

PKP

NEWSLETTER

An initiative by Pratapkaran Paul & Co



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CONTENTS

TABLE OF

- 01** Managing Partner Address
- 02** Investments in Digital Gold
- 03** IND AS 115
- 04** Will Series-4
- 05** Faceless Assessments & Appeals
- 06** Legal Updates
- 07** Compliance Calendar

01. Managing Partner Address

Dear PKPians,

It seems like we started this Newsletter many moons ago. It has changed hands in the editorial team and still continues to be robust and topical.



We have now grown accustomed to the new normal. However the important thing is the lessons learnt from this pandemic. The world is not going to be the same in the future, are some of the things we hear all the time. How have we coped and have we reinvented ourselves to the challenges due to this condition. Education is undergoing great changes and online courses may well be the future. The disruption in the exam schedules has added to the woes of the student generation. The Institute of Chartered Accountants of India deferred the scheduled exams to be held in May 2020, to July 2020 and then postponed to November 2020.

The takeaway from all of this is that for students undergoing the challenging course of Chartered Accountancy, put your head down and keep preparing and getting equipped.

The economy took a beating , as expected in the light of the lockdown. There are green shoots in the recovery in some sectors. Overall there is a lot of stress and the way forward is going to be both challenging and uncertain. The risks appear in the form of the wait for a vaccine to end the COVID and its effectiveness , given the limited time for the clinical trials. In some parts of the world, there are claims that this would be available by the end of October.

In the light of all this uncertainty there is the hope that we are closer to a vaccine than ever before. Bill Gates has gone on record that he is very hopeful of an effective vaccine by early 2021 and also its availability at a low cost, making it accessible to the developing world. Heartening indeed !

The recovery rates have also been improving, with the administration of some medicines which have proven effective in combating the dreaded virus. The end of the lockdowns has led to new challenges and changes in the way we think and act.

As we enter a new month, the countdown to all the deferred deadlines has started. This would mean that we all must put our heads down and ensure that the target dates are met without any problem. Wishing all of you the very best as you prepare for exams, complete the work allocated to you and ensure that you come out with flying colors in the exam.

Best wishes and stay safe in conformity with all the procedures stipulated by the authorities.

Pratapkaran Paul
Managing Partner

02. Investments in Digital Gold



SUNDARAJAN

Gold Monetization Scheme:

The Gold Monetization Scheme was launched on 5th November by the Prime Minister Narendra Modi. The scheme is designed to help you earn interest on your unused gold lying idle in bank lockers. The Gold Monetization Scheme is basically a new deposit tool to ensure mobilization of gold possessed by various families and institutions in India. It is expected that the scheme would turn gold into a productive asset in India. This new gold scheme is a modification of the existing Gold Deposit Scheme (GDS) and Gold Metal Loan Scheme (GML), and it would replace the existing Gold Deposit Scheme, 1999.

Introduction:

Gold is a precious metal, generally sought by people, globally, to acquire for purposes of Jewellery or investment. People are crazy to have gold ornaments. Gold ornaments are harmless to body when we wear. Gold ornaments stand a good chance to liquidate into cash by pledge/sale, when we need money at the quickest possible time. With this background gold is always in the fancy of everyone throughout the world. Apart from other things, it is also a good long-term investment for consistent return.

Wealth managers believe investors should allocate 10-15% of their portfolio to gold because of the weakening dollar, geopolitical tensions, and slowing global growth. However, given the 51% rise in gold prices over the last one year and 11% in July alone, investors could avoid aggressive bets on gold, they said.

With this backdrop, Government of India is trying for investments into gold through various instruments like, Gold Monetizing Scheme (GMS), Gold ETF (Exchange Traded Funds) and the latest being Sovereign Gold Bonds.

Gold Monetization Scheme

2015:

An investor can deposit gold for short, medium and long terms under the Gold Monetization Scheme. The scheme would allow an investor to deposit gold in Short Term Bank Deposits (SRBD) and Medium and Long Term Government Deposit (MLTGD). The tenure of a Short-Term Bank Deposit is 1-3 years. The Medium and Long Term Government Deposits can be opened for 5 -7 years and 12-15 years respectively. The Short-Term Bank Deposit would be accepted by individual banks on their own account. But the Medium and Long Term Government Deposits would be accepted by banks on behalf of the Government of India based upon notification issued by the Reserve Bank of India.

All residents Indians can invest in this new Gold Monetization Scheme. 2015.

Key features of Gold Monetization Scheme:

The Gold Monetization Scheme comes with the following features:

- The scheme accepts a minimum deposit of 30gm of raw gold in the form of a bar, coin or jewelry.
- There is no maximum limit of investment under this scheme.
- The scheme allows premature withdrawal after a minimum lock-in period. However, it charges penalty for such withdrawals.
- All designated commercial banks would be able to implement the Gold Monetization Scheme in India.
- The scheme would offer interest at 2.50% per year which is higher than previous rates offered on gold investments.
- The short term deposits offered by Gold Monetization Scheme can be redeemed in either gold or in rupees at current rates applicable at the time of redemption.



Gold ETF:

For centuries, Indians have had a strong affinity for gold. However, it was only in the year 2007 when India launched its first Gold ETF (Gold BeES). The underlying asset of these ETFs is gold. Also, Gold ETFs gives you exposure to the Indian gold market.

