



The Institute of Chartered Accountants of India
(Setup by an Act of Parliament)

Hyderabad Branch of SIRC

E-Newsletter for the month of July-2020



72nd Chartered Accountants' Day Celebration on 01st July, 2020





July -2020

Speakers



CA. Ashwani Taneja



Shri. Dr. R N Dash



Adv. Amit Khemka



CA. Dr. Rakesh Gupta



CA. Dayaniwas Sharma

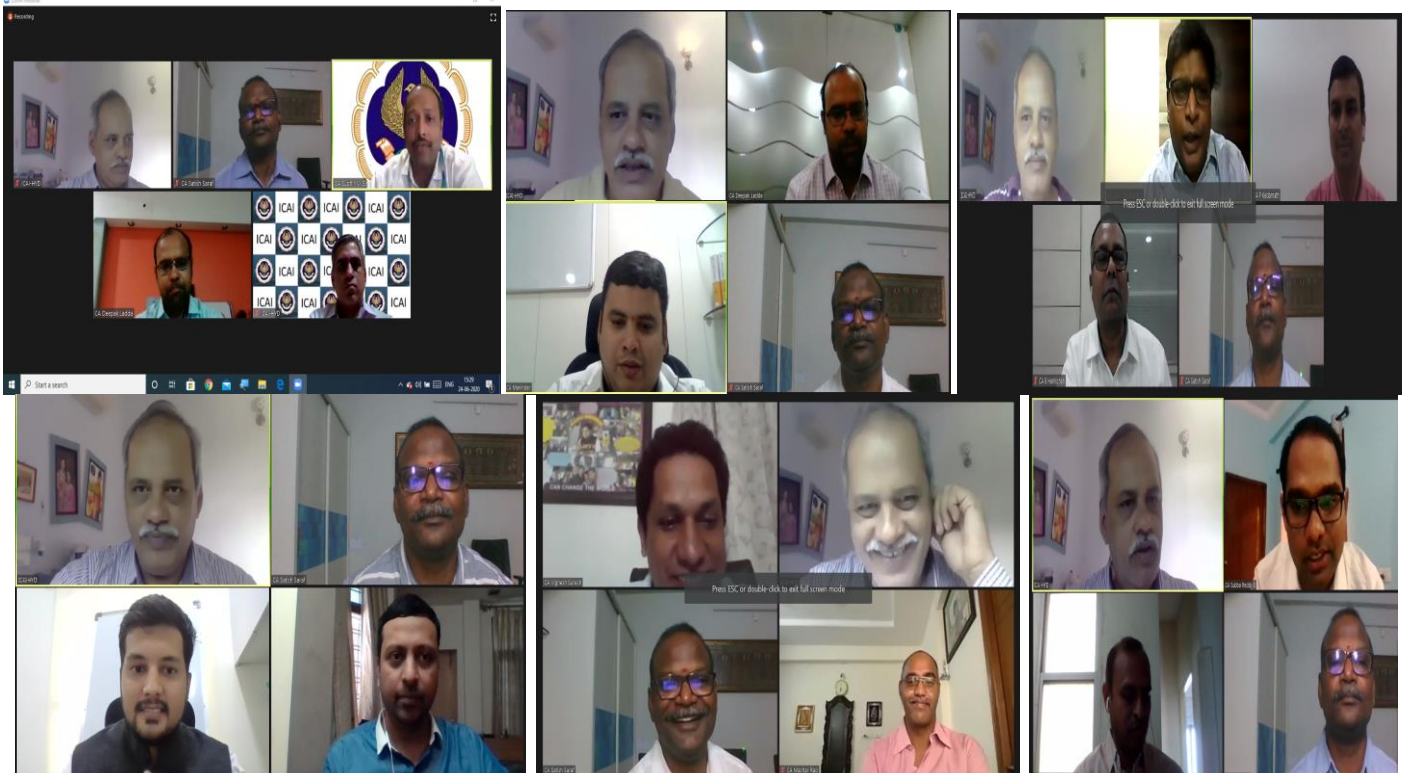


CA. Paresh Shah



Sri. Sachin Dedhia

Speakers & Moderators for Workshop on Basics of GST for Beginners from 24th June to 16th July, 2020





July -2020

Chairman Write up 

Dear Professional Colleagues,

At the outset I wish each one of you A Happy Chartered Accountants Day, which is celebrated on 1st July every year.

