

NYCA's

The ReCap

A news to clear your doubts

A Monthly E-Newsletter

March, 2023 / Vol 11



For use by clients and firm personnel only

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KEY METRICS

Indices

BSE SENSEX	58,962	00.99%	
NSE NIFTY50	17,304	02.03%	
NASDAQ Composite	11,456	01.11%	

Currency

USD/INR	82.64	01.10%	
EURO/INR	87.40	01.56%	
GBP/INR	99.33	01.36%	



Note: The month-on-month movement as on February 28, 2023 is represented in percentages Source: Yahoo Finance, Investing.com

COMPLIANCE ALERT

02nd March

Challan-cum-statement for tax deducted under section 194-IA, 194-IB, 194M for Feb

7th March

TDS/TCS Payment for Feb 2023

10th March

GSTR 7 - TDS for Feb, 2023

GSTR 8 - TCS for Feb, 2023

11th March

GSTR 1 - Summary of outward supplies where TO. > Rs. 5 Cr. or not opted for QRMP Scheme for Jan-March, 2023

13th March

GSTR 5 - Summary of outward taxable supplies and tax payable by NR person

13th March

GSTR 1 (Feb, 2023) for QRMP

13th March

GSTR - 6 (monthly) (Feb. 2023) for ISD

15th March

Provident Fund (PF) payment for Feb, 2023
ESIC payment for Feb, 2023

15th March

Furnishing of Form 24G by Govt. office where TDS/TCS is paid without Challan

15th March

Payment of advance tax (whole amount) for AY 2023-24 for assessee covered under presumptive scheme of Section 44AD/ 44ADA

15th March

Fourth installment of advance tax for AY 2023-24

17th March

Issue of TDS certificate under Section 194-IA, 194-IB, 194-M for Jan, 2023

20th March

GSTR 3B - Summary of outward supplies, ITC claimed, and net tax payable for taxpayers with TO. > Rs.5 Cr. last FY or have not chosen the QRMP scheme for Jan-Mar, 23

20th March

GSTR 5A - Outward and tax payable by a person supplying OIDAR Services

25th March

PMT 06 - Challan payment (if no sufficient ITC) for persons who opted for Quarterly filing of GSTR-3B under QRMP Scheme

30th March

Furnishing of Challan-cum-statement for tax deducted under Section 194-IA, 194-IB, 194M for Feb.2023

31st March

ITR-U (Update of Income tax return) for FY 2019-20

31st March

CMP-02 - Last Date to Apply GST Composition Scheme on Portal for FY 23-24

31st March

Form 67 for FY 2021-22

31st March

Date for linking Aadhar with PAN extended to 30 June

31st March

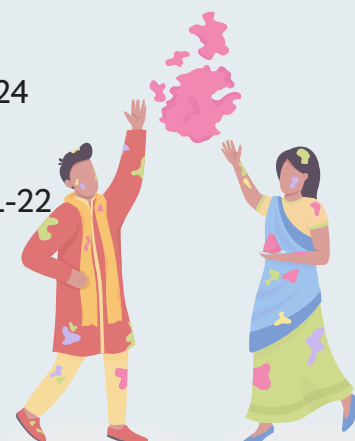
Last date for tax saving investment for FY 2023-23

31st March

LUT under GST for FY 2023-24

31st March

Form No. 3CEAD for FY 2021-22



Direct Tax

Notifications / Circulars

Section 87A rebate increased from the current Rs. 5 Lakhs to Rs. 7 Lakhs in the alternative tax regime

The Indian government has announced changes to the income tax slabs in the new tax regime. The basic exemption limit has been increased to ₹3 lakh from ₹2.5 lakh, and the rebate under Section 87A has been hiked from ₹5 lakh to ₹7 lakh. The new tax regime will have five income tax slabs, with no tax on income up to ₹7 lakh a year. The highest surcharge rate has been reduced from 37% to 25%. The government has also proposed to increase tax exemption on leave encashment on retirement of non-government salaried employees to ₹25 lakh from ₹3 lakh, and extend the ₹50,000 standard deduction to salary earners under the new tax regime. The fiscal deficit target for the next financial year has been cut to 5.9% of GDP. The government aims to make the new tax structure the default tax option.

[Notification S.O. 947\(E\) \[NO. 09/2023/F.NO.300196/39/2021-ITA-I\]](#)

CBDT prescribes new timeline for filing of appeals to cut delays

The Central Board of Direct Taxes (CBDT) has amended the Income Tax Rules of 1962 via the Income-tax Amendment (3rd Amendment) Rules 2023. The changes concern Forms 10B and 10BB, as well as Rules 16CC and

17B. The new rules state that the audit report of a fund, institution, trust, university, educational institution, hospital or medical institution, required under the tenth proviso to clause (23C) of section 10, shall be in Form No. 10B if its total income exceeds rupees five crores, or if it has received foreign contribution, or if it has applied any part of its income outside India during the previous year. For other cases, the audit report shall be in Form No. 10BB. Similarly, the audit report of a trust or institution required under sub-clause (ii) of clause (b) of sub-section (1) of section 12A shall be in Form No. 10B if its total income exceeds rupees five crores, or if it has received foreign contribution, or if it has applied any part of its income outside India during the previous year. For other cases, the audit report shall be in Form No. 10BB.

[Notification G.S.R. 118\(E\) \[NO. 7/2023 \[F. NO.370142/47/2023-TPL\]](#)

CBDT notifies Centralised Processing of Equalisation Levy Statement Scheme, 2023

The Central Board of Direct Taxes (CBDT) in India has introduced new norms for processing returns filed by digital economy firms that are liable to equalization levy, which was first introduced in 2016 on online advertisements and later expanded to cover e-commerce. The Centralized Processing of Equalization Levy Statement

Scheme, 2023, will streamline the administration of India's digital economy tax, and the Centralised Processing Centre (CPC) of the Income Tax department will process equalization levy statements electronically, with all communication done via email or on the Income-tax portal. The scheme also provides for the adjustment of refund with demand due for other years, and aims to put more clarity in the procedural mechanism of the levy, as revenue from this source is likely to increase.

