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BUSINESS ADVISORS

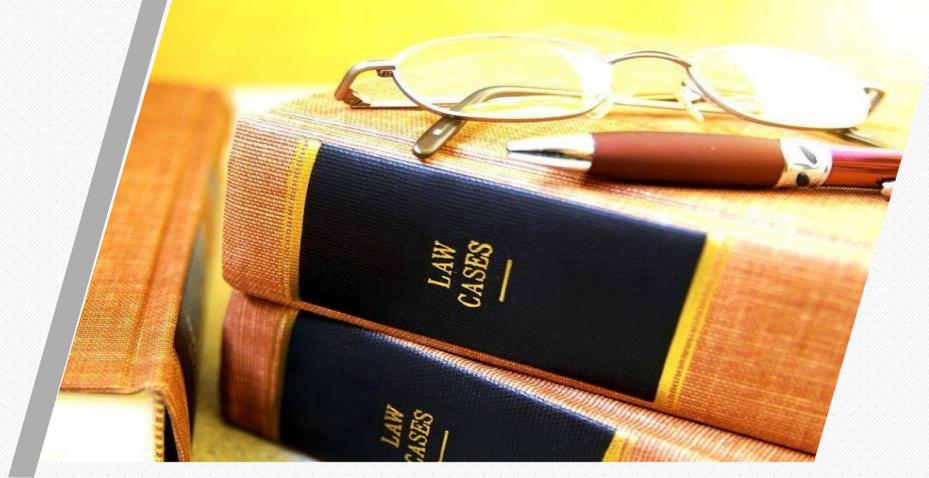
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February - 2020

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Direct Tax Case Laws



Case Law 1:

Where in case of an assessee, a contractor, Assessing Officer made addition in respect of two bills which were raised by assessee but not accounted for in its return even though it was following mercantile system of accounting, in view of the fact that one of the said bill was raised after termination of contract whereas nothing was received in respect of second bill because payer was in severe financial crisis, impugned addition was to be deleted.

The assessee-company was engaged in construction work. It was awarded a construction contract by Dabhol Power Company (DPC). For relevant assessment year, the assessee filed a return of income. While carrying out the scrutiny assessment of the said return, the Assessing Officer questioned the assessee about the non-inclusion of two amounts of Rs.26.47 crores and Rs.59.51 Crores, for which assessee had raised the bills, but not accounted for in its income. The Assessing Officer rejected the assessee's explanation that the amounts had not accrued to the assessee and therefore, even on the basis of mercantile system of accounting, the same could not be offered to tax. The Assessing Officer was of the opinion that since the assessee had raised the bills, whether payments were made or not, would not be relevant in view of the fact that the assessee followed mercantile system of accounting. He thus added amounts in question to assessee's taxable income.

The Commissioner (Appeals) opined that amount of Rs. 59.51 crores could not have been brought to tax since the bill pertained to mobilization and site operation costs, which bill was raised after termination of contract. However, with respect to the sum of Rs.26.47 crores, the Commissioner (Appeals) did not grant relief primarily on the ground that the bill raised by the assessee pertained to construction work already carried out before the termination of the contract. The Tribunal confirmed the view of the Commissioner (Appeals) with respect to the sum of Rs.59.51 crores on the ground that the bill was raised after the termination of the contract and the bill was not even accepted by the DPC. The income had therefore never accrued to the assessee. With respect to the sum of Rs.26.47 crores, the Tribunal noted that the parent company of DPC was in severe financial crisis; the assessee could not receive any payment for a long time; eventually after delay of nearly four years, the assessee could recover only 8.58% of the total claim. Inter alia on such factors, the Tribunal applied the theory of real income and deleted the addition.

The view of the Tribunal was correct. With respect to the larger amount of Rs.59.51 crores, the claim was for damages for premature termination of the contract. The bills were raised after the termination of the contract and the contracted party did not even accept the bills. With respect to the remaining amount of Rs.26.47 crores, the Tribunal has applied relevant facts and held that in view of the real income theory, no tax

Direct Tax : Case Laws

can be levied on the assessee at the relevant time. Any further examination of the issue would be wholly academic in nature since in any case, the assessee could have claimed the said amount by way of bad debts. In fact, such a claim was allowed, but in view of the further development, pursuant to the impugned decision taken by the Tribunal, such claim was ordered to be adjusted. In the result, the revenue's appeal is dismissed.

CIT v Bechtel International Inc.

Case Law 2:

Where an assessee, owner of flat jointly with his wife, sold said flat and invested his share in another property, assessee having made entire investment for purchase of new residential house, along with stamp duty and registration charges, he will be entitled to full exemption under section 54 even though property was purchased in joint names of assessee and his brother.

