



MANGALURU BRANCH
SIRC OF ICAI

FOR PRIVATE CIRCULATION ONLY

E-SAMAACHAAR

EDITION- OCTOBER 2020



**"You must be the change you wish to
see in the world"**

- Mahatma Gandhi

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Chairman's Message



Dear Professional Colleagues

गुरुर्ब्रह्मा गुरुर्विष्णुः गुरुर्देवो महेश्वरः ।
गुरुः साक्षात् परं ब्रह्म तस्मै श्री गुरवे नमः ॥

Guru is Brahma, who is the Lord of Creation, also called as Generator, Guru is Vishnu (Vishnu is the Lord who is called organizer), Guru is the Maheshwara (Shiva or the destroyer). Since Guru leads us to a path of light, Guru is the supreme god or almighty.. Salutations to such Guru.

Teachers day wishes to all CA's as all are Gurus.

The Principal of Articled Trainee is the most important GURU/ Teacher for a CA student. Apart from academics, as a Principal, he imparts practical training on various areas such as auditing, law, accounting, management and so on. He teaches inter personal skills, guides for career growth and grooms articles to be an all rounded professional. The practical training is probably the only phase where a student has the same teacher for 3 years! The Principal – Article student is often known as a bond for life – it transforms life's and careers of budding Chartered Accountants.

This year we have celebrated Teacher's day by felicitating teachers and gurus who have made a remarkable achievement in the field of Teaching viz; Dr A P Achar, Dean, JKSHIM-NITTE; Mr. Ravindranatha Shetty, Teacher, CHS, Urva and Mrs. Shanti lobo, HM-Besant English Medium School. We have honoured three Teachers who have excelled and achieved in the Noble profession of teaching, groomed many students and prepared them for the Nation. I wish the Teachers Trios all the very best to achieve further as role of teachers is vital in Nation Building.

C. JoyBell C. is the most frequently quoted Author on Goodreads, is a leading female Thinker and Writer in our world today.

She writes; "I have come to accept the feeling of not knowing where I am going. And I have trained myself to love it. Because it is only when we are suspended in mid-air with no landing in sight, that we force our wings to unravel and alas begin our flight. And as we fly, we still may not know where we

are going to. But the miracle is in the unfolding of the wings. You may not know where you're going, but you know that so long as you spread your wings, the winds will carry you.”

Lets always be oppurtunistic to unleash and unfold our oppurtunities where the limits of the sky are boundless.

Now we are used to the online platforms and are in the forefront in using the online Webinars and Structured CPE hour meetings. This new change was a challenge and now we have built this challenge into a new oppurtunity and crafted it to our convenience. We are trying our best to utilize it to the fullest for the beneficial of both the members as well as our students.

The government has further extended the due date for filing income tax returns for the financial year 2019-20. The extended sure dates for year ending 31.03.2019 is 30th Novemebre,2020. For taxpayers who need to get their accounts audited or furnish reports on specific domestic or international transactions, the deadline is now January 31, 2021. For the rest, it has been extended to December 31, 2020 from the earlier deadline of November 30.

The deadline for businesses to file annual Goods and Services Tax returns and reconciliation statements for for the financial year 2018-19, has also been extended from October 31, 2020 to December 31, 2020. Now filing of annual return is optional for taxpayers with aggregate turnover below ₹2 crore in 2018-19, while filing the reconciliation statement is optional for the taxpayers with aggregate turnover upto ₹5 crore in that year. I request all my colleagues to take note of the extended due dates and comply with the same.

The ongoing pandemic has been a big hit on the economy and on us professionals as well. Stay safe by taking some simple precautions, such as physical distancing, wearing a mask, keeping rooms well ventilated, avoiding crowds, cleaning your hands, and Check local advice where you live and work. Protect yourself and others from COVID-19

Stay Safe and healthy!!

Regards

CA S S Nayak

Branch Activities for the Month of September 2020

01	05-09-2020	Teachers day celebration at ICAI Office, Mahendra Arcade
02	12.09.2020	<p style="text-align: center;">Virtual CPE Meeting</p> <p>Chief Guest : Dr.S.Palani Kumar, IRS</p> <p>Addl.Commissioner of Income Tax Range – 2, Mangaluru</p> <p>Topic : Changes in Tax Audit Provisions</p> <p>Speaker : CA K Gururaj Acharya</p>
03	22.09.2020	<p style="text-align: center;">Virtual CPE Meeting</p> <p>Chief Guest : Shri Avinash Kiran Rongali, IRS</p> <p>Assistant Commissioner of central Excise & Central Tax(GST), Mangaluru</p> <p>Topic : Practical Issues in GSTR 9 & 9 C</p> <p>Speaker : CA Hanish</p>
04	26.09.2020	<p style="text-align: center;">Virtual CPE Meeting</p> <p>Chief Guest : Sri Balasubramanya</p> <p>Deputy Director (in Charge) of Cooperative Audit, D.K. District</p> <p>Topic : Audit of Co – Operative Societies</p> <p>Speaker : CA B.V.Raveendrananth</p> <p>Topic : Taxation of Co – Operative Societies</p> <p>Speaker : CA Prasanna Shenoy</p>



MANGALURU BRANCH OF SIRC OF ICAI



**VIRTUAL
CPE
MEETING**

***CPE CREDIT
STRUCTURED
3 HOURS**



CHIEF GUEST

DR. S. PALANI KUMAR , IRS

ADDL. COMMISSIONER OF INCOME TAX RANGE - 2,
MANGALURU



SPEAKER

CA. K. GURURAJ ACHARYA

**CHANGES IN TAX AUDIT
PROVISIONS**

12th SEPTEMBER, SATURDAY

3.30 P.M. - 6.30 P.M. IST

CA. S. S. NAYAK
CHAIRMAN

CA. ABDUR RAHMAN MUSBA
SECRETARY

*CPE AVAILABLE ONLY TO MEMBER OF MANGALURU BRANCH

LIVE



zoom



Dr.S.Palani Kumar, IRS, Addl.Commissioner of Income Tax Range – 2,Mangaluru, Chief Guest on 12-09-2020



