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AUGUST

2026

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EDITORIAL

Dear All,

The month of August occupies a special place in every Indian's heart. It reminds us of the sacrifices that earned our freedom, celebrates the sacred bond of Raksha Bandhan, and inspires us to reaffirm our responsibilities towards our family, profession, and nation.

The theme of this month's newsletter, "Freedom to Grow, Responsibility to Comply," perfectly reflects the essence of our profession. Just as freedom is sustained by responsibility, business growth is sustained by ethical conduct, transparency, and timely compliance. As Chartered Accountants, we are not merely facilitators of compliance—we are partners in nation-building.

Income-tax Return Filing – Responsibility Before the Deadline
The due date for filing Income-tax Returns for Business and Professional Non-Audit Assessees is 31st August 2026. While the deadline provides an opportunity for taxpayers to complete their statutory obligations, it should also remind us that timely compliance is the hallmark of a responsible taxpayer.

I sincerely urge all our clients to avoid last-minute filing and ensure that books of accounts, tax computations, and supporting documents are finalised well in advance. Filing returns on time not only avoids interest and penalties but also reflects financial discipline and strengthens the credibility of the taxpayer.

At SPCM, we remain committed to guiding our clients through every stage of the compliance process with professionalism and dedication.

SPCM – Another Successful Compliance Season

I am proud to acknowledge the extraordinary efforts of our partners, associates, article assistants, and support staff during the return filing season concluded in July for non-business and non-audit assessees.

Despite challenging timelines and evolving compliance requirements, the SPCM team successfully completed a large number of return filings with accuracy, efficiency, and commitment. This achievement reflects our firm's core values of Sincerity, Professionalism, and Commitment.

I extend my heartfelt appreciation to every member of Team SPCM whose dedication made this possible. Client satisfaction continues to be our greatest achievement.

GST Collections Continue to Reflect Economic Stability

India's GST collections for the month of July 2026 registered an impressive growth of approximately 15% over the corresponding month of the previous year, reaffirming the resilience of the Indian economy and the strengthening culture of tax compliance. The consistent rise in GST revenues reflects expanding economic activity, wider formalisation of businesses, improved compliance through technology-driven administration, and greater transparency in the indirect tax system. These encouraging figures not only strengthen the Government's fiscal position but also reinforce confidence in India's growth story despite continuing global economic uncertainties. As tax professionals, we must continue to guide taxpayers towards timely compliance, accurate reporting, and responsible tax practices, thereby contributing to the nation's economic progress.

Global Gold Market – Signs of Moderation
The quarter ended June 2026 witnessed a moderation in the demand for gold. Higher prices, global economic uncertainty, and cautious consumer spending have contributed to softer demand in several markets.

For India, where gold is deeply connected with tradition, investment, and the jewellery industry, these trends require businesses to adopt prudent inventory management and sound financial planning. Market conditions may fluctuate, but disciplined decision-making remains the key to sustainable growth.

Professional Milestones – A Humbling Journey
The past month has been personally enriching and professionally fulfilling. I had the privilege of interacting with the Additional Solicitor General of India, discussing matters relating to law, governance, and the evolving legal landscape. Such interactions broaden our perspective and reinforce the importance of constitutional institutions in strengthening our democracy.
I was deeply honoured to receive the blessings and felicitation from Pujya Swami Tyaganand Ji Maharaj on the occasion of being awarded the Doctor of Philosophy (Ph.D.). Spiritual encouragement reminds us that true education is complete only when knowledge is accompanied by humility and service.

I was also deeply touched by the felicitation extended by Shri Salim Memon, who has been a valued client of SPCM for over three decades. Our association has grown far beyond a professional relationship into one of mutual trust, respect, and friendship. The beautifully crafted memento presented by him to commemorate my Ph.D. achievement was truly remarkable and will always remain a cherished reminder of his thoughtfulness, affection, and appreciation. Such gestures reaffirm that enduring professional relationships are built not only on quality service but also on trust, goodwill, and shared values.

Another proud and humbling moment during the month was receiving an invitation from Vishwakarma University, Pune, to serve as a Member of the International Advisory Panel for the International Conference on Smart and Sustainable Business Practices (ICSSBP 2027), scheduled to be held on 21st and 22nd January 2027. It is indeed a privilege to be associated with an international academic forum that aims to bring together eminent academicians, researchers, industry leaders, policymakers, and professionals from across the globe to deliberate on sustainable business practices, ESG, digital transformation, governance, innovation, and responsible leadership. I consider this recognition not only as a personal honour but also as a reflection of the values of academic excellence, professional competence, and continuous learning that SPCM has always endeavoured to uphold.

