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# NEWSLETTER

## VASAI BRANCH OF WIRC

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

JUNE-JULY 2023

# CA FOUNDATION DAY

## CELEBRATION





## CHAIRMAN'S COMMUNICATION

Dear Professional Companions,

Our esteemed Institute of Chartered Accountant of India ("Institute") has entered in its 75 years of trust and it is a proud moment for all of us. The Institute is constantly innovating, upgrading and making itself enriched for all of us. In return, we as the members also have the responsibility, in fact duty towards our Institute and such responsibility can be shared if we take interest in Institutes various activities, interact with each other and share our views.

The Initiatives taken by the Vasai Branch of WIRC, ICAI Many members having a lot of confusion regarding the amendment in PMLA Act and for that Vasai Branch has organised the seminar on Amendment in PMLA Act and Effect on the Responsibility of Chartered Accountants on 10th June and we have the CA Rajkumar Audika, Central Council Member as a guest speaker.

Considering the importance of growing the practice of members we have organised the seminar on the Grow Your Practice with the Committee of Members in Practice where speakers are CA Umesh Sharma (Central Council Member), CA Rahul Dungarwal, CA Kedar Pande.

To give the boost to the Career Counselling we have organised the Mentorship Programme for Career Counsellors jointly with Committee on Carrer Counseling of ICAI and we have CA Hrudyesh Pankhania as a guest speaker.

In this very busy schedule members not take proper care of our health, so to make our heart and soul calm, for that Vasai Branch of WIRC has organized the 9th International Yoga Day on 21st June'2023 for Members, Students and their families at JMD Turf, Bhayander West.

1st July- 75th Foundation Day and this day will be celebrated as a festival in vasai branch and Head Office has released the New Logo for the 75 years of trust on 30th June' 2023 and we team vasai branch also coming up with the various initiative to celebrate this day and make the day more memorable.

I pay my sincere thanks to the entire Vasai Branch Managing Committee Members, Past Chairperson and all coordinator for playing a key role in an digital ambit of sharing, participating and keeping in touch with the stakeholders to fulfil their requirements which are also our own top-most priorities. Noteworthy initiatives have been taken by our team, have served in the welfare of our stakeholders and have been instrumental in winning the trust.

Hope you have a joyful journey reading this newsletter that will enhance your knowledge!

I look forward to your valuable suggestions and feedback. Feel free to interact with me at [vasaibranch@gmail.com](mailto:vasaibranch@gmail.com).

A true teacher instills a love of learning, inspires curiosity through careful guidance, and opens doors to new experiences in the world. Happy Guru Purnima to all! In advance Happy Chartered Accountant Day to the financial experts who play a vital role in shaping businesses and economies. Your knowledge and skills are truly invaluable!

Wishing all of you a good health! Stay Safe, Stay Healthy, and take care.

With warm regards

**CA. Amit Bharat Agrawal**  
Chairman  
Vasai Branch of WIRC of ICAI

## MANAGING COMMITTEE

<b>CA. Amit Agarwal</b> Chairman	9821374485
<b>CA. Tarun Dhandh</b> Vice Chairman	9833506461
<b>CA. Daya Bansal</b> Secretary	8976074320
<b>CA. Shrikrishna Purohit</b> Treasurer	9049224706
<b>CA. Aba Parab</b> WICASA Chairman	9892862548
<b>CA. Sorabh Agrawal</b> Immed. Past Chairman	9930357066
<b>CA. Lokesh Kothari</b> Committee Member	8108484120
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<b>CA. Brajendra Talesara</b> Committee Member	9987506138
<b>CA. Shweta Jain</b> (Immed. Past Secretary-WIRC & EX-Officio)	9920737198
<b>CA. Ankit Rathi</b> (RCM & Branch Nominee)	9029059911
<b>CA. Hrudyesh Pankhania</b> (RCM & Branch Nominee)	9969393191

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## Upcoming Events

Sr.No	Date	Name of the Seminar, Lecture Meeting Seminar & Events etc.	Speaker	Venue
1	01-Jul-23	75th Year of CA Day Celebration - Blood Donation Camp		Vasai Branch of WIRC 7th Floor Maxus Mall Bhayandar West 401101
2	01-Jul-23	75th Year of CA Day Celebration - Flag Hosting	Mr Dilip Dhole Commissioner MBMC & Mr Jaydeep Singh Rajput Deputy Commissioner State Tax	Vasai Branch of WIRC 7th Floor Maxus Mall Bhayandar West 401101
3	01-Jul-23	75th Year of CA Day Celebration - Cultural Fest		Maheshwari Bhawan Bhayandar West
4	09-Jul-23	Seminar on the Whole Gamut of Year End Finalisation (Inc. ITR)	CA NITIN BHUTA	Vasai Branch of WIRC 7th Floor Maxus Mall Bhayandar West 401101



## Tax Column



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**Question I am a senior citizen (65 years). I own one residential house where I stay with my wife. A bank has approved Reversed Mortgage Loan against the mortgage of my residential house. Let me know whether there is any capital gain or any other income tax**

**implications?**

**Answer** Reversed Mortgage Loan enable a senior citizen i.e. above the age of 60 years to avail periodical payment from a lender against the mortgage of his / her house while remaining the owner and occupying the house. The maximum loan amount available is Rs.75 lac. Under this scheme, the loan amount will be disbursed by the lender on regular monthly termed as annuity. Under Section 47(xvi), transfer of capital asset, in a transaction of Reversed Mortgage, under a notified scheme, will not amount to transfer and therefore will not be subject to capital gain tax. Thus, even if transfer of asset in favour of lender as mortgage, there will be no capital gain tax implication in your hand.

Further, monthly amount which you receive as annuity / loan, will also not be taxable in view of Provision of Section 10(43) of the Income Tax Act. Accordingly, if you avail loan under the Reversed Mortgage Scheme, there will be no tax implication in your hand.

**Question I am an individual and a partner in ABC LLP. During the current financial year I have retired from the LLP and received Rs. 2 crore on retirement.. My Capital Amount in the LLP was only Rs.10 lac. What would be the tax implication in my hand on the surplus which I received on retirement ?**

**Answer** Under Section 45(4) of the Income Tax Act, when an individual received any amount on the retirement from LLP, then the difference between the amount due to partner as per books and actual amount paid to partner, would be taxed as capital gain in the hand of partnership firm / LLP. In your case, surplus amount is Rs.1.90 crore and I assume that you were partner for more than three years, then Rs.1.90 crore will be taxed as long term capital gain in the hand of LLP. Since the amount has already been taxed in the hands of LLP, the same will not be taxed again in your hand. Therefore, in your hand it is not taxable.

**Question I am an individual and owns agricultural land at different locations. I have decided to dispose-off all the lands. I was told that surplus on sale of agricultural land is not taxable. Is it correct ?**

**Answer** Taxability on sale of agricultural land depends on its locations. If any of your land is situated in any area

referred to in Item (a) or Item (b) to Sub-clause (iii) of Clause (14) of Section 2 of the Income Tax Act, then such land is outside the purview of capital gain tax. You have to obtain a certificate from the concerned authorities to show that your land is situated in the area mention in Section 2(14) of the Income Tax Act.

Any land not situated in the area mentioned above, will be subject to capital gain tax. However, if such land is used by you for agriculture purposes for more than two years on the date of transfer, then if you invest capital gain in purchase of new agricultural land within a period of two years, then such capital gain is exempt.

