JULY 2018

NewsBites

Fourth Edition

Greetings!

We are delighted to present our news bites for the month of July 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

28th GST Council Meeting – Key Decisions announced:

(28th GST council meeting was held on 21st of July 2018 (i.e. Saturday) in New Delhi).

A. GST Return Filing process further simplified

- Regular taxpayers with a turnover of up to Rs 5 crores can opt to file GST return on a quarterly basis against earlier limit of Rs. 1.5 crores. These taxpayers have to, however, pay taxes monthly through a challan. Return can be either 'Sahaj' or 'Sugam'.
- Regular taxpayers with turnover over Rs. 5 crores, have to file monthly returns.
- It is proposed, NIL return filers (no purchase and no sale) shall be given facility to file the return by sending SMS.

B. Threshold limit for Composite Dealers to be increased:

- All council members have unanimously voted for bringing into effect the increased threshold limit of Rs. 1.5 crore from existing Rs 1.0 crore as soon as possible. (Subject to an amendment in law)

C. On GST Registration:

- Taxpayers may opt for multiple registrations within a State/Union territory in respect of multiple places of business located within the same State/Union territory. Earlier it was restricted to multiple businesses in the separate States.
- E-commerce operators needed to have compulsory GST registration only on those non-exempt goods.
- The threshold for GST exemption increased to 20 lakhs from 10 lakhs for 6 States -Taxpayers operating in Sikkim, Arunachal Pradesh, Himachal Pradesh, Uttarakhand, Assam & Meghalaya. (Subject to an amendment in law)

D. Reverse charge mechanism deferred for a year till 30th Sept 2019

- A committee will study the pros and cons of the system and also find the likely impact on revenue.
- Meanwhile, an amendment is proposed to Levy GST on reverse charge mechanism only on specified goods in case of certain notified classes of registered persons who receive supplies from unregistered suppliers.

E. Transporters to take note of heightened e-way bills compliance

- As the RFID readers or tags to be implemented in the next 6 months, this is supposed to relieve the transporters from wait at check posts.
- Standard operating procedure to be adopted to help the transporters from unnecessary hardship at checkpoints and to give effect to a uniform penalty for default by transporters.

F. Relief to taxpayers up to 31st August 2018 to complete the registration

- Those with Prov. ID, who couldn't complete the process of Registration, to complete the process and to encourage the same, the late fees are waived for Return filing.
  - The late fee payable for delayed filing of return in such cases is decided to be waived. First, taxpayers pay late fees; the same will then be reversed in the cash ledger under the tax head.

G. What's in for Exporters?

- Extension of the exemption by another year up to 30th September, 2019 granted on outward transportation of all goods by air and sea, as relief to the exporter of goods.
- Services provided in sectors like banking, IT have been provided relief by exempting services supplied by an establishment of a person in India to any establishment of that person outside India [related party].
- E-books will attract 5% GST instead of earlier 18%.

28th GST Council Meeting – Key Decisions announced: contd...

H. Textile Industry at vantage with allow ability of refund of accumulated ITC on Inputs to make Fabric Material

Currently, the raw material is charged at a higher GST rate as when compared to the final apparel. Due to this, especially ITC on Fibre material was not being able to be utilised that attracted 12% since the Fabric that was made out of it attracted GST of only 5%. On account of the inverted duty structure that currently prevails in this industry, Council has proposed for the provision of allowing refund of the accumulated ITC by giving prospective effect to its applicability from 27th July 2018*. *Subject to CBIC Notification

I. Important announcement regards Invoicing

Registered persons may issue consolidated credit/ debit notes in respect of multiple invoices issued in a Financial Year.

