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ICSI
Mysore Chapter

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Articles:

IAS – 41/ Ind. AS – 41
Agriculture 04
ESOP VS Sweat Equity under
The Compaies Act, 2013 07
Basis of the Indian Companies Act
in lines with British Companies Act 09

Columns:

From Chairman's Desk 02
Chapter Activities 03
Words Worth Millions 05
Web Reading 08
Living Room 10
Brainy Bits 10
I & E Law Café 11
GST Suite 13
Newsroom 14
Regulatory Updates 15

For Private Circulation Only

CS VJ Balakrishnan

Chairman,

Mysore Chapter

Dear Professional Colleagues,

Warm greetings!

ICSI Examinations for June 2017 was conducted from June 1st 2017 to June 10th 2017. Chapter is planning to organize PCS day on 15th June, 2017.

During the month of May, our Chapter conducted 3 Career awareness programs and covered more than 300 students in Mysore. Chapter also conducted a two day seminar on GST, NCLT & IBC for members and students.

"We are in the process of creating history by bringing about the most important indirect tax reform" – the GST .Let's hope that this reformation revamps our economy for the Good

I wish everyone a pleasant monsoon season.

Thanking you.

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Chapter Activities

1. Career Awareness Program

Chapter has conducted 03 career awareness programs during the month. The details are as follows.

S No	Date	College Name	Addressed By	No of Participants
1	04.05.2017	Vidyavardhaka MBA College	CS Manjunath S	100
2	12.05.2017	Vidyavardhaka PG College – M.Com	CS Manjunath S	90
3	31.05.2017	VTU Regional Center – MBA	CS Manjunath S	100

TWO DAYS SEMINAR ON GST, NCLT & IBC

Chapter had organised a two days seminar on Goods & Service Tax, National Company Law Tribunal and Insolvency & Bankruptcy Code at the Chapter premises on 26th & 27th May, 2017. The program was attended by around 30 delegates from many cities of Southern India. CS Balakrishnan V.J., Chairman of the Chapter welcomed the gathering.

Day 1 - The first session was handled by CA Kumarpal Jain, Practicing Chartered Accountant, Mysore in the topic **Overview on GST**. The second session handled by CA Keshava Dongre, Practising Chartered Accountant from Mysore in the topic **Place & time of supply under GST**. Both of the speakers reiterated that as professionals we have to be prepared for GST which will be implemented from July 1st 2017

Day 2 – The first session was handled by CS Thirupal Gorige, PCS, Bangalore in the topic **Insolvency & Bankruptcy Code**. Speaker explained how to take the IBC exam and how we can specialize in that area. The second session handled by CS Ranganatha Chenna, Advocate & ACS, Bangalore in the topic **National Company Law Tribunal.** Speaker emphasized on how to appear and speak in the court of law. The third session **Work & Life Balance** handled by Prof. Parashivamurthy, Mysore. It was a very interactive session and speaker said if you don't have balanced life you cannot balance the work. So it is important to have balanced life so we can enjoy the work.

Article

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IAS 41/ Ind. AS 41 AGRICULTURE

Agriculture in India being unorganized, not much attention was given till now towards the accounting aspects. Being a State subject it is outside the purview of Income Tax. With the advent of modern technologies, the agriculture is steadily turning into an organized sector and even the entry of corporate sector is expected in the (not too distance) future. Recognizing this, Ind.AS-41 in line with IAS-41 is issued. Company Secretary, being the Secretary of the Audit Committee is expected to know, understand and apply these in the various deliberations. This article is aimed at providing nut shell of the provisions of IAS-41/Ind.AS-41.

This Standard shall be applied to account for the following when they relate to agricultural activity:

(a) biological assets, except for bearer plants;
(b) agricultural produce at the point of harvest; and
(c) government grants covered by paragraphs 34 and 35.

Biological asset is defined as a living animal or plant but excludes bearer plant. Bearer plant is defined as the plant used in the production or supply of agricultural produce, expected to bear produce for more than one period and has a remove likelihood of being sold as agricultural produce, except for incidental sales. The exception of bearer plants is significant in as much whereas the biological assets are covered under IAS-41/Ind. AS-41, bearer plants are treated at par with Property, Plant and Equipment and covered under IAS-16/Ind. AS-16.

