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The Advisor

Our e-magazine

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Chairman's desk :

Dear all, Initially, I thought of writing on "Listening" which is continuation of my earlier views on "communication". But, I decided to write on 'Reliance' group about which lots of information is appearing in Media & financial newspapers. You might have noticed in our earlier two newsletters, news about foreign companies acquiring shares in Reliance Group concern – Jio Platform and the Reliance Group's Chairman Shri Mukesh Ambani declaring that his company has become net-debt free, well before his promised date of 31st March, 2021. Not only that recently Reliance held its AGM in on-line platform because of which around 5.5 lakh shareholders could participate in the said AGM which was a first time unique experience for many.

For anyone pursing their career or studies in finance, Reliance is a practical study material. The importance of finance and economics today can be gauged from the fact that every newspaper in the country – whether in English or in any vernacular language – devotes atleast one page for financial matters having impact on our economy. We are having various financial newspapers as well, like Economic Times, Business Standards, Business Line, etc. etc. which focuses entirely on financial matters.

Study of Reliance will give you abundant practical knowledge about financial instruments that can be used for raising funds, corporate re-structuring, mergers & acquisitions Corporate Governance, etc. You cannot find elsewhere what is not seen in Reliance, thus the saying goes.

In our place, people used to say that, if you want to buy medicines, go to this particular shop. If they say that, such a medicine is not there, then, there is no need to go to any other medical shop in the district. It will not be available. Similarly, if you study Reliance well, you cannot find anything other than what you saw in Reliance, in any other corporate entity.

Reliance has been investing heavily in Research and Development which is driving the company to its future oriented strategic visions. Recently, it has announced its plan to shift to 5G spectrum which will make Reliance globally competitive along with Harwic, etc.

It is advisable to buy atleast minimum number of shares in Reliance so that you will be in a position to see its Annual Report. Or atleast try to get their Annual Reports and read them. It will enhance one's financial knowledge level.

With best wishes,

Mahadevan

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I. AUDITING :

SUBSEQUENT EVENTS: KEY AUDIT CONSIDERATIONS AMID COVID-19 :

Auditors are required to consider events occurring between the date of the financial statements and the date of the auditor's report [referred to as **subsequent events**] and to see whether such subsequent events have any effect on the entity's financial statements as on the date for which they are prepared. It is the responsibility of the concerned entity to evaluate the information that came into its possession after the date of the financial statements, but, before the approval of the financial institutions. One should have a thorough understanding of AS : 4 as well as SA : 560 in this regard.

Auditor should specifically do the following:

a) Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified;

b) Inquire with the Management as to whether any subsequent events have happened which might affect the financial statements;

c) Reading Minutes of the Meetings held after the date of the financial statements; and

d) Referring to interim financial statements, if any.

There are two types of subsequent events :

1. Those that provide evidence of conditions that **existed at the date** of the financial statements; and

2. Those that provide evidence of conditions that **arose after the date** of the financial statements.

In the first case, **adjustments** to be made in the Financial Statements giving affect and in the second case, **Disclosure** to be made.

As the impacts of the COVID-19 outbreak continue to evolve, including regulatory restrictions / conditions, capturing events that relate specifically to conditions that existed at the date of the Financial Statements or after the date of the Financial Statements, will require careful assessment.

The auditor has to take into consideration the following which will have an impact on Financial Statements and decide whether provision has to be made or disclosure is enough.

1. New borrowings / guarantee commitments;

2. Invocation of force majeure clauses in agreements;

3. Increase in provisioning against receivables;

4. Inventory – non-moving;

5. Going concern concept being under risk;

6. Impairment of assets;

7. Loan defaults, etc.

Auditor should exercise his Professional Skepticism while considering the sufficiency and an appropriateness of audit evidence that all material subsequent events have been identified and are appropriately disclosed in Financial Statements.

Auditor should obtain written representation regarding subsequent events and to be obtained on a date as near as practicable to the date of the auditor's report, but not after that date.

N V Mahadevan

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CASE LAWS

I. GST :

An Appellate Authority for AAR has ruled that ITC [Input Tax Credit] in respect of 'cash carry vans' – used to transport cash – is to be made available. The AAAR concurred with the submission made by the company M/s CMS Info Systems, that, what is being transported, is not the money, but, 'goods', as they cannot use it for its purpose and hence, the same cannot be used as legal tender at any stage of the performance of the services rendered by them. Therefore, it inferred that the subject money transported in 'cash carry vans' by them, ceases to be anything but goods under the facts.

[Business Line : 23.06.2020]

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II. INTERNAL AUDIT – PROCESS – STARTS….

