THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Setup by an Act of Parliament)

NATIONAL CONFERENCE OF CA STUDENTS

pragati

A Journey of Progress, Rooted in Trust

Organised by: **Board of Studies - Operations, ICAI**

Hosted by:

Ahmedabad Branch (WIRC) & Ahmedabad Branch of WICASA of ICAI

21st - 22nd June 2025

SAT - SUN

Venue:

Club 07,

off Sardar Patel Ring Road, Shela, Ahmedabad

NATIONAL CONFERENCE OF CA STUDENTS

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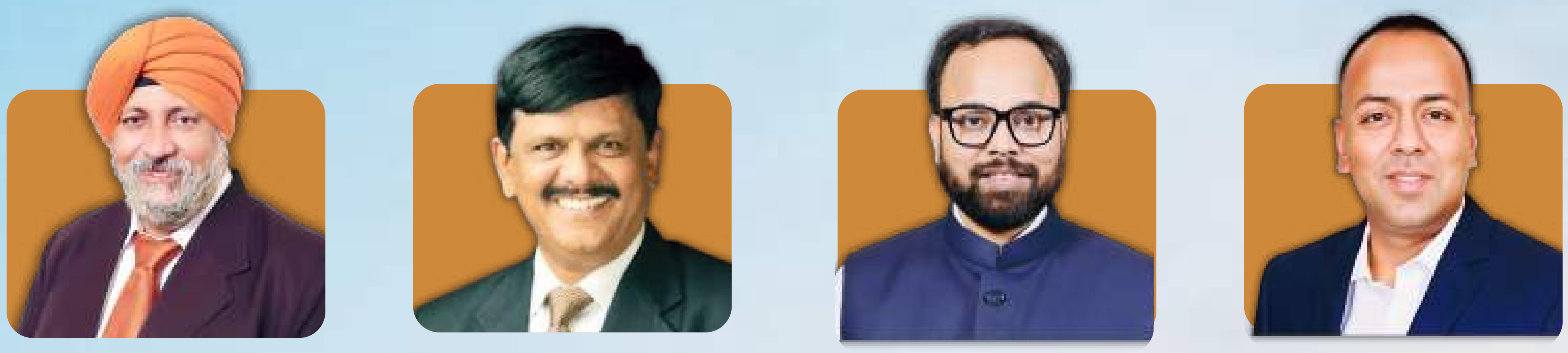
Board of Studies–Operation, ICAI



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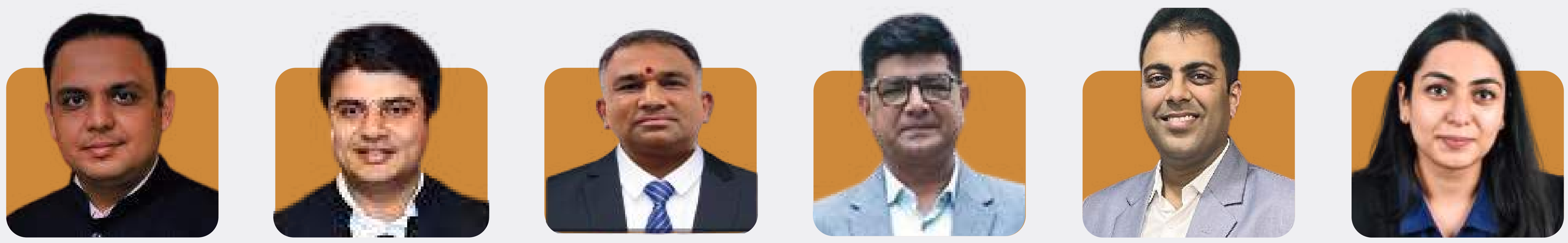

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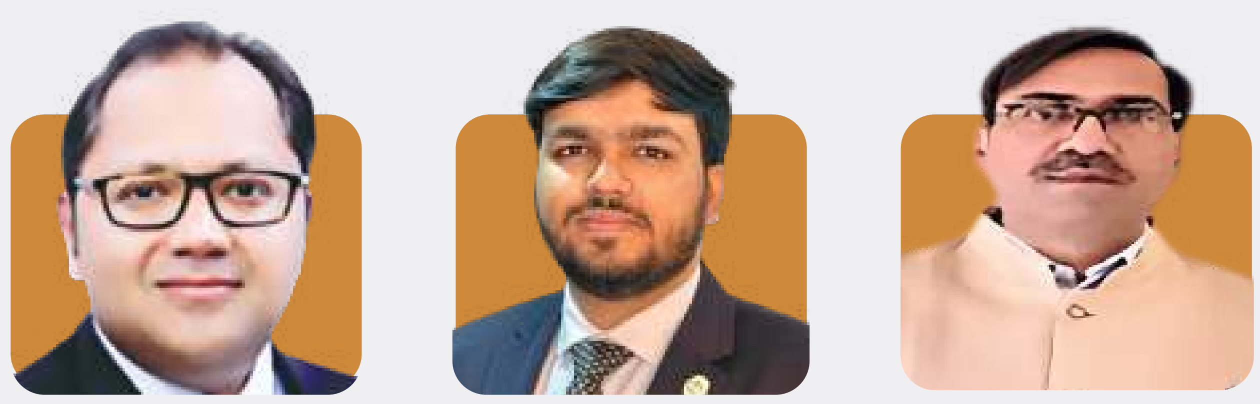

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Day - 1 - Saturday, 21st June, 2025

08:30 am to 09:30 am	Networking & Registration
09:30 am to 10:30 am	*Inaugural Session* Special Session I - Interaction with Board of Studies - Operations, ICAI
10:30 am to 12:00 pm Knowledge Session: I	GST 1. Input Tax Credit (ITC) - Practical Issues & New Compliances 2. "The Future of GST Compliance: Role of IMS, Automation & Analytics" 3. Input Service Distributor (ISD): Concept, Compliance & Case Studies Session Chairman: CA. Rajendra Kumar P., CCM, Chennai Session Expert: CA. (Dr.) Avinash Poddar, Surat
12:00 pm to 01:00 pm Skill-up Session: I	Journey to the CA of CEO / CFO of the future CA. Hiranand Savlani, CFO & Executive Director, Astral Limited, Ahmedabad
01:00 pm to 02:00 pm	Lunch Break
02:00 pm to 03:20 pm Knowledge Session: II	Startups and AI & Technology (Reshaping the Future of Compliance & Business) 1. Startup Ecosystem in India: Opportunities, Tax Challenges & Support Schemes 2. AI in Accounting, Audit, and Taxation 3. RegTech : The Rise of Compliance Automation in Startups Session Chairman: CA. Sanjib Sanghi, CCM, Kolkata
03.20 pm to 03:40 pm	Tea Break
03.40 pm to 05.00 pm Skill-up Session: II	Leadership and Management Session Chairman: Shri Rajat Sharma, Chairman & Editor-in-Chief of India TV
05.00 pm to 06.00 pm Motivational Session	Motivational Session Session Chairman: CA Twinkle jain, Surat
06.30 pm to 09.00 pm	Cultural Program (Followed by Dinner)

NATIONAL CONFERENCE OF CA STUDENTS

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Day - 2 - Sunday, 22nd June, 2025

09.00 am to 10.00 am	Registration & Netwoking
10.00 am to 11.00 am	Special Session II Interaction with the Board of Studies - Operations, ICAI & President of ICAI etc.
11.00 am to 12.00 am Skill-up Session: III	Global & Emerging Opportunities Session Chairman: CA. Aniket S. Talati, Past President, ICAI
12.00 am to 01:15 pm Knowledge Session: III	Accounting Standards / Ind AS 1. Transition from AS to Ind AS: Key Differences and Challenges 2. Presentation of Financial Statements under Ind AS-1 3. Beyond the Balance Sheet: Measuring ESG Performance in Financial Reports Session Expert: CA. Rakesh Agarwal, Mumbai
01:15 pm to 02:00 pm	Lunch Break
02:00 pm to 03:00 pm Skill-up Session: IV	Strategic Thinking for Future-Ready Professionals Session Chairman: CA. Rajesh Sharma, CCM, New Delhi
03:00 pm to 04:30 pm Knowledge Session: IV	Income Tax 1. Clubbing of Income & Set-Off of Losses: Smart Tax Planning 2. Faceless Assessments and Appeals: Reforming Tax Administration 3. Cryptocurrency & Digital Asset Taxation: What Every Young Taxpayer Must Know Session Expert: CA. (Dr.) Girish Ahuja, New Delhi
04:30 pm to 05:00 pm	Valedictory Session

About ICAI

The Institute of Chartered Accountants of India (ICAI) is a world's leading Accounting statutory body regulating the profession of Chartered Accountants in India. ICAI is a regulator and developer of trusted and independent professionals with world class competencies in Accounting, Assurance, Taxation, Finance and Business Advisory Services. It is a non-profitable organisation, imparting world class education to create global professionals.

The Institute functions under control of Ministry of Corporate Affairs, Government of India. It has its headquarters in New Delhi and 5 Regional Offices in Chennai, Kanpur, Kolkata, Mumbai and New Delhi. It presently has 171+ branches in India. ICAI's 75 years of glorious journey of excellence to become the largest accounting body in the World having around 4 lakh members and 8.5 lakh students, and this family of 12.5 lakh people has now presence across 81 global cities with 48 chapters

The ICAI through its Board of Studies – Operations is taking various initiatives to develop the requisite Skill Sets for budding Chartered Accountants and enrichment of their Professional Skills. The Board formulates, implements and governs the various policies of the Council relating to practical education and training including industrial training, Information Technology and Soft Skills Training of students. It also organises various students related activities like Webinars, Conferences (Branch level, National & International level), Seminars, Fairs, Co-Curricular activities, etc. for developing and enriching personality, leadership qualities and communication skills of our students. Scholarships are also awarded to its meritorious, differently abled, and needy students.

ICAI waives off 75% fee for the students registering from the newly formed Union Territories of Jammu & Kashmir, Ladakh and also from 8 North-Eastern States, for all level of CA Course i.e. Foundation, Intermediate and Final.

About BOS– Operations, ICAI

Board of Studies is a non–standing committee which is set up under the regulatory framework of ICAI to impart world class training to Chartered Accountancy Students through courses such as Orientation, Information Technology, Advanced Information Technology and Management & Communication Skills courses. These courses aim to equip students with competencies and professional skills sets looked up by business houses in view of the ever evolving business environment. The need of an hour is that students must possess in them the essential skills which are required by the employer and the outside world.

To keep a pace with the changing environment and meeting the expectation of the organizations, Board of Studies–Operations aims to develop CAs as complete Business Managers with an all–round personality encompassing Managerial Skills, Soft Skills, and Communication Skill along with other essential skill sets. Acquiring essential skills will enhance the overall confidence, increasing the employability options and thus helping in enhancement of the overall image of the profession.

About Ahmedabad Branch (WIRC)

It is the Largest branch of ICAI in Western Region and Second Largest branch of ICAI in India. Presently more than 14000 Chartered Accountant as Active members associated with branch and It also has the privilege of getting various rewards like Best Student Association Branch in 2022 and 2023, best Branch of ICAI in 2023 – Mega Branch category jointly with Indore Branch in 2023, best Branch of ICAI in 2022 – Mega Branch category jointly with Bengaluru Branch in 2022 and many other. Major Activities conducted by branch such as Seminars, Workshops, Conferences for Members, Industrial Visits, Revision series and many more activities. Conducting Regular GMCS, Orientation Course, ITT, and Advance ITT Trainings is also part of the activities conducted by branch.

About AHMEDABAD BRANCH OF WICASA

Western India Chartered Accountant Students Association (WICASA) is a student association affiliated with the Institute of Chartered Accountants of India. It often organizes a range of activities to support students and enhance their academic and personal growth like Mega Marathon, Dashboard Visualisation Competition, Various seminars of technical and dynamic topics, Youth Festival, Festival celebrations and many more events.

About National Conference

We are delighted to host CA National Conference, 2025. It stands as a paragon of erudition, innovation, and synergy, convening illustrious professionals, visionary thought leaders, and trailblazing CA aspirants from the multifaceted domains of finance, accountancy, and audit. This distinguished event offers an unparalleled forum for attendees to engage with esteemed peers and intellectual minds. Through meticulously curated networking sessions, participants are afforded the opportunity to cultivate substantive relationships, exchange exemplary practices, and explore collaborative ventures on a prestigious stage.

The conference imparts profound insights that will inspire and navigate your professional odyssey, equipping you with the acumen and connections indispensable for excelling in your field.

The conference offers unwavering sessions to elevate your existence, ignite your innovation and shape your destiny. Gear up to acquire knowledge on India's relentless pursuit of becoming the world's third-largest economy. Last but not the least this unique conference delivers an enhanced cognitive function, stamina, and overall well- being.

President Message

CA. Charanjot Singh Nanda
President, ICAI

Dear Students,

CA students represent the next generation of accounting professionals — resilient, disciplined, and driven by purpose. Their journey is marked by commitment to rigorous academics, ethical values, and the pursuit of excellence in every facet of the profession. As they prepare to take on pivotal roles in a rapidly changing global economy, they are expected not only to master technical knowledge but also to demonstrate leadership, adaptability, and forward-thinking.

To support this transformation, the Institute of Chartered Accountants of India (ICAI) offers a robust and future-ready education system that goes beyond textbooks. Through its dynamic and inclusive learning framework, ICAI equips students with the academic foundation and practical insight needed to excel. Regular mentorship, modern learning tools, and continuous guidance empower students to develop the critical thinking, communication, and problem-solving skills essential for success in both their professional and personal journeys.

In line with the evolving needs of the profession, the Board of Studies (BoS) has introduced initiatives such as the Self-Paced Online Modules, the MCQ Practice Dashboard, and the Mentoring Programme, which provide students with flexible learning options and personalized guidance. With tools like the ICAI-BOS Mobile App and the Digital Learning Portal, students have easy access to essential resources and real-time support. The Induction programme provides an overview of ICAI's legacy, vision, and structure, guiding students on how to utilize ICAI services and explore opportunities during and after their CA journey. The student interaction programme, “Charcha Ka Vishay: CA Pariksha – Let’s Talk: The CA Exam,” allows students to discuss and understand the CA exam process.

These efforts ensure that CA students not only acquire technical proficiency but also develop vital skills like communication, leadership, and strategic thinking, preparing them to embrace future opportunities and shape the global finance landscape.

"यदि साहस है, तो हर कठिनाई को पार कर सकते हैं,
जीवन के हर मोड़ पर, नई राह बना सकते हैं।"

(If there is courage, we can overcome every difficulty,
At every turn in life, we can carve a new path.)

— Maithilisharan Gupta

The Board of Studies of ICAI hosts CA Student Conferences across the country, providing students with valuable opportunities to refine their speaking and presentation skills. These conferences allow students to present research papers on contemporary professional topics, fostering critical thinking and knowledge sharing. In addition to these, seminars, workshops, counselling sessions, and industrial visits play a pivotal role in broadening students' horizons and enhancing their overall skill development. The student conferences offer a prime chance for networking and dynamic discussions on modern aspects relevant to the profession. Furthermore, the selected topics ensure thorough coverage of vital subject areas, enriched with the latest global advancements

I am pleased to note that Board of Studies is organising the "National Conference of CA Students" on 21st–22nd June, 2025 at Ahmedabad. The same is being hosted by Ahmedabad Branch of WIRC of ICAI. The theme of the conference is "Pragati – A Journey of Progress, Rooted in Trust" which underscores the importance of continuous learning, adaptability, and the collective efforts required to shape the future of the profession.

I extend my best wishes for the success of the conference and compliment Board of Studies, Ahmedabad Branch of WIRC of ICAI and the Ahmedabad Branch of Western India Chartered Accountants Students Association (WICASA) of our Institute for hosting the conference.

As the future torchbearers of the profession, your focus should not only be on mastering theoretical concepts but also on gaining hands-on experience that will shape your practical expertise. I encourage each one of you to actively participate and contribute to the continued growth and evolution of the Chartered Accountancy profession.

CA. Charanjot Singh Nanda
President, ICAI

Vice – President Message

CA. Prasanna Kumar D.
Vice- President, ICAI

Dear Students,

It gives me immense pleasure to extend my warmest greetings to all the participants of the National Conference of CA students 2025 organized by the Board of Studies (Operations) and hosted by Western India Regional Council (WIRC) and Western India Chartered Accountants Students Association (WICASA) of ICAI. This conference, scheduled to take place on 21st and 22nd of June 2025, at Ahmedabad, promises to be an enriching and enlightening event for all the attendees.

The theme of this year's conference is "Pragati– A Journey of Progress Rooted in Trust serving as a platform for students to showcase their innovative ideas, entrepreneurial spirit, and leadership skills. These events feature keynote sessions by industry experts, providing students with insights into real-world challenges and solutions. Through this Conference, students are encouraged to think critically, work collaboratively and develop solutions that address contemporary issues, thereby contributing to their holistic development and preparing them for future leadership roles.

As aspiring members of this esteemed profession, your primary objective should be to grasp theory and cultivate practical experience. The upcoming conference offers you a chance to engage with professionals from both business and academia, updating your understanding of significant global developments.

Students being the future of the profession, I urge you to contribute and participate actively towards the growth journey of the profession.

I compliment the organizers, the WIRC of ICAI, the WICASA of WIRC of ICAI, for all their efforts in putting together this remarkable event. Their commitment to fostering the growth and development of young minds is truly commendable.

To all the attendees, I urge you to make the most of this conference. Immerse yourself in the wealth of knowledge and expertise that will be shared during these two days. Embrace the theme ““Pragati– A Journey of Progress Rooted in Trust” and embark on the journey of progress.

I extend my best wishes for a successful and fulfilling National Conference of CA Students. May you emerge from this experience inspired, motivated and ready to conquer new horizons in your professional journey.

Best Wishes!
(CA. Prasanna Kumar D)
Vice-President, ICAI

NATIONAL CONFERENCE OF CA STUDENTS

CA. (Dr.) Rohit Ruwatia Agarwal
Chairman, Board of Studies-Operations, ICAI

Dear Students,

It is with great pleasure that I extend a warm invitation to each of you for the National Conference of CA Students, scheduled to be held on 21st and 22nd June 2025 in the culturally vibrant city of Ahmedabad. The theme of this year's conference, reminds us that true progress is meaningful only when it is built on honest connections and shared values, ensuring a future that is both prosperous and dependable for all.

The theme "Pragati – A Journey of Progress, Rooted in Trust" highlights the path of continual advancement grounded in strong relationships and mutual confidence. Pragati signifies growth and development that is not only driven by innovation and effort but also anchored in trust between individuals, communities, and institutions. This trust forms the foundation for sustainable progress, fostering collaboration, integrity, and resilience.

The conference promises enriching knowledge sessions on topics such as Startups, AI & Technology, Tax & Audit, and Capital Markets, along with student paper presentations, motivational talks, and expert panels. Whether you're presenting or attending, your active participation will help sharpen your technical skills, soft skills, and overall professional outlook.

This event also offers valuable networking opportunities with peers and professionals, helping you build relationships that can support your career journey. Ahmedabad's rich cultural and historical backdrop adds further charm to this learning experience.

I would like to thank the Ahmedabad Branch of WIRC & WICASA of ICAI for organizing this impactful event. I encourage all students to actively participate, whether as presenters or delegates and take full advantage of this unique platform for personal and professional growth.

Looking forward to your enthusiastic participation.

"प्रगति तभी स्थायी होती है जब उसका आधार विश्वास हो।"

"Progress is lasting only when it is founded on trust."

CA. (Dr) Rohit Ruwatia Agarwal
Chairman, Board of Studies (Operations), ICAI

NATIONAL CONFERENCE OF CA STUDENTS

Dear Future Chartered Accountants,

CA. Sanjib Sanghi

Vice - Chairman, Board of Studies-Operations, ICAI

A Warm Welcome to each one of you!

I'm extremely happy to address you on the occasion of the National Conference of CA Students, taking place on 21st and 22nd June, 2025 at Ahmedabad.

Conference like this plays an important role in your journey of becoming the future of our profession. They help you learn new things happening around the world related to finance, accounting and innovation, understand key topics more clearly, and get ready for the future. The sessions in this conference are curated to help you stay updated with changes in the profession and give you a fresh perspective on your studies and career.

The theme of the conference for the year, "Pragati – A Journey of Progress, Rooted in Trust" emphasizes continuous advancement built on strong relationships and mutual confidence. Pragati represents growth driven not only by innovation and effort but also anchored in trust among individuals, communities, and institutions.

Such conferences also come with an additional takeaway of the opportunity to network with your peers, fellow students and even professionals. Such networking can give you new ideas, guidance, and even bring upon future possibilities. Never underestimate the power of a good conversation or a shared experience.

I would like to wholeheartedly thank the entire team of Ahmedabad Branch of WIRC and WICASA of ICAI for their hard work and commitment in putting the entire event together.

I encourage all of you to participate fully ask questions, meet new people, and soak in learning. May this conference become a turning point in your professional journey.

Wishing you all a wonderful and meaningful experience!

Warm regards,

CA. Sanjib Sanghi

Vice Chairman, Board of Studies (Operations), ICAI

NATIONAL CONFERENCE OF CA STUDENTS

CA. Puruhottam Khandelwal
CCM, ICAI

"Your journey of a thousand miles begins with a single step, but with clarity of purpose and commitment to progress, the journey becomes a legacy."

It gives me immense pride and joy to extend my heartfelt congratulations to the Ahmedabad Branch of WIRC of ICAI and WICASA Ahmedabad for organizing this National Students' Conference – "PRAGATI", one of the grandest and most impactful student events in the history of the Institute, with a record-breaking participation of over 2800 students

. The theme **"Pragati"**, symbolizing progress, beautifully captures the essence of the journey that each student undertakes in the pursuit of becoming a Chartered Accountant — a journey filled with challenges, learnings, and ultimately, transformation. This conference is designed to not only enlighten minds but also to empower students with the vision and direction needed for their professional and personal advancement.

I would like to place on record my deep appreciation to Hon'ble President of ICAI, CA. Charanjot Singh Nanda Sir, and Vice President, CA. Prasanna Kumar D Sir, whose dynamic leadership continues to elevate the stature of the Institute and open newer avenues for the student community across the nation.

Special gratitude to CA Rohit Ruwatia Sir, Chairman – BOS (Operations), and CA Sanjib Sanghi Sir, Vice Chairman – BOS (Operations), for their efforts in strengthening the academic and developmental fabric of the student fraternity and for selecting Ahmedabad as the host city for this remarkable event.

My sincere compliments to CA Neerav Agarwal, Chairman – Ahmedabad Branch, for his passionate leadership and meticulous execution of this conference. Under his guidance, the branch has set a new benchmark of excellence.

A big applause to CA Shikha Agarwal, Chairperson – WICASA Ahmedabad, CA Samir Chaudhary, Branch Secretary, all Managing Committee members, and the entire TEAM WICASA, for their tireless dedication and months of hard work. Their energy and spirit are truly commendable.

To all our young and aspiring Chartered Accountants present here — you are the future of our great profession. Absorb every learning, connect with your peers, and most importantly, believe in yourself. As you strive ahead, remember:

"Don't limit your challenges. Challenge your limits."

May this conference be a stepping stone in your journey of **PRAGATI**, towards knowledge, wisdom, and greatness.

With best wishes,

CA Purushottam Khandelwal

Central Council Member, ICAI

NATIONAL CONFERENCE OF CA STUDENTS

CA. Neerav Agarwal
Chairman,
Ahmedabad Branch(WIRC)

"Progress is born of ambition, nurtured by effort, and fulfilled through knowledge."

It gives me immense pride and joy to welcome you all to the Two-Day National Students' Conference – “PRAGATI”, hosted by the Ahmedabad Branch of WIRC of ICAI. This conference, the largest ever of its kind with over 2800 registrations, is a reflection of the collective enthusiasm, aspirations, and energy of our vibrant student community.

The theme “Pragati”, meaning progress, is not just a word — it is a mindset, a continuous journey of growth, learning, and self-improvement.

The theme “Pragati”, meaning progress, is not just a word — it is a mindset, a continuous journey of growth, learning, and self-improvement. Through this conference, we aim to empower our future Chartered Accountants with insights, skills, and inspiration that will fuel their professional and personal journeys ahead.

I express my heartfelt gratitude to Hon’ble President of ICAI CA. Charanjot Singh Nanda Sir and Hon’ble Vice President CA. Prasanna Kumar D Sir for their visionary leadership, which continues to steer the Institute to new heights. Their encouragement has been instrumental in making this event possible.

