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# SAMĂCĂRA DECEMBER 2023






# **SAMĀCĀRA – DECEMBER 2023**

## **TEAM SAMĀCĀRA**

### **INCOME TAX**

			
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### **GOODS AND SERVICES TAX**


<b>Adv. Abhay H. Bora</b>



# **SAMĀCĀRA – DECEMBER 2023**

## **COMPANY LAW, BANKING AND FINANCE**

			
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## **CIVIL, CRIMINAL, REAL ESTATE AND OTHER LAWS**



## **FINANCE AND VALUATIONS**





# SAMĀCĀRA – DECEMBER 2023

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# SAMĀCĀRA – DECEMBER 2023

## EDITORIAL

Dear All,

As we enter in the last month of the year 2023, it is the time when most of us introspect about our past and plan. We review this year's progress and plan the resolutions to achieve our goals for the coming year. PM has hailed the electoral success as a triumph for "honesty, transparency, and good governance," asserting that the guiding principle of 'Sabka Saath, Sabka Vikas' emerged victorious. BJP leaders attribute the clear victory in three states to Modi's leadership, Amit Shah's strategic acumen, and the party's welfare policies. Despite opposition claims that these results will not impact the 2024 Lok Sabha elections, the polls in Mizoram, Rajasthan, Madhya Pradesh, Chhattisgarh, and Telangana are widely considered a crucial precursor to the national elections. On this success the PM said "*India has become a global economic power. These Assembly election results have led to positivity in the country. It will strengthen the foundation of viksit Bharat.*" This is evident from the fact "GST collections are at a record high. Sales of car, coal, electricity production and exports are on a rising path. Global investors want to set up manufacturing facilities in the country, a good sign for the country.

On the GST front, Goods and Services Tax (GST) collections touched ₹1.68 trillion in November as festive demand lifted sales, but the figure was lower than October's receipts of ₹1.72 trillion. The healthy tax revenue collection comes at a time when GST-related audits for the initial years of the indirect tax reform are under way at a hectic pace. Monthly GST collection, which saw a record ₹1.87 trillion in April, has remained robust subsequently, with collections in six out of the eight months up to November remaining above ₹1.6 trillion. Monthly average GST receipts is now at ₹1.66 trillion, a notch above policy makers' initial estimate of ₹1.65 trillion. However, cumulative growth in the April to November period works out to 11.87%, which is closer to the nominal 10.5% economic growth rate projected for this year.

On Direct Tax Front also tax collections, excluding refunds, reached INR 10.60 trillion as of November 09 2023, according to a report from the Ministry of Finance. This figure reflects a significant 21.8% year-on-year increase and represents 58.2% of the Budget estimates for Direct taxes in FY24. The growth rate of 21.8% surpasses the 11.6% rate projected in the Budget, which anticipated total direct tax collections, encompassing Corporate Income Tax and Personal Income Tax, to amount to INR 18.23 trillion.

While bidding adieu to the year 2023 I would quote GURU Mahatria Ra, who has aptly said:

***Positive thinking may not guarantee success, but negative thinking guarantees failure. So, might as well be positive.***

I also take this opportunity to wish you all in advance a Merry Christmas and a promising New Year's Eve.

**With Warm Regards,**



**CA. Suhas P. Bora**  
**Founder Partner,**  
**SPCM and Associates,**  
**Chartered Accountants**



**GLIMPSE OF EVENT**

**CA Suhas P. Bora sir and Adv. Sanket Bora Sir were invited to speak on the topic, “Provisions of Search and seizure under Income Tax Act” on 1.12.2023 in Karjat at AGM of Jilha Jewellers Association, Raigad where more than 350 members of Raigad District were present.**





**Felicitation of our mentor, CA Suhas P. Bora sir at function  
of Donation of Ambulance by Smt. Shobhatai Dhadiwal at  
Pratiknagar Pune on 02.12.2023**







**Article on the topic, “Valuation of Intangible Assets”  
written by CA Siddhanth A. Bora was published in CA Pankaj  
Dara’s Startup Magazine**



## VALUATION OF INTANGIBLE ASSETS

The estimate of the obsolescence percentage is also a critical factor in this model, and is often developed based on inquiries with technical management personnel.

