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Inside This Issue:

- | | |
|-------------------------|----|
| ➤ C.A. Booster + | 02 |
| ➤ Buzzing Around | 05 |
| ➤ Smart yet Interesting | 06 |
| ➤ Knowledge+ | 07 |
| ➤ Tips & Tools | 10 |

Dear Friends,

This is Twenty-fourth edition of our News Letter "CA Plus" covering various topics relating to Taxation, Law, and Latest News/Circulars etc. Thanks to all of you for appreciating the same and giving your valuable feedback and suggestions.

A viable tax regime is a pre-requisite for the sustainable economic growth and fiscal consolidation of any economy in the world. This assumes a greater importance in a developing economy like India where we have huge inequality in distribution of income of the population, which will in turn benefit the social and economic growth of the country. GST is a step in this direction. There is a lot of confusion over transition of old stock under VAT to GST.

C.A. BOOSTER+

Transitional Rules Under GST

GST is a significant reform in the field of indirect taxes in our country. Multiple taxes levied and collected by the Centre and States would be replaced by one tax called Goods and Services Tax (GST). GST is a multi-stage value added tax on consumption of goods or services or both. These days a major concern for businesses registered under GST is to make sure they don't lose out on the tax benefits and input credits of the old regime.

As GST seeks to consolidate multiple taxes into one, it is very essential to have transitional provisions to ensure that the transition to the GST regime is smooth and hassle-free and no ITC (Input Tax Credit)/benefits earned in the existing regime are lost. CBEC has released transition rules and formats and with the help of these, businesses can move credit of old regime to GST.

The transition provisions can be categorized under three heads:

- A. Relating to Input Tax Credit
- B. Continuance of existing procedures such as job work for a reasonable period without any adverse consequence under GST law
- C. All claims (pending as well as future) pertaining to existing laws filed before, on or after the appointed day

A. Transitional arrangements for ITC

Any business whether registered or not, having a closing stock will be entitled to claim credit of tax paid under pre-GST regime depending on the possession of the evidence of payment of taxes and being registered under the Pre-GST regime. For this, Business will have to file Tran 1 before 27th December and/or Tran 2 Monthly from July 2017 to December 2017 and sell its old stock which they are planning to carry forward.

1. A registered person can be a manufacturer or a provider of the exempted goods and/or services, works contractors availing abatement under 26/2012-ST, first or second stage dealer, a registered importer, depot of a manufacturer, or a person who is currently not liable for registration.
2. The registered person shall be entitled to take in the inputs in finished goods held in the stock on the appointed day, inputs on the semi-finished goods, ECL, eligible credits on inputs. However, the entitlement in case of finished goods will be subject to the following conditions:
 - The stock is to be used for making supplies that are taxable under this Act
 - The person is eligible to take ITC on inputs under this Act

- The person should have the invoice or the prescribed documents
- These documents or invoices should not have been issued earlier than 12 months from 1st July
- The supplier of the service is not eligible for abatement under this Act

B. Eligibility for filing form Tran1 & Tran2

Tran1	Tran2
<ul style="list-style-type: none"> • It needs to be filed by every person who has closing stock under the GST regime, even if they were not registered under the pre-GST regime. 	<ul style="list-style-type: none"> • Not a registered person under any pre-GST regime. • Holds Closing stock on the appointed date (i.e. 1st July 2017) • The person doesn't possess any document that acts as an evidence of payment of taxes. • The person is not a manufacturer in Central Excise. • The person is not a service provider under the Service Tax.

C. Things to remember for Transition to GST

1. Transition forms must be filed for each GSTIN separately.
2. Any credit that you want to carry forward from the old regime must be eligible credit under GST as well.
3. Accumulated credits of old regime can be taken to GST. This is allowed only when you have filed past six months returns under the old regime. So you must file old returns of VAT/ Excise/ Service Tax properly.
4. Any central taxes and duties such as Excise and Service tax will be carried forward as CGST.
5. Any state taxes such as VAT will be carried forward as SGST.

