

The Institute of Chartered Accountants of India



VASAI BRANCH OF WIRC NEWSLETTER

www.vasai-icai.org

December 2019





CHAIRMAN'S COMMUNICATION

We pay tribute and homage to Dr. B. R. Ambedkar, the Architect of Indian Constitution on 6th December Mahaparinirvan Diwas.

Branch successfully commenced Certificate Course on Concurrent Audit of Banks and Certificate Course on Forensic Accounting & Fraud Detection for the benefit of Members.

Branch also conducted Seminar on GSTR - 9 Annual Return for the members in the series of Vasai Branch Ki Pathshala.

Forthcoming Events

Chartered Accountants are adept to easily solve most complex and intriguing business problems, much beyond the domain of finance, covering the whole spectrum of business and industry. Vasai Branch is leaving no stone unturned, to bring highly treasured knowledge at the doorstep of its members. The Mega Members Conference being held on 21st and 22nd December 2019 in Bhayander is one such event that is a great opportunity for the members to gain exposure to global challenges and opportunities in the knowledge domain of the profession.

Year end is a wonderful time to update our dream journey map. December is the last month of the calendar year and is that time of the year we sit down to take stock of our tangible and intangible achievements. It is that time of the year when we reflect on our journey of the past months, the time of the year when we review our fulfilled and unfulfilled dreams. Any unaccomplished dream should be the driving force to move ahead with greater vigour and enthusiasm. Some let-downs will always be there in life and those should only keep us motivated and stirred up. In the long run, it is our positivity, our achievements and our happy memories that constitute the essence of our lives. We should capitalise on the challenges and emerge successful. We need to build more positive emotional pathways and use the learning experiences gained in things accomplished and that are in the process of culmination.

We should have a meaningful life and have faith in our abilities. Remember the words of great Indian artist, poet, nobel laureate and creator of our National Anthem, Rabindranath Tagore - *"Faith is the bird that feels the light and sings when the dawn is still dark."*

For Notice of Members : Last Date for Complying with the CPE hours requirement for the calendar year 2019 and any short fall in the CPE credit for the calendar years 2017 & 2018 should be met by the members by 31st December, 2019.

I congratulate all of you and extend my greetings for Christmas which falls on 25th December, and for the upcoming New Year 2020. And may the sparkles of joy and peace immense opportunities unfold for all of you in the New Year!

"Winter is the time for comfort, for good food and warmth, for the touch of a friendly hand and for a talk beside the fire: it is the time for home."

Edith Sitwell

CA. Xavier Rajan
Chairman – Vasai Branch of WIRC

MANAGING COMMITTEE

CA. Xavier Rajan Chairman	9371720027
CA. Ankit Rath Vice Chairman	9029059911
CA. Amit Agarwal Secretary	9821374485
CA. Sorabh Agrawal Treasurer	9930357066
CA. Lokesh Kothari WICASA Chairman	8108484120
CA. Vijendra Jain Committee Member	9320942555
CA. Abhishek Tiwari Committee Member	9029326651
CA. Lalit Bajaj RCM & Ex Officio Member	9867692321
CA. Vimal Agarwal RCM & Ex Officio Member	9320617447

EDITORIAL BOARD

CA. Xavier Rajan Chairman	9371720027
CA. Abhishek Tiwari Committee Member	9029326651

CONTENTS

CHAIRMAN'S COMMUNICATION	2
Online proficiency assessment test Examination by Independent Director	4
TDS on cash withdrawal from Banks and Post Office	5
GST on Co-Operative Society	6
Offences and Penalties	8
Significance of SQC 1- Quality Control for Firms that Perform Audits & Reviews of Historical Financial Information and Other Assurance & Related Services Engagements	11
Photo – Seminar on Direct & Indirect Taxes Amendments	12
Photo – Seminar on Corporate Law	12
Photo – Seminar on GSTR - 9 Annual Return	12
Photo – Certificate Course on Concurrent Audit of Banks	13
Photo – Distribution of Books for the needy students at Ankur Children's Home	13
Photo – Certificate Course on Forensic Accounting and Fraud Detection	14



The Institute of Chartered Accountants of India

Vasai Branch of WIRC

Organises



Mega Member Conference 2019

Day & Date : Saturday 21st & Sunday 22nd December, 2019
Venue : Maheshwari Bhawan, Near East West Flyover, Bhayander (West)
Time : 9.30 am to 5.30 pm

**CPE
12 Hrs**

Day One – 21st December, 2019

9.30 am to 10.00 am	Inauguration Session CA. Prafulla Chhajed (President – ICAI) CA. Atul Gupta (Vice President – ICAI) CA. Priti Savla (Chairperson – WIRC of ICAI)
10.00 am to 11.30 am	Auditing in 21st Century CA. Singhal Sanjeev Kumar (Central Council Member)
11.45 am to 1.15 pm	Critical Issues in Valuation under GST Laws CA. S. Venkataramani
2.15 pm to 3.45 pm	Members in Industry CA. Nagesh Pinge
4.00 pm to 5.30 pm	Holistic Wellness & The power of 10 Mr. Rajiv Chelladurai (Wisdom Coach and a Dynamic Leader)