### Conclusion:

Intangible assets explain the value that business has created over the years and are important in current world where business is operated as a brand. In the world of mergers, acquisitions and takeovers valuation of Intangibles has gained vital importance since business is no more seen purely on the numbers of revenues. The valuation of the Goodwill which the business carries has become the priority factor for decision making. In this case valuing intangibles can be the key differentiator issue to negotiate with the investors as well as creating the presence in the dynamic market.



Written By  
CA Siddhanth Abhay Bora



**DUE DATES**

**Income Tax, PF and ESIC due date calendar for the month of December 2023:**

<b>DATE</b>	<b>DUE DATE FOR</b>
07-12-2023	<ul style="list-style-type: none"> <li>• Deposit of Tax deducted/collected for the month of November, 2023.</li> </ul>
15-12-2023	<ul style="list-style-type: none"> <li>• Third instalment of advance tax for the assessment year 2024-25.</li> <li>• Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M, 194S in the month of October, 2023. (Note: Applicable in case of specified person as mentioned under section 194S.)</li> <li>• Payment of ESI Contribution for the month of November, 2023.</li> <li>• Payment of PF for the month of November, 2023.</li> </ul>
30-12-2023	<ul style="list-style-type: none"> <li>• Furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M, 194S in the month of November, 2023. (Note: Applicable in case of specified person as mentioned under section 194S.)</li> </ul>
31-12-2023	<ul style="list-style-type: none"> <li>• Filing of belated/revised return of income for the assessment year 2023-24 for all assessee (provided assessment has not been completed before December 31, 2023).</li> </ul>


**GST due dates for the month December 2023: -**

<b>DUE DATE</b>	<b>RETURN</b>	<b>PERIOD</b>	<b>DESCRIPTION</b>
10 <sup>th</sup> December	GSTR-7 (Monthly)	November'23	Summary of Tax Deducted at Source (TDS) and deposited under GST laws.
10 <sup>th</sup> December	GSTR-8 (Monthly)	November'23	Summary of Tax Collected at Source (TCS) and deposited by E-commerce operators under GST laws.
11 <sup>th</sup> December	GSTR-1 (Monthly)	November'23	Summary of outward supplies where turnover exceeds Rs.5 crore or have not chosen the QRMP scheme for the quarter of October – December 2023.
13 <sup>th</sup> December	Furnishing Invoices in IFF Facility (Quarterly)	October – December 2023	Taxpayers who have opted for the Invoice Furnishing Facility (IFF) and choose to upload B2B outward supply invoices for first two months of the quarter. The B2B invoices relating to last month of the quarter are too uploaded while filing GSTR – 1 along with B2C invoices of entire quarter.
13 <sup>th</sup> December	GSTR-6	November'23	Details of ITC received and distributed by ISD.
13 <sup>th</sup> December	GSTR-5 (Monthly)	November'23	Summary of outward taxable supplies & tax payable by a non-resident taxable person.



<b>DUE DATE</b>	<b>RETURN</b>	<b>PERIOD</b>	<b>DESCRIPTION</b>
20 <sup>th</sup> December	GSTR-3B (Monthly)	November'23	Summary of outward supplies, ITC claimed, and net tax payable for taxpayers with turnover more than Rs.5 crore in the last FY or have not chosen the QRMP scheme for the quarter of October – December 2023.
20 <sup>th</sup> December	GSTR-5A (Monthly)	November'23	Summary of outward taxable supplies and tax payable by OIDAR.
25 <sup>th</sup> December	GST Challan for all Quarterly filers	October- December 2023	GST Challan Payment if no sufficient ITC for September 2023, (for all Quarterly Filers).
31 <sup>st</sup> December	GSTR-9 (Annual)	FY-2022-23	Taxpayers having aggregate turnover upto Rs.2 Crores are exempted from filing GSTR-9 for FY 2022-23. All other taxpayers are required to file GSTR-9 for FY 2022-23.
31 <sup>st</sup> December	GSTR-9 C (Annual)	FY-2022-23	Taxpayers having aggregate turnover upto Rs.5 Crores are exempted from filing GSTR-9C for FY 2022-23. All other taxpayers are required to file GSTR-9C for FY 2022-23.

