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# THE CHARTERED ACCOUNTANT WORLD

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## EDITORIAL Unlocking Industrial and business Growth: What Needs Improvement

**CA Vinod Jain***
B. Com (H) (SRCC), FCA FCS FCMA LLB. DISA (ICAI), FAFD (ICAI)

The series of editorials commencing with the current issue, an attempt is being made to identify and bring out structural and policy-level gaps, in important aspects and areas, which India must resolve to attract and support micro , small and medium enterprises in manufacturing, trading, agriculture and services to grow at a faster pace. Some of the Key aspects include:

**Infrastructure and Land Access**

- A need to offer plug-and-play industrial parks with shared infrastructure from existing Land banks at reasonable cost. The lands prices are a major bottleneck in the system.
- Land acquisition for industry by Government legally and financially not feasible and Government may incentivise land acquisition by a special subvention scheme linked to friendly parameters. The Government may consider value added based stamp duty charged only on value addition, to bring liquidity in land and building availability.
- The Government may consider demat of land holdings under a mission to ensure clear titles. This can facilitate Leasing, charge creation and transfer of title easy and transparent.
- CERSAI portal recording all Charges on real estate, Demat land holdings data and E records of Land and Property ownership details as per District and Tehsil records should be freely accessible with search facilities.

**Bank Lending norms need liberalisation:**

Lending by banks is monitored by the regulator RBI very effectively and efficiently during last 50 years. Detailed norms and guidelines in terms of Tandon Committee and Chore Committee reports paved the way since 1970s and 1980s era. RBI used to approve all material credit limits provided by Banks on case-to-case basis within these norms. The 1990s brought a first stage liberalisation in lending norms.

During 2004 to 2014, due to complete disregard of internal financial control and lack of due diligence by certain bank officials, the banks suffered heavy financial losses from non- performing, doubtful and loss assets which reached to 15% to 20% levels, although growth of bank credit was phenomenally large.

Now in last 11 years the internal financial and operating controls and processes have been substantially strengthened and NPA have come down at substantially low levels of 2% to 3% in most banks. The economy is also poised for a massive growth opportunity.

The banking sector is now fully equipped with streamlined lending processes and internal Financial and operational controls under the leadership of RBI and Indian Bank association. It is now important to enhance credit availability for swift economic growth, and India is poised for next stage liberalisation of lending norms, policies and procedures.

**Regulatory and Banking Norms need liberalisation**: The current lending norms and bank policies severely restrict financial facilities to medium and small-scale manufacturing, trading, agriculture as well as service sector. Flexible schemes need to be structured so that subject to restricting misuse or diversion of funds, the leverage and complete flexibility is provided to genuine entrepreneurs against primary security with reasonable margin norms. Collaterals and personal guarantees have only restricted availability of bank finance in limited hands. Growth of Greenfield projects, technical innovation, start-up projects as well as expansion and diversification require leveraging of promoters and investors equity. The schemes and norms today have inadequate flexibility. It is important for the regulator to please re consider relaxing regulatory and banking norms.

**Collaterals being insisted**: The Government has declared Credit Guarantee schemes even in case of loans up to Rs 50 Crores to MSME. Inspite of 60% loans exposure fully insured and guaranteed by the Government of India and availability of 100 percent Primary security, the banks are

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* **CA Vinod Jain,** is Past President, All India Chartered Accountant Society, Former Member, Central Council, ICAI, Advisor to GST Council, Former Member High Powered Income Tax Simplification Govt. committee. **Email:** vinodjain@inmacs.com, vinodjainca@gmail.com **Mobile:** +91 98110 40004

# Latest in Finance

**Insurers' Potential Shift: Bond Forwards vs. FRAs Explained**

In a circular, the Insurance Regulatory and Development Authority of India (Irdai) has said in view of the Reserve Bank of India's (RBI's) directions and considering insurers' requests for introducing bond forwards, insurers are permitted to undertake transactions in them. In brief, it will mean:

- Insurers can now use bond forwards for hedging (aligned with RBI).
- Bond forwards deliver bonds at maturity (unlike cash-settled FRAs).
- This lowers settlement risk and removes the need to buy bonds separately.
- Only long positions allowed; quarterly reporting required.
- Bond forwards excluded from unit-linked plans.

