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NEWS LETTER

JAGRUTHI

THE ANANTAPUR BRANCH OF SIRC OF ICAI

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EDITORIAL

Inspite of gloomy international economic landscape, our country stands as a heaven of stability. At present, the world's output is showing a weak growth and the scenario is more clear because of

a) Fall in prices of a number of commodities especially with reduction in crude oil price,. b) Disturbed financial markets, more specifically thereon equity markets and c) Volatility in exchange rates. Fortunately, inspite of, this gloomy picture all over the world, our country's growth has largely remained positive because of strength of domestic absorption, robust and steady pace of economic growth both in the past year 2014-15 and the present year 2015-16. Further, there are distinct signs of improvement in other macro economic parameters like inflation, fiscal deficit and current account balance. However, the growth in advanced and emerging economics is not strong and this has resulted in reduction in our country's exports. Because of reduced price of crud oil there is reduction in our imports and this has resulted in moderate trade and current account deficit. Unfortunately, for the last two successive years of below normal monsoon rains, growth in agriculture is also slackened. The rupee has depreciated against US Dollar but appreciated against number of other major currencies. Inspite of these economic deficiencies, our government is committed to carry on the process of reforms forward and aiming to achieve growth rate of 8% or higher in the next couple of years.

Keeping the prevalent overall macro economic scenario into consideration, our Indian economy is all set to register growth in excess 7% for the third year in succession.

The important indices in economic survey 2015-16 are -

- Social infrastructure scenario in the country reflects gaps in access to Education, Health and Housing communities.
- Inclusive growth in India requires bridging gaps in education outcomes and improved health attainments across the population.

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- GDP growth may be in between 7 and 7.5 % in the coming year.
- Service sector contributes almost 66.1% in 2015-16.
- India ranks first in milk production accounting for 18.5% of world production.
- Impressive strides made in power sector in the last two years-Addition of record generation capacity and development of renewable energy
- Percentage of horticulture output in agriculture is more than 33%.
- The Chakravyuha challenge – “Ease to enter, barriers to exit.”
- To give up benefit of subsidies.

With Best Wishes,

CA D.ARAVIND RAMA
CHAIRMAN
NEWSLETTER COMMITTEE
ANANTAPUR BRANCH OF SIRC OF ICAI

Chairman Speaks.....

Dear Professional Colleagues,

Indeed I feel privileged and honored as Chairman of Esteemed **ANANTAPUR Branch of SIRC of the ICAI.**

At the outset, let me express my profound gratitude to our professional fraternity of Anantapur for having elected me as Managing Committee Member of Anantapur Branch. I sincerely thank my colleagues in the Managing Committee for reposing confidence in me to take up the Position of Chairman of our most dynamic and active Branch.

Election for the members of the managing committee (2016-2019) for the Anantapur Branch of SIRC of ICAI was held on 24th Feb 2016. The following members are Selected as managing committee members for the year 2016 -2017.

CA . A.G. Venugopal Reddy - Chairman

CA. D.Harishchandra Rama - Vice Chairperson

CA.R .Gangadhar Gupta - Secretary

CA. K. Sreedhar - Treasurer

CA. R.J.Venkata Swamy - Chairman, SICASA

CA. S.V.G.Rathna Gupta - Member

Our immediate past Chairman CA.B Sreenivasa Kumar & his team handed over the charge to me & my elite team members on 24th Feb 2016.

The Anantapur Branch of SIRC of ICAI

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I myself involved and served as Vice Chairman of the branch during my last tenure (2014-15) it gave me immense confidence to take this responsible position in this term. I always remain grateful to all my predecessors and especially CA.B.Sreenivasa Kumar and team for having encouraged me to take up this position to serve our Alma mater. CA.R.J.Venkataswamy Chairman SICASA had formed the Executive Committee of SICASA for 2016-17 on 09.03.2016 and the following are the members of Executive committee.