**INCOME TAX****Search and Seizure under Income Tax Act****1) MEANING:**

Search, the word itself suggests, means to chase, explore, inquest or scrutinize. It does not mean to look into something that has already been disclosed but to unveil what exist but has not been disclosed yet.

When normally search is conducted?

Search normally took place when the financials of the Assessee does not exhibit normal trend but indicates abnormal way like income is less but gifts and loans are increased substantially. Secondly, search can be conducted if informer informs to the department about the undisclosed income and assets. Normally such persons are dissatisfied employees, enemies, competitors, etc.

**2) POWERS OF AUTHORISED OFFICERS**

- 2.1. To enter and search any building, place where he has reason to believe that books of accounts, documents, money, bullion, jewelry or other valuable article are kept.
- 2.2. To break, open the lock of any door, box, locker, safe or any other such receptacle if keys are not available.
- 2.3. To search all the persons at the place where authorization is issued.
- 2.4. To seize any books of accounts, documents, money, bullion, jewelry or valuable article.
- 2.5. To place mark of identification on books of accounts or other documents.
- 2.6. To make note of an inventory of the money, bullion, jewellery.





2.7. To administer on oath and record statement.

### **3) RIGHTS OF PERSON TO BE SEARCHED**

- 3.1 To see warrants of authorization duly signed and sealed by the authority.
- 3.2 To verify the identity of each member of the search party.
- 3.3 To take personal search of all members of the search party before the start of the search and after the conclusion of the search.
- 3.4 To insist on personal search of ladies being taken only by lady with strict regard to decency.
- 3.5 To have at least two respectable and independent resident of the locality as witness.
- 3.6 To call medical practitioner in case of emergency.
- 3.7 To allow the children to go to school after examination of their bags.
- 3.8 To have the facility of having meals at the normal time.
- 3.9 To inspect the seals laid on various valuables.

### **4) DUTIES OF PERSONS TO BE SEARCHED**

- 4.1 To allow free and unhindered entrance into the premises.
- 4.2 To put signature on the warrant of authorization.
- 4.3 To identify all valuables, to hand over the keys of the lockers, almirahs, etc to the authorized officer.
- 4.4 To identify every individual in the premises.
- 4.5 Not to allow or encourage the entry of any unauthorized person.
- 4.6 To answer all queries truthfully and to the best of knowledge.
- 4.7 Not to make false statement and provide any false evidence.
- 4.8 To ensure that peace is maintained throughout the duration of search and cooperate with the officer.

### **5) WHAT BASIC INFORMATION THE WOMEN MUST KNOW**



- 5.1 Permanent account number
- 5.2 Copies of income tax and wealth tax returns.
- 5.3 Copy of valuation report about valuation of jewellery
- 5.4 Details about bank locker, back accounts.
- 5.5 Details of investments in their name.
- 5.6 Details as regards to source of income, name of the firm in which she is a partner, company where she is director, sharing of profits, shareholding, etc .
- 5.7 Scale of household expenses: The authorized officers generally ask question about the scale of household expenses. In a joint living, members have their own understanding for the arrangements for meeting household expenses. Different family members contribute such expenses. All family members should have broad idea about such contribution.
- 5.8 During the course of search the lady member are generally asked to identify their ornaments and jewellery if they belong to them. They should be able to identify their ornaments.

## **6) WHETHER AUTHORISED OFFICER HAS POWER TO MISBEHAVE OR GIVE THREATS DURING THE COURSE OF SEARCH?**

Authorized officer cannot misuse his powers during the course of search and cannot misbehave with the members of the family.

What remedy does the Assessee have in case of misbehavior of the officers?

Misbehavior may lead to some injury, damage or harm to the interest of the assessee or his reputation or it may only hurt his feelings and sentiments, religious or otherwise.

Example: In case the officer enters the worship place wearing his shoes, Assessee can take objection because it is a place which is most important and as per the customs nobody enters wearing shoes. Such incidence can be considered as a misbehavior. The better course of



action is to make a complaint with the Director General or Chief Commissioner.

