S P C M & ASSOCIATES

Chartered Accountants

SPCM LEGAL

SAMĀCĀRA

NOVEMBER 2024

SAMĀCĀRA – NOVEMBER 2024

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EDITORIAL

Dear All,

As we step into November, a month of fresh beginnings, we at SPCM are filled with gratitude and optimism. On the auspicious day of Padva, November 2, 2024, we gathered for a traditional pooja at our office, followed by a joyous family celebration. This event marked the start of the New Samvat Year, reminding us of the strength we draw from unity, tradition, and shared values—principles that are at the heart of our journey at SPCM.

We extend our warmest wishes to everyone for a prosperous New Samvat Year. May this new beginning bring you and your families health, happiness, and success in all endeavors.

November is also a significant time for students appearing for the CA IPCC and CA Final examinations. We offer our best wishes and blessings to all who are preparing for this important milestone. May you approach the exams with confidence, clarity, and strength, knowing that all your hard work and dedication will lead you to success.

On the professional front, the extension of the Income Tax Return filing deadline for AY 2024-25 brings a welcome opportunity for thorough, accurate filings amid the heightened compliance requirements this year. Additionally, we are carefully reviewing pending appeals for eligibility under the Vivad se Vishwas Scheme (VSVS) 2024, a government initiative designed to resolve longstanding tax disputes. Clients with open appeals are encouraged to reach out so we can explore the benefits of this scheme for a favorable resolution.

We're also excited to announce our plans to launch an Investment Planning Division at SPCM. This new service will offer clients strategic support in wealth management and investment growth, complementing our existing offerings. Our goal is to empower clients with comprehensive financial guidance tailored to meet their long-term aspirations.

As we enter this season of new beginnings, we thank you for the continued trust you place in us and reaffirm our commitment to supporting your evolving needs with excellence and dedication.

I conclude with a thought that resonates with this time of year: ***"The journey of a thousand miles begins with a single step***." May we all step forward with hope, resolve, and a renewed sense of purpose.

Thanking You,
With Warm Regards,

CA. Suhas P. Bora
Founder Partner,
SPCM and Associates,
Chartered Accountants

DUE DATES

Income Tax, PF and ESIC due date calendar for the month of November 2024:

DATE	DUE DATE FOR
07-11-2024	• Deposit of Tax deducted/collected for the month of October, 2024.
14-11-2024	• Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M and 194S in the month of September, 2024.
15-11-2024	• Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending September 30, 2024. • Due date for furnishing statement in Form no. 3BB by a stock exchange in respect of transactions in which client codes been modified after registering in the system for the month of October, 2024 • Payment of ESI Contribution for the month of October, 2024. • Payment of PF for the month of October, 2024.
30-11-2024	• Due date for furnishing of challan-cum-statement in of tax deducted under section 194-IA, 194-IB, 194M, 194S in the month of October, 2024. • Return of income for the Assessment Year 2024 -25 in the case of an assessee that is required to submit a report under section 92E pertaining to international or specified domestic transaction(s)

DATE	DUE DATE FOR
	• Payment of Self Assessment Tax (if due date of submission of return of income is November 30, 2024 • Due date to exercise option of Safe Harbour rules for international transaction by furnishing Form 3CEFA • Annual Compliance Report on Advance Pricing Agreement (if due date of submission of return of income is October 31, 2024) • Statement of income distribution by Venture Capital Company or Venture Capital Fund in respect of income distributed during previous Year 2023-24 (Form No. 64) • Due date for filing of statement of income distributed by business trust to unit holders during the financial year 2023-24. This statement is required to be filed electronically to Principal CIT or CIT in Form No. 64A

GST due dates for the month November 2024: -

DUE DATE	RETURN	PERIOD	DESCRIPTION
10th November	GSTR-7 (Monthly)	October'24	Summary of Tax Deducted at Source (TDS) and deposited under GST laws.
10th November	GSTR-8 (Monthly)	October'24	Summary of Tax Collected at Source (TCS) and deposited by E-commerce operators under GST laws.
11th November	GSTR-1 (Monthly)	October'24	Summary of outward supplies where turnover exceeds Rs.5 crore or have not chosen the QRMP scheme for the quarter of October – December 2024.
13th November	Furnishing Invoices in IFF Facility (Quarterly)	October – December 2024	Taxpayers who have opted for the Invoice Furnishing Facility (IFF) and choose to upload B2B outward supply invoices for first two months of the quarter. The B2B invoices relating to last month of the quarter are too uploaded while filing GSTR – 1 along with B2C invoices of entire quarter.
13th November	GSTR-6	October'24	Details of ITC received and distributed by ISD.
13th November	GSTR-5 (Monthly)	October'24	Summary of outward taxable supplies & tax payable by a non-resident taxable person.

