



ICAI MANGALORE

INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

The Bulletin Board

e- Bulletin



Volume 2 | February 2017

-) *Chairman's Message*
-) *Farewell Message from our Immediate Past Chairman*
-) *Remembering our Past Chairman CA Bharath Shanbhogue*
-) *Branch Activities carried out in the month of February 2017*
-) *Branch Activities Gallery*
-) *Professional Updates*
-) *Managing Committee*

Thought for the Month:

Hope is a great vehicle, and it's fuel is hard-work.



Mangalore Branch of SIRC of ICAI | ICAI Bhawan | Padil | Mangalore – 575007

Tel: 0824-2439722 Email: mangalore@icai.org

Chairman's Message



CA Bhargava Tantri P
Chairman
Mangalore Branch of SIRC of ICAI



Dear Members,

First of all I would like to thank you all for bestowing the onerous responsibility of heading the managing committee of the Branch and I humbly accept this.

Mangalore Branch is a vibrant Branch which is known for Professional Management. The illustrious past Chairmen, who are the pillars of the Branch, have put in their bit in taking the glory of the Branch to this level. My predecessor CA Keshav has done a gargantuan task and has left an indelible mark in the history of our Branch. Our salutations to CA Keshava Ballakuraya, and the testimony of his efforts is recognized at the SIRC by awarding the Best Branch award. I am proud to say that ours is the only branch in Karnataka to have bagged the award.

As said in Upanishads-

Sa gacchadhwa Sa vadadhwa
Sa vo manā si jānatām
Devā bhāga yathā pūrve
Sañjānānā upāsate ||

Let us all move in Harmony, speak in one voice with agreement of minds. As our predecessors shared their portion of sacrifice let us also work for the betterment of the profession.

Chairman's Message



I have got a very good and cohesive team in the Managing Committee. A dynamic gogetter CASHivanandPai as Vice Chairman, very meticulous and stickler to rules CARaviraj B, who is also known as "KAVIRAJ", as secretary, always innovative and who comes out with good and valid suggestions CAAnanthapadmanabha as Treasurer, a very sportive personality CAKS Kamath as Chairman SICASA, Computer savvy CA AbdurRahmanMusba, Down to earth and committed CA Aravind Krishna and new Face Mrs CA EdyllD'Silva, always smiling and supportive.

The president of ICAI CA NileshVickamsey in his remarks said "Be a follower first to emerge as good leader". We have got this position and recognition because of this great Institute. It is time to give back- "KEREYA NEERANU KEREGE CHELLI", and we dedicate ourselves to serve this great Institute for the next year.

Our entire effort will be on three platforms

Knowledge enrichment-

The nation is on the threshold of a mammoth Tax reform and it throws a big opportunity as well as responsibility on our profession. And also there is a huge burden on compliance of Accounting Standards and Auditing Practices. Our effort will be to focus on these knowledge enrichment activities.

Knowledge Sharing

We will also focus on sharing the knowledge with and from other Professional Bodies like Comp. Secretaries, Engineers and Legal Profession so that there will be sharing of knowledge both ways.

Chairman's Message



Knowledge with Ethics

Professional Ethics is the fulcrum on which our Profession is functioning. Knowledge without ethics is dangerous. All our efforts will be to ensure that the Knowledge gained is Ethically used and we stand distinctively in the Society. As a Shubhashita says

**Kakahkrishnapikahkrishna, Kobhedapika kaka yoho?
Vasantamayepraptey, Kakahkakahpikahpikaha**

The crow is black, and the cuckoo is black, What difference, then, between crow and cuckoo?
When spring arrives, it's easy to tell, That the crow is a crow, and the cuckoo a cuckoo.

When a professional discharges his function ethically, he will be recognized in the Society as a thorough Professional. Based on this we have framed a theme for the Branch for the year-



SUDHARMA- Means Good Ethics

Let us all work towards excellence ethically and stand out as Good Professionals.

I once again thank all of you for giving this opportunity to serve this Great Temple of Learning.

