

NEWSLETTER

AUGUST 2017

J P Chawla & Co. LLP
Chartered Accountants

Taxation | Audit | Outsourcing | Regulatory | Transaction Advisory | Consultancy Services



FINEPRINT

August 2017

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September 25th 2017,

CEO's Message

The month has been all about GST compliances, with economy feeling jitters of new change in regulatory scenario. The performance of GSTIN has not been up to mark, where visa –versa was expected in dawning age of Machine learning and Artificial intelligence. The general business man still trying to understand the nuances of GST , which generally has slowed down the business . In spite of huge regulatory change, the business sentiments remain positive with new business and startups being born every passing day.

Manufacturing activities bounced back to the growth path in August after the goods and services tax (GST) nervousness pulled it down to contraction in July. PMI for manufacturing rose to 51.2 points in August from 47.9 points in July

The Department of Industrial Policy and Promotion has also issued the Consolidated FDI Policy, 2017 on 28th August, 2017 which has brought few changes in the existing FDI norms and policies. Changes have been made in Civil Aviation, Air Transport, Private Security Agency, Ecommerce, Pension Sector, Non Banking Finance Sector, Pharmaceuticals etc

We sincerely hope this July news letter will update you regarding new developments in the area of Business, Tax, Assurance & Accounting and regulations such as company law, FEMA and other laws.

Happy Reading!!

Sincerely Yours,

Rajat Chawla

Managing Partner & CEO
New Delhi

The Month That Was

Manufacturing activities bounced back to the growth path in August after the goods and services tax (GST) nervousness pulled it down to contraction in July. PMI for manufacturing rose to 51.2 points in August from 47.9 points in July. A PMI below 50 shows contraction while above this level denotes expansion. Manufacturing was one of the biggest segments hit by persisting effect of demonetisation and pre-GST confusion as it grew only 1.2 per cent in April-June, from 5.3 per cent in January-March.

Some of the highlights in August 2017 are:-

Government revises the base year of All-India Wholesale Price Index (WPI) from 2004-05 to 2011-12:

The revision of the base year of the macroeconomic indicators is a regular exercise to capture structural changes in the economy and to improve the quality, coverage and representativeness of the indices. The base year revision of WPI has aligned the series with the base year of other macroeconomic indicators such as the Gross Domestic Product (GDP) and Index of Industrial Production (IIP).

India's Foreign Trade: July 2017 - In continuation with the positive growth exhibited by exports for the last eleven months, exports during July 2017 have shown growth of 3.94 per cent in dollar terms valued at US\$ 22543.80 million as compared to US\$ 21689.57 million during July, 2016. Imports during July 2017 were valued at US\$ 33993.61 million (Rs 219108.89 crore) which was 15.42 per cent higher in Dollar terms and 10.70 per cent higher in Rupee terms over the level of imports valued at US\$ 29450.97 million (Rs. 197932.93 crore) in July, 2016

Gold imports jump over 2-fold to US\$ 13.35 bn in Apr-July:- India's gold imports more than doubled to USD 13.35 billion during the April-July period of the current fiscal. Surge in gold imports in July contributed to the widening of trade deficit to USD 11.44 billion as against USD 7.76 billion in July 2016.

Foreign Exchange Earnings (In Rupee and US \$ Terms) trough tourism in India in July 2017:- FEEs during the month of July 2017 were Rs. 14,986 crore as compared to Rs.14,285 crore in June 2016 and Rs. 11,982 crore in July 2015. The growth rate in FEEs in rupee terms in July 2017 over July 2016 was 4.9% compared to growth of 19.2% in July 2016 over July 2015.

DIPP approves 9 FDI proposals worth about Rs 5,000 cr:- The government has approved nine FDI proposals, including that of Amazon Retail India, envisaging foreign investments of about Rs 5,000 crore. FDI into the country grew 9 per cent to USD 43.47 billion in 2016-17.

Equity mutual funds see record Rs 12,727-cr inflow in July:- Equity mutual funds saw a record inflow of Rs 12,727 crore in July primarily due to a rally in the stock markets and hopes of rate cut by the Reserve Bank. Decline in interest income from fixed income products such as bank FDs is attracting investors towards equity

NITI Aayog selects 3 States for transformative change in Health & Education sectors:- NITI Aayog has selected Uttar Pradesh, Assam, and Karnataka to improve healthcare delivery and key outcomes in these States. In Education, Madhya Pradesh, Odisha, and Jharkhand have been selected for support to better learning outcomes. The six States have been chosen after a rigorous competitive process based on comprehensive metrics to determine potential for impact and likelihood of success.

TAX

In international tax OECD releases public comments received on draft 2017 update to Model Tax Convention, Nigeria becomes the 71st jurisdiction to sign the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the MLI) to tackle international tax avoidance and evasion, in Transfer Pricing ICAI has released draft Sec 92E Guidance Note updated with Finance-Act 2017 amendments. In direct taxes due date for filing the Income Tax return and various reports of audit prescribed under the Income Tax Act, 1961 has been extended to October 31st, 2017.

International Taxation

International Taxation Updates:

1. OECD releases public comments received on draft 2017 update to Model Tax Convention:

The Organization for Economic Cooperation and Development (OECD) released the seven public comments it received on certain portions of the draft contents of the 2017 update to the OECD Model Tax Convention on Income and on Capital (OECD Model Tax Convention).