Another memorable occasion was my meeting with Hon'ble Shri Justice Bhadang Ji, former Judge of the Bombay High Court and President of the Income Tax Appellate Tribunal. His profound understanding of law, judicial wisdom, and commitment to justice continue to inspire the tax fraternity. Interactions with such distinguished personalities remind us that learning is a lifelong journey.

Looking Beyond Compliance

As we celebrate Independence Day and Raksha Bandhan, let us remember that every right brings with it a corresponding duty. Our responsibility extends beyond statutory compliance—it includes maintaining ethical standards, serving clients with integrity, mentoring young professionals, and contributing positively to society.

At SPCM, we believe that sustainable success is achieved not merely through professional competence but through character, compassion, and continuous learning.

Closing Thoughts

Freedom gives us the opportunity to dream, innovate, and grow. Responsibility ensures that our growth is meaningful, sustainable, and beneficial to society.

Let us celebrate this August with pride in our nation, gratitude for our relationships, and renewed commitment to our professional responsibilities.

On behalf of the entire SPCM family, I wish you and your loved ones a Happy Independence Day and a Happy Raksha Bandhan.
May we continue to grow with freedom, serve with integrity, and comply with responsibility.

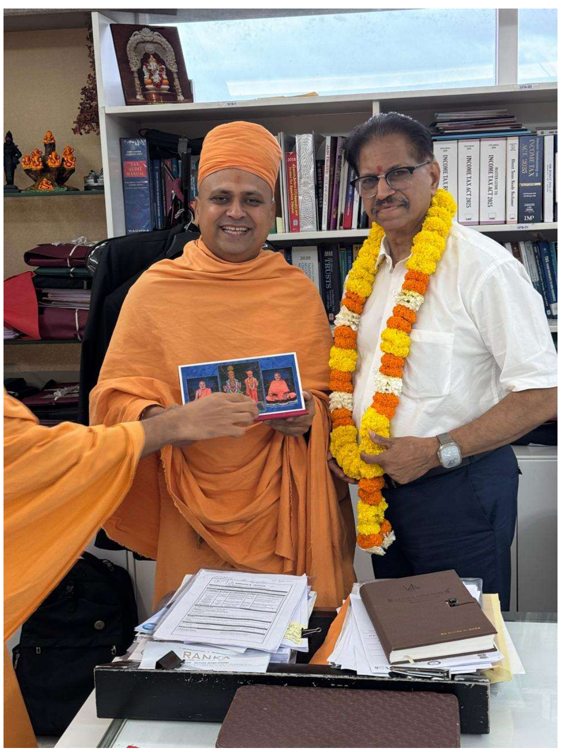
Thanking You,

With Warm Regards,

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

GLIMPSE OF EVENT

Receiving the divine blessings of Swamiji from the Bochasanwasi Akshar Purushottam Swaminarayan Sanstha (BAPS), Ambegaon, Pune, on the successful completion of the Ph.D. degree.



Our mentor, CA DR Suhas P. Bora Sir had occasion to meet ASG - Adv N. Venkatraman

DUE DATES

Income Tax due date calendar for the month of August -2026

DATE	DUE DATE FOR
07-August	• Form 127 Income Tax Act, 2025 Declaration under section 394(2) of the Act to be made by a buyer for obtaining goods without collection of tax received in the month of July, 2026. • Statutory Forms Filing Due Date Income Tax Act, 2025 Due date for deposit of Tax deducted/collected for the month of July, 2026. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an Income tax Challan. • Securities Transaction Tax / Commodities Transaction Tax Other Act Securities Transaction Tax - Due date for deposit of tax collected for the month of July, 2026. • Securities Transaction Tax / Commodities Transaction Tax Other Act Commodities Transaction Tax - Due date for deposit of tax collected for the month of July, 2026.
14-August	• Form 132 Income Tax Act, 2025 Due date for issue of Certificate under section 395(4) for tax deducted at source in the month of June, 2026 the Central

