

**Manubhai & Shah LLP**

Chartered Accountants

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# NEWSLETTER

**MARCH 2024**

**VOL 48**



Achieving Excellence in Client Service Through

**Expertise & Experience**

Covering Updates for the Month of February' 24

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## DIRECT TAX UPDATES

### I. Circulars & Notifications

#### 1. Remission & extinguishment of Tax demand under Income-tax/Wealth-tax/ Gift-tax Act

(C.B.D.T. Order F. NO. 375/02/2023-IT-Budget, Dated 13.02.2024)

The Finance Minister in her budget speech during Union Budget 2024-25 had announced to remit and extinguish the outstanding tax demands under Income-tax Act, 1961 or Wealth-tax Act, 1957 or Gift-tax Act, 1958, which are outstanding as on 31st January, 2024 in following manner:

Outstanding tax demands as on 31.01.2024 pertain to	Monetary limit of outstanding tax demands (in Rupees)
Upto A.Y. 2010-11	each demand entry upto Rs.25,000
A.Y. 2011-12 to A.Y. 2015-16	each demand entry upto Rs.10,000

The remission and extinguishment of above outstanding tax demand shall be subject to the maximum amount of Rs.1,00,000/- for an assessee for the Principal component of tax demand under the Income-tax Act, 1961 or Wealth-tax Act, 1957 or Gift-tax Act, 1958; and interest, penalty, fee, cess under the respective Acts.

The above remission and extinguishment of entries of outstanding direct tax demands shall not be applicable on the demands raised against the tax deductors or tax collectors under TDS or TCS provisions of the Income-tax Act, 1961.

Consequent to the remission and extinguishment of outstanding demand, no interest shall be required to calculate on account of delay in payment of demand under section 220(2) of the Income-tax Act, 1961 or corresponding provisions of Wealth-tax Act, 1957 and Gift-tax Act, 1958 and therefore, the same shall not be considered for the purpose of determining the limit of Rs.1,00,000.

It is clarified that as per the provisions of Rule 19(1) of General Financial Rules, 2017, the above remission and extinguishment of entries of outstanding tax demand under the aforesaid 'Acts' shall not have the requirement of audit.

It is also provided that any apparent mistake related to the implementation of this order, can be rectified by the CPC, Bengaluru.

#### 2. Implementation of E-verification Scheme-2021

(C.B.D.T. Press Release dated 26.02.2024)

The Income Tax Department, in order to reconcile the mismatch between the information received from third parties on interest and dividend income, and the Income Tax Return (ITR) filed by taxpayers, has made available an on-screen functionality in the Compliance portal of the e-filing website "https://eportal.incometax.gov.in" for taxpayers to provide their response.

At present, this functionality relating to F.Y. 2021-22 & 2022-23 have been activated. **It is clarified that the said communication is not a notice.**

It is also clarified that in case the taxpayer has disclosed the interest income in the ITR under the line item 'Others' in the Schedule OS, he need not respond to the mismatch pertaining to the interest income as the said mismatch shall be resolved on its own and will be reflected in the portal as 'Completed'.

Therefore, the taxpayers who are unable to explain the mismatch may consider the option of furnishing an Updated Income Tax Return if eligible to resolve the same.

## II. Supreme Court

### **Electoral Bonds Scheme & unlimited corporate political donations is unconstitutional**

#### **Association for Democratic Reforms & Anr V. UOI & Ors. [2024] 159 taxmann.com 383 (SC)**

The Supreme Court while disposing the Writ Petition in the above case held that :

- The Electoral Bond Scheme, the proviso to Section 29C(1) of the Representation of the People Act 1951 (as amended by Section 137 of Finance Act, 2017) Section 182(3) of the Companies Act (as amended by Section 154 of the Finance Act, 2017) and Section 13A(b) (as amended by Section 11 of Finance Act, 2017) are violative of Article 19(1)(a) and unconstitutional;
- The deletion of the proviso to Section 182(1) of the Companies Act, 2013 permitting unlimited corporate contributions to political parties is arbitrary and violative of Article 14
- The issuing bank shall herewith stop the issuance of Electoral Bonds
- SBI is directed to submit details of the Electoral Bonds purchased since 12.04.2019 till date to the Election Commission by 06.03.2024. Electoral Bonds which are within the validity period of fifteen days but that which have not been encashed by the political party yet shall be returned by the political party or the purchaser depending on who is in possession of the bond to the issuing bank. The issuing bank shall refund the amount to the purchaser's account.

