NYCA's

The ReCap

A news to clear your doubts

A Monthly E-Newsletter

February, 2024 / Vol 10

For use by clients and firm personnel only

What's Inside

KEY METRICS

Indices

BSE SENSEX	71,140	01.04%
NSE NIFTY50	21,522	00.66%
NASDAQ Composite	15,510	05.03%

Currency

USD/INR	83.09	0.12%
EURO/INR	89.88	2.09%
GBP/INR	105.37	0.50%

Note: The month-on-month movement as on January 31, 2024 is represented in percentages Source: Yahoo Finance, Investing.com

COMPLIANCE ALERT

February, 2024

7th February - Income Tax

Due date for deposit of Tax deducted/collected for the month of January, 2024. However, all the 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

10th February - GST

GSTR-7 : Summary of Tax Deducted at Source (TDS) and deposited under GST laws for the month of January, 2024

11th February - GST

GSTR-1 : Summary of outward supplies where turnover exceeds Rs.5 crore or have not chosen the QRMP scheme for the quarter of January; - March, 2024

13th February - GST

GSTR- 5 : Summary of outward taxable supplies and tax payable by a non-resident taxable person

13th February - GST

GSTR- 6 : GSTR 6 is a monthly return for Input Service Distributors (ISD) to provide the details of their inward supplies & distributed Input Tax Credit (ITC).

14th February - Income Tax

Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M, 194S in the month of December, 2023

15th February - ESIC & PF

PF deducted from the Employees salary in the month of January 24, needs to be paid on or before 15th of February, 2024 The payment of ESIC is made by every employer to the ESIC department on a monthly basis. The due date for ESIC is 15th February, 2024

15th February - Income Tax

Due date for furnishing statement in Form No. 3BB by a stock exchange in respect of transactions in which client codes been modified after registering in the system for the month of January, 2024

15th February - Income Tax

Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of January, 2024 has been paid without the production of a challan

15th February - Income Tax

Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending December 31, 2023

20th February - GST

GSTR- 3B : 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 Jan - Mar, 24

25th February - GST

PMT-06 is a challan used for making payment of tax, interest, late fee and penalty under the GST law by taxpayers who have opted for the quarterly filing of GSTR-3B under the QRMP scheme

Direct Tax

Notifications/Circulars

Govt. notifies investment in financial product by NR with 'IFSC capital market intermediary' for Sec. 10(4G) exemption

Sec. 10(4G) exempts income earned by a non-resident from its portfolio subject to certain conditions. FA 2023 has extended the scope of this exemption to any income received by a non-resident from the specified activity carried out by the specified person. For said purpose, the Govt. has notified activity of investment in a financial product by the non-resident, into by a capital market intermediary, being a Unit of an IFSC.

NOTIF. S.O. 66(E) [NO. 4/2024/F.NO. 370142/48/2023-TPL]

CBDT notifies four more entities for Section 10(46) exemption

The Central Board of Direct Taxes (CBDT) has notified 'Polavaram Project Authority', 'District Legal Service Authority Union Territory Chandigarh', 'Haryana State Board of Technical Education' and 'Karmayogi Bharat' for the purposes of clause (46) of section 10 of the Income-tax Act, 1961.

NOTIFICATION S.O. 40(E) [NO. 1/2024 F. NO. 300196/26/2021-ITA-I]

Direct Tax to GDP ratio has increased from 5.62% in F.Y. 2013-14 to 6.11% in F.Y. 2022-23: CBDT

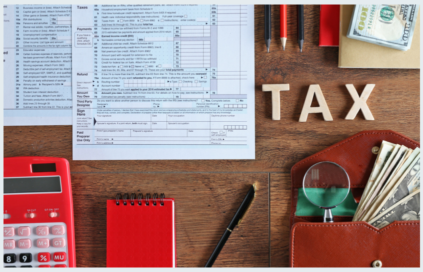
The CBDT has released updated Consolidated Time-Series data for F.Y. 2022-23, revealing a 160.52% increase in Net Direct Tax Collections from Rs. 6,38,596 crore in F.Y. 2013-14 to Rs. 16,63,686 crore in F.Y. 2022-23. Additionally, the Direct Tax to GDP ratio rose from 5.62% to 6.11% during some period. The total number of ITRs filed in F.Y. 2022-23 is 7.78 crore, marking a 104.91% increase compared to the 3.80 crore filed in F.Y. 2013-14. Moreover, this significant growth in net direct tax collections and the Direct Tax to GDP ratio underscores the effectiveness of tax reforms and compliance measures implemented during the said period. This surge indicates an expanding tax base in the indian economy.

Press Release

CBDT notifies ITR-6 for the Assessment Year 2024-25

The Central Board of Direct Taxes (CBDT) has notified Income-tax Return Form 6 for the Assessment Year 2024-25 vide Notification No. 16/2024, dated 24-01-2024. Earlier the board has notified the Income-tax Return (ITR) forms 1 & 4 for the Assessment Year 2024-25 vide Notification no. 105/2023, dated 22-12-2023.

