The greatest strength is to identify, accept and then work on our weaknesses.
~ Gaur Gopal Das

Connection

Volume VI, Issue 5 August 2017

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JUST TO REMIND YOU:

- **Aug 15 - Service Tax Returns**
- **Aug 15 - Payment of ESIC**
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Ind AS — Implementation

In recent years, the use of International Financial Reporting Standards (IFRS) has gained tremendous acceptance with almost 140 countries as a common language for financial reporting. The Ministry of Corporate Affairs (MCA), Government of India, in consultation with the Institute of Chartered Accountants of India (ICAI), decided to implement the new set of accounting standards (Ind AS) from April 1, 2016. The new standards are comparable to IFRS with certain carve-outs.

This is a significant step which will make Indian corporate performance comparable internationally and bridge the gap in reporting standards that India follows currently. It will also permit international capital to flow more freely, enabling Indian companies to develop consistent global accounting practices.

The implementation of Ind AS will happen in phased manner starting first from April 1, 2016 with listed and unlisted companies with net-worth of over Rs. 500 crore along with their holding, subsidiary, associate and joint venture companies. Companies with net-worth of over Rs. 250 crore and up to Rs. 500 crore will be mandated to follow Ind AS from April 1, 2017 onwards. Net worth for implementation of Ind AS should be calculated based on the standalone financial statements of the company as on 31 March 2014.

However, there are few exemptions for implementation of Ind AS. For example, companies whose securities are listed or in the process of listing on the Small and Medium Enterprises (SME) exchanges will not be required to apply Ind AS and can continue to comply with the existing accounting standards. Similarly, for banks and other financial service companies, there are separate notifications and this timeline is not applicable.

There are about 1,000-odd companies, with net-worth of more than Rs. 500 crore and are required to adopt the IFRS compliant Ind AS from April 1, 2016. More than half of corporate India is yet to plan or commence implementing changes at the organizational level and about one-third is yet to start or plan for the impact assessment of Ind AS adoption. In order to implement Ind AS successfully and smoothly it requires a thorough strategic assessment, a robust implementation plan, effective use of technology, alignment of resources and training. It will also require effective project management as well as smooth integration of various business processes and operations.

Education and Training, changes to IT systems and Internal Control over financial reporting are the top three concerns with respect to Ind AS adoption. Ind AS is a principles-based standard Higher importance to concept of 'Substance over Form', i.e., economic reality of a transaction. Also, there is maximum use of Fair Value Approach and measurements based on Time value of money.

Ind AS requires higher degree of judgment, estimates and more disclosures of all the relevant information and assumptions used. Its adoption will have a significant impact on both, net worth and net income.

Revenue recognition, taxes and financial instruments are likely to be the most impacted areas under the new standards. Ind AS 115 on 'Revenue from Contracts with Customers' deals with many aspects including matters such as multiple element arrangement and linked transactions, gross versus net presentation, financing benefits, service concession arrangements for infra projects and extended warranties.

The impact of taxes can be substantial not only due to changes in the recognition rules for deferred taxes, but more importantly due to implications on Minimum Alternate Tax (MAT), which are based on accounting profits, and can be quite different under Ind AS. Recognition of unrealized gains on financial instruments, non-amortization of goodwill, recognition of actuarial losses on defined benefit obligations in other comprehensive income are some examples that might potentially increase the Ind AS

reported accounting profits, and thereby the MAT liabilities.

Group structures of Indian companies are likely to include more entities, given the wider definition of control under Ind AS, making the evaluation of holding and subsidiary relationships more judgmental. There are many things like potential voting rights, terms of loans, guarantees given for financing business, control through agents, contractual arrangements etc. will determine whether a business will get consolidated.

Segment reporting is another important area of discussion. Ind AS 108 requires segmental information to be disclosed, based on how the chief operating decision-maker evaluates the financial information for the purposes of allocating resources, and assessing performance. This could require certain companies to change their segment disclosures, in line with their internal reporting.

