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NEWSLETTER INDIA

ADDING VALUE

Issue:
July
2019

Latest news on compliance, tax and business in India

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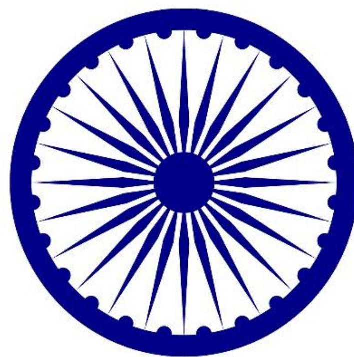

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Santhosh Tantzscher
Rödl & Partner India

COMPANY LAW UPDATES

Changes to rules related to registration of charges and payment of late fee in case of delay in registration of charges:

- After the commencement of the Companies (Amendment) Ordinance 2019 i.e. from January 12, 2019, the charges which are created on or after November 2, 2018 are required to be registered within 30 days from the date of its creation along with the prescribed fee. However, where such registration is not made within the period of 30 days from the date of its creation, an extension of period of 30 days is allowed (i.e. in total 60 days from the date of its creation) upon the payment of additional fees. Further, in case the registration is not made within 60 days from the date of its creation, the Registrar may on an application, allow such registration to be made within a further period of sixty days after payment of such additional/advalorem fees as may be prescribed Subsequently, the Companies (Registration and Fees) Amendment Rules, 2019 were notified as on April 30, 2019, providing for fees to be paid additional/advalorem in case of delayed filing of charges.

- The Ministry of Corporate Affairs(MCA) notified the Companies (Registration of Charges) Amendment Rules, 2019 (**“Amended Rules”**) which provide that the Registrar may allow such registration of charges after 30 days from the date of its creation, only upon being satisfied that the company had a sufficient cause for not registering the charges within the prescribed period and on payment of additional fees/advalorem fees.

MCA to introduce a web-based verification regarding filing of e-form DIR-3 KYC vide General Circular No. 07/2019 dated June 27, 2019. Every person who has already filed DIR-3 KYC will only be required to complete his/her KYC through a simple web-based verification service, with pre-filled data based on the records in the registry, for ease of verification by the person concerned.

MCA has notified the new format of BEN-2. The new e-form of BEN-2 is now made available on the MCA portal w.e.f. July 1, 2019. Accordingly the said e-Form BEN-2 is required to be filed within 30 days from the Form being notified, i.e., till July 30, 2019.

- The MCA vide notification dated May 16, 2019 has introduced a new rule 12-B to Companies (Appointment and Qualification of Directors) Rules, 2014. As per rule 12-B upon failure of a company to file e-form INC -22A within the due date (which was June 15, 2019), Director Identification Number (DIN) allotted to directors of such a company will be marked as “Director of non-compliant company”. After ensuring that all the companies in which an individual has been appointed as director, have filed the said e-form INC-22A , the DIN of such director shall be marked as “Director of ACTIVE compliant company”. It is pertinent to note that filing of INC-22A after June 15, 2019 is permitted subject to payment towards penalty statutory fee of INR 10,000/-.

RESERVE BANK OF INDIA (RBI) INTRODUCES WEB-PORTAL FOR FILING OF FOREIGN LIABILITIES AND ASSETS (FLA)

- The RBI on June 28, 2019, issued circular stating that all Indian companies which have received FDI and/or made FDI abroad in the previous year(s) including the current year, shall file the annual return on Foreign Liabilities and Assets (FLA). The RBI has provided a web-portal interface (find out more here ») for the filing of returns from this year onwards. The previous mechanism of email-based submission of FLA forms will be discontinued.

- The Limited Liability Partnership (LLP) shall also report its investment in the form of capital/profit share contribution received/transferred.

- In view of the recent change in reporting platform for submission of FLA return, the last date for filing the FLA return for 2018-19 has been extended from 15 to 31 July 2019 for convenience of reporting this year.

