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## FROM THE DESK

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Begin the year with Intensity

April is the New Year for professionals and businesses in India. It is also the month where the New Year is celebrated in various parts of India and South Asia in the form of Vishu, Puthandu etc.

As we welcome and look forward to the New law in Direct Taxation - Income Tax Act 2025, April should be looked upon as an opportunity to unlearn the past by attempting to let go of the things that didn't go our way while retaining the lessons learnt in the process for improvement and to imbibe new domains which presents an ocean of career options, pathways to future and which levels the playing field in our profession reducing the seniority gap. Let us embark on this journey together and create a better discipline and organized approach towards academic and professional progress.

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## PROCEDURE FOR CHANGING NAME OF A PRIVATE LIMITED COMPANY (PART I)

The name of a company is a key element of its corporate identity. However, a company may need to change its name due to reasons such as restructuring, change in business activities, rebranding, merger, or legal compliance requirements. The following are the steps to keep in mind for changing name of a company.

### CAUSES FOR NAME CHANGE OF A COMPANY

#### A. *Suo Moto Action by the Company (Voluntary Change)*

##### 1. *Change in Objects:*

*When objects clause is altered, the company may change its name to ensure the name is not misleading.*

##### 2. *Voluntary Change by the Company:*

*A company may change its name when there is change in business activities, rebranding, expansion, etc.*

#### B. *Legal / Compliance Requirement (Mandatory Change)*

##### 1. *Similarity with Existing Name or Trademark:*

*If the name of the company is identical or too similar to an existing company, or infringing a registered trademark, the Central Government may direct the company to change its name.*

##### 2. *Change Required to Comply with Naming Rules:*

*If the company name violates prescribed naming guidelines or uses restricted words without approval, authorities may require correction or change in its name.*

### PRECAUTIONS TO BE TAKEN

- (1) **Ensure name is not identical or too similar to an existing company or LLP name** [Rule 8 (Companies (Incorporation) Rules, 2014)]. Example; Green Technology Ltd. is same as Greens Technology Ltd. and Greens Technologies Ltd.
- (2) **Check against registered trademarks.** Example; Trademark - Tata and Proposed Name: Tata Food Products Pvt Ltd.
- (3) **Avoid undesirable names** [Rule 8A (Companies (Incorporation) Rules, 2014)]. Example; the proposed name contains the words 'British India'.
- (4) **Do not use restricted words without approval** [Rule 8B (Companies (Incorporation) Rules, 2014)]. Example; Board, Commission, Authority, Undertaking, National and so on.



RIYA PAUL  
TRAINEE

- (5) **Align name with the objects of the company.** Example; Business - Software development, Proposed Name: ABC Textile Pvt Ltd (misleading), Better Name: ABC Software Solutions Pvt Ltd
- (6) Check name availability with ROC. Example; Navigate to: MCA Services → FO Services → Check Company/LLP Name

### **PROCEDURE FOR NAME CHANGE**

The step-by-step process for changing the name of a private limited company is outlined below:

#### **1. PASSING BOARD RESOLUTION:**

- a. Convene a Board Meeting after giving a 7 days' notice to the Board of Directors.
- b. Pass a resolution approving the proposed new name(s)
- c. Authorize a director or company secretary to verify name availability with MCA, and to call an Extraordinary General Meeting (EGM) for passing a special resolution

#### **2. CHECKING NAME AVAILABILITY:**

Under provisions of **Section 4(4)** of the Act and **Rule 9 (Companies (Incorporation) Rules, 2014)**, an application is made to the Registrar in the RUN form, along with the required fee, for reserving a name either for incorporation or for changing the name of an existing company.

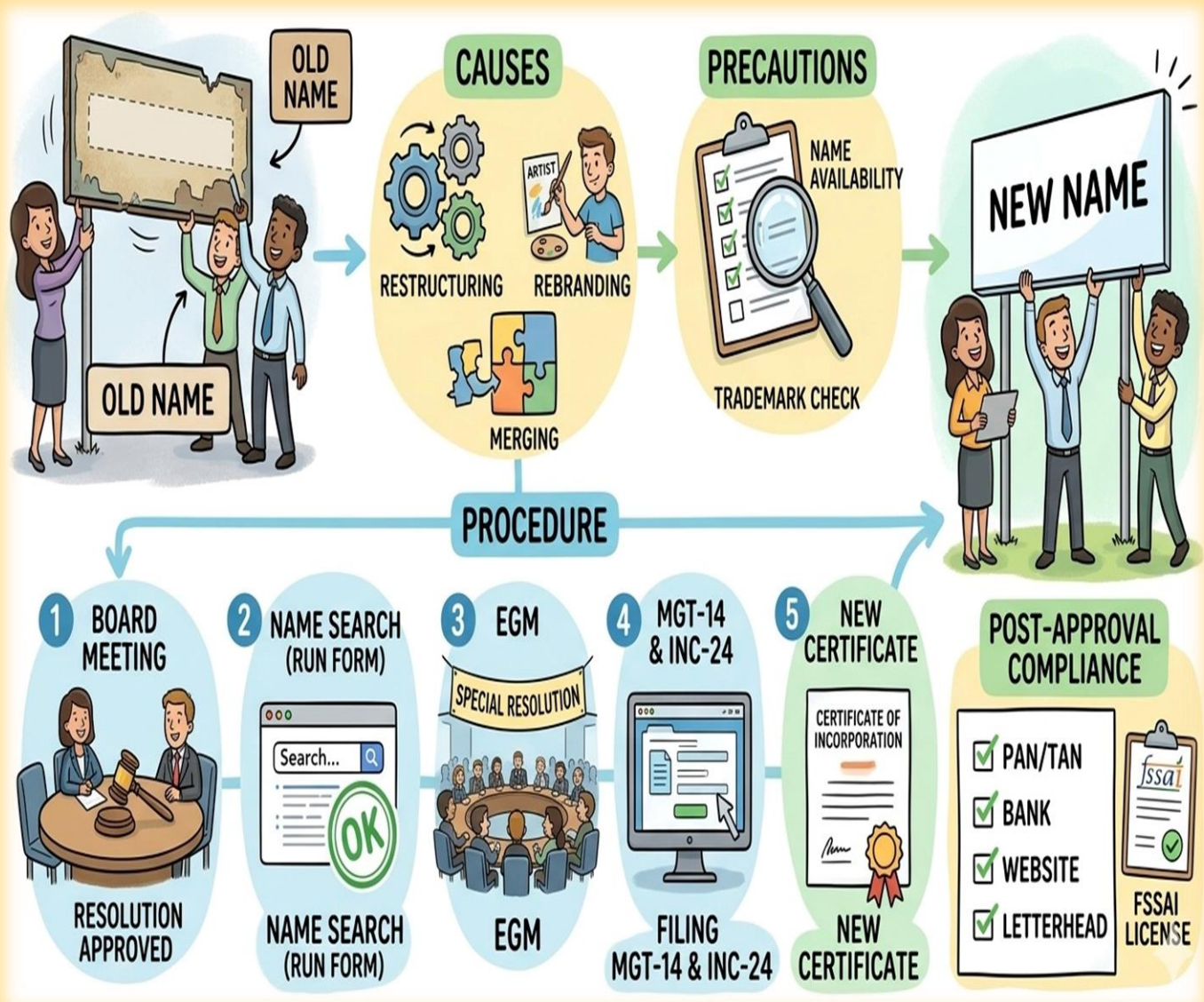
- a. File the RUN (Reserve Unique Name) form on the MCA portal.
- b. Propose up to 2 names
- c. Ensure compliance with:
  - i. Name availability rules
  - ii. Trademark guidelines

#### **3. APPROVAL FROM ROC:**

Upon approval, the Registrar reserves the name for a specific period, within which the applicant must complete the necessary formalities.

- 20 days in general cases, and
- 60 days where an existing company is applying for a name change

Under **Section 4(5)(i)** of the Act, the Registrar reserves the name for the specified period.



### **Extension of Name Reservation - Rule 9A (Companies (Incorporation) Rules, 2014)**

A company can extend the validity of a reserved name obtained under Rule 9 by paying additional fees through the MCA portal. The extension options from the date of approval under Rule 9 are:

- (a) Up to 40 days - Pay ₹1,000 before initial 20 days expire
- (b) Up to 60 days - Pay ₹2,000 before expiry of 40 days referred to in clause (a) above
- (c) Up to 60 days - Pay ₹3,000 before initial 20 days expire

