

# The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



## NOIDA BRANCH OF CIRC



For in house Circulation Only

No. – 11 (2017-2018)

JANUARY -2017

### RESPECTED EMINENT MEMBERS

At the outset of sharing my views for this News Letter, I convey my sincere thanks and regards to all the Members, Senior Members in Profession across the CIRC, whole CIRC Team, Glory of Central Council Members, various Committees of ICAI, Worthy President and Vice President of the Institute, and Eminent members, to usher their wholehearted support, vision, guideline to execute, perform and serve the profession.



During the year we witnessed several new enactments, diagonal demand in the professional upliftment, may be the companies Act, IFRS Inclusion, ICDS Scheme, IDS Scheme, GST updation, Increasing the professional requirement of Forensic Audit and Fraud detection sphere, Inclusion of New Act like, Insurance and Bankruptcy Act 2016, etc. Looking towards to cater the professional acquaintance among the CA Fraternity, we have, tried our best to serve the each aspect and subject by way of providing qualitative and meaningful seminars, workshops, Certification Courses, CIRC 25th Annual Function, GST- National Conference etc.

Various Committees of The ICAI, like, Internal Audit Assurance Committee (IASB), Committee of Information Technology (CIT), Young Member Empowerment Committee (YMEC) Women Member Empowerment Committee (WMEC), Board of Studies (BOS), Indirect Tax Committee (IDT), Professional Development Committee (PDC), Career Counseling Committee, has given their extended support to accomplish the Best Seminars with NOIDA Branch.

Apart from Seminars and Conferences, We have provided a bond and worth creation family bonding with the CA Families and conducted and celebrated, CA Day, Sports Day, Independence day, New Year Celebration at National Conference.

Friends, many thanks to the whole CIRC Team to ponder their support and visiting Noida Branch by the whole CIRC Team and provided us the opportunities to felicitate the Team CIRC at Noida along with worthy Vice President CA Nilesh S Vikamsey, CCM CA Mukesh Singh Kushwaha, CCM CA Prakash Sharma, CCM CA Rajesh Sharma, CCM CA Manu Agrawal, CCM CA Kemisha Soni.

Friends, With my whole hearted thanks to all the members that each and every seminar has a great turnout of members participations in seminars, and I expect and wish that this support will continue remain with the Noida Branch.

Friends, It is very pertinent to mention that Noida Branch is actively and efficiently serving its counter part of CA Students, We have performed various seminars for students, conducted Industrial Visits, CA Students National Conference.

Friends, I wish to mention thanks to the media persons, the Noida Staff have extended their best efforts in accomplishing the successful seminars.

Friends, I have been given the responsibility to carry the legacy of Noida Branch and assure that we have left no stone unturned while performing the responsibility conferred. With your blessings, we wish that Noida Branch must add a feather in it's Cap for this year 2016 also.

With best regards  
CA SANJAY SHARMA  
CHAIRMAN, NOIDA BRANCH

*Thank you*

**Secretary writes.....  
Respected Professional Colleagues,**

At the outset, I take this opportunity to wish you and your family a very special year 2017.

Friends, the year 2016 had been eventful for your branch. You had elected new Management Committee for your branch for next three years to look after day to day affairs of branch and take care of your knowledge updation by providing best speakers in seminars, by providing best diploma courses.

Friends, the month of December 2016 had kept your management committee members busy entire month. The December month had witnessed the National Conference for members and National Convention for students. The salient features of National Conference were- it was for two days, it was only on GST, 550+ delegates participated in this conference. This conference had created history for your branch. In 2016, your branch had witnessed lot of activities for students whether we talk about periodic seminars, we talk about educational trips, we talk about national level programs, brilliant efforts by our CICASA chairman, Hon'ble CA P K Singhal ji, senior by experience and youth by heart.

Friends, your branch committee had made sincere attempt to search a suitable and bigger place for your branch building and we are hopeful for delivering news of

shifting your branch in bigger place in coming months.

Friends, for the month of January 2017, we are planning lot of activities for our members as well for our students in addition to Flag hosting on 26<sup>th</sup> January 2017. The career council committee of The Institute of Chartered Accountants of India under the dynamic leadership of CA Mukesh Singh Kushwah Ji, Hon'ble Central Council Member, is also organising commerce wizard for students of IX, X, XI and XIIth class. Please encourage all known such students for commerce wizard being a brand ambassador of our profession.

