



*E-News Letter*

# THIRUVANANTHAPURAM BRANCH OF SOUTHERN INDIA REGIONAL COUNCIL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA



July 2021

*Issue / 07*

# Chairman's Message



*Dear Esteemed Members,*

*Even though the second wave of Covid-19 which has devastated the country and also impacted the economy, started subsiding, I urge all our professional brethren to stay home and be safe and to avoid unnecessary travel and meetings*

*I am extremely happy to inform you all that Thiruvananthapuram Branch of SIRC of ICAI has successfully conducted a 3 days Covid Vaccination Camp on 2nd, 5th and 19th June, 2021 at KIMS Hospital under an arrangements with KIMS Health care Limited as a part of ICAI's resolve to fight against Covid. More than 450 CAs and their family members were vaccinated at the camp. I sincerely thank, the Managing Committee members, the hospital team, the staff of the Branch for their untiring efforts in conducting the vaccination camp in a smooth and successful manner*

*June 5th is being celebrated Internationally as World Environment Day. The day is considered to be one of the most remarkable ones for environmental action and to create awareness among people. We at the Branch has organised a seminar on Environmental Law on the same day*

*Our Branch has celebrated International MSME Day on 27 June 2021 in a grand manner under the theme "CAs-swift responders to MSME needs" with Dr K Ellangovan IAS, Principal Secretary, Dept: of Industries and commerce, Govt: of Kerala as the Chief Guest*

*We at the Branch at present is conducting programme through virtual mode. During the Month of June We have conducted 6 CPE Seminars and also one CPE Study Circle meeting. This includes a 3 day Refresh Course on GST from 7<sup>th</sup> to 9<sup>th</sup> day June 2021 jointly with GST & Indirect Tax Committee of ICAI and a 3 days Joint Virtual CPE Programme on "Accounting Standards an update". We are also planning more CPE programmes during July and August 2021. I request members to make use of these programmes for knowledge enrichment.*

*This year We are planning to celebrate CA Day through virtual mode with appreciable level of activities with many innovative programmes. We are planning to conduct Blood donation camp in association with Terumo penpol and Sree Chithra Thirunal Institute for Medical Sciences & Technology on the same day*

*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,*

*The Month of June 2021 was under lockdown with certain relaxations and we CA's could open office on 3 weekdays which was a big relief for all of us. During the month, we could organize Covid vaccination camps for the Branch members and their family in support with KIMS Hospital. Around 475 persons got vaccinated from the camp. We had conducted GST refresher course along with the Indirect Taxes Committee of ICAI, with 9 CPE hours with more than 300 participants from different parts of the Country, Virtual CPE Seminar for 20 hours and one Study Circle Meeting with unstructured CPE of 2 hours. We celebrated World Environmental Day with a CPE Seminar on the Basics of environmental law and on June 27th, International MSME Day was celebrated with Dr. K. Ellangovan IAS, Principal Secretary to Dept. of Industries and Commerce, Govt. of Kerala as our Chief Guest.*

*We are planning to celebrate CA Day, July 1st, virtually with Flag Hoisting Ceremony and CA fest and also with Blood Donation Camp for members, family and Students. Our Managing Committee is planning for more knowledge driven programmes for the benefit of members in the coming months. We thank all the members for the continued support and co-operation extended to us. Together We Can!!!*

*Stay Home. Stay Safe. Stay Connected Virtually!!*

*Jai Hind! Jai ICAI!*

**CA. Rema Sarma N**  
**Secretary**



Rapid improvement in information technology has impacted auditing profession progressively. With the advent of advanced analytics and computer assisted auditing techniques (CAATs), evaluation of data within complex information systems became relatively easy. Conducting internal audit virtually is not a new concept popped up yesterday. Cloud computing platforms, secure portals and other high-tech strategies facilitates easy data movement resulting in 'Remote audit' gaining momentum.

Remote audit becomes increasingly sensible, as Covid-19 has paved the way for rapid acceleration of an evolution that was already well underway. Now, more than ever before, Internal auditors shall enable continuity of service through remote working to drive change and increase long-term pliability. **Internal Audit service need to be agile, cost conscious and smarter minimizing adverse impact of the pandemic and optimising value to the management and TCWG.**

Objective of audit has not changed whether it be on-site or off-site audit. Auditor need to conduct and manage the audit program in the same way as physical audit, but the methods of meeting team members, client and sharing information will be different.

### **What are Remote audits?**

**"Remote audits refer to the use of Information Communication Technology to gather information, interview an auditee, etc., when "face-to-face" methods are not possible or desired. (ISO 19011).**

During a remote audit, internal auditors would gather electronic evidence, interact with different departments and functions of the firm and third parties over long distances using remote communication technology, such as web conferencing and remote access to information system clouds. Internal auditors

may gather process information, transaction information and an analysis of micro level financial data directly from the ERP systems.

Auditors combine information and communication technology (ICT) with data analytics to assess the accuracy of financial data and internal controls, without the need to be physically present. Use of technology allows remote visibility and interaction with the client.

### **Remote Audit ...Upper hand over Traditional audit**

Remote audit has the advantage of assessing risk and reliability on a real-time or on-demand basis. Systems are cleaned and window dressed before the scheduled date of audit in the traditional approach, where in a remote audit, auditor perpetually monitors and ensures that systems and procedures are in place and operating effectively.

A remote audit would rely a great deal on the existence of a monitoring platform that would alert the auditor to high-risk transactions and controls failures on a real-time basis using CAATS, unlike traditional audit.

### **The Transformation**

The resiliency of audit profession has been recently tested by Covid-19 Pandemic. Auditors must adapt to the new way of auditing which is the sole alternative for survival. Basic auditing principles are no different from what you already use, it's all about tweaking them to be effective while auditing remotely.

### **Key Challenges on Transformation**

While relying upon remote audit, we must also consider the limitations and risks posed by ICT in the fulfilment of audit objectives. These include connectivity issues, information security, data protection and confidentiality

issues, veracity and quality of the objective evidence collected, lack of well-trained staff etc.

