

BASCO BULLETIN...



*From the
Editor's
Desk*



CA Ayush Goel



We are glad to present the **5th Edition** of our Newsletter "BASCO Bulletin". I would also like to extend my thanks to my peers, friends and to the team of BASCO for having contributed to this edition. I shall be glad to receive all kinds of suggestions for our future editions. Through our newsletter we are taking this initiative, keeping in mind such evolving informative needs of our clients and peers and to be a part of the Global Village of our fraternity.

As we are all waiting for a New Financial Year with hope, we thank you for the opportunities you have given to us and wish a better Year for you and your business. Every success requires an effort and a year of hard work proved it once again. Our united staff was able to overcome many professional challenges and developed into a very beautiful and effective mechanism. Hope the next year will be even better!!

Turnover under IT Act 1961 vis-à-vis Capital Market Transactions - DECODED!!

"An investment in knowledge pays the best interest."

- Benjamin Franklin

There has been a continuous deliberation as to how shall the turnover be considered in case of assessee dealing in shares and securities vis-à-vis applicability of 44AB and/or 44AD of the Income Tax Act, 1961. This comes as a pertinent query as in such assessee, the volume of transactions is usually very high very negligible share of such revenue as intraday profit/loss in certain cases. Now let us discuss the scenario in details vis-à-vis the *guidance note issued by ICAI on Tax Audit u/s 44AB of the IT Act, 1961*.

Dealing in shares can result either in "Business income" (chargeable as Profits & Gains of Business or Profession chargeable under section 28 of the Income Tax Act, 1961) or "Capital Gains" (chargeable under Sec.45 of the Act). Thus, it could either be in the course of business, OR for the purpose of investment. Classification into the above depends on facts & circumstances of each case. However, it can be said that - ordinarily, the purchase and sale of shares with the motive of earning a profit, would result in transaction being in the nature of trade, but where the object of investment in shares of a company is to derive income by way of dividend etc., then the profit accruing by sale of shares will yield capital gains and not business income which can be of 2 types, Speculative and non-speculative. Also trading in shares can be of two types:

A) DELIVERY BASED TRADING:

Under this type of trading, the share transaction is said to be complete only **when there is actual delivery of shares/securities upon the settlement of transaction** i.e. in other words, when shares are purchased/ sold on delivery basis, then those shares will be transferred to/from Demat account of the buyers/sellers. The buyer of the share will have to pay the full value of share and the share will become his asset with that either he can trade in his business or hold for investment.

B) NON DELIVERY BASED TRADING (or intraday trading):

Intraday trading by the name itself one can get a view that it refers to the trading system where the **traders have to square-off their trade on the same day**. Squaring off the trade means that the traders have to do the buy or sell transaction on the same day before the market close. In other words in this trading, shares are not actually transferred to the DEMAT account of the buyer instead they have to **square off their position before the market close on same day by selling the same number of shares**. The buyer of the shares will not pay the full value of shares instead pay only the difference margin arising on account of such buy/sell transaction.

Speculative Business Income:

Income from intra-day trading is considered as speculation income and taxed as such.

As per Section 43(5) of the Income Tax Act, 1961, intra-day trading shall be considered as speculation business transactions and the income there from would be either speculation gains or speculation losses. Income from speculation gains is taxed at the normal rates.

Intra-day trading is the trading of shares within the same day. For a person earning income from any head of income, intra-day trading in shares is always treated as speculative business. Section 43(5) of the Income Tax Act, 1961, deals with speculative transaction. It states that a transaction of purchase or sale of a commodity including stocks and shares settled otherwise than by actual delivery or transfer of the commodity or scrip is a speculative transaction. In intra-day trading in shares, there is no actual delivery as the shares enter and exit from the trading account on the same date and it does not enter the DEMAT account at all.

