



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

(Setup by Act of Parliament)

**BHUBANESWAR BRANCH OF EIRC OF ICAI**



# e-News Letter

March 2017

**ICAI BHAWAN**

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## From Chairman's Desk

**Success is not final, Failure is not fatal:  
It is the courage to continue that counts.**

-Winston Churchill

Dear Professional Colleague,

I take this opportunity and privilege to express my sincere gratitude for the responsibility bestowed upon me as the Branch Chairman of one of the most coveted branch of the Eastern India Regional Council of the ICAI. I feel humbled and privileged to express that nothing is more satisfying as a professional than to serve one of the most prominent branch of our alma-mater, the single largest Statutory accounting, auditing & professional body of the country set under an act of parliament. I extend my sincere thanks to all the members and Managing Committee colleagues for elevating me as the Chairman of this illustrious branch and extend my heartiest gratitude to all my predecessors and seniors. I also express my sincere affection through this message, being my first communiqué to all my professional friends and I will seek their support and utmost co-operation for the upliftment of our branch to the level of unparalleled excellence.

The Chairmanship of the Bhubaneswar branch, I think is attached with enormous responsibility and expectations to commensurate with need and requirement of our branch having tremendous growth of affiliated members. I stand tall on my words and pledge to perform for the cause of our branch and the fraternity. Your advice, guidance and support would help me in my delivery.

We are in the crossroad of socio, political and economic dynamics of our country. The recent demonetization, upcoming Goods and Services Tax, changing scenario in Banking Sector etc. and several new legislations is pulling all of us towards a challenging regime. So it is time for us to equip ourselves with the desired knowledge and expertise to face the changing dynamics. I express my commitments to conduct various certification courses, seminars, conferences, workshops and study circle meetings etc. to provide the requisite platform for knowledge and skill developments among the members.

In this moment of ecstasy, my heart goes out for the students enrolled with our branch and elsewhere, and I vow to contribute and take all such initiative, to enrich and sharpen their academic and professional pursuits to be of immense value to the accounting and auditing profession.

Recently our branch conducted Campus Placement Program for the newly qualified Chartered Accountants on 21<sup>st</sup> to 23<sup>rd</sup> of February 2017. Total 289 no. of candidates from across India appeared and 6 Companies participated in the Placement program. Total 77 no. of newly qualified Chartered Accountants got selected and accepted the job offer. The highest package offered was Rs. 13.00 lakh.

I must conclude by saying that, I need your continued loyalty, support and enthusiasm to make it happen and let us pledge together to continue to build an exciting future for this branch and our Institute as a whole.

At the end I wish you all a "Happy Women's day and Happy Holi" and a joyful month ahead. No one can see the future, no one knows what challenge lie ahead, but I have faith in my fraternity that with every passing year, we will together make our branch a better place to assemble and disseminate professional knowledge and skill in this digital era.

Thankyou!

With Warm Regards

CA. Rashmi Ranjan Mishra,  
Chairman

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## Secretary's Note



**CA. Sugyan Kumar Sahoo**  
Secretary  
Bhubaneswar Branch of EIRC of ICAI

Dear Colleagues,

Great teams are energizing and productive, delivering breakthrough results. In an effective team, everyone understands how to contribute in ways that support team outcomes that go above and beyond what any individual could accomplish alone.

Success... Accomplishment... Triumph... The Secret behind these words is just one - Team Work. It is the ability to direct individual achievements towards institutional objectives and is the power that allows common people to attain exceptional outcomes. Teamwork is the reasoning why the Bhubaneswar Branch of ICAI remains one of the most prosperous and ethical professional bodies in India.

"**Together we can**" are three words to inspire us to achieve great targets. This belief is made up of positive actions such as "responsibility, Co-operation, Commitment, Support, Sharing, Knowledge, Challenges and Dedication attitude". By converting these thoughts into deeds, we will see our ethos of "Together we can... change the world" become a reality.