Remote auditing makes it hard to build rapport with clients. First hand observation of processes and observing body language cannot be replaced.

The voluntary or mandatory confinement due to pandemic has called for various measures to overcome these hurdles on transformation to remote audit. Emphasize shall be given to communication skills, auditing tools and use of technology which plays pivotal role in the transformation.

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### Communication is the cornerstone:

Internal auditors need to possess excellent communication skills to draw an accurate audit opinion. For some aspects of the audit, the lack of visual cues that happens on face-to-face communication, may cause the auditor to be more sceptical.



Auditor must embrace electronic communication to coordinate audit team activity and receive data from the client's end. Electronic communication promotes faster information flow, diverse participation among users and reduces hierarchy and conversation domination. Team dynamics must be better defined to counteract the decentralized, informal nature of remote communication.

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### Use of ICT

In current practice, the internal audit team fills the audit checklist after site visit to validate accuracy of data and to ensure efficiency and effectiveness of internal controls. The audit team might be already using various ICTs such as spreadsheets for checking a sample, a macro for running an analysis, email to share

data with the client, or a laptop or pen drive to store information to enhance the audit. Existing ICTs will need to be enhanced with additional technology that facilitates remote communication, centralized evidence gathering, and coordination within the audit team to facilitate remote auditing. A stable connection with good online connection quality shall be established.

Remote interfacing technologies like web conferencing and telework aids group communication over the spread of time and space. The concept of electronic working papers (EWP) has emerged which is similar to Electronic document management systems (EDMS) designed to store and maintain procedural documentation of various business processes, but around the audit. EWPs include evidence collected on demand by the auditor along with transaction-relevant data extracted and posted by the automated system. The current trend is toward cloud computing, where collaboration and communication tools are run remotely on distributed systems over the Internet, whereby internal auditor can access and store their own audit evidence, likely in a private cloud.

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### Confidentiality, Security and Data protection

The upsurge in use of ICT has increased confidentiality and security issues, as well as need for data protection measures. Documented information shall be shared in a secure and agreed system, such as cloud based, Virtual Private Network or other file-sharing systems considering security aspects. Once the audit is complete, access shall be removed.

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### *Various Phases of remote audit*

Auditor should be clear about the inputs, expected outputs, risk and opportunities, methods and technologies to be used which helps achieving audit objectives.

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### Pre audit planning:

Audit planning shall at the minimum include the following steps:

- Assess and document feasibility and risk of undertaking audit virtually with client, along with determining any restriction on the scope of audit.
- Determine different ICT that can be used in the audit and how they will be used.
- Define the additional activities to be undertaken to accommodate the change to remote audit from an on-site audit.
- To fix the point of contact with the client and ensure their availability at defined times.
- Test the use of ICT way before to confirm there is a stable connection and audit team knows how to use the technology.
- Confirm appropriate communication platform with the client.
- Define list of requirements to be sent to client. For instance : Records or documents to be requested, Dropbox or equivalent document pathway

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### Audit execution – Methodologies of remote audit

By identifying and articulating changing risk exposures associated with use of ICT, as well as the need for corresponding changes to risk responses, internal audit exhibits leadership that supports the organization's efforts to move forward. Various methods using ICT includes

- Initial Kick-off and audit closure meeting, audit plan review and intermittent audit team meeting using phone call or video conferencing

- Conducting interviews with process owners and others using phone or video conferencing.
- In addition to interview, it is essential that there be means of field “observation”, to ensure operational control verification.

**1. Auditing Documented information:** Data stored digitally, or Scanned copy of physical data is obtained via mail or other document sharing platforms such as WebEx, Microsoft Teams, Skype etc. Auditor reviews data flow in ERP system. Eg: Process maps, policies, organisational charts, Ledgers, other professional reports

**2. Auditing physical processes:** Evidence not stored digitally requires physical observation. Client will require a device with a camera which is highly portable with an ICT system installed. Some options are mobile phone with Faceapp, Mobile phone with Go meeting app, Laptop/computer with any ICT system installed. Remote video linking can replace on-site observation, and screen-sharing allows you to walk through processes. Eg: Procurement, billing, warehousing, manufacturing.

- Analysing objective evidence gathered via recording of video calls, screenshare or webcam.

Documents shall be transmitted using secured file hosting services such as drop box or email and adequate consideration shall be given to security risk. In case of non-conforming situations or areas where auditor is unable to gather objective evidence through remote audit, additional evidence may be sought or alternative audit methods shall be adopted.

### *Conclusion of audit and reporting*

The reporting and follow-up for remote audit is not quite different from on-site audits. However, the nature and format of the data and information collected through the remote audit is likely to be quite different from the traditional audit process. Audit report should clearly state the extent of use of ICT as well as the effectiveness of its use in achieving audit objectives. Consideration should be given in the report as to how additional information will be captured and reported, and any implications for data privacy and confidentiality. The report should indicate those processes that could not be audited and should have been audited on-site.

### *Future of auditing*

Remote internal audits are alluring in present scenario as it offers a smart solution. New information and communication technologies (ICT) have made remote auditing more feasible as it brings wide range of benefits such as expanded audit coverage, improved document reviews, reduction in travel time and cost.

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# CONCEPT OF SLUMP SALE UNDER INCOME TAX ACT, 1961.



CA. SURESH. S

## WHAT IT IS ?

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- As per sec 2(42c) SLUMP SALE means the transfer of one or more undertakings as a sale for a lump sum consideration without values being assigned to the individual assets and liabilities in such sales.

