Sudeeksha

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EDITORS DESK

Though Indian Economy follows the concept of Financial Year, the month of July is as important as April.

Major developments have been initiated with effect from July 1 - the most important being the National Chartered Accountants Day and many more like the implementation date for GST etc. The income tax return filing happens quite heavily in the month of July and this is a time to reflect upon the skillsets in the form of technical competence that was acquired through individual and collective learning process and translate the same into meaningful and purpose-driven actions which adds value to the client.

Let us ensure that we set a benchmark for the quality and accuracy levels which would inspire and emulate the aspiring students and Chartered Accountants to scale further echelons of professional service.

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YOUR ROADMAP…

This edition brings together practical insights on taxation, auditing, compliance, and business to help you stay informed and ahead of the curve. Discover why client communication can make or break your audit, understand the ₹20,000 Rule every business and taxpayer should know, and gain clarity on the tax treatment of Agricultural Income. We also explore the benefits of filing Income Tax Returns (ITR) on time and provide a simplified blueprint of Sections 12A & 80G for charitable organizations.

Stay updated with the key changes every tax professional should know, learn how cloud accounting is transforming the way businesses manage their finances, and see how financial statements tell the story behind the numbers. We also discuss the essentials of the Data Protection Act and business compliance, helping organizations navigate evolving data privacy obligations. Finally, we conclude with Part II of our Company Name Change series, continuing from our March newsletter with the key legal and procedural aspects involved in changing a company's name.

ATHIRA UNNIKRISHNAN
HEAD 1- ASSURANCE AND CONSULTING

Why Client Communication Can Make or Break Your Audit!

"***The audit was technically perfect. But the client still hated us.***"
If you've heard this before, you know the problem isn't vouching or verification - it's communication.
In an audit, numbers don't explain themselves. *You* have to. Good client communication turns a compliance exercise into a value-add. Poor communication turns it into conflict, delays, and qualified reports.

Why Client Communication Is Non-Negotiable

1. **SA 580, SA 260, SA 230 & SA 265 require it:** Standards require auditors to communicate with management and Those Charged with Governance (TCWG) on audit scope, findings, written representations, significant deficiencies in internal controls, and to document important communications in the audit file. SA 580, SA 260, SA 230 & SA 265 require it: Standards require auditors to communicate with management and Those Charged with Governance (TCWG) on audit scope, findings, written representations, significant deficiencies in internal controls, and to document important communications in the audit file.

2. **Avoids surprises**: No client likes a qualification they heard about for the first time in the signed report.

3. **Gets you evidence faster**: Clear queries = faster replies = on-time filings.

4. **Reduces liability:** Documented communication proves you asked, followed up, and acted professionally. **SA 230 specifically requires documentation of significant discussions and matters relevant to the audit**.

5. **Ensures matters reach the right decision-maker:** Not every issue should be discussed with the accounts executive. Matters relating to accounting policies, internal controls, fraud, qualifications, or governance should be communicated to the appropriate level of management or TCWG as required by **SA 260**.

5 Major Client Communication Tools Every Auditor Uses

1. **Engagement Letter**

- ***When**: Before audit starts*
- ***Why***: Sets scope, fees, timelines, and responsibilities. Prevents "I thought you'd handle GST too" later.
- **Relevant SA: SA 210 – Agreeing the Terms of Audit Engagements.**
- ***Pro tip***: Get it signed. Verbal agreements don't hold up.

2. **Audit Query List**

- ***When**: During fieldwork*
- ***Why***: Asks for missing info or explanations.
- ***How to write it***: One point per query. Give voucher no., date, amount, and why you need it.
- ***Bad:*** "Explain cash deposits"
- ***Good***: "Please provide source for cash deposit of ₹4.8L on 12-Apr-2025 in HDFC A/c xxxx4321 for compliance with SA 500 and Sec 269ST."
- ***Pro tip***: Send queries through an agreed communication channel (email/shared tracker/audit portal) so responses are documented and traceable.

3. **Management Representation Letter (MRL)**

- ***When***: End of audit, before signing report
- ***Why***: Management confirms key facts in writing - completeness of books, no fraud, inventory verification, contingent liabilities, etc.
- ***SA 580 says:*** If management refuses, you may have to qualify or disclaim.

4. **Letter of Weakness / Management Letter**

- ***When***: With draft report
- ***Why***: Flags internal control gaps + recommendations.
- ***Relevant SA:*** **SA 265 requires significant deficiencies in internal control identified during the audit to be communicated to management and, where appropriate, Those Charged with Governance.**
- ***Format***: Observation → Risk → Recommendation → Management Comment
- ***Tone***: Advisory, not accusatory. "We observed" beats "You failed".

5. **Closing Meeting + Minutes**

- ***When***: Before report sign-off
- ***Why***: Discuss draft qualifications, adjustments, CARO points. No surprises.
- ***Document it***: Keep signed minutes in your working papers. This also supports compliance with **SA 230** on audit documentation.

3 Golden Rules of Audit Communication

1) **Document everything:** Calls, mails, WhatsApp - if it's not in writing, it didn't happen. Wherever important discussions happen over phone or WhatsApp, confirm them through email or meeting minutes.
2) **Be early, not sorry:** Raise issues in May, not on 29th September. Escalate unresolved matters to the appropriate authority instead of waiting until report finalisation.
3) **Translate, don't dictate**: "Section 269ST violation" means nothing to clients. Say: "Taking ₹3L cash from one customer can lead to ₹3L penalty. Let's shift to bank transfer."

A Few Practical Communication Tips

- **Communicate with the right person:** Routine queries can go to the accounts team, but significant accounting issues, audit adjustments, fraud indicators, and qualifications should be discussed with senior management or TCWG.

- **Choose the right channel:** Engagement letters, audit queries, management letters, and significant observations should always be in writing. Phone calls and WhatsApp messages are useful for follow-ups but should be documented where they relate to significant audit matters.
- **Keep an audit trail:** Emails, signed acknowledgements, meeting minutes, and query trackers are valuable evidence if the audit is later questioned.

The Takeaway

Clients don't pay you to find mistakes. They pay you to help them avoid penalties and sleep better at night. Clear, timely, respectful communication does exactly that.

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The ₹20,000 Rule What Every Business and Taxpayer Should Know.!

Many taxpayers believe that only large cash transactions attract the attention of the Income-tax Department. However, even a cash transaction of **₹20,000 or more** relating to a loan, deposit or property advance can result in non-compliance if it is not made through the prescribed banking channels. This is popularly known as the **"₹20,000 Rule."**

The Income-tax Act, 2025 continues this important rule under **Chapter XII - Mode of Payment in Certain Cases** through Sections 185, 188 and 189. The objective is simple-to encourage digital and banking transactions, improve transparency and discourage the use of unaccounted cash in financial dealings.

Accepting Loans, Deposits and Property Advances

Section 185 provides that no person can accept a loan, deposit or a **specified sum** of **₹20,000 or more** in cash. Such amounts must be received through an account payee cheque, account payee bank draft, electronic clearing system (ECS) or any other prescribed electronic mode.

The ₹20,000 limit does not apply only to the amount received on a particular day. It also includes any unpaid loan, deposit or specified sum already received from the same person. Therefore, even if the fresh amount is less than ₹20,000, the rule will apply if the total outstanding amount together with the new receipt is ₹20,000 or more.

A **specified sum** means any amount received in connection with the transfer of an immovable property, such as a booking advance for a flat, land or building. The rule applies even if the property transaction is later cancelled.

Repaying Loans, Deposits and Property Advances

Section 188 contains a similar restriction for repayments. If the amount being repaid, together with interest, is **₹20,000 or more**, it cannot be repaid in cash. The repayment must be made through recognised banking channels such as an account payee cheque, bank draft, ECS or any other prescribed electronic mode.

While calculating the limit, the law also considers the total amount of loans, deposits or specified advances outstanding with the same person. Businesses and individuals should therefore check the total balance before making any repayment.

Who Need Not Follow This Rule?

The law provides certain exceptions. Transactions with the Government, banks, post office savings banks, co-operative banks, Government companies, certain statutory corporations and institutions notified by the Central Government are not covered by these provisions.

An exemption is also available where both the lender and the borrower have only agricultural income and neither has any income chargeable to tax.

Further, for Primary Agricultural Credit Societies and Primary Co-operative Agricultural and Rural Development Banks, the monetary limit is **₹2,00,000** for specified transactions with their members.

Why the ₹20,000 Rule Matters

The purpose of these provisions is not merely to restrict cash transactions but to create a clear and verifiable record of financial dealings. Payments made through banking channels provide an audit trail, reduce disputes and help tax authorities verify transactions with ease.

Businesses should also remember that the limit is based on the total amount involved and not merely on the amount received or repaid on a single occasion. Splitting a transaction into smaller amounts does not avoid the application of the law if the aggregate amount exceeds the prescribed limit.

The ₹20,000 Rule at a Glance

Section	Title	Key Provision
185	Mode of taking or accepting certain loans, deposits and specified sums	Loans, deposits and specified sums of ₹20,000 or more must be accepted only through prescribed banking channels. The threshold also includes existing unpaid balances.
188	Mode of repayment of certain loans, deposits and specified advances	Repayment of loans, deposits and specified advances of ₹20,000 or more (including interest, where applicable) must be made through prescribed banking channels. Aggregate outstanding amounts are also considered.
189	Definitions	Defines terms such as "specified sum", "specified advance", "banking company", and certain co-operative institutions for the purposes of Chapter XII.

*The **₹20,000 Rule** is one of the most important compliance provisions relating to loans, deposits and property advances. Before accepting or repaying such amounts, taxpayers should always check the total outstanding balance and ensure that the transaction is routed through the prescribed banking channels. A simple shift from cash to bank payments can help avoid unnecessary tax issues and ensure smooth compliance with the Income-tax Act, 2025.*

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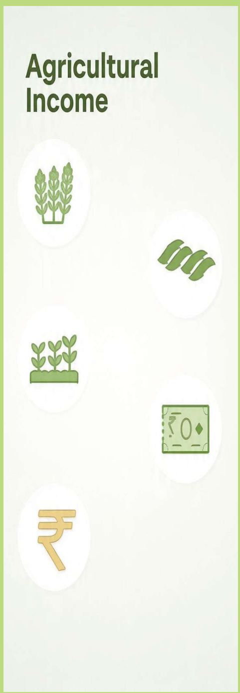
Agricultural Income [Section 2(1A)]

Agricultural Income Definition under Section 2(1A) The definition of agricultural income in Section 2(1A) is broad and includes income from cultivators and landowners who rent out the land. Agricultural income can be received in cash or kind and arises in 3 ways.

