

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



Bengaluru Branch of SIRC e-Newsletter

Volume 9 | Issue 3 | October 2020 | Pages : 18

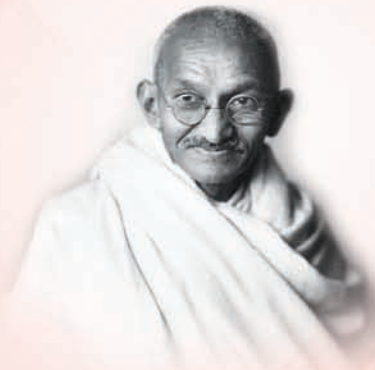
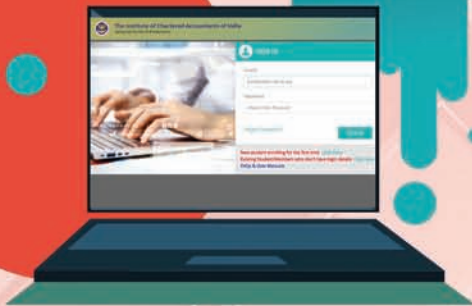
English Monthly
For Private circulation only

Launching

Self Service Portal (SSP) - Help Desk

@

Bengaluru Branch
of SIRC of ICAI



Mahatma Gandhiji
(02.10.1869 - 30.01.1948)



Bharat Ratna Lal Bahadur Shastri
(02.10.1904 - 11.01.1966)

JNANA  DASOHA

VIRTUAL CPE MEETINGS

- Changes in Tax Audit provisions and issues thereof
7th October 2020
- Sec. 206 C (1H)
8th October 2020
- Assessments & Adjudication under GST
9th October 2020
- Co-operative Institutions – Challenges & Solutions related to Income Tax
14th October 2020
- 70th Virtual CPE Meeting on Practical and Commercial Issues and Challenges for Purchase of Machinery
15th October 2020
- Professional Opportunities in Government Sector
16th October 2020
- Blockchain Technology & Cryptocurrency
21st October 2020
- New Professional Opportunities – Benefits available under Foreign Trade Policy & other Schemes
22nd October 2020
- How to grow your practice digitally using Social Media
23rd October 2020
- 75th Virtual CPE Meeting on Code of Ethics
28th October 2020

Pathway to Core Competence



My Dear Professional Colleagues,

On 2nd October every year Gandhi Jayanti is observed as the day to honour the birthday of iconic front-runner the Father of the nation. On this Special day, India celebrates its 151st birth anniversary of Mahatma Gandhi is a symbol of peace and truth. His most famous advice to all of us **"Happiness is when what you think, what you say, and what you do are in harmony"** which is relevant and relates to our professional lives. During this on-going pandemic changed many facets of our lives, let's not give way to any pressures and hardships, but we can turn challenges into opportunities to revive.

Also, on 2nd October Shri. Lal Bahadur Shastri the former Prime Minister was born and remembered through his slogan **"Jai Jawan, Jai Kisan"**, he united the nation in the time of war and strengthened the feeling of self-esteem, honour and respect among the people of the country.

Recently, **the due date of filing GST Annual Return and GST audit for the year 2018-19** has been extended to **31st October 2020** and also **Income Tax Return (ITR) filing deadline for the Assessment year 2019-20** has been extended to **November 30, 2020**.

Launching of Self Service Portal (SSP)-Help Desk at Bengaluru Branch :

To support our Members & Students those who are facing problem in Self Service Portal (SSP) of ICAI, Bengaluru Branch thought to join the hands and launching the Helpdesk to resolve the problems of Members and Students in a smoother way. Members & Students of Bengaluru Branch can visit Branch or call at Helpdesk No. 96069 13004 between 11.00 am & 5.00 pm on working days and avail the benefits of the extended service.

The month that was September 2020:

As per CPE Guidelines, Bengaluru Branch organized the following ten Virtual CPE Meetings covered a host of subjects and were well viewed by the members and eager to increase their professional updates to complete their CPE hours as well.

Sl. No.	Date	Topics	Speakers	No. of Members availed Structured CPE
1	09.09.2020	Taxation in the new normal – navigating taxes during Covid'19	CA. Pankil Sanghvi	564
2	10.09.2020	Case Studies in Forensic Audit	CA. Chetan Dalal, Mumbai	600
3	11.09.2020	Panel Discussion on Equalisation Levy – Concerns and Solutions	Panelists : 1. CA. Sachin Kumar B.P 2. CA. Narendra J Jain 3. Mr. Bharath Lakshminarayana Moderator : CA. Cotha S Srinivas Past Chairman, SIRC of ICAI	556
4	16.09.2020	A Special Session on Co-operative Sector 1. Practical case studies in Gold Loan 2. Comparison between Two Co-operative Acts in Karnataka	1. CA. Umesh Bolmal, Belagavi 2. CA. Raveendranath B.V, Sagar	547
5	17.09.2020	Company Audit 2019 -20 and Covid related Pronouncements of ICAI	CA. Jomon K George Past Chairman, SIRC of ICAI	558
6	18.09.2020	Intellectual Property Rights	Shri. Hari Prasad M.S Advocate	453
7	23.09.2020	1. Overview of RERA and Challenges including formation of RWA & Conveyance 2. Revival of Stalled projects through section7 & 8 of RERA including availability of Alternative Investment Fund (AIF)	1. CA. Ramesh S. Prabhu, Mumbai 2. CA. Amit Kumar Kedia, Jaipur	491

(Contd. on Next Page) ►

Chairman's Communique . . .

◀ (Contd. from previous page)

Sl. No.	Date	Topics	Speakers	No. of Members availed Structured CPE
8	24.09.2020	Impact of Faceless Assessments including Role of CA's	CA. H. Padamchand Khincha	764
9	25.09.2020	COMMON ERRORS (Statutory form and Accounting standards) In Presentation and Disclosures of Private Limited Companies	CA. N. Nityananda Past Chairman of Bengaluru Branch & CA. Manohar P Gupta	600
10	30.09.2020	Recent technical developments in GSTN portal including E – Invoicing	CA. Annapurna D Kabra & Dr. B.V. Murali Krishna, Addl. Commissioner of Commercial Taxes (e-Governance) Commercial Taxes Department, Bengaluru	606

I thank all the above expert and eminent Speakers who shared their expertise in the above said Jnana Dasoha – Virtual CPE Meetings.

I also thank Chief Guest, Shri. B.H. Krishna Reddy, President and the Guest of Honour Shri. Sharanagounda G Patil, Managing Director, Karnataka State Souharda Federal Co-operative Limited for sharing their expertise in the Special Session on Co-operative Sector held on 16th September 2020 and also appreciated the Chartered Accountants role in the Co-operative Sector.