- | | | |
|------------------------|---|---------------|
| 1. CA.R.J.Venaktaswamy | : | CHAIRMAN |
| 2. Shaishavali | : | Vice-Chairman |
| 3. Pranamya | : | Secretary |
| 4. Usman | : | Treasurer |
| 5. Nyshitha | : | E.C.Member |
| 6. Yasmeen | : | E.C.Member |
| 7. Naveen | : | E.C.Member |

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Before I Conclude my communication to you, I quote Swami Vivekananda and it goes as

“Take up one idea. Make that one idea your life-think of it, dream of it, live on that idea. Let the brain, muscles, nerves, every part of your body, be full of that idea, and just leave every other idea alone. This is the way to success”.
- Swamy Vivekananda

Wishing you most & more
CA.Dr.A.G.Venugopal Reddy
Chairman
Anantapur Branch of SIRC of ICAI

UNION BUDGET-2016 A FIRST HAND BRIEFING

It is interesting to note that the word “**BUDGET**” is not used anywhere in the constitution of India, 1949. However, the terminology used is “**Annual financial document/statement.**” The idea and purpose of preparation of budget by any government in any country is to assess the expected receipts and payments for the coming F.Y./Calendar year.

In our country, the finance minister presents the union budget normally on the last date of February every year. This year he presented the union budget on 29th of February, 2016. Before the presentation of the budget in the parliament the finance minister discusses the economic survey report of the current F.Y. based on which necessary corrections will be made and budget is presented. The expected receipts and payments include both capital and revenue nature including borrowings and repayment of loans. A discussion will be made on basic issues like GDP, rate of inflation, fiscal deficit, revenue deficit, plan expenditure and non-plan expenditure and how the government is going to fulfill the aspirations of the public and how the government is going to satisfy the promises made by the government. The budgetary figures are as under.

<u>PARTICULARS</u>	<u>AMOUNT(in Crores)</u>
Plan Expenditure	5,50,010
Non-plan expenditure	4,28,050
TOTAL	19,78,060

➤ Important indicators – Comparison with present and 25 years back.

S.No.	Issue	AT PRESENT	25 YEARS BACK
1.	DOLLAR	67	25.72
2.	FOREX RESERVES	23.5 LAKH CRORES	25000 crores
3.	Petrol per litre	56.63	14.62
4.	Inflation	4.79	13.5
5.	Housing loan interest	9.3	18.5
6.	Income Tax Exemption	250000	22000
7.	Interest on SB	4	4.5

- In order to garner revenue to the government early it is proposed to collect advance tax from non-corporates in four installments like corporates before

15 th of June	15%
15 th of September	45%
15 th of December	75%
15 th of March	100%

- It is a good proposition u/s 44AD of the Income tax Act, 1961 (Concept of presumptive taxation) to work out profit at 8% on gross turnover in case of business and the slab is increased from 1 crore to 2 crores. The consolation is that the assesses who are opting taxation u/s 44AD need not pay advance tax in four installments but only the fourth installment before 15th march.

In this Finance bill, it is proposed to have presumptive taxation for professionals where the gross receipts are not more than Rs.50,00,000/-, such assesses can admit 50% of gross receipts as income. Ofcourse, this appears to be on high side. However, it is not clear from the bill whether such assesses need not pay advance tax or pay only fourth installment i.e., 15th of March or like all other assesses they too have to pay in four installments. Here it is very difficult for some professionals who are subject to service tax @14.5% at present to opt this scheme in case where such professions are not reimbursed with service tax by their clients.

- At present, the assesses are tuned to double taxation in case of corporate taxation where the system is as under –
 - ❖ The corporate assessee pays @ 30% on its total income at the first stage.
 - ❖ From out of the tax suffered surplus the company declares dividend to shareholders and such distributed dividend is taxed in the hands of the company only as DDT (Dividend distribution tax) @ 20.358%(including surcharge and education cesss).
 - ❖ In the present finance bill, those shareholders who are receiving dividend over and above `10,00,000/- have to pay @ 10% tax.

IS IT NOT TRIPLE TAXATION?

- **MUCH ADO ABOUT NOTHING** - It is a healthy canon that major capital receipts (accumulated savings of an employee) either on retirement or otherwise should not be taxed subject to certain exceptions. In 2016 Finance Bill, in the quest of collecting more revenue from the assesses the Finance Minister proposed to tax EPF amounts of the employees on retirement. ***More statements were made that only 60% will be taxed, only interest on EPF balance will be taxed and the contributions made after 01.04.2016 shall be taxed.*** All these statements made both the members in the treasury benches and the oppositions for a while where it is commented that the finance bill was very poorly drafted without consulting the stakeholders and on 9th of March, 2016 the Finance Minister in the parliament has **“withdrawn”** this provision.
- **BLACK MONEY TAXATION** - It is quite surprising to note that a new amnesty scheme for those having unaccounted money to come clear by paying @ 45% of their undisclosed asset/income. This scheme is effective from **01.06.2016 to 30.09.2016**. Though this new amnesty scheme is yet another reconstructive step to kill the menace of domestic black money, the dishonest tax payers are encouraged by this scheme.

