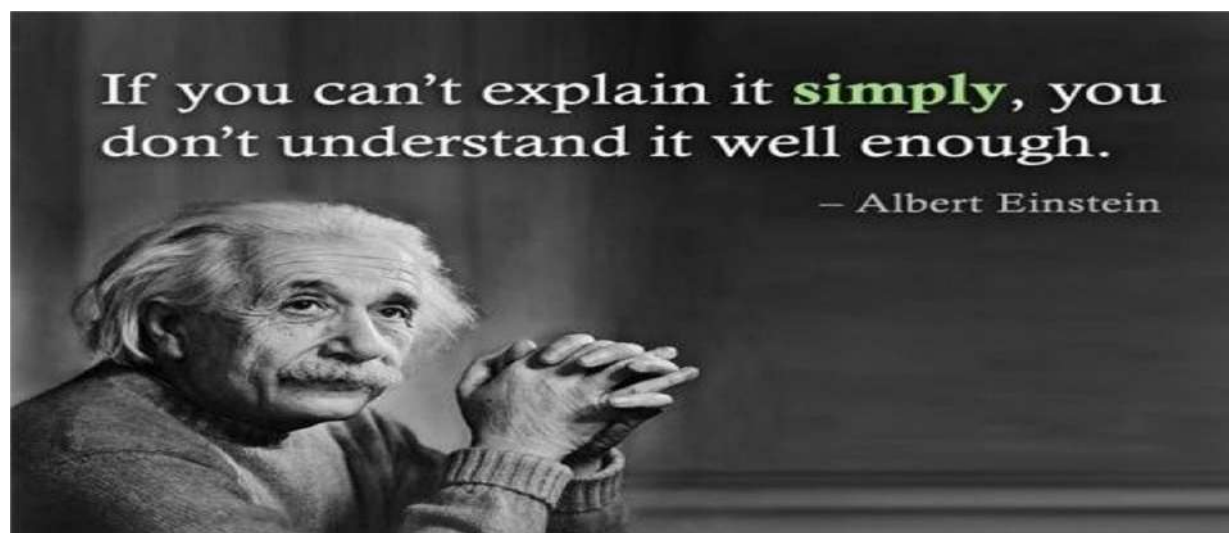




The Institute of Chartered Accountants of India

Set up By an Act of Parliament

WICASA Pimpri Chinchwad Branch of WIRC of ICAI



WICASA PIMPRI CHINCHWAD

E-Newsletter October 2017

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Chairperson Communication

CA. Prajakta Chincholkar

Dear Colleagues,

“Success is when your **signature** changes to **Autograph**”

By APJ Abdul Kalam

The quote by our beloved past president APJ Abdul Kalam stands absolutely true for a CA student's Career. His untiring hard work, conviction and dedication transform his signature into autograph. It is because of his signature a piece of paper is converted into a certificate, it is because of his signature the financials are vetted in layman's language.

Dear student, your exams are approaching and you would be studying day in and day out keep the above lines in your mind. Fight like this is a last punch in the battle. I wish you all the very best for your focused studies and for your upcoming exams.

• • •
TAG LINE
“EXPLORING THE
UNCHARTERED
TERRITORIES”
• • •

STUDYING CHARTERED
ACCOUNTANCY IS INDEED
LIKE WALKING OVER THE
UNTRAVELLED PATH



MANAGING COMMITTEE MEMBERS

2017-18



CA. Ravindra Nerlikar

Chairman



CA. Amod Bhate

Vice-Chairman & Treasurer



CA. Yuvraj Taware

Secretary



CA. Prajakta Chincholkar

WICASA Chairperson



CA. Suhas Gardi
Immediate Past Chairman

Managing Committee Member



CA. Santosh Sancheti



CA. Sachin Bansal



CA. Anil Agarwal



WICASA COMMITTEE MEMBERS 2017-18



CA. Prajakta Chincholkar
WICASA Chairperson



Mr. Mrugank Salunke
Vice-Chairman



Mr. Raj Badiyani
Secretary



Ms. Rucha Kulkarni
Treasurer



**Mr. Kunal
Phadtare**

Member



Ms. Veena Pujari
Member



Forthcoming Events

DATE	EVENTS	SPEAKERS	VENUE
7.10.2017	"How to face CA Exam-IPCC & Final	CA. Prasadh Saraaf	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
23.10.2017	Mock Test Series 2 Counseling Session for Final attempt Nov 2017	CA. Paresh Dhanwani	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
24.10.2017	Mock Test Series 2 Counseling Session for IPCC attempt Nov 2017	CA. Paresh Dhanwani	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI



Event For The Month September 2017

7.9.2017	Teachers Day Celebration Essay Competition “My Principal – My Strength”		ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
23.9.2017	JOINT PROGRAM WITH I.I.C.M.R University ORGANISED BY WICASA PIMPRI- CHINCHWAD BRANCH OF WIRC OF ICAI Business Process Excellence 2017 organised by “Institute of Industrial and Computer Management and Research”(IICMR)	CA. Ravindra Nerlikar, Pimpri Chinchwad Br Chairman	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
25.9.2017	MockTest Series 1 Counselling Session for Final attempt NOV17	CA. Paresh Dhanwani	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
26.9.2017	Mock Test Series 1 Counselling Session for IPCC attempt Nov 2017	CA. Paresh Dhanwani	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI



Articles

Role of Articleship in CA's career

"One can't learn swimming until one jumps into the water."

Such is the importance of Articleship. It's just like another water body. Unless an IPCC qualified student throws her/himself into this water body, how s/he can dream of becoming a CA - I mean a good, knowledgeable and updated CA and not merely another Certified CA by ICAI.

All three courses require training as an eligibility criterion for getting the certification. However, that should not be the only reason for doing it. "During the course you come to know about the concepts but not their implementation. Training is important to get a hands-on experience in areas like auditing, reporting, taxation etc". The articleship sets the base for becoming an efficient accounting professional. We learn how to reciprocate to complex situations and get an exposure to overall social-economic environment in which organizations operate. The whole practice teaches to the actual atmosphere of being an chartered accountant.

Theoretical knowledge or practical knowledge alone cannot make a perfect professional. Both theoretical and practical aspects should go hand in hand to become an extra ordinary professional. Just obtaining theoretical knowledge and writing examinations would not provide the results one would like to have. The potential employers invariably examine whether the CA has the conceptual clarity and more importantly knows how to apply the theory learnt. Taking dummy and working as a paid assistant is even worse. It doesn't give the much needed seriousness.

Practical experience provides a professional environment in which trainees develop competence by enhancing their understanding of organizations, relating accounting work to other business functions, becoming aware of environment in which services are provided and so on. Training has an important role to play in CA Students career as whatever is learnt during this



phase shall become part and parcel in the professional life. Importance of Practical training cannot be undermined in any way while pursuing professional course.

Articleship is the golden period of a CA Student's career. Since we all aspire and work hard for a better career, it is not possible to make a career in Chartered Accountancy without proper practical training. Two major career opportunities are available for the chartered accountants after completion of course, viz. job and practice. People tend to not take it seriously and regret later on, for not learning enough during their Articleship days. It's what you do at your office in your Articleship that sets the base for what you have to do in a job.

In your CA Articleship, your boss teaches you everything, forgives you for your mistakes, and doesn't throw you out, but in a job, when you won't know the basics, nobody's gonna teach you there. If we talk about the first one, the pass certificate may at best give them interview letter but it is difficult to face the interview board and convince them of what they want – knowledge of problem solving ability. At the same time as far as practice is concerned, it is impossible to set up one without practical knowledge.

So yes, in professional career, articleship from a good firm leaves a mark and will only help you to build your career.

-Thank you

Ms. Shruti Murali

(WR00546905)



Articles

Good Service Tax in India

The Goods and Services Tax Biller GST Bill, officially known as The Constitution (One Hundred One Amendment) Bill, 2014, proposes a national Value added Tax to be implemented in India[1] from 1 April 2017.

