

THE MONTHLY MAGAZINE FROM CASC



VOLUME-3

ISSUE-5

MAY 2024



CASC BULLETIN

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Date	Topic	Speaker
09.05.2024 (Thursday)	Ind AS 115 - Revenue Recognition - Practical Aspects	CA. Karthick Srinivasan
30.05.2024 (Thursday)	Latest Amendments & Case Laws in GST	CA. T.S. Ravi

The meetings will be held at CASC at 6.30 p.m. and will be preceded by fellowship over High Tea at 6.00 p.m

**CASC Annual Members are requested to renew their
subscription for 2024 - 2025**

New rules / guidelines for merger and networking of CA firms

The President of ICAI has announced that ICAI will issue new rules / guidelines within next 3 months providing for aggregation of domestic Chartered Accountant (CA) firms, to make them competitive with global firms like the Big Four. As reported, the new rules / guidelines are expected, for the first time, to include international networking guidelines for domestic firms that would allow them to collaborate with overseas entities. It is also expected that the new guidelines will cover mergers and demergers, multidisciplinary partnerships and advertisement of CAs.

The size of the economic activity within the country will determine the size of the CA firm. Indian economy is predominantly MSME oriented and hence the CA practice also predominantly remains in the scale of MSME to cater to the market needs. However the size of the firm restricts CA firms to invest in technology, infrastructure and adequate training to its employees. One hopes that the new merger/ networking guidelines will provide enough impetus to the CA firms to merge and achieve scale. ICAI should also invite partner's of those firms who have successfully achieved mergers in the past to share their experiences and the process adopted in achieving the mergers, in the aspects of practice

area, culture, infrastructure creation and management, compensation, retirement plan, etc.

Hon'ble Supreme Court to decide on postponement of CA exams

The Hon'ble Supreme Court is likely to hear a petition on 29th Apr 24, urging the postponement of CA exams due to election in the country. Earlier, on April 8th 2024, the Hon'ble High Court of Delhi dismissed a petition filed by sixteen CA students praying for postponement of exams. One wonders how a national election will impede the preparation for CA exams, unless the exam candidate is also a contesting candidate, particularly when the elections in Delhi region are to be conducted only on 25th May 2024 whereas the

exams are scheduled to be completed by 17th May 2024 itself. Even in states of Gujarat, Maharashtra and few other states where the election is scheduled to be held on 7th May, 2024, there is a four days gap for the exam to be held on 8th May, 2024 from the previous examination day. Thus, one wonders whether at all, the Hon'ble Supreme Court will give any relief.

Direct Tax Home Refresher Course

We, at CASC, have jointly conducted the Direct Tax Home Refresher Course with the Bombay Chartered Accountants' Society and many other organisations across the country for the last two years which were a huge success. For the third

consecutive time, we have once again joined hands with the Bombay Chartered Accountants' Society to conduct Direct Tax Home Refresher Course – 5 in webinar format. The details of the said programme are being circulated by CASC over whatsapp which our members may refer to for registration. We request our members to enroll for the said programme and benefit from the pearls of knowledge shared by the speakers and make the programme a grand success this year also.

Appeal

We, at Chartered Accountants Study Circle, request members to contribute articles for the bulletin and you may contact the editorial board regarding the same. We have been regularly conducting technical

programmes every month. Members are requested to attend the programmes conducted by CASC and are also requested to send their suggestions and / or value additions to the services provided by CASC including this Bulletin. The same can be sent as hard copy to the office of the CASC or emailed to admin@casconline.org or any of the members of the Management Committee of the CASC. Any member interested in using the CASC platform for addressing our members on technical topics may kindly feel free to contact us by way of email at admin@casconline.org.

For and on behalf of the Editorial Board

R. Sricharan

CA. Sricharan R

GLIMPSES FROM OUR MONTHLY REGULAR MEETINGS





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ANNOUNCEMENTS

1. The copies of the material used by the speakers and provided to CASC for distribution, for the regular meetings held twice in a month is available on the website and is freely downloadable.
2. Earlier issues of the bulletin are also available on the website in the "News" column.
The soft copy of this bulletin will be hosted on the website shortly.

READER'S ATTENTION

You may please send your Feedback / Contributions / Queries on Direct Taxes, Indirect Taxes, Company Law, FEMA, Accounting and Auditing Standards, Allied Laws or any other subject of professional interest to admin@casconline.org

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Log on to our Website : www.casconline.org
For updates on monthly meetings and professional news.
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RECENT JUDGEMENTS IN VAT / CST / GST

Seigniorage Fee: By these writ petitions, the petitioner assails the SCN issued under the TNGST Act, 2017 in relation to the imposition of GST under the reverse charge mechanism on the seigniorage paid by the petitioner to the Government. The Ld Government Advocate, accepts notice on behalf of the respondent and placed on record the recent judgment of the Division Bench of this Court in a batch of writ petitions, A.Venkatachalam v. Assistant Commissioner (ST), Palladam II Assessment Circle, W.P.Nos.30974 of 2022 batch. Considering the above the Hon'ble Court issued the following directions amongst others :"(i) Writ petitioners shall submit their objections / representations



CA. V.V. SAMPATHKUMAR

within 4 weeks from the date of receipt of a copy of this order (ii) Upon receipt of the objections / representations from the writ petitioners, the authority concerned shall proceed with the adjudication, However, the orders of adjudication shall be kept in abeyance until the Nine Judge Constitution Bench decides the issue as to the nature of royalty.(iii) No recovery of GST on royalty until the Nine Judge Constitution Bench takes a decision". **S.Subramani vs The State Tax Officer (FAC) RS,**

Intelligence, Salem. W.P.Nos.4890, 4894, 4896 & 4898 of 2024 DATED: 28.02.2024

Petitioner did not participate: The documents on record indicate that the petitioner was put on notice, albeit by uploading the intimation and notices on the GST portal. However, it is equally evident from the record that the petitioner did not participate in proceedings and, therefore, could not place on record documents to contest the reversal of ITC. In these circumstances, it becomes necessary to balance the interest of the petitioner and revenue interest. On instructions, learned counsel for the petitioner submits that the petitioner would remit 10% of the disputed tax demand. By taking into account the overall facts and circumstances, the

