

The Institute of Chartered Accountants of India

(Setup by an Act of Parliament)



Visakhapatnam Branch e-Newsletter



MARCH - 2025

Chairman

CA. Sridhar Andhavarapu

Secretary

CA. Ramu Naidu N

Editor

CA. Mogalapalli P GuruMurthy



CA. Dr. K. Parvathi Kumar
Vedika





Chairman Writes ...



శుక్లాం బరధరం విష్ణుం శశివర్ణం చతుర్భుజమ్ । ప్రసన్న వదనం ధ్యాయేత్ సర్వ విఘ్నోపశాంతయే ॥
 యస్యద్విరద వక్త్రాద్యాః పారిషద్యాః పరశ్శతమ్ । విఘ్నం నిఘ్నంతు సతతం విష్వక్సేనం తమాశ్రయే ॥
 జ్ఞానానందమయం దేవం నిర్మలం స్పదికాకృతం ఆధారం సర్వ విద్యానాం హయగ్రీవ ఉపాస్తవే

We worship Hayagriva, the embodiment of wisdom and bliss, who is pure like crystal, and the foundation of all knowledge.

Respected Members of Visakhapatnam Branch,

With immense responsibility and honour that I assume the role as the 42nd Chairman of our esteemed branch of ICAI, with the vision to conduct branch programs through the enabling role of the profession by joining with the theme of partners in nation building. As I embark a new journey and accept the mantle of Chairmanship stepping into this position of leadership, it fills me with an overwhelming sense of gratitude and elation, yet I'm aware of the responsibility that accompanies it, which I wholeheartedly accept with utmost sincerity and determination. I pray to the Almighty to grant me with the strength and fortitude to elevate our esteemed profession to an even higher pedestal and demonstrate my worthiness of the trust bestowed upon me.

With profound gratitude, I extend my heartfelt appreciation to my teachers, mentors, principal, family, colleagues, and members of ICAI, who stood as a guiding force who has supported and inspired me, for my journey and strengthening my resolve to serve the profession. I also express my sincere gratitude to the outgoing Chairman CA. Anirban Pal whose systematic execution of work execution set a standard in branch administration.

I extend my heartiest congratulations to the newly elected President CA. Charanjot Singh Nanda and Vice

President CA. Prasanna Kumar D., Central Council Members, Office Bearers of ICAI. Notably, this is the first Committee constituted for a term of 4 years. As thought leaders, their expertise, dedication, and commitment will be instrumental in propelling ICAI to new heights on the global stage. Their relentless efforts toward excellence will undoubtedly strengthen the Institute's standing as a Partner in Nation development.

I also congratulate the newly elected Chairperson CA. Revathi S Raghunathan, Vice Chairman CA. Muppala Subbarao, Secretary CA. Deepa Varghese, Treasurer CA. Bhanu Narayan Rao Y V and other office bearers.

I convey my best regards to our beloved most Respected Centre Council Member and Vice President CA. Prasanna Kumar D Garu for his guidance throughout in organising the branch elections and managing committee elections. I express my sincere thanks to Senior Member of the branch Sri CA.VSN Murthy garu for conducting oath taking ceremony of Managing Committee Members and installation of new office bearers and gracing the occasion.

I extend my deepest gratitude to all the members who took time to come and vote to elect the Managing Committee of Visakhapatnam Branch of ICAI, with 455 members voted at the branch—the highest number turned out at the branch within a span of 10 hours on a Sunday, before main festival Sankranti. This participation in good numbers, showcases the commitment and determination to elect the leaders and expectation from the elected leaders.

This election has a significance as it was conducted for

the ICAI Visakhapatnam Branch after almost 8 terms (24 years). The opportunity to elect a new committee after such a long gap reflects the belongingness and commitment of our members in strengthening our profession through active participation in branch activities.

I urge every member to actively participate in all branch events. Your involvement will not only strengthen the branch performance but also encourage the committee members to organise better programs and activities.

Being the first Chairman from the newly elected committee, I am deeply honoured and humbled by the trust placed in me by our members and past Chairmen. I extend my heartfelt gratitude to all who have supported and believed in me. I assure you of my unwavering commitment to serve this branch with sincerity and dedication.

My plan of action for the year ahead is guided by three core principles:

1. **Empowering our members:** We will focus on providing our members with the resources, knowledge, and skills they need to thrive in an ever-evolving professional landscape. This includes:
 - ❖ Enhanced Continuing Professional Education (CPE)
 - ❖ Mentorship and networking
 - ❖ Career development
 - ❖ Shared Resources and Knowledge Hub
 - ❖ Important Publications for Professional Use
2. **Promoting professional excellence:** We will strive to uphold the highest standards of professional conduct and ethics among our members. This includes:
 - ✓ **Ethics and governance initiatives:** We will organize workshops and discussions on ethical dilemmas and best practices in corporate governance to reinforce the importance of integrity in our profession.
 - ✓ **Quality assurance:** We will promote quality assurance practices among our members to ensure the highest standards of professional service.
3. **Engaging with the community:** We will actively engage with the community to promote financial literacy and awareness. This includes:
 - **Financial literacy programs:** We will conduct workshops and seminars for

students, entrepreneurs, and the general public to enhance their understanding of financial matters.

- **Community outreach:** We will collaborate with local organizations to promote Chartered Accountancy Profession.

Understanding the importance of participation and inclusivity, I propose to set the One-time CPE Annual fee at Rs. 3,000 + GST for New members with less than 3 years in membership and at Rs. 6,000 + GST for other members. This decision is aimed at encouraging wider participation and extending the benefits of the programs and initiatives that we have planned. I appeal to all the members to consider subscribing to this annual payment scheme for wider participation in the CPE programs being conducted.

I take this opportunity to invite you all to contribute articles to our newsletters with your insights and sharing your knowledge and experiences for the benefit of the members of the branch.

I'm committed to organise various CPE programs, full day programs on Saturdays and 3 hour programs on Wednesdays. Please follow the newsletter regularly for the details of the CPE programs to be conducted during each month.

I am committed to open communication and collaboration, and I encourage you to share your ideas and feedback as we move forward.

Conclusion:

In conclusion, I urge each one of you to continually upgrade your knowledge, refine your skills, and adapt to the dynamic regulatory and technological advancements shaping the financial world. I would like to thank the members once again for their trust and confidence in me. I am committed to serving this branch and profession to the best of my abilities and look forward to working closely with all our members in the upcoming year.

I seek your continued support, guidance, and collaboration. Together, we can overcome challenges, seize opportunities, and achieve greater heights.

Thank you for your trust and support. I look forward to a successful and productive year ahead.

