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- II chapter, Katha Upanishad*



1. Message from Chairman
2. Events Erstwhile
3. Shout Out
4. Members Articles
5. Case Corner
6. Gallery
7. Food for Thought
8. Editorial Team



Write to us at  
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Feedback & suggestions  
eagerly awaited.

**E Newsletter,  
Mysore Branch of SIRC of ICAI  
December 2017, Edition 18**



Message from  
Chairman

Dear Members& Students,

Wish you all a very Cozy Winter season!!

The Moody's rating upgrade (**first in the past 14 years**) of India's rating from Baa3 to Baa2 (**from stable to positive**) came as a short in the arm for NDA's economic reform that has faced a lot of criticism within the country , especially from the political adversaries.

Another short in the Arm came from the GDP growth rate for the second quarter ended 30<sup>th</sup> September, which was higher at 6.3 % stopping the slide during the past 5 consecutive quarters!!

These, together with the report of the World Bank released earlier, on Ease of Doing business, ranking India amongst the top 100 countries couldn't have come at a better time! While the impact of both Demonetization and GST implementation haven't been realized in full measure, it is expected that India's ranking would improve significantly from 100 in the next year's report, even if the targeted 50 isn't achieved.

There is however a great concern in respect of the fiscal deficit, which for the period ended April-October 2017, stood at 96% of the full year's target. However this is almost the same as it stood at end of August, clearly indicating that the Finance Ministry after front loading the expenditure has reined in these to achieve the targeted fiscal deficit for the full year @ 3.2% of the GDP. But it remains to be seen how these pan out going forward when the impact of both Demonetization and the GST implementation fructify in full measure!

The two Watershed initiatives of the NDA Government have continued to attract sharp focus both for Economic and Political reasons!! With the elections to the State Assemblies in Himachal Pradesh and Gujrat having been announced, the opposition parties would only go with their guns blazing at the BJP to prevent them from usurping power at HP and unseating them from Gujrat!

There has been a spate of extensions for filing of the GST Return R2 which is now extended until end of March 2018 as it now appears that the GSTN portal Architecture and the database haven't been structured adequately to handle the enormity of the load by the Developers.!! The opening up of GSTR2 especially would give the impetus needed for GST tax system to catch on successfully and in bringing down prices and thereby controlling inflation.

Your Branch lost one of its senior member late CA. M Venkata Naidu and at a Condolence meeting on 18th November Past Chairman CA A Achutha and other members paid their respects to the departed Soul and recollected the legendary life he had lead!

Your Branch launched the next batches an ITTP and Orientation programmes during the month of November, and concluded them too.

November brought cheers to some of our members who qualified at the Virtual GST Course Exam held in the month of August and 27 out of 47 who took the exam cleared it. Hearty Congratulations to all those who cleared the exam and best of luck to those who couldn't, at the next attempt.

The CPT exam is due this month and will be at the new venue "Sri. K Puttaswamy First Grade College (inside the VVCE Campus)", Let us all wish the students giving both the IPCC and the Final exams all the very best.

We invite many more interesting articles from the members and students. Your **feedback** to [enews.camysore@gmail.com](mailto:enews.camysore@gmail.com) would help us in improving further the contents and utility of this E Newsletter to our members & students. **Any suggestions for naming our newsletter would also be welcome!**

Regards,



**CA C.K. Sabareeshan**

Chairman

Mysore Branch of SIRC of ICAI

## Events Erstwhile

## Activities held in the month of November 2017

15.11.2017	6th Orientation Programme started with 53 nos. of CA Students at Branch Premises
16.11.2017	56th ITTP Batch started with 36 Students
18.11.2017	Condolence Meeting of Late Sri. M.V. Naidu, Chartered Accountant, Mysore held at Branch Premises, Bogadi, Mysore at 3.30 pm
18.11.2017	CPE Seminar on "Risks under New Regime Taxation" held at Branch Premises, Bogadi, Mysore Speaker - CA B.S. Ravi Kumar, Past Chairman, Mysore Timings - 5pm to 7pm CPE Hrs - 3
22.11.2017	CPE Seminar on "Recent Changes in GST" held at Branch Premises, Bogadi, Mysore Speaker - Sri. H.V. Krishnan, Superintendent of C.G.S.T., Mysore Timings - 5pm to 7pm CPE - 2 Hrs.



A big shout to our **diplomats**, since the multilateral export control regime Wassenaar Arrangement (WA) on 7<sup>th</sup> Dec 2017 decided to admit India as its new member, a move that is expected raise New Delhi's stature in the field of non-proliferation and help it acquire critical technologies. The decision follows discussions at the meeting of the grouping in Vienna.



## A RICH CA WITH NIL BALANCE SHEET!

-CA. S. Achutha

Past Chairman

Mysore Branch of SIRC of ICAI

**Late Sri M.V. Naidu** was a legendary CA known for his simplicity and conviction. We call River Saraswathi a “Gupta Gaamini” because, we neither know her origin, trial nor her destiny. Similarly Sri M.V. Naidu was a Chartered Accountant by profession but, an agriculturist by passion.

He inherited 20 Acres of dry agricultural land from his father Sri. Laxmanappa after his death in 1978. Two years later he added 120Acres of agricultural land to it, making his land holding to 140 Acres, a single plot at “Rama Puram Kottalla” just 30 Kms away from Bellary in Karnataka or Guntakal in Andhra Pradesh.

