



# Hyderabad CIRCUIT

Date of Publication on 14-06-2017 & Date of Posting on 17-06-2017  
Monthly Journal Regd. APENG/2012/49672, Volume No. 4, Issue No. 13, June, 2017 ₹1  
Posting under registration No. L II / RNP / HD / 1181 / 2016-18

A News Magazine from  
the Hyderabad Chapter of  
The Institute of Cost Accountants of India



Presenting bouquet to Sri CH. Malla Reddy,  
Member of Parliament from Malkajgiri by CMA Dr P.V.S. Jagan Mohan Rao,  
CCM, ICAI along with CMA A.V.N.S. Nageswara Rao,  
Past Chairman, SIRC of ICAI, CMA D. Zitendra Rao,  
Member, SIRC of ICAI, CMA B.L. Kumar, Past Chairman, ICAI-Hyderabad Chapter,  
CMA P. Chandra Sekhara Reddy, Member and CMA TSN. Raja,  
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## *The Chairman writes to you*

If your actions inspire others to dream more, learn more, do more and become more, you are a leader.  
-John Quincy Adams



Dear esteemed Members,

I would like to bring to your kind notice that as per directions of the Institute HQ, the elections to be held for the Managing Committee of all the Chapters in the month of May 2017 are being postponed to be conducted within 30.09.2017, as they are proposing certain changes to the Chapter Bye-Laws. HQ has also advised the Chapters to conclude the Annual General Meeting (AGM) of all Chapters on or before 30.06.2017 to adopt the Accounts for the year 2016-17. Eventhough our existing Managing Committee term was completed on 31.05.2017, we are continuing in the office as per the directions of the HQ keeping in view of the proposed change of Chapter Bye-laws. The AGM of our Chapter is called for on 27.06.2017 for approving the activities under taken by the Chapter along with Annual Accounts for the year 2016-17. The notice along with Annual Report of 2016-17 is being despatched and I hope you would have received them by this time. The activities of Members and Students which were conducted in the FY 2016-17 will be presented in detail at the AGM and we will seek your suggestions and approval.

The Chapter organised a programme on GST Era-Transitional provisions on 06.05.2017 by our Central Council Member CMA Ashok B Nawal, where in the speaker enlightened our Members the transitional provisions from the existing indirect tax regime to GST. We attended the Regional Cost Convention held at Chennai on 07.05.2017, where several topics such as Corporate Governance, Benami Transactions Prohibition Act, Business and Management Lessons for CMA, Cyber Security in Manufacturing in the Digital Era were explained in detail.

We also conducted three day seminar on Chapter-wise discussion on GST at Hyderabad Centre of Excellence. The Speakers dealt with the provisions as per approved GST Acts and gave elaborate explanation to each provision to enable our members to take up the assignment when it gets implemented.

On 28th May, the Chapter celebrated "The Institute Foundation Day" by distributing the Tulasi saplings (*ocimum tenuiflorum*) to the morning walkers at Indira Park near Ramakrishna Math. We also met the local Member of Parilament, Sri.Malla Reddy and gave representation for change of Institute name and presented a sapling on this occasion.

As you are aware that on 12th May the Government of India launched the updated series of data for the Index of Industrial Production (IIP) and Whole Sale Price Index (WPI) based inflation. According to the above indices, the base year will be taken as 2011-12 as against previous base year of 2004-05 for arriving the IIP and WPI numbers. On observing the data released by the Government for new series 2011-12 WPI inflation under the new series eased to 3.85 percent in April from 5.30 per cent in March.

Lastly, on behalf of our Managing committee members and myself, I wish all practitioners to have a good beginning when taking up the assignment of GST which most probably is going to be implemented from 1st July 2017.

*With regards,*

**CMA D. Surya Prakasam**  
Chairman

## *From the Edit Room...*

*Under the GST Law to be implemented from 1st July, 2017, business units are required to pass on the benefit of introduction of GST to customers through reduced prices otherwise the Registered Dealer would be attracting the provisions of Anti-Profiteering clause of GST Law. To tackle this issue, business units should prepare the cost sheets with the existing taxes and also with the GST rates applicable in advance for the products and services they are dealing. This would, not only avoid attraction of anti-profiteering clause of GST but would help in fixing correct reduced prices to face the competition. The role of CMAs in this regard is very much needed and the same is explained through a detailed article on this issue.*

*Professionals to note GST updates now on daily basis as the implementation date of GST is decided as 1st July, 2017. Extension of SFT filing date by CBDT to 30th June, 2017, announcement by the Government the interest rate of 7.9% on Staff PF for FY 2017-18, CBDT making arrangements for on line filing of all ITR Returns for AY 2017-18, SEBI Directives to Promoters & Directors of companies for disclosure of shares acquired by them and IRDA's guidelines for outsourcing activities by Insurance Companies and principles for pricing risks etc., which are some of the major changes that took place during the preceding month also need to be noted by professionals.*

*We invite articles on each chapter of the GST from the experienced practicing professionals and the same can be mailed to [ebc.hyderabad@gmail.com](mailto:ebc.hyderabad@gmail.com)*

*CMA Rajapeta Satyanarayana*

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### Managing Committee - 2016-17

