

BASCO BULLETIN...



We are glad to present thereof 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.

We are glad to present the **13THEdition** of our Newsletter "BASCO Bulletin" amidst these challenging times where the entire Nation and the economy is facing the tough challenge by wake of outbreak of COVID-19 Pandemic. The COVID-19 pandemic is having a catastrophic effect on all sectors of work and overnight physical interaction & collaboration reduced to online meetings and calls over skype and Zoom calls.

The lockdown has forced Companies around the world to adapt to new ways of working and doing business which experts believe will become the "New Normal".

On the other hand, various Economic and Non-economic measures have been taken to fight these difficult situations and the Central Government has provided further relief to taxpayers by extending various time limits of Compliances. The situation the world is facing is a truly unprecedented one. The global coronavirus pandemic is affecting all of our families, our businesses and our communities. Our people's health is our top priority and as the situation escalates, we must take strict precautions to protect our colleagues and families by maintaining proper hygiene and maintaining social distancing norms.

We are sure and positive that our economy will come out stronger from this difficult situation and we at BASCO are committed to handholding all our clients and peers amongst these difficult times and are fully committed and available to all your queries and

BUY BACK TAXATION

We shall discuss the Taxability in hands of the company undertaking the Buyback and shareholder, whose share are being bought back.

TAXABILITY IN HANDS OF COMPANY

Taxability under "Buy Back" Tax u/s 115QA

Buy Back under Income Tax Act is guided by the Provisions of Section 115QA for the Company making Buy Back.

Section 115QA Reads as under

"Notwithstanding anything contained in any other provision of this act, in addition to the income-tax chargeable in respect of the total income of a domestic company for assessment year, any amount of distributed income by the company on buy-back of shares from a shareholder shall be liable to pay additional income- tax at the rate of twenty percent on the distributed income....."

As referred to above, Distributed Income has been defined as follows

"Distributed Income means the **contribution paid by the company on buy-back of shares as reduced by the amount, which was received by the company for issue of such shares,** determined in the manner as may be prescribed.

Further Rule 40BB states that the **cost incurred by the company on issue of such shares as regards to the face value and premium shall be allowable as deduction** from the buy-back value while calculating such taxation u/s 115QA

Thus, taxation U/s 115QA shall be charged on 20% of the following Amount:

Determination of FMV for Consideration of Buyback- Valuation Rule

Valuation Rules in case of Equity Shares has been defined under Rule 11UA read with Rule 11U and 11UAA of Income Tax Rules 1962

Rule 11UA starts with

"For the purpose of Section 56 of the Act....."

Further Rule 11UAA states

For the purposes of **Section 50CA**, the fair market value of the share of the company other than a quoted share, shall be determined in the manner provided in sub- clause (b) or sub- clause (c), as the case may be, of clause (c) of sub-rule (1) of the rule 11UA and for this purpose the reference to valuation date in the rule 11U and rule 11UA shall mean the date on which the capital asset, being share of a company other than a quoted share, referred to in section 50CA, is transferred.

Thus, the essential condition for applicability of such valuation rules is applicability of such valuation rules is applicability of Section 56 or 56CA of the Income Tax Act.

The transaction of Buy-back with respect to the company is not covered within a transfer within the meaning of Section 2(47) of the Income Tax Act, 1961 and thus, 50CA is not being applicable in such case.

Further Section 56 is applicable on the recipient of a Capital Asset.

Now section 68 of the Companies Act, 2013 sets out the provisions apropos Buy Back of shares by the company. As per Sub-Section (7) of Section 68 “Where a company buys back its own shares or other specified securities, shall extinguish and physically destroy the shares or securities so bought back within seven days of the last date of completion of the buyback...”

Thus, in a scheme of buy back, shares bought back are no more in existence as they are extinguished by writing down the Share Capital. Hence, when a company buys back its shares, such shares do not become “property” or asset of the company.

As a result, provision of Section 56(2) (X) cannot be invoked in the case of any company buying back its own shares.

ITAT Mumbai Bench in the case of **Vora Financial Services P. Ltd [2018] 171 ITD 646 (Mum)**, held that buy back of shares is not covered under the ambit of section 56(2)(viiia). It was observed that for the purpose of taxing buy- back under section 56(2)(viiia), shares should become “property” of recipient- company whereas in case of buy- back, such shares are mandatorily cancelled and cannot become property of a company. Accordingly, buy back of shares should be out of the ambit of section 56(2) (viiia) of the Act.