NOTIFICATION G.S.R. 64(E) [NO. 16/2024/F.NO. 370142/49/2023-TPL]



CBDT issued a Very Important Circular; Explaining Amendments to the Income-Tax Act Introduced by the Finance Act, 2023

The Central Board of Direct Taxes (CBDT) has released the explanatory notes to the provisions of the Finance Act, 2023. These explanatory notes describe the substance of the provisions/amendments made by the Finance Act, 2023 relating to Income-tax.

The Finance Act, 2023, as passed by the Parliament, received the assent of the President on 31st March, 2023 and has been enacted as Act No. 8 of 2023.

Circular No. 1/2024 dated Jan 23, 2024

Net direct tax collection up to 10-01-2024 for FY 2023-24 grows by 19%: CBDT

The CBDT has released the provisional figures of Direct Tax collections up to January 10, 2024, for the Financial Year 2023-24. Direct Tax collection, net of refunds, stands at Rs. 14.70 lakh crore, which is 19.41% higher than the net collections for the corresponding period of last year. This collection is 80.61% of the total Budget Estimates of Direct Taxes for F.Y. 2023-24

Press Release

Judicial Rulings

No penalty proceedings under sec. 270A if additions were made based on voluntary disclosure by assessee: HC

The assessee filed its income tax return for the Assessment Year 2018-19 but later discovered an error in claiming the 'provision for doubtful GST input tax credit'. The error was corrected by revising the return, yet a penalty was imposed under Section 270A for misreporting income. Despite the assessee's efforts to seek relief through applications and petitions, the Rajasthan High Court ruled in favor of the assessee. It cited deficiencies in the proceedings, including the lack of substantial reasons for rejecting the revision petition and the failure to provide an opportunity for a hearing. The court concluded that the rejection of the revision petition by the revising authority could not be justified.

[2024] 158 taxmann.com 184 (Rajasthan) [04-01-2024]

ITR filed with tentative details due to seizure of books isn't basis for reassessment if AO accepted return: SC

Where returns filed by assessee were accompanied by tentative profit and loss account and other details of income like cash flow statements, statements showing source and application of funds reflecting increase in capital and current accounts of partners of assessee which were duly enquired into by Assessing Officer in assessment proceedings.

[2024] 158 taxmann.com 564 (SC)[23-01-2024]

SC dismissed SLP against ruling that Sec. 195 has no application if payment is considered as salary income

SLP to be dismissed against impugned order of High Court wherein it was held that where AO had made adjustment in hands of assessee-company on account of interest on outstanding receivables, since assessee-company was a debt free company and no interest was paid to creditor/supplier nor any interest had been earned from unrelated party.

[2024] 158 taxmann.com 214 (SC)[03-01-2024]

No deemed income u/s 69A/69B if source of cash & stock discrepancies found during survey was from business operations

During a survey, the assesse surrendered excess stock, cash, and receivables, offering them to tax as business income. However, the Assessing Officer (AO) categorized the surrendered amount as unexplained investment under sections 69 and 69B. Given that the assesses' income source was from its business operations, the income surrendered during the survey could not be taxed under the deeming provisions of sections 69A and 69B.

[2024] 158 taxmann.com 655 (Chandigarh - Trib.)[23-01-2024]

HC directs CIT to condone delay in filing application u/s 264 as it took long time for CIT(A) to decide appeal

Where Commissioner rejected assessee's application under section 264 on ground that there was a substantial delay in filing application, since it took a long time for Commissioner(Appeals) to dispose of assessee's appeal, Commissioner should have condoned delay and decided matter on merits.

[2024] 158 taxmann.com 485 (Bombay) [17-01-2024]

SC dismissed SLP against HC's ruling that notice issued in name of non-existing Co. was untenable

SLP was to be dismissed against impugned order of High Court wherein it was held that where notice under section 148, assessment order as also penalty notice and demand notice had been issued in name of a non-existing entity despite having been informed to AO about factum of amalgamation of said entity with assessee-company, assessment order and notices impugned were untenable in law.

[2024] 158 taxmann.com 242 (SC)[08-01-2024]

Indirect Tax

Notifications/Circulars

CBIC notified New Special Procedure for Registration and Special Monthly Returns by Manufacturers of Tobacco, Pan Masala, and Similar Items

The CBIC, through Notification No. 04/2024 – Central Tax dated January 05, 2024, has introduced a new special procedure for registered persons engaged in manufacturing certain goods listed in the Schedule. This procedure requires the submission of details of packing machines used for filling and packing packages in FORM GST SRM-I on the common portal within specific timelines.

Additionally, a special monthly statement must be submitted electronically in FORM GST SRM-II by the tenth day of the following month. Furthermore, a certificate of Chartered Engineer in FORM GST SRM-III is required to be uploaded for declared machines, with subsequent amendments necessitating the submission of a fresh certificate. The notification also provides explanations and definitions for certain terms and stipulates April 01, 2024, as the effective date for implementation.

Notification No. 04/2024 – Central Tax dated January 05, 2024

CBIC notifies 5% GST on LPG (Non-Automotive) as per Standard IS 4576, effective from Jan 4, 2024

On January 3, 2024, the Central Board of Indirect Taxes and Customs (CBIC) issued Notification No. 01/2024-Central Tax (Rate) to amend the Central Goods and Services Tax Act, 2017 (CGST Act). This amendment, authorized under sections 9(1) and 15(5) of the CGST Act, modifies the base Notification No. 1/2017-Central Tax Rate dated June 28, 2017 (Goods Rate Notification).

