

MAY 2017 E-NEWSLETTER



MADURAI BRANCH OF SIRC OF THE INSTITUTE
OF CHARTERED ACCOUNTANTS OF INDIA
(Setup by an Act of Parliament)

STRIVING FOR



EXCELLENCE...>>>

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Forthcoming Event:

Study Circle Meeting on "The Importance of Indian Passport"

- 17th May 2017

One day Seminar on ICDS - 20th May 2017

Certificate Course on GST- 27th May to 25th June 2017

Residential Seminar at Kodaikanal - 7th,8th,9th July 2017



“வெள்ளத் தனைய மலர்நீட்டம் மாந்தர்தம்
உள்ளத் தனைய துயர்வா.”



**Vellathanaya malar neettam maandhartham
Ullaththanaya thuyarvu**

This thirukkural verse says,

The length of the flower-Stalk will be in proportion to the depth of the water (in which it grows); the height of a man is in proportion to (the greatness of) his mind.

I extend my heartiest wishes to all the members and my professional colleagues on the auspicious occasion of chitrai festival and my best wishes to the students who are appearing in May 2017 examinations.

During the month of April the followings events took place:-

- Two study circle meetings were conducted on 22nd and 29th of April 2017.
- Residential Annual Regional Refresher course on GST was successfully took place on 5th, 6th & 7th at Hotel Heritage and saw a record breaking participation from member's side. This initiative not only enlightened the members but also brought them closer to stakeholders for making consensus and facilitating smooth implementation of GST.

As the full-fledged implementation of GST is not so far, we have to pull up our socks and acquaint ourselves with the new indirect taxation regime. I would regard this month as “GST month” as all our programmes and activities would be revolve around GST.

Forthcoming events

To remain in tandem with the evolving environment, MBSIRC has planned for the following programmes:

- A Study Circle Meeting on “The Importance of Indian Passport” is scheduled to be held on 17.05.2017
- On 20.05.2017, One day seminar on Income Computation and Disclosure Standards has been planned.
- From 27.05.2017 to 25.06.2017, The branch has planned for a Certificate Course on GST.

Let me conclude with this wonderful qoute of Dr.A P J Abdul Kalam - **“Without your involvement you can't succeed. With your involvement you can't fail”**

With Regards,

CA R.JEGADEESH
CHAIRMAN, MBSIRC

COMPANIES ACT, 2013 - PROVISIONS RELATING TO DIRECTORS (In a nutshell)



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NUMBER OF DIRECTORS

MINIMUM NUMBER :-

- Private Limited Company – 2
- Public Limited Company – 3
- One Person Company - 1

MAXIMUM NUMBER :-

For both public and private limited company – 15

- If a company wants more than 15 directors on its Board, it can do so by passing a special resolution in the general meeting.
- The restriction on the number of directors is not applicable to a section 8 company (Not-for-profit company)

RESIDENT DIRECTOR :-

- A director who has stayed in India for a total period of not less than 182 days in the previous calendar year.
- Every company should have at least one resident director

INDEPENDENT DIRECTOR :-

A director other than

- Managing Director
- Whole time director or
- Nominee director

The Companies Act lays down certain restrictions on certain categories of persons being appointed as independent directors. For eg, the following persons are not eligible to be independent directors:

- Promoters of group companies or their relatives
- Relatives of directors

- Auditors, Company Secretaries, Cost Accountants, Legal and other Consultants and their relatives
- Persons having pecuniary dealings with group companies
- Key Managerial Persons of group companies & their relatives
- Persons holding 2% or more of the total voting power of the company along with their relatives.

A Listed Company must have at least 1/3rd of the total directors as independent directors.

At least two directors must be independent directors in the case of the following classes of companies :

- Public companies with a paid up share capital of Rs.10 crores or more; or
- Public companies with a turnover of Rs.100 crores or more; or
- Public companies which have outstanding loans, debentures & deposits (all three taken together) exceeding Rs.50 crores.

WOMAN DIRECTOR :-

Every listed company and an unlisted public company having

- Paid up share capital of Rs. 100 crores or more or
- Turnover of Rs. 300 crores or more should have at least one woman director.

ADDITIONAL DIRECTOR :-

If the Articles provide, the Board of Directors may appoint an additional director. He/ she should not be a person rejected at the AGM.

The total no. of directors, including the additional director should not exceed the maximum limit of 15.

