

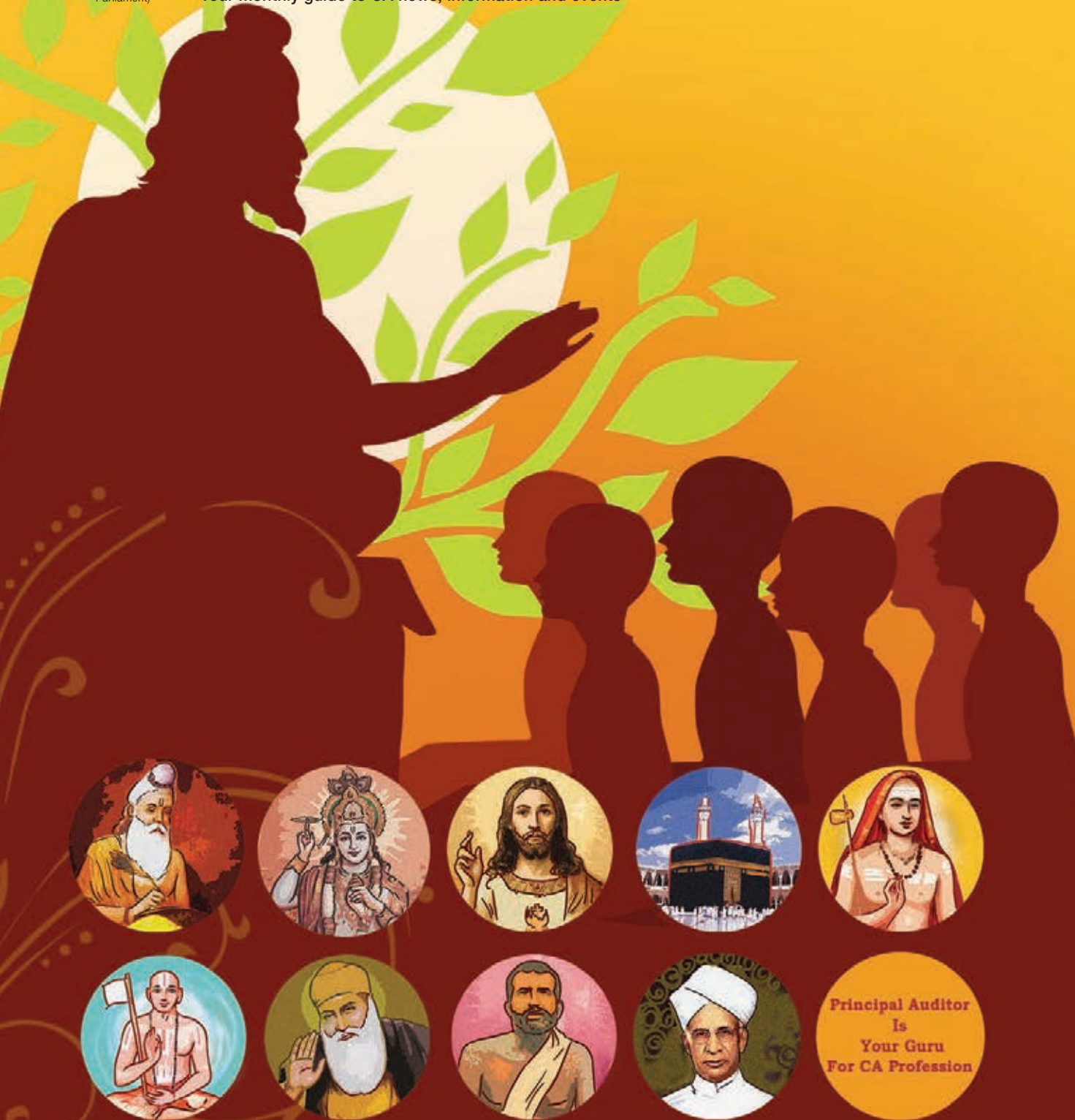


The Institute
of Chartered
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The Chartered Accountant **STUDENT**

Your monthly guide to CA news, information and events



Happy Teacher's Day - 5th September



National Convention for CA Students, Hisar: Chief Guest, Haryana Finance Minister, Captain Abhimanyu, Central Council Members, CA. Atul Gupta, CA. Rajesh Sharma, NIRC Chairman, CA. Deepak Garg with Regional and Branch Committee Members.



CA. M. Devaraja Reddy, President, ICAI and Central Council Member, CA. G. Sekar with the Managing Committee Members and students of Cuttack Branch at a Special Interaction Session.



Vice President, ICAI, CA. Nilesh S. Vikamsey, Chairman, Board of Studies, CA. Babu Abraham Kallivayalil, Vice Chairman, CA. Dhiraj Kumar Khandelwal, Central Council Members, CA. Dhinal Shah, CA. Madhukar N. Hiregange, CA. Mukesh Singh Kushwah, CA. M.P. Vijay Kumar and Director Board of Studies, CA. Vandana D. Nagpal with the BoS Faculty Members and officials on the sidelines of the Expert Group Meeting on proposed new curriculum of accounting education.



The participants of the Four Weeks Residential Programme on Professional Skills Development at the Centre of Excellence, Hyderabad with CA. Lakshminiwas Sharma, Past Central Council Member and CA. Naresh chandra Gelli V, Branch Committee Member, Hyderabad.



My Dear Students,

It gives me immense pleasure to felicitate and greet the teaching fraternity on the auspicious occasion of Teachers' Day which is observed on 5th September, the birth day of Dr. Sarvepalli Radhakrishnan, who was a well known diplomat, scholar, philosopher, President of India and above all a teacher. It is none other than the teachers, who mould their students to bring out their hidden talents and skills. Teachers impart quality education and prepare good citizens for the nation. As Dr. A.P.J. Abdul Kalam said, ***"The purpose of education is to make good human beings with skill and expertise... Enlightened human beings can be created by teachers"***. In Indian culture teachers have been given a pedestal higher than even above God. We should pay same respect to the teachers the way we worship God in different religions.

Chartered Accountancy course through its blend of theoretical education and practical training offers umpteen opportunities to learn and develop. Your Principal is your guide and mentor who is there to handhold you through the course. When in doubt do not hesitate to ask questions to your Principal and other seniors in the firm. Dr. Sarvepalli Radhakrishnan said – ***"when we think we know, we cease to learn"***.

The professional learning can be improved by keeping a watch on the things around you, particularly those related to business and economy. They may not necessarily have immediate implications on your examinations, but will certainly help you to learn better in professional life. One such development is in the area of Goods and Services Tax (GST).

Introduction of GST will be a dynamic step by the government in backing its promise of ease of doing business. GST will help create a single unified market across India and allow free movement and supply of goods in every part of the country. It will also eliminate

the cascading effect of taxes on customers which will bring efficiency in product costs. I hope that this paradigm shift in India's indirect tax regime will definitely play an enabling role in the growth of key sectors in the country. It is also expected that GST will lead to easy tax compliance and improve India's competitiveness in the global arena.

I am extremely happy to convey my heartfelt congratulations to all the successful candidates of the May 2016 Intermediate (IPC) Examination. I also congratulate all the first three rank holders for their outstanding achievement. Those who could not make it this time, do not feel disheartened. Go for a thorough review on what might have gone wrong. Identify weak areas and reorient your preparation and learning strategies. Apart from the knowledge of concepts work on expression, language and handwriting. Have a positive approach. The ultimate result will be in your favour. Your positive thoughts can work wonders for you. Lord Buddha preached ***"All that we are is the result of what we have thought. The mind is everything. What we think we become"***.

However, be a 'pessimist' when you are preparing for an examination. Expect the unexpected or difficult situation and equip yourself accordingly. But when you actually perform in the examination, be an 'optimist'. Nothing should deter you from giving your best. Believe that you are fully capable and leave no stone unturned till you succeed.

At the same time work on acquiring soft skills. A strong foundation laid during student days will always help you later in life when you go up the ladder and get elevated to higher positions. Leisure time may be used for general reading; and to develop linguistic, technological and managerial skills. These add to your profile and provide you the edge over others in every competitive situation. Your work ethics, attitude, communication skills, emotional intelligence and a whole host of other personal attributes are crucial for career success.

Yours sincerely,

CA. M. DEVARAJA REDDY
PRESIDENT,
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

VICE PRESIDENT'S COMMUNICATION ||



My Dear Students,

As CA-IPC results have recently been declared, I would like to congratulate the successful students- especially the rank holders who despite tough competition, performed exceedingly well. You must now focus on the next rung of the ladder -Practical Training and CA-Final. You must pursue practical training with as much focus and dedication, taking each assignment as a learning opportunity.

Those of you, who could not succeed this time, should not feel disheartened. You must intensify your efforts and indulge in preparation with renewed vigor and determination. You must read intently the study material and related publications provided by the Board of Studies, judiciously view e-lectures and participate in online mentoring sessions to step up your preparation. With a sound strategy, disciplined regimen and focused approach, I am sure you will certainly meet with success.

I would like to greet you all on the auspicious occasion of Teacher's Day, celebrated on fifth of September every year to commemorate our past president Dr. Sarvepalli Radhakrishnan a staunch educationist, renowned scholar, a true statesman and above all a devoted teacher. The day holds special significance for students and teachers alike as students felicitate their teachers as a gesture of gratitude for their profound contribution. The role of teachers towards the development of a student/learner can never be overemphasized. Teachers are responsible for inculcating moral values, ethical principles and discipline apart from imparting knowledge and skills. They instill the most important lessons that of truth, integrity, sincerity and compassion, determining their students' attitude and behavior towards others thus carving their personalities. After parents, only teachers extend unconditional support and guidance to their students as mentors and genuinely laud their accomplishments as true friends. The great conqueror Alexander said, **"I am indebted to my father for living, but to my teacher for living well."** We admire our teachers, adore them, emulate them and learn through them. In short, teachers are our role models. We must have utmost reverence, devotion and allegiance towards our teachers.

As students of this coveted profession, you would know that owing to the current economic boom in the domestic market as a result of good monsoon, better sales and an array of economic reforms, the demand for Chartered Accountants will see a upsurge across sectors. The accounting profession has diversified into multiple arenas across the spectrum from auditing, corporate law, direct/indirect tax, management consultancy services, corporate finance, financial reporting, risk management, arbitration, negotiations to mergers and acquisitions. For you to have a great career ahead, you must make concerted efforts to learn the ropes of the profession and its various aspects during practical training. You must take every task assigned as an opportunity to learn, applying theoretical knowledge to practical situations in the assignments being done to deliver the best. You must document challenges that you face during practical training, these can later be mentioned as accomplishments in your resume. This will not only help you score well in exams but will also help you during personal interactions, job interviews and further in your professional pursuits.

As potential job options, you can take up employment in industry in manufacturing or services sector in any of the aforementioned profiles. Initially, you should not specify your preferences as that could limit your career. During the formative years of your professional career, you must try to work in as many diverse profiles as possible, learning as much as you can from observation, experience and exposure. After a couple of years of experience, you can decide which aspect of the profession interests you the most and coincides with your aptitude. You can supplement your knowledge by pursuing one of the several post qualification courses and get on with your chosen career trajectory.

The other option is your own professional practice. Although this can be liberating initially, it comes with challenges too. You need to constantly upgrade your knowledge to be able to deliver, up to the expectations of your client. Considering the diverse nature of the consultancy work, you will have to constitute a robust team of professionals specializing in Finance, Accounts, Audit, Tax, Law and so on.

Irrespective of the career path you choose, you will have to exhibit utmost integrity, sincerity and thorough professionalism to be able to succeed in your endeavors. Remember- ***Success comes to those who deserve it, value it and manage it. It is the sum of small efforts, repeated day in and day out.*** To be one amongst the successful, start working **RIGHTNOW !!!**

Wishing you all the best.

A handwritten signature in dark ink, appearing to read 'N. S. Vikamsey'.

CA. NILESH SHIVJI VIKAMSEY
VICE PRESIDENT
ICAI, NEW DELHI



My Dear Students,

Let us all extend our warm greetings and felicitations to our teaching community on the occasion of Teachers' Day (5th September). The day commemorates the birthday of Dr. Sarvapalli Radhakrishnan, former President of India who was a great philosopher, scholar and a teacher par excellence.

Educating the future generation is the greatest services provided by teachers. They are important pillars of our society and shape-up the present generation to take life challenges. Teachers develop among their students, a moral value system. Being a role model, a teacher not only makes the student learn, but also shapes his life with great aims and aspirations.

The Institute's faculty works in an untiring manner to provide quality educational inputs to you in form of study material, suggested answers, revision test papers and so on. On the occasion of Teachers' Day, I would like to thank our faculty members for their contribution towards the education and training future chartered accountants.

KUDOS AND CONGRATULATIONS

We would like to extend our heartiest Congratulations to all those who have cleared the May 2016 Intermediate (IPC) Examinations. You have climbed one more rung on the ladder towards your life goal of becoming a Chartered Accountant. Those who have not been fortunate to make it this time, take it as a stepping stone towards your goal. Just believe in your heart that you are building a strong foundation and have extreme faith in your capability to succeed. As Thomas Jefferson said **"when you reach the end of your rope, tie a knot in it and hang on"**. Have the tenacity and courage to stick on to the path till you make it.

