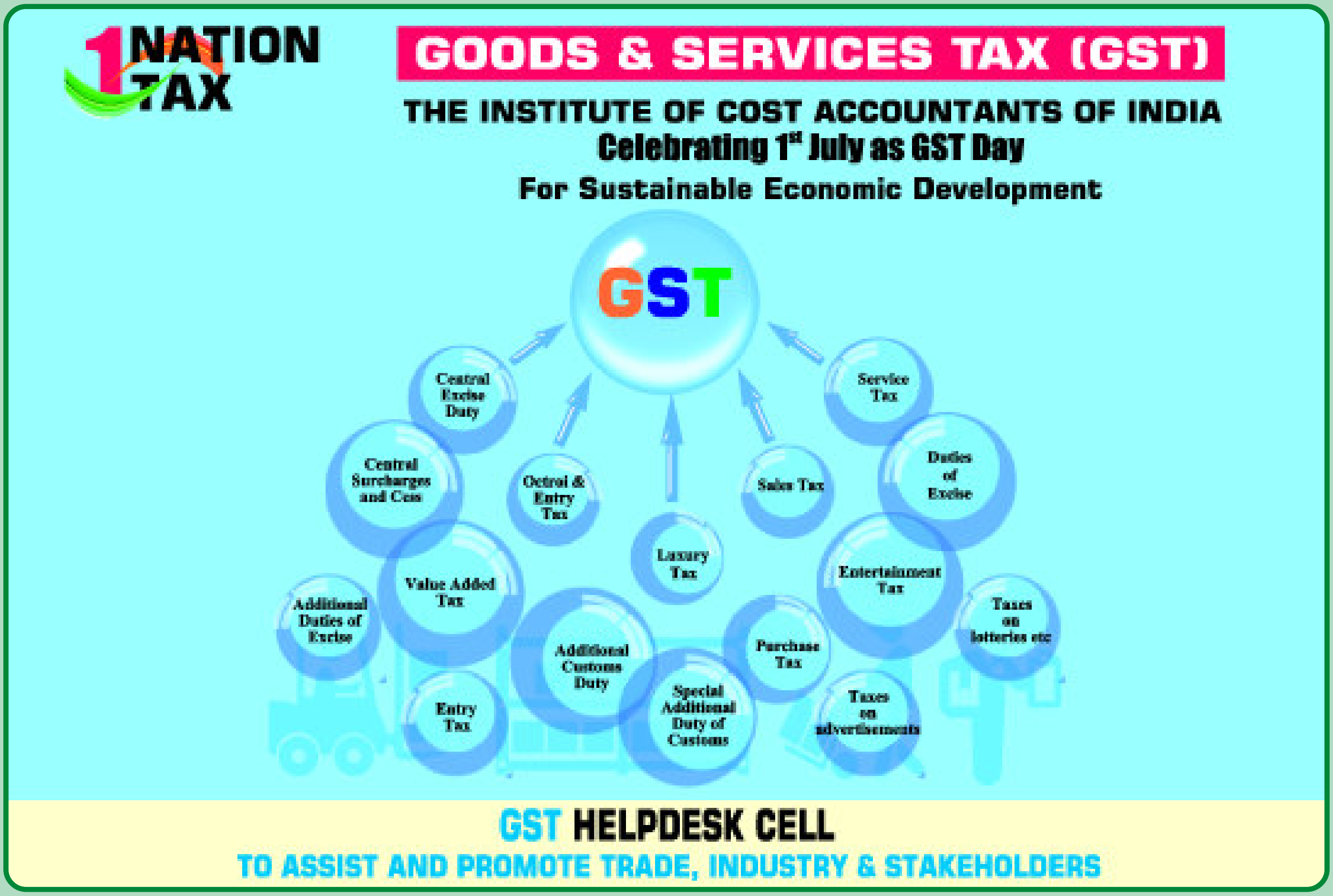
Vol. 45 No. 7 July 2017
Price : Rs. 5/- For Members only

WIRC BULLETIN



In this Issue....

WESTERN INDIA REGIONAL COUNCIL
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)
Rohit Chambers, Janmabhoomi Marg, Fort, Mumbai 400 001.
Tel.: 2204 3406 / 2204 3416 / 2284 1138 • Fax : 2287 0763 E-mail : wirc@icmai.in • **Website : www.icmai-wirc.in**

GST DAY CELEBRATION
1st July 2017

CMA Padma Ganesh, Faculty being felicitated by CMA Veerral Patail on the occasion of GST Day celebration organised by WIRC on 1st July 2017.

View of audience on the occasion of GST Day celebration organised by WIRC on 1st July 2017.

Baroda

Bilaspur

Pimpri

INTERNATIONAL YOGA DAY CELEBRATION
21st June 2017

WIRC, Mumbai

Ahmedabad

Aurangabad

Pimpri

Pune

Surat

From the Desk of Chairman

Dear Professional Colleagues and students,

It is indeed my pleasure to address my last communiqué as the Chairman, with the satisfaction that I could do few things for our profession and Institute. The detailed performance of the year was covered in the Annual Report published in the last bulletin. Of course, this was possible only with the full support of respected members in my Council i.e. TEAM WIRC. CMA Kailash Gandhi and CMA Debashish Mitra did excellent job in organizing number of PD programs in Mumbai and Thane. With this, we could achieve better connect with our members. We could make more effective utilization of Thane SMFC. We had better liaison with Government and Govt. departments. CMA Shriram Mahankaliwar performed very well to monitor the finance of WIRC and WIRC turned again to profit. Few PD activities outside Mumbai were also organized successfully. CMA L. D. Pawar and CMA Shriram Mahankaliwar worked hard for Co-operative Audit in Maharastra under able guidance of Past President CMA B. M. Sharma. CMA Harshad Deshpande restructured WIRC Bulletin and members appreciated the change. Very positive support and timely guidance from CMA P. V. Bhattad - Immediate Past President and CMA Ashok Nawal - CCM brought smoothness in our functioning. CMA Amit Apte - CCM and CMA Neeraj Joshi - my Council colleagues have been very positive in my efforts towards effective management. Members other than elected representatives also actively participated in structuring and organizing various programs of our members. This is a positive sign towards homogenous growth of WIRC. Members' active participation enabled all of us to play our role very effectively. RCC at Ahmedabad was a challenging opportunity for me and I could do it successfully with the full support of Ahmedabad Chapter and my Council Colleagues. 58th NCC as planned on 14th & 15th July 2017 at Mumbai could not be materialized by our Institute. We apologize for the inconvenience caused to our members, if any. I will be very happy to hand over the baton in the safe hands of the incoming Chairman. I shall extend him full support and co-operation in all round progress of WIRC. I also appeal all of you to extend your active support for increasing the strength of members and students in WIRC.

I am grateful to the faculties of the seminars, coaching activities, pre-orientation program and members who contributed their articles in WIRC Bulletin. I also appreciate the co-operation given by WIRC staff during my tenure.

I am indebted to my family members for their unconditional support and motivation to perform my duties.

GST has now become reality. Everybody is busy in understanding the law and its implications in personal, professional or business life and now engaged in framing strategies and systems to comply with the requirements. We have been given leading role to play in the GST implementation and monitoring. I am sure our members in practice and in service are grabbing this lifetime opportunity. This is just the beginning and there will be much more to work and that too for years. So, we will continue to have series of programs on GST for updating knowledge and skill.

1st July was celebrated as GST day by WIRC and Chapters, as per the government directives and it will continue to be celebrated every year. Our Institute is also observing GST fortnight form 1st July to 14th July 2017. WIRC and Chapters have also started GST help desk for helping the people.

Global summit was organized by our Institute at Kolkata on 29th & 30th June 2017. President of India Hon'ble Shri Pranab Mukherjee graced the inaugural function as the Chief Guest. His speech in the Global summit was boost for our profession. It was a proud moment and will be remembered in the coming years.The Governor of West Bengal Hon'ble Shri Keshari Nath Tripathi and Union Minister of State for Finance & Corporate Affairs Hon'ble Shri Arjun Ram Meghwal graced the occasion as Guests of Honour.

Date for responding to the queries, raised by Department of Co-operative Societies for empanelment for statutory financial audit, was extended to 4th July 2017 and we had informed our members in Maharashtra about the same. I am sure our members must have completed their procedure. Moreover, the department has also informed us that they will further extend the dates due to some technical issues.

We had arranged few programs during the month for the benefit of members:

- At WIRC, on 3rd June - An Overview of GST - Meaning, Scope, Time, Value and Place of Supply, 10th June - ITC & Returns and 17th June - Transitional Provisions.
- At Thane SMFC, on 11th June - Impact of GST on Financial Services Sector, 18th June - Transitional Provisions of GST, 25th June - Definitions of GST.
- WIRC celebrated International Yoga Day on 21st June 2017 at WIRC office.
- 1st July, 2017 was observed by Institute as GST Day. To mark the occasion, WIRC had organised CEP & GST Knowledge Quiz.
- Round table meeting for discussion on the draft Registered Valuers and Valuation Rules, 2017 issued by the MCA for public comments on 23rd June 2017 at WIRC. We have also forwarded our comments on the draft rules.

I request our members to pay their membership fees, if still outstanding. I also request our members to attend CEP programs well in advance to avoid year-end stress.

Last date for admission to our CMA course is 31st July 2017. I request our members and students to canvas for our course and help in increasing the new admissions.

I, on my behalf and on behalf of WIR Council, convey heartfelt condolences to the family members of our Past President Shri. B. D. Bose.

I wish you all happiness and success in your life.

I, on my behalf and on behalf of WIR Council, convey greetings for the ensuing festivals.

With warm regards,

CMA Pradip H. Desai

Minutes of the 58th Annual General Meeting of WIRC of The Institute of Cost Accountants of India held on 27th June 2017 at 5.30 p.m. at WIRC office premises

CMA Pradip H. Desai, Chairman, CMA Kailash Gandhi, Vice Chairman, CMA Laxman D. Pawar, Hon. Secretary, CMA Shriram N. Mahankaliwar, Treasurer were on the dais.

CMA Pradip H. Desai Chaired the meeting. On account of heavy rain, few numbers were present in the AGM.

CMA Pradip H. Desai, welcomed the members and briefed the members about the activities undertaken by WIRC during the year 2016-17. Chairman also appealed members to put more efforts for increasing the strength of members and students. After confirming the quorum, he requested CMA Laxman D. Pawar, Hon. Secretary WIRC to start the proceedings of the meeting as per agenda.

Members observed two minutes silence as a mark of respect towards the departed soul of deceased members during the year.

Secretary read out the Agenda of the meeting as per the notice and put for discussion.

1. **To receive the Western India Regional Council's 58th Annual Report.**

   CMA Harshad Deshpande (M-25054) proposed and & CMA Neeraj Joshi (M-24118) seconded the resolution.

   "RESOLVED THAT the Fifty Eighth Annual Report of Western India Regional Council of The Institute of Cost Accountants of India for the year 2016-17, be and is hereby received & approved.

   The Resolution was passed unanimously.

2. **To consider and adopt the Accounts of the Western India Regional Council for the year ended 31st March, 2017 together with the Auditor's Report thereon.**

   CMA Debasish Mitra (M-15379), proposed and CMA Ravindra S Patil (M-18701) seconded the resolution.