— ● —

## New Managing Committee (2017-18)



**CA. Rashmi Ranjan Mishra, Chairman, Bhubaneswar Branch of EIRC of ICAI & Managing Committee Members**



## *Managing Committee Members*



**CA. RASHMI RANJAN MISHRA**  
CHAIRMAN



**CA. RAJA NARAYAN TRIPATHY**  
VICE CHAIRMAN  
&  
CHAIRMAN, EICASA



**CA. SUGYAN KUMAR SAHOO**  
SECRETARY



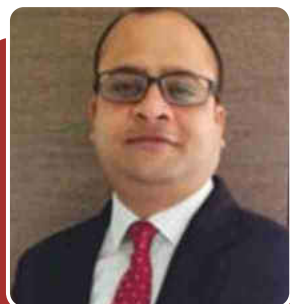
**CA. SIDDHARTH RANJAN**  
TREASURER



**CA. CHIRANJEEBI JENA**  
MEMBER



**CA. JANHABI DEO**  
MEMBER



**CA. TARUN KUMAR AGARWALLA**  
MEMBER



**CA. AMIT KUMAR AGARWALLA**  
CHAIRMAN (2016-17) & MEMBER



**CA. SANJIB SANGHI**  
TREASURER, EIRC,  
EX-OFFICIO MEMBER  
BHUBANESWAR BRANCH OF EIRC





## Article



### A Checklist: Audit of Advances in Bank Branches

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#### 1 CREDIT APPRAISAL

- 1.1 Loan application not on record at Branch
- 1.2 The appraisal form was not filled up correctly and thereby the appraisal and assessment was not done properly
- 1.3 Loan application is not in the form prescribed by Head Office
- 1.4 The Bank did not receive certain necessary documents and Annexure required with the application form
- 1.5 Basic documents such as Memorandum & Articles of Association, Partnership deed, etc, which are a pre-requisite to determine the status of the borrower, not obtained
- 1.6 Certain adverse features of the borrower not incorporated in the appraisal note forwarded to the management
- 1.7 Industry/ group exposure and past experience of the Bank is not dealt in the appraisal note sent to the management for sanction
- 1.8 The level for inventory/book-debts/creditors for finding out the working capital is not properly assessed
- 1.9 Techno-economic feasibility report, which is required to know the technical aspects of the borrower's business, is not obtained from Technical Cell
- 1.10 Credit report on principal borrowers and confidential report from their banks are not insisted from the borrowers
- 1.11 The opinion reports of the associate and/or sister concerns of the borrower are not scrutinised
- 1.12 The opinion reports of the associate and/or sister concerns of the borrower are not called for
- 1.13 The opinion reports of the associate and/or sister concerns of the borrower are not updated
- 1.14 The opinion reports of the associate and/or sister concerns of the borrower are not satisfactory
- 1.15 The opinion reports of the associate and/or sister concerns of the borrower are not scrutinised/ called for/ not updated/ not satisfactory
- 1.16 The procedure/instructions of head office regarding preparation of proposals for grant not followed
- 1.17 The procedure/instructions of head office regarding preparation of proposals for renewal of advances not followed
- 1.18 The procedure/ instructions of head office regarding preparation of proposals for enhancement of limits, etc not followed
- 1.19 No exposure limits are fixed for forward contract for foreign exchange sales/ purchase transactions

#### 2 SANCTIONING AND DISBURSEMENT

- 2.1 Credit facility sanctioned beyond the delegated authority or limit of the branch
- 2.2 Certain proposals were sanctioned pending approval of higher authorities wherever required
- 2.3 *Ad-hoc* limits were granted for which sanctions were pending since long
- 2.4 Facilities were disbursed before completion of documentation
- 2.5 Facilities were disbursed without following sanction terms
- 2.6 Facilities were disbursed without any sanction
- 2.7 Sanction letter was missing in the branch
- 2.8 Guarantor as required in the sanction letter was not obtained
- 2.9 Required promoters stake not invested before disbursement of loan
- 2.10 Sanctions were made without proper appraisal
- 2.11 Security charge not created before disbursement as required by sanction letter/renewed letter
- 2.12 Full disbursement of the facility not made
- 2.13 Sanction terms were not complied with or were not recorded
- 2.14 Disbursement Made without proper sanction
- 2.15 Term loan was disbursed by creating the cash credit or savings account of the borrower

#### 3. DOCUMENTATION

- 3.1 The security against which the advance was sanctioned was not available/ was not on record
- 3.2 Mortgage for the property given as security is not created
- 3.3 Mortgage for the property given as security created, was inadequate, as compared to terms of sanction
- 3.4 Second charge as required, on assets is not created in favour of the bank
- 3.5 Documents of Second charge on assets is not on the record
- 3.6 Documents pertaining to registration of charges with ROC or any other concerned authority requiring charging of assets is not obtained
- 3.7 Copies evidencing lodgement of the original conveyance/ sale deeds with the Sub-Registrars for registration not on record
- 3.8 Authority letter/ Power of Attorney to the Bank to collect the original documents from the Sub-Registrar not on record
- 3.9 Documents pertaining to consortium advances not yet executed/not available with bank



