PROFESSIONAL EXCELLENCE

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From President's Desk...

Dear Professional Colleagues and Readers,

It is with immense honor and pride that I address you for the first time as the President of our prestigious association. I am profoundly grateful to be a part of this distinguished community, which comprises dedicated members, a supportive team, visionary predecessors, and esteemed past presidents and seniors who have all contributed significantly to our association's legacy.

I am delighted to announce the formation of 13 subcommittees and the addition of 25 enthusiastic members to these subcommittees. This expansion is a testament to our commitment to continuous growth and engagement within our association.

Our first Managing Committee Meeting, held on 15th June 2024, received an overwhelming response, with 93 Core Group members in attendance. I am particularly pleased to note that 75 members stayed overnight. The meeting featured convenors presenting their Annual Activity Plans and a dynamic brainstorming session led by Mr. Peer Thomsen from KPMG. During this session, the audience was divided into 10 teams, each tasked with exploring a specific topic from the Association's long-term perspective. The collaborative energy and insightful contributions made this session a remarkable success.

A highlight of the event was the Financial Literacy Street Play titled "Tu jaag sake to jaag," performed by a talented team of 11 members. The play received outstanding feedback and is scheduled for further demonstrations at various social gatherings within our community, reinforcing our commitment to financial literacy.

The motto for this year is "Get Future Ready," and numerous events will be designed around this theme. It has been just 15 days since I assumed this role, and the interactions, member responses, and event plans I have experienced so far assure me that the journey ahead will be enriching and transformative. I pledge to dedicate my utmost efforts to our association throughout the year and strive to elevate it to new heights.

As the African proverb goes, "If you want to go fast, go alone. If you want to go far, go together." With your support and blessings, I am confident that we will achieve remarkable milestones together.

Thank you for your unwavering trust and support.

Warm regards,

Thank you all..... Always in Gratitude

July 1, 2024

CA Vinit Gada


INCOME
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AI – FUTURE PERFECT OR FUTURE TENSE ?

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FROM THE DESK OF CHAIRMAN

My morning today started with a piece of startling news that literally swept me off my feet. The news of a driverless car causing a major accident causing major casualties. These news immediately laid down seeds of a discussion that was waiting to turn explosive – whether we really need such experiments ? What is the need for such artificial intelligence that can defy all forms of other intelligence and lead to catastrophic consequences ? Well, I must admit that this argument is not totally out of place but I am taking this liberty to differ. This immediately brings to the next question which is the subject matter of this article – Artificial Intelligence – boon or bane ?

Artificial Intelligence – boon or bane ?

Each country today is competing to become an epitome of AI. Like it or hate it, but the future of global economies depends to a large extent on development and penetration of artificial intelligence and all walks of life. Trials are being conducted and experiments are being carried out everywhere in a bid to outclass one another. Be it medical science involving complex surgeries, fields of engineering, commerce, core operating systems – all are evolving and willing to offer a handshake to artificial intelligence.

But, as they say, every coin has two sides – the darker and the fairer and AI is no exception to it. The fairer side of AI is obviously the fact that it involves minimal human intelligence and involvement which makes it more formidable, less prone to errors, higher accuracy rates, competitiveness and transcending all boundaries. Limitations of human intelligence are more than overcome by Artificial intelligence and with the help of artificial intelligence, human intelligence can explore and exploit such areas where even dreams fall short of. Imagine a robot performing a liver transplant surgery with utmost precision or a tool writing this article in $1/10^{th}$ of the time that I take and with zero spelling errors. Imagine an aircraft being repaired by a robot with spotless precision or imagine a software that performs all financial functions at the press of a button and can give various analytical reports that can help the management of an entity in taking key policy decisions. But wait before we jump to any conclusion and plan to declare Artificial Intelligence as the biggest breakthrough ever witnessed by mankind, let us understand that there is a flip side also. Just as every action has an equal and opposite reaction, AI also has inherent flaws and risks that need to be managed with care and with support from human intelligence.

Over dependence on AI can lead to damages beyond repair like the accident I read in the news. Further, every technological development can through budgets of any developed economy out of gear. With focus on development of AI, budgets will tend to get compromised and this may lead to shrinking of budgets on other vital arms of any business that may be equally essential and deserving. One biggest victim of fastest growing AI and overdependence on it will be human resource. With more and more emphasis on AI and its penetration in every nook and corner, humans will tend to get replaced. Particularly unskilled manpower may find itself jobless and in countries like India which are human resource abundant and already challenged by growing unemployment, AI may act as a catalyst in further damage. It should also be noted that every artificial intelligence has its seeds in human intelligence. All economies today are driven by a burning desire to dominate other and they may unleash a weapon like AI to wipe off any economy. Has anyone read news published a few days ago mentioning hundreds of crores of rupees lost by Indians in cyber frauds with no trace of the fraudsters ? Cyber frauds can assume demonic form of cyber attacks eventually leading to cyber wars that are much more devastating than chemical or nuclear warfare. Well, such thoughts are themselves capable of sending shivers down the spine.

So, this leads to another more pertinent question which is then whether AI is future perfect or future tense ? Well the answer is very simple.

Just as any marriage needs understanding and compatibility for survival, AI also needs marriage with human intelligence to make it more understandable, compatible and acceptable. Notwithstanding any artificial intelligence, human intelligence is and shall always remain supreme. The need of the hour is that humans should recognize the importance of Artificial intelligence in making lives simpler, opening up areas of unprecedented growth and that AI can overcome all challenges that restrict the growth of human intelligence. A proper mix of artificial intelligence and human intelligence can make any recipe a mouth watering dish.

