

# Connection

## JUST TO REMIND YOU

- April 15 - Payment of PF for March 2012
- April 21 - Payment of VAT under MVAT for period ended March 2012
- April 25 - Service Tax Return for Half Year ended March 2012
- April 30 - Payment of TDS deducted in March 2012

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## RELIEF FROM LONG TERM CAPITAL GAIN - SECTION 54GB

The Government had announced National Manufacturing Policy (NMP) in 2011, one of the goals of which is to incentivize investments in the Small & Medium Enterprises (SME) in the manufacturing sector.

The Bill propose to insert a new section 54GB to provide rollover relief from long-term capital gains tax to the assessee being an individual or HUF on sale of a residential property (house or plot) in case of re-investment of net sale consideration in the equity of a new start-up SME company in the manufacturing sector which is utilized by the company for the purchase of new plant & machinery.

The relief would be subject to the conditions that:

- The net consideration is utilized by the assessee for subscription in equity shares in the eligible company before the due-date of furnishing of return of income under section 139(1).
- The definition of the eligible company in whose equity the assessee needs to invests is as follows:

The company should be

incorporated in India during the period from the 1st day of April of the previous year relevant to the assessment year in which the capital gain arises to the due date of furnishing of return of income u/s 139(1) by the assessee;

The company should be engaged in the business of manufacture of article or thing;

The assessee should have more than 50% share capital or voting rights after subscription in shares of the company;

The company qualifies to be small or medium enterprise under the Micro, Small & Medium Enterprises Act,2006.

- The amount of subscription in equity shares by the assessee is to be utilized by the eligible company for the purchase of new plant & machinery within a period of 1 year from the date of subscription in the equity shares.

- If the amount of net consid-



eration, which has been received by the eligible company for issue of shares to the assessee, is not utilized by the eligible company before the due date of filing of return by the assessee, the unutilized amount shall be deposited under a deposit scheme to be prescribed in this behalf.

- Suitable safeguards so as to restrict the transfer of the shares of the company, & of the plant & machinery for a period of 5 years are proposed to be provided to prevent diversion of these funds. Further, capital gains would be subject to tax in case any of the conditions are violated.
- The relief would be available in case of any transfer of residential property made on or before 31st March,2017.

## DISPELLING COMMON MISCONCEPTIONS ABOUT XBRL

One approach to understanding what something is, is to understand what it is not. Here are some common misconceptions and how they tend to get in the way of understanding XBRL:

### **XBRL is a standard chart of accounts**

In reality, XBRL is exactly the opposite. The first letter in the acronym XBRL stands for the word “extensible.” Extensibility, or the ability to “tweak” an XBRL taxonomy is one of the primary values of XBRL. (An XBRL taxonomy is like a dictionary that specifies business concepts. If the data you’re reporting is fixed (that is, a form that can’t be changed), you may not need to use XBRL (although it can still provide significant benefit). Many of those adopting XBRL (such as the United States SEC) do so because of its capacity to be dynamic and to allow changes to the XBRL taxonomy. A standard chart of accounts is generally fixed, not allowing for changes of any kind. XBRL is a language for expressing concepts; creators of XBRL taxonomies decide which concepts they want in the XBRL taxonomy. It’s not about data standardization (in other words, mandating one chart of accounts for everyone). In fact, XBRL itself doesn’t define any concepts at all; users of XBRL do that.

### **XBRL requires companies to disclose additional financial information.**

Nope, incorrect. What XBRL does is simply take what is being reported now and report it in a different format, in a format that is readable by automated computer processes. Remember, XBRL itself defines no taxonomies; the users of XBRL do.

### **XBRL is just about financial or regulatory reporting.**

Oops . . . that’s not right. XBRL is sometimes thought of as only for regulators or just for financial reporting because some of the early adopters were regulators who were using XBRL to collect financial information. Those industries were early users of XBRL, but they were only leading the pack. For example, XBRL Global Ledger is a canonical, or standardized, information exchange format for cross business system information exchange both internally and to external business partners. XBRL taxonomies also exist for exchanging nonfinancial information.