J. The scope of ITC widened

- To include further in its scope:
  - Most of the activities or transactions specified in Schedule III;
  - Motor vehicles for transportation of persons, with seating capacity of more than thirteen (including driver), vessels and aircraft;
  - Motor vehicles for transportation of money for or by a banking company or financial institution;
  - Services of general insurance, repair and maintenance in respect of motor vehicles, vessels and aircraft on which credit is available; and
  - Goods or services which are obligatory for an employer to provide to its employees, under any law for the time being in force.
- In case the recipient fails to pay the due amount to the supplier within 180 days from the date of issue of invoice, the input tax credit availed by the recipient will be reversed. Liability to pay interest is being done away with in that case.
- Commissioner to be empowered to extend the time limit for return of inputs and capital sent on job work, up to a period of one year and two years, respectively.
- The order of cross-utilisation of input tax credit is being rationalised. One must await for further announcements giving clarity to this.

K. Following have been kept out of scope of 'Supply'

- Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India;
- Supply of warehoused goods to any person before clearance for home consumption; and
- Supply of goods in case of high sea sales.

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Income Tax

Income tax department's target: 1.25 crore fresh tax filers this year (Excerpts from ET dt. July 24, 2018)

Once a filer is in the income tax database there is a very bleak chance that such a person's income remains anonymous

The income tax department has been directed to add this year at least 1.25 crore tax filers, according to a recent directive issued by the Central Board of Direct Taxes or **CBDT**, PTI reported. About 1.06 crore new tax filers were brought into the net for income tax during 2017-18. A new assessee is anyone not included in the tax return-filing database at the beginning of the year, but who files his return during the year. A new assessee may not be a taxpayer because the person could file an income tax return but not pay tax, claiming legitimate exemptions, the report said citing a tax official.

New tax appeal rules will bring down litigation, say experts (Excerpts from Mint dt. July 12,2018)

New tax appeal rules will also reduce the cost of recovering tax dues and help in improving the ease of doing business in the country

The higher threshold the finance ministry announced on Wednesday for filing appeals over tax disputes is set to lower the load on tribunals and courts, reduce litigation and free up officials to focus on high-value cases, tax experts said.

The move also will reduce the cost of recovering tax dues and help in improving the ease of doing business in the country, they said.

Union minister Arun Jaitley said on Wednesday in a tweet that the move will result in the revenue department withdrawing 29,580 appeals before various platforms. "It reduces litigation by 37%. Good to trust those who pay taxes," said Jaitley.

The increase in the threshold for filing appeals is the sharpest in the case of the Supreme Court from Rs. 25 lakh to Rs. 1 crore. In the case of tribunals, this has been doubled from Rs. 10 lakh to Rs. 20 lakh, and in the case of high courts, the threshold is now Rs. 50 lakh instead of Rs. 20 lakh earlier.

7 ITR filing 'clever' moves that the tax department will spot easily: (Excerpts from ET dt. July 31, 2018)

What you have filed in your income tax return (ITR) and the details with the income tax department have to match. Discrepancies in the ITR can alert the tax department and you might end up with an income tax notice. Here are seven red flags you need to avoid while filing your ITR:

1. Declared income lower than actual income

The Form 16 from your employer has two parts: Part A gives the details of the payment made to the employee and the tax deducted on it. Part B gives the break-up of the income and shows how the tax has been calculated after taking into account all exemptions and deductions. If there is a significant difference in the actual income mentioned in Part A and the declared income in B, the taxpayer can expect a notice from the department.

2. No interest declared in tax form

Every taxpayer earns some interest during the year. This could be from fixed deposits, recurring deposits, NSCs or even the savings bank account.

3. Not paying additional tax on interest

There are a lot of misconceptions about TDS. Many taxpayers believe that they don't have to pay tax on interest if TDS has been deducted. But TDS is only 10% of the income. If the investor falls in a higher tax slab, he needs to pay additional tax. Some taxpayers think their fixed deposits will remain hidden. But the TDS is a dead giveaway. It will show up in the taxpayer's Form 26AS, along with the interest income earned by the individual.