As per section 54 of Income Tax Act, where an individual sells a residential property and buys another residential property, he will be eligible for exemption under Section 54. The taxpayer (ie. seller) needs to be an individual or HUF, asset sold is a residential house and seller should purchase a residential house either 1 year before the date of sale/transfer or 2 years after the date of sale/transfer. In case the seller is constructing a house, the seller has an extended time, i.e. the seller will have to construct the residential house within 3 years from the date of sale/transfer. Moreover, the new residential house should be in India.

The assessee carries on business in hardware and aluminium sections. During

the year, under appeal he has shown capital gains on sale of residential property which he owned with his wife. The property was situated at 8/12, Jai Mahavir Apartments, J. P. Road, Andheri (West), Mumbai-400053. The working of the long-term capital gains was given to the ITO. As per the working 50% was given to the assessee amounting to Rs.51,27,500/- and after indexation capital gains accrued amounted to Rs.43,01,665/-, the assessee has invested in a new residential house with stamp duty and registration for Rs.42,65,856/- and on the balance Rs.35,809/- tax amounting to Rs.7,376/- has been paid. While making assessment, AO observed that the new property purchased was in the name of two persons namely the assessee and his brother Shri Kunal Velji Faira and therefore he concluded that the exemption claimed by the assessee will be restricted to 50% in spite of the fact that it was made clear to him in writing that the name of the assessee's brother was included for the sake of convenience and the entire amount was paid by the assessee.

In an appeal filed before the CIT(A), CIT(A) directed the AO to tax the entire capital gains on sale of property in the hands of assessee as against 50% assessed by the AO.

In an appeal filed before the ITAT, ITAT confirmed the fact that the entire cost of new property is borne by the assessee though the property is in the joint name with his brother. The assessee's wife had already offered her share of capital gains in her return of income filed with the Department. Thus, there is no justification in the order of CIT(A) for taxing the entire capital gains in the hands of the assessee. Now coming to the allegation of the AO that

Direct Tax : Case Laws

since assessee has included the name of his brother, he is entitled to only 50% of the investment so made in the new house. There is no justification in the AO's action, in so far entire investment was made by the assessee and only for the safety reason he has included the name of his brother.

In view of the above discussion, I do not find any merit in the action of AO for restricting exemption u/s 54 to the extent of 50% of the value of the new house. The CIT(A) was also not justified in directing the AO to tax entire capital gain on sale of old property in the hands of assessee when 50% of the old house was owned by his wife and she had paid capital gain separately for her share of the house.

JITENDRA FARIA V ITO

Case Law 3:

Income from cloud services is neither royalty nor FTS as there was no leasing of equipment

The assessee is a company incorporated in and tax resident of USA. During AY 2010-11, the assessee earned income from cloud services including cloud hosting and other supporting and ancillary services to its Indian customers. The assessee filed its return of income stating therein that the cloud hosting services was not taxable as 'royalties' under Article 12 of India-US tax treaty as the customers do not operate the equipment or have physical access to or control over the equipment used by the assessee to provide cloud support services and do not make available technical knowledge, experience, skill, know how etc. to its Indian customers and the cloud

support services are not in the nature of managerial, technical or consultancy charges and consequently same do not constitute fees for included services within the meaning of Article 12 of India-US tax treaty. The assessee claimed that revenues earned on account of cloud hosting services constitute business profit and since it did not have Permanent Establishment ('PE') in India under Article 5 of India-US tax treaty, the same would not be taxable in India. However, the assessing officer was of the view that such income constituted "income escaping assessment" u/s 147 of the Income-tax Act ('Act') and thereby issued notice u/s 148 after seeking prior approval of Commissioner. The Tribunal ('ITAT') was of the view that services provided by the assessee are not covered by the definition of royalty in India-US tax treaty since it was providing hosting services to the Indian customers to its Indian customers and did not give any equipment or control over the equipment. The term 'use' or 'right to use' for the purpose of the tax treaty entails that the prayer has a possession/control over the property and/ or the said property is at its disposal. There is no privilege or right granted to the Indian customers over the servers and other equipment used to provide cloud hosting services. Therefore, the ruling was made in favour of assessee.

Rackspace, US Inc v. Deputy Commissioner of Income-tax

Direct Tax Notifications



1. Approval of organization under section 35

In exercise of the powers conferred under sub-section (2) of section 139AA of the Income-tax Act, 1961 ('Act') (43 of 1961) , the Central Government hereby amends the notification of the Ministry of Finance (Department of Revenue), dated 28th September, 2019 published in the Gazette of India. In the said notification, 1st December, 2019 shall be substituted by 31st March, 2020.

https://www.incometaxindia.gov.in/communications/notification/notification_2_2020.pdf

2. Amendment of rule 10DA and rule 10DB regarding furnishing of information and maintenance of documents by Constituent Entity of an international group

In exercise of the powers conferred by sub-section (1) and sub-section (4) of section 92D and sub-section (8) of section 286 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes makes the rules further to amend the Income-tax Rules, 1962.

