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Theme - GST

Inside Bulletin

WESTERN INDIA REGIONAL COUNCIL
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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From the Desk of Chairman . . . . . .

Dear CMA Professional Colleagues,

Greetings on the occasion of the GST Month !!! We all are aware that 1st of July is celebrated as GST Day. Our Institute has announced 1st Week of July 2020 as GST Week and the same was conducted successfully all across the Country. WIRC & Chapters of WIRC also supported this initiative by arranging various programs on GST. WIRC is also celebrating this occasion by bringing out WIRC Bulletin focusing on the GST. I congratulate the efforts by the Editorial Team of WIRC under the leadership of CMA Ashish Bhavsar ji.

WIRC has already crossed the 125th CEP Mark and is nearing its 150th CEP program. I congratulate CMA Vinayak Kulkarni sir for his untiring efforts. WIRC jointly with CASB of the Institute has arranged a Lecture Series on Practical Aspects of Cost Accounting Standards. The series will start from 19th July 2020 and will end on 25th July 2020. I appeal to all the members to take benefit of the same.

The Technical Cell of the Institute has released 'Advisory on Disclosures in the Audit Report in light of the Lockdown due to COVID19 Pandemic'. This is a very useful advisory for all the professionals involved in providing Assurance & Audit services. I am sure that the members will make use of it and will be benefited.

The COVID Pandemic has also affected some critical activities of WIRC like AGM of the Region. We are exploring the possibility of holding the AGM using online mode and I am hopeful to conduct the AGM soon. The entire team of WIRC is working together so that the functioning of WIRC is going on smoothly. I am thankful to the entire staff of WIRC for their continued support during this challenging time. WIRC is in process of starting Online Classes for the upcoming batch of the students and serve our student community. I am thankful to all the Faculty & Resource persons of WIRC for their support. WIRC has is also brought out many Revision Books for the benefit of the students and they have received good response from the students. We are working towards bringing more Revision Books for the students and they will be available to the students free of cost on the WIRC Website.

I once again request you to support the Institute in the Campus Placement for the recently passed out students. These are our fellow professionals and facing challenges due to this on-going COVID crisis. It's our responsibility and duty to help and support them. They are the future of the profession. I appeal all the members, especially in the Industry to help these young professionals in getting recruitment. WIRC & Institute can arrange for Online Interview Process as per the convenience of the recruiter.

We all started this month with the hope to 'Begin Again'. The business and the life were slowly returning to normal. But unfortunately the situation has deteriorated in many parts of the Country and many cities are facing Lock Down once again. I assure you that the entire community of the CMAs is with you in these testing times. If you have any concerns or issues or require any support don't feel that you are alone. We are one family and you can reach me any time 24X7. I am confident that these testing times will also pass and we will resume the normal life once again. This time also can be used by all of us to hone our skills and to increase our knowledge base. This will help us prepare to conquer the future.

"Before anything else, preparation is the key to success – Alexander Graham Bell"

***"The Pessimist Sees Difficulty In Every Opportunity.
The Optimist Sees Opportunity In Every Difficulty"***

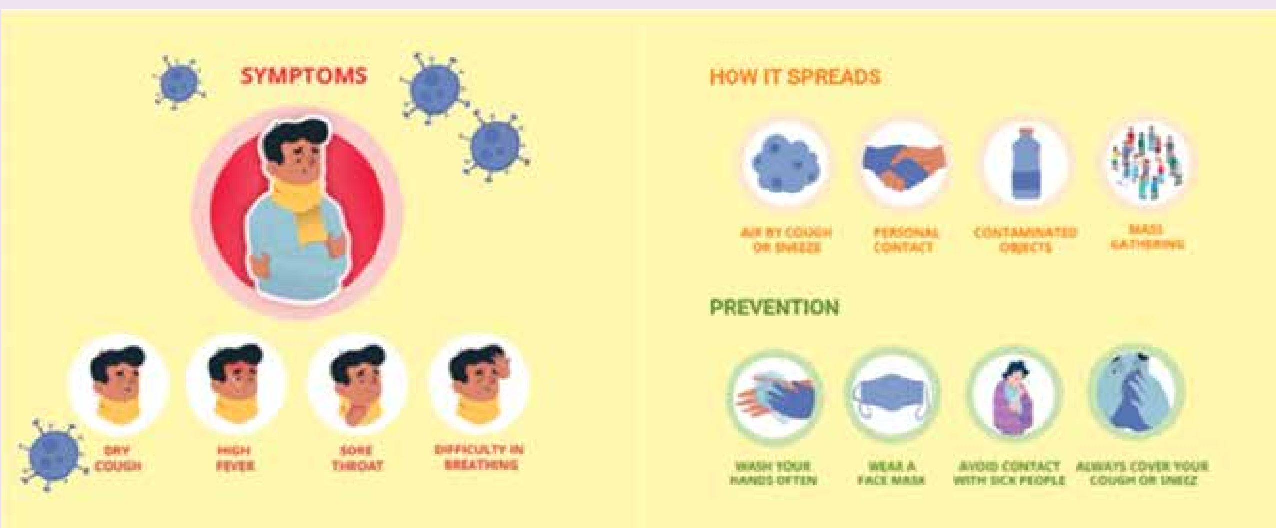
– Winston Churchill

I once again request you to follow all the safety norms and encourage other to do so. Stay Healthy & Stay Safe !

Sincerely Yours,

CMA Neeraj Dhananjay Joshi
Chairman, ICAI-WIRC

Please follow the Norms of Social Distancing. Be Safe.



From Desk of Chief Editor . . . . . .

Dear CMA Professional Colleagues,

On the 1st July 2017, Government of India has taken historical decision by implanting Goods and Service Tax (GST). Every year 1st July is celebrated as GST day. Accordingly, WIRC has chosen "GST" as theme for the month of July. We have received around 9 articles on the themes. Articles on the theme are published as cover story. We are also publishing articles on other professional matters. I am thankful to all authors for providing articles and making WIRC bulletin a Knowledge Pack.

We have also start publishing interview of CMAs who had reached a respectable position like CFO, VP, Director etc. Objective of the same to share their experience with CMA fraternity. It will inspire young CMAs for making future brighter. In this bulletin, we have published interview of CMA Rajesh Shukla, Sr. General Manager and leading Centre of Excellence (CoE) of Indirect Tax function of Tata Motors Group. I thank CMA Amit Shahane for conducting the interview. I request our proud CMAs who reach this highest position during their career to share their experience with CMA fraternity. Place reach us so that we can conduct interview.

Women empowerment is also one of the needs of the hour. We have also decided to publish at least one article from lady CMA. In response to our appeal we have received 2 articles from lady CMA. I hope that we will get such excellent response from lady CMAs in future also.

I urge members to share knowledge by way of article to make WIRC Bulletins Knowledge Pack.

We welcome suggestion and feedback for betterment of WIRC Bulletin.

Stay Safe

Happy Reading !!!

With Ward Regards

CMA Ashish Bhavsar
Chairman, Editorial Board

GST @ 3 "HAPPY BIRTH DAY" !!!!!!!

CMA Vinod Shete

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In a historic moment, Goods and Service Tax (GST) was implemented at Parliament's Central Hall on the intervening night of 30th June and 1st July. The launch event, being hailed as India's second tryst with destiny after Independence on August 15, 1947, saw speeches from Finance Minister the late Shri. Arun Jaitley, Prime Minister Shri. Narendra Modi, and President Shri. Pranab Mukherjee. PM Shri. Narendra Modi, in the historic Parliament address, termed GST as good and simple tax for the nation. Further, President Mukherjee said that "GST will create a strong incentive for buyers to deal with honest and compliant sellers who pay their dues promptly,"

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.

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.

The initial period was very stressful for the trade and the government, but over a period of time it has stabilised to a large extent though many issues still remain unresolved. Till date there have been 40 GST Council Meetings to resolve the issues on the rate of tax, the amendments required in law, simplification of procedure etc.

Key Hits:

i) Implementation of e-waybill reduced potential tax leakages and facilitated ease of doing business to give further impetus to the logistics sector. This has reduced lead time and logistic costs, leaving a positive impact on the supply chain, from procurement/imports till ultimate delivery to end-consumer.

ii) Most of the commodities are within 12-18 percent tax bracket, a positive step to generate market confidence and lower prices of commodities. The GST Council, with adequate representation of the State and Union governments, has been on the forefront of addressing the concerns of the industry and providing regular updates/clarifications.

iii) GST is a destination-based, multi-stage and comprehensive tax, which has helped in streamlining various indirect taxes. GST also allowed businesses to simplify their distribution Systems (supply chain, production, and storage) and helped in making them more efficient. Previously, businesses were forced to design their distribution systems, according to the prevailing tax rate in various states.

iv) India has been steadily increasing in the Ease of Doing Business rankings. The GST has played a significant part in this. Not only has GST reduced Inspector Raj, but it also has increased efficiency and trust in the tax system. Foreign businesses looking to invest in the country can now have a clearer picture concerning taxes and administration. Since a single governing body controls the GST system, there is more certainty on tax policies than before, to so that contributes to policy stability, which is very important when it comes to getting investors from abroad to invest in the country.

v) GST has increased overall business transparency concerning taxation and governance; not only is this important from the standpoint of businesses, it is crucial for consumers as well. Consumers now have an exact idea of how much tax they are paying for the products and services they purchase. Since GST requires complete information from producers of goods and services at every step of the way and requires the complementary filing of details in the returns, tax compliance is very high now. This has presented growth opportunities for the government. Higher tax compliance means more tax revenues so that those revenues could be used for better infrastructure, more spending for social services, etc.

Key Focus Area:

i) As per Rule 88A of CGST Act - Input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining, if any, may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order. The main purpose of seamless credit flow is defeated due to change in order of utilisation of the Input Credit Tax. Due to piling up of the input tax credit, the burden on working capital increases and leads to increases in finance cost. Needless to say that, its impact on the bottom line of the business.

GST Council needs to relax into the rule.

ii) According to Notification No. 49/2019 – Central Tax – The availment of ITC with respect to the invoices or debit notes not uploaded by the supplier cannot exceed 10% of the eligible credit in respect of invoices or debit notes which have been uploaded. In an effort to curb the menace of fake Invoices and boost tax collections, the government has limited the input tax credit (ITC) to be availed by Assesse under Goods and Services Tax (GST), in case the details have not been uploaded by the supplier. Prior to this notification, irrespective of the credit as reflected in GSTR 2A, credit was being claimed by the purchaser without any restriction, subject to the fulfilment of other conditions. Now this credit has been restricted. This requires regular monthly reconciliation of input tax credit with vendor reporting. It will increase in the compliance burden of an Assesse.

GST Council needs to review the change and find out the solution for minimum hardship to an honest taxpayer and penalise to the defaulter. The Logical and Practical solution is the need of the hour.

iii) Anti-profiteering provisions have been fraught with litigation as the current GST provisions do not prescribe any methodology/mechanism for taxpayers to determine the quantum of the benefits to be passed on to the consumers. Appropriate guidance from the government is awaited on this area to reduce unnecessary disputes and litigation.

iv) GST has significantly increased compliance burden with challenges, inter-alia, issuance of regular notices by tax department for minor mismatches. In addition, the detailed formats rolled out for the annual return and reconciliation under GSTR 9C make it even more difficult for companies to disclose information, not reported in monthly returns in a financial year. Need more focus on simplifications on the various returns will help Ease of Doing Business.

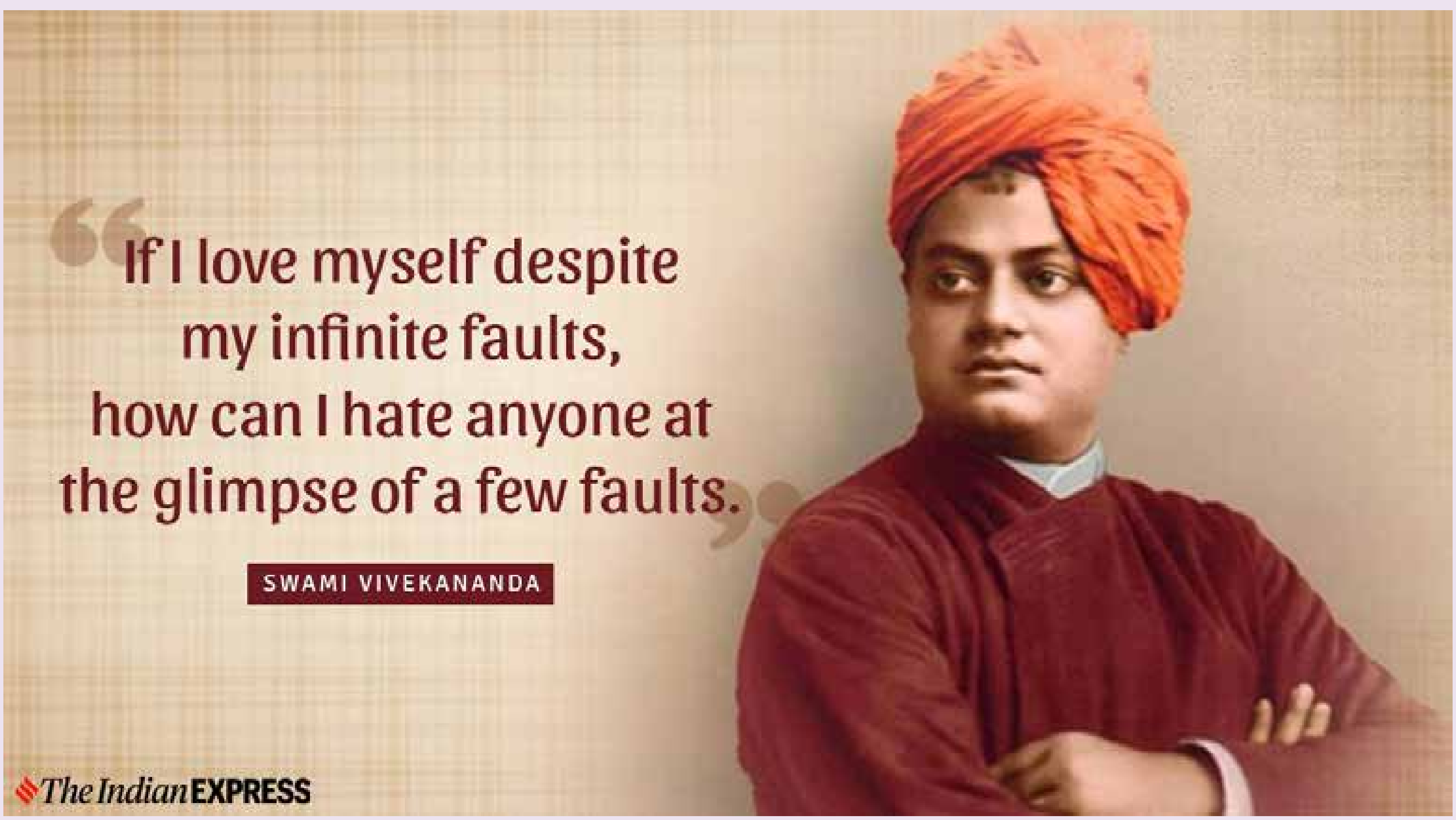
v) Indian economy is majorly driven by small business units i.e SMEs. It will be unfair to expect small-scale business firms to make the transition to an online IT platform and expect no errors in return filing. It is an uphill task for the majority of their working staff which has little hands-on experience with IT solutions. The cost of SRP deployment is a major concern for micro-small-medium scale enterprises.

This is a major challenge before GST Council, to develop an affordable IT platform for SMEs for smooth filing of the various returns and other compliances under the GST. It will help to increase in compliances by the number of small and medium taxpayer.

Conclusion:

During THREE years journey, many changes are made in tax structure to make it more and more simple. Initiatives like introducing E invoice and New formats of returns will ease the filing process, more simplification brings more transparency in taxation system as well. Continuous efforts are being made to increase the registered dealer under GST and to widen the Tax Base. The GST Council and Central Board of Indirect Taxes and Customs (CBIC) have played an important role to sort out grievances raised by taxpayers/ businesses brings more clarity about the Provisions and Rules of GST Act. Further, during the crucial period of COVID pandemic, an extension given to the filing of GST returns and many other relaxations given under the GST Act would be helpful to the Companies and individual Tax Payers to focus on resumption of business processes and to regain the business as before COVID -19.

The entire eco-system of compliances under GST needs to be simplified and made user-friendly, especially for small and medium sector enterprises, drive towards the government's agenda of 'Ease of Doing Business'. ■



Remuneration of Directors: Legal aspects, Controversies in Advance Ruling, Intersection between GST and Income Tax

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Introduction: A company is not a natural person. It has no mind and body of its own. It has no eyes to see, no ears to hear, no hands to sign and no brain to think and take decision. It cannot act by itself. On incorporation, a company becomes a legal person. It has separate legal entity. It is empowered to hold properties in its own name. It can sue and can be sued. But being an unnatural person, it cannot act by itself and consequently it has to depend upon to act in its name. Two human agencies through which a company functions are 'members' of the company and the 'Board of directors'. The members have no inherent right to participate in day to day operations of the business. So, The Board of Directors is the managerial body to whom is entrusted the whole of the management of the company. But the directors do not provided free services and they needs to be remunerated suitably as per the provisions of the Companies Act, Rules, Schedules. Whether this remuneration payable to directors are subject to GST or not? In the following discussion we shall discuss about

1. Legal aspects of Director's remuneration in brief;
2. GST provisions with respect to directors' remuneration;
3. Controversies in Advance Ruling; and
4. Intersection of GST and Income Tax.

1. Directors' Remunerations: Legal Aspects

As per Clause (34) of section 2 of Companies Act, 2013, directors means a director appointed to the Board of a company.

As per clause(10) of section 2 of the Companies Act,2013 , 'Board of Directors' or 'Board' means a director appointed to the Board of company.

Executive Directors and Non Executive directors: These two words have not been used in Companies Act, 2013. But we need to understand the meaning of these two terms.

A. **Executive directors:** The directors who are in the whole time employment of the Companies are called as executive directors or inside directors. They are deeply involved in the day to day affairs of the company. Managing Directors or a Whole time directors are covered in this category.

B. **Non-executive Directors:** Directors who are not in the employment of the company are called non-executive directors or outside directors. They include nominee directors or professional directors. They generally provide independent thinking, wider knowledge and perspective to the company. They are the independent directors.

As per Section 2(54) of Companies Act, 2013 'Managing Director' means a director who, by virtue of the articles of company or an agreement with the company or a resolution passed in general meeting , or by its board of directors is entrusted with substantial power of management of the affairs of the company and includes a director occupying the position of a managing director, by whatever name called.

As per Section 2(94) of Companies Act, 2013, 'Whole-time director' includes a director in the whole time employment of the company.

What is Directors' Remuneration (Managerial remuneration) :

Remuneration means any money or its equivalent paid to any person for services rendered by him and includes perquisites.

Director's remuneration is the emoluments by which directors of a company are compensated, either through fees, salaries, or the use of company's assets with the approval of shareholders and Board.

Managerial remuneration means remuneration paid to the managerial persons. Here, managerial persons mean directors, including managing director (MD), whole time director (WTD) and manager (M).