Jai Hind... Jai ICAI

Sridhar Andhavarapu
Chairman (2025-26),
ICAI Visakhapatnam Branch

"Where there is a will there is way"



Compliance Calendar

Days to Remember March 2025

CA. P.S.V. Sai Kumar

Date	Department	Summary
2/3/2025	TDS/TCS	Due date for furnishing of challan-cum-statement (Form 26QB, QC, QD, QE in respect of tax deducted under section 194-IA, IB, IM, IS in the month of Jan, 2025)
5/3/2025	SEZ	Monthly Report of Investment & Employment
7/3/2025	FEMA	ECB 2 Return
7/3/2025	STPI	STPI - MPR (Due date for STPI-MPR/QPR may differ for each locations)
7/3/2025	TDS/TCS	TDS/TCS Payment for Feb'2025
10/3/2025	Professional Tax	PT on Salaries for Feb'2025 (Due date varies from State to State)
10/2/2025	GST	GSTR - 7 (TDS) ; GSTR - 8 (TCS)
10/3/2025	STPI/SEZ	STPI - SERF; SEZ - SERF
11/3/2025	GST	Monthly Return of GSTR 1 Feb'2025
13/3/2025	GST	GSTR-1 IFF for QRMP Feb'2025
13/2/2025	GST	GSTR 5 - Non Resident Foreign Tax Payers; GSTR 6 - Input Service Distributor
15/3/2025	Advance tax	Advance tax Payment for Jan to Mar 2025
15/3/2025	Advance tax	Full Advance Tax for assessee covered under presumptive income scheme of Section 44AD/44ADA
15/3/2025	Income Tax	Last date to apply Form 13 (Nil / Lower TDS) for FY 2024-25
15/3/2025	PF & ESI	Monthly Payment for Feb'2025
16/3/2025	TDS/TCS	Due date for issue of TDS Certificate for tax deducted under section 194-IA, IB, IM, IS in the month of Jan, 2025
20/3/2025	GST	Monthly GSTR 3B; GSTR - 5A (OIDAR) - for Feb'2025
25/3/2025	GST	GST Challan Payment -Feb 2025 (QRMP Scheme filers)
30/3/2025	TDS/TCS	Due date for furnishing of challan-cum-statement (Form 26QB, QC, QD, QE in respect of tax deducted under section 194-IA, IB, IM, S in the month of Feb, 2025)
31/3/2025	GST	Application of LUT (Letter of Undertaking) for FY 2025-26
31/3/2025	GST	CMP - 02 for FY2025-26
31/3/2025	GST	Last date for Opting Composition Scheme by Regular Taxpayer for the FY 2024-25
31/3/2025	Equalisation Levy	EQL @2% e-commerce
31/3/2025	Income Tax	Last Date for Updated ITR for FY 2021-22
31/3/2025	Income Tax	Review of Dues to Micro Small Enterprises for assessing relevance of 43B(h)
31/3/2025	Income Tax	Uploading of statement [Form 67], of foreign income offered to tax and tax deducted or paid on such income in previous year 2022-23, to claim foreign tax credit [if return of income has been furnished within the time specified under section 139(1) or section 139(4)]

ICAI Updates

Members of Twenty-Sixth Council [as on 12th February 2025]



- 1st Row[L to R]** : CA. Chandrashekhar V. Chitale, CA. Sanjay Kumar Agarwal, CA. Prasanna Kumar D. (Vice President, ICAI), Shri Arjun Ram Meghwal, Hon'ble Minister of State (I/C) for Law & Justice and Parliamentary Affairs, CA. Charanjot Singh Nanda (President, ICAI), CA.(Dr.) Jai Kumar Batra, Secretary, ICAI, CA. Mangesh P. Kinare, CA. Rajendra Kumar P., CA.(Dr.) Anuj Goyal
- 2nd Row[L to R]** : CA. K Sripriya, CA. Durgesh Kumar Kabra, CA. Dayaniwas Sharma, CA. Hans Raj Chugh, CA. (Dr.) Sanjeev Kumar Singhal, CA. Jay Chhaira, CA. Babu Abraham Kallivayalil, CA. Rajesh Sharma, CA. Madhukar N Hiregange
- 3rd Row[L to R]** : CA. Priti P Savla, CA. Piyush S. Chhajed, CA. Umesh R. Sharma, CA. Muppala Sridhar, CA. Vishal Doshi, CA. Purushottamlal H. Khandelwal, CA. Pramod Jain, CA. Abhay Chhajed, CA. Gyan Chandra Mishra
- 4th Row[L to R]** : CA. (Dr.) Rohit Ruwatia Agarwal, CA. Satish Kumar Gupta, CA. Ravi Kumar Patwa, CA. Sanjib Sanghi, CA. Pankaj Shah, CA. Vishnu Kumar Agarwal, CA. Arpit J. Kabra



At the Helm of ICAI



CA. Charanjot Singh Nanda
President, ICAI



CA. Prasanna Kumar D
Vice President, ICAI

Central Council Members of SIRC



CA. Babu Abraham Kallivayalil



CA. Dayaniwas Sharma



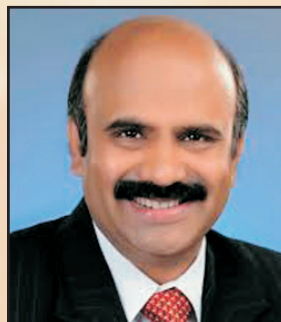
CA. Madhukar Narayan Hiregange



CA. Muppala Sridhar



CA. Prasanna Kumar D
Vice President



CA. Rajendra Kumar P



CA. Sripriya K

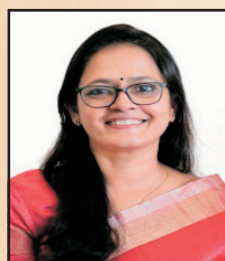
Newly Elected Office Bearers of SIRC of ICAI



CA. Revathi S Raghunathan
Chairperson, SIRC OF ICAI



CA. Subba Rao Muppala
Vice Chairman, SIRC OF ICAI



CA. Deepa Varghese
Secretary, SIRC OF ICAI



CA. Bhanu Narayan Rao Y V
Treasurer, SIRC OF ICAI



CA. Pramod Ramamohan Hegde
Chairman-SICASA, SIRC OF ICAI

ICAI (Merger and Demerger of CA Firms) Guidelines, 2024 - (11-02-2025)

ANNOUNCEMENT

Committee for Aggregation of CA Firms
The Institute of Chartered Accountants of India
11th February, 2025

ICAI (MERGER AND DEMERGER OF CA FIRMS) GUIDELINES, 2024

[Issued under Section 15(2) (fa) of the 'Chartered Accountants Act, 1949
as amended by the Chartered Accountants, the Cost and Work Accountants and the
Company Secretaries (Amendment) Act 2022]

The Merger and Demerger Rules were issued in the year 2005 and various decisions were taken subsequently with respect to the seniority and mergers of the firms.

The Committee for Aggregation of CA Firms (CACAF) of ICAI has been constituted during the year 2024-25 and has undertaken a rigorous and methodical review of the Merger and Demerger Rules. The revisions represent a concerted effort to streamline the guidelines both at policy and procedural levels to mitigate the practical impediments that previously hampered CA firms to actively participate in mergers, thereby fostering ease of doing practice within the profession. The revised guidelines aim to encourage firms to explore strategic mergers which can significantly enhance their market presence, operational efficiency, among others.

Further, in exercise of the powers conferred by the Section 15(2) (fa) of the Chartered Accountants Act 1949, [as amended by the Chartered Accountants, the Cost and Work Accountants and the Company Secretaries (Amendment) Act 2022 (No. 12 of 22)], the Council of ICAI at its 432nd meeting held during 2nd & 3rd July 2024 has approved "ICAI (Merger and Demerger of CA Firms) Guidelines, 2024". These revised Guidelines are effective from the date of its notification.

It may be noted that the existing rules of Merger and Demerger issued by Council stands repealed. Notwithstanding such repeal, anything done, or any action taken or purported to have been done or taken under those rules shall be deemed to have been done or taken under the corresponding provisions of these Guidelines. Further, the benefit provided under these guidelines, may also be availed by those firms who got merged before the commencement of these guidelines & have not completed 5 years post-merger.

Detailed Guidelines are hosted on ICAI portal and are accessible at <https://resource.cdn.icai.org/84397cacaf68004.pdf> (<https://resource.cdn.icai.org/84397cacaf68004.pdf>)

For any clarification/query, members may reach to the Member & Student Section through e-mail sspfirmsro@icai.in or Ms Anindita Kundu, Firms Section at 033-30840257/65/66/67/99. Members may take a note of above.

