



**THE INSTITUTE OF
CHARTERED ACCOUNTANTS OF INDIA**
(SET UP BY AN ACT OF PARLIAMENT)



JULY 1ST
75TH CA FOUNDATION DAY

2023 JULY

E-NEWSLETTER

THRISSUR BRANCH
OF SOUTHERN INDIA REGIONAL COUNCIL
OF INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA



OFFICE BEARERS

CHAIRMAN

CA. Jeen Paul

VICE CHAIRMAN

CA. Anoop V Francis

SECRETARY

CA. Divya Dharmarajan

TREASURER

CA. Satheesh T G

SICASA CHAIRMAN

CA. Paulson E M

IMMEDIATE PAST CHAIRMAN &
NEWS LETTER IN CHARGE

CA. Ajith Kaimal R

INSIDE

03 *Editor's desk*

04 *Chairman's message*

05 *Applicability of GST on
Concessionaire Agreement*

08 *Organisational vision*

10 *42nd AGM Notice*

11 *Glimpses June 23*

EDITOR'S NOTE



Dear esteemed readers,

We are thrilled to present the June issue of our CA journal, coinciding with the momentous occasion of the 75th CA Day celebrations. On this auspicious milestone, we extend our warmest wishes and heartfelt congratulations to all the members of our esteemed Chartered Accountancy community.

This year, as we commemorate the 75th CA Day, we reflect upon the remarkable journey of our profession and the indelible impact we have made over the decades. It is a testament to our collective dedication, unwavering commitment to excellence, and the vital role we play in shaping the economic and financial landscape of our nation.

In this issue, we have curated two insightful articles.

The first article, penned by CA Spudarjunan S, delves into the intricate realm of GST applicability on Concessionaire Agreements highlighting the exemption for annuity payments in Public-private partnerships and the withdrawal of exemption from January 2023.

In the second article, Mr. K A Babu highlights the significance of organizational vision in driving success and sustainability. A clear and compelling vision becomes crucial for organizations in navigating the ever-changing business landscape and inspiring stakeholders. The article emphasizes the role of vision in shaping strategic direction, fostering shared purpose, and driving organizational performance. This article serves as a guiding resource for CA professionals involved in strategic planning and leadership, helping them build organizations with a clear vision for a sustainable future. For CA firms, adopting a compelling vision provides direction, purpose, and the opportunity to drive innovation and establish a strong industry reputation. As we embrace CA Day, let us reflect on the incredible journey we have undertaken as Chartered Accountants and the tremendous impact we have made in our respective fields. This occasion serves as a reminder of the principles we uphold: integrity, professionalism, and a commitment to excellence.

I would like to express our heartfelt gratitude to CA Spudarjunan S and Mr. K A Babu for their valuable contributions to this issue. Their expertise and dedication have enriched our journal, providing our readers with comprehensive insights and practical knowledge.

We extend our warm wishes to all our readers, contributors, and fellow Chartered Accountants on this joyous occasion of CA Day. May our shared commitment to excellence continue to inspire us as we navigate the dynamic landscape of the profession.

As always, we welcome your feedback and suggestions, which help us shape the content of our journal and better serve the needs of our esteemed readership.

Jai Hind Jai ICAI

CA. AJITH KAIMAL R
NEWSLETTER IN CHARGE

CHAIRMAN'S MESSAGE

Dear Esteemed Members,

Greetings to all of you!



Last month on 8th June 2023, we hosted a CPE Seminar on the new income tax reassessment scheme, specifically focusing on Sections 147-153 of the Income Tax Act. We were fortunate to have CA Rajan C V from Thrissur as the esteemed faculty for the seminar.