   "RESOLVED THAT the Audited Income and Expenditure account of the Western India Regional Council of The Institute of Cost Accountants of India for the financial year ended 31st March 2017, and the Balance Sheet as on date, together with the Auditor's Report thereon, be and are hereby adopted."

   Chairman decided to place the said Resolution before the members for vote through "Show of hands" of the said Resolution and accordingly Resolution was placed for voting by the members.

   Nine members voted in favour of the Resolution and two members opposed the Resolution and one member abstained from voting.

   The Resolution was passed by the majority by "Show of hands".

3. **To Appoint Auditors for the year 2017-18 and fix their remuneration.**

   CMA Vaidyanathan Iyer (M-28794) proposed & CMA Ravindra S. Patil (M-18701) seconded the Resolution.

   "RESOLVED THAT M/s. K. R. Khare and Co., Chartered Accountants be and are hereby re-appointed as Auditors to audit the Accounts of Western India Regional Council of The Institute of Cost Accountants of India for the year 2017-18 at remuneration of Rs. 50,000/- and lumpsum out of pocket expenses of Rs.10,000/- & GST at applicable rate.

   Chairman decided to place the said Resolution before the members for vote through "Show of hands" of the said Resolution and accordingly Resolution was placed for voting by the members.

   Nine members voted in favour of the Resolution and two members opposed the Resolution and one member abstained from voting.

   The Resolution was passed by the majority by "Show of hands".

4. **To transact any other business as may be brought before the meeting with the permission of the Chair.**

   There being no other business CMA L. D. Pawar - Secretary proposed a vote of thanks to the Chair and declared the end of the meeting.

   CMA Kailash Gandhi, Vice Chairman, thanked the Members for attending the Annual General Meeting of WIRC irrespective of bad weather and requested the members to join for High Tea.

   The Meeting ended with National Anthem.

GST: Do you know which existing taxes are continuing and getting subsumed in GST era?

CMA Harshad S. Deshpande, RCM-WIRC
Contact : +91 98904 20201 • E-mail : harshadde@gmail.com

Goods and Services Tax (GST), India's biggest tax reform, is launched at midnight by Prime Minister Narendra Modi at Parliament's historic Central Hall, in the presence of President Pranab Mukherjee on 1st July 2017. It is the fourth time since Independence that an event will be held there at midnight. The last three celebrated India's Independence. GST, which replaces various indirect taxes with a unified tax, is set to dramatically reshape the country's 2 trillion dollar economy.

Advent of GST is bringing drastic changes in the indirect tax structure. Although GST is propagated as single indirect tax, it will be major indirect tax and other indirect tax will remain intact. Professional need to understand which taxes are getting subsumed and which taxes will remain post GST

Taxes which will get added:

1. Central Tax - earliest GST Model Law specified as CGST
2. State Tax- earliest GST Model Law specified as SGST
3. Integrated Tax- earliest GST Model Law specified as IGST
4. Union Territory Tax- earliest GST Model Law specified as UTGST
5. GST Compensation Cess

List of Taxes will continue in GST era:

1. Basic Customs Duty - BCD
2. Surcharge on Customs duty

   Surcharge at the rate of 10% of the Basic Customs Duty is levied on imported goods under Section 90 of the Finance Act, 2000 (unless exempted by a notification).
3. Customs Cess -
4. Safeguard duty under Section 8B of the Customs Tariff Act, 1975
5. Anti-dumping duty under Section 9A, Customs Tariff Act 1975
6. State Excise
7. Stamp Duty
8. Property Tax levied by Local Bodies
9. Central Excise as respects goods included in entry 84 (Alcohol for human consumption) of the Union List of the Seventh Schedule to the Constitution
10. Central Excise on Petroleum Products - GST applicability date on petroleum products will be notified subsequently
11. VAT on Petroleum Products - GST applicability date on petroleum products (i.e. petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel) will be notified subsequently
12. Profession Tax
13. License fee on entry of vehicles under THE CANTONMENTS ACT, 2006
14. Securities Transaction Tax (STT)

Following taxes will be subsumed in Goods & Services Tax as mentioned above :

1. Central Excise

   Central Excise Act, 1944 except as respects goods included in entry 84 (Alcohol for human consumption)ofthe Union List of the Seventh Schedule to the Constitution and Central Excise on Petroleum Products
2. Services Tax under Finance Act, 1994
3. Central Sales Tax - CST
4. Value Added Tax - VAT
5. Additional duty of customs -CVD

   Additional duty of customs equal to the, excise duty leviable on like goods produced or manufactured in India. This is levied under Section 3 of Customs Tariff Act, 1975
6. Special Additional duty - SAD

   Imported goods are also liable to a Special additional duty at a rate specified in Section 3A of the Customs Tariff Act, 1975.
7. Education Cess under Finance Act - EC
8. Higher Secondary education Cess under Finance Act - SHEC
9. Swachha Bharat Cess - SBC
10. KrishiKalyanCess - KKC
11. Cess collected by Central Govt under various heads like Automobile Cess, Tractor Cess, Textile Cessetc
12. Medicinal Excise
13. Entry Tax on Goods

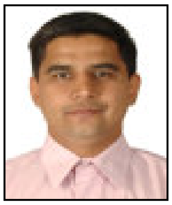
    Under Entry of Goods into Local Areas Act
14. Entry Tax on Motor Vehicles

    Under Entry Tax of Motor Vehicles into Local Areas Act
15. Purchase Tax
16. Taxes on Lottery Betting gambling

    Under Betting Tax Act of respective State
17. Luxury Tax

    Under Luxuries Act of respective States
18. Entertainment Tax

    Under Entertainment tax Act of respective States
19. State Cess / surchages
20. LBT - Local Body Tax
21. Octroi
22. Tax on sale of Forest Produce by Government or Forest Development Corporation.



GST : A Driver of Growth Engine for the Nation

CMA Vinod Shete
Contact : +91- 86980 76687 • E.mail : vinod_shete@rediffmail.com

Goods and Service Tax (GST) replaced all indirect taxes levied on goods and services by the Government, both Central and States. GST is one of the biggest Tax Reforms in India since its independence.

What is GST ?

GST is basically an indirect tax that brings most of the taxes imposed on various goods and services at the point of manufacture, sale and consumption of goods and services under one umbrella at the National level. While in Pre GST Era, taxes were levied separately on Goods and Services.

GST has been envisaged as a more efficient tax system. Below are the benefits of GST :

i) **Simplification in Tax System:** Pre GST Era, Central Taxes like Central Excise Duty, Special Additional Custom Duty (SAD), Additional Custom Duty(CVD), Additional Excise Duty, Service Tax, Taxes on lottery, betting and gambling. State Taxes like VAT/ sales Tax, Entertainment Tax, Luxury Tax, Entry Tax in place of octroi, Electricity duty. All above various taxes under Central Government are now subsumed in CGST and While State taxes are now subsumed in SGST.

ii) **Record Keeping :** With introduction of GST, various records / formats need not to be maintained to make a compliance under various Acts & Laws like in the Pre GST regime. It result in saving of time / paper work and Staff member will devote their time on some other important activity from Organisation perspective.

iii) **Eliminationof Multiplicity of Taxes and their cascading effects :** One of the Key benefit from GST is removal of the cascading tax effect. In simple words removal of Tax on Tax. Below example shows the net saving from cascading tax effect.

	Pre GST Rs.	Post GST Rs.
Sale Price	1000	1000
Excise Duty @12.5 %	125	0
Sub Total	1125	1000
VAT @ 5.5%	61.88	0
CGST @ 9%		90
SGST @ 9%		90
Total	1186.88	1180
Cascading effect		**6.88**

Cascading effect while calculating VAT (an indirect tax) is levied not only on the product value but also on the Excise Duty (as an indirect tax).

Main advantage from nullifying cascading effect is saving in Cash flows and lower burden on net landed price to the ultimate customer.

iv) **Gain to Logistic Company :** Logistic companies in India have maintained multiple warehouses across state to avoid CST & local taxes on inter-state movement of goods. Occupancy of warehouses, most of the time, is idle and leads to unnecessary burden of increased cost. With introduction of GST various taxes are abolished and hence efficiency of logistic Company would definitely increase due to abolition of entry tax post. India's logistics sector would gain the most from the goods and services tax as the cost would fall by almost 20%. *(Ref.: Economic Times of India as said by Hon. Road and Transport Minister).*

v) **Scheme for Small Business :** Composition Scheme is introduced for small businessmen whose turnover is less than Rs.75 lacs. For them GST is optional and they will pay very lower tax as compare to prevailing tax rates.

vi) **Online Procedure :** Starting from Registration to filing the returns as well as payment of taxes is online. It helps entire process to be faster, accurate and hassle free.

vii) **Unorganised Sector:** GST's main focus is on increasing the taxpayer base by bringing SMEs and the unorganized sector under its purview. This will make the Indian market more competitive than before.

Conclusion : The Whole Success of GST depends upon effective implementation to the extent of Retailer in business chain. No doubt that GST will help to make our Nation to become more competitive in the business world as compared to the other countries. ■

GST Day Celebration

1st July 2017 was observed by Institute as GST Day. To mark the occasion WIRC had organised CEP &GST Knowledge Quiz. CMA Padma Ganesh, Practising CMA &Ex- Inspector of Central Excise was the Faculty. On the occasion Quiz Competition was also organized and prizes were distributed to winners.

GST Accounts and Record

By **CMA Rajendra Rathi**
Contact: +91 9998975889 • Email: rajendra.rathi@ril.com

Gist of important provision of draft accounts and record rules. (Ready reckoner)

- Every registered person shall keep and maintain, following accounts/records.
  1. Production or manufacture record
  2. Inward and outward supply goods & services
  3. Stock of goods
  4. Input tax credit availed
  5. Output tax payable and paid
  6. Goods or services imported or exported
  7. Supply attracting payment under reverse charge along with relevant documents
  8. Invoice
  9. Bill of supply
  10. Delivery challan
  11. Credit note /debit note
  12. Receipt voucher
  13. Refund voucher
  14. E-Way bill
  15. Account of stock commodity wise (receipt, supply of goods lost, stolen, destroyed, written off ,free sample ,gift, balance stock of raw material finished goods, scrap and wastage)
  16. Separate account for advance received/paid/ adjusted
  17. Monthly production account showing quantitative details of raw material/services used in manufacture
- Above record need to be maintained each activities including manufacturing, trading and provision of service for each tax period.(Monthly as well as Annually)
- Every registered person shall keep the books of account at the principal place of business and at every related place(s) of business mentioned in his certificate of registration and such books of account shall include any electronic form of data stored on any electronic device.
- Accounts maintained by the registered person together with all invoices, bills of supply, credit and debit notes, and delivery challans relating to stocks, deliveries, inward supply and outward supply shall be preserved for the period as provided in section 36 of the Act and shall be kept at every related place of business mentioned in the certificate of registration.

