal held that where assessee had two sources of income under head 'income from business or profession', since assessee followed cash system of accounting in respect of one source of income whereas mercantile system of accounting was adopted in respect of other source of income, it did not amount to following 'hybrid system of accounting' as prohibited by amendment in Section 145 by the Finance Act, 1995.

[2015] 41 ITR (Trib) 140 (Cochin - Trib.): Dharmodayam Co. v. ITO - In the instant case the Honourable Cochin Tribunal held that under Section 11(2)(b) of the IT Act, what is required to be seen is whether the income accumulated has been deposited or invested in the forms prescribed under Section 11(5) of the IT Act i.e. there should be corresponding investment, which could be identified with the income accumulated. The period of 6 months prescribed in Form 10, is the outer limit for making deposit/investment.

[2016] 47 ITR (Tri.) 404 (Bang.): Wipro Ltd. v. ITO (International Taxation) - In the instant case the Honourable Bengaluru Tribunal has held that the provisions of TDS have to be read along with the Double Taxation Avoidance Agreement (DTAA) for computing the tax liability on the sum. When the recipient is eligible for the benefit of DTAA, then there is no scope for deduction of tax at source at 20% as provided under the provisions of Section 206AA.

[2016] 157 ITD 869 (Delhi – Trib.): Harvinder Singh Jaggi v. Asst. CIT - In the instant case the Honourable Delhi

Tribunal held that in respect of change of place, the assessee himself is responsible, if at all notice was not received by him at the old address as it is the duty of the assessee to communicate the correct address or change of address to the Department either applying through prescribed form for making correction in permanent account number database or communication to the Assessing Officer.

[2016] 157 ITD 883 (Chandigarh – Trib.); 67 taxmann.com 152 (Chandigarh – Trib.): Asst. CIT v. Ishwar Manufacturing Co. (P.) Ltd. - In the instant case the Honourable Chandigarh Tribunal while dealing with the terms 'close connection' and 'affairs are arranged in a manner' provided under Section 80-IA(10) of the IT Act, held that it is the duty of the Assessing Officer to bring on record that there is a close connection of the Assessee with the other entity and further the affairs are arranged in such a manner to inflate the profits of the eligible business. Once both these conditions are satisfied then the Assessing Officer can invoke the provisions of deeming fiction created under Section 80-IA(10) of the IT Act.

[2016] 157 ITD (Weekly Browser); [2016] 67 taxmann.com 348 (Ahd. – Trib.): Trio Elevators Co. (India) Ltd. v. Asst. CIT - In the instant case the Honourable Ahmedabad Tribunal held that admissibility of depreciation on trademark is not contingent upon its registration in name of assessee inasmuch as description of intangible asset in Part B of Depreciation Schedule describes same merely as 'know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature'.

[2016] 157 ITD 1008 (Chennai – Trib.); 67 taxmann.com 236 (Chennai – Trib.): Dy. DIT (Exemption) v. India Cements Educational Society - In the instant case the Honourable Chennai Tribunal held that where capital gain earned by assessee-trust became non-exempt under section 11 due to contravention of section 13(1)(c), such capital gain would be taxed at maximum marginal rate in terms of section 164(2) and benefit of section 112 could not be given to it.

[2016] 157 ITD 1022 (Mum. – Trib.); 67 taxmann.com 16 (Mum. – Trib.): Det Norske Veritas A/S v. Addl. DIT (International Taxation) - In the instant case the Honourable Mumbai Tribunal held that where assessee claims that interest is not being charged to AEs as well as non-AEs for delay in realization of funds given to AEs as a result of commercial transaction and that contention is not disputed to be factually incorrect, it cannot be open to TPO to compute interest and make adjustment accordingly.

The Court further held that when international transactions have been benchmarked on the basis of TNMM, and interest on delay in realization of amounts is only incidental to such transactions rather than a standalone transaction, such an adjustment cannot be made independently.

[2016] 237 Taxman (Weekly Browser) 8; [2016] 66 taxmann.com 74 (Mum. – Trib.): Syscom Corporation Ltd. v. Dy. CIT - In the instant case the Honourable Mumbai Tribunal held that comparability of an uncontrolled transaction with international transactions has to be tested using current years data; it is only when current year data does not given

a true picture of affairs and results of comparables due to existence of some abnormal circumstances, use of multiple year data be considered.

[2016] 238 Taxman (Weekly Browser) 7; [2016] 67 taxmann.com 147 (Bang. – Trib.): Essae Teraoka Ltd. v. Dy. CIT - In the instant case the Honourable Bengaluru Tribunal held that where as consideration for transfer of land, land-owner was entitled to a part of built-up area, cost of construction as recorded by developer in its books could not be adopted fully to compute capital gain under JDA because a part of same might include general administration expenditure of builder.