To conclude, switch to reporting under Ind AS will result in high quality and transparent financial reporting and increased comparability of business results. However, it is expected to significantly impact the way companies negotiate terms and enter into contractual arrangements with different stakeholders like customers, vendors, strategic partners, lenders, investors etc.

Third Bi-monthly Monetary Policy Statement, 2017-18

On the basis of an assessment of the current and evolving macroeconomic situation at its meeting today, the Monetary Policy Committee (MPC) decided to:

reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 6.25 per cent to 6.0 per cent with immediate effect.

Consequently, the reverse repo rate under the LAF stands adjusted to 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.25 per cent.

The decision of the MPC is consistent with a neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth. The main considerations underlying the decision are set out in the statement below.

Assessment

2. Since the June 2017 meeting of the MPC, impulses of growth have spread across the global economy *albeit* still lacking the strength of a self-sustaining recovery. Among the advanced economies (AEs), the US has expanded at a faster pace in Q2 after a weak Q1, supported by steadily improving labour market conditions, increasing consumer spending, upbeat consumer confidence helped by softer than expected inflation, and improving industrial production. Policy and political risks, however, continue to cloud the outlook. In the Euro area, the recovery has broadened across constituent economies on the back of falling unemployment and a pickup in private consumption; political uncertainty has receded substantially. In Japan, a modest but steady expansion has been taking hold, underpinned by strengthening exports, accelerating industrial production and wage reflation.

3. Among emerging market economies (EMEs), growth has regained some lost ground in China in Q2, with retail sales and industrial production rising at a steady pace. Nonetheless, tightening financial conditions on account of deleveraging financial institutions and slowdown in real estate could weigh negatively. The Russian economy has emerged out of two years of recession, aided by falling unemployment, rising retail sales and strong industrial production. In Brazil, a fragile recovery remains vulnerable to political uncertainty and a still depressed labour market. Economic

activity in South Africa continues to be beset by structural and institutional bottlenecks and is in a technical recession.

4. The modest firming up of global demand and stable commodity prices have supported global trade volumes, reflected in rising exports and imports in key economies. In the second half of July, crude prices have risen modestly out of bearish territory on account of inventory drawdown in the US, but the supply overhang persists. Chinese demand has fuelled a recent rally in metal prices, particularly copper. Bullion prices fell to multi-month lows on improved risk appetite but remain vulnerable to shifts in the geopolitical environment. Notwithstanding these developments, inflation is well below target in most AEs and is subdued across most EMEs.

5. International financial markets have been resilient to political uncertainties and volatility has declined, except for sporadic reactions to hints of balance sheet adjustments by systemic central banks. Equity markets in most AEs have registered gains, with indices crossing previous highs in the US, but European markets were weighed down by Brexit talks and the strengthening euro. In EMEs, equities have gained on surging global risk appetite underpinned by improving macroeconomic fundamentals that have been pulling in capital inflows. Bond yields in major AEs have hardened on expectations of monetary policy normalisation, with German bunds reaching an intra-year high. In EMEs, the situation has remained diverse, driven by domestic factors, and fixed-income markets have been generally insulated from the bond sell-off in AEs. In the currency markets, the US dollar weakened further and fell to a multi-month low in July on weak inflation and uncertainty around the policies of the US administration. The euro, which has remained bullish, rallied further on upbeat economic data. The Japanese yen has generally eased, interspersed by bouts of appreciation on safe haven demand. EME currencies largely remained stable and have traded with an appreciating bias.