For optimal yield, he had adopted table cultivation & got two ground wells constructed, one at the top & the other at the bottom of the topography, to effectively circulate the limited water supply from river Tungabhadra. In 1994 itself he used to hire helicopters to sprinkle pesticides. Rich cotton & Chilli harvest was his reward. The villagers fondly called this revolutionary man as “Mysuru Naidu”.

He was born on 1<sup>st</sup> Jan 1925. He did his Articleship with M/S Brahmaiah & Co., and got qualified as a Chartered accountant in 1959. He came to Mysuru in 1960, joined K.R. Mills and worked there for few years as a Finance officer.

He started his Independent practice in 1969. He became a partner of M/S Brahmaiah & Co., later in 1974 he also served M/S Shantha Murthy & Co., as a partner. Canara Bank, Vikrant Tires Ltd, Paandavapura Sahakari Sakkare Kaarkhane etc., are the major audits he did in his early days. The uniqueness of his practice was, he had no assets in his name except, an old Lambreta Scooter! Instead made his children rich with all asset he possessed.

He was admitted to hospital only twice in his life time of 93 years, so was a Vajra Kaya. He was happily married to Smt. Kamamma a successful home maker, blessed with three sons, Sri Venkataram, Sri Tirumala Babu, Sri Rajgopal & a daughter Smt. Jayashree fondly known as Usha, who is married to CA. K. Mohan Rao. Half a dozen grandchildren call him “Thaatha”.

As per his last wish he was cremated at his farm land at Ramapuram Kottalla. A bus shelter is being built there to remember him. “Mysore Naidu” is only a memory now.



## What's your Sanskaar?

-CA Roopa Venkatesh

We use the word Culture and Sanskaar interchangeably, like synonyms, translations. Don't use the word culture. Use the word sanskaar. And see how the organization responds. The two words, rather spontaneously, evoke very different reactions amongst Indians who straddle the modern and traditional worlds continuously.

When we use the word culture, we immediately have images of cultural programmes held in schools and at associations where children do folk dance and sing classical songs. It's all about performance of some traditional art form. But is that all culture is? A performance meant to entertain us during festivals? Something nostalgic and quaint, far removed from the daily grind of the workplace? It is at best an ornament, good to have, not essential.

When we use the word sanskaar, the reaction is rather different. For sanskaar refers to upbringing in India. It is the Key Performance Indicator of parenting to most Indians. It is an indicator of family values. It shows how civilized and cultured we are.

The word sanskaar is a wordplay typical of Sanskrit. It is a combination of three roots: First: Saras, which means fluid. Second: Sama, which means cyclical or closed loop. Third: ka, which means questioning, an indicator of humanity as well as divinity in the Vedas. Sanskara is then how the human mind makes sense of this cyclical world of birth and death, which we all inhabit. It is an indicator of the value placed on human existence by the family one belongs to. Every organization needs sanskaar to show the world whether it is connected to society at large and to the environment as a whole.

In India, sanskaar is created by simply following rites of passage, also called sanskaar. In other words, both the means to create culture and culture itself mean the same thing. Typical sanskaras are: marriage, childbirth, piercing the child's ear, tonsure of the child's hair, the first eating of solid food, first day at school, and finally, death. Sanskaras are also linked to how festivals are celebrated, how food is served, how the house is kept, how daughters, sons, elders, guests, servants, strangers and enemies are treated. Most rituals, like all rituals, have symbolic meaning.

The action needs to be performed, but what is key to the ritual performance is the underlying emotion of the action – the bhaav. Ritual with bhaav is advised. Ritual without bhaav is tolerated. Bhaav without ritual is unperceivable or abstract.

Modern management ignores bhaav as that cannot be measured. It focuses on rules (niti) and tradition (riti). In this approach, culture becomes not an expression of ideas but a rigid code of conduct that the modern man has to revolt against in order to be free. At best it becomes something to turn to nostalgically. And it is this approach to culture that is increasingly becoming popular. This is also the reason, why people rebel against the old “culture” and not understand the value of “sanskaar”.

In the Puranas, Shiva is unable to appreciate the sanskaar of his father-in-law Daksha for Shiva values emotions more than rituals while Daksha values rituals over emotion. The confrontation is violent.

Culture is an outcome of any human interaction. There cannot be an organization without culture. There are levels of human culture of course in the Puranas.

- The default culture (Level 0) is the animal culture where natural instincts (prakriti) is indulged, where might is right, where domination and conflict thrive and it is all about packs and herds and grabbing nourishment and security. This is seen in organizations where there is breakdown of leadership.
- The next type of culture (Level 1) is one where the human-animal is domesticated using rules and rewards and recognition. This is seen in highly controlled workspaces.
- Another type of culture is one where one abandons all things material and gives up all relationship – the monastic culture (Level 2).
- Then comes the ecosystem (Level 3) where people are continuously encouraged, not compelled, to be sensitive to others voluntarily for their own emotional and intellectual wellbeing.

This is sanskriti, where everyone knows how to behave with men, women, those older and younger, those related and unrelated, strangers and colleagues. This is aspirational.

