

## Editor's Ink!

New Season... Fresh Aspirations... Renewed Vigour...

With utmost happiness, we present the twenty fifth edition of Echo - Our quarterly newsletter.

"It is not the strongest of the species that survives, nor the intelligent that survives. It is the one who is most adaptable to change."- Charles Darwin

The month of July marked the beginning of GST Era in the country and the initial season was expected to be strenuous. However, thanks to the proactive approach of the partners and students alike, JVR sailed smoothly across the rough waters.

JVR celebrated Onam, our harvest festival, in the most colourful way with lots of pleasure and happiness.

Busy tax audit season and festive season was moving hand in hand. We were expecting a tough time during the tax audit and our minds were all set. But Thank God... this year, the date was extended.

In this edition of Echo, we bring to you the basics of Transfer Pricing and The Companies Amendment Bill, 2017.

During the busy schedule of October, it was our rapture to have a big bash on the birthday celebration of our Chief Executive Partner - Mr. Jomon K George, who had completed fifty beautiful milestones in his life, armed with all of life's wisdom.

Life is an Echo.

What you send out - comes back.

What you sow - you reap.

What you give - you get.

Remember, life is an echo. Sooner or later, it will come back to you. Try to give good part of you.

Happy reading!!!

**Silpa Sebastian**



## Transfer Pricing - Recent Developments

As per sec 92E of Income Tax Act,1961, every person who has entered into an international transaction or Specified Domestic Transaction during a previous year shall furnish a report in Form 3CEB (Rule 10E) on or before the due date(30th November) duly signed & verified by an Accountant.

In case of Specified Domestic Transactions, Transfer Pricing is applicable only if the aggregate value of specified transaction exceeds Rs. 20 Crore (w.e.f 01/04/2015).

Amendments have been brought about to ensure stricter compliance and supervision of the above mentioned transactions:

- A three tiered documentation structure has been introduced with effect from FY 2016-17 which consists of master file, local file and Country by Country Report (CbC Report). Master File seeks to capture information regarding tax payer's global operations and their transfer pricing policies. (Form is yet to be prescribed). Local File covers transfer pricing documentation requirements as per Rule 10D of Income Tax Rules, 1962. The CbC Report is applicable to large multinational enterprises to capture metrics such as revenue, taxes paid and capital employed etc. as defined under Section 286 of Income Tax Act
- The Finance Bill 2017, has brought in the concept of Secondary Adjustment by introduction of a new section, Section 92 CE. To cite an example-in case of sale of good where the transaction value is INR 100 but arm's length price is determined by the tax authorities at INR 120 the differential of INR 20 is a primary adjustment. If INR 20 is not brought into India, secondary adjustment by way of interest on INR 20 will be made. Globally, countries approach this situation either by treating the amount as deemed dividend or a loan on which notional interest is then charged upon. India has followed the latter approach.
- Finance Bill 2017 proposed to insert a new section 94B to provide restriction on interest expense of more than one crore claimed by an entity to its associated enterprises which shall be restricted to 30% of its earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid or payable to associated enterprise, whichever is less.  
Banks and Insurance business are proposed to be excluded from the ambit of the said provisions keeping in view of special nature of these businesses.

## The Companies Amendment Bill, 2017

The Companies Amendment Bill, 2017 would mainly focus on making some major amendments to the Companies Act, 2013 and further improving ease of doing business in India.

### The Journey of Bill:

**The Bill was introduced in Lok Sabha on 16th March, 2016**



**Referred to the Standing Committee on Finance on 12th April, 2016**



**Report adopted on 30th November, 2016 by Standing Committee**



**Lok Sabha passed bill on 27th July, 2017**

The major amendments proposed include rationalization of provisions related to loan to directors, omission of provisions relating to forward dealing and insider trading, doing away with the requirement of approval of the Central Government for managerial remuneration above prescribed limits, aligning disclosure requirements in the prospectus with the regulations to be made by SEBI, providing for maintenance of register of significant beneficial owners and filing of returns in this regard to the ROC and removal of requirement for annual ratification of appointment or continuance of auditor.