COMPANY SECRETARIAL (CS) COMPLIANCES FOR PRIVATE LIMITED COMPANY

Below is the summary of the compliances which needs to be adhered to in the next quarter (Jul – Sept 2019)

Sr. No	Particulars	Due Date (2019)
1.	Hold at least one Board Meeting in quarter Jul - Sept 2019 (Gap between previous board meeting and this meeting should not be more than 120 days)	September 30
2.	Hold subsequent Annual General Meeting (AGM) (Gap between previous AGM and this AGM should not be more than 15 months)	September 30
3.	Filing of Form BEN- 2	July 30
4.	Filing of annual return on Foreign Liabilities and Assets (FLA)	July 31

EMPLOYMENT LAW UPDATES

- Ministry of Labour and Employment has reduced the monthly rate of contribution under the Employees' State Insurance Act, 1948 from 6.5 per cent to 4 per cent : The Employees' State Insurance Act, 1948 (the ESI Act) provides for certain benefits in case of sickness, maternity, disablement, medical and dependent's benefits to employees of factories and establishments covered under the ESI Act. The ESI Act is applicable to every factory and all establishments with 10 or more employees, drawing a salary up to INR 21,000 per month. Under the ESI Act, both employer and employee are required to make a monthly contribution at a prescribed rate to the Employees' State Insurance Corporation (ESIC). An employer is liable to pay his contribution in respect of every employee and deduct employees contribution from wages and accordingly shall pay to the ESIC within 15 days of the last day of the Calendar month in which the contributions fall due. On June 13, 2019, Ministry of Labour and employment notified the Employee's State Insurance (Central) Amendment Rules, 2019, thereby reducing the rate of monthly contribution from 6.5 per cent to 4 per cent. This means reduction in the employer's share of contribution from 4.75 per cent to 3.25 per cent while the employee's contribution has been reduced from 1.75 per cent to 0.75 per cent. The changed/revised rates of ESI contribution are applicable w.e.f. July 1, 2019 (i.e. during FY 2019-20). The reduction in the share of contribution of employers will reduce the financial burden of the establishments and will also bring a relief to the employees as it will facilitate higher take home salary.

- Registration of Internal Complaints Committee (ICC) is mandatory for the states of Maharashtra and Telangana: Under Sexual Harassment of Women(Prevention, Prohibition and Redressal) Act, 2013 (POSH Act), every employer including Government/Non-Government organisation employing 10 or more employees is required to constitute ICC for dealing with complaints of sexual harassment by women at any workplace. Recently, in both the states of Telangana and Maharashtra, it has now made compulsory for all establishments including companies employing 10 or more employees to register the ICC. Accordingly in case of state of Telangana, the Department of Women Development and Child Welfare has launched a web-portal on which all the establishments who are required to constitute ICC under the POSH Act were mandated to register the details of the respective ICC on or before July 15, 2019. Find the link of the web-portal here »

  Similarly, the Women Development and Child Development Department of the state of Maharashtra issued a general letter dated July 4, 2019 requiring all the employers to register their ICC through an offline application in the prescribed form and submit with the Sub-Divisional Magistrate Sub-Divisional Magistrate, Old Custom House, Shaheed Bhagat Singh Road,Fort, Mumbai – 400001 on or before July 20, 2019. It is pertinent to note that both in the case of state of Telangana and Maharashtra, failure of employers to register the details of ICC, shall attract a fine of INR 50,000.

SUPREME COURT OF INDIA HELD AN ARBITRATION CLAUSE CONTAINED IN AN UNSTAMPED OR INSUFFICIENTLY STAMPED INSTURUMENT TO BE INVALID

- Supreme Court of India (SC) in the matter of **Garware Wall Ropes vs. Coastal Marine Constructions & Engineering Ltd.** held that if an arbitration clause is incorporated in an insufficiently/unstamped instrument, such arbitration clause is held to be invalid, and hence cannot be acted upon by the courts for appointment of an

arbitrator under section 11 of the Arbitration and Conciliation Act, 1996, until such instrument is duly stamped. The present decision of the SC arises while deciding the decision given by Bombay High Court which was challenged before the SC. The Bombay High Court admitted the application for appointment of arbitrator based on arbitration clause contained in an agreement which was not duly stamped. The reasoning given by the Bombay High Court for such admission that an unstamped instrument, cannot considered as a bar to refer the parties to arbitration. This decision given by the Bombay High Court was challenged before the SC. The SC overriding the decision of the Bombay High Court held that under the Indian Stamp Act, an agreement does not become enforceable if the same is unstamped or insufficiently stamped, hence accordingly an arbitration clause contained in such instrument cannot be enforced and hence cannot be acted upon unless it is duly stamped.

