



E-SAMAAACHAAR

Monthly Newsletter

Goodbye to the Old
Hi to the New
2020



Contents

1. Chairman's Message.....	1-3
2. Branch Activity Updates of Dec 2019.....	4-5
3. Branch Activity Gallery of Dec 2019.....	6-8
4. Insolvency and Bankruptcy Code 2016 - An Overview.....	9-12
5. Income Tax Calendar for January 2020.....	13-14
6. GST Calendar for January 2020.....	15
7. Carbon Credits.....	16-18
8. Quotes for the new beginning.....	19

Chairman's Message



Dear Professional Colleagues,

"New Year is a new morning and a new morning is a new opportunity and a new opportunity is a new path and finally a new path is a new richness! Happy New Year to All!"

As all of you know, we had a fantastic December month and the reason was the Two Day National Conference titled "AVIRATH" being organized by the Committee for Capacity Building of Members in Practice (CCBMP), ICAI and hosted by the Mangaluru ICAI. The National Conference held on 12th& 13th Dec 2019 (Thursday/Friday). Theme and tagline of this Conference was 'Avirath, *Perpetual Progression, Perfect Professionalism*'. 'Avirath' signifies continuity or perpetuity ('अवीरत' in Hindi). The theme denotes that, as the members of the prestigious Institute as well as being a custodian of high trust & faith by the stake holders and the public, there needs to be continuous growth & updation in knowledge & expertise that we possess. The Conference was held at the iconic venue "Town Hall" at the heart of the City, a modern day auditorium with state of the art facilities. The Conference was held at a time when the members were out from the busy season of profession, so that they can engage, enlighten and enrich themselves.

I was delighted to stand before the august gathering to welcome the dignitaries and indeed that was the result of several months' time, pain and efforts put by all of us, managing committee members, staff, members & well-wishers of Mangaluru ICAI.

For the inaugural programme held on 12th Dec @9.30 am, we had a successful banker and a dynamic leader Smt. P.V.Bharathi, Managing Director & CEO, Corporation Bank, as our Chief guest who inaugurated our conference. We had with us one more dignitary, a strategic thinker, technical prowess, Sri.M. Venkatesh Managing Director, MRPL-ONGC (which is a long standing well-wisher of our Branch), as our chief guest who launched our conference e-souvenir. Besides, we had CA.Rajesh Sharma, Central Council member and the Chairman of CCBMP committee, CA.Dayaniwas Sharma Central Council Member and Vice-Chairman of Digital Accounting &

Assurance Board of ICAI, CA.Jomon George our beloved SIRC Chairman, and our ex-officio member CA.A B Geetha, Regional Council Member amongst the dignitaries on the stage.

We had the topics for deliberations which were very relevant for the present day challenges faced by the professionals, like us. We had covered a few most important topics under the Income Tax Act, Digital Competency/Artificial Intelligence/block chain technology, the Companies Act, the FEMA & Non-resident taxation, Goods & Service Tax (GST), Insolvency & Bankruptcy Code, Networking of Firms, Succession Planning etc. We had resource persons of repute & eminence, from across the country. I'm sure that, with their in-depth knowledge & expertise blended with the practical experience, which made the sessions beneficial to all the participants.

Besides the technical sessions, we had a special session, i.e., health session by renowned Dr.R.Raghuram, and also, a fantabulous cultural extravaganza being performed by the members, families and students. As a mark of our concern towards our members and the society, we made arrangements for Blood donation Camp and Free Medical Check-up camp, in association with the India Red Cross Society, D K dist.

In the Valedictory Ceremony held on 13th Dec @5.30 pm, we had Sri.B.Shivaram, DGM-Regional Head, Bank of Baroda, Mangaluru, and CA.Vivek Mallya, Independent Director, MRPL-ONGC as our Chief Guests for the program.