My sincere thanks to CA Rohit Ruwatia Sir, Chairman – BOS (Operations), and CA Sanjib Sanghi Sir, Vice Chairman – BOS (Operations), for entrusting the Ahmedabad Branch with this prestigious opportunity and placing their faith in our capabilities.

I remain ever grateful to CA Purushottam Khandelwal Sir, Central Council Member, for being a constant pillar of strength, whose mentorship and unwavering support have been pivotal in shaping this conference and uplifting the morale of all involved.

A standing ovation is due to CA Shikha Agarwal, Chairperson – WICASA Ahmedabad, CA Samir Chaudhary, Branch Secretary, my fellow Managing Committee members, and the dynamic TEAM WICASA Ahmedabad for their relentless dedication, day and night efforts, and passion that turned this vision into a reality

To all the students present — you are the future torchbearers of our profession. As you immerse yourself in knowledge, interaction, and inspiration during this conference, remember

"Success doesn't come from what you do occasionally; it comes from what you do consistently."
– Marie Forleo

May this conference be a milestone in your journey of Pragati, paving the way to excellence, integrity, and wisdom.
With best wishes for your continued growth and success,

CA Neerav Agarwal
Chairman, Ahmedabad Branch of WIRC of ICAI

NATIONAL CONFERENCE OF CA STUDENTS

Dear Future Chartered Accountants,

CA. Shikha Agarwal
Chairperson,
Ahmedabad Branch of WICASA of ICAI

Namaste!

It gives me immense pride and joy to welcome you to the National Conference of CA Students 2025, hosted by the Ahmedabad Branch of WICASA under the esteemed guidance of the Board of Studies – Operations, ICAI.

To host this prestigious event, uniting young, dynamic minds from across the country in the vibrant city of Ahmedabad, is both a privilege and a deeply humbling responsibility.

The theme, "Pragati – A Journey of Progress, Rooted in Trust," resonates strongly with the values that define our profession. As future Chartered Accountants, your journey must be anchored in integrity and fuelled by purpose. While knowledge and skills will chart your path, it is trust that will give it direction, and progress that will define your legacy.

This conference is more than a technical learning platform—it's a celebration of ideas, innovation, and leadership. With insightful sessions on Artificial Intelligence, Ind AS, ESG, Startups, RegTech, and evolving tax landscapes, we aim to equip you with the foresight and confidence to thrive in a rapidly transforming world.

I express my heartfelt gratitude to CA. Purushottam Khandelwal Sir, Central Council Member, ICAI, for his unwavering support and mentorship, and to CA. Neerav Agarwal, Chairman of Ahmedabad Branch, for his guidance and encouragement throughout this journey.

To every speaker, volunteer, and participant—thank you for being the heartbeat of this initiative.

May these two days inspire you to think big, lead ethically, and move forward with trust in your journey of Pragati.

With warm regards,
CA. Shikha Agarwal
Chairperson, Ahmedabad Branch of WICASA of ICAI

Disclaimer

The views expressed by the paper writers on their articles are their own views and do not represent the views of either BOS – Operations of ICAI, Ahmedabad Branch of WIRC of ICAI & Ahmedabad Branch of WICASA.

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NATIONAL CONFERENCE OF CA STUDENTS

ICAI Motto

यएषसु तेषुजाग त कामंकामंपु षो न मम ाणः ।
तदेवशुं तद्हम तदेवामृतमु यते।
त म लोकाः ताः सवत ना ये त क न।एतै तत्॥

Ya esa suptesu jagarti kamam kamam Puruso nirmimanah | Tadeva sukram tad brahma tadevamrtamucyate |
Tasminlokah sritah sarve tadu natyeti Kascan etad vai tat ||

That person who is awake in those that sleep, shaping desire after desire, that, indeed, is the pure. That is Brahman, that, indeed, is called the immortal. In it all the world rest and no one ever goes beyond it. This, verily, is that, kamam kamam: desire after desire, really objects of desire. Ever dream objects like objects of working consciousness are due to the Supreme Person. Ever dream consciousness is a proof of the existence of the self.

No one ever goes beyond it: of Echhart: 'On reaching God all progress ends.'

Source: Kathopanishad

Rajat Sharma, a prominent figure in the world of Indian media and journalism. He is best known for hosting the immensely popular show "Aap Ki Adalat," which has captured the hearts of not only our nation but also audiences worldwide for the past three decades.

Shri Rajat Sharma
Chairman & Editor-in-Chief of India TV

Rajat Sharma's illustrious career has seen him interact with renowned personalities from both India and around the globe. His courtroom has witnessed the interrogation of celebrities from every walk of life, a tradition that continues to captivate audiences to this day.

Nearly two decades ago, Rajat Sharma embarked on a new venture, launching India TV, which has now risen to become one of the leading Hindi news channels in the country. Every night at 9 pm, millions tune in to watch his live news show, "Aaj Ki Baat," where his pungent commentary takes centre stage.

But Rajat Sharma is more than just a television star; he is also a respected motivational speaker, often invited to share his insights in esteemed institutions worldwide. His influence extends far beyond the screen, as he is recognized as one of the most influential media icons across the globe.

In the realm of social media, Rajat Sharma reigns supreme, holding the top position among TV news personalities on Twitter, with an astounding 11.5 million followers.

Born into humble beginnings and educated in ordinary schools, Rajat Sharma's merit got him into Shri Ram College of Commerce. Here, he formed bonds with individuals who went on to become world class leaders in their respective fields.

Rajat Sharma's involvement in student politics led to a period of imprisonment during the Emergency. Undeterred, he pursued his education, earning an M. Com from SRCC and venturing into the world of journalism. Remarkably, at the young age of 28, he assumed the role of editor for Onlooker magazine, followed by editorships at The Sunday Observer and The Daily. His exceptional reporting during that era is still celebrated in contemporary media.

"Aap Ki Adalat" was already a nationwide sensation when Rajat Sharma took the helm in 1993. Over the years, it has garnered even more fame and name, with luminaries like President Pranab Mukherjee and Prime Minister Narendra Modi gracing its stage on the show's 21st anniversary. Notably, it was on this platform that all three Khan superstars—Salman, Shahrukh, and Aamir Khan—appeared together for the first time on national television.

The impact of "Aap Ki Adalat" is undeniable. Icons like Swami Ramdev and Shahrukh Khan openly acknowledge how the show played a pivotal role in their rise to stardom. Former President of India, Pranab Mukherjee, who honoured Rajat Sharma with Padma Bhushan, urged him not to change his role, saying, "Please remain the public prosecutor of the people of India."

This is the remarkable journey of Rajat Sharma, a name synonymous with excellence in the world of media and journalism.

NATIONAL CONFERENCE OF CA STUDENTS

CA. Avinash Poddar

- PhD in GST
- Master of Laws (LL.M) • Bachelor of Law (LL.B)
- Chartered Accountant • Certified Financial
- Planner
- Diploma in Information
- System Audit (DISA)
- Post Graduate Certificate in Cyber Crime (PGCCL)
- IP Examination (IBBI) • Microsoft Certified
- Professional

- Having post qualification experience of more than 25 years. 17 years as a practicing Chartered Accountant and thereafter as an Advocate since April' 2017.
- Practicing in the field of Indirect Taxation (GST, Central Excise, Customs, Service Tax and VAT); Direct Tax, PMLA, Benami Transaction, Corporate Laws, RERA, IBC, Cyber Crime and Arbitration.
- Regularly appearing before Hon'ble Supreme Court, various High Courts, Court of Sessions, Special Courts, NCLT, NCLAT and Other Special Tribunals.
- Special Invitee & Part of various Prestigious Committees including GST & Indirect Tax Committee of ICAI, PHD Chamber of Commerce, Delhi (PHDCCI), etc.
- Deliberated in more that 1500 National, Regional & other conferences by various professional institutes including IIT Bombay.
- Authored more than 20 books on Service Tax, Excise & now on Goods & Services Tax including one motivational book titled Unleash Your Hidden Potential. Presently working on authoring a Commentary on GST. Also writing Articles regularly for various journals & online portals.
- Music Lover, a Singer & Ex-Cricket Player. Active not only as academician but also socially.
- Winner of many prestigious Awards & Recognitions. Few are:
  - –TIOL Gold Award in TIOL 2021 Awards in the category of Facilitator / Intermediaries.
  - –Recognition as GEM of CA Profession by the Ahmedabad Branch of WIRC of ICAI.
  - –Recognition for Contribution as a CA by the Southern Gujarat Chamber of Commerce & Industry.
  - –"Most Promising Litigation Lawyer in Gujarat" by "India Excellence Award 2022". Awarded "Best Vocational Award" by the Rotary Club of Surat.

CA. Rajendra Kumar P.
CCM, ICAI

CA. Rajendra Kumar P, is a commerce graduate from University of Madras.

He is a Fellow Member of the Institute of Chartered Accountants of India and a Graduate Member of the Institute of Cost Accountants of India.

He is elected to the Central Council of ICAI 2010–2013, 2019–2022, 2022–2025 and re-elected for the term2025–2029.

He has the experience of being a Member on The Disciplinary Committee of ICAIfor 7 years. Currently in the 8th year and 3rd year in succession (2025–2026) he is the Presiding Officer of Board of Discipline.

He is also, for the year 2025–2026, Chairman of GST & Indirect Taxes Committee, Convenor of Members & Students Services Directorate, Deputy Convenor of Legal Directorate.

He is the Chair of Edinburgh Group for 2-year term 2024–2026. Edinburgh Group is a coalition of 16 Accounting Bodies of the World with over 1 million Accountants. He is the 1st Indian to be elected as Chair of this prestigious body.

He is the only Indian on the “Technical Advisory Group” to the Working Party 9 on Consumption Taxes (VAT / GST), OECD, Head Quartered in Paris, France.

As a Chartered Accountant in practice he is the Managing Partner of Sanjiv Shah & Associates, Chartered Accountants.

He is the member of International VAT Association, headquartered in Belgium.

He is a member of “Platforms Task Force” group of the OECD which is engaged in research and analysis of business models and taxation of Ecommerce.

He has presented papers on “Country Update on VAT and GST in India” at the conference of International VAT Association held in Madrid, Spainin May 2014 and “Progress of GST in India and VAT in Singapore, Malaysia, Sri Lanka and Bangladesh” held in Vienna in May 2016.

He has presented a paper on “Role of VAT in Current Economies” at the International Conference organized by MALTA Institute of Managementat St. Julians, MALTA on October 17, 2014.

He was the First Elected President of International Chamber of Indirect Tax Professionals, headquartered at Chennai.

He is the founder member of Chamber of Indirect Tax Professionals, Chennai.

He was elected twice to the Southern India Regional Council of The Institute of Chartered Accountants of India (SIRC of ICAI) for the terms 2004-07 and 2007-10.

He has authored the books namely 'Guide to Service Tax' and 'Value Added Tax – Concept & Indian Perspective'. His "Best Seller" book "Hand Book on Service Tax" was published by The Society of Auditors, Chennai and the first edition was released by Dr. Parthasarathi Shome, the then Advisor to the Minister of Finance, Government of India.

CA. Sanjib Sanghi
CCM, ICAI

CA Sanjib Sanghi is a seasoned Chartered Accountant with over 26 years of professional experience in practice, digital transformation and capacity building. A partner at S Sanghi & Co, he is currently serving as one of the newly elected Central Council Member of The Institute of Chartered Accountants of India for the 2025–29 term.

Known for his strategic foresight and innovative mindset, Sanjib is committed to elevating global standards within the profession and empowering Chartered Accountants to go global.

He is also into various key roles across several committees of ICAI. He is the Vice-Chairman of Board of Studies – Operations, Convenor of Directorate of Global Capability Centres, Deputy Convenor of Digital Re-Engineering & Transformation Directorate, Deputy Convenor of Human Resources Directorate and a member of over 30 other committees of ICAI. His ideas and continuous efforts is consistently driven innovation, modernisation and inclusion within our profession.

In his impactful tenure as Chairman of the Eastern India Regional Council of ICAI (2024–25), Sanjib led several transformative initiatives such as "Udaan – Celebrating Womanhood," showcasing stories of 75 unsung heroines; "Voice of Diamonds – a We Care initiative," honouring senior CA members; and the example setter "Run@75: Reskill | Upskill | Newskill," a 75-day virtual learning marathon on 75 on-demand topics. He also launched the "Best Practices for SMPs," a digital repository for practitioners, and successfully hosted the 49th Regional Conference of EIRC of ICAI, setting new records and benchmarks in participation, engagement and experience.

Beyond ICAI, Sanjib is deeply engaged in the wider professional and social ecosystem. He holds leadership positions in prominent organisations such as Merchants' Chamber of Commerce & Industry (MCCI), Accountants' Library, TiE Kolkata, MSME Development Forum, Lions Clubs International, and Maharaja Agrasen Hospital.

His contributions are also scholarly—he has co-authored The Digital Professional and MSME Shorts: From Inception to Success, resources aimed at fostering digital excellence and entrepreneurial success specially among youth and aspiring professionals.

Sanjib's vision for ICAI focuses on enhancing digital infrastructure, aligning education with global standards, expanding corporate collaborations, and strengthening ICAI's global presence in financial regulation and industry growth.

His leadership combines innovation, mentorship, and a deep sense of service—making him a catalyst for positive change in the profession.

CA. Rakesh Agarwal
CCM, ICAI

Rakesh, based in Mumbai, with over two decades of Consulting and Industry experience specializing in ESG, Sustainability Reporting, IFRS Standards, and Assurance. He is a Chartered Accountant and alumnus of Harvard (HBS GMP 2014) and Massachusetts (MIT AMP 2018). Recently in his year long career break he completed 9 papers in ESG from MIT and Harvard, part of master's Degree course at Harvard, Boston. (More information attached in Annexure) Rakesh develops state-of-the-art reporting solutions for marquee clients, addressing ESG concerns.

His ESG reports are concise yet comprehensive, meeting the core expectations of over 15 sustainability frameworks. His work integrates financial statements, product positioning, and corporate strategies, promoting data-driven interactions among management and stakeholders. This is reflected in the company's sustainability reporting, marked by ESG Differentiation (Pride) and Verifiability (Trust), as evident in Assured Integrated Annual Reports.

With over a decade at Reliance Industries Limited (RIL), a 200 billion USD conglomerate, Rakesh has held significant senior leadership roles as group head in sustainability reporting, IFRS centre of excellence, Risk and audit operations, supporting executive management, directors, investors, and regulators.

Rakesh experience at PwC includes; leading various engagements involving Multi-GAAP reporting (Indian GAAP, IFRS and US GAAP) for clients such as Glaxo, HLL, VSNL, Vodafone, MRPL, JSW, SBI, Johnson & Johnson. Rakesh led several opinions and has been an accomplished trainer for senior and middle management. Rakesh has delivered training as a lead instructor on behalf of PwC, to companies in India including Tatas, Birla's & Reliance. Rakesh has also been contributor to IFRS manual of accounting and other publications

Rakesh has worked as co-opted Board Member for the Auditing and Assurance Standards Board of ICAI and Internal Audit Standards Board, special invitee to the Accounting Standards Board (ASB) and Sustainability Standards Board of ICAI. He has participated in the development of auditing standards, standards of reporting (Ind-AS) and guidance notes and member of shield panel that awards the best presented financial statements.

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EDITORIAL BOARD

Input Tax Credit: Practical Issues & New Compliances

Palak Ailani
WRO0717810

INTRODUCTION

WHAT IS INPUT TAX CREDIT?

INPUT TAX CREDIT (ITC) IS A CRUCIAL MECHANISM THAT ALLOWS BUSINESSES TO REDUCE THEIR TAX LIABILITY BY CLAIMING CREDITS FOR THE TAXES PAID ON INPUTS. HERE'S HOW:

FOR INSTANCE, YOU ARE A MANUFACTURER:

1. TAX PAYABLE ON THE FINAL PRODUCT IS RS 450
2. TAX PAID ON INPUT (PURCHASES) IS RS 300
3. INPUT CREDIT OF RS 300 CAN BE CLAIMED AND REMAINING AMOUNT RS 150 DEPOSITED IN CASH AS TAX

Tax Calculation for Manufacturer

Particulars	Amount (Rs)
Outward Tax on Final Product	450
Input Tax Credit	(300)
Remaining Tax Deposited	150

CONDITIONS TO CLAIM ITC?

3 ITC CAN BE CLAIMED BY INDIVIDUALS WHO ARE REGISTERED UNDER THE GOODS AND SERVICES TAX (GST), PROVIDED THEY MEET ALL THE CONDITIONS OUTLINED BELOW AS PER SECTION 16(2) OF THE CGST ACT, 2017

A) THE DEALER MUST POSSESS TAX INVOICE

B) THE ABOVE GOODS/SERVICES HAVE BEEN RECEIVED

C) THE RECIPIENT HAS FILED GSTR-3B

D) THE TAX LEVIED HAS BEEN PAID TO THE GOVERNMENT BY THE SUPPLIER

E) THE RECIPIENT SHALL HAVE MADE PAYMENT TOWARDS THE INVOICE OR DEBIT NOTE WITHIN 180 DAYS FROM THE DATE OF INVOICE

F) WHERE GOODS ARE RECEIVED IN INSTALMENTS ITC CAN BE AVAILED ONLY WHEN THE LAST INSTALMENT IS RECEIVED

G) ITC CAN BE AVAILED ONLY ON TAXABLE SUPPLIES OF GOODS OR SERVICES AND SUCH PURCHASES MADE SHOULD BE UTILIZED TOWARDS THE FURTHERANCE OF SUCH BUSINESS

H) NO ITC WILL BE PERMITTED IF DEPRECIATION HAS ALREADY BEEN AVAILED ON TAX PORTION OF A CAPITAL ASSET

I) ITC ON THE DOCUMENT, E.G., INVOICE OR DEBIT NOTE, SHOULD BE CLAIMED WITHIN THE TIME LIMIT SPECIFIED WHICH IS EARLIER OF TWO DATES- 30TH

NOVEMBER OF THE YEAR FOLLOWING THE FINANCIAL YEAR IN WHICH THE DOCUMENT IS ISSUED DATE OF FILING THE ANNUAL RETURNS

J) CGST RULE 36(4) SPECIFIES THAT ITC CLAIMS MADE IN GSTR–3B MUST MATCH WITH THE DETAILS APPEARING IN GSTR–2B

SHOULD NOT BE MAKING SUPPLIES UNDER THE COMPOSITION SCHEME

ITC IS PERMITTED ONLY FOR BUSINESS PURPOSES.

ITC WILL NOT BE AVAILABLE FOR

- SUCH GOODS OR SERVICES WHICH ARE EXCLUSIVELY USED FOR PERSONAL USE
- OR SUCH SUPPLIES WHICH ARE EXEMPT UNDER SECTION 11 OF THE CGST ACT
- SUPPLIES FOR WHICH ITC IS SPECIFICALLY NOT AVAILABLE UNDER THE CGST SECTION 17(5)

SOME CASES OF INELIGIBLE ITC ARE LISTED BELOW

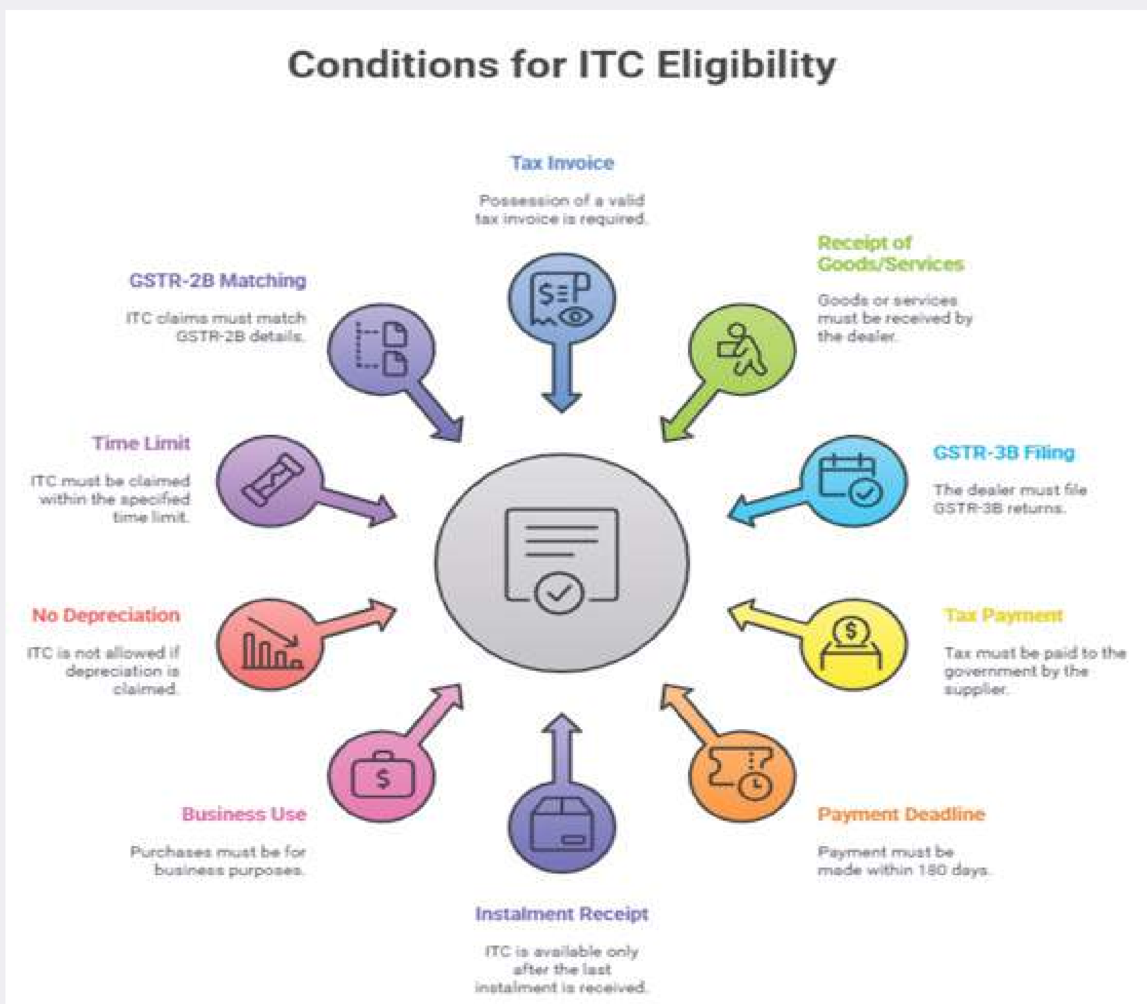
A) FOOD AND BEVERAGES: CATERING, HEALTH, AND SIMILAR SERVICES UNLESS LEGALLY REQUIRED

B) MEMBERSHIP FEES: CLUB OR GYM MEMBERSHIPS

C) INSURANCE: HEALTH AND LIFE INSURANCE, EXCEPT FOR GOVERNMENT MANDATES

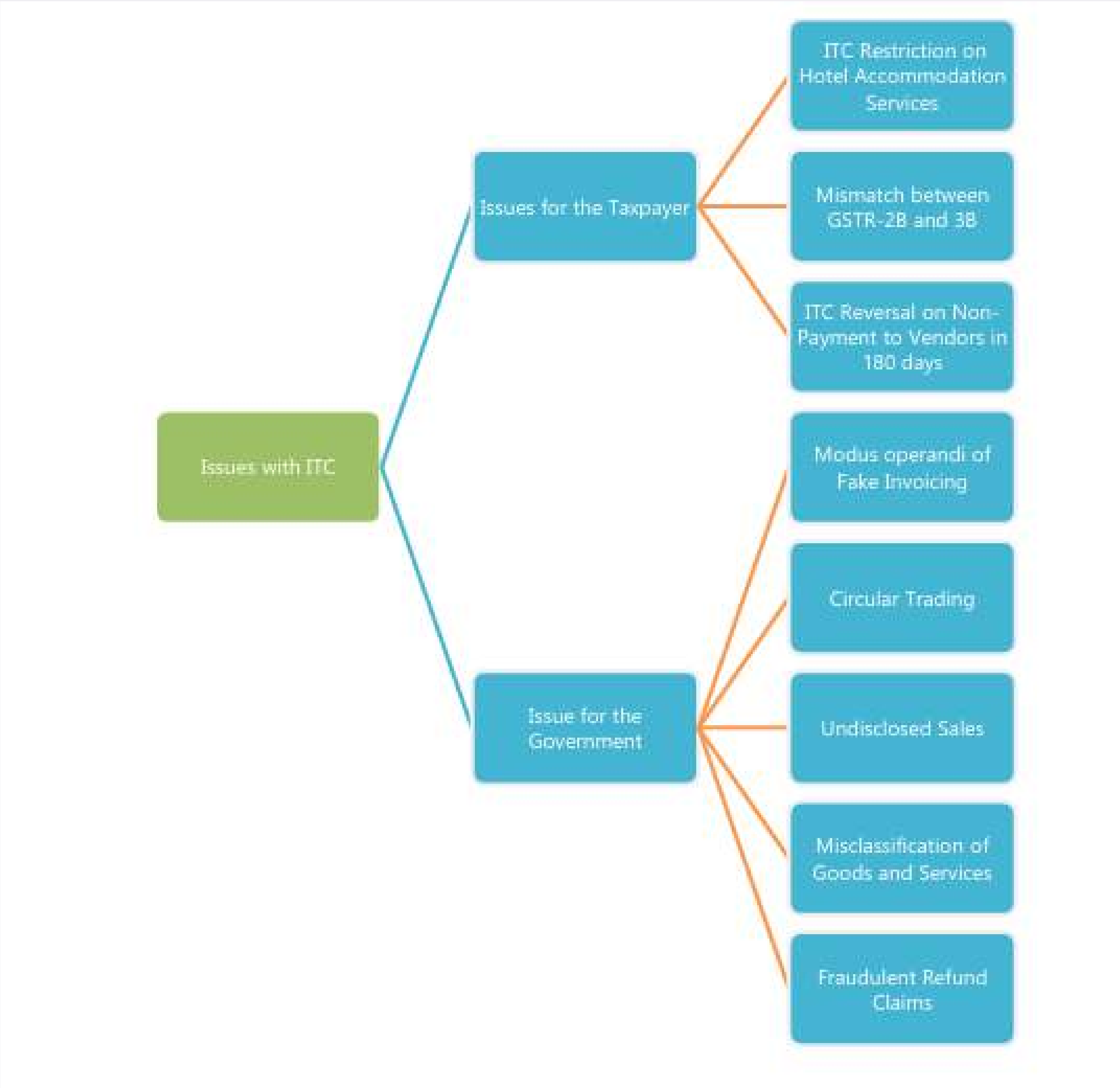
D) CONSTRUCTION EXPENSES: BUILDING IMMOVABLE PROPERTY

E) LOST OR DESTROYED GOODS: DAMAGED OR GIFTED ITEMS



PRACTICAL ISSUES ON CLAIMING OF ITC

IN THE IMPLEMENTATION OF GST LEGISLATION, VARIOUS PROBLEMS OCCUR THAT AFFECT BOTH THE GOVERNMENT AND THE TAXPAYER. THESE PROBLEMS ARE NOT ONLY PROCEDURAL BUT FREQUENTLY RESULT FROM LEGAL UNCERTAINTIES, SYSTEMIC INEFFICIENCIES, AND ABUSE OF PROVISIONS.