[Notification S.O. 614\(E\) \[NO. 03/2023/F.NO.370142/1/2023-TPL\]](#)

CBDT notifies Income-tax return (ITR Forms) for AY 2023-24

The Central Board of Direct Taxes (CBDT) has released the Income-tax Return Forms (ITR Forms) for the Assessment Year 2023-24. These forms will come into effect on 1st April 2023, and early notification has been provided to facilitate early filing of returns in the next Assessment Year.

To ensure convenience for taxpayers and simplify the process of filing tax returns, the current year's ITR Forms have been kept largely unchanged from the previous year's forms. Only the necessary modifications due to amendments in the Income-tax Act, 1961 have been incorporated.

[NOTIFICATION G.S.R.91\(E\) \[NO. 4/2023/F.NO. 370142/51/2022-TPL\], DATED 10-2-2023](#)

T A

Judicial Rulings

AO to release refund beyond 20% of tax demand even if 65% of tax demand adjusted by CPC: HC

The Gujarat High Court held that the CBDT's guidelines require the AO to grant a stay of demand till disposal of the First Appeal where the outstanding demand is disputed before the CIT (Appeals) on payment of 20% of the disputed demand. These guidelines are binding on all Assessing Officers and must be followed both literally and in spirit. In this case, almost 65% of the demand for the Assessment Year 2012-13 was adjusted with pending refunds, which was beyond the percentage contemplated under the CBDT's Memorandum. The AO denied the request for a stay of demand, citing that the adjustment of the refund against the demand was done by the CPC system, which was not acceptable. The Court allowed the writ petition and directed the AO to refund the excess amount adjusted beyond the 20% demand raised for the assessment year 2012-13. The Court expressed concern that the CBDT's attempts to standardize procedures for the benefit of citizens would be ineffective unless officers in the field follow them both literally and in spirit.

[2023] 147 taxmann.com 238 (Gujarat) [10-01-2023]

Amalgamated Company can't set off loss u/s 72A if rejected by the AO: ITAT

The Tribunal held that section 79 and section 72A apply to the transfer of shares from a closely held company to an amalgamating company and then to the assessee. The AO rejected the

assessee's claim for deduction of unabsorbed business losses under section 79, as the amalgamating company's claim was still in appeal before the appellate authority. The Tribunal ruled that the assessee cannot claim a deduction under section 72A until the AO's decision on the amalgamating company's claim is reversed by a higher authority. The AO was directed to dispose of the appeal after the resolution of the amalgamating company's pending appeal under section 79.

[2023] 146 taxmann.com 350 (Mumbai - Trib.) [10-08-2022]



LLP which received share of profit from partnership firm is eligible for exemption under Income Tax

The Tribunal has ruled that section 10(2A) grants an exemption for income received as a share of profit from a partnership firm when the individual is a partner and is assessed separately. Additionally, section 2(23) defines the term "firm" to include Limited Liability Partnerships (LLPs), treating them as a form of partnership. The law does not prohibit a partnership firm from being a partner in another firm. Consequently, the assessee cannot be held at fault, as they can be accepted as a partner and thereby qualify for the exemption under section 10(2A).

[2023] 147 taxmann.com 267 (Bangalore - Trib.) [03-01-2023]

50% of rent is taxable in wife's hand if sale deed doesn't specify her share in joint property: ITAT

The Tribunal has ruled that ownership of a property is determined by the mutation records, and not the sale deed. In this case, the sale deed indicated that the assessee was a co-owner of the property, but did not specify the share of each co-owner. Furthermore, the entire consideration for the property was paid by the vendee, who was both the husband and wife of the co-owners. The argument put forth by the assessee that her share was limited to the amount she paid was deemed baseless. Citing the decision of the Hon'ble Allahabad High Court in Saiyad Abdulla v. Ahmad AIR 1929 All 817, the Tribunal concluded that in the absence of a specification of shares purchased by two persons in a sale deed, it must be assumed that both purchased equal shares. As a result, the AO was deemed justified in taxing 50% of the income from the house property in the hands of the assessee.

[2023] 147 taxmann.com 423 (Delhi - Trib.) [05-01-2023]



Indirect Tax

CBIC issues instructions Performance audit report by CAG on deficiencies in 'Sabka Vishwas (Legacy Dispute Resolution) Scheme 2019'

The Central Board of Indirect Taxes and Customs (CBIC) has issued instructions on February 06, 2023, with regards to the Sabka Vishwas (Legacy Dispute Resolution) Scheme 2019, based on the recommendations of the Comptroller and Auditor General's (CAG) performance audit report no. 14 of 2022. The CAG report highlighted deficiencies, multiple declarations, and issuance of discharge certificates under the scheme. The scheme provided an amnesty-cum-dispute settlement scheme, which gave a one-time opportunity to taxpayers to settle their tax disputes and avail tax relief. The audit report pointed out irregularities in the processing of declarations under the 'Voluntary Disclosure' category and the incorrect consideration of tax dues in some cases. The CBIC has directed the jurisdictional authorities to take necessary action in specific cases pointed out by the CAG in its report. Additionally, the CBIC has issued directions to protect the interests of revenue in cases where the declarant has filed a declaration under the 'Voluntary Disclosure' category but did not make payment under the scheme. The CBIC has also made recommendations to create A watch list of non-SVLDRS

challans linked to ARN's to prevent their reuse in the future. remove settled cases under the scheme from the pendency list of legal forums, and rectify errors in cases where discharge certificates have not been issued due to technical reasons.

