



ICAI Gurugram Branch

Chartered Accountants

May 2020 | Volume 1



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e-Newsletter

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Message from Chairman's Desk



CA. Dheeraj KS Sharma

मत्कर्मकृन्मत्परमो मद्भक्तः सङ्गवर्जितः।

निर्वैरः सर्वभूतेषु यः स मामेति पाण्डव ।।

(Shrimad Bhagwat Geeta | Chapter 11 | Text 55)

Respected Professional Colleagues,

Warm greetings.

I pray for well-being of you and your family and I trust this message will find you safe and healthy. In a consistent endeavour to improve the communication with members and students, hopefully this communication would serve the way to improve the strength of Gurugram CA fraternity. This newsletter would not only serve as tool to get acquainted with the latest updates but would also inculcate the ICAI activities, creative corner and more. We have always tried to ensure that constructive suggestions offered by members and students have always been paid heed to and would continue the same in the future.

It's easy to be all positive and consistent when everything is going your way but that's not life, that's not realistic. We need to understand that the human mind is the most powerful tool we own, but it can also be the most destructive. We need to learn how to take control of the direction of our mind and our emotions. If one can conquer his mind, he can pretty much conquer anything else around him. The current scenario teaches us to be brave while writing our own script. It's time to understand that there are no limits to what we can have, what we can do or what we can be. I wish all our members and students are ensuring their emotional strength and encountering the

unprecedented time due to COVID 19.

It's matter of great pleasure that ICAI as whole with the active participation of branches and regional councils, putting best possible efforts for students under the banner of Board of Studies. The recent Students Skills Enrichment Program hosted by Students Skills Enrichment Board is greatest example of the same. We understand that students are our future. Today's student is going to lead the profession and the country tomorrow. We at Gurugram branch are in line up to host several academic and non-academic events for students. Further I express my affection and best wishes to all the students.

We are fortunate enough to witness the extraordinary efforts made by torch bearers of the profession at top level under the exemplary leadership of Hon'ble President of ICAI **CA Atul Kumar Gupta** and Hon'ble Vice President of ICAI **CA Nihar Niranjana Jambusaria**. I, on behalf of entire managing committee express my heartfelt gratitude for the support you have been pouring on us. Understanding our responsibilities, we as a team will always ensure the transparency in our actions and would try to keep our efforts continued with devotion for development of the profession.

Stay safe, stay healthy. Jai Hind.

'Be Genuine and Win Hearts'

Message from Secretary's Desk



CA. Mohit Singhal

Dear Professional Colleagues,

It gives great pleasure to interact with you through yet another edition of our e-Newsletter.

With rapid recognition of growing pandemic of COVID-19, the integrated and timely approach of Indian Government to encourage social distancing has continued to benefit the country. The countrymen tirelessly engaged in serving during these hard times deserve to be thanked.

With the ease and comfort that this home-stay comes up with, there arises a need to seek out and embrace the unfamiliar lifestyle in this sedentary state. It is therefore necessary for all of us to stay motivated to be able to adapt to new ways of living to achieve our personal, professional and societal goals.

Where on one hand, sociality and physical contact are absent; our branch has been able to continue walking on the path towards and into the hearts of our various stakeholders

Keeping in view of the safety and wellbeing of members as well as students, ICAI is very much proactive in following the instructions issued by Central and various State governments in this regard. Lot of NGOs and

individuals have been doing social service by giving free food to such people and by extending a lot of other help to the affected people. Every crisis serves as a learning opportunity for organizations and this pandemic is proving to be quite the lesson.

During this continuing pandemic situation when the whole world is experiencing a sharp deterioration in economic performance and the situation is adversely affecting almost everyone, we need to stand united with our young members. Looking at the existing situation, we are trying our best to organise seminars in form of webinar to the extent possible on several different topics for members. In the same also, we are getting great response from the members. I personally also request each member of ICAI to please contribute to PM Care fund either directly or through ICAI to help nation.

With this, I thank everyone once again for their continuous support and guidance. All feedbacks, suggestions and grievances are always welcome.

Jai Hind ! Jai ICAI !

Webinars hosted by Gurugram Branch in May 2020

Date : Tuesday, 5 May 2020 | Webinar on Impact of COVID-19 on Financial Reporting

Speakers : CA Rajiv Kumar Singh, Independent Director, Union Bank of India
CA Pramod Jain, Central Council Member, ICAI

Video Link : <https://www.youtube.com/watch?v=8c4YlsbsZH0>

Date : Thursday, 7 May 2020 | Webinar on Transfer Pricing : Practical Issues

Speakers : Ms. Kanupriya Parashar

Video Link : <https://www.youtube.com/watch?v=-HCymOb9gMM>

Date : Thursday, 14 May 2020 | Webinar on Freedom Series

Speakers : Mr. Arun Pandala

Video Link : <https://www.youtube.com/watch?v=GWBrO7mTLUg>

Date : Friday, 15 May 2020 | Webinar on Health is Wealth

Speakers : Mr. Arun Pandala

Video Link : <https://www.youtube.com/watch?v=KOJEUoTrvE0>

Date : Saturday, 16 May 2020 | Webinar on Aasana and Pranayama

Speakers : Mr. Arun Pandala

Video Link : https://www.youtube.com/watch?v=PPvodI_I3WM

Date : Sunday, 17 May 2020 | Webinar on Yoga and Wellness

Speakers : Mr. Arun Pandala

Video Link : <https://www.youtube.com/watch?v=N4U1GyYT-90>



CA. Vijay Soni

1.1 INTRODUCTION OF UAE VAT

The Government of UAE was introduced Value Added Tax in the UAE on 1 January 2018. The rate of VAT is 5 percent. VAT will provide the UAE with a new source of income which will be continued to be utilized to provide high-quality public services. It will also help government move towards its vision of reducing dependence on oil and other hydrocarbons as a source of revenue.