Every year this day is celebrated commencing with Flag Hoisting and followed by Blood Donation, Walkathon, Planting of trees and several other CSR related activities, honouring Past Chairman & Senior members and by organising games for members and their families. This year due to the current situation, only the Managing Committee members along with few staff members of branch hoisted the flag, planted trees in premises and distributed masks and soaps to the needy. We missed you all every minute of 1st July. It is said that the best way to deal with a difficult and unwanted situation is to First accept the situation, and then check what best we can do in such situation and then do such activity to the best of our ability. Following this, we at Hyderabad Branch are organising virtual CPE meetings, workshops etc on topics of academic interest, addressed by best of speakers, which can be watched by members sitting in the comforts of their homes/offices.

Virtual Meetings in July 2020

Hyderabad Branch of SIRC of ICAI has lined up several Virtual CPE meetings in the month of July, the details of which are given elsewhere in the newsletter. The details of programme are also uploaded on www.hydicai.org. You can avail structured CPE credits by attending the virtual CPE meetings. CPE credits will be provided only to the members of Hyderabad Branch for up to 300 members on First Come First Served basis. Also note that the attendance developed through software should show your presence for 120 minutes to grant you CPE hours.

AGM

58th AGM of Hyderabad Branch of SIRC of ICAI will be held on Zoom platform on Friday, 31st July 2020 at 10 AM. I request the members desirous of attending the AGM to register themselves for the meeting by logging at www.hydicai.org so that the registration link is shared. This will be the First such AGM which will be done on a virtual platform. I urge each one of you to be part of this historic occasion.

As we were about to release the Newsletter on Sunday, 19th July 2020, we got the sad news about the demise of our Visionary Leader and Past central Council member CA. Devineni Seetharamaiah garu. It is a great loss for ICAI. He was a role model for several Chartered Accountants across the country. Hyderabad Branch in consultation with his family members shall be organizing a Condolence meeting very soon and details of the same shall be shared through sms from Branch.

Signing off with a quote:

“If you don’t like something, change it. If you can’t change it, change your attitude.”

Yours Sincerely,

CA Pankaj Kumar Trivedi

Chairman

chairman.hyd@icai.in



July -2020

Virtual CPE Meetings for the month July-2020

Day & Date	Timing	Topic	Speaker	CPE Hours
Sunday 05 th July, 2020	11 AM to 01.00 PM	Beyond Boundaries	Eminent Speakers	-
Monday 06 th July, 2020	06.00 PM to 08.00 PM	Primer on Valuation	CA. Rajesh Khairajani	2hrs
Wednesday 15 th July, 2020	06.00 PM to 08.00 PM	Multilateral Instrument (MLI)- New Dimension to Tax Treaty Law	CA. P.V.S.S. Prasad	2hrs
Friday 17 th July, 2020	06.00 PM to 08.00 PM	Code of Ethics 2019	CA. J. Venkateswarlu	2hrs
Wednesday 22 nd July, 2020	06.00 PM to 08.00 PM	Perform or Perish	CA. Jay Chhaira	2hrs
Thursday 23 rd July, 2020	06.00 PM to 08.00 PM	Going Global	CA. Gaurav Kapahi	2hrs
Friday 24 th July, 2020	06.00 PM to 08.00 PM	The New CFO	CA. Rakesh Singhania & CA. Satish Kottakota	2hrs
Saturday 25 th July, 2020	11.00 AM to 01.00 PM	CARO 2020	CA. Amarjit Chopra	2hrs
Monday 27 th July, 2020	06.00 PM to 08.00 PM	Amendments in Direct & Indirect Taxes due to Covid- 2019	CA. Rajendra Prasad T	2hrs
Tuesday 28 th July, 2020	06.00 PM to 08.00 PM	Marketing Yourself	Sri. Sreeram J V C	2hrs
Wednesday 29 th July, 2020	06.00 PM to 08.00 PM	New Horizons & New Opportunities	CA. Dayaniwas Sharma & CA. C. Murali Krishna	2hrs
Thursday 30 th July, 2020	06.00 PM to 08.00 PM	Moving Ahead in Corporate Environment	CA. Ramesh Menon	2hrs