The notification imposes a 2.5% CGST rate on LPG (for non-automotive purposes) conforming to the standard IS 4576, falling under tariff item 2711 19 10. Consequently, the effective GST rate for this item will now be 5%, comprising 2.5% CGST and 2.5% SGST.

The amendment specifically affects Schedule I – 2.5% of the said notification. It includes changes to S. No. 165 and 165A, substituting the entry “2711 12 00, 2711 13 00, 2711 19 10” in column (2).

These modifications took effect from January 4, 2024, and similar notifications were passed under the Integrated Goods and Services Tax Act, 2017 (IGST Act) and the Union Territory Goods and Services Tax Act, 2017 (UTGST Act).

Notification No. 01/2024-Central Tax (Rate) on January 3, 2024

CBIC extends validity of various exemptions lapsing on March 31, 2024 under Customs Act till 30th Sept, 2024

This tax alert summarises recent Notifications issued by the CBIC extending the validity of various exemptions provided under Section 25(1) of the Customs Act, 1962 (Customs Act).

Vide Finance Act 2021, Section 25(4A) was inserted to provide that all the conditional exemptions granted under Section 25(1) shall be valid upto 31st March falling immediately after two years from the date of such grant, unless otherwise specified, varied or rescinded. Further, in case of conditional exemption which was in force on the date on which Finance Bill, 2021 received assent of the President, the said period of two years was to be considered from 1st February 2021. Accordingly, validity of many exemptions were to expire on 31.03.2023.

Last year, several notifications were issued to extend the validity of most of such exemptions till 31 March 2024. Vide recent Notifications, exemption on import of various goods, which would have lapsed on 31st March 2024, have been further extended till 30 Sept, 2024.

Notification No. 06/2024-Customs dated January 29, 2024

Judicial Rulings

Foreign Remittance Made By Using Forged Form 15CB isn't "Proceeds of Crime" from Scheduled Offence of Forgery | HC

The petitioner faced allegations from the Enforcement Directorate (ED) for making significant outward remittances to foreign entities based on forged Form 15CB Certificates. However, the High Court examined whether these actions constituted "proceeds of crime" related to scheduled offenses such as forgery.

Upon review of all evidence, including statements from co-accused and the petitioner's health condition, the Court concluded that the remittances did not result in the generation of proceeds from criminal activity. Notably, the petitioner's health issues, including repeated kidney surgeries, were considered, leading to the grant of anticipatory bail.

The Court directed that if the petitioner were to be arrested, they would be released on bail upon furnishing a personal bond and surety to the satisfaction of the Investigating Officer, subject to specified conditions.

[2024] 158 taxmann.com 380 (Delhi)[11-01-2024]

SC rejected SLP against order granting stay as cancellation of Sec. 12A could disrupt 'CPR' ongoing programs

SLP was to be dismissed against order of High Court holding that where assessee sought interim relief on ground that cancellation of registration sought by SLP was to be dismissed against order of High Court holding that where assessee sought interim relief on ground that cancellation of registration sought by Commissioner under section 12A with retrospective effect breached principle of natural justice, since said cancellation would disable assessee from accepting contribution or donations and would derail its programmes which were in pipeline, balance of convenience was in favour of assessee and, thus, interim stay was to be granted.

[2024] 158 taxmann.com 485 (Bombay) [17-01-2024]

SC Granted an Interim Stay on HC's Order that Sec. 292B Can't Rectify Error of Failure to Mention DIN in Order

The Supreme Court of India granted an interim stay on a High Court order that quashed a final assessment order by the Assessing Officer due to the absence of a document identification number (DIN). The High Court held that Circular No. 19/2019 aimed to establish an audit trail, rendering communications without DIN invalid. The assessment order lacked a DIN, and no exceptional circumstances justified manual communication without it, as per the Circular. Additionally, the failure to assign a DIN was not deemed a correctable error under Section 292B.

[2024] 158 taxmann.com 214 (SC)[03-01-2024]

No reassessment on basis of Shah Commission's report without conducting independent inquiry: HC

Reassessment initiated in case of assessee without conducting independent inquiry by Assessing Officer , merely on basis of Shah Committee Report , was to be quashed , partcularly when High Court had already concluded that observations in Shah Commission Report were merely opinion based and same could not form basis alone for purpose of reopening assessment which were already finalised.

[2024] 158 taxmann.com 564 (SC)[23-01-2024]

HC quashes Sec. 148A(d) order as investments in shares being capital account transaction can't be treated as income

Where assessee, a foreign company, made investment in shares in its Indian subsidiary, said investments could not be treated as income as same was in nature of capital account transaction and would not give rise to any income, thus impugned orders passed under section 148A(d) and notices issued under section 148 were to be set aside.

