



ICAI MANGALORE
INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

The **Bulletin Board**

e- Bulletin



Volume 5 | May 2017

- *Chairman's Message*
- *Branch Activities carried out in the month of May 2017*
- *Branch Activities Gallery*
- *Professional Updates*
- *Managing Committee*

Thought for the Month:

**"Simplicity is the
ultimate sophistication."**

- Leonardo da Vinci



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Chairman's Message



CA Bhargava Tantri P
Chairman
Mangalore Branch of SIRC of ICAI



Dear Members,

It is my pleasure to address you all through this medium and share some thoughts.

As said in Bhagavadgeetha-

***"NAHI JNAANENASADRISHAM PAVITHRAMIHA VIDHYATE,
TATSVAYAM YOGASAMSIDHVAKAALENAATMANI VINDATI"***

***"Here in this world, there is nothing as pure as knowledge.
One who is accomplished in Yoga, gets it within himself"***

There is no substitute for knowledge. Getting more and more knowledge only will give the feeling of fulfilment. Our Institutes motto is also towards attaining purity- shaping desire after desire- (*KamamKamamPurusoNirmimanah*). It is our effort to enable the members in this direction by organising various programmes to enrich knowledge.

On 12th May, Mangalore Branch had organised a one day Seminar on ICDS, which was inaugurated by SIRC Member and Treasurer CA Pannaraj S. Three young and eminent speakers, CA Deepak Chopra and CA Nithin Kumar P from Bangalore and CA E. Chaithanya from Tirupati dealt on the 10 standards of ICDS. Our own member CA Shriram conducted a study circle meeting on the newly introduced compliance "SFT" on 25th of May.

Live webcast on GST and IGST procedures organised by the Indirect Taxes Committee was hosted by the Branch on 2nd May, and many members took the benefit of this programme.

...Contd.

Chairman's Message



Also branch is planning to conduct a series of programmes on GST and other new emerging Laws and compliances in the coming months.

Our Past Chairman CA Keshav Ballakuraya and team conducted a workshop for faculty of Commerce department at SDM College, Ujire on 30th May. Once again thanks Keshav for actively taking part in keeping the CA institute flag flying high.

It is the GrishmaRitu, known for hottest climate in this part of the world. This hot season is also famous for a lot of local festivals. As we all know these festivals are conducted by the generous contributions from the local donors. So, in a way this month can be called as month of Giving. And we, Chartered Accountants also take part in this. We all will be sending our Membership & COP Fees. Alongwith that there is a window for making small "DAAN" by donating to "CABF" - Chartered Accountant Benevolent Fund. The fund is for giving financial assistance for maintenance, education or any other purposeto members, wife & children of the members, widow & children of the deceased member at times of their distress. The SIRC has set a target of mobilising Rs. 1.00 Crore this year for this fund. So let us all join hands in generously contributing to this great cause.

As per predictions we must have a good Monsoon this year beginning from June. I wish all the members a good season with lot of better professional opportunities.

Jai ICAI, Jai Hind

CA BHARGAVA TANTRI P.



Branch Activities May 2017



Sl No	Date	Activities at Branch for Members	CPE Hours/ Number of Participants
1	02.05.2017	Live Webcast Organised by Indirect Taxes Committee of ICAI Topics: IGST + Procedures (Payment, Return, Refund) Speakers: Shri G D Lohani, Commissioner; Shri Ravneer Khurana and CA Gaurav Gupta	Members: 11 CPE Credit: 3 Hours
2	05.05.2017	Awareness Program on SFT (Statements of Financial Transactions) conducted by the officials of IT Dept.	Participants: 40
3	12.05.2017	One day Seminar on ICDS, Inaugurated by CA Pannaraj, Member of SIRC; Introduction to ICDS and Standards 1, 2 and 8 taken up by CA Deepak Chopra, Bangalore; ICDS Standards 3, 4 and 6 taken up by CA E Chaitanya, Tirupati; ICDS Standards 5, 7, 9 and 10 taken up by CA Nithin Kumar P, Bangalore	Members: 75 Students: 35 CPE Credit: 6 Hours
4	25.05.2017	Study Circle meeting on SFT (Statement of Financial Transactions) u/s. 285BA of the Income Tax Act, 1961 Discussion leader- CA Sriram V Rao, Mangalore	Members: 54 Students: 14 CPE Credit: 2 Hours
5	30.05.2017	Workshop on GST at SDM College, Ujire Speakers: CA Keshava Ballakuraya; CA Anusha and CA Shreevathsa Ballakuraya	Participants: 40