CA K Gururaj Acharya, Bengaluru, addressing on "Changes in Tax Audit Provisions"



SPEAKER
CA. HANISH S.
PRACTICAL ISSUES IN GSTR 9 & 9C

22nd SEPTEMBER, TUESDAY
4.00 P.M. - 6.00 P.M. IST

CA. S. S. NAYAK
 CHAIRMAN

CA. ABDUR RAHMAN MUSBA
 SECRETARY

*CPE AVAILABLE ONLY TO MEMBER OF MANGALURU BRANCH

LIVE  **zoom**



Mr Avinash Kiran Rongali,IRS, Assistant Commissioner – Central Excise & Central Tax (GST),Mangaluru- Chief Guest on VCM of 22-09-2020



CA Hanish addressing on Practical Issues in GSTR 9 & 9 C

**FEES: Rs 300/-
INCLUSIVE OF GST**

VIRTUAL CPE MEETING

***CPE CREDIT
STRUCTURED
3 HOURS**



CHIEF GUEST
SRI BALASUBRAMANYA
DEPUTY DIRECTOR (IN CHARGE) OF COOPERATIVE AUDIT, D.K. DISTRICT

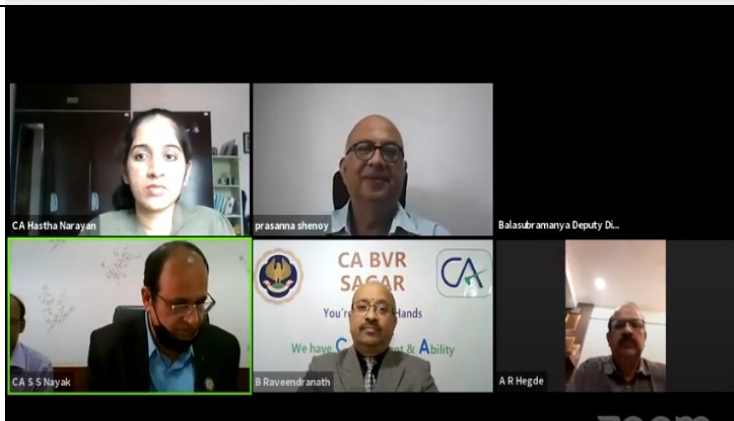
SPEAKERS



CA. B. V. RAVEENDRANATH
AUDIT OF CO-OPERATIVE
SOCIETIES



CA. PRASANNA SHENOY
TAXATION OF CO-OPERATIVE
SOCIETIES



VCM on 26.09.2020 on topic Audit of Co – Operative Societies and Taxation of Co – Operative Societies

Sri Balasubramanya, Deputy Director (in Charge) of Cooperative Audit, D.K. District



CA B.V. Raveendrananth addressing on Audit of Co – Operative Societies

CA Prasanna Shenoy, addressing on Taxation of Co – Operative Societies

ಐಸಿಎಐಯಲ್ಲಿ ಶಿಕ್ಷಕರ ದಿನಾಚರಣೆ



ಅಖಿಲ ಭಾರತ ಲೆಕ್ಕ ಪರಿಶೋಧಕರ ಸಂಸ್ಥೆಯ ಮಂಗಳೂರು ಶಾಖೆ ವತಿಯಿಂದ ನಡೆದ ಶಿಕ್ಷಕರ ದಿನಾಚರಣೆ ಕಾರ್ಯಕ್ರಮದಲ್ಲಿ ಡಾ.ಎ.ಪಿ.ಆಚಾರ್, ರವೀಂದ್ರನಾಥ ಶೆಟ್ಟಿ, ಶಾಂತಿ ಲೋಬೊ ಅವರನ್ನು ಸನ್ಮಾನಿಸಲಾಯಿತು. ಐಸಿಎಐ ಮಂಗಳೂರು ಶಾಖೆ ಅಧ್ಯಕ್ಷ ಸಿಎ ಎಸ್. ಎಸ್.ನಾಯಕ್, ಸಿಕಾಸ ಅಧ್ಯಕ್ಷ ಸಿಎ ಗೌತಮ್ ನಾಯಕ್, ಸಿಎ ಶ್ವೇತಾ ಮತ್ತು ಇಂಜಿನಿಯರ್ ಯೋಗೀಶ್ ಪೈ ಉಪಸ್ಥಿತರಿದ್ದರು.

ಮಂಗಳೂರು: ಅಖಿಲ ಭಾರತ ಲೆಕ್ಕ ಪರಿಶೋಧಕರ ಸಂಸ್ಥೆಯ ಮಂಗಳೂರು ಶಾಖೆ ಹಾಗೂ ಸಿಕಾಸ(ವಿದ್ಯಾರ್ಥಿ ಸಂಘ) ವತಿಯಿಂದ ಸಂಸ್ಥೆಯ ಕಚೇರಿಯಲ್ಲಿ ಶಿಕ್ಷಕರ ದಿನಾಚರಣೆ ನಡೆಯಿತು.

ನಿಟ್ಟೆಯ ಜೆಕೆಎಸ್‌ಎಚ್ ಐಎಂನ ಡೀನ್ ಡಾ.ಎ.ಪಿ.ಆಚಾರ್, ಉರ್ವ ಕೆನರಾ ಹೈಸ್ಕೂಲ್ ಶಿಕ್ಷಕ ರವೀಂದ್ರನಾಥ ಶೆಟ್ಟಿ, ಬೆಸೆಂಟ್ ಇಂಗ್ಲೀಷ್ ಮೀಡಿಯಂ ಸ್ಕೂಲ್ ಮುಖ್ಯಶಿಕ್ಷಕಿ ಶಾಂತಿ ಲೋಬೊ

