



WIRC BULLETIN

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For Members only

August 2010

From the Desk of Chairman



Dear Professional Colleagues,

It is for the second time that I am communicating with all of you thru the WIRC Bulletin. My earlier communication was in the July 2009 as an editor of the bulletin. Our then Chairman, CMA. Ashok Nawal had met with a serious accident and was unable to do the chores. I had said then that our profession cannot

afford to do without his versatility for too long. I am happy to report that CMA Nawal is on course of recovery and has started participating in the WIRC activities.

Now I have great pleasure to have the first Communiqué with you in the capacity of Chairman of WIRC of ICWAI. I am thankful to all my Council Members for reposing confidence and entrusting this august responsibility on me. I also thank them for electing CMA Dinesh Birla as Vice Chairman and CMA P. V. Wandrekar as Hon. Secretary & Treasurer of our WIRC for 2010-11.

Together we will do our best and march on the path laid down by our predecessors. The year 2002-03 saw a turnaround in the WIRC under the able leadership of our Past President CMA Dhananjay Joshi. It was during this year that WIRC came back into the green after years of losses. Since then on all the successive Management Committees have kept the momentum going and the year 2009-10 saw WIRC report an unprecedented surplus of over 1 crore. This feat would never have been achieved

but for the relentless efforts put in by CMAs Mrs. Aruna Soman, S. G. Narasimhan, M. S. Chandani, V. B. Prabhudesai, Ashish Thatte, Dr. N.M. Vechalekar and Mrs. Shilpa Parkhi, to name a few, with able support of WIRC staff. All of them have strived to increase the number of student registrations in the region and bring success in various professional activities.

My priority during the year will be to invest the accumulated reserves of WIRC back in our profession. We intend to give the WIRC office premises a major face lift. Our intention will be to offer state-of-art facilities to our students and our members. The endeavor will be to

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Hearty Congratulations !

Our New President
(2010-2011)



CMA Brijmohan Sharma

Our New Vice-President
(2010-2011)



CMA M. Gopalakrishnan

WIRC OFFICE BEARERS 2010-11



CMA Amit Apte
Chairman



CMA D.K. Birla
Vice-Chairman



CMA P.V. Wandrekar
Hon. Secretary & Treasurer



CMA Manubhai Desai, Chairman WIRC welcoming Mr. Chandrashekhhar Tilak, Executive Vice President, NSDL during Investor Awareness Programme organized by WIRC on 13th July 2010 at Sydenham College, Mumbai. Also seen CMA P.V. Wandrekar, Hon. Secretary WIRC.



CMA Aruna Soman, CMA Manubhai Desai, Chairman WIRC, Mr. Chandrashekhhar Tilak, Executive Vice President, NSDL, CMA P.V. Wandrekar, Hon. Secretary WIRC and CMA S.G. Narasimhan, Programme Co-ordinator WIRC during Investor Awareness Programme organized by WIRC on 13th July 2010 at Sydenham College, Mumbai.



Inaugural function cum prize distribution function organized by Ahmedabad Chapter. Seen left to right - CMA P. H. Desai, Vice Chairman, CMA S. S. Shah Chairman, CMA B. B. Shah, Chief Guest, CMA A. G. Dalwadi, CCM-ICWAI, CMA P. D. Modh, Chairman - Education, Training and Placement Committee and CMA V. H. Savalia, Hon. Secretary.



Students & Parents at the inaugural function cum prize distribution function organized by Ahmedabad Chapter.



Ms. Deepa Aggarwal - NSE giving presentation during Investor Awareness Programme organised by Navi Mumbai Chapter on 18th July 2010. Also seen Mr. K.R. Jethani, Chairman of the Chapter.



View of Audience during Investor Awareness Programme organised by Navi Mumbai Chapter on 18th July 2010.

“Philosophy”

*What do you do when u face multiple choices? Simple, just toss a coin it works!!!!
Not because it settles the question, but while the coin is in the air, you suddenly know what your heart is hoping for !!!*

Contd.... from page 1

give not only a corporate look but also offer high quality service. As a step in the direction we have already given our computer lab a major makeover. I believe that our employees are the backbone of the administration of the region and there is a necessity to train them. Employee motivation, Computer knowledge, managerial skills and soft skills will be the immediate priorities.

The task ahead is not only professional development but also to enhance the image of our profession in the Western Region. WIRC has successfully taken up several training and Research projects in the past and we intend to keep the momentum going. Continuous interaction with members, faculties and the students at large is the need of the day. Needless to say, we will have better interface with industry associations. We as an Institute draw tremendous strength from our Chapters and students and there will be a conscious effort to strengthen them.

WIRC has been successfully arranging Campus Interview for the students over the last couple of years. We endeavor to increase our efforts of having more participation of major industry houses. This will also create better platform for image building. We are also seriously thinking of having a separate placement cell at WIRC.

In an effort to reach out to our members and students and to offer them better services, WIRC is starting a facilitation center at Thane. Once the premises are furnished, we will inaugurate the same in the latter half of August. WIRC will be having its computer training, library facility and member's meets at this center. The details will be communicated to you separately once we finalise them. I take this opportunity to thank CMA Ashish

Thatte for his efforts in identifying this property and CMA P. V. Wandrekar for co-ordinating the furnishing work.

Last year saw a record number of CEP programmes conducted in Mumbai, Thane and also in Suburbs. We will continue the same. In addition we will also be conducting a few full day seminars in Mumbai. CMA V. C. Kothari CCM will be playing a very active role in this. Another need of the hour is to increase the membership of our Institute. There are thousands of Grad CWAs / fresher's who are yet to apply for membership. We will make a conscious effort to bring them in the main stream. I also request all of you to pay your annual subscription in time and help strengthen our Institute.

I have received a report of record number of student registrations from Pune and Ahmedabad Chapters. I must congratulate the Chapters for achieving over 1100 admissions for the semester July to December 2010.

I congratulate CMA B. M. Sharma being elected as President of our Institute and CMA M. Gopalakrishnan who has been elected as Vice-President of our Institute.

I once again thank all my colleagues in the Regional Council, Central Council Members and well-wishers for entrusting the confidence in me. I am especially thankful to CMA D. V. Joshi, CMA V. S. Datey, CMA Sanjay Bhargave, CMA Ashwin Dalwadi and CMA V. C. Kothari for extending their guidance to me.

I am confident to meet your expectation with the support of members, students and our dedicated staff.

Assuring you the best of professional services at all times.

With Warm Regards,

CMA Amit Apte

Inauguration of Modular Training Programme

WIRC organized the Inauguration function of Modular Training Programme at Sydenham College on Sunday 18th July 2010 for the Final Students who are appearing for December 2010 examination. CMA Aruna Soman inaugurated the session. More than 200 students attended the first session. These sessions will continue for 15 Sundays.

Report on Investors' Awareness Programme

As per the guidelines of Ministry of Company Affairs, WIRC had arranged an Investors' Awareness Programme at Sydenham College of Commerce, Churchgate, Mumbai on 13th July 2010. Mr. Chandrashekhar Tilak, Executive Vice President, NSDL was the speaker for the programme. About 100 participants including students, members & faculty members attended the programme. CMA Manubhai Desai, Chairman WIRC, CMA P.V. Wandrekar, Hon. Secretary WIRC, CMA Aruna Soman and CMA S.G. Narasimhan, Programme Co-ordinator WIRC were present for the programme.

Study Circle Meeting Report

On 10th July 2010, WIRC organized a Study Circle Meeting of Eastern Suburbs at Mulund College of Commerce, Mulund on "Cyber Crime". The speaker for the programme was Mr. Milind Mungale, Sr. Vice President, NSDL. CMA P.V. Wandrekar, Hon. Secretary WIRC and CMA S.G. Narasimhan, Programme Co-ordinator, Eastern Suburbs Study Circle were present at the meeting.

ICWAI MEMEBRSHIP FEES

The members those who have not yet paid the membership fees for the current year 2010-11, are hereby informed to make the payment on or before 30th September, 2010, to enable them to cast their vote in the ICWAI Elections, in the year 2011. They are hereby requested to send the Cheque in favour of ICWAI WIRC, Mumbai.

Please visit the ICWAI website at www.icwai.org for details of dues.