1) ISSUES FOR THE TAXPAYER 6

A) ITC RESTRICTION ON HOTEL ACCOMMODATION SERVICES

HOTEL ACCOMMODATION SERVICES ARE NOT BLOCKED UNDER SECTION 17(5) OF THE CGST ACT. THUS, ITC CAN BE CLAIMED ON HOTEL SERVICES THAT HAVE BEEN RESERVED FOR LEGITIMATE BUSINESS PURPOSES. NONETHELESS, THE CLAIMABILITY OF ITC IS CONTINGENT ON THE PLACE OF SUPPLY AND THE STATE OF GST REGISTRATION OF THE RECIPIENT.

LET'S LEARN WITH AN EXAMPLE. SUPPOSE AN INDIVIDUAL NAMED MOHAN TOOK HOTEL ACCOMMODATION SERVICES IN A HOTEL REGISTERED IN RAJASTHAN

Cases	Mohan is Registered in Rajasthan	Mohan is Registered in Maharashtra
GST Registration, State of Hotel	Rajasthan	Rajasthan
Place of Supply (Hotel Location)	Rajasthan	Rajasthan
Tax Charged by Hotel	CGST + SGST (Rajasthan)	CGST + SGST (Rajasthan)
GST Registration State of Mohan	Rajasthan	Maharashtra
Can Mohan Claim ITC?	Yes	No
Reason	Place of supply and registration state are the same.	GST registration is in a different state.
Outcome	ITC is fully available.	ITC is blocked unless registered in Rajasthan.

HENCE, IN THIS CASE, ITC ON HOTEL ACCOMMODATION IS ALLOWED ONLY IF THE RECIPIENT IS REGISTERED IN THE SAME STATE WHERE THE HOTEL IS LOCATED. IF THE GST REGISTRATION IS IN A DIFFERENT STATE, CGST AND SGST PAID CANNOT BE CLAIMED AS ITC.

IT ALIGNS WITH THE ADVANCE RULING IN STORM COMMUNICATIONS PVT. LTD. ORDER NO. 39/WBAAR/2018-19, WHICH CLARIFIED THAT CGST AND SGST PAID ON INTRA-STATE HOTEL SERVICES CANNOT BE AVAILED AS ITC OUTSIDE THE STATE OF SUPPLY UNLESS THE RECIPIENT IS REGISTERED THERE.

B) MISMATCH BETWEEN GSTR-2B AND GSTR-3B

RULE 36(4) OF THE CGST RULES MANDATES THAT ITC IN GSTR-3B MUST ALIGN WITH THE DETAILS AUTO-POPULATED IN GSTR-2B. TAXPAYERS OFTEN FACE THE FOLLOWING PROBLEMS:

- VENDOR NON-COMPLIANCE: IF THE SUPPLIER DOES NOT FILE GSTR-1 ON TIME, THE BUYER CANNOT SEE THE INVOICE IN GSTR-2B AND HENCE CANNOT CLAIM ITC, EVEN IF THE TAX IS PAID.

- CASH FLOW IMPACT: DUE TO BLOCKED OR DELAYED ITC, WORKING CAPITAL IS ADVERSELY AFFECTED.
- RECONCILIATION COMPLEXITIES: REGULAR AND TEDIOUS RECONCILIATION OF PURCHASE DATA WITH GSTR-2B IS NECESSARY, INCREASING ADMINISTRATIVE COSTS AND THE RISK OF ERRORS.

C) ITC REVERSAL ON NON-PAYMENT TO VENDORS WITHIN 180 DAYS

AS PER SECTION 16(2), IF PAYMENT TO THE SUPPLIER IS NOT MADE WITHIN 180 DAYS FROM THE DATE OF INVOICE, THE ITC MUST BE 8 REVERSED ALONG WITH INTEREST. THIS CLAUSE POSES CHALLENGES WHEN:

- BUSINESSES HAVE CONTRACTUAL OR COMMERCIAL REASONS FOR DELAYED PAYMENTS.
- IT IS DIFFICULT TO MONITOR MULTIPLE INVOICES ACROSS VENDORS AND TRACK AGEING FOR 180 DAYS.

2) ISSUES FOR THE GOVERNMENT

WHILE TAXPAYERS FACE PROCEDURAL AND COMPLIANCE HURDLES IN AVAILING ITC, THE GOVERNMENT GRAPPLES WITH A DIFFERENT SPECTRUM OF CHALLENGES PRIMARILY CENTRED AROUND THE MISUSE AND ABUSE OF THE ITC FRAMEWORK. THESE ISSUES NOT ONLY RESULT IN SUBSTANTIAL REVENUE LOSSES BUT ALSO UNDERMINE THE CREDIBILITY AND EFFICIENCY OF THE GST SYSTEM.

A) FAKE INVOICING: FAKE INVOICING IS A FRAUDULENT PRACTICE WHERE TAX INVOICES ARE ISSUED WITHOUT ANY ACTUAL SUPPLY OF GOODS OR SERVICES. THESE FICTITIOUS TRANSACTIONS ARE USED TO EXPLOIT THE ITC SYSTEM AND EVADE GST LIABILITY.

IT IS ONE OF THE MOST COMMON FRAUDULENT PRACTICES, NOW LET’S UNDERSTAND THE WORKING MECHANISM OF FAKE INVOICES

STAGE 1:

- A FRAUDULENT COMPANY REGISTERS FOR GST USING SOMEONE ELSE'S IDENTITY. 9
- IT PARTNERS WITH RETAILERS, SUCH AS DEPARTMENT STORES, THAT SELL GOODS OR SERVICES TO CONSUMERS WHO DO NOT REQUEST INVOICES, I.E., B2C TRANSACTIONS.
- THE RETAILER SELLS TO THESE CONSUMERS FOR CASH WITHOUT ISSUING A GST INVOICE.
- THE RETAILER THEN ISSUES A VALID TAX INVOICE TO THE FRAUDULENT COMPANY, DESPITE EXCHANGING NO REAL GOODS OR SERVICES.
- THE FRAUDULENT COMPANY MAKES A BANK PAYMENT TO THE RETAILER, WHO REFUNDS THE CASH COLLECTED FROM THE CONSUMER TO THE FRAUDULENT COMPANY.

STAGE 2:

- THE FAKE COMPANY ISSUES A BOGUS GST INVOICE TO A GENUINE COMPANY (XYZ LTD.) WITHOUT SUPPLYING ANY GOODS/SERVICES.
- XYZ PAYS THE INVOICE VIA BANK TRANSFER, CLAIMS ITC TO REDUCE ITS GST AND INCOME TAX LIABILITY, AND RECEIVES MOST OF THE MONEY BACK IN CASH, AFTER THE FAKE COMPANY DEDUCTS ITS COMMISSION.
- THE FAKE COMPANY USES PREVIOUSLY ACCUMULATED FAKE ITC TO DISCHARGE ITS GST LIABILITY, ENSURING NO MISMATCH IN GSTR–2A AND 3B.
- ONCE TRANSACTIONS ARE COMPLETE, THE FAKE FIRM SHUTS DOWN TO AVOID DETECTION.

B) CIRCULAR TRADING:
IN THIS METHOD, A NETWORK OF INTERLINKED COMPANIES ISSUE INVOICES AMONG THEMSELVES IN A CIRCULAR MANNER WITH NO REAL MOVEMENT OF GOODS. THIS ARTIFICIALLY INFLATES TURNOVER AND ALLOWS EACH ENTITY IN THE CHAIN TO .

WRONGFULLY CLAIM ITC. 10 THOUGH THE TRANSACTIONS MAY APPEAR LEGITIMATE ON PAPER, THEY ARE DEVOID OF ANY ECONOMIC SUBSTANCE

Seller	Buyer	Invoice Amount	GST	ITC Availed	GST Paid	ITC Carried Forward
M/s. A	M/s. B	₹ 2,00,000	₹ 20,000	-	-	-
M/s. B	M/s. C	₹ 1,50,000	₹ 15,000	₹ 20,000	₹ 15,000	₹ 5,000
M/s. C	M/s. A	₹ 1,25,000	₹ 12,500	₹ 15,000	₹ 12,500	₹ 2,500

C) UNDISCLOSED SALES:

CERTAIN BUSINESSES SUPPRESS THEIR ACTUAL SALES OR UNDERREPORT THEIR REVENUE IN ORDER TO EVADE GST LIABILITY. BY NOT ISSUING PROPER INVOICES OR USING UNREGISTERED CHANNELS, THEY AVOID TAX PAYMENT WHILE CONTINUING TO CLAIM ITC ON THEIR PURCHASES LEADING TO A DOUBLE LOSS FOR THE GOVERNMENT.

D) MISCLASSIFICATION OF GOODS AND SERVICES:

SOME TAXPAYERS INTENTIONALLY MISCLASSIFY GOODS OR SERVICES UNDER CATEGORIES ATTRACTING LOWER GST RATES. THIS MANIPULATION HELPS THEM REDUCE THEIR OUTPUT TAX LIABILITY WHILE CONTINUING TO AVAIL ITC, THEREBY EXPLOITING THE CLASSIFICATION STRUCTURE OF THE GST REGIME.

E) FRAUDULENT REFUND CLAIMS:

A SIGNIFICANT CHALLENGE, PARTICULARLY IN THE CONTEXT OF ZERO RATED SUPPLIES (LIKE EXPORTS), INVOLVES CLAIMING REFUNDS BASED ON FAKE OR EXAGGERATED ITC. SINCE EXPORTS ARE NOT TAXED, BUSINESSES OFTEN MISUSE THIS PROVISION BY – 11 FABRICATING EXPORT INVOICES AND CLAIMING UNJUSTIFIED REFUNDS, CAUSING DIRECT LEAKAGE IN GOVERNMENT REVENUE.

NEW COMPLIANCES IN ITC THE GST

REGIME IN INDIA CONTINUES TO EVOLVE WITH THE INTRODUCTION OF SEVERAL NEW COMPLIANCE MEASURES AIMED AT IMPROVING TRANSPARENCY, REDUCING TAX

EVASION, AND SIMPLIFYING PROCESSES FOR HONEST TAXPAYERS.

1. USE OF ITC FOR PRE-DEPOSIT IN GST APPEALS

THE SUPREME COURT MADE A SIGNIFICANT RULING FOR GST REGISTERED TAXPAYERS BY ALLOWING THE USE OF ITC VIA THE ELECTRONIC CASH LEDGER TO PAY THE MANDATORY PRE-DEPOSIT REQUIRED FOR GST APPEALS.

EXPERTS HIGHLIGHT THAT ALLOWING ECL FOR PRE-DEPOSITS ALLEVIATES FINANCIAL STRAIN, AS COMPANIES CAN ACCESS CREDIT INSTEAD OF DEPLETING CASH RESERVES. IF THEY EVENTUALLY WIN THEIR CASES, THE ADJUSTMENT WILL ALREADY BE REFLECTED IN THEIR LEDGER, STREAMLINING THE PROCESS AND ENHANCING CASH FLOW.

2. INTRODUCTION OF GSTR-1A

WHAT IS GSTR-1A?

THE GOVERNMENT, THROUGH NOTIFICATION NO. 12/2024 DATED JULY 10, 2024, HAS INTRODUCED FORM GSTR-1A. THIS IS AN OPTIONAL FORM PROVIDED TO TAXPAYERS TO ADD OR AMEND THE PARTICULARS OF A SUPPLY FOR THE CURRENT TAX PERIOD. IT IS PARTICULARLY USEFUL FOR CORRECTING DETAILS MISSED OR WRONGLY REPORTED IN FORM GSTR-1 BEFORE FILING THE GSTR-3B RETURN FOR THE SAID TAX 12 PERIOD. THIS COULD INCLUDE RECTIFYING ERRORS IN GSTIN. ANY RECTIFICATION RELATED TO RECIPIENT GSTIN STILL NEEDS TO BE DONE BY USING GSTR 1.

KEY FEATURES OF GSTR-1A

- TIMELY CORRECTION: THIS FORM CAN BE FILED ONLY AFTER FILING GSTR 1 FOR A PARTICULAR TAX PERIOD BUT BEFORE FILING GSTR 3B.
- IMPACT ON GSTR-3B: AMENDMENTS MADE IN GSTR-1A WILL REFLECT IN THE CALCULATION OF TAX LIABILITY IN GSTR-3B.

- BENEFIT TO RECIPIENTS: CORRECTED INFORMATION WILL BE AVAILABLE TO RECIPIENTS IN THE SUBSEQUENT GSTR-2B

THIS ENSURES THAT ANY DISCREPANCIES BETWEEN SALES REPORTED, AND ACTUAL TRANSACTIONS ARE CORRECTED IN TIME, THEREBY IMPROVING THE ACCURACY OF ITC FOR BUYERS AND REDUCING THE RISK OF MISMATCH-RELATED DISPUTES OR ITC DENIAL BY TAX AUTHORITIES

3. MANDATORY USE OF INPUT SERVICE DISTRIBUTOR (ISD)

FOR ITC DISTRIBUTION THE LATEST UPDATE UNDER GST MANDATES THAT, FROM "1ST APRIL 2025", ALL BUSINESSES WITH MULTIPLE GSTINS UNDER THE SAME PAN MUST REGISTER AS AN INPUT SERVICE DISTRIBUTOR (ISD). UNTIL NOW, ISD REGISTRATION HAS BEEN OPTIONAL, BUT WITH THIS AMENDMENT, IT HAS BECOME COMPULSORY. THIS NEW GST RULE AIMS TO STREAMLINE THE DISTRIBUTION OF INPUT TAX CREDIT (ITC), PROMOTE UNIFORM COMPLIANCE, AND ENABLE CENTRALISED CREDIT MANAGEMENT ACROSS MULTIPLE BRANCHES OR LOCATIONS. BUSINESSES MUST PREPARE IN ADVANCE TO ENSURE TIMELY ISD 13 REGISTRATION AND AVOID ANY DISRUPTIONS IN ITC DISTRIBUTION AND CREDIT CLAIMING PROCESSES.

ISD RETURNS AND COMPLIANCE

- THE ISD CANNOT DISTRIBUTE ITC MORE THAN THE AVAILABLE CREDIT FOR THE RELEVANT MONTH.
- THE ISD MUST FILE GSTR-6 BY THE 13TH OF THE FOLLOWING MONTH TO REPORT ITC DISTRIBUTION.
- THE BRANCHES OR UNITS RECEIVING THE ITC CAN VIEW THE DISTRIBUTED CREDIT IN GSTR-6A, WHICH IS AUTO-POPULATED BASED ON SUPPLIER RETURNS.
- THE RECIPIENT BRANCHES MUST CLAIM THE ITC IN THEIR MONTHLY GSTR-3B RETURNS.
- ADDITIONALLY, THE ISD IS NOT REQUIRED TO FILE THE GSTR-9 ANNUAL RETURN, SIMPLIFYING THE COMPLIANCE PROCESS.

CONCLUSION

INPUT TAX CREDIT IS A CRUCIAL ASPECT OF THE GST FRAMEWORK AIMED AT SIMPLIFYING THE TAX STRUCTURE AND REDUCING CASCADING EFFECTS. HOWEVER, ITS IMPLEMENTATION HAS ENCOUNTERED CHALLENGES, INCLUDING FRAUD, REVENUE LOSS, AND LEGAL COMPLEXITIES, WHICH HAVE EXPOSED SYSTEMIC VULNERABILITIES, REQUIRING ADJUSTMENTS FROM BOTH TAXPAYERS AND THE GOVERNMENT. NEW COMPLIANCE MEASURES, SUCH AS MANDATORY ISD DISTRIBUTION AND STRICTER RECONCILIATION PROCESSES, SIGNAL A SHIFT TOWARDS MORE TRANSPARENT, TECH–DRIVEN GOVERNANCE.

THE FUTURE OF ITC HINGES ON BALANCING REVENUE PROTECTION WITH THE NEEDS OF COMPLIANT BUSINESSES. COMPLIANCE HAS BECOME 14 ESSENTIAL FOR TAXPAYERS, WHILE POLICYMAKERS MUST FOCUS ON CONTINUOUS REFORM AND SIMPLIFICATION ALONGSIDE ENFORCEMENT.

ULTIMATELY, ITC REFLECTS THE INTEGRITY AND EFFICIENCY OF INDIA’S INDIRECT TAX SYSTEM.

NATIONAL CONFERENCE OF CA STUDENTS

The Future of GST Compliance: Role of IMS, Automation & Analytics

HEMANGI SANJAYBHAI PANDYA
WRO0726789

The GST Challenge: Why Compliance Still Feels Like a Nightmare

GST was supposed to simplify tax filing. One nation. One tax. One process.

But the reality? Not so simple. Here's what most businesses deal with:

- Multiple monthly filings
- Matching purchase data with supplier filings
- Errors from manual entries
- Tight deadlines with changing rules
- Fear of audits, penalties, and notices

Even for companies with in-house teams or consultants, compliance feels like walking on eggshells. One slip? And it could cost you months of refund delays or a notice you didn't see coming.

Complexity of compliances of GST:

- **Input Tax Credit Mismatches: Blocking Cash Without Intimation**

One of the most stressful issues in GST compliance is input tax credit (ITC) mismatch. To simplify consider a business purchases raw materials worth ₹50 lakh in a month. It expects around ₹9 lakh as ITC. But if even one supplier delays or skips filing GSTR-1, or uploads incorrect invoice data, that credit won't show up in GSTR-2B. And just like that, the business can't claim it. The cash gets locked, and working capital takes a direct hit. Without automation, the business has no real-time alerts, no tracking system, and no way to catch this before it becomes a problem.

• Last-Minute Filing Chaos: The Monthly War Room

GST return filing day, especially around the 20th, is nothing short of chaos for most CAs and tax teams. Clients send invoices at the eleventh hour. Files crash. Internet lags. The GST portal slows down. And amid all this, the team is trying to manually reconcile hundreds of entries between purchase registers and GSTR-2B. Errors slip in. Deadlines are missed. And late fees begin to pile up. When everything's manual, there's no scheduling, no reminders, no buffer time.

• Wrong ITC Claims: Mistakes That Hurt

Without a rule-based validation system, businesses often end up claiming ITC on ineligible items. Fuel bills, hotel expenses, or even employee reimbursements get treated like business inputs, when they're not. These slips don't always show up immediately. But when they do, usually during scrutiny or audit, it leads to ITC reversals, interest, and even penalties. And since the claims were made months ago, tracing them back becomes another painful task. Automation tools can catch these errors at the source. Manual processes? Not so much.

• Cost of Compliance Goes Up — Not Down

Manual systems don't just lead to errors. They increase compliance costs. More staff is hired to do data entry. More hours are spent fixing mistakes. Notices take weeks to respond to because supporting documents are hard to find. Meanwhile, tools that could've automated 70% of this work are seen as "extra expense." But the truth is, not using them is what actually drains time, money, and mental peace.

The problem isn't effort. Businesses are trying. The problem is the system they're using. It's slow. Manual. And not built for modern tax needs.

That's where technology steps in.

IMS (Invoice Management System):

Invoice Management System is a new feature for communicating invoices saved/filed by suppliers/vendors in their GSTR-1 to recipient users. It is a dashboard inside the GST portal. An invoice appears in the dashboard as soon as a vendor or supplier saves it. Inside the Inward Supplies section, the recipient gets to:

- Take action on the invoices saved by suppliers or vendors in their GSTR-1 for claiming ITC
- Check the summary of all the inward invoices and the latest status of each invoice based on the actions taken
- Download inward invoice data in Excel format
- Reset action status for multiple invoices
- Generate GSTR-2B

Impact of IMS on Different Business Sizes:

- For micro and small businesses—The IMS feature in the GST portal provides a ready made automated solution for streamlining invoice management and reconciliation processes in these businesses. The real-time availability of invoice data helps these companies achieve better cooperation with vendors, suppliers, and B2B customers, improving business relations with these stakeholders.

- <u>For large businesses</u>—large companies with multiple tiers of vendors, suppliers, and related-party transactions—the IMS dashboard offers better control. By providing an additional layer of reconciliation between invoices and GSTR-2B, keeping data in sync and reporting have become more challenging than ever before.

Any CFO or finance manager will agree that the primary reasons behind tax and legal non compliance are often inadvertent human errors in data entry, processing, and return filing.

Currently, the GST portal flows invoices and other supply-related records to the IMS once suppliers save records or file their GSTR-1. In the future, the GST portal may enable seamless integration of data emerging from the IMS with organisation-specific ERPs and auditing applications. It might help integrate enterprise AI/ML tools in their compliance process for mitigation and prevention of compliance issues.

2. Automation – Saving Time, Saving Sanity

Remember the time you missed a filing deadline because someone forgot to upload a JSON file? Automation says – "never again."

Automation tools do what humans often forget:

1. Auto-populate data:

- Use tools like ClearTax, KDK, Tally Prime, BUSY, Zoho Books
- These tools connect to the GST portal and fetch your data directly using API integration
- No need to log in to GSTN for every GSTIN separately

2. Schedule filing on due dates:

- Email or SMS reminders can be set before due dates for GSTR-1, 3B, and Annual Returns.
- Use CA practice management tools like Taxyogi, OfficeKit, or Zoho
- Set client-specific alerts and receive automated emails 3–5 days before the deadline

3. Reconciliation of GSTR-2B with Purchase Register

- Matching vendor invoices with GSTR-2B to claim accurate Input Tax Credit (ITC). Here's how you can do it:
- Upload GSTR-2B JSON and Purchase Register Excel into software like ClearTax Reconciliation Tool or KDK Spectrum. The tool auto-compares:

1. GSTIN match
2. Invoice number & value
3. Tax amount
4. ITC eligibility

4. Track Notices & Flags using AI Alerts:

This can be done by monitoring GST portal for show-cause notices, mismatches, or DRC-01 triggers. Advanced platforms like IRIS, Cygnet GSP use AI to scan GST data and flag:

- Excess ITC claims
- Suspicious vendor patterns
- Filing mismatches

5. Auto-generate reports for audits or internal review

6. Pushes data into GSTR-3B with 99% accuracy.
Basically, it's like putting your GST tasks on autopilot. And the best part? No human error.

