



# NEWSLETTER

NAGPUR BRANCH OF WIRC  
OF ICAI

AUGUST  
2018



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### Chairman's Message



Dear Colleagues,

The month of August holds a special significance for we people of India, as we rejoice the event of our independence, remember and commemorate the hard work of our forefathers who the dream of free nation come true. To me, our freedom means the power to undertake a journey from the day we enter this world and the footprints that that we would leave for our future generations. Profession as a whole in this independent India has been into the process of introspection and self-transformation, reinforcing our commitment to act responsibly. We believe that our services and commitment as a regulator of accountancy should transcend the borders of legal frame work and be stretched to

being good in as many ways as we can.

Friends, the month has been full of special events, memories of which would last forever amongst us.

**National Conference 'Dnyan Sagar':** It is always an uphill task to organize an event at a non branch location. However with the commitment and enthusiasm of CA fraternity the branch along with Akola & Pune, duly supported by Aurangabad, Jalgaon & Amravati branch were successful in organizing biggest ever Residential National Conference at holy place of Shegaon with a record breaking participation of 778 members. I am glad that Nagpur members enjoyed this 2 day National Event which saw some of the great speakers, Central & Regional Council members.

**Seminar of GST & Vice President Visit:** The Branch organized yet another mega seminar on GST wherein over 300 members participated with Speakers CA. Bimal Jain & CA. Jignesh Kansara, speaking of various aspects of GST. We were glad to welcome CA. Prafulla Chajed, Honble Vice President, ICAI as chief guest in this program. The presence of Chajed sir did give us a boost and the required motivation to ensure that as members of this profession we continue to undertake efforts ensuring the integrity and respect amongst ourselves.

**Interactive meet with GST Officials:** The branch decided to organize an interactive meet with the Central & State GST Officials so that members could solve their queries while having a chance to interact and communicate the problems the Members face in this new tax regime directly to the Officials. I must thank the members who ensured that our appreciation, suggestions and concerns were communicated to the officials in a very professional atmosphere.

**Independence Day Celebration:** The branch celebrated the India's Independence with giving respect to our forefathers and taking a pledge to continue to offer our services for the cause of the people of this nation at all times.

**Felicitations of New Members:** The branch once again welcomed the newly 108 qualified chartered to the profession with the unique felicitations program organized. The presence of Shri Bhushankumar Upadhyay, Commissioner of Police, Nagpur as chief guest was a huge motivation for the invitees.

In line with making representations before various political persons, we were fortunate to have a meeting with **Adv. Kapil Sibal, Member of Parliament, Rajya Sabha**, who gave a patient hearing to the suggestions of Nagpur Branch while being delighted to know about the activities of the Nagpur Branch.

**WICASA Activities:** It is once again heartening to see the continuous activities being organized by the WICASA team. Seminars, Workshops, study circles, mock tests and career counseling made the month busy with activities for the entire team.

Let me take the opportunity to wish all of you on upcoming festival season. We must all appreciate these festivals for the opportunity they gave to enjoy our community life and celebrate our togetherness and diversity. Let us all preserve this diversity and integrity, respecting the existence of everybody around us!

Regards,  
**CA Umang V Agrawal**  
Chairman

### INSIDE THIS ISSUE

**Messages .....**1

**Income tax authorities invoke GAAR provisions while responding to NCLT Mumbai, resulting in rejection of scheme of amalgamation and arrangement.....3**

**Goods & Services Tax: The year gone by and The way ahead.....5**

**Glimpse of Past Events.....7**

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### Joint Editor's Message



Dear Professional Colleagues,

*It has been 14 months since implementation of India's biggest tax reforms i.e. Goods and Services Tax. Despite the initial glitches in implementation, it can be said that GST has to a large extent been successful and the businesses are gradually getting acclimatized to this new tax system. The Government has also been sensitive to the concerns of the taxpayers and making necessary amendments quite frequently. Every section of the society has got its share of benefits accrued out of the implementation of GST, which has seamlessly integrated the country into one single market and reduced the cascading effect of multiple taxes, duties and levies on manufactured goods and services. Resultantly, there has been a fair measure of success to the Government in revenue collection. The average collection for the eight months in 2017-18 was `89,885 crore. However, after touching the high of `1,03,458 crore*

