

# Important Circulars & Notifications

January'2016

Doing common things, *Uncommonly well.*

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# 1. Income tax



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Title	Category	Description	Section/ Rule	Date
<b>When tax has been paid as per book profit then penalty for concealment u/c 271(1)(c) is not attracted if any addition / deletion made in income computed under normal provision of Income Tax Act,1961</b>	Circular	<ul style="list-style-type: none"><li>▪ CBDT has clarified vide Circular No. 25/2015 that where income tax payable on the total income as computed under the normal provisions of the Act is less than the tax payable on the book profits calculated u/s 115JB of the Act, then penalty u/s 271(1)(c) of the Act, is not attracted when any addition/ deletion made under the income calculated under the normal provision of the Act.</li><li>▪ The Board has clarified that no appeals henceforth may be filed on this ground.</li><li>▪ Also if any appeals already filed and pending on this ground before various Tribunals / Courts may be withdrawn / not pressed upon.</li></ul> <p><a href="#">[Read more]</a></p>	Section 271(1)(c)	31 <sup>st</sup> December, 2015

## ....Contd. [Income tax]



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Title	Category	Description	Section/ Rule	Date
<b>Interest earned on idle funds, which were taken for capital expansion, can be set off against pre-operative expenses</b>	Case Law	<p><b>Principal CIT vs. Facor Power Ltd (Delhi High Court)</b></p> <p><b>Facts:</b></p> <ul style="list-style-type: none"><li>▪ Assessee carried no business in the year under consideration as the project was under implementation and earned fixed deposits interest on loan taken for capital expansion.</li><li>▪ Assessee did not show the interest income under the head "Income from other sources" while filing its income tax return, rather assessee set off this interest income with Capital work in progress (pre-operative expenses).</li><li>▪ During assessment proceedings, AO made an addition of interest income considering it as income from other sources.</li></ul> <p><b>Held:</b></p> <ul style="list-style-type: none"><li>▪ CIT (A) allowed the appeal of assessee and deleted the addition made by AO as both activity loan taken and interest earned on FDR are connected activities and can be set-off.</li><li>▪ High court held that no substantial question of law and upheld the decision of Tribunal which placed reliance on the decision given by this court in Indian Oil Panipat Power Consortium Limited, where facts were similar to this case.</li></ul> <p><a href="#">[Read more]</a></p>	Section 143(3)	07 <sup>th</sup> January, 2016

## ....Contd. [Income tax]



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Title	Category	Description	Section/ Rule	Date
<b>Penalty for failure to deduct TDS cannot be levied in the absence of contumacious (willful disobedient) conduct by assessee</b>	Case Law	<b>CIT vs. Bank of Nova Scotia (Supreme Court)</b> <b>Facts:</b> <ul style="list-style-type: none"><li>▪ Issue is related to the assessment of penalty under section 271C which was imposed for failure to deduct TDS.</li><li>▪ CIT(A) as well as ITAT deleted the penalty. It was held that to levy penalty u/s 271 C , it is necessary to establish that there was contumacious conduct on the part of the assessee which is not there in the present case.</li><li>▪ High Court also rejected the appeal on the ground that no substantial question of law arises in the matter.</li></ul> <b>Held:</b> <ul style="list-style-type: none"><li>▪ Supreme Court held that the facts and law have been properly and correctly assessed and approached by the CIT (A) as well as by ITAT.</li><li>▪ Thus, there are no merits in the appeal and accordingly it is dismissed.</li></ul> <a href="#">[Read More]</a>	Section 271 C	7 <sup>th</sup> January, 2016



Title	Category	Description	Section/ Rule	Date
<p><b>Unascertained liability can be claimed as an expense if it can be estimated reasonably under the mercantile system of accounting</b></p>	Case Law	<p><b>M/S Aggarwal and Modi Enterprises (Cinema Project) Co. Pvt. Ltd. Vs. CIT (Delhi High Court)</b></p> <p><b>Facts:</b></p> <ul style="list-style-type: none"> <li>Assessee was in the business of running Cinema hall and had a contract with NDMC and was paying annual licence fee. NDMC increased the license fee at the time of renewal. Assessee filed suit against NDMC about reasonableness of the enhancement of the licence fees.</li> <li>Assessee claimed deduction of total amount but AO allowed only the actual amount paid and disallowed deduction to the extent not paid by assessee.</li> </ul> <p><b>Held:</b></p> <ul style="list-style-type: none"> <li>Delhi High Court held that whether a liability is ascertained or contingent is dependent on the fact of the each case. Where an assessee follows the mercantile system of accounting it is not necessary that the liability must have actually incurred during the AY to claim it as an expense or deduction.</li> <li>Crux of the case is "reasonable certainty" with which the liability can be ascertained. So, appeal of assessee was allowed.</li> </ul> <p style="text-align: right;"><a href="#">[Read More]</a></p>	Section 37	24 <sup>th</sup> January, 2016

## 2. Service tax



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Title	Category	Description	Section/ Rule	Date
<b>Board has instructed Principal Chief Commissioners/ Chief Commissioners to furnish monthly report mentioning number of cases reviewed for withdrawal as per the monetary limit fixed by the Board</b>	Instructions	<ul style="list-style-type: none"><li>For reduction of litigation, a monetary limit was fixed for filing of appeal by the department before CESTAT/High Court and in this regard a circular was also issued in Dec'2015, which was extended in scope to cover the existing pending appeals before CESTAT/High Courts.</li><li>Now, Board has instructed Principal Chief Commissioners/ chief Commissioners to furnish monthly report in the prescribed format mentioning number of pending cases reviewed on the basis of monetary limit.</li></ul>	F.No.390/ Misc./ 163/2010-JC	21 <sup>st</sup> January, 2016