6. On the domestic front, a normal and well-distributed south-west monsoon for the second consecutive year has brightened the prospects of agricultural and allied activities and rural demand. By August 1, rainfall was 1 per cent above the long period average (LPA) and 84 per cent of the country's geographical area received excess to normal precipitation. *Kharif* sowing has progressed at a pace higher than last year's, with full-season sowing nearly complete for sugarcane, jute and soyabean. The initial uncertainty surrounding sowing of pulses barring *tur* and rice in some regions has also largely dissipated. Sowing of cotton and coarse cereals has exceeded last year's levels but for oilseeds, it is lagging. Overall, these developments should help achieve the crop production targets for 2017-18 set by the Ministry of Agriculture at a higher level than the peak attained in the previous year. Meanwhile, procurement operations in respect of rice and wheat during the *rabi* marketing season have been stepped up to record levels – 36.1 million tonnes in April-June 2017 – and stocks have risen to 1.5 times the buffer norm for the quarter ending September.

7. Industrial performance has weakened in April-May 2017. This mainly reflected a broad-based loss of speed in manufacturing. Excess inventories of coal and near stagnant output of crude oil and refinery products combined to slow down mining activity. For electricity generation, deficiency of demand seems to remain a binding constraint. In terms of uses, the output of consumer non-durables accelerated and underlined the resilience of rural demand. It was overwhelmed, however, by contraction in consumer durables – indicative of still sluggish urban demand – and in capital goods, which points to continuing retrenchment of capital formation in the economy. The weakness in the capex cycle was also evident in the number of new investment announcements falling to a 12-year low in Q1, the lack of traction in the implementation of stalled projects, deceleration in the output of infrastructure goods, and the ongoing deleveraging in the corporate sector. The output of core industries was also dragged down by contraction in electricity, coal and fertiliser production in June, owing to excess inventory and tepid demand. On the positive side, natural gas recorded an uptick in production after a prolonged decline and steel output remained strong. The 78th round of the Reserve Bank's industrial outlook survey (IOS) revealed a waning of optimism in Q2 about demand conditions across parameters, and especially on capacity utilisation, profit margins and employment. The manufacturing purchasing managers' index (PMI) moderated sequentially to a four-month low in June and the future output index also eased marginally. In July, the PMI declined into the contraction zone with a decrease in new orders and a deterioration in business conditions, reflecting *inter alia* the roll out of the GST; however, both new export orders and the future output index rose, reflecting optimism in the outlook.

8. In contrast to manufacturing, high frequency real indicators of services sector activity point to a mixed picture in Q1. In the transportation sub-sector, freight carriage by air registered a strong performance sequentially and on an annual basis. Commercial vehicle sales rose after two successive months of contraction in response to the Bharat Standard (BS)-IV emission compliance switchover. Sales of passenger cars and two-wheelers suffered temporary dislocation in June even as motorcycle sales continued to grow for the third consecutive month, reflecting the firmness of rural demand. Activity in the communication sub-sector accelerated in May on strong and sustained growth in the subscriber base of voice and data services. The hospitality sub-sector was supported by vigorous growth of foreign tourist arrivals and air passenger traffic. The acceleration in steel consumption in April-May may be a precursor to a pickup in construction activity in Q1, but cement production remains in contraction mode. The PMI for the services sector continued to remain in expansion mode in May-June on expectations of improvement in market conditions.

9. In June, retail inflation measured by year-on-year changes in the CPI plunged to its lowest reading in the series based to 2011-12. This was mainly the outcome of large favourable base effects which are slated to dissipate and reverse from August. Although month-on-month increases in the price level have been picking up since April, they were weak in relation to the typical food-price driven summer uptick. The delay in indirect tax revisions and anecdotal evidence of clearance sales across commodities could have dampened the momentum.

10. Prices of food and beverages, which went into deflation in May 2017 for the first time in the new CPI series, sank further in June as prices of pulses, vegetables, spices and eggs recorded year-on-year declines and inflation moderated across most other sub-groups. There are now visible signs, however, of the usual seasonal price spikes, even if with a delay and especially in respect of tomatoes, onions and milk.

