Gurugram Branch of NIRC

The Institute of Chartered Accountants of India

(Set up by an act of parliament)

Chartered Accountant

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Index

Chairman's Message

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Dear Professional Colleagues,

Namaskar,

I Wish all of you a very very Happy Greetings for the Season!

I am again delighted to communicate with all of you through this Fourth communication, the purpose of which is to brief you about the activities going on and new developments at the branch level, disscuss the future plans and seek your valuable feedback and suggestions. I am also very thankful to the members who gave their valuable suggestions on the programmes, newsletter, faculties etc. I also wish to thank all the members who volunteered their help in the better functioning of the Branch.

Hope all of you had a great summer time with family and friends and have enjoyed and energized yourself to take head on with challenges one encounters in the current business scenario which is filled with latest changes and new laws and regulations in every realm of our profession.

Our economy is in phase of transition especially in the light of various regulatory changes happening in different areas which gives more opportunities and challenges for our profession. The major areas which are under change are namely a few:-

a. The Implementation of GST Law –The Major tax reform in Indirect Tax Law One Nation One Tax on its way and countdown has already begun.

b. Convergence of IND AS and IFRS

c. Impact of Insolvency and Bankruptcy Code

d. Prevention of Money laundering act and Benami Transactions

e. Income Computation and Disclosure Standards

f. Income Declaration IDS and Demonetization scheme-Anti Black Money Drive

Our Institute is also playing a vital role in being implementation of GST law specially Indirect Tax Committee of ICAI.Indirect Tax Committee of ICAI is organising various seminars, conferences, group discussions, live webcasts and opening of GST Sahatya desks so that no corner of the country should leave unattached for not having the knowledge of GST.

In Past Month Of May Some of the Handy and knowledge imparting conferences were held on latest and hot topics for our profession which has been summarized as below:-

1. We have successfully and organized GST certification course Organised by Indirect Tax Committee of ICAI and Hosted by our branch.
2. We have also organized Residential Programme for our members "Work Without Stress" which has got overwhelming response.
3. We have also organized Three Days Refresher course for our students on GST in which more than 300 students took participation.
4. We have organized Elocution Contest for students and out of the participants Two of Our rising Stars Mr Mridul Gupta and Mr Rajat Sapra has won Ist and 2nd Prize respectively at branch and we must say all the good wishes for regional level and final level.
5. We have also organized Seminar on Income Computation and Disclosure Standards which has got very good response.

We at Branch always believe that the success cannot be achieved by one way performance and every member and Student of Gurgaon Branch is contributing in its success and therefore we look forward for your feedback and suggestions for continuous improvement in the services rendered by our branch and also requesting everyone to come out of new innovations and ideas for the benefits of our members and students. Looking forward to give you more updates and have your support in our future endeavors.

Thanking You,

CA. Sandeep Garg
(Chairman)
Gurugram Branch of NIRC of ICAI

Secretary's Message

Dear Professional Colleagues and Students,

Esteemed Members, **"Small drops of water, make a mighty ocean; Small books together, make a big library; Start may be small, but the end will be bigger and brighter"**
Hearty Greetings, Dear professional friends, Hope all of you had a great summer time with family and friends and have enjoyed and energized yourself to take head-on with the challenges one encounters in the current business world which is endlessly evolving with new laws and regulations in every realm of our profession.

Way back in 1949 Indian constitution enacted the Chartered Accountants Act and thus our profession got a national recognition. On 1st July, 2017 we are going to complete 68 years. Our institution is one of the rarest institutes that has working in such an organized manner from Central Council to Regional Councils and then the Branches. With its humble start, profession has grown in leaps and bounds and ICAI has achieved recognition as an esteemed Accounting Body not only in the country, but also globally. As such it is the responsibility of every CAs, to keep up the lofty standards that have been set by the predecessors, safeguarding the interest of our profession. The twin letters **"CA"** signify the symbol of Trust. At this point of time, I would like to reiterate the fact that, we must discharge our duties with utmost care and caution. We play a pivotal role in the growth and development of our great nation. Our branding and high working has given us the tag line for "Partner in Nation Building". This tag line shows the importance of our fraternity on the economy of our Country.

Our economy is in a phase of transition especially in the backdrop of various regulatory changes happening in different areas of CA profession. To name a few:

- Income declaration and demonetization scheme - the antiblack money drive
- Convergence of Ind AS with IFRS · Impact of insolvency and bankruptcy code-2016
- The implementation of GST law – the most radical reform India has ever faced.

Amidst this, we are happy to inform you that Gurugram Branch is always proactive in conducting various programmes focusing to help the members to update and to maintain the highest standards of professional competency and to fulfil the foremost duty and prime responsibility to equip our CA Fraternity so as to enable us to perform with utmost skill and expertise without any hindrances. Therefore, we always look forward to organize maximum number of qualitative programs on contemporary and emerging topics. Yoga Day will be organized on 21st of June being International Yoga Day. Also the branch is taking various initiatives to make students and members acquainted with the GST. A 3 days refresher course on GST was organized from 25th to 27th of May for students. The branch is also going to establish **GST Sahayata Kendra**. Further a two-day awareness program on **Ind-AS** is being organized by the branch.
Gurugram Branch is open to new ideas and programs. So all members are requested to give suggestions and contribute your thoughts. We are trying to bring in all the novel programs. But your suggestions and ideas will encourage us. It is rightly said by Mahatma Gandhi **"Live as if you were to die tomorrow, Learn as if you were to live forever."** So let's all continue the process of learning, unlearning and relearning.

Manish Goyal

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37 Returns in a year is sinful

GST countdown has began and it is almost certain that it would come into effect very soon if not July 1. Even before it has come into effect there are sharks like eagle minds and agencies that have evolved an overnight solution and promise to ease out the burden of the taxpayer in invoice wise data upload to return auto population. While the intent to have one tax (GST) is not questionable but what would be important is the manner in which the new regulation is put into practice and enforced. While the States and Union are looking at the best possible way to churn out maximum possible revenue out of GST implementation nobody has seriously looked at the amount of compliance burden that is being fastened upon the taxpayer of which a large section is a small and medium enterprise and trading community. At the end of the day we have multiplicity of dates, rates, forms, headings and classifications and the manifold compliances as these have been there in the past. Nothing has changed really and one is grappling with the various rates and classifications that befit his item of supply. There are different set of rates even within each heading so it is going to be an uphill task for a taxpayer as well as the practitioner to manage initially.