### **To learn XBRL, business users have to learn about angle brackets, XPath, XLink, and a lot of other complex scary technical stuff.**

Whoa! Hold on there. Just

because business users had to learn to use e-mail and a browser to be more effective doesn’t mean they had to learn about all the technology standards underlying the Internet. Good software vendors hide the complexity of XBRL within their software, just as an Internet browser shields business users from HTML, HTTP, TCP/IP, and numerous other elements of technical infrastructure. XBRL is still maturing, as is the software being developed to make use of XBRL. Software vendors are still exploring very clever and creative ways to get all the benefits without exposing the wiring under the hood.

Much of the XBRL software that exists at the time of this writing is for technical users. The software, such as XBRL processors used by technical people, needs to be built first, and then the technical users create software for the business users. Be patient — business-user-friendly software is on the way.

### **Users of XBRL don’t need to learn anything new.**

Many people marketing XBRL say that business users don’t have to learn anything new, which may not be fully accurate. Business users do have to think about things differently as XBRL enables process enhancements to current processes.



*XBRL is still maturing as is the software being developed to make use of XBRL.*



Think of when the world moved from paper spreadsheets to electronic spreadsheets. Did business users have to learn new things ? Certainly. Did it kill them? Certainly not.

**XML is easier than XBRL, so I can just use XML.**

XBRL is XML. You have the choice of using the freely available standard that is XBRL, or you can spend your resources to create your “own” version of XBRL, which does everything that XBRL already does in terms of additional functionality. That is exactly what the people who created XBRL already did . . . using XML. XML is a *syntax* (a set of technical rules governing the appropriate arrangement of symbols and words): XBRL provides additional business semantics (or business meaning) not provided by XML alone. With the XBRL standard,

these semantics can be communicated to and used by others, effectively transferring business meaning.

If you did create your own version of XBRL, what you would have would be proprietary (as opposed to a global standard), so you would have no off-the-shelf software supporting it, and you would have spent a lot of time creating something that already exists.

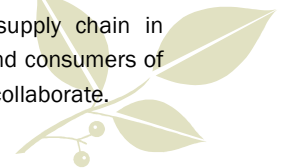
**You already have a global data warehouse, so you don't need XBRL.**

Many companies believe that because they already have all their data in a data warehouse or data mart, they have no need for XBRL. If you are in this situation, consider two issues you have:

- Getting quality information in to the data warehouse

- Getting relevant and complete data out and into the hands of users

XBRL enables solutions to both of these concerns by providing a standardized method to solving such common issues, rather than requiring each global data warehouse to individually solve the same problem. This standard method opens up the possibility for business systems to communicate with one another, exchanging important information, such as data models, validation rules, analytical rules, reporting concepts, and so on between business systems such as global data warehouses. Just like other Web standards, XBRL transforms the current producer orientation into an information supply chain in which the providers and consumers of business information collaborate.



**ALTERNATE MINIMUM TAX (AMT)  
PAYABLE BY PERSONS OTHER THAN  
COMPANIES**

Under the existing provisions, Minimum Alternate Tax (MAT) is levied on Companies and Limited Liability Partnerships (LLPs) only. However, no such tax is levied on other forms of business organizations such as partnership firms, sole proprietorship, association of persons, etc.

In order to widen the tax base vis-à-vis profit linked deductions, a new section 115JEE is proposed to be inserted to specify persons to whom MAT will apply. The section provides that this shall apply to a person other than a company, who has claimed deduction under any section (other than section 80P) included in Chapter VI-A under the heading “C - Deduc-

tions ” or under section 10AA. However, the provisions of this Chapter shall not apply to an individual or a Hindu Undivided Family or an association of persons or a body of individuals, whether incorporated or not, or an artificial judicial person referred to in sub-clause (vii) of clause (31) of section 2, if the adjusted total income of such person does not exceed ₹ 20 Lakhs.

