Digital India
Power To Empower

LLB & Co.
Chartered Accountants

The measure of a leader is not what you do but what people do because of you.
~ Howard Hendricks

Connection

Volume V, Issue 9
December 2016

LLB & CO.

JUST TO REMIND YOU:

- Dec 21 - Payment of MVAT & WCT TDS
- Dec 30 - Payment of TDS for purchase of property in Nov
- Dec 31 - Payment & Monthly Return Maharashtra PT
- Dec 31 - E-filing of Form 15G/H

INSIDE THIS ISSUE:

Communiqué

Dear Seniors, Friends & Colleagues,

Demonetisation has made the intent of Government very clear. Till then, seriousness on unearthing blackmoney was doubted. Now, we are looking forward to second level of reforms to take place which tells us to keep ourselves abreast with many things, and will happen in a minimum gap of time. We chartered Accountant have once again proved ourselves to be with the Government in its reform process and policy.

One thing which we all have experienced is all of a sudden need/ importance of Chartered Accountant was felt as never before.

Our Country and its people resist to changes but at the same time imbibe changes in themselves very quickly. And we as a Chartered Accountant enable change by creating awareness and providing education among masses.

With various thought processes moving as effect of demonetisation, we personally feel that organized section has not been much impacted and whatever effect we are experiencing, is for shorter duration which will last lately till March, post which will show strong signs of growth.

The Insolvency and Bankruptcy Code 2016 - a step towards 'ache din' has placed a forward looking initiative towards creditors, investors and debtors alike. This code will have a strong impact on India's position in the World Bank's Index towards insolvencies issues. The code should significantly improve debt recovery rates.

The union government of India recently notified the rules under the Real Estate Regulation Act, which will be applicable to the five union territories. Now, all the states are expected to notify their own rules, in the near future.

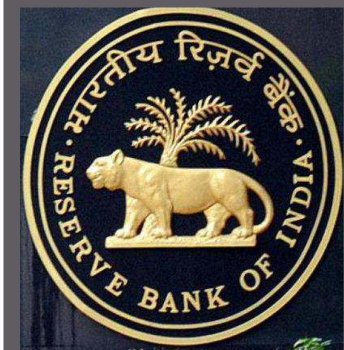
In my professional life since 1998, I have no seen such major reforms taking place. I take it as my duty and at the same time opportunity to serve society and Government implement and accept this reforms.

Merry Christmas and warm wishes for a wonderful Holiday Season and a Very Happy New Year!

Best Wishes

CA Lalit Bajaj

5th Bi-monthly RBI Monetary Policy



"MPC decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25%"

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

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent.

Consequently, the reverse repo rate under the LAF remains unchanged at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.

The decision of the MPC is consistent with an accommodative stance of monetary policy in consonance with the objective of achieving consumer price index (CPI) inflation at 5 per cent by Q4 of 2016-17 and the medium-term target 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. Global growth picked up modestly in the second half of 2016, after weakening in the first half. Activity in advanced economies (AEs) improved hesitantly, led by a rebound in the US. In the emerging market economies (EMEs), growth has moderated, but policy stimulus in China and some easing of stress in the larger commodity exporters shored up momentum. World trade is beginning to emerge out of a trough that bottomed out in July-August and shows signs of stabilising. Inflation has ticked up in some AEs, though well below target, and is easing in several EMEs. Expectations of reflationary fiscal policies in the US, Japan and China, and the waning of downward pressures on EMEs in recession are tempered by still-prevalent political risks in the euro area and the UK, emerging geo-political risks and the spectre of financial market volatility.

3. International financial markets were strongly impacted by the result of the US presidential election and incoming data that raised the probability of the Federal Reserve tightening monetary policy. As bouts of volatility fuelled a risk-off surge into US equities and out of fixed income markets, a risk-on stampede pulled out capital flows from EMEs, plunging their currencies and equity markets to recent lows even as bond yields hardened in tandem with US yields. The surge of the US dollar from late October intensified after the election results and triggered sizable depreciations in currencies around the world. Commodity prices firmed up across the board from mid-November on an improvement in the outlook for demand following the US election results, barring gold which lost its safe haven glitter to the ascendant US dollar. Crude prices have firmed after the OPEC's decision to cut output.