## CONDITIONS TO BE SATISFIED

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- Owner should transfer
- Transfer should be by way of sale
- Transfer for a lumpsum consideration

## ANALYSIS OF KEY TERMS- UNDERTAKING

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- Undertaking means
  - 1. any part of an entity
  - 2.a unit or division of entity taken as whole
- It will not include any part of assets or liabilities or a combination of both not constituting a business



# UNDERTAKING

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- FOLLOWING WILL NOT BE REGARDED AS SLUMP SALE
- 1. If part of the entity sold cannot by themselves constitute a business activity
- 2. Transfers of a portion of the assets by excluding a significant item without which the transferee is not in a position to carry out the said business effectively
- IN SHORT THE TRANSFEEE MUST BE ABLE TO CARRY OUT THE BUSINESS WHEN IT IS ACQUIRED

## ESSENTIAL FEATURES THE ENTITY SO TRANSFERRED MUST HAVE

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- THE UNDERTAKING ITSELF SHOULD CONSTITUTE AN INDEPENDENT BUSINESS ACTIVITY
- THE PART OF THE UNDERTAKING SHOULD CONSTITUTE AN INDEPENDENT BUSINESS ACTIVITY
- THE UNIT/DIVISION MUST CONSTITUTE A FULL FLEDGED BUSINESS ENTITY

## TYPE OF TRANSFER

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- THE TRANSFER OF UNDERTAKING MUST BE BY WAY OF SALE.
- TRANSFER BY ANY OTHER MODE WILL NOT BE SLUMP SALE
- TRANSFER BY COMPULSORY ACQUISITION WILL NOT QUALIFY AS SLUMP SALE
- BUT WITH EFFECT FROM 1/4/21 FOR THE PURPOSE OF THIS CLAUSE, TRANSFER SHALL HAVE THE MEANING ASSIGNED TO IN SEC 2(47)

# CONSIDERATION

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- IT MUST BE IN LUMP SUM WITHOUT ASSIGNING VALUES TO INDIVIDUAL ASSETS AND LIABILITIES
- WHILE DRAFTING THE MOU OR AGREEMENT THIS FACTOR NEED TO BE REMEMBERED
- VALUE SOLELY CONSIDERED FOR PAYMENT OF STAMP DUTY/REGISTRATION CHARGES SHALL NOT BE REGARDED AS ASSIGNMENT OF VALUE
- IF THE VALUE OF INDIVIDUAL ASSETS ARE DETERMINED OR IDENTIFIED FOR ARRIVING THE CONSIDERATION THEN THE TRANSFER CANNOT BE CONSIDERED AS SLUMP SALE EVEN IF THE AGREEMENT IS SILENT IN THIS RESPECT

# TAXATION

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- IN THE YEAR OF TRANSFER THE SURPLUS WILL BE TAXED AS CAPITAL GAIN U/S 50B
- CAPITAL GAIN WILL BE THE DIFFERENCE BETWEEN THE SALE CONSIDERATION AND THE NET WORTH OF THE SAID UNDERTAKING ON THE DATE OF TRANSFER
- IF THE TRANSFEROR HELD SUCH ASSET FOR A PERIOD NOT MORE THAN 36 MONTHS, THE GAIN SHALL BE TAXED AS SHORT TERM CAPITAL GAIN IN THE YEAR OF TRANSFER

# TAXATION CONTD....

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- BENEFIT OF INDEXATION NOT AVAILABLE FOR LONG TERM GAINS
- IF THE NET WORTH IS NEGATIVE, IT IS TAKEN AS EQUAL TO ZERO AND SALE CONSIDERATION WILL BE THE CAPITAL GAIN IN SUCH SITUATION
- COST OF RENOVATION/IMPROVEMENT WILL BE IGNORED
- THE ASSESSEE (TRANSFEROR) SHOULD FURNISH THE AUDIT REPORT IN FORM 3CEA ELECTRONICALLY

# NETWORTH

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- NETWORTH IS THE DIFFERENCE BETWEEN TOTAL ASSETS MINUS LIABILITIES.
- FOLLOWING POINTS MUST BE BORNE IN MIND WHILE CALCULATING NET WORTH.
- 1. REVALUATION SHALL BE IGNORED
- 2. IN THE CASE OF DEPRECIABLE ASSETS WDV OF THE BLOCK TO BE CONSIDERED
- 3. VALUE OF THE ASSETS CLAIMED AS EXPENDITURE U/S 35AD SHALL BE TAKEN AS NIL

## NETWORTH POINTS TO BE REMEMBERED

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- IN THE CASE OF OTHER ASSETS THE BOOK VALUE NEED TO BE CONSIDERED
- NOTHING CAN BE DEDUCTED IN RESPECT OF CONTINGENT LIABILITIES
- UNABSORBED LOSSES CAN BE CARRIED FORWARD BY TRANSFEROR ONLY
- ONLY ACQUIRED GOODWILL CAN BE CONSIDERED
- NETWORTH HAS TO BE CALCULATED IN THE MANNER PRESCRIBED IN RULE 11 UAE OF THE INCOME TAX RULES

## LATEST DEVELOPMENT

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- CBDT VIDE ITS NOTIFICATION NO.68/2021 DATED 24/5/21 HAS INSERTED NEW RULE 11 UAE IN INCOME TAX RULES 1962 WHICH PRESCRIBES THE FORMULA TO COMPUTE FAIR MARKET VALUE OF CAPITAL ASSET FOR THE PURPOSE OF SEC 50B FOR COMPUTATION OF CAPITAL GAINS IN CASE OF SLUMP SALE INSTEAD OF CONSIDERING ACTUAL CONSIDERATION.
- THE NEWLY INSERTED RULE PRESCRIBES TWO METHODS TO ARRIVE THE FAIR MARKET VALUE .
- THE HIGHER OF THE FMV ARRIVED UNDER THE NEW RULE WILL BE THE FMV OF CAPITAL ASSETS FOR THE PURPOSES OF SEC 50B

# METHOD OF CALCULATION FOR FMV I

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- $A+B+C+D-L$  WHERE
- A- BOOK VALUE OF ASSETS( OTHER THAN JEWELLERY,ARTISTIC WORK,SHARES,SECURITIES AND IMMOVABLE PROPERTY) AS REDUCED BY
  - INCOMETAX PAID NET OF REFUND CLAIMED
  - UNAMORTISED BALANCE OF DEFERRED EXPENDITURE
- B- OPENMARKET REALISABLE VALE OF JEWELLER/ARTISTICWORK AS VALUED BY A REGISTERED VALUER