The questions to ponder over are: is culture critical? Do modern institutions think of culture only when the going is good? Do they see culture as a lever that enables success? More importantly, if the going is bad, does culture matter? Will culture help tide over a crisis, or will it be the cause of crisis? In stories, sanskar is not always profitable. In the Ramayana, Surpanakha's sanskaar allows her to approach a married man for pleasure; Sita's sanskaar compels her to risk personal security and feed a hungry sage who turns out to be demon; Ram's sanskaar forces him to abandon his beloved innocent wife as she is deemed queen of stained reputation. In the Mahabharata, Draupadi abandons all sanskaar and becomes violent and bloodthirsty when she is publicly abused and all family decorum is abandoned by her vile brothers-in-law, the Kauravas. Yet, this very same Draupadi recalls sanskaar when she forgives her sister-in-law Dushala's lecherous husband, Jayadrata, even though he tries to abduct her.

If culture is treated synthetically as an ornament of the good times it can never ever add real value. Only when we recognize culture as sanskaar, an indicator of our humanity, does it becomes a critical to organizational survival.

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### Concepts

- Blockchain – A digital ledger maintaining records of transactions
- Cryptocurrency – A digital asset designed to work as a medium of exchange
- Bitcoin – The first and most popular decentralized cryptocurrency
- Satoshi – Unit of measurement of a bitcoin (1 satoshi = 0.00000001 bitcoin)
- Mining – Process by which transactions are verified and added to the public ledger(blockchain), and also the means through which new bitcoins are released(as reward for verification)
- Altcoins(Alternative coins) - Other cryptocurrencies
- ICO(Initial coin offering) – Similar to an IPO, a cryptocurrency can enter the market through an ICO



- There are over 1300 cryptocurrencies right now, a total market cap of over 300 billion USD, with bitcoin dominance at 55%
- Indian crypto wallets/exchanges undertake self-regulation - asking users for PAN/Aadhar, and linking the wallet to user’s bank account

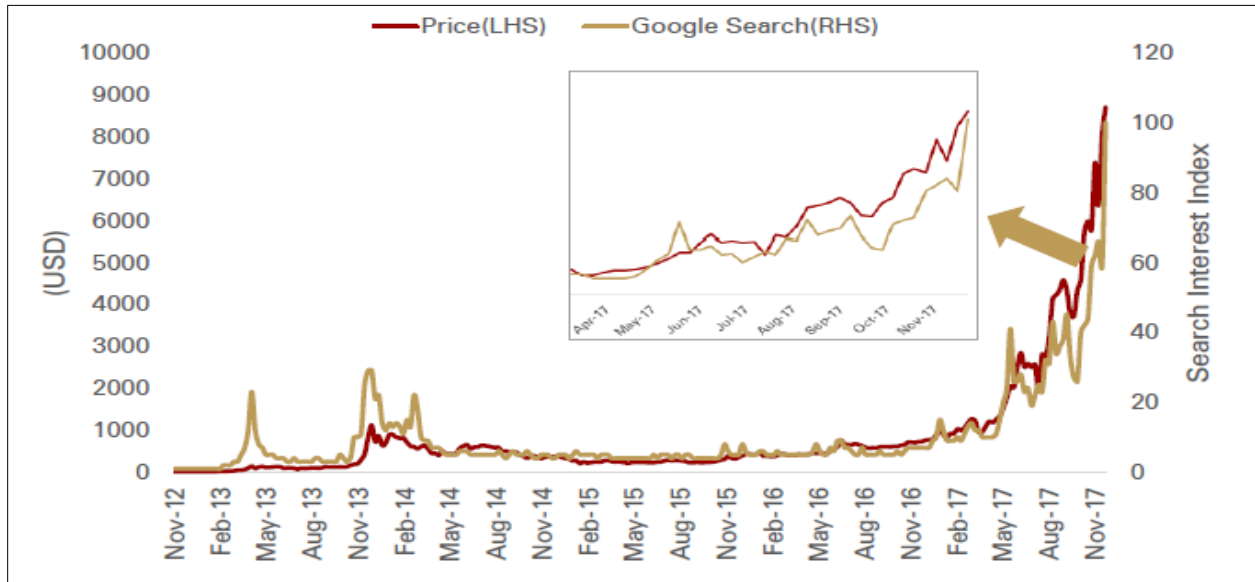
**Bitcoin: Returns**

- It reached an all-time high of \$11517 on 29th Nov 2017

Period	Market Cap (USD billions)	% Change in Price
1 day	168.3	3.5%
7 days	137.4	27%
30 days	102.1	67%
3 months	75.3	124%
6 months	35.8	370%
1 year	11.8	1272%
2 years	4.6	2554%
5 years	0.1	78387%

**Bitcoin: Popularity and Price**

- There is over 90% positive correlation between price of bitcoin and the volume of google search requests