Accounts and Records Keeping

Chapter VIII mandates maintenance of certain accounts and records by a registered dealer. **Section 35 necessitates maintenance of records for each one of the following:**

(a) production or manufacture of goods;

(b) inward and outward supply of goods or services or both;

(c) stock of goods;

(d) input tax credit availed;

(e) output tax payable and paid; and

(f) such other particulars as may be prescribed:

Under sub-section (5) of section 35 a registered person is further required to get its accounts audited.

Firstly one would be failing to understand the relevance of production records in the context of a trader or service provider. Likewise production or stock records are irrelevant as far as section 9 of the CGST Act, 2017 which stands to levy and collect tax on all intra –state supplies of goods and services or both. Now that the tax incidence is supply based the production or stock records are not so important. Moreover the returns and details that are called upon are only for outward and inward supplies of goods or services so that the requirement to have such records is not understandable.

Returns

Most importantly Chapter–IX of the CGST Act cast a responsibility upon a registered person to upload details of outward supplies and inward supplies every month, debit and credit notes issued/received against previous supplies. Moreover such details have to be validated inter se among the supplier and recipient every month and only thereafter shall the supplier is obliged to file a monthly return incorporating the changes on account of debit or credit notes and correction in invoice for any mismatches during a particular month. For instance the details of outward supplies furnished by the supplier shall be made available electronically to the concerned registered persons (recipients) in Part A of FORM GSTR-2A through the Common Portal after the due date of filing of FORM GSTR-1 of outward supplies. Likewise the details of inward supplies added, corrected or deleted by the recipient in his FORM GSTR-2 of inward supplies under section 38 shall be made available to the supplier electronically in FORM GSTR-1A through the Common Portal and such supplier may either accept or reject the modifications made by the recipient and FORM GSTR-1 of outward supplies furnished earlier by the supplier shall stand amended to the extent of modifications accepted by him.

The back to back obligation to submit outward and inward supplies details followed by a back and forth validation and matching among the supplier and recipient every month is going to be a hugely burdensome task upon the taxpayers. Moreover this involves duplication of activity as the registered supplier has to pre-validate each invoice, debit note, credit note received from his supplier apart from submitting his outward details. For the fact that adjustment of advances and debit and credit notes often follow a time ranging from one to three months it is unwise to expect 100% matching possible into the books of the recipient in each month.

In the overall interest it is thus better that the record keeping and return filing obligations are initially minimized and be kept at lower scale. Further, instead a quarterly form of details of outward and inward supplies be entertained. Moreover the returns filing obligation should be switched to six month interval to soften the burden upon the taxpayer.

Non-Current Assets Held for Sale – IFRS 5

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1.Background

- This standard becomes very popular due to the global recession. When the P.P.E. was being presented in the statement of financial position, there used to be a question that why the return on fixed assets or P.P.E. is lesser compares to competitors? The reply to this question by the entities is that we had invested in new costly machines and the old machines are lying since we are planning to sell them off.
- Now if the logic is applied, the surplus machines which are planned to be sold as not to be used in the operations of the entity- why should we show them in P.P.E.? And why we should unnecessary spoil the ratio being return on fixed asset or return on P.P.E. and return on EBIT by charging depreciation on such assets? Therefore the standard comes into existence which requires assets which are planned to be sold should not be depreciated and measured at the lower of their carrying amount and fair value. Also they should be presented and disclosed separately. This article covers only one part of the standard i.e. Non-Current assets held for sale.

2. Main principle of IFRS 5

- Non-Current assets held for sale are separated from other assets as their classification will change and their value will be principally recovered through sale rather than through continuous use in operations of the entity. This standard specifies the accounting for assets held for sale.

3. Scope

- An entity should apply this standard to all its recognised non-current assets and disposal group. The measurement provision of this standard will not apply to the following assets either as a individual assets or as part of disposal group :

◊ Deferred Tax Assets (IAS 12 Income Taxes)

◊ Assets arising from Employee Benefits (IAS 19 Employee Benefits)

◊ Financial Assets (IFRS 9 Financial Instruments)

◊ Non-Current Assets that are measured using Fair Value model (IAS 40)

◊ Non-Current Assets that are measured at Fair Value Less Cost to Sell (IAS 41)

◊ Contractual Rights under Insurance Contracts (IFRS 4 Insurance Contracts)

- The provision of this IFRS also applies to the disposal Group as long as a non-current asset within the scope of this standard is part of a disposal group. It may be a single, group or part of a cash generating unit. It may include any assets and any liabilities including current asset and current liabilities and assets excluded from the measurement scope of IFRS 5.
- The provisions of this IFRS also applies to a non-current asset (or disposal group) that is classified as held for distribution to owners acting in their capacity as owners (held for distribution to owners)

4. Classification requirement of non-current assets (or disposal group) as held for sale

- An entity should classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuous use in the operations of the entity.
- Asset must be available for immediate sale in its present condition and Sale must be highly probable are the two key conditions to classify a non-current asset as held for sale.

4.1 Available for Immediate Sale

The asset (or disposal group) must be available for immediate sale in its present condition. The terms that are usual and customary for sale of such assets (or disposal group) doesn't disqualify to being classified as held for sale. However they will be considered as not available for immediate sale if they continue to be vital for the entity's ongoing operations or being refurbished to enhance their value.

4.2 Sale must be highly probable

This Standard defines 'highly probable' as 'significantly more likely than probable' where probable means more likely than not. IFRS 5 prescribes following five conditions to be satisfied for the sale to qualify as highly probable:

1. The appropriate level of management must be committed to a plan to sell the asset (or disposal group).
2. An active programme to trace a buyer and complete the selling plan must have been initiated.
3. The asset (or diposal group) must be marketed for sale at a price that is reasonable in relation to its current fair value.
4. The sale transaction is expected to be completed within one year from the date of classification.
5. Significant changes to or withdrawal from the plan to sell the asset are unlikely.

4.3 Other Key Points

A)- Loss of Control in Subsidiary

An entity which has committed to a sale plan which involves loss of control of subsidiary should classify all the assets and liabilities of that subsidiary as held for sale when the criteria set out above is met.

B)- Exception to the period of One year

- An entity can still classify an asset (or disposal group) as held for sale, even if the timeframe of one year to conclude the sale transaction has lapsed. For this

I. The delay must have been caused by the events or circumstances which are beyond the control of the entity and

II. There must be sufficient evidences that the entity is still committed to it selling plan.

C)- Sale includes exchange

- Sale transaction includes exchange of non-current assets for other non-current assets when the exchange has commercial substance in accordance of IAS 16 Property, Plant and Equipment.

