

THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF INDIA

ERNAKULAM BRANCH OF SIRC

SICASA E-NEWSLETTER



IGNITE

- "ASPIRED MINDS, INSPIRE"

DECEMBER
2017 EDITION

CHAIRMAN'S ADDRESS



Dear Young Friends,

December is the month of peace, hope and joy. It is the month of lights, snow, feasts and promise of the wonderful blessings yet to come. Being the last month of the year, it is the curtain raiser for the New Year.

It has been a wonderful year so far for SICASA, with full of activities and programme reaching out to members and public at large. As we approach the New Year, it is essential we take stock of this year. What did we set out to do this year? Have we been true to our goals and ourselves? What gifts and awakenings did we receive that we did not plan on? How have we been challenged, and have we found a way to turn our challenges into blessings?

Friends, greet the New Year with a sense of joyful anticipation. No matter what has happened this year, we have the power to create our next year as we choose. We are not the same person(s) who started this year. We are wiser, deeper, and richer for our experiences. We will take our knowledge and build on it to make a new year unlike any you have lived before.

Devote this New Year to gratitude, blessing and celebration. Write down what we would like to leave behind and what we would like to take with us. Honour those who loved and supported us this year by thanking them in our heart and with our words. Do you realize how much grace we have received and how loved we are?

Friends, apart from the regular Coaching Classes, Mock Tests, ICITSS-Orientation programme, Study Circle meeting and participation in the BOS Webcasting, it has been a glorious month on account of our activities and programme. We had the All Kerala Cultural Fest- Ekah 2017 well attended and participated by 5 Kerala branches. Our student members were competing with each other and proving to the world that they are not the mere book worms but highly talented one's with a professional acumen to compete with and challenge anyone.

SICASA members participated in large numbers in the Golden Jubilee Celebrations of the branch during the month. We were proud to launch a Blood Donor website – *ICAI keralablooddonors.org*, jointly with the Branch on the occasion of the golden jubilee celebrations, inaugurated by the Hon Chief Minister of Kerala Sri Pinarayi Vijayan. It is the first of its kind in the entire country initiated by CA Students and Members to support the general public. As part of the continuing CSR initiative, SICASA along with the branch also launched Karthavya-Cancer Care, a continuing project to support the cancer patients in the age group of 18-30 jointly with Regional Cancer Care Center, Trivandrum.

The ICAI Branch along with SICASA started a new reading room facility for students during the month. The new reading room was inaugurated by the Hon President of ICAI CA Nilesh S Vikamsey. It will cater to a minimum 50 students per day. Our President also addressed the SICASA members on that day and administered Swachatha pledge emphasising the need for cleanliness in our everyday life. As part of Swachatha Initiative, SICASA distributed a cleaning kit to all the registered delegates from all over Kerala who came for the Cultural Fest Ekah. We had also an Intra Branch Cricket Tournament at Elamakkara Bhavans School Ground participated by 16 teams, and Indoor Sports Games of Caroms and Chess at branch premises well participated by the students.

Friends, determine that the next year will be the best one ever. It will be what you want it to be, so aim high. Always believe, you deserve the very best that life has to offer, because you are the very best.

Wish You All A Very Happy, Eventful & Joyful New Year 2018.

With Warm regards and love

CA Roy Varghese
Chairman, SICASA Ernakulam Branch

SECRETARY'S MESSAGE



Greetings everyone,

On behalf of the Ernakulam Branch of SICASA I would like to wish everyone a Merry Christmas and a prosperous New Year. May the coming year mark new beginning in our lives filled with joy and happiness. The year of 2017 has been a fruitful one as far SICASA activities have been concerned. We were able to conduct all the events as per plan as well as make new additions wherever possible. We have come to the last month of the tenure of the current SICASA Committee. I would also like to express my gratitude to SICASA Kannur, SICASA Trivandrum, SICASA Palakkad and SICASA Kollam for their active participation and huge role in making Ekah 2017 a grand success. I would also like to thank all the participants who represented the Ernakulam Branch and bringing the prestigious trophy back to Ernakulam.