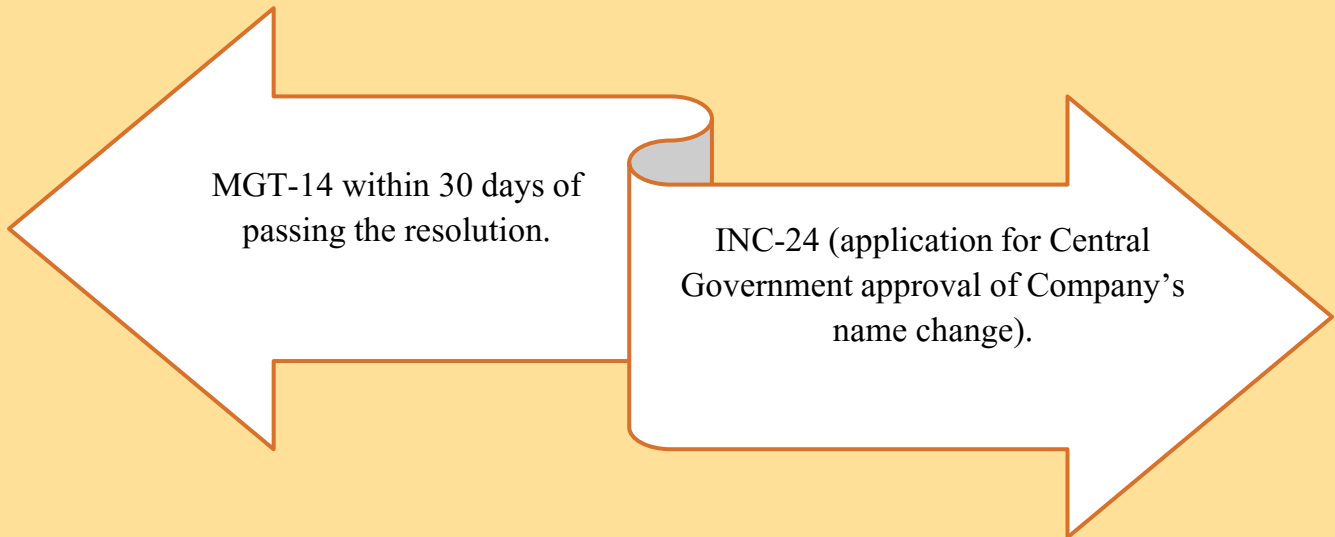
#### **4. PASSING SPECIAL RESOLUTION:**

- Call an Extraordinary General Meeting (EGM).
- Pass a Special Resolution to approve the name change.
- Amend the Memorandum of Association (MOA) and Articles of Association (AOA) accordingly.

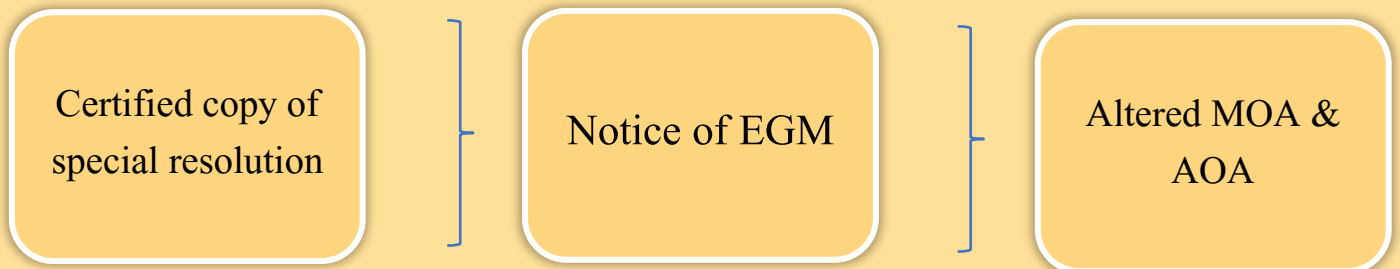
Based on **Section 13(6)** of the Companies Act, 2013, a special resolution is mandatory whenever a company seeks to alter its name clause in the memorandum of association.

## 5. FILINGS WITH ROC

### Forms:



### Attachments:



## 6. ISSUANCE OF NEW CERTIFICATE OF INCORPORATION:

- Upon approval, ROC issues a fresh Certificate of Incorporation with the new name.
- The change becomes effective from the date mentioned in the certificate.

Based on Section 13(3) of the Companies Act, 2013, the issuance of a fresh Certificate of Incorporation by the ROC is the final step that completes the name change process and gives it legal effect.

## 7. POST-APPROVAL COMPLIANCE:

After receiving approval, update the new name in:

- Every copy of MOA and AOA
- PAN, TAN, and GST registration

- Bank accounts
- Licenses and registrations
- Company letterheads, invoices, website
- Contracts and legal documents, and
- Other documents as necessary

## **PENALTY FOR INCORRECT NAME RESERVATION**

The law emphasizes the importance of providing accurate information at the time of application.

As per **Section 4(5)(ii)**: If it is later found that the name was reserved based on incorrect or misleading particulars, the Registrar may cancel the reservation and the person making application shall be liable to a penalty which **may extend to one lakh rupees**, and where the company has already been incorporated, the Registrar may direct the company to change its name within three months after adopting an ordinary resolution, or take further action such as initiating removal of the company's name from the register or proceeding toward winding up.

In conclusion, a company's name change is not merely a matter of branding it is a legally driven transformation that must align with the framework of the Companies Act, 2013 and the regulatory oversight of the Ministry of Corporate Affairs

### *References:*

- *Companies Act, 2013 – Sections 4, 13, 15 and 16,*
- *The Companies (Incorporation) Rules, 2014 – 8, 8A, 8B, 9, 9A, 29, 33A*

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## HOW TO CLOSE PROPRIETORSHIP FIRM IN INDIA | WINDING UP PROCESS FOR SOLE PROPRIETORSHIP

In the Indian legislation, it is nowhere mandatory for a sole proprietor to initiate business only after obtaining a particular registration from any authority but certain procedural formalities do exist. Subjecting to the nature and the type of business activities performed, a sole proprietor has to only obtain few licenses and undergo registration approvals under certain laws including the Shop and Establishment Act, Factories Act, GST Registration, etc.

But rules regarding the closure of a sole proprietorship business is different. Before going into dissolution, it is essential for a proprietor to understand all obligations and liabilities of his entity and of himself as the sole proprietor to fulfill before the final closure of the business.

If you are a sole proprietor and have taken a final decision of closing down your proprietorship business permanently, then follow the below guide to close it with all legal affirmations



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### Common Reasons for Closure of Sole Proprietorship

Legal closure of business in India is an essential step to be taken to avoid future complications and legal arbitrations, which otherwise be faced if the business is closed without notifying government authorities.

Some common reasons for the closure of sole proprietorship business can be:

- ↪ **Bankruptcy/Death of the Sole Proprietor:** Business can be put to an end on bankruptcy or death of the sole proprietor where it cannot be transferred to any other person or the business could not pay off its existing debts.
- ↪ **Legal orders issued against business:** Business shall have to be closed on receipt of legal orders from legal authorities if they are of the view that business is illegal or unethical.
- ↪ **Failures or limited resources:** For a sole proprietor, there is always a limited source for investment and finance. Holding business single-handedly, a proprietor has to manage his business with only a few sources he holds, failures in business due to limited resources can also lead to the closure of sole proprietorship.

➤ **Voluntary dissolution:** With challenges faced by a sole proprietor, he may opt to close down his business permanently or on the advisory of a legal expert stating for no future prospects the business to grow

### Steps for Legal Closure of Sole Proprietorship business

#### 1. Delicensing of business:

The foremost thing for the closure of sole proprietorship business is to apply for cancellation of all registrations which the business holds and the formation of a business closure agreement which is to be sent to all authorities and parties associated with the business.

For necessary approvals and closure documents to be prepared, it is recommended to approach the state concerned authorities or take the help of a legal advisor.

Some common licenses/registration to be canceled/surrendered:

- **State Shop and Establishment Act license**



#### 2. Sale of Assets:

Preparation of sale agreement and declarations from the parties buying assets is to be obtained to keep a legal record all asset transactions. Then all assets are to be sold with clearing all payments from the buyers.

#### 3. The settlement with creditors:

The final settlement agreement is to be formed with all employees, suppliers, lenders, and financial Institutions after making payment of their dues pending with the business or the proprietor, maintenance of such records is necessary so that they can be used in case any future obligation from any party arise.

#### 4. State authority approvals,

To legally declare for the closure of sole proprietorship, it is necessary to go through the approval of the appropriate state concerned authority on a legal agreement ensuring business stands closed in the eyes of the government.

# WHY WINDUP SOLE PROPRIETORSHIP LEGALLY?

## Legal Protection

If your proprietorship is closed on a positive note but without the approval of the appropriate State, central or concerned authorities, the business shall be under the obligation for compliances or liabilities which can arise in the future. Thus, receiving government approval and approval from concerned authorities eliminates business responsibilities from legal suits against business or proprietor.

## Easy Final Settlement

Going for dissolution of sole proprietorship through legal agreements with all creditors employees and parties associated with a business will help in better settlement of business obligations.

## Eliminate unforeseen liabilities

With the receipt of the certificate from a state or concerned authority for closure of business, the business will no more be called for any future liability

## Statutory compliance requirements for the dissolution of a proprietorship:

### 1) Tax Compliance (Income Tax & GST)

- GST Registration Cancellation: If registered, the proprietor must apply for cancellation of GST registration using Form GST REG-16
- Final GST Return: Upon cancellation, a final return (GSTR-10) must be filed within 3 months, or as prescribed, to avoid penalties
- Income Tax Return (ITR): A final ITR must be filed for the assessment year corresponding to the closure date, covering income earned up to the date of dissolution
- Surrender of TAN: If a TAN was obtained for deducting tax at source (TDS), it must be surrendered

### 2) Regulatory & License De-registration

- Shop and Establishment Act License: The registration certificate issued by the local state labor department must be cancelled
- Udyam/MSME Registration: If registered as an MSME, the registration should be cancelled on the Udyam portal
- Other Licenses: Specific licenses based on the business type (e.g., FSSAI for food, IEC for import/export, Pollution Control Certificate) must be formally surrendered to the respective authorities

### 3) Financial & Operational Closure

- Closing Bank Account: The current account of the proprietorship must be closed, and a bank closure certificate should be obtained
- Settlement of Liabilities: The proprietor is personally liable for all business debts. All outstanding payments to vendors, creditors, and lenders must be cleared
- Settlement with Employees: Final salary, notice pay, and statutory dues (if any, like PF/ESI) must be paid to employees
- Termination of Contracts: All rental agreements, vendor contracts, and client contracts must be formally terminated

### 4) Record Maintenance

Document Retention: The proprietor must maintain books of accounts and records of transactions for at least 8 years, as required by the Income Tax Act, even after the business is closed

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## *BEYOND PROFITS: WHEN BUSINESS MEETS RESPONSIBILITY*

In today's evolving corporate landscape, businesses are no longer defined solely by financial performance. Their contribution to society has become equally significant.