*CBIC-6/1/2021-CX-VI Section-CBEC
Dated L 06-02-2023*

CBIC amends the Circular for allowing transshipment of Bangladesh export cargo to third countries through Delhi Air Cargo

The CBIC has issued an amendment to Circular No. 29/2020-Customs, allowing transshipment of Bangladesh export cargo to third countries through Delhi Air Cargo. This amendment follows representations from stakeholders to improve cargo evacuation and logistics efficiency. The transshipment through Kolkata Air Cargo was previously allowed, but the new amendment permits transshipment of goods by road from LCS Petrapole to Air Cargo Complex, Delhi, following the prescribed procedure until further direction from the Board. The decision was made after considering recommendations from concerned Ministries of the Government of India.

*Circular No. 03/2023-Customs dated
February 07, 2023*

Gol Undertakes Several Initiatives to Improve Ease of Doing Business and Reduce Compliance Burden for Businesses

The Indian government has launched initiatives to ease doing business and reduce compliance burden, with a focus on simplifying procedures, rationalizing redundant laws, digitizing processes, and decriminalizing minor defaults. These efforts extend benefits to all entities, sectors, and industries, including startups. The government has also taken measures to enhance ease of doing business, raise capital, and reduce compliance burden for the startup ecosystem, including regulatory reforms and policies to boost domestic and foreign investments, such as the introduction of Goods and Services Tax, reduction in corporate taxes, financial market reforms, and consolidation of public sector banks. The government has put in place an investor-friendly policy on Foreign Direct Investment (FDI) and unveiled the National Single Window System (NSWS) to provide a single platform for obtaining approvals and clearances needed by investors, entrepreneurs, and businesses in India.



CBIC Exempted Customs Duty and IGST leviable on 'vessels and other floating structures for breaking up'

On February 23, 2023, the Central Board of Indirect Taxes and Customs issued Notification No. 13/2023-Customs, which amends Notification No. 50/2017-Customs. The amendment exempts Basic Customs Duty (BCD) on Vessels and other Floating Structures for Breaking up under the heading 8908 00 00 until March 31st, 2025, starting from February 24th, 2023. Basic custom duty is a tax imposed on imported goods at a predetermined ad-valorem rate, ranging from 5% to 40% of the assessable value, and may be exempted at the discretion of the central government. The CBIC regularly issues notifications to announce new amendments or clarifications. In a recent notification, the CBIC mandated that warehouse licensees must keep records of ex-bond entry/shipping bill entry in amended Form A.

*Notification No. 13/2023-Customs
Dated: 23rd February, 2023.]*

CBIC sets time limit of 45 days for completion of antecedent verification process

On February 21, 2023, the CBIC issued a circular, No. 05/2023-Customs, which amends Circular No. 26/2016-Customs, dated June 09, 2016. The amendment pertains to the centralized system of antecedent verification of license applicants under the Public Warehousing-Licensing-Regulations,-2016, Private Warehousing Licensing Regulations, 2016, or Special Warehousing Licensing Regulations, 2016.

the amendment states that antecedent verification must be completed within 45 days of receiving the application to avoid unnecessary delays. The CAG of India, in Report No. 19 of 2022, has highlighted certain non-compliance issues related to the application for a warehousing license, annual renewal of solvency certificate, annual renewal of risk insurance policy, and irregular storage of goods in public/private bonded warehouses. The CBIC directs concerned officers to ensure compliance with all prescribed requirements and address each specific case in Report No. 19 on priority.

*CIRCULAR NO. 181/13/2022-GST [F.NO.
CBIC-20021/4/2022]*

CBIC clarifies composition taxpayers cannot issue taxable invoices or collect GST from customers and claim ITC

The Central Board of Indirect Taxes and Customs (CBIC) has provided a clarification in response to a viral video showing a restaurant manipulating customers despite being a composition taxpayer under the Goods and Services Tax (GST) law. The CBIC clarified that as per GST law, a composition taxpayer cannot issue a taxable invoice, collect GST from customers, or claim input tax credit on purchases. The CBIC advised that the taxpayer type can be verified on the GST portal under the "Search Taxpayer" -> "Search by GSTIN/PAN" tab under the heading "Taxpayer Type." This clarification was issued in response to a video shared by Mohandas Pai, former Director of Infosys.

Central Government issues instructions clarifying Monitoring and Requirement for additional BLUT

The Indian Ministry of Commerce & Industry has issued a clarification regarding the monitoring of the Bond cum Legal Undertaking (BLUT) and the requirement for additional BLUT. The clarification states that there should be no debit and credit in the BLUT, and the BLUT amount should be monitored quarterly or yearly based on reports submitted by the developer or unit. An additional BLUT should only be required if the scale of operations has increased, and not in a routine manner if the unit/developer operates at the same scale of activities as initially envisaged..

*No. K.43013(18)/2022-SEZ dated
February 15, 2023*



Judicial Rulings

GST not applicable on vouchers considered as instruments: Karnataka HC

The Honorable High Court has observed that vouchers are considered as instruments that are accepted as a form of payment for the supply of goods or services, and do not possess any inherent value of their own. As vouchers can be classified as instruments, they fall within the definition of 'money', which is specifically excluded from the definition of goods and services. Consequently, no tax is levied on vouchers as the transaction is limited to the procurement of the printed form and its delivery to clients.

