# The Institute of Chartered Accountants of India

(Set up by an Act of Parliment)

## Madurai Branch (SICASA)

## APRIL 2024



## Monthly e-Newsletter

ICAI Bhawan, Old Natham Road,
Opp. Balamandiram School, Visalakshipuram,
Madurai – 625 014

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# MESSAGE *from the* MBSIRC CHAIRMAN

Dear Students,

As we step into the month of April, I extend my heartfelt greetings to each and every one of you.

This month presents us with a plethora of opportunities for growth, learning, and achievement. It is a time to reflect on our academic journey, set new goals, and strive for excellence in all through the year.

As we embark the journey with the new SICASA Committee ably headed by CA Sathish Kumar P S to look out for value added sessions and events to support and empower you every step of the way.

Wishing you a month filled with inspiration, growth, and success.

Warm regards,

**CA Jayakrithika R**
Chairman
MBSIRC of ICAI



# MESSAGE *from the* SICASA CHAIRMAN

My Dear Students,

Greetings !!

As I embark on a thrilling journey into the SICASA Committee of Madurai branch of SIRC, as Chairman for the year 2024-25, I first congratulate and extend my sincere gratitude to the SICASA committee of 2023-24 headed by CA. R. Chairman, who have done remarkable events through invaluable contributions during their period.

SICASA of Madurai Branch (SIRC) is committed to fostering a dynamic and engaging environment for students pursuing CA course through variety of initiatives and activities. This year SICASA is to provide students with opportunities to expand their knowledge beyond the traditional classroom setting through group discussions, case studies and interactive sessions.

In addition to academic initiatives, sports tournaments, industrial visits and cultural events are planned to nurture the personal growth and team work skills of students.
In closing, I want to express my unwavering belief in your potential to achieve greatness. Wishing you all a year filled with discovery, growth, and countless moments of inspiration.

You may share your thoughts and ideas to maduraisicasaoficai@gmail.com.

Thanks & Regards

**CA Sathish Kumar P S**
Treasurer & SICASA Chairman
MBSIRC of ICAI



# MESSAGE *from the* SICASA VICE-CHAIRMAN 2023-24

Dear Friends,

Happy greetings all. As I pen down my final newsletter as Vice Chairman of Madurai Branch of SICASA, I'm filled with mix of emotions. I can't believe it's been a year already. Time truly flies when you're surrounded by amazing peoples like all of you. Serving as a Vice Chairman it helped me to groom myself and gives networking opportunities. It gave me the chance to interact with many CAs and strangers, who are now my friends.

It has been an incredible privilege to lead this such a talented and dedicated team. Together, we've faced challenges, celebrated victories, and most importantly, grown together.

In this period 2023-24 many remarkable events have been conducted with hundreds and hundreds of students benefiting by it. I could specifically mention some of the events sparkled in my mind right now.

Like all the fun we had in youth fest at Madura college.



We along with members we had walkathon, tree planation and blood donation on CA day.






The unforgettable trip for the first time to Vagamon, those sleepless night is still rememberable even today if I go to sleep.






And our very grand event CA student conference with 400+ participants on Dec 23rd and 24Th.




There is lot more to say and list goes on.
Now, I express my sincere gratitude by this newsletter.
These accomplishments wouldn't have been possible without the unwavering support of each and every one of you.
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Now, I express my sincere gratitude by this newsletter.
These accomplishments wouldn't have been possible without the unwavering support of each and every one of you.