SOME OF THE IMPORTANT ISSUES IN THE FINANCE BILL 2016 ARE AS FOLLOWS.

RELIEF TO SMALL TAX PAYERS

- Raise the ceiling of tax rebate under section 87A from Rs.2000 to Rs.5000 to lessen tax burden on individuals with income upto Rs.5 lacs.
- Increase the limit of deduction of rent paid under section 80GG from Rs.24000 per annum to Rs.60000, to provide relief to those who live in rented houses.

• Phasing out deduction under Income Tax:

- i. Accelerated depreciation wherever provided in IT Act will be limited to maximum 40% from 1.4.2017
- ii. Benefit of deductions for Research would be limited to 150% from 1.4.2017 and 100% from 1.4.2020

- iii. Benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020.
- iv. The weighted deduction under section 35CCD for skill development will continue up to 1.4.2020

● **Corporate Tax rate proposals:**

- New manufacturing companies incorporated on or after 1.3.2016 to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.

- Lower the corporate tax rate for the next financial year for relatively small enterprises i.e companies with turnover not exceeding Rs.5 crore (in the financial year ending March 2015), to 29% plus surcharge and cess.

● 100% deduction of profits for 3 out of 5 years for startups setup during April, 2016 to March, 2019. MAT will apply in such cases.

● 10% rate of tax on income from worldwide exploitation of patents developed and registered in India by a resident.

● Complete pass through of income-tax to securitization trusts including trusts of ARCs. Securitisation trusts required to deduct tax at source.

● Period for getting benefit of long term capital gain regime in case of unlisted companies is proposed to be reduced from three to two years.

● Non-banking financial companies shall be eligible for deduction to the extent of 5% of its income in respect of provision for bad and doubtful debts.

● Determination of residency of foreign company on the basis of Place of Effective Management (POEM) is proposed to be deferred by one year.

● Commitment to implement General Anti Avoidance Rules (GAAR) from 1.4.2017.

- Exemption of service tax on services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana and services provided by Assessing Bodies empanelled by Ministry of Skill Development & Entrepreneurship.
- Exemption of Service tax on general insurance services provided under 'Niramaya' Health Insurance Scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability.
- Basic custom and excise duty on refrigerated containers reduced to 5% and 6%.

PROMOTING AFFORDABLE HOUSING

- 100% deduction for profits to an undertaking in housing project for flats upto 30 sq. metres in four metro cities and 60 sq. metres in other cities, approved during June 2016 to March 2019 and completed in three years. MAT to apply.
- Deduction for additional interest of Rs. 50,000 per annum for loans up to Rs.35 lakh sanctioned in 2016-17 for first time home buyers, where house cost does not exceed Rs.50 lakh.
- Distribution made out of income of SPV to the REITs and INVITs having specified shareholding will not be subjected to Dividend Distribution Tax, in respect of dividend distributed after the specified date.
- Exemption from service tax on construction of affordable houses up to 60 square metres under any scheme of the Central or State Government including PPP Schemes.
- Extend excise duty exemption, presently available to Concrete Mix manufactured at site for use in construction work to Ready Mix Concrete.

RESOURCE MOBILIZATION FOR AGRICULTURE, RURAL ECONOMY AND CLEAN ENVIRONMENT

- Additional tax at the rate of 10% of gross amount of dividend will be payable by the recipients receiving dividend in excess of Rs.10 lakh per annum.

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- Surcharge to be raised from 12% to 15% on persons, other than companies, firms and cooperative societies having income above Rs.1 crore.
- Tax to be deducted at source at the rate of 1 % on purchase of luxury cars exceeding value of Rs. ten lakh and purchase of goods and services in cash exceeding Rs.two lakh.
- Securities Transaction tax in case of 'Options' is proposed to be increased from .017% to .05%.
- Equalization levy of 6% of gross amount for payment made to nonresidents exceeding Rs.1 lakh a year in case of B2B transactions.
- Krishi Kalyan Cess, @ 0.5% on all taxable services, w.e.f. 1 June 2016. Proceeds would be exclusively used for financing initiatives for improvement of agriculture and welfare of farmers. Input tax credit of this cess will be available for payment of this cess.
- Infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs No credit of this cess will be available nor credit of any other tax or duty be utilized for paying this cess.
- Excise duty of '1% without input tax credit or 12.5% with input tax credit' on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of Rs.6 crores and Rs.12 crores respectively.
- Excise on readymade garments with retail price of Rs.1000 or more raised to 2% without input tax credit or 12.5% with input tax credit.
- 'Clean Energy Cess' levied on coal, lignite and peat renamed to 'Clean Environment Cess' and rate increased from Rs.200 per tonne to Rs. 400 per tonne
- Excise duties on various tobacco products other than beedi raised by about 10 to 15%.
- Assignment of right to use the spectrum and its transfers has been deducted as a service leviable to service tax and not sale of intangible goods.