Further, if you don't want to invest in another agricultural land, then there is an option to invest in a residential house, provided you don't have more than one residential house on the date of transfer of agricultural land. Section 54F of the Income Tax Act provides such option for individual and HUFs provided capital gain arisen on transfer of capital asset other than residential house. However, you have to fulfil all the conditions mentioned in the Act.

**Question I was a tenant in a residential house over a period of 30 years. During the current financial year I have surrendered my tenancy rights and received a consideration of Rs.20 crore. I have also incurred loss on account of sale of mutual fund, shares etc. which I was holding for more than three years. Whether loss can be set-off against the consideration received on transfer of tenancy rights ? What other options available to me to reduce my tax liability, if any ?**

**Answer** Tenancy right is a capital asset under the Income Tax Act and therefore consideration received on transfer of tenancy right is subject to long term capital gain tax.

Under section 74 of the Income Tax Act, long term capital loss can be set-off against the long term capital gain. Therefore, long term capital loss incurred by you on transfer of mutual fund & shares, can be set-off against the capital gain arisen on transfer of tenancy rights.

Further, you can also avail fair market value of tenancy right as on 1.4.2001 as cost which will further increase by indexation. The difference the Indexed cost and consideration received would be the net capital gain, which can be set-off against long term capital loss incurred by you. If after set-off still some capital gain remains, then you can invest the same in a new residential house, provided you don't have more than one residential house on the date of surrender of tenancy rights.

Kindly note that with effect from assessment year 2024-25, the maximum deduction available under section 54F of the Income Tax Act is Rs.10 crore. After claiming deduction under section 54F of the Income Tax if long term capital gain still remains, then you are liable to pay long term capital gain tax @20% plus applicable surcharge and cess.





## Contribution of Chartered Accountants to Indian Economy



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There was a great contribution of Chartered Accountants in Indian economy post-independence, rather we should say world economy as members of ICAI has a presence in almost every developed and developing countries of the world engaged in providing quality services in

the field of accountancy, finance, auditing, business consultancy etc.

In India, CA.'s are engaged in providing services right from the inception of the business till the closure of the business, a business can never grow and prosperous without a Chartered Accountant. CA.'s has played a very important and crucial role in Nation building, they are partners in building nation's economy, that is the reason why CA.'s have got special powers from the government and parliament for auditing of books of accounts, In India only a CA. can perform

the work of Auditing of financial statements. Apart from auditing and accounting, CA.'s are engaged in proper implementation of various tax laws in the country like recently CA.'s has played a very important role in successful implementation of GST law by providing quality suggestions and consultancy to the government on timely basis. On the occasion of GST implementation and CA. Day i.e. 1st July, 2017 our honourable Prime Minister i.e. Narendra Modi has delivered a wonderful speech and has told that a signature of CA. is more powerful than the signature of PM. Moreover many CA.'s are engaged in providing consultancy to central and state government for making annual Union and State budgets. The Accounting Board of ICAI is the supreme authority in India for implementing and regulating Accounting Standards and IND AS. They also provide clarification and guidance if any required to specific industry. CA.'s with vast knowledge of tax laws also engaged in training and taking seminars of various govt. officials like Income tax department officers and GST officers etc.

At last would like to conclude that role and contribution of Chartered Accountants in Indian Economy was unquantifiable and will continue in future also, will take Indian economy to new heights one day.



Changing of cut-off date to 1st July instead of 1st January of every year for the Bank Branch Auditors Panel - (30-06-2023)

**Professional Development Committee**  
**The Institute of Chartered Accountants of India**  
30th June, 2023

### Changing of cut-off date to 1st July instead of 1st January of every year for the Bank Branch Auditors Panel

As members are aware, every year PDC prepares a Multipurpose Empanelment Panel of Chartered Accountants/firms spread across the country based on multi layered logic for providing it to RBI and others. The cut-off date for the constitution of the firm and its members is considered as on 1st January of every year considering submission of Form 18 upto one month of submission (till 31st January) without condonation of delay for the purpose of preparation of Bank Branch Auditors Panel.

As the database of firms and members is readily available in Self Service Portal (SSP) of the ICAI on real time basis, the Council of the ICAI at its 421st meeting held on 25th and 26th May 2023 decided to change the cut-off date for collating data for preparation Bank Branch Auditors Panel to 1st July instead of 1st January of every year.

Accordingly, the cut-off date for the constitution of the firm and its members will now be as on 1st July, 2023 considering submission of Form 18 up to one month of submission (till 31st July, 2023) without condonation of delay for preparation of Bank Branch Auditors Panel from 2023-24 onwards.

Further, the said panel will be prepared as per RBI's revised guidelines for Appointment / Re-appointment of Statutory Branch Auditors of Public Sector Banks dated March 6, 2023.

Members may kindly note.

**Professional Development Committee**



### House Rent Allowance (HRA) exemption under Income Tax Act 1961



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Actually House Rent Allowance (HRA) is integral part of salary of an employee. We can say that HRA is a component of their salary.

As per section 10(13A) of the Income Tax Act, a portion of HRA is exempt.

#### WHAT IS DEDUCTION AS PER SEC 10(13A)

According to Sec 10(13A) of the Income Tax Act 1961- it allows Salaried employees to claim HRA deduction.

This deduction is allowed least of the following:

1. Actual HRA received.
2. 50% of Basic salary + DA (for those employees leaving in metro cities)/ or 40% of Basic salary+DA (for those employees leaving in non-metro cities)
3. Actual Rent paid – 10% of Basic salary +DA.

#### Basic conditions for claiming HRA Exemption

For claiming HRA exemption, there are certain conditions, which need to be fulfilled, these conditions are as under:

1. The Assessee must be living in a Rented accommodation.
2. The Assessee must actually pay rent for such accommodation.
3. The Assessee must receive HRA as part of their salary.
4. The Assessee must not own the rented accommodation.

If any of the above conditions not fulfilled, then such Assessee will not be entitled to get exemption under HRA.

#### Example:

A is working in Mumbai and getting Rs.2,00,000/- Basic Salary & DA., AND HRA Rs.50,000/-

During the year 2022-23, he has paid Rs.68000/- towards rent for rented accommodation,

Therefore the exemption under HRA will be calculated as under:

Least of the following will be exempted:

1. Actual HRA received- Rs.50,000/-

2. 50% of Basic Salary+DA= 1,00,000/-
3. Actual Rent paid – 10% of basic salary +DA= 68000-20000 = 48000/-

Here least of the above is Rs.48,000/-, hence exempted HRA will be Rs. 48,000/- only.

#### Important points need to be kept in mind, while claiming exemption under sec 10(13A) for HRA:

1. As per Circular 01/2019, if Rent paid is exceed Rs.1,00,000/- per annum, it is mandatory for the employee to report PAN of the land lord to the employer.
2. The above PAN to be reported alongwith the following details as per form 12BB:
  - a) Rent paid to landlord.
  - b) Name of the landlord.
  - c) Address of the landlord.
3. The employee must be a salaried employee.
4. The employee must not having any own residential accommodation in the place, where he is currently residing.
5. The employee must be paying rent for the residential accommodation.
6. The employee must have proof of rent paid. i.e. rent payment receipt and/or Rent agreement etc.
7. The deduction can only be claimed for the current financial year.
8. This deduction can not be claimed , if such employee is also claiming deduction under sec 80GG .

Therefore deduction for HRA is an important deduction for employees getting salary, getting HRA , residing on rent and paying rent for rented accommodation, as per above section 10(13A).

#### Disclaimer:

The above views are personal view of the author. It shall not be used for any opinion, advice. The information contained in the above article is for the purpose of giving knowledge and awareness of the subject matter and shall not be treated as solicitation in any manner.





