



The Institute of
Chartered Accountants of India
(Set up by an Act of Parliament)



Thiruvananthapuram Branch (SIRC)

NEWS LETTER

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CHAIRMAN'S MESSAGE



Dear Esteemed Members,

Warm greetings to all!

We begin the month with a landmark occasion – the GST National Conference being hosted by our branch after more than a decade, on 8th and 9th August 2025 at Hotel Forte Manor, Thiruvananthapuram. This prestigious event will feature eminent speakers, insightful technical sessions, and the opportunity to engage with thought leaders in GST. I invite each of you to be part of this milestone and make it a resounding success.

During the month, our branch will also be conducting two Financial Literacy Programmes – one for the CRPF personnel and another for members of the Kudumbashree Mission. These initiatives reflect our commitment to social responsibility and to empowering communities with financial awareness.

On 15th August 2025, we will gather at the branch premises to celebrate our Independence Day in the morning, paying tribute to our nation's spirit and sacrifices.

As we approach the busy audit season, we have scheduled a Tax Audit Readiness Programme, which will be followed by our much-awaited Onam Sadya and celebrations. This will be an excellent occasion to combine professional preparation with festive camaraderie.

I sincerely thank all members for the unwavering support you have extended so far. I urge you to continue your active participation in all our upcoming programmes, as it is your enthusiasm that strengthens our bond as a professional fraternity. Your suggestions are always welcome to help us make our branch activities more impactful and engaging.

Let us keep learning, sharing, and growing together.

CA. Nikhil R Kumar

Chairman

Thiruvananthapuram Branch (SIRC)

SECRETARY'S MESSAGE



Dear Esteemed Professional Colleagues,
Warm Greetings!

I am delighted to present a concise overview of the various activities and initiatives organised by the Thiruvananthapuram branch of the Institute of Chartered Accountants of India in July 2025.

The month began with the celebration of Chartered Accountant's day on 01-07-2025. A walkathon of members was conducted followed by flag hoisting at the branch premises. Members and students participated in blood donation at SP Medifort hospital.

The CA fest was celebrated on 03-07-2025 at RDR convention centre. Mr. Vijayaraghavan, former CEO of Technopark was the chief guest. The members who completed 50 years and 25 years of CA was honoured and they had a pride of accomplishment. The new qualified CA's, meritorious achievements and sports winners were felicitated, and the event was followed by cultural programmes.

The IT help desk at Income-tax office continues to help the citizens to seek a way forward amidst the difficulties faced by them. Our members CA Akhil M T, CA, Adarsh B, CA Aju V G & CA Arun P Krishna were in the forefront to lead the IT help desk.

A study circle meeting was held on 07-07-2025. Our past chairman CA. Hari C took us through the Income-tax bill, 2025 which gave us a bird's view of the new bill.

A workshop of GST dispute mechanism was conducted for six days at our branch and our branch was the first batch in India to conduct this workshop. The workshops were on 10th, 11th, 12th, 17th, 18th and 19th of July 2025. The workshop was handled by learned members of our profession CA.Satish Saraf, CA Annapurna Kabra, CA Unnikrishnan M, CA Yash Dadda, CA Praveen Sharma, CA Harini Sridharan, CA Rajesh Kumar T R, CA Venugopal Gella, CA Badrinath, CA Anand Sai Prasad, CA Ankit Kanodia and CA Saurabh Singhal. The members were much elated to have attended this workshop.

The World Youth Skills day was celebrated on 15-07-2025 at our branch.

A residential refresher course on Corporate Law and Corporate Governance was conducted by our branch at Poovar Island Resorts on 18th, 19th and 20th of July 2025. The course was led by erudite members CA Santhosh Cherian, CA Josh Joseph, CA Priti Paras Savla & CA Babu Abraham Kallivayalil. The Central council member and chairman of Corporate Law and Corporate Governance committee CA Babu Abraham Kallivayalil and CCM and vice chairperson of Corporate Law and Corporate Governance committee CA Priti Paras Savla presided the function. The members felt exalted.

The Sekar memorial lecture was conducted on 26-07-2025 at our branch. CA Ramnath V discussed about the assorted issues under the Income-tax Act with special mention to MSME and CA Survajith S Krishnan talked about the preparation of financial statements for non-corporate entities.

A career counselling was conducted at St. Thomas Residential School for children of 11th and 12th standards. CA Durgesh Kumar Kabra, CCM and chairman of Career counselling committee addressed the students and conveyed the importance of choosing CA and the immense benefits it gives to them to build a better future. CA Josh Joseph gave a broad picture of our course to the students who interacted well in the session.

We sincerely thank all the members, speakers and dignitaries whose invaluable contributions ensured the success of these initiatives. We eagerly anticipate your continued support and active participation in all our future endeavours.

Jai Hind! Jai ICAI!

Warm Regards,

CA. Rajesh A

Secretary

Thiruvananthapuram Branch (SIRC)

ASSORTED ISSUES UNDER IT ACT

SPECIAL REF TO MSME



CA. V. Ramnath

B Com FCA

PART - 1 - SECTION 194T

PARTNERSHIP FIRM - TDS U/S. 194T

Basics of sec 194T

Rate of tds - 10%

Ceiling - Rs.20000 per annum

Timing - credit or payment, whichever is earlier

Nature of payment - salary, remuneration, bonus, commission, interest

Payable by - Firm (Including LLP)

Payable to - partner

Effective date - from 1-4-2025

"Credited to "suspense account" or any other account by whatever name called" - missing

Any sum - Does it include "in kind" payments ?

Included in sec 194T

Interest and remuneration

Excluded from Sec 194T

Share of profit/repayment of capital

Machinery rent/purchase of goods/discount given - see other sections

Special services to firm / apart from contract - say doctor - sec 194J

No distinction between

payment to working/non-working partner

payment being allowable or otherwise

Payment to resident/non-resident partner - 194T v 195

Sec 194T not incorporated in

Sec 197 - for lower or nil rate of deduction of tax at source

Sec 197A - for filing self-declaration in Form No: 15G/15H

Timing of deduction - related issues

Monthly payment - year end entries for TDS

Sec 44AD cases - omission to make TDS

Non 44AD cases - omission to make TDS - consequences

Cash basis following firms - timing of TDS

Balance in current account - insufficient balance

Payment made by firm - book profit insufficient at the year end.

