

INSIDE THE ISSUE:

- **Forthcoming Due Dates**
- **Overview -**
 - Borrowing by Private Limited Company under Companies Act.
- **Income Tax-**
 - Tax on sale of under construction property
- **Goods and Service Tax-**
 - Reverse charge mechanism under GST Law: Complete Analysis
- **Companies Law**
 - Significant Beneficial Ownership Rules, 2018 (SBO)
- **Micro, Small and Medium Enterprises**
 - Proposed New definition of SME
- **RBI**
 - External Commercial Borrowing (ECBs) Monthly reporting through ECB 2 returns.
 - Amendment in Rule 11 U and 11UA omitting reference to the term “accountant”, thereby permitting only merchant bankers to determine the FMV of unquoted equity shares as per the Discounted Free Cash Flow Method.

I. CHART OF FORTHCOMING DUE DATES: -

a) GST

Month	GSTR -1 Monthly	GSTR -3B
Aug 2018	10 th	20 th

b) Others

Month	TDS Payment	ESIC Payment	P.F. Payment	Income Tax Return*
Aug 2018	7 th	15 th	15 th	31 st

*For Individuals and for those to whom Tax Audit is not applicable.

II. OVERVIEW:

o BORROWINGS BY PRIVATE LIMITED COMPANY UNDER COMPANIES ACT:

Borrowings by private limited company under Companies Amendment Act 2017:

PERSONS FROM	ALLOWED/NOT ALLOWED	LIMIT	CONDITION
DIRECTOR	ALLOWED	NO LIMIT (limit will be as per resolution passed in Board Meeting)	A declaration to be furnished by the Director that the loan is provided by his own funds and not given out of funds acquired by him by borrowing or accepting loans /deposits from outsiders
RELATIVE OF DIRECTOR	ALLOWED	NO LIMIT (limit will be as per resolution passed in Board Meeting)	A declaration to be furnished by the Director that the loan is provided by his own funds and not given out of funds acquired by him by borrowing or accepting loans /deposits from outsiders

SHAREHOLDERS	ALLOWED	Where money accepted from Shareholders do not exceed 100% of total of Paid up share Cap+ Free Reserves + Securities Premium	Allowed subject to: Passing a members resolution, Making provision for security, if any for due repayment of the amount of deposit accepted and interest thereon (not less than 12.5% at present) including creation of charge (Form CHG1) on the property or assets of the Company. Filing the details of the money n accepted with the registrar in Form DPT3
	ALLOWED	Where money accepted from Shareholders exceed 100% of total of Paid up share Cap+ Free Reserves + Securities Premium	Subject to : A Private company which is a Startup within 5yrs of incorporation/ A private company which satisfies all of the conditions: (a) which is not an associate or a subsidiary company of any other company; (b) the borrowings of such a company from banks or financial institutions or any body corporate is less than twice of its paid up share capital or fifty crore rupees, whichever is less ; and (c) such a company has not defaulted in the repayment of such borrowings subsisting at the time of accepting deposits under section 73. Filing in Form DPT3.

RELATIVE OF SHAREHOLDERS	NOT ALLOWED	--	--
DIRECTOR+ SHAREHOLDER BOTH	ALLOWED	--	A declaration to be furnished that the loan is provided by his own funds and not given out of funds acquired by him by borrowing or accepting loans / deposits from outsiders
EMPLOYEE	ALLOWED	The Amount borrowed must not exceed the employees Annual Salary in the nature of Interest Free Security deposit	--
ANY OTHER INDIVIDUAL	NOT ALLOWED	--	--
PROPRITORSHIP FIRM*	NOT ALLOWED	--	--
HUF*	NOT ALLOWED	--	--
PARTNERSHIP FIRM*	NOT ALLOWED	--	--
TRUST	ALLOWED	--	Loan should be non interest bearing.

* Can't accept because it can't be director, Member or relative of Director.