1) Physical Cash Verification:

Prior approval from the Management to be obtained by the Internal Audit Team, to carry out surprise verification of cash.

Internal Audit process of an organisation can be begun primarily with the "**surprise physical verification of cash".**

1) Internal Audit team needs to reach the premises of the organisation, prior to the beginning of office hours.

2) The team should produce their identity and authorization to the accounts personnel, before entering into the verification process.

3) The cash balance of the previous day should be obtained from the books of accounts prior to physical verification of cash.

4) The cashier shall be requested to produce the cash book and cash box.

5) Internal Audit should observe the procedures and method of keeping the cash in safe custody, under lock and key.

6) Physical verification of cash shall be made in the presence of the cashier and the denominations shall be noted.

7) The physical cash balance shall be cross checked with the book balance and differences if any shall be noted in the reporting format as shown below. This report shall be countersigned by the audit team, cashier and the accounts manager.

8) In case of any clarifications from cashier for the differences if any, the same shall be noted in the report by the internal audit team.

Physical cash verification report as on xx/xx/xxxx at … am.

Cash balance as per books as on xx/xx/xxxx	xxxxx
Physical cash balance	xxxxx
2000 x …….	
500 x …….	
100 x ……..	
50 x ……..	
Coins x ……..	

………	
=====	

Difference if any (Short / Excess)	
	========
Internal Auditor Cashier Chief Accountant	

The above report shall be taken in triplicate and one copy to be given to the accounts teams for their records.

Internal Audit report would include the original copy of the verification report, supported by the cash book balance as per the books of account. The procedural lapses and lack of internal control if any with respect to the safe custody of physical cash, etc. shall be reported as annexure to this report.

Srikala Renjith

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- ***Leadership is the ability to get extra ordinary achievement from ordinary people.***

  - Brian Tracy

- ***The function of leadership is to produce more leaders, not more followers.***

  - Ralph Nader

III. TAXATION :

(i) TDS U/S 194N – TDS ON CASH WITHDRAWAL IN EXCESS OF RS. 1 CRORE

What is TDS section 194N?

TDS section 194N was introduced in the union budget of the 2019 by the finance minister, Nirmala Sitharaman. The section has been further amended in Budget 2020. Section 194N is applicable in case of cash withdrawals more than Rs.1 Crore during a financial year. This section will apply to all the sum of money or an aggregate of sums withdrawn from a particular payer in a financial year.

Why TDS under section 194N?

The Government has taken various steps like demonetization to reduce black money generation and flow through cash transactions. To reduce Black money flow cash transactions need to be reduced. Section 194N is also a step taken by the Government for this purpose. By introducing the section, the Government aimed to discourage cash transactions. This is another step of Central Government towards a cash less economy.

Who will deduct TDS under section 194N?

The following entities are liable to deduct TDS u/s 194N:

1. A Bank or,
2. A co-operative society engaged in banking business or,
3. A post office

Applicability of TDS under section 194N

Section 194N shall be applicable to every person including individual, HUF, Partnership firm, LLP, Company, Co-operative society, artificial judicial person, Association of persons and others.

Section 194N is not applicable to the following payees:

1. Any Government body
2. Any bank including co-operative banks
3. Any business correspondent of a banking company including co-operative Bank
4. Any white label ATM operator of any bank including co-operative banks
5. Any other person notified by the Government.

What is the point of TDS under section 194N?

TDS will be deducted by the payer while making the cash payment over and above Rs. 1 crore in a financial year to the payee. If the payee withdraws a sum of money on regular intervals, the payer will have to deduct TDS from the amount, once the total sum withdrawn exceeds Rs.1 crore in a financial year. TDS will be done on the amount exceeding Rs. 1 crore. For example, if a person withdrawn aggregate of Rs 98 Lakhs in the financial year and in the next withdrawal, an amount of 2,50,000 is withdrawn, the TDS liability is only on the excess amount of Rs. 50,000.

The limit of 1 crore in financial year is with respect to per bank or post office account and not a taxpayers individual account. For example, a person having three bank accounts with three different banks can withdraw cash of Rs. 3 crore without any TDS. But if he is maintaining three accounts in different branches of same bank he can only withdraw cash of Rs. 1 crore without TDS.

For example,

Mr. X maintains 4 bank accounts, 3 accounts in different branches of SBI (say branch A, B and C) and 4th account in Canara Bank. During the financial year 2019-20 he has withdrawn cash in the following manner:

From SBI

Branch A: 25,00,000/- ; Branch B: 35,00,000/- ; Branch C : 45,00,000/- ;

From Canara Bank: Rs.30,00,000/-

Here total cash withdrawal from SBI is Rs.105,00,000/-

So, SBI shall deduct TDS @ 2% on 5,00,000/- . That is Rs.10,000/-.