Day Two – 22nd December, 2019

10.00 am to 11.30 am	Direct Taxes - Assessment, Survey and Search Post Demonetization CA. Bhupendra Shah
11.45 am to 1.15 pm	Future of the CA Profession in the New Digital Age Mrs. Mauli Khichadia (Director - Make IT Secure Technology Pvt. Ltd.)
2.15 pm to 3.45 pm	Forensic Audit - An Opportunities for CA Professions CA. Chetan Dalal (Founder & CEO – CDIMS)
4.00 pm to 5.30 pm	ICAI MOU with Global Countries – An Opportunities for CA Members CA. Uttam Prakash Agarwal (Past President, ICAI)



Registration Fees (Inclusive of GST, breakfast & lunch on both days and Kit)

On or before 15th December 2019	Rs. 2,100
After 15th December 2019	Rs. 2,300

Program Chairman:

CA. Xavier Rajan, (Chairman, Vasai Branch of WIRC)

Program Co-ordinators:

CA. Ankit Rathi, Vice Chairman
 CA. Sorabh Agrawal, Treasurer
 CA. Vijendra Jain, Committee Member

CA. Amit Agarwal, Secretary
 CA. Lokesh Kothari, Chairman – WICASA
 CA. Abhishek Tiwari, Committee Member

Ex-Officio Members:

CA. Lalit Bajaj, RCM & Branch Nominee

CA. Vimal Agarwal, RCM & Branch Nominee

For Online Registration - <http://utility.vasai-icai.org/scevent.aspx?companyid=887&serverip=1>

For Details Please Contact:-

Vasai Branch of WIRC, Maxus Mall, B Wing, 7th Floor, Near Bank of India, Temba Road, Bhayander (West).
 Tel:- 9029868900 / 9821667781 | Email- vasaibranch@gmail.com | Website:- www.vasai-icai.org



Online proficiency assessment test Examination by Independent Director



CA. Anil Verma

Mobile No. : 77158 99759

E-mail : ca.anilverma@gmail.com

Online proficiency self-assessment test mandated for all independent directors in companies – they now have to pass the test within one year from the date of inclusion of their names in the independent directors' data bank maintained by the IICA, as per the notification.

According to the MCA notification, the Indian Institute of Corporate Affairs (IICA) in Manesar, Haryana, will conduct this exam. It will also create and maintain a data bank with names, addresses and qualifications of people who are eligible to be appointed as independent directors for companies.

Boards of companies will have to disclose the results of these tests in their annual reports. The government inserted a new clause in the Companies (Accounts) Rules 2014, sub-rule 5; it will require companies to file such a statement.

The MCA notification

- Manesar-based Indian Institute of Corporate Affairs will conduct the exam
- It will create and maintain a data bank with names, addresses, and qualifications of people who are eligible to be appointed as independent directors for companies
- Boards of companies will have to disclose the results of these tests in their annual reports

Some important notes:

- © The existing Independent Director or any individual who intends to get appointed as an independent director shall apply (online) to the "Indian Institute of Corporate Affairs at Manesar" (the Institute) for inclusion of his name in the data bank on or before February 29, 2020, i.e., within a period of 3 months from the Effective Date. The said application could be for a period of 1 year or 5 years or for life-time as is decided by the individual making an application.

- © Renewal should be done within a period of 30 days from the date of expiry of the initial period. *No such application is required to be made if the initial application was made for life-time.*
- © While submitting declaration as an independent director under Section 149(7) of the Companies Act, 2013, he/she will have to also submit a declaration of compliance of inclusion of his name in the data bank.
- © Every individual whose name has been included in the data bank as above shall have to clear the Proficiency test (needs to score a minimum of 60% in aggregate) conducted by the Institute within one year from the date of inclusion of his/her name in the data bank.
- © There is no limit on the number of attempts an individual may make for passing the online proficiency self-assessment test.
- © In case the above test is not passed by such individual, his/her name shall stand removed from the data bank by the Institute.
- For existing Independent Director – They need to include their name in the data base AND pass the online test. Otherwise, their name will be removed from the data base.
- For the appointment of new Independent Director – They need to include their name in the data base and pass the exam within one year of inclusion.

Exemption from the requirement of passing the above proficiency test

An individual who has served, in aggregate, for a period of not less than ten years as a director and/or a Key Managerial Personnel in a listed public company or in an unlisted public company having a paid-up share capital of Rs. 10 crore or more as on the date of inclusion of his name in the data bank.

(For the purpose of determining a period of 10 years as above, any over lapping period during which an individual has acted both as a director and/or key managerial personnel (KMP) at the same time in two or more Companies shall be counted only once.)