[2024] 158 taxmann.com 10 (Delhi)[19-12-2023]

Corporate & Allied Laws

Notifications / Circulars

Ministry of Corporate affairs notifies norms with respect to listing of equity shares in IFSC by public companies

The Ministry of Corporate Affairs has notified the Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024. These rules shall apply to unlisted public Cos. or listed public Cos. which issue their securities for listing on permitted stock exchanges in permissible jurisdictions (i.e. IFSC). Permitted exchanges mean India International Exchange and NSE International Exchange. Further, The Ministry of Corporate Affairs specifies certain Cos. which shall not be eligible under these rules like Nidhi Co., Cos.- limited by Guarantee etc.

NOTIF. G.S.R. 61(E) [F. NO. 5/1/2021-CL-I]

SEBI streamlines reporting for stock brokers; ends certain fund reconciliation reports for ease of doing business

In order to bring in efficiencies in reporting and a step towards ease of doing business, SEBI has decided to discontinue certain reports relating to the reconciliation of a) funds of credit balance clients used for settlement obligation, b) client's funds used for margin obligation and c) Funds of credit balance clients used for Margin obligations of debit balance clients and proprietary trading. The said reports are related to the monitoring of client's funds lying with the stock brokers.

CIRCULAR NO. SEBI/HO/OIAE/IGRD/CIR/P/2023/183

SEBI tweaks AIF norms, modifies the norms w.r.t demat holding and appointment of custodian

SEBI has modified the Alternative Investment Norms. An amendment has been made in Regulations 15 & 20. A new clause has been added in Regulation 15 which provides the list of situations where an AIF can hold the investment in a non-dematerialised form. This includes investments in instruments and liquidation schemes of AIFs that are not eligible for demat. Further, the norms w.r.t the appointment of custodians has also been modified.

NOTIF. NO. SEBI/LAD-NRO/GN/2024/163

SEBI extends timeline for complying with provisions relating to verification of market rumours by listed entities

As per Reg. 30(11) of LODR norms, top 100 listed entities and thereafter Top 250 listed entities by Market-Cap are required to verify/confirm/deny or clarify market rumours from the date specified by SEBI. In Sep 2023, SEBI, through a Circular specified 01.02.2024 as the effective date for Top 100 listed entities and 01.08.2024 as effective date for next top 250 entities. Now, the dates have been extended to 01.06.2024 for top 100 listed entities and 01.12.2024 for next top 250 listed entities.

CIRCULAR NO. SEBI/HO/CFD/CFD-POD-2/P/CIR/2024/7

SEBI strengthens short-selling norms, tightening norms particularly for Institutional Investors

SEBI has modified the short-selling norms. As per the amended norms, institutional investors must disclose upfront at the time of placement of order whether the transaction is a short sale. Further, the retail investors will have to disclose the same by the end of the trading hours on transaction day. The brokers are mandated to collect the details on scrip-wise short sell positions, collate them and upload them to the stock exchanges before the trading commencement.

CIRCULAR NO. SEBI/HO/MRD/MRD-POD-3/P/CIR/2024/1

Policies & Schemes

Stand-Up India Scheme

Launched on April 5, 2016, the Stand Up India Scheme represents a pivotal initiative aimed at fostering entrepreneurship at the grassroots level. With a core focus on economic empowerment and job creation, this scheme has been extended until the year 2025, underscoring its significance in driving inclusive growth. By targeting aspiring entrepreneurs from marginalized communities, including women, Scheduled Castes (SC), and Scheduled Tribes (ST) Stand Up India seeks to overcome the challenges hindering their journey from aspiration to reality. Through facilitating access to affordable credit and creating a supportive ecosystem, this scheme empowers individuals to establish greenfield enterprises in various sectors, thereby contributing to economic development. As the nation commemorates the seventh anniversary of the Stand Up India Scheme, it is imperative to reflect on its notable achievements and the transformative impact it has had on fostering entrepreneurship and socioeconomic upliftment.

Objective:

The goal of the Stand-Up India scheme is to streamline the process of securing bank loans ranging from 10 lakh to 1 Crore for aspiring entrepreneurs. Specifically, the scheme aims to ensure that each bank branch extends such loans to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and one woman borrower for establishing a new enterprise from scratch. These enterprises can span across various sectors including manufacturing, services, agri-allied activities, or trading. Additionally, for non-individual enterprises, it is mandated that at least 51% of the shareholding and controlling stake should be held by either an SC/ST or woman entrepreneur.

STAND UP India
Endeavour and prosper

Eligibility Criteria:

1. The Stand Up India Scheme is open to entrepreneurs belonging to SC, ST, and/or women, aged 18 yr and above.
2. Loans under the scheme are exclusively available for greenfield projects. Greenfield projects refer to the inaugural ventures of the beneficiary in sectors such as manufacturing, services, agriculture-related activities, or the trading sector.
3. For non-individual enterprises, it is required that either SC/ST and/or women entrepreneurs hold a min. of 51% of the shareholding and controlling stake.
4. Prospective borrowers must not be in default to any bank or financial institution to be eligible for the scheme.

Why Stand-Up India?

The Stand-Up India scheme is designed to address the challenges faced by SC, ST and women entrepreneurs in setting up enterprises, obtaining loans and other support needed from time to time for succeeding in business. The scheme therefore endeavors to create an ecosystem which facilitates and continues to provide a supportive environment to the target segments in doing business. The scheme aims to encourage all bank branches in extending loans to borrowers from SC, ST and women in setting up their own greenfield enterprise.

