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SAMĀCĀRA

SEPTEMBER 2024

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EDITORIAL

Dear All,

As we enter in the month of September, the nation continues to resonate with the powerful words of the Prime Minister, delivered from the iconic Red Fort this Independence Day. His call for **"Design in India and Design for the World"** has inspired a renewed sense of pride and purpose. This vision not only symbolizes the strength of Indian innovation but also charts a roadmap for the future—a future where India is recognized not just as a manufacturing hub but as a global leader in creativity, design, and sustainability.

The message is clear: India must leverage its vast pool of talent, rich heritage, and cutting-edge technology to create solutions that cater to global needs. As we reflect on this, it becomes increasingly evident that this philosophy applies as much to our field of Chartered Accountancy as it does to any other industry.

At SPCM , we have always believed in the power of innovation and adaptability. We are not just accountants; we are designers of financial solutions. Our work requires creativity in problem-solving, precision in execution, and a vision that goes beyond compliance to value creation for our clients. The call for **"Design in India"** can be our call to innovate in audit practices, tax strategies, and financial planning—creating solutions that are not only relevant to our domestic clientele but also scalable for global needs.

As we look back on the month of August, it is heartening to note that both direct and indirect tax collections have witnessed significant growth. The government's efforts to streamline tax administration and improve compliance are bearing fruit, with record collections in income tax and GST. This surge not only reflects the robustness of the Indian economy but also underscores the importance of a well-designed tax system that fosters growth while ensuring fairness. It is a promising indicator for the future, and as professionals in the field, we must continue to guide our clients through this evolving landscape with expertise and foresight.

The month of September also brings with it a wave of festive celebrations, from grand Ganesh Utsav to the solemn Paryushan. These festivals are a reminder of our shared cultural heritage and the values that bind us together as a nation. They offer us moments of joy, devotion, and reflection—whether through the vibrant celebrations of Lord Krishna's birth, the welcoming of Lord Ganesha into our homes, or the spiritual cleansing observed during Paryushan by the Jain community.

As we partake in these festivities, let us carry forward the spirit of unity and gratitude into our professional lives as well. Just as these festivals mark new beginnings and fresh hope, so too can we approach our work with renewed energy and a commitment to excellence.

September also signifies the final sprint towards the audit season deadline of 30th September 2024. It is a crucial time for all of us in the profession, and while the workload can seem overwhelming, it is also an opportunity to demonstrate our dedication and efficiency. Let's tackle the task of completing our audits with enthusiasm and positive energy. By staying focused, motivated, and maintaining high standards of accuracy, we can ensure that this audit season is not just about meeting deadlines, but about delivering exceptional results for our clients.

With teamwork, discipline, and a positive mindset, we can turn this challenge into a rewarding experience, paving the way for continued growth and success.

Wishing you all a festive, productive, and successful September.

Thanking You,

With Warm Regards,

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

GLIMPSE OF EVENT

Our mentor Shri. Suhas P. Bora was felicitated for his contribution to the society by Shree Vardhman Shwetamber Sthankwasi Jain Shravak Sangh, Sadhana Sadan, Mahavir Pratishthan, Pune.

DUE DATES

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

DATE	DUE DATE FOR
07-09-2024	• Deposit of Tax deducted/collected for the month of August, 2024.
14-09-2024	• Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M and 194S in the month of July, 2024.
15-09-2024	• Second instalment of advance tax for the assessment year 2025-26. • Payment of ESI Contribution for the month of August, 2024. • Payment of PF for the month of August, 2024.
30-09-2024	• Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M, 194S in the month of August, 2024. • Submission of the audit report (Section 44AB) for FY 2023-24 for those assessee's covered under tax audit but do not have any international or specified domestic transactions. • Form 10 for Trusts – Application to accumulate income for future application (if the assessee is required to submit return of income on November 30, 2024).

GST due dates for the month September 2024: -

DUE DATE	RETURN	PERIOD	DESCRIPTION
10th September	GSTR-7 (Monthly)	August'24	Summary of Tax Deducted at Source (TDS) and deposited under GST laws.
10th September	GSTR-8 (Monthly)	August'24	Summary of Tax Collected at Source (TCS) and deposited by E-commerce operators under GST laws.
11th September	GSTR-1 (Monthly)	August'24	Summary of outward supplies where turnover exceeds Rs.5 crore or have not chosen the QRMP scheme for the quarter of July-September 2024.
13th September	GSTR-6	August'24	Details of ITC received and distributed by ISD.
13th September	GSTR-5 (Monthly)	August'24	Summary of outward taxable supplies & tax payable by a non-resident taxable person.
20th September	GSTR-3B (Monthly)	August'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 July-September 2024.
20th September	GSTR-5A (Monthly)	August'24	Summary of outward taxable supplies and tax payable by OIDAR.