So the need of the hour is to explore and exploit AI in the best possible manner and with due care so that it does become an uncontrollable horse. This is the biggest challenge before human intelligence and if investments are made in this direction successfully, the results will create a new world altogether.

To conclude, AI is a vehicle that needs human intelligence as its driver for smooth and hassle free ride

Thank you all..... Always in Gratitude

CA Bharat Gala

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KEY CHANGES IN THE NEW ITR FORMS

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Individuals/HUFs liable for audit can verify ITR using EVC

Rule 12 has been amended to allow individuals and HUF who are liable to tax audits under Section 44AB to verify the return of income through an electronic verification code. expanding the options beyond the previous limitation to a digital signature.

Furnishing of due date for filing of return

A new column has been inserted in ITR Forms seeking information on the deadline for submitting the income tax return. The taxpayer is required to select the applicable due date for filing the return from the provided drop down options

New tax regime is the default tax regime

New tax regime will be default tax regime for the Assessee being an Individual, HUF, AOP, BOI and AJP. Assessee need to opt out from new tax regime and choose old tax regime.

The Assessee having income (other than income from a business or profession) must indicate his choice of tax regime in the return of income. The Assessee having income from a business or profession can also opt out of the new tax regime by filing Form No. 10-IEA on or before the due date for filing the return of income under Section 139(1).

Reporting of all banks held at any time

In the new ITR forms, it is obligatory for the taxpayer to disclose all the bank accounts they have ever held during the year

Furnishing of the reason for tax audit under Section44AB

Under Section 44AB, taxpayers are now required to declare the due date for submitting an income return and provide the rationale for conducting a tax audit, enhancing transparency in the reporting process

- Sales, turnover or gross receipts exceed the limits specified under Section 44AB;
- Assessee falling under Section 44AD/44ADA/44AE/44BB but not offering income on presumptive basis;

Adjustment of unabsorbed depreciation (pertaining to additional depreciation) from WDV of the block of assets as on 01-04-2023

In the new ITR Forms, Schedule DPM - Depreciation on Plant and Machinery, has been amended. It provides that the WDV of the block as on 01-4-2023 shall be increased by the amount of unabsorbed depreciation (pertaining to additional depreciation), which was not allowed to be adjusted on account of opting for Section 115BAC.

Furnishing of acknowledgement number of the Audit Report and UDIN

When providing information about audits conducted under Section 44AB, including Report issued under Section 92E, Assessee are required to furnish the acknowledgment number of applicable audit report and the UDIN.

"Receipts in Cash" column added to claim enhanced turnover limit

New ITR forms to include a new column of "receipts in cash" for disclosing cash turnover or cash gross receipts under the Schedule BP.

Assessee recognized as MSME

The new ITR-5 mandates that an Assessee should furnish information regarding its recognition status as a Micro, Small, and Medium Enterprise (MSME). It is also required to provide the registration number allotted as per the Micro, Small and Medium Enterprises Development Act, 2006.

Disclosure of the sum payable to MSME beyond the prescribed time limit

A new column is inserted under Part A-OI (Other Information) to disclose the sum payable to Micro or small enterprises beyond the specified time limit per the MSMED Act as per new clause (h) in Section 43B.

Disclosure of information pertaining to the Capital Gains Accounts Scheme

Assessee must now furnish comprehensive information regarding the Capital Gain Account Scheme, moving beyond the requirement to disclose only the deposited amount as mandated in the previous year's form.

The revised schedule now requires the inclusion of the additional details towards CGAS such as Date of deposit, Account number, IFS code

Column added to claim deduction under Section 80CCH

New ITR forms have been amended to include a column to furnish the amount eligible for deduction under Section 80CCH for amount deposited under the Agnipath Scheme towards the Agniveer corpus fund

New Schedule 80DD seeks details towards maintenance & medical treatment of the person with a disability

The new ITR forms have introduced a new 'Schedule 80DD' seeking details of deduction in respect of maintenance, including medical treatment of a dependent with a disability.

These details comprise of Nature of the disability, Type of dependent, PAN of the dependent, Aadhaar of the dependent, Date of filing and acknowledgement number of Form 10-IA, UDID Number

New Schedule 80GGC seeks details of contributions made to political parties

Section 80GGC allows for a deduction for contributions to a political party or electoral trust. The new ITR forms include a new Schedule 80GGC, which requires the furnishing of the details such as Date of Contribution, Contribution Amount, Eligible Contribution Amount, Transaction Reference Number for UPI transfer or Cheque Number/IMPS/NEFT/RTGS, IFS Code of the Bank

New Schedule 80-IAC seeks details in respect of eligible startup

A new Schedule seeking details with respect to the deductions claimed by companies under Section 80-IAC. This includes the details such as, Date of incorporation of the startup, Nature of business, Certificate number as obtained from Inter-Ministerial Board of Certification, First AY in which deduction was claimed, Amount of deduction claimed for current AY.