4. On the domestic front, the growth of real gross value added (GVA) in Q2 of 2016-17 turned out to be lower than projected on account of a deeper than expected slowdown in industrial activity. Manufacturing slowed down both sequentially and on an annual basis, with weak demand conditions and the firming up of input costs dragging down the profitability of corporations. Gross fixed capital formation contracted for the third consecutive quarter. Although government final consumption expenditure slowed sequentially, it supported private final consumption expenditure, the mainstay of aggregate demand. The contribution of net exports to aggregate demand remained positive, but on account of a sharper contraction in imports relative to exports.

5. Turning to Q3, the Committee felt that the assessment is clouded by the still unfolding effects of the withdrawal of specified bank notes (SBNs). The steady expansion in acreage under *rabi* sowing across major crops compared to a year ago should build on the robust performance of agriculture in Q2. By contrast, industrial activity remains weak. Among the core industries in the index of industrial production (IIP), the output of coal contracted in October due to subdued demand, while the production of crude oil and natural gas shrank under the binding constraint of structural impediments. The production of cement, fertilisers and electricity con-

tinued to decelerate, reflecting the sluggishness in underlying economic activity. On the other hand, steel output has recorded sustained expansion following the application of countervailing duties. Refinery output accelerated on the back of a pick-up in exports and capacity additions. The withdrawal of SBNs could transiently interrupt some part of industrial activity in November-December due to delays in payments of wages and purchases of inputs, although a fuller assessment is awaited. In the services sector, the outlook is mixed with construction, trade, transport, hotels and communication impacted by temporary SBN effects, while public administration, defence and other services would continue to be buoyed by the 7th Central Pay Commission (CPC) award and one rank one pension (OROP). GVA by financial services is expected to receive a short-term boost from the large inflow of low-cost deposits.

6. Retail inflation measured by the headline consumer price index (CPI) eased more than expected for the third consecutive month in October, driven down by a sharper than anticipated deflation in the prices of vegetables. Underlying this softer reading, however, was an upturn in momentum as prices rose month-on-month across the board. Still elevated prices of sugar and protein-rich items, coupled with a turning up of prices of cereals, pulses and processed foods pushed up the momentum of food prices, which partly offset the moderation in food inflation brought about by a strong favourable base effect. In the fuel category, inflation eased with the decline in LPG prices on an annual basis and a fall in electricity prices from a month ago. Inflation excluding food and fuel continues to show strong persistence. Although housing and personal care inflation softened marginally, the steady rise in inflation in respect of education, medical and health services, and transport and communication has imparted stickiness to inflation in this category.

7. Liquidity conditions have undergone large shifts in Q3 so far. Surplus conditions in October and early November were overwhelmed by the impact of the withdrawal of SBNs from November 9. Currency in circulation plunged by Rs. 7.4 trillion up to December 2; consequently, net of replacements, deposits surged into the banking system, leading to a massive increase in its excess reserves. The Reserve Bank scaled up its liquidity operations through variable rate reverse repo auctions of a wide range of tenors from overnight to 91 days, absorbing liquidity (net) of Rs. 5.2 trillion. The Reserve Bank allowed oil bonds issued by the Government as eligible securities under the LAF. From the fortnight beginning November 26, an incremental CRR of 100 per cent was applied on the increase in net demand and time liabilities (NDTL) between September 16, 2016 and November 11, 2016 as a temporary measure to drain excess liquidity from the system. From November 28, liquidity absorption fell back and the Reserve Bank undertook variable rate repo auctions of Rs. 3.3 trillion on November 28. As expected, money market conditions tightened thereafter and the weighted average call rate (WACR) traded near the upper bound of the LAF corridor on that day before dropping back to the policy repo rate on November 30. All other rates in the system firmed up in sympathy, with term premia getting restored gradually. Through this episode, active liquidity management prevented the WACR from falling even to the fixed rate reverse repo rate, the lower bound of the LAF corridor. Liquidity management was bolstered by an increase in the limit on securities under the market stabilisation scheme (MSS) from Rs. 0.3 trillion to Rs. 6 trillion on November 29. There have been three issuances of cash management bills under MSS for Rs. 1.4 trillion by December 6, 2016.

