

Editors Speak!

We are proud to present the 21st edition of our quarterly newsletter ECHO.

“Success comes to those who deserve it, value it and manage it. It is the sum of small efforts, repeated day in and day out.”

JVR celebrated its 11th birthday on 1st September 2016. We are still growing Bigger, Better and Bolder.

Kudos to “Team JVR” for the dedicated and extraordinary efforts during the Income Tax Return filing season. Now, let us gear up for the ROC filing season.

Congrats to CA Chummar Thomas John for clearing CA Final in May 2016 attempt.

“Change is inevitable”. In this edition of Echo we bring to you the glimpse of proposed Goods and Services Tax, Internal Financial Controls over Financial Reporting and VAT Audit.

Wishing you all a great reading experience...

Congratulations...!!!



Chummar Thomas John
For clearing CA Final



Goods and Services Tax (GST) - An Overview

The 122nd Constitutional Amendment, 2014 has paved the way for introduction of the Goods and Services Tax (GST) by amending the constitution to introduce GST by empowering the Parliament and State legislatures to make laws on GST.

GST proposes to subsume many direct and indirect taxes levied by the central and state government such as Central Excise Duty, Central Sales Tax, Service Tax, State VAT, Entertainment Tax, Luxury Tax, Entry Tax and many more...

GST will be levied on “supply” of goods and services (except alcoholic liquor for human consumption) as against the multiple points of indirect taxation on manufacture of goods, sale of goods or provision of service.

The Centre would levy an Integrated GST (IGST) on the inter-state supply of goods and services. In case of intra-state supply of goods and services the Central Government would levy Central GST (CGST) and the State Governments would levy State GST (SGST).

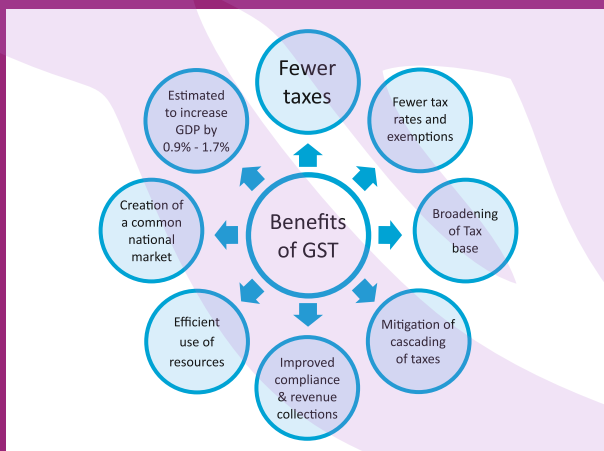


GST seeks to levy tax on value addition at each stage of the value chain and remove the cascading effect of taxes and possibility of double taxation by providing seamless input tax credit across the country.

The Draft CGST/SGST Act has set a threshold limit of Rupees Ten lakhs for a taxable person. GST Registration will be a simple PAN based registration procedure and a GST identification number will be allotted to the assessee. The Government has already initiated collecting data of existing registered dealers under various existing indirect taxes.

The GST which is likely to be effective in the near future will provide the benefits such as Ease of doing business in India, Broadening of Tax base, reduction in multiplicity of taxes, plugging revenue leakages and so on...

However calculation of revenue base of Centre and States, list of exemptions and tax holidays, compounding limits, requirements of state compensation are some of the major challenges for implementation of GST.



Ankit R Momaya

Internal Financial Controls over Financial Reporting

A combined study of the concerned provisions Companies Act, 2013 and ICAI Guidance Notes, below given are some points which can be helpful in understanding the said concept and establishing IFC in any Company:

I. Applicability:

The said Guidance Note applies for reporting on internal financial controls in respect of all type of companies incorporated under the Companies Act, 2013.

Simple reading of Section 143(3)(i) of the Act and Rule 10 (a) of the Corresponding Rules does not specifically provides that IFC is applicable only in the case of listed companies.

Therefore, it appears that the auditor is required to report on adequacy and operating effectiveness of such internal financial controls even in the case of all companies.

II. Auditor's Reporting:

Auditors Reporting on internal financial controls is a requirement specified in the Act and, therefore, will apply only in case of reporting on financial statements prepared under the Act and reported under Section 143.

Accordingly, Reporting on internal financial controls will not be applicable with respect to interim financial statements, such as quarterly or half-yearly financial statements, unless such reporting was required under any other law or regulation.

III. Responsibility in IFC:

Board of Directors - Boards' report of all companies to state the details in respect of adequacy of internal financial controls with reference to the financial statements.

Statutory Auditor- To express an opinion on the effectiveness of the company's internal financial controls financial reporting and the procedures in respect thereof are carried out along with an audit of the financial statements.

IV. Board & Audit Committee oversight:

Section 177 provides that the audit committee may call for Reporting on IFC under the Companies Act, 2013, the comments of the auditors about internal control systems including the observations of the auditors and may also discuss any related issues with the internal and auditors and the management of the company.

V. Some Other Points clarified in the ICAI Guidance Notes on Audit of Internal Financial Controls over Financial Reporting :

♣ Even if a specific statement of responsibility of the directors over internal financial controls is not made in the board's report to the members of unlisted companies, ensuring adequacy and operating effectiveness of the internal financial controls system still remains with the management and the persons charged with governance in the company.

♣ A company's internal financial control over financial reporting includes policies and procedures that –

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

♣ Audit Engagement Letter: It is to be issued by the auditor to the company. The auditor can issue 2 types of Engagement letters viz.

· Either issue combined engagement letter for reporting on financial statement and reporting on Internal Financial Statement; or

· Separate engagement letter for reporting on financial statement and reporting on Internal Financial Statement.

♣ Management Representation Letter: To be issued by the entity to the auditor.

Therefore, the concept of Internal Financial Control is not only process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements but it also leads to good governance and lucidity or better transparency in the company.

VAT Audit

Section 42 of The Kerala Value Added Tax Act, 2003 prescribes that, every dealer whose turnover exceeds Rs. 60 lakhs, should get his accounts audited annually by a Chartered Accountant or a Cost Accountant.

The Kerala Value Added Tax Rules, 2005 prescribes the Procedure for Audit of accounts and certification in Rule 60.

According to the rule, certificate in Form No. 13 shall be submitted to the assessing authority within the due dates prescribed. A copy of the audited statement of accounts for the year along with a statement in Form No. 13A is also to be attached along with the certificate.

Due dates for furnishing VAT audit report is as follows:

Particulars	Due Date
Company	31st day of January
Other cases	31st day of December

If the head office of a dealer registered under the Act is situated outside the State, the statement of accounts shall be filed in respect of the activities in the State separately, along with consolidated Financial Statements (if the same has not been drawn up separately in the Audit Report).

Lucy Ann Thomas



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