Secretary, ICAI

Corrigendum (<https://resource.cdn.icai.org/84611cacaf68188.pdf>)

Last updated on 25th February, 2025



ICAI (Aggregation of LLPs) Guidelines, 2024 - (04-02-2025)

ANNOUNCEMENT

Committee for Aggregation of CA Firms
The Institute of Chartered Accountants of India
4th February, 2025

ICAI (Aggregation of LLPs) Guidelines, 2024

[Issued under Section 15(2) (fa) of the 'Chartered Accountants Act, 1949
[as amended by the Chartered Accountants, the Cost and Work Accountants and the
Company Secretaries (Amendment) Act 2022]

The Committee for Aggregation of CA Firms (CACAF) of ICAI has been constituted during the year 2024-25 with a vision to initiate and implement strategic reforms that ensure Chartered Accountant (CA) firms in India remain at the forefront of professional excellence. Tasked with a pivotal role, the Committee has worked out ICAI (Aggregation of LLPs) Guidelines, 2024 with an aim to keep the structure of CA firms adaptive to the continuously evolving professional and regulatory landscape thereby enhancing their operational efficacy and global competitiveness.

These guidelines provide a framework for an LLP, Indian CA Firm to be a partner with another LLP, an Indian CA Firm. It would enable CA firms to tap the synergies of the combined strength and resources. It is envisaged that aggregation of LLPs should be worthy of facilitating greater coordination among the partner LLPs to deliver consistent quality in audit seamlessly across all locations on PAN India basis. This initiative supports the restructuring needs of Indian CA firms and also fosters a conducive environment for a long-term future.

Further, in exercise of the powers conferred by the section 15(2) (fa) of the Chartered Accountants Act 1949 as amended by the Chartered Accountants Act, the Cost and Work Accountants and the Company Secretaries (Amendment) Act (Amendment) Act, 2022 (No. 12 of 22), the Council of ICAI at its 432nd meeting held during 2nd & 3rd July 2024 has approved "ICAI (Aggregation of LLPs) Guidelines, 2024". These Guidelines are effective from the date of its notification.

Detailed Guidelines are hosted on ICAI portal and are accessible at <https://resource.cdn.icai.org/84293cacaf67953.pdf> (<https://resource.cdn.icai.org/84293cacaf67953.pdf>)

For any clarifications/query, members may reach to the CACAF or M&SS through e-mail at [cacaf\[at\]icai\[dot\]in](mailto:cacaf@icai.in) and [fna\[at\]icai\[dot\]in](mailto:fna@icai.in); Members may take a note of above.

Secretary, ICAI

Articles

PRINCIPLES OF NATURAL JUSTICE & PRESUMPTIONS

remain unbeaten even in Tax Assessments

By CA. Malladi Muralidhar, CMA, AII, DISA, DVAL, LLB

“If we begin with certainties, we shall end in doubts; but if we begin with doubts, and are patient in them, we shall end in certainties” – Francis Bacon

*Principles of natural justice are enshrined in
Procedural reasonableness in all
tax assessments in an
inclusive manner
as a*

“Fair play”

*in action in all
stages of the proceedings*

*which juxtaposed with article 14 of the constitution that
must be just, Fair and Reasonable always, while “Presumptions”*

must to be set aside by steadfastly adhering the Principles of natural justice.

These concepts Indeed, derived from the legendary days of Adam-and of Kautilya’s Arthasastra.

I. DOCTRINE OF PRINCIPLES OF NATURAL JUSTICE:

The principles of natural justice are a set of common law concepts that ensure fairness in decision making. They apply to judicial, quasi-judicial, and administrative bodies.

The two main principles of natural justice:

★ Audi alteram partem

♣ Means “let the other party be heard”. It ensures that all parties to a dispute are given a fair hearing and can present their case.

♣ “right to fair hearing” which requires that individuals are not penalised by decisions affecting their rights or legitimate expectation unless they have been given prior notice of the cases against them, a fair opportunity to answer them, and an opportunity to present their own case and

that no one should be condemned unheard.

★ Nemo judex in causa sua

♣ Means “**no one should be a judge in their own cause**”. It requires that the authority deciding a case is unbiased and not biased in favor of one party.

♣ the rule against bias which is to abstain from unfair activity, whether in a conscious or unconscious state, in relation to the facts of a particular case. The bias could be actual, imputed, apparent, personal, primary, subject matter, Departmental etc. **A concept of impartiality & bars a person to charge on suspicion.**

Under the Income-tax Act:

Under the Income-tax Act, the practice of Commissioner of Income-tax (Appeals) not adjudicating the appeals pragmatically, which they have undeniably been involved in



assessment proceedings or of members of the Income-Tax Appellate Tribunal who have been earlier holding positions in the Department recusing themselves from hearing cases wherein they have been associated with or involved, whether at the assessment or first appellate stage, is a practical recognition of this principle.

Constitutional Provisions:

While in the Constitution of India the expression **"Natural Justice"** is nowhere used, but it manifests itself in the

★ **Preamble** (by stating the objectives to be to secure justice, liberty, equality to all its citizens and promote fraternity to maintain the unity and integrity of the Nation),

★ **Article 14** (by guaranteeing equality before law and equal protection of law within the territory of India),

★ **Article 21** (by guaranteeing right to life and liberty as a fundamental right to every person, citizen or foreigner alike),

★ **Article 311** (by ensuring constitutional protection to Civil Servants).

★ **Articles 32, 226 and 131** provide constitutional remedies in case of violation of any fundamental right, **including** principles of natural justice.

Supreme Court on adhering to Principles of Natural Justice:

The importance of the principles of natural justice has been emphasised by the Supreme Court in a number of cases wherein the Court has also clearly affirmed that **"an Act or as a quasi-judicial Act in violation of the principles of natural justice is void or of no value"** and **"that breach of natural justice nullifies the order made in breach"**. In particular, in the case of **Mohinder Singh Gill v. Chief Election Commissioner AIR 1978 SC 851** it has very clearly observed as follows:—

"Indeed, natural justice is a pervasive facet of secular law where a spiritual touch enlivens legislation, administration and adjudication, to make fairness a creed of life. It has many colours

and shades, many forms and shapes and, save where valid law excludes, it applies when people are affected by acts of Authority. It is the bone of healthy government, recognised from earliest times and not a mystic testament of judge-made law. Indeed, from the legendary days of Adam- and of Kautilya's Arthashastra - the rule of law has had this stamp of natural justice which makes it social justice. We need not go into these deeps for the present except to indicate that the, roots of natural justice and its foliage are noble and not new-fangled. Today its application must be sustained by current legislation, case- law or other extant principle, not the hoary chords of legend and history. Our jurisprudence has sanctioned its prevalence even like the Anglo-American system".

The concept of natural justice is no part of the statue but should guide at all the stages those who discharge judicial functions. It is not merely a principle acceptable but is essential part of the philosophy of law. Natural justice is said to be only 'fair play in action'. The aim of rules of natural justice is to secure justice or to put it negatively to prevent miscarriage of justice – vide **A.K. Karapark v. Union of India AIR 1970 SC 150** and **CTO Dawood & co. (1974) 34 STC 98(cal)**

Purpose of natural justice

The principles of natural justice are intended to ensure that Decision-making processes are

- ★ Transparent / Impartial, and
- ★ Based on evidence

Application of natural justice

The principles of natural justice are applied in judicial, quasi-judicial, and administrative bodies. For example, in the case of **Maneka Gandhi v UOI**, the court held that the principles of natural justice are a facet of Article 14.

The principles of natural justice have governed the taxation cases in every sphere and where there had been miscarriage of justice over-looking the principles of natural justice the courts have sided the aggrieved. The innumerable case laws are not being cited for the sake of brevity. The principles essentially entail that a person receives a fair and unbiased

hearing before a decision, having the potential to negatively affect him, is made and to shield him against any arbitrary or unilateral action and is mostly aptly represented in the phrase “duty to act fairly”. It is derived from the concept of “jus naturale” (Latin for “natural law”).