No TDS shall be deducted by Canara Bank.

In the case of a payment made by a taxpayer through a bearer cheque issued to the third party, in excess of Rs. 1 crore in a financial year, the recipient of cash is not the account holder, but a third party. In such a case the payment is made by the bank to the account holder.

Rate of TDS under section 194N

The payer will have to deduct TDS at the rate of 2% on the cash payments/withdrawals of more than Rs. Crore in a financial year under section 194N.

AMENDMENT FROM 1st JULY 2020

If the recipient of cash has failed to file income tax return for three consecutive previous years immediately preceding the previous year in which payment of sum was made to him and the limit for filing ITR u/s 139(1) has expired for all those years ,

Then the provision of this section shall be applicable with a modification that TDS shall be deducted @ 2% against the cash withdrawal in excess of Rs.20 Lakh but up to 1 crore and TDS shall be deducted @ 5% against cash withdrawal in excess of Rs. 1 crore.

Najma Kabeer - Article
M&S, Palakkad

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New Procedure for Registration, Approval, etc. of Certain Entities Deferred to 1.10.2020 :

In view of the unprecedented humanitarian and economic crisis, the CBDT has decided that the implementation of new procedure of approval / registration/notification of certain entities shall be deferred to 1st October, 2020. Accordingly, the entities approved / registered/notified under section 10 (23C), 12AA, 35 and 80G of the Income-tax Act, 1961 (the Act) would be required to file **intimation within three months from 1st October, 2020, ie. by 31st December, 2020.** Further, the amended procedure for approval/registration/notification of new entities shall also apply from 1st October, 2020.

Press Release dt. 09.05.2020

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(ii) INCOME TAX RETURNS

Finance (No. 2) Act, 2019 has inserted a new seventh proviso to section 139(1) to provide for mandatory filing of return of income for undertaking certain high-value transactions even though the person is otherwise not required to file a return of income due to the fact that total income is below the basic exemption limit.

<u>Conditions under which Assessee will be liable to file return U/s. 139(1) Seventh proviso:</u>

- If amounts of deposit exceeds Rs. 1 Crore in one or more current accounts, then report the actual amount of deposit.
- If expenditure on travel to a foreign country for self or for any other person exceeds Rs. 2 Lakh, then report the actual amount of deposit.
- If incurred more than Rs. 1 lakh on electricity consumption, then report the actual amount of payment.

Depending on the type of income, the category of taxpayer falls under (company, Hindu Undivided Families, individual, etc.), and the income of the individual, the income Tax Returns (ITR) form that must be submitted will vary. In case taxpayers choose the wrong form, they will have to go through the process of filing their ITR again.

In India, it is mandatory for individuals to file ITR in case –

- The gross income of the individual is more than the Basic Exemption Limit;
- Individuals wish to receive a refund from the Income Tax Department;
- Individuals wish to apply for a loan or a visa;
- Individuals have more than one source of income (capital gains, house property, etc.);
- Individuals have earned an income from foreign assets during the financial year.

Depending on the type of income, the category the taxpayer falls under, and the income the taxpayer makes, the relevant form must be chosen.

Form	Applicability	Salary	Exempt Income	Capital Gains	House Property	Business Income	Other Source
ITR-1	Resident Indian individuals and HUFs	Yes	Yes. However, income from agriculture cannot be more than Rs.5,000	No	Yes. However, it can be only for one house property.	No	Yes
ITR-2	HUFs and individuals	Yes	Yes	No	Yes	No	Yes
ITR-3	Partner in a firm, HUF, or individuals	Yes	Yes	No	Yes	Yes	Yes
ITR-4	Firm, HUF, or individual	Yes	Yes. However, income from agriculture cannot be more than Rs.5,000	Yes	Yes. However, it can be only for one house property.	Only for business income that is presumptive	Yes
ITR-5	LLPs or Partnership Firms	No	Yes	No	Yes	Yes	Yes
ITR-6	Companies	No	Yes	No	Yes	Yes	Yes
ITR-7	Trusts	No	Yes	No	Yes	Yes	Yes

Different types of ITR forms:

ITR-1 or SAHAJ

This form must be used by resident Indians who fall under the below-mentioned categories:

- Income is generated from a pension or salary
- Income is generated from a single house property. However, in case the losses have been brought forward from the previous year, exclusion is allowed.
- In case an income of not more than Rs.5,000/- is generated from agriculture.
- The total income that is generated can be a maximum of Rs.50 Lakh.
- Income that has been generated from other sources such as winning horse races, lottery, etc.

