

Manubhai & Shah LLP

Chartered Accountants

Ahmedabad • Mumbai • NCR • Rajkot • Jamnagar • Baroda • Gift City- Gandhinagar • Udaipur • Indore

NEWSLETTER

JUNE 2024

Achieving Excellence in Client Service Through
Expertise & Experience

Covering Updates for the Month of May' 24
For private circulation and clients only

VOL 51



CONTENTS

Direct Tax Updates

Accounting Updates

Company Law Updates

SEBI Updates

FEMA Updates

Article: Chaos to Clarity – Importance of an item master

Due dates of various compliances falling in the month of June 2024

I. Circulars & Notifications

1. Cost Inflation Index U/sec 48 for F.Y. 2023-24

(C.B.D.T. Notification No. 44/2024 dated 24.05.2024)

Cost Inflation Index for the purpose of indexation of cost U/sec 48 is notified by C.B.D.T. as "363" for the F.Y.2024-25.

2. Guidelines for selection of complete scrutiny cases during F.Y.2023-24

(C.B.D.T. Circular F. NO. 225/72/2024 dated 03.05.2024)

The CBDT has notified the under mentioned parameters for compulsory selection of returns for Complete Scrutiny during F.Y.2024-25:

- i. Cases pertaining to survey u/s 133A.
- ii. Cases pertaining to Search and Seizure
- iii. Cases where no return has been furnished in response to a notice u/s 142(1) of the Income tax Act
- iii. Notices u/s 148 of the Act have been issued
- iv. Cases where registration/approval under various sections of the Act, such as section 12A, 35(l)(ii)/ (ia)/ (iii), 10(23C), etc. have not been granted or have been cancelled/withdrawn by the Competent Authority, yet the assessee has been found to be claiming tax-exemption/deduction in the return.
- v. Where the addition in an earlier assessment year(s) on a recurring issue of law or fact (including transfer pricing issue) exceeding Rs. 25 lakhs in eight metro charges (Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune) and in other charges exceeding Rs. 10 lakhs.
- vi. Cases related to specific information regarding tax-evasion is provided by any law-enforcement agency, (Investigation Wing/ Intelligence/ Regulatory Authority/ Agency, etc.)

II. Supreme Court Decision

Abandonment of Software Development Cost - Revenue Expenditure

PCIT V. Adadyn Technologies (P.) Ltd. [2024] 162 taxmann.com 667 (SC)

Facts of the case :

Assessee company was engaged in business of rendering customized internet advertising services for advertisers which could be used on desktop. In order to develop its software, assessee had incurred certain expenditure. However, due to rapid change in technology, said application became obsolete and assessee abandoned further development of said software claimed the same as revenue expenditure.

The Supreme Court dismissed the SLP filed by the Department & affirmed the decision of Karnatak High Court holding that :

“since product developed by assessee had become obsolete due to rapid change in technology and assessee had abandoned further development of same, expenditure incurred by assessee was to be treated as revenue in nature.”

III. Tribunal Decisions

i. Sec 54 : Date of Possession is date of investment

Sunil Amritlal Shah v. ITO (Int.Tax) [2024] 162 taxmann.com 676 (Mum- Trib.)

Facts of the case :

The assessee was a non-resident individual. He had sold a flat jointly owned along with his wife for a consideration on 10-2-2011. The assessee had claimed deduction U/sec 54 of the long term capital gain on the sale of property on the ground that he had purchased a new residential property on 02.02.2011 which was the date of possession of property. The Assessing Officer, however, took date of purchase agreement 25.07.2009 as date purchase of property and, accordingly, he denied the deduction U/sec 54.

The Tribunal allowed deduction U/sec 54 holding that :

“According to section 54 deduction is allowable if assessee purchases the property. In this case by agreement dated 25.07.2009, assessee acquired right to purchase a house which was under construction and received the possession on 02.02.2011, when construction was completed.

