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By

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CONTENTS

INCOME TAX

CHANGES IN INCOME TAX ACT - BUDGET 18

Contributed by CA Ramprasad

NEW PROVISIONS

Other than Corporate/Business

Sec 16: -

This section provides for deduction from income chargeable to tax under the head Salaries. ***A new clause (ia) is inserted which provides for Standard Deduction of Rs. 40K subject to the amount of salary as deduction.***

Transport allowance and reimbursement of medical expenses is proposed to be withdrawn. Transport allowance for differently abled person will continue.

Sec 10(12A): -

This section provides for exemption on partial withdrawal from NPS. The existing benefit is extended to non-employees also.

Sec 80TTA: -

This section provides for deduction of interest on savings bank account. ***It is provided that deduction the section is not available to persons covered U/S 80TTB.***

Sec 80TTB: -

Deduction of interest on deposit with banking company/ Co-operative Society engaged in banking business / Post Office of up to Rs. 50,000/- allowed to Senior Citizen.

Sec 194A: -

This section provides for deduction of tax at source on interest other than interest on securities. ***It is proposed to provide that in case of senior citizen TDS is applicable on interest in excess of fifty thousand rupees***

Sec 80D:

Individual: -

Existing	Amount	Proposed	Amount
Amount paid on account of medical expenditure on health of assessee or any member of family in aggregate **(A)**	Rs. 30,000/-	Amount paid on account of medical expenditure on health of assessee or any member of family in aggregate **(A)**	Rs. 50,000/-
Amount paid on account of medical expenditure on health of any parent of the assessee **(B)**	Rs. 30,000/-	Amount paid on account of medical expenditure on health of any parent of the assessee **(B)**	Rs. 50,000/-
Aggregate amount of Health Insurance Premium and total of A and B	Rs. 30,000/-	Aggregate amount of Health Insurance Premium and total of A and B	Rs. 50,000/-
Medical Expenditure on health of very senior citizen not covered by Health Insurance	Rs. 30,000/-	Medical Expenditure on health of **senior citizen** not covered by Health Insurance	Rs. 50,000/-
Medical Insurance Premium on the health of Senior Citizen / Very Senior Citizen	Rs. 30,000/-	Medical Insurance Premium on the health of Senior Citizen	Rs. 50,000/-

HUF: -

Existing	Amount	Proposed	Amount
Amount paid on account of medical expenditure incurred on the health of any member of the Hindu undivided family	Rs. 30,000/-	Amount paid on account of medical expenditure incurred on the health of any member of the Hindu undivided family	Rs. 50,000/-
Aggregate of Health Insurance Premium and expenditure mentioned above	Rs. 30,000/-	Aggregate of Health Insurance Premium and expenditure mentioned above	Rs. 50,000/-
Health Insurance Premium on the health of member who is a Senior Citizen/Very Senior Citizen	Rs. 30,000/-	Health Insurance Premium on the health of member who is a Senior Citizen/Very Senior Citizen	Rs. 50,000/-

It is further provides that where the health premium paid for more than one year proportionate amount should be considered for deduction.

Sec 80DDB: -

Existing	Amount	Proposed	Amount
Amount actually paid for medical treatment of specified disease or ailment of assessee/dependent/any member of HUF who is a senior citizen	Rs. 60,000/-	Amount actually paid for medical treatment of specified disease or ailment of assessee/dependent/any member of HUF who is a senior citizen	Rs. 1,00,000/-

Sec 80DDB: -

Existing	Amount	Proposed	Amount
Amount actually paid for medical treatment of specified disease or ailment of assessee/dependent/any member of HUF who is a senior citizen	Rs. 60,000/-	Amount actually paid for medical treatment of specified disease or ailment of assessee/dependent/any member of HUF who is a senior citizen	Rs. 1,00,000/-

Sec 115JC: -

This section provides for levy of tax on adjusted total income in case of other than company. ***It is proposed to amend the said section so as to provide that for the assessee being a person which, is a unit located in an International Financial Service Centre and derives its income solely in convertible foreign exchange, the rate of tax shall be nine per cent.***

Corporates /Business

Sec 36(1): -

This section provides for deduction from the income chargeable U/S 28. ***A new clause (xviii) is inserted to provide that marked to market loss or other expected loss computed in accordance with ICDS notified U/S 145(2) be allowed as deduction. (W E F 01-04-2017)***

Further no deduction will be allowed in respect of marked to market loss or expected loss except as mentioned above (Sec 40A (13)) (W E F 01-04-2017)

Sec 43(5): -

This section provides for definition of Speculative Transaction. ***A new proviso is inserted which provides (for clause (e) of the first proviso) that for trading in agricultural commodity derivatives which are not subject to CTT is not a speculative transaction.***

Sec 43AA: -

A new section is inserted to provide for treatment of income or loss arising out of change in foreign exchange rates of foreign currency transactions be computed with reference to ICDS notified U/S 145(2).

Sec 43CA: -

This section for determination amount of consideration in case transfer of stock in trade being building, land or both for consideration less than value adopted or assessed or assessable for payment of stamp duty. ***A new proviso is inserted which provides for adoption of actual consideration received or accruing as a result of transfer for stamp duty value in case where such value does not exceed 105% of actual consideration.***

Further adoption of stamp duty value on the date of agreement as per Sec 43CA (3) will apply only in case where the amount of consideration or part thereof is received way of account payee cheque or account payee draft or ECS through bank account.

Sec 43CB: -

A new section inserted to provide for computation of income arising from Construction Contract or a Contract for providing services as per percentage of completion method as per ICDS notified U/S 145(2).

Profits and gains arising from a contract for providing services with duration of not more than ninety days shall be determined on the basis of project completion method and in case of services involving indeterminate number of acts over a specific period of time shall be determined on the basis of straight line method.

It provides further contract revenue shall include retention money and contract cost should not be reduced by income in the nature of interest, dividends, capital gains. (W E F 01/04/2017)

Sec 44AE: -

This section provides for computation of income from transportation business on presumptive basis. ***It is proposed to compute presumptive income @ Rs. 1000/- per ton per month or part thereof in case of heavy goods vehicle or higher amount actually earned whichever is higher.***

In case other than heavy goods vehicle an amount of Rs. 7500/- per month or part of the month or higher amount actually earned whichever is higher.

Sec 49(9): -

This section provides for Cost of Acquisition of Capital Asset. ***A new subsection (9) is inserted which provides that cost of acquisition in case where inventory is converted in to Capital Asset shall be the FMV on the date conversion determined in prescribed manner.***

Sec 50C: -

This section provides determination of consideration in case transfer of Capital Asset, being land, building or both for a consideration less than value adopted or assessed or assessable for payment of stamp duty.