On behalf of the Mangaluru ICAI, I am thankful to CA.Rajesh Sharma (Chairman) CA.Prasanna Kumar D. (Vice-Chairman) and the entire team of CCBMP, ICAI, for approving and organising the National Conference at our Mangaluru Branch. I'm also thankful to our beloved MLAs Sri Vedavyasa Kamath and Dr.Bharath Shetty who accepted our invitation and presided the sessions. Undoubtedly, it was a collective effort of each and every Conference Sub-Committee members along with volunteers (CAs, students, Institute staff) who worked very hard which made the Avirath Conference a wonderful and a memorable one.

Our whole hearted thanks to all the delegates (more than 600 from Mangalore, Udupi and all other parts of our State, and also, from other States of our Country) who participated in the Conference in large numbers, and also, to all others who had contributed directly or indirectly or by whatever way towards the success of the Avirath Conference.

Besides the conducting of the National Conference for members, we had scheduled for conducting a Students Conference in December month, i.e., on 23rd& 24th Dec at Town Hall,

but we had to postpone the Conference to January 2020 due to NRC/CAA related protests and imposition of Curfew during that period.

Let me conclude my message with this quote from Mr. Steve Jobs - "If You Are Working On Something That You Really Care About, You Don't Have To Be Pushed. The Vision Pulls You."

My greetings for the Republic Day, Makarsankranti, and Pongal, to all of you.

It's our sincere wish that, in the New Year, let our Mangaluru branch reach a new height in its activities and performances.

Jai Hind ! Jai ICAI !

CA. Anantha Padmanabha K.

Chairman

Mangaluru Branch of SIRC of ICAI



Branch Activity Updates of December 2019



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(A Statutory Body Established by an Act of Parliament)

MANGALURU BRANCH OF SIRC OF ICAI

'ICAI Bhawan', Near Kanchana Hyundai Showroom,
Padil, Mangaluru - 575007 Karnataka
Phone : 0824 2439722, Email : mangalore@icai.org
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TWO DAYS NATIONAL CONFERENCE

[under the aegis of the Committee for Capacity Building of Members in Practice (CCBMP), ICAI]

Date : 12th and 13th December 2019 (Thursday/Friday)
Venue : 'Town Hall', Hampankatta, Mangaluru - 575001
CPE Credit : 12 hours

DAY-1 : 12th Dec 2019 (Thursday)

Timings	Particulars	Speakers
08.30 am – 09.30 am	Registration	
09.30 am – 10.30 am	Inauguration	Inauguration by an Eminent Personality, in presence of : President/Vice-President, ICAI, CA.Rajesh Sharma, CCM, Chairman, CCBMP of ICAI CA.Babu Abraham Kallivayalil, CCM, Chairman, CMEPC of ICAI CA.Dayaniwas Sharma, CCM, Vice-Chairman, DAAB of ICAI, CA.Jomon K.George, RCM, Chairman, SIRC of ICAI
10.30 am – 10.45 am	Tea Break	
10.45 am – 12.15 pm	Session 1 : Search, Survey & Seizure under Income Tax Act	CA. K.R.Pradeep, Bengaluru Mob : +91 9845010541 Email : krpradeep@krpradeep.com
12.15 pm – 01.15 pm	Session 2 : Digital Competency Maturity Model for Professional Accounting Firms	CA. Dayaniwas Sharma, Hyderabad Mob : +91 9885200029 Email : dayaniwas@gmail.com, dayaccm@Incofirm.com
01.15 pm – 02.15 pm	Lunch and Networking break	
02.15 pm – 03.45 pm	Session 3 : Related Party transactions/ Director's responsibilities/ Borrowings under the Companies Act	CA. M P Vijayakumar, Chennai Mob : +91 9840251223 Email : vijkum.mp@gmail.com, mpv@icai.in
03.45 pm – 04.00 pm	Tea Break	
04.00 pm – 05.30 pm	Session 4 : FEMA and Issues in taxation of Non-Residents	CA. Paresh Shah, Mumbai Mob : +91 9821025075 Email: ppshahandassociates@gmail.com
06.30 pm onwards	Cultural programme followed by Dinner	



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TWO DAYS NATIONAL CONFERENCE