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Corporate Social Responsibility (CSR) is about creating sustainable impact, building community relationships, enhancing long term value. The essence of CSR is, where organisations step beyond boardrooms and balance sheets to create a meaningful change. CSR, as mandated under Section 135 of the Companies Act, 2013, reflects this shift -transforming companies into active participants in social development.

### **The Legal Framework Behind CSR**

A company becomes subject to CSR provisions if it meets any one of the prescribed financial thresholds relating to Net Worth ( $\geq$  ₹500Cr), Turnover ( $\geq$  ₹1000 Cr), or Net Profit ( $\geq$  ₹5Cr) in the immediately preceding financial year. Once

applicable, the responsibility does not disappear immediately; it continues for next 3 financial years, ensuring continuity in social commitments.

To formalise CSR, the law requires eligible companies to constitute a CSR Committee of the Board



However, in cases where a company is not required to appoint an independent director, the committee may consist of **two or more directors**.

This committee plays a central role in shaping the company's CSR approach. Formulating CSR policies in areas or subject specified in Schedule VII and recommending to the board, recommending expenditure, and monitoring execution. However, the ultimate responsibility rests with the Board of Directors, which must approve the policy, ensure its implementation, disclose relevant details in its report and also place it on company's website.

#### Areas Eligible for CSR Activities (Schedule VII)

CSR expenditure must be directed towards activities listed in Schedule VII of the Companies Act, 2013. These broadly include eradicating hunger, poverty and malnutrition; promoting healthcare, sanitation and safe drinking water; promoting education, vocational skills and livelihood enhancement; gender equality and women empowerment; environmental sustainability and conservation of natural resources; protection of national

heritage, art and culture; support to armed forces veterans; promotion of sports; contributions to government relief funds such as PM National Relief Fund and PM CARES Fund; disaster management including relief, rehabilitation and reconstruction; support to technology incubators and research in approved institutions; rural development and slum area development.

### **SPENDING REQUIREMENT AND STRATEGIC ALLOCATION**

CSR lies the requirement to spend at least 2% of the average net profits of the last three financial years. While this may appear to be a numerical obligation, its execution demands careful planning.

Companies are encouraged to prioritise local areas where they operate, ensuring that business growth and community development go hand in hand. Additionally, provisions now allow companies to carry forward excess CSR spending and set it off against future obligations—introducing flexibility within the compliance framework.

## Flexibility Through Carry Forward of Excess CSR Spending

A significant improvement in the CSR framework was introduced through the CSR Amendment Rules, 2021, which now permit companies to carry forward excess CSR expenditure and set it off against future CSR obligations. Earlier, if a company voluntarily spent more than the required CSR amount, such additional spending provided no benefit in subsequent

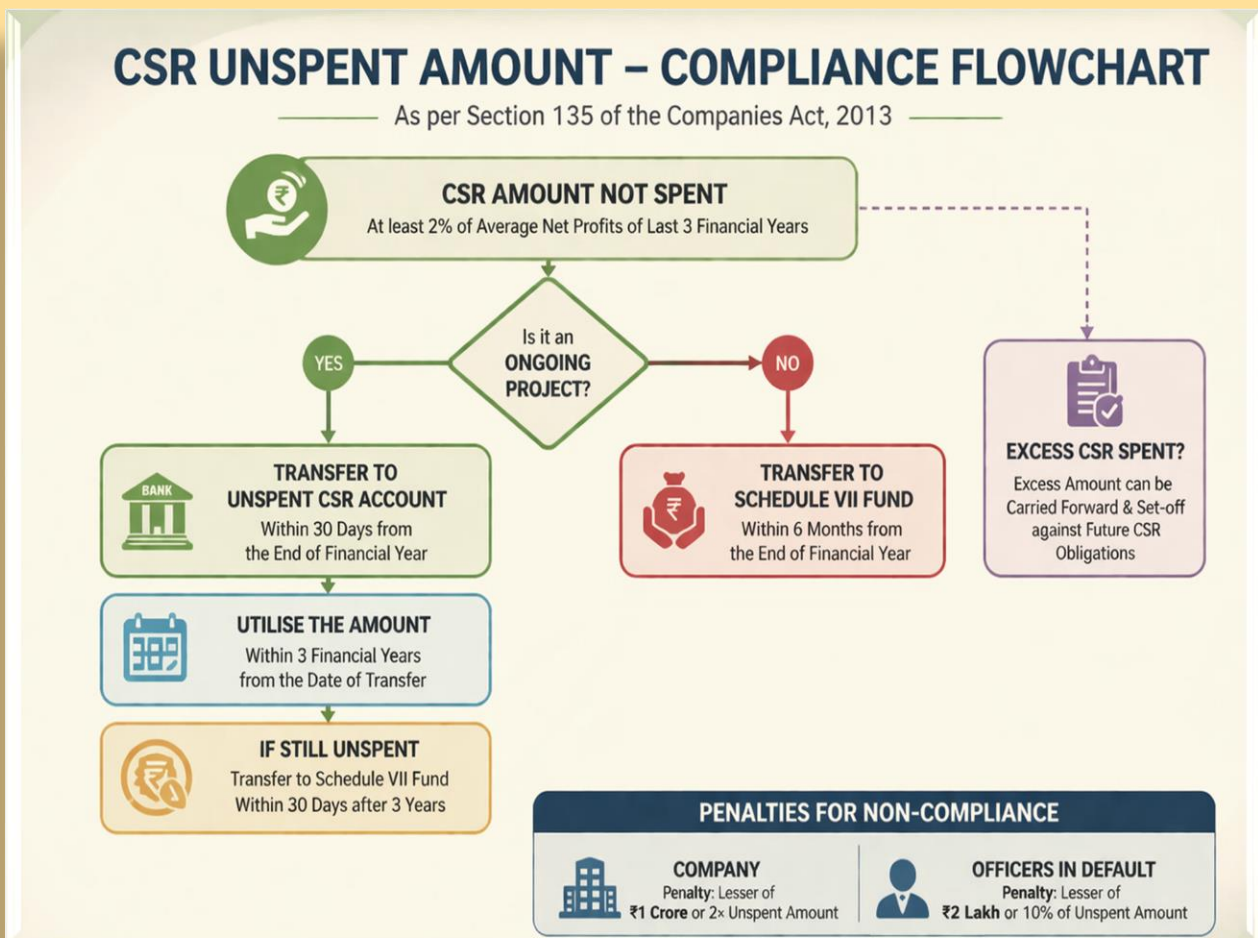
years. This often-discouraged companies from undertaking large or multi-year social projects.

Under the amended provisions, any excess CSR amount spent in a financial year can now be adjusted against the CSR requirement of the immediately succeeding three financial years, subject to approval of the Board. However, this benefit is available only for genuine excess

spending and does not include surplus generated from CSR projects.

This change has introduced flexibility into the compliance framework and encourages companies to plan long-term, high-impact CSR initiatives rather than limiting their spending to the minimum statutory requirement each year.

## Treatment of Unspent CSR Amounts



## Penalties for Non- Compliance

The amended CSR provisions have introduced monetary penalties for failure to transfer the unspent CSR amount within the prescribed timelines. The company is liable to a penalty equal to the lesser of ₹1 crore or twice the unspent CSR amount. Additionally, every officer in default is liable to a penalty equal to the lesser of ₹2 lakh or 10% of the unspent amount.

### Government insight

The Central Government has the power to issue directions and ensure strict compliance on those companies or class of companies as it considers necessary. And such Companies are legally bound to follow such directions.

### Relaxation for Small CSR Obligations

If CSR obligation  $\leq$  ₹50 lakh, then No CSR Committee required and the functions are handled by Board of Directors

## CASE STUDY

### **1. Set-off of Excess CSR Expenditure**

*Alpha Ltd. was required to spend ₹20 lakh on CSR during FY 2022-23. However, the company actually spent ₹32 lakh on CSR activities. In FY 2023-24, the CSR obligation of the company is ₹25 lakh. The Board has passed a resolution permitting set-off of excess CSR spending.*

*Examine whether the company can adjust the excess amount and determine the amount required to be spent in FY 2023-24.*

#### **Answer**

*As per the Companies Act, 2013 read with CSR Amendment Rules, 2021, excess CSR expenditure may be set-off against CSR obligation of the immediately succeeding three financial years, provided the Board passes a resolution and the excess does not include CSR surplus.*

*Excess spent in FY 2022-23 = ₹32 lakh – ₹20 lakh = ₹12 lakh*

*CSR obligation for FY 2023-24 = ₹25 lakh*

*The company can set-off ₹12 lakh against the current year's CSR obligation.*

*Amount required to be spent in FY 2023-24 = ₹25 lakh – ₹12 lakh = ₹13 lakh*

*Thus, Alpha Ltd. needs to spend only ₹13 lakh in FY 2023-24 to remain compliant.*

### **2. Adjustment of Excess Against Shortfall**

*Beta Ltd. had the following CSR obligations and spending:*

• FY 2021-22 → Obligation ₹18 lakh; Spent ₹25 lakh

• FY 2022-23 → Obligation ₹20 lakh; Spent ₹12 lakh

The Board has approved carry-forward of excess CSR spending. Determine whether the company is compliant for FY 2022-23.