PART - 2 - INDEXATION BENEFIT

CAPITAL GAINS - INDEXATION

Indexation shall not apply for transfer on or after 23.07.2024 except

Resident individual / huf,

transferring land or building or both

acquired before 23-7-2024

Transferred on or after 23-07-2024

Rate of tax reduced from 20% to 12.5%

Substitution of FMV as at 01.04.2001 still continues

Income has to be computed without indexation and tax to be worked out @ 12.5%
 Thereafter, on the income included in Taxable income, tax needs to be worked out @ 12.5%
 For the same asset transfer, capital gain is to be computed post indexation and tax @ 20% is to be worked out
 Excess of tax while computing @ 12.5 % over the tax while computing @ 20% has to be ignored.
 Computation of capital gain post Indexation would not be relevant
 For setting off of losses so computed
 For quantifying the amount of investment for re-rolling benefit

CAPITAL GAINS - INDEXATION

Particulars	Case 1		Case 2	
	Without index	With Index	without index	With index
Land - LTCG	15	6.5	15	6.5
building - LTCG	-15	-18	-15	-18
Land - LTCG	0		4	1
Capital gain – total	0	-12.5	4	-10.5
Other – normal Income	20		20	
Taxable Income/GTI	20		24	
Tax payable				
On Normal Income	2.4		2.4	
On LTCG	0	0	0.5	0.2
Total	2.4		2.9	
Excess to be ignored	0		0.3	
Balance tax payable	2.4		2.6	

CAPITAL GAINS - INDEXATION

Particulars	Case 3		Case 4	
	without index	with index	without index	with index
Shares LTCG	15		15	
Land – LTCG	20	10	20	10
building - LTCG	-15	-18	-15	-18
Land - LTCG	0		-5	-8
Capital Gain - total	20	-8	15	-16
Other Normal Income	20		20	
GTI/Tax. Income	40		35	
Tax payable				
on Normal Income	2.4		2.4	
on LTCG	2.5	2	1.875	1.5
Total	4.9		4.275	
Excess to be ignored	0.5		0.375	
Balance tax payable	4.4		3.9	

Affecting assessee

- Amount to be invested for re-rolling benefit u/s. 54 Series
 - Capital gain before indexation
 - NOT CG after indexation
- Amount of loss to be set off or C/f
 - Loss, if any, before indexation
 - NOT Loss after indexation
- Higher surcharge may apply

Affecting Revenue

- B/f. loss (with indexation) eligible for set off against current year LTCG without indexation.
- CGS Account - non-utilisation - will be taxed @ 12.5% instead of 20%

PART - 3 - SECTION 43B(h) PAYMENT TO MSEs

PART - 3 A - APPLICABLE PROVISIONS

Provisions of Sec 43B of the Act

43B. Notwithstanding anything contained in any other provision of this Act, a deduction otherwise allowable under this Act in respect of—

(a).. (b)... (c)... (d)... (e)...(f).... (g)....

(h) any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006),

shall be allowed (irrespective of the previous year in which the liability to pay such sum was incurred by the assessee according to the method of accounting regularly employed by him) only in computing the income referred to in section 28 of that previous year in which such sum is actually paid by him :

Explanation 4.—For the purposes of this section,—

(a).... (b)....(c)...(d)....

(e) "micro enterprise" shall have the meaning assigned to it in clause (h) of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006);

(f)....

(g) "small enterprise" shall have the meaning assigned to it in clause (m) of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006).

Provisions of MSMED Act 2006

Sec 2 (h) "micro enterprise" means an enterprise classified as such under sub-clause (i) of clause (a) or sub-clause (i) of clause (b) of sub-section (1) of section 7;

Sec 2 (m) "small enterprise" means an enterprise classified as such under sub-clause (ii) of clause (a) or sub-clause (ii) of clause (b) of sub-section (1) of section 7;

Sec 2 (e) "enterprise" means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 (55 of 1951) or engaged in providing or rendering of any service or services;

Sec. 15. Liability of buyer to make payment.—Where any supplier supplies any goods or renders any services to any buyer, the buyer shall make payment therefor on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, before the appointed day:

Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed forty-five days from the day of acceptance or the day of deemed acceptance.

Sec 2 (b) "appointed day" means the day following immediately after the expiry of the period of fifteen days from the day of acceptance or the day of deemed acceptance of any goods or any services by a buyer from a supplier.

Explanation.—For the purposes of this clause,—

(i) "the day of acceptance" means,—

(a) the day of the actual delivery of goods or the rendering of services; or

(b) where any objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day on which such objection is removed by the supplier;

(ii) "the day of deemed acceptance" means, where no objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day of the actual delivery of goods or the rendering of services;

Sec 2 (n) "supplier" means a micro or small enterprise, which has filed a memorandum with the authority referred to in sub-section (1) of section 8, and includes,—

(i) the National Small Industries Corporation, being a company, registered under the Companies Act, 1956 (1 of 1956);

(ii) the Small Industries Development Corporation of a State or a Union territory, by whatever name called, being a company registered under the Companies Act, 1956 (1 of 1956);

(iii) any company, co-operative society, trust or a body, by whatever name called, registered or constituted under any law for the time being in force and engaged in selling goods produced by micro or small enterprises and rendering services which are provided by such enterprises;

PART - 3 B - ISSUES IN SEC 43B(h)

Issues in sec 43B(h) of the Act

Date of applicability - w e f 1-4-2024 - AY 2024-25 (PY 2023-24)

Only MSEs are covered - Medium enterprises are not covered

Only enterprises **engaged** in manufacture or production of goods / rendering of services are covered

How to identify whether supplier is MSEs or not?

if Udyam regn no: available

https://udyamregistration.gov.in/Udyam_Login.aspx

Choose - Verify Udyam Registration Number - Enter 19 digit Udyam Regn Number - download certificate / preserve for future.

If no such info. Available - by adverse inference

How frequently one has to check the status of MSEs in portal

The registration is obtained only during the middle of the year - payment due for the transactions prior to the registration

The registration was surrendered during the middle of the year - payment due for the transactions after the surrender of the registration??