Friends, I stop writing of this message with a humble request to provide your feedback for better working of your branch to any our committee member.

With best regards  
**CA SUDHIR KUMAR**  
**SECRETARY, NOIDA BRANCH**  
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*Thank  
you* 





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### **EPFO Launches ECR 2.0**

The EPFO has revised the existing ECR format and the ECR filing portal in order to reduce the complications present in the existing ECR portal and to ease the overall process related to PF. The

new ECR portal will replace the current numerous and fragmented PF portals and will include ECR filing and payment process.

ECR 2.0 will be based on UAN format which means only the contributions made by employees having UAN can be uploaded through the new ECR filing. The new ECR file format will be having only 11 fields, as opposed to the previous 25 fields. The new format will have additional fields for UAN and Gross wages, but will no longer have fields for Employee share due, EPS contribution due, Employer share due, all arrears fields and employee informative fields.

In ECR 2.0, all arrears related fields will be a part of a new arrears file and all employee's information fields will be captured at the time of UAN generation.

This will also result in change in process for new joinees, as PF will only be uploaded for those having UAN.

### **ESI Amnesty Scheme Launched**

Union Minister of State for Labour and Employment, Mr. Bandaru Dattatreya, has launched new ESI Amnesty scheme SPREE to promote registration of Employees and Employers under ESIC. This scheme will remain open from 20th December 2016 to 31st March 2017.

This is a one time opportunity to all the employers to register their business and eligible employees under ESI act to avoid attracting hefty penalties. Union Minister Bandaru Dattatreya also said that employees registered under this one time amnesty scheme will be treated as covered employees from the date of registration and all the employers will be treated as registered employers from the date of registration itself. He also said no action will be taken against

employers if they registered themselves under this ESI Amnesty scheme SPREE.

ESI Corporation has also approved enhancement of medical expenditure to Rs 3000 per insured person from Rs 2,150 per insured person earlier.

### **EPF Amnesty Scheme Launched**

EPFO has launched an amnesty scheme by the name of 'Employees' Enrolment Campaign, 2017' with the objective of increasing coverage and extension of benefits to employees. The scheme has come into force on 1 January 2017 and will cease to operate on 31 March 2017. The amnesty scheme will allow employers to enroll employees who were required to become Provident Fund members but were not enrolled for any reason.

In respect of such employees, the employer will need to deposit:

- a. Employer's contribution payable under the Provident Fund Scheme
- b. Employee's contribution only where the same is deducted from employee's salary in the respective months
- c. Interest @ 12% per annum for delayed deposit of contribution
- d. Nominal damages of Re. 1 per annum for delayed deposit of contribution

There will be no administrative charges payable in respect of contributions made under the amnesty scheme. The employer is required to make a declaration to the Provident Fund Office providing details of such employees proposed to be covered under the amnesty scheme. The amnesty scheme will not be applicable where any proceedings under Section 7A of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 ("Provident Fund Act") are ongoing against the employer.

With best regards

**CA GIRISH KUMAR NARANG**  
**TREASURER, NOIDA BRANCH**

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*Thank you* 



## DEMONITIZATION – ADDITIONAL PROCEDURES TO BE PERFORMED BY AUDITORS

Prime Minister of India Mr. Narendra Modi in an unscheduled live televised address to the nation at 20:15 Indian time (IST) on 8th October 2016 announced that circulation of all Rs.500 and Rs.1000 bank notes of Mahatma Gandhi series stands invalid and announced the issuance of new Rs.500 and Rs.2000 bank notes of new series. The banknote denominations of Rs100/-, Rs50/-, Rs20/-, Rs10/- and Rs5/- of the Mahatma Gandhi series continued to remain as legal tender and were unaffected by the policy. The objective of demonetization is to prevent the funding of terrorism as well as to crack down on black money in the country.

