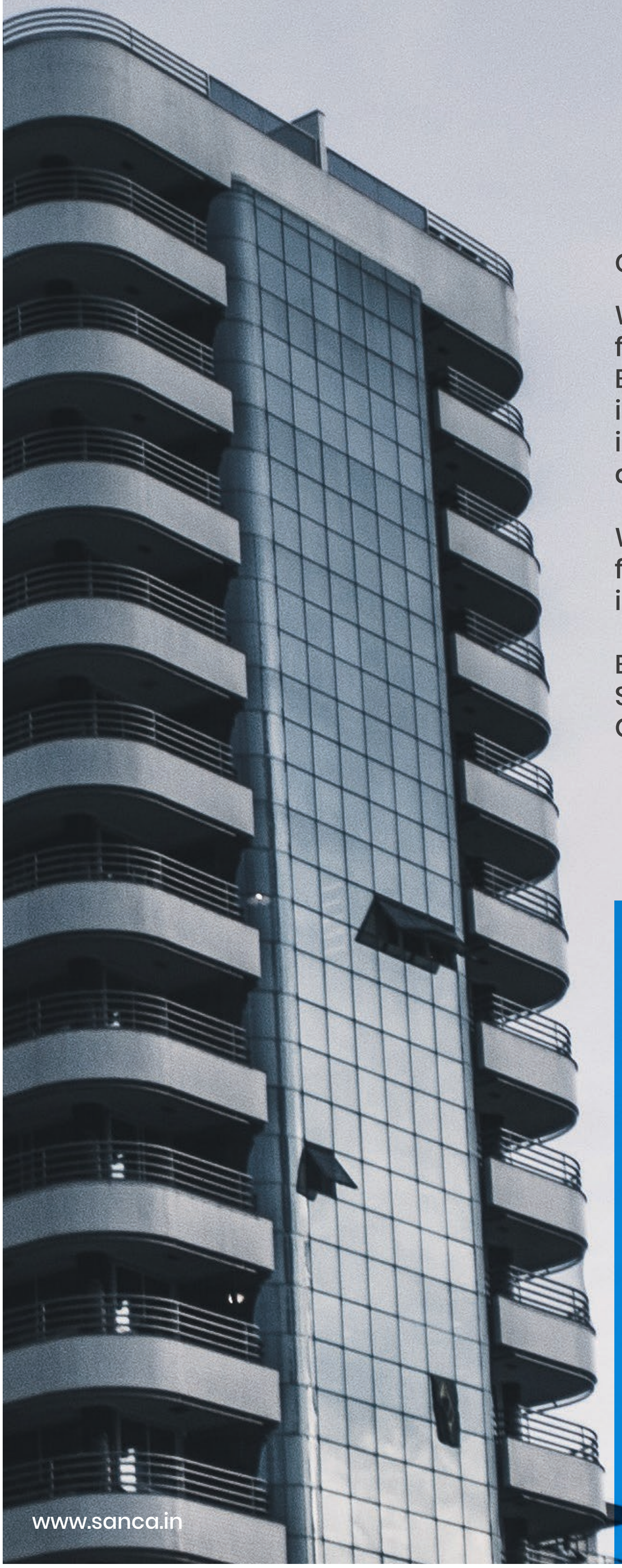
DECEMBER 2018

NewsBites

Ninth Edition



Greetings!

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

31st GST Council Meeting – Highlights (Held on 22nd December 2018)

1. GST 2.0 to be implemented on trial basis in April 2019:

- New return filing system to be started on a trial basis from April 1, 2019, and will be to be implemented by July 1, 2019.

2. E-way bills norms made stern:

- Taxpayers cannot generate e-way bill if they do not file GST returns for two consecutive tax periods*.

3. Announcements on Present GST return filing:

- FM Arun Jaitley has announced a Late fee waiver for all the GST returns yet to be filed as on 22nd December 2018 up to 31st March 2019, for the months July 2017 up to September 2018.
- Further time to claim the Input tax credit for FY 2017-18 allowed up due date of filing GSTR-3B of March 2019, subject to conditions.
- There is going to be single tax ledger for each Tax head. For example- The cash ledgers for each tax heads will be merged into one single cash ledger for all tax head such as IGST, SGST/UTGST CGST and Cess.