"Goods and Services Tax" would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by the central and state governments. Goods and Services Tax would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST-registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. Taxable goods and services are not distinguished from one another and are taxed at a single rate in a supply chain till the goods or services reach the consumer. Administrative responsibility would generally rest with a single authority to levy tax on goods and services.[1] Exports would be zero-rated and imports would be levied the same taxes as domestic goods and services adhering to the destination principle.

The introduction of Goods and Services Tax (GST) would be a significant step in the reform of indirect taxation in India. Amalgamating several Central and State taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market. The simplicity of the tax should lead to easier administration and enforcement. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%-30%, free movement of goods from one state to another without stopping at state borders for hours for payment of state tax or entry tax and reduction in paperwork to a large extent.

What changes there would be if India launches GST- "The tax rate under GST may be nominal or zero rated for the time being. It has been proposed to insulate the revenues of the States from the impact of GST, with the expectation that in due course, GST will be levied on petroleum and petroleum products." The central government has assured states of compensation for any revenue losses incurred by them from the date of introduction of GST for a period of five years.

Article By

Ms. Anmol Narayani



Insolvency and Bankruptcy Code

The Insolvency and Bankruptcy Code passed by the Parliament is a welcome overhaul of the existing framework dealing with insolvency of corporates, individuals, partnerships and other entities. It paves the way for much needed reforms while focusing on creditor driven insolvency resolution.

BACKGROUND

At present, there are multiple overlapping laws and adjudicating forums dealing with financial failure and insolvency of companies and individuals in India. The current legal and institutional framework does not aid lenders in effective and timely recovery or restructuring of defaulted assets and causes undue strain on the Indian credit system. Recognizing that reforms in the bankruptcy and insolvency regime are critical for improving the business environment and alleviating distressed credit markets, the Government introduced the Insolvency and Bankruptcy Code Bill in November 2015, drafted by a specially constituted 'Bankruptcy Law Reforms Committee' (BLRC) under the Ministry of Finance. Trilegal worked with the BLRC to assist with the drafting of the bill.

After a public consultation process and recommendations from a joint committee of Parliament, both houses of Parliament have now passed the Insolvency and Bankruptcy Code, 2016 (Code). While the legislation of the Code is a historical development for economic reforms in India, its effect will be seen in due course when the institutional infrastructure and implementing rules as envisaged under the Code are formed.

THE CODE

The Code offers a uniform, comprehensive insolvency legislation encompassing all companies, partnerships and individuals (other than financial firms). The Government is proposing a separate framework for bankruptcy resolution in failing banks and financial sector entities.

One of the fundamental features of the Code is that it allows creditors to assess the viability of a debtor as a business decision, and agree upon a plan for its revival or a speedy liquidation. The Code creates a new institutional framework, consisting of a regulator, insolvency professionals, information utilities and adjudicatory mechanisms, that will facilitate a formal and time bound insolvency resolution process and liquidation.



KEY HIGHLIGHTS

1. Corporate Debtors: Two-Stage Process

To initiate an insolvency process for corporate debtors, the default should be at least INR 100,000 (USD 1495) (which limit may be increased up to INR 10,000,000 (USD 149,500) by the Government). The Code proposes two independent stages:

Insolvency Resolution Process, during which financial creditors assess whether the debtor's business is viable to continue and the options for its rescue and revival; and

Liquidation, if the insolvency resolution process fails or financial creditors decide to wind down and distribute the assets of the debtor.

(a) The Insolvency Resolution Process (IRP)

The IRP provides a collective mechanism to lenders to deal with the overall distressed position of a corporate debtor. This is a significant departure from the existing legal framework under which the primary onus to initiate a reorganization process lies with the debtor, and lenders may pursue distinct actions for recovery, security enforcement and debt restructuring.

The Code envisages the following steps in the IRP:

(i) Commencement of the IRP

A financial creditor (for a defaulted financial debt) or an operational creditor (for an unpaid operational debt) can initiate an IRP against a corporate debtor at the National Company Law Tribunal (NCLT).



The defaulting corporate debtor, its shareholders or employees, may also initiate voluntary insolvency proceedings.

