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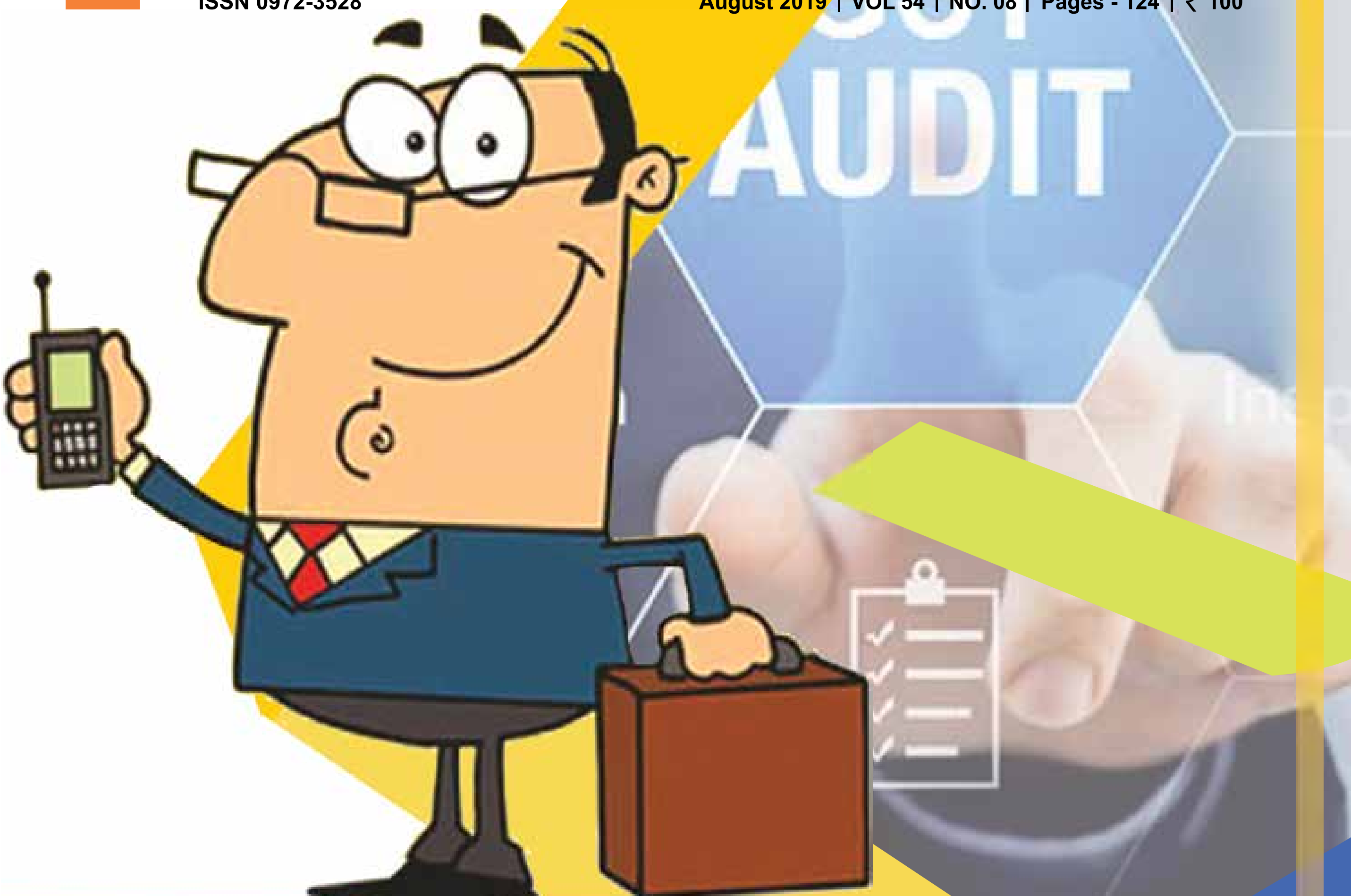

GST AUDIT
EMERGING SCOPE FOR CMAs

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)
www.icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory body under an Act of Parliament

www.icmai.in

- **THE INSTITUTE OF COST ACCOUNTANTS OF INDIA** (erstwhile The Institute of Cost and Works Accountants of India) was established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.
- On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.
- It has since been continuously contributing to the growth of the industrial and economic climate of the country.
- The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

MISSION STATEMENT

"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

VISION STATEMENT

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

IDEALS THE INSTITUTE STANDS FOR

- *to develop the Cost and Management Accountancy profession*
- *to develop the body of members and properly equip them for functions*
- *to ensure sound professional ethics*
- *to keep abreast of new developments*

Behind every successful business decision, there is always a **CMA**

PRESIDENT
CMA Balwinder Singh
president@icmai.in

VICE PRESIDENT
CMA Biswarup Basu
vicepresident@icmai.in

COUNCIL MEMBERS
CMA Ashish Prakash Thatte, CMA Ashwinkumar Gordhanbhai Dalwadi, CMA Chittaranjan Chattopadhyay, CMA Debasish Mitra, CMA H. Padmanabhan, CMA K Ch A V S N Murthy, CMA Neeraj Dhananjay Joshi, CMA Niranjan Mishra, CMA P. Raju Iyer, CMA Papa Rao Sunkara, CMA Rakesh Bhalla, CMA V. Murali, CMA Vijender Sharma

Secretary (Acting) & Senior Director
CMA L. Gurumurthy
secy@icmai.in

Senior Director (CAT, PD & CPD, Intl. Affairs, Human Resource) & Director (Discipline)
CMA S. C. Gupta
hr.hod@icmai.in, cat.director@icmai.in, pd.director@icmai.in, discipline.director@icmai.in, intlaffairs@icmai.in

Senior Director (Studies, Training & Education Facilities and Placement & Career Counselling, Advanced Studies)
CMA (Dr.) Debaprosanna Nandy
studies.director@icmai.in, placement.director@icmai.in, advstudies.director@icmai.in

Senior Director (Membership & Infrastructure)
CMA Arup Sankar Bagchi
membership.director@icmai.in

Additional Director (Public Relation, Delhi Office)
Dr. Giri Ketharaj
pr.hod@icmai.in

Additional Director (Incharge of Directorate of Examination)
CMA Arunava Ganguly
exam.addldir1@icmai.in

Additional Director (Internal Control and Tax Research)
CMA Rajat Kumar Basu
intcontrol.hod@icmai.in, trd.hod@icmai.in

Additional Director (Research & Studies, Training & Education Facilities and Placement & Career Counselling)
CMA (Dr.) Sumita Chakraborty
research.hod@icmai.in, studies.addldir1@icmai.in

Joint Director (PR Corporate)
CMA Nisha Dewan
prcorp.hod@icmai.in

Joint Director (Technical, PD & CPD, Corporate laws)
CMA Tarun Kumar
technical.jd1@icmai.in

Joint Director (Journal & Publications, Studies, Training & Education Facilities and Placement & Career Counselling)
CMA Sucharita Chakraborty
journal.hod@icmai.in

Joint Director (Information Technology)
Mr. Ashish Tewari
it.hod@icmai.in

Joint Director (Finance)
CMA Soma Banerjee
finance.hod@icmai.in

Joint Director (Central Purchase Unit, Examination & Research)
Dr. Pradipta Ganguly
cpu.hod@icmai.in

Deputy Director (Admin-HQ, Kolkata)
Ms. Jayati Sinha
admin.hod.Kolkata@icmai.in

Deputy Director (Legal)
Ms. Vibhu Agarwal
legal.hod@icmai.in

Deputy Director (Admin-Delhi)
Ms. Usha Negi
admin.hod@icmai.in

Headquarters
CMA Bhawan, 12 Sudder Street
Kolkata - 700016

Institute Motto

असतोमा सद्गमय
तमसोमा ज्योतिर् गमय
मृत्योर्मामृतं गमय
ॐ शान्ति शान्ति शान्तिः

From ignorance, lead me to truth
From darkness, lead me to light
From death, lead me to immortality
Peace, Peace, Peace

Delhi Office
CMA Bhawan, 3 Institutional Area
Lodhi Road, New Delhi - 110003

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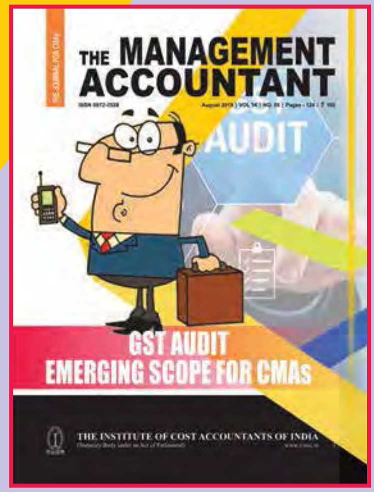

August VOL 54 NO.8 ₹100

We have expanded our Readership from 1 to 94 Countries

Afghanistan, Algeria, Argentina, Australia, Azerbaijan, Bahrain, Bangladesh, Belgium, Benin, Botswana, Brazil, British Indian Ocean Territory, Bulgaria, Cambodia, Cameroon, Canada, Chile, China, Colombia, Croatia, Czech Republic, Djibouti, Egypt, France, Gambia, Germany, Ghana, Great Britain, Greece, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iraq, Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Lebanon, Liberia, Lithuania, Malawi, Malaysia, Mauritius, Mexico, Morocco, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nigeria, Oman, Pakistan, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saudi Arabia, Serbia, Seychelles, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Suriname, Sweden, Switzerland, Syria, Taiwan, Tanzania, Thailand, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Vietnam, Zaire, Zimbabwe.

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EDITOR - CMA Dr. Debaprosanna Nandy
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ENQUIRY

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EDITORIAL OFFICE - CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road Kolkata - 700 025 ; Tel: +91 33 2454-0086/0087/0184/0063

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OUR NEW PRESIDENT

CMA BALWINDER SINGH

CMA Balwinder Singh is the President of the Institute of Cost Accountants of India for the year 2019-20.

- CMA Balwinder Singh is a Fellow Member of the Institute of Cost Accountants of India. He is also Fellow Member of the Institute of Chartered Accountants of India, Fellow Member of the Institution of Valuers, Licentiate of Insurance Institute of India, Information System Auditor and Certified Arbitrator.
- He qualified in the year 1996 and is a leading practising Cost Accountant. He has been actively associated with the Institute in various capacities since the year 1998. He has been Vice President of the Institute of Cost Accountants of India during the year 2018-19. He has been Central Council Member (2007-11 and 2015-19) of the Institute of Cost Accountants of India. Earlier to this, he has been Chairman, Chandigarh Chapter of the Institute of Cost Accountants of India during the year 2006-07.
- He has been Chairman, Cost Accounting Standards Board during the year 2015-16, 2016-17 and 2018-19.
- He has been Chairman (2007-08, 2008-09) of Members Facilities & Services Committee, Chairman (2009-10) of Board for Training of Accounting Technicians, Chairman (2010-11) of Regional Councils & Chapters Co-ordination Committee and Chairman (2017-18) of Public Finance and Government Accounting .
- He has also been Member, Cost Auditing & Assurance Standards Board, Taxation Committee, Corporate Laws Committee, Finance Committee, Executive Committee, Examination Committee and Member of various other committees of the Institute.
- He represented in 17th Board meeting of Confederation of Asian & Pacific Accountants (CAPA) held in May, 2009 at Canada.
- He represented in First Accounting Standards Meet for IFAC-International Federation of Accountants in Nov 2010 at Sri Lanka.
- He has supported the initiative of the Institute of Cost & Management Accountants of Sri Lanka in setting up of Cost & Management Accounting Standards Board in 2019.
- He has been Member, Committee of Government of India, Ministry of Corporate Affairs on the revision of Depreciation rates prescribed under the Companies Act during the year 2008 & 2009.
- He has been Member, Committee on "Effect of IFRS on Indian Railways Finance Corporation", PSU under Ministry of Railways.
- He has been Member, SAFA: South Asian Federation of Accountants' Committee on Accounting & Auditing Standards, an apex body of SAARC from the year 2008 till 2011. From the year 2015 to 2019, he has been member of SAFA Committee on Professional Ethics Independence.
- He has been Member of Accounting Standards Board of the Institute of Chartered Accountants of India from the year 2008 till 2010.
- He is Expert Speaker on Accounting Standards for the last 21 years and has addressed large number of sessions on Accounting Standards, Cost Accounting Standards and IFRS at various professional platforms and corporate houses.
- He is Author of publications on Conceptual Clarity on Accounting Standards (including comparison with IFRS).

OUR NEW VICE-PRESIDENT

CMA BISWARUP BASU

CMA Biswarup Basu has been elected as Vice President of the Institute for the period 2019-2020.

- CMA Biswarup Basu is a Fellow Member of the Institute of Cost Accountants of India and an alumnus of South Point High School, Kolkata.

- He started his Professional career in 1985 as Management Trainee in a Multinational Company of repute and thereafter joined Bharat Coking Coal Limited in 1988 as Finance Officer. Subsequently he joined a wholly owned company of Government of West Bengal in a Senior Position where he served for 29 years. He has a total stint of 34 years of Industrial exposure.

- He was elected to the Central Council of the Institute for the term 2015 – 2019 as Central Council Member of the Institute.

- He served the profession as the Chairman of Members' Services & Facilities Committee (2015-16 & 2016-17), Journal & Publications Committee (2017-18) & Members in Industry Committee (2018-19). During his tenure he has taken several initiatives that would increase the scope and development of the profession.

- Additionally, he was member of the Finance Committee in the year 2015-16 and member of the Examination Committee for year 2016-17, 2017-18 and 2018-19.

- He had the privilege of serving the profession as a Member of the Eastern India Regional Council (EIRC) for 3 terms viz.1995-98, 1998-2001, 2004-2007 in various capacities; as Treasurer (1995-96 & 1996-97), Secretary (1996-97 & 1997-98) and Vice Chairman during the period 2000-01.

- He has been re-elected to the Central Council for the term 2019-23.

EDITORIAL

Greetings!!!

Goods & Services Tax (GST) is a comprehensive, destination - based indirect tax levied on manufacture, sale and consumption of goods & services as well as on import of goods & services, except zero-rated and exempt supplies. GST is a trust-based taxation regime wherein a taxpayer is required to self-assess his tax liability, pay taxes and file returns. Thus, to ensure whether the taxpayer has correctly self-assessed his/her tax liability, a robust audit mechanism is a must. Various measures are taken by the government for proper implementation of GST and audit is one amongst them.

GST is a leap step towards streamlining of indirect taxes in India with 'One Market – One Tax' motto. It eliminates cascading effects. GST is the biggest tax reform witnessed by India after independence. The GST law has created ample opportunities, from tax planning to tax management, for Cost and Management Accountants. Further, the law has also given the scope to certify the GSTR 9C or prepare necessary cost records in support of anti-profiteering measures, but all these activities are very much challenging. Cost and Management Accountants should ensure that they conduct the GST audit and complete the GST audit along with the cost audit. This will facilitate the concerned organization to avail all the input credit of the relevant financial year and ensure that the consumption and inventory values are more accurate. On the other hand, he/she will also ensure that there is no revenue loss to the exchequer. GST audit requires significant preparation from both Auditor & Auditee. Each & every transaction appearing in the audited financial statements, as well as supply made without considerations, also need to be analysed to access GST implications.

Every Registered Person under GST whose turnover exceeds the specified limit (presently INR 2 Crores) shall get his accounts "audited" and shall submit a copy of "audited annual accounts" along with a certified reconciliation statement as well as other documents which may be prescribed. GST Audit should be made either by a Cost and Management Accountant or a Chartered Accountant and shall include reconciliation between Audited Financial Statements and Turnover declared in the annual return.

Audit under GST involves examination of records, returns and other documents maintained by a GST registered person. It also ensures the correctness of turnover declared, taxes paid, refund claimed, input tax credit availed and assess other such compliances under GST Act to be checked by an authorized expert.

GSTR 9 form is an annual return to be filed once in a year by the registered taxpayers under GST including those registered under composition levy scheme. It consists of details regarding the supplies made and received during the year under different tax heads i.e. CGST, SGST and IGST.

CMAs could take utmost care in reporting a matter as an 'observation' or a 'qualification' while certifying Form GSTR 9C. They will carefully perform their duty to serve the nation and make India fraud and corruption free.

Special Audit provides a lawful and legal way for the GST officers to take the assistance of a CMA/CA to determine tax liabilities in complex cases. The professional expertise of a CMA/CA will be of great significance in ensuring that the interest of revenue is safeguarded at all times.

Implementation of GST has made business easy and GST audit increases it manifold. GST audit helps in ease of doing business by facilitating in the correct recording of transactions, flawless reconciliations, proper credit availment, timely tax payment and error-free return filing. Thus, it helps in saving interest and penalties, ensures smooth running of the business.

This issue presents a good number of articles on the cover story theme *'GST Audit: Emerging Scope for CMAs'* by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at *editor@icmai.in.* We thank all the contributors to this important issue and hope our readers enjoy the articles.

We are glad to inform you that to maintain the uniqueness, high level of quality and to avoid duplicacy of every published articles & research papers, we are providing the Digital Object Identifier (DOI) number for each published article & research paper in The Management Accountant Journal.

THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

PAPERS INVITED

Cover Stories on the topics given below are invited for 'The Management Accountant' for the four forthcoming months

Month	Theme	Subtopics
September 2019	Cost Governance	• Concept of Cost Governance • Cost Governance in Education Sector • Cost Governance in Society & Economy • Cost Governance in Industry & Corporate • Cost Synergy & Cost Consciousness • Embrace Technology for effective Cost Governance • Sustainability of Business and Economy through Cost Consciousness • Role of CMAs
October 2019	Financial Technology (Fintech) – Changing landscape in Financial Services	• FinTech and its Role in the Future of Financial Services • Fintech: Capturing the Benefits, Avoiding the Risks • Advent of Financial technology: a boon for investors • Impact of Financial Technology on Accounting & Auditing • Potential of Financial Technology to unleash a new era of competition, innovation and job creation • Application of Fintech on Small and medium sized enterprises (SMEs) • Embracing of Fintech: widening scope for professionals like CMAs
November 2019	Real Estate Investment and Capital Markets	• Real Estate Asset Pricing • Risk factors of real estate returns • Volatility measures for real estate portfolios • Integration of stocks, bonds and real estate • Debt Capital Markets: Risks & Opportunities • Institutional Investors: Creating Value &Managing Risk in a Mature Market • Real estate investment trusts (REITS) v/s Private Equity market • Innovation and Disruption: Investing in the Future of the Real Estate Industry • Global Real Estate Capital Markets • Role of CMAs
December 2019	Startups and Entrepreneurship	• Technological transformations and diversities in Start ups • Startup India – the next big theme for Economic Growth • Challenges faced by Startups in India • Angel Investment Ecosystem in India • Edtech Startups: a Ray of Hope for transforming the Learning Experience • Healthcare Startups: Fitness & Wellness • Fintech Startups : paving way for a financially smart India with Global Recognition • AgriTech Startups: leading India's next green revolution • Identifying opportunities for growth and addressing constraints for successful, innovative Startups and Entrepreneurship - Role of CMAs

The Above Subtopics are only suggestive and hence the articles may not be limited to them only.

Articles on the above topics are invited from readers and authors along with scanned copies of their recent passport size photograph and scanned copy of declaration stating that the articles are their own original and have not been considered for anywhere else.

Please send your articles by e-mail to editor@icmai.in latest by the 1st week of the previous month.

DIRECTORATE OF JOURNAL & PUBLICATIONS
CMA Bhawan, 4th Floor, 84 Harish Mukherjee Road, Kolkata - 700025, India
Board: +91 33 2454 0086 / 87 / 0184 Tel-Fax: +91 33 2454 0063
www.icmai.in

PRESIDENT'S COMMUNIQUÉ

CMA BALWINDER SINGH
President
The Institute of Cost Accountants of India

"EVERYONE CAN RISE ABOVE THEIR CIRCUMSTANCES AND ACHIEVE SUCCESS IF THEY ARE DEDICATED TO AND PASSIONATE ABOUT WHAT THEY DO."

– Mother Teresa

My Dear Professional Colleagues,

I am extremely gratified and blessed to take over as the 62nd President of the Institute of Cost Accountants of India for the council year 2019-20. I extend my warm wishes to all stakeholders of the profession. It is an honour to serve the 2nd largest Cost & Management Accounting body in the globe and the largest in Asia. I would like to thank my previous and current Central Council colleagues for believing in my abilities, competence and leadership, and electing me initially as Vice-President for the year 2018-19 and, now, as President of this great Institution.

I congratulate my council colleague CMA Biswarup Basu on getting elected as Vice-President of the Institute for the current Council Year. I am confident that his rich experience, professional acumen and abilities will greatly benefit the members at large, and also help me in shouldering my responsibilities.

I take this opportunity to welcome all the members of new Central Council and Regional Councils for the term 2019-23 and expect each of them to work together towards a collective vision and mission of professional excellence.

Before I proceed further I would like to thank CMA Amit A. Apte, Immediate Past President with an assurance that we will undertake all efforts possible to further the objectives set by the institute and to achieve many significant milestones to take the profession and the Institute to newer and greater heights.

The Institute and its members are committed to adopt, adhere and practice professional ethics expected from Professionals. As a professional body, the Institute has always worked with Government in tandem to take its policies for the economic growth of the country on cleaner economic platform and focus on social sector spending of GoI for ensuring quality of such allocation and application of funds.

VISION FOR THE YEAR 2019-20

I along with my council team will work towards Enhancing brand image of the profession, creating more opportunities for members, capacity building of members for new opportunities, strengthening organization, increased automation and providing time bound & more efficient services to members and students.

MEETING WITH VIPs

I along with CMA Biswarup Basu, Vice-President, CMA Vijender Sharma, CCM, CMA Neeraj D. Joshi, CCM and CMA Chittaranjan Chattopadhyay, CCM of the Institute extended greetings to Shri Injeti Srinivas, IAS, Secretary to the Government of India, Smt. Anjali Bhawara, IAS, Additional Secretary to the Government of India and Shri K.V.R. Murty, Joint Secretary Secretary to the Government of India, Ministry of Corporate Affairs on 24th July 2019. In another meeting to extend greetings to Shri Rajiv Bansal, IAS, AS & FA, M/o Petroleum & Natural Gas, M/o Corporate Affairs, I was accompanied by CMA Biswarup Basu, Vice-President, CMA Neeraj D. Joshi, CCM and CMA Chittaranjan Chattopadhyay, CCM of the Institute. During the meetings, we discussed about professional developments and ongoing activities of the Institute.

On 25th July 2019, I along with CMA Biswarup Basu, Vice-President and CMA Chittaranjan Chattopadhyay, CCM of the Institute extended greetings to Smt. Aruna Sethi, Chief Adviser (Cost), Department of Expenditure, Ministry of Finance, CMA Devendra Kumar, Advisor (Cost), Cost Audit Branch, Ministry of Corporate Affairs and CMA Dinesh Kumar Sarraf, Chairperson, Petroleum and Natural Gas Regulatory Board (PNGRB).

To apprise all the members of the activities / initiatives undertaken by the Departments/ Directorates of the Institute during last month, I now present a brief summary of the activities:

BANKING AND INSURANCE COMMITTEE

The Committee has submitted a representation to Shri Rajiv Kumar, IAS, Secretary to the Government of India, Department of Financial Services, Ministry of Finance on 18th July 2019 to utilize professional services of Costs and Management Accountants in BFSI Sector.

DIRECTORATE OF CAT

The result of the CAT Course examination-July 2019 term-Foundation Course (Entry Level) Part-I was declared after the examination was concluded at various locations of the country. I congratulate all the students who have passed the examination. The CAT Department increased its footprints in the country and approved the four new recognised Oral Coaching Centers of Certificate in Accounting Technicians (CAT) course in the cities of Coimbatore, Virudhunagar, Dindigul and Kolkata. The establishment of these new ROCCs shall be a matter to cheer for the aspirants of CAT course living in these cities and nearby areas.

In order to propagate the CAT course in the valley of Kashmir, the Council of the Institute decided to open Srinagar Extension Centre and also waived full fee for the first batch of the CAT Students. I am glad to share with you that good number of admissions in the CAT course has been received from Srinagar Extension Centre.

INTERNATIONAL AFFAIRS

SAFA Foundation Day Celebrations

South Asian Federation of Accountants (SAFA), an Apex Body of the South Asian Association for Regional Co-operation (SAARC) & Acknowledged Accounting Group of IFAC, was founded on August 22, 1984. SAFA Board in its last meeting had decided to celebrate August 22 as SAFA Foundation Day every year and the member body having the President ship of SAFA shall be organising a Conference on this day to celebrate SAFA Foundation Day. Since the Presidentship of SAFA for 2019 is with the Institute of Cost Accountants of India, the Institute is glad to organize a Conference to celebrate SAFA Foundation Day on August 22, 2019 at Hyderabad. This conference would be attended by delegates from corporates, academics, professions, government organizations from India and other SAARC Region countries.

SAFA Webinars

The Institute has successfully organized two webinars for students and Members of SAFA member bodies. Webinar on the topic "Stakeholder Value Creation" and "Indian Cost Accounting Standard & Cost Audit Mechanism" were conducted on 25th July 2019 and 29th July 2019 respectively. Both the webinars were very well appreciated by the participants from SAFA member bodies.

SAFA meeting and events at Colombo, Sri Lanka

I am pleased to share that I along with President SAFA and other council members of the Institute attended the SAFA meetings and events held during 29th and 30th July 2019 being hosted by the Institute of Chartered Accountants of Sri Lanka (CMA Sri Lanka) at Colombo, Sri Lanka. Further, I was pleased to represent the Institute in the panel of Presidents of SAFA member bodies to present their views on "Role of Finance Professionals in combating Bribery and Corruption – South Asian Perspective" organized by CA Sri Lanka on 30th July 2019 at Colombo, Sri Lanka.

INSOLVENCY PROFESSIONAL AGENCY (IPA) OF INSTITUTE OF COST ACCOUNTANTS OF INDIA

The Insolvency Professional Agency of the Institute organized various Round table Interactions, workshops and webinars during the month on:

- Awareness program on IBC- Dehradun – 1st July 2019
- Roundtable on Forensic Audit on 3rd July 2019
- Awareness program on IBC- Dehradun – 5th July 2019
- 19th Batch of Pre-Registration Educational Course - Bengaluru from 8th July, 2019 to 14th July, 2019 jointly by 3 IPA's
- Webinar on Monitoring and Compliance's for IP on 11th July 2019
- 3 days Preparatory Education Course in Delhi from 12th -14th July 2019
- Awareness Program on IBC – Chandigarh on 13th July, 2019
- Webinar on Information Utility Services on 25th July, 2019
- Webinar on Fraudulent Transaction under IBC on 26th July, 2019
- National conference on IBC with ASSOCHAM - Hyderabad – 26th July 2019
- Awareness program on IBC – Jodhpur - 27th July 2019

MEMBERSHIP DEPARTMENT

I congratulate and welcome all the new 109 Associate members and 21 members who were upgraded to Fellowship, all during the month of July 2019.

We are working out a method where granting of membership process will be further streamlined to shorten the period between application of membership and grant thereafter. The 'Members Online System" will be made more robust and simplified in the days to come for which our IT department is on the job in consultation with membership department. I take this opportunity to call upon all members and final passed students to join hands with us in our continued efforts to bring in more and more members into our fraternity. I would also like to remind members who have still not cleared their membership dues for 2019-20 to clear the same immediately so as to continue enjoying the benefits of membership.

PROFESSIONAL DEVELOPMENT & CPD COMMITTEE

The Institute was associated with PHD Chamber of Commerce & Industry for conducting Conference on "Risk Based Internal Audit: Good Governance Advisor" and Conclave on "Important Changes in Customs and GST-Union Budget 2019 and GST Outward Supply-Detailed analysis & discussion on various provisions with Relevant Advance Ruling & GSTR-9 & 9C" on 19th July and 24th July 2019 respectively.

Regional Councils and Chapters organized 65 programs, seminars and discussions on the topics of professional relevance and importance for the members such as, Valuation of Securities and Financial Assets, GST Audit & Awareness on UDIN implemented by the Institute of Cost Accountants of India, Company Law – Practical Aspects, Budget Analysis with Special Emphasis on Start-ups, An overview on "Insolvency and Bankruptcy Code, and so on. I hope our members have been immensely benefited with these programmes.

Representation with Government, PSUs, Banks and Other Organizations

I am pleased to inform you that on the Institute's representation, Gondwana University, Gadchiroli included Firm of Cost Accountants for GST and Income Tax work, CSIR- Institute of Microbial Technology (IMTECH) included Cost Accountants for appointment as Tax Consultant and Jammu & Kashmir State Power Development Corporation Limited included Cost Accountant for Implementation of Indian Accounting Standards.

Municipal Corporation Adityapur, Port Blair Municipal Council, Ircon International Limited, State Health Society Meghalaya, Airport Authority of India, Haryana Power Generation Corporation Ltd, Andrew Yule & Co. Ltd., Gujarat Urja Vikas Nigam Limited, K. K. Handiqui State Open University, Indian Institute of Science, Education and Research Kolkata, Karnataka Silk Industries Corporation Limited, Odisha Agro Industries Corporation Ltd., Jammu & Kashmir Infrastructure Development Finance Corporation Ltd., National Seeds Corporation Ltd., West Bengal Agro Industries Corporation Ltd., Odisha Hydro Power Corporation Ltd., Chhattisgarh State Power Distribution Company Limited (CSPDCL), The Orissa Minerals Development Company Limited, Instrumentation Limited Palakkad, Gujarat Social Infrastructure Development Society, Odisha Lift Irrigation Corporation Limited, National Aluminium Company Limited (Nalco, UP Public Works Department etc., have included Cost Accountants in their Tenders/ EOIs during the month of July 2019.

TECHNICAL DEPARTMENT

You are aware that the Cost Audit Branch, Ministry of Corporate Affairs had issued an Exposure Draft for amendments to the Companies (Cost Records & Audit) Rules, 2014. However, due to certain technical issues, the new Taxonomy and the Validation Tool are not yet ready and as a result the MCA is yet to notify the changes that are required especially in connection with changes due to implementation of GST. In view of the above, till such amendments are notified along with new Taxonomy and Validation Tool, the technical department in consultation with the cost audit experts and relevant authorities issued an advisory for the members and the industry on June 29, 2019. The advisory was uploaded on the website and also sent to the members through e-mail.

TAXATION COMMITTEE

The Tax Research Department is contributing in the development of knowledge of our stake holders by way of Seminar, webinar and conducting courses. A seminar on the topic 'GST-input tax credits, returns and audit' was conducted on 14th July 2019 at Talcher Angul Chapter. Webinars have also been conducted on 23rd July 2019 on the topic 'New Return filing system under under GST' by CMA Vishwanath Bhatt and on 29.07.2019 on the topic 'GST Audit' by CMA Bhogavalli Mallikarjuna Gupta. The courses like Certificate Course on GST 4th Batch is running PAN India basis, Advanced Certificate Course on GST is also running successfully, Certificate Course on TDS is being conducted all over India and Certificate Course on Direct Tax Return Filling is also continuing. Admissions have also commenced for the 5th Batch of Certificate Course on GST. The department has submitted representations to the Government on 'INCLUSION OF "COST ACCOUNTANTS" UNDER THE DEFINITION OF "ACCOUNTANT" U/S 288(2) OF INCOME TAX ACT, 1961' to the Ministry of Finance on 18.07.2019. In the regular activities, the 43rd and 44th Tax Bulletin has been released and the Taxation portal is also being updated.

I wish prosperity and happiness to members, students and their family on the occasion of Independence Day, Raksha Bandhan, Parsi New Year's Day, Idul-ul-Zoha, Janmashtami & and wish them success in all of their endeavours.