To achieve the objective of Jnana Dasoha a session on the impact of Faceless Assessments including Role of CA's held on 24th September 2020. My sincere thanks to CA. H. Padamchand Khincha for sharing his rich knowledge on the above said topic is a remarkable session in this month. I also thank CA. N. Nityananda, Past Chairman of Bengaluru Branch & CA. Manohar P Gupta for sharing their expertise in the said Virtual CPE Meeting held on 25th September 2020.

Management Development Programs - XXIst Batch of Finance for Non Finance Executives:

In this ongoing global pandemic of coronavirus, Bengaluru Branch conducted balance three Virtual classes for the XXIst Batch of Finance for Non Finance Executives in the month of September and the same has been concluded in the first week of October 2020. We are planning to conduct more classes in due course of time.

As professionals, it is especially important to keep ourselves updated with all the changes in the legal, Tax Audit and professional environment. Knowledge update has become more critical with rapid changes. In order to assist the members in updating their knowledge and continue their professional education from the comfort and safety of their homes, Bengaluru Branch is organizing a series of the following Virtual CPE Meetings between 4.00 pm & 6.00 pm. The details of the Meetings are presented elsewhere in this Newsletter.

Important Announcement:

The Council of ICAI considering the request from Members at large has decided to extend the last date for payment of Membership / COP fee from 30th September, 2020 to 30th November, 2020.

Virtual Career Counselling:

It's one of the agenda to conduct more career counselling programmes with the objective to cover at least 25000 students when I took over as Chairmanship of Bengaluru Branch, accordingly till March 2020 conducted career counselling programs and reached more than 5000 students before the pandemic in this calendar year. Due to pandemic, we are not able to conduct the physical career counselling programs. **To motivate the students for CA's aspirants, a first of its kind** - now we have started conducting **Virtual Career Counselling programs** on 5th September 2020, the first program at Christ Academy and also at Sri Bhagawan Mahaveer Jain Evening College on 15th September 2020. We are also planning to conduct more Virtual Career Counselling programs in Government & Private Colleges to achieve the objective of motivating the students to join the CA Course.

In the month of September 2020, Revision Test Paper (RTP) - Virtual free classes conducted for the Intermediate students appearing November 2020 exams by SICASA and also planning to conduct for Final students in the month of October 2020.

I would like to conclude with a message that let us look to the future with confidence and determination that we will overcome and take the profession to greater heights. Bengaluru Branch has always been there to support all Members and Students and we will continue to do that for the betterment of the fraternity as a whole.

Wish you all a very happy Vijaya Dashami & Eid-Milad.

Stay Safe and Healthy.

In Service of the Profession,

CA. Raveendra S. Kore

Chairman

Bengaluru Branch of SIRC of ICAI



CALENDAR OF EVENTS JNANA DASOHA - VIRTUAL CPE MEETINGS FOR THE MONTH OF OCTOBER 2020

DATE AND DAY	TOPIC / SPEAKER	TIME	STRUCTURED CPE HOURS
07.10.2020 Wednesday	Changes in Tax Audit provisions and issues thereof Speaker : CA. K. Gururaj Acharya Panelists : CA. Manohar P Gupta & CA. Ravi Prasad	4.00 pm to 7.00 pm	3 hrs
08.10.2020 Thursday	Sec. 206 C (1H) CA. S. Ramasubramanian	4.00 pm to 6.00 pm	2 hrs
09.10.2020 Friday	Assessments & Adjudication under GST Dr. Adv. CA. Avinash Poddar, Gujarat	4.00 pm to 6.00 pm	2 hrs
14.10.2020 Wednesday	Co-operative Institutions – Challenges & Solutions related to Income Tax CA. D. R. Venkatesh	4.00 pm to 6.00 pm	2 hrs
15.10.2020 Thursday	70th Virtual CPE Meeting on Practical and Commercial Issues and Challenges for Purchase of Machinery <i>Organized under the aegis of Committee for Members in Industry & Business, Hosted by Bengaluru Branch of SIRC of ICAI</i> Chief Guest: CA. Rajesh Sharma, Central Council Member - ICAI <i>Chairman, Committee for Members in Industry & Business</i> Speaker: CA. Abdur Rahman Musba, Mangaluru	4.00 pm to 6.00 pm	2 hrs
16.10.2020 Friday	Professional Opportunities in Government Sector <i>Organized under the aegis of Members of Committee on Public & Government Financial Management, Hosted by Bengaluru Branch of SIRC of ICAI</i> Chief Guest: CA. Dheeraj Kumar Khandelwal <i>Chairman, Committee on Public & Government Financial Management</i> Speaker: CA. Ashok Rao	4.00 pm to 6.00 pm	2 hrs

NO DELEGATE FEE FOR THE ABOVE VIRTUAL CPE MEETINGS

CALENDAR OF EVENTS JNANA DASOHA - VIRTUAL CPE MEETINGS FOR THE MONTH OF OCTOBER 2020

DATE AND DAY	TOPIC / SPEAKER	TIME	STRUCTURED CPE HOURS
21.10.2020 Wednesday	Blockchain Technology & Cryptocurrency CA. Vivek Shah, <i>Mumbai</i>	4.00 pm to 6.00 pm	2 hrs
22.10.2020 Thursday	New Professional Opportunities – Benefits available under Foreign Trade Policy & other Schemes CA. Abhishek Sharma, <i>Jaipur</i>	4.00 pm to 6.00 pm	2 hrs
23.10.2020 Friday	How to grow your practice digitally using Social Media CA. Sanjib Sanghi, <i>Kolkata</i>	4.00 pm to 6.00 pm	2 hrs
28.10.2020 Wednesday	75th Virtual CPE Meeting on Code of Ethics Chief Guest: CA. Dungar Chand U Jain <i>Chairman, SIRC of ICAI</i> Speaker: CA. Dheeraj KS Sharma <i>Chairman, Gurugram Branch of NIRC of ICAI</i>	4.00 pm to 6.00 pm	2 hrs

Prior Registration is compulsory

NOTE :

- As per HO Guidelines only Bengaluru Branch Members can avail CPE. Maximum 1400 Members registration is allowed on first come first serve basis.
- No. Delegate Fees.
- Registration link will be sent through SMS, one day prior to the Programme commencing date.

NO DELEGATE FEE FOR THE ABOVE VIRTUAL CPE MEETINGS

**Advertisement
Tariff for the
Branch
e-Newsletter**

COLOUR FULL PAGE

Outside back	₹ 40,000/-
Inside front	₹ 35,000/-
Inside back	₹ 30,000/-

INSIDE BLACK & WHITE

Full page	₹ 20,000/-
Half page	₹ 10,000/-
Quarter page	₹ 5,000/-

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

EDITOR :
CA. RAVEENDRA S. KORE

SUB EDITOR :
CA. SRINIVASA T

Disclaimer: The Bengaluru Branch of ICAI is not in anyway responsible for the result of any action taken on the basis of the articles and advertisements published in the e-Newsletter. The views and opinions expressed or implied in the Branch e-Newsletter are those of the authors/guest editors and do not necessarily reflect that of Bengaluru Branch of ICAI.