INSOLVENCY BANKRUPTCY CODE, 2016

Ministry of Corporate Affairs (MCA) vide notification dated March 1, 2019 has notified the list of persons who may file an application for initiating corporate insolvency resolution process (CIRD) against a corporate debtor before the National Company Law Tribunal (NCLT) on behalf of financial creditor. Such persons are as follows: A guardian; an executor or administrator of an estate of a financial creditor; a trustee (including a debenture trustee); and – in case a financial creditor is company – a person duly authorised by the board of directors of the company.

CONTACT FOR FURTHER INFORMATION

Santhosh Tantzscher
santhosh.tantzscher@roedl.com

→Tax News

Transfer Pricing

Tillmann Ruppert,
Rödl & Partner India/Nuremberg

CENTRAL BOARD OF DIRECT TAX (CBDT) PROPOSES TO MODIFY RULE ON ATTRIBUTION OF PROFIT TO PERMANENT ESTABLISHMENT (PE)

India is one of the highly fertile jurisdictions for aggressive litigation concerning identifycation/formation of PE as well as reasonable profit attributable to such PE. In the absence of any specific Rule or authoritative guidance in the Income Tax Act (ITA), the tax officers used to adopt different approaches for profit attribution which has led to intense fight amongst tax authorities and taxpayers.

In order to reduce such litigation and to bring certainty and clarity with respect to profits attribution, CBDT constituted an expert committee to study existing situation and suggest changes.

The CBDT on April 18, 2019 has released a draft report analysing the existing provisions of Income Tax Law, model OECD and UN treaty provisions, Rule 10 of Income Tax Rules, economic factors, views of academicians, international practice on profit attribution and various rulings by Indian judiciary on attribution of profit to PE in India.

The Committee has observed that transfer pricing approach of profit attribution considers only supply side of value chain and does not take into account demand side factor which is also very crucial in deriving the profit. The Report thereafter discusses plausible approaches for attribution of profits to PE such as i) Formulary apportionment; ii) Fractional apportionment; iii) Demand and Supply based approach.

Considering advantages as well as practical difficulties of each of these approaches, the Committee, in principle, has recommended fractional apportionment approach for attribution of profit to PE.

It has recommended suitable amendment to the existing ITA or Rules incorporating following changes:

1. In case where PE specific books of account are maintained and accepted by the AO, profit attribution to PE would continue in accordance with such books of account maintained by the PE conforming to the transfer pricing principles.

2. However, in cases where PE specific books are not maintained, the Committee has proposed a three-factor formula giving equal weightage (i.e. 33.33 per cent) to sales, employees (manpower & wages) and assets. After deriving this weightage, the same will be multiplied to the profits derived from the operations in India and that shall be considered as profits attributable to the PE in India.

3. Exception for Global loss-making situation:
   In case parent entity is having global loss or Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) less than 2 per cent, , it is proposed that fixed 2 per cent of revenue derived from India should be considered as profits derived from India and then apply the above formula for computing the weightage.

4. Attribution of profit in case of Subsidiary PE:
   The Committee has further proposed that in case of subsidiary of foreign enterprise constituting a PE in India, profits attributable to be determined as per three factor formula with an added deduction of profits that are already subjected to tax in India in the hands of subsidiary. However, this will not apply if such sales/ services in India do not exceed an amount of 01 million.

CONCLUSION:

It is a welcome step from the Indian Government as certain clarity will be brought regarding the attribution of profit to PE. However, there are certain issues such as meaning of terms used in the formula, continuance of applicability of transfer pricing principles, treaty vs. domestic law interplay, etc. need which clarification and elaboration.

CONTACT FOR FURTHER INFORMATION

Tillmann Ruppert
tillmann.ruppert@roedl.com

→Tax News

Indirect Tax

Anand Khetan
Rödl & Partner India

PROPOSALS UNDER UNION BUDGET 2019-2020

Under the Union Budget 2019 introduced on July 5, 2019, numerous changes have been proposed in the GST law and regulations. The important proposals have been summarised below.

1. Threshold exemption limit for registration under GST for suppliers engaged exclusively in the supply of goods has been proposed to be increased from INR 2 million to INR 4 million.