D)- Asset acquired exclusively with a view to subsequent disposal

- When an entity acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, the non-current asset (or disposal group) is classified as held for sale at the acquisition date. This standard provides a short period (usually three months) to meet the classification criteria that don't met at the acquisition except requirement of one year.

E)- Criteria met after reporting period

- If the criteria of held for sale are met after the reporting period but before the date of authorisation the financial statements, a non-current asset should not be classify as held for sale. However the entity should disclose the necessary information as required by this standard. Hence this should be called as a non-adjusting event in accordance of IAS 10.

F)- Classification as held for distribution

- An entity should classify a non-current asset (or disposal group) as held for distribution to its owner on a parallel line as discussed above required for classification as held for sale.

G)- Non-current assets to be abandoned

- Non-current assets (or disposal group) that need to be abandoned will not qualify to classify as held for sale because their carrying amount will be principally recovered through continuing use in the entity's operation rather through the sale. If however, the disposal group to be abandoned meets the criteria as prescribed in IFRS 5 to be classified as a discontinued operation, then the disclosure regarding discontinued operation must be presented.

5. Measurement of a Non-Current Asset (or Disposal Group) Classified as Held for Sale

- After a non-current asset (or disposal group) is classified as held for sale then next thing required is that at what value and where it should be presented in the financial statement of the entity.

5.1 Measurement Principles

- Immediately before the initial classification as held for sale, the carrying amount of asset (or all the asset and liabilities in the disposal group) is measured in accordance with the applicable IFRSs.
- After the held for sale criteria is met, asset (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.
- Cost to sell needs to be taken at its present value if a sale is expected to occur beyond one year. The unwinding of the discount is recognised as finance cost.
- On subsequent remeasurment of a disposal group, the carrying amount of any asset and liabilities that are not within the scope of the measurement of this standard, but included in disposal group, should be remeasured in accordance with the applicable IFRSs before the fair value less cost to sell of the disposal group is measured.
- Non-current asset (or disposal group) classified as held for distribution are also measured on same line as non-current asset (or disposal group) classified as held for sale.

5.2 Recognition of Impairment Losses and Reversals

- An impairment loss is recognised if assets' (or disposal group) fair value less cost to sell is lower than its carrying amount.
- Impairment loss is calculated based on the difference between adjusted carrying amount and fair value less cost to sell of asset (or disposal group).
- A gain is recognised for any subsequent increase in fair value less cost to sell. This gain recognised should not be in excess of the cumulative impairment loss that was previously recognised in terms of IFRS 5 or IAS 36.
- The impairment loss (or any subsequent gain) for a disposal group generally allocated or reversed following the principle prescribed under IAS 36.
- Non-current asset classified as held for sale are not depreciated or amortised.
- Impairment loss on asset (or disposal group) is charged to the Profit or Loss.
- Gain or loss is recognised on sale of non-current asset (or disposal group) at the date of derecognition.

5.3 Changes to a plan of sale

- If the criteria for held for sale or held for distribution are no longer met, the entity needs to stop presenting asset (or Disposal group) as held for sale or held for distribution. This change is required to be made prospectively.
- Asset (or disposal group) are recorded at the lower of the:
- carrying amounts of the asset (or disposal group) that would have been had asset (or disposal group) were not classified as held for sale or held for distribution and
- recoverable amount at the date of the subsequent decision not to sell or distribute.
- Any resulting gain or loss should be recognised in profit or loss from continuing operation in the period in which the criteria no longer met.

6.Presentation and Disclosures of a non-current asset (or disposal group) classified as held for sale

- Entity should present and disclose information about non- current asset (or disposal group) classified as held for sale in such a manner that enable the user of financial statements to evaluate financial effects of non-current asset (or disposal group) classified as held for sale.

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When an Entity is being acquired by another Entity, it has two way to look at it, first being 100% acquired where all controlling rights will be with Parent Entity only, another could be where the control is less than 100% which arises a situation to have another interested party who has rights in the Investee but it is not a controlling interest.

It loosely call it as Minority Interest also where the holder/s of these portion of voting rights do not have controlling interest in the Investee.

Now,

At initial recognition, the Standard provides a policy choice to measure such non-controlling interest portion either at proportion of the fair value of net assets identified for the purpose of Ind-As 103-Business combination accounting OR at fair value (only that non-controlling portion).

Let's first refer the relevant guidance over such concept and then we will take an example to understand the concept-

Ind-As 103 – Business Combinations

Para -19 – "For each business combination, the acquirer shall measure at the acquisition date

components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

(a) fair value; or **(b)** The present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets,

All other components of non-controlling interests shall be measured at their acquisition date fair values, unless another measurement basis is required by Ind AS.

Ind-As 110 – Consolidated Financial Statements-Appendix B

Para B89 – "When potential voting rights, or other derivatives containing potential voting rights, exist, the proportion of profit or loss and changes in equity allocated to the parent and non-controlling interests in preparing consolidated financial statements is determined solely on the basis of existing ownership interests and does not reflect the possible exercise or conversion of potential voting rights and other derivatives.."

Now,

Let's take an example to understand the concept –

Example –

ABC Limited has acquired 70% of voting shares in XYZ limited on January 2017. The net asset fair value of XYZ limited at the date of acquisition calculated as INR 100 million. The fair values as calculated for the non-controlling interest portion i.e.30% was INR 80 million.

ABC limited has paid INR 180 million for purchasing such stake.

Suggested approach:

ABC limited has policy choice to either create full goodwill or upto its own shares, in other words the non-controlling interest can be valued either at Fair value or at proportionate net asset fair value. Below are journal entries in both scenarios –

FULL Goodwill approach (Measurement of NCI at FAIR VALUE)

		(in INR million)	
Net assets identified (per Ind-As 103)	Dr.	100	
Goodwill	Dr.	160	
To Cash/ Bank	Cr.		180
To Non controlling Interest	Cr.		80

Net assets identified (per Ind-As 103)	Dr.	100	
Goodwill	Dr.	110	
To Cash/ Bank	Cr.		180
To Non controlling Interest	Cr.		30
To Non controlling Interest	Cr.		80

Now,

Let's summarize the example above –

Goodwill value has changed from INR 160 Million to INR 110 Million which essentially because of, we have recognized NCI at fair value and the difference between INR 160 & INR 110 = INR 50 million is because of fair value of NCI i.e. INR 80 million has changed to INR 30 million in case proportionate percentage of net asset fair value,

Fair value of NCI would required to be calculated independently and one should not construed a proportionate value of Total Net assets fair value. Both number would be calculated separately,

Full Goodwill vs. Partial Goodwill represents the recognition of Goodwill only upto the part of controlling entity without considering the fair valuation of a non-controlling interest,

This is a policy choice available to the entity who has acquired controlling interest and it can be used only at INITIAL RECOGNITION and can not be change later, The allocation of proportionate NCI percentage will be based on actual voting shares involved other then any potential voting rights (refer para B89 of Ind-As 110 mentioned above),

It is interesting to note that the policy choice will change the balance sheet numbers and would reflect all together different picture of the consolidated Balance Sheet. Management needs to select the policy carefully as the change will not be permitted in future periods.

