



ICAI MANGALORE

INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA



e- Bulletin



Volume 4 | April 2017

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Thought for the Month:

**Positive Attitude
Positive Vibes
Positive Life**



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Chairman's Message



CA Bhargava Tantri P
Chairman
Mangalore Branch of SIRC of ICAI



Dear Members,

As the month of April is the First Month of the new Financial Year, I wish a meaningful new Financial Year with lots of new opportunities. Even as per Hindu calendar it is the beginning of the New Year as Yugadi falls in April. It is a very important month for all the CAs, as everyone will be engaged in the "BANK AUDITS", on which our members engage themselves with professionalism to finalise and report within the given timeframe. This is the testing time where we put our professionalism and ethics at high standards and I am sure we all uphold the high ethical standards in discharging our duties as Bank Auditors.

Mangalore Branch had organised a three days Residential Seminar at Silent Valley Resorts, Kalasa-Kudremukh, which was a grand success. 26 CAs and families enjoyed the bonding and learning in the serene surroundings of Kalasa. This type of refresher courses conducted in a slightly informal setting allows one to rejuvenate oneself away from the normal and formal office settings. A big Thanks to all the members of Mangalore and Udupi Branch for actively participating in the Deliberations as well as adding fun & joy to the event. Special thanks to the speakers CA Sudhir Prabhu, CA PrasannaShenoy and CA Daphny D'Souza for their wonderful presentation. A pleasant surprise was CA Nagaraj Sharma, who presented the PPT sent by CC Member CA Babu Abraham in a very professional and lucid manner, that too in a very short notice. CA Babu Abraham was scheduled to Inaugurate and speak, but had to cancel his visit in the last minute.

Live webcast on Input Tax Credit and ITC Rules organised by the Indirect Taxes Committee was hosted by the Branch on 24th April, and many members took the benefit of this programme.

Our Past Chairman CA Keshav Ballakuraya conducted a Career Guidance programme for students at Ramakrishna Tapovana, Polali. Thanks Keshav for actively taking part in keeping the CA institute flag flying high.

...Contd.

Chairman's Message



Regular Crash Course for IPCC and Final Students concluded on 18th of April, with CA Hariharan taking a half day session on "How to face Exams", which was attended by more than 100 students. The crash course conducted by the Branch is gaining popularity every year. This time more than 400 students attended and took the benefit of this programme, which was conducted with renowned faculty from Bangalore and Chennai.

The audited accounts of the Branch were submitted online on 29th of April.

"ANABHYAASE VISHAM SHAASTRAMAJEERNE BHOJANAM VISHAM" -CHAANAKYA

Just like the best food doesn't help the body in the problem of indigestion and works as poison, the absence of sustained exercise of skills and subjects also acts as poison to a professional.

In order to keep ourselves abreast of the latest developments we have to constantly study and update our knowledge. Our branch is planning for a series of Knowledge Enrichment programmes on new emerging Laws and compliances like ICDS, Ind AS and GST.

As someone said "Ethics is knowing the difference between what you have a right to do and what is right to do". In the emerging scenario of business world, where more and more new legislations are coming which involves a lot of compliance and reporting, our responsibility as Auditors and Certifiers is increasing manifold, which calls for discharge of our responsibilities in a diligent and ethical manner.

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 April 2017



Sl No	Date	Activities at Branch for Members	CPE Hours/ Number of Participants
1	15.04.2017	Career Counselling conducted in Ramakrishna Tapovan, Polali, Bantwal Taluk Speaker: CA Keshava N Ballakuraya and CA Anusha K	Students : 65
2	24.04.2017	Live Webcast Organised by Indirect Taxes Committee of ICAI Topic: Input Tax Credit and ITC Rules Speakers: Shri G D Lohani, Commissioner Shri Sachin Jain, Addl. Commissioner CA Rohini Agarwal	Members : 13 CPE Credit : 3 Hours
3	28.04.2017 to 30.04.2017	Residential Seminar at Silent Valley Resort, Kalasa, Kudremukh under the aegis of CPE Committee of ICAI and hosted by Mangaluru branch jointly with Udupi branch. 28 th April- Inaugural Session followed by First Technical Session on Common Non-compliances in General Purpose Financial Statements as observed by FRRB by CA Babu Abraham K and PPT presented by CA Nagaraj Sharma; II Technical Session on Recent issues under direct tax by CA Prasanna Shenoy Mangaluru. This was followed by Camp Fire and Dinner 29 th April- Third and Fourth Technical Sessions on Recent issues under Companies Act by CA Sudhir Prabhu, Bangalore; Fifth Technical Session on Issues under Indirect Taxes- migration to GST by CA Daphny D'souza, Mangaluru; 30 th April- Sixth Technical Session which was a continuation of Fifth Technical Session by CA Daphny D'souza, Mangaluru; Checkout followed by visiting various tourist places En route to Mangaluru	Members : 26 Others : 18 CPE Credit : 9 hours