Regards,
FarzeenFazal



EDITORS MESSAGE

Hello friends,

It's time for 2017 to come to an end and December being the month of happiness and joy was extremely eventful for SICASA Ernakulam branch. This edition of our newsletter has two technical articles regarding Restrictions on Foreign Exchange Transactions under FEMA and Returns under GST. Also it shows glimpses of the much excited event of the year, Ekah. It was really a proud moment to see Ernakulam branch lift the overall trophy and it was even beautiful to see the collaboration of other SICASA branches in this event. Also, events like Golden Jubilee Celebration of Ernakulam branch of ICAI, Launching of Blood Donation website, Intra-branch Cricket tournament added lot of colour to this month. The participation and support seen from students are really remarkable and we expect more hidden talents to be discovered. I would like to end this edition's message with a quote.

"If you ask me what's my new year resolution, it would be to find out who I am."
So dream ,plan and execute all those resolutions for 2018 and wishing all of you a wonderful 2018 ahead.

Regards,
Sreelakshmy Menon

Restrictions on Foreign Exchange Transactions under FEMA

-Achuth Pradeep

The Foreign Exchange Management Act, 1999 (FEMA) came into force from the year 2000 onwards, replacing the erstwhile Foreign Exchange Regulation Act (FERA), 1973. Foreign exchange means 'foreign currency' and includes deposits, credits and balances payable in any foreign currency and secondly drafts, traveler's cheques, letters of credit or bills of exchange, expressed or drawn in Indian currency but payable in any foreign currency.

The preamble to FEMA lays down the purpose of the Act, which is to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and to promote the orderly development and maintenance of foreign exchange market in India.

Rationale for strict regulations under FERA 1973

FERA was to control everything that was specified, relating to foreign exchange whereas FEMA lay down that 'everything other than what is expressly covered is not controlled'. The overriding objective of FERA was to regulate and minimize dealings in foreign exchange and foreign securities while FEMA on the other hand aims to aid in creation of a liberal foreign exchange market in India.

The main change that has been brought is that FEMA is a civil law, whereas the FERA was a criminal law i.e., for contravention of provisions under the FEMA arrest and imprisonment would not be resorted whereas it was the norm under the previous act.

FEMA is *applicable to all parts of India*. The act is also applicable to all branches, offices and agencies outside India owned or controlled by a person who is a resident of India.

Important Definitions under FEMA

Authorised Person: In FEMA, the earlier categorisation of persons - authorised Dealers and Money Changers have been clubbed together under the definition of the authorised person.

Current Account and Capital Account Transactions

Capital Account Transactions

As per section 2 of the Act, it is a transaction which alters the assets or liabilities including contingent liabilities outside India of persons resident in India or assets or liabilities in India of persons resident outside India would be a capital account transaction.

Since Indian rupee is not yet fully convertible, capital account transaction can be carried out only to the extent permitted. Also, this concept applies differently to residents and non-residents ("Person Resident In India" as per Section 2); A transaction which alters the assets or liabilities in India of non-residents fall under the category of capital account and as far as residents are concerned transactions which alter contingent liabilities are also capital account transactions.

The Act also contains a list of some of the most common capital account transactions:-

Transfer or issue of any foreign security by a person resident in India;

Transfer or issue of any security by a person resident outside India;

Transfer or issue of any security or foreign security by any branch, office or agency in India of a person resident outside India;

Any borrowing or lending in rupees in whatever form or by whatever name called;

Any borrowing or lending in rupees in whatever form or by whatever name called between a person resident in India and a person resident outside India;

Deposits between persons resident in India and persons resident outside India;

Export, import or holding of currency or currency notes;

Transfer of immovable property outside India, other than a lease not exceeding five years, by a person resident in India;

Acquisition or transfer of immovable property in India, other than a lease not exceeding five years, by a person resident outside India;

Giving of a guarantee or surety in respect of any debt, obligation or other liability incurred-

By a person resident in India and owed to a person resident outside India; or

By a person resident outside India.

