



Gurgaon Branch of NIRC

Of
The Institute of Chartered Accountants of India
(set up by an Act of Parliament)



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e-NEWSLETTER



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Gurgaon Branch of NIRC Of The Institute of Chartered Accountants of India (set up by an Act of Parliament)



e-NEWSLETTER

From Chairman's Desk...



CA. Naveen Garg
Chairman
Email: nvn_garg@yahoo.com
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Dear Professional Colleagues and Students,

The monsoon month of August is also known as Shravan month, a holy month as per Hindu calendar. August month hold some of the major Indian Festivals such as Shivratri, Independence Day, Raksha Bandhan, Janamashtmi, Hariyali Teej, Naag Panchmi etc. I wish you all a very Happy August month to celebrate all these festivals with full zeal, faith and excitement.

Furthermore, many congratulations and kudos for all the new CA members who have passed in this July month and 'never loose hope and never stop dreaming' message for all those who couldn't make it this time.

As it has rightly been said by our very intellectual past president of India Late Dr A.P.J. Abdul Kalam "***Dream, Dream and Dream. Dream transforms into thoughts. Thoughts results into action.***" It has always been generating a great inspiration and energy (Chythanya) and has made people to dream and transform their thoughts in to action and to succeed.

Last month, we conducted seminar on 'Foreign Trade Policy' on 9th July 2016 which was graced by Hon'ble Union Minister Chaudhary Birender Singh (Ministry of Steel) and our Vice President of ICAI CA. Nilesh Shivji Vikamsey. On 16th July, 2016 Gurgaon Branch has hosted a National Seminar on "Draft Model GST Law" which was attended by huge members. A student seminar on 'CARO' was also organised on 9th July 2016.

Taking health on priority and considering the lifestyle we all follow, Gurgaon branch has started with Yoga classes on every Sunday free of cost for all our members & their families.

Gurgaon branch requests all its members to bring sponsorships for the events and the seminars. Also its open for any type of corporate tie ups for the benefit of CA fraternity.

I request all my respected members and students to refer our website (www.icaigurgaon.org) for upcoming seminars and events in August 2016 month.

Gurgaon Branch is open to new ideas and programmes, members are requested to give suggestions and contribute their thoughts.

Thank You!

With warm regards,

(CA. Naveen Garg)
Chairman





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e-NEWSLETTER

From Secretary's Desk...



CA. Arun Aggarwal
Secretary
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Dear Professional Colleagues,

At the outset, I wish you Happy Independence Day and a joyful month of seasonal festive!

The month of July was pretty active with CA Day celebrated over 3 days, 2# of seminars and 2# group discussions. Our National Seminar on GST was well received with attendance of more than 330 participants.

With Goods and Services Tax being closer to the realty, your branch shall try and host a number of events including Group Discussions and Seminars to ensure the topic is well discussed and the members get the best chance to hone their skills in this very important reform in India. Your views and suggestions towards this shall be highly appreciated.

We also successfully completed the Information System Audit program in your branch in July. We are now looking to start fresh certificate courses in Gurgaon based on the view/feedback suggested by you in an online survey in the month of June'16.

Last but not the least, let me congratulate the students who made it to this elite profession (*by passing CA Final*) or moved a step closer to it (*by passing CA-IPCC*). For those who could not make it, wishing the best of luck for the next time. Please do remember, **You may not be there as yet, but you're surely closer than you were yesterday.**

Jai Hind!

With warm regards,

(CA. Arun Aggarwal)
Secretary





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GLIMPSES - Seminar on "Foreign Trade Policy and Customs"

Topic :
Foreign Trade Policy and Customs

Audience :
Members

Guest of Honour :
Hon'ble Union Minister
CHAUDHARY BIRENDER SINGH
(Ministry of Steel)
CA. NILESH SHIVJI VIKAMSEY
(Vice President of ICAI)

Guest Speaker :
CA. HANS RAJ CHUGH
MR. SUBHASH CHAND JAIN

Date & Day :
09th July 2016, Saturday

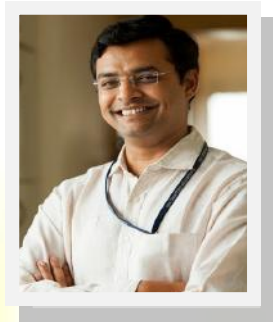




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IMPACT OF GST ON EXPORT ORIENTED UNITS



CA. ASHISH CHAUDHARY
Email: ashish@hiregange.com

Constitutional Amendment Bill for introduction of GST has been passed by both Houses of Parliament and is expected to come into force w.e.f. 1.4.2017. GST is expected to have far reaching implications on various sectors of Indian economy. We discuss likely impact of GST on Export Oriented Units.

Export Oriented Units Scheme is governed by chapter 6 of Foreign Trade Policy and was intended to give fillip to setting up and promotion of units engaged in export of goods from India. Various fiscal incentives, both under Direct and Indirect Taxations, were conferred upon the EOUs in its initial days. But the benefits have been curtailed over the period. Nevertheless, EOUs still enjoys certain concessions under Indirect Taxation presently.

Tax incentives presently enjoyed by EOUs

1. **Exemption from Excise Duty:** The EOU may procure the raw material required for manufacturing of export goods without payment of excise duty based on CT-3 form under Notification No. 22/2003-CE. In case of manufactured goods are purchased from excise dealers, refund of excise duty paid to dealers could be claimed by EOU.

2. **Exemption from Customs Duty:** Import of specified materials (including raw material and capital goods) required in

manufacturing of export goods is exempted from levy of Customs Duty. No Basic Customs Duty, Countervailing Duty and Special Additional Duty are levied.

3. Exemption is admissible under VAT law on sales made to EOU unit whether by way of ab-initio exemption or by way of refund of duty paid, depending upon the provision of the concerned state.