Branch Activities April 2017



SI No	Date	Activities at Branch for the Students	Number of Participants
1	11.04.2017 to 18.04.2017	Crash Course for May 2017 IPC Examination Subject: Costing and Financial Management	Students- 38
2	11.04.2017 to 18.04.2017	Crash Course for May 2017 Final Examination Subject: Advanced Management Accounting	Students- 24
3	15.04.2017	Career Counselling conducted in Ramakrishna Tapovan, Polali, Bantwal Taluk Speaker: CA Keshava N Ballakuraya and CA Anusha K	Students : 65
4	18.04.2017	Seminar on Topic "How to face CA Exams" by CA Hariharan	Students- 56



Branch Activities Gallery
April 2017



Inaugural Session of the Three Days Residential Seminar at Silent Valley Resort, Kalasa, Kudremukh



Participants of the Three day Residential Seminar



Career Counseling Program at Ramakrishna Tapovan, Polali



News and Updates

Income Tax

Salary of Non Resident Seafarer not taxable merely for credit to NRE Account in India

Circular No. 13 of 2017 dated 11.04.2017 read with Circular No. 17 of 2017 dated 26.04.2017

Representations were received by the Board that income by way of Salary, received by Non Resident Seafarers, for services rendered outside India on-board foreign ships, are being subjected to tax in India for reasons that the income is received into the NRE bank account maintained in India. In this regard, it is clarified by the Board that salary accrued to a Non Resident Seafarer for Services Rendered outside India on a Foreign going Ship with Indian flag or Foreign flag shall not be included in the total income merely because the said salary has been credited to his NRE account maintained with an Indian bank by the seafarer.

Treatment of Lease rent from letting of building/ developed space

Circular No. 16 of 2017 dated 25.04.2017

Board vide the above circular has laid down that in case of an undertaking which develops, develops and operates or maintains and operates an Industrial Park or a Special Economic Zone notified in accordance with the scheme framed and notified by the Government, the income from letting out of premises/ developed space along with other facilities in an Industrial Park or SEZ is to be charged to tax under the head "Profits and Gains of Business or Profession". The circular is an outcome of a Karnataka High Court Judgment in the case of CIT v. Information Technology Park Limited.

Valuation method to be used for Accreted Income of Certain Trusts

Notification No. 32/2017 dated 21.04.2017

Vide the above Notification, the CBDT has inserted after rule 17CA of the Income Tax Rules, 1962, rule 17CB which talks about the Method of valuation for the purpose of sub section (2) of Section 115TD. According to Section 115TD (2) accreted income means the amount by which the aggregate FMV of the total assets of a trust or institution, as on the date of conversion, merger or dissolution as formulated by sub section (1) of 115TD exceeds the total liability of such trust or institution computed in accordance with the method of valuation as may be prescribed.



News and Updates

Income Tax

Date for filing PMGKY declaration extended up to 10th May, 2017

Circular No. 14 of 2017

CBDT vide the above Circular has extended the date of filing of declaration under PMGKY to 10th May, 2017 in cases where tax, surcharge and penalty under the PMGKY has been paid on or before the 31st day of March, 2017 and deposit under the scheme has been made on or before the 30th day of April, 2017.

Deposits under PMGKY, 2016 were allowed upto 30th April 2017

Press release dated April 19, 2017

The Government of India decided that in case of persons who had filed declaration under PMGKY by depositing tax, surcharge and penalty on or before 31st of March 2017 the deposits as required by the scheme could be made up to 30th of April 2017.

Section 269ST not to apply in cases of receipt from bank or post office

Notification No. 28/2017 dated 5th April 2017

Vide the above Notification, the Central Government has clarified that the provisions of Section 269ST shall not apply to receipt by any person from an entity referred to in sub clause (b) of clause (i) of the proviso to Section 269ST which are any banking company, post office savings bank or cooperative banks.