Agricultural produce is the defined as the harvested produce of the entity's biological assets. Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

Illustration: Let us take an example of flock of sheep exclusive grown for wool. Sheep is sold only after the time when the extraction of wool is economically not feasible. Thus, sheep is a biological asset used in the production of an agricultural produce viz., wool, expected to bear produce for more than a period, and has the likelihood of being sold as incidental sales viz., incidence being economical non-feasibility of extraction of wool. The question is whether the flock of sheep falls under the classification of "bearer plants". Going by the definition of "bearer plants" as defined in the standard, the answer is yes and hence the flock of sheep needs to be recognized and measured in terms of IAS-16/Ind. AS-16. However, the other side of the argument is that the definition uses the word 'plants' and definition of biological asset distinguishes animal and plant, and hence the flock of sheep, though technically fulfills all the conditions of being a 'bearer plant', cannot be treated as such and needs to be recognized separately as animal and to be recognized and measured in terms of this standard. This point requires further clarification by the IASB/ICAI. The distinction is significant in as much; IAS-16/Ind. AS-16 stipulates that the initial recognition of the assets at cost and this standard stipulates that the initial recognition shall be done at fair value.

An entity shall recognize a biological asset or agricultural produce upon fulfillment of the following conditions:

(a) the entity controls the asset as a result of past events;
(b) it is probable that future economic benefits associated with the asset will flow to the entity; and
(c) The fair value or cost of the asset can be measured reliably.

The conjunction used after (b) is 'and' and hence all the three conditions are cumulative. In other words unless all the three conditions *supra* are fulfilled, biological asset or agricultural produce cannot be recognized. Clause (c) uses the phrase 'the fair value or cost'. Paragraph 12 of the standard stipulates that "a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case described in paragraph 30 where the fair value cannot be measured reliably."

Thus unlike other assets recognized as per IAS-16/Ind.AS-16, the biological assets need to be recognized both at initial recognition and at the end of subsequent reporting period only at fair value except those cases which falls under the purview of paragraph 30. Paragraph 30 is applicable only for initial recognition and the entity do not have the option of applying the same for recognition at the end of the subsequent reporting period.

Upon initial recognition, fair value need not be considered for recognition when and only when:

(i) quoted market price are not available; and
(ii) Alternative fair value measurements, if available, are highly unreliable.

The above two conditions are cumulative in as much both conditions needs to be fulfilled to recognize the biological assets at initial recognition at cost instead of fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and needs to be measured in terms of IFRS-13/Ind.AS-113. It may be facilitated by grouping biological assets or agricultural produce according to significant attributes viz., age, quality etc. corresponding to the attributes used in the market as a basis for pricing.

Gain or loss arising out of initial recognition of biological asset or agricultural produce shall be included in the Statement of Comprehensive Income for the period in which it arises.

Government grants shall be recognized when and only when:

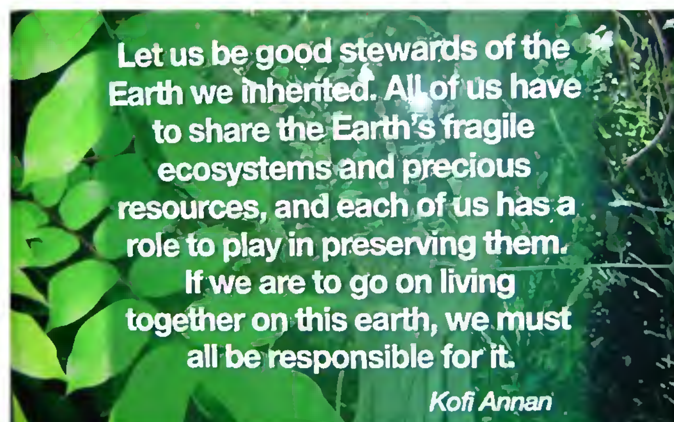
(i) the grant is unconditional and there is no uncertainty about its receipt; or
(ii) the conditions attached in case of conditional grant are fulfilled at its entirety; and
(iii) There is no uncertainty about its receipt.