#### **Our Comment :**

Ministry of Finance in the Department of Economic Affairs notified the Electoral Bond Scheme 2018 in exercise of the power under Section 31(3) of the RBI Act. The Electoral Bond is a bond issued in the nature of promissory note which is a bearer banking instrument and does not carry the name of the buyer. Accordingly, a person can donate to a political party without any limit anonymously and was eligible to claim full deduction U/sec 80GGB and U/sec 80GGC of the Income tax Act, 1961.

Consequent to the Supreme Court decisions, The Electoral Bond Scheme is violative of Article 19(1)(a) and unconstitutional as it permits unlimited corporate contributions to political parties which is arbitrary and violative of Article 14. Therefore, no Banks can issue Electoral Bonds now onwards.

One moot question arises consequent to the Supreme Court decision is – Can Department reopen assessment proceedings U/sec 147 on the ground of invalid claimed U/sec 80GGB or 80GGC till A.Y. 2023-24?

C.B.D.T. should issue a clarification in this regard with a direction to the Assessing Officers to not to reopen any assessment s till A.Y.2023-24 following the Supreme Court decision.

## III. High Court Decision

### **Can Disallowance of Employee's contribution to PF/ESI U/sec 36(1)(va) n be made in Intimation U/sect 143(1)(a) ?**

Rohan Korgaonkar V. DCIT [2024] 159 taxmann.com 321 (Bombay)

#### **The High Court held that : :**

"Checkmate Services Pvt. Ltd. (Supra) holds that the deductions can be claimed or adjustments can be made under section 143(1)(a)(iv), read with Section 36(1)(va) only when the employer deposits the contributions in the employees' accounts on or before the due date prescribed under the Employees Provident Fund /Employees State Insurance Act. In this case, admittedly, the contributions were deposited in the employees' accounts beyond the due date. The circumstance that the assessment order was made under Section 143(1)(a) of the IT Act can make no difference."

#### **Our Comment :**

As held by the Bombay High Court, disallowance of delayed deposit of employees contribution to PF/ESIC in the Intimation order under section 143(1) by the Assessing Officer/CPC is valid U/sec 143(1)(a)(iv) of the Act in the case Auditor has reported the same in his Audit Report.



## SEBI UPDATES

SEBI has notified the Securities and Exchange Board of India (Employees' Service) (Amendment) Regulations, 2024 vide notification dated 07th February 2024, amending matters concerning positions of appointment along with recruitment and promotion processes within the organization.

The amended regulations can be accessed through the following link:

[https://www.sebi.gov.in/legal/regulations/feb-2024/securities-and-exchange-board-of-india-employees-service-amendment-regulations-2024\\_81336.html](https://www.sebi.gov.in/legal/regulations/feb-2024/securities-and-exchange-board-of-india-employees-service-amendment-regulations-2024_81336.html)



## COMPANY LAW UPDATES

### A. Establishment of Central Processing Centre:

The Government of India vide notification [S.O. 446(E)] dated 02nd February 2024 has stated that the Central Government has established a Central Processing Centre to process and dispose off e-forms filed; as against the same being earlier done by the Registrar of Companies (ROC).

The notification can be accessed at:

<https://www.mca.gov.in/bin/dms/getdocument?mds=FrgS%252FjRXtmK%252BHpwLI3BHRQ%253D%253D&type=open>

### B. Companies (Registration Offices and Fees) Rules, 2014:

The Central Government has further amended the Companies (Registration Offices and Fees) Rules, 2014, to facilitate the insertion of new rule – Rule 10A (Central Processing Centre). Through it, the central government has prescribed certain forms that shall now fall under the jurisdiction of the Central Processing Centre.