INCOME TAX

APPLICABILITY OF TAX AUDIT: CHAPTER 1

SERIES OF ARTCLE ON PROVISIONS OF TAX AUDIT U/SEC. 44AB OF THE ACT.

We are starting a series on Tax Audit u/s 44AB 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 would discuss about the applicability of Tax Audit u/s 44AB of the Income Tax Act.

Every person i.e., an individual, firm, LLP, company or others as defined in section 2(31) of the Act is covered under this section carrying on business or profession. If a trust (included in the definition of a person) is not carrying a business, then it is not covered in this section. Now, the initial test is to see that the person shall be liable for audit if sales, turnover or gross receipts exceed 'mentioned limits' specified u/s 44AB (a) or 44AB (b) or falls under other clauses of section 44AB. In this chapter, we shall discuss what are the mentioned limits and its different criteria accordingly.

APPLICABILITY U/S 44AB:

Section 44AB contains 5 clauses under which tax audit is required. These are:

1) S. 44AB(a) – It is applicable to any assessee who is carrying on a business if his / its total sales, turnover or gross receipt exceeds Rs 10 crores. However, the limit shall be reduced to Rs 1 crore provided:

- Cash receipts exceed 5% of aggregate of all receipts including received for sales, turnover or gross receipts or loans, capital, etc. during the previous year;

OR

- Cash payments exceed 5% of aggregate of all payments including amount incurred for expenditure, repayment of loan, withdrawal of capital, etc. during the previous year

In other words, if both i.e., the aggregate of receipts in cash AND aggregate of payments in cash are less than 5% of the aggregate receipts and payments respectively then the limit for tax audit would be Rs. 10 crores.

A simple example is that if an assessee has turnover of Rs. 8 Crs, where total receipts are Rs. 20 Crs and payments Rs. 15 Crs. Then the cash portion of receipts should be less than Rs. 1 Cr and cash portion of payments should be less than Rs. 75 lacs. If any of these exceed the amounts as discussed, then audit would be required u/s 44AB(a) as the limit for audit would be Rs. 1 Cr.

However, it is important to note that a '*non-account payee cheque or draft'* received or paid shall be deemed to be payment or receipt in cash and thus shall be included in 5% bracket for calculating the tax audit limit.

In case an assessee is not sure of his receipts being through account payee cheque / draft, then the auditor, prior to accepting the audit engagement should obtain a certificate / Engagement Letter from the auditee mentioning the same, which may contain a language:

"I / we are not sure of receipts of sale consideration of invoices / cheques / drafts below Rs. 2 Lacs each to be being account payee or not, as the customer / office staff have deposited the same into my / our bank account without showing to me / management."

2) S. 44AB(b) – It is applicable to any person carrying on a profession, if his / its gross receipts exceed Rs 50 lacs in the previous year.

3) S. 44AB(c) - An assessee carrying on a business in the nature covered u/s 44AE, 44BB or 44BBB claiming his income to be lower than the profits or gains so deemed to be the profits and gains of his business in the previous year shall be liable to tax audit. The businesses covered are:

- S. 44AE - Person engaging in the business of plying, hiring or leasing of goods carriage and owns not more than 10 goods carriages at any point in the previous year.
- S. 44BB - Non-Resident engaging in the business of providing services or facilities in connection with or supplying plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils.
- S. 44BBB - Non-Resident engaging in the business of civil construction or the business of erection of plant or machinery or testing or commissioning thereof, in connection with a turnkey power project approved by the Central Government in this behalf.

