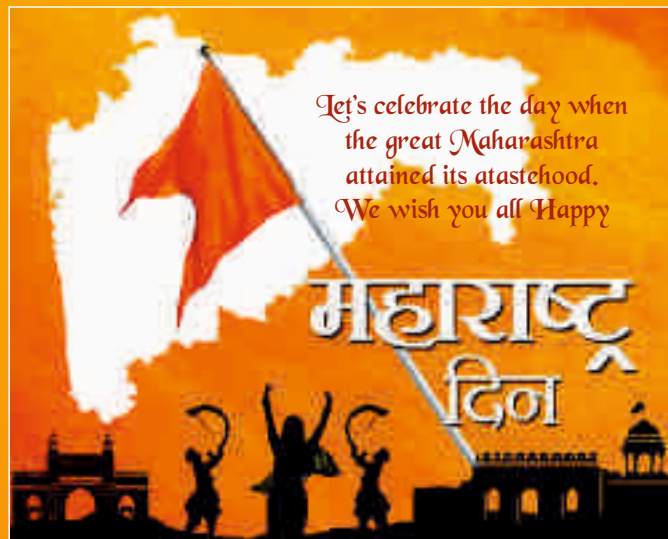




**THE INSTITUTE OF
CHARTERED ACCOUNTANTS OF INDIA**

(Set up by an Act of Parliament)

PUNE BRANCH OF WIRC OF ICAI



NEWSLETTER

Issue NO. 05 - May 2020

(Subscribers copy not for sale)



Judge nothing, you will be happy. Forgive everything, you will be happier. Love everything, you will be happiest.



Chairman's Communique



CA. Abhishek Dhamne
Chairman
Pune Branch of WIRC of ICAI

Dear Members,

My best wishes to all the Members and Students of 60th Maharashtra Day.

As we fight with global pandemic, we are heading towards lock down 3.0 which might continue until end of May 2020. Your

Branch is doing its best for Members and Student by arranging webinars to keep everyone updated with latest developments and sharpen their skills.

Pune ICAI is not only working on technical front but also through its members carrying out social activities. You would be glad to know to fight against Covid 19 Members and Students from Pune ICAI have come forward unitedly and generously donated approx. Rs. 20 Lakhs joining to the clarion call of Shri Narendra Modi ji, Hon. Prime Minister of India, Shri Uddhav Thackeray ji, Hon. Chief Minister of Maharashtra and CA Atul Kumar Gupta ji, Hon. President of ICAI. I must make a special mention CA Suresh Mehta ji, member of Pune ICAI has come forward and contributed substantial amount of Rs. 100,000/- to the ICAI Covid 19 Relief Fund which will be in turn donated to PM CARES fund.

Dear Members, in last month we had the privilege of having Dr. K. Venkatesham, IPS, Hon. Commissioner of Pune Police and Dr. Prachee Sathe, Director -ICU, Ruby Hall Clinic both the front line warrior fighting corona explained dual responsibility on CA of protecting Health and Wealth. Pune ICAI appreciates and salutes efforts of Doctors, Nurses, Para Medical Staff and Police who are putting their life in danger to keep all of us safe.

We were also blessed by presence of His Holiness Swami Shri Govind Dev Giri ji, and his kind address for

students and members on the topic of **Achieving Dreams and Goals**.

I have learnt that allotment of Bank Branch Audit has commenced. to carry of Bank Branch Audit effectively, ICAI has come up with new SOPs/Guidelines due to arise of Covid 19 Situation. While you consciously accept the audit assignment, I suggest all members to kindly go through the same.

Taking benefit of free time during this lock down I suggest members to go through the provisions of New Professional Ethics Code which would be applicable w.e.f. 1st July 2020.

Once lockdown is lifted and we resume our offices I foresee many challenges such as disturbed office calendar, deciding upon work priority, availability of staff members, following social distancing norms in the office. To plan effectively let us prepare budgets for our firm to overcome the challenges of working capital.

Dear Members, We have uploaded all the Webinars held by Pune ICAI on You Tube channel website **www.puneicai.org**. Please log on as per your convenience to watch and take benefit of Knowledge Bank.

As I write this communication Chartered Accountancy Course examination to be held in May-2019 has been postponed to July 19, 2020. Members are requested to kindly take note of the same.

In times like these, *Hope* can be a powerful source of reassurance. Many who are locked at home, others who are working to help and prevent the virus let us all hope **"We shall overcome this"**.

Happy to Serve,
CA Abhishek Dhamne,
Chairman Pune ICAI
May 2, 2020
वैशाख 9, 1942 (Saka)





No matter how many times teeth bites the tongue, they still stay and work together.
That is the spirit of forgiveness and relationship.



PUNE BRANCH OF WIRC OF ICAI

List of recorded webinars available on Pune ICAI YouTube Channel

| SR. NO. | DATE | TOPIC | SPEAKER | LINK |
|---------|------------|---|---------------------|---|
| 1 | 01.04.2020 | Impact of Corona on Audit & Accounts | CA Dr. S.B. Zaware | https://youtu.be/KCzgQ228C2M |
| 2 | 02.04.2020 | Indian Stock Market-Corona Impact | CA Bharat Pathak | https://youtu.be/uKzX-GXXqBI |
| 3 | 03.04.2020 | Classification of Goods under GST | CA Rajendra Kumar | https://youtu.be/ZM i4IRYuyI |
| 4 | 04.04.2020 | Recent Circular in GST | CA Sushil Goyal | https://youtu.be/gscBXITKIJM |
| 5 | 06.04.2020 | Digital Competency Model & work from home opportunities & way forward | CA Manu Agrawal | https://youtu.be/mOzZQTAi9SM |
| 6 | 07.04.2020 | Concept of Digital footprint in Financial & Regulatory Framework | CA Dayaniwas Sharma | https://youtu.be/XOyLn0nhqD8 |
| 7 | 08.04.2020 | Global Economy: Corona Effects & Pragmatic way forward | CA Suresh Prabhu | https://youtu.be/IjLylWjsEnw |
| 8 | 12.04.2020 | Finance Act 2020 with specific provisions for NRIs | CA Dr. Girish Ahuja | https://youtu.be/apVbBa0MZb8 |