4. Tax paid but return not filed

A person needs to file his tax return if his total income during the year exceeds the basic exemption limit. Even if the tax liability is zero after claiming deductions, the return must be filed.

5. Not reporting income from previous employer

This is a common problem. If a taxpayer changed jobs during the financial year, both employers would have given him Section 80C and other tax benefits. If he ignores the income from the previous employer, his tax will be very low. But it won't be long before the discrepancy is detected.

6. Sudden drop in income

There are many reasons why the income of a taxpayer can see a sharp drop, but it immediately alerts the tax department.

7. Exemptions sought are very high

The tax department hates giving out refunds and suspicions are aroused when you claim too big a refund in your return.

Audit

Audit

Standard Operating Procedure (SOP)

Standard operating procedure is one of the most important document for every organization irrespective of industry and size. Organizations whether in service industry or manufacturing industry are immensely benefited by having standard operating procedure documented for their business processes.

Brief steps which are followed at the time of preparing SOP are as follows:

1. Discussion with management to get in-depth idea behind existing business processes and performance review mechanism within them.
2. Interview with process owners and team members to understand existing process.
3. Documentation of existing process in flow chart and narratives both and sharing the same with process owners for approval. (AS IS Process Document)
4. Mapping existing process with industry best practices to highlight areas of improvement.
5. Preparation of final SOP (TO BE Process Document) which is again shared with process owners and management for approval before roll out.

SOP helps to design the precise Business Process structure and help implement them more effectively. SOP when implemented effectively helps improve business processes within an organization over period of time. The Output of this assignment will a “Procedure Manual” which clearly communicates to operational executives what is expected to be delivered to the organization, the responsibility matrix, Measure of success, KPIs, Input & Output of the process.

This will reduce considerable time and resources in educating the new comers more and a sense of clarity will be prevailing in the organization.
Every organization, whether small or big should consider SOP preparation as an important activity to be done and reviewed on regular basis.

INDUSTRY NEWS

FinTech Policy 2018

1. Maharashtra is the first state in the country to announce the FinTech policy.

2. Considering the importance of FinTech in the BFSI sector, the state government has decided to set up “World FinTech Hub” in the Mumbai Metropolitan Region.

3. The Major objectives of the FinTech policy are – Mumbai to emerge as one of the world’s top five FinTech Centers in the next five years; to incubate at least 300 start-ups in the next three years; facilitate venture capital funding of at least Rs. 200 crores for FinTech start-ups in the hub over first three years & provide at least 2 times more co-working space to start-ups.