Readers will appreciate about the main objective of the standard and an approach which one can follow while keeping in mind the basis of origin of such requirements. There could possibly be some specific situations or circumstances where the interpretation of any standard will be different as we should always keep in mind that IND-AS is principle based standards and lot more areas need management judgment in line with the standards relevant interpretation and best practices.

One has to look into all related facts and patterns before concluding this type of assessment based on this concept. Readers are requested not to take this article as any kind of advice (it is not exhaustive in nature) and should evaluate all relevant factors of each individual cases separately.

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To determine the value on which GST would be levied has been described in the Chapter IV of CGST ACT, 2017. The Provision says that there are five items such as taxes under other statutes, interest or late fee for the delayed payment of consideration, incidental expenses, subsidy etc, which should be included in the transaction value. There is one exclusion i.e. Discount which should be excluded from the Transaction Value. However there are certain transactions (such as barter, exchange, transaction with related parties, transaction between principal and agent) for which we have to refer to the valuation rule prescribed under GST Act. Different scenario under which we have to refer Valuation rule has been provided in the PPT enclosed.

Detailed provisions of Transaction Value u/s 15 of the CGST act are as under:

1. Valuation of Goods and/or Service [Section15(1)]

"Transaction Value" is the basis for Valuation for supply of goods and/or services under the GST Regime. For the levy of tax i.e. GST first we have to determine the transaction value. 'Transaction Value' is the price actually paid or payable for supply of goods and/or services.

This is subject to dual condition as mentioned below:

- Supplier and recipient of the supply are not related; and
- Price is the sole consideration for the supply

Transaction Value cannot be based on MRP

Under Section 4A of the Central Excise Act, the central Government has the power to notify the goods which shall be valued on the basis of MRP less Abatement permitted. However, GST Act there is no provision for determination of value on the MRP basis. Thus, in all cases liability of GST will be determined based on the transaction value.

Analysis of the term **"Price actually paid or payable for supply of goods and/or services"**

Section 15(1) clearly speaks that transaction value shall be the price actually paid or payable for the supply of goods and services .It shows that there should be some nexus between supply of goods/services and the amount received by the supplier of goods and services. The contract will indicate the amount payable by the recipient for the supply of goods and services.

Example-1:

An Audit firm based in Delhi undertake an audit assignment of his client based in Gurgaon. The Contract mentioned about the audit fees of Rs 100000 and arrangement of taxi by the Clint who is which may be worth Rs 5000.

Thus here the price payable by the Clint who is towards audit is Rs. 105000 (not only audit fees but also the expenditure incurred in connection with the taxi R.s 5000)

Example-2:

Take the example of custom house agent. In the course of clearance of the goods Mr X an CHA incurred an amount of Rs 50,000 as custom duty. Such type of expenses is paid by the agent, in order to avoid the delay in clearance, which are subsequently reimbursed by the importer. Such type of expenses can not be form part of transaction value as these are the reimbursement but such reimbursement is not for the service rendered. Therefore Rs 50000 will not form part of transaction value.

2. Inclusions in the Transaction Value [Section 15(2)]

The transaction value shall include the following:

Taxes under other statute

Any taxes, duties, cesses, fees and charges levied under any statute other than GST Act/IGST Act, if charged separately by the supplier to the recipient.

Example-3:

As per rent contract, tenant required to pay local tax directly to the local body or to owner of the premise. Such local tax may form part of consideration for the supply of renting service.

Example-4:

Levy of entertainment tax by local authority is not subsumed in the GST .Therefore right to levy is still available with local authority and consequently it appears that any entertainment tax charged by the local authority will form part of transaction value.

Any amount for which supplier is liable to pay

Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods and/or services.

Example-5:

Mr X, purchaser, has placed an order to supply a product "Packed in Carton" to Mr Y (supplier). As per the contract Mr Y is required to deliver the goods in the premises of Mr X. Thereafter Mr Y hires a transporter for transportation of goods. The lorry receipt of which indicate that freight is payable by receiver of goods (Mr X). In this case Mr Y was required to make the payment to the transporter as it is the obligation of Mr Y to deliver the goods to the premises of Mr X. Here in lieu of Mr Y, payment is being made by Mr X .Therefore, such payment will form part of transaction value of product.

Thus, in a contract, the obligation undertaken by the supplier for making supply of goods needs to be determined. All the expenses in respect of such obligation must be incurred by the supplier. But here the supplier was under obligation for which receiver has made the payment therefore the payment in connection with the supply i.e. Transportation will form part of transaction value.

Example-6:

A Chartered Accountant conduct an audit at client premises out of the state and hotel payment is made by the client. Here the payment made to hotel by the client will be included in the transaction value.

Incidental expenses

1. Incidental expenses, such as commission and packing ,charged by the supplier to the recipient of a supply, including

2. Any amount charged for anything done by the supplier in respect of the supply of goods and /or services at the time of, or before delivery of the goods or, as the case may be, supply of the services;

Example-7: Packing

Mr X goes to haldiram outlet and buys dryfruit worth Rs. 2000 . Mr X ask for the special packing for which Rs 500 is charged for packing . Here the transaction value will be Rs 2500 .

The amount for special packing is separately payable by the recipient to the supplier. The cost of such packing will be included in the value of supply even if the cost of packing is separately paid by the recipient.

Example-8: Commission

A company appoints an agent to procure order of goods from buyer. Agent procures an order @ Rs.100 rupees. Now Seller company ask the buyer to pay only to supplier @Rs. 98 only and pay Rs 2 directly to the agent. Here GST will be charged on full Rs.100 as the Rs. 2 is the commission for this transaction.

Example-9: Anything done Before sale

A company advertises for sale of installed plant and machinery to sale the same on "as is where basis is". In this case cost of dismantling the plant will also be included in the transaction value as the dismantling activity has nexus before sale of goods.

Interest or late fees

Interest/late fee/penalty for delay in payment of consideration for supply will form part of value.

Example-10:

Mr. X has supplied goods to Mr. Y on credit of 30 days. The contract provides that interest will be charged at the rate of 18% for delay in making payment of supply. It is specifically provides that such interest will form part of consideration and GST will be payable.