Following are the various methods adopted for use of old currency notes and to violate the directives:

- a) **Gold Purchase:** In Gujrat and Delhi, the sale of gold increased to 20% - 30% resulting in the increase in the price of gold to Rs.45000 from the ruling price of Rs.31,900 per 10 gms.
- b) **Multiple bank transactions:** One of the generic method adopted was to make multiple transactions at different bank branches.
- c) **Railway booking:** Booking of tickets in class 1AC or 2AC for the longest distance possible with the objective to cancel the tickets at a later date.
- d) **Payment of Municipal & Local Taxes:** The use of the demonetized notes had been allowed by the government for the payment of municipal and local body taxes. This led to

people using the banned Rs 500/- and Rs 1000/- notes to pay large amounts of outstanding taxes, and also advance taxes. As a result, revenue collections of the local authorities have jumped due to the demonetization.

- e) **Back dated FDs in co-operative banks and credit societies:** In most of the co-operative banks and credit societies mostly in the rural areas where most of the bank activities are done manually, people have obtained back dated fixed deposits in the name of villagers by providing the villager some incentives to obtain their bank account details.
- f) **Unsecured loans:** Loans were given to the people having minimal bank transactions or minimum amount of bank balance. Specifically those accounts which would not arouse any suspicion.
- g) **Payment of advance salary:** Most of the companies which had earlier paid salaries through cash, have started to pay advance salary in the bank accounts of employees. Old currency notes were deposited in the bank accounts of employees with the threshold limit of Rs.2.5 lakhs.

### Role of Auditors

It is important for the auditors to be part of the initiative to curb the black money and help to present a more transparent economy. More transparent economy would take the nation towards the path of growth. The auditors in this present scenario has to change the method of auditing and adopt more aggressive methodology which would help to unearth the above mentioned practices which are generally adopted by people to conceal their income or deposit their undisclosed money.

1. **Analytical review:** Evaluation of financial information through analysis of plausible relationships among both financial and non-financial data would give us the result in the form of any abnormality between the previous period and the present period. The auditor can arrive at the anticipated result of the entity based on the budgets, forecast or expectation. In case any large deposits are made during the period, the same can be detected by use of analytical procedure. Payment of long pending advances or advances could be given to the employees which may not be general practice or the policy of the company.
2. **Review of bank accounts (including dormant account):** As a general practice, it is observed that people have started depositing money in various bank accounts. Few of the accounts may have become dormant but money may have deposited after demonetization. The auditors have to check all the bank accounts and verify the pattern of transactions in those bank accounts. High variances or suspicious transactions may be reviewed.
3. **Review of fixed assets details:** A detailed scrutiny of the fixed assets would help the auditors to identify the abnormal procurement of fixed assets and the source of funding of the assets. The assets could be generally procurement of land, bullions, jewellery etc.
4. **Review of transactions in E-Commerce:** After the demonetization, since most of the transactions are done through E-Commerce, it is important for the auditors to understand how the transactions are made through E-

commerce. Although E-commerce is not much different from any other traditional business other than its close integration with technology, all the e-commerce transactions have distinct characteristics of total involvement of end-user at every stage of the process.

5. **Knowledge/training in auditing of financials in integrated systems environment**

Considering the transactions which will be done through the electronic mode, the auditors should plan the audit accordingly. The audit team members should have knowledge or training in auditing the financial of a highly integrated accounting environment. Because of computerized scenarios, most professional auditors should hold this expertise.

Post Demonetization, many companies are using fraudulent methods to convert the undisclosed income / revenue. It is the duty of auditor to report such fraudulent matters. As per the Companies Act, 2013 if the auditor of a company in the course of performance of his duties as auditor, has reason to believe that an offence of fraud has been made by the officers or employees, he needs to report the same to the audit committee or the Board / or also report to the Central Government. Thus, the responsibility of auditor has increased many folds after the bold step taken by the Government and the audit community has to come forward by performing their duties diligently.

**Thanks & Regards**

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*Thank  
you* 





## Income Tax Provision of Educational Institutes

1. Organization:- an educational institute in a non-profit organization can be set up in the following manner.

- i. Society
- ii. Trust
- iii. Section 25 Company ( Section 8 in new Companies Act 2013 ).

2. Meaning of Education under Section 2(15) of the Income Tax Act 1961 :- The word “ education “ mean training and developing the knowledge, skill, mind and character of students by normal schooling. The running of a private coaching institute for the purpose of training the students to appear at certain specified examinations upon taking specified sum from the trainees is not a charitable purpose.