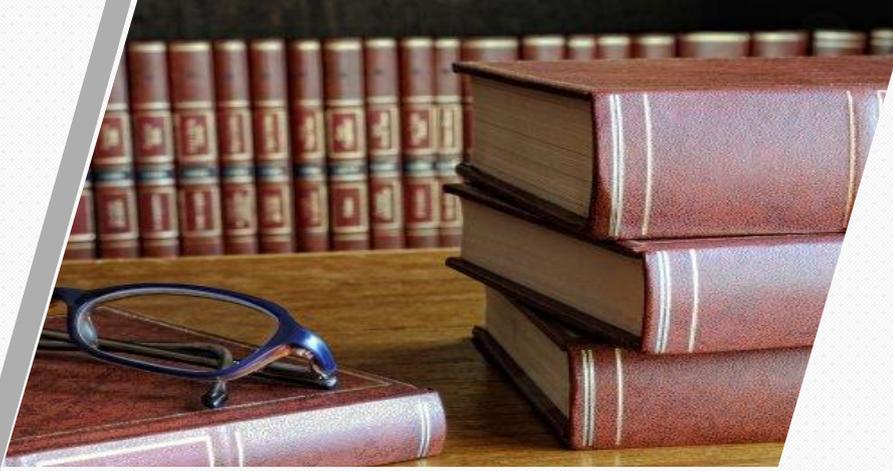
https://www.incometaxindia.gov.in/communications/notification/notification_3_2020.pdf

3. Approval of organization under section 35

It is hereby notified for general information that the organization M/s. Institute of Pesticide Formulation Technology, Gurugram (PAN:- AAAT10389Q) has been approved by the Central Government for the purpose of clause (ii) of sub-section (1) of section 35 of the Income-tax Act, 1961 (said Act), read with Rules 5C and 5D of the Income-tax Rules, 1962 (said Rules), from Assessment year 2019-2020 and onwards.

https://www.incometaxindia.gov.in/communications/notification/notification_07_2020.pdf

Indirect Tax : Case Laws



Case Law 1:

Input tax credit (ITC) not allowed on the incentive schemes for furtherance of business

The applicant is a private limited company engaged in the business of manufacturing decorative paints for interior as well as exterior surfaces. The manufactured paints need to be marketed strongly in order to sustain in the industry, thus the applicant has framed various incentive schemes to motivate dealers to lift their products including distribution of items such as TVs, refrigerators, watches, mobiles, etc. The applicant has sought an advance ruling on whether GST paid on procurement of such items can be claimed as input tax credit. The applicant submitted that since such schemes are used in the course of furtherance of business, hence as per Section 16 of the CGST Act 2017, the GST paid can be availed as Input Tax credit. The ruling authority noticed that the said goods/services are distributed as gifts without receiving any consideration in return, thus the same do not qualify as “supply” under the CGST Act. However, it was observed that Section 17(5)(h) clearly states that the ITC of goods disposed by way of gift or free samples, whether in the course of furtherance of business or not, shall not be allowed. The same was reiterated by CBIC vide Circular No. 92/11/2019-GST dt. 7th March 2019 wherein it was clarified that ITC shall not be available on the inward procurements to the

extent they are used in relation to gifts or free samples distributed without any consideration. Henceforth, it was ruled that the applicant shall not be eligible to avail ITC on the inward supplies which are attributable to the incentives provided to the dealers without any consideration.

**AUTHORITY FOR ADVANCE RULINGS –
KARNATAKA IN M/S SURFA COATS INDIA
PRIVATE LIMITED [ADVANCE RULING NO.
KAR ADRG 28/2019 DATED 12TH
SEPTEMBER 2019]**

Case Law 2:

Rejection of Central Excise refund on the basis of doubt in establishing identity of the return goods

The appellant exports goods and pays excise duty, claiming refund against the same availing export benefits under Section 142(1) of the CGST Act, 2017. The appellant has filed 5 claims in April 2018 for central excise duty paid on goods cleared before appointed day, but the goods were returned by the receiver after appointed day. The Refund was rejected by the adjudication authority on the grounds that the identity of the return goods was not properly established since in the copy of Stock/RG-1 register, the rejected goods are recorded in weight as the unit, while in all other documents the quantity of rejected goods is recorded in Number, thus the identity of the return