1. **Rent or Revenue from Agricultural Land**
   - ✓ Income must be derived from land situated in India used for agricultural purposes.
   - ✓ Conditions for this income to be classified as agricultural:
     - i. It must be derived from land.
     - ii. The land must be located in India (income from foreign agricultural land is taxable).
     - iii. The land must be used for agricultural activities.
   - ✓ Rent can be received by landowners or original tenants from sub-tenants, and revenue includes income beyond just rent, such as fees for leasing land.
2. **Income Derived from Agricultural Activities**
   - ✓ Agriculture: NOT defined in the Act. It generally refers to cultivation involving human skill and labour, including basic operations necessary (e.g., tilling, sowing) and subsequent operations continuation to B.O (e.g., weeding, harvesting).

   Note: Activities like dairy farming or poultry and rearing of livestock, butter and cheese making are not considered agriculture.



Whether income from nursery constitutes agricultural income?

Yes, Income from nurseries is considered agricultural income. As per Explanation 3 to Section 2(1A) of the Income Tax Act, income earned from growing saplings or seedlings in a nursery qualifies as agricultural income, even if the basic operations are not carried out on land.

- ✓ Processes to Render Produce Market-Ready: Income from processes that make agricultural produce fit for market (e.g., thrashing, cleaning) is considered agricultural income, provided these processes are ordinary and necessary.
- ✓ Sale of Agricultural Produce: Income from selling agricultural produce by cultivator or receiver of rent, is agricultural income if derived from land in India used for agriculture

Note: If the produce undergoes processes beyond ordinary market preparation, the income may be partly agricultural and partly business income. When income is both agricultural and business in nature, specific rules apply for apportionment:

Determining Market Value: *If the produce can be sold in its raw form or after ordinary processing, the market value is based on the average selling price during the relevant year. If the produce cannot be sold in its raw form, the market value is calculated by adding cultivation expenses, land revenue or rent, and a reasonable profit determined by the Assessing Officer.*

RULE	INCOME SOURCE	AGRICULTURAL INCOME (%)	BUSINESS INCOME (%)
7A	Sale of rubber products derived from rubber plants grown by the seller in India	65%	35%
7B	✓ Sale of coffee grown and cured by the seller in India	75%	25%
	✓ Sale of coffee grown, cured, roasted, and grounded by the seller in India	60%	40%
8	Sale of tea grown and manufactured by the seller in India	60%	40%

3. Income from Farm Buildings

Income derived from farm buildings necessary for agricultural operations is also considered as agricultural income provided the following conditions are satisfied:

1. Ownership and Occupancy: The building is owned and occupied by the receiver of rent or revenue from the land, or by the cultivator/receiver of rent in kind for land where agricultural processing occurs.

2. Purpose of Building: The building is used solely for agricultural purposes. Use for other purposes, including letting for residence or business, disqualifies it as agricultural income. Further the building must be:

✓ On or in the immediate Vicinity of the land.

✓ It must be required by the landowner or cultivator for residence or storage due to their connection to the land.

3. Additional Conditions: At least 1 of the following must be met:

✓ The land should be assessed to land revenue or subject to a local rate collected by government officers or

3. Additional Conditions: At least 1 of the following must be met:

✓ The land should be assessed to land revenue or subject to a local rate collected by government officers or

✓ If not assessed to land revenue, it should:

- Not be located within a municipality or cantonment area with a population of 10,000 or more.
- Not situated within a specified aerial distance from a populated area, based on population size.

Shortest aerial distance from the local limits of a municipality or cantonment board	Population according to the last preceding census which have been published before the first day of the previous year
<= 2 KMS	>10,000
>2KM BUT <=6KM	>1,00,000
>6KM BUT <= 8KM	>10,00,000

Would income arising from transfer of agricultural land situated in urban area be agricultural income?

No, as per Explanation 1 to section 2(1A), the capital gains arising from the transfer of urban agricultural land would not be treated as agricultural income under section 10 but will be taxable under section 45.

Indirect connection with land non-agricultural income does not become agricultural merely on account of its indirect connection with the land.

How India taxes Agricultural Income under the New Income-tax Act, 2025

Under the Income-tax Act, 2025, agricultural income continues to enjoy its 100% tax-exempt status at the core level.

The structural provisions governing what qualifies as farm revenue are housed under **Schedule II** (This replaces the old Section 10(1))

Alongside clear structural definitions embedded within **Section 2**.

To map out the shift between the old and the new acts, the transition is completely procedural and structural rather than a change in tax policy.

The definition of what constitutes agricultural income, the partial integration rules (indirectly taxing it by pushing your non-farm income into higher tax brackets), and the composite splits for crops like tea, coffee, and rubber remain unchanged.

However, it structurally has changed in three key ways:

Removal of Provisos: Under the old 1961 Act, definitions and exclusions were heavily layered with complex provisos and explanations. In the 2025 Act, these have been cleanly absorbed into explicit sub-sections and clauses to enhance readability.

The "Tax Year" Shift: The old act determined taxability via a dual system of the "Previous Year" (when you earned the income) and the "Assessment Year" (when it was filed). The 2025 Act completely maps agricultural reporting onto a singular "Tax Year" timeline.

Exemption Threshold Realignment: While the underlying "Partial Integration" formula remains the same, the trigger points are implicitly mapped to the updated standard slabs under the New Tax Regime—meaning partial integration now triggers when net farm income exceeds ₹5,000 and taxable non-agricultural income crosses the baseline exemption limit.

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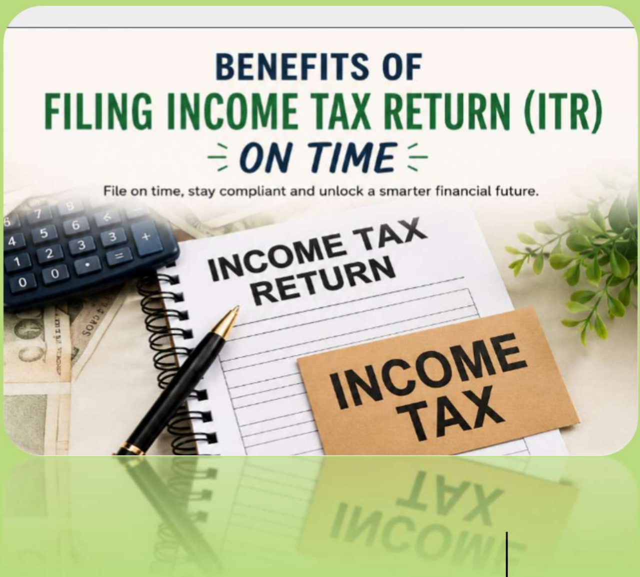
Benefits of Filing Income Tax Return (ITR) on Time

An Income Tax Return is a document that taxpayers use to declare the specifics of their income, the tax due on that income, exemptions, and deductions for a specific financial year.

Are you wondering whether you should file your income tax return or not?

Or you read somewhere that if your income is below the basic exemption limit, then you might as well skip filing your income tax return. However, before you make up your mind about not filing your ITR, it's worth considering the advantages of filing your income tax return, even if it's not mandatory.



1. Easy Loan Approval

The bank or private financers require numerous documents while processing the loan application request. The loan application may be for the purchase of vehicles (2-wheelers or 4-wheelers), home loans or personal loans for some commitments etc.,

Before they sanction, ascertaining the capability to pay-off the loan is very much necessary, it will be done based on your income earnings, income tax return acts as proof of your consistent income earning over the past periods. This is a mandatory document for loan approval.

2. Claim Tax Refund

Tax can be deducted from your interest on Fixed Deposits, Rental income, Consultancy income or Salary income. There may be instances where tax has been deducted (TDS) is more than the tax due on your total income or you have no tax liability for that year. In such cases, you must file an Income Tax Return to claim a refund of the TDS.

3. Income & Address Proof

Your Income Tax Return can serve as proof of your income and address. Aadhar Cards, licenses, passports, and other documents like those are all required to have address proofs.

4. Quick Visa Processing

When applying for a visa, most embassies and consultants require copies of your tax returns from the past couple of years. These documents are among the mandatory requirements as they illustrate the person's civic responsibility. Therefore, it is advisable to file your ITR in a timely manner.

5. Carry Forward Your Losses

One might have losses from the stock market, by doing business, loss from rental income of house property. These losses can be offset against the income of future years, thereby reducing your tax liability. Only by filing your return within the original due date, you can carry forward losses to subsequent years. Without filing an income tax return, this benefit would not be possible.

6. Obtaining Government Tenders

For contractors, these returns must be filed on time, extremely accurately, and audited (if necessary). This is especially essential when trying to obtain a government tender. The tender scrutiny committee may occasionally inspect this work, and it is a common practice to check the ITR for the last 3 to 5 years.

7. For Buying Term Insurance

To approve term insurance plans, insurance providers often require applicants to submit their Income Tax Return (ITR) records as proof of their annual income. The coverage amount is determined based on the individual's earnings, and presenting the ITR helps insurance providers assess a person's higher income level.

8. Funding for Startup Ventures

When planning to launch a new company or grow an existing one, you might require funding from outside sources like venture capitalists or seed investors. These investors might inquire about the specifics of your ITR in order to evaluate the business's financial stability and profitability. They could cross-check the data in the audited report using your ITR forms as well.

9. Evidence of Your Financial Gains

Form 16 is generally provided by employers to their employees as evidence of earnings. For self-employed individuals or independent contractors, the ITR Filing form acts as a legitimate verification of income. It offers a comprehensive summary of an individual's income and expenditures throughout the fiscal year.

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ITR-4 (Sugam) (AY 2026–27): Key Changes Every Tax Professional Should Know

The return filing season for Assessment Year (AY) 2026–27 is underway, bringing with it several important changes to the Income Tax Return (ITR) forms. Although the Income-tax Act, 2025 has come into force with effect from 1 April 2026, the returns being filed during the current season relate to income earned during Financial Year (FY) 2025–26 and continue to be governed by the Income-tax Act, 1961, as amended by the Finance Act, 2026.

Accordingly, the Income-tax Department has notified the revised ITR-4, introducing several changes aimed at enhancing transparency, strengthening system-based validations, and streamlining return processing. While many of these changes are procedural, they have significant practical implications for taxpayers opting for the presumptive taxation scheme and for professionals responsible for ensuring accurate compliance.

The key amendments are discussed below.

1. Enhanced Communication Details

The "Address for Communication" section has been comprehensively restructured.

Key Changes

- Separate fields have been introduced for **Primary Address** and **Secondary Address**.
- Contact details are now required under a dedicated section comprising:
  - Primary Phone Number
  - Secondary Mobile Number
  - Primary Email ID
  - Secondary Email ID

Significance

The revised structure enables the Income-tax Department to maintain multiple communication channels, thereby reducing the likelihood of missed notices, refund intimations, or other statutory correspondence.