Jai ICAI, Jai Hind

CA BHARGAVA TANTRI P

Farewell Message



CA Keshava Ballakuraya
Past Chairman
Mangalore Branch of SIRC of ICAI



Dear Members,

It has been a year since I was bestowed with the opportunity of serving as the Chairman of Mangalore and on 20th February 2017, CA Bhargav Tantri and his team have officially taken charge of the branch. I would like to share a few words with all of you and express my gratitude for your support and good wishes.

I thank the Almighty for his blessings, guidance and for making the past year a good year for our branch.

My predecessor Chairman CA Shivakumar had definitely set high standards and taken the branch to new heights of glory under his Chairmanship. It was a mammoth task to keep up the momentum and live up to the expectations. I hope we were able to meet all your expectations.

“We don’t grow when things are easy, we grow when we face challenges”.

We have faced many challenges but because of the support from all of you, I believe we had a successful year for the branch.

We have continued the initiative taken up under the Chairmanship of CA Shivakumar and conducted the residential seminar at Madikeri with participation of over 34 members and their families, which has strengthened the bonding in the CA family.

During the year, in addition to the regular study circles, live webcasts, workshop and one day seminars, the main area of focus was image building and strengthening the relationship of the branch with the departments, trade associations and industries. Keeping in mind the agenda of ICAI, we have organized programmes on Demonetization in association with Citizens Council, Mangalore Chapter and Income Disclosure Scheme to contribute for the success of Government initiatives.

....Contd

Farewell Message



For the benefit of members in industry, we have organized workshop on IFC in OMPL and also workshop on IFRS. We have facilitated the central excise department to conduct GST programme and also members participated in the programme. Another major event which needs mention is the conduct of ITAT Circuit Bench sitting at our institute, organized in association with the Kanara Chambers of Commerce and Industry. We have given more importance to GST and conducted series of study circles, seminars and of course the two days National Conference 'Parva' with a participation of around 850 delegates. In the last year, we have conducted programmes with a total of over 229 CPE hours for the benefit of members.

During the last year, we have taken up some new initiatives like forming the Women's empowerment committee and Young Member's empowerment committee. We have claimed around 35 grants in the last council year including library grant.

In the past year, we have revamped the Mangalore ICAI website. We have tried to make it more user friendly, updated so that members have all the required information just a click away and also tried to encourage online registrations for both ease and eco-friendly purpose.

I consider it to be my honour to have been part of the Managing Committee, since 2013, consecutively as member, treasurer, vice chairman and as the Chairman.

I thank CA Jagannath Kamath for believing in me and making me a part of the committee. I am grateful to my past Chairpersons CA Shyamala Shenoy and CA Shivakumar who have been actively guiding me and giving valuable suggestions based on their experience. I thank all the past chairmen for their support towards the institute activities. I also thank CA Kamalesh Rao, our internal auditor for doing wonderful job for the past so many years.

"Teamwork is the secret that makes common people achieve uncommon result."

If it was not for my team, it would not have been possible for me to conduct various activities especially CA Bharghav Tantri and CA Shivanand Pai. I sincerely thank CA Raviraj who worked as Treasurer, SICASA Chairman CA Anantha Padmanabha, co-opted member of SICASA CA K Subramanya Kamath, member from outstation CA Aravinda Krishna and member from industry CA Abdur Rehman Musba who have managed all their responsibilities efficiently.

....Contd

Farewell Message



I thank CA Gautham Nayak and team for all the wonderful editions of E-Bulletin. I congratulate them for ensuring timely release of the journal for members. I thank CA M. N. Pai and team for successfully conducting orientation and GMCS programmes. I also thank Mrs Rajani Udupa and team for smooth running of ITT programmes. I am also thankful to Mrs Prameela, Sudheer, Sheela, Amulya, Deepika, Prathima and also Sankappa watchman for their hard work.

The team effort and all your support have been paid off and our branch has been awarded as the Best Branch by SIRC of ICAI for the year 2016. Wide appreciation has been received as Mangalore Branch is the only branch receiving an award in all of Karnataka.

I wish the new Managing Committee under the leadership of CA Bharghav the very best and may they take our branch to new heights.