[2016] 48-A BCAJ 154; [ITA No. 87/Asr/2016, dated 24.03.2016]: Gurpreet Kaur v. ITO - In the instant case the Honourable Amritsar Tribunal observed that as per the CBDT instruction dated 08.09.2010, if a case is selected for scrutiny on the basis of the information then the scope of scrutiny is to be limited to verification of the said AIR Information. The Assessing Officer is not entitled to widen the scope of scrutiny without approval of the CIT.

Thus, the Court held that the order passed by the Assessing Officer in violation of the specific CBDT instruction is not legally sustainable.

[2016] 48-A BCAJ 157; TS-144-ITAT-2016(Mum): Siro Clinpharm Pvt. Ltd. - In the instant case the Honourable Mumbai Tribunal held that Explanation to Section 92B of the IT Act inserted by the Finance Act, 2012 which expands the scope of definition of international transaction to include the transaction of guarantee within its ambit is prospective in nature and hence the same should not be applied retrospectively.



DIGEST ON RECENT DECISIONS UNDER COMMERCIAL TAX LAWS

CA Annapurna D Kabra



CASE 1:

Rajendra Coffee Limited, Mysore Vs The State of Karnataka – 2016 84 Kar. L.J. 633 (Tri.) (DB).

Facts: The appellant is a Public limited Company and engaged in the cultivation and sale of coffee, pepper, cardamom, arecanut, timber and firewood. The appellant has claimed input tax credit on the purchase of Fertilizers, Chemicals, Pesticides and Manure. The Assessing officer has denied such credit claimed on the basis of provisions of the Act which states that input tax credit on purchase of fertilizers cannot be claimed. Being aggrieved by the said order of the Assessing Authority, the appellant has filed appeals before the Karnataka Appellate Tribunal.

Issue: Whether Input tax credit is eligible on pesticides, fertilizers, manure etc that go into growing coffee?

Contention: The Appellant contends that where the agriculturist is a company growing and selling coffee from land cultivated by it such company is deemed to be a dealer for the purpose of the KVAT Act. Thus coffee is excluded from the definition of the term agricultural produce and the company growing and selling coffee is deemed to be a dealer. Therefore growing coffee forms an integral parts of the business of the appellant. As a result goods such as pesticides, fertilizers, manure etc that go

into growing coffee and then protecting the crops from pests would constitute inputs as per the definition provided in section 2(19) of the KVAT Act.

Decision: The Provisions of the Act do not provide for input tax credit on Fertilizers and chemicals used for agricultural cultivation as coffee grown by the appellant is an agricultural produce and agricultural activity cannot be termed as Trade or commerce or Manufacture and therefore cannot be included in the definition of business and therefore fertilizers and chemicals purchased by the appellant cannot be included as inputs and does not satisfy the input tax claim under section 10(2) of the KVAT Act.

CASE 2: Continental Automotive Components India (Private) Limited Bangalore Vs State of Karnataka 2016 (85) Kar.L.J. 130 (Tri.) (DB)

Facts: The appellant unit has effected transfer of goods from Bangalore to Chennai as stock transfer and the sale bills are issued from the Chennai Depot collecting the local VAT (Tamilnadu) and for the stock transfers the F forms are submitted.

Decision: The purchase order clearly indicates that appellant has to manufacture specified goods for only customer, M/s. Ford India Limited, Chennai. There is no manufacturing facility at Chennai and it is only a depot

from where the goods are supplied to the ultimate customer namely M/s Ford India Private Limited. Therefore dispatches from Bangalore to Chennai is not the stock transfer but is the movement of goods from Bangalore to Chennai in pursuant to the purchase order placed by M/s Ford India Private limited and falling under section 3(a) of the CST Act. The appellant is allowed to procure C forms in penalty under section 72(2) of the KVAT held to be justified as the "Mens rea" is not required to attract the provisions under the KVAT Act 2003.

Case 3: Dish TV India Limited (Formerly Known as M/s ASC Enterprises Limited) Bangalore Vs. Karnataka Appellate Tribunal) 2016 (85) Kar. L.J. 96 (Tri.) (DR)

The State legislature is empowered to levy entertainment tax under section 4-G of Karnataka Entertainment Tax Act on Multi system operator (MSO) and DTH service provider by virtue of Entry 62 of State List. The Appellant is also the DTH service provider and there is levy of tax liability on service tax component which is included in total amount received by DTH provider towards providing television signals under the DTH Scheme. The issue was whether there should be levy of Entertainment Tax on the gross amount which includes the service tax component. It was analyzed that when the gross amount charged by

the service provider who has collected the gross amount inclusive of service tax payable, the gross amount is liable for Entertainment tax and not the net amount as Sec 4-G of KET Act uses the expression "on the amounts received or receivable" is liable for entertainment tax at 6%.