4. CST refund is admissible on the goods purchased interstate by the EOU.

5. Services provided to EOU have not been exempted and are liable to service tax. However, EOU may claim refund of service tax so paid under the provisions of the Cenvat Credit Rules. Tax paid on services received beyond place of removal could be claimed as rebate under Notification No. 41/2012-ST.

Scenario in the GST regime:

GST is going to replace all above laws by subsuming it into one tax to be called GST. There would be three components in the GST:

- ◆ CGST: levied on intra state supplies of goods and/or services
- ◆ SGST: levied on intra state supplies of goods and/or services
- ◆ IGST: Levied on interstate supply of goods and/or services

GST is aimed at reducing the tax distortion, widening of tax based and removing (at least in phased manner) various incentive/exemptions available under Indirect Taxation.

Status of EOU (limited information as available in the draft Model GST Act)

There is no detailed discussion in the draft GST Act as to the treatment of supplies to be made to/by EOUs. However, there are few provisions having impact on EOU as discussed below:



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IMPACT OF GST ON EXPORT ORIENTED UNITS

- **Definition of “zero-rated supply” does not include supplies made to EOU:** It means supply of any goods and/or services on which no tax is payable but credit of the input tax related to that supply is admissible; Explanation.- Exports shall be treated as zero-rated supply. (Sec. 2 (109) of Model GST Law)
- **“Deemed exports”,** as notified by the Central Government/ State Government on the recommendation of the Council, refer to those transactions in which the goods supplied do not leave India, and payment for such supplies is received either in Indian Rupees or in convertible foreign exchange; (Sec. 2 (7) of Model GST Law)
- **“Export of goods”** with its grammatical variations and cognate expressions, means taking out of India to a place outside India; (Sec. 2 (43) of Model GST Law)

Analysis of above definition indicates that supplies made to EOU shall not be considered as export of goods but could be considered as deemed export of goods.

Provision of refund on supplies made to EOUs: There is provision for allowing refund to the taxable persons engaged in exporting goods and/or services outside India. As regards to the supplies made to EOUs, following are relevant provisions Model GST Law:

- **Refund of ITC allowable in limited cases:** Refund of unutilized input tax credit shall be allowed in the cases of exports or where credit has accumulated on account of rate of

tax on inputs being higher than the rate of tax on outputs:
(Proviso to Section 38 (2) of the Model GST Law)

- **Refund includes supplies of goods (not services) to EOU:** “Refund” includes refund of tax on goods and/or services exported out of India or on inputs or input services used in the goods and/or services which are exported out of India, **or refund of tax on the supply of goods regarded as deemed exports**, or refund of unutilized input tax credit as provided under sub-section (2). (Explanation to Section 38 of Model GST Law)
- **Relevant date for filing of refund:** In case of supply of goods regarded as deemed exports where a refund of tax paid is available in respect of the **goods**, the relevant date shall be the date on which the return relating to such deemed exports is filed; (Explanation to Section 38 of Model GST Law)

Impact of GST on EOUs

Unlike present law, where *ab-initio* exemption is available in many cases on supplies made to EOU, that may not be the case in the GST. The supplier making supply to EOUs may be required to charge GST on such supply and may claim refund of GST thereof, if the GST law so provides. Comparative analysis of the indirect tax benefits presently enjoyed by EOUs *viz a viz* GST could be tabulated as below: (Assuming the following rates of tax)

CGST: 9%

SGST=9%

IGST=18%



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IMPACT OF GST ON EXPORT ORIENTED UNITS

S. No	Taxes	Present	Likely in GST	Impact
1	Basic Customs Duty	Exempted	Likely to remain exempted	No
2	CVD/SAD	Exempted	Likely to be taxed as IGST (both duties would be merged to one)	Additional cash flow (working capital requirement) of 18% on imported material
3	Excise duty on purchase made from mfg	Exempted against CT-3 form. Manufacturer not required to charge Excise Duty	No <i>ab-initio</i> exemption. Tax to be charged by supplier and could be eligible to him as refund. EOU could claim rebate/refund of tax charged on material used in export goods.	Additional cash flow impact of 18% on purchase of goods made locally.
4	Excise duty on purchase made from excise dealer	Refund is admissible.	Will be similar treatment. Refund could be claimed. No <i>ab-initio</i> exemption	Presently general excise rate @ 12.5%. Likely GST rate 18%. Increased cash flow impact of 5.5%
5	VAT on purchase made locally	Exemption available	All excise duty and VAT would be merged in one Tax i.e. GST. Supplier of goods could claim refund of GST. EOU could claim rebate/refund of tax charged on material used in export goods	Cash flow impact considered in s. no. 3 above along with excise duty as there would be single tax only. If purchased from trade, additional cash flow impact of 18%.
6	CST on purchase made interstate	CST is eligible as refund	Supplier needs to charge IGST and he may claim refund. EOU may claim refund of IGST charged on supply of goods to it.	If purchased from manufacturer, impact considered in s. no. 3 above. If purchase from trader, additional cash flow impact of $(18\% - 2\%) = 16\%$.
7	Services tax on services provided to EOU	SP needs to charge ST. EOU may claim refund under Rule 5 of CCR.	SP charge GST on supplies to EOU. Refund not admissible to SP (as limited to goods only). EOU may claim refund of GST charged by SP.	Additional cash flow impact of $(18\% - 15\%) = 3\%$.
8	Service tax on post removal expenses	SP charge ST. EOU may claim rebate under Notification No. 41/2012-ST.	Concept of expenses post removal will not exist. All supply of goods and/or services to taxable person in the course or furtherance of eligible for credit. EOU may claim refund of GST.	Additional cash flow impact of $(18\% - 15\%) = 3\%$.
8	Reverse charge under ST	EOU liable to pay ST under RCM	Concept of RCM in GST also. The nature of services to be covered is not clear.	Cash flow impact of effective differential rate of GST under RCM.
9	Taxes on supply made by EOU- Export	Export is exempted from all taxes (unless restricted items)	Exempted from all taxes. The GST paid on inputs/input services could be claimed as refund	Refund process likely to be streamlined. 80% refund to be granted provisionally. But additional cash flow impact in the form of taxes blocked in the working capital.
10	Taxes on supply made by EOU- domestic supply	Taxable	Taxable	Difference between GST rate- (excise duty +CST/VAT). Additional cash flow to customer, if B2B transaction. Additional cost to customer, if B2C transaction
11	MEIS benefit under Foreign Trade Policy	Presently 3% benefit available under MEIS	FTP not to be merged with GST. Would run concurrently. The benefit would continue in GST also. Rate likely to remain same	No additional impact. Only impact could be that script may not be allowed to be set off against the GST liability but need to be claimed as refund.
12	Exemption List	Large number of items exempted from ED/VAT	The list would be curtailed substantially. Very limited products expected to continue exemption.	
13	Overall Impact	Tax is inbuilt in cost of material due to no eligibility of cross sectional credit	The cost of material likely to come down as there would be increased set off of credit. The cost of services likely to increase.	Overall cost of production may come down slightly. However, increased cost of interest on fund blockage could lead to higher cost to that extent.

