



# CONNECTION

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### Just to Remind You

- March 7 - February Month's TDS Payment
- March 15 - Final Installments of Advance Tax in respect of all assesseees.
- March 15 - Payment of PF for the month of February 2012
- March 21 - Payment of ESIC for the month of February 2012
- March 31 - Last opportunity for filing of belated return for the PY 2009-10
- March 31 - Payment of Service Tax for the month/quarter ended March

## LOOKING AT XBRL IN DIFFERENT WAYS

One of the most confusing things about XBRL for those new to it is that it means so many different things to different people. Business reporting is a broad area. We want to cover all the bases in this book, so we want to be careful to include all the different views of what XBRL is. Depending on the situation, you can look at XBRL as

- A freely available, market-driven, open, global standard for exchanging business information
- An XML language
- A global consortium of more than 600 members
- A means of modeling the meaning of business information in a form comprehensible by computer applications
- A mandate from regulators from around the world
- A revolution for small investors, the most important shareholder initiative in a decade, and a leveler of the investment playing field
- A global agreement on business information concepts, relationships, and business rules
- One of the more successful Semantic Web metadata formats.
- A better approach to exchanging business

information

- A new way for companies to distribute their financial and other relevant business information

The fact is that all the preceding statements are true; they appeal to different audiences who have different focuses on different aspects of business information and the process of exchanging that information. The business community is generally concerned with making business information exchange the most effective that it can be at the minimum cost. Depending on your role in the business community, the term "effective" can have different meanings.

We do want to get one thing straightened out: When people look at XBRL, they think of business reporting because, well, business reporting puts the "BR" in XBRL. In reality though, XBRL is actually broader than what most people think of when you say "business reporting." From our perspective, XBRL is really more about *describing* business information and enhancing that information's *exchange* across internal or external business systems. One aspect of business information exchange

is business reporting. For example, exchanging data or information between two business systems (computer to computer, no humans involved) isn't really seen as business reporting by many. However, that type of business information exchange is definitely within XBRL's scope. So basically, business information exchange includes what many know as business reporting. Business reporting is a subset of business information exchange. In this book, we use the term *business information exchange*, which includes but is not limited to business reporting.



## PROCESSING OF RETURNS OF ASSESSMENT YEAR 2011-12

The issue of processing of returns for the Assessment Year 2011-12 and giving credit for TDS has been considered by the CBDT vide its Instruction No. 01/2012 dated 02.02.2012. In order

to clear backlog of returns, the following decisions have been taken:

- In all returns (ITR-1 to ITR-6), where the difference between the TDS claim and matching TDS amount reported in AS-26 data does not exceed Rs. One lac, the TDS claim may be accepted without verification.
- Where there is zero TDS matching, TDS credit shall be allowed only after due verifica-

tion. However, in case of returns of ITR-1 and ITR-2, credit may be allowed in full, even if there is zero matching, if the total TDS claimed is Rs. Five thousand or lower.

- Where there are TDS claims with invalid TAN, TDS credit for such claims are not to be allowed.
- In all other cases, TDS credit shall be allowed after due verification.



## SERVICE TAX IS PAYABLE ON FLATS ALLOTTED TO THE LANDOWNER

When the landowner is given flats in lieu of cash, such flats

tax immediately on signing of the building agreement.

on account of difference in the area, the rate per square foot charged from buyers must be taken into account.

And, if on the date of the agreement, other buyers paying cash have not stepped into the scene, the basis for valuation of flats allotted to the landowner would be the earliest such booking.

While the remaining eight flats may escape service tax if the buyers pay for them after the 'completion of construction' certificate is obtained, in view of the fact that no payment was made while the work was in progress or before the commencement of the work, the two flats allotted to the landowner will necessarily suffer service tax because, on the date of signing of the building agreement the non-cash consideration would be deemed to have been paid.



become liable to service tax, says the Finance Ministry's clarification of February 10, among other things.

Suppose, the landowner invites a builder to demolish his bungalow and construct 10 flats thereon, with two flats being allotted to him as sale consideration, the two flats, though for non-cash consideration, would attract service

The taxable value would be the amount for which similar flats have been booked by the other buyers on the date of such agreement.

It boils down to this: if on the date of the agreement with the builder, there are two buyers who have booked their flats that are similar to those allotted to the landowner at Rs 40 lakh each, the allotment of the two flats to the landowner would be a taxable event, liable to service tax.

With abatement allowed being 75 per cent towards the goods used in the construction, which obviously cannot be subjected to service tax, Rs 10 lakh would be liable to service tax, which currently is 10.3 per cent.