Value Added Tax or VAT is a tax on the consumption or use of goods and services levied at each point of sale. VAT is a form of indirect tax and is levied in more than 180 countries around the world. The end-consumer ultimately bears the cost. Businesses collect and account for the tax on behalf of the government.

1.2 REQUIREMENT FOR REGISTRATION IN VAT

Every person must register for VAT if threshold of turnover exceeds AED 375,000 or can voluntary register the business if turnover exceeds AED 187,500 during the year. (Turnover includes Taxable and Zero rated supplies but excludes exempted turnover).

1.3 IMPACT OF VAT

- On company structure, market positioning and negotiation with customers and suppliers. (Management)
- A wide range of business processes across all

market-facing and business support functions will require review and potential Modification to become VAT-ready. (Financial)

- Overall Costs and Cash flow availability & cost of appropriate resourcing. Cost & business impact of major technology and process changes. (Operational)
- Business relationship with suppliers; pricing of goods and services affecting customers loyalty. (Economical)
- Maintenance of Proper books of accounts and records as per the requirement of law. (Accounting System)

1.4 FLOW OF VAT

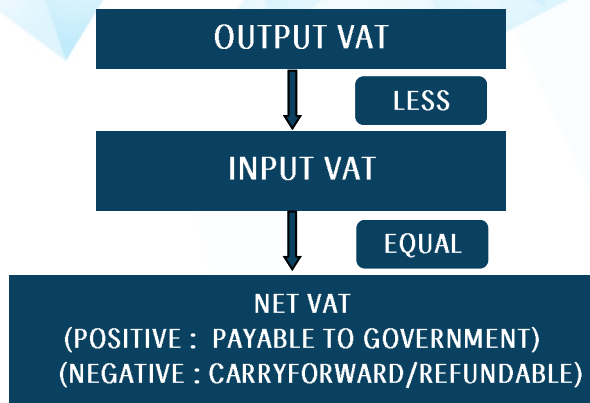
- Must charge VAT on taxable goods or services they supply
- May reclaim any VAT they have paid on business-related goods or services
- Keep a range of business records which will allow the government to check that they have got things right.

VAT-registered businesses must report the amount of VAT they have charged and the amount of VAT they have paid to the government on a regular basis. It will be a formal submission and reporting will be done online.



UAE VALUE ADDED TAX

If they have charged more VAT than they have paid, they have to pay the difference to the government. If they have paid more VAT than they have charged, they can reclaim the difference.



1.5 ACCOUNTING TREATMENT OF VAT

ABC LLC purchased product of AED 50000 on which 5% standard VAT is applicable. VAT paid is AED 2,500 (Input VAT)

ABC LLC sold product of AED 100,000 on which 5% standard VAT is applicable. VAT is AED collected is 5,000. (Output VAT)

Net VAT Payable by ABC LLC to Government is (AED 5,000 – AED 2,500 = AED 2,500. (Net VAT Paid to Government)

IN THE BOOKS OF ABC LLC

Purchase Transaction

Purchases A/c Dr. 50,000
VAT Input Tax A/c Dr. 2,500
To Supplier A/c Cr. 52,500
(Being Purchase recorded and input booked)

Sales Transaction

Customer A/c Dr. 105,000
To VAT Output Tax A/c Cr. 5,000
To Sales A/c Cr. 100,000
(Being Sale made along with output VAT)

Entry to offset VAT

VAT Output Tax A/c Dr. 5,000
To VAT Input Tax A/c Cr. 2,500
To VAT Paid in cash Cr. 2,500
(Being offset of VAT and balance tax paid)

1.6 SUPPLIES OF GOODS AND SERVICES

TAXABLE SUPPLIES	ZERO RATED SUPPLIES	EXEMPTED SUPPLIES
Supply of Goods/ Services for a Consideration conducting Business in the State, and does not include Exempt Supplies. • Tax - 5% Rate • Input Tax Credit Available	Taxable Supplies that are subject to Zero Rated VAT. • Tax - 0% rate • Input Tax Credit Available	Supply of Goods/ Services for Consideration conducting Business in the State, where no Tax is due. • Tax-Exempt • No Input Tax Credit

1.7 EXAMPLES OF TAXABLE, ZERO RATED AND EXEMPTED SUPPLIES

TAXABLE SUPPLIES	ZERO RATED SUPPLIES	EXEMPTED SUPPLIES
<ul style="list-style-type: none"> Hotels Retails Supplies Car Rentals Commercial Property Etc. 	<ul style="list-style-type: none"> Certain Export Sales Telecom Service Export International Transportation Certain Transport Education Health care Medicine Oil/Gas Equipment Etc. 	<ul style="list-style-type: none"> Financial Services Residential Property Charitable Services Etc.

1.8 VAT RECORD KEEPING

Each company shall maintain its accounting books/records in its place of business for a period of at least 5 (five) years from the end of the financial year of the company.





UAE VALUE ADDED TAX

Following are the record examples that shall be maintained by the business with accuracy, paper/electronic format, for specified period.

