

E-circular dated Friday, October 13, 2017

**Integrated Association of Micro, Small & Medium Enterprises of India**

[www.iamsmefindia.com](http://www.iamsmefindia.com)

E-mail: [info@iamsmefindia.com](mailto:info@iamsmefindia.com), +91-9711123111 (Executive Secretary)



Rajive Chawla  
Chairman, IamSMEofIndia

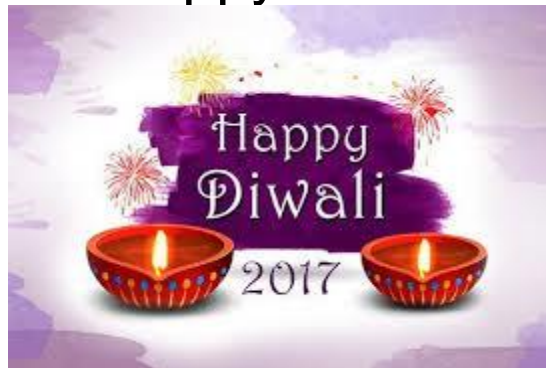
Proud to say  
**IamSMEofIndia**



Sangeet Kr Gupta  
Hon. Consultant,  
IamSMEofIndia

Dear Members,

**Happy Diwali**



Happy Diwali Season to all I am SME of India Members, and Well-Wishers

## **Note on Diwali Expenses**

- 1) **Income tax** point of view
- 2) **GST** point of view

### **Quick notes for Diwali Expenses ( from Income Tax point of view )**

People have different confusions, on whether and how to book these expenses.  
So, some tips from our Association taxation help centre

### **Source of Funds ?**

Pay the expenses in cash, cheque, credit card as convenient. Account for them as normal business voucher. There is no need to hide, or be afraid of. Take proper bill as usual.

### **How to pay the Sweets shop for Sweet boxes ?**

Suppose you are buying say, 200 boxes from Haldirams or Bikanerwala, or any other store, then, Don't pay over Rs. 10,000 in cash. It will be fully "disallowed" under section 40a(3), Rule 6DD.



Important note : Till last year expenses in cash were allowed till Rs 20000.

**Now the limit is further reduced to Rs 10000.**

Try to plan ahead, and talk to them they will love to get payment by Credit Card. If they don't have this facility, still they are ok to get by Cheque, or DD. They may ask you to wait for clearing of cheque. No problems, if your bill is expected to be Rs 45000 pay them the 40000 Rs by cheque in advance, and balance can be paid on the date of delivery.



### **How to pay the Gift shop for Diwali Gifts ?**

Suppose you are buying any goods, (electronics, crockery, dry fruit, any utility or show-piece item) for gifting , again, Don't pay over Rs. 10,000 in cash. It will also be fully "disallowed" under section 40a(3), Rule 6DD. Try to plan ahead, and pay them by Cheque, or DD. (if required in advance)

### **Using Credit Card to pay the Gift shop for Diwali Gifts / Sweets ?**

Today most of the shopkeepers / sweet shops have credit card swipe facility. So you can use that, it is cash less, and you can pay on the spot. ( you may also get some 1-2% discount in the form of reward points))

### **Fringe Benefit Tax ?**

There is no FBT ( Fringe benefit tax). It was scrapped eight years ago.

So, all expenses are “valid” and logical for your size of business are valid business expense.

### **GST paid , from Income tax point of view ?**

Pay the GST on the commodity purchased, as per GST laws.

It is a deductible expense as the base expense.

### **Where to book this expense ?**

We advise that the expenses may not to be booked in “Diwali exp”. The reason is that people actually spend on these days due to customs and traditions. So, we suggest that, you see the real purpose.

- If Real purpose is better relations with customer or vendor, or liaison with outside bodies book into “business promotion” .
- If Real purpose is better relations with staff → book into “staff welfare” .
- If it is “Pooja exp, for pandit ji, flower decoration etc” – that can be put in diwali expenses

### **GST Return point of view ?**

#### **Will I get ITC ( Modvat ) on the GST paid for these Gifts**

This is not allowed ( u/s 17(5) of CGST Act ).