(ii) Moratorium

The NCLT orders a moratorium on the debtor's operations for the period of the IRP. This operates as a 'calm period' during which no judicial proceedings for recovery, enforcement of security interest, sale or transfer of assets, or termination of essential contracts can take place against the debtor.

(iii) Appointment of Resolution Professional

The NCLT appoints an insolvency professional or 'Resolution Professional' to administer the IRP. The Resolution Professional's primary function is to take over the management of the corporate borrower and operate its business as a going concern under the broad directions of a committee of creditors. This is similar to the approach under the UK insolvency laws, but distinct from the "debtor in possession" approach under Chapter 11 of the US bankruptcy code. Under the US bankruptcy code, the debtor's management retains control while the bankruptcy professional only oversees the business in order to prevent asset stripping on the part of the promoters.

Therefore, the thrust of the Code is to allow a shift of control from the defaulting debtor's management to its creditors, where the creditors drive the business of the debtor with the Resolution Professional acting as their agent.

(iv) Creditors Committee and Revival Plan

The Resolution Professional identifies the financial creditors and constitutes a creditors committee. Operational creditors above a certain threshold are allowed to attend meetings of the committee but do not have voting power. Each decision of the creditors committee requires a 75% majority vote. Decisions of the creditors committee are binding on the corporate debtor and all its creditors.

The creditors committee considers proposals for the revival of the debtor and must decide whether to proceed with a revival plan or liquidation within a period of 180 days (subject to a one-time



extension by 90 days). Anyone can submit a revival proposal, but it must necessarily provide for payment of operational debts to the extent of the liquidation waterfall.

The Code does not elaborate on the types of revival plans that may be adopted, which may include fresh finance, sale of assets, haircuts, change of management etc.

(b) Liquidation

Under the Code, a corporate debtor may be put into liquidation in the following scenarios:

- (i) A 75% majority of the creditor's committee resolves to liquidate the corporate debtor at any time during the insolvency resolution process;
- (ii) The creditor's committee does not approve a resolution plan within 180 days (or within the extended 90 days);
- (iii) The NCLT rejects the resolution plan submitted to it on technical grounds; or
- (iv) The debtor contravenes the agreed resolution plan and an affected person makes an application to the NCLT to liquidate the corporate debtor.

Once the NCLT passes an order of liquidation, a moratorium is imposed on the pending legal proceedings against the corporate debtor, and the assets of the debtor (including the proceeds of liquidation) vest in the liquidation estate.

Priority of Claims

The Code significantly changes the priority waterfall for distribution of liquidation proceeds.



After the costs of insolvency resolution (including any interim finance), secured debt together with workmen dues for the preceding 24 months rank highest in priority. Central and state Government dues stand below the claims of secured creditors, workmen dues, employee dues and other unsecured financial creditors. Under the earlier regime, Government dues were immediately below the claims of secured creditors and workmen in order of priority.

Upon liquidation, a secured creditor may choose to realize his security and receive proceeds from the sale of the secured assets in first priority. If the secured creditor enforces his claims outside the liquidation, he must contribute any excess proceeds to the liquidation trust. Further, in case of any shortfall in recovery, the secured creditors will be junior to the unsecured creditors to the extent of the shortfall.

2. Insolvency Resolution Process for Individuals/Unlimited Partnerships

For individuals and unlimited partnerships, the Code applies in all cases where the minimum default amount is INR 1000 (USD 15) and above (the Government may later revise the minimum amount of default to a higher threshold). The Code envisages two distinct processes in case of insolvencies: automatic fresh start and insolvency resolution.

Under the automatic fresh start process, eligible debtors (basis gross income) can apply to the Debt Recovery Tribunal (DRT) for discharge from certain debts not exceeding a specified threshold, allowing them to start afresh.

The insolvency resolution process consists of preparation of a repayment plan by the debtor, for approval of creditors. If approved, the DRT passes an order binding the debtor and creditors to the repayment plan. If the plan is rejected or fails, the debtor or creditors may apply for a bankruptcy order.

