Capability of Excellence

LAW2LAW

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From the Editor

Dear Professional Colleague,

This Financial year began with a lot of hope. Hope for the economy, hope for India shining and hope we all do even better. And it is this hope which is sustaining us and keeps us running, for it is too early to expect tangible results. We are at a phase when hope makes us perform collectively. ¬

We are happy to share with you the latest updates and things going around us in the fields of Finance & Economy through this news letter“Law2Law” and we hope the same will help you in updating your professional skills and knowledge further.

Your feedback and suggestions are very important for us and Team “ECA” would be waiting for your valuable feedback and inputs and we shall try to embed the same in our next issue.

Best Regards,

ECA Partners

CONTENTS AT A GLANCE

Origin of Bank in India

The origin of banking in India can be traced back to almost the Vedic period. The transformation from pure money lending to proper banking appears to have taken place before the times of Manu. Manu, a great Hindu jurist, had devoted a section of his work explaining the deposits and advances and he even laid down certain rules on rates of interest.

Throughout Mauryan period and later on desi bankers played some role in the economy of the country. However, it was during the Moghul period that indigenous bankers started playing a vital role in lending money and financing of the foreign trade and commerce.

Banking during British period before independence.

- The first joint stock bank, namely The General Bank of India was established in 1786.
- Later on Bank of Hindustan and Bengal Bank came into existence. Bank of Hindustan carried on business till 1906.
- East India Company established the following three banks, namely The Bank of Bengal in 1809, The Bank of Bombay in 1840, and Bank of Madras in 1843. They were collectively called Presidency Banks and were well functioning independent units.
- The three banks established by the East India Company were amalgamated in 1920 and a new bank called Imperial Bank of India was established.
- A number of private banks had been established by the businessmen from mid of the 19th century onwards. In the surcharged atmosphere of Swadeshi movement, a number of banks with Indian management, namely, Punjab National Bank Ltd., Bank of India Ltd., Canara Bank Ltd, Indian Bank Ltd. etc. were established.
- The Reserve Bank of India was established as the Central bank of the country in 1935 under an act called Reserve bank of India Act. Later on with the passage of the Banking Regulation Act passed in 1949, RBI was brought under government control. Under this Act, RBI was conferred with supervision and control of the banks and licensing powers and the authority to conduct inspections was also given to it.

After independence

- In 1955, the Imperial Bank of India was nationalised and was given the name “State Bank of India”. It was established under State Bank of India Act, 1955.
- In 1960, RBI was empowered to force the compulsory merger of the weak banks with the strong ones. This led to reduction in the number of banks from 566 in 1951 to about 89 in 1969.
- On July 19, 1969, 14 major banks were nationalised.
- In1980, another six banks were nationalised, and thus raising the number of nationalized banks to 20.
- On the suggestions of Narsimham Committee, the Banking Regulation Act was amended in 1993 and thus the gates for the new private sector banks were opened.

Foreign Trade Policy 2015-2020

Highlights of Foreign Trade Policy 2015-2020

The long awaited Foreign Trade Policy 2015-20 ('The FTP or the Policy') has been announced by the government.

Aiming to nearly double India's exports of goods and services to $900 billion by 2020, the government has announced several incentives in the five-year Foreign Trade Policy for exporters and units in the Special Economic Zones.

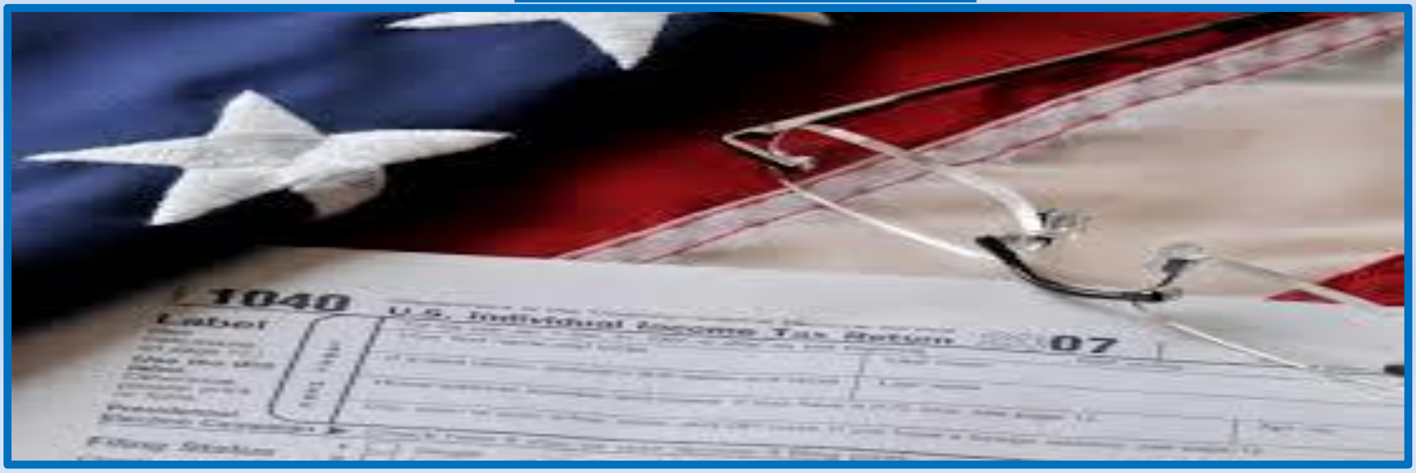
Following are the highlights of the Foreign Trade Policy 2015-20 announced by Commerce & Industry Minister Nirmala Sitharaman:

- Increase exports to $900 billion by 2019-20, from $466 billion in 2013-14
- Raise India's share in world exports from 2% to 3.5%.
- Merchandise Export from India Scheme (MEIS) and Service Exports from India Scheme (SEIS) launched.
- Higher level of rewards under MEIS for export items with High domestic content and value addition.
- Chapter-3 incentives extended to units located in SEZs.
- Export obligation under EPCG scheme reduced to 75% to Promote domestic capital goods manufacturing.
- FTP to be aligned to Make in India, Digital India and Skills India initiatives.
- Duty credit scrip's made freely transferable and usable for payment of custom duty, excise duty and service tax.
- Export promotion mission to take on board state Governments
- Unlike annual reviews, FTP will be reviewed after two-and-Half years.
- Higher level of support for export of defense, farm Produce and eco-friendly products.
- Under the new five-year Foreign Trade Policy (FTP), the government will provide incentives to ecommerce companies exporting products from sectors that create jobs.

Our Comments:

In this FTP, focus has been on simplicity and stability, further the policy on one hand seeks to realign multiple schemes with the objective of reducing the complexities, on the other hand it wants to promote increased use of technology to reduce the transaction cost and manual compliances.

Tax on Individual in US



It is often very interesting to know the taxable slab in US. A very common rumor scattered in market is that American citizen gives 40% tax on income but it's not true. Like India, in US also, tax imposed on individual as per slabs published by federal republic time to time. Federal tax rates vary from 10% to 39.6% of taxable income. Following are the tax slabs applicable in US:

A. Married individuals filing joint returns and surviving spouses:

There is hereby imposed on the taxable income of—

(1) Every married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013, and

(2) Every surviving spouse (as defined in section 2(a)),

A tax determined in accordance with the following table:

If taxable income is:	The tax is:
Not over $36,900	15% of taxable income.
Over $36,900 but not over $89,150	$5,535, plus 28% of the excess over $36,900.
Over $89,150 but not over $140,000	$20,165, plus 31% of the excess over $89,150.
Over $140,000 but not over $250,000	$35,928.50, plus 36% of the excess over $140,000.
Over $250,000	$75,528.50, plus 39.6% of the excess over $250,000.

B. Heads of households:

There is hereby imposed on the taxable income of every head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

Continuation of Tax on Individual in US

If taxable income is:	The tax is:
Not over $29,600	15% of taxable income.
Over $29,600 but not over $76,400	$4,440, plus 28% of the excess over $29,600.
Over $76,400 but not over $127,500	$17,544, plus 31% of the excess over $76,400.
Over $127,500 but not over $250,000	$33,385, plus 36% of the excess over $127,500.
Over $250,000	$77,485, plus 39.6% of the excess over $250,000.

C. Unmarried individuals (other than surviving spouses and heads of households):

There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 7703) a tax determined in accordance with the following table:

If taxable income is:	The tax is:
Not over $22,100	15% of taxable income.
Over $22,100 but not over $53,500	$3,315, plus 28% of the excess over $22,100.
Over $53,500 but not over $115,000	$12,107, plus 31% of the excess over $53,500.
Over $115,000 but not over $250,000	$31,172, plus 36% of the excess over $115,000.
Over $250,000	$79,772, plus 39.6% of the excess over $250,000.