Let's say you have to file GSTR-1 for three branches across four states. Instead of doing them manually, automation pulls data from your ERP, matches it, validates it, and files it. You just hit "approve." Even reconciliation gets faster. What took your team two days to do? Now takes two minutes.

Faster. Cleaner. Reliable.

3. Analytics – The Gamechanger Nobody Talks About Enough

Data is powerful. But only if you know what it's telling you. Analytics turns your GST data into insights. Real, meaningful business intelligence. With analytics, you can:

- Spot trends in your ITC usage
- Identify high-risk vendors who constantly default
- Track compliance scores across branches
- Forecast cash flow impact based on upcoming dues or ITC hold-ups
- What's the monthly trend of blocked vs. eligible credit?
- Which vendor consistently fails to file GSTR-1?

Think of analytics as your business compass. Let's say your refund claims are delayed every quarter. Analytics can show:

- Refund delay trend by location
- Vendors contributing to mismatch
- How much working capital is stuck

Once you have the insights? You can take action. Shift vendors. Negotiate better. Improve processes. Below are the ways in which you can implement Analytics in your GST compliance:

1. ITC Reconciliation & Mismatch Dashboard

This dashboard is a powerful snapshot of your input tax credit health. It highlights how much ITC you claimed vs how much is actually available as per GST portal data. The mismatch pie chart breaks down reasons why ITC might be blocked — such as missing invoices or late vendor filings.

By regularly monitoring this dashboard, businesses and CA professionals can plug working capital leaks before notices hit. It moves GST compliance from reactive firefighting to proactive cash flow management.

2. GST Liability & Payment Forecast Dashboard

This dashboard gives finance heads a real-time forecast of upcoming GST liabilities. By combining sales data with past trends, it predicts how much tax will be payable, helping businesses prepare funds well in advance.

With this dashboard, GST compliance becomes a strategic cash flow tool — not a last-minute scramble.

3. Vendor Compliance & Risk Heatmap

Tracking thousands of vendors across states is a headache without analytics. This heatmap simplifies it — showing at a glance which regions or vendors pose risks. It helps procurement teams avoid problem suppliers and pushes compliance responsibility down to regional managers. Trends help monitor if vendor compliance is improving or slipping, enabling timely intervention.

Vendor risk management shifts from guesswork to data-driven decisions — protecting ITC and audit risk.

4. Audit Trail & Return Filing Tracker

This dashboard is an audit professional's dream. It keeps a complete digital footprint of every filing step and reconciliation done. With everything searchable and linked, audits are faster, smoother, and less stressful. The system automatically flags missing documents or unusual changes, so nothing gets missed.

Audit readiness is no longer a last-minute nightmare — it's baked into daily compliance workflows.

Other Powerful Ways to Use GST Analytics

Beyond dashboards, GST analytics can be applied in these innovative ways:

- **AI-Based Risk Scoring:** Using machine learning to assign risk scores to vendors, invoices, and returns — predicting audit targets or notices before they arrive.
- **Invoice Pattern Analysis:** Identifying suspicious patterns like repeated small-value invoices just below filing thresholds or circular trading behaviours.
- **Cash Flow Simulation:** Simulating different GST payment scenarios (early payment, delayed filing, input credit reversals) to forecast working capital impact.
- **Sector-Specific Compliance Tracking:** Customized analytics for industries like real estate, e-commerce, or manufacturing — tracking unique GST rules and exemptions.

With dashboards, you don't just file GST — you understand it. You get to see where cash is leaking, where delays are happening, and what needs your attention. Without analytics? You're flying blind.

Why This Shift Matters More Than Ever

The GST ecosystem isn't standing still. The government is pushing hard on digitisation. Upcoming changes include:

- Stricter e-invoicing for businesses above ₹5 crore
- Cross-verification between GSTR-1, 3B, and 2B
- Real-time alerts for mismatches
- AI-driven audit triggers
- Blocking ITC for non-compliant vendors

If you're not ahead of the game? You'll be caught off-guard. Technology nowadays isn't optional anymore. It's survival.

Cost vs Value: Is the Investment Worth It?

Let's address the elephant in the room.

Yes, IMS and automation tools come at a cost. But think of it this way: What's more expensive?

- ₹50,000 per year for automation

OR

- ₹5 lakh lost in missed ITC and penalties?

It's not an expense. It's insurance for your compliance.

Let me take you back a few years. A time when GST was still settling in, and businesses were trying to make sense of the tsunami of compliance tasks. Reconciliation was one of those unavoidable beasts. If you've ever done it manually, you know exactly what I mean.

The Old-School Way: Excel Sheets, VLOOKUPs & Eye Strain

Every month, the drill was the same. First, download the GSTR-2B JSON file from the

GST portal. Convert it to Excel using utility tools or government format templates. Next, extract the purchase register from the accounting software — which usually meant 300+ rows of data dumped into another Excel.

Then came the VLOOKUP battle.

We'd run formulas to match invoice numbers, GSTINs, dates, taxable values, and tax amounts. Sometimes the match would fail because of a simple typo. It wasn't just slow. It was mentally exhausting.

The Shift Begins: Smarter Tools Start to Show Up

Then came a quiet revolution. Tools like KDK, Cleartax, and Tally ERP began offering automation for GST reconciliation. The system would:

- Automatically read GSTR-2B.
- Match it with the purchase register in seconds.
- Highlight mismatches — missing invoices, duplicate entries, amount variations, ineligible ITC — all in a color-coded dashboard.
- Even suggest action — follow up with vendor, claim partial ITC, or defer it.

No VLOOKUP. No data crashing. No frustration.

Real Outcomes: Better Work, Better Relationships

As someone who's worked both ways, manually and with automation, it can be conveyed that the change was transformational.

- Clients were happier. Returns were more accurate. Fewer notices. Faster resolution.
- CAs had more time for planning, consulting, and value-adding work.

- Businesses gained insights — they could now track how much ITC was actually claimed vs. eligible, which vendors were non-compliant, and which months saw the most mismatches.
- Most importantly, the entire process became audit-ready. Digital trails, vendor history, invoice logs — everything was just a click away.

The Future is Already Here

GST is not going to get simpler. If anything, the rules are only becoming stricter. The government is now integrating e-invoicing, auto-populated returns, and AI-based scrutiny. Even GST notices today are triggered by an AI-based flagging system.

If your system isn't ready — you'll always be playing catch-up. But with IMS, automation, and analytics in place? You can run GST compliance on cruise control.

That's not a luxury anymore. It's the bare minimum if you want to stay compliant, efficient, and competitive. Let Professionals Focus on Advisory, Not Admin

CA professionals and finance teams are wasting their talent if they're stuck doing Data cleaning, Manual matching or Copy-paste into GSTR-3B

These tools free up time to:

- Optimize tax planning
- Advise on ITC strategies
- Forecast GST liabilities
- Prepare for changes in laws (like GST 2.0)

That's real value addition — not crunching data. For Chartered Accountants and business owners alike, this is not a choice. It's a shift. A mindset. A movement. One that replaces stress with structure, firefighting with foresight, and guesswork with crystalclear dashboards.

Because in a world where GST feels like chaos, automation is your calm, IMS your armour, and analytics? Your leverage.

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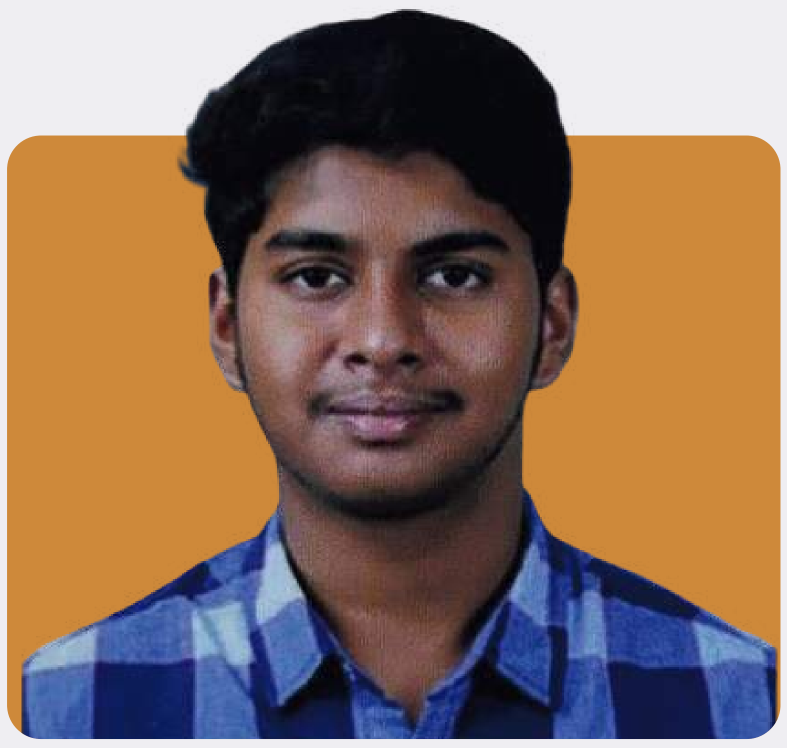
Input Service Distributor (ISD): Concept, Compliance & Case Studies

K.Tarakeswara Reddy
SRO0835255



OVERVIEW OF ISD

PICTURE THIS: YOUR **MUMBAI HEAD OFFICE** GETS A BILL FOR GOOGLE ADS THAT SCREAMS "URGENT: YOUR WEBSITE IS INVISIBLE!" MEANWHILE, YOUR **DELHI, BANGALORE, AND CHENNAI TEAMS** ARE THE ONES ACTUALLY BENEFITING FROM THOSE CLICKS. WHO GETS TO CLAIM THE **INPUT TAX CREDIT (ITC)**? YOUR ACCOUNTANT STARES AT THE INVOICE LIKE IT'S WRITTEN IN **ANCIENT SANSKRIT**, MUTTERING "WHY DIDN'T THEY TEACH US THIS IN COLLEGE?"

WELCOME TO THE WONDERFULLY WACKY WORLD OF **INPUT SERVICE DISTRIBUTOR** UNDER GST—WHERE **TAX CREDITS** PLAY MUSICAL CHAIRS ACROSS STATES, AND SOMEONE ALWAYS ENDS UP WITHOUT A SEAT.

THIS PAPER TRANSFORMS THE SEEMINGLY **SOUL-CRUSHING TOPIC OF ISD COMPLIANCE** INTO SOMETHING RESEMBLING ENTERTAINMENT. THROUGH STRATEGIC DEPLOYMENT OF **HUMOR, REAL-WORLD DISASTERS**, AND ENOUGH **LEGAL BACKING** TO SATISFY YOUR MOST PEDANTIC AUDITOR, WE'LL EXPLORE WHY **ISD MAKES GROWN FINANCE PROFESSIONALS CRY**, AND HOW MASTERING IT CAN TURN YOU INTO THE OFFICE HERO (OR AT LEAST PREVENT YOU FROM BEING THE OFFICE VILLAIN).

CHAPTER 1

THE ORIGIN STORY – WHEN GST MET REALITY TV DRAMA

THE GREAT GST LAUNCH OF 2017

LET'S TIME-TRAVEL TO JULY 2017. **GST LAUNCHED** WITH THE FANFARE OF A BOLLYWOOD BLOCKBUSTER—COMPLETE WITH COUNTDOWN TIMERS, MIDNIGHT CELEBRATIONS, AND POLITICIANS CUTTING RIBBONS LIKE THEY'D JUST INVENTED TAXATION. **"ONE NATION, ONE TAX!"** THEY PROCLAIMED, PROBABLY WHILE SOMEONE IN THE BACK ROOM WAS FRANTICALLY CODING THE GST PORTAL ON EXPIRED ENERGY DRINKS.

WHILE BUSINESSES WERE STILL FIGURING OUT HOW TO FILE **GSTR-3B** WITHOUT HAVING EXISTENTIAL CRISES, THE CONCEPT OF **INPUT SERVICE DISTRIBUTOR** QUIETLY SNUCK INTO **SECTION 2(61)** OF THE **CGST ACT** LIKE THAT FRIEND WHO SHOWS UP UNINVITED TO YOUR PARTY BUT ENDS UP BEING THE MOST INTERESTING PERSON THERE.

MEET ROBIN HOOD (BUT WITH MORE PAPERWORK)

AT ITS HEART, **ISD IS THE ROBIN HOOD OF TAX CREDITS—**IF ROBIN HOOD WORE A TIE, CARRIED A CALCULATOR, AND REALLY, REALLY LOVED SPREADSHEETS. THE CONCEPT IS BEAUTIFULLY SIMPLE: YOUR HEAD OFFICE RECEIVES BILLS FOR SERVICES THAT BENEFIT MULTIPLE LOCATIONS. INSTEAD OF LETTING ALL THAT JUICY **INPUT TAX CREDIT** PILE UP USELESSLY IN **MUMBAI** WHILE YOUR OTHER BRANCHES CRY INTO THEIR BALANCE SHEETS, **ISD LETS YOU DISTRIBUTE THE WEALTH**.

IT'S LIKE BEING THE COOL PARENT WHO SHARES THEIR NETFLIX PASSWORD WITH ALL THEIR KIDS, EXCEPT INSTEAD OF BINGE-WATCHING SHOWS, **YOU'RE REDISTRIBUTING TAX CREDITS ACROSS GSTINS**. AND INSTEAD OF YOUR TEENAGERS BEING GRATEFUL, **YOU GET COMPLIANCE OFFICERS NODDING APPROVINGLY**.

THE LEGISLATIVE FRAMEWORK (AKA THE RULE BOOK)

SECTION 20 OF THE CGST ACT AND **RULE 39 OF THE CGST RULES, 2017** LAID DOWN THE BONES OF ISD. BUT LIKE ASSEMBLING IKEA FURNITURE, THE REAL ADVENTURE BEGINS WHEN YOU TRY TO MAKE IT WORK IN REAL LIFE. MANY COMPANIES TREATED ISD REGISTRATION LIKE GYM MEMBERSHIPS—"WE'LL DEFINITELY USE IT... SOMEDAY... MAYBE AFTER THE AUDIT."

THE EARLY DAYS WERE CHAOTIC. INDUSTRY BODIES FIRED OFF CLARIFICATIONS FASTER THAN WHATSAPP FORWARDS DURING ELECTION SEASON. THE GOVERNMENT RESPONDED WITH **FAQS, CIRCULARS, AND NOTIFICATIONS**—CREATING A PAPER TRAIL LONGER THAN THE LINE AT A POPULAR STREET FOOD STALL.

CHAPTER 2:

WHO NEEDS ISD? (SPOILER ALERT: PROBABLY YOU)

THE MYTH VS. REALITY SHOW

MYTH #1: "ONLY GIANT CORPORATES WITH OFFICES IN EVERY PIN CODE NEED ISD." **REALITY CHECK:** ANY BUSINESS WITH MULTIPLE GST REGISTRATIONS AND SHARED SERVICES SHOULD CONSIDER IT. YES, EVEN YOUR "MODEST" COMPANY WITH JUST THREE LOCATIONS.

MYTH #2: "IT'S TOO COMPLICATED FOR MEDIUM BUSINESSES." **REALITY CHECK:** YOU KNOW WHAT'S MORE COMPLICATED? EXPLAINING TO A GST OFFICER WHY YOU CLAIMED ITC AT THE WRONG LOCATION DURING AN AUDIT.

THE HR CONSULTANT SCENARIO (A TRAGIC COMEDY)

IMAGINE YOUR MUMBAI HR TEAM HIRES A RECRUITMENT CONSULTANT TO FIND TALENT FOR DELHI AND CHENNAI OFFICES. THE CONSULTANT'S BILL LANDS IN MUMBAI—BECAUSE THAT'S WHERE THE DECISION-MAKERS SIT, PROBABLY SIPPING OVERPRICED COFFEE AND MAKING IMPORTANT-SOUNDING PHONE CALLS.

WITHOUT ISD: MUMBAI CLAIMS ALL THE ITC BUT CONTRIBUTES ZERO OUTPUT TAX. IT'S LIKE EATING SOMEONE ELSE'S LUNCH AND LEAVING THEM WITH THE BILL. THE TAX CREDIT SITS THERE USELESSLY WHILE DELHI AND CHENNAI BRANCHES—THE ACTUAL BENEFICIARIES—PAY FULL GST ON THEIR OUTPUTS LIKE SUCKERS.

WITH ISD: MUMBAI DISTRIBUTES THE CREDIT TO DELHI AND CHENNAI BASED ON

THEIR USAGE. EVERYONE'S HAPPY, INCLUDING THE GST OFFICER (AND WE ALL KNOW HOW RARE THAT IS).

BEYOND HR: THE DIGITAL AGE DILEMMA

THINK ABOUT MODERN BUSINESS EXPENSES:

- **DIGITAL MARKETING:** YOUR INSTAGRAM ADS TARGET ALL CITIES, BUT THE BILL COMES TO HQ
- **SOFTWARE LICENSES:** YOUR CRM SYSTEM SERVES ALL BRANCHES, INVOICE GOES TO IT DEPARTMENT
- **CONSULTANCY SERVICES:** STRATEGY CONSULTING AFFECTS ALL OPERATIONS, PAYMENT FROM HEAD OFFICE

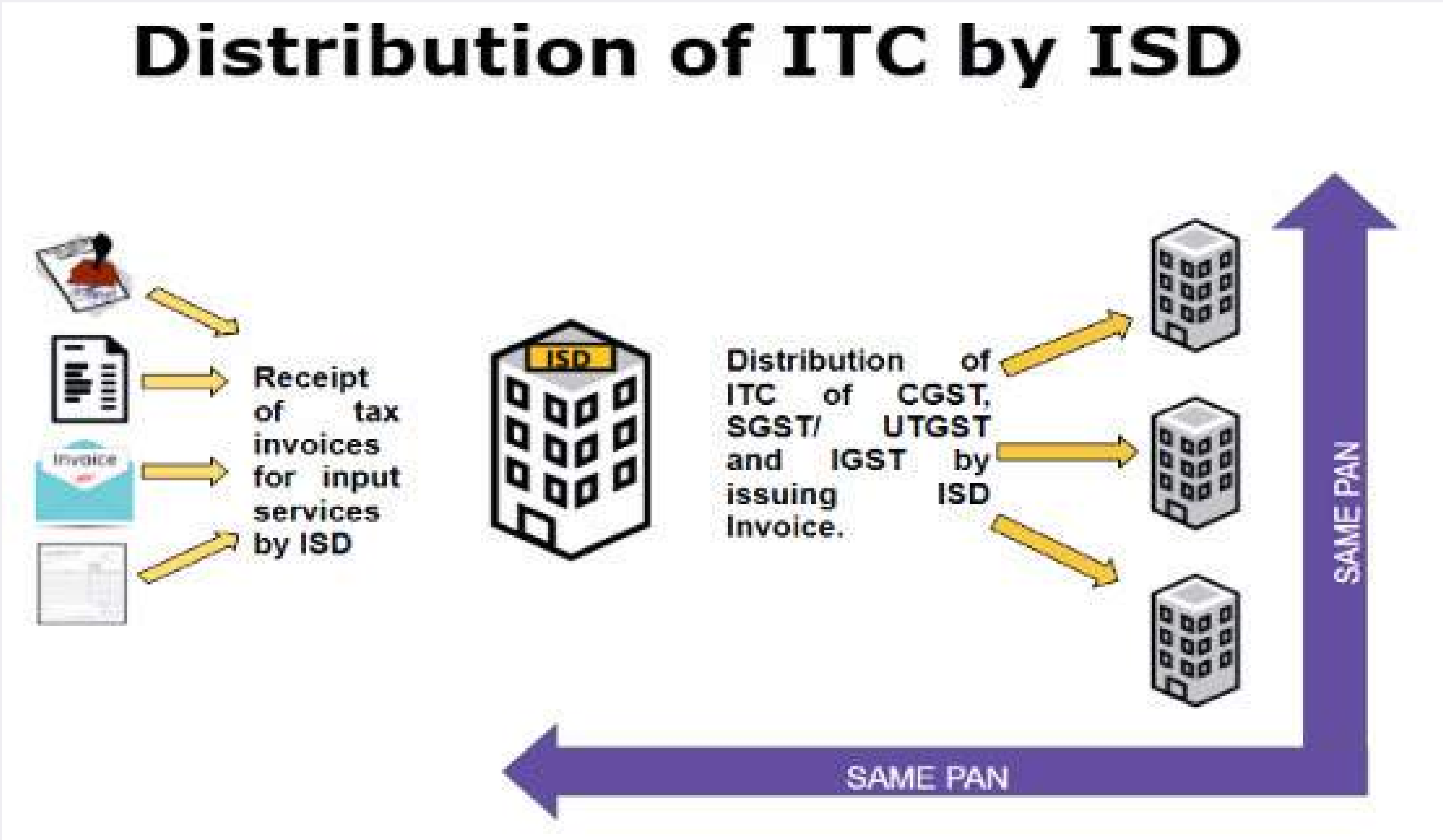
THE WORKING CAPITAL WAKE-UP CALL

HERE'S THE KICKER: ISD ISN'T JUST ABOUT LEGAL COMPLIANCE—IT'S ABOUT NOT ACCIDENTALLY BECOMING YOUR OWN WORST ENEMY. WHEN ITC SITS IDLE IN THE WRONG GSTIN, YOU'RE ESSENTIALLY PLAYING A CRUEL JOKE ON YOUR OWN CASH FLOW.

ONE COMPANY CALCULATED THEY'D "DONATED" ₹47 LAKHS TO THE GOVERNMENT OVER TWO YEARS BY NOT USING ISD PROPERLY. THAT'S A LOT OF COFFEE AND TEAM LUNCHES. OR AS THEIR CFO PUT IT, "WE BASICALLY FUNDED A SMALL GOVERNMENT OFFICE'S

CHAPTER 3:

ISD ANATOMY 101 – HOW THE MAGIC HAPPENS



THE FOUR–STEP DANCE

RUNNING ISD IS LIKE FOLLOWING A RECIPE—MISS A STEP, AND INSTEAD OF DELICIOUS COMPLIANCE, YOU GET A BITTER TASTE OF PENALTIES:

1. **STEP 1: INVOICE ARRIVES**
   ◯ SERVICE INVOICE LANDS AT HEAD OFFICE (PROBABLY IN SOMEONE'S ALREADY OVERFLOWING INBOX)
2. **STEP 2: RECORD LIKE A PRO**
   ◯ LOG IT IN YOUR ISD REGISTRATION (NOT YOUR REGULAR GSTIN—THIS IS IMPORTANT!)
3. **STEP 3: PLAY DISTRIBUTION FAIRY**
   ◯ DISTRIBUTE CREDIT TO RELEVANT BRANCHES BASED ON TURNOVER OR
   ◯ ACTUAL USAGE
4. **STEP 4: DOCUMENT EVERYTHING**
   ◯ ISSUE ISD INVOICES (WHICH ARE NOT TAX INVOICES—CONFUSING, WE KNOW)

THE SACRED GSTR–6 RITUAL

EVERY MONTH, YOU MUST FILE GSTR–6. IT'S LIKE A MONTHLY CONFESSION WHERE YOU TELL THE GOVERNMENT EXACTLY HOW YOU DISTRIBUTED ITC. MISS IT, AND

YOU'LL EXPERIENCE THE GOVERNMENT'S VERSION OF "WE'RE NOT ANGRY, JUST DISAPPOINTED"—EXCEPT THEY'RE DEFINITELY ANGRY, AND THERE ARE PENALTIES.

PRO TIP: GSTR–6 IS NOT LIKE THAT FRIEND WHO SAYS "MONTHLY COFFEE CATCH–UP" BUT ACTUALLY MEANS "WHENEVER WE BOTH REMEMBER." THE GOVERNMENT MEANS MONTHLY.