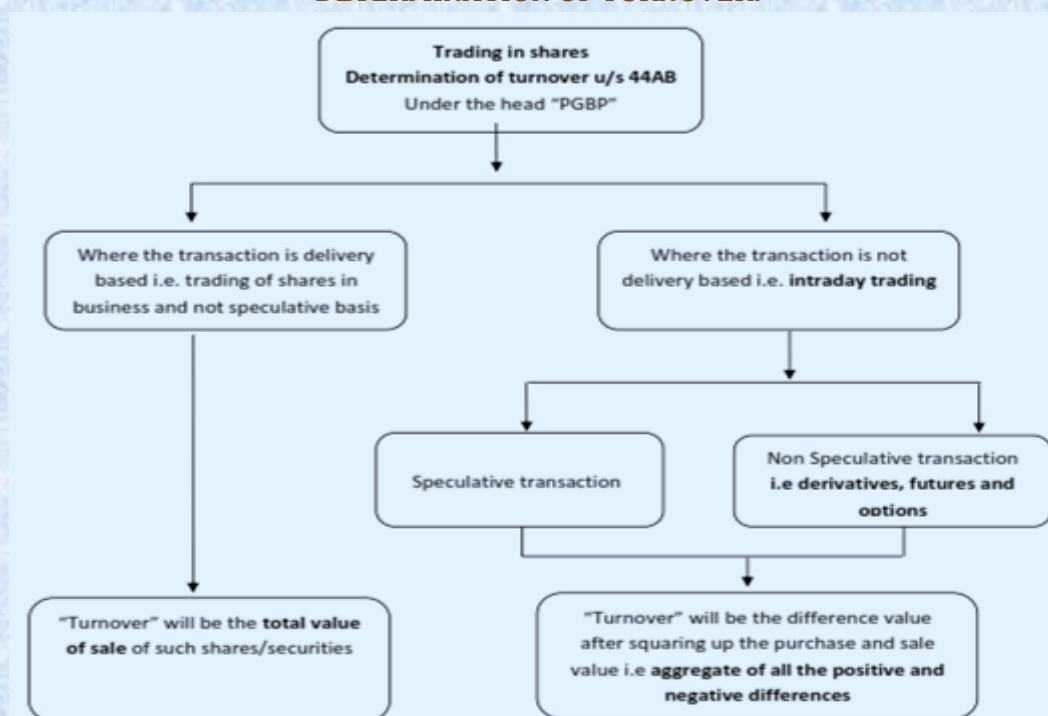
Non Speculative Business Income:

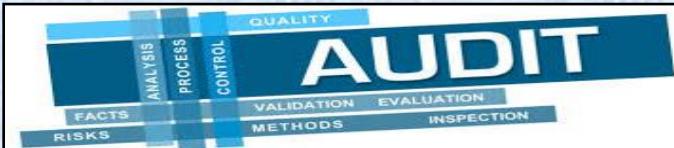
Income from trading F&O (both intraday and overnight) on all the exchanges is considered as non-speculative business income as it has been specifically defined this way. F&O is also considered as non-speculative as these instruments are used for hedging and also for taking/giving delivery of underlying contract. Even though currently almost all equity, currency, & commodity contracts in India are cash settled, but by definition they give rise to giving/taking delivery (there are a few commodity future contracts like gold & almost all agri-commodity contracts with delivery option to it). Income from shorter term equity delivery based trades (held for between 1 day to 1 year) are also considered as non-speculative business income if frequency of such trades executed is high or if investing/trading in the markets is the main source of income.

Profit / Loss in derivatives (futures and options) are treated as non-speculation business even though delivery is not affected in such transactions.

From reading of the above it is clear that trading in derivatives including commodity derivatives on a recognized stock exchange will not be considered as a speculative transaction and hence not treated as speculative business. Therefore since these are not considered as speculative business, therefore income from such transactions will be considered as normal business income and loss from such transactions will be considered as normal business loss.

DETERMINATION OF TURNOVER:





Audit is an independent examination of financial statement whether profit oriented or not, irrespective of its size or legal form, and such examination is conducted with a view to express an opinion thereon.

DIFFERENT TYPES OF AUDIT

1. Statutory/External Audit: It refers to audit of financial statements for specific or type of entities that is required by law or local authority. The Statutory Audit is normally performed by external audit firms and audit report will be issued by auditor.