Nature of loan:

Composite loan (inclusive of term loan and working capital) between 10 lakh and upto 100 lakh

Purpose of loan:

For setting up a new enterprise in manufacturing, services, agn-alled activities or the trading sector by SC/ST/Women entrepreneur.

Size of loan:

Composite loan of 85% of the project cost inclusive of term loan and working capital. The stipulation o of the loan being expected to cover 85% of the project cost would not apply if the borrower's contribution along with convergence support from any other schemes exceeds 15% of the project cost.

Handholding Support:

Apart from linking prospective borrowers to banks for loans, the online portal www.standupmitra.in developed by Small Industries Development Bank of India (SIDBI) for Stand Up India Scheme is also providing guidance to prospective entrepreneurs in their endeavour to set up business enterprises, starting from training to filling up loan applications, as per bank requirements. Through a network of more than 8,000 Hand Holding Agencies, this portal facilitates step by step guidance for connecting prospective borrowers to various agencies with specific expertise viz. Skilling Centres, Mentorship support, Entrepreneurship Development Program Centres, District Industries Centre, together with addresses and contact number.

Stand-Up India Portal:

1. **Entities Providing Handholding Support:**
    - Training (Technical or/and Financial)
    - DPR Preparation
    - Margin Money Support
    - Shed/Workplace Identification
    - Raw Material Sourcing
    - Bill Discounting
    - E-commerce Registration
    - Taxation Registration
2. **Functionality of the Portal:**
    - Obtain Application Forms
    - Gather and Provide Information
    - Enable Registration
    - Provide Links for Handholding
    - Assist in Tracking and Monitoring
3. **Expansion of the Ecosystem:**
    - The Stand-Up India scheme aims to create an ecosystem to prepare borrowers. Initially focused on supporting Stand-Up Borrowers, this system will eventually be extended to other schemes.

Margin Money:

The Scheme envisages 15% margin money which can be provided in convergence with eligible Central / State schemes. While such schemes can be drawn upon for availing admissible subsidies or for meeting margin money requirements, in all cases, the borrower shall be required to bring in minimum of 10% of the project cost as own contribution. To illustrate, if a State scheme supports a borrower with 20% of the project cost as subsidy, then the borrower will be required to contribute at least 10% of the project cost. Any subsidy received by a unit which was not foreseen during loan appraisal will be credited to the loan account. In cases where a subsidy was included during appraisal but received after commissioning, the same may be released to the borrower to repay any loan taken for arranging margin money. A list of Central / State wise subsidy/incentive schemes will be provided on the Portal. New schemes will be added as they become available.

District Level Credit Committee:

The District Level Credit Committee (DLCC) under the Collector with the LDM as Convener shall periodically review cases of both types of borrowers, meeting at least once each quarter. SIDBI and NABARD officers will join the review meetings.

Assistance after loan disbursement:

Events will be organized at District level, as frequently as necessary and at least once in each quarter, involving stakeholders to share best practices, review, problem solving and guide potential entrepreneurs. These events will also provide means for facilitating registration for bill discounting services, e-market places, taxation etc. NABARD will organize these events with the support of SIDBI.

Grievance Redressal:

Provision has been made in the portal for redressal of grievances of the borrower. The portal provides contact details of the officers/agencies in each bank designated to attend to grievances. A system for online submission of complaints and their subsequent tracking through the portal shall be developed. Feedback on disposal of the complaint is to be made available to the customer by the bank concerned.

Banks may determine requirements such as stock statements, insurance of assets created & reasonable processing fees.

Professionals Desk

The Evolution of Accounting with the Integration of Artificial Intelligence(AI) and Machine Learning(ML)

Introduction:

In recent years, the accounting industry has undergone a remarkable transformation, propelled by the rapid advancements in Artificial Intelligence (AI) and Machine Learning (ML). Traditionally associated with tedious manual tasks and extensive paperwork, the landscape of accounting is now witnessing a revolution fueled by these cutting-edge technologies. As AI and ML become more prevalent, they are not just streamlining processes but fundamentally reshaping the way accountants work, particularly in the context of Indian accounting. There will be a profound impact of AI and ML on the future of accounting in India. Moreover, current trends and breakthroughs in AccountingTech are to be analyzed. From enhancing efficiency and accuracy to providing strategic insights, AI and ML are ushering in a new era of innovation and productivity in the accounting industry.

Automation of Repetitive Tasks:

An essential benefit of integrating AI and ML into accounting is the automation of repetitive tasks, which allows accountants to streamline processes such as data entry, account reconciliation, and bookkeeping. This automation not only saves considerable time but also minimizes the likelihood of human error. Moreover, it enables accountants to dedicate more time to strategic activities like data analysis and critical decision-making in business operations.

Predictive Insights:

The integration of AI and ML is revolutionizing the accounting sector, particularly through predictive analytics. By harnessing these tools, accountants can leverage past data to forecast forthcoming events, including cash flows, potential fraudulent activities, and future revenue streams. Such predictive analytics empower accountants to make well-informed decisions, bolster risk management strategies, and uncover novel business prospects.