## Retrospective Catastrophe



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Reopening of cases in which deduction for Employees' Contribution to PF, EPF etc. were allowed u/s 43B(b) even if paid upto the date of filing the return of income u/s 139(1) and not paid as per due date prescribed in section 36(1)(va) of the Income Tax Act, 1961. (i.e. within 15 days of the next month)..

**Important to Note:** All such cases wherein relief was given u/s 43B, covering the retrospective period from 1st April, 1988 till date will be reopened u/s 254(2) to rectify the said mistake apparent from record and sadly enough there is no time limitation under section 254(2) to file miscellaneous application by the Revenue to recall all the orders and rectify them.

Based on the ratio of the judgement of the Apex Court in the case of Alom Extrusions, the lower judiciary disposed off many appeals on the point whether the deduction for the Employees' contribution to the PF, ESIC Funds would qualify under section 43B(b) if the same is paid before the date as prescribed u/s 139(1) or not qualify if not paid as per due date prescribed in section 36(1)(va) of the Income Tax Act, 1961. (i.e. within 15 days of the next month). The Judiciary was divided on this issue and the status of allowance or otherwise was different under different High Courts.

One group of High Courts was of the view that it would cover the payment of contribution of both the employees and employers also such that if the contribution of employees paid after the prescribed Due Date will also be eligible for deduction u/s 43B(b) if the contribution is paid before the due date for filing of return of income for that previous year.

The Second group of High Courts was of the view that the decision of the SC will apply only to the contribution of the employers' paid u/s 43B(b) and not to the contribution of the employees wherein the due date shall be as per the provision of section 36(1)(va) and therefore to be disallowed if not paid upto 15th day of next month.

The position is as under:

1	Gujarat High Court	Not Allowed
2	Karnataka High Court	Allowed
3	Calcutta High Court	Allowed
4	Bombay High Court	Allowed
5	Madras High court	Not Allowed
6	Delhi High Court	Allowed
7	Rajasthan High Court	Allowed
8	Kerala High Court	Not Allowed
9	Punjab & Har High Court	Allowed
10	M. P. High Court	Not Allowed

11	Patna High Court	Allowed
12	Allahabad High Court	Allowed
13	Gauhati High Court	Allowed

**The controversy was resolved by the Hon'ble Apex Court in the case of Checkmate Services (P) Ltd Vs. Commissioner of Income Tax-1 pronounced on October 12, 2022**, wherein it was held that the deduction for Employees' Contribution to EPF, ESI etc. would be allowed only if paid as per the due dates mentioned in explanation to section 36(1)(va) of the Income Tax Act, 1961. (i.e. within 15 days of the next month) and not as per date u/s 139(1) r.w.s. 43B.

Based on the ratio of this judgement the Revenue filed miscellaneous application before the ITAT praying for recalling of the orders passed earlier by the Tribunal which allowed the deduction even when paid after the due date under section 36(1)(va) but before the date u/s 139(1) u/s 43B. (ITAT RAIPUR THE DCIT, Circle-1 (1) , Bhilai (C.G) And Others Versus N.R Wires Private Limited And Others). The deliberations and the judgement of the ITAT Raipur is under:

- 1) The Hon'ble Supreme Court in Civil Appeal No. 2833 of 201 in the case of Checkmate Services (P) Ltd Vs. Commissioner of Income Tax-1 pronounced on October 12, 2022, has upheld the order of the Hon'ble Gujarat High Court in the case of Gujarat State Road Transport Corporation wherein it was held that the deduction for Employees' Contribution to EPF, ESI etc. would be allowed only if paid as per the due dates mentioned in explanation to section 36(1)(va) of the Income Tax Act, 1961. (i.e. within 15 days of the next month)
- 2) This judgement prompted the Revenue to file miscellaneous application before the ITAT praying for recalling of the orders passed earlier by the Tribunal allowing the deduction even if paid after the due date under section 36(1)(va) but before the date u/s 139(1) u/s 43B.
- 3) According to the Revenue Article 141 of the Constitution of India provides that the law declared by Supreme Court shall be binding on all courts within the territory of India. The law laid down by Supreme Court operates retrospectively and is deemed to be the law as it has always been and is always understood from the inception of the provision and it is never considered as a prospective ruling unless so specified.
- 4) Therefore, the view taken earlier by the Tribunal that the assessee as per Section 43B of the Act was entitled for deduction of its delayed deposit of employees share of contributions towards Employees Provident Fund (EPF) and Employees State Insurance (ESI) is not in conformity with the subsequent judgment of the Hon'ble Supreme Court in the case of Checkmate Services P. Ltd. Vs. Commissioner of Income Tax- I, wherein it was held that delayed deposits were not to be allowed as deduction u/s 43B in the hands of the assessee and therefore, the orders passed while disposing off the appeal suffer from a mistake which being apparent from record is amenable for rectification under sub-section (2) of Section 254 of the Act.
- 5) Hon'ble Apex Court in the case of ACIT vs. Saurashtra Kutch Stock Exchange Ltd. (2008) 305 ITR 227 (SC) and S.A.L Narayana