Our views /understanding on recent ST notification / Circular dated 13.04.2017 is given in remark column

Notifn. No. date	Subject	Views
13/2017-Service Tax dt. 13-04-2017	Seeks to amend Service Tax Rules 1994 so as to (i) Specify the person complying with the sections 29, 30 or 38 read with section 148 of the Customs Act, 1962 (52 of 1962) as the person liable for paying service tax in case of services provided or agreed to be provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India. (ii) Person liable for service tax for the taxable services provided or agreed to be provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India, shall have the option to pay an amount calculated at the rate of 1.4% of the sum of cost, insurance and freight (CIF) value of such imported goods."	For import under CIF person liable for ST will be Importer Option to pay ST at the rate of 1.4% CIF value of imported goods
14/2017-Service Tax dt. 12-01-2017	Seeks to amend Point of Taxation Rules, 2011 so as to, (i) **"8B. Determination of point of taxation in case of services provided by a person located in non-taxable territory to a person in non-taxable**	POT for such cases will be the date of bill of lading of such goods in the vessel at the port of export.

Notifn. No. date	Subject	Views
14/2017-Service Tax dt. 12-01-2017	**territory.** Notwithstanding anything contained in these rules, the point of taxation in respect of services provided by a person located in non-taxable territory to a person in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India, shall be the date of bill of lading of such goods in the vessel at the port of export.".	It can be noted that as per rule 7 of POTR in other reverse charge cases except above POT is date of payment to vendor. Notfn effective from 22.01.2017 however in case of importer liability will arise w.e.f. 23.04.2017 as per Notfn no 15/2017 ST dated 13.04.2017 System to be modified for covering all import liking with B/L date at port of export.
15/2017-Service Tax dt. 13-04-2017	Seeks to amend notification No. 30/2012-ST dated 20.06.2012 so as to Explanation V.- For the purposes of this notification, in respect of services provided or agreed to be provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India, person liable for paying service tax other than the service provider shall be the importer as defined under clause (26) of section 2 of the Customs Act, 1962 (52 of 1962) of such goods."	PLST notification amended accordingly to made IMPORTER AS PLST for CIF cases
Circular 206/4/2017 Dated 13.04.2017	It is pertinent to point out here that under notification No. 26/2012-ST dated 20.06.2012 (Sl. No. 10), there is an exemption on 70% of value of services of transportation of goods in a vessel subject to the fulfillment of the condition that Cenvat credit on inputs and capital goods used for providing the taxable service, has not been taken under the provisions of the CENVAT Credit Rules, 2004. This conditional exemption has been extended for the reason that out of the full value of such services, the exempted value of service has already suffered taxes (Central Excise) which would have been available as Cenvat credit to set off service tax on full value of service. In effect, service tax is levied on the value added only. However, in case of foreign shipping lines, their services being exports from their home country, are zero-rated in their home country and thus have suffered no taxes. Further the foreign shipping lines do not get registered in India and do not follow the provisions of Cenvat Credit Rules.	Service tax is levied on full value of freight and abatement is not available which is conditional. Till date abatement for import on FOB basis cases under transport of coastal goods as well as for import category was available. It may have impact on above existing import on FOB transactions also.
Circular 206/4/2017 Dated 13.04.2017	Thus, the condition for availing exemption under notification No. 26/2012-ST dated 20.06.2012 (Sl. No. 10) is not fulfilled by the foreign shipping lines. Hence, benefit of conditional exemption will not be available to them and service tax will be paid on full value of services. Further, the amount of service tax payable under the option available under Service Tax Rules, 1994 has been prescribed accordingly.	For shipping line also abatement was not allowed so from 22.01.2017 to till date any differential ST liability may arise
10/2017 CE (NT) Dated 13.04.2017	Seeks to amend cenvat credit Rules,	Credit of Service Tax so paid under reverse charge on CIF import will be eligible and credit can be taken on the basis of GAR-7 challan.

Cost Audit and Report . . . . to resolve Banks Capital Allocation

Indraneel Sen Gupta
E-mail - neel19414@gmail.com

If the qualification of the RBI is not changed by including the name of the Cost Accountants the profession will loose a big opportunity of the rising Banking Industry growth. Cost Accountancy profession & its reports are risk mitigating tools. Cost Audit and Cost Records should be made mandatory to be included along with Financial Statements and Net worth certificate for availing loans. Rising NPA have been issue and this will continue to grow as the whole set of game is based on True and Fair view of the Financial statement projected by the Chartered Accountants. Indian economy since its birth have only kept Chartered Accountants in the Banking industry either from senor most positions to any other area. Till date only financial statement and net worth certificate provided by the Chartered Accountants used to be sole document for the availing loan. Cost Audit and Cost Records were never submitted along with these documents.

At the present time the financial audit is focused on the financial statements. Its clear that this focus is unduly narrow. Cost Audit report and records would help the bank management to confirm the basis on which the financial statements have been prepared and for the auditor to make clear that they are relying on this statement. Cost Audit and Cost Records should be made mandatory to be included along with Financial Statements and Net worth certificate for availing loans.

Today's rising NPA is due to the lightness of regulation and the pursuit of unsustainable business models by boards were the most significant factors leading to the crisis. The efficient allocation of capital is fundamental to the capitalist economic model. Cost Audit record along with financial statements and net worth certificate would help the bank management to have deep understanding of the fairness of the financial statements certified and provided to the bank.Cost Audit report helps the industry and government to capitalize on strength and weakness of an industry or company in the long term.

Historically if cost Audit and cost records were included along with the fanatical statements then the banking management might have got idea about the changing dynamics of the business operations and its functioning and the process of how the audit reports were derived. The report should have given understanding to the banks management about the various angles of the industry pricing strength n and cost competitiveness. Now if a company is losing its pricing competitiveness or loosing cost monopoly then obviously it gives an idea about the future of the business or industry as whole.

Inclusion of Cost Audit Report and Records along with financial statement for availing loan will be game changer for the banking industry getting from getting exploited in the long term.

Wrong credit off take have lead today banking industry to become skeptical about lending in today's economic policy reform days. The prime reason behind is that banks never understood how the industry or which industry needs which type of capital allocation and depth of the same. Today the rural India and SME sector is facing the heat of non availability of loans as banks are reluctant to give the loan. Capital allocation should have been efficient historically provide the cost audit report and cost records were mandatory part of the financial statements to and net worth certificate to be submitted for availing loan.

Cost Audit report and record should have give the banking management to have deep understanding about the future pattern of price and cost aspects which is the prime factor while one repays the loan to the bank.

On the other hand currently Chartered Accountants hold a position either from the top management to the credit rating fellow and hence there is significant lobby of providing credit based which finally leads to NPA.

Now in this respect the RBI have come up with the qualification for CFO appointment in the banking industry which also takes the position for the payment banking industry For the CFO's post, the RBI recommended qualification as a Chartered Accountant and an experience of 15 year. The experience should include overseeing financial operations, preferably accounting and taxation matters, in banks or large corporates/state-run enterprises/financial institutions. Ten years of this should be with banks or financial institutions, including five years at a senior management level.

Inclusion of Cost Accountants under the definition of Accountants in the same QUALIFICATIONS will play competitive position for the banking industry. As cost accountants plays the role of ears and eyes of the government, inclusion of the same in the CFO qualification will at least keep a vigilance Angle on the banking industry operation.

Its well knows that Public sector banks are under intense pressure of NPA recognition and this credit goes to the ones who have ruled the position under the said qualification. If Indian economy needs a balanced approach then inclusion of peer professionals is highly required. Cost Accountants having 15 years of experience should be given an equal opportunity as their role is minimization of cost and control of risk management.

Cost Accountants are in the profession of Cost Audit and maintenance of cost records hence they have better view about the Indian industries requirement and their problems. This cost audit report will help banks also to access the position of the Indian industries and companies as these data have negligible position of getting cooked as compared to financial statements.

The payment banking system is growing up stupendously and it has a long way to go. Digital Transactions have taken a new shape and size and hence the ATM segment is going to vanish within the next couple of years or mat be within the next decade. Biometric based financial transactions are the new revolution. Indian consumers are getting used to digital transactions, money transfer, and micro payments. But this is only the tip of the iceberg. There are huge opportunities in social lending, micro investments, instant credit, daily instalments, etc.

This is the place where the payment banking industry has taken a new shape and opportunity growth. Even its being found that many established banks and financial firms are partnering with fintechcompanies to go digital. Payment banking system is going to change and fill in the gap of the traditional banking industry.

Well payment banks and Indian banking industry revolution plays pivotal role. Its has been found the said qualification people have huge role behind the rising NPA where from credit ratings tweaking of financial papers have played pivotal role. If the qualification of the RBI is not changed by including the name of the Cost Accountants the profession will loose a big opportunity of the rising Banking Industry growth.

Till date banks never used the data of the cost audit and cost record where the banks management should have got an idea about the changes in the pattern and trend of the various changes and behavior of the business operation, its financial operation and its internal process of business growth/decline. Financial statements have created mess up which is very much clear from the current rising NPA. This is mainly due to sole dependency on the Financial statements certified by the chartered Accountants who despite of knowing the unfair condition of books of accounts and portrayed a brilliant picture for getting loan from the banks which finally leads to the NPA.

Cost Accountants reports should have been eye opener if the trend of business operation and internal manufacturing business process was investigated. In most of the cases one should have got an idea about how the unscrupulous management tweaked their report to get the books of accounts to portray a excellent beauty

A profession which is an eye and ear of the government has been ignored for the last several decades. Cost Accountants want only competitive position in the banking industry so that the history of unscrupulous NPA is not created in the long term. At the same time inclusion of cost audit and cost records along with financial statements certified by the chartered accountants for getting loans should also be made mandatory. This will safe guard and act as double check for the company's financial statements.

For the betterment of the Indian economy and to have efficient allocation of resources to the various industries of the Indian economy to achieve a double digit GDP growth inclusion of cost audit and costs records along with inclusion of equal opportunity to the Cost Accountants for filling up the vacancy at various banking levels should be provided.

CEP REPORT

WIRC organised series of Seminars on GST during June 2017 at WIRC Office and Thane SMFC.

WIRC Office

3rd June - An Overview of GST - Meaning, Scope, Time, Value and Place of Supply.

10th June - ITC & Returns

17th June - Transitional Provisions.

Ms. Varsha Kolhatkar, Assistant Commissioner, Kanjur Marg Division, Central Excise, Mumbai III Commissionerate was Resource Person for all the programmes.

Thane SMFC

11th June - Impact of GST on Financial Services Sector - CMA Amit Sarker, Director, Indirect Taxation, Deloitte Haskins & Sells was the Speaker.

18th June - Transitional Provisions of GST - Ms. Varsha Kolhatkar, Assistant Commissioner, Kanjur Marg Division, Central Excise, Mumbai III Commissionerate was Resource Person.

25th June - Definitions of GST - CMA Padma Ganesh, practising CMA, Ex-Inspector of Central Excise was the Faculty.

Pune Central CEP Study Circle

'Pune Central CEP Study Circle formed under the guidelines of the Institute of Cost Accountants of India organized its 21st Program on 17th June 2017. The topic of the program was "GST Transitional Provisions and how to get benefited". Adv. Kiran Sawale gave detailed presentation on this occasion and explained intricacies of Transitional provisions of GST. He also explained the CMAs can help industry to get benefited by provisions. CMA Prashant Vaze, Convener of the Study Circle along with CMA CMA Rahul Bharam, Dy. Convener, coordinated the Program.

Devaluation of Indian Tech Startups - Boon or Bane

CMA Anil Kshatriya
Contact : +91 - 9922414321 • Email: akshatriya@imtnag.ac.in

Shashank Agarwal
PGDM Student, Institute of Management Technology, Nagpur

It has said that a company that isn't making any money today could still be worth billions if it starts making a lot of money very quickly in the near future.