The notification can be accessed at:

<https://www.mca.gov.in/bin/dms/getdocument?mds=TC5liKr%252B0SpGVt5U%252BSzj%252Bw%253D%253D&type=open>

### LLP (Limited Liability Partnership) Law updates:

#### A. Limited Liability Partnership (Significant Beneficial Owner) Rules, 2023:

The Ministry of Corporate Affairs has notified the Limited Liability Partnership (Significant Beneficial Owner) Rules, 2023 vide which LLP's are now required to file Form 4D - Return to the Registrar in respect of declaration of Beneficial Interest in contribution received by the LLP, in line with similar provisions applicable to Companies under the Companies Act, 2013 with regards to Significant Beneficial Ownership.

Additionally, considering the transition from Version 2 portal of the MCA to Version 3 portal of the MCA, the MCA has waived off additional fees applicable on Form LLP BEN-2 and LLP Form 4D for filing till 15th May, 2024.

The circular can be accessed at:

<https://www.mca.gov.in/bin/dms/getdocument?mds=ui4J8CwvqBhepbNiu3putw%253D%253D&type=open>



## ACCOUNTING UPDATES

### A. EAC Opinion:

**Accounting treatment of similar leasehold assets held by parent and subsidiary company with different functional currencies and consolidation thereof under Ind AS framework.**

The relevant text of the Opinion is reproduced below:

The Committee is of the opinion that:

- (i) The translation of leasehold or RoU assets held by Child Ltd. (having a different functional currency from the presentation and transaction currency), first from transaction currency (INR) to functional currency (USD) at transaction date and then from functional currency (USD) to presentation currency (INR) at the reporting date in its separate financial statements is in accordance with the requirements of Ind AS 21. Further, the Company has to provide disclosures as per paragraphs 53 and 55 of Ind AS 21 and appropriate disclosures as per Ind AS 116.
- (ii) The RoU land of Child Ltd. shall appear in the consolidated financial statements of Parent Ltd. after translating its value in functional currency (viz., USD) into presentation currency of Parent Ltd. (viz., INR) using the exchange rates at the date of the balance sheet. The Committee notes that Ind AS 110 does not give any exception to this requirement. Therefore, presentation of right-of-use asset of Child Ltd. at the revised translated amount using the exchange rate at the balance sheet date of Parent Ltd., in the consolidated financial statements of Parent Ltd. is in accordance with the requirements of Ind AS 110. However, appropriate disclosures as per Ind AS 116 should also be made in the financial statements.

EAC Opinion can be accessed at:

<https://resource.cdn.icai.org/78787cajournal-feb2024-28.pdf>

## Article on: Purchase-to-Pay

### Article on:- Navigating Purchase-to-Pay Challenges: Best Practices and Solutions

In our last month's article, we delved into the fundamental aspects of Purchase-to-Pay (P2P). Building upon that foundation, this article explores the prevalent challenges that organizations commonly encounter in the P2P cycle and outlines industry best practices to overcome them.

#### Common Challenges and Solutions in Purchase-to-Pay

Point	Challenge	Suggestions
Manual & paper-based processes	Reliance on manual and paper-based processes leads to inefficiencies, errors, and delays.	Implement automated P2P solutions to streamline processes, reduce paperwork, and improve accuracy.
Lack of visibility & controls	Limited visibility into spending and lack of control over the procurement process.	Adopt spend management tools and dashboards for real-time visibility into procurement activities and expenses.
Compliance risks	Non-compliance with regulatory requirements and internal policies exposes companies to legal and financial risks.	Establish clear procurement policies and procedures aligned with regulatory standards and conduct regular audits to ensure compliance.
Vendor Management challenges	Difficulty in managing vendor relationships, negotiating contracts, and tracking performance.	Implement vendor management systems to centralize vendor data, monitor performance, and facilitate contract negotiations.
Invoice processing delays	Delays in invoice processing and approval lead to late payments and strain vendor relationships.	Automate invoice processing workflows, set up electronic approvals, and establish clear timelines for invoice approval.
Payment reconciliation issues	Difficulty in reconciling payments with invoices and tracking outstanding payments.	Utilize accounting software with built-in reconciliation features to streamline payment matching and identify discrepancies.
Maverick purchases	Unauthorized purchasing outside of established procurement processes results in uncontrolled spending.	Enforce procurement policies and approval workflows to prevent maverick purchasing and promote compliance.