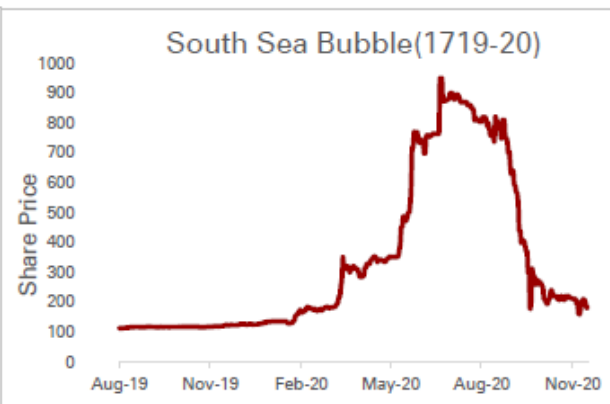
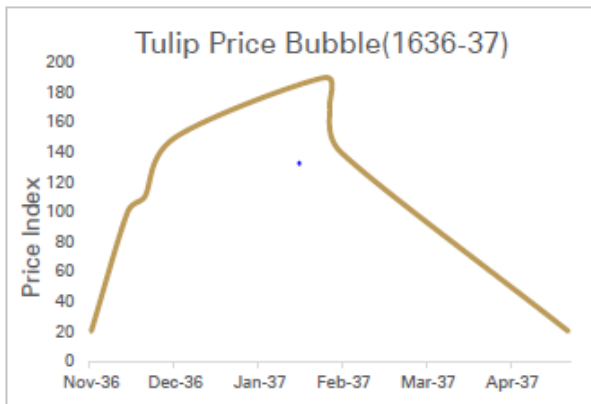
**Bitcoin: Debate**

- Points have been raised both for and against bitcoin

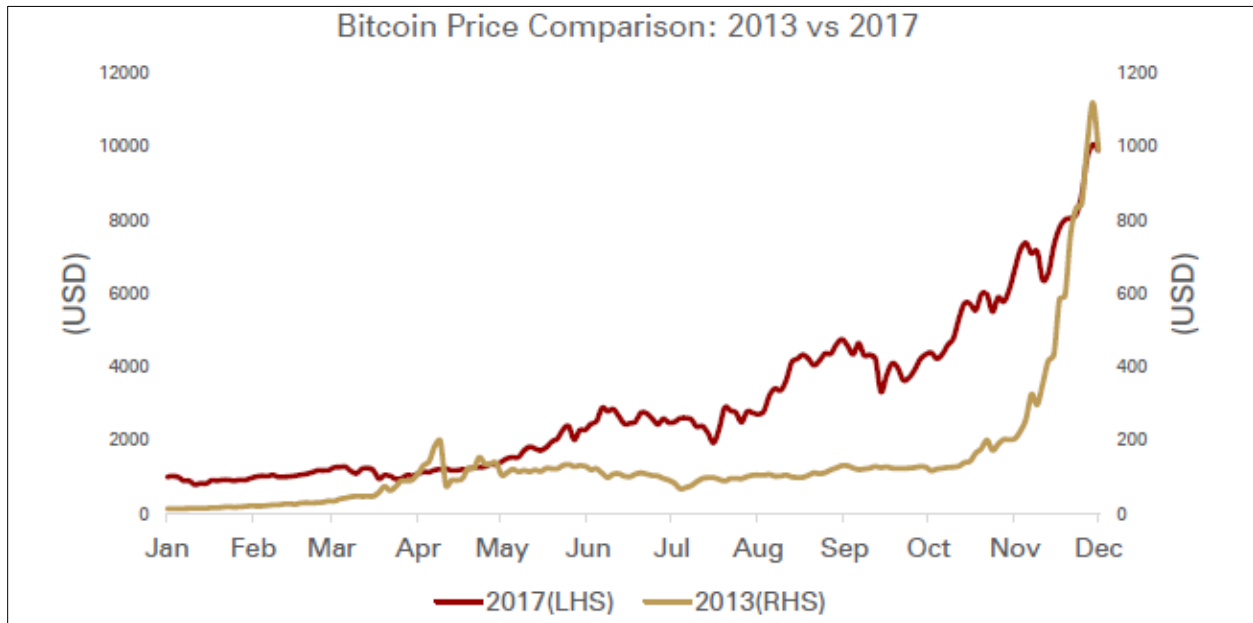
Next Best Thing	Bubble
<ul style="list-style-type: none"> <li>• One world, one currency</li> <li>• No intermediary</li> <li>• Saves time</li> <li>• It could replace fiat currency</li> <li>• Low or no fee for making payments</li> <li>• The rise in prices is justified, as demand is increasing while supply is limited(21 million)</li> <li>• Decentralized data ensures that while everybody has access to it, nobody can control/alter it</li> <li>• There have been multiple mini bursts, but the price of bitcoin has always recovered</li> <li>• The volatility has reduced</li> <li>• Countries have started discussing, if not accepting bitcoin</li> </ul>	<ul style="list-style-type: none"> <li>• It was created out of thin air</li> <li>• Introduced by an anonymous individual</li> <li>• It is not serving its purpose, which was to act as an instrument to buy and sell goods</li> <li>• No regulator</li> <li>• Blockchain technology might stay, bitcoin won't</li> <li>• People are investing for great returns, instead of understanding it</li> <li>• Some countries have already put a ban on bitcoin exchanges</li> <li>• Bitcoin was divided into bitcoin cash, then bitcoin gold, and will undergo another division in November, indicating that the core bitcoin has shortcomings</li> </ul>

**Bitcoin: Bubble?**

- Comparisons have been made with the Tulip bubble of 1636-37 and the South Sea bubble of 1719-20, which even fooled Isaac Newton
- These bubbles saw huge rallies, before falling in no time