Payment in respect of deduction otherwise allowable under the Act would only be hit by sec 43B(h)

Provision would apply in respect of outstanding balance as at the year end. (Any delay in payment - however payment made prior to year end would not be hit by sec 43B(h))

Practical aspects of disallowances u/s. 43B(h)

- | | |
|---|---|
| • M/s. ABC & Co has transacted with Mr. Y, a MSE | • M/s. ABC & Co has transacted with Mr. Y, a MSE |
| • The summary of transaction between parties are as under | • The summary of transaction between parties are as under |
| • As at 31-03-2024 Rs. NIL | • As at 31-03-2024 Rs. NIL |
| • During the year | • During the year |
| • Purchase Rs. 1.18 lac | • Purchase - 25.03.25 Rs. 1.18 lac |
| • Paid Rs. 1.18 lac | • Paid Rs. 0.50 lac |
| • As at 31-03-2025 Rs. NIL | • As at 31-03-2025 Rs.0.68 lac |
| • Payment made after appointed day (within the year end) | • Balance Payment made on |
| | • 9.4.2025 or 10.05.2025 |

- M/s. ABC & Co has transacted with Mr. Y, a MSE
- The summary of transaction between parties are as under
 - As at 31-03-2024 Rs. NIL
 - During the year
 - Purchase - 25.03.25 Rs. 1.18 lac
 - Paid Rs. 1.00 lac
 - As at 31-03-2025 Rs. 0.18 lac
- Balance Payment made on
 - 12.04.2025(GST outstanding)

- M/s. ABC & Co has transacted with Mr. Y, a MSE
- As per Udyam Certificate, Mr. Y is Manufacturer of die castings
- The summary of transaction between parties are as under
 - As at 31-03-2024 Rs. NIL
 - Purchase of Stationery
 - (25-02-2025) Rs.1.18 lac
 - As at 31-03-2025 Rs.1.18 lac
- Payment was made - 15-06-25

- M/s. ABC & Co has transacted with Mr. Y, a MSE
- As per Udyam Certificate, Mr. Y is service provider
- The summary of transaction between parties are as under
 - As at 31-03-2024 Rs. NIL
 - Purchase of goods
 - (25-02-2025) Rs.1.18 lac
 - As at 31-03-2025 Rs.1.18 lac
- Payment was made - 15th June 25

- M/s. ABC & Co has transacted with Mr. Y, a MSE
- As per Udyam Certificate, Mr. Y is Manufacturer of die castings
- The summary of transaction between parties are as under
 - As at 31-03-2024 Rs. NIL
 - Purchase on 25-02-2025
 - Stationery Rs.0.59 lac
 - Die castings Rs.1.18 lac
 - As at 31-03-2025 Rs.1.77 lac
- Payment was made - 15th June 25

- M/s. ABC & Co has to pay to Mr. Y, a MSE Rs.1.18 lac at year end
- The summary of transaction between parties are as under
 - As at 31-03-2024 Rs. NIL
 - Service availed 7-2-25 Rs.1.18 lac
 - As at 31-03-2025 Rs.1.18 lac
- No Payment upto 31-05-2025
- No TDS effected.

- In the above case study, facts remain the same
- In the FY 2025-26,
 - Payment was made on 15-06-2025
 - TDS was effected for FY 2025-26
- Consequences

- M/s. ABC & Co has to pay to Mr. Y, a MSE Rs.1.18 lac at year end
- The summary of transaction between parties are as under
 - As at 31-03-2024 Rs. NIL
 - Capital goods purchased
 - On 7-2-25 Rs.1.18 lac
 - As at 31-03-2025 Rs.1.18 lac
- No Payment upto 31-05-2025
- Disallowance of depreciation?

- M/s. ABC & Co has to pay to Mr. Y, a MSE Rs.1.18 lac at year end
- The summary of transaction between parties are as under
 - As at 31-03-2024 Rs. NIL
 - Capital goods purchased
 - On 7-2-25 Rs.1.18 lac
 - As at 31-03-2025 Rs.1.18 lac
- No Payment upto 31-05-2025
- Cost of Capital goods purchased was claimed in full u/s. 35AD

- M/s. ABC & Co has transacted with Mr. Y. The summary of transaction between parties are as under
 - As at 31-03-2024 Rs. NIL
 - Goods purchased Rs.1.18 lac
 - Amount settled Rs.1.18 lac
 - Advance paid Rs.1.00 lac
 - As at 31-03-2025 (-)Rs.1.00 lac
- Goods purchased in subsequent year
- Can advance be claimed in this year u/s. S.43B
- M/s. ABC & Co (opting u/s. 44AD) has transacted with Mr. Y, a MSE
- The summary of transaction between parties are as under
 - As at 31-03-2024 Rs. NIL
 - Purchase of goods
 - (25-02-2025) Rs.1.18 lac
 - As at 31-03-2025 Rs.1.18 lac
- Payment was made - 15th June 25
- **GOOD LUCK KINETIC - 2015 (6) TMI 648 - ITAT PANAJI**
- M/s. ABC Ch. Trust running college has transport division.
- For transport division, it transacted with Mr. Y, a MSE (service provider)
- The summary of transaction between parties are as under
 - As at 31-03-2024 Rs. NIL
 - Repair of bus
 - (25-02-2025) Rs.1.18 lac
 - As at 31-03-2025 Rs.1.18 lac
- Payment was made - 15th June 25
- Any disallowance for ABC Trust?
- M/s. ABC Co P Ltd provided for audit fees of Rs.1.00 lakh in its books on 31.03.2025
- Post completion of the audit, the invoice for the audit fees raised by the auditor on 05.11.2025
- The amount, net of TDS, with GST settled by the company on 20.04.2026
- Applicability of sec 43B(h)
 - For the FY 2024-25
 - For the FY 2025-26 and
 - For the FY 2026-27,

Practical aspects of disallowances u/s. 43B(h)

M/s. ABC & Co maintains its books under ERP.

Under ERP, only consumption is debited to Revenue Account, instead of purchases. Closing inventory is shown directly in Balance sheet.

It has transacted with Mr. Y, a MSE.

The summary of transaction between parties are as under

As at 31-03-2024 Rs.NIL

Goods purchased Rs.1.18 lac

Amount settled Rs.0.18 lac

As at 31-03-2025 Rs.1.00 lac

Entire purchase was in closing stock

Can assessee say that no claim in Revenue account and hence no disallowance u/s.43B

Disallowance - Due date - quick glance

Particulars	No agreement	Credit period as per agreement equal to or more than 45 days (PO – accepted is agreement)
Balance outstanding on 31-03-2025	Credit on or before 16-03-2025 – disallowed	Credit on or before 14-02-2025 – disallowed
	Credit on or after 17-03-2025 Paid within 15 days of credit – allowed Paid after 15 days of credit – disallowed	Credit on or after 15-02-2025 Paid within 45 days of credit – allowed Paid after 45 days of credit – disallowed

Cl. 22 of Form No: 3CD – MSE payments – reporting (AY 2025-26)

- (i) Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act); or
- (ii) Total amount required to be paid to a micro or small enterprise, as referred to in section 15 of the MSMED Act, during the previous year;
- (iii) Of amount referred to in (ii) above, amount –
- (a) paid up to time given under section 15 of the MSMED Act;
- (b) not paid up to time given under section 15 of the MSMED Act and inadmissible for the previous year.