- 3.10 Documents signed by persons not duly authorised to sign or who have signed in other capacity accepted by the bank
- 3.11 Signatures of the executants were not found on all the pages of the documents
- 3.12 Some of the documents on record were blank, without signatures of Branch Manager, witnesses, or guarantors, etc
- 3.13 Revival letters in respect of documents to be reviewed from the borrowers not received
- 3.14 Guarantors have expired
- 3.15 Guarantors not on record
- 3.16 Guarantors not renewed
- 3.17 Guarantors not assigned
- 3.18 Worth of the Guarantors not available
- 3.19 Stamping not as per the amended Stamps Act
- 3.20 Documents have become mutilated, soiled, time barred or not obtained
- 3.21 Opinion report by the field officer for the borrowers not found on record
- 3.22 "Nil Encumbrance Certificate/s" or "No Dues Certificate/s" or "No Lien Letters" not obtained for the mortgage/s
- 3.23 Advances for vehicle loans, Registration certificate, transfer certificate, etc. not obtained
- 3.24 Work completion certificate, sale deeds, share certificates in societies, etc. not on record for housing loans
- 3.25 Documents are not duly attested/ signed by concerned officials/ not renewed
- 3.26 The agreements for hypothecation do not contain details regarding goods hypothecated
- 3.27 Copy of Bills/ receipts, on the basis of which the amount was disbursed not found on record. For example Vehicle Loans, Plant & Machinery
- 3.28 Charge on main &/or collateral securities not created in terms of sanction letter
- 3.29 Original security papers/sale deed/lease deed/ title deed/ agreement of sale not available on record
- 3.30 TDR are not discharged or renewed
- 3.31 Control returns not sent to the HO
- 3.32 The branch has not taken any action for non-compliance with terms of agreement
- 3.33 No documents executed for enhancement of limit/ document not on record
- 3.34 ECGC Post shipment policy not obtained
- 3.35 Credit facility released without execution of all necessary documents
- 3.36 Common Seal not affixed on Letter of Comfort
- 3.37 Confirm orders for export credit not found on record for facilities released
- 4. REVIEW/ MONITORING/ SUPERVISION**
  - 4.1 The account is frequently overdrawn
  - 4.2 The account is continuously overdrawn
  - 4.3 The account is overdrawn and the branches have not taken sufficient steps to regularise the accounts promptly
  - 4.4 The balance outstanding have exceeded the drawing power
  - 4.5 Balance confirmation and acknowledgment of debt not obtained
  - 4.6 The stock, book-debts statements not received regularly/ promptly
  - 4.7 The FFI/ financial statements/ audited statements/ FFR 1 & 2/ other operational data, etc, not received regularly/ promptly
  - 4.8 The stock, book-debts statements, etc, not scrutinised and no suitable action is taken
  - 4.9 The FFI/ financial statements/ audited statements/ FFR 1 & 2/ other operational data, etc, not received regularly/ promptly/ not scrutinised and no suitable action is taken
  - 4.10 Non-moving stock is not deducted to arrive at the drawing power
  - 4.11 The age-wise break-up of debtors is not found on record. The borrowers are allowed to draw money on entire outstanding debt, which must rather be for the recent debts as prescribed for particular industries and as per margin prescribed in the sanction letter
  - 4.12 Wide discrepancies observed in the stock statements and stock figures in the annual audited financial statements
  - 4.13 No penal interest has been charged for delay in submission of various statements as per the terms of agreement depending upon the type of loan/ credit availed by the borrower
  - 4.14 Many branches have not adhered to the prescribed frequency of physical verification of securities given against loans & advances
  - 4.15 Drawing power limits are not revised as per market value of shares for advances against security of shares
  - 4.16 End-use of funds not ensured/ not known funds utilised for purpose other than for which granted
  - 4.17 The projections submitted by the borrower stay far beyond the actual performance. Further, no explanation for the same is taken from the borrower
  - 4.18 Major sale proceeds of the borrower not routed through the Bank
  - 4.19 Audited statements of non-corporate borrowers having limit beyond Rs.10 lakh not received
  - 4.20 Renewal proposals of advances not received on time and in many cases the limits are not renewed
  - 4.21 Application of wrong rate of interest, processing charges, commission, other charges, etc. resulting in income leakage/ excess booking of interest of the Bank
  - 4.22 Insurance cover for stock/property is inadequate/ not on record/ not renewed/ not endorsed in favour of the Bank
  - 4.23 Inspection/physical verification of security charged, not been carried out
  - 4.24 Expired bills/foreign currency sight bills which are outstanding, have not been crystallized
  - 4.25 EBW statements on write-off of overdue export bills of ECM not found on record
  - 4.26 Confirmation as to genuineness of export transactions not obtained from Bank's foreign offices/ correspondents/customs department
  - 4.27 Import credit, bill of entry evidencing import of goods not found
  - 4.28 Documents are not obtained for bills discounted under Letter of Credit
  - 4.29 Advances, which are eligible for whole turnover packing credit guarantee cover of ECGC, are not brought under its cover
  - 4.30 Though government guaranteed accounts are irregular since long, the issue of invocation of guarantee does not seem to have been considered
  - 4.31 Prescribed margins not maintained as per sanctions 4.32 Allocated limits, full terms of sanctions, stock statements, inspection reports, margin, etc. not available at monitoring branches
  - 4.33 For allocated limits, inordinate delays were noticed in responding to transfer by the allocator branch
  - 4.34 Regular meetings not held with other consortium members to review the performance of borrowers and to assess the current state of affairs/ not been held as per norms