Note : Even, in pre GST time, these modvat were not allowed in the Excise / VAT / service tax law. Similarly, the law has put in that ITC is not allowed



There is a “Negative List” for ITC given in Sec 17(5) of CGST Act

Section 17 (5) of CGST Act says

- Notwithstanding anything contained in sub-section (1) of section 16 and subsection (1) of section 18, input tax credit shall not be available in respect of the following, namely:—
- (a) to (g) ... ..
- (h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples;

### **Should I give my GST number to the Vendor of Gifts / sweets ?**

Yes, you can. But If insignificant, you can avoid too. Since ITC is not available anyway.

### **What to do in our GSTR2 return ?**

The vendor will file his GSTR1 return. OK . He will pay his GST to Govt. OK

So, The ITC will come automatically in your GST-2A....

Remember,...important.... You must mark it as “ITC not taken”

Tell your accounts department not to take this ITC, since if it is caught during the GST audit, then it will be difficult to explain. And you may have reverse this with interest and penalty.

	<u>Expense</u>	<u>ITC credit allowed</u>	<u>Income tax expense allowed</u>
1	Office Decoration	Allowed	Allowed
2	Office repair	Allowed	Allowed
3	Factory repair / whitewash for diwali / general repair	Allowed	Allowed
4	Gifts for staff purchased	Not allowed	Allowed
5	Gifts for Customers	Not allowed	Allowed
6	Sweets for workers	Not allowed	Allowed
7	Gold / Silver Coins	Not allowed	Allowed
8	Outdoor Catering for Staff party	Not allowed	Allowed
9	"Venue Charges"/Room Charges for Hotel	Allowed	Allowed
10	Own Production , given to staff upto Rs 50000 per annum	GST not levied on supply, since it is not a supply. (Upto Rs 50000). But if purchased then ITC still disallowed	Allowed
11	Cash bonus to workers over Rs 10000	NA	Not allowed
12	Cash Advance to workers over Rs 10000	NA	Not allowed
13	Cash Wages to workers over Rs 10000	NA	Not allowed
14	Any Cash expense, over Rs 10000	NA	Not allowed

In pre GST time, these modvat were not allowed in the Excise / VAT / service tax law. So, situation is largely the same regarding Gifts. But in Income Tax and Companies Act, all these are fully allowed, both the Basic paid to vendor and the GST thereon. Both are allowed as a Business Expense.

---

### **Greeting Cards**

Remember, once upon a time, we used to send Greeting Cards on the occasion of Diwali festival. Today, we dont send physical greeting Cards, but we can do that electronically, via the E-Greetings Cards. So, if interested, you may send an e-card to any of your near and dear ones, using the links below :

<http://www.123greetings.com/events/diwali/index.html>

[http://www.greet2k.com/festivals/diwali/diwali\\_cards.shtml](http://www.greet2k.com/festivals/diwali/diwali_cards.shtml) ( with Music )

---

### **For queries, suggestions and feedback , you can e-mail us**

Sangeet Kumar Gupta, FCA, DISA, ACMA, PGDMM, B.Com(Hons), Honorary Consultant, Integrated Association of Micro Small and Medium Enterprises of India and Faridabad Small Industries Association, 93126-08426, Camp Off : TB-06, 3<sup>rd</sup> Floor, Crown Plaza, Sector-15A, Faridabad, Haryana 121007 skgupta[at]mlga.in

**I am SME of India Office ... I-am-SME Habitat Centre, B-1/21, Sector 11, Mathura Road, Faridabad**

### **Subscription to our newsletters/ e-circulars**

Please send your details, and request e-mail to [info@iamsmeofindia.com](mailto:info@iamsmeofindia.com) / skgupta[at]mlga.in

### **for Discontinuation of this E-mail**

To discontinue receipt of e-mails from the author, please reply mentioning "Discontinue" in the Subject.

### **Notes & disclaimer**

The contents of this circular are for Private circulation & intended for the addressee/s only. We do not warrant that this email is free of mistakes, errors or any other defect. Care has been taken to provide authentic information, but it is advisable to confirm/verify with qualified legal practitioners, professionals before implementing any suggestions. The views expressed are not necessarily those of the Association. We encourage readers, our Members to write to us their opinions, suggestions, ideas, comments, thoughts and bring to our knowledge mistakes, omissions etc. which we'd be pleased to correct/implement.

For personalised suggestions, and solutions, contact our I am SME of India Team and Consultants

**4th Annual Day of FICO-IamSMEofIndia partnership** on 7th October.

- A stunning gathering of 900+ Entrepreneurs, leading businesses made the evening great.

