



E-News Letter

THIRUVANANTHAPURAM BRANCH
of Southern India Regional Council of
The Institute of Chartered Accountants of India

June 2021
Issue | 06

Chairman's Message



Dear Esteemed Members,

The second wave of Covid-19 has rocked the country terribly which has also sent shockwaves across the Country and also impacted the economy. I urge all our professional brethren to stay home and be safe. I request all professional colleagues to avoid unnecessary travel and meetings. We, the Managing Committee members of Thiruvananthapuram Branch are also doing our bit by extending support to the needy. As informed earlier we at the Branch has formed a COVID Task Force consisting of 28members,their names and contacts have already been shared with the members. Any members or students or their family who need any help can contact any member of the Task Force.

We at the Branch has already switched to virtual mode of seminar. We have conducted 5 CPE Seminars and also one CPE Study Circle meeting. We are planning to conduct Refresh Course on GST from 7th to 9th day June 2021 jointly with GST & Indirect Tax Committee of ICAI .We are also planning more CPE programmes during June and July 2021.I request members to make use of these programmes for knowledge enrichment.

On the Student front, the SICASA team has planned to conduct webinars on topics of professional relevance which will be helpful to the student community at large

On behalf of Management Committee of Thiruvananthapuram Branch , I humbly request all the professional colleagues to extend fullest support for all activities of our Branch. Your active support is the constant factor which encourages us to plan and perform in the days to come. I also look forward to your views and suggestions on any matters which you feel may strengthen the profession and improve quality of services of the members and students.

Please Stay home and Stay Safe. Jai Hind. Jai ICAI

CA. Ramesh Kumar S.
Chairman

Secretary's Message



Dear Professional Friends,

May 2021 was a Mayhem all over the Country. The second wave have impacted the lives of thousands of people across India. Our state of Kerala went for another lockdown from 3rd of May. During the lockdown our Managing Committee mainly focused on enriching the knowledge of our members and aiding you all to be virtually connected by Staying at Home safely. We have conducted five (5) virtual CPE Seminars with fifteen (15) hours of CPE on various significant topics. We could also conduct a Study Circle Meeting during last month with unstructured CPE of two (2) hours. We could also distribute Provisions kit to 37 families in the Pound colony with the financial aid of Managing Committee members. Our Managing Committee could form a COVID Task Force which consists of 28 members from our branch who are ready to do any help for any of the members, their family, CA students or any of your acquaintance at the time of need. I thank all the members for their unstinted support and co-operation for all the activities which are being conducted by our branch.

Stay Home. Stay Safe. Stay Connected Virtually!!

Jai Hind! Jai ICAI!

CA. Rema Sarma N.
Secretary

OBITUARY



CA. Sathiavageswaran S
(Past-Chairman)

29 April 2021



CA. Varadarajan N.S

18 April 2021



COVID TASK FORCE

THIRUVANANTHAPURAM BRANCH OF SIRC OF ICAI

“Dear Members & Students”

Hoping you are all fine.

We are very much concerned about you and your family.

With a view to fight against corona to the best of ours,

We have formed a COVID-19 task force committee of

Thiruvananthapuram Branch of SIRC of ICAI.

Committee members will try to help the Member or their Family

who is suffering or having any problem regarding the COVID-19.



**We at Thiruvananthapuram Branch have
formed a COVID-19 Task Force.**

COVID-19 Task Force Volunteers



CA Ramesh Kumar S 9443170518
CA Cherianji Samuel 9496369665
CA Ramakrishnan H 9633481966
CA Rema Sarma 9809222137
CA Adarsh 9446407445
CA Hari Narayanan 9567686852
CA Sajeev R 9847067698
CA Suku Abraham Jacob 9847066700
CA P Ananthakrishnan 9349944261
CA Nikhil R Kumar 8281223242
CA Ranjit Karthikeyan 9895997000
CA Dinu Chandran 9895742652
CA Jose J Kappil 9349337377
CA Sarath V 9947271145

CA George A. Kurian 9971450851
CA Ramanathan S 9895033450
CA Saju K R 9995779271
CA Suresh.K 9447427862
CA Abraham Varkey 8589054112
CA G Krishna Kumar 9995809990
CA Krishnakumar 8281711961
CA Rajeev.A 9447059291
CA Adithya S 8921613409
CA Ashok A 8089867656
CA Hari J S 9387801712
CA Binulal.S.S 9447015699
CA Sreevidya C 9497553195
CA Hari K S 9446404552

Please Feel Free To Contact For Any Help



“The Duties of an Auditor in detecting frauds. “

Mr.Saurabh Pandhare, an activist from Mumbai, sought under the Rights to Information Act (RTI Act) , data from Reserve Bank of India, about bank frauds in India. The data showed that 90 banks and financial institutions reported a total of 45,613 cases of loan fraud till March 31, 2021. RBI came out with whopping figures that Banks operating in India reported fraud totalling Rs. 4.92 Trillion as on March 31, 2021, representing nearly 4.50 % of the total bank credits in India. State Bank of India – the country’s largest lender – reported the highest amount of frauds on loans which was disclosed at Rs. 78,072 crore as on March 31, 2021. Punjab National Bank came a close second with a Bank fraud of Rs. 39,733 crore.

However, during 2020/21, frauds reported by banks fell by 25 percent in absolute value terms in just one year to Rs. 1.38 lakh crore at the end of fiscal year ended March 2021,as per data released by the Reserve Bank of India in its annual report. During the same period last year 2019/20, the total frauds reported was at Rs. 1.85 lakh crore. In number terms, fraud reporting was down by 15 percent on a year basis. Public sector banks contributed to more than 59 percent of the total value of frauds at Rs. 81,901 crore while private sector banks contributed 33 percent at Rs. 46,335 crore.

Can we attribute this reduction in frauds, to the more serious pandemic COVID 19 ??