“Just when the caterpillar thought the world was over, it became a butterfly.”

**With Best Regards,
CA Keshava N Ballakuraya
Immediate Past Chairman,
Mangalore Branch of SIRC of ICAI**

Fond remembrance and respect to Late CA B Bharath Shanbhogue



It was a chilly Friday morning on the 3rd day of February, 2017 that we woke up to the shocking news that CA. BHARATH SHANBHOUGUE had breathed his last the previous (Thursday) night of 2nd February, 2017.

It was devastating news for all his friends and well-wishers that the life's journey of this noble soul who was a thorough gentleman was cut short at the prime of his career due to a brief illness.

Is it a tragic co-incident that the last rites of his mortal remains were done on the very same day (the day of 'OKULI', the culmination of the CAR FESTIVAL of LORD VENKATRAMANA of Mangalore (Temple Square) on which day he was born 45 years ago?

Bharat was very popular amongst his close circle of friends as a simple, intelligent, jovial and fun-loving person cracking the odd joke and thoroughly enjoying the company of the big circle of friends around him.

Many of his clients re-collect their association with him as a bonding with a person with a sharp and intelligent mind coupled with diligent work.

The members and students of the Mangalore Branch of SIRC of ICAI fondly remember his yeoman contributions to the Branch as a member of the Managing Committee between 2005 and 2009.

The launching of the Web-site for the Mangalore Branch, re-furnishing of the Information Technology Lab at Mahendra Arcade premises and conducting regular coaching classes for CA Students are the memorable achievements during his tenure as Branch Chairman in 2008-09.

All the persons who have known BHARATH will agree with me when I say, We admire him for his SIMPLICITY and DILIGENCE

Respect him for his CONTRIBUTIONS and
Remember him for the joy and happiness that he spread around
people who came in contact with him.

CA BHARATH SHANBHOGUE leaves behind a rich legacy of his contribution of a very high standard of professional service to his clients and the warmth and joy of friendship to his big circle of friends.

Dear Friend Bharath, MAY YOUR SOUL REST IN PEACE.



CA BHARATH SHANBHOGUE

(1971 – 2017)

Branch Activities February 2017



Sl No	Date	Activities at Branch for Members	CPE Hours/ Number of Participants
1	04.02.2017	Workshop on Advance Excel Speaker: CA Abdul Rahman Musba, Mangalore	Members : 22 Students : 7 Non Members : 3 CPE Credit : 6 Hours
2	06.02.2017	K Ganesh Shenoy Memorial Lecture on Union Budget 2017 Speaker: Shree Feroze B Andyarujina, Mumbai	Members : 97 Students : 18 Non Members : 23 CPE Credit : 2 Hours
3	10.02.2017	Clause by Clause Discussion on Union Budget 2017 (Direct Taxes) Discussion Leaders : CA Muralimohan Bhat and CA Ranganath Shenoy	Members : 64 Non Members : 1 CPE Credit : 2 Hours
4	01.02.2017	Live Webcast of Panel Discussion on Union Budget 2017 hosted by SIRC of ICAI Panellist: Advocate B Vaitheeshwaran, Chennai and Advocate B Ramana Kumar, Chennai.	Members: 7 CPE Credit : 2 Hours
5	27.02.2017	Live Webcast of E-Commerce & Works Contracts, Right to use Restaurants, Overlapping Transactions organised by Indirect Taxes Committee of ICAI Faculties : CA Pritam Mahure and CA Rajat Talati	Members: 16 CPE Credit : 3 Hours



Branch Activities February 2017



Sl No	Date	Activities at Branch for the Students	Number of Participants
1	11.02.2017 to 14.02.2017	Crash Course for May 2017 Examination Subject: Information Technology and Strategic Management	Students : 21
2	03.02.2017 to 07.02.2017	Crash Course for May 2017 Examination Subject: Corporate Law	Students : 22
3	26.02.2017 to 28.02.2017	Crash Course for May 2017 Examination Subject: Quantitative Techniques	Students : 21
4	27.02.2017	ITT Batch Commenced	Students : 26