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Guidelines for Mandatory Training for all Members

For Members in Practice should undergo minimum mandatory training of 10 hours per year w.e.f.2009-10 & For Members in Service should undergo minimum mandatory training of 6 hours per year w.e.f.2009-10.

The Certificate of attendance for training will have to be enclosed with the application for renewal of membership.

For details please check the website of ICWAI or WIRC: www.icwai.org or www.icwai-wirc.org - Members - Guidelines & Procedures.



ERP Basics and role for CMA's in ERP domain

CMA Neeraj D. Joshi

*Chairman - P. D. Committee, Pune Chapter of Cost Accountants.
FICWA, MBA, SAP Certified Consultant, CISA, MCP, B. Com., DNIIT*

ERP is the new buzzword in industry. ERP practically has revolutionized the way business and business processes are carried out. ERP is a growing industry segment. GIA in their survey has announced that the global ERP market will reach a figure of US\$ 67.8 billion by the year 2015. ERP not only encompasses technology and innovation but fundamentally thrives on core functional expertise. Spread of ERP has generated numerous opportunities for professionals like Cost and Management Accountants in the areas of Functional Consultancy, Technical Consultancy, Systems Audit, Techno Functional Consulting, System Designing, System Programming, etc. This article series gives information about ERP history, fundamental concept of ERP, advantages of ERP, ERP Implementation and the role a Cost and Management Accountant can play in this growing domain.

Part 1

What is ERP. Need and Importance of ERP. Importance of ERP knowledge for CMA's.

What is ERP

ERP stands for Enterprise Resource Planning. It is a system of operational control used by organizations for better efficiency and control. ERP as a concept is not limited to computerized systems. ERP can very well work in a manual environment. But in today's world and in context of this article, ERP means a Computerized Enterprise Resource Planning System.

Technically ERP is defined as a platform that facilitates the database control in an organization. Functionally ERP is defined as a system that aims to unite the data processed in various departments and divisions of an organization.

ERP is a computerized system which seamlessly integrates various functional areas in an organization. ERP achieves the functionality of single point entry. This is illustrated by a simple illustration below -

The simplest example is of Goods Receipt. Whenever a GRN is made in an organization stores ledger is updated by the stores department by recording receipt qty. The accounts department records the value i.e. the liability for vendor and the excise department records excise credit for the goods purchased. In ERP environment all the three entries are affected at a single point of Goods Receipt. Respective departments just have to approve their concerned portions of the documentation.

ERP thus is a system which facilitates the data flow from and to various business functions and integrates it to achieve improved efficiency and control.

Need and Importance of ERP

Any organization needs an ERP to improve utilization of its resources. If by way of system automation, day to day work of various executives is reduced, it results into higher performance and this is exactly what ERP delivers. With prowess of business all across the globe, organizations have grown into size and have trans-national presence. Huge business conglomerates is the new business reality. All this has led to development and enhancement of ERP systems.

Information Compilation

Due to growing size of business the data size is also growing. Handling of huge information and deriving meaningful information from the available data is a daunting task. In current business scenario the organizations need information available readily to take various business decisions. ERP makes all the information available at a central location. ERP has inbuilt functionalities which compile the data in the form desired by the organization. ERP's use techniques like Data Warehousing to store old data and use it whenever required for reporting and analysis purpose.

Better efficiency with available manpower

With the growing competition in the business world, cost control has become the key to survival and growth. Business world has witnessed huge manpower reduction drives all over the world. This gap between work force and tasks at hand is bridged by the ERP's. An ERP reduces human efforts to give better work efficiency and accuracy. Integration of all functions paves way for cross functional control by a single executive. Thus ERP has been an effective tool in the arsenal of organizations to tackle the problems of reduced manpower.

Standardization using ERP

As the businesses have grown beyond national boundaries, keeping operational and functional control is proving a challenging task for the top management. With use of ERP, the organization can standardize the business processes to be used. This standardization acts as an effective control mechanism. By using such Base ERP model specific to the organization's need and working culture the top management can exercise control over

operations spread all over the world. This also brings in uniformity in the information available and makes decision making easier.

Country Specific Pre-Configured ERP

Any business spread across the globe has to follow the laws of land in all its subsidiary units in various countries. Defining country specific business processes keeping in mind legal requirements for each of the country is a specialized task. ERP systems today have matured to a level where country specific solutions are offered by the ERP systems. These are pre configured ERP systems which take care of the laws of land while keeping intact the base reporting and MIS framework used by the organization. This helps in consolidation of information and also frees the top management from the hassle of dealing with country specific legislations.

Above are few major points that explain the need and importance of the ERP in existing business scenario. We will go into detailed SWOT analysis of ERP in subsequent parts of this article series.

Importance of ERP knowledge for CMA's

Today all blue chip companies in the world are using ERP system. Low costs of ERP and business needs have made even the SME's to opt for ERP. Every ERP works on some fundamental business logic used to develop such ERP. Each ERP has its peculiar nature, each one has its own reporting structures and functional sets.

Use of ERP Data

A CMA whether in service or practice has to deal with the ERP. A CMA as a part of his professional duties has to make use of information generated from the ERP. He has to give his professional judgment using this information. Thus it becomes imperative for the person to know the fundamentals of the ERP.

Controlling through and around the ERP

A CMA who is responsible for ensuring internal control in an organization has to have in-depth knowledge about the ERP. In any ERP environment the control mechanism essentially revolves around controlling through and around ERP. This means that the CMA should be aware of the capabilities of the ERP, its drawbacks, expected threats and risks. He should also have a fair bit of knowledge about the architecture of the ERP, its hardware setup and control mechanism for the same. Without this knowledge it is very difficult to establish assurance on internal control mechanism in any ERP environment.

Professional Opportunities

ERP is a gold mine of business opportunities for CMA's. A CMA with his unique blend of Operational and Financial knowledge of various industries can contribute greatly to the development of ERP. Some of the upcoming areas where CMA's can make a rewarding career are mentioned below. Knowledge set required for these areas, etc. will be discussed in subsequent parts of this article series.

- Change Manager/Project Manager
- Techno Functional Consultant
- Functional Consultant
- System Designing
- Systems Auditor

Summary

In Part 1 of this article series we have acquainted ourselves with the basics of ERP. We have seen what ERP means, what is the need of ERP. We have seen in brief how ERP has been a boon for growing businesses around the world. We have also touched upon the topic of why an CMA should have knowledge of ERP as a system. In Part 2, I will deal with History and Evolution of ERP along with SWOT analysis of ERP systems.

WIRC, Mumbai Oral Coaching Classes July-December 2010 Batch inaugurated on 5th/6th July 2010

Name of the Learning Centre	Inaugurated by
Sydenham College, Churchgate, Mumbai	CMA Chandrakant Pampat
N. M. College, Vile Parle West, Mumbai	CMA M.B. Ashtamker
M. L. Dahanukar College, Vile Parle East, Mumbai	CMA T. S. Sivasankaran
Gokhale College, Borivli West, Mumbai	Mr. K. B. Vasa
R.J. College, Ghatkopar, Mumbai	CMA S. G. Narasimhan
Joshi-Bedekar College, Thane	CMA P. V. Wandrekar
ICLE College, Vashi, Navi Mumbai	CMA Ashish Thatte

GST - Moving towards certainty – 1st April 2011??

– CMAA. B. Nawal, *Past Chairman, WIRC*



While Trade & Industry were sceptical on introduction of GST by 1st April 2011, the Honourable Finance Minister Pranab Mukherjee is determined to introduce GST by 1st April 2011 and he is making all round attempts for planning and implementation, creating IT infrastructure and also restructuring administration for implementation of GST.

He has taken series of steps which are given below in brief :-

1. Taking States in confidence through Empowered Committee of State Finance Ministers and Secretaries.
2. Appointment of Shri Nandan Nilekani as Chairman of Unique Identification Authority of India.
3. Floating of a special purpose vehicle (SPV) for setting up information technology (IT) infrastructure for the proposed Goods and Services Tax (GST). The SPV, called GST N (Network), will have the Union government, the states and a technology partner as its stakeholders.
4. The finance ministers of the National Democratic Alliance (NDA)-ruled states met to discuss its stance on goods and service tax (GST).
5. For obtaining support on the Goods and Services Tax (GST), Finance Minister Pranab Mukherjee invited three top Bharatiya Janata Party (BJP) leaders - LK Advani, Sushma Swaraj and Arun Jaitley - to lunch.
6. Admitting the gesture made by the Finance Minister of Punjab by agreeing to subsume the Purchase Tax in the overall interest of the GST regime which will benefit the nation as a whole.
7. The Direct Taxes Code (DTC) Bill and a constitutional amendment bill to implement the goods and services tax (GST) are to be introduced in the Monsoon session.
8. Honourable Finance Minister while replying to the discussions on inflation in the parliament on 4th August 2010, he appealed to the State Government to accept the draft amendment bill for change constitution to implement GST w.r.t 1st April 2011.