III. INCOME TAX:

o TAX ON SALE OF UNDER CONSTRUCTION PROPERTY

Tax on Sale of under construction Property before taking possession:

In case of sale a property booked before taking the possession, the profits made on such sale will depend on the time interval between the date of booking the property and the date of agreement to transfer the right in the under construction property. In case the interval is not more than 24 months, the profits so made shall be treated as short term capital gains and shall be added to the regular income and taxed at the slab rate applicable.

However in case the interval is more than 24 months , the difference shall be treated as long term capital gains. The cost for the purpose of capital gains shall include the amounts paid to the builder over the period as well as the stamp duty and registration charges. Since selling a long term capital asset, will be entitled to take the benefit of indexation on the amounts paid to the builder as well as registration and stamp duty. The benefit of indexation shall be available in respect of the each payment made. It may be also interesting to note that since the capital gains are long term in nature, benefits of exemptions available for investing in another house under Section 54F and also avail the exemption by investing the capital gains in bonds under Section 54EC.

Please note that for claiming the benefit of exemption have to invest the net consideration for purchase or construction of another house and not the capital gains as required under Section 54. People treat the sale of an under construction flat at par with a residential house for the purpose of claiming long term capital gains exemption which is incorrect and may result in litigation and substantial tax demand, interest and penalty.

Tax on Sale of under construction after taking possession

The present income tax law does not have any clear cut provision to deal with such situation, however the tax treatment in such case will depend on the facts of the case as applicable. In case the property is sold after taking possession the period of holding shall be reckoned from the date of possession and not from the date of booking of the property. Please note these are two separate capital assets involved. Till the possession is the right to acquire the residential house property and after possession the above capital asset gets converted into a full fledged residential house. So in case sell the residential property within a period not exceeding 24 months after taking possession of the same, any profit made on such transfer shall be treated as short term capital gains and shall be taxed at the slab rate applicable to you. Moreover not be entitled to avail any exemption whether be it under Section 54 or be it under section 54EC as the capital gains made by be treated as short term long term in nature.

Since there is no clear cut provision for combining the holding period of both the assets under the present income tax laws unlike which is provided for property received under gift or inheritance or shares received under certain circumstances both the holding period

shall be treated separately and though the time interval between the date of booking of the property and its sale is more than 24 months , the profit shall still be treated as short term due to the reasons explained above.

Moreover the law does not provide that the taking over of possession shall not be treated as transfer, both the assets shall be treated as separate assets and thus the question of treating the right of acquiring an under construction and ownership of a ready residential property as one and the same does not arise.

IV. GOODS & SERVICE TAX

o REVERSE CHARGE MECHANISM UNDER GST LAW : COMPLETE ANALYSIS

Generally, the supplier of goods or services is liable to pay GST. However, in specified cases like imports and other notified supplies, the liability may be cast on the recipient under the reverse charge mechanism. Reverse charge means the liability to pay tax is on the recipient of supply of goods or services instead of the supplier of such goods or services in respect of notified categories of supply.

TWO TYPE OF REVERSE CHARGE SCENARIOS IN GST LAW.

> First is dependent on the nature of supply and/or nature of supplier. This scenario is covered by section 9 (3) of the CGST/ SGST (UTGST) Act and section 5 (3) of the IGST Act, 2017.

> Second scenario is covered by section 9 (4) of the CGST/SGST (UTGST) Act and section 5 of the IGST Act where taxable supplies by any unregistered person to a registered person is

Please Note Reverse Charge Mechanism under section 9(4) of CGST/SGST (UTGST) Act, 2017/section 5(4) of IGST Act, 2017 is been suspended till 30.09.2018. Further 28th GST Council has recommended to further defer the Reverse Charge Mechanism (RCM) upto 30 Sept. 2019.

Registration Compulsory to pay tax under reverse charge

A person who is required to pay tax under reverse charge has to compulsorily register under GST and the threshold limit of Rs. 20 lakhs (Rs. 10 lakhs for special category states except J & K) is not applicable to him.