Branch Activities Gallery
February 2017



OUR NEW CHAIRMAN CA BHARGAVA TANTRI



THE NEW MANAGING COMMITTEE



CLAUSE BY CLAUSE DISCUSSION ON UNION BUDGET 2017



GANESH SHENOY MEMORIAL LECTURE ON UNION BUDGET 2017



News and Updates

Income Tax

POEM Guidelines not applicable to company with turnover of Rs. 50 crores or less in a year

Circular No. 08 of 2017 dated 23rd February, 2017

The concept of POEM for deciding the residential status of companies other than an Indian Company was introduced by the Finance Act, 2015. Guiding principles for determining POEM of a company were issued by Circular No. 6 of 2017. Press release on POEM guidelines dated 24th January 2017 has stated that POEM guidelines shall not apply to a company having turnover or gross receipts of Rs. 50 crores or less in a financial year. In view of this it is clarified vide this circular that clause (ii) of sub section (3) of section 6 of the Act, shall not apply to a company having turnover or gross receipts of 50 crores or less in a financial year.

Government notifies Protocol to amend India-Israel DTAA

Notification No. 10/2017

CBDT vide the above notification has given effect to the provisions in the Protocol that amended the double taxation avoidance pact between India and Israel. This protocol was signed in the month of October, 2015 at Jerusalem and had entered into force from 19th of December 2016.

Non Acceptance of tax under PM Garib Kalyan Yojna (PMGKY)

Due to the reason of banks not accepting payments of tax, Surcharge and Penalty under the Prime Minister Garib Kalyan Yojna out of ignorance of prescribed challan and other technical reasons, The Office of Principal Chief Controller of Accounts, CBDT, has vide its letter dated 20th February 2017 addressed to all authorized banks in regard of PMGKY stated all the necessary directions like the rate of tax applicable, surcharge and penalty applicable under the scheme.



News and Updates

Income Tax

Verification of Cash Deposits during demonetization by AO- CBDT issues guidelines

The Income Tax Department is enquiring/ seeking information and analyzing instances of deposits of SBN to identify cases involving risk of tax invasion. Based on the collection and analysis of information done by CBDT, a number of persons have been identified in whose case the cash transactions did not appear to be in line with their profile available with the ITO. In such cases, it has been decided to undertake on-line verification of select transactions through the Jurisdictional AO.

Cases meeting low risk criteria will be closed centrally. Cases which are not closed automatically will be pushed in batches to the AO for verification.

The AO will be able to view information record, information as submitted by a person under verification for each record and also capture the verification. In case additional information is required, the AO will be able to send a request for additional information electronically. The person concerned will also be automatically informed about the request for additional information by email and SMS. The information request will be visible to the person under verification with a hyperlink for uploading information. All the additional documents (including supporting evidence) are required to be submitted online.

The response filed by person under verification will be appraised against available information. The uploaded information can be downloaded by the Assessing Officer. In case explanation of source of cash is found justified, the verification will be closed by the AO electronically without any physical interface with the person concerned.



News and Updates Budget 2017

Income Tax

Key Changes from the Budget

-) Tax Rate: Domestic companies with a gross turnover of Rs. 50 Crores or less in the Previous Year 2015-2016 would be taxed at 25%
-) Time Limit for carry forward of MAT credit entitlement extended to 15 years as against 10 years
-) Payments made for the acquisition of Capital Assets exceeding Rs. 10,000/- otherwise than by an account payee cheque or bank draft or use of electronic clearing system of bank, shall be ignored for determination of actual cost of such asset.
-) The threshold limit of Rs. 20,000/- is reduced to Rs. 10,000/- for the allow ability of payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft.
-) Failure to withhold taxes on payments to residents will lead to disallowance of expenditure even under the head 'Income from other sources'
-) Scope of gift taxation widened to include all persons receiving money or specified property without consideration or for inadequate consideration.
-) MAT computation for IND AS companies clarified
-) Concessional tax rate of 10% on LTCG arising from transfer of shares of private companies applicable in case of Non residents to apply retrospectively from tax year 2012-2013.
-) Conversion of Preference Shares into equity is not a taxable transfer.