TDS on cash withdrawal from Banks and Post Office



CS Amit Rajpurohit

Mobile No. : 9022413471

E-mail : rajpurohit.rp@gmail.com

Finance Minister has presented Union Budget on 5 July 2019, with a view to motivate digital banking system, a core agenda of PM Shri Narendra Modi and to demotivate the practice of transactions in cash, introduced Section 194N for deduction of tax at source (TDS) on cash

withdrawals exceeding Rs 1 cr.

Point by Point we are discussing all the aspects of Sec. 194N:-

Section 194N – At a Glance:

As per Income Tax Act, 1961, Section 194N is applicable in case of cash withdrawals of more than Rs 1 crore during a financial year to all the sum of money or an aggregate of sums withdrawn from a particular payer.

The section will apply to withdrawals made by following Persons (payee):

- An Individual
- A Hindu Undivided Family (HUF)
- A Company
- A partnership firm or an LLP
- A local authority
- An Association of Person (AOPs) or Body of Individuals (BOIs)

There are certain persons (payee) to whom the provision of this section will not apply. They are listed below:

- Any government body
- Any bank including co-operative banks
- Any business correspondent of a banking company (including co-operative banks)
- Any white label ATM operator of any bank (including co-operative banks)

In the above situation, there is a question that whether such bearer cheque given to any person (like vendor) to collect payment from the bank will be covered under section 194N?

Whether the bank is liable to deduct tax on the funds of the account holder in respect of the bearer cheque issued to third party. The tax will be deducted by the payer while making payment to any individual in cash from a taxpayer's bank account on the amount in excess of Rs 1 crore.

The limit of Rs 1 crore in a financial year is with respect to per bank or post office account and not a taxpayer's individual account.

For example, a person having Five bank accounts with 5 different banks, he can withdraw cash of Rs 1 crore * 5 = Rs 5 crores without any TDS.

The cash withdrawal made by any taxpayer from the bank accounts maintained by such recipient will only attract TDS under Section 194N. For instance, if a bank makes a cash payment of more than Rs 1 crore in an FY to its account holder (i.e any taxpayer) from the account maintained by such taxpayer, then the bank will have to deduct TDS.

In the case of a payment made by a taxpayer through a bearer cheque issued to third party, in excess of Rs 1 crore in a financial year, the recipient of the cash is not the account holder, but a third party. In such a case, the payment is not made by the bank to the account holder.

Separately, in case of business payments, payment made through a bearer cheque would not be allowed as an expenditure under section 40(A)(3) of the income tax act. Any payment made exceeding Rs 10,000 to a person in a day (in a single transaction or in aggregate) is not allowed as business expenditure.

The limit of Rs 1 crore will be applicable to the cash payments/withdrawals made during the FY 2019-20. The provisions of Section 194N will be applied to the payments made on or after 1 September 2019.

Rate and Point of TDS:

The payer will have to deduct TDS at the rate of 2% on the cash payments/withdrawals of more than Rs 1 crore in a financial year under Section 194N.

TDS will be deducted by the payer while making the cash payment over and above Rs 1 crore in a financial year to the payee. If the payee withdraws a sum of money on regular intervals, the payer will have to deduct TDS from the amount, once the total sum withdrawn exceeds Rs 1 crore in a financial year. Further, the TDS will be done on the amount exceeding Rs 1 crore.

For example, if a person withdraws Rs 99 lakh in the aggregate in the FY 19-20 and in the next withdrawal in FY 19-20 only, an amount of Rs 2,00,000 is withdrawn, the TDS liability is only on the excess amount of Rs 1,00,000.

Thus, the TDS would be on Rs 1,00,000 at 2% i.e. Rs 2,000.

Deductor of TDS:

Following persons (payer) making the cash payment will have to deduct TDS u/s. 194N:

- Any bank (private or public sector)
- A co-operative bank
- A post office



GST on Co-Operative Society



Dharmesh Tailor

Mobile No. : 8898507555

E-mail : dct@rukamath.com

1. GST Gamut for Co-Operative Housing society

According to Section 2(16) of the Maharashtra Cooperative Society Act, 1960, "housing society" means a society, the object of which is to provide its members with open

plots for housing, dwelling houses or flats; or if open plots, the dwelling houses or flats are already acquired, to provide its members common amenities and services. In short, Co-Op Society is a collective body, engaged in supplying certain services to its members e.g. maintenance of the building, security, providing parking space, collecting statutory dues from its members and remitting to statutory authorities, etc.

So, can a service provided by a Housing Society to its members be treated as supply of service where there is no profit element and principal of mutuality exist? The answer is yes.

GST law contains the far reaching provisions to specifically includes within its ambit the taxability of services provided by Co-operative Society to its member. The following extracts of the GST law will make the position clear.

- 1.1. Section 9 of CGST Act prescribes for levy of GST on all form of supply of Goods or Services or both by a person in the regular course of business activity on the value determined under section 15 and shall be paid by the taxable person.
- 1.2. Term "Person" has been defined under 2(84) of CGST Act 2017 and specifically covers within its ambit a co-op societies. Therefore, Co-Op Society is a person within the meaning of the term defines under GST law.
- 1.3. The term business has been defined under Section 2(17) and includes – provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members, admission, for a consideration, of persons to any premises; Thus, supply of services by society (for a subscription or any other consideration) of the facilities or benefits to its members is deemed to be a business.