Thus the entity has to comply with either condition (i) or (ii) and necessarily (iii).

Disclosures: The following shall be disclosed:

(i) gain/loss on initial recognition of biological asset/agricultural produce;
(ii) change in fair value less costs to sell in case of biological assets;
(iii) description of each group of biological assets
(iv) existence and carrying amount of biological asset whose title is restricted;'
(v) carrying amount of biological assets which are pledged;
(vi) associated financial management risks;
(vii) Reconciliation of changes in the carrying amount of biological at the beginning and the end of the reporting period.
(viii) Details of assets where fair value cannot be estimated reliably
(ix) Details of disposal including impairment losses, reversals for impairment losses and depreciation, if any.
(x) Details of government grants recognized, unfulfilled conditions and contingencies and the possible reduction in grants.

Words Worth Million



Article

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ESOP VS SWEAT EQUITY UNDER THE COMPANIES ACT, 2013

The most valuable and essential part of any established/ recognized Corporate is the Human Capital – the people/ employees involved in aid of their day to day operations which keeps the Corporate intact with their nation-wide positions and helps them to secure the attained respect and reputation whereby also diversifying into other aspects of business. The Companies Act, 2013 identifies the "Manpower" of an Organisation as an effective and indispensable resource for maintaining their base and pace in the corporate run.

The Companies Act, 2013 provides for employee related provisions submerging from the Act, which are as follows:

a. Sweat Equity Shares – Section 54
b. Employee Stock Option Plan – Section 62(1)(b)
c. Issue of Bonus Shares – Section 63
d. Restriction on purchase by Company or giving of loans by it for purchase of its shares – Section 67
e. Vigil Mechanism – Section 177
f. Nomination and Remuneration Committee – Section 178
g. Loan and advances to Employees – Section 185 and 186
h. Protection of Employees during investigation – Section 218
i. Merger and Amalgamation – Section 232
j. Preferential Payments – Section 327

The above sections have provided for Employee benefits cum social requirements that have been catered under the Act. The objective behind such enactments is to entice the employees in order to grab their loyalty and continuity, which is also inclusive of protection of employees from the clutches of fraudulent, motives of the Company. These are more or less similar to the erstwhile Companies Act, 1956 except for Section 178 and Section 218 of the Companies Act, 2013.

We shall now deal with a Comparative study with respect to Sweat Equity and ESOP.

To begin with: We shall presume ESOP to be represented with the alphabetical letter "A" and Sweat Equity to be represented with "B".

I. **DEFINITION:**

A - Employees' stock option" means the option given to the directors, officers or employees of a company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future date at a pre-determined price.

B It shall be brought to the attention of the readers that **the Sweat Equity** was not described under the Old Act. However, Section 2(88) of the Companies Act, 2013, defines Sweat Equity as such Equity Shares as are issued by a Company to its Directors or employees at a discount or for consideration other than cash for providing their know how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

II. **ELIGIBILTY CRITERIA**

A - Employee under the ESOP Scheme shall mean the following:

Rule 12(1) read with Section 2(37), 197(7) of the Companies Act, 2013 defines the term to mean any permanent employee or Director whether a whole-time or not and whether working in India or not. The employees and Directors of the Holding, Subsidiary and Associate Company are also covered.

The specific exclusions are:

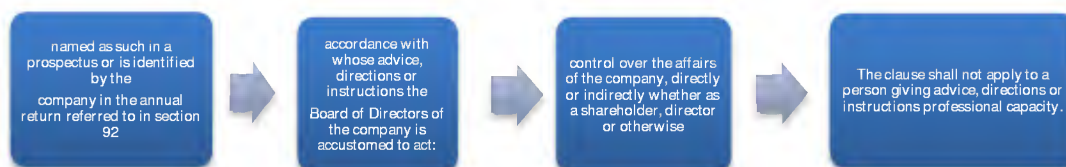
a) An Independent Director;

b) An employee who is a Promoter or belongs to the Promoter Group; and

c) A Director who directly or indirectly holds more than 10% of outstanding equity shares of the Company.