Cl. 22 – MSE payments – Reporting- Responsibility of tax auditor

Scenarios	Whether creditors is MSE or not	Whether creditor o/s balance is deductible or not	Remarks in Para 3 of 3CA / Para 5 of 3CB
Case 1	100% verification	100% verification	NIL
Case 2	100% verification	Test check	Comment on reliance of MRL with or without disclaimer on disallowance
Case 3	Test check	100% verification	
Case 4	Test check	Test check	
Case 5	Details available	Details incomplete	Qualification about inability to quantify the disallowance
Case 6	Details incomplete	NA	Qualification about inability to ascertain the party and consequential inability to quantify disallowance

PART – 4 – PARTNERSHIP FIRMS

FIRM – LETTING PROPERTIES

M/s. ABC and Co is a firm formed with the object of constructing and letting out rooms on monthly rental basis.

Cost of construction of lodging complex was partly funded by Partners capital and partly by bank loan

In addition, for shortfall, one of the partners borrowed loan in his personal capacity for interest @ 15% and lent to the firm.

Firm paid the same rate of 15% of interest to the partner.

Can such interest @ 15% be claimed? – TDS – 194T – applicable?

What if the business is letting out residential house?

- Firm has taken on lease the land from the partner
- Upon the land, firm has constructed the building
- Firm collected rent
 - Towards land - Rs.1.80 lac
 - Towards building - Rs.4.20 lacs
- Firm paid to partner
 - Towards land lease rent - Rs.1.50 lacs
- Whether the firm can claim the lease rent paid to the partner?
- Mr A and Mrs A are the partners of the firm
- Mr. A is the owner of the land and building
- The firm took the entire land and building on lease from Mr. A
- Partner A charges the firm lease rent of **Rs.1.50 lacs p.m.** for the entire land and building
- Firm sub-leases the entire property for **Rs.4.50 lacs p.m.**
- Tax consequences for partner?

FIRM – CHANGE IN CONSTITUTION

- Mr. A (95%) and Mr B (5%) are partners of M/s. AB and Co.
- The firm is engaged in trading of vegetables, fruits, etc.
- Unfortunately, Mr. A passed away on 08-02-2025.
- Mr. M, Son of Mr. A was admitted into partnership (with the consent of other legal heirs)
- Status of the assessee post death till admission of Mr. M?
- Section 42 of Partnership Act 1932 reads as under:
- Dissolution on the happening of certain contingencies.—
 - Subject to **contract between the partners a firm is dissolved—**
 - (a)
 - (b)
 - (c) **by the death of a partner;** and
 - (d) by the adjudication of a partner as an insolvent.
- **IOCL & Ors V M/s. Shree Nivas Ram Gopal & Ors - 16-07-2025**
- The business of the firm is real estate instead
- Firm had 30 properties in different locations
- Stamp duty incidence???
- On the date of death of Mr. A
 - Cost of inventory - Rs.1.5 Crores
 - FMV of inventory - Rs.4.5 Crores
- Bank balance is about 5% of value (including FMV) of total assets.
- Taxation of **unrealised gain** under IT Law
 - Sec 98 and sec 45(4)

- M/s. ABC & Co is a firm engaged in manufacture of motor pumps.
- Mr. A, Mr. B and Mr. C are partners sharing profit/loss equally
- Mr. C Passed away and in his place, the family nominated Mr. M, Son of Mr. C
- The firm has brought forward loss of Rs.1.2 Crores under IT Act
- Eligibility to C/F of losses ?
- M/s. ABC and Co, firm engaged in money lending
- One of the partners borrowed money and introduced as loan into the firm
- Later the partner retired and got money back.
- In scrutiny, the firm could not explain the source of the lender of the retired partner.
- Consequences in the hands of the firm and retired partner

FIRM – LIABILITY TO PARTNERS

M/s. ABC & Co is a firm with Mr. A, Mr. B and Mr. C being partners, engaged in trading in garments

Firm incurred liabilities of Rs.3 Crore.

Partner	Profit share	Firm's Liability share	Personal property
Mr. A	80%	2.4	0.8
Mr. B	15%	0.45	1.2
Mr. C	5%	0.15	10
Total	100%	3	12

Can Creditors / Tax authorities charge Mr. C ?

FIRM – OTHER ISSUES

- M/s. XYZ & Co, a firm of chartered accountants, following cash basis
- As per the deed, partners remuneration is credited at the end of each month
- As and when the payment is required, partners draw the amount (cash/wire transfer)
- Allowability of remuneration and applicability of sec 40A(3)
- M/s. ABC and co firm engaged in trading of various items.
- On 1st June 2024, it purchased a property from one of the partners for Rs.60 lakhs and deducted tax u/s. 194IA.
- On 1st August 2024, the partner went to USA and from there, he went to UK in 1st Feb 2025. He returned to India in May, 2025

PART – 5 – SMALL BUSINESS

SMALL BUSINESS – TDS COMPLIANCE

- M/s. XYZ & Co, paid interest to its partners' relatives on the loans borrowed.
- It omitted to deduct the tax at source
- However, the recipients have filed return showing this income
- Remedy available to the firm
- M/s. ABC & Co firm engaged in money lending borrowed money from partners' relatives.
- It had omitted to deduct tax at source on the interest payments
- The TDS Amount was Rs.1.5 lacs
- Firm obtained Form 15G/15H from 50 people but did not file forms with IT office within the time.
- Delay in filing of forms is 300 days
- Consequences?
- Mr. A purchased a property from Mr. X for Rs.1 Crores.
- The stamp duty value of the property is Rs.55 lacs
- Tax was deducted @ 1% on Rs.55 lacs/Rs.45 lacs separately
- In the sale deed Rs.55 lacs was only shown as consideration
- Sale deed was signed by Mr Q as agent of Mr X (Mr X in USA)
- Mr. P took a premises on monthly rental payable @ 15k from Mr. S in May 2024 for his business
- Mr. S gifted the property to his son Mr. K in July 2024 since he is having more income
- Mr. K was in UK, pursuing higher studies since 2022 and got employment in October 2024
- M/s. PQR & Co P Ltd filed Form 26Q for Q4 of 2024-25 and no errors about aadhaar PAN linking was shown
- While processing TDS statement, for 5 parties, higher rate of TDS was imposed, as the linking of Aadhaar was made post transaction but before 30-06-2025.
- M/s. ABC & Co., voluntarily disallowed 30% of labour charges of Rs.1.20 lac paid to Mr Kumar since tax was not deducted at source.
- As there was voluntary disallowance, according to M/s. ABC & Co, no other consequences for Non-compliance of TDS.