Sales Invoices	Purchases Invoices	Debit or Credit Notes
Import/Export Records	Accounting Books	Record of goods issued for free or allocated for private use

1.9 FILING OF RETURNS

Taxable businesses must file VAT returns with FTA on a regular basis and usually within 28 days of the end of the 'tax period' as defined for each type of business. A 'tax period' is a specific period of time for which the payable tax shall be calculated and paid. The standard tax period is:

- Quarterly for businesses with an annual turnover below AED 150 million
- Monthly for businesses with an annual turnover of AED 150 million or more.
- Filing Online through FTA Portal. (FTA stands for Federal Tax Authority)
- If last day of filing of return is public holiday, deadline be extended to first business day after holiday.
- Return must contain details of all supplies bought and sold.
- Each Emirate wise break up of supplies may be required.
- Late filing may attract penalties.

- Any corrections/modifications for the previous period can be made.

1.10 VARIOUS REFUND SCHEMES OFFERED BY UAE GOVERNMENT IN VAT

SCHEME OF REFUND OF VAT FOR OVERSEAS TOURIST IN UAE

To be eligible for a refund of Tax under the Scheme, the person shall meet all of the following conditions:

- The conditions in Clause (2) of Article 68 of Cabinet Decision No. (52) of 2017 are met.
- The Goods are purchased from a Retailer who is participating in the Scheme.
- The purchase of the Goods from the Retailer is conducted in accordance with requirements as determined in a decision issued by the Chairman.
- The Export of Goods is conducted in accordance with requirements as determined in a decision issued by the Chairman.
- The Goods are not excluded from the Scheme by the Authority.

Any Retailer which meets the participation requirements as specified by the Authority has the option of participating in the Scheme. Where an Overseas Tourist has indicated to a Retailer participating in the Scheme that he/she wishes to make a Tax Free Purchase, the Retailer shall provide the Overseas Tourist with the necessary documentation for the refund claim under the Scheme as determined by the Authority, including a tax invoice with the particulars as



UAE VALUE ADDED TAX

governed by Article (59) of Cabinet Decision No. (52) of 2017. 4. The Overseas Tourist shall request his/her Tax refunds directly from the Operator who shall provide such a refund only upon receipt of satisfactory and sufficient evidence as stipulated by the Authority following which a refund of the Tax can be made to the Overseas Tourist. Operator, and any other person for the Scheme to apply.

SCHEME OF REFUND OF VALUE ADDED TAX PAID ON GOODS AND SERVICES CONNECTED WITH EXPO 2020 DUBAI TO BE HELD FROM OCTOBER 2020 TO APRIL 2021

The Office of the Official Participant may claim a refund of Tax incurred by it on the import or supply of Goods or Services provided that the Goods and Services are any of the following:

- In direct connection with the construction, installation, alteration, decoration and dismantlement of their exhibition space.
- In direct connection with the works and activities of organizing and operating the Official Participants' exhibition space and any presentations and events within the Expo 2020 Dubai site.
- In connection with the actual operations of the Official Participants, provided that the value of each Good or Service for which the Office of the Official Participant makes a claim exceeds the amount set by a decision of the Minister.
- In connection with all operations, services and activities provided for the purpose of

participation in Expo 2020 Dubai, whether located within or outside the boundaries of the Expo 2020 Dubai site.

The Office of the Official Participant may claim a refund of Tax incurred on the import of Goods for personal use by the Official Participant's Section Commissioners-General, Section Staff and the Beneficiaries. Where a refund has been granted to the Office of the Official Participant in respect of any import of Goods in accordance, the Goods cannot be sold for Consideration or transferred free of charge without the prior consent in accordance with the procedures agreed upon between the Authority and Bureau Expo 2020, and without payment of the Tax.

1.11 DESIGNATED ZONES AS DEFINED BY FEDERAL TAX AUTHORITY OF UAE:

Designated Zones are:

- Subject to strict control criteria;
- Required to have security procedures in place to control the movement of goods and people to and from the Designated Zone;
- Required to have Customs procedures to control the movement of goods into and out of the Designated Zone;
- Treated as being outside the territory of the UAE for VAT purposes for certain supplies of goods.

The effect for businesses operating in Designated Zones will be that many supplies of goods will be outside the scope of UAE VAT, subject to strict criteria and detailed record



UAE VALUE ADDED TAX

keeping. However, supplies of services are subject to the normal UAE VAT rules. Strict qualifying criteria are applied to limit the use of the Designated Zones measure to those businesses for which it is designed, i.e. it is a measure to facilitate international trade on a VAT neutral basis and is not one designed to enable tax avoidance at any level.

Identification of Designated Zones :

VAT treatment of Free Zones VAT is a general consumption tax imposed on most supplies of goods and services in the UAE. By default, it is chargeable on supplies of goods and services throughout the territorial area of the UAE. This territorial area will also include those areas currently defined as both fenced and non-fenced Free Zones. For VAT purposes, both fenced and unfenced Free Zones are considered to be within the territorial scope of the UAE – and therefore subject to the normal UAE VAT rules – unless they fulfill the criteria to be treated as a Designated Zone as defined by the Federal Decree-Law on VAT and Executive Regulations. Those Free Zones which are Designated Zones are treated as being outside of the territory of the UAE for VAT purposes for specific supplies of goods. In addition, there are special VAT rules in respect of VAT treatment of certain supplies made within Designated Zones. The effect of these rules is that certain supplies of goods made within Designated Zones are not to be subject to UAE VAT. In contrast, supplies of services made within Designated Zones are treated in the same way as supplies of services in

the rest of the UAE.

A Designated Zone is an area specified by a Cabinet Decision as being a “Designated Zone”. Free Zones listed by the Cabinet Decision as being a Designated Zone can be found under the Legislation tab on the FTA website (www.tax.gov.ae). Although an area might be identified as a Designated Zone, it is not automatically treated as being outside the UAE for VAT purposes. There are several main criteria.