The directors' remunerations can have following components.

a) Fees for attending various meetings (sitting fees).
b) Reimbursement of expenses for attending board or committee meeting.
c) Salary as per the terms of the employments.
d) % of profit as bonus.
e) Stock Option: to buy share at a fixed price or exercised price.
f) Benefits in kinds: Like transport, health provisions, accommodations etc.
g) Contribution to PF, Superannuation, Gratuity, leave encashment.
h) Children educations allowance, leave travel concession etc.

Managerial remuneration : Ceiling of payment.

The upper limits of managerial remunerations are broadly determined in following two ways.

A) Company having profits in the Financial Year : pay remuneration as per Section 197 of Companies Act, 2013.
B) Not having or inadequate profits in any Financial year: Pay as per Section II of part II or Schedule V

A. Section 197: Total Remuneration payable by a public company: Maximum 11% of the 'Net profit' for that FY.

Sl. No.	Conditions (For MD, WTD and M)	Maximum Remuneration in any financial year	Remarks
1	Company with one MD or WTD or M	5% of the NP	As per Section 197(1). NP should be inclusive of Managerial Remuneration computed as per Sec 198.
2	Company with more than one MD or WTD or M	10% of the NP	
3	Overall limit on Managerial Remuneration	11% of the NP	
	Conditions (For Directors other than MD or WTD)		
1	When company has employed a MD or a WTD	1% of the NP	
2	When company has not employed any MD or WTD or M	3% of the NP	

Other Important Points

1. All the above mentioned remuneration should be exclusive of 'sitting fees'.
2. The remuneration payable to the directors and managers of accompany shall be determined
   a) By the articles of association of the company; or
   b) By an ordinary resolution; or
   c) By special resolution where articles so require.

B. Not having or inadequate profits in any Financial year: Pay as per Section II of part II or Schedule V

The remuneration shall be calculated as per the following scale:

Sl. No.	Conditions: Where the effective capital of the company is	Yearly remuneration payable to each managerial persons shall not exceeds (Rs)
1	Negative or less than Rs 5 Core	60 lakhs
2	Rs 5 Crore or more but less than Rs 100 Crores	84 lakhs
3	Rs 100 Crores or more but less that Rs 250 Crores	120 lakhs
4	Rs 250 Crores or more	120 lakhs + 0.01% of effective capital over Rs 250 Crores.

For more details, please refer the Companies Act, 2013

2. GST provisions with respect to directors' remuneration

Better we start the discussion with the GST provisions when any remuneration is paid by an 'Employer' to its ' Employee'

Section 7(1) of CGST Act, 2017 defines the scope of 'supply'. As per section 7(2), activities or transactions specified in Schedule III shall be treated neither as 'supply of goods' or 'supply of services'.

As per Schedule III point no. 1

'Service by an employee to his employer in the course of or in relation to his employment' should not be considered as supply of service and GST will not be charged.

So when any amount is paid out of the 'employer' 'employee' relationship, it is outside the purview of the GST.

Other Important points to be considered.

1. Schedule II, Point 5 : specified certain activities as supply of services. Point 5(e) is read as follows

   'Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act.'

   'Notice Pay' by employees fall under this category and subject to GST.

2. Considering the press release dated 10th July, 2017 common facilities provided by the employer to its employees without any recovery would not be subject to GST as they are not gift.

   Examples of such are: Transport facilities, Internet facilities, Mobile services, training facilities, parking facilities, uniform, office tour etc.

3. But when any partial amount is recovered, it should be considered as supply. Example, Company provides bus facility for its employees. The cost of such transport shall be borne by the employer and employees in equal proportion. The transport contractor is paid by the employer but 50% is recovered from employees from their salary. This recovered amount is considered as 'supply of service' and should be subject to GST.

So, the main crux of the issue is that when any amount is paid out of employer-employee relationship, GST should not be attracted.

Notification No 13/2017 - Central Tax (Rate) dated 28th June, 2017

This notification specifies the categories of supply of services in respect of which GST will be paid by the recipient of services under RCM as per Section 9(3) of CGST Act, 2017. As per this notification,

The service supplied by a director of a company or a body corporate to the said company or body corporate, the Company or the body corporate is liable to pay GST under RCM.

If we analysis the Notification, no distinction has been made between the 'employee director' and 'outsider / independent directors'. This has created huge controversies on this subject matter as discussed below.

3. Controversies in Advance Ruling

As per GST provision, the advance ruling is a written decision given by the tax authorities to an applicant on questions relating to the supply of goods /services, rate of tax, taxability of a transaction etc.

In the Question, whether the 'director's remuneration' is subject to GST, Two different Advance Ruling Authorities (AAR) of two different stats have given contrary verdict. Let us discuss the issue and ruling pronounced.

A: Advance Ruling by Rajasthan AAR

Sl. No.	Heading	Particulars
1	The Applicant	M/s Clay Craft India Pvt Ltd.
2	The question raised	a) Whether GST is payable under RCM on Salary paid to the directors of the company as Per contract and b) Whether it will make any difference if the director is also a part time director of any other Company.
3	Facts	The directors are working as whole time directors and performing their duties as an employee of the Company and company is paying regular salary and other allowances for such services as per the terms of the services and TDS is deducted under section 192 of the IT Act. They are treated at par with any Other employee. Hench it is covered under Schedule III of CGST Act and not taxable.
4	Ruling pronounced BY AAR	The directors are the supplier of services and applicant is the recipient of the Services. Hence consideration paid under any head to directors is against supply of Service and not covered under Schedule III. Hence remuneration paid to the directors is liable to GST under reverse Charge under the both questions above.

B: Advance Ruling by Karnataka AAR

Sl. No.	Heading	Particulars
1	The Applicant	M/s Anil Kumar Agarwal
2	The question raised	Any type of salary is outside the scope of the GST as it is treated neither supply of goods nor supply of service. Therefore salary as director of a private limited company is not includable in aggregate turnover.
3	Facts	The applicant is an unregistered person and receives various types of income. One of them is salary as a director of private limited company. Whether it will be considered in computing his aggregate turnover for registration purpose.
4	Ruling pronounced BY AAR	If the applicant is employee of the company i.e. executive director then in such case it is employer-employee relationship and therefore service supplied by the applicant neither treated as supply of goods or supply of service in terms of Schedule III of GST Act,2017 and consequently not includable in aggregate turnover. Further, if the applicant receives remuneration as non-executive director of company then in such cases remuneration paid by the company is liable to GST under RCM. Consequently, it is includible in the aggregate turnover of the applicant.

4. Intersection of GST and Income Tax.

The above mentioned differences and controversies have come to an end. The Central Board of Indirect Taxes and Customs (CBIC), by issuing a circular on 10th June,2020 puts an end to such ambiguity.

CBIC has examined the issue of remuneration to directors in two different categories.

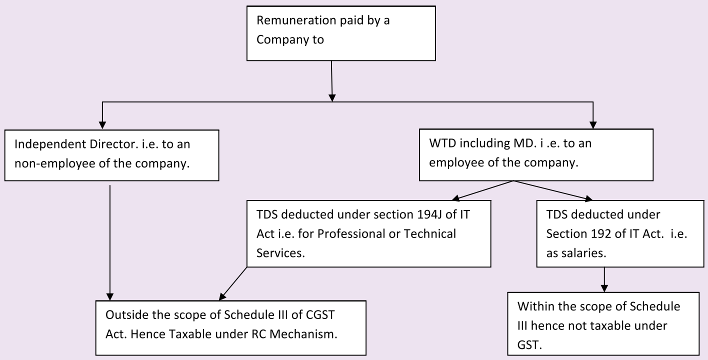
A) The first one refers to the independent directors (outside directors not in the employment of the company)

B) Second one includes whole-time directors including Managing Director, who are employees of the company.

The norms finalized are as follows.

1. " In respect of such directors (independent directors) who are not the employee of the said company, the services provided by them to the company, in lieu of remuneration as consideration for the said service are clearly outside the scope of Schedule III of CGST Act and are therefore taxable."
2. The circular further said, it will be the responsibility of the company to discharge the applicable GST on 'Reverse Charge basis'. Rate of tax is 18%.
3. For Whole time director, including MD, working as employee of a company, the remuneration can be divided into two parts. "The part of Directors' remuneration which are declared as 'Salaries' in the books of a company and subject to TDS (Tax deducted at sources) under section 192 of Income Tax Act, are not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III of CGST ct, 2017," It means there is no GST on this component.

4. However, the part of the employee Director's Remuneration, which is declared separately other that 'salaries' in the company's accounts and subject to TDS under Section 194J of IT Act as ' Fees for Professional or Technical services' shall be treated as consideration for providing services which are outside the scope of Schedule III of CGST Act,2017 and is therefore, taxable. Company will discharge liability under RC mechanism.



The above provisions can be tabulated in the following manner.

Conclusion:

So, CBIC has finally put to rest the huge hustle created the contrary ruling on this subject matter. It has been clarified that the litmus test to determine whether remuneration paid to the directors are subject to GST will depend upon the section under which the TDS is deducted under Income Tax Act. If TDS is deducted under Section 192, not GS on the remunerations paid as it is considered as salaries. But if TDS is deducted under 194J, the remuneration cannot be said to be in the course of employment and hence subject to GST and will be paid by the company under Reverse Charge mechanism. The rate of GST as per the circular is 18%.

Exempt, NIL & No supply

CMA Jignesh Upadhyay

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To understand the meaning of the synonymic connotations Non-GST supply/Non-taxable supply/Exempted Supply/ Nil rated-supply and Zero-rated supply does not seem very difficult at first. However, to classify a transaction in such groups is not so simple. One of the reason is that not all the terms are defined in the CGST Act and it is left upon us to decide which of the activities/transactions would fall under such categories.

Even though these terms are not defined, the reporting of these supplies have to be made in GSTR-1, GSTR-3B and Annual Return (GSTR-9). Since the taxpayers were not able to easily classify between Exempted, Nil rated, and Non-GST Supply, their being lot of confusion among on the return filers, CBIC issued "Notification no. 56/2019 dated 14-11-19" wherein it was given that if taxpayers find it difficult to classify supplies between Exempted, Nil rated, and Non-GST Supply, then they have the option to report the whole amount under "exempted" category in GSTR-9.

There are also issues in classifying such supplies in calculation of Aggregate Turnover and in calculation of Exempted Supplies for the purposes of reversal of Input Tax Credit (ITC) in compliance with Rule 42 and 43 of CGST Rules

Let's analyse each of the synonymic connotations individually and later we shall be analyzing some issues.

1. Non-taxable supply i.e. Non-GST supply

1.1 As per section 2(78) of CGST Act Non-taxable Supply means a supply of goods or services which are not leviable to tax under this Act or under the Integrated Goods & Service Tax Act.

1.2 For an activity/transaction to be considered as a Non-Taxable supply, the same should first be considered as a "Supply". The term "Supply" has been defined under Section 7 of the CGST Act and the same has been defined in such a manner that transaction in almost all goods or services qualify under the definition of supply.

1.3 Once it is ascertained that a particular activity or transaction is a Supply as per section 7, then we have to check whether GST can be levied on the same. GST is levied as per Section 9 of the CGST Act. So if an activity/transaction falls under the definition of Supply but no levy of tax has been created as per Section 9 of the CGST Act, the same would be considered as Non-Taxable Supply.

1.4 The supply of the following goods are excluded from levy of GST as per Section 9 of CGST Act and therefore are considered as Non-Taxable Supplies: Alcoholic liquor for human consumption, Petroleum crude, High speed diesel, Motor spirit (petrol), Natural gas and Aviation turbine fuel. It may be noted that these goods are still liable to State Excise and VAT and are also referred to as Non-GST Supplies.

1.5 Non-taxable supplies are also included in the broader definition of Exempt Supplies. Thus Non-taxable supplies can be considered as a subset of Exempt supplies. However, while applying the respective connotations in the respective sections or rules, the exact connotation should be applied.

2. No Supply

2.1 We understand that 'no supply' means activities/ transactions which are not considered as supply as per Section 7(2) of the CGST Act. Therefore the following which are exceptions to the definition of supply may be included in no supply category:

1. Activities specified in Sch. III of CGST Act (such as services by employees, funeral/ burial services, actionable claims other than lottery/betting/ gambling, sale of land, warehoused goods before clearance for home consumption, etc.)
2. Activities or transactions undertaken by the Central Govt, State Govt or any local authority in which they are engaged as public authorities as may be notified.

2.2 Besides the above, "money and securities" are considered as neither goods nor services as per the definition of goods and services under Section 2(52) and Section 2(102) of CGST ct respectively. The definition of supply under Section 7 of CGST Act along with the definitions of exempt supply, non-taxable supply and zero rated supply given under the CGST Act contains the phrase "supply of goods or services or both". Thus the transactions in money and securities are also not considered as supply and therefore can be categorized as No supplies.

3 Nil-rated Supply

3.1 Nil-rated supply has not been defined under the Act. However the same is generally understood that supply of those goods or services which attract a 'Nil' rate of tax are Nil-rated Supply. Currently CBIC has issued list of services on which "Nil Rate" is chargeable in Notification No. 12/2017 dated 28-06-17. Hence the services with Nil rate of tax can be categorized as Nil-rated supplies. Nil-rated supplies are also included in the broader definition of Exempt Supplies. Thus Nil-rated supplies can be considered as a subset of Exempt supplies.

4. Exempt Supply

4.1 Exempt Supply has been defined as per Section 2(47) of the CGST Act as "supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply"

4.2 The following are covered under the definition of exempt supply:

1. Supply which attracts Nil rate of tax or has been exempted from tax via Notification of Government under section 11 of CGST Act or Section 6 of IGST Act. (Currently Notification No. 02/2017 CT-R, dtd 28-06-17 and Notification No. 12/2017 CT-R dtd 28-06-17 are the notifications exempting the goods and services. (Multiple notifications have been later issued amending the aforesaid notifications to exempt additional goods or services)
2. Non-taxable supply (Section 2(78) of the CGST Act)

5. Zero-Rated Supply

5.1 In general parlance "Zero" and "Nil" are understood to be the same and are used interchangeably. This is the reason why many consider "Zero-Rated Supply" and "Nil-Rated Supply" to mean the same thing. However, under the GST law, the terms have separate meanings and therefore cannot be understood to mean the same.

5.2 As per Section 16 of IGST Act, Zero-Rated Supply means any of the following supplies of goods or services or both, namely:-

1. Export of goods or services or both
2. Supply of goods or services or both to a SEZ developer or a SEZ unit

   Therefore supplies made by a person as an export (either goods or services) or supply to an SEZ qualifies for Zero-Rated Supplies.

6. Summary

6.1 The following table provides a summary of the classification of Non-Taxable Supply, No Supply, Nil Rated Supply, Exempt Supply and Zero Rated Supply. The table is not an exhaustive list of all the possible types of transactions, but is only an illustrative list of some of the transactions.

Sr.No.	Nature of Supply	Classification	Reference	Reason	Classification	Classification
1	Schedule III activities/ transactions	No supply	Section 7(2)	Excluded from scope of Supply in Section 7	No supply	No supply
2	Activities or transactions undertaken by the CG, SG or any local authority in which they are engaged as public authorities as may be notified.	No supply	Section 7(2)	Excluded from scope of Supply in Section 7	No supply	No supply
3	Alcoholic liquor for human consumption, Petroleum crude, High speed diesel, Motor spirit (petrol), Natural gas, Aviation turbine fuel	Non-Taxable Supply	Section 2(78), 9(1)	Excluded from levy of tax under Section 9	Non-Taxable Supply	Non-Taxable Supply
4	Services mentioned in Notification No. 12/2017 CT-R	Nil-Rated Supply	Section 2(47), 11	Specified as Exempted u/s 11(1) in excess of the Nil rate specified vide Notifin. 12/2017-CT-R.	Nil-Rated Supply	Nil-Rated Supply
5	Goods mentioned in Notifn No. 02/2017 CT-R	Exempt Supply	Section 2(47),11	Exempted from whole of tax u/s 11(1) vide Notifn. 02/2017-CT-R	Exempt Supply	Exempt Supply
6	Export of goods or services or both	Zero-Rated Supply	IGST Section 16	–	Zero-Rated Supply	Zero-Rated Supply

Refund Procedure under GST

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Refund is a very important term used under GST for the person who is eligible to claim the refund and for the GST Authority who issues the refund order. Both persons i.e. the person who claims the refund as well as the one who issues refund should be fully conversant with the provisions and laws of refund under GST.

As we all know that GST is an Indirect Tax in which the tax burden is ultimately passed on to the customer. Similarly, if any refund arises on some transaction then it can be passed on to the customer, however it is not possible for the government to identify and provide refund to the customer. Thus, the government has given authority to the supplier to claim the refund but the supplier is also not required to collect tax on such transactions. This is called the Doctrine of Unjust Enrichment which means "NO PERSON CAN BE UNJUSTLY ENRICHED AT THE EXPENSE OF ANOTHER PERSON".

Following are the cases where Refund is required to be claimed:

1. Goods or Services are exported or supplied to SEZ developer/unit, with payment of IGST and the refund of the IGST paid shall be claimed as per the provision of Section 16(3)(B) of IGST ACT.
2. Unutilised ITC in case of following Cases:
   A) Zero Rated Supplies
   B) Accumulated ITC on account of inverted duty structure.
3. Tax paid on the supply of goods regarded as deemed exports claimed by the recipient.
4. Refund of any balance in the Electronic Cash Ledger after payment of tax, interest, penalty, fee or any other amount payable under this Act or the rules made under may be claimed as per provision of Section 46(6) of CGST Act, 2017.
5. Refund on account of issuance of Refund Vouchers for the taxes paid on advances against which goods or services have not been supplied, may be claimed as per provision of Section 31(3) of CGST Act,2017.
6. Refund of the tax wrongly collected and paid to the government [i.e. CGST & SGST paid by treating a supply as Intra-state and subsequently transaction is held as Inter-state supply and vice versa]
7. The IGST paid by tourist leaving India on any supply of goods taken out of India by him as per Section 15 of IGST Act,2017.
8. Tax becomes refundable as a consequence of judgement, decree, order or direction of the Appellate Authority, Appellate Tribunal or any court.
9. On finalization of provisional assessment, if any tax becomes refundable to the assesses (on a/c of assessed tax on final assessment being less than the tax deposited by the assesses) as per Section 60 of CGST Act,2017.
10. Refund of taxes on purchase made by UN bodies or embassies as per Section 54(2) of CGST Act,2017.

Procedure for application to claim Refund:

After the introduction of GST from 01/07/2017 on account of the unavailability of electronic refund module on Common Portal the application had to be made manually and gradually temporary mechanism has been introduced in which Form GST RFD-01 was required to be filed from the common portal but the physical copy with evidences were supposed to be submitted to the jurisdiction officer.

With effect from 26 Sept, 2019 as per circular no. 125/44/2019-GST, GST Refund process is fully digitalized & the necessary capabilities for making the refund procedure is fully electronic, in which all steps of submission and processing shall be undertaken electronically, have been deployed on the GST Portal. The Refund applications shall be filed in the form GST RFD-01 on the GST Portal along with supporting documents as attachments. List of the supporting documents as per the category of the GST refund are also given in the circular no. 125/44/2019 itself. Refund sanctioned shall be disbursed through the PFMS (Public Financial Management System) after validating the bank detail of the registered person.