<b>Chairman</b> <b>CMA D. Surya Prakasam</b> email: gmfcahmrl@gmail.com	<b>Vice-Chairperson</b> <b>CMA K.V.N. LAVANYA</b> email: nagalavanya@gmail.com
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### Editorial Board

#### Members

- CMA Rajapeta Satyanarayana**
- CMA N. Gopalakrishnan**
- CMA N. Ravi Shankar**
- Sana Sultana**

#### Advisors

- CMA V. Arunagiri**
- CMA N. Srinivasan**

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## ACTIVITIES SCORE BOARD



### Professional Development Sub-Committee

Month (2017-18)	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	Year-to-date
No. of Programs	2	2	0	0	0	0	0	0	0	0	0	0	4
CEP Hours	4	12	0	0	0	0	0	0	0	0	0	0	16

### Practitioners' Forum Sub-Committee

Month (2017-18)	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	Year-to-date
No. of Programs	3	0	0	0	0	0	0	0	0	0	0	0	3
CEP Hours	5	0	0	0	0	0	0	0	0	0	0	0	5





## Performance Track

### PROFESSIONAL DEVELOPMENT SUB COMMITTEE

- **06th May, a programme on “GST Era-Transitional Provisions” conducted at CMA Bhavan, Himaythnagar, Hyderabad.**

**Speaker:** CMA Ashok B Nawal, CCM, ICAI

CMA Nawal, with his authority on the subject, has highlighted that the first opportunity to all professionals is doing the impact assessment of GST on the business process of the clients. He also emphasized that cost accounting records have come in the form of GST records. All allocation and appropriation will be supported by tax invoices. The HR policy, discount policy, purchase policy, pricing policy, re-order levels, etc. need a revision in the GST era. A revision of composite and mixed supplies is also needed by organizations. The inputs given were very much appreciated by the members.

- **13th May to 15th May, a three day seminar on “Chapterwise discussions on GST” was held at Hyderabad Center of Excellence, Nanakramguda, Hyderabad.**

**Speakers:** CA Radhika Verma, Partner - Indirect Taxes, Laxminivas & Co., CABhupendra Agarwal, Tax Head of Karvy Group, CA S. Thirumalai, Former National Director – Indirect Tax, Deloitte Haskins & Sells, CA VS Sudhir, Partner, Hiregange & Associates, CMA B. Mallikarjuna Gupta, Subject matter Expert, Author and Speaker on GST.

This is a three day program which initiated discussions, chapter-wise in the GST Acts to our members and industry as well. The speakers elaborated on levy and collection, time and place of supply, e-way bills, transitional provisions and various rules framed under the Acts.

### OTHER PROGRAMMES

- **28th May, As per the direction of HQ, ICAI-Hyderabad Chapter celebrated the 58th Foundation Day of the Institute of Cost Accountants of India, at Indira Park, Opp. to NTR Stadium, Hyderabad, by distributing saplings to morning walkers, CMA members and Staff.**
- **28th May, CMA Dr P.V.S. Jagan Mohan Rao, CCM, ICAI along with CMA A.V.N.S. Nageswara Rao, Past Chairman, SIRC of ICAI, CMA D. Zitendra Rao, Member, SIRC of ICAI, CMA B.L. Kumar, Past Chairman, ICAI-Hyderabad Chapter, CMA P. Chandra Sekhara Reddy, Member and CMA TSN. Raja, Deputy General Manager, A.P. State Finance Corporation met with Sri CH. Malla Reddy, Member of Parliament from Malkajgiri.**