*[2023] 147 taxmann.com 85 (Karnataka)
[16-01-2023]*

GST Department Prohibited from Instructing Customs to Withhold Refunds or Detain Goods due to Wrong Export Address : Gujrat HC

The Honorable High Court has observed that there was no ambiguity regarding the exports, except for a few export invoices and shipping bills containing incorrect address information. The Court further noted that the Customs authority is the appropriate authority to address any doubts regarding export goods, and once on e-way bill has

been generated, the export cannot be disputed. Additionally, the department had not issued a show cause notice in the present case. Consequently, the Court has ruled that the petitioner is entitled to a refund with interest since the export has been authorized. The Court has also directed the department to complete its investigation within eight weeks

*[2023] 147 taxmann.com 186 (Gujarat)
[20-01-2023]*

Minor E-way Bill Discrepancies no Longer Grounds for Detention of Goods and Vehicles

The Honorable High Court has observed that in the present case, the e-way bill contained an incorrect vehicle number, but the transfer of goods was not disputed. Additionally, there was no indication of the dealer's intention to evade taxes, and the tax department failed to provide evidence to support such a claim. The Court has further noted that the incorrect vehicle number mentioned in the e-way bill may be attributed to human error, which is covered under CBIC Circular No. 41/15/2018-GST dated 13-4-2018 and 49/23/2018-GST dated 21-6-2018. Therefore, the Court has concluded that the order in question is legally unsound and must be overturned.

*[2023] 147 taxmann.com 341
(Allahabad)(18-02-2023)*

Cancellation of GST registration on the basis of petitioner's absence during spot visit is invalid

The Honorable High Court has observed that the petitioner had relocated to a new address, and during a spot visit by the department, their registration was cancelled on the grounds that the petitioner was not present at their principal place of business. However, upon appearing before the authority, the petitioner provided an explanation for their absence. The Court has further noted that without any prior notification, it would have been difficult for the petitioner to be present during the spot visit. Therefore, the Court has ruled that the cancellation of registration based on the petitioner's absence during the spot visit is not valid, and retroactive cancellation of registration is impermissible. Consequently, the Court has set aside the order of cancellation of registration.

*[2023] 147 taxmann.com 313 (Gujarat)
[22-12-2022]*



Corporate & Allied Laws

Notifications / Circulars

MCA extends time for filing of 45 company e-forms and PAS-03 in MCA 21 version 3.0 without additional fee

The MCA has issued General Circular No. 04/2023 on February 21, 2023, which extends the deadline for filing 45 company e-Forms and PAS-03 in MCA 21 Version 3.0 without incurring additional fees until March 31, 2023. The extension was granted due to changes in the filing process of Version-3, including a new user registration process and stabilization of the 45 forms launched on January 23, 2023, and after considering various representations. This is an extension of the previous General Circulars No. 1/2023 dated January 09, 2023, and 03/2023 dated February 07, 2023.

Additionally, Form PAS-03, which was closed for filing in Version-2 on January 20, 2023, and launched in Version-3 on January 23, 2023, can also be filed without additional fees until March 31, 2023, for due dates falling between January 20, 2023, and February 28, 2023.

Furthermore, the reservation period for names reserved under sub-section (5) of section 4 of the CA 2013 has been extended for a further period of 20 days. The re-submission period under rule 9 of Companies (Incorporation) Rules, 2014, which fell between January 23, 2023, and February 28, 2023, is also extended by 15 days.

*GENERAL CIRCULAR NO. 3/2023
dated 07-02-2023*

SEBI revises disclosure norms for issue and listing of green debt securities

SEBI has made amendments to the Non-Convertible Securities Operational circular to ensure that the framework for green debt securities (GDS) aligns with the updated Green Bond Principles (GBP). The issuer of GDS will now be required to provide additional disclosures in the offer document for public issues/private placements, including a statement on environmental sustainability objectives, details of systems and procedures, and an estimate of the distribution of proceeds. Continuous disclosures will also be required, such as details of the deployment of mitigation plans for social and environmental risks in the annual report, and information on the environmental impact of projects financed by GDS. Additionally, issuers must appoint an independent third-party reviewer/certifier for GDS processes for a period of two years on a "comply or explain" basis. These changes will apply to all GDS issued on or after April 1, 2023.

CIRCULAR NO. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/023 [6-2-2023]

Government delivers on Union Budget promise: MSMEs receive significant relief during COVID-19 period

The Ministry of Finance has issued an order providing relief to MSMEs during the COVID-19

pandemic, in line with the "Vivad se Vishwas-I" scheme announced in the Union Budget 2023-24. Ministries have been directed to refund performance security/bid security and liquidated damages forfeited/deducted from MSMEs. The order includes refunding 95% of performance security forfeited, 95% of bid security forfeited from MSME firms in tenders opened between 19-2-2020 and 31-3-2022, and 95% of liquidated damages deducted. The relief applies to contracts for procurement of goods and services entered into by any Ministry/Department/attached or subordinate office/autonomous body/CPSE/Public Sector Financial Institution with MSMEs that meet certain criteria. Relief will be monitored through Government e-Marketplace (GeM), and the date of commencement of the process for relief through GeM will be notified separately.

PRESS RELEASE, DATED 6-2-2023



Policies & Schemes

Rajasthan Investment Promotion Scheme (RIPS)-2022

What is RIPS 2022

On October 7th, 2022, the government of Rajasthan announced the Rajasthan Investment Promotion Scheme 2022, with the objective of creating abundant employment opportunities and promoting development in rural and underdeveloped areas across the state. This policy will be effective from the date of issuance until March 31st, 2027, and may be revised periodically. Businesses that invest in new ventures or expand their existing ones after the introduction of RIPS 2022 and those that are eligible as per government notification will be entitled to avail the benefits offered under this policy.

Objectives

The aim is to develop and execute a forward-thinking investment policy for the duration of 2022-27, with the following goals in mind:

- Achieving a yearly growth rate of 15% for both manufacturing and services.
- Encouraging well-rounded and inclusive regional progress by uplifting underdeveloped industrial areas.
- Creating job opportunities for 1 million individuals by 2027.
- Attaining a leadership position in emerging sectors such as alternative energy, green hydrogen, and medical devices.
- Being at the forefront of climate and sustainability by providing incentives for eco-friendly initiatives.

3 Pillars of RIPS 2022

RIPS 2022 will be based on 3 pillars which will enable Rajasthan to become the preferred investment destination in India and across the world.