ALTERNATE DIRECTOR :-

If a director of a company is absent from India for a period of not less than 3 months, the Board of Directors may appoint a person to act as director in his place during the period of absence. Such a director is called Alternate Director.

The same person cannot act as alternate director for two or more directors.

NOMINEE DIRECTORS :-

A person nominated as director by

- Any Financial Institution, usually a lender
 - Any government, state or central
 - Any other person, a lender
- to represent its interests, is a nominee director.

SMALL SHAREHOLDERS DIRECTOR :-

A listed company may have one director elected by small shareholders.

- A small shareholder is one holding shares of nominal value not exceeding Rs. 20,000/-.

NUMBER OF DIRECTORSHIPS :-

Maximum limit to the number of directorships - 20 companies (including alternate directorship)

Out of this, sublimit for directorships in public companies – 10

(Here, a public company includes a private company which is either holding or subsidiary of a public company)

- Directorships in section 8 companies are not counted for this purpose.

APPOINTMENT OF DIRECTORS :-

- Every director shall be appointed by the company in the General Meeting.
- There are certain exceptions to this rule, such as, appointment of
 - * Alternate director (appointed by the board)
 - * Additional director (appointed by the board)
 - * Nominee director and Filling up of casual vacancy *(can be filled up by the board, if Articles permit).
- Two or more persons cannot be appointed as directors by passing a single resolution in an AGM. A separate resolution should be passed for the appointment of each director individually.
- To be eligible for appointment as director, the person should have been allotted a Director Identification Number (DIN).

* CASUAL VACANCY is a vacancy which arises due to

- * Death
- * Resignation
- * Disqualification
- * Removal
- * Any other reason other than retirement

or expiry of tenure of office of a director.

(To be continued)

ROLE OF INTERNAL AUDITORS IN HEALTH CARE INDUSTRY:**CA REENA P A**

Healthcare has become one of India's largest sectors - both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance etc. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services and increasing expenditure by public as well private players. In years to come, Indian health care industry is reckoned to be the engine of Indian economy. There are anticipation and expectation that Indian healthcare sector is growing @ 13% every year. There is no doubt that our health care industry, now more than ever, are facing new and emerging risks, which require quick assessments and adaptation.

A strong internal auditing function vigilantly maintains a state of effective internal control and adds measureable value while helping management to understand the organization's risks on a strategic level. As a result, the internal audit function qualifies as a crucial contributor to success in the industry's new era of intense regulatory and risk management volatility. An internal auditor can better leverage data to not only be more efficient but far more effective.

In Healthcare industry, internal audit functions are focusing their attention and resources in six key areas of priority, which are

1. Cyber security risk

Now Cyber security risk is a more or less concerned as a business issue rather than a technology issue because of its ever growing incidences. Organizations need to take a holistic

approach to cyber security risk management which involves identifying priorities and allocating resources effectively and appropriately. Criminal attackers, domestic and foreign, most likely target the health sector to better understand the health care system in order to commit fraud or other illegal acts and as part of industrial espionage programs. Cyber security risk management is most effective when it is integrated into an organization's enterprise-wide approach to managing risk.

Cyber security risk can be managed by :

- Identifying critical assets, including regulated healthcare data (e.g., protected health information);
- Evaluating cyber security controls currently in place to protect such assets;
- Documenting overall cyber security risk profile;
- Identifying areas for improvement, with periodic reassessment;
- Confirming cyber security controls are in place and operating effectively
- Elevating cyber security within the organization, for example with board-level reporting, involvement of senior management, and a dedicated committee/team focused on managing cyber security issues

2. Regulatory compliance

Addressing regulatory compliance remains a critical mandate in the healthcare industry, with industry regulations ever-changing and increasingly burdensome. Laws governing the commissioning of hospital are the laws to

ensure that the hospital facilities are created after due process of registration, the facilities created are safe for the public using them, have at least the minimum essential infrastructure for the type and volume of workload anticipated and are subject to periodic inspections to ensure compliance. There are other laws pertaining to governing to the qualification/practice and conduct of professionals, sale, storage of drugs and safe medication, management of patients, environmental safety, employment and management of manpower, medico-legal aspects and laws pertaining to safety of patients, public and staff within the hospital premises. There are laws governing professional training and research, business aspects, licences/certifications required for hospitals, etc. An internal auditor should be aware about all these laws, regulations, policies, procedures, reports and returns and keep abreast with the latest amendments to be on the safe side of law and provide quality care to the patients.