According to a press release, the OECD expects to approve and publish the contents of the 2017 update to the OECD Model Tax Convention “later in 2017.”

2. Nigeria becomes the 71st jurisdiction to sign MLI and 94th signatory to CRS MCAA:

Nigeria becomes the 71st jurisdiction to sign the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the MLI) to tackle international tax avoidance and evasion. Nigeria also signed the CRS Multilateral Competent Authority Agreement (the CRS MCAA) and becomes the 94th jurisdiction to do so.

3. Delhi HC to hear ZTE’s appeal on profit attribution to PE :

Delhi HC admits a Chinese company’s appeal against ITAT judgment; ITAT had attributed 35% of net global profits as per published accounts to assessee’s India PE with respect to supply of telecom equipment and mobile handsets to telecom operators/customers in India during AYs 2004-05 to 2009-10; ITAT had applied indirect method for attribution as prescribed in Rule 10 of the IT Rules as assessee did not maintain any books of account relating to PE in India and had arrived at the attribution percentage based on the level of operations carried out by assessee through its PE in India; HC to determine whether any income be attributed to assessee’s India PE on account of offshore supplies and if yes, what should be the rate of attribution; Further, HC to examine assessee’s entitlement to adjustment of expenses already incurred by way of payment to the Indian entity for marketing services

Transfer Pricing Updates:

1. ICAI releases draft Sec 92E Guidance Note updated with Finance-Act 2017 amendments:

The ICAI has issued exposure draft of “Revised Guidance Note on Report under Section 92E of Income Tax (Transfer Pricing)” after incorporating changes effected by the amendments made under Finance Act, 2017.

2. Canadian Federal Court rejects Revenue’s oral-interview request of company personnel during TP-audit:

Federal Court of Canada rejects Minister of National Revenue’s application to compel Cameco Corporation (‘Cameco’) to produce approximately 25 of its personnel (including CEO/ CFO etc.) for oral interviews during transfer pricing audit pertaining to 2010 - 2012 taxation years, clarifies that Minister’s audit powers are broad but not unlimited.

3. Delhi ITAT disbands Special Bench constituted to decide TP-issue on corporate guarantee :

ITAT has passed an order disbanding the Special Bench constituted in case of NDTV to decide whether transaction of providing corporate guarantee on behalf of AE amounts to international transaction. ITAT observed that the assessee gave only an undertaking in respect of subsidiary’s obligation which falls short of corporate guarantee. Thus, the question framed for its consideration does not arise in this case. Accordingly, the Special bench is disbanded and the matter is referred back to the Division bench.

4. UK updates CbCR Manual, restricts data usage to 'high level' TP risk assessment :

UK HMRC updates ‘International Exchange of Information Manual’ [providing guidance on country-by-country (CbC) reporting format for multinationals] in light of recent update to OECD’s CbC Reporting guidance; Confirms that multinationals will have to report via XML (extensible markup language) schema to ensure international consistency and CbC Report must be filed online through a secure HMRC portal for which MNEs will be required to register online.

5. Interra Infotech (India) Pvt. Ltd

Delhi HC dismisses Department appeal against ITAT order rejecting AO’s (without making reference to TPO) adoption of comparables from AY 2008-09 for benchmarking assessee’s software development services without undertaking proper analysis for AY 2009-10; Notes that ITAT had found that CIT(A) had elaborately considered both the internal as well as the external benchmarking analysis and come to definitive conclusions that TP-adjustment was unwarranted.

6. RTA Alesa AG

Delhi ITAT upholds TPO's approach of benchmarking assessee's (non-resident having a project office in India) international transactions of supply of equipments and rendering of services on aggregated basis for AY 2012-13, relies upon jurisdictional HC ruling in Sony Ericsson Mobile Communication. ITAT observes that contract was composite in nature as assessee was required to deliver complete facility to BALCO and thus, activities of supplying of equipments, spare parts and commissioning of the plant were continuous, inextricably linked and inseparable from each other, also notes that assessee recognized revenue for both supply and services based on the percentage of contract work executed.

7. Deletes interest addition on compulsorily convertible debentures; Follows earlier year order :

Delhi ITAT deletes Rs.17.62 crores TP-adjustment for AY 2012-13 towards interest on compulsorily convertible debentures issued by assessee engaged in the development of township, housing, built up infrastructure; TPO adopted interest rate of 4.00% (based on six months' LIBOR rate as on March 31, 2012 plus 350 basis points) as ALP following DRP's directions for earlier AY 2011-12; ITAT relies upon ruling in assessee's own case for AY 2011-12 wherein coordinate bench directed TPO to consider additional evidence submitted by assessee giving analysis of BSE database as per which average rate of return on comparable instruments was 13.66%; ITAT notes that in the remand proceedings for AY 2011-12, TPO did not make any adjustment holding interest rate of 12% to be at ALP; ITAT remarks that "The assessee's payment of interest during the year at the rate of 12%, being the same rate at which the assessee paid in the preceding year is, therefore, held to be at arm's length."