DATE	DUE DATE FOR
	Government on the same day where tax is paid without production of an Income tax Challan.
15-August	• Form 1 Income Tax Act, 2025 Monthly statement to be furnished by a stock exchange in respect of transactions in which client codes been modified after registering in the system for the month of July, 2026. • Form 133 Income Tax Act, 2025 Certificate under section 395(4) for tax collected at source for the quarter ending June 30, 2026. • Form 131 Income Tax Act, 2025 Certificate under section 395(4) for tax deducted at source other than on salary paid to an employee under section 392 or pension or interest income of specified senior citizen under section 393(1) for the quarter ending June 30, 2026. • Form 137 Income Tax Act, 2025 Due date for furnishing of Form 137 by an office of the Government for TDS/TCS Book Adjustment Statement for the month of July, 2026.
30-August	• Form 141 Income Tax Act, 2025 Due date for furnishing of Challan-cum-statement of deduction of tax under section 393(1) [Table Sl. No. 2(i), 3(i), 6(ii) and 8(vi)] in the month of July, 2026. • Form 3CEF Income Tax Act, 1961 Annual Compliance Report on Advance Pricing Agreement (if due date of submission of return of income is July 31, 2026).

DATE	DUE DATE FOR
31-August	• All income tax returns except ITR-1, 2 and 6 Income Tax Act, 1961 Return of income for the Assessment Year 2026-27 in the case of assessee (a) non-corporate assessee (having income from business or profession and whose books of account are not required to be audited under Income Tax Act, 1961 or under any other Act) or (b) working partner of a firm whose accounts are not required not to be audited under this Act or under any other Act or the spouse of such partner if the provisions of section 5A applies to such spouse or, • All income tax returns except ITR-1, 2 and 6 Income Tax Act, 1961 Payment of Self Assessment Tax (if due date of submission of return of income is August 31, 2026. • Form 56FF Income Tax Act, 1961 Particulars to be furnished under clause (b) of sub-section (1B) of section 10A of the Income-tax Act, 1961 (if due date of submission of return of income is August 31, 2026). • Form 10CCD Income Tax Act, 1961 Certificate under sub-section (3) of section 80QQB for authors of certain books in receipt of royalty income, etc. (if due date of submission of return of income is August 31, 2026). • Form 10CCE Income Tax Act, 1961 Certificate under sub-section (2) of section 80RRB for Patentees in receipt of royalty income, etc. (if due date of submission of return of income is August 31, 2026). • Form 10FCIncome Tax Act, 1961 Authorization for claiming deduction in respect of any payment made

DATE	DUE DATE FOR
	to any financial institution located in a Notified jurisdictional area. (if due date of submission of return of income is August 31, 2026). • Form 3CFA Income Tax Act, 1961 Form for opting for taxation of income by way of royalty in respect of Patent (if due date of submission of return of income is August 31, 2026). • Form 3CT Income Tax Act, 1961 Income attributable to assets located in India under section 9 of the Income-tax Act, 1961 (if due date of submission of return of income is August 31, 2026. • Form 10BBC Income Tax Act, 1961 Certificate of accountant in respect of compliance to the provisions of clause (23FE) of section 10 of the Income-tax Act, 1961 by the notified Pension Fund. • Form 10BBD Income Tax Act, 1961 Statement of eligible investment received (if due date of submission of return of income is August 31, 2026). • Form 5C Income Tax Act, 1961 Details of amount attributed to capital asset remaining with the specified entity (if due date of submission of return of income is August 31, 2026). • Form 10BA Income Tax Act, 1961 Declaration to be filed by the assessee claiming deduction under section 80GG (if due date of submission of return of income is August 31, 2026). • Form 10E Income Tax Act, 1961 Form for furnishing particulars of income under section 192(2A) for claiming relief u/s 89 (if due date of submission of return of income is August 31, 2026).