July -2020

NOTICE OF ANNUAL GENERAL MEETING

To

All the Members of Hyderabad
Branch of SIRC of ICAI

Notice is hereby given to all members of the Hyderabad Branch of SIRC of ICAI that the 58th Annual General Meeting of the Members of Hyderabad Branch will be held on Friday, the 31st July, 2020, at 10.00 a.m. through Online platform to transact the following business:-

1. To receive the Annual Report of the Branch for the year 2019-2020.
2. To receive the Auditor's Report along with the Audited Statements of Accounts for the year ended 31-3-2020.
3. Any other Matter with the Permission of the Chair.

By order of the Managing Committee
of the Hyderabad Branch of SIRC of ICAI

Sd/-
CA Deepak Ladda

Place: Hyderabad
Date : 16th July, 2020

The Annual Report for 2019-20 along with financials is hosted in the website www.hydicai.org

The Link for attending the AGM is also hosted in the website www.hydicai.org



Leader's Thought



CA. Chengal Reddy. R
Regional Council Member

Dear Colleagues,

A heartfelt welcome to the new year of Accountancy Profession! Every year we celebrate the foundation day of the Institute on July 1st. Our fraternity have been serving the nation amazingly for 71 long years.

The Institute is an authentic symbol of priceless contribution to the global accountancy profession. Our CAs is testimony to their ubiquitous presence across the globe.

In the times of adversity, our bravery is the test of the substance. Even in challenging circumstances like the on-going pandemic, ICAI is taking path-breaking initiatives and actions and moving ahead keeping in view, the interest of the students, members and other stakeholders.

On the eve of the celebration of foundation day, let us recall the words of first President of ICAI CA. G P Kapadia: "I maintain with pride the position that the health of my profession is perfectly sound and the passing phase of the war period and the post-war period effects will disappear within a short time, and the profession will march on to achieve a better status and a stronger footing."

The circumstances might be different, but this great insight stands relevant in the current state of affairs. The dreaded times the world is facing now will be history soon, and I am sure we will come out from it successfully with much strength and courage.

Abraham Lincoln once said, "The most reliable way to predict the future is by creating it." The future of the Accountancy profession is vast and promising. With the sky as our limit, ICAI resolves to continue to imagine, improve and innovate our community and set the economy at new heights.



July -2020

Student Announcement

Students Skills Enrichment Board
The Institute of Chartered Accountants of India

5th July, 2020

Exemption from Completion of Orientation Course (OC) and Information Technology Training (ITT) before admission in Practical Training on or Before 31st July, 2020 for Direct Entry Scheme students

Due to suspension of IT and Soft Skill classes all across the country because of the prevailing COVID situation, a large number of Direct Entry students are facing problems w.r.t their eligibility for joining of Articleship due to non-completion of Orientation Course & Information Technology Course. The Competent Authority has therefore decided to relax the requirement as a one-time measure which is as under

The students, who are registered through the Direct Entry route and are eligible to register in the articleship training on or before 31st July, 2020 are allowed to register in the articleship training and complete Orientation Course and IT Training on or before 31st December, 2020 instead of 31st July, 2020

Chairman
Students Skills Enrichment Board, BOS (Operations)

OBITUARY



We regret to inform the sad demise of senior member **CA. Devineni Seetharamaiah**, Hyderabad on 19th July 2020. He was a Member of Central Council, ICAI between 1976-83

The Managing Committee of Hyderabad Branch
Expresses its deep condolences to the bereaved family



Three years for GST in India – The story so far

Compiled by : CA Satish Saraf
& CA Venkat Prasad. P

Introduction:

The introduction of GST is the biggest Indirect tax reforms in Indian History. It is planned and said to be a simple, stable, and transparent tax regime, which would result in an overall reduction in the prices of goods/services and facilitate free movement of goods across India.