**Answer**

Excess CSR in FY 2021-22 = ₹25 lakh – ₹18 lakh = ₹7 lakh

Shortfall in FY 2022-23 = ₹20 lakh – ₹12 lakh = ₹8 lakh

As per CSR Amendment Rules, excess CSR expenditure can be carried forward for 3 financial years and set-off against future obligations.

Set-off available = ₹7 lakh

Remaining shortfall = ₹8 lakh – ₹7 lakh = ₹1 lakh

Beta Ltd. is not fully compliant and must treat ₹1 lakh as unspent CSR amount and follow provisions for transfer as per CSR rules.

### 3. Unspent CSR (Not Related to Ongoing Project)

Gamma Ltd. was required to spend ₹15 lakh on CSR in FY 2023-24. The company spent ₹10 lakh and the remaining amount does not relate to any ongoing project. Explain the treatment of the unspent amount.

**Answer**

Unspent CSR amount = ₹15 lakh – ₹10 lakh = ₹5 lakh

Where unspent CSR does not relate to an ongoing project, the company must transfer the unspent amount to a Fund specified in Schedule VII within 6 months from the end of the financial year.

Therefore, Gamma Ltd. must transfer ₹5 lakh to a Schedule VII Fund within 6 months of the financial year end. Failure to do so will attract penalties under the Act.

### 4. Unspent CSR Relating to Ongoing Project

Delta had a CSR obligation of ₹30 lakh in FY 2023-24. It spent ₹18 lakh on an ongoing rural education project. Explain the treatment of the balance amount.

**Answer**

Unspent CSR amount = ₹30 lakh – ₹18 lakh = ₹12 lakh

Since the amount relates to an ongoing project, the company must:

1. Transfer ₹12 lakh to Unspent CSR Account within 30 days from the end of the financial year.
2. Spend the amount within the next 3 financial years.

- 3. If still unspent after 3 years, transfer it to a Schedule VII Fund within 30 days from completion of the third financial year.*

*This ensures time-bound utilisation of CSR funds for long-term projects.*

#### **KEY INSIGHT**

CSR is a “Comply or Transfer” Framework- Timely Utilisation or Transfer is Mandatory, Non-Compliance Attracts Strict Penalties.

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## IMPORTANCE OF PROPER BOOKKEEPING FOR BUSINESSES

In today's dynamic and competitive business environment, maintaining accurate financial records is essential for every organization. Bookkeeping refers to the systematic recording, classification, and maintenance of financial transactions. It forms the foundation of accounting and plays a crucial role in ensuring the financial stability of a business.

Proper bookkeeping enables businesses to track their financial activities efficiently and provides a clear understanding of their financial position. It is not merely a routine task but a key function that supports decision-making and long-term growth.



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ASSURANCE AND  
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### Proper Bookkeeping Keeps Your Business on Track!

- FINANCIAL CLARITY**  
Know your income, expenses & profits anytime.
- BETTER DECISIONS**  
Plan, budget and make informed choices.
- LEGAL & TAX COMPLIANCE**  
Stay compliant with GST, Income Tax & other laws.
- CASH FLOW CONTROL**  
Monitor inflows and outflows effectively.
- BUSINESS GROWTH**  
Identify opportunities, reduce costs, increase profits.
- ERROR & FRAUD DETECTION**  
Find and fix issues early.

INVOICES  
RECEIPTS  
BANK STATEMENTS

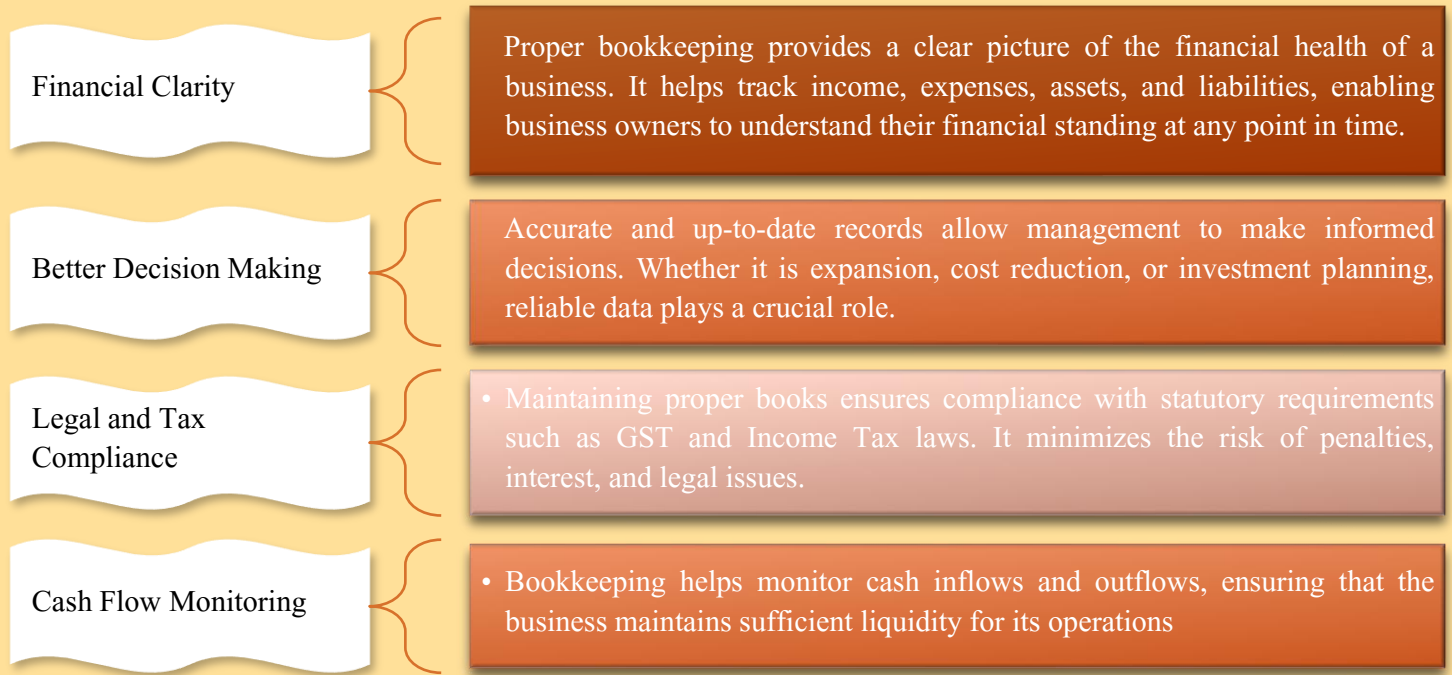
ACCURATE RECORDS, BETTER DECISIONS!

BALANCE SHEET  
PROFIT & LOSS

GROW SMART, GROW STRONG!

**GOOD BOOKKEEPING = STRONG BUSINESS!**

# Why Bookkeeping is Important?



## Key Benefits of Proper Bookkeeping

1. **Accurate Financial Reporting:** Proper records help in preparing accurate financial statements such as Profit & Loss Account and Balance Sheet.
2. **Simplified Tax Filing:** Organized records make tax filing easier, faster, and more accurate, reducing stress during deadlines.
3. **Performance Analysis:** Bookkeeping enables comparison of financial data over different periods, helping in evaluating business performance.
4. **Facilitates Audits:** During audits, well-maintained books ensure smooth verification and reduce complications.
5. **Business Growth Support:** Financial data helps identify profitable areas and control unnecessary expenses, supporting business growth.

## **Consequences of Poor Bookkeeping**

Failure to maintain proper books can result in:

- Inaccurate financial information
- Missed tax deadlines and penalties
- Poor cash flow management
- Difficulty in obtaining loans or investments
- Increased chances of fraud and errors

Such issues can negatively impact the reputation and sustainability of a business

## Bookkeeping Methods and Modern Tools

In today's digital era, businesses can adopt different bookkeeping methods based on their needs and scale of operations.

### 1. Manual Bookkeeping

This traditional method involves recording transactions in physical books such as journals and ledgers.

Suitable for  
small businesses

Low cost but  
time-consuming

Higher chances  
of human error

### 2. Spreadsheet-Based Bookkeeping

Spreadsheets are commonly used to record and manage financial data.

- Flexible and easy to use
- Suitable for small to medium businesses
- Requires careful handling to avoid errors

### 3. Accounting Software

Modern accounting software helps automate bookkeeping processes.

Reduces manual errors

Saves time and improves  
efficiency

Provides real-time  
financial insights

### 4. Cloud-Based Bookkeeping

Cloud-based systems allow businesses to store and access financial data online.

- Data can be accessed anytime and anywhere
- Enables collaboration between business owners and accountants
- Ensures automatic backup and better data security
- Examples include platforms like Google Drive and Microsoft OneDrive

### Why Businesses Are Moving to Cloud Bookkeeping

Cloud bookkeeping offers several advantages over traditional methods:

- Easy accessibility from any location
- Real-time updates and reporting

- Secure data storage and backup
- Improved collaboration with professionals

To maintain efficient bookkeeping, businesses should adopt the following practices:



## Role of Technology in Bookkeeping

With advancements in technology, bookkeeping has become more efficient and accurate. Accounting software helps automate processes, reduce manual errors, and generate real-time financial reports. It also ensures better data security and easy accessibility.