- 4.35 Individual members of the consortium are not advised about the quarterly operating limits/ D.P. allocated to each one of them
  - 4.36 Minutes of the consortium meetings not found on record/not been held as per norms
  - 4.37 Inspection report from the consortium members not obtained
  - 4.38 The capital of the borrower has eroded/ net worth is negative/ decreasing. Close monitoring needs to be done
  - 4.39 The drawing power is calculated wrongly and/or hence the borrower is allowed to enjoy excess credit than actually eligible
  - 4.40 Signboard of the bank is not displayed in godown, where the pledged/ hypothecated stock is stored
  - 4.41 Limit not fully utilised by the borrower/ No commitment charge is levied for the limit not fully utilised by the borrower
  - 4.42 Loan against TDR/STDR, which is matured, is neither renewed nor credited to loan account
  - 4.43 The Stock and Debtors Audit Report not found on record. No audit has been done for accounts of the borrower
  - 4.44 The valuation report in respect of tangible security from government approved valuer have not been obtained
  - 4.45 Guarantees, Opinion Reports Financial statements, IT assessment orders and etc. of the guarantor are not found on record
  - 4.46 Opinion report on guarantor is not obtained
  - 4.47 For Small Government Sponsored loan accounts, security cover could not be ascertained since neither any record was available at branch nor physical verification conducted by the branch
  - 4.48 Pre-sanctions and/or post-sanctions inspection reports were not on record
  - 4.49 The account was overdue for repayment and/or no credit was received from the borrower for a long time
  - 4.50 The borrower is absconding or deceased and legal formalities are incomplete and there is willful default from the borrower. Either establishment was closed or security was disposed of or no action taken by the branch
  - 4.51 Subsidy claim process was incomplete or subsidy was yet to be received or needs follow-up
  - 4.52 Security disposed of/ Entity closed by borrower and no action taken by the branch
  - 4.53 Irregularity not advised to controllers
  - 4.54 Letter of subordination of deposits not taken
  - 4.55 Secured and unsecured portion not segregated properly in advance return of the branch
  - 4.56 Renewal of limits was done before the receipt of financial statements
  - 4.57 Heavy cash withdrawal for which consent of corporate Guarantor is not taken
  - 4.58 Proper valuation of stock not done/needs critical scrutiny
  - 4.59 Security obtained is inadequate/lower as compared to amount of outstanding/no collateral security
  - 4.60 The party was dealing with other bank also though it was not permitted
  - 4.61 Sticky accounts require close follow-up by the management
- 5. BAD AND DOUBTFUL ADVANCES**
- 5.1 The IRAC norms for classification of advances were not followed and the same is implemented through Memorandum of Changes by auditors during audit
  - 5.2 Installments were not received from the borrowers
  - 5.3 Interest was not received from the borrowers
  - 5.4 Legal action for recovery of advances was not taken although authorised by the Board/ Controlling Authority
  - 5.5 Discontinuance of application of interest not followed although authorised by the Board/ Controlling Authority
  - 5.6 Government guarantees have expired and fresh guarantees not obtained/ not renewed
  - 5.7 Terms of the BIFR scheme not complied
  - 5.8 Payment from government not received although guarantees were unconditional, irrevocable and payable on demand
  - 5.9 Delays in the settlement/repayment in respect of sanctioned proposals
  - 5.10 The repayment accepted in case of compromise cases inadequate vis-à-vis value of security
  - 5.11 Compromise proposals pending at various levels where local government/ outside agencies are involved as guarantors
  - 5.12 Copy of Search Report not on record
  - 5.13 Decree awarded but no further steps taken for recovery
  - 5.14 DI&CGC claims submitted/ rejected/ pending data not available
  - 5.15 Irregular/ sticky advance not reported to the controlling authority promptly
  - 5.16 Compromise/ OTS proposal is recommended and is under negotiation since long but not finalised. Suit is filed in the court/ DRT and pending to be finalized
  - 5.17 ECGC claim not submitted/ lodged for recovery



## *Schedule of Programmes to be held during March-2017*

Sl. No.	Details	Date
1.	Women's Day Celebration	8 <sup>th</sup> March 2017
2.	Study Circle Meeting on Bank Audit	11 <sup>th</sup> March 2017
3.	Health Awareness Programme & Celebration of Holi	12 <sup>th</sup> March 2017
4.	Seminar on Bank Audit	18 <sup>th</sup> March 2017



## Bank Audit

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It is well known that Banking is such a unique industry that persons from all walk of life involved with Banks in any relations. To make its accountability various types of audits are carried in Banking Industries. May it be statutory audit, revenue/income expenditure audit, concurrent audit, computer & systems audit etc.