On June 10th 2023, we joyously celebrated our 43rd Foundation Day, this special occasion allowed us to reflect on our journey thus far and honor the individuals who have played pivotal roles. We pay tribute to our esteemed past chairpersons the visionary leaders who have guided our branch with their wisdom, dedication, and unwavering commitment. Their contributions have been instrumental in shaping our branch into what it is today. On the same day we, under the esteemed guidance of the Direct Taxes and International Taxation Committee of SIRC of ICAI conducted a one day CPE Seminar on "Direct Taxes." We were privileged to have two esteemed faculties for the seminar CA (Dr.) Suresh N and CA Naveen Khariwal, both renowned professionals in the field of taxation. They utilized their extensive experience and expertise to deliver an engaging and informative session.

Continuing our commitment to professional development on June 22, 2023, we organized the first session of the Train the Trainers' Program. This session was specifically designed to equip trainers with the necessary knowledge, skills, and techniques to enhance their effectiveness in delivering training programs. Dr. Benny Joseph Neelankavil, the (CEO) of Jubilee Mission Health Care Institutions in Thrissur, was the esteemed faculty for this program.

On June 27, 2023, we organized an outreach program along with the Income Tax Department. The program focused on the "E-Verification Scheme - 2021" introduced by the Office of the ITO (Intelligence & Criminal Investigation). The esteemed speaker for the program was Shri. Subrata Das, an Income Tax Officer specializing in Intelligence & Criminal Investigation.

The Thrissur branch of SIRC of has been actively involved in conducting coaching classes and academic activities to provide comprehensive CA training. The branch has organized coaching classes for the Foundation, Intermediate, and Final levels in preparation for the November 2023 examinations. The commitment to providing high-quality training is evident in the branch's academic activities. The Thrissur branch of SIRC of ICAI has established itself as a leading center for CA coaching in Kerala. The dedication of the faculty, the comprehensive course offerings, and the supportive learning environment contribute to the branch's claim of being the best CA coaching available in the whole of Kerala.

This month, we are excited to announce that we have a series of planned events that are sure to be engaging and beneficial for all members. Together, we can pave the way for success and create a bright future for ourselves and the profession as a whole.

Jai Hind Jai ICAI

CA JEEN PAUL
CHAIRMAN

GST APPLICABILITY ON CONCESSIONAIRE AGREEMENT



CA. SPUDARJUNAN S

INTRODUCTION

A concession agreement is a contract that gives a company the right to operate a specific business within a government's jurisdiction. A Public-private partnership is often defined as a long-term contract between a private party and a government agency for providing a public asset or service, in which the private party bears significant risk and management responsibility.

Background of the Industry

In India, the BOT (Build Operate and Transfer) has attracted a lot of private sector participation in road development. PPP model has the following the variants:

- Engineering, Procurement, and Construction (EPC) Model
- BOT
 - > BOT (Toll Model)
 - > BOT (Annuity Model)
- Hybrid Annuity Model (HAM)

Discussion can be made on each of these variants to know the basic features of each of them. This discussion is necessary as the tax levability may vary based on the PPP model followed.

EPC Model: Under this model, the cost is entirely borne by the government. The government seeks engineering expertise from private sector. The government pays for raw material procurement and construction costs. The private sector's involvement is minimal, and it is restricted to engineering skills. One issue with the model is that it places a significant financial burden on the government.

BOT Model: BOT stands for Build, Operate and Transfer. This was introduced to relieve government from financial burden. It is a type of arrangement in which a private entity has authority for the financing, construction and operating a facility for a given period of time. After the concession period is

over the facility is transferred to the government. The risk of failure of project is shared by private entity and client during the concession period.

> BOT (Toll Model): In this toll-based BOT model, a road developer constructs the road, and he is allowed to recover his investment through toll collection. This toll collection will last for prolonged periods like 30 years. There is no payment from Government's end as the developer earns money invested from toll.