Hon'ble Court ruled that the impugned order calls for interference solely for the reason of providing the petitioner an opportunity to contest the tax demand, albeit on terms and stating so, the impugned order is quashed subject to the petitioner remitting 10% of the disputed tax demand within a maximum period of two weeks from the date of receipt of a copy of this order. **M/s.Sri Ram Oil Mill, Tiruppur 638 751.Vs The Deputy State Tax Officer-1, Chennimalai Assessment Circle, W.P.No.4742 of 2024 DATED: 28.02.2024**

Non-speaking order: This extract reveals that the assessing officer merely referred to the reply dated 21.12.2023 to the show cause notice and recorded that the reply is not

acceptable. On that basis, the proposed levy of tax, interest and penalty was confirmed. The said findings clearly do not contain any reasons for rejecting the petitioner's reply and for confirming the proposed levy of tax, interest and penalty notwithstanding such reply. Therefore, the impugned order, which is completely unreasoned, calls for interference and this W.P. is allowed by quashing the impugned assessment order dated 31.12.2023. **M/s.Rainbow Stones Private Limited vs The Assistant Commissioner (ST)(FAC), Hosur (North 2) Circle, Hosur W.P.No.4510 of 2024 DATED: 26.02.2024.**

Realisation certificates: On record there are several BRCs, which appear to correspond to the

33 shipping bills, which form the subject matter of the impugned order. Thus, there is prima facie evidence that the export proceeds were realized. In order to provide an opportunity to the petitioner to place these documents before the respondent for consideration, interference with the impugned order is warranted and stating so, the impugned order is quashed and the matter is remanded for reconsiderations. **M/s.Alaska Export vs The Assistant Commissioner of Customs (BRC-DBK), Export Commissionerate, Chennai-1. W.P.No.23909 of 2023 DATED: 21.02.2024**

Goods moment documents: Apart from statutory returns under applicable GST laws, the petitioner has placed on record invoice copies,

inward & outward supplies stock registers, weighment slips, transport vehicle-s RC copy, etc. Undoubtedly, the person availing of and utilising ITC is under the statutory obligation to establish the genuineness of transactions by producing all relevant documents in such regard. Since the object of ITC is to avoid the cascading effect, it may also be necessary to examine whether taxes were paid at each leg of the transaction. However, it may not be possible for the petitioner to establish the movement of goods at the earlier legs of the transaction. But the assessing officer concluded that the petitioner was not eligible for ITC on the basis of a finding that no toll details are available with regard to actual movement of goods from Karaikal to Coimbatore. The Hon'ble Court was of the view that

a further opportunity should be provided to the petitioner to establish this aspect either on the basis of documents already submitted or by submitting additional documents. Solely for this reason, the impugned order calls for interference and stating so, the impugned assessment order is quashed. **Tvl.Kannappan Alloy and Steel Company Private Limited, vs Assistant Commissioner (ST), Palladam-2 Assessment Circle, Writ Petition No.33255 of 2023 DATED: 21.02.2024**

Personal hearing: Section 75(4) of the Tamil Nadu Goods and Services Tax Act mandates that a personal hearing be granted either if such hearing is requested for or if an order adverse to the assessee is proposed to be issued. In this case,

not only was the reply dated 27.12.2023 disregarded, but no personal hearing was granted in spite of request. Therefore, the impugned order is liable to be interfered with. Hence, the impugned assessment order is quashed and the matter is remanded for reconsideration. The first respondent is directed to provide a reasonable opportunity to the petitioner, including a personal hearing, and thereafter issue a fresh assessment order within a maximum period of two months from the date of receipt of a copy of this order. **M/s.Karthigeya Moulds & Dies Pvt. Limited, Vs 1. The Assistant Commissioner (ST)(FAC), Thirumudivakkam Assessment Circle, Chennai-35. 2.The Deputy Commissioner (ST)(FAC), Chengalpattu Zone,**

Chengalpattu-101. Writ Petition No.5063 of 2024 DATED: 29.02.2024

Remand: From the impugned assessment order, it appears that the primary reason for reversing ITC was that the supplier of goods was found to be non-existent. The statute imposes the obligation on the registered person availing of ITC to establish the genuineness of the transaction by placing on record relevant documents such as the tax invoices, e-way bills, lorry receipts, proof of payment to the supplier, etc. At the same time, it should be noticed that such impugned order was issued on 31.05.2023 and the petitioner has approached this Court belatedly. It should also be noticed that it appears prima facie that the ingredients of Section 74

were satisfied. In order to safeguard the interest of revenue in the facts and circumstances, the petitioner shall remit 10% of the disputed tax demand as a condition for remand and stating so, the court issued directions.

M/s.Yashwin Enterprises, vs 1. The Deputy Commissioner (ST), South-III, Chennai-35. 2.The Assistant Commissioner (ST)(FAC), Adyar Assessment Circle, Chennai-35 Writ Petition No.4655 of 2024 DATED: 26.02.2024

Personal Hearing: The statute mandates that a personal hearing be provided either if requested for or if an order adverse to the taxpayer is proposed to be issued. Since such personal hearing was not provided and the reply was not taken into consideration, the order impugned herein calls for interference.

M/s.Natural Remedies Pvt. Ltd. Vs 1. The Joint Commissioner of State Tax, Hosur. 2.The Assistant Commissioner of State Tax (FAC), Hosur South- III Assessment Circle, 3. The Assistant Commissioner of State Tax (FAC), Hosur South- I Assessment Circle, W.P.No.4537 of 2024 DATED: 23.02.2024

Remand: The amount mentioned in the show cause notice and the amount indicated in the assessment order does not tally and there appears to be disparity as regards the GSTIN mentioned in the said documents. In these circumstances, the impugned order is liable to be interfered with only for the limited purpose of providing an opportunity to the petitioner to place relevant documents on record and be heard, albeit on terms. The

impugned order is set aside subject to the condition that the petitioner remits 10% of the disputed tax demand within a period of two weeks from the date of receipt of a copy of this order. **Shamoon Moiz vs The Deputy State Tax Officer, Broadway Assessment Circle, Chennai-3. Writ Petition No.4775 of 2024 DATED: 29.02.2024**