The following principles may be drawn from the following:

- ★ Procedural reasonableness - Fair play in action in all stages of the proceedings Vide A.K. Karaipark v. UOI AIR 1970 SC 150
- ★ Consequences of non-compliance – Fundamental rights of our constitution guards every citizen. No one should be condemned unheard Vide laxmi Shankar Pandey v. UOI (1991) 2 SCC 488 (SC)
- ★ Doctrine finds a must application: The principles are part of article 14 of the constitution and the procedure prescribed must be Just, fair and reasonable Vide D.K. Yadav v. J M A Industries Ltd. (1993) 3 SCC 259 (SC)

Relevance under Tax Laws:

The following rights are enshrined because a tax payer should not take the brunt of the provisions of tax laws or subsume the hardship due to time barred notices/ assessments or wrong interpretations etc.

- i. **Right to “hearing”** i.e. reasonable opportunity to the party to present his/its case and evidence in support thereof.
- ii. **Right to “adequate notice”** which should in the least contain the time, place and of hearing, legal authority under which a hearing to be held and the statement of specific charges which the person has to meet.
- iii. **Right to “rebut adverse evidence”** which presupposes that the person has been informed about the evidence/adverse material against him and provided an adequate opportunity to rebut the same. It further involves granting an opportunity to cross-examine the person whose testimony is being or is attempted to be relied upon in support of the proposed action.
- iv. **Right to “legal representation”** in order to make

his right to defend himself more meaningful, subject of course to the limitations, if any imposed by statute.

- v. **“Reasoned decision”** which provides and establishes a link between facts and decision, guards against non-application of mind and random/arbitrary decision making and fosters the maintenance of public confidence in judicial and administrative authorities. A reasoned decision further mitigates against the arbitrary exercise of judicial power vested in an executive authority and also facilitates in the judicious framing of case while challenging the decision before the appellate or revisional authorities.

II. PRESUMPTIONS UNDER INCOME TAX:

The case of Alchemist Touchnology v. ACIT [is a significant one brought before the Income Tax Appellate Tribunal, Delhi Bench (‘ITAT’) [2024] 160 taxmann.com 422 (Delhi - Trib.) dated 11.03.2024: ITAT holds that Proof Prevails over Presumption in Tax Law. Hence, this case underscores the importance of documentary evidence in tax assessments in order to establish the source of funds and transactions. While the burden of proof initially rests on the Assessee, tax authorities must substantiate their claims with concrete evidence. Mere suspicion, without supporting evidence, is insufficient to justify additions under the Act.

Many decisions of ITAT’s & HC’s reaffirms the principle that **assessments** must be based on facts and evidence, not conjecture or **presumption**.

Significance of Presumptions Under Income tax Act, 1961:

‘Presumed’ in the assessments and completed as notices were served were null & void. It was clearly held in the following case law: **[Court Rules in Favour of Fair Hearing]**

“Placing notice on e-portal not service; Communication cannot be ‘presumed.” **MUNJAL BCU CENTRE OF INNOVATION AND ENTREPRENEURSHIP vs. CIT [04.03.2024 (P & H - H C), vide (2024) 160 taxmann.com 629.**

The Kerala High Court (Ramanattu Motors WPC vs State of Kerela, 23872/2022 under sec 73 of GST



Act) has explained the difference between ‘**non-service of notice**’ and ‘**not noticing or lack of knowledge of service of notice**’. “Lack of knowledge of service of notice” can amount to a violation of principles of natural justice only in certain limited circumstances. When lack of knowledge is attributable to the default of the sender of the notice, then ‘not noticing or lack of knowledge of service of notice’ can amount to a negation of the principles of natural justice.

The following are the provisions prescribed in the Income tax act and which are **though presumed holds good** the rules framed to avoid Income manipulations, Tax evasions etc.

- **Sec 44AD- Presumptive taxation:**

A presumption it carries that a small scale assessee having an eligible business cannot maintain any books of account upto Rs. 3 Crores of Turnover and has no books of account except a few ledgers.

- **Sec 68 - Cash credits.**

Where any sum is found credited in the books of an assessee maintained for any previous year, and the assessee offers no explanation about the nature and source thereof or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the sum so credited may be charged to income-tax as the income of the assessee of that previous year :

[Provided that where the sum so credited consists of loan or borrowing or any such amount, by whatever name called, any explanation offered by such assessee shall be deemed to be not satisfactory, unless,—

(a) the person in whose name such credit is recorded in the books of such assessee also offers an explanation about the nature and source of such sum so credited; and

(b) such explanation in the opinion of the Assessing Officer aforesaid has been found to be satisfactory:

Provided further that] where the assessee is a company (not being a company in which the public are substantially interested), and the sum

so credited consists of share application money, share capital, share premium or any such amount by whatever name called, any explanation offered by such assessee-company shall be deemed to be not satisfactory, unless—

(a) the person, being a resident in whose name such credit is recorded in the books of such company also offers an explanation about the nature and source of such sum so credited; and

(b) such explanation in the opinion of the Assessing Officer aforesaid has been found to be satisfactory:

[Provided also] that nothing contained in the first proviso [or second proviso] shall apply if the person, in whose name the sum referred to therein is recorded, is a venture capital fund or a venture capital company as referred to in clause (23FB) of section 10.

This provision carries a presumption by AO that the credit entry a “deemed income” unless proved otherwise by the assessee **when AO is satisfied, though reality is different.**

- **Sec 69 - Unexplained investments.**

Where in the financial year immediately preceding the assessment year the assessee has made investments which are not recorded in the books of account, if any, maintained by him for any source of income, and the assessee offers no explanation about the nature and source of the investments or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the value of the investments may be deemed to be the income of the assessee of such financial year.

- **Sec 69A - Unexplained money, etc.**

Where in any financial year the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and such money, bullion, jewellery or valuable article is not recorded in the books of account, if any, maintained by him for any source of income, and the assessee offers no explanation about the nature and source of acquisition of the money, bullion, jewellery or other valuable article, or the explanation offered

by him is not, in the opinion of the Assessing Officer, satisfactory, the money and the value of the bullion, jewellery or other valuable article may be deemed to be the income of the assessee for such financial year.

It presumes the assets found from the owner as deemed as belonging to him unless proved otherwise and more onus is on assessee to prove the same with evidence, **when AO was satisfied, though reality is different.**

- **Sec 69B - Amount of investments, etc., not fully disclosed in books of account.**

Where in any financial year the assessee has made investments or is found to be the owner of any bullion, jewellery or other valuable article, and the Assessing Officer finds that the amount expended on making such investments or in acquiring such bullion, jewellery or other valuable article exceeds the amount recorded in this behalf in the books of account maintained by the assessee for any source of income, and the assessee offers no explanation about such excess amount or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the excess amount may be deemed to be the income of the assessee for such financial year.

- **Sec 69C- Unexplained expenditure, etc.**

Where in any financial year an assessee has incurred any expenditure and he offers no explanation about the source of such expenditure or part thereof, or the explanation, if any, offered by him is not, in the opinion of the Assessing Officer, satisfactory, the amount covered by such expenditure or part thereof, as the case may be, may be deemed to be the income of the assessee for such financial year :

Provided that, notwithstanding anything contained in any other provision of this Act, such unexplained expenditure which is deemed to be the income of the assessee shall not be allowed as a deduction under any head of income.

- **Section 132(4A) of Search & Seizure:**

The provision deals with the presumption

regarding assets found during a search and seizure operation. It states that any books of account, documents, money, or valuables found during such a **search can be presumed to belong to the person searched.**

According to Gupta, **S.K. v. Dy. CIT (1999) 63 TTJ (Del-Trib) 532**, presumption under sub-section (4A) of section 132 cannot have the effect of excluding or overriding the provisions of section 69 of the Income Tax Act during the course of regular assessment proceedings.