> BOT (Annuity Model): BOT (toll model) has the disadvantage of collecting money from users i.e., public. Thus, BOT annuity model was introduced where a developer/concessionaire builds the highway, operates it for a specified duration and transfers it back to the government. The government starts payment to the developer/concessionaire after the launch of commercial operation of the project. Payment will be made on periodical basis (Quarterly/Half-yearly/Annually). However, this system is losing its popularity with huge funding necessary to be raised by the public entity due to which large numbers of projects off late are being stalled, adding to the non-performing assets (NPA's) for the government. To overcome these obstacles innovation into the model was necessary of which emerged the Hybrid Annuity Model (HAM).

Hybrid Annuity Model: In India, HAM is introduced as a mix of BOT Annuity and EPC models. As per the design, the government will contribute to 40% of the project cost in the first five years through annual payments (annuity). The remaining payment of 60% will be made based on the assets created and the performance of the developer. The word "Hybrid annuity" is a financial terminology and means that payment is made in a

fixed amount for a considerable period and then in a variable amount in the remaining period. This hybrid type of payment method is attached under the HAM. Here, hybrid annuity means the first 40% payment is made as fixed amount in five equal instalments whereas the remaining 60% is paid as variable annuity amount after the completion of the project depending upon the value of assets created. As the government pays only 40%, during the construction stage, the developer should find money for the remaining amount. Here, he has to raise the remaining 60% in the form of equity or loans.

Applicability of GST since July 2017

EPC Model

It is taxable under GST unlike availability of exemption under service tax vide sl.no.13 of Mega Exemption notification no.25/2012-S.T. as amended.

Toll Model

Toll charges was exempted from GST vide sl.no. 23 of notification no.12/2017-C.T.(R) – as amended outright from 01st of July 2017.

Annuity & Hybrid Annuity Model

Up to 12th October 2017

No explicit exemption was given to annuity payment received by the concessionaire unlike under service tax wherein it was exempted vide sl.no.13 of Mega Exemption notification no.25/2012-S.T. as amended.

From 13th October 2017 to 31st December 2022

Subsequently, in 22nd GST council meeting held on 06-10-2017 –

“Agenda item 13(iv): Issue of Annuity being given in Place of Toll Charges to Developers of Public Infrastructure – exemption thereon.

61. Introducing this Agenda item, the Joint Secretary (TRU-II), CBEC stated that while toll is a payment made by the users of road to concessionaires for usage of roads, *annuity is an amount paid by the National Highways Authority of India (NHAI) to concessionaires for construction of roads in order that the concessionaire did not charge toll for access to a road or a bridge.*

In other words, annuity is a consideration for the service provided by concessionaires to NHAI. He stated that construction of roads was now subject to tax at the rate of 12% and due to this, there was free flow of input tax credit from EPC (Engineering, Procurement and Construction) contractor to the concessionaires and thereafter to NHAI. He stated that as a result, tax at the rate of 12% leviable on the service of road construction provided by concessionaire to NHAI would be paid partly from the input tax credit available with them. He stated that the Council may take a view for grant of exemption to annuity paid by NHAI/State Highways Construction Authority to concessionaires during construction of roads. He added that access to a road or bridge on payment of toll was already exempt from tax. The Hon’ble Minister from Haryana suggested to also cover under this provision annuity paid by State-owned Corporations. *After discussion, the Council decided to treat annuity at par with toll and to exempt from tax, service by way of access to a road or bridge on payment of annuity.*”

Further, the press release dated 06th October 2017 – sl.no.7 under the category “3. Other rate change in services”: clearly depicts that the exemption is to annuity paid by NHAI (and State authorities or State-owned development corporations for construction of roads) to concessionaires for construction of public roads.

Accordingly Vide Notification no. 32/2017-CT(R) dated 13th October 2017, following sl.no.23A was inserted in notification no.12/2017-CT(R) as amended: ***“Service by way of access to a road or a bridge on payment of annuity”***

Deviation in interpretation by revenue for the between period

However, in 43rd GST council meeting para 15.33, it was discussed that the annuity paid as deferred payment for construction of roads/highways was not exempted from GST.