Opportunity: A sum of Rs.3,42,347/- was appropriated towards discharge of tax liability under the impugned reassessment order. Consequently, at this juncture, revenue interest has been fully protected. The records show that the petitioner was not heard before the impugned reassessment order was issued although the petitioner's reply appears to have been taken into consideration. Learned counsel

for the petitioner asserts that all relevant documents are available with the petitioner and that, if provided an opportunity, the petitioner would be able to convince the assessing officer to reconsider the demand. For the purpose of providing another opportunity to the petitioner, the Hon'ble court was inclined to interfere with the impugned reassessment order and the impugned reassessment order is quashed and the matter is remanded for reconsideration by the assessing officer. **M/s. K.R.K. Enterprises, Attur 636 108.Vs The State Tax Officer, Attur (Town) Circle, Thennangkudi Palayam 636 108.**

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CASE LAWS - SERVICE TAX & GST

1. **GST – REFUND – CLAIM
FILED FOR PERIODS
JULY 2017 TO
NOVEMBER 2017 AND
MAY 2018 – REJECTED
ON THE GROUND THEY
CAN BE MADE ONLY
WITH RESPECT TO A
SPECIFIC CALENDER
MONTH –**

In Tulip Nilgiris Exports Pvt. Ltd. v. ACCT & CE (Appeals), Coimbatore (2024) 14 Centax 285 (Mad.) [22-01-2024], the petitioner filed a claim of refund of IGST paid on export of goods for the period from July 2017 to November 2017. While calculating the refund entitlement with reference



CA. VIJAY ANAND

to the total ITC availed of in the tax period, but on the basis of the ITC attributable to the exports made in the month which resulted in the petitioner claiming a lower refund than otherwise entitled as per law. While claiming refund in the month of June 2018, the petitioner also claimed the additional refund to which the petitioner asserts entitlement for the period of July 2017 to November 2017 as also for the month

of May 2018. While the claim pertaining to the month of June 2018 was accepted, claims pertaining to May 2018 and July 2017 to November 2017 were rejected and sustained in the first appeal. On a writ petition, the high court observed the following:-

1. A perusal of Section 54(1) of the CGST Act indicates that a refund claim may be made before the expiry of two years from the relevant date. Such relevant date is required to be computed from the date of export of the goods concerned by any mode. Since the refund claim pertains to exports made between July 2017 and November 2017 and

the refund application was filed on 9-1-2019, such refund application was made within two years from the relevant date.

2. Circular No. 37/11/2018-GST, dated 15-3-2018 clarifies that refund claims may be made not only on a calendar month basis but by clubbing claims pertaining to more than one calendar month or more than one quarter. The restriction imposed by this Circular with regard to refund claims spanning more than one financial year was struck down by the Division Bench of the Delhi High Court in Pitambra Books (P.) Ltd. v. Union of India [2020] 114

taxmann.com 122/2020 (34) G.S.T.L. 196 (Delhi) on the ground that it curtails the two-year period prescribed by statute.

3. Hence, the refund claim of the petitioner was made within the period of limitation prescribed by statute.

4. Entitlement of the petitioner to refund has to be determined not only with reference to Section 54 of the CGST Act read with Rule 89 thereof, but also by examining relevant documents relating to utilised ITC and exports. This exercise cannot be undertaken in exercise of discretionary jurisdiction

under Article 226 of the Constitution of India.

5. The appellate authority concluded that the refund claim can only be made with regard to a specific calendar month which is contrary both to statutory prescription and Circular No. 37. Therefore, the order impugned is unsustainable and was quashed.

6. Entitlement to refund should be established by the petitioner with reference to relevant documents and applicable provisions.

Consequently, the matter was remanded back to the adjudicating authority to readjudicate the refund application afresh, after

following the principles of natural justice.

2. GST – ADVANCE RULING – ROOF SOLAR PLANT – INSTALLATION OF ROOF SOLAR PLANT AT FACTORY ROOF TO GENERATE ELECTRICITY WHICH WILL BE SOLELY AND CAPTIVELY USED FOR MANUFACTURE WITHIN THE SAME FACTORY – NOT BLOCKED CREDIT

In Unique Welding Products (P) Ltd (2024) 14 Centax 220 (A.A.R. - GST - Guj.), the applicant is engaged in the business of manufacturing and sale of welding wires and supplies its products & services after

discharging GST @ 18%. The applicant has entered into an interconnection agreement with power distribution licensee (Madhya Gujarat Vij Company Ltd) for captive use of power generated by Roof Top Solar System and have recently installed a roof top solar system with a capacity of 440 KW (AC) on the factory roof for power generation. The generated power is solely and captively used for manufacturing welding wires within the same premises.

An application was filed seeking advance ruling as to the following:

-
- 1) Whether the applicant is eligible to take ITC as 'inputs/capital goods' or 'input services' on the purchased roof top solar system with installation & commissioning in terms of sections 16 & 17 of the CGST/GGST/IGST Act?
 - 2) Whether the roof top solar system with installation and commissioning constitute plant and machinery of the applicant which are used in the business of manufacturing welding wires and hence not blocked input tax credit under section 17(5) of the CGST/GGST/IGST Act?

1. The applicant has submitted that they will be installing a Roof Solar Plant on its factory roof to generate electricity which will be solely and captively used for manufacture of welding wires within the same premises.
2. On a perusal of the photographs depicting the roof top solar plant and the treatment of the roof top solar plant in the books of account of the applicant, as depicted in the Balance sheet as on 31-3-2022, is clear that the roof solar plant, affixed on the roof or the building, is not embedded to earth consequent to which it is not an immovable property

The authority observed as under:

but a plant and machinery, which is utilized to generate electricity which is further solely and captively used in the manufacture of welding wires.

3. The applicant is engaged in the business of supply of welding wires on payment of GST at the applicable rates and have capitalized the roof solar plant in their books of accounts. The Roof Solar Plant, is not permanently fastened to the building which qualifies as a plant and machinery and is not an immovable property that does is not covered under blocked credit as mentioned in 17(5)(d) of the CGST Act, 2017.

4. Therefore, the applicant is eligible for input tax on roof solar plant.

Hence, the authority ruled as under:

- 1) The applicant is eligible to avail ITC on roof top solar system with installation & commissioning under the CGST/GGST Act.
- 2) The roof top solar system with installation and commissioning constitute plant and machinery of the applicant and hence is not blocked ITC under section 17(5) of the CGST/GGST Act.