3. Supporting, enabling and protecting the digital revolution

The healthcare industry is being dramatically impacted by the ongoing digital revolution. Digital environment is reshaping healthcare delivery in India. Today both private players as well as government departments are recognizing the importance of efficient patient engagement and clinical proficiency in Healthcare. Digitization is now assisting in creating new healthcare models. Now, more than ever, it is critical to embrace technology as it has become a must-have tool for transforming patient engagement, enabling personalized medicine, augmenting labour and contributing to better outcomes.

The healthcare services are highly data-driven, hence the next big disruption in the industry, from a technology front, lies in data-management. With the advent of wearable technology and the readiness of consumers to adopt them, this data will grow manifold. This transformation toward a more digital enterprise is particularly complex within the healthcare industry because it introduces to a heavily regulated environment, new and disruptive technologies that are changing the way healthcare organizations operate. Healthcare internal audit departments and their organizations are working to adapt their risk management capabilities to address an increasingly digital enterprise amid so many challenges.

Healthcare internal audit leaders and professionals continue to demonstrate a commitment to professional growth and development in the face of growing challenges in the industry. An increasing portion of this work is designed to reduce the risks that new and emerging technology can create, which in turn helps optimize the value that healthcare provider organizations derive from the increasingly innovative and promising benefits that this technology delivers. As healthcare provider organizations continue their digital transformations, this internal audit work will become more important, and ever more valuable.

4. Addressing fraud risks

Fraud can have considerable social, psychological and economical effects on individuals, businesses and society. There is no doubt that fraud is prevalent within every organisations and remains a serious issue. Given this environment of



extensive fraud, combined with the ever-present risk of occupational fraud, it's not surprising to find fraud issues among the top priorities for healthcare internal auditors. Internal Auditors, whose professional training includes the analysis of information and systems, can have a significant role to play in the development and implementation of anti-fraud measure within their organisations. It is estimated that the majority of frauds go undetected and, even when a fraud has been found, it may not be reported. The threat of fraud can come from inside or outside the organisation, but the likelihood that a fraud will be committed is greatly decreased if the potential fraudster believes that the rewards will be modest, that they will be detected or that the potential punishment will be unacceptably high.

The main way of achieving this must be to establish a comprehensive system of control which aims to prevent fraud, and where fraud is not prevented, increases the likelihood of detection and increases the cost to the fraudster. Fraud risk assessment, fraud monitoring and fraud auditing make up top areas of focus as identified in the Audit Process.

5. Multi-stakeholder collaboration

The ability to collaborate effectively with multiple stakeholders is a key enabler of internal audit's ongoing drive to contribute value by:

- Thinking more strategically when analyzing risk and framing audit plans;
- Providing early warning and education on new and emerging risks;
- Broadening focus on operations, compliance and nonfinancial reporting issues;

- Strengthening the lines of defense that make risk management work; and
- Improving the information for decision-making across the organization.

6. Risk assessment

To evaluate and address the risks involved within an organization, undergoing a thorough risk assessment is a very beneficial exercise. Such an assessment takes a holistic view of our organization to understand our goals, objectives, processes and governance structure.

As the day-to-day operations of today's hospitals and health care organizations have become more intricate, so have the nature of the risks they face. With the myriad of functions that must be successfully accomplished to be successful, risks to organizations can be diverse, ranging from financial and operational to a growing amount of regulatory compliance concerns. Here are some relevant questions to help identify risks within a health care organization

➤ Charge Description Master:

Is the hospital reviewing this area on a regular basis to make sure they capture charges correctly? Is there one person who helps coordinate and makes sure that this is occurring? Coding and charge information can change frequently and if a procedure is recorded incorrectly, a hospital may not receive the correct reimbursement amount.

➤ Pharmacy:

What system does the hospital use for medications? How are medications controlled? Who does the ordering for the pharmacy? How are patient accounts charged? Is there a segregation of duties between the pharmacy and

receiving inventory function? How is returned/ unused medications credited?

➤ **Admission:**

What are the criteria for admissions? How is the criteria applied for medical observation? Is the billing corrected if the criteria are not met? How are physician and hospital staff educated?

➤ **Managing cash activities:**

How is cash accounted for? How are receipts given out? What types of receipts are utilized? How is this information recorded into a patient's account? Is a lock box used to hold onto cash until deposited to a central location? How often is cash collected and deposited? What controls are in place for cash handling and who handles the cash?