ಅವರನ್ನು ಸನ್ಮಾನಿಸಲಾಯಿತು. ಸಿಎ ವಿದ್ಯಾರ್ಥಿಗಳಾದ ದರ್ಶನ್ ಪೂಜಾರಿ ಮತ್ತು ಅನುಷಾ ಐತಾಳ ಅವರು 'ರಾಷ್ಟ್ರ ವಿಕಾಸದಲ್ಲಿ ಶಿಕ್ಷಕರ ಪಾತ್ರ' ವಿಷಯದ ಬಗ್ಗೆ ಮಾತನಾಡಿದರು. ಸಿಎ ಶ್ವೇತಾ ಮತ್ತು ಇಂಜಿನಿಯರ್ ಯೋಗೀಶ್ ಪೈ ಅವರನ್ನು ಸನ್ಮಾನಿಸಲಾಯಿತು. ಐಸಿಎಐ ಮಂಗಳೂರು ಶಾಖೆ ಅಧ್ಯಕ್ಷ ಸಿಎ ಎಸ್.ಎಸ್. ನಾಯಕ್, ಸಿಕಾಸ ಅಧ್ಯಕ್ಷ ಸಿಎ ಗೌತಮ್ ನಾಯಕ್, ಸದಸ್ಯರು ಉಪಸ್ಥಿತರಿದ್ದರು.

Carried in Vijayavani Paper dated 06-09-2020



MANGALURU BRANCH OF SIRC OF ICAI

IN ASSOCIATION WITH

MANGALURU BRANCH OF SICASA

TEACHER'S DAY CELEBRATION

05 - 09 - 2020 | SATURDAY | 3:45 P.M. ONWARDS

ICAI BHAWAN, MAHENDRA ARCADE, KARANGALPADY, MANGALURU



DR. SARVEPALLI RADHAKRISHNAN

A life of Joy & Happiness is possible only on the basis of Knowledge & Science

- FELICITATION -



DR. A. P. ACHAR
DEAN - JKSHIM NITTE



MR. RAVINDRANATHA SHETTY
TEACHER - CHS, URVA



MRS. SHANTI LOBO
HM - BESANT ENGLISH
MEDIUM SCHOOL

- AGENDA -

- TALK ABOUT ROLE OF TEACHERS IN NATION BUILDING

- FELICITATION

CA. S. S. NAYAK
CHAIRMAN

CA. GAUTHAM NAYAK M.
SICASA CHAIRMAN

FOSTERING START-UPS & NURTURING

ENTREPRENEURSHIP



CA SANKETH S. NAYAK

(B.com, FCA, DISA(ICAI), CPA (USA)

Partner: S S Nayak & Associates,
Bangalore)

Visionary Dwayas Dr. A.P.J Abdul Kalam and Prof. Y.S Rajan (ISRO Scientist) in their book “India 2020: A vision for the new Millennium” conveys ideas for India’s future: “A developed India, by 2020 or even earlier is not a dream. It need not even be a mere aspiration in the minds of many Indians. It is a mission we can all take up and accomplish.”

Clearly the Pandemic waves of COVID19 have divided the visionary dreams of our forefathers’ vision of New Millennium India 2020 and reduce the blooming economy into economic crisis and recession periods.

Unemployment rates were at an all-time high, regular commodity prices did not reduce and India was, and still is in a big import-export trade deficit, while our indigenous workforce remains jobless, and we export more natural

resources and lesser products. The Prime Minister has talked about an “ **Aatmanirbhar** ” or self-reliant vision of India that he has for the future of our country, and while the emotion and meaning behind this vision is strong, there are a lot of changes we need to bring in to actually enable us to become “ **Aatmanirbhar** ”.

The biggest driving force behind this is the evolution of more start-ups and entrepreneurs.

Entrepreneurship is one of the resources economists categorize as integral to production, the other three being land/natural resources, labor and capital. An entrepreneur combines the first three of these to manufacture goods or provide services. They typically create a business plan, hire labour, acquire resources and financing, and provide leadership and management for the business.

Chanakya says the more one crushes sugarcane, more juice will come out, similarly the more crushed are the oil seeds the more oil they'll give, more the gold is beaten the better shining & value it has, the more the earth is ploughed more fertile it would be, more rubbing of sandalwood, more fragrance it would spread, more the curd is churned results into more butter, more one chews the 'paan' more tasty & enjoyable it will become.

For the vast majority of us, nothing in life comes easy. Business is no exception — unfortunately, there is no secret to success beyond motivation and hard work. As Thomas Edison put it, "The three great essentials to achieve anything worthwhile are, first, hard work; second, stick-to-itiveness; third, common sense." These weren't just words.

Nurturing entrepreneurship can be highly beneficial for the individual as well as society. It is an important facet of unleashing individual creativity and energy for the purpose of greater common good.

The most basic change we need is in the way we are taught things in school, and the way society looks at entrepreneurs. ***Our students are taught how to get existing jobs instead of creating more, and society has idealized that pattern of thinking.*** The ideal for an education system should not be creating people who do the same things everyone is doing. It should be thinking ***out of the box, bringing up creative ideas and solutions to problems people are facing, the job of entrepreneurs.***

Launching entrepreneurship awareness program in schools and colleges can ignite youth through multi-pronged strategy of encouraging entrepreneurial culture in school and colleges, celebrating entrepreneurship by providing role models in schools and colleges, introducing entrepreneurship developmental courses, setting up localized mentoring networks and making available early stage funding through banking system to the infinite possibilities of entrepreneurship.

With a burgeoning middle class, India has a huge potential, which, if tapped, can be a vast market for products and services. Entrepreneurs can prosper by catering to the requirements of this segment. India, with its abundant pool of talent in the IT domain, management, manufacturing and pharmaceuticals, has become the choicest destination for outsourcing of services from all over the world. The scene for Indian entrepreneur is ideal. If he can seize the current opportunity, he can succeed not only in India but also globally.

The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures.

An entrepreneur's journey is full of thorns, not a flower bed of Roses. Always remember the journey from the roots of the rose plant to the rose flower is full of thorns.

One of the ***major hindrances faced by the Indian entrepreneur is that of capital.*** It is worth noting that there is greater willingness among people to invest capital in enterprises that are already established than in start-ups. Given the riskiness of a new venture, the acquisition of capital funding is particularly challenging,

Therefore, ***fostering entrepreneurship*** is an important part of the economic growth strategies of many local and national governments around the world.