Individuals who fall under the below-mentioned categories cannot opt for ITR-1:

- In case the total income that has been generated is more than Rs. 50,00,000/-.
- In case individuals have capital gains that are taxable.
- In case income is generated from more than one house property.
- During the financial year, if any investments were present in unlisted equity shares.
- In case you are a Non-Resident Indian (NRI) and Resident Not Ordinary Resident (RNOR).
- In case income that is generated from agriculture is more than Rs.5,000/-.
- In case income is generated from profession or business.
- In case the individual is the director of a company.
- In case any income is generated from a property that is located outside India.
- In case an individual has foreign assets or foreign income.

ITR-2

ITR-2 form must be used by individuals and Hindu Undivided Families (HUFs) who fall under the below-mentioned categories:

- Income of the individual must be more than Rs.50 lakh.
- Income can be generated via a pension or from salary.
- Income that is generated from house property.
- Income that is generated from winning a lottery or horse races.

- In case the individual is the Director of a company.
- Agricultural income of the individual is more than Rs.5,000/-.
- Income has been generated from capital gains.
- In case any investments were present in equity shares that were unlisted during the financial year.
- Income is generated from foreign income and foreign assets.

ITR-3

This form must be chosen by individuals and HUFs who make an income from a profession or from a proprietorship business. The below mentioned individuals can opt for the ITR-3 form:

- Individuals who are generating an income from a profession or business.
- In case any investments were present in equity shares that were unlisted at any time during the financial year.
- In case the individual is a partner in a firm.
- In case the individual is a Director of a company.
- If income is generated from a pension or salary, house property, or any other source of income.
- Turnover of the business exceeds Rs.2 crore.

ITR-4 or Sugam

In case HUFs, Partnership Firms, and individuals who are Indian residents generate an income from a profession or business, they must opt for ITR-4. However, Limited Liability Partnerships (LLPs) cannot opt for this form. Individuals who have also chosen the presumptive income scheme according to Section 44AD, Section 44ADA, and Section 44AE of the Income Tax Act 1961, should also opt for this form.

The below-mentioned individuals and HUFs are not allowed to opt for ITR-4:

- In case the total income that has been generated is more Rs.50 lakh.
- In case any losses have been brought forward from previous years.
- In case the individual has a signing authority at a place that is not located in India.
- In case any investments are present in equity shares that are unlisted at any time during the financial year.
- In case individuals have foreign assets or have generated a foreign income.
- In case the income has been generated from more than one house property.
- In case the individual is a Director of a company.
- In case the individual is a non-resident or an RNOR.

ITR-5

Investment funds, Business trusts, Estate of insolvent, Estate of deceased, Artificial Juridical Person (AJP), Body of Individuals (BOIs), Associations of Persons (AOPs), LLPs, and firms must opt for ITR-5 form.

ITR-6

For any companies that are not claiming exemptions under Section 11, this form must be chosen. Companies that are filing returns under this section can only do it electronically.

ITR-7

ITR-7, Individuals and companies that have furnished returns under Section 139(4A), Section 139(4B), Section 139(4C), Section 139(4D), Section 139(4E), or Section 139(4F) must opt for this form.

Section 139(4A):

The returns must be filed by individuals who receive an income from a property that belongs to a trust or other legal obligations and the income that is generated is solely used for religious or charitable purposes.

Section 139(4B):

Returns must be filed under this section by a political party if the total income that has been generated is more than the maximum amount.

Section 139(4C):

Returns must be filed under this section by the below-mentioned entities:

- Scientific Research association
- Institutions or association that come under Section 10(23A)
- Medical institutions, hospitals, universities, funds, and other educational institutions.
- News agencies
- Institutions that come under Section 10(23B)

Section 139(4D):

Any college, university, or other institutions that are not required to furnish any income or loss must file returns under this section.

Section 139(4E):

Business trusts that are not required to furnish their income or loss must file their returns under this section.

Section 139(4F):

Investment funds that are present under Section 115UB and are not required to furnish any income or losses must file returns under this section.

Keerthana Krishna – Trainee
M&S Palakkad

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CASE LAWS

II. INCOME – TAX :

The Kolkata Bench of the ITAT has held that Puja expenses incurred for the smooth functioning of a business can be treated as 'business expenses' which qualify for income tax deduction, in the case of M/s Capital Tours (India) Private Limited. The expenditure, in cash, has been incurred in Puja, a propitiatory ritual carried out by driver / cleaner before taking their vehicles out to various destinations.