News and Updates Budget 2017

Income Tax

Key Changes from the Budget- Contd.

-) For computation of Capital Gains on transfer of assets acquired before 1st of April, 1981, base year for considering cost of acquisition is shifted from 1st of April 1981 to 1st of April 2001
-) LTCG on sale of equity shares acquired on or after 1st of October 2004 exempt only if acquisition was done on payment of securities transaction tax. However the Government is empowered to notify transactions exempt from this requirement like in case of IPO, FPO, bonus or right issue which are all genuine.
-) FMV shall be deemed to be the consideration received for calculation of Capital Gains where the Capital Asset transferred are shares of a company not quoted in a Stock Exchange.
-) Foreign Taxes paid for settlement of disputes in foreign countries shall be given Foreign Tax Credit in India
-) In case of Tax slabs applicable to individuals the rate of tax applicable for the first slab has been reduced from 10% to 5%
-) Tax rebate available for individual tax filers will now be reduced to RS. 2,500 for Individuals having taxable income up to Rs. 3,50,000/-
-) Surcharge at the rate of 10% of tax payable will be levied for individuals having taxable income between RS. 50,00,000 and 1,00,00,000
-) Limit of 50% deduction for qualifying cash donations shall be reduced from RS. 10,000/- to RS. 2,000/-
-) New limit of Rs. 10,000/- per day shall also apply to cash payments for Capital expenditure for purpose of depreciation allowance or deduction under investment linked incentive deduction for which currently no limit existed.



News and Updates Budget 2017

Income Tax

Key Changes from the Budget- Contd.

- J A person receiving amount of Rs. 3 Lakhs otherwise than by account payee cheque/ draft or use of electronic clearing system through bank account will be prohibited. Limit of Rs. 3 Lakhs shall apply to : a) aggregate receipts from a person in a day (b) single transaction (c) transaction relating to one event or occasion from a person.
- J Provisions of the IT Act applicable in case of TDS where PAN is not furnished which calls for deduction @ 20% shall apply in case of TCS as well but @ twice the normal TCS rate or 5% whichever is higher.
- J Additional fees shall be levied in case of delay in furnishing the ROI in the following manner: a) Where the Total income is below Rs. 5 Lakhs, the late fee shall be Rs. 1,000/
b) Where the Total income is above Rs. 5 Lakhs a fee of Rs. 5,000 will be collected where the ROI is furnished within 31st of December and in all other cases the fee collected would be Rs. 10,000.
- J For faster assessment, the time limit available to revise ROI has been reduced from current limit of 24 months to 12 months from the end of the Previous Year.
- J With effect from 1 April, 2017, professionals shall be liable to a Penalty of Rs. 10,000 for furnishing incorrect information in reports or certificates issued for tax purposes. This penalty of Rs. 10,000/- shall be levied in case of each of such incorrect report, certificate furnished.
- J Surcharge of 10% shall be introduced in case of individuals earning income between the limit of Rs. 50 lakhs and Rs. 1 crore.
- J For immovable assets (Land and Building) the period of holding to qualify as a long term capital asset will now be reduced from 36 months to 24 months.



News and Updates Budget 2017

Income Tax

Key Changes from the Budget- Contd.

- J The maximum amount of Loss that could be claimed from House Property will be retained at Rs. 2,00,000. However, loss in excess of Rs. 2,00,000/- will now be allowed to be carried forward for 8 years and set off from income from house property only.
- J In case of individual tax payers, the maximum cap that is eligible for deduction will now be increased from 10 per cent to 20 per cent of the Gross Total Income. However, the maximum amount which is allowed as a deduction still remains unchanged.
- J The benefit of deduction that was available in case of investments in Equity Saving Scheme (RGESS) will be withdrawn from the Financial Year 2017-18.
- J Individual tax payers will be now required to deduct a tax @ 5% on house rentals paid to a resident landlord if the monthly rent is above Rs. 50,000. This tax could be withheld at the time of credit of rent for the last month of the Financial year or last month of tenancy as applicable.
- J Individuals and HUFs are not required to keep books of accounts if their turnover is up to Rs. 25 Lakhs or income is up to Rs. 2,50,000.