Therefore, from the above it shall be concluded that Promoters, Independent directors are not eligible for ESOPs

The term Promoter has been defined under Section 2(69) of the Companies Act, 2013:



B Employee under the Sweat Equity shall mean as follows:

a) Permanent employee of the Company who has been working in India or outside India, for at least last 1 year

b) Director of Company-Whole time director or not

c) An employee or a director as defined in sub-clauses (a) or (b) above of a subsidiary (in India or outside India) or of a holding Company.

The Act has posed a time space of One year for the Employee, however, there are no pre-conditions for the Director to be eligible for sweat equity shares. There is no specific exclusion for issue of Sweat Equity to the Promoter/Promoter Group. Therefore, they could be granted shares under Section 54 of the Act.

Companies cannot issue sweat equity until one year from the date of commencement of business. However, it is not accurate to determine when the Company would commence business since the certificate for commencement of business (INC 21) has been scrapped.

III. **LIMIT ON ESOP/SWEAT EQUITY**

A – There are no restrictions under the Act or SEBI rules with respect to ESOPs.

B - The company shall not issue sweat equity shares for more than 15% of the existing paid-
up equity share capital in a year or shares of the issue value of 5 crore, whichever is higher. The sweat equity issue shall not exceed 25% of the total paid up equity capital.

IV. **LOCK IN PERIOD**

A Lock in period is not specified for ESOPs. However, it shall be given in the respective ESOP scheme as framed by the Company from time to time.

B - These Shares have compulsory Lock-In Period of 3 years

V. **PRICING GUIDELINES**

A – Pricing Guidelines are not specifically provided.

B – Pricing for Sweat Equity shares shall be done in the following manner:

1) The sweat equity shares to be issued shall be valued at a price determined by a registered valuer as the fair price giving justification for such valuation.

2) The valuation of intellectual property rights or of know how or value additions for which sweat equity shares are to be issued, shall be carried out by a registered valuer, who shall provide a proper report addressed to the Board of directors with justification for such valuation.

3) A copy of information along with critical elements of the valuation report obtained under clause (1) and clause (2) shall be sent to the shareholders with the notice of the general meeting.

VI. **PROCEDURAL ASPECTS**

A

1) Approval from members of the Company for ESOP scheme.
2) There shall be separate resolutions in case of grant of ESOPs to employees of the Subsidiary or Holding Company or in case of grant of ESOPs to identified employees equal to or exceeding 1% of the issued capital.
3) The explanatory statement shall disclose prescribed details namely total number of ESOPs to be granted, appraisal process, requirements of vesting, exercise price or pricing

formula, exercise period, lock-in period, method of accounting, etc.
4) If listed, then the Company has to comply with SEBI rules.

B

1) The issue has to be authorized by way of Special resolution.
2) The shares to be issued shall be of a class/ classes already issued by the Company.
3) The issue shall be completed within 12 months from the date of passing of special resolution.
4) Particulars of issue shall be mentioned in the Explanatory Statement and also in the Board's report.
5) Register of Sweat Equity shall be maintained with appropriate entries.
6) If listed, then the Company has to comply with SEBI rules.

Web Yatra

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"A reader lives a thousand lives before he dies. The man who never reads lives only one." (**A Dance with Dragons**)

The above lines are from the famous writer and novelist George R.R. Martin. Reading helps a man to explore many things and gives a new way of thinking. Today, it is the era of computers and everything is in the tip our hands. We can find many websites where we can browse article, read e-Books, poetry etc…

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Sooner or later, we will have to recognise that the Earth has rights, too, to live without pollution. What mankind must know is that human beings cannot live without Mother Earth, but the planet can live without humans.