• Circular 9 dt 21-7-2025

SMALL BUSINESS - PROPERTY ISSUES

- Mr. A and Mr B are brothers
- Both had purchased 8 properties in their joint names (50% share each) over a period of time
- Considering market value,
 - A gifted his 50% share in 3 properties to B
 - B gifted his 50% share in balance 5 properties to A
- Tax implications???
- Mr. A has one son and one daughter
- After his life, it was decided that
 - property would go to the son
 - son must pay Rs.10 lacs to his sister
- Sister executed release deed and got Rs.10 lacs (50% value- her share-Rs.40 lacs)
- Tax implication for parties ??

PART 6 - AUDIT OF FS OF SMALL BUSINESS

AUDIT OF FS OF SMALL BUSINESS

Signing and issuing auditor's report - from portal or separate one

Date of signing of report vs date of uploading of report - UDIN

Client confidentiality - unlike Lawyers, for CAs, No immunity

Cost of audit Vs Revenue from audit

Ground realities Vs Expectation of stake holders

MRL for tax Return filing - notice to counsel - TAQRB - DC proceeding

Format for FS presentation - GN of ICAI

GN ON FS OF NON-CORPORATE ENTITIES

FAQ issued by ICAI

Question 5: What is the responsibility of the Auditor when a non-corporate entity (client) fails to comply with the presentation formats as specified in the Guidance Note?

Answer: Where the client does not furnish the financial statements in the presentation format or does not comply with the requirements prescribed in the Guidance Note, **the auditor is required to disclose the same in his / her report.** The auditor shall exercise his / her professional judgment in determining whether such non-adherence will result in a modified opinion as per the Standards on Auditing.

Para 5 of 3CB - a note is required

Suggested note in para 5 of Form 3CB

The financial statements of the assessee have not been prepared in the presentation format prescribed under the "Guidance Note on Financial Statement for Non-Corporate Entity" issued by ICAI

The deviation from the presentation format prescribed in the Guidance Note has been noted and reported here for disclosure purposes.

The deviation would result in non-disclosure of all the additional information required to be otherwise disclosed.

However, our opinion is not modified on the true and fair view of the state of affairs/ performance of the assessee's business, presented in the Financial statements.

WAY FORWARD

Transaction related penalties like Sec 271AAD and 269ST

Higher rate of taxes u/s. 115BBE

Exchange of information from various agencies/authorities

Audit trail for non-corporate/tax audit / big trust cases

Appointment of auditor by statute



FROM LEDGERS TO GREEN FUTURES: CHARTERED ACCOUNTANTS LEADING THE CHARGE FOR ENVIRONMENTAL STEWARDSHIP – A REALITY CHECK

CA. George A. Kurian

World Environment Day: An Urgent Call to Action for the CA Profession

As another World Environment Day dawns, this global moment for environmental awareness brings profound urgency for our planet and its vulnerable communities. At this juncture, the Institute of Chartered Accountants of India (ICAI) marks its 76th year of invaluable service. As a senior member, with an eventful professional journey spanning four decades focused on social responsibility and sustainability, I recognize a clear imperative: our profession is critically called to the forefront of environmental stewardship. Chartered Accountants, traditionally anchored in financial prudence, must evolve beyond assurance to become active stakeholders in forging a sustainable future. This year's theme prompts critical introspection: Have we truly moved beyond regulatory engagement and potential greenwashing, particularly in the Indian context, and with a specific focus on Kerala?

The Global Environmental Crisis: The Unvarnished Truth:

The planet is signaling distress, and the data is undeniable. The World Economic Forum forecasts that by 2050, climate change is likely to cause an additional 14.5 million deaths and \$12.5 trillion in economic losses, predominantly from pollution and extreme weather (WEF, 2024). Despite growing awareness, much of the "cleaning" and "recycling" efforts often remain perfunctory, aligning more with greenwashing than with tangible environmental benefit. The International Energy Agency (IEA) reported global CO₂ emissions rose by 0.8% to 37.8 billion tonnes in 2024, underscoring persistent reliance on fossil fuels (IEA, 2024). Humanity generated an estimated 400 million tonnes of plastic waste in 2024 alone, damaging fragile ecosystems (UNEP, 2025). This consistent rise reveals a global failure to effectively transition, jeopardizing UN Sustainable Development Goals (SDGs). The Center for Environmental Sciences reported that weather extremes in Indian states were the worst in 2024 in the last 123 years (Down To Earth).

Net Zero Milestones: A Stark Reality Check for 2030

The global ambition for net-zero by 2050 is critically off-track for its 2030 milestones. The IEA's Net Zero Roadmap highlights that while clean energy adoption surges, energy sector emissions reached a new record of 37 gigatonnes in 2022. Almost half the emission reductions needed by 2050 depend on technologies still in the demonstration or prototype phase (IEA, 2024). For India, despite impressive renewable energy growth, accounting for 87% of global coal power capacity under development alongside China, with 38.4 GW of new coal proposed in 2024, casts a long shadow on its 2030 pledges. Both the world and India are significantly lagging behind the required trajectory.

Kerala's Environmental Scars: Beyond the Green Façade

Our beautiful Kerala bears deep environmental scars. The Brahmapuram waste plant fire in Kochi (March 2023), engulfing 110 acres of waste and emitting 147.9 Gg CO₂ equivalent, highlighted unscientific waste management and systemic ineffectiveness (Wikipedia). Memories linger of the Maradu tower demolitions (2020) in Kochi. This Supreme Court ruling was exemplary, but a mere tip of the iceberg, underscoring how unchecked development across coastal districts, violating CRZ norms, leads to severe consequences.

Water contamination remains a persistent and grave threat: latest data up to December 2024 from the National Water Quality Programme indicates critically high pollution levels, particularly in the Periyar River and Kochi backwaters, with significant faecal contamination and dangerously low dissolved oxygen levels (even reaching zero on some days). This poses serious public health risks and has led to recurrent mass fish kills (News reports, KSPCB 2024). "Ghost nets" continue to devastate marine life (ETV Bharat, 2025). Recent NH66 collapse (May 2025), due to "deep flaws" on reclaimed land, and ongoing deforestation (8.38 kha in 2023), demand urgent environmental scrutiny and social audit (Civil Studies, 2025; GFW, 2024).