Comments: This provision is likely to have litigation as in most of the cases supplier is unable to recover the interest although it is mentioned in the contract.

Subsidies : Subsidies directly linked to the price.

(Except subsidies provided by the central and state Governments).

Explanation: The amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy.

Example-11:

Subsidy Linked to the price

Suppose, C sells goods and gets price support from its Manufacturer. The subsidy so received will form part of transaction value.

Example-12:

Subsidy not Linked to the price

Tisco General Office Recreation Club v. State of Bihar (2002) 126 STC 547 (SC), appellant, a dealer, was running a canteen for employees of the company. The prices were below cost price. However, TISCO, without any statutory obligation, as a staff welfare measure, was making good the excess of expenditure over income. The subsidy was not relatable to any item of food. It was held that the lump sum subsidy made ex gratia cannot form part of sale price and not to be included in transaction value.

Example-13:

Subsidy provided by CG or SG(not linked to price)

Government gives subsidy on supply of cooking gas cylinder to poor families. Nowadays such subsidy is transferred to the bank account of poor family directly and the company making supply of cylinder sells the goods at a fixed price and not at the subsidized rate. The amount of subsidy is directly credited to the bank account and the same is not received by the said company. Therefore such subsidy will not be considered as part of transaction value because this is not linked to the price and also the same is provided by Government.

Example-14:

Subsidy provided by CG or SG (linked to the price)

Sale of urea by the manufacturer at the recommended price by the Government (i.e. at cheaper price) to make urea at a cheaper price.The supplier is paid the subsidy directly by the Government. Here the subsidy is not to be included in the transaction value. Though it is related to the price but the same is provided by the Government therefore subsidy will not be included in the transaction value.

3. Exclusions from the Transaction Value [Section 15(3)]

The value of the supply shall not include any discount that is given:

(a) Discount given before or at the time of the supply provided such discount has been duly recorded in the invoice issued in respect of such supply; and

(b) Discount given after the supply has been effected but:

I. such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoice; and

II. Input tax credit has been reversed by the recipient of the supply as is attributable to the discount issued by the supplies.

The Discount which can be excluded from the transaction value can be summarised as below:

Discount

- Shown in Invoice
- Not shown in Invoice but offered as per terms of Contract

Example-15: Discount shown in invoice

In many cases company offers trade discount to dealers depending upon the volume of supply. Such discount is reflected on the face of invoice therefore transaction value will be the price after discount.

Say, for instance, price of a car is Rs. 5 Lacs and a discount of 5% is given being the year end sale. Here the transaction value will be Rs. 4.75 Lacs i.e. after discount which will not be included in transaction value..

Example-16: Discount not shown in invoice

Mr. A purchases an Air Conditioner from Mr. B for Rs. 20000 on credit on July 1, 2017. On August 1, 2017, Mr. A gives discount of Rs. 5000 to Mr. B and Mr. B makes payment of Rs. 15000. Here if the discount is not known before or at the time of supply, then transaction value will be Rs. 20000. But if discount is based on terms of contract or terms of payment then transactionvalue will be Rs 15000 only.

Section 15(4) provides that where the value of supply of goods or services cannot be determined under section 15(1), the same shall be determined in the manner as may be prescribed.

Section 15(5) states that, notwithstanding anything contained in section 15(1) or section 15(4), the value of such suppliers as may be notified by the central or a state government in this behalf on the recommendation of the GST council, shall be determined in such manner as may be prescribed.

4. Definition of important terms used in this chapter

Related person

As given in the explanation to the Section 15 of f GST Act, "persons shall be deemed to be "related persons" if only -

a. they are officers or directors of one another's businesses;

b. they are legally recognized partners in business;

c. they are employer and employee;

d. any person directly or indirectly owns, controls or holds twenty five per cent or more of the outstanding voting stock or shares of both of them;

e. one of them directly or indirectly controls the other;

f. both of them are directly or indirectly controlled by a third person;

g. together they directly or indirectly control a third person or they are members of the same family;

Explanation I- The term "person" also includes legal persons.

Explanation II - Persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

Thus, if transaction is with the related person then the supplier has to substantiate that the value of supply is not influenced because of relationship. How the value of supply of services will be substantiated will be very difficult and cumbersome task.

1. Consideration

The value on which GST is to be charged primarily depends upon the consideration received for taxable supply of goods and / or services, which is defined under section 2(31) of the CGST/SGST Act, as under.

"Consideration" in relation to the supply of goods or services includes:

A. Any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a state Government.

B. The monetary value of any act or forbearance, whether or not voluntary in respect of, in response to, or for the inducement of, the supply of goods or services, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

In simple words, Consideration may have following features:

1. It can be monetary or non-monetary.
2. It can be given to/by third person.
3. It should be lawful.
4. Forbearance/abstinence can be consideration.
5. Compromise or composition is consideration.
6. It should be certain.

2. Deposit can not be considered as Consideration

Deposit, whether refundable or not, given in respect of the supply of goods or services shall not be considered as payment made for the supply unless the supplier applies the deposit as consideration for the supply.

3. Fines and penalty can not be considered as Consideration

The amount received as fines or penalty for violation of statutory provision will not be considered as consideration. This has been clarified in Para No. 2.3.1 to 2.3.3 of CBEC Education Guide.

4. Meaning of "price is the sole consideration for supply"

Section 15(1) further provides that price should be the sole consideration for supply. If any additional consideration, whether monetary or non-monetary terms is received, the value of such consideration shall be added to the consideration to arrive at the transaction value. Interpretative Notes provide that payment made directly or indirectly by the recipient to the supplier will constitute the price actually paid or payable.

Example-17: Indirect payment

Settlement by buyer whether in whole or in part of debt owned by the seller. This can be elaborated with an example. Mr. X makes a supply of Rs. 2 lakhs to Mr. Y and contract provide that Mr. Y will pay Rs. 50,000 to Mr. X and Rs. 1,50,000 to Mr. Z to settle debt of Mr. X. In this case the price of Rs. 50,000 is not the sole consideration for sale. The amount of Rs. 1,50,000 payable by Mr. Y to Mr. Z is also part of consideration for supply of goods. Therefore GST will be paid on entire amount of Rs. 2 lakhs not only on Rs. 50,000.

5. How invoice, Credit note will be issued in respect of Charges and Discount in the GST Regime – Explained with Example

Example-18:

M/S Carwala Ltd sells a car worth Rs 4,00,000 to "B Automobiles".