Consequently, vide circular 150/06/2021 – GST after 43rd GST council meeting, following has been clarified that,

☒ GST is exempt on service, falling under heading 9967 (service code), by way of access to a road or a bridge on payment of annuity;

☒ Services by way of construction of road fall under heading 9954;

☒ Therefore, plain reading of entry 23A makes it clear that it does not cover construction of road services (falling under heading 9954), even if deferred payment is made by way of instalments (annuities).

The above clarification of the circular is not legally tenable and could be challenged on the following grounds:

Explanation to the notification (after definition) provides that for the purpose of this notification, “Chapter, Section, Heading, Group, or Service Code mentioned in Column (2) of the Table are only indicative.”

Hence, importance has to be given to the wordings rather than chapter headings. From the 22nd council meeting minutes, it is clear that the intention to give exemption is to exempt the construction of roads for annuity instead of toll to make both the services par. The test for deciding whether a contract falls into one category or the other is to as what is “the substance of the contract”.

Karnataka High Court in the case of ***DPJ Bidar Chincoli (Annuity) Road Project Pvt. Ltd 2022 (65) GSTL 38 (Kar.)*** considered the circular (supra) bad in law and set aside the same on the following grounds:

From the deliberation of GST Council in its meeting held on 6-10-2017 and the notifications issued pursuant thereto clearly exempts the entire annuity being paid to the petitioners towards construction and maintenance of roads. It cannot be construed to have not exempted the annuity (deferred payments) towards construction of roads.

- It is a settled proposition of law that a Circular which clarifies the notification cannot have the effect of overruling the notification.

- In the instant case, what has to be considered is whether the impugned Circular is in violation of Notification Nos. 32 and 33/2017, dated 13-10-2017 or clarifies the said notifications.

It is a settled principle that once a high court has ruled that a certain circular is bad in law it has to be applied uniformly across the country unless it is overturned by the higher forums or any contrary judgments from the jurisdictional High Courts.

W.e.f. 01st January 2023

Considering the said courts ruling (supra) and legal lacuna in implementing the desire of the revenue as listed in the circular (supra), the exemption available to such annuity payments has been withdrawn by omitting sl.no. 23A of notification no.12/2017-C.T.(R) as amended w.e.f. 01st January 2023, vide notification no.15/2022-C.T.(R) dated 30th December 2022. Therefore, all annuity payment arising out of the concessionaire agreement for which time of supply falls beyond 01st January 2023 is not exempted under GST, thereby attracting section 18(1)(d) of the CGST Act 2017 where in the credit of inputs held in stock in whatever form and capital goods are available.

Conclusion

A concession agreement averagely for being a tenure of 15 years spreading across the different tax regime i.e., pre-GST & GST regime and different tax applicable time frame under GST. It is foremost requirement for the concessionaire to be updated with the law and ensure brim compliance with the same to discharge appropriate tax liability. The law assists only those who are vigilant. Incase where the exemption is availed taxpayer should ensure the proper compliance with the input tax credit pertaining to the same.

For any feedback or queries kindly reach me –
arjun@hnaindia.com

ORGANISATIONAL VISION



K A BABU

Vision means ability to see. It is the ability to see the area or the horizon from a particular position, place or vocation. Vision is an idea or a picture imagination. It is a dream. It is a thought about future with great imagination and wisdom. *Imagination is more powerful than knowledge* (Albert Einstein).

Vision should be clear and unambiguous. It should present a vivid and clear picture of the future. It should describe a bright future. It should be memorable. Vision should carry in-built action. It should be pregnant with realistic aspirations that are power filled to move people.

Organisational Vision

Organisational vision is the desired intended future state of an organisation in terms of its fundamental objectives or strategic decisions. It, normally, is a long term view. Vision tries to draw a picture that tells how the organisation would like the world to be.