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SHORT TERM STIMULUS FROM LOK SABHA ELECTIONS

Will the Outcome of Lok Sabha Elections 2024 help India break the deceleration?

IMF has predicted India's economic growth to decelerate from 7.8% in 2023 to 6.8% in 2024, which is estimated to decelerate further to 6.5% in 2025. Still India remains one of the fastest growing major economies in the World.

IMF indicated that Growth in India is projected to remain strong at 6.8 percent in 2024 and 6.5 percent in 2025, with the robustness reflecting continuing strength in domestic demand and a rising working-age population. IMF emphasized on the



CA. KANDASWAMY

demographic dividend and indicated that Countries with a current demographic dividend could help support growth in the global workforce, in which nearly two in every three new entrants over the medium term will come from India and sub-Saharan Africa.

Real Per Capita Output, at constant 2017 International dollars at Purchasing power parity is also set to decelerate from 7.0% in 2023 to

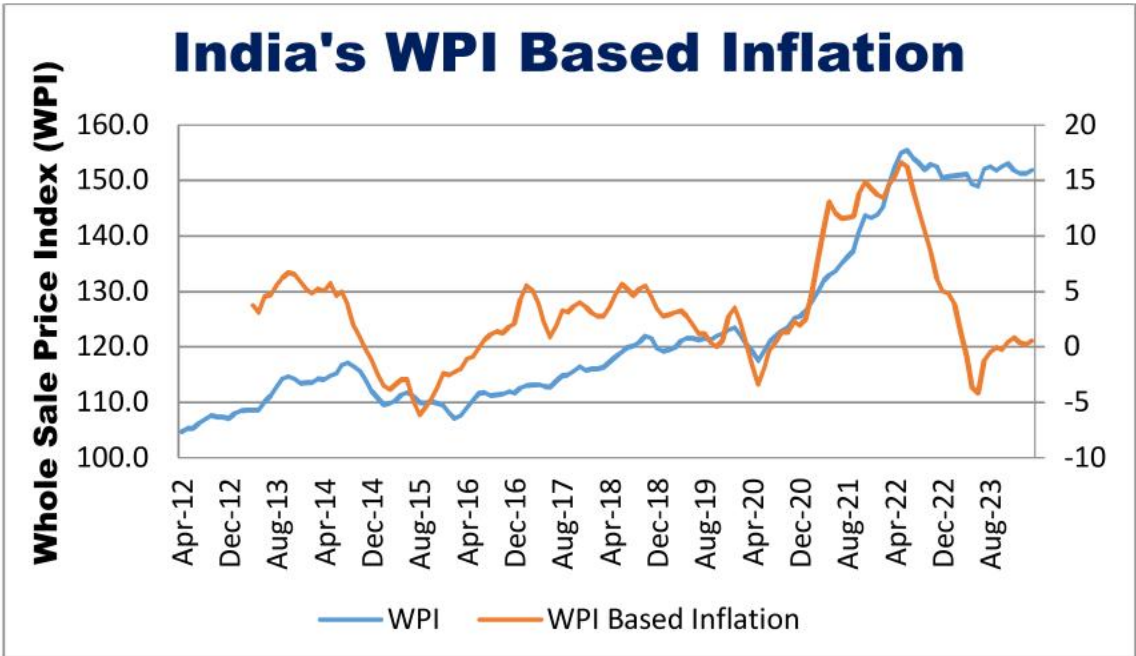
5.8% in 2024, which is estimated to scale down further to 5.5% in 2025, as per World Economic Outlook - Steady But Slow: Resilience and Divergence report published by IMF in April 2024.

As regards consumer inflation, IMF has estimated India's inflation at 5.1% in 2023, which is set to ease to 4.4% in 2024 and to 4.1% in 2025.

India's foreign portfolio investment (FPI) flows saw a significant turnaround in 2023-24. Net FPI inflows stood at US\$ 41.6 billion during 2023-24, as against net outflows in the preceding two years (US\$ 14.1 billion in 2021-22 and US\$ 4.8 billion in 2022-23). This is the second highest level of FPI

inflow after 2014-15.⁴² On the flipside, Net foreign direct investment (FDI) moderated to US\$ 14.2 billion in April-January 2023-24 from US\$ 25.0 billion a year ago. Fortunately, External commercial borrowings (ECBs) and non-resident deposits recorded higher net inflows compared to the previous year.

The annual rate of inflation based on all India Wholesale Price Index (WPI) is 0.53% in March 2-2024 on y-o-y basis. Positive rate of inflation in March, 2024 is primarily due to increase in prices of food articles, electricity, crude petroleum & natural gas, machinery & equipment and other manufacturing etc.



The Food Index consisting of 'Food Articles' from Primary Articles group and 'Food Product' from Manufactured Products group. The rate of inflation based on WPI Food Index increased from 4.09% in February, 2024 to 4.65% in March, 2024 on y-o-y basis.

India's overall trade exports were relatively flat at US\$ 776.68 billion in 2023-24, from US\$ 776.40 billion in 2022-23. During this period, merchandise exports fell by 3.1% to US\$ 437.06 billion, while services exports increased by 4.4% to US\$ 339.62 billion. On the other hand, both merchandise imports and services imports fell by 5.4% and 2.5% respectively to US\$ 677.24 billion and 177.56 billion respectively during this period. Overall trade balance was negative at US\$ -78.12 billion in 2023-24, which still represents 35.8% fall from US\$ -121.62 billion in the previous year.

India's Foreign Trade				
		2023-24	2022-23	Var.(%)
Merchandise	Exports	437.06	451.07	-3.1
	Imports	677.24	715.97	-5.4
Services*	Exports	339.62	325.33	4.4
	Imports	177.56	182.05	-2.5
Overall Trade	Exports	776.68	776.40	0.0
(Merchandise+ Services)*	Imports	854.80	898.01	-4.8
	Trade Balance	-78.12	-121.62	-35.8
Figures in US\$ billio except Var. (%)				

There is general improvement in the economic activity in FY 2023-24, based on the index of Industrial production (IIP:)). India's IIP increased to 5.9% in the eleven months ended February 2024, from 5.6% in the corresponding previous period. The IIP growth would have been much better but for the deceleration in the pace of growth in power generation to 6.9% from 10.0% during this period. Mining activity recorded 8.2% growth in the eleven months ended February 2024, up from 5.8% in the corresponding previous period, while the growth in manufacturing sector improved to 5.4% from 5.0% during this period.