The emergence of frauds in the Corporate sector is the biggest risk, which large and medium sized companies are exposed to, and these are increasingly becoming a big business. These types of Corporate frauds are increasing at an alarming rate and they tend to destroy the very fundamentals of Trade, Commerce and Business in a country. The continuance of these Corporate Frauds leave a lasting scar on the face of business. The resultant damages could be tabulated as follows:

- a) Destruction of the confidence of investors in stock markets.
- b) Reduction or enormous destruction in wealth of investors.
- c) Damage to the reputation of the affected company, its management and Board of Directors.
- d) Reduction in the ability of affected organisation to borrow and thus creating financial stress on the business entity.

The above figures and paragraphs are merely a prologue of a small treatise on **“The Duties of an Auditor in detecting frauds. “**

Who is Responsible ?

The Management of every business or commercial organisation is entirely responsible for preventing and detecting frauds. The External Auditor or the Statutory Auditor is not and cannot be held responsible for controlling frauds or perpetrated errors. While framing the auditor's report, the auditor, however, categorically states that the Audit Objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error.

The Standards on Auditing especially SA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements), SA 300 (Planning an Audit of Financial Statements), SA 315 (Identifying and Assessing the Risk of Material Misstatement through understanding the Entity and its Environment) and SA 330 (The Auditor's Responses to Assessed Risks) impose rigorous standards which have to be meticulously adhered to by the auditor in the discharge of his onerous attest function and in order to obtain reasonable assurance about the overall reliability of the financial statements. The audit properly done, can indeed have a positive role in preventing fraud and errors by deterring their occurrence. The auditor is expected and must plan and perform his/her audit with an attitude of **professional scepticism**, whereby he/she recognises that some or certain conditions or events are inherent, which indicate that frauds or perpetrated errors may exist in the system. The Auditor should develop programs to audit various procedures, based on the **audit risk assessment**, and to obtain reasonable assurance that the entire financial statements are prepared, after all significant errors and fraud have been identified. It becomes the Auditor's duty to implement systems and procedures which will lead to the discovery of errors or frauds, and at the same time without causing any significant impact on the financial statements thus prepared.

The auditor cannot be held responsible for undetected and unseen irregularities. Effective and timely communication by the auditor with the management of the client is of prime essentiality. He/she should ask the management, key information about any significant frauds or perpetrated errors detected hitherto, in order to detect specific problems that would lead to certain perpetration of errors or frauds. The careful planning and implementation of audit programmes and procedures would lessen the burden of audit. However, the auditor would still face the inevitable risk, if some significant errors go undetected, even when the audit is planned properly and executed correctly.

It is pertinent to note that SA 701 (Communicating Key Audit Matters the Independent Auditor's Report), provides for the inclusion of Key Audit Matters in the Auditor's Report. The purpose of communicating key audit matters, notes this standard, is to enhance the communicative value of the auditor's report by providing greater transparency about the audit that was performed. This signifies the implicit presumption that the planning and performance of the audit is designed and executed in such a way as to obtain reasonable assurance that the financial statements are free from material frauds and errors. Needless to state that failure to exercise due care in the discharge of the professional responsibilities will make the auditor legally answerable for the omission to detect frauds.

Learnt during student days.

Accounting Frauds are mainly of two varieties:

- i) **Financial Reporting Frauds.** Usually committed with the connivance of the Management.
- ii) **Misappropriation of Assets** – Cash and other Current and Fixed assets. Generally perpetrated by the employees who hold coveted posts.

The above types of frauds which cover all perceivable frauds are made possible due to some of these reasons:

- a) The management is under heavy pressure to boost its figures.
- b) The perpetrator believes that Internal control can easily be overridden and he/she has knowledge of the inherent deficiencies in internal control in that organisation.
- c) People have an unethical value imbibed in them allowing them knowingly and purposely to commit a fraud.

Where is the need to commit a Financial Reporting fraud? :

- a) To reduce or avoid payment of various Taxes like GST, Income Tax, other Duties.
- b) To get a better Rating from International Institutions by declaring Profits much more than the actual earned income.
- c) For declaration of Higher Dividends than actuals, before going in for public issue of shares or bonds.
- d) To reduce payment of , by certain Statutory payments, like CSR, by exhibiting reduced Profits.
- e) To be eligible for some Grants or freebies.
- f) To pay out higher managerial remuneration and commission, which are based on Net Profits.
- g) To get into certain large classes of business groups, prior to mergers or acquisitions.

Simple and usual methods to achieve the above:

- a) Manipulating the revenue by under or over invoicing and even paying the taxes and duties .
- b) Converting revenue income and/or expenses into capital inflow/outflow.
- c) Gas ballooning or deflating the value of inventories/closing stock.
- d) Under/ non - provision of outstanding dues, including interest on borrowings.
- e) Reduction / non- accounting of income earned but not due, including interest on loans.

The persons who are involved in Misappropriation of Assets:

- a) People holding coveted posts in the organisation continuously for a long period.
- b) Officers who are very close to the Management in terms of knowing information important to the business.
- c) Officers working in branches less frequented by the management visits.
- d) Officers working in environments not supported with proper ERP tools.
- e) People who are well versed with the intricacies of the business and the loose ends of Internal control prevalent in that organisation.
- f) Persons who work for organisations where remuneration is a bone of contention between different employees.

Notable Corporate Frauds in recent times:

1. Satyam Computers (Satyam)
2. Kingfisher Airlines (KLA)
3. Jet Airways
4. Bhushan Steel
5. Punjab National Bank... Nirav Modi and Mehul Choksi
6. Infrastructure Leasing & Financial Services
7. Dewan Housing Finance Limited
8. Punjab & Maharashtra Co-op Bank
9. YES Bank
10. Cafe Coffee Day
11. Spot Exchange of India

In all the above cases, it was primarily the promoters, who deliberately falsified the accounting figures, with a deliberate intent to defraud the financiers and the public. The Promoters used ingenuine methods for syphoning of funds and money laundering. In a few cases, the auditors were held accountable for not having put in their best efforts.