- **Economic Growth:** The policy will promote well-rounded and sustainable economic growth in the state by offering competitive incentives, fostering an enabling infrastructure, and creating a favorable business environment.
- **Employment Opportunities:** The policy will maximize the potential of human capital by establishing avenues for employment generation in various sectors, including manufacturing, services, and MSMEs.
- **Attractiveness to Investors:** By improving upon its value propositions in comparison to other states, Rajasthan will be positioned as the leading investment destination for investors.

Design Principles

- **Sector Harmonization:** Identify focus categories and sectors to create an overarching investment Policy for Rajasthan.
- **Incentives Simplification:** Provide a clear understanding of Policy benefits for all investors.

- **Incentives Phasing:** Allow the phasing of investments without any loss in benefits to encourage more investments within the State.
- **Ease of Navigation:** Create a welldefined architecture with illustrations to enable investors to seamlessly find the relevant incentives.
- **Efficient Disbursals:** Setup the 'One Stop Shop' mechanism to ensure timely and efficient benefit transfer through Auto Disbursals.
- **Seamless Transition from RIPS 2019:** Define processes clearly to ensure a smooth transition for any changes in existing incentives and addition of new incentives.
- **Empowering Investors:** Investors can design their own benefits via customized packages

Operative period

The Policy shall come into effect from the date of issuance of this order and shall remain in force up to 31st March 2027. The policy may be periodically revised from time to time.

New enterprises / expansion related investments made after the launch of the RIPS 2022 and other eligible existing investors as notified by the government from time to time are eligible to apply for benefits only under this policy

Focus categories

Identified and harmonized

8 categories under RIPS 2022

- Manufacturing
- Services
- Sunrise sectors
- MSMEs
- Startups
- Logistic parks, warehousing and Cold chains
- R&D, GCC and Test labs
- Renewable Energy

Incentive Packages

- Incentives for Manufacturing
 - Standard Package
 - Additional package for thrust sectors
- Incentives for Service Sectors
 - Standard Package
 - Additional package for thrust sectors
- Incentives for Sunrise Sectors
- Incentives for MSMEs
- Incentives for Startups
- Incentives for logistic parks, warehousing & Cold chains
- Incentives for R&G, GCC, and Test labs
- Incentives for Renewable Energy Plants

Special Provisions

Standard Package has been announced for 8 categories. Moreover, Special provisions have will be given based on the size of investvent, capacity of job creation, investment in the green technology and sector of invetstment. Some exemption will also be provided.

- **Asset creatiion incentive-** One should be chosen from following options:
 - Investment subsidy (SGST remimbursment)- 75% For the time period of 7 years

- Capital Subsidy- Over a period of 10 years in annual installments as a fixed percentage of investment made in eligible fixed assests.
- Turn over linked incentives- In annual installments as fixed percentage of net sales turnover for 10 years.

• Special Incentives (Only Aplicable for the investments exceeding 50cr.)

- Employment Booster- Extra incentive of 10-15% of Selected Asset Creation Incentive will be given to the enterprises which are providing extra employment.
- Green Incentive
- Clusture incentive- Only applicable for investment exceeding 500cr.
- Frieght Subsidy- Up to 25% of the cost of freight from inland container depots (ICD) to gateway ports to facilitate exports in the state (Annual limit of Rs 20lakhs)
- Training and Skill incentive- Rs. 6000 per person per month for 6 months

• Exemptions

- Electricity duty, Stamp duty, Conversion fee, Land tax, Market fee (Mandi Fee),- Up to 100% for the time period of 7 years.

Thrust Sectors

Thrust sectors are focus area for the state. These are developed sectors with large market share which are capable of creating high employment and taking maximum advantage of the strong ecosystem of our state.

- **Thrust sector topup of 10%-** 10% of Additional incentive along with Asset creation incetive selected under standard package. These incentive are:

- Additional exemption of 10% in SGST (82.5% reimbursment agaist 75%). Or
- 10% extrra PLI against Base incentive. Or
- 10% extra capital subsidy against Base incentive.

Sunrise Sectors

Sunrise sectors are areas of emerging economic potential. They are generational advancements in technology and aim for sustainable development. These are poised of exponential future growth.

- Green Hydrogen
- Ethanol
- Medical devices and equipments
- Bio-technology
- New-edge Battery technology
- data centre
- Rare elements
- Enterprise 4.0

Professionals Desk

Bank Branch Audit

Constructive planning and documentation needed for Statutory Bank Branch Audit

The Statutory Branch Auditor (SBA) is responsible for planning the audit after their appointment has been confirmed. During this planning phase, the SBA should take note of certain considerations and compile a list of essential documents that will be necessary for the audit documentation file.

- **Acknowledgement of Business of Bank branch**
 - To comply with SA 315, the SBA must understand the bank branch's activities in order to identify and assess risks of material misstatement. This understanding should go beyond the traditional business of accepting deposits and issuing loans to include newer products like Digital Loans.
 - Prior to starting the audit, the SBA should have a fundamental grasp of the bank's Core Banking Solution (CBS) that it employs.
 - The Auditor should also comprehend the internal controls in use, the authority levels, and the responsibilities of the branch officials.
- **Documentation before commencement of Branch audit**
 - Appointment Formalities, including appointment letter, NOC from previous auditor, engagement letter etc.
 - Latest RBI Master Directions / Circulars, other material for conducting the audit.
 - Closing Guidelines / Circulars issued by the Bank
 - Summary of the relevant provisions of the RBI Master Directions, IRAC norms, closing circular used at the branch.
 - Audit procedure adopted and determination of materiality levels. Understanding of internal controls, IT system Controls.
 - Financial statements of the previous year and current year.
 - Various audit reports such as internal inspection report, concurrent audit reports, previous year statutory audit report.
 - List of latest and updated stock and security statements, valuation and inspection reports.
 - Verification of the other assets and liabilities.
- Proof of various securities, cash and other assets physically verified during the audit.
- **Audit procedures /understanding forms and content of financial statements/reporting**
 - **SA 320-** To ensure the accuracy of financial statements, auditors should conduct analytical and substantive procedures. They must also set materiality levels according to SA 320 and perform substantive audits for significant transactions.
 - **CERTIFICATION-** Auditors must certify various closing forms and certificates, and it's crucial to understand their purpose. Before verifying these documents, auditors should read relevant RBI circulars and guidelines, and be familiar with the process used to create them.
 - **REPORTING-** Statutory auditors issue two documents to bank management: the Final Auditor's Report and the Long Form Audit Report. While conducting the audit, the auditor should take note of any observations that require management's attention and include them in the Long Form Audit Report.

