

# VASAI BRANCH OF WIRC NEWSLETTER

September 2019



www.vasai-icai.org



## CHAIRMAN'S COMMUNICATION

Whatever we decide to do in life, our sincerity and dedication towards our chosen profession is what makes us stand out from others, since we Chartered Accountants would never avoid our foundations in integrity and accountability. I sincerely believe that CA professionals will keep on discharging their professional obligations with absolute diligence, pushing forward the economic agenda of our nation and playing the role of both saints and sages of the Indian economy.

Branch has celebrated Independence Day on 15th August 2019 in the presence of Chief Guest Shri Chandrakant Jadhav (Rural Inspector, Bhayander) & CA. Sunil Patodia (Past Chairman, WIRC of ICAI).

For the benefit of Students, branch successfully conducted Event on Articles ship Query Solving Session, Mock Interview & Seminar on Principles & Practice of Accounting

### Forthcoming Events

Certificate Course on Concurrent Audit of Banks schedule in the month of Nov 2019. For details & registration visit - [https://icai.org/post.html?post\\_id=8236](https://icai.org/post.html?post_id=8236)

10th International Residential Refresher Course (IRRC) at BAKU from 10th to 14th October 2019. Registration of the same is already closed.

Felicitation of Newly Qualified CA (May 2019 exam attempt) on 14th September 2019

Seminar on Reporting of ICDS under Tax Audit on 15th September 2019

For the benefit of Students, Branch organizes Mock Test for Foundation/Intermediate & Final for November 2019 exam

Results of CA Final Examination (Old & New Syllabus), Intermediate Examination (Old & New Course), and Foundation Examination held in May 2019 have been declared.

I congratulate all successful candidates and wish them my best wishes for a bright future ahead, I would advise all those who could not succeed to continue to work hard and come back again. I am sure they will eventually succeed in their efforts.

Before I conclude, I would like to extend my best wishes to all on Vinayak or Ganesh Chaturthi, Onam, and Paryushan Parv. Let us celebrate our festivals together with joy.

*"Volunteers are not paid – not because they are worthless, but because they are priceless...."* - Sherry Anderson

**CA. Xavier Rajan**  
Chairman – Vasai Branch of WIRC

## MANAGING COMMITTEE

<b>CA. Xavier Rajan</b> Chairman	9371720027
<b>CA. Ankit Rathi</b> Vice Chairman	9029059911
<b>CA. Amit Agarwal</b> Secretary	9821374485
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<b>CA. Lalit Bajaj</b> RCM & Ex Officio Member	9867692321
<b>CA. Vimal Agarwal</b> RCM & Ex Officio Member	9320617447

## EDITORIAL BOARD

<b>CA. Xavier Rajan</b> Chairman	9371720027
<b>CA. Abhishek Tiwari</b> Committee Member	9029326651

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**Celebration of Independence Day held on 15th August 2019 at Branch Premises, Bhayander (West)**




**FORTHCOMING PROGRAMMES FOR MEMBERS**

Date	Seminar on	Timings	Venue	Speakers	Coordinator	Fees	CPE
14th Sept 2019	Felicitation of Newly Qualified CA (May 2019 attempt)	10.00 am to 1.00 pm	Branch Premises, Maxus Mall B Wing, 7th Floor, Bhayander (West)	CA. Jignesh Kansara	CA. Ankit Rathi 9029059911 CA. Amit Agarwal 9821374485 CA. Sorabh Agrawal 9930357066	Free	–
15th Sept 2019	ICDS Reporting under Tax Audit	10.00 am to 1.00 pm	Branch Premises, Maxus Mall B Wing, 7th Floor, Bhayander (West)	CA. Rushabh Mehta	CA. Ankit Rathi 9029059911 CA. Amit Agarwal 9821374485	Free for Members registered in Vasai Branch Ki Pathshala & Rs. 300 for others	3 Hrs
10th to 14th Oct 2019	10th IRRC at Baku	–	Atlas Hotel, Baku	Eminent	CA. Ankit Rathi 9029059911 CA. Pramod Dhamankar 9987155522 CA. Nitesh Shah 9821170150	Rs. 63,000	12 Hrs
2nd to 17th Nov 2019 (Every Sat & Sun)	Certificate Course on Concurrent Audit of Banks	9.30 am to 5.30 pm	Branch Premises, Maxus Mall B Wing, 7th Floor, Bhayander (West)	Eminent	CA. Ankit Rathi 9029059911 CA. Amit Agarwal 9821374485 CA. Sorabh Agrawal 9930357066	Rs. 10,000 (Members born on or after 01.01.1989) & Rs. 12,750 (Members born before 01.01.1989)	30 Hrs