**7) WHAT REMEDY THE ASSESSEE HAVE WHERE THE ASSETS LIKE SOFA AND BEDS ARE TORN, FLOOR IS DUG AND WALLS ARE BROKEN?**

No remedy lies against such actions if they are carried out under bonafide and good faith. In carrying out the object of the search. Action may be taken only if such acts are done with malafide intention and there was no reason to suspect on these items.

**8) WHETHER A LEGAL REPRESENTATIVE BE PRESENT?**

Yes, however the departments usually are not inclined to allow the practioner to be present during search. There is nothing negative in the provisions in section 132 and Rule 102, which prohibits the presence of legal representative.

**9) WHAT IS PERMISSIBLE JEWELLERY UNDER INCOME TAX ACT?**

As per CBDT instructions no.1916, jewellery of 500gms in case of married lady, 250gms for unmarried lady and 100gms for per male member of the family, need not be seized and the courts in various cases it is held that the jewellery upto this limit is permissible as a stridhan.

There is no limit as regards to diamond jewellery and silver utensils, which means that entire diamond jewellery and silver utensils is to be supported with the bills.

**10) WHAT IS PERMISSIBLE CASH?**

There is no limit about holding cash in the house, however this cash must be generated out of books of accounts.

**11) WHAT PRECAUTIONS TO BE TAKEN TO AVOID SEIZURE OF JEWELLERY?**

11.1) Jewellery and ornaments belonging to various family members should be kept in different containers.

11.2) It should have identifiable tag about the quantity.

11.3) Ornaments and jewellery of different family members should not be allowed to be mixed by the search party and their separate inventory giving location and other details of identification.

11.4) If some change is made in the ornament like repairing or change of stones, etc evidence in support of the same be kept.

11.5) If some ornaments are received as presents and gifts, evidence there too be also kept.

11.6) If ornaments of outsiders are kept, they should be kept in separate container with separate tag on the same.

**12) WHAT EVIDENCE IS NEEDED TO PROVE THE WEDDING GIFTS?**

Under the Dowry Act, it is essential to prepare a list of gifts of various articles received at the time of marriage. This is to be signed by both the sides and the copies are to be exchanged. If this is done, it could be a useful evidence in the favour of the assessee.

In other cases, one may follow the routine of maintaining the list to the extent possible, showing names of the donor, amounts or articles gifted.

### **13) RIGHTS AND OBLIGATIONS OF THE WITNESS.**

Generally, the rights and obligations of the witness are as follows:

- a) To see that the members of the search party offer themselves for a personal search, before commencing a search.
- b) To see that the search and seizure proceedings are conducted in an orderly manner and without hurting the sentiments of any of the owners/occupants of the premises.
- c) To see that a female is searched only by female members of the search party and he should also ensure that the cupboards or other personal belongings of the females are also searched by female members only.
- d) To ensure that no undue influence, coercion, threat, inducement, or promise was brought to bear on the person whose statement was recorded on oath.
- e) To verify whether the seals are intact and to ensure that they are opened in his presence, in a case where he is witnessing the continuation of a search on a subsequent date.
- f) To ensure that the list of articles seized mentioned specifically the place from where the articles were found.
- g) To ensure that the time of commencement and conclusion of search are correctly recorded in the panchnama.





- h) To place remark in panchnama or to file a written complaint if he is not in agreement with the manner in which the search was conducted.
- i) To ensure that the valuables or documents are not tampered with, destroyed or misappropriated and that these are mentioned in the panchnama.
- j) To ensure that before leaving the search premises, the members of the search party offer themselves for a personal search.

#### **14. FAQs regarding search.**

**a) Is there any restriction under the income tax act regarding timing for commencement of search operations?**

No, there is no restriction under the Income Tax Act, 1961 in relation to commencement of search and seizure operation. If there were restrictions as to the timings of search, it might defeat the very object of the search operation whose success would largely depend on the correct timing to nab the person and to recover the undisclosed assets. The position with regard to survey under section 133A of Income Tax Act is, however, different because in case of survey, an income- tax authority may enter any place of business or profession and, in the case of any other place, only after sunrise and before sunset.