A Coastal Crisis on World Oceans Day

As World Oceans Day, June 8th, approaches, some of Kerala's coastal areas face a crisis after the container ship MSC Elsa-3 capsized and sank off the Kerala coast on May 25, 2025. Carrying 640 containers, including hazardous materials and significant fuel oil, it poses a severe threat seriously affecting coastal communities. This incident underscores the risks from increased shipping and port activities and the dire need to tighten maritime controls and disaster management. ESG due diligence and assurance, especially for the upstream value chain, including planning, vendor selection, and implementation phases, is imperative.

Global Impasses: Finance, Fossil Fuels, and Geopolitics

Global climate action is undermined by macroeconomic realities. COP29 [Cooperation of Parties] climate finance discussions were disappointing; the **300 billion annual goal by 2035 was deemed "inadequate" by developing nations against tabled UNFCCC estimates of US 1.3 trillion (PadhAI, 2025). Many developed countries are perceived to be retracting commitments. These geopolitical complexities and ongoing conflicts further exacerbate the challenge, diverting resources and ultimately endangering the human species.

Social Inequality and Multidimensional Poverty

Social inequality and resultant economic disparities are systemic issues reflected in multidimensional poverty indices. These lower India's global ranking in quality-of-life indices and erode developmental gains. It requires multidisciplinary skill sets to create more jobs in challenging times while dealing with immigration restrictions placed by several developed economies on overseas migration for education and employment.

Chartered Accountants: Pillars of Sustainability - Beyond Compliance

These complex scenarios present profound opportunities for our profession. Our expertise uniquely positions us to drive real change beyond cosmetic changes and greenwashing. CAs can play a pivotal role in reducing insecurities in higher education by creating and promoting credible employment opportunities; offshoring is an extremely attractive option on a cost-benefit basis for all stakeholders.

Navigating the Compliance Chasm and Cultivating Future Leaders

From experience, while compliance is foundational, its singular focus can limit our vision. The profession sometimes hesitates to guide clients beyond minimum regulatory adherence towards leading global practices and sustainability reporting frameworks like SASB, GRI, TCFD, or CSRD. Even India's BRSR, with its critical Scope 3 emissions emphasis, often results in boilerplate reporting, leaving a significant accountability gap.

This challenge extends to our aspiring CAs. Many focus on traditional assurance and exams. ESG is surprisingly only one of ten electives in the CA Final curriculum, with no foundational education at earlier stages. This narrow exposure can hinder their grasp of sustainability's real-world implications. Direct impacts on resources, like asset stranding due to rising sea levels, global warming, and climate risks, affecting financial statements of banks (credit risk) or insurance companies (underwriting assets), are paramount for future generations.

The CA fraternity's ethos, articulated at platforms like the World Forum of Accountants (WOFA), consistently emphasizes leveraging technology and AI for a sustainable future. This vision of harnessing AI, Blockchain, and Data Analytics for enhanced Enterprise Risk Management (ERM) is precisely what is needed for ESG responsibilities. The onus is on current CA practitioners to align actions with this ethos. CAs must be ethical and socially responsible guides, striving to convince clients to prioritize long-term reputation and enterprise value through sustainable practices, even amidst commercial pressures.

There is hope in our Gen Z and Gen Alpha multidisciplinary professionals who are increasingly aware of and specialize in sustainability-related areas, keenly aware of what future generations stand to lose. They possess inherent adaptability to new technologies and complex challenges. The opportunity for CAs is to spearhead a fundamental transition. We must evolve from solely financial reporting to robust sustainability reporting, encompassing rigorous ESG Assessment, measurement, monitoring, assurance, and disclosures, and ultimately, to active environmental stewardship. This means extending our influence to the planet's well-being, embracing a proactive stance, and guiding companies towards genuine environmental responsibility.

Pioneering an Enterprising Way Forward: CAs in Action

This is where Chartered Accountants can truly lead an enterprising transformation, especially given India's Climate Finance Taxonomy draft. CAs have a vital role in comparing this draft to established international frameworks like the EU Taxonomy, to precisely define legitimate ESG transactions. This is crucial for climate bonds funding decarbonization projects for net-zero.

Concrete Actions for CAs to Spearhead Transition and Stewardship:

- **Ensuring Genuine Accountability in Construction & Infrastructure:** Scrutinize EIAs for projects like Vizhinjam. Move beyond minimum regulatory checks to ensure ecological soundness (Ref: Maradu, NH66 collapse). Leverage data analytics for risk scrutiny and integrate environmental risks into ERM. Implement systems to track CRZ compliance, enforcing consequences for genuine environmental integrity.
- **Leading Decarbonization and Resource Efficiency in Logistics & Shipping:** Establish robust systems for ESG Assessment, measurement, and monitoring of Scope 1, 2, and 3 GHG emissions. Guide companies towards granular Scope 3 data for reduction (Ref: Vizhinjam, MSC Elsa 3). AI and Data Analytics are indispensable for real-time tracking. Advise on green investments (e.g., green hydrogen hubs like Kochi's), aligning with TCFD. Blockchain can enhance green supply chain transparency.
- **Advanced Risk Management & Resilience:** Help businesses quantify and prepare for physical climate risks (coastal erosion, extreme rainfall, rising sea levels). This informs climate-resilient investments and insurance strategies (TCFD). Expand ERM to integrate environmental variables with predictive modeling. Guide organizations to embed environmental considerations as core business strategy, identifying competitive advantages in sustainable operations.

Beyond the Balance Sheet: Empowering Higher Education and Future Generations

This transition is crucial for future generations, who face the full brunt of current ESG adverse impacts. The NEP and UGC Hons courses offer a vast opportunity. The CA profession must empower the higher education sector in job readiness for sustainability services. By engaging with academic institutions, we can:

- Mentor aspiring CAs: Provide practical ESG exposure, bridging curriculum gaps and inspiring impactful careers. Foster social and ethical values crucial for responsible business in a world facing geopolitical tensions.
- Influence curriculum: Advocate for mandatory ESG integration into CA education and university degrees, equipping youth with future-ready skills.
- Facilitate impactful internships: Offer hands-on experience in sustainability reporting, ESG assurance, and green project financing.
- Bridge Academia-Industry Gap: Collaborate to co-create courses addressing real-world sustainability needs.

By doing so, the CA profession can ensure our youth are empowered to lead sustainability efforts, creating value for future generations and raising the overall ERM bar.