**India's M&A Nearing the $100 Billion Mark**

Fuelled by private equity investments, mergers and acquisitions (M&As) in India rose by 26.4 per cent to $99.9 billion in the current financial year (FY25) in value when compared to $79.05 billion worth of deals reported in the last financial year.So far in FY25, 3,103 transactions were signed as against 2,598 deals signed in FY24, according to Bloomberg data,

**Funding Trend for Stat-ups**

Fuelled by larger investments, start-up funding rounds have seen a significant uptick since 2021.**Capital raised per round** has surged since 2021, often exceeding $3 mn in recent deals, according to industry experts. **Larger seed rounds** over $3 million now account for 50% of all funding, according to a report by Blume Ventures. **VC funds and family offices** that invest at the seed stage, are now looking at firms that are a little more mature with a proof of concept Emphasis on backing proven entrepreneurs altering the landscape for first-time founders

**Tighter Gold loan Norms**

RBI wants lenders to boost background checks on borrowers and ascertain ownership of gold.

***Editor's Comment** : RBI has also been insisting banks and NBFCs to be more stringent in verification of purity and value of Gold pledged. Evergreening Gold loans has been prohibited as renewal without full repayment has been barred by RBI.*


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# Capital Market

**SEBI Board Meeting – Key Highlights**

SEBI approved several regulatory reforms and updates across market segments. Major decisions include:

- The threshold for additional disclosures by Foreign Portfolio Investors (FPIs) has been increased from INR 25,000 crore to INR 50,000 crore of equity Assets Under Management (AUM), reflecting market growth.
- Category II Alternative Investment Funds (AIFs) are now permitted to treat investments in listed debt securities rated 'A' or below as equivalent to unlisted securities for regulatory compliance purposes.
- Fee Charging Flexibility for IAs and RAs: Investment Advisers (IAs) and Research Analysts (RAs) are now allowed to collect fees in advance for up to one year, enhancing operational flexibility.

**Stricter Path to Listing: SEBI's New Framework for SME IPO**

SEBI has notified a stricter regulatory framework for small and medium enter-prise (SME) IPOs by introducing a profitability requirement and capping a 20 per cent limit on offer-for-sale (OFS).

SEBI said SMEs planning to launch an IPO are required to have minimum operating profits (earnings before interest, depreciation and tax or EBITDA) **of 1 crore for at least two out of the three previous financial years.** Also, the **OFS component by selling shareholders in SME IPOs has been capped at 20 per cent of the total is-sue size.** Additionally, selling shareholders will not be allowed to offload more than **50 per cent of their existing holdings.**

Further, Promoters shareholding over the minimum Promoter Contribution (MPC) would be subject to a phased lock-in period. Half of the excess holding would be **released after one year,** while the remaining 50 per cent would be unlocked **after two years.**

SEBI has increased the minimum application size for SME IPO to two lots making entry stricter to avoid unnecessary speculation in SME IPO. The amount allocated for general corporate purpose (GCP) in SME IPOs has been capped at **15 per cent of the total issue size or 10 crore, whichever is lower.** SME issues will not be per mitted to use IPO proceeds to repay loans taken from promoters, promoter groups, or related parties, whether directly indirectly. The Draft Red Herring Prospectus (DRHP) for SME IPOs must be made available for public comments for 21days.

**NBFCs can now invest in security receipts issued by ARCs.**

Markets regulator SEBI has given more leeway to non-banking finance companies (NBFCs) to invest in security receipts issued by asset reconstruction companies, including housing finance companies, as qualified buyers. This may encourage more NBFCs to explore investments in security receipts (SRs) issued by asset reconstruction companies (ARCs), thereby widening the investor base in

these financial instruments. Further, NBFCs, including housing finance companies (HFCs), regulated by the Reserve Bank of India (RBI) are hereby specified as qualified buyers for the purposes of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, subject to certain conditions for example NBFCs have to ensure that the defaulting promoters or their related parties do not directly or indirectly gain access to secured assets.

- **Lower Minimum Investment in Social Stock Exchange(SSE) Instrument**

The revised investment norms under the Social Stock Exchange (SSE) framework by reducing the minimum application size for subscribing to Zero Coupon Zero Principal Instruments (ZCZPIs) from ₹10,000 to ₹1,000. This change was made based on recommendations from the SSE Advisory Committee and feedback from the public. ZCZPIs are special fundraising instruments used by non-profit organizations (NPOs), which do not carry any repayment or interest obligation. By lowering the minimum investment threshold, SEBI aims to promote greater retail participation and make it easier for small investors to contribute to social causes. The SSE functions as a separate segment within existing stock exchanges such as NSE and BSE, and this step is expected to further deepen the social finance ecosystem in India by improving access to capital for NPOs and enhancing the inclusivity of the financial markets.