GEAR UP FOR NOVEMBER EXAMS

The next November examinations are fast approaching. You should concentrate on them. One good strategy to pass the same is to regularly write answers to previous year question papers and compare your answers with the suggested answers. Identify, where you are lacking and work on them. You may need help in the concepts, spellings, language or presentation. Remember the words of Benjamin Franklin ***"By failing to prepare, you are preparing to fail"***. Constant practice is the only mechanism to make you perfect. If you prepare for your examination by writing notes or jotting down hints, it helps you to acquire this ability besides improving legibility. You should solve illustrations and exercises repeatedly instead of merely reading the problems in the subject. You must attempt several problems to have complete command over the topic. You may also go through the Interview of the CA Final Rank holders given in the latter pages of this issue. It will definitely give you an insight on how to prepare for the exams to have a high scoring.

KNOWLEDGE AND SKILLS: A PATHWAY TO EXCELLENCE

Remember, this is the stage in your life when you can develop soft skills and build a knowledge bank within you. A strong foundation in this regard laid during student days will help you later in life when you go up the ladder or when you get elevated to greater positions. Leisure time should be used for general reading; and to develop linguistic, technological and managerial skills. These add to your profile and provide you the edge over others in every competitive situation. The Four Week's Residential Programme on Professional Skills Development being conducted at the Centre of Excellence, Hyderabad gives thrust to the development of soft and managerial skills of the participants. We have further strengthened the emphasis on soft skills development, developing personality trait and communication skills at the CoE programme. The students pursuing this course will be better off in taking the challenges and compete with other professionals.

Wish you all the best

CA. BABU ABRAHAM KALLIVAYALIL
CHAIRMAN, BOARD OF STUDIES, ICAI

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Transfer Pricing Law in India – An Overview



CA. Dhinal Shah
Central Council Member, ICAI



CA. Terjani Gupta
ICAI Membership No. 164416

With the increased number of Multinational Enterprises (MNEs) establishing their group companies in India and enormous increase in number of inter-company transactions, India introduced Transfer Pricing (TP) provisions more than a decade ago. Sections 92 to 92F of the Indian Income Tax Act, 1961 (the Act) govern and regulate the transfer pricing provisions in India which are applicable from 1 April 2001 with respect to international transactions and from 1 April 2012 for Specified Domestic Transactions ('SDTs'). Further, Rules 10A to 10E of the Income Tax Rules, 1962 prescribe the rules for interpretation and implementation of the provisions. The regulations are broadly based on the Organisation for Economic Co-operation and Development (OECD) Guidelines and describe the various transfer pricing methods, impose extensive annual transfer pricing documentation requirements, and contain penal provisions for noncompliance.

Concept of Transfer Pricing

Commercial transactions between the different parts of the multinational groups may not be subject to the same market forces shaping relations between the two independent firms. One party transfers to another goods or services, for a price, that price are known as "transfer price". Transfer price is, thus, a price which represents the value of good; or services between independently operating units of an organisation. But, the expression "transfer pricing" generally refers to prices of transactions between associated enterprises which may take place under conditions differing from those taking place between independent enterprises.

The Indian Transfer Pricing regulations prescribes that income arising from international transactions or specified domestic transactions between associated enterprises should be computed having regard to the arm's-length price.

The provisions of Section 92 to 92F of the Act are applicable only if:

- ◆ There are two or more enterprises (defined in Sec 92F); and
- ◆ The enterprises are associated enterprises (defined in Sec 92A); and
- ◆ The enterprises enter into a transaction (defined in Sec 92F); and
- ◆ The transaction is an International transaction (defined in Sec 92B).

Section 92BA of the Act contains provisions that apply to specified domestic transactions (SDTs). The Act defines the terms 'international transactions', 'specified domestic transactions', 'associated enterprises' and 'arm's-length price'.

Associated enterprises ('AEs')

The relationship of AEs is defined by Section 92A of the Act to cover direct/ indirect participation in the management, control or capital of an enterprise by another enterprise. It also covers situations in which the same person (directly or indirectly) participates in the management, control or capital of both the enterprises.

For the purposes of the above definition, certain specific parameters have been laid down based on which two enterprises would be deemed as AEs. These parameters include:

- ◆ Direct/indirect holding of 26% or more voting power in an enterprise by the other enterprise or in both the enterprises by the same person.
- ◆ Advancement of a loan, by an enterprise, that constitutes 51% or more of the total book value of the assets of the borrowing enterprise.
- ◆ Guarantee by an enterprise for 10% or more of total borrowings of the other enterprise.
- ◆ Appointment by an enterprise of more than 50% of the board of directors or one or more executive directors of the other enterprise or the appointment of specified directorships of both enterprises by the same person.
- ◆ Complete dependence of an enterprise (in carrying on its business) on the intellectual property licensed to it by the other enterprise.
- ◆ Substantial purchase of raw material/sale of manufactured goods by an enterprise from/to the other enterprise at prices and conditions influenced by the latter.
- ◆ The existence of any prescribed relationship of mutual interest.

International transaction

International Transaction is a transaction between two or more AEs, either or both of whom are non-residents. Furthermore, a permanent establishment (PE) of a foreign enterprise also qualifies as an associated enterprise. Accordingly, transactions between a foreign enterprise and its Indian PE are within the ambit of international transaction.

Transfer pricing provisions apply to the following types of transactions between AEs:

- ◆ Purchase, sale or lease of tangible or intangible property
- ◆ Provision of services
- ◆ Lending or borrowing money or capital financing, including any type of long-term or short-term borrowing, lending or guarantee; purchase or sale of marketable securities or any type of advance, payments or deferred payment or receivable; or any other debt arising during the course of business
- ◆ A mutual agreement or arrangement for cost allocation or apportionment
- ◆ A transaction of business restructuring or reorganization
- ◆ Any other transaction having a bearing on the profits, income, losses or assets of such enterprises

Deemed International Transaction

Transaction of an enterprise with a third party shall be deemed to be an international transaction with the AE if there exists a prior agreement in relation to the said transaction or the terms of the said transaction are determined in substance between the AE and the third party, even if the taxpayer and third party are both domestic entities.

Specified Domestic Transaction ('SDT')

Until financial year (FY) 2011-12, transfer pricing regulations were not applicable to domestic transactions. However, the Finance Act 2012 w.e.f. 1 April 2013 (AY 2013-14) has extended the application of transfer pricing regulations to 'SDT' by introducing section 92BA. Specified Domestic Transaction in case of an enterprise means any of the following transactions, not being an international transaction, namely -

- ◆ Any expenditure in respect of which payment is made or to be made to a person under section 40A(2)(b);
- ◆ Any transaction referred under section 80A;
- ◆ Any transfer of goods/services under section 80-IA;
- ◆ Any business transaction under section 80-IA(10);
- ◆ Any transaction under Chapter VI-A or under section 10AA – to which provisions of Section 80-IA (8) or (10) applies; or
- ◆ Any other transaction as may be prescribed.

Provisions of SDT will be applicable only where the aggregate of such transactions exceeds a sum of INR 5 crores. The Finance Act 2015 has increased this threshold to INR 20 Crores.

By extending applicability of transfer pricing provisions to SDT, pricing of these transactions will need to be determined with regard to the arm's-length principle using methods prescribed under Indian transfer pricing regulations.

The arm's-length principle and pricing methodologies

The term 'arm's-length price' ('ALP') is defined by Section 92F of the Act to mean a price that is applied or is proposed to be applied to transactions between persons other than AEs in uncontrolled conditions. Section 92C together with the Rule 10B and Rule 10AB provides that the computation of ALP in relation to an International Transaction or SDT shall be determined by selecting any of the following methods, being the most appropriate method:

- ◆ Comparable uncontrolled price (CUP) method
 - ◆ CUP Method evaluates the "price" charged in a controlled transaction with reference to the "price" charged in comparable uncontrolled transactions, which could be identified either through internal or external comparables.
 - ◆ Resale price method (RPM)
 - ◆ RPM is applicable in a resale situation, where the property or services purchased from an AE are sold to unrelated enterprise. The RPM is applied on either a transactional or a comparable-company basis, and principally, it applies to distributors/marketers.
 - ◆ Cost plus method (CPM)
 - ◆ CPM is generally applied in relation to supply of products or provision of services. CPM is most useful where semi-finished goods are sold between related parties, where related parties have concluded joint facility agreements or long-term buy-and-supply arrangements, or where the controlled transaction is the provision of services.
 - ◆ Profit split method (PSM)
 - ◆ PSM may be applicable mainly in international transactions involving transfer of unique intangibles or in multiple international transactions, which are so interrelated that they cannot be evaluated separately for the purpose of determining the ALP of any one transaction. The PSM is therefore appropriate for integrated transactions with more than one enterprise.
 - ◆ Transactional net margin method (TNMM)
 - ◆ TNMM is generally appropriate for the provision of services/ sale of goods where CPM or RPM cannot be adequately applied. The net profit margin realised by the enterprise from an International Transaction, entered into with an AE, is computed in relation to costs incurred, or sales effected or assets employed or having regard to any other relevant base.
- The net profit margin realised by the enterprise, or by an unrelated enterprise from a comparable uncontrolled transaction is computed having regard to the same base.

“The Indian Transfer Pricing regulations prescribes that income arising from international transactions or specified domestic transactions between associated enterprises should be computed having regard to the arm’s-length price.”

- ◆ Any other method as provided in Rule 10AB
Any method that takes into account the price that has been charged or paid, or would have been charged or paid, for the same or similar uncontrolled transaction, with or between non-AEs, under similar circumstances considering all the facts, shall be regarded as one of the recognized methods for determining the ALP.

Determination of most appropriate method

No particular method has been accorded a greater or lesser priority. The most appropriate method for a particular transaction would need to be determined having regard to the following factors:

- ◆ The nature and class of the International Transaction or SDTs;
- ◆ The class or classes of AEs entering into the transaction and the functions performed, assets employed and risks assumed by them;
- ◆ The availability, coverage and reliability of data necessary for application of the method;
- ◆ The degree of comparability existing between the International Transaction or SDT and the uncontrolled transaction and between the enterprises entering into such transactions;
- ◆ The extent to which reliable and accurate adjustments can be made to account for differences, if any, between the transactions being compared and the enterprises entering into such transactions; and The nature, extent and reliability of assumptions required to be made in application of a method.

Permissible Tolerance Band to determine arm’s length price

Some flexibility has been extended to taxpayers by allowing a range benefit which would be 1% for wholesale traders and 3% in all other cases from 1 April 2013. Till FY 2011-12, the government has allowed the benefit of 5% range to all taxpayers.

Accordingly, if the variation between the arm’s-length price and the price at which the transaction has actually been undertaken does not exceed the specified range of the latter, the price at which the transaction has actually

been undertaken shall be deemed to be the arm’s-length price. Therefore, the benefit of the range would be available only if the arm’s-length price falls within the specified range of the transfer price.

Documentation requirements

Section 92D read provides that every person who has undertaken an International Transaction or SDT shall keep and maintain such information and documents as specified by rules made by the Board (Rule 10D) and supported by authentic documents.

The categories of documentation required are:

- ◆ Ownership structure
- ◆ Profile of the multinational group
- ◆ Business description
- ◆ Nature and terms (including prices) of international transactions
- ◆ Description of functions performed, risks assumed and assets employed
- ◆ Record of any financial estimates
- ◆ Record of uncontrolled transaction with third parties and a comparability evaluation
- ◆ Description of methods considered
- ◆ Reasons for rejection of alternative methods
- ◆ Details of transfer pricing adjustments
- ◆ Any other information or data relating to the associated enterprise that may be relevant for determining the arm’s length price

Taxpayers having aggregate international transactions below the prescribed threshold of INR 1 crore and SDTs below the threshold of INR 20 crores are relieved from maintaining the prescribed documentation. However, even in these cases, it is imperative that the documentation maintained should be adequate to substantiate the arm’s-length price of the international transactions or SDTs.



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“Until financial year (FY) 2011-12, transfer pricing regulations were not applicable to domestic transactions. However, the Finance Act 2012 w.e.f. 1 April 2013 (AY 2013-14) has extended the application of transfer pricing regulations to ‘SDT’ by introducing section 92BA”

Accountant’s report

It is mandatory for all taxpayers, without exception, to obtain an independent accountant’s report (Form 3CEB) in respect of all international transactions between AEs or specified domestic transactions with related parties. The report requires the accountant to give an opinion on the proper maintenance of prescribed documents and information by the taxpayer. Furthermore, the accountant is required to certify the correctness of an extensive list of prescribed particulars and same needs to be filed electronically before the due date of filing the tax return ie 30 November.

Time Limit

The information and documentation specified should, as far as possible, be contemporaneous, and they should exist on the filing date of the income tax return, which is 30 November following the close of the financial year. Although an accountant’s report must be submitted along with the tax return, the taxpayer is not required to furnish the transfer pricing documentation with the accountant’s report at the time of filing the tax return.