Therefore, activities of the housing society would thus attract the levy of GST and the housing society would be required to register and comply with the GST Law if the aggregate turnover exceeds the prescribed limit.

2. Registration requirements

A Co-op Housing Society is required to be registered under GST if the Aggregate turnover exceeds Rs 20 Lakhs annually.

Aggregate turnover shall include all taxable and exempt services. Aggregate turnover means all billings other than Municipal Tax but includes interest received from banks and members.

3. Exemptions

Serial No 77 of Notification Notification No. 12/2017- Central Tax (Rate) dt.28/6/2017 as amended by CGST Notification 2/ 2018 (Rate), dated 25/01/2018 provides an exemption upto an amount of Rs.7500/- per month per member for sourcing of goods or services from a third person for common use of members. Hence, if the Maintenance Charges towards maintenance is less than Rs.7500/- Per month per member GST will not be charged to such Members.

- 3.1 What elements included in Rs.7500/- limits?: As per the above notifications, only those components which is charged to the members for sourcing of goods or services from a third person for common use of members is included in exemption of Rs.7500/-. For example, Maintenance charges, Sinking Fund and Repair funds. Therefore, GST shall not be applicable if the aggregate value of these components does not exceeds Rs.7500/- per month per member.
- 3.2 The exemption from GST on maintenance charges charged by a Society from member is available only if such charges do not exceed Rs. 7500/- per month per member. In case the charges exceed Rs.7500/- per month per member, the entire amount is taxable. For example, if the maintenance charges are Rs.9000/- per month per member, GST @18% shall be payable on the entire amount of Rs.9000/- and not on [Rs. 9000 - Rs. 7500] = Rs.1500/- (Circular No.109/28/2019- GST dt.22nd July 2019).
- 3.3 What if a member owns two or more flats in the housing society or residential complex, whether the ceiling of Rs. 7500/- per month per member be applied per residential apartment or per person? : As per general business sense, a person who owns two or more residential apartments in a housing society or a residential complex shall normally be a member of the RWA for each residential apartment owned by him separately. The ceiling of Rs. 7500/- per month per member shall be applied separately for each residential apartment owned by him. For example, if a person owns two residential apartments in a residential complex and pays Rs. 15000/- per month as maintenance charges towards maintenance of each apartment to the RWA (Rs. 7500/- per month in respect of each residential apartment), the exemption from GST shall be available to each apartment (Circular No.109/28/2019- GST dt.22nd July 2019).
- 3.4 Maintenance vs. Income distinction: Any recovery from members which is not in the nature of reimbursement / contribution towards expenses incurred by the society on behalf of members, (for example Vehicle Parking Charges, Non-Occupancy Charges, Interest for Late Payment, Penalty,



Facility Booking, Share transfer fee, Transfer premium, Working flat charges, transfer premium, advertisement or any sponsorship charges) will be liable for GST as it is an income earned by society and not a contribution towards common expenses.

4. Concept of Pure Agent

Pure Agent means a person who

- (a) enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;
- (b) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;
- (c) does not use for his own interest such goods or services so procured; and
- (d) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

The expenditure or costs incurred by a society as a pure agent of the members shall be excluded from the value of supply, if all the following conditions are satisfied

- (i) the society acts as a pure agent of the members of the supply, when he makes the payment to the third party on authorisation by such members;
- (ii) the payment made by the pure agent on behalf of the members has been separately indicated in the invoice issued by the society; and
- (iii) the supplies procured by the society from the third party as a pure agent of the members of supply are in addition to the services he supplies on his own account.

We will discuss the above concept and apply on various component of maintenance bill on later part of this article.

5. Taxation on Bills raised on members

- 5.1 Property Tax / Water Tax: Generally, society collects from its members certain statutory dues like Property Tax or Water Tax and makes payment to the government. Services provided by the Central Government, State Government, Union territory or local authority to a person other than business entity, is exempted from GST. So, Property Tax, Water Tax, if collected by the Co-operative Society on behalf of the MCGM from individual flat owners, then GST is not leviable. It is covered under services provided by the society to its members as an agent of the members and thus outside the provision of GST. However exact amount of Municipal Tax is required to be recovered from members as paid to BMC.
- 5.2 Electricity Charges: In case of electricity charges, there are following two type of services that society provides to its members.

5.2.1 Electricity Charges procured on own account: The Society procure the Electricity on their own account and consume the same in the course of supply of maintenance services to the members like electricity used for pump house, lightings in common area, used in society office, club house etc. This forms a part of consumption / expenditure of the society and collected as part of the maintenance charges. Therefore, in such instances society is not providing any electricity services to individual flat owner and the same is collected as part of maintenance charges and therefore same attracts GST.