There are several main criteria which must be met in order for a Designated Zone to be treated as outside the UAE for VAT purposes. These are as follows:

- The Designated Zone must be a specific fenced geographic area.
- The Designated Zone must have security measures and Customs controls in place to monitor the entry and exit of individuals and movement of goods to and from the Designated Zone.
- The Designated Zone must have internal procedures regarding the method of keeping, storing and processing of goods within the Designated Zone.
- The operator of the Designated Zone must comply with the procedures set out by the FTA.

This means that where a Designated Zone has areas that meet the above requirements, and areas that do not meet the requirements, it will be treated as being outside the UAE only to the



UAE VALUE ADDED TAX

extent that the requirements are met. In addition, should a Designated Zone change the manner of its operation or no longer meet any of the conditions imposed on it which led to it being specified as a Designated Zone by way of the Cabinet Decision, it shall be treated as though it is located within the territory of UAE.

Important Note: Designated Zone businesses are considered to be established 'onshore' in the UAE for VAT purposes. This means that they have the same obligations as non-Designated Zone businesses and have to register report and account for VAT under the normal rules. It also means they can join a tax group (VAT group) provided they meet the required conditions.

Application of VAT in the Designated Zones:

Introduction As outlined above, in certain instances, an area of a Designated Zone will be effectively treated as 'offshore' for VAT purposes, i.e. as if it is outside of the territory of the UAE for the purposes of the tax. Since UAE VAT only applies on supplies made in the UAE, such special treatment of Designated Zones will affect the VAT treatment of supplies made within Designated Zones. This section of the Guide discusses the consequences of treating Designated Zones as being outside the UAE for various types of transactions.

Supply of Services

The place of supply of services is considered to be within the UAE if, under the normal rules, the place of supply would be the Designated Zone. This override to the normal place of supply of

services rules means that, in all circumstances, the place of supply of services supplied in Designated Zones reverts to being in the UAE. Such supplies are then taxed in accordance with the general VAT rules for supplies of such services. This means that most services will be liable to VAT at the standard rate, as would be the case were they performed within the UAE. Equally, where services are exported (i.e. made to a person who is resident and located outside the GCC Implementing States), then the services may be zero-rated.

Supply of Goods

The Supply of goods within a Designated Zone As outlined above, Designated Zones will be treated as being 'offshore' if the necessary conditions are met. **Default rule** Since the place of supply for goods generally follows the location of the goods, a supply of goods within a Designated Zone is treated as made outside the UAE. This means that the default position is that such supplies are not subject to UAE VAT.

Override of the default rule this default position is overridden where a supply of goods is made within a Designated Zone to a person to be consumed by him or another person – in these situations, the place of supply will be treated in the UAE and VAT will be applicable.



CA. RAJENDER DHILLON

What is a Forensic Audit ?

Forensic Auditing has established itself as a dynamic and strategic tool in combating corruption, financial crimes and frauds through investigations and resolving allegations of fraud and embezzlement. Thus, a new area of auditing, known as Forensic Audit, was needed to detect the frauds in companies that suspected fraudulent transactions.

“Forensic Audit” means “an examination of a company’s financial records to derive evidence which can be used in a court of law or legal proceeding”. Bologna said that it is the application of financial skills and investigative mentality to unresolved issues, conducted within the context of the rules of evidence. As an emerging discipline, it encompasses financial expertise, fraud knowledge and a sound knowledge and understanding of business reality and the working of legal system. However, the definition of Forensic Auditing keeps on changing in response to the growing needs of corporations. Simply stated, Forensic Auditing includes the use of accounting, auditing and investigative skills to assist in legal matters.

Forensic Accounting : The integration of accounting, auditing and investigative skills yields the specialty known as Forensic Accounting. It is the study and interpretation of accounting evidence. It is the application of accounting methods to the tracking and collection of forensic evidence, usually for investigation and prosecution of criminal acts such as embezzlement or fraud. Forensic Accounting can sometimes be referred to as

Forensic Auditing.

Red Flag :- Red flags are sign or warning of any impending danger or inappropriate behavior. Red flag do not necessarily indicate the existence of fraud however are indicators that caution needs to be exercised while investigating the situations. Red flags are classified in categories such as financial performance red flag, accounting system red flags, operational red flags and behavioral red flags.

Forensic Audit v/s Audit :- The primary difference between financial and forensic audits lies in the purpose of the audit. A financial audit confirms the validity of a company’s financial records, providing investors and creditors with confidence in the financial information. Forensic audits relate directly to an issue defined by the audit client. This issue may involve employee fraud or a dispute with a vendor or customer. The auditor’s report must meet the standards for presentation in court.

To an external observer, financial audits and forensic audits may look similar. Both types of auditors closely examine and confirm accounting records, using similar methods. The two types of audits differ significantly in their end product — the auditor’s report.

Forensic Auditor :- A Forensic Auditor is often retained to analyze, interpret, summarize and present complex financial and business related issues in a manner which is both understandable



and properly supported. Forensic Accountants are trained to look beyond the numbers and deal with the business reality of the situation. A Forensic Auditor must initially consider whether his/her firm has the necessary skills and experience to accept the work. Forensic audits are highly specialized, and the work requires detailed knowledge of fraud investigation techniques and the legal framework

Why is a Forensic Audit ?

Forensic audit investigations are made for several reasons, including the following:

Corruption :-

In a Forensic Audit, while investigating fraud, an auditor would look out for:

Conflicts of interest – When a fraudster uses his/her influence for personal gains detrimental to the company. For example, if a manager allows and approves inaccurate expenses of an employee with whom he has personal relations. Even though the manager is not directly financially benefitted from this approval, he is deemed likely to receive personal benefits after making such inappropriate approvals.