In the two digits level classification, manufacture of motor vehicles, trailers and semi-trailers recorded 12.0% while manufacture of other transport equipment recorded 12.8% growth, while manufacture of basic metals recorded 11.7% growth in the eleven months ended February 2024. Otherwise, all the 30 other 2 digit level industrial classification recorded single digit positive to double digit negative growth during this period.

Double digit fall was recorded in manufacture of wearing apparel (-16.2%), manufacture of computer, electronic and optical products (-12.2%) and manufacture of furniture (-10.6%).

On used based classification, we find that there is deceleration in the pace of growth of Primary Goods (6.5% from 7.9%) and Capital goods (6.2% from 13.4%) in the eleven months ended February 2024, but intermediate goods, infrastructure / construction goods, consumer durable and consumer non-durables recorded acceleration in growth to 5.3%, 10.0%, 3.1% and 3.8% respectively during this period.

There is a need to harness better growth in consumer goods, including consumer durables and consumer non-durables which have recorded mere 3.1% growth and 3.8% growth respectively in the eleven months ended February 2024. The saving grace is that these growths still represent acceleration from 1.5% for consumer durables and 0.9% for consumer non-durables in the corresponding previous eleven months ended February 2023!

Whether the country will re-orient itself to address the challenges of deceleration in the pace of economic growth through a judicious mix of consumption growth and increase in investments, remains to be seen. The outcome of Lok Sabha Election 2024 will also set the narrative for the short, medium and long term economic growth of India.

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INTRICACIES OF IDENTIFYING AN INVESTMENT PROPERTY UNDER IFRS & IND AS

Investment property as per Ind AS 40 & IAS 40:

It is a property (land or a building – or part of a building – or both) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes;
- (b) sale in the ordinary course of business.

Owner-occupied property is property held (by the owner or by the lessee as a right-of-use asset) for use in the production or supply of goods or services or for administrative purposes.



CA. VINAY NAHAR

An investment property generates cashflow independent of other assets owned by the entity. Whereas, an owner-occupied property does not. The production or supply of goods or services or administrative purposes, generates cash flows that are attributable not only to property, but also to other assets used in the production or supply process.

Standards applicable in different situations:

A property will be under purview of different standards depending on the facts of the case of its use.

S#	Particulars	Under purview of
1	Complies with definition of investment property	IAS 40 / Ind AS 40 - Investment Property
2	A property which is "owner occupied"	IAS 16 / Ind AS 16 - Property Plant & Equipment
3	Property provided to employees to use	IAS 16 / Ind AS 16 - Property Plant & Equipment
4	Property sold in the ordinary course of the business	IAS 2 / Ind AS 2 - Inventory
5	Land held for currently undetermined future use	IAS 40 / Ind AS 40 - Investment Property
6	Building which is vacant but held to let it out in future	IAS 40 / Ind AS 40 - Investment Property

Property which is put into dual use:

There can be situations in which a property can be put in to dual use, for example, certain portion of it is let out to others for rentals and the other portion of it is "owner occupied" (i.e. that is held for use in the production or supply of goods or services or for administrative purposes).

If these portions could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately i.e. the let-out portion will be accounted under IAS 40 / Ind AS 40 and the owner-occupied portion will be accounted under IAS 16 / Ind AS 16.

If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. There is no quantitative guidance given for "insignificant portion" in the standard, but it can be loosely interpreted as less than 10% or 5%, management and auditors judgement will be involved in determining what is an "insignificant portion" of a property.

Ancillary Services provided to the occupants of the property:

In certain cases, an entity which has let out its property, also provides ancillary services to its occupants. IAS 40 & Ind AS 40 states that if the

ancillary services are insignificant to the arrangement as a whole then that property will be under the purview of IAS 40 / Ind AS 40.

In the case where the ancillary services are not insignificant to the arrangement as a whole, then the accounting for that property will be under the purview of IAS 16 / Ind AS 16 - Property Plant & Equipment.

There is no quantitative guidance given for "insignificant portion" in the standard. Management and auditors' judgement will be involved in determining what is an "insignificant portion" of a total arrangement.

The standard provides two examples:

-
- A property is let out for commercial use and the entity provides security and maintenance services. The charges for the maintenance and security services can potentially be "insignificant" when compared to the total rentals collected.
 - The other example is when an entity owns and manages a hotel, services provided to guests are significant to the arrangement as a whole. Therefore, an owner-managed hotel is owner-occupied property, rather than investment property.

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IMPACT OF DPDP ACT, 2023 ON AUDITORS

Introduction

In this ever-changing landscape of business processes, the impact and importance of Information Technology and its tools assume greater significance in enhancing the productivity, efficiency and effectiveness of process and personnel. With this, comes the additional risk of data being misused for untoward purposes to gain or generate profit out of such usage.