DATE	DUE DATE FOR
	• Form 10-EE Income Tax Act, 1961 Taxation of income from retirement benefit account maintained in a notified country (if due date of submission of return of income is August 31, 2026). • Form 10H Income Tax Act, 1961 Certificate of foreign inward remittance (if due date of submission of return of income is August 31, 2026). • Form 10IA Income Tax Act, 1961 Certificate of the medical authority for certifying person with disability, severe disability, autism, cerebral palsy and multiple disability for purposes of section 80DD and section 80U (if due date of submission of return of income is August 31, 2026). • Form 10-IEA Income Tax Act, 1961 Application for exercise of option under clause (i) of sub-section (6) of section 115BAC or withdrawal of option under the proviso to sub-section (6) of section 115BAC of the Income-tax Act, 1961 (if due date of submission of return of income is August 31, 2026). • Form 10IG Income Tax Act, 1961 Statement of Exempt income under clause (4D) of section 10 of the Income-tax Act, 1961 (if due date of submission of return of income is August 31, 2026). • Form 10IH Income Tax Act, 1961 Statement of income of a Specified fund eligible for concessional taxation under section 115AD of the Income-tax Act, 1961 (if due date of submission of return of income is August 31, 2026). • Form 10-II Income Tax Act, 1961 Statement of exempt income under clause (23FF) of section 10 of

DATE	DUE DATE FOR
	the Income-tax Act, 1961 (if due date of submission of return of income is August 31, 2026). • Form 10-IK Income Tax Act, 1961 Annual Statement of Exempt Income under sub-rule (2) of rule 21AJA and taxable income under sub-rule (2) of rule 21AJAA (if due date of submission of return of income is August 31, 2026). • Statutory Forms Filling Due Date Income Tax Act, 1961 Statement by scientific research association, university, college or other association or Indian scientific research company as required by rules 5D, 5E and 5F (if due date of submission of return of income is August 31, 2026). • Form 10 Income Tax Act, 1961 Statement to be furnished to the Assessing Officer/Prescribed Authority under clause (a) of the Explanation 3 to the third proviso to clause (23C) of section 10 or under clause (a) of sub-section (2) of section 11 of the Income-tax Act, 1961 (if the assessee is required to submit return of income on October 31, 2026). • Form 9A Income Tax Act, 1961 Application for exercise of option under clause (2) of the Explanation to sub-section (1) of section 11 of the Income - tax Act, 1961 (if the assessee is required to submit return of income on October 31, 2026).

GST due dates for the month of August 2026

Due date	Return	Period	Description
10th August	GSTR-7 (Monthly)	July'26	Summary of Tax Deducted at Source (TDS) and deposited under GST laws.
10th August	GSTR-8 (Monthly)	July'26	Summary of Tax Collected at Source (TCS) and deposited by E-commerce operators under GST laws.
11th August	GSTR-1 (Monthly)	July'26	Summary of outward supplies where turnover exceeds Rs.5 crore or have not chosen the QRMP scheme for the quarter of July-September 2026.
13th August	Furnishing Invoices in IFF Facility (Quarterly)	July-September 2026	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.

Due date	Return	Period	Description
13th August	GSTR-6	July'26	Details of ITC received and distributed by ISD.
20th August	GSTR-3B (Monthly)	July'26	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 July-September 2026.
13th August	GSTR-5 (Monthly)	July'26	Summary of outward taxable supplies & tax payable by a non-resident taxable person.
20th August	GSTR-5A (Monthly)	July'26	Summary of outward taxable supplies and tax payable by OIDAR.

There is nothing noble in being superior to your fellow man; true nobility is being superior to your former self."

- Ernest Hemingway

TAXATION OF TDR

Transferable Development Rights (TDR): Valuation, Accounting and Taxation – A Comprehensive Analysis of Four Practical Situations

By CA Dr. Suhas P. Bora
SPCM & Associates, Chartered Accountants, Pune

Introduction

Transferable Development Rights (TDR) have become an integral part of urban development, particularly in Maharashtra, where rapid urbanisation has resulted in extensive use of Development Control & Promotion Regulations (DCPR) and the Maharashtra Regional and Town Planning Act, 1966 (MRTP Act).

Although TDR is widely used in real estate transactions, its taxation continues to remain one of the most litigated areas under the Income-tax Act, 1961. Questions relating to valuation, year of taxability, accounting treatment, cost of acquisition and applicability of exemptions frequently arise.

The tax treatment primarily depends upon the answer to three fundamental questions:

1. Whether there is a transfer within the meaning of Section 2(47)?

2. Whether the transaction amounts to compulsory acquisition or voluntary surrender?

3. Whether the land involved is agricultural or non-agricultural?

Once these questions are answered, most issues relating to valuation, computation and taxation become significantly clearer.

Understanding TDR

Transferable Development Right (TDR) is a valuable right granted under Development Control Regulations enabling the holder to utilise or transfer additional Floor Space Index (FSI).