At the early stages valuation does not show the actual value of a company, but it shows how much of the company investor gets for his investment. Therefore firm valuation at early stages has lot of the growth potential as opposed to its current value.

Let us take the case of two major Indian startups, onefrom online retail - FLIPKART & other from online taxi service - OLA. Both are facing very stiff and tough competition from their global rivals who because of their deep pockets are trying to snatch the Indian market share of these startups and trying to established themselves as dominant players.

Today startup has become a fashion for just young college pass out Indian entrepreneurs as they try to emulate the overseas business model, thinking to be acquired by the big firms and in a short span of time they can make a substantial amount of money.It's sad to know that the main aim of these companies is just to making money at any cost. Mahesh Murthy, Managing Partner, Seed Fund mentioned in a panel discussion on 'Internet Commerce: Surviving the Global Giants' said, "promoters didn't care about their businesses and were more interested in taking salaries of Rs30-40 crores. Though Flipkart and Ola claim to innovate in the Indian market, they take eight times the pay of their US counterparts. Google was not the first search engine, Amazon was not the first e-commerce player, but they innovated and captured the imagination. Finally, it is not the VCs but the customers who made them number one. They dethroned the previous incumbents, and after that, they got funded," said Mr. Mahesh.Twenty years ago, remembering five to seven companies in a single domain was an easy task. Now, however, you can only think of a couple because the remaining have to be truly unique to stand out. "Google, Gmail, Facebook know the game, they do not do copy paste, we do copy paste," he added.It is to note that now the time has come where copy paste model will not work.

These e-commerce companies are spending an enormous amount of money in advertising. In FY16 Flipkart spent Rs.1086cr up 113% compare with FY15 and similarly Snapdeal expenses went up by 32% to Rs.1, 479cr, in FY16, so now the question arises for how much long the business will sustain if these losses keep on increasing.

It has been observed that companies may receive $100 million in funding at a $1 billion valuation with no revenue yet and this makes their figures exaggerated. Deep discounts have been the biggest attraction of Indian e-retailers over the last few years, with the focus solely being on growth. Every online retailer has spent heavily to fund discounts to win customers.

In April 2016, the government allowed 100% FDI in e-commerce. However, the most disturbing feature of the policy was the bar on discounting. It has forced every player to reconsider their business models. While the primary race to shoot up GMV (Gross Merchandise Value) and touch a billion dollar valuation has receded, every player has to the left with a high-cost machinery, with soaring operational costs.

Shop Clues co-founder Sanjay Sethi thinks the slack performance of the segment leaders is a factor to their current woes. "Investors are rethinking about businesses that haven't shown a clear path to profitability. There's clearly a slowdown, but it's not a long-term thing", Sethi says.

If we use the DCF (DISCOUNTED CASH FLOW) assumption, then according to it a healthy mature company grows revenue at a slower pace, maybe 5% or 2.5% approx., and their operating margin also changes over time but relatively at a slow pace. On the other side, the revenues of the startup show an entirely different trajectory that is most of them starts with a zero revenue and their operating profits goes from negative to positive.

For example, Flipkart operating profit margin in FY13 was -51.73%, in FY14 was -31, 26%, and in FY15 was -25, 21%. According to Factor daily, which clearly shows that Operating margins have improved meaning it is inching closer towards profitability (from most negative to positive) on the other hand if we compare of TCS in FY 13 was 26.40%, in FY14 28.56% and in FY15 it was 26.17%. This clearly shows how increasing operating profit margin may make the company spend all the money fast so as to grow as quickly as possible. If it works, you get a much higher valuation in the next round, but somehow in today's scenario, we think that it backfired them as they spend a hefty amount of money in advertising, paying extra salary and ending up with lower valuation as compared to earlier stage.

As according to Paul Buchheit (creator and developer of GMAIL), "if a company has a 1% chance of being a hundred-billion-dollar company, then it's worth about a billion-dollar.App-based firms (Ola, Snapdeal, Flipkart, Grofers, Foodpanda) are essentially brokers and couriers. They connect service providers with consumers. To be sure Internet businesses prefer for getting the valuation done on GMV, or the value of goods sold on the platform, rather than on revenues. The sudden weakness in the consumer internet means the revenue-to-valuation multiples are bound to look even more unsustainable as valuations are based partly on growth projections which have taken a big hit.

According to a report by RedSeer Overall growth rate of consumer internet sector was recorded at 29% for 2016 as compared to 66% in 2015. It is forecasted to keep up its growth momentum and become a $65 billion industry by 2017, growing at a rate of ~44% YoY," the report added.

But for the industry fall in valuation means that investors are not going to risk it like last year (2016) because business models have not met revenue targets in consumer and customer acquisition.

According to economic times, dated January 26, 2017, Fidelity's valuation of Flipkart at $5.56 billion is the Indian e-commerce leader's lowest since its peak of $15.2 billion a year ago.

Its closest home-grown rival Snapdeal too saw its valuation sliding as The Soft Bank reported a loss of ¥58.1 billion ($555 million) from its financial instruments for the six-month period ended September 30, 2016. Of this, nearly half has been booked as a loss due to the appreciation of the Japanese yen, according to TECHCiRCLE, dated NOV 8, 2016.

In the first quarter ended 30 June'16, Softbank had booked a loss of ¥30.2 billion ($295 million then) from the decline in fair value of Snapdeal and Ola. Mainly due to appreciation of Japanese currency against the rupee, which ultimately leads to doubling of the book losses on value of investment last quarter (JULY-SEPTEMBER'16)

"Concerning the current markdown, Portfolio Company valuations are driven by intricacies of accounting practices and currency fluctuations and should not necessarily be seen as a reflection of their performance," a Softbank spokesperson told Techcircle.in.

It is interesting to see that, Softbank had booked gains on the same financial instruments in the previous year: ¥114.3 billion (2015-16 full year), ¥112.6 billion (April-September 2015) and ¥84.27 billion (April-June 2015), mainly riding on Snapdeal and Ola. Ola's valuation had doubled to around $5 billion between April and November 2016.

Soft Bank had led a $627 million round of investment in the company in late 2014 followed by another round of $500 million in 2013. In the recent deal an early previous year, Snapdeal was reportedly valued at $6.5 billion.

In total, Snapdeal has raised around $1.65 billion from about two dozen investors. These include Softbank and Softbank-backed Chinese e-commerce company Alibaba, Taiwanese contract electronics manufacturer Foxconn, global online marketplace eBay Inc., Indian ad-for-equity investment arm of media firm Bennett Coleman & Co. Ltd, and venture capital investors such as Bessemer Venture Partners, Intel Capital, Kalaari Capital, among others.

"There is the need for a reality check. It seems so many ideas were funded because they seemed different," says V Balakrishnan, Founder, Exfinity Ventures.

As of November 8, 2016, Ola has raised around $1.3 billion in external funding, and now its valuation is around $5 billion. At the time of its last fundraising in November'15, it secured $500 million in a Series F round from Scottish investment firm Baillie Gifford and China's DidiChuxing. Falcon Edge Capital, Tiger Global, Softbank, and DST Global also participated in the round.

In April 2015, Ola raised $400 million in funding led by DST Global in a Series E round. In October 2014, it mobilized $210 million from investors led by Softbank as part of its Series D round.

"The real issue is not the markdown - it is whether these firms will be able to raise funds and on what terms; and more importantly, from whom," according to Haresh Chawla, the partner at India Value Fund Advisors.

If we talk about the revenue, then Revenue of Flipkart (including Myntra) rose 95% to 3,021cr in FY16. In FY 15, it rose 152% to Rs.1547cr. (includes revenue of marketplaces only) and of Snapdeal revenue rose 55% to Rs1457cr in FY16. 458% increase to Rs.938cr in FY15, According to the Economic times dated January 20, 2017.

But on the other hand these companies are not far behind when it comes to losses. As Flipkart total losses rose to Rs.5223cr in FY16 from Rs.2979cr in FY15 and Rs.917cr in FY14, and of Snapdeal losses increased to Rs.2960cr. In FY16 from Rs.1319cr in FY15 and Rs.264cr in FY14.

Taxi and auto-rickshaw aggregator Ola In May 2015, had a revenue run rate of around $450-500 million, as reported by this Economic Times report. A revenue run rate is how the financial performance of the company would be extrapolated over a period.

From the ROC filings: ANI Technologies, which runs Ola, reported Rs.51.05 crore revenue from operations and other income in FY 2013-14. For Ola, it was the growth of over 200% from Rs.16.4 crore in the preceding financial year. Losses in the period stood at Rs.34.22 crore compared to the loss of Rs.22.8 crore in the previous fiscal year.Flipkart is reportedly in talks for raising $1 billion from Walmart while Ola is said to be raising $600 million from Softbank and others. Snapdeal too has been trying to raise money through divesting its stake in subsidiary Freecharge, according to TECHCiRCLE, dated Nov.9, 2016."There has been growth. But the acceleration of growth has not been manifested, as desired," said PN Sudarshan, senior director at Deloitte India.

Some believe valuation markdowns gets blown out of proportion. "A real validation of valuation for a private company will come when the firm has a funding event, and till such an event, any such valuation markups and markdowns should not be given much significance," said Devendra Agrawal, founder, and CEO of investment bank Dexter Capital. One needs to understand listed firms or fund managers are under obligation to report quarterly valuation. However, it may or may not correlate with operating performance of the company," he added.

One can say that Lack of visibility on profits and a slowdown in consumer traction had made investors cautious about investing in tech startups in general, especially those in Internet domain.

According to PWC data, private equity deals have dropped 119% in the second half of the financial year 2015-16, compared to the first half. In between April 2015 and September 2015, there were 118 private equity deals in the e-commerce space amounting to $273.41 billion. From October 2015 to March 2016, there were 108 private equity deals in the space, amounting to $124.83 billion.

Sale of some prominent Internet ventures at low valuation this year has also made investors sit back and take a hard look at the real valuation of these firms.One of the most important and fundamental phenomena which one can clearly see as to why the valuation is decreasing is that they are not adding any value. As, Mohandas, MD of Aarin Capital, says that "Majority of the startups will fail. There will be many new ideas coming in, which means smaller funding rounds will continue. But several existing startups will see their valuations drop if they have not created any value," "Going forward, funds will look at technology as a differentiator and will ask for anchor customers," says NaganandDoraswamy, Co-founder, IdeaSpring Capital.

Another possible reason for low valuation could be the entry of funds like Tiger Global, which has changed the landscape in many tangible ways. The biggest difference that this has brought about is that for the first time, Indian VCs developed the fear of missing out. If Tiger could come in at a seed or Series A level and take a funding decision in a single day, Indian VCs who traditionally took six months or so to approve a deal were in deep trouble.

It had led to an extreme chaos between VC's as they would try to emulate Tiger and try to grab the every opportunity which comes, as soon as possible without thinking much. So now this would ultimately lead to rushing towards many bad practices, from over funding party.

Lastly, since these Techies feel proud being called as startups even though they have reached to stage of becoming a company, they don't care much about the surroundings. As in the mind of the people, a perception has been created that since it's a startup so it is still trying to figure out what model would work best for them.

