



LLB & Co.
Chartered Accountants

an eye on future
happy republic day



Innovation is not a process
but a state of mind.
Therefore it can't be learned
~ Ivonne Kinser

Connection

Volume V, Issue 10

January 2017

Just to Remind You

- Jan 30 - Payment of TDS on Purchase of Property for December
- Jan 31 - TDS Return for December Quarter
- Jan 31 - GST enrollment for Excise and Service Tax Assesseees
- Jan 31 - Payment & Monthly Return for Maharashtra PT

Inside this issue:

| | |
|--|---|
| Angel Funds | 4 |
| Income Tax - Updates | 5 |
| Migration of existing Taxpayers to GST | 5 |
| Professional Update - ICAI | 6 |

Statement of Financial Transactions (SFT)

Section 285BA of the Income Tax requires specified reporting persons to furnish statement of financial transaction. Rule 114E of the Income Tax Rules, 1962 specifies that the statement of financial transaction required to be furnished under sub-section (1) of section 285BA of the Act shall be furnished in Form No. 61A.

The prescribed schema for Form 61A can be downloaded from the e-filing website home page under "Schema & Validation Rules" tab and a utility to prepare Form 61A XML file can be downloaded from the e-filing website home page under forms (other than ITR) tab.

Transaction Types

Reporting person/entity is required to furnish separate Form 61A for each transaction type. The transaction types under SFT have been categorised as under:

- SFT- 001: Purchase of bank drafts or pay orders in cash
- SFT- 002: Purchase of prepaid instruments in cash
- SFT- 003: Cash deposit in current account
- SFT- 004: Cash deposit in account other than current account
- SFT- 005: Time deposit
- SFT- 006: Payment for credit card
- SFT- 007: Purchase of debentures
- SFT- 008: Purchase of shares
- SFT- 009: Buy back of shares
- SFT- 010: Purchase of mutual fund units

- SFT- 011: Purchase of foreign currency
- SFT- 012: Purchase or sale of immovable property
- SFT- 013: Cash payment for goods and services
- SFT- 014: Cash deposits during specified period (1st April, 2016 to 8th November, 2016 and 9th Nov to 30th Dec, 2016).

Identification of transactions to be reported

The first step in preparation of **Statement of Financial Transactions (SFT)** is to identify transactions/persons/accounts which are reportable under Rule 1 14E. In the second step, the reporting person/entity is required to submit details of transactions/persons/accounts which are determined as reportable.

Aggregation Rule

Aggregation rule needs to be applied for specified transaction types to identify transactions/persons/accounts which are reportable. Rule 1 14E specifies that the reporting person shall, while aggregating the amounts for determining the threshold amount for reporting in respect of any person -

- (a) take into account all the accounts of the same nature maintained in respect of that person during the financial year;
- (b) aggregate all the transactions of the same nature recorded in respect of that person during the financial year;
- (c) attribute the entire value of the transaction or the aggregated value of all the transactions to all the persons, in a case where the account is



maintained or transaction is recorded in the name of more than one person;

The aggregation rule is applicable for all transaction types except SFT- 012 (Purchase or sale of immovable property) and SFT- 013 (Cash payment for goods and services).

Reporting Format

Form 61A has four parts. Part A contains statement level information is common to all transaction types. The other three parts relate to report level information which has to be reported in one of the following parts (depending on the transaction type):

- Part B (Person Based Reporting)
- Part C (Account Based Reporting)
- Part D (Immovable Property Transaction Reporting)

The applicability of the reporting format is discussed in following paragraphs.

Person Based Reporting (Part B)

Part B shall be used for person based reporting which is relevant to following transactions:

- SFT- 001: Purchase of bank drafts or pay orders in cash
- SFT- 002: Purchase of prepaid instruments in cash
- SFT- 005: Time deposit



- SFT- 006: Payment for credit card
- SFT- 007: Purchase of debentures
- SFT- 008: Purchase of shares
- SFT- 009: Buy back of shares
- SFT- 010: Purchase of mutual fund units
- SFT- 011: Purchase of foreign currency
- SFT- 013: Cash payment for goods and services

For determining reportable persons and transactions, the reporting person/entity is required to aggregate all the transactions of the same nature recorded in respect of the person during the financial year (refer to the applicability of aggregation rule). In a case, where the transaction is recorded in the name of more than one person, the reporting person/entity should attribute the entire value of the transaction or the aggregated value of all the transactions to all the persons.