[under the aegis of the Committee for Capacity Building of Members in Practice (CCBMP), ICAI]

DAY-2 : 13th Dec 2019 (Friday)

Particulars		Speakers
08.15 am – 09.00 am	Breakfast	
09.00 am – 09.45 am	Special Session : Spiritual/Health Session	By an eminent personality
09.45 am – 11.15 am	Session 5 : GST - Practical issues, ITC issues, Challenges and latest judgements	CA. Avinash Poddar, Surat Mob : +91 9825113570 Email : caavinash@gmail.com
11.15 am – 11.30 am	Tea Break	
11.30 am – 01.15 pm	Session 6 : Insolvency & Bankruptcy Code - Recent Developments & opportunities, and, Networking of CA Firms - Professional Growth	CA. Sripriya Kumar, Chennai Mob : +91 9841026973 Email : sripriya@spka.in, casripriyak@gmail.com
01.15 pm – 02.00 pm	Lunch and Networking break	
02.00 pm – 03.30 pm	Session 7 : Succession Planning and HUF Taxation	CA. (Dr) Girish Ahuja, Delhi Mob : +91 9810015290 Email : dr.girishahuja@gmail.com
03.30 pm – 03.45 pm	Tea Break	
03.45 pm – 05.30 pm	Session 8 : The Fourth Industrial Revolution – New ABCD for the Profession	CA. Anand Prakash Jangid, Bengaluru Mob : +91 9620233516 Email : anand@ajafirm.com
05.30 pm – 06.00 pm	Valedictory ceremony	

Branch Activity Gallery of December 2019



1. Chairman, CA Anatha Padmanabha addressing the august gathering at "Avirath" National Conference
2. Lighting of the Lamp at the inaugural of "Avirath" by Smt P V Bharathi, MD, Corporation Bank



1. Smt. P V Bharathi, MD, Corporation Bank addressing the audience at the inaugural function of "Avirath"
2. Lighting of the Lamp at "Avirath" by Sri M Venkatesh, MD, MRPL, Mangalore



1. Sri M Venkatesh, MD, MRPL, Mangalore addressing at the inaugural function of "Avirath"
2. CA Vivek Mallya, Director ONGC, addressing the gathering in the Valedictory ceremony.



1. Shri D Vedavyas Kamath, MLA, Mangaluru South at the two Days National Conference Avirath held at Town Hall, Mangaluru
2. Dr. Y Bharath Shetty, MLA, Mangaluru City North at the two Days National Conference Avirath held at Town Hall, Mangaluru



1. Valedictory session of "Avirath" with Chief Guest Sri B Shivaram, DGM, Bank of Baroda, Mangalore region
2. Dr. R Raghuram, Bengaluru taking up health session at "Avirath"



The state of the art, Town Hall of Mangalore



Yakshagaana Performance by CA Members at the cultural evening



The CA Cultural Team - Kudos to all

Insolvency and Bankruptcy Code, 2016

'Debtor in possession' to a 'Creditor in control' regime

Insolvency and Bankruptcy Code is a big step in insolvency reforms in the economic history of India.

This was enacted for a time bound resolution of Insolvency and Bankruptcy cases. This law includes all such cases relating to corporate persons, partnership firms and Individuals.

Before the introduction of IBC, the law relating to insolvency and bankruptcy was scattered across many legislations which resulted in ineffective and inefficient results. Some of these were SARFAESI, RDDBFI, Companies Act etc. There was a need to consolidate all the insolvency laws and introduce a single mechanism to resolve the cases.

The objective of IBC is to protect interest of creditors and stakeholders and to revive a business in a time bound manner. If necessary, the resolution process provides for certain relief from creditors and lenders so that the cases can be resolved in an efficient manner.

IBC Code shall apply for insolvency, liquidation, voluntary liquidation or bankruptcy of the following entities:

1. Company incorporated under Companies Act
2. Limited Liability Partnerships

3. Individuals

4. Partnerships

5. Any other body being incorporated under any other law for the time being in force.

This code shall not apply to Banks, Financial Institutions and Insurance Companies.