Gold Exchange Traded Funds, or Gold ETFs are open-ended mutual fund schemes based on the ever-fluctuating cost of gold. The physical gold, on the other hand, does not generate an income. Also, the making charges on physical gold is high. Gold ETFs give investors exposure to the gold market. They are an excellent choice of investment for investors looking to beat inflation in the long-run. Moreover, gold as an asset is less volatile when compared to equities. 1 Gold ETF unit is equal to 1 gram gold. So, it gives you the dual benefit of stock trading as well as gold investments. Some fund houses capitalise on gold bullion, and hence, they need to keep a close watch on the market performance. The value of Gold ETFs increases/decreases proportionally with the price of physical gold. Not only do they not compromise on purity but also promise a uniform availability across the country.

Gold ETFs are suitable for investors who are looking to diversify their portfolio with exposure to the gold market. It is a low-risk investment which suits conservative investors. The money invested goes towards standard gold bullion of 99.5% purity. Gold ETFs are a low-risk investment even if traded in the stock exchanges. Individuals who do not wish to spend money on storage and additional taxes such as in the case of physical gold can also opt for gold ETFs.

Gold ETFs can be purchased online and placed in your Demat account. The asset management company (AMC) is responsible for trading them on a stock exchange. Meaning, you can enter/exit whenever required. Even in the Demat format, gold ETFs behave the same as physical gold.

Gold ETFs offer high liquidity as they can be traded in the stock exchange during a trading session at the prevailing price. Also, the transactional expenses (broker fee and govt duty) is less than that of physical gold. Approaching a retailer will need a large amount of money to purchase gold. However, in the case of gold ETFs, you have the advantage to decide the quantum you wish to buy and sell.

With gold ETFs, investors acquire exposure to the gold market – a transparent, profitable and safe platform. Also, they come with significant liquidity as gold can be traded instantly without any hassle.

Gold ETFs do not levy wealth tax on Gold ETFs as opposed to physical gold. Storage (in Demat account) and safety are no issues either. Hence, you can hold on to your ETFs for as long as you want.

They offer a tax-friendly means to hold gold as the returns generated from Gold ETFs are subject to long-term capital gains tax. However, there will be no additional burden of sales tax, VAT, or wealth tax aside from listing and trading on the stock exchange, you can also use it as security for secured loans. Transactions are quicker and seamless with zero entry and exit load.

Gold ETFs do not attract making charges like physical gold in the form of ornaments or bars. You can purchase it at international rates. Hence, there will be no mark-up at all.

Like any equity fund, the NAV or Net Asset Value of a gold ETF can go up or down as per the market trends. Similarly, the extra expenses like the fund manager's fee and others can impact the returns.



Sovereign Gold Bonds (SGB):

Launched in 2015, the Sovereign Gold Bond and Gold Monetization schemes are aimed at curbing gold imports for the country, which is the world's second largest Sovereign Gold Bond Scheme are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The SGB scheme was introduced by the government during 2015-16 to promote digital gold instead of physical gold for investment purposes.

The Bond is issued by Reserve Bank on behalf of Government of India.

Resident individuals, Hindu Undivided Families (HUFs), trusts, universities and charitable institutions can park their funds in gold bonds, subject to investment limits.

In case of joint holding, the investment limit of 4 KG will be applied to the first applicant only.

Eligible entities can purchase the gold bonds from designated post offices, stock exchanges BSE and NSE, and the Stock Holding Corporation and authorized branches of commercial banks in India.

A minimum of one gram and a maximum of four kilograms of gold can be acquired by eligible individuals and HUFs in a financial year. Trusts and similar entities can purchase up to 20 kilograms in a financial year.

A discount of ₹ 50 per gram is available for online subscribers, aimed at promoting digital payments.

The nominal value of the bond based on the simple average closing price [published by the India Bullion and Jewelers Association Ltd (IBJA)] for gold of 999 purity of the last three business days of the week preceding the subscription period, i.e. July 29 – July 31, 2020 works out to Rs 5,334 per gram of gold,” an RBI circular said.

The tenor of the Bond will be for a period of 8 years with exit option in 5th year to be exercised on the interest payment dates.

- The redemption price will be in Indian Rupees based on simple average of closing price of gold of 999 purity of previous 3 working days published by IBJA.

- The investors will be compensated at a fixed rate of 2.50 per cent per annum payable semi-annually on the nominal value.

- Bonds can be used as collateral for loans. The loan-to-value (LTV) ratio is to be set equal to ordinary gold loan mandated by the Reserve Bank from time to time. The lien on the bond shall be marked in the depository by the authorized banks.

Note : The loan against SGBs would be subject to decision of the bank/financing agency and cannot be inferred as a matter of right.

- Bonds will be tradable on stock exchanges within a fortnight of the issuance on a date as notified by the RBI.

- The interest on Sovereign Gold Bonds is taxable as per the provision of Income Tax Act, 1961 (43 of 1961). On redemption, the capital gains tax to an individual has been exempted. The indexation benefits will be provided to long term capital gains arising to any person on transfer of bond.

- When SGB was first launched in 2015, it was offered at a nominal price of Rs 2,600 per gram and as on date (August 2020) the nominal price stands at Rs 5,334 showing an appreciation of more than 100%.

Sixth Tranche (2020-2021):

Series VI of SGB will be open from August 31,2020 and will close on September 4,2020.

With this we can feel investments in SGB stands a better chance for appreciation with capital gains extended on maturity.

