

the entity to make accurate and informed decisions.

4) Since hedge accounting lowers or removes the volatility in the profit and loss statement, compensation to the executives, which may depend upon the performance of, say, the quarterly earnings, is not unduly affected.

#### **Cons in hedge accounting**

1) Hiring personnel with appropriate accounting expertise may prove to be very challenging and time consuming. Further, such personnel may not be available in-house and as such, outsourcing the same may become very costly.

2) Compiling different sources of data for effectiveness testing can be a challenge.

3) Creating and maintaining the documentation required brings a significant administrative burden. It is essential to get this

part of the process right; without adequate documentation for each hedging relationship, companies may not be able to correctly apply hedge accounting.

#### **References**

- Article from Wikipedia website (en.wikipedia.org)
- Article from Investopedia website (www.investopedia.com)
- Article from Investinganswers website (investinganswers.com)
- Article from Kantox website (www.kantox.com)
- Article from Study website (study.com)



**SHRUTHI RAMAN**  
Audit Manager

|Update|

## **GOODS & SERVICE TAX**

**The Authority for Advance Rulings (AAR) of Rajasthan has held that payments made by a foreign company to reimburse the expenses of its liaison office in India, will not be subject to GST.**

A liaison office is required to be registered with RBI & is not permitted to carry on any commercial activities.

It acts as a communication channel between the parent company and Indian parties.

The entire expenses of the liaison office are met exclusively by the funds received from parent company.

The AAR observed that liaison does not have any other source of income and it is solely dependent on the head office for reimbursement of all expenses.

Therefore, the head office and the liaison cannot be treated as separate person thus there cannot be flow of service between them as one cannot provide service to self.

Based on this reasoning the AAR concluded that if the liaison office in India does not render any consultancy or other services directly/indirectly, with or without any consideration and the liaison office does not have significant commitment powers, except those which are required for normal functioning of the office, on behalf of Head Office, then the reimbursement of expenses and salary paid by HO to the Liaison Office, established in India, is not liable to GST and the liaison office is not required to get itself registered under GST.

**Re: HabufaMeubelenB.V.  
(Indian Liaison Office) (GST AAR Rajasthan)**

Date of judgement 16/06/2018



**R. KANNAPPAN**  
Audit Assistant

# Important amendments in **DIRECT TAX** for the assessment year 2019-20

## **Standard deduction to salaried individuals and pensioners**

Transport allowance and medical reimbursement are two tax deductions which almost every salaried taxpayer easily claims. The tax benefit from transport allowance is Rs 19,200 p.a. (Rs 1,600 p.m.), while from reimbursement of medical expenses, it is Rs 15,000 p.a. Now a standard deduction of Rs 40,000 has been brought in their place. This is, in fact a good news for you since the overall tax benefit has increased by Rs 5,800 (Rs 40,000 – Rs 34,200). This tax benefit has also been extended to the pensioners.

## **Enhanced deduction under section 80D**

You must be familiar with this deduction under section 80D. The tax deduction currently allowed is up to Rs 30,000 of the insurance covers you, your spouse or your children. You can get additional deduction of Rs 30,000 on premium paid if you have a medical cover for your parents aged 60 years and above. If they are aged below 60 years, then the tax deduction cannot exceed Rs 25,000.

However, if anyone of you, your spouse or your parents is not covered under any insurance policy, then you can claim a tax deduction upto Rs 30,000 for the medical expenses incurred on them. Union budget 2018 has extended this benefit to senior citizens as well and increased the deduction limit from Rs 30,000 to Rs 50,000.

## **Increase in the deduction limit under section 80DDB**

The tax deduction given to taxpayers for expenses incurred on treatment of his own or any family member's critical illness has also been raised. The upper limit of deduction has been increased to Rs 1 lakh for both senior as well as super senior citizens but the limit remains the same for the taxpayers up to 60 years of age.

## **Increase in exemption limit on bank interest for senior citizens**

In the AY 2019-20, senior citizens will be able to claim deduction up to Rs 50,000 on interest earned from bank deposits, post offices or co-operative banks as per the provisions of a new section 80TTB of the Income Tax Act, 1961. Any senior citizen who claims the tax deduction under section 80TTB will not be allowed to claim the benefits of section 80TTA from AY 2019-20. Section 194A has also been amended to disallow banks from deducting tax from payment of interest up to Rs 50,000 made to a senior citizen.