## CALCULATION OF FMV - I

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- C – FAIR MARKET VALUE OF SHARES AND SECURITIES DETERMINED AS PER RULE 11UA (1)
- D – VALUE ADOPTED/ASSESSED/ASSESSABLE BY ANY AUTHORITY OF THE GOVERNMENT FOR STAMP DUTY IN RESPECT OF IMMOVABLE PROPERTY
- L – BOOK VALUE OF LIABILITIES EXCEPT:
  - 1. PAID UP CAPITAL IN RESPECT OF EQUITY SHARES
  - 2. AMOUNT SET APART FOR PAYMENT OF DIVIDEND
  - 3. RESERVES AND SURPLUS OTHER THAN DEPRECIATION RESERVE
  - 4. PROVISION FOR TAXATION
  - 5. ANY OTHER PROVISION OTHER THAN ASCERTAINED LIABILITIES
  - 6. CONTINGENT LIABILITIES OTHER THAN ARREARS OF DIVIDEND PAYABLE IN RESPECT OF CUMULATIVE PREFERENCE SHARES

## CALCULATION OF FMV 2

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- $E + F + G + H$  WHERE
- E – VALUE OF MONETARY CONSIDERATION RECEIVED/ ACCRUED
- F – FAIR MARKET VALUE OF NON-MONETARY CONSIDERATION RECEIVED/ACCRUING OF ITEMS DETERMINED IN LINE 11TH RULE 11UA
- G – OPEN MARKET VALUE OF NON MONETARY CONSIDERATION RECEIVED/ACCRUED IN THE FORM OF ITEMS OTHER THAN IMMOVABLE PROPERTY WHICH IS NOT REFERRED IN RULE 11UA(1)
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## CALCULATION OF FMV 2

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- H – VALUE ADOPTED/ASSED/ASSESSABLE FOR STAMP DUTY IN RESPECT OF
- IMMOVABLE PROPERTY RECEIVED /RECEIVABLE AS PART OF NON MONETARY
- CONSIDERATION
  
- THE FAIR VALUE WILL BE DETERMINED ON DATE OF SLUMP SALE

## DIFFERENCE BETWEEN SLUMP SALE & MERGER/DEMERGER

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- | • SLUMP SALE   | MERGER/DEMERGER                                  |
|--|--|
| • 1. CONSIDERATION IN THE FORM OF CASH/ CASH & IN KIND       | CONSIDERATION WILL BE IN THE FORM OF SHARES ONLY |
| • 2. APPLICABLE TO ALL                                       | APPLY ONLY TO COMPANIES                          |
| • 3. ACCUMULATED LOSSES CAN BE CARRIED FORWARD BY THE SELLER | LOSSES CAN BE CARRIED FORWARD THE TRANSFEREE     |
| • 4. NO SEPARATE VALUE                                       | BOOK VALUE OF ALL ITEMS                          |

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# REVIEW OF TDS/TCS PROVISIONS



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## • CONCEPT

1

- Mode of collection of income tax
- Governed by CBDT

2

- Pay as you earn
- To minimise tax evasion

3

- Reduces burden
- Cash flow to Government

## TDS REGULATION IN A NUTSHELL

Sec	Particulars
• 192	Salary
• 192A	Payment of accumulated balance due to an employee
• 193	Interest on securities
• 194A	Interest other than Interest on securities
• 194B	Winnings from lottery or crossword puzzle
• 194BB	Winnings from horse race
• 194C	Payments to contractors
• 194D	Insurance commission
• 194DA	Payment in respect of life insurance policy
• 194E	Payments to non-resident sportsmen or sports associations
• 194EE	Payments in respect of deposits under National Savings Scheme, etc
• 194F	Payments on account of repurchase of units by Mutual Fund or Unit Trust of India
• 194G	Commission, etc., on the sale of lottery tickets
• 194H	Commission or brokerage
• 194Ia	Rent from land & buildings
• 194Ib	Plant/Mach/Equipment

Sec	Particulars
• 194IA	Transfer of certain immovable property other than agricultural land
• 194IB	Payment of rent by individuals or HUF
• 194IC	Payment under specified agreement-JDA
• 194J	Fees for professional or technical services
• 194K	Dividend by mutual fund
• 194LA	Payment of compensation on compulsory acquisition of certain immovable property
• 194LB	Income by way of interest from infrastructure debt fund
• 194LBA	Certain income from units of a business trust
• 194LBB	Income in respect of units of investment fund
• 194LBC	Income in respect of investment in securitization trust
• 194LC	Income by way of interest from Indian company
• 194LD	Income by way of interest on certain bonds and Government securities
• 194M	Payment of certain sums by certain individuals or HUF
• 194N	Payment of certain amounts in cash
• 194O	TDS on E-commerce participants
• 194P	TDS on Specified senior citizen
• 194Q	TDS on Purchase of Goods_ new
• 206AB	Higher rate of tds to non filers

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## TDS RATE

SECTION	NATURE OF PAYMENT	RATE (%)	THRESHOLD
192A	EPF BALANCE PAYMENT	10	50000
193	INTEREST ON SECURITIES	10	10000
194	DIVIDEND	10	5000
194A	INTEREST ON DEPOSITS WITH BANKS ETC _SENIOR CITIZEN	10	50000
194A	INTEREST ON DEPOSITS WITH BANKS ETC _OTHERS	10	40000
194A	INTEREST ON DEPOSITS FROM OTHERS	10	5000
194B	WINNINGS FROM LOTTERIES	30	10000
194BB	WINNINGS FROM HORSE RACES	30	10000
194C	CONTRACTORS PAYMENT- INDIVIDUALS	1	100000(30000)
194C	CONTRACTORS PAYMENT- NON INDIVIDUALS	2	100000(30000)
194IC	PAYMENT TO LANDLORD NOT IN KIND UNDER JDA	10	
194D	INSURANCE COMMISSION TO COMPANIES	10	15000
194D	INSURANCE COMMISSION TO INDIVIDUALS	5	15000
194DA	PAYMENT ON LIFE INSURANCE POLICIES OTHER THAN 10(10D)	5	100000