SA 240 – Auditor’s Responsibility Relating to Fraud in an audit of Financial Statements.

Among the various Auditing Standards brought out by ICAI, a very significant one is the Standard SA 240 on Auditor’s Responsibility Relating to Fraud in an audit of Financial statements. This Standard became effective for audits of financial statements for periods beginning on or after April 1, 2009.

Scope of SA 240

SA 240 deals with the auditor’s responsibilities towards frauds in the financial statement audits. It explains elaborately, how the material misstatements in the financials, due to fraud can be identified, assessed and appropriate procedures to detect the frauds, can be implemented.

SA 240 defines :

(a) Fraud - *An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.*

(b) Fraud risk factors - *Events or conditions that indicate an incentive, or pressure to commit fraud, or provide an opportunity to commit fraud.*

Principal features of Fraud

Fraud is a broad legal concept and for the purposes of this SA, the auditor is concerned with fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor–

- a) Financial misstatements which result from fraudulent financial reporting and
- b) Other misstatements as a result of misappropriation of assets.

Sometimes the auditor may be able to suspect the fraud and in certain cases, will be able to identify the occurrence of fraud. However, the auditor is not required to nor does he/she not determine whether any fraud has actually occurred.

Who is responsible for the Prevention and Detection of Fraud.

The responsibility for the detection and prevention of fraud rests primarily with the management and other persons empowered to govern the business entity. These two classes of persons should work in tandem towards this goal. A clean and clear business environment should be created, whereby opportunities for fraud to take place gets reduced and ultimately gets eliminated. The management must frame rules for fraud detection and punishment to the perpetrator. A culture towards good ethical behaviour and sustained honesty should be put in place, by the management and the governing body.

Since the Auditor is not part of the establishment, he/she cannot be a part of the machinery to either prevent or to detect the occurrence of frauds in any environment. Hence the Auditor cannot be held directly responsible if any fraud does happen or when the fraud goes undetected.

What are the responsibilities of the Auditor under Fraud Detection and Prevention ?

The responsibilities of the Auditor towards Fraud Detection and Prevention are enshrined in SA 240, issued by ICAI. This SA 240 became effective in 2008, for all the accounts for periods commencing from April 1, 2009. It goes on to explain:

An auditor who is conducting an audit is required to do so in accordance with SA 240 and **is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.** Even when an audit is properly planned and performed in accordance with the SAs, there is an inherent risk that some material misstatements in the financial statements may go undetected, owing to ingrained limitations of an audit.

The related SA 200 on *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing*, describes the potential effects of inherent limitations, which are very high in cases of misstatement resulting from fraud. Thus, the auditor is at a higher risk for not detecting a material misstatement resulting from fraud, than the risk of not detecting a misstatement due to an error. Fraud involves careful planning and organised schemes. It may be difficult for the auditor to determine whether misstatements in judgment areas such as accounting estimates are caused by judgemental errors or as a planned fraud.

Frauds committed by management Vs committed by staff

For the Auditor, it is a larger risk not detecting a material misstatement resulting from management fraud , as compared to the risk of not detecting an employee fraud. This is more so, as the management will have overriding procedures which are designed to prevent such frauds, and also whereas, the management is in a better position to manipulate account books and records frequently, to commit repetitive frauds.

The auditor is required to maintain professional scepticism during the entire audit, as the management has the potential to override all the internal controls, and also the auditor has to recognise that the regular audit procedures may not be effective in detecting frauds being committed by the management. The Auditor is required to identify and assess the risks of material misstatement resulting from frauds and then to design procedures to detect such misstatements of the management.

To conclude, some paras from SA 240 are reproduced hereunder , to understand the complexities of Audit of accounts under risks of Fraud.

SA 240 clearly describes the objectives of the auditor relating to fraud :

- (a) To identify and assess the risks of material misstatement in the financial statements due to fraud;*
- (b) To obtain sufficient appropriate audit evidence about the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and*
- (c) To respond appropriately to identified or suspected fraud.*

SA 240 Explains the steps in relation to audit where Fraud is inherent:

1. *The auditor shall make inquiries of management regarding:*
 - (a) Management’s assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such management assessments;*
 - (b) Management’s process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;*
 - (c) Management’s communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity; and*
 - (d) Management’s communication, if any, to employees regarding its views on business practices and ethical behaviour.*
2. *The auditor shall make inquiries of management, and others within the entity as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.*
3. *For those entities that have an internal audit function, the auditor shall make enquiries of internal audit to determine whether it has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.*
4. *The auditor shall evaluate whether the information obtained from the other risk assessment procedures and related activities performed indicates that one or more fraud risk factors are present.*

Management Representations

1. *The auditor shall obtain written representations from management and, where applicable, those charged with governance that:*
 - (a) They acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;*
 - (b) They have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;*
 - (c) They have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:*
 - (i) Management;*
 - (ii) Employees who have significant roles in internal control;*
 - (iii) Others where the fraud could have a material effect on the financial statements; and*
 - (d) They have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.*

Need of the Hour: *Professional Scepticism*

Maintaining professional scepticism requires an ongoing questioning of whether the information and audit evidence obtained suggests that a material misstatement due to fraud, may exist. It includes, considering the reliability of the information to be used as audit evidence and the controls over its preparation and maintenance where, relevant. Due to the characteristics of fraud, the auditor's professional scepticism is particularly important, when considering the risks of material misstatement due to fraud.

The auditor shall plan and perform an audit with **professional scepticism** recognising that circumstances may exist, that cause the financial statements to be materially misstated.