DUE DATE	RETURN	PERIOD	DESCRIPTION
20th November	GSTR-3B (Monthly)	October'24	Summary of outward supplies, ITC claimed, and net tax payable for taxpayers with turnover more than Rs.5 crore in the last FY or have not chosen the QRMP scheme for the quarter of October – December 2024.
20th November	GSTR-5A (Monthly)	October'24	Summary of outward taxable supplies and tax payable by OIDAR.
25th November	GST Challan for all Quarterly filers	October-December 2024	GST Challan Payment if no sufficient ITC for September 2024, (for all Quarterly Filers).
30th November	--	--	30th November 2024 is the Last date for any amendments to be done which are pending for FY 2023-24, or availment of unavailed ITC related to FY 2023-24. But as due date for GSTR 1 and GSTR 3B is 11th November and 20th November respectively hence effects are to be given while filing of GST returns only.

INCOME TAX

TAX AUDIT: CHAPTER 3

TAX AUDIT - CLAUSES 1 TO 8A OF FORM NO. 3 CD

We have started with a series on Tax Audit u/s 44AB of the Act considering practical aspects to be taken care of for issue of the Tax Audit reports as applicable for AY 2024-25.

In article - 1 we discussed about the applicability of Tax Audit u/s 44AB of the Income Tax Act.

In article - 2 we discussed about the meaning of the terms "Sales", "Turnover" and "Gross Receipts".

In the series of Article on Tax Audit provisions, we would discuss the meaning of the terms " Clauses 1 to 8A of Form No. 3 CD ".

Clause 1: Name of the assessee:

- In case of audit of a branch or proprietary concern, the name of the branch/proprietary firm respectively should be stated along with the name of the assessee/proprietor.
- Ensure that name as given under match with the income tax records especially PAN card, wherever feasible.
- If there is any change in the name of the assessee between the last day of the previous year and the date of tax audit report, then name as on the year end date should be stated in the tax audit report.
- In case of change in name of the company, e.g., conversion into

Public Ltd Co or vice versa, name as on the year end date should be stated.

- The fact of name changes in either case should be clarified in the observations in Form 3CA / 3CB.

Clause 2: Address

- Mention the address which should be same as the one communicated by the assessee to the Income Tax Department.
- In case of a branch, the address of the branch should be stated.
- In case of a company, the address of the registered office should also be stated along with the principal place of business, if any.
- In case of a new assessee, the address should be that of the principal place of business.
- In case of change in address after the end of the financial year and before the date of tax audit, the fact may be brought on observations in Form 3CA / 3CB.
- The address should be verified from available income tax records or profile available at income tax portal. The fact of changes or variation should be clarified in the observations in Form 3CA / 3CB

Clause 3: Permanent Account Number

- Quoting of PAN is mandatory hence, obtain the copy of PAN card.
- In case the assessee is having 2 PAN and one of them is not surrendered then mention the PAN on which Income Tax Return is filed and audit is being conducted. The other PAN details should be mentioned in Form 3CA/3CB.
- Apart from PAN, Aadhar Card number (for individuals only) should be mentioned in this column (though optional).

Clause 4: Registration numbers under applicable indirect taxes

- This clause has been amended vide CBDT notification dated 20th July 2018 to include GST.
- The auditor is required to mention the registration number or any

other identification number or GST Number, if any, allotted, in case the assessee is liable to pay indirect taxes (CUSTOM, GSTIN, etc.)

- If the assessee has several branches and liable for registration, then such registration numbers for all branches has to be mentioned.
- The auditor should obtain from the assessee the list of indirect taxes applicable to him and also cross-check from the CARO Report (in case of Companies, if applicable) of the assessee.
- The auditor is required to obtain a copy of the registration certificate clearly mentioning the registration number under that relevant law.
- If the registration has not been obtained or the assessee is in process of obtaining the registration, then the said fact should be mentioned.
- In case the auditor prima facie is of the opinion that any indirect taxes laws are applicable on the business or profession of the assessee, but the assessee is not registered under the said law, **report** the same appropriately.
- Obtain written representation from the assessee regarding his registration in any of the indirect tax laws.