Applicability - Statutory Audit is compulsory for:

- a) Every company
- b) Those non-companies whose turnover in case of business exceeds 100 lakhs and gross receipts in case of profession exceed 25 lakhs.

2. Internal Audit: It is an independent, objective assurance and consulting activity designed to add value and improve an organization's operation. It helps an organization to accomplish its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Applicability - Internal Audit is compulsory for:

- a) Listed Companies.
- b) Unlisted public company having public deposit minimum Rs 25 crore or paid up share capital minimum Rs 50 crore or loans and borrowings minimum Rs 100 crore or turnover Rs 200 crore.
- c) Private company having loans and borrowings minimum Rs 100 crore or turnover minimum Rs 200 crore.

3. Tax Audit: This is an analysis of the tax returns submitted by an individual or business entity, to see if the tax information and any resulting income tax payment are valid.

Applicability

As per the provision of section 44AB, the following person must get their accounts compulsorily audited by a chartered accountant by a specified date and also furnish the audit report in the prescribed form which could be either Form 3CA or Form 3CB on or before the due date of filling return u/s. 139(1).

- a) A person carrying on business, if the total sales, turnover or gross receipts in business exceeds Rs 100 lakhs in any previous year.
- b) A person carrying on profession, if his gross receipts in profession exceed Rs 50 lakhs in any previous year.
- c) If the assessee claims that his income under normal provisions is lower than presumptive income u/s 44AE.
- d) If the assessee claims that the profit and gains from the profession as per normal provisions are lower than the presumptive income u/s 44ADA and whose total income exceeds the basic exemption limit.
- e) An assessee to whom provision of section 44AD (4) are applicable and whose total income exceeds the basic exemption limit.

Mentioned below are some audits conducted by the organization to check the workings of its businesses, whether they are working efficiently and effectively or not. These types of audit can also be conducted on demand of the client.

1. Forensic Audit: It is performed by an accountant who has the skills in accounting and investigation. It involves examination, techniques, regularity, investigation as well as audit of financial statement.

2. Operational Audit: This is a detailed analysis of the goals, planning process, procedures and result of the operations of business.

3. Compliance Audit: This is an examination of the policies and procedures of an entity or department, to check its compliance with internal or regulatory standards. The audit is most commonly used on regulated industries or educational institution.

4. Information System Audit: This involves a review of the controls over software development, data processing and access to computer system. The intent is to spot any issues that could impair the ability of IT systems to provide accurate information to users as well as to ensure that unauthorized parties do not have access to data.

5. Environmental and Social Audit: It involves the assessment of environment and social footprints that an organization leaves as a consequence of its economic activities.

6. Investigation Audit: This is an investigation of a specific area or individual when there is a suspicion of inappropriate or fraudulent activity.



SENIOR CITIZEN SAVINGS SCHEME

The importance of the scheme can be understood by the fact that it **is fetching best rate of interest among all the schemes available today**. The rate of interest at present is **8.7% per annum** which is better than Sukanya Samridhi Scheme 8.5%. The object of the scheme is **to promote the habit of saving among senior citizens** in save and reliable mode with higher rate of income.

Now, let me give brief details of the Scheme:

- + Any person with the age of 60 years or more or persons who have opted for VRS with the age of 55-60 years with a condition that they should invest within one month in the scheme of the benefit they have received on account of VRS and retired defense personnel can invest with the age of 50 years or more.
- + Account can be **opened in single name or jointly** with spouse as well.
- + Maximum amount that can be invested in the scheme **is Rs. 15 lakh** and money can be deposited in multiples of Rs.1000/-.
- + **Interest shall be given on each calendar quarter** i.e. March, June, September and December. Compounding of interest is not permissible. It means the account is good to meet the regular financial need of the senior citizen when they, generally, do not have regular source of income. *Any money received in later age of a person should be used in the account for getting higher returns with liquidity (after one year of the opening of the account) and safe as the scheme is approved by the government of India.*
- + Amount can be gifted to parents by son/daughter and in turn they can invest in the scheme and get higher benefit. Children also get an opportunity to fulfill their parents' financial needs on regular basis as the interest amount is paid calendar quarterly to the account holder.
- + The amount can **be invested through authorized banks, post offices** which can be found out through Internet. It is very safe as it is government sponsored Investment Scheme.
- + The most important part of the scheme is that it is **covered u/s 80C as well**. Hence, separate deposit for each year can be made to avail the deduction and the maximum deposit cannot exceed 15 lakh.
- + **The tenure of the scheme is for five years** and it can be extended for another 3 years. Only one extension of 3 years is allowed.
- + **Premature withdrawal is allowed after one year** and before the due date of maturity with certain penal interest.
- + **NRI and HUF are not eligible** to open the account.
- + **Interest is received at the time of maturity** with amount invested.

Those persons who have limited resources and want to avail 80C as well, my suggestion would be that this one is better option from the point of view of returns as well as liquidity. It is very easy to open and nomination facility is also available. Meaning of nomination facility is that in case of death of the account holder, money shall be given to the nominee and in case nominee also expires, that money shall go to the legal heir of the deceased. Most of the nationalized banks and post offices are eligible to open the account.



ACTIVE (Active Company Tagging Identities and Verification)

Rule: Companies (Incorporation) Amendment Rules, 2019.

Effective date: w.e.f 25th February, 2019

Last date to file form: 25th April, 2019

Compliance: Every Company incorporated on or before 31.12.2017 is required to file e-form INC-22A (ACTIVE- Active Company Tagging Identities and Verification).

Restriction: Companies who has not filed its financial statement or annual return or both shall be restricted to file this e-form.

Companies not required to file:

- ❖ Struck off companies,
- ❖ Companies under process of striking off,
- ❖ Companies under liquidation,
- ❖ Amalgamated or dissolved companies.

Consequence of non-compliance:

1. The Companies shall be marked as “ACTIVE-non-compliant” on or after 26th April, 2019.
2. **Physical verification of registrar office** of the Company by the Registrar if there is reason to believe that the Company is not carrying on any business or verification. Thereafter, action may be initiated for **removal of name of the Company**.
3. Restriction on request by Companies for recording the following:
 - ❖ Change in authorized capital
 - ❖ Change in Paid-up Capital
 - ❖ Changes in Directorship
 - ❖ Changes in Registered Office
 - ❖ Amalgamation or de-merger

Possibility of filing after due date: A company can file the e-form even after its due date i.e. 25.04.2019 on payment of fee of Rs. 10,000.

Information required from companies:

1. **Company Details**
 - ❖ Latitude & Longitude (RO)
 - ❖ Mail ID & OTP verification
2. **Attachments to this e form:**
 - ❖ Photograph of Registered office showing external building and inside office also showing therein at least one Director KMP who has affixed his/her DSC to this form.
3. **To be digitally Signed by:**
 - ❖ The E-form should be digitally signed by one director in case of OPC. In case company is other than OPC, form shall be signed by one director and one KMP or two directors.
 - ❖ The Practicing Professional certificate shall certify the E-form.

Is Blockchain Technology the New Digitization?

"The blockchain is an incorruptible digital ledger of economic transactions that can be programmed to record not just financial transactions but virtually everything of value." – Don & Alex Tapscott

The blockchain is an undeniably ingenious invention – the brainchild of known by the pseudonym, Satoshi Nakamoto. A blockchain is, in the simplest of terms, a time-stamped series of immutable record of data that is managed by cluster of computers not owned by any single entity. Each of these blocks of data (i.e. block) are secured and bound to each other using cryptographic principles (i.e. chain).

By allowing digital information to be distributed but not copied, blockchain technology created the backbone of a new type of internet. Originally devised for the digital currency, Bitcoin, the tech community has now found other potential uses for the technology.