**Digi Locker Integration for Unclaimed Assets**

SEBI integrates Digi Locker with the securities market for secure storage of demat and mutual fund details, introducing nominee access and automated alerts to ease asset transmission upon investor demise.

**Revised Shareholding Pattern Disclosures (SEBI Circular)**

- SEBI amended Regulation 31 of LODR Regulations to improve transparency.
- Tables I-IV of shareholding pattern formats have been revised.
- Listed entities must now disclose:
  - **Non-Disclosure Undertakings (NDUs)**
  - **Other encumbrances**
  - **Pledged shares** separately.
- ESOPs are now included under "outstanding convertible securities."
- A new column added for total shares on a fully diluted basis (incl. ESOPs, warrants, etc.).

**Enhancing EBP & RFQ Platforms (SEBI Consultation Paper)**

EBP ((Electronic Book Provider) Platform: This electronic system streamlines the initial **issuance** of **debt securities** (now proposed for all types), offering a transparent way for issuers to reach investors in the primary market. RFQ (Request for Quote) Platform: This electronic marketplace facilitates **secondary market trading** of debt securities by allowing participants to request and provide quotes, aiming to boost liquidity and trading activity.

- SEBI proposes to **expand EBP Platform** to all debt instruments, incl. **municipal bonds** and **securitized debt.**
- RFQ Platform to undergo modifications to **boost liquidity** and **trading participation.**
- Proposals include better contract note generation and improved investor experience.

**Sebi may Allow Startup Founders to Retain Esops**

The Securities and Exchange Board of India (Sebi) has proposed to allow start-up founders to hold Esops (employee stock option schemes) even after the company goes public.

Founders of new-age technology companies often receive Esops, or equity-linked instruments over cash-based remunerations, in formative years. This also aligns their interest with the other shareholders in the company. As typically, when these companies raise investments the founders' shareholding in the company gets diluted. However, Sebi rules mandate founders to be classified as promoters at the time of fi-ling of the IPO document. Also, rules do not allow Esops to be issued to promoters.

Based on the representations received, it is proposed that an explanation may be added to state that share based benefits granted to founders would continue upon such founder being classified as promoter in the DRHP (draft red herring prospectus).

**A Generous Move: Prudent to Gift Shares Following Sebi Nod**

Sanjay Shah wanted to distribute among 650 employees about ₹33 cro-re worth of shares of Prudent rate Advisory Services, India's fifth largest mutual fund distributor: The intended recipients included staff members engaged at his home. But Shah encountered an unusual obstacle. The recipients of the gifted shares will have to be classified as members belonging to the promoter group as per the country's securities regulations. In an unprecedented move, India's capital markets regulator paved the way for a company promoter to gift some of his shares to the firm's employees as a token of appreciation.

***Editor's Comment** : The gesture will be taxable as income in terms of law.*

## Industry Updates

**Salary-Inflation Gap Widening: NITI**

NITI Aayog member has said that while employment is increasing in India, real wages for regular jobs have not kept pace with inflation over the seven years. As per the PLFS Annual Report 2023-24 (July-June), the worker-population ratio in terms of persons of all ages increased to 43.7 per cent in 2023-24 from 34.7 per cent in 2017-18.

**Parliament passes banking reforms.**

It allows up to four nominees per account, redefines "substantial interest" for directors to ₹2 crore, and grants

banks authority over auditor remuneration. Key changes include:

- Redefining "fortnight" for cash reserve calculations to the 1st-15th and 16th-end of month.
- Extending co-operative bank director tenures to 10 years and permitting dual directorships in certain cases.
- Expanding the scope of unclaimed funds (including shares and bonds) transferred to the IEPF after seven years.
- Granting PSBs autonomy in determining auditor remuneration.