5.2.2 Electricity charges of individual flat owners are collected from members and paid to the utility provider : In the instant case, society act as a Pure agent (subject to the condition that there is no profit element) and therefore GST shall not apply.

5.3 Maintenance Charges to apply limit of Rs.7500/- per month per member: Please refer chapter 3 above for details. Components like Sinking fund, Repair fund, maintenance fund and Education fund if collectively exceeds Rs.7500/-per month per member, the entire amount will attract GST.

5.4 All other charges in the nature of income of the society are subject to GST. These charges are not subject to any exemption limit. These includes Non-Occupancy Charges, Interest on late payment, Parking charges, Shifting charges, Diwali Contribution, Transfer fees, Entrance Fees, Transfer premium and other recovery of are taxable supply and attract GST.

5.5 Interest earned from banks is Exempt from GST

5.6 Rent received from any hoarding / Cell phone tower etc is taxable under GST.

5.7 All Refundable security deposits are outside the provision of GST.

GST law provision like GST payable under RCM, proportionate reversal of ITC, maintenance of documentations, Reconciliations of ITC with GSTR 2A, Annual return, GST Audit etc has far reaching implication. Therefore, utmost care needs to be taken by the Managing committee to comply with the provisions of GST law. It is fondly hoped that this article would provide to the reader some insight into the legal requirements that must meet in order to strike a balance between trade and compliance.

Disclaimer

The views expressed in this article are of the author(s) for academic purpose and not to be construed as opinion. This article has been written with a view to educate society of the key highlights from the GST Laws that would have a bearing on the activities carried on by them.

The information cited in this article has been drawn from various sources. While every effort has been made to keep, the information cited in this article error free, the Institute or any office of the same does not take the responsibility for any typographical or clerical error which may have crept in while compiling the information provided in this article.