- **Sec 144- Best judgment assessment.**

(1) If any person—

(a) fails to make the return required under sub-section (1) of section 139 and has not made a return or a revised return under sub-section (4) or sub-section (5) ²⁰[or an updated return under sub-section (8A)] of that section, or

(b) fails to comply with all the terms of a notice issued under sub-section (1) of section 142 or fails to comply with a direction issued under sub-section (2A) of that section, or

(c) having made a return, fails to comply with all the terms of a notice issued under sub-section (2) of section 143,

the Assessing Officer, after taking into account all relevant material which the Assessing Officer has gathered, shall, after giving the assessee an opportunity of being heard, make the assessment of the total income or loss to the best of his judgment and determine the sum payable by the assessee on the basis of such assessment :

Provided that such opportunity shall be given by the Assessing Officer by serving a notice calling upon the assessee to show cause, on a date and time to be specified in the notice, why the assessment should not be completed to the best of his judgment :

Provided further that it shall not be necessary to give such opportunity in a case where a notice under sub-section (1) of section 142 has been issued prior to the making of an assessment under this section.

.....



The Best judgement assessment was carried out under a presumption on the basis of material available before the AO, when there is a failure to submit all documents or fail to file a return or failure to appear.

- **270A - Penalty for under-reporting and misreporting of income.**

(1) The Assessing Officeror Commissioner may, during the course of any proceedings under this Act, direct that any person who has under-reported his income shall be liable to pay a penalty in addition to tax, if any, on the under-reported income.

(2) A person shall be considered to have under-reported his income, if—

.....

(g) the income assessed or reassessed has the effect of reducing the loss or converting such loss into income.

.....

(9) The cases of misreporting of income referred to in sub-section (8) shall be the following, namely:—

- (a) misrepresentation or suppression of facts;
- (b) failure to record investments in the books of account;
- (c) claim of expenditure not substantiated by any evidence;
- (d) recording of any false entry in the books of account;
- (e) failure to record any receipt in books of account having a bearing on total income; and
- (f) failure to report any international transaction or any transaction deemed to be an international transaction or any specified domestic transaction, to which the provisions of chapter x apply.

The failure to prove shall be costly for assessee and it shall be a valid presumption for the AO.

- **Sec 292C - Presumption as to assets, books of account, etc.**

(1) Where any books of account, other documents, money, bullion, jewellery or other valuable article

or thing are or is found in the possession or control of any person in the course of a search under section 132 or survey under section 133A, it may, in any proceeding under this Act, be presumed—

(i) that such books of account, other documents, money, bullion, jewellery or other valuable article or thing belong or belongs to such person;

(ii) that the contents of such books of account and other documents are true; and

(iii) that the signature and every other part of such books of account and other documents which purport to be in the handwriting of any particular person or **which may reasonably be assumed** to have been signed by, or to be in the handwriting of, any particular person, are in that person's handwriting, and in the case of a document stamped, executed or attested, that it was duly stamped and executed or attested by the person by whom it purports to have been so executed or attested.

(2) Where any books of account, other documents or assets have been delivered to the requisitioning officer in accordance with the provisions of section 132A, had been found in the possession or control of that person in the course of a search under section 132.

- **278D - Presumption as to assets, books of account, etc., in certain cases.**

(1) Where during the course of any search made under section 132, any money, bullion, jewellery or other valuable article or thing (hereafter in this section referred to as the assets) or any books of account or other documents has or have been found in the possession or control of any person apply in relation to such assets or books of account or other documents.

(2) Where any assets or books of account or other documents taken into custody, from the possession or control of any person, by the officer or authority referred to in clause (a) or clause (b) or clause (c), as the case may be, of sub-section (1) of section 132A are delivered to the

requisitioning officer under sub-section (2) of that section in section 278 for an offence under this Act, the provisions of sub-section (4A) of section 132 shall, so far as may be, apply in relation to such assets or books of account or other documents.

- 278E - Presumption as to culpable mental state.

(1) In any prosecution for any offence under this Act which requires a culpable mental state on the part of the accused, the court shall presume the existence of such mental state but it shall be a defence for the accused to prove the fact that he had no such mental state with respect to the act charged as an offence in that prosecution.

Explanation.—In this sub-section, “culpable mental state” includes intention, motive or knowledge of a fact or belief in, or reason to believe, a fact.

(2) For the purposes of this section, a fact is said to be proved only when the court believes it to exist beyond reasonable doubt and not merely when its existence is established by a preponderance of probability.

Rule of evidence shows that the onus to prove that delay was not wilful was on assessee and not on department in case of a culpable mental state. (ACIT v. Nilofar Currimbhoy (2013) 219 Taxman 102 (Mag.) (Delhi) (HC))

III. RULES DESIGNED WITHIN PRINCIPLES OF NATURAL JUSTICE TO TACKLE PRESUMPTIONS

Principles of Natural Justice & Presumptions go hand in hand. The situations are described below to know the symmetry matrix.

- i. Presumptions cannot hold water and cannot override, hence fail before Principles of natural justice, even though right presumption but not prescribed in law.
- ii. Generally Presumptions does not hold good in terms of Principles of natural justice fails in terms of facts or due to no evidence.
- iii. Any Assessment order passed basing on presumption shall fail during any of the stage of proceedings/Appeals, lacking substance in concluding the same.

- iv. One way presumptions prescribed by statute like sec 44AD/68-69D/144/270A etc overrides the Principles of natural justice and they are the rules to be read with and to be applied mandatorily.
- v. Generally Principles of natural justice are applied more in case of matters:
 - a. Matters not heard,
 - b. Less time provided to reply/comply with,
 - c. Documents submitted but were summarily rejected,
 - d. Submissions were not considered before passing the orders etc.

- vi. A **presumption** aids the **Revenue** (since statute provides) in cases where they suspect undisclosed **income** or financial discrepancies but lack direct evidence. Therefore, though prescribed under the provisions, rules and the Act, without evidences it fails and favours tax payer/assessee only.

In tax law, the Hon'ble Supreme Court has set standards for proving the authenticity of transactions. In the case of **Omar Salav Mohamed Sait v. CIT [1959] 37 ITR 151**, the court held that **surmises, suspicion, and conjectures cannot be the basis for adding to tax liability**. Inferences must be drawn from the evidence in order to make a determination.

Inferences drawn adversely and assessment orders passed are also conclusively based on presumption and irrational and liable to be quashed. Adverse inference drawn and no opportunity was provided to assessee to explain violates principles of natural justice.

IV. CONCLUSION

Non-adherence to the principles of natural justice can and does have the potential to render the decision non-est, null and void ab initio and a negation of the conclusion drawn therefrom so as to prevent further miscarriage of justice.

Principles of natural justice founded as they are on fairness, reasonableness and equality, tax adjudicating and appellate authorities, while performing their administrative/quasi-judicial functions are well



advised to ensure due compliance with procedures so as to prevent the entire process not only from being derailed but also to ensure that the right decision is arrived at by doing what is right and following due process.

It was observed by the Andhra Pradesh High Court, in **Kanumarlapudi Lakshminarayana Chetty v. First Addl. ITO (1956) 29 ITR 419 (AP)**, that a statute affecting vested rights is prima facie prospective unless the statute expressly or by necessary implication indicated to the contrary. Given where it is retrospective in operation, courts should confine its operation only to the extent retrospective when we reach their line at which the words of the section cease to be plain, the same rule leaning against retrospectively should be applied. It is a well-settled rule of interpretation allowed by time and sanctified by judicial decisions that, unless the terms of a statute to take away or impair an existing right or create a new obligation or impose a new liability otherwise than as regards matters of procedure.

