



# WIRC BULLETIN

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## From the Desk of Chairman



Dear all Professional Colleagues and Seniors of Profession,

Finally dates for Lok Sabha elections are just declared. I request all students and members to vote in the interest of profession. Please check dates for voting in your constituency and ensure that you vote on that date. Voting is not only right but also our responsibility.

Just be little aware when you are dealing with currency notes, RBI has declared for calling currency notes back before 2005. Initially this

was upto 31st March 2014 which has been extended upto 31st December 2014 now.

Some good news from economy this month! Interest rates on Employee Provident Fund have increased to 8.75% p.a as approved by Finance Ministry. Also BSE sensx has once again crossed 21,000 with hopes to reach another highest level soon. All other economic indicators have remained more or less same. India has registered a growth of 4.7% in real GDP in December 2013 quarter as mentioned in CMIE outlook.

### Students

December 2013 results were declared last month. Those who are pass outs must have jumped with a joy, but wait for a while. It's not end of all, but its beginning of new part of your life. Your professional life starts after your results and expectations from all increases many-fold. You also have to raise your talent to that level so that you can fulfill those expectations. We also expect something from all of you and besides red carpet from profession to welcome you; we would like you to take-up membership of institute at the earliest. For those who have passed partially, I must advice them not to have any joy for passing one group etc. Unless you pass complete examination, even though its last stage, you are still not professionally qualified. It's like in a cricket match when your team has to score just 70 runs in 50 over match to win a game but you have to go and get those runs on pitch to win the game. It's a task and it has to be performed.

For all those yet to be cleared, as our normal practice, we are announcing orientation program starting from end March. Kindly take advantage of the same.

### Members

I was called by Navi Mumbai chapter for their Annual Seminar on 15th February 2014 on SEZ and Foreign Trade Policy. I must mention that despite of newly evolved chapter and fighting with all odds, Navi Mumbai chapter has progressed very fast and has reached to strength of more than 100 students last month. All other chapters should take inspiration from such performance by Navi Mumbai chapter. I must mention efforts of CMA Vivek Bhalerao and his team working day and night for the success of chapter.

On Sunday 2nd March 2014, our past chairman CMA S R Ray passed away. He was chairman WIRC in the year 2001-2002 and was also executive secretary 1991-92. His demise is irreparable loss to profession and I pray god to rest his soul in peace.

We are organizing many programs in March which includes Seminar on Internal Audit on 8th March and CEPs on various dates. WIRC may be the first region within all professional institutes to organize a program on finalized Companies (Corporate Social Responsibility) Rules 2014. I request members to take advantage of such programs.

WIRC is always first on many counts and we have added one more to that. Headquarters has now issued Logo of Institute in National Cost Convention held at Bhubaneswar on 23rd and 24th February 2014. This logo is same as WIRC released in Ahmedabad Regional Cost Convention 2007. This Logo is freely downloadable on WIRC website. I request all members of Institute to start using the same on their vehicles, doors, visiting cards, sign boards etc. It's a matter of pride to all of us to have our own logo.

Being first is not always a blessing especially in the matter of Draft Rules under companies act, the toughest period for profession. We were given names like Mischief Morons, Headless Chicken, unnamed letters, threatening calls and many more on various occasions. But probably there are many things which WIRC did first and others followed the same. It includes our 25th October Program on Cost Audit for Inclusive Growth, no other region and chapter could arrange such program in last 6 months or so on Cost Audit. A verbatim of this program is published and it is used at many places as final authority on Cost Audit, probably first and last of its kind. We were first one to come with Press Conference, Member's Meet, Dharna Andolan etc. others followed us. Our regional media was the first to raise questions on non-functioning of 6th November 2012 order in Form 23C and others followed the same. We are the first to publish book like compendium of support letters and I am sure others will follow. Very soon WIRC will be the first body to come out with research report on Cost of Cost Audit, which is main objection of government and industry. Most of them talks of high cost of audit and compliance but no one count how much it is. We will come with finding on such and that will be eye opener for all. I am thankful to all members and students those who supported WIRC's initiatives which has proved milestones in no matter of time.

### Other Institutions

Our sister institutions, Institute of Company Secretaries of India and Institute of Chartered Accountants of India, have chosen their new leadership at regional and national level as well. We welcome their new leaderships and wish them a grand success for their tenure.

### New Initiatives

Friends, I informed you earlier about various letters issued by Hon'ble MPs in our favour. Now WIRC has come up with a Compendium of all such support letters. This contains letters forwarded to MCA by national leaders and around 60 support letters by Hon'ble MPs. I must thank efforts made by all chapters, regions and individual members across the nation with special mention about our Past Presidents CMA Chandra Wadhwa and CMA Dhananjay Joshi and whole team of Northern India Regional Council. It's a beautiful publication and we have kept it in WIRC office for anyone who would like to have a look at that. We have already forwarded to all MCA officials for their consideration. I wish all the members, their families and friends on the occasion of Cheti Chand, Ugadi, Holi, Rangpanchami, Dhulwad and Gudi Padwa.

With Warm Regards

CMA Ashish Thatte

## STUDENTS PUBLICATIONS

WIRC proposes to bring out Students' Publication for Intermediate & Final under 2012 syllabus. Those who are interested to contribute for the same are hereby requested to send their CVs mentioning the subject, they can contribute, on e-mail : [wirc@icmai.in](mailto:wirc@icmai.in) on or before 31st March 2014.



## Is CSR initiative – a wakeup call to Indian Corporate Sector?

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Corporate Social Responsibility (CSR) is much talked about word in the Indian corporate sector following a recent MCA notification codifying rules as specified in Section 135 and Schedule VII to the Companies Act, 2013.

We know that with the advent of the new Companies Act, 2013, the CSR is now mandatory. Probably India has now become the only country in the world where CSR is recognized as a compulsory obligation as per law. However, needless to state that CSR is not something new for India Inc. as a number of companies are already spending huge amounts on CSR activities every year.

As per Section 135, CSR is mandatory for companies fulfilling any of the three criteria viz: having net worth of RS 500 Crore or more, turnover of RS 1000 Cr. or more or net profit of RS 5 Cr or more during any financial year. Such companies are required to constitute a CSR committee of the Board having 3 or more directors out of which at least one should be an independent director. The requirement of independent director in the CSR committee, it is clarified is not applicable to private companies. Further, it is mandatory that the Board's Report should disclose the composition of such CSR committee.

The companies are expected to give preference to the local area where it operates in carrying out its CSR initiatives. The activities which can be taken up as CSR initiatives are enumerated under Schedule VII to the Companies Act, 2013 which include the following:

- i. eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- ii. promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
- iii. promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv. ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;
- v. protection of natural heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- vi. measures for the benefit of armed forces veterans, war widows and their dependents;
- vii. training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;

viii. contribution to Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

ix. contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government ;

x. rural development projects.

The new rules which are recently announced make it clear beyond doubts that political contribution will not be considered as CSR activity. This is a welcome move especially at a time when general elections are about to commence and avoid unwarranted political funding by corporate sector. Moreover, as per the new rules the CSR spend should not include any expenditure on an item "not in conformity or not in line with activities which fall within the purview of Schedule VII"

The new rules has not only enlarged the scope of certain already specified activities that can be considered as CSR but also added many new activities such as rural development projects, support for promoting rural sports, protection of national heritage, art and culture, etc. The activities for the benefit of Armed Forces veterans, war widows and their dependents will also be recognized as CSR initiative. However, the corporate sector is disappointed to learn that the company boards will be debarred to decide as to what constitute CSR.