### Conclusion

Proper bookkeeping is a fundamental aspect of successful business management. It ensures transparency, enhances decision-making, and supports compliance with legal requirements.

With the adoption of modern bookkeeping methods and cloud-based tools, businesses can improve efficiency, reduce risks, and achieve sustainable growth. In essence, bookkeeping is not just about maintaining records—it is about building a strong financial foundation for the future.

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## ACCOUNTING FOR AI SUBSCRIPTIONS AND SAAS COSTS: WHAT SMES SHOULD KNOW IN 2026

The use of softwares in businesses has completely changed in the last one-two years. From buying a software license once and installing it on a desktop, most companies now subscribe to cloud-based tools monthly. Instead of ChatGPT for content and research, using Tally Cloud for accounting, Google Workspace for email and file storage, these Software as a Service or SaaS subscriptions have become a regular operating expense.



While SaaS reduces the higher capital investment beforehand and makes the auto updation of software, it also raises new questions for accounting and taxation. If not recorded correctly, these costs, during audits it may lead to problems or loss of GST input credit.

Let's check how SMEs treat these things in their books.

### What Exactly Is a SaaS Cost

SaaS refers to software that you access over the internet on a subscription basis. It can be renewable monthly or annually. The biggest use is you don't own the software, but only pay for the right to use it for a particular period. Some examples include AI tools like Microsoft Copilot and Claude, accounting platforms like Zoho Books and

Tally Cloud, and collaboration tools like Slack and Notion.

For accounting purposes, the key point is that- 'you are only paying for a service, not acquiring a physical or identifiable intangible asset'



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### **Capital or Revenue: How Should You Record It**

The treatment depends on the nature and duration of the benefit

In most cases for SMEs, SaaS subscriptions are treated as revenue expenditure. That means the entire subscription amount is to be charged in the Statement of Profit

and Loss in the same financial year in which it is incurred.

Capital expenditure treatment applies only when the SaaS subscription is for a long-term custom project that gives the

benefit beyond one year. For example, a bespoke AI model developed for your business operations, then a portion of the cost may be capitalized. Otherwise, it is treated as revenue expenditure

The simple rule is; if the subscription period is less than or equals to one year and it is for regular business use, record it as an expense. Always document the business purpose of the tool in case the auditor asks later.

### **GST Input Credit: Don't Lose It**

GST input tax credit is available on SaaS subscriptions, but these three conditions should be met:

- ☞ The software must be used for business purposes and not personal use.
- ☞ Must have a valid tax invoice from the supplier with their GSTIN clearly mentioned.
- ☞ The invoice should be issued in the name of your entity, not in the name of the director or proprietor personally.

The common mistake we mostly see is payment made through a personal credit card or UPI. In such cases, the business cannot claim ITC even if the software is used for business. So, it's important to ensure that the billing address and GSTIN on the invoice match your registered business details.

### **What Auditors Are Checking in 2026**

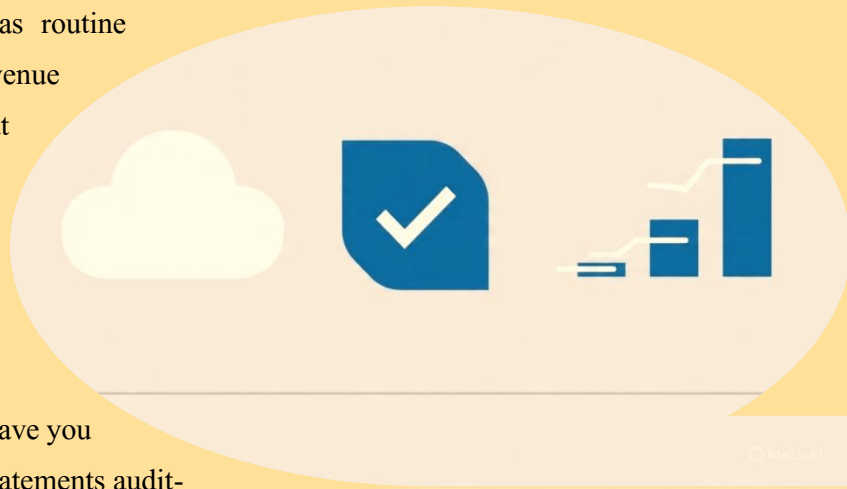
Since SaaS spending has increased in the past few years, auditors are paying closer attention to these expenses. To avoid disallowance, keep the following documentation ready:

- ☞ The original subscription invoice with GST details
- ☞ Payment proof from the company's bank account
- ☞ A brief internal note explaining the business purpose of the software, especially for AI tools where the use may not be immediately obvious.

Otherwise, this expense may be questioned during a tax assessment and added back to your taxable income

### Key Takeaway for Business Owners

For most businesses, SaaS costs are now treated as routine expenses like rent or electricity. Treat them as revenue expenses unless there is a clear long-term benefit that justifies capitalization. Ensure your invoices are in the company's name with correct GST details to claim input credit. And maintain simple documentation to support the expense during audit.



A little amount of attention at the time of payment can save you from compliance issues later and keep your financial statements audit-ready.

Be wise with your expenses...!!

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investment allowances or accelerated depreciation (covered under Ind AS 12), government participation in the ownership of the entity, or grants covered under Ind AS 41 Agriculture.

### 3. Key Definitions

TERM	DEFINITION
<b>GOVERNMENT</b>	Central Government, State Government, Government agencies, and local, national or international bodies.
<b>GOVERNMENT ASSISTANCE</b>	Any action by government that provides an economic benefit to an entity (specific to the entity or a class of entities).
<b>GOVERNMENT GRANT</b>	Transfer of resources (cash or non-cash) by the government to an entity in return for past or future compliance with certain conditions.
<b>FORGIVABLE LOAN</b>	Loan from government that may be waived (treated as a grant when repayment conditions are no longer expected to be met).
<b>BELOW-MARKET INTEREST LOAN</b>	Loan received at a rate below market rate. The benefit (difference between fair value under Ind AS 109 and actual proceeds) is treated as a government grant.

### 4. Types of Government Grants

- ☞ **Grants related to Assets** - Grants whose primary condition is that the entity should purchase, construct or acquire long-term assets.
- ☞ **Grants related to Income** - All other government grants (not related to assets).

**Unlike AS 12, Ind AS 20 does not recognise the concept of promoters' contribution as a separate category that can be credited directly to capital reserve.**

### 5. Recognition of Government Grants

A government grant is recognised only when there is reasonable assurance that the entity will comply with the conditions attached to the grant and that the grant will be received. Government grants are recognised in profit or loss over the periods in which the entity recognises the related costs or expenses for which the grant is intended to compensate.

**Unlike AS 12, which does not address below-market interest loans, Ind AS 20 requires the benefit to be recognised as a grant measured at fair value under Ind AS 109.**

**Special Cases – Immediate Recognition in P&L**

A grant is recognised in full in the period it becomes receivable; when it compensates for expenses or losses already incurred, represents immediate financial support with no future related costs, or has no future performance conditions attached. Compensates for expenses or losses already incurred,

Let us go through on example:

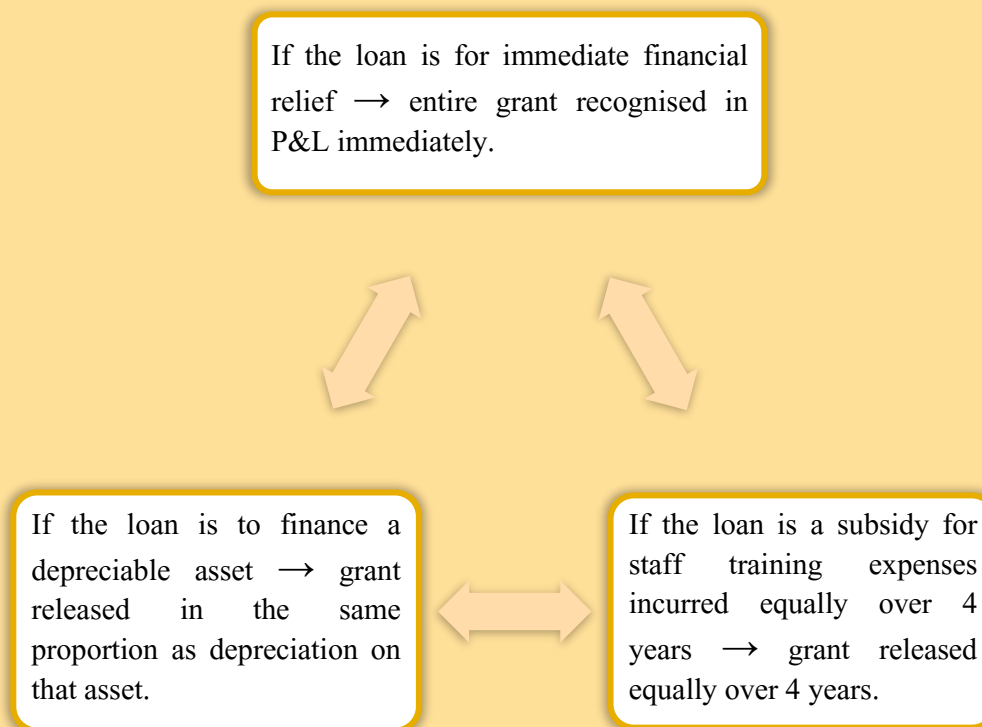
A company receives a ₹ 80,00,000 government loan at 4% interest per annum, repayable in one bullet payment after 5 years. Market interest rate for a similar loan is 12%. Interest is payable annually at the end of each year .

