

Lunawat Bulletin

Market Watch

Sensex

30.11.2016 : **26652.81**

31.10.2016 : **27930.21**

Nifty

30.11.2016 : **8224.50**

31.10.2016 : **8625.70**

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Subsidized LPG hiked by Rs 2 per cylinder

The rate of subsidized LPG rate is hiked and now it will cost Rs 432.71 per 14.2 Kg cylinders as against Rs 430.64 previously. This is the seventh increase in price since July when the government decided to go in for a small hikes of up to Rs 2 per bottle every month to cut down its subsidy outgo. LPG rates were last hiked on November 1 by Rs 2.05 per cylinder. Prior to that rate was hiked on October 28 by Rs 1.5 per cylinder on account of hike in commission paid to dealers. Rates went up by Rs 2.03 per cylinder on October 1 to Rs 427.09. In case of kerosene, the government has allowed state-owned oil companies to raise the price by 25 paise a litre every fortnight for 10 months.

The price of non-subsidized cooking gas (LPG), which consumers buy after exhausting quota of 12 bottles of 14.2-kg each per household in a year, was hiked by Rs 54.5 to Rs 584. The hike comes on the back of Rs 37.5 hike on November 1.

Auto sales face tough month – Effects of Demonetization

India's Maruti Suzuki Ltd monthly domestic sales rose about 14.2 percent year-over-year in November, and rose 2.1 percent month-over-month. Indian auto makers are generally expected to report weaker transactions for November as a severe cash crunch impacts the country, hitting retail sales. Maruti Suzuki, the country's biggest auto maker, said total domestic sales rose to 126,325 vehicles from 110,599 in the same month last year. It had clocked sales of 123,764 vehicles in October.

Automobile dealers around the country have reported seeing a sharp fall in sales after Prime Minister Narendra Modi's surprise move to ban 500 and 1,000 rupee denominated notes last month, which accounted for 86 percent of currency in circulation.

The effected GDP of the Nation

Domestic economy expanded 7.3 per cent during the July-September quarter, which was at a faster clip than the 7.1 per cent growth reported for the prior three months, but below the 7.6 per cent jump recorded in the year-ago period .The economy is likely to experience a slowdown in the coming quarters, which may push the Reserve Bank of India (RBI) to cut policy rates by at least 25 bps at its forthcoming policy review on December 7.

Compliance Due Dates

Due Date	Related to	Particulars
06.12.2016 (Tuesday)	SERVICE TAX	Deposit Service Tax for the month of November 2016 for Company Assessee s
07.12.2016 (Wednesday)	TDS/TCS (Income Tax)	Deposit TDS/TCS for deductions/collections made during the month of November 2016.
15.12.2016 (Thursday)	EPF	Deposit PF under Employees Provident Fund & Misc. Provision Act, 1952 deducted for the month of November 2016.
15.12.2016 (Thursday)	DVAT	Deposit tax deducted at source under DVAT Act for the month of November 2016
15.12.2016 (Thursday)	Income Tax	Deposit 3rd Installment of Advance Income Tax of all Assessee for Assessment Year 2017-18 . Take care of the enhanced income , if any due to preceding month's happenings.
15.12.2016 (Thursday)	Income Tax	Issue TDS Certificate for tax deducted under Section 194-IA in the month of October, 2016
21.12.2016 (Wednesday)	ESI	Deposit ESI under Employees State Insurance Act, 1948 deducted for the month of November 2016.
21.12.2016 (Wednesday)	DVAT	Deposit DVAT and CST for the month ended November 2016.
22.12.2016 (Thursday)	DVAT	Issue TDS certificates in Form DVAT-43 electronically pertains to deduction under Rule 59(2) .
30.12.2016 (Friday)	TDS/TCS (Income Tax)	Deposit TDS deducted u/s 194-IA on Purchase of Property during November 2016

LIST OF HOLIDAYS

DATE	DAY	HOLIDAY
25.12.2016	Sunday	Christmas Day

Income Tax

Chapter VI-A Deduction on enhanced profits

Chapter VI- A of the Income Tax Act provides for deductions in respect of certain incomes. In computing the profits and gains of a business activity , the AO may make certain disallowances such as disallowances pertaining to section 32 (Depreciation) , 40a(ia) , 40A(3) , 43B etc of the Act . at times disallowances out of specific expenditure claimed may also be made .the effect of such disallowances will be increase in profits.

