OCTOBER 2018

NewsBites

Seventh Edition

Greetings!

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

Goods & Service Tax

Updates During 2018

Updates during Oct 2018:

- Last date for return in GSTR-3B for the month of September, 2018 extended to 25th October, 2018.
- Exemption from compulsory registration to inter-state suppliers of handicraft goods.
- The taxpayers whose registration has been cancelled on or before the 30th September, 2018
  - Time limit to furnish Final Return in FORM GSTR-10 Extended till 31st December, 2018
- Time limit for furnishing the declaration in FORM GST ITC-04 for the period from July, 2017 to September, 2018.
  - Extended till 31st December, 2018

Cancellation of registration

Section 29 of the CGST Act, read with rule 20 of the CGST Rules provides that a taxpayer can apply for cancellation of registration in FORM GST REG-16 in the following circumstances:

- Discontinuance of business or closure of business;
- Transfer of business on account of amalgamation, merger, de-merger, sale, and lease or otherwise;
- Change in constitution of business leading to change in PAN
- Taxable person (including those who have taken voluntary registration) is no longer liable to be registered under GST;
- Death of sole proprietor;
- Any other reason (to be specified in the application)

Application in FORM GST REG-16 has to be submitted within a period of 30 days of the "occurrence of the event warranting the cancellation". The 30-day deadline may be liberally interpreted and the taxpayers application for cancellation of registration may not be rejected because of the possible violation of the deadline as it may be difficult to pinpoint the date on which event occurs in all cases.

- Section 45 of the CGST Act- Every registered person whose registration is cancelled needs to file a final return in GSTR-10 within three months of cancellation.
- The purpose of the final return is to ensure that the taxpayer discharges any liability that he/she may have incurred.
- In case the final return in FORM GSTR-10 is not filed within the stipulated date, then notice in FORM GSTR-3A has to be issued to the taxpayer.
- If the taxpayer still fails to file the final return within 15 days of the receipt of notice in FORM GSTR-3A, then an assessment order(BEST JUDGMENT BASIS) in FORM GST ASMT-13 under section 62 of the CGST Act read with rule 100 of the CGST Rules shall have to be issued to determine the liability of the taxpayer under section 29(5) on the basis of information available with the proper officer.

Guide to claim refund on GST Portal

- The balance in Electronic Cash Ledger can be claimed as a refund by submitting a refund application form RFD – 01. This can be done online on the GST Portal/ GSTN.
- The excess GST paid can be claimed as a refund within 2 years from the date of payment. This means that if excess GST is paid in the month of November 2017, GST refund application can be submitted until November 2019.

Created by Fanjianhua / Freepik

Cancellation of Registration Cont...

Here is a step by step Guide to File RFD – 01 on GST Portal:

Step 1:
Login to GST Portal.

Step 2:
Go to 'Services' > 'Refunds' > 'Application for Refund'

Step 3:
Select 'Refund of Excess Balance in Electronic Cash Ledger' and click on 'CREATE'.

CREATE

Step 4:
Once you click on 'CREATE' in the above step a screen will appear reflecting all balances in the Electronic Cash Ledger which can be claimed as refund.

BANK A/C

Step 5:
Select the Bank Account (in which you want the refund to be credited) from the drop-down and click on 'SAVE'.

ACCEPT

Step 6:
Click on the checkbox in the declaration. Select the name of the 'Authorized Signatory' from the drop-down.

Once RFD – 01 is filed Refund ARN Receipt is generated in PDF format. After inspection by a GST officer refund will be credited to the bank account.

Income Tax

Income Tax

Don’t invest in the names of multiple family members to avoid paying income tax (Excerpts from Mint. Dt. 24.10.2018)

In April-May 2017, Mint surveyed 19 financial advisers to know some of the biggest mistakes investors make (Advisers call out investors’ biggest mistakes: survey and 8 biggest investment mistakes: planner survey). This week we spoke to Kartik Jhaveri, director and founder of financial advisory Transcend Consulting India, a Mumbai-based financial planner, to know about his experiences.

A common complain many financial advisors have when new clients walk in is that they come with a baggage of MF schemes. Jhaveri says his first few days during on-boarding clients are spent in tightening the portfolio and reducing duplicate schemes. A portfolio of around 6-8 schemes is all that an investor needs to have.