#### Additional Tips for Success

- Foster a culture of accountability and transparency within the procurement team.
- Provide training and awareness programs for employees on P2P processes, compliance requirements, and the utilization of P2P systems.
- Continuously monitor and evaluate the effectiveness of P2P processes, remaining open to process improvements and optimizations.
- \*Collaborate closely with vendors and suppliers to streamline communication, promptly resolve issues, and build mutually beneficial relationships.

By addressing these common challenges and implementing the recommended tips, companies in India can optimize their purchase-to-pay cycle, enhance operational efficiency, and effectively mitigate risks. Embracing these strategies fosters a robust P2P ecosystem, ensuring a seamless and efficient procurement journey for organizations.



### Due dates of various compliances falling in the month of March 2024

Sr.No	Due Date	Act/Authority	Compliance Description
1.	01-03-2024	Income tax	Furnishing of challan cum statement of tax deducted under 194-IA,194-IB and 194M in the month of January -2024
2.	07-03-2024	GujRera	Quarterly Progress Report (QPR) Compliances for the financial quarter ended December 31, 2023, at Guj RERA Web Portal 2.0. (Extended Due date by Order No. 88, dated February 21, 2024.)
3.	07-03-2024	Income Tax	Deposit of Tax Deducted at Source (TDS) / Tax Collected at source (TCS) during the month of February - 2024
4.	10-03-2024	GST	GSTR-7 for the month of February - 2024 for persons required to deduct TDS
5.	10-03-2024	GST	GSTR-8 for the month of February - 2024 for e-commerce operator required to Collect TCS
6.	11-03-2024	GST	GSTR-1 for the month of February - 2024 for taxpayers having turnover more than Rs. 5 crores or opted to file Monthly Return
7.	13-03-2024	GST	GSTR-5 by Non-resident taxable person carrying out business in India for the month of February - 2024
8.	13-03-2024	GST	GSTR-6 for the month of February - 2024 for Input Service Distributor
9.	15-03-2024	Income Tax	Fourth installment of advance tax for the assessment year 2024-2025
10.	15-03-2023	Income tax	Payment of entire amount of advance tax for the assessment year 2024-2025 for assesses covered by the presumptive taxation scheme under section 44AD / 44ADA
11.	15-03-2024	PF/ESIC	Payment of PF / ESIC for the month of February-2024
12.	20-03-2024	GST	Payment of GST & Filing of GSTR-3B for the month of February - 2024, for taxpayers having turnover of more than Rs.5 Crore in preceding financial Year
13.	20-03-2024	GST	GSTR-5A by Non-resident taxable OIDAR Service Provider for the month of February - 2024
14.	25-03-2024	GST	Payment of GST in form GST PMT-06 for the month of February - 2024 for taxpayers who opted for Quarterly Return Monthly payment (QRMP) Option
15.	30-03-2024	Income tax	Furnishing of challan-cum statement of tax deducted under 194-IA,194-IB and 194M in the month of February-2024
16.	31-03-2024	Income Tax	Last date for Tax Saving Exercise for FY 2023-24 for Assesses under Old Tax Regime
17.	31-03-2024	GST	Filing of RFD-11 (LUT) for FY 2023-2024

“**DON'T BE AFRAID TO  
GIVE UP THE GOOD  
TO GO FOR THE GREAT.**”

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