The Appellant contends that Sec 3(1) and Sec 4-G contradict each other. It is stated that the enactment has been done by separating MSOs and DTH service providers by two separate charging sections envisaging two different tax rates. Sec 3 levies tax as per payments for admission to entertainments whereas Sec 4-G is upon transmission of signals to customers directly. Therefore rejects the contention of the appellant that section 3(1) and section 4-G contradict each other.

The Authority has charged entertainment tax on gross amount which includes service tax component. The appellant has not complied with mandatory condition of indicating amounts charged exclusive of taxes under The Telecommunication (Broadcasting & Cable) Services Tariff Order and hence, deduction of entertainment tax from gross amount charged not permissible under KET Act & Rules.

Case 4: Tractor and Farm Equipment Limited Bangalore Vs State of Karnataka 2016 (85) Kar.L.J. 172 (Tri.) (DB)

The appellants have charged excess tax in tax invoices on sale of moulds at the rate of 12.5% as against the applicable rate of 4%. The appellant had admitted tax in the return and paid to the department. The department has forfeited the excess tax collected under section 47 of the

KVAT Act. The appellant contends that the buyer has not paid the tax component and accordingly the excess tax collected should not be forfeited. The sale is effected by the appellant to buyer in pursuant to the purchase orders placed by raising invoices and delivering the said ordered goods though the consideration/taxes are yet to be paid and such transactions amounts to the concluded sales. It is held that appellant has collected excess tax at 12.5% in lieu of 4% and further the appellant has admitted the tax in the return ad paid to the department. Therefore it amounts to excess collection of tax and the Authority has rightly invoked based on section 47(3) of the KVAT Act 2003.

Case 5: Sandeep K Talekar Vs The Assistant Commissioner of Commercial Taxes (Audit), Kumata and Another 2016 (85) Kar. L.J. 201 (HC)

The appellant has filed the appeal and also filed an application seeking stay of the order. The Authority contends that as per section 62(4) of the KVAT Act where an application is made by the applicant seeking stay of recovery of tax or other amount has not been disposed of by the Appellate Authority within a

period of thirty days from the date of such application, it shall be deemed that the Appellate Authority has made an order staying the proceedings for recovery of such tax or other amount subject to payment of 30% of the tax or other amount and furnishing sufficient security to the satisfaction of the Assessing Authority in regard to the balance 70% of such tax or amount within a period of fifteen days. The case was filed before High Court as the notice was issued under section 45 of the KVAT Act informing the Banker of the petitioner not to disburse the amount from his account. The Notice issued under section 45 is set aside. Therefore it is held that the Petitioner has to furnish security to the satisfaction of the authorities.

OPENINGS

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Advt.



SERVICE TAX DECISIONS

PARTS DIGESTED – STR VOLUME 42: PART 4

CA. A. Saiprasad



Amendment to Rules

Service Tax Valuation Rules, 2006

A proviso has been inserted to Rule 6(2)(iv). Rule 6(2)(iv) states that interest for delayed payment of consideration for provision of service or sale of moveable/ immovable property would not be includable in the value of service.

The newly inserted proviso states that the aforesaid provision shall not apply to any service provided by either Government (Gvt) or Local Authority (LA) to a Business Entity (BE) where payment for such service provided is allowed to be deferred on payment of interest or any other consideration.

Notification No.23/16 ST dt.13.4.16

Note: Since FA, 94 is a charge on provision of service, whether interest (which is compensation for time value of money) can be treated as value for provision of service?

In UOI V. Bombay Tyre International Ltd, 1983 (14) ELT 1896 (SC), (while interpreting charging section 3 with valuation section 4 of CEA,44), the Supreme Court held that 'The measure implied for assessing tax must not be confused with the nature of tax. Viewed from this point, it is not possible to accept the contention that because the levy of Excise is a levy on manufacture, the value of an excisable article must

be limited to manufacturing cost plus manufacturing profit. When enacting a measure to serve as standard for assessing the levy, the legislature need not contour it along the lines which spell the character of the levy itself'.

Point of Taxation Rules, 2011

4th proviso has been added to Rule 7. This proviso deals with POT for services provided by Gvt/ LA to a BE. The POT shall be earlier of dates on which:

1. Payment became due, in respect of which services, as specified in the invoice issued by Gvt/ LA.
2. Payment for such service is made
Notification No.24/16 ST dt.13.4.16

Krishi Kalyan Cess

1. KKC shall be leviable on service tax payable under Reverse Charge Basis.
2. KKC shall be exempted on services which are wholly exempt and on services which are not liable to service tax u/s 66B.
3. KKC leviable only on effective value (i.e. gross value – abated value) of services notified under abatement notification no.26/12 ST.
4. Value of taxable services for the purpose of KKC shall be determined in accordance with Service Tax Valuation Rules, 06.
5. KKC shall also be granted as rebate u/n 39/12 ST when services on

which KKC has been levied are used in exporting services as per Rule 6A of STR, 94.