D. Items on which credit is not allowed

1. Motor vehicles and conveyances except the below cases:
 - Such motor vehicles and conveyances are further supplied i.e. sold
 - Transport of passengers
 - used for imparting training on driving, flying, navigating such vehicle or conveyances
 - Transportation of goods
2. Food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, but if the goods and/or services are taken to deliver the same category of services or as a part of a composite supply, credit will be available.
3. Sale of membership in a club, health, fitness centre.
4. Rent-a-cab, health insurance and life insurance except the following:
 - Government makes it obligatory for employers to provide it to its employees
 - goods and/or services are taken to deliver the same category of services or as a part of composite supply, credit will be available
5. Travel benefits extended to employees on vacation such as leave or home travel concession.
6. Works contract service for construction of an immovable property (except plant & machinery or for providing further supply of works contract service)
7. Goods and/or services for construction of an immovable property whether to be used for personal or business use
8. Goods and/or services where tax have been paid under composition scheme
9. Goods and/or services used for personal use
10. Goods or services or both received by a non-resident taxable person except for any of the goods imported by him.
11. Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples

ITC will not be available in the case of any tax paid due to non payment or short tax payment, excessive refund or ITC utilized or availed by the reason of fraud or willful misstatements or suppression of facts or confiscation and seizure of goods.

It is a initial phase of implementation of GST. Once fully implemented, the same will help in bringing greater transparency.

Buzzing Around

Recent Circulars/Notifications

- ✦ [Circular for engagement of Media Consultant in IEPF Authority](#)
- ✦ [Delegation of powers to RDs under section 458 of CA 2013 dt 06.09.2017](#)
- ✦ [Companies \(Removal of Difficulties\)](#)
- ✦ [Applicability of IGST / GST on goods transferred / sold while being deposited in a warehouse](#)
- ✦ [Clarification in respect of anti-dumping duty](#)
- ✦ [Notification for Commencement of section 247 of Companies Act 2017 \(316 KB\)](#)
- ✦ [Clarification to Circular on Prevention of Unauthorized Trading by Stock Brokers](#)

News& Events:

- ✦ [Constitution of Expert Group to look into issues related to Audit firms.](#)
- ✦ [Master Circular - Disbursement of Government Pension by Agency Banks](#)
- ✦ [Master Circular – Facility for Exchange of Notes and Coins](#)
- ✦ [Credit Facilities to Minority Communities](#)
- ✦ [Expect economic growth to improve further in Oct-Mar: Industry](#)
- ✦ [India's April-October fiscal deficit at 96% of full year's target](#)
- ✦ [SBI raises bulk deposit rates by 100 bps](#)
- ✦ [Enhancing fund governance for Mutual Funds](#)



Smart yet Interesting



Beware of the little expenses; a small leak will sink a great Ship
– Benjamin Franklin

There are two types of people who will tell you that you cannot make a difference in this world, those who are afraid to try and those who are afraid you will succeed

How to link Aadhaar with PAN Card? What are its implications?

To get Aadhaar card or not is no longer a question. And linking it to one's Permanent Account Number or PAN is no longer a choice. Government of India has set December 31, 2017 as the deadline to link one's PAN with the Aadhaar number.

Failing to do so may lead to invalidation of your PAN card. If that happens, your PAN card will cease to serve as an identity proof, debarring you from transactions that cannot be carried out without quoting PAN. *For instance*, you may not be able to file your tax returns this year, since quoting Aadhaar and PAN numbers has been made compulsory. Similarly, without a valid PAN card, buying property worth more than Rs 10 lakh will not be permissible.

What is Aadhaar?

Aadhaar is a 12-digit number code issued by the Unique Identification Authority of India (UIDAI), used for establishing identity on the basis of demographic and biometric information. The main purpose is to create a unique, universal identity for Indian citizens that would negate the need for different documents to avail of certain services. It serves as both identity and address proof anywhere in India. It is a step ahead of other identity proofs, such as voting ID card, passport and driving license, because every Aadhaar card is linked to an individual's biometrics.