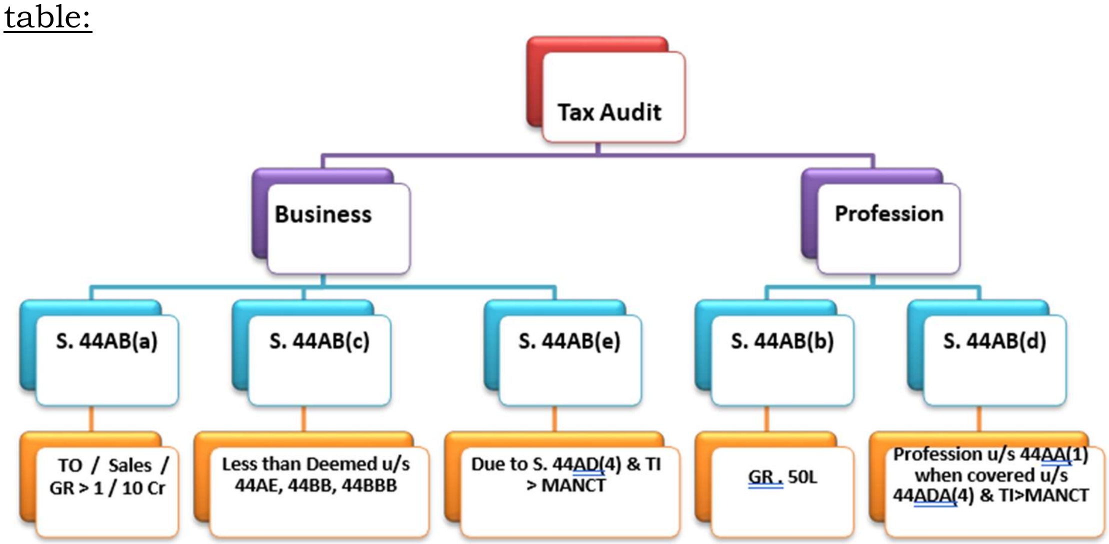
4) S. 44AB(d) - An assessee carrying profession covered u/s 44ADA [an individual or a firm excluding LLP being a profession u/s 44AA(1)] claims his income to be lower than the profits or gains so deemed to be the profits and gains of his profession u/s 44ADA and his income exceeds the maximum amount which is not chargeable to income-tax (MANCT) in the previous year shall be liable to tax audit.

    a) It is pertinent to note that for coverage u/s 44ADA the gross receipts have to be less than Rs. 50 Lacs.

    b) However, from AY 2024-25, the limit of gross receipts u/s 44ADA would be Rs. 75 Lakhs, where aggregate of the amounts received in cash does not exceed 5% of the Gross Receipts. For example, if the gross receipts is Rs. 60 lakhs, and total receipts are Rs. 5 Crs, if the receipt in cash is less than Rs. 3 lacs out of Rs.5 Crs., he can avail of s. 44ADA.

5) S. 44AB(e) - An assessee (being an individual, HUF or firm excluding LLP) carrying business and attracts section 44AD (4) i.e., opts out of presumptive taxation in any one financial year out of lock in period and his income exceeds the maximum amount which is not chargeable to income-tax in any previous year shall be liable to tax audit.

<u>An overview of tax audit applicability can be summarized by the below table:</u>



MANCT – Maximum Amount Not Chargeable to Tax. TO – Turnover
GR – Gross Receipts
TI – Total Income

44AB v/s 44AD

Let's understand the two sections 44AB and 44AD in brief in relation to tax audit.

- If an individual, HUF or a firm (excluding LLP) has opted for presumptive taxation i.e., section 44AD (1) then he/it shall not be liable to get his books audited u/s 44AB even if Turnover is more than Rs. 1 Cr but is less than Rs. 2 Cr.

- In such case even the question of calculating portion of cash receipt / payment is also not required as full receipts and payments can be in cash.

- However, it is pertinent to note that from AY 2024-25, the limit of turnover/gross receipts u/s 44AD would be Rs. 3 crores instead of Rs. 2 crores, where aggregate of the amounts received in cash does not exceed 5% of the total turnover/gross receipts. For example, if the turnover is Rs. 2.40 Crs, and total receipts are Rs. 10 Crs, if the receipt in cash is less than Rs. 12 lacs out of Rs. 10 Crs., he can avail of s. 44AD.

However, if the person after once avails of S. 44AD (1) and in any of the next 5 years do not avail of the same, then s. 44AD(4) is attracted and if his/its total income exceeds the maximum amount not chargeable to tax and he / it shall be liable to audit u/s 44AB(e).

For example, if an assessee (whose total transactions are through NEFT and no cash transactions) has turnover of Rs. 1.5 Crs, in AY 2023-24 and has opted for section 44AD(1). His turnover in AY 2024-25 is Rs. 2.5 Crs., and he do not want to avail of section 44AD, then though his total receipts and payments are through proper banking channels (no cash transactions), he would be required to get his audit done u/s 44AB(e) by virtue of section 44AD(4) being attracted.