Firstly, I thank the Managing Committee members of MBSIRC of ICAI, for their guidance and trust, CA R Hanumanthan Sir, CA R Jeyakrithika mam, CA T Manimegalai mam, CA SS Raveendran Sir, CA P S Sathish sir and special mention to CA R Chairman Sir for his leadership throughout the period.
A special thanks to my principle CA S Natanagopal sir and CA Meena Ananthakumar mam who let me to join in the committee and explore. And CA Mariappan sir who always gave me support and guidance in all the matters I underwent in SICASA events.
Next, I would like to extend my gratitude to the super coordinated team of mine which includes Nivetha Sri, Shiva Nagarajan, AjithKumar, Satheesh Raja, Velsudharshini, Divya, Rohini, Meena Devi, Varsha, Prasath, Yokitha, Ganesh, Shasti, Shanmugavel, Karuppasamy, Ragu, Lavanya, Aswin, Manivannan, Annerea. This list is not exhaustive. Without all these people I would have been left empty handed.
All these people made this whole journey so memorable.
Thank you all once again for the memories and the friendships forged over the years.
Now a days I see many peoples coming forward to the events and volunteer work. I feel so happy about that. Mere reading of books won't give all knowledge, spend your quality time like this which will groom you.
I wish all success to the upcoming SICASA Committee. Thank you for the opportunity for serving you.

"And that is how change happens. One gesture. One person. One moment at a time"

This is me signing off.

**Barath A**
SICASA Vice Chairman 2023-24
MBSIRC of ICAI



# MESSAGE *from the* SICASA VICE-CHAIRMAN 2024-25

Hello Friends,

I was a part of SICASA for the past 2 years. But this year is something special because I am being elected as Vice chairman of SICASA of Madurai Branch.

First and foremost, I would like to extend my sincere gratitude to my family members and friends for being a constant support in both my personal and professional front and let me do all necessary things to achieve all accolades and for what I am today. Further, I take great honour to thank my Principal CA I Daniel Selvaraj sir and CA Raja vignesh sir for giving me the opportunity to be a part of the SICASA Committee for last two years and thanks to all his encouragement.

Let me also take this occasion to congratulate Immediate past VC Mr. Barath and his team members for a very successful year.

I am happy that I am blessed with dedicated, enthusiastic, Versatile and energetic team so i can ensure that you will feel the same vibes in the current year happenings also...

For me, SICASA is not just a committee, It is a family which has the advisory elders 'The CAs' - "The Managing Committee Members", the people who are in the verge of becoming CAs - "My senior committee members" and we are the young generation cousins who enthusiastically dwell upon the former's words and make all the family function joyous, knowledgeable and most importantly budgetable...

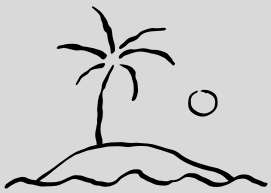
To make that happen we need your support, students...

Do participate, enjoy and explore, We are waiting with exciting events, seminars and conferences.

**Ajithkumar P**
SICASA Vice-Chairman 2024-25
MBSIRC of ICAI

# IND AS - 27

# SEPARATE FINANCIAL STATEMENTS



**By, Ajithkumar P**
**SRO0704182**
**Articleship at: Manohar Chowdhry & Associates Madurai**

**Scope of Ind AS 27:**

This standard prescribes the accounting treatment for Investments in Subsidiaries, Joint ventures, and associates when the entity is required to prepare Separate Financial Statements.

**Applicability:**

Separate Financial Statements are those presented by a **Parent entity** (Investment in subsidiaries) or **an Investor with investment in an Associate or Joint venture.**

Separate Financial Statements are presented in addition to Consolidated Financial Statements or in addition to the financial statements of an investor who doesn't have investments in Subsidiaries but has investments in Associate or Joint ventures which are accounted for using the Equity Method.

**Measurement :**

Such investment can be either accounted for at

I.Cost

II.In accordance with Ind AS 109 'Financial Instruments'

The entity shall **apply the same accounting for each category of investments.**

Investments accounted for at cost shall be accounted for in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations when they are classified as held for sale (or included in a disposal group that is classified as held for sale). The measurement of investments accounted for in accordance with Ind AS 109 is not changed in such circumstances.

**Exemptions from Consolidated Financial Statements/applying equity method and measurement at cost:-**

An investment entity that is required, throughout the current period and all comparative periods presented, to apply the exception to consolidation for all of its subsidiaries, if it has a subsidiary that provides services that are not related to the investment entity's investment activities shall present separate financial statements as its only financial statements and shall measure an investment in a subsidiary at fair value through profit or loss in accordance with Ind AS 109. (Para 31 of Ind AS 110)

·The entity may present separate financial statements as its only financial statements if it meets all the conditions stated in paragraph 4(a) of Ind AS 110 or paragraph 17 of Ind AS 28

a)it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements/ the entity not applying the equity method.;

b)its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);

c) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization to issue any class of instruments in a public market; and

d)its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with Ind ASs.

