



The Institute of Chartered Accountants of India

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NEWS LETTER

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EDITORIAL

The usage of currency in day to day affairs of every person is in vogue from times immemorial. Earlier to the usage of currency, barter system was in existence for exchange of goods, commodities and services. The usage of currency, nature of currency and the denomination of currency differ from country to country. In our country, the currency is valued in Rupees. The denomination of paper notes varying from Re.1 to Rs 1000, besides various denominations of coins. The higher denominations of Rs 500 and Rs 1000 were unfortunately, misused and exploited by not only our Indian citizens, but people of other countries.

To be more specific, foreign agencies have dumped fake currency of Indian denomination for anti-social activities, terrorism and anti religious activities. Our Indian citizens too have misused these denominations by way of unaccounted transactions in business and more so in Real estate transactions. Unfortunately many government officials both in State and Central government and many politicians have amassed the Rs 500 and Rs 1000 currency in the form of corruption. These activities have resulted in high inflation, high costs, low GDP and fundamentally lower and middle class people were affected. This made the Prime Minister of our country to declare the policy of demonetization of existing Rs 500 and Rs 1000 rupee notes and introduce new Rs 500 and Rs 2000 rupee notes. The figures of black money are quite alarming and most of the black money is in the form of Rs 500 and Rs 1000 notes.

From 12pm of 8th of November, 2016 these old notes are no longer valid and people should not use these notes but for certain services that too up to certain period. Whenever there is a policy of this nature, definitely there will be problem in exchange of currency and people should bear this difficulty in the interest of better future of our country.

We, the Chartered Accountants, especially who are in practice should guide and help the public in explaining the reason behind demonetization of Rs 500 and Rs 1000 notes and play proactive role as agents of country for the nation building.

Let us take a pledge to help the country's economy in rooting out the black money for BETTER BHARATH.

With Best Wishes,
CA D.Aravind Rama
Chairman
News letter Committee
Anantapur branch of SIRC of ICAI



Chairman Message for November, 2016 News Letter

Recently, Prime Minister Sri.Narendra Modi said: For me, “more than what the world thinks of the government, what the image of the country is”, is important. Substance over symbolism. Empowerment over entitlement.....Basically, either we give power and confidence and/or legal rights to people to enable, or we simply give authority, ownership, or, an honorary designation to them to enable. In the first case, i.e empowerment, the process helps people in realizing their worth and value, and they learn to respect the existence of everybody around them. In the latter, i.e. entitlement, people start believing that they are more important than others. The process motivates them to believe that people around them especially those who disagree with them, are wrong. Therefore, all institutions and organizations across sectors must give priority to empowerment over entitlement.

Through schemes and programmes like Beti Bachao Beti padhao Scheme (to encourage the education of girl children by reversing India’s declining child Sex ratio), stand up India programme (to provide easy funding to dalits and female entrepreneurs), Mudra Yojna (low-interest loan scheme for small entrepreneurs), Nai Manzil (a skill development scheme for girls from minority communities), our Government has focused on empowering the socially and economically deprived sections of our society. While schemes like Pradhan Mantri Suraksha Bima Yojana (an accidental death and full/partial disability cover), Pradhan Mantri Jeevan Jyoti Bima Yojana (insurance scheme), and Atal Pension Yojana (flagship pension scheme) aim to provide social security to the masses, these schemes basically empower them to empower themselves. Basically, the Government has always followed its agenda of empowerment over entitlement while launching and starting its schemes and initiatives. It has strongly passed on a message to the masses that there are no freebies and that the people will have to take the ownership.

Can I sincerely request my professional fraternity too, to drop their expectations of entitlement while focusing more on empowering themselves? Let me quickly submit here that ICAI Will leave no stone unturned in order to empower all members of its professional fraternity. It is indeed a noble thought and I would request all of you to give our PM’s call for empowerment over entitlement a little thought. Let us bring this in our actions.

With a view to curbing financing of terrorism through the proceeds of Fake Indian Currency Notes (FICN) and use of such funds for subversive activities such as espionage, smuggling of arms, drugs and other contrabands into India, and for eliminating Black Money which casts a long shadow of parallel economy on our

real economy, it has been decided to cancel the legal tender character of the High Denomination bank notes of Rs.500 and Rs.1000 denominations issued by RBI till now. This will take effect from the expiry of the 8th November, 2016.

Fake Indian Currency Notes (FICN) in circulation in these denominations is comparatively larger as compared to those in other denominations. For a common person, the fake notes look similar to genuine notes. Use of FICN facilitates financing of terrorism and drug trafficking. Use of high denomination notes for storage of unaccounted wealth has been evident from cash recoveries made by law enforcement agencies from time to time. High denomination notes are known to facilitate generation of black money. In this connection, it may be noted that while the total number of bank notes in circulation rose by 40% between 2011 and 2016, the increase in number of notes of Rs.500/- denomination was 76% and for Rs.1,000/- denomination was 109% during this period. New Series bank notes of Rs.500/- and Rs.2,000/- denominations will be introduced for circulation from 10th November, 2016. Infusion of Rs.2,000/- bank notes will be monitored and regulated by RBI. Introduction of new series of bank notes which will be distinctly different from the current ones in terms of look, design, size and color has been planned.