Offences and Penalties

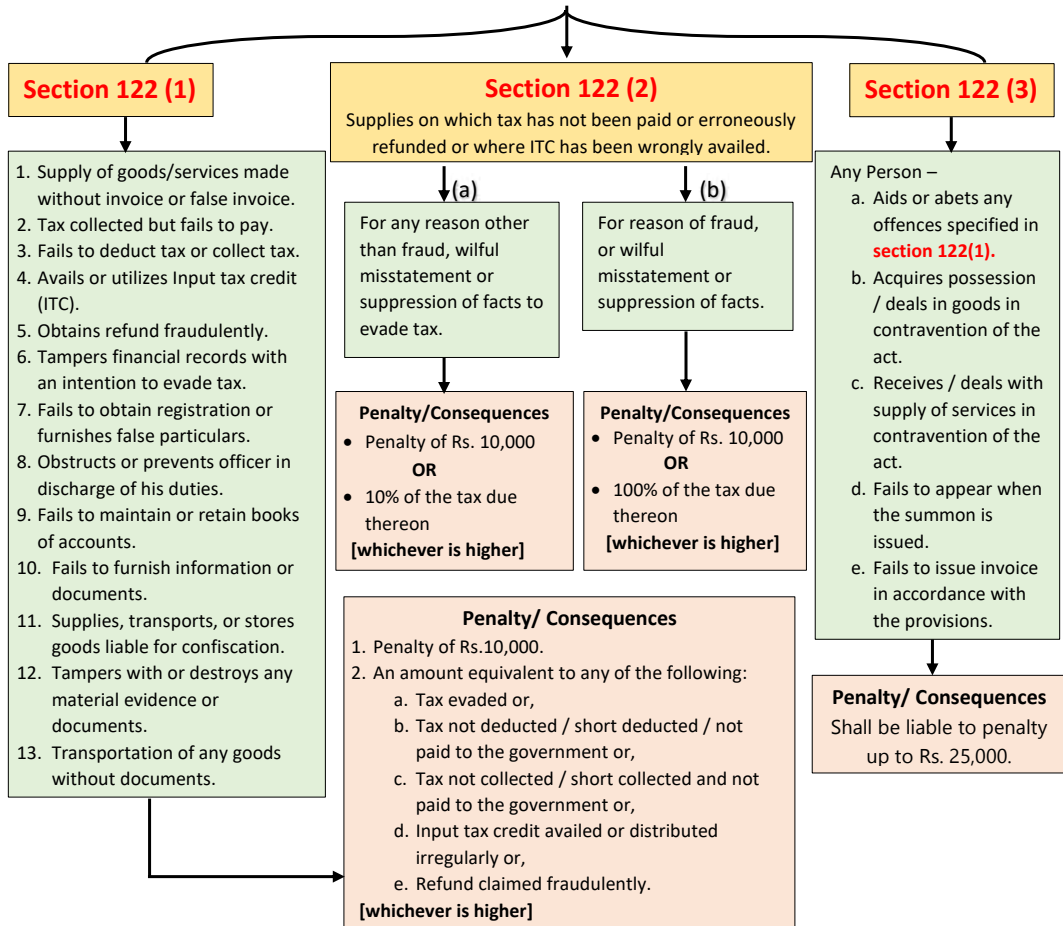


CA Dr Mahesh Gour

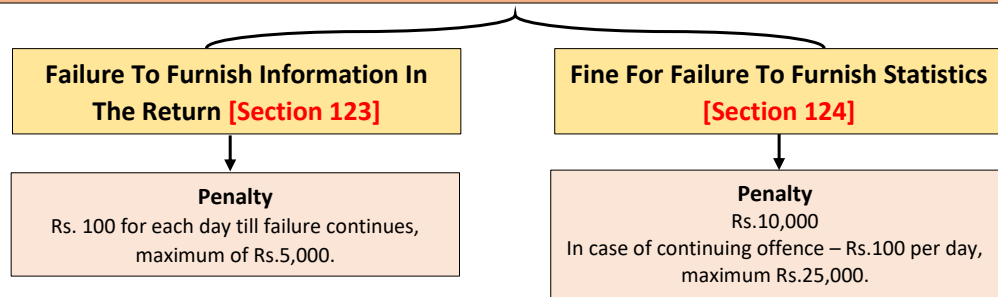
Mobile No. : 9594548007

E-mail : drmaheshgour@gmail.com

A. PENALTY FOR CERTAIN OFFENCES [Section 122]

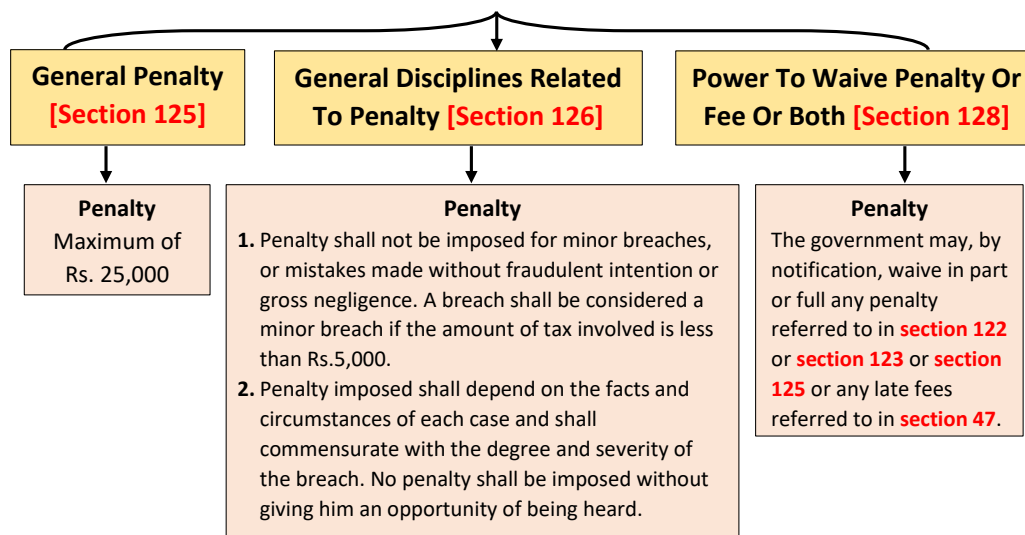


B. FAIL TO FURNISH INFORMATION, STATISTICS





C. GENERAL PENALTY OR POWER TO WAIVE PENALTY



D. SOME OTHER PROVISIONS

Detention, Seizure Of Goods And Conveyance In Transit [Section 129]	<ol style="list-style-type: none"> When any person, transports any goods while they are in transit in contravention of the provisions of this Act, then all such goods, and conveyance used, shall be liable to detention or seizure. The detained or seized goods or conveyance shall be released: <ol style="list-style-type: none"> When the owner of the goods accepts the liability <ul style="list-style-type: none"> Payment of tax and penalty equal to 100% of the tax payable. In case of exempted goods, on payment of – <ol style="list-style-type: none"> Amount equal to 2% of the value of the goods, or Rs.25,000. When the owner does not accept the liability <ul style="list-style-type: none"> Payment of tax and penalty equal to 50% of the value of the goods reduced by the amount of tax paid. In case of exempted goods, on payment of – <ol style="list-style-type: none"> Amount equal to 2% of the value of the goods, or Rs.25,000. Furnishing a security equivalent to amount payable in clause (a) and (b). Service of order of detention or seizure → Mandatory. The proper officer shall issue a notice specifying the amount of tax and penalty payable after giving the concerned person opportunity of being heard. On payment of the amount stated in the notice, the proceedings shall be deemed to be concluded. If the owner or transporter fails to pay tax and penalty within 14 days → further proceedings shall be initiated.
Confiscation Of Goods Or Conveyance And Levy Of Penalty [Section 130]	<ol style="list-style-type: none"> Specified contraventions, if any person – <ol style="list-style-type: none"> Supplies or receives any goods in contravention of the act, or Does not account for any goods on which he is liable to pay tax. Supplies any goods without obtaining registration. Contravenes the provisions with an intention to evade tax. Uses any conveyance as a means of transport in contravention of the provisions without the knowledge of the owner himself. <p>Then all such goods or conveyances shall be liable to confiscation and penalty.</p> <ol style="list-style-type: none"> Redemption fine → whenever confiscation of any goods or conveyance is authorised by the act. Redemption fine – maximum amount should not exceed the market value of the goods.