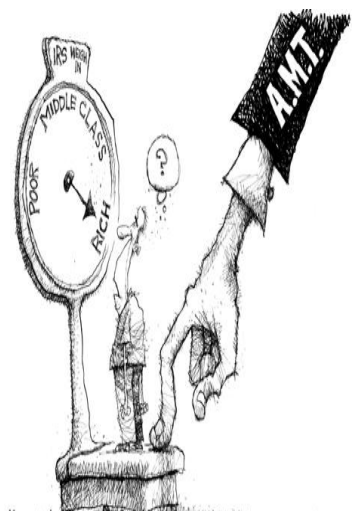
Consequential amendments have been made in sections 115JC, 115JD and 115JE to make them applicable to person specified in section 115JEE.

Section 115JD has been amended to provide for availing of tax credit for AMT paid

u/s.115JC to the extent of the excess of AMT paid over the regular income-tax. This credit shall be allowed to be carried forward upto the 10<sup>th</sup> assessment year immediately succeeding the assessment year for which such credit become allowable.

For the purpose of computing AMT it is proposed to provide:

- “adjusted total income” shall be the total income before giving effect to provisions of Chapter XII-BA as increased by the deductions claimed under any section (other than section 80P) included in



Chapter VI-A under the heading "C-Deductions in respect of certain incomes" and deduction claimed under section 10AA;

- "regular income-tax" shall be the income-tax payable for a previous year by a person other than a company on his total income in accordance with the provisions of the Act other than the provisions of

Chapter XII-BA.

- "alternate minimum tax:" shall be the amount of tax computed on adjusted total income at a rate of 18.5%.

Consequential amendments are also proposed in provisions of section 140A relating to self-assessment, section 234A relating to interest for defaults in furnishing return of income, section

234B relating to interest for defaults in payment of advance tax and section 234C relating to interest for deferment of advance tax to provide for credit of AMT claimed to be set off in accordance with section 115JD for computing the self-assessment tax under section 140A, interest under section 234B and 234C.

The said amendment will apply w.e.f. A.Y. 2013-14.



## UNION BUDGET - 2012-13 DIRECT TAX PROPOSALS

- Tax proposals for 2012-13 mark progress in the direction of movement towards DTC and GST.
- Exemption limit for the general category of individual taxpayers proposed to be enhanced from ₹1,80,000 to ₹2,00,000 giving tax relief of ₹2,000.
- Upper limit of 20 per cent tax slab proposed to be raised from ₹8 lakh to ₹10 lakh.
- Proposal to allow individual tax payers, a deduction of upto ₹10,000 for interest from savings bank accounts.
- Proposal to allow deduction of upto ₹5,000 for preventive health check up.
- Senior citizens not having income from business proposed to be exempted from payment of advance tax.
- Restriction on Venture Capital Funds to invest only in 9 specified sectors proposed to be removed.
- Proposal to continue to allow repatriation of dividends from foreign subsidiaries of Indian companies at a lower tax rate of 15 per cent upto 31.3.2013.
- Investment link deduction of capital expenditure for certain businesses proposed to be provided at the enhanced rate of 150 per cent.
- New sectors to be added for the purposes of investment linked deduction.
- Proposal to extend weighted deduction of 200 per cent for R&D expenditure in an inhouse facility for a further period of 5 years beyond March 31, 2012.
- Proposal to provide weighted deduction of 150 per cent on expenditure incurred for agri-extension services.
- Proposal to extend the sunset date for setting up power sector undertakings by one year for claiming 100 per cent deduction of profits for 10 years.
- Turnover limit for compulsory tax audit of account and presumptive taxation of SMEs to be raised from ₹60 lakhs to ₹1 crore.
- Exemption from Capital Gains tax on sale of residential property, if sale consideration is used for subscription in equity of a manufacturing SME for purchase of new plant and machinery.
- Proposal to provide weighted deduction at 150 per cent of expenditure incurred on skill development in manufacturing sector.
- Reduction in securities transaction tax by 20 per cent on cash delivery transactions.
- Proposal to extend the levy of Alternate Minimum Tax to all persons, other than companies, claiming profit linked deductions.
- Proposal to introduce General Anti Avoidance Rule to counter aggressive tax avoidance scheme.
- Unexplained money, credits, investments, expenditures etc. will be taxed at the highest rate of 30% irrespective of slab of income.