JNANA DASOHA



**BENGALURU BRANCH OF SIRC OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

**ORGANISING ONLINE COACHING CLASSES FOR
CA FINAL STUDENTS FOR MAY 2021 EXAMS – MORNING BATCH**

ADMISSIONS OPEN FOR ONLINE SUBJECTWISE COACHING

→ Stay Home → Stay Safe → Stay Prepared for Exam

Schedule from: 3rd Sep. 2020 to 16th March 2021 (Tentative Dates)
Tentative scheduled faculty may change due to non availability at that point of time

Sl no	Subject	Duration	Faculties
1	Paper-1: Financial Reporting	03.09.2020 to 14.10.2020	CA. Murali Nagaraj & CA. Kaleshwara Prasad
2	Paper-3: Advanced Auditing and Professional Ethics	15.10.2020 to 03.11.2020	CA. Vikas Oswal
3	Paper-2: Strategic Financial Management	04.11.2020 to 09.12.2020	CA. Chinmaya Hegde
4	Paper-4: Corporate and Economic Laws	10.12.2020 to 13.01.2021	CA. Ankith Kumar Jain
5	Paper-5: Strategic Cost Management and Performance Evaluation	14.01.2021 to 05.02.2021	CA. V. Venkata Sivakumar, Chennai & CA. Ashwini K
6	Paper-6: Direct Tax Laws and International Taxation	06.02.2021 to 28.02.2021	CA. Deepak Chopra
7	Paper-8: Indirect Tax Laws	01.03.2021 to 16.03.2021	CA. Raghavendra T. N. & CA. Dilip Rajpurohith

Course	Fees	Duration (6 Months)	Timings
CA Final	Rs. 14,000/- for Both Groups Rs. 9,000/- for Single Group Rs. 4,000/- for Single Subject	3 rd Sep. 2020 to March 2021 (Tentative Dates)	06.30am to 09.45am (Monday to Sunday)
Registration Fees - Mode of payment: Cash / Online http://www.bangaloreicai.org/home/online_registration For further details please contact: Tel: 080 - 4394 4868 /4876 Mob: 9606913003 / 3004 Email: blrstudentevents@icai.org Website: www.bangaloreicai.org			

CA. Raveendra S. Kore
Chairman

CA. Srinivasa T.
Secretary

Pathway to Core Competence

Bengaluru Branch of SIRC of ICAI
“ICAI Bhawan”, 16/O, Miller's Tank, Bed Area, Vasanthanagar, Bengaluru - 560052

**JNANA DASOHA****BENGALURU BRANCH OF SIRC OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA****ORGANISING ONLINE COACHING CLASSES FOR CA INTERMEDIATE
STUDENTS FOR MAY 2021 EXAMS – MORNING BATCH****ADMISSIONS OPEN FOR ONLINE SUBJECTWISE COACHING****→ Stay Home → Stay Safe → Stay Prepared for Exam****Schedule from: 3rd Sep. 2020 to 3rd April 2021 (Tentative Dates)****Tentative scheduled faculty may change due to non availability at that point of time**

Sl.no	Subject	Duration	Faculties
1	Paper -1: Accounting (Gr-1)	03.09.2020 to 27.09.2020 & 26.10.2020 to 03.11.2020	CA. Murali Nagaraj & CA. Nikhil Saraf
2	Paper-5: Advanced Accounting	28.09.2020 to 25.10.2020	CA. Vinutha Hegde
3	Paper-6: Auditing and Assurance	04.11.2020 to 22.11.2020	CA. Vikas Oswal & CA. Anjan Babu
4	Paper-2: Corporate and Other Laws	23.11.2020 to 13.12.2020	CA. Mridul Agarwal
5	Paper-3: Cost and Management Accounting	14.12.2020 to 06.01.2021	CA. Modassar Irfat & CA Ashwini K
4	Paper-4: Taxation - Direct Tax Laws	07.01.2021 to 28.01.2021	CA. Prashanth Bharadwaj & CA. Guruprasad Kasarvalli
5	Paper-4: Taxation - Indirect Tax Laws	29.01.2021 to 14.02.2021	CA. Venkata Krishna Kothari & CA. Raghavendra T. N.
8	Paper-7: Enterprise Information Systems & Strategic Management	15.02.2021 to 09.03.2021	CA. Anand P Jangid
9	Paper -8: Financial Management & Economics for Finance	10.03.2021 to 21.03.2021	CA. Chinmaya Hegde & Dr. Seema Goel
		22.03.2021 to 03.04.2021	

Course	Fees	Duration (6 Months)	Timings
CA Intermediate	Rs. 12,500/- for Both Groups Rs. 8,500/- for Single Group Rs. 3,500/- for Single Subject	22 nd August 2020 to March 2021 (Tentative Dates)	06.30am to 09.45am (Monday to Sunday)

Registration Fees - Mode of payment: Cash / Online http://www.bangaloreicai.org/home/online_registration**For further details please contact: Tel: 080 - 4394 4868 /4876 Mob: 9606913003 / 3004****Email: blrstudentevents@icai.org | Website: www.bangaloreicai.org****CA. Raveendra S. Kore
Chairman****CA. Srinivasa T.
Secretary***Pathway to Core Competence***Bengaluru Branch of SIRC of ICAI
"ICAI Bhawan", 16/O, Miller's Tank, Bed Area, Vasanthanagar, Bengaluru - 560052**



JNANA DASOHA



**BENGALURU BRANCH OF SIRC OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

**ORGANISING COACHING CLASSES FOR
CA FOUNDATION STUDENTS FOR MAY 2021 EXAMS
ADMISSIONS OPEN FOR CA FOUNDATION COACHING CLASSES**

→ Stay Home → Stay Safe → Stay Prepared for Exam

In pursuance of our objective to provide fruitful and quality teaching to our students, we are pleased to inform you that CA Foundation coaching classes will be commencing at the Bengaluru Branch of SIRC of ICAI

Course	Fees	Duration (4 Months)	Timings
CA Foundation	Rs. 7500/-	26 th Nov. 2020 to March 2021 (Tentative Dates)	04.30pm to 07.30pm (Monday to Saturday) 07.00am to 01.30pm (Sunday)

Note: We request students registered for course to view our online coaching classes during the lockdown period. We will allow both online & classroom facility after the lockdown is withdrawn at our Vasanthnagar branch.

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

Registration Fees - Mode of payment: Cash / Online www.bangaloreicai.org

For further details please contact: Tel: 080 - 4394 4868 / 4876 Mob: 9606913003 / 3004

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

CA. Raveendra S. Kore
Chairman

CA. Srinivasa T.
Secretary

Pathway to Core Competence

Bengaluru Branch of SIRC of ICAI
"ICAI Bhawan", 16/O, Miller's Tank, Bed Area, Vasanthnagar, Bengaluru - 560052

INCOME TAX RULES FOR VALUATION OF UNQUOTED EQUITY SHARES

CA. Premlata Daga, Nagpur



There's an important legal principle that says "ignorance of the law is no excuse" and the same is true with Tax Laws as well. There had been lots of amendments in the Valuation Rules for Unquoted Equity Shares in the year 2017 and ignorance of these laws can come with heavy tax burden.