From the above actions, roadmap of GST to be implemented w.e.f 1st April 2011 is likely to be optimism.

Let us review the emerging position on GST.

No.	Issue	Emerging position
1.	Constitutional amendments	<ol style="list-style-type: none"> 1. The government today said the direct taxes code (DTC) Bill and a constitutional amendment bill to implement the goods and services tax (GST) are likely to be introduced in the Monsoon session. 2. Constitutional Amendment Bill on GST in final stages- The law ministry is likely to finalise the Constitutional Amendment Bill on the Goods and Services Tax (GST) by next week. It will send draft of the Bill to the finance ministry which will share it with the empowered group of state finance ministers on GST for its feedback.

3. The Union and State Lists will be amended to allow for comprehensive taxation of goods and services by the Centre and the States. The idea of a fourth list to the Seventh Schedule under which the Centre and State would have equal taxing powers has been dropped.
4. A Council of Ministers comprising the Union Finance Minister and the Finance Ministers of the States will be set up as a Constitutional body.
5. A Tribunal, based on the WTO Dispute Resolution Mechanism, will also be set up, and will be empowered to resolve disputes between the Centre and States or between States. This Tribunal will also have the power to penalize non-compliance with agreed arrangements.

2. Rate Structure

GOODS						
Year	CGST		SGST		TOTAL	
	Lower Rate	Std. Rate	Lower Rate	Std. Rate	Lower Rate	Std. Rate
2011-12	6%	10%	6%	10%	12%	20%
2012-13	6%	9%	6%	9%	12%	18%
2013-14	8%	8%	8%	8%	16%	16%
SERVICES						
Year	CGST		SGST		TOTAL	
2011-12	8%		8%		16%	
2012-13	8%		8%		16%	
2013-14	8%		8%		16%	

3. **Threshold Limit** Central & State have agreed to have threshold limit up to Rs. 10 lacs turnover.
4. **Compounding** Compounding Rate not being finalised and turnover limit will be either kept at Rs. 50 lacs or 100 lacs without entitlement of input credit.
5. **Exemptions** Present list of exemption of State VAT for 99 items will be kept as it is and following sectors will also be exempted from GST
All public services of Government (Central, State and municipal/panchayati raj) including Civil administration, health services and formal education services provided by Government schools and colleges, Defence, Para-military, Police, Intelligence and Government Departments. However, public services will not include Railways, Post and Telegraph,

	<p>other commercial Departments, Public Sector enterprises, banks and Insurance, health and education services.</p> <p>Similarly, exemptions will be granted to followings:</p> <ul style="list-style-type: none"> • Any service transactions between an employer and employee either as a service provider, recipient or vice versa; • Any unprocessed food article which is covered under the public distribution system should be exempt regardless of the outlet through which it is sold • Education services provided by non-Governmental schools and colleges Health services provided by non-Governmental agencies. 	<p>assistance required to achieve homogeneity in the level of computerization across States.</p> <p>The government will float a special purpose vehicle (SPV) for setting up information technology (IT) infrastructure for the proposed Goods and Services Tax (GST). The SPV, called GST N (Network), will have the Union government, the states and a technology partner as its stakeholders.</p>
6. Exclusion from GST	<p>Tobacco will likely be covered under GST, but not alcohol, petroleum and electricity.</p> <p>Tobacco will attract an additional State excise duty in addition to GST.</p>	<p>Mainly, the states are against infringement on their financial autonomy and have certain reservations on the draft bill's provisions for the GST Council and the GST Disputes Authority.</p>
7. Legislation	<p>The government will soon introduce rules on 'place of supply' which will clearly define what should be considered the place of supply for levying service tax. Rules on 'time of supply' are also being prepared by the finance ministry, to define the point at which liability to pay tax would arise and both the rules i.e. 'place of supply' rules and 'time of supply' rules will be offered to public for their comment</p>	<p>Though States opposed a draft bill to amend the Constitution, a measure proposed by the Centre for rolling out the Goods and Service Tax, in its present form as it provides veto power to the Union Finance Minister in matters relating to state subjects, still Central Government through Department of Revenue is in full swing to complete the administrative structure to implement GST. Steps taken by them are given below in brief.</p> <ol style="list-style-type: none"> 1. The mandatory annual audit that gives nightmares to the industry may be replaced by a selective scrutiny in the case of large taxpayers. However, such tax payers will have to get their accounts audited by certified chartered or cost accountants, as per the architecture of the new indirect taxes regime that is currently being discussed. 2. The selection for scrutiny could also be based on intelligence available in the electronic databases, akin to the computer-assisted scrutiny in income tax. 3. Intelligence from all quarters-state tax departments and central tax departments, including income tax-would be pooled in to make the selection of cases for audits more intelligent and sharper under the GST. The threshold for such audits has not been decided, but it is likely to be high enough to leave out a large percentage of those required to deduct or pay indirect taxes. 4. Those below the threshold will have to file GST returns on a voluntary basis and may face random scrutiny. The lenient treatment is expected to help increase compliance and increase tax collections, the official said. The format of these audit reports will be prepared by the Central Board of Excise and Customs and its state government counterparts in consultation with the Institute of Chartered Accountants of India, Institute of Costs & Works Accounts of India and Institute of Company Secretaries of India. 5. CBEC as its Mentor and Director General (Vigilance) as the Group Head. The Implementation Group which consisted of several Chief Commissioners and a few Commissioners, discussed and deliberated on various aspects of GST administration and the requisite administrative framework for its effective implementation. After intense deliberations, the Implementation Group came out with a comprehensive report on this subject, which was submitted to the Board last month, and the CBEC has circulated it to all the CCs and DGs for their views. The CBEC wants the CCs to constitute small group of technically proficient officers which should include technically sound Superintendents and Inspectors, to study the recommendations. 6. As per the Implementation Group, the estimated tax base would be in the range of 50 lakh to 75 lacs assesseees (which is four times to six times of the existing number of 13 lakhs). Since the new regime would entail concurrent tax administration by the Centre and States on the same supply chain of goods and services, the Implementation
8. Taxes subsumed	<p>While purchase tax will be subsumed under GST, electricity duty, octroi and levies by local authorities may not be subsumed under GST.</p>	
9. Readiness of IT infrastructure	<p>During the presentation by Shri Nandan Nilekani, Chairman, Unique Identification Authority of India, he has proposed a detailed roadmap and strategy for putting in place the requisite IT Infrastructure to handle work related to GST. Since this infrastructure needs to be in place well before the actual introduction of GST in April next year, decisions have to be made with great alacrity and speed. In order that no time is lost, Honourable Finance Minister, Pranab Mukherjee has proposed the constitution of an empowered Group chaired by Dr. Nilekani with joint representation from the Centre and the States which would be authorized to take decisions about the size, features and functionalities of such a system; to choose the appropriate technology for its implementation as well as to choose the vendor who would be tasked to deliver it in a time-bound manner. He had requested an early approval of the Empowered Committee of State Finance Ministers to our proposal for constitution of this empowered group which, to his mind, should start functioning immediately. He had reiterated that the Centre is committed to provide all the support and</p>	

Group is of the view that there is a strong need for harmonization of business processes and procedures between the Central and State Governments to take advantage of the synergy between the two tax administrations and also to avoid duplication of compliance requirements for taxpayers.

7. **Re-engineering of business processes:**

Based on study of various practices, the Implementation Group has identified the following core business processes/changes as vital to the new tax administration:

(i) Registration process; (ii) Filing of return and processing and payment of tax; (iii) Minimum information to be contained in a GST invoice and books of account of all taxpayers; (iv) Tax compliance issues - Audit & Anti-evasion; (v) Dispute Resolution System; (vi) A robust IT system to streamline the operations of the tax administration; and (vii) Establishing an organization to handle a large number of taxpayers.

