

FOCAL POINT

Newsletter from Raju and Prasad Chartered Accountants

June 2018

Dear Reader,

The Policy updates and Verdicts of High Courts and Supreme Court are enclosed in this newsletter.

Attention of readers is invited on the applicability of GST on deposit of goods in customs bonded warehouses, Withdrawal of exemptions granted to Government owned NBFCs, Interim Interest Subvention scheme for FY 2018-19 and decision of honorable High Court of Calcutta in case of Binod Kumar Agarwal vs. Commissioner of Income Tax.

Regards

*For Raju and Prasad
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Policy Watch

Indirect Taxes



Extension of time for filing return in FORM GSTR-6

The Central Board of Indirect Taxes and Customs vide Notification No 25/2018–Central Tax dated 31st May, 2018 had extended the due date for furnishing return by an Input Service Distributor in FORM GSTR-6 for the months of July, 2017 to June 2018, till the 31st day of July, 2018.

http://www.cbic.gov.in/resources//htdocs-cbec/gst/Notification-25-2018-central_tax-English.pdf

Payment of tax under reverse charge on purchase of Priority Sector Lending Certificate

The Central Board of Indirect Taxes and Customs Vide Notification No 11/2018 – Central tax (Rate) dated 28th May 2018 had brought supply of Priority Sector Lending Certificate by a registered supplier to another registered person under reverse charge mechanism. So, now the recipient is liable to pay tax in case of purchase of the said certificate at the rate of 12%.



<http://www.cbic.gov.in/resources//htdocs-cbec/gst/notfctn-11-2018-cgst-rate->

Applicability of Integrated tax on goods supplied while being deposited in a customs bonded warehouse

The Central Board of Indirect Taxes and Customs Vide Circular No 3/1/2018 – IGST dated 25th May 2018 had clarified that integrated tax shall be levied and collected on goods imported and stored in customs bonded warehouse at the time of final clearance of the warehoused goods for domestic consumption and at the time of filing the ex-bond bill of entry.

It is also clarified that this circular is applicable for Supply of Warehoused goods i.e., deposited in a customs bonded warehouse, on or after the 1st of April, 2018

<http://www.cbic.gov.in/resources//htdocs-cbec/gst/igst-circu-3.pdf>

RBI

Withdrawal of exemptions granted to government owned NBFCs

The Reserve Bank of India vide Notification No RBI/2017-18/181 dated 31st May, 2018 had been decided to withdraw the exemptions granted to government owned NBFCs as follows:

Norm	Extant Provisions for other NBFCs	Govt. NBFCs Timeline
Asset Classification	<u>NBFC-NDSI</u> and <u>NBFCs-D</u> – 90 days norm <u>NBFCs-ND</u> – 180 days norm	<u>NBFC-NDSI and NBFCs-D</u> 120 days – March 31, 2019 90 days – March 31, 2020 <u>NBFCs-ND</u> 180 day norm – March 31, 2019
Provisioning requirement	For NPAs – As specified in the Directions.	As on March 31, 2019– 100% of prescribed requirement
Income recognition	As prescribed	Balance Sheet dated March 31, 2019
Leverage Ratio	Applicable to NBFC –ND	A roadmap for adherence by March 31, 2022 to be prepared by the Govt. NBFC – ND

NDSI- Non Deposit taking Systematically Important; D- Deposit Taking; ND – Non Deposit taking;

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI1812D1707B39AEE4B3783B62145AD44784C.PDF>

Priority Sector Lending – Targets and Classification

The Reserve Bank of India Vide its Notification No RBI/2017-18/203 dated 19th June, 2018 had revised the housing

loan limits for eligibility under priority sector. The revised limits to classify under priority sector are as follows:

(Rs in Lakhs)

Criteria	Existing Loan Limit	Cost of dwelling unit	Revised Loan Limit	Revised Cost of dwelling unit
Metropolitan Centres (With a population of 10 lakh and above)	28	35	35	45
Other Centres	20	25	25	30

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT20336F89D22257A4A7197D1C966A35213F1.PDF>

Interest Subvention Scheme for 2018-19

The Reserve Bank of India Vide Notification No RBI/2017-18/190 dated 7th June, 2018 had intimated to all the public and private sector scheduled commercial banks that, the interest subvention scheme for short term crop loans which was applicable for FY 2017-18 will be continued on interim basis for the FY 2018-19.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI190E50CCFBE2D7A474F966B2B3B0C930B15.PDF>