# FINANCE CLIPS

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FINANCE  
CLIPS

- **Revised CA course from 1st July, 2017:** ICAI has informed that the Revised Scheme of Education and Training for CA course will come into effect from 1st July, 2017. Students, who are eligible to register in the CPT/IIPCC/Final under the existing scheme, may register on or before 30th June, 2017. With effect from 1st July, 2017, the registration in the CPT/IIPCC/Final under the existing scheme will discontinue. The Revised Scheme will be made available shortly at [www.icaai.org](http://www.icaai.org).
- **Draft rules on valuation of unquoted shares:** CBDT seeks the stakeholders' comments/suggestions on the Draft Rules relating to valuation of unquoted equity share for the purposes of Section 56 and Section 50CA of the Income-tax Act, 1961 and for details refer to [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)
- **Procedure for quoting for tenders by ICAI(Cost) members in Practice:** A Gazette Notification has been issued by the ICAI(Cost) regarding the method to be followed by the members in Practice against tenders for assignments and for details refer to [www.icmai.in](http://www.icmai.in)
- **Clarificatory bulletin by Indian AS Transition Facilitation Group (IFTG) on IFRS:** The Ind AS Transition Facilitation Group of ICAI has issued 9 clarifications on various issues and the clarifications can be accessed on [www.icaai.org](http://www.icaai.org)
- **EOI:** ICWAI MARF invited Express of Interest (EOI) from CMAs to be empanelled for the above activities. EOIs received will be shortlisted as per the policy of the ICWAI MAIF for empanelment. The empanelled CMAs will be paid honorarium as per the policies framed by ICWAI MARF.
- **Securities transactions disclosures:** The government has asked all companies to disclose shares and bond transactions involving Rs 10 lakh or more in a financial year to Income Tax (I-T) department by May 31 vide the Business Standard dated 15th May, 2017.
- **NPAs:** Combined NPAs of Public and Private sector banks zoom to Rs 8 lac crore. The government has sought from large institutions such as Life Insurance Corporation (LIC) with rising debts to come up with action plan to minimize defaults on corporate loans vide The Deccan Herald dated 11th May 2017.
- **ICAI campus placement:** Completion of GMCS is mandatory for taking part in ICAI Campus Placement Programme, meant for Newly Qualified CAs. Accordingly, to cater to the needs of the Students appearing for the Final Examination in May'2017 but are yet to complete GMCS Course, adequate arrangement has been made by the Board of Studies of ICAI and for details refer to [www.icaai.org](http://www.icaai.org)
- **Payment to Government employees:** All payments to Government servants, including salary payment, shall be made by electronically signed payment advices for direct credit to their bank accounts, subject to availability of banking facilities. However, a one-time relaxation may be granted for payment by other recognized modes in cases of hardship where the reasons are duly approved by the Head of Department and Financial Adviser.
- **Clarifications on statement of financial transactions:** The CBDT has issued a press release dated 26th May 2017 by which it has provided important clarification on furnishing Statement of Financial Transaction (SFT) & SFT Preliminary Response u/s section 285BA of the Income-tax Act, 1961 read with Rule 114E of the Income-tax Rules, 1962. The due date for filing such SFT in Form 61A is now extended to 30th June, 2017
- **Audit of Consolidated Financial Statements:** The Council of ICAI at its 365th meeting held on May 17-19, 2017 considered a matter regarding amendment to paragraph 17 of Revised Guidance Note on Audit of Consolidated Financial Statements issued in October 2016 and for details refer to [www.icaai.org](http://www.icaai.org)
- **Registered Valuers & Valuation Rules:** The draft Companies (Registered Valuers and Valuation) Rules, 2017 have been placed on the Ministry's website [www.mca.gov.in](http://www.mca.gov.in) for suggestions/comments. The Rules, 2017 will come into force with effect from 15th July, 2017.

# LEGAL UPDATES

By **K P C Rao**, LLB,FCMA, FCS.,  
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## I. GST COUNCIL APPROVES TAX RATES UNDER THE GOODS AND SERVICES TAX

Goods and Services Tax (GST) Council approved rates of several goods and services under GST. The Council, consisting of representatives from the centre and states is responsible for deciding tax rates of goods and services under GST, among others. The Council decided to levy zero tax rate on a few goods such as pulses and cereals. The rest of the goods and services are largely classified into four tax slabs – 5%, 12%, 18% and 28%. In addition, some goods in the 28% category will be levied an additional cess.

*Tax rates of various goods and services under GST*

<b>Rate</b>	<b>Goods</b>	<b>Services</b>
0%	<i>Wheat</i>	
	<i>Rice</i>	
	<i>Oats</i>	
5%	<i>Tea and Coffee</i>	<i>Transport by rail</i>
	<i>Medicines</i>	<i>Air transport by economy class</i>
	<i>Edible oils</i>	
12%	<i>Butter and Cheese</i>	<i>Air transport by business class</i>
	<i>Sanitary napkins</i>	<i>Non-AC Restaurant without liquor license</i>
	<i>Mobile phones</i>	
	<i>Dry fruits</i>	
	<i>Tractors</i>	
	<i>Agarbatti</i>	
18%	<i>Toothpaste</i>	<i>Restaurant with liquor license</i>
	<i>Soap bars</i>	<i>AC Restaurant</i>
	<i>Computers</i>	
	<i>Default rate for unspecified items</i>	
28%	<i>Chocolate</i>	<i>Entertainment (such as cinemas and theme parks)</i>
	<i>Shampoo</i>	<i>Gambling</i>
	<i>Washing machine</i>	<i>Restaurants in five star hotels</i>
	<i>Air conditioner</i>	
28% + cess	<i>Aerated drinks + 12%</i>	
	<i>Petrol cars + 1% Diesel cars + 3%</i>	
	<i>Big cars + 15%</i>	

## II. THE BANKING REGULATION (AMENDMENT) ORDINANCE, 2017 WAS PROMULGATED.

The Ordinance inserts provisions in the Banking Regulation Act, 1949 to deal with cases related to stressed assets. Stressed assets are loans where the borrower has defaulted on repayment or where the repayment schedule has been restructured.



Key provisions of the Ordinance include:

(a) **Initiating insolvency proceedings:** The centre may authorise the Reserve Bank of India (RBI) to issue directions to banks for initiating proceedings in case of a default in loan repayment. These proceedings would be under the Insolvency and Bankruptcy Code, 2016. Subsequent to the promulgation of the Ordinance, the Finance Ministry authorised the RBI to issue directions to banks that it considers necessary to initiate insolvency proceedings.

(b) **Directions on stressed assets:** The Ordinance allows the RBI to issue directions to banks for resolution of stressed assets. Further, it may specify authorities or committees to advise banks on resolution of stressed assets. The members on such committees will be appointed or approved by the RBI.

