



# Gurugram Branch of NIRC of ICAI

The Institute of Chartered Accountants of India

## e-Newsletter | October 2020



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## Editorial Message

**CA. Dheeraj KS Sharma**  
Chairman

यद्यदाचरति श्रेष्ठस्तत्तदेवेतरो जनः ।  
स यत्प्रमाणं कुरुते लोकस्तदनुवर्तते ॥  
(Shrimad Bhagwat Geeta | 03.21)

**Respected Professional Colleagues,**  
Warm greetings.

Trust this communication will find you safe and healthy. Everything begins in the heart and mind. Every great achievement began in the mind of one person. History says that the one who has faith and have practiced controlling their mind and senses attain divine knowledge. Through such knowledge, they quickly attain everlasting supreme peace.

I am pleased to mention that your branch has organised varied sessions on contemporary issues for members and students in the last month in which 23 distinguished speakers have joined. I am delighted to share that Gurugram Branch has started a series of CFOs Talk (Industry experts meet) to enable members at large to interact with industry leaders.

On 2<sup>nd</sup> October on the occasion of birth anniversary of Mahatma Gandhi in the support of Sarva Shiksha Abhiyan your branch is going to distribute basic kit of study material to underprivileged children. Your branch is going to host multiple

sessions for members and students in which some of the most distinguished persons will join including ministers, top bureaucrats and international speakers. I feel pleasure to mention that hopefully in this month the moment shall come when the construction of building of Gurugram branch shall begin.

With deep regret I am mentioning that in the last month we have lost two members from our fraternity. Untimely demise of CA Sanjeev Singhal ji, former Vice Chairman of Gurugram Branch and CA Sharad Singhal ji, Secretary, GST & Indirect Taxes Committee of ICAI is irrecoverable loss the profession. Profession will be highly indebted for their contribution. I would like to offer my deepest and most sincere condolences and may the departed soul rest in peace.

We always strive to make our newsletters more than just newsletters by keeping informative and using them to share knowledge among fraternity. We are always open to any ideas that will help us to improve our efforts to serve the members and students at large. I, along with my entire team express heartfelt gratitude for the love, support and guidance you have been pouring on us.

**‘Be Genuine and Win Hearts’**



## New Pension Scheme

**CA. Surbhi Maheshwari**

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### **National Pension Scheme - Saving for the retirement**

National Pension Scheme is a pension cum investment plan that provides old age protection and social security at the time of retirement. Let's talk about it in detail.

### **New Pension Scheme vs Old Pension Scheme**

There are 3 main components to the Indian Pension System namely Civil Servants Pension, Pension programs run by EPFO and pension for unorganised sector called National Social Assistance Program (NSAP). The civil servants pension is divided into 2 parts - OPS (Old Pension Scheme) and NPS (New Pension Scheme/ National Pension System)

Employees working in a government organisation and joined before 1st Jan 2004 receives pension as per OPS. Government introduced NPS for government employees w.e.f 1st January 2004 (except armed forces). W.e.f 1st May 2009, NPS scheme was launched for all the citizens of India.

Under the new scheme, a subscriber can

invest a part of their salary/income periodically and regularly during the tenure of working life and claim tax deduction on the same within the cap defined. The amount contributed into the NPS account earns interest which is market driven. This is in contrast to the old scheme in which the amount of pension was defined and fixed.

### **Who regulates NPS in India?**

Pension Fund Regulatory and Development Authority of India ([pfrda.org.in](http://pfrda.org.in)) regulate NPS through NPS trust (NPST). It's a relatively newly established body of India with its Act passed in September 2013 as an autonomous body.

NPS Trust is responsible for the pension matters of India. It is the registered owner of all assets under NPS. The Trust has appointed 8 fund managers (ICICI Prudential Pension Fund, LIC Pension Fund, Kotak Mahindra Pension Fund, Reliance Capital Pension Fund, SBI Pension Fund, UTI Retirement Solutions Pension Fund, HDFC Pension Management Company and Aditya Birla Sun Life Pension Management Limited) with whom the subscriber opens NPS



account (Tier 1 and Tier 2). These fund managers invest money in the market, generate returns and are accountable to NPS Trust.

## NPS account

PFRDA has appointed NSDL as a Central Recordkeeping Agency (CRA) for all subscribers under NPS. A person investing in NPS mandatorily needs to open an NPS account (can be opened online also at <https://enps.nsdl.com>) with the fund managers and is provided with PRAN (Permanent Retirement Account Number). PRAN is a unique 12 digit identification number associated with every

account. A subscriber cannot open more than one NPS account. However, can open one account in NPS and another in Atal Pension Yojana. Also, NPS account cannot be opened jointly i.e. it needs to be opened in individual capacity.

