



PUNE BRANCH OF WICASA OF ICAI

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

NEWSLETTER

Issue No. 12 - December 2022

(Subscribers copy not for sale)



CA. Moushmi Shaha
Chairperson, Pune Branch of WICASA of ICAI

My Dear Students,

It is with utmost pleasure that I announce the most awaited event of the year, the **CA Students National conference, 2022 "AgniPankh"** organized by the Students Skill Enrichment Board and hosted by Pune Branch of WIRC of ICAI and WICASA. The conferences bring together an opportunity to hear from renewed speaker, Paper Presentation by students and interaction with fellow CA Students. I sincerely advise everyone to take active participation in the event of learning, Self-expression and self development. Showcase your hidden talent and make the best out of this opportunity. The event would surely be a fruitful and memorable experience for each one of you.

In the last month, various workshops like "Ups Kill-Communicative English", Webinar on Transfer Pricing, Seminar on FEMA law was organized. Various career counselling sessions were conducted in various schools and colleges.

Soon After Final and Intermediate examinations, **Youth Festiverse 2022** was organized wherein Carrom Tournament, Chess, Rangoli, Mehendi Competition, Badminton (Single & Double) Tournament, Best from Waste Competition and Cultural Night having Singing Competition (Solo & Duet) & Dance Competitions (Solo/Duet/Group) were taken. It was the right example of **Study hard, Party harder**

For upcoming Foundation examinations, Two Mock test series, Mathematics Quiz, all subject Marathons have also been organized.

Now, we are in the last month of the year, and its time to look back, Cherish the happy moments and introspect and learn from shortfall.

"Year's end is neither an end nor a beginning but a going on, with all the wisdom that experience can instill in us".

Thanks and Regards,

CA. Moushmi Shaha

Chairperson, Pune Branch of WICASA



Taha Merchant
WRO0657084

SA 620-Using Work of Auditors Expert:

Introduction:

To start with the basics as elaborated by - "**SA 200**" - "**Overall Objective of the Independent Auditor and the Conduct of an Audit in accordance with Standards on Auditing**":

'Audit is an Independent examination of Financial Statements'.

However while this Independent Examination is carried out there are some limitations which makes Auditor a watch dog and not a blood-haunt.

During the conduct of audit to be more Specific at the Risk Assessment and Planning Stage the Auditor needs to plan whether any Expert is required during the execution and completion stage and if yes- what should be the scope of such an expert?.

Why an expert?

As it is rightly said no one can be 100% perfect and we cannot do everything at once but we can do something at once. Auditor is not expected to excel in everything. To overcome this Auditor uses Expert depending upon the Complexity, Nature, Size and Volume of Transactions taking place in that Financial Statement Caption.

There can be various experts for an example lets says

- Transfer Pricing (Needed for an entity having complex international transactions) or
- Direct Taxation (where taxation of an entity is complex) or
- Corporate Finance expert (mainly for start up based entities the expert is useful when there are funding's and other issues relating to valuation occurred during the Financial Year under audit).

Procedures:

For using the work of an expert the underlying Standard lays down some procedures as before relying on some other persons work we should have our own degree of comfort so as to save ourselves from future troubles.

The procedure is as follows:

1. ***Understand*** - *Is he competent?* (Knowledgeable for the involved matter)

Is he independent? (No material relationships with client)

Practical Life – Check his Qualification Certifications if any books are published by him check any change if you have worked with him before.

2. **Usefulness**- Area of expertise?

Any professional standards governing the expert?

Practical Life- Check in Risk Assessment and Planning Discussions held with engagement team to ensure the purpose is being fulfilled if such an expert is being involved.

3. **Agreement with expert**- Scope? - Areas and extent of checking required.

Timing? - Duration in which work needs to be completed.

Mode of communication? – Regular follow ups through email and letter of involvement.

Nature of role? – Our role as an auditor and his role as an expert.

Practical Life– There are generally 2 practical scenarios:

- 1st is Inter firm expert where expert do not belong to auditors firm,
- 2nd is Intra firm where expert is a part of auditors firm in some different division or department.

4. **Adequacy of work**- Reasonability and Authenticity of data.

Practical Life- Compare with other Audit findings, check his documentations, Take regular calls for understanding his work.