A new proviso is inserted which provides for adoption of actual consideration received or accruing as a result of transfer for stamp duty value in case where such value does not exceed 105% of actual consideration.

Sec 54EC: -

This provision provides for exemption from LTCG. ***It is amended to provide for that the exemption under this section is available to gains from transfer of Long-Term Capital Asset, being land or building or both.***

The section further amended to provide for investment in any bonds redeemable after five years issued on after 01/04/2018 of NHAI/REC/ Bond notified in this behalf.

Sec 56: -

This section provides for chargeability of income under the head other sources. ***A new sub-clause inserted in Sec 56(2)(X) where in it is provided that income is chargeable under this clause in case the difference between Stamp Duty Value and consideration is more than highest of Rs. 50K or 5% of actual consideration.***

It is further provided that transaction of money or property between a wholly owned subsidiary and its holding company is not subject to tax U/S 56.

Sec 79: -

This section impose restriction on carry forward and set off losses in case of change in shareholding more than 51%.

It is proposed to amend to provide that any change in shareholding in case of company whose resolution plan has been approved under IBC, 2016 is not subject to Sec 79.

Sec 80AC: -

Any deduction U/S 80-IA/80-IAB/80-IB/80-IC/80-ID/80-IE be admissible for the period 01/04/2006 before 01/04/2018 only when the return of income for such assessment year is filed on or before the due date specified U/S 139(1).

It is further provided that deduction under the heading C- Deduction in respect of certain incomes under Chapter VIA be allowed in relation to assessment year commencing on or after 01/04/2018 be allowed only if the return of income is filed within the due date specified U/S 139(1)

Sec 80-IAC: -

This section for deduction in case of eligible start up. ***It is proposed to amend the term eligible business by providing that business carried on eligible start up engaged in innovation, development or improvement of product or processes or services or a scalable business model with high potential of employment generation or wealth creation.***

It further provides that Eligible Start- up means a company or LLP engaged in eligible business incorporated on or after 01/04/2016 but before 01/04/2021.

Sec 80JJAA: -

This section provides for deduction on additional wages paid. ***It is provided that in case of assessee engaged in the business of manufacturing of apparel or footwear or leather products additional employee means inter-alia who has worked for 150 days during the previous year.***

It further provided that an employee who has not worked for minimum period of 240 /150 days during previous year but has worked for 240/150 days in the succeeding year shall be deemed to have been employed in the succeeding year.

Sec 80PA: -

Producer Company having a total turnover of less than one hundred crore rupees in any previous year deriving profits and gains from marketing of agricultural produce grown by the members or purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to the members or processing of agriculture produce of members be allowed a deduction of an amount equal to one hundred per cent. of the profits and gains attributable to such business for the previous year relevant to an assessment year commencing on or after the 01/04/2019 but before the 01/04/ 2025.

Sec 115BBE: -

This section provides for taxability of Income referred to in Sec 68/69/69A/69B/69C/ 69D. ***It is provided that no deduction in respect of any expenditure or allowance or set off of any loss shall be allowed to the assessee under any provision of this Act in computing his income declared by the assessee in the return of income as well as income determined by the AO under the above-mentioned sections. (W E F 01/04/2017***

Sec 115JB: -

This section for taxability of book profit. ***A new clause (iih) is inserted which provides that the aggregate amount of unabsorbed depreciation and brought forward loss (excluding depreciation) of a company of a company against whom an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under section 7 or section 9 or section 10 of the Insolvency and Bankruptcy Code, 2016 be reduced while computing book profits.***

Sec 115R: -

This section provides for levy of additional tax on distribution of income. ***It is proposed to amend the said section so as to provide that where any income is distributed to any person by an equity-oriented fund, the fund shall be liable to pay additional income-tax at the rate of ten per cent. on income so distributed.***

Non-Resident and Cross Border

Sec 9(1): -

This section provides income deemed to accrue or arise in India. Income from business connection in India is deemed to accrue or arise in India.

The existing definition of Business Connection (Sec 9(1)(i)) read with explanation 2) covers transaction carried on through agent. ***An amendment is proposed to the definition of Business Connection. It provides that Business Connection shall include any business activity carried through agent who habitually concludes contracts or habitually plays the principal role in concluding the contracts by non-resident subject to satisfaction of conditions mentioned there in.***

The above change covers the transactions carried by physical presence of agent.

A further change is proposed to cover the transactions carried electronically which do not require physical presence of itself or any agent in India. It provides that Business Connection include significant economic presence in India.

The Significant Economic Presence in India *mean* download of data or software in India subject to monetary limit to be prescribed *or* systematic continuous solicitation of its business activities or engaging in interaction with such no. of users as may be prescribed.

Sec 10(6D): -

Section 10 provides for exclusion of income from Gross Total Income. ***A new sub-section 6D is inserted which provides that income arising to non-resident by way of royalty or fees for technical services rendered in or outside India to the National Technical Research Organization is not chargeable to tax.***

Sec 10(48B):-

This section provides for exemption income accruing or arising by foreign company on account of left over stock of crude oil in facility in India. ***It is further provided that the benefit of exemption is extended to income arising on termination of agreement or arrangement.***

Sec 115JB: -

This section for taxability of book profit. ***A new explanation 4A is inserted which clarifies that the provisions of this section shall not be applicable and shall be deemed never to have been applicable to an assessee, being a foreign company, where its total income comprises solely of profits and gains from business referred to in section 44B or section 44BB or section 44BBA or section 44BBB and such income has been offered to tax at the rates specified in those sections. (W E F 01/04/2001)***

Sec 286: -

This section provides for furnishing of report in respect of international group. ***It is proposed to amend that CbCR in case of parent entity or alternative reporting entity resident in India or Constituency entity resident in India having non-resident parent entity outside India which is not required to file CbCR report in their country or territory shall file the report within 12 months from the end of reporting accounting year.***(W E F 01/04/2017)

ICDS

Sec 145A: -

New section 145A provides that for the purpose of determining the income chargeable under the head Profits and gains of business or profession

- Inventory shall be made at lower of actual cost or net realizable value in accordance with the income computation and disclosure standards notified under sub-section (2) of section 145;

- Valuation of purchase and sale of goods or services and of inventory shall include the amount of any tax, duty, cess or fee (by whatever name called) actually paid or incurred by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation;

- Valuation of inventory being un listed securities or listed but not quoted on a recognized stock exchange with regularity from time to time, shall be valued at actual cost initially recognized in accordance with the income computation and disclosure standards notified under sub-section (2) of section 145;

- Valuation of inventory being listed security regularly quoted be valued at lower of actual cost or net realizable value in accordance with the income computation and disclosure standards notified under sub-section (2) of section 145

Sec 145B: -

Interest received by an assessee on any compensation or on enhanced compensation, as the case may be, shall be deemed to be the income of the year in which it is received.