2. Expanded Reporting of Tax Regime Option – Form 10IEA and Rule 12AB

One of the most significant changes in Part A relates to the disclosure of the taxpayer's choice of tax regime under **Section 115BAC**.

The revised ITR-4 now requires taxpayers to disclose:

- Whether Form 10IEA was furnished in any earlier assessment year for opting for the old tax regime, if YES then the acknowledgement number and the relevant assessment year.
- Whether the taxpayer has subsequently re-entered the new tax regime, if YES, then the details of the subsequent Form 10IEA, wherever applicable.
- Whether Form 10IEA has been furnished for the current assessment year.

What is Rule 12AB?

Rule 12AB of the Income-tax Rules, 1962 prescribes the procedure for exercising the option under **Section 115BAC**. Under the current framework, the **new tax regime is the default regime**. Taxpayers having business or professional income who wish to opt for the old tax regime are required to furnish **Form 10IEA** on or before the due date specified under **Section 139(1)**. The Rule also governs the withdrawal and re-exercise of this option in accordance with the provisions of the Act.

Significance

The enhanced disclosures facilitate automated verification of the taxpayer's tax regime with the corresponding Form 10IEA, thereby reducing inconsistencies during return processing and ensuring compliance with the prescribed procedure.

3. Simplified Representative Assessee Details

The reporting requirements relating to the representative assessee have been rationalized.

Earlier

- Name
- Capacity
- Address
- PAN/Aadhaar

Revised

- Name of Representative Assessee
- Email ID
- Contact Number

Significance

The revised reporting focuses on essential identification and communication details while eliminating redundant information.

4. Rationalisation of Salary Schedule – Section 89A

The Salary Schedule has been simplified by removing certain disclosures relating to **Section 89A**.

The omitted fields include:

- Income from a retirement benefit account maintained in a notified country.
- Income from a retirement benefit account maintained in a country other than a notified country.
- Income claimed for relief under Section 89A.

What is Section 89A?

Section 89A provides relief to resident taxpayers having income accrued in specified foreign retirement benefit accounts maintained in **notified countries**. The provision seeks to mitigate double taxation by aligning the timing of taxation in India with the year in which such income becomes taxable or is withdrawn in the foreign jurisdiction, subject to the prescribed conditions.

Significance

Since Section 89A applies only to a limited class of taxpayers maintaining specified overseas retirement accounts, removal of these reporting fields simplifies return preparation for the vast majority of taxpayers.

5. Enhanced Reporting of House Property

The schedule relating to income from house property has been significantly expanded to capture more comprehensive information.

The revised return now requires disclosure of:

- Address of the property.
- Details of co-owners, including PAN/Aadhaar and percentage of ownership.
- Tenant details.

- Mandatory PAN/Aadhaar where tax has been deducted under Section 194-IB.
- Mandatory TAN where tax has been deducted under Section 194-I.
- Amount of unrealised rent.
- Annual value attributable to the taxpayer's ownership share.

Significance

The enhanced reporting requirements facilitate accurate disclosure of rental income, improve verification of TDS claims, and strengthen system-driven validation of house property information.

6. Introduction of Reporting under Section 234I

Part D of the revised ITR-4 now contains a separate field for reporting the **fee payable under Section 234I**, wherever applicable.

What is Section 234I?

Where a person furnishes a revised return of income under section 139(5) after the expiry of **nine months** from the end of the relevant assessment year but before the expiry of **twelve months** from the end of the relevant assessment year, or before the completion of the assessment, whichever is earlier, he shall pay, by way of a fee—

The prescribed fee is:

- **₹1,000**, where the total income does not exceed **₹5 lakh**.
- **₹5,000**, in any other case.

Illustration (AY 2026–27)

Since the relevant assessment year ends on **31 March 2027**, a revised return may be furnished up to **31 December 2027** without attracting a fee under Section 234I. Where the revised return is furnished between **1 January 2028 and 31 March 2028**, the prescribed fee under Section 234I shall apply, provided the assessment has not been completed before such filing.

Significance

The inclusion of a separate reporting field ensures appropriate computation and disclosure of the applicable fee while encouraging timely correction of omissions or errors in the return.

The amendments introduced in ITR-4 for AY 2026–27 extend beyond changes in the return format. They reflect the Income-tax Department's continued focus on technology-driven compliance, enhanced data validation, and improved quality of taxpayer information. The expanded disclosures relating to Form 10IEA strengthen verification of tax regime selection, while the introduction of reporting under Section 234I aligns the return with the revised framework for furnishing revised returns. Similarly, the enhanced reporting requirements for house property and the rationalisation of disclosures relating to Section 89A and representative assessees seek to balance greater transparency with simplified compliance.

As return filing becomes increasingly digital and data-driven, tax professionals must stay abreast of these changes to ensure accurate reporting, minimise processing delays, and avoid unnecessary notices. A sound understanding of the revised ITR-4 will enable professionals to deliver efficient compliance while adding greater value to taxpayers during the current filing season.

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Data is the New Gold, and the Data Protection Act is its Guardian

Why Every Business Needs to Prioritize Data Protection

In today's digital economy, **data has become one of the most valuable assets for any business**. Customer information, employee records, financial transactions, intellectual property, and business analytics all play a crucial role in decision-making and business growth.

It is often said that **"Data is the new gold."** Much like gold, data holds immense value. However, unlike gold, it can be copied, stolen, manipulated, or misused within seconds if it is not adequately protected.

With rapid digitization, increasing cyber threats, and growing instances of data breaches, protecting personal information is no longer just a good business practice—it has become a legal necessity. Recognizing this need, India introduced the **Digital Personal Data Protection Act, 2023 (DPDP Act)** to establish a comprehensive framework for the processing and protection of digital personal data.

For businesses, professionals, and especially Chartered Accountants who deal with large volumes of confidential client information, understanding this legislation is no longer optional but essential.

Why Data is Called the New Gold

Businesses today depend heavily on data for almost every aspect of their operations, including:

- Customer relationship management
- Marketing and consumer analytics
- Financial reporting
- Payroll processing
- Tax compliance
- Credit assessment
- Artificial Intelligence and automation
- Business strategy

Every customer interaction, online transaction, and business activity generates valuable data that helps organizations make informed decisions and create long-term value.

However, with great value comes significant responsibility.

Poor data governance can lead to:

- Identity theft
- Financial fraud
- Cybercrime
- Loss of customer trust
- Regulatory penalties
- Reputational damage

India's Digital Personal Data Protection Act, 2023

The **Digital Personal Data Protection Act, 2023** is India's first comprehensive legislation dedicated to protecting personal data.

The primary objective of the Act is to strike a balance between:

- an individual's right to protect personal data; and
- the legitimate need of organizations to process such data for lawful purposes.

The Act applies to:

- Personal data collected in digital form.
- Personal data initially collected offline but subsequently digitized.
- Processing carried out within India.
- Processing outside India where goods or services are offered to individuals in India.

Key Concepts under the DPDP Act

1. Personal Data

Personal data refers to any information about an individual who can be identified, either directly or indirectly, from that information.

Examples include:

- Name
- PAN
- Aadhaar
- Mobile number
- Email address
- Financial information
- Health records
- Salary information
- Bank account details

2. Data Principal

A Data Principal is the individual to whom the personal data relates.

Examples include:

- Client
- Employee
- Customer
- Vendor (individual)

3. Data Fiduciary

A Data Fiduciary is the person or organization that determines the purpose and means of processing personal data.

Examples include:

- Companies
- Partnership firms
- Banks
- Chartered Accountant firms
- Hospitals
- Educational institutions

4. Data Processor

A Data Processor is a person or entity that processes personal data on behalf of a Data Fiduciary.

Examples include:

- Payroll service providers
- Cloud storage companies
- IT outsourcing firms
- Software vendors

Consent – The Cornerstone of Data Processing

The Act places significant emphasis on obtaining free, specific, informed, unconditional, and unambiguous consent before processing personal data.

A valid consent should:

- clearly explain why the data is being collected;
- specify how the data will be used; and
- allow the individual to withdraw consent at any time.

Businesses can no longer rely on broad or generic consent clauses.

- **Rights of Individuals**

The Act grants several important rights to individuals.

- **Right to Information**

Individuals have the right to know:

- what personal data is collected;
- why it is collected; and
- with whom it is shared.

- **Right to Correction**

Individuals can request correction of inaccurate or outdated personal information.

- **Right to Erasure**

Individuals may request deletion of their personal data once it is no longer required for the purpose for which it was collected.

- **Right to Grievance Redressal**

Individuals can raise grievances regarding the misuse or improper handling of their personal data.

- **Right to Nominate**

Individuals may nominate another person to exercise their rights under specified circumstances.

Responsibilities of Businesses

Organizations processing personal data are expected to:

- implement reasonable security safeguards;
- protect personal data from unauthorized access;
- report personal data breaches where required;
- erase personal data once the purpose for processing has been fulfilled, unless retention is required by law;
- establish an effective grievance redressal mechanism; and
- ensure that Data Processors comply with their contractual and legal obligations.

Significant Data Fiduciaries

The Government may designate certain entities as **Significant Data Fiduciaries (SDFs)** based on factors such as:

- the volume and sensitivity of personal data processed;
- the risk posed to individuals;
- the impact on national security; and
- public interest.

Such entities may have additional compliance obligations, including:

- appointment of a Data Protection Officer (DPO);
- appointment of an independent data auditor; and
- periodic compliance assessments.

Data Breaches

A personal data breach may involve:

- unauthorized access;
- disclosure;
- loss;
- alteration; or
- destruction of personal data.

When a data breach occurs, the Data Fiduciary is required to notify the **Data Protection Board of India** and the affected individuals in the manner prescribed under the Act and the applicable Rules.

Penalties

The Act provides for significant monetary penalties for non-compliance.

Depending on the nature and seriousness of the contravention, penalties may extend up to **₹250 crore** for certain failures, including the failure to implement adequate security safeguards.

The objective is not merely to penalize organizations but to encourage a stronger culture of data protection and responsible data governance.

Why This Matters for Chartered Accountants

Chartered Accountants routinely handle highly sensitive personal and financial information, including:

- Income-tax returns
- GST records
- Financial statements
- Audit documentation
- Payroll records
- PAN and Aadhaar details
- Bank statements
- Investment information

Accordingly, CA firms should strengthen their internal data governance by:

- obtaining appropriate client consent wherever necessary;
- restricting access to confidential information;
- encrypting sensitive files;
- using secure cloud-based platforms;

- implementing strong password and multi-factor authentication policies;
- regularly training employees on cybersecurity and confidentiality;
- maintaining appropriate data retention and destruction policies; and
- preparing an incident response plan for data breaches.