8. The highlights of the proposed business processes in the new GST regime would be:

- i) The registration processes for all the three taxes viz., CGST, SGST & IGST should be common and online, with physical verification of a small percentage of taxpayers based on risk assessment parameters.
- ii) A taxpayer would be given a single PAN-based registration for all the business premises in a State.
- iii) There should be a single return for all the three taxes and the same should be filed online through a common portal.
- iv) The frequency of filing of returns for small taxpayers may be made half-yearly or on an annual basis. For medium and large taxpayers, the frequency can be quarterly and monthly respectively. Option to be given to all taxpayers to file monthly returns, if they so desire.
- v) Common Facilitation Centres to be set up in each State for all the three taxes, on an outsourced model.
- vi) The refund amount to be credited to the claimant's bank account.
- vii) For procedural and minor technical irregularities a fixed percentage as penalty may be prescribed in the law, which can be paid by taxpayers on their own assessment, without the requirement of issue of show cause notice and follow up adjudication.
- viii) Submission of Annual Audit Reports by the taxpayer above a specified threshold to be prescribed. Audit may be done by the professionals like CA/CWA, format of the audit report to be finalised by the Board in consultation with ICAI/ICWAI.
- ix) A very small percentage of small taxpayers to be selected for audit, based on the risk parameters.
- x) The present practice of mandatory annual audit of the large taxpayers to be dispensed with and replaced by an audit regime based on stringent risk parameters.

9. **Revamp of Organizational Structure:**

For effective implementation of these business processes, the Implementation Group has proposed a complete revamp of the existing organizational structure. It proposes that one common centralized portal for online registration, e-payment, and return filing etc should be developed and put in place at least three months before the introduction of GST (we are now in August 2010 and CBEC expects this to be up and ready by December 2010 - three months before April 1, 2011 - the official date for GST roll out - Are we dreaming?), and with a recommendation to augment human resources in the Directorate of Systems working under CBEC. In the field formations,

the new regime would consist of GST Commissionerates to be organized mostly on functional basis and there is a proposal for separate Audit and Anti-Evasion Commissionerates in each State, except in smaller states. The multi-locational and large tax paying units in complex business sectors would be audited by the Audit Commissionerates and the rest by the jurisdictional GST Commissionerates.

With respect to GST Commissionerates, there is a proposal to form four types of Commissionerates with each Commissionerate having a specified territorial jurisdiction. The four types are: i) One-tier (exclusively for big cities where entire functional work will be handled by the Commissionerate itself); ii) Two-tier (consisting of divisions working on functional basis - where taxpayers are spread over a relatively large area); iii) Three-tier (consisting of divisions, ranges - where taxpayers are spread over a very large area) and (iv) A combination of all the above (for areas where there is uneven spread of taxpayers). The proposal is to have 150 GST Commissionerates, 45 Audit Commissionerates and 20 Anti-Evasion Commissionerates across the country (which is a significant jump from the existing 93 Commissionerates - considering the increase in tax base). In addition to these there is a proposal to establish State level LTUs in major States for providing better taxpayer services and co-ordination in matters relating to CGST, SGST and IGST.

10. **Investigation/Arrest/Search/Seizure:**

In addition to the above changes in the business processes and the requisite supporting administrative and functional mechanism to oversee these processes, the Implementation Group also proposed certain changes in the Dispute Resolution Mechanism. To begin with, the Implementation Group suggests that there should be an institutional mechanism for periodic or real-time sharing of information or intelligence between the Central and State Governments, like the existing REIC model.

Authorities for searches/seizures would be devolved separately on Central and State Governments for issuing warrants under CGST/IGST and SGST laws. Towards this end, the legal provisions under CrPC may be replicated with suitable modifications in the proposed legislations. Search warrants under CGST/IGST would be issued by officers of the rank of Jt./Addl. Commissioner or the Commissioner. One authority undertaking search/seizure operations should inform the other authority (CGST to SGST and vice-versa) for better coordination and conducting of joint operations. Goods and documents would be seized by the authority which actually issues search warrants.

The Implementation Group further recommends that investigations may be carried out independently by the 'concerned' authority. The proposed legislations would provide for mechanism to hand over incriminating documents to the other authority for further investigation within the ambit of their jurisdiction. Both Central and State Government officials may be given powers under CGST/IGST and SGST laws to arrest and prosecute persons for serious/repeated offences and officers not below the rank of Commissioners may be vested with the powers to authorize arrest.

11. **Dispute Resolution Mechanisms:**

The Implementation Group recommends two alternate models of dispute resolution under GST after analyzing the pros and cons of both models. In the first model there will be separate adjudication processes by CGST and SGST authorities and integration of the two processes only at the stage of appeals to the Tribunals at the State and National level. In this model there would be four stages. In the first and second stage, the adjudication and the appeal processes will be

separately carried out by the authorities under the Central and State governments; in the third and fourth stages, appeals in the State and National level GST appellate tribunals will be heard jointly by members selected by both the Governments - Central and States.

In the second model, adjudication and appeal processes will be integrated under one single Tribunal viz., the National GST Appellate Tribunal (NGSTAT) which may be headed by a serving or retired judge of the Supreme Court. The officer working as adjudicator as well as the Commissioner (Appeals) would not be under the administrative control of CGST or SGST authorities, but functions under the control of the proposed NGSTAT. Officers from Central or State Government as well as judicial service officers would be eligible to work on deputation. The adjudication for the show cause notices issued by both the CGST and SGST authorities would be carried out by one adjudicator, and he would issue a single / common order. Against the said order, an appeal would lie to Commissioner (Appeals), who would again pass a single order. Appeals against the order of Commissioner (Appeals) would lie to State level Tribunal, and further to National GST Appellate Tribunal (probably the proposed National Tax Tribunals which never saw the light of the day will assume the avatar of NGSTATs). Adjudicators will be selected through a special process, ensuring appropriate representation of the Central and the State governments and with adequate experience in handling VAT/GST matters along with members drawn from the judicial/legal fraternity.

12. Review and Appellate Mechanism:

And the Implementation Group recommends a common review mechanism for both the above models. Officers of the rank of Commissioners, under the Central and the State Governments will review the orders passed by the adjudicating authorities lower in rank. On their recommendations, appeals can be filed with the Commissioner (Appeals). Officers of the rank of Chief Commissioners, under the Central or the State Governments (there is in fact only one Commissioner of Commercial Taxes for an entire State - usually a post which is donned by a not so senior IAS officer and no such rank called Chief Commissioners exists in the current VAT models of States) will review the adjudication orders passed by officers of the rank of Commissioners or the Orders-in-Appeal passed by the Commissioners (Appeals). On their recommendations, appeals can be filed with the State level GST Tribunals. Officers of the rank of Chief Commissioners, under the Central or the State Governments will review the orders passed by the State level GST Tribunals. On their recommendations, appeals can be filed before the NGSTAT.

13. Alternative Dispute Resolution mechanisms:

To minimize and reduce litigation, the Implementation Group recommends setting up of an Authority for Advance Rulings whose scope may be sufficiently enlarged to bring within its ambit all categories of domestic and overseas tax-payers including individuals, proprietary & partnership firms, public/ private limited companies, PSUs and other categories of taxpayers. Its rulings shall be binding on all parties (in States, the orders passed by such Advance Ruling Authorities are generally discarded and not accorded much respect by their Commissioners). Further, there is a recommendation to continue with the present system of settling disputes through the institution of Settlement Commission with suitable modifications in its structure and powers to conform to GST environment.

Also there is a recommendation to set up an office of Ombudsman, with concurrent jurisdiction over CGST, IGST and SGST, in each State (to be combined for smaller States) to redress grievances of tax payers. There is also a proposal to set up Common Trade Facilitation

Centres for GST taxpayers across the country.

14. Internal/External Awareness campaigns:

To achieve the above goals and objectives by April 1, 2011, the proposed date of pan India GST roll out, the Implementation Group has recommended setting up of Joint Working Groups in each State with officers from both Central Excise/Service Tax department and Commercial tax departments to exchange complete database of taxpayers, identify premises for setting up of new common-GST offices, jointly organize taxpayer education programs, organize seminars, workshops, road shows, publicity through print and electronic media, create a website for dissemination of information on GST including FAQs, brochures, leaflets/ pamphlets etc.