In Pr. CIT v. Akshay Sobti (2020) 423 ITR 0321 (Delhi) the Delhi high court held that the provision in question is a beneficial provision for assessee, who replace the original long-term capital asset with a new one. It was further held that booking of bare shell of a flat is a construction of house property and not purchase, therefore, the date of completion of construction is to be looked into which is as per provision of section 54. In this case also assessee has booked an under construction flat and same was handed over to the assessee on completion of construction.

It is to be held that the assessee is entitled to deduction under section 54 on purchase of new property considering the date of possession, when it is completed, as the date of purchase of property as agreement to purchase the property was for under construction property. By entering into an agreement to purchase assessee has acquired right to purchase the property and did not purchase the property as same was under construction. Section requires “purchase” of property.”

ii. Liquidated damages from suppliers for failure to supply machineries -Capital Receipt

ITC Ltd. v. ACIT [2024] 162 taxmann.com 734 (Kolkata - Trib.)

Facts :

The assessee credited a sum of Rs. 1,49,54,059/- to the profit and loss account which represented the liquidated damages received from various suppliers on account of capital assets upon failure of the suppliers to supply machineries/complete construction of building etc. within the stipulated period. The assessee treated the same as capital receipts and not liable to tax.

The Tribunal held that :

“It is clear from the facts of the assessee and ratio laid down that liquidated damages are capital in nature and are not arising out of regular course of business of assessee. Further the issue before us whether the said capital receipt is liable to be deducted from the cost of assets or adjusted against the block of asset from actual cost which has been met by any other person. In our opinion the liquidated damages does not fall within the ambit of cost of assets met by any other person as these were not intended to subsidize the cost of assets but on account of failure of the suppliers for delay in delivery/installation /completing construction of capital asset within the stipulated time. Besides the written down value is defined u/s 43(6)(c) of the Act as the value to be computed only in the manner provided thereunder i.e. value computed by adding actual cost of assets falling within the block of assets acquired during the previous year or deducting the money payable in respect of any asset within the block which is sold, discarded or demolished or destroyed during the previous year together with the amount of the scrap value. The Act does not contemplate any other adjustment for computing the written down value such as liquidated damages of the block of assets. We are supported in our opinion by the decision of Hon'ble Gujarat High Court in the case of Alpha Lab v. ITO in [2016-TIOL-1143-HC-Ahm-IT] wherein the Hon'ble court has affirmed the view taken by the tribunal. Considering these facts and circumstances we are inclined to hold that liquidated damages are capital receipts not to be reduced from the cost of fixed assets.”



A. EAC Opinion:

Accounting for major spares

Fact :

Accounting Treatment Followed by the Company:

- a. On procurement of major spares, the same are kept at a centrally placed stores and is capitalised as PPE without assigning any useful life and depreciation key to begin depreciation.
- b. Whenever major spare-in-use is damaged, a new spare is issued as a replacement of the old spare. On issuance of the spare, the useful life is assessed technically and depreciation key is assigned to the newly issued spare for commencement of depreciation. The reason of doing so is that the intention of management is to make the spare available not at the store but at the location and condition where the same is to be fitted (the main plant/equipment) with appropriate technical settings and installation to make it capable of operating.
- c. The spare so replaced is derecognised.

Query:

The querist has sought the opinion of the Expert Advisory Committee on the following issues:

- i. Whether the existing practice followed by the Company for capitalising the major spares under PPE on purchase and commencement of depreciation on the date of issue is appropriate and in line with the applicable Ind AS.
- ii. Whether the date of issue of major spares, which the management considers as the date of availability of the spare in the location and condition necessary for capable of operating it, for commencement of depreciation, is correct.
- iii. Whether it is appropriate to charge the depreciation on purchase cost only ignoring installation and commissioning expenses which will be incurred during installation and commissioning after issuance of spares.
- iv. Whether charging of depreciation from the date of issue of spares is not more appropriate than the date of purchase considering the practicality, correct valuation of inventory and judgement of the management followed consistently.
- v. Whether useful life of major spares estimated technically considering the life of the intended machine where it will be used is not more appropriate than assigning a life ignoring the life of the intended machine just for commencement of depreciation.