An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence must be practiced.

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June 5, 2021



PURCHASING GOODS OVER RS. 50 LAKHS? HERE ARE SOME THINGS TO KEEP IN MIND...

The conundrum of whether TCS/TDS is applicable on transactions over Rs 50 lac is going to be largely prevalent after section 194Q becomes applicable come July 2021. Let us have a closer look into the two sections relevant to our case.

The budget of 2020 had earlier introduced section 206(C)(1h) which reads as under:

“... 206C (1H) Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, other than the goods being exported out of India or goods covered in sub-section (1) or sub-section (1F) or sub-section (1G) shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1 per cent of the sale consideration exceeding fifty lakh rupees as income-tax:

...

Provided further that the provisions of this sub-section shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount....”

Explanation.—For the purposes of this sub-section,—

(a) “buyer” means a person who purchases any goods, but does not include,—

(A) the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or

(B) a local authority as defined in the Explanation to clause (20) of [section 10](#); or

(C) a person importing goods into India or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein;

(b) “seller” means a person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out, not being a person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.”

This section has thus put upon the seller the responsibility to collect tax @ 0.1% for sales exceeding the 50 lakh threshold if the seller's turnover exceeds Rs 10 Crore in the preceding financial year.

This assumes that the seller has good compliance history and it merely puts a check upon the possible errant customer.

In the budget of 2021, the government has mirrored this clause again, this time placing compliance responsibility on the buyers, (and puts the lens of scrutiny over the sellers) by introducing section 194Q which reads as under:

“194Q: Deduction of tax at source on payment of certain sum for purchase of goods,¹⁰

(1) Any person, being a buyer who is responsible for paying any sum to any resident (hereafter in this section referred to as the seller) for purchase of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, shall, at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier, deduct an amount equal to 0.1 per cent of such sum exceeding fifty lakh rupees as income-tax.”

As per explanation (1) it has been stated that the “buyer” means “a person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the purchase of goods is carried out ...”

Thus a responsibility to DEDUCT tax has been put upon the BUYER of goods if the turnover of the buyer exceeds 10 crore in the previous year.

How do we reconcile these two sections? The answer has been provided in the fifth explanation to section 194Q, which reads as under:

“Explanation (5) to section 194Q: The provisions of this section shall **not** apply to a transaction on which—

(a) tax is deductible under any of the provisions of this Act; and

(b) tax is collectible under the provisions of [section 206C](#) **other than a transaction to which sub-section (1H) of section 206C applies.**

To summarise:

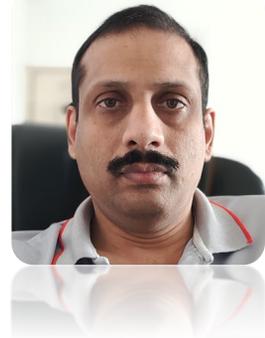
Sl No	Sale Value	Turnover in the preceding financial year		Remarks
		Seller	Buyer	
1	Rs 55 Lac	Rs 15 Crore	Rs 5 Crore	Section 206 C(1H) shall apply. The seller will have to collect tax.
2	Rs 55 lac	Rs 5 Crore	Rs 15 Crore	Section 194Q will apply. The buyer will have to deduct tax and follow the necessary compliance.
3	Rs 55 Lac	Rs 15 Crore	Rs 15 Crore	Section 194Q will apply by virtue of the sub part (b) of the 5 th explanation to section 194Q. (please note the double negative) However, if the buyer fails to make compliance, the seller will have to collect tax by virtue of the second proviso to section 206C(1H) (please note the word “and” in the second proviso.)

It is important to note that section 206C (1H) has been effective from 1st October, 2020 and section 194Q will become active from the 1st of July 2021.

I hope this article has been useful to the reader.

Sakthi Sankar

ഭൂമി കിനാക്കൾ



മുളളൊലുംകളളിവളർന്നിതെത്ര, വരളും,വിളളുന്നഭൂവുഷരം
ചുളളിക്കമ്പിൻകറുപഞ്ജരം ചലിതമാംവളളിക്കുടിൽ നീന്നിടം
വെളളിച്ചിളിൻ പവിഴംപൊഴിഞ്ഞ മണിതൻ തുളളിക്കുകേശുമൊഴും
പൊളളുംചുടിൻ പൊരിവേനലിൽത്തളരുകിളുളളും കുളിർതേടിടും

പച്ചച്ചപ്പാടമണിഞ്ഞൊരാ കതിരുപോയ് കച്ചിത്തുരുത്തുമുകൾ
കച്ചേലും വർണ്ണമണിഞ്ഞു ശാദലതരം പച്ചപ്പിലാറാടിടാൻ
ഉച്ചത്തിനാമ്പഴലേറ്റഭൂമി ഭഗവൽ തൃച്ചേവടിത്താരിലായ്
നിച്ചം കൈകൂപ്പിവണങ്ങി തൻവ്യഥയതിൽ വെച്ചുളളഹൃദ്സ്പന്ദനം

കൊല്ലുംചുടിൻകിരണം പതിച്ചതനുവോ വല്ലാതെവേവുമൊഴും
ഇല്ലാതില്ലുളളിലൊരാഗ്രഹം വരളുമി പൊല്ലാതിടം മാറിടാൻ
കല്ലോലംവീശിനിറഞ്ഞ സാരസതടം ഹൃല്ലേഖയാരാപഥം
നല്ലോരോമൽക്കനവിൻ നറുംകലികൾ അല്ലിത്തളിർമൊട്ടുപേൽ

പന്നീരോലും മധുപെയ്തപോൽ വരണമാ കന്നിക്കുളിർമാരിയും
കിന്നാരംചേർത്തു തലോടിടാൻ തണുവെഴുംതെന്നൽതരും ലാളനം
മനികൽവന്നൊരു ഭാഗ്യസൂക്തമുരയാൻ മിന്നൽത്തുടിത്താളവും
മിന്നുംപൊൻപുഞ്ചിരിചേർന്ന വെൺപ്രഭതരും പൊന്നോണനാളിൻ രസം