Clause 5: Status

- The status does not refer to the residential status, it means status of the person who is defined as per section 2(31) [i.e., Individual, HUF, Company, Firm, etc.]
- Firm for the purpose of this clause also includes Limited Liability Partnership (LLP).
- Foreign LLP would be covered under the category of "Company" as body corporate.

Clause 6: Previous year

- Previous year for which the Tax Audit is carried out should be stated here.
- An assessee may follow different financial year; however, for the

purpose of Income- tax, uniform previous year of 12 months ending on 31st March of each year is required to be followed.

- The starting date and ending date of the previous year should be given. In case business commenced during the year, the starting date should be given to the end of financial year.
- In case assessee expires (in case of individual) or converts into another status (company to LLP; firm/LLP into company) during the year, the starting date could be another than 1st April and /or end date could be different than 31st March. Take care that these fields are auto filled from Form 3CA / 3CB too.

Clause 7: Assessment Year

- Assessment Year (AY) in relation to the Previous Year (PY) as stated under S. No. 6 needs to be mentioned. For example, if PY is 2023-24, AY would be AY 2024-25.

Clause 8: Applicable clause of S. 44AB triggering the tax audit

- Relevant clause of the section 44AB is to be mentioned under which the Audit has been conducted.

- While furnishing the Form online, the relevant clause of s. 44AB must be mentioned from the drop-down options mentioned. These are:

  - Clause 44AB(a) – Total sales/turnover/gross receipts of business exceeding specified limits.
    - The limit provided in the clause is Rs. 1 crore, which is converted to Rs. 10 Crs. if aggregate cash receipts and cash payments of business does not exceed 5% of the aggregate receipts and payments.
    - This clause is to be chosen when the above condition is met and report is to be issued in Form 3CB.

- Clause 44AB(b)- Gross receipts in profession exceeding specified limits.
  - If gross receipts in profession exceed Rs.50 lakhs.
  - This clause is to be chosen when the above condition is met and report is to be issued in Form 3CB.

- Clause 44AB(c)- i- Profits and gains lower than deemed profit u/s 44AE
  - For any person, engaged in business of plying, hiring or leasing goods carriage not more than 10 goods carriage vehicles and declaring less than deemed profits.
  - This clause is to be chosen when the above condition is met and report is to be issued in Form 3CB.
  - Clause 44AB(c)- ii- Profits and gains lower than deemed profit u/s 44BB
  - For Non-Resident, engaged in business of exploration of mineral oils and declaring less than deemed profits.
  - This clause is to be chosen when the above condition is met and report is to be issued in Form 3CB.

- Clause 44AB(c)- iii- Profits and gains lower than deemed profit u/s 44BBB
  - For Foreign Company, engaged in business of Turnkey Power Projects and declaring less than deemed profits.
  - This clause is to be chosen when the above condition is met and report is to be issued in Form 3CB.

- Clause 44AB(d)- Profits and gains lower than deemed profit u/s 44ADA.
  - For Individual & firm (other than LLP), if Profits u/s 44ADA claimed to be lower than the presumptive profits and gains and his income exceeds the maximum amount which is not chargeable to income-tax in any previous year.
  - This clause is to be chosen when the above condition is met and report is to be issued in Form 3CB.

- Clause 44AB(e) –When provisions of section 44AD(4) are applicable

- For Individual, HUF & Firm (other than LLP) If section 44AD(4) is applicable and his income exceeds the maximum amount which is not chargeable to income-tax in any previous year.
- This clause is to be chosen when the above condition is met and report is to be issued in Form 3CB.

▪ Third proviso to s.44AB - Audited under any other law

- A person may be required to get the audit done under any of the above clauses of s. 44AB
- However, where such person is required to get his accounts audited under any other law, then this clause is to be chosen.
- Hence, this clause is to be chosen when report is to be issued in Form 3CA.

▪ Clause 44AB(a)- Proviso where aggregate cash receipts and cash payments of business exceeds specified limits.

- The proviso to section 44AB(a) provides that if aggregate cash receipts and cash payments of business does not exceed 5% of the aggregate cash receipts and cash payments (refer Chapter 1 of this series), then the limit as given in s. 44AB(a) changes from Rs. 1 Cr to Rs. 10 Crs.
- Hence, a view emerges out, that the proviso provides a condition and limit where tax audit is not required at all. Hence, this clause given in the drop down in the schema should not be chosen to conduct tax audit.