The Act has empowered the Reserve Bank of India (RBI) to specify, in consultation with the Central Government, the permissible capital account transactions and the limits upto which foreign exchange may be drawn for such transactions. But it shall not impose any restriction on the withdrawal of foreign exchange for payments due on account of amortization of loans or for depreciation of direct investments in the ordinary course of business.

Accordingly, the RBI has issued notifications governing capital account transaction. The FEMA Notification No. 1/2000 dated 3-5-2000 contains the list of permissible capital account transactions as well as list of prohibited capital account transactions.

Permitted Capital Account Transactions

The permitted capital account transactions have been classified into two categories:-

Permitted capital account transactions by persons resident in India includes, Investment in foreign securities;

Foreign currency loans raised in India and abroad;

Acquisition and transfer of immovable property outside India;

Guarantees issued in favour of a person resident outside India;

Export, import and holding of currency or currency notes;

Loans and overdrafts (borrowings) from a person resident outside India;

Maintenance of foreign currency accounts in India and outside India;

Taking out the insurance policy from an insurance company outside India;

Remittance outside India of capital assets of a person resident in India;

Sale and purchase of foreign exchange derivatives in India and abroad and commodity derivatives abroad.

Permitted capital account transactions by non- residents includes,

Investment in India such as

issue of security by a body corporate or an entity in India and investment therein by a non-resident and

investment by way of contribution to the capital of a firm or a proprietary concern or an association of persons in India;

Acquisition and transfer of immovable property in India;

Guarantee in favour of, or on behalf of, a person resident in India;

Import and export of currency/currency notes into/from India;

Deposits between a person resident in India and a person resident outside India;

Foreign currency accounts in India of a non-resident;

Remittance of the assets in India held by a non-resident.

Prohibited Capital Account Transactions

There are generally two types of prohibitions on capital account transactions, namely;

General Prohibition:-A person shall not undertake or sell or draw foreign exchange to or from an authorized person for any capital account transaction.

This prohibition is subjected to the conditions specified by Reserve Bank in its circulars and notifications. For example, Reserve Bank of India has issued an AP (DIR) Circular, wherein a resident individual can draw from an authorized person foreign exchange up to US\$ 25,000 per calendar year for a capital account transaction specified in Schedule I to the Notification.

Special Prohibition:- A non-resident person shall not make investment in India in any form, in any company or partnership firm or proprietary concern or any entity, whether incorporated or not, which is engaged or proposes to engage:- (i) in the business of chit fund, or (ii) as Nidhi Company, or (iii) in agricultural or plantation activities or (iv) in real estate business, or construction of farm houses or (v) in trading in Transferable Development Rights (TDRs)

Current Account Transactions

It is a type of transaction other than a capital account transaction. In other words, the current account transactions are the counterpart of capital account transactions and those transactions that are capital account in nature are not current account transactions and vice versa.

The Act defines the term 'current account transaction' as a transaction other than a capital account transaction and without prejudice to the generality of the foregoing such transaction includes:

- Payments due in connection with
- Foreign trade,
- Other current business
- Services, and
- Short-term banking and credit facilities in the ordinary course of business;

Payments due as

- Interest on loans and
- Net income from investments,
- Remittances for living expenses of parents, spouse and children residing abroad, and

Expenses in connection with

- Foreign travel,
- Education and
- Medical care of parents, spouse and children.

In the above definition, the words “without prejudice to the generality of the foregoing such transaction includes” imply that even if the transactions listed above may fit into the definition of capital account transactions, such transactions shall be treated as current account transactions. For example, a person who is a resident of India imports goods from outside India on a short term credit (for a period of less than 6 months), he is creating a liability outside India and thus, it can be treated a capital account transaction but, it is specifically included in the above definition as a current account transaction.