Today, good data governance is no longer just an IT concern—it is an essential aspect of compliance, corporate governance, and professional responsibility.

Practical Steps for Businesses

Every organization should consider the following:

1. Identify what personal data is collected.
2. Review consent mechanisms.
3. Prepare or update privacy policies.
4. Limit data collection to what is necessary.
5. Strengthen cybersecurity controls.
6. Train employees regularly.
7. Review contracts with third-party service providers.
8. Establish a data breach response framework.
9. Conduct periodic compliance reviews.

The digital economy is powered by information, making **data one of the most valuable assets of the modern age**. However, its true value can only be realized when it is handled responsibly and protected effectively.

The **Digital Personal Data Protection Act, 2023** marks a significant step in India's data privacy framework by placing greater accountability on organizations while giving individuals more control over their personal data.

For Chartered Accountants, compliance goes beyond meeting legal requirements—it is about protecting the trust that clients place in the profession. By embedding strong data protection practices into everyday operations, firms can not only ensure legal compliance but also reinforce their reputation as trusted custodians of confidential information.

"Gold builds wealth, but data builds the future. Protecting that data is not merely a legal obligation—it is a professional responsibility."

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Benefits of Cloud Accounting: Transforming the Future of Business Finance

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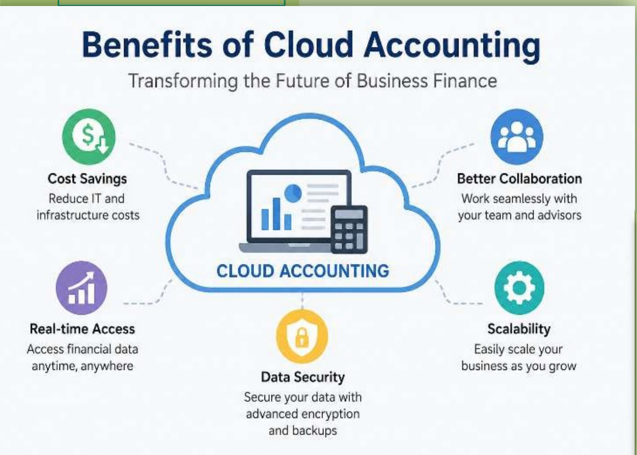
The accounting profession has undergone a remarkable transformation over the past decade. Traditional accounting systems, which relied heavily on manual record-keeping, desktop software, and physical documents, are gradually being replaced by cloud-based accounting solutions.



As businesses continue to embrace digital transformation, cloud accounting has emerged as a powerful tool that enables organizations to manage their finances more efficiently, securely, and collaboratively.

Whether it is a start-up, a growing small business, or a large enterprise, cloud accounting offers significant advantages that improve financial management, enhance productivity, and support informed decision-making.

Cloud accounting refers to the use of accounting software that is hosted on remote servers and accessed through the internet. Unlike conventional desktop-based accounting software, cloud accounting allows users to access financial information anytime and from anywhere using a computer, tablet, or smartphone. The software provider manages data storage, system maintenance, security updates, and software enhancements, allowing businesses to focus on their core operations rather than IT management.

What is Cloud Accounting?

Cloud accounting is an online accounting system where financial data is stored securely on cloud servers instead of being saved on a local computer or office server. Users can access the accounting software through a web browser or mobile application by logging into their account.

The software automatically records financial transactions, generates reports, tracks expenses, manages invoices, and maintains accounting records in real time. Since the information is stored centrally, authorized users can access the latest financial data without the need to transfer files or install software on multiple devices.

Popular cloud accounting platforms provide integrated solutions for bookkeeping, GST compliance, bank reconciliation, payroll, inventory management, and financial reporting, making them suitable for businesses across different industries.

Key Benefits of Cloud Accounting

1. Anywhere, Anytime Access

One of the most significant advantages of cloud accounting is accessibility. Business owners, accountants, auditors, and finance teams can access financial records from any location with an internet connection.

This flexibility is particularly valuable for organizations with multiple branches, remote employees, or travelling executives. It also enables accountants and clients to work together without being physically present in the same office.

2. Real-Time Financial Information

Traditional accounting systems often rely on periodic updates, resulting in delays in financial reporting. Cloud accounting updates financial information instantly whenever transactions are recorded.

Real-time information enables management to:

- Monitor cash flow.
- Review current financial performance.
- Track outstanding receivables and payables.
- Make informed business decisions.
- Respond quickly to changing business conditions.

Having access to accurate and up-to-date financial information improves planning and reduces the risk of making decisions based on outdated data.

3. Improved Collaboration

Cloud accounting enhances collaboration among business owners, finance teams, Chartered Accountants, auditors, tax consultants, and other stakeholders.

Multiple authorized users can work on the same accounting records simultaneously without creating duplicate files or conflicting versions. Changes made by one user are immediately visible to others, ensuring consistency and reducing communication gaps.

This collaborative environment significantly improves efficiency during audits, tax filings, financial reviews, and compliance reporting.

4. Automatic Software Updates

Desktop accounting software often requires manual installation of updates and patches. Cloud accounting software automatically receives updates from the service provider.

These updates may include:

- New features.
- Security enhancements.
- Performance improvements.
- Bug fixes.
- Compliance with changing tax laws and accounting regulations.

Businesses always operate on the latest version without additional installation costs or downtime.

5. Enhanced Data Security

Many businesses hesitate to move financial information online due to security concerns. However, reputable cloud accounting providers invest heavily in advanced security technologies that are often stronger than those implemented by individual businesses.

Security features generally include:

- Data encryption.
- Multi-factor authentication.
- Secure user access controls.
- Automatic backups.
- Disaster recovery systems.
- Continuous monitoring against cyber threats.

These measures help protect sensitive financial information from unauthorized access, hardware failure, or accidental loss.

6. Automatic Data Backup and Disaster Recovery

Loss of accounting data can have serious financial and operational consequences. Traditional systems depend on manual backups, which are often overlooked.

Cloud accounting automatically backs up financial information at regular intervals. In the event of hardware failure, theft, fire, or natural disasters, businesses can quickly restore their financial records without significant disruption.

Automatic backup greatly reduces operational risk and ensures business continuity.

7. Cost Savings

Cloud accounting eliminates several costs associated with traditional accounting systems.

Businesses can reduce expenses related to:

- Purchasing expensive servers.
- Software installation.
- System maintenance.
- IT infrastructure.
- Manual software upgrades.
- Data storage equipment.

Most cloud accounting providers offer subscription-based pricing, allowing businesses to pay only for the services they require.

This makes cloud accounting especially beneficial for start-ups and small businesses with limited budgets.

8. Faster Bank Reconciliation

Many cloud accounting platforms integrate directly with banking systems, allowing bank transactions to be imported automatically.

This enables businesses to:

- Match transactions quickly.
- Identify discrepancies.
- Reduce manual data entry.
- Improve accuracy.
- Save considerable time during month-end closing.

Automated bank reconciliation also strengthens internal financial controls.

9. Increased Accuracy

Manual accounting processes increase the possibility of human error.

Cloud accounting minimizes errors through:

- Automated calculations.
- Standardized accounting processes.
- Built-in validation checks.
- Automated journal entries.
- Real-time transaction recording.

Greater accuracy improves the reliability of financial statements and supports better business decisions.

10. Better Compliance Management

Regulatory requirements continue to evolve, making compliance increasingly important.

Cloud accounting software assists businesses by:

- Maintaining organized accounting records.
- Generating statutory reports.
- Supporting GST compliance.
- Tracking tax liabilities.
- Producing audit-ready financial reports.

This simplifies statutory compliance and reduces the likelihood of penalties due to reporting errors.

11. Better Cash Flow Management

Cash flow is one of the most important indicators of business health.
Cloud accounting provides dashboards that display:

- Available cash balances.
- Outstanding customer invoices.
- Upcoming supplier payments.
- Payment due dates.
- Receivable ageing.
- Payable ageing.

These insights enable businesses to improve working capital management and make timely financial decisions.

12. Scalability

As businesses grow, their accounting requirements become more complex.

Cloud accounting systems can easily scale by adding:

- More users.
- Additional business entities.
- Inventory management.
- Payroll modules.
- Project accounting.
- Advanced reporting features.

Businesses do not need to replace their accounting system each time they expand.

13. Easier Audit Process

Cloud accounting simplifies statutory audits by maintaining organized digital records.

Auditors can easily access:

- General ledger.
- Trial balance.
- Supporting documents.
- Bank reconciliations.
- Transaction history.
- Audit trails.

The availability of complete records improves audit efficiency and reduces the time required to complete audit procedures.

14. Environmentally Friendly

Cloud accounting significantly reduces paper usage.

Businesses can digitize:

- Invoices.
- Payment vouchers.
- Receipts.
- Purchase orders.
- Financial reports.
- Supporting documents.

Reduced paper consumption contributes to environmental sustainability while lowering storage costs.

Challenges to Consider

Although cloud accounting offers numerous advantages, businesses should also be aware of certain considerations:

- Reliable internet connectivity is essential.
- Employees may require training to adapt to new systems.
- Strong password management and user access controls should be maintained.
- Businesses should choose reputable software providers with robust security standards and reliable customer support.

With proper planning, these challenges can be effectively managed.

Best Practices for Successful Implementation

To maximize the benefits of cloud accounting, businesses should:

- Select software that aligns with their operational requirements.
- Implement appropriate internal controls and approval workflows.
- Regularly review user access rights.
- Perform periodic reconciliations.
- Train employees on software usage and cybersecurity awareness.
- Back up important documents even when cloud backups are available.
- Consult their Chartered Accountant before migrating historical accounting data.

Impact of Cloud Accounting on Fraud Detection and Prevention

Fraud prevention has become a major concern for organizations across all industries. Cloud accounting plays an important role in strengthening internal controls and minimizing opportunities for fraud.

Unlike traditional accounting systems, cloud-based platforms maintain detailed audit records and provide real-time monitoring of financial transactions.

Role-Based Access Control

Administrators can assign different access rights to employees based on their responsibilities. This ensures that users can access only the information necessary for their roles, reducing the risk of unauthorized transactions.

Audit Trails

Every transaction, modification, approval, or deletion is automatically recorded with details such as:

- User name
- Date and time
- Nature of changes
- Original and revised values

This creates a transparent record that can be reviewed during audits or investigations.

Real-Time Monitoring

Cloud accounting enables businesses to monitor transactions as they occur. Unusual activities can be identified immediately rather than weeks or months later.