Input Tax Credit (ITC)

A supplier cannot take ITC of GST paid on goods or services used to make supplies on which the recipient is liable to pay tax.

Time of Supply

Time of supply for supplies under reverse charge is different from the supplies which are under forward charge. In case of supply of goods, time of supply is earliest of: -

- date of receipt of goods; or
- date of payment as per books of account or date of debit in bank account, whichever is earlier; or
- the date immediately following thirty days from the date of issue of invoice or similar other

In case of supply of services, time of supply is earliest of: -

- date of payment as per books of account or date of debit in bank account, whichever is earlier; or
- the date immediately following sixty days from the date of issue of invoice or similar other

Where it is not possible to determine time of supply using above methods, the time of supply would be the date of entry in the books of account of the recipient.

V. COMPANIES LAW

o SIGNIFICANT BENEFICIAL OWNERSHIP RULES, 2018 (SBO)

The Companies (Amendment) Act 2017

Amendment in Section 89 and revised Section 90 And The Companies (SBO) Rules, 2018

Beneficial Owner -Common Parlance

New Definition of Beneficial Interest u/s 89 (10)

Section 89(10) of CA 2013 as amended by CAA 2017, notified on June 13, 2018 reads that Beneficial Interest in a share includes, directly or indirectly through any contract, arrangement or otherwise, the right or entitlement of a person alone or together with any other person to -

Definition of Significant Beneficial Owner-(SBO)

Section 90 (1) reads that every individual, who acting alone or together, or through one or more persons or trust, including a trust and persons resident outside India

- ✓ Holds 'Beneficial interest' of > 25% or such % as may be prescribed in shares of a Company or
- ✓ the right to exercise or the actual exercising of 'Significant Influence' or (20% of total voting power/ control of or participation in business decision

- ✓ 'Control' over the Company (Right to appoint majority director or control the management or policy decision directly or indirectly)-

Definition of SBO in Rules

Rule defines "Significant Beneficial Owner" as an individual as per section 90(1) read with Section 89 (10), but whose name is not entered in the Register of Members of a company as the holder of such shares and the Term "Significant Beneficial Ownership" is construed accordingly .

It has further explained how an SBO is determined, in case of persons other than individual or natural persons.

Expl 1- Determination of SBO for certain legal entity

Rule -3 SBO to make declaration to Company

Form BEN -1: SBO shall make declaration of his beneficial interest to the Company in Form BEN-1. Challenge to write reason for not holding in his/her/it name under point 5 (iv)

Company to file Form BEN-2 with RoC (in Public domain)

Form BEN-2 :The Company is required to file with RoC , Form BEN-2 , in respect of declaration it has received from SBO, within 30 days from the date of receipt of such declaration or any changes therein with fees as prescribed in Companies (Registration of Offices and Fees) Rules, 2014

Non-Applicability of Rules

These Rules are not made applicable to the holding of shares of companies/body corporates, in case of pooled investment vehicles/investment funds such as:

1. Mutual Funds;
2. Alternative Investment Funds (AIFs); (Grey area)
3. Real Estate Investment Trusts (REITs) and
4. Infrastructure Investment Trusts (InvITs) which are regulated under SEBI Act.

In case of Public Charitable Trust, where the beneficiary are public at large

and In case of a Discretionary Trust where the beneficiary shares are not fixed by the Settlor .

Consequences Of Non-compliance

- If person (SBO) fails to provide information about his Beneficial Interest as per Section 90 (1) then such person shall be liable for penalty,
 - (i) which is minimum Rs. 1 lakh to maximum Rs. 10 lakh

- (ii) where the failure is a continuing one, with a further fine which may extend to Rs.1000/- for every day after the first during which the failure continues
- If a Company, required to maintain Register under Section 90 (2) and file the information in return under Section 90 (4), fails to do so or denies inspection, the Company and every officer in default shall be punishable with
 1. Fine -Minimum Rs.10 lakhs to Maximum Rs.50 Lakhs
 2. If the failure is a continuing one, with a further fine which may extend to Rs. 1000 for every day after the first during which the failure continues.