-Evo Morales

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Basis of the Indian Companies Act in lines with British Companies Act

DID YOU KNOW???? Some History

Indian Companies Act	British Companies Act
-	The Royal Exchange and London Assurance Corporation Act, 1719 (6 Geo 3 c 18) or Bubble Act
-	The Trading Companies Act, 1834
-	The Chartered Companies Act, 1837 (7 Will 4 & 1 Vict c 73)
The Joint Stock Companies Act, 1850 (Act XLIII of 1850)	The Joint Stock Companies Act, 1844 (7 & 8 Vict c 110) of the Parliament of United Kingdom of Great Britain and Ireland) **The Joint Stock Companies Act, 1844 was the First Companies Act of the world**
The Joint Stock Companies Act, 1857 (Act XIX of 1857)	The Joint Stock Companies Act, 1856 (19 & 20 Vict c 47) of United Kingdom of Great Britain and Ireland
The Joint Stock Companies Act, 1860 (Act VII of 1860)	The Joint Stock Companies Act, 1856 (19 & 20 Vict c 14) of United Kingdom of Great Britain and Ireland
The Indian Companies Act, 1866 (Act X of 1866)	The Companies Act, 1862 (25 & 26 Vict c 89) of United Kingdom of Great Britain and Ireland
The Indian Companies Act, 1882 (Act VI of 1882) [Minor amendments of the Indian Companies Act were - (Act VI of 1887), (Act XII of 1891), (Act XII of 1895), (Act IV of 1900) and (Act IV of 1910)]	The Companies Act, 1880 (43 Vict c 19) of United Kingdom of Great Britain and Ireland
The Indian Companies Act, 1913 (Act VII of 1913)	The Companies (Consolidation) Act, 1908 (c 69) of United Kingdom of Great Britain and Ireland
The Companies (Amendment) Act, 1936 (Act XXII of 1936) [Periodical amendments of the Companies (Amendment) Act, 1936 were in the years - 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945 and 1946]	The Companies Act, 1929 (19 & 20 Geo 5 c 23) of United Kingdom of Great Britain and Northern Ireland
The Indian Companies (Amendment) Ordinance, 1951	-
The Indian Companies (Amendment) Act, 1951 (Act LII of 1951)	-
The Companies Act, 1956 (Act No.1 of 1956) (Based on the recommendations of the Company Law Committee, 1952, constituted by the Government of India vide Resolution No.23(71) - Law (C.L.) / 48, dated October 28, 1950. This Committee is popularly known as Bhabha Committee after its Chairman, C.H.Bhabha)	-

Conclusion : Due to immense influence of the British Companies Act in India, the Corporate Management in India resulted as follows:

➔ There were no statutory provisions compelling companies to adopt a properly constituted Board of Directors during the period 1850 to 1913.

➔ The Managing Agencies only had complete freedom from the obligation of statutory provisions. (Managing Agencies were the agencies which vested management of a Joint Stock Company in the hands of firms of Professional Managers from United Kingdom)

➔ The Managing Agency System pervaded over the majority of the Indian Private Corporate Sector till the year 1913.

➔ The Companies Act, 1956 (Act No.1 of 1956) came into force with effect from April 1, 1956, aimed at Progressive elimination of Managing Agency System and to push the institution of Board of Directors in the companies.

➔It was only in the year 1970, the Indian Corporate Sector witnessed the abolition of systems of Managing Agents and Secretaries and Treasures.

GOAL SETTING

A famous trainee Tom Hopkins says

“Goals are the fuel in the furnace of achievements “

A person without goal simply drifts and flows on the current life but with goal he flies like an arrow straight and true to the target.

It is very important for every person to have a Goal in his life. When you have a goal, you have a path and direction which you have to follow and explore.

Goal setting is a process where you set a goal in your life taking into consideration your ability, interest and passion. Once a goal is set, it is the period of action that begins .There would be a lot of hurdles. Firm Determination, hard work and passion is needed for goal achievement.