Without understanding the term "Investment Entity", we can't understand these exemptions. Let us understand What it is.
In accordance with Ind AS 110, An investment entity is an entity that:
a)obtains funds from one or more investors to provide those investor(s) with investment management services;
b)commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
c)measures and evaluates the performance of substantially all of its investments on a fair value basis.
It further adds that one of the features that differentiates an investment entity from other entities is that an investment entity does not plan to hold its investments indefinitely but it holds them for a limited period.
An entity shall recognize a dividend from a subsidiary, a joint venture, or an associate in profit or loss in its separate financial statements when its right to receive the dividend is established.

Accounting treatment in the case when there is a change of status in investment entities:-
When an entity ceases to be an investment entity, it shall account for the change from the date when the change in status occurred, the entity shall either:
(a)account for an investment in a subsidiary at cost. The fair value of the subsidiary at the date of the change of status shall be used as the deemed cost at that date; or
(b)continue to account for an investment in a subsidiary in accordance with Ind AS 109.




When an entity becomes an investment entity, it shall account for an investment in a subsidiary at fair value through profit or loss in accordance with Ind AS 109. The difference between the previous carrying amount of the subsidiary and its fair value at the date of the change of status of the investor shall be recognized as a gain or loss in profit or loss. The cumulative amount of any fair value adjustment previously recognized in other comprehensive income in respect of those subsidiaries shall be treated as if the investment entity had disposed of those subsidiaries at the date of change in status.

**Some of the frequently asked questions on Ind AS 27 are as follows:-**

**1. Whether the investment entity required to measure its investment in subsidiaries at fair value through profit or loss in its separate financial statements?**
Ans: Investment shall measure its investment in subsidiaries at fair value through profit or loss in its separate financial statement if the parent is required in accordance with Paragraph 31 of Ind AS 110. Further,
as per paragraph 4B of Ind AS 110, the parent that is an investment entity shall not present consolidated financial statements if it is required, in accordance with paragraph 31 of this Ind AS, to measure all of its subsidiaries at fair value through profit or loss.

**2. A company, AB Ltd. holds investments in subsidiaries and associates. In its separate financial statements, AB Ltd. wants to elect to account its investments in subsidiaries at cost and the investments in associates as financial assets at fair value through profit or loss (FVTPL) in accordance with Ind AS 109, Financial Instruments. Whether AB Limited carry investments in subsidiaries at cost and investments in associates in accordance with Ind AS 109 in its separate financial statements?**

**Ans:** The company shall account for investments in subsidiaries, joint ventures, and associates either at cost or in accordance with Ind AS 109, Financial Instruments in its separate financial statements. Further, the entity shall apply the same accounting for each category of investments. Thus, the same accounting policies are applied for each category of investments - i.e. each of the subsidiaries, associates, and joint ventures. These categories can be further divided into sub-categories provided that the sub-category can be defined clearly and objectively and results in information that is relevant and reliable. For example, an investment entity parent can have an investment entity subsidiary (at fair value through profit or loss) and a non-investment entity subsidiary (whose main purpose is to provide services that relate to the investment entity's investment activities) as separate categories in its separate financial statements.

**3.AB Limited has an existing investment of INR 700 crores in its subsidiary, PQR Limited. The net assets of PQR Limited are only INR 400 crores as of March 31, 2018. The value in use as well as fair value less costs to sell of PQR Limited is INR 600 crores. AB Limited has accounted for its subsidiary at cost in its financial statements. What will be the impairment loss that AB Limited needs to recognize in the separate financial statements?**

**Ans:** Paragraph 59 of Ind AS 36 provides that, "if, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss". Further, paragraph 61 of Ind AS 36, inter alia, provides that, an impairment loss on a non-revalued asset is recognized in profit or loss. in the instant case, an impairment loss of Rs. 100 crores shall be recognized in the statement of profit and loss.