The World Bank in July, 2010 estimated the size of the shadow economy for India at 20.7% of the GDP in 1999 and rising to 23.2% in 2007. There are similar estimates made by other Indian and international agencies. A parallel shadow economy corrodes and eats into the vitals of the country's economy. It generates inflation which adversely affects the poor and the middle classes more than others. It deprives Government of its legitimate revenues which could have been otherwise used for welfare and development activities.

In the last two years, the Government has taken a number of steps to curb the menace of black money in the economy including setting up of a Special Investigation Team (SIT); enacting a law regarding undisclosed foreign income and assets; amending the Double Taxation Avoidance Agreement between India and Mauritius and India and Cyprus; reaching an understanding with Switzerland for getting information on Bank accounts held by Indians with HSBC; encouraging the use of non-cash and digital payments; amending the Benami Transactions Act; and implementing the Income Declaration Scheme 2016.

Activities of the Branch

We are going to commence 34th, 35th & 36th Batches of ITT from 21.11.2016 (30 days duration). We have conducted world/National Commerce Day-2016 on 10.11.2016 at Govt Arts & P.G.College, Anantapur and on this occasion, we have conducted Career Counseling Programme for 3rd Year B.Com., Students and the No. of Students participated are about 200.

Commerce Wizard Contest:

The Career Counseling Committee of the Institute of Chartered Accountants of India launches the Commerce Wizard Contest. Individuals and Schools can register on www.icaicommercewizard.com open to students of IX, X, XI and XII in India.

The Registration is open till November 25th, 2016 for the contest to be held on 11th December, 2016 (prelims on online mode) and Final on 8th Jan, 2017 (at test center)

The fee is Rs.100 per participant. Attractive prizes and an honor of being Commerce Wizard of ICAI.

MOCK TEST FOR CPT – DECEMBER 2016 EXAMINATIONS

We are going to conduct MOCK Test for CPT Students on 28.11.2016 in our branch premises

We seek your valuable cooperation to make the event a grand success.

“Only those who have learned the power of sincere
And selfless contribution experience life's deepest
joy, true fulfillment”. Says Tony Robbins and
is true all times.

Dr.CA.A.G.Venugopal Reddy
Chairman

KNOW YOUR ETHICS

- What are the safeguards available to a professional accountant in public practice in respect of custody of client assets?

A professional accountant in public practice entrusted with money (or other assets) belonging to others should:

- a. Keep such assets separately from personal or firm assets;
- b. Use such assets only for the purpose for which they are intended;
- c. At all times, be ready to account for those assets, and any income, dividends or gains generated, to any persons entitled to such accounting;
- d. Comply with all relevant laws and regulations relevant to the holding of and accounting for such assets.

- What is Engagement period?

The period of the engagement starts when the assurance team begins to perform assurance services and ends when the assurance report is issued, except when the assurance engagement is of a recurring nature.

- What is the meaning of Direct Financial Interest?

Direct Financial Interest means

- Owned directly by and under the control of an individual or entity (Including those managed on a discretionary basis by others);

OR

- Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control.

- What is the meaning of Indirect Financial Interest?

Indirect Financial Interest means a financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control.



CASE LAWS

✓ S. 2(47)

Capital gains- Long term or short term-Sale deed not executed at the time of agreement-Subsequent transfer-Reckoning of holding period.

Lahar Singh Siroya v. Asstt.CIT (2016) 151 TR (A) 58 (Karn-HC) : (2016) 71 (I) ITCL 505 (Karn-HC) : 2016 Taxpub(DT) 3699 (Karn-HC).

Assessee entered into agreement to purchase a large piece of land and made an advance of Rs. 40 lakhs. However, the sale deed could not be executed then. Subsequently, on account of compromise between the parties only a small part of the land was agreed to be sold to the assessee for Rs.41 lakhs and sale deed was executed therefore in 2002 and advance paid by the assessee was adjusted accordingly. Thereafter, assessee transferred the aforesaid small piece in 2005, holding period being somewhat less than three years and claimed the resultant gains as long term capital gains. AO treated the capital gain as short term capital gain on the ground that agreement entered into in 1995 did not refer to the assessee being given possession of said land. Assessee contended that land was held by him ever since 1995 and it was not necessary for the purpose of section 2(42A) that land was to be owned as long as it was owned by him.

HELD: Once an agreement to sell was executed in favour of a person, then that person got a right to get the property transferred in his favour by filing a suit for specific performance. Such right had definitely created in favour of assessee when agreement to purchase was executed in 1995 and assessee has paid substantial advances. Assessee was, therefore, entitled to the benefit of long-term capital gains.

✓ S.2(47)(V)

Capital gains- Transfer under section 2(47)(V)- Date of possession vis-à-vis date of agreement.