Penalties in connection with transfer pricing regulations

To ensure compliance with the arm’s length principle, stiff penalties have been prescribed for various defaults as summarised below:

Default	Nature of penalty
In case of a post-inquiry adjustment, there is deemed to be a concealment of income	No penalty, where transfer pricing documentation is maintained, transaction declared and material facts disclosed. Penalty at 50% of tax on transfer pricing adjustment, where transfer pricing documentation is not maintained. Penalty at 200% of tax on transfer pricing adjustment, where transaction is not declared or material facts are not disclosed
Failure to maintain documents	2% of the value of each International Transaction/SDT
Failure to furnish documents/report transaction	2% of the value of the International Transaction/SDT
Failure to furnish accountant’s report	₹ 100,000

Concluding remarks

Given the fact that transaction between Group companies, especially international transactions, are structured in a way it would result in reduction of tax liability or substantial tax saving at a Group level, same have attracted attention of Tax Revenue Authority to a great extent in a last decade as it is eroding tax base of country to a large extent and countries, where economic activity have been undertaken, are not able to recover their share of tax. Further, MNEs, saving substantial tax cost by structuring the transaction, also affect other domestic players to a great extent and hence, to create a level playing field between all players, Tax Revenue Authority are taking steps to identify such arrangements and disregard the pricing arrangement between them and thereby impose severe tax adjustment in all such tax evader cases. Given all the above, one should structure the inter-company arrangement carefully by considering all these regulation so that it would not result in adverse tax adjustment at a later stage. ■

Mock Tests and Special Counselling Sessions for November 2016 Examinations

Board of Studies has prepared Mock Test Papers for Intermediate (IPC) and Final Course students to assess their preparation for the main examination to be held in November 2016. All the Regional Councils and Branches have been advised to conduct Mock Tests under examination conditions and Special Counselling Sessions in the months of September – October 2016.

Students may contact the respective Regional Councils/Branches to ascertain the exact dates and venue for the Mock Tests and Special Counselling Sessions.

Students are advised to utilize this unique opportunity to assess their preparedness and also to gain experience and confidence in facing the real examination.

Director, Board of Studies

Goods and Services Tax – A Game Changer of India in 21st Century



CA. Atul Gupta
Central Council Member, ICAI

With the passage of 122nd Constitutional Amendment Bill, 2014 for the introduction of GST in both the houses of the Parliament, Government is clear in its intention of implementing GST by April, 2017. Moreover, the Draft Model GST law was placed on public portal by Government of India on 14th June, 2016 inviting various comments and suggestions for the consideration.

History of GST/ VAT

Goods and Services Tax (GST) is popularly known as VAT internationally. France was the first country to adopt GST as its indirect taxation structure in 1954. Today, it has spread to around 164 countries in the world which levies GST/VAT.

Number of Countries based on region which levies GST/ VAT

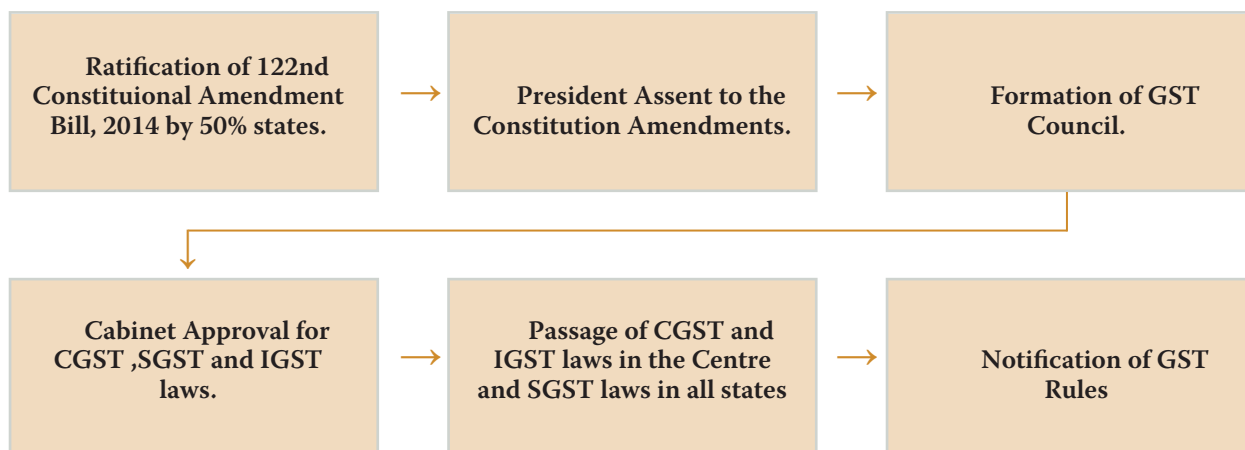
S.NO	REGION	NUMBER OF COUNTRIES
1	Asia	28
2	Europe	51
3	Oceania	8
4	Africa	46
5	South America	12
6	Caribbean, Central America	18
7	North America	1
Total		164

Journey so far of GST in India

The introduction of GST in India will require amendment in the Constitution to bring concurrent powers to both the Central and State Governments, whereby both the Central and State Government can impose GST on the supply of goods and services. Thus, every transaction of supply of goods and services would be subject to GST.

On 19th December, 2014, 122nd Constitutional Amendment Bill, 2014 was introduced in the Lok Sabha by the Union Government. It was drafted keeping in mind the earlier developments and suggestions made by the Standing Committee on Finance and the pending demands of State Finance Ministers. Afterwards, the Bill was passed in Lok Sabha on 6th May, 2015 and was referred to the Select Committee of Rajya Sabha on 14th May, 2015. Recently, on 3rd August, 2016 the much awaited Bill was passed in the Rajya Sabha as well. With the passage of 122nd Constitutional Amendment Bill, 2014 for the introduction of GST in both the houses of the Parliament, Government is clear in its intention of implementing GST by April, 2017. Moreover, the Draft Model GST law was placed on public portal by Government of India on 14th June, 2016 inviting various comments and suggestions for the consideration. Further Legal Framework which will be required for the implementation of GST in India by April 2017 will be as follows: -

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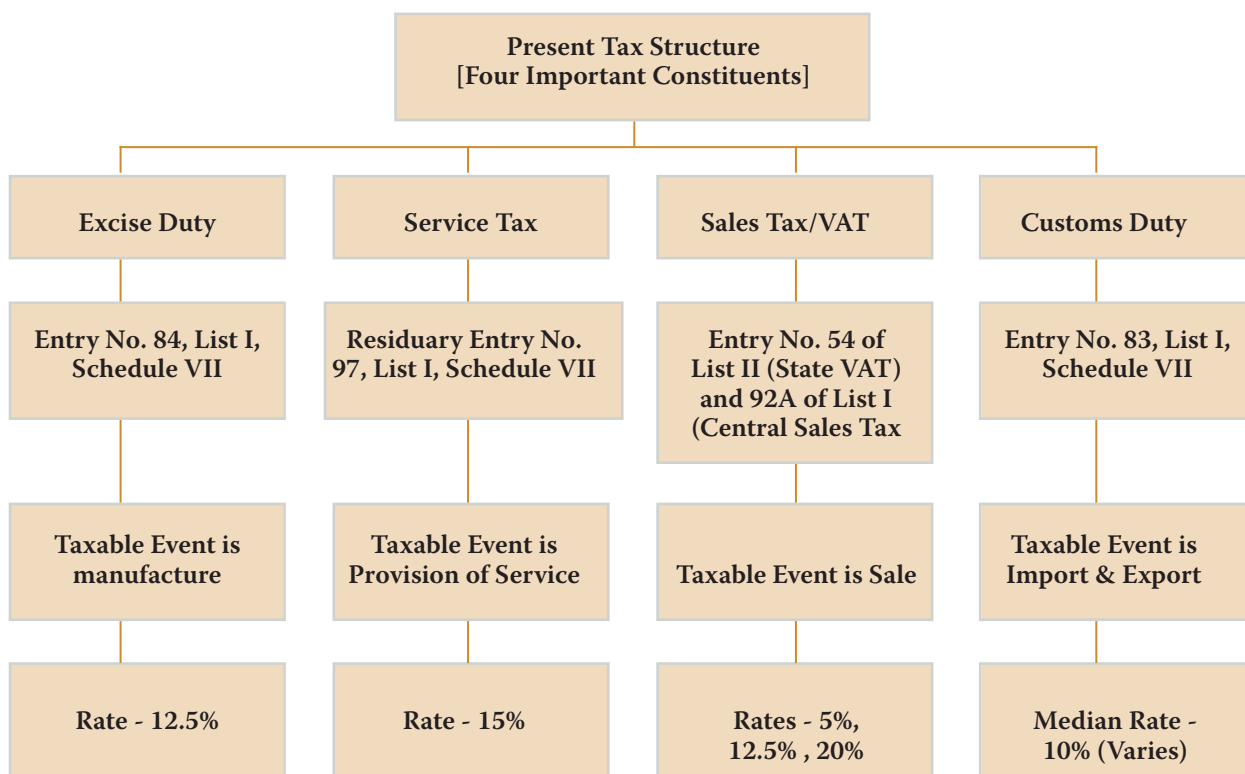
Meaning of GST

GST has been defined in Article 366 of the 122nd Constitutional Amendment Bill, 2014 [Constitution (One Hundred and First Amendment) Act, 2016].

Goods and Services Tax means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption.

Present Indirect Taxation Structure which will get subsumed in GST

India currently has a dual system of taxation of goods and services, in a sense that tax on activity of manufacture and provision of service is collected by Union Government and that on sale of goods is collected by State Governments. It has adopted value added tax principal with input tax credit mechanism for taxation of goods and services. The present tax structure can best be described by the following chart:



Central Taxes which will get subsumed under the Goods and Services Tax:

- (i) Central Excise Duty
- (ii) Additional Excise Duties
- (iii) The Excise Duty levied under the Medicinal and Toiletries Preparation Act
- (iv) Service Tax
- (v) Additional Customs Duty, commonly known as Countervailing Duty (CVD)
- (vi) Special Additional Duty of Customs - 4% (SAD)
- (vii) Surcharges, and
- (viii) Cesses.

State Taxes which will get subsumed under GST:

- (i) VAT/Sales Tax
- (ii) Entertainment Tax (unless it is levied by the Local bodies)
- (iii) Luxury Tax
- (iv) Taxes on lottery, betting and gambling
- (v) State Cesses and Surcharges in so far as they relate to supply of goods and services
- (vi) Entry Tax

Meaning of Goods, Services and Supply in Draft Model GST Law

Goods - "Goods" means every kind of movable property other than actionable claim and money but includes securities, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under the contract of supply.

Services - "Services" means anything other than goods. Services include intangible property and actionable claim but do not include money.

Further, Section 3 of Draft CGST/SGST Act, 2016 provides the meaning of the term "supply". As per the definition given, supply includes: -

- ♦ all forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business.
- ♦ importation of service, whether or not for a consideration and whether or not in the course or furtherance of business.
- ♦ a supply specified in Schedule I which comprises of the matters which are treated as supply without a consideration.
- ✓ Schedule I of the Act further specifically excludes the supply of goods by a registered taxable person to a job-worker.
- ✓ Schedule II of the Act mentions the matters to be treated as supply of goods or /supply of services.

Levy and Collection of Central/ State GST

Section 7 of the Draft CGST/ SGST Act, 2016 provides for the levy and collection of Central / State GST. It provides that: -

- ♦ On the intra-state sale of goods or services, there shall be levied a tax called the Central/State Goods and Services Tax at the rate specified in the Schedule and collected in such manner as may be prescribed.
- ♦ The CGST/SGST shall be paid by every taxable person in accordance with the provisions of this Act.
- ♦ Certain categories of supply of goods and/or services the tax on which tax will be payable on reverse charge basis may be notified by the Central/State Government by way of notification on the recommendation of the Council.

Composition Levy

Section 8 of the Draft CGST/ SGST Act, 2016 provides for the composition levy upto a certain turnover of taxable person. It provides that: -

- ♦ A registered taxable person whose aggregate turnover in a financial year does not exceed *Fifty Lakh Rupees* may pay tax at such rate as may be prescribed, but not less than one percent of the turnover during the year.
- ♦ A person making an inter-State supplies of goods and/or services is not entitled to opt for the composition levy.
- ♦ No such permission shall be granted to a taxable person unless all the registered taxable persons, having the same PAN as held by the said taxable person, also opt to pay tax as per this section.
- ♦ Taxable person opting for the composition levy shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

Threshold Limit of Taxable Person

Section 9 of the Draft CGST/ SGST Act, 2016 provides for the threshold limit for the taxable person.

- ♦ If the aggregate turnover of a person in a financial year exceeds *Rs 10 Lakhs*, he shall be considered as a taxable person.
- ♦ In case a person conducts his business in any of the North Eastern States including Sikkim will be considered as taxable person if his turnover exceeds *Rs Five Lakh* in a financial year.

Time of Supply of Goods

Section 12 of the Draft CGST/ SGST Act, 2016 provides for the provisions for time of supply of goods. It states that: -

- ♦ The liability to pay CGST / SGST on the goods shall arise at the time of supply as determined in terms of the provisions of this section.
- ♦ The time of supply will be earliest of the following dates: -

ARTICLE ||

- ✓ The date on which goods are removed by the supplier where goods are required to be removed or date on which goods are received by the recipient where goods are made available to the recipient or
- ✓ The date on which supplier issues the invoice or
- ✓ The date on which supplier receives the payment or
- ✓ The date on which the recipient shows the receipt of goods in his books of account.