It is further provided that claim for escalation of price in a contract or export incentives shall be deemed to be the income of the previous year in which reasonable certainty of its realization is achieved. (W E F 01/04/2017)

New Levy

Sec 28: -

This section provides for chargeability of income under the Head Profits and Gains from Business or Profession. ***A new clause(via) is inserted which provides for taxability of conversion of Stock in Trade into Capital Asset.***

As a result, profits or gains arising from conversion of inventory in to capital assets or its treatment as capital asset shall be charged to tax as a business income. The FMV of inventory on the dated of conversion determined in the prescribed manner shall be deemed to be full value consideration.

Sec 2(24) which defines the term 'Income' is amended thereby included the receipt mentioned in Sec 28 (via).

A new sub-clause(e) is inserted in Sec 28(ii): -

Any Compensation received or receivable (Revenue or Capital) in connection with the termination of or modification of the terms and conditions of any contract relation to business is made chargeable to tax.

Sec 56: -

This section provides for chargeability of income under head other sources. ***A new clause (XI) is inserted to provide that compensation or other payment due to or received by any person in connection with termination of his employment or modification of terms and conditions is chargeable to tax U/S 56.***

Sec 112A: -

Capital gains arising from transfer of long-term capital asset being equity share in a Company or Unit of Equity Oriented Fund or Unit of Business Trust be chargeable to tax @10% of gain exceeding Rs. 1 Lakh. (W E F 01/04/2018)

Capital gain shall be computed without giving indexation benefit.

This section is not applicable in case transfer undertaken on recognized stock exchange located in IFSC where the consideration for such transfer is received or receivable in foreign currency.

Cost of acquisition in case of long-term capital asset acquired by assessee before 01/02/2018 shall be computed with reference to FMV as on 31/01/2018.

Cost of acquisition in such case shall be highest of the following: -

(i) Actual Cost of Acquisition;
(ii) Lower of the following: -
  i. FMV of the such asset;
  ii. Full Value Consideration received or accruing as result of transfer

The provisions the Sec 112A are applicable to Domestic Companies referred to in Sec 115BA as we as FII referred to in Sec 115AD.

Sec 2(22) Deemed Dividend: -

This section provides for definition of dividend for the ITA. ***An explanation 2A is inserted by providing that in case of amalgamation of company the accumulated profits of the amalgamated company shall include profits, whether capitalized or not or loss of the amalgamating company as on the date of amalgamation.***

This definition has impact on clause (a)/(b)/(d)/(e) of section 2(22).

It is further provided that dividend referred to Sec 2(22) (e) shall be charged to Dividend Distribution Tax (DDT) @30% - Sec 115-O

Education Cess:-

Education Cess on income-tax and Secondary and Higher Education Cess on income-tax shall be discontinued. ***A new cess called Health and Education Cess shall be levied @4% of income-tax including surcharge in all cases.***

Charitable Institutions

Sec 10(23C): -

This section provides for exemption to various funds/ educational/medical institutions subject to conditions. ***A new proviso is inserted to provide that in determining the application of income (for educational institution/medical institution) the effect of provisions of non-compliance of TDS provisions U/S 40(a)(ia) and payment more than Rs. 10k U/S 40A(3)/(3A) should also be taken into consideration.***

Sec 11: -

This section provides for exemption to income of Charitable Institution. ***A new explanation is inserted which provides that in determining the amount of application of income the effect of provisions of non-compliance of TDS provisions U/S 40(a)(ia) and payment more than Rs. 10k U/S 40A(3)/(3A) should also be taken into consideration.***

Sec 10(46): -

This section provides for exemption to specified income arising to a body or authority or Board or Trust or Commission (by whatever name called), not engaged in any commercial activity, established or constituted by or under a Central, State or Provincial Act, or constituted by the Central Government or a State Government, with the object of regulating or administering any activity for the benefit of the general public.

It is proposed to amend the said clause so as to provide such exemption to specified income arising to a class of body or authority or Board or Trust or Commission also.

Procedural

Sec 139A: -

This section provides that every person specified therein and who has not been allotted a permanent account number shall apply to the Assessing Officer for allotment of a permanent account number.

A new clause (v) in the said sub-section so as to provide that every person, not being an individual, which enters into a financial transaction of an amount aggregating to two lakhs fifty thousand rupees or more in a financial year shall apply for PAN.

It is further proposed to insert a new clause (vi) so as to provide that the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of the person referred to in clause (v), or any person competent to act on behalf of the person referred to in clause (v), shall also apply to the Assessing Officer for the allotment of permanent account number.

Sec 140: -

This section provides for return by whom to be verified. ***It is proposed to amend the said section so as to provide that where in respect of a company an application has been admitted by the Adjudicating Authority under section 7 or section 9 or section 10 of the Insolvency and Bankruptcy Code, 2016, the return shall be verified by the insolvency professional appointed by such Adjudicating Authority.***

Sec 143: -

This section provides for processing of return of income after making the adjustments specified. ***A new proviso is inserted to provide that no adjustment under sub-clause (vi) of the said clause shall be made in respect of any return furnished for the assessment year commencing on or after the 01/04/ 2018.***

Sec 253: -

This section provides for appeals to the Appellate Tribunal. ***It is proposed to provide that an order passed by a Commissioner (Appeals) under section 271J also appealable to the Appellate Tribunal***

Sec 271FA: -

This section provides for penalty for failure to furnish statement of financial transaction or reportable account. ***It is proposed to amend the said section so as to increase the penalty from one hundred rupees to five hundred rupees and from five hundred rupees to one thousand rupees, for each day of continuing default.***

ANNEXURE:- ***Income Tax Rates for Individuals/HUF***

Individual/HUF (Less than 60 years of age)/HUF/AOP/BOI/AJP)		**Resident Individual/HUF (Age of 60 or more)**		**Resident Individual /HUF (Age of 80 or more)**	
Income	**Rates**	**Income**	**Rates**	**Income**	**Rates**
Upto 2,50,000	NIL	Upto 3,00,000	Nil	Upto 5,00,000	NIL
Rs. 2,50,000 – Rs. 5,00,000	5% of Total Income – 2,50,000	Rs. 3,00,000- Rs.5,00,000	5% of Total Income – 3,00,000	Rs. 5,00,000 – Rs. 10,00,000	20% of (total income - 5,00,000)
Rs. 5,00,000 – Rs. 10,00,000	Rs12,500 + 20% of (total income- Rs. 5,00,000)	Rs. 5,00,000 – Rs. 10,00,000	Rs10,000 +20% of (total income5,00,000)	Above Rs. 10,00,000	1,00,000 + 30%of total income - 5,00,000)
Above Rs. 10,00,000	Rs 1,12,500 + 30% Of (total income -Rs. 10,00,000)	Above Rs. 10,00,000	Rs 1,10,000+30% of (total income- Rs. 10,00,000	*Rebate of Rs. 2500/- Is available if Total income of resident individual does not exceed Rs.3,50,000*	

No change for the tax rates and Income tax slabs for Individuals/ HUF for the Asst. Year 2019-20.

