JUNE 2018

NewsBites

Third Edition

Greetings!

We are delighted to present our news bites for the month of June 2018 .This News Bites intends to give an overview of what is happening in the sphere of direct and indirect taxation, audit and assurance and also in the industry.

We hope you find this useful. For any feedback you can reach to us at info@sanca.in.

Best Regards,
S A N & CO.
Chartered Accountants

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Goods & Service Tax

One Year of GST:

India's biggest indirect tax overhaul since independence became a reality a year back, after a decade of debates and discussions, albeit with some teething troubles that continue to exist.

India's business landscape saw a complete makeover with the introduction of the 'one nation one tax' regime that promised to remove the cascading effect of 'tax on tax', reducing the overall prices of most of the items.

The rollout of Goods and Services Tax (GST) was also accompanied with frequent changes in rules, leading to confusion among businesses, few rounds of rate cut and changes, complex return filing system accompanied with major technical snags on the reform's information technology backbone GST Network (GSTN).

In addition, the compliance rate and the monthly revenue collection remained a concern for the government in the first few months of its implementation.

It also turned out to be the economy's biggest disruptor, with criticism pouring over the hasty implementation, hurting especially the small businesses. Protests over relatively high rates on certain daily-use commodities forced the government to announce tax cuts on close to 300 items within just four months of its implementation, to soothe small traders hit by GST-related disruptions. Currently, only 50 items remain in the highest tax slab of 28 percent.

The Indian economy also felt the pangs of GST evidently. Manufacturing witnessed a slowdown, as companies and traders had emptied inventories to carry over as little old stock as possible into July, triggering an unexpected mid-year pre-GST "sale" season on many products at heavy price markdowns. This large-scale inventory clearance had caused an economy-wide slowdown, pulling down overall Gross Domestic Product (GDP) growth to a 13-quarter low of 5.7 percent in the quarter-ended June during 2017-18.

However, growth raced faster in the last quarter of 2017-18 to grow at 7.7 percent as companies shrugged off the inventory disruptions.

Despite the initial hiccups, the tax reform as a whole was welcomed by the industry, as the Council ironed-out major issues in 27 meetings over one year.

Launched at a midnight event in Parliament's central hall on June 30, 2017, GST is billed as the country's one of the most ambitious reforms to make tax administration more efficient, bring in transparency, remove red tape.

It was introduced to turn India into a common national market by removing fiscal barriers among states and consolidating a patchwork of 17 local and central duties such as value added tax, central excise, special additional duties, cesses, and service tax into a single levy.

One Year of GST: contd...

In fact, one of the significant achievements of the government was that GST rates did not fuel inflation, as feared. Countries such as Australia, Malaysia, and Singapore had witnessed an inflationary impact in the short-term after the implementation of GST.

The system also ensured availability of input tax credit (ITC) on taxes paid on all procurements, barring few specified items.

According to the Economic Survey 2017-18, authored by Chief Economic Adviser Arvind Subramanian, a preliminary analysis has indicated that there has been a 50 percent increase in the number of indirect taxpayers, besides a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises and want to avail ITC, deductions for taxes already paid.

ROAD AHEAD

The second year of the GST may witness an addition of more items under its ambit. Currently, alcohol, real estate, and petroleum products such as natural gas, aviation turbine fuel (ATF), crude oil, petrol, diesel among others are taxed in accordance with the pre-GST tax regime, till the highest decision-making panel in the new taxation system - the GST Council - chooses to include them.

In fact, discussions regarding the inclusion of natural gas and ATF under GST have already begun.

Under the existing structure, the fuels attract the Centre's excise duty and a state's value-added tax. Both these and all other levies will get subsumed under GST if they were brought under its ambit.

There is also a scope for reducing the number of items from the 28 percent tax slab, but it will completely depend on the revenue position of the Centre and the states.

E-way or electronic-way bill that was rolled out on April 1, 2018, aims to plug revenue leakages. The government is also banking on the implementation of some more anti-evasion measures such as the new single return filing system and reverse charge mechanism to boost revenues, increasing compliance and preventing leakages.

(Source: money control)

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Income Tax

When to say ‘No’ to cash (Excerpts from ET dt. June 27, 2018)

We often give and accept cash to complete monetary transactions every day without giving it more thought. But this could land you in trouble. There are important ‘don’ts’ for cash. Here’s a list of four don’ts you need to watch out for in your daily transactions.