When god solves our problems we have faith in his abilities. When he does not solve our problems it means that he has faith in our abilities.



| SR. NO. | DATE | TOPIC | SPEAKER | LINK |
|---------|------------|--|--|---|
| 9 | 15.04.2020 | Unleash the power within: Be an efficient performer | CA C.J.S. Nanda | https://youtu.be/ftXK0jfDmWE |
| 10 | 17.04.2020 | Panel discussion on practical aspects of Co-operative credit societies | CA D.A. Chougule Shri. Milind Soble CA Dinesh Gandhi CA SatishMundada | https://youtu.be/X2Fgca2_6HM |
| 11 | 17.04.2020 | Understanding Force Majeure in the Current Scenario | Adv. Vivek Sadhale | https://youtu.be/XQZF34DyidA |
| 12 | 18.04.2020 | Change in concept of PE & Business Connection, Taxation of Digital Economy | CA K. Chaitanya | https://youtu.be/ak2Y5_bJ5aA |
| 13 | 20.04.2020 | Meeting Deadlines Dead or Alive | CA Dr.Vardhaman Jain | https://youtu.be/ax7j0lBk5RM |
| 14 | 21.04.2020 | Webcast on Professional Ethics | CA Amarjit Chopra | https://youtu.be/GpJ3govJy_A |
| 15 | 22.04.2020 | Opportunities post Covid-19 for Young CAs | CA Vinit Deo | https://youtu.be/V9cbft2Z350 |
| 16 | 23.04.2020 | CA Office- Discussion on must have Policies & Processes (Non-Technical) | CA Parag Rathi | https://youtu.be/6TuAnc08T5g |
| 17 | 24.04.2020 | Intricacies Joint Hindu Family & Succession | Adv. Bhaskar Avhad | https://youtu.be/7bdSLyhuEZU |

'ICAI Bhawan', Plot No. 8, Near Mahavir Electronics, Bibwewadi, Pune – 411037, Maharashtra, India.
Phone: +91 20 24212251/52; Email:admin@puneicai.org



Life is like a camera, Focus on what's important, Capture good times, Develop from the negatives and when things don't work out, take another shot.



| SR. NO. | DATE | TOPIC | SPEAKER | LINK |
|---------|------------|--|---|---|
| 18 | 24.04.2020 | E Assessments & How to file Appeals - Part 1 | CA Rohit Ranade | https://youtu.be/92vt2OefZ2I |
| 19 | 24.04.2020 | Dual responsibility of CA protecting Wealth & Health | Dr. K. Venkatesham, IPS & Dr. Prachee Sathe | https://youtu.be/Ee7qXxE9KNI |
| 20 | 25.04.2020 | E Assessments & How to file Appeals - Part 2 | CA Rohit Ranade | https://youtu.be/rTEY-umkZK4 |
| 21 | 25.04.2020 | Basics of Insolvency & Career in it | CA Dinesh Mundada | https://youtu.be/vm9I4o_Td04 |
| 22 | 27.04.2020 | Key Success Factors in CA Exams | CA Navin Khandelwal | https://youtu.be/xtq-SRcs6To |
| 23 | 27.04.2020 | Startups as an Asset class | CA Niraj Bora | https://youtu.be/-wOsViKjSA8 |
| 24 | 28.04.2020 | GST on Real Estate Sector | CA Manish Gadia | https://youtu.be/y4KYENcKh-o |
| 25 | 28.04.2020 | Overview of Valuation | CA Alhad Deshmukh | https://youtu.be/_pbt58QvWPI |
| 26 | 29.04.2020 | Inspirational Session on Achieving Dreams & Goals | Swami Shri. Govind Dev Giri Ji | https://youtu.be/zpqmfxj9Fmk |

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Walking with the time is not necessary, but always walk with truth. One day automatically time will walk with you.



| SR. NO. | DATE | TOPIC | SPEAKER | LINK |
|---------|------------|---|---------------------|---|
| 27 | 29.04.2020 | Government incentives for Food & Ancillary Industries | CA Shrikant Bhutada | https://youtu.be/QHgKVGoCczA |


Yours Proactively,
Team Pune ICAI



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LIVE WEBINARS



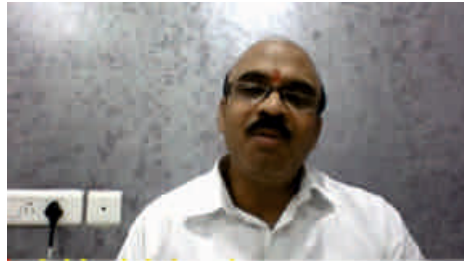
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Impact of Coronavirus on Financial Reporting
by CA Dr S.B. Zaware
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Indian Stock Market - Corona Impact by CA
Bharat Phatak
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The mind is like a clock that is constantly running down. It has to be wound up daily with good thoughts. Don't go through life, GROW through life.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

(Pune WIRC)

April 11, 2020

To Members and Students,
Pune Branch of WIRC of ICAI

Subject: Contribution to Various COVID 19 – Relief Funds by Members and Students of Pune ICAI

Dear All,

As you are aware that, World is fighting Global Pandemic of COVID-19 Corona Disease. I am glad to inform you that, Members and Students of Pune ICAI have come forward Unitedly joining to the clarion call of Shri Narendra Modi, Hon. Prime Minister of India, Shri. Uddhav Thackeray, Hon. Chief Minister of Maharashtra and CA Atul Kumar Gupta, Hon. President of ICAI, contributing a considerable sum of Rs. 16.62 Lakhs to various COVID-19 Relief Funds.