Conclusion: EOUs are presently allowed to make purchase of goods without payment of some of indirect taxes. But under GST, the *ab-initio* exemption is not likely to be there resulting in additional cash flow impact.



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GLIMPSES - Student Seminar on CARO

Topic :
CARO

Audience :
Students

Speaker :
CA. MOHAN MITTAL,
CA. SHASHI SAWHNEY,
CA. RAJENDER ARORA,
MS. NAINA GROVER

Date & Day :
09th July 2016, Saturday





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GST IMPACT ASSESSMENT ON AUTOMOTIVE INDUSTRY



CA. CHITRESH GUPTA
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1. INDUSTRY OVERVIEW

The automobile industry accounts for 22 per cent of the country's manufacturing gross domestic product (GDP). The auto sector is one of the biggest job creators, both directly and indirectly. India is expected to become a major automobile manufacturing hub and the third largest market for automobiles by 2020, according to a report published by Deloitte.

The current production trend for automobile sector is given below;

(Figures in Numbers)

Category	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Passenger Vehicles	29,82,772	31,46,069	32,31,058	30,87,973	32,21,419	34,13,859
Commercial Vehicles	7,60,735	9,29,136	8,32,649	6,99,035	6,98,298	7,82,814
Three Wheelers	7,99,553	8,79,289	8,39,748	8,30,108	9,49,019	9,33,950
Two Wheelers	1,33,49,349	1,54,27,532	1,57,44,156	1,68,83,049	1,84,89,311	1,88,29,786
Grand Total	1,78,92,409	2,03,82,026	2,06,47,611	2,15,00,165	2,33,58,047	2,39,60,409

Source: Society of Indian Automobile Manufacturers

2. ISSUES WITH CURRENT INDIRECT TAXATION

The automobile Industry is currently facing very heavy taxes on account of differential duty rates given to luxury cars, small cars, trucks and other products in the excise tariff. The overall excise duty structure itself is complex with multiple duties such as automobile cess, National Contingent Calamity Duty, being levied simultaneously.

For imports, besides the basic customs duty, Additional Customs Duty equivalent to the duty of excise (with the present complex structure) and Special Additional Customs Duty of four percent is levied. Various States also provide for entry tax on entry of motor vehicles in their jurisdiction.

Presently, the products manufactured by the automobile sector are separately classified in the excise tariff and are taxed at various rates leading to interpretation and classification disputes. Further, there are disputes over availability of CENVAT credit on input services like group insurance, canteen services and freight paid on outward transportation.

The Industry is plagued with inverted duty structure with differential duty being charged on automotive components and parts falling under Chapter 8707, 8708, 8714 and 4011 which leads to accumulation of CENVAT credit with OEMs.



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GST IMPACT ASSESSMENT ON AUTOMOTIVE INDUSTRY

3. IMPACT OF GST

The automobile industry is sensitive to the changes in economy as well as fiscal policy and is accepted as a measure of economic well being of the country. The introduction of GST will have far reaching consequences on the Industry. The general impact of GST on the automobile industry is discussed below:

1. SINGLE GST RATE FOR MAJORITY ITEMS:

Currently, products manufactured by the automobile sector are taxed at various rates due to interpretation and classification disputes. Introduction of GST will end their woes of multiple rates of taxes. Based on the Report of Revenue Neutral rate by Chief Economic Advisor, Arvind Subramanian, it is recommended that majority of goods will be taxed at the Standard rate which may be 18-20%. There will be very few items which will be under exemption list. The table below provides the comparison of current regime with GST regime;

Vehicle Category	Excise Duty	Expected GST Rate
Small cars	12.50%	18%
Length >4m but engine capacity less than 1500cc	24%	18%
Length >4m and engine capacity more than 1500cc	27%	40%
SUVs/MUVs (length >4m, engine capacity >1500cc and Ground clearance >170mm)	30%	40%
Hybrid cars	12.50%	18%
Specified components of Hybrid vehicles	6%	18%
Electric cars, Buses, 2W & 3W	6%	18%
Specified components of Electric vehicles	6%	18%
Buses	12.50%	18%
Trucks	12.50%	18%
Three wheelers	12.50%	18%
Two wheelers	12.50%	18%

2. BETTER PRICING AND BETTER MARGINS:

The cars consists of four categories, Small passenger cars below four meters in length and under 1,200cc, mid-size passenger cars, between 1,200-1,500cc, luxury cars, over 1,500cc and SUVs over 1,500cc. Currently, we pay 12.5 percent excise duty on small cars, 24 percent on mid-size cars, 27 percent on luxury cars and 30 percent on SUVs. Then there is the NCCD of 1.1 percent, 14 percent VAT on all of the above. If the GST bill is passed, the total tax on small cars will come down by ten percent, the tax on mid-size cars will be lower by no less than twenty percent whereas the luxury cars and SUVs will see a tax reduction of approx two and five percent.