8. Excludes Infosys, Tata Elxsi and Persistent Systems while benchmarking assessee's software-development services :

Bangalore ITAT rules on selection of comparables in case of assessee engaged in software development services for AY 2009-10; Rejects assessee's contention to exclude Bodhtree Consulting as comparable, perusing the annual report, holds that it is engaged in software development and it is not software product company; Excludes Tata Elxsi and Infosys relying on coordinate bench ruling in Cisco Systems, notes that Tata Elxsi is engaged in product design services, innovative design engineering services and visual computing labs. Regarding Infosys, ITAT observes that it is a giant company engaged in software development and it owns intangibles and has huge revenue from software products.

Direct Tax

Direct Tax August Updates

1. CBDT extends due date of Tax Audit from 30th September to 31st October:

Due date for filing the Income Tax return and various reports of audit prescribed under the Income Tax Act, 1961 has been extended to October 31st, 2017.

2. Deadline for Aadhaar – PAN linkage extended to 31st December, 2017:

The Income Tax department has extended the deadline to link the PAN with Aadhaar by 4 months to Dec.31. The deadline for linking PAN with Aadhaar for taxpayers was to end on August 31.

The revenue department will notify December 31 as the due date for linkage.

3. CBDT revises form for Accountant's Report u/s 115JB consequent to Ind-AS amendments:

CBDT revises Form 29B i.e accountant's report on computation of book profits u/s 115JB, consequent to Finance Act, 2017 amendment in Sec. 115JB. Changes include modification to Part A and introduction of new part B and part C in Annexure.

Form 29B seeking various details regarding the amount required to be increased or decreased in accordance with amended Sec. 115JB and applicable to companies preparing financial statements under Ind AS.

Revised Form also requires disclosure of whether the accounting year followed is same as relevant previous year; Where the accounting year is different, the new form requires accountant to state whether profit and loss statement for computing book profit u/s 115JB is prepared following same accounting policies/accounting standards/depreciation rates as adopted for preparing accounts "for the respective parts of the financial year laid or to be laid before the company at its annual general meeting" and extent and nature of variations if any.

4. Modifies stay of demand instruction, revises partial payment requirement from 15% to 20%:

CBDT modifies guidelines for stay of demand pending appeal before CIT(A); Cases where outstanding demand disputed, AO to grant stay of demand till disposal of appeal by CIT(A) on payment of 15% of disputed demand, subject to certain exceptions. CBDT now revises the partial payment percentage from 15% to 20% of the disputed demand.

5. Converting 24-carat standard gold into 22 carat gold jewellery amounts to manufacturing: [Lakesh Handa vs. PCIT]

The Tribunal confirmed the order of the Commissioner of Income Tax (Appeals) to the extent that converting 24 carat standard gold into 22 carat gold ornaments amount to manufacture and thus assessee was entitled to deduction under section 80-IB of the said Act. The appeal before the Commissioner of Income Tax (Appeals), Jammu, arose out of the Assessment order dated 20.03.2013 wherein the Assessing Officer took the view that the activity of the assessee did not amount to manufacture. Consequently, the Assessing Officer held that the assessee was not entitled to any deduction, as claimed under Section 80IB of the said Act.

6. Allows trust's claim for depreciation and capital cost deduction before AY 2015-16 : [Al-Ameen Charitable Fund Trust]

Karnataka HC holds that prior to April 1, 2015 depreciation is allowable as deduction in computing the total income of a charitable trust u/s. 11 even though the amount spent on the capital asset was already allowed as application of income in the year of such acquisition. Rejects Revenue's contention that claim of deduction by way of depreciation on the same capital asset in the subsequent years results in allowing double deduction contrary to the scheme of the Act. Relies on Apex Court in 'Vatika Township [P] Ltd' and holds that Sec 11[6] is prospective in nature and operates w.e.f. April 1, 2015.

7. Cannot deny Sec. 54 exemption claim citing subsequent demolition of new house [Vikas Kumar Vs. Deputy Commissioner of Income Tax, Hyderabad]

Hyderabad ITAT allows Sec. 54 exemption to assessee-individual for investing the capital gains (arising on sale of residential property) in new residential house, holds that entering into JDA with respect to the new property in subsequent year irrelevant.

AO noted that in May, 2013 assessee entered into a joint development agreement with a builder for development of commercial complex with respect to the new property acquired and accordingly denied Sec. 54 benefit holding that assessee had no intention to use the new house for residential purpose. Rejecting Revenue's stand, ITAT opines that by entering into JDA, the property will not lose the status of residential property, "It loses its character only on the date on which the actual demolition occurs/happens"; In the given case, it is not recorded when the actual demolition took place.

8. Interest on FDs out of agricultural land compensation pending Court order taxable:

Bombay HC upholds ITAT order, interest received by assessee-individual pursuant to investing enhanced compensation on land with Bank's Fixed Deposit account, taxable as income from other sources. Assessee had invested the entire amount of enhanced compensation received (pursuant to HC's interim order in connection with agricultural land acquired by Govt.), with a Bank and earned interest thereon.

HC concludes that the FD made with the Bank at the time of deposit loses its character as compensation amount, rules that **"The source of funds to earn income cannot determine the taxability of the income earned on the capital amount which has been invested"**.