**Step 1:** Calculate the fair value of the loan (present value of future cash flows discounted at market rate of 12%).

Fair value of the loan = ₹ 59,81,328 (computed using PV factors).

**Step 2:** Government grant component = ₹ 80,00,000 - ₹ 59,81,328 = ₹ 20,18,672.

**Step 3:** Release of the grant to profit or loss the ₹ 20,18,672 grant is recognised in profit or loss **on a systematic basis** depending on the purpose for which the loan was given:



**6. Non-Monetary Government Grants**

When a grant is in the form of a non-monetary asset such as free land or a building, the entity has a choice to record both the asset and the grant at fair value or to record both at nominal value (usually ₹1). The fair value of the non-monetary asset is assessed as the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date in accordance with Ind AS 113, Fair Value Measurement.

**Unlike AS 12, which generally records non-monetary grants at acquisition cost or nominal value, Ind AS 20 permits measurement at fair value.**

**7. Presentation in Financial Statements**

Grants related to assets may be presented by either of two acceptable methods, they are deferred income approach and deduction from asset approach. Under the deferred income approach the grant is shown as a liability and is recognised in profit or loss systematically over the useful life of the asset. Under

the deduction from asset approach the grant is deducted from the carrying amount of the asset so that the reduced depreciation charge is recognised in profit or loss over the asset’s life. Grants related to income are presented as other income in the statement of profit and loss or are deducted from the related expense.

**8. Repayment of Government Grants**

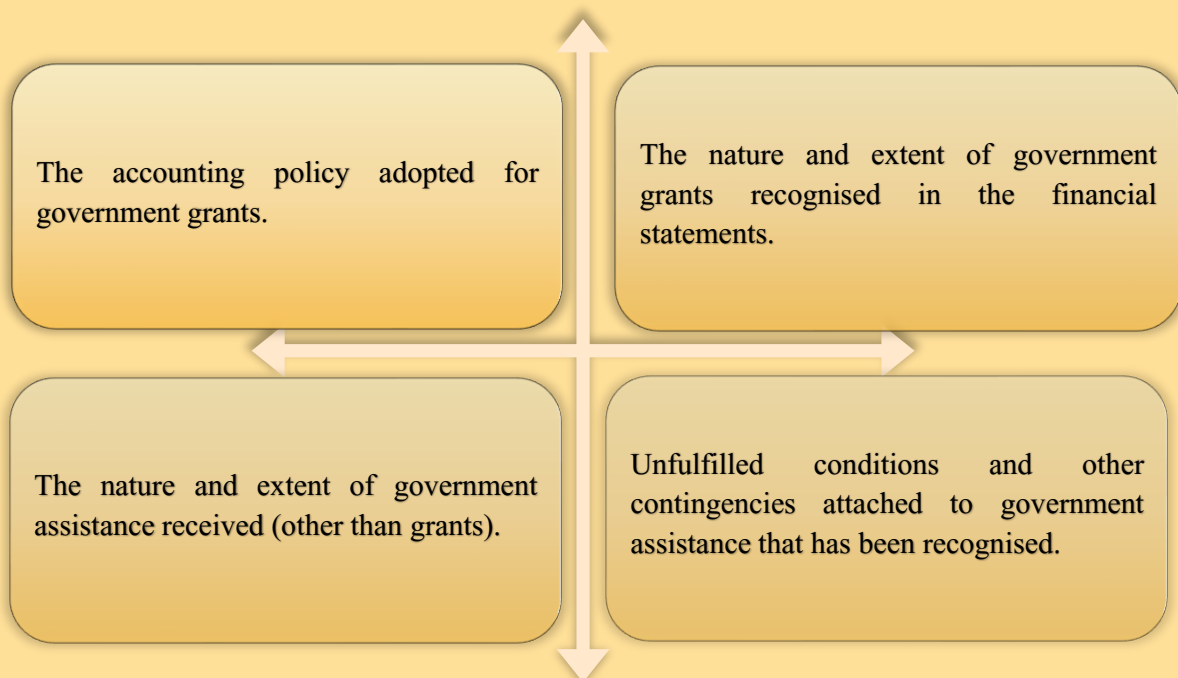
Repayment of a grant is treated as a change in accounting estimate under Ind AS 8. For an income-related grant the repayment is first applied against any unamortised deferred income; any excess is recognised immediately in profit or loss. For an asset-related grant the repayment is recognised either by increasing the carrying amount of the asset or by reducing the deferred income balance, and any additional depreciation arising is recognised immediately in profit or loss.

**9. Government Assistance (Other than Grants)**

Government assistance other than grants includes items such as free technical advice, government guarantees and infrastructure support. These are not recognised as grants but must be disclosed if they have a significant effect on the entity’s financial position or results

**10. Disclosure Requirements**

An entity shall disclose:



## 11. Transitional Provisions

On first-time adoption of Ind AS, the accounting for government grants is governed by Ind AS 101 read with Ind AS 20. In the case of general government grants (other than government loans), the entity applies Ind AS 20 retrospectively at the date of transition by recognising all grants required under the standard, measuring them in accordance with Ind AS 20 (either as deferred income or by deducting from the carrying amount of the related asset), and recognising the resulting adjustments directly in retained earnings or another appropriate component of equity. The presentation method selected is treated as an accounting policy and applied consistently in accordance with Ind AS 8.

In respect of government loans, including below-market interest loans and forgivable loans, the default approach is prospective application, wherein such loans outstanding at the transition date are classified as financial liabilities or equity instruments in accordance with Ind AS 32 and subsequently

measured applying Ind AS 109 and Ind AS 20, without retrospectively recognising the benefit of below-market interest as a government grant; the carrying amount at transition remains as per previous GAAP. However, an entity may elect to apply these requirements retrospectively if the necessary information was available at the time of initial recognition.

For non-monetary government grants, such as land or buildings, the entity may measure both the asset and the grant either at fair value or nominal value as permitted under Ind AS 20, and the selected policy shall be applied consistently. Further, as required by Ind AS 101, the first Ind AS financial statements shall include reconciliations of equity and total comprehensive income from previous GAAP to Ind AS, along with disclosures explaining the impact of transition adjustments relating to government grants, including any unfulfilled conditions or contingencies attached to such grants.

### Consider the following example:

A company received a ₹ 80,00,000 government loan at 4% interest per annum on 1 April 2021, repayable in one bullet payment after 5 years (i.e., on 31 March 2026). Interest is payable annually. The market interest rate for a similar loan was 12%. The fair value of the loan on initial recognition was ₹ 59,81,328 and the government grant component was ₹ 20,18,672.

The company is adopting Ind AS for the first time with transition date of 1 April 2023 (i.e., in the third year of the loan). Under previous GAAP (AS 12), the company had accounted for the full ₹ 80,00,000 as loan liability and charged only the nominal 4% interest every year. Carrying amount of the loan as per previous GAAP on 1 April 2023 = ₹ 80,00,000.

**Default Approach:** As per Ind AS 101 and Ind AS 20, for government loans outstanding at the transition date, the entity applies Ind AS 20 prospectively.

- The loan continues to be carried at its previous GAAP carrying amount of ₹ 80,00,000 on the transition date.

- No retrospective recognition of the ₹ 20,18,672 grant benefit is made.
- From the transition date (1 April 2023) onwards, the loan is measured in accordance with Ind AS 109 at amortised cost using the effective interest rate of 12%.
- The difference between the nominal 4% interest paid and the effective 12% interest expense is recognised in profit or loss as finance cost.
- No separate deferred government grant is created for the pre-transition period

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## JUDGMENT VS CHECKLIST: THE ART OF PROFESSIONAL DECISION-MAKING

In our day-to-day professional work, especially in audit and compliance assignments, checklists have become a very important part of how we function. Whether it is verifying documents, completing working papers, or ensuring compliance with standards, most of our tasks begin and end with a checklist.

There is nothing wrong with that. In fact, checklists bring structure, discipline, and consistency to our work. They help ensure that important steps are not missed and that documentation is maintained properly. For young professionals and teams handling multiple assignments, checklists are extremely useful

However, over time, one risk quietly develops - the tendency to treat checklists as the objective itself, rather than as a tool to achieve the objective.

### The Comfort of Completing a Checklist

Let's be honest - ticking off items on a checklist gives a sense of completion. It creates confidence that the work has been done as required. In many situations, this confidence is justified because checklists are designed based on professional standards and past experience.

But in practice, not every situation fits perfectly into a predefined list.



*ANISH C KAMATH*  
*HEAD-2 ASSURANCE AND*  
*CONSULTING, IT MANAGER*

A checklist can confirm that documents were collected.

It cannot confirm that those documents truly make sense.

A checklist can confirm that calculations were reviewed.

It cannot confirm that the numbers reflect the real business situation.