In this article an attempt has been made to explain the valuation rules and the applicable income tax sections in an easy to understand manner.

Following is the summary of the relevant income tax sections:

Particulars	Section 56 2(vii)	Section 56 2(vii a)	Section 56 2(vii b)	Section 56 2(x)
Applicable to	Individual/HUF	Firm/ Company (closely held)	Company (closely held)	Person as per section 2(31) of the IT Act, 1961
Applicable on	Money, Immovable Property and Property other than Immovable Property	Shares of closely held company	Issue of Shares	Money, Immovable Property and Property other than Immovable Property
Applicable date	From 1st October, 2009 to 31st March, 2017	From 1st June, 2010 to 31st March, 2017	From 1st April, 2013	From 1st April, 2017

W-e-f from 1st April 2017 Section 56 (2) (vii) and Section 56 (2) (vii a) has been merged with Section 56(2) (x)

Section 56 2(vii b) (Applicable when a closely held company issues shares)

Where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value shall be deemed to be the income of that company.

Provided that this clause shall not apply where the consideration for issue of shares is received—

- a) by a venture capital undertaking from a venture capital company or a venture capital fund [or a specified fund]; or
- b) by a company from a class or classes of persons as may be notified by the Central Government in this behalf

Explanation — for the purposes of this clause —

- (a) The fair market value of the shares shall be higher of the two:
 - (i) As may be determined in accordance with such method as may be prescribed i.e (Rule 11 UA (2))
 - (ii) As may be substantiated by the company to the satisfaction of the Assessing Officer.

Rule 11 UA (2) has prescribed 2 methods for valuation:

- 1) Net Asset Value Method
- 2) Discounted Cash Flow Method

Formula for Valuation from Net Asset Value Method (A-L) x PV/PE

Where,

A - book value of the assets in the balance-sheet as reduced by any amount of tax paid as deduction or collection at source or as advance tax payment as reduced by the amount of tax claimed as refund under the



Income-tax Act and any amount shown in the balance-sheet as asset including the unamortized amount of deferred expenditure which does not represent the value of any asset;

L - Book value of liabilities, excluding paid up equity share capital, amount set apart for undeclared dividend, reserves and surplus, provision for tax, provisions for unascertained liabilities and contingent liabilities

PV - Paid up value of such equity shares.

PE - Total amount of paid up equity share capital as shown in the balance-sheet;

Note: As per this formula the Assets are NOT REQUIRED to be revalued.

Few Important Common Queries:

Q1: Is this section applicable when the amount is received from a Non-Resident?

Answer: No, this section is applicable only when the shares are issued to a RESIDENT.

Q2: Is this section applicable to issue of Preference Shares?

Answer: Yes, as the word used in the section is "SHARE" hence it includes all the types of shares.

Q3: What are the exceptions to the section?

Answer: The provisions of section 56(2) (viib) are not applicable where the consideration for the issue of shares is received:

1. by a venture capital undertaking from a venture capital company or a venture capital fund.
2. by a company from a class or classes of persons as may be notified by the Central Government in this behalf.

Q4: What do you mean by Venture Capital Undertaking, Venture Capital Company and Venture Capital Fund?

Answer: Venture capital company", "venture capital fund" and "venture capital undertaking" shall have the meanings respectively assigned to them in Explanation to clause (23FB) of section 10.

Q5: Is there any central government notification stating that the provisions of section 56(2) (viib) are not applicable to any particular class/classes of the companies?

Answer: Notification 24/2018 dated 24th May, 2018, read with notification G.S.R. 364(E), subject to the fulfilment of specified conditions.

Q6: Who is authorized to issue the valuation report under DCF method for the purpose of section 56(2) (viib)?

Answer: As per Rule 11UA(2)(b) of Income Tax Rules, read with Notification No.23/2018, dated 24th May, 2018, only Merchant Bankers are now authorized to issue valuation reports as per DCF method for the purpose of section 56(2) (viib).

Q7: If the Assessee has used DCF method for share valuation then can the AO disregard the method adopted by the assessee and carry out the valuation of shares using a different method?

In the case of **Innoviti Payment Solutions Private Limited**, the Bangalore Tribunal addressed the issue on the application of DCF methodology and the powers of the AO to inquire into it. In the said case, the assessee could not conclusively establish that the projections used for DCF valuation were prepared scientifically. The Tribunal referred to the Technical Guide on share valuation by a research committee of the ICAI, wherein it was stated that the DCF value is good as the assumptions used in developing the projections, and these projections should consider various factors affecting the business. The Tribunal held that if the assessee has opted for the DCF method, the AO cannot discard it and adopt another method; however, the AO is well within his rights to examine the methodology adopted by the assessee and the underlying assumptions and if he is not satisfied, he can challenge the same and suggest necessary modifications.

In case of **Agro Portfolio Pvt Ltd**, Delhi Tribunal held that since there was no possibility of verifying the correctness of the data supplied by the assessee to the merchant banker, the correctness of the result of DCF method could not be verified. Hence, the AO had no option but to reject the DCF method and to go by the NAV method to determine the FMV of the shares.

Q8: What are the rules for Valuation of Preference Shares?

Answer: Rule 11UA(2), which is specifically applicable for the valuation of shares for the purpose of section 56(2) (viib) covers only unquoted equity shares within its ambit and there is no reference to the preference shares. Thus, the only method for determining the FMV of the preference shares is Rule 11UA(1) (c)(c), which is reproduced herein below:

"the fair market value of unquoted shares and securities other than equity shares in a company which are not listed

in any recognized stock exchange shall be estimated to be price it would fetch if sold in the open market on the valuation date and the assessee may obtain a report from a merchant banker or an accountant in respect of which such valuation.

Q9: Will the section apply if the Allotment of Shares is done to existing shareholder at a price less than the Fair Market Value?

In Sudhir Menon HUF v/s Assistant Commissioner of Income-tax case it was held that additional allotment of shares to an existing shareholder of a company at less than fair market value (“FMV”) as part of a genuine business transaction should not be subject to section 56(2)(vii)(b) of the (Indian) Income Tax Act, 1961 (“ITA”), where the **allotment is not higher than the proportion of existing shareholding.**

**Valuation of shares for the purpose of Section 56 2(x)
(When the existing shares are sold)**

**Rule 11 UA after amendment applicable from
1st April 2017**

**FMV of unquoted equity shares = (A+B+C+D-L) x
PV/PE**

Where,

A - Book value of all the assets (except those mentioned at B, C and D below) as reduced by income tax paid (net of refund) and unamortized deferred expenditure

B - Fair market value of jewelry and artistic work based on the valuation report of a Registered Valuer

C - Fair market value of shares or securities as determined according to this rule

D - Stamp duty valuation in respect of any immovable property

L - Book value of liabilities, excluding paid up equity share capital, amount set apart for undeclared dividend, reserves and surplus, provision for tax, provisions for unascertained liabilities and contingent liabilities

PV - Paid up value of such equity shares.

