

NewsBites

Fifth Edition

Greetings!

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

Contents

GST

29 th GST Council Meeting – Key Decisions announced	2
Other Updates	2

Income Tax

I-T dilutes move to cap appeals based on monetary value	3
Income Tax department taking up fewer ITRs for scrutiny	4
PM Narendra Modi reviews resolution of public grievances in Income Tax Department	4
PAN card fraud	5

Industry News

Textile Policy 2018	6
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Goods & Service Tax

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29th GST Council Meeting – Key Decisions announced

(The 29th GST Council meeting was organized at New Delhi on the 4th of August, 2018. The meeting concluded with decisions that included incentivizing digital payments and constitution of a panel that addresses the issues of MSME's and small traders. This article highlights the major decisions taken at the 29th GST Council Meeting.)

Cash Back on Digital Transactions

The GST Council, in view of promoting digital transactions, enhancing tax compliance and improving the collection of tax has put forth the idea of providing a cash back of 20% on tax payments made through Bhima App, RuPay Debit and UPI-based transactions subject to a cap of Rs. 100. The facility will be accorded for business-to-consumer transactions after developing the essential technology. Any of the states willing to develop such software can implement it on a pilot basis. Currently, the states of Tamil Nadu, Assam, Maharashtra, and Bihar have expressed their willingness to be a part of the initiative. The scheme was also backed by the Deputy Chief Minister of Bihar, Mr. Sushil Modi, who asserted that the move would enhance compliance and boost the economy in the forthcoming years by creating a Digital India.

Tackling MSME Issues

With the objective of tackling issues connected with the MSMEs and small taxpayers, the GST council has decided to frame a new panel/sub-committee to examine certain tax and compliance relief proposals pertaining to MSME and small traders. Under the initiative, the issues pertaining to law would be undertaken by the law committee, and the ones pertaining to rates would be pursued by the fitment committee. These committees are required to submit their findings and recommendations to the sub-committee, which is currently headed by the Minister of Finance, Shiv Pratap Shukla.

NO GST Rate Cut

The widely anticipated decision of GST rate cuts are put on hold for the time being owing to lower GST revenues. The revenues from the single tax system, as recorded in April-June of 2018 were Rs. 2.86 lakh crores, against the estimation of Rs. 3.36 lakh crores. Hence, no further rate cuts were announced in the 29th GST Council Meeting.

Other Updates:

- Quarterly FORM GSTR-1 are to be furnished till March 2019, Due date to file Quarterly GSTR-1:

SR No	Quarter for which details in FORM GSTR-1 are furnished	Time period for furnishing details in FORM GSTR-1
1	July - September, 2018	31st October, 2018
2	October - December, 2018	31st January, 2019
3	January - March, 2019	30th April, 2019

- Monthly FORM GSTR-1 from July, 2018 to March, 2019 is to be furnished till the eleventh day of the month succeeding such month.



Income Tax

I-T dilutes move to cap appeals based on monetary value (Excerpts from Mint dt. 21st Aug. 2018)

More than a month after saying it will appeal adverse tax verdicts only in cases involving sums of money above certain thresholds, the taxman has diluted the decision.

A central board of direct taxes (CBDT) circular issued to all income tax principal commissioners on 20 August said adverse judgements on specified issues should be "contested on merits, notwithstanding that the tax effect entailed is less than the monetary limits specified".

Accordingly, taxmen can file appeals in cases that involve foreign black money or accounts, cases challenging constitutional validity of IT Act provisions, where rules issued by the tax department were held to be illegal, cases involving additions based on inputs received from other investigative agencies, or where the tax department has initiated prosecution.



Income Tax

Income tax department taking up fewer ITRs for scrutiny (Excerpts from Mint dt. 21st Aug. 2018)

The taxman is placing greater trust in taxpayers, a top government official said, picking up a smaller chunk of overall returns for scrutiny.

In 2017-18, the tax department picked up for scrutiny only 0.35% of all tax returns, compared with 0.8-1% in the previous years, Sushil Chandra, chairman, Central Board of Direct Taxes, said.

The lower percentage of scrutiny means the department is looking at more non-intrusive ways to check tax evasion. "Of the 0.35% cases picked up, around 0.15% were picked up for limited scrutiny. Only 0.2% of cases were picked up for full scrutiny," Chandra said at a conference organized by the Associated Chambers of Commerce and Industry of India.

PM Narendra Modi reviews resolution of public grievances in Income Tax Department (Excerpts from Financial Express dt. 29th Aug. 2018.)