The courts have generally held that if the expenditure disallowed is related to the business activity against the Chapter VI-A deductions have been claimed, the deduction needs to be allowed on the enhanced profits. CBDT has clarified that in such cases enhanced deduction would be available.

Illustrative case

- If an expenditure incurred by the assess for the purpose of developing a housing project was not allowable on account of non deduction of TDS under law , such disallowance would ultimately increase assessee's profits from business of developing housing project . the ultimate profits of assessee after adjusting disallowance under section 40(a) (ia) of the Act would qualify for deduction under section 80-IB of the Act .
- If deduction under section 40A(3) of the Act is not allowed , the same would have to be added to the profits of the undertaking on which the assessee would be entitled for deduction under section 80-IB of the Act.

Admissibility of Expenditure incurred by a Firm on Keyman Insurance Policy

CBDT has issued a circular clarifying that the premium paid on the keyman insurance policy is allowable as business expenditure. However in case of such expenditure incurred on a partner of a firm the general approach of the AO used to treat the expenditure as not incurred for the purpose of business and disallow the same.

The courts have held that a keyman insurance is not confined to policy taken for employee but also extends to an insurance policy taken with respect to the life of another who is connected in any manner with the business. In view of this it is a settled position that in case of a firm , premium paid by the firm on the keyman insurance policy of a partner, to safeguard the firm against the disruption of the business, is an admissible Expenditure under section 37 of the Act.

Revised Schedule for Payment under Income Declaration Scheme 2016

Revised schedule for making payments of Tax, Surcharge and penalty is as under:

- A minimum amount of 25% of the tax, surcharge and penalty to be paid by 30.11.2016.
- A further amount of 25% of the tax, surcharge and penalty to be paid by 31.03.2017.
- A balance amount to be paid by 30.09.2017.

Form No. 3 is to be filed after making all payments.

Income Tax

Proposed Amendments in Taxation laws following Demonetization

- New AIR details to be filed by banks and post offices by 31.1.17 if cash deposited more than Rs. 12.5 Lakhs in current A/c and Rs. 2.5 Lakhs in other than current A/c between 9.11.16 and 30.12.16
- Taxation Laws (Second Amendment) Bill, 2016 passed in Lok Sabha introducing stringent penalties and PM Garib Kalyan Deposit Scheme 2016. Features include:
 - Any income assessed u/s 68/69/69A/69/69C/69D (including share capital, unsecured loans, etc) to be taxed u/s 115BBE, which is to be increased from 30% to 60% plus 25% surcharge i.e., 75%
 - Penalty if tax u/s 115BBE not paid within the relevant previous year to be imposed @ 10%
 - Penalty in case of search cases (where source declared and other conditions are complied) to be increased from 10% to 30%
 - PMGKDS 2016 to be introduced. Any amount declared in scheme not to be included in total income.
 - Tax to be paid @ 30% plus surcharge @ 33% and penalty @ 10% i.e. a total of 49.9% of the amount to be declared before making the declaration
 - 25% of the undisclosed income to be deposited in PMGKDS 2016 with lock in period of 4 years with Nil interest

RBI

Accounts under PMJDY – Precau-

Banks are advised to observe the following in respect of the PMJDY accounts:

- Fully KYC compliant account holders may be allowed to withdraw ₹ 10,000/- from their account, in a month. Further, the branch managers may allow withdrawals beyond ₹ 10,000 within the current applicable limits only after ascertaining the genuineness of such withdrawals and duly documenting the same on bank's record.
- Limited or Non KYC compliant account holders may be allowed to withdraw ₹ 5,000 per month from the amount deposited through SBNs after November 09, 2016 within the overall ceiling of ₹ 10,000.

Usage of ATMs – Waiver of customer charges

Banks waive levy of ATM charges for all transactions (inclusive of both financial and non-financial transactions) by savings bank customers done at their own banks' ATMs as well as at other banks' ATMs, irrespective of the number of transactions during the month, from November 10, 2016 till December 30, 2016, subject to review.

“NEVER DEPEND ON SINGLE INCOME. MAKE INVESTMENT TO CREATE A SECOND SOURCE.”