Thanking you,

Warm Regards,

CMA Balwinder Singh
1st August, 2019

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Council Committees for the Year 2019 - 2020

(Quorum indicated is as per regulation 81 (1) of CWA Regulations, 1959)

Standing Committees

1. Executive Committee (Quorum: 3)

Chairman

1. CMA Balwinder Singh, President

Members

2. CMA Biswarup Basu, Vice President
3. CMA Ashwinkumar G. Dalwadi
4. CMA Neeraj D. Joshi
5. CMA (Dr) K Ch A V S N Murthy
6. CMA Vijender Sharma

Secretary

CMA L. Gurumurthy, Secretary (Acting)

2. Examination Committee (Quorum: 2)

Chairman

1. CMA Balwinder Singh, President

Members

2. CMA Biswarup Basu, Vice President
3. CMA Rakesh Bhalla
4. CMA Debasish Mitra
5. CMA H. Padmanabhan
6. CMA P. Raju Iyer

Secretary

CMA L. Gurumurthy, Secretary (Acting)

3. Finance Committee (Quorum: 2)

Chairman

1. CMA Balwinder Singh, President

Members

2. CMA Biswarup Basu, Vice President
3. CMA Chittaranjan Chattopadhyay
4. CMA Niranjan Mishra
5. CMA V. Murali
6. CMA Paparao Sunkara
7. CMA (Dr.) Ashish P.Thatte

Secretary

CMA Soma Banerjee, Jt. Director (Finance)

Other Committees

4. Board of Discipline u/s 21A(1)

Presiding Officer

1. CMA Rakesh Singh

Member

2. CMA (Dr) K Ch A V S N Murthy

Secretary

CMA S.C.Gupta, Director (Discipline)

5. Disciplinary Committee U/s 21B(1)

Presiding Officer

1. CMA Balwinder Singh

Members

2. CMA Biswarup Basu
3. CMA Neeraj D.Joshi
4. Shri Debasish Bandyopadhyay, Government Nominee
5. Shri Rakesh Tyagi, Government Nominee

Secretary

CMA S. C. Gupta, Director (Discipline)

6. Disciplinary Committee U/s 21D

Presiding Officer

1. CMA Balwinder Singh

Members

1. Government Nominee to Disciplinary Committee U/s 21D
2. CMA Ashwinkumar G. Dalwadi

Secretary

CMA L. Gurumurthy, Secretary (Acting)

7. Training & Education Facilities and Placement Committee (Quorum: 3)

Chairman

1. CMA Biswarup Basu

Members

2. CMA Rakesh Bhalla
3. CMA Chittaranjan Chattopadhyay
4. CMA P. Raju Iyer
5. CMA Neeraj D. Joshi
6. CMA H. Padmanabhan
7. CMA (Dr.) Ashish Bhattacharya (Co-opted)
8. CMA (Dr.) Madhuvanti Sathe (Co-opted)
9. CMA R.K.Gupta (Co-opted)

Secretary

CMA Dr. Debaprosanna Nandy, Sr. Director

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Council Committees for the Year 2019 - 2020

(Quorum indicated is as per regulation 81 (1) of CWA Regulations, 1959)

8. Journal & Publications Committee (Quorum:3)

Chairman
1. CMA (Dr) K Ch A V S N Murthy

Members
2. CMA Rakesh Bhalla
3. CMA Chittaranjan Chattopadhyay
4. CMA Ashwinkumar G. Dalwadi
5. CMA P. Raju Iyer
6. CMA Paparao Sunkara
7. CMA Nipun Gupta (Co-opted)
8. CMA Shyam Gulati (Co-opted)
9. CMA R K Dwivedi (Co-opted)

Secretary
CMA Sucharita Chakraborty, Joint Director

9. Professional Development Committee (Quorum: 3)

Chairman
1. CMA Vijender Sharma

Members
2. CMA Chittaranjan Chattopadhyay
3. CMA Neeraj D.Joshi
4. CMA Debasish Mitra
5. CMA Niranjan Mishra
6. CMA (Dr.) Ashish P.Thatte
7. CMA Rakesh Singh (Co-opted)
8. CMA Mukesh Kumar Gupta (Co-Opted)
9. CMA Gr.Cpt. R. K. Joshi (Co-Opted)

Secretary
CMA S C Gupta, Sr. Director

10. Regional Council & Chapters Coordination Committee (Quorum: 3)

Chairman
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Members
2. CMA Chittaranjan Chattopadhyay
3. CMA Neeraj D. Joshi
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5. CMA Vijender Sharma
6. CMA (Dr.) Ashish P.Thatte
7. CMA Vikas Gupta (Co-opted)
8. CMA Mahendra Singh (Co-opted)
9. CMA Lovinder Kashyap (Co-opted)

Secretary
CMA Arup Sankar Bagchi, Sr. Director

11. International Affairs Committee (Quorum:3)

Chairman
1. CMA (Dr.) Ashish P. Thatte

Members
2. CMA Chittaranjan Chattopadhyay
3. CMA Neeraj D.Joshi
4. CMA P. Raju Iyer
5. CMA Vijender Sharma
6. CMA Paparao Sunkara
7. CMA Avijit Goswami(Co-opted)
8. CMA Parminder Singh (Co-opted)
9. CMA Manasi Arora (Co-opted)

Secretary
CMA Yogender Pal Singh, Dy. Director

12. Indirect Taxation Committee (Quorum: 3)

Chairman
1. CMA Niranjan Mishra

Members
2. CMA Rakesh Bhalla
3. CMA P. Raju Iyer
4. CMA V. Murali
5. CMA H. Padmanabhan
6. CMA (Dr.) Ashish P. Thatte
7. CMA B.M. Sharma (Co-Opted)
8. CMA (Dr.) Sanjay Bhargave(Co-Opted)
9. CMA V.S. Datey (Co-Opted)

Secretary
CMA Rajat Kumar Basu, Addl. Director

13. Direct Taxation Committee (Quorum: 3)

Chairman
1. CMA Rakesh Bhalla

Members
2. CMA P. Raju Iyer
3. CMA Niranjan Mishra
4. CMA V. Murali
5. CMA Paparao Sunkara
6. CMA (Dr.) Ashish P. Thatte
7. CMA Rakesh Sinha (Co-opted)
8. CMA Ajay Singh (Co-opted)
9. CMA Rajesh Goyal (Co-opted)

Secretary
CMA Rajat Kumar Basu, Addl. Director

14. CAT Committee (Quorum: 3)

Chairman
1. CMA H. Padmanabhan

Members
2. CMA Rakesh Bhalla
3. CMA Ashwinkumar G. Dalwadi
4. CMA Niranjan Mishra
5. CMA V. Murali
6. CMA Paparao Sunkara
7. Co-opted – Name to be given
8. Co-opted – Name to be given
9. Co-opted – Name to be given

Secretary
CMA S C Gupta, Sr. Director

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Council Committees for the Year 2019 - 2020

(Quorum indicated is as per regulation 81 (1) of CWA Regulations, 1959)

15. Members' Facilities Committee (Quorum: 3)

Chairman

1. CMA Vijender Sharma

Members

2. CMA Chittaranjan Chattopadhyay
3. CMA Ashwinkumar G. Dalwadi
4. CMA Debasish Mitra
5. CMA V. Murali
6. CMA (Dr) K Ch A V S N Murthy
7. CMA Navneet Jain (Co-opted)
8. CMA Manoj Singh (Co-opted)
9. CMA Preet Mohinder Singh (Co-opted)

Secretary

CMA Arup Sankar Bagchi, Sr. Director

16. Infrastructure Committee (Quorum: 3)

Chairman

1. CMA Balwinder Singh, President

Members

2. CMA Rakesh Bhalla
3. CMA Chittaranjan Chattopadhyay
4. CMA Neeraj D. Joshi
5. CMA Debasish Mitra
6. CMA Paparao Sunkara
7. CMA Harijiban Banerjee, (Co-opted)

Secretary

CMA Kushal Sengupta, Joint Director

17. Corporate Laws Committee (Quorum: 3)

Chairman

1. CMA V. Murali

Members

2. CMA Debasish Mitra
3. CMA (Dr) K Ch A V S N Murthy
4. CMA H. Padmanabhan
5. CMA Paparao Sunkara
6. CMA (Dr.) Ashish P. Thatte
7. CMA A. Sekar (Co-opted)
8. CMA Mukesh Goyal (Co-opted)
9. CMA J.K. Budhiraja (Co-opted)

Secretary

Ms. Vibhu Agrawal, Deputy Director

18. Information Technology Committee (Quorum:3)

Chairman

1. CMA Aswinkumar G. Dalwadi

Members

2. CMA Rakesh Bhalla
3. CMA Neeraj D. Joshi
4. CMA Niranjan Mishra
5. CMA Debasish Mitra
6. CMA (Dr) K Ch A V S N Murthy
7. CMA Pravin Ambeshar (Co-opted)
8. CMA Nilesh Kumar (Co-opted)
9. CMA Nitish Kalra (Co-opted)

Secretary

Shri Ashish Tiwari, Joint Director

19. Members in Industry Committee (Quorum: 3)

Chairman

1. CMA Biswarup Basu

Members

2. CMA Rakesh Bhalla
3. CMA Chittaranjan Chattopadhyay
4. CMA Debasish Mitra
5. CMA V. Murali
6. CMA H. Padmanabhan
7. CMA Amal Kumar Das (Co-opted)
8. CMA Hetal Shah (Co-opted)
9. CMA Davinder Singh (Co-opted)

Secretary

CMA Nisha Diwan, Joint Director

20. Banking & Insurance Committee (Quorum: 3)

Chairman

1. CMA Chittaranjan Chattopadhyay

Members

2. CMA Debasish Mitra
3. CMA (Dr) K Ch A V S N Murthy
4. CMA H. Padmanabhan
5. CMA Vijender Sharma
6. CMA (Dr.) Ashish P. Thatte
7. CMA (Dr.) A.S. Durga Prasad (Co-opted)
8. CMA Alok Saxena (Co-opted)
9. Co-opted (Name to be given)

Secretary

CMA Nisha Diwan, Joint Director

21. Management Accounting Committee (Quorum: 3)

Chairman

1. CMA Ashwin Kumar G. Dalwadi

Members

2. CMA P. Raju Iyer
3. CMA Debasish Mitra
4. CMA Niranjan Mishra
5. CMA V. Murali
6. CMA (Dr) K Ch A V S N Murthy
7. CMA A.N. Raman (Co-opted)
8. CMA (Dr.) Vimal Kumar Aggarwal (Co-opted)
9. CMA Sankalp Wadhwa (Co-opted)

Secretary

CMA Rajesh Jain, Deputy Director

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Council Committees for the Year 2019 - 2020

(Quorum indicated is as per regulation 81 (1) of CWA Regulations, 1959)

22. Board of Advance Studies (Quorum: 3)

Chairman

1. CMA Debasish Mitra

Members

2. CMA Chittaranjan Chattopadhyay
3. CMA Ashwinkumar G. Dalwadi
4. CMA Niranjan Mishra
5. CMA V. Murali
6. CMA (Dr) K Ch A V S N Murthy
7. CMA P.C. Basu (Co-opted)
8. CMA Bhaskar Basu (Co-opted)
9. CMA Neeraj Arora (Co-Opted)

Secretary

CMA Dr. Debaprosanna Nandy,
Sr. Director

23. Coordination Committee of ICAI, ICSI and ICAI (Quorum: 3)

Chairman

1. CMA Balwinder Singh, President

Members

2. CMA Biswarup Basu, Vice President
3. CMA Ashwinkumar G. Dalwadi
4. CMA Vijender Sharma
5. CMA (Dr.) Ashish P. Thatte

Secretary

CMA L. Gurumurthy, Secretary (Acting)

24. Cost Accounting Standards Board (Quorum: 9)

Chairman

1. CMA Neeraj D. Joshi

Members

2. CMA P. Raju Iyer
3. CMA Niranjan Mishra
4. CMA (Dr) K Ch A V S N Murthy
5. CMA Vijender Sharma
6. CMA (Dr.) Ashish P. Thatte
7. CMA (Dr.) Dhananjay V. Joshi
8. CMA Chandra Wadhwa
9. CMA Kunal Banerjee
10. CMA B. B. Goyal
11. CMA (Dr) K. Narasimha Murthy
12. CMA M.K. Anand
13. CMA Asim Kumar Mukhopadhyay
14. Shri Murali Ganesan
15. CMA Dr Pankaj Gupta
16. CMA Dr. Shivani Inder
17. Nominee of - CII/FICCI/ASSOCHAM/PHDCCI
18. Nominee of - CII/FICCI/ASSOCHAM/PHDCCI
19. Nominee of - CII/FICCI/ ASSOCHAM / PHDCCI
20. Advisor (Cost), Cost Audit Branch, MCA
21. Nominee of MCA
22. Nominee of CBIC
23. Nominee of CBDT
24. Nominee of CAG
25. Nominee of TRAI
26. Nominee of ICSI
27. Nominee of ICAI

Secretary

CMA Tarun Kumar, Joint Director

25. Cost Auditing and Assurance Standards Board (Quorum: 6)

Chairman

1. CMA (Dr.) Ashish P. Thatte

Members

2. CMA Rakesh Bhalla
3. CMA P Raju Iyer
4. CMA Neeraj D. Joshi
5. CMA H. Padmanabhan
6. CMA Vijender Sharma
7. CMA Amit A. Apte
8. CMA I. P. Singh
9. CMA Shyam Wagh
10. CMA R. Parvathy
11. CMA Monika Kansal
12. Nominee of - CII / FICCI / ASSOCHAM / PHDCCI
13. Nominee of - CII / FICCI / ASSOCHAM / PHDCCI
14. Nominee of CAG
15. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
16. Advisor (Cost), Cost Audit Branch, MCA

Secretary

CMA Tarun Kumar, Joint Director

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Council Committees for the Year 2019 - 2020

(Quorum indicated is as per regulation 81 (1) of CWA Regulations, 1959)

26. Internal Audit Standards Board (Quorum: 6)

Chairman

1. CMA P. Raju Iyer

Members

2. CMA Ashwinkumar G. Dalwadi
3. CMA Neeraj D. Joshi
4. CMA Debasish Mitra
5. CMA (Dr) K Ch A V S N Murthy
6. CMA V. Murali
7. CMA Vijender Sharma
8. CMA Paparao Sunkara
9. Shri Sushil Behl
10. CMA Mrityunjay Acharjee
11. CMA Shyam Sunder Sonthalia
12. CMA Rakesh Shankar
13. CMA Anil Kumar Kaushik
14. CMA Anoop Kumar Kabra
15. CMA Subhash Chand Arora
16. CMA Bharat Bhushan Gupta
17. CMA Arvind Kumar
18. CMA A.G. Aggarwal
19. CMA Anil Dua

Secretary

CMA Kushal Sengupta, Joint Director

27. Career Counselling & Increasing Student Strength Advisory Group (Quorum: 6)

Chairman

1. CMA Paparao Sunkara

Members

2. Chairman, NIRC
3. Chairman, WIRC
4. Chairman, SIRC
5. Chairman, EIRC
6. CMA Niranjan Mishra
7. CMA V. Murali
8. CMA H. Padmanabhan
9. CMA Vijender Sharma
10. CMA Neeraj Sharma
11. CMA Gurjant Singh
12. CMA Anjali Sharma
13. CMA H S Arora
14. CMA Honey Singh
15. CMA R.K. Yadav
16. CMA Sawinder Singh Chugh
17. CMA Upendra Tiwari

Secretary

CMA Dr. Debaprosanna Nandy, Sr. Director

28. Technical Cell (Cost Audit & Statutory Compliances) (Quorum: 3)

Chairman

1. CMA (Dr.) Dhananjay V. Joshi

Members

2. Advisor (Cost) or his nominated person
3. CMA Chandra Wadhwa
4. CMA Kunal Banerjee
5. CMA D. C. Bajaj
6. CMA P. Raju Iyer
7. CMA Rakesh Bhalla
8. CMA Aswinkumar G. Dalwadi
9. CMA Neeraj D. Joshi
10. CMA Narhar Nimkar
11. CMA Ravi Sahani
12. CMA Vijay Joshi
13. CMA S. J. Joshi
14. CMA Somnath Mukherjee
15. CMA T. S. Khurana

Secretary

CMA Tarun Kumar, Joint Director

29. Strategic Advisory Group : Vision 2040 (Quorum: 3)

Chairman

1. CMA Chandra Wadhwa

Members

2. CMA (Dr.) Dhananjay V. Joshi
3. CMA Kunal Banerjee
4. CMA M. Gopalakrishnan
5. CMA (Dr.) A.S. Durga Prasad
6. CMA A. N. Raman
7. CMA Aruna Sethi
8. CMA B. B. Goyal

Secretary

CMA S C Gupta, Sr. Director

30. CMA Board of Branding and Public Relations (Quorum: 6)

To be declared (confirmations awaited)

- President is Permanent Invitee to all the committees except Disciplinary Committees, Board of Discipline and committees represented by him as Chairman

- Vice President is Permanent Invitee to all the committees except the committees represented by him as Chairman

Election of CMA Balwinder Singh as President and CMA Biswarup Basu as Vice-President of the Institute

Welcome of CMA Balwinder Singh, President and CMA Biswarup Basu, Vice-President of the Institute

CMA Balwinder Singh, President, CMA Biswarup Basu, Vice-President, CMA Vijender Sharma, CCM, CMA Neeraj D. Joshi, CCM and CMA Chittaranjan Chattopadhyay, CCM of the Institute extending greetings to Shri Injeti Srinivas, IAS, Secretary to the Government of India, Ministry of Corporate Affairs on 24th July 2019

CMA Balwinder Singh, President, CMA Biswarup Basu, Vice-President, CMA Vijender Sharma, CCM, CMA Neeraj D. Joshi, CCM and CMA Chittaranjan Chattopadhyay, CCM of the Institute extending greetings to Smt. Anjali Bhawara, IAS, Additional Secretary to the Government of India, Ministry of Corporate Affairs on 24th July 2019

CMA Balwinder Singh, President, CMA Biswarup Basu, Vice-President, CMA Neeraj D. Joshi, CCM and CMA Chittaranjan Chattopadhyay, CCM of the Institute extending greetings to Shri Rajiv Bansal, IAS, AS & FA, M/o Petroleum & Natural Gas, M/o Corporate Affairs on 24th July 2019

CMA Balwinder Singh, President, CMA Biswarup Basu, Vice-President, CMA Vijender Sharma, CCM, CMA Neeraj D. Joshi, CCM and CMA Chittaranjan Chattopadhyay, CCM of the Institute extending greetings to Shri K.V.R. Murty, Joint Secretary, Secretary to the Government of India, Ministry of Corporate Affairs on 24th July 2019

CMA Balwinder Singh, President, CMA Biswarup Basu, Vice-President and CMA Chittaranjan Chattopadhyay, CCM of the Institute extending greetings to CMA Dinesh Kumar Sarraf, Chairperson, Petroleum and Natural Gas Regulatory Board (PNGRB) on 25th July 2019.

CMA Balwinder Singh, President, CMA Biswarup Basu, Vice-President and CMA Chittaranjan Chattopadhyay, CCM of the Institute extending greetings to Smt. Aruna Sethi, Chief Adviser (Cost), Department of Expenditure, Ministry of Finance on 25th July 2019

Honour of the President, CMA Balwinder Singh on arrival at his Home Town after being elected president of the Institute.

GST AUDIT AND EASE OF DOING BUSINESS

CMA Narhar K. Nimkar
Practicing Cost Accountant
Research Scholar at National Insurance Academy
Pune

Abstract

Goods and Services Tax has been introduced for almost two years ago. This was a major reform in the history of Indirect Taxes. It subsumed many taxes, duties into a single levy. Many provisions in the GST Act have been welcomed by the tax payers and industry. The GST Audit has also peculiar provisions of reconciliations of turnover and taxes paid. An attempt has been made in this research paper to highlight important provisions of GST Audit and comparison with earlier provisions and impact on Ease of doing business.

1. Background:

Goods and Services Tax Act has been implemented in India almost two years ago. Being a major reform in the history of Indirect Taxes in India, it has long term implications on the business strategies and decision making.

Presently, the tax payers are busy in filing of GSTR-9 (Annual Return) and GSTR-9C (Audit Report). For the Financial Year 2017-18 the due date of filing these returns was 31st December 2018. However, the same has been extended to 30th June, 2019 and now further extended till 31st August, 2019.

In this Research paper, important provisions in respect of Annual Return and GSTR-9C Report are reviewed from the point of view of the tax payers and particularly from Ease of doing business angle.

2. Audits / Annual Returns prior to GST Era:

Prior to GST, the position of Annual returns was as under –

a) No Annual Return was prescribed for Service Tax.

b) For Central Excise, assessees having duty payment of Rs. 1 Crore and above, were required to file Annual Return in Form ER-4.

c) For Sales Tax / Value Added Tax, assessees were required to file Audit Report which was very much comprehensive.

In addition to the above annual returns or audit reports which were primarily required to be filed by the assessee, there were provisions of Special audits which were conducted under Section 14 and 14A of the Central Excise Act in respect of Valuation matters and Cenvat Credit matters. Also, Special audits were conducted under Section 72A of the Finance Act in respect of Service Tax matters. Also, there were Departmental Audits which were conducted at frequent intervals depending upon the turnover of the assessees.

3. Audit provisions in GST:

a) Section 44(1) of the CGST Act has provisions to file annual return by every registered person, other than Input Service Distributors, persons paying TDS or TCS under section 51 and 52, Casual taxable persons and Non Resident taxable persons. This return is filed in Form GSTR-9 by regular tax payers, GSTR-9A by Composition Scheme Tax payers and GSTR-9B by E-commerce operators.

b) Section 44(2) of the CGST Act provides that every registered person having turnover of Rs. 2 Crores and more shall get his accounts audited by a Chartered Accountant or Cost Accountant and file the reconciliation statement electronically in Form GSTR-9C.

c) Section 65 and Section 66 of the CGST Act has provisions of audit to be conducted by Departmental officers and special audits by Chartered or Cost Accountants as directed by tax authorities respectively.

4. Salient features of GSTR-9 and GSTR-9C –

GSTR-9:

The Annual return GSTR-9 is to be filed by the tax payer. However, this has connection with GSTR-9C as the figures reported in GSTR-9 are carried over to GSTR-9C. Hence, the tax payers and the auditor are required to take care while filing GSTR-9 and GSTR-9C. The Annual Return- GSTR-9 contains following particulars –

- Summary of supplies to various categories like B2C, B2B, Export etc.
- Inward supplies on which tax was payable under Reverse Charge.
- Debit Notes and Credit Notes issued.
- Exempt/Zero Rates supplies.
- Details of Input Tax Credit availed.
- Ineligible Credit, Credit reversed etc.
- IGST credit availed on Import of Goods.
- Details taxes payable and paid.

The information is to be reconciled with the books of accounts and hence any discrepancies noticed can be rectified by paying the taxes with interest at the time of filing the Annual Return.

GSTR-9-C:

This form contains following reconciliations to be certified by the auditor:

- Reconciliation of Turnover declared in Annual Return and in Balance Sheet.
- Reconciliation of taxes paid.
- Reconciliation of Input Tax Credit.
- Auditors recommendations on additional liability to be paid.

The auditor is supposed to verify the transactions and determine the correctness of liability from different angles which are given below:

1. Correctness of Classification of goods supplies and the tax rates applied.

2. Verification of Registration certificate and confirm all business places are declared.

3. Provisions of Place of Supply are followed correctly and taxes paid accordingly. Specific attention needs to be given for "Bill to Ship to" transactions.

4. Provisions of Valuation of supply are followed strictly and taxes paid accordingly.

5. Input Tax Credit is correctly availed on eligible inputs, capital goods and input services and utilized according to the laid down procedure.

6. Credit is reversed correctly in case of free supply, exempt supplies, shortage of material, write off of material etc.

7. Export of goods and services – Check whether the relevant conditions of Export of goods and services are fulfilled or not.

8. Reverse Charge Liability – Check whether all the services liable for Reverse Charge are covered and the liability is properly paid as compared with ledger booking of expenses.

9. Import of Services – Check all foreign exchange remittances and confirm that tax has been paid in all eligible cases covered under Import of Services.

10. Timely filing of returns- Whether all the returns filed in time and wherever applicable late fee has been paid.

11. Payment of taxes in time – Check all the payments are made in time and wherever delayed payments are made, interest has been paid properly on the total amount and not on the balance amount.

12. Payment within time – The supplier of goods and services are paid within 180 days of the date of invoice. If not, the relevant credit needs to be reversed with interest.

13. Job work material – Material sent to the job workers is received back within a period of one year (for inputs) or three years (for capital goods). If not, proportionate credit is reversed with interest.

14. Liability arising through "Other Income" – The auditor should verify the details of Other Income and check whether any tax liability is arising on account of various recoveries made from vendors, penal charges recovered, notice pay recovered etc.

15. Reconciliation with GSTR-2A – The auditor needs to verify the details uploaded by the supplier of goods and services as appearing in GSTR-2A and compare the same with Input Tax credit claimed by the auditee.

From the above points, it can be revealed that the auditor has to satisfy himself that the compliances on various counts are being made properly and that there is no short payment, non-payment of taxes, wrong availment of credit etc. The tax payer and the auditor have to take precautionary measures in view of the above points and prepare themselves for filing the returns.

5. Importance of filing of Annual Return (GSTR-9) and GSTR-9C –

The Input Tax Credit cannot be availed for the financial year after filing the monthly return for September or Annual return whichever is earlier. Any recovery of taxes can be done within a period of three years from the date of filing of Annual return.

6. Advantages of Annual Return GSTR-9 and GSTR-9C:

Advantages of filing of GSTR-9 and GSTR-9C can be appreciated if we compare similar provisions in the earlier law. The same are discussed below:

A) Provisions in Central Excise / VAT Acts –

The Annual Financial Return under Central Excise Act (ER-4) was a summarized statement showing details of expenditure, other income, trading activity, credit availed and utilised etc. The VAT audit report was comprehensive and had every comparison done with information disclosed in monthly returns vis-à-vis as finalized in the books of accounts.

B) Some shortcomings in earlier Acts:

a) The ER-4 had no relation with payment of duty or filing of returns by the vendors.

b) The tax payers were not required to pay to the suppliers within a specified period either under the Central Excise Act or the VAT Act.

c) In service tax there was a provision to pay to the service provider within a period of 90 days of the invoice. However, as there was no mechanism to verify this.

d) Even under the VAT Act, there was no mechanism to verify whether the supplier has paid the taxes or filed the returns.

e) Under Central Excise, Service tax or VAT, the assessees were allowed to file the returns by keeping the liability unpaid. Hence, the real defaulters could not be identified easily.

Due to above shortcomings, the tax payers were required to pay differential taxes during the assessment proceedings when non compliances were noticed on the part of the vendors. The tax payers were held responsible for such lapses of the vendors and recoveries were made along with interest after 4-5 years of the filing of returns. The above mentioned hardships were faced by the tax payers and there were unending uncertainties of recovery from authorities.

7. GST Audit and Ease of doing business:

Important provisions in the CGST Act are discussed below which are related to Ease of doing business.

a) Section 16(4) of the CGST Act has a provision that the supplier of goods and services should be paid within a period of 180 days from the date of invoice. Hence, the suppliers get some assurance of receiving payment within a specified period. Further, the cases of non compliances are identified during the course of audit by professionals.

b) The tax payers are able to view the details of supplies uploaded by the suppliers (GSTR-2A). On the basis of this report, the tax payers can identify the defaulters / non filers and take corrective action immediately. This avoids the hardship faced under old regime.

c) Input tax credit is availed immediately as there is a time limit for same.

d) The tax payers have no option to file the monthly returns without payment of taxes. Hence, if the portal shows that the vendor has filed the monthly returns, it can be safely assumed that the taxes are also paid by the suppliers.

e) The various reconciliations in GSTR-9 and 9-C gives comfort level to the tax payers and they can assume that they have paid the taxes and availed the Input Tax Credit correctly. Short payment of tax, Non payment of tax etc. is identified during the course of filing of Annual Return or Audit by professionals. Hence, the tax payers have no tension of any major non compliance after filing of these returns.

f) Discipline in business – The resultant effect of above mentioned provisions is that there is a discipline in every matter concerned with the business, including financial management.

g) Other provisions in GST viz. simplified valuation rules, Online compliances, single tax authority, reduced compliances lead to Ease of doing business.

Thus in the process of filing GSTR-9 and Audit Report GSTR-9C, any error committed by the tax payer is brought on record and can be rectified. Hence, the threat of detecting non compliances only during the course of Departmental audit and paying heavy interest and penalty is nullified to a large extent. This important aspect of these returns is the main cause of Ease of doing business.

8. Responsibilities of Auditors:

After going through the contents of GSTR-9C, one can appreciate that lot of responsibilities are cast on the auditors. Professional CMAs/ CAs have to meet this challenge. The only parameter of effective audit would be – no recovery during further departmental audit.

Conclusion:

From the above discussion, we can conclude that filing of GSTR-9 and GSTR-9C are very important returns to determine the correctness of taxes paid and credit availed and as explained above it has reduced the risk of detecting non compliances only during Departmental audits. Thus there will be saving on account of penal interest and penalty. Further, the verification of GSTR-9C by a Chartered or Cost Accountant will eliminate any non-compliance in the business activities. **Further, the tax payers must put internal controls and systems in place to avoid the recurrence of non-compliances on the basis of observations of the auditor.** All these acts will lead to Ease of Doing Business. MA

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nknimkar@gmail.com

GST - A SOVEREIGN ECONOMIC REACTOR IN CONSONANCE WITH THE INSTITUTIONS OF AUDIT TO SUSTAIN EQUIVALENCE IN THE WHOLE DYNAMIC SYSTEM

Abstract

GST was rolled out on a dynamic digital platform with online real time freedom to all.

Supply and levy a powerful couple generates ITC first wand then output tax in association with tax invoices, debit notes and credit notes the details of which the registered persons must submit through returns periodically in time through live Portal as a major compliance.

The System generates huge records and discrepancies are under perpetual scrutiny by the Authorities who are empowered to conduct audit and ask for special audits by professionals.

Non-compliance becomes costly with proceedings and other consequences need concurrent audits and expert services by the professionals to sustain equivalence in the whole system.

CMA Nantu Ranjan Pal
Practicing Cost Accountant
Kolkata

A massive integration subsumed a large number of taxes and levies:

A huge number of federal and state taxes and surcharges and cesses ***'sum up to a figure of 500'*** all played their respective roles to cater to the fiscal needs of the Nation some of which were progressive some were oppressive and some others were economic however primary aim had been to feed the Exchequer of the Union and the States who by virtue of their sovereign authority enacted and promulgated those time to time were withdrawn from the fiscal system and replaced by a Giant GST.

The cascading oppression since long put to rest forever:

Most of the levies ran cascading perpetuating strangulations over the free flow of commercial and economic activities owing to rising input costs in the hands of the agents of creators. The benefits of MODVAT, CENVAT and VAT were not instantaneous and smooth flowing owing to intricate paraphernalia and compliance were costly.

Fierce brainstorming among some genius of individuals associated with the faiths of fiscal world ensued for a long period and then GST was conceived of inherently dissociating with the cascading nature altogether ensuring a linear free flow of creative activities down the economic stream of things. The great journey then began on and from July 1, 2017.

Input Tax Credit - A Giant Lake created in furtherance of net output tax:

A versatile concept in 'Supply' which includes almost everything coupled with 'Levy' of tax having different weights move ahead in unison like fissile materials evolving through outward supplies, inward supplies and associated commercial attributes at its every stroke. The resultant output tax was first streamed down to Input Tax Credit creating a giant Lake of fissile resources made available to all the Business to Business (B2B) constituents who by virtue of their processes of economic value creations now make final contributions to the Exchequer through output tax.

ITC in principle may equal to output tax now act as resources in the hands of the Recipients in furtherance of output tax and finally net output tax including all types of Business to Consumer(B2C) transactions then swells over the Lake by a bigger sum.

Actual possession of both tax invoice and goods and services in the hands of the recipients and actual payment of taxes along with submission of Returns by the Suppliers all must be complied with ceremoniously for crediting ITC in the Credit Ledger. Goods and services must be used or intended to be used in course of or furtherance of business only.

The recipients must make full payments including taxes within 180 days from the date of issue of tax invoices. Invoices raised during a year must be included in the prescribed Returns latest by the month of September following the financial year or Annual return whichever is earlier. Inputs consumed for non-business purposes shall not qualify for ITC.

The principle of apportionment of ITC and cases of blocked credit and ITC under special circumstances are well defined. ITC not availed can be transferred with transfer of business itself. ITC in respect of inputs and capital goods under job work and Input Service Distributor need more attention and documentation. Supplies from unregistered persons has to be formalised with just payment of GST on reverse charge basis.

Gigantic Admittance - A summary of activities:

GST System a great Economic reactor is a value multiplier. Some revealing statistics up to 29.04.2019 as available from GST Council site are given in the Table-1 below confirms huge fission of actions and reactions passing through the System day in and day out.

Table-1:

Particulars	Number
1. Registered Tax payer	1.21 Cr
2. Total Returns filled	26.52 Cr
3. Total Number of Payment transactions	8.59 Cr
4. Total Invoices Uploaded	~500 Cr
5. Payment through the Portal (excluding IGST on imports)	15.04 Lakh Cr
6. E-way Bill	60.62 Cr
7. Total Return Transactions in a day	18.00 Lakh
8. Total Payment Transactions in a day	9.00 Lakh

Tax Invoice - Mother of all Documents:

Tax invoice is the primary instrument and should contain seventeen specific particulars some of which are entered in the returns. Place, time and value of taxable supply are vital for compliance. A huge 500 crores of invoices admitted up to 29th April 2019 might had been raised and entered through the returns in time with obvious checks and balances keeping in hand. Subsequent additions or returns or change in price of goods and services or change in rate of tax are given easy passage of corrections and modifications through raising Debit Notes or Credit Notes with specific details including reference to the Original invoice and corresponding effect on ITC must be kept and composed and entered in returns.

The details as given in the Returns and the actual invoices as per accounting records with debit and credit notes all should match when questions be raised in future by the competent authority.

Returns - A Well Designed Basic Tool for GST System:

The details of outward supplies available from tax invoices, debit notes and credit notes are submitted by the suppliers. The details of inward supplies got auto populated in GSTR-2A, GSTR-4A and GSTR-6A which the recipients submit with additions and deletions. Monthly cumulative corrections must be done minutely. GSTR-1, GSTR-2, GSTR-4, GSTR-5, GSTR-6, GSTR-7 and GSTR-8 are then finalised with other entries and submitted. GSTR-3 is submitted with final payment of output tax to the Exchequer monthly.

These returns contain different tables to be filled with varied mix of data which are to be composed and consolidated with checks and balances before submissions.

A summary Return GSTR-3B introduced for expeditious compliance of payment of tax in time is compulsory in spite of Nil transactions in any month. The Table-2 below provides actual monthly submissions of GSTR-3B returns.

Table-2:

FY17-18	Apr'17	May'17	Jun'17	July'17	Aug'17	Sep'17
GSTR3B		6586727	7175392	7524269		
Addi/-Decri			588665	348877		
FY17-18	***Oct'17***	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18
GSTR3B	7283228	7377087	7464274	7582741	7708443	7819455
Addi/-Decri	***-241041***	93859	87187	118467	125702	111012
FY18-19	Apr'18	May'18	Jun'18	July'18	Aug'18	Sep'18
GSTR3B	7891878	8035960	8139434	8231332	8321929	8390539
Addi/-Decri	72423	144082	103474	91898	90597	68610
FY18-19	Oct'18	***Nov'18***	Dec'18	***Jan'19***	***Feb'19***	***Mar'19***
GSTR3B	8425562	8315892	8343863	8310886	8258689	7959285
Addi/-Decri	35023	***-109670***	27971	***-32977***	***-52197***	***-299404***

Actual monthly submissions during 2017-18 increased except in Oct'17 was much lower by 241041 nos. During 2018-19 in the month of Nov'2018 and in between Jan'19 to Mar'19 actual submissions were much lower in a sequence. Further analysis may reveal possible reasons.

The Table-3 gives actual numbers of monthly GSTR-1 submitted in the FY 2017-18 and FY 2018-19.

Table-3:

FY17-18	Apr'17	May'17	Jun'17	July'17	Aug'17	Sep'17
GSTR1		6088528	2553959	6902688		
FY17-18	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18
GSTR1	2636916	2678601	7015312	2687919	2698298	7217993
FY18-19	Apr'18	May'18	Jun'18	July'18	Aug'18	Sep'18
GSTR1	2846898	2875225	7453643	2906423	2906785	7574154
FY18-19	***Oct'18***	***Nov'18***	Dec'18	***Jan'19***	***Feb'19***	Mar'19
GSTR1	***2895500***	***2868407***	7414292	***2790673***	***2699703***	6357333

Quarterly submission of GSTR-1 was allowed to those having annual turnover within Rs.1.5 crore and as such total submissions in the quarter months zoomed. Huge lower submissions in the quarters Dec'18 and Mar'19 is of concern. Submissions by larger taxable persons were seen lower in a sequence in Oct'18, Nov'18, Jan'19 and Feb'19. Major possible issues for non compliance has to be traced and reviewed for guidance.

Registered Persons - Different class different matrix of compliance:

The GST System is simple and linear and made on principle of trust and self-assessment. All registered persons has to submit GSTR-1, GSTR-2 and GSTR-3 and GSTR-3B monthly in seriatim.

Composition dealer has to submit GSTR-4 quarterly. Must see that actual cumulative turnover does not exceed the threshold limit to avoid stringent consequences thereof.

Non-resident taxable person must keep details of inputs and capital goods from overseas and amount of ITC and taxable outward supplies specifically to inter-state unregistered persons and submit GSTR-5 monthly.

OIDAR person located outside India making services to non-taxable persons in India submit Return GSTR-5A monthly.

Input Service Distributors submit GSTR-6 monthly with right and composed figures who must keep details of cases of blocked ITC.

GSTR-7 and GSTR-8 are submitted monthly by TDS deductors and Electronic Commerce operators collecting tax at source respectively.

The details of monthly and/or quarterly returns should be consolidated as per requirements of annual return GSTR-9 and GSTR-9A. The relevant details are to be reconciled with the annual accounts composing and complying to GSTR-9C.

All these compliances are required scrutiny by some professional experts to avoid serious complications in the future.

Utmost care and attention to mitigate reactive precipitation:

Reactivity spurts with supply. Schedule-I makes it very clear that commercial transactions without direct and specific consideration would constitute supply. Schedule-II clearly depicts the nature of transactions the taxable persons should learn the precepts in right spirit of GST judicature with the assistance of professionals. Job works and Works contracts need specific compliances. Principal supply, mixed supply, composite supply, zero rated supply, imports, exports and supply to SEZ units or Developer must be covered with right invoicing and bill of supply.

Tax invoices, Debit notes, Credit Notes, Receipt vouchers and Refund vouchers all must contain specific particulars and raised and delivered in time. Credit notes and debit notes with respective reduction and addition in output tax liability of the supplier must match with the corresponding reduction and addition in ITC of the recipient. Refund of unutilised ITC is available in specific cases needs expert service.

Movement or delivery of goods without proper tax invoice is prohibited. Services from GTA and transporters need right documentations. Stock transfers both interstate and between distinct persons need proper invoicing and valuation. Distribution of gifts and free samples must have sufficient details to prove genuineness. Payment of net output tax after adjustments need thorough checking by experts.

GST Governance - Sharp digital intelligence with the Administration:

The GSTN is an integrated digital system. Specific Returns for different classes of registered persons designed for guaranteeing correctness and genuineness of information otherwise the digital system would simply raise flags for all the discrepancies.

The Administration is armed with sharp digital intelligence can read all the facts and figures in depth with correlations and mismatches. Full proof submission of Returns within exact time frame is sine qua non for freedom from obnoxious proceedings in the future.

Proper checks and balances are to be perpetuated in record keeping and accounting system that should conform with the intricacies and just requirements of GST principles and practices otherwise offences and penalties would construe at least for someone out of the twenty one possible reasons as per Sec.122.