While some entrepreneurs are lone players struggling to get small businesses off the ground on a shoestring, others take on partners armed with greater access to capital and other resources. In these situations, new firms may acquire financing from venture capitalists, angel investors, hedge funds, crowd sourcing, or through more traditional sources such as bank loans.

Funding Options for Start-ups

1. Bootstrapping your start up business:

Self-funding, also known as bootstrapping, is an effective way of start up financing, specially when you are just starting your business. First-time entrepreneurs often have trouble getting funding without first showing some traction and a plan for potential success. You can invest from your own savings or can get your family and friends to contribute.

2. Crowd funding As a Funding Option:

This is how crowd funding works – An entrepreneur will put up a detailed description of his business on a crowd funding platform. He will mention the goals of his business, plans for making a profit, how much funding he needs and for what reasons, etc. and then consumers can read about the business and give money if they like the idea. Those giving money will make online pledges with the promise of pre-buying the product or giving a donation. Anyone can contribute money toward helping a business that they really believe in.

3. Get Angel Investment In Your Start up:

Angel investors are typically individuals who invest in start-up or early-stage companies in exchange for an equity ownership interest.

4. Get Venture Capital For Your Business:

Venture capitals are professionally managed funds who invest in companies that have huge potential. They usually invest in a business against equity and exit when there is an IPO or an acquisition. VCs provide expertise, mentorship and acts as a litmus test of where the organization is going, evaluating the business from the sustainability and scalability point of view.

5. Get Funding From Business Incubators & Accelerators

Incubators are like a parent to a child, who nurture the business providing shelter tools and training and network to a business. Accelerators so more or less the same thing, but an incubator helps/assists/nurtures a business to walk, while accelerator helps to run/take a giant leap.

These programs normally run for 4-8 months and require time commitment from the business owners. You will also be able to make good connections with mentors, investors and other fellow start ups using this platform

6. Raise Funds By Winning Contests:

An increase in the number of contests has tremendously helped to maximize the opportunities for fund raising. It encourages entrepreneurs with business ideas to set up their own businesses. In such competitions, you either have to build a product or prepare a business plan.

7. Raise Money Through Bank Loans & NBFC's:

The bank provides two kinds of financing for businesses. One is working capital loan, and other is funding. Working Capital loan is the loan required to run one complete cycle of revenue generating operations, and the limit is usually decided by hypothecating stocks and debtors. Funding from bank would involve the usual process of sharing the business plan and the valuation details, along with the project report, based on which the loan is sanctioned.

8. Invoice financing or factoring

Factoring is a type of short-term accounts receivable financing, where you effectively 'sell' your outstanding invoices to a third-party commercial finance company.

Like business invoice factoring, invoice discounting is a form of short-term borrowing against your outstanding invoices. It is usually used to help improve a company's working capital and cash flow position.

9. Peer-to-peer or marketplace lending

Peer to Peer lending, also known as P2P Lending, is a financial innovation which connects verified borrowers seeking unsecured personal loans with investors looking to earn higher returns on their investments. Verified borrowers are listed on the P2P lending platform, Investors can see all the details about the borrowers before lending money to them. Investors have the option to lend small amounts to multiple borrowers to diversify their investment

10. Convertible notes/ Convertible debt

A convertible note is defined under the Rules as an instrument evidencing receipt of money initially as a debt, which is repayable at the option of the holder, or which is convertible into such number of equity shares of the start-up company upon occurrence of specified events and as per the other terms and conditions.

With convertible debt, a business borrows money from a lender where both parties enter the agreement with the intent (from the outset) to repay all (or part) of the loan by converting it into a certain number of its common shares at some point in the future.