Depending upon the facts of each case, TDR may constitute:
a Capital Asset under Section 2(14), or
b. Stock-in-Trade in the hands of a developer.
Consequently, the tax consequences differ substantially.

Valuation of TDR

Determining the Fair Market Value (FMV) of TDR is the foundation of proper taxation.
In practice, the following hierarchy is generally acceptable:
Market price of comparable TDR transactions
First actual sale value of the TDR
Independent valuation where market evidence is unavailable
Ready Reckoner value only where specifically attracted by statute
It is important to appreciate that TDR is not "land or building" but merely a right associated with land. Therefore, the automatic application of Sections 50C or 43CA is not always justified.

Judicial Position

The Bombay High Court in CIT v. Sambhaji Nagar Co-operative Housing Society Ltd. (2015) held that where TDR arises merely because of ownership of land and the assessee had incurred no cost for acquiring such right, computation provisions may fail since cost of acquisition cannot be determined.

Subsequently, the Bombay High Court in Sunil Pran Sikand v. ACIT (2024) clarified that consideration received in relation to TDR constitutes consideration for transfer of a capital asset and is taxable under the head "Capital Gains" in the appropriate circumstances.

These decisions demonstrate that taxation of TDR depends entirely upon the factual matrix rather than any universal principle.

Accounting Treatment

The accounting treatment also varies according to the nature of the transaction.

Where land is surrendered and TDR is received in exchange, the TDR should generally be recognised as an asset at its fair market value while derecognising the corresponding land.

Where purchased TDR is loaded on an ongoing project, the cost becomes part of Work-in-Progress (WIP) and is allocated over the saleable area.

Where TDR is transferred from one project to another within the same entity, appropriate inter-project cost allocation and documentation become essential.

If TDR itself is sold, the accounting treatment depends upon whether it is held as inventory or as a capital asset.

Four Important Practical Situations

Situation 1

TDR received because of change in Development Control Rules

This is probably the most misunderstood situation.

Here, the owner continues to own the land. No portion of land is surrendered.

The Government merely grants additional development potential due to a regulatory change.

Tax Analysis

Since no asset is transferred,

Section 2(47) is not attracted;

Section 45 does not apply at the time of receipt.

Accordingly, receipt of TDR itself is not a taxable event.
Tax arises only when:
the TDR is sold; or it is otherwise transferred.

Since nothing has been paid for acquiring such TDR, its cost is generally regarded as Nil, resulting in the entire sale consideration becoming taxable, subject to applicable provisions.

Situation 2

TDR received for surrendering land for road widening
In this situation, land is actually surrendered to the Government or Planning Authority in exchange for TDR.
Unlike Situation 1, there is a clear transfer under Section 2(47).
The principal issue is whether the surrender constitutes:
compulsory acquisition, or
voluntary surrender.
This distinction determines the availability of exemption under Section 10(37).
Where agricultural land is compulsorily acquired under a statutory acquisition process, exemption may be available.
However, where surrender is voluntary under Development Control Regulations, capital gains generally become taxable.
The Fair Market Value of TDR represents the consideration for transfer of land.

Situation 3

TDR against reservation of land for garden, playground or public amenities
This is one of the most frequently litigated categories in Maharashtra.
Under Development Plans, portions of land may be reserved for:
gardens
playgrounds
schools
hospitals

public parking
other civic amenities.
The owner hands over the reserved land and receives TDR.
Although the reservation originates from statutory planning provisions, courts have generally distinguished such transactions from compulsory acquisition.
Accordingly,
transfer takes place under Section 2(47);
Section 45 becomes applicable;
Section 10(37) normally does not apply.

Capital gains are computed by adopting:
FMV of TDR as consideration; and
proportionate cost of land surrendered as cost of acquisition.

Situation 4

TDR under the MRTP Act
The MRTP Act provides several categories of TDR.
These include:
* Road TDR
* Amenity TDR
* Heritage TDR
* Slum Rehabilitation TDR
* Fungible FSI

Each category requires independent tax analysis.

Road TDR
Generally taxable unless arising from genuine compulsory acquisition satisfying Section 10(37).

Amenity TDR
Normally taxable as capital gains.

Heritage TDR
Since no land is transferred, taxation generally arises only when Heritage TDR is subsequently sold.

