

ERNAKULAM BRANCH OF SOUTHERN INDIA CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION

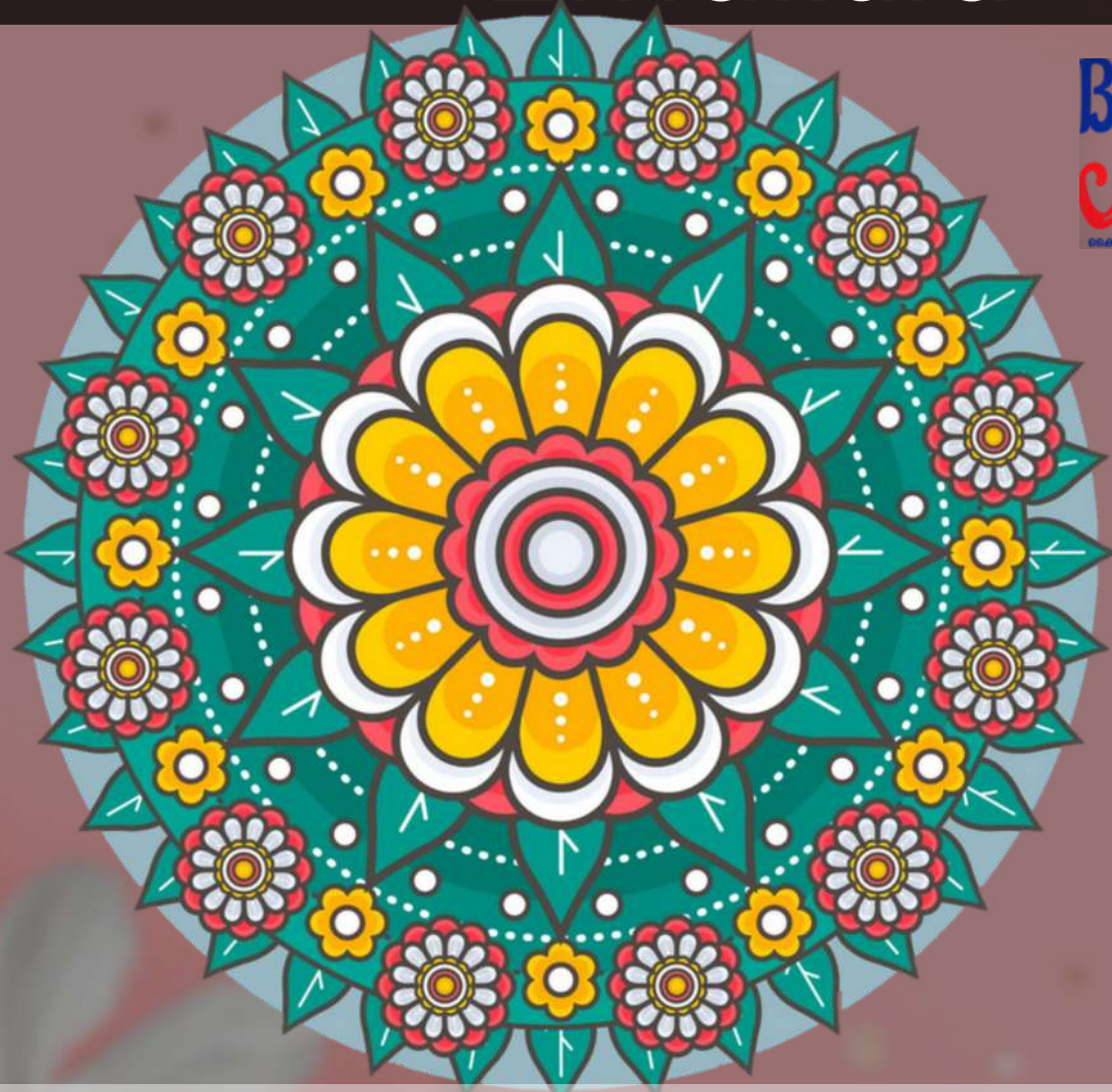


# SICASA

AUGUST '20

THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF INDIA

## Ernakulam



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# HAPPY ONAM

E-Newsletter



*- Let's Overcome together -*

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# Chairman's Message

**Dear Students,**

August marks the beginning of the festive season in Kerala.

