

# BASCO BULLETIN...



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We are glad to present the 7<sup>th</sup> 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 all now have reached the business end of ITR Return Filing and Tax Audits, inclusive of the GST Audit, with still confusions pertaining to the newly introduced forms and a lot being cleared by the recent notifications. I wish my friends and peers a happy Filing Season and a Happy Diwali on behalf of our firm.

I hope you will enjoy reading articles enlisted below on various topics of interest covering multiple horizons

## *Long Term Capital Gains: Section 112A*

As we gear up for filing of return for A.Y. 2019-20, We need to cater to one of the landmark changes in the Taxation under the Income Tax Act, 1961, being LTCG on shares/units, subject to STT.

Vide Finance Bill 2018, the Government had come up with an insertion to section 112A under the Income Tax Act, 1961. The new section 112A has been inserted in order to levy long-term capital gain tax on the transfer of equity share, units of equity oriented funds and units of the business trust.

The main object behind the introduction of new section 112A, as provided by the Government, is that the exemption from long-term capital gain tax on transfer of equity share, units of equity oriented funds and units of business trust has led to significant erosion in the tax base resulting in loss of revenue and due to abusive use of tax, arbitrage opportunities had been created because of the said exemption.

### **Situation Prior to Amendment of Section 112A**

Before Assessment Year 2019-2020, long-term capital gain tax on transfer of equity share, units of equity oriented funds and units of business trust was exempted as per provisions of section 10 (38).

### **Situation Post Amendment of Section 112A**

With effect from 1st April, 2018, provisions of section 10 (38) will not be applicable to any income arising from transfer of equity share, units of equity oriented funds and units of business trust.

From 1st April, 2018, provisions of section 112A shall be applicable to tax income arising from transfer of equity share, units of equity oriented funds and units of business trust.

### **Applicability of Section 112A**

1. Transaction affecting levy of capital gain on transfer of equity share, units of equity oriented funds and units of business trust shall be governed by the provisions of section 112A from the effective date.
2. Section 112A shall be applicable only in case where Securities Transaction Tax (popularly known as STT) has been paid at the time of transfer, and also on an acquisition in case of equity share / units of equity oriented funds.

### **Income Tax Rate under Section 112A**

Under the provisions of Section 112A, Long Term Capital Gains exceeding one lakh rupees would be subjected to tax @ 10%.

### **Calculating Long-Term Capital Gain under Section 112A**

1. First and second proviso to section 48 i.e. benefit of indexation of cost of acquisition and cost of improvement shall not be allowed while calculating long term capital gain tax under section 112A.
2. Further, in case of NRI, benefit of indexation and benefit of calculation of capital gain in foreign currency will not be allowed in cases where section 112A is applicable.
3. Cost of acquisition for the assets acquired before 1st February, 2018, shall be higher of the following ;
  - a. The actual cost of acquisition, and
  - b. The lower of the fair market value of such assets and the full value of consideration received or accruing as a result of the transfer of the capital asset.
4. Fair market value should be calculated as per the provisions of Section 55(2)(ac) of the Income Tax Act, 1961, the details of which are discussed separately.
5. Section 112A provides that where the total income reduced by income under section 112A is less than the basic exemption limits, the unexhausted exemption limit shall be reduced from the Capital Gain under section 112A.
6. Deductions under section 80C to 80U and/or rebate under section 87A shall not be allowed to the effect of capital gain levied effecting provisions of section 112A.
7. CBDT vide notification dated April 24, 2018 - specifies the nature of acquisitions in respect of which STT need not have been paid to avail the provision of S. 112A.

### **Determination of Cost of Acquisition u/s. 55(2)(ac)**

A long-term capital asset, referred in s. 112A, acquired before the 1st day of February, 2018 shall be:

**Higher of:** i. Cost of Acquisition of the long term capital asset; or

ii. Lower of:

- a. Fair market value of the long term capital asset
- b. Full value of consideration received or accrued

### **Here four scenarios can arise:**

- **Asset acquired before 01st February, 2018 and transferred at any time after 01st February, 2018 but before 01st April, 2018**

In the above case, the Cost of Acquisition of the Asset will be determined as per clause (ac) of section 55 as the asset is purchased before 01st February, 2018. However, the provisions of Section 112A will not apply in the above circumstance since the transfer has taken place before 01st April, 2018. In this case, the entire Capital Gain shall be exempt under section 10(38).