NCLT is the adjudicating authority and it has jurisdiction over Company and LLP related cases. Debt Recovery Tribunal has jurisdiction over Individuals and Partnership Firms. The Insolvency and Bankruptcy Board of India (IBBI) is involved in setting up infrastructure and also accrediting Insolvency Professionals and Information Utilities.

Insolvency Professionals play a vital role in the resolution process. They are appointed by the creditors and they override the powers of the Board of Directors. Insolvency Professionals are persons enrolled with Insolvency Professional Agency and regulated by the IBBI.

Information utilities are central repository of financial and credit information of borrowers. They accept, store, authenticate and provide access to financial data provided by creditors. The IBC was brought about with the purpose of ease of doing business. The winding up process was very fragmented due to multiplicity of statutes and forums. This has greatly helped MSME's for faster debt

recovery process. The process of resolution can be triggered when there is a minimum default of Rs 1 lakh.

It is necessary to understand that the Code provides for a two-staged solution to the process of resolving problems. In the first stage there is an evaluation and viability determination for the business and this must be completed within 180 days (extendable up to 270 days). If the resolution is not possible or viable, the process of liquidation is initiated in the second stage. The qualified insolvency professional oversees the process. A plea for insolvency is submitted to the adjudicating authority by a financial creditor or operation creditor or the debtor himself. If the plea is accepted by the adjudicating authority, the authority appoints the Resolution Professional to draft a resolution plan within 180 days which can be further extended by 90 days. After this, the resolution process is initiated by the Court. During this period, the Board of the Company steps aside. Promoters do not have any say in the management of the business. The Resolution Professional is however permitted to seek their support for management of day-to-day operations. If the Corporate Insolvency Resolution Plan fails in reviving the company, the liquidation process is initiated.

The introduction of IBC has seen Banks and Creditors recover their dues in much quicker and shorter time. There is an effort on the part of business also to pay their dues upfront before being declared insolvent. IBC has

also come as a major relief to home buyers who were earlier stuck with defaulting developers. Home buyers are recognised as financial creditors and will be an integral part of the decision making process.

CAs as Insolvency Professional

The Indian Institute of Insolvency professionals of ICAI is a section 8 Company formed by the Institute of Chartered Accountants of India to enroll and regulate insolvency professionals as its members in accordance with the Insolvency and Bankruptcy code 2016 and read with regulations.

What is the process to become an IP?

For CAs having 10 years of experience

- Pass the Limited insolvency exam
- Enrol as professional member with Insolvency professional agency (Indian Institute of Insolvency Professionals of ICAI) within a period of 12 months from the clearing of limited insolvency exam
- Complete a pre-registration educational course
- Apply to the board for registration as Insolvency Professional

For young professionals having less than ten years of experience

- Complete the Graduation Insolvency Program
- Pass the Limited Insolvency examination

- Enrol as professional member with Insolvency professional agency (Indian Institute of Insolvency Professionals of ICAI) within a period of 12 months from the clearing of limited insolvency exam
- Complete a pre-registration educational course
- Apply to the board for registration as Insolvency Professional

The fine line of difference

Bankruptcy and insolvency are commonly used interchangeably. However, there is difference between two. Insolvency is often a state when a person, company or organization's liabilities exceeds its assets and is unable to pay off his creditors. In other words insolvency is a state of financial difficulty. One of the legal ways to solve insolvency is through bankruptcy. Insolvency is a financial state however bankruptcy is a legal procedure to help people facing insolvency resolves their financial state with help of government.