Tailored Financial Guidance:

AI and ML technologies also enable accountants to offer tailored financial advice tailored to their clients' unique industries and financial standings. By analyzing a business's financial performance data, these tools can generate personalized recommendations. For instance, they can propose adjustments to budget allocations, suggest cost-saving measures, and pinpoint areas ripe for growth.

Cost Efficiency:

Furthermore, AI and ML hold the potential to drive cost savings for businesses by reducing reliance on manual labor. These technologies streamline numerous accounting tasks, diminishing the necessity for extensive human involvement. Additionally, they facilitate the identification of inefficiencies and wasteful practices, contributing to overall cost reductions.

Emerging trends for Indian Accountants in AI and ML?

- Streamlined Data Entry and Reconciliation: AI-driven tools facilitate the automation of routine tasks such as data entry and bank reconciliation, enhancing efficiency and reducing errors in financial reporting.
- Advanced Predictive Analysis: Machine Learning algorithms are employed to analyze financial data, offering predictive insights into cash flow patterns, revenue trends, and potential financial risks. This empowers Indian businesses to make more informed strategic decisions.
- Strengthened Compliance and Fraud Detection: AI systems are becoming increasingly proficient in detecting irregularities and identifying patterns indicative of fraud or non-compliance with regulatory standards. This capability is especially critical within India's intricate regulatory landscape.
- Integration of Chatbots and AI Assistants: Many accounting firms are integrating AI-powered chatbots to interact with clients. These virtual assistants can manage inquiries, schedule appointments, and provide basic financial guidance, thereby enhancing client engagement and service delivery.

Revolutionizing Advances in the Accounting Sector:

- Cutting-edge Optical Character Recognition (OCR) technology, driven by AI, is transforming the way financial documents are processed by accountants. This innovative technology enables the extraction and digitization of data from diverse document formats with remarkable precision.
- Tailored Financial Reporting: AI algorithms have the capability to customize financial reporting according to the specific requirements of businesses, considering industry-specific factors and unique regulatory mandates prevalent in India.
- Real-time Financial Analysis: Leveraging AI and ML, accountants can offer real-time financial analysis, empowering businesses with the agility to swiftly respond to market dynamics.
- Cloud-based Accounting Solutions: The incorporation of AI and ML into cloud-based accounting software is democratizing access to advanced accounting tools, particularly benefiting small and mid-sized firms in India.

Impact of Generative AI on Accounting Tasks in India:

- Generative AI is forecasted to automate a significant portion, approximately 46%, of the time allocated to accounting tasks in India by 2032.
- This projection stems from a report by learning company Pearson, highlighting the transformative impact of Generative AI across various industries, particularly in streamlining repetitive tasks.

White-collar vs. Blue-collar Task Automation:

- The report indicates that about 30% or more of the time dedicated to tasks in white-collar roles, including accountants, bookkeeping clerks, word processor operators, and administrative secretaries, could be automated by Generative AI.
- In contrast, less than 1% of blue-collar workers' responsibilities, such as weavers, knitters, waiters, and bakers/cooks, are susceptible to automation by Generative AI.

Task-Level Impact in India:

- Notably, accounting and bookkeeping tasks are projected to be the most impacted in India, with Generative AI potentially automating 46% of the time spent on these responsibilities.
- Additionally, word processors and related operators could see a significant impact, with approximately 40% of their tasks susceptible to automation.

Strategic Preparation for Future Workforce:

- As the workforce navigates this shift, understanding the jobs most at risk from AI enables proactive preparation.
- Employees and employers are urged to explore opportunities where new roles may emerge alongside Generative AI advancements, fostering a synergy between AI and human skills.

Least Impacted Jobs and Global Insights:

- Certain roles, such as working proprietors, directors, and executives in transport and communication, as well as sales and marketing managers, are identified as least impacted by Generative AI in India.
- Pearson's 'Skills Outlook' series analyzed the impact of Generative AI across five countries, including Australia, Brazil, India, the US, and the UK, offering insights into the global landscape of AI-driven task automation.

Despite these advancements, challenges persist:

- Data Privacy and Security: Ensuring the security and privacy of financial data remains paramount with the increasing use of AI and ML.
- Skill Gap: There's a growing need for accountants to acquire skills in AI and ML to fully leverage their benefits.
- Regulatory Compliance: Ensuring AI and ML solutions comply with Indian financial regulations is crucial for maintaining integrity.

Conclusion:

In conclusion, the integration of AI and ML in the accounting industry leads to a significant strategic impact. To remain competitive and provide exceptional service, Indian accountants must adapt to these changes by embracing new tools and techniques. By harnessing the power of AI and ML, accountants can transform data into strategic insights, driving business growth, and redefining their role as strategic advisors rather than mere number crunchers.

CFO's Eye

SEBI notifies consultation papers on interim recommendations for harmonizing ICDR & LODR norms

SEBI has notified consultation paper to seek comments from the stakeholders on interim recommendations of the Expert Committee for facilitating EODB & harmonization of the provisions of the ICDR and LODR norms. The committee has given its recommendations on Applicability of the regulations on the basis of market capitalization, Thresholds for increase/decrease in issue size triggering re-filing of draft offer documents, limit of membership and chairmanship of committees for a director, etc.