Slum Rehabilitation TDR
For developers, such TDR ordinarily constitutes business inventory.
Its taxation falls under business income rather than capital gains.

Fungible FSI
This represents purchased development rights.
The amount paid forms part of project cost and Work-in-Progress.

Taxation Matrix
The broad tax treatment may be summarised as follows:

Nature of Transaction	Tax Treatment
TDR arising merely due to change in DCR	Tax only upon sale
TDR against voluntary surrender of land	Capital Gains
TDR on compulsory acquisition of agricultural land	Possible exemption u/s 10(37)
TDR held by builder as inventory	Business Income
Purchased TDR used in project	Part of Project Cost

GST Implications

GST law treats development rights as a supply of service.

However, the GST implications vary considerably depending upon the transaction.

Certain transfers involving Government or Planning Authorities may enjoy exemption, whereas sale of TDR to developers may attract GST under the applicable mechanism.

Therefore, GST must always be examined independently of the Income-tax provisions.

TDS Issues

Where monetary consideration exceeds the prescribed limits, TDS implications under Section 194-IA require examination.

Pure barter transactions involving Government or Planning Authorities present separate practical challenges regarding deduction of tax.

Practical Issues for Professionals

Professionals advising clients should carefully evaluate:

nature of TDR;
source of entitlement;
existence of transfer;
compulsory versus voluntary acquisition;
agricultural versus non-agricultural land;
valuation methodology;
accounting treatment;
GST consequences;
applicability of Sections 45, 48, 50C and 10(37).
Incorrect classification at the initial stage often leads to prolonged litigation.

Important Judicial decisions

Some of the significant judicial precedents governing TDR include: CIT v. **B.C. Srinivasa Setty (Supreme Court)**

CIT v. Sambhaji Nagar Co-operative Housing Society Ltd. (Bombay High Court)

Sunil Pran Sikand v. ACIT (Bombay High Court)

These decisions collectively establish that taxation of TDR depends upon the legal character of the right, the nature of transfer and the statutory framework under which the TDR is granted.

Conclusion

Transferable Development Rights have evolved from a town-planning mechanism into a significant economic asset. Unfortunately, the tax law has not evolved with equal clarity, resulting in considerable uncertainty and litigation.

In every TDR transaction, the professional should first determine:

Has a transfer taken place?

Is the transfer voluntary or compulsory?

What is the nature of the underlying land?

These three questions determine almost the entire tax outcome.

The absence of comprehensive legislative guidance, particularly for TDR under the MRTP Act and DCPR, underscores the need for a detailed CBDT clarification. Until then, each case must be analysed on its own facts, supported by judicial precedents and sound professional judgment.

A careful evaluation at the structuring stage can often prevent years of unnecessary litigation.

Author's Note

This article has been prepared on the basis of the questions raised and the views expressed by the author during the Panel Discussion at the National Conference organised by the PCMC Branch of WIRC of ICAI on 20th and 21st June 2026. The discussion has been further elaborated with relevant statutory provisions, judicial precedents and practical insights for the benefit of professionals. The views expressed are those of the author and are intended solely for academic and professional discussion. Readers are advised to examine the applicable law and judicial developments before applying the principles discussed to specific cases.

"Permit yourself to change your mind when something is no longer working for you."

- Nedra Glover Tawwa

GST

GST UPDATES

CIRCULAR

Circular No	Date	Subject / Highlights
256/02/2026 -GST	27-07-2026	Clarification regarding filing of appeal by department before the Goods and Services Appellate Tribunal against order of appellate authority (where Orders-in-Original have been passed by a Common Adjudicating Authority in DGGI cases).

1. **GSTAT Appeal Deadline Extension:**

   The government extended the final date to file appeals or applications before the Goods and Services Tax Appellate Tribunal (GSTAT) to 31 July 2026.

   This extension under Section 112 of the CGST Act was provided to handle heavy traffic and technical issues on the portal**.**

2. E-Way Bill Enhancements Put on Hold:

The Goods and Services Tax Network issued an advisory on 29 July 2026 keeping the proposed August 1 e-Way Bill enhancements (including mandatory ship-to GSTIN and voluntary closures) on hold until further notice.

Taxpayers and software providers are not required to implement any production environment changes from earlier June/July advisories.

"Though no one can go back and make a brand new start, anyone can start from now and make a brand new ending."

