



ICAI MANGALORE

INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

The Bulletin Board

e- Bulletin



Volume 3 | March 2017

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Thought for the Month:

**Don't be
reliable only
when it is
convenient.**



✓ **Quality**

✓ **Trust**

✓ **Integrity**

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Chairman's Message



CA Bhargava Tantri P
Chairman
Mangalore Branch of SIRC of ICAI



Dear Members,

March is a very important month for the CA Fraternity, being the last month of the Indian Financial Year. This year added to the yearend work was "MIGRATION" process to GST. Also every one of us will be anticipating the Bank Audit appointment letters and gearing up for the Bank Audits, which will be the First Audit assignment in the new financial year.

A full day Seminar on Bank Audit was conducted on 18th March. Mr.M.B Ganesh, General Manager, Corporation Bank inaugurated the event. CA G.R. Sarangi, AGM- Corporation Bank, Mr. K.S. Balachandra Rao, GM(Retd), Canara Bank, CA Prasanna Shenoy, CA Nithin Mahadevappa and CA Mahesh Krishnan were the resource persons who dwelt on all relevant topics for Bank Audit like- Bankers Expectations from Branch Auditors, Verification of Advances, Reporting LFAR and Tax Audit, Use of Technology as a tool for Bank Audit and Prudential Norms/ recent Notifications pertaining to NPA.

A half day seminar on Ind AS & IFRS was conducted on 11th March with CA Mohan Lavi as the resource person. An interaction with officials of Customs and Central Excise Department officials for GST Migration was held on 23rd March.

SOUHARDA CUP cricket tournament was held on 26th of March at St.Aloysius Centenary grounds. Six teams participated- IT Department, Central Excise & Service Tax Dept., Customs Dept., VAT Dept. Udupi CA team and our own Mangaluru CAs. Udupi CAs won the trophy. It was a well organised event with strict adherence to time schedule.

Chairman's Message



I had the privilege of inaugurating the One Day Seminar “AAVISHKAR” conducted by SICASA Mangalore with ALVA’S College, Moodabidre on 17th March. It was attended by 117 students and was well appreciated by the management of Alvas. Kudos to SICASA Mangalore.

One day Bank Audit Seminar for students was conducted on March 25th with CA Rajaram Karanth-Retd GM, Corporation Bank, CA Rajaram Shenoy- Mangalore, CA CG Pinto-Retd GM Corporation Bank and CA Deepak Nayak- Puttur as resource persons.

Regular Crash Course for IPCC and Final Students are being conducted with renowned faculty from Bangalore and Chennai, which are getting good response from students. We request the members to encourage their students to take benefit of these classes.

We are conducting a Residential Seminar at Silent Valley Resorts, Kalasa, Kudremukh on 28th, 29th and 30th of April. It is a place surrounded by wild forest and the serene atmosphere will mesmerise all. I request the members to attend this programme with family and register immediately. Details are already mailed.

I wish all the members a Happy and eventful new financial year with lot of better professional opportunities.

Jai ICAI, Jai Hind

CA BHARGAVA TANTRI P.



Branch Activities March 2017



Sl No	Date	Activities at Branch for Members	CPE Hours/ Number of Participants
1	11.03.2017	Half day Seminar on "Analysis of how India has implemented Ind AS" by CA Mohan R Lavi, Bangalore	Members : 27 CPE Credit : 3 Hrs
2	18.03.2017	Full day Seminar on Bank Audit, Inaugurated by Sri M B Ganesh, General Manager, Corporation Bank; Session on "Bankers Expectation from Branch Auditors" by CA G Sarangi; Session on "Verification of Advances" by Shri K S Balachandra Rao, GM (Retd.), Canara Bank; Session on "LFAR and Tax Audit Report" by CA Prasanna Shenoy; Session on Use of Technology as a Tool in Bank Audit by CA Nithin Mahadevappa; Session on "Prudential Norms/ Recent notifications pertaining to NPA" by CA Mahesh Krishnan	Members : 141 Students : 70 CPE Credit : 6 Hrs
3	23.03.2017	Interactive Session on GST Migration with officials from Department of Central Excise and Service Taxes, Mangalore. Speakers: Shri K Datta Kumar, Additional Commissioner, C. Ex, Hqrs, Mangalore; Shri K M Shreyas, Assistant Commissioner, Service Tax Division, Mangalore; Shri S Shankar, Assistant Commissioner of Central Excise, Mangalore	Members : 44 Students : 12 CPE Credit : 2 Hrs
4	26.03.2017	Souharda Cup Cricket Match at St. Aloysius College Ground Mangalore.	Participants : 120
5	29.03.2017	Introduction to Ind AS, Overview of Ind AS 1, Ind AS 8 and Ind AS based Schedule III organised by Ind AS (IFRS) Implementation Committee of the ICAI Speakers: CA Dhinal Ashvinbhai Shah, Chairman, Ind AS (IFRS) Implementation Committee	Members : 10 CPE Credit : 2 Hrs