03. IND AS 115 - Revenue from Contract with Customers

Content's Miniature,

1. Introduction & Definition
2. Scope of the Standard
3. 5 – Steps in Revenue Recognition
4. Special issues in Revenue Recognition
5. Disclosure Requirement

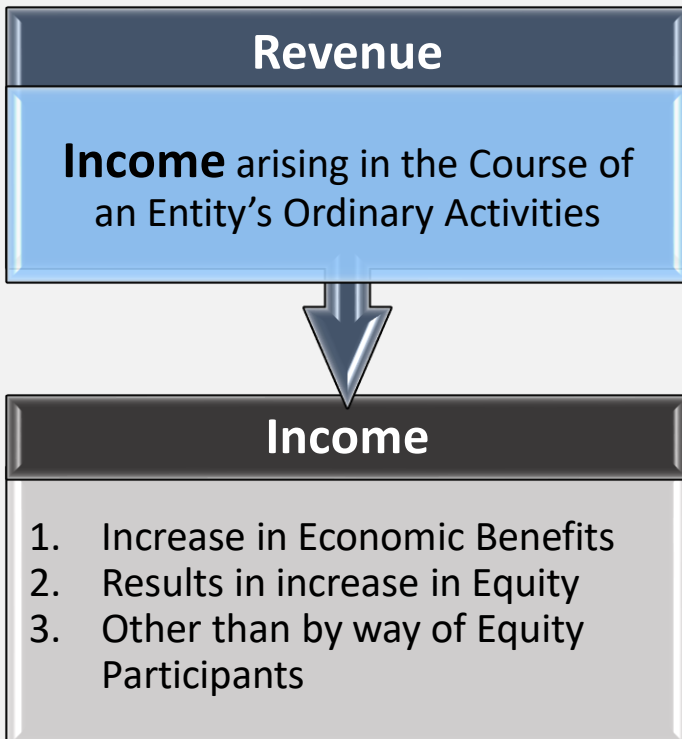


VENIN RAJ

Introduction:

A single model for Revenue recognition converging two different standards – IND AS 11 “Construction Contract” & IND AS 18 “Revenue”

Definition:



Scope of the Standard

This is a general standard for Revenue Recognition. Any Standard that deals with special revenue then such Standard overrides this Standard. Such as,

~~Lease Contracts – IND AS 17~~

~~Insurance Contracts – IND AS 104~~

~~Financial Instruments & Consolidation – IND AS 109, 110, 111, 27, 28~~

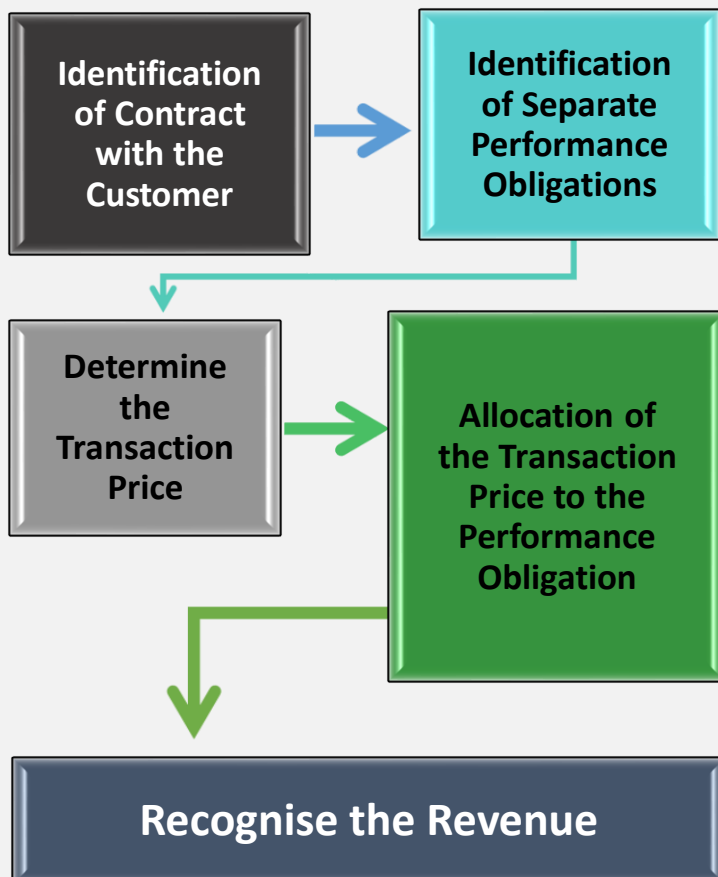
Also, it does not address accounting of non-monetary exchange between entities in same line of business, to facilitate sales to the Customers.

Illustration to understand the Income & Revenue

Loan to 3 rd Party	↑ in Assets	Not an Income
	☒ In Equity	
Sales of Fixed Assets	↑ in Assets (Cash)	Income but not a Revenue
	↑ in Equity (P&L)	
	☒ Part of Ordinary Business	
Receipt of Equity Share Capital	↑ in Assets (Cash)	Not an Income
	↑ in Equity (Capital)	
	☑ Contribution by Equity Participants	

Though the above items are logical to say so, it has a provisional backing for such logical conclusion.

5 – Steps in Revenue Recognition



1. Identification of Contract with the Customer

Following conditions are to be satisfied to get through this stage,

- a. Presence of a Legally enforceable arrangement (Contract)
- b. Parties to the contract are identifiable
- c. Parties to the Contract have approved the contract
- d. Payment terms are identifiable (Consideration is mandatory)
- e. The supplies are out of the ordinary course of the Entity.
- f. It is probable to collect the consideration due.