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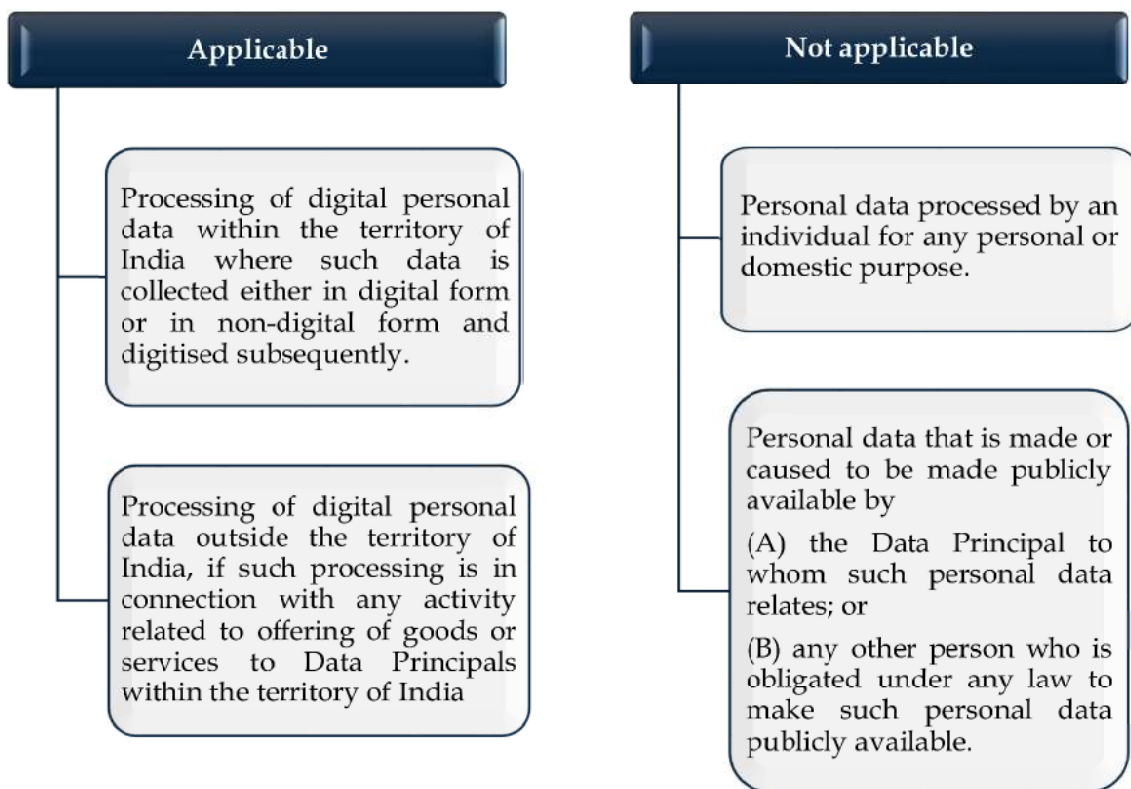
The Government introduced the Digital Personal Data Protection Act, 2023 (DPDP Act) in September 2023 to provide for a framework for protection of personal data from misuse. The Rules are yet to be finalized; however, they are expected to be released before March, 2024.

This article gives a brief idea as to the potential impact of DPDP Act on auditors, company secretaries and consultants of like categories who need to obtain and maintain personal data of their clients/prospective clients.

SECTION A - IMPACT OF THE DPDP ACT ON AUDITORS

What is covered under DPDP?

Section 3 specifies the applicability of the Act as below:



Meaning of certain terms

Section	Legal provisions
2(f)	“data” means a representation of information, facts, concepts, opinions or instructions in a manner suitable for communication, interpretation or processing by human beings or by automated means;
2(t)	“personal data” means any data about an individual who is identifiable by or in relation to such data;
2(n)	“digital personal data” means personal data in digital form;
2(i)	“Data Fiduciary” means any person who alone or in conjunction with other persons determines the purpose and means of processing of personal data;

2(j)	<p>“Data Principal” means the individual to whom the personal data relates and where such individual is -</p> <p>(i) a child, includes the parents or lawful guardian of such a child;</p> <p>(ii) a person with disability, includes her lawful guardian, acting on her behalf;</p>
2(k)	<p>“Data Processor” means any person who processes personal data on behalf of a Data Fiduciary;</p>
2(u)	<p>“personal data breach” means any unauthorised processing of personal data or accidental disclosure, acquisition, sharing, use, alteration, destruction or loss of access to personal data, that compromises the confidentiality, integrity or availability of personal data;</p>
2(s)	<p>“person” includes -</p> <p>(i) an individual;</p> <p>(ii) a Hindu undivided family;</p> <p>(iii) a company;</p> <p>(iv) a firm;</p> <p>(v) an association of persons or a body of individuals, whether incorporated or not;</p> <p>(vi) the State; and</p> <p>(vii) every artificial juristic person, not falling within any of the preceding sub-clauses;</p>

How will DPDP Act impact auditors?

Auditors and consultants deal with personal data of clients such as PAN, Aadhar, bank statements, investment declarations etc. for various purposes such as filing income tax returns, preparing projected financial statements, tax audit reports etc.

As such, an auditor or a consultant would fall within the scope of the term 'Data fiduciary' and in this regard, the following are the main aspects to be kept in mind under the DPDP Act, 2023:

1. **Data use only for specific purposes** - Section 4 states that the personal data of a data principal (let us say an individual) can be used only as per the Act and only for a lawful purpose:
 - a) for which such individual has given his/her consent; or
 - b) for certain legitimate uses.

Section 7 specifies the instances categorized under 'certain legitimate uses'?

2. **Specifying the purpose for collecting the data** - Section 5 requires issue of notice to the data principal by the data fiduciary as per Section 6 informing the following in the prescribed manner:
 - a) the personal data and the purpose for which the same is proposed to be processed;
 - b) the manner in which she may exercise her rights under sub-section (4) of section 6 and section 13; and
 - c) the manner in which the Data Principal may make a complaint to the Board,

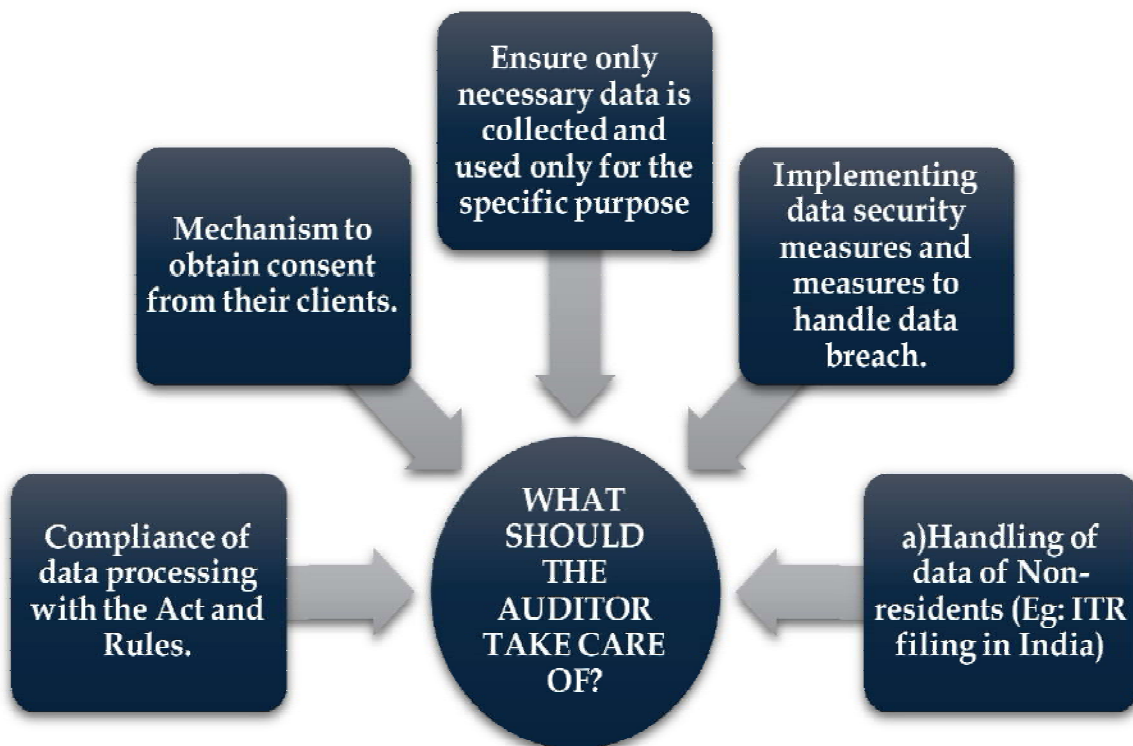
In respect of data received prior to commencement of this Act, the data fiduciary after receiving the consent from such data principal, shall give notice to the latter informing, in the prescribed manner -