Foreign Exchange Management (Current Account Transaction) Rules, 2000

As a general rule, any person may sell or draw foreign exchange if such sale or withdrawal is a current account transaction. Under the Act, Central Government may, in public interest and in consultation with the Reserve Bank, impose such reasonable restrictions for current account transactions as may be prescribed. Accordingly, the Central Government has issued the Foreign Exchange Management (Current Account Transaction) Rules, 2000. It contains the list of current account transactions for which withdrawal of foreign exchange is:-

1. Totally prohibited;
2. Permitted, subject to the prior approval of concerned Ministry, Central Government;
3. Transactions for which withdrawal of foreign exchange is prohibited:
 - Remittance out of Lottery Winnings
 - Remittance of income from racing/riding, etc or any other hobby.
 - Remittance for purchase of lottery tickets, banned/prescribed magazines, football pools, sweepstakes etc.
 - Payment of commission on exports made towards equity investment in Joint Ventures/Wholly Owned Subsidiaries abroad of Indian Companies.
 - Remittance of dividend by any company to which the requirement of dividend balancing is applicable.
 - Payment of commission on exports under Rupee State Credit Route, except commission up to 10% of Invoice value of exports of tea and tobacco.
 - Payment related to “Call Back Services” of telephones
 - Remittance of interest income on funds held in Non-resident Special Rupee Scheme a/c.
4. Permitted, subject to prior approval of the Reserve Bank of India;

As per the Foreign Exchange Management (Current Account Transactions) Amendment Rules, 2015, with respect to the requirement of Prior approval of Reserve Bank- Every withdrawal of foreign exchange for transactions included in Schedule III shall be governed as provided therein.

This shall not apply where the payment is made out of funds held in Resident Foreign Currency (RFC) Account of the remitter.

No restrictions or limits are applicable for undertaking the transactions that are not covered by the above rules and the authorized dealers are free to release foreign exchange upon the satisfaction that the transactions will not involve and is not designed for the purpose of, violation of the Act, or any rules, regulations made there under.

In the current scenario, Indian rupee has become fully convertible so far as current account transactions are concerned. This implies that foreign exchange is freely available to the residents for remittance on account of current account transactions for the various purposes like foreign travel, foreign education, and medical treatment abroad etc; and with the Indian economy moving towards further capital account liberalisation, the development of a well-integrated foreign exchange market also becomes important as it is through this market that cross-border financial inflows and outflows are channelled to other markets. The non-residents are also freely allowed to remit outside India the income or capital gain generated in India. But, even today, the Indian rupee, in respect of capital account transactions, is not fully convertible.

IMPORTANT ANNOUNCEMENT

No. 13-CA (EXAM)/Advanced ICITSS/2018: 1 st January, 2018
Advanced Integrated Course on Information Technology and Soft Skills
(Advanced ICITSS)- Information Technology Test

In terms of Regulation 29D(i)(iii) and 51E/72E of the CA Regulations 1988, candidates under the New Scheme of Education(implemented with effect from 1 st July 2017) are required to complete the Advanced Integrated Course on Information Technology and Soft Skills (Advanced ICITSS) successfully. Candidates are required to undergo a test after completing the Advanced Information Technology component of the above-mentioned course.

Accordingly, it has been decided to conduct the Advanced ICITSS-Advanced Information Technology Test, an objective type test, with Multiple Choice Questions, in Paper-Pencil Mode, periodically. Schedule of tests that are to be held, for enabling students to appear in Final examination to be held in May 2018 is given below:

21st January 2018 (Sunday)

18th February 2018 (Sunday) and

18th March 2018 (Sunday)

Timings: 10.30 AM to 12.30 PM (IST)

EKAH 2017 – ALL KERALA CA CULTURAL FEST 2017



INTERACTION WITH PRESIDENT, ICAI



INAUGURATION OF NEW READING ROOM



Launched a Website for Blood donor among CA Students and Members

CA Lukose Joseph handing over cheque of Rs. 1 lakh to Shri Pinarayi Vijayan, Hon'ble Chief Minister, Kerala for the Regional Cancer Centre, Cancer Care Fund – An initiative of SICASA CSR activity, “Karthavya - Cancer Care Scheme”