Examples to ponder,

1. Free Goodies distributed – Don't qualify the Step 1. (No Consideration)
2. Contract not in writing but legally enforceable – Qualifies the Step 1.
3. Company in the business of selling mobile phones sells its head quarters – Don't Qualify the Step 1. (Not in the Normal Course of Business)
4. The Future consideration depends upon the MIBOR Rate that is existing as on the date of the payment – Even though the amount of consideration is not fixed, the mechanism to compute the consideration is fixed. Thus, Qualifies the Step 1

2. Identification of Separate Performance Obligations

Performance
Obligation



Promises made in
the Contract to the
Customers

Identify multiple performance obligation in one Contract / One performance obligation spread across in multiple contracts.

One Performance Obligation in Multiple contracts, if,

1. The Contracts are with the same customer / related parties of the same customer around the same time **AND**
2. Negotiated as one package with single commercial object **AND**
3. Represents a single performance obligation.



Illustration

A Construction company entered an agreement with A Ltd to construct Factory. The company drafted two contracts to clearly bifurcate the GST portion pertaining to Construction of Factory & GST portion pertaining to installation of the Plant & Machinery inside the Factory (because Input GST on construction of immovable property is ineligible to be claimed as Credit) In this case, even though two contracts are entered by the construction company it must club them together and should consider it only as one Performance obligation for the purpose of IND AS 115

One Contract & Multiple Performance obligation, if,

1. Customer can be benefited from the performance obligation on its own
AND
2. They are not integral / not dependent on other performance obligation
AND
3. They are separately identifiable from other Performance Obligation.



Yes, Separate

Performance Obligations Exist.

A software developer enters a contract with a customer to sell a software license & performs installation. The customer can use even a 3rd Party to perform the installation process. Here there are two different performance obligation in this Contract.

1. Sale of Software.
2. Provision of Installation services.

Because,

C1 - Customer can be benefited only with the purchase of Software

C2 - No dependency on other performance obligation (PO)

C3 – POs are separately identifiable



No, Separate

Performance Obligations don't Exist.

A software developer enters a contract with a customer to sell a software license & performs installation. The customer cannot use any 3rd Party to perform the installation process as its technical in Nature. Here there is only one performance obligation in this Contract as they are integral.

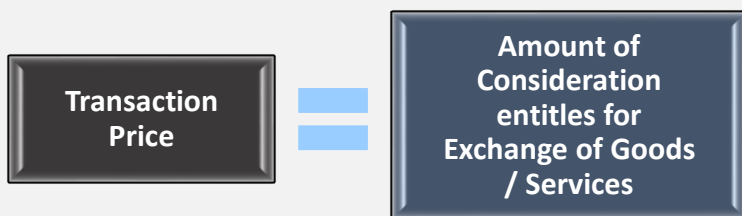
1. Sales & Installation of the Software.

Even though the POs are separately identifiable,

C1 - Customer cannot be benefited only with the purchase of Software

C2 – Each PO is integral with other

3. Determine the Transaction Price



Following things should also be considered,

1. Amount collected for / on behalf of a third party don't form part of Transaction Price - Eg: Reimbursements
2. The time value of money should be factored in if there are any payments that is receivable but will fall due beyond one year.
3. For consideration in kind – Fair value of the item should be considered
4. Transaction price should be adjusted for the **variable consideration** Eg: Volume Discount, incentive, Penal charges etc.,

How to Compute the Variable Consideration (VC)?

Expected value Method

Weighted Average amount of the outcome to it's probability.

To be used when there are large number of possible Outcomes

Eg: An array of performance incentive was contracted. If the project is completed within 12 months then Rs. 75,000, if within 18 months then Rs. 50,000, if within 24 months then Rs. 25,000. In such case, the probability that it could be completed within the limit specified has to be determined and the VC has to be arrived.

Most Likely Method

Statistical Mode of the outcome.

To be used when there are lesser possible outcomes

Eg: If the project is completed on time then a Performance incentive – Rs. 25,000 to be paid.

If project is expected to be completed on time – Transaction price includes Rs. 25,000. If not, then it won't form part of the transaction price.

4. Allocation of the Transaction

Price to the Performance

Obligation

The Transaction price ascertained in the previous stage must be allocated to each of the distinct performance obligations identified in Stage 2 in proportionate to their standalone selling price of each of the Performance Obligation.



A Sum to Solve,

A software developer entered a contract with a customer to sell a software license, perform installation & provides technical support for next 3 years for Rs. 25,00,000. He determines that each of the goods & services is separately identifiable & are not dependent on each other. The standalone charges for the obligations are,

- i. Software license – Rs. 16,00,000
- ii. Installation service – Rs. 2,00,000
- iii. Support service – Rs. 3,00,000 PA

The allocation of the transaction price to the distinct performance obligation goes as follows,

Software license – Rs.14.82 lakhs
(16,00,000/27,00,000*25,00,000)

Installation Service – Rs. 1.85 lakhs
(200,000/27,00,000*25,00,000)

Technical Support – Rs. 8.33 lakhs
(900,000/27,00,000*25,00,000)

5. Recognize the Revenue

Recognise the Revenue when the Performance Obligation is **satisfied**.

Over a Period of Time

Akin to Proportionate Completion Method

At a Point in Time

Akin to Completed Unit Method

When you tell a performance obligation is Satisfied over a period of Time?

When the time taken to satisfy the performance obligation spills over beyond one period **AND**

- a. When the Entity creates / enhances the assets that is in the Customer's Control (Contractual / otherwise)
Eg: Construction of Factory in Customer's Premises.
- b. The customer receives & consumes the benefit of the entity's performance as the entity performs.
Eg: Periodical Internal Audit service to a company.
- c. The Entity's performance creates an asset that does not have any alternative use / can be used only after incurring substantial cost and the entity has an enforceable rights to receive payment for performance up-to-date.
Eg: Manufacturing James Bond's Gun.. As it cannot be used by any other.. :P

When you tell a performance obligation is Satisfied at a Point in Time?

