



# Echo

Quarterly Newsletter - 19

March 2016

## Editors Speak

Welcome 2016-17...

The JVRites proudly present the 19th edition of ECHO - a medium to keep us updated with the happenings in the economy and, around us.

Firstly, we would like to congratulate our managing partner Mr. Jomon K George FCA on being elected as the Secretary of SIRC.

Our best wishes to the students appearing for their IPCC/Final exams in May. May all of you come out with flying colours. And we also use this opportunity to welcome all the new joinees. After the wonderful tour and get-together, now we all are marching ahead to another audit season. The Partners and articles have geared up for bank audits, CAG audits in the coming months.

In this quarter we had our annual get-together, live telecast of Union Budget, Budget analysis by Jomon Sir, monthly projects and regular Monday seminars. In addition to gaining of knowledge, the Monday discussions have also helped us to represent ourselves for seminars at the ICAI Cochin Chapter.

This edition of Echo covers The Highlights of Union Budget, 2016, a comparison between CARO 2015 & CARO 2016 and glimpses of our annual get-together.

Change is inevitable. Success comes to those who accept change, adapt to it and use it to their advantage. Everything in the world revolves around one basic theory – “Survival of the fittest.”

Wishing you a great reading experience...

## Key Changes in Reporting Requirements

- CARO 2016 notified.
- Companies (Accounting Standards) Amendment Rules, 2016 notified.
  - AS-2, AS-4, AS-10, AS-13, AS-14, AS-21, AS-29 amended
  - AS-6 Omitted.
  - AS-10 renamed as 'Property, Plant & Equipment'.
- Report on the Internal Financial Controls under Clause (i) of Sub section 3 of Section 143 of the Companies Act, 2013 to be annexed as part of the Independent Auditors Report.

## **MAJOR BUDGET HIGHLIGHTS - DIRECT TAXES**

### **Dividend**

Dividend in excess of Rs. 10 lakh shall be chargeable to tax in the case of an individual, Hindu undivided family (HUF) or a firm who is resident in India, at the rate of ten percent.

### **New TDS Rates (w.e.f 01.06.2016)**

Sec	Nature	Existing Rate/Limit	New Rate/Limit
192A	Payment of accumulated balance due to an employee	30,000	50,000
194B B	Winnings from Horse Race	5,000	10,000
194C	Payments to Contractors	Aggregate annual limit of Rs.75,000	Aggregate annual limit of Rs.1,00,000
194L A	Payment of Compensation on acquisition of certain Immovable Property	2,00,000	2,50,000
194D	Insurance commission	20,000	15,000
194G	Commission on sale of lottery Tickets	1,000	15,000
194H	Commission or brokerage	5,000	15,000
194D A	Payment in respect of Life Insurance Policy	2%	1%
194E	Payments in respect of NSS Deposits	20%	10%
194D	Insurance commission	Rate in force (10%)	5%
194G	Commission on sale of lottery tickets	10%	5%
194H	Commission or brokerage	10%	5%

*For non-residents providing alternative documents to PAN card, higher TDS not to apply.*

### **Tax Rates for Domestic Companies**

In case of domestic company, the rate of Income-tax shall be twenty nine per cent of the total income if the total turnover or gross receipts of the company in the previous year 2014-15 does not exceed five crore rupees. In all other cases the rate of Income - tax shall be thirty per cent of the total income. In order to provide relief to newly setup domestic companies engaged solely in the business of manufacture or production of article or thing, it is proposed to amend the Act by way of insertion of new section 115BA, to provide that the income tax payable in respect of the total income of a domestic company for any previous year relevant to the assessment year beginning on

or after the 1st day of April, 2017 shall be computed @ 25% at the option of the company.

### **Extending the benefit of initial additional depreciation under section 32(1)(iia) for power sector**

In order to rationalize the incentive of power sector, it is proposed to amend this section so as to provide that an assessee engaged in the business of transmission of power shall also be allowed additional depreciation at the rate of 20% of actual cost of new machinery or plant acquired and installed in a previous year. This amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-18 and subsequent assessment years.