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## CONTD/- TDS RATE

SECTION	NATURE OF PAYMENT	RATE (%)	THRESHOLD
194EE	PAYMENT FROM NSS- TDS ON TOTAL SUM	10	2500
194F	REPURCHASE OF UNITS BY MUTUAL FUND	20	
194G	COMMISSION ON LOTTERY	5	15000
194H	BROKERAGE/COMMISSION	5	15000
194 Ia	RENT FROM LAND AND BUILDING INCLUDING FURNITURES	10	240000
194Ib	RENT FROM PLANT AND MACHINERY	2	240000
194IA	TDS ON SALE OF PROPERTIES OTHER THAN AGRI. LAND	1	50 LAKH
194J	FEE FOR PROF FEE	10	30000
194J	FTS, ROYALTY FOR SALE, DISTRIBUTION OR EXHIBITION OF FILMS	2	30000
194K	DIVIDEND ON MUTUAL FUND	10	5000
194LA	COMPENSATION ON COMPULSORY ACQ	10	250000
194LB	INCOME FROM INFR DEBT FUND- NON RESIDENTS	5	
194LBA	INCOME FROM BUSINESS TRUST- TO RESIDENT UNIT HOLDERS	10	

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## CONTD/- TDS RATE

SECTION	NATURE OF PAYMENT	RATE (%)	THRESHOLD
194LBB	INCOME FROM UNITS OF INVESTMENT FUND:		
	RESIDENTS	10	
	NON RESIDENTS	30	
	NON RESIDENT COMPANIES	40	
194LBC	INCOME FROM SECURITISATION TRUST		
	RESIDENTS	30	
	NON RESIDENTS	30	
	NON RESIDENT COMPANIES	40	
194LC	INTEREST ON FOREIGN CURRENCY LOAN- NON RESIDENTS	5	
194LC	INTEREST ON LONG TERM INFR. BOND TO NON RESIDENTS	4	
194LD	INTEREST ON BONDS AND GOVT SECURITIES	5	
194N	WITHDRAWAL OF CASH FROM BANK/POST OFFICES/SOCIETIES		
	WHO HAVEN'T FILED ITR FOR 3 PREVIOUS YEARS	2	20L-1 CRORE
	WHO HAVEN'T FILED ITR FOR 3 PREVIOUS YEARS	5	> 1 CRORE
	TO OTHERS	1	>1 CRORES
194O	E-COMMERCE OPERATORS TO E-COMMERCE PARTICIPANTS	1	5 LAKHS
194Q	DEDUCTION ON PURCHASE OF GOODS	0.1	50 LAKH
194R	TDS ON PENSION PAYMENT TO SPECIFIED SENIOR CITIZENS	As per slab	

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## CONTD TDS RATE/-

Deduction from payment to Non Residents U/S 195- Following rate shall be increased by Surcharge and Education cess if it is made not as per DTAA

NATURE OF INCOME	TDS RATES
Income in respect of investment made by a NRI	20%
Income by the way of long term capital gains in Section 115E in case of a NRI	10%
Income by way of long-term capital gains- Equity shares etc capital gain > Rs. 1 lakh	10%
Short Term Capital gains under section 111A	15%
Any other income by way of long-term capital gains	20%
Interest payable on money borrowed in Foreign Currency	20%
Income by way of royalty payable by Government or an Indian concern	10%
Income by way of royalty, not being royalty of the nature referred to be payable by Government or an Indian concern	10%
Income by way of fees for technical services payable by Government or an Indian concern	10%
Any other income	30%

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## TCS RATES

Section Code	Nature of collection	Rate(%)	Threshold
206C	A Alcoholic liquor	1	
206C	B Timber from forest lease or others	2.5	
206C	C Timber from forest lease or others	2.5	
206C	D Forest Produce other than timber or tendu leave	2.5	
206C	E Scrap	1	
206C	F Parking fee- License Lease etc	2	
206C	G Toll Plaza	2	
206C	H Mining and Quarrying	2	
206.C	I Tendu Leaves	5	
206C	J Coal, Lignite or iron ore	1	
206C	K Bullion (coin/article exceeding 10 gms)	1	2 lakh
206C	L TCS on motor vehicle	1	10 lakh
206C	O Remittance under LRS- overseas tour package purchase	5	
206C	P Remittance under LRS- Edu. Loan referred in 80E	1.5	
206C	Q LRS_ Others	5	7 lakh
206C	R Sale of Goods	0.1	50 lakh

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## MAJOR PROPOSALS IN 2021 BUDGET

### • SECTION 194Q- TDS ON PURCHASE OF GOODS:

- IT APPLIES TO THE BUYER
- EFFECTIVE FROM 01.07.2021
- OPPOSITE TO 206C (1H)-introduced wef. 01.10.2020

### CONDITIONS TO SATISFY BY THE BUYER:

1. GROSS TURNOVER TO EXCEED Rs. 10 Cr DURING 2020-21
2. SUPPLIER SHALL BE RESIDENTS
3. VALUE OF PURCHASE SHALL BE Rs. 50 LAKHS
4. NOT SUBJECT TO TDS/TCS OTHER THAN 206C (1H)
5. BUYER NOT IN THE EXEMPTED CATEGORY- NOTIFN AWAITED

RATE SHALL BE @ 0.1% AND IF NO PAN @5%

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## BUDGET 2021 CONTD

### SECTION 194P – TDS ON PENSION INCOME OF SPECIFIED SENIOR CITIZENS:

EFFECTIVE FROM **01.04.2021**.

ITS ONLY A PROCESS AND NOT ASSOCIATED WITH NEW TDS RATE

CONDITIONS ARE TO BE SATISFIED:

- DEDUCTEE IS A RESIDENT SENIOR CITIZEN
- COMPLETED 75 YEARS DURING THE PREVIOUS YEAR
- HAVING PENSION & INTEREST INCOME FROM SPECIFIED BANK ONLY
- FURNISHED A DECLARATION TO THE SPECIFIED BANK

Note: If Specified bank deduct TDS under this provision, the specified senior citizen need not file Return of income

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**PENDING ISSUES ON RETURNS & ASSESSMENT :**

1. DEDUCTION FROM PENSION- IS IT IN FORM 24Q OR 26Q SINCE FORM 24 Q COVERS ONLY SECTION 192
2. DEDUCTION FROM INTEREST ON DEPOSITS- WHICH SECTION WE CAN QUOTE IN 26Q- 194A/ 194P
3. HOW IT WILL BE ASSESSED – IS IT UNDER 192 AND 194A OR 194P?