Automated Alerts

Many cloud accounting systems generate notifications for:

- Duplicate payments
- Large or unusual transactions
- Changes to vendor master data
- Failed login attempts
- Unauthorized access attempts

Early detection enables management to investigate suspicious activities before significant losses occur.

Segregation of Duties

Cloud accounting supports approval workflows where different individuals are responsible for initiating, reviewing, and approving financial transactions.

This reduces the possibility of fraud arising from excessive control by a single individual.

Secure Authentication

Features such as Multi-Factor Authentication (MFA), password policies, encryption, and secure login procedures provide additional protection against cyber threats.

Overall, cloud accounting strengthens corporate governance by improving transparency, accountability, and internal controls, thereby reducing fraud risks and enhancing stakeholder confidence.

Examples of Popular Cloud Accounting Packages

A wide range of cloud accounting software is available to meet the diverse needs of businesses.

QuickBooks Online: QuickBooks Online is widely used by small and medium-sized businesses. It offers invoicing, expense management, bank reconciliation, payroll, inventory tracking, budgeting, and comprehensive financial reporting through an easy-to-use interface.

Xero: Xero is a popular cloud accounting solution known for its intuitive dashboard and strong collaboration capabilities. It offers real-time bank feeds, inventory management, project tracking, and integration with numerous third-party business applications.

Zoho Books: Zoho Books provides an affordable cloud accounting solution suitable for growing businesses. It includes GST-compliant invoicing, workflow automation, inventory management, recurring billing, customer management, and detailed financial reporting.

Oracle NetSuite: Oracle NetSuite is a comprehensive cloud Enterprise Resource Planning (ERP) solution designed for medium and large organizations. It combines accounting, financial management, inventory, procurement, customer relationship management (CRM), and business analytics within a single platform.

Sage Intacct: Sage Intacct offers advanced financial management capabilities such as multi-entity accounting, budgeting, revenue recognition, cash management, and sophisticated reporting, making it suitable for organizations with complex financial operations.

Microsoft Dynamics 365 Business Central: Microsoft Dynamics 365 Business Central integrates accounting, finance, sales, purchasing, inventory management, and business intelligence. Its seamless integration with Microsoft Office applications makes it a preferred choice for many organizations.

TallyPrime on Cloud: TallyPrime, one of India's most widely used accounting software solutions, can also be deployed on cloud infrastructure through authorized hosting providers. Businesses benefit from remote accessibility while retaining Tally's familiar accounting, GST, payroll, and inventory management features.

Challenges of Cloud Accounting

While cloud accounting offers numerous benefits, businesses should also consider certain challenges:

- Dependence on reliable internet connectivity.
- Initial training required for employees.
- Proper user access management is essential.
- Choosing a reputable cloud service provider is critical.
- Regular cybersecurity awareness among employees remains important.

Most of these challenges can be effectively managed through proper planning and implementation.

The Future of Cloud Accounting

Cloud accounting continues to evolve with emerging technologies such as Artificial Intelligence (AI), Machine Learning (ML), Robotic Process Automation (RPA), and predictive analytics.

Future cloud accounting solutions are expected to provide:

- Intelligent bookkeeping
- Automated invoice processing
- Predictive cash flow forecasting
- Fraud detection using AI
- Advanced business analytics
- Voice-enabled financial reporting

These innovations will further improve efficiency, accuracy, and decision-making for businesses.

Cloud accounting has revolutionized financial management by providing businesses with secure, real-time, and collaborative access to financial information. Its ability to automate routine accounting processes, improve compliance, enhance operational efficiency, and strengthen fraud prevention makes it an essential tool for modern organizations.

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TRAINEE

Procedure For Changing Name of a Company (Part ii)

NON-COMPLIANCE OF REGIONAL DIRECTOR'S ORDER

This article is a continuation of “Procedure for Changing Name of a Company (Part I),” published in the March 2026 Edition of the Newsletter. The procedure discussed in Part I applies where the company complies with the direction issued by the Regional Director within the prescribed time. In certain cases, the company may fail to complete the name change within the time specified in the order. Such non-compliance results in the provisions of Section 16(3) of the Companies Act, 2013 becoming applicable. This article examines the legal consequences of such non-compliance and the practical course of action available in such situations.

CONSEQUENCES OF NON-COMPLIANCE

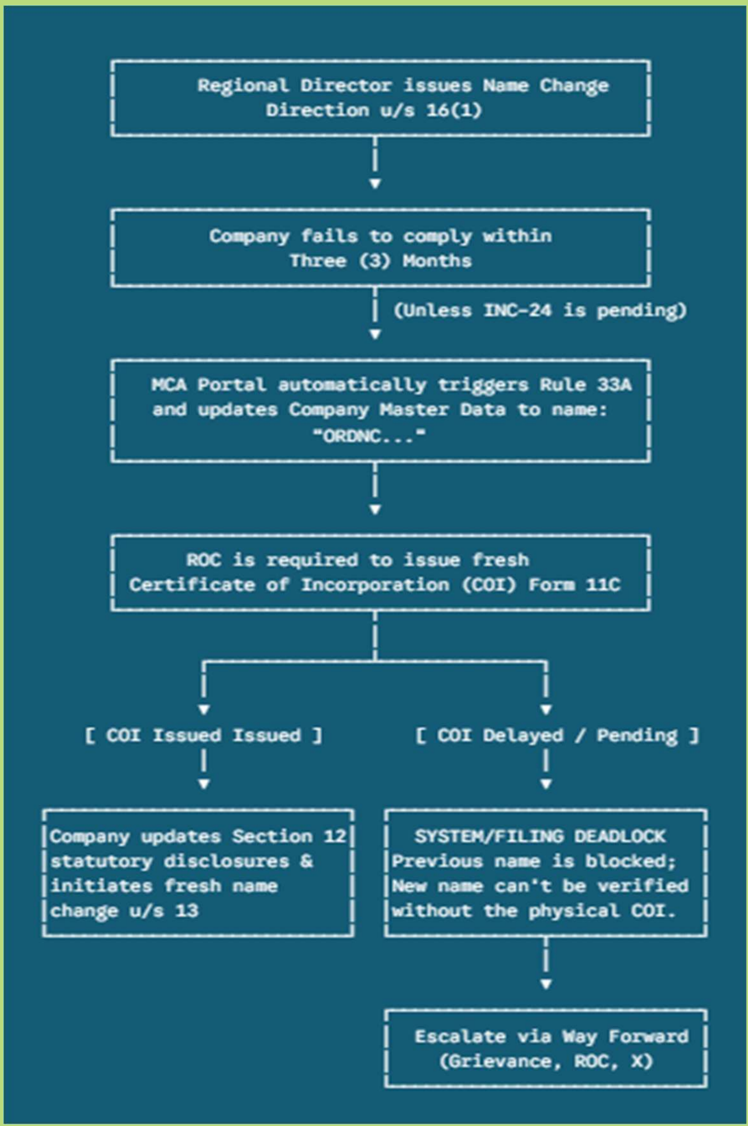
Where a company fails to comply with the direction issued by the Central Government under Section 16(1), the Registrar does not wait indefinitely for the company to complete the process. Instead, the Companies Act, 2013 empowers the Central Government to allot a new name to the company.

Based on Section 16(3) of the Companies Act, 2013, where a company fails to comply with the direction issued under Section 16(1) within the prescribed period, the Central Government shall allot a new name to the company and the Registrar shall enter such name in the Register of Companies and issue a fresh Certificate of Incorporation with the new name.

ALLOTMENT OF NAME BY ROC

The procedure for allotment of such name has been prescribed under Rule 33A of the Companies (Incorporation) Rules, 2014.

Based on Rule 33A(1) of the Companies (Incorporation) Rules, 2014 read with Section 16(3) of the Companies Act, 2013, where a company fails to change its name in accordance with the direction issued under Section 16(1) within a period of three months from the date of such direction, the letters “ORDNC” (Order of Regional Director Not Complied), the year of passing of the direction, the serial number and the existing Corporate Identity Number (CIN) of the company shall become the new name of the company without any further act or deed by the company. Accordingly, the Registrar enters the newly allotted name in the Register of Companies and issues a fresh Certificate of Incorporation in Form INC-11C.



Exception: The above provision shall not apply where e-Form INC-24 filed by the company is pending for disposal on expiry of the three-month period from the date of the Regional Director's direction. In such cases, Rule 33A becomes applicable only if the said e-Form is subsequently rejected.

Thereafter, based on Rule 33A(2) of the Companies (Incorporation) Rules, 2014, once the Registrar allots the ORDNC name, the company shall immediately comply with the provisions of Section 12 of the Companies Act, 2013.

Further, wherever the name of the company is printed, affixed or engraved, the following statement shall also be mentioned below the name: "Order of Regional Director Not Complied (under Section 16 of the Companies Act, 2013)." This requirement continues until the company subsequently changes its name in accordance with the provisions of Section 13 of the Companies Act, 2013.

PRACTICAL DIFFICULTY FACED BY COMPANIES

In practice, it has been observed that although the Master Data of the company reflects the newly allotted ORDNC name, the fresh Certificate of Incorporation is not issued immediately in certain cases. This creates a practical difficulty for the company.

Since the Master Data already reflects the changed name, the company is no longer able to carry out statutory filings in its previous name. At the same time, in the absence of a fresh Certificate of Incorporation, filings under the newly allotted name also cannot be completed.

In such situations, the following course of action may be adopted.

1. Raise MCA Grievances for Every Technical Issue

If any e-form required for giving effect to the Regional Director's order is blocked or cannot be filed due to a technical issue on the MCA Portal, a separate grievance should be raised for each affected form through the MCA Helpdesk. Screenshots of the error message or portal issue should be attached with every grievance to enable the MCA technical team to understand the issue clearly.

It is advisable to regularly monitor the status of each grievance. Once a response is received from MCA, the company must review whether the issue has actually been resolved. If the issue continues to persist, the option "Issue Not Resolved" should be selected within five days of receiving the response. Failure to do so would require a fresh grievance to be raised, resulting in unnecessary delay.

2. **Submit a Change Request for Alteration of Master Data**

Where the company possesses an approved RUN application that is still valid but is unable to proceed with the filing of subsequent forms due to system restrictions or blocked forms, a Change Request may be submitted on the MCA Portal requesting alteration of the company's master data. Since the Change Request facility generally remains accessible even when other forms are blocked, it can be effectively utilized to request MCA to update the master data so that further filings relating to the approved name change can be completed.

3. **Approach the Jurisdictional Registrar of Companies (ROC)**

The company should communicate the issue to its jurisdictional Registrar of Companies by way of a detailed email explaining the technical difficulties being faced on the MCA Portal.