Internally within the CBEC and its field formations, the Implementation Group has proposed vigorous pursuance of cadre reviews to make available additional manpower at the earliest to ensure a smooth transition to GST. In addition to this, it recommends that the department should immediately devise a program for familiarizing the staff with the broad framework of GST regime with in-house training programs in Commissionerates through workshops, seminars and also training by NACEN and its Regional Training Institutes.

To conclude, CBEC is getting ready for GST - April 1, 2011 may not be a joke; it seems to be now within reach. In light of rejections by State Governments and making new legislature by State Government, there may be marginal delay but surely GST is going to be implemented in financial year 2011-12.

Now industry has to gear up to prepare themselves for business planning and strategy in the era of GST.

1. Revisit on existing business structure
2. Supply Chain Management- procurement across India / selection of alternatives / introduction of procurement system, customer registration form / modification
3. Inventory Management - Manufacturing to Sale Chain
4. JIT Management
5. Business Strategies - manufacturing / job work/ sub-contracting/ P2P transaction, loan & licenses and Selection of locations
6. Marketing & Distribution Network- multiple warehouses/ distribution centres/ Service Centres/ franchisee
7. Impact assessment studies and pricing strategies
8. Risk of ownership, planning of contractual terms, Ex-works / FOR/ Duty Demand, etc.
9. Logistic Module
10. Internal training to understand GST and preparing for implementation of GST to existing personnel.
11. Understanding the transitional issues and preparing our self to optimise the benefit.
12. Accounting System for input credit of CGST & SGST, control accounts through branch accounting, invoicing system, centralized, and decentralized. Control on input credit in case of default.
13. Accounting system for advances for goods & services and GST credit issues.
14. Accounting System for invoices as against Debit Note / Credit Note / treatment of Bad Debts / provision of doubtful debt.
15. Create new IT support System with Data Migration Module.
16. Work simultaneously for present structure and GST structure in the financial year 2011-12.

Now, Trade & Industry needs to prepare themselves in the new era of GST. Needless to say, we Cost Accountants have to gear up to render you our expertise on all above matters. ●

Construction Services in Respect of Residential Complex

Compiled by **CMA Anand M. Shembekar**, M.Com., A.I.C.W.A.I Chiplun Dist. Ratnagiri

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Construction services in respect of residential complex becomes taxable w.e.f.16/06/2005, the definition of Construction of Complex as per Section 65 (30 a) of Finance Act 1994 is as below :-

"construction of complex" means - construction of a new residential complex or a²(a) part thereof; or completion and finishing services in relation²(b) to residential complex such as glazing, plastering, painting, floor and wall tiling, wall covering and wall papering, wood and metal joinery and carpentry, fencing and railing, construction of swimming pools, acoustic applications or fittings and other similar services; or repair, alteration, renovation or restoration²(c) of, or similar services in relation to, residential complex.

The definition of residential complex as per Section 65 (91 a) of Finance Act 1994 is as below :-

"residential complex" means any complex comprising of-

- (i) a building or buildings, having more than twelve residential units;
- (ii) a common area; and
- (iii) any one or more of facilities or services such as park, lift, parking space, community hall, common water supply or effluent treatment system, located within a premises and the layout of such premises is approved by an authority under any law for the time being in force, but does not include a complex which is constructed by a person directly engaging any other person for designing or planning of the layout, and the construction of such complex is intended for personal use as residence by such person.

Explanation. - For the removal of doubts, it is hereby declared that for the purposes of this clause, -(a) "personal use" includes permitting the complex for use as residence by another person on rent or without consideration; (b) "residential unit" means a single house or a single apartment intended for use as a place of residence; "taxable service" means any service provided or to be provided - to any person, by any other person, in relation to construction of complex; Chapter V Section 65 clause 105 sub clause zzzh of Finance Act 1994. Now in budget 2010-11 an Explanation is added to clause (zzzh) which is as below :

For the purpose of this sub clause, construction of complex which is intended for sale, wholly or partly, by a builder or any person authorized by the builder before, during or after construction (except in cases for which no sum is received from or on behalf of the prospective buyer by the builder or a person authorized by the builder before grant of completion certificate by the authority competent to issue such certificate under any law for the time being in force) shall be deemed to be service provided by the builder to the buyer."

This explanation come into effect from 01.07.2010 (Notification No. 24/2010 -S.T. dated 22-06-2010

So, any payments received from the prospective buyer by the builder or his authorized representative in respect of Construction of residential complex will be subject to tax if it is received prior to obtaining completion certificate from competent authorities for this purpose.

Transactions not covered under this Construction of Complex.

- (a) Residential Complex comprising of 12 or less than 12 residential units.
- (b) Sales of residential unit (flat) or shop after obtaining completion certificate from competent authorities for this purpose, and entire consideration is received only after building completion certificate is obtained.

(c) Exemption has been provided for construction of residential complex, when the same is rendered as part of Jawaharlal Nehru national Urban Renewal Mission (JNNURM) and Rajiv Awas Yojana refer notification no 28/ 2010 - Service Tax dated 22/06/2010

(d) Part or full payments (Advance payment) received before 01/07/ 2010. Notification No. 36/2010 Service Tax dated 28/06/2010.

In all other cases, the builder will be liable to pay the service tax. Now the date of provision of Service, date of completion residential complex as certified by the competent authorities and date of part or full consideration received are now important. Before the issuance of completion certificate if payment is made for complex or residential unit or shop (Gala) in residential complex, then service tax will be leviable on such transaction since the builder provides the construction service as per explanation inserted w.e.f. 01-07-2010.

Authorities competent to issue completion certificate

In the Finance Act, 2010 Changes have been made in the construction services, both commercial construction and construction of residential complex, using the phrases 'Completion Certificate' issued by 'Competent authority'. Considering the practical difficulties, the scope of the phrase 'authority competent to issue completion certificate has been widened by issue an order for removal difficulty (Refer M.F.(D.R.) Order No.1/2010 dated 22/06/2010. Besides Government authorities the expression 'authority competent' includes following authorities -

- (i) an architect registered with the council of Architecture constituted under the Architects Act, 1972
- (ii) Chartered Engineer registered with the Institute of Engineers (India)
- (iii) Licensed surveyor of the respective local body of the city town or village or development or planning authority.

Who is authorized under any law for time being in force, to issue a completion certificate in respect of residential or commercial or industrial complex, as a precondition for its occupation.

I am trying to link the taxability of this service with business practices generally prevail in respect of construction of residential complex or residential flats before obtaining completion certificate from competent authorities.

(a) Sales of land to the builder by landowner and builder give residential flat or Shop or both to the land owner In this case in lieu of money, builder is providing residential flat or Shop, indeed this type of transaction is within the scope of construction of complex w.e.f. 01/ 07/2010 and service tax is payable.

(b) Agreement to sell is entered into prior to 01/07/2010, part /full amount is paid on the date of agreement to sale but the services are provided on or after 01/07/2010

Yes in this case, builder is providing construction services to the buyer before obtaining completion certificate, service tax is payable, however amounts received by the builder prior to 01-07-2010 are not taxable as per Notification. No.36/2010- Service Tax dated 22-06-2010 but any amounts received on or after 01-07-2010 are taxable, and indeed builder has to pay the service tax on amount received on or after 01-07-2010.

(c) Agreement to sell is entered into after 01/07/2010, part /full amount is paid on the date of agreement to sale and the completion certificate is issued on or after 01/07/2010

Yes this transaction is taxable and builder has to pay the service tax

on payments received from the buyer from 01-07-2010 till the date of issue of completion certificate.

- (d) Any consideration received in part or full by the builder on account sale of residential unit or shop etc. after obtaining the completion certificate from competent authorities is not taxable at all because it is sale of immovable properties. In simple language sale of ready residential flat or shop for which completion certificate is received from competent authorities.

Rate of Service Tax

At present the rate of service tax is 10% + 2% Education Cess on Service Tax and 1% Secondary and Higher Secondary Education Cess on service, so effective rate becomes 10.30%,

Valuation of taxable service

If any service is taxable, calculation of value for the purpose of service tax is an important aspect.