## TERRACE LETTING INCOME IS INCOME FROM HOUSE PROPERTY

In the appeal for assessment year



2000-01, the sole issue raised by the assessee is, whether the income received by the assessee on lease of a portion of terrace of the building and a

wall of the building to one Mrs. Sudha Vora, for the purpose of fixing of hoarding, neon sign, etc., is assessable under the head "Income From Business or Profession" or under the head "Income From Other Sources". The Assessing Officer assessed the income under the head "Income From Other Sources" on the ground that the amount received by the assessee is not for letting of a building or terrace or any land appurtenant thereto but on account of allowing to display the advertisement of neon sign, illuminated hoarding, of a

size of 60' x 20' on the terrace and also illuminated hoarding of size of 20' x 50' on a vertical wall of the building are facing Pedder Road.

On Appeal, ITAT held that *that the letting out of terrace has to be assessed under the head "Income From House Property" as against "Income From Other Sources" assessed by the Assessing Officer and also allow deduction provided under section 24 of the Act.* High Court has confirmed the order of ITAT.



## VALIDITY PERIOD OF CHEQUES

In India, it has been the usual practice among bankers to make payment of only such cheques and drafts as are presented for payment within a period of six months from the date of the instrument.

It has been brought to the notice of Reserve Bank by Government of India that some persons are taking undue advantage of the said practice of banks of making payment of cheques/drafts/pay orders/banker's cheques presented within a period of six months from the date of the instrument as these instruments are being

circulated in the market like cash for six months. Reserve Bank is satisfied that in public interest and in the interest of banking policy it is necessary to reduce the period within which cheques/drafts/pay orders/banker's cheques are presented for payment from six months to three months from the date of such instrument. Accordingly, in exercise of the powers conferred by section 35A of the Banking Regulation Act, 1949, Reserve Bank hereby directs that with effect from April 1, 2012, banks should not make payment of cheques/drafts/pay orders/banker's cheques bearing that

date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument.

Banks should ensure strict compliance of these directions and notify the holders of such instruments of the change in practice by printing or stamping on the cheque leaves, drafts, pay orders and banker's cheques issued on or after April 1, 2012, by issuing suitable instruction for presentment within the period of three months from the date of the instrument.

## OWNERSHIP OF PROPERTY – SC JUDGEMENT

SC held that No one acquires title to the property if he or she was allowed to stay in the premises gratuitously. Even by long possession of years or decades such person would not acquire any right or interest in the said property. it further held that Caretaker, watchman or servant can never acquire interest in the property irrespective of his long possession. The caretaker or servant has to give (up) possession (of the property) forthwith on demand. Apex Court also laid fresh

guidelines that caretakers, watchman or servants do not acquire any title to a property merely because of its possession by them for several years.

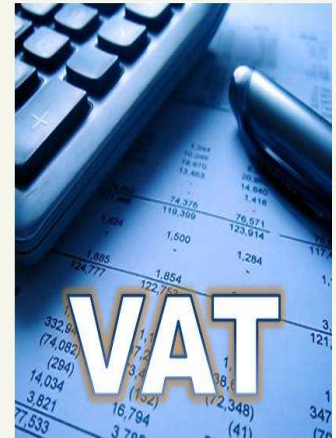
Court further observed that Litigation pertaining to valuable real estate properties is dragged on by unscrupulous litigants in the hope that the other party will tire out and ultimately would settle with them by paying a huge amount. which happens because of the enormous delay

in adjudication of cases in our courts. If pragmatic approach is adopted, then this problem can be minimised to a large extent.