- Similar comparisons have been made to the dot com bubble 18 years back and the uranium spot price bubble of 2007
- Scarcity is one major factor that leads to overvaluation, and bitcoin's supply has a limit of 21 million (almost 17 million of which is already mined)
- Proponents of bitcoin give the justification by claiming that this is not the first time that its price has shown such growth
- In fact, compared to 2013 the growth has been more consistent rather than a sudden jump



## Conclusion

- A broader lesson is that bitcoin as an investment or speculation phenomenon is unlike anything that has been seen in a long time
- It is behaving even more dramatically than many of the popular bubbles, but there is still doubt whether bitcoin is comparable to other investment manias
- With Bitcoin futures due to start being traded on the Chicago Mercantile Exchange (CME) by the end of this year, the main cryptocurrency is entering the formal financial marketplace
- The blockchain/crypto story is still at a nascent stage since retail participation at the mass market level is only just beginning to kick in
- In the longer-term a lot will depend on whether governments regulate cryptocurrencies out of existence or co-opt blockchain technology for their own purposes





## Banking Management - The taxation perspective CA Annapurna Srikanth

The Banking Sector serves as the financial nervous system of any country. The efficient & effective management of the Banking system would foster and contribute towards the upliftment & progression of the economy.

Banking management per se would cover various aspects such as compliances under banking regulations, techniques of banking, banking operations, financial risk management as well as market analysis, treasury and customer relations, Tax compliances, other statutory compliances and so on and forth.

The banking system in India is regulated by the Reserve Bank of India (RBI), through the provisions of the Banking Regulation Act, 1949. The preparation of financial statements is governed by the above mentioned Act. Balance Sheet is prepared in conformity with Form A of the Third Schedule to the Banking Regulation Act, 1949 and Profit and Loss Account in conformity with Form B ibid. They are prepared in accordance with provisions of Section 29 of the Banking Regulation Act read with Section 211 (1), (2), and (3) of the Companies Act 1956. They contain 18 schedules as under:

- Schedules forming part of Form A – Balance Sheet Schedule -
- 1 - Capital Schedule -
  - 2 - Reserves & Surplus Schedule -
  - 3 - Deposits Schedule -
  - 4 - Borrowings Schedule -
  - 5 - Other Liabilities and Provisions Schedule -
  - 6 - Cash and balances with RBI Schedule -
  - 7 - Balances with Banks and money at call and short notice. Schedule -
  - 8 - Investments Schedule -
  - 9 - Advances. Schedule -
  - 10 - Fixed Assets. Schedule -
  - 11 - Other Assets. Schedule -
  - 12 - Contingent Liabilities / Bills for Collection.

Schedules forming Part of Form B – Profit and Loss Account Schedule -

- 13 - Interest Earned. Schedule -
- 14 - Other Income. Schedule -
- 15 - Interest Expended. Schedule -
- 16 - Operating Expenses.

Schedules forming Part of Annual Report Schedule -

- 17 - Significant Accounting Policies. Schedule -
- 18 - Notes forming part of accounts.

That is why when we observe the financial statements of any banks they would have their data presented in the above manner.

Now coming to the taxation perspective

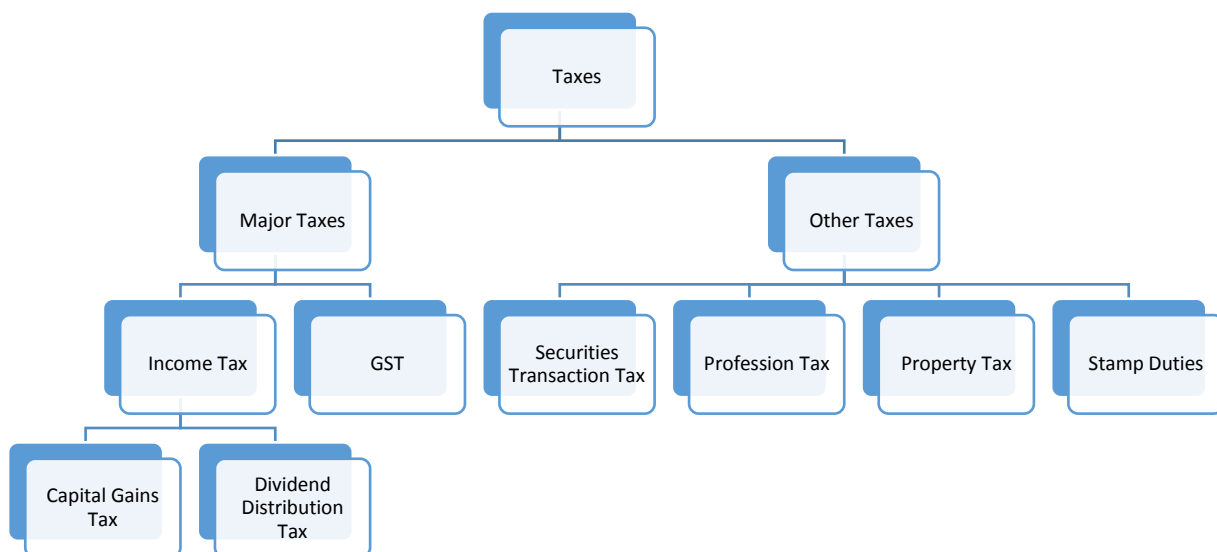
In India we have a three tier federal structure of taxation.