- Carl Bard

FINANCE AND VALUATIONS

Navigating Regulatory Valuation Divergence: Income Tax vs. FEMA vs. Companies Act

Determining the "Fair Value" of equity shares or convertible instruments in an unlisted company is rarely a single-track calculation. Whenever a private company issues fresh equity, executes a cross-border deal, or restructures its cap table, the transaction triggers **three distinct regulatory regimes**:

1. **The Income Tax Act, 1961**
2. **The Foreign Exchange Management Act (FEMA), 1999**
3. **The Companies Act, 2013**

Because each regulatory body enforces valuation rules to serve different legislative intents—preventing tax evasion, safeguarding foreign currency reserves, or protecting domestic shareholder equity—their prescribed methodologies and **mandatory signatory requirements** frequently conflict.

Executing a deal based on a single valuation report without harmonizing all three regimes creates significant exposure to reassessments, deal invalidation, and severe financial penalties.

1. Statutory Frameworks & Signatory Requirements at a Glance

Regulatory Body	Governing Provision / Rule	Core Policy Objective	Permissible Valuation Methods	Mandatory Signatory
Income Tax Act	Sec 50CA, Sec 56(2)(x), Rule 11UA / 11UAA	Prevent tax evasion, under-reporting of consideration, and capital gains leakage.	•**Adjusted NAV Formula** (Transfers) • **DCF / 5 Global Methods** (Issuances under Sec 56(2)(viib))	• **Chartered Accountant (CA)** (for NAV formula) • **Category-I SEBI Merchant Banker** (for DCF & internationally accepted methods)
FEMA (RBI)	Rule 21, FEMA (Non-Debt Instruments) Rules, 2019	Ensure arm's-length pricing to prevent capital flight and over/under-inflow of foreign exchange.	Any **Internationally Accepted Pricing Methodology** (typically DCF, CCM, or Multiples).	**Chartered Accountant (CA)** OR **Category-I SEBI Merchant Banker**.
Companies Act	Sec 247, Sec 62(1)(c), Sec 42, PAS Rules	Protect existing shareholders from unfair dilution and enforce corporate governance.	**Income, Market, or Asset Approach** per International Valuation Standards (IVS) / ICAI Standards.	**IBBI Registered Valuer (RV)** registered under Securities or Financial Assets.

2. The Signatory Disconnect: Why One Report Is Never Enough
A major compliance trap in corporate transactions is assuming that a report signed by one statutory professional is valid across all regulatory bodies. Each statute explicitly restricts who is legally authorized to issue a valuation certificate:

- **The Companies Act Mandate (IBBI Registered Valuer):** Section 247 of the Companies Act, 2013 mandates that any corporate action requiring valuation—such as preferential allotments (Sec 62), private placements (Sec 42), or share swaps—**must** be certified by an **IBBI Registered Valuer (RV)**. A report issued solely by a Chartered Accountant or Merchant Banker (who is not an IBBI RV) is legally invalid for ROC filings.
- **The Income Tax DCF Restriction (SEBI Merchant Banker):** For fresh issuances of unquoted shares under Section 56(2)(viib), if a company selects the **Discounted Cash Flow (DCF)** method, Rule 11UA specifically requires certification from a **Category-I SEBI Merchant Banker**. A DCF report signed by a practicing Chartered Accountant or an IBBI Registered Valuer will be rejected by the Income Tax Department, exposing the company to tax additions under Section 56(2)(viib).
- **The Income Tax Transfer Formula (Chartered Accountant):** For unquoted share transfers under Section 50CA or Section 56(2)(x), Rule 11UA mandates the statutory **Adjusted NAV formula**. A practicing **Chartered Accountant** certifies this formula, which requires restating balance sheet assets (e.g., land/buildings at stamp duty value, listed securities at market value).
- **FEMA Flexibility:** RBI pricing guidelines permit either a **Chartered Accountant** or a **SEBI Merchant Banker** to sign off on pricing certificates for foreign inflows/outflows. However, the report must reflect internationally accepted pricing methodologies.