**Resolution may be available soon after 1<sup>st</sup> quarter end.**

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**SECTION 206AB: TDS ON NON FILERS  
OF ITR**

APPLICABLE FROM 01.07.2021 AND A GAME CHANGER

**HIGHER RATE** OF TDS SPECIFIED PERSONS (PAYEE)

EXCLUSIONS: SECTION -**192,192A, 194B, 194BB,194LBC AND 194N**  
SPECIFIED PERSON( **non filer**) :

- ❖ HASN'T FILED ITR FOR THE LAST 2 AY'S PRECEEDING THE YEAR OF DEDUCTION
- ❖ TIME LIMIT U/S 139(1) FOR THOSE 2 YEARS HAS EXPIRED
- ❖ AGGREGATE OF TDS AND TCS FOR THOSE 2 YEARS WERE Rs. 50000 OR MORE FOR EACH AY
- ❖ NOT A NON-RESIDENT HAVING PE. IN INDIA

Note: 1. ITD will provide a functionality in IT site for IT filing details of deductee.  
2. Similarly TDS/TDS data of deductee can be tracked from I.T. site since 3rd points relates to PAN wise.

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## TDS RATE SHALL BE HIGHER OF THE FOLLG:

- ❖ TWICE THE RATE AS SPECIFIED IN THE RELEVANT PROVISIONS OF THE ACT
- ❖ TWICE THE RATE OR RATES AS IN FORCE
- ❖ AT 5%
- ❖ RATE AS SPECIFIED UNDER 206AA- NON PAN @20% IF SO

**HUGE BURDEN TO DEDUCTORS TO ANALYSE AND APPLY TDS RATE-  
REVIEW SHALL BE DONE MULTIPLE TIMES IN A YEAR – BANKS AND  
GOVERNMENT DEPTS. HAVE TO TIGHTEN THEIR SHOES**

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### • SEC. 206CCA- PROPOSAL FOR TCS ON NON FILERS OF ITR

APPLICABLE FROM 01.07.2021

**HIGHER RATE** OF TCS WILL BE APPLIED FROM SUCH SPECIFIED  
PERSONS (COLLECTEE)

SPECIFIED PERSONS (NON FILER) ARE :

- ❖ HASN'T FILED ITR FOR THE LAST 2 AY'S PRECEEDING THE YEAR OF DEDUCTION
- ❖ TIME LIMIT U/S 139(1) FOR THOSE 2 YEARS HAS EXPIRED
- ❖ AGGREGATE OF TDS AND TCS FOR THOSE 2 YEARS WERE Rs. 50000 OR MORE FOR EACH AY
- ❖ NOT A NON-RESIDENT HAVING PE. IN INDIA

**Note:** 1. ITD will provide a functionality in IT site for IT filing details of Specified person. Yet to confirm

2. Similarly TCS/TDS data of collectee can be tracked from I.T. site since 3rd points relates to PAN wise. Yet to confirm

TCS RATE SHALL BE HIGHER OF THE FOLLG:

- ❖ TWICE THE RATE AS SPECIFIED IN THE RELEVANT PROVISIONS OF THE ACT
- ❖ @ 5%
- ❖ RATE SPECIFIED U/S 206CC IF APPLICABLE

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## BUDGET 2021 CONTD

- **NO TDS ON DIVIDEND U/S 194 TO THE FOLLG:**

BUSINESS TRUST- REAL ESTATE INVESTMENT TRUST(REIT) AND INFRASTRUCTURE INVESTMENT TRUST (invITS)

- ❖ EFFECTIVE FROM FY 2019-20

- **NO TDS ON INTEREST PAID BY INFRASTRUCTURE DEBT FUND W.E.F. 01.01.2020**

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## BULLET POINTS

- SECTION 192: DDO Shall collect form 12BB from employees at the beginning. Also ensure that all the evidences are collected before the end of the year. No short fall in deduction, if so, DDO will be personally held responsible. Departmental audit is being carried out now a days
- SECTION 194A: Doesn't apply to:-
  - Interest credited to working partners as per Deed
  - Co-op Society to its member/another co-op society
  - Paid to another Bank/Co-op Society engaged in banking
  - Paid to Fin Corpn under Central or State Act
  - Interest paid by Infra. Debt Fund
  - Interest by Primary Agri. Credit society, Land mortgage bank**Proposed 206AB will be challenging**
- SECTION 194C: Non Applicable
  - Payment by Advertising Agencies to Media as per circular 192
  - Transportation contractors if PAN is furnished
  - Payment for personal purpose**Proposed 206AB will be challenging**
- SECTION 194DA: Applicable to life insurance pay out which are not covered u/s 10 (10D)  
Taxability is also a big question if annual premium exceeds limit specified

DEMAND U/S 234E RELATING TO PERIOD BEFORE 01.06.2015. CONDONATION FOR DELAY IN FILING APPEAL GETTING REJECTED IN MANY CASES.

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# TCS ON SALE OF GOODS

U/S 206C (1H)

APPLICABLE FROM 01.10.2020

APPLY TO THE FOLLG (SELLER).