The aforementioned decision has been rendered in the context of section 56(2)(viiia) which was effective till 31.03.2016. With effect from 1.04.2017, new clause (x) which is applicable to all the persons, including unlisted companies. Thus, the ratio laid down by ITAT, Mumbai Bench in the case of Vora Financial Services P. Ltd. (Supra), shall apply with equal force in the present times, wherein, clause (x) to Sub-Section 2 to Section 56 is applicable.

Taxability in hands of shareholders

Taxability in case of shareholders is covered under Section 10(34A) which reads as under:

“Any income arising to an assessee, being a shareholder, on account of buy back of shares by the company as referred to in Section 115QA”

Thus, this being a specific clause for exemption in hands of the shareholder whose shares are being bought back in terms of Section 115QA the entire amount of receipt under buy back is exempt in hands of shareholders.

Contributed by

CA Ayush Goel

Tips from Oracle of Omaha-Warren Buffett

Known as the “**Oracle of Omaha**”, Warren Buffett is one of the most successful investors of all time. He purchased his first stock at the age of 11 and he regretted later that he started late. He has donated over \$41 billion to various charities and foundations. IN 2010, he worked with Bill Gates and co-founded ‘The Giving Pledge’, asking billionaires to commit to donating at least half of their wealth to charitable causes.

- **Always Buy Undervalued Stock**

Buffett is a big- time value investor, and always looks to buy undervalued stocks based on their future potential. The bottom line is that you should avoid the stock that everyone else is buying, as they probably are overvalued. During 1969, Mr. Buffett believed that markets are overvalued and he cashed out entirely and was out of stock market for three years from 1969 to 1972 and he stated that it was one of the hardest periods for him but that was the right to do that time.

“Be fearful when others are greedy, and greedy when others are fearful”

- **Be a lifelong learner**

Warren Buffett on an average reads 500+ pages daily and he has been doing that for over 60years. He believes that the more you read, the more you can think make Less impulse decisions than most people in business. Each year, Buffett writes an open letter to Berkshire Hathaway shareholders. Over the last 40 years, these letters have become an animal required read across the investing world, providing insight into how Buffett from invested strategy to stock ownership to company culture, and more.

“That’s how knowledge works. It builds up, like compound interest. All of you can do it, but I guarantee not many of you will do it.”

- **Cash is king**

Cash is a big deal to Warren Buffett, and he keeps a lot of it on hand at any given time. In buffet’s words, he keeps a lot of cash on hand “so that we can both withstand unexampled losses and quickly seize acquisition or grab investment opportunities.”

- **Buy and Hold**

Buffet is a true buy- and hold investor. He holds his positions for a long period of time, and constantly reiterates this to his followers. He also is a huge believer in patience.

However, he has also said that this doesn’t mean hold a company if the fundamentals have changed.

“Nobody buys a farm based on whether they think it’s going to rain next year.”

- **Live a simple life**

Great people focus on their mind more than on what materialistic things they should own.

Warren Buffett with a net worth of over \$108 Billion but still he lives in a house which he purchased for \$23,500. When asked the reason for wearing suits which are way cheaper comparing the amount of money he owns, Buffett smiled and said “however expensive suits I may wear, they will always look cheap on me.” Remember that money isn’t everything.

Buffett doesn't use wealth as a measure of success. For him, it all boils down to if the people you're closet to love you.

"Being given unconditional love is the greatest benefit you can ever get"

Warren Buffett gave top 5 best tip to lead our life in better life.

Spending- If you buy things, you do not need, soon you will have to sell things you need

Saving- Do not save what is left after spending, but spend what is left after saving

Risk-Never test the depth of river with both basket

Investment-Do not pull all eggs in one basket

Expectations-Honesty is very expensive gift. Do not expect it from cheap people.

***Contributed by
CA Arun Patodia***

Who inherits a woman's asset after death?

While it is a good idea to write a will, most women fail to do so despite having property, both movable and immovable, in their names. In most cases, a will ensures that the assets are transferred to the desired beneficiaries, which may not happen if they die intestate, especially in case of Hindu women. The succession laws for women vary according to their religion as follows:

1. For Hindu women (Sikh, Buddhist, Jain)

The succession laws for Hindu women are governed by the Hindu Succession Act, 1925, in case there is a will, and by the Hindu Succession Act, 1956, if the woman dies intestate. While Section 14 defines what constitutes a woman's property, Sections 15 & 16 lay down the rules and order of inheritance.