11. Fuel inflation declined for the second month in succession as international prices of liquefied petroleum gas (LPG) fell and price increases moderated in the case of coke, and firewood and chips. Administered prices of LPG and kerosene are set to rise with the calibrated reduction in subsidy. Households appear to have discounted the recent low inflation prints; their three month ahead and one year ahead inflation expectations polled in the June 2017 round of the Reserve Bank's survey have somewhat hardened.

12. Excluding food and fuel, CPI inflation moderated for the third month in succession in June, falling to 4 per cent as price momentum moderated *inter alia* in respect of education due to delay in fee revision cycles, and also in respect of health, clothing and footwear. Inflation in transport and communication services was depressed by the pricing war in the telecommunication space. Input costs relating to both industry and farms remain benign tracking international prices. Pricing power polled in the Reserve Bank's industrial outlook survey and in manufacturing and services PMIs is still subdued.

13. Surplus liquidity conditions persisted in the system, exacerbated by front-loading of budgetary spending by the Government. There was also some moderation in the pace of increase in currency in circulation (CiC) which is typical at this time of the year – as against the increase of ₹ 1.5 trillion in CiC during the first two months of 2017-18, it was ₹ 436 billion and ₹ 95 billon during June and July, respectively. Normally, currency returns to the banking system in these months and is reflected in a decline in CiC; consequently, the increase in CiC recorded this year reflects the sustained pace of remonetisation and the associated absorption of liquidity from the system. Surplus liquidity of ₹ 1 trillion was absorbed through issuance of treasury bills (TBs) under the market stabilisation scheme (MSS) and ₹ 1.3 trillion through cash management bills (CMBs) on a cumulative basis so far this financial year. Enduring surplus conditions warranted outright open market sales of ₹ 100 billion each on two occasions in June and July. Another auction of an equivalent amount has been announced and will be conducted on August 10, 2017. Apart from these operations, net average absorption of liquidity under the LAF was at ₹ 3.1 trillion in June and ₹ 3.0 trillion in

July. Reflecting this active liquidity management, the weighted average call rate (WACR) firmed up and traded about 17 bps below the repo rate on average during June and July – down from 29-32 basis points (bps) in March-April and 21 bps in May – within the LAF corridor.

14. Turning to the external sector, merchandise export growth weakened in May and June from the April peak as the value of shipments across commodity groups either slowed or declined. By contrast, import growth remained in double digits, primarily due to a surge in oil imports and stockpiling of gold imports ahead of the implementation of the GST. Imports of coal, electronic goods, pearls and precious stones, vegetable oils and machinery also accelerated. As import growth continued to outpace export growth, the trade deficit at US$ 40.1 billion in Q1 was more than double its level a year ago. Net foreign direct investment doubled in April-May 2017 over its level a year ago, flowing mainly into manufacturing, retail and wholesale trade and business services. Foreign portfolio investors made net purchases of US$ 15.2 billion in domestic debt and equity markets so far (up to July 31), remaining bullish on the outlook for the Indian economy. The level of foreign exchange reserves was US$ 392.9 billion as on July 28, 2017.

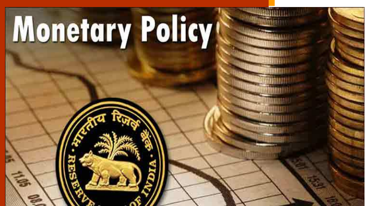
Outlook

15. The second bi-monthly statement projected quarterly average headline inflation in the range of 2.0-3.5 per cent in the first half of the year and 3.5-4.5 per cent in the second half. The actual outcome for Q1 has tracked projections. Looking ahead, as base effects fade, the evolving momentum of inflation would be determined by (a) the impact on the CPI of the implementation of house rent allowances (HRA) under the 7th central pay commission (CPC); (b) the impact of the price revisions withheld ahead of the GST; and (c) the disentangling of the structural and transitory factors shaping food inflation. The inflation trajectory has been updated taking into account all these factors and incorporates the first round impact of the implementation of the HRA award by the Centre.