- Row, CIT vs. Model Mills Nagpur Ltd. (1967) 64 ITR 67 (SC)* has held that if a point is covered by the decision of the Hon'ble Supreme Court or that of the Hon'ble Jurisdictional High Court rendered prior to or even subsequent to the order proposed to be rectified, then it could be said to be a mistake apparent from record u/s. 254(2) of the Act and could be corrected by the Tribunal.
- 6) The scope of sub-section (2) of Section 254 had been looked into by the Hon'ble Apex Court in the case of *ACIT vs. Saurashtra Kutch Stock Exchange Ltd. (2008) 305 ITR 227 (SC)*. The Hon'ble Apex Court had observed that the power vested with the Tribunal to rectify a mistake in its order passed while disposing off an appeal deals with two situations, viz. (i) rectifying any mistake apparent from record on a suo-motto basis within a time period of four years (now six months) from the date of the order; and (ii) rectifying the mistake that was brought to the notice of the Tribunal either by the assessee or by the A.O. without being subjected to the restriction of the time limit of six months (earlier four years), which is applicable only in a case where it seeks to rectify any mistake apparent from record on a suo-motto basis.
- 7) Admittedly, it is a matter of fact borne from record that the view taken by the Tribunal is not in conformity with the view taken by the Hon'ble Apex Court in the case of *Checkmate Services Pvt. Ltd. Vs. Commissioner of Income Tax-I (supra)*.
- 8) The Hon'ble Apex Court drawing support from Blackstonian theory, had observed that it is not the function of the court to pronounce a "new rule" but to maintain and expound the old one. The Hon'ble Apex Court had observed that if a subsequent decision altered the earlier one, then the later decision does not lay down any new law but only discovers the correct principle of law which had to be applied retrospectively. It was further observed by the Hon'ble Apex Court that even where an earlier decision of the court operated for quite some time, the decision rendered later on would have retrospective effect clarifying the legal position which was earlier not correctly understood
- 9) **Salmond in his well-known work states;**  
"The theory of case law is that a judge does not make law; he merely declares it; and the overruling of a previous decision is a declaration that the supposed rule never was law. Hence any intermediate transactions made on the strength of the supposed rule are governed by the law established in the overruling decision. The overruling is retrospective, except as regards matters that are *res judicatae* or accounts that have been settled in the meantime".
- 10) The Hon'ble High Court of Karnataka in the case of *Mysore Cements Ltd. v. Deputy Commissioner of Commercial [1994] 93 STC 464*, had observed, that it was needless to point out that when a point is covered by a decision of the Supreme Court or concerned Court, either rendered prior to or subsequent to the order proposed to be rectified, then the point ceases to be a debatable point and it also ceases to be a point requiring elaborate arguments or detailed investigation/enquiry.
- 11) Only the dead make no mistake. Exemption from error is not the privilege of mortals. It would be a folly not to correct it. The judgment declares as to what the legislature had said at the time of the promulgation of the law. The declaration is "**This was the law. This is the law. This is how the provision shall be construed. The above observations clearly support the principle that the court merely declares law. An earlier decision as declared by the court is "simply no law"**".
- 12) The basic principle is the certainty of law. Law can't move with the wind. It is not a weather cock. The citizen is entitled to act on the basis of the law declared by the court. Once he acts, he should not be told that this summer is very hot. Thus, the law has changed even though the legislature has not intervened. The gnawing uncertainty has certainly to be avoided.
- 13) On the basis of our aforesaid deliberations read along with the settled position of law as had been laid down by the Hon'ble Courts, we are of the considered view that as a subsequent decision of the Hon'ble Supreme Court do not enact the law but declare the law as it always was, therefore, an order can be rectified on the basis of a subsequent judgment of the Hon'ble Supreme Court or that of the Hon'ble Jurisdictional High Court. Our aforesaid view is further fortified by Article 141 of the Constitution of India, which reads as under:  
**"A law declared by the Hon'ble Supreme Court is binding on the Courts within the territory of India"**.
- 14) We, thus, considering the facts involved in the case before us r.w. the aforesaid settled position of law, is of the considered view, that as stated by the department in its miscellaneous application and, rightly so, as the view taken by the Tribunal in the captioned appeals is not found to be in conformity with the judgment of the **Hon'ble Apex Court in the case of Checkmate Services Pvt. Ltd. vs. Commissioner of Income Tax-I (supra)**, therefore, the same had rendered the orders passed while disposing off the respective appeals as suffering from a mistake, which being apparent from record had therein made those amenable for rectification under sub-section (2) of Section 254 of the Act.
- 15) Thus, in terms of our aforesaid observations we allow the respective miscellaneous applications filed by the department u/s. 254(2) of the Act, and recall the respective orders that were passed by the Tribunal while disposing off the aforementioned appeals.
- 16) In view of the above, the Revenue would look into all other cases in which the judgement favoring the assessee were given which are not in accordance with the ration of the judgement *Checkmate Services (P) Ltd vs. Commissioner of Income Tax-1* and apply for recalling all these judgement u/s 254(2) to rectify the mistake as discussed above and upon rectification, needless to say, the deductions allowed in all these cases would be reversed to disallow the same resulting in huge liability for income tax.
- 17) **Important to Note:** All the cases covering the retrospective period from 1st April, 1988 till date will be reopened u/s 254(2) to rectify the said mistake apparent from record and sadly enough there is no time limitation under section 254(2) to file miscellaneous application by the Revenue to recall all the orders and rectify them.

*Disclaimer: Views expressed are strictly personal and meant for only academic purposes and not for any professional purpose for which expert opinion may be obtained by the readers. The information given in this article has been clued from the open sources in the public domain.*





## Maharashtra VAT Amnesty Scheme 2023



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As we move ahead in the GST regime, we are still caged under our erstwhile tax regime where assessments are still pending under the VAT law, Luxury tax, Entry of goods act and so on. Government officials are still probing through books as per the erstwhile law. Tax payers are also

stuck up in the past and are confused whether they should focus on the new GST law and carry their business as per the new law or get their assessments completed as per the former law.

To expedite the assessment process, Maharashtra State government has introduced Maharashtra Settlement of Arrears of Tax, Interest, Penalty or Late Fee Act, 2023 (hereinafter referred to as 'VAT Amnesty Scheme 2023'). The salient features of the scheme are as under:

- **Date of applicability of the Act: 01 May 2023**
- **Acts covered under the Scheme:**
  - (i) the Central Sales Tax Act, 1956;
  - (ii) the Bombay Sales of Motor Spirit Taxation Act, 1958;
  - (iii) the Bombay Sales Tax Act, 1959;
  - (iv) the Maharashtra Purchase Tax on Sugarcane Act, 1962;
  - (v) the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975;
  - (vi) the Maharashtra Sales Tax on the Transfer of Right to use any Goods for any Purpose Act, 1985;
- Waiver available under this scheme:

- (vii) the Maharashtra Tax on Luxuries Act, 1987;
- (viii) the Maharashtra Tax on Entry of Motor Vehicles into Local Areas Act, 1987;
- (ix) the Maharashtra Sales Tax on the Transfer of Property in Goods involved in the Execution of Works Contract (Re-enacted) Act, 1989;
- (x) the Maharashtra Tax on the Entry of Goods into Local Areas Act, 2002;
- (xi) the Maharashtra Value Added Tax Act, 2002,

and also includes the rules made or notifications issued thereunder;

- **Person eligible for the scheme:** Any person registered or not under any acts listed above, having arrears under dispute whether under appeal or not.
- **Benefit granted:** Where the amount of arrears is less than Rs 50 lacs as per statutory order – only 20% of the tax arrears is to be paid, balance tax, interest and penalty shall stand waived off. In case where the amount of arrears is more than 50 lacs, 30% of the tax arrears, 10% of the interest payable along with 5% of the penalty thereon is to be paid, balance shall stand waived off.
- **Benefit also extended to:**

The applicant, who has availed benefits under any of the previous Amnesty Schemes shall also be eligible to make an application. Provided that, the applicant who has availed or is availing the benefits in respect of the Settlement Act, 2022, but whose order has not been passed under the said scheme; shall not be eligible to opt for the benefits under this Act with respect to the arrears for which application under the Settlement Act, 2022 has already been made and where the due date for payment of requisite amount under the Settlement Act, 2022 has not been over.

Sr. No.	Amt	Onetime payment option		Instalment Option	
1	Undisputed tax	100%	-	100%	-
<b>Where amount of arrears as per statutory order is &gt; Rs 50,00,000 and order is issued on or after 1 Apr 2005 but before 30 Jun 2017</b>					
2	Disputed Tax	50% (30% for period on or before 31 Mar 2005)	50% (70% for period on or before 31 Mar 2005)	56% (35% for period on or before 31 Mar 2005)	45% (65% for period on or before 31 Mar 2005)
3	O/s Interest as per order	15% (10% for period on or before 31 Mar 2005)	85% (90% for period on or before 31 Mar 2005)	15% (10% for period on or before 31 Mar 2005)	85% (90% for period on or before 31 Mar 2005)
4	O/s Penalty as per order	5%	95%	5%	95%
5	Int or penalty assessed but not levied up to date of application	NIL	100%	NIL	100%
6	Late fees payable in respect of return filed on or before 31 Oct 23	5%	95%	5%	95%



Sr. No.	Amt	Onetime payment option		Instalment Option	
<b>Where amount of arrears as per statutory order is &lt; Rs 50,00,000 and order is issued on or after 1 Apr 2005 but before 30 Jun 2017</b>					
7	Applicant may opt for a lumpsum tax payment	20% of the tax amount	Bal 80% along with interest and penalty thereof but not levied up to date of application	NA	NA

- Time limit to file application to avail benefit under this scheme: Application to be made starting from 1st May 2023 to 14 November 2023. Delay of 30 days may be condoned, where application could not be made due to reasonable grounds and payment is made within time

Separate application to be made for each financial year and for each arrear identified under different act along with proof of requisite amount paid as per the below options selected.