New Schedule 80LA seeking details towards offshore banking unit or IFSC

A new Schedule 80LA has been inserted in the ITR seeking the details from the company such as Type of entity, Type of income of the unit, Authority granting registration, Date of registration, Registration number, First AY during which deduction is claimed, Amount of deduction claimed for current AY

Schedule 80U inserted for claiming deduction if the Assessee is a person with a disability

'Schedule 80U' has been added, seeking details of deduction in case of a person with a disability such as, Nature of disability, Date of filing Form 10-IA, Acknowledgment number of the Form 10-IA, UDID number (If available)

New field for opting concessional regime under Section 115BAE

New field has been inserted in ITR seeking details on whether the Assessee is a manufacturing co-operative society opting for taxation under Section 115BAE.along with details of filing of Form 10-IFA and its acknowledgement number

Reporting of other income

'Schedule OS' has been amended in new ITR forms to incorporate reporting of following income

- details of dividend income received from a unit in an IFSC which is taxed at reduced rate of 10%.
- income received as bonus under life insurance policies.
- income earned by the unit holder from the business trusts.
- income earned from Winnings from online games

'Schedule – Tax Deferred on ESOP' seeks PAN and DPIIT Registration Number of the eligible startup

The new ITR forms necessitate qualifying start-ups to furnish their Permanent Account Number (PAN) and Department for Promotion of Industry and Internal Trade (DPIIT) Registration Numbers under this schedule.

Details of Legal Entity Identifier (LEI)

In a significant development, ITR forms now require the inclusion of the Legal Entity Identifier (LEI), a 20-character alpha-numeric code utilized for globally identifying parties in financial transactions. Taxpayers seeking refunds of Rs. 50 crores or more must provide LEI details, aligning with heightened financial transaction transparency measures.

OLD VS NEW SCHEME - A PRACTICAL APPROACH - PRO'S AND CON'S - WHO SHOULD AND SHOULD NOT OPT

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The Indian tax landscape can be a labyrinth of intricate pathways and perplexing choices. For taxpayers navigating this terrain, the selection between the old tax regime (OTR) and the new tax regime (NTR) presents a significant hurdle. Introduced in the 2020 budget, the NTR aimed to streamline the system with enticing lower tax rates. However, this simplification comes at a price – the sacrifice of numerous deductions and exemptions available under the OTR. This comprehensive guide delves into the intricacies of both regimes, empowering taxpayers in India to make an informed decision for Assessment Year (AY) 2024-25.

I. Deciphering the Old Tax Regime (OTR):

Under the old tax system, taxpayers can avail up to 70 various deductions to reduce their taxable income. Some common deductions available under the old tax regime include:

1. **Section 80C**: Deductions up to Rs 1.5 lakh can be claimed for investments in specified instruments like Employee Provident Fund (EPF), Public Provident Fund (PPF), Equity Linked Savings Scheme (ELSS), National Savings Certificate (NSC), etc.
2. **Section 80D**: Deductions on health insurance premiums paid for self, family, and parents. Up to Rs 25,000 can be claimed for self, spouse, and dependent children, and an additional Rs 25,000 for parents. For senior citizens, the limit is higher.
3. **Section 24**: Deductions on home loan interest payments. Up to Rs 2 lakh can be claimed for self-occupied property, and the entire interest paid can be claimed for let-out properties.
4. **Section 80E**: Deductions on interest paid on education loans for higher studies.
5. **Section 80TTA**: Deductions on savings account interest up to Rs 10,000.
6. **Section 80G**: Deductions on donations made to specified funds and charitable institutions.
7. **Other deductions** under various sections like 80GGA, 80GGC, 80U, etc., for specific expenses and situations.

These deductions help taxpayers reduce their taxable income and ultimately lower their tax liability under the old tax system. It is important for taxpayers to review these deductions and claim them appropriately to optimize their tax benefits.

Summarizing, the old tax regime is the existing tax structure under which taxpayers can claim various deductions and exemptions under different sections of the Income Tax Act. It has a higher tax rate but allows taxpayers to claim tax benefits on various investments and expenses.

NEW Tax Regime (NTR):

Introduced in Budget 2020, the NTR offers a simplified tax structure with lower tax rates. However, it comes with a significant caveat: most deductions and exemptions available under the OTR are foregone in the NTR. This streamlined approach aims to ease tax calculations and filing procedures.

Budget 2023 ushered in significant changes to the new regime, aiming to simplify tax calculations and provide relief to middle-income taxpayers.

1. **Higher Tax Rebate Limit:** Under the new tax regime, individuals with an income of up to Rs 7 lakhs receive a full tax rebate. This threshold was Rs 5 lakhs in the old regime, meaning taxpayers earning up to Rs 7 lakhs won't pay any tax under the new regime.
2. **Streamlined Tax Slabs:** The tax exemption limit has been increased to Rs 3 lakhs. Simplified tax slabs make calculations easier for taxpayers.
3. **Standard Deduction and Family Pension Deduction:** The standard deduction of Rs 50,000, previously available only in the old regime, now extends to the new regime.Those receiving family pension can claim a deduction of Rs 15,000 or 1/3rd of the pension (whichever is lower).
4. **Reduced Surcharge for High Net Worth Individuals:** The surcharge rate on income over Rs 5 crores has decreased from 37% to 25%. Effective tax rate for high net worth individuals now stands at 39%.
5. **Higher Leave Encashment Exemption:** Non-government employees enjoy a significantly raised exemption limit for leave encashment – from Rs 3 lakhs to Rs 25 lakhs (an 8-fold increase).
6. **Default Regime:** Starting from FY 2023-24, the new income tax regime becomes the default option. To continue using the old regime, submit the income tax return along with Form 10IEA before the due date. Annual switching between regimes is allowed to assess tax benefits in some cases.