### III. DRAFT FUGITIVE ECONOMIC OFFENDERS BILL, 2017 RELEASED

The draft Fugitive Economic Offenders Bill, 2017 was released by the Ministry of Finance. The draft Bill seeks to address the issue of economic offenders such as loan defaulters, who evade the law by remaining out of the country.

In this context, the Ministry stated that the provisions of the current laws are not adequate to deal with high economic offenders (such as offenses or loan defaults of high value). The provisions of laws such as Insolvency and Bankruptcy Code, 2016 and SARFAESI Act, 2002 address the issue of non-repayment of debt by debtors. However, they do not have provisions to deal with debtors who absconded from India when criminal cases were pending. The Code of Civil Procedure, 1973 provides for attachment of property of individuals who absconded from India. However, in the case of large loan defaults, court proceedings may happen in several courts across the country, and may lead to conflicting orders to attach the properties of the absconder.

Key features of the draft Bill include:

- (a) A fugitive economic offender has been defined as a person against whom an arrest warrant has been issued and he: (i) has left the country, or (ii) refuses to come back to the country.
- (b) An application may be filed before a Special Court (designated under Prevention of Money Laundering Act, 2002) to declare an individual a fugitive economic offender. The individual's property may be

provisionally attached for a period of 180 days.

- (c) If the person is declared an offender, his property will be confiscated. An Insolvency Professional under the Insolvency and Bankruptcy Code, 2016 will be appointed to dispose the property and distribute the proceeds amongst the offenders' creditors.

### IV. NEFT TRANSACTION SETTLEMENT FREQUENCY INCREASED TO HALF-HOURLY INTERVALS

The RBI announced that the frequency of settling transactions under the National Electronic Fund Transfer (NEFT) system would be increased from July 10, 2017 onwards. Under NEFT, any person may electronically transfer funds to other bank accounts across the country.

Currently, transfers under NEFT are settled on an hourly basis from 8 AM to 7 PM on all working days. This is proposed to be increased to half-hourly intervals by adding 11 additional settlement batches.

### V. CABINET APPROVES ABOLISHING FOREIGN INVESTMENT PROMOTION BOARD

The Union Cabinet approved the abolition of the Foreign Investment Promotion Board (FIPB). FIPB is responsible for clearing Foreign Direct Investment (FDI) proposals in cases where government approval is required. Finance Minister, Mr. Arun Jaitley had announced the abolishment of FIPB in Union Budget, 2017.

Following the abolishment of FIPB, the approval of FDI proposals where government approval is required, will be approved by the concerned Ministries, in consultation with the Department of Industrial Policy and Promotion.

### VI. UNION CABINET APPROVES NATIONAL STEEL POLICY 2017

The Union Cabinet approved the National Steel Policy 2017. India became the third largest steel producer in the world with a production of 90 MT and a capacity of 122 MT in 2015-16. Post 2011, with a slowdown in global demand and over-capacity of steel in countries such as China, global prices of steel began to decline. This adversely affected the Indian steel market which witnessed a surge in imports, low profitability, lower capacity utilization and even closure of steel plants in some cases.

The Policy seeks to create a self-sufficient steel



industry that is technologically advanced, and globally competitive. It also seeks to achieve cost-efficient production and domestic availability of iron ore, coking coal, and natural gas. Key policy guidelines include:

- (a) **Objectives:** Some of the objectives include: (i) increasing annual per capita steel consumption to 160 kg by 2030-31 (currently 61 kg), (ii) increasing domestic availability of washed coking coal and reducing import of coking coal from 85% to 65% by 2030-31, and (iii) establishing the domestic industry as a cost-effective and quality steel producer.
- (b) **Steel demand and capacity:** Steel demand will be driven by increasing investment in infrastructure, expansion of railways network, development of domestic ship-building industry, etc. Based on the demand projections, steel production capacity of 300 MT will be required by 2030-31. However, this will require extensive mobilization of natural resources, finances, manpower, and infrastructure. Creation of such additional capacity will also require a capital investment of about Rs 10 lakh crore.

To improve production, the Ministry of Steel will facilitate setting up of SPVs in mineral rich states of Odisha, Chhattisgarh, Jharkhand and Karnataka. Steel plants will be set up along the coast under the Sagarmala project. In addition, steel clusters will be set up for the MSME steel sector to take advantage of common use of land and infrastructure.

- (c) **Land requirement:** Growth of the Indian steel industry has been affected due to delays in land acquisition. In order to increase steel production capacity, around 91,000 acres of land will be required. The Steel Ministry will coordinate with respective state governments to ensure timely availability of litigation-free land to the industries.

## VII. LAW COMMISSION RECOMMENDS AMENDMENTS TO BAIL PROVISIONS

The Law Commission of India submitted a report on "Amendments to Criminal Procedure Code, 1973 (CrPC)- Provisions Relating to Bail". It also submitted a draft of the Code of Criminal Procedure (Amendment) Bill, 2017 that incorporates the

recommended amendments.

Key observations and recommendations of the Commission include:

- (a) **Arrest:** Currently the CrPC allows a police officer to arrest an accused person without a warrant from a Magistrate in specified circumstances (e.g. for offences with more than seven years' imprisonment). The Commission recommended that in such cases: (i) the Magistrate must be provided the circumstances and reasons for the arrest after the arrest, and (ii) the Magistrate must examine if the circumstances meet the requirements of the CrPC.