- Time limit to make payment under this scheme:

Entire amount paid in one time	Instalment Option
1st May 23 to 31st Oct 23	Min 25% - 1st May 23 to 31st Oct 23  Bal 75% - in 3 equal quarterly instalments from date of application ensuring all instalments are paid in 9 months from date of application.  Interest applicable where instalment is not made in time within 9 months.  Benefit available proportionately if total payment not made in 9 months.

- Payment in Instalment option: The requisite amount shall be paid under One Time Payment option. However, if the arrears are in excess of rupees fifty lakh, then the applicant may opt to pay the requisite amount under Instalment option.

Amount paid once shall not be refunded. In case if application made is rejected, the amount paid by the applicant under this Act shall be treated to have been paid under the Relevant Act.

- Condition for settlement: Any appeal pending before appellate authority, tribunal or Court shall be withdrawn fully and un-conditionally. A copy of acknowledgement of appeal withdrawn to be submitted along with application under this scheme. Where refund under VAT is adjusted against any liability arising out of assessment under CST act and appeal is filed for such adjustment, such appeal shall also be withdrawn fully and un-conditionally.

- Situation where payment made under the scheme is less than the requisite amount to be paid under this scheme: Application made shall continue to be valid. The designated authority shall compute the proportionate amount of waiver admissible under the option opted by the applicant, in proportion to the requisite amount paid by the applicant.

- Procedure to be followed post making application: Designated authority shall pass an order within 3 months from last date specified from payment under One-time option and or the date specified for payment of last instalment of the requisite amount under Instalment option, as the case may be.

An order of settlement issued under this Act shall be conclusive as to the settlement of arrears covered under that order, and the matter covered by such order of settlement shall not be re-opened in any proceeding of review or revision or any other proceedings under the Relevant Act, except any proceedings on account of specific observations made by the Comptroller and Auditor General of India

Where the application made is not in accordance of the scheme, the application made shall be rejected post giving a reasonable opportunity to the applicant. An appeal can be filed against the above order with 60 days from date of receipt of order before following authorities:

Order passed by	To be appealed before
Authority subordinate to Deputy Commissioner of State Tax (Administration),	Concerned Deputy Commissioner of State Tax (Administration)
Deputy Commissioner of State Tax	Concerned Joint Commissioner of State Tax (Administration)
Joint Commissioner of State Tax.	Concerned Additional Commissioner of State





## Whistleblowers in Forensic Audits: Unveiling Financial Misconduct



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### Introduction

Whistleblowers play a crucial role in exposing fraudulent activities and financial misconduct within organizations. When combined with forensic audits, their revelations can significantly impact uncovering and resolving financial

irregularities. In this article, we will explore the relationship between whistleblowers and forensic audits, highlighting their importance in detecting and preventing corporate fraud.

### Whistleblowers: Guardians of Transparency

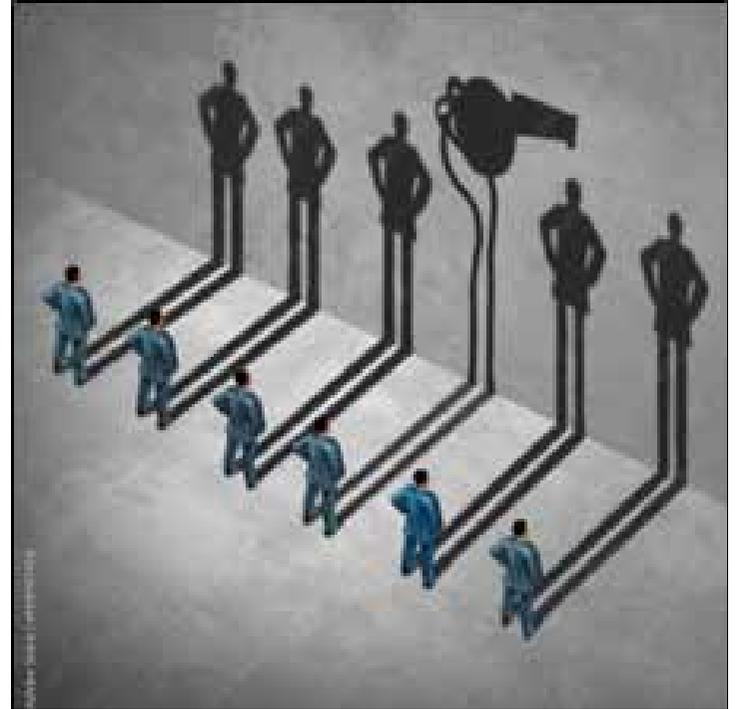
Whistleblowers are individuals who, driven by a sense of moral duty or personal conviction, disclose illegal, unethical, or fraudulent activities taking place within their organization. They possess insider knowledge and often provide concrete evidence that can lead to investigations and prosecutions.



In recent years, whistleblowers have gained considerable recognition and protection due to the instrumental role they play in promoting transparency and accountability. By shedding light on corporate wrongdoing, they contribute to a fairer business environment, protect stakeholders' interests, and help maintain the integrity of financial systems.

### Forensic Audits: Unraveling the Truth

Forensic audits involve a meticulous examination of financial records, data, and transactions to uncover fraud, embezzlement, or other financial irregularities. They employ various techniques, including data analysis, interviews, and document review, to reconstruct events, identify discrepancies, and establish a factual basis for legal proceedings.



These audits are not limited to identifying past misconduct but also aim to implement measures to prevent future occurrences. Forensic auditors work closely with legal experts, investigators, and other professionals to gather evidence, preserve its integrity, and present a comprehensive picture of financial impropriety.

### The Synergy between Whistleblowers and Forensic Audit

Whistleblowers act as catalysts for forensic audits, triggering investigations and providing valuable leads for auditors to follow. Their firsthand knowledge and evidence significantly expedite the audit process and increase the likelihood of uncovering fraudulent activities that may otherwise remain hidden.

**The involvement of whistleblowers in forensic audits can lead to several positive outcomes:**

1. **Enhanced Detection:** Whistleblowers often possess specific information about fraudulent schemes, allowing forensic auditors to narrow their focus and concentrate on areas of concern. This targeted approach increases the chances of detecting financial misconduct swiftly.
2. **Increased Credibility:** Whistleblower disclosures lend credibility to forensic audits by corroborating suspicions with concrete evidence. This added validation strengthens the case against wrongdoers and supports subsequent legal actions.
3. **Prevention and Deterrence:** By exposing financial misconduct, whistleblowers and forensic audits help create a deterrent effect within organizations. The fear of discovery and potential legal consequences can dissuade individuals from engaging in fraudulent activities in the first place.



### Mandatory Whistleblower Policies: Companies in India Upholding Accountability

In India, several companies are mandated to implement a compulsory whistleblower policy, ensuring a transparent and accountable work environment. These policies aim to encourage employees to report any misconduct or wrongdoing within the organization, without the fear of retaliation. Many prominent companies across various sectors, such as banking, finance, information technology, and manufacturing, have embraced this proactive approach. By implementing whistleblower policies, these companies acknowledge the significance of ethical conduct and strive to create a culture that values integrity and accountability. Such policies not only protect whistleblowers but also promote organizational integrity, helping to foster trust and safeguard against fraudulent practices. With these measures in place, companies in India are taking significant steps towards fostering a culture of openness, honesty, and responsible corporate governance.