Bribery – As the name suggests, offering money to get things done or influence a situation in one's favor is bribery. For example, Mr. X bribing an employee of Y company to provide certain data to aid Mr. X in preparing a tender offer to Mr. Y.

Extortion – If Mr. Y demands money in order to award a contract to Mr. X, then that would amount to extortion.

Asset Misappropriation :-

This is the most common and prevalent form of fraud. Misappropriation of cash, creating fake invoices, payments made to non-existing suppliers or employees, misuse of assets, or theft of Inventory are a few examples of such asset misappropriation.

Financial statement fraud :-

Companies get into this type of fraud to try to show the company's financial performance as better than what it actually is. The goal of presenting fraudulent numbers may be to improve liquidity, ensure top management continues receiving bonuses, or to deal with pressure for market performance.

Some examples of the form that financial statement fraud takes are the intentional forgery of accounting records, omitting transactions – either revenue or expenses, non-disclosure of relevant details from the financial statements, or not applying the requisite financial reporting standards.

What Procedure required for a forensic audit investigation?

A forensic auditor is required to have special training in forensic audit techniques and in the legalities of accounting issues.

A forensic audit has additional steps that need to be performed in addition to regular audit procedures.

Plan the investigation – When the client hires a Forensic auditor, the auditor is required to understand what the focus of the audit is. For example, the client might be suspicious about possible fraud in terms of the quality of raw



materials supplied. The forensic auditor will plan their investigation to achieve objectives such as:

- Identify what fraud, if any, is being carried out
- Determine the time period during which the fraud has occurred
- Discover how the fraud was concealed
- Identify the perpetrators of the fraud
- Quantify the loss suffered due to the fraud
- Gather relevant evidence that is admissible in the court
- Suggest measures that can prevent such frauds in the company in future

Collecting Evidence – By the conclusion of the audit, the forensic auditor is required to understand the possible type of fraud that has been carried out and how it has been committed. The evidence collected should be adequate enough to prove the identity of the fraudster(s) in court, reveal the details of the fraud scheme, and document the amount of financial loss suffered and the parties affected by the fraud.

A logical flow of evidence will help the court in understanding the fraud and the evidence presented. Forensic auditors are required to take precautions to ensure that documents and other evidence collected are not damaged or altered by anyone.

Common techniques used for collecting evidence in a forensic audit include the following:

Substantive techniques – For example, doing a reconciliation, review of documents, etc.

Analytical procedures – Used to compare trends over a certain time period or to get comparative data from different segments.

Computer-assisted audit techniques (CAAT) – Computer software programs that can be used to identify fraud.

Understanding internal controls and testing them so as to understand the loopholes which allowed the fraud to be perpetrated.

Reporting – A report is required so that it can be presented to a client about the fraud. The report should include the findings of the investigation, a summary of the evidence, an explanation of how the fraud was perpetrated, and suggestions on how internal controls can be improved to prevent such frauds in the future. The report needs to be presented to a client so that they can proceed to file a legal case if they so desire.

Court Proceedings – The forensic auditor needs to be present during court proceedings to explain the evidence collected and how the suspect was identified. They should simplify the complex accounting issues and explain in layman's language so that people who have no understanding of the accounting terms can still understand the fraud that was carried out.

Summarize :- A forensic audit is a detailed engagement that requires the expertise of not only accounting and auditing procedures but also expert knowledge regarding the legal framework. A forensic auditor is required to have an understanding of various frauds that can be carried out and of how evidence needs to be collected.



Suhani Garg
D/o CA Sandeep Garg
Past Chairman, Gurugram Branch

CORONAVIRUS: THE VILLAIN

What is coronavirus ?

COVID-19 is the disease caused by the new coronavirus that emerged in Wuhan, a city in China in December 2019. They are a group of related RNA viruses that cause diseases in mammals and birds. In humans, these viruses causes respiratory tract infections that can range from mild to lethal.

What are the symptoms of COVID-19 ?

- Cough
- Fever
- Shortness of breath
- Sore throat
- Headache
- Diarrhea
- Muscle aches

How to prevent COVID-19 ?

- Frequent hand wash
- Stay home when you are sick
- Maintain social distancing
- Wear mask
- Avoid touching your eyes, nose and mouth
- Cover your cough or sneeze with a tissue

Negative Points of COVID-19 :-

- Due to lockdown in India economy is diminishing as ,many people (especially the poor) are not able to go to their work
- Loss of employment – Not all people are able to work from their homes , as may be they do not have the access to do so and hence not able to earn their livelihood
- Loss of education – Although teaching is being held through many apps like MS teams, zoom, web-ex , google classroom etc but students are not able to understand the concepts as clearly as they were to in their normal school days and they also are not able to enjoy with their friends
- Loss of life – Due to COVID-19 many people are getting killed and population of countries is also going down
- People are not able to meet their friends and relatives and enjoy
- Children are not able to play outside and enjoy the nature
- Many important rituals are not able to take place like weddings, funerals , festival celebrations, birthday celebrations etc.
- Loss of entertainment sectors – Actors and



CORONAVIRUS: THE VILLAIN

actresses are not able to make new movies and also no new movies are being released

Although COVID-19 is a villain , but every villain has some good qualities also :-

- Strengthen relationships of families- As people are not able to go outside so they need to sit home and which helps them to spend time with their families ,talk to them and enjoy with them
- Pollution is reduced – As people are not going outside , vehicles are not polluting the environment and also water and sound pollution is reduced
- Excelling our hobbies – As there is free time so people are spending time on their hobbies like cooking , dancing, painting, etc.