Section 14 does not differentiate between inherited and self-acquired property and includes all the property obtained through 'inheritance or devise, or at a partition, or in lieu of maintenance or arrears of maintenance, or by gift from any person, whether a relative or not, before, at or after her marriage, or by her own skill or exertion, or by purchase or by prescription, or in any other manner, and also any such property held by her as streedhan.'

Section 15 lists the successors of a woman's property and Section 16 defines the order of succession. In Section 15, there is a distinction depending on whether the property is inherited or not. Section 15 (1) deals with 'general property', that is, self-acquired property or that received via gift, will, settlement, prescription, etc. Section 15 (2), on the other hand, deals only with property inherited by a woman from her parents, husband or father-in-law.

In case of general property, under Section 15 (1), it shall go, in order of preference:

- a) Firstly to sons and daughters, including children of any pre-deceased son or daughter, and the husband;
- b) Next, to the heirs of the husband;
- c) Then, to the mother and father;
- d) Next, to the heirs of father; and
- e) Finally, to the heirs of mother.

If the property is self-acquired, the husband is predeceased and there are no kids, it will go to the husband's heirs, not to her parents, siblings or other relatives.

In inherited property, there is a further distinction based on the source of inheritance. As per Section 15 (2)(a), if the property is inherited from her parents, it devolves to the father's heirs in

the absence of any kids. As per Section 15 (2)(b), if the property is inherited from her husband or father-in-law, it devolves, in the absence of kids, to husband's heirs.

2. Muslims

Under Muslim Law, there is no distinction between self-acquired and ancestral property. legal heirs are divided into sharers and residuary, with sharers getting the first share and residuary what is left. If the woman inherits property from any relative, be it husband, son, father or mother, she is the absolute owner of her share and can dispose of it. If she makes a will, she cannot give away more than one-third share of her property, and if her husband is the only heir, she can give two-thirds of the property by will.

3. Christians

As per the Indian Succession Act, 1925, the widower gets one-third property and balance is distributed among lineal descendants. If there are no lineal descendants, only the kindred, the widower gets half the property and the balance is distributed among kindred. If there is no kindred, the widower gets the entire property.

***Contributed by
CA Rajshree Mimani***

Seven Lessons from Ratan Tata

Born on 28 December 1937 in Surat, Ratan Naval Tata has been awarded Padam Vibhushan and Padam Bhushan in the year 2008 & 2000 respectively for his contribution towards trade and industry. The chairman of Emeritus of Tata Sons, Ratan Tata is known for his vision and ability to lead and innovate. Not only has he contributed to the trade & Industry but to society as well. There are many things that we can learn from Ratan Tata and here are a few: -

1) Have a vision: -

Mr. Ratan Tata always had a vision for his organization and himself. He knew where he is right known and where he wants his organization to be down the line. His ambitious vision of creating a car for the common man which costs only 1 lakh "Nano" has been a success and this shows his ability to visualize the needs and demand for the future.

2) Use creative tendencies than reactive tendencies to get results: -

Be creative rather than being reactive. Being proactive and solving problems even before they come is one of the most important qualities of an entrepreneur. A person should not have a tendency to react only when the situation demands but the person should be able to be anticipate what will happen in future and be able to adjust himself to it in present. An entrepreneur who exercises such quality is always successful.

3) Never give up on your values: -

A company runs on principles and not on personalities. Principles are inviolable even by the person who has created them. Mr. Ratan Tata and Tata group had some core values on which they never gave up. Public Safety and welfare are one of their main core values which they always followed. The result was that Mr. Ratan Tata and Tata group became one of the most trusted group worldwide. Mr. Ratan Tata stepped down from position of chairman of Tata group and was succeeded by Cyrus Mistry who was not from Tata family, which shows the values of Ratan Tata that competence weighs more than lineage.

4) Ability to Motivate others: -

Mr. Ratan Tata had the ability to inspire and motivate others which is very important for a leader. When a leader is not able to motivate others, he is no more a leader and to be a successful entrepreneur you first need to be a leader than a manager. An entrepreneur should be able to motivate his team in order to get the job done effectively and efficiently.