4. Simplification of Form GSTR-9 & GSTR-9C:

- HSN code may be declared only for those inward supplies whose value independently accounts for 10% or more of the total value of inward supplies.
- If any additional payments are to be made they can be done through the FORM GST DRC-03 in cash.
- ITC cannot be availed through FORM GSTR-9 and FORM GSTR-9C.
- Verification by a taxpayer who is uploading the reconciliation statement would also be included in FORM GSTR-9C.
- All monthly/quarterly GST Returns must be filed before filing Annual returns.
- Outward or Inward supplies to be declared in the Annual returns to be 'supplies made during the financial year' and not 'supplies, as declared in GST returns filed'.
- Value of 'No Supply' can be declared under Exempt supplies section at Table 5D, 5E or 5F of GSTR-9.
- In GSTR-9, Table 8A-ITC as per GSTR-2A – auto-populates all invoices related to FY 2017-18 irrespective of the month of filing GSTR-1 by suppliers.

5. Due date extensions recommended:

- The due date for filing of GST Annual Return (GSTR-9) and Reconciliation statement (GSTR-9C) after GST Audit to be extended till 30th June 2019.
- GSTR-8 to be filed by e-commerce operators for the period 1st October 2018 to 31st December 2018 will be extended to 31st January 2019.
- Filing of ITC-04 for the months July 2017 to December 2018 to be extended to 31st March 2019.

31st GST Annual Return and GST (Cont...)

6. The scope of Composition scheme to be expanded:

- Council to meet again in January 2019 to decide whether or not to include under Composition scheme: the supply of residential properties under real estate and supply of services by small service providers. A group of ministers(GoM) is to be formed for looking into the same.

7. GST Rates rationalised:

- Today's GST rates reduction will have an overall impact on revenue of Rs. 5500 crore, said Jaitley.
- Recommendations made by the Fitment committee reports have been taken into consideration in today's meet.
- No change in tax rate on Cement: 13 items of automobile parts, 8 items of the cement industry still remain under 28 %GST Slab.
- Third party insurance lowered to 12 per cent GST Slab from the earlier 18%.
- 6 goods and 1 service have been removed from the 28 % GST Slab tax bracket under the Good Services Tax (GST) regime.
- GST for cinema tickets being less than Rs. 100 has a reduced tax rate from 18% to 12% GST Slab, for tickets equal to or above Rs. 100, GST reduced from 28% to 18%.
- Lithium-ion batteries charges, video games consoles, small sport related items, accessories for carriages for disabled removed from 28% slab.
- Items claimed to be used by the upper segments such as Air conditioners, dishwashers will remain at 28% GST Slab.
- Bank charges (savings bank) and Pradhan Mantri Jan Dhan Yojana has been exempted from GST.
- GST rate on special flights for pilgrims slashed for the economy to 5 per cent and business class to 12 per cent. These include travel by non-scheduled/ chartered operations for religious pilgrimage, which is facilitated by GOI under bilateral agreements.

Income Tax

1. Tax changes in 2018 that have affected your personal finances: (Excerpts from economictimes.indiatimes.com)

As 2018 comes to an end, a quick run-down of the main tax changes implemented during the year would help us in our tax planning and saving efforts. Most tax changes are usually proposed in the Budget (presented in February) and they usually come into effect from the start of the financial year, i.e., April 1 or as mentioned in the Budget documents.

Here are some of the important tax changes directly impacting your personal finances that came into effect this year and the dates when they.

- **Penalty on late filing of ITR**

  Though announced in the Budget presented in 2017, a fee levied on belated filing of income tax return (ITR) came into effect from April 1, 2018 and was applicable for returns filed in 2018 for FY2017-18 onwards.

  The Income Tax Act was amended by inserting a new section 234F. According to this section, an assessee would be liable to pay a maximum late filing fee of Rs 10,000 if his/her ITR is filed after the expiry of the due date. However, as a relief to small taxpayers (whose income does not exceed Rs 5 lakh in a financial year) the late filing fee for them was pegged at Rs 1,000.

Income Tax

1. Tax changes in 2018 that have affected (Cont...)

- **Changes in PAN card application form**

  The application form to apply for PAN card has undergone changes twice this year. The first change was to include the option of transgender in the forms. PAN card application forms, i.e., Forms 49A and 49AA have been amended to include an option for transgender along with 'male' and 'female'. In addition to that, no supporting documents would be required for proof of gender.

  Another major change in the forms is doing away with the mandatory requirement of mentioning father's name. An applicant is not mandatorily required to quote his/her father's name if the mother of the applicant is a single parent. This rule came into effect from
  December 5, 2018.

- **Aadhaar mandatory for applying for PAN card**

  The Supreme Court in its judgement on Aadhaar has upheld Section 139AA of the Income Tax Act. According to this section, it is mandatory for individuals to provide their Aadhaar details while applying for PAN. In addition to that, every individual having a PAN on July 1, 2017 is mandatorily required to link his/her PAN with Aadhaar. The last date to link PAN with Aadhaar is March 31, 2019.

  Remember, it is also mandatory to quote Aadhaar number while filing your ITR, as per Section139AA of the Act.