News and Updates- Recent Case Laws

Income Tax

Dividend- Deemed dividend under Section 2(22)(e)

CIT v. Farida Holdings (P) Ltd. (2017)(Mad HC)

Assessee company having eleven fully owned subsidiaries received loans from some of their subsidiaries and advanced the money to other subsidiaries. Assessee company submitted that the arrangement did not earn it any interest. AO rejected this and treated the transaction to be covered within the scope of loans under Section 2(22)(e).

Held: CIT (A) and Tribunal, on the basis of available particulars, categorically concluded that assessee was only an intermediary between subsidiary companies and no beneficial interest had accrued to it by impugned transactions, therefore, section 2(22)(e) did not get attracted to it. AO did not show sufficient cause or reason to interfere with the order passed by the Tribunal and accordingly the appeal was dismissed.

Income- Capital or Revenue receipt- Grant from State Government

Meerut Development Authority v. Addl. CIT (2017)(Del Trib)

Assessee, an urban development authority received grants from State Government. The money so received was to be utilized for the objects as specified by a committee formed in this regard. AO treated the grant to be revenue in nature.

Held: Assessee had no control over the funds received as grant, therefore, same could not be treated as belonging to it. Receipt was not taxable in assessee's hands.

Income Chargeability- Partnership Deed providing no interest in capital to partners

K P Sanghvi Infrastructures (P) Ltd. v. ITO (2017)(Mum Trib)

Assessee was a real estate developer and had invested in capital of a Partnership Firm. Original Deed provided for payment of Interest on Capital @ 12% but the deed was amended and it stipulated that no interest would be payable on capital provided by partners and it would be applicable from the date of original deed. AO however doubted the whole scenario as interest was credited to the capital account. Assessee submitted that the interest was credited by mistake and the same was reversed at the beginning of succeeding year. AO rejected it and made addition on account of interest in assessee's hands

Held: The interest payable on the capital of the partners was provided by the firm however, same had been reversed. Since assessee had not received or realized any interest it has not accrued to it and it had not offered the said interest for taxation. Only real income can be brought to tax and not hypothetical income. Therefore, interest income being hypothetical, AO was not justified in taxing the same.



News and Updates- Recent Case Laws

Income Tax

Head of Income- Business or House Property

Mack Soft Tech Private Limited v. Dy. CIT (2017)(Hyd Trib)

Assessee company was engaged in the business of maintenance and operation of the software infrastructure development facility. It earned income from letting out its commercial space with all amenities to Income Tax and ITES companies and was of the view that it was business income. AO however treated it as income from House Property.

Held: Since the main business of the assessee was to create the infrastructure and let out the same to earn income there from, income derived from letting out of commercial property along with the operations was to be treated as income from business.

Income from House Property- Annual Value- Property was vacant throughout the year.

Informed Technologies India Ltd. v. Dy. CIT (2017)(Mum Trib)

Assessee's property was let out in earlier years, however, it was vacant during the whole of the previous year. Assessee returned the ALV as NIL. AO was of a view that for bringing the property under section 23(1)(c), the letting out during any part of the year is a must, and since the property of the assessee had not been so let out, AO computed the ALV under Section 23(1)(a) at Rs. 12 Lakhs.

Held: Benefit of 23(1)(c) cannot be extended to a property which was never let out. However, it would take within its scope cases where property was let out for two or more years but was vacant for the whole year. The property in the present case had remained let out and thereafter could not be let out and had remained vacant during whole of the year under consideration. Further, it was never under self occupation of the assessee, therefore, assessee had rightly returned the ALV of the property at Rs. NIL by taking recourse to section 23(1)(c).

Business Disallowance under section 40(a)(ia)- Payment to residents without TDS

Arabinda Kundu v. ITO (2017)(Kol Trib)

Assessee had paid certain amount to some persons without deducting tax at source, however the said sum was included by recipients in their return of income that was shown by the assessee. AO however disallowed the sum u/s. 40(a)(ia)

Held: To the extent the recipients from the assessee have so included the sum in their returns of income and filed the same, no disallowance under section 40(a)(ia) has to be made by the AO. Therefore, no disallowance was required since the assessee had shown that recipients had included the sum in their total income.