16. There are several factors contributing to uncertainty around this baseline inflation trajectory. Implementation of farm loan waivers by States may result in possible fiscal slippages and undermine the quality of public spending, entailing inflationary spillovers. Moreover, the timing of the States' implementation of the salary and allowances award is critical – it is not factored into the baseline projection in view of lack of information on their plans. If States choose to implement salary and allowance increases similar to the Centre in the current financial year, headline inflation could rise by an additional estimated 100 basis points above the baseline over 18-24 months. Also, high frequency indicators suggest that price pressures are building up in vegetables and animal proteins in the near months. There are, however, some moderating forces at work. First, the second successive normal monsoon coupled with effective supply management measures may keep food inflation under check. Second, if the general moderation of price increases in CPI excluding food and fuel continues, it will contain upside pressures on headline inflation. Third, the international commodity price outlook is fairly stable at the current juncture.

17. Business sentiment polled in the manufacturing sector reflects expectations of moderation of activity in Q2 of 2017-18 from the preceding quarter. Moreover, high levels of stress in twin balance sheets – banks and corporations – are likely to deter new investment. With the real estate sector coming under the regulatory umbrella, new project launches may involve extended gestations and, along with the anticipated consolidation in the sector, may restrain growth, with spillovers to construction and ancillary activities. Also, given the limits on raising market borrowings and taxes by States, farm loan waivers are likely to compel a cutback on capital expenditure, with adverse implications for the already damped capex cycle. At the same time, upsides to the baseline projections emanate from the rising probability of another good *kharif* harvest, the boost to rural demand from the higher budgetary allocation to housing in rural areas, the significant step-up in the budgetary allocation for roads and bridges, and the growth-enhancing effects of the GST, *viz*., the shifting of trade from unorganised to organised segments; the reduction of tax cascades; cost, efficiency and competitiveness gains; and synergies in domestic supply chains. In turn, these virtuous forces may spur investment. External demand conditions are gradually improving and should support the domestic economy, although global political risks remain significant. Keeping in view these factors, the projection of real GVA growth for 2017-18 has been retained at the June 2017 projection of 7.3 per cent, with risks evenly balanced.

18. The MPC observed that while inflation has fallen to a historic low, a conclusive segregation of transitory and



structural factors driving the disinflation is still elusive. In respect of inflation-sensitive vegetables, prices are recording spikes. Excess supply conditions continue to push down prices of pulses and keep those of cereals in check. The MPC will continue monitoring movements in inflation to ascertain if recent soft readings are transient or if a more durable disinflation is underway. In its assessment of real activity, the MPC noted that while the outlook for agriculture appears robust, underlying growth impulses in industry and services are weakening, given corporate deleveraging and the retrenchment of investment demand.

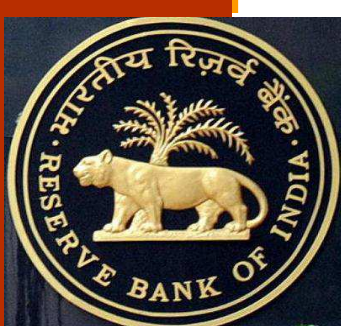
19. The MPC noted that some of the upside risks to inflation have either reduced or not materialised - (i) the baseline path of headline inflation excluding the HRA impact has fallen below the projection made in June to a little above 4 per cent by Q4; (ii) inflation excluding food and fuel has fallen significantly over the past three months; and, (iii) the roll-out of the GST has been smooth and the monsoon normal. Consequently, some space has opened up for monetary policy accommodation, given the dynamics of the output gap. Accordingly, the MPC decided to reduce the policy repo rate by 25 basis points. Noting, however, that the trajectory of inflation in the baseline projection is expected to rise from current lows, the MPC decided to keep the policy stance neutral and to watch incoming data. The MPC remains focused on its commitment to keeping headline inflation close to 4 per cent on a durable basis.