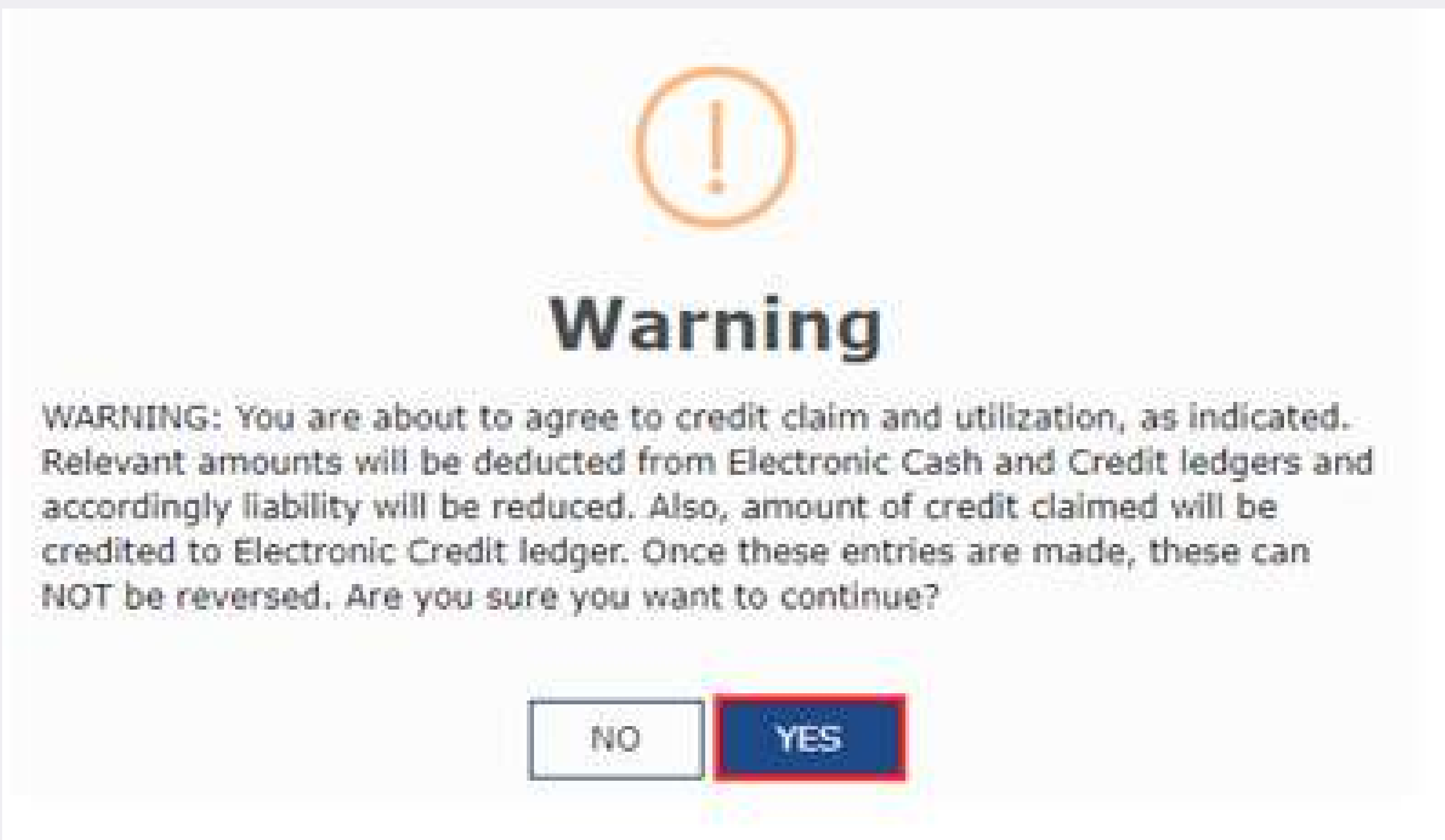
THE DISTRIBUTION FORMULA PUZZLE

RULE 39(1)(D) REQUIRES PRO–RATA DISTRIBUTION BASED ON TURNOVER. THIS MEANS YOUR FINANCE TEAM NEEDS TO MAINTAIN TURNOVER DATA MORE RELIGIOUSLY THAN A CRICKET FAN MAINTAINS BATTING AVERAGES. UPDATE IT MONTHLY, OR WATCH YOUR CAREFULLY PLANNED DISTRIBUTIONS TURN INTO COMPLIANCE LANDMINES.

CHAPTER 4:

THE COMPLIANCE HORROR STORIES (BASED ON TRUE EVENTS)

HORROR STORY #1: THE FORGOTTEN REGISTRATION



SETTING: A MID–SIZED COMPANY, 2019–2021

OUR PROTAGONIST—LET'S CALL THEM "OPTIMISTIC ENTERPRISES"—THOUGHT ISD WAS OPTIONAL. FOR TWO BLISSFUL YEARS, THEY CLAIMED ALL SERVICE ITC UNDER

THEIR REGULAR REGISTRATION WHILE THEIR BRANCHES PAID FULL GST LIKE LOYAL CITIZENS.

PLOT TWIST: THE DEPARTMENT CAME KNOCKING WITH AN AUDIT NOTICE.

CLIMAX: ₹3.2 CRORES OF CREDIT REVERSED, PLUS INTEREST, PLUS PENALTY, PLUS THE CFO QUESTIONING ALL LIFE CHOICES.

MORAL: ISD REGISTRATION ISN'T A SUGGESTION—IT'S A REQUIREMENT WEARING A FRIENDLY MASK.

HORROR STORY #2: THE OVERENTHUSIASTIC ACCOUNTANT

OUR HERO: A WELL-MEANING ACCOUNTANT WHO THOUGHT "WHY NOT DISTRIBUTE EVERYTHING?"

THEY CHEERFULLY ISSUED ISD INVOICES FOR GOODS, CAPITAL GOODS, AND PROBABLY THEIR OFFICE STATIONERY IF GIVEN THE CHANCE. RULE 39(1)(A) CLEARLY STATES ISD IS FOR INPUT SERVICES ONLY, BUT ENTHUSIASM DOESN'T ALWAYS READ THE FINE PRINT.

RESULT: A GST OFFICER WITH THE SENSE OF HUMOR OF A TAX CODE AND PENALTIES THAT MADE EVERYONE WISH THEY'D PAID MORE ATTENTION IN COMPLIANCE TRAINING.

LESSON: ENTHUSIASM IS GREAT. READING THE RULES FIRST IS GREATER.

HORROR STORY #3: THE TIMING TRAGEDY

A COMPANY DISTRIBUTED ITC BEFORE ACTUALLY RECEIVING IT—LIKE SPENDING MONEY YOU HOPE TO EARN. WHEN THE ORIGINAL INVOICE GOT STUCK IN VENDOR PAYMENT DELAYS, THE DISTRIBUTION BECAME A HOUSE OF CARDS IN A WINDSTORM.

AFTERMATH: GSTR-2A MISMATCHES, CONFUSED RECIPIENTS, AND RECONCILIATION

NIGHTMARES THAT LASTED THREE MONTHS.

WISDOM: IN ISD, AS IN LIFE, TIMING IS EVERYTHING.

THE ERP COMEDY OF ERRORS

SOME COMPANIES TREAT ISD REGISTRATION LIKE A REGULAR TAXPAYER IN THEIR ERP SYSTEMS. RESULT? AUTOMATED CHAOS WHERE GSTR-6 PICKS UP RANDOM INVOICES LIKE A HUNGRY PERSON AT A BUFFET—SOME ELIGIBLE, SOME NOT, ALL CREATING COMPLIANCE HEADACHES.

SOLUTION: CLEAR SOPS, REGULAR RECONCILIATIONS, AND THE REVOLUTIONARY CONCEPT OF READING THE MANUAL BEFORE IMPLEMENTING THE SYSTEM.

CHAPTER 5:

SOLUTIONS – TURNING TROUBLE INTO RELIEF

WE DON'T JUST WHINE—WE DESIGN.

THE STAR CAST OF ISD LEGISLATION

SECTION 2(61) OF CGST ACT – THE DEFINITION KING

- DEFINES WHAT ISD IS (SPOILER: IT'S EXACTLY WHAT YOU THINK IT IS)

SECTION 20 OF CGST ACT – THE DISTRIBUTION DIRECTOR

- GOVERNS HOW CREDIT DISTRIBUTION WORKS
- LIKE A TRAFFIC COP FOR TAX CREDITS

RULE 39 OF CGST RULES – THE OPERATIONS MANAGER

- MAKES EVERYTHING ACTUALLY WORK
- CONTAINS MORE SUB-CLAUSES THAN A BOLLYWOOD MOVIE HAS PLOT TWISTS

SUPPORTING CAST (AKA NOTIFICATIONS AND CIRCULARS)

NOTIFICATION NO. 13/2017-CENTRAL TAX – THE TIMELINE KEEPER

- CLARIFIES PROCEDURAL ELEMENTS AND FILING DEADLINES
- BECAUSE THE GOVERNMENT LOVES DEADLINES ALMOST AS MUCH AS BUSINESSES HATE THEM

CIRCULAR NO. 199/11/2023-GST – THE CONFUSION CLEARER

- HIGHLIGHTS HOW ISD RELATES TO CROSS-CHARGING
- ATTEMPTS TO ANSWER QUESTIONS NOBODY KNEW THEY HAD

CONCLUSION: ISD IS YOUR FRENEMY, BUT MOSTLY FRIEND

INPUT SERVICE DISTRIBUTOR MIGHT SOUND LIKE THE NAME OF A BORING GOVERNMENT DEPARTMENT, BUT IT'S ACTUALLY THE UNSUNG HERO OF MULTI-STATE GST COMPLIANCE. IT'S THE FRIEND WHO HELPS YOU MOVE APARTMENTS—NOT GLAMOROUS, BUT ABSOLUTELY ESSENTIAL WHEN YOU NEED IT.

THE THREE UNIVERSAL TRUTHS OF ISD

1. **ISD IS NOT OPTIONAL** IF YOUR STRUCTURE DEMANDS IT—LIKE WEARING SHOES TO A FORMAL DINNER, TECHNICALLY YOU COULD SKIP IT, BUT EVERYONE WILL NOTICE AND JUDGE YOU
2. **IMPLEMENTATION REQUIRES PRECISION** MORE THAN ENTHUSIASM—MEASURE TWICE, CUT ONCE, FILE CORRECTLY ALWAYS
3. **UNDERSTANDING BEATS IGNORANCE** EVERY SINGLE TIME—SHOCKING INSIGHT, WE KNOW

THE MONEY TRANSFER ANALOGY

THINK OF ITC AS MONEY (BECAUSE IT LITERALLY IS) AND ISD AS THE BANKING SYSTEM THAT ENSURES MONEY REACHES THE RIGHT ACCOUNT. DONE CORRECTLY, IT'S INVISIBLE AND EFFICIENT. DONE INCORRECTLY, IT'S MEMORABLE FOR ALL THE WRONG REASONS—LIKE THAT TIME YOU ACCIDENTALLY SENT MONEY TO THE WRONG PERSON AND SPENT WEEKS GETTING IT BACK.

THE COMPLIANCE REALITY IN THE GRAND

THEATER OF GST COMPLIANCE, ISD MAY NOT GET THE SPOTLIGHT LIKE FLASHY PROVISIONS OR CONTROVERSIAL RULE CHANGES. BUT IT'S THE RELIABLE SUPPORTING ACTOR THAT MAKES EVERYTHING ELSE WORK SMOOTHLY. IT'S THE STAGE CREW OF TAX COMPLIANCE—ABSOLUTELY CRITICAL, RARELY APPRECIATED, AND THE FIRST THING BLAMED WHEN SOMETHING GOES WRONG.

FINAL WORDS OF WISDOM

MASTER ISD, AND YOU BECOME THE OFFICE COMPLIANCE HERO. IGNORE IT, AND YOU BECOME A CAUTIONARY TALE SHARED IN TRAINING SESSIONS. THE CHOICE IS YOURS, BUT REMEMBER—IN THE WORLD OF GST, IT'S BETTER TO BE BORINGLY COMPLIANT THAN ENTERTAININGLY PENALIZED.

REMEMBER: ISD COMPLIANCE IS LIKE FLOSSING—NOBODY FINDS IT EXCITING, BUT THE CONSEQUENCES OF NEGLECTING IT ARE PAINFUL AND EXPENSIVE. AT LEAST ISD DOESN'T MAKE YOUR ACCOUNTANT'S FINGERS BLEED.

Startup Ecosystem In India: Opportunities, Tax Challenges & Support Schemes

Krutik Jain
WRO0718881

Introduction

What if... your idea wasn't just an idea?
What if it found light, wings, believers?
What if it bloomed into something bigger
than you ever imagined—embraced by the world?
Because an idea whose time has come is
stronger than all the armies in the world.

In 2016, the Government of India asked the same questions. And answered them—with action. The Startup India initiative was born, not just to support businesses, but to ignite a movement

Welcome to India—where ideas turn into innovation, and innovation builds the future. From the land of ancient wisdom rises a new force: bold entrepreneurs, fearless startups, and a vibrant youth rewriting the rules

Today, India is home to the 3rd largest startup ecosystem in the world, with 1.6 lakh+ recognized startups, 118 unicorns (as of January 2025). From bustling metros to quiet tier-3 towns, ideas are coming alive. Be it Edu Tech, FinTech, HealthTech, or Space Tech, India isn't just participating in the global startup race—it's leading it.

But how did we get here? From tax holidays under Section 80-IAC to funding, IP support, and startup-friendly laws, the ecosystem is being built to empower YOU.

Yes, challenges exist—like complex tax rules and compliance hurdles—but reforms are rolling, barriers are falling, and doors are opening. The next revolution could start in your notebook. Startup India is your stage— dream it, build it, scale it. Let's turn vision into ventures, and ideas into impac

Behind the Hype: Unmasking Startup Struggles

Funding is hard to get, with banks asking for collateral and investors wary of early-stage bets. Legal hurdles, taxes, and compliance slow progress, while limited budgets and brand recognition make it tough to stand out. Hiring is tough too — top talent prefers corporate perks and job security. Poor infrastructure and lack of distribution make scaling harder, especially in smaller towns

Yet, the startup journey is far from easy. The reality check? Not every startup makes it. Many hit roadblocks like funding struggles, complex regulations, or simply failing to find the right market fit. The numbers tell the story:

*2025 data as of January 15

See that? While fewer startups are launching, the number closing shop has skyrocketed— especially in 2023 and 2024. This isn't just about ideas or funding; it's about execution, market demand, and the ability to pivot quickly

So, here's the bottom line: India's startup scene is bursting with opportunity, but the path is rugged. The soaring closure rates show that launching a startup is just the first step. To truly succeed, startups need more than a great idea—they need continuous support to survive, grow, and conquer.

Powering Dreams: Startup Schemes That Spark Success

What happens when a country decides to back its dreamers? In 2016, India asked that very question—and answered it with Startup India. Not just support, but an entire launchpad for every innovator with fire in their belly and an idea in their mind. Behind every bold Indian startup is a strong support system. Let’s uncover the game-changing schemes powering this entrepreneurial revolution

1. Startup India Seed Fund Scheme (SISFS)

Launched in April 2021, the Startup India Seed Fund Scheme (SISFS) fuels early-stage startups with up to ₹20 lakh in grants and ₹50 lakh in investments to validate ideas, build prototypes, and enter the market. With ₹945 crore spread across 300 incubators, it offers not just funding but vital mentorship and infrastructure—bridging the gap between concept and growth to help startups attract bigger investments.

2. Fund of Funds for Startups (FFS

Managed by the Small Industries Development Bank of India (SIDBI), the Fund of Funds for Startups (FFS) was established with a corpus of ₹10,000 crore. Instead of directly investing in startups, FFS invests in SEBI-registered Alternative Investment Funds (AIFs), which in turn invest in startups. This approach leverages professional fund management expertise to support a broad spectrum of startups across various sectors

3. Atal Innovation Mission (AIM)

Run by NITI Aayog, the Atal Innovation Mission (AIM) sparks India’s innovation spirit. With 10,000 Atal Tinkering Labs nurturing young minds and incubation centres fuelling startups, AIM empowers over 1.1 crore students and helps promising startups scale new heights across 35 states and UTs.

4. Technology Incubation and Development of Entrepreneurs (TIDE 2.0)

Implemented by the Ministry of Electronics & IT (MeitY), TIDE 2.0 aims to promote tech entrepreneurship in areas like AI, IoT, cybersecurity, and healthcare. The program provides financial and technical support through Technology Business Incubators (TBIs), fostering innovation and product development in emerging technologies.

5. MUDRA Loan Scheme
The MUDRA Loan Scheme boosts small businesses with easy, collateral-free loans in three tiers: Shishu (up to ₹50,000), Kishore (₹50,000 to ₹5 lakh), and Tarun (₹5 lakh to ₹10 lakh). It's a powerful push for grassroots entrepreneurship and growth.

6. Credit Guarantee Scheme for Startups (CGSS) Launched in 2022, the CGSS provides collateral-free loans to eligible startups through banks and NBFCs. The scheme offers guarantee coverage of up to 80% of the loan amount, mitigating the risk for lenders and facilitating easier access to credit for startups.

7. Make in India & Stand-Up India The Make in India initiative drives manufacturing startups by offering incentives, relaxing FDI norms, and fasttracking approvals to position India as a global manufacturing hub. Complementing this, Stand-Up India focuses on empowering SC/ST and women entrepreneurs by providing loans ranging from ₹10 lakh to ₹1 crore to help them establish greenfield enterprises in manufacturing, services, or trading sectors.

8. Empowering Women Entrepreneur
s Inclusivity is at the heart of Startup India. Impressively, 46% of DPIIT-recognized startups have at least one-woman director—a testament to India's growing focus on gender-balanced growth.
To further promote women-led startups, the government has initiated: □ A 10% reservation within the Fund of Funds corpus specifically for women-led startups. □ A Virtual Incubation Program offering 3-month pro bono acceleration for tech-based women entrepreneurs.

- A dedicated web page for women entrepreneurs on the Startup India platform
- Regular workshops and seminars, where successful women entrepreneurs share their journeys, provide mentorship, and inspire the next generation of changemakers

9. Simplification & Compliance
- Self-Certification: Startups can self-certify compliance with 9 labour and 3 environmental laws for up to 5 years, reducing regulatory burdens
- Fast Exit: Startups can wind up operations within 90 days, speeding up the closure process.
- Public Procurement Benefits: Recognized startups can bid for government tenders without prior turnover or experience requirements
- Mobile App & Portal: Seamless registration, compliance filing, and easy access to information.

10.Intellectual Property Rights (IPR) & Legal Support
- Fast-Tracked Patent Examination: Startups benefit from expedited patent processes and reduced fees.
- Legal Assistance: Certified facilitators help startups with patents, trademarks, and designs. Comprehensive Tax R

Comprehensive Tax Reforms Fueling India's Startup Growth

India's startup ecosystem has witnessed transformative tax reforms aimed at easing financial pressures and boosting investor confidence. With initiatives like Section 80-IAC and the abolition of the angel tax, the government is creating a more favourable environment for innovation and entrepreneurship. These measures not only reduce tax burdens but also enhance funding opportunities, positioning India as a global startup hub. A few of them are listed below:

1. Section 80-IAC: Extended Tax Benefits for Startups

Section 80-IAC of the Income Tax Act offers a 100% tax deduction on profits for eligible startups for any three consecutive years within their first ten years of incorporation. This initiative aims to alleviate the financial burden during the critical early stages of a startup's .

 Eligibility Criteria:

o Startups must be incorporated between April 1, 2016, and March 31, 2030.
o Annual turnover should not exceed ₹100 crore
o Must be recognized by the Department for Promotion of Industry and Internal Trade (DPIIT).
o Should be engaged in innovation-driven businesses, excluding sectors like real estate and agriculture.

 Recent Developments:
o In April 2025, the DPIIT approved 187 startups for income tax exemption under the revamped Section 80-IAC framework.

 Application Process
o Startups can apply online through the Startup India portal.
o The process is streamlined, with no government fees, making it accessible and encouraging compliance.

2. Abolition of Angel Tax: A Relief for Investors and Startups

The 'angel tax', introduced in 2012 under Section 56(2) (viib) of the Income Tax Act, taxed the capital raised by unlisted companies if it exceeded the fair market value. This often led to valuation disputes and deterred investments.

Key Highlights:

 Policy Change:
o In the Union Budget 2024-25, Finance Minister Nirmala Sitharaman announced the abolition of the angel tax for all classes of investors, effective from April 1, 2025.

 Impact on the Startup Ecosystem:
o The removal of this tax is expected to enhance investor confidence, simplify fundraising processes, and reduce litigation related to share valuations.

Aim High, Land Right:
The Market Metrics Every Founder Must Know

To help understand market potential more clearly, startup founders and investors often use three key concepts:

 TAM (Total Addressable Market) – This is the entire market size for a product or service if every potential customer in the world used it. Example: If you create a food delivery app, TAM includes everyone who orders food globally.

 SAM (Serviceable Available Market) – This is the portion of TAM your business can realistically serve based on your location, resources, and product fit. Example: Your food app only operates in India, so SAM includes all Indian users.

 SOM (Serviceable Obtainable Market) – This is the share of SAM you can actually capture considering your current capabilities, competition, and reach. Example: You operate only in three Indian cities right now, so your SOM is customers in those cities.

Understanding these helps startups avoid overestimating their potential and focus on markets they can actually serve and grow in. It also helps investors and policymakers support ideas that are both scalable and practical. By helping founders understand their markets through TAM, SAM, and SOM, and by simplifying regulatory processes, India can ensure its startup ecosystem not only grows—but thrives.

CAs x Startups: The Ultimate Growth Partnership

India's startup scene is exploding — and Chartered Accountants are right at the heart of it. We're not just crunching numbers. We're laying foundations, unlocking funding, navigating tax and compliance mazes, and guiding founders from scrappy beginnings to IPOs. From structuring the right entity to securing government perks and driving ESG goals — CAs are the silent co-founders of the startup revolution. This isn't just our moment. It's our mission. Let's power the dreams, shape the strategy, and build the future.

Conclusion: From Potential to Power

Startup India isn't just a government scheme. It's a mindset shift, a national movement, and a newage growth engine. It tells every Indian: "If you dare to dream, we'll help you build." Yet, the journey ahead demands deeper reforms, resilient capital, and strong mentorship networks. The closures we witness are not failures — but feedback loops. And every feedback loop, when acted upon, strengthens the system. With unwavering policy support, digital momentum, and entrepreneurial grit, India is not just nurturing startups — it's building tomorrow. Because here, ideas don't just take off they take over satisfaction and retention, laying solid foundations for long-term relationships and a positive market reputation

4. Real-Time and Proactive Compliance: One of the most significant advantages of RegTech is its ability to provide real-time and proactive compliance. Unlike traditional methods that often react to regulatory changes, RegTech platforms continuously monitor regulatory updates and internal activities. By leveraging AI and predictive analytics, they can identify potential risks and compliance issues before they escalate. This enables organizations to address possible concerns and gaps in compliance proactively, implementing necessary adjustments to policies and controls. For startups, this agility is vital in adapting to an ever-changing regulatory environment without being caught off guard

WHAT IS REG TECH

In an increasingly digitized and interconnected world, businesses face a labyrinth of regulations that are constantly evolving. From financial services to healthcare, energy, and aviation, heavily regulated industries are under immense pressure to ensure compliance, avoid penalties, and maintain their operational integrity. This intricate landscape gave rise to Regulatory Technology, or RegTech.

RegTech can be defined as the use of information technology to enhance regulatory and compliance processes. It is a subset of the broader FinTech (Financial Technology) ecosystem, though its applications extend beyond finance to any sector burdened by complex regulatory requirements. At its core, RegTech aims to bolster businesses in achieving regulatory compliance with precision, efficiency, and cost-effectiveness. By automating manual processes, improving data accuracy, and offering real-time monitoring and reporting capabilities, RegTech transforms operational efficiency in the dynamic realm of digital regulations.

AI IN ACCOUNTING,AUDIT AND TAXATION

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Introduction

Artificial Intelligence (AI) is no longer just a buzzword or a futuristic concept—it's something we interact with every day, often without even realizing it. From personalized recommendations on streaming platforms to virtual assistants that help manage our schedules, AI has quietly become a part of how we live and work. In the business world, its impact is even more profound. Companies across industries are using AI to streamline operations, make smarter decisions, and uncover insights that were once buried in data. As AI continues to evolve, its influence is expanding across countless industries, changing not only how work gets done but also what work looks like.

This paper explores how AI is being used in accounting, auditing, finance, and taxation today, where it's headed, and what it means for the people and organizations involved. Through real-world examples, recent developments, and exploration of some key AI tools, we'll look at both the opportunities AI brings and the risks we need to manage as the scope of AI continues to evolve.

WHAT IS AI?

Artificial intelligence (AI), is the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings. The term is frequently applied to the project of developing systems endowed with the intellectual processes characteristic of humans, such as the ability to reason, discover meaning, generalize, or learn from past experience.

When we hear the word “AI” today, one of the first things that comes to mind is ChatGPT—and that’s completely understandable, considering how often we rely on it for quick answers, ideas, and everyday tasks. But have you ever wondered what the “GPT” in ChatGPT actually stands for? Well, let us make that simple.