For the sake of a successful digitization process, special attention has to be paid to guidelines, data protection and data security. While companies are already actively invited to invest and contribute their bit to the digitization process, there are still inflexible guidelines and tax barriers that need to be tackled previously. Though all in all we have seen digitization succeed in India, we have to state that the population is still only reacting hesitantly to the changes incurred. People are used to a certain handling and it takes time and assistance to help them integrate new systems into their everyday life. Government initiatives and education programs have already been installed in order to solve the problem.

The reason why the blockchain has gained so much admiration is that:

- ❖ It is not owned by a single entity, hence it is decentralized
- ❖ The data is cryptographically stored inside
- ❖ The blockchain is immutable, so no one can tamper with the data that is inside the blockchain
- ❖ The blockchain is transparent so one can track the data if they want to

What new Business Applications will result due to this technology?

Blockchain will impact all aspects of the consumer markets; we are already seeing disruptions in banking, finance, insurance etc. Eventually this will spread across the globe in different industries and displace many existing players who are slow to adapt to change.

- Smart contracts**
Distributed ledgers enable the coding of simple contracts that will execute when specified conditions are met.
- The sharing economy**
By enabling peer-to-peer payments, the blockchain opens the door to direct interaction between parties – a truly decentralized sharing economy results.
- Crowd funding**
Blockchains take this interest to the next level, potentially creating crowd-sourced venture capital funds.
- Governance**
By making the results fully transparent and publically accessible, distributed database technology could bring full transparency to elections or any other kind of poll taking.
- Supply chain auditing**
Distributed ledgers provide an easy way to certify that the backstories of the things we buy are genuine. Transparency comes with blockchain-based timestamping of a date and location – on ethical diamonds, for instance – that corresponds to a product number.
- File storage**
Decentralizing file storage on the internet brings clear benefits. Distributing data throughout the network protects files from getting hacked or lost.
- Prediction markets**
Prediction markets that pay out according to event outcomes are already active. Blockchains are a "wisdom of the crowd" technology that will no doubt find other applications in the years to come.
- Protection of intellectual property**
Smart contracts can protect copyright and automate the sale of creative works online, eliminating the risk of file copying and redistribution.
- Internet of Things (IoT)**
Smart contracts make the automation of remote systems management possible. A combination of software, sensors, and the network facilitates an exchange of data between objects and mechanisms.
- NeighbourhoodMicrogrids**
Blockchain technology enables the buying and selling of the renewable energy generated by neighbourhoodmicrogrids.
- Identity management**
Distributed ledgers offer enhanced methods for proving who you are, along with the possibility to digitize personal documents. Having a secure identity will also be important for online interactions – for instance, in the sharing economy.
- AML and KYC**
Anti-money laundering (AML) and know your customer (KYC) practices have a strong potential for being adapted to the blockchain. Currently, financial institutions must perform a labour intensive multi-step process for each new customer. KYC costs could be reduced through cross-institution client verification, and at the same time increase monitoring and analysis effectiveness.
- Data management**
In the future, users will have the ability to manage and sell the data their online activity generates. Because it can be easily distributed in small fractional amounts, Bitcoin – or something like it.
- Land title registration**
As publicly-accessible ledgers, blockchains can make all kinds of record-keeping more efficient. Property titles are a case in point. They tend to be susceptible to fraud, as well as costly and labour intensive to administer.
- Stock trading**
When executed peer-to-peer, trade confirmations become almost instantaneous. This means intermediaries – such as the clearing house, auditors and custodians – get removed from the process.