It may be pertinent to note that some of the activities covered under Schedule VII are in conformity with protection of fundamental rights of citizens as envisaged in the Constitution of India. For example, activity of promoting gender equality and empowering women furthers the fundamental right under Article 14 of the Constitution of India which deals with equality before law. As per this Article, the State shall not deny to any person equality before the law or the equal protection of the laws within the territory of India Prohibition of discrimination on grounds of religion, race, caste, sex or place of birth. Similarly, the activity of ensuring environmental sustainability furthers the objective of Article 21 which deals with Protection of life and personal liberty. As per this Article, no person shall be deprived of his life or personal liberty except according to procedure established by law. It is worth noting that the Hon'ble Supreme Court in number of cases has in the past held that the right to life under Article 21 of the Constitution is not merely the right to existence (which is equated with the animal right) but it is something beyond that. The right to life includes right to live in a healthy, pollution free environment and the CSR activity of ensuring environmental sustainability is expected to supplement this cause.

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## Policy Proposes, Procedure & Practice Disposes

By *CMA Ashok B. Nawal*

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India has witnessed liberalization process. The Policy Makers were of firm opinion to remove Inspector Raj & Licence Raj. A number of steps were taken in the era of Direct Tax, Indirect Tax, Foreign Trade Policy, FEMA, Companies Act and all other Fiscal & Commercial Laws except Labor Laws. Some of the important changes have been given below:

- License has been replaced with registration in the era of Indirect Tax & license has been replaced with “Authorization” in Foreign Trade Policy.
- Self-assessment has been introduced long back in the Income Tax and Scrutiny assessment without interface of Income Tax Officer has been introduced.
- Self-assessment has been introduced in Central Excise and Service Tax and hardly there is any interface remains with Excise Officers.
- Statutory Books are not the different than that of records and books of account maintained by the persons. These records are relied upon.
- VAT Audit was introduced in lieu of assessment and provision of business audit was introduced.
- Physical control has been replaced with Record based control.
- 100% self-assessment has been introduced for import and export at all Customs Ports and Risk Management System (RMS) and Post Audit at assessee’s place has been introduced.
- Online system is introduced for each and every stage:
  - ❖ Excise : Registration, Filing Returns, Payment of Duties and Taxes
  - ❖ Service Tax : Registration, Filing Returns, Payment of Duties and Taxes
  - ❖ Customs : Filing Bill of Entries or Shipping Bill or Bill of Exports and online payment
  - ❖ VAT / CST : Registration, Filing Returns, Payment of Duties and Taxes.
  - ❖ Local Body Tax: Registration, Filing Returns, Payment of Duties and Taxes
  - ❖ Income Tax : Online Filing of Return and Payment of Income Tax and TDS and TCS Returns
  - ❖ Foreign Trade Policy : Making an application, online payment and obtaining authorization
- There is interface of system with different authorities of Government like Director General of Foreign Trade, CBEC and data sharing with all other stake holders.

We give below recent important achievements of CBDT and initiatives taken by CBDT for improving efficiency of Tax System.

The Department of Revenue, Ministry of Finance, Government of India, focuses on improving the efficiency and equity of the tax system and to promote voluntary compliance both in case of Direct and Indirect Taxes. Here, we discuss the achievements made in case of direct taxes. Overall objective is to achieve the moderate tax rates, on a broad tax base, which is not diluted by sector specific exemptions. The same is ensured by making all sectors contribute to direct taxes. Accordingly, attempts have been made to weed-out exemptions (or allow them to sunset) from the legislation as well as to ensure a minimum level of tax contribution by all taxpayers through levy of Minimum Alternate Tax (MAT) on all companies and firms.

**In case of non-residents**, a balance has been made to allocate taxation rights between the source State and the State of residence of the non-residents on the basis of the provisions of the Income-Tax Act and the provisions of Double Taxation Avoidance Agreements (DTAAs). Advance Pricing Mechanism (APA) has been notified so as to assist taxpayers to obtain certainty on their transfer pricing matters.

Similarly, Safe Harbour Rules have been notified for the purpose of ensuring certainty in transfer price declared by the taxpayer in respect of eligible international transactions. Safe harbour means circumstances in which the Income-tax Authority shall accept the transfer price declared by the assessee. The rules have been drafted after taking inputs from stake holders.

The General Anti-Avoidance Rules (GAAR) have been incorporated to counter undesirable aggressive tax planning in a moderate tax regime and are made applicable for income of the financial year 2015-16 and subsequent years.

Extensive use of technology is being made for collection of information without intrusive methods. 360 degree profiling of taxpayers and potential taxpayers is being done for gathering information regarding their sources of income and spending habits. Information technology tools are being developed for exhaustive collection of information and maintenance of database. Information collected from returns of income and other sources is collated so that specific targeted action can be taken against the tax evaders.



The scope of annual information returns has been expanded, e-payment facility through more banks has been extended, the refund banker system has been expanded and e-filing has been made mandatory for more categories of assesseees. The Income-tax Department is rapidly moving towards technology-based processing as would be evident from the Central Processing Cell (CPC) set-up at Bengaluru and the Central Processing Cell-TDS at Vaishali, Ghaziabad.

Following specific legislative measures have been taken over a period of time, namely:-

1. **Transactions in immovable properties** are usually undervalued and underreported. One-half of the transactions do not carry the PAN of the parties concerned. With a view to improve the reporting of such transactions and the taxation of capital gains, Tax Deduction at Source (TDS) at the rate of one percent on the value of the transfer of immovable property where the consideration exceeds Rs. 50 lakhs, has been introduced. However, agricultural land is exempt from this provision.
2. **Closely held companies**, which receive funds from shareholders, are required to prove the source of money in the hands of such shareholders for the sum to be accepted as genuine credit. Also, share premium received by a company, not being a company in which the public are substantially interested (subject to certain exceptions), from a resident person in excess of the fair market value may be made liable to tax.
3. In order to curb the practice of introducing unaccounted money, provision has been made in the Income Tax Act, 1961 to tax unexplained credits, money, investment, expenditure, etc., at the maximum marginal rate i.e., 30% plus surcharge and cess as applicable (rather than at the marginal tax rate of the individual after allowing basic exemption of Rs. 2 lakhs) and that no deduction in respect of any expenditure or allowance shall be allowed in computing deemed income under the said sections of the Income Tax Act.
4. It is now mandatory for every resident having any asset (including financial interest in any entity) located outside India or signing authority in any account located outside India to file a return of income giving details of the foreign assets, irrespective of the fact whether such resident taxpayer has taxable income or not.
5. Penalty provisions on undisclosed income found during the course of a search have been strengthened. Prosecution mechanism has also been strengthened under the Income Tax Act by – (i) providing for constitution of Special Courts for trial of offences; (ii) application of summons trial for some of the offences under the Act to expedite prosecution proceedings as the procedures in a summons trial are simpler and less time consuming; and (iii) providing for appointment of public prosecutors.
6. A new tax called **Commodities Transaction Tax (CTT)** is levied on taxable commodities transactions entered into recognized commodity exchanges/associations. The new tax is levied @ 0.01 per cent on the seller on sale of commodity derivatives.
7. With a view to attract investment in long term infrastructure bonds in foreign currency, the rate of tax on interest paid to non-resident investors, who invest in such bonds during the period 01.07.2012 to 30.06.2015, has been reduced from 20 percent to 5 percent. The rate of tax has also been reduced on interest paid during a two year period starting 1st June, 2013 to 31st May 2015 to a Foreign Institutional Investor (FII) or a Qualified Foreign Investor (QFI) in respect of investment in rupee denominated corporate bonds of an Indian company and Government securities.
8. In order to encourage repatriation of funds from overseas companies, a concessional rate of tax of 15 percent has been introduced for the period 1st April 2004 to 31st March 2014 on dividend received by an Indian company from its foreign subsidiary. Further, the Indian company shall not be liable to pay dividend distribution tax on the distribution to its shareholders of that portion of the income received from its foreign subsidiary subject to fulfillment of certain conditions.
9. In order to facilitate financial institutions to securitise their assets through a special purpose vehicle, Securitisation Trust has been exempted from income tax. Tax shall be levied only at the time of distribution of income by the Securitisation Trust at the rate of 30 percent in the case of companies and at the rate of 25 percent in the case of an individual or HUF. No further tax will be levied on the income received by the investors from the Securitisation Trust.
10. Considering the shortage of skilled manpower in the manufacturing sector and to generate employment, weighted deduction have been provided at the rate of 150 per cent of expenditure incurred on skill development in manufacturing sector in accordance with specified guidelines. Similarly weighted deduction of 150 per cent has also been provided on expenditure incurred for agri-extension project in order to facilitate growth in the agriculture sector.