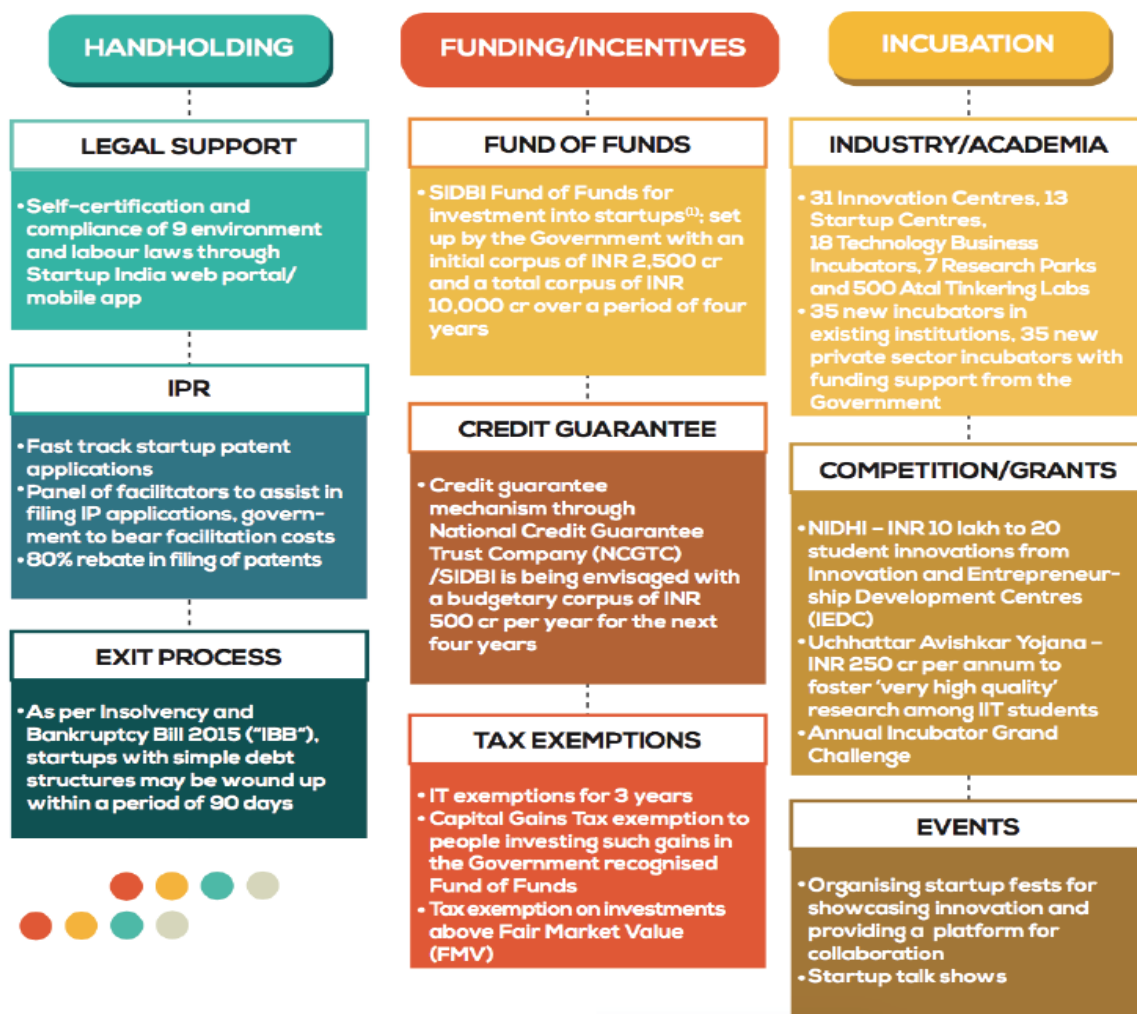
11. Merchant cash advances

MCA is essentially an advance that one can avail against their receivables. It can be repaid easily through their daily credit/debit card settlements by paying a small EMI on a daily basis. Moreover, the application process is quick, simple and hassle-free, and so is the access to requisite funding post-approval.

To this end, governments commonly assist in the development of entrepreneurial ecosystems, which may include entrepreneurs themselves, government-sponsored assistance programs and venture capitalists. They may also include non-government organizations, such as entrepreneurs' associations, business incubators, and education programs.

12. Govt Programs That Offer Start up Capital & Grants

With the objective to build a strong eco-system for nurturing innovation and Start-ups in the country the Government launched a Start up India Action Plan that offers the following support to recognized supports through:



Another factor that has been hindering entrepreneurship in India is the lack of mentors – very few success stories which could inspire youngsters to become entrepreneurs. By and large, the **Indian society is averse to risk**. People normally look for long-term and stable employment, such as government and public sector jobs. There is an urgent need to overhaul the physical infrastructure. Social Attitudes, lack of capital, inadequate physical infrastructure and lack of government support are major factors hindering entrepreneurship in India.

"Failure is a Stepping Stone to Success."

"Ever tried. Ever failed. No matter. Try again. Fail again. Fail better." Samuel Beckett's words echoes how his early artistic failures turned into great poetry, sound like a life lesson. This tenet applies to every domain of human activity, especially incase of an aspiring entrepreneur who tries, fails, tries again, and eventually succeeds. In effect, the path of most successful entrepreneurs is marked by a number of failures so that we can use the rule of thumb to assess that a great many achievements very often requires a previous number of trials and relative failures.

Determination, Dedication and Discipline combined with Hard work, Honesty and Humbleness helps to create extra-ordinary entrepreneurs. The difference between ordinary and extra-ordinary is that there is something extra in extra-ordinary. Ethical Practices, Patience, Perseverance, Persistent efforts & Productivity will be an add on this extra-efforts.

Importance & Role of incubation centres

Business incubators are the organizations which help in the growth and development of start ups. They work as helping hand for the early stage companies by providing them necessary support both in technical and financial services through physical space, capital, common services, coaching and networking connections they accelerate entrepreneurial companies.

They provide office and manufacturing space at below market rates, help in formulating market plans, expert guidance in developing business and helping to fund the developing business. Incubators provide immediate access to their facilities like legal structure and share holders agreement along with providing mentoring and contact to incubator- bred entrepreneurs.

This gives an insight to budding entrepreneurs on how a business functions properly. Companies usually spent an average of initial two years in business incubators where they share telephone, production equipment expenses and secretarial office with other start up companies to reduce operational costs.

There are different types of incubators like Virtual Business Incubators, Kitchen incubators, Public incubators, incubator start up studio, manufacturing incubator, venture Builder etc. Every incubator functions differently. Incubators can be found through the search engine offered by National business Incubation Association, other state and local economic development departments and local SBA offices.

Nurturing entrepreneurship can have a positive impact on an economy and a society in several ways. For starters, entrepreneurs create new business. They invent goods and services, resulting in employment and often create a ripple effect, resulting in more and more development.

For example, California's Silicon Valley is often cited as an example of a well-functioning entrepreneurial ecosystem. The region has a well-developed venture capital base, a large pool of well-educated talent, especially in technical fields, and a wide range of government and non-government programs fostering new ventures and providing information and support to entrepreneurs.

Unlike traditional professions, where there is often a defined path to follow, the road to entrepreneurship is mystifying to most. What works for one entrepreneur might not work for the next and vice versa.

Embarking on the entrepreneurial career path to "being your own boss" is exciting. But along with all your research, make sure to do your homework about yourself and your situation. Entrepreneurial spirit is a

mindset. It's an attitude and approach to thinking that actively seeks out change, rather than adapting to change as it occurs. It's a mindset that embraces critical questioning, innovation and continuous improvement. It's about seeing the big picture, being agile and always seeking out new opportunities.

Sure, some people might have a more natural entrepreneurial knack, but the abilities and characteristics of an entrepreneur are developed and groomed through an ongoing development process. All of our life experience can help us towards our goals, and it's never too late to become an entrepreneur.

Being an entrepreneur and promoting the entrepreneurial spirit is a wonderful thing. Even if there are a lot of hurdles that will cross your path, don't be discouraged and be willing to take it. Bringing new ideas to the world and taking the risk of starting a business no matter the odds can help the society and change lives through innovation.