Details of Contribution made by our Members and Students of Pune ICAI is as follows:

| Sl | Contribution Made to | Amount Rs. |
|----|---------------------------------------|------------------|
| a | COVID 19 ICAI Relief Fund | 6,03,901 |
| b | PM CARES Fund | 6,12,025 |
| c | PM National Relief Fund | 1,75,716 |
| d | COVID 19 CM Relief Fund (Maharashtra) | 1,45,817 |
| e | Various Other Funds | 1,25,400 |
| | TOTAL | 16,62,859 |

(updated as on Apr 11, 2020 up-to 6:00 PM)

It is matter of sheer Pride and we would like to thank you and appreciate your Contribution made in the Interest of Humanity to fight Corona Virus.

In case those of you wish to still contribute, please log on to www.puneicai.org for more details. Stay Home, Stay Safe.

Yours Proactively,

For and on behalf of Pune Branch of WIRC of ICAI,

Sd/-

CA Abhishek Dhamne,
Chairman, Pune ICAI



COSTING....A THREE DIMENSION THEORY.

Contributed by :- CA. Vijay Ashtekar

Email :- ashtekar@ashtekarca.com

Costing is something interesting however, little complicated. When you come across this term for the first time, you get impressed, attracted, start loving it. The moment you start knowing its intricacies, of it you may start losing interest or avoiding it at times.

The fact is that costing is interesting and useful too. The only reason that people find it hard because they lose the patience as it is not a fast food item. Instead of talking about the definitions and the origin and who said what, I prefer to discuss the real and practical aspects of it.

Though the theory has been understood and studied by many, only few of them have actually applied it in practice.

If we understand and use the techniques tactfully, it is very beneficial to every commercial activity that is established for profit making.

Marginal costing technique is so beautifully designed and useful that the decision making activity becomes simple and beneficial.

The first dimension of the costing is Cost Ascertainment

Ascertainment or calculation of cost of a product / item, or service is the very first step of costing process. To ascertain the cost of anything, one has to have proper knowledge of cost concepts, cost elements such as Material Cost, Labour Cost, Overheads, etc.

All these elements shall be further classified into sub elements such as raw materials, consumables, stores, assembly items, etc. The labour cost or process cost shall be classified as direct labour, indirect labour, machine cost, power, fuel costs, etc. Overhead cost shall be classified as production overheads, administrative overheads, selling and distribution overheads. This classification can go further on more micro level in view of ascertaining the maximum accurate cost stagewise. The various stages defined in the entire cost process are: Prime Cost- Works Cost - Cost of Production - Cost of Sales.

Once you arrive at the cost of the product i.e. actual cost of the product, you can compare it

with the budgeted or estimated and standard cost of the product to calculate variances, positive or negative.

The variance analysis will provide you the basis for decision making.

In decision making process you can apply various techniques such as Marginal Costing, Budgetary Control etc. to analyze the available data and take appropriate decision.

Prepare a Cost Sheet to ascertain the different stages of cost in totality. Based on the nature of activity, a suitable method can be applied to ascertain cost such as product costing, batch costing, operating costing, process costing, activity based costing, etc.

The second dimension of the costing is Cost Control

Once the cost of a product or service is ascertained, it is to be compared with standard cost, budgeted cost and if found excessive, the control function ropes in.

Controlling the cost means taking measures so that it does not rise from its present level.

Controlling of costs is a bit difficult exercise. Sometimes there is resistance from the people who get affected from the exercise. When you come to know that which cost is on higher side, you will have to identify the elements of that particular cost, check the possibility of potential to restrict the cost of that element. Then look for measures so that the cost won't increase usually with the pace of inflation. The cost of elements go up at the same time some costs like labour cost increase due to contractual obligations. Most of the time overheads cost is the only element which finds to be suitable to control. The other elements i.e. material and labour are more or less linked with the external factors and little hard to control. However, those costs also can be controlled with proper techniques which can be studied and applied with deep knowledge of costing.

One can take various steps or measures to control costs e.g.- electricity, put off the lights and fans, ACs when no one is working in the offices, curtail



Little Hugs can dry big tears. Little candle can light the darkness. Little memories can last for years. It's the little things in the life that bring the GREATEST HAPPINESS.



the overtime as far as possible. Restricted uses of vehicles, avoid travel costs of multiple employees, stop entertainment and recreational activities and so on.

The third dimension of the costing is Cost Reduction -

Cost reduction is a bit difficult task. Behavioral classification of cost is vital in the entire costing process. Variable cost and fixed cost are the behavioral elements of cost. Usually reduction in variable cost is almost impossible. However, the professionals have a challenge to reduce variable cost and for that you have to seek help from technical experts. An engineer who is involved in the manufacturing of product, design of product is competent enough to provide some input for cost reduction. To understand it better, an example can be given.

For product A, the material required is steel plate of 1kg. After processing i.e. cutting, bending, machining, welding, the finished product weight is 600 grams i.e. waste of 400 grams. Since material cost is most variable cost it is almost impossible to reduce the requirement of one kg steel to manufacture the product A. However as mentioned earlier, an engineer who tries to

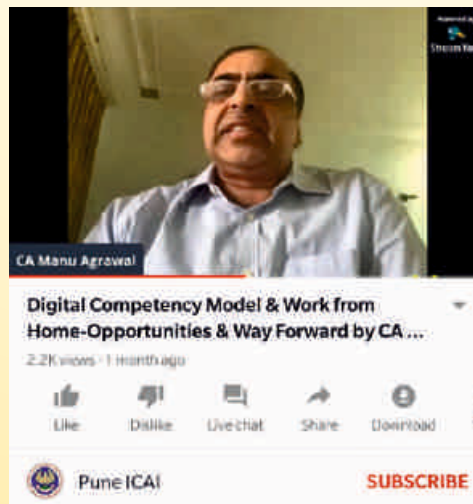
modify the design of the product in such a way that using the same plate we can manufacture two components out of it. So earlier, only one component was being manufactured out of the same plate resulting in large amount of scrap, but with the modification in the engineering parameters, two components can be manufactured out of the same plate reducing the scrap value substantially. This exercise will definitely reduce the cost of material, substantially.

