

Lunawat Bulletin

Market Watch

Sensex

31.01.2016 : **24870.69**

31.12.2015 : **26117.54**

Nifty

31.01.2016 : **7563.55**

31.12.2015 : **7946.35**

Inside

Compliance Due Dates	2
Income Tax	3
Corporate Law	4
Other Notifications and RBI	5
Lunawat Update	6

Proposed three-year tax holiday for start-ups to be available over five-year window

The three-year tax holiday proposed for startups in India will be available over a five year window, ensuring that innovators won't lose the benefit even if they make a profit later, the government said.

Those seeking the income tax exemption will need to get approval by March 2019, in line with the government's policy to weed out exemptions and bring down the corporate tax rate to 25%. Startups approved until March 31, 2019, will enjoy the benefit for up to five years.

The government has proposed that a high-level, inter-ministerial committee should vet startup proposals to validate the innovative nature of the business for granting tax-related benefits.

If a startup claims the benefit in the first year and does not have a profit in the next two years, it will not lose out on the exemption. If profits are made in the fourth and fifth year, they will still be eligible for the tax break.

"All startups incorporated in India not prior to five years as per the definition of startup and starting the operations before 2019 can get this benefit for three years," said Amitabh Kant, secretary in the Department of Industrial Policy and Promotion, which piloted the startup initiative.

The deadline for seeking exemption set for March 2019, the scheme will effectively run till March 2024, a period of eight years from now.

This fiscal exemption shall facilitate growth of business and meet the working capital requirements during the initial years of operations," according to the action plan document. The policy imposes only one condition on startups claiming the benefit, apart from seeking approval from the appropriate body and meeting eligibility criteria: it should not distribute dividend while getting the tax exemption.

RBI raises WMA limit to Rs 32,225 Crore

Reserve Bank of India has more than doubled the states' ways and means advances (WMA) for 2015-16 to Rs 32,225 crores from Rs 15,360 crores.

The interest rate on WMA will continue to be linked with the repo rate, which is 6.75 per cent at present. The interest is charged for all the days of outstanding of WMA.

The recommended limit of WMA is the largest for Uttar Pradesh at Rs 3550 crores, while the allocation for Maharashtra is Rs 3385 crores.

The WMA will generally be restricted up to a maximum of three months from the date of making the advance. In case WMA outstanding continues for more than three months from the date of such advance, an additional one per cent over repo rate is being levied.

Compliance Due Dates

Due Date	Related to	Particulars
05.02.2016 (Friday)	DVAT/CST	File DVAT & CST quarterly return in electronic form for the quarter ended December 2015 and furnish hard copy of return verification Form 56 of the same.
06.02.2016 (Saturday)	Service Tax	E-payment of Service Tax for month ending January 2016 for Companies.
07.02.2016 (Sunday)	TDS/TCS (Income Tax)	<ul style="list-style-type: none"> • Deposit TDS for payments of Salary, Interest, Commission, Rent, Professional, etc. during month of January 2016. • Deposit TCS for collections made under section 206C during the month of January 2016 • Deliver copy of Form 15G/15H to CCIT/CIT for forms received in month of January 2016.
15.02.2016 (Monday)	EPF	Deposit PF under Employees Provident Fund & Misc. Provision Act, 1952 deducted for the month of January 2016
15.02.2016 (Monday)	DVAT/CST	Deposit tax deducted at source under DVAT Act for the month of January 2016
21.02.2016 (Sunday)	ESI	Deposit ESI under Employees State Insurance Act, 1948 deducted for the month of January 2016.
21.02.2016 (Sunday)	DVAT/CST	Deposit DVAT and CST for the month ended January 2016.
22.02.2016 (Monday)	DVAT	Issue TDS certificate under DVAT Act for tax deducted and deposited for the month of January 2016 in Form DVAT-43.
25.02.2016 (Thursday)	EPF	File monthly return under Employees Provident Fund & Misc. Provision Act, 1952 for the month of January 2016.
29.02.2016 (Monday)	Central Sales Tax	Submit Reconciliation of Form C and Other Forms for the year 2014-15 in Form 9

Income Tax



- EVC is generated after Demat account authenticating using Demat details registered with NSDL.