If Inadequate - Perform alternate procedures- Example More detailed checking reassessment of ROMM and Materiality.

Impact on final stage-(Audit Report)

If there are modifications in audit report (Some findings of an auditor which are material to a Financial Level caption) which relates to experts area then evaluate and refer to experts work.

However such reference do not relive auditor from his responsibility!!

Interlinking:

- **Interlink** with "**SA 500**" "**Audit Evidence**"- It says about using the work on management's expert there is a difference in Management Expert and Auditor involving Expert.

Auditors expert is an Independent person involved by auditor in course of audit. Management's expert may or may not be Independent involved by management for some items relating to preparation of Financial Statements.

- **Interlink** with "**SA 600**"- "**Using work of another auditor**"- In SA 600 we can use work of another auditor (let's say branch auditor or foreign subsidiary covered under our scope).

It is different from expert involved by auditor as expert relates to area in which auditor do not possess expertise ; whereas in SA 600 both are Auditors only in different jurisdictions or different part of same entity one being Principal Auditor.

- **Interlink** with "**SA 610**"- "**Using work of internal Auditor**"- In SA 610 we can use work of internal auditor.

Internal auditor is not a mandatory and scope is determined by Management whereas statutory auditor is Independent auditor where scope is determined by Engagement letter.



Ms. Amey Naik
WRO0675102

Section 194R – TDS on benefits or perquisite provided

Article explains Provisions of Section 194R of Income Tax Act, 1961 related to TDS on benefits or perquisites provided.

Eligibility criteria for tax deductor:-

Any person responsible for providing any benefit or perquisite, whether convertible into money or not, is required to ensure that the tax required to be deducted has been deducted in respect of such benefit or perquisite under Section 194R. The deductor can be a resident or a non-resident person.

It is to be noted that this provision is applicable with effect from 01-07-2022. Thus, the benefit or perquisite which has been provided on or before 30-06-2022, would not be subjected to tax deduction under this provision.

However, this provision shall not apply to an individual or a HUF whose total sales, gross receipts or turnover does not exceed Rs. 1 crore in case of business or Rs. 50 lakhs in case of the profession during the financial year immediately preceding the financial year in which such benefit or perquisite, as the case may be, is provided by such person.

-

Certain condition for tax deduction:-

- Only resident Payees are covered u/s 194R
- The benefit or perquisite may or may not be convertible into money but should arise either from carrying out of business or from exercising a profession, by such resident.
- The perquisites can either be in cash, in-kind, or partly in both of these forms.
- The taxpayer does need to check the taxability of the sum in the hands of the recipient, and the nature of the asset given as benefit or perquisite is not relevant
- For F.Y. 2022-23, the Value of Benefit or Perquisite given in the Period from 1.4.2022 to 30.6.2022, will be counted and considered for determining the threshold limit of Rs. 20,000 in a year, but TDS u/s 194R will not be deducted on such Benefits or Perquisites. TDS u/s 194R will be deducted only on those Benefits or Perquisites which are provided or given on or after 1.7.2022.
- The capital assets given as benefits or perquisites are covered within the scope of Section 194R of the Income-tax Act Section 194R shall apply to sellers giving

incentives, other than discounts or rebates, which are in cash or kind e.g., car, TV, computers, gold coin, mobile phone, sponsored trips, free tickets, medicine samples to medical practitioners.

- CBDT clarified that Section 194R would apply to the distribution of free samples to the hospital for doctors receiving free samples of medicines while employed in a hospital. The hospital as an employer may treat such samples as a taxable perquisite for employees and deduct tax under Section 192. For those, the threshold of ₹20,000 has to be seen concerning the hospital.
- While for doctors working as consultants with a hospital and receiving free samples, TDS would ideally apply to the hospital first, which in turn would require to deduct of tax under Section 194R about consultant doctors.
- CBDT clarified that as an alternative to remove the difficulty, the original benefit or perquisite provider may directly deduct tax under Section 194R about the consultant doctor as a recipient.
- The government department made it clear that Section 194R will apply if the benefit or perquisite is provided to a government entity, like a government hospital, not carrying on business or profession.
- Apart from hospitals, CBDT also provided a breather on sales discounts, cash discounts and rebates allowed to customers by excluding them from the purview of Section 194R as their inclusion would put the seller into difficulties.
- Social Media Influencers have been relieved from TDS under this section when goods given to them for branding /marketing have been returned by them.