While the Government has successfully implemented the above mentioned provisions as part of the taxation regime, in case of the following two legislative issues, the Government has already taken various steps and both are moving towards their finality:

**(i) The Direct Taxes Code Bill, 2010**

Direct Taxes Code Bill, 2010 was introduced in Lok Sabha on 30th August, 2010 during the Monsoon Session, 2010 of the Parliament. The Lok Sabha had referred the Bill to the Standing Committee on Finance for its examination/consideration. The Standing Committee submitted its report (49th Report) to the Speaker, Lok Sabha on 9th March, 2012. Having considered the recommendations of the Committee, a note for the

Cabinet for withdrawal of DTC Bill, 2010 and introduction of DTC Bill, 2013 was sent on 20th August, 2013 to the Cabinet Secretariat for placing it before the Cabinet. Approval of the Cabinet is awaited.

**(ii) The Benami Transactions (Prohibition) Bill, 2011**

The Government has introduced a new Bill, namely the Benami Transactions (Prohibition) Bill, 2011 (Bill No. 56 of 2011) in the Parliament (Lok Sabha) on 18th August, 2011. This Bill proposes to replace the existing Benami Transactions (Prohibition) Act, 1988. The Bill was referred to the Standing Committee on Finance by Lok Sabha for examination. The Report has been submitted by the Standing Committee in June, 2012. The Report is being examined in the Ministry in light of the recommendations of the Standing Committee. Amendment(s), if any, will be placed before the Parliament for its consideration.

Similarly, in the era of Indirect Tax, most popular and important scheme was announced and successfully implemented, which is nothing but Voluntary Compliance Encouragement Scheme for Service Tax. The CBEC needs to be congratulated for taking proactive approach and trade friendly matters including large scale awareness program for successful implementation of the VCES. They have also received good response more than 17000 assesses have taken the benefit and Govt. has received revenue almost more than Rs. 6000 Cr.

In July 2013, the Union Finance Minister Shri P. Chidambaram constituted a Forum for exchange of views between industry groups and Government on tax related issues or tax related disputes. The Forum is chaired by Dr. Parthasarathi Shome, Adviser to the Finance Minister and supported by Officers of the Central Board of Direct Taxes (CBDT) and the Central Board of Excise and Customs (CBEC). The Forum has heard various industry groups and associations during August – September 2013 and the issues raised by them are being brought to the notice of the Finance Minister.

On the indirect tax side, the Union Finance Minister Shri P. Chidambaram has taken the following decisions so far with respect to IT, reinsurance and manufacturing sectors:

**1. Pending Service Tax refunds/rebates for export of services :**

**Issue:** The prescribed procedure demands documents from other departments, particularly matching of FIRC's with export invoices by banks, on which the taxpayer does not have control.

**Decision:** Instruction has been issued to the field formation on 04.09.2013 for acceptance of self-certification submitted by the claimant for refund claim under notification 5/2006-Central Excise dated 14.03.2006.

**Issue:** Problems are being faced in establishing nexus of input services with exports.

**Decision:** The procedure for calculating the refund on the basis of the ratio of export turnover to total turnover that was introduced in 2012 will be applied for pending

refund cases. Instructions will be issued accordingly.

**2. Liability of payment on removal of Capital Goods after use –**

**Issue:** The amendment in CENVAT Credit Rules, 2004, w.e.f. 1st April 2012, to provide for liability for payment on removal of capital goods, whether as capital goods (on the basis of depreciation at the rate of 2.5% per quarter), or as waste and scrap, whichever was higher, was causing hardship to the assesses as the amended rules assumed shelf life of 10 years for capital goods that often tended to have a shorter shelf life. The Industry had suggested that reversal of input tax credit should be based on the transaction value of the scrap or waste.

**Decision:** An amendment has been carried out vide **Notification No. 12/2013-CE(NT) dated 27th September, 2013**, allowing reversal of credit on transaction value basis if capital goods are cleared as waste and scrap.

**3. Distribution of CENVAT Credit by Input Service Distributor –**

**Issue:** The industry represented that the amendment in Rule 7 of the CENVAT Credit Rules in 2012 imposing additional conditions in relation to distribution of credit was leading to practical difficulties and errors, which in turn, would result in undue disputes and litigation with the Department. They suggested that CENVAT Credit Rules 2004 should be amended appropriately to allow distribution of eligible input credit of the service tax by the input service distributors to any unit of the entity so long as the unit to which credit is getting distributed is manufacturing dutiable goods or providing taxable output services.

**Decision:** A draft amendment in Rule to mitigate the problem would be placed in public domain by 17/12/2013 seeking comments of stakeholders within 10 days. The amendments are under discussion after receipt of suggestions.

**4. Clarification in respect of Central Excise Notification No. 33/2012 –**

**Issue:** The Industry represented that though the aforementioned notification has permitted use of Status Holder Incentive Scheme (SHIS) Scrip to be utilized for payment of excise duty while procuring domestic machines, the Notification is being treated as an 'exemption notification' in the some field offices and demand notices are being issued to units clearing the consignments under this Scheme.

**Decision:** To clarify the position, necessary Circular **973/07/2013/CX dated 4.9.2013** has been issued whereby no reversal of credit is required in cases specified therein.

**5. CENVAT Credit on endorsed bill of entry –**

**Issue:** The earlier practice of endorsement of Bill of Entry by Customs Officer to an importer has since been dispensed with, this has led to ambiguity as to the mechanism by which CENVAT credit would be available to a subsequent manufacturer receiving the imported goods.

**Decision:** A process is being designed to get the importers to register with the Department, who may then more easily pass on the CENVAT credit of CVD to a manufacturer. This has already been made effective.

#### **6. Valuation of goods sold at a price below the cost of production –**

**Issue:** Hon'ble Supreme Court has in a recent decision in the case of CCE, Mumbai vs. Fiat India (P) Ltd. held that where products are sold at considerable losses for an unduly long period of time for the purpose of market penetration, the transaction value cannot be accepted for the purpose of levy of excise duty. Pursuant to this decision, field authorities are asking assesses to furnish cost data of various products for the past years.

**Decision:** The modality of implementation of the decision of the Hon'ble Supreme Court is under consideration of the Committee of Chief Commissioners. The Circular in this regard will be issued by 15/01/2014.

#### **7. Service tax in respect of services provided by reinsurance agents –**

**Issue:** The Industry raised the issue of liability to service tax on brokerage paid by foreign reinsurers to Indian reinsurance agents for placement of reinsurance business with them. The business is organized in such a way that the reinsurance premium including brokerage for reinsurance is paid to the broker. This premium, net of brokerage, is passed on by the broker to the reinsurer. It was explained that service tax was paid on composite amount including reinsurance premium and brokerage paid to the broker as well as separately charged on the brokerage, which resulted in double taxation.