- GROSS TURNOVER / RECEIPTS EXCEED Rs. 10 CRORE DURING THE LAST FY.
- AGGREGATE VALUE OF CONSIDERATION RECEIVED EXCEEDS Rs. 50 LAKHS
- APPLIES ONLY TO DOMESTIC SALE AND NOT EXPORT SALE
- APPLIES ONLY TO SALE OF GOODS AND NOT SERVICES
- APPLIES ONLY TO INCREMENTAL SALE EXCEEDING Rs. 50 LAKHS

RATE OF TCS SHALL BE @ 0.1%

RATE FOR NON PAN CASE U/S 206CC RATE SHALL BE 1%

IF BUYER IS LIABLE UNDER TDS (194C/194Q), THIS PROVISION WILL NOT APPLY

FOLLOWING BUYER ARE EXCLUDED FROM BUYER:

- ❖ GOVERNMENT BOTH CENTRAL AND STATE
- ❖ EMBASSY/HIGH COMMISSION/CONSUL. OFFICE ETC. OF FOREIGN STATE
- ❖ LOCAL AUTHORITY
- ❖ EXPORT/IMPORT

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## ANALYSIS OF APPLICABILITY

SELLER	AGGREGATE TURNOVER 2019-20	BUYER	GROSS RECEIPTS	TCS U/S 206C (1H)
A	9 CRORES	B	80 LAKHS	NOT APPLICABLE
A	9 CRORES	B	40 LAKHS	NOT APPLICABLE
A	10.1 CRORES	B	80 LAKHS	TCS @ 0.1% OF 30 LAKHS
A	10.1 CRORES	B	50 LAKHS	NO TCS

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## ANALYSIS OF APPLICABILITY

### GST INVOICE AFTER 206C(1H):

PARTICULARS	VALUE
TAXABLE VALUE	100000.00
GST @ 18%	18000.00
TOTAL INVOICE VALUE	118000.00
TCS @ 206C (1H) @ 0.1%	100.00
TOTAL	118100.00
CBDT HAS CLARIFIED THAT TCS SHOULD NOT BE APPLIED FOR GST	

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## CHALLENGES ON 206C(1H)

- PERIODIC REVIEW ON ITS APPLICABILITY
- ACCOUNTS ARE TO BE UP TO DATE, ELSE WILL BE COSTLY
- IDENTIFY POTENTIAL CUSTOMERS AND KEEP A TRACK ON THEM
- DECIDE ON MODE OF COLLECTION THROUGH INVOICE/DEBIT NOTES
- IF IT IS THROUGH INVOICE/DEBIT NOTE, ENSURE THAT ITS GST COMPLIANT
- CUSTOMERS SHALL BE INTIMATED/EDUCATED IN ADVANCE
- ACCOUNTING ENTRIES SHOULD BE ERROR FREE TO AVOID SURPRISES
- ADDITIONAL BURDEN ON ITS COMPLIANCE
- NEED TO DEFINE CORRECTLY TO AVOID WRONG APPLICATION ON SERVICES
- PART PAYMENT OF INVOICE COMPLICATES THE ISSUE ON ITS SEGREGATION
- IT APPLIES TO ADVANCES TOO. CHALLENGE TO HANDLE IF CANCELLED
- SIMILARLY ITS APPLICATION ON SALES RETURN
- TCS ONCE COLLECTED WILL GO TO GOVT AND NO REFUND BY COLLECTOR
- INVOICE MODE POSES MANY CHALLENGES SINCE IT APPLIES ON COLLECTION
- FIGURES GIVEN BY ACC. SOFTWARE TO BE RECONFIRMED BEFORE GSTR UPLOAD

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## TDS RETURNS

**• FOLLOWING ARE THE TDS/TCS STATEMENTS TO BE UPLOADED**

Form Type	Transactions	Due date
<b>Regular</b>		
24Q	Salaries/pension	Last day of month after the quarter/ 31 <sup>st</sup> May after the year end for Q4
26Q	Non Salaries	-do-
27Q	Non Resident payments	-do-
27EQ	TCS	15 th day of the month after the quarter/ 15 th May after the year end for Q4

**Special Transactions \_ NON TAN:**

26QB	Sale of Properties _194IA	Within 7 days from the end of month
26QC	Rent of Properties for Ind./HUF_194IB applies to those other than 44AB	30 Days from the month end in which deduction is made - 1 return for one PAN p.a
26QD	Payment to Contractors and Professionals Applies only to Residents- 194 M	30 Days from the month end in which deduction is made

\* Late Fee u/s 234E will apply for delayed filing

\* Interest u/s 201 and 220(2)

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## TDS RETURNS- CONTD/-

**CHANGES IN FORMS:**

- Notification has been issued to amend rule 31A on 8<sup>th</sup> June , to incorporate 3 clauses under section 194N(payment of certain amt paid in cash) in form 26Q. Further new code (U) has been released to notify deduction u/s 206AB
- 27EQ has also been amended to incorporate proposed 206CCA disclosures & 206C (1H)
- 27Q is amended to incorporate section 194N requirements\_ cash withdrawel
- So far form 24Q hasn't changed to incorporate amended provision of 194P

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## ASSESSMENT BY CPC

- EACH TDS/TCS STATEMENT ARE BEING PROCESSED ONLINE AND DEMAND IF ANY WILL BE SHOWN IN TRACES
- THE DEMAND SHALL BE PERIODICALLY ADDRESSED AND REMEDIAL ACTION BE TAKEN TO NULLIFY THEM
- NO MANUAL INTERVENTION BY ANY BODY
- IF DELAY IN ADDRESSING DEMAND WILL ADD FURTHER INTEREST BURDEN
- REMEDIAL ACTION ON EACH DEMAND WILL BE THROUGH CORRECTION PROCESS.
- CORRECTION RETURNS WILL ALSO BE PROCESSED BY CPC TDS AND IF ANYTHING REMAINING WILL BE POPPED UP IN TRACES
- PERIODIC VERIFICATION OF TRACES PORTAL IS VERY MUCH NEEDED TO AVOID UNNOTICED DEMAND
- PORTAL PROVIDES, FILED DATA, DEMAND DETAILS, OLTAS CHALLAN CORRECTION, CREDIT VERIFICATION, VALIDATION OF 197/195(3)/195(2) CERTIFICATES, REFUND APPLICATION AND STATUS TRACK, TDS CERTIFICATES ETC.