It is pertinent to note that while generating UDIN choose the same clause as chosen in clause 8 of Form 3CD.

Clause 8A – Option u/s 115BA/115BAA/115BAB/115BAC/ 115BAD

- Clause 8A has been modified on 5th March 2024 to include if the assessee is exercising the of option u/s 115BAE (new concessional rates for manufacturing co- operative societies introduced by Finance Act 2023) with already existing 115BA / 115BAA / 115BAB / 115BAC / 115BAD.

    - Taxpayer being an individual or HUF can go for new option u/s 115BAC when he opts to pay income tax under the new tax regime (now being the default tax regime); wherein there are lower tax rates but does not allow certain deductions and exemptions; or
    - Taxpayer being a Resident Co-operative Society can go for new option u/s 115BAD providing a benefit of a lower tax rate of 22% but subject to non- availing for certain deductions and exemptions and other conditions.
    - Taxpayer being a Resident Manufacturing Co-operative Society can go for new option u/s 115BAE providing a benefit of a lower tax rate of 15% but subject to non-availing for certain deductions and exemptions and other conditions.
    - Auditor should ensure to obtain a copy of Form 10-IB / 10-IC / 10-ID / 10-IE / 10-IF for opting to apply section 115BA / 115BAA / 115BAB / 115BAC / 115BAD / 115BAE respectively and report accordingly.

GST

GIST OF GST NOTIFICATION

NOTIFICATION NO	DATE	SUBJECT / HIGHLIGHTS
25/2024 Central Tax	08-10-2024	CBIC amended Notification No. 50/2018 regarding Part II, section 3, sub-section (i) vide number G.S.R 868 (E), Central Tax dated 13.09.2018 whereby any registered person receiving supplies of metal scrap falling under Chapters 72 to 81 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), from other registered person is liable for TDS compliance. This notification shall come into force with effect from the 10th day of October, 2024.
24/2024-Central Tax	08-10-2024	CBIC amended Notification No. 5/2017 Central Tax dated 19.06.2017 whereby exemption from GST registration is not applicable to any person engaged in the supply of metal scrap, falling under Chapters 72 to 81 in the first schedule to the Customs Tariff Act, 1975 to whom tax is applicable under RCM. This notification shall come into force with effect from the 10th day of October, 2024.

NOTIFICATION NO	DATE	SUBJECT / HIGHLIGHTS
23/2024- Central Tax	08-10-2024	CBIC has provided waiver of late fee for late filing of NIL FORM GSTR-7. The for taxpayers who have deducted tax and filed TDS returns u/s 51 for the month of June, 2021 onwards later than the due date, shall get waiver of late fees in excess of an amount of one thousand rupees. In case of NIL TDS returns the late fees shall also be NIL.
22/2024- Central Tax	08-10-2024	CBIC notified the special procedure under section 148 of the CGST Act for rectification of demand orders issued for contravention of section 16(4) after insertion of Section 16(5).
21/2024- Central Tax	08-10-2024	CBIC notified the respective dates upto which payment for the tax payable as per the notice or statement or the order referred to in clause (a) or clause (b) or clause (c) of section 128A of the CGST Act to avail benefit of waiver procedure for interest and penalty under section 73.

NOTIFICATION NO	DATE	SUBJECT / HIGHLIGHTS
20/2024- Central Tax	08-10-2024	CBIC amended (Second Amendment 2024) to the CGST Rules, 2017 for the various provisions: a. Insertion of new rule 47A in CGST Rules, 2017 with effect from 1st November 2024: Amendment of Rule 31(3)(f) of the CGST Act for all GST-registered recipients shall issue self-invoice within 30 days from date of receipt of inward supply of goods/service on which RCM is applicable. b. Amendments to GST Rule 164 of the CGST Rules with New Procedure for Waiver of Interest and Penalty u/s 128A of CGST Act 2017. c. Amendment of Rule 89 of the CGST Rules prescribing the mechanism for claiming refund of unutilized ITC on zero-rated supply of goods or services both. d. Amendment of Rule 36(3) of the CGST Rules with effect from 1st November 2024, Section 17(5)(i) of CGST Act has been amended for restriction to claim of ITC in respect of tax paid pursuant to demands alleging fraud,