Condition:

Any Performance Obligation other than the Performance Obligations that are Satisfied over a period of time.

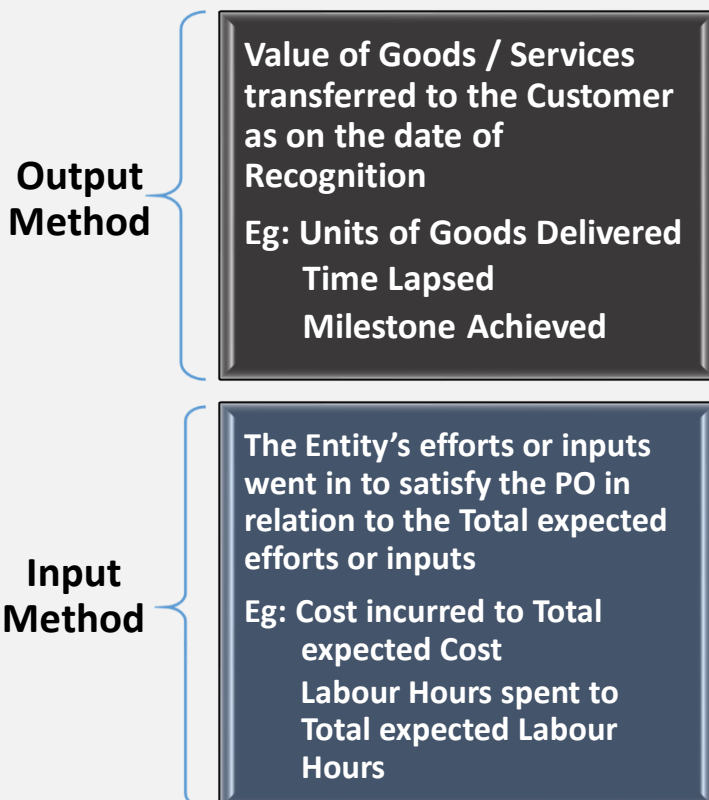
When to recognise the revenue:

When the Control over the asset is transferred.

Indicators for transfer of Control:

- Legal Title gets transferred
- Significant Risks & Rewards gets transferred
- Right to receive the payment & obligation to make the payment arises
- Customer accepts the Goods
- Physical possession of the goods gets transferred.

Yard sticks to measure the Quantum of Revenue to be recognised:



Special issues in Revenue Recognition:

1. Any Cost that is Directly attributable to obtain the Contract can be capitalised & amortised over the period of the Contract.
2. When the sales are made with a right to return then, recognise the revenue only to the extent the Goods are not expected to be returned based on the past experience.
3. In a Principal & Agency relationship – the agent must recognise only his / her fee or Commission as revenue and not the entire sales proceeds of the Principal.

Disclosure Requirement:

The Objective is to enable the users of the Financial Statements to understand the Nature, Amount, Timing & Uncertainty involved in the Revenue Recognition.

Following are the minimum Disclosure requirements:

1. Revenue from customer should be shown separately from other incomes.
2. Receivables, Contract Assets, Contract liabilities are to be disclosed separately.
3. Accounting policy relating to the Contract with the Customers

04. Will Series-4

Registration:

In India, the registration of Wills is not compulsory even if it relates to immovable property. The non-registration of a Will does not lead to any inference against the genuineness of a Will. In other words, registration therefore does not give any special sanctity to the Will though registration of the Will by the testator himself evidences the genuineness of the Will.

Whether registered or not, a Will must be proved as duly and validly executed, as required by the Indian Succession Act. Once a Will is registered, it is placed in the safe custody of the Registrar and therefore cannot be tampered with, destroyed, mutilated or stolen.

Procedure for Registration:

A Will is to be registered with the registrar/sub-registrar with a nominal registration fee. The testator must be personally present at the registrar's office along with witnesses.



**ABINAYA
VENKATACHALAPATHY**

Revocation and Amendment:

A Will can be revoked, changed or altered by the testator at any time when he is competent to dispose of his property. A person can revoke, change or alter his Will by executing a new Will, revoking the earlier Will, registering the new Will (if the old Will is registered), destroying the old Will or by making a codicil

Execution of Will:

To execute a will, one needs to get a probate from the court with competent jurisdiction. Under the Indian Succession Act, only an executor can get a probate from the court. If there is no executor appointed in the will, an application for the

appointment of executor has to be filled in the court. This application of appointment has to be filed before an application of Probate is filed.

Probate is a copy of will which has a court seal. It signifies that the will is the valid and the last will of the testator. An executor cannot execute a will without a probate if the immovable property in the will is located in Mumbai, Kolkata, and Chennai. To obtain a probate following steps has to be followed –

1. Application

The application of probate is filed by the lawyer. It has to be filed in the court which has the competent jurisdiction. In case, the value of properties mentioned in the will is very high, the case would be filed in the higher court.

2. Documents

It has to be proved to the court that the testator has died. The lawyer has to prove the validity of the will i.e. it has to prove that it was the last will and that it was by the free consent of the testator.

3. Notification

After the application is filed, the court notifies the posterity of the testator and the general public (through newspaper).

It is to ensure that they have an opportunity to file an objection against “granting of probate”.

4. Fees

The parties have to pay a probate fee which generally depends on the valuation of assets mentioned in the will.

After receiving the probate from the court, the executor will execute the will. He will transfer the assets in the name of a respective beneficiary.