8. In the external sector, India’s merchandise exports rebounded in September and October. The return to positive territory was supported by a pick-up in both POL and non-POL exports. After a prolonged fall for 22 months, imports rose in October on the back of a sharp rise in the volume of gold imports and higher payments for POL imports. Non-oil non-gold import growth also turned positive after a gap of seven months. For the period April-October, the merchandise trade deficit was lower by US $ 25 billion from its level a year ago. Accordingly, the current account deficit is likely to remain muted, notwithstanding some loss of remittances and software exports under invisibles. Net foreign direct investment has remained reasonably robust, with more than half going to manufacturing, communication and financial services. By contrast, portfolio investment outflows of the order of US $ 7.3 billion occurred in October-November from both debt and equity markets – as in peer EMEs across the board – reflecting a strong home bias triggered by the outcome of the US presidential election and the near-certainty of monetary policy tightening in the US. The level of foreign exchange reserves was US$ 364 billion on December 2, 2016.

Outlook

9. The Committee took note of the upturn in the prices of several items that is masked by the easing of

inflation on base effects during October. Despite some supply disruptions, the abrupt compression of demand in November due to the withdrawal of SBNs could push down the prices of perishables in the reading that becomes available in December. On the other hand, prices of wheat, gram and sugar have been firming up. While discretionary spending on goods and services in the CPI excluding food and fuel – constituting 16 per cent of the CPI basket – could have been affected by restricted access to cash, the prices of these items may weather these transitory effects as they are normally revised according to pre-set cycles. Prices of housing, fuel and light, health, transport and communication, pan, tobacco and intoxicants, and education – together accounting for 38 per cent of the CPI basket – may remain largely unaffected. Going forward, base effects are expected to reverse and turn unfavourable in December and February. If the usual winter moderation in food prices does not materialise due to the disruptions, food inflation pressures could re-emerge. Furthermore, CPI inflation excluding food and fuel has been resistant to downward impulses and could set a floor to headline inflation. With the OPEC's agreement to cut production, crude prices may firm up in the coming months. Global developments, especially as financial markets factor in the future stance of US monetary and fiscal policy, could impart volatility to the exchange rate thereby feeding into inflation. The withdrawal of SBNs could result in a possible temporary reduction in inflation of the order of 10-15 basis points in Q3. Taking these factors into account, headline inflation is projected at 5 per cent in Q4 of 2016-17 with risks tilted to the upside but lower than in the October policy review. The fuller effects of the house rent allowances under the 7th CPC award are yet to be assessed, pending implementation, and have not been reckoned in this baseline inflation path.

10. The outlook for GVA growth for 2016-17 has turned uncertain after the unexpected loss of momentum by 50 basis points in Q2 and the effects of the withdrawal of SBNs which are still playing out. Downside risks in the near term could travel through two major channels: (a) short-run disruptions in economic activity in cash-intensive sectors such as retail trade, hotels & restaurants and transportation, and in the unorganised sector; (b) aggregate demand compression associated with adverse wealth effects. The impact of the first channel should, however, ebb with the progressive increase in the circulation of new currency notes and greater usage of non-cash based payment instruments in the economy, while the impact of the second channel is likely to be limited. In October 2016, GVA growth in H2 was projected at 7.7 per cent and for the full year at 7.6 per cent. Incorporating the expected loss of growth momentum in Q3 and waning effects in Q4 alongside the boost to consumption demand from higher agricultural output and the implementation of the 7th CPC award, GVA growth for 2016-17 is revised down from 7.6 per cent to 7.1 per cent, with evenly balanced risks.

11. The liquidity management framework was refined in April with the objective of meeting short-term liquidity needs through regular facilities, frictional and seasonal mismatches through fine-tuning operations and more durable liquidity needs for facilitating growth by modulating net foreign assets and net domestic assets. The Reserve Bank has conducted liquidity management consistent with this framework, progressively moving the system level *ex ante* liquidity conditions to close to neutrality. In Q3 up to early November, liquidity conditions remained in mild surplus mode. The Reserve Bank injected liquidity of Rs. 1.1 trillion through OMO purchases during the fiscal year so far, including an OMO purchase auction of Rs. 100 billion in October. Although the replacement of SBNs has engendered large surplus liquidity warranting exceptional operations, this needs to be seen as transitory. The Reserve Bank is committed to conducting liquidity operations in pursuit of the objectives of the revised framework put in place in April to restore system level liquidity to a position of neutrality as the surplus liquidity pressures abate.