*in April, the collections remained very positive in the next three months of the current fiscal -- `94,016 crore, `95,610 crore and `96,483 crore respectively*

*The roll-out of GST has also immensely expanded Chartered Accountants professional horizons and brought tremendous opportunities for us. Increased demand for consultancy, input credit review and its optimization, compliances requirement etc. definitely requires a professional hand for adherence wherein Chartered Accountants have been playing a vital role. The provision for GST audit akin to tax audit is a landmark opportunity for professionals to prove themselves as caretakers of the financial health of the country. While acknowledging the gains, it is imperative to mention that GST is still a work in progress. The GST technology platform needs to be improved at a faster pace to facilitate ease of uploading data on the server. Sooner the GST regime stabilizes, the faster the Indian economy would grow to expectedly become the 3rd largest economy in the world by 2025. Let's continue to be harbinger of change vis-à-vis GST in India.*

For any suggestions and comments, please note that I am just an email away.

**CA. Prateek Rajesh Gupta**

Joint Editor

Nagpur Branch of ICAI.



Dear Colleagues,

*With the ending of the filling of individual returns its time for the season of audit and With feelings of national fervor high after the high pitched Independence Day, we go into the busy month of September in high spirits. It will indeed be a very hectic month as the new 3CD format will call for many challenges to finish the work before the th deadline of 30th September. The members will have to use their multi tasking skills this month as their attention will be demanded by their clients at office and by their family for the many festivals. As true professionals, we hope that we are able to do justice with everyone. The Branch as usual has been doing great work on all fronts and everyone is delighted with the efforts being put by the Managing Committee to bring relevant topics in various seminars. We also look forward to your greater participation in Newsletter and request you to send your articles / analysis on important subjects to us.*

Happy Reading,

**CA. Aayush Sanjay Agrawal**

Joint Editor

Nagpur Branch of ICAI



### ***Income tax authorities invoke GAAR provisions while responding to NCLT Mumbai, resulting in rejection of scheme of amalgamation and arrangement***

**CA Suraj R. Agrawal**

#### **Case Law Citation:-**

*Gabs Investment Private Limited and Ajanta Pharma Limited; CSP No. 995 of 2017 and CSP No. 996 of 2017 in CSA No. 791 and 792 of 2017 (Mumbai Bench); Date of Pronouncement 30.08.2018*

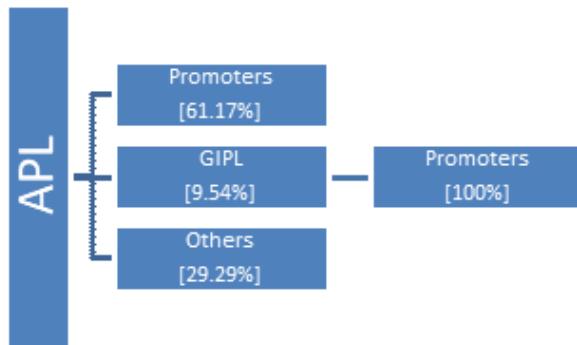


#### **Case Summary:-**

#### **Facts of the case:**

- A scheme of amalgamation and arrangement ('Scheme') was filed before National Company Law Tribunal, Mumbai ('NCLT') proposing the following:
  - Merger of Gabs Investments Private Limited ('GIPL') with Ajanta Pharma Limited ('APL');
  - Reduction of share capital held by GIPL in APL;
  - GIPL held 8,392,262 shares of APL. In consideration, APL to issue 8,392,262 equity shares to promoters;
  - APL is a listed company;
  - GIPL had no other businesses other than investments in APL.