An education institute should be recognized by a competent authority e.g. District Authorities, CBSE, UP Board, AICTE, Universities, University Grant Commission etc. and education should be imparted through normal schooling.

3. Meaning of charity and education by some judicial decisions :-

- a. **Vocational training is charitable activity** as per CIT Vs Shri Ram Education foundation (2001) 250 ITR 504 ( Delhi ) it was held that vocational training provided to needy women was a charitable activity.
- b. **Educating Public about Safety should be covered under terms education** as per the **DIT (E) Vs National Safety council** (2008) 305 ITR 257.
- c. **Printing of books is not a education** in Saurashtra Education Foundation Vs CIT ( 2005 ) 273 ITR 139 ( Guj ) , it was held that

printing of text book could not be considered as education. It was held mere publication of educational books would not suffice to be an educational activity.

**d. Training and education in performing art like dance and Music also a education activity** in the case of Vempati China Satyam Kuchipudi Art Foundation Vs DCIT (2012) 20 Taxmann.com 323 ( Chennai ).

**e. In the case of Deputy Director of income-tax ( exemption ) , Ernakulam Vs kuttukaran Foundation ( 2012 ) 19 Taxmann.com 331 ( cochin- Trib.)** it was held that mere conduction of coaching classes for preparing students to attend examination conducted by open university or by other university or distance education cannot be construed as charitable activity within meaning of section 2 (15). Assessee has to necessarily conduct a regular school/college in which students are imparted education, knowledge training which result in conferment of degree or diploma by government or governmental agency or university so as to be entitled to exemption under section 11.

**4. Education Institute having turnover less then Rs one crore :-** As per the section 10 ( 23C) (iiiad) any education institutions who provide any sort of education recognized under competent authority, will be exempt from income tax from their income.

**If education Institution donot have any registration under section 12AA and as per there formation deed ( e.g. Bye laws, Trust Deed ) they are wholly dedicated towards educational motive** then entire income excess over expenditure will be exempt under section 10 ( 23C) (iiiad) with the fulfillment of certain following conditions.

- i. income tax return is mandatory to be filled under section 139(4C).
- ii. The Accounts need to be audited by a Chartered Accountant and audit report to be furnished in Section 12 ( A ) ( b ) of income tax act. As Section 12 ( A ) ( b ) which says that “ where the total income of the trust or institution as computed under this act without giving effect to (

the provisions of section 11 and 12 exceed the maximum amount which is not chargeable to income tax in any previous year), the accounts of the trust or institution for that year have been audited by an accountant as defined in the Explanation below sub-section ( 2) of section 288 and the person in receipt of the income furnishes along with the return of income for the relevant assessment year the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed”.

### For Example

An NPO is running a education institute having Gross Receipt of Rs 90 Lacs and the profit of Rs 18 Lacs ( approx 20 % NP Ratio) , now NPO has 2 options

**a. If NPO Don't have the Registration under 12 AA**

then the organisation may claim entire income ( Profit ) of Rs 18 lacs to be exempted under section 10 ( 23C) (iiiad) after filling the income tax return u/s 139 (4C) along with the audit report.

**b. If NPO Do have the Registration under section 12**

**AA** As per the section 11 of income tax act the organization can claim full exemption of the income, required to applied at least 85% of the such income during the previous year toward the purpose for which the organization ( NPO ) has been created.

**5. Education Institute having turnover more than Rs one crore:-**

if any education institutions are having gross receipt more than Rs one Crore then it is advisable to first take the registration u/s 12 AA and then move for exemption under section 10 ( 23C) (vi) if required.

**6. Anonymous Donation and its Treatment :-** In order to tax unaccounted money being contributed to charitable institutions by way of anonymous donations, a new section 115BBC has been inserted so as to

provide that any income by way of anonymous donation of the following entities shall be included in the total income and taxed at the rate of 30%.

- a. Any trust or institution referred to in section 11
- b. Any university or other educational institution referred to in section 10 23( c )( iiiad) and ( vi ) i. e its annual receipts is less than or more than Rs1 Crore,
- c. Any hospital or other institution referred to in section 10 (23C) (iiiad) and ( via) i.e. its annual receipts is less than or more than Rs 1 Crore.
- d. Any fund or institution referred to in section 10(23C)(iv).
- e. Any trust or institution referred to in section 10 (23C)(v).