GPT stands for Generative Pre-determined Transformer.
First, Generative: This simply means the model can generate text. Whether it’s answering a question, writing a story, or chatting with you-it’s creating text based on the input it receives.

Next, Pre-trained: Before it even interacts with us, GPT has already been trained on a huge amount of information—books, websites, articles—you name it. This training helps it understand how language works and gives it a base of knowledge to draw from.

And finally, Transformer: is the type of AI model it uses. A transformer helps the system understand not just individual words, but how they relate to each other in a sentence. It's what allows GPT to understand context and give responses that actually make sense.

So, in short, GPT is a system that learns from tons of text, understands language, and then uses that knowledge to generate meaningful and useful responses.

So, as you can see, AI isn't just one thing—it's a whole universe of technologies, each designed to solve different kinds of problems.
You might be wondering: "AI is impressive, but what does it really mean for us?" Well, the truth is, AI is no longer just a futuristic concept—it's becoming a transformative tool in finance and accounting, auditing and taxation.
Whether it's analyzing massive volumes of data, detecting anomalies in financial records, or automating time-consuming tasks like invoice processing or tax calculations, AI is helping professionals work faster, smarter, and with greater accuracy than ever before.
So, let's take a closer look at how AI is making a real impact in these areas—and why it's becoming essential for modern accounting and finance professionals to understand and embrace these technologies.
As this technology continues to grow, its impact is evidently visible in areas like accounting, auditing, finance, and taxation.

- In accounting, AI tools are taking over time-consuming processes like invoice matching, bookkeeping, and organizing financial records. This allows people to spend more time on strategic thinking, data interpretation, and advising clients

- In the closely related field of auditing, AI is helping firms move from sample-based testing to full population analysis, identifying anomalies in real time, and enhancing fraud detection. Tools powered by AI can shift through thousands of transactions or documents in seconds, improving both the accuracy and efficiency of audit procedures.

• In finance, AI plays a big role in predicting market trends, assessing credit risks, and powering robo-advisors that offer personalized investment advice. Financial institutions are also using AI for fraud detection, real-time portfolio management, and risk analysis.

• Meanwhile, in taxation, both companies and governments are turning to AI to simplify tax filing, ensure compliance, and catch inconsistencies or fraud that might go unnoticed by human reviewers. AI systems can track and analyze tax data at scale, helping to reduce human error and increase transparency.

BENEFITS OF USING AI

AI is beneficial for automating repetitive tasks, solving complex problems, reducing human error and much more.

Automating Repetitive Tasks

• Repetitive tasks such as data entry and factory work, as well as customer service conversations, can all be automated using AI technology. This lets humans focus on other priorities.

• AI's ability to process large amounts of data at once allows it to quickly find patterns and solve complex problems that may be too difficult for humans, such as predicting financial outlooks or optimizing energy solutions.

Improving Customer Experience

• AI can be applied through user personalization, chatbots and automated self-service technologies, making the customer experience more seamless and increasing customer retention for businesses.

Reducing Human Error

• The ability to quickly identify relationships in data makes AI effective for catching mistakes or anomalies among mounds of digital information, overall reducing human error and ensuring accuracy.

Risk Reduction

• AI systems continuously monitor financial activities to detect unusual patterns or anomalies. This helps identify fraud, errors, and compliance issues early, reducing the risk of financial loss or regulatory penalties.
• By analyzing historical data, market trends, and real-time inputs, AI provides actionable insights that support strategic decisions. Finance professionals can use these insights to improve forecasting, budgeting, and overall business planning.
• AI automates repetitive tasks and processes large amounts of data quickly, significantly reducing time and resource consumption.

AI IN ACTION

Enough of knowing about what AI is and how OTHERS use it, we will now see how can be it useful to us, as students who need to excel in the fields of accounting, auditing, and taxation and practice it on a daily basis. Let us know about some AI tools, other than ChatGPT which are of great use but less heard of:

1) CLAUDE AI:

CLAUDE AI, IS A GENERAL–PURPOSE, CONVERSATIONAL AI MODEL. IT IS DESIGNED TO BE HELPFUL, HONEST, AND HARMLESS. • WE CAN AUTOMATE DATA SUMMARIZATION, IDENTIFY AND CLASSIFY EXPENSES OR REVENUES, INTERPRET RESOURCES, AUTOMATE Q & A AND MAKE COMMUNICATION DRAFTS USING CLAUDE AI.

2) KORE AI:

• Kore.ai is a platform that allows organizations to build intelligent virtual assistants (IVAs) and AI chatbots.

• These bots can automate workflows, improve employee productivity, and enhance customer support—making it particularly useful in finance and accounting functions.

3) VIC AI

• Vic.ai is an AI–powered accounting automation platform that specializes in streamlining accounts payable (AP) and financial workflows.
• It can be used to automate invoice processing, smart allocation of expenses, audit trail generation, real–time analytics and integrations.
• It delivers true autonomy in invoice processing and improves accuracy and efficiency at scale, especially useful for growing organizations.

4) CA GPT

• Yes, we heard it right. ICAI has one of its own AI Models named as “CA GPT”, to assist its members in navigating the complexities of accounting, auditing, taxation, and legal compliance. It is an AI–driven platform which was launched in July 2024.
• CA GPT offers over 70 GPTs, including tools for GST, Income tax, auditing standards and constitutional insights.
• A notable feature is “Industry Forum which integrates annual reports of over 5000 listed companies.
• Being a part of CA community, we can avail the advantage of the same, by supervised indirect access through our firms and mentors, if we are students or direct access if we are a member

FUTURE TRENDS OF AI

Now, let's take a look at where AI is heading and how it's expected shape the future of our profession:

Real-Time Auditing Will Become the Norm

• Instead of waiting for year-end audits, AI will allow us to monitor transactions in real time. That means immediate anomaly detection and stronger internal controls throughout the year.

Compliance Will Be Smarter and More Automated

• With constantly changing tax laws, AI will help us stay compliant by tracking regulations and updating processes automatically.

• AI interfaces are becoming more natural. We'll be able to talk to our systems–asking questions like, "What's the outstanding balance for vendor X?"–and get instant, accurate responses.

Focus on Ethics and Responsible Use

• As AI becomes more powerful, we'll need to ensure it's used ethically. That includes protecting data privacy, avoiding bias in decisions, and maintaining transparency in AI-driven processes.

CONCLUSION

Artificial Intelligence is no longer the future—it is the present transforming the way we work in accounting, auditing, and taxation.
By automating repetitive tasks, enhancing accuracy, and uncovering
insights hidden in vast data, AI empowers us to focus on higher-value, strategic roles.
While challenges like data quality, integration, and ethical considerations exist, they are not barriers but opportunities to innovate and lead.
As finance professionals, embracing AI is not optional—it is essential
to remain relevant and competitive in an evolving landscape. By continuously upskilling, adopting smart tools, and fostering responsible AI use, we can shape a future where human expertise and artificial intelligence work hand in hand to deliver excellence.
The journey is challenging, but the potential is immense. Let us step
forward confidently and become the pioneers of this exciting new era in finance.

RIGTECH: THE RISE OF COMPLIANCE AUTOMATION IN STARTUPS

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WHAT IS REG TECH

In an increasingly digitized and interconnected world, businesses face a labyrinth of regulations that are constantly evolving. From financial services to healthcare, energy, and aviation, heavily regulated industries are under immense pressure to ensure compliance, avoid penalties, and maintain their operational integrity. This intricate landscape gave rise to Regulatory Technology, or RegTech.

RegTech can be defined as the use of information technology to enhance regulatory and compliance processes. It is a subset of the broader FinTech (Financial Technology) ecosystem, though its applications extend beyond finance to any sector burdened by complex regulatory requirements. At its core, RegTech aims to bolster businesses in achieving regulatory compliance with precision, efficiency, and cost-effectiveness. By automating manual processes, improving data accuracy, and offering real-time monitoring and reporting capabilities, RegTech transforms operational efficiency in the dynamic realm of digital regulations.

The formal recognition of RegTech came in 2015 by the UK's Financial Conduct Authority (FCA), acknowledging its potential to revolutionize compliance. Since then, RegTech has rapidly evolved, incorporating cutting-edge technologies to offer solutions that are more proactive, effective, and secure than traditional manual compliance methods. WHAT IS REG TECH P

WHY REGTECK IS IMPORTANT FOR START–UPS

Startups, while often agile and innovative, face unique hurdles in navigating the regulatory landscape. Limited resources, nascent infrastructure, and a focus on rapid growth can make compliance a significant burden. RegTech offers several compelling advantages for these emerging businesses:

1. Time and Cost Efficiency: Traditional compliance involves extensive manual labor, requiring dedicated teams to research, interpret, and implement regulations. This is a time–consuming and expensive endeavor. RegTech solutions automate repetitive tasks such as data collection, processing, and reporting, significantly reducing the time and resources required. For startups, this translates into substantial cost savings by minimizing personnel costs associated with training staff on changing regulations or hiring additional support teams. The automation also speeds up compliance procedures, allowing startups to focus their limited resources on core business activities and innovation.

2. Reduced Risk of Fines and Penalties: Non–compliance can result in hefty fines, reputational damage, and even operational shutdowns. RegTech closes compliance gaps by leveraging sophisticated data gathering, analysis, and real–time risk assessment. By automating labor–intensive compliance operations and improving data accuracy, RegTech significantly reduces the possibility of human error. Accurate reporting is facilitated by real–time monitoring and data analysis, lowering the number of non–compliance incidents and the associated penalties imposed by governing authorities. This proactive approach helps startups avoid costly mistakes and maintain a strong regulatory standing

3. BUILDING TRUST: IN TODAY'S BUSINESS ENVIRONMENT, TRUST IS A CRUCIAL ASSET, ESPECIALLY FOR NEW VENTURES SEEKING TO ESTABLISH THEMSELVES. REGTECH SOLUTIONS FOSTER TRANSPARENCY AND ETHICAL PRACTICES, ASSURING CUSTOMERS THAT THEIR DATA AND INTERACTIONS ARE SECURE AND HANDLED RESPONSIBLY. BY DEMONSTRATING A STRONG COMMITMENT TO REGULATORY ADHERENCE THROUGH EFFICIENT REGTECH IMPLEMENTATION, STARTUPS CAN BUILD SIGNIFICANT TRUST WITH THEIR CUSTOMERS, PARTNERS, AND REGULATORS. THIS ENHANCED TRUST DIRECTLY CONTRIBUTES TO CUSTOMER

satisfaction and retention, laying solid foundations for long-term relationships and a positive market reputation

4. Real-Time and Proactive Compliance: One of the most significant advantages of RegTech is its ability to provide real-time and proactive compliance. Unlike traditional methods that often react to regulatory changes, RegTech platforms continuously monitor regulatory updates and internal activities. By leveraging AI and predictive analytics, they can identify potential risks and compliance issues before they escalate. This enables organizations to address possible concerns and gaps in compliance proactively, implementing necessary adjustments to policies and controls. For startups, this agility is vital in adapting to an ever-changing regulatory environment without being caught off guard

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TIME AND COST

RegTech automates compliance tasks, reducing manual effort and staffing needs. This helps startups operate efficiently with limited resources.

REDUCED RISK OF FINES AND PENALTIES

Using RegTech shows a serious approach to compliance and data security. It boosts confidence among customers, partners, and investors.

TRUST

It ensures startups stay updated and follow complex regulations correctly. This minimizes the risk of penalties, audits, or shutdowns.

REAL-TIME PROACTIVE

Monitors continuously, alerting you to potential issues before they become big problems

SCALABLE

Grows with your business, effortlessly handling increasing complexity as you expand.

CUSTOMER VERIFICATION

Grows with your business, effortlessly handling increasing complexity as you expand.

MONITORING BUSINESS ACTIVITY

It can track transactions or user behavior to spot anything unusual or potentially noncompliant in real time.

REGULATORY REPORTING

RegTech tools generate and submit required reports to authorities, reducing manual work and the risk of errors.

DATA PRIVACY COMPPLIANCE

Startups can manage user data responsibly by following privacy laws and maintaining proper records with RegTech support.

RISK ASSESSMENT

RegTech can evaluate business or customer risks using data, helping startups make safer, regulation-aligned decisions.

TRANSITION FROM AS TO IND AS: KEY DIFFERENCES AND CHALLENGES

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A. Getting Into History

Union Finance Minister urged need for convergence with IFRS and announced implementation from 2015-16. The foundation for notification of these Ind-AS was laid down by Hon'ble Finance Minister Shri Arun Jaitley ji in his Union Budget 2014-15 speech in which he stated that corporate India would implement the Ind AS on voluntary basis effective from 1st April, 2015, and on compulsory basis in two phases from 1st April 2016 and 1st April 2017.The present road map does not apply to Insurance Companies, Banking Companies and NBFCs, for which separate road map shall be announced by the Government in consultation with the regulators of these sectors.

Before globalization, India's accounting was governed by Accounting Standards (AS) issued by ICAI, which were rulebased and suited to a domestic business environment. Integration with global financial markets necessitated adoption of globally converged standards—thus, Ind AS, aligned with IFRS, were introduced. With the notification of Companies (Indian Accounting Standards) Rules, 2015, Ind-AS have become a reality. On February 16, 2015, Prime Minister of India Dr. Manmohan Singh made commitment in G20 Summit at Pittsburgh to converge with IFRS.

RATIONALE BEHIND THE TRANSITION

- <u>Global Integration:</u>
  Indian companies operating internationally required financial statements comparable .
- <u>Improved Financial Reporting:</u>
  Ind AS encourages fair valuemeasurement, comprehensive disclosures, and consistency inrecognition.
- <u>Investor Confidence & Transparency:</u>
  More investor-friendly due to clarity and comparability
- <u>Regulatory Push:</u>

MCA's phased roadmap made thetransition mandatory for large andlisted entities, pushing India towardsIFRS convergence.

Framework behind Indian accounting standard

FRAMEWORK BEHIND INDIAN ACCOUNTING STANDARD

Ind-AS are IFRS converged standards issued by Central Government of India through Ministry
of Corporate Affairs (MCA) under the supervisions and control of Accounting standard board
(ASB) of ICAI and in consultation with National Advisory Committee on Accounting Standards (NACAS) now National Financial Reporting Authority (NFRA).
Ind-AS are named and numbered in the same way as the corresponding IFRS/IAS for ease of
reference.

SOME IMPORTANT POINTS REGARDING IND-AS:

Law overrides Ind-AS
 Ind AS applicable on material items only
 Ind-AS applicable both on SFS and CFS
 Partial adoption of Ind-AS is not allowed
 One Ind-AS applied/adopted, after that back out / withdraw not allowed
 Ind-AS shall be applicable on Group.

Schedule Commercial Bank
excluding Regional Rural banks were initially required to implement Ind-AS from 1/4/2018. RBI deferred the implementation of Ind-AS
by one year i.e. from 1/4/2019 onwards. But latter on RBI further deferred the implementation of Ind-AS till further notice. Voluntary adoption of Ind-AS not allowed for

banks, so Bank is using ICAI AS till the implementation of Ind-AS.

WHY INDIA CHOSE CONVERGENCE OVER FULL ADOPTION?

Reasons:
 Legal & regulatory environment
 Indian economic environment
 Prevailing accounting practices in the country
 Conceptual Issues

CHALLENGES FACED IN THE TRANSITION:CHALLENGES FACED IN THE TRANSITION:

 Technical & Conceptual Complexity
Ind AS require professional judgment, fair value estimation, and handling complex concepts like financial instruments, hedge accounting, impairment.

System & Process Changes

ERP systems had to be redesigned to capture additional data points like fair value, actuarial gains/losses, lease details.

 Training and Skill Gap

Accountants, CFOs, and auditors needed retraining on new standards, especially in revenue recognition and consolidation rules.

 Tax Implications

Book profit under Ind AS differs from taxable income. MAT computation required special reconciliation.

Example: Ind AS adjustments not allowed as deductions under Income Tax Act.

 Cost and Compliance Burden

Initial cost of transition (consulting, system overhaul, training) was significant, especially for mid-size firms.

 Industry-specific Issues

Banks/NBFCs: Credit loss provisioning under Ind AS 109 severely affected profit numbers.

Real Estate: Revenue under Ind AS 115 caused deferment of income to later periods, affecting cash flow ratios.

BENEFITS REALIZED POST-TRANSITION:

Better Financial Visibility:

Global Fundraising

Stakeholders have clearer insights into real performance

To address the challenges and financial impacts faced bycompanies during the transition, the government provided certain exemptions for first–time adoption of Ind AS. All such exemptions were included in a separate standard — Ind AS 101.

PRESENTATION OF FINANCIAL STATEMENT UNDER IND AS 1

VAIDEHI THANKI
WR00788927

Overview:
Ind AS 1 sets the foundaton for preseting financial statements in India, enabling comparability,
consistency, and clarity. This research paper aims to provide a comprehensive, yet accessible,
understanding of Ind AS 1 by outlining its key components, principles, and applicaΘons with
relevance to modern startups and SMEs.
Ind AS 1 (PresentaΘon of Financial Statements) is among the core Indian AccounΘng Standards,
governing the manner in which financial statements are structured and disclosed. It ensures
that the financial reports are not only consistent over periods but also provide users with
reliable informaΘon to assess the enΘty's financial health.
According to the ICAI and MCA data:

- Over 6,500 Indian companies have adopted Ind AS of FY 2023–24.
- More than 90% of NIFTY 500 companies now publish their financials under Ind AS.
- A survey by DeloiΣe India revealed that 72% of CFOs found the transiΘon to Ind AS beneficial in improving investor confidence and enhancing reporΘng quality.
- Startups backed by insΘtuΘonal investors have shown a 40% faster closure rate on funding rounds post-Ind AS adopΘon due to transparent disclosures.

5. Aggregation of Pillar Scores:

– Weighted scores are aggregated to calculate E, S, and G scores.

6. Controversy Adjustments:

– Companies with ESG–related scandals (e.g., fraud, spills) are penalized.
– This ensures scores reflect not just policy, but practice.

7. Final Score Assignment:

– Composite ESG score is reported either as:
– Numeric (0 to 100), or – Letter grades (e.g., AAA to CCC, A+ to D–).

Conclusion

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Thank you!

Scope and Objective of Ind AS 1

Ind AS 1 applies to all general-purpose financial statements prepared under the Indian

What is Ind AS and How It Differs from AS

Indian Accounting Standards (Ind AS) are a set of accounting standards converged withInternational Financial Reporting Standards (IFRS). They are notified by the Ministry of Corporate Affairs (MCA) under Section 133 of the Companies Act, 2013.

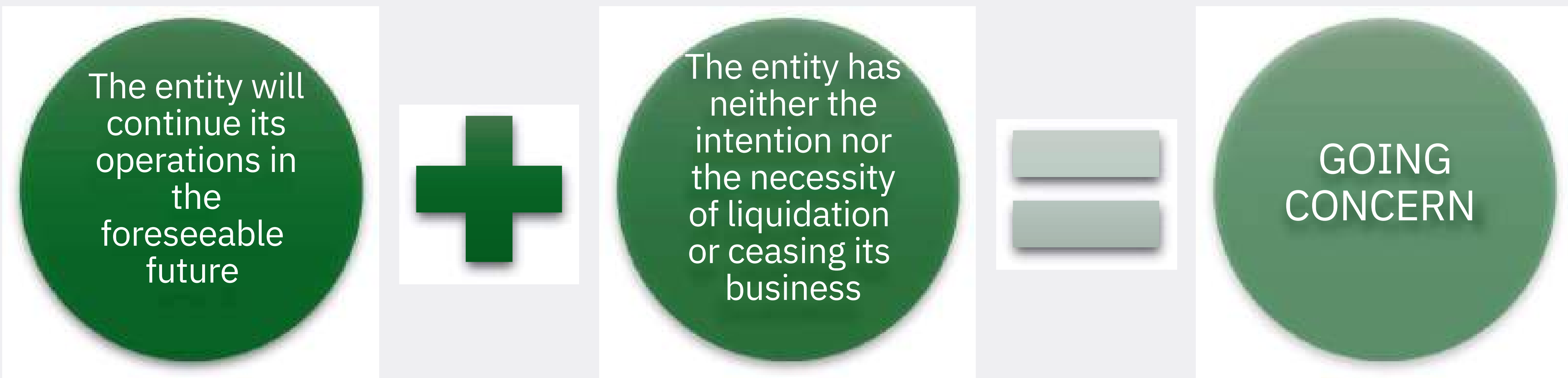
Applicability of Ind AS
The general applicability of Ind AS is as follows:
1. Mandatory for Companies (other than Banks, NBFCs, and Insurance Companies)
o Listed or in the process of listing, and unlisted companies with net worth ≥ ₹250 crore but < ₹500 crore: From FY 2017–18
2. Mandatory for NBFCs
o Net worth ≥ ₹250 crore but < ₹500 crore: From FY 2019–20
3. Voluntary Adoption
o Any company and its group companies can voluntarily adopt Ind AS for financial statements from FY 2015–16 onwards, with irrevocable option.
4. Applicability to Group Entities
o Once a company adopts Ind AS, its holding, subsidiary, joint venture, or associate companies must also adopt Ind AS, regardless of individual net worth.

Notes to Accounts

- Serve as the backbone of disclosures.
- Must provide information on accounting policies, significant judgments, and estimation uncertainties.
- Enable users to understand the assumptions behind the reported numbers.

Key PresentaƟon Principles

1. Going Concern:
    - Assumesthe entity will continue operations in the foreseeable future.
    - This means that the financial statements are prepared on the premise that



- Impact on Financial Reporting:
    - If the entity is not considered a going concern, financial statements must be prepared on a liquidation basis, which significantly alters the valuation of assets and liabilities.

- The going concern assessment is critical not only for transparency and accurate valuation but also for maintaining investor confidence.
- One of the best examples is the case of 'Jet Airways' in India.
- Jet Airways, once one of India's largest airlines, ceased operations in April 2019 due to severe financial difficulties, mounting debt, and an inability to secure emergency funding.

Understanding Balance Sheet
 Entities must distinguish between current and non-current items.
 The structure includes line items such as Property, Plant & Equipment (PPE), Financial
Assets, Trade Receivables, Inventories, Cash and Cash Equivalents, Equity and Liabilities.
 The classification is vital for assessing liquidity and solvency.

Understanding Statement of Profit & Loss:
 Should include revenue, finance costs, depreciation, tax expenses, profit/loss, and other
comprehensive income (OCI).
 OCI includes items not routed through profit or loss but impacting equity (e.g., revaluation surplus, actuarial gains/losses).
 Clear segregation between operating results and other comprehensive items is essential.

Statement of Cash Flows:
 Mandatorily required under Ind AS.
 Categorizes cash flows into Operating, Investing, and Financing activities.
 Indirect method is commonly used for operating cash flows.
Aids in assessing the entity's liquidity and fund management efficiency.

Statement of Changes in Equity
 Reflects movement in equity components: Share capital, Reserves & Surplus, Retained
Earnings, and OCI.
 It reconciles opening and closing balances and is especially useful for evaluating corporate actions and retained earnings.

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1. Going Concern:
 Assumes the entity will continue operations in the foreseeable future.
 This means that the financial statements are prepared on the premise that

Accrual Basis:
 The accrual basis of accounting is a fundamental principle under Ind AS 1.
 It mandates that transactions and other events must be recognized when they occur (and not when cash or its equivalent is received or paid),
 Additionally, they should be recorded in the accounting records and reported in the financial statements of the periods to which they relate.
 Impact on Financial Statements:
 True Reflection of Performance: Stakeholders get a clearer picture of revenue generated from actual service delivery.
 Transparency in Obligations: Infosys shows liability for future performance obligations even if cash is received early.
 Improved Decision-Making: Accrual-based reporting helps management and investors track profitability and delivery efficiency.

3. Materiality & Aggregation:
 If it can affect decision–making, it's material.
 Even small amounts may be material due to context (e.g., related party transactions, fraud, management compensation).
 Materiality depends on the nature or magnitude of items, or both, and is assessed in the context of financial statements taken as a whole.
 Material information should be clearly presented and understandable, not hidden among irrelevant data.
 Example:
 Suppose a company earns ₹500 crore revenue annually.
 A ₹2 crore loss due to cyber fraud might seem immaterial quantitatively (0.4%), but it could be material qualitatively because:
a. It involves fraud
b. May impact investor confidence
c. Affects IT controls assessment
 Hence, disclosure is necessary.