Amount of Deduction:

- Any person (Resident or Non resident), who is responsible for providing any benefit or perquisite to a resident, to deduct tax at source (TDS) at a rate of 10% of the value or aggregate of the value of such benefit or perquisite provided or likely to be provided to the resident during the financial year exceed Rs.20,000 in a year, per recipient
- TDS u/s 194R is to be deducted on fair market value of the benefit or perquisite, however if deductor has purchased the benefit/perquisite before providing it to the recipient. In that case, the purchase price (Actual cost) shall be the value for such benefit/perquisite. Further, if the deductor manufactures such item then the price that it charges to its customers for such item shall be the value for such benefit / perquisite.
- GST is to be excluded from the Purchase Value or Fair Market Value of such Benefit or Perquisite, for the Purpose of TDS Deduction.

Example of Section 194R

1. Mr. Anoop is a Book Publisher, he made a contract with Mr. Sunil that he will sell books of Mr. Anoop and in return Mr. Anoop will sponsor 5-Star Hotel accommodation and will gift house hold items worth Rs. 2 lakh per- annum. As per Section 194R, such benefits as perquisites like free accommodation, gifted household items are considered as benefits and have direct nexus with business of Mr. Sunil Therefore TDS @10% will be deducted on the value of such benefits that to total cost of 5-star stay and Household.

2. Suppose, Mr. A regularly provides benefits to his consultant. Until 30th June 2022, the total value of benefits provided amounted to Rs. 15,000. After 1st July 2022, Mr. A provided further benefit of Rs. 10,000 to the consultant. Therefore, TDS u/s 194R shall become applicable as the limit of Rs. 20,000 has been exceeded. However, TDS should be deducted only on Rs. 10,000 and not on the benefits of Rs. 15,000 paid before 30th June as it has been specifically excluded. Even if the benefits before 30th June would have been Rs. 25,000, still it won't be subject to TDS. Only the amount paid on or after 1st July 2022 would be subject to TDS under section 194R.

Whether reimbursement of out-of-pocket expense incurred by service provider in the course of rendering service is benefit/perquisite?

Answer: Any expenditure that is a liability of the person carrying on the business, if met by another person is the benefit or perquisite provided by the second person to the person carrying on the business. It can be understood with a simple example:

Suppose a consultant is providing certain services to Mr. X. He incurs certain expenditures in relation to providing such services. Therefore, the applicability of TDS u/s 194R is as follows:

If invoices for the expenses are in name of the consultant and are directly paid/reimbursed by Mr. X: Liable to TDS u/s 194R