**b) Is there any time limit prescribed for completion of search?**

There is no time limit prescribed for completion of search. However, the search should be completed as early as possible as it is in the interest of the revenue and also it should not cause harassment to the tax payer.

**c) Whether assessing officer is bound to take witness suggested by assessee?**

The authorized officer is not bound to take a witness suggested by assessee. However, he may, on its own discretion, take the witness suggested by the assessee.

**d) Can assessee be prevented from attending his work elsewhere?**

No, there is no power contained in the Act or the rules whereby a person against whom search is ordered can be prevented from attending to his work elsewhere. It was held on L.R. Gupta v. Union of India (1992) 194 ITR 32(Del) that the Income Tax Act does not give any power to the Department to arrest an individual at the premises being searched. The department is empowered to record the Statement of such person and to enforce his presence for the purpose of examining him on oath. Once his statement was recorded, he cannot be restricted from attending to his work elsewhere.

**e) How do you generate income? Explain each and every source of your income?**

All the sources of income should be disclosed irrespective of whether the income therefrom is taxable or exempt. Every answer should be given with regard to the sources as exist on the date of recording of the statement including the source which might have come into existence after the last return was filed. If any such source is not disclosed and evidence is gathered during the search about its existence, it may lead to an allegation of attempt to evade tax.

However, one is obliged to disclose sources of income belonging to him and income earned in different capacities , e.g., as a proprietor of a concern, partner of a firm, member of an association of persons, member of an HUF or a director of a company, etc.

**f) Have you ever been assessed to income tax or wealth tax?**

If one is assessed to tax, he should give his Permanent Account Number. Where one is not assessed to tax, he should give his Permanent Account Number. Where one is not assessed to tax, he may state so. Where the return of income has already been filed but assessment not been made, this fact may be stated accordingly. Every person who is liable to tax but not applied for the Permanent Account Number, is liable for penalty.

**g) What are the properties owned by you and your other family members?**

In reply the assessee should give particulars of all the properties owned by him and his wife and children to the extent the same are within his knowledge. Normally, one is supposed to know the particulars of properties belonging to his family members however the possibility to the contrary cannot also be ruled out because husband and wife may be living separately. It was held in *Tolaram Daga v. CIT* (1966) 53 ITR 632 (Assam) that it cannot be presumed that husband has knowledge about all the sources of income of his wife.

**h) Explain the source of money recovered from your possession during search?**

The assessee should state the sources of amounts recovered from his possession and custody and not those recovered from the possession or custody of his family members. Where the money recovered from his possession belonged to shop/office, he may state the sources and add that necessary particulars and evidence will be furnished subsequently.

**i) Mention about the lockers owned by you separately or jointly with other family member? Also give the details of the valuables kept in these lockers.**

The information in this regard should be given about the ownership of the lockers as on the date of search. It should not be stated that one does not remember personal ownership of lockers as the department may trace the locker keys or receipts showing payment of locker fees or the entries of payment of such fees in the books of account. Further, the assessee is not supposed to remember all the items lying in the locker. Therefore, he should give broad description of the contents and add that the full particulars may be ascertained only after opening the locker.

**j) Are you maintaining regular books of accounts as statutorily required? If you are not maintaining the same, explain the reasons for the same.**

Non-maintenance of books may be due to the following reasons:

- (i) It may not be economical to maintain the books of accounts due to the magnitude of income and turnover or
- (ii) Due to the nature of business or profession, it may not be practicable to keep all sorts of vouchers or receipts or register necessary to prepare books of accounts.
- (iii) Due to the reason that all the transactions of receipts as well as payments are routed through the bank account and up-to-date bank record is available on the basis of which income can be calculated at any point of time.
- (iv) Due to the fact that even though the assessee does not maintain prescribed books of account, but he is maintaining reliable contemporaneous record wherefrom the taxable income can be properly ascertained.
- (v) Due to the fact that accounts had been written up to certain date only in a regular manner but because of the absence of accountant or due to the leaving of employment by him, it was not possible to keep up-to-date accounts. However, the



assessee may have kept necessary particulars from which it may be possible to bring the regular books of accounts

Assessee should answer this query in a manner which inspires the confidence and which can be established by producing supporting evidence so as to prove that he had no intention to conceal the income.