Branch Activities March 2017



SI No	Date	Activities at Branch for the Students	Number of Participants
1	03.03.2017 to 29.03.2017	Crash Course for IPCC Students on : Indirect Taxes Company and allied laws Accounting Income Tax Advanced Accounting Auditing	Students 43 Students 17 Students 20 Students 23 Students 34 Students 31
2	01.03.2017 to 28.03.2017	Crash Course for Final Students on : Strategic Financial Management Information System Control Audit Financial Reporting Indirect Taxes	Students 31 Students 12 Students 33 Students 34
3	22.03.2017	07 th Batch of Orientation Course	Students 40
4	17.03.2017	One Day Seminar AAVISHKAR Inaugurated by Chairman of Mangalore Branch CA Bhargav Tantri in the presence of Shri Vikas Alva; Session on Demonetisation by Chaitra and Kiran Kamath chaired by CA Nagraj Sharma; Session on E-Commerce by Sowmya Pai and Ayasha Suman chaired by CA Karthikeya Shenoy; Session on Accounting Standards by Deeksha and Pavithra chaired by CA Karthikeya Shenoy	Students 117
5	25.03.2017	One Day Bank Audit Semiar Session on Classification of Assets by CA Rajaram Karanth; Session on Audit Programme by CA Rajaram Shenoy; Session on LFAR and Tax Audit Report by CA C G Pinto; Session on Audit in Computerised Environment by CA Deepak Nayak	Students : 43



Branch Activities Gallery
March 2017



INAUGURAL SESSION OF THE FULL DAY SEMINAR ON BANK AUDIT



COMMITTEE MEMBERS AND SPEAKERS AT THE FULL DAY SEMINAR ON BANK AUDIT



MR. M B GANESH, GENERAL MANAGER OF CORPORATION BANK, CHIEF GUEST FOR THE FULL DAY SEMINAR ON BANK AUDIT

Branch Activities Gallery
March 2017



CA G R SARANGI, SPEAKER AT THE FULL DAY BANK AUDIT SEMINAR



MR K S BALACHANDRA RAO, GM (Retd.), CANARA BANK, SPEAKER AT THE FULL DAY BANK AUDIT SEMINAR



CA PRASANNA SHENOY, SPEAKER AT THE FULL DAY BANK AUDIT SEMINAR

Branch Activities Gallery
March 2017



CA NITHIN MAHADEVAPPA, SPEAKER AT THE FULL DAY BANK AUDIT SEMINAR



CA MAHESH KRISHNAN, SPEAKER AT THE FULL DAY SEMINAR ON BANK AUDIT



CA MOHAN LAVI, SPEAKER AT THE HALF DAY SEMINAR ON IND AS AND IFRS



News and Updates

Income Tax

Processing of Paper Returns filed for AY 2015-2016 or earlier AYs to be completed expeditiously

Re: F. No. DGIT(S)/OIT(S)-3/ITBA/ 2016-17

All principal CCITs are directed to complete the processing of all paper ITRs filed for the AY 2015-2016 or earlier AYs or E-filed ITRs transferred by CPC and pending for processing in AST without waiting for the statutory due date. This is since a main module of ITBA, ITR processing module is in its advance stage of development and is expected to be rolled out very shortly. Once the new module is rolled out, AOs will be mandatorily required to process all paper returns filed for AY 2016-17 and onwards in ITBA only.

Template for Notice u/s. 133(6) for cash deposited during demonetization

Instruction No. 4/2017 dated 3rd March 2017

CBDT had issued SOP to be followed by the Assessing Officers for Online Verification of Cash Transactions pertaining to the demonetization period. This SOP was vide Instruction No. 3/2017 dated 21.02.2017. The SOP requires the AO to collect necessary information by exercising the powers available under Section 133(6) of the Income Tax Act by obtaining prior approval of Pr. CIT/ CIT/ Pr. DIT/ DIT. As per the SOP, Section 133(6) is to be exercised in cases where persons under online verification have failed to respond in a timely manner in spite of reminders by the AOs. Refer Instruction No. 4/2017 dated 3rd March 2017 of CBDT for the template.

CBDT chief instructs Pr. CITs to enhance revenue collection

Re: F. No. 385/17/2016- IT(B)

On review of position of Budget collections as on 4th of March 2017 it was noted that as against the target growth rate of above 14%, the rate of growth of net revenue collections is only 10.6% and this has led the CBDT Chief to instruct the Pr. CITs to enhance revenue collections by not sparing any effort in this regard.