The apex court passed the ruling while upholding an appeal of **Maria Margarida Sequeria Fernandes** who was embroiled in a two-decade-long legal battle with her brother and former Member of Parliament Erasmo Jack de Sequeria, whom she had appointed as a caretaker of her property in Goa.

## MAHARASHTRA BUDGET 2012-13 MVAT UPDATES

- Online verification of Input Tax Credit facility will be made available to dealers shortly.
- Electronic surveillance of transactions to go up.
- Exemption to foodgrains, pulses and their flour, Solapuri Chadars and towels and wet dates to continue upto 31st March, 2013.
- Concessional rate of VAT on tea to continue upto 31st March, 2013.
- VAT on Cotton Yarn reduced from 5 per cent to 2 per cent.
- Tax exemption to Textiles other than furnishing cloth to continue.
- Reduction in rate of tax from 12.5 per cent to 5 per cent on educational material.
- "Purak Poshak Ahar" supplied to Anganwadis exempted from tax.
- Tax reduced to 5 per cent on Adult diapers, Sanitary napkins,
- Raincoats, Safety helmets, Articles made from Bamboo.
- Exemption from Motor Vehicle Tax to Battery operated Vehicles.
- Reduction in Motor Vehicle tax by 2 per cent on new cars and jeeps with CNG kits.
- Reduction in rate of tax from 12.5 per cent to 5 per cent on equipment for poultry industry.
- LPG for domestic use to be taxed at 5 per cent.
- Motor vehicle tax to go up on petrol cars and jeeps by 2 per cent.
- Motor Vehicle Tax to go up on diesel cars and jeeps by 4 percent.
- Beedi to be taxed at 12.5 per cent.



### MVAT AMENDMENT TO RULE 53(3)

The rate of reduction on Inter-State Branch Transfer has been increased by 2% . The rate has been increased to 4% with effect from 1st April 2012

## INTRODUCTION OF NEGATIVE LIST UNDER SECTION 66D

There is paradigm shift in the way services are proposed to be taxed in future. Taxation will be based on what is popularly known as "**Negative List of Services**".

Service tax will be leviable u/s 66B on all services provided in the taxable territory by a person to another for consideration other than the services specified in the negative list u/s 66D.

In all, there are seventeen heads of services that have been specified in the negative list. The scope and ambit of these is explained below:

- **Services provided by Government or local authority:** Services by Government or a local authority excluding the following services to the extent they are not covered elsewhere.
  - Services by the Reserve Bank of India (RBI)
  - Services by a foreign diplomatic

elsewhere.

Services by the Government of Posts by way of speed post, express parcel post, life insurance and agency services provided to a person other than Government; services in relation to an aircraft or a vessel.

Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;

Transport of goods or passengers; or

Support services, other than services covered above

### mission located in India

- **Services relating to agriculture:**

Services relating to specific activities and processes in relation to agriculture.

Renting or leasing of agro machinery or vacant land with or without a structure incidental to its use.

- **Trading of goods** including future



contracts or commodity futures.

- **Processes amounting to manufacture or production of goods**  
A process on which duties of excise are leviable under Central Excise Act and any of the State Acts.
- **Selling of space or time slots for advertisement other than advertisements broadcast by radio or television.**
- **Access to a road or a bridge on payment of toll charges**
- **Betting, gambling or lottery**
- **Entry to Entertainment Events and Access to Amusement Facilities**
- **Transmission or distribution of electricity by an electricity transmission or distribution utility.**
- **Services relating to education:**  
Pre-school education and education up to higher secondary school or equivalent;  
Education as a part of a curricu-

lum for obtaining a qualification recognized by law;