Now manufacturers like Maruti-Suzuki and Hyundai are all in favour of the GST in its current format as it gives small car manufacturers massive tax reductions. Even after the lowering of price and distribution of margins at each level of the distribution process still leaves enough margin for the car makers. This is possible as both these car makers have most of their portfolio between the 800cc-1500cc range. Car makers like Toyota and Honda get their sales from larger cars which get only two percent tax reduction

3. BETTER PROCUREMENT STRATEGIES:

Currently, it is tax efficient for manufacturers to have OEMs situated in the same state in which they have a manufacturing plant. This allows them to get credit on the Input VAT since the above transaction is a local sale. Since there is a seamless credit in GST with no distinction between Inter-state or Intra-state purchase, the car manufacturers may also chose OEM based on cost and other considerations rather than Tax considerations.

4. CHANGE IN SUPPLY CHAIN MANAGEMENT PRACTICES:

The practice in this industry is to sell vehicles to a dealer network that sells as well as services the vehicles. More than 80% of the sale is generally outside the state of manufacture. The distribution of vehicles may be either through

Direct sale to Dealer: At present subject to CST @2% which gets embedded in the cost or

Transfer to Depots/Stock yards across country: Presently considered as Stock transfer and CST is not levied. However, State Vat laws provide for retention or reduction of input tax credit in the exporting state.

In GST, both the above transactions will be considered as Supply and full GST will be charged on the same. However, full credit will be allowed on both the transactions.



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GST IMPACT ASSESSMENT ON AUTOMOTIVE INDUSTRY

Today the tier-1 auto component manufacturers operate through multiple plants which are set up in the states where the automobile manufacturer plant is located. This is specifically done with a view to avoid the CST and availing the VAT credit. With the GST the whole country is likely to become one market with no inter-state barriers. This will allow the tier-1 manufacturers to consolidate their operations in one place and enjoy economies of scale.

Goods and Services Tax will give an opportunity to both automobile manufacturers and OEMs to improve margins. The setting up and maintaining of the warehouse adds up to the cost to the OEM/automobile manufacturers. Further, the cumbersome process at every state border delays the delivery of vehicles and adds up to the cost. GST is seen to ease out the cumbersome process and make movement of vehicles quicker and simpler. The better the turnaround time, the better will be the scale of margins. Logistics costs make up to 2-3% of the sale of the vehicle. This can be reduced through better management of supply chain.

5. INCREASE IN WORKING CAPITAL REQUIREMENT:

In automotive sector, majority of procurement and sales happen on concessional rate of CST@ 2%. In GST, there will not be any declaration forms thus GST will be levied on the standard rate i.e. 18-20%. Through credit will be allowed on the same to the company, the company will have to initially pay a higher rate of tax thus the requirement of working capital will be higher and the company may need to increase its working capital borrowings.

6. DOING AWAY WITH AREA BASED EXEMPTIONS:

Generally car manufacturers today, having very large investments, enjoy various state incentives. The incentives are there in many manufacturing states like Maharashtra, Gujarat, Tamil Nadu and so on and so forth.

So, one of the facts that the car manufacturers and automobile manufacturers have to keep in mind is that these state incentives are based on the current value added tax (VAT) and CST that they pay. In GST regime, CST will be phased out & VAT will be subsumed. It is important that auto manufacturers will have to go and renegotiate those memorandums of understanding (MoU) that they have with the states

As per the first discussion paper, the existing schemes may continue

up to the legitimate expiry time both for Centre and States. However, no such new exemptions will be allowed. The Centre or State may either reimburse after collection of GST (as per the Discussion paper) or provide an investment linked Cash subsidy (as recommended by the Task Force Report). It will require reengineering of costing models by the auto companies to analyze the actual impact on pricing.

7. VALUATION OF STOCK TRANSFERS: As per Section 3 of Model GST Law, 2016, Stock transfer is included in the definition of supply. Hence, it will give rise to new challenges. The first and the foremost among them is the valuation of the stock transfers in the absence of sales value to calculate the applicable tax. As per Sec 15 of Model GST Law, the value of a supply of goods and/or services shall be the transaction value, that is the price actually paid or payable for the said supply of goods and/or services where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply. The valuation of stock transfer has to be done based on one of the methods as prescribed under law. This is going to lead litigations.

8. POST SUPPLY DISCOUNTS:

The Model GST Law stipulates that post supply discounts are to be excluded from the transaction value, provided such post supply discounts are known at or before the time of supply of goods and are linked to the invoices for such supply. Companies may need to analyse existing post supply discounts/incentive schemes where the quantum of discount is not known at the supply stage.

CONCLUSION

The Indian automotive industry which was at its nascent stage at the beginning of the 21st century has now become an industry that accounts for around 7% of the India's Gross Domestic Product (GDP) and is one of the largest employers in the economy. In order to eliminate the inherent tax inefficiencies in auto sector and to provide a much needed impetus, there is an urgent need to implement the GST, which would help in making India a globally competitive market for the sector. It is also important that all the participants of automotive industry may proactively assess the impact of GST on their costing, procurement and supply management strategies in order to be better equipped to embrace and capitalize this monumental change in Indirect taxation statute as it comes.