Vision should be aligned with organisation's values and culture. Values are the beliefs that are shared among the stakeholders of an organisation. Values drive an organisation's culture and priorities. It is fundamental. Whatever best or beautiful a vision may be, if it is not integrated and inter-twined with the organisation's values and culture, it would not get assimilated in the organisational psyche.

At the same time, vision can and should be powerful enough to inculcate and bring forth positive values in the organisational fabric. Vision can refine or mould organisational culture. When vision leads to energise the people to move ahead and meet the objectives of the organisation upholding the desired values and ethics, we say, the vision is powerful. The protagonist who gifted this vision thus becomes a visionary.

Vision is not static. It is live and should be live ever.

Vision and Strategic planning

Vision and strategic planning are co-existent. Strategic planning is organisational process of defining its strategy or direction and making decision or allocating its resources to pursue this strategy including its capital and people. It is a process of determining where the organisation is going. Strategic innovation and tinkering with the strategic plan have to be a core strategy for an organisation to survive the turbulent business climate.

Vision statement

Vision statement is a vivid idealised description of a desired outcome that inspires, energises and helps create a mental picture of a target. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria. The purpose of the vision statement is to motivate people and stimulate creativity.

To become really effective, an organisational vision statement must find itself close to the hearts of its people – more internal than external.

The most famous search engine of the day, Google, says its vision is to organise the world's information and make it universally accessible and useful. That is what they really do. Amazon.com's vision is to be earth's most customer centric company, to build a place, where people can come to find and discover anything that they might want to buy on line. McDonald would like to be the world's best, quick restaurant experience in quality, service, cleanliness and values & make customers smile in every restaurant. Delhi Metro's vision is Quick, effective, modern railway system for Delhi.

The shorter the vision statement, the stronger it is. It shoots into the hearts of the stakeholders sharp and

fast. Easy to understand, remember and share. Disney World's vision statement itself makes us a happy: To make people happy.

Vision energises the people

Vision and vision statement should not be quite ordinary. It is an ambitious goal, driven by aspirations and attainable by commitment. It is a challenge to meet, a dream to realise, a peak to conquer. In 1980, Microsoft came out with a vision that at that point of time many thought utopian: A PC in every home running Microsoft software. 20 years down the line, the world witnessed developing this vision to reality.

Vision is a promise

Organisations frame and commit themselves to a vision that it believes paramount to the purpose for which it exists. In that sense, vision is an organisation's commitment to itself. At the same time it is a promise to its stakeholders – investors, clients, potential target segments, employees, regulators, government and world at large. Once it is framed and pronounced, the onus of translating it to the real experience of the stakeholders is with the people internal – employees or members. Top to bottom.

This experience is not limited to human touch points. All customer touch points – physical, online, digital, contact centre, partners and alliances should deliver the same experience. One brand, one experience.

Tagline

Tagline is a concise form of the commitment or promise given through the vision. When Apple says, Think Different, it conveys a message, a promise. For De Beers, it is, A Diamond is Forever. Mastercard tells, There are some things money can't buy. For everything else, there is Mastercard. Red Bull Gives you wings. Nike encourages you to, Just do it. BMW gives you Sheer Driving Pleasure. The New York Times brings you All the News That's Fit to Print.

ICAI's vision

ICAI's vision is To be World's leading accounting body by playing a predominant role in setting world class standards in identified service areas developing thought leadership and research that addresses concerns of countries, developed, developing and under-developed. Its motto is Ya Aeshu Supteashu Jagruti (a person who is aware in those that sleep). It is part of its emblem and it well conveys the important role that ICAI plays.

Unleash the power in you

The difference between what we do and what we can capable of doing would suffice to solve most of the world's problems. (M K Gandhi). When we become aware of what is possible we begin to realise that dreams can be achieved, challenges can be conquered, problems can be solved. Then there opens up a completely new set of awareness and possibilities which by itself is a tremendous source of passion and energy.