#### *India's Leading Companies Embrace Whistleblower Policies*

*Several companies in India have implemented whistleblower policies to promote transparency and accountability. Here are some prominent examples:*

1. **Tata Group:** The Tata Group, one of India's largest conglomerates, has a well-defined whistleblower policy in place. It encourages employees and stakeholders to report any unethical behavior, financial misconduct, or violation of company policies.

Source: <https://www.tata.com/content/dam/tata/pdf/tata-industries/Whistle-Blower-Policy-Tata-Industries.pdf>

2. **Infosys:** Infosys, a leading multinational information technology company, has a comprehensive whistleblower policy to ensure a safe and secure environment for reporting concerns related to unethical practices, financial fraud, or any other irregularities.

Source: <https://www.infosys.com/investors/corporate-governance/documents/whistleblower-policy.pdf>

3. **HDFC Bank:** HDFC Bank, one of India's largest private sector banks, has a robust whistleblower policy in accordance with regulatory requirements. The policy enables employees and stakeholders to report concerns regarding ethical breaches, financial fraud, or any illegal activities.

4. **Reliance Industries Limited:** Reliance Industries Limited, a diversified conglomerate with interests in energy, petrochemicals, telecommunications, and retail, has implemented a strong whistleblower policy to encourage reporting of any wrongdoing or unethical behavior within the organization.

Source: <https://www.ril.com/DownloadFiles/IRStatutory/Vigil-Mechanism-and-Whistle-Blower-Policy.pdf>

5. **Wipro:** Wipro, a leading global information technology, consulting, and business process services company, has a

well-established whistleblower policy that provides employees a safe and confidential platform to report any violations or concerns related to ethics, integrity, or compliance.

Source: <https://www.wipro.com/content/dam/nexus/en/investor/corporate-governance/policies-and-guidelines/wipros-ombuds-process/12778-wipro-ombudsman-process-non-employees.pdf>

### Protecting Whistleblowers and Ensuring Effectiveness

To encourage more whistleblowers to come forward, it is crucial to establish robust legal frameworks that safeguard their identity and protect them from retaliation. Whistleblower protection laws should be enacted to shield individuals from professional and personal repercussions, ensuring their contributions to the fight against financial misconduct are recognized and valued.

Additionally, organizations should foster a culture that encourages reporting and actively investigates whistleblower allegations. Whistleblower hotlines, anonymous reporting mechanisms, and comprehensive whistleblower protection policies are integral components of such a culture.



### Conclusion

Whistleblowers in forensic audits are powerful tools in the fight against financial misconduct. The collaboration between whistleblowers and forensic auditors can unearth fraudulent activities, protect stakeholders' interests, and reinforce transparency and accountability within organizations.

By strengthening whistleblower protection laws and establishing a culture that values integrity and reporting, we can create an environment where whistleblowers feel safe and empowered to step forward. Through their cooperation with forensic auditors, we can further bolster the effectiveness of audits and prevent financial misconduct from going undetected.

Together, whistleblowers and forensic audits form a formidable alliance, championing justice.





## Valuation of Intangible Assets: Unlocking the Hidden Value



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In today's rapidly evolving business landscape, traditional measures of value are no longer solely tied to tangible assets such as buildings, machinery, or inventory. The rise in the economy has shifted the focus to intangible assets, such as intellectual property, brand value, customer relationships, and human capital. For example, technology companies often derive significant value from their patents, software, and data. Similarly, consumer goods companies invest heavily in building strong brands that generate customer loyalty and command premium pricing. These intangible assets play a pivotal role in creating and sustaining a company's competitive advantage and can significantly impact a company's market value and long-term prospects. However, their intangible nature poses unique challenges when it comes to valuation. This article explores the significance of valuing intangible assets and sheds light on identification criteria and key approaches used to assess the worth of intangible assets.

### Challenges in Valuing Intangible Assets:

Unlike tangible assets, intangible assets lack a standardized and observable market value. This inherent difficulty stems from their non-physical nature, making it harder to establish a concrete monetary worth. Additionally, intangible assets are highly subjective and context-dependent. Their value can vary across industries, geographical locations, and even different points in time. As a result, valuing intangible assets requires a comprehensive understanding of the specific industry, competitive landscape, and future prospects of the asset being assessed.

### Identification Criteria for Intangible Assets

An Intangible asset is identified using the following criteria:

- Contractual / Legal criteria:

The Intangible asset acquired arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the acquired entity or from other rights and obligations;

OR

- Separability Criteria:

If the Intangible asset does not arise from contractual or other legal rights, it should be recognised as an asset apart from goodwill if the asset is separable. An asset is separable if the enterprise could rent, sell, exchange or distribute the specific future economic benefits attributable to the asset without also disposing of future economic benefits that flow from other assets used in the same revenue earning activity.

### Common Intangible Assets

As per IVS 210: Intangible Assets, there are many types of intangible assets, but they are often considered to fall into one or more of the following categories (or goodwill):

- Marketing-related:** Marketing-related intangible assets are used primarily in the marketing or promotion of products or services. Examples include trademarks, trade names, unique trade design and internet domain names.
- Customer-related:** Customer-related intangible assets include customer lists, backlog, customer contracts, and contractual and non-contractual customer relationships.
- Artistic-related:** Artistic-related intangible assets arise from the right to benefits from artistic works such as plays, books, films and music, and from non-contractual copyright protection.
- Contract-related:** Contract-related intangible assets represent the value of rights that arise from contractual agreements. Examples include licensing and royalty agreements, service or supply contracts, lease agreements, permits, broadcast rights, servicing contracts, employment contracts and non-competition agreements and natural resource rights.
- Technology-based:** Technology-related intangible assets arise from contractual or non-contractual rights to use patented technology, unpatented technology, databases, formulae, designs, software, processes or recipes.

### Valuation of Intangible Assets

IVS 210 and ICAI Valuation Standard 302, broadly prescribe the methods and various ways by which Intangible Assets shall be valued

#### Market Approach

Under the market approach, the value of an intangible asset is determined by reference to market activity (for example, transactions involving identical or similar assets). This approach is considered where active market is available for intangible asset and there is sufficient information available about its price in an arm's length transaction. Market approach uses prices and other relevant information available by open market transactions involving identical or comparable assets. Market approach is used to value software generally, as comparable market transactions are readily available in the active market.

#### Income Approach

Income approach is the valuation approach that converts expected maintainable future amounts or cash flow into single current amount. Valuation of Intangible asset under income approach is aggregate of present value of expected cash flows or future cost saving by the owner through owning the asset or through license. Expected cash flows or cost savings should be adjusted with the respective expenses and then discounted to compute the present value.

The income approach is the most common method applied to the valuation of intangible assets and is frequently used to value



intangible assets like technology, customer-related intangibles (eg, backlog, contracts, relationships), tradenames/trademarks/brands, operating licenses (eg, franchise agreements, gaming licenses, non-competition agreements).

### Cost Approach

Cost Approach is the valuation approach that estimates the value of an intangible asset by considering the costs incurred to create or replace it. It takes into account research and development expenses, production costs, and any other relevant expenditures.

The cost approach is commonly used for intangible assets such as acquired third-party software, internally-developed and internally-used, non-marketable software, assembled workforce.

### Conclusion

Valuing intangible assets is a complex but crucial task in today's intangible economy. As businesses increasingly rely on intangible assets to drive value and innovation, understanding their worth becomes essential for decision-making, transactions, and financial reporting. By employing a combination of approaches tailored to the specific nature of the asset, companies can gain insights into the economic value of their intangible assets and make informed strategic choices. Recognizing the importance of intangible asset valuation enables organizations to maximize their competitive advantage and optimize resource allocation in an ever-evolving business landscape.