Indirect Tax : Case Laws

goods is not properly established; and that since the receiver of goods are registered with GSTIN, they were required to return the rejected goods to the appellant as 'supply' in terms of section 142(1) of the CGST Act, 2017. In the instant matter, the records have been so maintained that the proper officer is not in a position to ascertain the factual identification of returned goods. Further, the registered person shall be eligible for refund of the duty paid under the existing law only where such goods are returned by a person, other than a registered person. But in the instant matter the goods were returned by the registered person, therefore refund is not admissible in the instant matter on this reason also. In view of the above, the appeals filed by the appellant are rejected

M/s. SHRI BALAJI INDUSTRIES PRODUCTS LTD V. OFFICE OF THE COMMISSIONER (APPEALS) CENTRAL EXCISE & GST, JAIPUR [Order-in-Appeal No. 05-09 (JPM) CGST/JPR/2019 dated 24.12.2019]

Case Law 3:

Activities carried out by appellant under "Pre-Sale and Marketing Services Agreement" is subject to levy of GST by rendering him as an "intermediary" under IGST Act

The appellant is a Private Limited Company and is registered under Goods and Services Act, 2017. The appellant states that he is a 100 % Export Oriented Unit (EOU) under the Software Technology Park of India (STPI) scheme. The argument of the Appellant is that the pre-sales promotion and marketing services are supplied to the Principal on their own account and hence they fall within the exclusion clause of the definition of intermediary is not a correct interpretation

of the law. The pre-sale and marketing service provided by the Appellant of the products of the overseas client, is in the nature of facilitating the supply of the products of the overseas client and is appropriately classified as an 'intermediary service' as defined under Section 2(13) of the IGST Act and liable to GST. The ruling authority observed that the activities carried out in India by the applicant so far as those activities mentioned in the "Pre-Sale and Marketing Services Agreement" would render the applicant to qualify as an "intermediary" as defined under section 2(13) of the Integrated Goods and Services Tax Act, 2017 and consequently be subject to levy of GST.

AUTHORITY FOR ADVANCE RULINGS – KARNATAKA IN M/S INFINERA INDIA PRIVATE LIMITED (Advance Ruling No. GST KAR ADRG 31/2019 Dated 12th September 2019)

Indirect Tax

Notifications & Circular



1. Notification issued to prescribe due dates for filing of return in FORM GSTR-3B in a staggered manner.

CBIC vide Notification No. 07/2020 – Central Tax has issued the 3 due dates for filing GSTR-3B, different for each taxpayer, depending on the state of GST registration.

<http://www.cbic.gov.in/resources//htdocs-cbec/gst/notfctn-07-central-tax-english-2020.pdf>

2. Seeks to extend the last date for furnishing of annual return/reconciliation statement in FORM GSTR-9/FORM GSTR-9C for the period from 01.07.2017 to 31.03.2018

CBIC vide Notification No.06/2020 – Central Tax has extended the time limit for furnishing of the annual return electronically through the common portal as per the table mentioned in the Notification.

<http://www.cbic.gov.in/resources//htdocs-cbec/gst/notfctn-06-central-tax-english-2020.pdf>

3. Seeks to extend the one-time amnesty scheme to file all FORM GSTR-1 from July 2017 to November, 2019 till 17th January, 2020.

CBIC vide Notification No. 04/2020 – Central Tax has extended the one-time amnesty scheme to file all FORM GSTR-1 from July 2017 to November 2019 till 17th January, 2020

<http://www.cbic.gov.in/resources//htdocs-cbec/gst/notfctn-04-central-tax-english-2020.pdf>

Circulars :

1. Standard Operating Procedure (SOP) to be followed by exporters -reg.

CBIC vide Circular No.131/1/2020-GST has released measures to apply stringent risk parameters-based checks based on which certain exporters are taken up for further verification to avoid fraudulent avilment of ITC by exporters.

<http://www.cbic.gov.in/resources//htdocs-cbec/gst/circular-cgst-131-new.pdf>

Corporate Legal & Regulatory Notifications



S. No Notifications

1. Extension of last date for filing of e-Form BEN-2

(MCA circular dated January 01, 2020)

The Ministry of Corporate Affairs (MCA) vide its circular dated January 01, 2020 extended the time limit for filing of form BEN-2 up to March 31, 2020 without payment of additional fee and thereafter additional fee shall be payable.

The link of the circular is as follows:

http://www.mca.gov.in/Ministry/pdf/Circular1_01012020.pdf

2. Companies (Winding Up) Rules, 2020

(MCA notification dated January 24, 2020)

The Ministry of Corporate Affairs (MCA) vide its notification dated January 24, 2020 has issued Companies (Winding Up) Rules, 2020 in exercise of the powers conferred by sub section (1) and (2) of section 469 of the Companies Act, 2013, This shall come into force with effect from April 01, 2020.

The said rules comprises of Rules 1 to 191 and Forms WIN 1 to WIN 95, applicable for winding up of companies under the provisions of section 468 & 469 of the Companies Act 2013.