➤ **Registration of patients:**

When a procedure has been scheduled in advance, how does the hospital register the patient? Can this be done over the phone or via fax for insurance information? Does the admitting area ask for identification and insurance information upon arrival at the hospital? Are any co-payments and deductibles discussed prior to the procedure taking place? How are co-payments and deductibles collected? Is there annual training for all department personnel?

➤ **Laboratory:**

Is the laboratory in compliance with regulatory requirements? Do reference forms contain all needed diagnostic information? Is there a maximum time limit for standing orders? How does the laboratory charge?

➤ **Charity care:**

Is there a process in place to maintain charity applications? Are logs maintained? Who approves charity write-offs? What is the process for recording charity care expense on the general ledger and the financial statements?

➤ **Materials:**

Is there proper system in place to account for item receipt? Who is authorised to raise a purchase request? What is the control in place for returns? Whether supplier database is properly maintained? How patient chargeable items are accounted? How material purchases will be accounted in finance? How payment is generated etc.

Conclusion

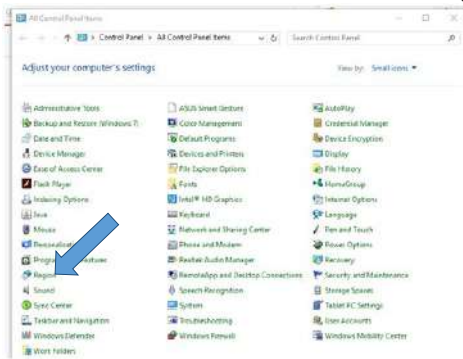
The current business atmosphere among health care organizations is very complex and competitive. There are pervasive risks in all facets of our operations and an increasing amount of regulatory requirements that every organization must comply with. As management sets objectives and identifies processes, Internal auditors are looking to become trusted advocates of risk management and process improvement in their relationships with executive management and business owners.



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Changing the Separator Comma in Excel to display numbers to Lakhs and Crores:

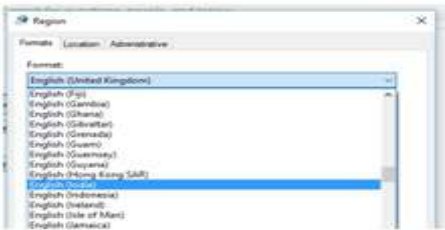
Step 01 Go to Control Panel > Select "Region"



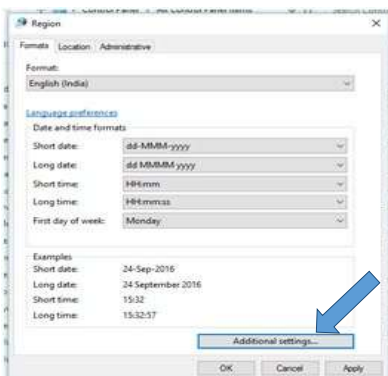
Step 02 Under Formats Tab, Select the Format Scrollbar where in the Language with countries is listed



Step 03 Select English(India)

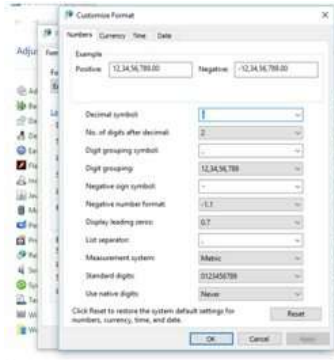


Step 04 To see whether the Comma separator displayed is correct, Click "Additional settings" in the bottom right (This option can be used if "English(India)" does not appear in the scroll list).

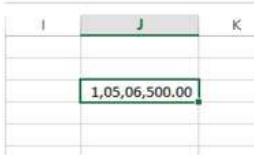


Step
05

The "Customise Format" Dialog box will appear as follows where the Digit Grouping displays the comma separator. The digit grouping can be altered to customise any way one wants.