The Commission also recommended that the police officer must inform the accused person in a language he understands of his or her rights, and the legal procedure that will be followed.

- (b) **Bail:** The Commission recommended that the term bail be defined under the CrPC. It defined 'bail' as the judicial interim release of an accused person held in custody, upon a guarantee that the person will appear to answer the charges against him or her at a later date.

The Commission also recommended that financial obligations may be imposed as a bail condition only as the last resort, when no other method is likely to work.

- (c) **Anticipatory bail:** The CrPC allows a person who has reason to believe he may be arrested in the future, to apply to a court for anticipatory bail. The Commission observed that anticipatory bail be granted with caution, and recommended that it must remain valid for a limited time period (as decided on a case-by-case basis by the court).

- (d) **Maximum period of detention for under trials:** The CrPC provides the maximum period for which a person may be detained for an offence during investigation and trial. This is specified as half of the period of imprisonment specified for that offence under law. The Commission recommended that this provision be modified to: (i) one-third of period of imprisonment, for offences punishable with up to seven years' imprisonment, and (ii) one-half of period of imprisonment, for other offences.



# CMA UPDATE

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## GENERAL

- **Digital & Paperless courts:** The first step towards ushering in digital and paperless courts has been taken by way of the inauguration of the Supreme Court's Paperless, Digital Management System. The new system, aimed at serving as a digital repository for case-related information, can be accessed at [www.sci.gov.in](http://www.sci.gov.in). The system is the first step to ending the age-old practice of filing voluminous case records. The Supreme Court will collect all records electronically from lower courts and high Courts. This will dispense with the requirement to file printed copies in the Supreme Court.
- **Quoting Aadhaar not compulsory:** Quoting of Aadhaar in IT Returns is not compulsory in the case of assesses of Assam, J&K and Meghalaya and to NRI and Super Sr.Citizens for details refer to [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)
- **One time exemption to NGOs:** Government has given one final opportunity to all associations /organizations which have applied for renewal of their registration under the Foreign Contribution (Regulation) Act, 2010 (FCRA) but not uploaded their Annual Returns from Financial Year 2010-11 to 2014-15. All such NGOs can upload their missing Annual Returns along with the requisite documents within a period of 30 days, starting from May 15, 2017 to June 14, 2017. Further no compounding fee will be imposed on them for late filing of Annual Returns during this period. The renewal of registration under FCRA cannot be granted unless the Annual Returns are uploaded by the organization vide II/21022/ 36(0207)/ 2015-FCRA-II dated 12th May, 2017 of Ministry of Home Affairs.
- **Abolition of FIPB:** The Union Cabinet chaired by the Prime Minister Shri Narendra Modi on 24th May, 2017 has given its approval to the phasing out of Foreign Investment Promotion Board (FIPB). The proposal entails abolishing the FIPB and allowing administrative Ministries/Departments to process applications for FDI requiring government approval.

## GST

- **Returns under GST:** Only small taxpayers, whose turnover is below Rs 50 lakh per annum under the composition scheme, can avail of filing quarterly returns. But these will not be able to avail of input tax credit vide the FM's reply to All India Congress Committee general secretary Digvijaya Singh.
- **GST enrolment window to reopen:** Revenue Secretary Dr. Hasmukh Adhia holds detailed review of IT-Preparedness for the roll-out of Goods and Services Tax (GST) from July 01, 2017. 60.5 lakh taxpayers out of 84 lakh enrolled as of now; Registration to be reopened for 15 days from 1st June, 2017 to give another opportunity to taxpayers to enroll.
- **GST services under Reverse Charge:** GST council has cleared services which are to be allowed under Reverse charge in its meeting dated 19th May, 2017.

## LABOUR

- **EPFO to make payments electronically:** Government has amended social security schemes of EPFO."The labour ministry has amended the schemes run by the EPFO by a notification. This will enable the Employees' Provident Fund Organisation to make all payments like EPF and pension through digital mode," vide the Business Standard of 8th May, 2017.
- **Interest on Staff PF:** As per the Government of India, Ministry of Finance resolution dated 18.04.2017, accumulations at the credit of subscribers to the Staff Provident Fund shall carry interest at the rate of 7.9% (Seven point nine per cent) w.e.f. 01.04.2017 to 30.06.2017 vide No. HRD/3(2)2012/SPF/71 dated 9th May, 2017 of EPFO

## INCOME TAX

- **ITR Forms ready for efilng returns for AY 2017-18:** IT Department has made available all ITR forms including ITR 6 for AY 2017-18 for efilng and the same can be accessed on [www.incometaxindiaefiling.gov.in](http://www.incometaxindiaefiling.gov.in)

## RESERVE BANK OF INDIA

- **RBI to handle NPAs:** The promulgation of Banking Regulation (Amendment) Ordinance, 2017 will lead to effective resolution of stressed assets, particularly in consortium or multiple banking arrangements and for details refer to [www.rbi.gov.in](http://www.rbi.gov.in)



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## VAT & CST

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- **Half hourly NEFT system:** As announced in the First Bi-monthly Monetary Policy Statement for 2017-18, additional settlements in the NEFT system at half-hour intervals are being introduced to enhance the efficiency of the system and add to customer convenience vide RBI/2016-17/300 DPSS (CO) EPPD No.2612/04.03.01 /2016-17 dated 8th May, 2017 of RBI.