Reduction in fixed costs is comparatively more easy. By finding alternative options for existing goods and services being used, the cost can be reduced. An example the stationery cost of executive bond paper can be reduced by using the standard quality paper.

The launch of Voluntary Retirement Scheme certainly helps to reduce the HR costs substantially. Thus costing can be used with various techniques and methods to minimize cost of products, services either in the business or domestic transactions to maximize profits.



LIVE WEBINARS





BUSINESS, PROFESSION AND CO-EXISTENCE

Contributed by :-- CA. Sagar Padiyhar

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Business is a term which has its origin from word “busy” that refers to the act of being busy. Business is the regular occupation of a person in which they engage in an activity to earn profit and generate wealth.

The profession is defined as paid occupation in which a person is formally qualified and has undergone prolonged training, renders services to general public. Professional institution means organisations which impart advanced training in a particular field or profession such as law, medicine or engineering for attachment of special knowledge as distinguished from mere skills.

The main distinguishing factors between business and profession are - professionals have to follow set of code of conduct as opposed to business, where there is no code of conduct prescribed. There is no minimum qualification required for business, where as profession demands specialized knowledge of study and qualification. Finally main object of business is to earn profit and profession is to render services. A commonly held stereotype that expresses such differences is that professionals are expected to act primarily or exclusively for the welfare of the client, whereas it is perfectly acceptable for an ordinary business person to pursue self-interest even at the expense of the welfare of others.

As per the discussion till now, it can be said that business and profession are opposite ends of a pole. Even though there are lot of distinguishing features between business and profession, we need to ask two tricky questions – Can a business be run professionally? And whether profession can run for profit motive?

With this present generation, professionally run business is very much competitive and every one will be looking forward towards the self achievement and they will come up with their innovative ideas. Finally the main goal is to gain more profit individually. Professionally run businesses are more likely to take risks hence they have higher gains, secondly, professionally run businesses have decentralized authority

hence decisions are taken faster. Thus this signifies professionalism in business does exist.

Now the ultimate tricky question, whether profit motive exists in profession and its implication.

The practice of medicine is clearly a profession as usually defined. In some senses it is also business. However the extent to which the professional behavior of physicians ought to be influenced by business considerations is a matter of debate. Profit motive will damage the client and professional's relationship, will erode trust, create new conflict of interest and diminish quality of service.

Professionals in practice must generate income to pay their costs and earn livelihood. In this sense, profit is an economically important aspect as it is the conduct of business. But some have carried the analogy further and have maintained that the payment of a fee is an essential part of the professional relation between a professional and his client, because this relation is in effect a commercial contract between the supplier of a service and the purchaser of service. Although the service is professional and therefore involves more constraints and responsibilities for the supplier than does an ordinary market transaction.

In this view, the contract between a professional and his client is basically ethical and not commercial, and is seen as part of a broader commitment that professional make to the society in exchange for licensure, authority and the many other benefits bestowed on them by the state.

It has been argued that it is too simple to distinguish between the ethics for profession and the business person by holding that consultants, as professionals, are collectively oriented and business people are self-oriented. Still it was held that there are differences in traditional ethical expectations in the two roles. It is suggested that specific ethical problems will likely constitute the heart of the ethical tension between business and professional models if and when the professional practice for- profit setting becomes dominant.



A Man who walks with his Legs, Reaches his Destination. But A Person who walks with his Faith, Reaches his Destiny.



One must be careful not to overstate the contrast between profession and commerce—we have already seen that it is certainly not the case that commerce takes place in the absence of any ethical constraints or that the profession is never moved by self-interest. However, we believe there is a genuine and important difference in the ethos of the two enterprises that plays out in important differences in the professional/client and businessman/consumer transaction.

It is commonly believed that in business transactions, individuals pursue their own interests like profit maximization, manpower exploitation, growing the business in shortest period of time etc. It is this view of the motivation of self-interest that quite reasonably worries many as profession becomes increasingly commercialized. A shift towards commercialization of profession could be expected to result in increasing emphasis on marketing strategies to secure an increasing

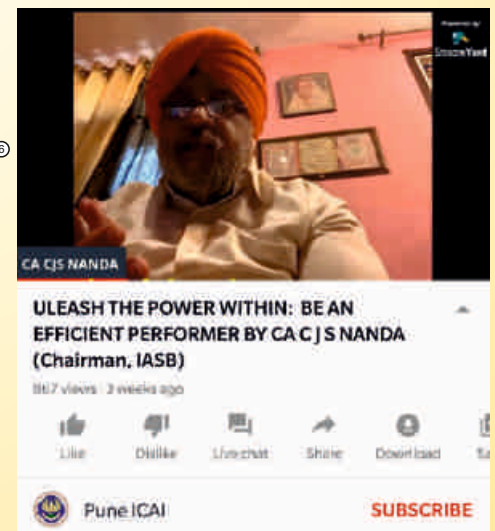
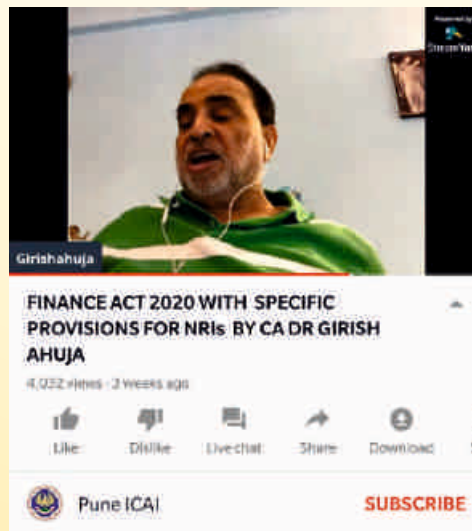
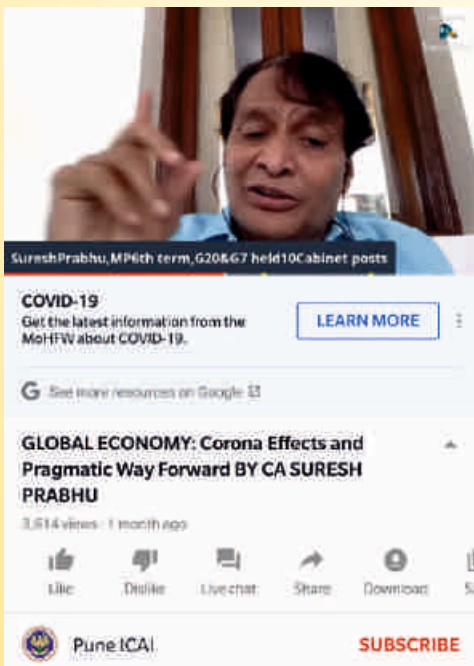
segment of the market.