Numbers in Excel will henceforth appear like this



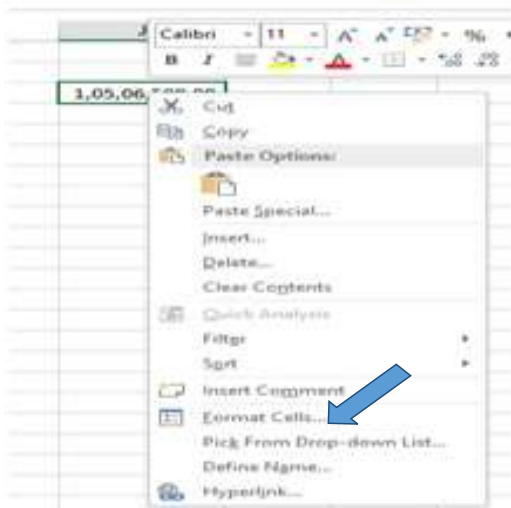
Note : The above method is the permanent solution to Change the numbers to Indian Number format

Alternatively however where you (i) Do not have the admin rights to alter the control panel or (ii) Are not able to get the desired results after changing the settings mentioned above, the format of the cells can be altered to get the desired results

Step
01

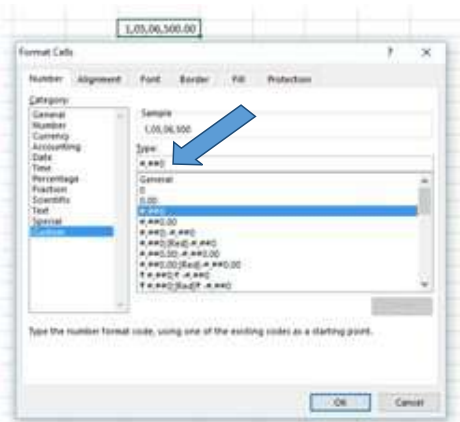
Press Ctrl 1 to go to "Format Cells" or

- Select the required cell(s)
- Right click and then select "Format Cells"



Step
02

Under Number Tab, Select Custom and then in the "Type" Box", type the following to get the number format displaying lakhs and Crores.



Type the following :

for Lakhs only

[>99999]##\,##\,##0.00;[<-99999.99]-##\,##\,##0.00;##,##0.00

for Lakhs and crores

[>9999999]##\,##\,##\,##0.00;[>99999]##\,##\,##0.00;##,##0.00

COMMITTEE FOR CAPACITY BUILDING OF MEMBERS IN PRACTICE, ICAI

The Committee for Capacity Building of Members in Practice, ICAI is set up to rejuvenate practice portfolio of members and CA Firms by strengthening their professional strength through Networking & Merger among CA Firms as well as assisting in setting up of LLP as well as corporate form of Practice (MCS). The Committee also provides platform for knowledge sharing and updation through release of technical publications on various matters of professional interest.

The Committee has arranged following products and services for the benefit of Members and students.

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Tax suite software at special price through KDK Software (India) Pvt Ltd.

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http://www.icai.org/post.html?post_id=9787

Accounting Software at Discounted Price through Busy Infotech Pvt. Ltd.

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Quick Heal Total Security antivirus software for PC at Special price.

http://www.icai.org/post.html?post_id=11505

GST - INPUT TAX CREDIT



CA M SELVA KUMAR

1. Introduction

The Government have set the ball rolling on April 12, 2017 by enacting the CGST, UTGST and IGST Bills. The President has given his assent to the Central GST Act, 2017, the Union Territory GST Act, 2017, the Integrated GST Act, 2017 and the GST (Compensation to States) Act, 2017. Now, GST waiting in the wings for a long time will take the stage with effective from 1st July 2017. The idea is to convert the whole of India into one single uniform market, by eliminating labyrinthine tax treatments under myriad laws and different States.

GST law though drafted from ground up it took few ingredients from earlier indirect tax laws. Therefore, concept of Value Added Tax is an inherent feature of GST. Only the value addition from the point of origination till its final consumption is taxed in GST regime without "Double Taxation" and "Cascading effect of taxes". This is made possible through "Seamless Credit" of input tax. Every registered person who has to file GST returns will conjure up about eligibility of ITC. Objective of this article is to elucidate about the provisions of ITC for taking only Eligible ITC.

2. Definitions

Sec. 2(21) Central Tax (CT)	Sec. 2(104) State Tax (ST)	Sec. 2(58) Integrated Tax (IT)	Sec. 2(115) Union Territory Tax (UTT)
Means CGST levied under Section 9	Means the tax levied under any SGST Act	Means the IGST levied under IGST Act	Means the UTGST levied under the UTGST Act

Sec. 2(62) Input Tax

Means	Includes	Does not include
<ul style="list-style-type: none"> ★ Central Tax (CT), ★ State Tax (ST), ★ Integrated Tax(IT) or ★ Union Territory Tax (UTT) 	<ul style="list-style-type: none"> ★ IT on import of goods ★ CT/ST/IT/UTT payable on Reverse Charge Mechanism 	<ul style="list-style-type: none"> Tax paid on Composition Levy
Sec. 2(59) Input	Sec. 2(60) Input Service	Sec. 2(19) Capital Goods