The link of the notification is as follows:

http://www.mca.gov.in/Ministry/pdf/Rules_28012020.pdf

3. Condonation of Delay by Central Government as per the provisions of section 460 of the Companies Act, 2013 in certain cases shall apply to a Limited Liability Partnership (LLP)

(MCA notification dated January 30, 2020)

The Ministry of Corporate Affairs (MCA) vide its notification dated January 30, 2020 has directed that the provision of section 460 of the Companies Act, 2013 apply to the Limited Liability Partnership. The amendment shall come into force with effect from January 30, 2020.

Section 460 Companies Act, 2013 states where any application required to be made to the Central Government under any provision of this Act in respect of any matter is not made within time and where any document required to be filed with the Registrar under any provision of this Act is not filed within the time specified therein, the Central Government may, for reasons to be

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recorded in writing, condone the delay. Accordingly, the aforesaid provision shall also apply to LLPs for certain matters of condonation of delay.

The link of the notification is as follows:

http://www.mca.gov.in/Ministry/pdf/NotificationLLP_31012020.pdf

4. Companies (Accounts) Amendment Rules, 2020

(MCA notification dated January 30, 2020)

The Ministry of Corporate Affairs (MCA) vide its notification dated January 30, 2020 has issued the Companies (Accounts) Amendment Rules, 2020 to further amend the Companies (Accounts) Rules, 2014. The amendment shall come into force with effect from January 30, 2020.

As per rule 12 of the Companies (Accounts) Rules 2014, after sub-rule (1), every Non-Banking Financial Company (NBFC) that is required to comply with Indian Accounting Standards (Ind AS) shall file the financial statements with Registrar together with Form AOC-4 NBFC (Ind AS) and the consolidated financial statement, if any, with Form AOC-4 CFS NBFC (Ind AS).

The link of the notification is as follows:

http://www.mca.gov.in/Ministry/pdf/Rules_31012020.pdf

5. Extension of last date for filing of Form AOC-4 NBFC (IND AS) and AOC-4 CFS NBFC (IND AS)

(MCA circular dated January 30, 2020)

The Ministry of Corporate Affairs (MCA) vide its circular dated January 30, 2020 has intimated that the e-forms AOC-4 NBFC (Ind AS) and AOC-4 CFS NBFC (Ind AS) are likely to be deployed soon and the time limit for filing of such forms AOC-4 NBFC (Ind AS) and AOC-4 CFS NBFC (Ind AS) has been extended till March 31, 2020 without any additional fees.

As per the rule 12(1A) of the Companies (Accounts) Rules 2014, every Non-Banking Financial Company (NBFC) that is required to comply with Indian Accounting Standards (Ind AS) shall file the financial statements with Registrar together with Form AOC-4 NBFC (Ind AS) and the consolidated financial statement, if any, with Form AOC-4 CFS NBFC (Ind AS) within 30 days from the date of annual general meeting of the Company.

The link of the circular is as follows:

http://www.mca.gov.in/Ministry/pdf/Circular_30012020.pdf

6. Investment by Foreign Portfolio Investors (FPIs) in debt

(RBI Circular Number 18 dated January 23, 2020)

Reserve Bank of India (RBI) vide its circular number 18 dated January 23, 2020 has revised the directions governing investment by Foreign Portfolio Investors (FPIs) in debt in India. RBI has revised the limits of short-term investments in Central Government Securities (including

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Treasury Bills) or State Development Loans or Corporate Bonds by FPIs.

The amendments in directions are as follows:

1. Earlier the short-term investments by FPI shall not exceed 20% of the total investment of that FPI in either Central Government Securities (including Treasury Bills) or State Development Loans. Now, the limit of short-term investment is increased from 20% to 30%.
2. Earlier the short-term investments by an FPI shall not exceed 20% of the total investment of that FPI in Corporate Bonds. Now, the limit of short-term investment is increased from 20% to 30%.
3. There are certain securities which are exempted from falling into the short term investment limit. The exemptions are as follows:
 - a. Investment in security receipts by FPI;
 - b. Debt Instruments issued by Asset Reconstruction Companies; and
 - c. Debt Instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016.

The link of the circular is as follows:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDIR18184461ABA6F14E2EA51DF0243B610CE6.PDF>

Column



BLOCKCHAIN – Will It Cause Disruption To The Accounting Profession?