3. Institutional Infrastructure

(a) The Insolvency Regulator

The Code provides for the constitution of a new insolvency regulator i.e., the Insolvency and Bankruptcy Board of India (Board). Its role includes: (i) overseeing the functioning of insolvency



intermediaries i.e., insolvency professionals, insolvency professional agencies and information utilities; and (ii) regulating the insolvency process.

(b) Insolvency Resolution Professionals

The Code provides for insolvency professionals as intermediaries who would play a key role in the efficient working of the bankruptcy process. The Code contemplates insolvency professionals as a class of regulated but private professionals having minimum standards of professional and ethical conduct.

In the resolution process, the insolvency professional verifies the claims of the creditors, constitutes a creditors committee, runs the debtor's business during the moratorium period and helps the creditors in reaching a consensus for a revival plan. In liquidation, the insolvency professional acts as a liquidator and bankruptcy trustee.

(c) Information Utilities

A notable feature of the Code is the creation of information utilities to collect, collate, authenticate and disseminate financial information of debtors in centralized electronic databases. The Code requires creditors to provide financial information of debtors to multiple utilities on an ongoing basis. Such information would be available to creditors, resolution professionals, liquidators and other stakeholders in insolvency and bankruptcy proceedings. The purpose of this is to remove information asymmetry and dependency on the debtor's management for critical information that is needed to swiftly resolve insolvency.

(d) Adjudicatory authorities

The adjudicating authority for corporate insolvency and liquidation is the NCLT. Appeals from NCLT orders lie to the National Company Law Appellate Tribunal and thereafter to the Supreme Court of India. For individuals and other persons, the adjudicating authority is the DRT, appeals lie to the Debt Recovery Appellate Tribunal and thereafter to the Supreme Court.

In keeping with the broad philosophy that insolvency resolution must be commercially and professionally driven (rather than court driven), the role of adjudicating authorities is limited to



ensuring due process rather than adjudicating on the merits of the insolvency resolution.

By:- Mr. Mrugank Salunke

(WRO 0473700)



Tax Audit

What is tax audit?

The dictionary meaning of the term “audit” is check, review, inspection, etc. There are various types of audits prescribed under different laws like company law requires a company audit, cost accounting law requires a cost audit, etc. The Income-tax Law requires the taxpayer to get the audit of the accounts of his business/profession from the view point of Income-tax Law.

Section 44AB gives the provisions relating to the class of taxpayers who are required to get their accounts audited from a chartered accountant. The audit under section 44AB aims to ascertain the compliance of various provisions of the Income-tax Law and the fulfillment of other requirements of the Income-tax Law. The audit conducted by the chartered accountant of the accounts of the taxpayer in pursuance of the requirement of section 44AB is called tax audit.

The chartered accountant conducting the tax audit is required to give his findings, observation, etc., in the form of audit report. The report of tax audit is to be given by the chartered accountant in Form Nos. 3CA/3CB and 3CD.

What is the objective of tax audit?

One of the objectives of tax audit is to ascertain/derive/report the requirements of Form Nos. 3CA/3CB and 3CD. Apart from reporting requirements of Form Nos. 3CA/3CB and 3CD, a proper audit for tax purposes would ensure that the books of account and other records are properly maintained, that they faithfully reflect the income of the taxpayer and claims for deduction are correctly made by him. Such audit would also help in checking fraudulent practices. It can also facilitate the administration of tax laws by a proper presentation of accounts before the tax authorities and considerably save the time of Assessing Officers in carrying out routine verifications, like checking correctness of totals and verifying whether purchases and sales are properly vouched for or not. The time of the Assessing Officers saved could be utilised for attending to more important and investigational aspects of a case.

As per section 44AB, who is compulsorily required to get his accounts audited, i.e., who is covered by tax audit?



As per section 44AB, following persons are compulsorily required to get their accounts audited :

A person carrying on business, if his total sales, turnover or gross receipts (as the case may be) in business for the year exceed or exceeds Rs. 1 crore.

A person carrying on profession, if his gross receipts in profession for the year exceed Rs. 50 lakhs.