2 types of account can be opened - Tier 1 and Tier 2. Tier 1 account gets opened as and when investment is made in NPS. It's an account where all the savings are reflected and basis which tax benefits can be claimed. However, this account brings along re-

23. In section 80C of the Income-tax Act, in sub-section (2), after clause (xxiv), the following clause shall be inserted with effect from the 1st day of April, 2020, namely:—

Amendment  
of section  
80C.

'(xxv) being an employee of the Central Government, as a contribution to a specified account of the pension scheme referred to in section 80CCD—

(a) for a fixed period of not less than three years; and

20 (b) which is in accordance with the scheme as may be notified by the Central Government in the Official Gazette for the purposes of this clause.

*Explanation.*—For the purposes of this clause, "specified account" means an additional account referred to in sub-section (3) of section 20 of the Pension Fund Regulatory and Development Authority Act, 2013. '

113.

## Why to invest in NPS?

- ♦ Voluntary as subscriber can amend the amount to be contributed every year and at any given point of time.
- ♦ Flexible as subscriber can choose their own investment options (Active choice /

Auto choice)

- ♦ Market linked returns.
- ♦ Professionally managed by experienced fund managers and regulated by an autonomous body.





- ◆ Portable as NPS account can be managed from anywhere in the country and doesn't need to be reopened again.

## Limitations of NPS

- ◆ Returns earned are not distributed as dividends/bonus/interest. They are accumulated to the corpus.
- ◆ Restrictions on withdrawals.

## NPS deduction under Income-tax Act, 1961

NPS has attained the title of limited EEE i.e. Exempt-Exempt-Exempt. This means while the investment made is tax free, the return earned and withdrawal (upto 60% of the corpus) is also tax free. However, pension received as per the annuity plan is taxable as per the tax slabs. Investment in NPS can be made by individuals (Resident and NRI) between the age of 18 to 65 years.

- Salaried individuals - upto 10% of (Basic + DA) salary in the previous year
- Self employed - upto 20% of gross total income of previous year

Section under which deduction can be claimed :

-

- Salaried individuals can claim deduction under section

- ◆ Employee can claim deduction on his own contribution u/s 80CCD(1) within the ceiling limit of INR 1.5 lakhs u/s 80C
- ◆ 80CCD (1B) allows the subscriber to claim additional INR 50,000 apart from the one already claimed for in section above.
- ◆ 80CCD(2) allows employee to claim deduction on the amount contributed by the employer towards NPS. This rebate is over and above 80C.

Self employed can claim deduction under section 80CCD(1) within the overall ceiling of Rs. 1.5 lakhs under Sec 80 CCE (which defines aggregate amount of deductions u/s 80C, 80CCC, 80CCD(1)). Additional deduction of INR 50,000 is available u/s 80CCD(1B).

## Rules on withdrawal

When a subscriber has attained the age of 60, he/she becomes authorised to withdraw 60% of the corpus and the balance 40% needs to be invested in annuity plan to be released on a monthly/quarterly/annual basis to the subscriber. However, if the accumulated corpus is less than or equal to INR 2 lakhs then 100% withdrawal is allowed. A subscriber can defer the withdrawal till the age of 70 years.



## New Pension Scheme

Early withdrawal/exit from NPS attracts certain conditions. Subscriber can exit from NPS before 60 years of age provided he is allowed to withdraw only 20% of the corpus created till that date and the remaining 80% needs to be mandatorily invested in annuity plan. 20% of the corpus withdrawn is tax free. If the corpus is less than INR 1 lakhs, 100% withdrawal is allowed. However, it should be noted that one can exit NPS only after completing 10 years.

In another scenario, if the subscriber wants to withdraw certain balance for a specific purpose as listed, then maximum cap allowed is 25% at a point of time from his contribution plus returns. Please note that the subscriber cannot withdraw amount from the contribution made by the employer. This withdrawal is allowed for a maximum of 3 times till the age of 60. These

withdrawals are tax free.

In case of death of the subscriber, entire accumulated corpus is paid to the legal heir.

### Conclusion

While investing in NPS helps you in claiming tax benefits. It also inculcates a habit of saving for the retirement and making you "AATAMNIRBHAR". However, it is advised to invest in NPS after evaluating benefits from other deductions available u/s 80C.