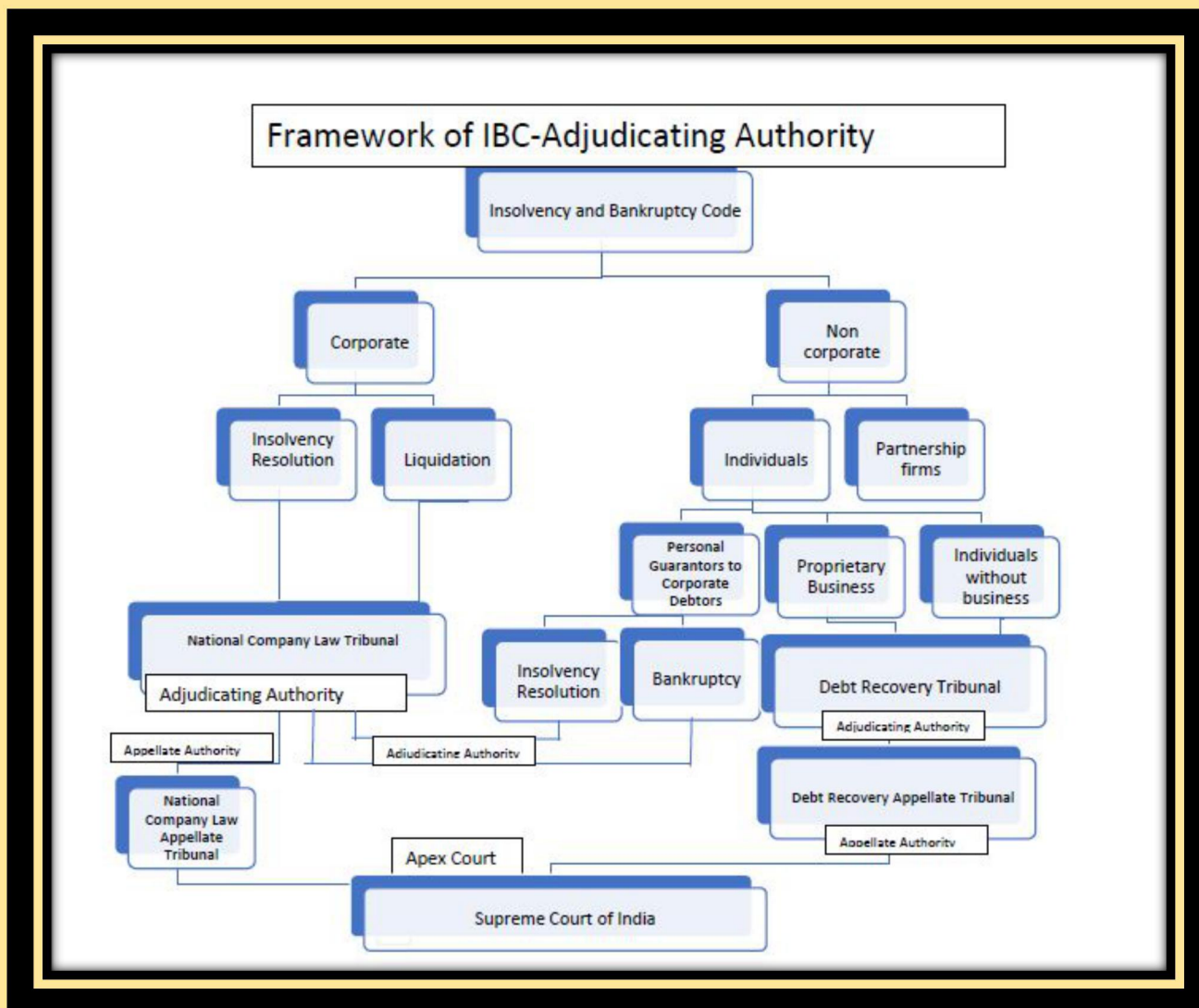
Success of IBC thus far

IBC has been reshaping the behaviour of borrowers. It has set a stage for renegotiation between borrowers and lenders. With economic growth and wealth creation being a need of the hour, there is a demand for capital but risks are also increasing. It was necessary to ensure stability in financial system so that the lenders interest could be protected but at the same time innovative entrepreneurship is also maintained. However,

there is a need to visit the law from time to time to strengthen it so that the desired results are achieved. There is a need to ensure that the race amongst claimants does not push an organisation into liquidation even though the business is otherwise a stable model.