Facts about coronavirus :-

- People are losing their lives . The death rate of this virus is anywhere from 0.2% to 5% of those infected.
- Global carbon emission has reduced significantly since the lockdown was announced. The air quality in major cities throughout the world is so much better.
- Experts are warning that the mental health of many people will suffer as a result of restrictions on social interaction and exercise opportunities , in addition to the

inevitable anxiety triggered by the global pandemic .

- The phenomenon of the pink moon was amazing this time (April 19th 2020) . Lack of air pollution allowed us to see its true glory.
- Economic hardship is on the horizon for most of the world
- Some animals will suffer. Poaching will increase as law officers are staying home because of coronavirus restrictions.

Big salute to all the heroic doctors, nurses, medical staff, police and all the workers of this country

Thank you so much for all what you are doing for us and thanks for the hard work which you are doing for our safety and risking your lives for us. You all are truly the real heroes of this world. We are so proud of you.

Stay home stay safe



CA. Pawan Kumar CA. Sumit Kumar



PROVISION OF TCS ON SALE OF GOODS UNDER SECTION 206C SUB –SECTION (1H)

To curb and track usage of unaccounted money, the Finance Bill, 2020 introduced Section 206C (1H) which is reproduced as under:

Every person, being a **seller**,

- who **receives** any amount as consideration for sale of any goods of the value or aggregate of such value **exceeding fifty lakh rupees** in any previous year,
- **other than** the goods being exported out of India or goods covered in Section 206C of sub-section (1) or subsection (1F) or sub-section (1G)
- shall, at the **time of receipt** of such amount,
- Collect from the buyer,
- a sum equal to 0.1% of the sale consideration exceeding fifty lakh rupees.

Provided that if the buyer does not furnish their PAN / AADHAR number to the seller, then Seller collect from the buyer, a sum equal to 1 % in place of 0.1%

Provided that the provisions of this sub -section shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act and has deducted such amount.

the seller means: A person whose total sales, gross receipts or turnover from the business carried on by him exceed ₹10 Crore during the financial year immediately preceding, the financial year in which the sale of goods is

carried out, not being a person as the Central Government

the buyer means: A person who purchase any goods but does not include,-

- the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign state; or
- a local authority as defined in the Explanation to clause (20) of section 10; or
- a person importing goods from India or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein;

DUE DATE FOR TCS PAYMENT, RETURN FILING AND ISSUE OF TCS CERTIFICATE

Quarter ended	Due date of Payment	Due date for furnishing of returns under Form-27EQ	Due date for Issue of TCS certificate under Form-27D
30th June	7th July	15th July of the FY	30th July
30th September	7th October	15th October of the FY	30th October
31st December	7th January	15th Jan of the FY	30th January
31st March	7th April	15th May of the immediately following the FY	30th May



Here, we have tried to address some practical aspects related to the implementation of the said provision by way of frequently asked questions:

FREQUENTLY ASKED QUESTIONS

Q1. What is the meaning of Goods?

The word "Goods" is not defined in the Income Tax Act. The definition of Goods under the GST Act may be more relevant for this Section. As per Section 2(52) of the GST Act, **"goods" means every kind of movable property other than money and securities but includes actionable claims, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.** This definition is also common for Sale of Goods Act 1930. Therefore, any person dealing in the above goods are expected to follow the TCS requirements.

Q2. How to be collect TCS from the buyer?

To collect TCS under Section 206C(1H), the seller needs to raise sale invoice including the amount of TCS, account in the books as a TCS liability even though not payable.

Even though the TCS amount is debited to the buyer, the liability under Section 206C (1H) does not arise till the time the amount is collected.

Q3. How to know the applicability of this Provision?

The turnover or gross receipts from the business shall exceed ₹ 10 Crores of the financial year immediately preceding the financial year.

The law does not make it mandatory to comply continuously once a seller is obliged to follow. This will lead to a situation where provisions are applicable and not applicable for different years depending on the quantum of turnover, less than or more than ₹ 10 Crore.

The applicability of this section will fluctuate with the fluctuations in the turnover of the assessee.

Q4. What would be the point of collection of tax?

The Sub Section provides a trigger point at the time of receiving any amounts as consideration for sale of any goods.

Situation1: Sale order is before 1st October 2020 but the sale is not completed as up to 30.09.2020. TCS would be applicable if any amount is received on or after 01.10.2020.

Situation 2: Sale is completed before 1st October 2020; Debtor is standing in books as on 30.09.2020 and amount received on or after 1st October 2020. TCS is not required to be collected on trade receivables of goods standing in books as on 30th September 2020.

Because the trigger point for collection of the TCS is the financial year in which the sale of goods is carried out and provisions are operative effective 01.10.2020. The dictionary meaning of



the term "carried out" means

- A) to bring to a successful issue: complete, accomplish, carry out the assignment;
- B) to put into execution / carry out a plan; and
- C) to continue to an end or stopping point.

Since, the provisions are applicable from 01.10.2020, for the sales which were completed as up to 30.09.2020, provisions would not be applicable. Accordingly, TCS is not required to be collected on trade receivables of goods standing in books as on 30th September 2020.

Situation 3 Sales order executed on or after 01.10.2020 in this situation as and when the amount is received, TCS shall be collected.

Q5. Whether TCS will be applicable on Export Sales?

