

Editor's Word!

Hello JVRites,

In the dawn of a new tax audit season, with immense pleasure, we present to you the 28th edition of our quarterly newsletter, "Echo"!!!

JVRites were all in and geared up for the Annual Indoor Games - "IMPETUS", organized by SICASA. Hearty congratulations to Ann and Smrithy for coming in second at the Badminton Girls Doubles and to Allan and Liya who played valiantly at the semifinals of Badminton Mixed Doubles. Both the Girls and the Boys Basketball teams put up a spirited fight that saw them reach the semi and quarter finals. And a big shout out to the Volleyball Team, whose sensational and incredible game was no easy feat and is still etched in the minds of everyone who witnessed it.

Kudos to all JVRites for embracing & furthering the opportunity of presenting constructive seminars biweekly on various topics spanning from The Companies Act, 2013 to Accounting and Auditing Standards.

Congrats to Sharon Mathew, Tinu Shaji and Shela Jose for qualifying CA finals and to Swathy Vijay for clearing first group of CA finals in May-2018 exams.

In this edition of Echo, we discuss the changes made to the Income Tax Returns and help you file them, as we brace for another busy audit season ahead.

On 1st July, the country marks the end of its first full year of GST – the path breaking tax reform, which made our entire economy a single market place. Implications of GST during the finalization of accounts are highlighted. Happy Reading!

Harigovind J

CONGRATULATIONS



Impetus2018



GST IMPLICATIONS DURING FINALIZATION OF ACCOUNTS

Currently every business organization is engaged in finalizing books of accounts and preparation of Financial Statements for the financial year 2017-18. This financial year is divided into two indirect tax regimes namely, pre-GST (Excise, Service Tax and VAT) and post-GST. This being the first financial year since GST implementation, it becomes important to understand the legal provisions under GST law while finalizing books of accounts and preparation of Balance Sheet. Therefore, in order to safeguard the interest of the business organizations and provide some idea regarding GST audit preparation, let us have a look at some of the important points to be taken care of during the finalization of accounts.

1. Reconciliation of sales / other income as per books of accounts with GSTR-1 / GSTR-3B outward liability
2. Reconciliation of GSTR-3B & GSTR-1 & subsequent adjustment/rectification of returns
3. Reconciliation of purchases or inward supply as per books of accounts with GSTR-3B inward liability
4. Reconciliation of Input Tax Credit and GST liability ledgers
5. Admissibility of input tax credit (ITC)
6. Classification of goods / services and respective rate in case of composite supply
7. Matching of ITC on imported goods with value reflected in ICGATE portal
8. Verification of “place of supply” to check whether correct GST is charged
9. Reverse charge liability in case of goods / services
 - a) It is advisable to reconcile value reported in GSTR-3B with respective expense ledger.
 - b) The applicability of RCM should be ascertained and paid.
 - c) Input Tax Credit on RCM availed as per books of accounts needs to be compared with the GST Return as per section 16 of the CGST Act 2017.
10. Verification of “Other Income” ledger to confirm as to whether GST is applicable on any of such transaction for which tax invoice is not prepared.
11. Supply of services free of cost to branches located in other states is to be treated as “outward supply” and accordingly, IGST will be applicable.
12. Non-availment of ITC in case of FOC receipt since there is no question of making payment to the vendor, which is one of the pre-condition of availment of credit.
13. Creditors more than 6 months (180 days) If such payment is not made within 180 days from the date of tax invoice, then in that case, input tax credit availed against such tax invoice is required to be reversed along with interest.
14. In case companies have not reduced GST liability and paid full GST amount as mentioned in tax invoice, the excess payment can to be adjusted in financial year 2018-19 at the time of filing GSTR-3B of any month.
15. Any foreign payment made (apart for import of goods) for which CA Certificate is obtained may attract IGST towards import of service under reverse charge.
16. Any recovery from employees such as recovery of any amount towards transport charges, mobile expenses, notice pay, canteen expenses etc. would attract GST and shall be treated as outward supply.
17. In case of any value of goods written off in the books, respective ITC needs to be reversed.
18. Reversal of ITC in case of exempted / non-GST supply
19. ITC on pre-paid expenses

Thomas Jacob

KEY CHANGES IN INCOME TAX RETURNS FOR A.Y.-2018-19

The Central Board of Direct Taxes (CBDT) has notified income tax return (ITR) forms applicable to Assessment Year 2018-19. These ITR forms will be applicable to filing of income tax return in respect of income earned from April 1, 2017 to March 31, 2018. The new forms incorporate the changes made by the Finance Act, 2017 in the Income tax Act, 1961.

ITR-1: For individuals being a resident other than ordinarily resident having Income from Salaries, one house property, other sources (Interest etc.) and having total income up to Rs.50 lakh.

- From A.Y. 2018-19, new ITR forms require the individual assessee to provide detailed calculation (salary structure) in case of salary & house

property income, which was restricted to single figure till last year.

- A non-resident will have to choose either form ITR-2 or ITR-3 to file his return of income for the Assessment Year 2018-19.