The email should enclose:

(a) Copy of the Regional Director's order;
(b) Screenshots of the technical errors encountered while filing forms;
(c) Copies of grievances raised with the MCA Helpdesk along with their responses, if any; and
(d) Any other supporting documents relevant to the issue.

Where necessary, representatives of the company may also personally visit the office of the concerned ROC to explain the matter and seek assistance in resolving the issue at the earliest.

4. **Escalation to the Ministry of Corporate Affairs**

Where the Certificate of Incorporation is still not issued despite repeated follow-up, the matter may be escalated by tagging the official handle of the Ministry of Corporate Affairs on X (formerly Twitter).

The communication should briefly explain that:

(a) The company has already been allotted the ORDNC name;
(b) The Master Data has been updated;
(c) The fresh Certificate of Incorporation has not been issued; and
(d) Statutory filings are pending solely due to non-issuance of the Certificate of Incorporation.

IMPACT ON OTHER STATUTORY FILINGS

When a company's name is forcefully changed to an "ORDNC" format on the MCA Portal, it triggers a cascading compliance mismatch across other government portals. If the fresh Certificate of Incorporation (COI) is delayed, the company faces severe regulatory friction:

1. **Income Tax Returns (ITR) & PAN:** The Income Tax Department's database syncs periodically with the MCA database. A mismatch between the company's legal name on the MCA portal ("ORDNC...") and the name on its existing PAN card can lead to the rejection of e-filed ITRs, inability to download Form 26AS/AIS, or issues in validating Digital Signature Certificates (DSC) during filing.

2. **Goods and Services Tax (GST):** Pursuant to Section 28 of the Central Goods and Services Tax Act, 2017 read with the applicable provisions of the CGST Rules, any change in the legal name of a registered person is required to be intimated by filing Form GST REG-14 within 15 days of such change. Since a change in the legal name constitutes a core amendment to the GST registration, the fresh Certificate of Incorporation issued by the Registrar of Companies is required as a supporting document.

3. **Trademarks (TM):** If the name change was originally ordered because it conflicted with an existing registered trademark, failure to comply within the timeline leaves the company vulnerable to contempt or infringement litigation from the trademark owner. Furthermore, the company cannot file assignments, renewals, or new trademark applications under its older name, while applications under the new name require the unavailable COI as proof of legal entity status.

4. **Banking and Financial Operations:** Banks strictly verify MCA Master Data for corporate accounts. A sudden shift to an "ORDNC" name without an accompanying COI can lead to banks freezing operations, pausing line-of-credit renewals, or halting foreign outward/inward remittances due to failed KYC update.

Once the Registrar issues the fresh Certificate of Incorporation in the ORDNC name, the company may proceed with changing its name to the desired name by following the normal procedure discussed in Part I.

Section 16(3) read with Rule 33A ensures that a company cannot continue with a non-compliant name after expiry of the period specified in the Regional Director's order. Although the Registrar allots a new name automatically, delay in issuance of the fresh Certificate of Incorporation may temporarily restrict the company from making statutory filings. Timely follow-up with the Registrar is therefore essential to obtain the fresh Certificate of Incorporation and thereafter complete the regular name change process.

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12A & 80G: The Blueprint for a Tax-Exempt & Donor-Ready NGO

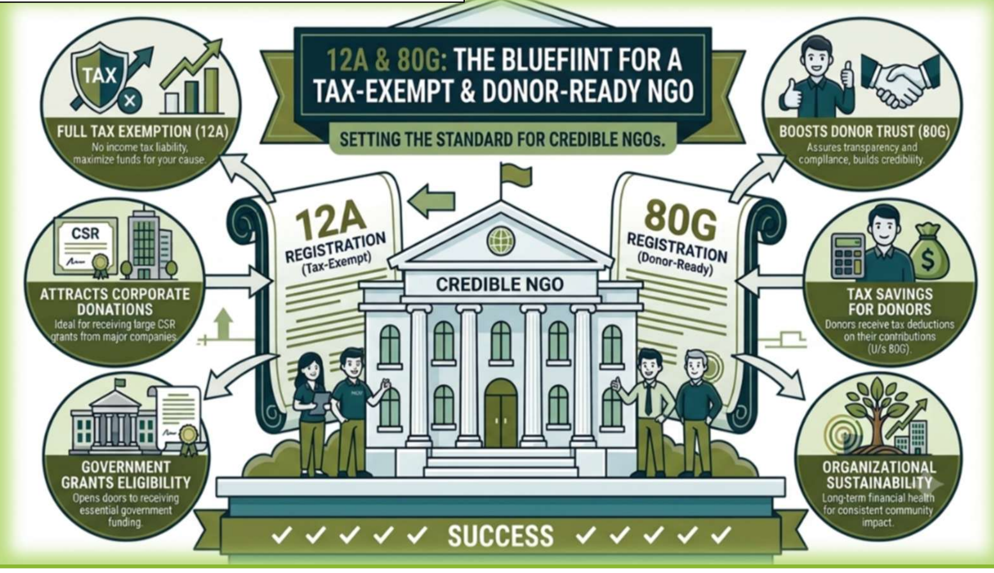
Setting the standard for credible NGOs.

Building a charitable trust is an act of vision; registering it is an act of precision. In the world of non-profits, 12A and 80G (Sections 332 and 354 respectively under Income Tax Act 2025) aren't just alphanumeric codes—they are the legal bedrock that transforms a passionate project into a tax-exempt, donor-ready institution.

But the blueprint has changed. From 'Provisional' starts to 'Regular' conversions, the path to a 10-year registration is now a strictly timed relay race. As per the Income-tax framework, an ***NPO (Non-Profit Organisation)*** *means a* ***registered non-profit organisation established for charitable or religious purposes****, where the income and assets are applied towards its objectives and not distributed to members.*

Decoding The Foundation of a Compliant & Credible NGO:

Eligibility for 12A & 80G registration is not open to every organization—*it is meant for genuine, structured, and compliant charitable entities*. An NGO must be registered as a Trust, Society, or Section 8 Company and should operate with clear non-profit objectives such as education, medical relief, relief of the poor, or other activities of public charitable purpose. The organization must maintain proper books of accounts, follow transparent governance practices, and ensure that its income is used strictly for charitable activities without any profit distribution to members or founders. In simple terms, 12A & 80G are granted only to NGOs that are legally established, purpose-driven, and financially accountable in their operations. **CIT (Exemptions)** is the Income Tax authority responsible for granting, regulating, and monitoring tax exemptions available to trusts, charitable institutions, and other non-profit organisations.



The Duo: 12A & 80G

- **Section 12A (The Shield):** Makes your Trust's income tax-free.
  - **Purpose:** It grants the trust a "tax-exempt" status. Without 12A, a trust is taxed like an Association of Persons (AOP) on its entire surplus.
  - **The Benefit:** Once registered, the income earned by the trust (donations, interest, etc.) is **exempt from tax**, provided it is applied towards charitable objects in India.
- **Section 80G (The Magnet):** Gives your donors tax deduction.
  - **Purpose:** It doesn't benefit the trust directly but enhances its ability to raise funds.
  - **The Benefit:** Donors can claim a 50% or 100% deduction of the donated amount from their taxable income based on the eligibility as notified by CBDT from time to time.

The 2026 NGO Form Finder

Form Name in IT Act 1961 IT Act, 2025	Category	Purpose & Usage
Form 10A= **Form 104**	**Application**	For Provisional Registration (New Trusts), fresh registration, or migration to the new registration regime. *Due Date: At least **1 month** prior to commencement of the relevant previous year.*
Form 10AB= **Form 105**	**Application**	For Final/Regular Registration (converting from provisional) or Renewing your 5/10-year term depending upon the eligibility. *Due Date: Within **6 months** of commencing activities OR 6 months before expiry of the 3-year provisional period (whichever is earlier).*
Form 10AC= **Form 106**	**Order/Certificate**	The official Registration Certificate issued by the Department. It contains your Unique Registration Number (URN). It is issued for both 12A and 80G registration.
Form 10BD= **Form 113**	**Statement**	The Annual Statement of Donations. Must be filed by May 31st each year to ensure donors get their 80G benefits. *Due Date: **31st May** of the following financial year.*
Form 10BE= **Form 114**	**Certificate**	The Certificate of Donation generated for the donor after you file Form 10BD.
Form 9A= **Form 108**	**Deemed a Application Of Income**	*Example* Trust income during FY 2025-26 = ₹10,00,000 Required application (85%) = ₹8,50,000. Only ₹7,00,000 could be spent due to late receipt of donations. The trust opts to spend the balance in the next year and files **Form 9A**.
Form 10= **Form 109**	**Statement for Accumulation Or Setting Apart Of Income**	*Example* Trust income during FY 2025-26 = ₹10,00,000 Required application (85%) = ₹8,50,000 The trust wants to construct a school building after 3 years and therefore accumulates part of its income for that purpose. It files **Form 10** specifying the purpose and period of accumulation.

Form Name in IT Act 1961 IT Act, 2025	Category	Purpose & Usage
Form 10B / 10BB= Form 112	Audit Report	The mandatory audit report for charitable trusts. Form 10B is applicable where total income exceeds ₹5 crore, or where the trust has received foreign contributions, or has applied income outside India. Form 10BB is applicable in all other cases. *Due Date: **30 September** of the year following the tax year*
ITR-7	Tax Return	The specific Income Tax Return form for all charitable trusts and RNPOs (Registered Non-Profit Organisations). *Due Date: **31 October** of the year following the tax year (where audit is applicable)*

The Documentation Vault
(The Essentials):

The Document Checklist (Form 10A - New)

- Trust Deed / MoA (Self-certified)
- NGO PAN Card
- Board Members PAN & Aadhaar
- Registered Office Address Proof
- FCRA Certificate (if applicable)

The Evidence Checklist (Form 10AB - Renewal)

- Form 112 (Audit Report) for the last 3 years
- Comprehensive Activity Report (Photos & Proof)
- Donor List with PAN details (if required by Authority)
- Original 10AC (Form 106) Approval Order
- Copy of latest ITR-7 filed for the relevant years
- Compliance documents such as Form 113 and Form 114, wherever applicable
- Details of bank accounts and major sources of income

Grant of Registration Form 10AC (The "Result" of your application)

1. For Provisional Registration (Form 10A)

- The Process: Since Form 10A is for new trusts that haven't started activities yet, the system is designed to be automated. Generally, once you submit Form 10A and it passes the basic validation, the CPC (Centralised Processing Centre) generates Form 10AC electronically.
- Result: You get a 3-year "Provisional" certificate and your Unique Registration Number (URN).