The following modalities shall be followed for all refund applications filed in FORM GST

RFD-01 on the common portal with effect from 26.09.2019:

1. FORM GST RFD-01 shall be filled on the common portal by an applicant seeking refund under any of the categories mentioned above. This shall entail filing of statements/declarations/undertakings which are part of FORM GST RFD-01 itself, and also uploading of other documents/invoices which shall be required to be provided by the applicant for processing of the refund claim*. A comprehensive list of such documents is provided at Annexure-A and it is clarified that no other document needs to be provided by the applicant at the stage of filing of the refund application. The facility of uploading these other documents/invoices shall be available on the common portal where four documents, each of maximum 5MB, may be uploaded along with the refund application. Neither the refund application in FORM GST RFD-01 nor any of the supporting documents shall be required to be physically submitted to the office of the jurisdictional proper officer.

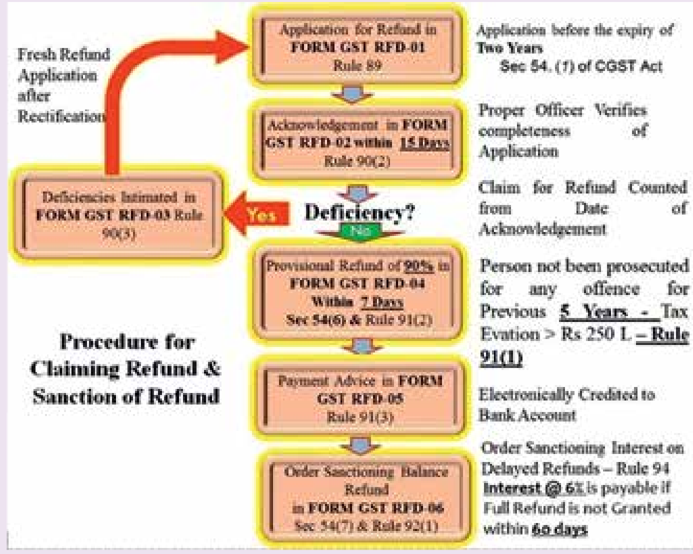
   *However, as per Section 54(4) where the amount claimed as refund is less than Rs.200,000 it shall not be necessary for the applicant to furnish any documentary or other evidences but he may file declaration based on the evidences available with him, certifying that the incidence of tax had not been passed on to any other person.

2. The Application Reference Number (ARN) will be generated only after the applicant has completed the process of filing the refund application in FORM GST RFD-01, and has completed uploading of all the supporting documents/ undertaking/statements/ invoices and, where required, the amount has been debited from the electronic credit/cash ledger.

3. As soon as the ARN is generated, the refund application along with all the supporting documents shall be transferred electronically to the jurisdictional proper officer who shall be able to view it on the system. The application shall be deemed to have been filed under sub-rule (2) of rule 90 of the CGST Rules on the date of generation of the said ARN and the time limit of 15 days to issue an acknowledgement or a deficiency memo, as the case may be, shall be counted from the said date. This will obviate the need for an applicant to visit the jurisdictional tax office for the submission of the refund application and /or any of the supporting documents. Accordingly, the acknowledgement for the complete application (FORM GST RFD-02) or deficiency memo (FORM GST RFD-03), as the case may be, would be issued electronically by the jurisdictional tax officer based on the documents so received from the common portal.

4. If a refund application is electronically transmitted to the wrong jurisdictional officer, he/she shall reassign it to the correct jurisdictional officer electronically as soon as possible, but not later than three working days, from the date of generation of the ARN. Deficiency memos shall not be issued in such cases merely on the ground that the applications were received electronically in the wrong jurisdiction.

5. It may be noted that the facility to reassign such refund applications is already available with the Commissioner or the officer(s) authorized by him.



Order of Refund [Section 54(5)]

If the officer is satisfied that the amount of refund claimed is refundable, he may make an order accordingly and the amount claimed shall be credited to the Consumer Welfare Fund as per Section 57.

However, in following cases the amount of refund shall be deposited in the account of applicant and not in the Consumer Welfare Fund.

(a) refund of tax paid on zero rated supplies for export of goods or services or both or on inputs or input services used in making such zero rated supplies for exports

(b) refund of unutilized input tax credit under sub-section (3);

(c) refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued, or where a refund voucher has been issued;

(d) refund of tax in pursuance of section 77 which is Tax wrongfully collected and paid to Central Government or State Government;

(e) the tax and interest, if any, or any other amount paid by the applicant, if he had not passed on the incidence of such tax and interest to any other person; or

(f) the tax or interest borne by such other class of applicants as the Government may, on the recommendation of the Council, by notification, specify.

Explanation:

All the documentary evidences as per Annexure A circular no. 125/44/2019 are required to be submitted online on the GST Portal. In case of Export of services BRC is necessary to be submitted. After the submission of RFD-01 the jurisdiction officer after verification and generation of ARN issue Acknowledgement in RFD-02 or Deficiency Memo in RFD-03 within 15 days from the date of submission of application.

Ø After Deficiency memo is issued the refund application will not be processed further and fresh application need to be filed. ITC will be re credited automatically to the credit ledger.

Ø If everything is found in order the provision refund sanction order is passed in RFD-04 for 90% of the total refund amount.

Ø Payment order finally will be issued in RFD-05 and final sanction order shall be issued in RFD-06.

Ø As per circular No. 125/44/2019 - GST any refund claim for a tax period may be filed only after furnishing all the returns in FORM GSTR-1 and FORM GSTR-3B which were due to be furnished on or before the date on which the refund application is being filed. However, in case of a claim for refund filed by a composition taxpayer, a non-resident taxable person, or an Input Service Distributor (ISD) furnishing of returns in FORM GSTR-1 and FORM GSTR-3B is not required. Instead, the applicant should have furnished returns in FORM GSTR-4(along with FORM GST CMP-08), FORM GSTR-5 or FORM GSTR-6, as the case may be, which were due to be furnished on or before the date on which the refund application is being filed

As per Section 54(7) the proper officer shall issue the refund order within 60 days from the date of receipt of application.

As per Section 54(14) Refund can not be claimed if the refund amount is below Rs.1000, however the limit is not applicable in case if the refund is to be claimed for excess balance in Electronic Cash Ledger.

Role of CMA under Refund:

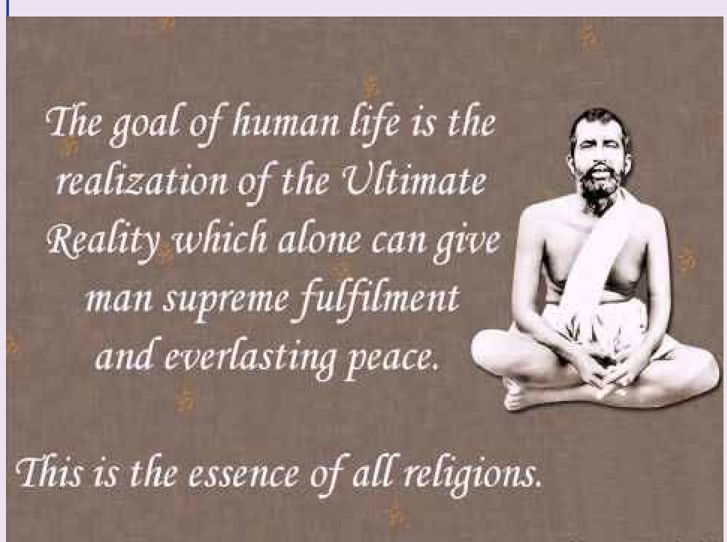
- A declaration has to be filed by the applicant which is to be certified by Chartered Accountant or Cost Accountant in case the refund claimed exceeds Rs.200000.

No Certificate is required to be furnished in respect of following cases

1. Refund of tax paid on export of goods or services or both or on inputs or input services used in making such exports.
2. Refund of unutilized ITC in case of Zero-rated supplies or accumulated ITC on A/c of inverted duty structure.
3. Refund of tax paid on a supply which is not provided either wholly or partially and for which invoice has not been issued or where refund voucher has been issued
4. Refund of tax in pursuance of Section 77 i.e. tax paid on a transaction of Intra-state supply but which is subsequently held to be Inter-state supply or vice-versa.
5. The tax or interest borne by such other class of applicants as the government may on the recommendation of the council.

Relief provided due to impact of Covid-19 Pandemic:

- The time limit of two years u/s. 54(1) of CGST Act, 2017 for making the refund application falling during 20th Mar, 2020 to 30th Aug, 2020 has been extended till 31/08/2020.
- In cases where a notice has been issued for rejection of refund claim in full or in part and where the time limit of sixty days for passing the order in terms of Sec. 54(5) read with Section 54(7) of the CGST Act, 2017 falls during 20th Mar, 2020 to 29th June, 2020, then time limit for passing such order has been extended to 15 days from the receipt of the reply to such notice or 30th June, 2020, whichever is later.
- Time limit for filing of LUT for the year 2020-21 is 30/06/2020.
- It has been decided by the government to issue all pending GST and Custom refunds which would provide benefit to around 1 lakh business entities, including MSME. Total refund approximately will be Rs.18000 Crores. Which is a good initiative by the government to provide liquidity to the small businesses in such a crucial time.



Key GST changes that helps in ease of doing business

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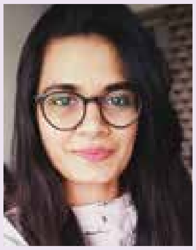
Industry expects that the impact of Covid-19 Pandemic certainly going to be longer and that demands the Government to relax GST norms. The industry is expecting simplification of reconciliation to help the small vendors because many of them are unable to file returns. The industry also wants the government to offer input credit for the products they purchased under Corporate Social Responsibility. More importantly, GST Refunds. Litigation can be avoided on the refunds if the input that the business is using in their process relate to the output

While there is already a deferment, but further deferment will help the industry with the much-needed time to understand compliance on

- New GST returns and E-invoicing deferment giving time till 31 March 2021
- GST audit and issuing fresh assessments and audit notices to either deferred further or go slow on this matter.
- The process of reconciliation between what has been recorded as purchases and what the vendor has offered needs to be simplified and defer that process for a few months. This is due to reconciliation is a big challenge for the industry because a lot of vendors, particularly smaller vendors, owing to liquidity crunch either have not been able to pay taxes or they have not been able to file the returns etc.
- In terms of legislative changes,, clarity required whether Industry will get the Input Credit (ITC) for items that was purchased and used for CSR purposes. A lot of companies are doing phenomenal work in the Covid-19 situation where they have reached out to people and helped them out. But to encourage them to do more, the Government should come up with the clarification saying that whatever you are using for CSR purposes you will get input credit without much string attached to this.
- Restriction today on input credit, for certain expenses like insurance which were incurring for employees and you don't get input credit (ITC) because it's specifically denied. Due to covid-19 Pandemic, insurance cover is getting increased and hence to allow the credit for expenses making to employees
- For inverted duty structure, to facilitate refund for taxes paid on inputs where the rate of taxes on input is higher. For example, if Assesses buying inputs at 18 per cent and correspond output (finished products) is at 5 per cent then we get a refund, but refund is limited to taxes paid on inputs, not input services.
- Making an expenditure for advertising or other services, refund to be allowed.
- These measures if taken into consideration by the Government shall provide some relief to the businesses.

  Following are the additional areas that Government can help the industry
- Process of advance ruling. The government has the process but it's not working fine because different states on the same issue are taking contrary positions. The government has tried to resolve this, but the measures have not been implemented yet. For the businesses, when the law is not clear, they are not sure what to do either there would be a negative ruling without too much of detailed analysis or they are getting contrary rulings which is a structural issue. The litigation can be avoided is clearly on the refunds whether input being used is really connected with the output. Further, issue of holding and subsidiary companies, need to resolve refund related issues.
- Indian GST law is slightly complex as far as provisions are concerned relating to Input Tax Credit (ITC) in terms of what is entitled and what is not entitled. It is advisable to follow what other countries did it successfully to permit everything which business is using is allowed as a credit, except for personal expenses. Currently there are lot of restrictions, to quote an instance, if one construct a factory whatever tax paid to the contractor is not allowed to offset.
- The tax structure rates to be aligned to compress the number of Slabs from 12% or 18 % to a single rate of 15% which could be a quick fix to this issue. Few Industry sectors which are not currently in GST, their exclusion is also leading to a lot of litigation. For example, petroleum sector, on passenger fuels it is difficult for the government to take a decision, instead Government to start with ATF and Natural gas by covering them under GST.
- It is quite ironical, if the vendor raises the invoice for Rs. 100 with 18% of GST and as a purchaser have paid him Rs. 118 fully, then whether Vendor has paid GST to the government or not, why should Purchaser be made responsible to owe for that. If seller, has not paid GST, the government should proceed against him and not deny Purchaser, the benefit of the Rs.18. In view of Government is not willing to accept this, lead to a lot of litigation has come up already and will come up in the future because of the reconciliation requirement. There is some bit of structural thinking that will be required so that this sort of anomaly can be easily resolved.
- Three years down the line, there remains the trepidation among the taxpayers about the cumbersome return filing, input credit reconciliation, technical glitches on the GSTN portal, peculiar rulings from the Advance Ruling Authorities (A Paratha is not a Roti or Popcorn is Prepared Food!!) to name a few. These are some of the many speed breakers that continue to plague this 'unified' tax system and that need a proactive radical thinking by the Government for early solution so that Industry facilitated with ease of compliance
- Faceless assessment to be implemented fully aligning to Globally Assessments, are happening by giving access to IT system of Assesses to complete audits online by Assessing Officer .Formation of a e-audit group to work out modalities as to how such audit to happen in the future, hopefully, the guidance will come soon.

While Industry by and large, happy with the progress which the government has made over the last two months and in the next couple of months, one can expect some concrete shape that the whole audit & assessment will take place with lot of desired flexibility for a transparent compliance.



Rulings by AAR and AAAR

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Greetings to all !

A legally constituted body called Authority for Advance Ruling (AAR) can give a binding ruling to an applicant who is registered person or is liable to get registered. The advance ruling given by AAR can be appealed before an Appellate authority for Advance Ruling (AAAR).

- **Advance Ruling**

As per sec 95 of CGST/SGST Act and sec 21 of UTGST Act 'Advance Ruling means a decision provided by the authority or the appellate Authority to an applicant on matters specified in sec 97(2) or 100(1) of CGST/SGST Act as the case may be, in relation to a supply of goods or services supplied or proposed to be supplied.

Matters specified in section 97(2) and 100(1):

- Classification of goods or services or both.
- Applicability of notifications issued.
- Determination of time/value/place of supply.
- Admissibility of ITC.
- Requirements to get registered or Determining of Turnover threshold.
- Whether any actions on goods or services or both results in a term of 'Supply' or not.
- **Binding Effect :**

Section 103 provides that an advance ruling by AAR and AAAR shall be binding on both the applicant and jurisdictional tax authority of the applicant. It is only limited to the person who has applied for an advance ruling and not to any other similarly placed taxable person in the state. Even advance ruling is binding only in respect of matters referred. It has no precedent values. However even for persons other than applicant, it is persuasive and not the conclusive.

- **What if applicant is aggrieved by the Advance ruling?**

As we see, CGST/SGST Act do not provide any remedy against the ruling of AAAR and thus ruling of AAAR becomes conclusive under GST Law for the applicant and tax authorities. However, vide amendment through Finance Act, 2019 advance ruling also includes 'National Appellate Authority for Advance Ruling' (NAA). Where conflicting advance rulings are given by AAAR of two or more states or union territories or both, any officer authorised by commissioner or an applicant being distinct person as per Sec 25, aggrieved by such advance ruling may prefer an appeal to NAA. Ruling by NAA will be binding on all registered persons having same PAN of the applicant and concerned authorities. But in other case, there is no alternative option. In recent time, we see that many controversial rulings have been passed. Though rulings are binding in the case of applicant only but can signifies the perspective of the authorities towards the issue. Following are some rulings which may have caused natural injustice to the applicant.

1. GST on Director's Remuneration under Reverse Charge Mechanism. In the case of M/s Clay Craft India Pvt. Ltd. AR No RAJ/AAR/2019-20/33 dated 20/02/2020 and in the case of M/s Alcon Consulting Engineers (India) Pvt. Ltd. AR No. KAR ADRG 83/2019 dated 25.09.2019 it was held that GST is applicable under reverse charge mechanism on the consideration paid in any head to the directors. It is to be noted that afterwards clarification on such issue has been provided through Circular No. 140/10/2020-GST dated 10.06.2020.But in case what if circular had not been issued.

2. Supply of goods to the customers located outside India under 'Bill to Ship to' Model from the vendor located outside India. In the case of M/s Sterlite Technologies Ltd. AR No. Advance Ruling/SGST&CGST/2018/AR/31 dated 17.03.2020 ruling came out that GST is payable on goods sold to customers located outside India, Where goods are shipped directly from the vendor's premise (located outside India) to the customer's premise(located outside India).

   While going through the facts and matters of the ruling, It is seen that AAR has no where mentioned about the amendment in Schedule III of CGST Act, 2017 para 7 was inserted which clearly states that "Supply of goods from a place in the non taxable territory to another place in the non taxable territory without such goods entering into India shall be treated neither as a supply of goods nor services and hence not liable to GST"

   Now the question arises to the applicability of such amendment. As applicant applied for such ruling on 24.05.2018 and amendment came in force w.e.f 01.02.2019.Some judgements states that any amendment in the Act, which is clarificatory in nature should have retrospective effect. Now it also depends on the perspective of the individual whether to treat this amendment as clarificatory or as a new insertation. Hence, Applicant should cautiously examine the material facts of the issue before filing an application for Advance Ruling.

   To, the applicant who is aggrieved by the ruling of AAAR, has no option other than to seek remedies provided by the constitution of India (i.e Writ petition) in cases where AAAR goes beyond its jurisdictional limits, breach of principles of natural justice, committing errors of law, involves question of law, solely relying on the material facts without going into the question of law etc. Applicant can file writ petition under Article 226, Constitution of India before the Honourable High Court for the breach of principal of natural justice by AAAR. If any judgement of High Court is available on similar cases, it must be construed in the similar manner to serve a justice.

   The honourable Bombay High Court in the matter of JSW Energy Ltd [2019-VIL-276-BOM] held that, "The court declined to examine the merits of the case, merely because the GST Law did not provide for any appellate mechanism against an order of AAAR. The case was remanded back to the AAAR for fresh consideration on merits and in accordance with the law. The court further noted that any attempt of examining the merits of case would tantamount to converting proceeding under Article 226 of the Constitution of India, which are essentially proceedings to seek judicial review, into an appellate proceedings.

   Hence, before filing writ petition, the presentation of the subject matter involving question of facts-question of law must be in systematic and proper format.

Impact of COVID 19 on GST

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Indian government chose complete lockdown as an important measure to protect human life's from the rapid spread of COVID 19 outbreak.