കട്ടിപ്പുല്ലിന്നിടതുർന്നുതിങ്ങിയൊരിളം പട്ടാടനീരാളമായ്
മേട്ടിൽ മേച്ചിൽപ്പുറമൊന്നുതീർത്തുതരണം കാട്ടിൽമരക്കൂട്ടവും
കൂട്ടിൽ പൊൻപൈക്കിളിപാടുമൊച്ചയുയരേ പൊട്ടിത്തരിക്കുന്നതാം
ഞെട്ടിൽ വെൺപുഞ്ചിരിയോടെ പൂത്തുവിലസും മൊട്ടിൻറെശ്യംഗാരവും

ചെത്തിപ്പൂ,പിച്ചക,ചെമ്പകം, കദളിയും പൂത്തോരുകാലംവരും
സത്തായെത്തും കനികൾവിളഞ്ഞ സുഹലം അത്തിപ്പഴമാമ്പഴം
തത്തിത്തത്തും കിളികൾക്കതന്നവിഭവം വാഴത്തുന്നു വായ്ത്താരിയാൽ
പേർത്തും സന്തോഷദിനങ്ങളിങ്ങണയവേ നൃത്തംചവിട്ടും മനം

ഇമ്പത്തിൽ തുമ്പികളിങ്ങുതേടിവരണം പൂമ്പാറ്റകൾപാറണം
മുമ്പത്തേപ്പോളുലകം വസന്തവനിയായ് പൂമ്പാലതൻ ഗന്ധവും
ചെമ്പൊന്നിൻ വർണ്ണവിലാസമാൽ ശബളമാം വന്മോടെപൂകാവനം
കാമ്പോലുംസ്വപ്നമിതും വിപാകമണിയാൻ തുമ്പങ്ങളും തീർക്കണേ

തീപ്പന്തംപോലെരിയുന്ന സൂര്യകിരണം വേർപ്പില്ലയാ ചുടിലും
കർപ്പൂരം പോൽ ശശിതരൾമിസഹിതം ഒപ്പത്തിനൊപ്പംവരും
കൈയ്പ്പേറുംനാളുകളും മറഞ്ഞസമയം കാപ്പിട്ടൊരുങ്ങിടണം
അപ്പോൾപോരു വിധുസൂര്യരേ ചമയമായ് പ്പാതിനേരംതരാം

ക്രൗഞ്ചങ്ങൾതന്നതിതുംഗശ്യംഗസവിധം സഞ്ചാരിമേഘങ്ങളും
തുഞ്ചത്താവനപഥത്തിനെപ്പൊതിയവേ വെഞ്ചാമരംവീശിടും
പുഞ്ചപ്പാടംകതിരാർന്നു തീറ്റിരിയും തഞ്ചുംകിളിക്കൊഞ്ചലും
പൂഞ്ചോലപ്പാലൊഴുകുംതടം ഉറവിടാൻ കെഞ്ചുന്നുനിൻകാൽക്കലിൽ

അന്തിച്ചോപ്പിൻ തൊടുകുകുമ്പടരവേ ചെന്താരകം ചിന്നിടും
സന്താപത്തിൻ തിരമാഞ്ഞൊരാഗഗനവും ചിന്തിപ്പതിൻകൗതുകം
കാന്തംപോൽ പ്രോജലഭാവിയാസ്മരണയിൽ പൊന്തുന്നിതുൾക്കാഴ്ചകൾ
അന്തർദാഹം വിരവോടുതീർന്നുവരുവാൻ എന്തുംസഹിക്കാംവിഭോ

വൃത്തം : മത്തേഭവിക്രിഡിതം
പ്രാസം : അഷ്ടപ്രാസം

പദപരിചയം
ഊഷരം : ഒന്നും വിളയാത്ത സ്ഥലം, മരുഭൂമി
കച്ചേലും : ഭംഗിയുള്ള
ശാദല : പച്ച പുല്ലു നിറഞ്ഞ
നിച്ചം : നിത്യം
ഹൃല്ലേഖ : ഹൃദയത്തിലെ ചാല്
പൊല്ലാത : ചിത്തയായ/കൊള്ളരുതാത്ത/ശോഭിക്കാത്ത
നീരാളം : പുതപ്പ്/വിരി/കസവു വസ്ത്രം
പേർത്തും : അധികമായി/ പിന്നെയും/നല്ലപോലെ
വിപാകം : ഫലം/ സ്വാദ്
കൗഞ്ചം : പർവ്വതം
വിരവോട് : വേഗത്തിൽ

Rajeev Chandran C
Membership # 211842
Mob: 9629555130

Changes in New IT Returns and IT amendments relevant for AY 2021-22

Contents



RAVINATH R PAI

- ▶ Important amendments in FA 2020
 - ▶ Personal tax
 - ▶ Corporate tax
 - ▶ TDS / TCS
 - ▶ International tax
 - ▶ Charitable trusts
- ▶ Changes to IT return forms
- ▶ Important circulars
- ▶ Extension of due dates

New tax regime

- ▶ Concessional tax regime introduced for individuals / HUF

Income	Old regime	New regime
Upto Rs 2.50 lakhs	Nil	Nil
Rs 2.50 lakhs to Rs 5.0 lakhs	5%	5%
Rs 5.0 lakhs to Rs 7.5 lakhs	20%	10%
Rs 7.5 lakhs to Rs 10.0 lakhs	20%	15%
Rs 10.0 lakhs to Rs 12.5 lakhs	30%	20%
Rs 12.5 lakhs to Rs 15 lakhs	30%	25%
Above Rs 15.0 lakhs	30%	30%