12. In the view of the Committee, this bi-monthly review is set against the backdrop of heightened uncertainty. Globally, the imminent tightening of monetary policy in the US is triggering bouts of high volatility in financial markets,

with the possibility of large spill-overs that could have macroeconomic implications for EMEs. In India, while supply disruptions in the backwash of currency replacement may drag down growth this year, it is important to analyse more information and experience before judging their full effects and their persistence – short-term developments that influence the outlook disproportionately warrant caution with respect to setting the monetary policy stance. If the impact is transient as widely expected, growth should rebound strongly. Turning to inflation, food prices other than vegetables are exhibiting sustained firmness and a pick-up in momentum. Another disconcerting feature of recent developments is the downward inflexibility in inflation excluding food and fuel which could set a resistance level for future downward movements in the headline. Moreover, volatility in crude prices and the surge in financial market turbulence could put the inflation target for Q4 of 2016-17 at some risk. Given these indicators of underlying inflation, it is appropriate to look through the transitory but unclear effects of the withdrawal of SBNs while setting the monetary policy stance. On balance, therefore, it is prudent to wait and watch how these factors play out and impinge upon the outlook. Accordingly, the policy repo rate has been kept on hold in this review, while retaining an accommodative policy stance.

13. Six members voted in favour of the monetary policy decision. The minutes of the MPC's meeting will be published on December 21, 2016. The next meeting of the MPC is scheduled on February 7 & 8, 2017 and its resolution will be placed on the Reserve Bank's website on February 8, 2017.

CBDT notifies reporting of cash deposit

In exercise of the powers conferred by section 285BA, read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

1. (1) These rules may be called the Income-tax (**30th Amendment**) Rules, 2016.

(2) They shall come into force from the date of their publication in the Official Gazette.

2. In the Income-tax Rules, 1962 (hereinafter referred to as the said rules), in rule 114B, in the Table, for serial number 10 and entries relating thereto the following serial number and entries shall be substituted, namely:-

Deposit with,-

(i) a banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act);

(ii) Post Office.

Cash deposits,-

(i) exceeding fifty thousand rupees during any one day; or

(ii) aggregating to more than two lakh fifty thousand rupees during the period 09th November, 2016 to 30th December, 2016.".

3. In the said rules, in rule 114E,

(i) in sub-rule (2), in the Table, after serial number 11 and entries relating thereto the following serial number and entries shall be inserted, namely:-

Nature and Value of Transaction:

Cash deposits during the period 09th November, 2016 to 30th December, 2016 aggregating to ☐

(i) twelve lakh fifty thousand rupees or more, in one or more current account of a person; or

(ii) two lakh fifty thousand rupees or more, in one or more accounts (other than a current account) of a person.

Class of Person (Reporting Person)

(i) A banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act);

(ii) Post Master General as referred to in clause (j) of section 2 of the Indian Post Office Act, 1898 (6 of 1898).";

(ii) in sub-rule (5), the following proviso shall be inserted, namely:-

"Provided the statement of financial transaction in respect of the transactions listed at serial number (12) in the Table under sub-rule (2), shall be furnished on or before the 31st day of January, 2017.".

Tax on land owners compensation under RFCTLARR Act 2013

Under the existing provisions of the Income-tax Act, 1961 (The Act'), an agricultural land which is not situated in specified urban area, is not regarded as a capital asset. Hence, capital gains arising from the transfer (including compulsory acquisition) of such agricultural land is not taxable. Finance (No. 2) Act, 2004 inserted section 10(37) in the Act from 01.04.2005 to provide specific exemption to the capital gains arising to an Individual or a HUF from compulsory acquisition of an agricultural land situated in specified urban limit, subject to fulfilment of certain conditions. Therefore, compensation received from compulsory acquisition of an agricultural land is not taxable under the Act (subject to fulfilment of certain conditions for specified urban land).