**Decision:** Department will seek inputs from the insurance industry to ascertain whether there is double taxation of the brokerage paid to reinsurance agents, and issue circular, if necessary, for mitigation of double taxation, if any.

The Ministry of Commerce is also now behind the Task Force, which was constituted for revamping EOU Scheme, under the Chairmanship of Mr. Pandya, have accepted many of the recommendations way back in 2011. Some of the recommendations accepted are enlisted below:

**Validity of the period of Letter of Permission (LOP) issued to EOU:** LOP issued to an EOU will have an initial validity for a period of 2 years to enable the Unit to construct the plant and install the machinery. The next extension of one year may be given by the DC for valid reasons to be recorded in writing. Subsequent extension of one year may be given by the UAC subject to condition that two-third of activities including construction, relating to the setting up of the Unit are complete and a Chartered Engineer's certificate to this effect is submitted by the Unit. Subsequent extension, if necessary, will be granted by the Board of Approvals.

**Aligning duration of goods and services in EOU with the term of LOP:** At present, capital goods are required to be installed or otherwise used by the EOU, within a fixed

period from the date of import or procurement thereof and other goods are to be used in connection with the production or packaging of goods within a period of three years. In case of failure to use within above stated period, extension is required. It has now been decided that the period of usage of goods should be co-terminus with the period of LOP. This would do away with the current practice of obtaining multiple extensions for goods and LOP separately.

**Setting up warehousing facilities outside EOU premises and outside the jurisdiction of DC: EOUs,** which intend to have their warehouses near to the port of export to reduce lead time for delivery of goods overseas and to address unpredictability of supply orders, will now be permitted to set up such warehouses subject to the provisions related to export warehousing as given in notification No. 46/2001-Central Excise(N.T.) dated 26.6.2001 and the CBEC Circular No. 581/18/2001-CX dated 29.6.2001 as amended.

**Sharing of facilities among EOU/STP/EHTP/SEZ Unit:** In order to allow optimal utilization of infrastructure facilities, it has been decided that sharing of facilities among EOUs may be considered by the UAC on case-to-case basis and the recommendations be sent to the BOA for final approval. While accepting such proposals, the NFE obligations of the Units shall not be altered. However, sharing of facilities between EOUs and SEZs Units should not be permitted.

**Inter-Unit transfer (IUT) of goods & services:** In order to facilitate a group of EOUs which sources inputs centrally to obtain bulk discount, reduce cost of transportation and other logistics cost and to maintain effective supply chain, IUT of goods and services will be permitted on a case to case basis by the UAC.

Further, the procedure for Inter-Unit Transfer (IUT) of finished goods will be clarified by the CBEC in order to bring uniformity in practices and procedure adopted by various field offices.

**Self-warehousing and self-certification of goods imported/procured by EOUs:** The scheme of self-warehousing and self-certification was introduced vide Circular No. 19/2007-CUS dated 3.5.2007 dispensing with the requirement for physical verification of imported/indigenously procured duty-free goods before issuing re-warehousing certificate by the proper officer in respect of Units set up under EOU/EHTP/STP/BTP scheme having physical export turnover of Rs. 15 Crore and above in the preceding financial year and having a clean track record. In order to extend self-warehousing and self-certification facility to more Units, it has been decided to reduce the limit of physical turnover from Rs 15 Crore to Rs 10 Crore.

**Rationalization of reports/ returns to be filed by EOUs:** EOUs submit Quarterly Performance Report (QPR) and Annual Performance Report (APR) to the Development Commissioners and Monthly Return ER-2 to Central Excise. In order to reduce multiplicity of these reports, a common return to DoC and DoR would reduce paperwork for the EOUs. It has, therefore, been decided that a single



common report/return may be devised which may serve the purpose for DoC as well as DoR. A joint group of DoC and DoR including Director General of Systems, CBEC will be formed to devise a proforma exhaustively capturing all the data and figures relating to export, import, DTA sale, deemed export sale, IUT, sale of goods as such, destruction, payment of duty etc. and devise simplified records to be maintained by EOUs.

Extension of time for submitting shipping bill for export made under self-sealing / self-certification: It has been decided to increase the mandatory requirement to submit Shipping Bill within 24 hrs to 48 hrs as it is sometimes difficult to reach jurisdictional Central Excise Office within 24 hrs from the port of export.

The Task Force for solving the issues of SEZ has been also constituted but report has to be reviewed by the competent authorities and to be implemented.

Though, a lot of points are still left, which will make trade environment hazard free, all the citizens including all the assesses, persons and bureaucrats needs to introspect whether what is proposed in the Policy is really implemented and what are the reasons thereof. Some of the important issues are listed below:

#### **INCOME TAX:**

- Refunds due or tax paid through advance tax or TDS are not been considered in spite of evidences of TDS Return and advance tax challan are submitted during the assessment, since online TDS Return do not correspondingly match on account of wrong punching or system errors. A number of demands are issued as well as number of refund claims are pending for years together. In spite of clear cut instruction No. 5/2013 [F.NO.275/03/2013-IT(B)], DATED 8-7-2013 relying on Hon'ble Delhi High Court vide its judgment in the case 'Court On its Own Motion v. UOI and Ors. (W.P. (C) 2659/2012 & W.P. (C) 5443/2012 dated 14-3-2013) has issued seven mandamuses for necessary action by Income-tax Department, one of which is regarding the issue of non-credit of TDS to the taxpayer due to TDS mismatch despite the assessee furnishing before the Assessing Officer, TDS certificate issued by the deductor.

In view of the order of the Hon'ble Delhi High Court (reference: para 50 of the order); it has been decided by the Board that when an assessee approaches the Assessing Officer with requisite details and particulars in the form of TDS certificate as an evidence against any mismatched amount, the said Assessing Officer will verify whether or not the deductor has made payment of the TDS in the Government Account and if the payment has been made, credit of the same should be given to the assessee. However, the Assessing Officer is at liberty to ascertain and verify the true and correct position about the TDS with the relevant AO (TDS). The AO may also, if deemed necessary, issue a notice to the deductor to compel him to file correction statement

as per the procedure laid down.

- Transfer Pricing Assessment is one of the difficult tasks for bureaucrats as well as assessee. Tax Audit was introduced with the object to reduce the number of assessments and to rely on the professional's report but in spite of Chartered Accountant having submitted the Tax Audit Report, assessment never gets completed without 15-20 or more hearing dates. It is noticed at the date of hearing that documents submitted are never been analyzed before and matter become more serious, when officers get transferred.
- It is the perception based on the practical experiences of the general public that justice only can be obtained at the stage of Income Tax Appellate Tribunal (ITAT) / High Court / Supreme Court and differential income tax demanded on any flimsy grounds also needs to be deposited first and cost of litigation is too high and time taken is enormous, which is one of the reason of accepting demands which promotes corruption, which is cancer to the Indian Economy.
- Any business person always believes value for time and works out opportunities loss due to number of hearings and time spent during the hearing and therefore reasonably accepts corruption as a part of life.