Besides human life which is the most important, nationwide complete lockdown has had a worst impact on the economic activities resulted into huge revenue loss to the Government To combat the situation, Hon'ble FM announced a slew of tax measures listed below:

- Extension in timelines for various compliances under GST
- Expeditious clearance of Refund
- Waiver of late fees leviable on delay in filing of returns
- Reduction/waiver of interest on delay in payment of taxes
- Simplification in manner of filing returns
- Deferment of ITC matching required under Rule 36(4)
- Extension in validity of e-way Bill

1. Payment of tax dues without receipt from the customer

The continued lockdown seems to throw everyday new commercial challenges qua operations. These are leading to an increase in procurement costs coupled with unavoidable tax cost on the sale of such procurement thereon.

Meaning thereby, GST has to be paid even if the amount is not realized from the customer in terms of section 12 & 31 of CGST Act, 2017. This has happened since the Notification 35/200 issued for extending the time limit of compliance of any action falling between 20th March, 2020 to 29th March, 2020 to 30th June, 2020, specifically exclude the time of supply & issuance of tax Invoice provision from such relaxation being extended.

2. ITC on supply of goods provided as a relief measure during COVID - 19 (CSR Activity)

Get the better of COVID 19 pandemic requires individual own personal safety and safety of others as well via various means including use of Mask, Sanitizer, Gloves etc. Due to non-availability of such items with the public at large, some of corporate are distributing them free of cost in order to fulfill its corporate social responsibility.

Under Income Tax, the expense incurred for CSR is considered as eligible expenses for the deduction. However, as per Clause (h) of section 17(5) of CGST Act, 2017, disposed of or written off of goods by way of gift or free samples, is not eligible for ITC.

It is worthwhile to note that this clause is under litigation. Accordingly, the eligibility of ITC of GST paid on the purchase of such goods shall be analyzed in detail.

3. Input Tax Credit on destroying/loss of goods during Lockdown

Hon'ble Prime Minister announced the lockdown, very sudden, with virtually no time to anyone including business for recalibration and redesigning. This has lead companies to suffer damage of perishable raw materials and finished products.

Under GST, ITC of taxes paid on procurement of raw material or finished goods have been allowed to set off against the future liabilities. However, section 17(5) of CGST Act, 2017 restricts the ITC of taxes paid on procurement of goods that are stolen, lost or destroyed.

Some of the expert holds the view that ITC of GST paid on goods lost or stolen should be allowed to the business in consideration of the basis or objective of the introduction of GST.

4. Input Tax Credit on Employee welfare expenses during Lockdown

India has been dealing with this pandemic proactively. Union Government has invoked its powers under the Epidemic Diseases Act, 1897 (hereinafter referred to as "EDA") and Disaster Management Act 2005 (hereinafter referred to as "DMA").

Ministry of Home Affairs has issued order No. 40-3/2020-DM-I(A) dated 15th April, 2020 under provisions of DMA, effective from 20th April, 2020, for containment of epidemic in the country that includes the Standard Operating Procedure (SOP) for social distancing for offices, workplace, Factories and Establishment.

The above guidelines require a business to make necessary arrangements for the restart of their business operations. The businesses may require incurring various natures of expenses which could be primarily below:

- Mediclaim insurance
- Transportation facility from home to workplace and vice versa
- Expenditure incurred for sanitation facility i.e. sanitizer, PPE kits, medical facility etc

- Stay arrangement
- Food etc.

As per section 16 of the CGST Act, 2017, ITC of taxes paid on expenses incurred for an employee is allowed, if made in the course or furtherance of business provided all other conditions as prescribed are also fulfilled.

Further, Section 17(5) stipulates the category of expenses on which ITC is not available as per GST Act, 2017. However, it also provides an exception to the above, reproduced below:

"Provided that the input tax credit in respect of such goods or services or both shall be available, where it is obligatory for an employer to provide the same to its employees under any law for the time being in force."

Based on the above, ITC of tax paid on each expense incurred for employees should be analyzed in detail in consideration of government obligation to incur such expense as per MHA guidelines under DMA.

5. Forego/waiver of consideration to the supply

Despite of disruption on all counts, on should not disregard that humanity stands all above. It has witnessed a complete forego/waiver of consideration by some of the supplier of goods or service such as rent etc. GST is not applicable to supply made without consideration. However, where such waiver is between the related parties, the entire consideration shall be chargeable to tax in terms of schedule I of CGST Act, 2017. Further, it is important to document such a waiver by each party involved.

6. Sale Discounts

To revive from non-stop lockdown for more than 50 days, a business may provide a huge discount to the customers for various reasons such as a decrease in the market value of goods, non-availability of funds, etc.

The discount shall be allowed as a deduction under GST Law, if

1) Discount is given before or at the time of sale and mentioned in the Invoice
2) Post sale discount is established in terms of an agreement entered before the time of such supply and specifically linked to relevant Invoices; and
3) Input tax credit attributable to the post-sales discount based on a document issued by the supplier has been reversed by the recipient of the supply.

Theme for Coming Months

Month	Theme
August	ERP/SAP

Theme of August 2020 is ERP/SAP. Editorial board invitees' articles / papers on GST for the WIRC Bulletin for the month of August 2020.

Regular articles/papers on other professional matter are also going to be published in WIRC Bulletin apart from articles/papers on respective theme. Editorial board also invitees' articles / papers on other professional matters.

Kindly send your articles on or before 5th August 2020 by email to WIRC : wirc.admin@icmai.in. Editorial board had also formed minimum criteria for selection of Article/Paper for WIRC Bulletin in Editorial Board meeting held on 14th February, 2020. Following is the minimum criteria for selection of Article/Paper for WIRC Bulletin.

1. Type of Article: Related to theme of the month or any other professional matter.
2. Font: Arial/ Time New Roman/Calibri
3. Font Size: 11
4. Minimum length of the Article: 1000 Words (Other than graphs/tables/figure/pictures)

   Kindly send your Article/paper accordingly.

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The Process of GST Refund on Export

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As per the provisions included under IGST law, the exports of goods are considered as zero-rated supply is exempted from GST and are eligible to claim the refund of GST paid. The GST portal has been set up for making GST refund claims efficiently. In this article, we look at the procedure for claiming GST refund on exports.

Definition of the GST Act

The IGST Act defines export as the taking out of goods or services from India to a place outside India. As per the Act, goods and services that are exported are considered "zero-rated supplies". Taxable persons who export such goods and services are also eligible for claiming refunds on the GST paid. Thus, the GST rate is 0% for exports.

Procedure to Avail GST Refund

Integrated GST is applicable on inter-state supplies of goods and services, as well as on imports and exports of India. However, the exporter can claim a refund on the IGST charged, and this can be done using one of the two available options:

i. Exporting goods and services under a Letter of Undertaking or bond without paying the IGST

Under this exporter is allowed to export goods without payment of tax under the Letter of Undertaking (LUT) or a bond. In such case, any ITC accumulated on inputs/input services unutilised will be available for refund.

The LUT can be filed in Form GST RFD-11 on the common portal by accessing

Services → User Services → Furnish Letter of Undertaking (LUT). The necessary details are filled and uploaded along with the digital signature.

ii. Exporting goods and services on payment of the IGST

Exporters can claim the refund of IGST paid at the time of export. The GST refund process for exports in case of goods begins with a primary document known as shipping bill. The shipping bill and other export-related documents should be filed on the Indian Customs Electronic Commerce Gateway (ICEGATE).

GSTR-1: GST refund process for exports continues on the GST portal in form GSTR-1. These details are declared in GSTR-1 under Table '6A - Exports Invoices'. The details required in this table are as follows:

- Invoice date
- Port code
- Shipping bill no./bill of export no.
- Shipping bill date/bill of export date
- Total invoice value and taxable value
- GST payment ('With Payment of Tax' needs to be selected)
- Whether the supply is eligible for tax at a differential percentage, as notified by the government
- The tax amount which is auto-populated but can be edited

All the details declared in this table should match with the corresponding details declared in the shipping bill. In case invoices not transmitted to ICEGATE due to mismatch of above details, then you can make necessary changes in Table 9A of GSTR-1(Amended Export Invoices). Also, If all data of Export Invoices from GST portal got transmitted to ICEGATE without any error & still refund not credited in your bank account then you can login to ICEGATE portal for further action.

GSTR-3B: Further, GST refund process for exports will involve declaration in GSTR 3B too. The relevant amounts need to be filled up in Table 3.1(b)- 'Outward taxable supplies (zero-rated)'. The IGST amount entered here should be either equal to or greater than the total IGST filled in Table 6A of the corresponding GSTR-1.

Form GST RFD-01/RFD-01A

GST refund process for exports will need the filing of a form RFD-01 or RFD-01A in particular cases only.

i. **Export of Goods:** In case of export of goods with payment of tax, there is no separate refund application required as the shipping bill itself will be treated as the refund application. The details entered in Form GSTR-1 will be matched with the details mentioned in the shipping bill as filed with ICEGATE. The ICEGATE will then process the refund and credit the same to the bank account as mentioned by the taxpayer on its portal.

ii. **Export of Services:** A separate refund application in RFD-01A is required. Such taxpayer needs to login to the GST portal and selecting Services → Refunds → Application for Refund → Export of Services with payment of tax RFD-01A. The details relating to the export of services will need to be uploaded using the offline utility. The amount of refund and the bank account number in which the refund is to be credited will also need to be provided. On successful filing, an Application Reference Number (ARN) will be generated, which can be used to track the status of the refund application.

Concerned AUTHORITY

The entire refund process on account of the export is completed by the ICEGATE (Indian Customs Electronic Commerce/Electronic Data Interchange (EC/EDI) Gateway). Hence for more query taxpayer needs to contact corresponding ICEGATE Jurisdictional officials.

TIME LIMIT for Refund Process

The entire process of refunding tax paid on exports of goods can be completed in seven days from the date of application submitted.

CLOSING Comments

In this article, we have covered the GST refund process in detail to make your life easy. By following this documentation and procedure, a goods or services exporter can comply with the requirements of GST law and also stay on course to receive the refund on IGST. Under the proposed GST regime technology can play a vital role in determining refund expeditiously. The process outlined in the draft paper has taken care of almost all the issues which were causing delay in the existing process.

Road AHEAD

Although GST system turned out frustrating for exporters during the first year, the government promises improvements. Throughout the implementation of GST system, the GST Council has been listening to industry concerns and making changes. They're still working on simplifying the GST return and refund process and addressing problems with regards to the GST system. As those changes happen, we as the Cost & Management Accountants Of India have a GREAT OPPORTUNITY to advice and educate our clients as a part of making contribution to their profitability year after year. ■

Good and Service Tax and Its Impact on Employees Remuneration

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Abstract

In order to eliminate cascading effect and remove the multiplicity of taxes, Government introduced Goods and Service Tax; One Country One Tax. The implementation of GST is historical move in indirect reforms.

On the occasion of passage of the GST Bill in the Rajya Sabha, Hon'ble Prime Minister, Shri Narendra Modi, called Good and service tax ; A Game Changer, ease of doing the business and said that this reform will promote Make in India, help exports and thus boost employment while providing enhanced revenue.

With the introduction of GST, there was some unrest in employees regarding the impact of GST on their remuneration. Employees were under impression that employees in hand salary would be reduced due to the impact of GST. In order to remove the anomaly, CBIC vide Press release dated 10.07.2017 clarified no GST on employees remuneration, However, gifts valuing more than Rs 50,000/- made without consideration are subject to GST, when made in the course or furtherance of business.

This article provides the applicability of GST on employee's remuneration and other amenities provided in the course of employment as well as applicability of GST on Director's remuneration.

Applicability of GST on remuneration / perquisites / amenities to employees

The taxable event in GST is supply of Goods. It is noted that as per provision of schedule III read with section 7 of CGST Act, 2017; **Services provided by an employee to the employer in the course of or in relation to his employment shall neither be treated as a supply of goods nor a supply of services, thus out of purview of GST.** However as per the provision of schedule I read with section 7 of CGST Act, 2017**; GST will be payable if there is supply of free goods and services (Gift) to any employees exceeding Rs 50,000/- in value in a financial year.** For the sake of convenience, the relevant portion of clause is reproduced here below;

Provided that gift not exceeding Rs 50,000/- in value in a financial year paid by employer to an employee shall be treated as supply even if made without consideration.

The term gift has not been defined in GST Acts and Rule. CBIC in their press release dated 10.07.2020 clarified that in common parlance, gift is made without consideration, is voluntary in nature and is made occasionally. It cannot be demanded as a matter of right by the employee and the employee cannot move a court of law for obtaining a gift. Whereas Section 122 of the Transfer of Property Act, 1882 (TOPA) defines the term "gift" as follows: "Gift is the transfer of certain existing movable or immovable property made voluntarily and without consideration, by one person, called the donor, to another, called the done, and accepted by or on behalf of the donee."

Thus, gift is something voluntary supplied without any consideration. Those amenities provided to employee, which is not the part of CTC or employer is not obligatory to provide the same under employment term will be treated as Gift.

Salary, wages, Bonus, Performance related payment; Ex-Gratia paid to employees which is part of CTC (Cost to Company) could not be treated as gift as employers are under obligation to provide the same to employees. Any perquisites paid to employees which is not part of their CTC or employer is not under the obligation to provide the same to their employees can be treated as Gift.

For example; on the Annual Foundation day of the employer announced to distribute 1% of their profit among employees and consequently all employees will get Rs 20,000 as cash reward, in this case, employer is not under the obligation of employment term to provide cash gift, moreover the same is not the part of CTC (Cost to Company), this will be treated as Gift and will be covered under the definition of Supply of CGST. However the monetary value of gift/cash reward is less than Rs 50,000/-, Thus, this cash reward will not trigger GST. Suppose employer had announced to give cash reward of Rs 55,000 instead of Rs 13,000, then this will trigger GST.

For better understanding of applicability of GST on Employees remuneration and various allowances and perquisites given to PSU employees has been taken for study. The following table shows the applicability of GST on various component of remuneration paid to employees;

S.No.	Particular	Treated as Supply under GST Act	GST Applicable	Remarks
1	Salary, Wages, Allowances, Bonus etc.	No	No	Out of Purview of GST as employer is under obligation to provide the same to its employees as per employment terms
2	Arrear of salary	No	No	
3	Ex-Gratia	No	No	
4	Performance Related Pay	No	No	
5	Medical Expenses	No	No	
6	Education Facilities to employees children	No	No	
7	Canteen/Free Coupons for Canteen	No	No	
8	Rent Free Accommodation	No	No	
9	Town Administration facilities in Rent Free Accommodation	No	No	
10	Free water supply/Power supply in Rent Free Accommodation	No	No	
11	Car Facility	No	No	
12	Training to employees in India or Outside India	No	No	
13	Leave Encashment	No	No	

14	Contribution to P.F. & Other Funds	No	No	Out of Purview of GST as employer is under obligation to provide the same to its employees as per applicable statute as well as employment terms.
15	Gratuity	No	No	
16	Scholarship to employees Children	Yes	Yes, if value of supply is more than Rs 50,000/-	Will be treated as Supply and attract GST, if employer are not under any obligation to provide the same to its employees and the same is voluntary provided by employer to employees.
17	Cash reward	Yes		
18	Forfeiture of Bond money due to resignation/any other reason(Some PSU/Employer takes bond money from employees with condition that the same will be forfeited in case employees resigned before stipulated period)	Yes	Yes	It will be treated as supply of service under "Agreeing to refrain from doing an act and attract GST".

Applicability of GST on Director Remuneration;

Earlier, it was clear that sitting fee paid to Independent Directors who are not the employees of the company, attracted GST in the hand of company under Reverse Charge Mechanism, and Executive directors who are treated as employees of the company were out of purview of GST by the virtue of Schedule III of CGST Act.

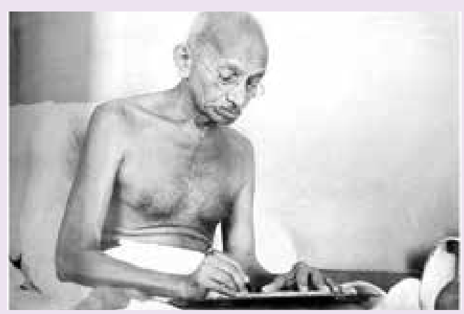
Disputes in respect to the applicability of GST on Director's Remuneration arose with conflicting advance rulings given by the Authorities in the matter of M/s. Alcon Consulting Engineers (India) Pvt. Ltd. [Advance Ruling No. RAJ/AAR/2019-20/33 dated 20 February 2020] and M/s Clay Craft India Pvt. Ltd. [Advance Ruling No. KAR ADRG 83/2019 dated 25 September 2019] wherein it was held that GST shall be payable to Director's remuneration, however, in the matter of Anil Agarwal [Advance dated 4 May 2020] it was held that the salary paid to an executive director shall not attracts GST as such services would have been provided in the course of employment.

To remove the anomaly and to ensure uniformity, CBIC came with circular number 140/10/2020 dated 10.06.2020 and clarified that Sitting fee or remuneration paid to Independent Director (as Independent Director should not be the employee of company by the virtue of per the section 149(6) of the companies Act) or those directors, but whatever name called, who are not employee of company shall be subjected to levy of GST in the hand of company under Reverse Charge Mechanism. However, in case of Executive Director or any other director, irrespective of name and designation, is an employee, it would be pertinent to examine whether all the activities performed by the director are in the course of employer-employee relation (i.e. a "contract of service') or is there any element of "contract for service". It is then clarified by CBIC that the part of Director's remuneration declared as 'Salaries' in the books of a company and subjected to TDS under Section 192 of the Income Tax,1961 Act, are not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III of the CGST Act, 2017, whereas, part of employee Director's remuneration which is declared separately other than 'salaries' in the Company's accounts and subjected to TDS under Section 194J of the Income Tax Act as Fees for professional or Technical Services shall be treated as consideration for providing service which are outside the scope of Schedule III of the CGST Act, and accordingly attract GST in the hand of company under Reverse Charge Mechanism.

Concluding Observation

In nutshell, it can be concluded that Remuneration, Perquisites/amenities which are part of CTC (Cost to company) would not be treated as supply and consequently out of purview of GST, Perquisites/amenities which is not the part of CTC (Cost to company) and value of such amenities/gift more than Rupees fifty thousand shall be treated as gift and attract GST.

In respect to Director's Remuneration, it can be concluded that sitting fees and remuneration paid to Independent Director and Director who are not the employees of company shall attract GST under Reverse Charge mechanism and the executives directors and the directors who are the employees of company and by the virtue of employment their remuneration are subject to TDS under section 192 of Income Tax Act, their remuneration shall be out of purview of GST, however if their remuneration is liable to deduct the TDS under section 194J of the Income Tax Act by virtue of nature of services provided to company, shall attract GST under Reverse Charge mechanism.



"Literacy in itself is no education. Literacy is not the end of education or even the beginning. By education I mean an all-round drawing out of the best in the child and man-body, mind and spirit."

— Gandhiji

CFO Speaks

CMA Rajesh Shukla

CMA Rajesh Shukla is qualified Cost Accountant having more than 27 Years of post-qualification experience in Finance and Taxation, with brilliant academic record and proven track record in Industry. He is University Topper of Amravati University in Post-Graduation and Rank holder of CMA Exam. He was 5th Merit in HSC Exam conducted by Nagpur Board.

Before joining Tata Motors, he has worked in reputed Indian Business Houses and MNCs like General Motors, Skoda Auto, Johnson & Johnson, Burroughs Well-come, Wipro Ltd, VIP Ltd and Endurance Group etc.

