BASCO BULLETIN…..

The government launched GST on July 1, 2017 creating a revolutionary impact and easing the country's tax system which endorsed as the biggest economic reform since independence. The Goods and Services Tax (GST) completes one year of its implementation on July 1, 2018. Under the GST regime, a regulated tax system was introduced in the country. The idea of 'one nation one tax' reengineered the country's business landscape. The roll-out of GST has been accompanied with frequent changes in rules, which was welcomed by few and deemed complex by others.
We are glad to present the 2ndEdition of our Newsletter "BASCO Bulletin". I would also like to extend my thanks to peers, friends and to the team of BASCO for having contributed to this edition.I shall be glad to receive all kinds of suggestions which will help us in parenting the newsletter through its future editions.

AUDIT UNDER GST- Let's Gear Up

Let us all welcome ourselves to the great month of July, the month in which the biggest tax reform was introduced in our country one year ago.

Post implementation of GST, the concept of Audit under GST can be considered to be the next vast and enormous concept that is going to change the way business organisations will work in the process of finalization of their books of accounts.

Digging forward; let's point out why GST Audit is so important from the point of view of business organizations. GST (being an indirect tax) is supposed to be collected from the purchaser and paid to the government. However, if later on the department demands any tax which is short paid or not paid, then the entire GST tax burden is on the business which cannot be passed on to any purchaser later on. This leads to huge cash flow impact for the organisation.

Let us understand the concept of GST Audit by the following FAQ's.

What is audit of records under GST?

Audit conducted under GST law is the examination of records to verify the correctness of information furnished, taxes discharged, refund claimed and input tax credit availed. It is a way to analyze the correctness of compliance by taxpayer with the provisions of the GST Act.

1. **Why is GST Audit important?**

GST in its very nature is a trust based taxation system wherein the taxpayers are expected to pay indirect taxes on the basis of self-assessment, without any day-to-day intervention by the tax officers. Therefore in order to make sure there are no miss-appropriations in the self-assessed GST returns, it becomes necessary for the govt. to put in place a robust audit mechanism and ensure compliance of all the provisions of the GST law by the tax payers.

2. **How many types of audit are there in GST?**

There are 3 types of audit under GST, one by the taxpayers themselves and two by the GST authorities (department).

3. **What are the types of audit by tax authorities?**

- General Audit – The Commissioner of CGST/SGST (or any officer authorized by him) may conduct an audit at the place of business of the registered person or in their office. The officer has to give at least 15 days notice before conducting the audit.

- Special Audit - During the course of any scrutiny / investigation etc., if the Assistant Commissioner (AC) feels that the nature of business of the assessee is complex to understand and decipher (because of which the value has not been correctly declared or wrong credit has been availed), then the AC may direct a Special Audit to be carried out by a chartered accountant or a cost accountant nominated by the Commissioner.

4. **In case of Audit by the taxpayer themselves, who conducts the GST audit?**

GST Audit shall be conducted by a Chartered Accountant (CA) or a Cost Accountant if the turnover of the taxable person crosses the threshold limit.

5. **What is the threshold limit to get the books Audited?**

As per the present law, every registered person whose aggregate turnover during a financial year exceeds INR 2 crore shall get his accounts audited. [Rule 80 (3) of GST Rules]
For the purpose of calculation of threshold, aggregate turnover is considered which includes value of all exempt supplies and exports under the same PAN, on all India basis.

Example: A company has 3 branches in different states, each having and separate GST number and with a turnover of Rs. 1.5 crore (exempt supply), Rs. 25 lakh (taxable supply) and Rs. 50 lakh (taxable supply) respectively. Such company will be liable for GST audit since its aggregate turnover exceeds INR 2 crore.