Branch Activities May 2017



SI No	Date	Activities at Branch for the Students	Number of Participants
1	18.05.2017	ITT Batches commenced- 2 Batches	Students: 54
2	22.05.2017	8 th Batch of Orientation Course	Students: 40
3	23.05.2017	Study Circle on 'Corporate Social Responsibilities' Speaker: Ms. Anusha Devadiga Chairperson: CS Narasimha Pai	Students: 16
4	24.05.2017	National Talent Hunt- Elocution Competition Winner: Merceeta D'Souza Judges: CA Nagraj Sharma, CA Salomi Lobo and Shri Sushil Gupta	Participants: 7
5	25.05.2017 to 27.05.2017	3 days Teleconferencing Programme of ICAI on GST	Students: 52
6	28.05.2017	CPT Mock Test for June 2017 examination	Students: 106



Branch Activities Gallery May 2017



Our Chairman welcoming the gathering and the speakers at the Awareness Program on Statement of Financial Transactions conducted by Income Tax Officials at Padil



Our Chairman and the IT Officials who conducted the Awareness Program on Statement of Financial Transactions

Branch Activities Gallery
May 2017



SIRC member CA Pannaraj inaugurating the One day Seminar on ICDS



Speakers of the One day Seminar on ICDS



Students at the eighth batch of Orientation Course.



News and Updates

Income Tax

SFT return filing due date extended to 30th June 2017

The CBDT has extended the due date for furnishing Statement of Financial Transaction (SFT) to 30th of June 2017. Due date for filing SFT in Form 61A in respect of the Specified Financial Transactions prescribed under rule 114E which were recorded for the Financial Year 2016-2017 is 31st of May 2017. However, representations were received by CBDT for extension of the due date on account of teething problems and the volume of data to be compiled. In view of these representations, the CBDT has extended the due date to 30th June 2017.

TDS deduction and filing in case both parents of a minor income earner are deceased

Notification No. 5/2017 dated 29th May 2017

Vide the above Notification, it has been specified that in case of minors where both the parents have deceased, TDS on interest income accrued to the minor is required to be deducted and reported against PAN of the Minor Child unless a declaration is filed under sub rule (2) of Rule 37BA of the Income Tax Rules, 1962 to that effect.

TDS in case of entities whose income is exempted under Section 10 **Circular No. 18/2017**

Vide the above Circular, CBDT has laid down the list of entities whose income is unconditionally exempted and who are also not statutorily required to file Return of Income as per Section 139 of the Income Tax Act, to be exempted from TDS in respect of payments made to them. This Circular supersedes earlier circulars on this issue.



News and Updates

Income Tax

ITBA- Conversion of Case from Limited to Complete Scrutiny

ITBA Assessment Instruction No. 4 dated 3rd May 2017

Assessing Officer can access the link for conversion of case from Limited to Complete Scrutiny through the Assessment Module of ITBA portal. The AO is required to enter the reasons for conversion of a case and the proposal is to be submitted for approval of PCIT/CIT/PDIT/DIT. The range shall then forward the proposal with its recommendation to the PCIT/CIT/PDIT/DIT for approval and on accepting the proposal after examination, the Limited Scrutiny will be converted to a Complete Scrutiny.

Quoting of Aadhaar on PAN Application/ ITR not to apply to certain individuals

Notification No. 37/ 2017 dated 11th May, 2017

Vide the above Notification the Govt. has notified that the requirement of quoting Aadhaar and PAN is not mandatory to the following individuals:

1. An individual residing in the state of Assam, Jammu and Kashmir and Meghalaya
2. An individual who is a non-resident as per the Income Tax Act, 1961
3. An individual of the age of eighty years or more at any time during the previous year
4. An individual who is not a citizen of India.