References

1. www.factordaily.com
2. www.economictimes.com
3. www.financialtimes.com
4. Redseer Report
5. http://techcircle.vccircle.com
6. Pwc Report
7. www.firstpost.com

GST - One Nation One Tax

CMA Dr. S. K. Gupta
E-mail: cbst.skgupta@gmail.com
CMA Shukla Bansal
E-mail: shuklabansal@yahoo.com

The Goods and Services Tax, India's biggest tax reform since Independence, was formally introduced at a special midnight Parliament session on Friday 30th June 2017 in New Delhi. The new single nationwide tax aims at replacing a complicated mix of state and central taxes and will bring the country to a common market

GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

GST Highlights

1. All the information about GST is available at www.cbec.gov.in
2. If the aggregate turnover of any person is more than Rs. 20 Lakh then it is compulsory to take the registration for him.
3. On Interstate transactions IGST will be levied. CGST and SGST will be levied on intrastate transactions. Similarly, UTGST will be levied on Union territory transactions.
4. There are 0%, 3%, 5%, 12%, 18% and 28% tax rates in GST.
5. In GST, petroleum products like petroleum crude, motor spirit, natural gas, Aviation turbine Fuel, are temporarily out of the ambit of GST.
6. In GST, tax is payable on advances also. It means if we gave any amount in advance the GST will be levied on it.
7. If goods or services purchased from unregistered dealer then GST is to be paid by Reverse charge Mechanism.
8. If the bill amount of one day from unregistered dealer is less than Rs. 5000 then there is no need to pay tax in RCM.
9. In GST Monthly Return will have to be filed.
10. GST is based on supply. At the time of supply, GST will be levied.
11. Small taxpayers whose aggregate turnover in a financial year is less than Rs. 75 Lakh can opt for composition scheme.
12. As per the provisions of composition scheme, manufacturer will have to pay 2% CGST and SGST. Retailer will have to pay 1% CGST and SGST and hoteliers will have to pay 5% CGST and SGST.
13. Registered taxable person will get ITC of tax paid on Input goods, input services and capital goods.
14. In GST, Input Tax Credit of food and beverages, immovable property, passenger vehicle, goods of personal use, works contract etc. is not available.
15. For goods HSN Codes and for services SAC Codes are used in GST. Tax rates of goods and services are decided using these codes.
16. Every taxpayer should check tax rates of goods and services according to the schedule and notifications otherwise taxpayer will have to face consequences.
17. At the time of supply of goods or services the supplier has to give tax invoice to the recipient. The tax invoice shall contain all the information which is necessary as per law.
18. If the aggregate turnover of taxpayer is less than Rs. 1.5 Crore then there is no need to mention HSN code of goods on invoice. If the turnover is more than Rs. 1.5 Crore but less than Rs. 5 Crore then it is necessary to mention two digits HSN code on the Invoice. If the turnover is Rs. 5 Crore or more then mention four digits HSN code on the invoice. If the goods are exported then mention eight digits HSN code on thoseInvoices

Impact of GST

The GST has subsumed central and state taxes inevitably changing the indirect tax landscape of India from July 1, 2017. While the actual impact and effect of the massive reform can be gaugedsometime after its implementation, the immediate effect will be: cheaper, costlier and same priced products. While a few products may weigh heavily on your pockets, there will be some which may calm down your nerves and there will be no change in others.

The GST Council has made four primary tax rate slabs for various items - low rate of 5 percent, standard rates of 12 percent and 18 percent, and high rate of 28 percent. Some of these products had higher effective tax rates before GST implementation but the new tax policy will lessen the burden on consumers. Meanwhile there will be some products which will now be taxed at a higher rate, thereby increasing their prices. However, it must be noted that the government has kept essential items of daily use tax free, that is, either at zero tax rate or completely out of the ambit of tax under GST. There is a huge number (1,211 items and 600 services) put under the tax brackets, and it may be a burden to keep a track of all of them, here are a few things whose price will increase or decrease or stay the same after the GST.

Cheaper under GST: Food: Unpacked food grains, unbranded Atta, Maida, besan, fresh vegetables and fruits, salt, food at small restaurants, cutlery, ketchup, sauces and pickle. Personal Care: Soaps, hair oil and toothpaste. Travel and Auto: Airfares for economy class travel, bikes or scooters with engine capacity below 350 cc and SUVs. Household: Pressure cookers and pans. Entertainment: Movie tickets that cost less than Rs 100. Hotels: Rooms at non-luxury hotels and hotels with tariffs of less than Rs 7,500. Others: Footwear and Apparels, Weighing machinery, UPS, revenue stamps.

Costlier under GST: Food: Tea and coffee, food at fine dining restaurants or those inside five-star hotels. Personal Care:

shampoos and deodorants. Travel and Auto: Airfare for business class and train tickets, bikes which have an engine capacity of over 350 cc. Household: TVs, refrigerators, ACs, washing machine. Entertainment: Movie tickets above Rs 100. Hotels: Hotels which have room tariffs over Rs 7,500. Courier services, mobile phone tariffs, insurance premiums, banking charges, broadband services. Sin: Aerated drinks, tobacco and luxury goods. Others: Mobile bills, tuition fees, salon visits and buying a flat or shop.

Tax free items: There will be no tax imposed on items like: Salt, eggs, milk, buttermilk, unpackaged curd, natural honey, fresh fruits and vegetables, flour, besan, bread, Prasad, lassi, unpacked paneer, fresh meat, fish, chicken, Palmyrajaggery, hulled cereal grains, unbranded and unpackaged tea and coffee, vegetable oil, children's picture, drawing or coloring books, muddhas made of sarkanda and phoolbaharijhadoo, jute, kajal (other than kajal pencil sticks), bindi, sindoor, bangles, handloom, stamps, judicial papers, printed books, newspapers, unbranded dried leguminous vegetables, silkworm laying, raw silk, silk waste, uncarded or uncombed wool, Gandhi topi, khadi yarn, coconut, coir fibre, unspun jute fibres, Indian national flag, Puja items, prasad, contraceptives, hotels and lodges with tariff below Rs 1,000, education and healthcare services.

Sector-wise Impact Analysis : GST is purported to bring in the 'one nation one tax' system, but its effect on various industries will be slightly different. The first level of differentiation will come in depending on whether the industry deals with manufacturing, distributing and retailing or is providing a service.

Logistics : In a vast country like India, the logistics sector forms the backbone of the economy. We can fairly assume that a well organized and mature logistics industry has the potential to leapfrog the "Make In India" initiative of the Government of India to its desired position.

E-com : The e-com sector in India has been growing by leaps and bounds. In many ways, GST will help the e-com sector's continued growth but the long-term effects will be particularly interesting because the model GST law specifically proposes a tax collection at source (TCS) mechanism, which e-com companies are not too happy with. The current rate of TCS is at 1% and it'll remain to be seen if it dilutes the rapid boom in this sector in any way in the future.

Pharma : On the whole, GST is expected to benefit the pharma and healthcare industries. It will create a level playing field for generic drug makers, boost medical tourism and simplify the tax structure. If there is any concern whatsoever, then it relates to the pricing structure (as per latest news). The pharma sector is hoping for a tax respite as it will make affordable healthcare easier to access by all.

Telecommunications : In the telecom sector, prices are expected to come down after GST. Manufacturers will save on costs through efficient management of inventory and by consolidating their warehouses. Handset manufacturers will find it easier to sell their equipment as GST will negate the need to set up state-specific entities, and transfer stocks. The will also save up on logistics costs.

Textile : The Indian textile industry provides employment to a large number of skilled and unskilled workers in the country. It contributes about 10% of the total annual export, and this value is likely to increase under GST. GST would affect the cotton value chain of the textile industry which is chosen by most small medium enterprises as it currently attracts zero central excise duty (under optional route).

Real Estate : The real estate sector is one of the most pivotal sectors of the Indian economy, playing an important role in employment generation in India.The probable impact of GST on the real estate sector cannot be fully assessed as it largely depends on the tax rates. However, it is a given that the sector will see substantial benefits from GST implementation, as it will bring to the industry much required transparency and accountability.

Agriculture : Agricultural sector is the largest contributing sector the overall Indian GDP. It covers around 16% of Indian GDP. One of the major issues faced by the agricultural sector, is transportation of agri products across state lines all over India. It is highly probable that GST will resolve the issue of transportation. GST may provide India with its first National Market for the agricultural goods. However, there are a lot of clarifications which need to be provided for rates for agricultural products.

FMCG : The FMCG sector could see significant savings in logistics and distribution costs as the GST will eliminate the need for multiple sales depots. The GST rate for this sector is expected to be around 17% which is way lesser than the 24-25% tax rate paid currently by FMCG companies. This includes excise duty, VAT and entry tax - all of which will be subsumed by GST.

Freelancers : Freelancing in India is still a nascent industry and the rules and regulations for this chaotic industry are still up in the air. But with GST, it will become much easier for freelancers to file their taxes as they can easily do it online. They will be taxed as service providers, and the new tax structure will bring about coherence and accountability in this sector.

Automobiles : The automobile industry in India is a vast business producing a large number of cars annually, fueled mostly by the huge population of the country. Under the current tax system, there are several taxes applicable on this sector like excise, VAT, sales tax, road tax, motor vehicle tax, registration duty which will be subsumed by GST. Though there is still some ambiguity due to tax rates and incentives/ exemptions provided by different states to the manufacturers/ dealers for manufacturing car/bus/bike, the future of the industry looks rosy.

Startups : With increased limits for registration, a DIY compliance model, tax credit on purchases, and a free flow of goods and services, the GST regime truly augurs well for the Indian startup scene. Currently, many Indian states have very different VAT laws which can be confusing for companies that have a pan-India presence, specially the e-com sector. All of this is expected to change under GST with the only sore point being the reduction in the excise limit.

BFSI : Among the services provided by Banks and NBFCs, financial services such as fund based, fee-based and insurance services will see major shifts from the current scenario. Owing to the nature and volume of operations provided by banks and NBFC vis a vis lease transactions, hire purchase, related to actionable claims, fund and non-fund based services etc., GST compliance will be quite difficult to implement in these sectors.

Thus, we can conclude that GST is in its initial phases of Implementation. We will face some problems on its way but at the end it would prove to be aboon for the nation enabling fulfillment of our cherished dream of making India a progressively sustainably growing economy. ■

Service Tax on Retention Money on which CENVAT not availed and documents on which CENVAT availed, reversed and not yet paid

CMA Subhasish Paul
Contact: 93203 34616 • E-mail: subhasish.n.paul@relianceada.com

Introduction: Most likely 1st July,2017 is going to be the appointed date for GST. So we need to be ready for migration from existing 'service Tax' regime to 'GST' regime. During this transition period, all business entities have to be very cautious so that no CENVAT is being lost and maximum possible amount of credit balance being transferred to 'Electronic Credit Ledger'. I have discussed to major issues in the light of existing provisions in service tax and transitional provisions of GST Law,2017

Under GST Law, 2017:

A. As per Section 140(1) of GST Law 2017 (Transitional Provision)

A registered person, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, the amount of CENVAT credit carried forward in the returnrelating to the period ending with the day immediately preceding theappointed day, furnished by him under the existing law in such manner as may be prescribed:

Provided that the registered person shall not be allowed to take credit in the following circumstances, namely:-

(i) where the said amount of credit is not admissible as input tax credit under this Act;

B. As per section 140(8) of GST Law, 2017 (Transitional Provision)

1. Registered person having Centralized registration No under existing law can carry forward the CENVAT balance as per Return under the existing Law in respected of the period ending on the date immediately preceding the appointed day.
2. Provided further that the registered person shall not be allowed to take credit unless the said amount is admissible as input tax credit under this Act:

C. As per section 140(9) of GST Law, 2017 (Transitional Provision)

Where any CENVAT credit availed for the input services provided under the existing law has been reversed due to non-payment of the consideration within a period of three months, such credit can be reclaimed subject to the condition that the registered person has made the payment of the consideration for that supply of services within a period of three months from the appointed day.