CBDT notifies revised audit report format for claiming deduction u/s. 80JJAA

Notification No. 26/2017 dated 3rd April 2017

Vide the above Notification, the existing Rule 19AB of the Income Tax Rules, 1962 has been substituted by a New Rule 19AB which talks about the Form of report for claiming deduction under Section 80JJAA. As per the new section the existing Form 10DA to be submitted by assessee at the time of Return filing is also substituted by a new Form 10DA.



News and Updates

Companies Act

Withdrawal of FAQs on Revised Schedule VI to Companies Act, 1956

CL & CGC/20/2017-2018 dated 25th April 2017

In view of issuance of Schedule III to the Companies Act, 2013, which is to be followed by the Companies from 1st April, 2014, the applicability of Revised Schedule VI to the Companies Act 1956 is for preparation of Financial Statements prior to that period. Hence it is decided to withdraw the FAQs on Revised Schedule VI to the Companies Act, 1956.

Section 234 notified: Merger or Amalgamation of Company with Foreign Company

Notification dated 13th April 2017

The MCA has recently notified the much awaited provisions of Section 234 of the Companies Act, 2013 dealing with the merger or amalgamation between a company and a foreign company. The corresponding rules have also been notified in consultation with the Reserve Bank of India for implementation of the said section vides the above Notification.

ROC notice to more than 2 Lakh Companies for Strike off of Name

Registrar of Companies has issued notices to more than 2 Lakh companies all over India who have not commenced business within one year of their incorporation or who have not been carrying on any business or operation for a period of two immediately preceding financial years and have not made any application within such period for obtaining status of dormant company under section 455 to remove or strike off the names of such companies from the register of companies and dissolve them unless a cause is shown to the contrary, within thirty days from the date of such notice.

eForm STK-2- Application to remove Company name from register of companies

e-Form STK-2 is required to be filed pursuant to Section 248(2) of the Companies Act, 2013 and rule 4, 5, 6 and 8 of the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016.



News and Updates

Companies Act

New disclosure and reporting requirement in Auditor's Report

MCA had issued a Notification regarding amendment in Schedule III to the Companies Act 2013, wherein it has been mentioned that every company shall disclose the details of SBN held and transacted during the period from 8th November 2016 to 30th December. Further, MCA also amended the rules pertaining to Chapter X of the Companies Act, 2013, wherein it has been provided that the auditor of a company is required to disclose in the Auditor's Report "Whether the Company had provided requisite disclosures in its financial statements as to holdings as well as dealings in SBN during the period from 8th November 2016 to 30th December 2016 and if so whether they are in accordance with the books of accounts maintained by the company.

Service Tax

Amendment in Point of Taxation (Amendment) Rules, 2017

Notification No. 14/2017- Service Tax

The above Notification seeks to amend Point of Taxation Rules with effect from 22nd January, 2017 so as to provide the point of taxation of services provided by a foreign shipping line to foreign charterer w.r.t. goods destined for India as the date of bill of lading of goods in the vessel at the port of export.



News and Updates

Income Tax Case Laws

Income- Capital or revenue- Compensation towards termination of agreement

Asstt. CIT v. LML Ltd. (2017)(Mum Trib)

Assessee Company had Joint Venture with P which came to an end during the year. It received certain amount towards termination of the agreement of joint venture and other consequential Engineering and License Agreement as well as cessation of non compete obligation. Assessee treated the receipt as capital receipt not liable for tax. Assessee contended that the amount received as compensation was for loss on account of imposition of several negative covenants qua the assessee, hence it was capital receipt. AO observed that the collaboration with P had immensely helped the assessee in diversifying its operation in manufacturing of scooters and two wheelers. Had this collaboration continued, assessee would have reaped huge dividends. Therefore, receipt in compensation of it would be revenue receipt.

Held: Taxability of any receipt depends upon the nature of the receipt and the true scope and effect of the relevant taxing provisions. As a result of these restrictive covenants, not only the production and sales went down but also entire business of assessee got impaired. From the terms of settlement agreement and the restrictive covenants, the entire trading structure of the assessee's business, which was a potential of source of income to the assessee in future, was adversely affected and, therefore, such compensation fell within the realm of capital receipt.