Goods and Service Tax

Goods and Service Tax August Updates

- **Time period for filing of details of outward supplies in FORM GSTR-1**

As per Notification No. 18/2017 – Central Tax, the Commissioner hereby extends the time limit for furnishing the details as specified in sub-section (1) of section 37 of the said Act:-

S.No.	Month	Time period for filing of details of outward supplies in FORM GSTR-1
1	July, 2017	1 st to 5 th September, 2017
2	August, 2017	16 st to 20 th September, 2017

- **Time period for filing of details of inward supplies in FORM GSTR-2**

As per Notification No. 19/2017 – Central Tax, the Commissioner hereby extends the time limit for furnishing the details as specified in sub-section (2) of section 38 of the said Act:-

S.No.	Month	Time period for filing of details of outward supplies in FORM GSTR-2
1	July, 2017	6 st to 10 th September, 2017
2	August, 2017	21 st to 25 th September, 2017

- **Time period for filing of details in FORM GSTR-3**

As per Notification No. 20/2017 – Central Tax, the Commissioner hereby extends the time limit for furnishing the return under sub-section (1) of section 39 of the said Act for the month:-

S.No.	Month	Time period for filing of details of outward supplies in FORM GSTR-2
1	July, 2017	11 st to 15 th September, 2017
2	August, 2017	26 st to 30 th September, 2017

▪ **Date for filing of GSTR-3B for months of July and August**

As per Notification No. 21/2017 – Central Tax, the Commissioner specifies that the return for the month as specified in column (2) of the Table below shall be furnished in FORM GSTR-3B electronically through the common portal before the dates as specified in the corresponding entry in column (3) of the said Table, namely:-

S.No.	Month	Time period for filing of details of outward supplies in FORM GSTR-2
1	July, 2017	20th August, 2017
2	August, 2017	20th September, 2017

▪ **Central Tax amending CGST Rules, 2017**

As per Notification No. 22/2017 – Central Tax, the Central Government has further amended the Central Goods and Service Tax Rules, 2017 notified through Notification No. 10/2017 and the same may be called the Central Goods and Service Tax (Fifth Amendment) Rules, 2017.

▪ **Central Government notify the date and conditions for filing the return in FORM GSTR-3B for the month of July, 2017**

As per Notification No. 23/2017 – Central Tax, the Commissioner, on the recommendations of the Council, hereby specifies the conditions for furnishing the return in FORM GSTR-3B electronically through the common portal for the month of July, 2017:-

S. No.	Class of registered persons	Last date for furnishing of return in FORM GSTR-3B	Conditions
1.	Registered persons entitled to avail input tax credit in terms of section 140 of the said Act read with rule 117 of the said Rules but opting not to file FORM GST TRAN- 1 on or before the 28th August, 2017	20th August, 2017	-
2.	Registered persons entitled to avail input tax credit in terms of section 140 of the said Act read with rule 117	28th August, 2017	(i) compute the “tax payable under the said Act” for the month of July, 2017 and deposit the same in cash as per

	of the said Rules and opting to file FORM GST TRAN-1 on or before the 28th August, 2017		the provisions of rule 87 of the said Rules on or before the 20th August, 2017; (ii) (ii) file FORM GST TRAN-1 under subrule (1) of rule 117 of the said Rules before the filing of FORM GSTR-3B; (iii) (iii) where the amount of tax payable under the said Act for the month of July, 2017, as detailed in the return furnished in FORM GSTR-3B, exceeds the amount of tax deposited in cash as per item (i), the registered person shall pay such excess amount in cash in accordance with the provisions of rule 87 of the said Rules on or before 28th August, 2017 along with the applicable interest calculated from the 21st day of August, 2017 till the date of such deposit
3.	Any other registered person	20th August, 2017	-

(ii) Payment of taxes for discharge of tax liability as per GSTR-3B: Every registered person furnishing the return in FORM GSTR-3B shall, subject to the provisions of section 49 of the said Act, discharge his liability towards tax, interest, penalty, fees or any other amount payable under the Act by debiting then electronic cash ledger or electronic credit ledger.

- **Central Government further extend the date for filing of return in FORM GSTR-3B for the month of July, 2017**

As per Notification No. 24/2017 – Central Tax, the Board hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance vide No. 23/2017–Central Tax, dated the 17th August, 2017, namely:-

(i) in the table,

(a) in Sl. No. 1, in column (3), for the figures, letters and word “20th August, 2017”, the figures, letters and word “25th August, 2017” shall be substituted;

(b) in Sl. No. 2, in column (4), in item (i), for the figures, letters and word “20th August, 2017”, the figures, letters and word “25th August, 2017” shall be substituted;

(c) in Sl. No. 2, in column (4), in item (iii), for the figures, letters and words “21st day of August, 2017”, the figures, letters and words “26th day of August, 2017” shall be substituted;

(d) in Sl. No. 3, in column (3), for the figures, letters and word “20th August, 2017”, the figures, letters and word “25th August, 2017” shall be substituted;

(ii) in paragraph 2, after the words “electronic credit ledger” occurring before the Explanation, the words, figures and letters “on or before 25th August, 2017” shall be inserted.

▪ **Central Government extend time period for filing of details in FORM GSTR-5A for month of July**

As per Notification No. 25/2017 – Central Tax, the Commissioner hereby extends the time limit for furnishing the return for the month of July, 2017, by a person supplying online information and database access or retrieval services from a place outside India to a non-taxable online recipient referred to in section 14 of the Integrated Goods and Services Tax Act, 2017 and rule 64 of the Central Goods and Services Tax Rules, 2017, till 15th day of September, 2017.