WARREN BUFFET

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RBI

Issuance of Rupee denominated bonds

- Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the measures announced by the Reserve Bank on August 25, 2016 for development of Fixed Income and Currency Markets in India which, inter alia, proposed to permit banks to issue Rupee Denominated Bonds overseas for their capital requirements and for financing infrastructure and affordable housing
- As also providing an additional avenue for Indian banks to raise capital / long term funds, it has been decided, after consultation with the Government, to allow Indian banks, within the limit set for foreign investment in corporate bonds (INR 244323 crore at present), to issue:
 - I. Perpetual Debt Instruments (PDI) qualifying for inclusion as Additional Tier 1 capital and debt capital instruments qualifying for inclusion as Tier 2 capital, by way of Rupee Denominated Bonds overseas; and
 - II. Long term Rupee Denominated Bonds overseas for financing infrastructure and affordable housing.



Facts & Stats you should know about Demonetization of Currency

- Rs 1,000 and higher denomination notes were first demonetised in January 1946 and again in 1978.
- The highest denomination note ever printed by the Reserve Bank of India was the Rs 10,000 note in 1938 and again in 1954.
- But these notes were demonetized in January 1946 and again in January 1978, according to RBI data.
- Rs 1,000 and Rs 10,000 bank notes were in circulation prior to January 1946.
- Higher denomination banknotes of Rs 1,000, Rs 5,000 and Rs 10,000 were reintroduced in 1954 and all of them were demonetised in January 1978.
- Rs 1,000 note made a comeback in November 2000
- Rs 500 note came into circulation in October 1987.
- However, Rs 2,000 currency note has been introduced recently in November 2016.
- Bank notes in Ashoka Pillar watermark series in Rs 10 denomination were issued between 1967 and 1992, Rs 20 in 1972 and 1975, Rs 50 in 1975 and 1981 and Rs 100 between 1967-1979.
- In the year 1980, the legend Satyameva Jayate — ‘truth alone shall prevail’ — was incorporated under the national emblem for the first time.
- In October 1987, Rs 500 banknote was introduced with the portrait of Mahatma Gandhi and Ashoka Pillar watermark.
- Mahatma Gandhi (MG) series banknotes – 1996 were issued in the denominations of Rs 5, (introduced in November 2001), Rs 10 (June 1996), Rs 20 (August 2001), Rs 50 (March 1997), Rs 100 (June 1996), Rs 500 (October 1997) and Rs 1,000 (November 2000).
- The Rs 50 and Rs 100 banknotes were issued in August 2005, followed by Rs 500 and Rs 1,000 denominations in October 2005 and Rs 10 and Rs 20 in April 2006 and August 2006, respectively.

CORPORATE LAWS

- AOC-4 certification allowed by a Chartered Accountant or the company secretary or as the case may be by the cost accountant, in whole-time practice whereas previously it was only certified by a Chartered Accountant.
- Schedule II of Companies Act 2013 amended providing that for intangible assets, the relevant Indian Accounting standards (IND AS) shall apply. However, Where a company is not required to comply with the Indian Accounting Standards (Ind As), it shall comply with relevant Accounting Standards under Companies (Accounting standards) Rules, 2006.
- Various sections of Insolvency and Bankruptcy Code notified to be applicable in piece-meals. Various related rules and professional agencies and professionals have registered to provide the services under this code. For details refer to our website www.lunawat.com



Words Of Indira Nooyi

- *When you assume negative intent, you're angry. If you take away that anger and assume positive intent, you will be amazed. Your emotional quotient goes up because you are no longer almost random in your response.*
- *There is nothing like a concrete life plan to weigh you down. Because if you always have one eye on some future goal, you stop paying attention the the job at hand, miss opportunities that might arise, and stay fix- edly on one path, even when a better, newer course might have opened up.*
- *Leadership is hard to define and good leadership even harder. But if you can get people to follow you to the ends of the earth, you are a great leader*

Lunawat Update

Presentations

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

- *“Practical Aspects of Audit”* at National Convention organised by Agra Branch of CIRC of ICAI
- *“Corporate Financial Statements, Auditor Report etc from Banker's Perspective”* at Indian Institute of Banking & Finance, Delhi
- *“Assessment, Reassessment & Penny Stock Issues”* organised by East End CPE Study Circle of NIRC of ICAI

- *“Demonetization & Penny Stocks”* made at West Delhi Study Circle (WDSC) of NIRC of ICAI
As part of knowledge sharing all these presentations are available on our website www.lunawat.com

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

- *“Finance for Non Finance Executive”* at Bharti Infatel Ltd. Chandigarh..
- *“Commercial Acumen”* at Volvo Eicher Commercial Vehicle Ltd. Indore.
- *“Commercial Thinking”* at Bharti Infatel Ltd., Indore.

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