- ▶ New regime is optional – taxpayers may exercise the option each year
- ▶ Persons having business / professional income can opt in once until he ceases to have business / professional income

New tax regime

- ▶ Exemptions / Deductions to be given up include
 - ▶ HRA, LTA, Allowances u/s 10(14), standard deduction, Professional Tax
 - ▶ Rs 1,500 in case of clubbing of income of spouse, Exemption given to MPs, MLAs u/s 10(17)
 - ▶ Interest on self occupied house property
 - ▶ Deduction u/s 10AA
 - ▶ Additional depreciation, Investment Allowance, Tea / Coffee / Rubber development A/c (S. 33AB), Site Restoration Fund (S. 33ABA)
 - ▶ Expenditure on scientific research u/s 35(ii), (iia), (iii), 35(2AA)(i)
 - ▶ Expenditure on specified business u/s 35AD, Agriculture extension project u/s 35CCC
 - ▶ Deduction u/s 57(iia) in respect of family pension income
 - ▶ Deductions under chapter VI-A except u/s 80CCD(2) and 80JJAA

New tax regime

- ▶ No set off of carried forward loss / depreciation set off attributable to above
- ▶ No set off of house property loss against other income
- ▶ No exemption / deduction provided under any other law
- ▶ Unabsorbed depreciation to be adjusted against WDV of block of assets

Gross Salary	HL Interest	HRA exempt	Chapter VIA	Old regime	New regime
6,00,000	Nil	20,000	30,000	Nil	23,400
8,00,000	25,000	30,000	50,000	43,160	46,800
10,00,000	40,000	40,000	70,000	75,400	78,000
13,00,000	50,000	40,000	1,00,000	1,35,720	1,43,000
16,00,000	60,000	50,000	1,50,000	2,07,480	2,26,200

Residential status

- ▶ Indian citizen / PIO having Indian income exceeding Rs 15 lakhs becomes NOR if stay in India exceeds 120 days
- ▶ Indian citizen deemed to be resident of India if
 - ▶ He is not liable to tax in any other country / territory by reason of his domicile / residence / any other criteria of similar nature; and
 - ▶ Stay in India > 120 days in the PY; and
 - ▶ Stay in India > 365 days in the preceding 4 years; and
 - ▶ Has income other than foreign sourced income > Rs 15 lakhs
- ▶ In both above cases, person treated as NOR -> Indian income + Income from Business / Profession controlled from India taxable in India
- ▶ No relaxation given by CBDT for persons stranded in India due to COVID restrictions (CBDT Circular No 2/2021)
 - ▶ Taxpayers may need to apply DTAA provisions to avail exemption for global income

Personal tax amendments

- ▶ Abolition of DDT and taxability of dividend income in the hands of shareholders
 - ▶ Taxable @ applicable rates
 - ▶ Expense deduction for interest subject to maximum of 20% of dividend income
 - ▶ TDS u/s 194 @ 10% if dividend paid exceeds Rs 5000
 - ▶ In case of NR, DTAA provisions to be considered (20% TDS rate u/s 195)
 - ▶ Transitional provision for dividend received after 1-4-2020 on which DDT paid by distributing company
- ▶ Employer's contribution in excess of Rs 7.5 lakhs to Recognized Provident Fund, National Pension Scheme, Approved Superannuation Fund taxable in hands of employee
 - ▶ Any accretion on the said funds will also be taxable
- ▶ Deferral of tax on exercise of ESOPs of eligible start up
 - ▶ Date of sale / Exit / 5 years whichever is earlier
- ▶ NR not required to file ITR if income consists only of royalty / FTS / Dividend / Interest and TDS on such income deducted as per S. 115A

Corporate Tax Amendments

- ▶ Companies availing concessional tax rate may avail deduction u/s 80M
 - ▶ Deduction for dividend received to the extent dividend distributed on or before due date of ITR
- ▶ Fair value of cost of asset acquired prior to 1-4-2001 restricted to stamp duty value as on 1 April 2001
- ▶ Tolerance range for difference between transaction value and stamp duty value increased to 10% from existing 5% (S. 49CA, 50C and 56(2)(x))
- ▶ New penalty for fake / omitted entry in books
- ▶ Concessional tax rate of 22% + SC + cess for cooperative society not availing specific deductions / exemptions
- ▶ Due date of ITR -> 1 month post due date of due date of respective audit report
 - ▶ Company / person requiring tax audit / audit under any law – 31st Oct
 - ▶ TP cases – 30th Nov
- ▶ Due date for belated return is 31st December 2021 (FA 2021)

TDS amendments

- TDS on cash withdrawal (S. 194N) in case of recipient who has not filed ITR for preceding 3 years within time limit u/s 139(1)
 - TDS @ 2% on cash withdrawal exceeding Rs 20 lakhs
 - TDS @ 5% on cash withdrawal exceeding Rs 1 crore
- TDS on interest paid by co-operative society whose sales, turnover, gross receipt exceeds Rs 50 crore
 - TDS applicable if interest paid exceeds Rs 50,000 (senior citizen) / Rs 40,000 (others)
- TDS @ 2% on fees for technical services (other than professional services) u/s 194J / royalty for distribution or exhibition of cinematographic films
 - Fees for technical services defined as "technical, managerial or consultancy services"

TDS amendments

- Definition of "work" u/s 194C expanded to include manufacturing or supplying product using material purchased from related party of customer
- TDS on e-commerce transaction
 - E-commerce operator – person who owns, operates, manages, digital / electronic platform / facility
 - E-commerce participant is person who sells goods / provides services including digital products, through digital or electronic facility or platform
 - TDS applicable @ 1% of gross amount of sales / services to be deducted by e-commerce operator on payment to E-commerce participant
 - Exemption in case gross sales / services < Rs 5 lakhs and e-commerce participant furnishes PAN