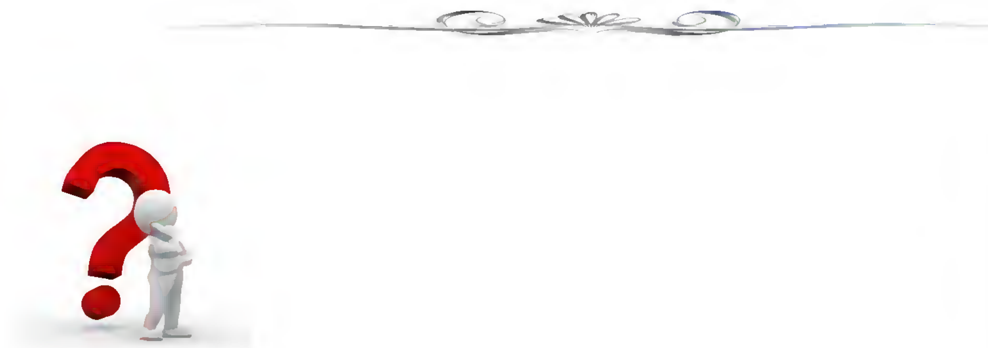
As professionals we understand the importance of Goal setting as achievement of Goal brings immense pleasure and happiness. It builds our confidence and helps us to improve and excel in our life.

Advantages of goal settings:

1. Clear directions
2. More success
3. Take control of life
4. Unlocking potential
5. Staying happy

I would be eager to know your feedback at a.harsha81@gmail.com

-A. Harsha B.com, ACS



Mr Vampire is an exclusive dealer of human blood in Nasik, which is charged at NIL rate of duty under Chapter 30 of the Rates approved by the GST council. He has recently received an order from Guwahati for supply of human blood.

Section 24(1) of the CGST Act, 2017 states that persons making any inter-state taxable supply shall be required to be registered irrespective of turnover.

Is Mr Vampire liable to register?

Please send your opinion to, enewsletter.icsimysore@gmail.com

.Opinion to last month's Brainy Bits continued on page 12

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PAYMENT OF BONUS ACT, 1965 SCHEME, AMENDMENTS AND DEVELOPMENTS

The Preamble to the Constitution of India, sets out in brief what "we the people of India" seek to achieve for ourselves. We seek *inter alia* to achieve economic justice. While India is not a socialist economy in the true sense, (notwithstanding the insertion of the word *socialist* into the preamble by the 42nd Amendment to the Constitution in 1976) there are several elements in our system of government which seek to achieve this goal. Article 39 (c) of the Constitution states

39. The state shall, in particular, direct its policy towards securing:-

(c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

It is in furtherance of such goals and to ensure that the workers get a share of the profits resulting from their efforts, that the Payment of Bonus Act, 1965 was enacted.

Scheme of the Payment of Bonus Act, 1965

The Act is applicable to all factories (as defined under the Factories Act) and all establishments employing twenty or more persons on any day of an accounting year.

The Act, *vide* the First and Second Schedules, provides a mechanism for computation of gross profits. From the gross profits, an amount known as **available surplus** is arrived at by the following formula:

(a) the Gross profits for that accounting year after deducting there from the sums referred to in section 6; and

(b) an amount equal to the difference between,-

(i) the direct tax, calculated in accordance with the provisions of section 7, in respect of an amount equal to the gross profits of the employer for the immediately preceding accounting year; and

(ii) the direct tax, calculated in accordance with provisions of section 7, in respect of an amount equal to the gross profits of the employer for such preceding accounting year after deducting there from the amount of bonus which the employer has paid or is liable to pay to his employees in accordance with the provisions of this Act for that year.]

60% of the available surplus is treated as "allocable surplus". In case of companies that do not declare a dividend, 67% of the available surplus is treated as allocable surplus.

Every employee with a monthly salary of Rs. 10,000 (prior to the amendment) who has worked for more than 30 days in the previous year is eligible for a bonus under the Act unless dismissed on a misdemeanour.

A bonus amounting to a minimum of 8.33% is to be paid to the employee once a year. Where the allocable surplus exceeds the minimum bonus payment amount, subject to certain set offs, the employer is to pay a proportionately higher bonus. The maximum amount of the bonus payable is 20% of the annual salary. The bonus is to be paid within eight months of the close of the financial year. For the purpose of calculation of bonus, salary was capped at a certain sum which was amended from time to time and prior to the amendment was Rs. 3,500/- per month.