5) Get out of the safe mode: -

To be successful in business you need to take risk. No risk no gain. Mr. Ratan Tata always believed in taking risk and the result is clear that the risk paid off. To be successful you need to take risk working in safe mode might make you feel comfortable but you will never be able to get best out of the system. He once said "I don't believe in making right decisions. I take decisions and then make them right,"

6) Always have a positive attitude: -

No matter what the situation was Mr. Ratan Tata always had a positive attitude and smile on his face. To be successful in life a person should have a positive outlook towards life no matter what the situation is. Be a doer not a criticizer.

7) Don't put all your eggs in one basket: -

Mr. Ratan Tata believed in investing in different companies so as his investment is always safe. He acquired a stake in the growing Chinese giant Xiaomi and leading e-commerce site Snapdeal. Investing in different companies ensures that your investment is safe and grows no what the situation of a particular industry is.

There are many lessons that can be learnt from Mr. Ratan Tata and the list is endless. To conclude I would say that people like Ratan Tata are born once in century and lot can be learned from them.

Contributed by

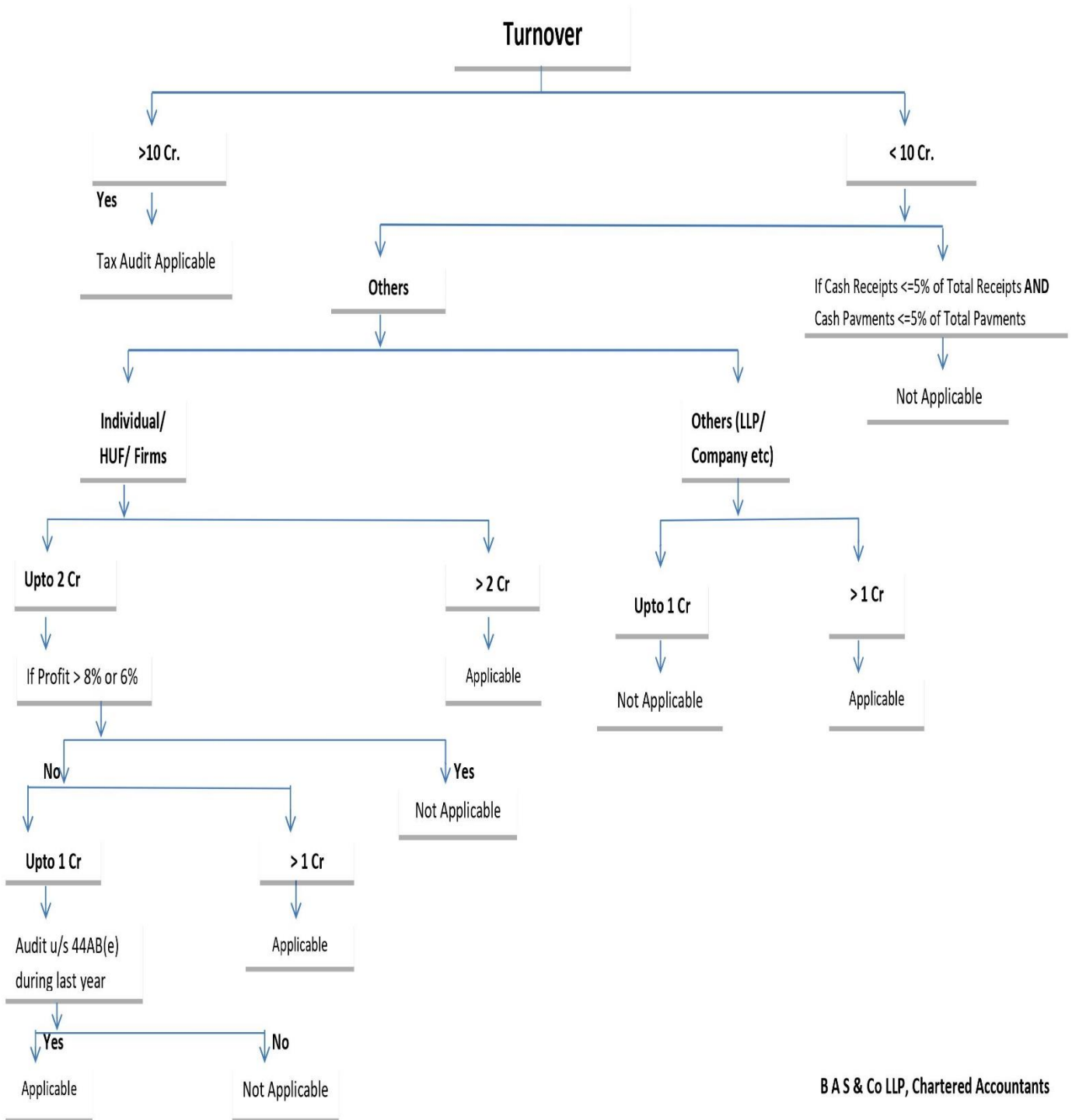
Ankita Chopra

Recent changes in Income Tax

Applicable for Financial year 20-21 and Assessment year 21-22

- 1) Due date of furnishing revised **return and belated** return has been changed from 31st March of relevant assessment year to 31st December of relevant assessment year. (Subject to further extension for Assessment year 21-22 due to pandemic)
- 2) **Fees for default in furnishing return** of income u/s 234F has been reduced to ₹ 5000, if the return is furnished after due date from ₹ 5000 if the return is furnished after due date and ₹ 10000 if such return is furnished after 31st December of assessment year
- 3) **Dividend income** is now taxable under the head Income from other sources as per normal slab rate and deduction of interest expenses incurred against the dividend is allowable which shall not exceed 20 percent of dividend received. Any other expenditure is not deductible from dividend income.
- 4) **Dividend income** is not Subject to enhanced surcharge of 25% and 37%.
- 5) **Dividend received** from domestic company is subject to TDS @10% u/s 194. No TDS if dividend payable by any mode other than cash to individual is up to ₹5000.
- 6) Threshold for **Tax Audit u/s 44AB** of ₹ 5crore has been increased to ₹ 10crore in case of assessee who satisfies the following conditions -
 - a) Aggregate of all receipt in cash during the previous year does not exceed 5% of such receipt; and
 - b) Aggregate of all payment in cash during the previous year does not exceed 5% of such payment;