2. The RFCTLARR Act which came into effect from 1st January, 2014, in section 96, inter alia provides that income-tax shall not be levied on any award or agreement made (except those made under section 46) under the RFCTLARR Act. Therefore, compensation received for compulsory acquisition of land under the RFCTLARR Act (except those made under section 46 of RFCTLARR Act), is exempted from the levy of income-tax.

3. As no distinction has been made between compensation received for compulsory acquisition of agricultural land and non-agricultural land in the matter of providing exemption from income-tax under the RFCTLARR Act, the exemption provided under section 96 of the RFCTLARR Act is wider in scope than the tax-exemption provided under the existing provisions of Income-tax Act, 1961. This has created uncertainty in the matter of taxability of compensation received on compulsory acquisition of land, especially those relating to acquisition of non-agricultural land. The matter has been examined by the Board and it is hereby clarified that compensation received in respect of award or agreement which has been exempted from levy of income-tax vide section 96 of the RFCTLARR Act shall also not be taxable under the provisions of Income-tax Act, 1961 even if there is no specific provision of exemption for such compensation in the Income-tax Act, 1961.

TDS on lump sum lease premium paid for long term lease

Section 194-I of the Income-tax Act, 1961 (the Act) requires that tax be deducted at source at the prescribed rates from payment of any income by way of rent. For the purposes of this section, "rent" has been defined as any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of any land or building or machinery or plant or equipment or furniture or fittings.

2. The issue of whether or not TDS under section 194I of the Act is applicable on 'lump sum lease premium' or 'one-time upfront lease charges" paid by an assessee for acquiring long-term leasehold rights for land or any other property has been examined by CBDT in view of representations received in this regard.

3. The Board has taken note of the fact that in the case of The Indian Newspaper Society (ITA No. 918 & 920/2015), the Hon'ble Delhi High Court has ruled that lease premium paid by the assessee for acquiring a plot of land on an 80 years lease was in the nature of capital expense not falling within the ambit of Section 194-I of the Act. In this case, the court reasoned that since all the rights easements and appurtenances in respect of the said land were in effect transferred to the lessee for 80 years and since there was no provision in lease agreement

for adjustment of premium amount paid against annual rent payable, the payment of lease premium was a capital expense not requiring deduction of tax at source under section 194-I of the Act.

4. Further, in the case Foxconn India Developer Limited (Tax Case Appeal No. 801/2013), the Hon'ble Chennai High Court held that the one-time non-refundable upfront charges paid by the assessee for the acquisition of leasehold rights over an immovable property for 99 years could not be taken to constitute rental income in the hands of the lessor, obliging the lessee to deduct tax at source under section 194-I of the Act and that in such a situation the lease assumes the character of "deemed sale". The Hon'ble Chennai High Court has also in the cases of Tril Infopark Limited (Tax Case Appeal No. 882/2015) ruled that TDS was not deductible on payments of lump sum lease premium by the company for acquiring a long-term lease of 99 years.

5, In all the aforesaid cases, the Department has accepted the decisions of the High Courts and has not filed an SLP. Therefore, the issue of whether or not TDS under section 194-I of the Act is to be made on lump sum lease premium or one-time upfront lease charges paid for allotment of land or any other properly on long-term lease basis is now settled in favour of the assessee.

6. In view of the above, it is clarified that **lump sum lease premium or one-time upfront lease charges, which are not adjustable against periodic rent, paid or payable for acquisition of long-term leasehold rights over land or any other property are not payments in the nature of rent within the meaning of section 194-I of the Act. Therefore, such payments are not liable for TDS under section 194-I of the Act.**

Section 115BA-Depreciation restricted to 40%

S.O. 3399(E).-In exercise of the powers conferred by section 32, section 115BA and section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes, hereby, makes the following rules further to amend the Income-tax Rules, 1962, namely:-

(1) These rules may be called the Income-tax (29th Amendment) Rules, 2016.