CBDT notifies Rule 21AD & Form No. 10B for exercising option u/s. 115BA(4)

Notification No. 36/2017 dated 2nd May 2017

Vide the above Notification, CBDT has prescribed Form No. 10-IB for exercising the option given under sub-section (4) of section 115BA. This form shall be filed electronically either under digital signature or an electronic verification code. Section 115BA allows a company being a domestic company set up or registered on or after 1st day of March, 2016 to be taxed at a lower rate of twenty five percent provided such company opts to be taxed at the aforesaid lower rate by complying with other requirements of the Section and by filing the aforesaid notified form.



News and Updates

Companies Act

Clarification regarding due date of transfer of shares to IEPF Authority

General Circular No. 06/2017

Rule 6 of Investor Education and Protection Fund Authority Amendment Rules, 2017 talks about transferring shares to the IEPF by May 31, 2017 in cases where seven years period as laid down in sub section 5 of Section 124 is completed between September 7, 2016 and May 31, 2017. However, The IEPF Authority is in the process of finalizing the modalities for transfer/transmittal of shares from companies' accounts to the Demat account of the IEPF Authority. It is considering opening Special Demat account and till opening of Demat accounts, the due date for transfer of shares stands extended.

Service Tax

Tax Exemption on 'Pradhan Mantri Vaya Vandana Yojana' Services

Notification No. 17/2017- Service Tax dated 4th May 2017

Vide the above Notification, Central Government seeks to amend Notification No. 25/2012- ST dated 20.06.2012 so as to exempt life insurance services under the 'Pradhan Mantri Vaya Vandana Yojana'.

SEBI

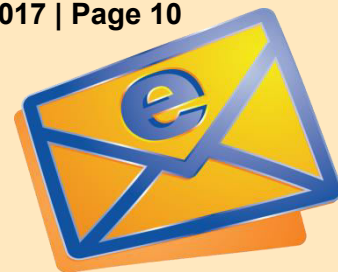
Disclosure for Issuance and listing of Green Debt Securities

Circular No. CIR/IMD/DF/51/2017 dated 30th May 2017

SEBI (Issue and Listing of Debt Securities) Regulations, 2008, govern public issue of debt securities and listing of debt securities issued through public issue or on private placement basis, on a Recognized Stock Exchange. However, for public issue and listing of Green Debt Securities and listing of privately placed Green Debt Securities, in addition to the requirements prescribed in the aforesaid 2008 Regulations, certain additional requirements as laid down in the aforesaid Circular needs to be complied with. The Circular also gives the definition of Green Debt Securities.

SEBI introduces Online System for Portfolio Managers and Venture Capital Funds

SEBI has informed that an online system is introduced for Portfolio Managers. The system provides a comprehensive solution for all the regulatory compliance specified under the SEBI (Portfolio Managers) Regulations, 1993 and circulars issued there under.



Income Tax Case Laws

Subsidy for expansion and improvement- whether capital or revenue

Shyam Steel Industries Ltd. v. Dy. CIT (2017)(Kolkata Tribunal)

Assessee company engaged in the business of manufacturing of hot rolled bars, had received subsidy from State Government for setting up new plant. It capitalized the subsidy. AO was of view that Power Subsidy was received by the assessee after it had commenced its production and consequently held that subsidy was an operational one and not capital one.

Held: Subsidy had been granted to the assessee in respect of its new project and for expansion purpose. Object of the subsidy was for the expansion of capacity, modernization and improving the marketing capabilities. State Government had decided to provide incentives to power intensive industries in respect of new plant and expanding industries in certain designated areas, therefore, same was in capital field and to be treated as capital receipt.