**k) What is the quantum of your monthly or annual living costs and how the same is going to be met with?**

In case of a Joint family, assessee may submit that the expenses are met out with pooled income of the different assesses. The authorized officer may question about the details of the expenditure, e.g., on education of children, marriages, acquisition of jewellery and ornaments, gifts made, if any, payment of life insurance premium on self and others, deposits under various savings schemes, etc. on. Therefore, assessee must be ready to cover all such expenses with his income.

**l) Give the details regarding the cash balance as per cash book and stock in hand as per stock register or as per books of account?**

If cash book is being maintained regularly and properly, one need not worry. But if the same is not maintained, vouchers may be produced on which basis cash balance can be worked out.

As regards stock-in-hand if the balances are struck up-to-date in the stock register, the answer may be given without any difficulty. In case where no up-to-date stock register is maintained, it may be updated with the help of vouchers but where no stock register is kept at all, stock may be worked out with the help of inventory which may have been filed with the assessing officer along with the earlier return, and by adding purchases and subtracting sales and by making further adjustment on the basis of the gross profit earned during the previous year or on the basis of the gross profit earned during the previous year or on the basis





of the rate of gross profit applied in the earlier assessments as the case may be.

**m) Why did you maintain duplicate set of books of accounts? Please justify with reasons.**

Generally, maintenance of duplicate sets of books of account forms a suspicion regarding tax evasion. If the assessee is able to explain satisfactorily that books of accounts presumed to be duplicate are in fact not duplicate and do not belong to him, then he should state this fact with confidence. However, where there is any difference in the income likely to be worked out on the basis of duplicate books of accounts, assessee must admit income under sub-section (4) of section 132.

**n) Please mention the circumstances in which you came to possess the foreign exchange found during search operation. Please also explain the sources of its acquisition.**

Assessee may state that he himself visited a foreign country and declared the foreign exchange. It might have been acquired from others who might have recently visited a foreign country. In any case, no one can possess any foreign exchange and it must be surrendered to the authorized dealer, i.e. to the scheduled banks, within specified time if he had not surrendered the foreign exchange, he must state that he had not surrendered due to some reasonable cause.

**GST****GIST OF GST NOTIFICATIONS**

<b>NOTIFICATION NO.</b>	<b>DATE</b>	<b>SUBJECT / HIGHLIGHTS</b>
54/2023-Central Tax	17-11-2023	CBIC notified amendment in Notification No. 27/2022 dated 26.12.2022 to notify biometric-based Aadhaar authentication for GST registration in the State of Andhra Pradesh.

**GST UPDATES****1. ITC Reversal on Account of Rule 37(A)**

- a) Vide Rule 37A of CGST Rules, 2017 the taxpayers have to reverse the Input Tax Credit (ITC) availed on such invoice or debit note, the details of which have been furnished by their supplier in their GSTR-1/IFF but the return in FORM GSTR-3B for the said period has not been furnished by their supplier till the 30th day of September following the end of financial year in which the Input Tax Credit in respect of such invoice or debit note had been availed.
- b) The said amount of ITC is required to be reversed by such taxpayers, while furnishing a return in FORM GSTR-3B on or before the 30th day of November following the end of such financial year, as part of this legal obligation.

- c) To facilitate the taxpayers, such amount of ITC required to be reversed on account of Rule 37A of CGST Rules for the financial year 2022-23 has been computed from system and has been communicated to the concerned recipient. The email communication to this effect has been sent on the registered email id of the taxpayer.
- d) The taxpayers are advised to take note of it and to ensure that such ITC, if availed by them, is reversed as per rule 37A of CGST Rules before 30th of November, 2023 in Table 4(B)(2) of GSTR-3B while filing the concerned GSTR-3B.

## **2. Advisory for the procedures and provisions related to the amnesty for taxpayers who missed the appeal filing deadline for the orders passed on or before March 31, 2023**

Amnesty for Taxpayers: The GST Council, in its 52nd meeting, recommended granting amnesty to taxpayers who could not file an appeal under section 107 of the CGST (Central Goods and Services Tax) Act, 2017, against the demand order under section 73 or 74 of the CGST Act, 2017, passed on or before March 31, 2023, or whose appeal against the said order was rejected due to not being filed within the specified time frame in sub-section (1) of section 107.