## Import & Export

**CBIC must clarify on non-duty paid inputs for drawback**

Section 75(1) of the Customs Act, 1962, allows drawback of the Customs and Central Excise paid on the inputs used in the manufacture or processing of the export products. The government has notified the Customs and Central Excise Duties Drawback Rules, 2017, to carry out the provisions of the said Section 75(1). Rule 3 of the said rules empowers the government to notify the rates, known as All Industry Rates (AIR), at which drawback is granted on export of certain items. For items that are not covered under the AIR notification, the actual duty Incidence can be claimed under Rule 6. Where the actual duty Incidence is more than the notified AIR, drawback can be claimed under Rule 7 of the said rules.

## Direct Tax

**Taxpayers declare foreign assets worth ₹229,000 crores**

Under the 'compliance-cum-awareness campaign', the Central Board of Direct Taxes (CBDT) had urged taxpayers to declare their foreign assets and income in revised Income tax Returns( ITRs)

The campaign yielded significant results, with 24,678 taxpayers reviewing their ITRs and 5,483 tax-payers filing belated returns for AY2024-25, declaring foreign assets worth 229,208 crore and additional foreign income of 1,089.88 crore.Furthermore, 6,734 taxpayers revised their residential status from resident to non-resident. Overall, approximately 62% of nudged tax-payers responded positively, voluntarily revising their ITRs to declare foreign assets and income.

The number of taxpayers dis closing foreign assets and income on a voluntary basis has steadily grown from 60,000 in AY2021-22 to 231,452 taxpayers in AY2024 25.

**Personal income tax surged 4 times**

Data in a written reply by Minister of State in the Finance Ministry Pankaj Chaudhary showed that Personal income tax collection in FY15 was around 2.66 lakh crore which jumped to over 10.4 lakh crore in FY2024, an increase of 293 per cent.

**Safe Harbour Threshold Raised to ₹300 Cr; Lithium-ion Batteries Included**

CBDT raised the safe harbour limit for eligible international transactions to ₹300 crore (from ₹200 crore) and included lithium-ion batteries for EVs as core auto components. This threshold, applicable for AY 2025-26 & 2026-27, applies to the **value of specific cross-border transactions with associated enterprises,** not overall turnover or imports only, allowing these transactions to follow pre-defined transfer pricing rules for tax certainty.

## Direct Tax (Case Laws)

**The Bombay High Court's ruling in Pr. CIT-12, Mumbai v. Drisha Impex Pvt. Ltd. (April 7, 2025) is a landmark decision on bogus purchase cases under the Income Tax Act, reinforcing the principle that in the absence of credible evidence, entire purchase amounts can be disallowed.**

Drisha Impex, engaged in trading electronics and toys, faced reassessment under Section 147 due to alleged bogus purchases totalling ₹6.15 crore. Despite multiple opportunities, the assessee failed to furnish essential documents like audited books, stock register, supplier confirmations, delivery proofs, or updated supplier contact details, and the court held that mere payments through banking channels were insufficient to establish the genuineness of purchases. Citing its own precedent in *Kanak Impex*, the court emphasized that the burden of proof lies on the assessee, and where basic purchase authenticity is unproven, partial disallowance or embedded profit estimation (like 3%) is unjustified. The judgment relied on other high court rulings like La Medica and *Kaveri Rice Mills*, rejecting contrary precedents like *Nikunj Eximp, Vaman* International, and *Mohommad Haji Adam* due to factual distinctions. By upholding the entire disallowance, the court reinforced a strict evidentiary standard for claiming purchase expenses and sent a strong message against tax evasion through unverified grey market transactions.

***Editor's Comment**: In all such cases of bogus purchases, the proceedings under Benami law are also being commenced now on the basis that the transactions of payment of money were Benami in nature. The bank accounts of such suppliers are being attached beside criminal action.In certain cases, even PMLA proceedings are also being initiated where the allegation relate to laundering of cash to legal or cleaner money can be evidenced after detailed enquiry. The financial transactions need to be carefully undertaken after proper KYC verification of suppliers not only by documents but also by visiting premises of all material vendors. It is also important to ensure that purchase invoices are taken only for goods and services which are actually provided. One may also examine the financial statements and bank statements of material large suppliers as an abundant precaution before admitting a new supplier*

**Whether the transfer of land held on lease from MIDC was subject to capital gains tax under Section 50C, which uses the stamp duty valuation for taxing real estate transactions.**

The Bombay High Court's decision in *Vidarbha Veneere Industries Ltd. v. Income Tax Officer* is a significant interpretation of Section 50C of the Income Tax Act, clarifying that the provision applies not only to owned property but also to leasehold rights. The court emphasized that the Act uses the term "held" rather than "owned" when defining a capital asset under Section 2(14), indicating that leasehold rights are included. It further held that the term "transfer" must be interpreted broadly to include transfers of leasehold rights, which are legally recognized and assignable.