In case of Construction of Complex, Service provider (Builder) can take the benefits of notification no 1 / 2006 S.T. 01.03.2006 as amended vide notification no 29/2010 Service Tax dated 22/06/2010 w.e.f. 01/01/2010 and value for the purpose of calculation of service tax is as below :-

- (a) If builder does not recovered the Cost of Land separately then builder can take the abatement 75% of the Gross amount charged i.e. service tax is payable only on 25% of gross amount charged. for e.g.

a) Gross amount charged say	Rs. 10,00,000
b) Less : abatement 75%	Rs. 7,50,000
c) Taxable Value (a - b)	Rs. 2,50,000
d) Service Tax 10% on c	Rs. 25,000
e) Education Cess 2% on d	Rs. 500
f) SHED Cess 1% on d	Rs. 250
g) Total Bill Value	Rs. 10,25,750

So, service tax in this case is Rs.25,750 i.e. 2.575 % on basic value.

- (b) If builder recovered the Cost of Land separately then builder can take the abatement 67% of the Gross amount charged i.e. service tax is payable only on 33% of gross amount charged for e.g.

a) Gross amount charged say	Rs. 10,00,000
b) Less : abatement 75%	Rs. 6,70,000
c) Taxable Value (a - b)	Rs. 3,30,000
d) Service Tax 10% on c	Rs. 33,000
e) Education Cess 2% on d	Rs. 660
f) SHED Cess 1% on d	Rs. 330
g) Total Bill Value	Rs. 10,33,990

So, service tax in this case is Rs.33,390 i.e. 3.339 % on basic value.

- (c) If builder takes the benefit of notification No 1/ 2006 S.T.dt. 01.03.2006 as amended vide notification no 29/2010 Service Tax dated 22/06/2010 w.e.f. 01/07/2010. then builder can not take Cenvat credit on Inputs, Capital Goods, and Input services used for the purpose of providing of services and also he can not deduct the value of materials provided or used for the purpose of providing the taxable service.

- (d) However builder has to add the cost of materials supplied by the prospective buyer for provision of services. For e.g. Buyer Mrs. A provides Marble cost of which is Rs.25000 to be fixed on the normal kitchen kadappa provided by the builder as per the agreement to sell, then builder has to add this Rs.25000 on gross amount charged and then take the abatement

- (e) The abatement is not available if only completion or finishing services are provided.

OPTION II - BUILDER

Under this option instead of taking the abatement of 67% or 75% as per the notification no No. 1/ 2006 S.T 1 / 2006 S.T. 01.03.2006 as amended

vide notification no 29/2010 Service Tax dated 22/06/2010 w.e.f. 01/07/2010. builder can take Cenvat credit on Capital Goods, Inputs services used for the purpose of provision of service, charged 10 % service tax, 2% Education Cess on Service Tax, 1% SHED on Service tax on value of services provided and pay the difference in between the Service Tax recovered and Cenvat credit taken by GAR 7 to Govt. Here the taxable value of services will be Gross amount charged less cost of land and Value of materials used for the purpose of provision of service. That means service tax is on value of services provided (Cost of construction plus profit margin)

Procedure to be followed by the builder complying the requirements of Service Tax

If builder is providing the taxable service of construction of residential complex, he has to comply the following procedures under Finance Act 1994 and Service Tax Rules 1994 as amended.

1) Registration

- a) Create a valid mail ID
- b) Submit application for registration through ACES module - Automation in central excise and service tax
 - a) Take print out application for registration submitted electronically through ACES
 - b) Submit the print out of application of registration along with self attested copies of PAN Card, proof address such as electricity bill, municipal tax receipt etc of premises to be registered to the Jurisdictional Superintendent of Service Tax

- 2) After obtaining the Registration Certificate, submit in duplicate the list of accounts of maintained for the purpose of discharging the service tax liability to the Jurisdictional Superintendent of Service Tax.

3) Payment of taxes

- a) Payment of service tax is to be made on amount received and not on amount billed, even though the bills are not issued but payments received (Advance Payments) service tax is payable. In case of advance payments received, service tax can be calculated on back calculation basis, i.e. amount received shall be taken as cum tax value (inclusive of tax)
- b) Payments received on or after 01/07/2010 from prospective buyer.

1. In case the constitution of builder is other than individual, sole proprietorship or partnership firm then he has to make the payments of service tax, Education Cess 2%, SHED Cess 1% within five 5 day at the end of the month except in case of March, payments has to be made latest by 31 st March and not on 5 th April. Here month is calendar month for e.g. payments received during July 2010 then payments of service tax to be made on or before 05/08/2010.

2. In case the constitution of builder is other than individual, sole proprietor or partnership firm then he has to make the payments of service tax, Education Cess 2%, SHED Cess 1% within five 5 day at the end of the quarter except in case of quarter January to March, payments has to be made latest by 31 st March and not on 5 th April. Here the period quarter means April to June, July to September, October to December and January to March. For e.g. payments received during the quarter July to September, the service tax to be paid on or before 05/10/2010.

3. IF BUILDER MAKES PAYMENTS ELECTRONICALLY THEN HE CAN INSTEAD OF 5 TH DAY AT THE END OF QUARTER OR MONTH HE CAN MAKE THE PAYMENTS UPTO 6 TH DAY.

4. In case of delay in making the payments of service tax,

interest to be paid @ 13% p.a. for the delayed period.

5. Non payment / short payments of taxes attract penal action from the department.

6. In case of service provider if liability to pay the service tax exceeds Rs. 10 Lakhs in previous year for all taxable services provided from all premises then service provider has to compulsorily make payments of service tax electronically.

4. Submission of half yearly return in Form ST - 3

Service provider has to submit the half yearly return in Form ST - 3 in triplicate (in case of paper return) to the concerned Jurisdictional Superintendent of service tax or he may file ST 3 return electronically through ACES module. The due dates are as below :-

- a) For the half year April to Sept - 25 th September
- b) For the half year October to March - 25 th April

Mandatory penalty for late filing of return in Form ST - 3 : If the half yearly return in Form ST 3 is submitted after the due date then it attracts the mandatory penalty.

1. delay period upto 15 days from due date of filing of ST 3 return - Rs. 500
2. delay period beyond 15 days but upto 30 days - Rs. 1000
3. delay period beyond 30 days - Rs. 2000

5. Revised Return

Service provider can file the revised if he found that there are some omissions or mistakes in original return filed, he can file the revised return upto 90 days from the date of submission of original return. However the period of 90 days is calculated from 25 th April / October.

6. In Chapter V of Finance Act 1994, Section 76, 77, 78 prescribed for penal action which are Not discussed here.

7. Issue of Invoice by the service provider

Service provider here builder, has to issue invoice to the prospective buyer / buyer and charged Separately Service Tax 10% (Current rate), 2% education cess on service tax, 1% SHED Cess on service tax. Besides the amount on which Service tax is calculated (in case of abatement taken 67% or 75%), same must be shown on invoice, and the invoice must be issued within 14 days from date of provision of service. Invoice must comply other provision of rule.

It is advisable to keep proper service tax register, besides other books of accounts, so it becomes easy to calculate the service tax liability.

8. Cenvat Credit

The Cenvat Credit Rules, 2004 which was introduced w.e.f. from 10.09.2004 provides for availment of the credit of service tax / Central excise duties paid on the Input services / Inputs / Capital goods. Such credit amount can be utilized towards payment of service tax by an assessee on their output services. Following points to be noted in this respect :-

- a) Cenvat credit on input services can be availed only after making payment of the amount indicated in the invoice / bill / challan.
- b) If Service provider takes abatement of 67% or 75 % he can not take Cenvat credit.
- c) If service provider charged the service tax only on value of services then he can take Cenvat credit only on Input Services and Capital goods and not on Inputs.
- d) If service provider is providing both taxable and exempt services and does not keep separate account of receipts, consumption and inventory of inputs and input service used for providing of services, then he has to pay 6% of value of exempted services or reversal of Cenvat credit attributable to inputs and input services used for providing exempted service.
- e) Head office of Service provider if registered as Input Service distributor then ISD can take and distribute the Cenvat credit

taken inputs, Capital Goods and Input Service subject to some conditions.