**4.Whether a company is required to disclose the fact that the financial statements prepared by them are separate financial statements?**

**Ans :**

I.When the separate financial statements are prepared by a parent company that elects not to present consolidated financial statements, then in accordance with paragraph 16(a) of Ind AS 27, it is required to disclose in those separate financial statements, the fact that the financial statements are separate financial statements.

II.When separate financial statements are prepared by an investment entity as its only financial statements in accordance with paragraph 16A of Ind AS 27, then it is required to disclose that fact in the financial statements.

III.When the separate financial statements are prepared by a parent (other than (i) and (ii) above) or by an investor with joint control of, or significant influence over, an investee, the parent or investor shall identify the financial statements prepared in accordance with Ind AS 110, Ind AS 111 or Ind AS 28 to which they relate. In accordance with paragraph 17 (a) of Ind AS 27, it is also required to disclose in those separate financial statements, the fact that the financial statements are separate financial statements.

Therefore, in all the above cases, the companies are required to disclose in their separate financial statements the fact that the financial statements prepared by them are separate financial statements.

**Issues addressed by ITFG Clarification bulletins:**

**Issue 1: Company A Ltd. has equity investment in a Limited Liability, Partnership (LLP). Company A Ltd. has joint control over the LLP and assessed that investment in the LLP is a joint venture. How can investment in LLP be accounted for in the separate financial statements of Company A Ltd? Whether profit share from LLP be adjusted to the carrying amount of the investment in LLP in the separate financial statements of Company A Ltd.?**

**Response:** Company A Ltd. has joint control over the LLP and has assessed that investment in the LLP is a joint venture.

Accordingly, the entity shall account for its investment in the joint venture in its separate financial statements at cost or in accordance with Ind AS 109. Therefore, adjustment of profit share from LLP to the carrying amount of the investment in LLP in its separate financial statements is not permitted. The accounting of return on investment (i.e. profit share from LLP) will depend on the terms of the contract between Company A Ltd. and LLP. The share in profit in LLP shall be recognized as income in the statement of profit and loss as and when the right to receive its profit share is established**.**

**Issue 2: Company A has invested in subsidiary S Ltd. Company A elects to measure the investment in S Ltd. at fair value on the date of transition as per Ind AS 101. Can Company A opt to carry the investment in S Ltd. at cost after the date of transition as per Ind AS 27?**

**Response:** If a first-time adopter measures such an investment at cost in accordance with Ind AS 27, it shall measure that investment at one of the following amounts in its separate opening Ind AS Balance Sheet:

a)cost determined in accordance with Ind AS 27; or

b)deemed cost. The deemed cost of such an investment shall be its:

i.fair value at the entity's date of transition to Ind ASs in its separate financial statements; or

ii.previous GAAP carrying amount at that date.

Accordingly, if a company chooses to measure its investment at fair value at the date of transition then that is deemed to be the cost of such investment for the company and, therefore, it shall carry its investment as a deemed cost (i.e. fair value at the date of transition) after the date of transition.

Major differences in Ind AS 27 from IAS 27 resulting in Carve Out :

1.IAS 27 requires disclosure of the reason for preparing separate financial statements if not required by law. In India, since the Companies Act mandates the preparation of separate financial statements, such a requirement has been removed in Ind AS 27.

2.IAS 27 allows the entities to use the equity method to account for investment in subsidiaries, joint ventures, and associates in their Separate Financial Statements (SFS). This option is not given in Ind AS 27, as the equity method is not a measurement basis like cost and fair value but is a manner of consolidation and therefore would lead to inconsistent accounting conceptually.

# TRANSFER PRICING & INTERNATIONAL TAXATION




**By, Prathiba Poornashri D**
**SRO0626810**
**Articleship at: N Sudakaran & Co**
**Madurai**

**INTRODUCTION:**

The rapid globalisation and the ever growing multinational groups in the economic activity of the country has given rise to new and complex issues emerging from the transactions entered into between two or more enterprises belonging to the same multinational group. The profits derived by such enterprises carrying on business in India can be controlled by the multinational group, by manipulating the prices charged and paid in such intra group transactions, thereby leading to erosion of tax revenues. With a view to provide a detailed statutory framework which can lead to computation of reasonable, fair and equitable profits and tax in India, in the case of multinational enterprises, chapter of transfer pricing consisting of sec 92 to 92F has been introduced.