- **Foreign-Exchange, Internal Controls, Regulatory and Systems**
 - Bills under LC devolved and not crystallized. / Bills under LC devolved wherein the crystallization account is office account / not of customer
 - Export Bills discounted / purchased and outstanding beyond due dates
 - Resident Customers having Non Resident Account (under same or multiple customer master)
 - NRE Account Holder having Resident Savings Account (under same or multiple customer master)
 - FDs / RDs with aggregate balance at customer master level in excess of Rs. 20,000 and closed one / all FDs / RDs in cash
 - Non Senior Citizen customers (based on DOB) with Senior Citizen Interest Table code
 - Preferential Interest Rate applicable to staff applied in non staff deposit (Refer the policy of bank w.r.t. extending facility to ex-staff and relatives of staff / ex-staff.
 - List of Outstanding Office Accounts entries (Pointing type accounts).
 - Accounts with invalid PAN (No. of digits, structure, constitution code mapping with 4th Digit)
 - List of Foreign Exchange transactions with Exchange Rates beyond the card rate / Maximum-Minimum Rate during the period.
- **Audit Programme**
 - Audit working papers and issue trackers. How the issues raised during audit were concluded.
 - List of latest and updated stock and security statements, valuation and inspection reports as on March 31
 - List of documents verified and minutes of meeting with the bank's management.
 - Copies of supporting documents that are verified and confirmations obtained during the audit.
 - Break-up of other assets and liabilities & Inter-Branch Adjustments including the confirmation of deposits given by the branch.
 - Proof of various securities, cash and other assets physically verified during the audit
 - ATM verification details.
 - KYC verification, anti-money laundry verification, FEMA compliance at branches.
 - Proof of Verification of third party products if any
 - Details of Off balance sheet items, claims against banks and contingent liabilities.
 - Other Bank/RBI balance confirmation.
 - List of customer complaints registered/responded by the branch- nature of complaint and its resolution
 - Various other audit documents/evidence considered in audit process.
- **Quarterly Monitoring Report/Performance Report (QMR/QPR)- Analysis of Data**
 - QMR/QPR as sanction terms/bank's policy, have been received from the eligible borrowers within due date;
 - Information furnished is scrutinized for correctness and completeness;
 - Data has been analyzed competently and variances between the estimated/projected and the actuals achieved have been duly investigated; and
 - Values have been updated in the system and have been duly verified
- **Inspection of Securities charged to the Bank**
 - Due dates of inspection of securities charged (prime and collateral) are diarized; and
 - Monthly inspection of securities is conducted at prescribed periodicity (Ghosh committee recommendation No.8.14).
- **Excess/Temporary Over Limits(TOL)/Ad hoc**
 - Due dates of TOD/excess/TOL/Ad hoc are diarized and followed up for regularization;
 - Such facilities have been regularized by sources of borrowers and not from other facilities allowed by the bank;
 - Appropriate interest and charges, per bank's guidelines, have been recovered;

- Drawing limit, rate of interest and due date of such casual facilities have been duly verified in the system;
 - Such facilities have been regularized within three months from the date of sanction per RBI guidelines; and
 - Facilities have been classified as NPA if remains overdue for regularization for 90 days, i.e.180 days from the date of sanction.
- **Reporting of RFA and SMA to Central Registry for Information on Large Credits (CRILC)**
 - All SMA having aggregate exposure 7 50 million and above have been duly identified and reported as CRILC-Main report monthly and borrower entities in default having aggregate exposure * 50 million and above on as weekly report; and
 - All large RFA accounts beyond 500 million have been reported to CRILC promptly.
- **Reporting to Credit Information Companies(CIC)/Central Registry for Information on Large Credits(CRILC)**
 - There is documented system of identification of borrowers due for reporting to Credit Information Companies(CIC)/Central Registry for Information on Large Credits(CRILC); and
 - Such reporting of willful defaulters to Credit Information Companies (CIC) has been done appropriately.
- **Annual Reviews**

The Statutory Branch Auditor (SBA) is responsible for planning the audit after their appointment has been confirmed. During this planning phase, the SBA should take note of certain considerations and compile a list of essential documents that will be necessary for the audit documentation file.

To check whether

 - Periodic statements of limits overdue for review/renewal are generated and scrutinized;
 - Relevant documents have been obtained timely for full review within 90 days of short review, in case facilities have been short-reviewed; and
 - Transactions allowed in expired limits have been duly got confirmed by competent authority and the intermittent un-reviewed period, has been confirmed by the reviewing authority.
- **Diversion of Funds**

To check whether

 - software captures the indications of potential diversion of funds. If no, procedures to scrutinize diversion of funds, exist at branch; and
 - such procedures are documented, and comment if no such documented procedures are evidenced.
- **Early Warning Signals(EWS) or Red Flag Account(RFA)**
 - software triggers the manifestation of EWS, if any, in borrower's accounts, Comment if not triggered.
 - EWS are scrutinized for potential RFA and such procedures are documented, comment if no such documented procedures exist.
- **Willful Default Identification of Willful default**
 - There are documented system at branch to identify indications of willful default;
 - Software captures all conditions as defined in RBI Master Circular on wilful default and reports on such willful defaulters below and above 25 lakh are generated;
 - RBI list of willful defaulters are generated and held on records. Comment if no such list held; and
 - No additional facilities have been granted to the listed wilful defaulters. (Refer Para 2.5(a) of the Master Circular on Willful Default).