He is currently working with Tata Motors as Sr. General Manager and leading Centre of Excellence (CoE) of Indirect Tax function of Tata Motors Group. He is responsible for Indirect Taxation of all Tata Motor Group entities operating in India and Asia Pacific Region including JLR.

In addition to his responsibility for Tata Motors, he is also nominated as "Track Leader for Advocacy, Knowledge Management & Litigation Management" for Tata Group Companies in Retail and Consumer Sector.

He is Co-Chair of SIAM Taxation Committee on Tax Policy matters. He is also member of Taxation Committees of various Trade Associations including CII, FICCI. He is member of Regional Advisory Committee Constituted by Chief Commissioner of GST West Zone.

He is visiting faculty member for various Professional institutes. He is past chairman of ICMA, Aurangabad Chapter. He has extensively travelled in Europe and South Asia for various Tax Meets and presented technical papers on Indian Taxation, GST and Customs.

He has successfully spearheaded GST Transition project for TML Group and over delivered on all the goals like Business Continuity, Value creation and Setting up compliance.

Apart from GST & Customs, Cross border Transactions / Business modelling, his area of specialization includes erstwhile tax laws like Central Excise, Service Tax, VAT, CST, Entry Tax, LBT.

In his current role he is responsible for providing thought leadership to Indirect Tax Team, framing of policies, advising management in decision making for business models, liaison with Tax and Government officers for various matters including Fiscal incentives, setting up controls to ensure compliance, training / coaching the team etc.

1. Recently GST has completed three years of implementation. How was your overall experience about the entire process?

We as Industry have waited for Tax Reforms like GST for long and we are happy that after wait of 10 years, finally it was implemented in July 2017. Though each and every expectation of Industry was not met during the implementation / last three years of roller-coaster regime of GST, overall impression is still positive, baring few exceptions. Most important point for us as Industry is now there is uniform GST law across country. This has created level playing field and national market to businesses and strengthen the one nation one tax concept and ease of doing business. The concept of IGST is very innovative. Looking into challenges like Continental size country, complexity of political situation, federal structure etc, both the Governments (Central and all the States), needs to be complimented for smooth transition, handling huge registrations, setting up of GSTN (which is a backbone of GST). Also, GST Council is working effectively to address the points raised by taxpayers.

But there are some issues which are still bothering Industry and there is a lot Government can do about it. Some of the issues are frequent changes in law/ Rules, retrospective amendments, GSTN portal connectivity / difficulties in filing of returns, highly impractical concept of matching of ITC at invoice level in very first year of implementation, which is resulting into increase in cost of compliance , the pro revenue approach in Advance Ruling Authorities, restrictions on ITC some of genuine business expenses, E Way Bill issues etc.

2. What is your view about transition process & what special efforts were made in your Organisation? Whether it really required Business Reorganisation?

We have seen GST as opportunity for restructuring our businesses and create Value for organization, rather than treating as mere "change of Tax compliance/ Regime" . We revisited each and every arrangement of our supply chain, manufacturing footprint, pricing / contracts with our supplier of Goods & Services, as well as with Customers. It has helped us to eliminate lot of non-value-added activities, which got built over the period of time in our entire eco system.

To goal of Restructuring Business with Value Creation, without affecting "Business Continuity" in large scale organization operating in all States was not easy task. For this we had to start early and hence we had initiated working on GST, it's Impact Analysis and rollout plan, much in advance (say around 2 years), before actual introduction of GST. This preparation and structured approach of Project implementation has helped us significantly, in spotting the cost saving opportunities, which gave us early mover advantage in terms of re-organizing supply chain, identifying issues for advocacy with Government at Central / State level, designing IT landscape/process etc .

3. **In an Automobile Industry, I think there were about 15 different types of duties, do you think that rationalisation has helped your organisation in terms of simplification.**

In fact, it was our one of the biggest ask from Government to rationalize the Tax Rates for Automobile when we migrated from Excise / VAT regime to GST and as Industry were expecting not more than 3 rates. However, it did not happen and with various slabs of Comp Cess, we still have highest number of tax slabs , as well as Higher Tax band, which ranges from 5% (EV) to 50% (SUV). Also, we have tax rate difference on components ranging from 12% to 28%, which is leading to disputes on classifications, as well as inverted duty structure.

So really speaking on this front , we are not satisfied and looking forward to more simpler tax rate.

4. **Whether GST has really helped in Cost Reduction, if yes, in which ways.**

Yes, there is no doubt that GST has helped in tax cost reduction in certain transaction like stock transfer from one state to another, inter-state procurement of goods, LBT etc. Also it heled to reduce operational cost / complexities, however on other than it has increased cost of compliance like implantation of ASP, E-way Bill, additional manpower cost of Invoice level reconciliation of ITC, etc. Also there is issue of increase in cost of procurement of fuel, as in some States it is now allowed to procure it against Form "C", which is leading to higher Tax Cost as VAT rate ranges from 22% to 18% State to State. (Petro Products are still not under GST).

5. **Whether you feel that concept if IGST was a game changer**

Yes, IGST is definitely a game changer. I agree that the concept of IGST is very innovative and even in foreign countries it was not implemented. IGST has drastically reduced complexities in GST.

6. **What is your opinion about Anti Profiteering and how far it is successful**

As a concept it is very good. It requires passing on the benefits in reduction in tax rates and benefit of enhancement in ITC to customers. Initially, it was announced that National Anti-profiteering Authorities will monitor the transactions / complaints for two years but the period has been subsequently extended, which is not as per normal practice, which other countries like Australia / Malesia has followed. One major challenge is, there is no clarity on methods by which un-due profit is to be ascertained. Also, cost inflation factor is not taken into consideration and deduction towards discount have been denied in some of the Orders passed by NAPA, which is leading to more confusion in this area.

7. **What is your opinion about overall level of automation / computerisation in overall GST process.**

I think GSTN could have handled automation more effectively / proficiently. Whatever pain Industry has suffered during initial period / currently, could have been avoided, had Government/ GSTN proceeded in phase manner, as suggested by us at the time of GST Rollout. Still some of the Taxpayers have issues in filing returns, matching the ITC, generating EWBs. Instead of resolving these issues, CBIC /GSTN is now pushing for E Invoices project/ New Return format. Handling huge data is a challenge for GSTN. So I think phase manner approach together with trail runs with select Big Taxpayers and implementing / considering the suggestions from them will make the GSTN more effective.

8. **What is your opinion about E way Bill, particularly from Automobile industry point of view where there lot of logistics of Raw Material, semi finished and finished goods is involved.**

Barring initial technical glitches E Way bill system, now it is largely streamlined. However there is still a need to address some industry specific issues such as in case of auto industry, E Way requirement and compliance in case of testing vehicles on roads is difficult to meet. Govt should consider issuing suitable clarification for such industry specific issues.

Apart from above, in my view, considering the large no. of transaction and automobile being identifiable / traceable commodity, Govt. may exempt atleast vehicles from requirement of generating E-way Bill. This will help in reducing compliance burden for Automobile Industry without any revenue loss to Govt.

9. **What is your opinion on e-invoicing & whether you feel that it will reduce the fake invoicing**

Though as concept it is very good, I would reserve my comments, till we see it's implementation.

As we understand it is going to be implemented in phased manner, starting with Big Tax payment (having annual turnover of INR 500Crs) and then make it mandatory for small/ each tax payers, full clarity / advantage will be derived from entire Eco-system as well as Government, once it is done. However, it should certainly help in in reducing the fake invoices since each valid invoice has to get registered with IRP and IRN number would be mandatory.

10. Do you feel that petroleum products should be brought under the purview of GST

Yes the petroleum products should be brought under purview of GST. For Automobile industry it is most important, as we need fuel during our manufacturing / distribution process and this will reduce the overall cost for Industry.

11. Overall, in your opinion, how far GST has helped in avoidance of tax evasion

In GST lot of automation has been done and use of IT platforms is all time high. Government has all the data available with them and with ITC matching concept, Govt. is easily identifying defaulter/tax evaders and taking necessary action on them in transparent manner is possible. Some actions are already taken by Govt. on tax evaders and it has also created an environment of fear amongst tax evaders. In my view with introduction of E-invoicing, tax evasion will reduce drastically.

12. What do you feel about further improvement in procedural aspect or tax structure or other areas is possible & overall future expectations from GST.

Well there is always scope for improvement. Few expectations of taxpayers are: rationalisation of rates (minimum tax slabs), better clarity on some of the concepts in GST e.g. valuation of cross charge in case of services to distinct person, interest on supplementary invoice due to escalation clause in contract, relaxation of restrictions on ITC, to bring petroleum products under GST, forming Centralized/ National Advance Ruling Authority, to address E Way Bill issues, to strengthen GSTN portal which is backbone of GST, to allow transfer of accumulated IGST ITC to distinct persons etc.

13. What is view on various contentious issues in GST like applicability of GST under RCM on ocean freight, treatment of GST on post sale discount etc. Do you feel that Govt. should issue appropriate clarification on these issues to avoid any dispute in future?

Government should issue appropriate clarification on these issue considering recent rulings of various Courts and the practical difficulties in implementation at field specifically in B2B transactions where there is no additional revenue to Govt and ITC of GST paid is available in supply chain.

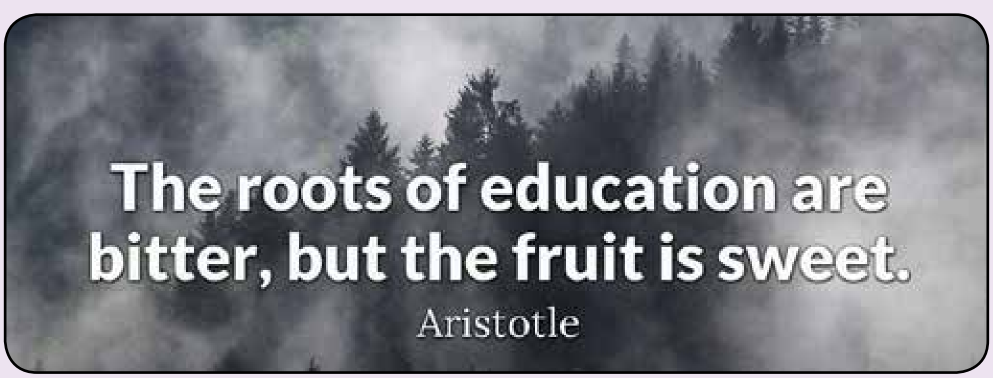
14. What is your view on response of Government to COVID-19, more specifically on fiscal / tax reform/ simplifications of compliance.

Our experience with Government Official on procedural level is very positive. In last three months of Lockdown period, we have closely worked with Government Department to represent the issues faced by Industry. We have seen that were very open to suggestions and understanding the pains of Industry. We could successfully resolve many procedural issues, obtain permissions, get extension of due dates for major compliance, bring "Ease of Doing Business (EODB) etc. However, on policy level we were expecting some more benefits like facility of transfer of ITC from one State to another atleast for taxes collected by centre i.e. CGST, IGST & C Cess which will help automobile sector to partially manage this crisis situation when Industry is struggling with liquidity crunch.

15. What is your views on different Rulings on same issue by different Advance Ruling Authority

While Advance Ruling is a very good concept but looking into the trend of different Ruling on same issue, in case of large organization having presence in different States, in case different ruling on same issue is pronounced by different Advance Ruling Authorities, they will have practical difficulty in implementation of the same. In my view Govt. should consider setting up at the earliest single jurisdiction for Advance Ruling Authority, at least for assesse having more than 5 registration.

Interview By CMA Amit Shahane (Member Editorial Board)



As a Professional what should be my Advice to my Client or with My Boss?

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Pre COVID discussion with clients used to be about revenue projections, sales guidance, earnings outlook, strategies for increasing the EPS and more on the current state of the business. What will be your discussion with clients' post-Covid 19? Any idea or preparation has been made in that context which will be part of your strategic cost advisory helping you in your job or practice. The business and its discussion point have changed completely now.

Those CMA's or who are in the strategy, business development or any profession linked with the mid-level management who are doing job need to know what should be their new defined role to save and grow their career profile. Please cost accountants or other professionals don't be under the impact of negative vibrations of an economic slowdown. This article also throws light on how the Strategic costing tools like life cycle costing, target costing and product mix will be beneficial rather heading blindly for cost-cutting and laying off people. Please remember your decision of cutting down cost will impact many families. Use the strategic cost management tool to save lives and families.

Economic slowdowns are the opportunities to grow one's career provide you know where to strike and how to strike to achieve the growth opportunities. So let's dig into some facts and advisory discussion points which will help you to understand and increase acumen and showcase your strengths too.

Post covid discussion with the client or in the job will be about debt management, asset quality, liquidity management, loan levels, covenants cash flow improvisation and more on the strategic segment. On needs to know these subject lines in terms of its impact based on the current slowdown and fall of demand. The person who is doing the job will find to be more valuable in an organisation if he/she comes up with an understanding on the subject/suggestions and areas to improve on these subject lines for the benefit of the organisation. Procurement, supply chain, production schedules-all of them needs a change so that the impact on business in terms of profitability and growth is improvised.

Many of my friends might say that they don't hold such positions to discuss these things with their seniors. Well, don't wait for an invitation. Become courageous enough to present your voice. It's your job and its work responsibility as cost accountants to come forward and present your suggestions and idea. No one is perfect. Even the one who became President of the Institute also took the 1st step of career growth like this way.

Product life cycles will need a complete makeover in terms of cash flow generation. Life cycle costing comes into play in this segment. Focusing on product mix and cost mix for better resource utilisation rather focusing blindly on cost-cutting is not the advisory. You have to apply to replace box thinking and not out of the box thinking. Principles of target costing need to be applied since the raw material cost have come down and hence short term strategies of lowering pricing and renegotiation deals will be the ideal aspect to implement. Pricing of goods will play a bigger role in terms of the depth of your cost-cutting strategies hence focus on life cycle costing and target costing followed with product mix.

Risk management is now an old school of thought but it's time for risk diversification in business. As a CMA or as any advisory business professional it's now time to re-work on business strategy. We have to now build different scenarios and do an analysis of them so that we could get the best solution for any new or old strategy redefinition. We need to come up with scenario analysis which will help the organisation or your client to come up with an appropriate decision. Diversification of risk is now the new norm.

We need to think on the above subject lines since practising opportunities will increase as many companies will outsource their finance vertical. This will help the corporates to reduce their fixed cost. This is the place where the competition will intensify and hence you need to add the value propositions in your practice. You keep thinking about the business model of your client and working an extra mile will help you significantly. We are focusing on the development and survival of the professionals and also of the company. Ruthless cost-cutting is not going to work longer for the organisation. It will rather cut the hands of the system.

MIS Report showing Cost Centrewise Repairs Cost as % of Total Repairs Cost

CMA Rajesh Kapadia

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Nowadays, Cost Reductions are the number one priority in Corporate World. This is also true for Maintenance Managers who face Cost Control Programmes imposed by Senior Management.

Profit is the difference between Sales Value and Cost of Sales.

So to increase / improve Margin it becomes imperative to control/ monitor/ reduce Cost of Sales.

And as Repairs Cost often becomes Major Cost Component of Fixed Cost and thereby in Cost of Sales, it pays to Monitor / Control / Reduce Repairs Cost.

This can be achived through MIS Report as mentioned in Annexure 1.

Focus should be on Major Cost Centres that may contribute 70 % to 80 % of Total Repairs Cost.

Following Checklist (It is Illustrative in Nature and not Exhaustive) is suggested to monitor, control and reduce expenses on Repairs Cost.

(1) If there is any substantial increase in expenditure, then this increase in expenditure needs to be traced to particular cost centre / cost centres and reasons for the same should be discussed with the Head of that cost centre so that appropriate action can be taken to prevent such recurrence.

(2) Through this report, management will come to know A Category of Cost Centres which account for 70 % to 75 % of total Repairs & Maintenance Expenses incurred.

It is always advisable for the management to focus on these A Category Cost Centres to monitor, control & reduce expenses on Repairs & Maintenance Expenses

This is because even a small step taken by the management with respect to these A Category of Cost Centres will result in far greater advantage to the management with respect to Cost Control & Cost Reduction of Expenses with respect to Repairs & Maintenance Expenses.

(3) Sometimes, high repair cost is the result of deferred maintenance.

Deferred Maintenance is the practice of postponing maintenance activities to save costs or to meet budget or to realign available budget monies.

The failure to perform needed repair could lead to asset deterioration and untimely asset impairment.

Generally, a policy of continued deferred maintenance may result in higher costs, asset failures, and in some cases, safety, health & environmental implications.

(4) Running damaged equipment until it fails is not a good idea for two reasons:

(i) first, the magnitude of the repair cost is much greater when equipment is allowed to fail catastrophically,

(ii) second, lost production costs are typically higher because the equipment usually fails at the worst time.

(5) Maintenance Managers should change their focus.

Many Maintenance Managers strongly focus on the operational side of maintenance

e.g. scheduling resources, ordering spare parts etc.

Maintenance Managers need to change focus from operational maintenance management to tactical / strategic maintenance management.

They need to realize that operations are a direct result from tactical / strategic decisions and not the other way round.

(6) Training is the foundation of cost reduction.

One would agree that training would increase awareness and prompt well thought actions from equipment operations.

The training needs to be correct training and include engineers, maintenance technicians and operators.

All these employees influence equipment reliability in some way.

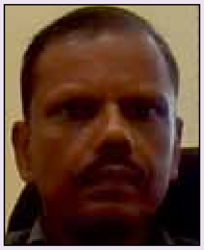
(7) Modifying equipment is necessary sometimes, typically, when the equipment was not initially specified correctly or when process parameters change.

Not upgrading equipment will result in increased failures.

Annexure 1

Yearwise Trend of Cost Centrewise Repairs Cost as % of Total Repair Cost for Company / for Plant 1 / for Product 1

YEAR	2019-20 (Rs Lacs)	%	2018-19 (Rs Lacs)	%	2017-18 (Rs Lacs)	%
PARTICULARS						
Sales Value						
Cost Of Sales						
Margin						
Cost of Sales as % of Sales Value						
Total Repairs Cost						
Repairs Cost as % of Cost of Sales						
Break Up of Cost Centerwise Repairs Cost						
COST CENTRES						
Manufacturing Cost Centres						
Manufacturing Plant-1						
Manufacturing Plant-2						
Manufacturing Plant-3						
Utilities Cost Centres						
Power Plant						
Boiler						
DM Water Plant						
Filteration Plant						
Cooling Water Plant						
Chilled Water Plant						
Air Compressor						
Nitrogen						
Other Cost Centres						
TOTAL REPAIRS COST						



Startups - Managing Finance

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India witnesses a significant growth of startups. Now the startups are stepping into semi urban and rural area as well. Managing finance of a startup is the key to success. Financial management of a startup is not like same as of an ongoing business. At the initial stage, when there is small fund availability, uncertainty about the market and a number of jobs to be carried out together to bring the project on track to commence the business, at that time managing finance constitutes a close vigil on cash flow movement and a robust business plan for next one to five years. Management Accountants require to equip with techniques of financial modelling, cash flow forecast, right time to raise the fund capital, convincing ability to the lenders and investors in order to grow the business and how to save the business from negative cash flow.