 Even immaterial errors, if repeated or systematic, may become material cumulatively. Also, investors in startups focus more on qualitative disclosures—like founder compensation, VC agreements, or compliance breaches—than just numbers.
 One of the best examples is the case of Infosys where it did not disclose the whistleblower complaint immediately to the stock exchange or shareholders.
 It cited internal assessment and procedural review as reasons for the delay.
4. Consistency:
 An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless a change is justified

 Zomato reclassified its delivery charges and advertising spends in its P&L to align with new investor presentation formats post-IPO.

 However, it clearly disclosed the reclassification in the notes and provided restated previous year data for comparison.

 Takeaway: A change in presentation is not a violation if:

 It is clearly disclosed,

 Justified, and

 Comparative data is reclassified accordingly.

 Studies by ICAI and CAG India have found that consistency issues arise most frequently in:

 Startups altering revenue classification

 SMEs shifting inventory valuation

 IPO-bound companies changing expense buckets for better margins

Disclosure of Judgments and EsƟmates

Entities must disclose:

- Significant judgments in applying accounting policies
- Key assumptions and sources of estimation uncertainty
- Impacts of such judgments on the reported financials
- Common Piƞalls to Avoi
- ncorrect classification of current and non-current elements

 Missing disclosure of OCI components

- Failing to provide comparative or restated figures when required
- Not updating accounting policies when changes occur
- Classifying long-term debt as short-term due to covenant breach (Going Concern misjudged)
- Failure to disclose management judgments and assumptions

Relevance for Startups and Emerging Entities

For startups, understanding Ind AS 1 ensures:

 Structured presentation that attracts investor confidence

 Clarity on performance through transparent reporting

 Avoidance of non-compliance penalties and audit risks

Conclusion

Ind AS 1 not only structures financial reporting but also enhances user confidence in the financial statements.

A sound understanding of its components and principles is essential for CA professionals and students alike, especially in a growing compliance-driven environment.

Whether you're a startup pitching to investors, or a CFO explaining losses as ‘strategic investments’ — presentaƟon maΣers. And no, not just your PPT skills, but how your financials tell your story.

So next Ɵme you read a balance sheet that says 'Other LiabiliƟes – ₹95 Crores’ – don’t just nod wisely. Ask yourself, ‘Yeh kaunsa “other” hai jo har saal itna bada ho jaata hai?

Let’s make our statements not just presented, but also understood.

Beyond the Balance Sheet: Measuring ESG Performance in Financial Reports

Aryan Mevada
WRO0746868

Imagine a company is basking in glory, profits are booming, the balance sheet is squeaky clean, the board is smiling in the photo section. And then BOOM. Headlines scream oil spill, employee protests, whistleblower allegations. The stock crashes, regulators wake up, and suddenly, those footnotes don't seem so footnote-y anymore. That's where ESG comes in. It doesn't just measure how much a company earns, but how it earns it. ESG helps identify risks and opportunities that traditional financial reporting fails to capture.

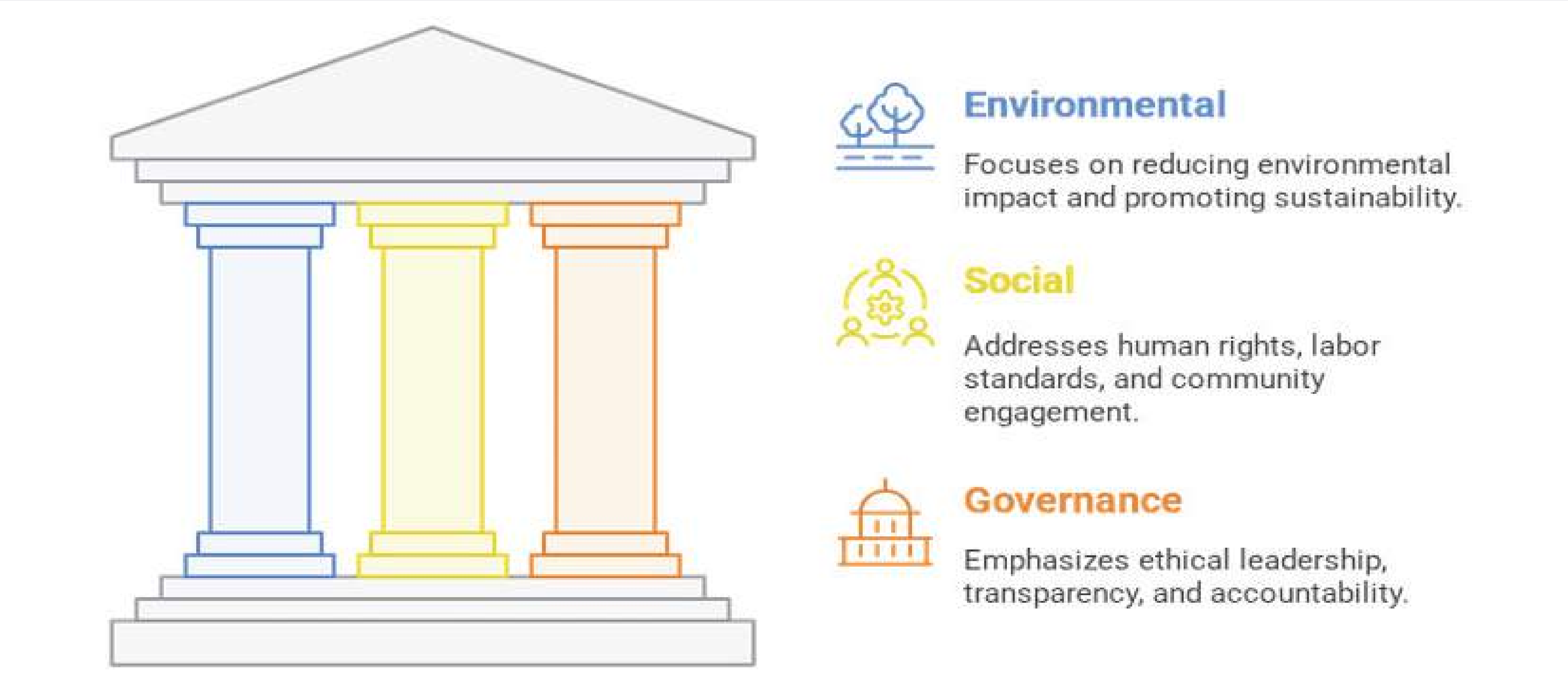
What is ESG?

To begin with, it is important to clarify a common misconception: ESG is not the same as CSR. While CSR often reflects voluntary, philanthropic initiatives, ESG focuses on structured, data driven outcomes.

- Sustainability is the broad umbrella: long-term environmental and social stewardship.
- Corporate Social Responsibility (CSR) is voluntary goodwill: charity, community work.
- Environmental, Social, Governance (ESG) is measurable, structured, and investor-focused.

It's where data meets ethics. ESG integrates sustainability into core business performance, with measurable targets and transparent reporting. It is a set of criteria that is used to evaluate company's impact on the world beyond just it's financial performance.

Three Pillars of ESG



1. Environmental: This pillar covers how a company interacts with the environment. Key focus areas include:

- Greenhouse gas emissions
- Carbon Neutral
- Energy use
- Waste management
- Biodiversity and deforestation
- Water usage and pollution

By reporting environmental metrics, companies assess their ecological footprint, comply with environmental laws, and improve efficiency.

Example: Tata Power targets 80% clean energy by 2030, investing in rooftop solar, EV infrastructure, and microgrids in rural India.

2. Social: This pillar assesses how a company manages relationships with its stakeholders:

- Employee welfare and rights
- Diversity, equity, and inclusion
- Health and safety
- Community development
- Customer privacy and human rights

Social metrics indicate how companies create inclusive and equitable workplaces, treat their workers, and support society.

Example: HDFC Bank's Parivartan initiative has invested over ₹2,000 crores in financial literacy, rural infrastructure, and skill development.

3. Governance: This pillar focuses on leadership, ethics, and accountability:

- Board composition and independence
- Executive compensation
- Business ethics and anti-corruption • Shareholder rights
- Regulatory compliance and disclosures

Strong governance reduces the risk of fraud and enhances long-term business performance.

Example: Infosys is recognized for its ethical corporate governance and transparency.

It is also carbon neutral and publishes GRI and SASB-aligned ESG reports.

Why does ESG Reporting matter, and What are the Key Reporting Frameworks?

Investors today are not just interested in profits. They want to know how sustainable are those profits? What risks is the company hiding beneath the surface?

Financial reports show value. ESG reports show values.

Globally, organizations follow various frameworks to report ESG performance:

• **Global Reporting Initiative (GRI):** Widely used to report on environmental and social impact. It provides comprehensive guidelines for reporting on economic, environmental, and social impacts. The GRI Standards are commonly used by Indian companies to disclose their ESG performance.

• **Sustainability Accounting Standards Board (SASB):** SASB focuses on industry-specific disclosure standards. SASB standards help companies identify and report financially material ESG factors specific to their industry.

• **International Sustainability Standards Board(ISSB):** ISSB has provided two standards IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures which serve as a comprehensive global baseline of sustainability disclosures for the capital markets.

• **Task Force on Climate-related Financial Disclosures (TCFD):** It is a guiding framework that establishes common principles for how companies and other organizations should provide information on the risks and opportunities associated with climate change.

These frameworks aim to standardize ESG disclosures, enabling comparability and informed decision–making.

In India, the Securities and Exchange Board of India (SEBI) has mandated the Business Responsibility and Sustainability Report (BRSR) for the top 1,000 listed companies. This marks a major step toward integrating ESG into mainstream financial reporting.

SEBI has given a format for Business Responsibility and Sustainability Report which comprises of 3 sections. I have tried to summarize the matters to be reported therein.

Section A: General Disclosures

This section captures the basic organizational and operational profile of the company.
It includes:

- Company Details
- Business Activities
- Operations
- Employees
- Group Companies
- CSR Applicability
- Grievances
- Material Issues

Section B: Management and Process Disclosures

This section focuses on the company's ESG governance framework and its alignment with the 9 National Guidelines on Responsible Business Conduct (NGRBC) Principles:

- Policy Coverage
- Implementation & Targets
- Governance Oversight
- Review Mechanism
- External Assessment
- Gaps & Explanations

Section C: Principle–wise Performance Disclosures

This section evaluates how well a company is implementing and performing under the 9 principles of the National Guidelines on Responsible Business Conduct (NGRBC).

It is divided into:
• Essential Indicators (Mandatory for all companies)

These measure compliance and performance across the following principles:

P1	Ethical Governance	Anti-bribery policies, corruption-related complaints, conflict of interest disclosures, and legal penalties.
P2	Sustainability of Products	Investments in eco-friendly R&D, sustainable sourcing, recycling processes, and compliance with EPR rules.
P3	Employee Well-being	Health and safety coverage, benefits, training, union representation, workplace accessibility, and grievance mechanisms.
P4	Stakeholder Engagement	Processes for identifying and engaging with key stakeholder groups, including vulnerable/marginalized communities.
P5	Human Rights	Processes for identifying and engaging with key stakeholder groups, including vulnerable/marginalized communities.
P6	Environmental Management	Energy and water usage, emissions (GHG, air), waste management, compliance with environmental laws.
P7	Public Policy Advocacy	Membership in trade associations and any anti-competitive behaviour-related corrective actions.
P8	Inclusive Growth	CSR projects, social impact assessments, procurement from MSMEs or vulnerable groups.
P9	Consumer Responsibility	Product safety, recall data, consumer grievance redressal, data privacy, and awareness efforts.

• **Leadership Indicators (Voluntary, for companies aiming for ESG excellence)**

These include advanced practices like:
✓ Lifecycle assessments of products
✓ ESG training for value chain partners
✓ Sustainability-linked targets and achievements
✓ Corrective actions based on stakeholder feedback and ESG assessments
✓ Community engagement, biodiversity impact reduction, and disaster management planning

Where ESG Appears in Financial Reports?

ESG data appears in various reporting formats:

• Annual Reports: Often include ESG in the Management Discussion & Analysis section.
• Sustainability Reports: Standalone or integrated reports that provide detailed ESG data.
• BRSR Reports: SEBI-mandated ESG reports for Top 1000 Indian listed companies.

These disclosures are increasingly being reviewed by auditors and considered in valuation models by investors.

ESG Projects by Companies in India

Let's look at some Indian pioneers in ESG disclosure:

1. Tata Power– Sustainability and Renewable Energy Initiatives Project:
Transition to Renewable Energy
• Tata Power is heavily investing in renewable energy projects, aiming to have 80% of its capacity from clean sources by 2030.
• Launched large-scale solar rooftop programs, EV charging infrastructure, and solar microgrids in rural India.

2. Infosys– Carbon Neutrality

Project: Carbon Neutral Commitment

• Infosys became carbon neutral in 2020, ahead of many global peers.
• Listed in Dow Jones Sustainability Index (DJSI) for several years.

3. Mahindra Group– Green Initiative Project:

Mahindra Hariyali (Green India Mission)

• Planted over 19 million trees under Hariyali initiative.

What are ESG Scores and who assigns them?

An ESG Score is like a credit rating, but for sustainability. It measures how effectively a company manages ESG risks and opportunities.

There are two broad types of scoring:

• Industry–agnostic: Common metrics across all industries. For example: Climate change, Diversity and inclusion, human rights, etc.
• Industry–specific: Tailored to sectoral material issues. For example, say, waste management in manufacturing, water usage in agriculture, etc.

In India, ESG ratings are provided by several institutions:

• CRISIL ESG Ratings
• ICRA ESG Ratings

- MSCI India
- LSEG (Refinitiv)
- Sustainalytics
- Stakeholders Empowerment Services (SES)

Process Flow for calculating ESG Scores

1. Data Collection:

– Sources include annual reports, sustainability reports, regulatory filings (like BRSR), media reports, and third-party databases.

2. Categorization into Pillars:

– Data is classified into Environmental, Social, and Governance categories.
– Each category includes specific quantitative and qualitative indicators.

3. Materiality Assessment:

– Some ESG factors are more relevant in specific industries.
– For instance, emissions are material for energy firms; privacy is material for tech firms.
– Agencies apply materiality weightings accordingly.

4. Scoring Metrics:

– Each metric is scored based on performance, policy presence, and disclosure quality.
– Scores are normalized using benchmarks or risk exposure.

5. Aggregation of Pillar Scores:

– Weighted scores are aggregated to calculate E, S, and G scores.

6. Controversy Adjustments:

– Companies with ESG-related scandals (e.g., fraud, spills) are penalized.
– This ensures scores reflect not just policy, but practice.

7. Final Score Assignment:

– Composite ESG score is reported either as:
– Numeric (0 to 100), or – Letter grades (e.g., AAA to CCC, A+ to D–).

Conclusion

ESG is no longer an optional feel-good initiative. It is a strategic necessity. From investors to regulators to consumers, the world is watching not just what companies earn, but how they earn it.

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NATIONAL CONFERENCE OF CA STUDENTS

CLUBBING OF INCOME & SET-OFF OF LOSSES: SMART TAX PLANNING

Nivedi Jain

WRO0744031

A. Introduction

Tax planning is a legitimate and essential aspect of financial management. The Income-tax Act, 1961 ('the Act'), provides mechanisms to ensure that taxpayers are taxed on their real income. Among these, clubbing provisions and loss adjustment mechanisms are often misunderstood or underutilized. This article aims to demystify these provisions and demonstrate how they can be used ethically and effectively for tax optimization.

B. Statutory Framework : Clubbing of Income – Section 60-65

Sections 60 to 65 of the Act, which addresses the inclusion of income from other persons in the Assessee's total income. While Section 4 states that income tax is chargeable on an individual's total income, these provisions serve as exceptions to prevent tax avoidance through income diversion while retaining control or benefit.

The law mandates that in certain circumstances, income that appears to belong to another person must be included in the Assessee's total income, ensuring that the substance of the transaction dictates taxability. Over time, these provisions have evolved to include automatic aggregation of a minor's income with the higher-earning parent and exclude clubbing between spouses who are partners in the same firm, reflecting ongoing legislative efforts to close loopholes and adapt to new tax avoidance strategies.

Section / Clause	Applicability	Example
Section 60	Transfer of income where there is no transfer of assets	Transfer of interest income on debentures to a friend without transferring the debentures
Section 60	Transfer of income where there is no transfer of assets	Transfer of interest income on debentures to a friend without transferring the debentures
Section 62	Irrevocable transfer – income not clubbed if conditions under Section 62(1) met	Irrevocable trust where settlor is not a beneficiary
Section 63	Defines "revocable transfer" – includes power to reassume control or benefit	Trust where settlor retains power to revoke or benefit
Section 64(1)(iv)	Transfer of asset to spouse without adequate consideration	Gift of property to spouse
Section 64(1A)	Income of minor child (except from manual work or skill-based activity)	Interest income from FD in child's name
Explanation 1A to 64	Trust income for spouse where settlor is a partner in a firm	Spouse is beneficiary of trust; settlor is a partner
Explanation 2A to 64	Trust income for minor child where settlor is a partner in a firm	Minor child is beneficiary of trust; settlor is a partner

Set-off of Losses – Sections70 to 74

These sectionsallow taxpayers to adjust losses against income to compute net taxable income. The provisions are categorized into intra-head and inter-head adjustments and carry forward rules.

Section	Type of Loss	Set-off Allowed	Time Limit
70	Intra-head	Yes	N/A
71	Inter-head	Yes (except salary)	N/A
71(3A)	House property loss	Max INR 2 lakh	8 years
72	Business loss	Yes (not against salary)	8 years
73	Speculative loss	Only against speculative income	4 years
74	Capital loss	STCL: any CG; LTCL: only LTCG	8 years
32(2)	Unabsorbed depreciation	Against any income	Unlimited

C. Tax Planning Strategiesunder Clubbing Provisions

1. Operational Control vs. Ownership

Section 60 applies when income is transferred without transferring the ownership of the underlying asset. In the case of CIT v. Rungamatee Tea and Industries Ltd., the Assessee entered into an agreement to purchase the estate, but the legal title could not be transferred immediately due to regulatory delays. Despite this, the Assessee took over possession and management, earning profits from its operations.

The Calcutta High Court held that Section 60 was not applicable, as the income was derived from the right to manage and operate the business, not from the ownership of the asset. The court emphasized that the income arose from business activity and not from a passive transfer of income from an asset.

This case highlights a valuable tax planning strategy: when income is generated through operational control or business rights, rather than asset ownership, clubbing provisions under Section 60 may not apply. Structuring agreements to reflect genuine business activity can help optimize tax outcomes while remaining compliant.

2. Perpetual Lease and Tax Planning under Section 63

Section 63 of the Act defines a "revocable transfer" and brings such income back into the hands of the transferor for taxation. However, from a tax planning standpoint, if the arrangement is structured as a perpetual lease rather than a revocable transfer, Section 63 may not apply. This was affirmed in K.N. Razdan v. CIT, where the Assessee entered into an agreement to acquire property, but the transaction was, in substance, a lease in perpetuity. Despite the lessor retaining a right of re-entry upon breach of covenants, the court held that the transfer was not revocable within the meaning of Section 63.

This decision highlights a viable tax planning strategy: by structuring property arrangements as perpetual leases with long-term possession and enjoyment, rather than as revocable transfers, taxpayers can avoid the clubbing provisions under Section 63. The key lies in ensuring that the substance of the transaction reflects enduring rights and control, even if legal ownership or title is not immediately transferred.

3. Pre-Marital Transfers and Tax Planning under Section 64(1)(iv)

Section 64(1)(iv) of the Act, provides for the clubbing of income arising from assets transferred directly or indirectly to a spouse without adequate consideration. However, in Philip John Plasket Thomas v. CIT, the Supreme Court clarified that this provision applies only if the relationship of husband and wife exists at the time of the transfer. The Court held that a transfer made before marriage does not attract clubbing under this section, and that an engagement or public declaration of intent to marry is irrelevant for this purpose.

This ruling offers a clear tax planning opportunity: individuals may transfer assets to their future spouse prior to marriage without invoking the clubbing provisions of Section 64(1)(iv). By ensuring that the transfer is completed before the legal relationship of marriage is established, taxpayers can lawfully structure their affairs to minimize tax liability on income arising from such assets.

4. Loans vs. Transfers

Under the Act, a loan of money does not constitutea transfer of an asset in the strict legal sense and therefore does notautomatically attract clubbing provisions such as those under Section 64.

This principle was affirmed in R.K. Murti v. CIT and K.M.S. Lakshmanier and Sons v. CIT, where the courts held that a genuine loan—characterized by an enforceable agreement to repay the borrowed sum—cannot be equated with a transfer of an asset. Even if a spouse uses borrowed funds from the other spouse to acquire property, the transaction does not fall within the scope of clubbing, provided the loan is bona fide and duly repaid.
From a tax planning perspective, this distinction offers a legitimate route to avoid clubbing provisions. If structured properly, a documented and enforceable loan agreement between spouses—used for acquiring income-generating assets—will not be treated as a transfer under Section 64

5. Hindu Undivided Family (HUF) Transactions

In the context of HUFs, certain internal transactions—such as partition of family property or blending of self-acquired assets into the family hotchpot—do not amount to a "transfer" under the Act and hence do not attract clubbing provisions. As held in Subramania Iyer v. CIT and Keshavbhai Lalulal Patel v. CIT, such acts are governed by Hindu law and not by the Transfer of Property Act, and no formal documentation or registration is required. However, for clarity and to avoid disputes, a written declaration or affidavit evidencing the intention to blend assets is advisable.
From a tax planning perspective, this allows individuals to restructure ownership within the family—for example, by blending personal assets into HUF property or effecting a partition—without triggering tax consequences or clubbing under Section 64. It is important, however, that such transactions are genuine and not merely colorable devices to divert income.

6. Trust-Based Planning

Trusts can be a powerful tool for tax planning when structured correctly to avoid clubbing under Sections 61to 63 of the Act. To ensure income is not clubbed back to the settlor, the trust must be irrevocable, the settlor should not be a beneficiary, and the trust deed must clearly define the rights of the beneficiaries. As held in Tulsidas Kalichand v. CIT, even if the settlor appoints themselves as a trustee, clubbing does not apply if the trust is validly created and control is genuinely divested. Similarly, in Brennan Minors Trustee v. Scanlan, income was held to belong to the beneficiaries once the trust was properly constituted.

D. Tax Planning for Set-off of Losses

1.Strategic Use of House Property Loss

Under Section 71(3A) of the Act, loss under the head "Income from House Property" can be set off against income under any other head, subject to a maximum ofINR 2 lakh in a financial year. The balance, if any, can be carried forward for eight assessment years and set off only against house property income. This provision is particularly useful for salaried individuals who have taken housing loans. By claiming interestdeduction under Section24(b), they can reduce their taxable salary income significantly.

For instance, if a taxpayer has a salary income of INR 10 lakh and a house property loss of INR 3.5 lakh (due to interest on a home loan), only INR 2 lakh can be set off in the current year, reducing the taxable income to INR 8 lakh. The remaining INR 1.5 lakh can be carried forward. This strategy is especially effective when the taxpayer expects future rental income or plans to sell the property, allowing the carried forward loss to be absorbed in subsequent years.

2. Capital Gains Harvesting and Loss Realization

Capital gains and losses are governed by Sections 70 and 74. Short-term capital losses (STCL) can be set off against both short-term and long-term capital gains, while long-term capital losses (LTCL) can only be set off against long-term capital gains. Both can be carried forward for eight years. Taxpayers can strategically sell loss-making assets before the end of the financial year to realize capital losses and offset them against gains.

For example, if an investorhas a long-term capital gain of INR 5 lakh from the sale of equity shares and an unrealized long-term capital loss of INR 3 lakh in mutual funds, selling the mutual funds before March 31 allows the taxpayer to set off the loss and reduce the taxable gain to INR 2 lakh. This technique, known as "capital loss harvesting," is particularly useful in volatile markets and can be repeated annually to manage tax liability.

3. Preserving BusinessLosses and Prioritizing Set-Off

Business losses under Section 72 can be carried forward for eight years and set off only against business income. However, unabsorbed depreciation under Section 32(2) can be carried forward indefinitely and set off against any head of income (except salary). Therefore, it is advisable to first set off business losses before applying unabsorbed depreciation, to preserve the latter for future years when business income may not be available.

For example, if a business has a current year profit of INR 6 lakh, a brought forward business loss of INR 4 lakh, and unabsorbed depreciation of INR 3 lakh, the business loss should be set off first, reducing the taxable income to INR 2 lakh. The unabsorbed depreciation of INR 3 lakh can then be carried forward indefinitely. This sequencing ensures optimal utilization of loss allowances and preserves long-term tax shields.