▪ **Seeks to extend time period for filing of details in FORM GSTR-6 for months of July & August.**

As per Notification No. 26/2017 – Central Tax, the Commissioner, hereby extends the time limit for furnishing the return by an Input Service Distributor under sub-section (4) of section 39 of the said Act read with rule 65 of the Central Goods and Services Tax Rules, 2017, for the month as specified in column (2) of the Table below, till the date as specified in the corresponding entry in column (3) of the said Table, namely:-

Serial Number	Month	Last Date for filing of return in FORM GSTR-6
(1)	(2)	(3)
1.	July, 2017	8th September
2.	August, 2017	23rd September

▪ **Central Government reduces CGST rate on specified parts of tractors from 14% to 9 %**

As per Notification No. 19/2017 – Central Tax (Rate), the Central Government hereby makes the following further amendment in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No.1/2017-Central Tax (Rate), dated the 28th June, 2017 published in the Gazette of India, namely

In the said notification, in Schedule III – 9%, after serial number 452 and the entries relating thereto, the following serial number and entries shall be inserted, namely:-

(1)	(2)	(3)
452A	4011 70 00	Tyre for tractors
452B	4013 90 49	Tube for tractor tyres
452C	8408 20 20	Agricultural Diesel Engine of cylinder capacity exceeding 250 cc for Tractor
452D	8413 81 90	Hydraulic Pumps for Tractors
452E	8708 10 10	Bumpers and parts thereof for tractors
452F	8708 30 00	Brakes assembly and its parts thereof for tractors
452G	8708 40 00	Gear boxes and parts thereof for tractors
452H	8708 50 00	Transaxles and its parts thereof for tractors
452I	8708 70 00	Road wheels and parts and accessories thereof for tractors

452J	8708 91 00	(i) Radiator assembly for tractors and parts thereof (ii) Cooling system for tractor engine and parts thereof
452K	8708 92 00	Silencer assembly for tractors and parts thereof
452L	8708 93 00	Clutch assembly and its parts thereof for tractors
452M	8708 94 00	Steering wheels and its parts thereof for tractor
452N	8708 99 00	Hydraulic and its parts thereof for tractors
452O	8708 99 00	Fender, Hood, wrapper, Grill, Side Panel, Extension Plates, Fuel Tank and parts thereof for tractors

- **Central Government amended notification No. 11/2017-CT(R) to reduce CGST rate on specified supplies of Works Contract Services, job work for textile & textile products, printing service of books, newspapers etc, admission to planetarium, and, also to provide option to GTA & transport of passengers by motorcab service providers to avail full ITC & discharge CGST @ 6%**

As per Notification No. 20/2017-Central Tax (Rate) the Central Government has made certain amendments in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 11/2017- Central Tax (Rate).

- **Central Government amends notification No. 12/2017-CT(R) to exempt services provided by Fair Price Shops to Government and those provided by and to FIFA for FIFA U-17. Also to substitute RWCIS & PMFBY for MNAIS & NAIS, and insert explanation for LLP**

As per Notification No. 21/2017- Central Tax (Rate), the Central Government hereby makes the following amendments in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No.12/2017- Central Tax (Rate), dated the 28th June, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 691(E), dated the 28th June, 2017, namely:- In the said notification,-

(i) in the Table,-

(a) after serial number 9 and the entries relating thereto, the following shall be inserted namely:-

"9A	Chapter 99	Services provided by and to Fédération Internationale de Football Association (FIFA) and its subsidiaries directly or indirectly related to any of the events under FIFA U-17 World Cup 2017 to be hosted in India.	Nil	Provided that Director (Sports), Ministry of Youth Affairs and Sports certifies that the services are directly or indirectly related to any of the events under FIFA U- 17 World Cup 2017.";
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(b) after serial number 11 and the entries relating thereto, the following shall be inserted namely:-

"11A	Heading 9961 or Heading	Service provided by Fair Price Shops to Central Government by way of sale	Nil	Nil
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	9962	of wheat, rice and coarse grains under Public Distribution System(PDS) against consideration in the form of commission or margin.		
11B	Heading 9961 or Heading 9962	Service provided by Fair Price Shops to State Governments or Union territories by way of sale of kerosene, sugar, edible oil, etc. under Public Distribution System (PDS) against consideration in the form of commission or margin.	Nil	Nil

(c) against serial number 35, in column (3),-

(A) in item (h), for the words “Weather Based Crop Insurance Scheme or the Modified National Agricultural Insurance Scheme”, the words, brackets and letters “Restructured Weather Based Crop Insurance Scheme (RWCIS)”, shall be substituted;

(B) in item (j), for the words “National Agricultural Insurance Scheme (Rashtriya Krishi Bima Yojana)”, the words, brackets and letters “Pradhan Mantri Fasal BimaYojana (PMFBY)”, shall be substituted;

(ii) in paragraph 3, in the Explanation, after clause (ii), the following clause shall be inserted, namely:-

“(iii) A “Limited Liability Partnership” formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (6 of 2009) shall also be considered as a partnership firm or a firm.”.