- They incur packing charges of Rs 5,000 on the car
- They provide a discount of 1% on the price, as part of Diwali scheme
- M/S Carwala Ltd agrees to provide a further discount of 0.5% if "B Automobiles" makes payment by 31st of the month by NEFT . "B Automobiles" makes the payment by 31st of the month by NEFT .

The invoice issued to "B Automobiles", under GST, will look like this:

Invoice					
S.No.	Description of goods	Quantity	Rate	Per	Amount
1	Car	1	4,00,000	No.	4,00,000
	Packing charges				5,000
	Discount@ 1%	1			(-) 4,000
	GST@18%*				72,180
	Total	1			4,73,180

1% of price Rs 4,00,000

18% on transaction value of Rs 4,01,000 (4,00,000 + 5,000 - 4,000)

*Assuming GST of 18% on car

In the invoice:

Packing charge of Rs 5,000 is included in the transaction value Packing charges or any incidental expenses charged before or at the time of supply of goods or services must be included in the transaction value.

- Discount of 1% is deducted from the transaction value.

  Discount given before or at the time of supply, and which is recorded in the invoice, can be deducted from the transaction value.

- Discount of 0.5% is not deducted in the invoice. As discount of 0.5% is given after the supply, it will not be shown in the invoice. However, since the discount was known at the time of supply, and can be linked to this specific invoice, the discount amount can be reduced from the transaction value.
- Here M/S Carwala will issue a credit note to "B Automobiles" for Rs 2,360 (0.5% of Rs 4,00,000 = Rs 2,000+ GST@ 18% on Rs 2,000 = Rs 360), and the same must be linked to the relevant tax invoice. ITC should be revered by the recipient.
- Discount given after supply but agreed upon before or at the time of supply and can be specifically linked to relevant invoices, can be deducted from the transaction value.

Example-19: Discount given after supply not known at the time of supply

"M/S Carwala Ltd" sells a car to "B Automobiles" for Rs 4,00,000. As per the standing agreement, a credit period of 30 days is allowed for payment. However, due to a severe cash crunch, M/S Carwala Ltd. offers to "B Automobiles" to make the payment within 2 days on which he will give discount of 2%. "B Automobiles" makes the payment within 2 days. In this scenario, since the discount was not known at the time of supply, it cannot be claimed as a deduction from the transaction value. Meaning thereby, the GST will be charged on full Rs 4 Lacs.

Conclusion

Therefore for the purpose of levy of CGST& SGST or IGST it is necessary to determine the transaction value. However there are certain situations where the considerations are not received wholly in money or for determining the transaction value between the related person or between the distinct person we have refer to the valuation rule

Residential programme on "Work Without Stress"

Topic : "Residential programme on "Work Without Stress"

Audience : CA Members & their families.

Led By : BK Madhu, BK Husain, BK Yeshu, BK Khyati, BK Vidhatri, BK Lalit, BK Brij Mohan Bhaisahab

Date & Day : 13th & 14th May 2017, Saturday-Sunday

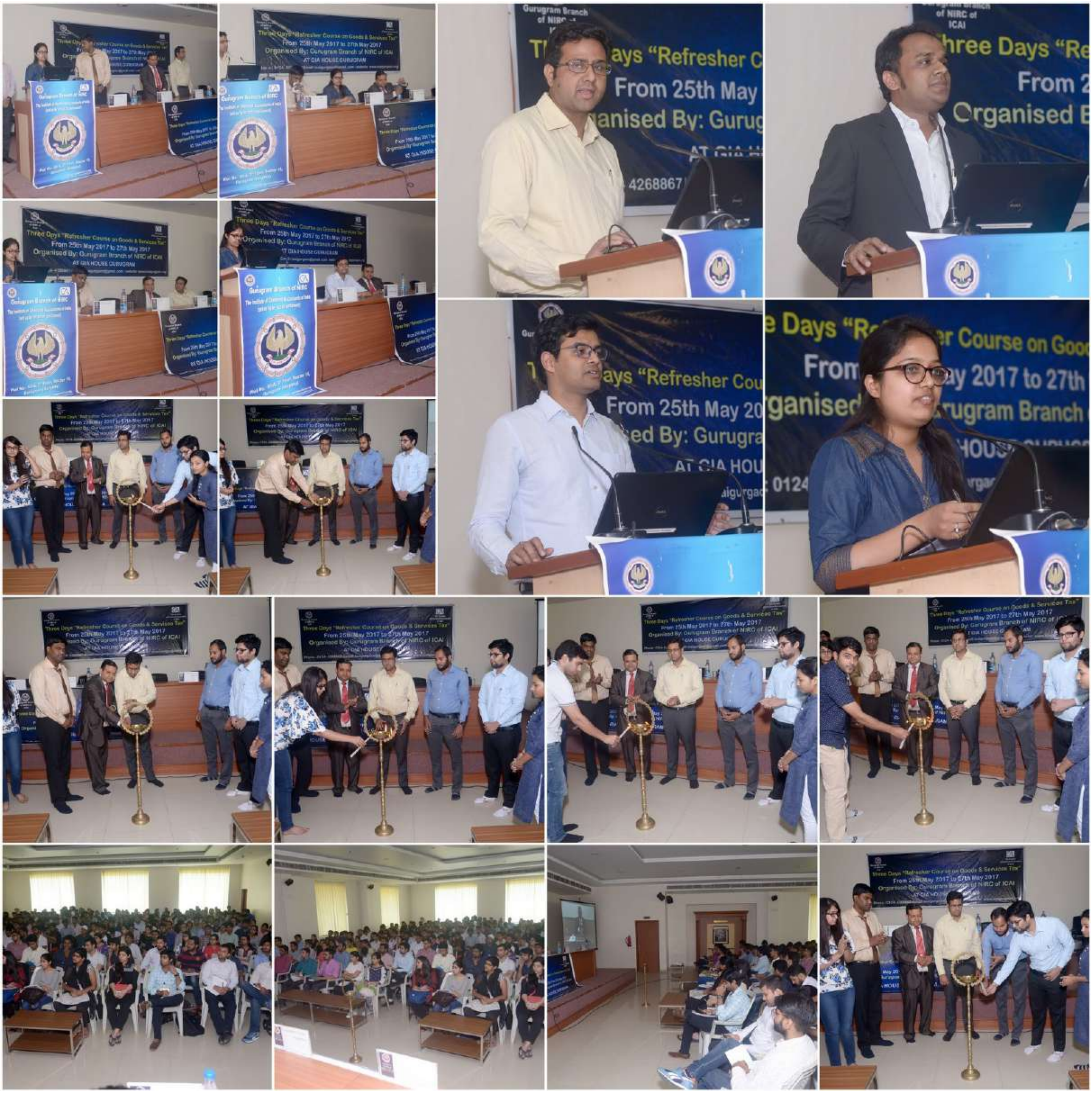
Certification Course on GST for CA Members