Today we will specifically emphasize on the statutory audit aspect of the Banks. The task performs by an auditor while conducting the audit of bank deposit and loans & advances. It explains the role played by different types of auditor, effect of Non-Performing Asset on the asset of a bank. The auditor needs to be familiarizing with the direction of RBI affecting the sanctioning and disbursement of advances. The auditing not only provide true & fair value but it also helps to strengthen the financial position and internal control system of bank.

### **Expectations of Various stakeholders from Statutory Branch Auditors of Bank:**

- (i) Bank Management: The do's and don'ts, reporting discipline, action on MOC and expected timelines for audit completion.
- (ii) Reserve Bank of India: Professional scepticism and affairs of banks are reported in an acceptable and reliable manner as stipulated.
- (iii) Various Statutory Authorities: The true & correctness of the Tax Audit, Service tax Audit etc.
- (iv) Shareholders of Banks: Financial health of the bank & issues which could have an impact on the operational profitability including frauds & incidence of NPA.
- (v) General Public: There are adequate checks & controls to put their hard earned monies as deposits in Banks.

### **Scope:**

- (i) Certification of Balance Sheet
- (ii) Certification of Profit & Loss Account
- (iii) Certification of NPA Returns
- (iv) Certification of Various Returns & Statements

### **Reports & Certifications:**

- (i) Regular Audit Report
- (ii) Long Form Audit Report(LFAR)
- (iii) Tax Audit Report
- (iv) Various certificates such as IRAC Norms, Capital Adequacy, Ghosh & Jilani Committee Certificates etc.

### **Special Attention:**

- (i) Verification of Balance Sheet and Profit & Loss Account

- (ii) Verification of all closing returns with the ledgers and registers
- (iii) Verification of all large advances granted during the year
- (iv) Verification of all large NPA advances

### **Documentations:**

- (i) Audit Plan
- (ii) Audit Programmes
- (iii) Checklists for LFAR, Advances, NPA verification, Tax Audit, Certifications, etc.
- (iv) Analysis: Ratio analysis, Interest variations, LFAR excess cash carrying, suspense items, etc.
- (v) Letter of Representation – TDS, Frauds, etc.
- (vi) Correspondence (including e-mails) regarding significant matters.

We will emphasize the special aspects for detailed analysis of the Statutory Audit of banks hereunder:

### **Audit of Advances:**

Today, the various types of loans and advances are available to the borrowers. The variety is so large that the choice available to borrowers has become difficult for bankers to manage and auditors find it challenging while carrying out audit of Advances.

'Advance' is a major item on the Asset side of the Balance Sheet. The real meaning of Advance is lending money temporarily with an understanding to be returned/repaid within a period with interest. The utilization of funds must be for business purpose only and repayment of the same has to be timely with interest. Needless to say, the progress in business is expected. The auditors should see very carefully the composition of business of the branch as well as composition of various types of advances.

**Types of Advances:** Overdraft, Cash Credit, Term Loan, Project Finance, Bills Purchased, Bills Discounted, Bank Guarantee, Letter of Credit, Packing Credit, Debit/ Credit Cards, etc.

**Process of Advances:** Proposal, Verification, Sanction, Documentation, Disbursement, Monitoring, Review, Renewal, Supervision, Follow up, End user.

**Common Areas of Checking:** Documentation, Operations, security, Authority, Financial viability, WC calculation, Branch Managers powers, etc.

**Common Documentation:** Application Form (Pre-sanction scrutiny & Appraisal visit), Demand promissory note, General lien and set off, Deed of hypothecation, Deed of Guarantee, Audit Financial Statements/ IT

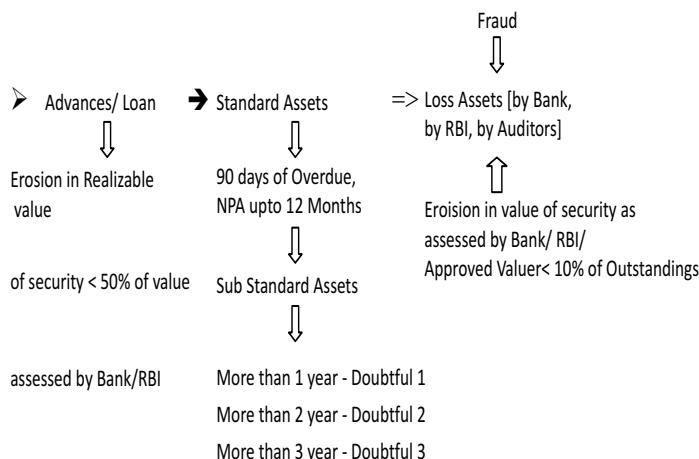




returns for last three years full details (All schedule & All assets),  
Resolutions in case of companies/ Partnership deed, etc.