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NPAs IN INDIAN BANKING SECTOR



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NPAs in Indian Banking Sector

Of late we have been hearing about NPA's in the banking system. A question that has been in mind of ordinary citizens - what has happened suddenly in last 2-3 years that has resulted in such a huge jump in NPA in last 3 years. To give a perspective, the Gross non-performing assets (GNPA) has risen to Rs.5.8 trillion in March 2016 from Rs. 2.41 trillion in March 2014, an increase of 2.4 times in just 2 years.

Understanding the extent of present problem

The GNPA of Indian banking system now stands at a record high of 7.6% of Rs. 76.4 trillion of gross advances given by banks as per the recent Reserve Bank of India Financial Stability Report which is a bi-annual chronicle on economy and banking sector.

The bad loan crisis that has gripped India's banking sector didn't happen overnight. For years, Indian lenders, especially state-run banks, were engaged in volume game to balloon their balance sheets and appease their promoter (the government).

Also, there was lack of accountability and competency in terms of appraisal of loans. The Heads of banks were not interested in showing the bad loans and seemed to hide the problem.

Indian banks dodged the global financial crisis in 2008. But they promptly embarked on frenzy of lending to big companies, sowing the seeds to of a home-made crisis. The Public Sector Bank (PSBs) gleefully funded –

- Infrastructure projects which never got off ground or were left half completed
- Mines, with an output made less valuable by slumping commodity prices
- And to business tycoons, whose main qualifications were friendship with Government bureaucrats and ministers.

Various sectors, especially commodities like steel etc. have been going through difficult times due to unutilized capacity and over

supply from China. Similarly power sector have been going through challenges due to non-availability of coal linkages.

PSBs have tried to gloss over the problem for years, but RBI is now forcing them to admit the true extent of damage. The Reserve Bank of India under Dr. Raghuram Rajan had initiated Asset Quality Review (AQR's) and directed the banks to clean up their Balance Sheet by March 2016. The recent increase in NPA's is a result of such exercise.

Is the pain over or more to come?

Having understood the problem the next question that comes to mind is the problem recognised fully or are there more pains in the system. The macro stress tests (tests conducted to check the stress bearing capability of banks) conducted by RBI suggest that under the baseline scenario, the GNPA ratio may rise to 8.5 per cent by March 2017 from 7.6 per cent in March 2016. If the macro situation deteriorates in the future, the GNPA ratio may increase further to 9.3 per cent by March 2017.

Measures taken to overcome the stress in banking sector

The Government has taken many initiatives to expedite recovery of bad loans. Some examples

- In the case of distressed steel sector, import duty for steel products was increased, additional safeguard duty was imposed and a minimum import price was stipulated.
- auction of long term coal linkages is being envisaged.
- In order to address the issue of stalled projects in the case of road sector, provisions were made to substitute 'concessionaire' at the instance of lenders through approval by National Highways Authority of India (NHAI) to provide exit even during construction period.

Looking ahead:

It is widely believed that most of the problem will be recognised in next one year or so.

RBI has also come out with innovative schemes like Strategic Debt Restructuring (SDR) and Scheme for Sustainable Structuring of Stressed Assets (S4A) to arrest NPAs and revive companies under stress.

In the meantime, Government started infusing capital into Public Sector banks to improve their capital adequacy and infuse much needed liquidity in the system.

It is anticipated that with these measure and growth in economy, we may soon see a downward trend in NPAs.



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GLIMPSES - Seminar on Goods and Services Tax

Topic :
Goods and Services Tax

Audience :
Members

Guest Speaker :
CA. MADHUKAR HIREGANGE
CA. ATUL GUPTA
ADV. V. RAGHURAMAN
CA. PUNEET AGARWAL

Date & Day :
16th July 2016,
Saturday





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WE ARE NOT STUCK IN TRAFFIC WE ARE TRAFFIC



CA. AYUSH LADDHA

Email: ayushladdha@kpmg.com

Gurgaon - "The Millennium City". Have you ever analyzed side effects of being here:

- If you have to check red or blue lines on Google maps before leaving home/office, then you are in Gurgaon.
- If you plan to leave home early morning to save traffic and then come late in evening to do the same, you are in Gurgaon.
- If you are driving in right lane while you know you have to turn left, you are in Gurgaon.
- If you are unsure of where the black auto driving in front of you will go, you are in Gurgaon.
- If you are driving on a one way, still afraid if someone can come from front, then you are definitely in Gurgaon.

The traffic chaos has grabbed all of us. Lack of public transport system, or I should say no public transport system at all, makes us drive on our own, and that's the biggest reason we see so many vehicles on street roads.

Before we curse the system for no public transportation or ill planning or poor infrastructure, we must assess ourselves. It's an uncalculated fact that 25% of the traffic is because of ill infrastructure, 75% is because of ill people. Instead of taking any step to solve this

mess, we contribute to it by being habitual of traffic sense offence.

Please note this fact, and may be you can check as well, if you are driving with bad traffic sense, can save maximum of 10 minutes of your time, while someone driving that kind ahead of you, can cost 60 minutes to you (and this is not maximum cap).

We are the residents of this city and we have a few social responsibilities as well (not to forget, we audit/consult corporates for CSR). Let us collaborate and follow traffic rules because together, we can really make a difference.