Time of supply in case of goods on reverse charge basis

Section 12(5) states for the provisions of time of supply of goods on reverse charge basis. It states that time of supply on reverse charge basis will be the earliest of the following: -

- ✓ the date of the receipt of goods or
- ✓ the date on which the payment is made or
- ✓ the date of receipt of invoice or
- ✓ the date of debit in the books of accounts

Time of Supply of Services

Section 13 of the Draft CGST/ SGST Act, 2016 provides for the provisions for time of supply of services. It states that: -

- ◆ The liability to pay CGST/SGST on services shall arise at the time of supply, as determined in terms of the provisions of this section.
- ◆ The time of supply will be: -
 - ✓ the date of issue of invoice or the date of receipt of payment, whichever is *earlier*, if the invoice is issued within the prescribed period or
 - ✓ the date of completion of the provision of service or the date of receipt of payment, whichever is *earlier*, if the invoice is not issued within the prescribed period or
 - ✓ the date on which the recipient shows the receipt of services in his books of account other cases.

Time of supply in case of services on reverse charge basis

Section 13(5) states for the provisions of time of supply of services on reverse charge basis. It states that time of supply on reverse charge basis will be the earliest of the following: -

- ✓ the date of the receipt of services or
- ✓ the date on which the payment is made or
- ✓ the date of receipt of invoice or
- ✓ the date of debit in the books of accounts.

Value of Taxable Supply

Section 15 of the Draft CGST/SGST Act, 2016 read with the Draft GST Valuation Rules, 2016 provides that: -

- ◆ Where the price is the sole consideration of supply and the supplier and recipient of the supply are not related, the value of a supply of goods and/or services shall be the *transaction value* that is the price actually paid or payable for the said supply of goods and/or services.

Transaction value shall include: -

- ✓ any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods and/or services.
- ✓ the value, apportioned as appropriate, of such goods and/or services as are supplied directly or indirectly by the recipient of the supply free of charge or at reduced cost for use in connection with the supply of goods and/or services being valued, to the extent that such value has not been included in the price actually paid or payable.
- ✓ royalties and licence fees related to the supply of goods and/or services.
- ✓ any taxes, duties, fees and charges levied under any statute other than the SGST Act or the CGST Act or the IGST Act.
- ✓ incidental expenses, such as, commission and packing, charged by the supplier to the recipient of a supply.
- ✓ subsidies provided in any form or manner, linked to the supply.
- ✓ any reimbursable expenditure or cost incurred by or on behalf of the supplier and charged in relation to the supply of goods and/or services.
- ✓ any discount or incentive that may be allowed after the supply has been effected but the discount allowed before or at the time of supply provided such discount is allowed in the course of normal trade practice and has been duly recorded in the invoice issued in respect of the supply.
- ◆ In some cases, the value of supply of goods and/or services will be determined as per the GST Valuation (Determination of the Value of the supply of goods and Services) Rules, 2016 which are: -
 - ✓ the consideration, whether paid or payable, is not money, wholly or partly- Rule 4 (Value of supply by comparison), Rule 5 (computed Value Method), Rule 6 (Residual Method) to be applied sequentially.
 - ✓ the supplier and the recipient of the supply are related- Rule 4 (Value of supply by comparison), Rule 5 (computed Value Method), Rule 6 (Residual Method) to be applied sequentially.

- ✓ reason to doubt the truth or accuracy of the transaction value declared by the supplier- Rule 7 provides specifically for this case and provides the computation of value of taxable supply in accordance with Rule 4 (Value of supply by comparison), Rule 5 (computed Value Method), Rule 6 (Residual Method) to be applied sequentially.
- ✓ business transactions undertaken by a pure agent, money changer, insurer, air travel agent and distributor or selling agent of lottery – Rule 8 provides for the valuation of taxable supply for pure agent and money changer.

Registration

Section 19 of the Draft CGST/SGST Act, 2016 provides that: -

- ◆ Every person who is liable to be registered under Schedule III of this Act shall apply for registration in every such State in which he is so liable within thirty days from the date on which he becomes liable to registration.
- ◆ If the person, other than an Input Service Distributor (ISD), is registered under an earlier law, it shall not be necessary for him to apply for fresh registration under this section and he shall follow the procedure as may be prescribed.
- ◆ A person having multiple business verticals in a State may obtain a separate registration for each businessvertical.
- ◆ Any specialized agency of the United Nations Organization or any Multilateral Financial Institution, Consulate or Embassy of foreign countries and any other person or class of persons as may be notified by the Board / Commissioner, shall obtain a Unique Identity Number for registration purpose.
- ◆ A registration or an Unique Identity Number shall be deemed to have been granted after the period prescribed if no deficiency has been communicated to the applicant by the proper officer within that period.
- ◆ Any rejection of application for registration or the Unique Identity Number under the CGST Act / SGST Act shall be deemed to be a rejection of application for registration under the SGST Act / CGST Act.

Returns

Different categories of taxpayers will be required to file GST return as given in the following table: -

S. No.	Return / Ledger	For	To be filed by
1	GSTR 1	Outward supplies made by taxpayer (other than compounding taxpayer and ISD)	10th of the next month
2	GSTR 2	Inward supplies received by a taxpayer (other than a compounding taxpayer and ISD)	15th of the next month
3	GSTR 3	Monthly return (other than compounding taxpayer and ISD)	20th of the next month
4	GSTR 4	Quarterly return for compounding Taxpayer	18th of the month next to quarter
5	GSTR 5	Periodic return by Non-Resident Foreign Taxpayer	Last day of registration
6	GSTR 6	Return for Input Service Distributor (ISD)	15th of the next month
7	GSTR 7	Return for Tax Deducted at Source	10th of the next month
8	GSTR 8	Annual Return	By 31st December of next FY
9	ITC Ledger of taxpayer		Continuous
10	Cash Ledger of taxpayer		Continuous
11	Tax ledger of taxpayer		Continuous

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Place of Supply

Place of supply of goods

Section 5 of the Draft IGST Act, 2016 provides for the determination of place of supply of goods and it states that:

Particulars	Place of Supply of Goods
Supply involves movement of goods	Location of the Goods at the time of termination of movement of goods for delivery
Goods delivered on the direction of third person (acting as an agent or otherwise) either by transfer of title or otherwise before or during movement of goods	Principal place of business of the third person
Supply involves no movement of goods	Location of such goods at the time of delivery to the recipient
Goods are assembled or installed at site	Place of such installation or assembly
Goods are supplied on board a conveyance	Location at which such goods are taken on board

Place of supply of Services

Section 6 of the Draft IGST Act, 2016 provides for the provisions for supply of services and it states that:

Services	Place of Supply of Services
In relation to an immovable property, including services provided by architects, interior decorators, surveyors, engineers and other related experts or estate agents, any service provided by way of grant of rights to use immovable property or for carrying out or co-ordination of construction work	Location at which the immovable property or boat or vessel is located or intended to be located (Where the immovable property or boat or vessel is located in more than one State, the supply of service shall be treated as made in each of the States in proportion to the value for services separately collected or determined, in terms of the contract or agreement entered)
By way of lodging accommodation by a hotel, inn, guest house, homestay, club or campsite, by whatever name called and including a house boat or any other vessel	
By way of accommodation in any immovable property for organizing any marriage or reception or matters related therewith, official, social, cultural, religious or business function including services provided in relation to such function at such property	
any services ancillary to the services referred to in clause (a), (b) and (c)	
Restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery	Location from where the services are actually performed
Services in relation to training and performance appraisal to a registered person	Location of such person

Services in relation to training and performance appraisal to a person other than registered person	Location where services are actually performed
By way of admission to a cultural, artistic, sporting, scientific, educational, or entertainment event or amusement park or any other place and services ancillary thereto	Place where the event is actually held or where the park or such other place is located
Organization of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of service in relation to a conference, fair, exhibition, celebration or similar events OR Services ancillary to organization of any of the above events or services, or assigning of sponsorship of any of the above events To a Registered Person	Location of such person
Organization of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of service in relation to a conference, fair, exhibition, celebration or similar events OR Services ancillary to organization of any of the above events or services, or assigning of sponsorship of any of the above events To a person other than a registered Person	Place where event is actually held
By way of transportation of goods (including by way of mail and courier) to registered person	Location of such person
By way of transportation of goods (including by way of mail and courier) to a person other than registered person	location at which such goods are handed over for their transportation
Passenger transportation service to a registered person	Location of such person
Passenger transportation service to a person other than registered person	Place where the passenger embarks on the conveyance for a continuous service
Services on board a conveyance such as vessel, aircraft, train or motor vehicle	First Scheduled point of departure of that conveyance for the journey
Telecommunication services including data transfer, broadcasting, cable and direct to home television services by way of fixed telecommunication line, leased circuits, internet leased circuit, cable or dish antenna	location where the telecommunication line, leased circuit or cable connection or dish antenna is installed for receipt of services;
Telecommunication services including data transfer, broadcasting, cable and direct to home television services in case of mobile connection for telecommunication and internet services provided on post-paid basis	Location of billing address of the recipient of services on record of the supplier of services

Telecommunication services including data transfer, broadcasting, cable and direct to home television services in cases where mobile connection for telecommunication and internet service are provided on pre-payment through a voucher or any other means	- Location where such pre-payment is received or such vouchers are sold - if such pre-paid service is availed or the recharge is made through internet banking or other electronic mode of payment, the location of the recipient of services on record of the supplier of services shall be the place of supply of such service
Banking and other financial services including stock broking services to any person	location of the recipient of services on the records of the supplier of services
Supply of Insurance services to a registered person	Location of such person
Supply of Insurance services to a person other than a registered person	Location of the recipient of services on the records of the supplier of services

Conclusion:

The country is eagerly looking out for the roll-out of GST from April 2017, as the regime focuses on creating one single market for all and introduces destination based taxation. GST will attract more investments from

foreign investors as the country shall be more industry-friendly. Also, this shall also result in generating more employment opportunities. Therefore, it is imperative that the government makes efforts to make the law clear and industry friendly so that the industry and the economy benefits as a whole. ■

Toppers of Chartered Accountancy - Intermediate (IPC) Examination

May 2016



Tanishq Shrikant Kale
First Rank
Pune



Saloni Jindal
Second Rank
Indore



Sree Bhavishya Amisagadda
Third Rank
Thane

Our Hearty Congratulations

How to prepare for and answer Case Law based questions?



CA. James John Britto R.
ICAI Membership No. 239406
First Rank Holder - CA Final, November 2015

It is pertinent for the students to know “How to answer a question which is based on a case law?”. It is definitely not a rocket science. However, many students are still little unsure as to how to answer a case law based question. In this article, I would like to share my thoughts on answering case studies.

Where are the questions taken from?

The Institute publishes a separate book titled “Select Cases in Direct and Indirect Tax Laws- an essential reading for Final Course” which contains the summary of recent case laws which are of utmost importance to enable students to appreciate critical issues in interpretation and applying provisions to practical situations. The relevant book for the November 2016 CA Final exams is the August 2015 edition. Apart from this, some additional significant cases are published as part of Annexure to the RTP.

How to prepare for case law based questions?

Case law based questions are not exactly theory questions. They involve understanding the facts, analysing, applying the judgement and synthesising. When preparing, students must read the facts of the case and identify the subject matter of litigation. After identifying, the facts must be correlated with the applicable law to reach a logical and rational conclusion.

When reading case laws, students must also read the relevant sections dealt with by the particular case. This not only helps them understand the judgement better but also leads to appreciating the interpretations made and the judgement reached thereon.

Students must read the cases a couple of times, to understand the facts and decision rather than trying

“When preparing, students must read the facts of the case and identify the subject matter of litigation.”

to memorise it. Only when they understand and appreciate the rationale of the Court ruling, they will be able to apply it effectively in problem solving.

While preparing students must try to remember the names of the parties involved, i.e. the appellant and defendant name and whether it is decided by Supreme Court, High Court or AAR. Though it is not compulsory to quote the name, it is highly recommended. Whenever there is doubt, it is advisable not to quote than to quote a fictitious name or the wrong case. When a student quotes the name, it gives him/her the advantage of answering a question with authority i.e. with the backing of a decided case.

How to answer case law based questions?

An ideal answer for a case study can be in the following form:

First Paragraph

In the first Para, the name of case law and a gist of the provisions of the law on which the question is based need to be mentioned. For this, students must be able to recollect the relevant case law and the applicable provisions of the Act on reading the question. For example, they can begin their answer by stating “The facts of the case are similar to the case of ____”. Further, they must briefly discuss on the interpretation of the provisions by the deciding authority and the crux of the decision. When certain principles have been laid down in the decided case, they must briefly state the principles. Quoting the case will earn brownie points, however, they should be cautious not to quote a wrong or a fictitious case. If they do not remember the correct citation, they can alternatively state the facts and the judgment and begin their answer as follows; “In a decided case, the Supreme Court / High Court has held that ____”.

“Quoting the case will earn brownie points, however, students should be cautious not to quote a wrong or a fictitious case.”

Second Paragraph

In the second Para, the issue of the given case must be connected with that of the decided case and a justification must be provided for reaching the said decision in light of the provisions of law or interpretation made by the Court.

Third Paragraph

In the third Para, students must conclude the answer by stating whether or not the contention of the assessee/ Revenue is valid. For example, “Based on the decision of the Apex Court in the case of _____, the contention of the assessee is tenable/valid” or “In view of the decision held in the case of _____, the process carried out by XYZ amounts to manufacture”. Generally, the question clearly states the matter on which students need to advice, based on which they can draft their conclusion.