4. The Government of Maharashtra will create a FinTech corpus fund of Rs. 250 crores over next three years.

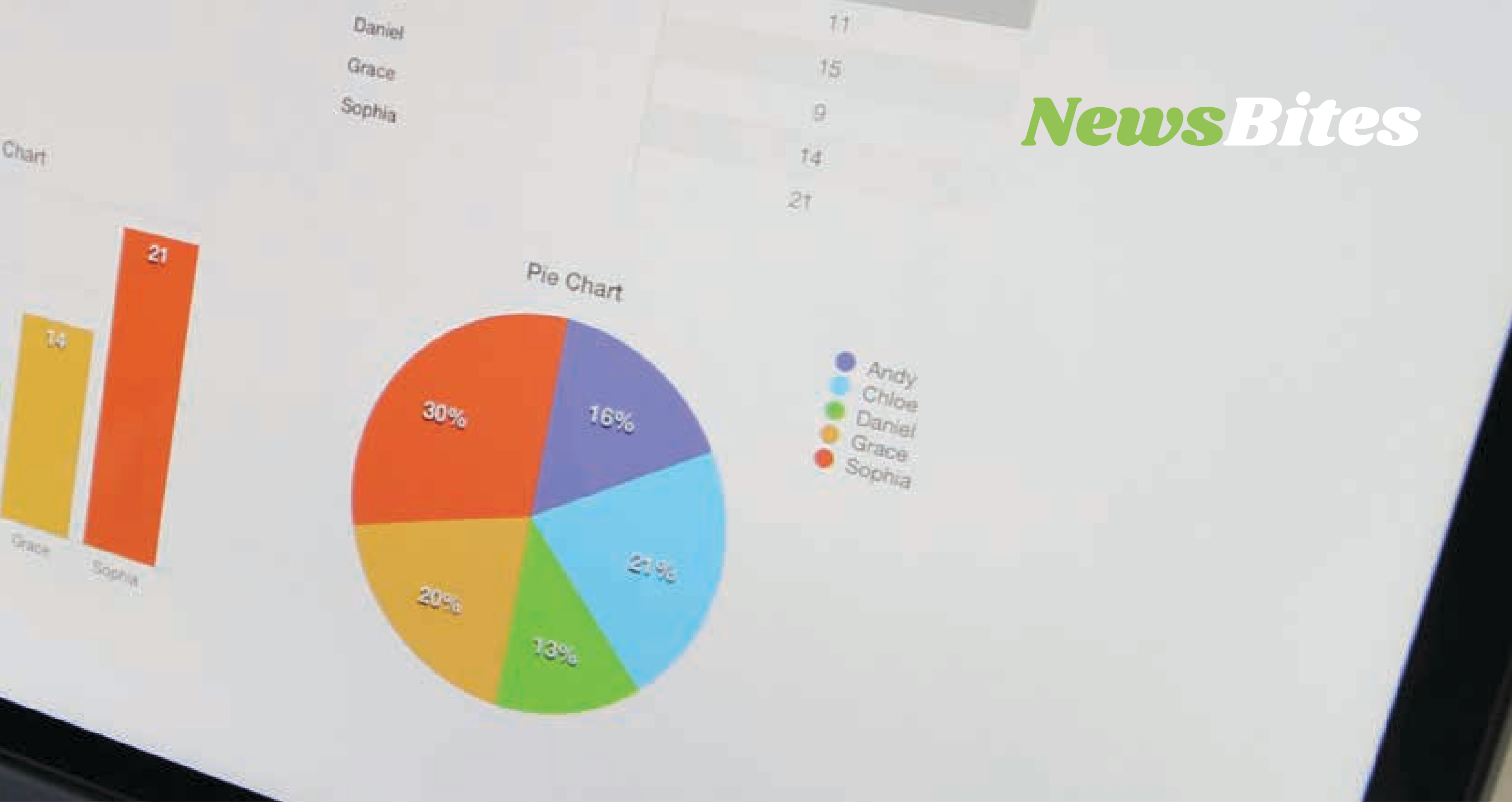
5. Additional FSI will be provided under this policy to promote setting up of Smart FinTech Centers. At least 85% of the built-up area should be occupied by units in the business of FinTech (start-ups, incubators, and accelerators), banking, and financial services including NBFC and insurance, and IT/ITeS sectors with focus on FinTech.

6. The Government of Maharashtra will set up a co-working space of minimum 10,000 sq.ft. in one of the central locations of Mumbai, which will be made available to FinTech companies at reasonable rates. A hub and spoke model will be followed where the centrally located physical infrastructure set up by the Government will act as the hub and locations of other stakeholders like educational institutions, FinTech accelerators, banks, technological firms and IT parks can act as spoke locations.

7. Annual benefits of up to Rs. 10 Lakhs will be provided to FinTech startups for a maximum period of 3 years (for companies with an annual turnover up to Rs. 25 Crores) towards reimbursement of internet and electricity consumption, hosting infrastructure at subsidized rates, Reimbursement of state and central GST, Reimbursement of participation fee with participation / performance of global events.

8. Government will set up an investment fund of Rs. 20 crores for funding FinTech accelerators and incubators.

9. An incentive fund of up to Rs. 10 crores will be created to encourage high growth FinTech startups in the first year of their operations. Each year top 20 rated start-ups will be provided a grant of 10 lakhs each, once during the lifetime of the start-up. These start-ups will be identified on several parameters including growth rate, innovation, social impact, etc.