Niti Ayog has set up 59 Atal Incubation Centre's across India to onboard start ups & hand hold them by training, nurturing, & supporting them. This journey of promoting start-ups and entrepreneurship will go a long way to promote & nurture entrepreneurship from Indian educated Youth from various sectors.

"A journey of a thousand miles begins with a single step."

This journey can be successfully accomplished only with desire, determination and dedication of all the entrepreneurs. Entrepreneurship is a journey not a destination.

Disclaimer: The opinions expressed within this article are the personal opinions of the author. The facts and opinions appearing in the article do not reflect the views of the Managing Committee and ICAI does not assume any responsibility or liability for the same.

Goods Transport by Road - GST liability of the recipient and the difficulties

GST is an indirect tax based on the concept of value added tax, where tax is levied at each stage of supply on the value addition and the tax is ultimately borne by the final consumer of goods or services. As such, a person registered under the GST law is usually liable to pay tax on the outward supplies effected by him in the course or furtherance of his business. However, in certain cases, the law requires a registered person to pay tax on his inward supplies instead of the supplier of such supplies paying tax thereon. This mechanism is referred to as the reverse charge mechanism ('RCM') and the liability is colloquially referred to as RCM liability.

This article touches upon the GST implications in case of goods transportation by road and certain issues with respect to RCM liability of the recipient of such supplies.

Tax on Transportation of Goods by Road – A Legal Perspective

It is observed that, even after a period of three years from the implementation of GST, most taxpayers are not yet informed enough about the GST liability under RCM in case of services rendered by Goods Transport Agency ('GTA'). In other cases where the taxpayers are aware of such a liability, there is a common misconception among the trade that all services of transportation of goods are leviable to GST.

Given that a registered person is required to discharge RCM liability in case of GTA services irrespective of him being an individual or otherwise, the issue becomes more relevant.

In this respect, it is noteworthy that the legislative competency to levy tax on carriage of goods was historically with the States as per the List II - State List of Seventh Schedule of the Constitution. Accordingly, in the pre-GST regime, no service tax was levied on the services of transportation of goods by road. Given that the concept of RCM and taxability of services have been majorly borrowed from the Service tax regime into the GST law, the provisions of GST law have also been similarly drafted.

Notwithstanding the amendment to the Constitution to provide special powers for levy of a combined Goods and Services Tax *vide* Article 246A, the exemption from tax on transportation of goods by road has been carried forward in the GST regime. Thus, no GST is payable, by the supplier or by the recipient, on the services of transportation of goods by road.

The above being said, it may be noted that the law has distinguished between the services of transportation of goods itself and the services of GTA in relation to such transportation. Further, a GTA has been defined to mean any person who provides service in relation to transport of goods by road and issues consignment note, by whatever

name called. What is to be noted is the requirement to issue a consignment note by a transporter for it to qualify as a GTA. A consignment note is a document issued by a GTA, giving the details of the consignment, so as to establish the possession of the subject goods and pin the responsibility thereof. It is crucial in case of a GTA service that such a document is issued.

As such, what is indispensable for a person to qualify as a GTA is that the lien of the goods is transferred and that the GTA becomes responsible for the goods till its safe delivery to the consignee. This was also made clear in a recent order of the Rajasthan Appellate Authority for Advance Ruling ('AAAR') against an advance ruling in the case of *M/s K M Trans Logistics Private Limited*¹. In this case, however, the AAAR went a step further to state that issuance of consignment note, or its non-issuance, does not make any difference so far as the nature of the activity carried out by them is concerned.

On the other hand, it has been held by the Courts that services in relation to transportation of goods by owners of trucks or other vehicles, on their own account, would not amount to GTA services and no GST is to be paid on the same.

It was observed by the Hon'ble Mumbai Tribunal in the case of *CCE & ST vs Jaikumar Fulchand Ajmera*² that during the transportation stage, the respondent transporter did not acquire any lien on the goods which would be implicit in the issue of a consignment note. Thus, the services so provided did not qualify as GTA services.

While the above cases are from the erstwhile Service tax regime, the principles and ratio of judgements are squarely applicable under GST regime as well. This is because the provisions of law with respect to taxation of GTA services are similar under both the regimes.

To conclude, it can be safely said that even under the GST law, what is taxable is the services rendered by Goods Transport Agencies in relation to transportation of goods by road and not the transportation services rendered by Goods Transport Operators/Owners.

Taxation of GTA services

The next issue that is fogging the mind of the industry with respect to GTA services is the taxation of such services. It is observed that in some cases GTA service providers charge GST at the rate of 12%, whereas in other cases they do not charge GST at all. Further, a tax consultant would urge a recipient of GTA service to pay GST at the rate of 5% only.

Here, it is to be noted that the law has given an option to the supplier of GTA services to either opt for GST at the rate of 12% with availability of input tax credit ("ITC") or opt for the rate of 5% without ITC. In case of the latter

¹ 2020 (4) TMI 668 - APPELLATE AUTHORITY FOR ADVANCE RULING RAJASTHAN

² 2017 (48) S.T.R. 52 (TRI. - MUMBAI)

option, the GST is to be paid by the recipient. In simpler terms, where GST at 12% is not charged by the supplier of GTA services, automatically the same becomes payable by the recipient of such services at the rate of 5%. Like any other service that is under the ambit of RCM liability, GST is required to be paid in cash, ie ITC may not be used for such payment.

Also, the law provides for certain exemptions in case of GTA services, whereby no GST is payable. Among other exemptions, no GST is payable on account of exemption in the following cases:

- a. Where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed Rs 1,500/-;
- b. Where consideration charged for transportation of all such goods for a single consignee does not exceed Rs 750/-.

Input tax credit of GST paid

Under the GST law, any GST paid on inward supplies is available to such recipient as ITC subject to restrictions in case of some specific inward supplies. Since no restriction is imposed on services of GTA and since these services are utilised by the recipient in furtherance of its business, ITC of GST paid on such services would be available to it for utilisation against its GST liability on outward supplies.