Existing Provisions Under CENVAT Credit Rule

1. Time Limit for taking CENVAT Credit

Rule 4(7) provides for taking credit of service tax in respect of input services. The CENVAT credit in respect of input service shall be allowed, on or after the day on which the invoice, bill or, as the case may be, challan referred to in Rule 9 is received. If the credit is availed on or after the day on which the invoice is received, the payment in respect of the invoice shall be paid within three months from the date of invoice. Otherwise the credit already taken is to be reversed.

The manufacturer or the provider of output service shall not take CENVAT credit after one year of the date of issue of any of the documents specified in Rule 9. This condition is applicable with effect from 01.03.2015. Before that the time limit is six months from 01.09.2014 to 28.02.2015. Before that there is no time limit prescribed for taking the credit.

2. Time Limit for re-credit

Rule 4(7) provides that the credit on input services shall be allowed on receipt of the invoice, bill, challan. But if the bill is not paid within three months the credit taken is to be reversed. Subsequently, when such payments of value input service and service tax is made, the amount so paid back can be re-credited;

The Circular No. 990/14/2014-CX-8, dated 19.11.2014 clarifies that the purpose of fixing the limitation for taking credit is to ensure that after issue of a document under Rule 9(1), credit is taken for the time within one year of the issue of the document. Once this condition is met, the limitation of one year has no further application. Therefore in the above three situations, limitation of one year would apply when the credit is taken for the time on an eligible document. It would not apply for taking re-credit of amount reversed, after meeting the conditions prescribed in the rules.

Interpretation from the combined reading of the provisions discussed above

1. CENVAT Credit as appearing in the Latest Return can be transferred to the Input Credit Ledger in GST regime.
2. CENVAT Credit should be eligible both in ST regime and GST regime.
3. CENVAT credit not availed and not shown in Return cannot be eligible for transfer to electronic credit ledger under any circumstances except mentioned in Section 140(9) of GST Law,2017

4. CENVAT Credit availed and reversed in existing regime must be availed with in next three months from the appointed date by paying to vendors. Or CENVAT credit will be lost forever.

Existing Industry Practices and Remedy

1. Service Tax on Retention Money

It is common practice for all businesses particularly in construction industries that a portion (say 10% of Bill value)from each running account bills is being kept as 'retention' and released after fulfilling of certain conditions say upon successful completion of all work. It may take two-three years to release such retention in case of long term contract.What will be fate of service tax portion included in this retention money?

Generally, service tax is booked for 100% value of invoices but CENVAT is not availed on this retained amount of 10%. Till 31st August 2014 there was no issue as there was no time limit for availing CENVAT. Whenever this retained amount was released, CENVAT could have been availed.

But now time limit for availing CENVAT is restricted. During 1st Septmber,2014 to 28th February,2015 it was 6 month only. From 1st March,2015 onwards this time limit for availing CENVAT is one years.

In these circumstances industries generally follows two systems as discussed below.

A. Some business used to avail 100% CENVAT (includingretention money) and used to reverse CENVAT on retention money on expiry of three months or on immediate basis.

B. Some business do not avail the CENVAT on retention money and use to avail only on 90% value now and CENVAT on retention portion (10%) is being availed on releasing of retention on the basis that the CENVAT on the relevant invoices (on which 90% CENVAT was availed early) have been availed early.

What should be done in transitional period ?

In both the above circumstances, it is clear that the CENVAT on retention money, to the extent not released, is not reflecting in return and not included in closing 'CENVAT balance as per return. So can we avail the CENVAT in GST regime on this retained amount?

Please refer the interpretation portion above and reply will be as follows

1. For scenario 'A' above, it can be availed within the next three months from the appointed date by releasing the retention (refer point No 3 above). To the extent retention money could not be released for what so ever reason, CENVAT on such amount has to be sacrificed and to be charged to revenue.
2. For scenario 'B' above
   a) Service Tax on retention money pertaining to one year's old documents cannot be availed and should be expensed out.
   b) Service Tax on retention money pertaining to last one year's documentscan be availed by releasing retention amount before appointed date.

2.CENVAT availed, reversed subsequently for non payment and unpaid now

Relevant provisions have been discussed early. Now there can be two situations and the industry practices are as follows.

1. Invoices have been received and accounted for within three months from the date of invoices but payment has not been made within said period of three months. In such circumstances CENVAT is availed in the month of receiving of invoices and reversed in the month in which three months expires. Re credit is taken when payment is made for such invoices. No time limit is applicable for this. But under the GST regime, time is restricted to only three months from the date of appointed date as per section 140(9). So all such invoices to be paid off within three months from the appointed date to avail CENVAT. Otherwise CENVAT to be expensed out.
2. Invoices have been received and booked in accounts after three months but before one year from the date of invoices. In this cases, generally CENVAT is dealt with in two ways as follows
   a) Some business entities do not avail CENVAT on booking of invoices but avail on clearing basis within one year. If the invoices is not paid off within one year from invoice date, CENVAT cannot be availed at all.
   b) Some business entities avail the CENVAT on booking of invoices and immediately reverse the same in the same month and re-credit is taken on the basis of payment of invoices.

Section 140(9) only permits CENVATre- credits of those documents which have been reversed for non payment within three months from the document date. So in the situation 'b' above, it is doubtful whether CENVAT re-credit can be taken even if it is paid with in three months from the appointed date.

Conclusion:So all big business having cores on rupees in the form of CENVAT on 'retained amount' and in 'availed and reversed' documents needs to be very decisive now. Whether to release the retention money and avail CENVAT or to loose cenvat. Working capital management will play a vital role hare. Because if they do not pay now, they will loose CENVAT of say15% but can save notional interest on fund . If they pay now, they can avail CENVAT but notional interest on the total amount needs to be borne. It may so happen that, as per terms of contract, some of the retention money is not at all due for payment. My view is that undisputed retention and amount due on undisputed reversed invoices should be paid off as per the provisions discussed above. ■

Multi Year Tariff

CMA Mukeshkumar Kaka
Research Scholar (Commerce Faculty, M.S.Univercity Baroda)
Contact : 987954181 • E-mail : kakasanket@yahoo.com

I. BACKGROUND

One of the key objectives of regulation is to reward good utility performance while simultaneously penalising the utilities for their failure to perform as per expectations. Reduction of risks of utilities is also an important objective of regulation. Multi Year Tariff (MYT) regulation is one of the key means for achieving these objectives. From the perspective of customers as well as from that of utilities, MYT regulation provides certainty on costs that the utilities can legitimately be held accountable for. MYT regulation also seeks to reduce the cost of regulation and regulatory intervention in routine utility matters. Section 61 (f) of the Electricity Act, 2003 explicitly states that the Electricity regulatory Commissions are required to be guided by the principles of MYT.

At present, tariff determination for generation, transmission and distribution activities is an annual exercise in various States. Further, there have been significant differences in the amount claimed by the Utilities and the actual awards of the Commission, leading to disputes and litigation. There are significant difference of opinion between the Commission and the Utilities on several key issues including sales (hours of supply to agriculture), Revenues, R&M costs, Working Capital requirement, return on equity, interest on PF bonds, depreciation on BBMB assets, interest and finance charges. A number of orders of SERC have been challenged by Utilities in Appellate Tribunal (ATE).

In reality, the utility results have been significantly worse than the expectations and assumptions inherent in the orders of the Commission. In the absence of well-defined and accepted principles of cost attribution and responsibility allocation for such adverse performance, a clear strategic direction does not emerge from the present mode of regulation. This assumes further importance in light of the future trends expected in utility performance and costs. Detailed modelling of operations and finances by Mercado indicates that the utility finances are likely to worsen considerably in the coming years in the Business As Usual (BAU) scenario, unless urgent action is taken to improve the operations and finances of the utilities.

The detailed assumptions and methodology used for development of the forecasts. Even as the assumptions are open for review and opinions, the data does communicate the need for urgent action to improve efficiencies, contain costs and enhance revenues. Above, all it underscores the need for a clear incentive and disincentive, mechanism and a stable policy and regulatory environment to ensure that the consumers' interests are protected, while the utility finances are in better shape than at present.

A stable and well defined multi-year tariff (MYT) framework provides an alternative to the present regulatory systems with respect to tariff determination.

II. OBJECTIVE

The main aims of this paper are;

- To examine different multi-year tariff (MYT) framework approaches for Generation, Transmission and Distribution, and
- To address the key issues that is involved while formulating an MYT framework in the context of State.

The broad objectives of an MYT regulation are summarized below:

- **Cost reduction:** This is the most important objective of an MYT regulation. In theory, increasing incentives to reduce costs is one of the easier tasks to build into the MYT framework. However, meeting this goal often conflicts with other objectives, such as sharing the benefits (cost savings) with consumers and improved Quality of Supply to consumers.
- Innovation: Innovation in the context of an MYT framework can mean, (a) encouraging the utilities in State to find effective ways to reduce costs or (b) designing incentives to develop new and creative service offerings.
- Improving customer service and satisfaction: This generally requires the MYT principles to be accompanied with a reward/penalty provision to encourage compliance.
- Risk allocation: MYT principles determine whether the utility or the consumer can bear particular risks most efficiently and evaluate how investment decisions get influenced by various risk allocations.
- Other objectives : From the point of view of various stakeholders who are involved in the MYT framework, some of the other goals that MYT regulations seek to address are ;
- Simplification of the regulatory process - regular lays down tariff methodologies for a defined future time period that are simple, unambiguous and understood by all stakeholders who are then able to plan accordingly.
- Efficiency improvement and risk mitigation - design of incentives, as a part of the MYT exercise to help promote efficiency. Further MYT principles can help

licensees mitigate risks in electricity supply on account of factors beyond the reasonable control of the utility such as fuel prices, gross calorific value of coal, varying consumer mix etc.

- Economically efficient supply to consumers.

III KEY MULTI YEAR TARIFF DESIGN ASPECTS

There are some key aspects that need to be considered while designing an MYT framework, which include,

- **Measurability:** Measurability of the element around which incentivisation will be planned is important for design and correct implementation.
- **Materiality:** Risk mitigation mechanisms become necessary around those elements that have the potential to significantly affect the performance of the utility.
- **Controllability:** The element will need to be controllable to the utility to enable them to beat regulatory targets.
- **Predictability:** The element will need to be predicable because the ability to determine a prudent level of regulatory target is crucial for the incentivisation process.

Within these broad elements, the MYT (on in general Performance Based regulation) mechanisms can be designed in many ways, and can be tailored to achieve many different objectives. Efficient operation and low costs are not the only objectives of electric utilities and their regulators. Regulators are also concerned about price stability, price equity, reliability, quality of service, promotion of energy efficiency, environmental protection, and more. Many of these objectives require even more attention as the electricity industry is restructured.