Any transformation poses certain challenges & difficulties. The GST being comprehensive has been sailing through the certain challenges not only for the Government but also for the business community, tax administration and even common public. Some of these challenges relate to the unfamiliarity with the new regime & IT systems, legal challenges, furnishing of returns, reconciliations, Migration of transitional credit. Lack of robust IT infrastructure and system delays makes compliance difficult for the taxpayers. Several processes in the GST are new for small and medium enterprises, who were not used to regular and online filing of returns and other compliances. **The effective resolution of the challenges within time frame is critical to make changing scenario successful, which Government to a large extent been doing since the inception of GST.**

In this article, the authors attempted to review the past 3 years journey of GST and its hits & misses. The review is given considering the broader perspective of GST, and omissions, if any are only incidental but not intentional.

Hits of GST:

Besides the larger achievement of uniform levy of indirect taxes on every supply transaction, the following are the significant measures that were achieved under the GST:

❖ Widen the tax base and increase tax collections in income tax as well:

A large number of taxpayers have come under the tax net which added more revenue to the Government coffers. Further, transaction-level reporting under GST is also one of the reasons to increase the income tax collections.

❖ Faster processing of the refund claims:

The exporters are getting the refunds much faster compared to the pre-GST regime, which boosted the exports sector. Though there were initial hiccups, with full electronic filing in place from recent past, the refunds are been processed much faster now.



❖ The E-way bill system:

After rectifying system glitches, E-way bill for inter-State movement of goods has been successfully implemented from 01.10.2018. This initiative helped to combat and restrict the illegal movement of goods, under-reporting of the TO's & consequential tax evasion. Further, blocking the e-way bill for the non-filers also made the returns compliance regulated. Of course, some cases wherein the trade were being troubled for minor lapses. Nevertheless, it is one of the measures implemented smoothly after initial glitches and helped to curb the revenue leakage.

❖ Arrest for fake invoicing cases

The arrests under GST has become frequent news in the last year. With the help of robust IT implementation & transaction trails, the Government has unearthed many fake ITC cases wherein paper transactions were carried out to pass out the illicit ITC and causing the revenue leakage. This exercise sent a strong signal message to the unscrupulous persons and acted as a strong deterrent measure to control the tax evasion.

❖ GST Rates rationalisation:

There were frequent changes in the GST rates for various sectors. This helped to rationalise the product prices which in turn controlled the inflation to some extent. There was also a proposal to bring into 3 slabs which helps to avoid the classification disputes to a larger extent.

Flop measures:

Despite the rigorous efforts, the following aspects remain flop show under GST.

➤ ITC matching & filing of GSTR-2 & 3:

The robust IT infrastructure deployed for ITC matching and it was based on the online system of filing Form GSTR-1, 2 & 3. Form GSTR-1 returns for declaring outward supplies, Form GSTR-2 is a return of inward supplies and Form GSTR-3 is a monthly return consolidating the GSTR-1 & GSTR-2 and enabling the net payment to the Government treasury. However, practically this system could not be implemented mainly due to failure of the GSTN IT system.

➤ Transitional credit:

This is one of the burning issues that has been suffering the trade & industry and remain unsettled. Even after 3 years, the transition credit claims were not fully settled (especially taxpayers missed filing Form Tran-01 or committed mistakes therein) and various HC's ordering to allow the claims while Government strongly opposing it. Various petitions are been filed across the country and the Hon'ble High Courts have time & again directed the Government either to reopen the portal or to allow the manual filing of the forms. Though the Government has extended opportunity but limited to the cases



of technical difficulties, which is not sufficiently addressed the actual difficulties of the taxpayers. A One-time opportunity may be given to the taxpayers to claim the transitional credit instead of logging into long drawn litigation before courts.

The trailer launched but pending release:

➤ New forms of returns:

Since the initial system of filing GSTR-1, 2 & 3 was not successful, the Government has brought out the new forms (RET-01, 02, Anx-01 & 02) categorising the taxpayers based on the type of transactions and TO's. The objective is to simplify the filing process, one has to wait & see how the practically it performs. Considering the present crisis, the implementation was deferred to 01.10.2020.