TAX AUDIT APPLICABILITY FOR A.Y. 2021-22 FOR BUSINESS INCOME u/s 44AB AND 44AD AS PER INCOME TAX ACT, 1961.





Compliance Check

TDS Due Dates For FY 20-21

Quarter	Period	Last Date of Filing
1st Quarter	1st April to 30th June	31st March 2021
2nd Quarter	1st July to 30th September	31st March 2021
3rd Quarter	1st October to 31st December	31st Jan 2021
4th Quarter	1st January to 31st March	31st May 2021

Due Dated for submission of Return of Income

Different Situations	Due date of submission of return	Extended due date of filling return (Due to pandemic)
Where the assessee is required to furnish a report under section 92E Pertaining to international / specified domestic transaction(s)	30th November	31st December 2021
Where the assessee is a company [not having international or specified domestic transaction(s)]	31st October	30th November 2021
Where the assessee is a person [not having international or specified domestic transaction(s)] --		
1. In case where accounts of the assessee are required to be audited under any law	31st October	30th November 2021
2. where the assessee is a partner in a firm whose accounts are required to be audited under any law	31st October	30th November 2021
3. In any other case	31st July	30th September 2021

ROC Compliances for the month of June & July

Forms	Extended Due Dates
Form DPT-3	30-06-21
Form CFSS 2020	30-06-21
Forms having due date from 31-04-21 to 31-5-21 for companies and LLP's (Other than charge Forms)	31-07-21

*Our YouTube Channel on Taxation is
coming soon*

*the details of which will be provided in
our next bulletin.*





Behind every successful person lies a pack of Haters!

A group of frogs were traveling through the forest when two of them fell into a deep pit. When the other frogs saw how deep the pit was, they told the two frogs that there was no hope left for them.

However, the two frogs ignored their comrades and proceeded to try to jump out of the pit. However, despite their effort, the group of frogs at the top of the pit were still saying that they should just give up as they'd never make it out.

Eventually, one of the frogs took heed of what the others were saying and he gave up, jumping even deeper to his death. The other frog continued to jump as hard as he could. Once again, the group of frogs yelled at him to stop the pain and to just die.

He ignored them, and jumped even harder and finally made it out. When he got out, the other frog said, 'Did you not hear us?'

The frog explained to them that he was deaf, and that he thought they were encouraged him the entire time.

Expect while reaching for the stars, people to whirl by with their dark cloud and storm upon you.

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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.



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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