The relevant text of the Opinion is reproduced below:

1. The Company should capitalise the major spares when they meet the definition of 'property, plant and equipment' and satisfy the recognition criteria as per paragraph 7 of Ind AS 16. Thus, the existing practice followed by the Company for commencement of depreciation on the date of issue is not in line with the requirements of Ind AS 16.
2. No, the date of issue of major spares, which the management considers as the date of availability of the spare in the location and condition necessary for capable of operating it for commencement of depreciation, is not correct.
3. Since the installation and commissioning costs will be incurred at a later stage when the spare part is actually used for replacement in the concerned plant and machinery and depreciation is to be charged from the date of purchase/ acquisition of spare part, till the spare part is so used, the depreciation is to be charged on the cost of spare part as determined as per the requirements of Ind AS 16, which will not include installation and commissioning expenses to be incurred during installation and commissioning of

spares. Further, as far as accounting on incurrance of installation and commissioning costs is concerned, the Committee is of the view if these costs are not material, these may be recognised in the Statement of Profit and Loss. However, if these costs are material, when the major spare is replaced, the cost of replacing the same (including installation and commissioning costs) should be recognised as a part of the cost of the concerned item of PPE and the carrying amount of the part replaced (including installation and commissioning cost of the replaced part included in the carrying amount of PPE) should be derecognised as per the requirements of Ind AS 16.

4. Refer (1) and (2) above.
5. As per the requirements of Ind AS 16, spare part should be depreciated considering its useful life, however, that useful life should be estimated in terms of its expected utility to the entity including both the periods of storage and use, considering factors such as, intended use, part to be replaced, historical data, expected obsolescence, etc.

EAC Opinion can be accessed at:

<https://resource.cdn.icai.org/80522cajournal-june2024-31.pdf>



I) **LLP (Limited Liability Partnership) Law updates:** **Extension in filing of Form LLP BEN-2 and Form 4D:**

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 1st July, 2024.

The circular can be accessed at:

<https://www.mca.gov.in/bin/dms/getdocument?mds=URMz2bS8F8Djdq9d7o0gpw%253D%253D&type=open>

A. Framework for considering unaffected price for transactions upon confirmation of market rumour:

In terms of Regulation 30 (11) of SEBI (LODR) Regulations, 2015, listed entity is required to verify market rumours, upon material price movement. Unaffected price shall be considered for transactions on which pricing norms specified by SEBI or the stock exchanges are applicable, provided that the rumour pertaining to such transaction has been

confirmed within 24 hours from the trigger of material price movement. Accordingly, the framework for considering unaffected price is placed as Annexure to this circular and the same shall be applicable to top 100 listed entities with effect from June 01, 2024 and to top 250 listed entities (i.e., next top 150) with effect from December 01, 2024

The circular can be accessed through the following link:

https://www.sebi.gov.in/legal/circulars/may-2024/framework-for-considering-unaffected-price-for-transactions-upon-confirmation-of-market-rumour_83483.html



B. SEBI (LODR) (Amendment) Regulations, 2024:

The amendments shall come into force on the date of their publication in the Official Gazette. Provided that the amendments in Regulations 3, 17, 21(5), 25, 30 [omission of the Explanation under sub-regulation (11)], 34, 43A and 44 shall come into force with effect from December 31, 2024. Provided further that the first list in accordance with clause (a) of sub-regulation (2) of Regulation 3 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall be prepared by the recognized stock exchange(s) as on December 31, 2024. Some of the major amendments are discussed as below:

- **Obligations on Promoter, Director, key managerial personnel, and senior management [Regulation 11A]:** SEBI mandates promoter, director, key managerial personnel, or senior management to provide adequate, accurate and timely responses to queries raised or explanations sought by listed entity to comply with rumour verification framework. SEBI also mandates listed entity to disseminate the response received from such individual(s) promptly to stock exchange.
- **Filling up vacancies [Regulation 26A]:** The timeline for filing up the vacancies in the office of Chief Executive Officer, Managing Director or Manager, Whole Time Director, Chief Financial Officer has been extended to six months (as against three months prior to amendment) from date of vacancy where approval of regulatory, statutory or government authority is required.