**TRANSFER PRICE:**

Transfer Price is the actual price charged in a transaction between related entities which are part of the same Multi National Enterprises (MNE) group. The tax rates vary from country to country. So, there is incentive for MNE group to set transfer prices for transactions between its group members such that tax liability for the group as a whole is minimized. This involves setting transfer prices in such a way that less profits are booked in countries with higher tax rates.

For example, a company which is a member of group manufactures products in a high tax country. The company would sell them at a low price/ profit to its affiliates/associates in tax haven countries at lower prices/ profits. These prices are lower than the prices that would have obtained had these enterprises been unrelated and dealt at "arm's length" and erode the tax revenues of the host country. Thus, transfer pricing refers to tax avoidance practiced by MNE groups by setting transfer prices of intra group transactions such that these differ from the prices that would be obtained had the group members been unrelated entities dealing at arm's length.

**APPLICABILITY OF TRANSFER PRICING PROVISIONS:**

An assessee is required to comply with TP provisions when: ☐ He has entered into an international transaction with his associated enterprise. ☐ He enters into a transaction where one of the parties to the transaction is a person located in a notified jurisdictional area (NJA) or ☐ He enters into a specified domestic transaction (SDT).

**INTERNATIONAL TRANSACTION:**

International Transaction means a transaction between two or more associated enterprises, either or both of whom are non- residents, in the nature of purchase, sale or lease of tangible or intangible property, or provision of services, or lending or borrowing money, or any other transaction having a bearing on the profits, income, losses or assets of such enterprises and shall include a mutual agreement or arrangement between two or more associated enterprises for the allocation or apportionment of, or any contribution to, any cost or expense incurred or to be incurred in connection with a benefit, service or facility provided or to be provided to any one or more of such enterprises.

**ASSOCIATED ENTERPRISE:**

According to section 92A (1), Two enterprises are shall be deemed to be associated enterprises if at any time during the previous year,

1. One enterprise holds, directly or indirectly, shares carrying not less than 26% of the voting power to the other enterprise; or
2. Any person or enterprise holds, directly or indirectly, shares carrying not less than 26% of voting power in each of the enterprises; or
3. A loan advanced by one enterprise to the other enterprise constitutes not less than 51% of the book value of the total assets of the other enterprise; or
4. One enterprise guarantees not less than 10% of the total borrowings of the other enterprise; or
5. More than half of the board of directors or members of the governing board, or one or more executive directors or executive members of the governing board of one enterprise, are appointed by the other enterprise; or
6. More than half of the directors or members of the governing board, or one or more of the executive directors or executive members of the governing board, of each of the two enterprises are appointed by the same person or persons; or
7. The manufacture or processing of goods or articles or business carried out by one enterprise is wholly dependent on the use of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature, or any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process, of which the other enterprise is the owner or in respect of the other enterprise has the exclusive rights; or
8. 90% or more of the raw materials and consumables required for the manufacture or processing of goods or articles carried out by one enterprise, are supplied by the other enterprise; or 9. The goods or articles manufactured or processed by one enterprise, are sold to the other enterprise and the prices and other conditions relating thereto are influenced by such other enterprise; or
10. Where one enterprise is controlled by an individual, the other enterprise is also controlled by such individual or his relative or jointly by such individual and relative of such individual; or
11. Where one enterprise is controlled by a Hindu Undivided Family, the other enterprise is controlled by a member of such Hindu Undivided Family, or jointly by such member and his relative; or
12. Where one enterprise is a firm, association of persons or body of individuals, the other enterprise holds not less than 10% interest in such firm, association of persons or body of individuals.
13. There exists between two enterprises, any relationship of mutual interest.

**NOTIFIED JURISDICTIONAL AREAS:**

The Central Government may notify any country or territory outside India as a Notified Jurisdictional Area (NJA), if such country or territory does not share tax information with India.