### BASIS FOR VALUATION

If the flats are not comparable

*“When the landowner is given flats in lieu of cash, such flats become liable to service tax”*



## PARLIAMENTARY PANEL FOR RAISING INCOME TAX EXEMPTION LIMIT TO RS 3 LAKH

A parliamentary panel scrutinising the proposals of the new direct taxes code has recommended a sharp increase in the tax exemption limit on basic income to 3 lakh and on investments to 2.5 lakh.

The recommendation represents a 67% increase over the current limit on basic income tax exemption limit of 1.8 lakh and 65% over the 1.55 lakh limit for investments, including health insurance. Health insurance for senior citizen parents will be eligible for another 20,000 rebate, the same as the current limit. "Convergence is emerging on

raising basic exemption limit and investment threshold," a panel member told ET after the committee's meeting on Friday. The new direct taxes code, or DTC, which will replace the nearly 50-year-old Income Tax Act of 1961, was referred to the panel headed by BJP leader Yashwant Sinha in August 2010.

The panel will meet on March 2 to give final touches to its report, which is expected to be tabled in Parliament in the upcoming budget session. This will pave the



way for the ambitious recast of the country's direct taxes regime that was first mooted in 2009.



## ASSESSING OFFICER CAN'T BE PART OF TAX APPELLATE BODY DECIDING THE APPEAL

An income-tax commissioner, responsible for an assessment order, cannot be a part of the body that decides the appeal against the same order, a tax tribunal has said.

The Income Tax Appellate Tribunal (ITAT), the second appellate forum that decides on tax disputes, said that involving a tax official in deciding an appeal against an assessment order would be against the principles of natural justice, especially if the official had been party to the same assessment order.

The ITAT gave this order last month on an appeal filed by Lion bridge Technologies against an order of the Dispute Resolution Panel (DRP), a body set up exclusively under the Income-tax Act for resolving transfer pricing related disputes.

The company claimed that the DRP had disposed off its objections without addressing the issues and moved the second appellate forum, ITAT. Lion bridge said that a mem-

pointed out.

The company also cited an Uttarakhand High Court order in the case of Hyundai Heavy Industries, in which the high court had underlined the need to appear impartial while giving judicial orders. The ITAT held that if a jurisdictional commissioner is nominated as a member of the DRP, the order passed by the DRP is liable to be set aside.

The functions of DRP are judicial in nature and therefore it is required to have certain autonomy and impartiality. If the jurisdictional commissioner is part of the DRP there would be a real likelihood of bias.



*“An income-tax commissioner, responsible for an assessment order, cannot be a part of the body that decides the appeal against the same order “*



## ACCOUNTANT'S PERSPECTIVE ON IFRS

As promised in my article "First Impression with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB)" I am back with another aspect of IFRS - summarized as "Accountant's perspective on IFRS". The term accountant referred in this article includes accountants working in various departments of entities, auditors, consultants etc.

Further, the term "IFRS" has gained significant importance in the life of accountants as more and more countries are on the path of Convergence with/ adoption of IFRS and therefore, it is important to understand accountant's perspective on IFRS.

One of the biggest advantage from accountants perspective is that adoption/ convergence of IFRS will result into one uniform accounting language across the globe to a large



extent and therefore, a financial statements of an entity irrespective of its location/ country can be understood and used for users (such as inventors/ customers/ suppliers etc.) based on another locations/ country.

IFRS being accounting change impacting all facets of an organization, an accountant

plays a significant role in ensuring required and timely dissemination of IFRS knowledge across all departments. Therefore, learning of new accounting language commence with accountant in the form understanding differences between IFRS and existing accounting rules.

With this principle in mind, key differences between IFRS and currently applicable Generally Accepted Accounting Principles in India (Indian GAAP) are summarized below:

### Presentations of financial statements (including extensive disclosures)

IFRS requires the Company to make an explicit and unreserved statement of compliance with applicable IFRS in the notes to accounts.

In addition to mandatory statements such as Balance Sheet and Profit and Loss Statement, all companies are also required to present cash flow statement (currently not mandatory for small and medium sized companies) and a statement of comprehensive income which can be either presented as a separate component titles "Other Comprehensive income" or as a separate statement (*Ind - AS: Option of separate statement of Other Comprehensive Income is not available*). Statement of other comprehensive income includes all changes in equity (other than those attributable to transactions with owners) such as unrealized gain/ loss on available for sale securities, foreign currency translation reserve etc.

Unlike format prescribed under Schedule VI to the Companies Act, 1956 (Companies

Act), IFRS does not prescribe a specific format for presentation but lists the minimum information to be presented.