-
- d) the personal data and the purpose for which the same has been processed;
 - e) the manner in which she may exercise her rights under sub-section (4) of section 6 and section 13; and
 - f) the manner in which the Data Principal may make a complaint to the Board.

3. Free Consent

- a) Section 6(1) requires that the consent given by the data principal shall be free, specific, informed, unconditional and unambiguous with a clear affirmative action.
- b) It shall signify an agreement to the processing of her personal data for the specified purpose and be limited to such personal data as is necessary for such specified purpose.
- c) As per Section 9(1), the Data Fiduciary shall obtain verifiable consent in the prescribed manner, before processing any personal data of a child or a person with disability who has a lawful guardian, of the parent of such child or the lawful guardian, as the case may be.

- 4. **Withdrawal of consent** - As per Section 6(4), where consent given by the Data Principal is the basis of processing of personal data, such Data Principal shall have the right to withdraw her consent at any time, with the ease of doing so being comparable to the ease with which such consent was given.



Obligations, rights and duties of Data fiduciary & Data principal

Auditors and consultants deal with personal data of clients such as PAN, Aadhar, bank statements, investm

Obligations of data fiduciary [Section 8]	Rights and duties of data principal [Section 11]
<p>The auditors must ensure that they comply with the following:</p> <ul style="list-style-type: none"> • General responsibilities in complying with the Act and Rules • Data processing and security measures 	<p>The data principal has the right to request the following:</p> <ul style="list-style-type: none"> • Summary of personal data processed by data fiduciary and processing activities undertaken in respect of the same

<ul style="list-style-type: none"> • Data breach and data erasure • Grievance redressal • Initiating contact with data principal 	<ul style="list-style-type: none"> • Identities of data fiduciaries and data processors with whom data is shared. • Such other prescribed information. <p>However, requesting of identity of other data fiduciary is not allowed when such sharing of data is:</p> <ul style="list-style-type: none"> • made in writing by the other data fiduciary, and • for the prevention or detection or investigation of offences or cyber incidents, or for prosecution or punishment of offences.
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SECTION B - IMPACT OF DPDP ACT ON AUDIT ASSIGNMENTS

Impact on Internal audit

The DPDP Act significantly impacts the manner of data handling by organizations. As such, it expands the scope of internal audit by introducing more areas to be verified.

Let us take the example of an auditor auditing a manufacturing entity. With the complexity of processes and huge volumes of documentations involved, the following may be some of the new areas where the focus of the auditors need to be shifted:

-
- Processing of personal data of employees
 - Handling of vendor and customer data including contracts and agreements
 - Evaluating the processes for collecting, storing, and processing customer data in the sales and distribution channels.
 - Data protection measures and Access control mechanisms for data processing facilities
 - Data retention policies and procedures
 - Data security measures

This also increases the burden of the auditor in framing his opinion on the audit, whilst at the other end of the spectrum, it also provides an opening to identify this as a new area of professional opportunity.

Impact on Statutory Audit such as audit under Companies Act, 2013

Since the accounting and processing of financial transactions are made using computers and information technology, at large, the DPDP Act will have a significant impact on the statutory audit assignments, such as audit under the Companies Act, 2013.

This is especially where reporting of Internal Controls over Financial Reporting (ICFR) is involved, there is the additional burden of implementing measures to address compliance with DPDP Act in respect of data processing and data handling.

Organizations which are required to implement ICFR will have to review their policies and processes to include the impact of DPDP Act into the same and ensure the financial reporting process also conforms to the requirements under the Companies Act, 2013. Some of the areas which may have an impact include:

- Effective data processing, data usage and data governance policies
- Data breach preparedness
- Data protection clauses included in third party / vendor agreements/ Service agreements
- Adequacy and effectiveness of internal controls to handle data including financial data
- Data protection measures to protect data mis-handling especially in an ERP Environment
- Periodic employee awareness and training in respect of data protection measures

The auditor will be required to ensure that their audit processes are aligned with the requirements of both DPDP act and Companies Act, 2013 to obtain a reasonable level of audit assurance.

SECTION C - SOME EXAMPLES TO CONSIDER

S. No.	INSTANCE	IMPACT
1	<p>An auditor sends data to a company secretary in respect of company law compliances say Director's KYC update. He sends the copy of PAN, aadhar, other proof of address for the purpose of the same. What will be the impact of DPDP Act on this?</p>	<p>Both the auditor and the company secretary would need to obtain explicit consent from the director before sharing and processing personal data for the specific purpose of updating KYC.</p>
2	<p>An Auditor receives bank statements, form 16, investment declarations by an individual for the purpose of filing income tax returns.</p>	<p>The auditor needs to seek the person's clear and informed consent for handling their data exclusively for tax-related purposes. It also involves following stringent data security measures as outlined in the Act to ensure the individual's information is handled responsibly.</p>

3	<p>A manufacturing company obtains data from new joiner employees such as experience certificates, pay slips from previous employments, PAN, Aadhar etc.</p>	<ul style="list-style-type: none"> • Under the DPDP Act, the manufacturing company, acting as a Data Fiduciary, must adhere to certain guidelines. For employee data, explicit consent is required from each individual for collecting and processing their personal information. • The company needs to specify the purpose of data collection, ensure data accuracy, and implement robust security measures.
4	<p>A company enters into a service agreement with a vendor. It obtain certain details from the vendor to process payments such as cancelled cheques, vendor GST Registration certificate etc. What will be the impact of DPDP Act if some vendors are entities like partnership firms and other vendors are individuals?</p>	<ul style="list-style-type: none"> • In case of non-entity vendors, explicit consent must be obtained as per the DPDP Act. • For entities like partnership firms or companies, the company needs to be transparent about the data shared and maintain security protocols and collect only necessary information.