By –Gursimaran Singh

IBA

While the Internet revolutionised the way information is exchanged, blockchain is transforming the way we exchange value. Traditional audit and assurance services will remain essential but blockchain business applications and new accounting technology will have a significant impact on the way auditors execute engagements

BUILDING BLOCKS OF A BLOCKCHAIN:

- ❖ A blockchain is a growing list of records, called blocks that are linked using cryptography. It works by **incentivizing parties** to agree on any given transaction's authenticity. Transactions are organized and grouped together into "blocks" that are presented to the blockchain for authentication
- ❖ The creation of these blocks is called "**mining**," and miners are incentivized by a reward of native tokens. Once a block obtains enough confirmations, the transaction is considered to be validated and is placed on the blockchain as the next sequential block
- ❖ Once a block is created and validated by the blockchain, it can never be destroyed or altered **unless 51%** of the blockchain agrees and determines change is needed
- ❖ To exchange value digitally, such as currency or deeds, third parties are needed to establish trust. **Blockchain removes this need for a middle man** by providing a secure, distributed ledger of transactions in a network
- ❖ For tracing transactions and verifying information, blockchain can embed business logic into a transaction, using **smart contracts**

A PEEK INTO THE CHARACTERISTICS:

- ❖ A distributed database, meaning each party on the blockchain has access to the entire database without an intermediary

- ❖ Peer-to-peer transmission without the need for a central authority
- ❖ Complete transparency for all that are authorized to participate in the blockchain
- ❖ Permanent, immutable, timestamped transactions

POTENTIAL IMPACT ON THE ACCOUNTING FRONT :

❖ **Reducing Errors**

One of the biggest advantage of blockchain in accounting is its ability to make **almost negligible errors**. Once data is in the chain, smart contracts will make many accounting functions automatic, reducing human error.

❖ **Increasing Efficiency**

Blockchain is fast and powerful database. Using blockchain, getting data into and out of the system can be done more efficiently than interacting with **legacy accounting** software applications.

❖ **Reduces Cost**

Blockchain will lead to increased efficiency and reduction in errors which will eventually lead towards **cost reduction**. Following initial adoption cost, accounting firms can expect to see rapid cost savings over conventional accounting systems.

❖ **Reduced Fraud**

The immutable nature of blockchain makes it extremely difficult to perpetrate and difficult to manipulate. In order to modify a record, the same change would have to be made on all copies of the distributed ledger at the same time, which is highly infeasible.

❖ **Reduces Time**

One key feature of blockchain that accountants should be excited about is its ability to **reduce audit time**. With the use of smart contracts, many auditing functions can be automated which will reduce the time, an auditor needs to look after the records. The inherent traceability built into blockchain makes auditing fast and easy.

BASIS	REWARD TO ASSURANCE INDUSTRY	REWARD TO ACCOUNTING INDUSTRY
Real-Time Distribution of information	Ability to perform analytical procedures and examinations of data in real time	Greater confidence in data accuracy since information is available in real time
Verification of data by network members	Need for confirmations and verification reduced but is not eliminated	Less time spent on pursuing payment or resolving open items
Differentiated levels of access	Ability to join private Blockchain network to audit and examine information in near-real time	Ability to add different users without exposing all information to all parties.

- In a blockchain-enabled accounting environment, information is readily available and continually confirmed by all network participants. Instead of having to be confirmed manually and provided by third parties or internal colleagues, the information can be exported out of the blockchain environment because all members of the blockchain network have access to the data uploaded and verified by fellow members in real time, the need for **periodic reconciliations** is greatly.
- The real value that CAs can deliver is to bring businesses blockchain-enabled accounting, attest, and advisory services, Reconciliation & Establishing a single source of data internally. Blockchain network not only allows information to be distributed in real time, but since **consensus protocols are established** in advance, CAs can more consistently rely on the information generated by system reports.

POTENTIAL IMPACT ON THE ASSURANCE PRACTICE :

❖ Frequency in Audit

At present, audit process is normally an annual exercise, mostly because of the time and effort invested in it. Blockchain technology may make it possible to conduct more frequent audits on a **quarterly** or even on **monthly basis**

❖ Shift In Focus Areas

Speeding up audit preparation activities could help **reduce the lag** between the transaction and verification dates enabling management and auditors to focus on providing **increasingly complex assurance services** in more agile business environments the focus changing from record tracing and verification to more complex analysis such as systemic evaluation, risk assessment, predictive audits, and fraud detection

❖ Improved Testing

Due to Blockchain functionality, the **sample based substantive testing** will soon be challenged, as auditors will use the blockchain technology to test the whole population of transactions within the period under observation. This extensive coverage will drastically **improve the level** of assurance gained in affected audit engagements

❖ Reduced Risk

The distributed ledger removes multiple, disjointed internal and external databases of records that need reconciling and should **reduce the risk** of inadvertently missing transactions through timing mismatches or booking errors

❖ Digitalisation

Management's accounting policies for **digital assets and liabilities** will fall within the purview of evaluation

❖ Data Integrity

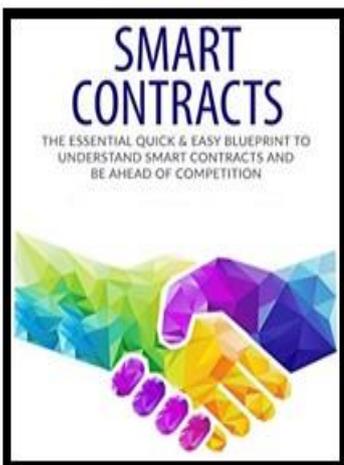
In addition, for areas that become automated, they will also need to evaluate and test **internal controls** over the data integrity of all sources of relevant financial information.