6. KKC paid by SEZ shall be entitled for refund. The quantum of refund shall depend on whether the services were used exclusively for authorised operations of SEZ/ appropriated between SEZ operations and operations other than SEZ.
7. KKC shall be leviable on the compounded value of services for services specified u/r 6(7)/ (7A)/ (7B)/ (7C) of STR, 94.

Notification Nos.27/16 ST, 28/16 ST, 29/16 ST & 30/16 ST all dt.26.5.16.

Board Circulars

1. Circular No.194/04/2016 ST dt. 26.5.16 provides the accounting code for KKC.
2. Circular No.193/03/2016 ST dt. 18.5.16 clarifies about leviability of service tax wrt services provided by arbitral tribunal and members of such arbitral tribunal (*Consequent to Budget Amendment to Mega Exemption Notification*).
3. Circular No.192/02/2016 ST dt. 13.4.16 clarifies on issues regarding levy of service tax on services provided by Gvt/ LA to a BE (*Consequent to amendment to Negative List & Amendment to Mega Exemption Notification*).

Case Laws

Can supplying labour used for packing be classified under Cargo Handling (CHS).

The Supreme Court held that for levying service tax under CHS, the goods must be cargo; thereafter activity of loading/unloading, packing/unpacking must be carried out by the assessee alleged to be providing CHS.

Since, the assessee proved that it was only supplying labour for working in packing plant, under the supervision of the person to whom labour was supplied, the service was not in the nature of CHS. (Management & Supervision of labour for handling cargo absent – Hence service in the nature of manpower supply).

It was further proved that the loading/unloading was carried out by automatic machines and was not assigned to the assessee (no cargo handling). Hence service not in the nature of cargo handling.

DCCE V. Sushil & Company, 2016 (42) STR 625 (SC)

When Extended Period of Limitation is invocable?

The High Court held that the issue regarding admissibility of Cenvat Credit of service tax on 'Guest House & Colony Maintenance' was in favour of the assessee till the case was decided by High Court against the assessee. The issue was therefore disputable, which at one point of time was in favour of the assessee. Hence extended period of limitation was not invocable.

CCE V. Saurashtra Cement Ltd, 2016 (42) STR 632 (Guj)

Note: Extended period of limitation and consequently penalty u/s 78 cannot

be invoked/ levied in questions of interpretation of statute.

Who is the person liable to bear service tax when the contract is silent about the person liable to bear service tax?

The lease deed stipulated liability of the lessor for payment of municipal tax, rates, charges and other outgoings in respect of demised premises.

The High Court held that since service tax was not covered under the aforesaid clause and since service tax was not in the nature of municipal tax (state levy), being a tax on services levied by the Union of India.

The High Court further held that as service tax was not levied/ recovered by Municipal Corporation/ Municipality/ Gram Panchayat, it could also not be termed as 'outgoings'.

The High Court further held that even in the absence of agreement for payment of service tax, the landlord can recover the service tax from the tenant as per section 83 of FA, 94 r/w section 12A and 12B of CEA, 44

Meattles Pvt Ltd V. HDFC Bank Limited, 2016 (42) STR 655 (Del)

Whether Tribunal become 'functus officio' to restore appeal which it had dismissed for default in payment of pre-deposit?

The High Court stated that meaning of 'functus officio' as someone who has fulfilled his office or is out of office; an authority who has performed authorised act and hence authority is exhausted.

The High Court held that Tribunal has power and jurisdiction to recall its order, in the ends of justice under CESTAT Procedure Rules, 1982. Therefore order of Tribunal dismissing restoration

application and order of dismissing appeal itself set aside.

The High Court held that tax laws have an impact on every citizen's life, who pays taxes (indirect taxes are paid by every citizen). That a good king is he who draws in the form of taxes from subjects only as much as a bee draws from a flower so that the sustenance of the flower is not endangered.

The High Court further held that main function of any law is to ensure justice. If procedure is handmaid of justice and not mistress of law and if the handmaid is entrusted with the powers of the mistress, then consequences would be disastrous. Therefore substantive justice cannot be permitted to take a back seat, allowing procedures to occupy front seat.

Classic Builders (Madras) Pvt Ltd. V. CESTAT, Chennai, 2016 (42) STR 668 (Mad)

Effect of providing different figures at different times by assessee/ Effect of assessee being unable to justify figures provided to the department

The High Court held that that the adjudicating authority cannot be called upon to rectify mistake u/s 74 of FA, 94 since S.74 was meant only for rectification of mistake, apparent on record.

The High Court further held that even assuming there was an error, since the said error has been committed by the assessee and not the adjudicating authority. S.74 cannot be relied upon by the assessee since S.74 does not empower the adjudicating authority to review its order in the guise of rectification of mistake.