In rejecting the earlier decision in *Atul Puranik v. ITO*, the court noted that the restrictive interpretation in that case did not align with the statutory language or the intent of Section 50C.

The ruling ensures uniform tax treatment for various forms of property rights—ownership, leasehold, tenancy, or otherwise—and prevents tax avoidance through mere formality of how a property is held. Overall, the judgment reinforces the principle that the substance of a transaction should govern tax liability, extending the applicability of capital gains provisions to leasehold transfers as well.

**Tax Authorities Reject Assessee's TP Study.**

Assessee engaged in financial services and entered into various international transactions with Associated Enterprises (AEs.)Applied TNMM using foreign AEs (except one) as tested parties in TP study. TPO rejected this, applied CUP method, and determined ALP of certain services as NIL.

**ITAT Decision:**

Upheld TPO's view that Indian entity (assessee) should be the tested party — foreign AEs lacked public data and comparability. Confirmed that CUP was more appropriate for benchmarking intra-group services; TNMM not justified by assessee. ITAT directed TPO to re-evaluate ALP using proper TP methodology and assess evidences submitted.

***Editor's comment :*** *TPO Assuming arm length price as NIL , just because assessee did not provide Indian comparable was not justified. It is important to ensure that tax officials act with care and diligence and most importantly they need to have a positive judicious approach.*

**Sec 43CB not for real estate developers: ITAT.**

The ITAT Ahmedabad ruled that Section 43CB, mandating the Percentage Completion Method (PCM), does not apply to real estate developers selling units on their own land. The assessee, a developer, followed AS-9, recognizing revenue upon transfer of ownership. The AO applied Section 43CB, treating customer advances as revenue. The Tribunal distinguished between contractors (applying PCM on third-party projects) and developers (applying AS-9 on their own land sales). It noted the legislative intent of Section 43CB to align with construction contracts and upheld the assessee's method, also citing consistency as the revenue had accepted it earlier. The AO's appeal was dismissed. *[DCIT v. Aaryan Buildspace LLP (ITAT Ahmedabad]*

**AI-generated tax order violates natural justice: HC.**

The Bombay High Court addressed an AI-generated order from the CPC that invalidated the petitioner's tax return for not filing a tax audit report under Section 44AB. The petitioner argued its turnover was below the threshold. The Court emphasized that reasoned orders are a fundamental requirement of natural justice, and the CPC's non-speaking order ("not acceptable") violated this. *[ TPL – HGIEPL Joint Venture v. Union of India (Bombay HC)]*

## GST

**Section 128A – Waiver of Interest & Penalty (Effective from 1st November 2024)**

This section offers waivers on interest and penalties for tax demands raised under Section 73 for the period from July 2017 to March 2020.Taxpayers who **paid the tax via GSTR-3B before 1st November 2024** are entitled to **waiver of interest and penalty** under Section 128A.**Mixed Period** Demands: If tax demands include **periods both inside and outside** the scope of Section 128A:

- Taxpayers can **pay only for the eligible period** (i.e., July 2017–March 2020),
- They must **inform the appellate authority** about their intent to **withdraw the appeal for that portion**,
- The authority will the appeal for the remaining period.
- This clarification ensures **partial relief** while maintaining **appeal continuity** for non-eligible periods.

**MSMEs undertaking defence R&D slapped with 18% GST notices**

Private starts-ups and other MSMEs are receiving notices to pay 18 per cent taxes under the CGST Act on funding received from the Ministry of Defence for research and development (R&D) The MoD funds innovation through R&D allocations to Defence Research and Development Organisation (DRDO) as well as offerings through the iDEX (Innovations for Defence Excellence) scheme to financially

***Editorial Comment****: This action is completely unjustified as the grant for research is not for providing services but are in the nature of capital receipt to strengthen the research entities.*

help MSMEs become self-sufficient.