News and Updates- Recent Case Laws

Income Tax

Business Expenditure- Wholly and exclusively for the purpose of business

Sun Pharmaceutical Industries Ltd. v. Asstt. CIT (2017)(Ahd Trib)

Assessee was entitled to draw yearly remuneration of 15 per cent of the net profit of a Partnership Firm where the assessee held a stake of 95%. Assessee had received this remuneration but had not offered it for taxation since the firm had not debited the remuneration to its Profit and Loss account in the light of Explanation 4 to Section 40(b). However, AO found that though the remuneration had not been included by assessee, it had debited all related expenditure in its books of account. AO disallowed the expenditure treating the same as expenditure not incurred wholly or exclusively for business.

Held: Expenditure is allowable if it is incurred for the purpose of the business of the assessee and not for the purpose of earning profit. As per the agreement between assessee company and the partnership firm, the assessee had assisted the partnership firm in carrying on its business by using its network for marketing the pharmaceutical products. Thus, it could not be said that the expenditure incurred by assessee were not for the purpose of its business. Since the assessee was holding 95 per cent in the partnership firm it became the duty of the assessee to promote the business of the partnership firm, in the capacity of the majority stakeholder. Incidentally, the revenue authorities had not brought anything on record which could suggest that the expenditures had not been incurred for the purpose of business. Therefore, the expenditures incurred by assessee company deserved to be allowed.

Business disallowance under Section 40A(2)- Excessive or unreasonable payments

Divakar Solar System Ltd. v. Dy. CIT (2017)(Kol Trib)

Assessee company made certain payment of salary as well as professional fees to 'C', relative of the director. AO made addition under section 40A(2) on the grounds that C was not so educated to draw high salary and remuneration. Assessee contended that C was well experienced even if not so educated. Further, assessee provided complete nature of services provided by C. AO rejecting the explanation made additions.

Held: It was found that assessee had provided appropriate details as to work of C. Further if AO doubted the same, he should make further enquiry which he failed to do. Therefore, addition made was deleted.



News and Updates- Others

SEBI

SEBI cautions investors against unauthorized fund raising

Concerned over a large number of companies indulging in illegal money pooling activities, markets regulator SEBI cautioned investors and general public against dealing with such entities.

SEBI has cautioned investors against unlisted firms issuing securities without complying with the market norms.

SEBI might bolster rules on removing company directors

SEBI is looking to tighten regulations related to the appointment and removal of directors from company boards amid an ongoing spat between the TATA group and its ousted chairman Cyrus Mistry,

SEBI proposes steps to boost liquidity in corporate bonds

Market regulator SEBI proposed a mechanism for consolidation in corporate bonds for private placement of debt securities and enhancing liquidity.

It has been taking steps regularly to increase liquidity in the secondary market.

Ajay Tyagi named new SEBI Chairman

The Government appointed Ajay Tyagi as the ninth chairman of SEBI. Tyagi, who was the additional Secretary, Department of Economic Affairs in the finance ministry, has been appointed for a period of five years.

SEBI to form fintech panel, route household savings to markets

SEBI has said that it will soon form an advisory committee on financial technology, which will mobilize household savings into financial markets through technology solutions.

GST

GSTN arming itself against potential cyber attack

In order to make the technology infrastructure of the Country's largest tax reform completely fool proof against any cyber-attacks, the Goods and Services Tax Network (GSTN), the agency that is in charge of the technological infrastructure and services for the indirect tax regime, is in the process of setting up a separate cyber security entity that will monitor the platform on a 24/7 basis.



Managing Committee 2017-18



Managing Committee

CA Bhargava Tantri, Chairman
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 @

icaiebulletin@gmail.com

Editorial Team:

***CA Prasanna Shenoy M | CA Gautham Nayak M | CA Madhav Shenoy S |
 CA Shravan Dota | CA Vignasha M | CA Akshay Shet | Committee Members***