1. The acceptable limit
Accepting cash worth Rs 2 lakh or more in aggregate from a single person in a day or for one or more transactions relating to one event or occasion will lead to violation of cash transaction law.

2. Receive or repay
Receiving or repaying Rs 20,000 or more in cash for transfer of immovable property can invite tax trouble or penalty.

It is to be noted that in the above mentioned situations the receiver of the cash is liable to be penalised and not the payer. For this reason, it is important to remember when to say ‘No’ to cash when receiving payments.

3. Business payments
If you’re paying more than Rs 10,000 in cash for expenditure related to your business or profession, you may have to pay a penalty.

4. Donations
Donating more than Rs 2,000 in cash to a registered trust or a political party is again violative of tax laws.

Income Tax Return filing: 6 reasons you should file your ITR on time (Excerpts from Financial Express dt. June 28, 2018)

The Income Tax Department mandates everyone to file income tax return if one's gross total income (before allowing deductions under section 80C to 80U) exceeds Rs 250,000 in a financial year. This limit is Rs 300,000 for senior citizens (more than 60 years old, but less than 80 years old) and Rs 500,000 for super-senior citizens (more than 80 years old). However, you can file your return involuntarily even if your income is less than the maximum exemption limit. Here, are six reasons why you should file your income tax return on time.

1. Carry forward of loss

The various losses incurred by an individual or a firm in terms of business losses (both speculative and non-speculative) or capital losses (both short-term as well as long-term) cannot be shown as an exemption to carry forward the losses of the previous year. However, one can claim this benefit only if one has filed one's income tax return.

2. Income tax refund

Filing tax returns is not merely done to fulfill the moral and social obligation by every citizen of the nation. If you want to claim an income tax refund, filing of income tax return becomes mandatory.

3. Avoidance of penalty

Under section 234F of the Income-Tax Act, if a person required to furnish a return of income by July 31 fails to do so, then a fee of Rs 5000 shall be levied if the return is furnished before 31st December. However, the fee shall be Rs 10,000 if it is filed after 31st December. Moreover, if the total income of the person doesn't exceed Rs 5 lakh, then fee payable shall not exceed Rs 1000.

4. Legal sanction to your income

The assessees whose incomes are required to be audited as per provisions of the IT Act, the date of filing the return is generally 30th September. Filling a return gives a legal sanction to your income even if you are not liable to pay taxes for the year.

5. Advantages in the processing of a loan

Banks and other non-banking financial institutions require your income tax returns to process home, educational and other types of loans. It is also mandatory to have income tax returns for the processing of any visa. Also, some credit card companies demand proof of tax returns before issuing a card.

6. Registration of immovable property

Some states require your income-tax return of the last three years for registration of immovable property. Also, a legal sanction to income whether taxable or not helps you pad up subsequently to account for the wealth or the property owned.

Filing income tax return doesn't only make you a responsible citizen but it also ensures smooth governance. Also, it saves you the gargantuan hassles if you are ever required to furnish the return under a show-cause notice from the I-T department.

Income Tax

Taxman should move towards limited scrutiny (Excerpts from Financial Express dt. June 28, 2018)

Many persons have been surprised to receive notices from the tax department, asking them to file their income tax returns (ITRs) for an earlier year, giving details of certain transactions. Many taxpayers who have filed their tax returns have also received such notices, asking for confirmation of such transactions. These notices have become extremely common in the past one year.

Notices, to trace potential tax evaders, have become possible due to various initiatives taken by the income tax department. Earlier, the main source of such information was tax deduction at source (TDS) required on payments of certain incomes, where the TDS returns reflected the Permanent Account Numbers (PANs) of the persons to whom such payments were made. These payments were then aggregated under the PAN of the person to whom payments were made.

The widening of the scope of information required to be filed through Annual Information Returns (in existence since 2004) from 2016 onwards, has brought about this sea change. A wide variety of transactions are now required to be reported by the counter-party. These include various types of investments of value of ₹10 lakh or more, new fixed deposits with banks, post office or finance companies, or subscription to an issue of debentures, bonds or shares of a company or units of a mutual fund. Buyback of its shares by a company of value exceeding ₹10 lakh also has to be reported. The reportable transactions also include purchase or sale of immovable property of value exceeding ₹30 lakh, and purchase of foreign exchange of ₹10 lakh or more.