- **Hike in Cess Liability**

  The cess levied on tax payments made by you has been hiked by 1 per cent, from 3 percent to 4 percent. This hike has come into effect from April1, 2018. In addition to that, it has been renamed as 'Education and Health Cess'.

- **No TDS on interest up to Rs 50,000 for senior citizens**

  In a major relief to senior citizens, the government has inserted a new section 80TTB in the Income Tax Act. This deduction is available at the time of filing ITR. However, along with this, the government has amended the TDS deduction rules as per which no TDS is to be deducted by a bank if the interest paid to a senior citizen starting with the current financial year does not exceed Rs 50,000.

- **Standard deduction replaces medical reimbursement and transport allowance**

  Another major tax change that was announced in the Budget this year is the introduction of standard deduction in lieu of medical reimbursement and transport allowance. The latter two components can be easily seen in our salary slips in the previous FYs.

  However, starting from FY 2018-19, they will no longer be mentioned in the salary slips because of change in tax laws. The standard deduction of Rs 40,000 introduced in lieu of these two items can be claimed by taxpayers from their salary income at the time of filing ITR.

- **LTCG on equity**

  Another tax googly which was thrown during the Budget 2018 was the introduction of long-term capital gains (LTCG) tax on the sale of equity shares and equity oriented mutual funds. The tax has been re-introduced from FY 2018-19 after it was abolished in 2004.

  Gains up to Rs 1 lakh will be tax-exempt in a single fiscal year. Gains over and above Rs 1 lakh will be taxed at the rate of 10 percent arising from the sale of equity shares and equity oriented mutual funds after holding it for a year. However, as a relief to investors already holding equity investments, the unrealised gains made till January 31, 2018 were grandfathered and will remain tax-exempt in future.

- **Lock-in period of 54EC bonds increased**

  Individuals looking to save tax on LTCG by investing in 54EC bonds will have to invest in these bonds for the tenure of five years instead of three years earlier with effect from April 1, 2018. In addition to that, one can now save tax on capital gains under this section only if the gains have arisen from the sale of land, building or both.

Income Tax

1. Tax changes in 2018 that have affected (Cont...)

- **PAN becomes mandatory for sending money abroad**

  The Reserve Bank of India (RBI) has tightened the rules by making PAN mandatory for sending money abroad under the Liberalised Remittance Scheme (LRS). The change was announced this year in the bi-monthly monetary policy statement held in June 2018.

  Earlier, PAN was not mandatorily required for current account transactions of up to $25,000. The scheme is used by resident Indians to send money abroad for their children's studies and also to invest in foreign stocks and property.

- **Reduction in time limit to revise your ITR**

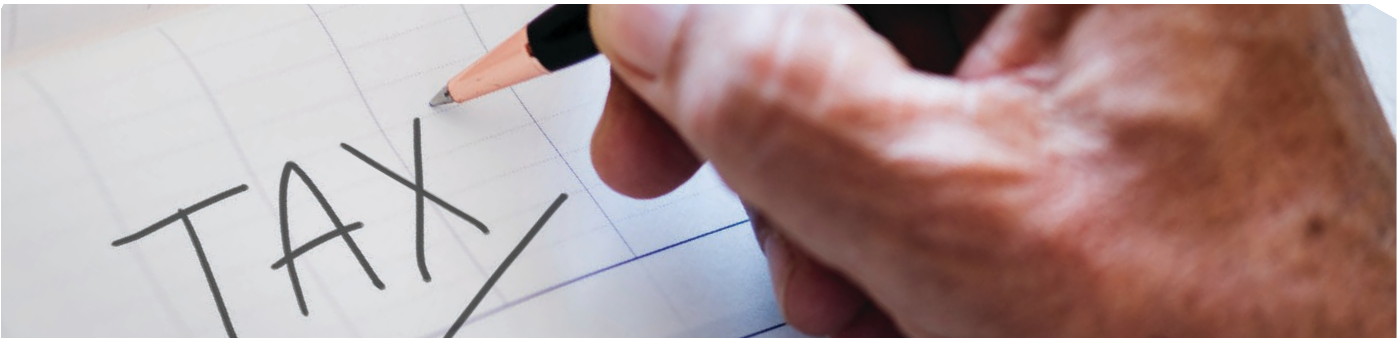
  With effect from April 1, 2018, if a person files ITR, he/she will have time till the end of financial year (i.e., March 31) to correct his/her mistake and file the ITR. Thus, if a return is filed in AY 2018-19, then a taxpayer will have time till March 31, 2019 to correct his/her mistake.

  Earlier income tax laws allowed a taxpayer to revise his/her return up till two years from the end of the financial year for which the return is filed which has been reduced now.