K A BABU

A life member of TMA and

Author of Mazhameghalgalkku Mele (Above the rain clouds).

EVP (Retd) Federal Bank.

Currently Internal Ombudsman (RBI) for South Indian Bank.



**THRISSUR BRANCH OF SOUTHERN INDIA REGIONAL
COUNCIL OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

ICAI Bhavan, Chiyaram Road, Koorkenchery, Thrissur, Kerala 680026

42nd ANNUAL GENERAL MEETING

NOTICE

NOTICE is hereby given that the 42nd Annual General Meeting of the Thrissur Branch of SIRC of ICAI will be held on **26.07.2023 at 05.30 pm** at the Office of **Thrissur Branch of SIRC of ICAI, ICAI Bhavan, Chiyaram Road, Koorkenchery, Thrissur, Kerala 680026** to transact the following business.

AGENDA

Item No. 1: To receive the Annual Report of the Managing Committee of the Branch for the year 2022-2023;

Item No. 2: To receive the Audited Accounts together with the Audit Report of the Managing Committee of the Branch for the year 2022-2023;

Item No. 3: Any other business that may be brought before the meeting with the permission of the Chair.

By order of the Managing Committee

CA DIVYA DHARMARAJAN

SECRETARY

Place: Thrissur

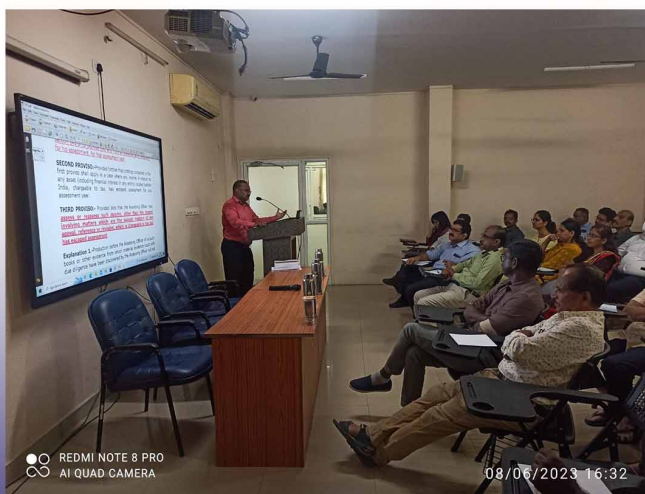
Date: 03.07.2023



Note : The Annual Report of the Managing Committee for the year (2022-23), the audited accounts together with the audit report of the Managing Committee of the Branch will be hosted on the official website of the Thrissur branch of SIRC of ICAI before 14 days of the AGM and it shall also be displayed on the Notice Board at the Office of the Thrissur Branch of SIRC of ICAI. Internet link of all these details will be sent by e-mail to the Members of Branch as per the details available with the Institute. Members desirous to have hard copy of the full version of the above may please send an e-mail to trichur@icai.org along with their Name, ICAI Membership Number and latest complete postal address to enable Thrissur Branch of SIRC of ICAI office to do the needful.

Glimpses

JUNE 23



08.06.2023

**CPE SEMINAR ON NEW INCOME TAX REASSESSMENT SCHEME
SECTIONS 147-153 OF THE INCOME TAX ACT, 1961
SPEAKER : CA. RAJAN C V**



22.06.2023

**CPE ON TRAIN THE TRAINER
SPEAKER : DR. BENNY JOSEPH NEELANKAVIL(CEO), JUBILEE MISSION HEALTH CARE INSTITUTIONS
THRISSUR**

Glimpses

JUNE 23



10.06.2023

43RD THRISSUR BRANCH FOUNDATION DAY CELEBRATIONS



THRISSUR BRANCH OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ICAI BHAWAN, CHIYYARAM, THRISSUR – 680 026.
TEL - (0487) 2253400, 2253800, EMAIL - TRICHUR@ICAI.ORG, WEB- THRISSURICAI.ORG