Tax authorities are empowered to conduct audit. At any stage of scrutiny, inquiry, investigation or proceeding they can order special audit by the professionals and can take recourse to demand and recovery and attachments.

Integrated digital accounting system - A bare minimum:

A digital integrated accounting system with standard accounting practices must be in place. Manufacturing entities should keep cost accounting records matching with its production technology of goods and services which may fit either of process costing, unit costing, batch costing, service costing, job costing or contract costing with details of WIP , products, by-products, joint products, wastage, scraps, spoilage and spillages on scientific costing principles.

A system of budgets and budgetary control and standard costing if put into practice would provide with all conceivable supportive information for dissolving the discrepancies that may otherwise take costly shape of offences and penalties.

Right Architecture and Planning: A two way process in assurance to compliance:

- Tax Invoices, Debit Notes, Credit Notes, HSN & SAC Codes and Quantities are the basic elements.

- Physical verification of all inputs with details of periods of holding, actual loss, wastage and obsolescence be ensured periodically.

- Input services be reconciled with receipts and usage in physical terms.

- GSTN is digital. Its intelligence grows with entries admitted and attains consonance with right compliance.

- Non-compliance if not wilful is unethical and costly. Wilful non compliances are simply horrendous. Directors become accountable and liable.

- GST compliance rating updated and placed in the public domain be a healthy exposure to all.

- Corporate Governance should induct permanent GST expert who can oversee the compliance practices with respect to Anti-profiteering and all GST requirements.

- The principle of self-assessment and compliance through a series of Returns need a sheet anchor in the Institutions of Audit to bring equivalence in the whole dynamic system.

- GST Council at the nucleus oversees and provides measures to attain all round equivalence. MA

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nranjanpal@gmail.com

AT THE HELM

Our heartiest congratulations to CMA Sanjiv Soni, a Member of the Institute, who assumed the charge of Director (Finance), Coal India Ltd on July 10, 2019.Prior to this, he was Director (Finance) of Eastern Coalfields Limited from June 19, 2018. Prior to joining as Director (Finance) of Eastern Coalfields Limited, he worked as General Manager (Finance), IAD at WCL HQ Nagpur.

We wish CMA Sanjiv Soni the very best for all his future endeavors.

GST AUDIT: A STRONG PROPONENT OF SUBLIME EASE OF DOING BUSINESS RANKING

CMA Harpreet Singh
Associate - Treasury
The Royal Bank of Scotland
Meerut

Abstract

There is no harm in quoting that the implementation of GST has made the doing business easy and GST audit not only guards this ease but also increases it manifold. GST audit helps in ease of doing business by facilitating in the correct recording of transactions, flawless reconciliations, proper credit availment, timely tax payment, and error-free return filing. Thus it helps in saving interest and penalties and ensures the smooth running of the business.

GST was being practiced in approximately 140 countries when India unveiled its implementation. In India, GST came into effect on July 01, 2017 replacing 17 indirect taxes and multiple cesses. In India, Canadian model of GST has been adopted. Assam became the first state to implement GST in India.

Ease of doing business: A World Bank report

The World Bank has recently released the Ease of Doing Business ranking, evaluating 190 countries and India has turned out to be an outstanding improver. India is now stationed at the 77th position by climbing 23 positions from the previous year.

India carries an **EASY** categorization, enabling it to stand at par with countries like Germany, Mexico, Luxembourg and Kenya. There are 10 parameters based upon which the assessment of the ease of doing business is concluded. Starting a business and paying taxes are the crucial parameters out of those.

Beyond the shadow of any doubt, successful adoption of GST has been a vital contributor to the exemplary ascend in India's ranking.

GST replaced VAT, service tax, excise duty and many other indirect taxes. Hence, GST regime ensures single registration for the sake of indirect taxes, thereby easing the business startup.

As per ***The Hindu,*** 77% of CFOs admitted that GST impacted their businesses positively and aided in the ease of doing business.

GST Audit: Norms

There are two types of GST audits applicable to businesses:

1. Self-Audit

GST audit is mandatory for the GST registered businesses whose turnover during the financial year exceeds Rs. 2 crores either by sale of goods or by provision of services. While arriving at the limit of Rs. 2 crores, turnover of entities or branches registered under one Permanent Account Number (PAN) is clubbed together. GST audit can be performed by a cost accountant or a chartered accountant only.

2. Audit by GST authorities

The department itself select some samples and the audit is conduct by GST authorities. Such audit is termed as General Audit. There are some cases where owing to the complexities in the records maintenance and work required, GST department direct CA or CMA to conduct the audit. Such an audit conducted by a CA or CMA on the direction of GST department is termed as Special Audit.

All types of audits are helpful in bringing the errors to the notice of management and in turn makes the entire process more efficient but we are discussing about the benefits of GST self-audit here.

GST Audit: A Contributor

Audit is an independent examination of records to ascertain that they represent a true and fair view. It has been considered a valuable activity historically as it not only helps in securing easy finance upon favorable terms but also helps in identifying weaknesses which aid in sound decision making. Running a business is easy if there are no compliance issues, as the same creates hindrances in smooth running of business. GST audit ensures non-airing of any compliance issues and hence ensures easy business. It aids ease of doing business in a number of ways. Let's examine.

Correct recording of all transactions

GST has become an important part of business process as it covers almost all the transactions from purchases to sales and from revenue expenditure to capital expenditure. GST auditor completes six eye check and thus ensures error-free recording. The flawless maintenance of GST records facilitates in the smooth conduct of business.

Round the year vigilance: Savings in Interest and penalties

GST auditor is appointed at the beginning of each financial year. He conducts the audit throughout the year and ensures that the GST is computed correctly and is paid on time. Hence, it bags the business with savings on interest and penalty.

Increased business focus on key factors

As there is no discrimination in tax burden state-wise, the businessman is free to choose the market and the production site without keeping in mind the price competitiveness that a particular place offers. Instead, he can focus on other key factors and GST audit helps the business in decision making by ensuring flawless information on such factors.

Correct determination of time of supply

GST audit helps in ensuring that the time of supply has been determined correctly and hence the tax is neither paid late not paid early. It helps in saving the interest cost.

Correct determination of place of supply: CGST vs SGST vs IGST

GST audit ensures correct determination of place of supply and hence ensures that respective taxes (CGST, IGST and SGST) are correctly levied, collected and paid.

GST records vs Books of Accounts

GST audit ensures that the books of accounts tally with the GST returns filed, so that correct tax amount is paid and no penalties are levied in future on account of misstatement.

Correct ITC availment

It also ensures matching of GST Electronic and Cash Ledger with the credit reflected in books of accounts to avoid improper utilization of credit. Further, it ensures that input tax credit is availed as per the norms, thereby identifying under-utilization and checking levy of penalties by identifying the wrong credit availed.

Reduced working capital requirements

GST audit aids in correct computation and payment of the tax and saves the business from initial over-payment and subsequent refund which, if happens, increases the working capital requirement.

Timely Refund

Refund claiming is necessary for exporters as they have no or very less output tax liability. GST audit also ensures filing of correct and timely refund claim.

Reverse charge mechanism

Reverse charge is applied to the buyer primarily in the case where the purchase is made from an unregistered dealer. There have been instances in the law where it leads to double taxation of one transaction. GST audit helps in identifying such cases and ensures proper compliance to reverse charge mechanism.

Compliance with E-way bill mechanism

The e-way bill is generated where the goods are to be transferred from one place to another. It is required to be generated for every inter-state goods movement. The system is completely new with a capacity of generation of 75 lakh bills online every day. It is a critical compliance and is a new concept, hence ensuring proper compliance requires expertise and critical review which can be achieved by way of GST audit.

Proper Maintenance of Books of Accounts

As per the norms, the books of accounts that are required to be maintained and the manner of maintaining the same has been prescribed. GST audit ensures the maintenance as directed.

Global recognition of products

Harmonized System Nomenclature (HSN) codes have to be mentioned on the invoices and in the GST return. These codes are part of international trade practice and GST audit ensures that the same is followed correctly. The HSN codes mentioning on tax invoices increases the acceptability of Indian goods in the foreign markets and thereby increasing the business.

Competitiveness to Indian Industry

The implementation of GST has reduced the overall cost and has made the Indian goods competitive in foreign markets. The computation of correct price would not have been possible without the aid of GST audit.

GST: A fact check

- Assessee base has increased by 84% since implementation of GST till date with the absolute number of assessees crossing 1.2 crores, as per Finance Minister.

- Monthly GST collections have crossed Rs. 1 trillion mark, which essentially shows a 6.67% year-on-year growth.

- CBEC is foreseeing a lower collection as compared to the targets. The main reasons behind the same are several rate cuts and setting of ambitious targets.

- During last fiscal year, 1620 traders submitted fraudulent invoices amounting to Rs. 11,250 crores. The same has led to arrest of 154 persons.

The Other Side

GST implementation has not been much smooth in the midst of numerous ambiguities in the law and deficient technological support. Multiple conferences were held and numerous circulars were issued to fix the anomalies and to make the law fit for the Indian scenario. Further, there have been numerous instances of input tax credit availed on the basis of fake invoices. Hence, GST audit gains importance to ensure that the compliance is made in light of the latest amendments.

Conclusion

It was not only the robust structure of GST or firm determination of the government to deliver a positive change but also the impeccable solutions provided by the GST council, which made the GST a major contributor in the achievement of excellent ease of doing business ranking.

There is no harm in quoting that the implementation of GST has made the doing business easy and GST audit not only guards this ease but also increases it manifold. GST auditor not only plays the role of a vigilant inspector but also of a diligent executive and a learned adviser to the business. MA

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fca.hpsingh@gmail.com

AT THE HELM

Our heartiest congratulations to CMA Narender Kumar Bhola, a Fellow Member of the Institute, who has been appointed as Member (Technical), National Company Law Tribunal by Ministry of Corporate Affairs and is posted at Hyderabad Bench. Prior to this, Shri Bhola was Director General of Corporate Affairs in Ministry of Corporate Affairs till 30.9.2018, when he superannuated from Government service after putting in more than 38 years. Shri Bhola worked in Ministry of Corporate Affairs in various capacities, such as Regional Director, Registrar of Companies as also Additional Director in Serious Fraud Investigation Office (SFIO).

We wish CMA Narender Kumar Bhola the very best for all his future endeavors.

Attention Please !!!

To make the wide publicity of your Region and Chapter of the Institute we print the matters/happenings/news achievements/activities related to your Region and Chapter. For the wide coverage of the same you are hereby requested to provide us the brief write-ups related to any activities organised by your Region and Chapter for the purpose of publication in *"The Management Accountant"* Journal along with the selected high resolution pictures (.jpeg format) within 45 days of the date of the event and within 20th of every month to *editor@icmai.in*

GST AUDIT - "QUESTIONNAIRE"

CMA Nimishakavi Ram
Manager, GENPACT
Hyderabad

Abstract

This questionnaire is prepared based on key objectives of GST, various views and opinions expressed on this subject by experts. This is not a checklist, but brings credibility to the profession.

In this article an attempt has been made to prepare a Questionnaire based on key objectives of introduction GST in India and different views or opinions expressed on this subject by experts. This is not a checklist which talks about various checks during preparation of Form 9C that checklist is available in Institutes' and other professional websites. This Questionnaire helps in bringing credibility to the profession and professional.

While preparing this questionnaire, importance has been given to the views expressed by finance experts and renowned tax professionals.

Let's start with the Prime Minister and the Finance Minister who viewed this as the biggest tax reform in the country and helps in economic development and GDP growth.

GST Goods and Services Tax (GST) is the biggest tax reform in the Country since Independence. It aims to address the challenges with earlier Indirect tax regime. This eliminates cascading affect; brings more transparency, simplification and also helps in faster economic development. They requested the professionals to support and contribute to the economic development by taking this great opportunity.

Views shared by finance experts and renowned tax professionals at different forums are –

- *GST broaden the tax net, it increases the compliance there by higher tax collection is possible which helps in economic development*
- *It eliminates cascading taxes*
- *Helps incremental GDP growth*
- *Brings more transparency and simplifies the tax governance with the help of digitalization*
- *It helps in formalization and gearing up the economy*
- *Reduction in inflation is possible in the long run with GST*
- *Experience from other countries shown that inflation will shoot up at the time of introduction of GST, but this was not happened in India which is a positive sign. Here the role played by GST council in addressing the issues and quick in taking decisions was really commendable*
- *Entire world wondered about how seamlessly handled such a gigantic task*
- *Appreciated by economists about the raise in tax collection after GST*
- *Exemptions from wrong classification are a fatal to the business. Majority frauds take place under ITC with wrong bills; however, technology is going to catch the fake bill operators and their customers. It attracts 100% penalty which may destroy the company's financial health in future. Here is the great opportunity to build the credibility of the profession*
- *Issues in classification is still a focus area to work on and also there is a room for improvement in GST administration with the help of digitalization*
- *Filing of returns is a tedious job, delay in refunds and ambiguity in anti-profiteering norms, these are still needs to be addressed*

The below Questionnaire is prepared after considering the above views, expressions and comments.

Questionnaire	Remarks
1) Is audit done as prescribed by Act, technical guide and guidance from professional institute?	
2) What value addition I am going to add to the audit report; to the client and to the profession?	
3) Did I take necessary steps in audit in order not to face any disputes or demands in future by Client, by way of attracting huge penalties and loss of reputation?	
4) Are the disclosures made properly, observations documented accurately and qualifications reported diligently?	
5) Did I present a Summary report to the Client on GST audit?	
6) Did I use professional knowledge and skill in analyzing the figures/numbers of - turnover; branch transfers; ITC, reverse charge, classification, exemptions, discounts, credit notes in order to provide true and correct picture in audit report?	
7) Is Management representation in place where it's required?	
8) Did I give the right recommendation to the client on the payment of additional taxes which helps the business, profession and the Nation?	
9) Am I true to my profession and to my Nation?	

Hope this questionnaire will help in your Audit exercise! MA

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nimishakaviram@yahoo.com

GST - AUDIT: A BIG OPPORTUNITY FOR CMAs

Abstract

Goods and Services Tax (GST) is the biggest tax reform witnessed by India after independence. The GST law has created ample opportunities for cost accountants by requiring them in maintenance of GST records, filing of return and GST Audit. Consequently, we must recognize that the responsibility of cost accountants has also been increased. For example, law has given the scope to certify the GSTR 9C or prepare necessary cost records in support of anti-profiteering measures, but all these activities are very much challenging. Cost accountants should ensure that they commence the GST audit concurrently and complete the GST audit along with the cost audit. This will facilitate the concerned organization to avail all the input credit of the relevant financial year and ensure that the consumption and inventory values are more accurate. The cost accountants must follow the guidelines prescribed by the Institute of Cost Accountants of India in this regard and the Cost Accounting Standards wherever necessary. They should carefully perform their duty to serve the nation and, make India fraud and corruption free.

CMA Raghabendra Ray
Assistant Professor in Commerce
Shree Agrasen Mahavidyalaya
Dalkhola, Uttar Dinajpur, West Bengal

1. Introduction:

Goods and Services Tax (GST) is the biggest tax reform witnessed by India after independence. It seeks to consolidate the wide varieties of multiple levies. Earlier the activities like manufacture, sale, service, entry of goods etc. were taxed under different legislations, but after roll out of GST on 1st July 2017, only one event is being taxed, i.e. supply. This shift in the taxable event makes GST a landmark legislation in India. The motive behind implementation of GST is to mitigate the cascading effect or double taxation and pave the way for a common national market. Now, let's focus on the prospects of Cost Accountants. We know that section 148 of the Companies Act 2013 had increased the scope of Cost Accountants by extending the maintenance of cost records by prescribed services, making Cost Accounting Standards mandatory, withdrawing the approval of Central Government to appoint cost auditor and removing the provision for appointment of Chartered Accountants in case Cost Accountants are unavailable. But the GST law has created ample opportunities for cost accountants by requiring them in maintenance of GST records, filing of return and GST Audit. The present paper will highlight all these issues in a nutshell.

2. Objectives of the paper:

- To understand GST Audit
- To find out the scope for Cost Accountants to conduct GST Audit
- To give suggestions and draw conclusion

3. Methodology:

The paper is based on secondary sources including journals, magazines, articles, various websites and blogs. Looking into requirements of objectives the research design employed for the study is of descriptive type that has greater accuracy and in-depth analysis of the study.

4. GST Audit:

GST audit is a process of verifying the compliance of a business with the applicable law through an examination of accounts and records of that business and is indispensable for any good taxation system. According to section 2(13) of the CGST Act 2017, 'audit' means the examination of records, returns and other documents maintained or furnished by the registered person under the Act or the rules made thereunder to verify the following –

- Correctness of turnover declared
- Taxes paid
- Refund claimed and input tax credit availed, and
- Assess compliance with GST Act and Rules

So, GST Audit is not only examination of records and reconciliation of tax liability and payment, it also signifies compliance of the GST Act and Rules. Under this circumstances we would like to know whether there is any relation between GST audit and Cost Audit. Cost audit ascertains the accuracy of cost accounting records to ensure that they are in conformity with cost accounting principles, plans procedures and objective. Cost audit aims to identify the undue wastage or losses and ensure that costing system determines the correct and realistic cost of production. Similarly, GST audit ensures that test of unjust enrichment is satisfied by the business in claiming the input tax and payment of appropriate tax. Cost audit and GST audit are complimentary to each other and hence Cost Accountants have a natural advantage in conducting GST audit.

5. Scope for CMAs:

(a) Mandatory GST Audit for Turnover above Prescribed Limit: As per section 35(5) of the CGST Act 2017 read with Rule 80(3) of CGST Rules 2017, every registered person whose turnover during a financial year exceeds two crore rupees shall get his accounts audited by a Chartered Accountant or a Cost Accountant and shall submit a copy of the audited annual accounts and a reconciliation statement, duly certified, in Form GSTR 9C, electronically through the common portal either directly or through a notified Facilitation Centre. The CGST Act and Rules do not vest a GST practitioner with the power to audit under section 35(5). The power to audit is granted only to a Chartered Accountant or a Cost Accountant.

(b) Special Audit: As per section 66(1) of the CGST Act 2017, if at any stage of scrutiny, inquiry, investigation, etc., any officer who is not below the rank of Assistant Commissioner, having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits, he may, with the prior approval of the Commissioner, direct such registered person by a communication in writing to get his records including books of account examined and audited by a Chartered Accountant or a Cost Accountant as may be nominated by the Commissioner. Sub section (2) also stated that the Chartered Accountant or Cost Accountant so nominated shall, within the period of ninety days, submit a report of such audit duly signed and certified by him/her to the said Assistant Commissioner. The Assistant Commissioner may extend the said period by another 90 days on request in writing by the registered person or the Chartered Accountant or Cost Accountant or for any material and sufficient reason.

(c) Appearance by Authorized Representative: As per section 116(1), any person required to appear before an officer, or the Appellate Authority or the Appellate Tribunal in connection with any proceedings under this Act may appear by an authorized representative, except the person is called to appear personally. Sub-section (2) clause (a) stated that any Chartered Accountant, or a Cost Accountant or a company secretary in practice may act as authorized representative for this purpose.

(d) Anti-profiteering Audit: Sub section (1) of section 171 of the Central Goods and Services Act 2017 provided that any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices. Sub section (2) stipulated that as per the recommendation of the GST Council, the Central Government may constitute an Authority to examine whether input tax credits availed by any registered person or the reduction in the tax rate have actually resulted in a commensurate reduction in the price of the goods or services or both supplied by him. Accordingly, National Anti-Profiteering Authority (NAA) has been constituted under Rule 122 of the CGST Rules, 2017; consisting of a Chairman and four Technical Members. The powers and duties of NAA have been prescribed in the CGST Rules 2017. When a business is to face investigation for anti-profiteering measures; cost records, Cost Audit Report and annexures are required to examine that no inadmissible inputs/services are used and finally, to determine the accurate cost of production. It also needs Cost Accounting Standard-4 (CAS-4) to know the cost of production of excisable goods used for captive consumption and provide better transparency in the valuation of excisable goods used for captive consumption. Unless true costs are determined the calculation for value of turnover, input tax credit etc. will be wrong. So cost records provide the basis on which all calculations depend and only Cost Accountants can give solution to all of these.

(e) GSTR 9C certification: Form GSTR 9C is an important form prescribed in terms of Rule 80(3) of the CGST Rules 2017. The form is divided into two parts – Part A shows the "Reconciliation Statement" and Part B shows the "Certificate". So, GSTR 9C is a statement of reconciliation between the Annual Return in GSTR 9 filed for the financial year and the figures which have appeared in the Audited Financial Statement of the taxpayer. GSTR 9C is similar to that of an Income Tax Audit Report. GSTR 9C reconciles the values of turnover declared, tax paid and input tax credit availed and used in the Annual Return in GSTR 9 with the values appearing in the Audited Financial Statement of the taxpayer. A Chartered Accountant or a Cost Accountant is authorized to certify Form GSTR 9C as per section 35(5) of the CGST Act 2017 in order to ensure that they are free from any material misstatement. Any differences between the details reported in all the GST returns and the Audited Financial Statements must be reported by the auditor therein and the reasons for the differences. This reconciliation statement acts as a base for the GST authorities to verify the correctness of the GST returns filed by the tax payer. The auditor has to certify any additional liability arising out of the reconciliation exercise and GST audit in GSTR 9C.

6. Suggestions and conclusion:

From the above discussion we come to conclusion that the opportunities for Cost Accountants have been increased significantly. Consequently, we must recognize that the responsibility of accountants has also been increased. For example, law has given the scope to certify the GSTR 9C or prepare necessary cost records in support of anti-profiteering measures, but all these activities are very much challenging. Cost Accountants should ensure that they commence the GST audit concurrently and complete the GST audit along with the cost audit. This will facilitate the concerned organization to avail all the input credit of the relevant financial year and ensure that the consumption and inventory values are more accurate. The Cost Accountants should take utmost care in reporting a matter as an 'observation' or a 'qualification' while certifying Form GSTR 9C. It is also to be kept in mind that an internal auditor cannot certify GSTR 9C. The Cost Accountants must follow the guidelines prescribed by the Institute of Cost Accountants of India in this regard and the Cost Accounting Standards wherever necessary. They should carefully perform their duty to serve the nation and, make India fraud and corruption free. MA

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ray.raghabendra@gmail.com

AT THE HELM

Our heartiest congratulations to CMA (Dr.) Dhrubaranjan Dandapat, an Associate Member of the Institute being elected as one of the Vice Presidents at-Large of International Association for Accounting Education and Research (IAAER) for the period 2018-2020, representing the Indian Accounting Association Research Foundation, at the IAAER General Meeting held in Sydney on November 10, 2018. He is presently Dean, Faculty Council for Post Graduate Studies in Commerce, Social Welfare & Business Management, University of Calcutta.

We wish CMA (Dr.) Dhrubaranjan Dandapat the very best for all his future endeavors.

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A STUDY ON INPUT TAX CREDIT UTILIZATION RULES AND REGULATIONS

Abstract

Introduction of Goods and Services tax (GST) is a very significant step in the field of indirect tax reform in India. Input GST and Output GST are integral part of GST. A purchaser requires to pays Input GST at the time of purchase of Goods or Services and seller requires to collects Output GST at the time selling of goods or services. Before payment of net tax liability Input GST adjusted against Output GST and net balance is require to pay to Government. The term "Input tax credit" means the credit of Input GST. Present paper is mainly based on secondary data and it was found that Input Tax Credit is one of the important parts of GST system.

CMA (Dr.) Susanta Kanrar
Assistant Professor & HOD
Department of Commerce
Shibpur Dinobundhoo Institution (College)
Howrah

I. Introduction:

Goods and Services Tax (GST) is a comprehensive indirect tax charged each time of goods are sold and / or services are rendered or both, except the goods or services which are exempted from tax. Like alcoholic liquor for human consumption. [Article 366 (12A) of Constitution of India W.e.f 16.09.16]. GST is a destination based tax on consumption of goods and services. It levied at all stages starting from manufacturer to final consumption but credit of tax is available at previous stages to set off the taxes. In a nutshell, only value additions in each stage are taxed. Thus it prevents cascading effect of tax i,e tax on tax and burden of tax is finally borne by the final customers. It is mentionable that supply also includes stock transfers, branch transfer and GST is also payable on free supplies made to related persons. But GST is not payable on free gifts and free samples to unrelated person. It is only charged by a registered taxpayer at prescribed rates until the goods and/or services or both reach the final destination, i.e finally consumed/used. It is not charged by the unregistered taxpayer. It is also not charged by the registered taxpayer once the goods and/or services or both reach their final destination. Clearly GST is consumption based tax i,e tax is payable in the state where goods or services or both are finally consumed.

II. Objectives of Study:

The objectives of study are:

- To give an overview about Input and Output GST;
- To explore the procedure to adjust the Input GST against the Output GST.

III. Methodology of Study:

The present paper is based on secondary data and data have been collected from the various books, journal, Research paper, Articles, Newspaper etc. Data also collected from the various reputed government web site like GST web site of State government, web site of GST council etc. Mainly descriptive methods are used to present the paper and simple statistical tools have been used to analysis the data.

GST is categorized into three parts, namely:

i. Central Goods and Services Tax (CGST): Applicable for supplies within the state (intra -state) and payable to Central Government. For example, supply / sale is made from Kolkata of West Bengal to Howrah of West Bengal.

ii. State Goods and Services Tax (SGST) or Union Territory Tax (UTGST): Applicable for supplies within the state (intra-state) and payable to State Government or union territory (as applicable). Area up to 12 nautical miles inside sea is part of state or union territory which is nearest.

iii. Integrated Goods and Services Tax (IGST): Applicable for inter-state supplies (outside the state or union territory) and payable to Central Government. Area beyond 12 nautical miles but up to 200 nautical miles. For example supply/sale is made from Kolkata of West Bengal to Chennai of Tamil Nadu.

IV. Rates of GST:

GST Rates on Goods are as follows:

Rates of IGST are given below and rates of CGST, SGST/UTGST are 50% of IGST:

Rates	Different Goods
Nil	Fish, Chicken, Eggs, Fresh Meat, Fresh Milk, Live animals, Fruits & Vegetable , Wheat, Rice, Flour, Bread, Salt, Printed Books etc.
0.25%	Rough diamonds, Rough Precious or Semi-Precious stones etc.
3%	Gold, Silver and Jewellery, Platinum, Imitation Jewellery, Pearls etc.
5%	Packaged food (like wheat, Oats), Cream, Coffee, Tea, Pizza Bread etc.
12%	Butter, Cheese, Ghee, Dry Fruits in packet, Fruit Juices etc.

18%	Pasta, Cornflakes, Jams, Sauces, Soups, Ice Cream, Mineral Water etc.
28%	Chewing Gum, Pan Masala, Paints, Deodorants, Shaving creams, Shavers, Automobiles, Vacuum Cleaner, Hair Clippers etc.

Source: GST Council

GST Rates on Services are as follows:

Rates of IGST are given below and rates of CGST, SGST/UTGST are 50% of IGST:

Rates	Different Services
Nil	Charitable activities, Services by Central Government, State Government, Union territory, local authority, Service by way of access to a road or a bridge on payment of toll charges etc
5%	Transport of goods by rail, Transport of goods by rail, Transport of passengers by air in economy class etc.
12%	Transport of passengers by air in other than economy class. Accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes having room tariff Rs.1000 and above but less than Rs. 2500 per room per day etc.
18%	Banking and Insurance services, Supply of Food/drinks in restaurant having licence to serve liquor, Supply of Food/drinks in outdoor catering, Accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes where room tariff of Rs 2500/- and above but less than Rs. 7500/- per room per day etc.
28%	Accommodation in hotels including 5 star and above rated hotewls, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, where room rent is Rs. 7500/- and above per day per room, Services provided by a race club by way of totalisator or a license to bookmaker in such club, Gambling etc.

Source: GST Council

IV. Concept of Input GST and Output GST:

The responsibility of charging and collection of GST (CGST, SGST/UTGST or IGST) is on seller and it is paid by the purchaser of goods and services or both on the value of goods or services or both, value means List Price less Trade Discount.

GST paid by the purchaser of goods or services or both is Input GST (May be CGST, SGST/UTGST and IGST) and GST collected by the seller of goods or services or both is Output GST (May be CGST, SGST/UTGST and IGST).

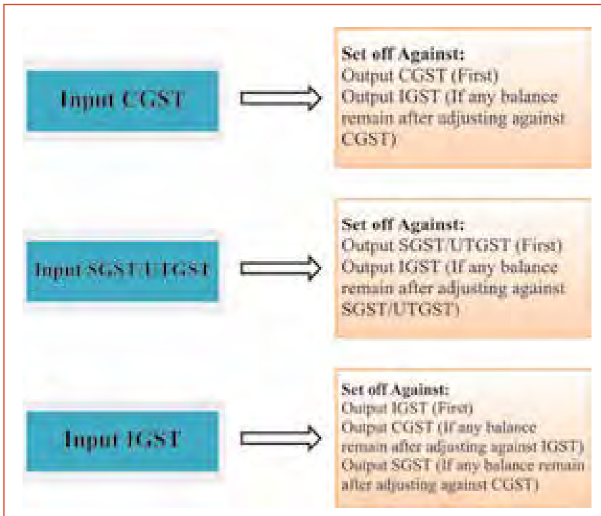
So GST paid on purchases of goods or services or both is termed as Input GST and it is Set Off against GST collected on sale of goods or services or both, termed as Output GST.

Thus Input GST (CGST, SGST/UTGST and IGST) is not a cost but an assets as it can be set off against output GST. At the same time GST collected on sale i,e output GST is a liability as it is collected on behalf of the Government. After setting off Input GST against Output GST if there is any balance in Output GST (CGST, SGST/UTGST and IGST) Account, is required to deposit in the Government Account.

Availing or adjusting or set off of Input Tax Credit (Input GST) against the Output Tax Credit (Output GST) is requires to find out net tax payable by the taxpayer.

V. Procedure of Set off of Input GST against Output GST:

Input GST is an asset as Input credit is allowed on such. Thus at the time of determination of tax liability of the taxpayer, Input GST is set off against Output GST and after that final liability is arises. But a specified order is require to follow in which Input GST is set off from Output GST. The order is shown below:



The following practical example will clear how input GST to be adjusted against Output GST.

» MNCB Ltd has the following balances in their GST accounts. Find net GST payable by MNCB Ltd, after properly adjusting Input GST with Output GST as per GST rules and regulation:

	Rs.
• Input CGST Account	1,00,000
• Input SGST/UTGST Account	1,00,000
• Input IGST Account	2,75,000
• Output CGST Account	1,50,000
• Output SGST/UTGST Account	1,50,000
• Output IGST Account	2,00,000

Details	CGST RS.	SGST/ UTGST RS.	IGST RS.
Input GST	1,00,000	1,00,000	2,75,000
Less: Adjustment for output GST	1,50,000	1,50,000	2,00,000
Balance	(50,000)	(50,000)	75,000
Less: Input IGST set off against output CGST	50,000	-----	(50,000)
Balance	Nil	(50,000)	25,000
Less: Balance Input IGST set off against Output SGST/UTGST	----	25,000	(25,000)
Net GST payable	**-----**	***(25,000)***	**-----**

Note - 1: Input GST is an Asset, Output GST is a Liability.

Note - 2: To avail the ITC every registered taxable person must have an Electronic Credit Ledger. It is a Government Record of transactions under CGST, SGST/UTGST, and IGST. In this account GST paid or deposited is credited and GST collected is debited in the Taxpayers Account.

Note - 3: <u>Input Tax Credit cannot be taken after one year from the date of invoice or filing of annual return.</u>

VI. Conditions for Availing Input Tax Credit:

Only registered taxable person can avail the Input Tax Credit subject to the fulfillment of the following conditions:

i. He must be possessed with tax invoice issued by a registered supplier.

ii. He has received goods or services or both.

iii. Tax charged in respect of such supply must be actually paid to the credit of the appropriate Government Account.

iv. He must furnished the return under section 39

v. In case of inputs or capital goods received in

installments, Input Tax Credit only to be entitled upon the receipts of last lot or installment.

VII. When Input Tax Credit (ITC) is not available:

Following supply of goods or services or both are ineligible for Input Tax Credit:

- Goods and Services for food, beauty treatment, health which are directly linked with personal consumption.
- Motor vehicles and other conveyances.
- Works contract services.
- Construction services.
- GST paid under composition scheme.
- Goods or services or both received by a non-resident taxable person.
- Lost, stolen or destroyed goods and free samples
- GST paid after knowing the fraud or suppression or goods removed in contravention of GST Act.

VIII. Conclusion:

Goods and Service Tax (GST) is one of the major indirect taxes levied by Government of India. It is based on Vat concept of allowing input tax credit of tax paid on inputs for payment of output tax. GST avoid the cascading effect of taxation. It is consumption based tax and payable in the state where goods or services or both are finally consumed. The rates of GST mainly vary between Nil to 28%. Administrative control of GST exercised by State Government /Union Territory Authorities or Central Government Authorities. Centre will levy and administer CGST and IGST while respective States/UTs will levy and administer SGST/UTGST. In GST, Input Tax Credit (ITC) is the core concept. Input Tax in relation to a registered person means Central Gods and Services Tax (CGST), State Goods and Services Tax (SGST)/ Union Territory

Goods and Serves Tax (UTGST) and Integrated Goods and Services Tax (IGST). For any intra- state transaction CGST and SGST/UTGST are applicable and for inter-state transactions IGST is applicable. At the time of purchasing, input GST is arises and it is an asset and at the time of sale, output GST is arises. It is a liability. Sellers are mainly responsible for collection of GST and after adjusting Input GST with Output GST they paid the net balance to concerned government authority. Only registered taxpayer can collect the GST. Input Tax Credit (ITC) is one of the major advantages of GST. By using ITC purchaser can transfer /adjust the tax burden with the taxes which they have collected at time of sales. Gradually GST is introduced and accepted by the all sectors of the country and it can be expected that in near future it will be one tax for one nation. MA

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sk13_kol@rediffmail.com

COMMENDATIONS !!!

Our heartiest congratulations to CMA Dr Sreehari Chava, a Member of the Institute, who has been declared eligible for the award of D.Litt. in Commerce in the faculty of Commerce & Management by RTM Nagpur University, Nagpur. The D.Litt. has been awarded for the Treatise titled 'Financial Performance Index – Singular Navigator to a multitude of Stakeholders'. This happens to be the first-ever D.Litt. in the stream of Commerce and Management at Nagpur University.

We wish CMA Dr Sreehari Chava the very best for all his future endeavours.

GST AUDIT - A CONCEPTUAL FRAMEWORK WITH CHALLENGES AND ROLE OF AN ACCOUNTANT

Dr. Vivek Sharma
Asstt. Professor
Department of Commerce
Government Mahendra Karma Girls College
Dantewada (C.G.)

Abstract

As the GST was introduced by government of India with the concept of 'One Nation One Tax' all indirect taxes are under an umbrella and most of indirect taxes including service tax, excise, central sales tax, state VAT were replaced. Due to new concept there are so many issues and challenges hence the service of professional person having good knowledge of GST is needed.

Under this article the concept and provisions of GST law is being discussed with challenges and role and importance of a CA/CMA as a professional and as an auditor for traders, government and the interested persons.

1. Introduction -

First time GST was introduced in France in the year 1954 and subsequently GST law was implemented more than 160 countries like Germany, Italy, UK, South Korea, Japan, Canada, Australia, etc. In India the idea of GST was proposed by Atal Bihari Vajpayee in 1999 and a committee was set up under the leadership of Asim Das Gupta. the finance minister of West Bengal to design a GST model. It was supposed to be implemented from 1st April 2010 but due to political issues it could not come into force. In May 2016 the constitutional amendment bill for GST was passed by Lok Sabha and 1st April 2017 was decided as deadline to implement. Finally the goods and service tax was launched at midnight on 1st July 2017 by the president of India, Pranab Mukherjee and Prime minister of India, Narendra Modi.