D. Married individuals filing separate returns:

There is hereby imposed on the taxable income of every married individual (as defined in section 7703) who does not make a single return jointly with his spouse under section 6013, a tax determined in accordance with the following table:

If taxable income is:	The tax is:
Not over $18,450	15% of taxable income.
Over $18,450 but not over $44,575	$2,767.50, plus 28% of the excess over $18,450.
Over $44,575 but not over $70,000	$10,082.50, plus 31% of the excess over $44,575.
Over $70,000 but not over $125,000	$17,964.25, plus 36% of the excess over $70,000.
Over $125,000	$37,764.25, plus 39.6% of the excess over $125,000.

Brief comparison from India:

CBDT Circular 09/2015

Comparison of New guidelines with Existing/earlier Guidelines by CBDT to deal with applications for condonation of delay in filing returns claiming refund and returns carry forward of loss and set-off

New: Circular 09/2015 dated 9-6-2015

Earlier: Instructions 13/2006 dated 22-12-2006

1) **Powers to entertain application**

Designation	Amount of claim	Condition	Remark	Earlier CBDT
Principal Comm. / Commissioner	=<10 lacs	Any one assessment year.	If assess filed application for 2 years and amount is less than or equal to 10 lacs in any one year, it will be covered in this category.	Same provision except same power given to Principal Commissioner also.
Principal chief Comm. / Chief Commissioner	>10 lacs=50 lacs	Any one assessment year.	If assess filed application for 2 years and amount is less than or equal to 50 lacs in any one year, it will be covered in this category.	Same provision except same power given to Principal Chief Commissioner also.
Board i.e. CBDT	>50 lacs	Any one assessment year.	If assess filed application for 2 years and amount is less than or equal to 50 lacs in any one year, it will be covered in this category.	Same provision

2) Application for condonation for claim of refund / loss can be made within 6 years from the end of the assessment year for which such application / claim is made. **[Same provision in earlier instructions 13/2006 dated 22-12-2006]**
3) Application received for condonation of claim of refund / loss will be disposed within 6 months from the end of month in which application is received by the competent authority as far as possible. **[NEW INSTRUCTION INTRODUCED]**
4) If refund claim arise from the Court order, the period for which such proceedings were pending before any court of Law shall be ignored subject to such condonation application is filed within 6 months from the end of month in which order passed or the end of financial year, whichever is later. **[NEW INSTRUCTION INTRODUCED]**

Not mandatory to send ITR by Post

CBDT vide its circular no 41/2015 dated 15.04.2015 recently announced that taxpayers who filed their income tax returns online will no longer have to send the paper acknowledgement by post to CPC Bangalore, if they have aadhar card which can be used for verification purpose.

Instead of manual verification, a new Electronic Verification Code has been introduced to verify the e-returns. For that one will have to mention their aadhar card number in ITR form, and tax-payer will get an OTP number on their mobile for verification, which needs to be completed on the website of tax filing.

If assessees don’t have Aadhar Card, Assessee send the physical documents to CPC, Bangalore like did earlier.

Wrong depreciation claim made by assessee, intentionally, would invite penalty

High court has recently decided in case of Punsumi Engineers Limited

Where assessee claimed depreciation on imported plant and machinery which it could not clear from port authorities, since assessee knew that said claim was never allowable, penalty was to be levied under section 271(1)(c)

Tenancy right is a capital asset

High court has recently decided in case of G.C. Shah & Co.,

Sections 45, read with section 56, of the Income-tax Act, 1961 - Capital gains - Chargeable as (Capital gains v. Income from other sources) - Assessment year 1992-93 - Assessee surrendered its sub-tenancy right and received certain sum as consideration from lessor - Assessing Officer held that amount in question was taxable as 'income from other sources' - Whether a tenancy right is a capital asset and its surrender would attract section 45; therefore, gains derived would be assessable under head 'capital gains' and not under any other head.

Consolidation of foreign transactions

This article focuses on how to include foreign currency transactions and foreign operations in the financial statements of an entity, and how to translate financial statements into a presentation currency that is different from the functional currency in accordance with Section 30 Foreign Currency Translation of the International Financial Reporting Standard (IFRS) and IAS 21.

Key definitions:

Functional currency: The currency of the primary economic environment in which the entity operates. (The term 'functional currency' was used in the 2003 revision of IAS 21 in place of 'measurement currency' but with essentially the same meaning.)

Presentation currency: The currency in which financial statements are presented.

Exchange difference: The difference resulting from translating a given number of units of one currency into another currency at different exchange rates.