Tax Levies by Central Government

Tax Levies by State Government

Tax Levies by Local Authorities

Some of the major taxes from the Banking Industry perspective can be nailed down to the following –



Sl.No.	Tax	Levy Type	Tax Type
1.	Income Tax / Corporate Tax	Central Levy	Direct Tax
2.	Capital Gains Tax	Central Levy	Direct Tax
3.	Dividend Distribution Tax	Central Levy	Direct Tax
4.	Goods & Service Tax	Dual Levy	Indirect Tax
5.	Securities Transactions Tax	Central Levy	Direct Tax
6.	Profession tax	State Levy	Direct Tax
7.	Property Tax	Local bodies Levy	Direct Tax
8.	Stamp Duties on Properties, Documents etc.	Majorly Local bodies Levy	Direct Tax

### **Income Tax / Corporate tax**

Corporate tax is a tax imposed on the net income of a company. Companies, both private and public which are registered in India under the Companies Act 1956, are liable to pay corporate tax. For the assessment year 2014-15, domestic companies are taxed at the rate of 30%. In addition to that, surcharge at the rate of 5% is levied if net income is in the range of Rs 1 crore to Rs 10 crore. If the net income exceeds Rs 10 Cr, surcharge at the rate of 10% is levied. Education cess of 3% is levied on the sum of income tax and surcharge irrespective of the level of net income.

The Banks being incorporated as companies are obligated to discharge corporate tax. The Income of banks basically comprises of Interest earned from extension of loans & advances, Interest earned on cheques & bills discounting, Interest on deposits with other banks (Inter Bank Funds), Commission/Brokerage earned for issuing Letter of credits & Bank Guarantees, Commission earned from Government Business, Insurance, DD charges, Commission for cross sale of Mutual Fund products, Other Receipts like Renting of Safe deposit lockers, Bank Charges for various services like cheque deposits, fund transfers, cheque books issue, etc. to name a few.

They have expenses like Interest paid on Deposits namely Term Deposits, Savings Bank Deposits, Demand Deposits, Interest paid on Borrowings, Interest paid on delayed Outstation Cheques, etc. Further they have general expenses like Administrative Expenses, General Charges, etc.

Generally Income Tax needs to be paid on all kinds of taxable income earned reduced by the allowable expenses & applicable amount of depreciation. As far as the Banking Industry is concerned as per the RBI guidelines & circulars, they are required to make provisions at specified percentages for Assets which is basically advances extended.

The basis would be the categorization of such assets namely Standard Assets, Sub-Standard Assets, Doubtful Assets & Loss Assets. Also provision needs to be made for Contingent Liabilities like Bank Guarantees, Letter of Credits, etc. at the specified percentage.

Post these adjustments the balance profits are taxed @ 30% plus the applicable Surcharge & Cess as depicted above.

### **-Capital Gains Tax**

However apart from this regular income, the banks may earn Income from sale of Capital Assets. Though Capital Gain Tax is not a tax arising from a separate enactment, it is in fact integral part of income tax.

Income from Sale of Capital Assets can be further categorized as under

1. Short term capital gain from Securities @ 15% plus applicable surcharge & cess
2. Short term capital gain from other capital assets than securities @ regular rates i.e. 30% plus applicable surcharge & cess
3. Long term capital gain from Securities is exempt provided Securities Transaction Tax has been paid.
4. Long term capital gain from other capital assets than securities taxable @ 20% plus applicable surcharge & cess.

### **Dividend Distribution Tax:**

A dividend is a return given by a company to its shareholders out of profits made by it during a particular year. They are usually given in proportion to the number of shares owned. In India, a company which has declared, distributed or paid any amount as dividend is required to pay a dividend distribution tax (DDT) at 15% plus the applicable Surcharge & cess. The provisions of DDT were introduced by the Finance Act 1997. Only a domestic company is liable for the above tax. Thus the Banking Companies are also required to pay the Dividend Distribution Tax if they declare, distribute or pay dividend by virtue of Section 115 O of the Income Tax Act. It is applicable whether it is paid out of current or accumulated profits. However they are tax free in the hands of the recipient i.e. shareholders.

Thus when the bank receives the dividend from the Shares held as investments, it is exempt to that extent as it the receiver in this scenario.

### **GST - Goods & Service Tax -**

In the earlier regime Vat was applicable for Sale of goods, Excise duty for manufacture of goods, Service Tax for Services rendered, Luxury Tax & Entertainment Tax on certain transactions. But in the GST era, most of these taxes have been subsumed. GST is levied on a wider & comprehensive concept called Supply as defined under Section 7 read with Schedule I, II & III of The Central Goods & Service Tax Act 2017.

It would be pertinent to note what constitutes Supply in the Context of Banking Transactions-

The various types of Income of a Banking company has been already mentioned above under the para Income tax. Let us examine whether they fall under supply, if yes what category of supply, taxable or exempt.

**Interest Income** - Although it gets covered under the definition of service as consideration for use of money, due to specific exemption under Notification 12/2017 (Central Tax Rate dated 28-06-2017) it is an exempt outward supply.

Commission, Brokerage, Renting of Lockers & Other income related to services are taxable supplies.