#### **VAT:**

- In the electronic era read with Sec 48 of MVAT Act, set off is denied if there is a mismatch of sales tax paid by seller and claimed by buyer or sales tax has not been deposited by seller even though collected by him from buyer. This has increased a lot of litigations.
- VAT refunds are pending due to lack of funds with the State Govt. and in spite of furnishing bank guarantee; refunds are not granted or allowed to be adjusted in some of the cases.
- Scarcity of C Form issuance procedure thereof needs more simplification and perhaps simplification needs to the extent of introducing pre-printed self-authenticated C-forms and stricter record based control. Non-availability of various forms during the assessment due to negligence of buyer and seller, corporate discipline of maintenance of record and added problems of Govt. Bureaucracy leads to corrupt practice.
- It is the perception based on the practical experiences of the general public that justice only can be obtained at the stage of Sales Tax Appellate Tribunal / High Court / Supreme Court and differential income tax demanded on any flimsy grounds also needs to be deposited first and cost of litigation is too high and time taken is enormous, which is one of the reason of accepting demands which promotes corruption, which is cancer to the Indian Economy.

#### **CUSTOMS:**

"Less said is better" in spite of self-assessment, no customs clearance takes place within 24 hours as stipulated by

the policy makers. Un-necessary queries are issued by the appraisers and same withheld by their seniors without much of thoughts. Self-analysis of Customs Officers is must, but it is not going to happen until top officials really monitors and ask the justification for delay in export and import clearances. There has to be accountability on customs officials and strict control and vigilance is must. Perhaps, unfortunately importers and exporters feels CHA and customs officials are hand in gloves. Procedural simplification is so important and role of CHA to be only coordinating of the documents between customs officials and freight forwarders so as to take the cargo and handover the cargo and importers and exporters have to file documents themselves online from their desk or laptop and only submit physical document. In any case “Self-Assessment of Import / Export Consignment & On-site Post Clearance Audit” has been introduced and then why there should be delay at customs port for clearance of import and export consignment and add cost to the economy, which is nothing but economic offence.

Finalization of assessable value when imports are made from related persons is the herculean task and lot of harassment is made and un-necessarily data is asked for. However those who accept the terms as dictated for personal gratification are left free and therefore there has to be certain reform for rationalizing the procedure and also to draft the rules for finalization of value in the same line with Safe Harbor Rules as notified under Income Tax Act.

#### CENTRAL EXCISE:

As a matter of fact, there is no interface with Central Excise officials of the assessee's. Export under self-supervision is also allowed but mind set of Indians is not ready to forget British Raj still and therefore, how they

can forget “Inspector Raj” until mind set of assessee's changes, corruption is not going to be reduced.

If refunds / rebate are not granted within stipulated time, there is mandatory interest provision in the law supported with number of decisions but how many assessee's dare to claim the interest but prefers to adopt wrong practices of corruption rather than exercising their rights.

#### SERVICE TAX:

Fortunately, Voluntary Compliance Encouragement Scheme (VCES) have given the liberty to be statutory compliant and all the devils of tax evasion upto Dec'12 has been washed out after adopting VCES. This should clean up the systems.

If refunds / rebate are not granted within stipulated time, there is mandatory interest provision in the law supported with number of decisions but how many assessee's dare to claim the interest but prefers to adopt wrong practices of corruption rather than exercising their rights.

However, in the Finance Act 2013, provision of arrest non-bailable and bailable has been introduced even at the stage of “reason to believe” i.e. during the process of investigation. This will definitely add to the corruption on account of coercion and threat of arrest. Such provisions should have been introduced from the stage of appellate authority.

Similarly, there should be review mechanism, responsibility & accountability to be fixed on assessment/adjudication authority, if Show Cause Notices do not stand in the Court of Law subsequently. This will have positive impact to get justice at the first Quasi-Judicial Authorities stage, and then definitely corruption will be substantially reduced.

#### FOREIGN TRADE POLICY

Para 9.11 of Handbook of Procedure provides time Bound Disposal applications which is reproduced below :

Sr. No.	Category of Application (in working days)	Time Limit For Disposal
a)	IEC Number	2
b)	Advance Authorisation where Input-Output norms are notified or under paragraph 4.7, Advance Authorisation for Annual Requirement and DFIA	3
	Advance Authorisation where Input-Output norms are notified but where cases are to be approved by Commerce & Industry Ministe	15
	Advance Authorisations where Input-Output Norms are not notified	45
	Fixation of input output norms	9
c)	DEPB	
d)	(i) EPCG Authorisations on self declaration basis	3
	(ii) EPCG Authorisations for fixation of nexus (other than those covered in (i) above	45
e)	All Authorisations under Gem & Jewellery scheme	3
f)	Revalidation of Authorisation and extension of export obligation period by R.A	3



g)	Acceptance of BG/LUT	3
	Redemption of BG/LUT for Advance Authorisations and DFIA	15
	Redemption of BG/LUT for EPCG Authorisations	30
h)	Issuance/renewal of status certificate	3
i)	Amendment of any category of Authorisation	3
j)	Fixation of deemed exports Drawback rate	45
k)	Miscellaneous	10
l)	All applications filed through EDI mode	1
m)	Refund of DBK/ TED under deemed export	30 days from the date of receipt of complete application

Cases of undue delay in disposal of applications may be brought to notice of head of regional offices by way of a written representation, which shall be promptly enquired into and responded to.

Similarly para 6.39 stipulates, Time bound disposal of application from the Office of Development Commissioner.

Sr. No.	Category of Application (in working days)	Time Limit For Disposal
1	Issue of LoP / LoI	15
2	Conversion of LoP / LoI	15
3	Acceptance of LUT	3
4	Renewal of LUT	3
5	Permission for broad banding / diversification	3
6	Permission for change in locations	7
7	Permission for Advance DTA sale	2
8	Permission for merger of units	7
9	Permission for enhancement of production capacity	3
10	Cancellation of LoP	3
11	Permission for debonding / exit	7
12	Permission for DTA sale	2
13	Eligibility certificate for employment visa for lower level technicians	2
14	Issue of Green Card	2
15	Renewal of Green Card	same day
16	Permission to lease CG	1
17	Permission for disposal of scrap / waste	2
18	Permission for change in name	2
19	Inter Unit Transfer	2
20	Wastage Norms, ad-hoc	2

Why there is no mechanism of review is introduced to call for the report and fix up the responsibility on the erring officers, who are unnecessarily delaying the applications for flimsy ground, perhaps for the sake of personal gratification. Until such type of mechanism is introduced and each businessman / person determines to make India Corruption Free and exercise their rights through representation or Right to Information (RTI), he / she will not be performing his / her duty to be true Indian. Moreover, all Trade Associations and Industry Associations have to perform their duties and consider India without corruption on their top of the agenda, and then only "Sun of Industry & Trade" will rise. We have witnessed proven example of Delhi that "Aam Aadmi", if decides, can throw the corrupt Government.

**Let us take the resolution in the New Year 2014 - To make India Corruption Free...** ■



# MIS Report for Monitoring, Controlling & Reducing Expenses on Stores & Spares

*CMA Rajesh Kapadia*

A Company is required to incur expenses on Stores & Spares to keep its Plant & Machineries in good condition so that it facilitates smooth running of its Plant & Machinery.

Following MIS Report can be prepared by Costing Department to help management in monitoring, controlling & reducing Expenses on Stores & Spares.