This Article is written with a view to understand the Cash flow model, forecasting technique and application of business valuation model to raise the capital fund for a startup.

When we think about startup, a full cycle of business activity at a tiny level developed in observance. But hardly we think about managing the finance. Managing finance for most of the startups is not well-thought-out seriously for obvious reason of 'business is meant for earning revenue and profit'. A number of activities, events, actions and trails are being conducted at the beginning of a startup. Goal of each activity is to set up the project, run the project and get the desired output from the project as early as possible. Needless to say, that each activity counts Expenses and Revenue and /or Cash inflow and Cash-outflow. Managing finance of these activities is the key to success for a startup.

Sure, every startup has self-belief and introspection, If the business is financially sustainable! Is the business needs funding! How to bring the business debts free at the earliest! How to maximize the business value to attract more investments! Etc. Answer to all those is one - manage the cash flow forecast effectively. Unfortunately, many startups avoid or make poor use of cash flow forecast land them to disrepute.

Long term sustainability of any business is always measured by two major KPIs. Startup is also not exceptional to those.

Solvency - Judged by income statement and the balance sheet.

Cash Flow - Measured by detail cash flow analysis and cash availability to meet the future obligations. In other words, get an idea of liquidity in the business.

Liquidity - Ensures cash availability, working capital need and robust working capital cycle.

Measuring financial matrix

Renouncing all accounting, financial and taxation jargons, an investor of the startup always interested to know his return on investments in physical cash. That is, how fast and how much the return could be expected from the investments. An income statement and Balance sheet may be good indicators to measure the performance of the business, however it does not show financial success outlook, when we closely monitor the activities in terms of cash. A business may be showing some profit in the income statement, but if it fails to pay its obligation bills, the business may fall. Thus, Cash flow model is much more valuable financial tool than the income statement and the balance sheet. If we do not put the cash flow at the top, we are going to put the business at very high risk. Further, if we seek debt or venture funding from outside, only cash flow statement helps to review the business by an investor.

A robust business plan helps to understand where the business will go, and how this will look-alike after a span of 2 - 3 or next 5 years down the line. Seeking help of competent financial professionals is always advisable to dealt in. In course of fund-raising process, bankers typically ask for financial plan with sensitivity analysis spread over normal to worst scenario case. Some banks or investors may ask for more detailing to understand, how much the business needs funds and when. At a later stage, the Financial planning model proves to be a strong tool to make the business valuation under discounted cash flow method (DCF) by applying the present value of free cash flow at the terminal value of the financial model.

Cash Flow

Cash flow management is the Key. Many startups fail for various of reasons, but one is far more common than others 'Running out of Money'. Contrary to that, if a startup is keeping the Cashflow model at the heart- success is imminent. Therefore, it is required to know where every single penny is coming from and going out. When we discuss about 'Cash Flow Model' it always 'Direct Cash Flow-method Model'. At this stage when primary focus is on the structure building exercise of the new business, pondering about finance, and others is not warranted. it is very. But, at the same time, the owner must vigil about the cash expenses and others. Thus, let us start with simple excel sheet model and template of cash incoming and outgoing detail. While developing the cash flow model, it is largely to be made in two forms. Short-term Cash flow forecast and long-term cash flow forecast.

Short term Cash Flow forecast

Generally made for next one year on monthly basis, and the major items of monthly data is broken down on weekly basis. This is most valuable financial tool exercise the internal control mechanism. This applies to all the activities of the startup and understand from where/ when to bring the cash and where / when to spend the money. While doing so, we list down all the sources, from where the cash is going to in-flow and all those activities, where the cash has to spend out.

Revenue and Cash Inflow

There is always an ambiguity between revenue and cash in-flow. Golden rule is all revenue is not always cashflow and all cash inflow is not a revenue. Thus, revenue stated in the income statement would not necessarily equal to cashflow. Revenue provides measures of effectiveness of sales and marketing, where cashflow is money or liquidity monitoring exercise. Cash flow includes cash sales revenue, collection from debtors and other collections, like advance deposits, refunds etc.

Like-wise, expenses are not synonymous to cash outflow. A simple example of insurance premium paid for one year or more is a cash outflow but, amortization of that premium over monthly basis is the expenses, forming part of income statement. At the beginning, real number may be far from truth, thus the cash flow statement must be reviewed periodically, in particular on weekly basis and monthly cash flow to be detailed at weekly basis. This exercise will help to monitor each element of cash flow at the micro level.

XYZ Startup
Monthly Cash Flow
Financial Planning Model

Projected Monthly Cash Flow

INR		Month 1 Jan-20	Month 2 Feb-20	Month 3 Mar-20	Month 4 Apr-20	Month 5 May-20	Month 6 Jun-20	Month 7 Jul-20	Month 8 Aug-20	Month 9 Sep-20	Month 10 Oct-20	Month 11 Nov-20	Month 12 Dec-20
Total Cash Inflow from Operations													
Cash Sales		-	-	-	-	-	-	-	-	-	-	-	-
Collection from Credit Sales		-	-	-	-	-	-	-	-	-	-	-	-
Advance Deposit Received from Customers		-	-	-	-	-	-	-	-	-	-	-	-
Other Receipts - to be named		-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Inflow from Operations	A	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow from Operations													
Cash Purchases		-	-	-	-	-	-	-	-	-	-	-	-
Payment to suppliers		-	-	-	-	-	-	-	-	-	-	-	-
Import Expenses (Customs, insurance etc)		-	-	-	-	-	-	-	-	-	-	-	-
Salaries & benefits to Employees		-	-	-	-	-	-	-	-	-	-	-	-
Marketing / Promotion Expenses		-	-	-	-	-	-	-	-	-	-	-	-
Rent of premises / Equipment		-	-	-	-	-	-	-	-	-	-	-	-
Consulting fee / Charges		-	-	-	-	-	-	-	-	-	-	-	-
Utilities		-	-	-	-	-	-	-	-	-	-	-	-
Office Supplies (Recurring only)		-	-	-	-	-	-	-	-	-	-	-	-
Agency fee / charges		-	-	-	-	-	-	-	-	-	-	-	-
Bank Charges													
Other Expenses- to be named		-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Outflow from Operations	B	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash from Operations	C= (A-B)	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure													
Business Registration Charges		-	-	-	-	-	-	-	-	-	-	-	-
License Obtainign Charges		-	-	-	-	-	-	-	-	-	-	-	-
Billing-Cycle payment of Constuction / Errection		-	-	-	-	-	-	-	-	-	-	-	-
Payment to suppliers of Equipment / Fittings		-	-	-	-	-	-	-	-	-	-	-	-
Other one time payments - to be named		-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenses	D	-	-	-	-	-	-	-	-	-	-	-	-
Available Cash for Debt / Investor Service	E= (C-D)	-	-	-	-	-	-	-	-	-	-	-	-
Receipts from:		-	-	-	-	-	-	-	-	-	-	-	-
Owner / Shareholders/ Initial Fund		-	-	-	-	-	-	-	-	-	-	-	-
Term Loan Received from Bank		-	-	-	-	-	-	-	-	-	-	-	-
Working Capital Loan		-	-	-	-	-	-	-	-	-	-	-	-
Owner's/ shareholders' Refund		-	-	-	-	-	-	-	-	-	-	-	-
Total Capex / Debt Fund Receipts	F	-	-	-	-	-	-	-	-	-	-	-	-
Payment to:													
Repayment of Loan - Working Capital		-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Loan - Term Loan		-	-	-	-	-	-	-	-	-	-	-	-
New Loan - Revolving Credit Facilities		-	-	-	-	-	-	-	-	-	-	-	-
Interest Charges- Working Capital Loan		-	-	-	-	-	-	-	-	-	-	-	-
Interest Charges- Term Loan		-	-	-	-	-	-	-	-	-	-	-	-
Dividend		-	-	-	-	-	-	-	-	-	-	-	-
Owner's/ shareholders' Withdrawal		-	-	-	-	-	-	-	-	-	-	-	-
Total Fund Receipts	G	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash from Financing Activities	H= (F-G)	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow for the Month	I= (E+H)	-	-	-	-	-	-	-	-	-	-	-	-
Opening Cash Balance	J	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance of Cash	K=(I+J)	-	-	-	-	-	-	-	-	-	-	-	-

Developing Cash Flow Model

A business plan or cashflow forecast is conceptual or theory. Creating a model or template is not a difficult task. Even a number of spread sheet model are easily available online could be used, which suits to the business. Game starts when we start putting the numbers in the template. In a running business forecasting the sales, revenue and expenses is comparatively easier than the startup. Obvious reason, the running business have a historical trend and industry available bench mark. But for startup! There is not historical data at all. Also, industry benchmark can't be applied so easily, when the growth pattern is unknown. From here real thinking and brain storming process starts and a professional finance makes a valuable contribution to the business.

A Cash flow statement is not straightforward or standardized. It's purely depends on the nature of the business and how the business needs to be controlled, which gives maximum information to the investors. Basic feature of a typical Cash Flow model should have:

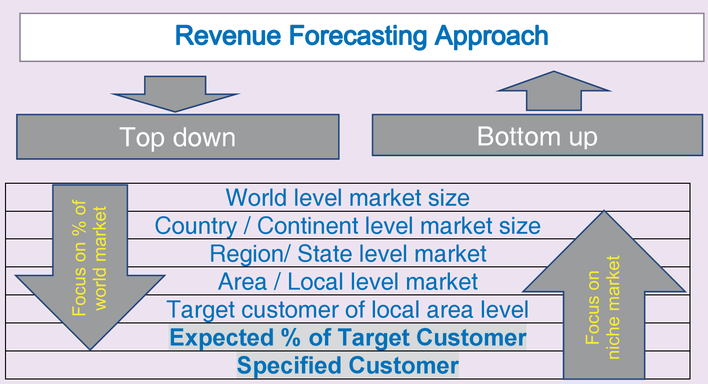
1. Easy to handle and convincing to all the users.
2. Element of cash flow headings must match with the business model.
3. Must be at least on monthly basis. Even the month should be backed by on weekly basis.
4. The owner / investor must be strict to achieve the numbers forecasted in the cash flow.
5. The data must be regularly (on daily basis) to be updated and revised, based on the previous feedback.
6. A detail variance analysis to be reviewed with actual figures. Accountability to be fixed and action plan to be chalked for forthcoming period.
7. Any significant variation or changes should be communicated to the key stakeholders with all explanations.
8. Business-related cash transaction must be absolutely identical to family / personal related.
9. Always commit to Positive Cash Balance.

A typical Cash Flow template is appended below to understand what and when the items of in-flow and out-flow are to be captured.

Forecasting Process

For an ongoing business, forecasting of revenue as well as expenses is easier than the 'Startup'. It is a diving exercise into the unknown scenario. Expenses and cost could be forecast to some extent, because market price of most of goods and services are available online, for which startup going to buy or avail in coming periods. But revenue is one of the most difficult tasks for a startup to visualized and put into the template for next one year or more on monthly basis. If it is a running business, planning a budget for next one year or more could be made by applying a certain growth factor, but for a startup, two key factors make difficult to forecast revenue. Firstly, it is an exercise to start from zero level and secondly, the growth trend is unaware.

We all know that first line of forecasting process is- Revenue. Forecasting revenue is depend on a number of variables and largely it depends on owner's confidence level, market research, data availability, target customers and business ability to spend on marketing and promotion or in other words, size of startup. If we go deep and more precise for revenue forecast, for simplicity purpose, two approaches are explained. Top down approach and Bottom up approach. Under top down approach, we acknowledge the whole size of the market at world level and region or country level. This size is narrowed down to startup's reach level in terms of geography or class of customers. Contrary to that, in the bottom up approach, the owner signifies the business at the niche market, where he finds to be suitable and a reasonable growth level of the revenue over a period of time. Whatever the method applied, the number must be fully backed by market research, data interpretation and sensitivity level from normal to worst case scenario. The number must be reasonably achievable and fit into the argument. A typical example of top down and bottom up approach of revenue forecasting is appended in the following picture.



Key elements of a robust forecast

1. Business Cycle -Understand the whole business cycle from beginning to end. From purchasing the goods/ services to processing, logistics, selling and collecting the money from the customer is one of the key elements to forecast the cash flow forecast. This cycle gives full glimpse of cash and non-cash activity in one go. Also, while forecasting of collections from debtors and payment to the suppliers in average number of days is calculated.
2. Apply both Approaches- Apply both methods (top-down and bottom-up) approaches while forecasting the revenue. This helps to understand the whole market size, target to achieve the market share as well as focus on the niche market to provide qualitative services.
3. Logical Data based research- All data, research and analysis should be logically captured, convincing to the third party and able to reach to a logical conclusion. In practice, this is a very lengthy exercise. A number of business uses google 'Awords Keyword Planner' a very useful tool for research-based analysis, powered by

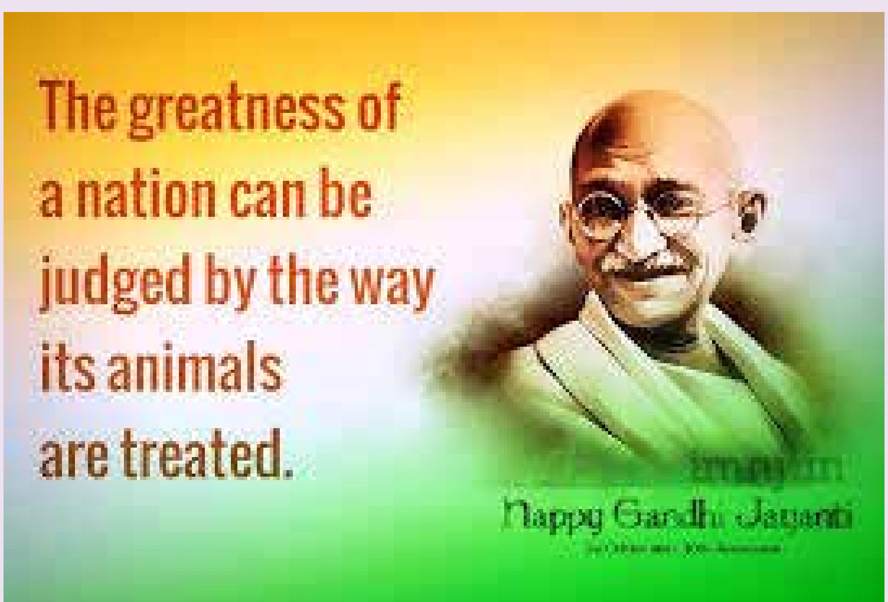
artificial intelligence, multilingual and locations. Using keyword planner, we can search a particular word, related to the product / output, how many people search this keyword, globally or at continent/ country level.

4. Fully aware about seasonality- If the nature of sales is affected by season, it must be drawn on monthly / weekly basis and level of inventory purchase, process and manufacturing timing, logistics and delivery system to be forecasted.
5. Sensitivity analysis- Afterall the forecast is not the truth. It is just an idea or direction to move forward. A cashflow forecast may fall short or excess against the actual by 1% to Nth %. Thus, it is advisable to maintain a sensitivity analysis minimum @5% to 50% at the beginning of the business. Also, the forecast should not be too optimist or too pessimist. As explained earlier each element of forecast must be normal to worst case scenario.
6. Understanding Tax aspects- In most of the cases, taxes are exempted for startup. But the Government provides a number of tax benefits and incentives to the business on fulfilling of certain conditions. Always try to achieve those targets and avail those incentives. This helps not only in monetary benefits but improve credit ratings in eyes of lenders.
7. Control on expenses- Keep a full control on expenses and meeting obligations- timely payments of dues and obligation, avoids penalties and non-productive expenses. Also, try to maintain a reasonable number of employees. At the beginning, it is always advisable to take the job through professionals to minimize recurring expenses. The business must ensure that the business should not fall under some statutory/ legal action, which ultimately divert the focus from the main business and leads to waste of money, energy and time.
8. Contingency Plan- After all forecast is forecast and is not the accurate number. Always there is possibility of some unforeseen or emergencies, which is not easy to visualize. Practically a certain % of revenue to be kept as a contingency.
9. Needs of Funding- In the cash flow forecast, fund requirement should be fully explained with month and heads of requirement. How and when to refund back the funds to the lenders. Collateral security if any to be identified with value of obligations.
10. Finance Professional- Seek help of a finance professional equips with in-depth and hands-on knowledge financial modelling, data-based research for startup and new business, ability to convince to lenders, investors and shareholders and helps to startups to grow their business at desired level.

Long term Cashflow forecast

When we prepare the cash-flow forecast for more than a year, it is called long term forecast. In general, the long-term cash flow forecast is made for one to five years or some time more than that if the debt refund tenure goes beyond five years. This is made with a view to look at 'how the business looks like' after one to five years. Also, if the business grows at a normal pace of economy or not. Sue this forecast is no way 100% accurate, but it gives a directional idea to the business in the future.

However, in-spite of its' short coming the long term cashflow forecast has advantages, when it is backed by full scale business plan. Lenders mostly us this for the purpose of business valuation and estimating the free cash flow available to the business to meet the debts obligation. A research based, reasonable and logical long-term forecast is always required by a startup, to produce before the lenders and investors while seeking funds. Golden rule for long term cash flow statement is - Cash inflow must exceed the cash outflow, if it provides return to investors and ending cash balance must be positive.



Internal Auditors in M&A Team Must to Avoid Deal Disaster - 2 Brief Case Studies

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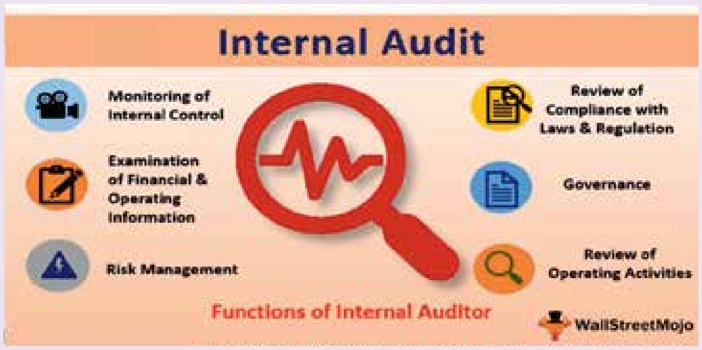
Internal audit is meant to assess suitability of both the risk management mechanism and various internal controls operated in the company. It also reviews that the company is compliant of the legislations and regulation meant for this class of companies. Internal auditor may be officer of the company or an outsider.



How nature of M&A Deals are different from routine Internal Audit?

M&A is Merger and Acquisition. M&A can happen by a) Buying assets, b) Buying shares, c) swapping shares for assets, d) swapping shares for shares.

There are two angles of M&A deals. One is Sell -side and other is Buy-side. In Sell-side deal, Internal Auditor as part of M&A team makes presentation (known as pitching) for selling the company to proposed acquirer company while in Buy-side deal he/she looks for good company for buying the company and makes presentation to the target company accordingly. Such profile of Internal Auditor as a part of M&A team is a sophisticated one and need specialized skill which include Advanced Financial Modeling, knowledge of valuation techniques, Making error-free pitch books, Accounting/ Finance skills, Knowledge of core industry, Current awareness global business scenario, Acquaintance of Corporate law and Merger regulations, Working knowledge of Due Diligence.