Incentive subsidy for passing on to entrepreneurs and units

Asstt. CIT v. Bihar Industrial Area Development Authority (2017) (Pat- HC)

Assessee received incentive subsidy for passing on to the entrepreneurs and units who were entitled to such incentive and subsidy under various schemes of Govt. AO held it to be revenue receipt chargeable to tax. CIT(A) held it not taxable and deleted the same. Tribunal dismissed revenues appeal.

Held: Incentive subsidy was meant for entrepreneurs and industrialists who had established their units and made certain capital outlay and assessee was merely required to ensure distribution of subsidies, thus was not to be treated the funds in hands of assessee as taxable.



News and Updates

Income Tax Case Laws

Taxability of Interest on Investment of funds provided by Government for specific projects

Asstt. CIT v. Bihar Industrial Area Development Authority (2017) (Pat- HC)

Assessee received interest on investment of funds received by it from State Government for carrying out specific projects. AO held that interest received was not attributable to specific projects and was liable to tax. CIT(A) set aside AO's findings holding that interest earned on funds also partook the character of capital. Tribunal dismissed revenue's appeal.

Held: In the case of CIT v. Karnataka Urban Infrastructure Development and Finance Corporation (2006), it had been rightly pointed out that once it had been found at the level of the Tribunal that the interest was income derived out of funds received from the State Government and thus the interest was not taxable as having the same character, that would be a question of fact. Court was in agreement with the view expressed by the Karnataka High Court and thus, no substantial question of law arose on the issue.

Depreciation- Ownership- Windmill not registered in assessee's name, though in use by assessee to exclusion of others.

ACIT & Anr. V. Pranav Agro Industries Ltd. & Anr. (2017)(Pune- Trib.)

Assessee claimed depreciation on windmills. AO proceeded to disallow depreciation in part since the assessee does not own the 2 windmills of total. Assessee explained that the windmill was purchased from M/s. N and the sale bill had been issued in its favor and the windmill was in its possession and it was being used as an owner to the exclusion of all others. AO observed that the windmill was not registered or transferred in the name of the assessee.

Held: The term owned as occurring in section 32(1) must be assigned a wider meaning. Anyone in possession of property, in his own title exercising such dominion over the property as would enable others being excluded there from and having right to use and occupy the property and/ or to enjoy its usufruct in his own right would be the owner of the property, even though a formal deed of title may not have been executed and he would be entitled to depreciation.



News and Updates

Income Tax Case Laws

Business disallowance under Section 43B- Contribution to EPF etc., after due date but before date of return

ACIT & Anr. V. Pranav Agro Industries Ltd. & Anr. (2017)(Pune- Trib.)

Assessee had contributed to EPF, ESIC and other Labour funds and claimed deduction. AO disallowed the deduction on the ground that the contribution to above mentioned funds was made after the due date of respective funds

Held: The contribution to the EPF, ESIC and other labour funds were made after the due date but before the due date of filing of return of income. This fact had not been disputed by the AO. Therefore, assessee was eligible to claim deduction thereof.

Deduction under Section 80JJA on Purchased bagasse and groundnut husk for processing and manufacturing small sized fuel pellets used as fuel

ACIT & Anr. V. Pranav Agro Industries Ltd. & Anr. (2017)(Pune- Trib.)

Assessee purchased bagasse from sugar factories and after processing it made small sizes fuel pellets to be used as fuel and claimed deduction under section 80JJA. AO rejected the claim on the ground that the bagasse was not biodegradable waste but by-product and the deduction under section 80JJA was available only to local bodies.

Held: The word 'collecting' as defined under section 80JJA does not mean collection for consideration or collection without consideration since it is a neutral word which means to gather or fetch. Undoubtedly assessee had collected bagasse from sugar factories after having made payment for the same. The requirement of collecting under section 80JJA was thus satisfied. Collected bagasse was then used to make briquettes for fuel. Benefit of deduction was not restricted only to local bodies. Therefore, assessee was eligible for deduction under section 80JJA.

Reassessment- Notice under Section 148 issued after expiry of four years.

Meghmani Energy Ltd. v. Dy. CIT (2017)(Guj HC)

Assessee entered into an agreement with ICICI bank concerning the investment in derivatives made on 07-06-2007 with a maturity date of 06-06-2014. During the year under consideration, assessee had claimed expenditure on account of loss due to diminution in value of derivatives, which was classified as Mark to Marked loss as on 31-03-2010. AO allowed the loss after detailed examination and framed the assessment under section 143(3) accepting the claim. After expiry of four years from the end of the relevant year



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**
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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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