General Tips

- ◆ Always support your answers with proper reasoning like provisions of the law or judicial decisions.
- ◆ Wherever, possible quote the section number and case law provided you are confident about it. It certainly adds value to your answer. However, when in doubt, do not quote sections/ case laws.
- ◆ Tax laws undergo frequent changes. Ensure that you stay updated with the amendments applicable to your examination.

- ◆ Be clear with the concepts and make short summary of cases as they help you during your last minute revisions.
- ◆ Always answer to the point. Answers must be commensurate with the marks.
- ◆ Avoid short forms like AC, DC, CEA, CER, CCR, etc. as they are not acceptable and may cause confusion.
- ◆ As law can be interpreted differently, ensure that when you answer in your own words, the meaning does not change. A reasonable command over English is required to convey our thoughts in a like manner to the examiner.
- ◆ Read suggested answers, practice manuals and revision test papers to get familiar with the pattern in which answers should be written and the expectations of the examiner. Also, read the examiner comments, to avoid common mistakes made in the past.
- ◆ No matter from which book you read, nothing can replace the bare Act. Refer to bare act to understand the flow of provisions and to gain clarity.
- ◆ Ensure that you read all the Institute's publications [Study Material, Practice Manuals, RTP, Supplementary Material, Select Case Laws and Mock Test Papers]
- ◆ Appear/ solve mock test papers to gain writing practice and speed.
- ◆ Case law based questions certainly help you save time as they can be answered in comparatively lesser time.
- ◆ Answer the question that you know the best at first as it boosts your confidence and creates a good impression.
- ◆ Revise as many times as possible before the exams. ■

(Disclaimer: The views expressed or implied in the article are that of the author and may not necessarily represent the views of the Institute.)

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The Board of Studies of the ICAI has been providing Online Articles Placement facility for selection of Articled Assistants by CA Firms through its Articles Placement Portal on pan India basis. It provides a platform to the firms of Chartered Accountants having vacancies for Articled Assistants to shortlist eligible students for selection of articled assistants, and call them for Interview at their offices, as per date and time convenient to them. The eligible candidates who have passed Group-I or both Groups of the Intermediate (Integrated Professional Competence) Course or have been admitted under the Direct Entry Scheme and are willing to join articled training can register themselves on the portal. **The services to the Online Placement Portal are available free of charge for both CA Firms and students and they can register themselves online through the Portal at <http://bosapp.icai.org>.**

The services on the Portal would be available for two months, twice a year, from the date of registration by the firms. Similarly the bio data of a student will also be available on the portal for a maximum period of 2 months from student's registration. The candidates shortlisted by CA Firms would be informed by e-mails through the Portal, to appear for interview at their respective Offices, at the designated date and time.

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Chairman, Board of Studies

Equalisation Levy: A Self-Contained Code to Trap Digital E-Commerce Transactions- An Overview of the 'Indian Google Tax'



Yash Anil Surana

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In our techno-entangled lifestyle, accessibility to the digital world is no longer a privilege but a need for people living a fast paced life, specifically in urban areas. Also, in current scenario, the model of doing business electronically has provided immense growth opportunities enabling digital economy across the world to a staggering growth rate of 10 per cent especially when there is global slowdown and turbulence in the economy worldwide. From an India standpoint, the importance of these electronic clicks can be sensed from the fact that 35 million online shoppers are soon expected to cross the triple figure million marks by 2016.

However, the brewing smells of E-Commerce 'Apple Pie' has captured attention of the taxman worldwide who desperately want their own share. The development of E-Commerce has also challenged the global tax rules which were developed in the age of 'brick and mortar' and which have failed to keep pace with the revolution of business models.

Realizing the fact that many Multi-National Enterprises operating digitally are not paying taxes in jurisdictions where the economic activity is actually performed due to the existing 'brick and mortar' economy tax rules, the G20 Finance Ministers called upon the Organization for Economic Co-Operation and Development (OECD) to re-align tax rules and to address the loopholes existing in tax systems. In order to resolve issues persisting in the existing tax laws, OECD / G20 came up with Base Erosion and Profit Shifting (BEPS) Project. In September 2015, a final report on Action Plan 1 i.e. 'Addressing the Tax Challenges of Digital Economy' was published.

Considering Indian scenario, the Indian Revenue Authorities have attempted to tax digital E-Commerce transactions disregarding age old Indian tax laws. However the Hon'ble Kolkata Bench of Income Tax Appellate Tribunal has clearly held that conventional

Permanent Establishment ('PE') tests fail in this virtual world even when a reasonable level of commercial activity is crossed by foreign enterprise thereby requiring change in current tax laws.

Considering the recommendations made by OECD to tackle tax challenges of Digital Economy and the failure of current tax laws, the Government set up an eight member Committee on Taxation of E-Commerce to propose recommendations to the existing tax laws. The final report of the Committee was published in February 2016. On recommendations of the Committee, the Hon'ble Finance Minister vide Union Budget 2016-17, announced the introduction of Chapter VIII as a part of Finance Act, 2016. Chapter VIII included the introduction of Equalisation Levy (EL) of 6% on the amount of consideration for digital advertising services.

Chapter VIII: Who, What, When, Where and How?

♦ A Self Contained Code

Under Chapter VIII, EL has been defined as 'tax leviable on consideration received or receivable for any specified service under the provisions of this chapter'. Since EL is outside the purview of the Income Tax Act, 1961 (the Act) and not introduced as an amendment to the Act, it would be governed by a separate, self-contained code other than the Act.

♦ Services covered

EL would apply at a rate of 6% on the amount of consideration payable for a 'specified service' which for the time being includes:

- Online advertisement
- Any provision for digital advertising space or any facility
- Service for the purpose of online advertisement

ARTICLE ||

Further, the provisions are drafted in such a way so as to include a wide range of digital goods and services as time progresses.

With the imposition of EL, the Government now seeks to tax advertisement revenue worth ₹4,108 crores and ₹123.5 crores earned by Google and Facebook, respectively, in FY 2014-15 from the local Indian markets.

♦ Applicability

EL will be applicable on payments for specified services received by a non-resident service provider from Indian residents or non-residents having PE in India. The levy would not be applicable to payments made to non-resident service providers having a PE in India, as they are already subject to attribution of profits in India. EL is applicable only on Business to Business (B2B) transactions and not Business to Consumer (B2C) transactions, if the aggregate value of consideration paid by a service receiver in a year exceeds ₹1, 00,000. Therefore, this provision excludes small businesses advertising using online advertisement platforms.

♦ Exemption under the Act

To avoid double taxation of income which has been subject to EL, such income will be exempt in the hands of the non-resident under section 10(50) of the Act.

♦ Onus of Compliance

The compliance provisions under Chapter VIII, being similar to the Act, are as follows:

Withholding

Chapter VIII of the Finance Act, 2016 casts the responsibility of withholding of EL on payments made to non-resident E-Commerce companies on the service recipients i.e. Indian residents or non-residents having PE in India availing the services.

The equalization levy so deducted during any calendar month has to be deposited by 7th of the month immediately following the said calendar month.

Delayed payment carries a fee of simple interest at the rate 1% of the outstanding levy for every month or part thereof that payment is not made.

Filing an Annual Statement

Service recipients are, also, required to file an annual statement in respect of services received.

These compliance provisions specifically provided for in the Chapter VIII increases the compliance burden on the local advertisers.

♦ Consequences of non-compliances by service recipient

Penalty for failure to deduct or deposit

- The non-deduction of EL will attract a penalty equal to the amount of the levy that the service recipient has failed to deduct (along with interest and outstanding levy amount).
 - The deduction but non deposition of EL will attract a penalty equal to ₹1,000 for each day the failure continues, but will not to exceed the amount of the levy that the service recipient has failed to pay (along with interest and outstanding levy amount)
 - The underlying consideration may also be disallowed in the hands of the payer under the Act.
1. Penalty for failure to file statement of compliance attracts ₹100 each day, until the non-compliance continues.
 2. The filing of a false statement may expose the service recipient to prosecution that may be subject to imprisonment of a term of up to three years and a fine.

Equalisation Levy: A Conundrum?

While the objective of Government to tax the E-Commerce platforms might be fulfilled, the following botherations will make either the industry or the Government ponder:

- ♦ The Chapter VIII being a separate code, per se, EL does not form a part of the Act. Section 90(2) of the Act states that either the Act or the tax treaty whichever is beneficial may apply to the taxpayer. With EL not being a part of the Act, section 90(2) would not be applicable to the levy thereby denying the availability of treaty benefits against the levy. Therefore, the non-resident E-Commerce platforms may, face problems in claiming treaty benefits in their respective countries owing to the exclusion of EL from the Act.
- ♦ As per section 164(d) of the Finance Act, 2016, EL means a tax leviable on consideration received for certain specified services. However, the expression "tax" has not been defined in the Chapter VIII. Further, section 164(j) of Chapter VIII provides that words used but not defined in Chapter VIII would have meaning assigned to them, if any, in the Act. As

per Section 2(43) of the Act, “tax” means income tax chargeable under the said Act. Therefore, given the manner of introduction of EL, the same is nothing but income tax, which the Parliament is otherwise competent to levy on income under the powers conferred upon it by Article 245 of the Constitution, read with Entry 82 of the Union List of the Seventh Schedule to the Constitution. In this process, the non-resident recipient of income is prevented from invoking the favourable provisions of the relevant tax treaty thereby clearly being an attempt to override tax treaties in a clandestine manner through amendments made in the domestic tax laws.

- ◆ The non-availability of tax credit against EL paid may push up the cost of digital transactions for the local advertisers as E-Commerce giants may refuse to bear the brunt of the levy thereby passing on its financial burden to local advertisers by renegotiation of agreements. This might, further, cripple the growth of the Start-ups in India which are heavily reliant on the online advertisement platforms.
- ◆ The tax treaties entered into by India define the allocation of taxing rights between India and the other countries in scenarios when the income is doubly taxed in source state as well as resident state. The Vienna Convention, which lays down the fundamental principles for applicability of tax treaties, states that the tax treaties are binding on countries and must be honoured in good faith. Since, EL is essentially in the nature of income tax, it should ideally qualify within the meaning of the term ‘taxes’ under Indian tax treaties. The applicability of EL in source jurisdictions in circumstances where the tax treaties provide taxing rights only to the country of residence goes against the fundamental principles of bilateral treaty negotiations.
- ◆ Online advertising services are currently subject to service tax (ST) at 14.5% (proposed to be 15% as per Finance Act, 2016) on a reverse charge mechanism wherein taxes are collected and discharged by the Indian advertiser. With EL coming into picture, the tax rate on specified services may rise to 21%. With the implementation of GST (Goods and Services Tax) in India, the indirect tax rate in future is likely to move up to 18% and envisaging those scenarios, the tax rate on specified services may be as high as 24%. Though credit for ST paid would be available but this would result in blockage of working capital for local advertisers.
- ◆ The question of whether the applicability of EL on consideration for specified services inclusive of ST component or exclusive of ST component stands tall.
- ◆ The procurement of a “No Permanent Establishment” certificate by local advertisers from the E-Commerce

platforms would become mandatory for deciding the applicability of EL to E-Commerce platforms thereby adding to the compliance burden.

- ◆ If EL is not a part of the Act, then any failure to withhold or deposit after withholding, should not result in any disallowance in the Act considering the fact that EL is charged under Chapter VIII, distinct from the Act. Also, as Chapter VIII already prescribes penalizing provisions for non-compliances, the additional disallowance under the Act is harsh for the local advertisers.
- ◆ EL creates a direct disparity between domestic and foreign players in the digital business, which disregards the principle of ‘equality of law’ enunciated by the Indian Constitution. On the other hand, the levy can, also, prove to be a blessing in disguise for Indian E-Commerce platforms like Flipkart, Snapdeal, etc. as the cost advertising on Google, Amazon etc. might rise substantially.
- ◆ Chapter VIII does not contain any provisions for appeal against EL. In absence of such provisions, the question of whether the service recipient can fall back on the appeal provisions of the Act stands tall. The specific non-introduction of the appeal provisions also makes one ponder regarding the availability of opportunities to appeal against EL.

Way Forward

While, our Government’s so called ‘Indian Google tax’ is a decent quick response in trying to recoup lost tax revenues of about ₹ 400 crores its very indirectness means that a large number of Indian start-ups might be impacted.

The industry would, be keen to notice Government’s stance on further inclusion of services to the definition of specified services. It would also be interesting to see how the Government manages to walk on a tight rope managing both the health of the startups as well as tax collection. While initiatives like ‘Digital India’, ‘Make in India’ and ‘Stand Up India, Startup India’ on one hand are aimed at improving the business environment in India, on the other hand, the issues like increased cost of online advertising, non-availability of tax credit against EL and increased compliance burden with the introduction of EL may mitigate the impact of good work done by the aforesaid initiatives. Therefore, taking an action to address these issues at the earliest after proper public consultation is the need of the hour. ■

(Disclaimer: The views expressed or implied in the article are that of the author and may not necessarily represent the views of the Institute.)

Principal- Your Guru: The Teacher

Teachers' Day is celebrated across India on 5th September every year on the birth day of our second president Dr. Sarvepalli Radhakrishnan a renowned scholar, statesman and a devoted teacher. The day holds special significance for students and teachers. Students pay tribute and felicitate their teachers for their valuable guidance, unconditional support and contribution towards imparting knowledge and facilitating learning. The relationship between a teacher and his pupil/student goes beyond curricula, it transforms into a beautiful lifelong association based on mutual respect, trust and care. We at the Board of Studies of the Institute of Chartered Accountants of India try to explore this relationship from the standpoint of a Principal and an Article Trainee.