**FORTHCOMING PROGRAMMES FOR STUDENTS**

Date	Seminar on	Timings	Venue	Speakers	Coordinator	Fees	CPE
3rd to 17th October 2019	Mock Test for Foundation/ Intermediate/Final for Nov 2019	10.00 am to 1.00 pm for IPCC & 2.00 pm to 5.00 pm for Final	Branch Premises, Maxus Mall B Wing, 7th Floor, Bhayander (West)	–	CA. Lokesh Kothari 8108484120	Rs. 100 per paper	–



## Circular No.109/28/2019- GST issued on 22/07/2019 simplified



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### Issue No. 1 –

Are the maintenance charges paid by residents to the Resident Welfare Association (RWA) in a housing society exempt from GST? If yes, is there an upper limit on the amount of such charges

for the exemption to be available?

### Clarification –

Supply of service by RWA (unincorporated body or a non- profit entity registered under any law) to its own members

1. by way of reimbursement of charges or
2. share of contribution up to an amount of ₹ 7,500 per month per member

for providing services and goods for the common use of its members in a housing society or a residential complex are exempt from GST.

Prior to 25th January 2018, the exemption was available if the charges or share of contribution did not exceed Rs 5,000/- per month per member. The limit was increased to ₹ 7,500/- per month per member with effect from 25th January 2018. [Refer clause (c) of Sl. No. 77 to the notification No. 12/2017- Central Tax (Rate) dated 28.06.2017 as amended vide notification No. 2/2018- Central Tax (Rate), dated 25.01.2018]

### Comments –

The maintenance charges we pay in our society/residential complex generally not liable for GST. It is liable to GST only if RWA asks for reimbursements/contribution in excess of ₹ 7,500. Exemption is provided on reimbursement/collection from its own members only which means for any recipient other than member, an RWA is treated like any other service provider.

**What can be an example of RWA providing service to an outsider?**

**PQR Co-operative society has a huge parking space under its control, owing to festive season, it provides the parking space on rent to Mr. X for birthday celebration of his son. This would be considered as a taxable service under GST**

### Issue No. 2 –

A RWA has aggregate turnover of ₹ 20 lakh or less in a financial year. Is it required to take registration and pay GST on maintenance charges if the amount of such charges is more than ₹ 7,500/- per month per member?

### Clarification –

No. If aggregate turnover of an RWA does not exceed ₹ 20 Lakh in a financial year, it shall not be required to take registration and pay GST even if the amount of maintenance charges exceeds ₹ 7,500/- per month per member.

RWA shall be required to pay GST on monthly subscription/contribution charged from its members, only if such subscription is more than ₹ 7,500/- per month per member and the annual aggregate turnover of RWA by way of supplying of services and goods is also ₹ 20 lakhs or more.

### Comments –

A lot of permutations & combinations can be made in this issue. But to summarise it –

RWA is required to pay **GST only if BOTH** the conditions are specified:

1. Its aggregate turnover is greater than ₹ 20 Lakhs and
2. Its reimbursement/contributions per month per member is greater than ₹ 7,500/-

**If any of the condition is not satisfied or if only one condition is satisfied – It will be covered under Exempt services.**

### Issue No. 3 –

Is the RWA entitled to take input tax credit of GST paid on input and services used by it for making supplies to its members and use such ITC for discharge of GST liability on such supplies where the amount charged for such supplies is more than ₹ 7,500/- per month per member?

### Clarification –

RWAs are entitled to take ITC of GST paid by them on capital goods (generators, water pumps, lawn furniture etc.), goods (taps, pipes, other sanitary/hardware fillings etc.) and input services such as repair and maintenance services.

### Comments –

Issue in simple words – Can RWA claim ITC?

Clarification in simple words – If it is paying taxes, yes. If it is not paying taxes – No.

### Issue No. 4 –

Where a person owns two or more flats in the housing society or residential complex, whether the ceiling of ₹ 7,500/- per month per member on the maintenance for the exemption to be available shall be applied per residential apartment or per person?