When the assessment order(s) u/s 148A(3)/148A(d) or 147 or 144 or 143(3) which must be a **reasoned order**, but was not reasoned, then they lack Principles of Natural justice and it is based on surmise or suspicion. **Union Of India vs Rajeev Bansal on 3 October, 2024 (Civil Appeal No 8629 of 2024 (SC))** and was also as per **Ashish Kumar Agarwal vs UOI (May'2022)**.

Concluding the same, these were held in Supreme Court,

1. where any **assessee** had not carried on any business activity, **it** cannot be **presumed** to have earned any **income**.
2. In the case of **Vasant Rao Guhe** wherein context of Prevention of Corruption Act, 1988 it is observed by three Judges bench that “...As has been held by this Court amongst others in State of Maharashtra Vs. Dnyaneshwar Laxman Rao Wankhede (2009) 15 SCC 2000, even in a case when the burden is on the accused, **the prosecution must first prove the foundational facts**”

And also held by Apex court in case of

K.P.Varghese 131 ITR 597 holding that “It is a well settled rule of law that the onus of establishing that the conditions of taxability are fulfilled is always on the Revenue. to throw the burden of showing that there is no understatement of the consideration, on the assessee would be to cast an almost impossible burden upon him to establish the negative, namely that he did not receive any consideration beyond that declared by him”.

3. While the burden of proof initially rests on the **Assessee**, tax authorities must substantiate **their** claims with concrete evidence. The **onus** that is cast upon the **Income-tax** authorities is to prove that the **assessee** has concealed the particulars of his **income** or deliberately furnished. But in case of sec 68-69D, burden is on assessee to prove the facts. It is be noted that it is well settled rule of law in India that the **onus** of establishing that the conditions of taxability are fulfilled is always on the **Revenue**.
4. “The evidence brought on record without the knowledge of the assessee and used against him without giving him an opportunity to rebut it offends the principles of Natural Justice. There must be something more than bare suspicion to support the assessment.” (**Dhakeshwari Cotton Mills Ltd v. CIT (1954) 26 ITR 775 (SC)**)

Note - Some of the subject matters were derived, reproduced from Taxmann, Taxguru etc for the benefit of members/students of ICAI.

EVEN A TWO-DAY DELAY IN ISSUING THE SCN UNDER SECTION 73 RENDERS IT INVALID : HON'BLE AP HIGH COURT

By CA. Srinivas Sowrab & Adv. Anil Kumar Bezawada

In a significant ruling¹, the Hon'ble Andhra Pradesh High Court has held that even a minor delay in issuing a Show Cause Notice (SCN) under Section 73 of the CGST Act, 2017 renders it invalid. The dispute pertains to an SCN issued on 30.11.2024 proposing demands for FY 2020-21.

Key Issue:

The issue primarily revolved around determining the due date for issuing the SCN for FY 2020-21. As per Section 73(10) of the CGST Act, 2017, the Adjudication Order is required to be passed *within three years* from the *due date of furnishing the annual return* for the relevant financial year. Further, the SCN should be issued *at least three months prior* to the time limit specified for issuing the Adjudication Order.

The due date for furnishing the annual return for the FY 2020-21 under Rule 80(1A) of the CGST Rules, 2017 was 28.02.2022. Accordingly, the last date for passing the Adjudication Order is 28.02.2025, i.e., three years from 28.02.2022.

Now the important question before the High Court is whether the deadline for issuing the SCN for FY 2020-21 would be 28.11.2024 or 30.11.2024?

Court's Observation and Ruling:

The Hon'ble High Court has referred to the Judgement of the Hon'ble Supreme Court in the case of *State of H.P. v. Himachal Techno Engineers, (2010) 12 SCC 210* which laid down the principle that, *when a period, available for a certain action, is defined in terms of months, the cutoff date would be the corresponding date of the corresponding month*.

It was held that the three months period from 28.02.2025 would lapse on 28.11.2024 and accordingly the SCN issued on 30.11.2024 was time-barred.

The Hon'ble Court emphasized that the time limits provided in the Statue serve as safeguards to the taxpayers and cannot be diluted. It also observed that Section 75, which grants up to three adjournments for personal hearing would be rendered otiose if the notice is issued without a minimum waiting period.

Conclusion:

Reaffirming the mandatory nature of limitation period specified in Section 73(2), the Hon'ble High Court quashed the SCN, holding that any violation of the prescribed timeline is fatal and cannot be condoned.

Notable, in a similar case, the Hon'ble High Court has granted the stay² against the SCN issued to one of the taxpayers in Visakhapatnam.

¹ Cotton Corporation of India vs Assistant Commissioner (ST) – WP No. 1463 of 2025

² M/s. Waltair Club vs Deputy Commissioner (ST) – WP No. 4348 of 2025



CONVERSION OF PARTNERSHIP FIRM IN TO LLP

By CA. Smruthi Sree Sure, FCA, CS

Hello Every one,

In order to make the topic more interesting, I would like to present the same as below in the Q & A Format:

1: What is an LLP? How is it different from a partnership firm?

A Limited Liability Partnership (LLP) is a business structure that combines the flexibility of a partnership with the limited liability feature of a company. Unlike a traditional partnership firm, an LLP is a separate legal entity and offers liability protection to its partners, meaning their personal assets are not at risk for business debts.

2: Can a partnership firm convert into a Limited Liability Partnership?

Yes, an existing partnership firm can be converted to LLP under the following conditions.

The conversion of a partnership firm to an LLP must be done in accordance with Section 55 of the Limited Liability Partnership Act 2008, read in conjunction with Schedule II of the Act.

3: Why should a Partnership firm become an LLP?

A **Partnership Firm** may consider converting into a **Limited Liability Partnership (LLP)** for several key reasons, primarily centered around liability protection, compliance benefits, and ease of operation. Here's why a **Partnership Firm should become an LLP**:

1. **Limited Liability Protection:** Partners are not personally liable for business debts.
2. **Separate Legal Entity:** The LLP is distinct from its partners
3. **Perpetual Succession:** The LLP continues to exist even if partners change.
4. **Lower Compliance Burden than a Private Limited Company:** Fewer compliance requirements compared to private limited companies.
5. **Easier Fundraising & Credibility:** An LLP structure is more trusted by banks, investors, and clients

than a regular partnership.

6. **Tax Benefits:** LLPs have a simpler tax structure compared to companies.
7. **Flexibility in Management:** LLP agreement can be customized to provide flexibility in profit-sharing, decision-making, and management roles.
8. **Easy Transferability:** Ownership transfer is easier in an LLP through the transfer of partnership rights.
9. **Compliance with Government & Business Regulations:** Many businesses and government tenders prefer dealing with LLPs over traditional partnerships due to their formal registration and compliance structure.
10. For small and medium businesses, converting a Partnership Firm into an LLP is a logical step to limit liability, gain credibility, and ensure long-term stability. It offers the benefits of a corporate structure without the burden of strict compliance like a private limited company.

NOTE: The decision to convert a partnership firm into an LLP depends on the specific goals and structure of the business. If the business is growing and the partners want to protect their personal assets while maintaining flexibility in management, an LLP might be the right choice. However, the additional compliance requirements and conversion costs should be considered before making the change.

4: What is the difference between LLP and a Partnership Firm?

An LLP must be registered under the LLP Act to operate its business. However the registration of a partnership firm is voluntary under the Partnership Act, 1932. The liability of each partner is limited to the contribution made by the partner in an LLP. But in a partnership firm, all partners are personally liable for the loss/debts of the firm.

The LLP has a separate legal entity, i.e. it can buy

property, sue and be sued in its name. Partnership firms cannot buy a property or sue anyone in the partnership firm's name. It has to be in the name of the authorised partner as the partnership firm does not have a separate legal entity.