## Yearwise Cost Centrewise Trend of Expenses on Stores & Spares for Company / for Plant 1

YEAR	2012-13 (Rs Lacs)	%	2011-12(Rs Lacs)	%	2010-11(Rs Lacs)	%
<b>COST CENTRES</b>						
Manufacturing Cost Centres						
Manufacturing Plant-1						
Manufacturing Plant-2						
Manufacturing Plant-3						
<b>Utilities Cost Centres</b>						
Power Plant						
Boiler						
DM Water Plant						
Filtration Plant						
Cooling Water Plant						
Chilled Water Plant						
Air Compressor						
Nitrogen						
<b>Other Cost Centres</b>						
<b>TOTAL</b>						

### Utilities of this Report :

- (1) It provides at a glance yearwise costcentrewise trend of expenses on stores & spares.
- (2) Incidence of Expenses with respect to Stores & Spares depends upon age of plant & machinery and operating conditions of plant & machinery.  
If there is any substantial increase in expenditure, then this increase in expenditure needs to be traced to particular cost centre / cost centres and reasons for the same should be discussed with the Head of that cost centre so that appropriate action can be taken to prevent such recurrence.  
It is advisable to buy spare parts of machine from the original manufacturer of machine which will ensure originality of spare parts.
- (3) Whenever any new spare parts are to be purchased, all the possibilities need to be explored to bring about all possible improvements with respect to the Quality of Spare Parts to be Procured.  
With improvement in quality of spare parts, there will be improvement in life span of spare parts which will bring down the cost of spare parts for the company.  
This is because, with given price, Company will be Procuring Spare Parts having longer life span due to better quality of spare parts.
- (4) For High Value Spare Parts, Company should maintain proper records for its failure with reasons for such failure so that adequate steps can be taken by the concerned authority of the company for the prevention of such failure in future which will result in extension of life period of such Costly Spare Parts.
- (5) Through this report, management will come to know A Category of Cost Centres which account for 70 % to 75 % of total Stores & Spares Expenses incurred.

It is always advisable for the management to focus on these A Category Cost Centres to monitor, control & reduce expenses on Stores & Spares. This is because even a small step taken by the management with respect to these A Category of Cost Centres will result in far greater advantage to the management with respect to Cost Control & Cost Reduction of Expenses with respect to Stores & Spares.

**Conclusion :** Thus, this Report when submitted to the management along with suitable analysis, it serves dual purpose of providing information as well as acting as a control device. ■



# HUF: Taxpayers' Legal Medicine

**CMA Dr. Niranjana Shastri**

*(Treasurer & Ex Chairman Indore-Dewas Chapter)*

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## 1. INTRODUCTION:

One of my friends is an Associate Professor in a management college. She is recently married and her husband is an Area Marketing Manager in a pharmaceutical company. One fine evening when she approached me for discussing her TDS matters, she shared with me that her husband is likely to get a house on partition of her father in law's property. She was worried about the tax liability on the rental income of this house and wanted to reduce overall tax liability of her family and thereby not allowing her blood pressure to shoot up when time to pay taxes comes.

Do you know how can she do so? Yes! I prescribed her none other than the best legal medicine available i.e. the bridge that unites marriage with tax planning - a Hindu Undivided Family, popularly known as an HUF. In this article I will try to give you tips and real life examples on how one can use HUF to save taxes legally. Before that let's understand what HUF is.

## 2. WHAT IS HINDU UNDIVIDED FAMILY (HUF):

The Hindu Undivided Family (HUF) can best be defined as a family of a Hindu that consists of a common ancestor and all his lineal male descendants and their wives and unmarried daughters.

Section 2 (31) of the Income Tax Act includes HUF as a person with distinct legal entity than that of its members. This HUF can also have its own assets and liabilities and even regular source of income, which should be taxed separately.

## 3. IMPORTANT TERMS RELATING TO HUF:

Following are very important terms which you should understand before forming an HUF:-

- a) **Member:** Every lineal male descendant and his wife and unmarried daughters of a HUF is called the member.
- b) **Coparcener:** Every member of the HUF who has the right to demand the share of the property of HUF if he/she wants to part away with the HUF with his/her share is called coparcener. Every member of the HUF is not its coparcener. The status of coparcener is assumed by any member to four degrees down the family hierarchy in the following manner:
  - ❖ First degree: Holder of ancestral property for the first time.
  - ❖ Second degree: Sons and daughters
  - ❖ Third degree: Grandsons.
  - ❖ Fourth degree: Great grandsons.
- c) **Karta:** Karta is generally the senior most male member of the HUF who is the by default life time head of the HUF and has the right to officially execute all the matters on behalf of the HUF and takes all the decisions on the behalf of the HUF. There are also cases with women only HUFs, where the earlier Karta has passed away and left behind only female descendants then the eldest daughter assumes the role of the Karta.
- d) **Corpus:** An important requisite for the constitution of an HUF is its corpus. This is the aggregate value of assets owned by the HUF and is altogether separate from the assets owned by its members in their personal capacity. The property received by way of a will in favor of the HUF is the most generic source of its corpus.
- e) **Deed:** It is a document which generally includes details of the Karta, members of the HUF consisting of coparceners & other family members

and the corpus as well as the business of the HUF. Although it is not mandatory to have a deed for the formation of an HUF, it is advisable to execute one from taxation perspective.

## 4. FORMATION OF HUF:

HUF needs to be created is a myth. The reality is that HUF can neither be created under a law like a company nor by contract among the members like a partnership firm. In fact an HUF comes into existence automatically when a couple exchanges wedding vows.

So any individual who is covered by Hindu Personal Law forms an HUF w.e.f. the occasion of his marriage and when the child is born, he will automatically become member of his father's HUF. However to avail tax benefits one has to formalize the existence of HUF through obtaining separate PAN card and Bank A/c.

As HUF is governed by the Hindu Personal Law and not by the Income Tax Act, individuals belonging to other religions are not allowed to form HUF except Hindu, Sikh, Jain or Buddhist.

## 5. PROCEDURE TO FORMALIZE EXISTENCE OF HUF:

By adopting the following procedure existence of an HUF can be formalized:-

- a) **Stamp:** Get a rectangular rubber stamp of HUF.
- b) **Deed:** Prepare a HUF declaration deed stating the name of the Karta and all the remaining family members showing their dates of births and relationships with Karta.
- c) **Account:** Open a bank account with the name of HUF like "GAURAV PURANKIK (HUF)" with a stamp, ID Proof and the proof of the members of the family of HUF.
- d) **PAN:** Apply for PAN (Permanent Account Number) of the Income Tax.
- e) **Funds:** Receive funds in the Bank Account of HUF in cash or in the name of HUF in kind through receiving gifts etc so as to build a corpus for the HUF. However the provisions of clubbing and tax on gifts etc. under the Income Tax Act must be studied very carefully before receiving such funds.

## 6. HOW HUF CAN REDUCE TAX BURDEN:

Until a few years, tax evading intentions of many individuals dragged them to keep multiple PAN cards and used to show Income under different PAN cards to avail the benefit of slab rates by showing themselves as different persons. This however is illegal and strictly prohibited by law and is a punishable offence. It must be noted that legally one person cannot have more than one PAN Card.

But, one legal way of obtaining an extra PAN Card in the family is to form an HUF. As the Income of an HUF is taxable in the hands of HUF and not in the hands of any Individual, a separate PAN Card is issued for an HUF and the benefit of slab rates can be availed on this PAN Card so as to reduce the tax liability of entire family.

As discussed above HUF is treated as different entity under the Income Tax Law and hence it enjoys the advantage of tax slab system available to it in addition to members who can enjoy the same in their distinct individual capacity.



Let us examine the case of my friend who earns a salary of Rs. 8 lakh from the management institute and her husband earns salary of Rs. 15 lakh from the pharmaceutical company. They are also likely to earn Rs. 5 lakh income from their house which they are likely to get after partition. They invest Rs. 300000 in LIC policies every year.