1. Please follow lane driving discipline. Drive in one lane, and, drive right lane to turn right, middle to be straight, and left to turn left (assuming most roads have three lanes).
2. Please do not drive on wrong side of the road, or where there is one way, please follow that.
3. Please keep a safe distance between vehicles, from both side ones and those in front of you
4. If you are stuck in traffic, don't panic, wait for the chaos to get clear, and if the situation demands, please get out of your vehicle and try to resolve the mess.
5. Please don't abuse on road, as you also do so many things for which people can abuse you.
6. Never talk on phone while driving, you may use car Bluetooth but please avoid talking on headset while driving.
7. Follow highway discipline, take entry from entry lane only and exit from exit lane only. It's shameful to re-iterate these instructions to educated members of society, but trust me, we violate at least one of these every day. And what I urge you, is to show that we belong to the eminent profession of the society.

Let's not be just educated, let's be "Aware".

Thank you for your time, I would be more happy to see it on road.



Gurgaon Branch of NIRC

Of

The Institute of Chartered Accountants of India

(set up by an Act of Parliament)



INCOME DECLARATION SCHEME



CA. AMBUJ JAIN

Email: ca.ambuj14@gmail.com

Introduction

The Income Declaration Scheme, 2016 provides an opportunity to persons who have paid not full taxes in the past to come forward and declare the undisclosed income and pay tax, surcharge and penalty totalling in all to 45% of such undisclosed income declared.

Scope of the Scheme

A declaration under the aforesaid Scheme may be made for **any asset located in India** and acquired from income chargeable to tax under the Income-tax Act for any assessment year prior to the assessment year 2017-18 for which the declarant had, either failed to furnish a return under section 139 of the Income-tax Act, or failed to disclose such income in a return furnished before the date of commencement of the Scheme, or such income had escaped assessment by reason of the omission or failure on the part of such person to make a return under the Income-tax Act or to disclose fully and truly all material facts necessary for the assessment or otherwise. Where the income chargeable to tax is declared in the form of investment in any asset, the fair market value of such asset as on 1st June, 2016 computed.

Rate of tax, surcharge and penalty

The person making a declaration under the Scheme would be liable to pay tax of 45 percent of the value of the undisclosed income declared by him.

Time limits for declaration and making payment

A declaration under the Scheme can be made anytime on or after 1st June, 2016 but before 30th September, 2016 as the last date for making a declaration under the Scheme & 30th November, 2016 as the last date by which the tax, surcharge and penalty After such declaration has been furnished, the jurisdictional Principal CIT/ CIT will issue an acknowledgment in Form-2 to the declarant within 15 days from the end of the month in which the declaration under Form-1 is made. The declarant shall not be liable for any adverse consequences under the Scheme in respect of, any income which has been duly declared but has been found ineligible for declaration. However, such information may be used under the provisions of the Income-tax Act. The declarant shall furnish proof of payment made in respect of tax, surcharge and penalty to the jurisdictional Principal CIT/CIT in Form-3 after which the said authority shall issue a certificate in Form-4 of the accepted declaration within 15 days of submission of proof of payment by the declarant.

Form for declaration

The declaration may be filed online on the e-filing website of the Income-tax Department using the digital signature of the declarant or through electronic verification code or in paper form before the jurisdictional Principal CIT/CIT.

Declaration not eligible in certain cases

As per the provisions of the Scheme, no declaration can be made in respect of any undisclosed income chargeable to tax under the Income-tax Act for assessment year 2016-17 or any earlier assessment year in the following cases—

where a notice under section 142 or section 143(2) or section 148 or section 153A or section 153C of the Income-tax Act has been issued in respect of such assessment year and the proceeding is pending before the Assessing Officer.

In the form of declaration (Form 1) the declarant will verify that no such notice has been received by him on or before 31st May, 2016.

(ii) where a search has been conducted under section 132 or requisition has been made under section 132A or a survey has been carried out under section 133A of the Income-tax Act in a previous year and the time for issuance of a notice under section 143 (2) or section 153A or section 153C for the relevant assessment year has not expired.

(iii) cases covered under the Black Money (Undisclosed Foreign Income & Assets) and Imposition of Tax Act, 2015.

Circumstances where declaration shall be invalid

In the following situations, a declaration shall be void and shall be deemed never to have been made:-

(a) If the declarant fails to pay the entire amount of tax, surcharge and penalty within the specified date, i.e., 30.11.2016;

(b) Where the declaration has been made by misrepresentation or suppression of facts or information.

Any tax, surcharge or penalty paid in pursuance of the declaration shall, however, not be refundable under any circumstances.

Effect of valid declaration

(a) The amount of undisclosed income declared shall not be included in the total income of the declarant under the Income-tax Act for any assessment year;

(b) The contents of the declaration shall not be admissible in evidence against the declarant in any penalty or prosecution proceedings under the Income-tax Act and the Wealth Tax Act;

(c) Immunity from the Benami Transactions (Prohibition) Act, 1988 shall be available in respect of the assets disclosed in the declarations subject to the condition that the benamidar shall transfer to the declarant or his legal representative the asset in respect of which the declaration of undisclosed income is made on or before 30th September, 2017;

(d) The value of asset declared in the declaration shall not be chargeable to Wealth-tax for any assessment year or years.

(e) Declaration of undisclosed income will not affect the finality of completed assessments. The declarant will not be entitled to claim re-assessment of any earlier year or revision of any order or any benefit or set off or relief in any appeal or proceedings under the Income-tax Act in respect of declared undisclosed income or any tax, surcharge or penalty paid thereon.



Gurgaon Branch of NIRC Of The Institute of Chartered Accountants of India (set up by an Act of Parliament)



KEY SECTOR



CA. Neha Gupta

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HOW KEY SECTORS WILL BE AFFECTED WITH GST ROLLOUT ???

Will food products become dearer? Will Land and Real estate be kept under GST? Will Service providers be happy with GST? How Manufacturers would be affected? What's going to be in case of Works Contracts? How Power and Telecommunication sector be adversely affected? What about International Trade? Whether it will be zero rated or taxed??