➤ E-invoicing for B2B transactions & QR Code for B2C transactions:

The new E-invoicing system will require the suppliers to generate a unique invoice reference number (IRN) from the Government portal. The IRN will need to be mentioned on B2B invoices. This system would capture invoice level data and interlinks the E-way bill & GST Returns data. Similar to E-invoicing, dynamic QR code would be required for B2C transactions and helps to curb the malpractices in transactions reporting. This measure helps to curbs the tax evasion. Considering the present crisis, the implementation was deferred to 01.10.2020.

➤ Aadhar based authentication:

w.e.f. 01.04.2020, the Aadhar authentication is made mandatory for new registrations. This measure would control the malpractices of bogus billings and stops the impersonation.

Requires Reshooting/editing:

❖ Allowing ITC without linking Vendor payment

The provisions allowing ITC to the recipient only when the vendors make the tax payment & file the return (popularly known as 'ITC matching') is one of the biggest pain points to the Taxpayer. Further, it also involves serious difficulties in complying with the said requirement. Hence, it is recommended to allow the ITC without vendor Invoice matching while ensuring the strict punishments to the evaders.

❖ Easing compliance requirements:

There are several compliance requirements under GST which is burdening the taxpayers and adding to the cost. Despite making the E-filing mandatory and reduced the department interaction, the compliance requirements still burdening the business community. The Government shall minimize and dispense with unnecessary compliance requirements.

❖ Liberalizing the Blocked credit



Though the main objective of GST is to allow seamless flow of the credit across the supply chain, there were certain credits were blocked for insufficient rationale. For example, the blocking of the construction credit is wholly unnecessary more specifically the entire supply chain cannot run without factory/premises being constructed.

❖ Law allows it but the portal does not allow!!

There were some restrictions in GSTN which were not there in GST law thereby causing the hindrance the legitimate claims. For example, GST law does not restrict the filing single application across different FY's but portal restricts it. Similarly, the law changes are implemented belatedly (mostly beneficial to the trade) causing the gap in extending the benefits granted/facilities by the lawmakers. For instance, it took almost a year time to implement the intra head transfer of amounts in Electronic cash ledger. Hence, it is suggested to the government to ensure that GSTN avoids the beyond law restrictions, readily adopts the changes in law and allows the immediate implementation.

❖ One authority - one tax

Despite wide publicity given that only single authority administers the taxpayers either Central or State officer, the practicality is different thereby troubling the taxpayers to answerable to the multiple authorities. Hence, it is advisable to avoid the environment of multiple authorities.

❖ Set up of the Tribunal with more judiciary members on board – allow CA's & Advocates to be an eligible member:

Even after 3 years, the Tribunals was not constituted (though the areas were identified). The dominance of technical member strength in a Bench is also contrary to the settled law that strength of Judicial member shall not be less than of expert/technical members [which was reemphasized by the Madras HC in case of Revenue Bar Assn. v. Union of India 2019 (30) G.S.T.L. 584 (Mad.) and struck down the corresponding provisions]. Hence, the action of making more judicial members presence in the bench and quick setup of the Tribunals would help the early dispute resolution and also reduces the load on the HC's. Further, the existing practice of allowing competent CA/Advocate to be a member of Tribunal also ensures the better functioning of the Tribunal.

❖ Making AAR more judicious and minimizing the pro revenue rulings

The Advance rulings are most of the times are creating the confusion and decisions expressed are pro revenue ignoring the settled jurisprudence and principles. Hence, it is advisable to make the AAR be more judicious by including the persons with the judicial background (like the AAR under Central Excise).



❖ Avoiding the Forced composite rates without ITC:

One of the main objectives is to allow a seamless flow of the credit across the supply chain. The introduction of composite rates without ITC defeats the object the GST and encourages the parallel economy. For instance, the Government mandated the composite rate of 5% for Restaurant & Real estate industry without ITC. Though the stated objective is to reduce the GST, the reality is different since denying the ITC adds up to the output price, Hence, the Government shall avoid these type of schemes and taxpayers shall be given an option to choose such schemes instead of mandating it.