Education as a part of an approved vocational education course

- **Services by way of renting of residential dwelling for use as residence**
- **Financial sector:**  
Extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount  
**Includes** – FDs, Saving deposits, Mortgages or loans with a collateral security, loan or overdraft facility, Corporate deposits, Invoice discounting.  
Sale or purchase of foreign currency amongst banks or authorized dealers of foreign exchange or amongst banks such dealers.
- **Services relating to transportation of passengers with or without accompanied belongings, by**  
Stage carriage;

Railway in a class other than (i) first class; or (ii) an AC coach;

Metro, monorail or tramway; Inland waterways;

Public transport, other than predominantly for tourism purpose, in a vessel of less than fifteen tonne net;

Metered cabs, radio taxis or auto rickshaws

- **Services relating to transportation of goods:**  
By road except the services of-  
a goods transportation agency; or a courier agency;  
By an aircraft or a vessel from a place outside India to the first customs station of landing in India; or  
By inland waterways;
- **Funeral, burial, crematorium or mortuary services including transportation of the deceased.**



**S E R V I C E T A X – R A T E C H A N G E S**

**All these Rate changes will be effective from April 1,2012.**

The rate of service tax is being restored to the statutory rate of 12%.

Consequent changes have also been made invoice composition rates as follows:

- For life insurance: 3% for the first year premiums while retaining the rate @1.5% for the subsequent years (simultaneously restoring full Cenvat credit);
- Money changing; raising the existing rates proportionately by 20%;

- Distributor or selling agent of lotteries; Raising the specified amounts proportionately & suitably rounded off to Rs.7000 & 11000;
- For works contracts from 4% to 4.8%.

The rate for Cenvat reversal for exempt services has been revised likewise from 5% to 6%.

The dual tax structure for air transportation: partly specific, partly ad valorem – is being replaced with a uniform ad-valorem levy at standard

rate with an abatement of 60% on all sectors & all classes.





The Ministry started the Pay Later Option on the MCA Portal which got effective from March 20, 2012. What Pay Later option is and what its benefit will be discussed here.

### What is Pay Later Facility

Currently, payment for MCA21 services is required to be made at the time when the E Form is uploaded and the SRN gets generated. But now the Ministry has introduced 'Pay Later' facility through which user can upload the eForm and can generate SRN for MCA21 services in one step and make the payment at a later point\*\* by using the online payment modes of Credit card or Internet banking only.

\*\*"later point" here means within the validity period as validity period of challan i.e. expiration time limit is 7 days, in most cases, after the form is being uploaded). The validity of the eChallan for Pay Later shall be based on the date of event and the date on which the eChallan is generated. The same shall be mentioned on the eChallan generated.

If the payment is not made within the expiry date as mentioned on the eChallan, the SRN shall be cancelled and no service shall be deliv-

ered in respect of the SRN. And the Corporate will have to generate the new SRN and will have to make the payment accordingly.

The option of payment through "Pay Later" mode is applicable on all type of MCA21 payments.

### How to make payment under "PAY Later Option"

- While making payment on MCA21 portal, user will select 'Pay Later' option as mode of payment. An eChallan will be generated along with the SRN details.
- The Status of the E Form filed will be "Payment Confirmation awaited from Bank" in the Login Of the user
- User shall have to make the payment within the validity period as mentioned in the eChallan.
- For making payment, user shall have to login to the MCA21 portal and click on the link 'Pay Later' under 'Services'.
- User shall enter the SRN for which payment is to be made and select the mode of payment (Internet banking/ Credit card).
- Upon successful payment, payment receipt

will be generated and displayed to the user.