A person who is eligible to opt for the presumptive taxation scheme of section 44AD (*) but claims the profits or gains for such business to be lower than the profits and gains computed as per the presumptive taxation scheme of section 44AD and his income exceeds the amount which is not chargeable to tax.

If an eligible assessee opts out of the presumptive taxation scheme, after specified period, he cannot choose to revert back to the presumptive taxation scheme for a period of five assessment years thereafter.

A person who is eligible to opt for the presumptive taxation scheme of section 44ADA (*) but he claims the profits or gains for such profession to be lower than the profit and gains computed as per the presumptive taxation scheme and his income exceeds the amount which is not chargeable to tax.

A person who is eligible to opt for the presumptive taxation scheme of sections 44AE (*) but he claims the profits or gains for such business to be lower than the profits and gains computed as per the presumptive taxation scheme of sections 44AE.

A person who is eligible to opt for the taxation scheme prescribed under section 44BB (*) or section 44BBB (*) but he claims the profits or gains for such business to be lower than the profits and gains computed as per the taxation scheme of these sections.

(*) section 44BB is applicable to non-resident taxpayers engaged in the business of providing services or facilities in connection with, or supplying plant and machinery on hire basis to be used in exploration of mineral oils. section 44BBB is applicable to foreign companies engaged in the business of civil construction or erection of plant or machinery or testing or commissioning thereof, in connection with a turnkey power project.

If a person is required by or under any other law to get his accounts audited, then is it compulsory for him to once again get his accounts audited to comply with the requirement of section 44AB?

Persons like company or co-operative society are required to get their accounts audited under their respective law. Section 44AB provides that, if a person is required by or under any other law to get his accounts audited, then he need not again get his accounts audited to comply with the requirement of section 44AB. In such a case, it shall be sufficient if such person gets the accounts of such business or profession audited under such law and obtains the report of the audit as



required under such other law and also a report by the chartered accountant in the form prescribed under section 44AB, i.e., Form No. 3CA and Form 3CD.

What are Form Nos. 3CA/3CB and 3CD?

The report of the tax audit conducted by the chartered accountant is to be furnished in the prescribed form. The form prescribed for audit report in respect of audit conducted under section 44AB is Form No. 3CB and the prescribed particulars are to be reported in Form No. 3CD.

In case of persons covered under previous FAQ, i.e., who are required to get their accounts audited by or under any other law, the form prescribed for audit report is Form No. 3CA and the prescribed particulars are to be reported in Form No. 3CD.

What is the due date by which a taxpayer should get his accounts audited?

A person covered by section 44AB should get his accounts audited and should obtain the audit report on or before the due date of filing of the return of income, i.e., on or before 30th September (*) of the relevant assessment year, e.g., Tax audit report for the financial year 2013-14 corresponding to the assessment year 2014-15 should be obtained on or before 30th September, 2014.

(*) In case of a taxpayer who is required to furnish a report in Form No. 3CEB under section 92 in respect of any international transaction or specified domestic transaction, the due date of filing the return of income is 30th November of the relevant assessment year.

The tax audit report is to be electronically filed by the chartered accountant to the Income-tax Department. After filing of report by the chartered accountant, the taxpayer has to approve the report from his e-filing account with Income-tax Department (i.e., at www.incometaxindiaefiling.gov.in).

What is the penalty for not getting the accounts audited as required by section 44AB?



According to section 271B, if any person who is required to comply with section 44AB fails to get his accounts audited in respect of any year or years as required under section 44AB, the Assessing Officer may impose a penalty. The penalty shall be lower of the following amounts:

(a) 0.5% of the total sales, turnover or gross receipts, as the case may be, in business, or of the gross receipts in profession, in such year or years.

(b) Rs. 1,50,000.

However, according to section 273B, no penalty shall be imposed if reasonable cause for such failure is proved.

By:-

Mr. Amit Khadke



Events snapshots

MockTest Series 1 Counselling Session for Final attempt NOV17 conducted by CA Paresh Dhanwani on 25.09.2017



CA Paresh Dhanwani guiding the student for exam`