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PROVIDING CERTAINTY IN TAXATION

- New Dispute Resolution Scheme to be introduced. No penalty in respect of cases with disputed tax up to Rs.10 lakh. Cases with disputed tax exceeding Rs.10 lakh to be subjected to 25% of the minimum of the imposable penalty. Any pending appeal against a penalty order can also be settled by paying 25% of the minimum of the imposable penalty and tax interest on quantum addition.
- High Level Committee chaired by Revenue Secretary to oversee fresh cases where assessing officer applies the retrospective amendment.
- One-time scheme of Dispute Resolution for ongoing cases under retrospective amendment.
- Penalty rates to be 50% of tax in case of underreporting of income and 200% of tax where there is misreporting of facts.
- Disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed under rule 8D of Section 14A of Income Tax Act.
- Time limit of one year for disposing petitions of the tax payers seeking waiver of interest and penalty.
- Mandatory for the assessing officer to grant stay of demand once the assessee pays 15% of the disputed demand, while the appeal is pending before Commissioner of Income-tax (Appeals).
- Monetary limit for deciding an appeal by a single member Bench of ITAT enhanced from Rs.15 lakhs to Rs.50 lakhs.
- 11 new benches of Customs, Excise and Service Tax Appellate Tribunal (CESTAT).

SIMPLIFICATION AND RATIONALIZATION OF TAXES

- 13 cesses, levied by various Ministries in which revenue collection is less than Rs.50 crore in a year to be abolished.
- For non-residents providing alternative documents to PAN card, higher TDS not to apply.

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- Revision of return extended to Central Excise assesses.
- Additional options to banking companies and financial institutions, including NBFCs, for reversal of input tax credits with respect to nontaxable services.
- Customs Act to provide for deferred payment of customs duties for importers and exporters with proven track record.
- Customs Single Window Project to be implemented at major ports and airports starting from beginning of next financial year.
- Increase in free baggage allowance for international passengers. Filing of baggage only for those carrying dutiable goods.

TECHNOLOGY FOR ACCOUNTABILITY

- Expansion in the scope of e-assessments to all assessees in 7 mega cities in the coming years.
- Interest at the rate of 9% p.a against normal rate of 6% p.a for delay in giving effect to Appellate order beyond ninety days.
- 'e-Sahyog' to be expanded to reduce compliance cost, especially for small taxpayers.

CONTRIBUTED BY
CA DR D.HARISCHANDRA RAMA

KNOW YOUR ETHICS

Q. What are the fundamental principles which a professional Accountant is required to comply?

A. A Professional Accountant is required to comply with the following fundamental principles.

a. Integrity: A Professional accountant should be straightforward and honest in all professional and business relationships.

b. Objectivity: A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional judgments.

c. Professional competence and Due Care: A professional accountant should act diligently and in accordance with applicable technical and professional standards while providing professional services.

d. Confidentiality: A professional accountant should not disclose information acquired in the course of his professional and employment relationships to any person without proper and specific authority unless there is a legal or professional right or duty to disclose.

e. Professional Behaviour: A professional accountant should comply with relevant laws and regulations and should avoid any action that discredits the profession.

Q. What is the status of a Chartered Accountant who is a salaried employee of a Chartered Accountant in practice or a firm of such Chartered Accountants?

A. An associate or a fellow of the institute who is a salaried employee of a Chartered Accountant in practice or a firm of such Chartered Accountants shall, notwithstanding such employment, be deemed to be in practice for the limited purpose of the training of articled assistants. HE may hold certificate of practice but he is not entitled to do attest functions w.e.f. 01.04.2005.