## **3. Advisory: Two-factor Authentication for Taxpayers**

- a) GSTN is introducing two-factor authentication (2FA) for taxpayers to strengthen the login security in GST portal. The pilot rollout has been done for a state of Haryana and working seamlessly. Currently, 2FA will be rolled out for Punjab, Chandigarh, Uttarakhand, Rajasthan and Delhi in 1st phase. In 2nd phase, it is planned to be rolled out all states across India.
- b) Taxpayers would need to provide one-time password (OTP) post entering user id and password, the OTP will be delivered to their Primary Authorized Signatory “Mobile number and E-mail id”.



- c) Tax-payers are requested to keep their email and mobile number of authorized signatories updated on the GST Portal for receiving the OTP communication. This OTP would only be asked, in case the tax-payer changes the system (desktop or laptop or browser) and location.
- d) The solution would be rolled out from 1st of December'2023.

#### **4. 6-digit HSN mandatory in e- Invoices w.e.f. 15.12.2023**

GST E-Invoice system has issued update that at least 6-digit HSN will be mandatory in e-Invoices, for taxpayers whose AATO is 5cr and above, from 15<sup>th</sup> December 2023.

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## FINANCE AND VALUATIONS

### **SUSTAINABILITY ACCOUNTING AND ESG INTEGRATION:**

The global landscape is swiftly pivoting towards sustainability as a focal point, indicating a notable reorientation in our collective priorities. This transition is propelling us toward a future where the assessment of a company or the analysis of its reports transcends traditional numerical metrics. A profound emphasis is now placed on holistic considerations encompassing Environmental, Social, and Governance (ESG) factors. This shift is underscored by the mandatory implementation of Business Responsibility and Sustainability Reporting (BRSR) in the EU.

With the EU at the forefront of this evolution and India aligning itself accordingly, driven by the SEBI circular dated May 10, 2021, which mandates the top 1000 companies in India by market capitalization to embrace BRSR starting from the fiscal year 2022-23, there arises an unprecedented opportunity for accounting professionals. This demands a fundamental change, opening up a new dimension for accountants to explore and advance their careers. It invites them to delve into the realm of sustainability reporting and seamlessly integrate it into the fabric of accounting practices.

#### **What is sustainability accounting?**

With the evolving environment and concern regarding rising pollution, weather change and increase in diseases, the rise in scope for analysing the impact on financial statements and accounting for it is rising day by day. The Earth recorded a seven-year hot streak and we're also facing post pandemic effects of COVID 19. The crisis has had enormous implications on our mental health, the economy and income inequality. Post-pandemic, we need to build back better, and sustainability will be the key to success.

Sustainability accounting, also known as environmental accounting or social accounting, involves integrating economic, environmental, and social factors into a company's financial reporting and performance evaluation. Sustainability accounting is the practice of measuring, analyzing and reporting a company's social and environmental impacts.

**Here are the key components of sustainability accounting:**

**Measurement:**

It involves quantifying and assessing the environmental, social, and economic impacts of a company's operations. This includes carbon emissions, water usage, waste generation, employee welfare, community development, and more.

**Analysis:** This step involves evaluating the collected data to understand the implications of the company's activities on the environment, society, and the economy. It may include assessing risks and opportunities related to sustainability factors.

**Reporting:** Companies communicate their sustainability efforts and performance through sustainability reports or integrated reports. These reports provide stakeholders (investors, customers, employees, governments, etc.) with transparent information about the company's impact and commitment to sustainable practices.

Sustainability accounting goes beyond traditional financial accounting by considering non-financial metrics and indicators. It helps companies make informed decisions that balance financial success with social responsibility and environmental stewardship.

**What is ESG?**



ESG stands for Environmental Social Governance. We have moved passed the phase where accounting and analysis of a company is carried out only based on numbers and financial data. The non financial parameters form equal importance to financial parameters.

The companies now have to take care of Environmental and social factors as well in order to give back to the community its functioning in.