Javed K.Khan v. ITO (2016) 151 TR (A) 58 (Mum-Trib) : 2016 Taxpub(DT) 3604 (ITAT MUMBAI)

Assessee acquired a flat in April 2008. Agreement to sell the flat was entered into January 2011, however, possession thereof was granted in May 2011. AO, however, treated the same as short-term capital gains on the ground that flat was sold within a shorter period than 36 months, on the date when agreement to

sell was entered into. Assessee contended that as per agreement, possession of the flat was to be given to the purchaser within 10-30 days and same was ultimately given in May, 2011 and no compensation for delay in transfer of possession was paid to the purchaser and assessee had paid all the government taxes, repair costs and electricity bills, etc., for the intervening period. Transfer was effective in May 2011 and capital gains were, therefore, to be treated as long-term capital gains.

HELD: It was evident from the terms of agreement that possession of flat was to be given to purchaser in succeeding 10/30 days and eventually possession was granted in May, 2011 with the mutual consent and then transfer took place at that moment holding period exceeded 36 months, assessee was, therefore, entitled to the benefit of long term capital gains.

✓ S. 4

Income—Chargeability—payment reflected in form 26AS

Ram Kishan v. ITO & vice-versa (2016) 151 TR (A) 59 (JP-Trib):2016 TaxPub(DT) 3209 (ITAT JAIPUR)

AO observed that gross transportation receipts of assessee as appearing in form 26AS were not shown in profit and loss account. AO treated such receipts as undisclosed income of assessee and made addition thereof. Assessee contended that he did not own any vehicle of his own and trucks were arranged from truck union and the market. Transportation receipts directly went to the owners of the trucks and he only received commission ranging between Rs.300 to 500 and after incurring expenditures net profit was only 1.45 percent of the receipts which alone ought to have been taxed. Receipts were shown only with a view to cross check so as to claim TDS credit because TDS certificates were in his name.

HELD: Balance sheet of the assessee showed that he had no fixed assets in the form of trucks. Assessee, hired trucks from truck operators and provided them on rent. It was evident from assessee's accounts that neither the maintenance nor other charges for running the trucks were debited by him. Amounts were received on behalf of truck owners and entire amount could not, therefore, be treated as assessee's income. AO was directed to restrict the addition to Rs. 500 in respect of each bulky on account of commission as admitted by the assessee without any deduction of sundry expenses.

✓ S. 10(23)

Exemption under section 10(23c)—Educational institution—Institutions existing solely for educational purpose, law relating thereto

Chief CIT v. St. Peter's Educational Society (2016) 151 TR (a) 59 (SC) @2016) 72 (I) ITCL 2 (SC) : 2016 TaxPub(DT) 2891 (SC) : (2016)385 ITR 66(SC) : (2016) 240 Taxman 392 (SC) :: (2016) 287 CTR (SC) 132

There were a number of civil appeals relating to exemption under section 10(23C).

HELD: Supreme court held that issue involved in these appeals was squarely covered by judgement of Supreme Court in Queen's Educational Society v. CIT (2015) 8 SCC 47 (SC), wherein the court had summarized the legal position. In Para 11 of said judgement law common to section 10(23C)(iiiad) and (vi) had been summarized. Further, there being difference of opinion among certain High Court decisions in Supreme Court in Pinegrove International Charitable Trust v. UOI (2010) 327 ITR 73 (P&H) in Para 25 held as under. "In addition, we hasten to add that the 13th proviso to section 10(23C) is of great importance in that assessing authorities must continuously monitor from assessment year to assessment year whether such institutions continue to apply their income and invest or deposit their funds in accordance with the law laid down. Further, it is of great importance that the activities of such institutions be looked at carefully. If they are not genuine, or are not being carried out in accordance with all or any of the conditions subject to which approval has been given, such approval and exemption must forthwith be withdrawn. All these cases are disposed of making it clear that revenue is at liberty to pass fresh orders if such necessity is felt after taking into consideration the various provisions of law contained in section 10(23C) read with section 11 of the IT Act." It was made clear that the observation made in Para 25 in Queen's Educational Society v. CIT (2015) 8 SCC 47 shall be followed.



CHAIRMAN'S SPEECH ON WORLD / NATIONAL EDUCATION DAY ON 10.11.2016 AT GOVT DEGREE & PG(ARTS) COLLEGE



SICASA CHAIRMAN SPEECH ON WORLD / NATIONAL EDUCATION DAY ON 10.11.2016 AT GOVT DEGREE & PG (ARTS) COLLEGE

QUOTATIONS FOR THE MONTH

- ❖ If you think positively – Sound becomes Music, Movement becomes Dance, Smile becomes Laughter, Mind becomes Meditation and Life becomes a Celebration.
- ❖ Pride and Ego comes when you feel you have done something right. However, Respect and Honor comes when others feel you have done something “right”.
- ❖ Be honest when in trouble and be simple when in wealth. Be polite when in authority and be silent when in anger.
- ❖ After failing to climb Everest, the reply of a great man, “I will climb again and conquer you because as a mountain you cannot grow but as a human I can.”