News and Updates

Income Tax

Existence of deposit in bank was not a mandatory thing on PMGKY payment date

Circular No. 8/ 2017- Income Tax

Vide the above Circular dated 14th March 2017, it was clarified that undisclosed income in the form of deposits in an account maintained with a specified entity need not exist on the date of making payments under the Scheme or furnishing a declaration under the scheme. On the other hand, where the undisclosed income is represented in the form of cash, it is clarified that such cash should exist on the date of making payment of tax, surcharge and penalty under the Scheme or on the date of making deposit under the scheme, whichever is earlier.

Implementation of DSC under ITBA/ HRMS application

Re: F. No. System/ ITBA/Digital Signature/16-17/181

Department officials are required to issue letters, notices, orders etc to Income Tax assesses or other addressees within the Department or outside or upload documents, reports, forms or perform several ITBA/ HRMS related activities on the ITBA system. In order to enable the digital authentication of such communications within and outside the department, it is envisaged that the officers and other selected employees shall use the Digital Signature Certificate issued to them by the Department to digitally sign such letters, notices, orders to Income Tax assesses or other addressees within the Department or outside or upload documents, reports, forms or perform several ITBA/ HRMS related activities on the ITBA system.

Extension of PMGKY declaration to 10th April 2017

Circular No. 12 of 2017

PMGKY scheme which commenced on 17.12.2016 was open for declaration till 31.03.2017.

On representations being received by various stakeholders regarding difficulties in uploading the Form 1 under the scheme despite of the tax, surcharge, penalty and deposit being made as required by the scheme, CBDT decided to extend the date for declaration in Form 1 under the scheme to 10th of April 2017 in cases where all the payments of tax and deposit as required by the scheme were made.



News and Updates

Income Tax

Download Sahaj (ITR 1), 2, 3, Sugam (ITR 4), 5, 6, 7 for AY 2017-18

Notification No. 21/2017

CBDT vide the above notification has released the ITR for assessment year 2017-2018. The number of ITR forms has been reduced from the existing nine to seven. The existing ITR-2, 2A and 3 have been rationalized and a single ITR 2 has been notified in the place of these three forms. Consequently, ITR 4 and ITR 4S have been renumbered as ITR 3 and ITR 4 (Sugam) respectively.

IDS 2016- CBDT guidelines for condonation of delay in payment.

F. No. 225/86/2017- ITA II

CBDT while exercising power under section 119 of the act with regard to condonation of delay in case of payment of first installment of IDS 2016 has decided that granting condonation of delay in payment of installment beyond the prescribed due date shall not be feasible in cases of delay due to circumstances which were not outside the control of such declarants. However, some instances like money not being credited to the Government and similar other instances where there was absolutely no control under the declarants and in such cases the Pr. CIT/ CIT were authorized by the Board to deal with the applications on a case to case basis after verifying the claim of the declarants through their relevant bank statements, certificates etc.

25 FAQs on Income Computation and Disclosure Standards (ICDS)

Circular No. 10/2017

CBDT vide the above Circular has issued 25 FAQs for the purpose of giving clarification on certain issues which required clarification. This was the outcome of the recommendation given by an Expert Committee that recommended a twofold approach for smooth implementation of ICDS i.e., amendment to the provisions of ICDS and issuance of clarifications by way of FAQs for the rest of the issues.

CBDT warns officials on airing of views on official matters via Press

On coming across instances of Government Servants unauthorizedly communicating with the press under own name or pseudonyms, Instructions had been issued from time to time to restrain from such acts. In spite of all these instructions it was observed that the provisions of the Conduct Rules were not being followed. Hence, all the Pr. Chief Commissioners of Income Tax and all the Pr. Director Generals of Income Tax were informed to inform their employees to refrain from communicating with the Press and airing views on Official Matters.



Recent Case Laws

Income Tax

Agricultural Income- Agricultural Operations- Growing of flowers and petals

CIT v. K. N Pannirselvam (2017) (Mad HC)

Assessee showed income from growing of flowers and petals as agricultural income. AO sought to treat this income as business income on the ground that without the performance of the basic operations such as tilling, sowing of seeds, planting and similar operations on the land, mere performance of subsequent operations such as weeding, digging the soil around the growth, tendering, pruning, cutting etc., would not be enough to characterize them as agricultural operations

Held: Assessee was growing plants in his lands and for that purpose; he had incurred expenses towards filling of land, sowing of seeds and purchase of clay sand and fertilizers. As such, agricultural operations were carried on the land and income earned consequent thereto was, therefore, agricultural income and assessment thereof.