This is a new world altogether for Internal Auditor. When we bring two companies together after M&A, it is risky. With the suitable M&A, the company can reap lot of strategic advantages while an ill planned M&A can bring disaster.

Table 1:

Table 7: Summary of the pre-requisites for an expanded role for internal audit in M, A and D

Pre-requisite
• Knowledge of the firm's businesses and general M&A concepts and best practices
• Knowledge of the firm's corporate and business strategies and business models
• Good understanding of the various sources of risks to which business units are exposed
• Business acumen and maturity
• Established track record of innovative risk management solutions
• Ability to see the 'big picture' from an overall business and corporate perspective
• Experience of operating businesses
• Perceived objectivity and detachment
• Perceived as a source of authentic experience and knowledge with an established record of setting up, monitoring and auditing systems, processes and procedures
• Good facilitators
• Good communicators with high credibility as neutral communicators
• Good inter-personal skills
• Organisational culture that values IA's input as a monitor, adviser and consultant
• Organisational culture that values and encourages openness and inter-functional co-operation
• Awareness of IA's capabilities and resources for a proactive role by top management i.e. the board
• Recognition of the usefulness of IA's contribution to improved systems and processes and to risk management
• Strong support from the board for a more proactive role for IA
• Awareness of the resources and capabilities of IA to act as an adviser and internal consultant

Source-Int.Journal .Audit 7:223-245 (2003)

Why IA is needed in M&A ?

Research on acquired companies by UK companies in different parts of the globe opines that formidable role of Internal Audit immediately needed in all acquistions of all sizes. This is because if IA is involved throughout M&A deal process, it can avoid a number of M&A disaster. Reasons of failure of M&A will focus why intervention of IA is required.

Reasons of M&A failure

1. Exaggeration about quality of technology acquired, 2.Overhype of capability of acquired company's products/services, 3.Synergies wrongly assessed on the higher side, 4.Mismatch of culture between acquirer & target, 5.Due diligence failed to highlight core issues, 6.High acquired price failed to match benefit vs. cost, 7.High handed style of management of the acquirer, 8.Integration immediately after merger was not meticulous, 9.Poor leadership capability to handle a bigger business after acquisition.

Some brief case studies of M&A failures where internal Auditors were absent.

Case Study No.1

1. Tata Steel & Corus (UK) - On January 31, 2007, Tata Steel Limited acquired Corus Group Plc (Corus) for US$ 12.11 billion in all Cash Deal. Upto last year, cumulative operational losses of Tata Steel Europe stand at Rs 53,000 crore over 10 years against the group debt at more than Rs.1,00,000 crores.
    a. **Buying at wrong time :** In the early 2000s, Corus was then a cheap stock and was available at 90% discount of the price Tata paid to Corus. Suddenly in 2006, when LN Mittal bought Arcelor, the Tatas jumped in the deal when the commodity cycle was in peak and asset prices had skyrocketed. Tata overpaid.
    b. **Know when to withdraw:** After Tata Steel signed buying agreement with Corus, Brazilian steel maker CSN made a higher offer. Tata should have withdrawn the offer then. However, it participated in the auction with CSN and paid 30% more than the original negotiated price. It was painful mistake.
    c. **Show me the cash:** It was a All Cash Deal backed by debt. Atleast some part of the deal should have been in stock to reduce interest burden.
    d. **Due diligence is key:** It is clear that the Tatas knew that Corus was in bad health and might create problem in future but it is doubtful whether sufficient Due Diligence was done to fix those problems. Otherwise, emerging problems would have been sorted out by this time.

f. **Soft approach failed** : After taking over, the Tatas left it to group CEO Philippe Varin and his team to carry on operations for the first two years. No post-merger integration happened. Normally, there should be a 100 day plans. Though Tatas got lot of goodwill since there was no cost cutting, no retrenchment but subsequently Tatas had to pay through nose. Loses in UK plants crossed a million pounds a day and Tatas were compelled to sell part of UK assets at a token value of 1 pound

Case Study No.2.

Volkswagen - Rolls Royace - In 1998, Volkswagen acquired the assets of Rolls Royace & Bentley automobiles for $900 million from Vickers Plc. It was disaster that Intellectual Property (IP) Due Diligence was shallow so much so that after the deal was finalized and payment was made, Volkswagen discovered that the IP assets did not cover the right to use Rolls Royace Trade Mark. Rolls-Royce trademarks were owned by Rolls-Royce PLC, the aircraft-engine manufacturer, not Rolls-Royce Ltd. Surprisingly, IP right was with automobile giant BMW through a separate earlier agreement when BMW paid £40 million to Rolls Royace plc. After merger, it was funny that Volkswagen had all the rights necessary to produce Rolls Royace cars but did not possess authority to name and brand it as Rolls Royace. Because of such poor IP Due Diligence, Volkswagen had to pay and buy from BMW IP right of Rolls Royace at an exhorbitant price only for 4 years in addition to already paid acquisition price.

Role of IA during M & A

There are four key areas where IA can play a crucial role in an organization's M&A life cycle.

1. Strategy 2. Due diligence 3. Deal approval and close 4. Integration

1. Strategy - Before deciding on zeroing in a target for acquisition or sell of assets, Internal Auditor should analyse corporate strategy process and likely potential risks to the company. This will enable the company at the start to assess whether the company to be acquired is compatiable with acquirer's corporate growth strategy.

Table 2 - M&A life cycle -Strategy -IA Objective - Process

Assess corporate strategy process	Assess the risks to the organization	Assess business case process
• Alignment with corporate vision for growth • Evaluate process for targeting acquisitions • Management effort on value-creating initiatives: Near- and medium-term goals for which the M&A team can beheld accountable • M&A strategy formal documentation	• Identification and prioritization of potential risks related to targeted merger/acquisition: People Customers Business operations Finance and IT infrastructure • Evaluate and/or assist mitigation actions	• Costs identified and projections clearly stated • Synergies identified and projections clearly stated (value and timing) • Consideration of dis-synergies unavailable (e.g., benefit plans, facilities) • Assumptions for exit costs accurately applied in the business case • ROI projections and monitoring process

Source -E&Y Insights on governance, risk and compliance | April 2013

2. Due diligence - When Due diligence is on, whether there is any window dressing in Balance Sheets and in associated financial documents, also whether payment in ALL CASH or part equity, likely risks and whether any validation of synergy that may boost ROI of the acquirer.

Table 3 - M&A life cycle - Due Diligence - IA Objective - Process

Assess valuation process	Conduct internal controls and risk diligence	Assess synergy validation process
• Purchase price support: Valuation with and without synergy considerations • Revenue and profitability projections • Financial statement analysis • Tax implications	• Provide early insights on risk coverage and management: Strategic - governance, reputation Financial - IT systems, credit/economic risks, tax Operational - IT systems, customer, supply chain • Regulatory compliance	• Assess synergy assumptions and variables and compare them with past experiences from similar transactions and benchmarking • Assess or assist with validating deal synergies and feasibility of fully realizing stated synergy goals • Provide early insights on opportunities to increase or accelerate transaction value and ROI

Source -E&Y Insights on governance, risk and compliance | April 2013

3. Deal Approval & Close - Prior to signature of the relevant agreements, IA should scrutinize different clauses of agreements, legal opinions, considerations(shares or cash), regulatory approvals, Board and stockholder consents and relevant objectives before deal is finalised and closed.

Table 4 - M&A life cycle - Deal Approval & Close - IA Objective - Process

Assess deal approval process		Assess monitoring of valuation process leading up to close	
1.	Executive management and Board provided appropriate business case analyses and supporting documentation: Business valuation and purchase price Cost and benefit analysis of forecasted synergies Evaluation of risks and controls	3	Purchase price adjustments
		4	Impact of any changes in risks and control environment
		5	Impact of any changes in anticipated synergies: Evaluate if synergy realization is off track - eliminate/ mitigate root causes Identify any new synergies
2.	Long-term and short-term goals/objectives defined before approval	6	Impact of any changes to business and/or key personnel

Source - E&Y Insights on governance, risk and compliance | April 2013

4.Integration - When deal closes, most critical phase starts which is integration . IA being part of integration team of design and planning processes, project management and execution, should ensure that acquired company should integrate with acquiring company flawlessly, smoothly and aligned with company culture extending to integration of system, people and process.

Table 5 - M&A life cycle - Integration - - IA Objective - Process

Assess integration planning process	Assess integration project management	Assess and monitor integration execution	Transaction value assessment
1. Human resources 2. Finance Systems 3. Operations: a. Sales and Marketing b. Products and services c. Supply chain	1.Adequacy of resources 2.Milestones and timelines 3.Communication protocols 4.Monitor identification and mitigation of integration risks and issues 5.Monitor identification and implementation of improvement opportunities (e.g., additional synergies, standardizations)	1.HR - personnel changes; roles and responsibilities: People issues triggered by the merger Impact on business due to any loss of key staff in acquired business 2.Synergies tracking 3.Finance and systems transitions: Policies Treasury Financial reporting 4.Legal entity consolidation/ reporting Merged operations	1.ROI analysis Gap analysis 2.M&A process improvement opportunities 3.Impact assessment on existing business due to the attention given to the acquired business

Source - E&Y Insights on governance, risk and compliance | April 2013

Conclusion - Chief Internal Auditor and his team must be part of M&A strategic team to contribute in the following aspects --

- Whether the company is mentally alert for such huge transaction?
- While Due Diligence process is on where Internal Auditor team is actively participating, it can highlight likely risks of the target company and of the proposed merger.
- From post-integration angle where Internal Auditor(IA) has a key role, it can evolve company efficiencies and assess control mechanism along with follow up of fresh changes in processes.
- Most companies should feel strongly that IA does not only bring value during the strategic transactions but also during pre and post such transactions.
- From the traditional angle of IA which is privy to them unlike other operation executives, it can highlight analytical angles in such strategic transactions. It may extend from wrong/over bidding for target to the underestimation of one time expenditure post-merger to sort out M&A issues.

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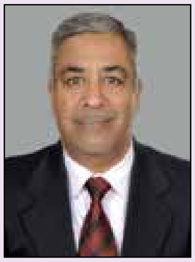

Social Finance - Finance for the Future

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The perspective

Global environmental, social, and governance (ESG) trends are rapidly reshaping the economy and presenting significant risks and opportunities for investors. By 2050, the population is expected to grow by more than 30 percent, to more than 9.5 billion people, with the majority of this growth happening in urban areas in the developing world. Meeting the needs of this population in an increasingly resource-constrained world will require tens of trillions of dollars in investment. This also presents compelling business growth and investment opportunities for investors in many new markets and sectors. Resource scarcity, climate-related impacts, global health dangers, social instability, and substantial demographic changes already are presenting business leaders with issues and influencing decision making that will determine future business success and investment performance. More investors recognize the importance of these global trends to their investment decisions and are adjusting their asset allocation and investment-management strategies accordingly.

What is Social Finance

Not too long ago, the notion of generating social good along with financial returns was considered a fringe idea by most investors. But recently the area of "social finance" has started to enter the mainstream and receive consideration from Wall Street giants and some of the world's largest institutional investors. Social finance is an approach to managing money which delivers a social dividend and an economic return. Social finance is often used to describe the lending and investment into companies who consider themselves social enterprises, charities, co-operatives, and other impact-focused organizations. The term can include community investing, microfinance, investing in socially-responsible and sustainable businesses, social impact bonds, and social enterprise lending. Outcome-based philanthropic grant making and program-related investments, sometimes referred to as venture philanthropy, also fall under the umbrella of social finance. Social finance is an approach to managing investments that generate financial returns while including measurable positive social and environmental impact. Social finance includes a full range of investment strategies and solutions across asset classes that can provide an array of risk-adjusted returns tailored to investor intent. Social finance is a tool that seeks to mobilize private capital for the public good. It creates opportunities for investors to finance projects that benefit society and for community organizations to access new sources of funds.

Social finance investments

- involve access to capital that has a positive impact not only financially but also on society as a whole;
- can be made by different types of investors. These include charitable foundations, retail investors, banks, governments and institutional investors such as pension funds;
- can be made to a variety of organizations that seek to have a positive impact in their communities
- can be made using a variety of financial tools, including loans, community bonds, equity investments and social impact bonds;

Finance for social good

What is social finance? Rachel Kalbfleisch of the International Development Research Centre (IDRC) defines it as a collection of approaches to managing money that create value for society or the environment, often while producing a financial return, while the MaRS Centre for Impact Investing calls it "an approach to managing money to solve societal challenges". In other words, social finance is a movement that covers various ways of using finance-via socially responsible investments, micro-loans, community investments, and so on-to achieve a social or environmental impact. Social impact investing is commonly used to describe the direction of investment funds to opportunities or companies that have desirable environmental, governance or social factors (also called ESG investing), and is related to social finance, which involves the use financial assets or instruments to fund projects that have a positive social or environmental impact.

Social Finance: Where Wealth and Values Meet

Investors who adopt social finance strategies don't have to sacrifice returns in order to feel good about the makeup of their portfolios or to effect meaningful societal change. The term "social finance" means different things to different people. Often, those words bring to mind the avoidance of so-called "sin stocks" - shares of companies involved in the manufacture or distribution of tobacco or alcohol, or shares of gambling enterprises. But the term encompasses much more. Social finance offers investors ways to realize competitive returns through investments designed to achieve meaningful societal or environmental impact. Investing in socially and environmentally conscious ways is growing in popularity with all types of investors

Key Trends in Social Finance Activity

Much has been written about the evolution of social finance, from the early days of socially conscious investing aligned with religious values, and, later, to the use of social finance as a tool to eliminate racial discrimination and apartheid in South Africa. This focus on values and ethics has promoted the growth of strategies such as negative screening, which uses ESG factors as a basis to exclude sectors, countries, or practices from portfolios or funds. Today, the SRI world has moved from a practice of negative screening and exclusion to one of seeking or encouraging certain characteristics in portfolio companies. Social finance today offers a wide range of options aligned with different risk appetites, return expectations, liquidity needs, and investors' expectations of impact. Today Social finance has grown significantly over the past decade, with strategies and products across asset classes aligned with different investor needs, motivations, and return expectations. Estimates show that social finance activity today is valued at upward of US$22 trillion, and many strategies have the potential for double-digit growth in the near future. The diverse motivations and trends in social finance activity for some mainstream investor groups is helping drive this growth and diversity in investment opportunities.

Scaling social finance

Despite rising interest in the sector, some investors say the social finance market's development has been held back partly by a lack of suitable products to invest in, confusion surrounding the proliferation of industry terminology and questions of whether or not investments can be profitable given their limited track record. This has left many mainstream investors hesitant to dip their toe in the space.

To address these challenges, the social finance sector must come up with better ways to measure non-financial metrics, increase transparency of social and environmental impacts on financial performance and create a wider variety of investment products, growing investor interest in social finance into considerable capital allocation will necessitate systemic changes to the current system. This includes not only improving products to meet investor goals and performance expectations, but also strengthening the enabling ecosystem, including the infrastructure, skills, and incentives that shape business decisions and are needed to execute transactions. This requires a collective effort by the investor community to overcome key challenges and dismantle barriers to entry for mainstream investors in social finance. Investors themselves have an important role in this. They have a number of levers at their disposal, including large amounts of investment capital, the ability to partner with and engage policymakers, deep technical expertise, and the opportunity to exercise sector wide coalition-building power.

The following are the imperatives and drivers of social finance

- Facilitate asset allocation across multiple social finance strategies that cater to varying risk appetites and return expectations.
- Codesign products with established return expectations and clear impact objectives for easier adoption.
- Deepen social finance expertise and knowledge across the investment value chain, particularly among advisory and investment teams.
- Develop and adopt standardized nonfinancial metrics across investment activities. " Integrate social and environmental impact into valuation and pricing of risk.
- Drive consistent and material disclosure of social and environmental impacts on financial performance and impacts on shareholders.
- Share best practices on the integration of social finance into portfolios with stakeholders, peers, and other beneficiaries to promote learning and increase awareness.
- Participate in industry dialogues to clarify and reinforce the interpretation of fiduciary duty to include ESG factors.
- Align internal and external incentives with long-term value and encourage good governance and positive policies that can respond to and support broader uptake of social finance.
- Provide guidance and technical assistance to strengthen the pipeline of investment opportunities for both investors and intermediaries.

Measure for Measure

Almost everyone (with good intentions) hopes to achieve positive social impact. The notion of the social impact of business has become so mainstream that government at the highest levels-including G8 leaders and even the Pope-advocate the creation of institutions to give greater attention to driving social impact". However, one of the most difficult challenges facing social finance revolves around the question: how do we measure social impact? There are, in fact, many ways to measure it, but the crucial question concerns how to consolidate these many methods under one impact measurement and evaluation system. At present, the impact measurement field is quite chaotic: each institution or region typically has its own assessment criteria for impact, and creates its own metrics. Though in recent decades the Global Impact Investing Network (GIIN) and Social Value UK (formerly the SROI Network) have made efforts to consolidate their metrics, there has not been a single governing authority to establish an official and centralised system of impact measurement and evaluation.

The promise of impact investing in India

Achieving the ambitious sustainable development goals (SDGs) by 2030 will take an estimated $5 to $7 trillion per year, with a financing gap of $2.5 trillion in developing countries. In India alone, the outsize challenge has been translated into a financing gap of $565 billion. While the country has seen huge progress across the social sectors, enormous challenges remain. Closing this gap requires action on several fronts; efficient and effective domestic resource mobilisation, outcome-focused donor efforts to ensure that money is spent well and harnessing private capital for good. In recent years, interest has grown globally amongst governments and markets to develop new investment approaches, such as impact investing or purpose-driven finance. Impact investment refers to the provision of finance to organisations with explicit expectations of financial returns as well as measurable social outcomes.

Conclusion: Looking Ahead

Going forward, social finance faces a broad set of opportunities and challenges. Ellie Howard of Cicero Group suggests that "in time, social finance will become inherent to the practice of investing in line with the progression to a conscious economy", but that "the sector first needs to establish itself".21 In other words, what is now somewhat of a fringe concept-investing to achieve measurable social impact-will eventually become inextricable from "plain-old" normal investing. When that happens, we'll have an economy that includes social impact in its core calculus; that incorporates more of the full costs and benefits of doing business; and that is more "conscious" of the impacts it has. to integrate social finance into investment decisions it is necessary to help asset managers, advisors, and intermediaries communicate the options and benefits of social finance more clearly, and in ways that resonate with investors. ■

Fault Lines

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"A working capital loan is a loan that is taken to finance a company's everyday operations. These loans are not used to buy long-term assets or investments and are, instead, used to provide the working capital that covers a company's short-term operational needs." **– Investopedia**

The Indian financing sector is no stranger to Working Capital Loans. Any 1st year analyst is aware of the terms *"inventory"*, *"book debts"*, and *"trade payables"* while assessing the *"working capital gap"*, "DP", and "margin requirement" for a manufacturing or trading company. In essence, lenders are willing to finance the amount secured against stock and book debts of a company. They reduce the trade payables to arrive at the working capital and reduce a *"margin"* requirement akin to *"promoters' contribution"* and arrive at the *"DP"* or Drawing Power, i.e. the amount of funding the borrower is eligible for and can secure the bank against his working capital. This offers a dual benefit

1. Banks are secured against what are believed to be "liquid" securities, being inventories and book debts which are fast moving in usual business circumstances;
2. Businesses are able to draw funds at low rates with a tax shield thus enabling them to operate at higher capacities.