### SEBI

- **Shares received in Gift:** Promoters and directors of a listed company are required to disclose details about shares received by way of gift and through off-market transactions, according to regulator SEBI vide TOI dated 8th May 2017.

### CENTRAL EXCISE

- **Prosecution module:** CBEC launched the Prosecution Management Module (PMM) – a web-based solution for efficient monitoring and administration of prosecution cases and for details refer to [www.cbec.gov.in](http://www.cbec.gov.in)

### COMPANIES ACT

- **About 9 lac companies likely to get de-registered:** Revenue Secretary, Adhia said that about 9 lakh companies which are not filing any return to the government and they have become a potential threat for money laundering are likely to get deregistered and for details refer to [www.mca.gov.in](http://www.mca.gov.in)
- **Transfer of cases from HC to NCLT:** All companies are required to comply with norms relating to transfer of proceedings from HCs to NCLT before 14th June, 2017 vide NCLT Notice dated 17th May, 2017.

### IRDA

- **Insurance Web Aggregators:** The objective of the Insurance Web Aggregator Regulations is to supervise and monitor Web Aggregator as an insurance intermediary who maintains a website for providing interface to the insurance prospects for price comparison and information of products of different insurers and other related matters. IRDA has notified on 13th May 2017 IRDA(Insurance Web Aggregators) Regulations 2017 and for details refer to [www.irda.gov.in](http://www.irda.gov.in)
- **Guiding principles for pricing risk:** IRDA has issued guiding principles for pricing of risks and the details can be accessed on [www.cbec.gov.in](http://www.cbec.gov.in)

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1. **Banks and financial institutions:** Value added tax-Recovery of tax-Priority of debts- Company in liquidation –Bank bringing property mortgaged to it to sale- Bank's dues have priority over statutory dues claimed by Department- Maharashtra Value Added Tax , 2002 (9 of 2005), ss. 33(1), 37, 38 – Securitization and Reconstruction of Financial Assets and Enforcement of security Interest Act (54 of 2002), ss. 13, 26E, 35-Companies Act (1 of 1956), ss. 529, 529A, 530 – **Axis Bank Limited Vs. State of Maharashtra.**  
(2017) 100VST 48 (Bom)
2. **Works Contract:** Sales Tax –Contract for supply of ballast and grit at both sides of Railway track – Contract involving labour- Labour charges to be deducted – Orissa Sales Tax Act, (14 of 1947) – **State of Orissa Vs. D. K. Construction**  
(2017) 100VST 24 (Orissa HC)
3. **Brick Kiln Owners:** Value Added Tax-Settlement scheme fixing trade tax payable on composition basis – Once agreement entered into, binding on both dealer and Department – Dealer not entitled to seek waiver of payment on any ground – **Silawar Brick Field vs. Commissioner, Commercial Tax.**  
(2017) 100VST 394 (All)
4. **Freight:** Sales Tax- Sale price –Definition-Freight charges- Agreement for supply of dolomite to steel plant- Break up of landed cost per tone including freight by road on pre-paid door delivery basis – Freight charges included in “sale price” by express agreement between parties –Includible in taxable turnover –Reassessment –Question whether freight charges includible in turnover not considered in original assessment – Reopening of assessment valid – **Chhattisgarh Vanijyik Kar Adhiniyam, 1994 (5 of 1995) s. 28 – Kasturchand Bafna vs. State of Chhattisgarh**  
(2017) 100VST 251 (Chhattisgarh)

# SERVICE TAX CASE LAW UPDATES

- By CA Sudhir V.S. & CMA Sudha Rani

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## Penalty not imposable –Service tax liability discharged before issuance of SCN:

**Facts of the Case:** Appellant is engaged in the manufacture of Aluminium Extrusions. It availed the services of foreign company for maintenance and repair of capital goods installed in the factory at Mysore during Jan'07 to Mar'07. Appellant paid the service tax along with interest under reverse charge, upon objection raised by the department. And this was intimated to the department in writing and availed the credit of service tax paid under reverse charge. At later point of time, show cause notice (SCN) was issued alleging suppression. Penalty was proposed under Sections 76,77, and 78 of Finance Act. OIO was passed confirming the penalties. On appeal to commissioner (Appeals) upheld the OIO except dropping the penalty u/s 76. Hence, present appeal before tribunal.

**Issue:** Whether imposition of penalty u/s 78 is contravention to the provisions of Sec.76 of Finance Act?

**Revenue's Argument:** Appellant is guilty of suppression of facts as he failed to inform the department regarding non compliance.

**Decision:** Except mere allegation of suppression, the department did not bring any material on record to prove that there was suppression and concealment of facts to evade payment of tax. In the impugned order, any finding on suppression of facts by the appellant with an Intention to evade tax was not recorded. Imposition of penalty under section 78 of the Finance Act is not justified and bad in law.