5. What are the Pre-requisites for conversion of partnership firm into a Limited Liability Partnership?

- All of the firm's partners must be LLP partners, which implies that no new partners may be added or present partners, may withdraw to be partners while the proposal is being processed. After the transformation is complete, any partner who chooses to be withdrawn from the LLP may do so.
- All Partners must have a valid Digital Signature Certificate (DSC) and at least 2 Partners must have a DPIN.
- Under the Partnership Act of 1932, the partnership firm to be registered under the **Indian Partnership Act, 1932**
- All of the partners' approval is required for conversion.
- All Partners must receive a Designated Partner Identification Number (DPIN).

6. What happens to the assets and liabilities of the partnership firm after conversion?

After conversion, all assets, liabilities, rights, and obligations of the partnership firm are transferred to the LLP automatically. The firm ceases to exist, and all contracts, agreements, and licenses continue in the LLP's name. The partners retain the same profit-sharing ratio unless specified otherwise in the LLP agreement.

7: What are the steps to convert a partnership firm into an LLP?

The process involves:

1. **Obtain Digital Signature Certificates (DSC)** – All partners must obtain a DSC.
2. **Reserve a Name for the LLP** – File **RUN-LLP Form** with MCA to check name availability.
3. **File Form FiLLiP (Incorporation Document)** – Submit incorporation documents with MCA.
4. **File Form 17 (Application for Conversion)** –

Submit details of the existing firm and apply for conversion.

5. **LLP Agreement Execution** – Draft and file the LLP agreement within 30 days of incorporation.
6. **Intimate the Registrar of Firms** – Notify the **Registrar of Firms** about the conversion within 15 days.
7. **Update PAN, GST, and Other Registrations** – **Inform tax authorities and banks about the change.**

8: What documents are required for the conversion?

The documents required include:

- Partnership firm's registration certificate (if applicable).
- Consent of all partners for conversion.
- Consent of Secured Creditors
- Auditor Certificate
- Statement of partners regarding the firm's assets and liabilities.
- NOC from tax authorities (if required).
- LLP Agreement.
- PAN and address proofs of partners.

9: What compliance requirements must an LLP fulfill after conversion?

After conversion, the LLP must:

1. File **Annual Return (Form 11)** within 60 days of the financial year-end.
2. File **Statement of Account & Solvency (Form 8)** within 30 days from the end of six months of the financial year.
3. Maintain proper books of accounts.
4. If turnover exceeds ¹ 40 lakh or contribution exceeds ¹ 25 lakh, get accounts audited.
5. File **Income Tax Return (ITR 5)** annually.

10: What happens to the firm's existing contracts, licenses, and liabilities after conversion?

After conversion:

- **Contracts & Licenses:** Generally, they continue to be valid, but some contracts may require the other party's consent.



- **Liabilities:** The LLP takes over all liabilities of the firm.

11: Can a converted LLP apply for bank loans or business credit?

Yes, once the LLP is registered, it can apply for bank loans, business credit, and other financial facilities like any corporate entity. Banks may require updated financial statements, LLP agreements, and incorporation certificates.

12: What happens to the existing contracts and agreements of the partnership firm?

Contracts, agreements, and licenses must be **transferred or amended** to reflect the LLP as the new entity. In many cases, third-party consent may be required for this transition.

13: Is there a need to close the bank accounts of the partnership firm?

Yes, the bank accounts in the name of the partnership firm should be closed, and new accounts should be opened in the name of the LLP. The LLP must also inform banks about the conversion and update KYC details.

14: What are the disclosure requirements post conversion into LLP?

The LLP shall ensure that for a period of 12 months commencing not later than 14 days from the date of registration, every official correspondence of the LLP bears the following disclosure:

- (a) a statement that it was converted from a firm/company to LLP from the date of registration.
- (b) the name and registration number of the firm, if applicable/company from which it was converted.

15: Can a minor be a partner in a LLP converted from a partnership firm/company?

Under the Partnership Act, a minor can be admitted to the benefits of partnership. However, under the LLP Act only a person who has contractual capacity can become a partner. Hence if the firm has a minor who has been admitted to the benefits of the firm, then such a firm cannot be converted into an LLP. It may become necessary to remove the minor from the benefits of the partnership before converting the firm into LLP. Similar will be the situation in case a minor is a shareholder in the company.

16: What are the stamp duty implications on conversion into LLP?

The provisions of Chapter X, section 55/56/57 r.w.s. 58 read together with the Second Schedule, Third Schedule and Fourth Schedule of the LLP Act provide the basic framework in terms of the effect of conversion. It has been specifically codified in the law that on such conversion:

“all tangible (movable or immovable) and intangible property vested in the firm all assets, interests, rights, privileges, liabilities, obligations relating to the firm and the whole of the undertaking of the firm shall be transferred to and shall vest in the LLP without further assurance, act or deed.”

The terms “shall be transferred to and shall vest” and “without further assurance, act or deeds” are very crucial and important in the context of stamp duty implications. The relevant Schedules, define the term “convert” to mean a transfer of the property, assets etc. The crucial question which needs to be examined is whether the vesting of property, assets etc. are by an act of voluntary transfer or by the operation of law.

17: What are the possible tax implications of conversion of a partnership firm into LLP?

In the hands of the Firm:

- Both the firm and the LLP are distinct entities despite being assessed in the same capacity as a firm. Hence the conversion of firm into LLP could have implications which need to be examined from a taxation perspective.
- There are no specific provisions introduced in the IT Act to take care of Potential tax implications on conversion of a firm into LLP. After the Finance Act, 2009 was passed the CBDT in an explanatory Circular 5/2010 dated 3rd June, 2010 of the Finance Act, 2009 narrated some conditions on compliance of which, on the conversion of firm into LLP, there would be no tax implications. These conditions were:
 - (a) if the rights and obligations of the partners remain same;
 - (b) there is no transfer of assets or liabilities after the conversion.

REMINISCENCES OF A SENIOR MEMBER

By CA. V.S.N. Murthy

From Humble Beginnings to Historic Achievements

All great things have small beginnings, and so did the Visakhapatnam Branch of SIRC of ICAI, which today proudly serves the regions of Vizianagaram, Srikakulam, and Anakapalli.

Established in 1977, the year when the National Emergency was lifted, this branch has not only witnessed history but has also created it.

A member from this very branch now holds a prestigious position at the National level—a moment of immense pride and honor for all of us.

The Modest Beginnings

The journey started humbly, from a two-room house that was hardly noticeable from the outside. One room, just spacious enough for the Managing Committee meetings, and another, even smaller, served as a library with a modest rack holding a few books that were rarely touched.

Yet, in this limited space, the branch's aspirations were limitless. It conducted impactful knowledge-sharing programs and seminars that resonated across the region. Such was the effectiveness of these seminars that members from far-off places like Kakinada and Rajahmundry would travel long distances to attend.

And yes, breakfast meetings were quite the trend—where insightful discussions were complemented with steaming cups of coffee.

Professional seminars were a staple—whether it was the Finance Bill, amendments in Taxation laws, or discussions on landmark judicial judgments.

The most eagerly awaited event was the Bank Audit Seminar. It wasn't just a learning experience; it was a celebration of knowledge.

If there was ever a “learn, unlearn, and relearn” moment, it was Bank Audit.

When the Narasimham Committee recommended changes to income recognition and provisioning, it was a paradigm shift.

The branch rose to the occasion by organizing a series of seminars to equip members with the knowledge needed to navigate the new regulations.

The Inauguration: A Moment of Pride

After years of tireless effort, the dream finally materialized—the building was completed. The inauguration was a landmark event, graced by the presence of the young and dynamic Rahul Roy, then President of ICAI.