**SPECIFIED DOMESTIC TRANSACTION:**

Section 92BA provides the meaning of "specified domestic transaction". As per sec 92BA, Specified Domestic Transaction shall mean any of the following transactions, not being an international transaction namely,

1. Any transaction referred to in section 80A i.e., Inter Unit transfer of goods and services by an undertaking or unit or enterprise or eligible business to other business carried on by the assessee or vice versa, for consideration not corresponding to the market value on the date of transfer;
2. Any transfer of goods and services referred to in section 80-IA(8) i.e., inter unit transfer of goods and services between eligible business and other business, where the consideration for transfer does not correspond with the market value of goods and services;
3. Any business transacted between the assesse carrying on eligible business and other person as referred to section 80-IA(10);
4. Any transaction, referred to in any other section under chapter VI-A or section 10AA, to which the provisions of section 80-IA(8) or section 80IA(10) are applicable; or
5. Any business transacted between a company opting for section 115BAB and person with whom the company has close connection; or
6. Any business transacted between a co-operative society opting for section 115BAE and the person with whom the co-operative society has close connection; or
7. Any other transaction as may be prescribed.

However, the above mentioned transactions shall not be treated as specified domestic transaction in case the aggregate of such transactions entered into by the assesse in the previous year does not exceed a sum of Rs.20 crore.

**ARM'S LENGTH PRICE: Arm's length price is defined as:**

- A price applied or proposed to be applied
- In a transaction between persons other than associated enterprises
- In uncontrolled transactions.

**METHODS FOR DETERMINATION OF ARM'S LENGTH PRICE:**

According to section 92C(1), the arm's length price in relation to an international transaction or specified domestic transaction shall be determined by any of the following methods, being the most appropriate method, having regard to the nature of transaction or class of transaction or class of associated persons or functions performed by such persons or such other relevant factors as the Board may prescribe (Rules 10A, 10AB, 10B, 10C and 10CA), namely

**(i) Comparable Uncontrolled Price Method (CUP method)** The CUP method compares the price charged for goods and services in a controlled transaction to the price charged in an uncontrolled transaction with comparable economic circumstances. If the price charged in the controlled transaction is not significantly different from the price charged in an uncontrolled transaction, the transaction is deemed to be executed at arm's length.

**(ii) Resale Price Method (RPM) The resale price method** compares the gross margin retained in a controlled transaction to the gross margin retained in uncontrolled transaction (internal or external) where the following components of the transaction are comparable:

- Functions performed
- Risks assumed
- Assets employed

If there is a significant difference in the way the controlled transaction is carried out to the way the uncontrolled transaction is carried out and an adjustment cannot be made to eliminate the difference, the validity of the resale price method is impaired.

**iii) Cost Plus Method (CPM)** The cost plus method compares the cost plus mark-up used in a controlled transaction to the cost plus mark-up used in an uncontrolled transaction in light of the functions performed, risks assumed and market circumstances.

This method is often used when the goods transferred require additional value adding procedures or when services are involved.

**(iv) Profit Split Method (PSM)**

The profits should be split on an economically valid basis that reflects the functions and risks of each of the parties. In order to apply this method, it is necessary to identify the total profit arising from the related party transactions and split that profit between the parties according to their respective contributions. Comparability under this method is particularly dependent on the similarity of the activities and transactions between the controlled and uncontrolled parties.

**(v) Transactional Net Margin Method (TNMM)**

The transactional net margin method examines the net profit margin relative to an appropriate base (e.g. costs, sales, assets) that a taxpayer realizes from a controlled transaction. This means in particular that the net margin of the taxpayer from the controlled transaction should ideally be established by reference to the net margin that the same taxpayer earns in comparable uncontrolled transactions. Where this is not possible, the net margin that would have been earned in comparable transactions by an independent enterprise may serve as a guide. Even if comparable companies appearing in the database use different accounting yardsticks for computing the gross profits, the inconsistencies get eliminated at the net profit level. For the purpose of TNMM, the net profit margins of the comparable companies could be calculated on a relative uniform, consistent and meaningful basis based on their financial information appearing in publicly available database.