**Prerakaha Suchakashvaiva Vachako Darshakstatha,
Shikshako Bodhakashchaiva Shadete Gurvaha Smrita**

The one who inspires, informs, guides, imparts knowledge, exhorts and sensitizes you towards learning is a GURU. The definition encompasses all characteristics of a great teacher. A great teacher will not just impart knowledge but make sure that learning is affected. He will not just inform but justify the purpose of learning; he will not just guide but take you through the path of learning. He will not just inspire but encourage you to learn to achieve your ultimate goal in life. Thus a teacher is the most influential person in your life after your parents.

Significance of Articleship

Articleship is defined as full time , rigorous internship under a practicing CA in a consultancy firm where you as an article trainee are getting an opportunity to learn and the Principal is getting an opportunity to propagate his vast knowledge gained through several years. As students of the CA course, you would know that Articleship training (Practical training) is the core of the curriculum, the most important phase of the course. Articleship gives you the learning ground, where you learn not only technical skills but also communication, interpersonal and behavioral skills. Lessons learnt and habits inculcated during this period help immensely during personal interactions, job interviews and prepare you to face challenges, later in your professional pursuits.

Principal as a Teacher

During the three year period of Articleship, your Principal is your teacher, your GURU, coach, mentor and guide. Every Principal is essentially a teacher for the complete 40 years of his career. He has actually taught the most as compared to any other teacher, not conventionally but through demonstration and delegation. He as a trainer

teaches you how to apply theoretical concepts in real life cases as well as instills discipline, time management and personal organization skills to improve efficiency and enhance productivity. He trains you to conduct yourself professionally, from the basics like filling a form, verifying details as per the check list, maintaining records, taking notes during audits, reconciling figures etc. to the most sophisticated procedures of conducting an audit, valuation, complex tax calculations of companies with multiple branches and subsidiaries.

Principal as a Mentor and Guide

Principal is the single point of contact between you as an article trainee and the institute. His role is thus multifarious. He not only provides technical and guidance but also procedural guidance regarding the regulations, procedures and protocol with regards to the institute. He guides you how to strike a balance between Articleship and studies to ensure that you pass exam, and learn everything that he has to teach. He nurtures you to evolve from a beginner to an expert, helping you to transform from an article trainee to a professional. Given his profound knowledge gained through experience and exposure, he has the professional acumen to guide you how to tread ahead in your career and which training programs to opt for career growth. He exhorts you to acquire knowledge and inspires you to excel in your delegated assignments, thus helping you to achieve the ultimate goal of your life.

Forging a Relationship

Perhaps CA is the only course where you have the same teacher for three years. You as an article-trainee spend seven to eight hours in training every day. This is a huge opportunity for you to

forge a positive, mutually beneficial relationship with your Principal to create a conducive learning environment. Lasting relationships can only be built based on mutual respect, understanding and trust. You must respect and trust him as a teacher, mentor and guide, as he only knows how to unleash your hidden potential, bringing out the best in you. If you value the guidance and learning imparted by him, he will ensure that you learn the work well. He will trust you with important assignments thereby enhancing your knowledge and professional exposure as an article trainee. This synergy between you and your Principal will benefit both, enhancing the firm's reputation.

Benefits to the Profession

When professional and personal relationships will be forged between Principal and Article students, it will strengthen the profession. A close-knit fraternity of professionals will be constituted

–a force to reckon with, in terms of bigger firms handling bigger clients and offering bigger opportunities to the students and young members alike; improving the plight of the profession as well as the professionals. This will enhance the credibility and popularity of the CA Course as a potent career option amongst young students.

Teachers are our ideals, our role models; we love them, adore them, emulate them and learn through them. They deserve our respect, love and care. On Teachers' day, let us demonstrate our gratitude, respect, affection and care by telling them how much they are valued and what they mean to us. Let us commit ourselves to the values they espouse; this would be the most befitting gift we can give to our respectable teachers. ■

(Contributed by the Board of Studies)

|| KNOWLEDGE UPDATE

Finance Updates

HDFC to mop up ₹3,000 cr through masala bonds (First Company to raise money via rupee-denominated notes)

Mortgage lender Housing Development Finance Corporation (HDFC) plans to raise up to ₹ 3,000 crore from the international market through Indian rupee denominated offshore bonds also referred to as 'masala bonds'. For more details please read at:

<http://www.mydigitalfc.com/companies/hdfc-mop-rs-3000-cr-through-masala-bonds-588>

First company to raise money via rupee-denominated notes

BSE, the world's largest bourse by number of companies listed, will float a separate subsidiary for its proposed international stock exchange in GIFT City at Gandhinagar. For more details please read at:

<http://www.thehindubusinessline.com/markets/stock-markets/bse-to-float-separate-subsidiary-for-international-bourse/article8835825.ece>

Dividend policy must for top 500 listed companies

In order to help investors get a clearer picture on returns from their investments, market regulator Securities and Exchange Bureau of India (Sebi) has made it mandatory for the top 500 listed companies to have a dividend distribution policy. For more details please read at:

<http://www.mydigitalfc.com/policy/dividend-policy-must-top-500-listed-companies-668>

Sebi may let investors buy mutual funds with digital wallets

Sebi in talks with RBI to frame regulations allowing such transactions, in an effort to expand access to such investment products. For more details please read at:

<http://www.livemint.com/Money/u8gi93YG5yvLmd93rQY3ON/Sebi-may-let-investors-buy-mutual-funds-with-digital-wallets.html>

RBI eases norms for individual investor's access to G-Sec market

To facilitate better access for individual retail investors to the government securities (G-Secs) market, the RBI said individuals holding demat accounts will soon be able to access secondary markets in securities via its negotiated dealing system-order matching (NDS-OM). For more details please read at:

<http://www.thehindubusinessline.com/money-and-banking/rbi-eases-norms-for-individual-investors-access-to-gsec-market/article8912359.ece>

Verizon acquires Yahoo for \$4.8 billion in all-cash deal

Yahoo, one of the biggest Internet services companies of yesteryears, has been acquired by US telecom major Verizon for \$4.83 billion in an all-cash deal. For more details please read at:

<http://www.thehindubusinessline.com/news/world/verizon-confirms-yahoo-buyout-snaps-up-core-biz-for-483-bn/article8897479.ece>

Some Essentials for Preparation : November 2016 Final Examination

Paper 7: Direct Tax Laws & Paper 8: Indirect Tax Laws

In order to ensure clarity as regards the applicability of provisions of Direct Tax Laws (DTL) and Indirect Tax Laws (IDTL) for November, 2016 examination, as well as the BOS publications relevant for the said examination, the details regarding the same are briefed hereunder:

I. Applicability of Finance Act, Assessment Year, Notifications/Circulars etc. for November, 2016 Final Examination

- (1) The amendments made by the **Finance Act, 2015** in DTL & IDTL;
- (2) The provisions of direct tax laws as applicable for the **assessment year 2016-17**;
- (3) The significant **notifications and circulars issued upto 30th April, 2016** (DTL & IDTL).

II. BOS Publications relevant for November, 2016 Final Examination

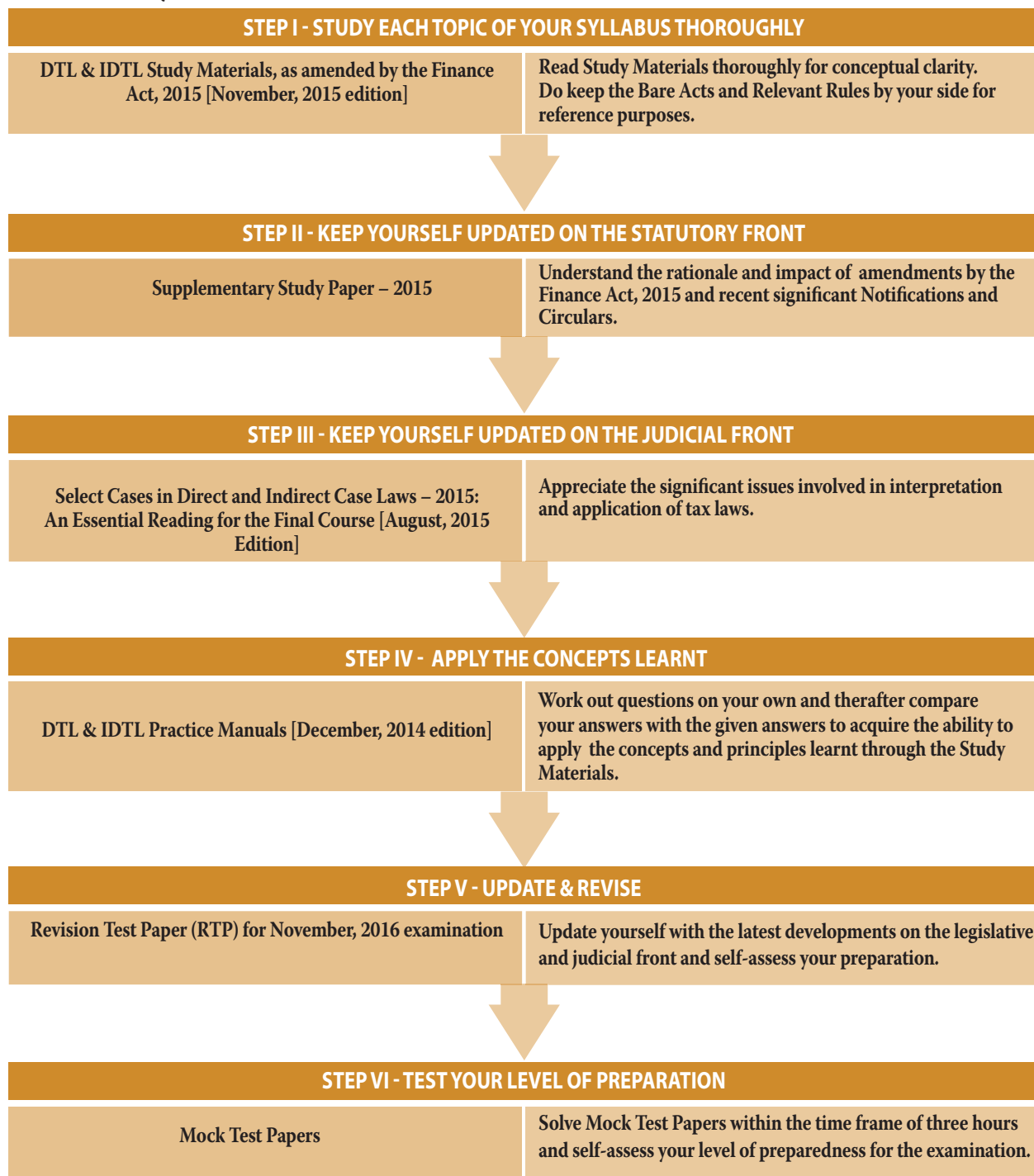
	Publication	Edition	Objective & Content
(1)	Study Material on DTL/IDTL (Modules 1, 2 & 3) [As amended by the Finance Act, 2015] (Thoroughly revised and updated)	November, 2015	This edition of the Study Materials is based on the provisions of direct and indirect tax laws as amended by the Finance Act, 2015. The relevant assessment year for Direct Taxes is A.Y.2016-17. Study each topic of your syllabus thoroughly for conceptual clarity. The aim of the Study Material is to build a strong conceptual base by explaining the complex tax laws in a lucid manner. Do keep the Bare Acts, by your side for reference purposes. This will facilitate understanding of the language of law and the logical sequence of the sections. You should make it a habit to read the tax provisions along with the relevant sections so that you are able to relate the provisions of law, circulars and notifications with the respective sections.
	Practice Manual on DTL/IDTL (Thoroughly revised and updated) (Questions adapted/modified and solved on the basis of provisions of law as amended by the Finance Act, 2015)	December, 2015	Each question contained in this edition of the Practice Manuals has been answered/solved on the basis of the provisions of tax laws as amended by the Finance Act, 2015. In Direct Tax Laws, the questions have been solved based on the provisions applicable for AY 2016-17. The Practice Manual has also been grouped chapter-wise and contains a variety of questions and problems in each topic for better understanding and application of the concepts explained in the Study Material. In the Practice Manual, questions set at the past Final examinations of chartered accountancy course have been modified/adapted and answered on the basis of the provisions of law as amended by the Finance Act, 2015. After reading each chapter in the Study Material, try to work out the questions in the corresponding chapter of the Practice Manual on your own, and thereafter compare your answers with the answers given therein. This would help you to identify your mistakes and also learn from your mistakes. Further, this process would help in revision of the concepts and principles contained in each chapter of the Study Material and application of the same while solving practical questions. <i>Note – After you complete study of the entire syllabus content, solve all the questions in the Practice Manual once again to make sure that there are no grey areas.</i>

	Publication	Edition	Objective & Content
(2)	Supplementary Study Paper - 2015 (DTL & IDTL) [A discussion of amendments made by the Finance Act, 2015 in DTL & IDTL]	July, 2015	This publication explains the amendments made by the Finance Act, 2015 in DTL & IDTL as well as the significant circulars and notifications issued between 1.5.2014 and 30.4.2015. It is especially relevant in case you have the earlier edition of the DTL & IDTL Study Materials (i.e., the November 2014 edition), which are based on the provisions of law as amended by the Finance (No.2) Act, 2014. However, even if you have the latest edition, i.e., the November, 2015 edition of the DTL & IDTL Study Materials, you are still advised to read the Supplementary Study Paper-2015 for a better understanding of the statutory amendments.
(3)	Select Cases in Direct & Indirect Tax Laws – An Essential reading for the Final Course	August, 2015	This publication is a compilation of significant recent judicial decisions of Supreme Court and High Courts which, when read in conjunction with the DTL & IDTL Study Materials, will enable you to appreciate the significant issues involved in interpretation and application of tax laws.
(5)	Revision Test Paper (RTP) for November, 2016 Examination [Revision material for self-assessment and updation]		The Statutory Update is contained in the Supplementary Study Paper – 2015, wherein the amendments made by the Finance Act, 2015 and significant notifications and circulars issued upto 30.4.2015 have been discussed. However for November, 2016 examination, the circulars and notifications issued upto 30.4.2016 are relevant. The Annexure to the RTP for November, 2016 examination, therefore, contains the significant amendments by way of notifications and circulars issued after the date up to which they are covered in the Supplementary Study Paper-2015 i.e., the significant amendments by way of notifications and circulars issued between 1st May, 2015 and 30th April, 2016. The Annexure also contains recent significant legal decisions in direct and indirect tax laws which are relevant for November, 2016 examination. These legal decisions are in addition to the case laws reported in the August, 2015 edition of the publication “Select Cases in Direct and Indirect Tax Laws”. The RTP also helps you self-assess your preparation by solving the questions contained therein independently and comparing the same with the answers given.