As the present GST replaced the existing complicated indirect tax structure. It is a destination-based single point tax that is levied on the supply of goods and services from the manufacturer to the consumer. Under GST input taxes credit is available in the subsequent stages on value addition.

The applicability of GST emphasized the self-assessment procedure but there were so many complexities and it increased the possibility of errors while filing the return. Therefore the need of trained and skilled person with updated GST subject knowledge was felt for providing service regarding return and other GST work and the provision of GST audit becomes necessary for the transaction above certain limit.

In this article the concept and provisions of GST law have been discussed with challenges and role of an accountant.

2. Background of GST Audit - As the GST has been introduced in the place of earlier indirect taxes under the GST law provision for GST audit have been made. The conceptual background of GST audit may be discussed as under-

2.1 Meaning - According to Section 2(13) of Central Goods and Services Tax Act, 2017(CGST Act) "GST audit means the examination of records, returns and other documents maintained or furnished by the registered person under this Act or the rules made there under or under any other law for the time being in force to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliance with the provisions of this Act or the rules made there under."

2.2 Legal Provision - It is relevant to understand the provision of GST audit. There are two important provision in this context under section 35(5) and Section 44(2) of the CGST Act. In terms of Section 35(5) "every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of Section 44 and such other documents in such form and manner as may be prescribed". In terms of section 44(2) "every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of Section 35 shall furnish, electronically, the annual return under sub-section (1) along with a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and such other particulars as may be prescribed".

2.3 Objective - The main objective of GST audit is to view the picture of turnover declared, Taxes paid, Refund claimed, and Input Tax Credit availed with correctness in addition to compliance of the GST Act and Rules.

2.4 Applicability - As per section 35(5), section 44(2) and corresponding rule 80(3) every registered person having turnover exceeds two crore rupees in a financial year has to get his accounts audited by either a Chartered Accountant or a Cost Accountant.

2.5 Appointment of GST auditor - A letter of appointment must be issued by the registered person to a CA/CMA or a firm of CAs/CMAs for appointing him / them as his GST Auditor. In case of a company appointment is made with a board resolution.

2.6 Acceptance by auditor - After the receiving the letter of appointment auditor must ensure that he has eligibility to conduct GST audit under GST laws.

2.7 Audit fees - There is no separate guideline regarding audit fees but generally it is charged by GST auditor on the basis of work.

2.8 Removal of Auditor - GSt auditor can be removed by registered person (appointing authority) on the basis of some valid reasons like incompetence, delay in the submission of reports; unreasonable delay in conducting an audit etc.

2.9 Audit of Non-Filer - According to section 62 of the CGST Act, when a registered taxable person fails to furnish the return then he may treated as non-filer and the proper officer may proceed to assess the tax liability of the such person on his best judgment, after allowing a period of 15 days from the date of service of the notice. In such situations the non-filer is required to get his books and records audited and mandated to file his annual return in GSTR 9 and the Reconciliation Statement in GSTR 9C.

2.10 Electronic submission - The registered person is required to submit electronically a copy of annual return in the prescribed form GSTR 9 and audited financial statement in GSTR 9C on or before 31st day of December following the end of the financial year.

2.11 Joint Audit - If a registered person want to appoint two or more accountant as auditor then in such case of joint audit the audit report is signed by all the joint auditors but if joint auditor do not agree to each other the report can be given by them separately.

3. Challenges -

As GST Audit is mandatory for every registered person whose aggregate turnover in a financial year exceeds 2 Crores but there are so many complexities and challenges which may be described regarding following points-

3.1 Turnover - In the context of turnover the challenge is that Outward supplies are furnished in the annual return on the basis of all the monthly GSTR-1 returns filed for a tax period hence There is a possibility of difference between outward supplies show in GSTR-1 and turnover showed in GSTR-3B for which no action is taken.

3.2 Reconciliation - reconciliation of financial is the important part of GST audit. The entire process for this reconciliation can be a time-consuming activity as there can be multiple items of reconciliation while highlighting the state-wise reconciliation between audited financials and GST annual returns is major task for tax-payers.

3.3 Identification the difference - This is also a challenge for tax payers to identify the differences with reasons in the figures of the Total Turnover, Taxable Turnover & ITC.

3.4 Lack of coordination - If the different GST auditors are appointed for different registered locations then there is a possibility of lack of coordination and it may be cause of delay in filling of annual returns.

3.4 Presumptive business - in the case of presumptive taxpayers like Second-hand car dealers, Life insurance industries, Air travel agent industry turnover shown in financial records may be different with the turnover on which GST is applicable.

3.5 HSN code - At present the HSN of the inward supplies is not required to file monthly GSTR 3B, but it is required in the Annual return GSTR 9 and generally most of the place the proper IT system is not found and data (in the regard of HSN code) are not recorded accordingly then in this situation disclosure of HSN-wise details of Input Tax Credit become the challenges for taxpayers.

3.6 Possibility of complication - As the GST was introduced with the ideology of one nation one tax in India but previously there were so many taxes including service tax, excise duty, sale tax and other state VAT taxes. Hence the combination of all previous taxes into one tax as GST became complicated to understand by some small business as well as customers.

3.7 IT Network - GSTN had been incorporated by government for developing GST portal to ensure services like GST registration, GST return filling, IGST settlement, etc. for these service a robust IT network is required but in India IT network is at childhood stage.

3.8 Extra burden - As GST act was introduced in 2017 but there are so many update are being made hence to understand such update the service of trained and skilled person with updated GST subject knowledge is required but this facility is not easily available and it create additional work load on professionals across industry.

3.9 Confusion in tax rate - Small retailer have confusion about the GST tax rate application and increasing cost of operations, furthermore the cost of computer and accounting staff to maintain record and filling of returns under GST.

4. Role of CA/CMA Auditor -

As under the challenges it has already been discussed that due to combination of more than 30 taxes into one tax creates the possibility of confusion and complication among small traders as well as customers and the service of trained and skilled person with updated GST subject knowledge is required furthermore in case of trader of large scale business under the section 35(5) and section 44(2) every registered person having turnover exceeds the prescribed limit has to get his accounts audited by a Chartered Accountant or a Cost Accountant Such type of requirement and compulsion provides the opportunities to CA/CMA and other professionals.

Under this article the role and importance with duties of an accountant (Chartered Accountant/ Cost and Management Accountant) is being discussed in two terms- i. Role of CA/CMA as a professional and ii. Role of CA/CMA as an auditor.

4.1 Role of CA/CMA as a professional - As a professional the role of a CA/CMA can be described as under-

I. Special Audit - If deputy / assistant commissioner finds complexities at any stage of scrutiny regarding value declared and credit availed then with the prior approval of commissioner he may appoint any A Chartered Accountant or Cost Accountant (CMA) nominated by the commissioner to examine and audit the books of accounts.

II. Representation as policy maker - A Chartered Accountant or Cost Accountant (CMA) can submit the representation as policy maker. This representation can be helpful for industry and other tax payer to achieve the convergence the new law.

III. Registration - As GST registration is required for the person whose turnover exceeds the limit. This is an opportunity for CA, CMA and other professional to approach the tax payers to assist in getting GST registration.

IV. Consultancy service - A Chartered Accountant or Cost Accountant (CMA) can provide consultancy service to tax payer regarding the eligibility and to avail of input tax credit.

V. Computation of tax liability - As the GST is paid on monthly basis then the accurate computation of tax liability is needed because short payment of tax attract the officials and excess payment of tax may block the funds. That why CA and CMA can play there role in computation of accurate tax.

VI. Help regarding reconciliation - The input tax credit is allowed in that situation when the respective data filled by supplier matched with data filled by customer. CA and CMA can provide service to identify such transaction and inform the respective person to amend the data accordingly.

VII. Representation of tax payer - Under the section 86 CA, CS and CMA are authorized to act as representative of tax payer. They can appear before the officials and assist the tax payers in all matter of litigation at various level of appeal.

VIII. Internal Audit - Internal audit is part of internal control system. Internal audit in the context of GST helps in that areas where the possibility of leakage of tax may be found. CA and CMA has specialization in this field hence they can provide service as internal auditor.

IX. Verification of Returns - Each and every tax payer want to verify and a preventive check the records to eliminate the possibilities of mismatch and duplication of work. A CA and CMA can help in this regard.

4.2 Role of CA and CMA as an auditor - As a GST auditor the role and duties of CA and CMA may be classified as under-

I. General-

i. As an auditor CA/CMA must detect the non-compliance, procedural irregularities and leakage of revenue through examining Trial Balance, Journal, Ledger, Invoice, Stock Ledger, Annual Financial Accounts & other audit reports.

ii. The auditor is required to analyze Part V of Form GSTR 9C using their professional diligence, skill, knowledge.

iii. Auditor looks that the accounts of company are maintained in ERP system properly or not. Furthermore he/she also checks that maintenance procedure of accounting system of company is reliable or not.

iv. Auditor is responsible to reconcile the audited financials with the annual return(GSTR 9, GSTR-9B) in relation to fill up GSTR-9C and he should determine that any amount paid by taxpayer has been arised due to non-reconciliation between the audited financials with the annual return or not

II. Registration-

i. Auditor is required to check that registration has been obtained as per GST laws or not.

ii. Auditor should check that registration certificate incorporate the each place of business.

III. Transitional Credit-

i. Auditor should ensure regarding transitional credit that such type of credit has been carried forwarded in form GSTTRAN-I and this carry forward is according the law.

ii. If transitional credit carry forwarded inappropriately then auditor should check that it has been reversed along with interest or not.

IV. Turnover-

i. Auditor should ensure him/herself that turnover declared in GST return match with the turnover declared in the books.

V. Input tax credit-

i. Auditor check that input tax credit availed by client according to provision of law.

ii. If payment not made within 180 days then reversal of input tax credit has been claimed.

iii. The invoice has been reported by supplier on the basis of GSTR-1 in which recipient has availed the input tax credit and it is being reflected in recipient's form GSTR-2A.

VI. Refund-

If any refund is claimed then auditor should check that such claim and documentation for claiming refund is in pursuance of law.

VII. Annual Return-

i. During the GST audit it should be checked that GSTR-9(Annual return) has been uploaded by a registered person having turnover more than 2 crore and then GSTR-9C should be uploaded.

ii. If there is any switchover from composition to regular or vice-versa, then auditor must ensure that GSTR-9A & GSTR-9 are required has been uploaded for the relevant period.

iii. In case of regular taxpayers auditor should analyse the GSTR-9 and ensure that it includes basic detail and other details regarding inward and outward supplies declared during F.Y., Input tax credit as declared, Tax paid as declared in return, Particulars of the transactions for the previous F.Y declared in return of April to September of Current F.Y or up to date of filing return of previous year whichever is earlier.

iv. In case of Composite taxpayers auditor should analyse the GSTR-9A. and ensure that it includes all relevant documents.

5 Conclusion -

As the GST was introduced by the government to replace and justify the indirect tax structure of the country. It simplified the existing indirect tax system and helps to overcome the cascading effect of tax but there are so many challenges in respect of reconciliation, HSN code, network, lack of coordination, complication etc. To face these challenges need of a professional having good knowledge of GST in the term of filling of return and audit work. CA/ CMA and other professional person have such opportunities to simplify the complexities of GST and can help the tax payers registered as well as unregistered person by providing the different type of service like representation for industry and other tax payer to achieve the convergence the new law, in getting GST registration, to avail input tax credit, computation of accurate tax liability, reconcile the data filled by supplier with data entered by customers, internal audit, refund, verification of returns etc. A chartered accountant (CA) and a cost and management accountant (CMA) also have their importance for government and can play a key role in conducting a statutory audit and can be appointed for special audit also. This article mainly focuses the conceptual background of GST audit and importance of CA/ CMA and other professional in the GST era and may be helpful for young researchers, professionals and other interested person. MA

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viveksikar@gmail.com

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NOTION OF GOODS AND SERVICES TAX IN INDIAN CONTEXT

Abstract

Goods & Services Tax was believed to prove flagship step towards economic transformation as anticipated by the experts. Though, it had to encounter some antagonistic remarks for its incompatibility with Indian economy. Traders also expressed their contravention to the rates levied. Countless amendment sittings were called and vicissitudes were registered. Amidst mixed thought, the article focuses on structural transformation in the indirect tax mechanism in India, and probable outcomes of the taxation as suggested by the experts. In general it aims at evaluating the substantial impact over different indicators, and the complexities lying in it.

Dr. Sameer Shekhar
Assistant Professor
Faculty of Management Studies
The ICFAI University
Tripura

Introduction

Goods and Service Tax (GST) is an indirect tax mechanism implemented by the government of India on 1st July 2017. The government implemented with the view to restructure the Indian tax system, but now its reinforcement and restructuring is of great concern over why our economy needs GST to be implemented as a new tax system? Though the justification of both the issues lies in 'we need a simple and unified tax mechanism'.

The genesis of GST in India roots approximately two decade back as it was laid down in 1999 by Atal Bihari Bajpayee. After change of power in 2004, the then Finance Minister P. Chidambaram continued with the effort to introduce GST as he proclaimed in the budget of 2006 on 28th February, but because of some eco-political hindrances it could not be implemented.

GST across the Globe

India is not the only economy to introduce GST in taxation system, as has been introduced in various countries long back, but obviously they were better capable in successful implementation of the mechanism. In totality 160 countries across the world implemented it with different tax rate as have been depicted in Figure 3.

Table 1: Introduction of GST in Few Economies with Multiple Tax Rate

Country	Year of implementation	Other Rates in %
France	1954	10, 5.5, 2.1
Germany	1968	7
Italy	1973	10, 5, 4
Argentina	1975	21, 10, 5, 0
Korea	1977	10%
Indonesia	1984	10%
New Zealand*	1986	8%
Japan**	1989	3%
Russia	1991	0, 10%
Australia	2000	10%
Malaysia	2015	6%
India	2017	(0, 5, 12, 18, 28)%

Source: www.moneycontrol.com, and OECD Tax Database

**The tax rate was 8% in 1986, increased to 12.5% in 1989 and 15% in 2012 still existing*

***Tax rate was 3% in 1989, increased to 5% in 1997 and 10% in 2012 which is still existing*

Transformation in Indirect Tax Mechanism

In case of indirect taxes impact and incidence bearers are two different heads. As a seller pays tax to the last competent authority, seller collect price of the product and tax amount from the customer by shifting the tax incidence on customers. Keeping in view the complex and repetitive tax mechanism as has been depicted in figure 2 the government decided to integrate them into one.

State Taxes

- VAT/ Sales Tax
- Entertainment Tax
- Luxury Tax
- Tax on Lottery/Gambling
- OCTROI
- Purchase Tax

Central Taxes

- Central Excise Duty
- Additional Excise Duty
- Additional Custom Duty
- Special Additional Duty on Customs
- Excise Duty levied under medicinal & Toiletries

Figure 1: Taxes Replaced Under GST

Since, GST is destination based tax mechanism; the tax is received by the state in which it has been consumed and not by the state in which it has been manufactured. Indian government has come up with three types of Goods & Services Tax, viz. Central Goods & Services Tax (CGST), State Goods & Services Tax (SGST), and Integrated Goods & Services Tax (IGST). These categories have been made under the circumstances of interstate and intra-state transactions.

GST is an indirect tax (comprehensive multistage, destination based tax) imposed on supply of goods and services. Comprehensive because it subsumed almost all the indirect tax except few and is called multistage because of its imposition on every production stage, but is meant of refund to various production point else than final consumer. The term destination tax is meant to its point of collection i.e. point of consumption and not as previous indirect tax mechanism in which it used to be collected from point of origin.

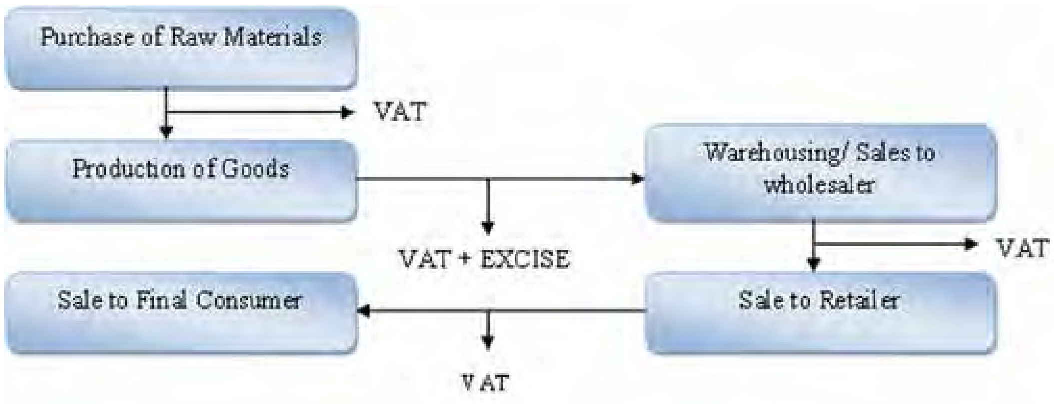


Figure 2: Taxation Prior to Introduction of GST

From figure 2 it is understandable that earlier when a product was manufactured, the taxes were collected on various stages in the form of excise duty and Value Added Tax. The central government used to levy excise duty and production tax, and the state government used to levy Value Added Tax (VAT) which was collected on various point. But, now this complex and repetitive nature of taxation has been unified and made simple.

Expected Outcomes of GST

The animus of the government behind the introduction of new tax reform was to bring a kind of economic strength and stability amidst roller coaster, and that GST would be able to eliminate many of the hurdles of the earlier indirect tax system which would certainly improve the Indian economy in long run. According to economic survey 2015-2016 GST is one of the biggest reforms in the modern global tax history in India. The raison-detre had various presumptions in this connotation as few of them were:

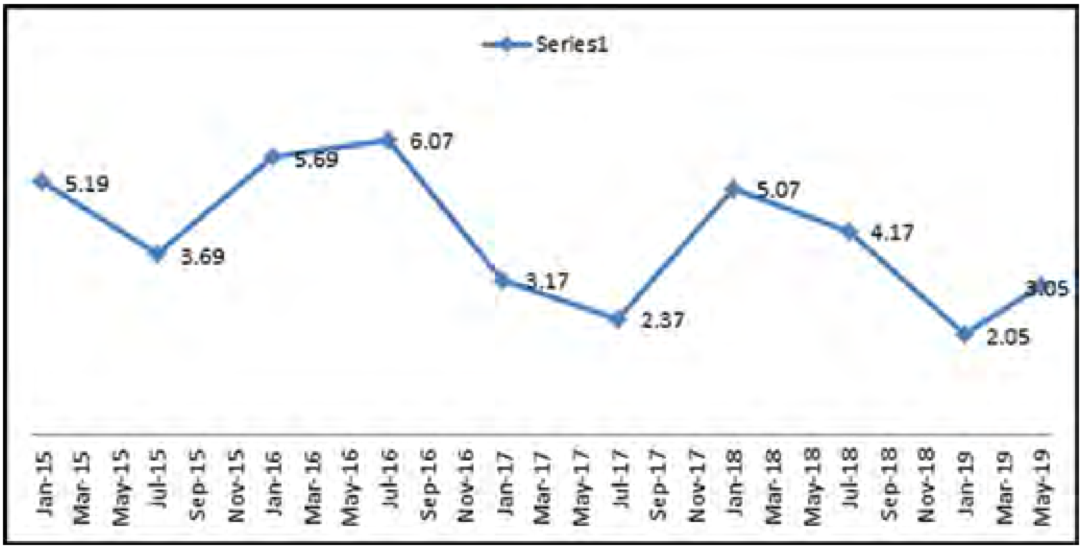
Check on Black Money - The government believed that GST would curb the black money transaction because of electronic processing of tax returns without the intervention of human hands. The rationale was backed by Permanent Account Number and AADHAR tagged with the mechanism would enable the income tax department in tracking the individual transactions. The tax compliance in case of direct and indirect taxes would be higher which would help in curbing domestic black money.

Growth of Government Revenue - The experts had their logic chopping that India will gain approximately $15 billion a year out of exports promotion, generation of employment opportunities. Various research reports came up that, the centre and states will earn more tax from the GST rollout, which will aid in GDP growth by 1% to 2% in next 3 to 5 years.

Consumer Satisfaction - Obviously the previous indirect tax mechanism tangled the minds of common consumer class resulting from multiple taxation platforms. The customer didn't know of how much exactly being paid in taxation, against which it was expected that the uniform taxation would ease the consumers in evaluating the cost of goods and services and therefore would extend the sense of satisfaction among them.

Operating Cost - It was also expected that the goods and services tax (GST) would bring down the distribution costs of retailers, and would consequently expedite the velocity to market and thus overall operation would be supercharged. Future Group CEO Kishore Biyani "Retail is the last leg of economy and GST will help retailers by removing cascading effect of taxes as they do not get input credit on many costs such as service taxes". He also argued that this transform India from informal to formal economy. However Nomura, suspected of certain drawbacks exist for retail companies. "The fact that companies will now need to pay GST as goods leave the factory and not when sold to the clearing and forward agent, will hurt retailers, as they store significant amounts of finished goods inventories for a large numbers of days before the goods are sold."

Inflation - In Indian economy where service sector accounts approximately 60% of the total GDP, it was believed that any increase in the tax on services more than the existing tax of 15% would certainly affect the prices of some essential services negatively, although it would lower the prices of the manufacturing goods. Consequently, short term inflation was expected by the experts. Based on the experiences of GST implementation in other economies Morgan Stanley marked that the GST bill will be affecting all factors of production and economics agents and will subsume other indirect taxes levied at the central and state levels leading to some upturn in inflation". GST invites short term inflation in the post implementation.



Source: MOSPI (CSO) IMA (www.indiamacroadvisors.com)

Figure 3: Consumer Price Index Based Inflation

From figure 3 it is quite evident that the inflation at consumer price index in India has been found fluctuating over the period of last five years. As after implementation of GST inflation has not just declined in 2017 but has also increased during the last year specifically during 2018. Although GST itself cannot be held responsible for the incline in inflation, because inflation is caused by many factors.

Ease of doing Business - The uniform tax system has eliminated various intermediate taxes resulting in reduction of total cost lower than that of previous tax regime. This would enable Indian products to survive more in the international market too. Future Group CEO Kishor Biyani remarked, "Retail is the leg of economy and GST will help retailers by removing cascading effect of taxes". Certainly the single tax system instead of prior system will eliminate lag in time on the process of production to distribution system, and the efficiency will increase.

Conclusion

The government's effort of implementing unified tax for simplification of tax mechanism is appreciable. However, GST along with demonetisation has caused more panic to the economy. Well planned implementation and execution, would have catered certainly better result without sense of failure among the common mass and businesses. However its impact over revenue generation, reduction in operating cost, customer satisfaction, ease of doing business are of vital importance but that on black money check and inflation control seems imaginary. Although in log term it may prove boon for entire economy. MA

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GSTR - 9C UNDER GST: IT'S NOT AUDIT BUT CERTIFICATION WITH LOT OF RESPONSIBILITIES!!

CMA D. S. Mahajani
General Manager (Taxation)
Transpek-Silox Industry Pvt. Ltd.
Vadodara

Abstract

Goods and Service Tax (GST) has been implemented with effect from 1st July 2017 and this is the first year of submission of Annual Return and Reconciliation Statement for the Financial Year 2017-18. Central Goods and Service Tax Act 2017, mandates certification of Reconciliation Statement (GSTR-9C) by a chartered accountant or cost accountant on 'true and correct' basis - which is different from 'true and fair' basis for Audit Report under Companies Act, 2013. In addition to this, the purpose of GSTR-9C is to link Financial Statements with Annual Returns filed by a registered person. Considering this, an attempt has been made in this article to give combined view to the reader on Accounts and Audit provisions and highlight that lot of responsibilities is cast of the person certifying GSTR-9C under CGST Act 2017.

Audit in general parlance means a systematic examination and verification of a firm's books of account and other relevant documents ('the records') by a third party with an aim to provide an independent opinion whether the records are/are not in compliance with the applicable law. Audit serves the purpose of assurance and add credibility of the records.

AUDIT UNDER GOODS AND SERVICE TAX (GST)

Section 2(13) of Central Goods and Service Tax Act, 2017 ("CGST Act, 2017") defines "audit" means the examination of records, returns and other documents maintained or furnished by the registered person under this Act or the rules made thereunder or under any other law for the time being in force to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliance with the provisions of this Act or the rules made thereunder.

Section 65 and 66 of CGST Act 2017 read with Rule 101 and 102 of CGST Rules, 2017 deals with Audit and Special Audit by tax authorities. As per that –

(1) The Commissioner or any officer authorised

by him, by way of a general or a specific order, may undertake audit of any registered person for such period, at such frequency and in such manner as may be prescribed.

(2) The period of audit to be conducted under sub-section shall be a financial year or a part thereof or multiples thereof.

(3) The officers may conduct audit at the place of business of the registered person or in their office.

(4) During the course of audit, the authorised officer may require the registered person -

(i) to afford him the necessary facility to verify the books of account or other documents as he may require;

(ii) to furnish such information as he may require and render assistance for timely completion of the audit.

(5) The proper officer authorised to conduct audit of the records and the books of account of the registered person shall, verify the correctness of the turnover, exemptions and deductions claimed, the rate of tax applied in respect of the supply of goods or services or both, the input tax credit availed and utilised, refund claimed, and other relevant issues and record the observations in his audit notes.

(6) On conclusion of audit, the proper officer shall inform the registered person, whose records are audited, about the findings, his rights and obligations and the reasons for such findings.

There is also a provision of Special audit under GST Laws. If at any stage of scrutiny, inquiry, investigation or any other proceedings, any officer not below the rank of Assistant Commissioner, having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits, he may, with the prior approval of the Commissioner, direct such registered person by a communication in writing to get his records including books of account examined and audited by a chartered accountant or a cost accountant as may be nominated by the Commissioner.

Where the audit conducted by GST authorities results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the proper officer may initiate action under section 73 or section 74.

Based on the above discussions, it can be concluded GST Dept can conduct normal audit or a special audit by a chartered accountant or a cost accountant nominated by the Commissioner.

ANNUAL RETURN (FORM GSTR-9) AND RECONCILIATION STATEMENT (FORM GSTR-9C)

GST is a self-assessed destination based taxation system, where GSTR-9 is an important return. GSTR-9 is consolidation of the information furnished in the monthly/quarterly returns filed by a registered person during the financial year. GSTR-9 does not allow any revision, once it is filed.

The following registered persons under CGST Act, 2017 are required to furnish Annual Return for every financial year by 31st December following the end of such financial year. For the FY 2017-18, the date from filling Annual Return has been extended to 31st August 2019.

1) Every registered person, other than (a) any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India or (b) an Input Service Distributor, (c) a person paying tax deduction at source or (d) a person collecting tax at source, (e) a casual taxable person and (f) a non-resident taxable person, shall furnish an Annual Return in Form GSTR-9;

2) Every person paying tax under Composition Scheme shall furnish the Annual Return in Form GSTR-9A.

3) Every electronic commerce operator required to collect tax at source under section 52 shall furnish annual statement referred to in sub-section (5) of the said section in Form GSTR-9B.

Since Annual return (GSTR-9) is not linked with the Financial Statements, it is mandatory for every registered person whose turnover during a financial year exceeds Rs.2 crores, he shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts, the reconciliation statement duly certified in Form GSTR-9C.

ACCOUNTS AND RECORDS UNDER GST

From the above discussions it is clear that in order to comply the provisions of Annual Returns, Reconciliation Statement (GSTR-9C) or Audit by GST Dept, every registered person must keep and maintain proper Accounts and records as prescribed u/s 35 of CGST Act

2017. In other words, if the books of account are not properly maintained by a registered person, it is simply not possible to comply the provisions of Annual Returns, Reconciliation Statement (GSTR-9C) or Audit by GST Dept.

As per Section 35 of CGST Act 2017 read with Rule 56 of CGST Rules 2017, every registered person shall keep and maintain in addition to the particulars mentioned u/s 35 (1), a true and correct account of -

1) goods or services imported or exported or of supplies attracting payment of tax on RCM along with the relevant documents, including Invoices, BoS, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers.

2) accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.

3) advances received, paid and adjustments made thereto.

4) details of tax payable, tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

5) the particulars of -

a) names and complete addresses of suppliers from whom he has received the goods or services chargeable to tax under the Act;

b) names and complete addresses of the persons to whom he has supplied goods or services;

6) Goods manufactured showing quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof.

TRUE AND CORRECT VS. TRUE AND FAIR?

We have heard the term 'true and fair' until now but the CGST Act 2017 mandates that Accounts and Records Accounts and Records must be maintained in 'true and correct' manner. So that it is important to understand what is the meaning of true and correct and how it is different from true and fair?

True and Fair (terms used *in Auditing Standards*) means that Financial Statements are free from material misstatements and faithfully represents the financial performance and position of the business entity.

(a) What is the meaning of "True"?

The term True suggest that the Financial Statements are **factually correct** and have been prepared according to the relevant reporting framework e.g. Accounting Standard like IFRS. True means they do not contain any material misstatements that may lead to misled the stakeholders. Where material misstatements may result from material errors or omissions of transactions and balances in Financial Statements.

In short, True is usually used to say something based on facts – i.e. whether something is factual, real or genuine or not. True is opposite to "false".

(b) The term fair implies that Financial Statements represents the information faithfully without any element of bias and they reflect the economic substance of transaction rather than just their legal form (i.e. substance over form)

(c) What is the meaning of "Correct"?

The term Correct means something is free from error; in accordance with lawfulness. It deals with accuracy, whether something is right or not.

Hence, to put in a nutshell, the term,

- True is associated with FACTS.
- Fair is associated REASONABLENESS.
- Correct is associated with ACCURACY, PRECISION and VALIDNESS.

So, True and Correct means Factual and Accurate/ Valid.

WHY GSTR - 9C UNDER GST IS NOT A MERE CERTIFICATION

1. Audit under GST laws can be conducted by GST authorities only - except Special Audit u/s 66 of CGST Act 2017.

2. GSTR-9C contains two parts. Part-A on Reconciliation Statement and Part-B Certification.

In Part-A on reconciliation statement, chartered accountant or a cost accountant is required to certify the following details -

(a) Reconciliation of Gross Turnover declared by the registered person;

(b) Reasons for un-reconciled difference in taxable turnover;

(c) Reconciliation of tax paid;

(d) Reasons for un-reconciled payment of amount;

(e) Additional amount payable but not paid due to (a) un-reconciled difference in Annual Gross Turnover (b) un-reconciled difference in taxable turnover and (c) un-reconciled payment of amount;

(f) Reconciliation of Input Tax Credit (ITC);

(g) Reasons for un-reconciled difference in ITC;

(h) Tax payable on un-reconciled difference in ITC due to un-reconciled difference in ITC and un-reconciled difference in ITC.

(i) Auditor's recommendation on additional Liability due to non-reconciliation;

(j) Towards the end, the chartered accountant or a cost accountant states on Verification under his Signature and stamp that –

"I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from."

Part-B of GSTR-9C is on Certification, has two categories -

I. Certification in cases where the reconciliation statement (Form GSTR-9C) is drawn up by the person who had conducted the audit:

II. Certification in cases where the reconciliation statement (Form GSTR-9C) is drawn up by a person other than the person who had conducted the audit of the accounts:

As we know Audit report under Companies Act, 2013 is prepared on 'true and fair view' basis. Hence, the chartered accountant, who has conducted financial audit of a registered person while certifying Part-B (1st category) of GSTR-9C can extend his views from 'true and fair view' to 'true and correct view'.

However, the real challenge is under the 2nd category, where Audit report is issued based on 'true and fair view' but the chartered accountant or a cost accountant is required to give his certification 'true and correct' basis.

To summarise it can be said that the responsibilities is cast is on the person certifying GSTR-9C not only to link the Financial Statements with that of Annual Returns but also to identify and ensure correct payment tax is made by a registered person on 'true and correct' basis.

Conclusion

"The concept of True and Correct is new under GST Laws. CGST Act 2017 has cast responsibilities on registered person to keep and maintain Accounts and Records in true and correct manner. Apart from this, duty is also cast on chartered accountant or cost accountant to certify GSTR-9C on 'True and correct' basis. Considering the importance attached to the subject, not only registered person but chartered accountant / cost accountant are required to be diligent to ensure that the provisions of GST Act 2017 are compiled in best possible manner." MA

References

1) Central Goods and Service Tax 2017;

2) Central Goods and services Rules 2017 (as amended).

dsmahajani@yahoo.com

FUTURE PROOFING COST AUDIT FRAMEWORK

Abstract

Right from the time Cost Audit has been introduced, the main objective, reporting methodology are undergoing frequent changes accompanied by a churn in the entire spectrum. While all stakeholders, whether internal or external are clear that it should help in improving the business performance, the ground reality is it has been treated more as a compliance than as a value adding exercise. The Institute guidance notes are more procedure oriented, dwelling to some extent on the real objective behind the cost audit. At the same time, as it is part of the statute, it cannot go beyond the mandate provided under law. This article explores the emerging contours of requirement of business and how the cost audit can emerge from the cocoon of compliance to a value adding butterfly, which will future proof the cost audit framework.

CMA Mahadevan Gopalakrishnan
Practicing Cost Accountant, Chennai
President (2011-12)
The Institute of Cost Accountants of India

Introduction:

Cost Audit framework under The Companies Act, 2013 requires maintenance of Cost Records by the Auditee and audit of the Cost Records by the Cost Auditor, as when the products manufactured or services rendered by the corporate entity, come under the purview of Maintenance of Cost Records and under cost audit.

Cost Accounting Records:

Section 148 (1) of The Companies Act, 2013, gives the power to the Government to direct that particulars relating to the utilisation of material or labour or to other items of cost as may be prescribed in respect of such class of companies engaged in the production of such goods or providing such services as may be prescribed, shall also be included in the books of accounts kept by those companies. A consultative process with the regulator, is included in the proviso in case of such of those class of companies coming under regulatory purview.

Cost Audit:

Section 148 (2) gives the power to the Government to direct that audit of cost records of the companies with a prescribed net worth and turnover criteria and covered under Section 148 (1) shall be conducted in the prescribed manner.

The Companies (Cost Records and Audit) Rules, 2014 as amended time to time, provide a detailed framework of maintenance of cost records, the particulars to be maintained, the appointment procedure and the reporting and filing framework including XBRL filing.

Cost Accounting Standards:

The Institute of Cost Accountants of India has issued 24 Cost Accounting Standards, which clearly lays down principles governing the Cost Accounting and Reporting Framework. In addition, the Institute has also come out with the Generally Accepted Cost Accounting Principles, which govern the key principles, which strengthens the principles enshrined in the Cost Accounting Standards. The key elements of these standards have been incorporated under Form CRA-1 of Companies (Cost Records and Audit) Rules, 2014, as amended from time to time.

Cost Audit Report:

The Cost Audit Report is covered under CRA-3 of Companies (Cost Records and Audit) Rules, 2014, as amended from time to time. The report consists of two parts, the first part covering inter alia,

- Audit of cost records in conformity with the cost auditing standards
- Availability of information and explanations for the purpose of Cost Audit
- Maintenance of Cost Records as per Cost Records Rules
- Availability of cost records from branches not visited
- Availability of information required under The Companies Act
- ***Adequacy system of Internal Audit of Cost Records***
- ***Cost statements give a true and fair view of the Cost of production/ rendering service, cost of sales and margin***
- ***Availability of audited and certified unit-wise, product-wise cost statements and related schedules***

The Bold italics are the matters that must be covered and underlines importance of systems approach to cost audit. Part 2 deals with the Auditors Observations and suggestions.