Prime Minister Narendra Modi today asked Finance Ministry officials to ensure that all systems are made technology-driven, which should leave little scope for human intervention, to stem corruption. The prime minister reviewed the progress in resolution of grievances related to income tax at the monthly meeting of Pragati – the ICT-based, multi-modal platform for pro-active governance and timely implementation. Finance Ministry officials briefed him on the progress made in this regard, an official statement said.

"The prime minister reiterated that all systems should be made technology-driven, and human interface should be reduced to the minimum. Noting the progress made in bringing corrupt officials to book, the prime minister said that the various initiatives and measures taken by the Income Tax Department to facilitate the people, should be communicated to all taxpayers suitably," the statement said.



PAN card fraud: Delhi man gets I-T notice for Rs 61.37 lakh transfer he didn't make, realises he is director of 13 firms (Excerpt from Financial Express Dt. 27th Aug. 2018)

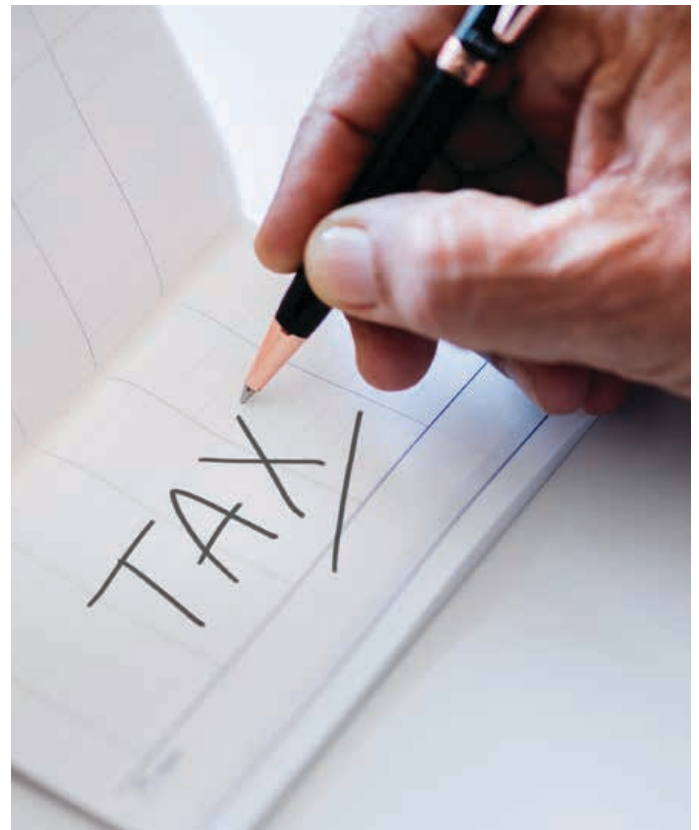
Despite the government taking a number of steps to check tax fraud in the country, those indulging in the fraudulent means tend to find a way out to cheat the system. A 27-year old middle-class man recently got a shock of a lifetime when he came to know that his PAN was used without his knowledge for high-value transactions outside the country. Not just this, the man was left stumped when he came to know that he was a director of 13 firms.

The matter came to light when the man, who hails from Bihar, received notice from the Income Tax department in January. Soon after getting the notice, the man rushed to the police and the Enforcement Directorate to complain that his PAN was being used without his knowledge by fraud companies.

Speaking about it, the man said that initially, he did not take the notices seriously. However, after getting a call from the I-T department, he came to know that his PAN had been used to carry out a transaction worth a whopping Rs 61.37 lakh. The said amount was allegedly transferred by one Maxkart Impex company to Dynamic Telecon Trading Limited situated in Hong Kong.

While checking further, the Delhi man found that the transaction was carried out with him as the proprietor of Maxkart Impex firm. "I got a call from an IT official who informed me that the transaction was carried forward from Janakpuri branch of a national bank," he was quoted as saying by Indian Express.

After the man approached the bank, the manager showed him the photocopy of his voter ID card, PAN card and his photo, but the signature did not match. The case is now being probed by the Economic Offences Wing (EOW) of Delhi Police.





INDUSTRY

INDUSTRY NEWS

Textile Policy 2018

The policy is a new wave in textile sector of Maharashtra, which aims to create over 10 lakh jobs in the next five years and double the farmer's income by the year 2023.

With several investor friendly benefits especially in terms of power subsidies, it is expected that textile sector would attract investment worth INR 36000 Crore during this period. Further, there is emphasis on invigorating the garment, knitting and hosiery sector, which would benefit the women who form a major part of workers in the state.

The policy initiatives aim to strengthen the cotton sector and rejuvenate the silk & wool sector. The highlight of the policy is the innovative approach to promote non-conventional yarn and green energy in the textile sector. A holistic approach was observed while drafting the policy wherein skill development and R&D has been given priority. Under this, state plans to come up with its first textile university and set-up world class R&D units within state agriculture universities in collaboration with various Centre of Excellences across the country.