Topic : "Certification Course on GST for CA Members"

Audience : Chartered Accountants

Date : 03rd May 2017 - 27th May 2017

Refresher course on Goods and Services Tax for CA Students

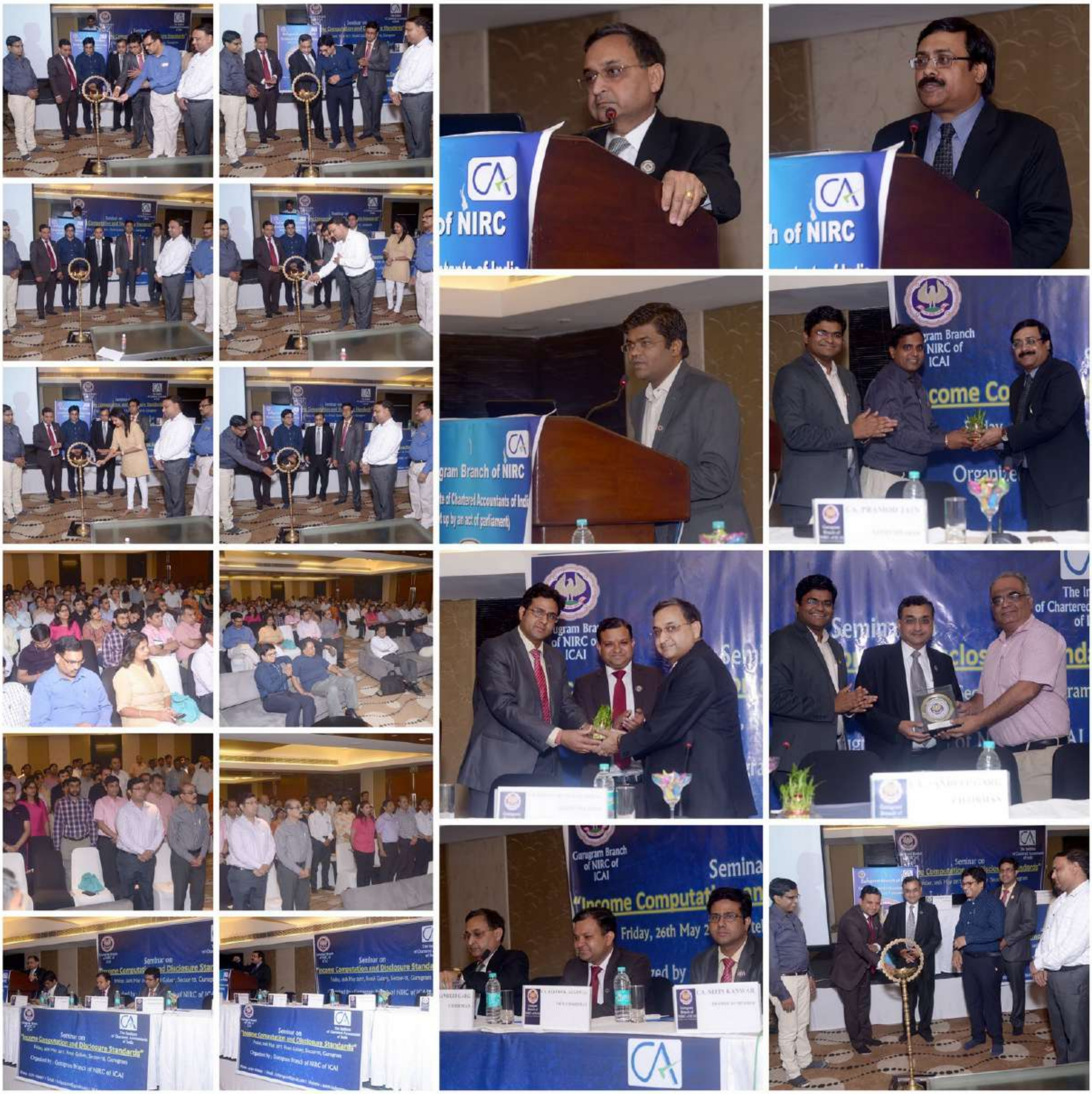


Topic : Refresher course on Goods and Services Tax for CA Students

Audience : CA Students

Date & Day : 25th May 2017 - 27th May 2017

Seminar on "Income Computation and Disclosure Standards"



Topic : Seminar on "Income Computation and Disclosure Standards'

Audience : Members

Led By : CA. Sanjay Kumar Agarwal, CA. Pramod Jain

Date & Day : 26th May 2017, Friday

SAG Infotech Pvt. Ltd. having its registered office at Plot No 495, Above Bank of Baroda, Raja Park Gali No 5, Near AC Market, Raja Park, Jaipur – 302004, Rajasthan, India.

And

Gurugram Branch of NIRC of ICAI having its registered office at 60A, 3rd Floor, Sector-18, Gurugram, 122001, Haryana.

WHEREAS, SAG Infotech Pvt. Ltd. is a reputed IT Company AND WHEREAS, Gurugram Branch of NIRC of ICAI, is an branch of NIRC of Chartered Accountants.

In this Regard. Upon successful implementation of the arrangement, both parties are interested to work together for a mutually beneficial and strategic alliance in respect of the benefit of Chartered Accountants of Gurugram Branch of NIRC of ICAI.

NOW THEREFORE THIS MOU WITNESSETH AS FOLLOW CONDITIONS:

1. The objective of this MoU is primarily to establish a fruitful association with Gurugram Branch of NIRC of ICAI and SAG Infotech Pvt. Ltd.
2. SAG Infotech Pvt. Ltd.'s Genius software, primarily used by Chartered Accountants, is used for Taxation purpose and very popular software across India and available at an MRP of 10,000 (Exclusive Taxes).
3. SAG Infotech Pvt. Ltd, is willing to provide this said product with name of Genius to all Chartered Accountants, under Gurugram Branch of NIRC of ICAI, with a discount of 50%. Therefore, all Chartered Accountants, under Gurugram Branch of NIRC of ICAI exclusively get this software with name of Genius at Rs. 5,000 (Exclusive Taxes).
4. Gurugram branch will share this understanding with its members through suitable means.
5. SAG Infotech Pvt. Ltd. will treat each Chartered Accountant, under Gurugram Branch of NIRC of ICAI, as an individual customer of Company and all conditions which are applicable to any other customer will be applicable to them as well. (Separate Document of Customer Guidelines/Conditions is attached).