TCS amendments

- TCS @ 5% on LRS if aggregate payment > Rs 7 lakhs
 - TCS @ 0.5% on LRS if remittance out of educational loan availed for overseas education
- TCS @ 5% on overseas tour package without limit
- TCS on sale of goods @ 0.1%
 - Seller liable to collect TCS on consideration received from buyer exceeding Rs 50 lakhs
 - Only those persons having turnover > Rs 10 crore required to collect TCS on sale of goods
 - No TCS on import and export of goods
- Reduced rate of TDS / TCS on all domestic payments except salary (w.e.f 14 May to 31st March)
 - No change for non PAN cases u/s 206AA

International tax amendments

- Income of NR deemed to accrue in India to include
 - Income from advertisements targeting Indian customer / accessing advertisement through Indian IP
 - Sale of data collected from Indian resident / person using Indian IP
 - Sale of goods / services using data collected from Indian resident / person using Indian IP
 - DTAA provisions most likely to exempt such income of NR
- Equalization levy expanded to e-commerce transaction through non resident e-commerce operator
 - Chargeable @ 2% on e-commerce supply or services
 - Online sale of goods owned by the e-commerce operator, or
 - Online provision of services provided by the e-commerce operator; or
 - Online sale of goods or provision of services or both, facilitated by the e-commerce operator, or

International tax amendments

- EL applicable even in case any of the following activities takes place online (FA 2021 clarification)
 - Acceptance of offer for sale;
 - Placing the purchase order;
 - Acceptance of the Purchase order;
 - Payment of consideration; or
 - Supply of goods or provision of services, partly or wholly
- Threshold limit of Rs 2 crore for applicability of EL
- EL provisions may not be covered by DTAA
- Exemption for NR in case EL applicable -> TDS not applicable

Amendments relating to charitable trusts

- Charitable trusts required to apply for fresh registration every 5 years (Form 10A)
 - Those trusts eligible to receive 80G eligible donations also required to apply
- Subsequent application 6 months prior to expiry of registration (Form 10AB)
- Provisional registration for new applicants u/s 10(23C) / 12AA / 80G for upto 3 years (Form 10A)
 - Subsequent application 6 months prior to expiry of provisional registration or within six months of start of activities, whichever is earlier
- Deduction u/s 80G granted on basis of shall be allowed on the basis of information furnished by the institution or fund subject to verification in accordance with the risk management strategy formulated by the Board

Changes to ITR forms

- ITR – 1 cannot be filed by person having TDS u/s 194N (TDS on cash withdrawal)
 - TDS u/s 194N cannot be carried forward

Details of Tax Deducted at Source (TDS) on Income [As per Form 16 Issued or Form 16B/16C furnished by Deductor(s)]								
Sl No	TDS credit relating to self/other person [None as per section 5A/other person as per rule 37B(2)]	FAN/Aadhaar No. of Other Person (if TDS credit related to other person)	TAN of the Deductor/ PAN/Aadhaar No. of Tenant/ Buyer	Unclaimed TDS brought forward (b/f)	TDS of the current Financial Year (TDS deducted during FY 2020-21)	TDS credit being claimed this Year (only if corresponding income is being offered for tax this year, not applicable if TDS is deducted u/s 194N)	Corresponding Receipt/withdrawals offered	TDS credit being carried forward

- Assessee who opts for deferral of tax on ESOPs from eligible startup cannot file ITR 1 / ITR 4
- Tax audit limit in case cash transaction < 5% increased from Rs 5 crore to Rs 10 crore (FA 2021)

Changes to ITR forms

- Dividend income to be disclosed under Income from Other Sources
 - Breakup of dividend for 234C interest computation (FA 2021 amendment)

10 Information about accrual/receipt of income from Other Sources					
S.No.	Other Source Income	Upto 15/6	From 16/6 to 15/9	From 16/9 to 15/12	From 16/12 to 15/3
		(i)	(ii)	(iii)	(iv)
1	Dividend Income				(v)

- Separate disclosure in respect of Marginal relief

5 Surcharge		Surcharge computed before marginal relief	Surcharge after marginal relief

Changes to ITR forms

- Section 80M – deduction for dividend income in respect of dividend paid before due date of filing ITR

Form 10C (F)	
80M- Details of distribution of dividend as provided in e-filing utility	

- Option of 115BAC – disclosure in general information
- Form 10IE to be filed by persons with business / professional income for exercise / withdrawal

(b) Are you opting for new tax regime u/s 115BAC? <input type="checkbox"/> Yes <input type="checkbox"/> No		
(b) If yes, please furnish	Date of filing of form 10IE DD/MM/YYYY	Acknowledgement number:

- Similar requirement for cooperative society u/s 115BAD (Form 10IF)

Changes to ITR forms

- Adjustment of unabsorbed depreciation in case of new tax regime for individuals / cooperative society

Schedule DPM		Depreciation on Plant and Machinery (Other than assets on which full capital expenditure is allowable as deduction under any other section)			
1	Block of assets	Plant and machinery			
2	Rate (%)	15	30	40	45
		(i)	(ii)	(iii)	(iv)
3	Written down value on the first day of previous year				
3a	Amount as adjusted on account of opting for taxation under section 115BAC				

- Unabsorbed loss due to specified deductions not permitted to be carried forward u/s 115BAC

Schedule CIL											
Details of Losses to be carried forward to future years											
(S) No.	Assessment Year	Date of Filing (DD/MM/YYYY)	House property loss	Loss from business other than speculative business and brought forward Business Loss	Amount as adjusted on account of opting for taxation u/s 115BAC	Loss from business specified and brought forward Business Loss available for set off during the year	Loss from speculative business	Loss from specified business	Short-term capital loss	Long-term Capital loss	Loss from owning and maintaining race horses