[Business Line : 07.07.2020]

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III. Framing Right Questions: Auditing.

"Auditing" refers to examination of books and records to ascertain the accuracy of financial statements provided by the organization. It is the responsibility of the auditor to collect **sufficient and appropriate evidence** to confirm the correctness of a transaction or an account balance in the books of account. The expectations of the various users of the financial statements from the auditor is nothing less than absolute correctness. This usually creates an expectation gap with the result that auditors are made responsible later if any error or fraud is discovered.

The auditors are entrusted with a fiduciary responsibility to ensure that the financial statements do reflect the actual position and performance of the entity under consideration. They are expected to go beyond what is laid down in the Regulations. They have to go on enquiring and checking transactions with such evidences which will ultimately prove that, the entry is correct. Here, auditor's skill and competence, especially professional skepticism, plays an important role.

How to go about it?

The power of questioning attitude plays an important role in enabling an auditor in the process of collecting sufficient and appropriate evidence. Questioning is, actually, inherent in human nature. Tarka (Logic) is the root of questioning. Questions normally arise when we have doubts. In auditing, an auditor has to go on asking questions till he gets what is considered as **sufficient and appropriate evidence.** But, at the same time, the questions that are being raised must be apt and that which leads you to elicit the correct answer, ie., of getting evidence. The famous Scientist Einstein has said that – in an hour, he spends 55 minutes in arriving at a right question and 5 minutes to arrive at an answer -.

In auditing also, one should be able to pose right questions to elicit the desired answers, based on which he can arrive at a conclusion on whether he has obtained sufficient and appropriate evidence.

Initially, questions will be asked to the responsible persons in the organization and once all the available data/evidences have been obtained, questions will be asked to oneself to ensure that the collected data / evidences are sufficient and appropriate.

Start doing the task of asking questions for each entry you find in the books account and other records made available to you. Let it be relevant or irrelevant. Once you gain some experience, you will become competent to ask relevant questions to get relevant answers.

Let us take an example :

You find that there is a **debit** entry of Rs. 10,000/- in the books of account. Naturally, the following questions should arise :

1. What is the nature of payment?

   Ans : It is payment of Rent to landlord.

2. Whether paid by cash or thro' banking channels?

   Ans : Paid thro' NEFT in the name of landlord.

3. Is there a Rent Agreement executed?

   Ans : Yes.

4. If yes, have you obtained a copy of the Agreement?

   Ans : Yes

5. If yes, have you gone through the agreement to ensure that :

   a) they are for the audit period;

   b) Name of the landlord is as stated in NEFT – bank statement;

   c) the amount of rent stated is correct;

   d) it is registered, if it is for more than 11 months; etc.

   Ans : Yes.

6. Which is the place shown in the Rent Agreement as having been taken?

   Ans : Place of business.

7. Whether address shown in incorporation documents, for GST Registration, for PAN/TAN, etc. are the same as that of the place shown in the agreement?

   Ans : Yes.

8. Whether TDS provisions are applicable?

   Ans : Yes.

9. If yes, whether TDS at appropriate rate has been deducted, remitted & quarterly returns filed?

   Ans : Yes.

10. Whether Rent for 12 Months or from the month taken till 31st March, has been debited?

    Ans : Yes / N.A.

This questioning should continue till you are satisfied about the genuineness of the expenditure incurred. If answer is negative or any error is observed, the same should be further checked to confirm their veracity.

This is the methodology to be adopted for every entry you observe in the books of account. By experience, you will be able to do faster, leading to framing right questions.

N V Mahadevan

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IV. Save the Dates - AUGUST 2020

Income Tax	
Due Date	**Statement/Return/Certificates to be issued/Furnished**
8/7/2020	Due date for E-payment of TDS deducted for July,2020.
GST	
Due Date	**Statement/Return/Certificates to be issued/Furnished**
8/3/2020	Last date for e-filing of GSTR 1 for the quarter April,2020 to June 2020- to waiver of late fees for filing form GSTR1 extended to August 3rd 2020
8/5/2020	Last date for e-filing of GSTR 1 for June,2020- to waiver of late fee for filing form GSTR 1 extended to August 5th 2020

V. GST :

BLOCKED CREDIT UNDER GST

When a registered taxable person are entitled to claim Input Tax credit of paid at the time of purchase of Inputs, Input Services or Capital Goods under head CGST, SGST, IGST, or UTGST which can be used for payment of output tax liability. However there are **several cases where assesses cannot claim input tax credit of GST paid** while they receives or purchases goods or services.

Ineligible inputs tax credit or blocked credit is cost to the company.