Apart from the dividend schemes that he says are still popular, investors typically tend to have closed-end funds and many new fund offers that they accumulated over time. “Some funds have paid off, but many funds also do not pay off and there is very little that a financial planner can do in this situation. Ordinarily, we have to simply wait till the time the mandatory lock-in period is over,” says Jhaveri, who adopts the same route to cut the flab in a portfolio caused by the presence of unit-lined insurance plans and endowment plans.

Income Tax

Evolution of digital economy and taxation challenges (Excerpts from Mint. Dt. 18.10.2018)

India has witnessed an exponential growth in its digital economy over the last two decades. The digital economy is the result of a transformative process brought by information and communication technology (ICT), which has made technologies cheaper, more powerful, and standardized, improving business processes and bolstering innovation across all sectors of the economy. The exponential growth in ICT from the previous decade has resulted in greater connectivity, linkages and networks. According to media reports, the mobile connections in India surpassed the traditional landline connections in 2004. Further, India is one of the largest consumer of mobile data. Prime Minister Narendra Modi's push for a digital India, Start-up India programme and demonetization has further propelled the use of digital transactions in India.

The challenges on taxation front are also unique as digital economy has changed the traditional basis of taxing profits and income due to mobility, reliance on data, network effects, spread of multisided business models, etc. In absence of effective tax rules for digital transactions, the tax authorities tend to force-fit the existing tax rules, designed for a non-digital world, thus resulting in asymmetry, double tax burden and sometimes excessive profit allocation. There is a growing apprehension about tax planning by multinational enterprises (MNEs) that make use of gaps in the different tax systems to artificially reduce taxable income or shift profits to low-tax jurisdictions in which little or no economic activity is performed, resulting in payment of minimal tax on their global profits.

Global tax rules for digital transactions are in an evolution stage, with various ideas and thoughts being debated upon. The Organization for Economic Cooperation and Development (OECD) has issued various papers for consideration by worldwide tax authorities including the Action Plan 1 called "Addressing the tax challenges of the Digital Economy" as part of its Base Erosion and Profit Shifting Project (BEPS).

The Action Plan analysed the features, characteristics and tax challenges of digital transactions and inter alia evaluated various options like nexus-based test (significant economic presence), withholding tax for digital transactions and equalization levy (EL). It recommended that these methods can be adopted by countries in domestic laws provided they are not at variation to the existing tax treaties or international legal commitments or by including the same in the tax treaties itself.

India started its journey of taxing digital transactions by introduction of EL since June 2016, on online advertisements. The levy was introduced as part of Finance Act and is the first instance of a digital-specific tax legislation in the Indian law. The levy is applicable for consideration received or receivable by non-residents providing the following business-to-business services to a resident in India or a non-resident having permanent establishment in India:

- Online advertisement.
- Any provision of digital advertising space.
- And facility or service for online advertisement.
- Any other service which may be notified later.

I-T dept proposes online filing of tax exemption application (Excerpts from Financial Express Dt. 24.10.2018)

Educational institutions, hospitals, charitable and religious trusts will soon have to file the online application for seeking income tax exemption, the I-T department said Monday. The department sought comments from stakeholders by November 12 on the amended rules and application forms seeking tax exemptions by such entities.

“In view of the digital advancement that the government in general, and the income tax department in particular, have made, it is imperative that manual filing of these applications should be done away with so, as to ensure not only faster processing of the same but also to reduce interface between the department and the applicant,” the Central Board of Direct Taxes (CBDT) said in a statement.

The application for exemption should be accompanied by self certified copy of registration with the registrar of companies or registrar of firms and societies or registrar of public trusts as the case may be, along with the copies of accounts and balance sheet.

Data watch: Post Demonetisation, India’s tax base is growing but buoyancy still low (Excerpts from Financial Express Dt. 27.10.2018)

While the number of individuals declaring income above Rs 1 crore increased about 68%, to 81,344 for the assessment year 2017-18 from 48,416 in assessment year 2015-16, direct tax as percentage of GDP grew marginally, from 5.62% to 5.57%, and direct tax buoyancy remained flat at around 1.2%. The total number of taxpayers declaring income of more than Rs 1 crore, including companies, rose over 58% from 88,649 in 2013-14 to 1,40,139 in 2016-17. Data from the Central Board of Direct Taxes (CBDT) show that the tax base has grown significantly, from 5.3 crore in assessment year 2013-14 to 7.4 crore in assessment year 2017-18. The number of persons filing return of income increased 65%, from 3.31 crore in FY14 to 5.43 crore in FY18.