Other Important Points in Tax Structure: (for Individuals & HUF)

- **Surcharge**
- **Health and Education Cess** of 4% is to be levied on personal income tax

Total Income	**Surcharge**
> Rs.50 Lakhs – 1 crore	10% of Total Income
> 1 crore	15% of Total Income

Income Tax rates for entities:

Business Entity	Income Tax @
Firms/LLP/Local Authority	30%
Domestic Company up to Turnover of Rs. 250 Crores	25%
Domestic Company Turnover > Rs. 250 Crores	30%
Foreign Company	40%

The Rate of Surcharge

The Rate of Surcharge	Income		
	Up to Rs. 1	Crore1 Cr to 10 Cr	> 10Cr
Domestic Company	Nil	7%	12%
Other than Domestic Company	Nil	2%	5%

The Health & Education cess @ 4% shall be computed on aggregate of Income tax & surcharge.

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COMPANIES ACT, 2013

ANALYSIS OF SECTION 164 AND 167 OF COMPANIES ACT, 13

Contributed by CS D V K Phanindra,

In the month of September, 2017, the Ministry of Corporate Affairs, had released (03) Three separate lists containing the details of 3,09,614 Directors, associated with the Companies, which had not filed Annual Returns/Financial Statements with the respective ROCs/MCA Portal, for a continuous period of 03 (Three) years i.e., 2013 – 2014, 2014- 2015 & 2015 – 2016, thereby disqualifying them from acting as Directors pursuant to the provisions of Section 164 (2) r/w Section 167 (1) (a) of the Companies Act, 2013.

As a result of the disqualification, the DINs of the respective Directors were de-activated, thereby the Directors cannot use their DIN/DSC for filing of any returns with the MCA Portal.

With the above happening, the Companies in which such disqualified Directors, were associated, had also come to a stand still, as they cannot file any pending returns with the ROC/MCA Portal.

In addition to the disqualification of the Director, the provisions of Section 167 (1) (a), that the office of such Director in all the Companies, is vacated is also put forth, resulting in a huge confusion, and also invoking the provisions of Section 167 (3) of the Companies Act, 2013, which empowers the Promoter or the Central Government to appoint Directors on the Board of the Company, in the event of vacation of the entire Board.

In this article, an attempt is made to understand the provisions of Section 164, 167 of the Companies Act, 2013 and the corresponding Sections under Companies Act, 1956, to the extent relevant for the article, and also the following:

- General Circular No.16 of 2017, Dt:29.12.2017, announcing the Condonation of Delay Scheme 2018**["CODS"];**
- [1]Amendments to Section 167 (1) (a) of the Companies Act, 2013 vide the Companies (Amendment) Act, 2017, having a bearing impact on the interpretation of the present Section 167 (1) (a).

Section 164 of the Companies Act, 2013:

Section 164 of the Companies Act, 2013, prescribes two types of dis-qualifications as detailed in Sub-Section (1) and Sub-Section (2) as given below:

(1) A person shall not be eligible for appointment as a director of a company, if:

(a) he is of unsound mind and stands so declared by a competent court;
(b) he is an undischarged insolvent;
(c) he has applied to be adjudicated as an insolvent and his application is pending;

[1]Though the Companies (Amendment), 2017, is notified, the effective date for the relevant amendments to Section 164 and 167 are yet to be notified, and only taken as a reference to understand the intent of the statute, by virtue of the amendment.

(d) he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;

(e) an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;

(f) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;

(g) he has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years; or

(h) he has not complied with sub-section (3) of section 152.

(2) No person who is or has been a director of a company which:

(a) has not filed financial statements or annual returns for any continuous period of three financial years; or

(b) has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more,

shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so.

From the above, it can be seen that **Sub-Section (1) of Section 164** prescribes a sort of eligibility criteria for being appointed as a Director of a Company.

Whereas, **Sub-Section (2) of Section 164** lays down **Two (02)** situations when the disqualification arises:

a. Non-filing of financial statements and annual return for any continuous period of 3 financial years;

b. failure to repay interest on deposit/ debentures or repayment of deposit/debentures and such failure continues for a period of 1 year or more.

If any of the two situations arises, all the directors of the company come under the purview of such disqualification, which will result in the consequence that such Director or Directors shall become in-eligible:

- to **be re-appointed as a Director in that company;** or,
- to **be appointed as a director in any other company;**

for a period of 5 years, from when the company fails to do so.
It is clearly evident that Sub-Section (2) of Section 164 not only cites the situations in which the disqualification gets attracted but also prescribes the tenure of disqualification.

Consequence for Non-Complianceof Sub-Section (2) of Section 164:

Sub-Section (2) of Section 164, does not prescribe for any specific penalty, for the non-compliance, however, Section 172 prescribes for the punishment for non-compliance of the provisions of the Chapter. Accordingly, the company and every officer of the company who is in default shall be punishable with fine which shall not be less than Rs. 50,000/- (Rupees Fifty Thousand only) but which may extend to Rs.5,00,000/- (Rupees Five Lakhs only).

Effective date of the provisions of Section 164 of the Companies Act, 2013:

The provisions of Section 164 of the Companies Act, 2013, have been notified to be effective from **01.04.2014.**

Practically speaking, the disqualification provisions for Non-filing of financial statements and annual return for any continuous period of 3 financial years, shall have to come into effect from 01.04.2017, as the provisions of the enactment can be only prospective and not retrospective, and accordingly, if a person being a Director of a Company and fails to file the Financial Statement/Annual Returns for a continuous 3 financial years i.e., 2014 – 2015, 2014 – 2015 & 2016 – 2017, such Director shall be disqualified for a period of 5 years commencing from 01.11.2017.

However, the wording ***"any** continuous period of 3 financial years",* seems to be stand taken by the Ministry in bring out a list of disqualified Directors for 5 years, pertaining to a default of continuous non-filing for 3 years, prior to 01.04.2014, and fixing disqualifications from 01.11.2014 and onwards, is very much debatable and questionable, before law.

Relevant provision under the Companies Act, 1956:

Section 274 (1) (g) is the corresponding provision to Section 164 (2).

The provisions of Section 274 (1) (g) was applicable only for Public Limited Companies and not applicable for Private Limited Companies.

It would be not out of place to mention that the disqualification under Section 274 (1) (g) did not result in vacation of office under Section 283 of Companies Act, 1956.