So it arrives from the discussion that a business having negative working capital is not eligible for working capital funding.

1. There is no security against the working capital debt;
2. If a business is able to hold off paying its creditors (0 interest) while being able to collect faster from its debtors, then there's no need to draw any working capital;

So far so good. This is why we see most companies having negative working capital not having any working capital loans. While one may see substantial long-term loans on their books, the short-term working capital loans are almost non-existent. Such companies are also ones with good working capital management being able to collect-first and serve-later.

That is why it is surprising when we find the adjacent financials in one of the largest companies in the country. It is clear that the massive amount of Trade Payables easily turns the working capital of the company negative. However, the company enjoys working capital facilities of ₹ 24 from banks and others.

As per the RBI's Master Circular dt 2 Jul 2012 on "Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances", it is stated that, "Banks should ensure that drawings in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress… A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory."

Particulars	31-Mar-20 (audited)	31-Mar-19 (audited)
DEBT		
Non-Current	**182**	**118**
Current		
Current maturities of non-current Borrowings	35	6
Working Capital Borrowings	24	15
Other Current Borrowings	28	24
Total Current Debt	**87**	**45**
Working Capital		
Cash	8	4
Inventory	39	44
Debtors	7	12
Less: Trade Payables - non-MSME	71	88
Total Woking Capital	**-16**	**-28**
Quoted Investments	**32**	**25**
Total Current Assets	167	153
Total Current Liabilities	310	202

On the face of it, our company in question maintains a Current Asset base of ₹ 167. However, of these current assets, only ₹ 46 is a part of the working capital and ₹ 32 is liquid. The bulk of the current assets are unquoted investments which may or may not be marketable in times of distress. Further, the company also has a large Current Liability base of ₹ 310 eating into the security for working capital loans. It is also seen that this inadequate working capital is not a one-time delinquency in the company but more of a behavioural pattern.

So the question arises, if the working capital loans are neither deployed nor secured by current assets, then what has been their use? And which is this company that we are talking of?

The 1st question remains unanswered.

For the 2nd question, we'll leave you with a few hints

1. All figures quoted have been in '000 Cr, i.e. the working capital loans are not ₹ 24, they are ₹ 24,000,00,00,000
2. This was the 1st Indian company to cross ₹ 10 lac Cr in market cap;
3. The company has been trying to bring down its debt levels since 2019, and has resulted in some of the largest FDI inflows in the country during the COVID-19 period.

■

CHAPTER NEWS

AHMEDABAD

Office Bearers - 2020-2021

CMA Haren P Bhatt – *Chairman*
CMA Nikunj A Shah – *Vice Chairman*
CMA Malhar A Dalwadi – *Hon. Secretary*
CMA Aparna Bhonde – *Treasurer*

Chapter has organized Series of Webinars on GST for the members during May '20 and June'20. The Web series was inaugurated by welcome speech given by CMA Haren Bhatt, Chairman of Chapter. CMA Dakshesh Choksi, Chairman of PD Committee welcomed faculties during the session.

In valedictory session on 9th June 2020, CMA Ashwin Dalwadi-CCM, CMA Haren Bhatt, Chairman of Chapter and CMA Dakshesh Choksi, Chairman of PD committee gave speech to members and expressed thanks to other office bearers of Ahmedabad chapter for organizing such a wonderful web series. CMA Malhar Dalwadi proposed vote of thanks.

Details of CEP during 01.05.2020 to 30.06.2020

Date	Topic/Subject of Program	Name of Faculty
20-5	GST relief Due to COVID 19	CA Nitesh Jain
22-5	GST - Job Works	CMA Anuj Agarwal
24-5	Chemical Industry	CMA D. Mahajani
26-5	GST on Pharma Industry	CMA Vandit Trivedi
29-5	GST - Real Estate & Infrastructure Industries	CA Praveen Dhandharia
31-5	Import Export under GST	Mr. Sree Ram Kaza
01-6	GST - Engineering Industry	CMA Vandit Trivedi
03-6	Refund	CMA Alok Sharma
05-6	RCM under GST	CA Praveen Maheshwari
07-6	GST - Inspection, Demand & Recovery	Mr. Ravi Shankar
09-6	GST - Current Judgement	CA Praveen Maheshwari
12-6	Interpretation of Financial Statements, the auditor's way!	CA Zaheer Sayed
13-6	Practicing Avenue for CMAs	CA Vipul Khandhar

Students related activities during June'20

ICAI - Ahmedabad Chapter has organized a Crash batch of Oral Coaching for the students appearing in exam in Sept'20 from 5th June'20 to 27th June'20.

AGM

Annual General Meeting of Ahmedabad Chapter was held on 29th June'20 by Video conference and in the meeting Annual Accounts for the year 2019-20 were adopted.

BARODA

Office Bearers - 2020-2021

CMA Hardik Diwanji – *Chairman*
CMA Kartik Vasavada – *Vice Chairman*
CMA Mihir Vyas – *Hon. Secretary*
CMA Amruta M.Vyas – *Joint Secretary*
CMA Priyank Vyas – *Treasurer*

BHARUCH-ANKLESHWAR

Office Bearers - 2020-2021

CMA R.A. Mehta – *Chairman*
CMA Rajendra Rathi – *Vice Chairman*
CMA A.R. Patel – *Hon. Secretary*
CMA Hiral Rana – *Treasurer*

KALYAN-AMBERNATH

Report of One Day Golden Jubilee Conference - 22nd February 2020

Inaugural Session

CMA Neetu S. Kapoor, Secretary of Chapter welcomed the Chief Guest and Guest of Honor, dignitaries and delegates attending the conference. The Conference was inaugurated by lighting of lamps at the hands of Chief Guest Dr. Vaidehi Daptardar, Principal, Adarsh College of Commerce, Badlapur and Babaji Patron and Guest Of Honor,

Delegates and guests were shown a ten minutes PowerPoint presentation, summarizing and highlighting achievements of Kalyan-Ambernath during the last 50 years, PowerPoint presentation was prepared by a team of students led by Mr. Pratik Banjan.

On the occasion CMA Balwinder Singh President, CMA Biswarup Basu, Vice President, CMA Niraj D. Joshi, Chairman WIRC, were felicitated and presented memento by CMA S.G. Narasimhan, Chairman of Conference, CMA Gopichand B. Shamnani, Secretary of Conference, CMA Gopal U. Kewani Treasurer of Chapter respectively . On the occasion CMA Ashish P Thate, CMA P. Raju Iyer, CMA V. Murali, CMA Chitranjan Chattopadhyay Central Council Members and CMA Harshad S. Deshpande, CMA Vinayak B. Kulkarni, CMA Chaitanya L. Mohrir, Regional Council Members, and CMA Gupta Chairman of Indore Devas were also felicitated and presented memento by CMA Neetu S. Secretary of Chapter. Souvenir of conference was also released at the hands of President, Vice President, Central Council Members and Chairman of WIRC

CMA S.G. Narasimhan, Chairman of the Conference delivered a welcome address. He brought to knowledge of delegates attending conference, the efforts, sacrifices of CMA M.R.Dudani Chairman of Chapter, and other founder members and role of successive Chairmen's in past who helped in promoting profession of Cost & Management Accountancy in suburban region of Kalyan Ambernath, Ulhasnagar, and adjoining areas up to Karjat and Kasara.

Babaji, Guest of Honor and Patron Member of Chapter appreciated the efforts of CMA M.R.Dudani Founder Member and Chairman of chapter in setting up of chapter office at Ulhasnagar and starting Oral Coaching of CMA Foundation, Inter and Final levels and also establishing CMA examination n center at Ulhasnagar. He also appreciated efforts of CMA M.R, Dudani in guiding, helping in Audit of Accounts and other compliance of many Trusts, Educational Institutes, Religious and Charitable organizations by doing timely compliance of govt rules. Dr. Mrs. Vaidehi Daptardar, Principal, Adarsh College of Commerce, Badlapur Chief Guest delivered the inaugural lecture. She informed that India has improved in Infrastructure Index in recent years of different types of Infrastructure Projects - Power/Road/Rail/Ports/Education/Health/Rural Employment and Women Empowerment. She informed that there is a direct relation between Infrastructure Development and Economic Growth. She also explained the importance of Rural V/S. Urban Infrastructure.

In the 1st Technical Session on "Infrastructure-Then, Now and Future" Shri Chandrashekher Moreshwar Tilak, Chief Risk Officer & Executive Vice-President, NSDL e Governance Infrastructure Ltd., was the speaker. In the 2nd Technical Session on " Infrastructure Technology - A value enabler, C.A. Chirag Doshi, Managing Partner at CD Financial Reengineering Advisors LLP Ltd., was the speaker.

Valedictory Session:

CMA Neetu S. Kapoor, secretary of Chapter introduced, welcomed and presented memento to Smt.(Dr.) Manju Lalwani Pathak, Principal , Smt. C.H.M. College of Arts Science and Commerce, Ulhasnagar-who was Chief guest of Valedictory session. Smt.(Dr.) Manju Lalwani Pathak, delivered valedictory lectures congratulating and expressing happiness on completion of 50 years of chapter. She appreciated the efforts CMA M.R. Dudani, Chairman and Founder member of chapter for branch for promoting Cost and Management Course at Ulhasnagar and surrounding areas. CMA V.C. Kothari, Past Chairman of WIRC and Past Central Council Member presented a paper on "Resource Management of Infrastructure Projects". He informed the delegates about the Dream project of construction of "CMA Bhawan "of CMA M.R. Dudani, Chairman of Chapter. CMA V.C. Kothari felicitated CMA P.V. Wandrekar , Past Chairman of WIRC.

CMA N. Rajaraman, Chief Financial Officer, OCS Services (India) Pvt. Ltd., and Past Chairman of Kalyan Ambernath Chapter, informed the delegates and students about constant changes taking place in different parts of the business environment. Technology updating is taking place at a fast rate. He motivated students for adoption of Change Management for continuous success in profession.

NASIK-OJHAR

Office Bearers - 2020-2021

CMA Kailas B. Shinde	–	*Chairman*
CMA Swapnil M. Kharade	–	*Vice Chairman*
CMA Arpita A. Fegde	–	*Vice Chairman*
CMA Mayur S. Nikam	–	*Hon. Secretary*
CMA Dipak S. Jagatap	–	*Treasurer*

PIMPRI-CHINCHWAD-AKURDI

Webinar on Sunday 24th May 2020

Chapter conducted the webinar on "IFRS 15: Revenue Recognition" on Sunday, May 24, 2020 at 6.00 pm to 8.30 pm through Zoom Digital platform.

The webinar was started with the introduction of speaker CMA Pradeep Sahasrabudhe, Training Director with Bee-Pro Solutions Private Limited.

CMA Pradeep Sahasrabudhe in his speech briefly explained about some practical issues on IFRS. He said that the IFRS 15 replaces the following standards and Interpretations such as

He further briefed on key definitions of Contract, Customer, Income, Revenue, Performance Obligation, Transaction Price etc. He highlighted on the five steps model framework for Revenue Recognition and gave examples accordingly.

Webinar on Saturday 30th May 2020

Chapter conducted the webinar on "Tangible Non-Current Assets" on Saturday, May 30, 2020 at 6.00pm to 8.30pm through Zoom Digital platform.

The webinar was started with the introduction of speaker CMA Pradeep Sahasrabudhe, Training Director with Bee-Pro Solutions Private Limited and Practicing Cost Accountant.

CMA Pradeep Sahasrabudhe in his speech started with relevant standards for Tangible Non-Current Assets -

- Property Plant and Equipment/Depreciation Accounting (IAS 16),
- Accounting for Government Grants (IAS 20),
- Investment Property (IAS 40) &
- Borrowing Costs (IAS 23).

Question-Answer session commenced during the webinar. Session was well interactive. The seminar was attended by members in practice, members from industries, professionals, and students in large numbers.

Webinar on Saturday 6th June 2020

Chapter conducted the webinar on "MSMEs" on Saturday, June 6, 2020 at 6.00pm to 8.30pm through Zoom Digital platform.

CMA Ashish Deshmukh, Past Chairman - PCA Chapter has welcomed and introduced the speaker CMA Mahendra Bhombe, Entrepreneur, Practicing Cost Accountant & Member - WIRC of ICAI and CA Maheshwar Marathe, Advisor - MSMEs & Practicing Chartered Accountant.

CMA Mahendra Bhombe in his speech started with COVID-19 & its impact on MSMEs. He asked how many of you feel COVID 19 is gone have long lasting impact on your business? He said, this virus is mounting a very serious threat to the global economy which is already in grave peril. There is no doubt that the Indian economy, which is already sputtering. India's economic growth slipped to 3.1 per cent in the January-March quarter of 2019-20 showing impact of Covid-19 pandemic. The GDP had expanded by 5.7 per cent in the corresponding quarter of 2018-19. In 2019-20, the Indian economy grew by 4.2 per cent against 6.1 per cent expansion in 2018-19.

He further asked how many of you see that there will be change in the way of business will happen post COVID-19. The KPMG report said, "A study by the All India Manufacturer's Organisation (AIMO) estimates that about a quarter of over 75 million MSMEs in India will face closure if the lockdown goes beyond four weeks". It is a known fact, that they faced one setback after another, first being demonetization then followed by glitchy GST implementation, then came economic slowdown of real estate and auto sector to which most of the MSMEs were main sources of suppliers. Then came the financial and banking crisis.

Now, COVID-19 which seems to be the final blow to the MSMEs, "A study Expected changes in consumer behaviour as per a report titled 'Turn the Tide' issued by Facebook India & Boston Consulting Group, Knowing the expected changes in consumer behaviour will help entrepreneurs design their next action plan and road map for businesses.

Experts also say "The only way to survive this crisis is by drastically reducing our fixed operating expenses in the immediate term till the consumption in the sector improves".

CMA Maheshwar Marathe in his speech focused on MSME Samadhaan - Delayed Payment Monitoring System. Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 contains provisions to deal with cases of delayed payment to Micro and Small Enterprises (MSEs).

Webinar on Saturday 14h June 2020

Chapter conducted the webinar on "Aatmanirbhar Bharat (Part 2) - Agri Sector" on Saturday, June 14, 2020 at 4.00 pm to 6.30 pm through Google Digital platform.

CMA Pradeep Deshpande, Secretary - PCA Chapter has welcomed and introduced the speaker CMA Ashish Deshmukh, Chartered Engineer, Practicing Cost Accountant & Past Chairman of PCA Chapter.

CMA Ashish Deshmukh in his speech started with the topic Aatmanirbhar Bharat - Agriculture (Third Tranche) and said Agriculture is the greatest and fundamentally the most important of our industries. The cities are but the branches of the tree of national life, the roots of which go deeply into the land. We all flourish or decline with the farmer.He explained on various schemes such as - Fund for Micro Food Enterprises (10K Cr), Pradhan Mantri Matsya Sampada Yojana (20K Cr), Animal Husbandry Infrastructure Development Fund (15K Cr), Promotion of Herbal Cultivation (4KCr), Vaccination of Cattles (13Cr), Agricultural Infrastructure (1L Cr) & Beekeeping Initiative (500Cr).

Webinar on Saturday 20h June 2020

Chapter conducted the webinar on "Aatmanirbhar Bharat (Part 3) - Beating China" on Saturday, June 20, 2020 at 6.00pm to 8.30 pm through Google Digital platform.

CMA Mahendra Bhombe, Member - WIRC has welcomed and introduced the speaker CMA Dhananjay Kumar Vatsyayan, IP, Chartered Engineer, Practicing Cost Accountant & Vice-Chairman of PCA Chapter.

CMA Dhananjay Kumar Vatsyayan in his speech briefed on three Chinese Warfare: 1) Psychological 2) Communication and 3) Legal." To fight and conquer in all battles is not the supreme excellence; the supreme excellence is in breaking enemy's resistance without fighting". He said.

He explained about psychological factors between India and China, India-China Natural, Exploring India-China in his lucid language. He said, in World University Ranking - No Indian university in Top 100 university of world and top 25 university of Asia. 20 Indian university in top 200 Asian university, whereas 45 Chinese university are there 9 Indian university in top 500 university of world, 23 Chinese universities are placed.

Webinar on Friday 26h June 2020

Chapter conducted the webinar on "Old Tax Regime Vs New Tax Regime" on Friday, June 26, 2020 at 6.00 pm to 8.30 pm through Google Digital platform.

CMA Jayant Hampiholi, Member - Chairman of PCA Chapter has welcomed and introduced the speaker CA Pushpahas Umadikar, Practicing Chartered Accountant.

CA Pushpahas Umadikar in his speech said that the Salary persons are only eligible for opting between Old tax regime and New tax regime every year but not having business income.

He further highlighted on Income Tax Slabs from Rs. 2.5 lakhs to 15 lakhs. He focused on various exemptions on Interest such as Housing Loan, Form 80C, NPS, Mediclaim, Education Loan Interest, Saving Bank Interest, Senior Citizen Interest, Donations etc.

Then explained on the Advantage and Disadvantages of income tax. He said, each Individual has different levels of savings and depending on the amount of savings one should opt for appropriate tax regime. Income tax allows interchange every year; make use of the same accordingly.

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

WESTERN INDIA REGIONAL COUNCIL

ANNOUNCES WEBINARS ON

Series of Webinars on GST Audit - FY 2018-2019

Speaker : CA Pratik Shah			
Sl. No.	**Date**	**Topic**	**Time**
1	25-07-2020	GST Audit - GSTR 9 - Part I	4.00 p.m. to 5.30 p.m.
2	26-07-2020	GST Audit - GSTR 9 - Part II	4.00 p.m. to 5.30 p.m.
3	27-07-2020	GST Audit - GSTR 9C - Part I	4.00 p.m. to 5.30 p.m.
4	28-07-2020	GST Audit - GSTR 9C - Part II	4.00 p.m. to 5.30 p.m.

Series of Webinars on Practical aspect of methods used in Related Party Transactions

Speaker : CA Kaustubh Deshpande			
1	30-07-2020	Comparable uncontrolled price method	4.00 p.m. to 6.00 p.m.
2	01-08-2020	Transactional net margin method	4.00 p.m. to 6.00 p.m.
3	02-08-2020	Profit split method	4.00 p.m. to 6.00 p.m.
4	04-08-2020	Cost plus method	4.00 p.m. to 6.00 p.m.
5	08-08-2020	Resale price method	4.00 p.m. to 6.00 p.m.
6	09-08-2020	Any other method	4.00 p.m. to 6.00 p.m.

Series of Webinars on Practical Aspects of Standards on Cost Auditing 101-104 by Cost Auditing & Assurance Standards Board in association with WIRC

Speaker : CMA J. K. Budhiraja			
1	05-08-2020	SCA 101	11.00 a.m. to 12.30 p.m.
2	08-08-2020	SCA 102	11.00 a.m. to 12.30 p.m.
3	11-08-2020	SCA 103	11.00 a.m. to 12.30 p.m.
4	14-08-2020	SCA 104	11.00 a.m. to 12.30 p.m.

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