6. **What documents are required to be submitted in respect of GST audit?**

Every taxable person getting its accounts audited shall be required to furnish

- ✓ Copy of the annual return in Form GSTR-9, along with
- ✓ Audited copy of annual accounts;
- ✓ A reconciliation statement, reconciling the value of supplies declared in the return furnished for the year with the audited annual financial statement in Form **GSTR-9C.**

7. **What is time limit for GST Audit by a CA/CMA?**

The due date for GST Audit is same as the due date for Annual return under GST i.e. 31st day of December following the end of the FY.

For example, GST Audit and Annual Return for FY 2017-18 needs to be filed by 31st December, 2018.

8. **WHY IS IT IMPORTANT TO GEAR UP FOR THE GST AUDIT NOW?**

Two major reasons to get the GST audit done before September 2018 are :-

i. Input tax credit (ITC)
ITC on inputs, input services or capital goods that were earlier not availed (by way of proper disclosure in GST returns) for various reasons (like credit not available in 2A or entry omitted by ignorance) can only be claimed before the due date of furnishing of return for the month of September following the FY to which the invoice pertains (for example: for FY 2017-18, due date shall be 20th October, 2018). After the expiry of the due date the ITC cannot be claimed, even if the same was inadvertently skipped earlier.

ii. Credit Notes:
Credit notes can be issued under GST only by the supplier of goods or services. The same is issued in case of any sales return, reduction of quantity, reduction in sale value because of reduction in prices due to quality claim, deficiency of services, etc.

By issuing credit notes, the supplier can reduce its Output Tax Liability and accordingly pay lesser amount of tax. However, the credit note has to be accepted and recorded by the receiver of goods or services as well and the benefit of tax reduction cannot be taken, if the action is unilateral on the part of the supplier only.

The details of such credit notes issued in respect of a tax invoice has to be reported not later than the due date of furnishing of return for the month of September following the FY to which the original invoice pertains. Also the receiver has to affect the same in its GST returns within the said period. Hence, credit note management becomes an important checking point.

9. CITE FEW EXAMPLES OF ERRORS IN GST COMPLIANCE WHICH CAN BE DETECTED THROUGH GST AUDIT:

a) ITC of capital goods: Under GST, Input tax credit of capital goods can be availed in the first month of receiving the capital goods and the invoice. The said capital goods may be either actually put to use or may be put to use in future. The ITC can be claimed in the month of purchase itself.

b) E-way Bill reconciliation:
E-way bill is required to be generated for movement of goods of consignment value greater than Rs. 50,000 (inter-state movement) or Rs. 100,000 (local movement in West Bengal). Such invoice level sale details are also furnished in GSTR-01 (on GST portal) and it needs to be reconciled with the actual number of e-way bills generated (in the e-way bill portal) either by the assessee himself or by the other party. Any mismatch, if not supported with valid reasons, may attract a penalty of Rs. 10,000.

c) ITC on Blocked Credits:
If any ITC has been claimed which is blocked u/s. 17(5) (like, ITC in respect of motor vehicles, food bills, rent-a-cab for employees, membership of clubs, ITC on goods or services in respect of purchase or construction of immovable property, goods given free of cost, goods lost or destroyed or stolen, etc,) then the same has to be reversed along with 24% interest for the default period.
If any ITC is not matching with the GSTR-2A or the ICEGATE portal (in case of import of goods) then the same has to be either reconciled or reversed with 18% interest.

d) Change in registration:
Any change or addition in registration particulars (like, change in legal or trade name, inclusion of additional place of business, change in directors / partners/ trustees etc., any bank account opened or closed, any addition of new goods or services dealt in, etc.) needs to be intimated within 15 days of such change. Otherwise it attracts penalty upto Rs. 25,000.

e) Creditors with age more than 6 months:
ITC availed in respect of those purchase / expense bills which have remained unpaid for more than 6 months have to be reversed along with interest. The re-credit can be taken upon payment later on.
If such reversal is detected by the tax authorities, then interest @ 18% shall be applicable.

f) Reversal of ITC in case of supply of both taxable and exempt supply.
In case a person is supplying both taxable as well as exempt goods / services, then the ITC availed has to be reversed in a certain manner and the same is required to be disclosed in the monthly returns.
It is pertinent to note here that any item which attracts GST at a lower rate with the condition that ITC cannot be availed, are deemed to be an Exempt Supply.
Example: A person having a restaurant (taxable @ 5% without ITC) and also providing banquet services (taxable @ 18% with full ITC), has to reverse partial ITC on common inputs such as common AC, kitchen utensils etc.