Although we had two spectacular study circle sessions by Ragi Nair and Ann Thomas both of which were widely appreciated, the focus this month was on extra curricular activities in keeping with the spirit of Onam.

Today's reigning champion in the fight against COVID-19, the mask was the hero of the mask designing competition. All the entries in the competition were inspired and can be proudly displayed by its creators. Hopefully this will inspire more students to make their own masks kindling their creativity.

The indoor games held in August every year also went online through 'Mini-Impetus'. The virtual games included Ludo, Chess, Carroms and Billiards. We hope to have a physical indoor games competition before the end of our term. In connection with Onam Celebrations a competition for selecting Best Malayalee Manka and Maran from the students community of Ernakulam branch was conducted on 30th August 2020. The competition was held with the intention of keeping the celebrations for Onam going on even if we are all celebrating at our homes.



Once again in August, SICASA Ernakulam's commitment to students continued to go strong with multiple valuable career counselling programmes organized. The joint seminar with St Albert's College on Financial Accounting, Compliance and Management Accounting was well received.

September promises to be packed with activities. There are plans for an elocution and quiz contest. Various webinars are also being planned with the best resources. With the deadline for GSTR-9/9C fast approaching, immediate efforts will be concentrated to train the students to be better equipped for GST audits.

A Happy Onam to everyone. May your life be as colourful as the colours of Onam. Wishing you lots of prosperity and good fortune.

**CA Allen Joseph,  
Chairman, SICASA Ernakulam Branch.**

# Secretary's Report

**Dear friends,**

SICASA Ernakulam is creating a platform for our students to bring out their overall talents and inculcate more knowledge into their lives. This month's newsletter holds a special place in my heart as we got to celebrate Onam although not in the traditional manner, amidst the tensions of the pandemic. Onam is celebrated in unity irrespective of our caste, religion, colour, beliefs, or tradition. Our SICASA activities this month were conducted together with a lot of zeal, with the support of all the committee members and other students.



This month we had multiple events at hand, including an indoor sports event that was conducted online with the help of various online platforms. The games conducted were Chess, Caroms, Billiards, and Ludo. The total number of participants for the competitions was baffling. The support from the students is really appreciated, especially considering the technical difficulties that we had to face since the tournament was conducted online. This month had 2 study circle meetings which were conducted by Ragi R Nair on Presumptive taxation—for residents and non-residents. The class was well accepted by the students and was made use of by a lot of Students. Ann Thomas took the 2nd Study Circle, it was on the topic of Input tax credit. She took the class in a very effective manner, and the students made the most out of it as the class was extremely resourceful. Another event that received huge support was the mask making competition held as part of the Independence day Celebrations on August 15th, named 'Freedom from Corona'. The entries received were incomparable, and it was a difficult job in choosing the winner. The mask designing competition was followed by The Malayali Manga and Maran contest, which was an event to emphasize the importance of Onam. The entries and the inquiries made were huge in numbers, but because of various constraints, we could only choose a few. We are happy to include more such events to the upcoming months and I thank all those who supported us in all SICASA ventures. Let the cheers of Onam stay with us throughout this year and wishing you all the very best for your coming exams.

**Phoebe Reena George,  
Secretary, SICASA Ernakulam Branch**

# Editor's Note



As we conclude another month of this frivolous year, we wrap up one of the most important festivals of Kerala; Onam. Onam is an annual holiday celebrated to commemorate King Mahabali. Legend says his spirit is said to visit Kerala at the time of this festival. The newsletter for the month of August has been completely dedicated to this auspicious festival. This month's newsletter contains a detailed article on Onam, a report on artificial intelligence and a report on why Knowledge is Power.

Onam is a major festival for all Malayalis irrespective of where they reside. This year we had our restrictions in conducting the annual Onam celebrations at the Ernakulam ICAI but we did our fair share by conducting an online competition for the students. Since COVID-19 played gooseberry in our plans, we had to make do with a virtual celebration.

The article "Knowledge is Power" sheds light on the importance of knowledge in our day to day lives. As we know the pen is mightier than the sword, this article enlightens us on the importance of education and its contribution to the economy.

Technology being an integral part of our lives, we as forthcoming professionals have to be updated on the latest technology that can aid us in working more efficiently and effectively. The article in this month's newsletter on Artificial Intelligence explains in detail what Artificial Intelligence is, the need and its role in the life of an accounting professional.