### Clarification –

As per general business sense, a person who owns two or more residential apartments in a housing society or a residential complex shall normally be a member of the RWA for each residential



apartment owned by him separately. **The ceiling of ₹ 7,500/- per month per member shall be applied separately for each residential apartment owned by him.**

For example, if a person owns two residential apartments in a residential complex and pays ₹ 15,000/- per month as maintenance charges towards maintenance of each apartment to the RWA (₹ 7,500/- per month in respect of each residential apartment), the exemption from GST shall be available to each apartment.

#### Comments –

Issue in simple words – Limit of ₹ 7,500/- is per flat or per member?

Clarification in simple words – Limit of ₹ 7,500/- is per flat.

#### Issue No. 5 –

How should the RWA calculate GST payable where the maintenance charges exceed ₹ 7,500/- per month per member? Is the GST payable only on the amount exceeding ₹ 7,500/- or on the entire amount of maintenance charges?

#### Clarification –

The exemption from GST on maintenance charges charged by an RWA from residents is available only if such charges do not exceed ₹ 7,500/- per month per member. In case the charges exceed ₹ 7,500/- per month per member, the entire amount is taxable.

For example, if the maintenance charges are ₹ 9,000/- per month per member, GST @18% shall be payable on the entire amount of ₹ 9,000/- and not on [₹ 9,000 - ₹ 7,500] = ₹ 1,500/-

#### Comments –

This comes as a relief as there were multiple opinions around this issue. Some were of the opinion that entire amount should be liable to GST (treating ₹ 7,500 as a check limit) and some (including our ICAI in their study material for academic purpose) said only amount in excess of ₹ 7,500/- (treating it as an exemption limit) should be liable to tax. The words “UP TO” also gives us an indication that it ideally should have been treated like a check limit only. Also, placing reliance on the erstwhile Service Tax as well, it should ideally have been liable on the entire amount and not merely on the excess amount.



## Applicability of section 164(2) & (3) and section 167B of the Income Tax Act 1961



#### CA. Ravi Gupta

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There is a common misconception that if 12AA registration is withdrawn or not availed or the income becomes taxable, the trust will be assessed as AOP under section 167B at Maximum Marginal Rate (MMR) that is 30%. However the taxes should be determined on the basis of sec

164(2) and (3) and not 167B. As per section 164(2) and (3) the trust should be charged at normal rates applicable to individuals. The minimum tax slab exemption which is currently Rs: 2.5 lakhs is also available.

Definition of individual is inclusive. Besides being a single living human being, it can include body of individuals. Even though the assessment of income was in the hands of the trust it has to be made in the same manner and to the same extent as it would have been made in the hands of the beneficiaries. {DIT(Exempt) vs. Shardaben Bhagubhai Mafatlal Public Charitable Trust [2001]247 ITR1(Bom)}

In the case of CIT vs. Children's Education Society (2013) 358 ITR 373/(2013) 92 DTR 158/(2014) 264 CTR (Kar.) 389 the High Court of Karnataka held that the assessment status of a society shall be AJP and not AOP or BOI.

Section 167B will not be applicable because of the following reasons:

1. Section 167B specifically excludes Companies and Societies registered under Societies Registration act and or any other similar legislation.
2. Rates as prescribed in section 167B are based upon knowledge and determination of share of individual members.

In charitable or religious organizations there is no scope of share of income or surplus among members concerned. Moreover the beneficiaries are public at large and not individual private beneficiaries.

Proviso to section 164(2) makes it abundantly clear that a charitable trust can be taxed at MMR only if there is a violation of clause 13(1) (c) (Income applied for the benefit of specified persons) and 13(1) (d) (Funds not invested in section 11(5) securities / deposits)

#### Disallowance of revenue expenses and levying tax on the gross receipts

In our day today practice we have come across many cases where the entire expense / application of funds is disallowed and gross receipts being taxed at MMR. Kind attention of the members is drawn to M/s KMR Educational Society vs. ACIT Central Circle Hyderabad (ITA 1146 / Hyd / 2011) whereby it was decided that, the income has to be computed in a commercial manner even in the case where exemption is denied. Capital receipts cannot be taken as income of the assessee. Moreover the revenue expenditure has to be reduced against revenue receipts to arrive at excess / deficit of Income over expenditure.