Prudential Norms for classification, valuation and operation of investment portfolio by banks

The Reserve Bank of India Vide Notification No RBI/2017-18/200 dated 15th June 2018 had decided to grant banks the option to spread provisioning for their mark to market (MTM) losses on all investments held in AFS and HFT for the quarter ending June 30, 2018 as well. The provisioning required may be spread equally over up to four quarters, commencing with the quarter ending June 30, 2018.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI190E50CCFBE2D7A474F966B2B3B0C930B15.PDF>

SEBI

Trading Hours on Stock Exchanges

The Securities and Exchange Board of India Vide its circular No SEBI/HO/MRD/DRMNP/CIR/78 dated 4th May, 2018 had permitted the stock exchanges to permit stock exchanges to set their trading hours in the Equity Derivatives segment between 9:00 AM and 11:55 PM, which was similar to the

trading hours for commodity derivatives segment which were presently fixed between 10:00 AM and 11:55 PM

It had also stated that the above provisions will be applicable from 1st October 2018.

https://www.sebi.gov.in/legal/circulars/may-2018/trading-hours-on-stock-exchanges_38849.html

Verdicts

Direct
Tax

Direct Tax

Allowability of business restructuring expenses as deduction under Section 37(1) of the Income tax act, 1961

- **Vide Decision of High Court of Calcutta Vide Principal Commissioner of Income tax, Kolkata – 4 Vs. Akzo Noble India Limited**

The Honorable High Court of Calcutta Vide decision of Principal Commissioner of Income Tax, Kolkata -4 Vs. Akzo Noble India Limited held that where the assessee has several units engaged in different business and incurred certain expenses on restructuring its business and claimed deduction under section



37 of the Income Tax Act, 1961, the same is allowed as it is to be considered as revenue expenditure.

<https://www.taxmann.com/filecontent.aspx?Page=CASELAWS&id=10101000000181195&isxml=Y&search=&tophead=true&tophead=true>



Deduction of tax under section 194C will come into operation only in case of payment made by assessee.

- **Vide decision of Supreme Court of India vide Commissioner of Income Tax-I Vs Daulat Enterprises**

The Honorable Supreme Court of India Vide Commissioner of Income Tax-I vs. Daulat Enterprises held that assessee is liable to deduct TDS under Section 194C of the Income Tax Act, 1961 if and only if assessee is liable to make payment to the contractor. If assessee is not liable to make payment either by way of contract or otherwise, but still made the payment, then he need not deduct TDS.

<https://www.taxmann.com/filecontent.aspx?Page=CASELAWS&id=101010000000181347&isxml=Y&search=&tophead=true&tophead=true>

AO can make addition to income on the basis of balance-sheet and profit and loss accounts certified to avail bank loan

- **Vide Decision of High Court of Calcutta Vide Binod Kumar Agarwala Vs. Commissioner of Income tax**

The Honorable High Court of Calcutta Vide decision of Binod Kumar Agarwala Vs. Commissioner of Income Tax held that where Assessee having presented his financial position certified by a chartered accountant in Form 3CB in accordance with Rule 6G (1) (b) of the Income-tax Rules, 1962 for obtaining loan from bank, the same cannot be tailor-made to suit a particular purpose. Hence, AO can make addition to income on the basis of balance sheet and profit and loss accounts certified to avail bank loan.

<https://www.taxmann.com/filecontent.aspx?Page=CASELAWS&id=101010000000181926&isxml=Y&search=&tophead=true&tophead=true>

The order passed by AO could not be challenged on ground that AO has exceeded his jurisdiction while passing of aforesaid order

- **Vide Decision of High Court of Kerala vide Sunrise academy of medical specialties (India) (P.) Ltd., Vs. Income tax officer , Corporate World 2(1), Kochi**

The Honorable High Court of Kerala Vide Sunrise academy of medical specialties (India) (P.) Ltd., Vs. Income tax officer, Corporate World 2(1), Kochi held that where AO had passed order to effect that share premium received by assessee on issue of shares was liable to be assessed as 'income from other sources' under section 56(2) (viib) of the income tax act, 1961 as the Fair Market Value is lower than the Issue price, the same could not be challenged on



ground that Assessing Officer had exceeded his jurisdiction while passing of aforesaid order

<https://www.taxmann.com/filecontent.aspx?Page=CASELAWS&id=101010000000181324&isxml=Y&search=&tophead=true&tophead=true>

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