E. Conclusion

This article highlights the strategic use of Sections 61–64 (Clubbing of Income) and 70–74 (Set-off and Carry Forward of Losses) under the Indian Income-tax Act, 1961. While primarily anti-avoidance measures, these provisions present valuable opportunities for tax optimization. By understanding and applying these sections, taxpayers can effectively manage their tax liabilities in a compliant manner.

Ethical tax planning, including trust-based strategies and careful loss management, allows individuals and professionals to navigate complex tax regulations. Ultimately, leveraging these provisions not only reduces tax burdens but also enhances overall financial management.

Faceless Assessments & Appeals: Reforming Tax Administration

Het Patel
WRO0829622

I. INTRODUCTION

In 2015, a quiet experiment began in five Indian cities. The Income Tax Department, recognizing the mounting challenges of inefficiency, subjectivity, and corruption in traditional tax assessments, launched a pilot project: the e-assessment scheme.

The early success of this digital approach led to its expansion in 2016 to more cities, and by 2017, the department developed the Income Tax Business Application (ITBA), an integrated electronic platform for assessments. The Central Board of Direct Taxes (CBDT) mandated electronic communications for scrutiny cases, steadily moving the entire process online.

Building on these steps, the formal E-Assessment Scheme was introduced in 2019, establishing centralized assessment centres and random case allocation. In August 2020, the "Transparent Taxation – Honouring the Honest" platform was launched, institutionalizing faceless assessments and appeals alongside a Taxpayers' Charter. These reforms reflect the government's vision of a modern, technology driven, and taxpayer-friendly system.

While these initiatives were designed to create a more robust and taxpayer-friendly system, questions remain as to whether the ambitious goals of transparency, efficiency, and fairness have been fully realized in practice.

This paper will explore the evolution of faceless assessment and appeals, evaluate the extent to which the government's vision has been achieved, and analyse the ongoing challenges and opportunities for future enhancement.

II. WHY CHANGE WAS NEEDED?

The traditional system of tax assessment suffered from significant inefficiencies and subjectivity, primarily because the entire process revolved around a single Assessing Officer (AO). This centralization led to inherent risks of corruption, as the AO acted as both investigator and final decision-maker. The pressure on the AO to justify their investigative efforts often resulted in biased or improper assessments, making the process highly subjective and sometimes unfair.

Additionally, the system lacked the ability to focus on complex or industry-specific issues due to limited resources, expertise, and time. AOs were expected to handle a wide range of technical matters without adequate specialization or support, which compromised the quality of assessments and failed to address critical issues effectively.

These systemic flaws resulted in unpredictable outcomes, inefficiencies, and a heavy reliance on the individual AO's capabilities and integrity. The process was also time-consuming for taxpayers and professionals, with much productive time wasted in physical interactions and administrative delays.

III. LEGISLATIVE BACKGROUND

The journey toward faceless assessments and appeals in India's tax system is not the result of a single reform, but the outcome of a gradual, deliberate shift over two decades.

The digital transition began with the e-filing of income tax returns in 2004, becoming mandatory for corporates by 2006 and gradually extending to most taxpayers. Simultaneously, mechanisms for risk profiling were enhanced through the introduction of Annual Information Returns (AIR) and later Statements of Financial Transactions (SFT), enabling better scrutiny based on reported financial data.

To assist accurate filing, Form 26AS was revamped to include comprehensive financial information, while legislative amendments in 2009 allowed for the electronic service of notices, laying the foundation for paperless communication.

The establishment of the Centralised Processing Centre (CPC) in 2008 significantly reduced return processing time, and the introduction of Section 133C allowed authorities to collect information electronically. These were supported by the Centralised Verification Scheme, promoting efficient back-end operations.

In 2015, a Paperless Assessment Scheme was launched to replace manual scrutiny processes, followed by the mandatory use of Document Identification Numbers (DIN) in 2019 to ensure authenticity in all tax authority communications.

The Faceless Assessment Scheme, introduced in 2019 and later expanded, was a landmark reform eliminating physical interaction between taxpayers and officers. Building on this, the Faceless Appeal Scheme (2020) digitized appellate proceedings to enhance efficiency, though it also sparked concerns regarding limited personal hearing.

IV. LEGAL FRAMEWORK

Faceless Assessment – Section 144B, Income Tax Act

"The assessment under section 143(3) or under section 144, in the cases referred to in sub-section (2) (other than the cases assigned to the Assessing Officer as may be specified by the Board), shall be made in a faceless manner as per the following procedure..." — Section 144B(1)

"All communication between the National Faceless Assessment Centre and the assessee or any other person or the income-tax authority shall be exclusively by electronic mode..." — Section 144B(6)

"No personal appearance shall be allowed in the course of any proceedings under this section before the income-tax authority or the National Faceless Assessment Centre or Regional Faceless Assessment Centre or any unit referred to in sub-section (1), except on a request made by the assessee..." — Section 144B(7)

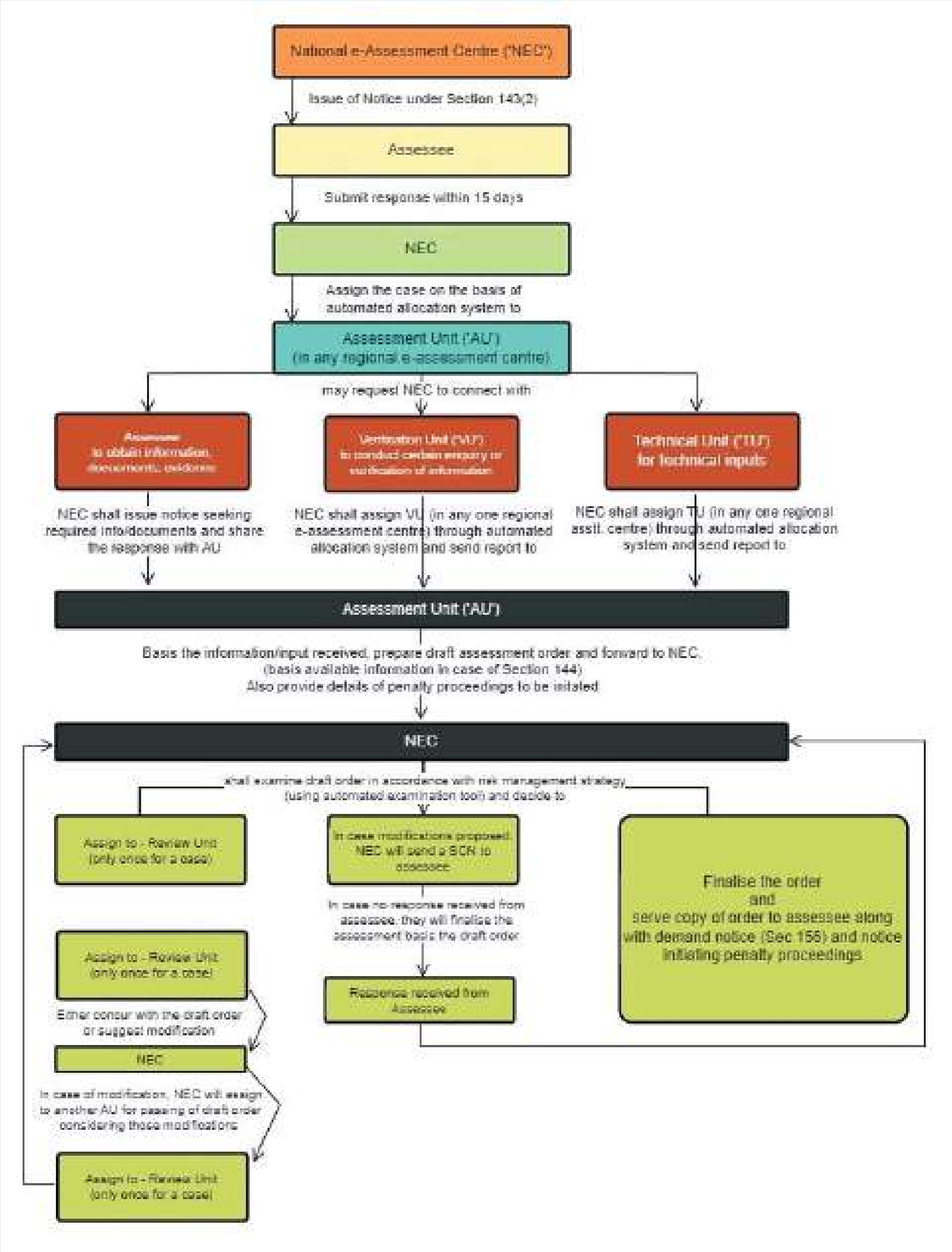
Faceless Appeals – Section 250 & Notification under Section 250(6B)

"The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of disposal of appeals by Commissioner (Appeals) so as to impart greater efficiency, transparency and accountability by..." — Section 250(6B)

V. BEHIND THE SCREEN

The faceless assessment and appeals system is a digital, team–based framework established to ensure transparency, efficiency, and fairness in India's income tax administration. The process starts with the National Faceless Assessment Centre (NFAC) selecting cases based on risk criteria and issuing electronic notices under Section 143(2). Cases are automatically allocated to Assessment Units (AUs) in Regional Faceless Assessment Centres (RFACs), ensuring anonymity and impartiality. The AU reviews taxpayer submissions, may seek further documents, and can consult Verification or Technical Units as needed. All communications are electronic, with no physical meetings or direct contact.

After review, the AU drafts an assessment order, which is vetted by a Review Unit for accuracy and legal compliance. If adverse changes are proposed, a show cause notice is issued, allowing the taxpayer to respond online. The NFAC finalizes and communicates the assessment outcome electronically, including any tax demand or refund. Eligible cases can be escalated to the Dispute Resolution Panel (DRP), and all records are maintained digitally. Faceless appeals follow a similar digital process: appeals are filed and processed online, cases are randomly allocated to appellate units, and all hearings and communications are electronic, further reducing subjectivity and enhancing taxpayer



This marks a significant departure from the conventional system of scrutiny assessment which involved a high level of personal interaction between the tax payer and the Income Tax Department officials. Under the faceless e–assessment system, the tax payer would not know by whom his /her return is being assessed or in which city.

VI. GAINS SO FAR

Early outcomes of the faceless assessment regime indicate notable gains in transparency, speed, and taxpayer experience. By eliminating direct contact between taxpayers and tax officials, the system has significantly reduced opportunities for bias and corruption, ensuring that all proceedings are conducted electronically and monitored centrally. This shift has made the assessment process more transparent and standardized, with a clear digital trail for each case, thereby building greater trust in the tax administration.

As per S K Gupta, Principal Chief Commissioner of Income Tax and Member, Central Board of Direct Taxes (CBDT), *"The anonymity and the absence of human interface will go a long way in addressing the issue of harassment as well as curb instances of corruption".*

Improvements in speed and efficiency are evident, as faceless assessments have minimized the need for physical appearances and repetitive visits to tax offices, saving considerable time for both taxpayers and officials.

The streamlined, paperless process has also enhanced the overall taxpayer experience by making compliance less burdensome and more predictable, while the team based approach and use of technology have contributed to faster case disposal and more consistent outcomes.

VII. Challenges & Concerns

The faceless assessment and appeals regime, while advancing efficiency and transparency, has faced criticism for impacting the principles of natural justice, especially the right to a fair hearing. Courts have repeatedly intervened where procedural lapses occurred, such as not granting a personal hearing despite specific requests or passing orders without considering taxpayer submissions. For instance, in Chander Arjandas Manwani (Bombay HC, 2021), the assessment order was set aside because a requested personal hearing was not granted, and no reasons were recorded for its denial. The Delhi High Court has also clarified that,

"Faceless Assessment Scheme does not mean no personal hearing. An assessee has a vested right to personal hearing and the same has to be given, if an assessee asks for it".

In M/s. Piramal Enterprise Ltd. vs. Addl. CIT (Bombay HC, 2021), the Court declared the assessment non est under Section 144B(9) for not following the mandated procedures, emphasizing that, *“principles of natural justice firmly run through the fabric of section 144B”*.

Additionally, the current digital platforms can be complex or unintuitive, underscoring the importance of developing more user-friendly interfaces that ensure clear instructions, efficient navigation, faster load times, and accessible support features for all users.

The Assessment Unit (AU) has the option to refer cases to verification or technical units, which raises concerns about frivolous references or incomplete assessments due to extraneous considerations. It is crucial to strike a balance, ensuring that the AU fulfills its responsibilities effectively and seeks further inquiry only when justified.

The assessment process involves multiple layers, including case selection, replies by the assessee, allocation to Regional e-Assessment Centres (ReACs), references to verification or technical units, draft orders, automated examinations, reviews, and final orders. These layers can lead to significant time delays and coordination issues. A streamlined workflow is essential to ensure that the overall time taken is not excessively high compared to the current system.

In the 2024 Budget speech, Nirmala Sitharaman, Union Finance Minister, said,

“To dispose of the backlog of first appeals, I plan to deploy more officers to hear and decide such appeals, especially those with large tax effect.”

Faceless assessments inherently lack interaction, relying solely on written communication, which can lead to misunderstandings. Not all individuals possess excellent written communication skills, and assumptions made in written replies may result in gaps in understanding. Unlike oral hearings, where discussions can clarify points, faceless assessments risk additions due to ineffective explanations of facts or points.

VIII. Way Forward – Facing the Faceless

To strengthen the faceless assessment system and build greater trust, several improvements are recommended. First, enhance communication by ensuring timely and clear notifications for every action, and provide real time interaction options, such as accessible and properly recorded video conferencing, to allow taxpayers to clarify complex issues and present their case more effectively. Upgrading the e-filing portal's infrastructure to handle bulk data uploads, reduce technical glitches, and offer user-friendly interfaces will make the process smoother and more accessible for all taxpayers, especially those in smaller towns and with limited digital experience.

Protecting taxpayer rights requires greater flexibility in deadlines, the option for manual assessment in complex or exceptional cases, and a more responsive grievance redressal mechanism. Establishing dedicated help desks, allowing easier rectification and stay applications, and ensuring all proceedings adhere to the principles of natural justice will further enhance confidence in the system. These steps, combined with continuous feedback and technological upgrades, are essential to ensure the faceless assessment regime remains fair, efficient, and truly taxpayer-friendly.

IX. CONCLUSION

The faceless assessment and appeals regime has become the new normal in tax administration, ushering in greater transparency, efficiency, and fairness. It is important that we not only appreciate these benefits but also get fully habituated to this digital transformation. Moving forward, continuous development and refinement of the system are essential to address challenges and enhance taxpayer experience. With thoughtful improvements and collective effort, the faceless regime can truly revolutionize tax administration for the better.

Cryptocurrency & Digital Asset Taxation: What Every Young Taxpayer Must Know

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1. INTRODUCTION

Cryptocurrencies such as Bitcoin, Ethereum, and various altcoins have transitioned from niche technological concepts to globally recognized financial instruments over the past decade. India has witnessed a surge in the number of young investors who are increasingly drawn to this new-age asset class. Young Indian investors, many of whom are digital natives, are among the most active participants in this space. However, a significant number remain unaware of the tax responsibilities tied to owning and trading digital assets. This paper aims to bridge that knowledge gap and help young Indian taxpayers navigate the evolving domain of crypto taxation under Indian laws.

2. UNDERSTANDING CRYPTOCURRENCY & DIGITAL ASSETS

Digital assets encompass a wide variety of blockchain-based instruments, including:

- Cryptocurrencies like Bitcoin (BTC) and Ethereum (ETH)
- Stablecoins such as USDT and USDC
- Non-Fungible Tokens (NFTs) representing digital ownership
- DeFi tokens and governance tokens

A cryptocurrency is a digital or virtual currency secured by cryptography, which makes it nearly impossible to counterfeit or double-spend.

Cryptocurrencies are decentralized digital currencies utilizing blockchain technology. As digital assets, they have evolved as investment vehicles and presents unique tax implications for young taxpayers navigating this emerging financial landscape.

These can be held, traded, staked, or used in decentralized finance (DeFi) ecosystems. Digital assets are now defined under the term 'Virtual Digital Assets' (VDAs) and are subject to specific taxation rules.

3. HOW CAN WE CREATE INCOME FROM CRYPTOCURRENCIES AND DIGITAL ASSETS

There are multiple ways to generate income from cryptocurrencies:
- Trading: Buying low and selling high.
- Staking: Participating in blockchain consensus mechanisms and earning rewards.
- Airdrops: Receiving free tokens during marketing campaigns or blockchain forks.
- NFT Sales: Selling digital artwork or collectibles as NFTs.
- Payment for Goods/Services: Accepting crypto as a form of payment.
- Lending & Yield Farming: Earning interest on crypto by locking funds in DeFi protocols.

Each of these methods results in either capital gains or income, both of which have tax implications.

4. REGULATORY LANDSCAPE & TAX IMPLICATIONS

Different countries have adopted varying approaches to digital asset taxation:
• United States: The IRS treats cryptocurrencies as property. Capital gains and losses apply.
• India: Introduced a fixed tax rate on crypto income, with no deductions except cost of acquisition.

The Indian government formally introduced taxation for VDAs in the Union Budget 2022:

• Section 115BBH:

o Income from the transfer of any VDA is taxed at a flat rate of 30%.
o No deduction is allowed for any expense (other than the cost of acquisition).
o Losses cannot be set off against any other income or carried forward.

• 1% TDS (Section 194S):

o Imposes a 1% Tax Deducted at Source (TDS) on payments for the transfer of VDAs when the amount exceeds ₹10,000 (₹50,000 for specified persons).

• Gifting:

o Gifts exceeding ₹50,000 in value in a financial year are taxable in the hands of the recipient as “Income from Other Sources”.

5. TAX RATES AND RULES FOR TDS DEDUCTIONS

• 30% Flat Tax:

o Applies to all gains from transfer of VDAs.
o No exemption or rebate under Section 87A.

• 1% TDS (Section 194S):

o Deducted on transfer of VDAs exceeding ₹10,000 (₹50,000 for specified persons).
o TDS is applicable even in crypto-to-crypto trades.
o Responsibility of deducting TDS lies with the buyer.

ILLUSTRATION:

Mr. A, a 26-year-old software developer based in Bengaluru, actively trades in cryptocurrencies. On 10th August 2024, she purchased 1 Ethereum (ETH) at ₹1,50,000. She sold it on 20th December 2024 for ₹2,00,000 via a registered Indian exchange.

Step-by-Step Tax Treatment:

1. Nature of Transaction:

o Since Riya sold her crypto asset (Ethereum), it qualifies as a transfer of a VDA.

2. Capital Gain:

o Selling Price: ₹2,00,000
o Cost of Acquisition: ₹1,50,000
o Capital Gain: ₹50,000

3. Applicable Tax Rate (as per Section 115BBH):

o 30% flat on gains: ₹50,000 × 30% = ₹15,000
o No deductions (like brokerage, internet fees, etc.) allowed
o No set–off allowed against any other loss

4. TDS Deduction (as per Section 194S):
o Buyer (through the exchange) must deduct 1% TDS on consideration
o TDS = 1% of ₹2,00,000 = ₹2,000
o Riya receives ₹1,98,000 in her account
o TDS will be reflected in her Form 26AS and must be claimed while filing ITR

5. Final Tax Payment:
o Riya must pay ₹15,000 as income tax on crypto gain
o She can adjust the ₹2,000 TDS already deducted
o Net Payable at time of ITR filing: ₹13,000

6. COMPREHENSIVE CASE STUDY: TAXATION AND TDS ON VIRTUAL DIGITAL ASSETS

Transactions During the Year:

Date	Type	Asset	Buy Price (INR)	Sell Price (INR)	Platform	Notes
1-Jul-2024	Buy	BTC	₹4,00,000	–	CoinDCX	1 BTC
15-Oct-2024	Sell	BTC	–	₹5,20,000	CoinDCX	1 BTC sold
5-Nov-2024	Earn	ETH (Airdrop)	–	₹20,000	Binance	Reward from staking pool
10-Dec-2024	Transfer	ETH	₹0	₹45,000	Binance to Wallet	No actual sale
5-Jan-2025	NFT Mint & Sell	Digital Artwork	–	₹1,50,000	OpenSea (via MetaMask)	Sale proceeds in ETH
20-Jan-2025	Trade	USDT to BTC	₹1,00,000	₹1,05,000	Binance	Crypto-to-crypto conversion
10-Feb-2025	Gift	BTC	–	₹70,000		

Tax Treatment:

1. Sale of Bitcoin (BTC)

- Capital Gain: ₹5,20,000 (Sale) – ₹4,00,000 (Purchase) = ₹1,20,000
- Tax @30% = ₹36,000
- TDS Deducted (by CoinDCX under Sec 194S) = ₹5,200 (1% of ₹5,20,000)
- Net Receivable = ₹5,14,800
- TDS claimable in Form 26AS

2. Airdrop of ETH (Earned Income)

- Taxable as Income from Other Sources
- Value: ₹20,000
- Taxable as per slab (Assuming total income exceeds ₹5 lakh, taxed at 5% or more)
- No TDS deducted by Binance (foreign platform) – Aryan must self-report

3. Transfer of ETH to Wallet

- No sale → Not considered a "transfer" under Income Tax
- No tax liability
- However, record date and value for future cost basis

4. NFT Mint & Sale

- Taxable Event: Sale of NFT = ₹1,50,000
- Assumed Minting Cost: ₹10,000 (gas fees, design)
- Net Gain: ₹1,40,000
- Tax @30% under Sec 115BBH = ₹42,000
- No TDS deducted (as buyer was non-resident on OpenSea)
- Aryan must pay full tax + self-report income

5. Crypto-to-Crypto Trade (USDT → BTC)

- Treated as two separate transactions:

o Disposal of USDT = ₹1,00,000

o Acquisition of BTC = ₹1,05,000

- Gain = ₹5,000
- Tax @30% = ₹1,500
- TDS @1% on Sell Value (₹1,00,000) = ₹1,000 (self-deductible if buyer didn't)
- If traded via foreign exchange, Aryan must deduct and deposit TDS himself

6. Gift Received (BTC worth ₹70,000)

- Gift above ₹50,000 = Taxable under 'Income from Other Sources'
- Taxable Value = ₹70,000
- Tax Rate = As per slab (e.g., 5%, 20% depending on total income)
- If gift is from a friend (non-relative) → Taxable

Summary of Tax Payable:
TDS Already Deducted: ₹6,200
Balance Tax Payable = ₹91,300 (plus cess, surcharge if applicable)

7. COMPLIANCES IN RELATION TO CRYPTOCURRENCIES AND DIGITAL ASSETS

• Record Keeping:

o Maintain records of every trade: date, time, asset, price, platform, and INR value.

• Filing Income Tax Returns (ITR):

o Declare crypto gains/losses under "Income from Other Sources" or "Capital Gains."
o Use the applicable ITR forms (likely ITR-2 or ITR-3).

• TDS Filings:

o If you are responsible for deducting TDS, file the corresponding forms within due dates.

• Disclosures in AIS/26AS:

o Ensure that crypto transactions are reflected and matched correctly with your filed returns.

• Advance Tax:

o Pay advance tax if your total tax liability exceeds ₹10,000.

8. CHALLENGES IN CRYPTO TAXATION

• Lack of Tax Awareness: Many young investors lack understanding of tax implications for crypto transactions.
• Complex Tax Filing: Calculating gain/loss, tracking TDS, and identifying taxable events can be overwhelming.
• No Loss Adjustment: Unlike stock trading, VDA losses cannot be offset or carried forward.
• High Tax Rates: The flat 30% rate with no exemptions discourages frequent trading.
• Limited Guidance: Few tax professionals are well-versed in crypto taxation in India.

9. BEST PRACTICES FOR YOUNG TAXPAYERS

To stay compliant and avoid legal troubles:
• Maintain Accurate Records: Keep details of every transaction—dates, crypto pairs, value in INR, and wallet IDs.
• Use Tax Tools: Platforms like KoinX, TaxNodes, and ClearTax offer crypto-specific tax solutions.
• Deduct TDS where applicable and file Form 26QE if you are responsible for deduction.
• File Returns Correctly: Use the appropriate ITR form and disclose crypto earnings clearly.
• Stay Updated: Monitor notifications from the Income Tax Department and CBDT.

10. CONCLUSION

Cryptocurrencies offer exciting financial opportunities for young investors, but also demand serious attention to taxation and compliance. India's approach—while conservative—provides a clear structure to ensure transparency and fiscal discipline. With evolving global and domestic regulations, Indian taxpayers, especially the youth, must proactively engage with their responsibilities. Staying informed, organized, and compliant is the key to benefiting from the crypto revolution while avoiding legal pitfalls.