Further, IFRS also requires all assets and liabilities to be classified as either current or non-current, except when a 'order of liquidity' presentation is more appropriate. Current assets include cash and cash equivalents, assets held for sale or consumed in the normal course of the company's operating cycle, assets held for trading, assets expected to be realised within 12 months and current liabilities include liabilities for which a company does not have an unconditional right to defer settlement for at least 12 months after the reporting period, liabilities expected to be settled in the normal course of the company's operating cycle, liabilities held for trading and liabilities due to be settled within 12 months. A liability that is payable on demand, because loan conditions have been breached, is classified as current even if the lender has agreed after the end of the reporting period but before the financial statements are authorised for issue, not to demand repayment as a result of the breach. Deferred taxes would always be classified as non-current.

IFRS also provides option of presenting expense by nature or by function (*Ind-AS: Functional classification not permitted*) which is different from general practice followed under current Indian GAAP (other than certain listed companies for which functional classification is currently permitted for submission of results to stock exchanges in India).

*"IFRS will result into one uniform accounting language across the globe to a large extent"*



## ACCOUNTANT'S PERSPECTIVE ON IFRS

Compared to current practice in India, IFRS requires significantly more disclosures specially relating to accounting policies, judgments and estimates (including key assumptions used and material impact of expected changes therein in next financial year), risks along with mitigation strategy/ impact thereof relating to financial instruments etc.

### More use of fair value

Through, the financial statements will continue to be prepared using historical cost based convention, the use of fair values of various assets and liabilities is significantly higher compared to current India GAAP. Fair value generally means price at which two unrelated parties are ready to transact in normal circumstances. Examples of enhanced use of fair value under IFRS are:

Purchase price allocation in a business combination (*obtaining control over business*) will be based on fair values of separately identifiable acquired assets and assumed liabilities;

A company shall measure a liability (dividend payable) to distribute noncash assets at the fair value of the assets to be distributed.

Share based payments to employees will required to be recorded at fair value of instruments issued;

All financial instruments are initially recorded at fair values (such as provision to be settled beyond one year or receivables/ payables to be settled beyond normal operating cycle are recorded at present value on the date of transactions)

Available for sale financial

assets (such as current investments in equity shares etc) are carried at fair value with difference recorded in "Other Comprehensive income"; and An option to subsequently measure investment property at fair value with difference recognized in the Profit and Loss Account (*Ind - AS: Subsequent measurement should be at cost*).

There are many more examples and will be covered in more detail in subsequent editions.

### Consolidation

Unlike currently non-mandatory consolidation (except for listed companies) status, IFRS requires mandatory preparation of consolidated financial statements by all companies, which have subsidiaries (entities over which parent company has a control). IFRS provides an exemption from presenting consolidated financial statements if certain conditions have been met. For example, an unlisted company which is wholly owned by an ultimate parent company, need not present consolidated financial statements (at the unlisted company level) if the ultimate parent presents IFRS consolidated financial statements that are available for public use (Ind -AS: Such exemption not available).

Control evaluation under IFRS is to perform substance based assessment for to control, compared to current requirement of evaluating voting interest based on shares or composition of board of directors. Therefore, terms included in shareholders' agreement plays a key role in



such evaluation. For example, majority voting interest in a company may not result in consolidation of the company as a subsidiary if the minority shareholders of the company have substantive participative rights. Participative rights are rights to participate in the operating and financial policies of the company that go beyond just protecting the interests of the minority shareholder. Approval of budgets, appointment and termination of key management personnel are examples of such participative rights, which may preclude consolidation by the majority shareholder.

Further, the definition of control under IFRS also takes into account 'de facto control' situations. For example, a significant minority shareholder may have 'de facto control' over a company where the balance of holdings with other shareholders is dispersed and the other shareholders have not organised their interests in such a way that they currently exercise more votes than the significant minority shareholder. The use of the 'de-facto control' model for consolidation is an accounting policy choice to be made by a company. Alternatively, a company may elect a 'power to govern' model for consolidation whereby only the actual rights to control (through shareholding or



agreements) would be considered to determine control.

Contrast to Indian GAAP, under IFRS potential voting interests which are currently exercisable (for example, call options, convertible instruments or warrants) are considered in determination of total voting interests in a company when assessing control. For example, A owns 40 percent of the voting power in D, B owns 25 percent and C owns the balance 35 percent. Further, A holds a call option to acquire from B an additional 20 percent of the voting power in D; the call option can be exercised at any time. Accordingly, it is determined that A has the power to govern D. Therefore A consolidates D, but reflects 60 percent as non-controlling interest (based on present ownership).

