



The Institute of Chartered Accountants of India

(Setup by an Act of Parliament)

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NEWS LETTER

THE ANANTAPUR BRANCH OF SIRC OF ICAI **CONTENTS**

1.	Editorial
2.	Chairman speaks....
3.	Know your ethics
4.	Case laws
5.	Photographs
6.	Quotations for the month



EDITORIAL

The sincere efforts initiated by the Central Government in bringing the unaccounted amount into the authorized and recognized cycle of cash flow market has started yielding results. The Income Declaration Scheme 2016 which was in operation from 1st July 2016 to 30th September 2016 has garnered a sizeable tax of Rs.29,362.50 crores and the declared income is Rs.65,250 crores. The actual amount is yet to be confirmed which may be Rs 75,000 crores. Though, there are many estimates on the quantum of black money / unaccounted money in our Indian Economy announced by various agencies including ministry of finance, it is a fact and an open secret that such amount is almost equal to the amount of the money which is in circulation in the legal and recognized money market. If the politicians, bureaucrats, industrialists, big business tycoons and their relatives can bring in their black money stacked in foreign countries to India, probably our country may stand,

1. Number 1 in the global economy
2. On an average Rs.100 crores can be released as one time grant to each village which is around to Rs.6000 crores to each district.
3. For another few years, public may not pay any tax
4. The Cost of Petrol and Diesel will reduce drastically
5. Electricity Bills need not be paid.
6. Around 1500 world class educational institutions can be established
7. Around 2000 health Institutions of high technology and of international standards may be provided
8. Majority of people can have their own houses.
9. Standard rubber roads can be laid for a length of around 28000 kms
10. Of Country, we can build a strong border wall for our country, stronger than the great wall of China.

Besides the quantum of black money outside India, unfortunately there is again a substantial amount of black money in India Owned / Possessed by our own Indians.

It is upto the citizens of our country to come and clean and pay taxes for a better tomorrow for our people. The efforts of income tax department and contribution of Practicing Chartered Accountants in making IDS-2016 success should be complimented.

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

CHAIRMAN'S MESSAGE



MCA introduces SPICE (Simplified Proforma for Incorporating Company) w.e.f. 02.10.2016. Forms are INC 32 along with eMOA in Form INC 33 and eAOA in Form INC 34. By new e-MOA & AOA no need of signatures of subscribers, instead of sign of subscribers DSC of subscribers can be affixed on MOA & AOA. By new e-MOA and AOA, no need of signatures of witness, instead of sign of witness DSC of witness can be affixed on MOA and AOA.

HUGE success of INCOME DECLARATION SCHEME(IDS) 2016. Curbing Black Money and Promoting Tax Compliance.

Number of Declarants :	64,275
Black Money Disclosed:	Rs.65250 Crores
Average Disclosure Per	
Declarant :	Rs.1 Crore
Estimated Tax Collection	
at flat 45% :	Rs.30,000 Crores

Surprisingly Hyderabad emerged as a Top destination with declaration of Rs.13000 crore followed by Mumbai Rs.8500 crore, New Delhi Rs.6000 crores and Kolkata Rs.4000 crore. The informal target for the scheme was a tax collection of Rs.40000 -50000 crore on black money declaration of Rs.1 Lakh crore.

The ICAI is hosting the Confederation of Asia Pacific of Accountants, a regional accountancy body in Asia Pacific representing Accountants from 23 Jurisdictions, meeting in Hyderabad coinciding with the International Conference, on 20-21 October, 2016 which are primarily closed group meeting of this International forum.

The International Conference, immediately thereafter on 22-23 October, 2016, will be benefitted from the presence of luminaries of Accountancy Profession from 23 Jurisdictions when they finish off their interaction on the previous day. The International Conference in essence push for fusion of best practices and knowledge to ponder upon newer perspectives and thought processes in the field of Accountancy and empower the profession to shine in the Changing Globalized Workplace.

The ICAI's annual International Conference is the virtual idea lab for propounding new thought leadership in areas at intersection between Governance,

Standards Setting, Financial Reporting,Regulatory/Societal expectations, technological evolutions to augment growth for meeting aspirations of society at large. The instant International Conference would be an apt platform for ideas exchange and interactive dialogues amongst the global and local accounting fraternity to espouse public interest.

The International Conference will be a “Wisdom to Future” to acclimatize the accounting fraternity to demands of a market-driven economy, while being the Trustee of Public interest and is a “must attend” for all who wish to create a mark for them in these times of change.