Note: All the above publications have been hosted at the BOS Knowledge Portal (http://www.icai.org/new_post.html?post_id=5720&c_id=314) on the Institute's website www.icai.org.

EXAMINATION ||

IV. Ideal Study Pattern



CORRIGENDUM

Paper 8: Indirect Tax Laws of Revision Test Paper [Group II] for November, 2016 Examination – Printed copy

For answer to Q. 10 on page no. 86, students are advised to refer to the answer to said question as appearing in the Revision Test Paper [Group II] for November, 2016 Examination webhosted on the BoS Knowledge Portal of the ICAI website.

RTP for November 2016 Final Examination

In the RTP for November 2016 Final Examination (Group II) Paper 7 Direct Tax Laws, in Q.4 (page 40) and Answer to Q.4 (page 51), the word “computers” has to be read as “machinery”.

TOPPERS SPEAK...

A set of questions were asked to the first three rank holders of CA Final Examinations May 2016. The questions and their responses are included in these pages for the benefit of future aspirants.



Sri Ram S.
First Rank

Q. How does it feel to be at the top?

Ans: Many times I heard people telling that they can't find words to express their feelings and now I am put into such a situation. No words can express my happiness. I was speechless when I heard from the President himself that I am the topper of that exam. I actually feel so happy that I made my parents proud.

Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam.

Ans: The factors are:
My parents' consistent and determinant support,
Consistent preparation for about 20 months,
following thoroughly the ICAI study material and practice manual,
Wonderful support from seniors, faculties and friends.

Q. What strategy/study plan did you follow while preparing for the exam?

Ans: My study plan was to read for at least 2 hours a day for first 17 months and then I read for about 8 hours a day in the last 3 months. Since I started in early point of time, in the last three months all I did was just to do a revision of all the subjects and writing mock tests.

Q. How have been the inputs provided by the Institute contributed to your success in the examinations?

Ans: The books I followed are only the ICAI study material and practice manual for all the subjects along with my class notes. Also, the RTP, Mock tests etc helped me a lot to practice for the exams and they helped me to have a trial like how an exam question will be, what is an exam pressure etc.

Q. What are your aspirations for the future? Do you have any specific career choice?

Ans: I am interested to become a Key managerial person of a company. Also, I am going to pursue MBA. But as of now, I am open for all the nature of industry or career choice.

Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?

Ans: Professional excellence is something that we can achieve based on our ethics and knowledge and this course which is designed in such a way that many people believe and feel that it's so hard to crack, it definitely brings in the professional excellence into the people pursuing it as the hardwork and discipline they learn for completing this course bring in a lot of professionalism into the people undergoing this course.

Q. How would you motivate the youngsters joining this course?

Ans: To the youngsters - I would like to quote Mr. Henry Ford.

"Whether you think you can or you can't, in either way you are right. So everything is in your thinking. Hence, think positively and achieve greater heights"



K.N.V.V. Upendra
2nd Rank

Q. How does it feel to be at the top?

Ans: It feels happy to be at the top. When I received a call from ICAI president informing me that I had topped the exam I felt very much happy. I cannot express my feelings in words.

Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam.

Ans: According to me, my efforts and constant practice contributed to my success. External factors are the support from my family and my teachers' guidance. The motivation from my auditors also contributed to my outstanding success.

Q. What strategy/study plan did you follow while preparing for the exam?

Ans: I designed a study plan covering the entire syllabus. Then in last month I revised the syllabus in a lesser time. Then I attempted two mock tests which helped me to correct my mistakes and score well in exams.

INTERVIEW ||

Q. How have been the inputs provided by the Institute contributed to your success in the examinations?

Ans: I refer to study material whenever I need any clarity on a particular topic. I followed practice manual for all the subjects which helped me to be aware of presentation to be made in exams. In addition, I regularly followed the Institute monthly journal. The Inputs provided by ICAI helped me a lot to top the exams.

Q. What are your aspirations for the future? Do you have any specific career choice?

Ans: I would like to join an organisation with wide exposure to improve my skills set to a further level.

Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?

Ans: Yes. As the CA is a course with both theoretical and practical exposure, it would definitely act as a gateway to achieving professional excellence.

Q. How would you motivate the youngsters joining this course?

Ans: Success and failures are only a part of life. They should not let you be arrogant or depressed. Do work on your goals with dedication whatever hurdles may come in between to reach your goals.



Yash Manojkumar Goyal
3rd Rank

Q. How does it feel to be at the top?

Ans: It feels incredible. An ocean of joy with a tinge of emotions ran through my body when the result was in front of me. And of course, the President's call was a topping on the cake after all. All I would reiterate is, this is a once in a lifetime thing, which makes it all the more difficult to be express in words.

Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam.

Ans: Being motivated and having mental strength is all that a person needs to have to clear this mammoth exercise. The same helped me too throughout the Final. I strongly believe CA Finals is a test of your mental

capability to hold your composure through tough times. As far as external factors are concerned, the immense support from family, friends and the faculties helped me believe in myself. As a matter of fact, those were the people who believed I would end up in Top 3 slot, more than anyone else.

Q. What strategy/study plan did you follow while preparing for the exam?

Ans: It is extremely necessary for one to understand that importance cannot be given to selective subjects. I also believe that studies should be done with not an examination viewpoint, but with a view to survive the content within you even after you complete the CA saga. An example of this could be of going through EAC opinions for Financial Reporting subject. I also understand that people have time constraints, but then this habit can be cultivated throughout the articleship and not just at the brink of CA final study months. I would also add that write Test Papers for each subject, before appearing for the final examination.

Q. How have been the inputs provided by the Institute contributed to your success in the examinations?

Ans: Institute Material plays a pivotal role for clearing CA finals. The Practice Manual is intricately designed that provides immense support for practice and Study Material is a help in Practical especially.

Q. What are your aspirations for the future? Do you have any specific career choice?

Ans: There is a trade off between consultancy and industry jobs. I haven't been able to decide which one to choose yet.

Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?

Ans: Of course yes. Today when we talk about professional excellence, Chartered Accountancy is something that comes to our mind simultaneously. CA course has provided a broad horizon about variety of subjects that we touch upon for which every CA student should be grateful.

Q. How would you motivate the youngsters joining this course?

Ans: Regret is unprofessional. Keep this in mind when you join CA because there are going to be plenty of such circumstances where you will doubt your decision. But have faith and have confidence while you write your own CA saga. ■

|| FORTHCOMING EVENTS

Sl.No	Title	Date	Place
1.	National Convention for CA Students	3-4 September 2016	Vijayawada
2.	Teacher's Day Celebration and Live Webcast	5th September	-
3.	All India Conference for CA Students	16-17 December 2016	Ernakulam

- For details please visit BoS Knowledge Portal on the Institute website. www.icai.org



The Institute of Chartered Accountants of India
[Set up by an Act of Parliament]
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 New Delhi – 110002

TO BE PUBLISHED IN PART III SECTION 4 OF THE GAZETTE OF INDIA

NOTIFICATION

16th August, 2016

No.13-CA(EXAM)/INTT-AT/November/2016: - In pursuance of Regulation 204 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to notify that the International Taxation Course - Assessment Test (which is open to the members of the Institute only) will be held on 9th & 11th November, 2016 from 2 PM to 5 PM (IST) at the following cities provided that sufficient number of candidates offer themselves to appear therefrom.

International Taxation Course - Assessment Test (INTT – AT)

Paper 1 – International Tax – Transfer Pricing on 9th November, 2016 (Wednesday)

Paper 2 – International Tax – Practice on 11th November, 2016 (Friday)

Sl. No.	Name of the Cities	Sl. No.	Name of the Cities	Sl. No.	Name of the Cities
1	AGRA	2	AHMEDABAD	3	AHMEDNAGAR
4	AJMER	5	AKOLA	6	ALAPPUZHA
7	ALIGARH	8	ALLAHABAD	9	ALWAR
10	AMBALA	11	AMRAVATI	12	AMRITSAR
13	ANAND	14	ANANTAPUR	15	ASANSOL
16	AURANGABAD	17	BAREILLY	18	BATHINDA
19	BEAWAR	20	BELGAUM	21	BELLARY
22	BENGALURU	23	BERHAMPORE	24	BHARATPUR
25	BHARUCH	26	BHAVNAGAR	27	BHILWARA
28	BHIWANDI	29	BHIWANI	30	BHOPAL
31	BHUBANESWAR	32	BHUJ	33	BIKANER
34	BILASPUR	35	BUNDI	36	CHANDIGARH
37	CHENNAI	38	CHITTORGARH	39	CHURU
40	COIMBATORE	41	CUTTACK	42	DEHRADUN
43	DELHI / NEW DELHI	44	DHANBAD	45	DHULE
46	DURG	47	DURGAPUR	48	ELURU
49	ERNAKULAM	50	ERODE	51	FARIDABAD
52	FATEHABAD	53	FIROZABAD	54	GANDHIDHAM
55	GANDHINAGAR	56	GHAZIABAD	57	GORAKHPUR
58	GUNTUR	59	GURGAON	60	GUWAHATI
61	GWALIOR	62	HISAR	63	HUBLI
64	HYDERABAD	65	ICHALKARANJI	66	INDORE
67	JABALPUR	68	JAIPUR	69	JALANDHAR
70	JALGAON	71	JAMMU	72	JAMNAGAR
73	JAMSHEDPUR	74	JHANSI	75	JHUNJHUNU
76	JIND	77	JODHPUR	78	KAITHAL

EXAMINATION ||

Sl. No.	Name of the Cities	Sl. No.	Name of the Cities	Sl. No.	Name of the Cities
79	KAKINADA	80	KANNUR	81	KANPUR
82	KARIMNAGAR	83	KARNAL	84	KISHANGARH
85	KOLHAPUR	86	KOLKATA	87	KOLLAM
88	KOTA	89	KOTTAYAM	90	KOZHIKODE
91	KUMBAKONAM	92	KURNOOL	93	LATUR
94	LUCKNOW	95	LUDHIANA	96	MADURAI
97	MALAPPURAM	98	MANGALORE	99	MAPUSA (GOA)
100	MARGAO (GOA)	101	MATHURA	102	MEERUT
103	MORADABAD	104	MUMBAI	105	MUZAFFARNAGAR
106	MYSORE	107	NAGPUR	108	NANDED
109	NASHIK	110	NAVI MUMBAI	111	NAVSARI
112	NEEMUCH	113	NELLORE	114	NOIDA
115	ONGOLE	116	PALAKKAD	117	PALI MARWAR
118	PANIPAT	119	PANVEL	120	PATIALA
121	PATNA	122	PIMPRI-CHINCHWAD	123	PONDICHERRY
124	PUNE	125	RAIPUR	126	RAJAMAHENDRAVARAM
127	RAJKOT	128	RANCHI	129	RATLAM
130	REWARI	131	ROHTAK	132	ROURKELA
133	SAHARANPUR	134	SALEM	135	SAMBALPUR
136	SANGLI	137	SANGRUR	138	SATARA
139	SHIMLA	140	SHIMOGA	141	SIKAR
142	SILIGURI	143	SIRSA	144	SIVAKASI
145	SOLAPUR	146	SONEPAT	147	SRI GANGANAGAR
148	SRINAGAR	149	SURAT	150	SURENDRANAGAR
151	THANE	152	THIRUVANANTHAPURAM	153	THRISSUR
154	TINSUKIA	155	TIRUCHIRAPALLI	156	TIRUNELVELI
157	TIRUPATI	158	TIRUPUR	159	TUTICORIN
160	UDAIPUR	161	UDUPI	162	UJJAIN
163	VADODARA	164	VAPI	165	VARANASI
166	VASAI	167	VELLORE	168	VIJAYAWADA
169	VISAKHAPATNAM	170	WARANGAL	171	YAMUNA NAGAR

The Council reserves the right to withdraw any centre at any stage without assigning any reason. The above Test is open only to the Members of the Institute who are already registered with the Institute for the International Taxation Course and fulfill the eligibility criterion laid down. The fee payable for the above Assessment Test is ₹ 2000/-.