Forefeiture of share warrant allotment money- Whether Capital or revenue

Electrosteel Castings Ltd. v. Dy. CIT (2017)(Kolkata Tribunal)

Share Warrants issued were to be converted into Equity Shares on a sum being paid by the Allottees. However the Allottees did not opt of conversion and amount received on sale of Share Warrants were forefeited by the assessee. This amount was considered as a Capital Receipt by the Assessee.

Held: Amounts received on sale of warrants were not in the ordinary course of business. Share warrants were issued for the purpose of raising capital for the business. On conversion of the warrants the same was to be capitalized in the books. As a corollary to this, when company forefeited the application money received at the time of issuing the warrants, it was capital receipt in the hands of the company. AO did not bring evidence to prove that the assessee had resorted to some kind of tax avoidance measure to make a clandestine gain.

Carrying forward of excess expenditure to the next year by a Charitable Trust

ITO v. Malti Vasant Heart Trust (2017)(Mumbai Tribunal)

Assessee trust filed returns declaring certain loss treating the same as excess application u/s. 11. AO disallowed carry forward of loss. CIT(A) allowed assessee's appeal

Held: If commercial principals are applied, then adjustment of expenses incurred by the trust for charitable and religious purposes in the earlier years against the income earned by the Trust in the subsequent year will have to be regarded as application of income of the Trust for Charitable and religious purposes in the subsequent year in which adjustment has been made having regard to the benevolent provisions contained in Section 11 and that such adjustment will have to be excluded from the income of the Trust u/s. 11(1)(a).



Income Tax Case Laws

Allowability of exemption when in fact registration was not granted

CIT v. Maharishi Institute of Creative Intelligence (2017)(Allahabad HC)

Until and unless registration was granted, no exemption could be claimed only on the basis that application had been submitted for registration. In the present case, despite the fact that admittedly no registration certificate had been issued to assessee till date, still exemption had been granted by authorities below. This was not consistent with requirement of S. 12A (1), as was applicable for the relevant assessment year.

Publication of news on commercial line- Whether charitable?

Tribune Trust v. CIT (2017)(P&H HC)

Assessee trust was engaged in the publication of News papers running on commercial lines. The object clause of the trust referred to education, medical relief or relief to poor. The business of printing and publication of newspaper itself is an object of general public utility; therefore, assessee claimed the income there from to be exempt from tax. AO concluded it to be commercial and not charitable.

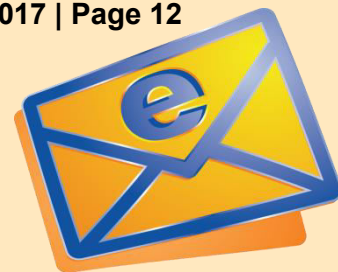
Held: Exemption was available in respect of the income only if the business carried on by the assessee trust was incidental to the attainment of the objects of the trust. Admittedly, the assessee had not utilized or set apart any part of the income for any of the charitable purposes referred to in the objects clause and was only engaged in publication of the newspaper which was run on commercial lines at rates comparable with other commercial news papers. Since the business was not carried on as an incidental activity and was carried on as main object, therefore benefit of exemption was not available to trust.

Investment made out of interest bearing funds vis-à-vis own funds- Disallowance under Sec. 14A

ACIT v. HCL Comnet Ltd. (2017)(Del Trib)

Interest of Rs. 274.68 Lakhs was paid for the loans taken from C and H for utilization of the same for business purposes. Further interest of Rs. 3.2 L was paid for vehicles taken on lease. Apart from the aforesaid two interests, Rs. 147.47 L was paid as bank charges during the period.

Held: None of the financial charges were related to the investment made by assessee and investments in dividend yielding assets were out of own funds or funds from Holding company having no interest cost. This specific finding of CIT(A) had not at all been controverted by department by bringing any evidence on record and hence the disallowance made on account of interest expenditure relatable to earning of exempt income was deleted.