Section 17 of Central Goods and Service Tax Act, 2017 provides all such scenarios and cases for which credit is not available based on purpose of use of item and nature of item.

Section 17(5)(a), b(i)) & (ab)

Motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver) including leasing, renting or hiring thereof.

Services of **general insurance, servicing, repair and maintenance of aforesaid motor vehicles.**

However in following situations ITC is available and not blocked.

When such motor vehicles are used for:

i) further supply of such vehicles or
ii) transportation of passengers or
iii) imparting training on driving of such motor vehicles.

ITC would further be admissible for leasing, renting or hiring of motor vehicles when such motor vehicles are used for above said purposes or where the recipient is engaged in the manufacture of such motor vehicles or in the supply of general insurance services in respect of such motor vehicles insured by anyone.

Earlier ITC was prohibited for all motor vehicles and now seating capacity criteria has been inserted in new clause.

Further specific prohibition for ITC on services of general insurance, servicing, repair and maintenance of motor vehicles was not there in old clause and in new clause it has specifically been prohibited to avoid disputes in this regard.

Section 17(5)(aa) , b(i)) & (ab)

Vessels and Aircraft including leasing, renting or hiring thereof.

Services of **general insurance, servicing, repair and maintenance of aforesaid vessels and aircrafts.** Here ITC is available not blocked, when such Vessels and Aircraft are used for

i) further supply of such Vessels and Aircraft or
ii) transportation of passengers or
iii) imparting training on navigating / flying such vessels / aircraft.
iv) transportation of goods.

ITC would be admissible for leasing, renting or hiring of vessels or aircraft, when such vessels or aircraft are used for above said purposes or where the recipient is engaged in the manufacture of such vessels or aircraft or in the supply of general insurance services in respect of such vessels or aircraft insured by him.

Section 17(5)b(i)

Supply of **food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, life insurance and health insurance.**

ITC would be available when inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply when ITC is available not blocked.

ITC would be admissible where it is obligatory for an employer to provide such supplies to its employees under any law for the time being in force.

Section 17(5)b(ii)

Membership of a club, health and fitness Centre.

Similar to food and beverages, fitness center, club, beauty and health services are also of personal nature. Therefore, ITC is not allowed on GST paid on such services. Therefore, if you join any membership such as a fitness center, sports club, yoga, etc. then ITC claim shall not be available.

Section 17(5)b(iii)

Travel benefits extended to employees on **vacation such as leave or home travel concession**

If you extend any travel benefit to your employees on vacation such as leave or home travel concession then GST paid on travel booking shall not be allowed.

However, if the travel packages include **business purposes**, then ITC shall be **available.**

Section 17(5)(c)

Works contract services when supplied for **construction of an immovable property** (other than plant and machinery) **except** where it is an **input service for further supply** of works contract service

Section 17(5)(d)

Goods or services or both received by **a taxable person** for **construction of an immovable property** (other than plant or machinery) on his **own account** including when such goods or services or both are used in the course or furtherance of business.

For section (c) and (d) The term **"construction" includes** re-construction, renovation, additions or alterations or repairs, to the extent of capitalization, to the said immovable property;

Further the expression "plant and machinery" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes— (i) land, building or any other civil structures; (ii) telecommunication towers; and (iii) pipelines laid outside the factory premises.

Section 17(5)(e)

Goods or services or both on which tax has been paid under section 10 i.e. **Composition Scheme**
It may noted here that under composition scheme the tax cannot be charged by supplier from the recipient and accordingly question of ITC availing by recipient does not arise.

Section 17(5)(f)

*G*oods or services or both received by a **non-resident** taxable person except on goods imported by him.

Section 17(5)(g)

Goods or services or both used for **personal consumption**

ITC is admissible only in respect of supplies taken for business purposes. Thus supplies received for personal purposes are blocked.

Section 17(5)(h)

Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples.

It is remarked that such goods being not used for providing taxable supplies, the ITC thereon is blocked u/s 17(5).

Section 17(5)(i)

Any **tax paid** in accordance with the provisions of **sections 74** (Tax not / short paid due to fraud etc),**section 129** (Detention, seizure and release of goods and conveyance in transit) and **section 130** (confiscation of goods or conveyance and levy of penalty)

It is remarked as in such cases tax was not paid with intention to evade tax the ITC thereon has been prohibited in order to penalize such assessees.