Section 167 of the Companies Act, 2013:

With the provisions of Section 164 being above, let us understand the provisions of Section 167 of the Companies Act, 2013:

167:

(1) The office of a director shall become vacant in case:

(a) he incurs any of the disqualifications specified in section 164;
(b) he absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board;
(c) he acts in contravention of the provisions of section 184 relating to entering into contracts or arrangements in which he is directly or indirectly interested;
(d) he fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested, in contravention of the provisions of section 184;
(e) he becomes disqualified by an order of a court or the Tribunal;
(f) he is convicted by a court of any offence, whether involving moral turpitude or otherwise and sentenced in respect thereof to imprisonment for not less than six months:

Provided that the office shall be vacated by the director even if he has filed an appeal against the order of such court"

(g) he is removed in pursuance of the provisions of this Act;
(h) he, having been appointed a director by virtue of his holding any office or other employment in the holding, subsidiary or associate company, ceases to hold such office or other employment in that company.

(2) If a person, functions as a director even when he knows that the office of director held by him has become vacant on account of any of the disqualifications specified in sub- section (1), he shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both.

(3) Where all the directors of a company vacate their offices under any of the disqualifications specified in sub-section (1), the promoter or, in his absence, the Central Government shall appoint the required number of directors who shall hold office till the directors are appointed by the company in the general meeting.

(4) A private company may, by its articles, provide any other ground for the vacation of the office of a director in addition to those specified in sub-section (1).

From the above, it can be seen that Sub-Section (1) of Section 167 provides for the circumstances under which the office of the Director shall become vacant and of which Clause (a) provides one case, which is, if the Director incurs any of the disqualifications specified in Section 164.

Sub-section (2) of Section 167 provides for penalty on the Director knowing function as a Director in the Company, after his office has become vacant.

Sub-section (3) of Section 167 provides the remedy in case the entire Board of the company vacates office under Section 167

Sub-section (4) of Section 167 empowers a private company to provide for additional grounds for vacation of office.

From a plain reading of Clause (a) of Sub-Section (1) of Section 167, it seems that the vacation of office has to happen instantaneously on attaining the disqualification under Section 164, and now the question which remains to be answered is, that vacation happened to which disqualification ???? i.e., whether on acquiring or getting the disqualification as listed in Section 164 (1) or Section 164 (2).

There seems to be dichotomy or conflict between the provisions of Section 164 (2) and Section 167 (1), and if both the provisions are read together as below:

Sub-Section (2) of Section 164, provides that if a Director was to incur disqualification, then he shall not be eligible to be re-appointed as a director of that company or be appointed in other company for a further period of 5 years from the date on which the company fails to do so; which means the disqualification for re-appointment in the company; and for appointment any other company for a period of 5 years is immediate, and there no provision for vacation of office is prescribed in the Section 164

For the sake of argument, if it agreed that on attaining the disqualification under Sub-Section (2) of Section 164, the Director or Directors have to vacate in all the companies in which they are director, then all the Companies including the company which has defaulted in filing of the Annual Returns/Financial Statements will go without any Board, and in turn the Promoters or the Central Government will have appoint the directors on the Board pursuant to provisions of Sub-Section (3) of Section 167, which seems absurd, and not to be the intent of the Statute. In view the above practical issue, the Sub-Section (2) of Section 164 prescribes for disqualification from appointment in other companies which have defaulted under this section.

The confusion arose because of the loose drafting of the provision linking Section 164 with Section 167, which results in the interpretation that disqualification under Section 164 leads to automatic vacation of office of the respective Director.

In my opinion, to understand the intent of the statute, a harmonious construction of the provisions of Section 164 and Section 167, is required, as there can be no interpretation such that one provision overrules or overrides the other.

From the amendment proposed in the Companies (Amendment) Act, 2017, to Section 167 of the Companies Act, it is evident that the disqualification referred to in Clause (a) of Sub-section (1) of Section 167, relates only to the disqualification under Section 164 (1) and not for the disqualifications under Sub-Section (2) of Section 164, and accordingly any Director who has incurred the disqualifications under Sub-Section (1) of Section 164 shall vacate the office immediately.

The intent of the Sub-section (2) of Section 164 that the Director shall not be re-appointed in the Company or appointed in any other Company, is to ensure that the defaulting director shall continue in the Company and take steps to make good the failure of non filing of the returns.

Further, with the recent Condonation of Delay Scheme 2018**["CODS"]**, introduced by the Ministry of Corporate Affairs, vide General Circular No.16 of 2017, Dt:29.12.2017, it is clearly evident that the Companies which have defaulted in filing their Annual Returns/Financial Statements, have been provided with the Chance of filing their pending returns, and for this purpose, the de-activated DINs of the dis-qualified Directors are temporarily activated, *from which it is evident that there was no requirement of vacation of office of the said dis-qualified director.*

What would have been the case, if entire Board of such Company, was vacated, on the pretext of the combined reading of Sub-Section (2) of Section 164 and Clause (1) of Sub-section (1) of Section 167 ??? The Company may not or cannot utilise the CODS or it would have to appoint Directors pursuant to the provisions of Sub-Section (3) of Section 167.

Amendment to Section 167 of the Companies Act, 2013, vide the Companies (Amendment) Act, 2017:

The Companies Amendment Act, 2017, which received the assent of the President on 03.01.2018, and some of the provisions of which were notified to be effect from 26.01.2018 and 09.02.2018, seems to have addressed the ambiguity in drafting of the Clause (a) of Sub-Section (1) of Section 167, and accordingly, the Section 54 of the Companies (Amendment) Act, 2017, provides to include a proviso to Clause (a) of Sub-Section (1) of Section 167 as below:

"Provided that where he incurs disqualification under sub-section (2) of section 164, the office of the director shall become vacant in all the companies, other than the company which is in default under that sub-section."

The Section 54 of the Companies (Amendment) Act, 2017, is yet to be notified.

Conclusion:

From the above analysis of the provisions, it is concluded that Sub-Section (2) of Section 164, provides that if a Director was to incur disqualification, then he shall not be eligible to be re-appointed as a director of that company or be appointed in other company for a further period of 5 years from the date on which the company fails to do so; and the provision of Clause (a) Sub-Section (1) of Section 167, in its present form is applicable only for the disqualifications attained under Sub-section (1) of 164.

Unless there is a provision or requirement of re-appointment of Directors in the Company which has failed to file returns, the existing Directors of the defaulting Company can continue to be directors of the Company and also in other Companies, in which there are presently directors, but cannot be appointed as Director in any new Company.