II. Understanding the two Regimes:

Comparison of key features of both regimes:

Feature	Old Tax Regime (OTR)	New Tax Regime (NTR)
Income Tax	Up to Rs. 2.5 lakhs	Rs. 3 lakhs
Section 87A	Limited applicability	Available for incomes up to Rs. 7 lakhs
Tax Rates	Generally higher	Generally lower
Deductions and	Wide range of deductions and	Minimal deductions and exemptions
Default Scheme	Needs to be opted for	Considered the default scheme

- Comparison tax rates under both regime:

Income tax slab rates for FY 2023-24/ AY 2024-25 (Old Regime)

Slabs	Individuals (Age < 60 years)	Resident Senior Citizens (Age >= 60 but < 80 years)	Resident Super Senior Citizens (Age > 80 years)
Upto Rs. 2.5 lakhs	0%	0%	0%
< Rs. 2.5 lakhs but ≥ Rs. 3 lakhs	5%	0%	0%
< Rs. 3 lakhs but ≥ Rs. 5 lakhs	5%	5%	0%
< Rs. 5 lakhs but ≥ Rs. 10 lakhs	20%	20%	20%
Above Rs. 10 lakhs	30%	30%	30%

Income tax slab rates for FY 2023-24/ AY 2024-25 New Regime

Slabs	Tax Rates
Upto Rs. 3 lakhs	0%
< Rs. 3 lakhs but ≥ Rs. 6 lakhs	5%
< Rs. 6 lakhs but ≥ Rs. 9 lakhs	10%
< Rs. 9 lakhs but ≥ Rs. 12 lakhs	15%
< Rs. 12 lakhs but ≥ Rs. 15 lakhs	20%
Above Rs. 10 lakhs	30%

III. Difference Between Old Vs New Tax Regime:

New Tax Regime (NTR) might be better if:

1. Your income is below Rs 7 lakhs: With the increased tax rebate, you won't pay any tax under NTR.
2. You have minimal tax deductions: If you don't utilize many deductions like HRA, LTA, or Section 80C contributions, the lower tax rates in NTR can be beneficial.
3. You prefer a simpler tax filing process: NTR has fewer deductions to manage, potentially making filing easier.
4. You don't have specific investment goals or prefer flexibility in managing your finances. The lower tax rates and absence of mandatory deductions in NTR can free up more cash flow.

Old Tax Regime (OTR) might be better if:

1. Your income is above Rs 7 lakhs and you have high deductions: If you claim deductions exceeding the breakeven point for your income slab (refer to the table below), OTR can significantly reduce your tax liability.
2. You receive HRA, LTA, or other allowances: These are exemptions not available under NTR and can lower your taxable income in OTR.

3. You prioritize retirement savings, OTR's deductions for contributions to retirement plans like NPS can be advantageous.
4. Similarly, deductions for investments towards your child's education under Section 80C can be beneficial under OTR.
5. OTR allows deductions for investments in instruments like Equity Linked Savings Schemes (ELSS) that can help build wealth for long-term goals.

IV. Which Tax Regime is better for you.

1. **Breakeven Point Table:** This table shows the income level (salary income post standard deduction) at which the tax liability under both regimes becomes equal. It helps you understand which regime offers a better benefit for your income level. (columns represent income and rows represent deductions)

Deductions ——— Incomes	0	1,00,000	1,50,000	1,62,500	1,87,500	2,12,500	2,37,500	2,50,000	2,62,500	2,87,500	3,12,500	3,25,000	3,50,000	3,75,000
5,00,000	**SAME**	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME
6,00,000	New	**SAME**	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME
6,50,000	New	SAME	**SAME**	Old	Old	Old	Old	Old	Old	Old	Old	Old	Old	Old
7,50,000	New	New	New	**SAME**	Old	Old	Old	Old	Old	Old	Old	Old	Old	Old
8,00,000	New	New	New	New	**SAME**	Old	Old	Old	Old	Old	Old	Old	Old	Old
8,50,000	New	New	New	New	New	**SAME**	Old	Old	Old	Old	Old	Old	Old	Old
9,00,000	New	New	New	New	New	New	**SAME**	Old	Old	Old	Old	Old	Old	Old
9,50,000	New	New	New	New	New	New	New	**SAME**	Old	Old	Old	Old	Old	Old
10,00,000	New	New	New	New	New	New	New	New	**SAME**	Old	Old	Old	Old	Old
11,00,000	New	New	New	New	New	New	New	New	New	**SAME**	Old	Old	Old	Old
12,00,000	New	New	New	New	New	New	New	New	New	New	**SAME**	Old	Old	Old
13,50,000	New	New	New	New	New	New	New	New	New	New	New	**SAME**	Old	Old
14,25,000	New	New	New	New	New	New	New	New	New	New	New	New	**SAME**	Old
15,00,000	New	New	New	New	New	New	New	New	New	New	New	New	New	**SAME**

2. **Tax Calculators:** Online Tax Calculators and software's can help to estimate your tax liability under both regimes based on your income and deductions. The tools are available on income tax website also.

Additional Factors to consider:

1. **Future Deductions:** If you anticipate claiming more deductions in the future, OTR might be a better long-term option.

2. **Investment Goals-** Evaluate your investment goals before selecting which tax regime to choose. The new tax regime suits you if you are flexible with your investments and not looking forward to investing in tax-saving instruments. However, if you have investment goals such as retirement savings or building a corpus for a long-term goal, the old tax regime may be more beneficial as it offers deductions for contributions to various investment instruments.