### BIG Welcome from Professional Point of View:

"Pay Later Option" in MCA was the utmost needed option, which is available now. On and after 27 March, 2011 all the payments below Rs. 50, 000 were accepted through internet banking or credit card or through NEFT only and the option of Offline Challan was only for the payment to MCA which is of more than Rs. 50, 000. Earlier, the offline challan of the uploaded E Forms used to be handed over to the Corporates who used to pay the same in the respective Banks within the validity period but after Mar. 27, 2011 this was a big problem for the Corporate having no Credit Card or Net Banking Facility and Professionals had to pay the amount from their own credit cards or through net banking and to obtain the amount of Challan from the Corporates in the future time after presentation of Challans. But with "Pay Later" option, SRN can be generated and can be presented to the Corporate and same can be paid through Pay Later option on MCA Portal. The Big benefit of such service is that it is not necessary that the challan has to be paid from the same Login rather it can be paid from the different login also. So this option is the "Big Welcome" from Professional Point of view

*Big Welcome to  
Professional  
Point of view to  
the "Pay Later  
Option" of  
MCA*





## PRACTICAL ISSUES IN IMPLEMENTATION OF REVISED SCHEDULE VI

Over the years, ICAI has been issuing/ amending accounting standards based on IFRS with a view to harmonize them with IFRS. Revising the Schedule VI requirements is another step towards IFRS. The canvas of the scope and complexity of this change-over is not to be underestimated. Internally within an organization, this will be more than just a technical exercise. It will have ramifications across areas - changes in the ERP systems across multiple modules, training of employees, disclosures and presentation of financial statements.

With many companies starting to move towards Revised Schedule VI, practical issues relating to implementation of revised Schedule VI are coming to fore. Below noted are a few issues generally faced by companies:

- Current and Non Current classification** : Revised schedule VI requires every item of asset and liability to be classified into current and non-current. For items like trade payables and trade receivables, it requires every company to define its operating cycle. If the normal operating cycle is less than 12 months, the criteria would be 12 months. Hence, most of the companies will make their life easier by choosing 12 months. For other items, like loans and advances, companies will have to determine the maturity period for each of its liabilities and assets. Based on the maturity period the company will have to classify into current or non-current. Example, loans will have to be split into current por-

tion (for installments falling due within 12 months) and non-current portion (for installments falling due after 12 months). Companies having car loans, which have varying principal amount every month, will have to split every installment into principal and interest for next 12 months to calculate the current portion.

- Presentation of Trade Receivables - Calculation for ageing of receivables** : Firstly, the term "sundry debtors" has been re-



**Increasing Transparency**

8.25	0.00	10.64
4.00	43.37	10.76
21.85	1.63	30.30
1.12	-2.61	2.08
1.73	2.98	4.05
5.04	1.00	6.74
46	0.82	5.89
	3.37	

placed with the term "trade receivables" by the revised Schedule VI. 'Trade receivables' are defined as dues arising only from goods sold or services rendered in the normal course of business. Hence, amounts due on account of other contractual obligations can no longer be included in the trade receivables. For e.g. rent receivable shall not be classified as trade receivables. Secondly, it requires "Trade Receivables outstanding for a period exceeding six months" to be calculated from the date they became due for payment instead of from the date of invoice. Hence, the companies will have to feed the credit pe-

riod/ due date for payment for each party in the accounting systems. Where no due date is specifically agreed upon, normal credit period allowed by the company should be taken into consideration for computing the due date which may vary depending upon the nature of goods or services sold and the type of customers, etc. Ageing will have to be calculated from the end of the normal credit period permitted.

- Advance to Creditors and Advance from Debtors to be shown separately, Clubbing is not allowed** : Generally in accounting systems, parties are either identified as a Debtor/ Customer or as a Creditor/ Supplier. The accounting systems create such parties as sub-ledgers. Whether these parties have debit balance or credit balance, they will be clubbed in the ledger in which they were first identified. For e.g. Mr. A is a customer who has given advance of Rs. 150,000 to purchase goods. Mr. B is a customer from whom Rs. 200,000 is receivable. Normally the accounting system will reflect Rs. 50,000 as Debtors. However, with the implementation of Revised Schedule VI, companies will have to manually identify credit balances of debtors and reflect the same as "Income Received in Advance" under other current liabilities.
- Disclosure of Fixed Assets**: As per the revised Schedule VI, "except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts

(comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given. Currently, although we disclose aggregate additions, deletions, depreciation, etc of fixed assets for the comparative period, we do not disclose such details for each class of fixed assets. As per the revised Schedule VI, companies will now have to change its format of fixed assets note. It will have to incorporate comparative period's details of additions, deletions, depreciation, etc for each class of fixed asset.