PE - Total amount of paid up equity share capital as shown in the balance-sheet;

**PRACTICAL DIFFICULTIES IN IMPLEMENTATION OF
THIS RULE**

1) What will be the date of Valuation?

In case of 56(2)(x), FMV is to be determined basis audited financials as on the date of transaction. Closing the financials and audit thereof alongside the transaction closing date is practically a task impossible to perform, particularly when the transfer is happening at the instance of the shareholder - how can a shareholder insist the company to get its account audited in the middle of the year when he is transferring the shares ? While for determining FMV in case of Section 56(2) (viib), there is categorical mention that if the financials as on valuation date are not drawn up, the last drawn financials may be referred, there is no similar relaxation for this provision.

2) What if the Company has made Investment in other closely held companies?

The mechanism for determining FMV for 56(2) (x) provides for valuing even the investments held by the entity as per Rule 11UA. ***This requires even the financials of those entities to be drawn and audited as on the transaction date.*** This becomes a real challenge as the investee entity might have further invested into other companies and would not be ideally ready to draw and share its financials of any particular date with the investors on demand.

3) What if there is a Cross Holding of shares?

The rule is completely silent on the method to be adopted in such scenarios. The calculations can be done through “Simultaneous Equation” but adopting any particular approach may not be free from litigation.

4) What if the company has made Investment in foreign companies?

The Rule states that “*fair market value of shares or securities as determined according to this rule*” shall be considered. Hence, for any investment in shares and securities, the value of such investments will be computed by doing the same FMV exercise under the Rule by using the balance sheet of the foreign subsidiary.



AUDITING IN THE CURRENT 'WFH' SITUATION

CA. Chetan Dalal, Mumbai



Life has undergone a sea change after the COVID 19 attack on mankind particularly since March 2020. Commercial establishments, offices, social activities have been virtually shut and looks like they will remain shut for quite some time to come. All businesses, professions, trade and commerce have been seriously affected. We auditors are no exception. Most audit firms are operating using a 'work from home' (WFH) approach. The usual approach performing an audit by visiting a client's office, factory, plant and branches is rendered difficult if not impossible. So, in this situation how does an auditor tackle this problem and perform his audit? The ICAI has issued an advisory on Impact of Coronavirus on Financial Reporting and the Auditors Consideration which can be immensely useful.

Audit is all about getting evidence to express an opinion or to certify or attest financial information. This process, in the digital age, for which the auditor has no option, has to be performed remotely in WFH mode. Working remotely is not difficult if one has reasonable working knowledge of IT processes, data access procedures and use of at least simple tools to examine data. It is not necessary to have a technical certification, nor any advanced training, but some effort to familiarize himself with the features of this new environment is inevitable. Even for those in the senior age group who may not have much experience in IT and

computers, it is possible and not at all an unsurmountable task.

In this scenario, the following are the broad distinguishing features which an auditor may need to be mindful of to perform an audit:

1. **Web-enabled virtual visit to replace physical visit.** The approach is now converted from a physical audit to a web-enabled audit. Auditors will be given log-in access to the ERP system, which could be Oracle, SAP or some such system. Data can be put on a virtual private network which can be examined, tested and studied.
2. **Physical verification to be replaced by remote visual images.** Where physical verifications have to be conducted such as in stock and inventory verifications, fixed assets, cash verifications, the time has now come to use newer tools. Remote video – enabled verifications through cell phones, cameras, drones may need to be used for photographs, and video footages of assets for such verifications. Use of drones (flying machines with computers) to view areas where stocks are kept is most appropriate. The verification can virtually be done in a fair amount of detail, and due to support from computers, the entire stock

verification film can be preserved as audit evidence in place of inventory hard copy sheets. An audiovisual statement from the storekeeper on camera confirming the verified locations, stocks, quantities, values and other details can be included simultaneously while verifying the stocks. Of course, this is a general description of the approach but it would have to be fine tuned for each kind of inventory verified, addressing technical aspects, durability, usability and above all materiality.

3. **Physical vouching of documentary evidence to be replaced by digital vouching, particularly for approvals, and transaction details.** In today's digital age, documents are now possible to scan and upload in many ERP systems. Thus an auditor sitting in Mumbai can examine a purchase in Assam with full access to the PO, invoice, dispatch note, packing slip, cheque payment date, and all other details from his house for every purchase transaction in the auditee company. *This is true for every area of audit, whether it be purchases, sales, expenses, or final accounts.* His team can view all the data from their individual homes and get the information they need to complete their vouching. The team leader can

guide the team through calls and video conferencing.

4. **Email audit to replace study of correspondence files for approvals and process compliance (e.g. bidding processes).** In the times to come one may not need to ask for separate approval or sanction notes, or even board resolutions since all this will be embedded in emails including circular resolutions over the web. Auditors will have to develop the art of getting email dumps, using tools to search emails for approvals, specific data, anomalous transactions as well as any other relevant information. In times to come, even audit of chat messages through SMS, text messaging systems, applications like whatsapp, will be necessitated, as long as the audit is performed on company owned cell phones and devices with proper legal advise as regards employee privacy laws.
5. **Video conferencing and calls over the internet/cellphone to replace physical meetings.** All physical meetings in conference rooms, halls, and offices will be replaced by virtual meetings. Client's staff, like the accounts managers, store keeper, cashier,

purchase manager in all likelihood will be working from their respective homes and will remotely provide the information required for the auditor's team to perform their audit tests. Such meetings will have laid down agendas, slotted time durations, and fixed dates so that efficiency levels will be quite high.

6. **Intensive use of tools to search, interrogate and audit data.** This is one area which will be a challenge. With so much of data to be seen and audited digitally the auditors will necessarily have to have constant research to perform such enhanced and additional tests which will make it possible to get penetrative and meaningful results.
7. **Leveraging cloud technologies** as everything is now completely dependent on VC's. Auditors can now hold live interviews and observe visual cues just as they would during an in-person visit or walk-through. Most VC services enable auditors to share documents with other participants in such calls.

The above changes in the WFH approach is just the beginning and will evolve gradually to much more advanced levels. Automation and digital technology of a

very high order will be increasingly used to make the world of audit a different world.

However, a word of caution is important. Technology has its own intrinsic limitations and auditors not only need to be mindful about the inherent risks but may have to put in additional compensatory controls. For example, whilst obtaining third party confirmations, there should be insistence on emails to be directly sent to auditors rather than accepting email-forwards. Caution needs to be exercised for relying on scanned documents of important agreements for it will be difficult to distinguish between genuine and fabricated records. With a large influx of digital footprint, auditors will have to update and upgrade their own housekeeping, e.g. data archival systems, data preservation controls, confidentiality compliances, access controls, etc

The question is, will an auditor in wfh environment, be able to perform with the same efficiency, and be able to conduct a comprehensive coverage? Will the foregoing enable an auditor to express an opinion with the same confidence as he would have had during the physical audits? Only time will tell, but remote auditing is here to stay and auditors will be well advised to gear up.