20. On the state of the economy, the MPC is of the view that there is an urgent need to reinvigorate private investment, remove infrastructure bottlenecks and provide a major thrust to the *Pradhan Mantri Awas Yojana* for housing needs of all. This hinges on speedier clearance of projects by the States. On their part, the Government and the Reserve Bank are working in close coordination to resolve large stressed corporate borrowers and recapitalise public sector banks within the fiscal deficit target. These efforts should help restart credit flows to the productive sectors as demand revives.

21. Dr. Chetan Ghate, Dr. Pami Dua, Dr. Viral V. Acharya and Dr. Urjit R. Patel were in favour of the monetary policy decision, while Dr. Ravindra H. Dholakia voted for a policy rate reduction of 50 basis points and Dr. Michael Debabrata Patra voted for *status quo*. The minutes of the MPC's meeting will be published by August 16, 2017.

22. The next meeting of the MPC is scheduled on October 3 and 4, 2017.

RBI Committee to refer accounts for resolution under IBC 2016



Reserve Bank of India (RBI) has constituted an Internal Advisory Committee (IAC), which arrived at an objective, non-discretionary criterion for referring accounts for resolution under Insolvency and Bankruptcy Code, 2016 (IBC). In particular, the IAC recommended for IBC reference all accounts with fund and non-fund based outstanding amount greater than Rs. 5000 crore, with 60% or more classified as non-performing by banks as of March 31, 2016.

Accordingly, Reserve Bank of India has issued directions to certain banks for referring 12 accounts, qualifying under the aforesaid criteria, to initiate insolvency process under the **Insolvency and Bankruptcy Code, 2016**. As regards the other non-performing accounts which do not qualify under the above criteria, the IAC recommended that banks should finalize a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks should be required to file for insolvency proceedings under the IBC.

However, the names and details of borrowers are not disclosed as prescribed under section 45E of the Reserve Bank of India (RBI) Act, 1934 and Banking Laws, which provide for the obligation of a bank or financial institution to maintain secrecy about the affairs of its constituents.

In respect of the above-mentioned 12 accounts, Reserve Bank of India has advised the banks to make provisions as under:

"The minimum provisions required to be maintained against the said accounts would be the higher of the following:

(a) 50 per cent for secured portion of the outstanding balance plus 100 percent for the unsecured portion.

(b) Provisions required to be maintained as per the extant Asset classification norms."

The additional provisions, as required in each case, should be proportionately spread over the remaining quarters of the current financial year, starting Q2, so that the required provisions are fully in place by March, 2018.

The effect of the provisioning requirement prescribed in respect of the said 12 accounts would vary for each account and for the respective banks depending upon the current asset classification, current provisions held, security coverage, etc.

Investments by NRIs as FDI and in stock changes

Non-Resident Indians (NRIs) can invest in India as per the following regulation of **Foreign Exchange Management (Transfer or issue of Security by a person resident outside India)** Regulations, 2000 dated May 3, 2000 as amended from time to time:

i. As per Regulations 5(1), NRIs may invest in shares/Compulsorily Convertible Preference Shares (CCPS)/ Compulsorily Convertible Debentures (CCDs)/warrants/ partly paid up shares of an Indian company under **Foreign Direct Investment** (FDI) Scheme, subject to the terms and conditions specified in Schedule 1.

ii. As per Regulations 5(3), a NRI may acquire securities or units on a Stock Exchange in India on repatriation basis under the Portfolio Investment Scheme, subject to the terms and conditions specified in Schedule 3.

iii. As per Regulations 5(3), a NRI may acquire securities or units on a non- repatriation basis, subject to the terms and conditions specified in Schedule 4.

iv. As per Regulations 5(4), a NRI may purchase securities, other than those permitted in regulations 5(3), subject to the terms and conditions specified in Schedule 5.

v. As per Regulations 5(7), a NRI may invest in exchange traded derivative contract, approved by SEBI from time to time out of INR funds held in India on non-repatriation basis, subject to the limits prescribed by SEBI.

vi. As per Regulations 5(9), a NRI may contribute foreign capital either by way of capital contribution or by way of acquisition/ transfer of profit shares in the capital structure of an LLP under FDI, subject to the terms and conditions specified in Schedule 9.

vii. As per Regulations 5(10), a NRI may acquire, purchase, hold, sell or transfer units of an Investment Vehicle, in the manner and subject to the terms and conditions specified in Schedule 11.