*Views expressed are personal to author.*

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## Startup



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A Startup is a newly formed business with particular momentum behind it based on perceived demand for its product or service. The intention of a startup is to grow rapidly as a result of offering something that addresses a particular market gap.

Startups can adopt various business models depending on their industry, target market, and the value they offer to customers. Some common types of business models that generally startup founders adopt are E – Commerce , Subscription or SAAS, On Demand, Marketplace, Freemium, Peer-to-Peer, Licensing, Affiliate, Data Monetization, Hybrid Models etc.

A startup can also innovate and create new business models tailored to their unique value proposition and market conditions. The choice of business models depends on factors such as the target market, industry dynamics, competitive landscape, and the startup's core capabilities.

One of the most popular models in Startup's is Subscription based model or SAAS (Software as a service model) model.

- What is SAAS Model ?

The term "SAAS" stands for Software as a Service. It is a business model in which software applications are provided to customers over the internet on a subscription basis. In the SAAS model, the software is centrally hosted and managed by the provider, who delivers it to customers via the internet.

- Why Startup adopt SAAS model?

Startups that adopt the SAAS model develop software applications that cater to specific business needs or provide solutions for various industries. Rather than selling traditional

software licenses, these startups offer their applications as a service, accessible through web browsers or dedicated client software.

- What are the Features of SAAS model ?

Some key features of the SAAS model are :-

- ❖ Subscription-based: SAAS startups typically charge customers a recurring subscription fee to access and use their software. This model provides ongoing revenue for the startup, ensuring a steady stream of income.
- ❖ Centralized hosting: The software is hosted on the provider's infrastructure, which allows users to access it remotely via the internet. This eliminates the need for customers to install and maintain the software on their own servers
- ❖ Scalability: SAAS startups can easily scale their software to accommodate the needs of their growing customer base. Since the software is centrally managed, updates and enhancements can be deployed to all users simultaneously.
- ❖ Lower upfront costs: SAAS startups often offer their software on a pay-as-you-go or monthly subscription basis, which reduces the upfront costs for customers. This makes the software more accessible to businesses of all sizes, including startups themselves
- ❖ Continuous updates and support: SAAS providers are responsible for maintaining and updating the software, ensuring that customers always have access to the latest features and bug fixes. They also provide customer support to address any issues or queries that users may have.

The SAAS model has gained popularity among startups due to its flexibility, cost-effectiveness, and ability to reach a wide range of customers. It allows startups to focus on software development and innovation while leaving the hosting, infrastructure, and maintenance aspects to the provider.





## Credit Rating, Impact on Funding & Role of CAs



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### Background

Credit ratings are formal opinions of rating agencies about the probability that a debt-issuing firm will not meet its debt obligations. Each rating agency uses its own methodology of evaluating the credit worthiness as well as their default risks

while assessing the ability and willingness of the issuer company for timely payment of interest and principal on a debt instrument. Rating agencies use different lettering systems in the form of alphanumeric symbols which summarize their opinions about debt issuing firms. The rating is assigned to a security or an instrument issued and therefore, different securities issued by same firm may have different ratings.

Credit rating is not a recommendation to buy, sell or hold a debt instrument. It is actually an assessment of the probability of default on payment of interest and principal on a debt instrument. They help reduce information asymmetry and assist uninformed investors to make smart investment decisions. Credit ratings are available free of charge to the public since rating agencies are paid by the firms which are being rated - such revenue models in the rating business have often been debated due to possible conflict of interest between the desire of the issuers to get favourable ratings and the need of rating agencies to maintain accuracy and integrity in their ratings.

There are multiple reasons for the improved role of credit ratings in the financial markets:

- Globalization of financial markets;
- Expansion in the number of companies issuing debt;
- Growing use of financial innovations - especially asset and mortgage-backed securities which can be very complex and difficult for investors as well as regulators to understand and evaluate.

### Regulation of Rating Agencies

Credit rating agencies are regulated by SEBI. The SEBI (Credit Rating Agencies) Regulations, 1999 govern the credit rating agencies and provide for eligibility criteria for registration of credit rating agencies, monitoring and review of ratings, requirements for a proper rating process, avoidance of conflict of interest and also inspection of rating agencies.

SEBI has regularly taken various steps to strength the process of credit rating. SEBI directives require the credit rating agencies to be transparent and disclose maximum information to public which may have a material bearing on the ratings, any sources of conflicts of interest while undertaking the rating exercise, rationale behind



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ratings assigned, methodology adopted, etc.

SEBI regulates only the agencies which are engaged in the business of rating securities offered by way of public or rights issue.

SEBI does not play any role in the assessment made by the rating agency. The rating is intended to be an independent, unbiased and professional opinion of the rating agency. Following rating agencies are currently registered with SEBI.

1. CRISIL
2. ICRA
3. CARE
4. India Ratings and Research Private Limited
5. Acuite Ratings and Research Limited
6. Infomeric Valuation and Ratings Private Limited

### Rating Methodology

Credit rating agencies uses various rating methodologies and have diverse factors bearing different weightage. Each credit rating agency may have its own set of criteria and different weightage for each component for assigning the ratings. Some of the key factors which can be taken into consideration for credit rating include:

- Issuer Company's operational efficiency,
- Level of technological development,
- Market leadership & positioning,
- Effectiveness of management,
- Past record of debt servicing,
- Financials competence, etc.

Following is the process followed by rating agency while assigning credit rating for the instrument:





Thus, ratings are usually based on a thorough evaluation of the strengths as well as weaknesses of the company's fundamentals including financials along with a detailed study of the industry as well as macro-economic, regulatory and political environment. Rating symbols may vary depending upon the type of debt instrument viz. long term, short term, etc. Each rating symbol is an alphanumeric representation of the probability of degree of repayment risk associated with debt instruments.

Plus and minus symbols are also used to indicate finer distinctions within a rating category. The minus symbol associated with ratings has no negative connotations and similar is the case for plus symbol. In fact, ratings in a higher rating category such as 'BB-' are stronger than ratings in a lower rating category such as 'B+'.

	Rating	Definition (As per S&P)
Investment Grade	AAA	Extremely strong capacity to meet financial commitment
	AA(+/-/non/-)	Very strong capacity to meet financial commitment
	A(+/-/non/-)	Strong capacity to meet financial commitment
	BBB(+/-/non/-)	Adequate capacity to meet financial commitment
Speculative Grade	BB(+/-/non/-)	Less vulnerable to non-payment than other ongoing issues. Major ongoing uncertainties
	B(+/-/non/-)	Adverse business, financial or economic conditions will likely impair the capacity to meet financial commitment
	CCC(+/-/non/-)	Vulnerable to non-payment and dependant on favorable business & financial conditions to meet financial commitment
	CC, C	Currently highly vulnerable to non-payment
	C	Currently highly vulnerable to non-payment with lower recovery
	D	In default or in breach of imputed promise
	NR	No rating has been requested, insufficient information for rating or agency does not rate particular obligation

#### Rating Scale with Risk Weight

Long term	Short term	Risk Weight %	Grade
AAA	A1+	20	Investment Grade
AA+	A1	30	
AA			
AA-			
A+	A2 + / A2	50	
A			
A-			
BBB+	A3 + / A3	100	
BBB			
BBB-			

BB+	A4 +	150	Speculative Grade
BB			
BB-	A4	150	
B+			
B			
B-			
C+			
C			
C-	D	150	
D			

The higher the rating better the terms from financial institutions.