TCS would not be applicable in respect of Export Sales as the consideration for sale of goods excludes consideration towards goods exported out of India and accordingly, the buyer excludes a person importing goods from India.

Q6. Whether TCS will be applicable on sale of properties?

The question for consideration is whether a receipt for sale of immovable properties is covered for TCS or not. The sale of properties distinctly covered under Section 194IA for value exceeding ₹ 50 lakhs.

The receipts for sales made by builders to customers are not covered under Section 206C (1H) since the subject matter of sale does not fall under the definition of "Goods".

Q7. Whether TCS will be applicable on sale of software?

These provisions shall not apply if the buyer is liable to deduct tax at source under any other provision of this Act and has deducted such amount

NOTIFICATION NO. 21/2012 [F.No.142/10/2012-SO (TPL)] S.O. 1323(E), DATED 13-6-2012

In exercise of the powers conferred by sub-section (1F) of section 197A of the Income-tax Act, 1961,

The Central Government hereby notifies that no deduction of tax shall be made on the following Specified payment under section 194J of the Act, namely:-

Payment by a person (hereafter referred to as the transferee) for acquisition of software from another person, being a resident, (hereafter referred to as the transferor), where-

(i) The software is acquired in a subsequent transfer and the transferor has transferred the software without any modification;

(ii) Tax has been deducted -

A) under section 194J on payment for any previous transfer of such software; or

B) under section 195 on payment for any previous



transfer of such software from a non-resident, and

(iii) the transferee obtains a declaration from the transferor that the tax has been deducted either under sub- clause (a) or (b) of clause (ii) along with the Permanent Account Number of the transferor.

So in case of software buyer is liable to deduct tax at source so TCS provision will not apply

Q8. Whether TCS will be applicable on Adhoc sale consideration

Wherever the amount collected from the buyers is an ad hoc amount, the seller needs to gross it up and remit the TCS accordingly.

Q9. Whether TCS would be applicable on Advance receipt how it will calculate?

Every time the seller receives part of the sale consideration in advance, the seller is mandated to remit that portion of GST to the GST authorities. He is also required to remit TCS under Section 206C(1H). Difficulty arises in the calculation of the amount required to be remitted as the seller needs to calculate GST first and then calculate TCS later, both on grossing up basis requiring tedious calculations.

Q10. Whether TCS will refund if sale is canceled after advance receipt?

Practical difficulties arise where advance is

collected for sale of goods and TCS is remitted and subsequently, the contract is canceled and the amount is refundable. In such cases, the seller is required to refund only the primary sale consideration received but not the TCS amount since such TCS amount is already credited as prepaid taxes and will appear in Form 26AS and the buyer cannot insist for refund of the TCS amount

Q11. Whether the consideration will include the amount collected towards GST?

The word 'consideration' is not defined. In terms of Section 145A irrespective of the treatment in books of accounts, the value of sales will include the amount of any tax recovered. Hence the consideration amount will be inclusive of GST for collection of TCS.

Q12. How the impact of sales return, credit note, and debit note would be considered in collecting TCS?

If sales return/credit note/debit note is before receipt of any consideration, then the impact thereof will be included in the amount of consideration, and accordingly on receipt of the revised consideration, the provisions of TCS would be applicable.

If the amount of consideration is already received and TCS is collected and paid, no impact thereof will be required to be made at the time of passing entry for sales return/credit



note/debit note.

However, against the subsequent realization, if the same gets adjusted and net consideration is paid then on such net consideration TCS should be collected.

Q13. Whether TCS will be applicable on Security deposits?

Where a buyer is required to keep earnest money deposit, security deposit, or performance guarantee, and if such amounts are later on adjusted towards sale consideration, the seller still will have to remit TCS.

Q14. Whether provisions of TCS would be applicable? If Trade receivables adjusted against the amounts payables from the said party.

TCS is to be collected at the time of receipt of amount of consideration. As in the instant case, though the amount is not received in cash/cheque / electronic mode but a genuine debt (receivable and payable is adjusted) it is received by any other mode and hence, the provisions for TCS will be applicable.

Q15. Whether TCS would be applicable if bad debts recovered?

Bad debts recovered is an amount received from a buyer belatedly and the only nexus between the seller and the buyer is on account of sale of goods and the amount received is only for the

sale consideration with timing differences and cannot become anything else in the hands of the seller. The treatment in the books of seller as bad debts recovered, cannot take away his liability under Section 206C(1H).

Q16. Whether TCS will be on settlement of debts like barter transaction?

Many times, it is a business practice to sell and buy in settlement of debts. Such settlement of debts, may not be a receipt, but a deemed receipt of sale consideration, and in our considered opinion, TCS is applicable.

Q17. Whether TCS will be applicable if partly payment received as a subsidy amount by Central or State Government?

In quite a few cases, the sale proceeds are partly paid by the Government as a release of subsidy or the costs are funded by third-party payments. All such transactions also amount to receipts on behalf of a buyer and hence the seller will be under obligation to remit TCS.

Q18. Whether TCS will be applicable if TDS is applicable on that transaction? Like; composite contract and turnkey Projects?

The provisions of Section 206C (1H) is not applicable if the buyer is liable to deduct tax at source under any other provision of the Act on the goods purchased by him from the seller under the said contract.



CA [Adv.] Kapil Goel

The importance of taking preemptive steps towards safety and concern of the employees of the organisation was always a paramount objective of any organisation in general and CA firm in particular. Yet, thrust put in by COVID-19 virus and all State and Central Government has made it to the fore of business continuity and business operations.