- Prizes worth lakhs including i-Phone 8 Plus, MacAirbook, Canon Printers were handed over.

- 40 new members joined on the day of the Event. Membership has crossed 1800 mark

Reward of Rs.5.0 lakh for MSME Entrepreneur of the Year and Twelve Prizes of Rs. 1.0 lakh each for Entrepreneurs in categories- Bicycle, Sewing Machines, Autocomponents,

Exports, Rubber & Plastics, Garments, IT, Services, Diecasting, Alloys, Fabrication, RM Processing etc.

Proud of our Punjab journey that outshines any other Cluster. Proud to say IamSMEofIndia 🇮🇳



Our sponsors :

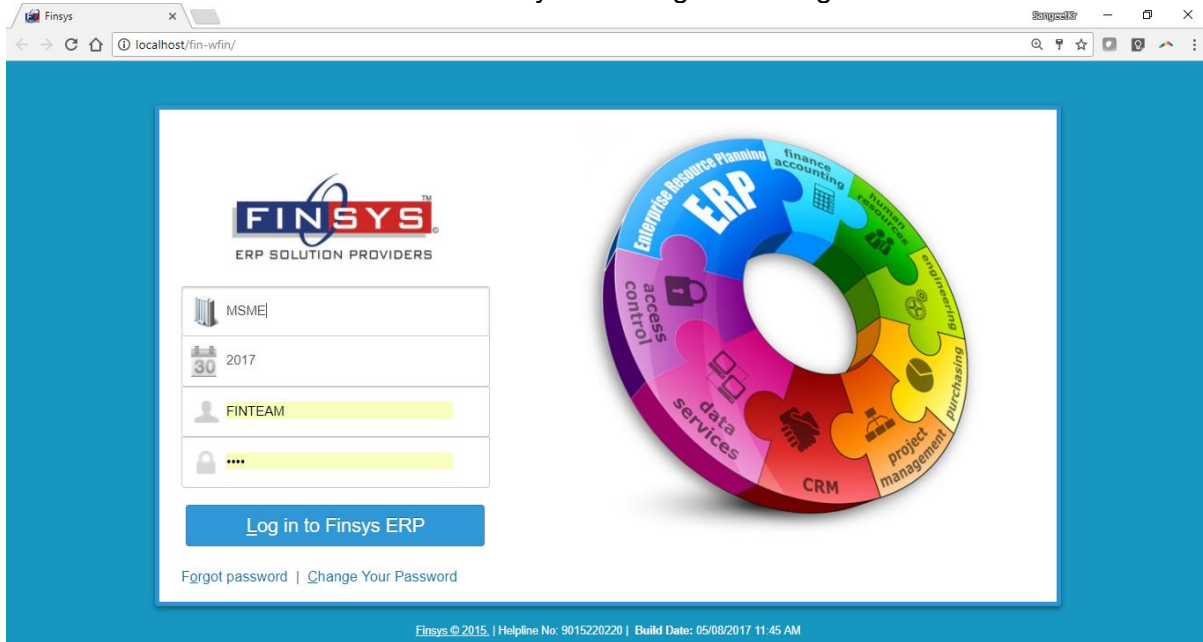


For GST and ERP Consultancy, call us  
Sanjay Bansal, Vice President, Finsys Infotech Limited, 9310008912

<p>Purchase Vouchers for Goods, and Services and Credit notes/ Debit Notes</p>	<p><a href="http://www.finsys.in/gst_vendors_purchase_vouchers_and_debit_notes">http://www.finsys.in/gst_vendors_purchase_vouchers_and_debit_notes</a></p>
--	--

GST popup in vouchers	<a href="http://www.finsys.in/gst_class">http://www.finsys.in/gst_class</a>
Purchase Expense Posting, and Form 3B	<a href="http://www.finsys.in/finsys_gst_seminar_16th_aug_2017">http://www.finsys.in/finsys_gst_seminar_16th_aug_2017</a>

Finsys ERP has made life easy for 525 Factories across India.  
Think..... are you missing something ?



Have you used the Finsys App on your Android Phone ?

Each Head of Department – has rights to see the approve things of his department on his mobile phone screen ... using the **Finsys ERP's Android App**



	<p><b>Finsys in Shanghai (China)</b> Indian MSME's going Global <a href="http://www.sino-corrugated.com/en/Exhibitors/2726535">http://www.sino-corrugated.com/en/Exhibitors/2726535</a></p>
--	---