- **Audits of Foreign Exchange Business**

- Deposits
- Export Bills
- Dealing room of operation
- Advances
- Bills of Collection
- Any other area

- Find whether the branch has followed the instructions and guidelines of the controlling authorities of the bank with regard to the following in relation to the foreign exchange and if not state the irregularities.

- **Relevant RBI circulars**

- Opening and maintaining foreign currency account by the bank for Residents as well as Non-residents.
- Remittances outside India whether individual or entities that do not relate to any trade.
- Types of transactions that need attention such as Tax deduction, Joint account treatment etc.
- Opening and maintenance of Rupee/Foreign Currency Vostro Accounts of Non-resident Exchange Houses.

- **Nostro and Vostro Accounts**

- Whether the bank has a system of periodic confirmation/reconciliation of the balances in the accounts maintained with each overseas Bank/correspondent?
- Are there any dormant/closed NOSTRO accounts in respect of which balances continue to exist in the books of the Branch, at year end?

- Whether the system of the Bank ensures that all entries originated by overseas banks/correspondents, have been duly responded promptly in the respective NOSTRO accounts maintained by the Bank?

- Have the NOSTRO balances been converted at year end at the rates of exchange as prescribed by controlling authorities?

- **Audit Procedure for Agricultural Lending**

- Obtain the copy of relevant schemes and banks circular in this regard.
- Check the claim amount statement submitted to RO/ZO for claiming the same.
- Verify the accounting of interest and other charges to be borne by the lending institution as per the scheme.
- Obtain the list of eligible borrowers with outstanding balance.
- Check the accounting entries passed for the credit of eligible amount in the account of the borrower.
- Ensure reporting requirement as per closing instructions of the bank.
- Obtain written representation from the management about the scheme and its applicability including cut-off amount and period of loan disbursed.

- **Final Audit and Reporting**

- Preparation of Audit Report as per format prescribed by ICAI under SA 700 (Revised) and under any other regulatory authority.
- Preparation of memorandum of changes for changes to be made in classification of advances and in any item of asset/liability and profitand loss account with other remarks and/ or information which requires further attention at Regional/Zonal Office level.
- Preparation of Tax Audit Report
- Preparation of Long Form Audit Report (by giving annexures where ever necessary).



CFO's Eye

SEBI provides additional methods for meeting the minimum public shareholding requirements

SEBI has introduced two additional methods, namely rights issue of shares and issuance of bonus shares, for listed companies to comply with the minimum public shareholding requirement of 25%. This came after receiving representations from listed entities and stakeholders requesting relaxation in compliance conditions and approval for using non-prescribed methods. In addition, SEBI has rationalized existing mechanisms and allowed companies to opt for any other method approved by it on a case-by-case basis. Under the new rule, promoters will have to forgo their entitlement to equity shares arising from such issuances. The existing mechanisms such as issuance of shares through prospectus, offer for sale, and allotment of equity shares under the QIP route remain unchanged. Promoters can use either selling up to 2% stake in the open market or offloading up to a maximum of 5% stake during a financial year, subject to certain conditions, to comply with MPS requirements, but not both. Stock exchanges are required to monitor the methods adopted by listed entities to comply with MPS requirements, and any non-compliance observed by bourses will be reported to the regulator quarterly.

ICAI introduces Framework for Social Audit Standard

The Institute of Chartered Accountants of India (ICAI) has introduced a new framework for social audit standards. This framework is applicable to social auditors conducting social audits and adheres to the principles outlined in SASs. The primary aim of this framework is to provide fundamental principles and elements related to social audits, as well as guidance on the preparation of social audit reports based on the procedures and evidence gathered by the social auditor.

SEBI specifies payment method for fees under its regulations

SEBI has introduced an amendment to the SEBI (Payment of Fees and Mode of Payment) Regulations for 2023, which outlines the payment method for various fees that are required to be paid under its regulations. The amendment applies to the fees payable to SEBI and allows for payment via direct credit into the bank account through NEFT/RTGS/IMPS, online payment through the SEBI Payment Gateway, or any other mode that the Board may specify from time to time. This amendment will become effective on April 1, 2023.

SEBI makes crucial amendments in related to non-convertible debentures, buyback & ReIT/InvIT norms

SEBI has notified amendments to its various regulations. SEBI has made significant amendments to various regulations, including NCS Regulations, Buyback Regulations, InvIT Regulations, and REIT Regulations. The amendments to NCS Regulations involve expanding the definition of green debt security, sending recall or redemption notice prior to maturity, appointing a director in case of default, and specifying the period of subscription and regulatory fee. The amendments to Buyback Regulations include computing the limit of buyback and debt ratio based on standalone or consolidated financial statements, increasing the minimum amount for buyback, revising the limit and time period for completion of buyback, and modifying the provisions for disclosure requirements and methodology for acceptance of bids. The amendments to InvIT Regulations and REIT Regulations introduce new definitions of independent director and senior management, auditor appointment, limited review, and governance requirements of the investment manager/manager, among other changes.

Systems & forensics

The True Cost of a Data Breach

The traditional approach to estimating data breach costs by using the cost-per-record-lost heuristic has become less accurate due to the increase in ransomware attacks. The Red Queen Effect in cybersecurity also plays a role in this, as defense strategies must continually evolve to keep up with the changing tactics of hackers. Therefore, it is crucial to consider multiple factors when extrapolating potential losses to maximize model accuracy, and ongoing assessments should be conducted to ensure relevance.