The High Court held that since assessee was providing different figures at



different points of time and was unable to establish correct figures not only before adjudicating authority but also before High Court, therefore his petition was liable to be dismissed.

Kolli Venkata Mohan Rao V. CC, 2016 (42) STR 676 (AP)

Interpretation of Governmental Authority (GA) for the purpose of Mega Exemption Notification

Construction services provided to GA is exempt from service tax under entry no.12 of N.No.25/12.

GA was defined in para 2(s) of aforesaid notification as follows:

*“governmental authority” means a board, or an authority or any other body established with 90% or more participation by way of equity or control by Government **and** set up by an Act of the Parliament or a State Legislature to carry out any function entrusted to a municipality under article 243W of the Constitution;*

The definition of GA in para 2(s), aforesaid was amended wef 30.1.14 as follows:

‘(s) “governmental authority” means an authority or a board or any other body;

(i) set up by an Act of Parliament or a State Legislature; or

(ii) established by Government, with 90% or more participation by way of equity or control, to carry out any function entrusted to a municipality under article 243W of the Constitution;’.

The Question before the Court was whether the condition of 90% or more participation by way of equity or control applied for both the clauses (i) and (ii) or only for clause (ii).

The High Court held that the condition of 90% participation applied only to clause (ii) i.e. an authority or board or body established by the government and not to an authority or board or body set up under an act of parliament or a state legislature.

Shapoorji Paloonji & Company Private Limited V. CCE, 2016 (42) STR 681 (Pat)

What is the relevant date for export of service?

The Tribunal held that date of export invoice, being the cause of action for claiming refund is to be treated as the relevant date from which time limit of one year must be computed for claiming refund.

Note: In CST V. Ratio Pharma India Pvt Ltd., 2015 (39) STR 31 (T-LB), though the Larger Bench returned the reference application, it quoted the decisions of Affinity Express India Pvt Ltd, 2015 (37) STR 321 (T) and Business Process Outsourcing India Pvt Ltd., 2014 (34) STR 364 (T), which had held that relevant date for export of service were date on which invoice was raised and date on which consideration was received respectively. It also quoted the decision of Bechtel India Pvt Ltd., 2014 (34) STR 437 (T), which held that relevant date was date of receipt of foreign exchange.

Note: In light of the aforesaid decisions, N.No. 27/12 CE (NT) has been amended by N.No.14/16 CE (NT) dt.1.3.16.

The relevant date for computing time lime of one year for export of service would now be:

1. **Receipt of payment** in convertible foreign exchange, where provision of service has been completed prior to receipt of such payment.
2. **Issue of invoice**, where payment of service had been received in advance prior to the date of issue of invoice.

Whether ‘Crate rentals’ on crates used while selling beverages is liable for service tax or Sales Tax?

The Tribunal held that demand of service tax on crate rentals under BAS is untenable since in a contract for supply of crates, the effective control and possession over the crates is transferred by the vendor. Hence the transactions is in the nature of ‘transfer of right to use goods’, which is deemed as sales and liable to sales tax.

The Tribunal further held that the onus to prove leviability of service tax is on the revenue and not on the assessee.

Hindustan Coca Cola Beverages Pvt Ltd V. CST, 2016 (42) STR 696 (T)

Congratulations



CA. S. Prakash Chand

has been appointed as Co-opted Member of Committee for Members in Industry (CMII) of SIRC of ICAI for the year 2016-17.

PACTA SUNT SERVANDA – AGREEMENTS MUST BE PERFORMED IN GOOD FAITH

CA Sachin Kumar B.P and CA Omar Abdullah S.M



Part - A

Introduction

As India propels itself on the growth trajectory, with our Prime Minister ably leading from the front, the bandwagon of the Indian promise is on a drumroll. Thus, attracting the attention of foreign investors, resultantly as an economy, we are increasingly integrating with the world with the increased FDI inflows. This fact is also established by the statistical figures published in the economic survey of India 2015-16 where it is stated that the correlation between India and the world economy has increased from a factor of 0.2 for the period 1991-2002 to a factor of 0.42 for the current period.

Owing to such integration, international financial transactions are the norm of businesses today and our profession has the privilege of being the first choice for advice on such transaction. While advising on international financial transactions, the aspect of international tax is a significant focus area where interpretation of tax treaties along with Income-tax Act, 1961 is crucial.

The judiciary has played a significant role in India in developing our understanding of international tax treaties with landmark rulings such as ***Azadi Bachao Andolan (2003) 263 ITR 706 (SC)*** and ***Kulandagan Chettiar (2004) 267 ITR 654 (SC)***. The Madras High Court

ruling in the Writ Petition Nos. 17241 to 17243 delivered in April 2016 where constitutional validity of Section 94-A of the Income-tax Act, 1961, has been challenged is another latest landmark ruling to join the league of these haloed rulings.