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## ASSESSMENT BY CPC

- TOTAL DEMAND PERSISTING AS ON DATE WILL BE AVAILABLE WITH YEARWISE/QUARTER WISE/RETURN WISE
- FURTHER, THE DEMAND RAISED BY DEPARTMENT UPON THEIR INVESTIGATION/AUDIT/REVIEW/SCRUTINY WILL BE POPPED UP IN PORTAL. SUCH DEMAND CAN BE NULLIFIED ONLY BY THE OFFICER AT PRESENT. NO CORRECTION MACHANISM FOR THE ASSESSEE
- APART FROM THAT PORTAL PROVIDE END TO END SOLUTION TO MANY PRACTICAL ISSUES FACED BY THE DEDUCTOR AND DEDUCTEE

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## LEVIES UNDER DEFAULT

- Interest on delayed remittance u/s 201 (1A) @ 1.5% pm
- Interest on non deduction u/s 201 (1A) @ 1.00% pm
- Late Fee u/s 234E @ 200 / day \_ delay in filing statement within the due date
- Interest u/s 220(2) @ 1 % pm
- Penalty u/s 221 –AO may impose penalty subject to a max. of TDS in arrears on payment of tds- Deducted but failed to remit
- Penalty u/s 271C- Failure to deduct Tax- to be imposed by JCIT
- Penalty u/s 271CA- Failure to collect Tax- to be imposed by JCIT
- Penalty u/s 271H- Failure to furnish statements-Min Rs, 10000 Max. 100000
- Penalty u/s 271 I- Failure to furnish information/inaccurate information wrt. Section 195- Penalty may be imposed for Rs. 100000
- Penalty u/s 272 2A- Non issuance of TDS certificate- 100 /day
- Prosecution u/s 276B- Failure to pay TDS- Rigorous imprisonment for a period of Min 3 months and max. 7 years with fine
- Prosecution u/s 276 BB-Failure to pay TCS- Rigorous imprisonment for a period of Min 3 months and max. 7 years with fine

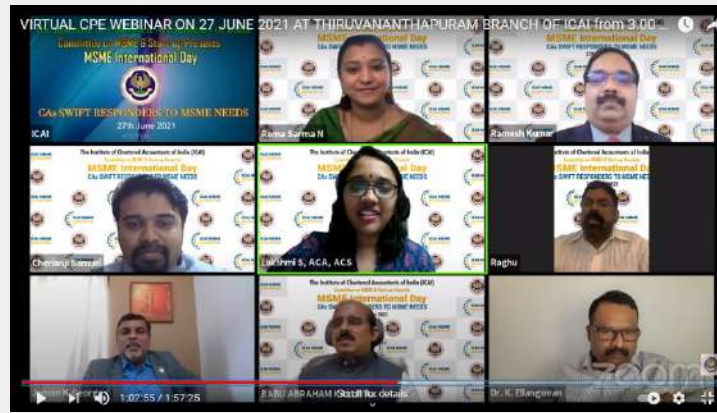
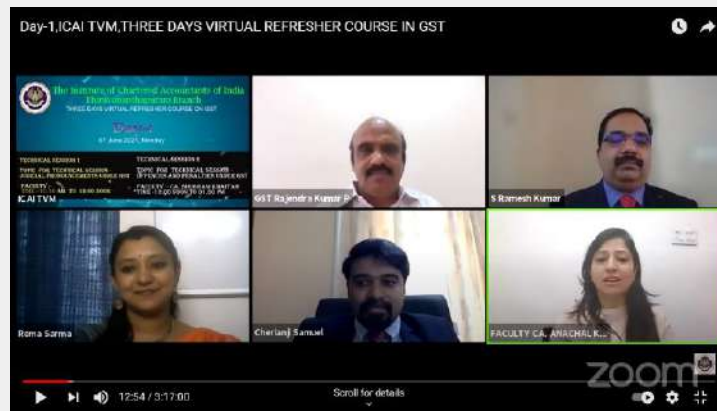
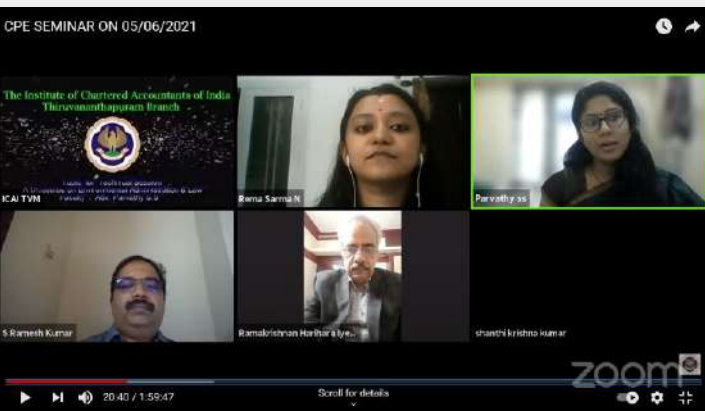
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THANK YOU

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CHARTERED ACCOUNTANT  
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# Snaps of Virtual CPE meetings of June 2021







## *Birthdays Wishes to the Members...Month of July 2021*

1 July	PARVATHI V
3 July	RAVI D
6 July	MIDHUN G
6 July	RAJEEV.
7 July	RENJITH K K
10 July	SURESH MOHAN R
12 July	DHILNA S
14 July	VENKITA SUBRAMANIAN G
15 July	ANAND GEORGE THOMAS
16 July	HARIFA MUHAMMED
17 July	LALJI VIJAYAN
20 July	RAHUL KRISHNAN R
20 July	JOJI K JAMES
21 July	K ABRAHAM MATHEW
22 July	GOWTHAMAN.N
25 July	SHYAM KRISHNAN M G
27 July	SHANTHI KRISHNA KUMAR
28 July	N SUBRAMONIAN
28 July	ASHOK A
29 July	BIJU P
30 July	AADIDEV V S
30 July	A AMIRTHA RAJAN
30 July	S SURESH BABU
31 July	HAROLD DEVASSY R
31 July	JIBY MARY VARGHESE
31 July	R. SREEKUMAR FCA
31 July	ALEX KURIAKOSE

# JUST FOR JOKES

*What is 143?*

*MBA student : I love you*

*Eng: student : I hate you*

*Bio student : I miss you*

*CA student: Its a scrutiny assessment section under income tax 1961*

**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 : [icaitvm@gmail.com](mailto:icaitvm@gmail.com)*