Operational Checks: Valuation of securities - Diversion of Funds - End use  
- Existence of Accounts with other Banks - Non-review - Nonrenewal.

## PROCESS & CLASSIFICATION OF ADVANCES:



## Flow of Identification, Classification and Provisioning of NPA:

- Take the list of Advances and find out the major Borrowers
- Analyse Facility Industry wise, Scheme wise and Restructured Borrowings.
- Check the File, Security and A/c operations
- Verify the irregularities, Defaults/ Window Dressing
- Identify NPA, see upgrade/ downgrade & compare with the previous year
- Then classify and confirm with the Branch Manager
- If classified earlier, Confirm and if not, Pass MOC and Reverse Interest/ Charges through MOC.

## AUDIT APPROACH IN A CBS ENVIRONMENT:

- With the advent of Core Banking Solutions (CBS), banking operations have migrated from a quasi computerized environment to totally computerized environment.
- The computer processors have taken over data processing, tallying accounts and extracting reports. Only data feeding, authorization and accounts creation is done manually.
- CBS has added a new dimension by which all branches are networked to a common server and common software across the country.
- In a CBS environment, the branch is only provided hardware and limited access to the commonly shared software on a need to know basis.
- All the data & software reside at a centrally located remote data centre controlled by data administrators. The branch confines itself to creating manual documents capturing data required for input into software, internal authorization, initiating BOD operations, EOD operations, reviewing reports for control and error correction.
- All data processing, storage, backup, report generation, inter branch account reconciliation are done centrally.
- The changing technology has brought into focus the need for a new approach to audit of areas where processing is done through computers. Branch auditors' role is now divided between checking manual documents which is the basis for input into the system and software related checks.
- There should be specific Access and Data Security Measures, Backup and Off site storages and Disaster Recovery plan in the CBS environment.

## *Programmes held during January & February - 2017*

Sl. No.	Details	Date
1.	Seminar on GST	20 <sup>th</sup> -21 <sup>st</sup> January 2017
2.	Picnic	22 <sup>nd</sup> January 2017
3.	Live Telecast on Union Budget 2017	1 <sup>st</sup> February 2017
4.	Saraswatipuja	1 <sup>st</sup> February 2017
5.	Faculty Training Programme	11 <sup>th</sup> February 2017
6.	Seminar on Union Budget 2017	18 <sup>th</sup> February 2017
7.	Industrial Visit for CA Students	20 <sup>th</sup> February 2017
8.	Orientation Programme for Newly Qualified Cas	21 <sup>st</sup> February 2017
9.	Campus Placement programme for Newly Qualified Cas	22 <sup>nd</sup> -23 <sup>rd</sup> February 2017



## Recent Amendment in Income Tax for Individual

**CA. Ranjan Kumar Prusty**

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### Tax rates for individual for assessment year 2018-19

INCOME	TAX RATE
UP TO RS. 2,50,000/-	NIL
FROM RS. 2,50,001/- TO RS. 5,00,000/-	5%
FROM RS. 5,00,001/- TO RS. 10,00,000/-	20%
FROM RS. 10,00,001/-	30%

- For Senior Citizens Basic Exemption Limit is Rs. 3,00,000/- & for Super Senior Citizen Basic Exemption Limit is Rs. 5,00,000/-
- Relief u/s 87A up to Rs. 2,500 for resident individuals having total income of up to Rs. 3,50,000
- Surcharge: 10% if total income exceeds Rs. 50 lacs and 15% if total income exceeds Rs. 1 Crore

### EARLY WITHDRAWAL FROM NPS WILL BE TAX FREE UPTO 25%:

- An NPS subscriber can withdraw 25% of his contribution to the corpus for emergencies before retirement WITHOUT ANY TAX.
- AFTER RETIREMENT 40% OF THE AMOUNT WITHDRAWN SHALL BE TAX FREE.
- salaried NPS subscribers can contribute up to 10% of their income to NPS as own contribution and another 10% as employer's contribution.
- Now, self-employed individuals are eligible for deduction up to 20% of gross total income for contribution made to NPS. PREVIOUSLY the self employed were allowed to contribute only 10% of their income.

### Fee for delayed filing of return (Sec 234F):

- If return is not filed within due dates u/s 139(1)
  - (i) a fee of 5000/- shall be payable, if the return is furnished after the due date but on or before the 31st day of December of the assessment year;
  - (ii) a fee of 10,000/- shall be payable in any other case.
- However, in a case where the total income does not exceed five lakh rupees, it is proposed that the fee amount shall not exceed Rs.1,000/-.