To improve loss modeling, a new method for extrapolating data is proposed in this research. Historically, missing cost data in the dataset was excluded from loss modeling, resulting in a small data set that could be over-relied upon. The new method proposes a way to calculate missing costs, resulting in a larger data set for further model building. It is essential to regularly test and adjust models when forecasting future losses from historical data sets. These proposed models should be subject to future evaluations, and continued model validation can help the industry improve the maturity of cybersecurity risk management practices.

Source: ISACA Journal / 2023/ Vol1

5 most scandalous fraud cases of 2022

Crypto Bonnie and Clyde - Heather Morgan and Ilya "Dutch" Lichtenstein were arrested in February 2022 by US officials for laundering stolen bitcoin from the 2016 Bitfinex hack. The couple, who are facing over 20 years in prison, are accused of storing the stolen funds in a digital wallet and laundering them via gold coins, Walmart gift cards, international travel, five-star hotels, and their wedding. Federal prosecutors say the couple traveled to Ukraine in 2019 to plan a life there, buying fake Ukrainian passports, SIM cards, and details for secret bank accounts from the dark web. The couple's money-laundering trail was traced by IRS Criminal Investigation across the Bitcoin blockchain through wallets hosted on the AlphaBay darknet market. Despite using techniques like "chain-hopping," the couple was eventually caught. The case highlights the importance of fraud examiners knowing the technologies used to launder cryptocurrency.

Unhealthy Choices- In 2022, several large U.S. health insurers were sued by the DOJ for allegedly defrauding the Medicare Advantage program by fraudulently inflating diagnostic codes and making billions of dollars. The DOJ joined several suits that were originally filed by whistleblowers, indicating

the crime of
or financial benefit
fraud

is something or
reives people in

that the fraud allegations have merit. The suits suggest that profitable insurance companies are gaming a system that pays them higher rates for sicker patients, and the companies have allegedly developed elaborate systems to make their patients appear as sick as possible without providing additional treatment to collect more from the government. The U.S. Congressional watchdog group MedPAC estimated that additional diagnoses led to \$12 billion in overpayments in 2020. Additionally, Biogen agreed to a \$900 million settlement with the U.S. government over allegations that it gave kickbacks to doctors for promoting its multiple sclerosis drugs. The alleged kickbacks were meant to help Biogen corner the market and boost sales of its MS drugs. A former Biogen employee sued the company in 2012 under the U.S. False Claims Act as a whistleblower.

Scam-to-Scam Banking- Zelle, a popular person-to-person payment service controlled by many of the largest U.S. banks, has become a favorite hunting ground for fraudsters, resulting in significant losses for victims. The immediacy of the service is both its advantage and disadvantage, as fraudsters trick their marks into authorizing Zelle payments, and regulations do not require banks to refund money for authorized transactions. Victims have struggled to get help, and many have joined class-action lawsuits aimed at their banks. Banks claim they take Zelle fraud seriously, but investigations led by U.S. Senator Elizabeth Warren found that banks reimbursed customers in only a small fraction of cases where customers claimed they'd been tricked into making Zelle payments. The issue has led to U.S. Senate Banking Committee hearings and pressuring bank CEOs and Zelle's operator, Early Warning Services, to take responsibility for the money customers have lost to fraudsters through authorized Zelle payments.

China's Banking Scandal - Several small banks in rural Central China froze customer accounts in April 2022, sparking protests and revealing a \$5.9 billion bank fraud scheme allegedly orchestrated by Lv Yi, a former banking official and head of a criminal gang. The gang allegedly colluded with bank employees to steal deposits and investments and used online platforms and fake lending agreements to transfer money. The failure of the regulatory system to properly implement regulations is the most significant takeaway from the scandal, which has put a spotlight on loose banking regulations and rural banks' potential as a hotspot for systemic risks. Rural banks comprise about one-quarter of China's banking industry, and their complicated ownership structures make them vulnerable to corruption. The fraud affected about 400,000 customers, and Chinese banking regulators are refunding depositors to quell unrest.

Feeding Fraud- In September 2022, the US Department of Justice arrested 47 people associated with Minnesota nonprofit Feeding Our Future for their involvement in a \$250 million fraud scheme. The organization allegedly recruited individuals to open more than 250 sites to fraudulently claim to be serving meals to needy children during the COVID-19 pandemic. The defendants created shell companies to enroll in the Federal Child Nutrition Program and received and laundered reimbursement funds through them. They also submitted false documents, invoices, and attendance records. The rush to get money to people in need combined with poor controls, lack of oversight, and relaxed standards for participation in the Federal Child Nutrition Program contributed to the scale of the fraud. USDA allowed for-profit restaurants to participate in the program and permitted off-site food distribution to children outside of educational programs, both of which were part of the Feeding Our Future fraud.

[ACFE Featured Article: 5 most Scandalous Fraud Cases of 2022](#)



Glossary

AO

Assessing Officer

ASB

Accounting Standard Board

AY

Assessment Year

BLUT

Bond cum Legal Undertaking

CAG

Comptroller and Auditor General

CBDT

Central Board of Direct Taxes

CBIC

Central Board of Indirect Taxes

CCD

Compulsory Convertible Debentures

CSR

Corporate Social Responsibility

FASB

Financial Accounting Standards Board

FAQ

Frequently Asked Question

ICAI

Institute of Chartered Accountants of India

Ind AS

Indian Accounting Standard

INR

Indian National Rupee

ITAT

Income Tax Appellate Tribunal

ITC

Input Tax Credit

ITD

Income Tax Department

ITR

Income Tax Return

ISD

Input Service Distributor

LTCG

Long Term Capital Gain

LLP

Limited Liability Partnership

MCA

Ministry of Corporate Affairs

PY

Previous Year

QRMP

Quarterly Returns with Monthly Payments

SCN

Show Cause Notice

SEBI

Securities and Exchange board of India

TCS

Tax Collected at Source

transfer
or passab
ORIGIN Old
glossary
list of wor
dialect, o
AN

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*"Purpose Fuels
the Passion."*



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3

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