There is optimism that IBC will bring financial discipline amongst borrowers. Experts have often said that there have been more hits than misses with the IBC. However, given that the threshold limit for IBC case is Rs 1 lakh only operational creditors are sometimes more aggressive in dragging the corporate debtors to NCLT. There is a feeling that this may reduce the bandwidth of the Court and thereby delay resolution of bigger cases. It is also being mentioned that where certain business models may not have hard assets, an alternate resolution mechanism can be found out.

A much desired further reform is that new owners of bankrupt companies should be shielded from criminal liabilities arising due to offences committed by previous management or promoters. This is important in view of the fact that there could be cases against previous promoters for diversion of bank funds and this could delay the court supervised process of resolution of cases. The cabinet had already cleared the proposed amendment in this regard and the proposed legislative changes were expected for the same at the time of writing of this article.



Additional reading materials at:

<https://ibbi.gov.in/>

<https://www.iiipicai.in/>

<https://ibclaw.in/>



Income Tax Calendar for January 2020

January 2020						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

7 January 2020 -

Due date for deposit of Tax deducted/collected for the month of December, 2019. However, all the sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an Income-tax Challan

7 January 2020 -

Due date for deposit of TDS for the period October 2019 to December 2019 when Assessing Officer has permitted quarterly deposit of TDS under section 192, section 194A, 194D or 194H

14 January 2020 -

Due date for issue of TDS Certificate for tax deducted under section 194-IA in the month of November, 2019

14 January 2020 -

Due date for issue of TDS Certificate for tax deducted under section 194-IB in the month of November, 2019

14 January 2020 -

Due date for issue of TDS Certificate for tax deducted under section 194M in the month of November, 2019

15 January 2020 -

Due date for issue of TDS Certificate for tax deducted under section 194M in the month of September, 2019 and October, 2019.

The due date for furnishing of the certificate the tax deducted during the month of September, 2019 and October, 2019 has been extended to January 15, 2020 vide Circular no. 31/2019 [F. no. 370142/18/2019-TPL], dated 19-12-2019

15 January 2020 -

Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of December, 2019 has been paid without the production of a challan

15 January 2020 -

Quarterly statement of TCS deposited for the quarter ending December 31, 2019

15 January 2020 -

Quarterly statement in respect of foreign remittances (to be furnished by authorized dealers) in Form No. 15CC for quarter ending December, 2019

15 January 2020 -

Due date for furnishing of Form 15G/15H declarations received during the quarter ending December, 2019

30 January 2020 -

Quarterly TCS certificate in respect of tax collected for the quarter ending December 31, 2019

30 January 2020 -

Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA in the month of December, 2019

30 January 2020 -

Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IB in the month of December, 2019

30 January 2020 -

Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194M in the month of December, 2019

31 January 2020 -

Quarterly statement of TDS deposited for the quarter ending December 31, 2019

31 January 2020 -

Quarterly return of non-deduction at source by a banking company from interest on time deposit in respect of the quarter ending December 31, 2019

31 January 2020 -

Intimation under section 286(1) in Form No. 3CEAC, by a resident constituent entity of an international group whose parent is non-resident.

Source: <https://www.incometaxindia.gov.in/pages/deadline.aspx>

GST Due date Calendar for January 2020

31-01-2020 – GSTR 9 – The Most Comprehensive Annual Return / Statement for FY 17-18 by ALL registered persons having an aggregate turnover of more than Rs. 2 Crores or opted to file Annual Return.

31-01-2020 – GSTR-9C – Annual Return for FY 17-18 by registered person whose Annual Turnover for FY 17-18 is above Rs. 2 Cores (Annual Return + Audited Annual Accounts + Reconciliation Statement in GSTR-9C)

11-01-2020- Due date for filing GSTR-1 for m/o Dec 2019 ->Applicable for taxpayers with Annual Aggregate turnover Above Rs. 1.50/- Crore or opted to file monthly Return (Rs. One Crore Fifty Lacs) only. Notification No. 44/2018 – Central Tax

31-01-2020- Due date for filing GSTR-1 for Dec 2019 Quarter -> Applicable for taxpayers with Annual Aggregate turnover below Rs. 1.50/- Crore (Rs. One Crore Fifty Lacs) only. Notification No. 44/2018 – Central Tax

18-01-2020- CMP – 08:- Statement-cum- challan to declare the details or summary by Composition dealer for tax payable for the previous quarter

20-01-2020- GSTR-3B for the m/o Dec 2019. Pay due Tax till this date.