   – Section 22 of the Central Goods and Services Tax ("CGST") Act, 2017 has been proposed to be amended to enhance the existing threshold for obtaining registration under the GST law from the existing threshold of INR 2 million to a maximum of INR 4 million. Such higher threshold has already been notified from April 1, 2019 vide an exemption notification issued by the Government of India.

   – The threshold of INR 4 million will not include supply of exempt services which are by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

2. Aadhaar linkage to GST registration

   – Linkage of Aadhaar Number to registration under the GST law has been proposed to be made mandatory for every registered person in case not specifically excluded. Further, Aadhar verification or an alternate verification mechanism would be required for all new GST registrations as well.

3. New GST Compliance System

   – New set of forms have been prescribed for implementation of the new return filing system. The new form will have three parts:

     – Form GST RET 01 (Final return to be filled along with payment of liability)
     – Annexure 1 (Output Details)
     – Annexure 2 (Input Details)

   – Such return system would allow the taxpayers to upload and also to check the invoices uploaded by their suppliers on a real time basis thereby enabling the taxpayers to take corrective actions and avoid reconciliations at the end of year.

   – As in the current return system, the payment due date under the new return system would remain the same i.e. 20th of the month subsequent to the month or quarter for which return is to be filed.

   – The new return system would be working on trial basis in the months of July 2019 to September 2019 without effecting the actual liability. Form GSTR 1 and GSTR 3B to continue for the said period.

   – It has been proposed that Composition taxpayers would be required to furnish only an annual return along with quarterly payment of taxes.

4. Interest on late payment of taxes under GST

   – Section 50 of the CGST Act, 2017 which deals with levy of interest upon late payment of GST is proposed to be amended. The interest liability is proposed to be calculated on the net tax payable (Total GST output liability minus Input Tax Credit utilized from the electronic credit ledger). Thus, the interest will only be levied on the amount that has been deposited by utilising the balance available in the cash ledger of such registered person, except in cases where the return is furnished post initiation of proceedings under Section 73 and 74 of the CGST Act, 2017.

5. Constitution of National Appellate Authority for Advance Ruling (NAAAR)

   – It has been proposed to constitute a NAAAR that would be hearing appeals against conflicting advance ruling pronounced on the same question by the Appellate Authority of Advance Ruling of two are more States or Union Territories.

– NAAAR is required to pass an order in appeal within a period of 90 days from the date of filing an appeal, as far as the same is possible.

6. Penalty under Anti Profiteering Measures

– The National Anti-profiteering Authority has been proposed to be empowered to impose a penalty of 10 per cent of the profiteered amount on any person found guilty under the anti-profiteering measures.

– The proposed amendment also provides that no penalty shall be levied in a case where the 'profiteered amount' (as prescribed) is deposited within 30 days of the date of passing of orders by the Authority.

IMPORTANT NOTIFICATIONS ISSUED DURING THE QUARTER

- Vide Notification No. 31/2019-Central Tax, dated June 28, 2019, a new Rule 10A has been introduced, which states that except certain specified entities, taxpayers can submit the bank account details within 45 days after obtaining the GST registration. Before this rule was introduced, it was compulsory to provide bank account details at the time of obtaining GST registration. This would allow newly incorporated companies to obtain GST registration without having to wait till the time bank account opening formalities conclude.

- Rule 87 of the CGST Rules have been amended to introduce a new form PMT-09. This form will allow a registered person to transfer any amount of tax, interest, penalty, fee or any other amount available in electronic cash ledger under one head (IGST/CGST/SGST/Cess) to any other head of the electronic cash ledger.

Timelines to furnish Form GSTR 1 and GSTR-3B

- Notification 27, 28, 29 – Central Tax dated 28 June 2019 have been issued to prescribe the due date for furnishing of return in Form GSTR 3B as well as payment of GST by the 20th day of the following month for the period July 2019, August 2019 and September 2019.

- Furthermore, the following tabulation captures the timelines to furnish Form GSTR 1 for the period July 2019, August 2019 and September 2019:

Period	Aggregate turnover < INR 1.50 Crores	Aggregate turnover > INR 1.50 Crores
July 2019	Return for the quarter by 31 October 2019	11 August 2019
August 2019		11 September 2019
September 2019		11 October 2019

IMPORTANT CIRCULAR ISSUED DURING THE QUARTER

- CBIC has issued Circular No. 105/24/2019, GST dated June 28, 2019 in order to clarify the treatment of discounts under GST law. As per the circular, examination of the true nature of the post-sale discount is essential.