- Surprisingly enough the blockchain network has an **inbuilt audit system**, which reconciles every transaction that happens in certain intervals and is immutable, which leaves many thinking about the role of professional accountants in future, once the organisations move to blockchain technology.
- **The blockchain may give an assertion** on the occurrence of the transaction, however, the auditor would still need to check for authorisation and legality of the transaction and ascertain whether the same is fraudulent in nature or are incorrectly classified

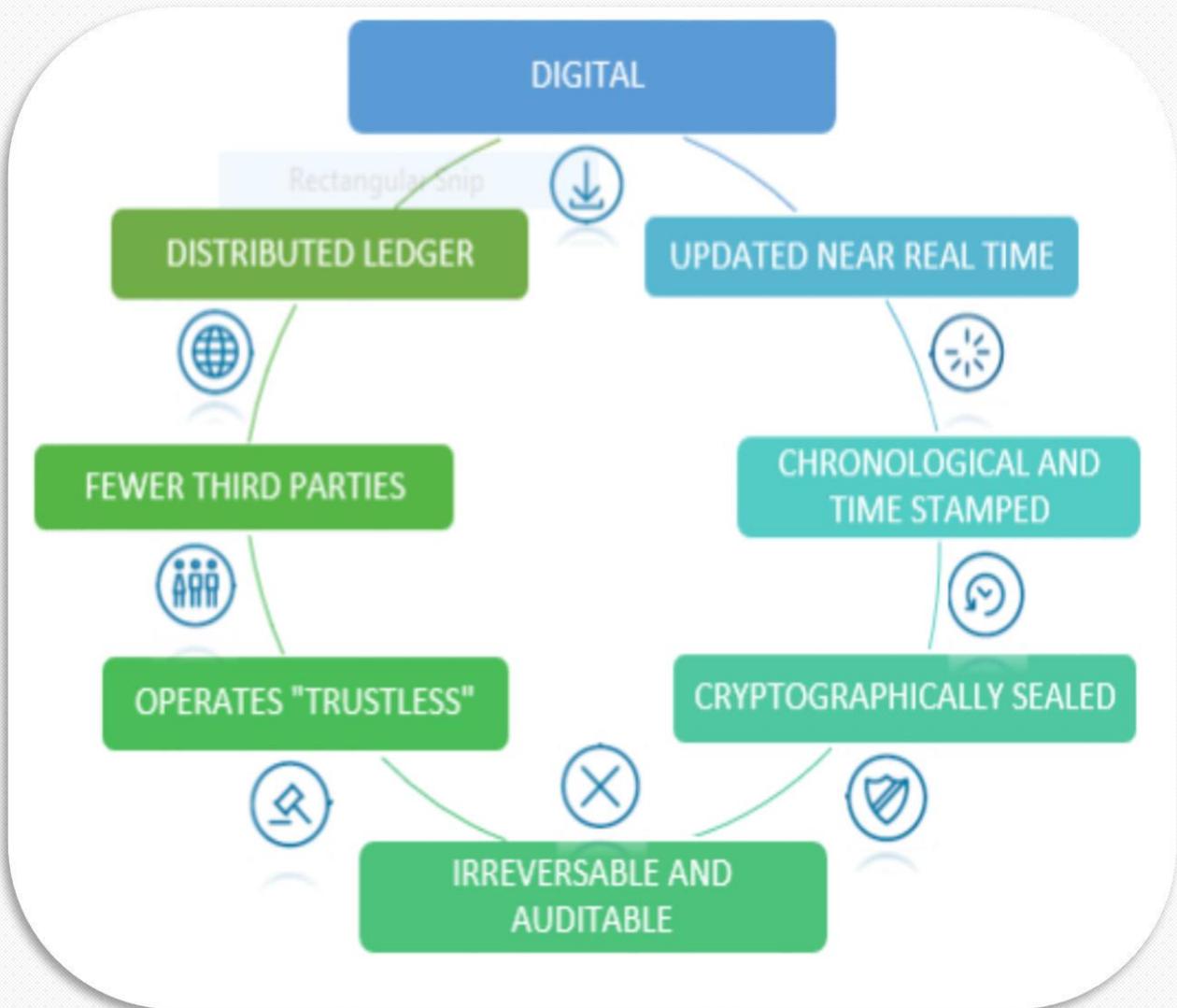
SUBSTANTIVE CYCLES	BLOCKCHAIN ENABLED	BENEFIT TO PROFESSIONALS
Revenue Recognition – Development of Performance Obligations	Revenue Payment and disbursement can be part of smart contracts enabled via blockchain	More Accurate revenue recognition and fewer correcting entries
Recharacterization and building of lease contracts	With operational and financial information available to counter parties there is less room for misinterpretation.	Increased ability to focus on advising how to navigate changing leasing standards.
Identification and classification of net assets	Increased automation of documentation reduces time and personnel spent on verifying asset categorisation	Less time spent communicating and interpreting documents, freeing up time for analysis and in turn resulting in better reporting.