3. **Loss from Other sources:** Losses from house property, capital gains, or business can also influence your decision.

V. Switching Between Regimes:

1. **Salaried Individuals:** You can switch between the regimes every year, regardless of which regime you opted for during the year through TDS (Tax Deducted at Source). The option to change is available while filing your Income Tax Return (ITR).

2. **Individuals with Business/Profession Income:** This group can only switch regimes **once in their lifetime**. So, choose wisely! If you start with the new regime, you can only switch back to the old regime once.

3. **Making the Choice:** If you prefer the old regime with its deductions and exemptions, you need to file Form 10-IEA while submitting your ITR. Miss the deadline (Typically July 31st), and you'll be automatically put under the new regime.

VI. Key Points to Remember:

1. The new regime is the default now.
2. Salaried individuals have more flexibility to switch regimes.
3. Business owners/professionals get only one lifetime switch.
4. File Form 10-IEA to opt for the old regime.
5. Meet the ITR filing deadline to exercise your choice.

VII. Other Key information:

The Default: What You Need to Know

The Union Budget 2023 made the **new tax regime** the standard option for filing taxes. This means if you don't actively choose the old regime, your income tax will be calculated under the new system. However, you still have the flexibility to switch.

Choosing Wisely Before Filing Your ITR

Filing your Income Tax Return (ITR) involves deciding on the tax regime that minimizes your tax burden. Both salaried individuals and business owners have the flexibility to choose between the new and old regimes during the filing process.

Understanding the ITR Forms:

The Income Tax Department provides clear instructions within the ITR forms for FY 2023-24 (AY 2024-25). They ask a straightforward question: "Opt out of the new tax regime?" (Default is no).

- **Selecting "No"** indicates you accept the new regime's tax slabs as the basis for tax calculation.
- **Selecting "Yes"** signals your preference for the old tax regime with its different tax slabs.

Deadline Matters:

Remember, regardless of your choice, make your decision before the ITR filing deadline (typically July 31st). Missing this deadline automatically enrolls you in the new regime.

Business Owners: A One-Time Choice

While business owners and professionals can also switch to the old regime, they must use Form 10-IEA and submit it by the ITR filing due date. However, unlike salaried individuals, they have only **one chance** to switch back to the new regime after opting out.

VIII. Key Takeaways:

1. Choose your tax regime (new or old) before filing your ITR.
2. Salaried individuals enjoy greater flexibility to switch regimes each year.
3. Business owners get a one-time switch option from the new to the old regime.
4. Missing the deadline defaults you to the new regime.

Considering a tax advisor's guidance can be helpful, especially for business owners, to ensure they make the most tax-efficient decision.

THE INTERPLAY BETWEEN INCOME TAX RETURNS & GST

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The Indian taxation landscape has undergone significant changes in recent years, particularly with the introduction of the Goods and Services Tax (GST) in 2017. This new system has created a complex dynamic between Income Tax Returns (ITR) and GST, making it essential for businesses and taxpayers to understand the interplay between these two mechanisms to ensure compliance and accurate financial reporting.

Reconciliation of Turnover between GST Returns and Income Tax Returns: Comparing Chalk and Cheese

Background

Businesses must reconcile the turnover reported in their GST returns (GSTR-1 and GSTR-3B) with the turnover reported in their Income Tax Returns (ITR). On September 29, 2020, the Central Board of Direct Taxes (CBDT) announced that the Principal Director General of Income-tax (Systems) or the Director-General of Income-tax (Systems) would upload information related to GST returns into the Annual Information Statement (AIS). Consequently, details of an assessee's monthly turnover as per Form GSTR-3B now appear in the AIS/TIS.

Since the inception of the GST Act, dealer registration has been PAN-based, establishing a clear linkage between Income Tax and GST details. Starting from the Assessment Year 2018-19, Income Tax Returns have included fields for GST turnover and GST registration numbers.

Key Differences in Turnover Concepts

Financial statements prepared under Generally Accepted Accounting Principles (GAAP) adhere to a distinct set of rules, while the Goods and Services Tax (GST) framework employs different criteria for determining "turnover." The GST turnover, as reported in Form GSTR-3B, is reflected in the Annual Information Statement (AIS) and Tax Information Statement (TIS).

Branch Transfer:

Given that GST registration is state-specific, each branch of an entity is treated as a separate entity. Consequently, inter-branch transfers are classified as outward supplies for the supplying branch and inward supplies for the receiving branch. This classification results in the inclusion of branch transfers in the GST turnover, potentially inflating the reported turnover compared to financial statements.

Real Estate Sector:

In the real estate sector, services such as construction or works contracts typically qualify as continuous supply of services under Section 2(33) of the Central Goods and Services Tax (CGST) Act. The invoicing rules for continuous supply of services are:

If due dates are ascertainable from the contract (e.g., milestones), the invoice must be raised on or before the due date of payment.

If due dates are not ascertainable from the contract, the invoice must be raised before or at the time of receiving payment.

If payment is linked to the completion of an event, the invoice must be issued on or before the event's completion date.

However, financial statements prepared under the percentage completion method cannot be directly compared with the turnover reported in GST returns.

Financial Credit Notes:

As per Section 34(2) of the CGST Act, 2017, credit notes can only be issued within 30th October following the end of the financial year, or the date of filing the annual return, whichever is earlier. Even though these credit notes may be recorded in the financial statements prepared under GAAP, they cannot be adjusted against the GST turnover if they are issued after the stipulated time period. This creates a difference between the turnover reported in the ITR, which is based on the financial statements, and the GST turnover reported in the GST returns.