- It prescribes that where the discount is given **without** any further obligation or action required at the end of the recipient, the same will be excluded from the value of supply subject to satisfying other prescribed conditions (that it should be arising from the pre-agreed contract and proportionate ITC is reversed).

- However, where such discount is a post-sale incentive **requiring the dealer to do some act** such as special sale drive, advertisement campaign, exhibition, etc. then such transaction would be a separate transaction from the original supply of goods and the consideration received in the form of discounts will be subject to GST. The same has to be charged by the dealer performing the additional acts. ITC will be available to the recipient subject to prescribed conditions.

- Where discounts are passed on by way of issuance of financial credit notes, the original amount of GST paid cannot be adjusted against such credit notes. The Circular clarifies that in such cases the recipient will be eligible to claim ITC of the entire GST paid.

CHANGES UNDER THE CUSTOMS ACT

- As per Section 41 of the Customs Act, the person in charge of the conveyance carrying exported/imported goods was required to file a departure manifest or an export manifest. The said section has been proposing to be amended to empower the Government to notify any person, other than the person in charge of the conveyance, to file the said document.

– The general penalty under the Customs Act has been proposed to be increased from for INR 0.1 million to INR 0.4 million. Penalty and prosecution provisions have been proposed for persons who have obtained duty credit scrips by way of fraud where duty relatable to the instrument utilised exceeds INR 5 million

Sabka Vishwas Legacy Dispute Resolution Scheme, 2019

– A dispute resolution-cum-amnesty scheme called as 'The Sabka Vishwas (Legacy Dispute Resolution Scheme), 2019' has been proposed with a view to reduce pending litigations in relation to pre-GST regime. The scheme covers past disputes of taxes which have been subsumed under GST namely Central Excise, Service Tax and various cesses. However, this scheme does not cover the Customs and VAT laws. All persons are eligible to avail the scheme except a few exclusions. The relief available under the proposed scheme is as under:

Sr. No.	Particulars	Amount of Duty Involved	Relief
1	Tax Dues relatable to Show Cause Notice (SCN) or appeal arising out of such SCN which is pending as on 30 June 2019	< INR 5 million	70 per cent of Tax Dues
		> INR 5 million	50 per cent of Tax Dues
2	Tax Dues relatable to SCN for late fee or penalty only and the amount of duty has been paid or NIL	-	Entire amount of Penalty or Late Fee
3	Tax Dues relatable to 'amount in arrears or Tax Dues relatable to amount in arrears and the declarant has indicated an amount of duty as payable but not paid the said duty	< INR 5 million	60 per cent of Tax Dues
		> INR 5 million	40 per cent of Tax Dues
4	Tax Dues linked to an enquiry, investigation or audit against the declarant and the amount has been quantified on or beforeJune 30, 2019	< INR 5 million	70 per cent of Tax Dues
		> INR 5 million	50 per cent of Tax Dues
5	Taxes Dues on account of voluntary disclosure by the declarant	-	No Relief

CONTACT FOR FURTHER INFORMATION

Anand Khetan
anand.khetan@roedl.com

→Tax News

Direct and International Taxation

Juhi Gera
Rödl & Partner India

UNION BUDGET 2019

On July 5, 2019, Honourable Finance Minister of India, Mrs. Nirmala Sitaraman presented her maiden budget of the newly elected Indian Government. While the budget highlighted various reforms and achievements of the same Government during the last 5 years, it was seen as a major step towards making India a USD 5 trillion economy by the year 2025.

Key changes proposed under the Direct Tax Law are:

- Tax rate for domestic companies whose total turnover or gross receipts in the Financial Year 2017-18 does not exceed INR 4 billion would be 25 per cent. The beneficial tax rate shall be applicable from Financial Year 2019-20.

- Tax Payer (deductor of tax at source i.e. TDS) failing to deduct tax on a payment made to a non-resident would **not** be considered as an assessee in default and there would be no disallowance in respect of such payments in the hands of the Tax Payer if, the non-resident has:
  - furnished their return of income in India within the due date;
  - disclosed such payment for computing their income; and
  - paid the tax due on such income and furnished an accountant's certificate to this effect.