#### Impact on Funding

Credit rating directly affects the cost of funding. Investment grade rated firm may get benefit in the form of lower interest rates as compared to its counterpart with speculative ratings. Moreover, credit ratings may decide the capital requirements for investments made by insurance companies as imposed by the various market regulators.

Rating is an opinion based on information available at a point in time with the rating agency and expectations made on the basis of such information by the agency. However, information can change significantly over time causing the rated instruments performance to deviate from the earlier expectations thereby affecting the future repayment abilities and thus, surveillance in the rating may be required periodically. To protect the interest of investors, SEBI has mandated that every credit rating agency shall, during the lifetime of the securities rated by it, continuously monitor the rating of such securities and carry out periodic reviews of all published ratings. A downgrade in the rating indicates that the risk of default of the instrument is higher than what was earlier predicted. Credit ratings assigned by the credit rating agencies to various instruments are made available by the agencies through press releases and also on their portals. In case of prospectus or the offer document for public issue of security, rating details needs to be suitably disclosed by the issuer company. It has also to be mentioned in media advertisements related to public offerings.

However, it is to be noted that a credit rating is a professional opinion given after studying all available information at a particular point of time. Nevertheless, such opinions may prove wrong in the context of subsequent events. There is no contract between an investor and a rating agency and the investor is free to accept or reject the opinion of the agency.

#### Opportunity for Chartered Accountants

Since inception, Chartered Accountants have been offering value added services to corporate world. Almost every company which aims for fund raising has to go for credit rating. Negative credit rating hampers its chances of raising funds at cost effective rates and hence, they will be needing professional help to prepare business plan and submit to the agency. Moreover, CAs can also use their financial expertise and business acumen in liaisoning with the rating agency and help the clients to get better ratings which can substantially reduce funding costs. CAs can render services to rating agencies at various level including Business development, Analytical and at Managerial level. Given the increasing demand for funds after Covid-19 crisis, more companies will be going for ratings in the period to come and it can create a good avenue for practising professionals.





## Banking Stock Audit



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Stock audit, in general usage is considered as an important auditing term which refers to the physical verification of the inventory. However at times, it may also involve the valuation of the inventory but it would depend on the terms of reference or the engagement letter of the

assignment. When heading forward, it is important to remember and keep in consideration the purpose for which the audit is being conducted because different audits may have different approach which would ultimately depend on the aim. In other words, stock audit is a statutory process which every business institution needs to perform at least once in a financial year. As far the stock audit process is concerned, the process mainly involves the counting of physical stock presenting the specified premises and verifying the same with computed stock maintained by the company. The reason and purpose behind executing this is to correct the discrepancies present in the book stock when compared to physical stock by passing necessary adjustment entries.

### Reasons why one should look forward for the stock audit :

- To update the opening stock details.
- To identify the discrepancy between book stocks also known as computed stock and physical stock.
- To update the actual physical stock as book stock.
- To ensure proper preservation and handling of stocks.

### Here are a few listed key benefits of stock audit

- Direct impact on costs and bottom line
- Prevent pilferage and fraud
- Identifies slow moving stock, obsolete stock, dead stock and scrap
- Third party independent opinion, especially for agent warehouses Identifies gap in current inventory management process

### Enable accurate valuation of inventory List Of Documents Required For Stock Audit:

1. Stock Statement as on date of verification
2. Provisional balance Sheet, Trial balance as on date of verification.
3. Latest audited financials.
4. Stock Insurance policy if any
5. Invoices of Purchases, Sales
6. Stock Register
7. Method of valuation of closing stock
8. Stock list of non-moving, obsolete, dead stock.
9. Documents relating to constitution of the business
10. Debtors and Creditors list for latest 6 months.
11. Last 6 Months GST Returns





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**Q1. Minimum penalty for failure to collect tax at source ?**

- a. 100% of tax which a person has failed to collect.
- b. 300% of tax which a person has failed to collect.
- c. Rs. 1,50,000/-
- d. Rs. 10,000/- per default

**Q2. Minimum punishment for falsification of books of account or documents**

- a. 3 months (and with fine)
- b. 1 month (and with fine)
- c. 3 months (or fine)
- d. 1 month (or fine)

**Q3. Maximum penalty or failure to keep or maintain books of account, documents, etc. As required under section 44AA**

- a. 10000
- b. 50000
- c. 150000
- d. 25000

**Q4. Section 271BA deals with**

- a. failure to submit report under section 92E
- b. failure to provide facility for accepting payment through the prescribed electronic modes of payment referred to in section 269SU
- c. Failure to deduct tax at source
- d. Failure to collect tax at source

**Q5. What is the minimum punishment for making a false statement in verification or delivering a false account or statement if the tax evaded does not exceed 25 lakhs ?**

- a. 6 months
- b. 1 month and with fine
- c. 3 months
- d. 3 months and with fine

**Q6. Who is required to file GSTR-9?**

- a) Regular taxpayers
- b) Composition scheme taxpayers
- c) Input Service Distributors (ISD)
- d) Non-resident taxpayers

**Q7. Which authority is responsible for conducting audits and investigations under the GST law?**

- a) Central Board of Indirect Taxes and Customs (CBIC)
- b) State GST Department
- c) Goods and Services Tax Network (GSTN)
- d) National Anti-Profitteering Authority (NAA)

**Q8. Which forum can be approached to appeal against the orders of the Appellate Authority for Advance Ruling (AAAR)?**

- a) High Court
- b) Supreme Court
- c) State GST Tribunal
- d) National Anti-Profitteering Authority (NAA)

**Q9. In which GST return is the liability under Reverse Charge Mechanism (RCM) to be reported?**

- a) GSTR-1
- b) GSTR-2
- c) GSTR-3B
- d) GSTR-9

**Q10. Can a business claim a refund on GST paid on inputs used in the production of exempt turnover?**

- a) Yes, a refund can be claimed on the GST paid on inputs used in exempt turnover
- b) No, a refund cannot be claimed on the GST paid on inputs used in exempt turnover
- c) Refund eligibility depends on the nature of the exempt turnover
- d) Refund eligibility depends on the turnover threshold of the business



<https://forms.gle/sdhdJPzW3Zk2dqvT6>



**May 2023 Quiz Contest Winner**  
**CA Yash Khetan**



## Mentorship Programme for Career Counsellor held on 10th June 2023



CA. Krishna Purohit The Treasurer – Vasai Branch greeted to CA. Hrudayesh Pankhania with a Memento.



CA. Amit Agarwal, Chairman – Vasai Branch greeted to CA.(Dr.) Rajkumar Adukia - CCM, Speaker with a Tulsi Plant.



CA. Umesh Narvekar Former Chairman – Vasai Branch greeted CA.(Dr.) Rajkumar Adukia - CCM, Speaker with a Memento.

## Physical Seminar on “Grow Your Practice” held on 11th June 2023



Left to Right CA Rahul Tiwari, CA Ravi Gupta, CA Ramanand Gupta Former Chairman-Vasai Branch, CA Umesh Sharma – CCM, CA Nikunj Bhangaria, CA Namita Agarwal



CA. Amit Agarwal, Chairman – Vasai Branch greeted to CA Umesh Sharma - CCM, Speaker with a Memento



## Yoga Day Celebration held on 21st June 2023



CA. Amit Agarwal, Chairman – Vasai Branch greeted to Yoga Teacher Mrs. Pranali Khale, Trainer with a Tulsi Plant.



CA. Amit Agarwal, Chairman – Vasai Branch greeted to Yoga Teacher Mr. Ramchandra Naik, Trainer with a Memento



Participants

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