Audit

Fixed Assets Management

Investment in fixed assets is by and large highest investment for most of the organizations, especially manufacturing organizations and large service organizations.

Organizations face a significant challenge to track the location, quantity, condition, maintenance and depreciation status of their fixed assets.

Fixed assets management is an accounting process that seeks to track fixed assets for the purposes of financial accounting, preventive maintenance, and theft deterrence.

Popular approach for tracking fixed assets is summarized below:

01. Unique serial number allotted to each asset which is often done in bar code.
02. This unique serial number is captured by Finance in their accounting process.
03. During physical verification of assets bar codes are scanned to capture information about the asset including its location and database is prepared.
04. This data base is then tracked with finance data base and reconciliation of assets is done.
05. Assets not in use / damaged are also captured during physical verification.

Many software's are available in the market for fixed assets management (FAMS). Also this activity can be done through most of enterprise resource planning (ERP) software's as well.

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Concluding Remarks:

01. Fixed assets verification is an integral part of an overall internal control framework of an organization.
02. It is advisable for all organizations to get this activity done at least once every year for better control over assets and their physical movement.

INDUSTRY NEWS

Maharashtra's Logistics Parks Policy 2018

With the objective of making Maharashtra part of the global supply chain, government of Maharashtra has formulated the Logistics Parks Policy. The objectives of the policy include upgrading from traditional warehousing to a fully integrated value added logistic activity, improving efficiency and reduction in logistics costs and improving the overall logistic infrastructure of the state to ensure last mile connectivity.

The policy envisages at least 25 integrated multi-modal logistics parks and promoting a minimum of 100 logistics parks across the state. Eligible logistics activities include cargo aggregation/segregation, sorting, grading, distribution, storage, freight station etc.