	<p>c. Tax, penalty and other charges also payable.</p> <p>d. The concerned person will be given an opportunity of being heard before passing the order.</p>
<p>Punishment For Certain Offences [Section 132]</p>	<p>Who so ever commits the following offences, shall be liable to punishments –</p> <ol style="list-style-type: none"> 1. Supply of any goods or services without invoice. 2. Issue of invoice without supply of goods or services. 3. Avails input tax credit using such invoice mentioned above. 4. Tax collected but not paid 5. Evades tax, fraudulently avails ITC. 6. Falsifies or substitutes financial records. 7. Obstructs or prevents an officer from discharging his duties. 8. Acquires possession of any goods which are liable for confiscation. 9. Tampers or destroys material evidences. 10. Fails to supply information, as required under the act. 11. Attempts to commit, or abets the commission of any of the offences mentioned above.
<p>Liability Of Offences And Certain Other Persons [no 133]</p>	<ol style="list-style-type: none"> 1. When any person engaged in connection with the collection of statistics or compilation or computerisation, or if any person engaged in connection with the provisions of service on the common portal, wilfully discloses any information or contents in any returns furnished, otherwise than in execution of his duties shall be punishable – <ul style="list-style-type: none"> • Imprisonment up to 6 months, or • Fine of Rs. 25,000, or • Both. 2. Any person: <ul style="list-style-type: none"> • Who is a government servant shall not be prosecuted for any offence under this section except with previous sanction of the government. • Who is not a government servant, shall not be prosecuted except with previous sanction of commissioner.
<p>Compounding Of Offences [Section 138]</p>	<ol style="list-style-type: none"> 1. Any offence, either before or after the institution of prosecution, be compounded by the commissioner on payment to the government of such compounding amount as may be prescribed. <p>Cases where compounding is not possible: -</p> <ol style="list-style-type: none"> i. A person already compounded once under section 132 clauses (1) to (6). ii. A person already compounded once apart from the above mentioned in (i), in respect of value exceeding Rs. 1crores. iii. A person accused of committing an offence under the act. iv. A person convicted by the court. v. Any other offences as prescribed. <ol style="list-style-type: none"> 2. Any compounding allowed under the provisions of this section, shall not affect the proceedings under any other law. 3. Compounding shall be allowed only after making payment of tax, interest and penalty. 4. Amount of compounding of offences: - <ol style="list-style-type: none"> a. <u>Minimum Limit</u> <ul style="list-style-type: none"> • 50% of the tax involved, or • Rs. 10,000 <p>[whichever is higher]</p> b. <u>Upper Limit</u> <ul style="list-style-type: none"> • 150% of the tax involved, or • Rs. 30,000 <p>[whichever is higher]</p> 5. On payment of such compounding amount, as determined by the commissioner, no further proceedings shall be initiated, and all the pending proceedings shall stand abated.



Significance of SQC 1- Quality Control for Firms that Perform Audits & Reviews of Historical Financial Information and Other Assurance & Related Services Engagements



CA Namita Agrawal

E-mail : namag0303@gmail.com

This topic is most important for Chartered Accountants firm having practice in areas of Audit, Review, Assurance services. Will it be Tax Audit, Statutory Audit, Review of quarterly results of listed entities, etc. it is worthy to note that in today's scenario for each and every kind of Audit and Assurance assignments, CAs need to

generate Unique Identification Number (UDIN), which is verifiable by ICAI as well as by other Regulatory authorities. Thus, CAs need to be more cautious about their findings and reporting requirement.

This Standard SQC 1 Standard on Quality Control, provides policies and procedures which assist CA firms to establish a control on the quality of work performed. SQC 1 should be simultaneously read with Chartered Accountants Act, 1949, the Code of Ethics alongwith other relevant pronouncements of ICAI.

SQC 1 requires a firm to establish a system of quality control that includes policies and procedures addressing each of the following six elements:



1. Leadership Responsibilities for Quality within the Firm

This element refers to leadership responsibility of firm's top level management i.e. chief executive officer, managing partner or equivalent which should convey the promotion of quality oriented internal culture which depends on clear, consistent and frequent communication of firms quality control policies and procedures to its personnel

2. Ethical Requirements

This element addresses Code of Ethics issued by ICAI as well as other relevant pronouncements of the Institute. This element requires firm and its personnel to maintain independence in all required circumstances, perform all professional responsibilities with integrity, and maintain objectivity in discharging professional responsibilities.