- **Prior intimation to stock exchanges [Regulation 29]:** Uniform time period of two working days is now prescribed for prior intimation for all events prescribed under as Reg. 29. Further SEBI has exempted prior intimation to stock exchanges regarding determination of issue price in case of qualified institutional placement if issue is made as applicable SEBI regulations. Listed companies who are yet to announce financial results can now intimate board meeting for considering annual financial results along with corporate action, if any two working days prior. SEBI has further clarified that fund raising through any money market instrument would also now require prior intimation viz. fund raising by way of issue of commercial paper etc. Prior intimation being given to stock exchange under Reg. 29 will now have to necessarily mention the date of the board meeting when the proposals would be discussed.
- **Gap between two meetings of Risk management committee meetings [Regulation 21(3C)]:** SEBI has extended gap between two risk management committee meetings to 210 days. Entities falling in top 1000 market capitalization and complying with risk management committee provisions can now have gap of 210 days between two meetings.
- **Identifying Listed Companies for applicability of provisions of LODR based on average market capitalisation [Regulation 3(2)] (Applicable with effect from December 1, 2024):**
 - ★ Market capitalisation would now be determined based on average market capitalisation of a listed company. The list of companies based on average market capitalisation, determined based on market capitalisation from July to December of every year would be released by stock exchanges as against market capitalisation based on March 31. So, for FY 24-25 list of companies based on market capitalisation would be released by stock exchanges based on average market capitalisation of July to December 2024.
 - ★ This list of companies as on December 31, 2024, would be released by stock exchanges post December 31, 2024. Listed companies falling under a particular market capitalisation would have to start complying with compliances applicable to them with effect from April 1. With this amendment SEBI has provided time period of three months to listed companies to brace themselves for compliance with LODR provisions.
 - ★ For such listed entities which remain outside the applicable threshold for a period of three consecutive years in terms of sub-regulation (2A) of this regulation, the provisions that apply on the basis of criteria of market capitalisation shall cease to apply at the end of the financial year following the 31st December of the third consecutive year.
 - ★ Provided that for those listed entities that follow January to December as its financial year, the provisions shall cease to apply at the end of three months from 31st December of the third consecutive year (i.e. on 31st March).

The circular can be accessed through the following link:

https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2024_83476.html



C. SEBI (ICDR) (Amendment) Regulations, 2024:

SEBI has amended several regulations of the SEBI ICDR Regulations, 2018 which shall be effective from the date of its publication in official gazette. Some of the major amendments are as follows:

- **Broadening of minimum promoter contribution ambits:** SEBI has now permitted (a) other members of promoter group (individual or non-individual) and (b) non-individual shareholders holding at least 5% (five percent) of the post issue capital, to contribute towards Minimum Promoters Contribution in case of a shortfall in eligible equity shares for Minimum Promoters Contribution.
- **Inclusion of Compulsorily Convertible Securities towards minimum promoter contribution:** Pursuant to the amendment, given the nature of Compulsorily Convertible Securities being Compulsory Convertible, such Compulsory Convertible Securities have now been categorised as eligible for minimum promoter contribution subject to certain terms and conditions.
- **New thresholds for refiling of DRHP:** Prior to the amendment, any increase or decrease in estimated issue size (as disclosed in the DRHP) by more than 20% (twenty percent), in case of a fresh issue, and by more than 50% (fifty percent), in case of an offer for sale, triggers refiling of the DRHP. Pursuant to the amendment, SEBI has clarified that the change in the fresh issue size will be tested in terms of rupee value whereas in the case of an offer for sale, it will be determined on the basis of unit value disclosed in DRHP.

- **Exception Under Determination Of Price In Relation To Preferential Allotment And Qualified Institutional Placement:**

SEBI has pursuant to its recent circular dated May 21, 2024, provided a framework to consider the unaffected price for such placements if the market rumours are confirmed by the listed company within 24 (twenty four) hours from trigger of material price movement. Allowing a listed company to consider unaffected price (i.e. to the exclusion of price variation on account of market rumours) would enable successful completion of private placements (including preferential allotment).