In the view of the above, it can be stated that profit motive does exist in profession, to the extent to which it exists is debatable. Ultimately it is a moral call and the question is to be asked by a professional to himself the extent to which it exposes itself to such business considerations. Similarly all professional bodies also need to deliberate as to whether their governing body is immune to such business considerations.

In conclusion, the professional providing services to their client should resist themselves from commercial considerations and give priority to collective interest rather than self interest. Professionals are expected to keep the dignity of their profession as opposed to aggressive unethical self marketing and other commercial considerations.



LIVE WEBINARS





DON'T COMPLICATE, JUST COMMUNICATE

Contributed by :- CA. Batul Poonawala

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“Good communication is just as stimulating as black coffee, and just as hard to sleep after”. Successful people are dynamic communicators.

The art of communication is the language of leadership. To progress in your career, you need to work in teams and is truly said, “Talent wins games, but teamwork and intelligence win championships” and that can be only achieved by communicating well.

So, what skills do you need to be a strong communicator? Let's break down communication skills into the following areas:

- Listening and comprehension skills – how well we understand others
- Verbal skills – how well we can be understood in speech
- Writing skills – how effectively we can convey our ideas through writing

Interpersonal skills –

- how effectively we can 'read the room' and adapt our communication style to our audience.

Your posture and tone of voice can also play a part in what you deliver. Our body speaks louder than words, and sometimes can convey a message that we don't intend to communicate. This can create hurdle in your career building. Communication is 7% verbal and 93% non-verbal. Therefore, non- verbal communication carries heavy weight.

The Biggest communication problem is we do not listen to understand, we listen to reply. Your career will shine bright if you listen actively and show empathy towards your clients, colleagues and workforce team.

No matter what career you opt, your life will be determined 5% by your academic credentials, 15% by your professional experiences, and 80% by your communication skills. There's always a room for improvement. Thus, keep on practicing and follow 7 C's of communication - Clear, Concise, Concrete, Correct, Coherent, Complete and Courteous.





Nature has given us the face, but we have to provide the expression. Be careful when we express, because our every expression will leave an impression.



DDT ABOLITION – THE FINE PRINT (PART I)

Contributed by :- CA. Kaushik Saranjame

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The Finance Act, 2020 fails to correct the anomaly relating to the timing of the abolition of Dividend Distribution Tax (DDT) which was there in the Finance Bill, 2020 as originally introduced.

Sections 59 and 60 of the Finance Act propose to do away with the imposition of DDT on dividend declared by Indian companies and income distributed by Mutual Funds (respectively) from 1 April 2020 onwards, by amending sections 115-O(1) and 115R(2) respectively, of the Income-tax Act.

Sections 59 and 60 propose to amend sections 115-O (1) and 115R (2) respectively, with effect from 1st April, 2021. Section 2(3) of the Finance Act, which deals with the charge of tax under certain sections of the Income-tax Act for FY 2020-21, also continues to refer to the charge of tax under sections 115-O and 115-R.

While it is quite clear from the language of the amendments proposed to be made to sections

115-O and 115-R that the intent of the Legislature is to abolish DDT in respect of dividends declared by companies and income distributed by Mutual Funds from 1st April, 2020 onwards, the manner in which the above amendments have been sought to be carried out technically retains the obligation on companies / Mutual Funds declaring dividend / distributing income during FY 2020-21 to pay DDT. Such an absurd situation could never have been intended by the Legislature and has possibly arisen due to an inadvertent drafting error.

This situation needs to be addressed by amending sections 59 and 60 to change the effective date from 1st April, 2021 to 1st April, 2020. Section 2(3) also needs to be amended to omit reference to sections 115-O and 115-R.

(The Views are personal.)





When we do not understand the lessons at the right time, then life makes us understand the same lessons at wrong time.



MEETING CHALLENGES OF POST-COVID 19 CRISIS FOR SME

Contributed by :- CA Rajendra Ponkshe

Email :- rrponkshe@gmail.com

Covid-19 Pandemic originating from Wuhan in China has now become global phenomenon affecting all the continents. The figures of Corona infected population now growing at an exponential rate reaching 1.6 million by 13th April with 101000 deaths so far. India's economy like others has severely been hit due to lock down and shut down of transportation and restricted people movement. It is worth noting that when the crisis of this proportion grips the world - all small and big nations, micro to large industry get impacted. How to face this situation is the question being asked across all the nations.

Time has come not to think globally but think and act locally. The survival of every business enterprise including professionals is at stake.

The signs of recession are evident from the all round crash in the major capital markets. The crude oil has reached new low of USD 28 a barrel. The air passenger traffic is on hold. All white goods, automobile and project financing demands have reached bottom. And no one knows how long this will last.

Government has no clues as to how to restart the economy. More and more fiscal and economic concessions are announced. Most of the enterprises similarly have no reliable data to forecast when the downturn will end.