A Clarion Call to Action for Every CA: Beyond the Surface

World Environment Day is a profound call to action, demanding more than symbolic gestures. As Chartered Accountants, we possess unique skills, ethical grounding, and strategic foresight to bridge the gap between aspirational targets and tangible results. We must challenge perfunctory efforts and demand genuine, measurable impact, particularly in our vulnerable state of Kerala. The profession's enduring relevance hinges on nurturing our aspiring CAs and other dedicated professionals with a holistic understanding of E, S, and G, equipping them with technological prowess and ethical conviction to drive this transformation. This leadership is vital in a world where geopolitical conflicts and environmental threats increasingly endanger the human species.

Let us leverage our trusted advisor status to advocate for stronger environmental governance, verifiable sustainability reporting, and a true commitment to decarbonization and responsible development. By integrating sustainability into the core of our professional practice, we can ensure that the financial health of our organizations is inextricably linked to the environmental well-being of our planet. As the Late Ratan Tata wisely noted: "If you want to walk fast, walk alone. But if you want to walk far, walk together." For sustainability, the clock ticks with climate risks; we must move both fast and long, starting with decisive individual action and building collective momentum for a truly sustainable and accountable future, ensuring that the next generation inherits not just wealth, but a livable world.

Together, we can be instrumental in demonstrating that financial prosperity and environmental stewardship are not just compatible, but mutually reinforcing, and that real action supersedes rhetoric.

Selected Footnotes & Sources:

1. World Economic Forum (WEF) Report, 2024.
2. International Energy Agency (IEA) Global Energy Review & Net Zero Roadmap, 2024.
3. UN Environment Programme (UNEP) News, 2025.
4. News Reports & Kerala State Pollution Control Board (KSPCB) data, Periyar River, 2024-2025.
5. ETV Bharat, "Ghost Nets Threatening Kerala's Marine Ecosystem," 2025.
6. Global Forest Watch (GFW), Kerala Deforestation, 2024.
7. The Civil Studies, "NH-66 Collapse In Kerala," 2025.
8. Business & Human Rights Resource Centre, "Vizhinjam port construction," 2022.
9. Vision IAS, "MSC Elsa 3 sinking," 2025.
10. Renewable Watch, "Green Hydrogen Hubs," 2025.
11. ICAI Revised Curriculum, Final Course Syllabus, 2023.
12. World Congress of Accountants (WOFA) Declarations.
13. India's Climate Finance Taxonomy Draft; EU Taxonomy Regulation.
14. Down To Earth, Weather Extremes in India, 2024.

RESERVE BANK OF INDIA (PRE-PAYMENT CHARGES ON LOANS) DIRECTIONS, 2025.



CA Karpagalakshmi.Y

Introduction:

The RBI has issued Directions on Pre-payment charges on Loans, 2025 especially for individuals and Micro & Small Enterprises loans.

Effective January 1, 2026, this reform will empower individuals, Micro and Small enterprises/business to switch lenders (to get competitive interest rate) without financial burden, enhancing competition and transparency in India's credit system.

Need for 2025 Guidelines:

- RBI supervisory reviews have indicated diversified practices amongst Banks and Financial Institutions with regards to levy of pre-payment charges in case of loans sanctioned to individuals and MSE's which leads to customer grievances and disputes.
- Further certain Banks and Financial Institutions even include certain restrictive clauses to discourage the borrowers from switching to other lenders offering better interest rates or services.

Accordingly, to address the above serious concerns represented to RBI from various forums, it released a draft circular in Feb'25 for public feedback. Based on the responses from lenders and other stakeholders, the Central Bank of India issued the new directions on 2nd July 2025 indicating uniform rules across lenders.

Applicability of 2025 Guidelines:

- Directions applicable to all commercial Banks, cooperative Banks, NBFC's and All the financial Institutions.
- All term and demand loans sanctioned or renewed on or after January 1, 2026.
- As per the Guidelines, in case of cash credit/OD facilities no pre-payment charges can be levied if the borrower intimates the lenders of his intention not to renew or restructure the facility before the period as stipulated in the loan agreement-provided that the facility gets closed on due date.
- Retrospective effect also prevented by the guidelines which restricts the lenders from levying charges/fees on previously waived off charges if any.
- All applicable charges must be clearly mentioned in the sanction letter and loan agreement and Key Facts statements, wherever applicable.
- Any charges not disclosed as specified above documents cannot be recovered from the borrower.

Restrictions of Prepayment Charges on all floating rates:

Ref.as per guidelines	Description	
5(i),(iii)	Loan to Individuals(Non-business purposes)	No prepayment charges allowed,regardless of co-obligants and source of funds.Repayment may be in
5(ii),(iii)(a)	Loan to Individuals & MSE's(Non-business	No prepayment charges by:
		1.Commercial Banks(excluding small finance banks,Regional Rural Bank and Local Area
		2.Tier 4 primary(urban) Co.operative Bank
		3.NBFC-Upper layer
		4.All India Financial Institutions
5(ii),(iii)(b)	No prepayment charges for loans less than or equal to Rs	No prepayment charges by:
		1. Small Finance bank
		2.Regional Rural Bank
		3.Tier3 primary(urban) Co.operative Bank
		4.State and central co-operative Banks
		5.NBFC-Middle layer
5(iv)	Dual Hybrid Rate Loans(Fixed+Floating)	Exemption from charging pre-closure charges applies if the loan is in floating rate phase.

Impact of the guidelines:

As per MSME annual report 2024-25, out of total MSME registration in UDYAM portal, Micro and Small Registrations accounts for more than 98%, indicating the potential market share by MSE's in the business segment.

These Micro Small businesses are highly depend on borrowings from banks/financial Institutions for their working capital. With the implementation of these guidelines, savings on interest cost (by switching over to other bankers who provide competitive rates) will be passed on to enhance the effectiveness of business operations.

What next:

- Borrowers need to be sensitized about their rights, further standard clauses to be introduced in the loan agreements to avoid future litigations between borrowers and lenders on all kind of charges including pre-payment charges.

Conclusion:

The logic behind the pre-closure charges levied by banks/financial institutions from their perspective is to avoid potential loss of interest income involved in the Asset/liability Management and the risks associated thereon, when loans are prepaid ahead of schedule. Recognizing these risks, the RBI, has allowed banks and NBFCs to continue charging reasonable prepayment charges on other than business loans, subject to transparency and disclosure norm.

Thus, the RBI 2025 Directives on pre-payment charges inject trust, transparency and flexibility in borrower/lender relationship by aligning Indian banking credit system with global best practices.