Every month as our newsletters are uploaded, we receive immense love and appreciation from our colleagues, friends and professionals alike. We are incredibly grateful for the support each and everyone one of you have extended towards us.

Let us hope that the approaching months have something positive in store for us.

*Stay safe.*

## Corporate Social Responsibility

Manu Sanker  
SRO0691281

In the year 2011, Shiv Nagar, a small village in Uttar Pradesh was renamed to Snapdeal.com Nagar. Now everyone might think, what was going on over there for a change like this. This indeed was the gratitude shown by the villagers to Snapdeal.com for installing 15 hand pumps in their village, thereby reducing the difficulty in fetching drinking water.

Corporate Social Responsibility (CSR) can be defined as a Company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. CSR is not charity or mere donations. It is a way of conducting business, by which corporate entities visibly contribute to the social good.

The Companies Act, 2013 has formulated Section 135, Companies (Corporate Social Responsibility) Rules, 2014 and Schedule VII which prescribes mandatory provisions for Companies to fulfill their CSR.

### **I. Which Company is required to constitute CSR Committee?**

Every Company including its holding or subsidiary, and a foreign company defined under Section 2(42) of the Companies Act, 2013 having its branch office or project office in India, having :

- a. Net worth of Rs. 500 Crore or more, or
- b. Turnover of Rs. 1000 Crore or more, or
- c. Net profit of Rs. 5 Crore or more.

### **II. Who all comprises of the CSR Committee?**

- a. The CSR Committee shall consist of 3 or more directors, out of which at least one director shall be an independent director.
- b. An unlisted public company or a private company which is not required to appoint an independent director shall have its CSR Committee without such director.
- c. A private company having only 2 directors on its board shall constitute its CSR Committee with two such directors.

### III. What are the Duties of a CSR Committee?

- a. Formulate and recommend the board, a CSR policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII.
- b. Recommend the amount of expenditure to be incurred on the activities referred above.
- c. Monitor the CSR policy of the company from time to time.

### IV. How much to contribute towards CSR?

- a. The Board of every company shall ensure that the company spends in every financial year, at least 2 percent of the average net profits of company made during the three immediately preceding financial years, in pursuance of its CSR policy.
- b. The company shall give preference to the local areas and around it where it operates, for spending the amount earmarked for CSR activities.

### V. What all constitutes CSR Activities?

The Board of Directors shall ensure that activities included by a company in its CSR policy are related to the activities included in Schedule VII of the Act.

Following are certain activities specified in Schedule VII of the Act:

- a. Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation.
- b. Promoting education, including special education and employment enhancing vocational skills.
- c. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare and conservation of natural resources.

- d. Rural development projects.
- e. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care centres and such other facilities for senior citizens.

### VI. What all are excluded from CSR Activities?

- a. CSR projects or programs or activities undertaken outside India.
- b. CSR projects or programs or activities that benefit only the employees of the company and their families.
- c. Contribution of any amount directly or indirectly to any political party under Section 182 of the Act.

### VII. What shall be the consequences or penal provisions applicable for not following CSR norms?

The Companies Act requires that –

- i. The Board's report shall disclose the composition of Corporate Social Responsibility Committee as per subsection (3) of Section 134.
- ii. If the company fails to spend such amount (i.e. at least two percent of the average net profit), the Board shall disclose and specify the reasons for not spending the amount in its report.

As per Section 134 of Companies Act, 2013, if the company fails to disclose such information, it shall be punishable with fine, which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company in default shall be punishable with imprisonment for a term of which may extend to three years or fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees or with both.

To conclude once again, CSR is not charity, but a sense of responsibility towards the society, nation and environment for the growth of the company and a better future of the world.

## Can Artificial Intelligence and Machine Learning Improve Income Tax Scrutiny?

By Priya Ronald DCosta (WRO 0585068)

**This article briefly discusses the application of emerging technologies in a generic area of a Chartered Accountant's practice – Scrutiny Assessment under the Income Tax Act, 1961.**

### **What exactly is Artificial Intelligence and Machine Learning?**

We all must be familiar with Siri and Google Assistant. How do these applications respond to us in a manner very similar to human beings? The answer is machine learning. In simple terms, machine learning is “teaching a machine how to think”. This is done by feeding a lot of diverse data to the program, and allowing the algorithm (a set of rules in a program to solve specific problems based on the inputs) to react. Over time, as more data is fed, algorithms have known to become sharper and better in their responses. In other words, algorithms have successfully completed a “learning” and have become “smarter”. The process of making thousands of algorithms, each designed to solve different problems, learn and become smarter ultimately develops artificial intelligence.