News is coming for layoffs and cancellation or drastic reduction in Capital Expenditure of many

organizations. It is first time in the history after World War II that nearly 160 countries are reeling under life threatening situation. As it is predicted by few economists that the near normal will not be restored at least before 3 months.

The governments all over the world are doing their best to ease the liquidity in the market and intend to put more money into consuming population. Idea is to propel the demand and revert the slowing down wheels of the growth engine of the economy. Along with the oil, the interest rates will also come down.

In order to overcome the challenge of survival and stay afloat during the recession and prepare for the worst, studies of the past crisis suggest the following strategies would help a business enterprise management, also called a structured approach.

1. Assess the risk to the enterprise of survival and identify vulnerabilities which the business is exposed.

As in the case of big organizations, small enterprise should also now identify the threats that would significantly impact the demand. For instance if one has printing business one should identify risks arising out of digital marketing and less printing in the future. One can explore thus new demand areas like pharma labels or packaging carton manufacturing. A builder who is stuck with the premises inventory not getting sold would



calculate the interest impact and depreciating market rates.

2. Identify what is the key factor that would mitigate the above risks and vulnerabilities.

It would be worthwhile for core management members to come together and think of the strategy and agree upon the same to open new areas to stop losses and choose alternative processes, products and lines of businesses requiring different size of working capital.

3. Assess the base line liquidity required for next 3 months

Important point in current crisis is that the business should not suffer due to no or less liquidity. Best way is to sum up all the cash flows for essential services, people and the processes that must be continued. Estimate also your personal expenditure in the three months and arrive at fair estimate. This would pave a clear path of action to reach that liquidity without which the business would face more crisis situation.

4. Identify the factors and customers who would help you to reach the baseline liquidity position

You may have identified the customers who would stick with you and who would prove to be delinquent. Make an ABC analysis on the basis of past experience. Make arrangements with the A class customers who would support. Similarly identify to minimize the factors causing excess outgo. For example think of reducing transport charges by adopting bulk transportation. Resort to more digital communication than paper. Organize each activity differently and re-engineer to cut the costs.

5. Analyze the overheads into fixed and variable.

Best way to control the costs is to break them into fixed and variable. The fixed costs are those that would keep on incurring whether the production or operations are running or not. This would include minimum electricity, conveyance, petrol, salary of permanent staff, property tax, society maintenance, insurance, compulsory maintenance expenses. Variable overheads are those that fluctuate as per the sales or production. For instance, transportation, direct labour, loading unloading, consumables, electricity for higher operations etc. Note that fixed expenses form part of the "must provide" type and should be incurred to survive. Variable expenses can be avoided when there is no activity.

6. Focus on your core competency where you have an edge over competitors.

In the moments of economic crisis where it is not worthwhile to venture into risky projects, for instance, in a case where you need to depend on outside agency/skill set to run the business line, focus on the areas where you become more self reliant. Best way would be to focus on the core competency. Stick to the business line where you are expert and competent. Stick to knitting as they say in the bad market situations.

7. Use lockdown period to enhance the skills in current business with a view to reduce costs.

Look positively to the period while you are at home. Hone your skills where you think you need additional learning. Use the time for making your business more self reliant. If you would like to diversify in future, utilize this time



Always take extra care of 3 things in life: Promise, Friendship and Love, because they don't make noise but, When they break they are create silence.



for learning required skills so that you become competent and resilient in the new lines of business.

8. Get off the Baggage of old inventories and slow moving items sitting on the balance sheet without any value addition. It is very common for the SMEs who are closely held to have huge inventories on the Asset side. If one drills down you would notice that many inventory items are just shown on the paper but do not exist physically. Many items are being shown at selling prices which would not be realized. To have an authentic image of yourself, you need to value inventory at realizable current value. Let there be write offs and losses once for all. Don't worry, the authorities and bank would definitely understand this and bear and support you as propagator of good business practices. Similar treatment should be given to the receivables and old customer outstandings.

Cleanse the Balance Sheet as they say.

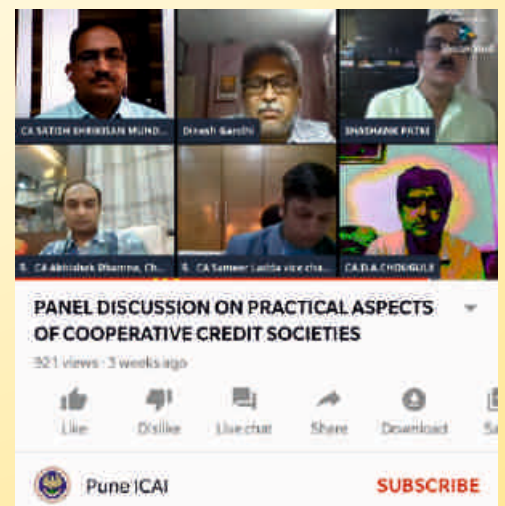
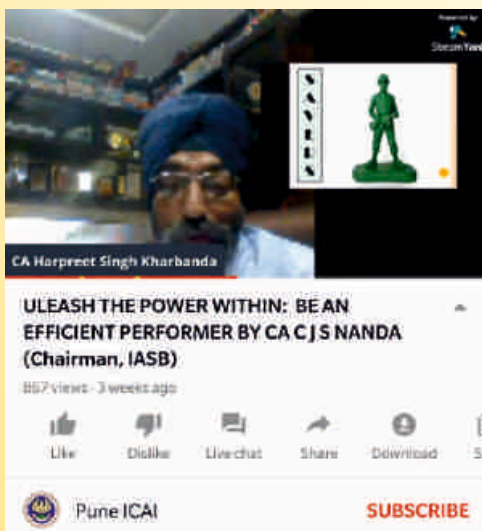
9. Rework the working capital required for next six months and take appropriate action with the help of your bankers, suppliers and other stakeholders.