- Group structure is as below:



- The rationale behind the Scheme was to simplify the group structure and reduce the shareholding tiers such that promoters are directly able to hold shares in APL.
- No adverse comments were reported in the independent valuer's report, merchant banker's fairness opinion and in the observation letter from SEBI dated 19 July 2017.
- Income tax authorities (ITA) had raised objections on the Scheme. Invoking provisions of GAAR, the ITA argued that the Scheme was an Impermissible Avoidance Arrangement resulting in a deliberate measure to avoid taxes.
- The ITA contended that there would be revenue loss of INR 421.7 Crores on the following basis:



## ***Income tax authorities invoke GAAR provisions while responding to NCLT Mumbai, resulting in rejection of scheme of amalgamation and arrangement***

- o The ITA assumed the shares would be sold in the open market and the company would distribute profit on the sale of shares.*
- o The ITA arrived at an income of INR 958.3 Crores (excess of market price of INR 1007.1 Crores over cost of INR 48.7 Crores).*
- o The ITA considered the income as business income as GIPL was an investment company. The ITA proposed to levy tax at the rate of 30 per cent, amounting to INR 287.5 Crores.*
- o The ITA computed a dividend distribution tax (DDT) of INR 134.2 Crores on post-tax profits.*

- *Petitioner companies had represented to the NCLT stating various judgements/ orders with respect to sanctioning of schemes with similar objectives.*

### ***Ruling of NCLT:***

- *The NCLT opined as follows:*
  - o With investment of INR 48.7 Crores, promoters would get shares worth INR 1,477 Crores (market value as on 31.3.2017) without payment of income tax.*
  - o Through this Scheme, GIPL and promoters were avoiding tax liability.*
  - o The Scheme would benefit only promoters and no public interest is envisaged to be served.*
- *The NCLT relied on the judgement of National Company Law Appellate Tribunal (NCLAT) in the matter of Wiki Kids Ltd v/s Aventel Ltd (AT NO 285 of 2017) wherein NCLAT held that if the scheme was not in public interest the same can be rejected by NCLT.*

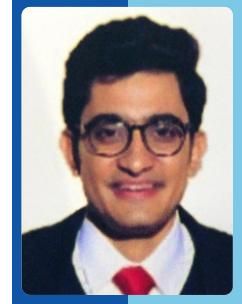
### ***Conclusion***

*This is the first merger scheme where the ITA has invoked provisions of GAAR. It shows that the ITA will look at the objectives and the outcome of the Scheme to determine whether the Scheme was prepared with the primary purpose of avoidance of tax. Tax payers would have to ensure that there are sufficient commercial reasons for any scheme of amalgamation or arrangement.*



### ***Goods & Services Tax: The year gone by and The way ahead.***

**CA. Harikawal Jham**



*The 13 months of experience with GST implementation have been eventful and the businesses are gradually getting acclimatized to the new tax. In hindsight, the question of the hype and hoopla preceding its implementation on the midnight of June 30, 2017, was really necessary. Indeed, the taxpayers have faced the tryst with destiny and continue to hope that the promised “good and simple tax” and the “one nation, one market, one tax” will be realised sooner rather than later. Of course, despite the glitches, the policy-makers have been sensitive to the concerns of the taxpayers and, hopefully, the tax will take firmer roots.*

*Surely, indirect taxes were in need of urgent reform to reduce the complexity arising from a web of central and state indirect taxes, minimise cascading, impart greater export competitiveness and to ensure a common market in the country. The question is, how far have we progressed in these objectives? The common man is clearly confused. While the captains of industry have been euphoric about the reform—even before the structure was known—the small manufacturers, members of trade and industry and exporters continue to be confused. The political slugfest on the performance has not helped to clear the air either. While the ruling party celebrated the anniversary of the reform, claiming its achievement in stabilising the new tax, the Opposition alleges that the concept itself has acquired a bad name because of the way it was implemented. The truth perhaps lies somewhere in between.*

*The world over, GST has been a money-spinner and, not surprisingly, of over 160 countries that have adopted the reform, only five countries (Belize, Ghana, Grenada, Malta and Vietnam) repealed the tax after its imposition and reintroduced it later. Revenue productivity is an important criterion of success for the government and, in this, there has been a fair measure of success. This should repose enough faith in the reform and enough confidence in the GST Council to undertake greater simplification and rationalisation of both the structure and operational details of the tax. The average collection for the eight months in 2017-18 was Rs 89,885 crore. Although after touching the high of Rs 1,03,458 crore in April, the collections declined marginally in the first three months of the current fiscal and were Rs 94.016 crore, Rs 95,610 crore and Rs 96,400 crore, respectively. The trend shows that there are reasons to be optimistic about the revenue collections exceeding the Centre's budget estimate of Rs 6.54 lakh crore. Of course, although the all-state picture looks satisfactory, the collections in individual states need to be watched. There is a lack of clarity as the GST Network (GSTN) has not been able to allocate the IGST to individual states. Nevertheless, the promise of compensation at a 14% increase over the previous year's collections may not pose a difficulty for the next four years. More importantly, due to the linking of the income-tax permanent account numbers (PAN) with GST numbers, the buoyancy of income-tax revenue is also likely to increase substantially, as it has happened in many other countries. Hopefully, this will provide enough revenue space for further reforms towards simplifying the tax system.*