Overview of 'Lite Bite Foods' and Validity

'Lite Bite Foods' is one of the largest & most dynamic Food & Beverage retail company in the country, with over 14 core brands & 6 Franchise brands under its umbrella. We have 95 operational outlets in India, Bangkok, Singapore, Abu Dhabi, Dubai & United States of America & with a plan of opening 31 new outlets company aims to become one of the largest Food & Beverage players in India by 2016. Currently we have a strong presence in Malls, High Streets, Airports, Multiplexes, Office complexes, Hotels and other high footfall locations.

Our awarded hero brands are Punjab Grill, Zambar, Fresco Co, Asia 7, Street Foods By Punjab Grill, Baker Street, Artful Baker, Pino's, Flamez & Roasted, Naashto, American Tandoor, Savour (Outdoor Catering Brand), Clink, Bottoms Up. We also run Franchise stores of Subway, KFC, Pizza Hut, Burger King, and Café Istanbul.

We invite all are members to avail this opportunity at their restaurants.

The Terms and Conditions offered will be as follows:

1. <u>Fine Dining Restaurants& Casual Dining Restaurants</u> will offer 15% discount on food & soft beverage. The restaurant covered under this policy will be:
   a) Punjab Grill
   b) Asia Seven
   c) Zambar- Coastal Kitchen
   d) Fresc co
   e) Bottoms Up

2. <u>Quick Service Restaurants</u> will offer 10% discount on food. The restaurant covered under thispolicy will be:
   a) <u>Baker Street</u>
   b) <u>Pino's</u>
   c) Street Foods by Punjab Grill
   d) <u>Subway</u>
   e) <u>Asia Seven Express</u>
   f) Zambar Express

Other applicable Conditions:

- All Discount OFFER(s) are NOT applicable on Festivals and Public Holidays.
- All Discount applicable on Saturdays and Sundays also.
- Discounts are only applicable on showing valid Membership Card/CA logo visiting card at the time on Dining.
- The menu prices at Outlets are subject to change without any prior notice.
- The conditions mentioned on the menu are applicable.

- Taxes and other Govt. levies are applicable.
- No other offers, exemptions or discount schemes can be clubbed with this corporate offer.
- Discounts are not applicable on Hard drinks & MRP products.
- Discount are not applicable at Airport/ railway/ Metro outlets.
- Mode of Payment-Cash / Credit Cards.

S.No	Outlet Name	Location	Outlet Landline No.	Address
1	ASIA 7	Ambience Mall	0124-4665571	Shop No. 318, 3rd Floor, Next to Food Court, Ambience Mall, Gurugram.
2	BAKER STREET	Ambience Mall	0124-4665567	Shop No.16, Food Union, 3rd Floor, Ambience Mall, Gurugram.
3	FRESC CO	Ambience Mall	0124-4665572	Shop No. 317, 3rd Floor, Next to Food Court, Ambience Mall, Gurugram.
4	PINO'S	Ambience Mall	0124-4665495	Shop No. 14, 3rd Floor, Food Union, Ambience Mall, Gurugram.
5	PUNJAB GRILL	Ambience Mall	0124-4665478	Shop No. 319, 3rd Floor, Next to Food Court, Ambience Mall, Gurugram.
6	SF by PG	Ambience Mall	0124-4665513	Shop No. 02, 3rd Floor, Food Union, Ambience Mall, Gurugram.
7	SF by PG	MGF Metropolitan Mall	0124-4222238	Shop No. 05, 3rd Floor, Food Court, MGF Metropolitan Mall, Gurugram.
8	SF by PG (Delivery Only)	Udyog Vihar	0124-4236633	Plot - 317 Udyog Vihar Phase - 4 Gurugram
9	SUBWAY	Ambience Mall	0124-4665515	Shop No. 04, 3rd Floor, Food Union, Ambience Mall, Gurugram.
10	SUBWAY	DT Mega Mall	0124-4015577	3rd Floor, Food Court, DT Mega Mall, Gurugram.
11	SUBWAY	Cyber Green	0124-4016962	Ground Floor, Food Court, Cybergreen Tower, DLF Phase-III, Gurugram.
12	SUBWAY	Fortis Hospital	0124-4039728	Fortis Hospital Sector 44, Gurugram Haryana
13	ZAMBAR	Ambience Mall	0124-4665639	Shop No. 310, 3rd Floor, Next to Food Court, Ambience Mall, Gurugram.
14	ZAMBAR	Cyber Hub	91-8130450438	Ground Floor, Cyber Hub, Cyber City, Gurugram

Feedback & Suggestions

Gurugram Branch will be happy to receive the feedback from you regarding the seminars/workshops and other activities organized by branch.

You may please send feedback at-

- Gurugram Branch of NIRC of ICAI requests the members & students to come forward & share the articles (Professional & other) to be published in the upcoming newsletter. The submissions may be sent to itticaigurgaon@gmail.com with the subject line (Article Newsletter).

Regarding	Email	Subject line
Seminars/Workshops	icaigurgaon@gmail.com	Sub: Seminar______
Others	icaigurgaon@gmail.com Or arunaggarwalca@gmail.com	Feedback______

Gurugram Branch Managing Committee for the Session 2017-18

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For CPT/IIPCC/Final under the existing scheme of CA Course

Last Date of registration On or before June 30, 2017

The role of a Chartered Accountant is evolving continually to assume newer responsibilities in a dynamic environment. In the given dynamic scenario, the potentiality of the Chartered Accountancy education system, to meet the diverse range of expectations of various stakeholders from the profession becomes the focal point.

The Institute of Chartered Accountants of India (ICAI) has formulated the Revised Scheme of Education and Training which is in sync with the requisites of the dynamic global business environment. In this scheme, the technical competence, professional skills, professional values, ethics and attitudes expected from a Chartered Accountant are being redefined and upgraded in order to gear up aspiring Chartered Accountants to take on new roles. The Revised Scheme of Education and Training for CA course will come into effect from July 1, 2017.

The students, who are eligible to register in the CPT/IIPCC/Final under the existing scheme, may register on or before June 30, 2017.

With effect from July 1, 2017, the registration in the CPT/IIPCC/Final under the existing scheme will discontinue.

Gurugram Branch of NIRC of ICAI

Plot No-60A, 3rd Floor, Sector-18, Gurugram, Haryana.

Phone : 0124- 4268867 | Email : icaigurgaon@gmail.com | Website : www.icaigurgaon.org