The term 'minority interest' under current principles has

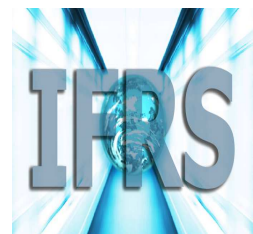
been replaced with 'non-controlling interest' under IFRS AS and the requirement to limit minority's share in loss to Nil (unless binding agreement exist) is no longer applicable. In other words, non-controlling interest balance can be a debit balance as well even though there is no binding agreement.

From application of consolidation rules perspective, IFRS has reduced the difference between the reporting dates of the financial statements of the parent and subsidiary to three months from currently available six months and eliminated the currently available option of applying uniform accounting policy across the group, to the extent possible.

**Other areas where extensive guidance available**

There are various areas where IFRS provides much more detailed guidance such

as business combinations, revenue arrangement with linked and multiple element transactions, share based payments etc. Further, there are significant changes expected under IFRS in areas such as revenue recognition, leases, financial instruments etc. Over next few editions, I will be covering these areas in detail with objective of keeping your interest alive and making a difference to your level of understanding of IFRS.

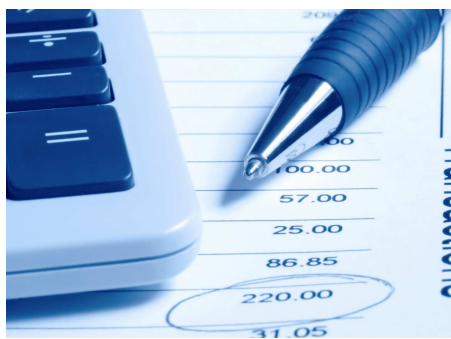


**SUBMISSION OF ANNEXURES BY DEALERS NOT REQUIRED TO FILE MVAT AUDIT REPORT**

As per the provisions of section 61 of MVAT Act, 2002 the dealers covered under this section are liable to submit Audit Report in Form 704. Along with Form 704, details of the customer-wise sales and customer-wise purchases are also submitted in annexure J1 and J2 with other requisite details. However, for the dealers who are not required to file Audit Report in Form 704 there was no provision to seek the information about the customer - wise sales and purchases and also other details. The information about the latter category of dealers were not available with the department. As a result of this, it was difficult to cross check the input tax credit in respect of the deal-

ers claiming the refunds.

In order to mitigate this problem and to ensure speedy processing of refund claims



and to expedite the cross check of input claims, it is felt necessary to prescribe information similar to Form 704 for dealers not liable to file Audit Report. Accordingly amendments have been made to rule 17 and rule 18.

The amendment provides that all dealers who are not liable to file Form 704 will now be required to file annexures in C, D, G, H, I, J1 and J2 alongwith last return of that year. This will be applicable from the last return of financial year 2011-12 e.g. return for the period ending on 31<sup>st</sup> March 2012 will be filed before 30<sup>th</sup> June 2012 alongwith the aforesaid annexures. For this, the due date of last return has been extended to 90 days instead of 21 and 30 days. It may be noted that the payments have to be made as per earlier provision i.e. all dealers except six monthly dealers by 21<sup>st</sup> April 2012 and for six monthly dealers by 30<sup>th</sup> April 2012.



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## THIS YEAR TOO, NO TAX RETURNS FOR SALARIES UPTO ₹5 LAKH

Millions of salaried taxpayers will continue to enjoy a procedural relief of not having to file their income-tax returns even for the current financial year 2011-12.

The Central Board of Direct Taxes (CBDT) has specified that individuals with total income of up to Rs 5 lakhs in a financial year and comprising only incomes under the head 'salaries' and 'income from other sources' would be exempt from filing their income-tax returns for assessment year 2012-13 (financial year 2011-12).

'Income from other sources' should only be by way of interest from a savings account in a bank, not exceeding Rs

10,000, according to CBDT.

To get exemption from filing of tax returns, an individual



Persons receiving salary from more than one employer, having income from sources other than salary and interest income from a savings bank account, or having refund claims will not be entitled to the exemption from filing tax returns.

The exemption from filing of tax returns would not be available where notices are issued to the individual for filing of income tax return under certain specified sections.

must report his PAN (permanent account number) and the entire income from bank interest to his employer, pay the entire tax by way of deduction of tax at source, and obtain a certificate of tax deduction in Form No 16.

The CBDT had, in June last year, extended a similar exemption from filing of tax returns for salaried taxpayers with total income of up to Rs 5 lakh with regard to the financial year 2010-11.

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