## **Enhanced tax benefit on gratuity**

The taxpayers currently get a tax exemption of Rs 10 lakh which will be raised to Rs 20 lakh. The taxpayers receiving gratuity on or after 1st April 2018 will be able to enjoy the increased tax benefit on gratuity.

## **NPS withdrawal exemption extended to non-employees**

Employees investing in NPS get exemption up to 40% of the total accumulated balance in their NPS account at the time of withdrawal when they opt out or close the scheme. The budget 2018 has extended this tax benefit to everyone including non-salary person investing in NPS.

## **No capital gains tax if the variation in stamp value and the actual consideration is up to 5%**

The taxpayers who sell an immovable property for a sale consideration which is less than the value adopted by the stamp authorities, then the stamp valuation amount will consider as the actual sales consideration.

In budget 2018, the government has taken steps to help taxpayers making genuine transactions. The government has proposed that if actual sale value is less than 5% of stamp valuation amount, then actual sale value consider as sales consideration even though stamp valuation amount is higher than actual sales consideration. But such difference value should not more than 5%, if so then section 50 C(i) will be considered.

## **Hike in cess percentage**

Cess levied on your tax liability has been hiked by 1 per cent from the current 3 per cent to 4 per cent and further it will be named as Health and Education cess instead of Secondary and Education cess.

## **LTCG tax on equity investments**

Arguably the biggest change implemented this financial year is the reintroduction of the long term capital gains tax on stock market investments. A 10% Long Term Capital Gains (LTCG) tax will be imposed on profits exceeding 1 Lakh made from the sale of stocks and equity-oriented mutual funds that have been held for over a year. All profits made by investors up to 31 January 2018 have been grandfathered. Indexation benefit will be available on the sale of shares listed after 31 January.



**RAJKIRAN K**  
Article Assistant

Section 77 to Section 87 (Chapter VI) of the Companies Act, 2013 ('the Act') & the Companies (Registration of Charges) Rules, 2014 deals with the Registration of Charges.

Section 2(16) of Companies Act, 2013 defines charge as a means of interest or lien created on the property or assets of a company or any of its undertakings or both as security and includes a mortgage.

Vide the Companies Ordinance, 2019 which came into effect from 02<sup>nd</sup> November, 2018, substantial changes were made to the provisions relating to the Registration of the Charges. Summary of amended provisions relating to the Registration of Charges prior to and after the commencement of ordinance are tabled below:

S.No	Compliance Requirement	Provisions Before the Ordinance	Provisions After the Ordinance						
<b>Creation and Modification of Charges</b>									
1.	Registration of Creation and modification of Charges (Section 77)	<p>As per Section 77 of the Act, Company have to register charge with the Registrar within <b>30 days</b> of creation of Charge.</p> <p>Provided that the Registrar may, on an application by the company, allow such registration to be made within a period of <b>Three Hundred Days</b> of such creation on payment of such additional fees as may be prescribed.</p>	<p>As per Section 77 of the Act, Company have to register charge with the Registrar within <b>30 days</b> of creation of Charge.</p> <p>In case company fails to register the same within 30 days of Creation/modification, the following provisions will apply:</p> <table border="1"> <thead> <tr> <th>In case Charges Created after the Ordinance</th> <th>In case Charges Created Prior to the Ordinance</th> </tr> </thead> <tbody> <tr> <td>Provided that the Registrar may, on an application by the company, allow such registration to be made within a period of <b>60 Days</b> of such creation on payment of such additional fees as may be prescribed.</td> <td>Provided that the Registrar may, on an application by the company, allow such registration to be made within a period of <b>three hundred days</b> of such creation on payment of such additional fees as may be prescribed.</td> </tr> <tr> <td>Provided further that if the registration is not made within the period specified</td> <td>Provided further that if the registration is not made</td> </tr> </tbody> </table>	In case Charges Created after the Ordinance	In case Charges Created Prior to the Ordinance	Provided that the Registrar may, on an application by the company, allow such registration to be made within a period of <b>60 Days</b> of such creation on payment of such additional fees as may be prescribed.	Provided that the Registrar may, on an application by the company, allow such registration to be made within a period of <b>three hundred days</b> of such creation on payment of such additional fees as may be prescribed.	Provided further that if the registration is not made within the period specified	Provided further that if the registration is not made
In case Charges Created after the Ordinance	In case Charges Created Prior to the Ordinance								
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Provided further that if the registration is not made within the period specified	Provided further that if the registration is not made								