2. For Regular/Final Registration (Form 10AB)

- The Process: This is not automated. The CIT(Exemptions) will review your 10AB application, look at your "Note on Activities," and may even call for clarifications. Electronic hearing is generally permitted during the verification process, allowing applicants to furnish explanations and supporting documents before the CIT (Exemptions) prior to the passing of the registration or renewal order.
- Result: If satisfied, they issue Form 10AC with a 5-year validity.

Major Common Reasons for 12A/80G Rejection in 2026

The biggest reason for rejection isn't a lack of good work—it's inconsistent data

- The absence of non-negotiable clauses that must be in your Trust Deed. Examples include:
    - **Beneficiaries must be the general public** or a sufficiently large section of the public, and not specific individuals.
    - The trust shall be **irrevocable** and its income/assets shall be used only for its stated charitable or religious objects.
    - Benefits shall be provided **without discrimination based on caste, creed, religion, race, sex, or community**.
    - The trust **shall not carry on any business activity** unless specifically permitted by law and incidental to the attainment of its objects.
    - No part of the income or property of the trust shall be distributed to the trustees, founders, or specified persons for private benefit.
    - Upon dissolution, the remaining assets shall be transferred to another trust/institution having similar charitable objects and not distributed among members.
- Object-Activity Mismatch: Carrying out activities (e.g., healthcare) that are not explicitly mentioned in your "Objects Clause" in the Trust Deed (e.g., only education).
- Missing the "6-Month" Window: Failing to file Form 10AB within 6 months of starting your charitable projects. If you wait until your 3-year provisional period ends, it's often too late.
- Inconsistent KYC Data: Discrepancies between names on the Trust Deed and names on the Board Members PAN/Aadhaar cards. The system flags even minor spelling differences.
- Inadequate "Note on Activities": Providing a vague summary instead of a detailed report with dates, locations, beneficiary counts, and photographic evidence.
- Non-Response to Notices: Missing the "Show Cause" notice in the 'Pending Actions' tab of the e-filing portal. If you don't reply within 15 days, the CIT issues a "Rejection for Non-Compliance."
- Commercial Undertakings: Showing significant income from business-like activities (selling products/services) without proving they are "incidental" to your main charitable goal.
- Commercial receipts from beneficiaries or the public exceeding the permissible limit, **(>20%)** resulting in the organisation being regarded as carrying on business rather than charitable activities.
- Failure to furnish mandatory declarations, undertakings, affidavits, or supporting documents required by the CIT (Exemptions).
- **Incorrect selection** of the applicable section/clause in Form 104 or Form 105, resulting in a defective application.
- Failure to apply at least **85% of income** towards charitable or religious purposes, or non-compliance with accumulation provisions (Form 108/Form 109).

Invalid Digital Signatures (DSC): Using an expired DSC or the DSC of a Board Member who is not the "Authorised Signatory" on the portal.

Extended Registration Validity for Charitable Trusts under Finance Act 2025

The Finance Act 2025 introduces a key compliance relief for charitable trusts under Section 12A of Income Tax Act by allowing smaller trusts whose total income does not exceed **₹5 crore** in the preceding years to obtain registration validity of up to **10 years** instead of the earlier 5-year cycle. Provisional registration via Form 10A continues for 3 years, while final registration through Form 10AB will be granted based on eligibility conditions. However, approvals under Section 80G of Income Tax Act are likely to continue with a 5-year renewal requirement.

*Sections (**332–355**) form the dedicated code for Registered Non-Profit Organisations under Chapter XVII of the Income-tax Act, 2025.*

SECTIONS (332–355) – REGISTERED NON-PROFIT ORGANISATIONS UNDER CHAPTER XVII OF THE INCOME-TAX ACT, 2025

Sections 332–355 form the dedicated code for Registered Non-Profit Organisations under Chapter XVII of the Income-tax Act, 2025.

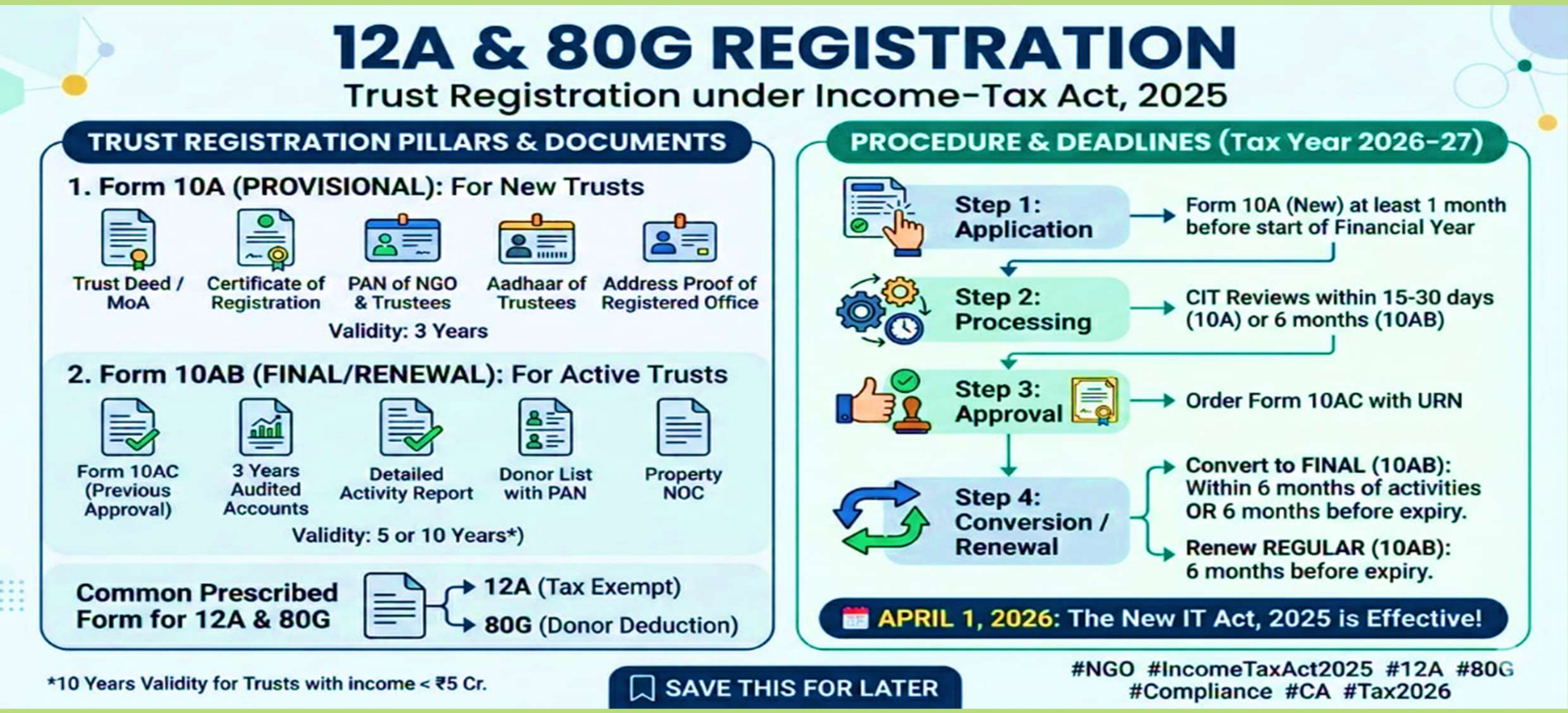
Section No.	Particulars	Section No.	Particulars
332	Registration of Registered Non-Profit Organisation (NPO)	344	Business Undertaking Held as Property
333	Switching over of regimes	345	Restriction on Commercial Activities
334	Tax on income of Registered NPO	346	Restriction on Commercial Activities of General Public Utility Trusts
335	Regular Income	347	Maintenance of Books of Account
336	Taxable Regular Income	348	Audit of Registered NPO
337	Specified Income	349	Return of Income (ITR-7)
338	Income not to be included in Regular Income	350	Permitted Modes of Investment
339	Corpus Donation	351	Specified Violation
340	Deemed Corpus Donation	352	Tax on Accreted Income
341	Application of Income	353	Other Violations
342	Accumulation of Income	354	Approval for Donation Deduction (80G equivalent)
343	Deemed Accumulated Income	355	Interpretation

DARPAN (NGO-DARPAN)

DARPAN (NGO-DARPAN) is an online portal developed by the NITI Aayog for registering and maintaining a database of NGOs, Trusts, Societies, and other Non-Profit Organisations (NPOs) in India. Upon registration, an organisation receives a unique DARPAN ID, which is often required for availing government grants and schemes.

Benefits of DARPAN Registration

- Obtains a unique DARPAN ID for the organisation.
- Enhances credibility and transparency.
- Facilitates access to government grants and schemes.
- Improves communication with government departments.
- Creates a centralized record of organisational details.
- Strengthens compliance and regulatory reporting.
- Increases visibility and recognition of the organisation.



Compliance is your NGO's strongest Asset

In the new era of the Income-Tax Act, 2025, tax registration has evolved from a one-time bureaucratic hurdle into a continuous lifecycle of credibility. A "good heart" drives your mission, but 12A and 80G provide the legal oxygen that allows it to breathe. By securing your RNPO status (Registered Non-Profit Organisation), you aren't just saving on taxes—you are building an institution that global donors, CSR heads, and the government can trust implicitly.

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ACCOUNTS EXECUTIVE

Can Financial Statements Tell a Story?

Beyond Numbers and Compliance

When people hear the term *financial statements*, they usually think about:

- Profit figures
- Balance sheets
- Taxes and audits
- Complex accounting terms

For many, these statements are simply compliance documents prepared every year. But in reality, financial statements reveal much more than numbers.

They tell us:

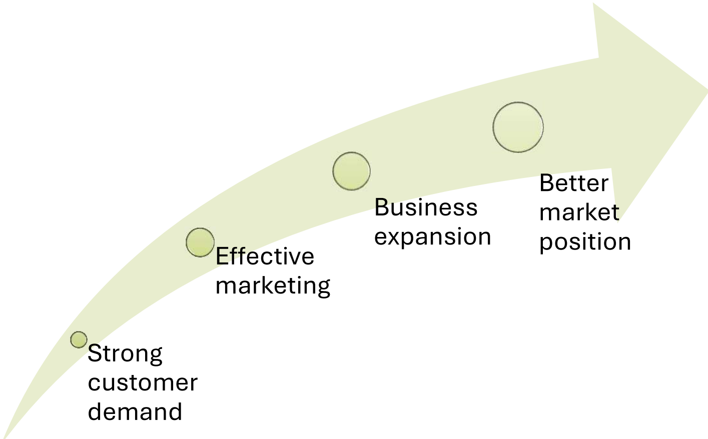
- How a business is growing
- Where it is struggling
- Whether management decisions are effective
- If the company is financially healthy

In simple words, financial statements reflect the journey of a business.

