



Chairman Writes

Dear Esteemed Members,

I convey greetings and wishes to all members a happy financial year to commence from April. I on behalf of Guntur Branch managing Committee wish good health, Wealth and prosperity to one and all on the occasion of Ugadi Telugu New Year "Sri Durmukhi Nama Samvatsara" which begins on April 8,2016.



The season of Bank Audit begins and I am sure the members have planned their schedules for the bank audits. As you all are aware that the effective growth of the economy depends on healthy banking system and the society also expects the bank auditors to strengthen the governance practices in the banking industry. The commitment of the auditor for audit quality and compliance with the auditing and accounting standards not only fulfils statutory compliance but also helps in building a strong mutual relationship.

Programs held in March

The programs held during the month were very educative and informative. There was overwhelming response for Seminar on Bank Audit held on 22nd March, 2016. Chief Guest , Hon'ble President Sri.M.Devaraja Reddy, and Guest of Honour CA.E.Phalguna Kumar,Chairman, SIRC, addressed the gathering of around 160 members of our profession , and also participated in the inauguration of "Address to Redress" information KIOSK for Members & Students. I convey my sincere thanks to the Chief Guest Hon'ble President Sri.M.Devaraja Reddy, and Guest of Honour CA.E.Phalguna Kumar,Chairman, SIRC, for their noble presence. I also convey my sincere thanks to the distinguished speakers for the session who have shared their rich knowledge and enriched the members for effective implementation of the same in their bank audits. It is also my duty to convey my sincere thanks to the delegate members who made the event a grand success.

I would like to conclude my communique for this month with the quote "Success Seems to be Connected with Action. Successful people keep moving . They make mistakes, But they don't Quit."

Regards

Chekuri Sambasiva Rao
Chairman.



SERVICE TAX

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CONSTRUCTION SERVICES TO GOVERNMENTAL AUTHORITY- PATNA HIGH COURT WIDENS THE SCOPE OF EXEMPTION

Certain infrastructural construction services provided by any person to Government, local authority and Governmental authorities are being exempted from service tax under entry 12 of Notification 25/2012-ST dated 20.06.2012. The said entry is reproduced as under;"12. Services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of

- (a) a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;
- (b) a historical monument, archaeological site or remains of national importance, archaeological excavation, or antiquity specified under the Ancient Monuments and Archaeological Sites and Remains Act, 1958 (24 of 1958);
- (c) a structure meant predominantly for use as (i) an educational, (ii) a clinical, or (iii) an art or cultural establishment;
- (d) canal, dam or other irrigation works;
- (e) pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal; or
- (f) a residential complex predominantly meant for self-use or the use of their employees or other persons specified in the Explanation 1 to clause 44 of section 65 B of the said Act"

(Note: With effect from 01.04.2015, the entries (a), (c), (f) are omitted and by entry 12A exemption is restored with respect to these entries but only for contracts entered into prior to 01.04.2015)

The exemption under the above reproduced entry is applicable if the services are provided to government or Local authority or Governmental authority. The term 'Governmental authority' for the purpose of this exemption is given under clause (s) of Part II (Definitions) of the Notification 25/2012-ST dated 20.06.2012. The same is reproduced as under;

"Governmental authority" means a board, or an authority or any other body established with 90% or more participation by way of equity or control by Government and set up by an Act of the



Parliament or a State Legislature to carry out any function entrusted to a municipality under article 243W of the Constitution

In view of the above reproduced definition, the following conditions are required to be cumulatively satisfied in order to consider a particular authority as "governmental authority"-

It shall be a board, or an authority or any other body established by Government with 90% or more participation by way of equity or control by Government and set up by an Act of the Parliament or a State Legislature to carry out any function entrusted to a municipality under article 243W of the Constitution.

Thus the above definition of 'Governmental authority' has restricted scope and does not include various bodies/authorities like government companies, boards, authorities that are established and owned by Government by means of a gazette notifications and are not separately setup by an Act of Parliament and State Legislature.

In view of this legal anomaly, the definition has been amended by Notification 2/2014-ST dated 30.01.2014 with a view to include within its ambit, the entities which are established by Government but are not necessarily setup by an Act of Parliament or State legislature. The amended definition is reproduced as under;

"governmental authority" means an authority or a board or any other body;

(I) set up by an Act of Parliament or a State Legislature; or

(ii) established by Government, with 90% or more participation by way of equity or control, to carry out any function entrusted to a municipality under article 243W of the Constitution;

In the recent Finance Budget, 2016, it is proposed vide clause 156 to introduce a new section 101 in Finance Act, 1994 to refund service tax if any paid based on the previous restrictive definition of 'Governmental authority' for the canal or irrigation works undertaken prior to 30.01.2014; The TRU Circular F.No.334/8/2016-TRU dated 29/02/2016, which was issued to clarify the proposed budget changes, has made the following observation;

" Service Tax exemption to canal, dam or other irrigation works with retrospective effect:

a) Definition of Governmental authority was amended with effect from 30.01.2014 so as to exempt services provided by way of construction, erection, maintenance, or alteration etc. of canal, dam or other irrigation works provided to entities set up by Government but not necessarily by an Act of Parliament or a State Legislature. However, services provided prior to 30.01.2014 to such bodies remained taxable. The benefit of exemption is proposed to be extended to the said services provided during the period from the 1st July, 2012 to 29.01.2014."