Translation from the functional currency to the presentation currency:

The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy are translated into a different presentation currency using the following procedures:

Assets and liabilities for each balance sheet presented (including comparatives) are translated at the closing rate at the date of that balance sheet. This would include any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as part of the assets and liabilities of the foreign operation [IAS 21.47];
Income and expenses for each income statement (including comparatives) are translated at exchange rates at the dates of the transactions; and
All resulting exchange differences are recognised in other comprehensive income.
Special rules apply for translating the results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy into a different presentation currency.

Analysis of ECA Partners: In short, if we want to consolidate any subsidiaries or any branch in which functional currency is different from presentation currency than conversion should be in such a way:

Particulars	Conversion Rate
Profit & Loss Account	
Revenue and expenses	Average Rate
Depreciation	Average Rate
Dividend	Rate at date
Balance Sheet	
Monetary items	Balance day rate
Inventory	Balance day rate
Non Current Assets	Balance day rate
Capital	Date of Investment
Post acquisition retained profits	From P&L
Intercompany	Date of entry

Relevant Dates for the month of June

05-07-2015	**Service Tax** **- Service Tax Payment by Companies for June** **Central Excise** **- Payment of Excise Duty for all Assesses (other than SSI Units) for June.(if Excise Duty / Service Tax paid electronically through internet banking, the date is to be reckoned as 6th instead of 5th.)**
10-07-2015	**Central Excise** - Monthly Return in Form ER-1 (Ann-12) for other than units availing SSI exemption for June – Monthly Return in Form ER-2 (Ann-13) by 100% EOUs for June – Monthly information relating to principal units in Form ER-6 (Ann – 13AC) for specified assesses for July – Exports – Procurement of specified goods from EOU for use in manufacture of Export goods in Form Ann-17B for DTA units, procuring specified goods from EOU for manufacture of export goods – Proof of Exports in form Ann.-19, once in a month for all exporters, exporting goods under Bond – Export detains in Form Ann.-20, for Manufacturing following simplified export procedure. – Removal of excisable goods for specified use at concessional rate of duty in terms of Rules described in Col. 4. **Chhattisgarh VAT** -Chhattisgarh VAT Monthly Return for June. **Madhya Pradesh VAT** -Tax Payment for the month of June.
15-07-2015	**Provident Fund** - PF Payment for June
21-07-2015	**ESIC** - ESIC Payment for June.

Provident fund

Government plans radical changes in EPF law:

The government is looking at sweeping changes to the law governing Employees Provident Fund (EPF) and has suggested doing away with the mandatory 12% contribution by employees in certain cases, while retaining the outgo for employers.

At the same time, the labour ministry is expanding the scope of wages beyond the basic salary to include all allowances, including those paid for authorized leave, strikes and layoffs or other allowances that are paid at intervals not exceeding two months. The move proposed in the draft legislation, circulated internally, was proposed a couple of years ago as well but had to be dropped after industry chambers protested against it, citing higher salary burden on companies.

Further, there are also proposals to strengthen the appellate tribunal, tone up recovery in case of defaulting companies and increase the penalty that can be levied.

Inspirational Story

Ferrucio Lamborghini | Lamborghini

Ferrucio was originally a farmer who made tractors. His business was very successful and he was among the most wealthy in Italy. He owned Ferrari among other super cars. The Ferrari used to give him constant trouble. Being a mechanic, he tried to fix the problem and found out that his Ferrari had the same clutch as used in one of his tractors.

"All my Ferraris had clutch problems. When you drove normally, everything was fine. But when you were going hard, the clutch would slip under acceleration; it just wasn't up to the job."

Ferrucio went to the service guys regularly to have a clutch rebuilt or renewed, and every time, the car was taken away for several hours and he was not allowed to watch it being repaired. The problem with the clutch was never cured, so Ferrucio decided to talk to Enzo Ferrari. He had to wait for him a very long time.

'Ferrari, your cars are rubbish!' Ferrucio complained. Il Commendatore was furious. "Lamborghini, you may be able to drive a tractor but you will never be able to handle a Ferrari properly.' This was the point when he finally decided to make a perfect car. Yes, Lamborghini.

About ECA Partners:

ECA is a professionally managed company. The team consists of distinguished chartered accountants, corporate financial advisors and tax consultants. The firm represents a combination of specialized skills, which are geared to offers sound financial advice and personalized proactive services. Those associated with the firm have regular interaction with industry and other professionals which enables the company to keep pace with contemporary developments and to meet the needs of its clients.

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Success is how high you bounce when you hit bottem
~ Michael Jordan

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