## Significant Glimpse of SEBI (LODR) (Amendment) Regulations, 2018



**CA Namita Agrawal**  
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➤ **Half yearly Cash flow Statements:**

With effect from 1st April, 2019, in lieu of Notification of SEBI (LODR) (Amendment) Regulations, 2018 for the first time, the listed entity shall be required to submit alongwith standalone and consolidated half yearly results, by way of note,

'statement of cash flows' for the half year.

➤ **Audit/ Limited Review for consolidation :**

The amendment notification brings in new requirement of Quarterly Audit/ Limited Review of **Consolidated financial result** for the listed entity viz. atleast 80% of each of the consolidated revenue, assets and profits, respectively, shall have been subject to audit or in case of unaudited results, subjected to limited review.

Further in Regulation 33 a new sub-regulation (8) been inserted, which states as below:

"The statutory auditor of a listed entity shall undertake a limited review of the audit of all the entities/ companies whose **accounts** are to be **consolidated** with the listed entity as per AS 21 in accordance with guidelines issued by the Board on this matter."

In reference to above the SEBI has issued circular no. CIR/CFD/CMD1/44/2019 dated 29th March, 2019 which is enforceable with effect from 01st April, 2019. This circular provides '**Procedure and Formats for limited review / audit report of the listed entity and those entities whose accounts are to be consolidated with the listed entity**'.

This procedure requires statutory auditor to undertake audit / review of Consolidated Financial Statement/ Result of Parent Company as per SA 600 "Using the work of Another Auditor" and Guidance note on 'Audit of Consolidated Financial Statements (Revised 2016)' issued by ICAI. This circular also provide **New Formats** for Audit Report/Limited Review for listed entities for standalone/ consolidated quarterly and year to date results.

To get more details, one can reach the circular for more information of such procedure and formats with the below link:

[https://www.sebi.gov.in/legal/circulars/mar-2019/procedure-and-formats-for-limited-review-audit-report-of-the-listed-entity-and-those-entities-whose-accounts-are-to-be-consolidated-with-the-listed-entity\\_42537.html](https://www.sebi.gov.in/legal/circulars/mar-2019/procedure-and-formats-for-limited-review-audit-report-of-the-listed-entity-and-those-entities-whose-accounts-are-to-be-consolidated-with-the-listed-entity_42537.html)

The above amended regulations, procedure and formats should be keep in mind for the half yearly results ended 30th September, 2019 onwards.



## Lecture Meeting on Articles Ship Query Solving Session held on 11th August 2019 at Branch Premises, Bhayander (West)



(L-R:- Mr. Dhawal Pithadiya (Coordinator), CA. Amit Agarwal (Secretary - Vasai Branch of WIRC), CA. Xavier Rajan (Chairman - Vasai Branch of WIRC), CA. Kauser Meherali (Speaker), CA. Lokesh Kothari (WICASA Chairman) & Mr. Krishkumar Patel (Coordinator) at the dais



CA. Kauser Meherali (Speaker)



Participants



## Mock Interview held on 18th August 2019 at Branch Premises, Bhayander (West)



(L-R):- Ms. Prachi Shah (Secretary, Vasai Branch of WICASA), Mr. Priyank Modh (Treasurer, Vasai Branch of WICASA), CA. Xavier Rajan (Chairman - Vasai Branch of WIRC), CA. Lokesh Kothari (WICASA Chairman), Mr. Dhawal Pithadiya (Coordinator) & Mr. Jigar Odich (Coordinator) at the dais



Participants

## Seminar on Principles & Practice of Accounting held on 25th August 2019 at Branch Premises, Bhayander (West)



(L-R):- CA. Amit Agarwal (Secretary - Vasai Branch of WIRC), Prof. CA. Darshan Ojha (Speaker), CA. Xavier Rajan (Chairman - Vasai Branch of WIRC) & CA. Lokesh Kothari (WICASA Chairman) at the dais

### SPEAKER

CA. Vijay Purohit



Prof. CA. Darshan Ojha

## Seminar on Internal Audit held on 25th August 2019 at Branch Premises, Bhayander (West)



CA. Xavier Rajan (Chairman - Vasai Branch of WIRC) presenting sapling to CA. Sourabh Jain (Speaker) also seen CA. Lokesh Kothari (WICASA Chairman)



CA. Sourabh Jain (Speaker)

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