1) Revenue: The Story of Growth

Revenue or sales is usually the first thing people notice.

- **Increasing sales may indicate:**



- However, higher sales do not always mean better financial health.

- **Example:**

A company reports:

- 30% increase in sales
- 70% increase in receivables

This may indicate:

- Customers are not paying on time
- Weak collection systems
- Possible cash flow problems

- **Key Learning:**

Sales figures alone never tell the full story

2) Profitability: Looking Beyond Profits

Many people consider profit as the ultimate sign of success. But profits alone can sometimes be misleading.

Declining profit margins may indicate:

Operational inefficiency

Rising production costs

Poor pricing strategies

Intense competition

❖ **Important Point:**

A company may show high profits while facing internal operational problems.

❖ **Example:**

If a company cuts:

- Employee training
- Maintenance expenses
- Quality controls

Profits may improve temporarily, but future business performance may suffer.

3) Cash Flow: The Real Financial Picture

Among all financial statements, the cash flow statement often tells the most realistic story.

"Profit is theory, but cash is reality."

❖ **Strong cash flow indicates:**

A. Healthy business operations
B. Timely collections
C. Financial stability

❖ **Weak cash flow may indicate:**

Collection issues

Poor working capital management

Dependence on borrowings

Liquidity problems

❖ **Example:**

A company may report high profits but still struggle to:

- Pay salaries
- Pay suppliers
- Repay loans

This happens when cash inflows are weak despite strong accounting profits.

❖ **Key Learning:**

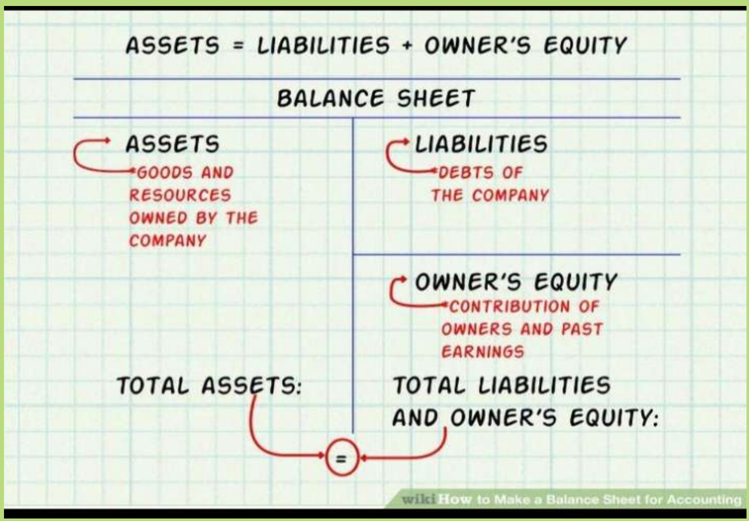
Cash flow reveals the actual financial strength of a business.

4) Balance Sheet: A Reflection of Business Health

The balance sheet shows:

- What the company owns
- What the company owes

It reflects the overall financial condition of the business.



Key Indicators in a Balance Sheet

Indicator	What It May Indicate
Increasing debt	Expansion or financial dependency
Excessive inventory	Slow-moving products
Large receivables	Collection difficulties
Declining reserves	Financial pressure

❖ Investments also tell a story:
- Investment in technology → Future growth plans
- Expansion of infrastructure → Long-term vision
- No major investment for years → Possible stagnation

❖ Key Learning:
The balance sheet reflects the long-term direction of a company.

5) Notes to Accounts: Small Details, Big Meaning

Many readers ignore the notes to accounts, but they often contain the most important information.

❖ Notes may disclose:

- Contingent liabilities
- Legal disputes
- Related-party transactions
- Loan defaults
- Changes in accounting policies

❖ Example:

A company may report strong profits but also disclose a major legal dispute in the notes.

This changes the overall understanding of the company's future risks.

❖ Key Learning:

Sometimes the real story is hidden in the disclosures.

Financial Statements and Warning Signs

Financial statements also help identify early warning signs.

❖ **Common Red Flags:**
- Mismatch between profits and cash flow
- Rapid increase in debt
- Abnormal related-party transactions
- Large year-end adjustments
- Unusual inventory growth

These indicators do not always mean fraud, but they suggest the need for deeper analysis.

❖ **Key Learning:**

Unusual financial patterns usually have underlying business reasons.

Why Interpretation Matters

Financial statements do not directly explain everything. Their real value lies in interpretation.

Different users analyze financial statements differently:

User	Main Focus
Investors	Growth and returns
Banks	Repayment capacity
Auditors	Risk and compliance
Management	Performance and planning

- **Key Learning:**

Understanding financial statements requires analytical thinking and professional judgment.

Financial statements are much more than accounting documents prepared for compliance purposes.

They reveal:

- *Business growth*
- *Operational efficiency*
- *Financial stability*
- *Risks and future challenges*

Revenue shows growth patterns, profits reflect efficiency, cash flow reveals reality, and balance sheets highlight financial health.

For professionals who know how to interpret them carefully, financial statements become powerful tools for understanding businesses beyond numbers.

Because in the end, every financial statement tells a story — a story of decisions, challenges, risks, and future possibilities.

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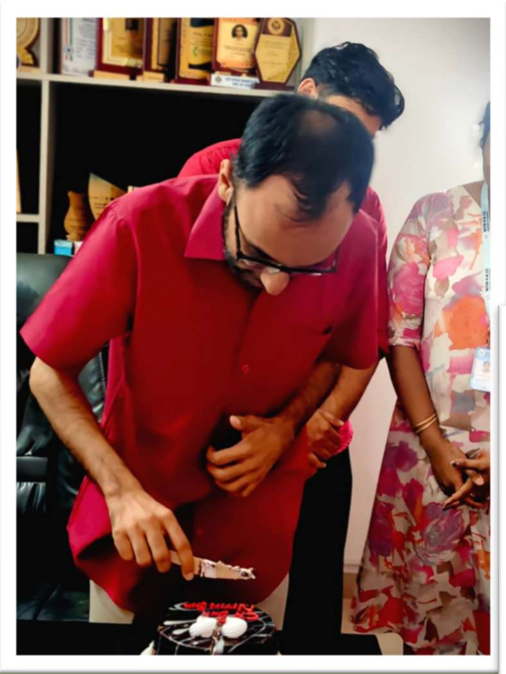
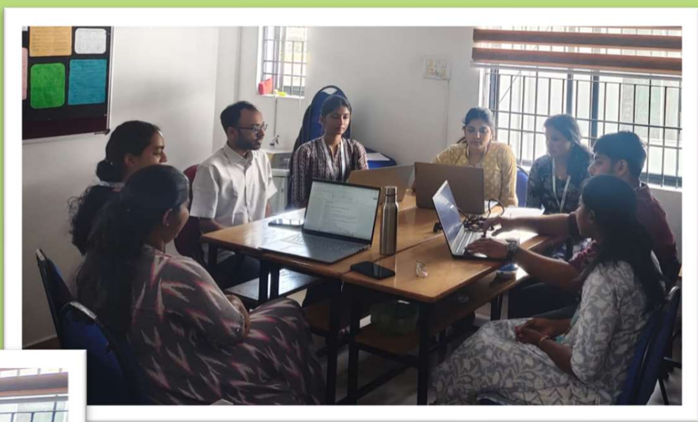
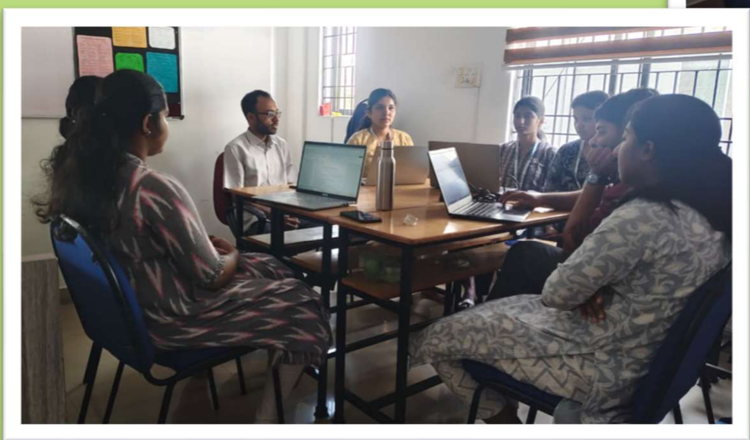
CA DAY CELEBRATION 2026

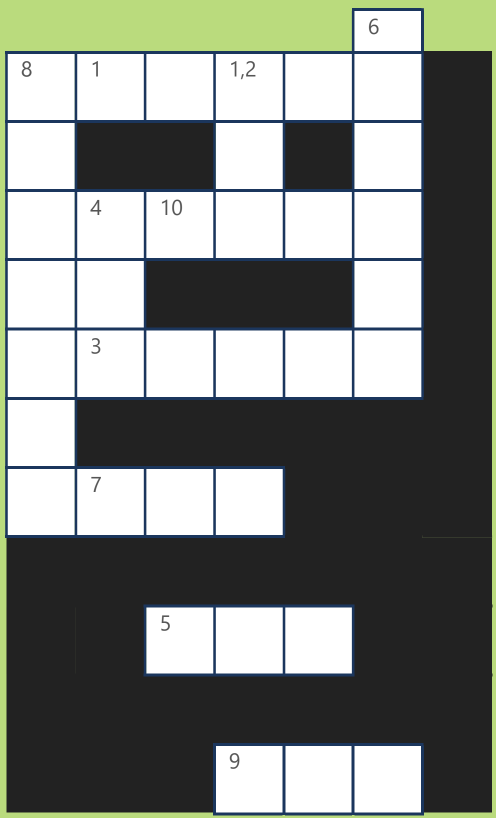


July 2026 Session Highlights





FINANCIAL & REGULATORY CROSSWORD



ACROSS

Clue	Length
1. Foreign Exchange Management Act	4
3. Independent examination of accounts	5
5. Indirect tax on supply	3
7. Tax deducted at source	3
9. Registrar of Companies	3
10. Permanent Account Number	3

DOWN

Clue	Length
2. Ministry administering Companies Act	3
4. Corporate Identification Number	3
6. Auditor's final document	6
8. Supporting accounting document	7

The answers from last month's crossword are also included for reference to help you revise and track your progress.

1 Across	AUDIT
2 Across	TAXABLE
3 Across	LEDGER
4 Across	GST
5 Down	INDIA

SUDEEKSHA

e-Newsletter from NITIN N & CO. Chartered Accountants

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THANK YOU!

Scan the for more.