Charitable Trust Income Accumulation/ Set apart option u/s 11 to be exercised electronically under DSC or EVC

CBDT clarifies that form 9A is to be furnished to the Assessing Officer if in the previous year the income applied to charitable or religious purposes in India falls short of eighty five per cent of Income derived during that year as per Section 11 of the Income Tax Act, 1961 for the following reason:

- For the reason that the whole or any part of the income has not been received during the year, or
- For any other reason.

The form 9A (Application for exercise of option under clause (2) of the Explanation to sub-section (1) of section 11 of the Income - tax Act, 1961) and form 10 (Statement to be furnished to the Assessing Officer/Prescribed Authority under sub-section (2) of section 11 of the Incomer-tax Act, 1961) shall be furnished electronically either under DSC or EVC.

This amendment will be effective from 01st April, 2016.

CBDT direct to issue of refunds of the small taxpayers

CBDT has directed the Assessing Officers to issue refunds up to Rs. 5000/- and refunds in cases where arrear demand is up to Rs. 5000/- may be issued without any adjustment of outstanding arrears under section 245 of the Income Tax Act, 1961 during the Financial Year 2015-16.

Draft Report of IT Simplification Committee

The Income Tax Simplification Committee, a 10-member panel headed by Justice R.V. Easwar (Retd.), has given its first batch of draft recommendations vide its draft report released on 18 January 2016. The Committee was setup with an objective to simplify the provisions of the Income-tax Act, 1961. The Report contains 35 various recommendations, 27 as proposed amendments to the Income Tax laws and 8 through administrative instructions.

CBDT has provided the additional modes for generating EVC

CBDT has provided the additional modes for generating EVC (Electronic Verification Code). The additional modes is as follows:

- EVC is generated by giving Bank account detail.



CBDT Issues Advisory to TDS Deductor for Validating Section-197 Certification

The CBDT has issued an advisory in which it is pointed out that instances of huge default of 'Short Deduction' have been observed due to wrong quoting of 197 certificate number. The scenario of wrong 197 certificates generally arises when the deductor accepts from deductee a manually issued lower deduction certificate by assessing officer & quotes the same in TDS statements. It is explained that CPC (TDS) has provided the facility of validating the 197 certificate to the deductor and that if the 197 certificate is not valid as per TRACES validation, the deductor should always insist upon an ITD system generated certificate having a unique 10 digit alpha numeric number.

CBDT Clarifies law on Section 271(1)(c) penalty where section 115JB book profits are more than normal income

The CBDT has issued Circular No. 25/2015 dated 31.12.2015 pointing out that pursuant to the judgment of the Delhi High Court in Nalwa Sons Investment Ltd 327 ITR 543 (Delhi) and the substitution of Explanation 4 of section 271 of the Act with prospective effect, it is now a settled position that prior to 01.04.2016, where the income tax payable on the total income as computed under the normal provisions of the Act is less than the tax payable on the book profits u/s 115JB of the Act, then penalty under 271(1)(c) of the Act is not attracted with reference to additions /disallowances made under normal provisions

CBDT Creates Environment Of Tax Certainty And Encourages MNCs To Do Business In India

The CBDT has issued a press release dated 28.01.2016 stating that one of the significant steps taken by CBDT to boost investment sentiments among MNCs is the landmark Framework Agreement signed with the Revenue Authorities of USA in January, 2015. This agreement was finalized under the Mutual Agreement Procedure (MAP) provision contained in the India-USA Double Taxation Avoidance Convention (DTAC). The agreement seeks to resolve about 200 past transfer pricing disputes between the two countries in the Information Technology (Software Development) Services [ITS] and Information Technology Enabled Services [ITES] segments. More than 100 cases have already been resolved and some more are expected to be resolved before the end of this fiscal

Corporate Laws



MCA establishes Central Registration Centre (CRC) for centralized approval of name of Companies

The Ministry of Corporate Affairs has taken the initiative in Government Process Re-engineering (GPR) and launched the Central Registration Centre (CRC) with the specific objective of providing speedy incorporation related services within stipulated time frames which are in line with international best practices and MCA has also amended Companies (Incorporation) Rules 2014 to provide the three opportunities to the stakeholders instead of two opportunities while applying for Reservation of Name in Form INC-1 provided that the total period for re-submission of documents shall not exceed a total period of thirty days.