10-01-2020- Due date for filing GSTR-8 (to be filed by the e-commerce operators required to deduct TDS under GST for the m/o Dec 2019.

10-01-2020- Due date for filing GSTR-7 (to be filed by the by the person who is required to deduct TDS under GST under GST for the m/o Dec 2019.

20-01-2020- Due date for filing GSTR-5 & 5A (to be filed by the Non-Resident taxable person & OIDAR for the m/o Dec 19.

13-01-2020- Due date for filing GSTR-6 (to be filed by Input Service Distributor for m/o Dec 2019

RFD-10:- Eighteen months after end of the quarter for which refund is to be claimed

CARBON CREDITS

Climate change has been a cause of concern for the past few years. There is a more urgent need to set a limit on the Greenhouse Gas Emissions because the accumulation of these gases has been the cause for climate change. The source of Greenhouse Gases is burning of fossil fuels, fluorinated gases etc. To limit concentration of Green House Gases (GHGs) in the atmosphere for addressing the problem of global warming, United Nation Framework Convention on Climate Change (UNFCCC) was adopted in 1992. Kyoto Protocol came in force in February 2005 which sets limits to the maximum amount of emission of GHGs by countries. The Kyoto Protocol commits developed countries to reduce their GHG emissions. The developing and least developed countries are not bound by amount of GHG emissions that they can release in the atmosphere

The Kyoto Protocol provides for three market based mechanisms to attain the goal of GHG emission reduction.

1. Joint implementation – Developed nations with very high cost of domestic Greenhouse Gas reduction can set up project in another developed country which has a lower cost and earn carbon credits that may be applied to their emission targets.
2. Clean Development Mechanism - a developed country can take up a GHG reduction project activity in a developing country where the cost of GHG reduction is usually much lower

and the developed country would be given carbon credits for meeting its emission reduction targets. In case of CDM, entities in developing/least developed countries can set up a GHG reduction project, get it approved by UNFCCC and earn carbon credits. Such carbon credits generated can be bought by entities of developed countries with emission reduction targets. The unit associated with CDM is Certified Emission Reduction (CER) where one CER is equal to one metric tonne of carbon dioxide equivalent

3. International Emission Trading - developed countries with emission reduction targets can simply trade in the international carbon credit market. This implies that entities of developed countries exceeding their emission limits can buy carbon credits from those whose actual emissions are below their set limits. Carbon credits can be exchanged between businesses/entities or bought and sold in international market at the prevailing market price.

India, being a developing country, has emerged to be a beneficiary as Indian entities can set up CDM projects which reduce GHG emissions and thereby generate CERs which can be sold to developed countries and used by the latter to meet their binding emission reductions. Delhi Metro Rail Corporation is one of the

entities that got carbon credits for reducing GHG and earned a significant amount of income by trading in the CER.

Accounting for CER

An issue that arises in accounting for carbon credits is that whether the carbon credits generated under the Clean Development Mechanism, i.e., CERs, can be considered as assets of the generating entity. The 'Framework for the Preparation and Presentation of Financial Statements', issued by the Institute of Chartered Accountants of India, defines an 'asset' as "a resource controlled by the enterprise as a result of past events from which future economic benefits are expected to flow to the enterprise." Though an entity would have taken measures under Clean Development Mechanism, the asset is not generated immediately. This is because when the generating entity reduces carbon emissions by way of a CDM project, the generating entity becomes eligible to receive CERs from UNFCCC. However, whether CERs will actually arise and be received by the generating entity or not will depend on a future uncertain event, i.e., certification of the same by UNFCCC. So the communication of CER has to be received in order to consider it as an asset and till then it is only a contingent asset. CER is recognised as an asset only if there is a certainty of future economic benefit from them. A question further arises as to whether CER is an intangible asset. Though it is an identifiable non-monetary asset without physical substance, it is not

held for use in the production of goods or supply of services, nor for any administrative purpose or for renting to others. CER generated by the entity is held for the purpose of sale only. So it does not strictly fall within the definition of intangible asset.