In this article we will explain what all precautions a CA firm should take considering several new pronouncements and requirements made mandatory in law due to outbreak of pandemic COVID-19 in Year 2020. As truly said “We have to live with this Virus” – meaning thereby all Partners of CA firm should mandatorily observe these suggested points in managing day to day operations of the firm for avoidance of any untoward incidence in the organisation.

Health, Hygiene and COVID-19 safety measures:

A. Following areas need to be regularly (daily/2-3 times in a day) disinfected completely:

1. Entrance gate of building/office.
2. Meeting room/conference room, open space within office/pantry.
3. Washrooms/ toilets/sinks/water-point etc.
4. Walls and other surfaces including tables etc.

B. Thermal screening for everyone.

C. Provision of hand wash / sanitizers at entrance of the organisation.

D. Staggered Lunch break of staff to maintain

social distancing.

E. Meeting of 10 or more people to be discouraged.

F. Replacement of Bio-metric machines involving physical contact by contact-less Facial Recognition machines for the purpose of marking of attendance.

G. Medical Insurance for all staff was made mandatory by the Ministry of Home Affairs but with the advent of Lockdown 4, it is no more necessary. However it is advised that the firm/ establishment should always opt for Group Medical Insurance for its own safety.

H. Restriction on non- essential personal meetings which can be managed through Online meetings.

I. Nearby hospitals that treat COVID19 patients should be identified and list displayed at the workplace.

J. Maintain social distancing even within the office premises.

K. Avoid Central Air-conditioning system.

L. Allow employees to work from home as much as possible.

Regulatory Labour Compliance:

1. Order dated 29.03.2020 issued by Ministry of Home Affairs is not only explicit but is mandatory under Section 10(4) of Disaster



Management Act, 2005. Employer has to Pay full Salaries and Statutory dues for ALL staff during lockdown as “Paid Shutdown Leaves”.

2. This order is very much valid unless pronounced otherwise by the Apex Court when hearing the petitions filed before it for the period of 25.03.2020 to 17.05.2020. The Order relating to Wages does not find a mention in the notification issued by Ministry of Home Affairs relating to Lockdown Period 4 that commenced from 18.05.2020.
3. For the Lockdown period 1,2 and 3- Reduction in Wages, Deferment of Wages, Adjusting any kind of Leaves against the absence in stated period, Treating absence as Leave Without Pay, Lay-off, Termination, Retrenchment is not allowed.
4. Certain relaxations were allowed by Provident Fund and ESI authorities with regard to extension in due dates of payment of contributions in PF and ESI and rate of contributions in PF for May – July 2020.
5. The period of Lockdown 1, 2 and 3 shall be counted as Period on Duty. Hence there shall be no effect on the computation of Bonus and Gratuity under the respective Acts. Payment of bonus/ ex-gratia beyond the Payment of Bonus Act, Increments / Raises to employees is at the discretion of the Employer.
6. Layoff in Fourth Lockdown period can take place if your office is fully functional but the

power to layoff should either be in the Letter of Appointment or the Service Conditions for employees in your establishment. If the power to Lay Off is missing, then even if you Lay Off- the employee shall be entitled to Full Wages.

7. If you wish to affect DISCHARGE SIMPLICITER in respect of any employee who falls in the definition of WORKMAN under the Industrial Disputes Act 1947, please note it may be difficult to sustain in the Adjudicatory Forums since such Discharges are taken as being against the Public Policy. Hence this is not encouraged. This is notwithstanding the fact that the provision to terminate service by giving Notice is enunciated in the Letter of Appointment or is mentioned in the Shops and Commercial Establishment Act of the respective State. It does not mean to say that you cannot terminate the services of any employee if he/she indulges in misconduct.
8. The employers need to note that the term “WORKERS” has been mentioned in the Notification of Ministry of Home Affairs. This term has no reference in the Industrial Disputes Act 1947 or any of the Shops and Commercial Establishment Act of the states in the country. However since the provisions of Disaster Management Act 2005 have been invoked, which super-cede all Labour Laws as are prevalent in the country, hence WORKER shall comprise of everyone who is engaged for service on hire or reward.



9. Notwithstanding all the above, it is quite possible that the firm/ establishment may still get notices/ communications for violations/ non-compliance. It may please be noted that the power to initiate action under DMA lies with District magistrate and Deputy Commissioners only. Under DMA such powers have not been given to Labour Department for initiating any coercive action. Even otherwise the Apex Court's order is there that no coercive action can be initiated against the employers, which is the only sign of relief in the present gloomy scenario.

Time to build your Software, Systems and Processes for better monitoring and control of CA firm's operations:

1. Replacement of manual attendance method due to its opaqueness

Considering the ever lasting impact of COVID-19 on human fraternity, It will be very difficult and challenging for any CA firm to manage manual or excel based attendance of staff on daily basis.

A CA firm would need to invest in some good attendance & leave tracking system to monitor, control and evaluate attendance and leaves of each employee and articles in an organisation.

2. Staff work from home management system

A good timesheet management software must be implemented in the organisation to evaluate tasks assigned to staff, time allowed and taken in each tasks, view and control pending tasks and measure performance of the staff against each tasks.

3. Reliable Integrated HR software to capture attendance and process payroll

A good HR software is the need of the hour. It will not only be managed remotely by the team but also would give significant ROI over its cost to the CA firm.

It will not only make operations smooth for a CA firm but also helps in detecting attendance related losses, work efficiency related costs, maintain database for future performance management, government department to substantiate measures etc.



Administration

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– gurgaon@icai.org; dheerajks@sankalp.co

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 gurgaon@icai.org with the subject line (Article Newsletter).

Gurugram Branch Managing Committee for the Session 2020-2021

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