❖ Definitive Methodology for Anti-Profiteering:

The GST law made Anti-profiteering provisions to ensure that benefits derived out of GST (decrease in rate or benefit of ITC) are passed in the form of a corresponding reduction in the product prices. However, there was no definitive Guidelines to determine the profiteering and left to the Authorities to adopt their own methodology. While the objective of Anti-Profiteering provisions is good and appreciable, but the definitive guidelines would give make the compliance better and avoids the ambiguity.

Yet to launch:

❖ Bringing Petroleum products under GST:

It needs to be emphasised that since a large part of the petroleum and petroleum products are important intermediate inputs, it is necessary to bring them under the GST ambit sooner than later to eliminate cascading effect and its associated inefficient economic cost. Even in a GST regime, these could be taxed at a higher rate if revenues have to be protected. The economic efficiency benefit from inclusion is much more than the direct short-run revenue impact to the Governments. Hence, sooner later, it is advisable to bring petroleum products under GST.

❖ Bringing Land transactions under GST:

There was also proposal among GST council to bring land under GST. This measure if implemented adds more revenue than the Stamp duty at present & the land prices & transactions would be better regulated.

We would end the review with the bottom line that the GST is certainly a good tax & yet to become a 'simple' tax.

(For queries/feedback: ss@ssnc.in, venkataprasad@hiregange.com)



July -2020

Survey, Search and Seizure Update

Compiled By: CA. Hari Agarwal

1. PCIT v. Gahoi Foods (P.) Ltd.

[2020] 117 taxmann.com 118 (SC) SUPREME COURT OF INDIA

Where High Court upheld Tribunal's order deleting addition made under section 153A by taking a view that no incriminating documents during course of search were found, SLP filed against said order was to be granted

Assessee-company was engaged in production of 'Gutka' - Assessing Officer, mainly relying upon Notification No. 30/2008-Central Excise (NT), dated 1-7-2008 came to conclusion that assessee was engaged in unaccounted production and sale of 'Gutka' - He thus made addition to assessee's income - Tribunal opined that Assessing Officer while making assessment under section 153A could make addition only on basis of some incriminating material unearthed during course of search or requisition of documents - Tribunal further concluded that since no incriminating documents during course of search were found, impugned addition made by Assessing Officer was not sustainable - High Court upheld Tribunal's order - Whether, on facts, SLP filed against order of High Court was to be granted - Held, yes [Para 2][**In favour of revenue**]

2. Babulal Vani v. Asstt. CIT

ITA Nos. 491 & 492/Ind/2018

Survey---Addition to income---Difference in stock noticed during survey---Assessee duly reconciled discrepancy with positive material

Survey under section 133A was carried out at business premises of assessee on 3-5-2005 and certain books of account and loose papers were found and impounded by survey party. During the course of survey, statement of assessee was recorded and assessee admitted unexplained investment in stock but did not declare the same in return of income. AO made addition on that count. Assessee's case was that books of account of assessee at the time of survey on 3-3-2005 were written till 15-1-2005 and no opportunity to recast trading account was given and on the basis of variation in physical stock as on 3-3-2005 and as per books as on 15-1-2005.

Assessee under ignorance declared additional income as unexplained investment in stock

Held: Survey statement recorded under section 133A could not be a strong piece of evidence in case assessee was in a position to reconcile discrepancy with positive material. In the instant case, difference in stock noticed during survey was subsequently reconciled by assessee after drawing a fresh trading account and no specific defect in such reconciliation was pointed out by AO. Under these facts, AO was not justified in making addition.



Decision: In assessee's favour.