(2) In the Income-tax Rules, 1962 (here after referred to as the principal rules),-

(a) in rule 5, after sub-rule (1), the following proviso shall be inserted with effect from 1st day of April, 2016, namely:-

"Provided that in case of a domestic company which has exercised option under sub-section (4) of section 115BA, the allowance under clause (ii) of sub-section (1) of section 32 in respect of depreciation of any block of assets entitled to more than forty per cent. shall be restricted to forty per cent. on the written down value of such block of assets."

(b) in the New Appendix I, in the Table, in the second column, for the figures " '50', '60', '80', '100' ", wherever they occur, the figure "40" shall be substituted with effect from the 1st day of April, 2017.

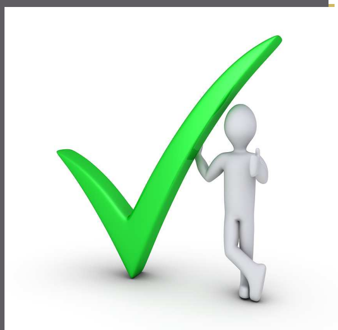
IN MEMORIAM

Only when women are financially independent, they will gain confidence and willpower to bridge the gender gap. If a woman thinks she can, she can not only rewrite her fate but also the lives of others.

~ Jayalalithaa Jayaram

Jayalalithha Jayaram
1948 - 2016

MVAT: Computerized Desk Audit for FY 2013-14



"CDA not applicable to cases selected for comprehensive assessment."

The department has generated Computerized Desk Audit (CDA) reports for the period 2013-2014 after analyzing electronic data pertaining to e-Returns, audit reports in form e-704 and annexures thereof uploaded by all the dealers. The CDA for this period has resulted into findings of likely tax liability in respect of some of the dealers. The CDA findings for this period are available through dealers' access on the web site www.mahavat.gov.in and also dealers can submit compliance electronically. The dealer will not be required to visit the sales tax office for audit period if he agrees with the findings of the CDA and pays tax as per CDA along with applicable interests.

2. Selection of cases for the regular assessment for the period 2013-2014:

The department has selected the cases for comprehensive assessment for the year 2013-2014. The facility of CDA will not be available to these Assessees. Assessees, in these cases, will be required to attend before the assessing authority for the complete verification of their books of accounts. The list of assesses selected for assessment is displayed on the web site www.mahavat.gov.in .

3. The CDA parameters and the cases selected for the CDA for the period 2013-2014: The CDA findings have been generated on 11 parameters as shown below.

Audit Parameter Description

- Tax Credit (set-off) from non-genuine suppliers
- Tax Credit (set-off) from TINs not existing in MAHAVIKAS registration database
- Tax Credit (set-off) from Registration Cancelled Suppliers
- Tax Credit (set-off) from suppliers who are return non-filers for the complete year
- Tax credits (set-off) from suppliers who are composition dealers filing only Form 232
- Tax credits (set-off) from suppliers not showing taxable sales in returns
- Excess tax credits (set-off) in annexure J2 of buyer where supplier has filed complete annexure J1 but has shown no sale to the buyer
- Excess tax credits (set-off) in annexure J2 of buyer where supplier has filed complete annexure 11 but has shown less sales to the buyer
- Asked to pay amount in Part I of Form e-704 under MVAT Act
- Asked to pay amount in Part I of Form e-704 under CST Act
- Excess tax credit (set-off) in annexure J2 claimed by buyer where Gross purchase amount matches with Gross Sales amount shown by seller in annexure JI.

The dealers, in whose cases, discrepancies have been found in any or all of the parameters as above, and whose names appear in CDA Dealer List – 2013-2014 on the web-site www.mahavat.gov.in may opt for compliance to the CDA through the online system.

4. The CDA compliance system available on the web site:

The Computerized Desk Audit compliance system consists of;

- The communication of the CDA findings in Form 504 A followed by the Annexure wherein the dealer can see the details of the transactions pertaining to the CDA parameters.
- The CDA Web Compliance Form in which the dealer can accept or reject the parameter-wise tax liability
- The Interest Utility for calculation of interest under section 30(2)
- The dealer can fill Payment details & Return details and submit online compliance.
- Communication of findings of CDA through a notice in form 604 A i.e. an intimation Os. 63 (7} of the MVAT Act:

5. The communication of the CDA findings shall be in notice in form 604 A. It shall be available to the concerned dealer on the web site www.mahavat.gov.in. The

dealer will be required to login with his user id and password.