○ MICRO, SMALL AND MEDIUM ENTERPRISES

- Proposed new definition of MSME

WHAT IS MSME

DEFINITION OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA:

The MSMEs are defined on the basis of investment in Plant & Machinery and equipments under the MSME Act, 2006.

The present investment limit for MSMEs is as under:

MANUFACTURING ENTERPRISES

- (i) **Micro enterprise:** investment in plant and machinery upto Rs. 25 lakh
- (ii) **Small enterprise:** investment in plant and machinery from Rs. 25 lakh to Rs. 5 crore.
- (iii) **Medium enterprise:** Investment in plant and machinery from Rs. 5 crore to Rs. 10 crore

SERVICE ENTERPRISES

- (i) **Micro enterprise:** investment in equipments upto Rs. 10 lakh.
- (ii) **Small enterprise:** investment in equipments from Rs. 10 lakh to Rs. 2 crore.
- (iii) **Medium enterprise:** investment in equipments from Rs. 2 crore to Rs. 5 crore.

PROPOSED NEW DEFINITION OF MSME

The Micro, Small and Medium Enterprises Development (Amendment) Bill, 2018 was introduced in the Lok Sabha on 23rd July, 2018 which on 7th February, 2018 received approval from the Union Cabinet on, change in the basis of classifying Micro, Small and Medium enterprises from '**investment in plant & machinery/equipment**' to '**annual turnover**'.

Micro Enterprise	• Annual Turnover < 5 Crore
Small Enterprise	• Annual Turnover > 5 Crore but < 75 Crore
Medium Enterprise	• Annual Turnover > 75 Crore but < 250 Crore

Analysis of the Proposed New Definition:

- The new turnover-based definition is progressive.
- The Turn-over based criterion may resolve many of the ills of earlier regime. It would be transparent, as authorities could always cross check the turnover through platforms such as GSTN and No CA certificate would be required
- It would also level the field for new and old enterprises as the comparison is not between historical investments and current investments but between current turnovers.
- There are few sectors where investment is low but turnover is high for example gems and jewellery units, units producing Aluminium conductor steel-reinforced cable (ACSR) among others, Many of these units have been under small category owing to investment criteria but having high turnover ranging from Rs 100 to 30 crore. They enjoyed benefits under Public Procurement Policy (PPP) for MSEs which mandates 20% set-aside for Micro and Small Units in all central government purchases. Now under the new Definition, the PPP for MSE would not be available for units having more than Rs 75 crore annual turnover

Overall, the new definition would be a vast improvement over the earlier definition and should help MSMEs to face new challenges in a better frame

VI. RBI

○ External Commercial Borrowing (ECBs) Monthly reporting through ECB 2 returns

It has been decided to capture the details of the hedges for ECBs through a simplified format of ECB 2 return. Part E of the return, accordingly is modified so as to include only standard information on hedged/unhedged ECB exposure. The revised monthly reporting format of ECB 2 return would be applicable from month end June 2018.

○ Amendment in Rule 11 U and 11UA omitting reference to the term “accountant”, thereby permitting only merchant bakers to determine the FMV of unquoted equity shares as per the Discounted Free Cash Flow Method.

Rule 11UA(2) prescribes the manner of determining the fair market value of unquoted equity shares for the purpose of section 56(2)(viii b). The fair market value may be determined based on the book value of assets and liabilities by applying the formula given in Rule 11UA(2) (a).

In the alternative, section 11UA(2)(b) provides for determination of the fair market value of such unquoted equity shares by a merchant banker or an accountant as per the Discounted Free Cash Flow Method. However vide this notification, the term “accountant” has been omitted from Rule 11UA (2)(b).

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