### Measures for Restriction on cash transaction (269 st):

- It is proposed to provide that no person shall receive an amount of three lakh rupees or more,-
  - (a) in aggregate from a person in a day;
  - (b) in respect of a single transaction; or
  - (c) in respect of transactions relating to one event or

occasion from a person,

otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.

- It is further proposed that the said restriction shall not apply to :
  - ia) Government,
  - ib) any banking company, post office savings bank or co-operative bank
  - ii) Transactions of nature referred in Section 269SS
  - iii) Persons or class of persons central govt may notify.

### Restriction on cash transactions (271DA):

- It is proposed to impose a penalty of sum equal to the amount received in contravention of Sec. 269ST.
- The penalty shall be levied by Joint commissioner.
- However the penalty shall not be levied if the assessee proves that there was good and sufficient reasons for such contravention.
- However proviso was not required if 271DA referred u/s 273B.

### Measures to discourage cash transactions (40A (3A)):

- It is proposed that any expenditure in respect of which payment or aggregate of payments made to a person in a day exceeds Rs.10,000 shall not be allowed as deduction
- Expenditure exceeding Rs. 10,000 incurred in a particular year but the payment is made in any subsequent year otherwise than by an account payee cheque drawn on a bank or account payee bank draft shall be deemed to be income under Profit & gains from Business or profession.
- Thus the threshold of cash payments to a person in a day has been reduced from Rs 20000 to Rs 10000.

### Disallowance of capital expenditure u/s 35AD on cash payment (35AD):

- Any expenditure in respect of which payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, no deduction shall be allowed in respect of such expenditure. (Previously no such disallowance if eligible expenditure was incurred in cash)

### Disallowance of depreciation u/s 32 (Sec 43 (1)):

- Expenditure incurred for acquisition of any asset in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, such expenditure shall be ignored for the purposes of



determination of actual cost of such asset.

## **Measures for promoting digital payments in case of small unorganized businesses (44AD):**

- It is proposed to reduce the existing rate of deemed total income of 8 per cent to 6 per cent in respect of the amount of such total turnover or gross receipts Received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year
- Thus, there will be dual tax rates of 8% in respect of turnover received in cash and tax rate of 6% in respect of turnover received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.

## **Change in period of Holding in case of Immovable property (Sec 2 (42A):**

- Period of holding has been reduced from 36 months to 24 months for calculation of LTCG in case of Immovable property being land or building or both.

## **TDS on Payment of rent by individuals or HUF (194 – IB):**

- Individual and HUF (Not liable for Tax Audit) will be liable to deduct TDS on Rent Payment in excess of Rs.50,000/- per month or part of a month @ 5%.
- Assessee need not to apply for TAN in this case.
- In case landlord doesn't provide his PAN number, then TDS @ 20% is required to be deducted.

## **threshold limit for maintenance of books of accounts ( Sec 44AA(2) ):**

- As per clause (i) income from Business or Profession, threshold limit increased from 1.2 Lacs to Rs. 2.5 Lacs
- As per clause (ii) Total Sales or Turnover or Gross Receipts from Business or Profession threshold limit increased from Rs. 10 Lacs to Rs. 25 Lacs rupees.

## **Exclusion of certain specified person from requirement of audit of accounts u/s 44AB:**

- The Clarification issued by CBDT vide Press Release dated 20-06-2016 "Threshold Limit of tax audit under section 44AB and section 44AD" is proposed to be enacted in the law as Proviso to Section 44AB that an eligible person is not required to get its books of accounts audited u/s 44AB, who opts for presumptive scheme u/s 44AD and the total sales, total

turnover or gross receipts, as the case may be, in business does not exceed Rs. 2 crore in such previous year.

## **Advance Tax under presumptive taxation (Sec 211)**

- An assessee who declares profits and gains in accordance with the provisions of sub-section (1) of section 44AD & sub-section (1) of section 44ADA shall also be liable to pay Advance Tax in one installment on or before 15<sup>th</sup> of March.
- For assessee referred in section 44AD(1) and 44ADA(1), interest under the said section shall be levied, if the advance tax paid on or before the 15th March is less than the tax due on the returned income. (Sec 234C(1) Clause (d) )

## **Interest on refund due to deductor (Sec 244A(1B) ):**

- Where refund of any amount becomes due to the deductor in respect of any amount paid to the credit of the Central Government under Chapter XVII-B, such deductor shall be entitled to receive, in addition to the said amount, simple interest thereon at the rate of one-half per cent for every month or part of a month from the date on which claim for refund is made or in case order passed in appeal, from the date on which tax is paid, to the date on which refund is granted.
- Interest shall not be allowed for the period of delay in proceedings is attributable to the deductor.