References:

1. MSME Annual report 2024-25.
 2. RBI/2025-26/64
- DoR.MCS.REC.38/01.01.001/2025-26 dated July'2 2025.

SNAPS OF JULY 2025 EVENTS



3Day RRC at Poovar Islands Resort | 18-20 July2025



6 Day Workshop on 'GST' | 10-19 July2025



Study Circle on 'Introduction to New Income Tax Bill' | 07 July2025

SNAPS OF JULY 2025 EVENTS



CA-FEST on behalf of CA DAY CELEBRATION | 03 July 2025



28 July 2025 | CCM CA. Durgesh Kabra's Visit to Branch,



CA. R SEKAR Memorial | 26 July 2025



Flag Hoisting and Blood Donation Camp on behalf of CA Day Celebrations | 01 July 2025

HELP DESK @ INCOME TAX OFFICE



Photography *Competition*



Hues of nature
CA. Hari K S | Hues of Nature



a journey through Trivandrum's green heart under monsoon skies
CA. Lekshmi Asha | Journey Through Trivandrum

Photos taken by CA's



Rain or shine, the season continues
CA. Rajesh A | Rain or Shine

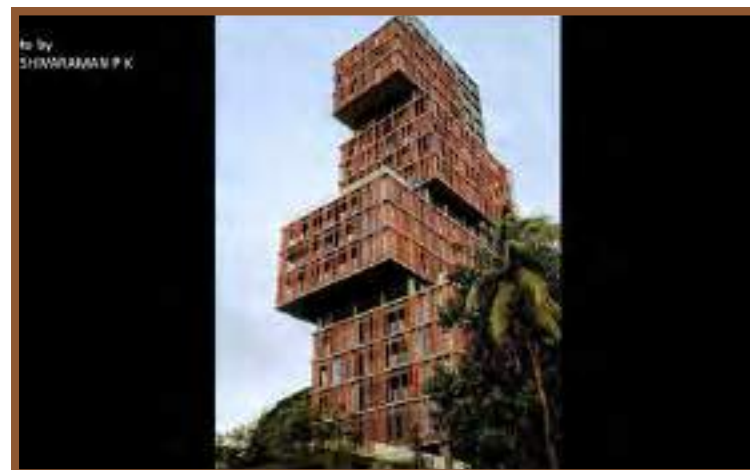


Echoes on the Path
CA. Selastin A | Echoes on the Path

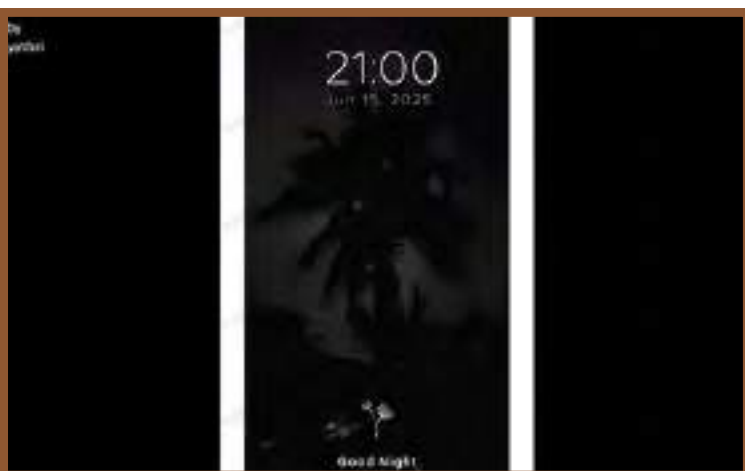
Photos taken by Member's



CA. Akhil R Kumar | Leaf Drift like a Gentle Song



CA. P K Shivaraman | Architectural Balance



CA. Gayathri P | Night



CA. Nikhil R Kumar | Footprint



Greetings For Birthday Celebrants

2 Aug 2025	ARJUN GOPAN G
2 Aug 2025	JACOB RAJAN
4 Aug 2025	ABHILASH B
4 Aug 2025	SHIJIN M S
5 Aug 2025	RAJESH A
5 Aug 2025	RAKESH J
10 Aug 2025	ARAVIND AT
12 Aug 2025	ASHA ZACHARIAH
13 Aug 2025	SREEKANTH SANAGARAM
14 Aug 2025	ASISH CHERIAN ABRAHAM
14 Aug 2025	MATHEW SAMUEL
15 Aug 2025	RATHEESH RS
15 Aug 2025	SRINIVASAN R
17 Aug 2025	PRINCE AROCKIYA JOHN
18 Aug 2025	HARIKRISHNA KUMAR S R
21 Aug 2025	ANAGHA T S
22 Aug 2025	ASHA SREE M NAIR
23 Aug 2025	NISHA ABRAHAM
23 Aug 2025	VELAYUDHAN S
26 Aug 2025	MIRIAM GIRISH
26 Aug 2025	ARAVIND V
27 Aug 2025	GOWRI SHANKAR M
31 Aug 2025	ANOOP RAJ

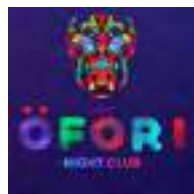
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Thiruvananthapuram Branch (SIRC)

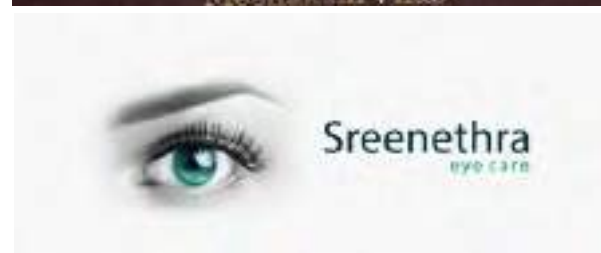
*Discounts are Applicable only for ARS Members



VIVANTA



COSMOPOLITAN
HOSPITAL





THIRUVANANTHAPURAM BRANCH (SIRC)



Invitation for **ARTICLES / WRITEUPS**

Articles / Writeups are hereby invited from members on any key topics to be published in the upcoming e-Newsletter. Members may kindly send their articles to trivandrum@icai.org with cc to icaitvm@gmail.com with the subject line "Article for Newsletter" on or before the 02nd of the following month along with mentioned details:

1. Name
2. Membership Number
3. Contact Number
4. E-mail id
5. Photo
6. Article in docx format

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T.C 24/ 245(13&14) Pound Rd, Thycaud P.O.
Thiruvananthapuram, Kerala --695014
<https://thiruvananthapuram.icaai.org>

☎ 0471 2323789
2328590
trivandrum@icai.org