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GST

EXPORTS UNDER GST - RESOLUTION OF CERTAIN ISSUES

Contributed by CA Sri Harsha & CA Manindar

INTRODUCTION:

It is the policy of Indian Government that export of goods or services should not be burdened with taxes to remain competitive in the global market. Though this policy remained intact even under GST regime, the manner of its implementation is affecting the exporters. In case of exporters undertaking exports by paying GST, the undue delay in sanctioning there fund of such GST, has badly affected their working capital requirements. It is estimated that around 65,000 crores of exporters money were stuck up during July to September period. In case of exporters exporting under Letter of Undertaking without paying any GST, Government has recently introduced manual process to claim refunds as against the promised electronic filing and processing through GST portal. This is more likely to cripplet he prompt sanctioning of refund claims which may cause severe dent in exporters margin and working capital requirements. In this context, this article aims to highlight several issues of exporters that requires immediate action from Government.

CONCEPT OF ZERO RATED SUPPLY AND THE REQUIREMENT OF LETTER OF UNDERTAKING:

Section 16 of the IGST Act, 2017 provides that exports and supplies to SEZ are zero-rated supplies. The same is re-produced as under;

(1) "zero rated supply" means any of the following supplies of goods or services or both, namely:—

(a) export of goods or services or both; or

(b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.

(2) Subject to the provisions of sub-section (5) of section 17 of the Central Goods and Services Tax Act, credit of input tax may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply.

(3) A registered person making zero rated supply shall be eligible to claim refund under either of the following options, namely:—

(a) he may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilised input tax credit; or

(b) he may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied, in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder.

Sub-section (1) of Section 16 clearly provides that export of goods or services or both will unconditionally qualify as zero-rated supply. Sub-section (2) provides that ITC can be claimed on goods or services that are used for export of goods or services even though supply of such goods or services to any person in India are exempt from GST. Sub-section (3) provides that a registered person making zero-rated supply is eligible to claim refund of taxes involved in export of goods or services under any of the two options provided therein.

Thus, on perusal of section 16, the options of executing bond/LUT or paying Integrated tax for exports are only to claim refund of input taxes involved in such export supplies. As such there is no requirement to pay any tax on export of goods or services.

On the other hand, Rule 96A of CGST Rules, 2017 provides as under;

96A. Refund of integrated tax paid on export of goods or services under bond or Letter of Undertaking.-

(1) Any registered person availing the option to supply goods or services for export without payment of integrated tax shall furnish, prior to export, a bond or a Letter of Undertaking in FORM GST RFD-11 to the jurisdictional Commissioner, binding himself to pay the tax due along with the interest specified under sub-section (1) of section 50 within a period of —

(a) fifteen days after the expiry of three months, or such further period as may be allowed by the Commissioner,] from the date of issue of the invoice for export, if the goods are not exported out of India; or

(b) fifteen days after the expiry of one year, or such further period as may be allowed by the Commissioner, from the date of issue of the invoice for export, if the payment of such services is not received by the exporter in convertible foreign exchange.

.

3) Where the goods are not exported within the time specified in sub-rule (1) and the registered person fails to pay the amount mentioned in the said sub-rule, the export as allowed under bond or Letter of Undertaking shall be withdrawn forthwith and the said amount shall be recovered from the registered person in accordance with the provisions of section 79.

Though the heading of Rule 96A is titled as 'Refund of Integrated tax paid on export of goods or services under bond or letter of undertaking', sub-rule (1) provides that any registered person availing the option to supply goods or services for export without payment of integrated tax shall furnish, prior to export, a bond or a Letter of Undertaking in FORM GST RFD-11 to the Jurisdictional Commissioner, binding himself to pay the tax due along with the interest if goods are not exported out of India or payment in convertible foreign exchange for services exported is not received within the stipulated time.

From the plain reading of sub-rule(1), it very clear that the provision is applicable to any registered person intending to export goods or services without payment of tax is required to fulfil the bond/LUT formalities whether intending to claim refund of ITC or not, while on the other hand the heading suggest that the requirement of execution of bond/LUT is in connection exporters intending to claim refund. It is a well-established legal principle that if there is a conflict between heading of a statutory provision and the plain content of the provision, the provision should be interpreted as per the plain language of the provision. Thus, it appears that Rule 96A mandates the requirement of executing bond/LUT to export goods or services without payment of integrated tax.

In view of the apparent conflict between Section 16 and Rule 96A as discussed above, the following issues may arise

a) Delay in obtaining LUT/Bond:

Some of the exporters have obtained their Bond/LUT in delay while they have already undertaken several exports of goods or services without payment of integrated tax. Whereas the bond/LUT sanctioned by the Department are given effect from the date of their sanction. Rule 96A provides the requirement of holding Bond/LUT prior to the date of export in order to export the goods or services. On the other hand, the master circular no 8/8/2017-GST dated 04.10.2017 has clarified that LUT obtained shall be valid for entire financial year. In view of this reason, ambiguity prevails over the requirement to deposit integrated tax on exports that are undertaken prior to the effective date of Bond/LUT.

b) Exporters not intending to claim ITC:

There are certain exporters especially in, service sector viz. scientific or technical consultants, architects, interior designers, photographers and other professional consultants whose main reason of value addition is for the time spent than the costs incurred. They hardly have any expenditure to claim ITC. Some of these exporters do not have any supplies in India. Under erstwhile regime, they were not required to take any registration under Service Tax and Excise.

As exports are not subject to any tax under GST in terms of Section 16, it appears that they are not required to take any registration and undertake compliance relating to filing of returns etcunless they have an intention to claim refund. However, as Rule 96A mandates the requirement of obtaining Bond/LUT in order to undertake exports without payment of integrated tax, ambiguity prevails over their requirement to take registration and undertake various compliances under GST. A suitable clarification in this regard is expected as there are many such small-scale exporters who are burdened with the heavy compliance under GST.

CONCESSIONAL RATE OF GST FOR SUPPLIES TO MERCHANT EXPORTER

A merchant exporter generally buys goods from any of the supplier in India and exports the goods outside India. Under erstwhile regime, he can procure goods from suppliers without the requirement to pay VAT and excise duty by providing the relevant declarations/forms to such suppliers. Suppliers were completely relieved from tax implications when they supply goods to merchant exporters upon taking the declarations/forms from merchant exporter. They are not required to pay tax or face any consequences in the event the merchant exporter fails to export the goods. The entire responsibility to deposit the taxes involved in the event the goods are not exported lies with the Merchant Exporter.

Coming to GST regime, Notification 41/2017-IGST(Rate) and Notification 40/2017-CGST (Rate) dated 23.10.2017 are issued to facilitate the merchant exporter to buy goods from suppliers in India by paying GST at a nominal rate of 0.1% subject to the satisfaction of conditions specified therein. However, the said beneficial notifications are not that attractive to adopt for the following reasons:

a. Unlike the previous regime, the supplier of goods to merchant exporter is not completely absolved from GST liability at the applicable rate in the event the merchant exporter fails to export the goods within a period of three months from the date of export. The notifications do not provide for any power to any of the GST officers to extend this time limit. The liability to pay GST at applicable rate may even get attracted in the event the merchant exporter fails to fulfil any other conditions like mentioning of invoice details and GSTN of supplier in the shipping bill and providing a copy of Export General Manifest.