When the above is stated, a question arises as to the restriction imposed in case of the option of paying 5% GST without ITC. Since the rate notification provides that no ITC should be taken if the concessional rate of 5% is opted for, does it not mean that the recipient taxpayer who discharges RCM liability on GTA services at 5% is not eligible to take the ITC of the same.

In this regard, it must be noted that the said restriction of not availing ITC is imposed on the supplier of such services, ie GTA in this case. Accordingly, where a GTA opts for the concessional rate of 5%, he would not be eligible to take ITC on the inward supplies utilised in effecting such GTA services. However, this does not mean that the recipient taxpayer who is discharging GST on such services under RCM will not be eligible for ITC of such GST paid under RCM.

Time limit for availing input tax credit

Generally, the GST law allows a taxpayer to avail ITC based on a tax invoice or a debit note pertaining to such tax invoice within the due date for filing monthly return for the month of September following the end of the year to which such tax invoice/debit note pertains or the date of filing annual returns, whichever is earlier.

The specific weightage on “tax invoice” for availing of ITC in the law compels us to analyse whether the same provisions would apply in case of GST paid under RCM. It may be noted that “tax invoice” is specifically defined under the law to mean an invoice issued under section 31 of the CGST Act. Further, a self-invoice which is required to be issued in case of RCM liability, is also an invoice under the same section 31.

Accordingly, even in case of GST paid under RCM, the ITC of the same may be taken only before the abovementioned time limit based on the date of invoice on which such tax is paid.

Based on the above brief analysis, since the document on which ITC is taken in case of RCM payment is the self-invoice issued in this respect, there is a very dicey position being envisaged by tax experts that even if RCM liability is discharged for earlier years in the current year, the same should be available as ITC based on the self-invoice issued in the current period. While this position is not recommended to be adopted given the clear intention of the law to permit ITC only within prescribed time limit, the judicial view on the above position is yet to be known.

At this juncture, it would not be out of place to mention that the Supreme Court in the case of *ALD Automotive Private Limited vs Commercial Tax Officer*³, has ruled that that conditions including time limit can be imposed for claiming ITC and the same does not violate the Constitution.

Conclusion

In view of the complexities accompanying the compliance of provisions pertaining to RCM liability, one would wonder if reverse charge is actually charging the businesses in reverse direction. As such, while the Government is doing a lot in educating the industry of the compliances under GST law, there is yet more to be clarified and simplified.

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Mangalore

Disclaimer: The opinions expressed within this article are the personal opinions of the author. The facts and opinions appearing in the article do not reflect the views of the Managing Committee and ICAI does not assume any responsibility or liability for the same.

³ [2018] 99 TAXMANN.COM 202 (SC)