CERs are inventories of the generating entity as they are generated and held for the purpose of sale in the ordinary course of business. Therefore, even though CERs are intangible assets these should be accounted for as per the requirements of AS 2.

Cost of CER

The valuation principles as prescribed in AS 2 should be followed for CERs. As per AS 2, inventories should be valued at the lower of cost and net realisable value. Accordingly, CERs should be measured at cost or net realisable value, whichever is lower. The costs incurred in setting up or operating the CDM project can involve research and development costs, project designing costs, registration fees, cost incurred in developing the processes etc. All these costs cannot be considered as cost of CER because until UNFCCC certifies and credits the same to the generating entity, the CER cannot be said to have been earned. Till then it is a contingent asset. It is only the costs incurred for the certification of CERs by UNFCCC which bring the CERs into existence by way of credit of the same by UNFCCC to the generating entity. Thus, the costs incurred by the generating entity for

certification of CERs, are the costs of inventories of CERs.

The net realisable value of CER should be based on the most reliable evidence available at the time the estimates are made.

Income Recognition

Since CERs are recognised as inventories, the entity should apply AS 9 to recognise revenue in respect of sales of CERs

Assets related to CDM Projects

For the generation of CERs, the generating entity may create certain intangible and tangible assets. In so far as expenditure on research and development is concerned, the entity should apply AS 26, Intangible Assets. In some cases, an entity may use a tangible asset to reduce emissions. For example, an entity may use incinerators for the purpose of reducing carbon emissions. In respect of such equipments/devices, the provisions of the Accounting Standard (AS) 10, Property Plant and Equipment will apply.

Disclosure

An entity should disclose the following information relating to certified emission rights in the financial statements:

- a) No. of CERs held as inventory and the basis of valuation.
- b) No. of CERs under certification.
- c) Depreciation and operating and maintenance costs of Emission Reduction equipment expensed during the year.

Section 115BBG provides that where the total income of the assessee includes any income from transfer of carbon credit, such income shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of such income.

No expenditure or allowance in respect of such income shall be allowed under the Act.

GST on Carbon Credit Sales

GST applies for supply of services. Carbon Credit Sales cannot be considered as supply of services. Carbon Credits may not also fall within the definition of securities. Therefore, there is a greater chance of the same being considered as falling within the definition of goods based on judicial interpretations in the matter of licenses etc. However, since GST law being relatively new, the test of the same will have to be seen. It can be assumed that if the CER's are sold in international market, it would then perhaps qualify as exports and would be not taxable under GST.

**-CA Suman Shetty, ACA,
Mangalore**



Quotes for the New beginning

- ✧ *Opportunities are equal for all. The difference is that a successful person gives "results" and an unsuccessful person gives "reasons"*
- ✧ *Truth can win anything in this world - if you are true from the heart, God will also be afraid to steal your happiness.*
- ✧ *Effort is never wasted. Even when it leads to disappointing results, it always makes us more strong, more capable and more experienced.*
- ✧ *In order to succeed you must learn how not to fail. Some succeed because they are destined, some succeed because they are determined.*
- ✧ *We always feel that we are perfect and others should be corrected. It is just like cleaning the mirror instead of cleaning our face.*

- Compiled by CA S S Nayak

HAPPY 2020

Managing Committee 2019-20



CA Ananthapadmanabha K
Chairman



CA S S Nayak
Vice-Chairman



CA K Subramanya Kamath
Secretary



CA Abdur Rahman Musba
Treasurer



CA Prasanna Shenoy M
Chairman Mangaluru SICASA



CA Gautham Nayak M
Co-opted Member



CA Gautham Pai D
Co-opted Member

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