▪ **Central Government amends notification No. 13/2017-CT(R) to amend RCM provisions for GTA and to insert explanation for LLP**

As per Notification No. 22/2017- Central Tax (Rate), the Central Government on the recommendations of the Council hereby makes the following amendments in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No.13/2017-Central Tax (Rate), dated the 28th June, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 692(E), dated the 28th June, 2017, namely:-

In the said notification,- (i) in the Table, against serial number 1, in column (2), after the words and brackets “goods transport agency (GTA)” the words and figure “, who has not paid central tax at the rate of 6%,” shall be inserted;

(ii) in the Explanation, after clause (d), the following clause shall be inserted, namely:-

“(e) A “Limited Liability Partnership” formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (6 of 2009) shall also be considered as a partnership firm or a firm.”.

- **Central Government amended notification No. 17/2017-CT(R) to make ECO responsible for payment of GST on services provided by way of house-keeping such as plumbing, carpentering etc.**

As per Notification No. 23/2017-Central Tax (Rate), the Central Government on the recommendations of the Council, hereby makes the following amendments in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No.17/2017-Central Tax (Rate), dated the 28th June, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 696(E) dated the 28th June, 2017, namely:-

In the said notification, in the first paragraph, after clause (ii) the following clause shall be inserted, namely:-

“(iii) services by way of house-keeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under sub-section (1) of section 22 of the said Central Goods and Services Tax Act.”.

- **Press Release On Clarification regarding availability of Transitional Credit for GST**

As per the rules, the GST for the month of July 2017 has to be paid by 20th August, 2017. Only after the payment of full GST, return in summary Form 3B can be filed.

Concerns have been raised about the form for claiming transitional input tax credit not being available on the GSTN website. This form will be available on the GSTN website from 21st August, 2017. In view of this, a small window of opportunity is being given to all the taxpayers. For those taxpayers who do not want to claim any transitional input tax credit have to necessarily pay the tax and file return in Form 3B before the due date of 20th August, 2017. The taxpayers who want to avail the transitional input tax credit should also calculate their tax liability after estimating the amount of transitional credit as per Form TRANS I. They have to make full settlement of the liability after adjusting the transitional input tax credit before 20th August, 2017. However, in such cases, they will get time upto 28th August, 2017 to submit Form TRANS I and Form 3B. In case of shortfall in the amount already paid vis-à-vis the amount payable on submission of Form 3B, the same will have to be paid with interest @ 18% for the period between 21st August, 2017 till the payment of such differential amount.

- **Press Note On Filing Of Return In Form GSTR-3B For July, 2017**

1. GST Council had earlier decided to defer the filing of return in FORM GSTR-3 and had recommended the filing of return in FORM GSTR-3B. Accordingly, the Central Government vide notification No. 21/2017-Central Tax dated 08.08.2017 had notified the last date for filing of return in FORM GSTR-3B for the month of July, 2017 as 20.08.2017.

2. Concerns have been raised by the trade about whether transitional credit would be available for discharging the tax liability for the month of July, 2017. In this regard, attention is invited to notification No. 23/2017-Central tax dated 17.08.2017 wherein the date and conditions for filing

the return in FORM GSTR-3B have been specified. Salient points for filing the said return are as follows:

A. Registered persons planning not to avail transitional credit for discharging the tax liability for the month of July, 2017 or new registrants who do not have any transitional credit to avail need to follow the steps as detailed below:

I. Calculate the tax payable as per the following formula:

Tax payable = (Output tax liability + Tax payable under reverse charge) – input tax credit availed for the month of July, 2017;

II. Tax payable as per (i) above to be deposited in cash on or before 20.08.2017 which will get credited to electronic cash ledger;

III. File the return in FORM GSTR-3B on or before 20.08.2017 after discharging the tax liability by debiting the electronic credit or cash ledger.

B. Registered persons planning to avail transitional credit for discharging the tax liability for the month of July, 2017 need to follow the steps as detailed below:

I. Calculate the tax payable as per the following formula:

Tax payable = (Output tax liability + Tax payable under reverse charge) – (transitional credit + input tax credit availed for the month of July, 2017);

II. Tax payable as per (i) above to be deposited in cash on or before 20.08.2017 which will get credited to electronic cash ledger;

III. File FORM GST TRAN-1 (which will be available on the common portal from 21.08.2017) before filing the return in FORM GSTR-3B;

IV. In case the tax payable as per the return in FORM GSTR-3B is greater than the cash amount deposited as per (ii) above, deposit the balance in cash along with interest @18% calculated from 21.08.2017 till the date of such deposit. This amount will also get credited to electronic cash ledger;

V. File the return in FORM GSTR-3B on or before 28.08.2017 after discharging the tax liability by debiting the electronic credit or cash ledger.

Assurance & Accounting

In Assurance and Accounting area there has been new guidance in form of a SEBI circular w.r.t disclosures by listed entities of defaults on payment of interest/ repayment of principal amount on loans from banks / financial institutions, debt securities

There has been a new circular issued by SEBI, regarding disclosures of defaults on repayment of loans from banks by listed entities:-

- **Disclosures by listed entities of defaults on payment of interest/ repayment of principal amount on loans from banks / financial institutions, debt securities, etc**

The SEBI, through its circular dated 4 August 2017 has mandated listed entities who have defaulted in payment of interest/installment obligations on loans from banks and financial institutions, debt securities (including commercial paper), etc. to provide a disclosure of defaults to the stock exchanges within one working day from the date of the default in the manner prescribed in the circular

This circular shall come into effect with effect from October 1, 2017. This is to enable listed companies to put appropriate systems in place for prompt submission of disclosures as stipulated in this circular.