			<p>(i.e above 60 days), the Registrar may, on an application, allow such registration to be made within a further period of <b>60 Days</b> after payment of such <b>ADVALOREM</b> fees as may be prescribed.</p>	<p>within the period specified (i.e above 300 days), the registration of the charge shall be made <b>within six months</b> from the date of commencement of the Ordinance, on payment of such additional fees.</p>
2.	<p>Condonation for Delay in registration of Creation / Modification of Charges (Section 87)</p>	<p>If registration is not made within a period of three hundred days of such creation, “the company shall seek extension of time in accordance with section 87”</p>	<p>Omitted</p> <p>(provisions relating to Condonation for creation/ modification of charge is omitted under the Ordinance)</p> <p><b>However, the condonation for delay in registering the satisfaction of Charges is not omitted u/s 87.</b></p>	
<b>Satisfaction of Charges</b>				
3.	<p>Registration of Satisfaction of Charges (Section 82)</p>	<p>Payment or satisfaction in full of any charge registered under this Chapter shall be reported to the ROC in e-form CHG 4 within a period of 30 days from the date of such payment or satisfaction.</p> <p>Provided that the ROC may, on an application by the company or the charge holder, allow such intimation of payment or satisfaction to be made within a period of 300 days of such payment or satisfaction on payment of such additional fees.</p>	<p>Provisions relating to the Charge satisfaction has not been amended by the Ordinance.</p> <p><b>Note: Additional period of 300 days (30+270 days) was introduced by the Companies (Amendment) Act, 2017 which is brought to force from 05<sup>th</sup> July 2018. Prior to the Amendment act, if the Satisfaction of charge is not reported within 30 days, condonation of delay shall be made with the RD.</b></p>	

**TABLE SHOWING TIME PERIOD FOR REGISTRATION OF CREATION/MODIFICATION CHARGES**

Prior to the Ordinance				After the Ordinance and the charge is created after 02.11.2018					
Stage	Particular	Time Period	Days	Fees	Stage	Particular	Time Period	Days	Fees
I	Registration of Charge with the ROC	Within 30 days of Creation	0+30	Normal Fees	I	Registration of Charge with the ROC	Within 30 days of Creation	0+30	Normal Fees
II	If Fails to file within 30 days	within 300 days such creation	0+300 = 300 days	Normal Fees + Additional Fees	II	If Fails to file within 30 days	within a period of 60 days of such creation	0+30+30 = 60 days	Normal Fees + Additional Fees
III	If Fails to file within 300 days	Condonation of Delay with the Regional Director u/s 87.			III	If Fails to file within 60 days	Registrar may allow such registration to be made within a further period of 60 days	0+30+30+60 = 120 days	Normal Fees + Additional Fees + Advallorem Fees



**LAKSHMI S**  
Manager (Legal & Compliance)

|Event|

**INDUCTION PROGRAM**

Induction program was held in our organization exclusively for the fresher's between 11th and 16th of February 2019. It was a perfect "mixture" of theory and practicals. It really helped us to understand how things work in practise. The experience shared by our Senior CA Partners, CMA's and CS brought before our eyes a vivid picture of the professional challenges & responsibilities in discharging our functions. One of the key takeaways was the quote given by our senior partner CA. G. Kumar which is etched in my memory. He said and I quote **"As is success, failure is also a habit, hence make success your habit"**. He also emphasised, if you fail once, dont succumb to the pressure instead use it as a fuel to propel, accelerate to succeed the next time..

Induction program concluded with the address of CA. Pattabiram, who came in such short notice to address and inspire the inductees. He delineated on the following five things which a student pursuing CA should follow, viz.,

1. Don't do status check with friends
2. Have friends from other professions
3. We should write down our goals
4. Follow your passion (i.e. games)
5. It doesn't matter where we come from, the place where we land at the end matters.

To summarise, the entire five days of induction was not like sitting in a classroom waiting for the period to end instead it was fun and thought provoking. **"ALL IN ALL, IT WAS A FUN EXPERIENCE"**



**VIGNESH KRISHNAN**  
Audit Assistant