PENALTY:

If any taxpayer who is required to get the tax audit done but fails to do so, the least of the following may be levied as a penalty:

- 0.5% of the total sales, turnover or gross receipts
- Rs 1,50,000

However, if there is a reasonable cause of such failure, no penalty shall be levied under section 271B. Few reasonable causes that have been accepted by Tribunals / Courts include:

- Natural Calamities
- Resignation of the Tax Auditor and consequent Delay.
- Labour problems such as strikes, lock-outs for an extended period.
- Loss of Accounts because of situations beyond the control of the assessee.
- Physical inability or death of the partner in charge of the accounts.

GST

GIST OF GST NOTIFICATION

NOTIFICATION NO	DATE	SUBJECT / HIGHLIGHTS
16/2024-Central Tax	06-08-2024	CBIC notified the section 11 to 13 of Finance Act (No.1) 2024. a) the 1st day of October, 2024, as the date on which the provisions of sections 13 of the said Act shall come into force; (b)the 1st day of April, 2025, as the date on which the provisions of sections 11 and 12 of the said Act shall come into force.

INSTRUCTIONS / GUIDELINES

INSTRUCTION	DATE	SUBJECT / HIGHLIGHTS
Instruction No. 03/2024-GST	14-08-2024	The CBIC issued Instructions for applying para 2(g) of Instruction No. 01/2023-24-GST (Inv.) dt. 30-3-2024 in Audit has been issued providing guidelines for maintaining ease of doing business while engaging in investigation with regular taxpayers.
Instruction No. 02/2024-GST	12-08-2024	The CBIC issued Guidelines for Second special All-India Drive against fake registrations.

GST UPDATES

1. **Advisory for furnishing bank account details before filing GSTR-1/IFF Notification No. 38/2023 – Central Tax New Delhi, the 4th August, 2023:**

a) As per Rule 10A of Central Goods and Services Tax Rules, 2017 notified vide notification no. 31/2019 dated 28.06.2019, a taxpayer is required to furnish details of a valid Bank Account within a period of 30 days from the date of grant of registration, or before furnishing the details of outward supplies of goods or services or both in FORM GSTR-1or using Invoice Furnishing Facility (IFF), whichever is earlier.

b) Advisory and various communications have already been issued time to time to inform the taxpayers regarding furnishing the details of a valid Bank Account detail in the GST Registration.

c) Now, from 01st September, 2024 this rule is being enforced. Therefore, for the Tax period August-2024 onwards, the taxpayer will not be able furnish GSTR-01/IFF as the case may be, without furnishing the details of a valid Bank Account in their registration details on GST Portal.

d) Therefore, all the taxpayers who have not yet furnished the details of a valid Bank Account details are hereby requested to add their bank account information in their registration details by visiting ***Services > Registration > Amendment of Registration Non - Core Fields tabs on GST Portal***.

e) It is informed that in absence of a valid bank account details in GST registration, you will not be able to file GSTR-1 or IFF as the case may, be from August-2024 return period.

2. Introduction of RCM Liability/ITC Statement:

To assist taxpayers in correctly reporting Reverse Charge Mechanism (RCM) transactions, a new statement called "RCM Liability/ITC Statement" has been introduced on the GST Portal. This statement will enhance accuracy and transparency for RCM transactions by capturing the RCM liability shown in Table 3.1(d) of GSTR-3B and its corresponding ITC claimed in Table 4A(2) and 4A(3) of GSTR-3B for a return period. This statement will be applicable from tax period August 2024 onwards for monthly filers and from the quarter, July-September-2024 period for quarterly filers. The RCM Liability/ITC Statement can be accessed using the navigation: Services >> Ledger >> RCM Liability/ITC Statement.

3. Advisory for Biometric-Based Aadhaar Authentication and Document Verification for GST Registration Applicants of Dadra and Nagar Haveli and Daman and Diu AND Chandigarh

GSTIN issued advisory taxpayers about recent developments concerning the application process for GST registration. It is advised to keep the following key points in mind during the registration process.

a) Rule 8 of the CGST Rules, 2017 has been amended to provide that an applicant can be identified on the common portal, based on data analysis and risk parameters for Biometric-based Aadhaar Authentication and taking a photograph of the applicant along with the verification of the original copy of the documents uploaded with the application.

b) The above-said functionality has been developed by GSTN. It has been rolled out in Dadra and Nagar Haveli and Daman and Diu AND Chandigarh on 24th August 2024.

c) The said functionality also provides for the document verification and appointment booking process.