- **Asset acquired after 01st February, 2018 and transferred at any time after 01st February, 2018 but before 01st April, 2018**

In the above scenario, the provisions of section 112A and also 10(38) shall not apply. Since the asset is transferred within a period of 3 months, the same shall be considered as Short Term Capital Asset and any gain shall be charged to tax in accordance with the provisions of Section 111A.

- **Asset acquired before 01st February, 2018 and transferred after 01st April, 2018**

In the above case, the Cost of Acquisition of the Asset will be determined as per clause (ac) of section 55, since the Capital Asset is acquired before 01st February, 2018. Further, the provisions of Section 112A will also apply since the transfer has taken place after 01st April, 2018. Any Capital Gain in excess of Rs. 1,00,000 shall be taxed at the rate of 10% under section 112A.

- **Asset acquired after 01st February, 2018 and transferred after 01st April, 2018**

In the above case, the Cost of Acquisition of the Asset will not be determined as per clause (ac), since the Capital Asset is acquired before 01st February, 2018. Further, the provisions of Section 112A will also apply since the transfer has taken place after 01st April, 2018. Any Capital Gain in excess of Rs. 1,00,000 shall be taxed at the rate of 10% under section 112A.



### INVESTMENT HABITS

Investment habits are very important tools for Investors. They determine the fate of wealth creation process. We can summarize investment habits under the following heads;

1. **Patience:** It takes time to create wealth like Rome was not built in a day or a child birth take nine month's time. Longer the time of investment, better is the result. Specific goals should be set and regular investments should be made to meet the object.
2. **Risk Appetite:** There are broadly two investment modes, one is equity and the other one is interest bearing investments. It is saying that 100 minus current age of the investor is the amount of investment which should go in equity and balance amount in interest bearing securities.
3. **Financial Advisor:** Most of the people invest in equity on the basis of reports or news heard from so called close circle. They chase for higher returns. AND they lose money on this. Most of the professionals like doctors, engineers and others lose money because they rely on close circles that they consider as they are the operators of the company or they are in very close proximity with the operators. They invest their hard earned money in scripts and later they regret. One should appoint professionals for managing their money. They may have to pay professional fees in the form of fixed amount of brokerages but that is good as professionals are knowledgeable persons and updated as well.
4. **Review:** Investment portfolio must be reviewed periodically to understand the fulfillment of the purpose for which investment has been made. Proper corrections should be made and discussion be made with the competent professional.
5. **Diversity:** It is said that all eggs should not be kept in one basket. Meaning thereby that diversification reduces the risk as the amount invested covers larger number of companies.
6. **Amount of Investment:** Most people do not know the amount which they need to invest. Their thought process goes like I have this much amount to save and advice me where to invest. This is not the right way to decide. The objects should be properly defined. Then the amount needed to accomplish the object should be finalized. It is never easy to find surplus money for investment. Money says you look me today and I will see you tomorrow.
7. **Trust:** One must have trust on his advisor alone. People tend to reconfirm with n number of person and get confused with diverse opinions. In the process chances of taking wrong decision increases. Hence, trust on advisor and scheme is must and this creates added responsibility on advisor to take care reasonably.
8. **Age:** Warren Buffet once said that I started investing at the age of 11 and my regret is that I started late. It clearly says that saving habit should be developed at very early age and that saving should be converted into investment simultaneously.

**Habits that hinder your Wealth  
Management Goals**

## Healthy Habits

Financial peace of mind within your control





## *Audit Committee [Section 177(1) to 177(8)]*

**Objective:** To provide independent reassurance to board, relating to effectiveness of internal control and transparency and accuracy of financial reporting.

### **Applicability:**

1. Every Listed Company
2. Public Companies having
  - a. Paid up Share Capital Rs. 10 crore or more, Or
  - b. Turnover Rs. 100 crore or more
  - c. Outstanding loans, debentures, deposits exceeding Rs. 50 crore in aggregate

### **Composition:**

1. Minimum 3 directors
2. Independent directors - Majority
3. Majority and chairperson shall have the ability to read and understand Financial Statements.