### **How can Artificial Intelligence apply to Income Tax Scrutiny?**

Considering the expanse of the contents of the statute, and their complexity, artificial intelligence could be of great utility as follows:

- **Retention of the law by the administrative personnel:**

The statute relating to taxation of income in India includes the Income Tax Act, 1961, Income Tax Rules, 1962, Finance Acts enacted since 1962 till date, circulars and notifications issued by the Central Board of Direct Taxes, numerous Tribunals, High Court and Supreme Court rulings, and numerous Double Taxation Avoidance Agreements between India and other countries.

It is humanly impossible for an assessing officer to be aware of, interpret and retain the entire law, even though he may be assigned only a niche category of assesses.

By developing an artificial intelligence based database, the assessing officer could have ready access to every document containing the law applicable to the case under scrutiny. The algorithm could itself suggest applicable portions based on the data of the return.

- **Detection of patterns :**

Often, tax evasion can be detected from certain ironical ratios and trends. For example, a high bank balance along with a high amount of unsecured loans may indicate suppressed income. An well-trained algorithm can identify such patterns over years and can even link the same the sources of such “suspected suppressed income”, if linked with the banking database. It would save an assessing officer hours of tedious study of a case, before it is picked for scrutiny.

- **Strengthening trails:**

A large portion of evasions, especially among corporate, occurs through a complex network of related party transactions. These parties may often not be recognized as related parties under law, but may function as such in substance.

Determination of such “substance” is a tedious task, and may involve multiple laws. An algorithm could be trained using data from the numerous disputes the Income Tax Act has already witnessed. It would eventually be able to apply learning from more than one dispute to a fresh case.

Such an algorithm trained to identify “in-substance” related parties, may be very useful in application of General Anti-Avoidance Rules.

The direct benefits of using artificial intelligence in scrutiny assessment would unfold many more added benefits such as better administration of law, lower costs, reduction in corruption and increased revenue to the government. I believe that the recently introduced faceless scrutiny is the first step towards the ideas envisaged above. Let's hope they become reality some day!



## Knowledge is power

By: Abhishek Kumar

ERO0188631

Knowledge is one of the most powerful tools for everyone. It opens up the possibility of greater participation and democratic change in their thinking. No development is possible without knowledge. We need knowledge to make clean political demands. We need education for the consciousness of our requirements. Knowledge has clear economic advantages. It is the fundamental precondition for political development, democracy and social justice.

It is only means of power on this earth. It empowers whole community and promotes greater participation. Only Knowledge can ensure sustainable power.

For everyone, especially for a girl its benefits are enormous. An educated girl will delay marriage, she is likely to have fewer children, and her children are more likely to go to school. And she will contribute to the economy of the country.

Apart from this, as we know that knowledge is power for individual (learner) at the very personal level. The learner enters the formal education system (at Kindergarten) with very simple child like identity. As he/She grows and progresses through the grades, two things simultaneously change within them. First, they learn that the world is a huge place which is quite busy and complex. Later, their views' regarding the world widens and deepens as they experience more of life.

By itself, these growing views could make them powerless and alienated because they may see himself/herself as a small child in the face of this newly- understood enormous world. However, as his/her world is widening, education encourages a corresponding growth in their understanding of this world. This is the power of education. It helps him/her understand the more complex world that they experiencing. Without education, he/she would feel powerless.

Parallel to this growth in learning about the world is individual's developing self - confidence, knowledge also develops the art of life skill, and to love learning. That will help them to face the challenges of different situations.

In conclusion, Knowledge is the power of the individual in many ways which helps them to success in life.

# ONAM

## a report

Onam, the festival where everyone irrespective of their differences celebrate the return of King Mahabali, fell on 31 st of August 2020. It is a time where families come together regardless of which corner of the world they moved to, when children are busy working on the floralcarpets (Pookkalam) and everyone is dressed in traditional attire, to welcome the King. As we know, the celebrations were dialed down by a lot due to the pandemic, but nothing could stop the spirit of SICASA Ernakulam in conducting events and spearheading the celebration for the CA Students.