Standards on Cost Auditing:

The proviso to Section 148 (3) which gives mandate to the Cost Accountant in practice and the manner of appointment, mandates that the audit under this section shall comply with cost auditing standards (Standards on Cost Audit) issued by The Institute of Cost Accountants of India and approved by the Central Government. Out of the Standards on Cost Auditing, issued by The Institute of Cost Accountants of India the Standards 101 to 104 have been approved by The Ministry of Corporate Affairs. They are

101 – Planning an Audit of Cost Statements-Appointment, Pre-Appointment, Audit planning and scheduling.

102 - Cost Audit Documentation – Pre-audit and post audit documentation, Audit procedures and Audit File.

103 – Overall objectives of the independence of cost auditor and the conduct of audit in accordance with the Cost Auditing Standards – Compliance with code of ethics,

Understanding and application of auditing standards.

104 – Knowledge of business, its processes and the business environment – Understanding the entire gamut of business of auditee relevant to the audit.

101 to 103 are internal procedural guidance to the Cost Auditor.

104 is a very important SCA, which gives a clear guideline on conduct of real cost audit.

In this article, the key aspects of SCA 104, which gives a clear mandate on the onus of the auditor to understand the business process and environment of the auditee, before the conduct of the audit will be discussed. These aspects are the key to the main objective of Cost Audit and in a provide value adding perspective, which future proofs the cost audit process.

Salient Features of 104 – Knowledge of business, its processes and the business environment:

Requirements: Para 5.2: The entity and its environment

(a) The nature of the entity, including its operations covering Business processes, major inputs, Joint & By Products and Wastages and major outputs etc and the entity's ownership and governance structure.

(b) Relevant industry, regulatory, and other external factors including the applicable cost and financial reporting framework.

(c) The entity's selection and application of cost accounting policies.

(d) The measurement and review of the entity's performance.

Requirements: Para 5.3: The entity's Internal Control:

(c) Cost Information System/ Management Information System: The cost auditor shall obtain an understanding of the Information System including Management Information System, relevant to cost reporting, including the following areas:

1. The classes of transactions and their analysis, that are significant to the cost statements;
2. The procedures, by which those transactions and their analysis are initiated, recorded, processed, and reported in the management information systems and cost statements;
3. The related cost accounting records, supporting information that are used to initiate, record, process and report transactions; and
4. The reporting process used to prepare the entity's cost statements, including significant estimates and disclosures.

(d) Control Activities: The auditor shall obtain an understanding of the control activities, relevant to the audit.

(e) Monitoring of controls:

1. The auditor shall obtain an understanding of the major activities, that the entity uses to monitor internal control over reporting.
2. The cost auditor shall evaluate the adequacy of the internal audit function in relation to cost records.

Para 6. Application Guidance:

Para 6.1

(c) Identifying areas where special audit consideration may be necessary, for example, abnormal losses, lower yields, higher wastages, higher utilities consumption, related party transactions etc.

(d) Developing Models for use in performing analytical procedures;

Para 6.2 of SCA - 104. Relevant industry factors

(a) The market and competition

(b) Cyclical or seasonal activity

(c) Changes in product technology

(d) Business risk (for example, high technology, high fashion, ease of entry for competition)

(e) Declining or expanding operations

(f) Adverse conditions (for example, declining demand, excess capacity, serious price competition)

(g) Key ratios and operating statistics

(h) Specific cost accounting practices and problems

(i) Specific or unique practices (for example, relating to labour contracts, financing methods, accounting methods).

(j) Energy supply sources and cost

(k) Environmental requirements and problems

Para 6.3 of SCA - 104

An understanding of the entity's selection and application of cost accounting policies may encompass matters such as:

(a) The methods the entity uses to account for significant and unusual transactions (abnormal events).

(b) The effect of significant cost accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

(c) Changes in the entity's cost accounting policies.

(d) Cost reporting framework and laws and regulations that are new to the entity and when and how the entity will adopt such requirements.

Para 6.4 of SCA - 104

Management will measure and review those things they regard as important. Performance measures, whether external or internal, create pressures on the entity. These pressures, in turn, may motivate management to take action to improve the business performance or to misstate the cost or financial statements. Accordingly, an understanding of the entity's performance measures assists the cost auditor in considering whether pressures to achieve performance targets may result in management actions that increase the risks of material misstatement, including those due to fraud. Examples of internally generated information used by management for measuring and reviewing financial performance, and which the cost auditor may consider, include:

(a) Key performance indicators and key ratios (financial and non financial).

(b) Key trends and operating statistics.

(c) Period on period financial performance analyses.

(d) Budgets, forecasts, variance analyses, segment information and divisional, departmental or other unit level performance reports.

(e) Employee performance measures and incentive compensation policies.

(f) Comparisons of an entity's performance with that of competitors.

Approach towards understanding and evaluation of the Cost Accounting system:

The basic principles behind the relevant Para of the SCA 104, read with the application guidance clearly suggest an approach towards understanding and evaluation of Cost Accounting system. The SCA 104, also goes much beyond the External Reporting of Cost thru the Annexure to the Cost Audit Report, when it asks for an evaluation of entity's internal control of cost information system and management information system relevant to cost reporting. This coupled with the requirement from application guidance for identifying areas for special audit consideration, developing models for use in performing analytical procedures, etc., complete the scope.

For want of a better terminology, we can borrow from a similar terminology existing in Financial Reporting Viz., Internal Financial Controls over Financial Reporting (IFCFR). For the present this approach can be called Internal Cost Reporting and Cost Control systems (ICRCC), till one more suitable can be identified. The IFCFR has a significantly enlarged scope and is embedded in The Companies Act 2013. Some of the terms used in the definition can be borrowed selectively for the ICRCC.

Cost Audit Framework - Internal Cost Reporting and Cost Control systems: (ICRCC)

The policies and procedures adopted by the Company for ensuring orderly and efficient conduct of business, the accuracy and completeness of cost accounting records, adherence to company's cost accounting policies and the timely preparation of reliable cost information can be part of the definition of ICRCC.

The output from the Cost Accounting system is the product cost, net revenue and profit margin at various levels of business process. It can also have a process view of the cost which will be vital for internal decision making. The output from the system is used primarily by internal stakeholders (at various levels of management) and from the Government perspective. The Cost Auditing Standards require the Cost Auditor to evaluate the internal system of analysis of business activities and the costs flow into these activities. The cost of all activities gets aggregated through the system of Cost Accounting and gets reported at appropriate levels of management at various timelines.

The broad aspects of these are summarised into the following CHECKLIST FOR COST AUDIT (system evaluation part), which tries to capture the essence of Cost audit, as required under The Companies Act, Cost Accounting Standards, Cost Auditing standards. The requirements will vary from sector to sector. The procedural check list has already been dealt with in detail in the Institute's Guidance Notes.

CHECKLIST FOR COST AUDIT

- **Preliminery:**

  - It is understood that the Cost Accounting System focuses on the Client's Business Process and the Revenue Streams arising out of the Business Processes so that cost flows incurred during the process are identified to the cost objects (intermediate and Final)

  - The Reporting Requirement of Abridged Cost Statement under Cost Accounting Records and Audit may or may not relate to the internal cost flow as per Cost Accounting System.

  - The output from the internal cost accounting system gets reported in the Abridged Cost Statement as per the requirement and formats prescribed under Cost Accounting Records and Audit Rules.

- **Audit Process:**

  - Understanding of the revenue streams of the entity, the product or service under those revenue streams, the process (either manufacturing or service process) producing those products or services, the information measurement for each stage of the process, the data available at each stage, the process of collating the information/data and finally the principles thru which it gets reflected in the cost statement are the key book marks.

  - Understanding the operations covering Business processes, major inputs, Joint & By-Products and Wastages and major outputs etc.

  - The initial product or service cost sheet that is the output from the cost accounting system is based on the revenue stream identified as above. The cost sheet may also show the cost in terms of processes and sub processes within the business process.

  - Since the same business process may produce both products coming under audit as well as those not coming under audit, the evaluation is done relating the Business Process and not product based.

  - Identifying areas where special evaluation may be necessary, for example, abnormal losses, lower yields, higher wastages, higher utilities consumption, comparison with benchmarks (internal or external), Capacity utilization, value addition and key factor contribution. The evaluation will be both on quantitative and non-quantitative parameters.

  - Evaluation of Models or Decision Support Systems if any, for use in performing analytical procedures relating to cost.

  - Evaluation of process of identification of any input which may have a significant influence on the cost of the product or service.

  - Evaluation of whether the cost information from the Cost Accounting System is used by various internal customers (eg. Marketing, Production, Maintenance, Quality Assurance) in their functions.

  - Mapping the Cost Accounting Policies declared by the Company to the Cost Accounting System and updating the same in case of any change.

  - Evaluation of the difference between Budgets and Actual costs as arrived at by the Cost Accounting System and the reasons for the variations.

  - Details of IT ENVIRONMENT

    - IT architecture - Systems and programs In use in the entity

    - Controls on access to data

    - Controls on changes to data in master files , systems or programs

    - Integrity of information and security of data

    - List of Details of Informations obtained for costing purposes- Direct from system/ program

2) Manual collection of data from what source

¤ Rules followed for allocation of cost in system – area wise

- **Audit Visit Structure:**

a. First meeting about the overall business, detailed discussion on the manufacturing process involving the technical team

b. Visit the plant and patiently spend time in each stage of manufacturing process and cost flow. Document the entire process and update the same every year.

c. Hold a detailed discussion in each unit and evaluate the following:

§ Process flow and cost flow

§ Evaluation of Design of cost center

§ Evaluation of Design of methods to accumulate the cost and allocation

§ Evaluation of Process of arriving at the cost sheet

- **Observations arising from the cost audit:**

o The Robustness of the Cost Accounting System and identification of areas, where the same can be improved.

o Sample instances at different time lines, in each system process to indicate the robustness or improvement required.

o Linking the output from the cost accounting system to the Reporting requirement under Act.

o Summarise the findings and provide the observations and suggestions in the Main Cost Audit Report or Internal Cost Audit Note to management, as required.

A FUTURE PROOF SYSTEM BASED APPROACH

The Cost Auditor while conducting the cost audit provides additional observations and suggestions, some of which have a significance on Annexure to the Cost Audit Report, will appear in Part 2 of the Main Cost Audit Report and others which have a significance on system evaluation, can be provided as an Internal Cost Audit note to the management.

From the above, it can be seen, that the Main Cost Audit Report and the Annexure to the Cost Audit Report is not the means of all and end of all of cost audit. The question, which is often asked by some of the management, is whether any queries are raised by the Government on the submission of the Cost Audit Report and if not, what is the end use. There are many instances where the Government have fine-tuned the policies, as a result of feedback from reports received, in which cost audit report forms one part.

The law makers in their abundant wisdom have made a clear distinction between financial reporting, where the stakeholders are external, cutting across a wider spectrum Viz., investors, Government, banks and others., and the Cost Accounting Records and Audit. In case of Cost Audit, they made it clear in the explanatory memorandum to the Act as and when it was introduced or reintroduced, clearly indicating that the optimum utilisation of resources and improvement in cost efficiency, as the fulcrum for the exercise, which benefits the public at large, either thru the Government or by system efficiencies.

The Performance Reporting framework which was a part of the cost audit in the earlier was to some extent in line with the approach suggested in this article. The same can be tweaked to a system evaluation approach, in which specific instances at various time points added with the effect on cost in relation to Capacity Utilisation, Productivity/ efficiency at key processes, utilities – energy/ fuel efficiencies and key costs/ contribution analysis, which is part of the Internal Cost Information System/ Management Information System, mentioned in Para 5.3 of SCA 104. This can lead to a periodical evaluation of systems, like quarterly or half yearly than an annual ritual.

In addition, in the current era of IT enabled auto populated data (which is being adopted very successfully by the Government), evaluating the alignment of cost information flow through the IT systems, including the Data Analytics, BI and other such tools which are available with the company, will enable cost management reporting on a shorter time scale as required at various decision making levels. This will put the cost auditors who are future enabled head above the rest of the professionals, who are compliance oriented and fit in the fill, file and forget syndrome.

In any Board Meeting, which considers Cost Audit Report, there is a great expectation that the cost auditor throws some light on the system of cost accounting and management and give some insights into to the improvements in the system. But when the report comes out as a mere compliance partly due to the Company to get over the agenda of compliance and the cost auditor duly obliging the company, it comes as a disappointment to the professionals in the Board, who have practically seen the effect of a good cost management system, in the entities they are or were in.

Part of the fault lies with majority of the companies, who bracket the cost audit along with the deluge of compliances, so that it gets lost in the labyrinth. If not all, some of the leading cost audit firms can adopt the improved approach and act as a mentor to others. This can become as a game changer, forcing the set of cost audit professionals who do the cost audit as a mere compliance at a very low fees, to desist from that practice, segregating the grain from the chaff. This may lead to a demand pull from auditees, who will be demanding better service and be ready to pay the appropriate reasonable fees.

Another undesirable practice, by Companies as well as the cost auditors is to compare the other statutory financial audits with cost audit, as both are like chalk and cheese. The financial audit as already emphasised is external oriented whereas, cost audit is internal oriented. The form of reporting under Cost Records and Audit Rules, are an evidence that the output in the form of Abridged Cost Statement, has been from a robust cost accounting system in existence. The sum of element wise costs CTA code wise can at best give an annual weighted average cost of all products from different units, which does not give a decision-making information. The cost auditor must lift the CTA code veil and look into the product wise, process wise cost for each unit and the system which gives that output. That factor is already part of the Para (vii) of the Cost Audit Report, where the cost auditor certifies, "(vii) Detailed unit-wise, product-wise cost statements and schedules thereto in respect of the product under reference of the company duly audited and certified by us are kept in the company."

The law, with the associated notifications combined with the Standards on Cost Auditing have enough and more for doing a real value added cost audit. It only requires a will and effort on the part of the cost auditor to do it.

Conclusion

It can be seen from the above, that this approach has been clearly within the mandated cost audit framework. The implementation requires a transformational approach. The first step in this direction is for The Institute of Cost Accountants of India have to segregate the guidance notes in two parts, one to deal with the procedural aspect and other from the system evaluation aspect. It has to be followed by a chain of training programmes, across the country, like it did in the past when the New Cost Records and Audit framework was introduced on the recommendations of the Expert Group on Cost Records and Audit. In addition, it should come out with plenty of reading materials with a case study approach, sector wise, providing model cost audit reports on the lines suggested. This approach can definitely make the cost audit reports a valuable input in the hands of the management for improving cost efficiencies. MA

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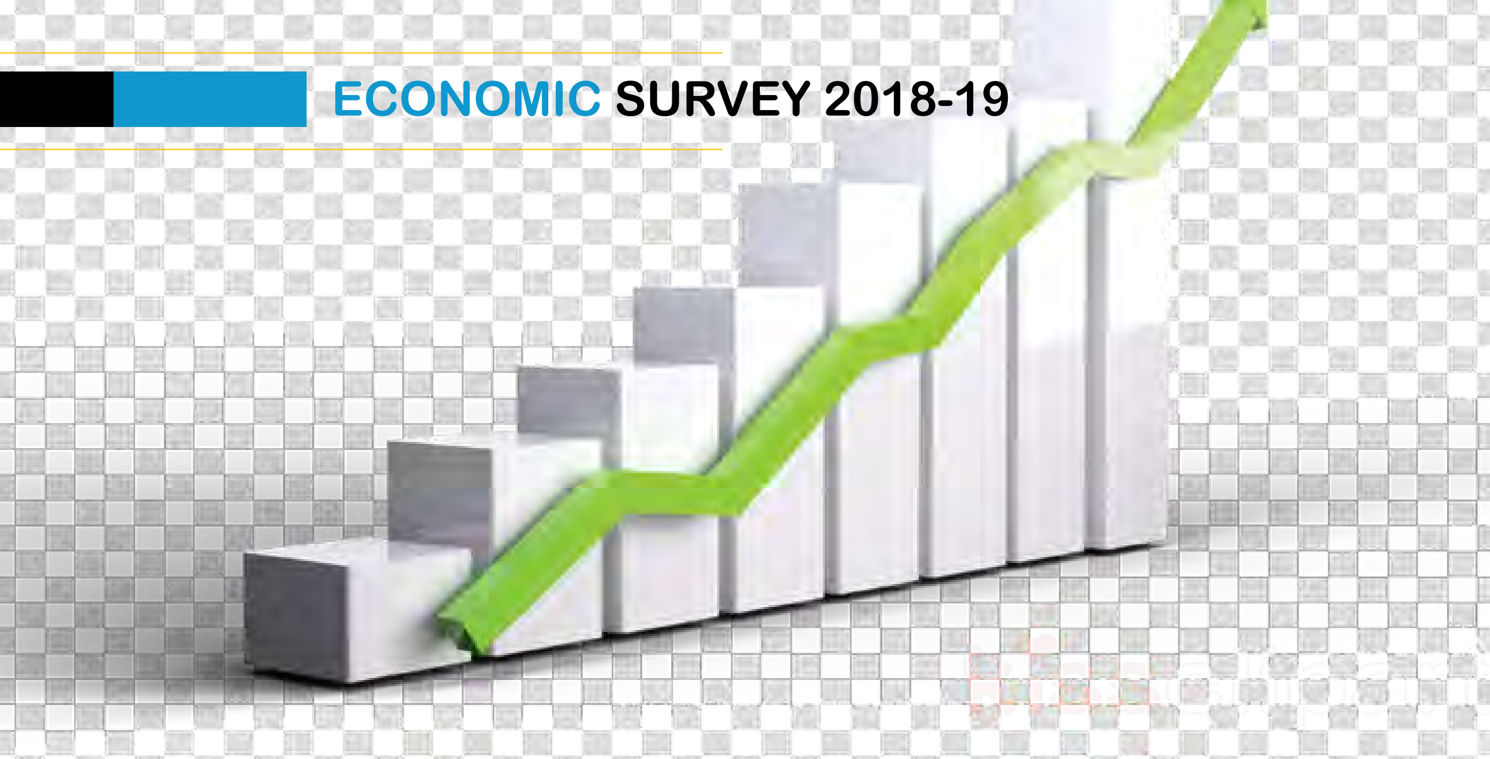
mgopalak@gmail.com



ECONOMIC SURVEY 2018-19 AT A GLANCE

Ms. Purvi Sawhney
Assistant Professor
Doon Business School
Dehradun

CMA Pankaj Kapoor
Assistant Professor
Doon Business School
Dehradun

Abstract

The Department of Economic Affairs, Ministry of Finance, Government of India is responsible to table the Economic Survey in the parliament every year, before presenting of Union Budget. Economic survey is prepared under the guidance of the Chief Economic Adviser to Ministry of Finance. Economic Survey for year 2018-19 rolled out on 4th July 2019 into two volumes with blue colour title representing 'blue sky thinking' to gear-up the economy. Volume one contains 11 significant economic emerging aspects which can be gear of economic growth and sustainability, where- as volume two comprises performance of major sectors. This article is to summarise key highlights of Economic Survey – 2018-19.

Ms. Nirmala Sitharaman, Union Minister for Finance and Corporate Affairs, Government of India, tabled the Economic Survey 2018-19 on July 4, 2019 in parliament. Survey is in two volume, volume I contain the blueprint (depicted by blue colour cover page) for informed policy making (11 chapters & each is focusing upon specific area); whereas volume II is in form of ready reckoner and contain industry wise major developments; supported by statistical data.

As survey departed from traditional Anglo-Saxon approach, Mr. Krishnamurthy V. Subramaniam, Chief Economic Advisor is of opinion, that Indian economy, if experience virtuous cycle instead of vicious cycle then can witness the long period of high growth rate (likewise experienced by East-Asian countries).

To break the vicious cycle and entering into self-sustaining virtuous cycle, private investments is key driver of shifting gears in term of growth, creating jobs and demand, increasing exports; especially when it is supported by demographic dividend.

- **Performance in recent year/s and way ahead**

Economic Survey forecasts growth rate of 7 percent for upcoming financial year 2019-20. Growth registered in financial year 2018-19 is 6.8 percent, against 7.2 percent in year 2017-18.

Average retail inflation, measured through Consumer Price Index (CPI), in 2018-19 recorded at 3.4 per cent. Average Wholesale Price Index (WPI) inflation, in 2018-19 recorded at 4.3 per cent from 3.0 per cent in 2017-18.

Fiscal deficit for year 2018-19, ended with 3.4 per cent of GDP, it is worth to mention as per recommendation of NK Singh committee formed under FRBM act 2003, the target fiscal deficit is of 3 per cent of GDP to be achieved by 2020-21. 'Debt to GDP ratio' recorded at 44.5 per cent (provisional) for the year 2018-19, target for central government is to kept the same under 40 per cent of GDP by 2024-25. Total Central Government expenditure fell by 0.3 per cent of GDP, in 2018-19 over 2017-18.

The current account deficit has declined to reach about 2.1 per cent of GDP in year 2018-19. During same period, exports grew at rate of 12.5 per cent to US$ 330.18 billion, while imports decreased by 15.4 per cent to US$ 514.29 billion. Foreign Exchange Reserves increased to US$ 412.9 billion in 2019, from US$ 424.4 billion in 2018. Industrial growth rate was valued at 6.9 per cent in 2018-2019, higher than 5.9 per cent in 2018.

Honourable Prime Minster, Mr. Narendra Modi's vision of India being USD 5 trillion economy (#economy@5trillion) by 2024-25 can be achieved if India attain the sustainable real GDP growth rate of 8 per cent, with Inflation at 4% level provided exchange rate must be INR 75 per USD in March 2025 and increase in total productivity factor of 0.75%.

- Leveraging Behaviours – Even in economics too

Resting/relaying upon work of 2017s' Noble prize winner (for his contributions to behavioural economics) Richard H. Thaler of University of Chicago, Survey suggests importance of behavioural economics in term of motivating agenda for strategic social changes. Some of social changes suggested are;

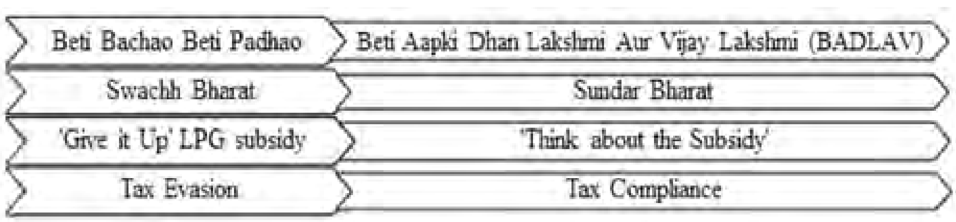


Figure 1 - Social schemes can be taken ahead, using behavioural economics

- **Unshackling MSMEs – especially the old but small companies**

Focus on nourishment of Micro Small and Medium Enterprises (MSMEs) to grow for achieving greater profits, job creation and enhanced productivity. For such MSMEs word 'Dwarfs' is used, which mean 'remain small despite being old' which is different form 'Infants' which mean small firm which is young.

Table 1 - Showing performance of firms, in terms employment, productivity

Type	%age to total organised firm	Contribution to Employment	Contribution to Productivity
Small firm (with or less than 100) Which are more than 10 years old	More than 50%	14%	8%
Large Firm (with more then 100)	15%	75%	About 90%

No doubt rate of jobs creation is higher in case of young firms' rather older firm.

The perception that small firms are job creators pervades because job destruction by such small firm remain ignored in this calculus largely. At same time economic survey witness that permanent job created in large number by larger firm.

Major reasons suggested by economic survey for problem of dwarfs are; 1. Size-based incentive irrespective of age of firm; and 2 In-flexible labour regulations (table 2 enlist the size based labour regulations)

Figure 2 - List of different labour regulations, which are applicable according to size/number of employees

Industrial Disputes Act,1947	•Employing 100 or more workers
Industrial Employment (Standing Orders) Act,1946	•100 or more workmen
Trade Union Act, 2001	•Membership of 10 per cent or 100 workmen whichever is less
Factories Act,1948	•10 or more workers with power and 20 or more workers without power
The Minimum Wages Act, 1948	•Employment in the schedule having more than 1000 workers in the State
Contract Labour (Regulation & Abolition) Act, 1970	•20 or more workers engaged as contract labour
Employees' State Insurance Act,1948	•10 or more workers and employees monthly wage does not exceed Rs.21000
Employees' Provident Fund & Miscellaneous Provisions Act, 1952	•20 or more workers employees monthly wage does not exceed Rs 18000

Survey suggests solution as well, in form of;

a. Sunset clause (upto 10 years) with necessary grand-fathering.

b. Even de-regulating labour law restriction can create larger number of jobs.

c. High employment elastic sectors/industries can be added to priority sector and Priority Sector Lending guidelines can be changed accordingly so that credit can assured to young firms

d. Focus need to done on sectors which are having spill over effect (example is also suggested by survey – tourism sector has high spill-over effects on other sectors) for creating jobs

- **Data is the another key**

Monitoring of path adopted for economic development is possible or become effective, only if performed constantly and supported by real-time data. Rich repositories is already held by government with multidimensional data, only need is to club the scattered data and effective use to bring greater accountability in public services with enhanced transparency.

Importance of data can be understand from 2017 Forbes survey, which found that 53 per cent of companies actively use big data to make decision (Dresner, 2017). Survey suggests transforming India's Data Infrastructure by improving the way and using the sophisticated technologies in gathering, storing, processing and disseminating data

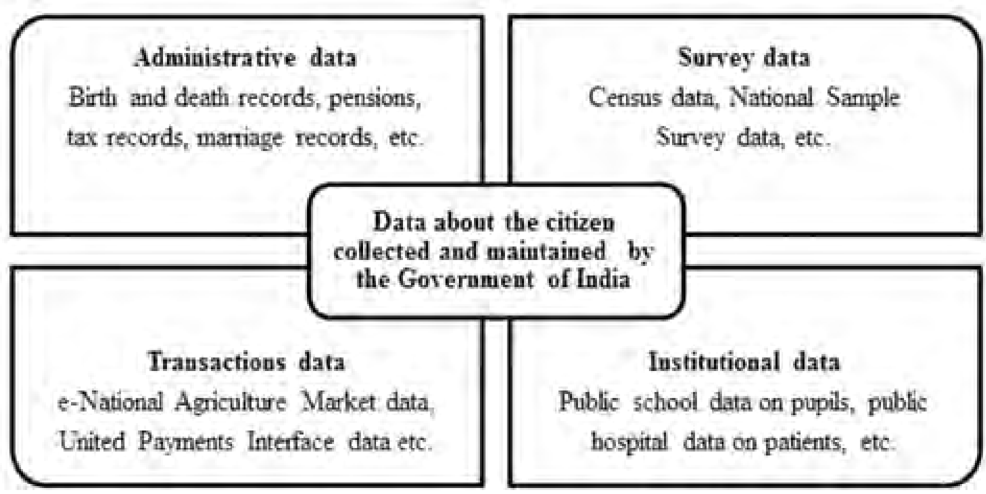


Figure 3 - Citizen Data collected by central government

- **Relook at vacant capacity in lower judiciary**

Justice Delayed is Justice Denied. In the country where 'paran jayi par vachan na jayi' (from Tulsidas Ramayana) is consider as ideal behaviour, in enforcing contract (one of parameter of ease of doing business ranking) stood at 163rd rank among 190 countries (improvement of mere 1 rank in comparison to last year) due to weak enforcement. Same is also evidential form number of pending case. There are 3.53 crores pending in India courts, with 0.16%, 12.30% and 87.54% at Supreme Court, High Court and Subordinate court level respectively. At District & Subordinate (D&S) courts, more than 64% of cases are pending for more than one year.

Table 2 - Performance of courts at different level

Court	Clearance Rate	Annual Disposal Number of cases (Per Judge)	Working/ Sanction strength	Working strength as %age
Supreme Court (Jan 18– Oct 18)	98%	1179	28/31	90
High Courts (July 17 – June 18)	88%	2348	671/1079	62
D&S Courts (Jan 18 – Dec 18)	89%	746	17,891/22750	79

Zero per cent accumulation (100% case clearance rate), can be easily achieved just be filling 2279 and 93 judge vacancies in lower court and high courts respectively, even without productivity gain.

- **Investment and Policy Stability**

Investors rely to make investment, where integration of Profitability, Liquidity and Safety is high. All three depends upon policy stability in country. Although generic economic uncertainty, which can't be controlled, policymaker can reduce uncertainly in economic policy to possible extent to ensure foster investment climate. To ensure same forward guidance can be used as tool. Post 2015 India witness lesser Economic Policy Instability even in comparison to some of major economies, especially United States.

- **Demographic Dividend at India - Future will be aging society**

There is no doubt in this that India is enjoying demographic dividend right now, but it will aging society by 2030.

Table 3 - Demographic classification (in million terms)

Census	0-19 years	20-59 years	Above 60 years
2011	494.7	611.7	104.2
2021	464.2	751.6	131.1
2031	415.8	848.2	179.3
2041	381.0	889.2	239.4

Source – Census & IIPS projections

Working age population will grow 9.7 million per year during 2021-31 and 4.2 million per year during 2031-41.

Care of parents is become a critical social issue in India also and due availability of good health service average life is increasing. On line of Germany (retirement age will be 67 by 2029), US (67), UK (66, will be 67 and then 68 in upcoming period) and Japan (70); India also need to plan for increasing the retirement age in phased manner.

- **Sundar Bharat via Swasth Bharat**

Sunder Bharat is seen as extension to Swachh Bharat. Sunder Bharat will be ensured through Swasth Bharat. Performance of Swachh Bharat Mission recoded by economic survey is worth mentioning; 93.1 per cent of the households now have access to toilets. 100 per cent Individual Households Latrine (IHHL) Coverage in 30 states and UTs Financial savings from a household toilet exceed the financial costs to the household by 1.7 times on average and 2.4 times for poorest households.

- **Energy for Life - Affordable, Reliable and Sustainable Energy**

India despite accounting for 18% of word population, only use 6% of primary energy. To enter in upper -middle Income group, India where per capita energy consumption is currently 1/3rd to global average, need to increase energy consumption 2.4 times of current level. To achieve HDI level of 0.8 increases in consumption should be 4 times.

Thermal power is still contributes to 60% of total consumption, despite share of renewable energy in consumption increased from 6% (in 2014-15) to 10% (in 2018-19). Market share of electronic vehicles in India is 2%, which require focus.

Ujjwala is all time hit social up gradation scheme under which around 7 crores LPG gas connection provided by April 2019. PAHAL is also worth to mention as on 5th march 2019, 24.39 crores LPG consumer, join PAHAL (Leave LPG subsidy, at their own)

- **Technology can be driver of welfare**

Use of technology in implementing welfare scheme is significant. MGNREGS (Mahatma Ghandi National Rural Employment Guarantee Scheme) which use technology tool for NeFMS (National Electronic Fund management System) and DBT (Direct Benefit Transfer) to ensure reduce the delays in wage payments.

- **Minimum Wage System must be designed effectively**

Presently the minimum wage system in India is complex, because large number (1,915) of minimum wages for a variety of scheduled job categories across states has been notified and still Minimum Wages Act, 1948 doesn't cover all wage workers. Need of Effective Minimum Policy (EMP) is high in case of India to ensure sustainable economic development, because one in every three worker not protected by the minimum wage law. Survey recommends;

a. Restructuring of minimum wages and Fixed for four categories – Unskilled, Semi-Skilled, Skilled and Highly-Skilled and same should be proposed in form of Code or Wages Bill.

b. 'National Floor Minimum Wage' should be notified by the Central Government, varying across five geographical regions.

c. 'National level dashboard' under the Ministry of Labour & Employment for regular reports on minimum wages

d. Toll-free number to register grievance on non-payment of the statutory minimum wages

- **Performance of economic sectors**

Agriculture and Allied - The growth rate in Gross Value Added (GVA) by the agriculture and allied sectors improved from a negative 0.2 per cent in 2014-15 to 6.3 per cent in 2016-17 but decelerated to 2.9 per cent in 2018-19. Participation of women in agriculture increased to 13.9 per cent in 2015-16 from 11.7 per cent in 2005-06 and their concentration is highest (28 per cent) among small and marginal farmers. In fisheries sector, India is the second largest producer in the world and in dairying, India is the largest producer of milk.

Industries, Corporate and Infrastructure sector - Growth of 4.3 percent is registered by overall index of eight core industries in 2018-19. In World Banks' Ease of Doing Business Ranking, India's rank has improved to 77th (by 23 places) in 2018-19 among 190 countries.

In 2018-19, rail freight and passenger traffic grew by 5.33 per cent and 0.64 per cent respectively as compared to 2017-18. Road construction grew at the rate 30 km per day in 2018-19 compared to 12 km per day in 2014-15.

The installed capacity of electricity has increased to 3,56,100 MW in 2018-19 from 3,44,002 MW in 2017-18. MA

Reference

Compiled from volume 1 of Economic Survey 2018-19

purvisawhney@doonbusinessschool.com
pankajkapoor.ca@gmail.com

CONGRATULATIONS !!!

CMA VR Sridhar has been conferred the Ph.D Degree by Bharathiar University, Coimbatore towards contribution of his thesis on "Corporate Governance practices in India - A study with reference to select corporate sectors" with effect from 29th August, 2018 under the guidance of Dr. M. Sakthivel Murugan, Professor in Charge, DB Jain College, Thoriapakkam, Chennai.

We wish CMA VR Sridhar the very best for all his future endeavours.

SOCIAL REPORTING PRACTICES IN INDIAN CORPORATE SECTOR

Dr. Mahesh Chand Garg
Professor
Haryana School of Business
Guru Jambheshwar University of Science and Technology
Hisar

Sandeep Kumar
Research Scholar
Haryana School of Business
Guru Jambheshwar University of Science and Technology
Hisar

Abstract

The annual report is the widest way as a means of communication in the present world of economies. Every company report their financial statements and other business-related evidence in their annual reports. Almost every company keeps its annual reports in physical form and on websites today. The information disclosed by a company in its annual reports is highly dependent on competition as well as industry standards. The present study examines the disclosure of social information in the annual reports of Indian companies and also shows the relationship between Social Disclosure Index and industry sector. The study is based on a random sample of 106 companies, which comprise the DOLLEX-200 Index as on March 31, 2016. This sample of 106 companies includes 16 different industrial sectors. To measure the extent of social disclosures of the sample companies, a worksheet namely Social Disclosure Index (SDI) have been prepared. The results of the present research paper conclude that there is a significant positive relationship between the industry sector and Social Disclosure Index.

1. Introduction

The social reporting of corporate is a procedure for communicating the social and environmental impacts of the financial activity of associations within the public arena (Gray *et al.,* 1987). Mathews (1993) characterized exposure to Corporate Social Responsibility (CSR) as voluntary disclosure of both subjective and quantitative data by organizations to educate or influence an extended crowd and quantitative information can be budgetary or non-financial in nature. Roberts (1992) explained the corporate social reporting as the revelation of these expenditures and benefits that could be quantifiable in terms of cash flow, resulting from financial practices and significantly supported by the group everywhere or by different stakeholders. Gray *et al.* (1996) noted that companies' social information practices seem to be fluctuating around the world, distinct levels of social and environmental practices are affected by housing for companies domiciled in more developed countries, they are likely to report their social and environmental practices more widely than firms operating in less developed countries.

A development in the direction of rising level of social disclosure has been observed in India. Though, the level of social disclosures is still low. Some of the efforts taken by stock exchanges and Government of India in context with corporate social disclosure are as follows: (i) Voluntary Guidelines are issued in 2009 for Corporate Social Responsibility (CSR). (ii) Companies Act stipulates that in the Board of Directors' Reports there must be information on conservation of energy. (iii) In 2011, The Securities and Exchange Board of India (SEBI) mandates listed companies to report on social, environmental and governance initiatives undertaken by them, in accordance with the basic principles set out in the National Voluntary Guidelines on social, environmental and economic responsibilities of business. (iv) In 2012, Bombay Stock Exchange has inaugurated Green Index. With the enactment of the Companies Act, 2013, India has become the forerunner to mandate spend on Corporate Social Responsibility (CSR) activities through a statutory provision.