In response to a General Strike by trade unions in February 2013 calling for the removal of the ceilings mentioned before, an amendment was

brought to the Act in September 2015. The main impact of the amendment was as follows:-

1. The ceiling for eligibility was raised to Rs. 21,000/- per month.
2. The ceiling of salary for the purpose of calculation of bonus was raised to Rs. 7000/- per month.

While these seem like innocuous changes that bring the sums mentioned in the Act more in line with the times, the contentious aspect of the amendment act was that though it was passed in September 2015, it was retrospective in nature, and was deemed to have effect from April 1, 2014. A whole financial year, or more had passed since the effective date and accounts for the year had long been closed. To now take a massive liability for that year would have repercussions far beyond that particular Company.

Various employers hence challenged these amendments before their respective High Courts. The High Courts of Kerala, Karnataka, Bombay, Calcutta, Madhya Pradesh, Allahabad, Gujarat, and the Punjab and Haryana High Court, basing their reasoning on common grounds, granted an interim stay of the retrospective applicability of the amended provisions. However, the writ petitions by which these challenges were mounted, are yet to be decided finally.

It cannot be doubted that the intentions of the Government in bringing these amendments are honourable. Similarly, even the employers would not deny that the amounts required some amendment. The real difficulty is the manner in which it has been made effective. No employer comes in the way of a reasonable benefit being granted to its employees. Similarly, no employee would want to put the employer to undue hardship with a view to seek benefit for themselves. After all, labor relations are based upon interdependence and mutual growth. While the constitutional goal of equitable distribution of wealth is desirable, the method adopted to achieve it should not be unreasonable.

continued from page 10

Opinion To Last Month's Brainy Bits

Section 22 deals with the persons liable for registration. The section is reproduced below:

22. (1) Every supplier shall be liable to be registered under this Act in the State or Union territory, other than special category States, from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds twenty lakh rupees: Provided that where such person makes taxable supplies of goods or services or both from any of the special category States, he shall be liable to be registered if his aggregate turnover in a financial year exceeds ten lakh rupees.

Aggregate turnover is defined in section 2(6) as under:
"aggregate turnover" means the aggregate value of all taxable supplies(excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all
India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess;

Popularly it is thought that the threshold limits for the special category states is 10 lakhs. The fact is that if I have any taxable supplies of goods or services or both FROM (not TO) any of the special category states, I will be liable for registration if my aggregate turnover in a financial year exceeds 10 lakhs. So, in all the above cases I am liable to be registered in both Karnataka and Assam.

GST Suite

CS Anshuman A.S.
Identified Faculty of
Indirect Taxes Committee of ICAI

IS INTEREST TAXABLE UNDER GST?

When a bank or an NBFC charges interest on the loan we take from them, are they liable to charge GST on the interest? To answer this question, let us first analyse the definition of Services as given in CGST Act.

Originally, under the revised Model GST Law, it was explained in section 2(92) of CGST Act, that "services include transactions in money but does not include money and securities". On a plain reading of the definition it was interpreted at that time that interest is out of the definition of supply.

However, under Section 2(102) of the CGST Act, 2017 (Act 12 of 2017 dated 12.04.2017), Services has been defined to 'include activities relating to the use of money'. Interest is the reward which is directly associated with the 'use of money'. Most of the experts are now convinced that interest received on loans given by banks and financial institutions etc. are liable for payment of GST.

GST Council has released a provisional list of exemptions from GST. Entry No. 8 of the service tax exemption list is as under:
8. Services by way of—
(i) extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services); Therefore it can be safely inferred that the interest charged by the banks, NBFCs etc. is the consideration for the SUPPLY constituting USE OF MONEY which is exempt from GST due to the specific exemption provided.

Is it in our interest to receive interest under GST?

That being settled let us look at the credit side of the profit and loss account. Most of the profit and loss accounts will have an entry for interest received. It may be from banks on fixed deposits, or customers on delayed payment, Income Tax Department on prepaid taxes etc. Interest received from customers is specifically included in the value of taxable supply u/s 15(d) and also not covered by the exemption.

Interest received on fixed deposit, interest on prepaid taxes etc. will be out of the purview of payment of GST in view of the specific exemption given. The interest however is a part of my "Aggregate Turnover" which has been defined in Section 2(6) of the CGST Act to mean "the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), **exempt supplies**, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess".