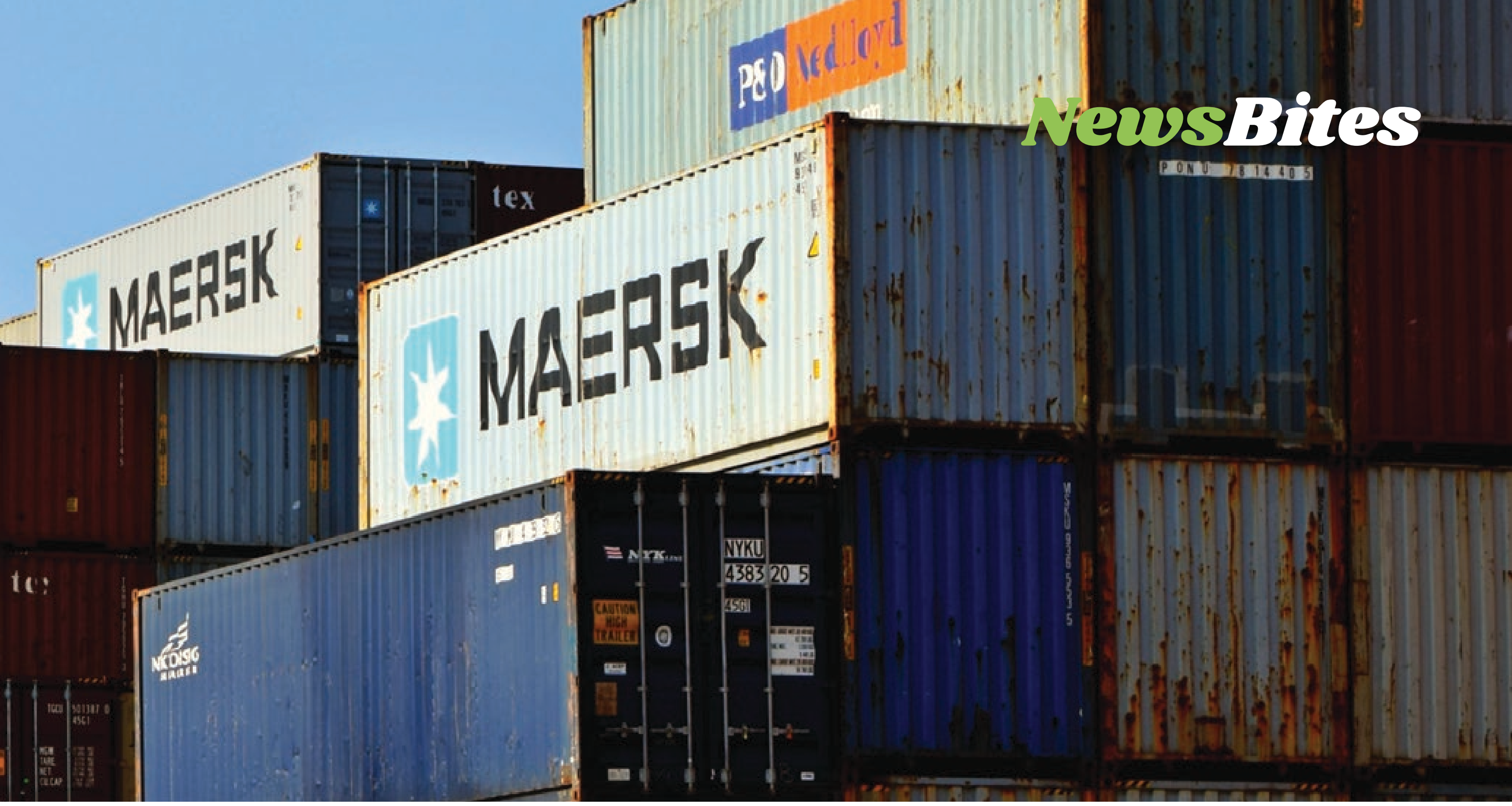
1. Logistics Park

A. Integrated Logistic Park (ILP)

An, "Integrated logistic park" will be defined as one that is spread over a minimum of 5 acres of land and having minimum 15 meters wide access road. A minimum of 70% of the total area notified as 'integrated logistic park' shall be used for providing logistic service and upto 30% of remaining area will be permitted for support services and common facilities. The development of notified integrated logistics park shall be completed within 5 years from date of issue of letter of intent (LOI) by directorate of industries.

B. Logistic Park (LP)

Logistic park/building with a minimum of 20000 sq. feet built up area with base FSI will be designated as logistics park (LP). 80% of total area notified as "Logistic Park" should be used for providing logistic services, and up to 20% of the remaining area will be permitted for support services and common facilities. The development of a notified logistics park shall be completed within 3 years.



2. Promotional Incentives

A. Floor Space Index (FSI)

Integrated Logistic Parks & Logistic Parks will be allowed a base of one or permissible FSI whichever is higher, up to 200% additional FSI will be admissible over the base FSI for development of integrated logistic park & logistics park with or without premium as follows:

Location of Parks (As defined under PSI 2013)	Premium
No industries district and Naxalism affected areas	Nil
Areas other than PMC, TMC, MCGM, Kalyan Dombivali, Mira Bhayendar, Panvel, Ulhasnagar, Ambernath, Navi Mumbai municipal corporation, NID and Naxalism affected areas	10%
PMC, TMC, MCGM, Kalyan Dombivali, Mira Bhayendar, Panvel, Ulhasnagar, Ambernath, Navi Mumbai municipal corporation	15%

B. Higher Ground Coverage

Integrated logistics parks shall be allowed higher ground coverage up to 75% (Subject to setback and fire safety regulations and existing FSI norms being followed)

C. Relaxation on Zone Restrictions

Logistic facilities will be permitted in any zone across there is need of zone conversion, zone conversion premium will be charged at 15% prevailing ready reckoner rate.

D. Relaxation on height restrictions

After taking into consideration fire safety requirements, height restrictions as per the provisions of the national building code on multi level staking for open container yards would be relaxed, if applicable to ensure optimum space utilization. As per the capacity of the fire department & availability of road width maximum height of the building will be admissible up to 24 meters.

E. Power at Industrial Rate

In all approved integrated logistic park & logistics parks electricity will be made available at industrial rates for activities other than business and commercial facilities. Further, as per provisions of Maharashtra Electricity regulatory company power electricity distribution franchise model will be accepted.

F. Critical infrastructure support

Wherever needed, state government would ensure last mile connectivity access to critical utilities such as water, power and access roads up to the integrated logistic park & logistic park.

G. Single window clearance

State will facilitate issuance of applicable industrial clearances through single window investor facilitation cell – MAITRI. MAITRI will have representation from the transport department and will support in liasoning with the RTO and grievance redressal assistance.