Let's see 2 different cases here in which this additional income can be shown:

**Option 1 – If Rental Income is shown in the hands of the Husband.**

Particulars	Wife's (Rs.)	Husband's (Rs.)
From Salaries	800000	1500000
From House Property	-	500000
Gross Total Income	800000	2000000
Deductions	100000	100000
Total Income	700000	1900000
Total Tax	72100	412000

Note: Total tax burden on the family members is  
Rs. 72100+412000=484100

**Option 2 – If this Rental Income is shown in the hands of the HUF**

Particulars	Wife's (Rs.)	Husband's (Rs.)	HUF's (Rs.)
From Salaries	800000	1500000	-
From House Property	-	-	500000
Gross Total Income	800000	1500000	500000
Deductions	100000	100000	100000
Total Income	700000	1400000	400000
Total Tax	72100	257500	20600

Note: Total tax burden on the family members is  
Rs. 72100+257500+20600=350200

Now it can be said that if my friend opts for option 2 then she can reduce tax burden of her family by Rs. 484100-350200=133900 every year only by following one tax saving tip.

**1. WHO SHOULD ACTUALLY GO FOR HUF:**

Thus with the help of above illustration it is well established that HUF is a very good vehicle for tax management. HUF will be extremely efficient for those people who have a higher income and high saving rate and some form of ancestral assets which can be earmarked as "Family Assets". HUF can be assessed for any type of income except salaries.

In fact the following four real life situations offer very attractive rewards to someone who decides to go for formalization of an HUF:-

- Getting Gifts:** Instead of receiving gifts in the name of individual family members, they should be received in the name of HUF. That way the gift will be treated as income/asset of HUF and taxed separately.
- Assigning Properties:** If any individual is going to receive an ancestral property or any wealth, then it's better to receive it in the name of HUF so that whatever earnings happen in future in form of rental income or capital appreciation of assets becomes income of HUF itself and taxed in its own hands. That way the total tax liability of family can be minimized.
- Running Business:** A business can be run in the name and style of HUF and income from that business will be taxed separately. Thus one can take benefit of tax slabs available to HUF in addition to that of individual members.
- Making Investments:** Life Insurance and Medical Insurance Policies should be bought in through HUF also so as to get benefit of deductions available under section 80 of the Income Tax Act for HUF also in addition to that of individual family members. Also family day to day expenses can

be used from HUF income and hence it will leave other members with more disposable income which one can use to service higher EMI's if required. Similarly, a second property can be bought in the name of the HUF for deduction on interest and principal repayment on home loan. Wealth tax liability can be lowered if assets like second home (not let out) and gold are owned in the HUF's name.

**2. TAX PLANNING TIPS FOR HUF:**

Tax planning through HUF is a very interesting area and offers many ways to save tax. Some of the popular tips are listed as below:-

- Partition:** You can create more assessable units by partition of HUF and thereby reduce the tax liability. This can be easily done in a case where the partition results in separate independent taxable units.
- Remuneration:** – The Karta and other members of HUF are entitled for remuneration in consideration of the services rendered by them to the HUF. The remuneration so paid would be allowed as a deduction from the income of the HUF and thereby tax liability of the HUF would be reduced.
- Loans:** Making or taking loan from or to members of HUF with interest thereon can be used as a very effective tool in tax planning.

**3. BE CAUTIOUS WHILE FORMING HUF:**

After the above discussion you might be excited to start HUF and use take it as a wonderful legal medicine to maintain your blood pressure by reducing your tax burden, but my dear friend it can also have some side effects if proper precautions are not taken. Here are some important points listed below which signals of caution while adopting HUF route of tax management:-

- Clubbing Income:** According to section 64 (2) if self acquired property of any member is transferred to HUF otherwise than for adequate consideration then income from such property shall be clubbed in the hands of the transferor.
- Taxing Gifts:** There is no exemption on receiving gifts from specified relatives like in the case of an individual.
- Reducing Liquidity:** Assets kept under the ownership of HUF reduces their liquidity because for satisfying the personal need of any individual member these assets can be liquidated only after partition of the HUF takes place after it is triggered from a coparcener. Further even if the Karta decides to sell the HUF property for the common funding needs of the HUF, the buyer may not be aware of other members such as married daughters and minors, who may also have a share and hence they tend to be wary because this may lead to a challenge in court.
- Diluting Ownership:** In respect of HUF property, will can note be made. For example in the case of my friend if at his retirement he wish to write a will of the house owned by his HUF, it shall not be possible as that property belongs to HUF.

**4. CONCLUSION:**

Though formalization of an HUF is a very prudent step from tax management perspective, you will have to be very vigilant and thoughtful. Don't look for tax benefits only, but be practical and evaluate the impact of side effects also. Appraise if HUF can really give you that much tax advantage as is sufficient to overcome its pitfalls by a big difference. So make sure you can get the maximum out of the HUF after understanding all the limitation of formalization of an HUF holistically before you go for it.

If the HUF is not formed properly or if the assets or income are fudged for evading tax, it can get you in trouble; therefore it's highly advisable to hire a good consultant to formalize your HUF so as to offer you optimum advantage.

**Disclaimer:** This article is written purely with knowledge dissemination purpose and the author does not own any responsibility for any error or omission which might have crept in this article inadvertently.

## CHAPTER NEWS

### AHMEDABAD

Ahmedabad Chapter of ICAI organized a seminar on - Techno Economic Viability- on Saturday, March 01, 2014 at Chapter office. CMA V H Savaliya, Vice Chairman of Ahmedabad Chapter presided over the function, The guest speaker was CMA Atul Bhatt, Practicing Cost Accountants. CMA Ashish Bhavsar gave brief introduction of the speaker to the audience and CMA V H Savaliya welcomed speaker by presenting a bouquet.

"ICMAT seminar for the Final Students enrolled for ICMAT Training Scheme has commenced on 23/02/2014. There will be four such seminars covering various topics on Accounts, Audit, Finance, Management etc. The faculties for these seminars have been chosen from the Senior Executives, working in various organizations and the practicing cost Accountants. These seminar are aimed at giving a practical exposure on the aforesaid topics."

### NAVI MUMBAI

The Annual Seminar of the Navi Mumbai Chapter of the Institute of Cost Accountants of India was held on 15th Feb.2014 at K.B.Patil college Auditorium, Vashi, Navi Mumbai. The topic for the Seminar was

"An insight into Special Economic Zones (SEZ) and Foreign Trade Policy (FTP)". The programme was inaugurated by the Chief Guest, Mr. Syed Haider Hasan, Commissioner of Customs, Nhava Sheva. Speaking on the occasion Mr. Syed Hasan appreciated the timely holding of the seminar on SEZ and FTP as the present Foreign Trade Policy expires on 31-3-2014 and we all look forward to a more vibrant and accommodating FTP for the ensuing term. He also talked about the nuances of the concept of SEZ in relation to Commerce Ministry and Dept. of Customs.

On the occasion, a colourful Souvenir of the Chapter was released at the hands of CMA Ashish Thatte, Guest of Honour and Chairman, WIRC of the Institute. In his address, CMA Ashish Thatte congratulated the Chapter not only for holding this seminar on diverse subject but he also complimented the Chapter for the good work done both in the field of Oral and Postal Coaching, regularly organizing professional development programmes and raising concerns of the profession at appropriate forum.

CMA Amitava Sur, the Secretary of the Chapter welcomed the dignitaries on the dais and the audience and briefed on the subject of the seminar. CMA Vivek Bhalerao, Chairman of the Chapter, welcomed the Chief Guest and the Guests of Honour and other dignitaries of the profession and the audience who had turned up in large numbers. CMA Bhalerao briefed on the journey of the Chapter since inception and congratulated all those who stood through and supported the growth and expansion of the activities of the Chapter. He also appealed to the Chief Guest in his capacity as the Commissioner of Customs, to support the cause of the Cost and

Management Accountants profession in appropriate forums.

Senior members of the Institute CMA V.C.Kothari and CMA Aruna Soman, Central Council Member of the Institute, graced the occasion and gave their well wishes.