Remarks:

The will is a very important document, and to ensure proper execution, it is important that the will is drafted properly. Indian courts interpret the intention of the testator while executing a will, thus, it is utmost important that will is non-ambiguous.



Types of Will:

Unprivileged Will

Will created by a person who is not a soldier employed in an expedition or engaged in actual warfare or a mariner at sea is known as an unprivileged Will. For an unprivileged Will to be valid, it must satisfy the following conditions:

- The person creating the Will must sign or affix his/her mark to the Will. Else, some other person should sign as per the directions of the testator (Person creating the Will) in his/her presence.
- The signature or mark of the testator or the signature of the person signing for the testator must be placed so that it appears that it was intended to give effect to the writing as Will.
- The two or more witnesses should attest to the will. The witnesses must have seen the testator sign or affix his mark to the Will or has seen some other people sign the Will, in the presence and by the direction of the testator.

Privileged Will:

Privileged Wills are Wills that may be in writing or made by word of mouth by those in active services like a soldier, airman or mariner. The legal requirement for the validity of a privileged Will has been reduced to

enable certain persons to quickly make a Will. The following conditions are applicable for a privileged Will:

- The testator writes the whole will with his own hand. In such a case, it need not be signed or attested.
- The testator should sign the privileged Will written wholly or in part by another person. In such a case, there is no requirement for attestation.
- A Will written wholly or partly by another person and not signed by the testator is a valid Will if it is proved that it was written by the testator's directions or that the testator recognized it as his/her Will.
- A half-completed privileged Will is also considered valid if it is proved that non-execution was due to some other reason and does not appear to be an abandonment of intentions to create a Will.
- A privileged Will can be made by word of mouth by declaring intentions.
- If a soldier or airman or mariner has given written or verbal instruction for the preparation of a Will but has died before it could be prepared and executed. And such will is a valid Will.

Conditional or Contingent Wills:

A Will can be expressed to take effect only in the event of satisfying certain conditions or can be contingent upon other factors. Such a Will, which is valid only in the event of the happening of some contingency or condition, and if the contingency does not happen or the condition fails, is called a conditional or contingent Will.

Joint Wills:

Joint Will is a type of Will wherein two or more persons agree to make a conjoint Will. If a Joint Will intends to take effect after the death of both persons, then it would not be enforceable during the life-time of either. The person at any time during the joint lives or after the death of one can revoke the joint will.

Concurrent Wills:

Concurrent Wills are written by one person wherein two or more Wills provide instructions for disposal of property for the sake of convenience. For instance, one Will could deal with the disposal of all immovable property whereas another Will deals with the disposal of all movable property.

Mutual Wills:

In a Mutual Will, the testators confer upon each other reciprocal benefits. A husband and wife will execute a mutual will to pass on all benefits to the other person during their lifetime.

Duplicate Wills:

The testator will create a duplicate will for the sake of safety or safekeeping with a bank or executor or trustee. However, if the testator destroys the Will in his/her custody, then the other Will is also considered revoked.

Sham Wills:

Sham Wills are executed but held invalid if the testator does not intend to execute as per his/her wishes. As per the Indian Succession Act, a Will made by fraud or coercion or by taking away the free agency of the testator is considered invalid.

Holograph Wills:

The testator writes this holograph will entirely in its own handwriting.

05. Tax Payer Chart, Faceless Assessment & Appeals

What is tax payer charter?

A charter, typically, is a unilateral measure by an authority and sets out the rights and privileges granted by the authority to its subjects. Usually, a Taxpayer's Charter is supposed to safeguard the rights of a taxpayer however the conditions of the charter depend from one country to another.

Commitment to taxpayers by

Income Tax Department:

- To provide fair, courteous, and reasonable treatment
- Treat tax payer as honest
- To provide mechanism for appeal and review
- To provide complete and accurate information
- To provide timely decisions
- To collect the correct amount of tax
- To respect privacy of taxpayers
- To maintain confidentiality
- To hold its authorities accountable
- To enable representative of choice
- To Provide mechanism to lodge complaint
- To provide a fair & Just system



SAI SAGAR

- To provide service standards and & report periodically
- To reduce cost of compliance.

Expectation from

taxpayers by Income Tax

Department:

- Be honest & Compliant
- Be informed
- Keep accurate records
- Know what your representative does on your behalf
- Respond in time
- Pay in time

Faceless appeals:

Features:

- Appeals to be randomly allotted to any officer in the country
- The identity of officers deciding appeal will remain unknown
- No need to visit the officer/office
- The appellate decision will be Team Based & reviewed

Exceptions:

- Serious frauds, Major Tax Evasion, Sensitive & Search matters
- International tax
- Black Money Act & Benami Property

Widening the Tax Base:

Deduction or collection of tax TDS or TCS on new transactions:

- TDS on Cash withdrawal above Rs. 1 crore (in case of Non-filers limit is Rs. 20 lakh)
- TCS on motor vehicle above Rs. 10 Lakh
- TCS on Foreign remittance under LRS above Rs. 7.5 lakh/overseas tour packages
- TDS on e-commerce suppliers & TCS on purchase of goods above Rs. 50 Lakh

Expansion of scope of Reporting of transactions:

- Cash deposit or withdrawal of Rs. 50 lakh or more in current account
- Cash Deposit of above Rs. 10 lakh or more in non current account
- Sale of foreign exchange above Rs. 10 lakh
- The reporting of transactions of mutual funds, credit card transactions, immovable property, etc. rationalized

Compulsory Filing of return:

- Deposit above Rs.1 crore in current account or
- Expenditure of above Rs. 2 lakh on foreign travel &
- Electricity consumption above Rs. 1 lakh



Proposed Measures for Widening of the tax base:

- Payment of educational fee or donations above Rs. 1 lakh per annum
- Electricity consumption above Rs. 1 lakh per annum
- Domestic business class air travel or foreign travel
- Payment to hotels above Rs. 20,000
- Purchase of Jewellery, white goods, painting, marble, etc. above Rs. 1 lakh
- Deposit or credits in current account above Rs. 50 lakh
- Deposit or credits in non-current account above Rs. 25 lakh
- Payment of property tax above Rs. 20,000 per annum
- Life Insurance premium above Rs. 50,000
- Health insurance premium above Rs. 20,000
- Share transactions / D-MAT accounts/Bank lockers.