However, interest will be levied till the date of filing of return by the non-resident payee in the hands of the Tax Payer.

- Surcharge enhanced for individuals having taxable income between INR 20 million and INR 50 million from 15 per cent to 25 per cent and taxable income in excess of INR 50 million to 37 per cent.

In addition to above, there are several other amendments made by the Union Budget 2019, which are documented in detail in our Budget Report available at www.roedl.com

RATIFICATION AND DEPOSITION OF MULTILATERAL INSTRUMENT (MLI) TO IMPLEMENT TAX TREATY RELATED MEASURES TO PREVENT BASE EROSION AND PROFIT SHIFTING (BEPS)

In an historic development which is bound to have an impact on changing the landscape of Indian tax treaties, India has deposited the instrument of ratification for MLI with the Organisation for Economic and Co-operation Development (OECD) on 25 June 2019, which shall come into force from 01 October 2019.

Key highlights:

- Ratification of MLI will enable application of BEPS outcomes through modification of existing tax treaties of India in a swift manner;

- MLI once entered into force will operate to modify existing Indian tax treaties. It will not function in the same way as an amending protocol to a single existing Indian tax treaty, which directly amends the text of a tax treaty. Instead, the MLI will be applied alongside existing Indian tax treaties, modifying their application in order to implement the BEPS measures;

- MLI will thus, enable India to modify its tax treaties to curb revenue loss through tax treaty abuse or BEPS strategies adopted by companies to park their profits in low-tax jurisdictions instead of offering to tax profits in jurisdictions where substantive economic activities generating the profits are carried out and where value is created.

- One area that is still not covered within the MLI is taxation of digital economy, although the OECD is rapidly working towards a mutual consensus-based solution to address this issue

- Following entry into force of MLI, it will significantly influence the manner in which foreign companies do business in India. It is therefore recommended that foreign enterprises doing business in or with India align their business models on an immediate basis, without waiting for the MLI to enter into force to equip themselves with the changing tax treaty regime.

For further details, we kindly refer to our newsflash on the said topic available here ».

CBDT PROVIDES OPTION AND PROCEDURE FOR ONLINE FILING OF E-TDS / TCS THROUGH E-FILING PORTAL

In addition to filing of e-TDS/TCS (tax deduction / tax collection) statements at authorised Tax Information Network (TIN) Facilitation Centres, Central Board of Direct Taxes (CBDT) vide Notification no. 10/2019 dt. 04 June 2019 has now provided an option to the Tax Payers for online filing of their tax deduction/tax collection statements directly through Indian income-tax e-filing portal.

A 3-step procedure has been laid down for such electronic filing of the tax deduction/tax collection statements online through Indian income-tax e-filing portal viz.

- **Registration** – Tax deductor/tax collector should register on the Indian income-tax e-filing portal using their Tax Deduction Account Number (TAN);

- **Preparation** – Tax deductor/tax collector to prepare their respective statements and validate them using the Return Preparation Utility (RPU) and File Validation Utility (FVU) available on the tin.nsdl website; and

- **Submission** – Tax deductor/tax collector to upload and submit their respective statements using either Digital Signature Certificate (DSC) or Electronic Verification Code (EVC) on the Indian income-tax e-filing portal.

NEW GUIDELINES FOR COMPOUNDING OF OFFENCES UNDER DIRECT TAX LAWS ISSUED

CBDT has issued revised guidelines vide Circular F. No. 285/08/2014-IT(INV.V)/147 dt. June 14, 2019 in supersession of the previous guidelines issued in 2014, to be followed for compounding of offences under the Indian Income-tax Act, 1961 (ITA) subject to fulfilment of certain conditions. These guidelines shall come into effect from 17 June 2019 and shall be applicable to all applications for compounding received on or after the aforesaid date. The applications received before 17 June 2019 shall continue to be dealt with in accordance with the previous guidelines dt. 23 December 2014.

The changes in the revised guidelines inter alia include:

- Prosecution under Indian Penal Code (IPC) cannot be compounded as per the guidelines however, the Competent Authority can withdraw the prosecution complaints if the complaint filed under ITA and IPC is on same facts and the complaint under ITA is compoundable.

