



INCOME TAX

Introduction of Presumptive Taxation:

To reduce the burden of small business taxpayers from various tax compliances, Income Tax Act, 1961 has introduced a Simplified Taxation System, widely known as "Presumptive Taxation".

What is Presumptive Taxation?

- Under Presumptive Taxation, the Income of the Assessee is computed on presumptive basis i.e. at prescribed percentage of the Gross Receipts and all the expenditure incurred by the Assesse related to business are presumed to be claimed.
- Thus, the Presumed/Estimated Income is taxed at Normal rates.
- It is especially designed for small business taxpayers to provide relief from maintenance of books of accounts and from audit under the provisions of income tax act, 1961 so that they can file their Income Tax-Return and pay their taxes hassle free.

A New Section under Presumptive Taxation as per Income Tax Act, 1961 has been introduced in the

Budget-2016 i.e. Section 44ADA (Special provision for computing profits and gains of profession on presumptive basis), w.e.f Assessment year 2017-18. The main aim of this section is to simplify the tax compliance of Professionals particularly small professionals so that it facilitates ease and efficiency in carrying out their professional obligations.

Eligibility under Section 44ADA of Income tax act, 1961:

- An Assessee, being a Resident in India, who is engaged in a Profession referred to in sub-section (1) of section 44AA of Income Tax Act, 1961.

Professions referred to Section 44AA(1) of Income Tax Act, 1961 are as follows:

- 1) Legal
- 2) Medical
- 3) Engineering or architectural
- 4) Accountancy
- 5) Technical consultancy
- 6) Interior decoration
- 7) Any other profession as notified by CBDT

Till now CBDT had notified the following professions only, are:

- Film artist
- Company Secretary (CS)
- Information Technology
- Authorized Representative
- Whose total Gross receipts do not exceed Rs. 50,00,000 in a previous year.
(Gross receipts mean: the receipts received from client which is including of any tax, duty, cess.)

Continued

EDITORS NOTE

Dear Reader, this edition features of Presumptive Taxation, Foreign Portfolio Investor, GST for Financial Services. Since we are stepping in 3rd year of SV Insight we are eagerly expecting your valuable suggestions.

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TAX DUE DATES - JUNE 2018

Monthly Compliances

Sl. No	Particulars	Due Dates
1.	TDS/TCS Remittance for the month of May 2018.	07-June-2018
2.	GSTR-1 for the month of May 2018 (if Turnover more than 1.5 crores)	10-June-2018
3.	Issue of TDS Certificate for tax deducted under Section 194-IA /194 IB in the month of April 2018.	14-June-2018
4.	PF/ESIC Payment for the month of May 2018	15-June-2018
5.	GSTR-3B, for the month of May 2018	20-June-2018
6.	Filing of PF return for the month of May 2018	20-June-2018
7.	TDS on Immovable property for May 2018	30-June-2018
8.	TDS on rent payment for May 2018	30-June-2018

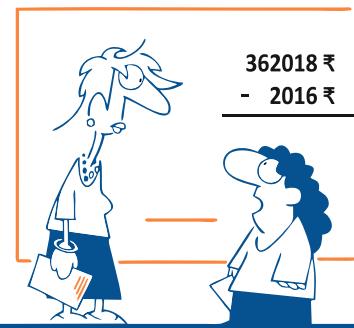
Quarterly Compliances

Sl. No	Particulars	Due Dates
1.	First instalment of advance tax for the AY 2019-20	15-June-2018
2.	TDS certificates (in respect of tax deducted for payments other than salary) for the quarter ending March 31, 2018	15-June-2018

Other Compliances

Sl. No	Particulars	Due Dates
1.	TRAN 2 June to December 2017	30-June-2018
2.	Return in respect of securities transaction tax for the financial year 2017-18	30-June-2018
3.	TDS certificate for salary for financial year 2017-18	15-June-2018
4.	CBDT extended deadline for the PAN-AADHAAR linking	30-June-2018

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"Do you want my answer in school math,
government math or corporate math?"