- Contributed by Ms. Nikita Sarawagi



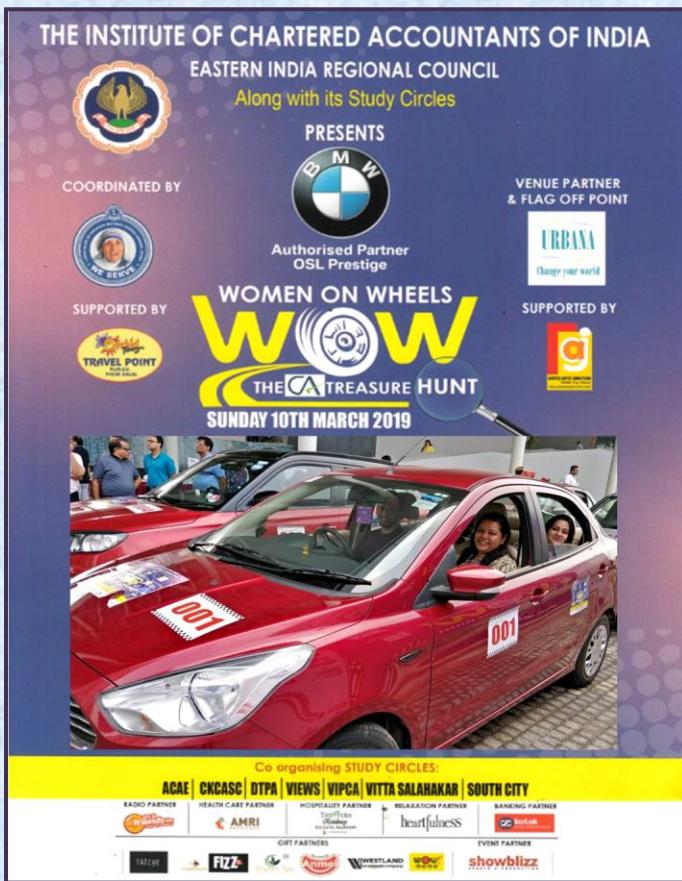
Super Brain Yoga & Meditation at BASCO Premises:



Interim Budget - Live Discussions:



The WOW Treasure Hunt:



Advance Tax:

Advance Tax Needs to be paid when the 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 June	15% of the Advance Tax

TDS:

Due date of Filling of TDS Return	
Period	Due Date
January-March	31st May
April- June	31st July

Different due dates are prescribed for payment of TDS:

Due date for payment of TDS	
Month belongs to	Due Date
March	30th of April
April	7th of May
May	7th of June

Company law:

KYC of Directors – Every Director of a company has to file e form **DIR-3** on or before **30.04.2019**

STAR PERFORMER OF THE MONTH

December : Ms. Nishika Gupta

January : Ms. Bharati Gupta

February : Ms. Sakshi Rathi

CCHI PERFORMER OF THE MONTH

December : Mr. Rahul Agarwal

January : Mr. Nikhil Jain

February : Mr. Chetan Birla



A Very Special Bank Account.

Imagine you had a bank account that deposited Rs.86,400 each morning. The account carries over no balance from day to day, allows you to keep no cash balance, and every evening cancels whatever part of the amount you had failed to use during the day.

What would you do? Draw out every rupee each day!

We all have such a bank. Its name is Time. Every morning, it credits you with 86,400 seconds. Every night it writes off, as lost, whatever time you have failed to use wisely. It carries over no balance from day to day. It allows no overdraft so you can't borrow against yourself or use more time than you have. Each day, the account starts fresh. Each night, it destroys an unused time. If you fail to use the day's deposits, it's your loss and you can't appeal to get it back.

There is never any borrowing time. You can't take a loan out on your time or against someone else's. The time you have is the time you have and that is that. Time management is yours to decide how you spend the time, just as with money you decide how you spend the money. It is never the case of us not having enough time to do things, but the case of whether we want to do them and where they fall in our priorities.

"Time is more valuable than money. You can get more money, but you cannot get more time." - Jim Rohn.

*When a moment has gone, it is really gone.
Wise time management is really wise
management of ourselves.*

**Ask yourself,
IF WHAT YOU ARE DOING today
IS GETTING YOU CLOSER TO WHERE YOU WANT TO BE
tomorrow?**

- Contributed by CA Nikita More

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• Sakshi Rathi

Disclaimer: This Newsletter is meant for internal circulation and general information purposes only. These informational materials are not intended, and must not be taken, as legal advice on any particular set of facts or circumstances.



About the Firm

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.

AREAS OF SERVICES:-

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

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