- **Last date to apply for PAN for non-individuals**

  Budget 2018 amended Section 139A of the Income Tax Act making PAN mandatory for non-individuals such as Hindu Undivided Families (HUFs), Body of Individuals (BoI) and so on conducting transactions of Rs 2.5 lakh or above in a financial year. However, the amendment did not notify the last date to apply for a PAN in order to avoid penalty.

  In order to rectify it, the tax department issued a notification to notify the last date such non-individuals must apply for PAN. The last date to apply for PAN in such cases is May 31 of the next financial year. Therefore, for transactions conducted in FY 2018-19, the last date to apply for PAN will be May 31, 2019.



2. Resolve taxation issues being faced by startups getting angel funds: Suresh Prabhu to Arun Jaitley (Excerpts from Mint. Dt. 27.12.2018)

Commerce and Industry Minister Suresh Prabhu has asked his finance counterpart Arun Jaitley to resolve taxation issues being faced by startups in getting angel funds with a view to promoting budding entrepreneurs. In a communication to the finance minister, Prabhu said resolution of the taxation issue would help in supporting the startup ecosystem and nurturing innovation and entrepreneurship.

The issue assumes significance as several startups and angel investors have raised concerns over notices received from income tax authorities.

“This is one of the key issues affecting investment into early stage startups, commonly referred to as angel tax. This issue has been a major impediment in flow of investment into startups,” Prabhu has said.

At the initial stage of a startup, angel investors play a significant role by not just providing necessary resources but also business mentoring. They are critical bridge between founders’ own resources and mainstream venture funding.

The government, last week, decided to set up an expert committee to look into all taxation issues being faced by startups and angel investors.

The Central Board of Direct Taxes (CBDT) has said that “no coercive action or measures to recover the demands of completed assessment under income tax would be taken” against such firms.

The committee of experts will make recommendations on individual cases of recognised startups.

Startups have raised concerns on taxation of angel funds under Section 56 of the Income Tax Act, which provides for taxation of funds received by an entity.

3. Govt brings NPS on a par with PF, makes it tax-free (Excerpts from Mint. Dt. 10.12.2018)

New Delhi: The government has decided to make the National Pension System (NPS) entirely tax-free and let central government employees choose savings schemes offering equity exposure up to half of their corpus. Central government subscribers of NPS can currently invest only 15% of their corpus in equity, compared to 75% for others.

The move makes NPS at least as good as provident fund (PF) schemes from the taxation point of view. Contribution to the NPS corpus is included in the basket of investments wherein income tax deduction of Rs. 1.5 lakh per year is allowed for social security schemes. It is also eligible for an additional deduction of up to Rs. 50,000.

The Union cabinet has exempted the part of the NPS corpus that is withdrawn on retirement from income tax, finance minister Arun Jaitley said on Monday. The cabinet decision taken last week was made public only on Monday in view of the assembly elections in Rajasthan and Telangana.

Earlier, 60% of the corpus could be withdrawn while exiting the scheme and 20% of the withdrawn amount was taxable. The cabinet has made this portion tax-free. The remainder, which can be used to buy annuities, is already tax-free. The cabinet’s move has put NPS on par with PF savings, which are not taxed at any of the three stages of saving, profit accrual or exit.

Industry News

Scheme of Mega Food Park

The Scheme of Mega Food Park aims at providing a mechanism to link agricultural production to the market by bringing together farmers, processors and retailers so as to ensure maximizing value addition, minimizing wastage, increasing farmers income and creating employment opportunities particularly in rural sector. The Mega Food Park Scheme is based on “Cluster” approach and envisages creation of state of art support infrastructure in a well-defined agri / horticultural zone for setting up of modern food processing units in the industrial plots provided in the park with well-established supply chain. Mega food park typically consist of supply chain infrastructure including collection centers, primary processing centers, central processing centers, cold chain and around 30-35 fully developed plots for entrepreneurs to set up food processing units.

The Mega Food Park project is implemented by a Special Purpose Vehicle (SPV) which is a Body Corporate registered under the Companies Act. State Government, State Government entities and Cooperatives are not required to form a separate SPV for implementation of Mega Food Park project.

So far Twelve Mega Food Parks namely, Patanjali Food and Herbal Park, Haridwar; Srini Food Park, Chittoor; North East Mega Food Park, Nalbari; International Mega Food Park, Fazilka; Integrated Food Park, Tumkur; Jharkhand Mega Food Park, Ranchi; Indus Mega Food Park, Khargoan; Jangipur Bengal Mega Food Park, Murshidabad; MITS Mega Food Park Pvt.Ltd.,Rayagada;SataraMegaFoodPark,Satara;HimalayanFoodPark Pvt. Ltd., Udham Singh Nagar; and Greentech Mega Food Park Pvt. Ltd., Ajmer are functional.

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