### **Start Ups - Sec 80IAC (w.e.f AY 2017-18)**

A deduction of one hundred percent of the profits and gains derived by an eligible start-up from a business involving innovation development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

### **Sec 80GG – Deduction for Rent paid**

Increased the maximum limit of deduction from existing Rs. 2000 per month to Rs.5000 per month.

### **Rebate – Sec 87A**

Limit increased from Rs.2000/- to Rs.5,000/-

### **Introduction of Presumptive taxation scheme for persons having income from profession**

New section 44ADA is proposed to be inserted in the Act to provide for estimating the income of an assessee who is engaged in any profession referred to in subsection (1) of section 44AA such as legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession as is notified by the Board in the Official Gazette

and whose total gross receipts does not exceed fifty lakh rupees in a previous year, at a sum equal to fifty per cent. of the total gross receipts, or, as the case maybe, a sum higher than the aforesaid sum earned by the assessee. The scheme will apply to such resident assessee who is an individual, Hindu undivided family or partnership firm but not Limited Liability partnership firm.

### **Presumptive Taxation**

Sec 44AD limit increased to Rs.2 crores from Rs.1 crore. It is also proposed that where an eligible assessee declares profit for any previous year in accordance with the provisions of this section and he declares profit for any of the five consecutive assessment years relevant to the previous year succeeding such previous year not in accordance with the provisions of sub-section (1), he shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the previous year in which the profit has not been declared in accordance with the provisions of sub-section (1).

**Justin T Xavier**

# CARO 2016

## APPLICABILITY:-

- CARO 2016 would be applicable to every company (except companies that are excluded) including a foreign company as defined under Section 2(42) of the Companies Act 2013.
- CARO 2016 would not be applicable to auditors report on consolidated financial statements.

## COMPANIES EXEMPTED UNDER CARO 2016 & CARO 2015:-

COMPANIES NOT COVERED UNDER CARO 2016	COMPANIES NOT COVERED UNDER CARO 2015
<ul style="list-style-type: none"> <li>➤ Banking Company</li> <li>➤ Insurance Company</li> <li>➤ Companies incorporated with Charitable objects</li> <li>➤ One Person Company</li> <li>➤ Small Company</li> <li>➤ Private Company, not being a subsidiary or holding of a public company:                             <ul style="list-style-type: none"> <li>- With a paid-up capital and reserves and surplus not more than INR 1 crore</li> <li>- Does not have total borrowings exceeding INR 1 crore from any bank or financial institution at any point of time during FY, and</li> <li>- Does not have a total revenue (including revenue from discontinuing operations) exceeding INR 10 crore during the FY as per the financial statements.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ Banking Company</li> <li>➤ Insurance Company</li> <li>➤ Companies incorporated with Charitable objects</li> <li>➤ One Person Company</li> <li>➤ Small Company</li> <li>➤ Private Company                             <ul style="list-style-type: none"> <li>- With a paid-up capital and reserves not more than INR 50 lakhs</li> <li>- Does not have outstanding loan exceeding INR 25 lakhs from any bank or financial institution, and</li> <li>- Does not have a turnover exceeding INR 5 crore at any point of time during the financial year</li> </ul> </li> </ul>

## MATTERS TO BE INCLUDED IN CARO 2016:-

### New requirements:

- **Fixed Assets:** Whether title deeds of immovable properties are held in the name of the company. If not, provide details thereof.
- **Loans and Investments:** In respect of loans, investments and guarantees, whether provisions of Section 185 and 186 of the 2013 Act have been complied with. If not, provide details thereof.
- **Managerial remuneration:** Whether managerial remuneration has been paid/provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the 2013 Act. If not, state the amount involved and steps taken by the company for securing refund of the same.
- **Nidhi Company:** Whether the Nidhicompany has complied with the net owned fund in theratioof 1:20 to meet the liability and whether the Nidhi company is maintaining 10% liquid assets to meet out the unencumbered liability.
- **Related party transactions:** Whether all transactions

with related parties are in compliance with Section 188 and 177 of the 2013 Act where applicable and the details have been disclosed in the financial statements, etc. as required by the accounting standards and 2013 Act.