The entities shall make disclosures within one working day from the date of default at the first instance of default in the format specified in Clause C1 below.

C1. The following details shall be disclosed by listed entities at the first instance of default:

(a) For Debt securities (including Commercial Paper),/ MTNs, FCCBs etc

Sr. No.	Type of disclosure	Details
1	Name of the Listed entity	
2	Date of making the disclosure	
3	Nature of obligation / Type of instrument (Listed debt securities, MTNs, FCCBs etc. with ISIN as applicable)	
4	Number of investors in the security as on date of default	
5	Date of default	
6	Details of the obligation (tenure, coupon, secured/unsecured etc.)	
7	Current default amount (Amount in Rs.crore) (Please provide the break up of instalment	

	and interest)	
8	Gross Principal amount on which the default above has occurred (in Rs. crore):	
9	Total amount of securities issued (in Rs.crore)	
10	Any other details	

(b) For Loans from banks and financial institutions, including ECBs:

Sr. No.	Type of disclosure	Details
1	Name of the Listed entity	
2	Date of making the disclosure	
3	Nature of obligation (E.g. Term loan, ECB etc.)	
4	Name of the Lender(s)	
5	Date of default	
6	Current default amount (Amount in Rs.crore) (Please provide the break up of instalment and interest)	
7	Gross Principal amount on which the default above has occurred (in Rs.crore):	
8	Details of the obligation (tenure, coupon rate, secured / unsecured etc.)	
9	Total amount of borrowings from Banks / financial institutions	
10	Any other details	

C2. The following details shall be disclosed by listed entities if there is any outstanding amount under default as on the last date of any quarter within 7 days from the end of such quarter

Nature of obligation	Total amount outstanding as on date (In Rs. crore)	Of the total amount outstanding, cumulative amount of default as on date (In Rs. crore)
Debt securities (including Commercial Paper, MTNs etc.) and FCCBs		
Loans from banks, and financial institutions, including ECBs		

REGULATIONS

The Ministry of Corporate Affairs (MCA) has made few amendments in the existing rules relating to National Company Law Tribunal and also notified the provisions and rules relating to Investigation and arrest by Serious Fraud Investigation office. The Department of Industrial Policy and Promotion has also issued the Consolidated FDI Policy, 2017 on 28th August, 2017 which has brought few changes in the existing FDI norms and policies.

COMPANIES ACT

▪ NATIONAL COMPANY LAW APPELLATE TRIBUNAL (AMENDMENT) RULES 2017

The MCA vide its notification dated 23rd August, 2017 has notified amendment in Rule 63 of the National Company Law Appellate Tribunal Rules, 2016. Now the Central Government, the Regional Director or the Registrar Companies or Official Liquidator may authorise an officer or an Advocate to represent in the proceedings before the Appellate Tribunal who shall be an officer not below the rank of Junior Time Scale or company prosecutor.

▪ COMPANIES (ARRESTS IN CONNECTION WITH INVESTIGATION BY SERIOUS FRAUD INVESTIGATION OFFICE) RULES, 2017

The MCA has notified the provisions of sub-sections (8), (9) and sub-section (10) of section 212 and the Companies (Arrests in Connection with Investigation by Serious Fraud Investigation Office) Rules, 2017 with effect from 24th August, 2017 which specifies the power and procedure of Serious Fraud Investigation Office (SFIO) to arrest any person who has been guilty of any offence punishable under section 212 (investigation into the affairs of Company by SFIO) of the Companies Act, 2013.

▪ HIGHLIGHTS OF THE CONSOLIDATED FDI POLICY, 2017

The Department of Industrial Policy and Promotion (DIPP) has issued the Consolidated FDI Policy, 2017 which is effective from 28th August, 2017. The key changes in the Consolidated FDI Policy, 2017 as compared to Consolidated FDI Policy, 2016 are as follows:

Sl. No.	Particulars	Consolidated FDI Policy, 2016	Consolidated FDI Policy, 2017
1	Competent Authority to grant approval	Earlier FIPB were authorised to grant approvals to FDI approval under the government routes.	Now the competent authority i.e. Specific administrative ministry/ department have been defined and substituted the FIPB, who will grant approval as per the extant FDI Policy