The author in this article has discussed the significance of the Madras High Court ruling while also analysing the decision of Pune Tribunal in the case of ***Serum Institute of India limited (2015) 40 ITR (Trib) 0684 (Pune)*** in light of the Madras High Court ruling, as the latter case law has become a significant precedent in Tax Treaty interpretation in reference to Sec. 206AA of the Income-tax Act, 1961, versus the treaty rates.

Part-B

Writ Petition Nos. 17241 to 17243 – [2016] Madras High Court

Petitioners Challenge

The petitioner had filed a writ petition before Madras HC challenging the CBDT Press release dated Nov 1, 2013 notifying Cyprus as non-cooperative jurisdiction and also challenged the constitutional validity of Sec 94A which provides for tax deduction at highest rate of 30% on payments made to any Cyprus resident. Revenue had held the assessee in default u/s 201(1)/(1A) for not deducting TDS as per the mandate

of Sec 94A in respect of contract entered into with a Cyprus company.

The main grounds raised by the appellant in support of its contention are provided herebelow:

- Sec. 94-A has conferred sweeping powers upon the Central Government to specify any country as a notified jurisdictional area in relation to transactions entered into by any assessee, **irrespective of whether such country is one, with whom a bilateral treaty has already been entered into or not.**
- The petitioner has also contended that the State (India) has an obligation under Article 51(c) of the Constitution, which is part of the Directive Principles of the State Policy, to foster respect for Treaty obligations in the dealings of organized people with one another.
- The Treaty entered into by the Government is virtually a law under Article 253 of The Constitution and hence, neither the Parliament can make any law that would go contrary to the treaty nor the Government can take any executive action to annul the effect of the Treaty so long as the Treaty is in force.
- The petitioner has also placed strong reliance upon the Supreme



Court decision rendered in the case of **Union of India vs. Azadi Bachao Andolan [2004 (10) SCC 1]** to contend that Sec. 90 of the Income-tax Act, 1961, is specifically intended to enable and empower the Central Government to issue a notification for implementation of the terms of a Double Taxation Avoidance Agreement and that when it happens, **the provisions of such an Agreement would operate, even if inconsistent with the provisions of the Income-tax Act, 1961.**

- The petitioner has also challenged Sec. 94-A of the Income-tax Act, 1961, on the basis of **Vienna Convention on the Law of Treaties**, where Union of India cannot invoke the provisions of the Internal Law namely Sec. 94A of the Income-tax Act, 1961, as a justification to annul a bilateral treaty

Ruling of the High Court

The Madras High Court while delivering its judgment has dealt with the matters on hand in the following manner:

- **Scope of International treaty under The Constitution**

Before discussing the scope of International Treaty under the Constitutional scheme, the High Court has delved upon the Philosophical Concepts of Dvaita (dualism) and Advaita (monism), and further discussed that the principles of international law also contain two theories namely (i) monism and (ii) dualism. Monism is the idea that assumes that international law and national law

are nothing but two components of a single legal system or body of knowledge. In contrast, dualistic theory assumes that international law and internal law of States are two separate and distinct legal systems.

In case of India, the Supreme Court has held in **Jolly George Varghese vs. The Bank of Cochin [AIR 1980 SC 470]**, that the executive power of the Government of India to enter into international Treaties does not mean that international law, ipso facto, is enforceable upon ratification. **The Indian Constitution follows the 'dualistic' doctrine with respect to international law.** Consequently, *international treaties do not automatically form part of international law, unless incorporated into the legal system by a legislation made by the Parliament.*

Thus as the **Indian Constitution follows dualistic doctrine** with respect to international law, it must be taken that an international Treaty, can be enforced only so long as it is not in conflict with the municipal laws of the State. The Madras High Court in its ruling on the Writ Petition Nos. 17241... has gone on to list several further rulings of the Supreme Court where the dualistic theory is highlighted and the well-established principle that, international law can be followed when the municipal law is not in conflict with the same & the principles upon which such conventions or treaties are founded can be traced to the common law,

such as the Supreme Court decision in the case of **M.V. Elizabeth vs. Harwan Investment & Trading Private Limited [1993 Supp. (2) SCC 433]**

- **Reliance upon the decision in Azadi Bachao Andolan [2004 (10) SCC 1]**

As the Supreme Court decision in the case of **Azadi Bachao Andolan [2004 (10) SCC 1]** forms the sheet anchor of the case of the petitioners, the Madras High Court in its ruling on the Writ Petition Nos. 17241...has dealt with the Supreme Court decision in a detailed manner and also the decision in the case of **Kulandagan Chettiar (2004) 267 ITR 654 (SC)**