IV MULTI YEAR TARIFF APPROACH - OPTIONS GENERATION:

MYT in generation will be limited to state owned projects or those developed through the MoU route (norms to be applicable to all existing and new Generating Stations for which tariffs will be determined by the under section 62 of the EA 2003. The thrust of MYT approach is to provide incentives to Generating Stations to achieve norms/benchmarks for controllable parameters for economically efficient performance.

The central Electricity regulatory Commission (CERC) sets tariffs for central generating stations on a performance based approach using benchmarks. The state may follow such a performance based approach using appropriate benchmarking techniques. However, the choice of techniques for benchmarking would be important since there may be a need to vary the norms as compared to projects regulated by the CERC which are generally close to the fuel sources.

One of the MYT approach for the Generating Utility in SERC can be similar to that has been adopted by CERC. In this approach, norms are set for certain operating parameters which are within the control of the Generating Station for the control period of 5 years and tariffs are determined upfront for the control period based on these norms. Any impact of over/under performance of these operating parameters by the generating station is entirely to the account of the utility. The parameters for which norms have been set by CERC for thermal power generating stations including the tariff components are,(a) Availability (b) Gross station heat rate (c) Secondary fuel consumption (d auxiliary consumption (e) fixed charges (O&M, working capital requirement, interest rates, depreciation rates) (f) Debt Equity ratio (g) return on Equity (h) Incentives.

The normative parameters set by CERC for hydro power generating stations are, (a) Normative annual plant availability, (b) auxiliary consumption, (c) fixed charges (O&M), working capital requirement, interest rates, depreciation rates), (d) Debt : Equity ratio, (e) Return on Equity, (f) incentive. With regard to renewable energy based plants, feed-in tariffs based on a capital cost benchmarking approach as notified by CERC would be followed.

Salient Features of CERC Tariff regulation 2014-19

Return on Equity: Base rate for allowing return on equity raised from 14% to 15.5% to attract Investment; Additional 0.5% for timely completion of projects; Base rate to be grossed up by applicable tax rate for the company; Benefit of tax holiday to be available to the project developer; This higher ROE will also become benchmark for Distribution business and for renewable tariff.

Depreciation: Depreciation rates for initial 12 years approximate 5.28%; Spread over beyond 12 years; No provision for Advance Against Depreciation (AAD).

Norms of Operation : Target availability for recovery of fixed cost for thermal plants raised from 80% to 85%; Station heat rate, tightened for existing stations; For new stations, a new methodology with operating margin of 6.5% with respect to design heat rate; Maximum permissible heat rate to ensure that inefficient machines are not procured; Norm for secondary fuel oil consumption reduced from 2 ml per unit to 1 ml per unit; Savings in secondary fuel oil consumption to be shared with the beneficiaries in the ratio of 50:50.

O&M Norms: Pay hike factored into O&M norms; Escalation for O&M expenditure @ 5.72%

Other Highlights:

- Thermal power projects to have two options to take care of R&M beyond useful life: Option-I: Special allowance on the basis of per MW per year; Option-II: Comprehensive R&M with cost benefit analysis.
- Incentive linked to availability; to incentivise higher availability (instead of plant load factor) of power plants
- Upfront tariff fixation for regulatory certainty. Truing up along with next tariff period

- Benchmark norms for prudence check of capital cost of thermal and transmission projects
- IDC, financing charges and FERV during construction period on the equity beyond 30% norm
- 33% of net benefits on re-financing of loan now to be retained by developer
- De-scaling factor for O&M norms of thermal projects to take care of economy of scale

V KEY ISSUES

1. INTRODUCTION

Issues relating to MYT implementation can be broadly categorised on two basic aspects:

- Common issues relating to all regulated entities in the sub-segments (generation, transmission and distribution).
- Specific issues relating to each of the sub-segments.

The common issues that would need to be considered include those relating to aspects like ;

(i) Mechanisms for incentivising utility performance

(ii) Basis of computation of working capital requirements.

(iii) Return on Capital Employed (RoCE) vs. Return on Equity (RoE).

(iv) Treatment of interest rate variations.

ISSUES RELATING TO GENERATION

1. CONTOURS OF MYT REGULATION

CERC follows a norm based benchmark regulation mechanism for MYT in generation (and transmission) where the set of norms are established prior to the commencement of the control period for key parameters. Currently, the norms notified by the respective state Electricity regulatory Commission (SERC) are broadly based on the CERC norms of 2004. However these norms are applied on an annual basis for the generation sector.

The norm based approach is extremely simple to implement and does not require any major institutional or process change. The data requirement from the utilities in State for use of this approach is also low. Hence it may be appropriate to adopt a norm based approach with necessary modifications to the normative levels to suit the conditions in State, and also align the norms to the recent CERC methods and benchmarks (as reflected in CERC's Terms and Conditions of Tariff for 2009). The possible approaches to determination of norms based on the use of benchmarking techniques have been discussed in a separate concept paper.

2. CONTROL PERIOD

Control Period means a time period determined by the Commission, for which the principles for determination of the allowable revenue and the applicable norms remain unchanged. The length of the control period is key element which determines the incentives available to the utility as the surplus available consequent to superior performance can be retained for the length of the control period. The reverse is also true as losses too have to be retained for the control period. Several aspects need to be considered while deciding the length of the control period.

The control period should be sufficiently long so that utilities make the necessary investments and recoup the benefits during the control period. Also, it should not be too long since this could result in inflexibility and lead to excess profits or losses for the utilities. Appropriately it could be in the range of 5 to 10 years. However, in two part tariff will reveal data issues on availability, coal accounting and capital expenditure planning. There have been instances when operating norms had to be reset when reliable data became available. It s, therefore, proposed that initial control period to be of a shorter duration with sufficient flexibility. The flexible shorter duration framework allows the regulator to quickly address issues which can adversely impact the interest of various stakeholders. The experience gained during the first control period would be of immense help in designing a more robust framework for subsequent control periods.

3. CONTROLLABLE AND NON CONTROLLABLE PARAMETERS (NEW AND OLD PALNTS)

For classification of operating parameters into controllable and non-controllable, only those parameters merit consideration hat impacts the cost of generation. Any operating parameter that Generating utility can control with reasonable effort can be considered as controllable. In the MYT framework norms are established for these controllable parameters and the impact of over/under performance on account controllable parameters is to the account of Utility whereas the impact of the uncontrollable factors is passed on to the beneficiaries.

The controllable parameters in the context of the thermal Generating Utility considered by CERC, SERC and Regulatory Commissions elsewhere are ;

- Operating parameters like Availability, station heat rate (SHR), secondary fuel consumption, auxiliary consumption, transit losses
- Operating & Maintenance expenditure
- Capital expenditure
- Working Capital requirement
- Interest rate
- Debt Equity ratio

There is considerable debate on whether some of the factors listed above can be considered to be within utility at this juncture. For the initial period, it may be necessary to aim for a more conservative framework where only the factors that are established to be within utility control and meet with the criteria of measurability, materiality, controllability and predictability are included. It is proposed as controllable in the context of State.

The uncontrollable parameters proposed are;

- Terminal benefits of the employees,

- Gross calorific value of coal and oil,
- Prices of coal and secondary fuel,
- Force Majeure Events,
- Changes in law, judicial pronouncements and Orders of the central Government, State Government or Commission,
- Economy-wide influences, such as unforeseen changes in inflation rate,
- Market-interest rates, taxes and statutory levies.

It is proposed to discuss in detail with the Commission other parameters that can be considered as uncontrollable. Further the methodology for computation of the impact of these parameters on tariffs, the frequency of pass through to beneficiaries and mechanism of collection of these charges are to be developed. Such a framework is necessary to insulate the cash flow of the generating company from the adverse impact of the uncontrollable factors.

4. MYT IMPLEMENTATION PROCESS

It would be appropriate to define in the MYT framework the activities that need to be completed at the start of the control period, during the control period and at the end of the control period. These are elaborated below:

(a) Process at the beginning of the control period.

(i) The Generating Company to be required to do following at the beginning of the control period:

1. Prepare and file Business Plan for all Power Stations separately for each year of the Control period with the respective State Electricity Regulatory Commission.
2. Submit Investment plan for each Power Plant for each year of the Control Period along with the financing plan, capitalization schedule and the benefits that are likely to accrue from the proposed capex plan.
3. Projection of aggregate revenue requirement for each Power Station for each year of the Control Period.
4. Proposal for tariff for each Power Station for each year of the Control Period.
5. Projection of revenues of each Power Station at existing and proposed tariffs for each year of the Control Period.
6. Proposal for targets on controllable performance parameters for each power station for the control year.

(ii) Based on the filing of the HPGCL, the Commission to determine Aggregate Revenue Requirement (ARR) and tariffs for each Power Station for each year of the Control Period at the beginning of the Control Period.

1. Based on a detailed review of the filings and taking into account the suggestions and views expressed in public hearings, performance targets for each Power Station, applicable for the control period, to be determined.
2. The targets to be set for controllable operating parameters.
3. Assessment of baseline data to be done and incentive/ penalty framework developed.

(iii) The Commission to also separately provide for the truing up for the year prior to the Base Year at start of the control period.

(b) Process during the control period

CERC does not provide for annual filing by the Generating Companies as the Generating Companies are expected to transparently account for the impact of uncontrollable parameters. From a cost of regulation perspective this is also preferable. However, in the first control period, the Generating Company may be required by regulation to validate the computation of the Impact of uncontrollable parameters before it is passed onto the beneficiaries as MYT. Accordingly the generating company would have to file its application every year for truing up on account of variations in the uncontrollable factors like fuel price, GVC, terminal benefits. The details to be filed to include costs actually incurred for previous, current year and the expected values for the ensuing year. The Commission have to approve two part tariff (fixed and variable) for the year for each power station separately after incorporating the impact of uncontrollable factors.

(c) Process at the end of the control period

The Commission may review the effectiveness of the implementation of the MYT principles and the success in achieving the intended objectives.

The procedures and the methodologies used for the next Control Period based on the experience of the first Control Period to be suitably modified. A comprehensive review may take into account, among other things, the sector reality, consumer and other stakeholder expectations and licensees' requirements at that point in time to be conducted.

The review may be conducted sufficiently in advance to avoid a gap between two Control Periods. The process will be consultative and the Commission may publish for public discussion a paper containing.

1. Review of performance/outcomes of the first Control Period.
2. Review of proposals for the next Control period.

4. VERIFICATION

All key heads of data that have a material bearing on the incentive / disincentive mechanism should be subject to independent verification by reputed third parties. For Generation this would include Power Station availability, capex fuel cost and Gross calorific value. To the extent possible such verification may be incorporated in the external audit process of the utility. However, whenever the Commission deems it fit, the verification can be done by specialist third parties.

CHAPTER NEWS

AHMEDABAD

Chapter has organized CEP Program on GST - Transition provisions and practical issues on 17th June'2017. CMA Vinod Savaliya, Chairman welcomed members and introduced the faculty Mr. Pravin Maheshwari and Mr. Jay R Dalwadi. CMA Ashish Bhavsar, Vice Chairman of Chapter felicitates the faculties with bouquet and memento.