MOCK TEST for CA Students:

MOCK TEST I for CA IPCC and Final students was held from 14.09.2016 To 22.09.2016.

MOCK TEST II for CA IPCC and Final students was held from 03.10.2016 TO 10.10.2016.

COMMERCE WIZARD CONTEST:

The Career Counselling 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 25,2016 for the contest to be held on 11th December,2016 (prelims on online mode) and Finals on 8th Jan 2017 (at test center)

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

Link is on www.icaicommercewizard.com.

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

“ If a man empties his purse into his head, no man can take it away from him. An investment in knowledge always pays the best interest”. Says Benjamin Franklin and hence consistent investment in knowledge will always keep one ahead.

Dr.CA.A.G.Venugopal Reddy
Chairman

KNOW YOUR ETHICS

Q. Can a member put up his photograph on the website?

A. Yes, revised Sub-Para(8) of Para (m) in the code of Ethics, 2009 under Clause(6) of Part I of the First Schedule to the Chartered Accountants Act, 1949 provides that display of passport size photograph on the website of member is permitted.

Q. Whether a member can appear on television / Radio or give lectures at forums?

A. Yes, Council direct under Clause (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949 prescribes that a member may appear on television / Radio or give lectures at forums and may give his name and describe himself as chartered accountant. Special qualifications or specialized knowledge directly relevant to the subject matter of the programme may also be given. But no reference should be made, in the case of practicing member to the name and address or services of his firm. What he may say or write must not be promotional of him or his firm but be an objective professional view of the topic under consideration.

Q. Whether a Chartered Accountant in practice can use expression like Income Tax Consultant, Cost Accountant, Company Secretary, Cost Consultant or a Management Consultant?

A. No, Council direction under Clause (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949 prescribes that it is improper for a Chartered Accountant to state on his professional documents that he is an Income Tax, Income Tax Consultant, Cost Accountant, Company Secretary, Cost Consultant or a Management Consultant whereas it is permitted to mention his degrees.

Q. Can a Chartered Accountant in practice firm give advertisement in press?

A. No, However the members in practice may advertise the services setting out the services provided by him or his firm, and particulars of his firm, through a "Write-Up" subject to such guidelines as may be issued by the Council.

Q. Can a Chartered Accountant in practice give the date of setting up the practice or date of establishment on the letterheads and other professional documents, etc.?

A. No, Council direction under Clause (7) of Part I of the First Schedule to the Chartered Accountant Act, 1949 prescribes that the date of setting up to the firm on the letterheads and the professional documents, etc. should not be mentioned. However, in the Website, the year of establishment can be given on a specific "pull" request.



CASE LAWS

Depreciation – Higher rate - Computer Peripherals, UPS and Printers Assessee claimed depreciation at eh rate of 60 percent on Computer Peripherals, UPS and Printers.AO restricted rate of depreciation on the ground that computer peripherals, PS and Printers were not the integral parts of computer. CIT(A) allowed depreciation at eh rate of 60 percent and thereby deleted the addition made by the AO.

Dt.Ord:15 February 2015

In assesses's favour

Dy.CIT v. G4S Security Services (India) (P) Ltd.(2016) 151 TR(A) 388(Del'C' - Trib);(2016)69(II)ITCL 334(Del 'C' – Trib):2016 Tax Pub (DT) 1304(Del 'C' –Trib).

Business Deduction under Section 35D – Amortization of preliminary expenses – Expenditure for increasing authorized capital.

Assessee- Company claimed deduction of expenditure paid to the Register of Companies for increasing authorized capital. AO disallowed deduction. Assessee before DRP alternatively submitted that even if it was considered as a capital out go, it would be eligible for claiming amortization of such expenditure under section 35D.

Held: Once the type of expenditure mentioned under sub – section (2) of section 35D is incurred by assessee, it shall be allowed a deduction as per sub – section (1) to section 35D in the manner specified therein. When AO had made disallowance of the share issue expenditure in the nature of fees paid to Register of Companies for increasing authorized capital, he ought to have allowed the amortization of such expenditure under section 35D(1).

Dt.Ord:15 February 2015

Party in assesses's favour

Kohler India Corp.(P) Ltd. V. Dy CIT(2016) 151 TR (A) 389 (Bang 'B'-Trib): 2016 Tax pub (DT) 1426(Bang 'B' – Trib)

Business deduction under section 36(1)(vii) – Bad debts –Debts written off as bad in books of account – Assessee failed to prove the bad debts and list of parties thereof was not provided.