Anonymous donation not covered under section 115BBC

The following anonymous donation shall, however be not be cover under section 115BBC:

- i. Donations Received by any trust or institution created or established wholly for religious purposes.
- ii. Donation received by any trust or institution created or established for both religious as well as charitable purposes other than any anonymous donation made with a specific direction that such donation is for any university or other education institution or any hospital or other medical institution run by such trust or institution.

### How to Tax the total income of the trust which include anonymous donation also

Aggregate of anonymous donation received in excess of higher of the following shall be taxable @30%:

- (a) 5% of the total donation received by the assessee.
- Or
- (b) Rs100000/-



The balance total income reduced by the aggregate of anonymous donation received shall be taxable per the other provisions of the Act. In other words anonymous donations received to the extent of higher of the above two amounts shall be taxable at the special rate of 30% under section 115 BBC.

## 7. Meaning of the Income :-

Income in the case of a charitable trust or institutions has to be understood in the broadest of terms. As in the case of any other assessee it will include income falling under different heads of income , including profits and gains of business or profession, capital gains, income from house property and income from other sources ( such as dividends interest on securities etc ) . Additionally, in the case of a charitable trust or institution, donations received ( voluntary contributions), which otherwise do not possess the character of income are also to be included in income. All these amounts will, in the first instance, be included in the income of the charitable trust or institutions and thereafter exemption can be claimed subject to fulfillment of prescribed condition as per section 11.

## 8. Procedure of Registration u/s 12A:-

a. Section 12 AA of income tax act and rule 17 A of the income tax rules prescribe the procedure for registration of a trust where an application for registration under section 12A has been received by the commissioner or Director. The application for registration has to be made in Form No 10A . it should be accompanied by the following document in 2 sets

- i. Copy of the trust deed/memorandum/ bye laws of the institutions.
- ii. Copy of the Books of accounts such as balance sheet and income & expenditure.
- iii. A brief note on charitable activities of the institutions.
- iv. Copy of the pan no of institutions.
- v. Copy of the bank statements.
- vi. Name, Address and Pan no of all office bearer.
- vii. Some photograph of the charitable activities.

- b. On the receipt of the application, the CIT/DIT (E) has to pass an order either registering the trust or institution or rejecting the application. The registration may be rejected on the ground that the trust or its activities are not genuine. Under sub-section (2) of section 12 A such an order registering or refusing registration has to be passed within a period of **six month from the end of the month** in which the application is made.
- c. The following points should ordinarily be kept in mind at the time of making an application for registration:-
  - i. There should be a legally existent entity which can registered .
  - ii. It should have a written instrument of creation or written document evidencing its creation.
  - iii. All its objects should be charitable or religious in nature as per the section 2 (15) of the income tax act.
  - iv. Its income and assets should be made applicable exclusively towards the objects mentioned in the object clauses, and the rules and by-laws.
  - v. No part of its income should be distributable or distributed, directly or indirectly, to its members directors or founders, related persons or relatives etc claiming through them.
  - vi. In case of dissolution, its net assets after meeting all its liabilities, should not be revertible or reverted to its founder, members, directors or donors etc but used for the objects.

## 9. Procedure of Approval u/s 80G:-

- a. **Rule 11AA** prescribed that an application for approval under section 80G shall be made in triplicate in form no 10G . with shall be accompanied by copies of following documents:-
  - i. Order of registration under section 12A or notification under section 10 ( 23C).
  - ii. Note on activates conducted since inception or in last three years , whichever is less.
  - iii. Accounts of the institution since inception or for the last three years , whichever is less.

- iv. Any other institution notified by the government.
- b. The rule also provides that the application made by the assessee shall be disposed of within six month of the date on which the application was made.
- c. No formal procedure has been laid down either in the act or the rule for disposal of the applications. However the institution has a right to be heard before its application rejected. Orders passed by the commissioner can now be challenged before the income tax appellate tribunal under section 253. With effect from 01.10.2009, accordingly approval once granted is now valid forever unless withdrawn by the commissioner where he is satisfied that the activities of the institution or fund are not genuine or are not being carried on in accordance with its objects.