   These notifications are in effect extending benefits to one person (Merchant Exporter) and punishing another person (supplier) for no fault of him. Because of the reason that the liability to pay full GST in the event the exporter fails to export is on supplier, this facility of purchase at concessional rate to merchant exporters is not beneficial as suppliers are hesitating to supply goods, especially to merchant exporters who do not have proven track record.

b. Some of the merchant exporters are not willing to share the copies of the shipping bills to their supplier which is one of the requirement for concessional rate of GST, as this may contain business sensitive information viz. foreign buyer details, export price etc. Because of this reason, they are forced to procure the goods by paying applicable GST thereby taking the hit of excess working capital requirements.

Therefore, GST Council is required to maintain to make note of these issues and resolve them at the earliest in order to ensure that every merchant exporter obtains goods for export at a nominal rate.

REQUIREMENT TO ENDORSE THE RECEIPT OF SERVICES IN SEZ:

As stated above, Section 16 provides that supplies undertaken to a SEZ unit or SEZ developer shall also be considered as zero-rated supplies. In order to claim refund of tax paid or ITC involved on supplies to SEZ, second proviso to Rule 89 of CGST Rules, 2017 requires the supplier to file application for refund claim along with endorsements by specified officer of SEZ that the corresponding goods or services are received in SEZ. SEZ Authorities have the practice of endorsing the entry of goods in to SEZs but they do not have the practice or requirement under SEZ Act, 2005 to endorse the receipt of services. As services being intangible, there are instances where the suppliers and the recipient SEZ units/developers are finding it difficult to obtain endorsement over the fact of receipt of services by SEZ units/developers. In view of this reason, suppliers are finding it difficult to file refund claims over the ITC involved in supplies undertaken to SEZ units and developers.

CONCLUSION:

Before parting, undoubtedly transition to GST for exporters was bitter and for them GST is no more an ease of doing business reform. Increased working capital requirements, procedural complexities involved in serval export benefits and delayed refund processing are the major challenges faced by them. Therefore, Centre &State Governments and GST council have to direct their efforts towards resolving issues and procedural complexities relating to exporters including those discussed above in order to inject impetus for exporters to flourish.

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AUDIT

INSIGHTS OF QRB REPORT

Contributed by CA Sandeep Das & CA Sri Harsha

Government of India has, in exercise of the powers conferred under section 28A of the Chartered Accountant Act 1949, constituted Quality Review Board to make recommendations to the Council with regard to the quality of services (including audit services) provided by the member of the Institute and to guide member of the institute to improve the quality of services and adherence to the various statutory and other regulatory requirements.

Quality Review Board(QRB) was established by Parliament of India with the mandate to review the quality of audit services provided by the members of the ICAI and to guide its members to improve the quality of audit services. QRB also notes failure to adhere to the various statutory and other regulatory requirements.

From the inception, it is continued endeavour of the QRB to oversee the Audit firm's audit quality services and to ensure that the audit firms deficiencies in statutory audit services for listed and other public interest entities, in particular , are being appropriately and suitably addressed.

Keeping in view the experience gained during the process of reviews being carried out by the QRB as well as international practices and requirements for audit oversight , the Board has formed study groups for the following areas :

- To undertake holistic examination of the " Procedure for Quality Review of Audit review, criteria used for the selection of the firms, review team composition, reporting, confidentiality and other aspects make recommendations to the Board for suggesting appropriate amendments.

- To suggest measure to raise audit quality bar in line with the stakeholders perceptions towards high quality financial reporting, effective audits and good corporate governance.

- To suggest framework for undertaking Root cause analysis of review findings.

Root causes and Takeaways for Key findings

Insight	Root Causes	Takeaways for Audit Firms	SA
Quality Control Framework	1. Audit firm did not have comprehensive SQC document on various elements of quality control or was not backed by evidence supporting implementation. 2. CEO and Managing Partner did not fully recognize how audit environment had changed, and did not understand required quality control system to be implemented. 3. CEO and Managing Partner did not take action to enhance Partners awareness, capabilities and competence to improve audit quality and perform audit engagements. 4. Failure to allocate sufficient resources, enough time and experienced, competent engagement team including EQCR. 5. Failure to implement policies and procedures for acceptance and continuance of engagements. 6. Failure to test independence on engagements ensuring independence at all times. 7. Failure to have learning calendar and ensuring that firm's partners and employees are complying ICAI CPE rules. 8. Failure to implement elements of monitoring activity.	1. Improve implementation and documentation for various elements of the systems of quality control as per SQC-1 2. Maintain policy & procedure to notify breaches of independence requirements 3. Provide eligibility and maintain objectivity of engagement quality control reviewer (EQCR) 4. Maintain Staff appraisal policy 5. Maintain policies and procedures with regard to engagement performance, engagement documentation and archival process 6. Improve monitoring mechanism and take corrective actions for any of the deficiency identified during inspection process and communicate to its partner.	SQC-1

Agreeing Terms of Audit Engagement		1. Agree on terms of audit engagement with management 2. Cover all aspects of the objective and scope of audit, responsibilities of the management and auditors in the EL 3. Identify the applicable financial reporting framework in EL 4. Make reference to expected form and content of any reports to be issued 5. EL should be signed and dated within a reasonable time from date of appointment	Para 3 of SA 210
Audit Documentation	1. Audit firm's personnel did not fully recognise the importance of audit documentation. 2. Engagement team did not fully verify whether audit documentation was prepared. 3. Engagement Partner did not review audit documentation nor provided sufficient attention because they placed too much confidence on sharing awareness of entity issues and audit procedures to be performed among their engagement team. 4. Engagement Partner did not provide sufficient direction and supervision to less experienced audit practitioners despite they were in majority due to frequent turnover. 5. Engagement Partner did not conduct sufficient review of audit documentation. 6. Engagement Partner did not have proper EQCR in place.	1. Prepare audit documentation on a timely basis duly recording who performed and reviewed audit work and the date/s of completion and review 2. Prepare audit documentation to understand: • Nature, timing and extent of audit procedures performed to comply with SAs and applicable legal and regulatory requirements • Results of audit procedures performed, and audit evidence obtained • Significant matters arising during audit, conclusions reached, and significant professional judgments made 3. Document decisions of significant matters with management and those charged with governance 4. Put in place EQCR system and ensure compliance	Para 5 of SA 230