			and FEMA Regulations. These administrative ministry/ department for every sector have also been specified in chapter 4 of consolidated FDI policy, 2017. In case of doubt, the DIPP shall identify the competent authority for approval of application.
2	Convertible Notes	No related provisions were in existence.	Now the start up companies can issue an instrument known as convertible notes. It evidences the receipt of money initially as debt, which is repayable at the option of the holder, or which is convertible into such number of equity shares of such startup company, within a period not exceeding 5 years from the date of issue of the convertible note, upon occurrence of specified events as per the other terms and conditions agreed to and indicated in the instrument and other FEMA compliances.
3	Change of Definition of Venture Capital Fund	'Venture Capital Fund' (VCF) means an Alternative Investment Fund which invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model and shall include an angel fund as defined under Chapter III-A of SEBI (AIF) Regulations, 2012	'Venture Capital Fund' (VCF) means a Fund registered as a 'venture capital fund' under SEBI (Venture Capital Funds) Regulations, 1996.
4	Conversion of FDI funded LLP into Company and Vice-versa	Earlier there were no provisions relating to conversion of FDI funded LLP into Company or vice-versa.	Now the FDI Policy allows conversion of an FDI funded LLP/Company operating in sectors/activities where 100% FDI is allowed under the automatic route and there are no FDI linked performance conditions, into a company/LLP, under the automatic route subject to FEMA

			compliances.
5	RBI approval not required for specified sectors in case of branch office, liaison office or project office.	These relaxations were not available for <u>Defence, Telecom, Private Security or Information and Broadcasting</u> sectors earlier.	If the principal business of the applicant is <u>Defence, Telecom, Private Security or Information and Broadcasting</u> , approval of RBI is not required in cases where Government approval or license/permission by the concerned Ministry/Regulator has already been granted.
6	Defence Sector	Earlier FDI was allowed into Equity up to 49% under automatic route and above 49% under Government route on case to case basis, wherever it is likely to result in access to modern and 'state-of-art' technology in the country.	Now FDI allowed into Equity is up to 100%. automatic route up to 49% under Government route beyond 49% wherever it is likely to result in access to modern technology
7	Broadcasting Carriage Services i.e. Teleports/ DTH/ Cable Networks/Mobile TV/ HITS/Cable Networks	FDI in this sector was allowed up to 100%: Automatic route up to 49% Government route beyond 49%	Now 100% FDI is allowed under automatic route.
8	Civil Aviation i.e Airports (Existing projects)	FDI in this sector was allowed up to 100%: Automatic route up to 74% Government route beyond 49%	Automatic route up to 100%. No government approval required.
9	Air Transport Services i.e Scheduled, Regional services	FDI is allowed up to 49% (NRI 100%) under Automatic route	FDI is allowed up to 49%. Automatic route up to 49% (NRI 100%) and Government route beyond 49%
10	Private Security Agencies	FDI was allowed up to 49% under government route.	FDI allowed is up to 74%. Automatic route up to 49% (NRI 100%). Government route beyond 49%.
11	Cash & Carry Wholesale Trading	Earlier a wholesale/ cash & carry trader was allowed to undertake <u>single brand</u> retail	Now wholesale/cash & carry traders are allowed to undertake single brand retail trading as well as multi brand retail

		trading, subject to the specific conditions related to FDI in single brand retail trading sector.	trading by the same entity, subject to the specified conditions.
12	E-commerce activities	Earlier there was a condition that an e-commerce entity will not permit more than 25% of the sales affected through its marketplace from one vendor or their group companies.	Now an e-commerce entity will not permit more than 25% of the sales value <u>on financial year basis</u> affected through its marketplace from one vendor or their group companies.
13	Infrastructure Company in the Securities Market	Conditions: No non-resident investor/entity, including persons acting in concert, will hold more than 5% of the equity in commodity exchanges. FII/FPI can invest only through purchases in the secondary market.	No specific condition. Now FDI will be subject to the Securities Contracts (Regulations) (Stock Exchanges and Clearing Corporations) Regulations 2012, and SEBI (Depositories and Participants) Regulations, 1996, and other Guidelines/Regulations issued by the Central Government, SEBI and RBI.
14	Pension Sector	Government approval was required in case of control or ownership by the foreign investors.	Now the control or ownership shall always remain in the hands of resident Indian entities.
15	Non-Banking Finance Companies (NBFC)	FDI was allowed in those NBFC activities which were specifically mentioned i.e. Merchant Banking, Under Writing, Portfolio Management Services, Investment Advisory Services, Financial Consultancy, Stock Broking, Asset Management, Venture Capital etc. subject to the specified conditions.	Now financial services has been further elaborated and would mean financial Services activities regulated by financial sector regulators, viz., RBI, SEBI, IRDA, PFRDA, NHB or any other financial sector regulator as may be notified by the Government of India. Further many conditions have also been deleted.
16	Pharmaceuticals	100% FDI allowed in Brownfield projects under government route.	100% FDI allowed in Brownfield projects. Automatic route up to 74% and beyond 74% under government route. Further some conditions has been specified for investment into Brownfield relating to pharmaceuticals i.e. benchmarking, R& D expenses, transfer of technology.

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J P Chawla & Co. LLP Chartered Accountants

New Delhi office:

43 Darya Ganj,
New Delhi - 110002
INDIA

Noida office:

C-129, Sector 2,
Noida - 201 301 (U.P.)
INDIA

Phone: +91-120-4573207, 4573208, 4563873

General Email: info@jpc.co.in

Main Partners Hand Phone & Email

Rajat Chawla	+91-9871494499 rajatchawla@jpc.co.in
J.P. Chawla	+91-9811028918 jpchawla@jpc.co.in
Richa Chawla	+91-9990509709 richajuneja@jpc.co.in

For further information, please email your details to rajatchawla@jpc.co.in or call +91-9871494499.