**10. Conditions which are required to be fulfilled by a charitable or religious trust seeking exemption under section 11:-**

To ensure that only organization engaged in bona fide charitable or religious activities are allowed to claim exemption from tax, the law has prescribed a number of legal and procedural requirements. Taxpayers would be well-advised to go through the relevant provisions, particularly sections 11,12, 12A, 115BBC and 139(4A) of income tax act and rules 17, 17A, 17B and 17C of income tax rules. For the sake of brevity and easy reference, however the Do & Don't for the claim of exemption by a charitable or religious trust under section 11 are summarized below:-

- I. The trust must be public charitable or public religious trust and not a private trust.
- II. Income claimed to be exempt must be derived from property held under trust.
- III. The trust must be wholly for charitable or religious purposes.
- IV. If the trust or institution has taxable income for the year before claiming exemption under section 11 and 12, its accounts must be audited by a chartered accountant and audit report in the prescribed form must be filed with the return of income.

- V. The trust must be registered by commissioner/director of income tax under section 12AA.
- VI. Activities of the trust must be carried out in india.
- VII. 85% or more of the income for the year must be applied to ( i.e put to use) for charitable or religious purposes and the balance ( i.e 15 % or less ) ,must be accumulated or set apart for future application to charitable or religious purposes. OR  
If 85% of the income not applied to charitable or religious purposes during the year the same must be accumulated or set apart for future application for definite and specified purposes. For this purpose the assessee must a give a notice in writing to assessing officer within the due date of filing of return of income be invest the money so accumulated or set apart only in specified modes. The maximum period for which such income can be accumulated or set apart is 5 years.
- VIII. If income of the trust or institution includes any income from business such business must be incidental to objectives of the trust and separate accounts must be maintained for such business.
- IX. If the trust or institution had taxable income during the year without giving effect to section 11 and 12 it must be file a return of income.
- X. Capital gains if any during the year ( whether short or long term) must be reinvested in a new capital asset in order to be deemed to have been applied to charitable purposes.

**11. Depreciation:-** as per the recent observation of the CAG that many NPO has claimed double depreciation benefit even if the entire of the assets was treated as application in the year of purchase. so the following amendment is made by finance act 2014 regarding application of fund, any capital assets purchased during the year and has been claimed as a application of income during the year then no depreciation has to be charged on such assets in future.

**The impact** of this amendment income tax department straightforward disallow the whole depreciation during the time of assessment it is advisable to submit the information in the following format.

Details of Surplus								
1	2	3	4 (2-3)	5		6 (4-5)	7	8 (6-7)
A/ Y	Total income	less 15%	net amount	Application of income		surplus before Depreciation	Depreciation	Surplus after Depreciation
				Revenue	capital			
2008-09								
2009-10								
2010-11								
2011-12								
2012-13								
2013-14								
2014-15								

**Regards**

**CA VED MITTAL**

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*Thank  
you* 



# NATIONAL CONFERENCE - 2016













**Congratulations !!!**

**Eti Agarwal**

**CA Final Topper of November-2016**







## MOTTO



**Ya esa suptesu jagarti** kamam kamam Puruso nirmimanah ।  
Tadeva sukram tad brahma tadevamrtamucyate ।  
Tasminloka sritah sarve tad natyeti Kascan । etad vai tat ॥

**य एष सुप्तेषु जागर्ति** कामं कामं पुरुषो निर्मिमाणः ।

तदेव शुक्रं तद् ब्रह्म तदेवामृतमुच्यते ।

तस्मिंल्लोकाः श्रिताः सर्वे तदु नात्येति कश्चन । एतद् वै तत् ॥

*(That person who is awake in those that sleep, shaping desire after desire, that, indeed, is the pure. That is Brahman, that, indeed, is called the immortal. In it all the worlds rest and no one ever goes beyond it. This, verily, is that, kamam kamam : desire after desire, really objects of desire. Even dream objects like objects of waking consciousness are due to the Supreme Person. Even dream consciousness is a proof of the existence of the self.*

*No one ever goes beyond it : cf. Eckhart : 'On reaching God all progress ends.'*)

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