9. Other aspects

(1) Another service is included in the list of taxable service w.e.f. 01-07-2010 is :-

Services provided by a builder etc. to the prospective buyer such as providing preferential location or external or internal development of complexes on extra charges excluding parking place. Builders of residential or commercial complexes provide other facilities and charge Separately for them and these charges does not form part of the taxable value for charging tax on construction. These facilities include :

- (a) prime / preferential location charge for allotting a flat / commercial space according to the choice of the buyer (i.e. Direction - sea facing, park facing, corner flat, Floor - first floor, top floor, vastu having bed room in a particular direction; Number - lucky numbers)
- (b) internal or external development charges which are collected for developing / maintaining parks, laying sewerage and water pipelines, providing access roads and common lighting etc.
- (c) Fire fighting installation charges and
- (d) Power back up charges etc.

Since these charges are in the nature of service provided by the builder to the buyer of the property over and above the construction service, such charges are being brought under the this new service.

Following charges are excluded from the scope of this service

- (a) Charges for providing parking space have been specifically excluded.
 - (b) Development charges to the extent they are paid to State Government or local bodies
 - (c) Any service provided by RWA or Co-operative Group Housing Societies consisting of residents / owners as their members would not be taxable.
1. There is no change in the definition of Construction of Complex except deleting the word service and insertion of explanation, certain transactions which, according to the Government were remaining out of tax - net, have been brought within tax net. It should be noted that the transactions which were taxable under this head earlier will continue to be so.
 3. Persons (Contractors / sub contractors) providing services to builders like construction of plinth, RCC slab, plastering, painting, etc. with or without materials are continue to tax.
 4. Basic exemption of Rs. 10 lakhs from payment of service tax as per the Notification No. 6 / 2005 S.T. 01-03-2005 as amended vide Notification No.8 / 2008 S.T. dated 01-03-2008 subject to conditions mentioned therein is available.
 5. In cases where service provider pays the service tax on amount received from the buyer and later on, booking is cancelled by the buyer, entire amount is also refunded to the buyer, here in this case, service tax paid can be adjusted towards next month / quarter payment of service tax.
 6. If Vat / Sale tax is payable on as per State Vat / Sales Tax Act, then the service does not classify under this head and it will be classified as WORKS CONTRACT SERVICE.

The above is my understanding of provisions of law relating to service tax in respect of construction of complex, readers and or department may have different view or opinion. After all person has to follow as per own thinking and interpretations. I do not have any responsibility for any damages suffered by any person due to following of my understanding of law.

IFRS CORNER

A monthly column by CMA Rammohan Bhavé and CMA Dr. Anjali Bhavé

R N Bhavé, CMA, CS, CA, Dip IFRS (ACCA, UK), Six sigma green belt, Certified IFRS - ICAI - practices as Strategy & IFRS Consultant, & Dr Anjali Bhavé, CMA, DBF, Ph.D., IFRS Consultant

While India is learning IFRS and converged accounting standards, it is needed to know future. Europe and USA is already worked upon latest revenue recognition exposure draft, which should be a major impact soon. So be ahead by reading this article series.

Exposure Draft on Revenue Recognition

In June 2010 the IASB and the FASB published an exposure draft on Revenue from Contracts

with Customers which is open for public comment till 22 October 2010.

The ED is a joint revenue recognition standard for IFRSs and US GAAP containing principles for recognising revenue

The ED addresses four main issues experienced in the application of the present Revenue Recognition standard

1. US GAAP requires industry and transaction-specific requirements resulting in different accounting treatment for similar transactions.
2. IFRS's two main standards on revenue suffer from
 - a. Application difficulty
 - b. Limited guidance on some issues e.g. multiple element arrangements
3. Inadequate information to understand a company's revenues.
4. Insufficient guidance on accounting for some contract costs leading to diverse practices.

The new standard follows a five steps process for recognition and measurement

Step 1 Identify the contract with the customer

Key proposal: Price interdependence

Standard to be applied to

- A single contract usually
- Two or more contracts together if the prices of those contracts are interdependent.
- Segment s of a single contract accounted for as two or more contracts if some goods or services are priced independently of other goods and services

Step 2 Identify the separate performance obligations

Key proposal: Distinct goods or services

A performance obligation to be accounted for separately only if the promised good or service is distinct, that is,

- It is sold separately or
- It could be sold separately because it has a distinct function and a distinct profit margin.

Step 3 Determine the transaction price

Key proposal: Probability-weighted expected amount

The transaction price is the amount of consideration a company expects to receive from the customer in exchange for transferring goods or services. The transaction price would reflect

- Probability-weighted estimate of variable consideration
- Customer's credit risk
- Time value of money

Step 4 Allocate the transaction price to the performance obligations

Key proposal: Relative selling price allocation

Transaction price to be allocated to all separate performance obligations in proportion to

- Stand-alone selling price if sold separately
- Estimated stand-alone selling price if not sold separately,

Step 5 Recognise revenue when a performance obligation is satisfied

Key proposal: Control

- Revenue to be recognised when a performance obligation is satisfied by transferring the promised good or service to the customer. Transfer takes place on the customer obtaining control of the promised good or service.
- The amount of revenue recognised is the amount allocated to that performance obligation

Proposed cost guidance

Costs of obtaining a contract (e.g. selling and marketing costs) recognised as expenses when incurred

Disclosure requirements

Qualitative and quantitative information about:

- Its contracts with customers
- Maturity analysis for contracts extending beyond one year
- Significant judgments, in application of standards

What changes from present situation can be expected?

1. Transfer of goods or services precondition to Revenue recognition
Long term contracts like construction contracts are accounted for using percentage completion. Under the proposed standards it is allowed only when the customer receives goods or services continuously. Unless the transfer takes place throughout the contract - revenue recognition before completion of contract will become difficult.
2. Identification of separate performance obligations for distinct goods or services
Revenue attributed to goods or services incidental to the contract like mobile phones, airtime contracts, maintenance and installation etc will have to be accounted for separately.
3. Probability-weighted estimates of the consideration expected to be received
Reasonable estimate of contingent consideration recognised on transfer of goods / services. No need to defer the revenue till the contingency is resolved
4. Customer's credit risk reflected in the measurement of revenue
Recognised revenue will reflect the possibility of non payment of promised amount of consideration.
5. Allocation of transaction price in proportion to the estimated stand-alone selling price
Price at which good or service would be sold will have to be estimated to allocate part revenue to performance obligations.
6. Expensing of contract acquisition costs
Amortisation of costs of obtaining a contract will not be allowed

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CHAPTER NEWS

AHMEDABAD

Chapter inaugurated June 2010 batch for Foundation, Intermediate and Final classes. The Chapter has registered in all 1189 students for June'2010 batch.

NAVI MUMBAI

Note on Investor Awareness Programme held on 18th July 2010

As per the guidelines of Ministry of Company Affairs, the Chapter organized an "INVESTOR AWARENESS PROGRAMME" at K B Patil College (Modern College) Vashi, on Sunday, the 18th July 2010. The National Stock Exchange of India Ltd (NSE) provided the technical support for the programme.

While introducing the speaker Ms. Deepa Aggarwal, National Stock Exchange, Mr. Debasish Mitra, Secretary, of the Chapter narrated how Currency Futures as a product can be a strong platform for corporate hedging strategies, particularly under present volatile currency market.

CMA K R Jethani, Chairman of the Chapter briefed about the philosophy behind the "Investor Awareness Programme". He also informed about the activities of the Chapter, and also informed that the Oral Coaching Centre for Foundation/ Intermediate courses had started from 3rd July at Modern College, Vashi.

Ms. Aggarwal explained in depth about the Currency Futures, the product specification, the settlement process and the manner by which the risk is hedged by using Currency Futures. The presentation was interspersed with illustrations on hedging in different currencies.

The program was an open forum for the common public. It was well attended by professionals, students, teachers and common investors. Mr. V. Narayanan, Vice Chariman, of the Chapter proposed vote of thanks.