Pay 20% of disputed amount for stay of demand

Instruction No. 1914 dated 21.3.1996 contains guidelines issued by the Board regarding procedure to be followed for recovery of outstanding demand, including procedure for grant of stay of demand.

Vide O.M. N0.404/72/93-ITCC dated 29.2.2016 revised guidelines were issued in partial modification of instruction No 1914, wherein. inter alia, vide para 4(A) it had been laid down that in a case where the outstanding demand is disputed before CIT(A), the Assessing Officer shall grant stay of demand till disposal of first appeal on payment of 15% of the disputed demand unless the case falls in the category discussed in para (B) there under. Similar references to the standard rate of 15% have also been made in succeeding paragraphs therein.

2. The matter has been reviewed by the Board in the light of feedback received from field authorities. In view of the Board's efforts to contain over pitched assessments through several measures resulting in fairer and more reasonable assessment orders, the standard rate of 15% of the disputed demand is found to be on the lower side. Accordingly. it has been decided that the standard rate prescribed in O.M. dated 29.2.2016 be revised to 20% of the disputed demand, where the demand is contested before CIT(A). Thus all references to 15% of the disputed demand in the aforesaid O.M dated 29.2.2016 hereby stand modified to 20% of the disputed demand. Other guidelines contained in the O.M. dated 29.2.2016 shall remain unchanged.

Income Tax Manual Scrutiny Criteria for financial year 2017-2018

In supersession of earlier Instructions on the above subject, the Board hereby lays down the following procedure and criteria for compulsory manual selection of returns/cases requiring scrutiny during the financial-year 2017-2018:-

(i) Cases involving addition in an earlier assessment year(s) on a recurring issue of law or fact of following amounts:

in excess of Rs. 25 lakhs in eight metro charges at Ahmedabad, Bengalurti, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune, while at other charges, quantum of such addition should exceed Rs. 10 lakhs;

for transfer pricing cases, quantum of such addition should exceed Rs. 10 crore and where:

a) such an addition in assessment has become final as no further appeal was/has been filed; or

b) such an addition has been confirmed at any stage of appellate process in favour of revenue and assessee has not filed further appeal; or

c) such an addition has been confirmed at 1st appeal stage in favour of revenue or subsequently and further appeal of assessee is pending.

(ii) All assessments pertaining to Survey under section 133A of the Income-tax Act, 1961 ('Act') excluding those cases where books of accounts, documents etc. were not impounded and returned income (excluding any disclosure made during the Survey) is not less than returned income of preceding assessment year. However, where the assessee retracts from disclosure made during the Survey, such cases will not be covered by this exclusion.

(iii) Assessments in search and seizure cases to be made under section (s) 158B, 158BC, 15881), 153A & 153C read with section 143 (3) of the Act and also for the returns filed for the assessment year relevant to the previous year in which authorization for search and seizure was executed u/s 132 or 132A of the Act.

(iv) Return filed in response to notice u/s 148 of the Act.

(v) Cases where registration/ approval under various sections of the Act such as 12A, 35 (1)(ii)/(iii), 10(23C) etc. of the Act have not been granted or have been cancelled/withdrawn by the competent authority, yet the assessee has been claiming tax-exemption/deduction in the return. However, where such order of withdrawal of registration/ approval has been reversed/set-aside in appellate proceedings, those cases will not be selected under this clause.