INDUSTRY NEWS

Policy of industrial Parks comprising of flatted galas of readymade garment manufacturing, Gems & Jewelry, Micro-Electronics and engineering Unit – 2018

The Policy Seeks to make Maharashtra globally favored place for production of readymade garments, gems & jewelry & electronics. It aims to address major challenges related to availability of affordable spaces by way of flatted galas. The policy lays special emphasis on promotion of manufacturing of readymade garments.

Under this policy, "Unit" means those production units which convert cloth into usable readymade garment, mattresses, carpets, covers, curtains, embroidery cloth etc. this will also include ready cloth for packing and for all intermediate processes. Unit holding valid Udyog Aadhar memorandum (UAM) manufacturing jewelry cutting and polishing of gems, packaging production units and will be designed as gems & jewelry units.

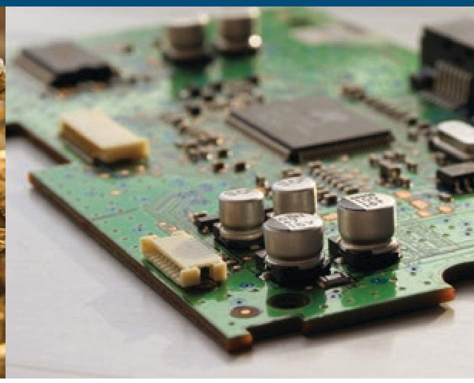
1. Industrial Parks

A. Industrial building having a minimum built up area of 20000 sq.ft. can be established as industrial park under this policy. Out of the total built up space, minimum 80% area will have to be used for readymade garment production, gems & jewelry, registered eligible MSME production units under micro electronics sector. A maximum 20% area can be used for admissible support services.

B. For industrial parks across the state, up to 200% additional FSI will be admissible on 1 or basic admissible FSI which is higher, depending upon availability of road width. For development of public and private parks approved and registered by directorate of industries, 200% additional floor space index will be admissible with or without premium of prevailing ready reckoner rate & depending upon availability of road width as below.

Location of Parks (As defined under PSI 2013)	Premium
No industries district and Naxalism affected areas	Nil
Areas other than PMC, TMC, MCGM, Kalyan Dombivali, Mira Bhayendar, Panvel, Ulhasnagar, Ambernath, Navi Mumbai municipal corporation, NID and Naxalism affected areas	10%
PMC, TMC, MCGM, Kalyan Dombivali, Mira Bhayendar, Panvel, Ulhasnagar, Ambernath, Navi Mumbai municipal corporation	15%

Under this policy, Maharashtra industrial development corporation (MIDC) will be the special planning authority for parks coming up in MIDC and rural areas of the state.



2. Fiscal Incentives (Only for Garment Units)

A. For eligible micro, Small, Medium & Large Readymade garments production enterprises, incentives at one step higher will be admissible under package scheme of incentives, garment projects will be granted mega & Ultra Mega Status on the basis of investment & employment criteria mentioned below:

	A& B Zone		No Industry District & Naxalism affected areas		Other areas	
	Invest-ment (Rs. In crores).	Employ-ment	Invest-ment (Rs. in crores)	Employ-ment	Invest-ment (Rs. in crores)	Employ-ment
Mega	250	1500	50	250	100	250
Ultra Mega	Rs. 500 crores investment & 3000 direct employment					

B. The Incentive package to Mega Projects will be customized.

C. If an eligible unit in MIDC area obtains building completion certificate (BCC) within the admissible development period and starts commercial production, the unit will be entitled to following concessions from MIDC for the balance development period.

Building Completion Certificate	Type of Concession
Minimum 50% and within 75%	100% exemption in service charges and firefighting cess+20% concession in water charges
Minimum 75% and within 100%	100% exemption in service charges and firefighting cess+30% concession in water charges
100%	100% exemption in service charges and firefighting cess+40% concession in water charges

3. Stamp Duty Refund

Stamp duty refund/concession will be admissible to the eligible Garment units as per the industrial policy of the states-2013, during their investment period for purchase of land or gala or, land or gala taken on lease and documents for bank loan.

4. Incentive for credit rating

Incentive equal to 75% of the expenditure incurred for credit rating, subject to a ceiling of (to be given one time) of Rs. 40000 will be given to eligible units for credit rating from SIDBI/government accredited credit rating agency.

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Designed by: Calvitech Digital Solutions | June 2018