### **Exception:**

Independent Directors forming a majority is omitted in constitution for Section 8 Companies

### **Functions:**

1. Recommend for appointment, remuneration and terms of appointment of auditors of company.
2. Review and monitor auditors' independence and performance, and effectiveness of audit process.
3. Examination of financial statements and auditor's report thereon.
4. Approval or any subsequent modification of transactions of company with related parties.
5. Scrutiny of Inter-corporate Loans and Investments.
6. Valuation of Undertakings or assets of company, wherever it is necessary.
7. Evaluation of Internal Financial controls and risk management system.
8. Monitoring and use of funds raised through public offers and related matters.

### **Disclosure in Board Report:**

#### **1. Investigation by Audit Committee:**

Audit Committee shall have authority to investigate into any matter in relation to items mentioned above for which Audit Committee is responsible or items referred to it by board and for this purpose shall have power to obtain professional advice from External sources and have full access to information contained in records.

#### **2. Audit Committee is empowered to :**

- b. Call for comment of Auditor's about:
    - i. Internal Control System
    - ii. Scope of Audit, including observation of auditors,
    - iii. Review of Financial Statement before there submission to board
  - c. Discuss any related issues with internal and statutory auditors and management.
3. Auditors of company and KMP shall have **right to be heard in meetings** of Audit Committee when it considers auditor's report but shall not have right to vote.

## *BEN-2 Applicability & Understanding*

E form BEN-2 is required to be filed pursuant to Section 90(4) of the Companies Act, 2013 and Rule 4 of the Companies (Significant Beneficial Owners) Rules 2018. As per the section 90, this rule is applicable to all the companies except for some types of companies (Government Company, local authority, registered funds etc.)

### *Forms:*

1. **Form BEN-1:** Declaration by the beneficial owner who holds or acquires Significant Beneficial Ownership in shares. This form can be filed either for the purpose of declaration or for communicating any change in the Significant Beneficial Ownership held by the shareholders under section 90.
2. **Form BEN-3:** Is the register which the company is required to maintain with respect to the details of Significant Beneficial Ownership in pursuant to Section 90 of the Companies Act 2013.
3. **Form BEN-4:** Notice to be sent by the reporting company to the Beneficial Owners requiring them to provide a declaration in BEN-1.

Every company is mandated by the new rule to identify persons holding 10% or more beneficial interest in the company; these persons are known as SBO (Significant Business Owners). Once the identification of the SBO is done, the company shall be sending intimation to them seeking their detailed disclosure in prescribed Form BEN-1. Every SBO/ shareholder is under to furnish the declaration within 90 days of the applicability of the rule, in case a shareholder withheld the information or send incorrect or incomplete information, the company should approach NCLT for appropriate action on the SBO. Once the declaration is received from the SBO, the company must file the BEN-2 Form within 30 days. The E-form must be signed by the director, Manager, CEO or CFO or Company Secretary of the Company. It further requires to be certified by a practicing professional like CA, CS or CMA in whole time practice.

### **Important points of BEN-2 Return Filing**

1. The SBO has to furnish a very detailed declaration of investment in all kinds of business like, HUF, Proprietorship, partnership concerns or other any other companies, irrespective of the size and quantum of such investment.
2. The BEN-2 has to be filed for the first time now and every time there is any change in the shareholding of the company. This is a welcome move to reduce disputes among the shareholders.
3. The only document to be attached with the BEN-2 Form is the declaration given by the SBO in Form BEN-1.
4. Once we file the Form BEN-2 a SBO ID will be generated by MCA System. In case the form is being filed to update the details of a previously reported SBO, on selection of radio button, related SBO ID for which the change is being reported shall be entered in the 'Particulars of the SBO' section in the form.
5. Main purpose of this form is to detect the real owners of the company.
6. This form is not required to be filed if there is only direct holding of owners in the company.
7. One time return to be filed by all companies.
8. Re-file every time if there is change in shareholding.
9. Shareholders having over 10% are covered for HUF, Partnership entity and for member companies we need to check majority stake of an individual.

## “THE DRONES”

“An unmanned aircraft or ship that can navigate autonomously, without human control or beyond the line of sight “equipped with a variety of additional equipment, including cameras, GPS guided missiles, Global Positioning Systems (GPS), navigation systems, sensors, and so on.