Study kit distribution on 2<sup>nd</sup> October to underprivileged children.

आइए एक कदम आगे बढ़ाएँ, घर घर में शिक्षा का दीप जलाएँ ।



## Understanding Code on Wages

**CA (Adv.) Kapil Goel & Adv. R.K. Kedia**

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### INTRODUCTION:

As a part of consolidating all the labour laws that are in force in our country, Sh. Narendra Modi Government had initiated an exercise towards simplifying the various legislations not only for the ease of interpretation of the law but more particularly so on the need for reducing the burden of maintenance of various records and registers. All the labour laws are proposed to be consolidated in FOUR CODES one amongst which is CODE ON WAGES. This Code has already received the Presidential Assent on 08.08.2019. Notification by the Central Government for the date of application of Code is still awaited. Further the Central Government has circulated the rules once again on 07.07.2020, having done once earlier also. Public at large has been invited to tender their objections and suggestions and the draft notification on Rules is scheduled to be taken into consideration after the expiry of 45 days from the date of circulation of rules.

The Code on Wages 2019 has amended and consolidated the law relating to Wages, Bonus and matters incidental thereto. This Code has amalgamated various provisions contained in four legislations namely –

**The Payment of Wages Act 1936,**

**The Minimum Wages Act 1948,**

**The Payment of Bonus Act, 1965 and**

**The Equal Remuneration Act, 1976.**

### APPLICABILITY, EXTENT & COVERAGE

- a. The Code has been made applicable on all establishments without providing any minimum number of employees. However, requirement of employment of 20 or more employees in an accounting year has been provided in the Chapter governing Payment of Bonus.
- b. The Code applies to all categories of employees, irrespective of any WAGE CEILING or EMPLOYMENT IN SCHEDULED EMPLOYMENTS. However for Bonus- the employees earning above a certain wage limit that is to be prescribed shall stand excluded for Bonus payment.
- c. Code is applicable even for the employees in agriculture and domestic works, though the employer need not maintain any register, submit any return and issue wage slips in case of employment of less than 5 employees.



### KEY HIGHLIGHTS

- a. FLOOR WAGE shall be fixed by Central Government for different geographical areas and the State Governments cannot fix the minimum wages below the FLOOR WAGE.
- b. Revision of FLOOR WAGE every 5 years besides revision of D.A. / V.D.A.
- c. No deductions can be made by any EMPLOYER except as authorized under the Code.
- d. The employee has to be paid his dues within 2 days in case of resignation.
- e. Payment of wages through cheque or bank transfer in certain establishments to be notified separately.
- f. Payment of Bonus through cheque or bank transfer only.
- g. The concept of SCHEDULED EMPLOYMENTS which was found under Minimum Wages Act has been scrapped and the code shall be applicable to almost every establishment.
- h. A combined Register of Wages, Over-time, Fine, and Deductions in Form I is prescribed along with the Employee Register in Form IV.

- i. Time limit of preservation of records has been done away with.
- j. The Code provides for composition of offences where there is no punishment of imprisonment.

### DEFINITIONS

1. Both EMPLOYEE and WORKER are defined and scope of EMPLOYEE is wider. In CODE, in some provisions EMPLOYEE has been used and at other places it is WORKER.
2. EMPLOYEE includes persons employed in Managerial, Administrative and Supervisory capacities without any reference to salary they draw.
3. WORKER excludes persons working in Managerial, Administrative capacities as also Supervisors drawing Wages exceeding Rs. 15000.00 p.m.
4. Term ESTABLISHMENT will take in its ambit- Factories, Shops & Commercial Establishments, Offices of Professionals, Domestic Servants, Agriculture & Educational Institutions (except for Bonus).





5. WAGES means all remunerations whether by way of salary, allowances or otherwise. 11 exclusions are mentioned in the Code. However if payments made against these 11 exclusions exceed one half or such other percent, as may be notified by the Government, of all the remuneration, the amount that exceeds shall be deemed as remuneration and shall be accordingly added in WAGES.

### PAYMENT OF BONUS

- A. Bonus is to be paid necessarily in BANK ACCOUNT.
- B. Bonus can now be forfeited in the event of conviction for sexual harassment, besides dismissal for fraud/riotous-violent behavior, theft, sabotage, misappropriation.
- C. Advance Bonus if paid can be recovered from the BONUS otherwise payable.
- D. In case of default by Contractor in paying BONUS to its labour, the EMPLOYER shall be responsible for payment of bonus to labour of CONTRACTOR.