GST works on the matching of invoices concept based on which Input Tax Credit can be availed seamlessly against goods / services subject to the eligibility criteria & certain exceptions. However by virtue of Section 17(4) of The Central Goods & Services Tax Act 2017, the banks have an option to either claim the Input Tax Credit based on the Apportionment of Credits provisions as envisaged in Section 17(2) or avail 50% of the eligible input tax credit on inputs, capital goods and input services in that month and the rest shall lapse, provided that the option once exercised shall not be withdrawn during the remaining part of the financial year & Provided further that the restriction of fifty per cent shall not apply to the tax paid on supplies made between the branches of the same bank.

### **Securities Transactions Tax**

Securities Transaction Tax (STT) is a tax payable in India on the value of securities (excluding commodities and currency) transacted through a recognized stock exchange. STT is levied on every purchase or sale of securities that are listed on the Indian stock exchanges. This would include shares, derivatives or equity-oriented mutual funds units. The STT applicable in the case of intraday transaction will be different from the one applicable in the case of delivery transaction. Likewise, the STT applicable in the case of buying a security will be different from the one applicable in the case of selling the security. For availing the exemption in the case of long-term capital gain, the asset under consideration has to be subjected to STT.

Thus it would be applicable to the banks in case of Investments & Redemption of the above mentioned categories of Securities.



The various rates of STT for financial year 2017-18 have been tabulated below -

Transaction Type	Rates	Payable by
Purchase/ Sale of equity shares (delivery based)	0.1%	Purchaser/Seller
Purchase of units of equity oriented mutual fund	NIL	Purchaser
Sale of units of equity oriented mutual fund (delivery based)	0.001%	Seller
Sale of equity shares, units of business trust, units of equity oriented mutual fund (nondelivery based)	0.025%	Seller
Sale of an option in securities	0.05%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of a futures in securities	0.01%	Seller
Sale of units of an equity oriented fund to the Mutual Fund	0.001%	Seller
Sale of unlisted equity shares and units of business trust under an initial offer	0.2%	Seller

### Profession tax

Professional Tax is collected by the State Government from individuals working in government, private and non-government organizations (NGOs). The highest amount of professional tax charged in India is Rs. 2,500. A state cannot charge more than Rs. 2,500 as professional tax per year. Professional tax is determined by the income level of an individual and subject to a minimum income level. Professional tax slab rates differ from states to states. In India, professional tax is levied as per the Article 276, Clause 2 of the Indian Constitution. Apart from these there are other categories as listed below who are required to pay Profession Tax in Karnataka -

- Corporations
- Hindu undivided family (HUF)
- Firms
- Company and other Corporate bodies
- Society
- Club or Association

Thus owing to the category of Company and other corporate bodies, the banks need to discharge the profession tax obligation.

### **Property Tax**

The property is an asset which is taxable and the property tax is an annual amount paid by the property/land owner to the government. This tax could be paid either to the local state government or Municipal Corporation, depending on government policies. The word “property” in this context refers to all tangible real estate and includes houses, office buildings and premises rented to third parties. Thus, the banks would be required to discharge the property taxes on tangible real estate assets owned by them.

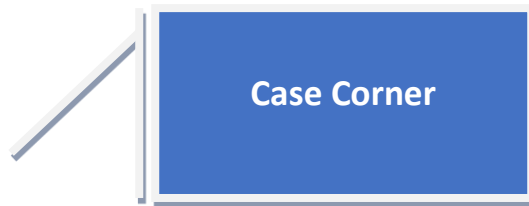
### **Stamp Duties on Properties, Contracts etc.**

Stamp duty is a government tax, which is levied on all legal property transactions. Stamp duty is, therefore, a tax which is evidence, as it were, of any purchase or sale of a property between two or more parties. Stamp papers, which have to be bought either in the name of the seller or buyer is valid for 6 months, provided the stamp duty is paid without any delay. Stamp duty is paid as per the provisions of Section 3 of the Indian Stamp Act, 1899. Stamp duty is levied to boost revenue for local governments besides lending legality to a document. It is important to note that stamp duty should be paid in full and without any delay, failing which, a penalty is levied. A stamp duty document is a legal instrument which has evidentiary value (admissible in a court of law as evidence). Stamp duty has to be paid prior to execution (signature by an individual's party) of a given document, the next day or on the day of document execution. Stamp duty is paid by a buyer in most cases. Stamp duty rates differ in various states across the country as stamp duty in India, is a state subject. However, the central government fixes the stamp duty rates of specific instruments.

Some of the documents which require stamp duty includes transfer instruments, Deed of partition, Reconveyance of mortgaged property, Mortgage deed, Tenancy agreement, Power of attorneys, License agreement, Lease deeds etc. to name a few. Thus if banks enter into any of the above mentioned transactions or contracts they are required to discharge the stamp duty as may be applicable.

Thus the above compiled category of taxes constitute the major tax compliances as far the banking sector is concerned. Tax is an obligation & a mandate, not a choice. Evasion of tax is illegal. There is every possibility of exploration of tax planning as envisaged in the provisions of law. However non discharge of tax obligations in time would lead to interest repercussions & penal consequences. Apart from this it would lead to negating the goodwill of the entity. Thus the efficacy in tax management must be ensured to accomplish the overall objective of effective & efficient Banking Management.