3. Acceptance and Continuance of Client Relationships and Specific Engagements

This element requires firms to provide reasonable assurance of its:

- Client's Integrity
 - Competence to perform engagement
 - Compliance with ethical requirements
- while continuing relationships and engagements with client.

4. Human Resources

This element refers to quality of human resource of the firm as part of quality control procedures. The firms should provide reasonable assurance that the firm's personnel who performs, supervise, review should possess:

- Adequate capabilities,
- Adequate competence,
- Adequate commitment to ethical principles

5. Engagement Performance

This element requires Firm to provide reasonable assurance that engagements are performed in accordance with professional standards and regulatory and legal requirements, and that the Firm or the engagement partner issues reports that are appropriate in the circumstances.

6. Monitoring

This element requires firms to ensure that quality control policies and procedures that are implemented are relevant, adequate, operating effectively and complied with in practice. Such policies and procedures should include an ongoing consideration and evaluation of the Firm's system of QC, including a periodic inspection of a selection of completed engagements.

Also the Report on Audit Quality Review 2018-19 present following 'Key Takeaways for Audit Firms' in respect of SQC 1:

- Improve implementation and documentation for various elements of the system of quality control as per SQC 1
- Maintain policy & procedure to notify breaches of independence requirements
- Provide eligibility and maintain objectivity of Engagement Quality Control Reviewer (EQCR)
- Maintain Policies & procedures with regard to engagement performance, engagement documentation and archival process
- Improve monitoring mechanism and take corrective action for any of the deficiency identified during inspection process and communicate to its partner

The above is small gist to understand the importance of quality control policy and procedures for CA firms in practice and industry.





December 2019

Seminar on Direct & Indirect Taxes Amendments held on 5th Oct 2019 at Branch Premises, Bhayander (West)



CA. (Dr.) Mahesh Gaur



Participants

Seminar on Corporate Law held on 6th Oct 2019 at Branch Premises, Bhayander (West)



CA. Adithi Chaturvedi



Seminar on GSTR - 9 Annual Return held on 24th Nov 2019 at Branch Premises, Bhayander (West)



CA. Gaurav Save



Participants



(L-R):- CA. Xavier Rajan (Chairman - Vasai Branch of WIRC), CA. Amit Agarwal (Secretary - Vasai Branch of WIRC), CA. Gaurav Save (Speaker) & CA. Lokesh Kothari (WICASA Chairman) at the dais



Certificate Course on Concurrent Audit of Banks from 16th Nov to 15th Dec 2019 at Branch Premises, Bhayander (West)



(L-R):- CA. Amit Agarwal (Secretary - Vasai Branch of WIRC), CA. Xavier Rajan (Chairman - Vasai Branch of WIRC), CA. Ramkrishnan Mani (Speaker), CA. Lokesh Kothari (WICASA Chairman)

Speakers



CA. Nayan Kothari



CA. Niranjnan Joshi



CA. Ramkrishnan Mani



CA. Dhananjay J. Gokhale



CA. Giriraj Soni



Participants

Distribution of Books for the needy students at Ankur Children's Home held on 14th Nov 2019 at Beverly Park Road, Chandan Shanti, Mira Bhayandar Road, Mira Road (East)





December 2019

Certificate Course on Forensic Accounting and Fraud Detection from 10th Nov to 15th Dec 2019 at Branch Premises, Bhayander (West)



(L-R):- CA. Amit Agarwal (Secretary - Vasai Branch of WIRC), CA. Sailesh Cousik (Speaker), CA. Xavier Rajan (Chairman - Vasai Branch of WIRC), CA. Abhishek Tiwari (Committee Member - Vasai Branch of WIRC) & CA. Vijendra Jain (Committee Member - Vasai Branch of WIRC) at the inaugural session

Speakers



CA. Sailesh Cousik



CA. Satyaprakash
Jaiswal



Mr. Gaurav Batra



Participants

Editor: CA. Xavier Rajan Published by Vasai Branch of Western India Regional Council of The Institute of Chartered Accountants of India at Finesse Graphics and Prints Pvt. Ltd., 309, Parvati Ind. Est., Sun Mill Compound, Lower Parel, Mumbai 400 013. Tel. : 4036 4600

The views and opinions expressed or implied are those of the authors or contribution and do not necessarily reflect those of Vasai Branch. Unsolicited articles and transparencies are sent in at the owner's risk and the publisher accepts no liability for loss or damage. Material in this publication may not be reproduced, whether in part or in whole, without the consent of Vasai Branch.

DISCLAIMER: The Vasai branch is not in any way responsible for the result of any action taken on the basis of the advertisement published in the Newsletter. The members, however, may bear in mind the provision of the Code of Ethics while responding to the advertisements.

The Institute of Chartered Accountants of India,
Vasai Branch of WIRC

Address: Maxus Mall, B Wing, 7th Floor, Above Maxus Banquet Hall, Temba Road, Bhayandar (West) Thane-401 101.
Contact: 9029868900/ 8655068901/ 8976068902 | Email: vasaibranch@gmail.com | Website: www.vasai-icai.org