We conducted the 'Olam 2020' contest in connection with Onam Celebrations, to provide a platform for students to show off their traditional side. Followed by circulation of the wishes on our official Instagram page.

Since social gatherings have been discouraged, the usual Ona Sadhya could not be served at the institute and the Pookkalam Contest which is a norm every year also had to be cancelled. We will look forward to conducting both the next year with all the grandeur as before.

Let's all work towards celebrations that no longer need masks and social distancing, let's work for family gathering where you share love more than a bottle of sanitizer and let's all stay healthy and fight through the pandemic, and SICASA Ernakulam is with you in supporting your efforts, be it academic or not.

This is wishing you all a VeryHappy Onam, and good health.

HARIKRISHNAN R  
VICE CHAIRMAN,  
SICASA ERNAKULAM



# FOCUS


## AUGUST 2020

### SICASA Ernakulam

## Study Circle Input Tax Credit by Ms. Ann Thomas August 24, 2020

**OTHER POINTS**

- Goods received in Lots : ITC available only on receipt of last lot.
- Payment for the invoice to be made within 180 days.
- If depreciation claimed on tax component, ITC not allowed.
- Time limit for availing ITC : Due date of filing of return for the month of September of succeeding financial year or date of filing of annual return, whichever is earlier.
- Restriction of ITC in proportion of (i) taxable supplies (ii) business purposes.
- ITC not allowed on certain supplies.-BLOCKED CREDITS.



*Need of the Hour*

- ❖ Calculation of Income as per Income Tax Act, 1961 is a mind-numbing and complex task.
- ❖ To reduce the burden of compliance of small tax assesses, the government of India has incorporated a scheme a "Presumptive Taxation".

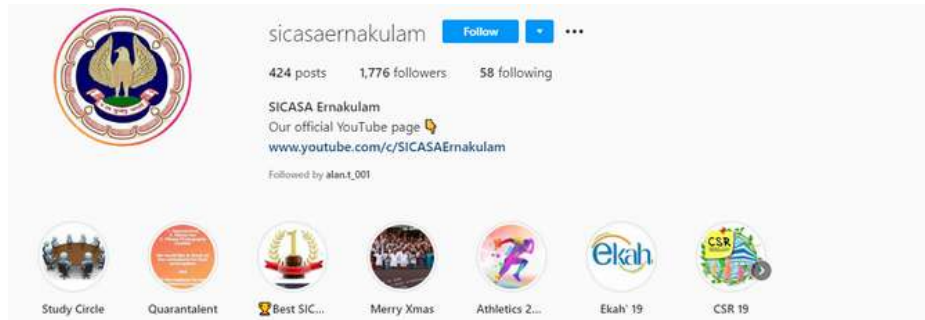


## Study Circle Presumptive Taxation - Residents and Non residents by Ms. Ragi R Nair August 1, 2020



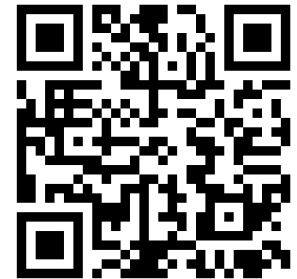
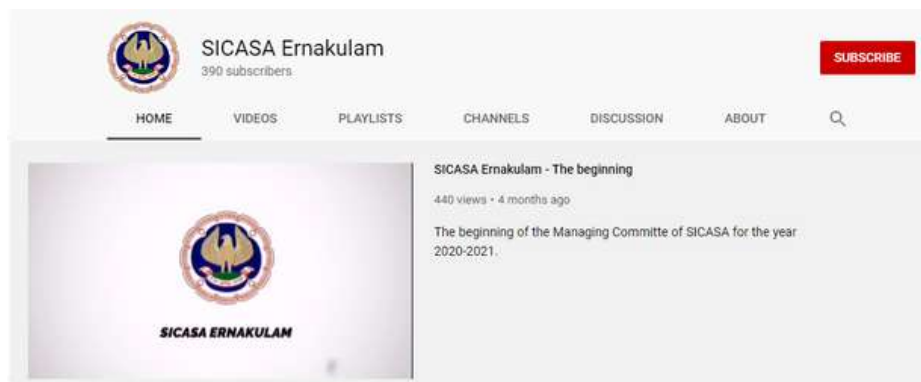
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