ITR-2: For Individuals and HUFs not having income from profits and gains of business or profession.

- Income from Business or Profession is no more reportable in this return. In A.Y. 2017-18, an individual or an HUF, who is a partner in a firm, could file ITR 2. This year, such persons have to file ITR 3.

ITR-3: For individuals and HUFs having income from profits and gains of business or profession.

ITR-4: For presumptive income from Business and Profession by Individuals, HUF and Firms.

- Information relating to the GST Number and the Turnover/Gross Receipt as per GST return filed is to be provided.
- The new ITR 4 for A.Y.2018-19, mandates reporting of turnover/ gross receipts, gross profit, expenses, net profit, total debtors, creditors, stock in trade and cash balance as at the end of financial year, for the return to treated as valid return of income.

ITR-5: For persons other than-(I) individual, (ii) HUF, (iii) company and (iv) person filing Form ITR-7.

ITR-6: For Companies other than companies claiming exemption under Section 11.

- For Ind AS Compliant companies, Balance Sheet and Profit and Loss account information has to be furnished separately in newly inserted Part A-BS-Ind AS and Part A-P&L-Ind AS.
- A new Schedule FD has been added requiring for break-up of payments/receipt in foreign currency (to be filled up by an assessee who is not liable to

get accounts audited u/s 44AB).

- A new column has been inserted in ITR 6 to provide details of apportionments made by the companies from the net profit for the CSR activities. It needs to be ensured that the sums reported reconciles with the Financial Statements.
- The new ITR 6 requires every unlisted company to provide details of all beneficial owners who are holding 10% or more voting power at any time during the year 2017-18.

ITR-7: For persons including companies required to furnish return under sections 139(4A) or 139(4B) or 139(4C) or 139(4D) or 139(4E) or 139(4F).

- ITR-7 requires trust to confirm if it has filed Form 9A (in case application of Income of trust falls short of 85%) and the date of filing of such form.
- The new ITR 7 requires the political parties to provide a declaration by selecting the 'Yes' or 'No' check-box to confirm whether it has received any cash donation in excess of Rs. 2,000.
- Details of fresh registration upon change of objects [Section 12A (1) (ab)] is to be furnished.
- All dividends in excess of Rs. 10 lakhs which are taxable under Section 115BBDA shall be disclosed in the Schedule OS and Schedule SI.
- Amount utilized during the year for the stated objects out of surplus sum accumulated during an earlier year is to be disclosed.

Common Clauses added/modified in the ITR Forms

- Late fee is levied under Section 234F if taxpayer does not furnish the ITR in time. The amount of such late filing fees shall be:
 - Rs.1,000 if total income is up to Rs.5 lakh
 - Rs.5,000 if return is furnished after the due date but before December 31 of the assessment year
 - Rs.10,000, in any other case.
- The information on TDS of current financial year has to be bifurcated into “deducted in own hands” and “deducted in the hands of spouse or any other person as per Rule 37BA (2) claiming of TDS credit as per rule 37BA” (details of Income, TDS, PAN of the person has to be furnished in this case).
- Information relating to deemed gifts and deemed capital gains to be separately mentioned [in view of section 56(2)(x)] (ITR-3, ITR-5 & ITR-6).
- Income from transfer of carbon credits under Section 115BBG (ITR-2, ITR-3, ITR-5, ITR-6 & ITR-7) chargeable at special rates.
 - The new ITR Forms introduce specific columns to report each capital gain exemption separately. Further, a taxpayer availing of these capital gains exemptions is required to mention the date of transfer of original capital asset.
 - The following additional information is required to be furnished in case of Transfer of Unquoted shares (ITR-2, ITR-3, ITR-5, ITR-6 and ITR-7).
 - Full value of consideration in respect of unquoted shares.
 - FMV determined in the prescribed manner.
 - Full value of consideration adopted as per section 50CA for the purpose of Capital Gains [higher of (a) and (b)].
 - The CBDT vide Income tax (Twenty Ninth Amendment) Rules, 2016, dated 07-11-2016 had restricted the highest rate of depreciation for any block of asset to 40 per cent..

Ramadan-The month of holiness!

Ramadan is a holy month of fasting, introspection and prayer for Muslims, the followers of Islam. Fasting is one of the five fundamental principles of Islam. Each day during Ramadan, Muslims do not eat or drink from dusk till dawn. At dawn, Muslims break their daily fasts by sharing meals with family and friends, and the end of Ramadan is celebrated with a three-day festival known as Eid al-Fitr.

In honor of the holy month of Ramadan, our firm organized an Ifthar on 7th of June. The arrangements were made by Amal (Audit Manager) whose efforts are well appreciated. After a brief introduction from Jomon sir, along with the sound of azan refreshing our minds, Ifthar began at sunset with a variety of delicious snacks. Squeals of laughter and chatter filled the office as JVRites caught up with each other after long time and celebrated the formal breaking of fast.

With sincere hope that everyone enjoyed the Ifthar evening, we wish you all Ramadan Kareem and Eid Mubarak.

Jassim Assis



Ifthar 2018 @ JVR



Monday Seminar



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