**Environmental (E):** This aspect focuses on a company's impact on the environment. It includes assessing a company's carbon footprint, energy efficiency, waste management, water usage, pollution, and efforts towards sustainability and combating climate change. Environmental considerations are increasingly crucial as companies are expected to operate in an eco-friendly and sustainable manner.

**Social (S):** The social component evaluates how a company manages its relationships with stakeholders, including employees, customers, communities, and society at large. Factors such as diversity and inclusion, labor practices, human rights, community engagement, health and safety, and charitable initiatives fall under this category. Companies are expected to be socially responsible and contribute positively to the communities in which they operate.

**Governance (G):** Governance refers to the internal processes, structures, and policies that guide the company's decision-making and behavior. Good governance practices encompass aspects like board independence, transparency, ethical behavior, executive compensation, risk management, and adherence to laws and regulations. Strong governance ensures accountability, fairness, and integrity within an organization.

ESG factors have gained significant importance among investors, stakeholders, and consumers. Companies that effectively manage ESG issues are perceived to be better equipped to handle risks, generate long-term value, attract investment, and maintain a positive reputation. As a

result, ESG considerations have become integral to investment decisions, corporate strategies, and overall business operations.

### **Financial Modelling around sustainability and ESG**

Financial modeling around sustainability and ESG (Environmental, Social, and Governance) factors involves integrating these non-financial considerations into traditional financial models to assess their impact on a company's performance, risk, and valuation. Here are key aspects involved in financial modeling around sustainability and ESG:

**Data Integration:** Incorporating ESG data into financial models requires sourcing and integrating relevant data related to environmental impact (carbon emissions, energy usage, waste generation), social factors (employee satisfaction, diversity, community relations), and governance (board diversity, ethical policies).

**Risk Assessment:** Assessing the potential risks associated with sustainability issues is crucial. Financial models need to account for risks related to climate change, regulatory changes, reputational risks, and other ESG-related factors that can affect a company's operations and financial performance.

**Valuation and Performance Analysis:** Financial models need to incorporate ESG metrics to assess how these factors impact a company's valuation and overall performance. This could involve creating scenario analyses that consider different sustainability-related outcomes and their financial implications.

**Integration into Investment Analysis:** For investors and financial institutions, integrating sustainability factors into investment analysis involves evaluating how a company's sustainability practices can affect its long-term financial viability and return on investment.

**Regulatory Compliance:** Accounting for evolving regulations and compliance standards related to sustainability is critical. Financial models should consider the impact of changing regulatory environments on a company's operations and financial standing.

**Stakeholder Engagement:** Considering the perspectives of various stakeholders (investors, customers, employees, regulators) regarding sustainability is essential. Financial models may need to incorporate feedback and preferences of these stakeholders to accurately represent the impact of sustainability efforts.

**Long-Term Planning and Strategy:** Financial modeling around sustainability aids in developing long-term strategies that align with ESG goals. It helps in understanding the financial implications of sustainability initiatives and guides decision-making towards more sustainable practices.

Financial modeling around sustainability and ESG factors is evolving rapidly as companies recognize the importance of considering non-financial aspects in their decision-making processes. It helps in fostering a more comprehensive understanding of a company's overall performance and its impact on the environment and society, thereby supporting the transition towards more sustainable business practices.

### **Conclusion:**

The integration of Sustainability Accounting and ESG principles signifies a pivotal shift in how we perceive corporate accountability and success in the modern era. The confluence of these frameworks has forged a new trajectory, demanding a departure from conventional financial assessments towards a more comprehensive evaluation encompassing environmental impact, societal obligations, and governance standards. Companies that adapt managing these factors not only mitigate risks but also attract investment, foster long-term value creation, and fortify their reputations.



In summation, the synergy between Sustainability Accounting, ESG integration, and financial modeling is steering businesses towards a transformative approach. It underscores the imperative for companies to embrace responsible practices, acknowledge their broader societal footprint, and align their strategies with sustainable imperatives. It's not merely a trend but a fundamental shift fostering a harmonious interplay between financial viability and societal well-being, forging a pathway towards a more sustainable and equitable future.

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# THANK

# YOU!

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