2. Literature Review

In the present research paper, studies conducted in India and abroad relating to the corporate social reporting have been reviewed. During the review of the literature, it has been observed that most of studies have been conducted in abroad, but very few studies have been conducted in India on the subject. The review of empirical studies helps in the identification of problem areas, construction of disclosure index and the choice of statistical techniques for the conduct of the study.

There are many scholars who have studied on determinants of corporate social reporting. Some of them have explained below:

Ayadi (2004) concluded that stakeholder theory is an appropriate foundation for empirical analyses of corporate social disclosure. Haniffa and Cooke (2005) examined that culture and corporate governance of company's factors working as control variables and also found that disclosure in the annual reports of Malaysian companies was not culture free and is attributed mainly to government policy. Joshi (2006) analysed the social reporting practices of financial institutions in India on the basis of age of the business, total deposit, advances loan, share capital and profit after tax before appropriation for the year 2002 and found that various company characteristics does not affect disclosure pattern. Naser *et al.* (2006) found the variations in corporate social disclosure of Qatari companies associated with firm size as measured by the firm's market capitalization, business risk as measured by corporate growth and leverage. The result of study showed that large companies disclose more information than small-sized companies. Yusoff (2006) examined the differences of environmental disclosure practices between Australian and Malaysian public listed companies. Further, it was found that Australian companies disclosed more environmental reporting information and the study also concluded that Australia has better environmental disclosure practices as compared to Malaysia. Fauzi et al. (2007) examined the relationship of Corporate Social Performance (CSP) to Corporate Financial Performance (CFP) to determine if CSP is related to firm performance and found that company size had a positive effect on the relationship between CSP and CFP. Barako and Brown (2008) found that expanded ladies' representation at the Board level will altogether and emphatically impact on corporate correspondence. Proportion of executive directors on board measured as extent of executive directors to aggregate number of the board individuals is emphatically connected with the degree of data unveiled. Fauji and Idris (2009) concluded that there is a positive relationship between CFP and CSP under the slack resources theory and under good management theory. Alarussi *et al.* (2009) inspected the connection between web Internal Finance Disclosure (IFD), Internet Environmental Disclosure (IED) and six variables namely ethnic of Chief Executive Officer (CEO), leverage, level of technology, listing status, profitability and firm size.

The results of the study indicate that level of innovation ethnic of CEO and firm size are significant factors in explaining both IFD and IED. Reverte (2009) analyzed the characteristics of corporate social responsibility disclosures rating by Spanish firms for the financial years 2005 and 2006 and concluded the most influential variable for clarifying firms' variety in CSR appraisals is media presentation, trailed by size and industry. Echave and Bhati (2010) inspected the yearly reports of 41 Spanish organizations for the year 2007 and inferred that there is a negative connection between money related performance and corporate social disclosure for Spanish firms was watched. Saleh *et al.* (2010) concluded that there are sure and essentialness connection between CSR disclosure and Institutional ownership (IO).

Guidry and Patten (2010) analyzed the distinction between market responses with the nature of the sustainability report and found that there is no significant relationship between them. Galani et al. (2011) found that firm size is connected with the level of disclosures. Hussainey *et al.* (2011) using a sample of 111 Egyptian listed companies for the period of 2005–2010 find that 66% of the Egyptian listed companies disclose on average 10–50 CSR statements. In addition, the study concluded that product/customer information is used extensively by Egyptian listed companies compared with other types of CSR information. Bhayan (2012) examined that there is huge affiliation exits among listing status, promoter's shareholding design, leverage, size of review firm and productivity and also analyzed that no critical affiliation was found among age and private status of the firm. Ebiringa *et al.* (2013) demonstrated a negative relationship of CSR reporting with firm size. Alkababji (2014) examined that there is no relationship between CSR disclosure level and profitability. Jouirou and Chenguel (2014) found that firm size, the independence of the board and nature of firm affected the level of willful disclosures and also demonstrated an unfavorable connection of firm age with level of disclosure. Juhmani (2014) examined that the financial leverage and firm size had a significant relationship with the level of social and natural data revelation. Marquis and Quian (2014) analysed that size of firm, obligatory disclosures, detailing knowledge, media presentation, and securities exchange trade had critical impact on the likelihood of issuing a CSR report. Ajmi *et al.* (2015) reported that most organizations indicate social data and stated that there is a significant positive relationship with the disclosure of a social obligation with the tightness and productivity and the negative relation with government ownership. Hasan and Hossain (2015) examined that firm size regarding all resources and status of the organization influence the level and degree of voluntary disclosures in the yearly report of Bangladeshi organizations. Talha *et al.* (2016) analysed that corporate social reporting of Indian companies is effected by size, ownership, nationality, industry type and leverage. Dyduch and Krasodomska (2017) found a relationship between the company's turnover, the length of the stock exchange listing, the Inclusion Index portfolio and the foreign capital share with the level of CSR exposure. Syed and Butt (2017) analyzed that family possession, type of industry and size of a firm have a positive relationship but also found that a negative relationship between risk and CSRD.

The literature reviewed here highlights that there is a need to corporate social reporting practices in the annual reports of Indian companies. The present paper makes a modest attempt to fill up this gap.

3. Research Objectives and Hypothesis

The primary objective of the study has to examine the social disclosure information in the annual reports of different industries in Indian companies.

In annual report, social reporting is a voluntary exercise implemented by the companies. The political theory recommends that the political connection of a firm can affect the membership of the industry. Firms in politically more vulnerable industries can use voluntary exposure to minimize political costs, i.e. regulation, the entity/industry breakdown etc. Singh and Ahuja (1983), Adams et al. (19980, Verma (2010) and Reverte (2009) found a positive relationship of industry sector with social reporting. From the results of literature studied, the following hypothesis has been formulated and tested:

H1 = There is positive relationship between industry type and Social Disclosure Index of a company.

4. Research Methodology

A random selection of 106 companies, which make up the Dollex-200 Index for the year March 31, 2016 has been taken for the present research work. The background for selecting the Dollex-200 Index as a test base is that these randomly 106 companies constitute for a large share of the market value of the Indian security market.

The sample of 106 companies comes from 16 various industry sectors and has 16 public sector companies and 90 private sector companies. Table I represents the allocation of companies having annual reports as per industry sector. A highest of 12 companies comes from health care sector. The sample also represents

11 companies each from FMCG, metal and mining and power sectors; 9 from transport equipment and 7 companies from Oil and Gas. A sample of 7 companies is from housing sector and a few numbers of companies also represent from Information technology, telecom, transport services, chemical and petrochemical, textile and media and publishing sectors.

Table 1: Sector-wise Industry Allocation of Sample Companies

Sr. No.	Sector of Industry	No. of Companies	Percentage
1	Capital Goods	5	4.72
2	Housing	7	6.6
3	Diversified	4	3.77
4	Textile	2	1.89
5	Transport Equipment	9	8.49
6	Health Care	12	11.32
7	Chemical and Petrochemicals	4	3.77
8	FMCG	11	10.38
9	Oil & Gas	7	6.6
10	Telecom	4	3.77
11	Metal and Mining	11	10.38
12	Power	11	10.38
13	Transport Services	5	4.72
14	Information technology	6	5.66
15	Media and Publishing	3	2.83
16	Miscellaneous	5	4.72
Total		**106**	**100**

4.1 Scoring of Items

Several studies have been conducted in the past on the different aspects of corporate social reporting in India as well as abroad. In these studies, different methods of scoring have been adopted. In some studies, the scores to different items were assigned on basis of relative importance of items. In some other studies, the scores were assigned on basis of quality of information disclosed, while in some other studies equal scores were assigned to different items.

In the present study, we have assigned the score in the range of 0-2 depending upon the quality of disclosure. If an item is disclosed in quantitative terms, a score of two is assigned, if an item is disclosed in qualitative terms, a score of one is assigned to it and a score of zero is assigned if the item was not disclosed at all. Keeping in view the nature of different item (variable) of social reporting in the study, the maximum score of SDI came to 56. Further, Social Disclosure Index is divided into four categories namely Environmental and Energy Disclosure Index (EEDI), Human Resources Disclosure Index (HRDI), Product and Consumer Disclosure Index (PCDI) and Community Involvement Disclosure Index (CIDI). Table II show the highest score of each category.

Table II: Categorization of Score of Social Disclosure Index (SDI)

Category (Dependent Variable)	Highest Score
Environmental and Energy Disclosure Index (EEDI)	21
Human Resources Disclosure Index (HRDI)	15
Product and Consumer Disclosure Index (PCDI)	12
Community Involvement Disclosure Index (CIDI)	8
Social Disclosure Index (SDI) = (EEDI +HRDI + PCDI + CIDI)	**56**

Since the majority of the items of social disclosure included in the index are voluntary in nature, therefore the main focus of this study is to know the status of disclosure of these voluntary items of social disclosure.

5. Empirical Results and Analysis

This part explains the descriptive statistics of dependent variables. For the purpose of this analysis, a SDI is made as the dependent variables. SDI is a voluntary reporting index and it includes Environmental and Energy Disclosure Index (EEDI), Human Resource Disclosure Index (HRDI), Product and Consumer Disclosure Index (PCDI) and Community Involvement Disclosure Index (CIDI). Table III explains the mean, variance, maximum value, minimum value, standard deviation, median, skewness and kurtosis of these dependent variables.

Table III presents the average (mean) value of SDI is 20.10 taken as a whole. The highest (maximum) score of SDI is 37 whereas the minimum SDI is 8. This is a very high diversity in the type of manifestation in annual reports by different companies. No company have obtained the maximum of 56 score. The average score of public sector companies (22.38) is relatively higher than that of private sector companies (19.70). The standard deviation of overall companies is 6.43. However, the standard deviation for public sector companies (6.42) is higher than private sector companies (6.39). The minimum score for public sector companies is 11 in comparison to private sector companies (8). This shows that private sector companies show a minimum level of information in the annual reports than public sector companies. The overall skewness value (0.192) is positive while the kurtosis (- 0.623) value is negative.

Table III: Dependent Variable's Descriptive Statistics

Dependent Variable	Statistics	Sector		Overall Companies
		Public	Private	
Social Disclosure Index (SDI)	Mean	22.38	19.70	20.10
	Median	24	19.00	19
	Variance	41.18	40.82	41.41
	Std. Deviation	6.42	6.39	6.43
	Minimum	11	8	8
	Maximum	31	37	37
	Skewness	-0.534	0.315	0.192
	Kurtosis	-0.979	-0.377	-0.623
Environmental and Energy Disclosure Index (EEDI)	Mean	9.81	7.51	7.86
	Median	11	8	8
	Variance	13.363	10.410	11.418
	Std. Deviation	3.66	3.23	3.38
	Minimum	4	2	2
	Maximum	14	15	15
	Skewness	-0.343	0.111	0.108
	Kurtosis	-1.563	0.765	0.901
Human Resources Disclosure Index (HRDI)	Mean	6.38	5.60	5.72
	Median	6	5	5
	Variance	3.183	4.310	4.186
	Std. Deviation	1.78	2.08	2.05
	Minimum	5	1	1
	Maximum	12	11	12
	Skewness	2.246	0.437	0.535
	Kurtosis	6.421	-0.304	0.249

Product and Consumer Disclosure Index (PCDI)	Mean	3.06	2.88	2.91
	Median	3	3	3
	Variance	1.663	2.513	2.372
	Std. Deviation	1.29	1.59	1.54
	Minimum	1	0	0
	Maximum	6	6	6
	Skewness	0.509	-0.020	0.002
	Kurtosis	0.935	-0.687	0.465
Community Involvement Disclosure Index (CIDI)	Mean	3.69	3.72	3.72
	Median	4	3.5	4.
	Variance	4.496	4.540	4.491
	Std. Deviation	2.120	2.131	2.119
	Minimum	0	0	0
	Maximum	7	8	8
	Skewness	-0.394	-0.098	-0.134
	Kurtosis	-0.555	-0.858	-0.839

Table III further presents that overall EEDI score is 7.86. Standard variation of EEDI score in case of private companies is 3.23 while this is 3.66 in case of public companies. Minimum and maximum EEDI of public sector companies is 4 and 14 respectively while minimum and maximum EEDI of private sector companies is 2 and 15 respectively. Skewness (0.108) and Kurtosis (0.901) are positive in case of EEDI for overall companies.

In case of private sector companies, mean value of the HRDI is 5.60 whereas it is 6.38 for public sector companies. The minimum value for overall companies is 1. The maximum value of HRDI for private sector companies is 11 and for public sector companies, it is 12. This presents that the public sector companies are better to the private sector companies in disclosing the HRDI. The values of skewness (0.535) and kurtosis (0.249) of HRDI are positive.

For PCDI, the maximum score (6) is same for public and private sector companies. The overall average score of PCDI is 2.91. The minimum score of PCDI for public sector companies is 1 and for private sector companies is zero. The variation of PCDI is higher in case of private sector companies (1.585) than that of public sector companies (1.29).

Community Involvement Disclosure Index (CIDI) obtained overall mean value of score is 3.72. The maximum CIDI value for overall companies is 8. It can be noticed from data that minimum and maximum values of CIDI are 0 and 8 respectively for private sector companies, while the maximum value is 8 and the minimum value is 0 in case of public sector companies. Overall maximum value of score of CIDI is best as it is 100 percent of the total disclosure of CIDI. Overall, the values of skewness (-0.134) and kurtosis (-0.839) are negative with regard to CIDI.

From the above analysis, it can be inferred that average value of Social Disclosure Index (SDI) is 20.10, which accounts for nearly 35.89 percent of the explanatory note calculated as per SDI worksheet. The variances (41.18) of SDI for public sector companies are higher than private sector companies (40.82). Public sector companies provide better disclosure than private sector companies with regard to community involvement information in their annual reports. Further, public sector companies are better for disclosing their EEDI, HRDI and PCDI while private sector companies are better for disclosing CIDI as revealed by the mean values.

5.1 Industrial Sector Classification of Disclosure Index

Table IV presents the descriptive statistics of a sample of 106 companies from 16 industry sectors. Social Disclosure Index (SDI) of Oil & Gas sector (21.86) is the highest followed by Chemical & Petrochemical sector (21.50), Capital goods sector (20.60), Metal and Mining sector (20.36), Textile sector (20.00), Diversified sector (19.75), Miscellaneous sector (19.50), Information Technology sector (18.83) and Power sector (17.27). But the maximum SDI score is from Metal and Mining sector (31) followed by Oil and Gas sector (30), Housing sector (28), and Diversified sector, Textile sector, IT sector and

Capital goods sector (26 each). Media and Publishing sector companies' position in very last with maximum SDI score of 11. The minimum SDI score is of FMCG companies (6). The standard deviation of SDI is higher in case of textile industries (8.49) and the minimum is in media and publishing sector (1.53)

Table IV: Industry-wise Social Disclosure Index

S. No.	Industry Sector	Mean	Minimum	Maximum	Std. Deviation	Coefficient of Variation (C.V)
1	Capital Goods	20.60	16	26	4.22	0.21
2	Housing Related	15.88	8	28	6.58	0.41
3	Diversified	19.75	14	26	6.13	0.31
4	Telecom	16.00	13	21	3.56	0.22
5	Textile	20.00	14	26	8.49	0.42
6	Transport Equipment	15.89	8	24	4.78	0.30
7	Health Care	13.92	8	22	4.03	0.29
8	Chemical & Petrochemicals	21.50	18	25	3.51	0.16
9	Metal and Mining	20.36	11	31	6.77	0.33
10	FMCG	15.55	6	23	4.80	0.31
11	Oil & Gas	21.86	9	30	8.05	0.37
12	Power	17.27	8	25	5.62	0.33
13	Transport Service	12.60	7	19	4.77	1.17
14	IT	18.83	14	26	4.02	0.21
15	Media and Publishing	9.67	8	11	1.53	0.16
16	Miscellaneous	19.50	12	27	6.98	0.33

5.2 Hypothesis Testing

To examine statistically the relationship between industry type and Social Disclosure Index (SDI), the following hypothesis has been formulated and tested:

H_{01} = There is a positive significant relationship between industry type and SDI of a company.

Table V: ANOVA on SDI and Industry Sector

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1046.710	15	69.781	2.314	0.008
Within Groups	2714.432	90	30.160		
Total	3761.142	105			

One-way ANOVA results (Table V) show that there is a positive significant relationship between industry sector and SDI of a company. The results are very significant at 1 percent level of significance. Hence, the hypothesis (H_{01}) is accepted and it can be said that industry sector type has a positive relationship with SDI of a company. The same is supported by previous studies (Singh and Ahuja, 1983; Adams *et al.,* 1998; Reverte, 2009; Verma, 2010; Talha *et al.,* 2016; and Syed and Butt, 2017).

6. Conclusion

The present research paper highlights that the average value of the Social Disclosure Index (SDI) is 20.10 which accounts for almost 36 percent of the disclosure score calculated according to the worksheet of SDI. Companies of public sector have better disclosure of Environmental and Energy Disclosure Index (EEDI), Human Resources Disclosure Index (HRDI) and Product and Consumer Disclosure Index (PCDI) in the annual reports while private sector companies are better in disclosing their CIDI as differentiated to the public sector companies.

When comparing annual reports on social disclosures from different sectors of the industry, it is discovered that the average SDI of the Oil and Gas sector is the highest followed by the Chemical and Petrochemical sector, and Capital goods sector. This shows that the companies that belong to the Oil and Gas, Chemicals and Petrochemicals and Capital Goods sectors are better than other companies from other sectors with regard to social disclosure of information in their annual reports. The results are also supported by hypothesis testing wherein the null hypothesis (H1) is accepted. From this analysis, it can be determined that industry type has a positive significant relationship with SDI of a company. It shows that type of industry sector, to which a company belong to, leaves an respectable impact on social disclosure practices of those companies. This result proves that level of competition and industry standards determines the social reporting exercise followed by companies belonging to that type of industrial sector.

In this present era of competition, every corporation would like to compete its industry standards. The more the concentration of comparison to each other company in any industry, more and more disclosure would be made by companies to grow in this competitive edge. This will also prove that social reporting disclosure is a good tool to be used by companies for distinction and attracting interested parties.

This subject of study is emerging and growing stage in the Indian context. The extent of social disclosure was studied through 106 Indian companies in the present study. So, there is further possibility can be for future research. The same SDI can be assessed for a big sample in the Indian framework. A comparative learning of companies from developed countries and Indian companies or with Fortune 500 companies can be done. The study of social reporting can be carried out for specific companies in any of the particular sector, such as the banking or IT sector to verify the level and extent of disclosure and suggest improvements in disclosure practices. MA

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mc_garg@yahoo.com
casandeeppurwa@gmail.com

SUSTAINABILITY REPORTING AND PERFORMANCE OF INDIAN COMPANIES

Aishwarya Krishnaswamy
PhD Scholar
Institute for Financial Management and Research (IFMR)
Chennai

Abstract

This paper gives a background on the growing importance of sustainable investment across the globe and in India and how responsible investing has become the new way of investing for many investors. It also outlines the regulatory requirements in India regarding sustainability reporting as mandated by SEBI and CSR expenditure requirements as required by the Companies Act, 2013. Further, it also looks at the industry wise Environment, Social and governance (ESG) disclosure scores obtained from a third party source CSRhub.com giving insights into which industries are leading and which are trailing and also analyses the reasons for the same. It talks in detail about the methodology used by CSRhub to rate companies and finally concludes with some recommendations for the government.

In April 2014, India became the first nation ever to make it mandatory for specified companies as per the provisions of The Companies Act, 2013 (The Act) to spend out of their profits on various activities like education, provision of affordable health care, serving the malnourished, women empowerment, and so on.

While CSR spending is not new to a country like India which has a culture of giving, The Act does bring in more companies into its fold and also given a strategic, systematic and thoughtful direction to the already spending companies.[1] "The CSR mandate is an attempt to supplement the governments' efforts of equitably delivering the benefits of growth and to engage the Corporate World with the country's development agenda." - Harpal Singh, Mentor and Chairman Emeritus, Fortis Healthcare Limited. Some examples of CSR include Organizations like Bharath Petroleum, Maruti Suzuki India, and Hindustan Unilever, adopt villages where they focus on holistic development to provide better medical and sanitation facilities, build schools and houses, and help the villagers become self-reliant by teaching them vocational and business skills. On the other hand GlaxoSmithKline's work in tribal villages where they provide medical check-up and treatment, health camps, health awareness programs, etc. SAP India in partnership with Hope Foundation, through The SAP Labs Center of HOPE in Bangalore, serves as a home for street children, providing food, clothing, shelter, medical care and education.

While, CSR is about 'what one does with the profits', Socially responsible companies are more concerned with 'how the profits are earned'. Socially responsible investing has been catching up in India. In April 2018, Kotak Mutual fund became the first asset management company in India to sign the UN-supported Principles for Responsible Investment (PRI) – a global network of investors that attempts to integrate ESG practices into investment practices. This apart, 4 more investment management firms from India are signatories to PRI. In May, SBI Magnum Equity Fund changed to become SBI Magnum Equity ESG Fund, a thematic fund investing in companies that follow the ESG norms. Also, recently in February 2019, 3 former Tata group executives have joined hands with asset manager Quantum Advisors to launch a $1-billion ESG fund to invest $30-50 million in small to mid-cap companies in India.[2] This clearly shows the rising importance of ESG in India amongst the top tier investors. Keeping in line with the ESG concept becoming relevant globally in running a business as well in terms of reporting and disclosures on the Environmental, Social and Governance aspects, in India too National Voluntary Guidelines (NVGs) for Social, Environmental and Economic Responsibilities of Business and the Business responsibility reporting mandated by SEBI govern the reporting and disclosure aspects of Indian companies.

Business responsibility reporting:

Securities and Exchange Board of India (SEBI) through a circular on 13 August 2012 mandated the top 100 listed companies to report their ESG initiatives in the form of a Business Responsibility Report (BRR) as a part of the annual report. Subsequently it extended the applicability to top 500 listed entities based on market capitalization on BSE and NSE from April, 2016 through the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The listing agreement provides the format of BRR and requires companies to report their performance on the nine NVG principles. Other listed companies have also been encouraged by SEBI to voluntarily disclose information on their ESG performance in the BRR format.

BRR contains various aspects like General Information about the Company, Financial Information, questionnaire on the compliance with the 9 principles of NVGs, discussion of Principle wise performance and initiatives of the company. This report is expected to enhance accountability, stewardship and trust as well as reinforce the information flow and transparency of businesses.

The BRR framework requires companies to set policies for all the principles of NVGs and also provide a link for the policy to be viewed online. Having policies is helpful in communicating to all stakeholders about how the organization perceives various aspects and also serves as a guide in conducting themselves in a precise manner. It is also mandatory under the framework to have a separate Business responsibility head who monitors the BRR performance across the nine principles either through a BRR committee or along with other Board meetings. In the KPMG survey it was found that around 63% review annually, 22% within 3 months and 15% within 3-6 months which is very good sign of how seriously Business responsibility reporting is taken up by India Inc.

ESG - The Growing Focus

As per the Global Sustainable Investment Alliance (GSIA) 2016 Report, out of the total of $87 trillion

[1] Handbook on Corporate Social Responsibility in India by PwC.

[2] https://economictimes.indiatimes.com/markets/stocks/news/why-india-is-turning-into-esg-funding-hotspot/articleshow/67938722.cms?from=mdr

professionally managed assets globally, there are about $22.89 trillion assets managed as per responsible investment strategies which is nearly 26 percent of all professionally managed assets globally. In Europe, the SRI assets totaled to $12.04 trillion, in the US it is $8.72 trillion as of 2016 as per the GSIA. The Oxfam-cKinetics report titled 'Drops before the Rain', estimates that as of 2017, the capital deployed in India with Sustainable and Responsible strategies is approximately $30 billion (¤1,962 billion). The growing proportion of investment in Sustainable investment goes to say that investors seek companies that are engaged in sustainability (Waddock and Graves 1997; Lo and Sheu 2007).

Several reasons can be attributed to this increase like the efforts by international institutions like the OECD and the United Nations to push multinational corporations to adopt common standards of sustainability practices (Rodri-guez et al. 2006), public awareness on the effects that business operations cause on the environment, efforts by the environmental lobbying groups and so on. Further, investors are guided by United Nations Principles for Responsible Investing launched in April, 2006. Responsible Investors not only take into account financial considerations but also Environmental, Social & Governance factors while making investing decisions. However, according to Greg Wait, president of Falcons Rock Investment Counsel LLC, a Germantown investment consulting firm, over the past few years this has gained a new outlook and has given rise to ESG investing. ESG investing targets investments that generate positive social and environmental results. A Boston Consulting Group study of about 300 international companies engaged in pharmaceutical, consumer goods, oil and gas, banking and technology sectors shows results which indicated that companies with ethical operations yielded larger profits. While globally the trend is to perform better on the ESG front, in this article, we attempt to look at the ESG performance of Indian companies based on their ESG scores computed by CSRhub.com.[3]

Data Source and Methodology

For the specific purpose of this article, we have used CSRHUB.com which provides tools and research data which ranks 17,972 companies from 140 countries, driven by 613 industry-leading CSR/ESG data sources including ESG analyst, crowd, government, publication, & and not-for-profit data.

[3]CSRHUB.com provides tools and research data which ranks 17,972 companies from 140 countries, driven by 613 industry-leading CSR/ESG data sources including ESG analyst, crowd, government, publication, & and not-for-profit data.

CSRHUB generates data using a wide variety of data sources including publicly available data sources like news media and published corporate results as well as intricate corporate data like corporate financial statements. Data is then normalized so that it is comparable to the broad range of industries and companies. This data is then made available for analysis.

Steps involved in the ESG rating

A. Requirements to rate a subcategory:

i. A minimum number of sources for each subcategory (between 2 and 6). So, to give a company a rating for "Energy & Climate Change", data from both CDP (Carbon Disclosure Project) and Climate Counts would be needed.

ii. A minimum amount of data which is measured in terms of "data weight".

iii. If there is not good agreement between the data sources or if the resulting score is extreme (e.g., 0 or 100), such results are excluded.

B. To score a category, rating for at least one subcategory is required. A category rating maybe suppressed if enough weight is not available in the subcategories underneath it to produce a reliable score.

C. For an overall rating, the following is required:

i. Ratings for all four categories.

ii. Ratings for at least five subcategories (so at least one category must have two subcategories in it).

iii. Enough total weight.

iv. Enough total sources.

v. If the weight is light or the number of sources is low, a reasonable score.

The data received is converted into a score 0 to 100 and then mapped into subcategories and special issues, normalizing the data across all of the companies. The data is then processed to produce ratings. CSRHUB has data on approximately 100,000 companies and analyzes data on 31,584 companies. It issues ratings on 18,057 companies (about 67% of the companies analyzed). It offers full ratings on 8,614 of these (about 70% of the companies rated). Each month, a separate "human review" of ratings is conducted to make sure that no obvious problem or outlier is missed. At present, only 26 companies are receiving “manual” adjustments.[4]

Industry Wise ESG

Industry	Average ESG Rating
Diversified	67
Construction and Engineering	57
Technology	55
Etail	55
Durable Goods	55
Services	55
Mining, Utilities and Refining	54
Finance	54
Chemicals, Drugs & pharmaceuticals	54
Food and Beverages	53
Tobacco and Alcohol	53
Media	53
Cement and Steel	53
Textiles and consumer goods	53
Healthcare	52
Transportation	48

For the purpose of this study we have considered 139 companies from 16 different industry sectors. The data considered is as at November 1, 2018 and all the companies forming part of this study are listed in the National Stock Exchange. The average ESG rating of the 139 companies works out to a decent 54. If putting the companies in diversified sectors into perspective is hard, we can take it that the Construction and Engineering sector leads the way in ESG rating whereas the Transportation sector is trailing behind. This gives some interesting insight into the ESG pattern of the Indian industries.

It is common knowledge that the construction industry has been struggling in India over the past several years with unsold inventory overhangs touching 47 months during Q4 of 2017. However, Q4 of 2018 has seen it reduced to 33 months.[5] This sector has seen a major impact due to Demonetization and GST. However, with markets stabilizing and organized markets coming together, there has been some positive movement in this sector. The fact that the current road construction target is at 45 Kms per day compared to 27 Kms as day in 2017-18[6] has further boosted this sector. With increasing demand one can assume increasing capital outlay especially in the infrastructure sector and aggressive drive to grow profits. However, a good ESG score in this sector has given a fresh insight to the way companies look at CSR and ESG in India.

The trailing ESG scores of the transport sector gives a broad understanding as to how to industry looks at ESG. As discussed, India is looking at massive road construction projects and the transportation industry is as such poised to grow at a rapid pace of 5.9%[7] Since increasing roadways means business expansion for the transport sector, it is a given that the industry is set up for a good growth rate in the coming years. What is required to be seen is how much of its profits are earned through investments in socially responsible projects. The need of the hour would be not just expanding but expanding right.

Dr. Rajagopalan Vasudevan of Thiagarajar College of Engineering, Madurai is a well-known name in India for his pioneering work in converting waste plastic into roads. This has a two-fold positive effect. Apart from reducing the use of Bitumen and tar and positively recycling the plastic which is hard to be used otherwise. Having proved his theory can be put into practice, he was also awarded the Padmashri recently by the Government of India. So, it doesn’t take much for the transport sector to increase its ESG rating. Just the right investment and right approach to the business would do wonders to their ESG scores and ultimately the community around the business.

Conclusion

In a country such as India with a complex social and financial structure, the government has a lot of resource limitation for social projects. Like any growing economy, with growth in industries, comes a lot more issues with the environment, labour issues and social issues. Unless the growth is channelized positively, it will largely remain unchecked and a rapidly growing, profit minded economy will care much less about sustainable growth compared to quick profits. ESG and its related concepts maybe new to India, however, it is of utmost importance we take the right steps quickly. With depleting water bodies, increasing wage gap and stark differences in standard of

[4]Source: CSRhub.com
[5]https://www.cnbctv18.com/views/unsold-real-estate-inventory-hits-2-year-low-in-fourth-quarter-of-2018-finds-study-1963471.htm
[6]https://www.livemint.com/Politics/JIYQVmRmR-pu7ESTqPrkeoO/Infrastructure-in-four-years-of-Modi-govt-A-thumbs-up-for-b.html.
[7]http://ficci.in/sector.asp?sectorid=22

living among the people, one cannot emphasise enough, the impact of ESG which can bring about a sea of change to the way resources are utilized and contribute to the sustainable long-term growth of industries.

Also, any help from the private sector would be a boon to the social and economic framework of the nation. This was precisely the thought process behind making CSR mandatory in India. However, instead of going behind companies with a stick, if policies are made making CSR expenditures more attractive to the business itself it would work wonders to the nation at large.

Instead of disallowing CSR expenditures, if an additional tax deduction is allowed over and above the amounts spent, it would be more attractive to companies to invest in CSR projects. While CSR awards and national recognition has a positive impact, to have a better response from the industry, newer policies need to be framed to enable the corporates to increase their CSR expenditure voluntarily. A national CSR rating could be awarded and this rating could be used to provide various benefits to the contributing companies ranging from additional tax benefits to allotment of national projects on a priority basis which would get companies clamouring to spend more on CSR since it would directly help increase their turnover.

It is expected that with time, that high ESG rating will reflect on company's financial performance as well. It will be interesting to study the Financial performance of such companies and draw conclusions on how investing in ESG is helpful to companies apart from the benefits that the society reaps. MA

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aishwarya.krishnaswamy@ifmr.ac.in

AT THE HELM

Our heartiest congratulations to CMA Raja Ghosh, a Fellow Member of the Institute, presently working as Additional General Manager (F&A) in the State Power Sector PSU, West Bengal State Electricity Distribution Company Limited (WBSEDCL) who has been felicitated for meritorious performance by Union Minister for Power, Sri R. K Singh with the Saubhagya Award in a grand Function at Gurugram in the Power Ministers Conference. The objective of Saubhagya Scheme is to achieve universal household electrification by providing last mile connectivity and electricity connections to all households in rural and urban areas through financial assistance to the DISCOMS/Power Dept from Government of India.

We wish CMA Raja Ghosh the very best for all his future endeavors.

ATTAINING THE EQUILIBRIUM: AN INSIGHT INTO THE PRESENCE OF GLASS CEILING IN INFORMATION TECHNOLOGY COMPANIES LISTED IN BSE 30

Anindya Ganguly
Student, Fellow Program in Management
IIM, Calcutta

Ms. Jasmine Rao
Student
Post Graduate Department of Commerce
St. Xavier's College (Autonomous)
Kolkata

Dr. Sumanta Dutta
Assistant Professor
Post Graduate Department of Commerce
St. Xavier's College (Autonomous)
Kolkata

Abstract

India is one of the largest I.T. services exporters in the world, and companies such as Infosys, Wipro are leading I.T entities worldwide. The presence of discrimination in the form of a Glass ceiling is a hindrance to the advancement of a country both in economic and in generic terms. With the advent of time the goal of gender equity is coming up, the society is moving from patriarchal to a feministic society.

The word feminism doesn't mean better facilities to women but to offer equal opportunities, respect and salary as the other gender gets. But is the term glass ceiling relatable only to women? No, it includes all those sections of population who are being discriminated against, who are bound down by the unseen forces and stereotypical norms laid down by the society, trying to restrict their way to the top. Though after the amendment of Companies Act 2013 under section 149(1), we saw that all the listed companies and some other classes of companies are having at-least one woman director as mandated by law, but still there underlies a huge need to change the managerial structures too.

Our study is to examine the degree of the existence of Glass-Ceiling in the leading I.T. companies listed in the BSE 30 index over a period of 4 years starting from 2013-14.

1. Introduction

"Tremendous amounts of talent are being lost to our society just because that talent wears a skirt"- Shirley Chisholm, the first African American women to be elected to the US Congress in 1968. Sadly, this quote is nevertheless true for modern present-day; women are still being discriminated because of their gender.

From the time women started working, they have been facing the challenge of breaking the glass ceiling. Glass Ceiling does exist in the place of work and the term was coined more than twenty years ago by a Wall Street Journal to describe the barriers women face in the workplace. The concept of the glass ceiling was originated during the middle 1980s. The word "ceiling" signifying that women are blocked-up from advancing in their careers and the term "glass" used because the ceiling is not always obvious. The barriers usually include salary inequality for the same work, discrimination in promotions, sexual harassment in the workplace and lack of policies to maintain work-life balance.

According to Cotter (2001), the glass ceiling phenomenon refers to a business metaphor used to describe the way a woman can reach a certain level in a company but can never reach a higher rank. Burns (2005) also describes it as a term that refers to various barriers that prevent qualified women from advancing upwards into management positions in organizations.

Even though the glass ceiling is not as prominent as it was in the past, it is still very real and it affects not only women but other minorities as well. Whether it is the ceiling, wall, elevator, or cage, the glass prevents women from advancing in their careers. It has existed from the start even with the help of equality laws; it still poses as a problem today. Nevertheless, thanks to quite a lot of outstanding women, the glass has developed several cracks; the future appears brighter. It is a challenge, but it is not impossible: Women can break the glass and soar to the top.