Ease of compliance for taxpayers :

- Interface between the Assessing Officer and the assessee
- Optimising use of resources through functional specialisation
- Introducing the team-based assessment

Document Identification Number {DIN}:

- Every communication of the department issued from 1st Oct 2019 mandatory to have computer-generated unique DIN

Pre-filing of Income-Tax Returns:

- ITR form now contains pre-filled details of certain incomes

Deduction/collection of tax at higher rates for non-filers of return:

Compulsory filing of return by the person having bank transactions above Rs. 30 lakh, all professionals, businesses having turnover above Rs. 50 lakh, payment of rent above 40,000

06. Legal Updates

Income TAX

01. Notification no 67/2020 dated 17-aug-2020:

Union Budget 2020 has introduced a new section 10(23FE) in order to promote investment of Sovereign Wealth Funds. This section grants tax exemption to income of Sovereign Wealth Fund subject to fulfillment of certain conditions, in respect of investment made in the infrastructure sector or other deserving notified sectors before 31st March, 2024 and with a minimum lock-in period of 3 years. CBDT now notifies additional conditions to be satisfied by Pension Fund for availing the exemption u/s 10(23FE), which are as follows:

- i. It must be regulated by the foreign law under which it is established
- ii. It is responsible for administering or investing the assets of one or more funds established for providing retirement, social security, employment, disability, death benefits or any similar compensation to the participants or beneficiaries of such funds.



- iii. The earnings and assets of the Pension fund are used only for meeting statutory obligations and defined contributions for participants or beneficiaries of funds and shall not give any benefit to any other private person.
- iv. It does not undertake any commercial activity whether within or outside India
- v. File its return of income in India within due date prescribed u/s 139(1) along with the certificate in Form No. 10BBC from a Chartered Accountant
- vi. Intimate the details of each investment made by it in India during the quarter within one month from the end of the quarter in Form No. 10BBB;

Further, for being notified as a Pension fund u/s 10(23FE), the Pension fund has to file an application in Form No. 10BBA with relevant documents and evidence to the CBDT.

02.Imposition of charges on prescribed electronic mode circular no 16/2020 Dated 30-Aug-2020:

CBDT has inserted a new provision in section 269SU of income tax act to encourage digital transaction and move towards cashless economy. Section 269SU requires every person who is carrying on business to provide the facility for accepting payments through prescribed electronic modes. These prescribed modes will be in addition to the facility for any other electronic mode of payment already provided to customers by such person.

Section 269SU is applicable to a person when the total sales, turnover or gross receipts from business exceeds Rs 50 crore during the immediately preceding previous year. The section is applicable from 1 November 2019. In such a case, the section is applicable if the sales, turnover or gross receipts exceed Rs 50 crore for the financial year ended 31 March 2019.

The prescribed modes of payment for the purpose of section 269SU:

- a. Debit Card powered by RuPay
- b. Unified Payments Interface (UPI) (BHIM-UPI)
- c. Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)

In a case where a person who is covered by the provisions of section 269SU fails to provide the facility of payment under the prescribed modes, such person would be liable for a penalty of Rs 5,000 for every day during which the failure or non-availability of the facility. However, no penalty would be levied if the person installs and operationalizes the prescribed payment facility by 31 January 2020. The penalty of Rs 5,000 per day would be leviable from 1 February 2020.

A new section 10A was inserted in the Payment and Settlement Systems Act. The Section mentions that no bank or payment system provider shall impose any charge upon anyone, either directly or indirectly, for using the electronic modes of payment prescribed under section 269SU

CBDT has issued a circular advising bank to immediately refund the charges collected, if any on or before 1st January, 2020 on transaction carried out using electronic modes. Banks are advised not to impose any charges on future transaction carried through the prescribed mode.

Goods and Service TAX(GST):

01.Aadhaar authentication for new GST registration, notificationno:62/2020,cental tax, New Delhi, 20-aug-2020:

The CBIC has provided a facility of Aadhar authentication for new GST registrations to be activated from August 21, 2020. For those opting for Aadhaar Authentication, new GST registration will be issued within three working days. While applicants not opting for Aadhaar authentication, would be granted it only after physical verification of the place of business or documentary verification which may take up to 21 working days or more if notice is issued.

In both cases, the officer concerned needs to act within a specified time - 3 days for a person opting for Aadhaar authentication and 21 days for those opting not to undergo Aadhaar authentication. If the registration application has neither been accepted, nor a notice for rejection has been issued, after the specified period, the application shall be deemed to be approved.

The Aadhaar authentication is mandatory for the following class of persons:

1. Authorised signatory of all types
2. Managing/Authorised partners of a partnership firms
3. Karta of a HUF

Mandatory Aadhaar authentication is not applicable to a person who is not a citizen of India. Non-citizens/Non-residents even if they are authorized signatories are also exempted from Aadhaar authentication.