10. Remember “Cash is King” in this time and avoid committing any long term investment. As far as possible if survival is your short term goal, then liquidate the maximum inventory and realizable old items and convert these into Cash. Tomorrow you can make up for all the losses once you pump in cash into the Growth Engine of your business.

Last but not the least important is: Act with caution and patience. Ultimately if you could sustain and stay cash positive, the coming days are yours. Good luck.



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GST शास्त्र: WALK THROUGH ASSESSMENT, SHOW CAUSE NOTICE AND PENALTIES PROVISIONS (PART 1)

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Introduction:

Amidst the crisis of Corona virus, it is difficult to predict the lifting up of lockdown and life immediately after lockdown. We all hope that sooner life will be back to normal and safer. However, what we can possibly predict is that the future of GST will be of assessments, show cause notices and consequential penalties. One must understand the scope, legal validity of notices issued under specific sections.

This article is an attempt to decode some of the important provisions in this regard. Wherever necessary, provisions of the act have been reproduced.

DIN requirement:

DIN stands for Document Identification Number. Circular no. 122/41/2019 dated 5th November, 2019 and Circular no. 128/47/2019 dated 23rd December, 2019 specifies the requirement of DIN as follows:

The Board directed that w.e.f. 24.12.2019, electronic generation and quoting of DIN shall be necessary in respect of all communications sent to taxpayers including e-mails.

The validity of DIN can be verified on CBIC website.

The circular has prescribed the standardised format of DIN.

However, there are certain exceptional situations, where communication can be done without DIN, as follows:-

1. Technical difficulties to generate DIN.
2. When communication regarding investigation / enquiry, verification etc. is required to be issued at short notice or in urgent situations and the authorized officer is

outside the office in the discharge of his official duties.

However, exigencies mentioned above shall be regularised within 15 working days of its issuance by following the procedure prescribed in the circular.

The Board also directed that **any communication** which does not bear the electronically generated DIN, except above cases, **shall be treated as invalid and shall be deemed to have never been issued.**

Hence, it is pertinent to the taxpayer and consultants to verify whether DIN has been quoted on communication or not and must check the validity of the same.

Section 59: Self-assessment of taxes

Every registered person shall self-assess the taxes payable under this Act and furnish a return for each tax period as specified under section 39.

Hence, tax payer must self-assess tax dues to government first. In case of deviations, there may be further assessment by tax officials.

Section 61: Scrutiny of returns Section 61(1):

- A proper officer may scrutinize the return and related particulars
- **furnished by the registered person**
- to **verify the correctness** of the return **and inform him of the discrepancies** noticed, if any, in such manner as may be prescribed and seek his explanation thereto.



Analysis:

- Proper officer to scrutinize **return and related particulars furnished by registered person.**
- If he finds any discrepancies, he shall inform in the manner prescribed.
- Notices in relation to discrepancies found between GSTR-3B and E way bill, GSTR-3B and GSTR 2A issued under this section.
- In the author's view, as GSTR 2A has not been furnished by the registered person, the validity of notices issued in relation to such discrepancies shall be challenged.
- Also, notices cannot be issued beyond the scope of the provision which does not amount to discrepancy in return and other particulars furnished by the registered person.
- Notice seeking explanation to such discrepancy shall be issued in Form GST ASMT – 10 and explanation to such notice shall be furnished by registered person in FORM GST ASMT – 11.
- As per section 61(2), if explanation furnished by the registered person is found to be acceptable, registered person shall be informed in FORM GST ASMT – 12.
- As per section 61(3), if no satisfactory explanation is furnished within the time limit, or after accepting the discrepancies, registered person fails to take the corrective measures, proper officer may initiate action under section 65 (Audit by authorities) or section 66 (special audit) or section 67 (inspection, search, seizure and arrest) or may proceed to determine the tax and other dues under section 73 or section 74 (show cause notices). It is pertinent to note that no action except above mentioned sections can be initiated which is beyond the scope of the provision.

Section 62: Assessment of non-filers of return

Section 62(1):

- Notwithstanding anything to the contrary contained in section 73/74,

- Where a registered person fails to furnish return u/s 39 or 45
- Even after serving notice u/s 46 (Notice to return defaulters)
- Proper officer may proceed to assess liability to the best of his judgment taking into account all the relevant material available, and
- Time limit : Issue an order within period of 5 years from the date specified u/s 44 for furnishing annual return for FY to which tax not paid relates

Analysis:

- Before initiating an action u/s 62(1), notice u/s 46, in FORM GSTR 3A must be served. Proper officer cannot invoke section 62 without issuance of such notice.
- Assessment u/s 62(1) can be done if registered person fails to furnish return u/s 39 i.e. GSTR-3B / GSTR 3 or return u/s 45 i.e. final return.
- As per section 62(2), if registered person furnishes a **valid return** within 30 days of service of an assessment order, the same shall be deemed to have been withdrawn but liability for payment of interest or late fees shall continue.
- Valid return, as defined under section 2(117), means a return furnished u/s 39(1) on which **self-assessed tax has been paid in full.**
- Circular no. 129/48/2019 – GST dated 24th December, 2019 was issued to specify standard operating procedure in this regard.
- Section 62(1) starts with Non-obstante clause and hence it overrides section 73 and section 74. It means proper officer can initiate action under this section without issuing show cause notice.

Section 67: Inspection, Search, Seizure and Arrest

Section 67(1): Inspection provision



- Where the proper officer, not below the rank of Joint Commissioner, has reasons to believe that—
 - (a) a taxable person has **suppressed any transaction relating to supply of goods or services or both or the stock of goods in hand, or has claimed input tax credit in excess of his entitlement** under this Act or **has indulged in contravention of any of the provisions of this Act or the rules** made there under **to evade tax** under this Act; or
 - (b) any person engaged in the business of transporting goods or an owner or operator of a warehouse or a godown or any other place is **keeping goods which have escaped payment of tax or has kept his accounts or goods** in such a manner as is **likely to cause evasion of tax payable** under this Act,
 - he may authorise in writing any other officer of central tax to inspect any places of business of the taxable person or the persons engaged in the business of transporting goods or the owner or the operator of warehouse or godown or any other place.