Supply to Distinct/Related Person without Consideration:

Schedule I of the CGST Act, 2017 stipulates that supply to related or distinct persons, even if made without consideration, is deemed to be a supply and is therefore subject to GST. The valuation of such supplies is governed by the Valuation Rules provided in the CGST Rules, 2017. According to these rules, the value of these supplies must be determined based on the open market value, the value of similar supplies, or the cost of supply plus a certain percentage of profit.

Since such supplies are considered taxable under the CGST Act, their value must be included in the GST return. This inclusion ensures compliance with GST provisions, where all taxable supplies, irrespective of consideration, are accounted for in the returns. However, the treatment of these supplies in the books of account presents a different scenario. As these supplies are made without consideration, they are not recorded as revenue in the financial statements. Consequently, their value is not included in the turnover while preparing the financials as per GAAP, resulting in a discrepancy between GST turnover and the turnover in the Return of Income.

Sale of Fixed Assets/Capital Goods:

GST is applicable on the sale of fixed assets/capital goods, as the GST Act is a transaction-based tax. The value of the sale of fixed assets/capital goods must be included in the GST turnover, as it is considered a taxable supply under GST. However, in the financial statements prepared as per GAAP, the sale value of fixed assets is not recorded as part of the turnover. Instead, it is presented in the Fixed Asset Schedule. This creates a difference between the GST turnover and the turnover reported in the financial statements, as the sale of fixed assets is included in the GST turnover but not the financial turnover. The GST law treats the sale of fixed assets as a taxable supply, while GAAP considers it a capital transaction that is not part of the regular business turnover. This divergence leads to discrepancies between the GST turnover and the financial turnover.

Discounts:

Under GST laws, the valuation of supplies is guided by the Valuation Rules, which determine the taxable values that become part of the GST turnover. Discounts are one example where the GST treatment differs from the accounting treatment:

1. Discounts given before or at the time of supply can be deducted from the transaction value for the purpose of calculating GST, provided they are recorded in the invoice.
2. Post-sale discounts can also be deducted from the transaction value if:
    - The terms of the discount were agreed upon before or at the time of supply
    - The discount can be linked to specific invoices.
    - The recipient has reversed the proportionate input tax credit claimed earlier.

However, if post-sale discounts are provided without any prior agreement, they cannot be deducted from the GST turnover, even though the discounted amount is recorded as revenue in the financial statements prepared as per GAAP.

This difference in treatment of post-sale discounts between GST and accounting standards leads to an additional reconciliation item between the GST turnover and the turnover reported in the financial statements.

In summary, while discounts reduce the revenue recognized in the books of account, their impact on the GST turnover depends on whether they were agreed upon before or after the supply was made. This creates a reconciling item between the GST turnover and the turnover as per the financial statements.

Conclusion:

Although the aforementioned transactions do not represent an exhaustive list, the complexities detailed above necessitate meticulous reconciliation to ensure accurate reporting and compliance with both GST and income tax regulations. These differences underscore the importance of careful analysis and documentation, as attempting to compare such disparate data without proper context can lead to misleading conclusions. Hence, professionals must approach these reconciliations with diligence to bridge the gap between GST and financial accounting standards effectively.

Concept of Inward Supplies

Input Tax Credit (ITC) and Expense Reporting

Clause 44 of the Tax Audit Report (Form 3CD) necessitates a detailed breakdown of the total expenditure incurred during the fiscal year. This expenditure must be categorized based on its association with entities registered under the Goods and Services Tax (GST), entities operating under the Composition Scheme, and other registered entities.

1. **Total Expenditure Incurred During the Year**

    Clause 44 requires reporting of the total amount of expenditure incurred during the previous year, including both revenue and capital expenditures.

    However, expenses that are not in the nature of expenditure, such as depreciation, provision for expenses, etc. should not be included in the total expenditure reported.

Expenditures related to activities or transactions covered under Schedule III of the CGST Act, which are treated neither as supply of goods nor supply of services, also need not be reported under this clause. Examples include employee salaries and certain inter-state stock transfers.

2. **Expenditure Related to GST-Registered Entities**

   Columns 3 to 6 require segregation of the total expenditure based on the GST registration status of the supplier:

   Column 3 : Expenditure relating to goods or services that are exempt from GST

   Column 4 : Expenditure relating to entities under the GST Composition Scheme

   Column 5 : Expenditure relating to other GST-registered entities

   Column 6 : Total expenditure relating to all GST-registered entities (sum of Columns 3, 4 and 5)

3. **Expenditure Related to Non-Registered Entities**

   Column 7 requires reporting of the expenditure relating to entities not registered under GST.

   The key challenge in Clause 44 reporting is accurately segregating the expenditures based on the GST registration status of the suppliers. This information may not always be readily available, posing a significant difficulty for businesses. Clause 44 aims to provide the tax department with detailed data on a taxpayer's expenditure patterns, which can be used for cross-verification and compliance purposes.

   Currently, Table 14 of GSTR-9C has not been mandated, but it is anticipated that a similar requirement will be introduced in the future. The government is continually striving to enhance the efficiency and effectiveness of the tax system, and reconciling financial information is a crucial component of this process.

   When the reconciliation of GSTR-9C and Clause 44 becomes mandatory, businesses will need to ensure that a proper reconciliation statement is prepared. In cases where there are discrepancies, businesses must provide appropriate reasoning in response to scrutiny notices issued for such differences.