Benefits of Aadhaar Card

1. Aadhaar based Direct Benefit Transfer (LPG Subsidy): The 12 digit individual identification number on Aadhaar card is used to get LPG subsidy amount directly in the bank account. This DBTL scheme is named as PAHAL. To get this benefit you need to visit your area's distributor and get Aadhaar number linked to the 17 digit LPG consumer number.
2. Jan Dhan Yojana: The Guinness world record holder scheme Pradhan Mantri Jan Dhan Yojana (PMJDY) accepts Aadhaar card/number as the only document sufficient to open the bank account. Although you open PMJDY account after producing other documents as well. The benefits offered are RuPay card, free zero balance savings account, life and accident insurance and many others

3. Passport in 10 days: This benefit of Aadhaar card will relieve you the most! If you have an Aadhaar card, you can get passport in just 10 days. Under this format, police verification will be done at a later date as opposed to the previous rule requiring police verification which used to be time consuming
4. Voter Card Linking: Starting 9th March 2015, Aadhaar card UIDAI number would be linked to the voter ID's. This action is taken to eliminate bogus voters. Once an Aadhaar number is linked, it would become impossible for an multiple voter ID card holder to make its illegal use as registration requires voter card holder to be physically present and produce Aadhaar card to the polling booth officer for linking.
5. SEBI: It is now accepted as a Proof of Address by Securities and Exchange board of India for investing in stock market. Till now, it was used by SEBI as identity proof.
6. Monthly Pension: All the pensioners from select states will now have to register their Aadhaar card number to their respective department in order to receive monthly pension. This move was initiated as there have been fraudulent incidents as beneficiaries requesting pension were found to be fake.
7. Provident Fund: Similar to pension, provident fund money will be given to the account holder who've registered their Aadhaar number with employee provident fund organization (EPFO).
8. Digital Life Certificate: Aadhaar linked digital life certificate is another initiative which was launched by Department of Electronics and IT. Named as "Jeevan Praman for Pensioners", this system will end the process where pensioner had to be physically present at Pension Disbursing Agency to avail pension. Instead all the details of pensioner will be accessed digitally by the agency.

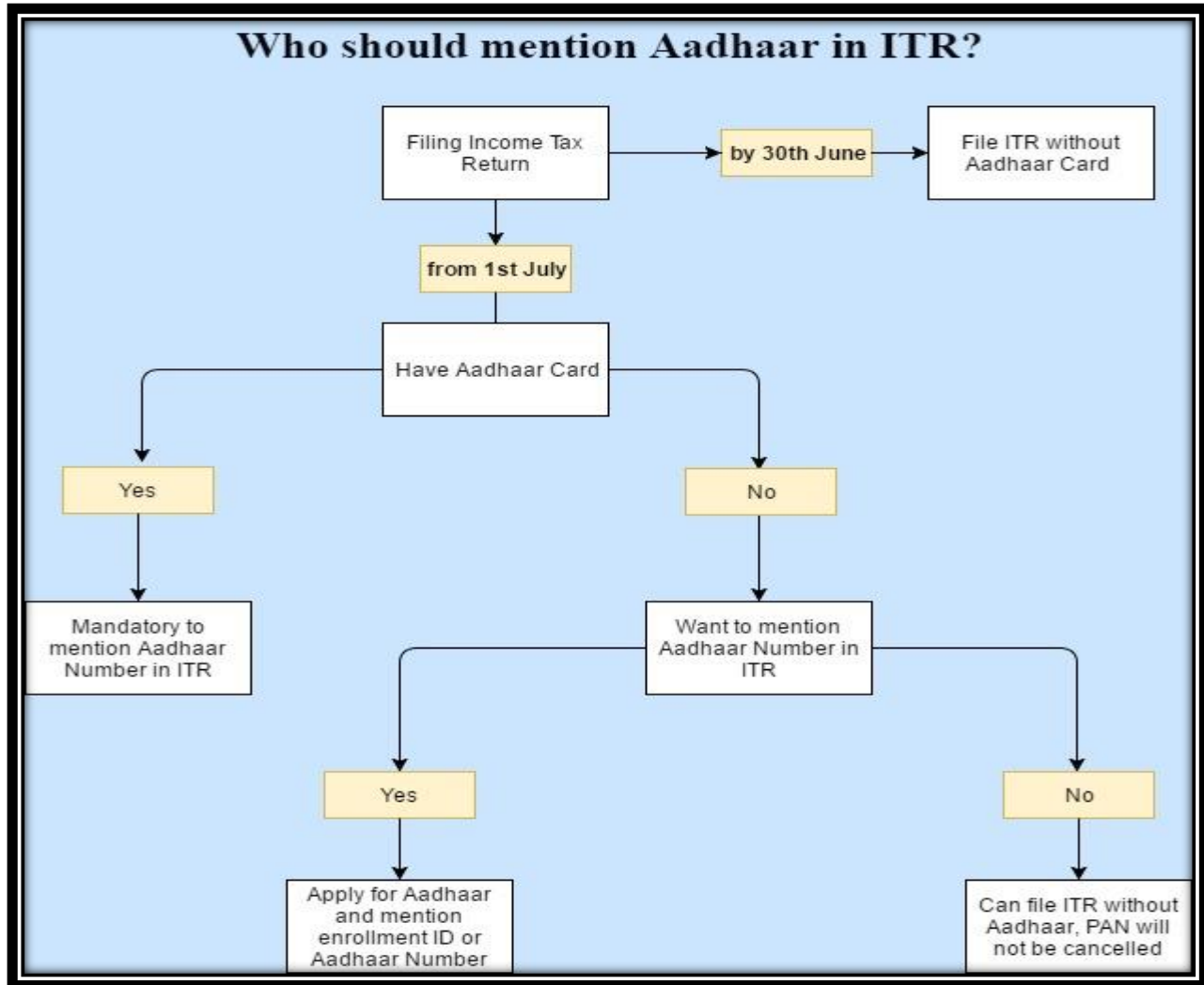
How to Link Aadhaar card to PAN:

If you have Aadhaar, it is mandatory to link it to PAN and mention the same in your tax returns. However, if you don't have Aadhaar, you can e-file tax returns without the same for FY2016-17.

Now you can link your Aadhaar and PAN through **SMS** also. The Income Tax Department has urged taxpayers to link their Aadhaar with their PAN, using an SMS-based facility. It can be done by sending an SMS to either 567678 or 56161.

People can also visit the official e-filing website of the department to link the two identities, in both the cases– identical names in the two databases or in case where there is a minor mismatch.

The Income Tax Department has made it easy for taxpayers to link their PAN with Aadhaar with just a 2 step process which does not even require to login or register at the e- filing website. This facility can be used by anyone to link their Aadhaar with PAN.



2 step process to link Aadhaar with PAN

Step 1:

Just go to incometaxindiaefiling.gov.in and click on the link on the left pane – [Link Aadhaar](#)

Step 2:

Provide PAN, Aadhaar no. and *ENTER NAME EXACTLY AS GIVEN IN AADHAAR CARD* (avoid spelling mistakes) and submit. After verification from UIDAI which is the government website for Aadhaar, the linking will be confirmed.

What does a Forensic Audit achieve?

With the rise in money laundering and willful default cases, RBI has made forensic audit mandatory for large advances and restructuring of accounts.

What is a Forensic audit?

It is the process used to examine an individual or a company's financial information for use as evidence in court. It helps detect diversion of funds, willful defaults and window dressing of financial statements.

When Are Forensic Audits Used?

Forensic audits are used wherever an entity's finances present a legal concern. For instance, it is used in cases of suspected embezzlement or fraud, to determine tax liability, to investigate a spouse during divorce proceedings or to investigate allegations of bribery, among other reasons.

What is the regulatory stance on Forensic Audit?

Reserve Bank of India has made forensic audit mandatory for large advances and restructuring of accounts. The Enforcement Directorate and the Serious Fraud Investigation Office have underscored the need for forensic audit following the rise in money laundering and willful default cases that are plaguing the banking system. The enactment of the Benami Property Act increases the importance of it in the country's fight against financial offenders.

How can forensic audits prevent generation of non-performing assets in banks?

Such audits unearth the discrepancies in financial statements. For example, in a recent case, forensic auditors found that a company with huge cash reserves had surprisingly applied for loans. Later, the company was labeled as a willful defaulter.

Forensic audits are performed by a class of professionals with skill-sets in both criminology and accounting who specialize in following a money trail, keeping track of fraudulent and actual balance sheets and checking for inaccuracies in overall and detailed reports of income or expenditures. If they find discrepancies, it may be the auditor's job to investigate and determine the reason for it, or it may be the job of a separate financial investigator.

Are all chartered accountants equipped to do a forensic audit?

Forensic audit is a specialized field within accountancy. There are special courses available with modules covering fraud psychology, criminal laws and forensic tools. Forensic audit uses financial and qualitative tools to detect fraud patterns. It uses special software for financial analysis. The auditor provides expert testimony during trial proceedings. Most large accounting firms have a forensic auditing department.

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