Assessee was engaged into the business of manufacturing and trading in auto components. It had written off certain amount as bad debt and claimed as deduction. AO disallowed the same based on the facts that assessee had failed to prove that the written off bad debts had actually become bad and even list of parties whose debts were written off, had not been provided. Assessee took the plea that when it had not been provided. Assessee took the plea that when it had actually written off debt as bad, there was no need to prove the same.

Held: As assessee had written off bad debts as irrecoverable in the books of account, there was no need to further prove that the debt had become bad debt it was not necessary for the assessee to establish that the debt had actually become irrecoverable.

Dt.Ord:20 February 2015

In favour assessee

Dy. CIT v. Eco Auto Components Ltd. (2016) 151 TR (A) 390 (Del 'B' –Trib): 2016 Tax Pub (DT) 913 (Del 'B' –Trib).

Business deduction under section 36(1)(vii) – Bad debts –Whether Bad Debt or business loss under section 28.

Assessee failed return showing loss AO observed that assessee had claimed advance payment made towards purchase of land as bad debt. AO did not accept assessee's claim of bad debt and added back to the income of assessee. CIT(A) directed AO to allow the claim of assessee either as bad debt u/s 36(2) ((sic) it should be sec. 36(1) (vi)-Ed) or business loss u/s 28 r/w sec. 37(1). Held: Since there was no iota of evidence that the assessee firm was involved in the above transaction having paid advance for the purpose of purchase of land, it could not be said that any loss incurred in the course of business was business loss or business expenditure. It was nothing but the assessee was trying to enjoy the benefit of sec.36(1)(vii) through back door, which was not permissible under law. As per agreement for sale, it was only a money diversion from the accounts of max value housing to purchase the land by the individual Mr. M.K.Ahmed and not for the assessee firm. Therefore, any loss incurred by the individual partner, he had to bear the same in view of the terms of partnership deed, so agreed upon by the partners of firm while executing the partnership deed. Thus, the claim had no locus standi, as started to have been a business loss of the assessee firm. Under the facts and circumstances, the order of the CIT(A) was reversed and that of the AO restored.

Dt.Ord:29 January 2016

Against the assessee

Asst. CIT v. Max Value Housing (2016) 151 TR (A) 390 (Chen 'B' –Trib): 2016 69(ii) ITCL 497(ITAT –Chen) : 2016 Tax pub (DT) 1352(ITAT – Chenn).

Business deduction under section 36(1) (viiia) – Bad debts –Computation of bad debts vis – a – vis provision for bad and doubtful debts.

Assessee had claimed deduction for bad debts of Rs. 2, 53, 64,316. after setting of opening provision of Rs. 2,11,60,709. AO while computing the total income had allowed deduction of Rs. 1,77,90,858 after setting off the closing provision of Rs.75,73,458. Held: the total income of assessee can be computed at the end of the previous year and in computation of such income deduction under sec. 36(1) (viiia) has to be allowed. If bad debts or written off in the books of accounts during the course of the previous year, such bad debts must be deducted as admissible under sec. 36(1) (viiia). Apparently, the deduction allowable under clause (viiia) in respect of bad

debts will have to be set off against the opening credit balance in the provision of account to arrive at the quantum of deduction allowable while computing the total income.

Dt.Ord:27 July, 2012 in assesses's favour

Followed : Oman International Bank SAOG v. Dy. CIT in ITA No. 6043/mum 1996.

Abu Dhabi Commercial Bank Ltd, v Asst. DIT(2016) 151 TR (A) 391 (Mum'L' -Trib): 2016
Tax pub (DT) 1150 (Mum'L' -Trib): (2016) 176 TTJ 1150 (Mum'L' -Trib) 115.

**Best wishes,
CA Dr. D.Harischandra Rama
Vice-Chairman**

CAREER COUNSELLING PROGRAMME HELD ON 24.09.2016 AT GOVT DEGREE COLLEGE,URAVAKONDA



Quotations for the month

- ❖ Most useful asset of a person is not head full of knowledge but a heart full of love, ears open to listen and hands willing to help.
- ❖ The fragrance of flowers spreads only in the direction of the wind. But the goodness of a person spreads in all directions.
- ❖ Hard work is like a staircase and luck is like a lift. Lift may sometime fail but staircase takes up to the top.
- ❖ Quality is never an accident. It is always the result of high intention, sincere effort, intelligent direction and skillful execution.