PUNE

Inauguration of Pune Chapter's Oral Coaching Classes

The inaugural function of Oral Coaching Classes -Session No.5, for July to Dec.2010 was organized at various centers of Pune Chapter on 1st July 2010 as follows:

CMA. Pramod Dube -Chairman PCCA at Laxminagar Premises Inter Morning & Final- evening,

CMA. Milind Date, Hon. Secretary-PCCA at Laxminagar Premises Inter l-evening

CMA. D.V. Patwardhan -Hon. Director PCCA, at Laxminagar Pune for Foundation-afternoon,

CMA. Harshad Deshpande -Treasurer PCCA at Wadia Inter evening batch,

CMA. N.K.Nimkar -Past Chairman of PCCA at Garware Inter evening batch,

CMA. Neeraj Joshi -Chairman Prof. Development Committee PCCA at Wadia Foundation,

CMA D R Kulkarni -Working Committee Chairman PCAC at More Mahavidyalaya -Akurdi,

Mr. Vikas Adawade Chapter Representative at HVD College -Foundation evening

Pune Chapter's admissions for July to Dec. semester for Oral Coaching have crossed 1100 being the highest ever in the Chapter's history. This is due to the tireless efforts put in by all the members of the present and past Managing Committee, Faculties and Staff of the Chapter.

The inaugural function of Oral Coaching Classes at Solapur Unit of PCCA was organized on 4th July, 2010. Mr. Pathrudkar, Director Bharati Vidyapeeth-Solapur inaugurated the opening of coaching classes. CMA R.V. Kshirsagar introduced the Chief Guest. CMA N. K. Alwal - Chairman, Solapur Unit, felicitated him. Mr. Pathrudkar gave valuable guidance to the students by observing that success in the professional qualification depends on hard working and positive approach. All other members of the Working Committee of Solapur Unit along with CMA N. K. Nimkar -Past Chairman of PCCA and CMA. D. V. Patwardhan, Hon. Director PCCA were present. CMA N. D. Dontul proposed a vote of thanks.

Half Day Seminar

MCCIA jointly with Ministry of Corporate Affairs - ROC Pune, Pune Chapter of Cost Accountants of ICWAI and Pune Branch of WIRC of ICAI, organized on 10th July 2010 at Pune, a half day programme on "Easy Exit and Settlement Scheme-2010".

The scheme is introduced by Ministry of Corporate Affairs, under "Company Law Settlement Scheme, 2010" allowing defaulting private and public companies to comply with Companies Act, Rules and Regulations with Lesser Penal Action, Granting of Immunity, Withdrawal of Prosecution(s), etc. in order to bring down number of defaulting companies and promote Legal Compliance Aptitude.

CMA, CA D.G. Kurundwadkar presented the paper and explained the scheme in detail. The Registrar of Companies - Pune, Mr. V.P.Katkar satisfied the queries and doubts of the participants. CMA Pramod Dube, Chairman Pune Chapter of Cost Accountants and Representatives of MCCIA expressed their views on the Subject.

Inauguration of Modular Training Programme

CMA Amit Apte, then the Vice Chairman WIRC, inaugurated Modular Training Programme for 15 days for Final year Students on 25th July 2010 at Pune for both Oral and Postal Students. He explained the significance of Modular Training programme to the students. The first session was conducted by CMA Milind Date, Secretary PCCA. CMA D. V. Patwardhan introduced CMA Apte & CMA Milind Date and felicitated them by offering bouquets.

SURAT - SOUTH GUJARAT

Inauguration of Oral Learning Centre – July-Dec-2010 Session

On 9th July, 2010 the Oral Learning Centre for July-Dec-2010 session was inaugurated by Mr. Rajnikant Marfatia, Chairman, Sarvajani Education Society, Surat. The Sarvajani Education Society is taking keen interest in developing the Profession of Cost & Management Accountants and it is the future of Country as a whole. CMA Kenish Mehta, Secretary of the Chapter conducted the session and gave introduction about Cost and Works Accountants Institute and their prospects. On this occasion CMA Dr. Heena S. Oza, Chairperson welcomed the students to ICWAI family and laid emphasis on hardwork in studies. CMA Manubhai Desai, Chairman WIRC showered his worthy blessings on students. About 300 students came to their new family of ICWAI Surat SG Chapter.

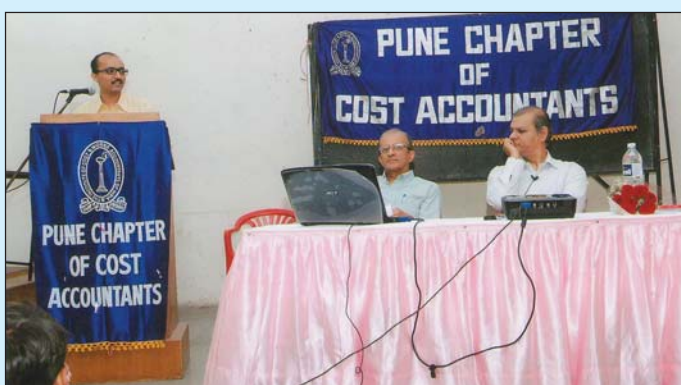
The formal Vote of Thanks was proposed by Mr. Jay Choksi, Grad. Member of the Chapter.



CMA N.K. Alwal - Chairman, Solapur Unit, felicitating CMA D V Patwardhan, Hon. Director of Pune Chapter during inauguration of Oral Coaching Classes at Solapur Unit. Also Seen (L to R) Mr. Prakash Thadsare, Chief Manager, Bank of Baroda, Solapur and Mr. Vilas Pathrudkar, Director - Bharati Vidyapeeth, Solapur.



CA, CMAD. G. Kurundwadkar, CA Dinesh Gandhi, Mr. Kadlaskar, Chairman of Corporate Legislation Committee - MCCIA, CMA Pramod Dube, Chairman, Pune Chapter of Cost Accountants during half day programme on "Easy Exit and Settlement Scheme-2010" organized by Pune Chapter on 10th July 2010 at Pune.



CMA Amit Apte, then the Vice Chairman WIRC interacting with students during inauguration of Modular Training Programme on 25th July 2010 at Pune. Also seen (L to R): CMA D V Patwardhan, Hon. Director of Pune Chapter and CMA Milind Date, Secretary of Pune Chapter.



Mr. Rajnikant Marfatiya, Chairman, Sarvajanic Education Society, Surat Inaugurating Oral Learning Centre at Surat-South Gujarat Chapter on 9th July 2010. Also seen (L to R) CMA Kenish Mehta Secretary of the Chapter, CMA (Dr.) Heena Oza, Chairperson and CMA Manubhai Desai Chairman WIRC.



View of students during Inauguration of Oral Learning Centre of Surat-South Gujarat Chapter on 9th July 2010.



CMA Amit Apte, Chairman WIRC receiving "Outstanding Student" Award at the hands of Mr. Raj Thakare, Chief MNS.

Errata

In the annual report published in the July 10 Bulletin the following matter was erroneously missed out in the page no.7, item.no. 3.6, para 5, – report on Regional Cost Conference. We regret the error.

"In the Plenary session CMA (Dr.) Girish Jakhotiya, Management Consultant delivered key note address".

"Congratulations !!!"

CMA Amit Apte, Chairman WIRC has received "Outstanding Student" Award. The award was received at the hands of Mr. Raj Thakare, Chief of MNS at a function in Pune on 8th July 2010. Awards were given to 10 selected students of Professor Behere's Classes of Commerce from the last 30 years batches.



CMA P.V. Wandrekar, Secretary-WIRC interacting with members during AGM of WIRC-ICWAI held on 31st July 2010 at Mumbai. Also seen CMA Amit Apte, Vice-Chairman WIRC, CMA Manubhai Desai, Chairman-WIRC and CMA D.K. Birla, Treasurer-WIRC



CMA Manubhai Desai felicitating CMA B. M. Sharma, President-ICWAI during Felicitation Function organized by WIRC on 31st July 2010. Also seen CMA P.V. Wandrekar, Secretary-WIRC.



CMA B.M.Sharma, President ICWAI alongwith members during felicitation function organized by WIRC on 31st July 2010.



CMA. Manubhai Desai, outgoing Chairman presenting bouquet to New Chairman CMA Amit Apte



WIRC Council Meeting in Progress under the Chairmanship of CMA Amit Apte



New Office Bearers for 2010-11 Standing: CMAs A.G. Dalwadi, CCM-ICWAI, Ashok Nawal, RCM, S.R. Bhargave, CCM-ICWAI, G.R. Paliwal, RCM & V.C. Kothari, CCM-ICWAI. Sitting: CMA P.V. Wandrekar, Hon. Secretary & Treasurer, WIRC, B.M. Sharma, President, ICWAI, Amit Apte, Chairman WIRC, D.K. Birla, Vice Chairman WIRC and Manubhai Desai, Immediate Past Chairman



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