**Let's look at some of the major changes that is likely to be introduced:**

### **Company Annual Return**

All companies are required to file an annual return with the Ministry of Corporate Affairs each year. The Companies Amendment Bill, 2017 has proposed to provide an abridged form of annual return for One Person Company and small company. The abridged form of annual return will make annual compliance for a company simpler for small businesses.

The Companies Amendment Bill, 2017 has also mandated that all companies place a copy of the annual return on the website of the company and provide the web link for the annual report in the Board's report.

### **Penalty for Late Filing of Annual Return**

The penalty for late filing of company annual return is set to significantly increase on the implementation of the Companies Amendment Bill, 2017 during the current financial year.

Under the Companies Amendment Bill, 2017, the penalty for late filing of Annual Return or financial statements will be a minimum amount of Rs. 100 per day of default. Further, the company would be liable for penal action. If a company defaults on filing the annual return or financial statements for two or more times, the penalty levied would be doubled.

### **Related Party Definition**

Under the Companies Act 2013, a 'related party' in relation to a company includes:

A holding, subsidiary or an associate company of such company; or

A subsidiary of a holding company to which it is also a subsidiary.

The Companies Amendment Bill, 2017 has proposed to make an investing company or the venture of a company a related party as well.

### **Loans to Directors**

Under the Companies Act 2013, companies are not allowed to advance any loan to its directors or persons related to the Director. The Companies Amendment Bill, 2017 has proposed to relax this restriction and allow companies to extend its Directors or related persons, after passing a special resolution.

To prevent abuse of this relaxation, an additional clause has also been introduced in the Companies Amendment Bill, 2017 to punish Directors who use loans against conditions under which it was extended.

### **Key Highlights of The Companies Amendment Bill, 2017 as passed by Lok Sabha as on 27th July, 2017 as follows:**

- The appointment of Auditor need not be ratified by the shareholders at every AGM.
- The auditors are required to report on Internal Financial Control with specific reference to Financial Statements as per Section 143(3)(I).
- Annual General Meeting of an unlisted company can be held at any place in India under Section 96 if consent is given in writing or by electronic mode by all the members in advance.
- Opportunity of being heard under Section 130 is extended by enabling the Court/Tribunal to give notice to any other party/person concerned of the Company in case of reopening of accounts.
- Right of access by the auditor of a Holding company is extended to the accounts and records of the Associate company whose accounts are required to be consolidated.
- Applicability for the re-opening of accounts will be restricted to eight years under Section 130.
- While computing profits for declaring dividend under Section 123, unrealised gains, notional gains or revaluation of assets and any change in carrying amount of an asset or of a liability on measurement of the asset or the liability at fair value shall be excluded.
- Under Section 447, Punishment would be attracted if any person is guilty of fraud involving an amount of at least ten lakh rupees or one per cent of the turnover of the company, whichever is lower.
- Number of directorships in dormant companies shall not be counted in the limit of 20 directorships under Section 165.

# IT'S ONAM AGAIN...

It was the day of happiness and joy. All JVR ites were attired in their Kerala saree and Kasavu mundu and were eager to celebrate onam at JVR. Our onam celebration was on the day of Pooradam.

We started our celebration in JVR with a beautiful pookalam by Arjun and team. Akash was ready with DSLR Camera to capture the memorable moments. Lamps were lighted as a symbol of saluting the Supreme, who brings auspiciousness, prosperity, good health and abundance of health.

Then we moved to Ramavarma Club for our culturals. Master of ceremony was ready with games for all. The whole JVR was divided into four and each partner was given their team mates. After our indoor games, we had a traditional Onasadya, which was the most delicious part of our celebration.

Then we were all ready for the tug of war, the most awaited part of our onam. The rope was tightened... 2,3, pull...

At the end of all our games, we all posed for our group photo and from there, we dispersed to enjoy the onam holidays.