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## **DIGEST OF RECENT DECISIONS OF THE HIGH COURTS ON INCOME TAX**

**Compilation by  
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### **CHARITABLE TRUST**

The Commissioner, while considering an application for registration of a charitable trust under section 12A, can make enquiries about the objects of the trust and genuineness of its activities but he cannot travel to the extent of finding out whether the income of the trust from property is wholly applied for charitable purposes or not so as to make it entitled to claim exemption under sections 11 & 12 ruled the Rajasthan High Court in CIT v. Gopi Ram Goyal Charitable Trust (2017) 392 ITR 285 (Raj).

### **SECTION 14A**

The provisions of section 14A read with rule 8D cannot be made applicable in a year in which no exempt income was earned or received by the assessee held the Madras High Court in Redington ( India ) Ltd. v. Addl. CIT (2017) 392 ITR 633 (Mad).

**CAPITAL RECEIPT**

The Gujarat High Court has in PCIT v. Gulmohar Green Golf & Country Club Ltd. (2017) 392 ITR 601 (Guj) expressed the view that refundable security deposit received by the assessee-club from its members constituted capital receipt even though it was not kept apart but was utilized by it for other purposes such as construction of immovable properties and providing other amenities at the club.

**BUSINESS INCOME**

In PCIT v. Sri Bharathi Warehousing Corporation (2017) 392 ITR 160 (T & AP) where the facts were that the main object of the assessee-firm as per its partnership deed was to carry on business in construction of godowns, residential & commercial buildings, flats, shops, etc., and lease them out, the assessee received rents from properties leased out by it and also derived income from trading in tobacco, the Telangana and Andhra Pradesh High Court held that since the leasing of the properties by the assessee was as a part of its business activity but not as exploitation of the property as an owner, the rental income was assessable as income from business and not as income from house property.

**BUSINESS EXPENDITURE**

The Calcutta High Court has in Shyam Sel Ltd. v. DCIT (2017) 293 CTR (Cal) 316 opined that the payment made by the assessee-company to the State Pollution Control Board for its failure to install pollution control device within the prescribed time was allowable as a deduction since it was made for the purpose of business and was not hit by Explanation 1 to section 37(1).

**SECTION 43B**

In CIT & Anr. v. NCR Corporation India (P) Ltd. (2017) 293 CTR (Kar) 225, the Karnataka High Court has taken the view that excise duty paid before the due date prescribed under the proviso to section 43B was deductible even though such excise duty was included in the valuation of closing stock.

**SECTION 68**

Where the assessee-firm was unable to prove the source for the capital contribution made by one of its partners in cash and could not substantiate the capacity of the partner to make the capital contribution by supporting documents, the amount of capital contribution could be added in the income of the assessee-firm under section 68 opined the Patna High Court in R.A. Himmatsinghka & Co. v. ACIT (2017) 392 ITR 587 (Pat).

**REASSESSMENT**

In Torrent Power S.E.C. Ltd. v. ACIT (2017) 392 ITR 330 (Guj) where the Assessing Officer issued a notice under section 148 solely on the objections raised by the audit party from the office of the Accountant General and he did not form an independent opinion that the income had escaped assessment, the Gujarat High Court ruled that the notice under section 148 was invalid and quashed the same.

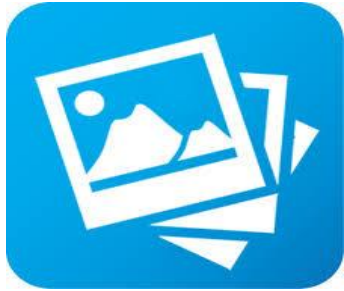
**REVISION UNDER SECTION 263**

Where the order under section 263 passed by the Commissioner on 20.3.2013 was dispatched on 4.4.2013 after the limitation period which expired on 31.3.2013, the order was valid as there is no requirement to dispatch the order within the period of limitation itself held the Punjab & Haryana High Court in A.S. Precision Machines (P) Ltd. v. CIT (2017) 293 CTR (P & H) 340.

**PENALTY**

The Bombay High Court has in CIT v. Samson Perinchery (2017) 392 ITR 4 (Bom) taken the view that where the Assessing Officer initiated penalty proceedings under section 271(1) (c) for furnishing of inaccurate particulars of income, he could not levy penalty on the assessee for concealment of income.





Picture Gallery



6<sup>th</sup> Orientation Programme of CA students





56<sup>th</sup> ITTP batch for CA students



Condolence meeting – Late CA M.V. Naidu



CA B.S. Ravi Kumar  
Speaker: Risks under new regime  
taxation



Shri H.V. Krishnan, Superintendent of  
CGST, Mysore  
Speaker: Recent changes in GST



Recent changes in GST held on Dec 22,  
2017



Valedictory session on Dec 22, 2017 by  
Shri H.V. Krishnan





“I say let the world go to hell, but I should always have my tea.”

— Fyodor Dostoyevsky, Notes from Underground

*International Tea Day is observed annually on December 15. It has been celebrated since 2005 in tea producing countries like Bangladesh, Sri Lanka, Nepal, Vietnam, Indonesia, Kenya, Malawi, Malaysia, Uganda, India and Tanzania. International Tea Day aims to draw global attention of governments and citizens to the impact of the global tea trade on workers and growers, and has been linked to requests for price supports and fair trade*

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