The reporting person/entity is required to submit details of persons and transactions which are determined as reportable. The reporting format also enables reporting person/entity to furnish information relating to each individual product within a product type. E.g: if a person has multiple credit cards and the aggregate value of the transactions in all credit cards exceeds the threshold value, the aggregate transaction value will be reported in section B3 of form 61 A and the transactions pertaining to individual credit cards can be reported in section B4 of form 61 A.

Account Based Reporting (Part C)

Part C shall be used for account based reporting which is relevant to following transactions:

- SFT- 003: Cash deposit in current account
- SFT- 004: Cash deposit in account other than current account
- SFT- 014: Cash deposits during specified period (1st April, 2016 to 8th November, 2016 and 9th Nov to 30th Dec, 2016).

For determining reportable persons and accounts, the reporting person/entity is required to take into account all the accounts of the same nature maintained in respect of that person during the financial year and aggregate all the transactions of the same nature recorded in respect of the person during the financial year (refer to the applicability of aggregation rule). In a case where the account is maintained in the name of more than one person, the reporting person/entity should attribute the entire value of the transaction or the aggregated value of all the transactions to all the persons. In case of SFT-003 (Cash deposit or withdrawals in current account), the threshold limit has to be applied separately to deposits and withdrawals in respect of transactions. After identification of reportable persons and accounts, the reporting person/entity is required to submit details of accounts which are determined as reportable. Part C3 of the form 61 A has details of the accounts that need to be reported along with the aggregate transaction values. Aggregation of transaction has the same definition as explained in person based accounting.

Immovable Property Transaction Reporting (Part D)

Part D shall be used for reporting of purchase or sale of immovable property (SFT-012). The reportable immovable property transactions have to be determined by applying the threshold limit. The reporting person/entity is required to submit specified details of immovable property transactions which are determined as reportable.

Statement Type

One Statement can contain only one type of Statement. Permissible values for type of Statement are:

- NB – New Statement containing new information
- CB – Correction Statement containing corrections for previously submitted information
- ND – No Data to report

Statement Number and Statement ID

Statement Number is a free text field capturing the sender's unique identifying number (created by the sender) that identifies the particular Statement being sent. The identifier allows both the sender and receiver to identify the specific Statement later if questions or corrections arise. After successful submission of the Statement to ITD, a new unique Statement ID will be allotted for future reference. The reporting person/entity should maintain the linkage between the Statement Number and Statement ID. In case the correction statement is filed, statement ID of the original Statement which is being corrected should be mentioned in the element 'Original Statement ID'. In case the Statement is new and unrelated to any previous Statement, '0' will be mentioned in the element 'Original Statement ID'.



Report Serial Number

The Report Serial Number uniquely represents a report within a Statement. The Report Serial Number should be unique within the Statement. This number along with Statement ID will uniquely identify any report received by ITD. In case of correction, the complete report has to be resubmitted. The Report Serial Number of the original report that has to be replaced or deleted should be mentioned in the element 'Original Report Serial Number'.

This number along with Original Statement ID will uniquely

identify the report which is being corrected. In case there is no correction of any report, '0' will be mentioned in the element 'Original Report Serial Number'.

Form 61 Acknowledgement No.

If reporting person/entity has received declarations in Form 60 in respect of transactions listed in Rule 1 14E, Form 61 is required to be furnished to ITD. As mentioned in Chapter I, on successful loading of Form 61 (containing the particulars of Form 60), an Acknowledgement No. would be generated which has to be

mentioned at the time of filling Form 61A. Hence, unless Form 61 has been furnished, Reporting person/entity may face difficulty in filling Form 61A. Accordingly, it is to be ensured that Form 61 is furnished to the Department before Form 61A is filled.



Amendments related to Angel Funds approved by SEBI board

A framework for registration and regulation of angel pools under a sub-category "Angel Funds" under Category I-Venture Capital Funds have been provided in SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations") on 16.09.2013. Subsequently, in the board meeting held on 23.11.2016, SEBI board approved amendments related to Angel Funds which are as under:

- i. The upper limit for number of angel investors in a scheme is increased from forty nine (49) to two hundred (200).
- ii. The definition of start-up for Angel Fund investments is now aligned with the definition of DIPP as given in their start-up policy.
- iii. The requirements of minimum investment amount by an Angel Fund in any venture capital undertaking is reduced from fifty lakhs to twenty five lakhs.
- iv. The lock-in requirement of investment made by Angel Funds in the venture capital undertaking is reduced from three years to one year.

v. Angel Funds are allowed to invest in overseas venture capital undertakings upto 25% of their investible corpus in line with other AIFs.