- Offences, which have a bearing on any offence under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 or Benami Transactions (Prohibition) Act, 1988, are not compoundable.

- Meaning of the terms "occasion" and "first offence" for the purpose of the guidelines have been defined.

- No compounding application can be filed after end of 12 months from the date of filing of prosecution complaint. Conditions for relaxation of time to file an application for compounding have been brought in, providing that such delay should be attributable to reasons beyond the applicant's control.

In addition to the above, detailed guidelines have been provided for calculation of quantum of compounding fees, conditions to be satisfied thereto, general instructions and procedural formats have been prescribed for compounding of offences under the ITA. It is important to note that compounding of offences is not a matter of right and offences may be compounded by the Competent Authority (as provided in the guidelines) keeping in view factors such as conduct of the person, the nature and magnitude of the offence in the context of the facts and circumstances of each case.

CONTACT FOR FURTHER INFORMATION

Juhi Gera
juhi.gera@roedl.com

→Accounting/Audit News

Business Process Outsourcing

Aafreen Athani
Rödl & Partner India

A NEW ACCOUNTING SYSTEM:

CHALLENGE ACCEPTED!

BPO offers a bundle of services to the clients of which Accounting, Tax compliances and Payroll form the major three work streams within BPO. With the modern shift towards digitalization, majority of the work today is done by use of one system or another. Fortunately, we have dedicated systems for Payroll & Tax Compliances. But when it comes to Accounting, we are blessed with an opportunity to get a taste of a lot of options available in the market today.

Clients often prefer to have a standardized group reporting system for their organizations which seems to be a very fair & basic request. The real challenge comes in when this 'system' is to be tested and implemented by our customer relationship managers & accounting teams. Be it Dynamics, SAP B1 or any other ERP system, implementing a new software solution carries with it a number of challenges. The process can be overwhelming, confusing and lengthy.

Most of the companies today prefer to have a customized version of the existing standard packages of the system. This requires highly experienced accountants managing multiple portfolios, as the individual needs to understand the same system differently for each client and has to remember the individual configuration during daily activities for entry posting and reporting.

Some of these systems have been customized to fit exactly as per their internationally based headquarter standards but in the process they fail to capture local particulars such as the Indian Withholding Tax and GST applicable. As a response we include a testing phase which weeds out such major gaps in the systems and supports by guiding in implementation phase to ensure it is compliant.

In some cases the trainings for individual software and its technical support is provided by an onshore situated in a different time zone. This creates a time lag between queries raised by us and system coding adjustments done by them in the testing phase. A well-defined segregation of duties and adequate trainings of the core team members in these cases successfully avoids a prolonged & lengthy process impacting the productivity & efficiency before Go-Live.

Testing the system could also become challenging when the accountant has limited rights or authorities. Companies are right in wanting to keep controls internally within the organisation, but this often makes the process over complicated. Major test cases need to be tested & validated as per the law of the land. A simplified process and full access to core team members will eliminate the complexity to a large extent.

As a common practise within most companies a monthly MIS report or dashboard is being used for conducting internal reviews in order to support them in decision making. The challenge here would be to try and ensure that these reporting templates are in sync with those exported from their accounting software so that there is minimum loss of efficiency arising purely due to non-value added activities of rearranging the data in reporting formats.

Based on our experience we also recommend that the data migration is planned at the start or end of the financial year and a parallel system is run during initial Go-live phase. This acts as a double check point before we entirely rely on the new system. "Trust is good but controlling is better."

Lastly, with all the complexities involved in testing and implementation combined with our extensive inhouse expertise onboard, with every new system – we gladly say "Challenge Accepted !!"

CONTACT FOR FURTHER INFORMATION

Aafreen Athani
afreen.athani@roedl.com

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Publisher
Roedl & Partner Consulting Pvt. Ltd.
Lunkad Sky Cruise, Wing- B
Survey No 210/3,
Viman Nagar
Pune – 411 014
Phone: +91 20 6625 7100

www.roedl.de/indien | www.roedl.com/india

Responsible for the content:
Martin Wörlein –
martin.woerlein@roedl.com

Editing:
Karuna Advani –
Karuna.Advani@roedl.com

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