- **Flexibility In Extending The Bid/ Offer Closing Date:**

Prior to the amendment, there was a minimum of 3 (three) working days extension to bidding period in case of force majeure, or similar event occurring during the initial bidding period. Pursuant to the amendment, the requirement has been reduced to a minimum of 1 (one) working day to avoid unnecessary delay to the IPO process and also enables unlocking of funds of potential investors.

- **Removal Of Security Deposit:**

Requirement to place a refundable security deposit amounting to 1% (one percent) of the issue size, with the designated stock exchange has now been omitted.

The circular can be accessed through the following link:

<https://induslaw.com/publications/pdf/alerts-2024/summary-of-key-amendments-to-the-sebi-icdr-regulations.pdf>





1. RBI decides to regularize prior issuance of partly paid units by AIFs to non-residents via compounding under FEMA

Earlier, the RBI enabled the issuance of partly paid units to persons resident outside India by investment vehicles.

Now, in this regard, the RBI has decided to regularize the issuances of partly paid units by AIFs to persons resident outside India prior to the said amendment via compounding under FEMA, 1999.

However, before approaching the RBI for compounding, AD Category-I banks may ensure that the necessary administrative action, including the reporting of such issuances by Alternative Investment Funds to the Reserve Bank, through Foreign Investment Reporting and Management System (FIRMS) Portal and issuing of conditional acknowledgements for such reporting, is completed.

Notification Link :

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12686&Mode=0>





Article:- Chaos to Clarity – Importance of an item master.

CA Pravruti Shah

After understanding importance of a robust vendor master, we can now take a dive into importance of item / stock master in any organization.

In today's competitive business environment, efficient inventory and procurement management are crucial. An essential component of this efficiency is the item master—a centralized database containing detailed information about each item a company procures, manufactures, stores, or sells. Let's explore the significance of maintaining an accurate item master and the risks associated with poor management.

What is an item master?

An item master is more than a list of products. It includes item descriptions, part numbers, supplier details, pricing, units of measure, inventory levels, and other relevant attributes necessary for procurement, manufacturing, sales, and distribution processes.

Advantages of having an accurate item master!

- 1. Improved Inventory Management:**
An accurate item master helps to maintain optimal inventory levels, reducing overstocking and stockouts. It supports precise demand forecasting and streamlined ordering processes.
- 2. Enhanced Procurement Efficiency:**
Procurement teams can make informed decisions with detailed information on suppliers, pricing, and lead times, leading to better terms, effective supplier management, and reduced costs.
- 3. Standardization and Consistency:**
Ensures standardization across the organization, avoiding confusion and errors. This consistency facilitates easier communication and coordination among teams.
- 4. Better Financial Control:**
Contributes to accurate financial reporting and analysis, improved working capital management, reduced carrying costs, and compliance with accounting standards and regulatory requirements.

Risks Associated with a Poorly Kept Item Master

- 1. Inaccurate Inventory Levels:**
Poor data can result in overstocking or stockouts, disrupting production schedules and sales fulfillment, and increasing carrying costs.

3. Inefficient Procurement:

Inaccurate or incomplete data hampers procurement efficiency, leading to poor supplier negotiations, higher costs, and delayed deliveries.

4. Financial Misreporting:

Errors in the item master can lead to inaccurate financial reporting, affecting budget planning, financial analysis, and false representation in books of accounts.

5. Operational Disruptions:

Inconsistent or inaccurate item data can cause disruptions in manufacturing, sales, and distribution processes, impacting overall operational efficiency and customer satisfaction.

Best Practices for Managing an Item Master

1. Establish Clear Data Governance:

Implement policies and procedures to ensure data accuracy, consistency, and completeness. Assign responsibility for data governance.

Use advanced data management and ERP systems to automate data entry and updates, providing real-time visibility into inventory and procurement processes.

2. Regular Data Audits:

Conduct regular audits to identify and correct discrepancies, ensuring data quality and reliability.

4. Training and Education:

Train employees on the importance of maintaining the item master and the procedures involved, ensuring all stakeholders understand their roles in data management.