Failure to include interest in the aggregate turnover may lead to erroneous conclusion while determining threshold limit for registration, audit etc.

Once we realise that our aggregate turnover is inclusive of exempt supplies, it follows that our inputs and input services have been partly used by us for effecting taxable supplies and partly for effecting exempted supplies. The eligibility of availing input tax credit will be restricted to the extent they are attributable to the exempt supply as provided under Rule 7 of GST ITC Rule, 2017. Sometimes, the amount of interest received may not justify the additional compliance burden.

News Room

EXPRESS NEWS

- Govt to Assess Impact of CSR Activities Undertaken by PSUs
- Daily Petrol, Diesel Price Revision From Tomorrow, Dealers Won't Go On Strike
- Law Expert Neeru Chadha Becomes First Indian Woman Judge at International Sea Tribunal
- Rupee Jumps 5 Paise Against Dollar to 64.25
- Asian markets lag, cautious ahead of US federal Reserve meet
- Central Bank of India slips over 2% after RBI places restrictions on banking activities

The Big 4 are bagging big business from top companies
KPMG seems to have closed the gap with its peers in the race for fresh audit mandates, adding TCS, Mahindra & Mahindra and HDFC to its list of marquee clients, with the Big 4 together securing about half the business from India's top 500 listed firms at the end of the auditor rotation cycle mandated by the Companies Law.

Government to go soft on GST monitoring for a few months
there will be some leniency in monitoring and implementation of the new goods and services tax in initial months to allow businesses to settle into the new tax regime, a review of GST preparations by a group of senior ministers was told.

CCI slaps Rs 87 crore fine on Hyundai Motor India for anti-competitive conduct
The country's competition watchdog has imposed a penalty of Rs 87 crore on Korean carmaker Hyundai Motor India for anticompetitive conduct

The 15th day of June, 1988 marks the beginning of an era for the Profession of Company Secretaries when the Company Secretaries in Practice were accorded recognition for certifying the Annual Returns under the erstwhile Companies Act, 1956.

HAPPY PCS DAY TO ALL

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Regulatory Updates

Companies Act, 2013

Updates on Amended Rules

MCA had notified Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 i.e , Merger or amalgamation of a foreign company with a Company and vice versa, Subject to the Approval of Reserve Bank of India, through insertion of Rule 25A .

Companies are allowed to accept deposits without deposit insurance contract till 31st March, 2018 or till the availability of deposit insurance product whichever is earlier.

Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 dated 13th April, 2017.

MCA has amended Companies (Acceptance of Deposits) Rules , 2014, which is to be known as Companies (Acceptance of Deposits) Amendment Rules, 2017, in rule 2, in sub-rule (1), in clause (c), in sub-clause (xviii), after the words "Domestic Venture Capital Funds" the words ", Infrastructure Investment Trusts" shall be inserted.

Companies (Acceptance of Deposits) Amendment Rules, 2017 dated 11th May, 2017.

Notifications

MCA has notified Section 234 with effect from 13th April 2017, Section 234 speaks about mergers or amalgamations with Foreign Companies

S. O.(E) dated 13th April 2017

MCA has amended the notification dated 5th June 2015, relating to sections 73, 92, 143, 173 and 174 of Companies Act 2013. It exempts Private Companies form various legal Compliances under above stated sections.

G.S.R. (E) dated 13th June 2017

MCA has amended the notification dated 5th June 2015,

Relating to Sections 96 and 230 to 232 of Companies Act 2013. These Sections speaks about Situation of Registered Office and NCLT respectively.

G.S.R. (E) dated 13th June 2017

Circulars

An amendment has been made to Rule 6 of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules 2017. As per the amendment, where the seven years period as per section 124 is getting Completed between September 7, 2016 to May 31, 2017, the due date for transfer of such shares is May 31, 2017. A Special demat account with NSDL is being opened by IEPF Authority to facilitate the transfer of Shares in dematerialized form.

General Circular no. 03/2017 dated 27.04.2017.