### Drone Applications

- **Security** – Many authorities use drones to protect people during various emergencies.
- **Inspections** – Many systems such as power lines, wind turbines, and pipelines can be checked by drones.
- **Surveillance** – A drone allows recording and monitoring from the sky, and therefore, they are suitable to monitor public events, protests, or any suspicious happening without being heard and seen. A great tool for the police!
- **Aerial photography & video** – With a drone that is equipped with an HD camera, you can take the fascinating photos and shot footage of great quality from the sky.
- **Unmanned cargo system** – Drones also serve in delivering of lightweight packages and bundles of all sorts. This way, you can have a safe, environmentally friendly and fast transport of goods by air.

In addition these main areas of application, drones are also used in Search & rescue, science engineering, construction and pre-construction work, aviation, maritime, marketing, real estate, insurance, utilities, mining, meteorology, education, and more. Today, many government agencies, private companies, and other institutions have their private drones.

### The Future of Drones

There are a lot of speculations on what drones will be capable for in the future.. At this moment, Amazon is testing their Amazon PrimeAir service. This means that when you order a package, it will be delivered to you in less than 30 minutes, instead of a few days. According to this company, 87% of their packages have a weight of 5 pounds, so they have small dimensions. All of these packages can be delivered by a drone.

Zookal, a textbook company from Australia, want to deliver their textbooks to the customers via drones as well. On the other side, their service is a bit more advanced than the Amazon Prime Air, due to the fact in this case drone won't have to land. It will lower the package directly to the customer. He/she will use a smartphone in order to navigate the drone.



A related fact is that these new businesses will promote employment, due to the fact people will have to be trained to fly, program and maintain these drones. It is expected that drones reduce the employment, due to the fact many companies are going to use them in order to make their services easier to get. On the other side, some of them may be able to record during the night, so they will probably be used by the military. This also means that we will see a lot more drones in the sky in the future.

# Glimpses of BASCO EVENTS

## Various Seminars at Office Premises:



## Seminars & Discussions on Taxation by CA Ayush:



## Awards & Recognitions for Work Well Done:



# Compliance Check

## 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 December	75% of the Advance Tax

## TDS:

Due date of Filing of TDS Return	
Period	Due Date
July - September	31 <sup>st</sup> October
October - December	31st January

Different due dates are prescribed for payment of TDS:

Due date for payment of TDS	
Month belongs to	Due Date
October	7 <sup>th</sup> of November
November	7 <sup>th</sup> of December
December	7 <sup>th</sup> of January

## ITR:

Due date for filling of Return	
Category	Due Date
Company, Taxpayers whose accounts need to be Audited, Working partner (whose firm's books need to be Audited)	<b>**Extended to 31<sup>st</sup> October</b>

## STAR PERFORMER OF THE MONTH

June - July : Ms. Raksha Baid  
August : Mr. Manav Choudhary

## CCHI PERFORMER OF THE MONTH

June : Ms. Vanika Choudhary  
July : Ms. Sujoy Debnath  
August : Ms. Vrinda Rajgaria



## Never let one failure from the past hold you back in the future.

“As a man was passing the elephants, he suddenly stopped, confused by the fact that these huge creatures were being held by only a small rope tied to their front leg. No chains, no cages. It was obvious that the elephants could, at anytime, break away from their bonds but for some reason, they did not.

He saw a trainer nearby and asked why these animals just stood there and made no attempt to get away. ‘Well,’ trainer said, ‘when they are very young and much smaller we use the same size rope to tie them and, at that age, it’s enough to hold them. As they grow up, they are conditioned to believe they cannot break away. They believe the rope can still hold them, so they never try to break free.’

Just a thin rope tied loosely to one foot and connected to a small stake in the ground is all it takes to “trap” the elephant into believing he's still being held tight with chains that no longer exist.

The man was amazed. These animals could at any time break free from their bonds but because they believed they couldn’t, they were stuck right where they were.”

Similarly, in life all sorts of invisible mental ropes--flimsy and easily broken, may well be holding us back. We reach a conclusion at one time, based on specific set of conditions, and then forget to revisit our decisions when things change. It results in missed opportunities, self-imposed blockers and wasted potential.

***“Mindset is everything, dare, don't be afraid to make mistakes”***



- Contributed by Ms. Silky Parmanandka

### **Editorial Team:**

•Nikita Sarawagi

•Sakshi Rathi

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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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