3. Leverage Technology:

An accurate and well-maintained item master is essential for effective inventory and procurement management. It enhances efficiency, supports informed decision-making, and ensures financial accuracy. Neglecting it can lead to data inconsistencies and operational disruptions. By adopting robust item master management practices, organizations can streamline operations and drive growth. If you need assistance with this, our firm has extensive experience and effective solutions to help you succeed. Contact us to learn more.

DUE DATES



Due dates of various compliances falling in the month of June 2024

Sr.No	Due Date	Act/Authority	Compliance Description
1.	07-06-24	Income Tax	Deposit of Tax Deducted at Source (TDS) / Tax Collected at source (TCS) during the month of May - 2024
2.	10-06-24	GST	GSTR-7 for the month of May - 2024 for persons required to deduct TDS
3.	10-06-24	GST	GSTR-8 for the month of May - 2024 for e-commerce operator required to Collect TCS
4.	11-06-24	GST	GSTR-1 for the month of May - 2024 for taxpayers having turnover more than Rs. 5 crores or opted to file Monthly Return
5.	13-06-24	GST	GSTR-5 by Non-resident taxable person carrying out business in India for the month of May - 2024
6.	13-06-24	GST	GSTR-6 for the month of May - 2024 for Input Service Distributor
7.	15-06-24	Income Tax	Payment of First installment for Advance tax for FY 2024-25
8.	15-06-24	PF/ESIC	Payment of PF / ESIC for the month of May-2024
10.	20-06-24	GST	Payment of GST & Filing of GSTR-3B for the month of May - 2024, for taxpayers having turnover of more than Rs.5 Crore in preceding financial Year
11.	20-06-24	GST	GSTR-5A by Non-resident taxable OIDAR Service Provider for the month of May - 2024
12.	25-06-24	GST	PMT-06 Monthly tax payment for the month of May - 2024 under QRMP Scheme
13.	28-06-24	GST	GSTR-11 for the month of May - 2024 (Statement of inward supplies by persons having Unique Identification Number)
14.	30-06-24	Income Tax	Furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M and 194S in the month of May - 2024
15.	30-06-24	MCA	Filing the DPT-3 for the financial year ended on March 31, 2024

“ **The only way to do great work is to love what you do.** ”

Manubhai & Shah LLP Chartered Accountants

CORPORATE OFFICE

G-4, Capstone, Opp. Chirag Motors,
Gujarat College Road, Ellisbridge,
Ahmedabad - 380 006, Gujarat, India.
Phone : +91 79 2647 0000
Email : info@msglobal.co.in

MUMBAI OFFICE

3C Maker Bhavan No II,
18, New Marine Lines,
Mumbai - 400 020, Maharashtra, India.
Phone : +91 22 6633 3668/59/60
Fax : +91 22 6633 3561
Email : infomumbai@msglobal.co.in

Unit No.- 502,
5th Floor, Modi House,
Bajaj Cross Road, Kandivali (West),
Mumbai - 400 067,
Maharashtra, India,
Phone : +91 224 960 6695/ 96

NEW DELHI OFFICE

G-63, SFS, Gaurav Apartments,
New Delhi – 110 017
Phone : +91 98187 84187

KNOWLEDGE PROCESSING CENTRE

2nd Floor, "D" Wing,
Shivalik Corporate Park,
Behind IOC Petrol Pump,
132ft. Ring Road, Satellite,
Ahmedabad - 380 015, Gujarat, India.

13th Floor, A Block,
Ratnakar Nine Square,
Opp. Keshav Baug party Plot,
Mansi Road, Vastrapur,
Ahmedabad - 380 015, Gujarat, India.

BRANCHES

RAJKOT | JAMNAGAR | BARODA |
UDAIPUR | GIFT CITY- GANDHINAGAR | INDORE



Manubhai & Shah LLP, a Limited Liability
Partnership with LLP identity No. AAG-0878.

Disclaimer: This newsletter is meant purely for general education purpose and is not intended for advertisement or for solicitation of work. While the information is believed to be accurate to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of this information. Reader should conduct and rely upon their own examination and analysis. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.