MCA floats a policy for pre-legislative consultation to ensure greater transparency and involvement of the stakeholders

Currently, the practice of public consultation for regulation making is not uniform across regulators i.e. SEBI, IBBI, CCI etc. Therefore, a need has been felt to frame a policy for public consultation in rule/regl making exercise for bringing in greater transparency & involvement of the stakeholders. However, where there is a specific statutory provision on the subject of or manner of consultation, it shall be followed. This policy is advisory in nature. It shall be effective from 01.01.2024.

SEBI issues consultation paper to provide flexibility in handling unliquidated investments by AIFs & VCFs

The SEBI has issued consultation paper on providing flexibility to AIFs, VCFs and their investors to deal with unliquidated investments of their schemes beyond expiry of tenure. It has been proposed to allow schemes of AIFs to enter into a dissolution period/process to deal with unliquidated investments of their schemes upon completion of tenure, without the requirement of launching liquidation scheme. Various other proposals has also been made.

AIF norms don't specify a provision to extend 5-year period for accepting funds from angel investors u/r 19D(3): SEBI

A Category I–VCF registered with the SEBI sought informal guidance as to whether the time limit provided under the Reg. 19D(3) i.e., Angel funds shall accept, up to a maximum period of 5 years, an investment of not less than 25 lakhs from an angel investor, be extended further. The SEBI clarified that AIF norms lack provision relating to an extension of 5-year period for accepting funds from angel investors under Reg. 19D(3).

'Warrant to equity' conversion not deemed corporate action as it is not caused due to any action taken by company: SEBI

A company engaged in business of stock broking came up with issuance of equity shares along with detachable warrants, via rights issue. The company sought through informal guidance whether the act of conversion of warrants into equity shares forms part of corporate action. The SEBI directed that such conversion shall not be treated as corporate action since it is not caused due to the action taken by the company. Further, such exercising of warrant shall be treated as acquisition.

SEBI proposes major regulatory changes for Indian-listed entities for a dynamic market and board effectiveness

On Jan 11, 2024, the SEBI issued a consultation paper to seek comments from the stakeholders on interim recommendations of the Expert Committee for facilitating EODB & harmonization of the provisions of the ICDR & LODR norms. The committee has proposed the key amendments relating to the applicability of the regulations on the basis of based on market cap, limit of membership and chairmanship of committees for a director, timeline for prior intimation of BM, etc.

Systems & forensics

Subverting AI's Intellect: How to Thwart Data Poisoning

Artificial intelligence (AI) has become an integral part of various aspects of daily life, offering increased productivity and efficiency. However, along with its benefits, AI also poses risks, one of which is data poisoning. Data poisoning involves the deliberate manipulation of training data to introduce biases, potentially leading to harmful outcomes. This article explores the threat of data poisoning in AI systems and provides strategies to mitigate this risk.

Data poisoning is a significant concern in the realm of AI, as it can result in adverse effects on AI-powered systems' decision-making processes. For instance, imagine a scenario where a self-driving car fails to recognize a stop sign due to tampered data, leading to a potential accident. To combat this threat, it is crucial to comprehend the motivations behind data poisoning attacks and the various techniques employed by adversaries.

Adversaries may have different motives for launching data poisoning attacks, ranging from causing reputational harm to disrupting AI-powered systems' functionality. Attack types include split-view poisoning, label poisoning, and model inversion attacks, each posing unique challenges to AI system security.

Data poisoning attacks can vary in intensity, depending on the attacker's level of knowledge about the targeted AI system. Countermeasures against such attacks include outlier elimination, ensemble modeling, data partitioning, and the De-Pois method. These techniques aim to identify and remove malicious data, enhance model robustness, and prevent unauthorized access to sensitive information.

In conclusion, data poisoning presents a significant threat to AI systems' integrity and reliability. By understanding the motivations behind these attacks and implementing robust countermeasures, organizations can safeguard their AI systems against potential harm and ensure the trustworthiness of AI-driven decision-making processes.

ISACA Journal

The Potential Impact of the European Commission's Proposed AI Act on SMEs

AI is an emerging technology that has demonstrated substantial benefits. It can make enterprises more effective and efficient, increase sales and decrease costs. However, like most new technologies, there are still many unknowns, and the world has yet to deal effectively with the legal, ethical and political components of AI.

The resource-based model indicates that AI regulation will affect the environment and alter the relationship between competitive advantage and output. Research estimates the cost of compliance with the AI Act will be between €1.6 billion and €3.3 billion and the certification process for AI products will increase development costs by 10 percent to 14 percent. Funding AI implementation and paying for government compliance may therefore erase the benefits of AI use for some organizations. The resource-based model shows that large organizations that have more financial resources may be able to absorb the costs of compliance and application certification to take advantage of the AI benefits and further increase their competitive advantage. However, SMEs may not have the resources to comply with the regulations and may lose any competitive advantage they once had.

The European Commission's proposed AI Act is one example of how regulating the use of AI can help protect individual rights. However, the cost to comply with government regulations can be prohibitive, especially to SMEs. The balancing act is to find definitions and regulations that address both concerns simultaneously.