**Comments:** In all most every notice allegation of suppression has been done as a matter of routine, this decision clearly states that, this needs to be proved with evidence and not only allegation.

[Refer: **Bhoruka Aluminium Ltd. vs. Commr. of C.Ex. & ST., Mysore 2017 (51) STR 418 (Tri-Bang)**]

## Service of order is not complete when acknowledgment card of registered post not produced by the department:

**Facts of the Case:** Appellant filed an appeal before Commissioner (Appeals) of C.E. against OIO. Appeal was dismissed by an order-dated 15.12.2009. Appellant not received the copy of OIA dated.15.12.2009 and hence applied the certified copy of the order on 13.12.2011, which was provided on 12.01.2012. Immediately, appeal was filed by the appellant before tribunal on 03.02.2012 with an application to condone the delay. Appeal was rejected by the tribunal since it was not filed within the statutory period of 3months. Aggrieved by it, appellant filed petition before High Court.

**Issue:** Whether delay in filing of appeal can be condoned when order is not served to the assessee?

**Revenue's Argument:** Copy of the order was sent by registered post and hence it is deemed to have been received by the appellant.

**Decision:** Tribunal failed to take in to consideration of the fact that revenue also did not produce the acknowledgment card. Appellant does not stand to gain anything by delaying the filing of the appeal before the Tribunal, after having paid more than 50% of the demand. Entertaining the appeal by condoning the delay would be appropriate solution. Order of tribunal is set aside. Tribunal is directed to take up the appeal for disposal and dispose of it on merits and in accordance with law.

**Comments:** The communication of the order completes only when the recipient has received the same, which needs to be proved.

[Refer: **Osa Shipping Pvt.Ltd. vs. Commissioner of C.Ex. Chennai 2017 951) STR 127 (Mad)**]

**NOTE:** The Hyderabad Chapter requests its members to intimate to the Chapter regarding their success in the Limited Insolvency Examination conducted by the Insolvency and Bankruptcy Board of India.

## Role of CMA's in Anti-Profiteering Clause of Goods and Service Tax

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Goods and service tax though is a big indirect tax reform in India post-independence but in reality, it is a business process reform. One of the major drawbacks with the current taxation is, it is not a multi-point tax as in Central Excise where the input tax credit can be taken only by the registered dealer who is having an element of manufacturing. This results in more price to be paid by the end consumer as the ITC is not available in the whole distribution cycle. In Goods and Service Tax, the ITC is available and this results in lower taxes and resulting in the customer at a lower price.

With the rollout of GST, the prices are supposed to come down on the availability of ITC at all stages, if the same is not passed on to the end customer, there is a stringent monitoring mechanism to ensure that the same is passed through the Anti profiteering clause. Though the details of same are not announced the industry has to be prepared to brace the same and in this, the role of cost and management accounts is very critical. No other professional can prepare a cost sheet in a perfect manner other than cost accountant. With the GST rollout from 1st July 2017. The cost auditor or the cost accountant can prepare a cost sheet for prior to the rollout of GST with the existing taxes and also clearly mark the elements of tax which is not available for credit under existing system along with the expected cost in GST. As the rates are also available in the public domain, the tentative cost sheet for the item can be prepared. This will give a fair idea to the organization on the pricing policy to be taken post GST with the effective ITC available. If the same activity is not done prior to the rollout of GST, there is huge possibility that the competitor must have done this activity and result in a lower price from his side, if the competitor price is lesser than then our price, then it will directly impact the top line and the bottom line of the organization.

Section 171 of the Central Goods and Service Tax describes the Anti-Profiteering clause

171. (1) Any reduction in rate of tax on any supply of

goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.

(2) The Central Government may, on recommendations of the Council, by notification, constitute an Authority, or empower an existing Authority constituted under any law for the time being in force, to examine whether input tax credits availed by any registered person or the reduction in the tax rate have actually resulted in a commensurate reduction in the price of the goods or services or both supplied by him.

(3) The Authority referred to in sub-section (2) shall exercise such powers and discharge such functions as may be prescribed.

For the vested interest of the organization, the same should be considered and tentative pricing should be ready based on the current scenario and once it done and after the rollout the same can be visited with the ground reality and the cost sheet is to be reworked, this process will ensure that same top line is maintained even after rollout of GST or improved also.

The cost accountant while preparing the cost sheet should keep in mind that the input tax credit can be taken only on supplier's payment of taxes and matching of the tax returns of the supplier and recipient, this will involve some cost and the same should be factored. The costs to be factored are the additional working capital requirements, compliance cost for return filing as the GSP/ASP has to be paid for the return filing services and also for the additional cost involved for reconciliation. This cost will be in form of additional manpower or additional software requirements or by way of outsourcing the same.

Given below is the table which gives a comparison of cost pre and post rollout of GST without additional compliance cost being factored in.