Conclusion:

The above are just few examples of errors or mistakes that may remain overlooked while preparing the books of accounts and a proper GST Audit helps to identify such instances and helps to take precautionary measures well in advance and immunize the organization from penal exposure.

*****

-By CA Rinky Kedia, Partner,
(MRG KEDIA & Co.)

Glimpse of Basco Events

Little feet with dreams are our future with vision:

Appreciating Ms. Aashna Singhania for her contribution to **'Be Yourself'**

Budding Talent Sanidhya Singh touched souls with his singing

Swachh Bharat:

Saturday Lunch:

Team Discussion & Seminars:

A brief session on 'Networking' and 'Start Up 'by
CA Sumeet Singhania (Partner, Ahmedabad)

With the introduction of the Digital India Program by the Government of India, a lot of technologies have emerged which have made documentation & other work easier. It is both enabler and beneficiary of other key Government of India schemes.

Today it's not necessary to carry the documents wherever we go. So the **DigiLocker** service was launched as an important facility to store crucial documents like Voter ID Card, Pan Card, BPL Card, Driving License, education certificates, etc. in the cloud. The Internet of Things (IoT) is the idea of making devices smart by connecting any device to the Internet.

MEA with a view to provide mobile enablement of public services, has launched a Mobile Application '**mPassportSeva**' to offer a wide variety of services to smart phone users such as Passport application status tracking, locating the Passport Seva Kendra (PSK) and general information on various steps involved in obtaining a Passport. Passport Seva Project, being executed by Consular, Passport and Visa (CPV) division of the Ministry of External Affairs (MEA), Government of India, aims at providing all the Passport-related services to the Indian Citizens in a speedy, convenient and transparent manner. This is one of the largest projects of the Government of India under the National e-Governance Plan (NeGP) being executed in public-private-partnership mode with Tata Consultancy Services (TCS) as the private partner. The project is already operational and servicing citizens through 77 Passport Seva Kendras across India.

The **MEAIndia** app provides information about the ministry's activities and citizen-oriented services – E-Citizen, Passport services, Visa Services, and Indian missions abroad are some examples. It also simplifies the steps involved in traveling abroad.

Through these varied applications, people are becoming aware of the topmost initiatives by the Government of India to nurture Digital India with an aim of transforming India into digital empowered society and global economy.

Contributed by Ms. Darshika Gupta

STAR PERFORMER OF THE MONTH

March: **Mr. Deepak Kumar**
April: **Ms. Simran Kaur**
May: **Mr. Gopal Parikh**

CCHI PERFORMER:

March: **Ms. Rashika Agarwal**
April: **Ms. Rupal Jaiswal**

Compliance Check

Advance Tax:

Advance Tax Needs to be paid when the advance tax payable of assessee is **Rs.10, 000** or more during the Year.

For all assessee (Other than those covered under 44AD)	
Due Date of Installments	**Amount Payable**
On or before 15th September	45% of the Advance Tax
For those assessee which are covered under 44AD	
Due Date of Installments	**Amount Payable**
On or before 15th March	100% of the Advance Tax

TDS:

Due date of Filling of TDS Return	
Period	**Due Date**
July-September	31st October

Due Date: Different due dates are prescribed for payment of TDS:

Due date for payment of TDS	
Month Belongs to	**Due Date**
July	7th of August
August	7th of September
September	7th of October

ITR:

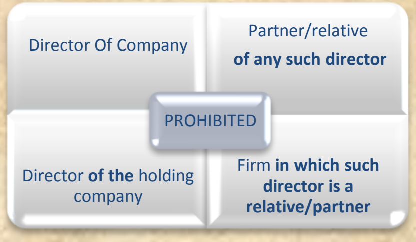
Due date for filling of Return	
Category	**Due Date**
Individuals, HUF, BOI, AOP. (Taxpayers with no audit requirement.)	31st July
Company, Taxpayers whose accounts need to be Audited, Working partner (whose firm's books need to be Audited)	30th September

Audit: There is not any statutory liability till May for Filling of Audit Report.

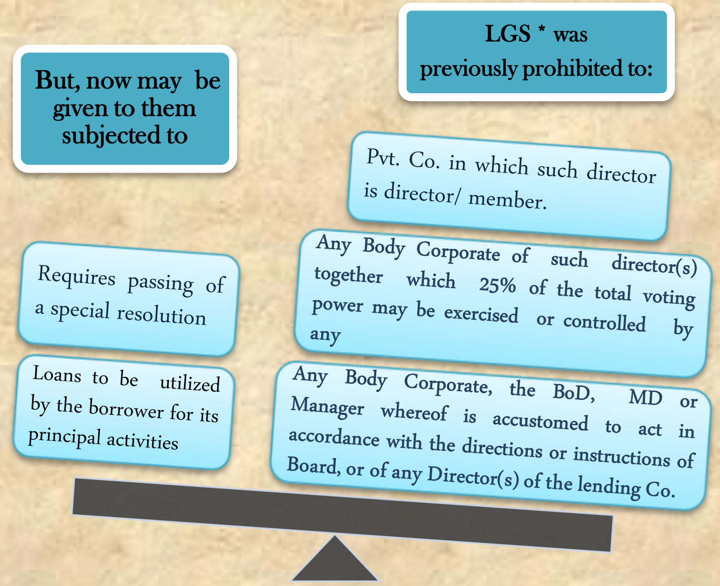
Compiled by Ms. Sakshi Rathi &Mr. Sanchit Modi

Corporate Talk

Section 185 of the Companies Act 2013 applies only when any company proposes to give a loan to Directors, etc. As a result the Companies Amendment Act, 2017 is warmly welcomed providing relief to an extent.



Previously, the provisions were prohibitory & mandatory in nature. ***The Companies Amendment Act 2017*** *has replaced the absolute prohibition with partial prohibition and partial allowance.*



PENAL PROVISION

Previously applicable on Company , Director/any other person to whom LGS *provided

Now it is also extended to every officer in default of the company,

Loans can be provided to company in which its Ordinary course of business provides LGS for the repayment of any loan*

Previously ,Rate of Interest for such Loan ≥ bank rate as declared by RBI

Now, Rate of Interest for such Loan ≥ the rate of prevailing yield of 1,3,5 or 10 years Government security (closest to the tenure of loan)

***LGS=Loan,Guarantee and Security**

Compiled by Ms. Anamika Luhariwala & Ms. Aditi Gupta

INVESTMENT INSIGHTS

NATIONAL PENSION SCHEME

1. What is it?

NPS (National Pension System) is a defined contribution based Pension Scheme launched by Government of India with the following objectives -

- To provide old age income
- Reasonable market based returns over long run
- Extending old age security coverage to all citizens

In other words, National Pension Scheme is a market linked retirement plan that allows subscribers to contribute regularly in a pension account during their working life. On retirement, subscribers can withdraw a part of the corpus in a lump sum and use the remaining corpus to buy an annuity to secure a regular income after retirement.

2. Eligibility to opt for the Scheme

- All citizens of India are eligible for investing in NPS.
- Age of an individual interested to invest in NPS should be between 18 to 60 years.

3. How does the system work?

All the individuals who invest in NPS are allotted with PRAN (Permanent Retirement Account Number).