It is likely that some form of regulation of AI systems in the EU—and many other countries—will be implemented in the future. All enterprises, both inside and outside the European Union, should consider how such regulations might affect the way organizations can ethically use AI to increase their competitive advantages while still protecting individual rights. Special consideration should also be given to organization size and how government regulations may unfairly increase the competitive advantages of large organizations over smaller organizations.

ISACA Journal

Glossary

AY
Assessment Year

ACES
Automation of Central Excise and Service Tax

BRSR
Business Responsibility and Sustainability Report

CBDT
Central Board of Direct Taxes

CBIC
Central Board of Indirect Taxes

LODR
Listing Obligations and Disclosure Requirements

EFCI
Eligible Fixed Capital investment

EPCG
Export Promotion Capital Goods Scheme

FOB
Free on Board

FY
Financial year

VCF
Venture Capital Fund

ICAI
Institute of Chartered Accountants of India

ICDR
Issue of Capital and Disclosure Requirements

Ind AS
Indian Accounting Standard

INR
Indian National Rupee

InvITs
Infrastructure Investment Fund

IPO
Initial Public Offering

ISSB
International Sustainability Standard Board

ITAT
Income Tax Appellate Tribunal

ITC
Input Tax Credit

ITD
Income Tax Department

ITR
Income Tax Return

ED
Enforcement Directorate

LLP
Limited Liability Partnership

MCA
Ministry of Corporate Affairs

PAN
Personal Account Number

AIF
Alternate Investment Fund

DIN
Document Identification Number

REITs
Real Estate Investment Trust

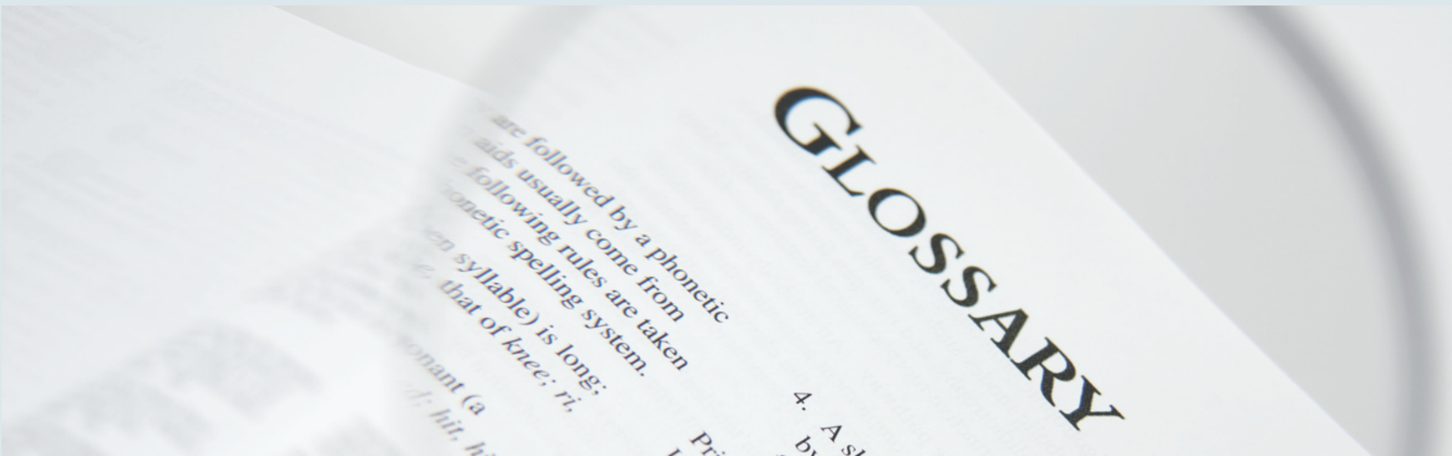
DLCC
District Level Credit Committee

SEBI
Securities and Exchange board of India

SGST
State Goods and Service Tax

TCS
Tax Collected at Source

USD
United State Dollar



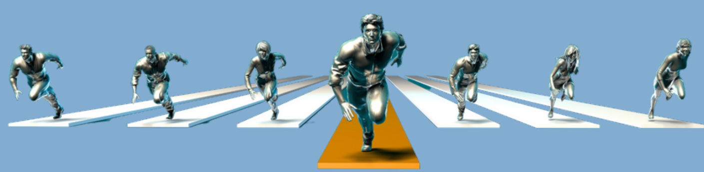
ABOUT US

A full services firm of corporate strategists, accountants, tax advisory experts and financial analysts.

Services

- **Accounting & Business Support**
- **Business Advisory Services**
- **Taxation**
- **Assurance**
- **Transaction Advisory Services**
- **Digital Automation and Transformation**

"Purpose Fuels the Passion."



6+	1000+	3
Locations	Clients	Foreign Desk

Corporate Office

E-709, Nakul Path,
Lalkothi Scheme, Tonk Road,
Jaipur, Rajasthan, India
302015

Contact Us

info@nyca.in
+91-141-4080999, +91-88759-99988
www.nyca.in

Jaipur | Delhi | Mumbai | Bikaner