*This is where professional judgment becomes important.*

### **Where Judgment Really Matters**

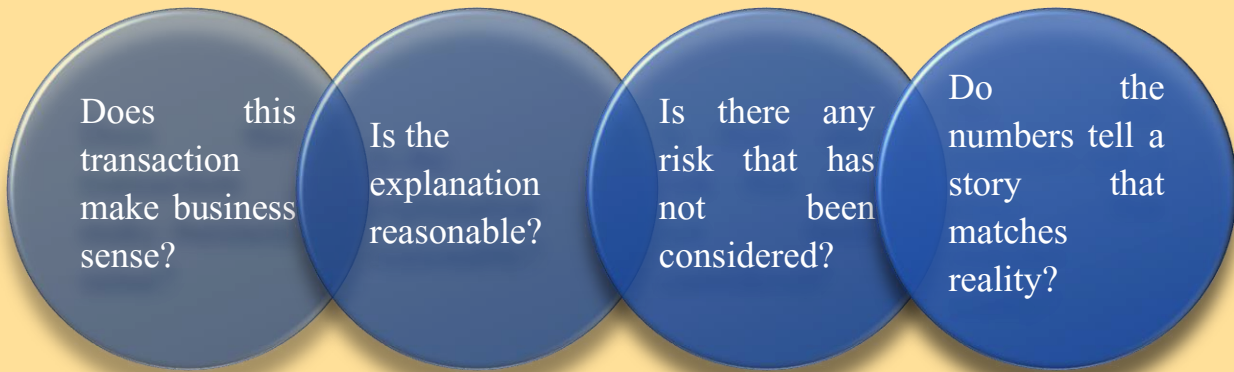
In professional assignments, especially audits, we often come across situations where the answer is not clearly written in any manual or checklist. There may be unusual transactions, inconsistencies in records, delays in documentation, or patterns that simply do not look right.

In such moments, the quality of our work depends less on the checklist and more on our ability to think, question, and interpret.

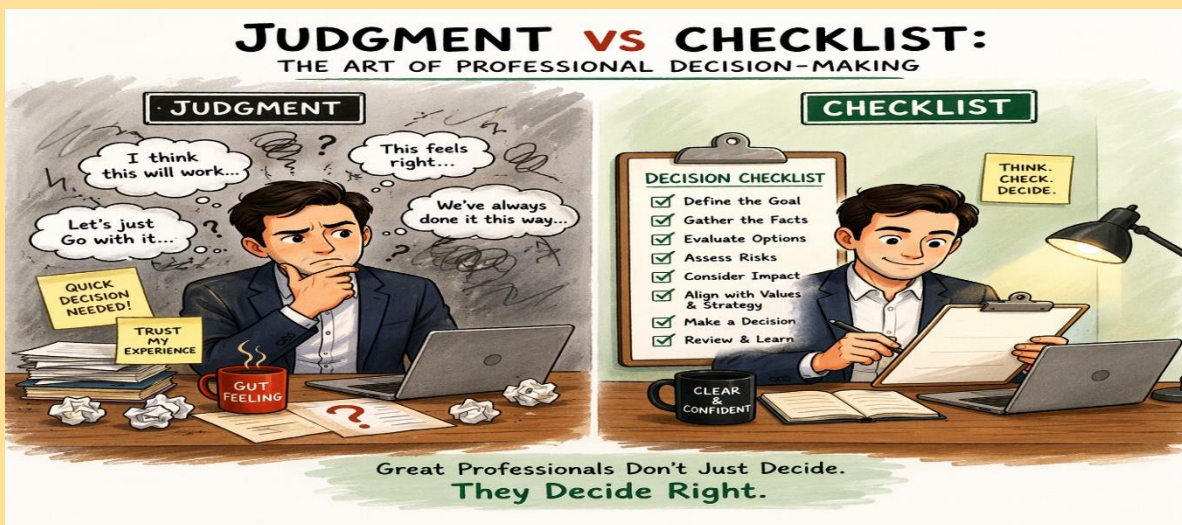
Professional judgment is not about ignoring procedures.

It is about understanding the purpose behind those procedures.

It involves asking simple but critical questions like:



*These questions cannot be captured fully in any checklist.*



### The Risk of Mechanical Compliance

One of the biggest risks in professional work today is mechanical compliance - doing tasks exactly as listed without fully understanding why they are being done.

When we focus only on completing procedures, we may miss warning signs that are not explicitly mentioned in the checklist. This can lead to situations where

everything appears compliant on paper, but underlying risks remain unnoticed.

In many professional failures, the issue was not the absence of procedures.

The issue was the absence of judgment.

## **Finding the Right Balance**

The solution is not to stop using checklists. They are essential and will always remain a key part of professional work. The real goal is to use them wisely.

Checklists provide the roadmap.

Judgment provides the direction.

A balanced professional approach involves:

- Using checklists as guidance, not as a substitute for thinking
- Understanding the objective behind each procedure
- Paying attention to unusual patterns or inconsistencies
- Being willing to investigate further when something does not feel right
- Documenting the reasoning behind important decisions

This balance is what transforms routine work into professional work.

## **A Practical Reality in Our Profession**

As professionals, especially in fields like audit and assurance, we work in environments where time is limited, responsibilities are high, and expectations are constantly increasing. In such situations, it is

easy to rely heavily on standardized processes.

But the real value we bring to our work is not just compliance - it is judgment.

Clients, organizations, and stakeholders depend on us not only to follow procedures, but also to apply experience, skepticism, and independent thinking. That is what builds trust in our profession.

## **Conclusion**

Checklists are necessary. They ensure consistency and completeness. But they are tools, not substitutes for professional thinking.

At the end of the day, professional excellence is not defined by how many boxes we tick, but by the quality of decisions we make.

Because in our profession:

Checklists help us do things right, but judgment helps us do the right things.

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ATHIRA VARGHESE

CA FINAL

## IFRS IN UAE

International Financial Reporting Standards (IFRS) are a globally recognized set of accounting standards developed by the International Accounting Standards Board (IASB). These standards aim to ensure transparency, consistency and comparability in financial reporting across different countries and industries. So, they act as a global accounting benchmark to compare and assess the financials of an entity.

In contrast to countries with established national GAAP frameworks, the UAE does not maintain a distinct Generally Accepted Accounting Principles (GAAP) standard. Instead, they have adopted IFRS as the primary framework for financial reporting of companies operating in the UAE, which functions as the accepted standard. In the UAE, IFRS are mandatory for public and regulated entities, while other entities regardless of legal form (such as partnerships, companies, sole establishments etc.) may voluntarily adopt IFRS

### Applicability of IFRS in the context of Corporate Tax in the UAE

IFRS is the mandatory accounting standard in the UAE for listed companies, financial institutions and most businesses, particularly under Corporate Tax laws requiring IFRS or *IFRS for SMEs* (for revenue up to AED 3 million) or the purpose other than Corporate Tax, taxable persons (irrespective of legal form) may use different accounting standards as long as all relevant calculations and reporting are using IFRS or *IFRS for SMEs* for Corporate Tax purposes. The Corporate Tax Law in the UAE mandates that taxable income for the

Corporate Tax calculation begins with the net profit or loss from the financial statements prepared as per IFRS. It ensures global comparability, transparency and compliance with the Federal Tax Authority (FTA) and other regulatory bodies like, freezones, stock exchanges etc. The businesses may also comply with other countries GAAP but, it is crucial for companies operating in the UAE to comply with the approved accounting standards to avoid legal, financial and reputational risks.

### Entities required to follow IFRS in UAE

Apart from Corporate Tax purposes, IFRS compliance is mandatory for a wide range of entities in the UAE, including

Listed entities regulated by the Securities and Commodities Authority

All companies listed on the Abu Dhabi Securities Exchange (ADX)

All companies listed on the Dubai Financial Market (DFM)

All companies listed on NASDAQ Dubai

Banks and financial institutions regulated by the Central Bank

Insurance companies and large private entities

Additionally, all free zones such as DIFC, ADGM, JAFZA, DMCC etc. mandate full IFRS compliance for all registered entities. Non-listed companies, while not always strictly regulated to use IFRS by the government, are highly encouraged to adopt it to ensure transparency and for Corporate Tax purposes.

### Applicability of IFRS in the preparation of Consolidated Financial Statements (CFS) in UAE

IFRS is mandatory for preparing consolidated financial statements in the UAE, especially for public companies and financial institutions. Consolidation means combining the financials of all group entities, including foreign subsidiaries as per IFRS 10 Consolidated Financial Statements, even if those entities follow different local accounting standards, are as follows:

<i>Parent Company</i>	<i>Subsidiary Company/Branch</i>	<i>CFS</i>	<i>Remarks</i>
UAE	UAE	IFRS	Mandatory IFRS consolidation
UAE	Foreign	IFRS	Mandatory IFRS consolidation
Foreign	UAE	As per Parent company's reporting framework	The UAE entity must maintain its own financial records according to IFRS for UAE reporting, even if it provides different reporting to the parent.

## IFRS Standards Relevant in the UAE

The most significant IFRS standards applicable to UAE businesses include:

- IFRS 15 – Revenue from contracts with customers
- IFRS 16 – Leases
- IFRS 9 – Financial instruments
- IAS 16 – Property, plant and equipment
- IAS 36 – Impairment of assets

## Reporting currency in UAE

Under IFRS (IAS 21), entities prepare financial statements in their functional currency, which is usually AED (United Arab Emirates Dirham) for most companies in the UAE, though USD or other currencies may be used if they reflect the primary economic environment.

Certain public, regulated and free zones (such as DMCC, ADGM, JAFZA, etc.) may permit reporting in alternative currencies, especially for entities with

significant international operations. If international operations exist, subsidiaries / branches may prepare financial statements in their local functional currency, then translate for consolidation.