2. Literature Review

In today's world, female managers have many responsibilities and it is important for women to realize that their dual roles have to be managed (Veale and Gold, 1998). Presently, a large number of women have moved rapidly into positions of management (Yukongdi and Benson, 2005). Even though, to date, they occupy mostly the middle and lower ranks in the managerial cadre (Kottis, 1993). Quite a number of women have successfully broken the "glass ceiling" but the number gaining access into senior management positions is still relatively small (Arfken et al., 2004). In most cases, female managers carry out the same job description as men but with lower titles (Albrecht et al., 2003). In addition, practical evidence confirms that the few women that have succeeded in getting to managerial positions earn just a fraction of what their male counterparts earn on salaries (Jamali et al., 2006). In spite of all the pressures and legal changes from national and international organizations which have taken place, it is not in doubt that an advancement in the positions held by women in large organizations have been somewhat uneven and slow (Cordano et al., 2002). The increase in gender and ethnic diversity in organizations as a vital strategy which has helped in assuring women of equal opportunity in attaining top management positions and getting involved in making strategic business decisions thereby making it, not only imperative for organizational success but also for societal development (MacRae, 2005). It was suggested that top management should promote diversity and their top executives should constantly advocate and nudge their direct subordinates and other employees to foster diversity within the organization (Morrison, 1992). Organizations should effectively embrace diversity and put strategies in place (Jackson, 2001). Female gender is still struggling to prove themselves at par to men. Many industries reject females on the mere fact that they are women because of their supposed ideas and assumptions. Few assumptions are that women are soft and they can't represent a strong leader in a top level position. It is very hard to believe that in 21st century the glass ceiling is continuing to block women from entering and advancing in key managerial positions and supervisory roles (Rathore, 2017). Is Glass Ceiling applicable on men? No, male dominance is observed in areas of authority and top management which is detected worldwide on every continent (Titkow, 2014). There should be equal employment opportunity. Also, equal opportunities should be expanded beyond recruitment and hiring parameters as it should climb up the hierarchy of management (Newman, 2014).

3. Objectives

1. To find out the percentage of Women Directors on Board in the companies taken under consideration.

2. To assess the ratio of Women executive Directors in comparison to the male executive directors for the selected companies under consideration.

3. To find out the Percentage of Women Independent Directors on Board in the companies taken under consideration.

4. To determine and assess the presence of Women engaged as Key Managerial Personnel in the various companies taken under consideration.

4. Methodology

This article is a descriptive study based on content analysis.Content analysis is a technique where the content of the text forms the basis for drawing inferences about the content (Nachmias and Nachmias, 1976). The study based on a sample size of 3 Information Technology (IT) sector oriented companies selected from the BSE 30 INDEX (see.Annexure-1). The representative samples have been selected on the basis of their continuous presence at BSE 30 SENSEX starting from 2013-14 to 2016-17 (i.e. the study period under consideration). The data has been analysed for 4 years starting from financial year (henceforth, F.Y.) 2013-14. The representative samples have been selected on the basis of their continuous presence at BSE 30 SENSEX starting from 2013-14 to 2016-17 (i.e. the study period under consideration). The other companies from BSE-30 which have not been considered for the purpose of this analysis either has been added during the tenure of the last 4 years or have been replaced over the last 4 years. Data has been collected from authentic and secondary sources. The data in relation to the companies have been obtained from the annual general reports publishedof the companies under consideration, for each of the 4 years separately and the data which were unavailable has been marked as N/A and wherever applicable from the ones available on the said company's website. With the help of MS-EXCEL data was classified and tabulated. For the purpose of calculating the percentage a simple calculation has been done using the formula of (the number women applicable) / (the total population in the similar position)*100. Also various tables have been made for facilitating the comparison with the help of MS-EXCEL.

5. Analysis & Interpretations

5.1 Observation: 1

Table: 1

PERCENTAGE OF WOMEN DIRECTORS ON BOARD OF THE SELECTED COMPANIES				
NAME OF COMPANIES	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Infosys	21.43%	30.00%	33.33%	30.00%
Tata Consultancy Services	0.00%	9.09%	10.00%	9.09%
WIPRO	7.69%	10.00%	7.69%	10.00%

Source: Researcher's computation

Table: 2

NO OF COMPANIES HAVING THE RESPECTIVE NO OF WOMEN DIRECTORS				
	2013-14	2014-15	2015-16	2016-17
NO WOMEN ON BOARD	1	0	0	0
1 WOMEN ON BOARD	1	2	2	2
2 WOMEN ON BOARD	0	0	0	0
3 WOMEN ON BOARD	1	1	1	1

Source: Researcher's computation

Table: 3

NAME OF COMPANIES HAVING THE RESPECTIVE NO OF WOMEN DIRECTORS				
	2013-14	2014-15	2015-16	2016-17
NO WOMEN ON BOARD	TCS	N.A	N.A	N.A
1 WOMEN ON BOARD	WIPRO	TCS, WIPRO	TCS, WIPRO	TCS, WIPRO
2 WOMEN ON BOARD	N.A	N.A	N.A	N.A
3 WOMEN ON BOARD	INFOSYS	INFOSYS	INFOSYS	INFOSYS

Source: Researcher's computation

- It was observed that Infosys leads the chart with an excellent ratio which was as high as 33.33% in the year 2015-16 and in between of 21.43-33.33% which is unparalleled when it comes to the companies taken under consideration

- Infosys had 3 women directors all throughout the period of study.

- On the other hand, Wipro had only one woman director all throughout in its board during the whole time period taken under consideration for the study. The percentage of women on board is thus as low as 7.69% in some years.

- Tata Consultancy Services initially in the year 2013-14 did not have any woman director in its board but with the advent of the mandate by the Company's act 2013[1], it had included one woman director in the board for the other years under consideration.

[1]1) NOTE: [Section 149 of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 prescribes for every listed company to have at least one woman director in the board

5.2 Observation: 2

Table: 4

RATIO OF FEMALE TO MALE AS THE EXECUTIVE DIRECTORS OF COMPANIES UNDER CONSIDERATION				
NAME OF COMPANIES	2013-14	2014-15	2015-16	2016-17
Infosys	00:06	00:02	00:02	00:02
Tata Consultancy Services	N.A.	01:00	01:01	01:02
WIPRO	00:03	00:03	00:04	00:03

Source: Researcher's computation

- Tata Consultancy Services is the only company to have a woman director in the area of executive director and the best ratio was found in the year of 2014-15.

- It was also noticed that Infosys and Wipro had no woman executive director in any of the years under consideration.

5.3 Observation: 3

Table: 5

PERCENTAGE OF WOMEN INDEPENDENT DIRECTORS ON BOARD				
NAME OF COMPANIES	2013-14	2014-15	2015-16	2016-17
Infosys	37.50%	42.86%	42.86%	37.50%
Tata Consultancy Services	0.00%	0.00%	0.00%	0.00%
WIPRO	10.00%	14.29%	11.11%	14.29%

Talking about the percentage of women employed in the position of independent directors of the companies under consideration we see that Infosys has an outstanding percentage as high as 42.86% and its lowest being 37.50%. it is an excellent percentage as compared to the industry performance. The industry as a whole performed poorly in this sector as T.C.S had no independent woman directors in any of the years under consideration. Another point to be noted that even though Wipro had a woman independent director all throughout the 4 years, the percentage is not satisfactory it has to be improved.

5.4 Observation: 4

Table: 6

KEY MANAGERIAL PERSONNEL GENDER SPECIFICATION												
	CEO				CFO				CS			
Company/ Year	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Infosys	M	M	M	M	M	M	M	M	M	M	M	
Tata Consultancy Services	M	M	M	M	N.A	N.A	N.A	N.A	M	M	M	M
WIPRO	M	M	M	M	M	M	M	M	M	M	M	M

Source: Researcher's computation

CEO - Chief Executive Officer; CFO - Chief Financial Officer; CS - Company Secretary

- It is disappointing to see that out of the 3 companies taken under consideration, not a single company, in any year, had any women key managerial personnel at the position of a company secretary or in the role of a chief financial officer or be it in the position of a chief executive officer.

6. Conclusion

The first step to breaking these barriers is to understand what causes them to exist. There are numerous reasons behind the existence of the glass that span. Women face many obstacles as they climb their career's hierarchy and for many different reasons their wage is comparably less than that of males. After the movements toward equality in the workplace, many think that sex discrimination isn't present anymore. However, many still believe that the glass ceiling hasn't shattered and still possesses a barrier for many women in the labour force which to a large extent is true.

The gap between Infosys and Wipro is considerable both in case of having women on board and also having women independent directors and a reputed concern as Wipro or TCS ought to breach this gap and fight against the clear indications of glass ceiling from its board. All the companies need to consider the case of having women employed as key managerial personnel as they clearly lack that. This is an analysis of only IT sector companies listed in BSE 30, these are assumed to be the leaders in the industry wide [corporate world (I.T. sector)]. Infosys no doubt has set an example of itself as an unparallel company in this study. MA

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Annexure - 1

Selected Companies under Study

S. NO.	COMPANY	LINE OF BUSINESS
1	Infosys	I.T
2	Tata Consultancy Services	I.T
3	Wipro	I.T

Source: Researcher's computation

anindyaganguly.bhs@gmail.com
jasminerao_95@yahoo.in
sumantadu@gmail.com

CONGRATULATIONS !!!

CMA Murali Santhanam, a fellow member of the Institute and the Past Chairman of Bengaluru Chapter has been awarded PhD on "CSR - Issues & Challenges - Building a Model for Indian Firms" by Reva University, Bengaluru. He is currently working as Adjunct Professor, IBS - ICFAI Business School, Bengaluru and Corporate Trainer and has authored books in the areas of Accounting, Management Accounting, Personal Financial Planning and Bank Credit Management.

We wish CMA Murali Santhanam the very best for all his future endeavours.

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दि इंस्टीट्यूट ऑफ कॉस्ट एकाउंटेंट्स ऑफ इंडिया
(संसद के अधिनियम के अंतर्गत सांविधिक निकाय)

अधिसूचना

कोलकाता, 8 जुलाई, 2019

सं. **ईएल–2019/26**.—दि इंस्टीट्यूट ऑफ कॉस्ट एकाउंटेंटस ऑफ इंडिया की बीसवीं परिषद का निर्वाचन यथा संशोधित कॉस्ट एंड वर्क्स एकाउंटेंट्स (परिषद के लिए निर्वाचन) नियमावली, 2006 तथा निम्नलिखित अधिसूचनाओं के अनुसार हुआ था:

1. अधिसूचना सं. ईएल – 2019/1 दिनांक 26 मार्च, 2019
2. अधिसूचना सं. ईएल – 2019/2 दिनांक 26 मार्च, 2019
3. अधिसूचना सं. ईएल – 2019/3 दिनांक 26 मार्च, 2019
4. अधिसूचना सं. ईएल – 2019/4 दिनांक 26 मार्च, 2019
5. अधिसूचना सं. ईएल – 2019/5 दिनांक 26 मार्च, 2019
6. अधिसूचना सं. ईएल – 2019/6 दिनांक 26 मार्च, 2019
7. अधिसूचना सं. ईएल – 2019/7 दिनांक 26 मार्च, 2019
8. अधिसूचना सं. ईएल – 2019/8 दिनांक 26 मार्च, 2019
9. अधिसूचना सं. ईएल – 2019/9 दिनांक 26 मार्च, 2019

यथा संशोधित कॉस्ट एंड वर्क्स एकाउंटेंटस नियमावली (परिषद के लिए निर्वाचन), 2006 के नियम 35 और इंस्टीट्यूट ऑफ कॉस्ट एकाउंटेंटस ऑफ इंडिया की परिषद के आदेश अनुपालन में एतद्द्वारा सूचनार्थ यह अधिसूचित किया जाता है कि 2019–2023 के कार्यकाल के लिए दि इंस्टीट्यूट ऑफ कॉस्ट एकाउंटेंटस ऑफ इंडिया की बीसवीं परिषद के लिए निम्नलिखित सदस्यों को निर्वाचित घोषित किया जाता है:

क. पश्चिमी भारत क्षेत्रीय निर्वाचन क्षेत्र

1. दलवाडी, अश्विन कुमार गोरधनभाई (एम/8996)
2. जोशी, नीरज धनंजय (एम/24118)

3. मित्रा, देबाशीश (एम/15379)

4. थाटे, आशीष प्रकाश (एम/27543)

ख. दक्षिण भारत क्षेत्रीय निर्वाचन क्षेत्र

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4. पदमनाभन, एच (एम/16200)
5. सुनकारा, पापाराव (एम/8045)

ग. पूर्वी भारत क्षेत्रीय निर्वाचन क्षेत्र

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2. चट्टोपाध्याय, चितरंजन (एम/11028)
3. मिश्रा, निरंजन (एम/13060)

घ. उत्तर भारत क्षेत्रीय निर्वाचन क्षेत्र:

1. भल्ला, राकेश (एम/9442)
2. शर्मा, विजेन्द्र (एम/18513)
3. सिंह, बलविन्दर (एम/19898)

एल. गुरुमूर्ति, निर्वाचन अधिकारी

[विज्ञापन-III/4/असा./119/19]

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

NOTIFICATION

Kolkata, the 8th July, 2019

No. EL-2019/26.—The election to the Twentieth Council of the Institute of Cost Accountants of India was held in accordance with the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended and as per the following Notifications :

1. Notification No. EL – 2019/1 dated 26th March 2019
2. Notification No. EL – 2019/2 dated 26th March 2019
3. Notification No. EL – 2019/3 dated 26th March 2019
4. Notification No. EL – 2019/4 dated 26th March 2019
5. Notification No. EL – 2019/5 dated 26th March 2019
6. Notification No. EL – 2019/6 dated 26th March 2019
7. Notification No. EL – 2019/7 dated 26th March 2019
8. Notification No. EL – 2019/8 dated 26th March 2019
9. Notification No. EL – 2019/9 dated 26th March 2019

In pursuance of Rule 36 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended and order of the Council of the Institute of Cost Accountants of India, it is hereby notified for information that the following members have been declared elected to the Twentieth Council of the Institute of Cost Accountants of India for the term 2019 – 2023:-

A. WESTERN INDIA REGIONAL CONSTITUENCY:

1. Dalwadi, Ashwinkumar Gordhanbhai (M/8996)
2. Joshi, Neeraj Dhananjay (M/24118)
3. Mitra, Debasish (M/15379)
4. Thatte, Ashish Prakash (M/27543)

B. SOUTHERN INDIA REGIONAL CONSTITUENCY:

1. Iyer, P Raju (M/6987)
2. Murali, V (M/29241)
3. Murthy, K Ch A V S N (M/13338)
4. Padmanabhan, H (M/16200)
5. Sunkara, Paparao (M/: 8045)

C. EASTERN INDIA REGIONAL CONSTITUENCY:

1. Basu, Biswarup (M/8237)
2. Chattopadhyay, Chittaranjan (M/11028)
3. Mishra, Niranjan (M/13060)

D. NORTHERN INDIA REGIONAL CONSTITUENCY:

1. Bhalla, Rakesh (M/9442)
2. Sharma, Vijender (M/18513)
3. Singh, Balwinder (M/19898)

L. GURUMURTHY, Returning Officer

[ADVT.-III/4/Exty./119/19]

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(संसद के अधिनियम के अंतर्गत सांविधिक निकाय)

अधिसूचना

कोलकाता, 8 जुलाई, 2019

सं. ईएल–2019/27.—दि इंस्टीट्यूट ऑफ कॉस्ट एकाउंटेंट्स ऑफ इंडिया की चार क्षेत्रीय परिषदों के निर्वाचन यथा संशोधित कॉस्ट एंड वर्क्स एकाउंटेंट्स (परिषद के लिए निर्वाचन) नियमावली, 2006, यथा संशोधित कॉस्ट एंड वर्क्स एकाउंटेंट्स विनियम, 1959 तथा निम्नलिखित अधिसूचनाओं के अनुसार हुए थे:

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8. अधिसूचना सं. ईएल – 2019/8 दिनांक 26 मार्च, 2019
9. अधिसूचना सं. ईएल – 2019/9 दिनांक 26 मार्च, 2019

विनियम 114, 115, 118, 121 और यथा संशोधित कॉस्ट एंड वर्क्स एकाउंटेंट्स विनियम, 1959 के अन्य लागू विनियमों के साथ पठित यथा संशोधित कॉस्ट एंड वर्क्स एकाउंटेंट्स नियमावली (परिषद के लिए निर्वाचन), 2006 के नियम 36 और इंस्टीट्यूट ऑफ कॉस्ट एकाउंटेंट्स ऑफ इंडिया की परिषद के आदेश अनुपालन में एतद्द्वारा सूचनार्थ यह अधिसूचित किया जाता है कि 2019–2023 के कार्यकाल के लिए दि इंस्टीट्यूट ऑफ कॉस्ट एकाउंटेंट्स ऑफ इंडिया की चार क्षेत्रीय परिषदों के लिए निम्नलिखित सदस्यों को निर्वाचित घोषित किया जाता है:

क. पश्चिमी भारत क्षेत्रीय परिषद :

1. भावसार, आशीष कुमार सुरेशचन्द्रा (एम/22646)
2. भाम्बे, महेन्द्र तुलसीराम (एम/29773)
3. बिरला, दिनेश कुमार (एम/7907)
4. देशपाण्डे, हर्षद एस (एम/25054)
5. गौस्वामी, अरिन्दम (एम/30993)
6. कुलकर्णी, विनायक बालकृष्णा (एम/28559)
7. महाकालीवर, श्रीराम नारायण (एम/22055)
8. मोहरिर, चैतन्यलक्ष्मणराव (एम/27229)

ख. दक्षिणी भारत क्षेत्रीय परिषद :

1. अगस्त्य विजय किरण (एम/25827)
2. भट्ट, विश्वनाथ रामकृष्णा (एम/22986)
3. दरपनेनी मुनिशेखर (एम/33464)
4. अय्यर, राजेश सांई (एम/28373)
5. पनिक्कर, सन्कर पी (एम/25794)
6. राजागोपाल, के (एम/17491)
7. राव, के पाण्डुरंगा (एम/17466)
8. सतीश, ज्योति (एम/31292)
9. श्रीनिवासा, राव, यद्लपल्ली (एम/20543)
10. सूर्यनारायणन, के (एम/24946)

ग. पूर्वी भारत क्षेत्रीय परिषद :

1. बनर्जी आशीष (एम/19645)
2. बसु, अरुंधति (एम/25144)
3. भट्टाचार्य, पल्लब (एम/20372)
4. नायक, विभूतिभूषण (एम/17713)
5. नायक, उत्तम कुमार (एम/23918)
6. सिंह, अभिषेक कुमार (एम/33400)
7. सिंह, निशांत कुमार (एम/31126)

घ. उत्तरी भारत क्षेत्रीय परिषद :

1. भाटी, राजेन्द्र सिंह (एम/33509)
2. गोयल, संदीप (एम/17120)
3. कांडपाल, मनीष (एम/33796)
4. पालीवाल, शैलेन्द्र कुमार (एम/25067)
5. पंत, संतोष (एम/32283)
6. शर्मा, अनिल (एम/15091)
7. तारा, हरकेश (एम/17321)

एल. गुरुमूर्ति, निर्वाचन अधिकारी

[विज्ञापन-III/4/असा./120/19]

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

NOTIFICATION

Kolkata, the 8th July, 2019

No. EL–2019/27.—The elections to the four Regional Councils of the Institute of Cost Accountants of India was held in accordance with the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, The Cost and Works Accountants Regulations, 1959 as amended and as per the following Notifications :

1. Notification No. EL – 2019/1 dated 26th March 2019
2. Notification No. EL – 2019/2 dated 26th March 2019
3. Notification No. EL – 2019/3 dated 26th March 2019
4. Notification No. EL – 2019/4 dated 26th March 2019
5. Notification No. EL – 2019/5 dated 26th March 2019
6. Notification No. EL – 2019/6 dated 26th March 2019
7. Notification No. EL – 2019/7 dated 26th March 2019
8. Notification No. EL – 2019/8 dated 26th March 2019
9. Notification No. EL – 2019/9 dated 26th March 2019

In pursuance of Rule 36 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended read with Regulations 114, 115, 118, 121 and other applicable Regulations of The Cost and Works Accountants Regulations, 1959 as amended and order of the Council of the Institute of Cost Accountants of India, it is hereby notified for information that the following members have been declared elected to the four Regional Councils of the Institute of Cost Accountants of India for the term 2019 – 2023 :-

A. WESTERN INDIA REGIONAL COUNCIL:

1. Bhavsar, Ashishkumar Sureshchandra (M/ 22646)
2. Bhombe, Mahendra Tulshiram (M/ 29773)
3. Birla, Dinesh Kumar (M/ 7907)
4. Deshpande, Harshad S (M/ 25054)
5. Goswami, Arindam (M/ 30993)
6. Kulkarni, Vinayak Balkrishna (M/ 28559)
7. Mahankaliwar, Shriram Narayan (M/ 22055)
8. Mohrir, Chaitanya Laxmanrao (M/ 27229)

B. SOUTHERN INDIA REGIONAL COUNCIL:

1. Agastya, Vijay Kiran (M/ 25827)
2. Bhat, Vishwanath Ramakrishna (M/ 22986)
3. Darapaneni, Munisekhar (M/ 33464)
4. Iyer, Rajesh Sai (M/ 28373)
5. Panicker, Sankar P (M/ 25794)
6. Rajagopal, K (M/ 17491)
7. Rao, K Pandu Ranga (M/ 17466)
8. Satish, Jyothi (M/ 31292)
9. Srinivasa Rao, Yadlapalli (M/ 20543)
10. Suryanarayanan, K (M/ 24946)

C. EASTERN INDIA REGIONAL COUNCIL:

1. Banerjee, Ashis (M/ 19645)
2. Basu, Arundhati (M/ 25144)
3. Bhattacharya, Pallab (M/ 20372)
4. Nayak, Bibhuti Bhushan (M/ 17713)
5. Nayak, Uttam Kumar (M/ 23918)
6. Singh, Abhishek Kumar (M/ 33400)
7. Singh, Nishant Kumar (M/ 31126)

D. NORTHERN INDIA REGIONAL COUNCIL:

1. Bhati, Rajendra Singh (M/ 33509)
2. Goel, Sandeep (M/ 17120)
3. Kandpal, Manish (M/ 33796)
4. Paliwal, Shailendra Kumar (M/ 25067)
5. Pant, Santosh (M/ 32283)
6. Sharma, Anil (M/ 15091)
7. Tara, Harkesh (M/ 17321)

L. GURUMURTHY, Returning Officer

[ADVT.-III/4/Exty./120/19]

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MANOJ KUMAR VERMA

EASTERN INDIA REGIONAL COUNCIL

On 16th July 2019, EIRC organized a seminar on Budget 2019 Analysis – Direct Tax & Indirect Tax at EIRC Seminar Hall. CMA Timir Baran Chatterjee, Tax Consultant & CA Subham Khaitan were the resource persons. CMA Timir Baran Chatterjee, Tax Consultant addressed on Direct Taxation and CA Subham Khaitan addressed on Indirect Taxation. CMA Shyamal Kr. Bhattacharjee, Chairman, EIRC, CMA Biswarup Basu, CCM, CMA Ashish Banerjee, RCM , CMA Arundhati Basu, RCM were present during the seminar.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BHUBANESWAR CHAPTER

A Campus Interview was organised by the Chapter for its qualified Cost Accountants in June 2018 & December 2018 Term Examination on April 25, 2019 at its premises. The Chapter organized a one day Seminar on 'GST-Annual Return & Audit' on June 9, 2019 at CMA Bhawan, Bhubaneswar to mark its golden jubilee year. Shri Ananda Satapathy, Special Commissioner, GST, Odisha inaugurated and graced the seminar as Chief Guest. CA Vivek Jalan, Partner of Tax Connect Advisory Services LLP and Expert-GST, Kolkata also addressed on the topic as 'Resource Person'. CMA Saktidhar Singh, chairman of the chapter delivered welcome & key note address. CMA Mukesh Chaubey, chairman, Professional Development Committee of the chapter felicitated the seminar and CMA Himoj Mishra, secretary of the chapter extended formal vote of thanks. The Chapter organized its '62nd Oral Coaching Class Inaugural Ceremony' on June 19, 2019 at CMA Bhawan, Bhubaneswar. CMA Pravakar Mohanty, Director (Fin), OHPC & OPGC Ltd. & Past President of the Institute inaugurated & graced the ceremony by lighting the sacred lamp as Chief Guest. CMA Shiba Prasad Padhi, Regional Council Member and Past Chairman, EIRC graced the occasion as Guest of Honour. CMA Saktidhar Singh, chairman of the chapter delivered welcome address and highlighted about the students' activities and facilities provided by the chapter. CMA Santanu Kumar Rout, chairman, Coaching Committee felicitated the ceremony. CMA Himoj Mishra, secretary of the chapter extended formal vote of thanks. Both the Chairman and Chairman, Coaching Committee advised the students to grab all the opportunities provided by the chapter without any additional cost and assured to provide best to best facilities. The chapter successfully conducted the campus interview by NBCC Ltd. on June 17, 2019.


Oral Coaching Class
Inaugural Ceremony
BHUBANESWAR CHAPTER


Celebration of GST Day
Panel Discussion on GST-Analysis & Opinion
BHUBANESWAR CHAPTER


"UNION BUDGET 2019-20"
BHUBANESWAR CHAPTER


BHUBANESWAR CHAPTER


BHUBANESWAR CHA


THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
BHUBANESWAR CHAPTER
"GST- Annual Return & Audit"
BHUBANESWAR CHAPTER

The chapter observed 5th International Yoga Day at its conference hall at CMA Bhawan on June 21, 2019. Yoga Guru Jugajyoti Jadabanand Choudhury demonstrated on various Yoga Asanas with its merit/importance on body and mind to the participants. CMA Saktidhar Singh, chairman of the chapter delivered welcome address. CMA Himoj Mishra, secretary of the chapter and CMA Surya Narayan Tripathy and CMA Ajay Kumar Samal, members of the MC also actively participated in the program. The chapter celebrated GST Day at CMA Bhawan, Bhubaneswar on July 1, 2019 and to mark the occasion, a 'Panel Discussion on GST- Analysis & Opinion' had also been successfully organized. Shri Ambe M, IRS, Deputy Commissioner of CGST & CX, Deputy Director, Directorate General of GST Intelligence, Bhubaneswar inaugurated and graced the seminar as 'Chief Guest'. Shri Ambe M, IRS also chaired the panel discussion and interacted with the participants relating to various critical issues. Amongst other panelists, Shri Ramesh Chandra Jena, Senior Advocate (GST, Customs) & EXIM Consultant, Bhubaneswar and CMA Debnath Mukhopadhyay, Dy. Divisional Manager, Tata Sponge Iron Limited, Odisha also interacted with the participants and clarified their queries related to GST. CMA Saktidhar Singh, chairman of the chapter delivered the welcome and key note address and highlighted on various initiatives taken by the chapter and Tax Research Department of the Institute. CMA Tapas Ranjan Swain, vice chairman of the chapter felicitated the inaugural session and CMA Deepak Ranjan Kar, Manager (Fin), PGCIL, Bhubaneswar moderated the panel discussion session. CMA Ajay Kumar Samal, Member, PD Committee of the chapter extended formal vote of thanks. Deliberations were made on major changes, notifications/amendments subsequently done by the GST Council after implementation of GST. The chapter successfully organized a panel discussion on "Union Budget – 2019-20" on 8th July, 2019 at CMA Bhawan, Bhubaneswar. CA A.K. Sabat, Sr. Partner, M/s A. K Sabat & Co, Chartered Accountants & one of the experts in Budget Analyst on Direct Tax at Bhubaneswar delivered on "Union Budget -2019-20: Direct Tax & Its Impact on Common People". He highlighted various budget provisions in respect to income tax in detail with lot of analytical examples and its impact on Common People and Society at large. Prof Dr S.N. Misra, Dean, KIIT School of Management, Bhubaneswar delivered on "Union Budget – 2019-20: Economic Proposals" and CMA Niranjan Swain, Advocate & Tax Consultant, Bhubaneswar delivered on "Union Budget-2019-20: Indirect Taxation". CMA Saktidhar Singh, chairman of the chapter delivered welcome & key note address and CMA Tapas Ranjan Swain, vice-chairman of the chapter extended formal vote of thanks. CMA Mukesh Chaubey, Chairman, PD Committee of the chapter organized the panel discussion. The chapter organized a one day seminar on 'Ind AS- 115 (Revenue from Contracts) & Ind AS- 116 (Leases)' on 14th July, 2019 at CMA Bhawan, Bhubaneswar. CMA Mrityunjay Acharjee, Sr. Vice President (Audit, Accounts & Taxation), Kolkata delivered on the organized topic as 'Resource Person'. Discussion was held in detail on the Emerging trend of Financial Reporting in line with Global Standards i,e IND AS 116 and IND AS 115 which would have great impact on Financial Reporting and Disclosures. CMA Saktidhar Singh, chairman of the chapter delivered welcome and key note address. CMA Mukesh Chaubey, chairman, Professional Development Committee conducted the seminar and CMA Himoj Mishra, secretary of the chapter extended formal vote of thanks. The chapter organized a 'Youth Empowerment and Motivational Program' for its students on July 17, 2019 at CMA Bhawan. Brahmacharini Niseema, Assistant Professor, School of Biotechology, Kerala was the 'Resource Person' on the occasion. Chairman of the chapter, CMA Saktidhar Singh delivered welcome address.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA GUWAHATI CHAPTER

The Chapter organized a discussion on Union Budget 2019 at its premises on July 13, 2019. The programme started with CMA Rupom Sharma, secretary of the chapter delivering his welcome speech. CMA Binit Tayal, CMA Rupom Sharma and CMA Sankar Majumdar made their presentations on budget at the discussion meet. The programme was very interactive and lively with various divergent views being discussed in the session.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
ASANSOL CHAPTER

The Chapter conducted a students and faculty felicitation program on June 19, 2019 at its premises. The program was attended by CMA Sanjiv Soni, Director (Finance), ECL, CMA Rambabu Pathak, Company Secretary, ECL & Chairman of the chapter and Shri Nigel D'Souza, Principal of St. Patricks School, Asansol along with managing committee members of the chapter.

NORTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
JAIPUR CHAPTER

To commemorate GST Day, the chapter organised a seminar on the topic 'Practical Aspects of GST Audit' on 1st July 2019 at its premises. In the beginning of the seminar, chairman of the chapter, CMA S.L. Swami and secretary of the chapter, CMA Swapnil Bhandari welcomed the key speaker and participants. Key Speaker of the seminar was CA Manmohan Mahipal, Leading Tax Practitioner. He explained in detail the practical aspects of GST Audit. The program was conducted by CMA Purnima Goyal. At the end of the program, CMA Rakesh Kumar Sharma, treasurer of the chapter thanked the key speaker and all the participants.

The chapter organised a seminar on 'Budget Analysis and Recent Changes in ITR Forms' on 13th July 2019 at its premises. Chairman of the chapter, CMA S.L. Swami and secretary, CMA Swapnil Bhandari welcomed the key speaker and all the participants. CMA S.L. Swami also apprised the members about various activities of the chapter. Key Speaker of the seminar was CA Vijay Kr. Agrawal, leading Tax Practitioner. He explained in details about various changes in Direct Tax as well as Indirect Tax in the recent Union Budget for the Financial Year 2019-20. The program was conducted by CMA Purnima Goyal. At the end of the seminar, treasurer of the chapter, CMA Rakesh Kr. Sharma thanked the key speaker and all the participants.

SOUTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA TRIVANDRUM CHAPTER

The Chapter conducted a Professional Development Programme on 1st July 2019 at the CMA Hall of the chapter. The subject of discussion was 'GSTR 9 – Annual Return – Preparation, Filing and Related Issues'. The session was handled by CA Unnikrishnan M, Practicing Chartered Accountant. During the inaugural address, CMA Joseph Louis, chairman of the chapter announced that the session was a practical oriented one for exploring each column of GSTR 9 Return and detailing the inter relationships between each and every entry in the Form. The speaker elaborately clarified each item and cleared doubts of the participants then and there.

The session was a highly interactive one and a large number of members expressed views and clarified points. CMA Pranav Jayan, secretary of the chapter and CMA Ajith Kumar A, Chairman, Coaching committee acted as moderators for the programme.

The chapter successfully conducted an educational course for Asset class: Securities or Financial Assets sponsored by ICMAI Registered Valuers organization (Recognized RVO under Insolvency & Bankruptcy Board of India). The course was completed during the period June 15, 2019 and June 24, 2019. On June 24, 2019, certificates issued by ICMAI Registered Valuers Organisation had been handed over to successful participants by CMA Joseph Louis, chairman of the chapter. CMA Pranav Jayan, secretary, CMA Ajith Kumar, chairman, PD Committee, faculty members etc were present at the programme.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA VISAKHAPATNAM CHAPTER

The Chapter celebrated the GST Day on July 1, 2019 at CMA Bhawan. Secretary of the Chapter, CMA S. Ramprasad welcomed the gathering for the meeting and chairman, CMA M. Ramakrishna chaired the session. Guest of Honour was CMA K.N. Hari Hara Prasad, Deputy Director (COST) in Central Taxes, GST Audit Commissionerate, Visakhapatnam. He gave a valuable speech on the implementation of GST in the past and present and the role of GST in Future. CMA S. Siva Kumar, CMA G. Ramya, CMA CH Jaggi and other members participated in the program.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
TIRUCHIRAPALLI CHAPTER

The Chapter signed a MoU with Aiman College of Arts & Science for Women, Trichy for conducting CMA courses in their premises. Mrs (Dr) Suhashini Ernest, Principal, Aiman College and CMA P. Manoharan, secretary of the chapter signed the MoU on 10th July 2019 at a function at the college premises in the presence of CMA (Dr) M. Sheik Mohamed, Director (PG & Research), Aiman College and CMA K. Rajagopal, SIRC Member, CMA C. Subramanian, chairman, CMA M. Venkataraman, vice chairman of the chapter. A CMA Awarness Programme was conducted. CMA K. Rajagopal, SIRC Member was the chief guest of the programme.

WESTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
NAVI MUMBAI CHAPTER

The Chapter celebrated GST day by organizing a seminar on 1st July 2019 at Vashi, Navi Mumbai. The programme was organised on the occasion of 2nd anniversary of GST launch in 2017. Speakers of the event were CMA Sushant J Ghadge and CMA Anil Jha. Both speakers interacted with the participants to give insights of GST basic concepts. CMA Sushant J Ghadge gave latest updates about GST and shared updates of 35th GST council meeting held on 21st June 2019. Speaker CMA Anil Jha explained how GST is one of the important programmes amongst the various programmes implemented by Government of India which helps India to build its path for a better future. The session was very well appreciated by the participants. At the end of the session, CMA Sushant J Ghadge proposed the vote of thanks to participants.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
NAGPUR CHAPTER

As per the direction, the chapter celebrated the 59th Foundation Day of the Institute at Nagpur by distributing saplings among the representatives of the Local Resident Association, students, staff and CMA members. CMA PV Bhattad, Past President, inaugurated the 59th Foundation Day celebration by handing the first sapling.

BUDGET HIGHLIGHTS 2019 - 2020

This year's budget is different in most since it followed general election and an interim budget on 1st February 2019. The major theme of the budget is to attain five trillion dollar economy through development of social and physical infrastructure, Make in India initiative with particular emphasis on MSME, Star ups, defence manufacturing, automobiles, water management, Blue economy, Space programme, self sufficiency and healthy society. The proposed measures mainly involve relaxing of rules, liberalizing direct and portfolio investment by foreigners. The budget also contains theme of digitization in every sector of economy, more effective policies of inclusion, welfare support and agricultural reform. Key features of Budget are as follows:

Key Features of Budget

- Vision for five trillion dollar economy driven by investment- Statutory limit for FPI investment in a company increased to sectoral limit, 100% FDI to be permitted for Insurance intermediaries, local sourcing norms to be eased for FDI in single brand retail, measures for boosting infrastructure financing for attaining 5 trillion dollar economy.

- Transforming Rural lives- Initiatives under Ujjwala Yajona and Saubhagya Yojona aim to transform lives of every rural family with access to clean cooking gas, electricity connection. In the second phase of Pradhan Mantri Awas Yojona- Gramin 1.95 crore houses are proposed to be provided to eligible beneficiaries.

- New Jal Shakti Mantralaya to ensure Har Ghar Jal- The new Mantralaya will look at the management of our water resources and water supply in an integrated and holistic manner and will work with States to ensure piped water supply to all rural households by 2024 under the Jal Jeevan Mission.

- Enhancing ease of direct and indirect taxation - A scheme of faceless electronic assessment involving no human interface to be launched this year, fully automated GST refund module shall be implemented.