4. Invoice Management System:

To enable taxpayers to efficiently address invoice corrections/amendments with their suppliers through the portal, a new communication process called the Invoice Management System (IMS) is being brought up at portal. This will also facilitate taxpayer in matching of their records/invoices vis a vis issued by their suppliers for availing the correct Input Tax Credit (ITC) and shall allow the recipient taxpayers to either accept or reject an invoice or to keep it pending in the system, which can be availed later.

This facility shall be available to the taxpayer from 1st October onwards on the GST portal.

5. Advisory on Reporting of supplies to un-registered dealers in GSTR1/GSTR 5:

Vide Notification No. 12/2024 – Central Tax dated 10th July, 2024, the Government has reduced the threshold limit for reporting of invoice wise details of inter-state taxable outward supplies made to unregistered dealers from 2.5 Lakh to 1 Lakh which needs to be reported in Table 5 of Form GSTR-1 and Table 6 of GSTR-5. In accordance with the new legal provisions, this change is currently under development on the portal and would be available to the taxpayers shortly.

Further, till the time the functionality is made available on portal, it is advised to continue reporting the invoice wise details of taxable outward supplies to unregistered dealers which are more than 2.5 Lakhs in the Table 5 of Form GSTR-1 and Table 6 of GSTR-5.

INVESTMENTS

Navigating Investment Choices: Physical Metals vs. Sovereign Bonds

In today's ever-evolving financial landscape, making informed investment decisions is crucial for securing one's financial future. Among the plethora of investment options, physical metals such as gold and silver, and sovereign bonds like Sovereign Gold Bonds (SGBs) offer distinct advantages. Understanding the nuances of each can help investors make the right choice based on their financial goals, risk tolerance, and market outlook.

Understanding Physical Metals:

Gold and Silver: The Tangible Assets

Physical gold and silver have been trusted stores of value for centuries. They are considered safe-haven assets, especially in times of economic instability. Here are the key attributes of investing in physical metals:

1. Tangibility and Ownership: When you purchase physical gold or silver, you own a tangible asset. This direct ownership can provide a sense of security, knowing you have a physical asset that can be liquidated if needed.

2. Liquidity: Physical metals are highly liquid. They can be easily bought or sold in markets worldwide. For instance, gold coins, bars, and jewelry can be sold relatively quickly, often at or near market value.

3. Hedge Against Inflation: Historically, gold and silver have retained their value over time, making them effective hedges against inflation. During periods of high inflation, the value of these metals often increases, protecting purchasing power.

4. Diversification: Including physical metals in your investment portfolio can provide diversification, reducing overall portfolio risk. They often perform well when other asset classes, such as stocks and bonds, are underperforming.

Example: During the 2008 financial crisis, while global stock markets suffered significant losses, the price of gold surged, highlighting its role as a protective asset.

Comparing Physical Metals and Sovereign Bonds:

Risk and Return Profile

- **Physical Metals**: The value of physical gold and silver is primarily driven by market demand and supply. While they do not generate regular income, their price appreciation can offer substantial returns, especially during market volatility. However, they involve costs such as storage and insurance.

- **Sovereign Bonds**: SGBs offer a more predictable return profile with regular interest payments and potential capital appreciation. They are less volatile compared to physical metals, providing a stable and secure investment option. The absence of storage concerns and additional tax benefits make them appealing to conservative investors.

Liquidity and Accessibility

- **Physical Metals**: Highly liquid, with the ability to sell in various markets. However, transaction costs and bid-ask spreads can impact overall returns.

- **Sovereign Bonds**: Liquid after a certain period, with the option to trade on exchanges. Early redemption is possible, but secondary market liquidity might be lower compared to physical metals.

Investment Horizon and Goals

- Physical Metals: Suitable for long-term holding as a store of value and inflation hedge. Ideal for investors seeking direct ownership and those who value the tangible aspect of gold and silver.

- Sovereign Bonds: Suitable for medium to long-term investors looking for a combination of regular income and capital appreciation. Ideal for those seeking a safe, government-backed investment with added tax benefits.

Conclusion:

Both physical metals and sovereign bonds like SGBs have their unique advantages and can play complementary roles in a diversified investment portfolio. While physical gold and silver provide a tangible asset and hedge against economic uncertainties, SGBs offer the dual benefits of interest income and capital appreciation with the safety of government backing.
Ultimately, the choice between physical metals and sovereign bonds depends on your individual financial goals, risk tolerance, and investment horizon. By understanding the strengths and limitations of each, you can make informed decisions that align with your financial objectives, ensuring a secure and prosperous future.

THANK YOU!

DISCLAIMER

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