This article will elaborate us the impact of GST on our Key Sectors / Industries. Let's go through these specific sectors of Indian Economy and understand how each sector will be affected with the introduction of GST.

1. AGRICULTURE :

Presently in India, most of the food items are exempt from CENVAT. Still then, there are some food products, including food grains and cereals, which are covered under State VAT @ 4% in many states. State VAT exemption is limited to only unprocessed or raw food e.g., fresh fruits, vegetables, meat, eggs and coarse grains. As far as Delhi is concerned, no such levy is there.

When GST will be levied, combined rate would be 8% on food items. This clearly brings out that these items will be dearer by nearly 4%. There is no point in exempting food items totally as it will have adverse impact on Revenue Neutral Rate (RNR).

2. TRADERS :

CST ACT will be abolished totally from India. No question of sale or purchase against Form C. Inter State transactions which presently attract minimum 2% of the purchase price will be zero rated. The Traders will be saved from this additional tax burden.

3. MANUFACTURERS :

Presently, CENVAT is levied and administered by the Union Government. Rates of tax are uniform and no complications are seen in goods movement within the country. Threshold limit under Excise duty is Rs. 1.5 Crores.

With GST rollout, tiny sector and household industry will be adversely affected. States will administer Central GST of dealers with turnover below Rs. 1.5 Crores. This means present exemption will be gone for manufacturers.

Under GST, valuation of goods for levy of GST will be based on sale consideration. Purchasing of Capital goods from other states against Form C will be banned. No question of availing concessional rate will remain in force.

4. WORK CONTRACTORS :

Under the current provisions, works contracts attract three different duties. First is VAT on supply of goods. Second is Service tax on service element. Third is Central Excise Duty if a new commodity comes in existence in executing works contract.

It is quite clear that it is not easy to tax works contract. There are certain specific provisions and various rules in law for bifurcating goods and services element in this regard. Still lots of confusion and legislative compliances to go.....

Under GST, goods and services both are treated at par and taxed at a uniform rate. GST will subsume sale of goods, provision of services and manufacture. GST will have a simple structure. No more confusion will remain.



Gurgaon Branch of NIRC Of The Institute of Chartered Accountants of India (set up by an Act of Parliament)



KEY SECTOR

One more point is that goods fabricated at site presently attract VAT or Service Tax. No CENVAT is levied. So, the contractors are required to pay maximum 12.5% which will be greatly affected in GST and might go upto 16-20%. Thus, additional burden for nearly 4- 8% will be created.

5. POWER SECTOR :

Although electricity is goods yet it is free from sales tax. Therefore, no sales tax is levied. The basic impact will be on purchase of goods by Power sector for generation and distribution of electricity from other states which is currently 2% under CST.

Abolition of CST will certainly affect this sector unless sale of electricity is brought within scope of GST and set off of input tax credit is allowed for tax paid on purchases.

6. TELECOMMUNICATION :

GST will not have a major impact on this sector. Like power sector, Telecom Companies also purchase goods for telecommunication from other states at a concessional rate which will go away with GST.

With the integration of Service tax and VAT under GST, controversy will be resolved with regard to confusion under composite transaction like sale of phone with talk time.

7. INTANGIBLE GOODS :

Taxability with regard to transfer of Intangible goods like software, intellectual property rights and goodwill will become clear under GST. Controversies will be resolved to a great extent.

8. LAND AND REAL ESTATE :

Till now, it is not clear whether land and real estate would fall within the ambit of GST or not. But many advanced nations are treating housing and construction activities just like a commodity and is subjected to VAT.

Poddar-Ahmad Working Paper has suggested including land and real property under GST. It is therefore suggested not to exclude this sector as it would lead to unnecessary disputes and tax cascading as

well.

One view is that since this sector already attracts stamp duty, so exclude it totally from GST. But purpose of stamp duty is quite different from GST. Stamp duty is a cascading tax on each conveyance of title to real property while GST is tax on final consumption. Both are not substitutes in any sense. So, inclusion of real estate is appropriate. But still the structure should be rationalised and rates to be lowered if GST is to be applicable in the real estate sector.

9. INTERNATIONAL TRADE :

GST will affect Importers in the sense that exemption which is available to them for High-seas sales under the CST Act will be withdrawn. Not only this, they will also be affected by change in tax rates. Exports will continue to be zero rates and refund of input tax credit will be available to them. No major impact on Exporters.

10. PETROLEUM, LIQUOR AND TOBACCO PRODUCTS :

Presently, these goods are taxable at a higher rate of tax and multiple taxes are also levied on them. But these will be kept outside GST and therefore Government revenue will fall greatly. Manufacturers will also suffer cascading effect of taxes since they will not be entitled to claim input tax credit.

11. SERVICE PROVIDERS :

Services which are currently taxed at the place of rendering will be taxed at the point of consumption under GST. This clearly shifts the base of service tax from service rendering state to service consuming state. More services will be added to the GST regime and exemptions will be withdrawn. Classification disputes will also be resolved to a great extent.

The exact impact of GST can't be guessed presently. It would be quantified once the GST ACT is finalised. Which sector will gain or lose will depend upon the tax schedules, final GST rates and the laws that will be framed subsequently. Be ready for GST.....whether you like or not!!!!