- Strengthening connectivity infrastructure- Bharatmala phase 2 to be launched, State road networks will be developed, Jal Marg Vikas project and Sagarmala initiatives improving logistics, reducing transportation cost and increasing competitiveness, PPP in railways infra development, National Common Mobility Card launched.

- Gandhipedia to be developed by National Council for Science Museums to sensitize youth and society- To mark the 150th Birth anniversary of Mahatma Gandhi the Rashtriya Swachhta Kendra will be inaugurated at Gandhi Darshan Rajghat on 2nd October 2019.

- Strengthening India's soft power- Proposal for issuing Aadhar Card for NRIs with Indian Passports after their arrival in India without waiting for 180 days, to launch a mission of linking creative industry with the economy and whenever required protecting Intellectual Property rights, to open four new Embassies in the year 2019-20 with an intend to increase the footprint of India's overseas presence, developing seventeen Iconic Tourism Sites into World class tourist destinations.

Tax Proposals

Personal Taxation

- Aadhar and PAN to be made interchangeable
- Pre filling of Income Tax Returns
- A scheme of faceless assessment in electronic mode involving no human interface to be launched this year in phased manner
- 100% tax rebate to individuals having taxable income upto Rs. 5 lacs
- TDS of 2% on cash withdrawal exceeding Rs.1 core in a year from a bank account
- Surcharge to increase effective tax rate by 3% on individual having taxable income from Rs. 2 crore to Rs. 5 croes and 7% for above Rs. 5 crores
- Additional deduction of Rs.150000 for interest paid on loans borrowed upto 31st March 2020 for purchase of an affordable house valued upto Rs.45 lacs
- Additional income tax deduction of Rs. 150000 on the interest paid on loans taken to purchase electric vehicles

Corporate Taxation

- Currently corporate tax rate of 25% is only applicable to companies having annual turnover upto Rs. 250 crore. This threshold limit is proposed to increase to Rs. 400 crore
- No charges or MDR on specified digital mode of payments. These modes are to be compulsorily provided by large businesses
- Deposit taking and systematically important non deposit taking NBFC can now pay tax in the year they receive interest on certain bad and doubtful debts
- Relief in Security Transaction Tax (STT) by restricting it only to the difference between settlement and strike price in case of exercise of options
- Benefit of Section 35 AD of IT Act for mega investment in Sunrise and advance technology areas
- Direct tax incentives to International Financial Services Centre, exemption from dividend distribution tax from current and accumulated income to companies and mutual funds, exemptions on capital gain and interest payment on loan taken from non residents
- Extension of period of exemption of capital gain arising from sale of residential house for investment in start ups upto 31.03.2021

Indirect Taxation

- Taxpayers having annual turnover of less than Rs. 5 crore shall file quarterly return
- Fully automated GST refund module shall be implemented
- An electronic invoice system is proposed that will eventually eliminate the need for a separate e-way bill
- 5% Customs duty imposed on imported books
- Certain Defence equipments not manufactured in India are being exempted from basic customs duty
- Increase of customs duty on gold and other precious metals from 10% to 12.5%
- Increase of Special Additional Excise duty and Road and Infrastructure Cess each by Re 1 on per liter of petrol and diesel
- Sabka Vishwas Legacy Dispute Resolution Scheme proposed for quick closure of service tax and excise related litigation

Others

- Pradhan Mantri Karam Yogi Maandhan- Pension benefits to retail traders and small shopkeepers
- Pradhan Mantri Matsya Sampada Yogona- Establish robust fisheries management framework
- Pradhan Mantri Shram Yogi Maandhan- Pension benefit to workers in unrecognized and informal sectors on attaining the age of 60
- National Research Foundation to be established to fund, coordinate and promote R&D
- Study in India: to bring foreign students to higher educational institutions
- Proposed further recapitalisation of PSBs: Rs 70,000 crore
- Rs.1 lakh loan under MUDRA scheme for one woman in every SHG
- 100% FDI to be permitted for Insurance intermediaries

DIRECT TAXATION

Compiled by CA Vikash Mundhra

Clarification regarding non-allowability of set-off of losses against the deemed income u/s 115BBE prior to A.Y. 2017-18 - Circular 11/2019 dated 19-06-2019

With effect from 01.04.2017, sec. 115BBE (2) provides that where total income of an assessee includes any income referred to in sec. 68/69/69A/69B/69C/69D of the Act, no deduction in respect of any expenditure or allowance or set off of any loss shall be allowed to the assessee under any provisions of the Act in computing the income referred to in sec. 115BBE (1).

The amendment inserting the words 'or set off of any loss'is applicable with effect from 01-04-2017 andapplies from assessment year 2017-18 onwards, thus, in assessments prior to A.Y. 2017-18, some of theAssessing Officers have allowed set off of losses against the additions made by them u/s 68/69/69A/69B/69C/69D. However, in some cases, set off of losses against the additions made u/s 115BBE (1) have not been allowed.

The Circular No. 3/2017 of the Board dated 20-01-2017 which contains Explanatory notes to theprovisions of the Finance Act, 2016,at para 46.2, regarding amendment made in sec. 115BBE(2) mentions thatcurrently there is uncertainty on the issue of set-off of losses against income referred to insection 115BBE.It also further mentions that the pre-amended provision of sec. 115BBE did not convey the intention that losses shall not be allowed to be set-off againstincome referred to in sec. 115BBE and hence, the amendment was made vide the Finance Act, 2016.

Thus keeping the legislative intent behind amendment in sec. 115BBE(2) vide the Finance Act, 2016 to remove any ambiguity of interpretation, the Board is of the view that since the term 'or set off of any loss'was specifically inserted only vide the Finance Act 2016, w.e.f. 01-04-2017, an assessee is entitled to claim set-off of loss against income determined u/s 115BBE the assessment year 2016-17.

Clarification regarding assessment of firm - Circular No. 12/2019 dated 19-06-2019

C&AG had carried out a Performance Audit regarding 'Assessment of Firms' under the Incometax Act, 1961 and in its Report No.7 of 2014, has made certain suggestions so that in future, assessments in these cases are handled in a more effective manner by the A.O.In order to improve the quality of assessments being framed in these cases and also to reduce thescope for committing errors, the Board desires that Assessing Officers should duly take intoconsideration the following issues while making assessments in case of firms:

i. Expenses in the hands of the firm such as interest on capital paid to the partners, remuneration payable to the working partners etc. are taxable in the hands of respective partners.Therefore, while framing assessment in case of firms, a cross-verification of such amounts withincome-tax return of firm's partner will be desirable and any discrepancy between the tax return of afirm and its partners should be dealt with as per provisions of the Act.

Further, AOs should invariablycall for a copy of the partnership deed during the course of assessment proceedings and examine itcarefully so that instances of payment of remuneration to any non-working partner or remunerationpayment for period prior to the date of partnership deed but claimed as deductible are identified andcognizance of these are duly taken in assessment.

ii. Sec. 40(b)(iv) stipulates following3 conditions for allowability of interest to the partners of a firm

a. the payment should be in accordance with the terms of the partnership deed; and

b. it should relate to any period falling after the date of such partnership deed; and

c. it should not exceed the amount calculated at the rate of 12% simple interest p.a.

Instances have been noticed where the interest in the partnership deed was stated to bebelow 12%, yet, the same was allowed at the rate of 12% by the AO. Suchmistakes should be avoided.Further, in case the rate prescribed in the partnership deed is in excess of 12%, the excess should be disallowed in assessment. The AO is also required toascertain whether payment of interest is duly authorized by the partnership deed or not. Further, while calculating interest payable to the partners for purposes of sec. 40(b)(iv), AOs aretaking different yardsticks for calculating interest viz. opening balance of capital, closing balance ofcapital, fixed capital or current capital etc. In this regard, sec. 40(b)(iv) prescribes thatpaymentof interest to partners should be authorized by and be in accordance with the partnershipdeed.

Therefore, while framing assessment, AOs should refer to the terms of the partnership deed for purpose of computation of interest on capital payable to a partner.

iii. Sec. 40(b)(ii) and (v) lays down that payment of remuneration to aworking partner should be authorized by the partnership deed, be in accordance with the terms ofthe partnership deed, should relate to a period after the partnership deed and should also not exceedthe maximum amounts prescribed therein. However, it has been noticed that in some assessments, AOs had allowed expenditure on remuneration to the working partners though the same was eithernot authorized by the partnership deed or was in excess of the amount specified therein. In order to prevent recurrence of mistakes and allowing the expenditure strictly as per provisions of the Act, theAOs should ensure that claim u/s 40(b)(v) is allowed only after a thoroughverification of the partnership deed.

Further, while computing remuneration which is allowable to aworking partner u/s 40(b)(v), theterm 'in accordance with the terms of thepartnership deed'in sec. 40(b)(ii) and (v) implies thatremuneration shouldnot be undetermined or undecided. Hence, in all situations, partnership deed should form the basisfor determination of remuneration payable to the working partners.

Furthermore, in situations wherethe remuneration either so specified in the partnership deed or computed as per the methodindicated therein falls short of the amount allowable u/s 40(b)(v), it would berestricted to the figure computed on the basis of the partnership deed.

iv. While computing remuneration payable to the working partners u/s 40(b)(v), the remuneration should not exceed a particular aggregate amount which is based upon thefigure of 'book profit'. The Explanation 3 to sec. 40(b) contains definition of 'book profit' for the purposes of determination of remuneration of the partners and provides that 'book profit' shall mean the net profit, as shown in the profit & loss account for the relevant previous year,computed in the manner laid down in Chapter IV-D as increased by the aggregate amount of theremuneration paid or payable to all the partners of the firm if such amount has been deducted while calculating the net profit.Therefore, while computing 'book profit' for purposes of sec. 40(b)(v),all incomes such as capital gain, interest, rental income, income from other sources etc.which do not fall under the head 'profit or gain of business or profession', should be excluded.

v. AOs are advised to apply the provisions of Chapter XVI of the Act in assessment of firms whenever required. It should be taken into consideration that u/s 185, any noncompliance by the firm or its partners with provisions of sec. 184 may result in denial ofexpenses such as remuneration, interest etc. payable to the partners which are otherwise allowable under the provisions of the Act.

vi. It has also come to notice that some firms try to inflate the profits eligible for deduction u/s 80IA by not claiming expenditure towards remuneration, salary, interest etc. whichare payable to the partners. In such situations, Assessing Officers may examine these transactions inlight of provisions of sec. 80IA(10) which empower Assessing Officer tore-compute profit of the eligiblebusiness after excluding the profits of the related activity/ businesswhich produced the excessive profit.

vii. While framing assessments in case of firms claiming carry forward and set off of losses, Assessing Officers are requested to verify such claims taking into consideration provisions of sec. 78 which disallow such a carry forward and set off in case of change in constitution of thefirm or on succession.

viii. Regarding the issue concerning possible action against the tax auditor for furnishing incomplete information in the Tax-Audit Report and effective utilization of information in the Tax.

Audit Report by the Assessing Officers, it is reiterated that directions given earlier viz. Instruction No.09/2008 dated 31.07.2008 of CSOT should be followed scrupulously by the field authorities.

This circular would also be applicable to limited scrutiny cases if the assessee is a registered firm.

Exemption of service element and disability element of disability pension granted to disabled personnel of armed forces who have been invalided on account of disability attributable to or aggravated by such service - Circular No. 13/2019 dated 24-06-2019

Under the existing provisions of sec. 297(2)(l), any notification issued u/s 60(1) or 60A of the Indian Income-Tax Act, 1922 (now repealed) and in force immediately before the commencement of the Act shall continue to be in force to the extent to which no provision has been made under the Act. Previously, in exercise of powers conferred u/s 60 of the Indian Income-Tax Act, 1922, vide Notification no. 878-F dated 21.03.1922, it was ordered at para 19 that *'pensions granted to members of His Majesty's naval, military or air forces who have been invalided for naval, military or air force service on account of bodily disability attributable to or aggravated by such service would be exempt from tax under the Indian Income-Tax Act, 1922'.*

In furtherance to the above, instruction no. 136 / 1970 dated 14.01.1970 in F.No. 34/3/68 IT(AI) and instruction no. 2/2001 dated 02-07-2001 in F.No. 200/51/99-ITA-I have been issued to clarify that the entire disability pension, i.e. "disability clement" and "service element" of a disabled officer of the Indian Armed Forces continues to be exempt from income tax under the Income-tax Act, 1.961.

Clarification has been asked on following two issues:

1. Whether the exemption is applicable only to the disabled officers of Armed Forces or all disabled Armed Forces Personnel (i.e. including officers and Jawans).
2. Whether the Income Tax exemption would be limited to only such disabled Armed Forces Personnel who are invalided out of service due to disability attributable to or aggravated by military service condition or to even those who retire after full service with some disability .

In this regard, it is clarified that the notification no. 878-F dated 21-03-1922, provides income tax exemption to all members of Armed Forces who have been invalided for naval, military or air force service on account of bodily disability attributable to or aggravated by such service. Thus, income-tax exemption would be available to all armed forces personnel (irrespective of rank) who have been invalided for such service on account of bodily disability attributable to or aggravated by such service.

Such tax exemption will be available only to armed forces personnel who have been invalided from service on account of bodily disability attributable to or aggravated by such service and not to personnel who have been retired on superannuation or otherwise.

Clarification regarding taxability of income earned by a non-resident investor from off-shore investments routed through an Alternate Investment Fund - Circular No. 14/2019 dated 03-07-2019

In the context of Alternate Investment Funds (AIFs), references have been made seeking clarity regarding taxability of income from investments made by the non-resident investor through these AIFs, outside India (off-shore investment).

The incidence of tax arising from off-shore investment made by a non-resident investor through the AIFs would depend on determination of status of income of non-resident investor as per provisions of sec. 5(2). As per sec. 5(2), the income of a person who is non-resident, is liable to be taxed in India if it is received or is deemed to be received in India in such year by or on behalf of such person; or accrues or arises or is deemed to accrue or arise to him in India.

Chapter XII-FB contains special provisions relating to tax on income of investment funds and income received from such funds. Under Chapter XII-FB, sec. 115UB (Tax on income of investment fund and its unit holders) is the applicable provision to determine the income and tax-liability of investment funds & their investors. In this context, "investment fund"is defined in Explanation 1 of Chapter XII-FB to mean any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which has been granted a certificate of registration as a Category I or Category II Alternative Investment Fund and is regulated under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012, made under the Securities and Exchange Board of India Act, 1992. Thus, provisions of sec. 115UB apply only to Category I or Category II AIFs, as defined in SEBIs regulations.

By an overriding effect over other provisions of the Act, sec. 115UB(1) provides that any income accruing or arising to, or received by, a person, being a unit holder of an investment fund, out of investments made in the investment fund, shall be chargeable to income-tax in the same manner as if it were the income accruing or arising to, or received by, such person had the investments made by the investment fund been made directly by him and not through the AIF.

It is clarified that as sec. 115UB(1) provides that the investments made by Category I or Category II AIFs are deemed to have been made by the investor directly, it is hereby clarified that any income in the hands of the non-resident investor from off-shore investments routed through the Category I or Category II AIF, being a deemed direct investment outside India by the non-resident investor, is not taxable in India u/s 5(2).

It is further clarified that loss arising from the off-shore investment relating to non-resident investor, being an exempt loss, shall not be allowed to be set-off or carried-forward and set off against the income of the Category I or Category II AIF.

Clarification on procedural issues (payment of 3rdinstallment) u/s 195 of the Income Disclosure Scheme, 2016 read with section 119 of the Income-tax Act, 1961 - Circular No. 15/2019 dated 12-07-2019

Under the Income Declaration Scheme, 2016 (IDS), declarants were required to pay their determined liability towards tax, surcharge and penalty pertaining to the third installment as per the Form-2 issued by the Pr. CIT/CIT, by 30th September, 2017. In this regard, references have been filed by the stakeholders with the Board regarding difficulties faced by the declarants while effecting payment of third installment of IDS around 30th September, 2017 due to closure of banks on account of holidays due to which they couldn't effect payment of third installment within the stipulated time. Hence, a request has been made to the Board u/s 119 read with sec. 195 of the IDS to grant appropriate relief in such cases.

It is clarified that 30th September, 2017 was a closed national holiday, whether the payments effected or completed on next working day of the banks would be treated as an on-time payment of the statutory liability towards the third installment. It is seen that 1st October,2017 & 2nd October, 2017 were also closed bank holidays, therefore, regular banking transactions could take place only on 3rd October, 2017 after 30th September, 2017. Therefore, in accordance with provisions of sec. 10 of the General Clauses Act, 1897, the Board hereby directs that all payments made/ effected by the declarants on 3rd October, 2017 shall also be deemed to have been paid by the due date for the third installment i.e. 30th September, 2017.

In some of the cases, payment through cheque, RTGS, electronic transfer etc. towards payment of liability was tendered in the bank on or before 30th September, 2017. However, on bank's endorsement, the date is mentioned after 30th September, 2017, which could render these declarations void. The genuine hardship of the declarants on account of procedural/technical issues with the banks has been considered. It has been decided that payments effected through cheque/RTGS/electronic transfer by the declarant by 3rd of October, 2017 (the deemed extended date for the third installment as per para 2 above) which were credited by the banks till 5th October, 2017 shall be deemed to have been paid by 30th September, 2017.

'Central Silk Board, Bengaluru (PAN: AAALC0093M)' notified u/s 10(46) - Notification No. 45/2019 dated 20-06-2019

The Central Government notifies following income of the 'Central Silk Board, as exempt u/s 10(46) for A.Y. 2019-20 to 2023-24:

a. Grants/Funds received from the Centre/State/ NGO or any other Statutory body by Central Silk Board;
b. Compensation received on account of sale, disposal, auction or acquisition of movable and immovable properties of Central Silk Board;
c. Royalty or any other income received for the technologies patented and intellectual property rights owned by Central Silk Board;
d. Penalties and Levies collected under Government Statutes;
e. Fees/charges/ receipt received on account of services rendered by Central Silk Board as per the provisions of the Central Silk Board Act, 1948; and
f. Interest earned on (a) to (e) above.

The notification shall be effective subject to the conditions that:

i. It shall not engage in any commercial activity;
ii. The activities and the nature of the specified income shall remain unchanged throughout the financial years; and
iii. The assessee shall file return of income in accordance with the provision of sec. 139(4C)(g).

'International Sericultural Commission', Bengaluru (PAN: AAAGI0020F)' notified u/s 10(42) - Notification No. 46/2019 dated 20-06-2019

The Central Government notifies following income of the 'International Sericultural Commission, as exempt u/s 10(42) from A.Y. 2014-15:

a. Membership Fee received from Member Countries and Associate Members;
b. donations or grants received from United Nations, Inter-Governmental agencies, and Government of Member countries;
c. registration fees for participating in international events organised by International Sericultural Commission; and
d. interest earned on (a) to (c) above.

Manipal Academy of Higher Education, Manipal, Karnataka (PAN:- AAAJN0078Q) notified u/s 35(1)(ii) - Notification No. 48/2019 dated 26-06-2019

The Central Government notifies M/s. Manipal Academy of Higher Education, Manipal,Karnataka (PAN:- AAAJN0078Q) u/s 35(1)(ii) read with rule 5C and 5E from the A.Y. 2015-16 and onwards in the category of 'University, College or other Institution', subject to the following conditions:

i. The sums paid to the approved organization shall be used to undertake scientific research;
ii. The approved organization shall carry out

scientific research through its faculty members or enrolled students;

iii. The approved organization shall maintain separate books of accounts in respect of the sums received by it for scientific research, reflect therein the amounts used for carrying out research, get such books audited by an accountant and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income;

iv. The approved organization shall maintain a separate statement of donations received and amounts applied for scientific research, such donations shall be used exclusively for core scientific research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to above.

v. Donations being received by the approved organization, shall be used exclusively for core scientific research only and not for hospital activities, activities related to treatment of patients, general educational activities (other than research), clinical trial activities or any other object of the organization.

vi. The approved organization shall, by the due date of furnishing the return of income, furnish a statement to the Commissioner of Income-tax or Director of Income-tax containing:

- a detailed note on the research work undertaken by it during the previous year;
- a summary of research articles published in national or international journals during the year;
- any patent or other similar rights applied for or registered during the year;
- programme of research projects to be undertaken during the forthcoming year and the financial allocation for such programme.

The Central Government shall withdraw the approval if the approved organization:

a. fails to maintain separate books of accounts; or

b. fails to furnish its audit report; or

c. fails to furnish its statement of the donations received &sums applied for scientific research; or

d. ceases to carry on its research activities or its research activities are not found to be genuine; or

e. ceases to conform to and comply with the provisions of sec. 35(1)(ii) read with rules 5C and 5E of the said Rules.

'Karnataka Electricity Regulatory Commission' notified u/s 10(46) - Notification No. 49/2019 dated 27-06-2019

The Central Government notifies following income of the 'Karnataka Electricity Regulatory Commission, as exempt u/s 10(46) for A.Y. 2020-21 to 2024-25:

a. Grant by Government of Karnataka;

b. Annual Fees;

c. Tariff Application Fees;

d. Power Purchase Agreement processing fees;

e. Fines and Penalties (if levied);

f. Miscellaneous receipts like copying charges of various documents sale of retail tariff orders sale of regulations, RTI application fees etc.; and

g. Interest earned on (a) to (f) above.

The notification shall be effective subject to the conditions that:

i. It shall not engage in any commercial activity;

ii. The activities and the nature of the specified income shall remain unchanged throughout the financial years; and

iii. The assessee shall file return of income in accordance with the provision of sec. 139(4C)(g).

'National Skill Development Corporation'notified u/s 10(46) - Notification No. 51/2019 dated 04-07-2019

The Central Government notifies following income of the 'National Skill Development Corporation (PAN: AACCN8680L)', as exempt u/s 10(46) for A.Y. 2017-18 to 2021-22:

a. Amount received in the form of Government grants.

b. Amount received in the form of grants for skill development other Government grants;

c. Long-term or short-term capital gain out of investment in an organisation for skill development;

d. Dividend and royalty from skill development venture supported or funded by National Skill Development Corporation;

e. Income from Accreditation Fees, Registration fees, fees from training partners and other cost recovery from its skill development activities;

f. Administrative & Mobilization fees from the scheme management;

g. Income from institutions outside India for skilling, Training & Employability;

h. Interest on loans to Institutions for skill development;

i. Miscellaneous income, like sale of scrap, Profit on sale of assets, RTI application fees, forfeiture of Bank Guarantee, interest on income tax refund, excess provision written back; and

j. Interest earned on (a) to (i) above.

The notification shall be effective subject to the conditions that:

i. It shall not engage in any commercial activity;
ii. The activities and the nature of the specified income shall remain unchanged throughout the financial years; and
iii. The assessee shall file return of income in accordance with the provision of sec. 139(4C)(g).

'Chhattisgarh Building and Other Construction Workers' Welfare Board' notified u/s 10(46) - Notification No. 52/2019 dated 04-07-2019

The Central Government notifies following income of the 'Chhattisgarh Building and Other Construction Workers' Welfare Board', as exempt u/s 10(46) for A.Y. 2019-20 to 2023-24:

a. Worker's welfare cess;
b. Registration fees; and
c. Interest earned on (a) and (b) above

The notification shall be effective subject to the conditions that:

i. It shall not engage in any commercial activity;
ii. The activities and the nature of the specified income shall remain unchanged throughout the financial years; and
iii. The assessee shall file return of income in accordance with the provision of sec. 139(4C)(g). MA

vikash@taxpointindia.com

INDIRECT TAXATION

Compiled by CA Shubham Khaitan

Treatment of secondary or post sales discount

- Discount without any obligation: If discount is provided by a supplier without any further obligation or action required at the dealer's end, then the post sales discount given by the said supplier will be related to the original supply of goods. It would not be included in the value of supply, in the hands of supplier of goods, subject to the fulfilment of conditions of valuation regarding discount.
- Discount for promotional activities: If the additional discount given by the supplier of goods to the dealer is the post-sale incentive requiring the dealer to do some act like undertaking special sales drive, advertisement campaign, exhibition etc., then such transaction would be a separate transaction. The additional discount will be the consideration for undertaking such activity and therefore would be in relation to supply of service by dealer to the supplier of goods. The dealer, being supplier of services, would be required to charge applicable GST on the value of such additional discount and the supplier of goods, being recipient of services, will be eligible to claim input tax credit (hereinafter referred to as the "ITC") of the GST so charged by the dealer.
- Discount by supplier to dealer for reduced price to customer: If the additional discount is given by the supplier of goods to the dealer to offer a special reduced price by the dealer to the customer to augment the sales volume, then such additional discount would represent the consideration flowing from the supplier of goods to the dealer for the supply made by dealer to the customer. This additional discount as consideration, payable by any person (supplier of goods in this case) would be liable to be added to the consideration payable by the customer, for the purpose of arriving value of supply, in the hands of the dealer. However, the customer will be eligible for ITC only to the extent of tax paid by the customer to the dealer. For the tax charged by the dealer from the supplier, the supplier is liable to claim the ITC and no tax credit will be allowed to the customer.
- ITC for recipient on receipt of financial credit note without GST: It is clarified that the dealer will not be required to reverse ITC attributable to the tax already paid on such post-sale discount received by him through issuance of financial / commercial credit notes by the supplier of goods as long as the dealer pays the value of the supply as reduced after adjusting the amount of post-sale discount in terms of financial / commercial credit notes received by him from the supplier of goods plus the amount of original tax charged by the supplier.

Transfer from one head under electronic cash ledger to the other

- A person can transfer any amount paid under any head to the major head of CGST, SGST, IGST, UTGST or cess or minor head of tax, interest, penalty, fee or others through Form GST PMT-09. The transfer can be from the major head or the minor head as the case may be. This functionality will be made available at a future date.

(Notification no. 31/2019-CT dated 28th June 2019)

GST Applicability on additional/penal interest

- Levy of additional / penal interest does not fall within the ambit of entry 5(e) of Schedule II of the CGST Act i.e. "agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act", as this levy of additional / penal interest satisfies the definition of "interest" as contained in notification No. 12/2017- Central Tax (Rate) dated 28.06.2017.

- It is further clarified that any service fee/charge or any other charges that are levied by M/s ABC Ltd. in respect of the transaction related to extending deposits, loans or advances does not qualify to be interest as defined in notification No. 12/2017- Central Tax (Rate) dated 28.06.2017, and accordingly will not be exempt.

(Circular no. 102/21/2019-GST dated 28th June 2019)

Prescription of due dates

Forms	Purpose	Period	Due date	Notification
GST ITC-04	Job Work	July 2017 - June 2019	31st Aug 2019	32/2019-CT dtd 28th June
GSTR 3B	All taxpayers	July 2019 - Sept 2019	20th of next month	29/2019-CT dtd 28th June
GSTR 1	Taxpayers with agg turnover > Rs. 1.5 crore	July 2019 - Sept 2019	11th of next month	28/2019-CT dtd 28th June
GSTR 1	Taxpayers with agg turn-over < Rs. 1.5 crore	July 2019 - Sept 2019	31st Oct 2019	27/2019-CT dtd 28th June
GSTR 7	TDS deductors	Oct 2018 - July 2019	31st Aug 2019	26/2019-CT dtd 28th June

QR code in invoices

- In the invoice and bill of supply issued by the respective taxable persons, the government may under certain conditions by notification require the specification of Quick Response (OR) code on the relevant document.

(Notification no. 31/2019-CT dated 28th June 2019)

Processing of refund application by authority wrongly mapped on the GST portal

- Currently the jurisdictional authority mapped online may not be the same person who has been administratively assigned a registered person. There is no option for reassignment at the moment
- If a person files an online application and the application goes to the authority mapped, then the said authority who has been electronically mapped has been instructed to process the refund.
- After the processing of the refund application is complete, the refund processing authority may inform the common portal about the incorrect mapping with a request to update it suitably on the common portal so that all subsequent refund applications are transferred to the correct jurisdictional tax authority.

(Circular no. 104/23/2019-GST dated 28th June 2019)

Furnishing of bank account details after grant of registration

- An option to provide bank account details later after the GST registration is granted is proposed to be allowed through the rules. Bank account details are to be updated within the earlier of the following two dates:

  - 45 days from the grant of registration
  - Due date of filing GSTR 3B return

- The above provision will not be applicable to people registered under TDS or where the department had provided suo moto registration
- If the said bank accounts are not provided within the relevant time limit, the registration may be susceptible to cancellation.

(Notification no. 31/2019-CT dated 28th June 2019)

Restriction of e-waybill extended to taxpayers under new composition scheme

- New composition scheme which is mostly applicable to service providers are also restricted from generation of e-waybill if they mail to submit their statement in Form GST CMP-08 for two consecutive quarters

(Notification no. 31/2019-CT dated 28th June 2019)

Refund of taxes to retail outlets established in departure area of international airport beyond immigration counters

- Retail outlets established beyond the immigration counter in departure area of international airport which supply domestic goods to outgoing international tourist will now be eligible to claim refund of their inward supply of such domestic goods.
- Application in prescribed format with the

purchase invoices are to be submitted with the refund application.

- This refund is only for goods received from registered persons and not on services. It will be allowed only when the goods are supplied to the international tourist.
- Outgoing international tourist means a person not normally resident in India who enters India for a stay of not more than six months for non-immigrant purposes. Keeping this record may be a tedious task for the retail outlets.

(Notification no. 31/2019-CT dated 28th June 2019)

TDS and TCS provision rationalization

- Payments made by the deductor in respect of TDS reflect in the electronic cash ledger after validation by the deductee. It does not reflect in the Form GSTR 2A and GSTR 4A as the case may be of the deductee. The provisions have been rationalized accordingly.

(Notification no. 31/2019-CT dated 28th June 2019)

- Payments made by the electronic commerce operator in respect of TCS reflect in the electronic cash ledger after validation by the supplier. It does not reflect in the Form GSTR 2A and GSTR 4A as the case may be of the supplier. The provisions have been rationalized accordingly.

(Notification no. 31/2019-CT dated 28th June 2019)

Valuation of supply in cases of Kerala Flood Cess

- Taxable value base on which such cess is to be levied will be the same on which GST is normally levied i.e. under Section 15. Such cess will not be included in the taxable value for the purpose of calculation.

(Notification no. 31/2019-CT dated 28th June 2019)

Anti profiteering rules modifications

- There have been modifications in the anti profiteering procedures in respect of reporting, time limits and process of investigation.
- Further the time limit of the Anti profiteering authority has been increased by a further period of 2 years.

(Notification no. 31/2019-CT dated 28th June 2019)

Exemption from annual return and audit for suppliers of OIDAR Services

- Person registered under the category of supplier of OIDAR services from a place outside India to unregistered persons in India have been exempted from furnishing Form GSTR 9 and 9C.

(Notification no. 30/2019-CT dated 28th June 2019)

Determination of place of supply in certain cases

- Various services are being provided by the port authorities to its clients in relation to cargo handling. Some of such services are in respect of arrival of wagons at port, haulage of wagons inside port area up-to place of unloading, siding of wagons inside the port, unloading of wagons, movement of unloaded cargo to plot and staking hereof, movement of unloaded cargo to berth, shipment/loading on vessel etc.

It is hereby clarified that such services are ancillary to or related to cargo handling services and are not related to immovable property. It is hereby clarified that such services are ancillary to or related to cargo handling services and are not related to immovable property.

- In case of cutting and polishing activity on unpolished diamonds which are temporarily imported into India are not put to any use in India, the place of supply would be determined as per the provisions contained in sub-section (2) of Section 13 of the IGST Act.

(Circular no. 103/22/2019-GST dated 28th June 2019)

Refund of taxes paid

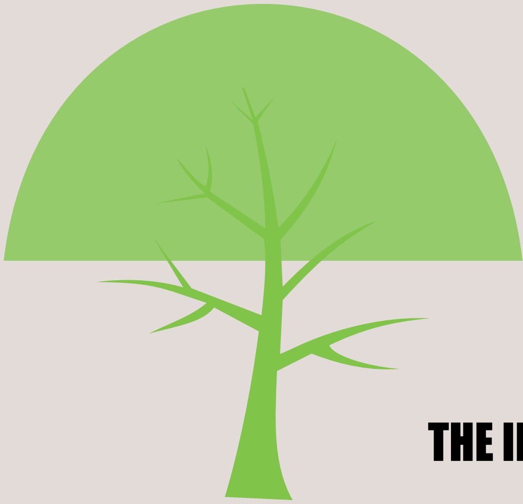
- Any outward supplies by a retail outlet established in the departure area of an international airport, beyond the immigration counters, to an outgoing international tourist will be considered as exempted from tax
- Retail outlets established in the departure area of an international airport, beyond the immigrationcounters, making tax free supply of goods to an outgoing international tourist, are specified as class of persons who shall be entitled to claim refund.
- Retail outlets will apply for refund with the jurisdictional Central tax/State tax authority only, however, the payment of the sanctioned refund amount in relation to Central tax / Integrated tax / Compensation Cess shall be made by the Central tax authority while payment of the sanctioned refund amount in relation to State Tax / Union Territory Tax shall be made by the State tax/Union Territory tax authority

(Notification no. 11/2019-CT(rate) dated 29th June 2019)

(Notification no. 11/2019-IT(rate) dated 29th June 2019)

(Circular no. 106/25/2019-GST dated 29th June 2019) MA

shubham@cakhaitan.com



Benevolent Fund

FOR THE MEMBERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

FOR ATTENTION OF THE MEMBERS

The Institute is maintaining **Benevolent Fund for the Members (MBF)** of the Institute to provide assistance to the members of the Fund in case of **financial help to the beneficiary** or to the dependants in **case of death of beneficiary.** Members whose names continue to exist in the Register of Members of the Institute can apply for Life Membership of the Fund.

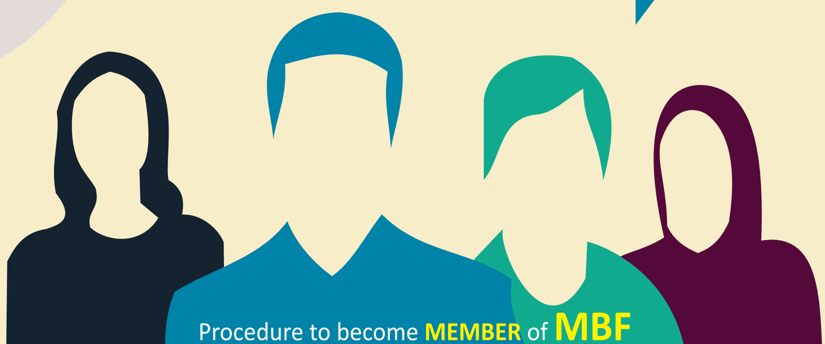
Outright Grant not exceeding ₹**3,00,000/-*** in each case to the beneficiary in the event of death of the member.

Outright Grant not exceeding ₹**1,50,000/-**** in each case to the member/beneficiary for critical illness duly certified by the doctor under whom the treatment is continuing.

Income Tax Benefit

Contributions to MBF qualify for section

80G Exemption



Procedure to become **MEMBER** of **MBF**

The prescribed fee for life membership is ₹7,500/-

The form can be downloaded from the link *https://eicmai.in/external/PublicPages/WebsiteDisplay/forms/mbf-form-Revised.pdf* which you may fill up and return to the Secretary – MBF along with a Demand Draft/Cheque for ₹7,500/- in favour of "ICWAI Members Benevolent Fund". You may apply online also by visiting this link *https://eicmai.in/MMS/Login.aspx?mode=EU*

** effective after 3 years from the date of enrollment in MBF and subject to regular payment of Membership fees. For any break in payment of membership fees within scheduled date, effective date will be calculated from the last payment date of payment of membership fees.*

*** effective after 1 year from the date of enrollment in MBF and subject to regular payment of Membership fees. For any break in payment of membership fees within scheduled date, effective date will be calculated from the last payment date of payment of membership fees.*

For more information please visit the link given in ***https://eicmai.in/External/Home.aspx***

E-mail: ***mbf@icmai.in***

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