Reconciling Inward Supply Data from AIS/TIS

The Income Tax Department has started reporting inward supply data of taxpayers in the Annual Information Statement (AIS) and Taxpayer Information Summary (TIS). This data is based on the GSTR-2B of the taxpayer. However, reconciling this information with the purchases shown in the Audited Financial Statements or Income Tax Returns (ITRs) can be challenging due to several reasons:

1. The party level sales (aggregated at PAN level) as reported in GSTR-1 of the seller is reported.
2. During the aggregation, inter-branch purchases are excluded.
3. Purchases from unregistered parties, as well as purchases outside the purview of GST like petrol and liquor, are not captured in the AIS/TIS data
4. As per GST laws, taxpayers can rectify their GST returns for the previous financial year until November of the current financial year. However, ITRs in cases where Tax Audit is applicable must be filed by October. This time lag can create complications while reconciling the data.

To address these reconciliation challenges, taxpayers and their auditors should:

1. Maintain detailed records of all purchases, including those from unregistered parties and outside the GST net.

2. Perform regular reconciliations between the AIS/TIS data, GST returns, and financial records.

Conclusion

In conclusion, the implementation of Clause 44 in the Tax Audit Report (Form 3CD) and the reconciliation of inward supply data from the AIS/TIS emphasize the need for businesses to maintain rigorous financial documentation and accurate expenditure classification. Ensuring precise segregation of expenses based on GST registration status and conducting regular reconciliations between AIS/TIS data, GST returns, and financial statements are essential for compliance.

CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDIA: AN OVERVIEW

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Corporate Social Responsibility (CSR) has become a significant aspect of corporate governance in India, reflecting the increasing importance of ethical business practices and community involvement. This article delves into the requirements of CSR in India, the rationale behind its introduction, specific provisions and rulings under the Companies Act, 2013, subsequent amendments, benefits, and drawbacks of mandatory CSR.

CSR Requirements in India

Introduction to CSR Provisions

The concept of CSR was officially introduced in India with the enactment of the Companies Act, 2013, making it one of the first countries to mandate CSR for corporations. This move was driven by the understanding that businesses have a broader social responsibility beyond profit maximization.

Rationale Behind CSR Provisions

The primary rationale for introducing CSR provisions was to encourage companies to actively contribute to societal development, address environmental concerns, and improve the overall quality of life in communities. By integrating CSR into the corporate framework, the government aimed to harness the resources and expertise of the private sector to drive social change and economic development.

Exact Provisions and Rulings in the Companies Act, 2013

Section 135: CSR Provisions

1. Applicability: CSR provisions apply to companies with:

   - A net worth of INR 500 crore or more.

   - A turnover of INR 1,000 crore or more.

   - A net profit of INR 5 crore or more during the immediately preceding financial year.

2. CSR Committee: Eligible companies must constitute a CSR Committee of the Board, consisting of three or more directors, with at least one independent director.

3. CSR Policy: The CSR Committee is responsible for formulating and recommending a CSR policy, indicating the activities to be undertaken by the company in areas specified under Schedule VII of the Act.

4. Expenditure: Companies are required to spend at least 2% of their average net profits of the three immediately preceding financial years on CSR activities.

5. Average Net Profits: The average net profit for the purpose of determining the spending on CSR activities is to be computed in accordance with the provisions of section 198 of the Act and will also be exclusive of the items given under rule 2(1)(h) of the Companies (CSR Policy) Rules, 2014. Section 198 of the Act specifies certain additions/deletions (adjustments) to be made while calculating the net profit of a company (mainly it excludes capital payments/receipts, income tax, set-off of past losses). Profit Before Tax (PBT) is used for computation of net profit under section 135 of the Act.

6. Reporting: The Board's Report must include an annual report on CSR activities, specifying reasons for not spending the prescribed amount if applicable.

Schedule VII: CSR Activities

CSR activities that are recognized under Schedule VII of the Companies Act, 2013:

- Eradicating hunger, poverty, and malnutrition, promoting health care including preventinve health care, and sanitation, including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water

- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

- 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 and measures for reducing inequalities faced by socially and economically backward groups.

- ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.

- protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts.

- measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows.

- training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports.

- contribution to the prime minister's national relief fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women.

  (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and

(b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).

- rural development projects.

- slum area development.

  Explanation: - For the purposes of this item, the term `slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.

- disaster management, including relief, rehabilitation and reconstruction activities.

Amendments to CSR Provisions Under the Companies Act, 2013

Since its inception, CSR provisions under the Companies Act, 2013, have undergone several amendments to enhance clarity and effectiveness:

1. **Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021**:

- Entities carrying out CSR activities are required to file with the Central Government, an e-form namely CSR -1 to generate Unique registration number.

- Mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website for public access.

- Every company having average CSR obligation of Rs.10 Crore or more in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees.

- Ensure that administrative overheads shall not exceed 5% of total CSR expenditure of the company for the financial year.

- The CSR amount may be spent by a company for creation or acquisition of a capital asset, which can be held by following 3 entities only.

- Mandatory transfer of unspent CSR amount is required.

2. **Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022:**

- <u>Mandatory constitution of CSR Committee in case of unspent CSR amount</u>

  Amendment is a step to strengthen governance around implementation of CSR by utilizing services of a dedicated sub-committee to take ownership and responsibility of the ongoing project which may go on up to 3 (three) years.