Reserve Bank of India (RBI) vide its notification dated October 20, 2016 has allowed any registered Foreign Venture Capital Investor (FVCI) to invest in equity or equity linked instrument or debt instrument issued by an Indian 'start-up' irrespective of the sector in which the start-up is engaged. The start-ups so eligible will be incorporated or registered in India not prior to five years, with an annual turnover not exceeding INR 25 crores in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property etc.

On 24.10.2016, RBI amended FEMA to permit FPIs to invest in unlisted non-convertible debentures/bonds and securitised debt instruments. Further, RBI vide its circular dated 17.11.2016 has al-

lowed SEBI registered Foreign Portfolio Investments (FPIs) to invest in unlisted corporate bonds subject to certain end use restrictions in real estate business, capital market and purchase of land and securitized debt instruments.

In the meeting of the SEBI Board dated 23.11.2016, it was decided that FPIs shall be permitted to invest in the following:

- i. Unlisted corporate debt securities in the form of non-convertible debentures/bonds issued by an Indian company subject to the guidelines issued by the Ministry of Corporate Affairs from time to time.
- ii. Securitised debt instruments, including (a) any certificate or instrument issued by a special purpose vehicle (SPV) set up for securitisation of assets with banks, Financial Institutions (FIs) or Non-bank financial companies (NBFCs) as originators; and/or (b) any certificate or instrument issued and listed in terms of the SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008.



No Reopening for mere increase in Turnover due to demonetisation



CBDT has vide **Circular No. 40/2016** dated : 9th of December, 2016 clarified that Mere increase in turnover, because of use of digital means of payment or otherwise , in a particular year cannot be a sole reason to believe that income has escaped assessment in earlier years.

Reacting on Circular Vikas Vasal, Partner, Grant Thornton India LLP said that "Post

demonization, the government has taken many pro-active measures to encourage businesses and people to adapt non-cash modes for transacting business. This notification is quite timely and clarifies that increase in turnover due to use of digital modes of transactions, will not be used as the sole criterion by the tax authorities to assess whether any income has escaped tax

in the past years. This would ally fear of small and medium businesses that if their turnover for the current year is higher in comparison to earlier years, then their tax returns for the past years can be automatically re-examined."

Government asks banks to obtain PAN from account holders



Tightening the noose around tax evaders, the government has asked banks to obtain permanent account number (PAN) or Form- 60 if PAN is not available, from all bank account holders by February 28, 2017.

"Income-tax Rules have been amended to provide that bank shall obtain and link PAN or Form No. 60 (where PAN is not available) in all existing bank accounts (other than BSBDA) by February 28, 2017, if not already done," a notification by the Central Board of Direct Taxes (CBDT).

The persons who are having bank accounts but have not submitted PAN or Form No 60 are advised to submit the PAN or Form No 60 to the bank by

February 28, 2017, the notification stated.

However, this rule will not apply to Basic Savings Bank Deposit Accounts (BSBDA), which are zero balance savings accounts, including Jandhan accounts.

The BSBDA were introduced to take care of simple banking needs of people, which come with free ATM card, monthly statement and cheque book.

Last month, RBI had mandated that no withdrawal shall be allowed from the accounts having substantial credit balance/deposits if PAN or Form No.60 is not provided in respect of such accounts. It further said that the banks and post offices had also

been mandated to submit information in respect of cash deposits from April 1, 2016 to November 8, 2016 in accounts where the cash deposits during the period November 9, 2016 to December 30, 2016 exceeds the specified limits.

It has also been provided under the new rules that person who is required to obtain PAN or Form No.60 shall record the PAN/Form.No.60 in all the documents and quote the same in all the reports submitted to the Income- Tax Department.

Legal Provisions Relating To Migration of Existing Tax Payers



Sec 166. Migration of existing taxpayers to GST

On the appointed day, every person registered under any of the earlier laws and having a valid PAN shall be issued a certificate of registration on a provisional basis in such form and manner as may be prescribed.

The certificate of registration issued under sub-section (1) shall be valid for a period of six months from the date of its issue:

- PROVIDED that the said validity period may be extended for such further period as the Central/ State Government may,

on the recommendation of the Council, notify.