Assessee did not maintain books of account for Agricultural Income

Anil Bansilal Lodha v. Asstt. CIT (2017)(Pune-Trib)

Assessee who was engaged in construction business declared agricultural income of Rs. 5 lakhs. AO directed the assessee to explain details in respect of the agricultural income earned and produce evidence in respect of his claim. Assessee submitted the copies of 7/12 extracts of land. But since no documentary evidences were submitted, AO treated an amount of Rs. 1Lakh out of the agricultural income of Rs. 5 Lakhs as Income from other sources.

Held: Assessee had explained that he owned 27 Acres of land. It was also a fact that during earlier years AO had accepted the agricultural income. However, it was also a fact that the assessee could not substantiate agricultural income for the relevant year as he did not maintain any books of account. Under such circumstances, the entire agricultural income could not be accepted. At the same time, the disallowance of Rs. 1 lakh was on the higher side. Considering the totality of the facts of the case, disallowance of Rs. 50,000 out of the agricultural income declared by the assessee would meet the ends of justice.



Recent Case Laws

Income Tax

Capital Asset- Agricultural land- No agricultural operations

Smt. Chalasani Naga Ratna Kumari v. ITO (2017) (Visakha Trib)

Assessee claimed certain piece of land situated beyond 8 Kms from the limits of Visakhapatnam Municipal Corporation to be an agricultural land not being a capital asset. AO denied the claim stating that the impugned land was merely a vacant land not used for agricultural operations and hence cannot be classified as agricultural land.

Held: Since impugned land was classified as agricultural land in the revenue records and was suitable for agricultural operations, whether or not agricultural operations were carried out by the assessee, the characteristics of the land did not change from agricultural land to non agricultural land. However the state Govt. vide a Notification had extended the boundary of VMC to newly incorporated boundary of Greater VMC and distance was to be measured from the limits of GVMC. As impugned land was situated within 8 kms from the limit of GVMC, same was to be treated as capital asset in spite of being classified as agricultural land.

Deemed Dividend- Advance to shareholder under contractual obligation

CIT v. C. Subba Reddy (2017) (Mad HC)

Assessee was engaged in business of real estate development as a proprietor of CPD. It entered into an agreement with CHPL, sub contracting a construction contract to it. In the course of assessment, AO noticed that certain amount was due from CPD to CHPL. Since CPD was a shareholder in CHPL, a closely held company, holding substantial rights and CHPL had also accumulated profits, section 2(22)(e) was invoked and the said amount was brought to tax as deemed dividend.

Held: Section 2(22)(e) creates a deeming fiction and the conditions imposed therein call for strict and concurrent satisfaction, inter alia being the nature of advance or loan and for individual benefit. The credit arose by virtue of a contractual obligation and a business transaction and had been settled in the very next year. There was no individual benefit derived by the assessee. Moreover, the credit did not satisfy the definition of advance or loan. The fiction, thus, fails on several counts. Therefore, section 2(22)(e) was not applicable as the loan amount in question was a part of a contractual obligation.



Recent Case Laws

Income Tax

Income in case of advances classified as NPA by a banking company

Asstt. CIT v. Tambaram Co-op. Urban Bank Ltd.

Assessee bank was consistently following the practice of recognizing the interest income on receipt basis in case of NPA. As and when the assessee recovered the money together with interest, it offered the sum to tax. AO treated the interest on NPA as having accrued to the assessee and brought it to tax.

Held: Assessee was systematically following a practice of recognizing the interest on receipt basis with regard to NPA. When the recovery of the principal amount itself was doubtful, it could not be said that the interest on such amount accrued to the assessee. Therefore, interest on NPA could not be taken as income of the assessee.

Exemption under Section 10(23BBA)- Temple Management Board under Central Act

CIT v. Bade Mathureshji Temple Board (2017)

Assessee a Temple Management Board was constituted by District Judge under Section 92 of Civil Procedure Code, 1908. It claimed exemption under Section 10(23BBA). AO denied the same on the ground that assessee was not registered as required for the purpose of Section 11 and 12.

Held: Section 10(23BBA) applies to a body or authority constituted by or under any Central, State or Provincial Act which provides for administration of any public or religious trusts etc. Assessee was established under the Central Act, that too, for administration of public religious charitable trust and the case not being covered by Section 11 and 12, denial of exemption under Section 10(23BBA) was not justified.

Section 54- Capital Gain Exemption

ITO v. Saroja Naidu (2017) (Chen- Trib)

Assessee soon after the sale of her asset purchased a residential house property outside India and claimed exemption under Section 54. AO denied the exemption on the ground that the purchase of new house should be in India.

Held: Benefit of Section 54 was specifically denied for any residential house property acquired outside India by the Finance Act 2014 wef 01.04.2015. Before the amendment there was no such restriction. The instant case was for the AY 2010-11. In that period, the assessee had the benefit of Section 54 with respect to purchase of a house property outside India.



Managing Committee

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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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