Speaker Mr. Pravin Maheshwari and Mr. Jay R. Dalwadi highlighted the subject and discussed GST returns under GST Act. More than 44 members attended the program. CMA MalharDalwadi proposed vote of thanks

Campus Placement - Cocacola Company

Chapter has organized campus placement for Dec'16 final pass CMA on 19/05/2017 at Chapter office. More than 13 pass CMA participated in GD / personal interview taken by Shri Sujit Singh, Zonal Head-Finance and Shri Ashish Topno, Zonal Head-HR and Ms. ReetikaRathore (HR). One candidate selected and appointed by them with package of Rs.4.40 lacs p.a.

CMA Pradip Desai, Chairman-WIRC and CMA Vinod Savaliya, Chairman of Ahmedabad Chapter felicitate the dignitaries by offering boquet.

International Yoga Day

Chapter celebrate International Yoga day jointly with Ahmedabad branch of The Institute of Chartered Accountant of India and The Company Secretary of India at ShivanandAsharam, Chidanandam Yoga Hall, Satelite, Ahmedabad on 21st June 2017.

Miss Sangeeta Thawani, International Yoga trainer explained about the concept and the benefit of yoga. Thereafter, she showed the various postures in Asanas and Prayanam and all members practiced the same.

Felicitation Function

Chapter has organized function on 27th June'2017 at chapter office to felicitate those students who have completed Foundation, Intermediate & Final examination of Institute held in Dec'2016. Prize distribution for first three students of each course alongwith inauguration function of new oral coaching batch of Foundation, Intermediate and Final students was also there. The Chief Guest of the function was CA M K Patel, Managing Director of Zydus Technology.

AURANGABAD

On 21st June 2017 Chapter Celebrated International Yoga Day. Programme was started at 7.00 am.CMA Suresh Pimple taught yoga according to International Yoga Day protocol and explained the benefits of Yoga. CMA Bisheshwar Sen, Chairman, and all the Staff Members were present on this occasion

BARODA

Chapter has organized Evening Talk on 'Implementation of GST' on 01st July 2017. CMA Dilip Athavale was the speaker.

BILASPUR

Chapter has celebrated the 1st July as GST day. Central Govt. had executed historical steps of tax reforms by implementing the GST (Goods and Service Tax) from the day all over the country as one country one tax. On the accession, CMA M.Maiti, Chairman of the Chapter remember the historical steps by the central govt. which was pending more than two decades which the country suffers most in being world leaders in social and economy front. CMA Alokesh Dutta, Secretary of the Chapter, Mr. Pratik Dhodi of Axis Bank, Mr. Amitava Chatterjee, and Mr. P.K.Saha advocates the Govt. for implementing the GST for one country one tax and it will stop black marketing, corruption as well as tax evasion. More than 25 members and students were present on the occasion. Chapter also provide help desk number 9425535283

NAVI MUMBAI

Chapter organized a CEP on "Buyback of shares- The Indian Scenario" on June 18, 2017 at K.B. Patil College, Vashi. The speaker for this event was CMA D Venu, Former Vice President, Capital Markets Group, SBI.

The programme commenced with the speaker emphasising on the various provisions, rules, regulations and procedures governing the Buyback of shares in the Indian scenario under the Companies Act 2013, SEBI, and Securities Contracts Regulation Act etc. The speaker explained the provisions of Sections 68, 69 and 70 of the Companies Act and its relevant subsections and deciphered the same with practical examples for better clarity. Simultaneously, the provisions under Sections 92,123, 127 & 129 of the Companies Act and the various regulations under SEBI were also touched upon by the speaker.

The recent buybacks in Indian industry with facts & figures in the backdrop of the regulations and limits specified were examined by the speaker in the concluding session. The interactive workshop came to an end with the speaker being felicitated by CMA VaidyanathanIyer and the vote of thanks being proposed by CMA Narayanaswamy.

PIMPRI-CHINCHWAD-AKURDI

As per the direction from Head Office, celebrated "GST Day" on 1st July 2017 at CMA Bhawan, Morwadi Road, Pimpri 411018.

CMA Ashish Deshmukh, Chairman, The ICAI - PCA Chapter has welcomed the audience on this auspicious day and call all the members to share their thoughts on GST. Many members have shared their thoughts on GST.

On this occasion, CMA L D Pawar, RCM & Secretary, The ICAI-WIRC and eminent speaker on GST guided the audience. He focused on various aspects on GST implemented by the Government. Question and Answer session was conducted during the program. He has solved all members' queries in simple and lucid language.

The program was attended by members from Industries, Members from practice, students and staff.

Seminar on 3rd International Yoga Day - 21.06.2017

Chapter celebrated 3rdInternational Yoga Day on June 21, 2017 by conducting session on the topic 'How to lead a Healthy Lifestyle through Yoga'at Pimpri-Chinchwad Municipal Corporation's DeubaiKapseUdhyan, Ajmera Road, Pimpri.

Ms. Dhanashri Mulay, renowned Yoga Expert from YogVidyapeeth, Nasik has conducted session.She has explained the importance of YOGA in daily life and how it can be useful for all peoples to reduce stress.Practical session was then conducted wherein various YogAsanas were demonstrated. The Seminar was attended by members, students and staff.

PUNE

International Yoga Day Celebration

In response to the call given by our Prime Minister Narendra Modiji, Chapter celebrated 21st June 2017 as Yoga Day Jointly with "AamchaYogVarg-Pune" at Satav Gymnasium Hall,Sahakarnagar,Pune.

The programme was very educative and helped to create awareness about Yoga and its advantages. The Yoga - Asanas andPranayam were explained in detail with practical by Experts.

GST Help Desk

To overcome issues of GST Implementation, Chapter has actively participated in programme "GST Help desk - Training on working Knowledge of GST" arranged by Mahratta Chamber of Commerce Industries and Agriculture in association with WMPTA&Pune Indirect Tax Committee of ICAI on 27.6.2017 at ShekharNatu Training Hall, MCCIA S.B. Road Office Pune. Number of traders, entrepreneurs and employees of various organisations attended the same to get the guidance about GST and its various provisions.

SURAT - SOUTH GUJARAT

Chapter together with M/S Magicrete Building Solutions pvt. Ltd., celebrated International Yoga Day on 19th,20th & 21st June 2017 as Yoga Day in the evening at 5.30 p.m. at conference hall of chapter office. CMA Manubhai K Desai, Chairman of the Chapter welcomedYoga Teachers of "Satyam Yoga Institute" -Surat Unit, who explained the concept of Yoga, giving reference to the philosophy of "Satyam Yoga Institute". The session was very educative and helped to create awareness about Yoga and its advantages.

Discussion Meeting on the (Registered Valuers and Valuation) Rules, 2017

The Insolvency and Bankruptcy Board of India (IBBI) has asked the Institute and its Insolvency Professional Agency to organize one round table meeting for discussion on the (Registered Valuers and Valuation) Rules, 2017 issued by the MCA for public comments, before 5th July 2017.Accordingly meeting was organised on 23rd June 2017 at WIRC, Mumbai by CMA Kailash Gandhi, Vice Chairman WIRC. CMA Sanjay Gupta, Vice President ICAI chaired the session. Selected member from Mumbai attended the meeting and the suggestions sent to HQ for necessary action.

Seminar on "GST Law and Procedure"

Maharashtra Chamber of Commerce, Industry & Agriculture organised a Full Day Seminar on " GST Law and Procedure" supported by WIRC of ICAI-CMA, AIFTP and GSTPAM on Friday, 16th June,2017 at Babasaheb Dahanukar Hall, Maharashtra Chamber of Commerce, Industry & Agriculture, Mumbai.

CMA V. V. Deodhar has co-ordinated the seminar. CMA A. B. Nawal has deliberated on Transitional Provisions in GST Law. CMA Pradnya Chandorkar Chairperson Nashik Ojhar Chapter of Cost Accountants expressed Vote of Thanks. This programme was attended by practitioners, members and Advocates.

CMA Pradnya Chandorkar, CMA S.S. Shirolkar, CMA A.B. Nawal and CMA V.V. Deodhar during Full Day Seminar on " GST Law and Procedure" organised by Maharashtra Chamber of Commerce, supported by WIRC held on 16th June 2017.

CMA S. J. Joshi - Secretary, CMA M. B. Kaka - Committee member, CMA R. K. Patel, Chairman and CMA Mihir Vyas - Treasurer of Baroda Chapter during 49th Annual General Meeting of Baroda Chapter held on 27th June 2017.

CMA Asim Mukhopadhyay, Vice President - Business Planning, Tata Motors, addressing the participants during CEP organised By WIRC on 25th June 2017 at Thane SMFC.

CMA K. Sridhar felicitating CMA Padma Ganesh, Faculty during CEP organised by WIRC on 25th June 2017 at Thane SMFC.

Felicitation of Mr. Sujit Singh, Zonal Head-Finance, Cocacola by CMA Pradip Desai, Chairman-WIRC during the Campus placement organised by Ahmedabad Chapter on 19th May 2017.

Prize distribution to successful student during Felicitation Function organized by Ahmedabad Chapter on 27th June 2017.

CMA Sudhir Jog offering memento to Adv. Kiran Sawale during CEP organised by Pune Central CEP Study Circle on 17th June 2017.

RNI No. 22703/72 Posted at Mumbai Patrika Channel on 10th of every month. Date of Publication is on 10th of every month.
ISSN 2456-4982
Postal Regn. No. MCS/089/2015-17 WPP License No. MR/TECH/WPP-41/South/2017

CMA Kailash Gandhi, Vice Chairman WIRC, CMA Pradip Desai, Chairman WIRC, CMA Laxman D. Pawar, Hon. Secretary WIRC and CMA Shriram Mahankaliwar during 58th Annual General Meeting of WIRC held on 27th June 2017.

CMA Sanjay Gupta, Vice President-ICAI alongwith Panel members during discussion meeting on the (Registered Valuers and Valuation) Rules, 2017 organised by Institute at WIRC on 23rd June 2017.

Ms. Varsha Kolhatkar, Assistant Commissioner, Central Excise, Mumbai III is being felicitated by CMA Darshan Vora during CEP on GST organised by WIRC on 17th June 2017 at WIRC.

CMA P.V. Wandrekar, Past Chairman WIRC felicitating Ms. Varsha Kolhatkar, Assistant Commissioner, Central Excise, Mumbai III during CEP organised by WIRC on 18th June 2017 at Thane SMFC. Also Seen CMA Debasish Mitra and CMA Padma Ganesh

"WIRC Bulletin" – In support of the Go Green initiatives

WIRC is planning to send only E-copy of the WIRC Bulletin from August 2017 onwards. Members who are not receiving E-copy are requested to inform their email address to **wirc.admin@icmai.in** WIRC is also planning to phase out printed version of the Bulletin and replace with the more interactive 'E' version.

If any member requires the Hard Copy in future, please write to WIRC with Name, Membership Number & Address to enable us to send the same.

CMA Harshad S. Deshpande,
Editor

Book-Post

To

If undelivered please return to:

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
WESTERN INDIA REGIONAL COUNCIL,
Rohit Chambers, Janmabhoomi Marg, Fort, Mumbai 400 001.

The views expressed by contributors or reviewers in the Bulletin do not necessarily reflect the opinion of the Council nor the Editor. Published by **CMA Harshad S. Deshpande** on behalf of the Western India Regional Council of the Institute of Cost Accountants of India, Rohit Chambers, 4th Floor, Janmabhoomi Marg, Mumbai 400 001 and Printed by him at **Surekha Press**, A 20 Shalimar Industrial Estate, Matunga, Mumbai 400 019.