Gurgaon Branch of NIRC Of The Institute of Chartered Accountants of India (set up by an Act of Parliament)



GLIMPSES - Group Discussion on Overview and Practical Aspects of Equalization Levy

Topic :

Overview and Practical Aspects of Equalization Levy

Audience :

Members

Led By :

CA. RAMARANJAN MOHANTY

Date & Day :

23rd July 2016, Saturday





Gurgaon Branch of NIRC Of The Institute of Chartered Accountants of India (set up by an Act of Parliament)



GLIMPSES - Annual General Meeting

Topic :

Annual General Meeting

Audience :

Members

Date & Day :

27th July 2016,
Wednesday





Gurgaon Branch of NIRC

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Corporate tie-up

Overview of 'Lite Bite Foods' and Validity

'Lite Bite Foods' is one of the largest & most dynamic Food & Beverage retail company in the country, with over 14 core brands & 6 Franchise brands under its umbrella. We have 95 operational outlets in India, Bangkok, Singapore, Abu Dhabi, Dubai & United States of America & with a plan of opening 31 new outlets company aims to become one of the largest Food & Beverage players in India by 2016. Currently we have a strong presence in Malls, High Streets, Airports, Multiplexes, Office complexes, Hotels and other high footfall locations.

Our awarded hero brands are Punjab Grill, Zambar, Fresc Co, Asia 7, Street Foods By Punjab Grill, Baker Street, Artful Baker, Pino's, Flamez & Roasted, Naash-to, American Tandoor, Savour (Outdoor Catering Brand), Clink, Bottoms Up. We also run Franchise stores of Subway, KFC, Pizza Hut, Burger King, and Café Istanbul.

We invite all are members to avail this opportunity at their restaurants.

The Terms and Conditions offered will be as follows:

1. Fine Dining Restaurants& Casual Dining Restaurants will offer 15% discount on food & soft beverage. The restaurant covered under this policy will be:

- Punjab Grill
- Asia Seven
- Zambar- Coastal Kitchen
- Fresc co
- Bottoms Up

2. Quick Service Restaurantswill offer 10% discount on food. The restaurant covered under this policy will be:

- Baker Street
- Pino's
- Street Foods by Punjab Grill
- Subway
- Asia Seven Express
- Zambar Express

Other applicable Conditions:

- All Discount OFFER(s) are NOT applicable on Festivals and Public Holidays.
- All Discount applicable on Saturdays and Sundays also.
- Discounts are only applicable on showing valid Membership Card/CA logo visiting card at the time on Dining.

S.No.	Outlet Name	Location	Outlet Landline No.	Address
1	ASIA 7	Ambience Mall	0124-4665571	Shop No. 318, 3rd Floor, Next to Food Court, Ambience Mall, Gurgaon.
2	BAKER STREET	Ambience Mall	0124-4665567	Shop No.16, Food Union, 3rd Floor, Ambience Mall, Gurgaon.
3	FRESC CO	Ambience Mall	0124-4665572	Shop No. 317, 3rd Floor, Next to Food Court, Ambience Mall, Gurgaon.
4	PINO'S	Ambience Mall	0124-4665495	Shop No. 14, 3rd Floor, Food Union, Ambience Mall, Gurgaon.
5	PUNJAB GRILL	Ambience Mall	0124-4665478	Shop No. 319, 3rd Floor, Next to Food Court, Ambience Mall, Gurgaon.
6	SF by PG	Ambience Mall	0124-4665513	Shop No. 02, 3rd Floor, Food Union, Ambience Mall, Gurgaon.
7	SF by PG	MGF Metropolitan Mall	0124-4222238	Shop No. 05, 3rd Floor, Food Court, MGF Metropolitan Mall, Gurgaon.
8	SF by PG (Delivery Only)	Udyog Vihar	0124-4236633	Plot - 317 Udyog Vihar Phase - 4 Gurgaon
9	SUBWAY	Ambience Mall	0124-4665515	Shop No. 04, 3rd Floor, Food Union, Ambience Mall, Gurgaon.
10	SUBWAY	DT Mega Mall	0124-4015577	3rd Floor, Food Court, DT Mega Mall, Gurgaon.
11	SUBWAY	Cyber Green	0124-4016962	Ground Floor, Food Court, Cybergreen Tower, DLF Phase-III, Gurgaon.
12	SUBWAY	Fortis Hospital	0124-4039728	Fortis Hospital Sector 44, Gurgaon Haryana
13	ZAMBAR	Ambience Mall	0124-4665639	Shop No. 310, 3rd Floor, Next to Food Court, Ambience Mall, Gurgaon.
14	ZAMBAR	Cyber Hub	91-8130450438	Ground Floor, Cyber Hub, Cyber City, Gurgaon



Gurgaon Branch of NIRC Of The Institute of Chartered Accountants of India (set up by an Act of Parliament)



Administration

- For the Financial Year 2016-17 the branch has constituted a Study Group for conducting the programs. The details of membership fee for which are as follows:

Particulars	Fee Per Member
For Individual Member	Rs.5000/-*
For five or more declared members from any organization i.e. names of the Members to be declared at the time of payment with the fee.(payment will be made with a single cheque only)	Rs.4500/-*

* Fee is applicable for the period April 2016 to March 2017

Please note that Study Group members shall not be required to pay any fee for attending the seminars organized by the Branch during the financial year 2016-17.

Members are requested to enroll for the Membership of the Study group by sending a cheque in favour of "Gurgaon Branch of NIRC of ICAI" at Plot No. 60 - A, Sector-18, 3rd Floor, Gurgaon.

◆ Feedback & Suggestions

Gurgaon Branch will be happy to receive the feedback from you regarding the seminars/workshops and other activities organized by branch.

You may please send feedback at-

Regarding	Email	Subject line
Seminars/Workshops	icaigurgaon@gmail.com	Sub: Seminar_____
Others	icaigurgaon@gmail.com Or arunaggarwalca@gmail.com	Feedback_____

- Gurgaon Branch of NIRC of ICAI requests the members & students to come forward & share the articles (Professional & other) to be published in the upcoming newsletter. The submissions may be sent to itticaigurgaon@gmail.com with the subject line (Article Newsletter).

Gurgaon Branch Managing Committee for the Session 2016-19 and Office Bearers for the year 2016-17

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