NOTIFICATION NO	DATE	SUBJECT / HIGHLIGHTS
		willful mis-statement or suppression of facts u/s 74 of CGTS Act from FY 2024-25 onwards. e. Amendment of Rule 66(1) of CGST Rules w.e.f 1 November 2024 to prescribe the time limit for filing GSTR 7 to be 10^{th} of the succeeding month. f. Amendment of Rules 88B, 88D, 96B, 121, 142 of the CGST Rules pursuant to the insertion of Section 74A of the CGST Act w.e.f.1^{st} November 2024. Further, Forms GST REG-20, GST REG-31, GSTR-9, APL-01, APL-05, GST INS 01 and DRC 01A appended to the CGST Rules have been substituted / amended.

GIST OF GST CIRCULAR

CIRCULAR NO.	DATE	SUBJECT / HIGHLIGHTS
238/32/2024-GST	15-10-2024	Clarification of various doubts related to Section 128A of the CGST Act, 2017 for waiver of interest and penalty.
237/31/2024-GST	15-10-2024	Clarifying the issues regarding implementation of provisions of sub-section (5) and sub-section (6) in section 16 of CGST Act,2017 for claim of ITC.
236/30/2024-GST	11-10-2024	Clarification regarding the scope of "as is / as is where is basis" mentioned in the GST Circulars issued on the basis of recommendation of the GST Council in its meetings.
235/29/2024-GST	11-10-2024	Clarification regarding GST rates & classification (goods) based on the recommendations of the GST Council in its 54th meeting held on 9th September 2024 at New Delhi
234/28/2024-GST	11-10-2024	Clarifications regarding applicability of GST on certain services based on the recommendations of the GST Council in its 54th meeting held on 9th September 2024 at New Delhi

GST UPDATES

1. **Time Limit for Reporting e-Invoice on the IRP Portal – Lowering of Threshold to Annual Adjusted Turnover 10 Crores and Above:**

   With reference to the earlier advisory dated 13th September 2023 (https://einvoice.gst.gov.in/einvoice/newsandupdates/read-602), where a time limit of 30 days for reporting e-Invoices on IRP portals for taxpayers with an Annual Adjusted Turnover of 100 crores and above was implemented, the threshold has now been lowered to cover taxpayers with an Annual Adjusted Turnover of 10 crores and above.

   Therefore, from 1st April 2025, taxpayers with an Annual Adjusted Turnover of 10 crores and above would not be allowed to report e-Invoices older than 30 days from the date of reporting on IRP portals.

   This restriction would apply to all document types (Invoices/Credit Notes/Debit Notes) for which an IRN is to be generated. To provide sufficient time for taxpayers to comply with this requirement, the above limit would come into effect from 1st April 2025 onwards.

2. **Form GST DRC-03A:**

   a. It has been observed that some taxpayers have paid the demanded amount vide DRC 07/DRC 08/MOV 09/MOV 11/APL 04 through DRC-03 instead of using payment facility 'Payment towards demand' available on GST portal. This led to a situation where demand has been paid by the taxpayer, however the demand is not closed in the electronic liability register. To address this issue, the government has notified a new form named GST DRC-03A which was notified vide Notification No. 12/2024 dated. 10th July 2024.

   b. Accordingly, GSTN has developed the new Form GST DRC-03A on GST portal which is available now to adjust the paid amount through DRC-03 against the corresponding demand order. Only DRC-03 forms where the cause of payment is either 'Voluntary' or 'Others' can be used in the Form GST DRC-03A.

c. Taxpayers will be required to enter the ARN of the DRC-03 along with the relevant demand order number on the portal. Upon entering the ARN and selecting the demand order number of any outstanding demand, the system will auto-populate relevant information of the DRC-03 form as well as from the specified demand order against which the payment is to be adjusted.

d. Once the adjustment is made, corresponding entries will automatically be posted in the taxpayer's liability ledger to reflect the updated status of demands.