The 1st Technical session on "Special Economic Zones" was deftly handled by the Speaker Shri. Sudhakar Kasture, a leading consultant in the areas of foreign trade and SEZ matters. He gave a holistic picture of SEZs across the world with pictorial presentations vis-a-vis the SEZs in India and brought out exactly what needs to be done to make the SEZs in our country really vibrant. He also dwelt in detail on the SEZ Act, 2005 and Rules there under and present status of various SEZs in India.

The 2nd Technical session was handled by Mr. A.N. Mishra, an Officer from the Indian Trade Service (ITS) who has held various positions with office of the Director General of Foreign Trade (DGFT), on the subject of "Foreign Trade Policy". He gave an exhaustive presentation on the objectives and the provisions of the present FTP. He gave a detailed insight into the host of incentives and concessions that the FTP offers and how to avail the same.

On the whole the seminar was very well received by the audience who had come in large numbers and consisted of professionals and also students and faculties from B-Schools.

The whole program was anchored by CMA Pratyush Chattopadhyay.

The program was concluded by a vote of thanks by CMA M.K. Narayanaswamy, the Vice Chairman of the Chapter.

### PIMPRI-CHINCHWAD - AKURDI

#### CEP Seminar on "CO Module in SAP - Part II"

The Pimpri-Chinchwad-Akurdi Chapter of the ICAI organized a seminar on "CO Module in SAP - Part II" on Saturday, February 8th 2014, at Chapter Office, Akurdi.

CMA Pradeep Deshpande, Secretary of the Chapter presided over the function. CMA Pradeep Deshpande welcomed the speaker and members from Industry and practicing members. The guest speaker was CMA C S Adawadkar, Practicing Cost Accountant.

In the technical session, CMA C S Adawadkar explained the basic understanding of Cost Center accounting, the process by which the standard cost and moving average cost is calculated in SAP. Calculation of activity rate costs was explained by him and the audience learnt how the calculation was done automatically and how it was possible to enter the same manually in SAP.

The session was well attended by members in practice and from industry. After the technical session, CMA Pradeep Deshpande, Secretary - PCA Chapter gave vote of thanks.

**SURAT-SOUTH GUJARAT****CEP on Designing a bill of material and its practical utilities on 09-02-2014**

A CEP on above subject was organized by Surat South Gujarat Chapter of Cost Accountants on 09-02-2014 at Surat Citizens' Council Hall, Athwagate, Surat. CMA Brijesh Mali, Committee Member of the Chapter welcomes the faculty and members. CMA Nanty Shah, Practicing Cost Accountant discussed on above subject and its implication to the Industry at large. CMAs' of Surat and Final Students took advantage of it. Vote of thanks proposed by CMA Pranab Chatterjee, member of Surat South Gujarat.

**CEP on Utility of cost Accounting Records & Cost Audit in Die Casting & Allied Industries on 25-01-2014**

A CEP on above subject was organized by Surat South Gujarat Chapter of Cost Accountants on 25-01-2014 at Surat Citizens' Council Hall, Athwagate, Surat. CMA Biswadev Chanda, Chairman of the Chapter welcomes the faculty and members. CMA Amish Parmar, Practicing Cost Accountant discussed on above subject and its implication to the Industry at large. CMAs' of Surat and Final Students took advantage of it.

**Participation in Swami Vivekananda National Book Fair from 23rd to 27th January**

Surat South Gujarat Chapter participated in Swami Vivekananda National Book Fair which is organized from 23rd to 27th January organized by Surat Municipal Corporation. Around 5000 people daily visited and get informed about our course. Chapter staff and student volunteers' handled the inquires and questions of peoples. Overall more than 1 lakh people visited during the five days to the fair. Chapter awarded by the certificate from Surat Municipal Corporation.

**Ankleshwar-Bharuch Facilitation Center****CEP Programme on 05-01-2014**

Ankleshwar facilitation center organized CEP Programme on the topic "Company Act-2013" and "Recent changes in Cost and Management Accountancy" at Sarvodaya High School, GIDC, Ankleshwar. The Speaker was CMA. V Srinivas, Senior Manager of UPL Ltd, Ankleshwar.

CMA Rajendra Rathi, Vice Chairman of Surat South Gujarat Chapter welcomed head of administration of local education/health trust & and Faculty. Eminent faculty CMA Srinivas (CMA & CS) shared his views on Provision of New Company Act as well as CWA status in other countries. The Chief Guest appreciated our activities and assured to support in future. CMAs S. N. Mundara, R. Mehta, D. C. Gupta, Susanta Bhattacharya, Bhanwar Lal, Shailendra Saxena and large number of members and students attended the programme. CMA Rathi proposed a Vote of Thanks. ■

**The Institute of Cost Accountants of India***(Statutory Body under an Act of Parliament)***Western India Regional Council****Continuing Education Programme****‘Costing and SAP’****Time:** 5.30 p.m to 8.30 p.m**Fees:** Rs. 200/-**Speaker :** CMA Pravin Ambeskar**Date:** Saturday, 15th March 2014**Venue:** Mulund College of Commerce, Mulund (W), Mumbai – 400 080**Date:** Saturday, 22nd March 2014

**Venue:** Borivali Students and Members Facilitation Centre,  
C/o. St. Francis Institute of Management and Research,  
Mt. Painsur, S. V. P. Road, Borivali (W), Mumbai 400 103

**(2 CEP Credit hours will be provided)***Kindly register your participation on email id : wirc@icmai.in*





CMA Ashish Bhavsar giving Introduction during seminar on -Techno Economic Viability- organised by Ahmedabad Chapter on 1/3/2014



View of Audience during seminar on -Techno Economic Viability- organised by Ahmedabad Chapter on 1/3/2014



CMA V H Savaliya- Vice Chairman of Ahmedabad Chapter presenting bouquet to faculty CMA Atul Bhatt during seminar on -Techno Economic Viability- organised by Ahmedabad Chapter on 1/3/2014



Inaugural speech by CMA R B Kothari - Chairman of Ahmedabad Chapter during ICMAT Seminar organised by Ahmedabad Chapter on 23/2/2014



Student Offering bouquet to CMA Hetal Shah - Faculty during ICMAT Seminar organised by Ahmedabad Chapter on 23/2/2014



View of Participants during ICMAT Seminar organised by Ahmedabad Chapter on 23/2/2014



CMA C.S. Adwadkar interacting with members during seminar on “CO Module in SAP – Part II” organised by Pimpri-Chinchwad-Akurdi Chapter on 8th February 2014.



View of audience during seminar on “CO Module in SAP – Part II” organised by Pimpri-Chinchwad-Akurdi Chapter on 8th February 2014.



Cross section of dignitaries and audience at the annual seminar organised by Navi Mumbai Chapter



A Souvenir was released at the hands of CMA Ashish Thatte, (Chairman, WIRC) on the occasion of annual seminar of Navi Mumbai Chapter (NMC).

## OBITUARY



**CMA S. R. RAY, (M/1337)**

*Past Chairman WIRC (2001-2002) passed away on 02-03-2014.*

**“May his soul rest in Eternal Peace”**

### **CONDOLENCE MEETING**

A condolence meeting was convened at WIRC Office to pay homage to Late S. R. Ray, Past Chairman WIRC on 5th March 2014.

CMAs V. V. Deodhar, Past President, ICAI, P. V. Wandrekar, Past Chairman WIRC, CMA Ashish Thatte, Chairman WIRC, Sr. members and Representatives of R. Nanabhoy and Company alongwith Students & Staff members, of WIRC attended the meeting.



View of the Condolence Meeting



To

*If undelivered please return to:*

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WESTERN INDIA REGIONAL COUNCIL,  
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