Companies ACT:

01. Clarification on extension of Annual general meeting circular no 28/2020

This is regarding further clarification of general circular no 20/2020 dated 05.05.2020 regarding holding of general meeting wherein, it is stated that companies are allowed to conduct their AGM through video conferencing (VC) or other audio visual means (OAVM), during the calendar year 2020.

The companies which are unable to hold their AGM for the financial year ended on 31.03.2020, despite availing the relaxations provided in the G.C. 20/2020, ought to file application in form No. GNL-1 for seeking extension of time in holding of AGM for the financial year ended on 31.03.2020 with the concerned ROC on or before 29.09.2020.

02. Clarification on Form MGT-09

The Ministry of Corporate Affairs (MCA) on 28-Aug-2020 inserted a proviso in the Companies (Management and Administration) Rules, 2014, wherein the companies are no longer required to attach extracts of Annual Return. A company shall not be required to attach the extract of the annual return with the Board's report in Form No. MGT.9, in case the web link of such annual return has been disclosed in the Board's report in accordance with sub-section (3) of section 92 of the Companies Act, 2013.

07.Sep-20 Compliance Calendar

INCOME TAX

Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To/Description
7th September, 2020	August, 2020	Deposit of Tax Deducted	Non-government deductors
15th September, 2020	F.Y. 2020-21 Jul'20 to Sep'20	2nd Instalment of Advance Tax	Taxpayers liable to pay advance tax
30th September, 2020	FY 18-19 (AY 19-20)	Filing of IT Return	All Taxpayers who are liable to file original (belated) or revised return for the FY 18-19
30th September, 2020	FY 2019-20	Capital gains exemption for FY 2019-20	Last date to make investments for capital gains exemption as referred to in Section 54 to Section 54GB for FY 2019-20

30th September,2020	on or before 31-03-2020	Sec-10 AA	Beginning of manufacture or production of articles or things or providing any services where letter of approval has been issued on/before 31-03- 2020
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Note:

In case of Tax Audit, even though the due date of IT Return Filing for the FY 19-20 (AY 20-21) has been extended to 30th Nov,2020, Taxes are need to be deposited within **30th Sep,2020** or else **Interest u/s Sec-234 A** would be attracted.

The Income Tax department allows one-time verification of past income tax returns by **September 2020**. It has provided a one-time window till **30th September,2020** to taxpayers who haven't verified their income tax returns for the assessment years **AY 2015-16 to AY 2019-20**.

GST

Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To/Description
10th September 2020	August 2020	GSTR-7	Summary of Tax Deducted at Source (TDS) and deposited under GST laws
10th September 2020	August 2020	GSTR-8	Summary of Tax Collected at Source (TCS) by e-commerce operators under GST laws
11th September, 2020	August, 2020 (Monthly)	File GSTR 1	Taxpayers with Annual Turnover more than INR 1.5 Cr
12th September, 2020	May, 2020	File GSTR 3B	Annual Turnover of upto INR 5cr in Previous FY (for Group A Category States)
13th September 2020	August 2020	GSTR-6	Details of Input Tax Credit (ITC) received and distributed by an Input Service Distributor (ISD)

15th September, 2020	May,2020	File GSTR 3B	Annual Turnover of upto INR 5 Cr in Previous FY (for Group B category states)
20th September, 2020	August, 2020	File GSTR 3B	Aggregate turnover exceeding Rs 5 crore in the previous financial year **
20th September 2020	August 2020	GSTR-5	Summary of outward taxable supplies and tax payable by the non-resident taxable persons
20th September 2020	August 2020	GSTR-5A	Summary of outward taxable supplies and tax payable by OIDAR provider
23rd September 2020	June,2020	GSTR 3B	Annual Turnover up to 5 Crore (for Group A category States)

Note:

“For the taxpayers having an aggregate turnover of more than Rs 5 Cr. in the preceding financial year, who fail to furnish the return in FORM GSTR-3B for the months of May, 2020 to July, 2020, by the due date but furnish the said return till the 30th day of Sep, 2020, the total amount of late fee shall be capped at Rs 500 per return and shall stand fully waived for those taxpayers where the total amount of tax payable in the said return is Nil.”

25th September 2020	June 2020	GSTR 3B	Annual Turnover of upto INR 5 Cr in Previous FY (for Group B category states)
27th September 2020	July 2020	GSTR 3B	Annual Turnover up to 5 Crore (for Group A category states)
29th September 2020	July 2020	GSTR 3B	Annual Turnover of upto INR 5 Cr in Previous FY (for Group B category states)
30th September 2020	FY 2018-19	GSTR-9,9A & 9C	Turnover more than 2 Crores.

Group A Category States: Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Daman & Diu and Dadra & Nagar Haveli, Puducherry, Andaman and Nicobar Islands, Lakshadweep

Group B Category States: Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand, Odisha, Jammu and Kashmir, Ladakh, Chandigarh, Delhi)

OTHER COMPLIANCES

Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To/Description
15th September, 2020	August, 2020	PF/ESI	Depositing contribution towards PF/ESI
30th September, 2020	F.Y. 2019-20	Last day for holding AGM	Companies closing their subsequent financial year on 31st March, 2020
30 th September 2020	FY 2019-20	DIR-3 KYC	Director KYC submission for DIN holders as on 31 March 2020. Every person who has a DIN allotted and the status of the DIN is 'Approved'.

Note:

Application for seeking extension to hold AGM for the FY 19-20 has to be filed in **Form GNL-1** on or before **29.09.2020**.

CONTACT US

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