For Corporate Tax purposes, financial information is generally required to be in AED (United Arab Emirates Dirham), although entities may use another currency with approval from the Federal Tax Authority (FTA) in the UAE.

## Financial year in UAE

Most companies in the UAE adopt the calendar year (1 January to 31 December) as their financial year. However, businesses irrespective of their legal form or regulatory authority, have the flexibility to determine their own 12 months financial year in accordance with their Memorandum of Association (MoA) at the time of incorporation with the first financial year ranging from 6 to 18 months.

Under the UAE Corporate Tax regime, the tax period is generally aligned with the company's financial year.

In the context of consolidation, as required by IFRS 10 Consolidated Financial Statements, the parent and its subsidiaries should ideally have the same reporting date. Accordingly, companies in the UAE typically adopt the parent company's financial year for consolidation purposes, even where individual entities maintain different financial year. If a subsidiary has a different financial year-end, it is required to prepare additional or adjusted financial information to align with the parent company's reporting date, to ensuring consistency in consolidated financial statements

### CONCLUSION

IFRS has become an integral part of the UAE's financial and regulatory environment. It enhances financial transparency, attracts foreign investment and provides a uniform accounting language. With the introduction of Corporate Tax and for the consolidation purposes IFRS compliance is necessity for businesses operating in the UAE.

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CA AMRUTHA K

CHARTERED ACCOUNTANT

## THE UAE TAX ENVIRONMENT (PART I)

The United Arab Emirates (UAE) has emerged as a leading global business hub, supported by a low-tax and investor-friendly regime. With no personal income tax, a 5% Value Added Tax (VAT), and a federal Corporate Tax of 9% on taxable profits exceeding the prescribed threshold, the UAE offers a balanced and competitive tax environment aligned with international standards.

### From Seminar Insights to Real Conversations

At a recent tax seminar hosted at a business hotel in Dubai, the keynote speaker provided a concise overview of the UAE's evolving tax landscape—highlighting its transition from a largely tax-free economy to a structured yet business-friendly jurisdiction.

During the session, the speaker remarked:

“The UAE has carefully introduced taxation in phases—starting with Excise Tax in 2017, followed by VAT in 2018, and more recently Corporate Tax. Despite these developments, the system remains simple, with a single VAT rate of 5% and a competitive Corporate Tax rate of 9%. The objective is clear: ensure compliance with global standards while preserving the country's attractiveness for investment.”

As the session paused for a short break, two attendees—CA Madan, Partner at *M & Co Chartered Accountants, Kochi*, and CA Akash, Tax Consultant at *Al Noor Tax Consultants LLC, Dubai*—continued the discussion over tea.

### BREAK-TIME DISCUSSION: PRACTICAL PERSPECTIVE

#### A Conversation Over Tea – A Practical Insight





CA MADAN

That was quite insightful. The way the speaker explained the UAE tax structure-it really seems much simpler compared to India

That's true. The system here is designed to be straightforward. Even the way laws are introduced is quite structured-drafted by the Ministry of Finance, reviewed by the Cabinet and Federal National Council, and then enacted officially

And the Federal Tax Authority handles everything, right?

Exactly-registration, tax collection, audits, and compliance. It acts as a centralized authority for all major taxes

The transition from a tax-free system is quite interesting. Before 2017, there were hardly any taxes.

Yes, taxation was mostly limited to oil companies and foreign banks. Excise Tax came in 2017, and VAT followed in 2018.

The speaker mentioned VAT is just 5%. That's significantly lower than India's GST rates.

Not just lower-simpler too. A single rate, minimal classifications. Compare that with India's multiple slabs and components like CGST, SGST, and IGST.

And compliance also seemed easier.

Definitely. Most businesses file one VAT return quarterly. Only large entities-above AED 150 million turnover-file monthly



CA AKASH

That's a big difference. In India, compliance itself is a major task.

True. But UAE is also evolving. E-invoicing is expected from January 2027, with structured formats like XML or JSON and validation through approved service providers.

What about VAT registration thresholds?

Mandatory registration applies above AED 375,000 turnover, while voluntary registration is available from AED 187,500. Non-residents and importers may need to register regardless due to reverse charge.

And the biggest highlight-no personal income tax.

Yes, that's one of the key attractions. However, Corporate Tax is now in place-9% on taxable income exceeding AED 375,000.

Still quite competitive globally.

Absolutely. Plus, Free Zone entities can enjoy 0% tax benefits if they meet the required conditions.

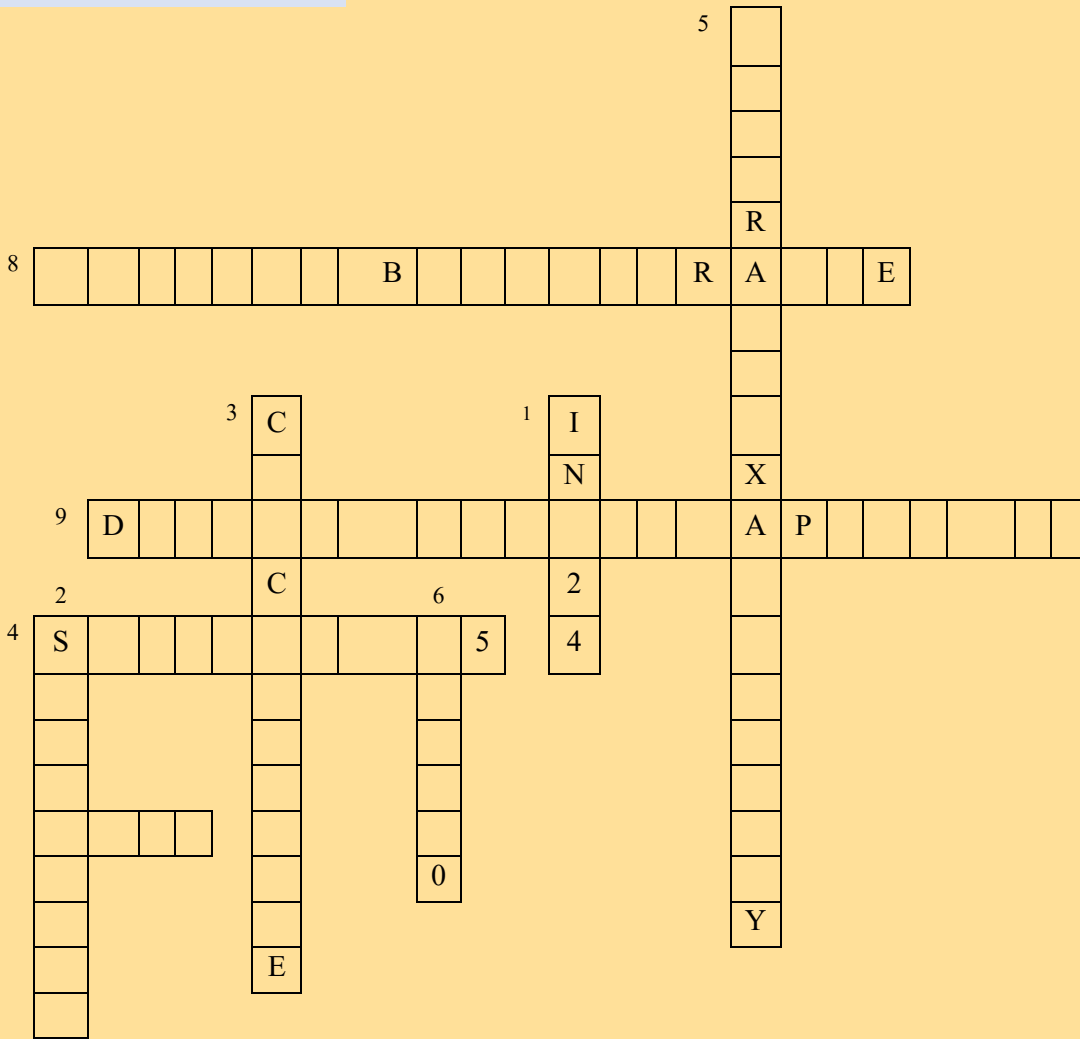
That explains why so many firms are expanding into the UAE.

Exactly. The system balances simplicity, compliance, and competitiveness

This discussion actually made the seminar even more valuable.



CROSSWORD PUZZLE



**ACROSS**

- 5. Federal authority responsible for administration, collection, and enforcement of taxes in UAE.
- 8. Recognition criterion requiring reasonable assurance of compliance with conditions attached to government grants.
- 9. Method of presenting asset-related grants by recognising them as deferred income over useful life

**DOWN**

- 1. MCA e-form requiring prior SRN of special resolution for approval of change in company name by Central Government
- 2. Section mandating passing of a special resolution for alteration of name clause in Memorandum
- 3. Committee mandated for eligible companies to formulate and monitor CSR policy under the Companies Act
- 4. Statutory provision prescribing thresholds for applicability of CSR obligations
- 6. Threshold of taxable income above which UAE corporate tax becomes applicable (in AED)
- 7. Accounting framework mandatorily adopted by listed and regulated entities in UAE

## HIGHLIGHTS – IN FOCUS

*This month, the key highlight was the wedding of our HR, a special occasion marked with warm wishes from the entire team. We extend our heartfelt congratulations and best wishes for a happy and fulfilling married life.*



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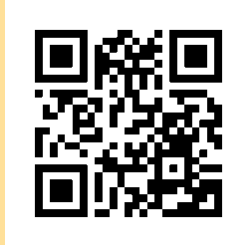
*e-Newsletter from NITIN N & CO. Chartered Accountants*

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