- **Private placement:** Whether the company has made any private placement of shares or fully or partly convertible debentures during the year under review and if so, as to whether the requirement of section 42 of the 2013 Act have been complied with the amount raised and has been used for the purposes for which the funds were raised. If not, provide details thereof.

- **Non-cash transactions:** Whether the company has entered in to any non-cash transactions with directors or persons connected with him and if so, whether provisions of Section 192 of the 2013 Act have been complied with.

### Requirements that have been carried forward with certain modifications:

- **Inventory:** Whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, how they dealt with it in the books of account.
- **Granting of loans to certain parties:** Whether the company has granted any loans, secured or unsecured to companies, firms or other parties covered by section 2(76) of the 2013 Act which defines related parties in reference to companies. If so,
  - Whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest
  - Whether receipt of the principal amount and interest are regular.
  - If overdue amount is more than INR 5 lakhs, whether reasonable steps have been taken by the company for recovery of principal and interest.
- **Default in repayment of dues:** Whether the company has defaulted in repayment of dues to a financial institution or bank or debenture holder. If yes, the period and amount of default to be reported.
- **Application of term loans/public issue/follow-on offer:** Whether moneys raised by way of public issue/follow-on offer and term loans were applied for the purposes for which those are raised. If not, the details together with delays/default and subsequent ratification, if any, as may be applicable, be reported.
- **Fraud reporting:** Whether any fraud by the company or any fraud on the company by its officers/employees has been noticed or reported during the year. If yes, the nature and the amount involved should be indicated.

### Requirements that have been deleted as compared to CARO 2015:-

- Internal control system
- Deposit of statutory dues
- Accumulated losses and incurrence of cash losses
- Guarantee for loans taken by others from banks or financial institutions

# Munch & Crunch

@ TRAVANCORE COURT

Lunches and hangouts in corporate life is an essential catalyst for building a more valuable relationship in a team. This being my first ever team lunch, I was excited just like my fellow colleagues. From the mundane to the exciting, here I am, sharing my experience with you folks.

The team lunch was held on Monday, 7<sup>th</sup> March. It was a bright sunny day and when the clock struck 12 we all gathered around for our much awaited team lunch. Joining JVR is always a step towards progress; it was a wonderful way to express the happiness with lip-smacking and scrumptious food. We all headed to our destination which was the famous Travancore court.

Travancore Court welcomed us with great cheers and smiles. The lobby embellished with its heavy antique furniture made of Eetty (rose wood) gives a feeling of royalty. The huge table which was reserved for us was quite inviting and so was the sumptuous spread on offer. It was a treat for our eyes and tummy as well when we saw such exquisite and tasty delicacies arranged for us. From hankering rich curries and soft naans to south Indian traditional food with a contemporary twist, it was all there.

Before we jumped into starters we had to beat the heat with a chilled energising and nutritious grape drink. The feast began with warm soup which increased our appetite and we all headed towards the buffet. The buffet had a variety to savour from, beginning with the nutritious salads, traditional fish and beef curry, fried rice, noodles, to wide varieties of chicken and paneer. Food and friends go hand in hand and apart from work related discussions we were indulging our self in fun conversations and icebreakers which helped in building the team rapport. One of the team members puts an interesting topic to discuss and rest of the team munch away. We all had kept room for dessert and at the same time it was time to head back to office. The dessert section had assorted Indian Sweets, Pastry, Gulab Jamun with Ice Cream and the customary sauces.

It was a memorable lunch and a lovely get together with friends and our partners. Lively conversations, lots of laughs and making new friends, it made for a wonderful afternoon!!

**Sruthy Mohandas**



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