Analysis:

- To initiate action under this section, proper officer must have above mentioned reasons [3 reasons of clause (a) and 2 reasons of clause (b)] to believe. It is pertinent to note that invoking this section for reasons other than mentioned in clause (a) and clause (b), the action will be beyond the scope of the section.
- Tax officials shall substantiate Mens rea i.e. culpable or guilty mind to evade tax.
- It is observed in many cases that section 67(1) has been invoked for non-filing of return. In author's opinion, mere non filing of return cannot be a reason to believe that there is a suppression of any transaction to cause tax evasion.
There may be valid reasons for non-filing of returns such as liquidity problem and portal is not allowing to file a return. Non filing due to such reasons does not amount to suppression

of transactions relating to supply.

Further, separate provision to issue notice u/s 46 (notice to return defaulters) and then to proceed for assessment u/s 62 is available to the department.

- Also, it is a settled principal that issue involving differences in interpretation or if industry is following any standard practice with bona fide belief, it does not amount to suppression. Hence, in such scenarios, section 67(1) cannot be invoked.

Section 67(2): Search and seizure provision

- Where the proper officer, not below the rank of Joint Commissioner, either pursuant to an inspection carried out under sub-section (1) or otherwise,
 - has reasons to believe that any **goods liable to confiscation or any documents or books or things**, which in his opinion shall be useful for or relevant to any proceedings under this Act, **are secreted in any place**,
 - he may authorise in writing any other officer of central tax to search and seize or may himself search and seize such goods, documents or books or things:

Analysis:

- It is important to reiterate that search and seizure can be done if proper officer has above mentioned reasons to believe.
- In case of **Mohit Minerals Pvt. Ltd v/s Union of India**, Gujrat High Court has appreciated the clause that the proper officer must have reasons to believe as contemplated in section 67(2) of CGST Act, 2017.
- In the absence of such reasons to believe, entire search proceedings are without authority of law.



Life is like a camera, Focus on what's important, Capture good times, Develop from the negatives and when things don't work out, take another shot.

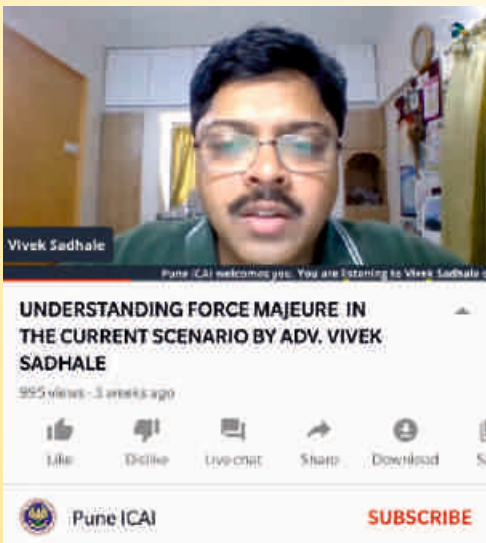


Other provisions:

| Section | Provision |
|---------|--|
| 67(3) | Not relied upon documents, books or things must be returned within 30 days |
| 67(4) | In case of search, officer shall have powers to seal or break open the door, break open any <i>almirah</i> , electronic device, box etc. However, in case of inspection, such powers are not available and in many cases tax officials equate the powers of inspection with search and seizure provisions. |
| 67(5) | Custodian of documents, from whose custody documents are seized, shall be entitled to make copies thereof or take extracts. |
| 67(6) | Goods seized shall be released, on provisional basis, upon execution of a bond or furnishing a security. |
| 67 (7) | Time limit - In case of seizure, if no notice is given within period of 6 months (further can be extended to 6 months) , goods shall be returned. |



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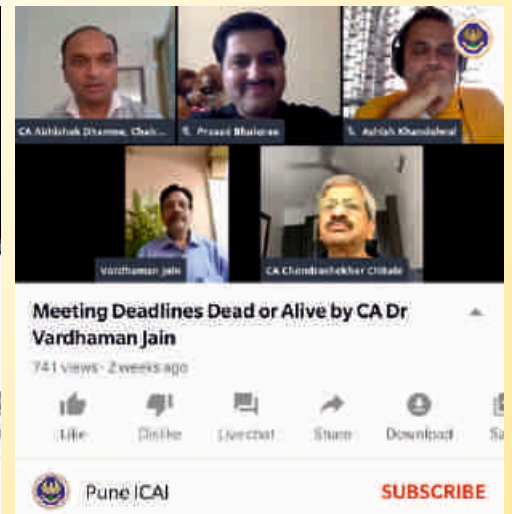
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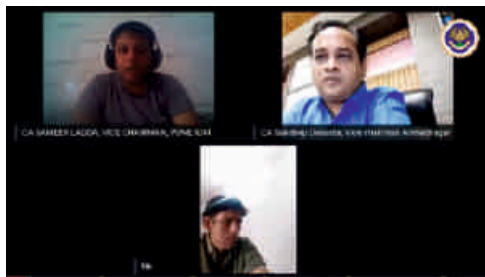
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Don't expect everything to be perfect and as you want to see.*



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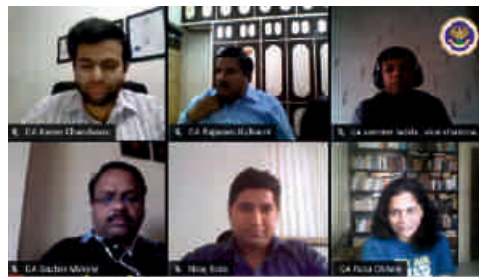


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BUT TO DO THE BEST.*



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