**(vi) Any other method prescribed by CBDT.**

**COMPUTATION OF THE ARM'S LENGTH PRICE:**

- ALP for international transaction has to be computed in accordance with any of the six methods prescribed above.
- The method chosen should be the most appropriate method having regard to:
  1. Nature /Class of transaction
  2. Class of associated persons and the functions performed by them
  3. Such other relevant factors by CBDT.
- Where more than one price is determined by the most appropriate method, the arm's length price shall be taken as the arithmetic mean of such prices.

- If the variation between the arm's length price so determined and the price at which the international transaction or SDT has been undertaken does not exceed 3% of the latter, it is deemed to be ALP.



**OBLIGATION OF A PERSON WHO ENTERS INTO INTERNATIONAL TRANSACTION/SDT**

- Every person who has entered into an international transaction or specified domestic transaction] during a previous year shall obtain a report from an accountant(CA) and furnish such report on or before the specified date in the prescribed form duly signed and verified in the prescribed manner by such accountant and setting forth such particulars as may be prescribed.
- Prescribed form for report from accountant is Form No. 3CEB on or before 31st October of relevant AY.
- Every person who has entered into an international transaction or specified domestic transaction shall keep and maintain such information and document in respect thereof as may be prescribed [clause (i) of sub-section (1) of section 92D.

**ADVANCE PRICING AGREEMENT (APA):**

- APA is a binding agreement between the taxpayer and tax authority to determine in advance, a set of criteria that would govern the transfer prices for covered inter-company transactions for a fixed period of time.
- It can be valid for up to five years and additionally for a period of four consecutive previous years. The APA filing process includes an optional pre-filing submission, the filing of the APA request, negotiation of the APA, execution and monitoring.
- Taxpayers are required to prepare and file an annual compliance report for each year under the APA. It helps that taxpayer in attaining certainty on the transfer price adopted and assists in mitigating the risks of litigation for the period covered under APA.

**PENAL CONSEQUENCES FOR UNDER REPORTING OR MIS REPORTING: As per Sec 270A**

| Name of Default | Penal Consequences |
|---|---|
| Mis-reporting of Income | 200% Tax on Mis-Reported Income |
| Failure to keep, maintain or furnsish documents | 2% of the value of each international transaction or SDT |
| Failure to furnish report from CA | Rs.1,00,000/- |

# UPDATES

# ITR-U OR UPDATED INCOME TAX RETURN

A Discussion

**Maya:** Ugh, I forgot to file my Income Tax Return… and its 1st of April today... Even I can't file Belated return too… What will I do now? …

**Rohan:** No worries, Maya… Don't you know about **ITR-U**?

**Maya:** Oh yeah! I also heard about it but I'm not entirely sure what it entails.

**Rohan:** I will explain you in detail. Filing belated or revised ITRs after 31st December 2023 is not possible. However, you can file an updated return using the ITR-U form from January 1st, 2024. **ITR-U or Updated Income Tax Return, is a form that allows taxpayers to update their ITRs by correcting errors or omissions within two years from the end of the relevant assessment year.**




**Maya:** Ohh, that sounds great. **But who all can file ITR-U?**

**Rohan:** Any person who has made **an error or omitted certain income details** in any of the following returns **is eligible** to file an updated return **u/s. 139(8A) of the Income Tax Act 1961**:

- Original return of income filed u/s.139(1) of the Income Tax Act, 1961
- Belated return filed u/s.139(4) of the Income Tax Act, 1961
- Revised return filed u/s.139(5) of the Income Tax Act, 1961

An Updated Return **can be filed** in the following cases:
Did not file the return. Missed return filling deadline and belated return deadline.
Income is not declared correctly
Chose wrong head of income
Paid tax at the wrong rate
To reduce the carried forward loss
To reduce the unabsorbed depreciation
A tax payer can file only one updated return for each assessment year.