- Every person to whom a certificate of registration has been issued under subsection (1) shall, within the period specified under sub-section (2), furnish such information as may be pre-

scribed.

- On furnishing of such information, the certificate of registration issued under subsection (1) shall, subject to the provisions of section 23, be granted on a final basis by the Central/State Government.
- The certificate of registration issued to a person under sub-section (1) may be cancelled if such person fails to furnish, within the time specified under subsection (2), the information prescribed under sub-section (3).
- The certificate of registration issued to a person under sub-section (1) shall be deemed to have not been issued if the said registration is cancelled in pursuance of an application filed by such person that he was not liable to registration under section 23.

A person to whom a certificate of registration has been issued on a provisional basis and who is eligible to pay tax under section 9, may opt to do so within such time and in such manner as may be prescribed:

- PROVIDED that where the said person does not opt to pay tax under section 9 within the time prescribed in this behalf, he shall be liable to pay tax under section 8.

Draft Registration Rules

Rule 14. Migration of persons registered under Earlier Law

(1) Every person registered under an earlier law and having a Permanent Account Number issued under the Income Tax Act, 1961 (Act 43 of 1961) shall be granted

registration on a provisional basis and a certificate of registration in FORM GST REG-21, incorporating the Goods and Services Tax Identification Number (GSTIN) therein, shall be made available on the Common Portal.

(2)(a) Every person who has been granted a provisional registration under subrule (1) shall submit an application electronically in FORM GST REG-20, duly signed, along with the information and documents specified in the said application, on the Common Portal either directly or through a Facilitation Centre, notified by the Board or Commissioner.

(b) The information asked for in clause (a) shall be furnished within the period specified in section 142 or within such further period as may be extended by the Board or Commissioner in this behalf.

(c) If the information and the particulars furnished in the application are found, by the proper officer, to be correct and complete, a certificate of registration in FORM GST REG-06 shall be made available to the registered taxable person electronically on the Common Portal.

(3) Where the particulars and/or information specified in sub-rule (2) have either not been furnished or not found to be correct or complete, the proper officer shall cancel the provisional registration granted under sub-rule (1) and issue an order in FORM GST REG-22:

Provided that no provisional registration shall be cancelled as aforesaid without serving a notice to show cause in FORM GST REG-23 and without affording the person concerned a reasonable opportunity of being heard.

(4) Every person registered

under any of the earlier laws, who is not liable to be registered under the Act may, at his option, file electronically an application in FORM GST REG-24 at the Common Portal for cancellation of the registration granted provisionally to him and the proper officer shall, after conducting such enquiry as deemed fit, cancel the said provisional.



**Are you
ready
for
GST?**

LLB & CO.

525, The Summit Business Bay,
Behind Gurunanak Petrol Pump,
Near W.E. Highway Metro and
Cinemax,
Andheri (East),
Mumbai - 400 069

Office No.: 5, Barsana,
Salasar Brij Bhoomi,
Near Maxus Mall,
Bhayandar (West),
Thane - 401101

Phone: +91 - 22 - 26831036
+91 - 22 - 49242456
+91 - 22 - 28040048

e-mail: info@llbco.in
web: www.llbco.in



Exposure Draft on Annual Improvements to IFRS

Exposure Draft issued by the International Accounting Standards Board (the Board) on proposed amendments to three Standards for public consultation as part of its annual improvements process. The document contains proposed amendments to IAS 12 *Income Taxes*, IAS 23 *Borrowing Costs* and IAS 28 *Investments in Associates and Joint Ventures*.

The proposed amendments to IAS 12 clarify that an entity should account for all income tax consequences of dividends in the same way, regardless of how the tax arises. The IASB also proposes to amend IAS 23 to clarify which borrowing costs are eligible for capitalisation as part of the



cost of an asset in particular circumstances. The proposed amendments to IAS 28 clarify that an entity should apply IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture to which it does not apply the equity method.

Comments should be submitted using one of the following methods, so as to be received not later than February 20, 2017:

- Click on the below mentioned option to submit a comment letter or visit at the following link (Preferred method): <http://www.icai.org/comments/asb/>
- Comments can be sent to: commentsasb@icai.in

Disclaimer:

This newsletter is prepared strictly for private circulation and personal use only. This newsletter is for general guidance on matters of interest only and does not constitute any professional advice from us. One should not act upon the information contained in this newsletter without obtaining specific professional advice. Further no representation or warranty (expressed or implied) is given as to the accuracy or completeness of the information contained in this newsletter.