**Mandatory ISD for Multi-State Businesses Starts April 1**

Starting April 1, the GST system will witness a major change as the Input Service Distributor (ISD) mechanism will be made mandatory. Experts say such a change aims to ensure that State governments receive their rightful share of taxes on common services procured at a single location. The mandatory mechanism was provided through an amendment in the CGST Act by the Finance Act (Number 1)

of 2024. The ISD mechanism that allows businesses with branches in multiple States to receive invoices for common input services (domestically procured or imported) centrally at one branch or the head office, and distribute the

## GST (Case Laws)

**Bombay HC Grants Interim Relief in Donuts GST Case, No Recovery.**

In a case that could decide whether donut and bakery chains should be categorised as restaurant services paying 5 per cent goods and services tax (GST) or bakery products sold by these outlets that should cough up 18 per cent GST, the Bombay High Court has said that no coercive action should be taken the petitioner and the parent company of Mad Over Donuts Himesh Foods Pvt Ltd. The HC on Monday also allowed the petitioner.

**Whether the company was eligible to claim ITC on the transportation services provided to employees under Section 17(5) of the CGST Act.**

The Appellate Authority for Advance Ruling (AAAR) upheld the earlier AAR decision, stating that the employer was not legally required under any statute to provide transport facilities. The provision was made merely as a convenience, not as a statutory obligation. Hence, ITC could not be availed. *[AAAR Telangana]*

**Whether electricity and water charges collected by the hotel as part of a leasing agreement qualify as a separate supply (eligible for exemption as a pure agent) or form part of a composite supply taxable under GST.**

The Appellate Authority ruled that the **provision of electricity and water was not separate or independent,** but **integral to the renting of immovable property,** and hence forms part of a **composite supply.** It also noted that the **conditions for pure agent** were not satisfied, as:

- The lessee had not explicitly authorized the hotel to make payments on their behalf.
- The charges were not made in the exact amount paid to the utility provider.
-

Therefore, GST is **applicable on the entire value**, including electricity and water charges, as part of the composite supply of renting property. *[AAAR Telangana]*

**Correction of Clerical GST Errors is a Fundamental Right, Software Limits No Excuse**

In CBIC vs Aberdare Technologies Pvt Ltd (21st March 2025), the Supreme Court ruled that denying ITC due to clerical errors is unjust, emphasizing that genuine mistakes must be correctable. It rejected software limitations as a valid reason to block such corrections and affirmed that compliance systems must enable, not hinder, rectification.

**GST Exemption for Examination-related Printing Services**

Mehra Computer Systems – AAR Tamil Nadu | Ruling Dated: 12.02.2025AAR Tamil Nadu held that printing services provided to educational institutions for examination purposes—including hall tickets, question papers, OMR sheets, mark sheets, and certificates—are exempt from GST under Sr. No. 66 of Notification No. 12/2017-Central Tax (Rate). The services, being end-to-end and customized, qualify as essen*tial to conduct of examinations and are non-transferable in nature.*

## Other Important Laws

**Company Law**

**MCA Proposes Expansion of Fast-Track Merger Scope Under Companies Act:**

The Ministry of Corporate Affairs has released draft amendments to broaden fast-track merger provisions under Section 233 of the Companies Act, 2013. The proposed changes include allowing such mergers for certain unlisted companies with borrowings under ₹50 crore and no defaults, mergers between holding companies (listed/unlisted) and unlisted subsidiaries (not necessarily wholly owned), mergers between fellow subsidiaries, and foreign holding companies merging with Indian wholly owned subsidiaries. Stakeholder comments are invited. *(MCA Public Notice )*

**IBBI**

**Mandatory Use of Baanknet Auction Platform for Liquidation-IBBIIBBI has mandated the use of the Baanknet platform (formerly eBKray) for auctioning assets in liquidation.**

- Insolvency Professionals (IPs) must list unsold assets from ongoing cases by 31st March 2025.
- Due diligence by liquidators is no longer required; bidders must submit eligibility declarations (u/s 29A of IBC) via Baanknet.
- Auction notices must specify EMD to be deposited on Baanknet and forfeited if the bidder is found ineligible.

**NCLT Gets 21 New Members**

The union Government has assigned benches to 21 of the 24-newly appointed judicial and technical members of the National Company Law Tribunal (NCLT).There are in total 16 NCLT benches in India, with a sanctioned Com-strength of 63 members (both judicial and technical combined).Average time for a CIRP to conclude has risen to 716 days 2023-24 The IBC mandates the CIRP to be concluded in 330 days.

