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Info Capsule

GOVERNMENT NOTIFIES AMENDMENT TO TAX RETURN PREPARER SCHEME¹

The Central Government, on January 19, 2018 notified the amended Tax Return Preparer Scheme, 2006 which seeks to assist small and marginal taxpayers in preparing and filing their tax returns by creating a login of 'Tax Return Preparers' (TRPs).

As per the amended scheme, An individual, who holds a bachelor degree from a recognized Indian University or institution, or has passed the intermediate level examination conducted by the Institute of Chartered Accountants of India or the Institute of Company Secretaries of India or the Institute of Certified Management Accountants of India, shall be eligible to act as Tax Return Preparer.”.

The Board may authorize the Resource Centre or the Partner Organization to disburse to a Tax Return preparer, the following amount, namely:-

- 5% of the tax paid on the income declared in the return of income for First Eligible Assessment Year which has been prepared and furnished by him;
- 3% of the tax paid on the income declared in the return of income for the Second Eligible Assessment Year which has been prepared and furnished by him;
- 2% of the tax paid on the income declared in the return of income for the Third Eligible Assessment Year which has been prepared and furnished by him.

The amendment further stipulates the amount of disbursement for any eligible person in relation to an eligible year. The amount shall not exceed,- (a) five thousand rupees in case of First Eligible Assessment Year; (b) three thousand rupees in case of Second Eligible Assessment Year; and (c) two thousand rupees in case of Third Eligible Assessment Year.

The detailed notification can be accessed at http://www.incometaxindia.gov.in/communications/notification/notification4_2018.pdf

FEES PAYABLE TO AN INSOLVENCY PROFESSIONAL AND TO OTHER PROFESSIONALS APPOINTED BY AN INSOLVENCY PROFESSIONAL²

Section 206 of the Insolvency and Bankruptcy Code, 2016 (Code) provides that only a person registered as an insolvency professional with the Insolvency and Bankruptcy Board of India (IBBI) can render services as an insolvency professional under the Code.

¹ Available at: http://www.incometaxindia.gov.in/communications/notification/notification4_2018.pdf

² Available at: http://ibbi.gov.in/webadmin/pdf/whatsnew/2018/Jan/Fees%20payable%20to%20an%20insolvency%20professional%20and%20to%20other%20professionals%20appointed%20by%20an%20insolvency%20professional_2018-01-16%2017:57:32.pdf

Section 23 read with section 5(27) of the Code requires that an insolvency professional, who is appointed as an interim resolution professional or a resolution professional, shall conduct the entire corporate insolvency resolution process, including fast track process. In terms of section 5(13) of the Code, 'the fees payable to any person acting as a resolution professional' is included in 'insolvency resolution process cost', which needs to be paid in priority.

2. The Code of Conduct for Insolvency Professionals under the IBBI (Insolvency Professionals) Regulations, 2016 require that an insolvency professional must provide services for remuneration which is charged in a transparent manner, and is a reasonable reflection of the work necessarily and properly undertaken. He shall not accept any fees or charges other than those which are disclosed to and approved by the persons fixing his remuneration.
3. In view of the above, it is clarified that an insolvency professional shall render services for a fee which is a reasonable reflection of his work, raise bills / invoices in his name towards such fees, and such fees shall be paid to his bank account. Any payment of fees for the services of an insolvency professional to any person other than the insolvency professional shall not form part of the insolvency resolution process cost.
4. Similarly, any other professional appointed by an insolvency professional shall raise bills / invoices in his / its (such as registered valuer) name towards such fees, and such fees shall be paid to his / its bank account.
5. This circular is issued in exercise of powers under section 196 read with section 208 of the Insolvency and Bankruptcy Code, 2016.

RECOMMENDATIONS MADE BY THE GST COUNCIL IN ITS 25th MEETING FOR GRANTING RELIEF FROM GST ON SERVICES PROVIDED BY RESIDENT WELFARE ASSOCIATIONS TO THEIR MEMBERS³

In the meeting held on January 18, 2018, the GST Council has recommended several measures granting relief from GST on a number of goods and services. One of the important reliefs granted by the Council is to enhance the limit of contribution made by members of a Resident Welfare Association for the purpose of exemption from GST.

Services provided by Resident Welfare Associations (unincorporated body or a registered non-profit entity) to their members were hitherto exempt against contribution of up to an amount of five thousand rupees per month per member. Requests were received from several quarters to enhance the contribution limit of five thousand rupees per month per member for exemption.

The Council has recommended that the limit may be enhanced to Rs 7500/- per month per member. As a result, RWAs shall be required to pay GST on monthly subscription/contribution charged from its members if such subscription is more than Rs. 7500 per member and the annual turnover of RWA by way of supplying of services and goods is also Rs. 20 lakhs or more. Under GST, the tax burden on RWAs will be lower for the reason that they would now be entitled to ITC in respect of taxes paid by them on capital goods (generators, water pumps, lawn furniture etc.), goods (taps, pipes, other sanitary/hardware fillings etc.) and input services such as repair and maintenance services. ITC of Central Excise and VAT paid on goods and capital goods was not available in the pre-GST period and these were a cost to the RWA.

³ Available at: http://www.cbec.gov.in/resources//htdocs-cbec/press-release/Press_Note_RWAs.pdf

The notifications giving effect to the above recommendations of the Council will come into force on January 25, 2018. Accordingly, from January 25, 2018, the services provided by Resident Welfare Association to its members against contribution of up to an amount of Rs 7500/- per month per member shall be exempt.

Team ICSI

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