The Madras High Court after discussing the principles emanating from the Supreme Court decisions in the case of **Azadi Bachao Andolan [2004 (10) SCC 1]** and of **Kulandagan Chettiar (2004) 267 ITR 654 (SC)** concluded that Sec.90 (2) of the Income-tax Act, 1961, merely deals with the option given to an assessee, to whom an agreement referred to in Sec. 90(1) applies, to choose either the provisions of the Treaty or the provisions of the Act, whichever is more beneficial to him. However, Sec. 90(2) does not deal with the question of conflict between a Treaty and the provisions of a statute. HC held that Sec. 90 did not either expressly or by necessary implication prescribe that the law made by Parliament would stand eclipsed to the extent inconsistent with DTAA and remarked that "it is impossible to think that the

supremacy of the Parliament could be compromised by the Executive entering into a Treaty".

Further no question arose directly either in *Azadi Bachao Andolan* or in *Kulandagan Chettiar* as to whether or not the Parliament has the power to make a law in respect of a matter covered by a Treaty. **Therefore, the observations found in these two decisions, to the effect that the provisions of the treaty will have effect even if they are in conflict with the provisions of the statute, cannot be stretched too far to conclude that the Parliament does not have the power to make a law in respect of a matter covered by a treaty.**

- **Argument based on Vienna Convention**

The Madras High Court noted that the Vienna Convention on the Law of Treaties, which entered into force on 27.1.1980, obliges the Member States to treat every Treaty in force, as binding upon the parties thereto. Articles 26 and 27 of the Vienna Convention contain the doctrine of '*Pacta Sunt Servanda*'. It lays down that every Treaty in force is binding upon the parties to it and must be performed in good faith and a party may not invoke the provisions of its internal law as a justification for its failure to perform a Treaty.

However, the Madras High Court has also noted that India has not ratified the Vienna Convention, though a reference to the same, has been made in a few decisions of the Courts. And even if rule of

Pacta Sunt Servanda contained in Article 26 of the Vienna Convention were to be invoked, on the basis that the same was part of the customary international law, the petitioners would not be better off. This is for the reason that Article 26 of the Vienna Convention obliges both the contracting parties to perform their obligations in good faith. One of the four purposes for which, an agreement could be entered into by the Central Government under Sec. 90(1), is for the exchange of information. If one of the parties to the Treaty fails to provide necessary information, then such a party is in breach of the obligation under Article 26 of the Vienna Convention. The beneficiary of such a breach of obligation by one of the contracting parties (like the assessee herein) cannot invoke the Vienna Convention to prevent the other contracting party (India in this case) from taking recourse to internal law, to address the issue.

Hon'ble Madras High Court quoted from G20 leaders' April 2009 statement wherein it was resolved to take action against non-cooperative jurisdictions, including tax havens. HC also held that Mutual Agreement Procedure clause in the treaty cannot oust Parliament's jurisdiction to enact a law and the Executive to issue a Notification in exercise of the power conferred by such a law.

- Thus on the basis of the above reasoning the Madras High Court has ruled against the appellant's petition, upheld the validity of the press note as also Sec 94A of the Act.

Part - C

Serum Institute of India limited (2015) 40 ITR (Trib) 0684 (Pune)

In the Serum Institute of India Limited case, the matter before the tribunal, was whether Sec. 206AA of the Income-tax Act, 1961, would override the provisions of the Double Taxation Avoidance Agreement (DTAA), in a situation where non-resident taxpayer did not furnish PAN, thereby necessitating a minimum withholding tax rate of 20% irrespective of the rate provided in the DTAA.

Before the CIT(A) this matter had been decided in the favour of the assessee, where the CIT(A) had relied on the Supreme Court decision of *Azadi Bachao Andolan [2004 (10) SCC 1]* to rule that provisions made in the DTAA's would prevail over the general provisions contained in the Act, to the extent they were more beneficial to the taxpayer and therefore DTAA rates would prevail over rates prescribed in Sec. 206AA of the Act.

When the revenue went in appeal before the tribunal against the ruling of the CIT(A), the Pune Tribunal ruled in favour of the assessee, where the tribunal observed that DTAA's entered into between India and the other relevant countries in the present context provided for scope of taxation and/ or a rate of taxation, which was different from the scope/rate prescribed under the Income-tax Act, 1961. Charging Sec. 4, as well as Sec. 5 of the Income-tax Act, 1961 which deals with the principle of ascertainment of total income under the Act, were also subordinate to the principle enshrined in Sec. 90(2) as held by the Supreme Court in the case of *Azadi Bachao Andolan [2004 (10) SCC 1]*. Sec. 206AA of the Income-tax



Act, 1961, was not a charging section, but is a part of the procedural provisions dealing with collection and deduction of tax at source, and it could not override the charging sections, viz. sections 4 and 5 of the Income-tax Act, 1961.