**CI's M&A Plans Stalled by Supreme Court's IBC Verdict.**

The Supreme Court's recent ruling in the AGI Greenpac Hindustan National Glass acquisition case is set to have far-reaching implications for the judgment mandates prior approval from the petition Commission of India (CCI) before creditors clear a resolution plan under the Insolvency and Bankruptcy Code (IBC). This decision underscores the court's interpretation that regulatory clearances must be secured before lenders give their nod. However, this shift is likely to introduce bottlenecks in the corporate resolution process, particularly in insolvency-driven transactions where speed is critical.

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## Other Important Case Laws

**IBBI**

**Beneficiary Can Initiate Personal Insolvency Process Against Guarantor**

The NCLAT held that a **beneficiary under a personal guarantee** is eligible to initiate the **Personal Insolvency Resolution Process** under **Section 95 of the IBC** against the guarantor. The Tribunal clarified that such beneficiaries are not restricted by their category (financial/operational creditor) and can proceed directly against the guarantor if a default occurs. The decision reinforces the enforceability of personal guarantees under IBC and strengthens creditor rights. *[ Krishan Kumar Jajoo vs Piramal Enterprises Limited NCLAT Delhi]*

**No More Surprise Tax Bills After Resolution: SC**

Supreme Court (SC) has said that no tax demand, even if raised by the income-tax (1-T) department, can be allowed to be included in a resolution plan after the said plan has been approved by the National Company Law Tribunal (NCLT) under the Insolvency and bankruptcy code 2016 (IBC) *[ Vaibhav Goel vs DCIT SC]*

## Audit & Accountancy

**Audit firms object to NFRA's functioning**

AHEAD OF NEXT month's Supreme Court hearing on the National Financial Reporting Authority's (NFRA) appeal challenging the Delhi High Court's order that quashed 11 show cause notices issued by the audit regulator, top audit firms have raised concerns about NFRA's functioning and adherence to legal provisions. Regulators like NFRA must maintain a fine balance. While holding auditors accountable for lapses, its orders should also be viewed as unbiased and in compliance with the law,Auditors argue that Section 132 of the Companies Act and NFRA Rules, 2018 suggest that the authority should have separate divisions for investigation and disciplinary proceedings. However, NFRA's executive body is handling both functions, raising concerns about neutrality and impartiality a point emphasised by the Delhi High Court. NFRA has to ensure that its own actions aren't leading to a situation where the best talent is being discouraged away from the profession,

***Editors comment**:NFRA punishes audit firms on technical grounds or lack of audit documents. NFRA's view is that all audit evidence copies must be saved in audit file is against the international Auditing standards as mandated by Indian Government. The audit documentary evidence include books of accounts, vouchers , contracts, confidential data and documents and expecting the Auditor to take copies of such confidential audit evidence is not permitted as per law. NFRA is also not able to identify funds diversion or misuse of funds beyond what is allegated as per published reports; NFRA lack of practical knowledge of accounts and auditing is a hindrance in becoming an effective audit regulator.*

**Amendments to Tax Audit Reporting (Form 3CD) – Effective April 1, 2025**

The revised format mandates enhanced reporting requirements, including detailed disclosures on GST reconciliation, related party transactions, Corporate Social Responsibility (CSR) expenditure, and disallowable expenses under sections such as 40(a)(ia) and 40A (3). Sector-specific clauses have also been introduced for start-ups, MSMEs, and digital businesses, focusing on transactions through UPI and other digital platforms. Furthermore, the changes are designed to align better with the new income tax portal through structured data fields, thereby improving processing efficiency. The updated format imposes more responsibility on auditors and taxpayers to ensure accurate and timely reporting, while also enabling the tax authorities to leverage data analytics for scrutiny and enforcement.

**Digital audit and monitoring would replace periodic physical Audit**

Business correspondents in India, numbering more than 2.5 million, will have their work digitally audited, and will also get training and certification. The new audit envisages banks using digital technologies like video-based interviews, geo-tagging technology, and transaction-based controls. Digitally controlled sample audits of a desired percentage of BCS are to be conducted with the help of banks and corporate BCs.