OBITUARY

We deeply regret to inform sad demise of

CA. Subramaniam Chittur

(Membership No. 030889)

on 06.09.2020.

May his soul rest in peace.





K-RERA: UPDATES YOU NEED TO KNOW

CA. Amit Kumar Kedia, Jaipur



The birth of RERA in July 2017 had received much support among the home-buyers as it had promised speedy justice to people, who would invest a life-time of their savings to buy a property. K-RERA has been functioning since past three years and has gone through a revamp process in the past few months. This article will deal registration of projects, proceedings and execution of RERA orders. The Karnataka government notified Karnataka Real Estate (Regulation and Development) Rules-2017 in the state gazette in July 2018 with the setting up of Karnataka RERA. Moreover, it has also notified the draft model sales agreement as per central government rules in July, 2020.

Unregistered Ongoing Projects:

About a thousand housing projects in the state, most of them in Bangalore are under the scanner of the state's Real Estate Regulatory Authority (RERA), for failing to register with the regulator and ignoring their notices.

As a result, customers of flats at these residential projects will lose their right to approach the RERA if they face a problem with the seller. RERA polices only those projects that are registered with it. In the past two years since the inception of the authority, RERA officials have zeroed in on about 1,700 unregistered housing projects and have issued notices to the developers of such

projects. While about 1,075 developers have replied to the regulator's notices, the promoters of 712 projects are yet to provide reply to the notices issued by the authority.

Registered Ongoing Projects:

Of the 2,581 registered projects in the state, builders of 37%, i.e., 948 projects have failed to meet the completion deadline. Builders of only 290 projects have informed RERA that they've completed their work and the flats are ready for occupation. About 246 projects have sought extension and there is no information about the 440 whose expiry date is over.

According to the RERA Act, a builder has to declare the project-completion date at the time of registration. In case of failure to meet the deadline, s/he can seek extension once for a maximum of one year under Section 6 of RERA, 2016. The builder is liable to be punished if s/he fails complete the project within the declared time frame and RERA can confiscate his/her escrow account and initiate legal action. RERA-Karnataka chairman MR Kamble said: "We are getting details of the projects which have defaulted and are planning to issue notices." He said a team of empanelled chartered accountants is being constituted, which will look into the anomalies of housing projects before advising RERA about the action to be taken.

Following are important circulars which have been notified by K-RERA in past few months:

1. Penalty on failure or delay in reporting quarterly and annual audit reports: (Circular no. : RERA/Finance-Section/83/2020-21)

The Karnataka real estate regulatory authority has imposed penalty for delayed submission of the quarterly and annual audits of projects by the builders, as per a circular dated 03/09/2020 issued by the RERA authority. The property development companies that fail to update the quarterly and annual audit within 15 days from the due date will be fined.

According to section 11 (1), rule(D) of K-RERA, 2017, mandates the promoters to perform certain functions as required under the ACT, including mandatory quarterly updates on the RERA website.

The authority had observed that many of the promoters are not filing the post registration, quarterly updates and annual audits on the website of the authority within the prescribed time. Builders will have to pay a penalty of Rs 10,000 per month for a delay of a month, while for delays of more than a month, the penalty charges will be Rs 20,000 per month. The delay

fees shall be effective commencing from the date of the circular and the promoters should remit the fees through RERA e-payment at the time of filing the quarterly update.

2. No alteration in project without consent of allottees: (Circular No. : K-RERA/Engg.Sec/Modified Plans/2019

The government has issued this circular making buyers' consent mandatory for changing the plan approved by the Karnataka Real Estate Regulatory Authority. The original Real Estate (Regulation and Development) Act, 2016 too for getting consent of at least two-thirds of allottees. But officials said they had deliberately not incorporated this clause to provide some breather to developers.

There have been instances of real estate developers making alterations in the approved plan and home buyers ending up taking possession of flats that are different from what they have been promised during booking. Such unilateral violations or modifications created problems for buyers as they struggled to get undivided share of land (UDS) to claim ownership.

This new circular dated 24/06/2020 will help all stakeholders where the original plans ought to be modified as builders now can't take land owners and home buyers for a ride as from now, developers cannot make alterations or additions in sanctioned or layout plans, and specifications of buildings or common areas within the project cannot be done without the previous written consent of at least two-thirds of the allottees.

3. Extension of 6 months due to Covid-19 Pandemic: (Circular No.: KRera No. Sec.CR.04/2019-20)

The Karnataka Real Estate Regulatory Authority has extended the period of validity of registration of all registered projects by six months. . KRERA shall accordingly issue project registration certificates, with revised timelines for such projects, at the earliest.

Following the central government's advisory, it has classified the COVID-19 pandemic as force majeure and has also extended the time limits of all statutory compliances where the completion date, revised completion date or extended completion date expires on or after March 15, to September 15, 2020.

The extension will give developers more time to understand the market dynamics and customer expectations taking into cognizance the fact that the lockdown has severely affected the construction work.

4. Option of settling dispute through Conciliation: (Circular No. : RERA/ADM/CR-51/2019-20

As the legal process usually takes a long time, the regulatory body has come up with an alternate dispute resolution mechanism. The initiative has received a thumbs-up both from the builder community and buyers. This is an out-of-the-court settlement measure. The aim is to provide speedy redressal before referring the dispute to the authority or adjudicating officer. This is intended to avoid both cost and time of litigation to both parties.

Each case will be heard by a committee that comprises two conciliators — representing the promoters and the home-buyers. Three representatives of RERA will also be part of the conciliation committee that will hear grievances and take measures to facilitate amicable resolution of disputes between home-buyers and builders. The conciliators are chosen from organizations such as CREDAI and National Real Estate Development Council as well as home-buyer associations.

5. K-RERA seeks State govt. to get enforcement powers:

Karnataka's Real Estate Regulatory Authority (RERA) has knocked on State Government's door for help. This is because despite passing judgements against defaulting realtors and builders, the authority has been unable to help the aggrieved home-buyers due to lack of support from deputy commissioners. The regulator has been able to provide compensation to the home-buyer in only one of the 288 cases. Of the 288 cases, 285 pertain to the Bengaluru Urban district.

As per the Act, RERA only has powers to pass judgements related to real-estate cases while the authority to recover dues and compensation lies with the Revenue Department. Over the years, the authority has registered over 3,000 complaints and passed at least 288 judgements. While the disputes were settled in some cases, hundreds of home-buyers are still awaiting justice.