3. NEW LAXMI STEEL & POWER PVT LTD. vs. ASSISTANT COMMISSIONER OF INCOME TAX

(2020) 59 CCH 0086 CuttackTrib

Search and seizure—Assessment of undisclosed income as a result of search—Benefit of peak credit theory—

A search and seizure operation was conducted at premises of assessee on 24.11.2015 and during course of search proceedings, based on certain bank accounts in name of U maintained with Bank found from premises of assessee and Assessing Officer made addition based on such bank account—CIT(A) confirmed addition made by AO—

Held, undisputedly and admittedly, there was continuous cash deposits and cash withdrawals from bank account maintained with Bank in name of U and during search and seizure operation, assessee has own this bank account belonging to him—It is not in dispute that during period from September, 2014 to January, 2015, number of transactions including cash withdrawals and deposits have been made therein and total amount of deposit is Rs. 1,79,06,477—CIT DR candidly accepted that peak credit in said bank account was Rs. 13,06,500/- as on 26.11.2014—Limited controversy is that whether entire cash deposit made by assessee to bank account of Bank maintained by U is disclosed income or undisclosed profit of assessee—In absence of any other corroborative evidence or documents, court is unable to agree with contention of authorities below that entire amount of cash deposit is unaccounted income or unaccounted profit of assessee because when there are regular deposits and withdrawals from same bank account, then amount payable by assessee cannot be treated as income of assessee leaving aside factum of cash withdrawals from same bank account—Assessee has to explain with sufficient detail source of all deposits in his accounts as well as corresponding destination of all payments from accounts—Assessee has to discharge primary onus of disclosure in this regard—In view of above, present case is not pertaining to an assessee doing business accommodation entry profit that cash deposits and withdrawals have been made by assessee but by employee U himself on behalf of assessee and such bank account has been owned by assessee without any dispute—AO was not correct in holding that entire amount of cash deposits is undisclosed income or undisclosed profit of assessee and thus, CIT(A) was not correct in confirming entire addition made by AO—When admittedly and undisputedly, account was not disclosed to department then, amount of cash deposit cannot be ignored by revenue authorities—In totality of facts and circumstances of case, assessee has already disclosed amount of Rs.15 crores during search and seizure operation, wherein, impugned bank account was found by revenue authorities—Since, amount of cash deposit and cash withdrawals have been made by employee U, on behalf of assessee and there were regular cash withdrawals and deposits have been made in same bank, therefore, entire amount of deposits cannot be treated as undisclosed income or undisclosed profit of assessee—In these peculiar facts of case, assessee is entitled to benefit of peak credit theory of Rs. 13,06,500/- being closing balance as on 26.11.2014—Assessee's ground partly allowed.



4. N. Roja v. Assistant Commissioner of Income-tax

June 18, 2020[2020] 117 taxmann.com 90 (Cuttack – Trib)

Unless Revenue shows anything to contrary, it is to be presumed that source to extent of jewellery stated in CBDT Instruction No. 1916, dated 11-5-1996 stands explained

Where several incriminating materials were found during course of search, Assessing Officer can interfere with original assessment while making assessment under section 153A

CBDT Instruction No. 1916, dated 11-5-1996 stipulates quantity of jewellery found during search which would generally be held by family members of an assessee belonging to an ordinary Hindu household - Whether unless Revenue shows anything to contrary, it can safely be presumed that source to extent of jewellery stated in said instruction stands explained - Held, yes - Gold jewellery of 2417.290 grams was found and seized during search - 1650 grams belonging to different family members stood explained by Instruction No.1916 - Circulars and notifications: CBDT instruction no.1916 dated 11.05.1994

Whether where several incriminating materials were found during course of search, Assessing Officer can interfere with assessment completed originally while making assessment under section 153A - Held, yes -

5. Marble Centre International (P.) Ltd. v. ACIT

[2020] 117 taxmann.com 208 (Karnataka)

Advance tax liability can be adjusted against cash lying in account of revenue, which was seized from assessee

Section 132B, read with sections 209 and 210 of the Income-tax Act, 1961 - Search and seizure -

Whether advance tax can be adjusted against cash lying in account of revenue, which was seized from assessee - Held, yes - Whether, therefore, where a search was carried out in assessee's case in course of which certain cash was seized, date of payment of advance tax was to be taken as date on which request was made by assessee to adjust cash seized against advance tax payable for assessment year in question - Held, yes

Circulars and Notifications : Circular No. 20/2017 dated 12-06-2017