Income Tax Case Laws

Loans to subsidiaries at lower rate of Interest – subsidiaries being financially weak

Hindalco Industries Co. v. CIT (2017)(All HC)

Assessee paid interest at the rate of 16% on borrowings from banks and also advanced money to its subsidiaries. AO noticed that the assessee had advanced loans to subsidiaries at lower rates of 6% or 12%. Hence the difference was disallowed by AO u/s. 36(1)(iii)

Held: Financial condition of the subsidiaries was not good. For the welfare and proper functioning of the subsidiaries, the assessee had decided to advance loans so that ultimately they could function properly and the assessee being the holding company would also benefit. Therefore, loans advanced to subsidiaries were for commercial expediency and the assessee was entitled to the deduction of interest u/s. 36(1)(iii).

Writing off Bad Debts when business with same debtors continued

Prime Focus Limited v. ACIT (2017)(Mumbai Tribunal)

AO made disallowance of written off bad debts in respect of four debtors as balances in the books of assessee did not tally with the balances in the books of such debtors. Assessee in spite of writing off balances continued transactions with such debtors and also received payments.

Held: It was not clear as to how and why the assessee wrote off these amounts as irrecoverable, even when it was continuing business with these parties, after writing off and in most of cases, the assessee was even receiving payments. Accordingly, writing off of such amounts on the one hand and continuing business on the other did not inspire confidence about the genuineness of such writing off, which could be just with a view of reducing the taxable income. AO was justified in making additions.

Business Expenditure- Double Deduction- Partners salary added to the cost first and then claimed as revenue expense.

Shraddha Estate v. ITO (2017)(Pune- Trib)

Assessee, a Partnership firm were developers and builders. Assessee had debited certain expenditure as “Other Expenses” which included amount paid to partners as interest and salary relatable to earlier years. AO disallowed this expenditure since no satisfactory reply was received from the assessee in this regard.

Held: Salary and Interest had been already credited in the earlier years to the partner's capital by giving a corresponding debit to cost of flats. Assessee was therefore barred from claiming this expense again. Claiming of expenditure twice i.e., in the year when the assessee has debited the expenses to the cost of flats and during the current year as Other Expenses was not permissible. This amounted to double deduction.



Income Tax Case Laws

Business Expenditure- Wholly and exclusively for business purpose- Agency Commission

Landis GYR Ltd. v. CIT (2017)(Cal HC)

Assessee paid certain commissions to C and S and claimed them as a deduction. AO disallowed the same as AO felt that there was no requirement of agents for assessee's business. Both agents however submitted in writing about receipt of commission and rendering of service to the assessee.

Held: S was forwarding to assessee purchase orders and C took steps for acceptance of goods delivered by assessee and also collected price of goods sold by assessee. The agents made themselves liable to recover price of goods sold by them, and thus they were del credere agents. Therefore, commission payment made to these two agents was allowable as business expenditure.

Website Development Expenditure- Whether Capital or Revenue

ITO v. All India Technologies Ltd. (2017)(Kol Tribunal)

Assessee company claimed deduction of website development expenses. AO treated the same as capital expenditure resulting in enduring benefit.

Held: Because of Website development expenditure, there was no change in the fixed capital of the assessee. Although the website might provide an enduring benefit to assessee however, the intent and purpose behind its development was not to create an asset but only to provide a means for disseminating the information, about the assessee for smooth and efficient running of the day to day business. Therefore, website development expenditure was to be treated as revenue expenditure, rather than capital.



Managing Committee 2017-18



Managing Committee

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CA Shivananda Pai B, Vice Chairman
CA Raviraj B, Secretary
CA Anantha Padmanabha K, Treasurer
CA K Subramanya Kamath, SICASA
Chairman
CA Aravinda Krishna B, Member
CA Abdur Rahman Musba, Member
CA Edyll D'Silva, Member

The Managing Committee of Mangalore Branch of SIRC of ICAI invites articles, write-ups and other similar materials in the areas of Accounting, taxation or any other subject of professional interest for publishing in its e-bulletin. The articles submitted for consideration of publication should be of 2,000- 4,000 words typed double space on A4 size paper with 1 inch margin all around. Soft copy of the article may be sent to icaiebulletin@gmail.com.

Feed back on this e-bulletin can be sent to the editorial team @

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