Thus the scope and intent of the above amendment in the definition of 'Governmental authority' is with a view to allow exemption benefit to those entities established by Government but not so by



way of an Act of Parliament or State legislature.

Recently, the Patna High Court in the case of ShapoorjiPaloondi and Company Limited vs. CCE, 2016-TIOL-556-HC-Patna-ST had the occasion to interpret the scope and ambit of the above amended definition of 'Governmental authority'. The facts of this case are that the petitioner company was appointed by IIT, Patna to construct their academic building. It was undisputed that IIT, Patna was setup by an Act of Parliament i.e. Indian Institute of Technologies Act, 1961. The petitioner company had initially collected service tax and paid. However, C&AG after conduct of their audit pointed that the petitioner company need not pay service tax for construction undertaken to the IIT. The petitioner applied for refund and the same was rejected.

The petitioner claimed refund on the interpretation that in order to come within the ambit of 'Governmental authority', it is sufficient that the same is set up by an Act of Parliament or State Legislature. The condition as to 90% or more participation by way of equity or control and to carry out any function entrusted to a municipality under 243W of the Constitution are not applicable for those entities that are set up by an Act of Parliament or State Legislature. The said conditions are applicable only for the second clause of the definition i.e. authority or body established by Central Government. The Patna High Court heard the parties and came to the conclusion that no service tax is required to be paid by the petitioner for the reason that IIT falls within the ambit of 'Governmental authority'. The relevant para is reproduced as under;

"The Governmental authority as defined in the notification dated 30th January, 2014, means an authority or board or any other body set up by an Act of Parliament or State Legislature. The provisions contained in sub-clause(i) and sub-clause(ii) of clause 2(s) are independent dis-conjunctive provisions and the expression "90% or more participation by way of equity or control to carry out any function entrusted to a municipality under Article 243W of the Constitution" is related to sub-clause (ii) of clause 2(s) alone. The clause (i) is followed by "," and the word "or". Therefore each of the sub-clauses is independent provision."

In view of the above observation of Patna High Court, Governmental authority would include any authority or body set up by an act of Parliament or State Legislature. It also includes any authority or body established by Government with 90% or more participation by way of equity or control to carry out any function entrusted to a municipality under Article 243W of the Constitution.

Based on the interpretation of Patna High Court, any authority or body established under an act of Parliament or State legislature would come within the ambit of 'Governmental authority'. This would be so even if Government is not holding 90% or more equity or controlling interest and such institutions are not entrusted with functions covered under Article 243W. These include institutions like LIC, IRDA, SEBI, ICAI etc. Thus any construction services of the nature specified under entry 12 to these entities would be entitled to exemption;



2MORROW...



'U' MAY DIE!!!

CA. A.V.HARANATH BABU

M.COM., FCA., BL

Dr. Bob Moorhead in his famous theory of ironies and paradox, observes that a man spends all his health and energy to earn money, and in latter part of life, he uses the same wealth to regain his health. He also quotes other examples only to explain the man's thirst and greed for what he wants, never trying to realize what he actually needs.

As a matter of pure conviction and satisfaction, it becomes a necessity for us to stop for a while and think on what we are running towards...? when asked to a group of CA students about their ultimate objective in life, the answers varied from the usual "I want to become Successful in life" to "I want to become a Successful businessman" "I want to become a Successful Chartered Accountant" and so on... but the fact remained that everybody wanted to tag the word 'Success' with their life objective. Further proved that "Success" was just a fancy word being used for the sake of it, rather than for its real meaning.

You call yourself Successful not when you have earned enough money, because 'Enough' is never enough for us. You call yourself Successful not when you have built 5 storied building / plaza or bought the BMW 5 series sports edition which you always dreamt of, as they are only directly proportional to your earnings.

If not any of these, then what could the so called 'Success' be...?

In its fullest sense, 'Success' is being free, 'Success' is being convinced and satisfied the way your life proceeds, 'Success' is being happy and peaceful and above all, 'Success' is finding joy in every little thing that you do. 'Success' is living out every moment you are blessed with, rather than dragging your soul behind a half-dead body.

How would life make sense if one fine morning you feel like not going to work, but you are not free to do so? You feel like spending some extra time with your family, but your business / profession obliges you not? You feel like partying with your friends, but your financial commitments show you a red signal?

People, who listened to their hearts and shifted gears to chase their passion, have always been able to carve their own little stories of 'Success' and happiness. Your 'Success' is what people will speak about you when you are done with your term in this world. Your passion is like your first



heartthrob whose memories you always wish to cherish in some corner of yourself. Even the slightest thought of it will give you loads of joy and excitement.

In that case, the ultimate question comes up, why not follow your passion and build a living around it? The fact being that tomorrow, people will speak only about how have you contributed to the society rather than how much of money you have earned.

Like what is stated in the beginning of this note, it's time for us to take a pause and analyze if we are really happy and satisfied with the things that we do.