Q. Can a member holding Certificate of Practice, entitled to own Agricultural land and continue agricultural activity?

A. Yes, member holding Certificate of Practice can own and hold agricultural land and continue agricultural activity.

Q. Can a member can act as a Tax Auditor and Internal Auditor of an entity?

A. No, the Council has decided that Tax Auditor of an entity cannot act as an Internal Auditor of the same entity, or vice-versa for the same financial year.

Q. Whether the audits conducted under section 44AD, 44AE and 44AF of the Income Tax Act, 1961 shall be taken into account for the purpose of reckoning the specified no. of tax audit assignments?

A. No. Please refer the Code of Ethics, 2009 (Chapter-6 of the Council General Guidelines, 2008 issued under clause (1) of part II of the Second Schedule) to the Chartered Accountants Act, 1949.

Q. What should be the size of signboard for the office?

A. With regard to the size of the signboard for his office that a member can put up, it is a matter in which the members should exercise their own direction and good taste. The size of the signboard should be reasonable. Use of glow signs or lights on large-sized boards as is used by traders or shopkeepers would not be proper. A member can have a name board at the place of his residence with the designation of a chartered accountant, provided it is a name plate or name board of an individual member and not of the firm.

Q. Can a member publish a change in partnership or change in the address of practice and telephone numbers?

A. Yes, a member can publish a change in partnership or change in the address of practice and telephone numbers. Such announcements should be limited to a bare statement of facts and consideration given to the appropriateness of the area of distribution of the news paper or magazine and number of insertions.

Q. Can a Concurrent Auditor of a bank also undertake the assignment of quarterly review of the same bank?

A. No, the Concurrent audit and the Assignment of quarterly review of the same entity cannot be taken simultaneously as the concurrent audit is a kind of internal audit and the quarterly review is a kind of statutory audit. It is prohibited in terms of the 'Guidance Note of Independence of Auditors'.

Q. Can a Chartered Accountant receive his professional fees in advance partly or in full?

A. Yes, as such there is no bar in the Act or in the Chartered Accountants Regulation as well as Code of Ethics in taking the fees in advance.

Q. Is there any ceiling on the number of tax audit assignments that can be taken up by a member in practice?

A. Yes, in exercise of the powers conferred by Clause (1) of part II of the Second Schedule to the Chartered Accountants Act, 1949, the Council of the Institute has issued Chapter VI of Council General Guidelines, 2008 which specify that a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he accepts, in a financial year, more than the specified number of tax audit assignments under Section 44AB of the Income Tax Act, 1961 (The limit has been raised from 45 to 60 audits W.e.f. 2014-15)

Q. Can a member in practice be Promoter/ Promoter Director of the company?

A. Yes, there is no bar for a member to be a Promoter/ signatory to the Memorandum and Articles of Association of any company. There is also no bar for such a promoter/ signatory to be a Director simplicitor of that company irrespective of whether the objects of the company include areas, which fall within the scope of the profession of chartered accountants. Therefore members are not required to obtain specific permission of the Council in such cases. There is also no bar on holding any number/percentage of shares in the company.

Q. Can a member in practice be a sleeping partner in family business concern?

A. Yes, a member in practice can be a sleeping partner in a family business concern provided he takes specific and prior permission from the Council in terms of Regulation 190A of Chartered Accountants Regulations, 1988.

Compiled from the institutes' journal
"THE CHARTERED ACCOUNTANT"

POINTS of INTEREST

- ✚ Those who are appearing for DISA examination please note the date of examination is 20.03.2016. The editorial board wishes them all the best.
- ✚ Induction and introduction of new members of management committee took place on 12.03.2016.
- ✚ All the members are registered to inform their e-mail addressees to the branch for all correspondence and communication.
- ✚ Very glad to inform that for the first time in the history of ICAI and SIRC of ICAI oath was administered for all the office bearers. Our Anantapur branch office bearers too have taken oath and it was administered by our past branch chairman Sri CA B.Sreenivasa Kumar.

QUOTATIONS FOR THE MONTH

1. Your mind is a magnet, if u think of blessings, you attract blessings and if u think of problems, you attract problems.
Always cultivate good thoughts and always remain positive and optimist- Let noble thoughts come to us from all sides.
2. Be positive and think positive which will improve your inherent intellectual powers.
3. The things you do for yourself are gone when you are gone but the things when you do for others remain as your legacy.
4. Courage is the most important of all the virtues and without courage, you cannot parties any other virtue consistently.