4. Key Areas of Valuation Divergence & Deal Pitfalls

A. The Floor vs. Ceiling Paradox in Cross-Border Deals

- **FEMA Pricing Rule (Floor Price):** For inbound FDI (issue or transfer from a resident seller to a non-resident buyer), the transaction price **cannot be lower than** the fair market value calculated using DCF. The valuation acts as a **Price Floor**.
- **Income Tax Rule 11UA / Sec 50CA (Deemed Capital Gains):** For transfers of unquoted equity shares, the consideration received by the seller for computing capital gains **cannot be lower than** the adjusted NAV computed per Rule 11UA.
- **The Conflict:** If a DCF valuation (under FEMA) yields **₹150/share** for a early-stage business, but the Rule 11UA Adjusted NAV yields **₹210/share** (due to underlying real estate at stamp duty value), transacting at ₹150 satisfies FEMA. However, it triggers Section 50CA, taxing the seller on deemed capital gains for the ₹60 differential.

B. Asset-Backed Statutory Formula vs. DCF Yield Projections

- **Income Tax Rule 11UA Formula:** For unquoted share transfers, the rule enforces a mandatory formula:

$$\text{FMV} = (A + B + C + D - L) \times \left(\frac{PV}{PE}\right)$$

(Where A, B, C, D represent book values and adjusted stamp duty/market values of properties, jewellery, and securities, and L represents liabilities.)

- **FEMA & Companies Act Priorities:** Prioritize forward-looking earnings methodologies like Discounted Cash Flow (DCF), Comparable Company Multiples (CCM), or Option Pricing Methods (OPM).

- **The Imbalance:** An asset-heavy holding company with minimal current revenues will exhibit a high NAV under Rule 11UA but a modest DCF under FEMA/Companies Act, forcing deal prices into narrow statutory corridors.

C. Compulsorily Convertible Instruments (CCPS / CCDs)

- **FEMA Requirement:** The conversion price or formula for CCPS or CCDs issued to non-residents must be locked in **upfront at issuance**, and the final conversion price cannot be lower than the FMV determined at issuance.
- **Income Tax & Companies Act:** If conversion terms are extended or modified later, an updated report from an **IBBI Registered Valuer** is mandatory under Section 247 of the Companies Act. This can also trigger Section 56(2)(x) scrutiny under Income Tax if the fair market value has appreciated significantly in the interim.

4. Strategic Advisory & Harmonization Framework

To prevent transaction delays, tax notices, or regulatory defaults, advisors should implement a 4-step harmonization workflow:

A. Establish the "Intersection Zone" Pricing

Before executing transaction agreements, calculate the mathematical boundaries across all applicable regimes to locate the compliant price overlap:

FEMA Floor Price ≤ Execution Price ≥ Rule 11UA Tax Benchmark
= IBBI Approved Price

B. Engage Dual-Certified Professionals / Joint Signatories

To avoid conflicting financial assumptions across separate reports:

- Engage a firm or joint professionals holding both **IBBI Registered Valuer (Securities/Financial Assets)** and **SEBI Merchant Banker / Chartered Accountant** credentials.
- Ensure all valuers utilize identical underlying financial models, WACC figures, and growth projections.

C. Synchronize Valuation Cutoff & Balance Sheet Dates

FEMA valuation reports are generally valid for up to 90 days prior to share transfer or allotment. Rule 11UA relies on the audited balance sheet drawn up on or immediately preceding the valuation date. Align the projection base date across all reports so that balance sheet line items match identically.

D. Document Management Projections & Assumptions

Tax assessing officers regularly challenge DCF reports during audit proceedings. Maintain detailed Management Representation Letters (MRLs), board-approved 5-year projections, and market benchmark data supporting revenue growth rates, discount rates, and terminal value assumptions.

5. Conclusion:

Ultimately, navigating the tri-partite valuation landscape requires moving away from viewing valuation as a isolated mathematical exercise. Because the Income Tax Act, FEMA, and the Companies Act serve distinctly different policy objectives—tax revenue protection, cross-border capital monitoring, and minority shareholder governance, respectively—relying on a single valuation report without multi-statutory scoping creates severe compliance vulnerabilities.

A successful transaction structure requires early alignment across all three regulatory pillars. By mapping the Intersection Zone where statutory price floors and ceilings overlap, synchronizing projection cutoff dates, and ensuring that reports are issued by the appropriately credentialed signatories (IBBI Registered Valuers, SEBI Merchant Bankers, or practicing Chartered Accountants), corporate entities and advisors can execute equity issuances, transfers, and restructurings with complete legal certainty and zero tax exposure.

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THANK YOU!

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