INEVITABLE SMART CONTRACT :



Smart contracts are contracts which provide an additional layer of protection for both parties in a transaction whose terms are programmed into a blockchain. Blockchain-based smart contracts are computer programs operating on **blockchains that autonomously verify, enforce, and execute** the terms in contracts because the history of the blockchain is unchangeable, neither party can manipulate the terms of the contract.

For Example, a smart contract could hold the customer payment until the customer has received and verified the goods. Following this event, the smart contract could release payment to the vendor.



CONCLUSION

- ❖ The blockchain is a new database solution that has received considerable attention in the business community. It has already enabled the creation of multiple decentralized digital currency networks (e.g., Bitcoin, Ethereum), and the financial industry has begun to invest in the **development of this technology** for other purposes as discussed.
- ❖ It is definitely paving a way for itself and soon will emerge as a powerful tool in the creation of a better world that has accounting professionals equipped with the latest technological knowledge to ensure that **a proper method** is put into place for the purpose of accounting and assurance.
- ❖ Everything said and done, in the immediate future, blockchain technology is unlikely to replace financial reporting and financial statement auditing as financial statements **reflect management assertions**, including estimates, many of which cannot be easily summarized or calculated in a blockchain.

IBA NEWS

Tax Saving Tips by Neha Srivastava, Sr. Manager – Direct Tax



Neha Srivastava presented tips on tax saving @ shedthetax.com - An Initiative by PNB Metlife

Watch the video : https://lnkd.in/fS_HY4u

Accounting Standards Training by Nirmal Singh, Director – Audit



Nirmal delivered an interactive and informative session on Accounting Standard - 10 to article trainees and employees

ICAI Convention – Presentation by Gursimaran Singh, Article Trainee



Gursimaran participated and declared as Runner-Up in CA Students' Convention organized by the Amritsar branch of NIRC

Upcoming Compliances

Date	Compliance
February 11, 2020	Due date for furnishing of Form GSTR-1 for the taxpayers having aggregate turnover of more than 1.5 crore for the month of January 2020
February 13, 2020	Due date for furnishing of Form GSTR-6 for Input Service Distributor for the month of January 2020
February 14, 2020	Due date for issue of TDS Certificate for tax deducted under section 194-IA in the month of December 2019
	Due date for issue of TDS Certificate for tax deducted under section 194-IB in the month of December 2019
	Due date for issue of TDS Certificate for tax deducted under section 194M in the month of December 2019
February 15, 2020	Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending December 31, 2019

Editorial Team



About us:

IBA is a leading financial and legal advisory company with specialization in Assurance, Risk Consulting, Legal, Direct Tax, Indirect Tax(GST) and Corporate Advisory for midsize, SMEs and start-up firms. IBA constitute a young team of path breaking professionals, who believe in creating value through innovation and creativity to provide ultimate client satisfaction. Clients benefit from our fresh thinking, constructive challenge and practical understanding of the issues they face. We aim to alloy a perfect blend of professionalism with high standards of service, in our pursuit of excellence.

Founded in the Year 2003, the company witnessed immense growth from 2 members to currently a 100 members team, with its offices in Delhi, Mumbai and Bengaluru and its clients from across states. IBA continues to offer wholesome service experience to boost highly valued client relationships by combining the technical and industry expertise at par with well-placed firms together with a personal commitment to optimize client service.

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We have our offices in Gurgaon, Mumbai and Bengaluru and associate arrangements in Chennai, Hyderabad, Ahmedabad and Kolkata



Queries/Feedback/Suggestions on this newsletter may be addressed to: info@ibadvisors.co

A joint initiative of International Business Advisors LLP (IBA) and Nayar Maniar Sharma & Associates LLP (NMSA). IBA is a LLP registered under the Limited Liability Partnership Act, 2008 having its registered office at S-217, Ground Floor, Panchsheel Park, New Delhi – 110017, India.

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