Athira. K – Article
M&S, Palakkad

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- *Management is doing things right; leadership is doing the right things*

  - Peter Drucker

- *If someone feels that he has never made a mistake in his life, it only means that he has never tried anything new in his life.*

  - Albert Einstein

- *Everyone thinks of changing the world, but no one thinks of changing himself.*

  - Leo Tolstoy

VI. TEST YOUR SKILL :

1. As per Section 2(87) of the Companies Act, 2013, Subsidiary Company in relation to any other company means a company in which the holding company---------.

a. Controls the composition of the board of directors	b. Exercises or controls more than one – half of the total voting power either at its own or together with one or more of its subsidiary companies	c. Either option a or b	d. None of the above

2. According to Section 2(42) of the Companies Act, 2013, Foreign Company means any company or body corporate incorporated outside India which-----------

a. Company or body corporate incorporated outside India and majority of shareholders are out of India	b. Conduct any business activity in India in any manner	c. Has a place of business in India whether by itself or through agent, physically or through electronic mode	d. All of the above

3. The Company by its main object in its MOA involved in primary production stated in Section 581 B of Company Act, 1956 is a …………

a. Banking Company	b. Producer Company	c. Investment Company	d. Financial Company

4. M/S Jai Shree Ram Ltd. is Limited company having share capital wants to increase authorized share capital by issuing fresh shares, how company will alter its share capital as per Section 61 of the Companies Act, 2013?

a. Alteration of share capital can be done only if AOA authorizes it.	b. Alteration to be done by alteration of MOA in general meeting	c. Ordinary resolution passed for such alteration	d. All of the above

5. The Securities Premium account cannot be utilized……………

a. In writing off the preliminary expenses of the company	b. In writing off the expenses of commission paid on issue of share of the company	c. For redemption of redeemable preference shares	d. In providing for the premium payable on the redeemable preference shares

6. Any money transferred to the Unpaid dividend Account of a company in pursuance of this section which remains unpaid or unclaimed for a period of………years from the date of such transfer shall be transferred by the company along with interest accrued to INV

a. 5	b. 7	c. 8	d. 10

7. Dividend received by a shareholder from foreign company is ______.

a. Exempt u/s 10(34)	b. Taxable u/h IFOS	c. Exempt upto Rs. 10 lacs	d. Taxable @ 15%

8. Any sum received under Life Insurance Policy including bonus shall be exempt u/s 10(10D) ______

a. In all kinds of policies	b. In all kinds of policies except when received under a Keyman Insurance Policy	c. In all kinds of policies except when received under Keyman Policy or covered u/s 80DD(3	d In all kinds of policies except when received under Keyman Insurance Policy or covered u/s 80DD(3) or Policy issued, if the premium paid for any year exceeds 10% or 15% of actual capital sum assured, except on death.

9. Un-Commuted Pension received by any Employee:

a. Fully Exempt	b. Fully Taxable	c. Partially taxable	d. Partially exempt

10. Interest on borrowed capital accrued upto the end of PY prior to the PY of completion of construction:

a. allowed as a deduction in the year of completion of construction
b. allowed in 5 equal annual instalments from the year of completion of construction
c. allowed in the respective year in which the interest accrues
d. Not allowed

11. Interest incurred on the loan taken for purchase of the plant & machinery before the commencement of the production is to be –

a. Capitalized
b. Treated as revenue expenditure
c. Either capitalized or treated as revenue expenditure at the choice of assessee
d. Neither capitalized or treated as revenue expenditure

12. PC Ltd. paid fees for technical services of Rs. 6 lakh but omitted to do TDS & such omission continued till the due date for filing ROI. The amount of expenditure liable for disallowance:

a. Rs. 1,80,000
b. Rs. 6,00,000
c. Rs. 1,20,000
d. Nil

13. For AY 2019-20 the assessee suffered the loss u/h "house property" of Rs. 1,20,000. His business income for the same PY is Rs. 50,000. The due date of filing ROI is 31.7.2019 but he submitted his ROI on 9.9.2019. In this case the assesses :

a. Shall be allowed to carry forward the loss of Rs. 70,000.
b. Shall not be allowed to carry forward loss of Rs. 70,000
c. No set off is allowed for such loss.
d. Depends on the discretion of AO

14. GST is levied on supply of all goods and services except:

a. Alcoholic liquor for human consumption
b. Tobacco
c Health care services
d. All of the above

15. A Ltd. (GST registered in Delhi) has appointed Mr C(UP) to act as his agent and supply goods on his behalf to buyers in UP. A Ltd. has dispatched firstlot of 10,000 units to Mr C (UP) for sales to buyers in UP. Such dispatch to Mr C (UP).

a. Be treated as 'supply'
b. Not be treated as 'supply'
c Will be treated as supply subsequently
d. None of the above

Manty Anto

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Answers can be mailed to msofficetrichur1@gmail.com