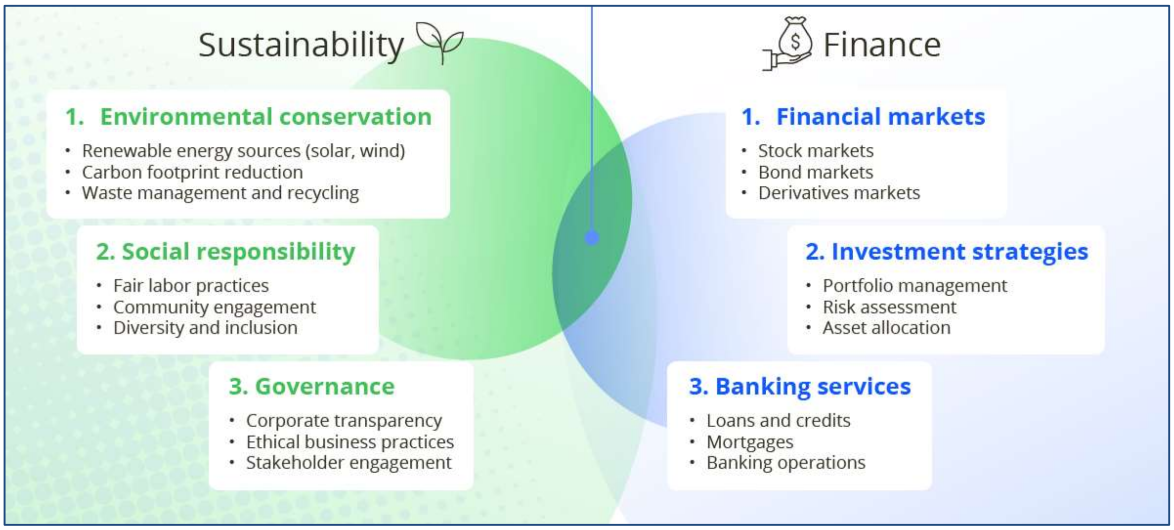
3. Insertion of new Rule 47A

Insertion of new rule 47A in CGST Rules, 2017 with effect from 1st November 2024, made by CGST (Second Amendment) Rules 2024 notified vide notification no. 20/2024- Central Tax for Self-Invoicing in cases of Reverse Charge Mechanism (RCM).

Under the Finance Act 2024 (Part 2) and Notification 20/2024, all GST-registered recipients shall issue self-invoice within 30 days from date of receipt of inward supply of goods/service on which RCM is applicable.

FINANCE AND VALUATIONS

SUSTAINABLE FINANCE



What is Sustainable finance?

Sustainable finance refers to the process of taking **environmental, social and governance (ESG) considerations** into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects. **Environmental considerations** might include climate change mitigation and adaptation, as well as the environment more broadly, for instance the preservation of biodiversity, pollution prevention and the circular economy. **Social considerations** could refer to issues of inequality, inclusiveness, labour relations, investment in people and their skills and communities, as well as human rights issues. The **governance** of public and private institutions – including management structures, employee relations and executive remuneration – plays a fundamental role in ensuring the inclusion of social and environmental considerations in the decision-making process.

Why is sustainable finance important?

Climate change is increasingly evident through extreme weather, water scarcity, and melting ice caps, emphasizing the need for a low-carbon economy. Achieving this requires substantial investment in clean energy, electric vehicle infrastructure, and other sustainable technologies. Here, sustainable finance plays a crucial role.

Today, many retail and corporate investors aim to make an impact, seeking investments that prioritize environmental, social, and governance (ESG) factors. This shift pressures businesses to meet sustainability goals, and it highlights the need for funding to support solutions to environmental challenges. Consequently, governments and policymakers are committed to shaping a financial landscape that promotes sustainable growth.

The financial sector, in response, must build a resilient framework to address and adapt to these evolving environmental challenges.

How is sustainable finance different from traditional finance?

Sustainable finance differs from traditional finance in its approach to investment and capital allocation, with a focus on generating financial returns while also creating positive environmental, social, and governance (ESG) impacts. Here are some key differences between sustainable finance and traditional finance:

1. Purpose and Objectives

- **Traditional Finance**: Primarily aims to maximize financial returns, focusing on risk and return without explicitly considering environmental or social impacts.
- **Sustainable Finance**: Strives to achieve a “triple bottom line” (people, planet, and profit). Investments are evaluated for their potential to generate positive ESG outcomes alongside financial returns, aiming for long-term benefits rather than only short-term gains.

2. **Decision-Making Criteria**

- **Traditional Finance**: Investment decisions are typically based on financial metrics like profit margins, revenue growth, and return on investment (ROI). The focus is mainly on the balance sheets, cash flow, and market potential.
- **Sustainable Finance**: Adds ESG factors to traditional financial metrics, incorporating elements like carbon emissions, social responsibility, diversity, and governance practices. These criteria assess a company's sustainability practices and potential impact on society and the environment, which may influence a firm's long-term viability.