After log in, the dealer will open the link "Computerized Desk Audit" and select the relevant financial year to download CDA findings. After clicking the link for download, CDA findings in form 604 A will be downloaded in zipped file and can be saved by the dealer as HTML file. At the same time an acknowledgment will be generated for the department regarding successful delivery of CDA findings in form 604 A. The said acknowledgment will also be available to the dealer on the web-site.

The CDA findings in form 604 A (HTML file) will be available to the dealers from 21′ November 2016 through their log in IDs on MAHAVAT website as stated above. The dealers will also receive the CDA findings in form 604 A (zipped HTML file) through e-mails on the e-mail iDs which are available with the department. An intimation about selection of case under CDA category will also be intimated to the dealer through customized SM5.

After compulsorily downloading CDA findings in form 604 A, the link for CDA compliance web-form will be available to the dealer for compliance. It may be noted that unless the CDA findings in form 604 A is downloaded, the dealer will not be able to access the CDA Compliance Form.

6. Compliance to the CDA and Payment of due Tax and Interest.

The compliance to the CDA is required to be made directly on the website. For this purpose, the dealer would be required to access the "CDA Compliance Form" for the relevant year in the link "Computerized Desk Audit" on the web site www.mahavat.gov.in through his login id and the password. This report shows the audit parameters and the related tax liability in a tabular form. The facility of acceptance or denial of any of the audit parameters and also the facility for entering interest payments u/s 30(2) and 30(4) have also been made available to the dealer through a button on the same web page. Also a button is pr ovided for accessing Interest calculation utility.

a. The dealer shall go through the information provided in CDA so as to arrive at a decision as to whether the additional tax liability for each audit parameter is acceptable to him or not. For this purpose he may go through the details as mentioned in CDA findings in form 604 A (html file) where the tax liability against each audit parameter in CDA is supported by party-wise sale / purchase transactions.

b. The dealer may accept the audit parameter and the tax liability thereof in terms of any or all of the audit For his acceptance, he will select 'YES' from the drop down menu against the relevant parameter. The dealer may not accept the audit parameter and the tax liability thereof. For his non-acceptance he will select 'NO' from the drop down menu against the relevant parameter. Partial acceptance of tax liability against any parameter is not provided for. However, the dealer may accept liability on account of some parameters and may deny the tax liability on some other parameters. The dealer should select 'NO' if the parameter risk is zero.

c. In case of accepted tax liability the dealer would calculate the interest payable under section 30 (2) using the utility provided under the button "Calculate Interest". The dealer has to distribute the admitted tax liability across all return periods applicable as per the periodicity if the payments are made before 1′ April 2015 e.g. asked to pay category payment. If the payments are made on or after 1′ April 2015, then the dealer has to calculate interest applicable for Annual revised return as per the amendment in section 30(2) applicable for such periods.

Further, the State Government has issued a Notification No. VAT 1515/CR-81/Taxation-1, dated 51–1‘ November 2015. By virtue of the said notification an amendment to sub rule (1) of the principle rule 88 under Maharashtra Value Added Tax Rules 2005 is effected. Earlier under rule 88(1) the rate of interest was one and half quarter percent of the amount delayed tax payment. By this amendment the rate of interest prescribed under rule 88(1) for the purpose of subsection (1) (2) and (3) of section 30 of Maharashtra Value Added Tax Act 2002 are revised. The said amendment is effective from 1stDecember 2015

Depending upon the applicable due dates and as per revised interest rate, the system will calculate interest for relevant return periods. The dealer is required to calculate interest on the total tax admitted in Compliance web-form excluding any interest amount if included in asked to pay parameters. The dealer would also calculate the interest payable under section 30(4), as may be applicable, and first pay the net tax and the interest so calculated. Necessary validations have been provided so that the CDA Compliance Report gets accepted only if the tax liability and the applicable interests are fully paid in relation to the accepted pa-

rameters.