- Additional institutions now eligible to be appointed as implementation agency

  Section 8 company, public charitable trust or a society registered, and which are exempted are also eligible to become an implementation agency for CSR, subject to obtaining registration with the MCA by filing Form CSR-1.

- Threshold for permitted expenditure towards mandatory impact assessment changed

  Threshold has been reduced to INR 50 lakhs or 2% of the total CSR expenditure, whichever is lower.

- Amendment to the mandatory disclosures

  New formats will apply in case of all companies which have sought extension of time to hold their annual general meetings beyond 30 September 2022.

Filing Addendum to AOC-4 for CSR Spent

Companies are required to file an addendum to AOC-4 to report their CSR spending. This filing ensures transparency and accountability in CSR activities and helps regulatory authorities monitor compliance. The addendum should include details of the CSR amount spent, the nature of CSR activities, and the reasons for any unspent amount.

Benefits of CSR to Industries and Country

For Industries:

1. Enhanced Reputation: Companies engaged in CSR activities often enjoy an improved public image and stronger brand recognition.
2. Employee Engagement: CSR initiatives can boost employee morale, attract talent, and enhance employee retention.
3. Customer Loyalty: Consumers are increasingly favoring companies that demonstrate social responsibility, leading to higher customer loyalty.
4. Operational Efficiency: CSR activities can lead to cost savings through energy efficiency and waste reduction initiatives.

For the Country:

1. Social Development: CSR funds support critical areas like education, healthcare, and rural development, contributing to societal progress.
2. Environmental Sustainability: Corporate efforts in sustainability can lead to significant environmental benefits, including reduced pollution and conservation of resources.
3. Economic Growth: CSR activities can drive economic growth by creating jobs, supporting local businesses, and fostering innovation.

Case Studies of Successful CSR Initiatives

1. **Tata Group: Tata Swach**

   Tata Group has been a pioneer in CSR activities. One of their notable initiatives is Tata Swach, an affordable and innovative water purifier designed to address the issue of clean drinking water in rural and urban India. This initiative has not only provided safe drinking water to millions but also enhanced Tata's reputation as a socially responsible corporation.

2. **Infosys: Infosys Foundation**

   Infosys Foundation, the philanthropic arm of Infosys, focuses on education, healthcare, rural development, and art and culture. Their CSR projects include building schools, providing scholarships, and supporting healthcare facilities in underprivileged areas. These initiatives have significantly impacted communities and demonstrated Infosys's commitment to social responsibility.

3. **ITC Limited: e-Choupal**

   ITC Limited's e-Choupal initiative leverages technology to empower rural farmers by providing them with information and services related to agriculture. This program helps farmers enhance productivity, secure better prices for their produce, and reduce transaction costs. e-Choupal has transformed rural agricultural practices and contributed to the socio-economic development of rural India.

Drawbacks of Mandatory CSR for Industries

1. Financial Burden: Mandatory CSR spending can strain the finances of smaller companies, especially those with fluctuating profits.

2. Compliance Costs: The administrative burden of compliance, including reporting and monitoring, can be high.

3. Lack of Flexibility: Mandating specific expenditure levels may limit a company's ability to invest in other critical areas.

4. Risk of Tokenism: Companies may engage in CSR activities merely to fulfill legal obligations, leading to superficial or ineffective initiatives.

5. Impact on Competitiveness: In highly competitive markets, mandatory CSR spending might impact a company's ability to reinvest profits for growth and innovation.

Conclusion

CSR in India, governed by the Companies Act, 2013, represents a landmark move towards integrating social responsibility into corporate governance. While it offers substantial benefits for both industries and society, including enhanced reputation, social development, and environmental sustainability, mandatory CSR also poses challenges such as financial burdens and compliance costs. Balancing these aspects is crucial for maximizing the positive impact of CSR initiatives. As businesses and regulatory frameworks evolve, ongoing dialogue and adaptation will be key to ensuring that CSR continues to drive meaningful change in India.

EVENTS IN RETROSPECT

Day & Date	Committee	Program Name	Moderator / Speaker
Saturday, June 08, 2024	50 years celebration committee	Annual General Meeting	NA

Events In Retrospect

Day & Date	Committee	Program Name	Moderator / Speaker
Saturday, June 08, 2024	50 years celebration committee	Dholida	Falguni Pathak & Nirav Barot






EVENTS IN RETROSPECT

Day & Date	Committee	Program Name	Moderator / Speaker
Saturday, June 15, 2024		1st Managing Committee Meeting	NA

Events In Retrospect

Day & Date	Committee	Program Name	Moderator / Speaker
Tuesday, June 18, 2024	50 years celebration committee	CVOCA Network Meet - Malad	CA Nilesh Chhadwa
Thursday, June 20, 2024	50 years celebration committee	CVOCA Network Meet - Vile Parle - Santacruz - Khar - Banda	CA Sudhir Bheda

Events In Retrospect

Day & Date	Committee	Program Name	Moderator / Speaker
Saturday, June 22, 2024	Membership & Recreation Committee	Practical Session and Training on Life Saving CPR Technique	Dr. Vatsal Kothari

EVENTS IN RETROSPECT

Day & Date	Committee	Program Name	Moderator / Speaker
Tuesday, June 25, 2024	50 years celebration committee	CVOCA Network Meet - Dahisar	CA Dhruv Bheda
Thursday, June 27, 2024	Students committee	Unlock the Secrets of ITR Filing for AY 2024-25	Dhruvi Gala & CA Gautam Mota