Computation of Income Under the head PGBP u/s 44ADA of Income tax act, 1961:

- A sum equal to 50% or higher than 50% of the total gross receipts of the assessee in the previous year on account of such profession, shall be deemed to be the profits and gains of such profession chargeable to tax under the head "PGBP".
- Any deduction allowable under the provisions of sections 30 to 38 shall, for the purposes of section 44ADA(1), be deemed to have been already given full effect to and no further deduction under those sections shall be allowed.
- The written down value of any asset used for the purposes of profession shall be deemed to have been calculated as if the assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.
- Notwithstanding anything contained in the foregoing provisions of this section, an Assessee who claims that
 - his profits and gains from the profession are lower than the profits and gains specified in Sec 44ADA(1) and
 - whose total income exceeds the maximum amount which is not chargeable to income-
- shall be required to keep and maintain such books of account and other documents as required under sub-section (1) of section 44AA and get them audited and furnish a report of such audit as required under section 44AB.

Benefits availed by Assessee u/s 44ADA of Income tax act, 1961:

- Assessee can opt out of the scheme at any Assessment Year.
- No need to maintain books of Accounts, if conditions satisfied as per section 44ADA.
- No need to get books audited, if conditions satisfied as per section 44ADA.
- Dis-allowances under section 37, 40, 40A, 43B are not applicable
- Any person opting for the presumptive taxation scheme under section 44ADA is liable to pay whole amount of advance tax on or before 15th March of the previous year. If he fails to pay the advance tax by 15th March of previous year, he shall be liable to pay interest as per section 234C.

Filing of Return of Income:

Any person opting for the Presumptive Taxation under section 44ADA is liable to file his IT Return in "ITR-4".

Due date for Filing of Return:

Any person opting for the Presumptive Taxation under section 44ADA is liable to file his Income Tax Return on or before 31st July of the respective Assessment Year.

Changes in ITR-4 for the Asst. Yr. 2018-19:

Earlier Taxpayers opting for presumptive taxation scheme under section 44ADA were not required to maintain books of account and the old ITR 4 sought only 4 financial particulars of the business,

- Total Creditors,
- Total Debtors,
- Total stock-in-trade and
- Cash Balance

But, the new ITR-4 form seeks more financial details of Business such as

- Amount of Secured/Unsecured Loans
- Amount of Secured/Unsecured Advances
- Fixed Assets
- Capital Account etc.

Further new ITR-4 seeks

- GSTIN of the assessee, and
- Turn over as per GST returns filed by him



This additional information has been sought to end the wrong practice of reporting different turnovers in erstwhile Sales Tax Return and Income-Tax Return. If any difference is found in turnover reported in GST Return and ITR, Assessee can expect a notice from the Department to explain the mismatch in turnover.

Conclusion: If a Profession specified u/s 44AA of Income Tax Act, 1961 want to get relieved from the duty of maintaining books of accounts and also from Tax audit as per the Income Tax Act, 1961, whose gross receipts from such profession does not exceed Rs. 50,00,000 can opt under section 44ADA of Income Tax Act, 1961.

FEMA

I - Investment by Foreign Portfolio Investors (FPI) in Debt – Review

Framework for Foreign Portfolio Investors in Debt was announced on 1st May, 2018 and would be applicable with immediate effect. In this regard, AP (DIR Series) Circular No. 24 dated April 27, 2018, affecting operational aspects of FPI investments in debt was notified. The contents of the notification are as follows:

- A. Revision of minimum residual maturity requirement in any category:
 - Investment in Central Government securities (G-secs), State Development Loans (SDLs), Corporate Bonds and Treasury bills issued by the Central Government with residual maturity below one year by an FPI under either category shall not exceed 20% of the total investment of that FPI in that category at any point of time.
 - All securities with residual maturity of less than one year will be reckoned for the 20% limit, regardless of the maturity of the security at the time of purchase by the FPI.
 - In case of investments as on 02nd May, 2018 (beginning of day), more than 20% of total investment in any category of securities with less than one-year residual maturity, the FPI shall bring such share below 20% within a period of six months from the date of said circular.
 - However, the FPI shall ensure that no further additions are made to the portfolio of securities with residual maturity of less than one year as on 02nd May, 2018 (beginning of day) either through fresh purchases or through roll-down of investments with current tenor of more than one year, until the share of such portfolio of securities falls below 20% of the total investment in that category.
- B. Single/Group investor-wise limit: The term “related FPIs” as per the circular refers to all FPIs registered by a non-resident entity. Illustratively, if a non-resident entity has set up five funds, each registered as an FPI for investment in debt, total investment by the five FPIs will be considered for application of limits and concentration.
- C. Concentration limit: The term “related entities” shall have the same meaning as defined in section 2(76) of the Companies Act, 2013. A newly registered FPI would mean FPIs registered after April 27, 2018.
- D. Implementation: The implementation date of online monitoring of utilization of G-sec limits has been set as June 1, 2018. The existing process for monitoring of limits as well as allocation of limit through auction mechanism will continue in the meantime.

II - External Commercial Borrowings (ECB) Policy – Rationalization and Liberalization

I. Corporates and other entities planning to avail ECB to meet their capital needs have been approaching RBI for relaxations in the existing ECB framework. In response to the requests received and experience gained in administering the ECB regime, it has been decided, in consultation with the Government of India, to further rationalize and liberalize the ECB guidelines as under:

- A. Rationalization of all-in-cost for ECB under all tracks and Rupee denominated bonds (RDBs)
- B. Revisiting ECB Liability to Equity Ratio provisions
- C. Expansion of Eligible Borrowers' list for the purpose of ECB
- D. Rationalization of end-use provisions for ECBs All other provisions of the ECB Policy shall remain unchanged



III - Introduction of Single Master Form for Reporting of Foreign Direct Investment (FDI) in India

- As per the Press Release: 2017-2018/2642 dated 5th April, 2018 by Statement of Developmental and Regulatory Policies, expecting a major change in Reporting of FDI.
- FDI in India is made on repatriable basis by non-residents through eligible instruments such as Equity Shares, Compulsory Convertible Preference shares, Compulsorily Convertible Debentures, Share Warrants etc., issued by the investee company or by contributing to the capital of a Limited Liability Partnership (LLP).
- At present, the reporting of the above transactions is resulting in a disintegrated manner across various platforms/modes. The Reserve Bank plans to introduce an online reporting by June 30, 2018 via a Single Master Form which would subsume all reporting requirements, irrespective of the instrument through which the FDI is made.

GST Applicability on Financial services

GST Applies to:

- Exit load charges by mutual funds
- Additional interest charged for default in payment of loan instalments
- Late payment charges levied by credit card companies.
- The following are applicable ,if it entailing the actual delivery of commodities
 - Securitisation
 - Future contracts
 - Derivatives
 - Forward contract in commodities.

GST not applies to:

- Banks ,ATMS will not constitute place of business and will not trigger GST registration

General points to GST applicability:

- In case services provided by multiple branches to a customer, the branch where the account is opened will pay GST and other branches will be deemed to provide services to the main branch.
 - In case of import of gold integrated GST will apply once on import and not again when it is appropriated by banks
 - Services provided by banks to the RBI will be taxable as these are not covered by any of the exemptions or excluded from the purview of GST.
 - However, the repo rate* or reverse repo rate* are exempt from GST.
- Repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds. Repo rate is used by monetary authorities to control inflation.
 - Reverse Repo rate is the rate at which RBI borrows money from the commercial banks. The increase in the Repo rate will increase the cost of borrowing and lending of the banks which will discourage the public to borrow money and will encourage them to deposit.

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email:sarathyvasuca@gmail.com

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Sarathy and Vasu LLP, Chartered Accountants, No.3, First Floor, Sriman Srinivasan Road, Alwarpet, Chennai 600018 - email: sarathyvasuca@gmail.com