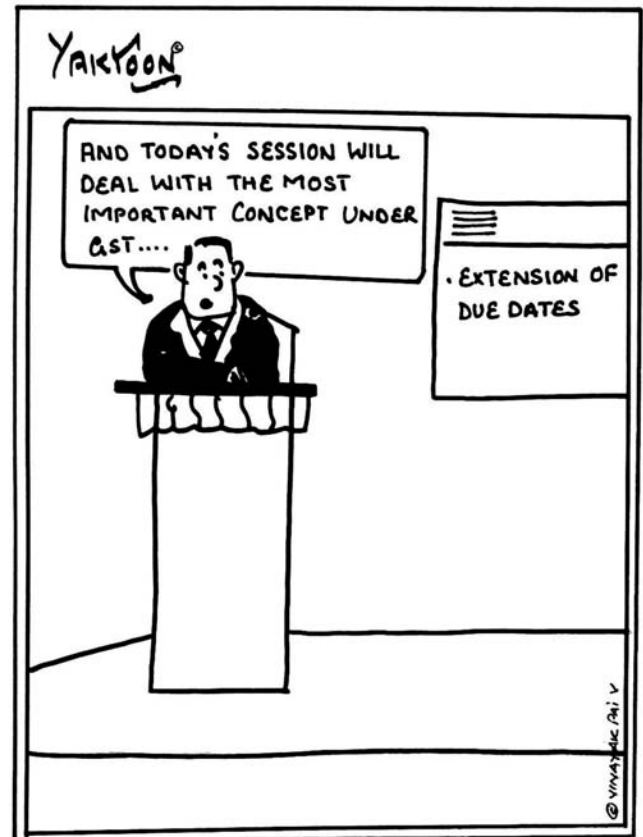
The real-estate regulator had pitched to emulate the Madhya Pradesh model where RERA could have its own executing officer with the powers of the civil and revenue court. This, the officials and home-buyers believe, could do away the need for depending on deputy commissioners to act on the judgements passed by the Authority.

Concluding thoughts:

The K-RERA Authority has been making efforts in the direction of regulating the real estate sector more proactively so that the RERA Act serves the purposes for which it was introduced in 2016. The regulatory authority acts as a watchdog and a principal regulator and its functions include protection of the interests of the stakeholders, accumulating data at a designated repository and creating a robust grievance redressal system. This opens a plethora of opportunities for professionals assisting the stakeholders and working in the real estate sector.

For any Clarifications or Quarries you may contact, The Author CA Amit Kumar Kedia, E: ca.amitvkedia@gmail.com

Note: All the information, date and figures are sourced from official K-RERA website. Please visit <https://rera.karnataka.gov.in/circularPage> for more details.



REQUIREMENT OF ADMINISTRATIVE OFFICER

Bengaluru Branch of SIRC of ICAI

Came into existence on 1st April 1962 by Notification No.1-CA (24/61) dated March 19, 1962. The initial Membership of the Bengaluru Branch was 110. Currently Bengaluru is the largest Branch in India having 14,000 Members and around 35,000 Students.



Bengaluru Branch of SIRC of ICAI

is looking for **ADMINISTRATIVE OFFICER**

Qualification: Any Graduate

Experience: Minimum 10 years of experience in the field of Admin Area from a leading Public or Private Sector.

Salary: As per norms. Candidate will be recruited and placed under Agency.

Environment : We are looking for Male candidates shall be well versed with MS Office, and Drafting knowledge, Command over English Language. He should be capable of interacting with Government Departments, ICAI Offices and various vendors in organizing Conference and Seminars for the Members and Students.

Age: Between 45 years to 55 years

Reporting to: The Management.

Application address to

The Chairman, Bengaluru Branch of SIRC of The Institute of Chartered Accountant of India

Send your Resumes to

btshetty@bvcglobal.com /

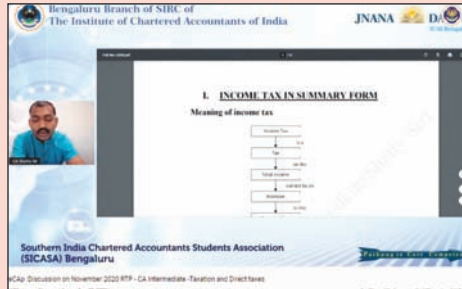
blrchairman@icai.org

on or before 31st October 2020, before 6.00 pm.

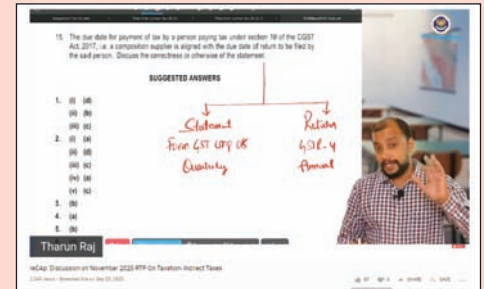
JNANA DASOHA - RTP VIRTUAL CLASSES FOR INTERMEDIATE STUDENTS APPEARING NOVEMBER 2020 EXAMS



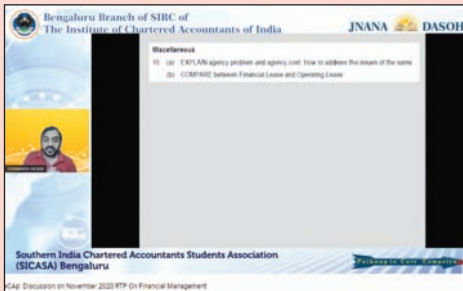
CA. Vijay Raja
Corporate and Other Laws



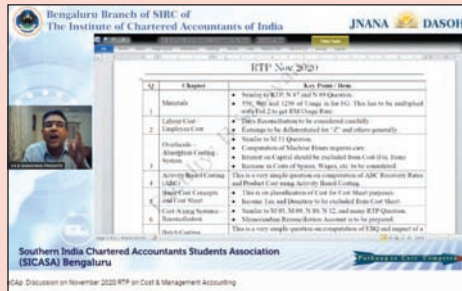
CA. Chandrashekhar Shetty
Taxation and Direct Taxes



CA. Tharun Raj
Taxation - Indirect Taxes



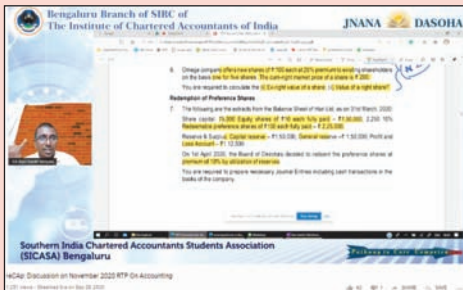
CA. Chinmaya Hegde
Financial Management



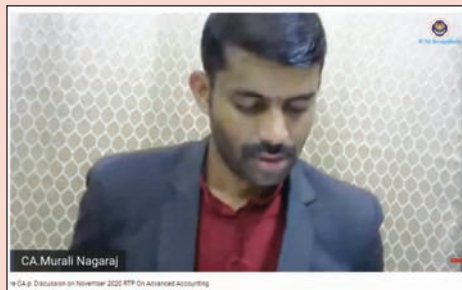
CA. B. Saravana Prasath
Cost & Management Accounting