Changes to ITR forms

- 50C amendment – safe harbour increased from 5% to 10%

(i)	Full value of consideration received/receivable	at
(ii)	Value of property as per stamp valuation authority	all
(iii)	Full value of consideration adopted as per section 50C for the purpose of Capital Gains (in case (ai) does not exceed 1.10 times (ai), take this figure as (ai), or else take (aii))	all

- Transfer pricing report – Specific question whether accounts audited u/s 92E

(d)	Are you liable for Audit u/s 92E? <input type="checkbox"/> Yes <input type="checkbox"/> No	
(d)	If (d) is Yes, Whether the accounts has been audited u/s 92E? <input type="checkbox"/> Yes <input type="checkbox"/> No	Date of furnishing the audit report DD/MM/YY

Important circulars

- Circular C1 of 2020 on TDS on salary
 - Employee to intimate employer regarding intention to opt for 115BAC (new regime) each year
 - Employer to deduct TDS accordingly
 - Intimation cannot be modified during the year
 - Such intimation does not amount to exercise of option u/s 115BAC(5) – different option could be exercised at time of filing ITR
- Circular 5/2021 - Reporting under clause 30C and 44 of Form 3CD
 - Further extended to 31st March 2022 (AY 21-22)
- Circular 12/2020 - Clarification u/s 269SU
 - Requirement to provide mandatory payment facility for assessee having turnover > Rs 50 crore by UPI / Rupay debit card etc
 - Assessee with only B2B transaction exempted if 95% of all receipts through non cash mode

Important circulars

- Circular 14/2020 – clarification u/s 194N
 - Notified persons not subject to TDS u/s 194N
 - Cash Replenishment Agencies and franchise agents of White Label Automated Teller Machine Operators
 - Commission agent or trader operating under APMC registered under law relating to Agriculture Produce Market
 - Authorized dealer and its franchise agent and sub-agent and Full Fledged Money Changer
- Circular 17/2020 – clarifications on TDS u/s 194O and TCS u/s 206C
 - TDS u/s 194O and 206C not applicable to
 - Transactions in securities and commodities through recognized stock exchanges
 - Payment gateway on transactions if e-commerce operator deducts TDS on same transaction

Important circulars

- No TDS u/s 194O on payments by insurance agents / aggregators for subsequent years if agent / aggregator not involved in transaction between company and policyholder
- Threshold calculation of Rs 5 lakhs / 50 lakhs for 194O / 206C – sales / consideration from 1-4-20 to be considered (TDS / TCS applicable from 1-10-20)
- TCS u/s 206C(1H) - No adjustment for discount, sales return, credit notes etc as applicability on receipt of consideration
- 206C applicable on all consideration received after 1-10-20 (Including advance) if received after 1-10-2020
- TCS on sale of motor vehicle

Seller	Buyer	TCS Applicable
Dealer	Dealer	206(1H) if 206(1F) not applicable
Dealer	Customer: car < 10 lakhs	206(1H) if total consideration > Rs 50 lakhs
Dealer	Customer: car > 10 lakhs	206(1F)

Extension of due dates

- Circular 8/2021

Compliance	Due date	Extended due date
CIT(A) appeal filing		
Objection to DRP	After 1 April 2021	Due date / 31 st May 2021 whichever is later
Return in response to notice u/s 148		
Belated return u/s 139(4) for AY 2020-21	31 st March 2021	31 st May 2021
TDS payment u/s 194A, 194B, 194M and filing of challan cum statement		
Specified Financial Transaction (Form 61)	30 th April 2021	31 st May 2021

- Circular 9/2021

- 234A interest applicable as per original due date if self assessment tax > Rs 1 lakh
- Self assessment tax paid within original due date deemed to be advance tax

Extension of due dates

Compliance	Due date	Extended due date
SFT filing (Form 61A)		
Statement of reportable account (Form 61B)		
Statement of TDS / TDS on contributions by approved superannuation fund	31 st May 21	30 th June 21
Issue of Form 16 to employee	15 th June 21	15 th July 21
Statement of TDS / TCS book adjustment In Form 24G for May 2021	15 th June 21	30 th June 21
ITR AY 2021-22 (non audit cases)	31 st July 21	30 th September 21
ITR AY 2021-22 (audit cases except TP)	31 st October 21	30 th November 21
ITR AY 2021-22 (TP cases)	30 th November 21	31 st December 21
ITR (belated / revised returns)	31 st December 21	31 st January 22
Audit report in all above cases – 1 month prior to due date of ITR		

Snaps of Virtual CPE meetings of MAY 2021





Birthday Wishes to the Members...

Month of June 2021



DATE	NAME
16-Jun	DEEPA R ACHARI
3-Jun	DEEPAK B
14-Jun	DEVARAJ P R
9-Jun	DINU CHANDRAN R
17-Jun	FELLEGRIN JOHN J
20-Jun	GOPALAKRISHNAN
23-Jun	GOPIKRISHNAN S
13-Jun	K THOMAS JACOB
30-Jun	M.B. SANIL KUMAR
13-Jun	P K SHIVARAMAN
8-Jun	P MOHANACHANDRAN NAIR
1-Jun	PHILOMINA ASHOK JOSEPH
10-Jun	RAKESH R S
3-Jun	RAMAKRISHNAN H
6-Jun	REMYA C
28-Jun	SALEEM PADMAVATHY VASU
30-Jun	SRIRAM A
29-Jun	UNNIKRISHNAN NAIR A

**CA student completed full syllabus
and revised twice before exam...**

JUST FOR JOKES

For more jokes Stay tuned !





THIRUVANANTHAPURAM BRANCH OF SIRC OF ICAI

*Articles for the Newsletter are invited from the members
and can be sent to the ICAI Trivandrum e-mail id.
Also, do send us your feedback to : icaitym@gmail.com*