**Maya:** If I had incurred loss in my business, Can I file ITR-U?

**Rohan:** No…No… Maya!! ITR-U **cannot be filed** in the following cases:

- For filing Nil return/Loss return
- For claiming/enhancing the refund amount
- When updated return results in lower tax liability
- Search proceeding u/s 132 has been initiated against you
- A survey is conducted u/s 133A

**Maya:** Oh no... **What is the time limit for filing ITR-U?**

**Rohan:** The time limit for filing ITR-U is **24 months from the end of the relevant assessment year.** For example: The Return of FY 22-23 (AY 2023-24) can be updated till 31st March 2026.

**Maya:** Alright! **Is there any penalty or additional tax to be paid when filing ITR-U?**

**Rohan:** Exactly! You will have to pay an additional tax of 25% or 50% on the tax amount, depending on when you file the ITR-U.

ITR-U can be filed **within**,
**12 months** from the end of relevant AY with **25% of additional tax + interest + late filing fee** and within **24 months** from the end of relevant AY with **50% of additional tax + interest + late filing fee**.

**Maya:** Sounds like a plan! Thanks, Rohan. You're a lifesaver.

**Rohan:** You are welcome, Maya. File your ITR-U immediately!

# FILE YOUR ITR-U NOW!

# GLIMPSES
## ON EVENTS CONDUCTED

### INDOOR SPORTS FEST 2K24 17-03-2024







# GLIMPSES
## ON EVENTS CONDUCTED








# GLIMPSES
## ON EVENTS CONDUCTED

## 2024-25 SICASA COMMITTEE INSTALLATION CEREMONY 23-03-2024






Special Address
by
**CA P RAJENDRA KUMAR**
Central Council Member, ICAI



"You have enough" - to be or not to be
by
**CA G PARTHIBAN**
Past Chairman, Madurai Branch (SIRC)

# GLIMPSES
## ON EVENTS CONDUCTED

## BANK AUDIT SEMINAR 23-03-2024




**CA S SASHANK SRIVATSAN**
on LFAR and Credit Documentation




**CA C KODISWARAN**
on IRAC Norms and Provisioning





# GLIMPSES
## ON EVENTS CONDUCTED

### CA COURSE AWARENESS PROGRAMME AT DINAMALAR VALIKAATI 23-03-2024







### CA COURSE AWARENESS PROGRAMME AT DINAMALAR VALIKAATI 24-03-2024





# GLIMPSES
## ON EVENTS CONDUCTED

### RAPID REVISION CLASS FOR CA INTERMEDIATE - MAY 2024 EXAMS








# TALENT SEARCH



Lavanya P
SR00735520
Articleship at:K Munusami & Co.
(CA Vijayakumar), Madurai



Nandhini S
SR00700218
Articleship at: RRPM and Associates LLP,
Coimbatore



Sri Pushkala Devi T G
SR00741647
Articleship at: V.Sankar Aiyar & Co,
Chennai



Karthick Raja S
SR00695465
Articleship at:K.S.Chandrasekaran & Co,
Madurai

# PUZZLES & RIDDLES

## Riddle me this.....

A Child was playing with a book and tore out pages 7,8, 100 , 101, 222 and 223. How many pages did the child tore out?



Send your answers with justification to **maduraisicasaoficai@gmail.com** to get featured. Answer to this riddle will be published in the next month's e-Newsletter

# UPCOMING EVENTS

## APRIL 2024

1

Mock Test Paper Series II for CA Final and Intermediate Students appearing for May 2024 Exams





2

CA Foundation Revision Classes for June 2024 Exam

3

Seminar on Audit Report & Schedule III prescribed in Companies Act, 2013










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Note: The Articles, Artwork etc. sent by the student must be from your own work/research. Everything to be sent before 20th of each month.

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Joint-Editor &
Newsletter Editor



**Sathesh Raja R**
Member



**Subalakshmi**
Member

# THANK YOU!

**We Thank the students for their efforts in contributing to our monthly e-Newsletter. We also expect all of you to actively participate in the upcoming events, classes and seminars. We Thank and Congratulate the following students who have contributed to the April 2024 e-Newsletter:**

- **Ajithkumar P**
- **Prathiba Poornashri D**
- **Lavanya P**
- **Nandhini S**
- **Sri Pushkala Devi T G**
- **Karthick Raja S**


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