CA. Kamal Garg
Auditing & Assurance



CA. Ravi Kanth Miriyala
Accounting

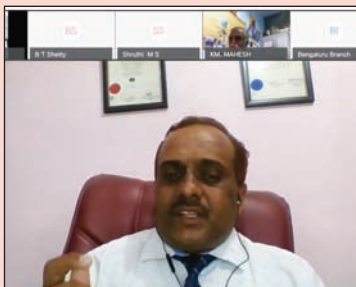


CA. Murali Nagaraj
Advanced Accounting



CA. Anand Prakash Jangid
Enterprise Information Systems & Strategic Management

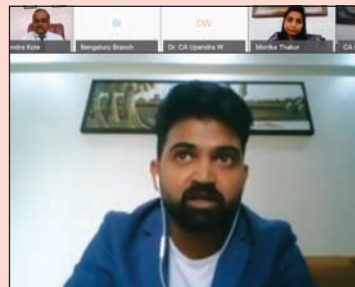
Virtual Career Counselling Programmes



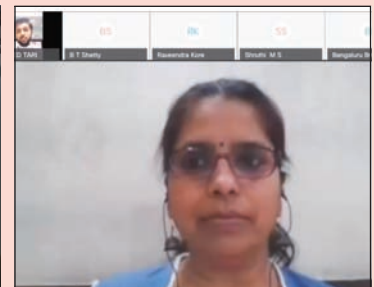
CA. Raveendra S. Kore, Chairman,
Bengaluru Branch of SIRC of ICAI



CA. Bhojaraj T. Shetty, Vice Chairman
Bengaluru Branch of SIRC of ICAI



CA. Sudeep Shetty
addressing at Christ Academy Institute
for Advanced Studies held on 5.9.2020



CA. Annapurna D. Kabra
addressing at Sree Bhagawan Mahaveer
Jain Evening College held on 15.9.2020

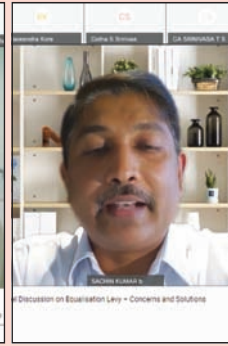
JNANA DASOHA VIRTUAL CPE MEETINGS - MEMBERS PROGRAMMES



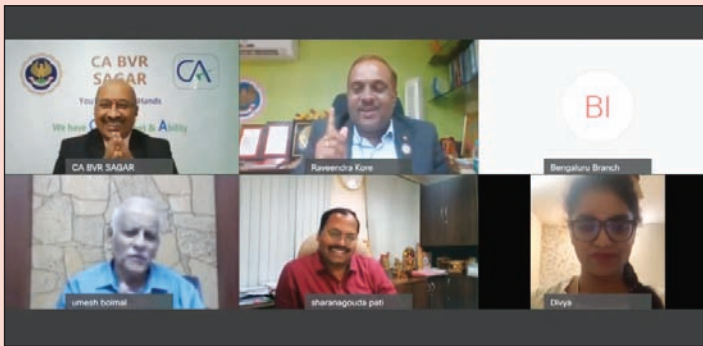
CA. Pankil Sanghvi
Taxation in the new normal – navigating taxes during Covid'19



CA. Chetan Dalal
Case Studies in Forensic Audit



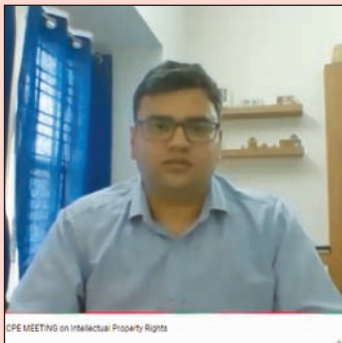
Moderator: CA. Cotha S Srinivas, Past Chairman, SIRC of ICAI
Panelists: CA. Sachin Kumar B.P, CA. Narendra J Jain & Mr. Bharath Lakshminarayana
Panel Discussion on Equalisation Levy – Concerns and Solutions



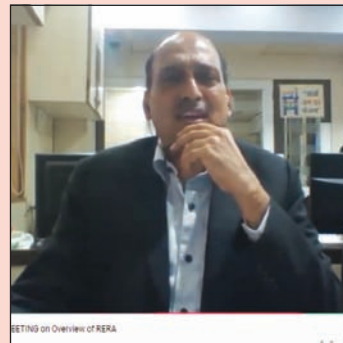
CA. Umesh Bolmal, Belagavi & CA. Raveendranath B.V, Sagar
**A Special Session on Co-operative Sector 1. Practical case studies in Gold Loan
2. Comparison between Two Co-operative Acts in Karnataka**



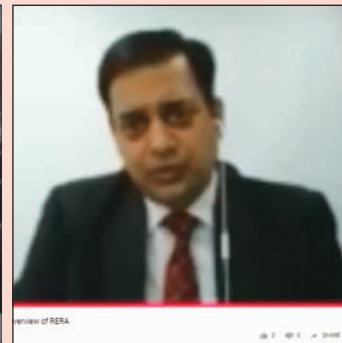
CA. Jomon K George, Past Chairman, SIRC of ICAI
Company Audit 2019 -20 and Covid related Pronouncements of ICAI



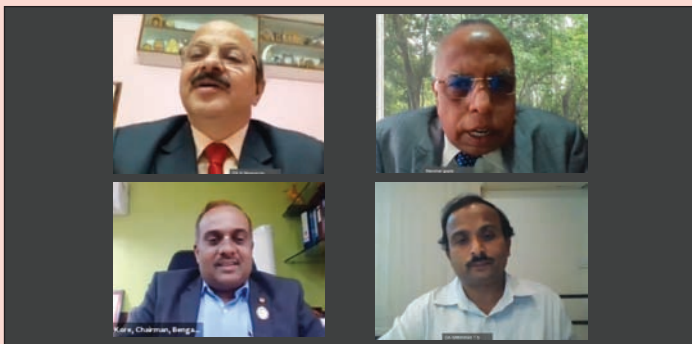
Shri. Hari Prasad M.S, Advocate
Intellectual Property Rights



CA. Ramesh S. Prabhu, Mumbai & CA. Amit Kumar Kedia, Jaipur
**1. Overview of RERA and Challenges including formation of RWA & Conveyance
2. Revival of Stalled projects through section 7 & 8 of RERA including availability of Alternative Investment Fund (AIF)**



CA. H. Padamchand Khincha
Impact of Faceless Assessments including Role of CA's



CA. N. Nityananda, Past Central Council Member, ICAI & CA. Manohar P Gupta
COMMON ERRORS (Statutory form and Accounting standards) In Presentation and Disclosures of Private Limited Companies



CA. Annapurna D Kabra & Dr. B.V. Murali Krishna,
Additional Commissioner of Commercial Taxes (e-governance)
Commercial Taxes Department, Bengaluru
Recent technical developments in GSTN portal including E – Invoicing