Part - D

Conclusion

The decision of Pune bench of Income-tax Appellate Tribunal (ITAT) in Serum Institute of India Ltd. case has been followed by the Bangalore bench of ITAT in the case of **Infosys BPO Limited (2015) 154 ITD 0816 (Bangalore)**. On reading the above decisions in light of the Madras High Court decision on the **Writ Petition Nos. 17241 to 17243 – [2016] Mad HC**, a question that comes to mind is whether the tribunal rulings have been overturned by the Madras High Court ruling in principle though the subject matter of appeal in the Tribunal cases and the High Court case are distinct. The fact is that the tribunal ruling and HC ruling operate on a different plane altogether. Both, in my humble, view appear to be good in law. Where the Central Government has entered into an agreement with Government of any Country outside India for granting of relief of tax, or as the case may be avoidance of double taxation, then the provisions as per the agreement (Treaty) will prevail over the general provisions contained in the Income Tax Act, to the extent they are beneficial to the assessee. Following this principle the Pune bench of Income-tax Appellate Tribunal in Serum Institute of India Ltd., and the Bangalore bench of ITAT in the case of **Infosys BPO Limited (2015) 154 ITD 0816 (Bangalore)**, extended the benefit of Treaty override to the assessee.

The Madras High court in the writ petition Nos. 17241 to 17243 has laid out the principle that though there is a binding Treaty, Section 94 A empowers Central Government to notify any country or territory as 'notified jurisdictional area' in relation to transactions entered into by any assessee when such country or territory fails to effect exchange of information with the Government of India. Section 94 A is introduced in the Income Tax Act, 1961 in 2011 as an anti-avoidance measure.

Besides the objective of granting a relief from double tax, the tax treaties also have an objective for Exchange of Information on tax matters between tax authorities of the contracting states. As per the India - Cyprus DTAA (Treaty) both the contracting states (India and Cyprus) have a legal obligation to exchange such information as is necessary for carrying out the provisions of the agreement or of domestic laws of the contracting states, in particular for the prevention of fraud or evasion of taxes.

Hence, exchange of information being one of the objectives of the Tax Treaties, since Cyprus has not been providing the information requested by the Indian Tax authorities under the exchange of information provisions of the DTAA, Cyprus is notified as 'notified jurisdictional area' under section 94 A of the Income Tax Act. The ramification of this notification on the India - Cyprus Tax treaty will also be worth evaluating.

Another way of looking at this development in law is that, due to the **Dualistic theory** followed in our Constitution, the International Convention to which India is a party can be invoked so long as the provisions of such treaty or convention are not in

conflict with the municipal law. Hence, could a view be taken that, provisions of Sec. 206AA being a municipal law override the treaty provisions? It is pertinent to note that the Hon'ble Supreme Court has admitted SLP against Madras HC judgement upholding Cyprus notification u/sc. 94-A of the Income-tax Act. Only time will tell as to what would be the law of the land.

Advising the clients on the applicable tax deduction rates for international financial transactions is a critical function performed by tax professionals to ensure compliance by the client with the Income-tax law. The author here has presented a study of two recent case laws in the arena of tax deduction at source on international financial transactions which require to be noted cautiously while advising our clients. Both the decisions discussed above are open to challenge before the higher forums and have not yet attained finality, nevertheless they make a pertinent reading for the tax professional who advise clients on international tax matters. ■

OBITUARY



We deeply regret to inform sad demise of **CA S.H. Gopalakrishna**
Membership No: 026204
on 6th June 2016.
May his soul rest in peace.



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1	CHESS	M & F	25th Jun 2016 : SAT : 11AM	100.00
2	CARROM SINGLE	M	26th Jun 2016 : SUN : 11AM	100.00
3	CARROM DOUBLE	M	26th Jun 2016 : SUN : 11AM	150.00
4	CARROM SINGLE	F	26th Jun 2016 : SUN : 11AM	100.00
5	CARROM DOUBLE	F	26th Jun 2016 : SUN : 11AM	150.00

OUTDOOR EVENTS

Sl.No.	Events	Section	Date	Entry Fee
1	CRICKET (MEMBERS)	M	26th Jun 2016	4000.00
2	CRICKET (STUDENTS)	M	24th & 25th Jun 2016	3500.00
3	SHORT PUT	M & F	24th Jun 2016	100.00
4	100 METERS	M & F	25th Jun 2016	100.00
5	800 METERS	M	25th Jun 2016	100.00
6	400 METERS	F	25th Jun 2016	100.00
7	RELAY (100 x 4)	M & F	25th Jun 2016	250.00
8	VOLLEYBALL	M	26th Jun 2016	1000.00
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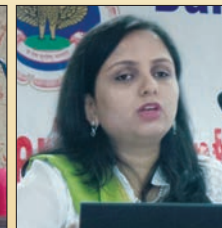
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