*There have been visible gains. The merger of several central and state taxes has made the system more transparent and reduced compliance requirements for businesses paying multiple taxes. With the inclusion of a number of taxes in GST, the input tax credit mechanism has become more comprehensive, and this should help both the manufacturers and exporters. Further, merger of taxes like the central sales tax (CST) and*



## Goods & Services Tax: The year gone by and The way ahead.

**CA. Harikawal Jham**

*Octroi has resulted in the abolition of check-posts to pave the way for the smooth movement of goods across the country, besides significantly reducing rent-seeking at the check-posts. Equally important is the change in supply chain management due to the abolition of CST. Businesses are not required to open branch offices and need not resort to consignment transfers, merely to avoid CST. The seamless input tax credit mechanism on inter-state transactions has helped to reduce the transaction cost substantially.*

*While acknowledging the gains from the implementation of GST, it is necessary to emphasise that it is still a work in progress. The most important concern with the current reform is the ill-prepared technology platform. The GSTN promised much, but delivered little and will have to address this issue with utmost urgency. Unless the system of matching invoices to confirm input tax credit is put in place, the system could be prone to abuse. It is imperative that inter-state transactions be settled through a clearing house mechanism to ensure the correct allocation of IGST among the states. Clarity of input taxes paid is necessary for zero-rating exports and the system of giving them ad hoc relief cannot continue forever.*

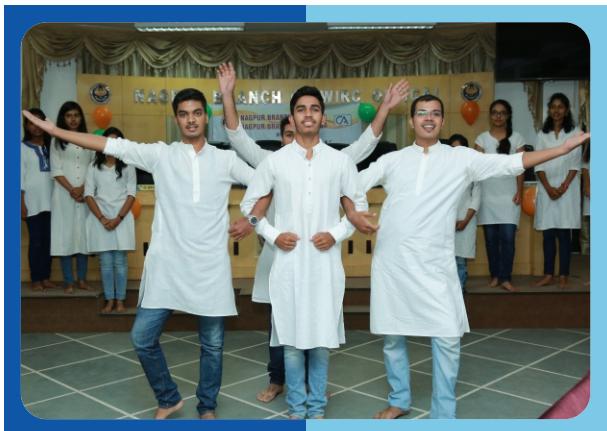
*The structure of rates has justly been criticised as being too complicated. There are concerns with the mechanical way the fitment committee finalised the rates and this has carried forward some of the major shortcomings of VAT, such as the levying of lower rates of tax on inputs as compared to final goods. Under a VAT or GST, there is no case for levying lower rates on inputs as the system provides input tax credit. The second problem is the multiplicity of rates. Although levying the tax at one rate is a far cry, there is certainly no need for four rate categories, in addition to the low rate on precious metals and three different rates of cesses. With over 200 items already moved from the 28% rate category, there are only 50 items left in it. The recent decision of the GST Council to reduce the rate of tax on 88 items has pruned it further and the 28% category can easily be done away with. Equity arguments merely on the assumption that a particular good or service is consumed predominantly by the rich ignore the fact that the industries producing them may have high employment intensity and, in the end, instead of taxing the rich, we may end up taxing the poor! With the passage of time, the 12% and 18% categories can be merged into the 15% category to simplify the structure further. Eventually, the objective should be to have just two rate categories. It is important to make the system broad-based and simple.*

*The progress in further rationalization, understandably, will depend on the trend in revenue collections. Hopefully, the revenue collections will reach the expected levels to provide comfort to the GST Council, needed in order to bring petroleum products into the ambit of GST. Clearly, GST has taken roots, but remains a work in progress. Hopefully, by next year, we will see a much reformed GST that will be called a “good and simple tax”.*