d. If the dealer had already made tax payments for the audit parameter now communicated to him, then such chalan details can be entered in the Chalan form available by clicking "Payment button" provided in the CDA Compliance web-form. The details about balance additional tax, if any, paid after receipt of CDA report can be entered in another chalan added by clicking the "Payment button". The facility of entering multiple chalan details under MVAT and CST Acts is provided the "Payment button".

e. As per the Explanation to section 30(4), if the additional tax liability is less than 10 percent of 'Taxes paid' as per the admitted tax liability in returns / revised returns (after adjusting tax credits) filed before receipt of CDA intimation, then interest u/s 30(4) is not payable. Similarly, if the additional liability is on account of CST declarations not received by the dealer, then also interest under section 30(4) is not If a dealer admits some or all of the audit parameters and the admitted tax liability is below 10% of the taxes paid along with returns filed before delivery of CDA intimation, then he will not be required to pay interest under section 30(4).

It may be noted that without the payment of applicable interests, the CDA Compliance will not be accepted on the web-site. It may also be noted that the physical submission of the CDA Compliance will not be accepted.

f. Once the tax and interests are paid the dealer would then file the annual revised return as contemplated u/s 20(4) (c) showing the revised details appropriately.

g. The dealer would then fill in the details of tax and interest payment in the CDA compliance report and confirm the same by clicking the "Submit Compliance" button on the web page of the "CDA Compliance Report". The compliance to the CDA is to be made on or before 20.12.2016. It is therefore in the interest of the dealer to download the "CDA Report" and the intimation in form 604 A as soon as possible. The online submission of the CDA Compliance Report will be treated as full compliance in relation to admitted audit parameters' additional tax liability. Full compliance related to a parameter will result in closure of the parameter.

h. The dealer is at liberty to disagree with the CDA. However, all the cases where parameters have not been accepted will be taken up for scrutiny, by way of Issue Based Assessment or comprehensive assessment, for the confirmation of facts through the personal hearing of the dealer in which case the penalty under section 29 (3), in addition to interests, shall also be payable. As stated above the partial acceptance against a particular parameter will not be accepted.

i. The facility of CDA Compliance will not be available to LTU dealers or PSI cases or refund claiming dealers or the cases pending for investigation or the cases specifically selected for comprehensive audits or assessments for the period 2013-14. As stated earlier, the cases selected for comprehensive audits or assessments pertaining to period 2013-14 is displayed on the MAHAVAT web-site.

7. Benefits of the online CDA Compliance:

The dealer will not be required to come to the department for verification of the books of accounts. The audit parameters selected are clear and generated from the dealer's own submissions. In most of the cases, there is a single audit parameter which is easy to comply. The dealer will be saved from the cost of compliance through the online compliance mechanism.

8. Communication of case closure in form 605:

The department will separately inform the closure of the CDA cases in which full compliance is received and the due taxes and interests have been paid. Such a communication will be in form 605.

9. The dealers are requested to positively respond to the contents of this circular. This Circular cannot be made use of for legal interpretation of provisions of law, as it is clarificatory in nature. in case of any doubt, the dealer may contact the designated officer on the telephone number provided in Form 604 (A) or mentioned in CDA Cases list on Mahavat website.

"The compliance to CDA is to be made on or before 20.12.2016"

LLB & Co.

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No excise till 31.03.2017 on POS devices

Point of Sale (POS) Devices and Goods required for their manufacture exempted from Central Excise Duty till March 31, 2017.

The Government has demonetised the currency notes of Rs 500 and Rs 1,000 with effect from mid-night of 8th-9th November, 2016. Along with this, the Government has also laid increased emphasis on promoting digital payments.

Point of Sale (POS) devices are used for cashless transactions, both for making payments or disbursing cash. POS do not attract any basic customs duty. To further reduce the cost of such devices and thereby encourage digital payments, the Government has exempted such devices from Central Excise Duty. Consequently, these devices will also be exempt from Additional Duty of Customs [commonly known as CVD] and additional duty of customs [commonly known as SAD]. Simultaneously, to encourage domestic manufacturers of such devices, all goods required for the manufacture of POS devices have also been exempted from excise duty, and consequently from CVD and SAD. These exemptions will be valid till 31st March 2017.