**“ SUCCESS ALL
DEPENDS ON THE
SECOND LETTER. ”**

MCA again clarifies that HUF cannot become Partner or Designated partner in LLP

MCA again clarifies that only an individual or body corporate may be a partner in a Limited Liability Partnership. A HUF cannot be treated as a body corporate for the purposes of LLP Act, 2008. Therefore, a HUF or its Karta cannot become **partner** or designated partner in LLP

Other Notifications

- MCA notifies Investor Education and Protection Fund Authority (Appointment of Chairperson and Members holding of meetings and provision for offices and officers) Rules, 2016.
- MCA clarifies that provisions of sub-section (5),(6) and (7) of Section 125 of Companies Act 2013 have come into the effect from 13th day of January, 2016 and same is related to Investor Education and Protection Fund.
- SEBI has issued FAQs on various matters relating to provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 and circulars related to these regulations issued there under.

Reserve Bank of India



RBI said in a clarification on the Direct Benefit Transfer (DBT) Scheme

"Use of Aadhaar cards and seeding of bank accounts with those numbers are purely voluntary and not mandatory, in view of the Supreme Court's interim orders," RBI said in a communication to banks.

Earlier, with a view to facilitating DBT for delivery of social welfare benefits through direct credit to bank accounts of beneficiaries, RBI had advised lenders to open accounts in camp mode with support from local authorities.

On October 15 last year, the Supreme Court had lifted its earlier restriction and permitted voluntary use of Aadhaar cards in welfare schemes, which included MGNREGA, all pension schemes and the provident fund, besides ambitious flagship programmes like 'Pradhan Mantri Jan Dhan Yojna'.

**GREATNESS IS EARNED,
NEVER AWARDED**
-NIKE

Lunawat Update

Presentations

During January 2016, our partner CA. Pramod Jain gave following presentations:

- “*Practical aspects of Audit under IT & Companies Act* ” at Gurgaon Branch of NIRC of ICAI.
- “*Use of Articleship for Career Growth*” at AICAS Student Council, Gurgaon, Haryana
- “*Conversion of Company into LLP & its Taxation*” at Laxmi Nagar CPE Study Circle of NIRC of ICAI.

During January 2016, our partner CA. Rajesh Saluja gave following presentations:

- “*Financial Statement Analysis*” at Yes bank, Bangalore.
- “*Finance for Non finance Managers*” at Mitsubishi India Pvt. Ltd.
- “*Finance for Non finance Managers*” at Yes bank Ltd , Ludhiana.
- “*Finance in Negotiations*” at Maruti Suzuki India Limited, Gurgaon.
- “*Finance for Non finance Managers*” at Ericsson India Ltd., Noida

We may be contacted at:

Daryaganj, New Delhi

54, Daryaganj,
New Delhi – 110 002
Tel: +91 11 23270624
+ 91 11 23279414
Email: dgoffice@lunawat.com

Paschim Vihar, New Delhi

A-2/132, Prateek Apartments,
Paschim Vihar,
New Delhi – 110 063
Tel: + 91 11 25278405
+ 91 11 25278406
+ 91 11 45581264
+ 91 11 45733511
+ 91 11 45733512
Email: pvoffice@lunawat.com

Karampura, New Delhi

109, Magnum House-1,
Karampura Complex,
New Delhi-110 015
Tel: + 91 11 41427356
+ 91 11 42068101
Email: karampura@lunawat.com

Mumbai

Office No. 9, First Floor. Star Trade
Centre, Chamunda Circle, Near Station,
Borivali (W), Mumbai - 400 092
Tel: + 91 22 28954451
Email: mumbai@lunawat.com

Keshopur, New Delhi

WZ-339, 2nd Floor,
Street No. 19,
Santgarh, Keshopur,
Outer Ring Road,
New Delhi - 110 018
Tel: +91 11 28333914
Fax: + 91 11 28331602
Email: keshopur@lunawat.com

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Chandigarh, Udaipur, Vadodara,
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Editorial Team: CA. Vikas Yadav, Reetika Jindal and Shyam Karwa