- Minimum amount per contribution in NPS is Rs.500.
- Minimum contribution per year is Rs.6000.

4. What investment options are available in NPS?

Investing in NPS offers TWO Approaches

Active Choice- Individual Funds **Auto Choice- Life Cycle Funds**

a. Active Choice –Individual Funds

This choice comes with 3 options to choose from.

- **E-option**-"High return, High risk", investments mainly in equity market instruments.
- **C-option**-"Medium return, Medium risk"- investments mainly in fixed income instruments.
- **G-option**-"Low return, Low risk"- investments completely in fixed income instruments.

b. Auto Choice-Lifecycle Funds

It's an easier option for managing individual NPS investments. Based on the individual age, the portfolio is pre-defined.

5. Implications under Income tax Act, 1961.

Additional Benefit u/s 80CCD(1B) of Income Tax Act, 1961 to the extent of Rs. 50,000 under Tier I scheme of NPS is available which is over and above the combined limit of Rs. 1.5 Lakh as laid down in 80CCE.

6. What are the withdrawal norms of NPS?

There are two types of accounts that NPS offers:

***Before attaining 60 years of age i.e. before Superannuation**,

Only 20% of the contribution can be withdrawn while the rest 80% has to be necessarily used for buying annuity from a life insurer. Annuity is a series of payments made at fixed intervals of time . Annuity plans necessitate the insurer to pay the insured income at regular intervals until his death or till maturity of the plan.

***After attaining the age of retirement also (60 years)i.e. at the time of maturity or on Superannuation**

Close to 60% contribution can be withdrawn and the rest 40% again has to be used to purchase annuity from approved life insurers.

In case the total corpus is less than Rs. 2 Lakhs as on the Date of Retirement, then the subscriber can avail the option of complete Withdrawal

Upon Death

The entire accumulated pension would be paid to the nominee/legal heir of the subscriber.

7. How can one subscribe to NPS?

There are at present 58 authorized institutions by PFRDA including

Banks **Post Office** **Financial Institution**

Online **Home Banking** **Offline facility**

Steps to Subscribe NPS

Investment can be made either through Intermediary or directly under POP (Point of Presence) mode

- Contributed by CA Arun Patodia

motivation corner

Let go of your Stresses!

Stress comes from Over thinking. We live as though there aren't enough hours in the day but if we do each thing calmly and carefully we will get it done quicker and with much less stress.

A psychologist walked around a room while teaching stress management to an audience. As she raised a glass of water, everyone expected they'd be asked the "half empty or half full" question. Instead, with a smile on her face, she inquired: "How heavy is this glass of water?"

Answers called out ranged from 8 oz. to 20 oz.

She replied, "The absolute weight doesn't matter. It depends on how long I hold it. If I hold it for a minute, it's not a problem. If I hold it for an hour, I'll have an ache in my arm. If I hold it for a day, my arm will feel numb and paralyzed. In each case, the weight of the glass doesn't change, but the longer I hold it, the heavier it becomes."

She continued, "The stresses and worries in life are like that glass of water. Think about them for a while and nothing happens. Think about them a bit longer and they begin to hurt. And if you think about them all day long, you will feel paralyzed – incapable of doing anything."

It's important to remember to let go of your stresses. As early in the evening as you can, put all your burdens down. Don't carry them through the evening and into the night. Remember to put the glass down!

"BE HAPPY IN THE MOMENT, THAT'S ENOGH .EACH MOMENT IS ALL WE NEED, NOT MORE".

-Mother Teresa

- Contributed by Ms.Sakshi Rathi

We have been engaged in the profession of Chartered Accountants since 1997. We have a professional team of young and energetic individuals having dynamic approach towards offering high quality professional services to our clients which has helped us immensely in building long term mutual benefit relationships.

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- Taxation (Direct Tax)
- International Taxation
- Consultancy
- Secretarial works
- Valuation
- Registration

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