(vi) Cases in respect of which specific and verifiable information pointing out tax-evasion is given by any Government Department/ Authority. However, before selecting a case for scrutiny under this criterion, Assessing Officer shall take prior administrative approval from the concerned jurisdictional Pr. CIT/Pr.DIT/CIT/DIT.

2. Computer Aided Scrutiny Selection (CASS): Cases are also being selected under CASS-2017 on the basis of broad based selection filters and in a non-discretionary manner in two categories viz. Limited Scrutiny & Complete Scrutiny. List of such cases is being separately intimated by Pr.DGIT (Systems) to the concerned jurisdictional authorities for further action in these cases.

MVAT: Refunds of Security Deposit

The person applying for voluntary registration has to deposit an amount of Rs. 25000/- by way of security deposit at the time of registration as per the proviso to section 16(2) of the **Maharashtra Value Added Tax Act, 2002.** Such deposit is not liable for adjustment against tax payable as per return or towards any other liability under MVAT Act, 2002. However, this deposit is refundable u/r 60A of the MVAT Rules, 2005 upon application made by such person or dealer and subject to conditions prescribed.

2. In view of the introduction of GST, amendment to the section 16 of MVAT Act, 2002 is made vide Maharashtra Act No. XLII of 2017 and new sub-section 6A is inserted. By virtue of this amendment, if the dealer has not effected sale of any goods specified in Schedule A or Schedule B as per the amended Act (Mah. Act No. XLII of 2017) during the year 2016-17, then the registration of such dealer shall be deemed to be cancelled with effect from 1st July 2017. However, such dealer can apply for revocation of cancellation of Registration Certificate, if he intends to carry on business of these goods.

As a consequence of this amendment to section 16 of the MVAT Act, 2002, registrations of the dealers who have not effected sale of the aforesaid commodities in the year 2016-17 are no more in existence w.e.f. 1st July 2017. Many of such dealers have taken voluntary registration by depositing Rs. 25000/- as security amount. Such deposited amount will be refunded as under:-

(a) if the deemed cancellation of registration certificate is,-

(i) within period of thirty six months from the date of **registration certificate** then, the application for the refund of such security deposit shall be made within the period of six months from the date of deemed cancellation i.e. up to 31st December 2017. Thus, if the RC is granted after 1st July 2014 and deemed cancelled on 30th June 2017, then such dealer shall apply till 31st December 2017.

or

(ii) after the period of thirty six months from the end of the month containing the date of effect of registration certificate then in such cases the application for refund shall be made after the period of thirty six months but before the end of period of forty eight months from the end of the month containing date of registration certificate.

Illustration:- If RC is granted on 25th August 2013, then such dealer shall apply after 31st August 2016 but before 31st August 2017.

(b) such dealers should file all the returns up to the date of deemed cancellation of registration along with the payment of taxes, if any.

(c) such dealers should not have applied for the revocation of cancellation of registration.

The refund of security deposits as per the applications received from the dealer as stated in (a)(i) or (a)(ii) above shall be granted within the period of sixty days from the date of application for such refund subject to conditions stated in rule 60A of the MVAT Rules, '2005 and clause (c) of para 2 of this circular.

3. In other cases,-

(a) where the applications for refund of security deposit are pending as on 30th June 2017 and which are in accordance with the provisions of law then the same shall be processed immediately.

or

(b) where the registration of the dealer is continued on or after 1st July 2017 under the MVAT Act, 2002 then the refund of security deposit shall be processed as per provisions of rule 60A of MVAT Rules, 2005.

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CBDT allows Indian Railway Finance Corp. Ltd to issue Bond

In exercise of the powers conferred by clause (ba) of Explanation to section 54EC of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies that any bond redeemable after three years and issued by the Indian Railway Finance Corporation Limited, a company formed and registered under the Companies Act, 1956 (1 of 1956), on or after the date of publication of this notification in the Official Gazette, as 'long-term specified asset' for the purposes of the said section.