**IndusInd Bank Addresses Accounting Lapses**

IndusInd is India's fifth-largest private lender with a balance sheet of $63 billion. Its shares have lost about 23.4% since it disclosed on March 10 that its derivatives portfolio was over valued by around 2.35%, or $175 million, after non-compliant internal trades. The accounting discrepancy contravened RBI rules, though the central bank has said IndusInd is well-capitalised. IndusInd on Thurs-day told stock exchanges it had appointed an Audit firm to identify the root cause of the problem and identify lapses

**Related Party Transaction Disclosures -Case study**

Tata Capital (TCL), the financial services arm has sought approval from its shareholders to conduct related party transactions worth 15,300 crore in the financial year 2026 with other group firms Tata Steel and Tata Consultancy Services (TCS) as part of pre-listing regulatory requirements. It provides Tata Steel with factoring services estimated at 10,000 crores. This is approximately **55 per cent of TCL's annual consolidated turnover.** TCL also provides lease facilities to Tata Steel, (and Tata Steel pays lease rentals to the company. Tata Sons owns 93 per cent stake in Tata Capital and 32 per cent stake in Tata Steel.

***Editor's Comment** :Similar approvals and disclosures in financial Statements voluntarily will ensure better corporate Governance in all Corporate.*

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## EDITORIAL

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mandatorily insisting on SARSAESI Compliant collateral physical security, barring in some exceptional cases of small size MUDRA and other extremely low size loans.

The banks also insist on personal guarantee of the borrower as well as guarantors. Even in kisan credit card cases the limits are not renewed for a fresh period unless the Loan is fully repaid.

**Small Borrowers suffering**

In cases where interest subvention is provided by the Government, the benefit of the concessional rate is not provided till the time interest subvention or subsidy is physically received from the Government. The borrowers from less organised sector in business, who are not able to get loan and other resources from Banks are forced to approach unaffordable high-cost money lenders or NBFCs with other oppressive terms or suffer from lack of leveraging their own resources.

**No regulation on rate of interest and fair lending practices;** The NBFCs and money lenders have complete freedom to charge any contracted rate, which can be as high as 5% per month. This often includes charging interest on the original loan amount without considering prior repayments. They may also include free interest rate variation covenants and engage in very short-term lending (even for 7 to 15 days) with exorbitant advance interest. Furthermore, they may use all kinds of pressure and persuasion to recover loans and sell security at very low rates without any appeal, transparency, or chance for all parties to bid. These are only some of the highly prevalent misuses in the system.

**Large borrowers advantage**: The rate of interest in case of large-scale sector are very competitive and extra-large borrowers neither give any primary security nor collateral security nor personal guarantees. The net interest margin is 0.1 to 0.25% above treasury bills interest rates which is even 0.5% to 1.5% lower than Marginal cost of Lending of such banks. In a majority of such extra-large borrowers, margins are exempted, guarantee commission is reduced to nominal amounts, banks charges on most items are waived in respect of wholesale banking client. The repayment and interest moratorium is also freely sanctioned to such large borrowers.

**MSME and agriculture suffer**: The rate of interest from medium, small and micro sector is ranging from 12% to 17% except in the period these are specifically covered by a subsidy or subvention, or some specific policy rate is there. Need less to add that primary security, Central Government Guarantee, Collateral security and personal Guarantee cover all become a must to a MSME manufacturer, trader and service provider, inspite of all persuasion or policies from the Government. Even the insurance premium and all kind of cash margin and charges are recovered.

**The Chartered accountant world will continue this series of editorials and input to strengthen Indian economy, industry, agriculture, traders and service sector. Suggestions and input are welcome.**

**Contact details :** Dharampal (9013363257) All India Chartered Accountants' Society - CFO World 909, Chiranjiv Tower, 43, Nehru Place, New Delhi-110019. Ph: 26223712, 26228410, 26226933 E-mail:aicas.cfo@gmail.com / cfoworld@gmail.com **EDITOR: Pankaj Gupta**, LLB, FCS E-mail: pankajguptafcs@gmail.com **PUBLISHED & PRINTED:** At New Delhi by Satish Chandra, Administrative Officer, on behalf of All India Chartered Accountants' Society, 4696, Brij Bhawan, 21A, Ansari Road, Darya Ganj, New Delhi-110 002 Phone 23265320, 23288101 E-mail : aicas.cfo@gmail.com Printed at: EIH Ltd., Unit : Printing Press, No. 7, Sham Nath Marg, Delhi-110054. Views expressed by contributors are their own and the Society does not accept any responsibility.

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