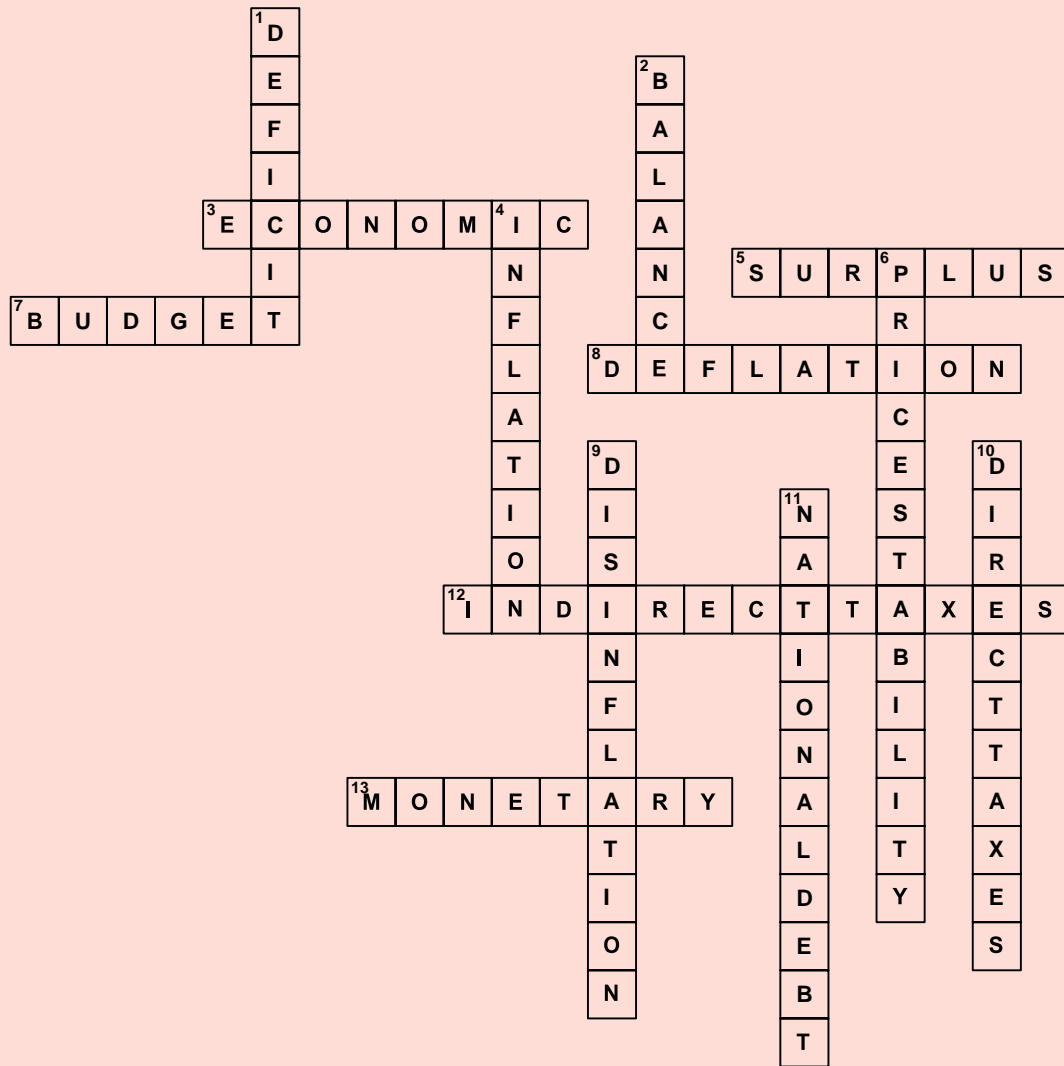
If invoices for the expenses are in name of Mr. X, however, paid by the consultant and later reimbursed by Mr. X: Not liable to TDS u/s 194R

CONCLUSION:

Section 194R will affect professionals such as doctors, social media influencers, but experts say the rules won't change for salaried employees as it is already covered under Section 192 of the Act. It can be seen that section 194R tries to widen the scope and varied nature of transactions which are arduous to envision. It will be riveting to see how the Government set in place various rules in this respect.

Hence, from now onwards, the taxpayers need to recognize transactions which are in the nature of benefits and perquisites and absorb the new TDS provisions.