## **Transparency In Electoral Funding (Sec 13A):**

- It is proposed that the political parties have to fulfill the following additional conditions to avail the benefit of Section 13A
- a) Parties will not receive donation of amount of Rs.2000 or more otherwise through by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bonds
- b) Party furnishes a return of income within the due date u/s 139(1)
- Further, in order to address the concern of anonymity of the donors, it is proposed to amend the said section to provide that the political parties shall not be required to furnish the name and address of the donors who contribute by way of electoral bonds.
- Previously the political parties to avail benefits of Section 13, were not debarred from accepting donations in cash and could even avail the exemption even if the return was not filed.

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## Info....

☞ **Quality Review Board established by Ministry of Corporate Affairs, Government of India, under the Chartered Accountants Act, 1949**

☞ **The Report on Audit Quality Review (2015-16) is available at the following link of the Quality Review Board Website: <http://www.qrbca.in/wp-content/uploads/2016/12/qrb34134.pdf>**





## Glimpses



Seminar on Goods & Services TAX (GST)



Live Telecast of Union Budget-2017



Seminar on Union Budget - 2017



Faculty Development Programme for the Faculties of  
GMCS & Orientation Course



Orientation Programme for  
Newly Qualified Chartered Accountants



Republic Day Celebration



Offering prayer on Saraswati Puja



Picnic - 2017



## Statutory Compliance Calendar




### CA. Rakesh Gupta


ICAI Membership No. 302558

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Statutory Compliance Chart – March 2017		
DATE	ACT	COMPLIANCE REQUIRED
6	EXCISE / SERVICE TAX	DUTY REMITTANCE – CORPORATES FOR FEBRUARY 2017
	EXCISE / SERVICE TAX	DUTY REMITTANCE – NON – CORPORATES FOR FEBRUARY 2017
7	INCOME TAX	TDS/TCS REMITTANCE FOR FEBRUARY 2017
10	EXCISE	EXCISE RETURNS – MANUFACTURERS AND NON SSI FOR FEBRUARY 2017
	EXCISE	EXCISE RETURNS – SSI, ASSESSEES PAYING 1% / 2% EXCISE FOR FEBRUARY 2017
15	EPF	REMITTANCE OF EPF FOR FEBRUARY 2017
	INCOME TAX	FOURTH INSTALLMENT OF THE ADVANCE TAX FOR THE AY 2017-18 AND ALSO WHOLE AMOUNT IN CASE OF ASSESSES COVERED UNDER SECTION 44AD.
	INCOME TAX	DUE DATE FOR FURNISHING FORM 24G BY GOVT OFFICE WHERE TDS FOR FEB 2017 HAS BEEN PAID WITHOUT PRODUCTION OF CHALLAN
17	INCOME TAX	DUE DATE FOR FURNISHING CHALLAN CUM STATEMENT IN RESPECTR OF TDS U/S 194IA IN THE MONTH OF JANUARY 2017.
21	CST/ODISHA VAT	REMITTANCE OF VAT/CST – ELECTRONIC AND RETURN FILING.
	ESI	REMITTANCE OF ESI AND MONTHLY RETURN FOR FEBRUARY 2017
25	EPF	EPF MONTHLY RETURN FILING FOR FEBRUARY 2017
30	INCOME TAX	DUE DATE OF FURNISHING CHALLAN CUM STATEMENT IN RESPECT OF TDS U/S 194 IA FOR FEB 2017
31	INCOME TAX	DUE DATE FOR PAYMENT OF SECOND INSTALLMENT UNDER IDS 2016.
	INCOME TAX	LAST DATE FOR DECLARATION OF UNDISCLOSED INCOME UNDER PRADHAN MANTRI GARIB KALYAN YOJANA 2016.
	PROFESSIONAL TAX	PROFESSIONAL TAX PAYMENT AND RETURN FOR THE YEAR ENDING 2016-17
	EXCISE	DUE DATE FOR PAYMENTS OF CENTRAL EXCISE DUTY FOR ALL ASSESSEE OTHER THAN SSI UNITS FOR MARCH, 2017
	EXCISE	DUE DATE FOR PAYMENTS OF CENTRAL EXCISE DUTY FOR SSI UNITS IN RESPECT OF GOODS CLEARED DURING JANUARY 2017 TO MARCH, 2017
	SERVICE TAX	DUE DATE FOR PAYMENT OF SERVICE TAX BY COMPANY FOR THE MONTH OF MARCH, 2017
	SERVICE TAX	DUE DATE FOR PAYMENT OF SERVICE TAX BY OTHER THAN COMPANY FOR THE QUARTER ENDING JANUARY 2017 TO MARCH, 2017
Note: Due dates for statutory compliance shall be the immediate succeeding working day in case of public / banking holidays.		

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