An application for admission to the Assessment Test is to be filled up in the paper based form only and is priced at ₹ 100/- per application form. The forms shall also be made available in the Regional and Branch Offices of the Institute and can be obtained there from on cash payment on or from **17th August, 2016**. Alternatively, the format of application form can be downloaded from the website of the Institute viz. www.icaai.org and the cost of the application form of ₹ 100/- can be added to the

Assessment Test fee of ₹ 2000/- and the Demand Draft for ₹ 2100/- of any Scheduled Bank drawn in favour of "The Secretary, The Institute of Chartered Accountants of India," payable at New Delhi only has to be sent **only** at the New Delhi Office address to the Deputy Secretary (Exams), The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi – 110002 so as to reach him on or before **1st September, 2016**. However, applications will also be received at New Delhi Office after **1st September, 2016** and upto **8th September, 2016** with late fee of ₹ 600/-. Applications received after **8th September, 2016** shall not be entertained under any circumstances.

V. SAGAR
SECRETARY

Scholarships for CA Students

Board of Studies, ICAI invites applications for the award of Scholarships to the selected candidates to be paid from October 1, 2016 onwards under following categories:

Sr. No	Scholarship Category	No. of Scholarships	Amount (p.m.)	Eligibility Criteria
1.	Merit-cum-Need	15	₹1500/-	Rank holders (other than covered under Merit category) of Intermediate (IPC) May 2016 Exam whose parents/guardians total annual income does not exceed ₹1,50,000/-
2.	Need Based and Weaker Sections	125	₹1250/-	Students of Intermediate (IPC) Course whose parents/guardians total annual income does not exceed ₹1,00,000/-
		150	₹1250/-	Students of Final Course whose parents/guardians total annual income does not exceed ₹1,00,000/-
		As per eligibility criteria	₹1250/-	The children undergoing Intermediate (IPC) or Final Course of the deceased members of ICAI where financial assistance is provided to spouses of the deceased members from the Chartered Accountants Benevolent Fund (CABF) shall also be eligible for scholarship.
3.	Sri Dhanraj Kanhaiyalal Dudheria Scholarships	3	₹1250/-	Students of Intermediate (IPC)/Final from Karnataka State under Need Based & Weaker Sections criteria
4.	R.K. Khanna Memorial Scholarships	1	₹1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
5.	J.S. Lodha Memorial Scholarships	2	₹1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
6.	J.M. Sethia Charitable Trust Scholarships	4	₹1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
7.	BCCO Foundation Scholarships	4	₹1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
8.	Out of Joint Corpus formed by Donors	5	₹1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria

Board of Studies, ICAI also awards **Merit Scholarships** to the Meritorious Students as a token of appreciation. Students whose names are appearing at Sl. No. 1-10 of Merit lists of Intermediate (IPC) of May 2016 Exam, in case the Rank at Sl. No.10 continues to Sl. No. 11 or 12 or so on, then all such rank holders shall be granted @ ₹2000/- p.m. Such students are not required to apply.

The detailed guidelines along with the requisite application forms (Form no. 3 & 4) are available on the Institute's Website (www.icai.org) (link: http://www.icai.org/post.html?post_id=6486).

Terms for award of Scholarships:

- Applicants shall be the registered students of Intermediate (IPC) or Final Course.
- In the case of Intermediate (IPC) Students, Scholarship shall be paid for a maximum period of 18 months.
- In the case of Final students, Scholarship shall be paid for a maximum period of 30 months or balance period of their articleship, whichever is less.
- An additional amount of ₹100/- p.m. shall be paid to SC/ ST/ OBC students, under Need-based and Weaker Section Category on submission of certificate/ documentary proof duly attested by a gazetted officer or a member of the Institute.
- One scholarship under the Need-Based and Weaker Section Category is reserved for a Physically Challenged student.
- Income Certificate (Form No. 4) to be submitted on the letter head of the Principal by the Student undergoing Articleship (Practical Training) (Part I) / letter head of any member of ICAI by the Student not undergoing Articleship (Part-II).

Duly completed and signed Application Forms in the prescribed formats as mentioned above should reach the Director, Board of Studies, The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector-62, NOIDA-201309 **latest by 30th September, 2016.**

In case of any clarification, please contact the Board of Studies, Telephone Nos. 0120-3045914/931; email: bosnoida@icai.in; ajay.kumar@icai.in

Director, Board of Studies

Stringent Action against Adoption of Unfair Means

Cases of adoption/attempt to adopt unfair means are reported in respect of the examinations held every time. In respect of the Examinations held in May 2016, over 110 cases of infringement/ violation of Instructions to Examinees, which tantamount to adoption of unfair means, were reported. The nature of infringement/ violation in these cases, inter alia, included the following.

- (1) Writing/jotting on the question paper [other than Roll Number at the specified place].
- (2) Writing in the answer book or additional book of, e.g. Roll Number [other than at the specified space]/ Registration Number, Name, Mobile number, unwarranted Remarks, irrelevant notes etc.
- (3) Possession of material inside the examination hall/room/washroom, e.g. writing/copying material / books / notes / writing on desk/writing on writing pad/geometric box/admit card (relevant for the day of the examination or otherwise), mobile phone [in switched off mode or otherwise], I Pod etc.
- (4) Seeking sympathy/making appeal, e.g. parent or relative passed away, met with accident /was hospitalized/ award marks/minimum required marks, inducement to examiner/writing irrelevant / unrelated remarks etc.
- (5) Writing/making in the answer book or additional answer book distinguishing marks - e.g. religious symbols, prayers, Om, Swastika, 786, etc.
- (6) Others, e.g. not handing over the answer book at the conclusion of the specified time, taking away the answer book, misbehaving with the examination functionaries, use of different inks/highlighter, availing of the services of an ineligible person as a writer by candidates with permanent disability.

The above cases were considered by the Examination Committee in accordance with the provisions of Regulation 41, read with Regulation 176, of the Chartered Accountants Regulations, 1988. The decision taken by the Committee included cancellation of result and debarment from appearing in the examination in future.

In view of the above, students are advised to download the Instructions to Examinees supplied along with the admit card, from the website, read them carefully and familiarize themselves with the same to avoid falling within the ambit of unfair means leading to avoidable difficulties.

Examination Department

CROSSWORD SOLUTION - AUGUST 2016

1 M	O	2 D	E	3 L		4 C		5 C	6 V		7 F
8 O	D	E		9 E	E	L		10 L	O	11 G	O
U		12 T	E	A		U			13 I	P	R
14 S	15 U	E		16 D	I	S	17 C		18 D	U	E
19 E	T	C				T	L		A		I
	20 I	T	R		21 L	E	O		22 B	U	G
23 L		24 I	N	T	E	R	N	A	L		N
25 I	P	O					E		E	26 S	
N		27 N	B	28 F	29 C					E	30 S
E	31 V		32 R	I	B	S		33 J		V	U
	I			34 F	D	I		35 O	V	E	N
36 R	E	B	O	O	T			37 B	A	N	K

Online Mentoring on ICAI Cloud Campus - <http://cloudcampus.icai.org>

The ICAI Cloud Campus enables Students to learn anytime and from anywhere using e-Learning, Audio Lectures, Video Lectures and Online Mentoring. Students can even learn through Mobile Enabled e-Learning facility on the Students Learning Management System (LMS) on their Mobile Phones/ Smart Phones/ Tablets. Online Mentoring is one of the major value added features on the Cloud Campus. The schedule of online mentoring sessions from 3.00 p.m. to 4.30 p.m. for September, 2016 is as follows:

Online Mentoring Schedule				
Date	Course	Paper	Topic	Faculty
September 7	IIPC	Paper-7B: Strategic Management	Ch-4 Strategic Planning and Ch-5 Formulation of Functional Strategy	Mr. Shaleen Suneja and Dr. Ruchi Gupta
September 8	IIPC	Paper-7A: Information Technology	Business Process Management and Automation through Application Software	Ms. Sukriti Arora
September 9	Final	Paper-2: Strategic Financial Management	Merger, Acquisition and Restructuring	CA. Ashish Gupta

Students are advised to register for Online Mentoring Sessions on the ICAI Cloud Campus and provide specific questions/ queries that they need to be discussed at least 48 working hours before the session. Links to access the aforementioned Online Mentoring Sessions are also available on the <http://cloudcampus.icai.org> under Online Mentoring.

Director, Board of Studies

Revolutionising CA Article training

Online Article Placement Portal

Bridging the Gap between CA Firms and Students

Free Access

Online Placement Portal facilitating the placement of Articles in CA Firms on pan India basis

Enables CA Firms to shortlist Articles Assistant

Enables Student to Register Online for Articles Training in CA firms having vacancies



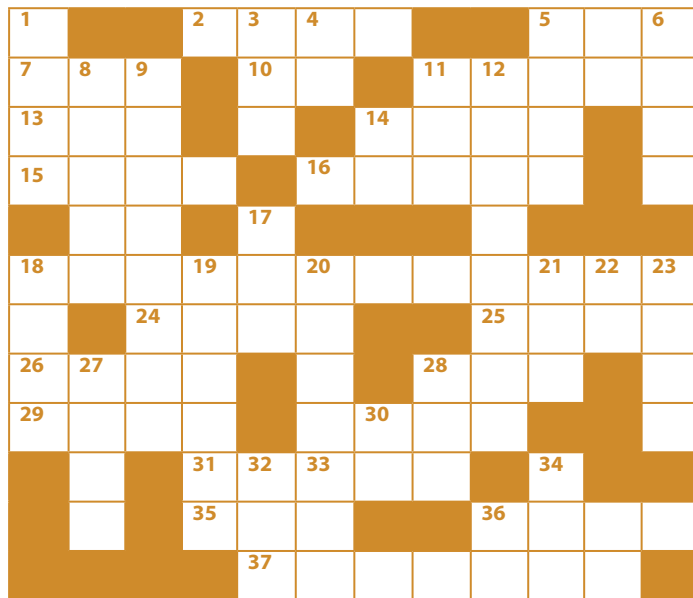
Board of Studies

The Institute of Chartered Accountants of India

Further Details: e-Mail: StudentLMS.Support@icai.in. Tel.: 0120-3876859



CROSSWORD - SEPTEMBER 2016



ACROSS

2. 'Amalgamation Adjustment Reserve' arising on account of maintaining the statutory reserves are presented as a separate _____ item in the financial statements.
5. Job evaluation is a technique to determine relative worth of a _____.
7. Numbers which cannot be divided by 2 are called _____ numbers.
10. A famous saying : A rolling stone gathers _____ moss.
11. One of India's largest private sector bank.
13. A citizen of India who holds an Indian passport and has temporarily emigrated to another country for six months or more for employment, residence, education or any other purpose.
14. A spoken examination or test.
15. To thrash or toss wildly, to struggle.
16. Very skilled or proficient at something.
18. Loss from specified business can be carried forward for set-off against profits from any specified business.
24. The premier export finance institution in India, established in 1982.
25. A fictional character in Shakespeare's Othello.
26. A trigonometric function of an angle.
28. Past (in Acronym).
29. 200, 500, 1000 in Roman Numerals.
30. One of the main trade partners of India.

31. One of the methods of finding price elasticity.
35. In economics, ----- also called multi-factor productivity, is a variable which accounts for effects in total output growth relative to the growth in traditionally measured inputs of labor and capital.
36. Cofounder of Apple Computers.
37. Service tax on legal services provided by senior advocate to be paid under _____ charge.

DOWN

1. Complete set of characters in one design, style and size.
2. Write signature.
4. It's ____ use crying over spilt milk.
5. Betray
6. Offers
8. Looking very thin and tired especially from worry, pain, or illness.
9. ----- received in excess of Rs.10 lakh would be taxable in the hands of the recipient, even though the same has been subject to additional income-tax in the hands of the company.
11. Anger
12. Goods used for pumping of water for _____ use are eligible inputs under CENVAT Credit Rules, 2004.
17. An alternative financial institution which includes microfinance institutions, community development financial institution and revolving loan funds.
18. Long-term capital gains arising from transaction undertaken in foreign

currency on a recognised stock exchange located in a would be exempt, even if STT is not paid in respect of such transaction.

19. Services provided by Government by way of issuance of passport is _____ under service tax.
20. An international organization of 189 countries working to foster global monetary cooperation, secure financial stability and facilitate international trade in the world.
21. If you lend an _____ to someone, you listen carefully and sympathetically.
22. Founded in Seoul this company makes home appliances, mobiles, tablets, and televisions.
23. Services relating to advancement of _____ provided by charitable entities is exempt under service tax.
27. Applicability of notified..... has been postponed from A.Y.2016-17 to A.Y.2017-18.
28. A species of cereal grain grown for its seed and known for its health benefit.
32. Opposite of On.
33. A type of public offering in which shares of a company usually are sold to institutional investors that in turn, sell to the general public, on a securities exchange, for the first time.
34. Conjunction used with neither.

If undelivered, please return to: The
Institute of Chartered Accountants of
India, ICAI Bhawan, Indraprastha Marg,
New Delhi-110104