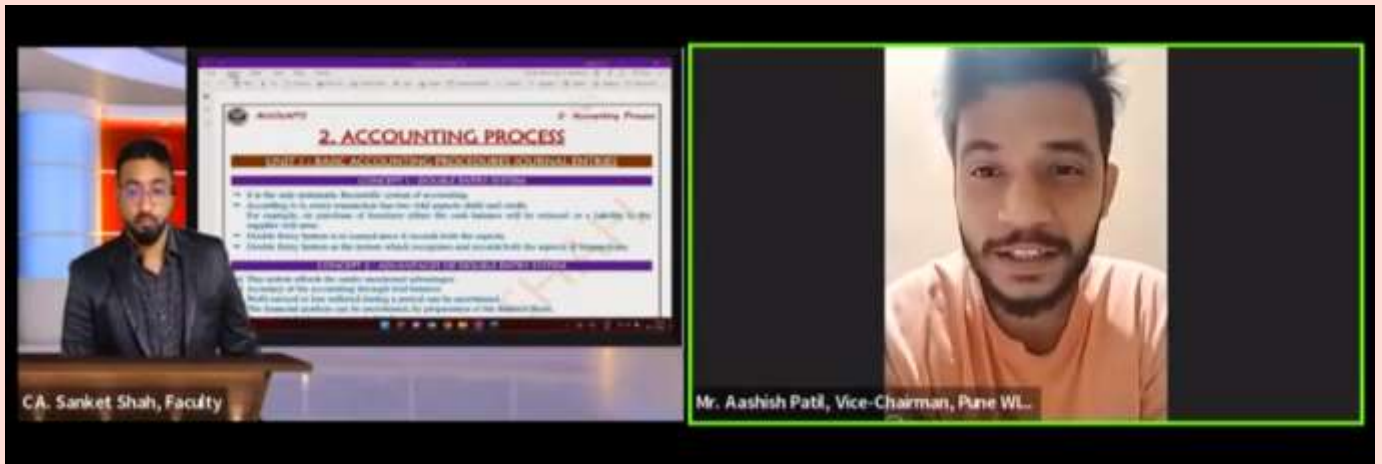
Answers of September 2022 Crossword



Workshop on "Ups Kill-Communicative English"



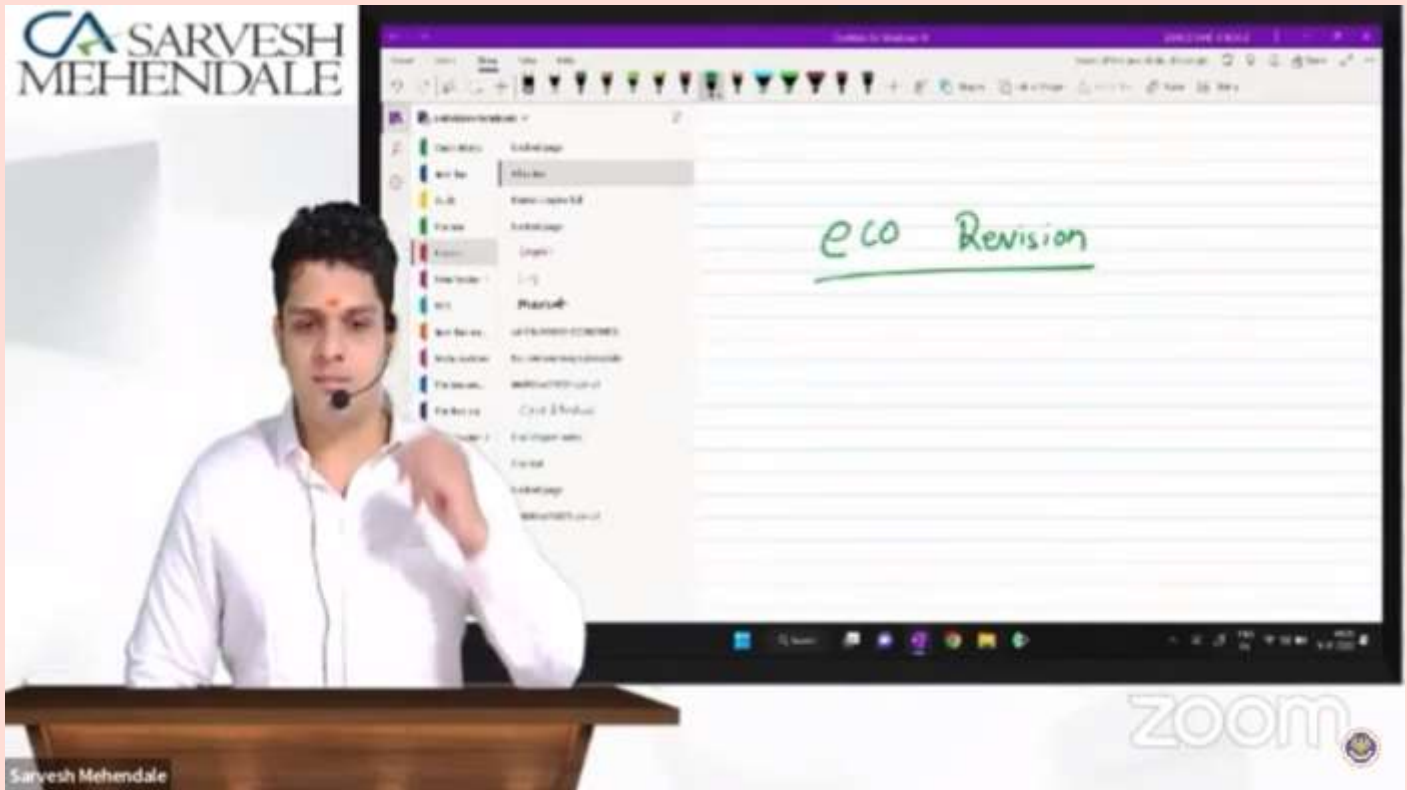
Mathematics Quiz for Foundation Students