5	<p>An ITes company has outsourced the payroll process to another company. The first company collects information of its employees and the latter utilizes them to process the salary and other payroll related process.</p>	<ul style="list-style-type: none"> • ITes company (Data Fiduciary) must secure explicit consent from employees, ensuring data accuracy and purpose clarity. • The payroll outsourcing firm (Data Processor) is bound by contractual terms outlining compliance with DPDP Act guidelines. • Both parties share the responsibility for data security and establish clear communication channels and processes for obtaining and managing employee consent.
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Attention of readers is also drawn to the various illustrations given in the Digital Personal Data Protection Act, 2023, below each provision, to understand the impact and importance of those provisions.

Conclusion

The DPDP Act, 2023 is aimed at ensuring transparency in handling data and this will have a significant impact on the auditors and consultants handling client data as briefly enumerated in the above paragraphs.

Once the rules are released by the Data Protection Board, a clear picture would be available on the data consent requirements, and it is important that auditors and consultants be aware of the developments and include measures to address compliance with the law.

Though the law may appear to be simple, the usage of data is going to be unique for each instance and once the rules are framed and introduced, the complexities relating to audit and compliance are only going to get bigger.

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EXCEL TIPS

REPLACE replaces part of a text string, based on the number of characters you specify, with a different text string. The function becomes handy in data cleaning, formatting, and preparation tasks, which are common in the day-to-day work of one dealing with data.



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REPLACE is intended for use with languages that use the single-byte character set (SBCS). **REPLACE** always counts each character, whether single-byte or double-byte, as 1, no matter what the default language setting is.

Syntax

REPLACE(old_text, start_num, num_chars, new_text)

where,

Old_text	Required	Text in which you want to replace some characters.
Start_num	Required	The position of the character in old_text that you want to replace with new_text.
Num_chars	Required	The number of characters in old_text that you want REPLACE to replace with new_text.
New_text	Required	The text that will replace characters in old_text.

Example 1 : General

	A	B	C	D
1	abcdefghijkl			
2	2009			
3	123456			
4				
5		Formula	Description (Result)	Result
6		=REPLACE(A1,6,5,"*")	Replaces five characters in abcdefghijk with a single * character, starting with the sixth character (f).	abcde*k
7		=REPLACE(A2,3,2,"10")	Replaces the last two digits (09) of	2010
8		=REPLACE(A3,1,3,"@")	Replaces the first three characters of 123456 with a single @ character.	@456
9				

Example 2: Basic Text Replacement

Let's say we have an item code **AB-123-C** in cell A1, and we need to replace the middle segment 123 with 456. Formula for the same will be **=REPLACE(A1, 4, 3, "456")**

old_text: AB-123-C (from cell A1)

start_num: 4 (the starting position is the fourth character, which is 1)

num_chars: 3 (the length of the segment 123)

new_text: "456" (the replacement text)

The result would be **AB-456-C**.

Example 3 : Updating Account Codes

A Chartered Accountant might need to update the series of account codes from **ACCT-1000** to **ACCT-2000**. If the account code is in cell A3, formula to be given is

=REPLACE(A3, 6, 1, "2")

old_text: ACCT-1000 (from cell A3)

start_num: 6 (the starting position is the sixth character, which is 1)

num_chars: 1 (we only want to replace the single character 1)

new_text: "2" (the replacement text)

The result would be **ACCT-2000**

Example 4 : Replacing Date Formats

If we have a date string **DDMMYYYY** without any separators in cell A2, such as **25042020**, and we want to convert it to **DD-MM-YYYY** format, we would need to insert hyphens accordingly.

Formula to be used is **=REPLACE(REPLACE(A2, 3, 0, "-"), 6, 0, "-")**

Here's how it works:

1. The first REPLACE function inserts a hyphen after the second character (day), so **25042020** becomes **25-042020**

-
2. The second REPLACE function then inserts another hyphen, but now after the fifth character of the new string (because the first replace added an additional character), which gives you **25-04-2020**

Breaking it down:

- old_text: 25042020 (from cell A2)
- The first start_num: 3 (the hyphen is inserted after the second character, 5)
- The first num_chars: 0 (since we are not replacing any characters, just inserting)
- The first new_text: "-" (the hyphen to insert)
- The result after the first REPLACE: 25-042020
- The second start_num: 6 (the hyphen is inserted after the fifth character of the new string, 4)
- The second num_chars: 0 (again, we're inserting, not replacing)
- The second new_text: "-" (the second hyphen to insert)

The final result in will be **25-04-2020**

Considerations When Using REPLACE Function:

- 1) REPLACE is case-sensitive, which means it will not alter the case of the new_text.
- 2) If start_num is greater than the length of old_text, REPLACE will return a #VALUE! error.
- 3) If num_chars is greater than the length of the old_text starting at start_num, all characters from start_num to the end of the text will be replaced.

Conclusion:

Thus, REPLACE function can be used to standardise financial documents and data. For instance, if a CA receives a ledger with account numbers formatted differently, he/she can use the REPLACE function to ensure consistency across the dataset. This helps in preparing reports, setting up databases for analysis, and ensuring compliance with standardised coding systems.

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During the middle of 1978 a handful of young chartered accountants, based on MADRAS (as it then was) met periodically to discuss matters of professional relevance and significance and to widen the knowledge exposure and skills. From a limited role of discussions on tax laws and corporate laws, we have become full fledged treasure-house of talent mobilization. More than two third of our speakers / Chief guests have made their first ever public Speech under our banner.

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Published by :

THE CHARTERED ACCOUNTANTS STUDY CIRCLE

2-L, Prince Arcade, 22-A, Cathedral Road, Chennai - 600086

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Designed by

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