3. Risk Management

- **Traditional Finance**: Primarily considers financial risks such as credit risk, market risk, and liquidity risk. Externalities, like environmental degradation or social unrest, are often not factored in unless they have immediate financial implications.
- **Sustainable Finance**: Considers ESG-related risks, such as climate risk, regulatory risks tied to sustainability standards, and reputation risks associated with social impact. Sustainable finance views these as critical to a company's long-term performance and resilience.

4. Investment Products

- **Traditional Finance**: Typically offers investment products like stocks, bonds, mutual funds, and other conventional assets, without specific consideration for sustainability.
- **Sustainable Finance**: Includes green bonds, social bonds, ESG funds, and impact investments designed to fund specific sustainable projects or companies that meet certain ESG criteria. For example, green bonds are used to fund renewable energy or environmental projects.

5. Time Horizon

- **Traditional Finance**: Often emphasizes short- to medium-term returns, with some focus on quarterly and annual performance.
- **Sustainable Finance**: Takes a longer-term perspective, recognizing that ESG factors might affect a company's profitability over extended periods. This approach is better aligned with sustainable growth, as it considers long-term global challenges like climate change and social equity.

6. Impact Measurement

- **Traditional Finance**: Measures success in terms of financial performance alone.
- **Sustainable Finance**: Measures both financial performance and the broader impact on environmental and social factors. Metrics might include carbon footprint reduction, social diversity improvements, or contributions to community development. This dual focus is often reported in "impact reports" or "sustainability reports" to enhance transparency for investors.

7. Stakeholder vs. Shareholder Focus

- **Traditional Finance**: Often prioritizes shareholder value, with the goal of maximizing returns for investors and owners.
- **Sustainable Finance**: Embraces a stakeholder model, considering a broader array of stakeholders including employees, communities, and the environment. It focuses on aligning financial interests with positive outcomes for all stakeholders involved.

8. Regulatory Influence

- **Traditional Finance**: Has some regulations but mostly focuses on financial reporting and transparency without mandatory ESG requirements.
- **Sustainable Finance**: Increasingly influenced by regulations like the EU Taxonomy for Sustainable Activities or the Sustainable Finance Disclosure Regulation (SFDR), which aim to define and standardize what qualifies as sustainable investment. This framework helps prevent "greenwashing" (i.e., misleading claims about sustainability) and encourages accountability.

In summary, while traditional finance focuses on maximizing financial return, sustainable finance seeks to align financial goals with sustainable and socially responsible outcomes, promoting resilience and long-term impact.

How sustainable finance creates a better financial position in a long run?

- Sustainable finance promotes long-term financial strength by integrating environmental, social, and governance (ESG) considerations with traditional profit goals. This approach reduces exposure to risks associated with climate change, regulatory penalties, and resource scarcity, making companies more resilient against environmental and social disruptions. By adopting sustainable practices, companies also lower operational costs through efficiency in energy, waste, and resource management, which enhances profitability over time.

- Additionally, sustainable finance helps attract a growing pool of investors who prioritize ESG, broadening access to capital and often reducing borrowing costs. This, in turn, allows companies to reinvest in growth and sustainability initiatives. Emphasizing sustainability also enhances customer loyalty and brand value, as more consumers favor brands that align with their values. This loyalty helps stabilize revenues and provides a competitive edge in changing markets.

- Sustainable finance also improves employee engagement by promoting fair labor practices and inclusivity, leading to increased productivity and lower turnover, which saves on hiring and training costs. Companies embracing ESG principles may also benefit from government incentives and tax breaks, making them better prepared to meet evolving regulatory standards.

- Overall, sustainable finance supports innovation in areas like renewable energy and waste reduction, positioning companies to thrive in future markets. By focusing on ESG, sustainable finance lays a foundation for stable, resilient, and profitable growth, ensuring better financial outcomes for businesses and investors over the long term.

Conclusion:

Sustainable finance offers a pathway to long-term financial stability and resilience by integrating ESG principles with profit goals, reducing risks, cutting costs, attracting conscious investors, and fostering customer and employee loyalty. By embracing sustainable practices, companies build stronger foundations for growth and competitive advantage, ensuring profitability and positive societal impact over time.

S P C M & ASSOCIATES

Chartered Accountants

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THANK YOU!