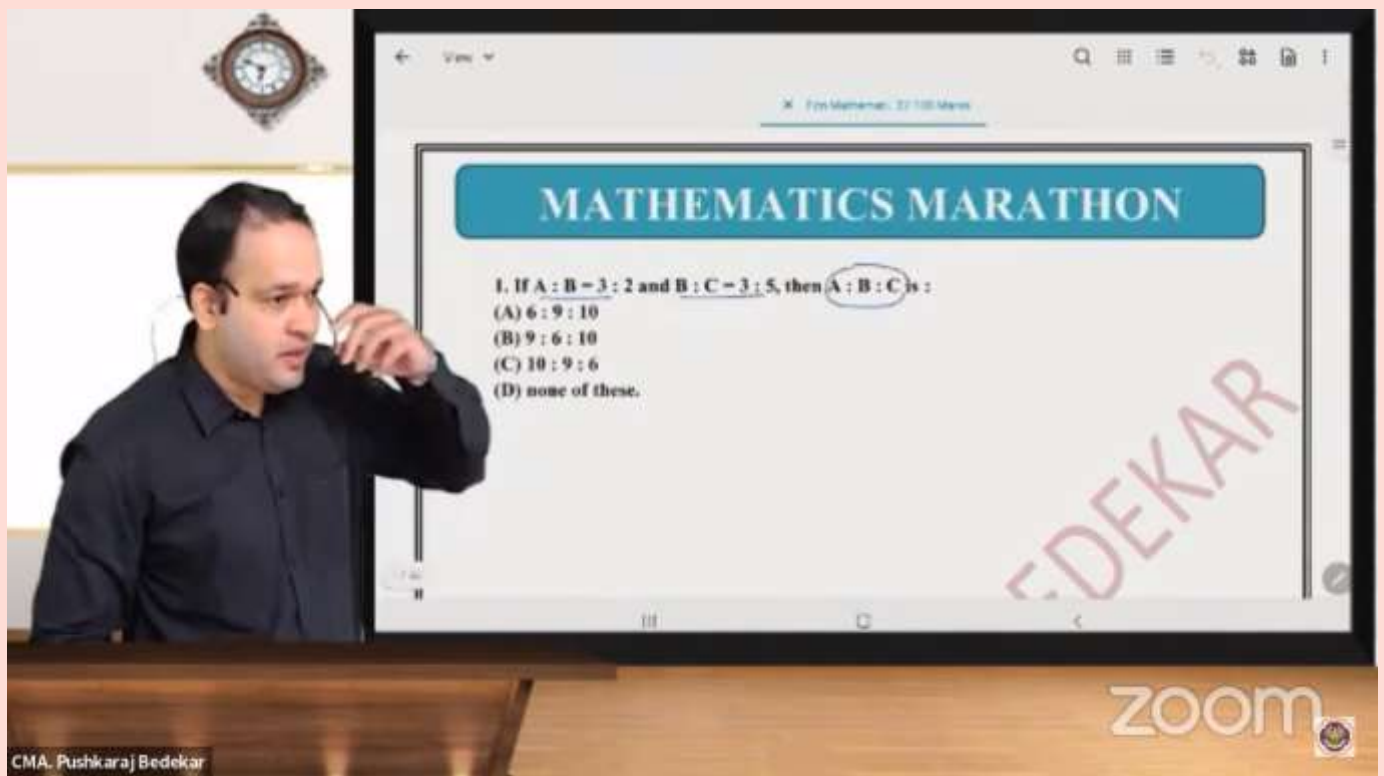
Foundation Marathon Session for November, 2022 exam- Accounts



Foundation Marathon Session for November, 2022 exam- Law



Foundation Marathon Session for November, 2022 exam- Economics



Foundation Marathon Session for November, 2022 exam- Mathematics

Youth Festiverse 2022



Carrom Tournament



Chess Competition



Mehendi Competition



Badminton Competition



Best from Waste Competition



Rangoli Competition



Cultural Evening