INDUSTRY NEWS

Industrial Promotion Subsidy (IPS) under Industrial Policy – modification under Goods and Services Tax (GST) regime:

The government of Maharashtra provides a basket of incentives under its Industrial policy to eligible manufacturing units. The main incentive, Industrial Promotion Subsidy (IPS) was linked to Value Added Tax (VAT) and Central Sales Tax (CST). Under the GST regime CST and VAT have been subsumed in Goods and Services tax, therefore there is a need to modify the formula for Industrial Promotion Subsidy.

Keeping intact other incentives under Package Schemes of Incentives, the formula for admissibility of Industrial Promotion Subsidy is revised based on Goods and Services Tax as under.

1. Industrial Promotion Subsidy to Mega, Ultra Mega units
   A. Incentives to such units which have been issued offer letter under Package Scheme of Incentives 2001, 2007 and 2013 and offer letters to be given henceforth under Package Scheme of Incentives 2013:

      - Formula for units IPS is based on 100% or 50% Gross value Added Tax "As per Taluka classification, 100% or 50% Gross State Goods and Services Tax on first sale within Maharashtra State".
      - Formula for units which have been given offer letter based on 100% Net Value Added Tax. "100% Net value State Good and Services Tax for first sale within Maharashtra State".

2. For units under above both categories, incentives will be admissible subject to following conditions.

   A. The average annual amount of total incentives of total incentives payable to these units will be limited total incentives divided by total period for availing of incentives.

   B. The amount of extra incentives over the average of concerned year will be admissible in the following next year.

   C. For automobile manufacturing sector, Industrial Promotion Subsidy based on State Goods and Services Tax will be admissible on vehicles manufactured and registered with the Transport Department of Maharashtra State.

   D. In case of different business verticals, for supply of inter unit transfer, Goods and Services Tax even in applicable, will not be refunded as part of Industries Production Subsidy.

3. Industrial Promotion Subsidy to be given to Large Category of units.

   "As per Taluka Classification, stipulated 60% to 100% Net State Goods and Services Tax for first sale within Maharashtra State".

4. Industrial Promotion Subsidy to be given to Micro, Small and Medium Units.

   "Industrial promotion Subsidy will be admissible to these units as per following formula. "100% Gross State Goods and Services Tax for first sale within Maharashtra State".

Industrial Promotion Subsidy (IPS) Cont...

5. Industrial Promotion Subsidy to be units based on Exemption /Deferred tax liability

   For Such units, the incentives payable in from of exemption of taxes or deferment of tax liability will be converted in from of Industrial Promotion Subsidy. The formula for such annual Industrial Promotion Subsidy will be as follows:

   - Industrial Promotion Subsidy for units based on exemption of tax will be as per following formula- "100% Gross State Goods and services Tax for first sale in the State".

   - For units based on deferred tax liability, Industrial Promotion Subsidy admissible will be by converting it to loan s per following formula- "100% Gross State Goods and Services Tax for first sale in the State. The repayment of IPS will be as per terms and conditions of deferred tax liability scheme".

6. These changes will be applicable with effect from 01/07/2017.

NewsBites

SAN & CO.
CHARTERED ACCOUNTANTS

We are professional firm of chartered accountants having significant experience across varied industries and business segments, and are best placed to be your trusted advisor. We operate in a completely digital ecosystem to deliver end to end client solutions.

Our services begin with company incorporation and statutory registrations of the entity in India throughout the business cycle until audits and compliances year on year. Our clients are businesses with foreign as well as Indian origins.

As chartered accountants, our endeavour is to be repositories of shareholder's trust. We take due care to respect confidentiality of the information obtained in the conduct of our services. We create value by helping organizations become more transparent, efficient and optimize their capabilities.

You may use any of the following means to connect with us:

CA Sachin Shinde	+91 98906 49497	sachin.shinde@sanca.in
CA Nitin Thakur	+91 98903 16307	nitin.thakur@sanca.in
CA Anil Shinde	+91 97660 37816	anil.shinde@sanca.in
CA Abhijit Ranpise	+91 9922132229	abhijit.ranpise@sanca.in

Office Address:
B/38, 3rd Floor, Aamod Apartments,
Opp. Police Ground, Behind Hotel Shravan,
F.C. Road, Shivajinagar, Pune 411016
Maharashtra, India
+91 80870 70205 | +91 80870 70476 | +91 80877 00477
Web: www.sanca.in

Designed by: Calvitech Digital Solutions | October 2018