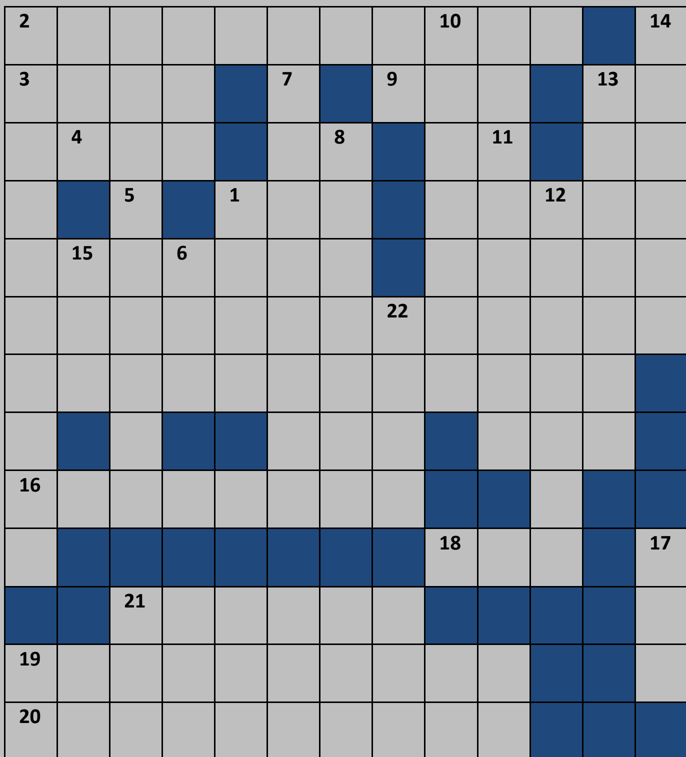
Answers to previous edition Test Your Skill :

1. a
2. b
3. c
4. b
5. b
6. c
7. b
8. c
9. d
10. c
11. a
12. a
13. c
14. d
15. b

Answers to previous edition Crossword Puzzle :

ACROSS	DOWNWARD
1. INDEPENDENCE	1. IRS
2. REPO	4. DRAWINGS
3. SDR	6. TRAN
5 . APRIL	7. STANDARD
9. CONSIGNOR	8. CASH
14. TRADING	9. COMPANY
15. GDP	10. NSC
16. DETECTION RISK	12.RERA (Real estate and Regulation development act)
11. COST	13. FINANCIAL
17. KYC	21. AUDIT
18. CEDING	23. IND
19. AADHAR	
20. TCS	
22. CBDT	

IX. CROSSWORD PUZZLE



ACROSS

2. Section 45 of Income Tax Act 1961 is related to …………………

3. ………………. is an Indian multinational oil and gas company.

4. ………………. is the amount of funds that the banks have to keep with the RBI.

9. The government user …………….. as a tool to collect tax in order to minimize tax evasion by taxing the income (partially or wholly) at the time it is generated rather than at a later date.

16. Dividend from an Indian Company is fully ……………………….

18. India's leading stock exchange located in Mumbai.

19. Interstate trade is presently subject to …………………… GST.

20. Rent Free Accommodation given to an employee by the employer is a ………………..

21. …………………… curve is a geographical representation of the distribution of income or of wealth .

DOWNWARD

1. …………….. unites governments and key stakeholders with aim of strengthening the quality , supply and overall image of apprenticeship across Europe.

2. CBDT has issued guidelines stating inter alia, that offences under section 275A, 275B and 276 of the income tax Act,1961 will not be …………………

5. TQM is ……………. focused management system.

6. Sec 80C provides for deduction in respect of tution fee to …………. children.

7. Disallowance u/s 94B is attracted where ……………… Paid or payable to a Non resident associated enterprise exceeds Rs.1 Crore.

8. Embezzlement of cash by a cashier is a …………………… loss.

10. …………………… tax must be paid according to the provision of "PAY AS YOU EARN" scheme.

11. The due date of depositing TDS for the month of APRIL 2019 has been Entered from 7th May 2019 to 20th May 2019 for deductors in the state of ……………..

12. In gst liability to pay tax by the recepient of supply of goods or services is called ……….charge.

13. Return filed after the due date is called……………return .

14. Section 70 -79 deals with …………….and carry forward.

15. ……………is an Indian multinational , public sector banking and financial services statutory body, it is a government corporation .

17. Section 139A deals with ……….

22. A method adopted by a person to evade tax by transferring securities before the date of payment of interest and then again reacquired the same is called ……………..washing.

Amrutha Thilakan – Article

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Answers can be mailed to msofficetrichur1@gmail.com