Words of the Wise

- ✧ Success does not come from what you do occasionally, but what you do consistently.
 - ✧ To change your life, you need to change your priorities
 - ✧ You can only win when your mind is stronger than your emotions
 - ✧ Without crossing the worst situations, no one can touch the best corners of life. Dare to face anything in life. Winners never quit, quitters never win.
 - ✧ Good relationships, compassion and peace of mind are much more important than achievements, awards, degrees or money.
 - ✧ Self confidence is a super power. Once you start to believe in yourself, miracles starts happening.
 - ✧ Strength grows when we dare, Unity grows when we pair, Love grows when we share, relationship grows when we care.
 - ✧ It takes years to learn to speak. But it takes a lifetime to learn what not to speak.
 - ✧ Happiness is not about getting all you want, It is about enjoying what you have.
 - ✧ The sea is common for all, but some take pearls, some take fishes and some come out with just wet legs. World is common for all, but we get what we try for.
- ~~~~~

Shubhashitha

✧ क्षणशः कणश्चैव विद्यामर्थं च साधयेत् ।
क्षणे नष्टे कुतो विद्या कणे नष्टे कुतो धनम् ॥

Every moment one should learn, from every bit one should earn.

If you waste a second (kshan) you can't get knowledge (vidya) and if you waste a bit (kan) u can't get money (artham).

✧ अश्वस्य भूषणं वेगो मत्तं स्याद् गजभूषणम् ।

चातुर्यं भूषणं नार्या उद्योगो नर भूषणम्

Speed is the glory of Horse (Ashwa). The majestic walk is the glory of elephant (Gaja)

Women are adorned and appreciated for their skills and men for their industriousness and perseverance.

✧ नास्ति विद्या समं चक्षु नास्ति सत्य समं तपः। नास्ति राग समं दुःखं
नास्ति त्याग समं सुखं॥

*Knowledge is the greatest eye ; Truth is the highest penance.
Attachment is the biggest pain. Renunciation is the highest happiness.*

✧ उदये सविता रक्तो रक्तश्चास्तमये तथा ।

सम्पत्तौ च विपत्तौ च महतामेकरूपता ॥

The sun looks red while rising and setting. Great Individual too remains alike in both the good and bad times.

**ಶಕ್ತಿಂ ಕರೋತಿ ಸಂಚಾರೇ ಶೀತೋಷ್ಣೇ ಮರ್ಷಯತ್ಯಪಿ
ದೀಪಯತ್ಯುದರೇ ವಹ್ನಿಂ ದಾರಿದ್ರ್ಯಂ ಪರಮೌಷಧಮ್**

ಬಡತನವು ಮಾನವರಿಗೆ 'ವರ' ಎಂದೇ ಹೇಳಬೇಕು. ಏಕೆಂದರೆ ಬಡತನವೆಂಬುದು ಮನುಷ್ಯನು ಚೆನ್ನಾಗಿ ಓಡಾಡುವುದಕ್ಕೆ ಶಕ್ತಿಯನ್ನು ಕೊಡುತ್ತದೆ. ಶೀತೋಷ್ಣಗಳನ್ನು ಸಹಿಸಿಕೊಳ್ಳುವಂತೆ ಮಾಡುತ್ತದೆ, ಮತ್ತು ಹೊಟ್ಟೆಯ ಹಸಿವನ್ನು ಚೆನ್ನಾಗಿ ಉಂಟುಮಾಡುತ್ತದೆ.

**ಸ್ವಭಾವೋ ನೋಪದೇಶೇನ ಶಕ್ಯತೇ ಕರ್ತುಮನ್ಯಥಾ |
ಸುತಪ್ರಮುಖ ಪಾನೀಯಂ ಪುನರ್ಗಚ್ಛತಿ ಶೀತತಾಮ್ ||**

ಬರೀ ಉಪದೇಶದಿಂದ ಒಬ್ಬ ಮನುಷ್ಯನ ಸ್ವಭಾವವನ್ನು ಬದಲಾವಣೆ ಮಾಡಲು ಸಾಧ್ಯವಾಗುವುದಿಲ್ಲ. ನೀರನ್ನು ಕುದಿಯುವಂತೆ ಕಾಯಿಸಿ ಬಿಸಿ ಮಾಡಿದರೂ ಅದು ಆಮೇಲೆ ತಣ್ಣಗಾಗಿಬಿಡುತ್ತದೆಯಲ್ಲವೇ?

ಪ್ರತಿಯೊಂದು ಪದಾರ್ಥಕ್ಕೂ ಒಂದೊಂದು ಸ್ವಭಾವವು ಇರುತ್ತದೆ. ಬೆಂಕಿಗೆ ಬಿಸಿ ಸ್ವಭಾವ, ನೀರಿಗೆ ತಣ್ಣಗಿರುವುದು ಸ್ವಭಾವ, ಕಬ್ಬಿಣಕ್ಕೆ ತುಕ್ಕುಹಿಡಿಯುವುದು ಸ್ವಭಾವ, ಸಕ್ಕರೆಗೆ ಸಿಹಿ ಸ್ವಭಾವ—ಇತ್ಯಾದಿ. ಹೀಗೆಯೇ ಪ್ರತಿಯೊಬ್ಬ ಮನುಷ್ಯನಿಗೂ ಅವನವನದೇ ಆದ ಸ್ವಭಾವವೆಂಬುದು ಇರುತ್ತದೆ. ಕೇವಲ ಉಪದೇಶಮಾತ್ರದಿಂದ ಆ ಮನುಷ್ಯನ ಸ್ವಭಾವವನ್ನು ಬದಲಾಯಿಸುವುದು ಸಾಧ್ಯವಿಲ್ಲ.

**ಅಣುಭಶ್ಚ ಮಹದ್ಭಶ್ಚ ಶಾಸ್ತ್ರೇಭ್ಯಃ ಕುಶಲೋ ನರಃ |
ಸರ್ವತಃ ಸಾರಮಾದದ್ಯಾತ್ ಪುಷ್ಕೇಭ್ಯ ಇವ ಪಟದಃ ||**

ದುಂಬಿಯು ನಾನಾ ಪುಷ್ಪಗಳಿಂದ ಮಕರಂದವನ್ನು ಹೀರುವಂತೆ, ಜಾಣನಾದ ಮನುಷ್ಯನು ಶಾಸ್ತ್ರಗಳಿಂದ ಸಾರವನ್ನು ಸ್ವೀಕರಿಸಬೇಕು. ಆ ಶಾಸ್ತ್ರಗಳು ಸಣ್ಣದಾಗಿರಬಹುದು, ದೊಡ್ಡದಾಗಿರಬಹುದು; ಅದು ಮುಖ್ಯವಲ್ಲ.

ಮಾನವನು ಬುದ್ಧಿಜೀವಿ, ವಿವೇಕಿ, ಚತುರ, ಹಾಗೂ ಜಾಣ. ಇವನು ಅವರಿಂದ ಇವರಿಂದ—ಎಲ್ಲರಿಂದಲೂ ಹೊಸ ಹೊಸ ವಿಷಯಗಳನ್ನು ಸಂಗ್ರಹಿಸುತ್ತಾ ಹೋಗಬೇಕು. ಚಿಕ್ಕವರಾಗಲಿ, ದೊಡ್ಡವರಾಗಲಿ, ಬಡವರಾಗಲಿ ಶ್ರೀಮಂತರಾಗಲಿ, ಸ್ತ್ರೀಯರಾಗಲಿ ಪುರುಷರಾಗಲಿ, ಬುದ್ಧಿವಂತರಾಗಲಿ ದಡ್ಡರಾಗಲಿ, ರೈತರಾಗಲಿ ಮಂತ್ರಿಗಳಾಗಲಿ—ಎಲ್ಲರಿಂದಲೂ ಸಾರವನ್ನು ಸಂಗ್ರಹಿಸುತ್ತಾ ಇರಬೇಕು.

**ಅನ್ಯಮಾಶ್ರಯತೇ ಲಕ್ಷ್ಮೀಃ ಅನ್ಯಮನ್ಯಂ ಚ ಮೇದಿನೀ |
ಅನನ್ಯಗಾಮಿನೀ ಪುಂಸಾಂ ಕೀರ್ತಿರೇಕಾ ಪತಿವ್ರತಾ ||**

ಲಕ್ಷ್ಮಿಯು ಎಂದರೆ ಸಂಪತ್ತು ಒಬ್ಬನಿಂದ ಮತ್ತೊಬ್ಬನನ್ನು ಸದಾ ಆಶ್ರಯಿಸುತ್ತಿರುತ್ತಾಳೆ. ಭೂದೇವಿಯೂ ಕೂಡ ಬೇರೆ ಬೇರೆಯ ಪತಿಯನ್ನು ಸೇರಿಕೊಳ್ಳುತ್ತಾಳೆ. ಆದರೆ ಕೀರ್ತಿ ಎಂಬ ದೇವಿಯು ಮಾತ್ರ ಒಬ್ಬನನ್ನು ಆಶ್ರಯಿಸಿಬಿಟ್ಟರೆ ಅವನನ್ನು ಬಿಟ್ಟು ಪರಪುರುಷನನ್ನು ಆಶ್ರಯಿಸದೇ ಸದಾ ಪತಿವ್ರತಳಾಗಿರುತ್ತಾಳೆ.

-CA S S Nayak
Chairman



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