<b>Manufacture to Retailer</b>		
<b>Particulars</b>	<b>Existing System</b>	<b>Under GST</b>
Raw Materials	10,000	10,000
Tax – Central Excise @ 12.5%	1,250	
Tax - Value Added Tax @ 14.5%	1,631	
Tax – CGST + SGST @ 18%		1,800
<b>Total</b>	<b>12,881</b>	<b>11,800</b>
Value Addition	1,000	1,000
Tax - Service Tax @15%	150	
Tax - CGST + SGST @ 18%		180
<b>Total Cost</b>	<b>14,031</b>	<b>12,980</b>
Profit	1,000	1,000
<b>Selling Price before taxes</b>	<b>15,031</b>	<b>13,980</b>
Less ITC		
Tax – Central Excise @ 12.5%	1,250	
Tax - Value Added Tax @ 14.5%	1,631	
Tax - CGST + SGST @ 18%		1,800
Tax - CGST + SGST @ 18%		180
<b>Total ITC</b>	<b>2,881</b>	<b>1,980</b>
<b>Selling Price before taxes</b>	<b>12,150</b>	<b>12,000</b>
Tax – Central Excise @ 12.5%	1,519	
Tax - Value Added Tax @ 14.5%	1,982	
Tax - CGST + SGST @ 18%		2,160
<b>Selling Price with Taxes</b>	<b>15,651</b>	<b>14,160</b>

<b>Retailer to Customer</b>		
<b>Particulars</b>	<b>Existing System</b>	<b>Under GST</b>
Distributor to End Consumer		
Cost of Goods	12,150	12,000
Tax- Central Excise @12.5%	1,519	
Tax – VAT @ 14.5%	1,982	
Tax – CGST + SGST @ 18%		2,160
<b>Total</b>	<b>15,651</b>	<b>14,160</b>
Value Addition	1,000	1,000
Tax - Service Tax @ 15%	150	
Tax – CGST + SGST @ 18%		180
<b>Total Cost</b>	<b>16,801</b>	<b>15,340</b>
Profit	1,000	1,000
<b>Selling Price before taxes</b>	<b>17,801</b>	<b>16,340</b>
Less ITC		
Tax – VAT @ 14.5%	1,982	
Tax – CGST + SGST @ 18%		2,160
Tax – CGST + SGST @ 18%		180
<b>Total ITC</b>	<b>1,982</b>	<b>2,340</b>
<b>Selling Price before taxes</b>	<b>14,819</b>	<b>13,000</b>
Tax – VAT @ 14.5%	2,149	
Tax – CGST + SGST @ 18%		2,340
<b>Selling Prices With taxes</b>	<b>16,967</b>	<b>15,340</b>

It is clearly visible that the post-rollout of GST, the prices are going to come down only on the account of tax treatment, so the government is also keen to pass on the same to the common man for this the Anti-Profitteering clause is introduced in the GST Acts. The clue for this is taken from the Malaysian GST where the industry has not passed on the tax benefits to the customers and this has resulted in a lot of unrest in the society as well as higher inflation. To avoid all these drawbacks, we have the anti-profitteering clause and at this point in time, we do not have any guidelines on what basis the government will serve notice and what documentary evidence we need to provide in such cases.

Keeping in view of that it is recommended to have the cost sheets ready so that the trade and industry need not run for information at that point in time. This should be one of the activities for the transition/planning for GST.

The recommendations for the cost and management account will be very useful to the trade and industry and indirectly the role of cost and management accounts even though in industries where cost audit is not mandatory. The anti-profitteering clause has made

it mandatory for all industries to maintain cost sheets without any cost audit indirectly.

In the second table as we have discussed we need to add the costs for the working capital and compliance costs on account of GST, this will give a clear indication on the profit. The same can be revised when the actual number are available after the rollout of GST on monthly basis or quarterly basis or on the organizational requirement at regular intervals.

Similar cost sheet has to be prepared for services also be it in the banking sector or telecom sector..this activity will help in determining the exact cost impact and the basis on which it can be passed on to customers.

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*for their successful completion of the Limited Insolvency Examination conducted by the Insolvency and bankruptcy Board of India.*



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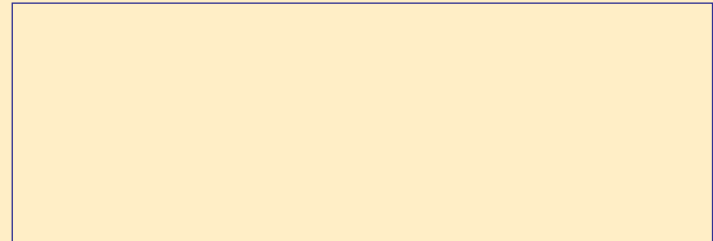


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**Posting under registration No. L II / RNP / HD / 1181 / 2016-18**

Editor: CMA D. SURYA PRAKASAM, The Institute of Cost Accountants of India – Hyderabad Chapter, 1-2-56/44A, 5th Street, Himayatnagar, Hyderabad - 500 029.

Printed and Published by: Mrs. K. Kavitha, on behalf of Hyderabad Chapter of Cost Accountants, 1-2-56/44A, 5th Street, Himayatnagar, Hyderabad-500 029 and printed at Gayatri Printing Press, 5-18, Durganagar, Dilsukhnagar, Hyderabad – 60 and published at Hyderabad Chapter of Cost Accountants, 1-2-56/44A, 5th Street, Himayatnagar, Hyderabad-29. Phones : 27635937/27611912.