- ★ Used or Intended to be used
- ★ In the course or furtherance of business
- ★ Capital Goods - Capitalized in the books

Sec. 2 (82) Output Tax

Means

Tax chargeable under this Act on taxable supply of G/S/both made by him or his agent

Exclude

Tax payable by him on Reverse charge basis (RCM)

Sec. 2(67) Inward supply

Receipt of G/S/both

whether by purchase, acquisition or any other means

with or without consideration

Sec. 2(83) Outward supply

Supply of G/S/both

whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode

made or agreed to be made in the course or furtherance of business

1.Thumb Rule

The concept of ITC, presupposes that the preceding supply (i.e. inward supply) as well as the subsequent supply (i.e. outward supply) both are charged with GST. If the inward supply is not charged with GST, the question of ITC does not arise. Similarly, if the outward supply is not charged with GST (NIL rated or Fully exempted supply or non-taxable supply), the ITC gets accumulated and eventually becomes a part of the cost.

However, in certain cases, refund of ITC is permissible. Under GST, there are only two instances where refund of ITC is permissible. a) Exports including zero rated supplies and b) Cases involving inverted tax structure (where rate of tax on inward supplies are higher than the rate of tax on outward supplies)

An outward supply not in the course of or furtherance of business or commerce is "Not a Supply" and no GST on such "Non-business outward supply". Therefore, ITC on such non-business outward supply is not allowed. Definition of business is given in Sec. 2(17) of CGST Act.

Based on the above thumb rule, we can determine whether ITC is allowable or not. In addition to this, Section 16 and Section 49 of CGST Act provides that ITC entitlement is subject to certain conditions, restrictions, time and manner.

Section 16 - ITC eligibility Conditions

All the conditions must be satisfied by recipient to take ITC:

- 1) ITC can be taken only by a **registered** taxable person
- 2) Possession of a **tax invoice/debit note/tax paying document** issued by supplier
- 3) **Received** the goods or services or both
- 4) Tax in respect of such supply is **actually paid to the Government**
- 5) **Return is filed** under section 39
- 6) When goods are received in lots, ITC can be taken only **on receipt of last lot**
- 7) Payment for supply to the supplier should be made **within 180 days** from date of issue of invoice
(ITC has to be reversed if not paid within 180 days)
- 8) When **depreciation is claimed under Income Tax Act** on tax component of capital goods then ITC on the tax component is not allowed
- 9) **Time Limit** – Before the return for September following the end of financial year (or) before filing of annual return whichever is earlier

Issue 1 – Advance Payment: A point to ponder is whether a recipient can take ITC on “Advance payments” made by him for inward supply. Goods/Services/Both may not be received in case of advance payments. In such scenario, recipient need to wait till the actual invoice and goods are received for availing the ITC. (Mostly, advance payments will not auto populate in GSTR-2 of receiver till the invoice level identification is completed in GSTR-1 by supplier).

Issue 2 – Bill to Ship to Supply: Mr. X in Madurai might have placed order for Goods to Mr. Y in Cochin with a condition to deliver the Goods to Mr. Z in Bengaluru. Now, the actual receiver of goods is Mr. Z. However, explanation to section 16(2) clarifies that the Mr. X shall be deemed to have received the goods. Hence, Mr. X can take ITC even though goods are actually received by Mr. Z.

Issue 3 – Job Work: Sec. 19(2) clarifies that the principal shall be entitled to take credit of input tax on inputs even if the inputs are directly sent to a job worker for job work without being first brought to his place of business.

Issue 4 – ISD: Input Service Distributor (ISD) may not actually receive services. Therefore, it should be construed that the respective units to whom ITC is distributed should be in receipt of services to avail ITC from ISD.

CONCLUSION:

As per Sec. 41(1) every registered person shall be entitled to take credit of eligible ITC and amount will be credited on provisional basis to his Electronic Credit Ledger subject to fulfilment of conditions mentioned above. Under the GST regime, ITC conditions are well defined rather than as sword of Damocles under existing laws.





12.04.2017 - CPT COACHING CLASS INAUGURATION



22.04.2017 - GST -THE RECENT DEVELOPMENTS



Disclaimer:

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