FinTech Policy 2018 (contd...)

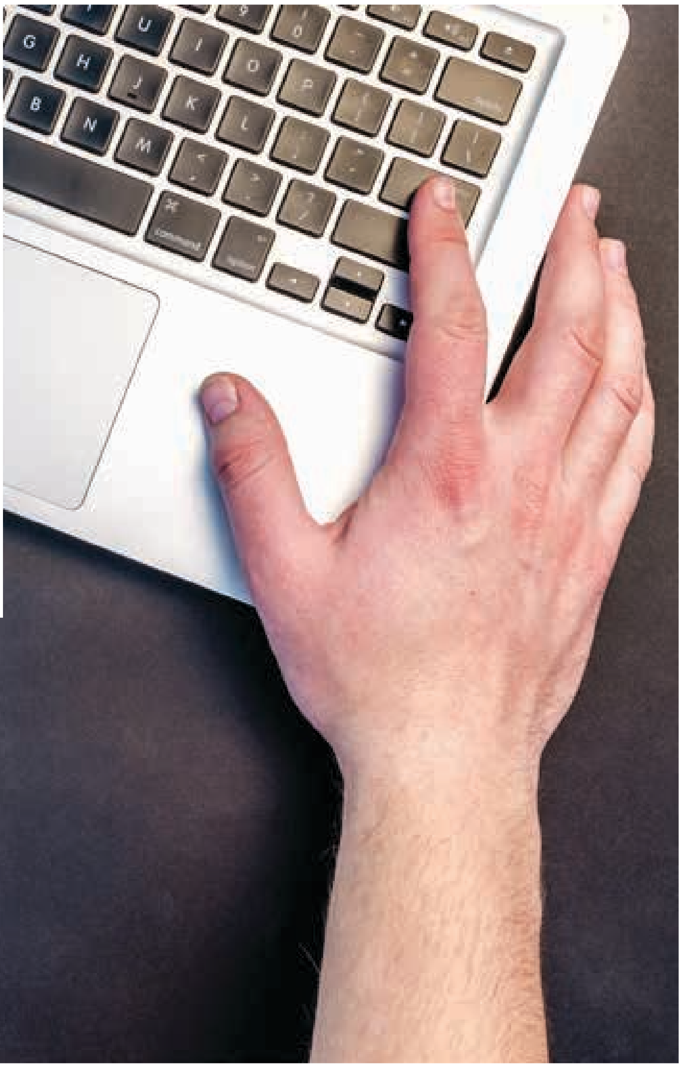
10. Rs. 10 lakhs each, once during the lifetime of the start-up. These start-ups will be identified on several parameters including growth rate, innovation, social impact, etc.

11. Government shall pilot a number of different projects using Block chain and DLT (Distributed Ledger Technologies) across areas like land registry, Supply chain management, and identity management, education, healthcare amongst other areas.

12. Industry sandbox for Mumbai FinTech hub will be developed.

13. A State Steering Committee & an advisory panel comprising of 15 experts will be formed.

14. Educational establishments in the state will be encouraged to start full-time degree courses and vocational degree courses in FinTech.



CORPORATE LAWS

Directors need to give KYC details to remain on board (Excerpts from TOI dt. July 12, 2018)

The 30-35 lakh “active directors” on company boards will have to submit PAN-authenticated digital signatures and a certificate from a chartered accountant or a company secretary to remain as part of a massive KYC exercise undertaken by the government to ensure that only genuine individuals are responsible for running the affairs of companies.

The ministry of corporate affairs has ordered that it will be conducting the KYC exercise with all the 50 lakh individuals holding DINs, or director identification numbers, being asked to fill up an electronic form by August 31. Those who do not submit the form will see their DINs deactivated. The exercise covers all DINs issued up to March 31, 2018.

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