It is the first time; Textile Department is looking at strengthening the finances of the textile sector by creating a "Textile Development Fund" which would provide better infrastructure and development of the sector.

The Textile Policy 2018–23 highlights are as follows:

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

- A. Strengthen the cotton sector – Encourage and support spinning mills in the cotton growing areas. The focus is to bridge the gap in the value chain by increasing spinning mills and also help in establishment of effluent treatment plant by providing additional capital subsidy.
- B. Rejuvenate the silk & wool sector – Until now the focus has been on cotton promotion only; but now the Government also intends to promote wool & silk sector with special focus on Tussar Silk in Maharashtra. Necessary infrastructure and trainings will be provided to the farmers and artisans. Some of the key initiatives include creation of "Adhyatmik Reshim" brand, silk tourism circle, silk cocoon centres, chawki centres, setting up automatic reeling centre, drying units, godowns for storing cocoon before reeling etc.
- C. Catalyse the potential of the non-conventional yarn such as Bamboo, Banana, Hemp, Coir, etc. Additional 10% subsidy for its production as well as its use in garmenting and technical textile will be provided. A special cell will be formed at textile department for promotion of non-conventional yarn in the State.

Textile Policy 2018 (contd...)

- D. Harness the high technology sunrise sector of Technical Textile in areas such as Mobiltech, Meditech, Agrotech, Sportech, etc.
- E. Textile Parks – Continuation of scheme providing INR 9 Cr or 9% of project cost (Gol 40 Cr Max) whichever is lower (SITP Scheme Projects). Setting up coastal textile park in Maharashtra at suitable location is also proposed. Presently 14 Textile Parks by private investors and 10 Textile Parks by MIDC are being developed with plug and play facilities and CETP.
- F. Subsidy for green initiatives – Additional 10% capacity subsidy for vegetable dyeing as well as producing and using non-conventional and organic yarn. Further, to promote non-conventional power (solar and wind), only transmission charges will be applicable for those non-conventional power plants.
- G. Electricity – A budget provision of INR 150 crore is accounted for electricity subsidy to cooperative spinning mills with a cap of INR 3 per unit. In case the burden on the total budget increases, the cap will be revised suitably. The benefit of powerloom will be extended to knitting, garmenting and hosiery units as well. Also, high tension line units with more than 107 HP will be eligible for subsidy of INR 2 (excluding cooperative spinning mills).
- H. Human Resource Development – For academic support “State Textile University” will be set up in Vidarbha providing specialised courses in the focused sectors. Technical collaboration with institutes such as SASMIRA/CIRCOT/Centre for Sustainable Fashion, etc. will be initiated to grant specialized training to the artisans. An International Standard R&D Centre will be established at State Agriculture universities.
- I. Financial strengthening through “Textile Development Fund” – Fund will be formed through mobilization of assets, privatization of spinning mills, CSR activities of private industries, etc.

There will be no cross subsidy charges for open access power for textile units.

Benefits of power subsidy given to power looms will be extended knitting, garment and hosiery units as well.



INDUSTRY

INDUSTRY NEWS

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Textile Policy 2018 (contd...)

Capacity subsidy scheme for the state is as follows:

A. Subsidy for units in:

- Processing, technical textile, knitting, hosiery, garment: 40%
- Other processes not included in above i.e. ginning and pressing, spinning mill; new power looms based on latest technology and; conversion of plain power loom to latest technology is 25%, however, if a composite unit is set-up which has more than 2 more of these processes then the subsidy will be 35%
- Additional subsidy of 5% to the units belonging to SC/ST and Minority community

B. Further, additional capacity subsidy of 20% is provided for processing, knitting, hosiery, garment and technical textile units in Vidarbha, Marathwada and North Maharashtra region. Similarly, for other processes such as ginning, composite unit, pressing, spinning mill; it is additional 10%.

C. Additional 10% capacity subsidy for vegetable dyeing as well as producing and using non-conventional yarn.



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D. Projects with investment of more than INR 500 Crores would get an additional 5% subsidy and for pioneer projects in a tehsil, additional 5% subsidy will be provided.

E. Capital subsidy will be disbursed in two equal installments at 3rd and 15th month from the date of commencement of production in the unit.

The state schemes of 25% of project cost or INR 37.50 crore whichever is lower for IPDS projects is continued in the new policy as well. Capital subsidy is also provided for machinery required for ZLD-ETP/CETP.

Further, matching grants would be given to units in accordance with centrally sponsored IN-SITU-Upgradation scheme for power looms.

NewsBites

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