	7. Audit firm did not have in place education system with due consideration of experience of audit practitioners, scope of their audit engagements, newly adopted audit standards and other relevant factors.	5. Put in place education/training system with due consideration of experience of audit practitioners, scope of their audit engagements, newly adopted audit standards and other relevant factors 6. Comply with policies and procedures for assembly and archival of work papers within stipulated time.	
Auditor's Responsibilities relating to fraud in audit of FS		1. Maintain professional scepticism through out the audit period 2. Make inquires of management and other within the entity and not merely with MD and CFO. Inquiry should also be made with Chairman, Audit Committee, Board Members, Internal Audit Team, KMP and others not generally associated with audit on regular basis 3. Identify and sufficiently respond to significant risks such as revenue recognition, journal entries and related parties by adequately performing sufficient work in the areas identified 4. Review of accounting estimates for biases and performing adequate work 5. Review policies frequently to determine if the materiality policies are still appropriate in terms of requirement of SAs	Para 10 of SA-240

Risk Assessment and Responses to Assessed Risk	1. Audit firm failed to establish overall audit strategy 2. Audit firm failed to include in the audit plan about the planned audit procedures including identification and assessment of risk of material misstatements that are required to be carried out so that the engagement complies with SAs. 3. Audit firm failed to implement a suitable sampling methodology and document on file any calculations as proof thereof and that the extent of testing is an adequate response to the assessed risk levels. 4. Audit firm failed to test IT related controls, testing IT generated reports, changes to IT systems and have adequate IT personnel on engagement. 5. Lack of appropriate audit tools, training and experienced staff as well as review. 6. Audit firm failed to document design and effectiveness of controls and performing appropriate test of controls.	1. Perform risk assessment procedure to provide a basis for identification and assessment of risks of material misstatement at the financial statement and assertion levels. 2. Obtain understanding of nature of entity, its operations, its ownership and governance structures, type of investments that the entity is making and plans to make, including investments in SPEs. 3. Obtain understanding internal control relevant to the audit 4. Design and perform further audit procedures whose nature, timing and extent are based on and are responsive to assessed risk of material misstatement at the assertion level. 5. Include in the audit plan about the planned audit procedures including identification and assessment of risk of material misstatements and appropriate audit responses that are required to be carried out so that engagement complies with SAs. 6. Test IT related controls, IT generated reports and have appropriate planned procedures including changes to IT systems and have appropriate IT personnel on engagement. 7. Document the design and effectiveness of controls and performing appropriate test of controls to obtain sufficient appropriate audit evidence.	SA 300, 315, 320,330

Audit Evidence	1. Engagement team identifies significant risks but completes audit procedures only by inquiry without obtaining sufficient appropriate audit evidence. 2. Engagement team identifies inconsistencies and irregularities with other audit evidence but does not determine the necessity of additional audit procedures. 3. Even though the assessed risk of material misstatement is high, the engagement team performs the tests of details only by obtaining the entity's internal vouchers and other less reliable audit evidence without assessing the quality of the obtained auditevidence. 4. During sampling among the audit procedures in response to the assessed risk, the engagement team does not select samples from the appropriate selection range to reach a conclusion for the entire population 5. Engagement team did not perform audit procedures to comprehensively understand the related parties. 6. Engagement team did not perform procedures on the management's methods and data used for accounting estimates. 7. Engagement team did not assess the management's bias.	1. Design and perform audit procedures that are appropriate in circumstances for obtaining sufficient appropriate audit evidence. 2. Maintain control over external confirmation requests while using external confirmation procedures. 3. Select items for the sample in such a way that each sampling unit in the population has a chance of selection. 4. Perform audit procedures to comprehensively understand related parties 5. Appropriately identify and assess risks of material misstatement in accounting estimates, and perform appropriate audit procedures to address such risks 6. Perform analytical procedures during planning stage, audit performance and when forming overall conclusion as to whether financial statements are consistent with auditor's understanding ofentity. 7. Maintain documentation for work performed.	SA – 500, 505, 510, 520, 530, 540, 550, 570 and 580

Audit Conclusions and Reporting	1. Audit firm does not conclude the audit opinion at the end of the audit, based on audit evidence obtained and sometimes they have pressure to complete the audit ontime	1. Form an opinion on FS based on evaluation of conclusions drawn from audit evidence obtained and express clearly that opinion through written report that also describes the basis for opinion. 2. Obtain reasonable assurance about whether FS as a whole are free from material misstatements, whether due to fraud or error. 3. Modify opinion in auditor's report and conclude, based on audit evidence obtained, that the financial statements as a whole are not free from material misstatement. Have appropriate consultations within the Firm for any modifications to the audit report and document such consultations as part of work papers. 4. Include an Emphasis of Matter paragraph in auditor's report to draw users' attention to matter presented or disclosed in financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding. 5. Obtain management representation letter before audit report is issued.	Para 6 of SA 700

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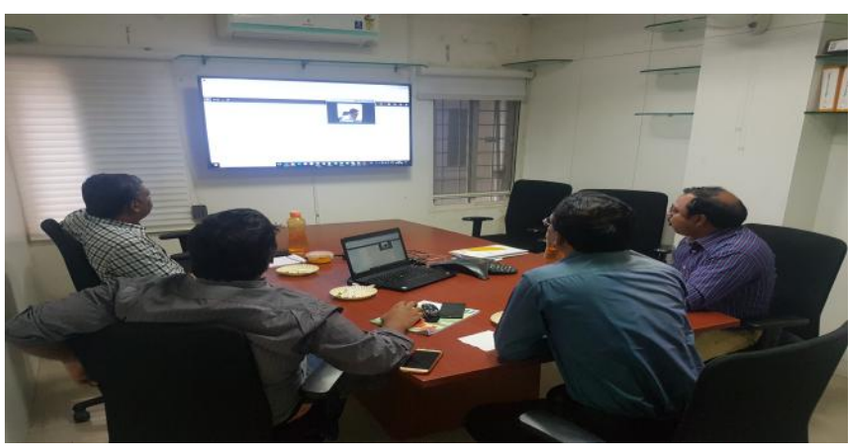
TECHNICAL SESSIONS:

S.No.	Event	Date	Speaker	Venue
1	Panel discussion on Budget-2018	02/02/2018	CA Suresh Babu S	SBS - Hyd
2	Detailed Analysis on provisions pertaining to MAT, Section 112A and Charitable Institutions	09/02/2018	CA Ramprasad T	SBS - Hyd

Note:

The timings for the above events shall be from 16:30 hrs to 18:30 hrs. We request the recipients of "SBS Wiki" who are interested to attend the above events to send confirmation of your participation two days in advance to make appropriate arrangements. The relevant material will be hosted at slideshare shortly after the session. The link to download is *http://www.slideshare.net/Team-SBS*



Detailed Analysis on provisions pertaining to MAT, Section 112A and Charitable Institutions - CA Ramprasad T

Panel discussion on Budget - CA Suresh Babu S

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