### Glimpse of Past Events

#### *Ek shaam Desh ke Naam*





### Glimpse of Past Events

#### *Felicitation of Vice President of ICAI CA. Prafulla Chajed*



*CA. Umang Agrawal Felicitating  
CA Prafulla Chajed on behalf of the Branch*



*CA Prafulla Chajed  
making a point during the interaction*

#### *Independence Day Celebrations*



*Flag Hoisting on occasion of  
Independence Day*



*CA. B C Bhartia, Chief Guest*



*CA Jaydeep Shah*



### Glimpse of Past Events

#### *Interactive Meet with GST officials*



*Officials during Interactive Meet*



*Shri Sunil Lahane & Shri Suresh Rayalu  
answering queries*



*Shri Dinesh Bisen,  
Joint Commissioner, Central GST*



*Shri Subhash Morale,  
Additional Commissioner, State GST*

#### *Lecture Meet on Understanding Sec 44AB & 44AD*



*CA Naresh Jhakotia, Speaker*



### Glimpse of Past Events

#### *Meet with Adv. Kapil Sibal*



*Welcoming Adv. Kapil Sibal by Chairman of Branch*

#### *New CA Felicitation*



*Chairman welcoming Commissioner of Police  
Dr. Bhushan Kumar Upadhyay*



*Recipient of Best Student Award  
of Nagpur Branch*



*Dr. Bhushan Kumar Upadhyay making a point during the program*



### Glimpse of Past Events

#### *Rebuild Kerala Initiative by Nagpur ICAI*



*Managing Committee Members, Team WICASA & Branch Staff with relief material collected for Kerala*

#### *Seminar on Direct Taxes*



*Dr. Milind Bhusari, Commissioner of Income Tax, Inaugurating the Seminar*



*CA. Yash Verma*



*CA. Piyush Chajzed, Speaker*



## Glimpse of Past Events

### *Seminar on GST*



*CA Prafulla Chajed, Vice President, ICAI &  
CA. Jaydeep Shah, Past President  
inaugurating the seminar*



*Audience during the Seminar*



*CA. Jignesh Kansara, Speaker*



*CA Bimal Jain, Speaker*



## Glimpse of Past Events

### *Seminar on Health & Diet for women Members*



*Dignitaries during the program*



*lady Members during the program*



*Mrs. Pinky Sheth, Speaker*



*Ms. Meghana Kumare. Speaker*



## Glimpse of Past Events

### *Study Circle Meets*



*CA Preetam Batra  
explaining during the meet*



*CA Kunal Budhraja*



*Welcoming CA Askshay Gulhane  
in the Study Circle Meet*



*Speaker explaining the CIBIL Report*



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Contact immediately:-

Universal Agro Chemical Industries,  
904, B-Wing, Lokmat Bhawan,  
Nagpur.

E-Mail:- [subho.moy@rediffmail.com](mailto:subho.moy@rediffmail.com)

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# NEWSLETTER

NAGPUR BRANCH OF WIRC OF ICAI



AUGUST  
2018

## CA Connect

*Nagpur Branch of WIRC of ICAI acknowledges the contribution being extended by the members of the city for continuous activities for the benefit of members. However we are also aware that it is the responsibility of the Branch to mediate the gap amongst the members and create a platform for networking amongst the members so that sharing of work can be done effectively. Hence we are starting with a dedicated section in the monthly newsletter wherein members who are in need of any professional assignment may put in their request whereas the members who are in need of professionals for various assignment may also give details of their requirements so that members at large can be benefited. Requesting the members to be a part of 'CA Connect' networking platform and take maximum benefit of the same.*

*Those who wish to outsource assignments on part time basis may kindly mail the details of their Firm and a brief of the Work they wish to outsource to Nagpur Branch [ [nagpur@icai.org](mailto:nagpur@icai.org) ] in the below mentioned format :*

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			<b>Email</b>	<b>Mobile</b>

*Those who seek assignments on part time basis may kindly mail the details of their details to Nagpur Branch [ [nagpur@icai.org](mailto:nagpur@icai.org) ] in the below mentioned format :*

<b>Name</b>	<b>Contact Details</b>		<b>Type of Assignment Sought</b>
	<b>Email</b>	<b>Mobile</b>	

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