- **Exchange differences treated as adjustment to borrowing cost:** As per the revised Schedule VI, borrowing costs also include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Any such exchange differences would need to be disclosed under Finance Cost. For e.g. Say,

XYZ Ltd has taken a loan of USD 10,000 on April 1, 2009 for specific project;

Finance Cost	₹ 49,500 (₹24000 + ₹ 25,500)
Foreign Exchange Loss	₹ 4,500 (₹ 30,000 - ₹ 25,500)

Based on the calculations, disclosure in the financial statements would be as follows:

As can be seen above, foreign exchange loss will be re-classified to finance cost to the extent of interest savings. This calculation will have to be done by companies each year for all foreign currency loans including buyer's credit. Companies should get ready to face difficulties in determining interest rates for INR loans of similar amount.

- **Provision for Employee Benefits :** As per AS 15 Employee Benefits, every company is required to make provisions for gratuity and leave encashment based on actuarial report. The revised Schedule VI requires all assets and liabilities to be classified into current and non-current. Hence, such provision will also have to be bifurcated into non-current and current liabilities. Since the provision is based on actuarial report, companies will have to ask the actuary itself to give the data with above bifurcation.

Rate of Interest in USD (Actual)	5% p.a.
Rate of Interest in INR (determined through similar transaction)	11% p.a.
Exchange rate as on April 1, 2009	Rs. 45/ USD
Exchange rate as on March 31, 2010	Rs. 48/ USD
Interest of USD Loan (Actual)	Rs. 24,000 (USD 10,000 * 5% * 48)
Interest of INR Loan (Calculated)	Rs. 49,500 (USD 10,000 * 45 * 11%)
Interest Savings	Rs. 25,500
Foreign Exchange Loss incurred	Rs. 30,000 (USD 10,000 * [48-45])

• **Disclosure of advance tax and provision for tax**

Though "provision for tax" is a current liability given the fact that it has to be paid within 12 months from

the reporting date, "advance tax" can be classified as either current or non-current basis management



judgment. Some companies have classified advance tax up to FY 2010-11 as current assets and that for FY 2011-12 as non-current assets.

- **Comparatives :** It was noted that the companies are facing issues in classification of current and non-current of items of comparative period i.e. 2010-11. They found it difficult to recollect the facts existing as on March 31, 2011 while getting influenced by the actual data available on the current date.

The changes in revised Schedule VI will also have an impact on the XBRL taxonomies. However, MCA has still not come out with any notification regarding the same. Companies will have to update their ERP/ software to accommodate changes in the Schedule VI requirements and the corresponding changes in XBRL taxonomies.



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**WEIGHTED DEDUCTION INCREASED FOR  
SPECIFIED SERVICES**

The Bill proposes to insert a new sub-section (1A) in order to allow specified businesses a deduction of 1.5 times of the capital expenditure u/s 35AD(5) of the Income Tax Act, namely:-

- Setting up & operating a cold chain facility;
- Setting up & operating a warehousing facility for storage of agricultural produce;
- Building & operating, anywhere in India, a hospital with at least one

hundred beds for patients;



- Developing & building a housing project under a scheme for afford-

able housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, & notified by the Board in this behalf in accordance with the guidelines as may be prescribed; and

- Production of fertilizer in India.

It is proposed that the date of commencement of operations for availing investment linked deduction in respect of the above businesses shall be on or after 1<sup>st</sup> April, 2012.

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