[\[Read More\]](#)

### 3. Others



Title	Category	Description	Section/ Rule	Date
<b>Now all applications for reservation of name (INC-01) would be directed to "Central Registration Centre" (CRC) from 26th Jan 2016</b>	Companies Act	<ul style="list-style-type: none"> <li>▪ The Central Government has established a Central Registration Centre (CRC) having territorial jurisdiction all over India for carrying out the function of processing and disposal of applications for reservation of names under the Act.</li> <li>▪ CRC will function under the administrative control of ROC Delhi.</li> <li>▪ CRC will process application for reservation of names (INC-1) effective from 26<sup>th</sup> January 2016.</li> </ul> <p style="text-align: right;"><a href="#">[Read More]</a></p>	Notification	22 <sup>th</sup> January, 2016
<b>Whether Hindu Undivided family (HUF) / its Karta can become designated Partner in Limited Liability Partnership (LLP)</b>	Limited Liability Partnership Act, 2008	<ul style="list-style-type: none"> <li>▪ It has been clarified by the MCA that as per section 5 of LLP Act, 2008 only an Individual or body corporate may be a partner in a Limited Liability Partnership.</li> <li>▪ A HUF can not be treated as an body corporate for the purpose of LLP Act, 2008.</li> <li>▪ So HUF or its Karta cannot become Partner or designated Partner in LLP.</li> </ul> <p style="text-align: right;"><a href="#">[Read More]</a></p>	General Circular No. 02/2016	15 <sup>th</sup> January, 2016



## ....Contd. [Others]



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Title	Category	Description	Section/ Rule	Date
<b>Grace period provided to employer for deposit of monthly Provident Fund (PF) has been withdrawn, effective from February 2016</b>	EPF & MP Act 1952	<ul style="list-style-type: none"><li>▪ 5 days of grace period was provided to employer for making payment to EPFO due to manual calculation of wages &amp; dues of employees by employer and Bank also require additional time in manual setup.</li><li>▪ Due to technical advancement, now employer compute wages through aid of computers.</li><li>▪ So, the grace period of 5 days provided for payment has been withdrawn effective from February 2016.</li><li>▪ Now, PF for the previous month needs to be paid by 15<sup>th</sup> of the next month instead of 20<sup>th</sup> of next month.</li></ul> <a href="#">[Read More]</a>	Press Release	12 <sup>th</sup> January, 2016



## 4. Expectations from Budget

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Title	Category	Description
<b>Exempt startups from direct, indirect taxes, says Nasscom</b>	Budget Recommendation	<ul style="list-style-type: none"><li>IT industry body NASSCOM has said exempting Startups from Direct &amp; Indirect Taxes, including MAT, will help compliance burden and cash outflow for these new businesses.</li></ul>
<b>Likely raise in the Service Tax exemption threshold for Small businesses</b>	Budget Expectation	<ul style="list-style-type: none"><li>Service Tax limit is expected to be raised to Rs 25 lacs from the current limit of Rs 10 Lacs.</li></ul>
<b>No Income Tax benefits expected in coming Budget due to additional expenditure commitments</b>	Budget Expectation	<ul style="list-style-type: none"><li>No measure Income Tax benefits are expected due to heavy expenditure commitments by Government through Seventh Pay Commission.</li></ul>
<b>Budget would not be populist</b>	Budget Expectation	<ul style="list-style-type: none"><li>Finance minister said that the directions of this years budget will be determined by the resources India has, the economy's growth potential and tax buoyancy.</li><li>It won't be a populist budget.</li></ul>
<b>Swiping Card may help save Tax</b>	Budget Recommendation	<ul style="list-style-type: none"><li>The Government may announce tax benefits for non-cash transactions following recommendation made by Payments Council of India (PCI).</li></ul>

## 5. Interesting facts



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- India's "GO AIR" airlines hires only female flight attendants because they are lighter, so they save up to \$5 lacs per year in fuel.
- Golden Temple feeds a vegetable meals to 1 lacs people a day regardless of race, religion and class.
- Camels have three eyelids to protect themselves from blowing sand.
- Donald Duck comics were banned from Finland because he does not bear Pants..
- Venus is the only planet which rotate clockwise.
- Global warming solved a land dispute between India and Bangladesh, the Island in dispute disappeared
- India's housewives hold 11% of the world's gold. That is more than the reserves of the U.S., IMF, Switzerland, and Germany put together.
- A Horse can look forward with one eye and back with the other.

## 6. About us



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- Blue Consulting or 'BC' provides value added and high quality **Finance & Accounts Outsourcing Services to Companies in India.**
- Our services include **Taxation Compliances** on pan India level, **across 29 States and 7 Union territories.**
- We work as an extension of CFO's team and our services result in **increase of managerial bandwidth of CFO's.**
- We invest great deal of time and efforts in understanding our client's business which ensures that we **provide customized solutions** to their specific needs and requirements.
- We have a separate division for **ICFR** and **Ind AS** implementation.
- We are a strong and stable team of **100+ people.**
- We are comfortable working on any ERP platforms i.e. SAP, Oracle, Navision, Baan, PeopleSoft, Xero, Tally.



# 7. Contact us

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### Disclaimer


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*"A dream is not that  
which you see in sleep  
A dream is that  
which does not let you sleep"*