### PAYMENT OF WAGES

- I. Except in CERTAIN ESTABLISHMENTS, in all Establishments WAGES must be paid by cheque or by credit in bank account.
- II. In case of employees paid on monthly basis, payment has to be made before the expiry of the seventh day of the succeeding month.

### MINIMUM WAGES

- a. The fixation/ revision of the Minimum Wages has to be done taking into consideration the skill of workers viz. unskilled/semi-skilled/ skilled/ highly skilled or geographical area or arduousness of work like temperature or humidity normally difficult to bear, hazardous occupations or processes or underground work.
- b. The Central Government shall divide the geographical area into three categories: Metropolitan, Non-Metropolitan and Rural area.
- c. The Central Government shall fix Floor Wage for different geographical areas after consultation with the State



Governments. Once the FLOOR WAGE is fixed, the State Governments cannot fix the Minimum Wage lower than the FLOOR WAGE.

- d. The Dearness Allowance shall be revised twice in a year.

### **HOW THE CODE AFFECTS FACTORIES/ SHOPS & COMMERCIAL ESTABLISHMENTS ETC.**

1. Earlier Payment of Bonus Act was applicable on factories employing 10 or more persons. Now it shall be 20 or more persons but those factories that already stand covered shall remain so. Similar shall be the status for Shops & Commercial Establishments.
2. Payment of Bonus is to be made only through Bank Transfer.
3. Earlier Payment of Wages Act was applicable for factories employing 10 or more employees. Now it shall be applicable irrespective of the strength of establishment.

4. Payment of Wages Act was applicable to employees whose wages did not exceed Rs. 24000.00 but now the requirement of payment of wages through bank transfer/ cheque is to be adhered to in respect of every employee.

5. Change in definition of Wages shall increase the cost on establishments when compliance has to be made with payment of Bonus and payment of Minimum Wages. Added liability of contractor's labour shall also be there in case of default on the part of the Contractor.

6. The number of records and registers that are required to be maintained shall come down drastically.

**Once the rules as circulated are enforced, more clarity towards compliance shall emerge. Till then let us keep our fingers crossed and hope for the best.**

### **DISCLAIMER**

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## Program hosted by Gurugram Branch in September 2020

**Date: 02 September 2020 | Topic: VCM on Data Protection-Understanding Legal & Practical Dimensions | Speakers: CA. Gajendra Maheshwari & CA. Ankur Jain**

**Date: 05 September 2020 | Topic: VCM Success Through Synergy  
Speakers: CA. Fenil Shah, CA. Ravi Gwalani & CA. Gaurav Aggarwal**

**Date: 07 September 2020 | Topic: Overview of GSTR 9 and 9C  
Speakers: CA. Tushar Aggarwal & CA. Pitam Goel**

**Date: 08 September 2020 | Topic: Intricacies in GSTR 9C (GST Audit) with special reference to FY 18-19 | Speakers: CA. Abhay Desai**

**Date: 09 September 2020 | Topic: Tax Audit & new ITR forms  
Speaker: CA. Sanjay Agarwal, Past CCM**

**Date: 11 September 2020 | Topic: Reverse Insolvency in Real Estate Projects a Boon or a Bane | Speakers: Advocate Aditya Parolia**

**Date: 12 September 2020 | Topic: Discussion on Audit Reports and CARO  
Speakers: CA. Sumit Garg, NIRC Member**

**Date: 13 September 2020 | Topic: Practical aspect of registration of trust u/s 12A, 80G and GST on Trust | Speakers: CA. Raghuveer Poonia**

**Date: 19 September 2020 | Topic: Control and Governance - CFOs Perspective  
Speakers: CA. Vikash Dugar (Chief Financial Officer, Ashiana Housing Ltd)**

CA. HP Gupta (Finance Head (Plant Operations) Hero MotoCorp Ltd)

CA. Hitesh Uppal (Finance Head, magicbricks.com)

CA. Krishna Gopal (Chief Financial Officer, Satin Creditcare Network Ltd)

**Date: 26 September 2020 | Topic: New Avenues for Chartered Accountants  
Speakers: CA. D D Goyal (Vice President, Maruti Suzuki India Limited)**

CA. Hemant Jain (CFO, Reliance General Insurance)

CA. Sanjiv Kiyawat (DGM, Parle Products Pvt. Ltd.)

**Date: 27 September 2020 | Topic: VCM on Financial Planning & Wealth Creation  
Speakers: CA. Deepak Jauhari**





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## Gurugram Branch Managing Committee for the Session 2020-2021

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