If you feel like dancing in the rain, just go out and dance, if you feel like watching movie, go and enjoy, if you feel like sitting idle doing nothing, just do the same, and don't just wait for that perfect moment or day to do it, do it NOW!! As the famous quote goes, 'why worry of the dead yesterdays, unborn tomorrows; eat, drink, and be merry today, may be you will die tomorrow'!!

Steve Jobs was fond of saying, "Live everyday as though it is your last ... and one day, you will be right."

And I love this quote by John A. Robinson, from his book, *On My Journey Home*: "Make the most out of each day you have. Do not live to die, die to live each day to its fullest. Say what you need to say and do what you need to do, because at any time, that chance can become history without warning."

Things which you should do before you Die:

There may be bucket list of things to do before you die. However, author have highlighted the most important things to do before you die to lead happy & pleasant life:



1. Thank the catalyts of your becoming.

This can begin with your parents. It's because of them that you're still here. They gave you something- even it was only the gift of being born. I understand that some of you may feel as though you don't have anything to thank your parents for, but I promise you, you do. For the people who helped you and for the people that broke your heart- they all played equally important roles. You need to thank these people, they all played a role in building your city.

2. Be honest and express your love.

Don't let some wonderful person go on living their life not knowing how deeply they are loved by you. Most often, when you tell people how you feel, they are receptive and grateful that you think so much of them, even if they don't necessarily reciprocate the feelings. At least, let them know that they are worth loving, and that even if you aren't the person they want to be with, they should know that you're there, and you want them.



3. Accept that whatever happened, happened.

Thinking it through a few more times won't change your feelings. We're very often caught in this delusion that the more we dwell on something, view it from every angle, get a few more opinions, the situation may change or we'll feel differently about it. This is not true. It will only serve to upset us and keep attracting that same kind of negativity into our lives. The issue isn't experiencing negativity in your life. A happy life isn't one that is free of sadness or pain. It's the one that has learned how to let it pass by without getting caught on the edges of our innate joy. It only sticks if you hold your hands out to grab it.

4. Be who you are, in all ways you think of.

Listen to your favorite song, eat your favorite food, enjoy the little things that bring you happiness. The truth is we lose sight of the reputation of the things we love because we assume we'll always be able to have them. Imagine every experience was the last time you'd have it. Talk to yourself at least once in a day, otherwise you may miss meeting the excellent person in this world.

5. Thank to those who deserve from you.

Thank those who have helped you, and thank those who haven't: they've helped you in silent, invisible ways that were more powerful than you may have realized. Weak people revenge, Strong people forgive, Intelligent people IGNORE. Say hello to the friends you lost touch with, remind your relatives how much you care about them, and thank them for the little things they've done for you that seemed insignificant before. Thank for their part in your journey.

6. Write down what you know and what you've learned.

Leave your legacy in writing. You never know who could pick it up one day and learn from it. People have a strange tendency of really taking note of what people are saying after they're gone. It makes what they said this exclusive and irreplaceable thing- and it is! At the end of the day, make sure the world knows what you know, and fulfill your own role of helping to fulfill others in whatever way you feel compelled to do so.

7. Apologize.

Not only to the people you have hurt, but to yourself, to the universe, to whatever and whomever you have hurt without realizing. Just because your intentions are always good does not mean you haven't hurt someone. One of the traits I most admire in people is when they have the confidence to say that they were wrong, they ask apology. It's less frequent than you'd think, but I do believe it's one of the markers of a truly good soul. This doesn't mean asking sorry for things that are not your fault, of course.

Any good apology has 3 parts: a) I'm sorry b) it's my fault c) What can I do to make it right? Most people forget the third part. Please read it again.



FORMAT FOR THE FINANCIAL STATEMENTS PREPARED UNDER IND-AS - REVISED SCHEDULE III

GENERAL INSTRUCTIONS FOR PREPARATION OF FINANCIAL STATEMENTS OF A COMPANY REQUIRED TO COMPLY WITH Ind AS

1. Every company to which Indian Accounting Standards apply, shall prepare its financial statements in accordance with this Schedule or with such modification as may be required under certain circumstances.

2. Where compliance with the requirements of the Act including Indian Accounting Standards (except the option of presenting assets and liabilities in the order of liquidity as provided by the relevant Ind AS) as applicable to the companies require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes inter se, in the financial statements or statements forming part thereof, the same shall be made and the requirements under this Schedule shall stand modified accordingly.

3. The disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Indian Accounting Standards. Additional disclosures specified in the Indian Accounting Standards shall be made in the Notes or by way of additional statement or statements unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the Companies Act, 2013 shall be made in the Notes in addition to the requirements set out in this Schedule.

4. (i) Notes shall contain information in addition to that presented in the Financial Statements and shall provide where required-

- (a) narrative descriptions or disaggregations of items recognised in those statements; and
- (b) information about items that do not qualify for recognition in those statements.

(ii) Each item on the face of the Balance Sheet, Statement of Changes in Equity and Statement of Profit and Loss shall be cross-referenced to any related information in the Notes. In preparing the Financial Statements including the Notes, a balance shall be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation.



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