Dignitaries from Regional and Central Councils attended, making it a grand affair.

The event was planned meticulously and executed with precision.

A gala dinner was organized to honor the guests, and in a rare moment of spontaneity, the President joined the members on the dance floor, setting the evening alight with joy.

His admiration for the event was reflected in his “President Writes” column in *The Chartered Accountant*.

With this, Visakhapatnam Branch stepped into the national spotlight.



The Dream of Our Own Building

As the branch grew, so did its dreams.
The vision of having its own building—a permanent place to call home—was shared by every member.

But buildings require land.
And in a bustling urban area, finding a well-located plot was a challenge.

Amidst this challenge emerged an opportunity—land from Andhra University.
This possibility was realized through the relentless perseverance of the senior members.
(It wasn't easy, as a faction within the University was opposed to leasing the land).
To those members who fought against all odds to make this dream a reality—we owe our deepest gratitude.

Once the land was secured, the next question was:
How to finance the construction?

Collecting donations was one option, but the branch wanted to go beyond the conventional.
Thus was born a novel idea—FIN-EXPO.

A first-of-its-kind event, FIN-EXPO combined an exhibition with seminars.
An opportunity to collaborate with SAFA came at the perfect moment.
(Fortunately, (L) K.R.S. Sastry, a visionary from Vizag, was the then President of SAFA).

The seminar was graced by professionals from across the globe, including representatives from Sri Lanka, Bangladesh, and the Middle East.
It was a truly international event, held at the VUDA Children's Theatre in our own Visakhapatnam.

While the seminar was a success, the exhibition was a grand celebration.
Financial service providers, including NBFCs and Chit Corp, participated, showcasing their products to a curious and enthusiastic audience.

This two-day financial extravaganza not only helped raise funds but also placed the branch on the map as a pioneer in organizing large-scale events.

A National Seminar: Defying Expectations

"A National Seminar in Vizag? Impossible!"
Skepticism echoed across the country. Vizag was still seen as a small town, not equipped to host a prestigious national-level event.
But the branch had a vision, and it was determined to prove everyone wrong.

The two-day National Seminar was planned with meticulous attention to detail.
The venue? A patch of land overlooking the majestic Bay of Bengal.
Overgrown with bushes and wild vegetation, the land was transformed into a beautiful venue, thanks to the members who rolled up their sleeves and worked tirelessly.

The delegates, many from landlocked states, were mesmerized by the scenic beauty.
The cool sea breeze, the refreshing coconut water, and the seamless execution of the event left the attendees in awe.

Even today, members fondly recall the warmth and hospitality they experienced.

The seminar wasn't just a success; it was a statement. It demonstrated that Vizag had the vision, potential, and capability to be at the forefront of the profession.
(Today, that vision stands fulfilled).

Legacy of Excellence and Leadership

Through every challenge and every triumph, the Visakhapatnam Branch of SIRC of ICAI has stayed true to its mission—empowering its members through knowledge. From humble beginnings to organizing international events, the journey has been nothing short of extraordinary.

This legacy of excellence continues to grow, inspiring generations of Chartered Accountants.

Proud to be a CA

Proud to be in the President's Home Branch

Managing Committee: The Pillars of Progress

Behind every achievement stands the Managing Committee—dedicated, visionary, and relentless. There were times when, despite notices and calls for nominations, no one volunteered. Yet, on the day of the election, members were persuaded to step up, and a team was always formed.

Whether elected or volunteered, the commitment was unwavering. The agenda was simple but powerful—to conduct knowledge-enhancing programs for the benefit of members.

Each successive Managing Committee raised the bar higher, organizing impactful events and seminars that added value to the members.

Awards and accolades followed, but the real reward was the trust and respect earned from the community.

Seminars: A Tradition of Knowledge Sharing

Organizing seminars in those days was no small feat. From selecting speakers to distributing printed material to members, it required precision and coordination.

Members would come prepared, having read the seminar material in advance. The discussions were in-depth, engaging, and enriching—led by a Chairman, Commentator, and Paper Writer, all present on the dais. It was an experience akin to watching a gripping cricket match live at the stadium.

Such was the impact of these seminars that they became a hallmark of the branch's commitment to knowledge-sharing.

A Legacy that Inspires

From a modest two-room office to becoming a national icon, the journey of the Visakhapatnam Branch of SIRC of ICAI is a testament to vision, perseverance, and community spirit.

It's not just about milestones but about memories, experiences, and a shared vision for the future. The legacy continues to inspire and guide generations of Chartered Accountants.

Proud to be Part of This Legacy

Proud to be a CA



Legal Updates

Caselaw Digest – February 2025

The Transition from the Income-tax Act, 1961 to the Income-tax Bill, 2025: An Analysis of Clause 536 of the bill

[Extract from an article in Taxman reported in : [2025] 172 taxmann.com 39 (Article)]

With the introduction of new Income-tax Bill, 2025, the question that emerges is:

What happens to liabilities, claims, disputes, and assessments rooted in the repealed legislation?

The answer lies in Clause 536 of the Income-tax Bill, 2025, which serves as the principal savings clause, ensuring that past transactions and ongoing proceedings under the 1961 Act are not abruptly invalidated. This provision codifies the fundamental legal doctrine that repeal does not automatically obliterate existing rights and obligations unless explicitly stated otherwise. The transition mechanism embedded in Clause 536 preserves the legitimacy of pending disputes, protects taxpayer entitlements, and provides a structured pathway for tax enforcement. This article critically examines the practical implications of Clause 536, contextualizing it within the broader contours of repeal and savings jurisprudence in Indian law.

The core of **Clause 536(1)** is an unambiguous declaration:

“The Income-tax Act, 1961 is hereby repealed.”

However, the repeal is not absolute but subject to the extensive savings provisions of **Clause 536(2)**, which explicitly safeguards certain rights, liabilities, and procedural aspects from being extinguished. The provision states that the repeal shall not:

- (a) affect the previous operation of the repealed Act and orders or anything duly done or suffered thereunder; or
- (b) affect any right, privilege, obligation or liability

acquired, accrued or incurred under the repealed Act or orders under such repealed Act.

This language reflects the principle of legal continuity, ensuring that transactions governed by the 1961 Act retain their validity even after its repeal. The Clause further provides those pending proceedings, whether at the assessment, appellate, or enforcement stage, shall continue to be governed by the old law.

A significant issue arising from the repeal is the treatment of income tax returns filed before April 1, 2026. **Clause 536(2)(c)** directly addresses this concern, stipulating that:

“The provisions of the repealed Income-tax Act shall continue to apply to any proceedings (including notices, assessment, re-assessment, rectification, penalty, reference, revision, and appeals) in respect of any tax year beginning before the 1st April, 2026 and such proceedings shall be carried out as per the procedure specified in the repealed Income-tax Act.”

This means that all returns filed for FY 2025-26 or earlier will remain within the jurisdiction of the 1961 Act, and any rectifications, revisions, or reassessments will be conducted under its provisions. This is particularly significant for taxpayers awaiting refunds or facing pending audits.

THE FATE OF TAX PROCEEDINGS, NOTICES, AND PENALTIES

A pressing issue in any tax law transition is the status of notices issued before the repeal date. Taxpayers facing reassessment, investigation, or litigation often seek to exploit procedural gaps in new legislation. However, **Clause 536(2)(e)** prevents such exploitation by ensuring that all pending tax proceedings before any tax authority, Appellate Tribunal, or Court remain governed by the 1961 Act.

The provision states:

“Any proceeding pending on the commencement of this Act before any income-tax authority or any other authority constituted under the repealed Income-tax Act, Appellate Tribunal, or any court, by way of application, appeal, reference or revision or by any other means, shall be continued and disposed of as if this Act had not been enacted.”

Thus, any show-cause notice, penalty proceeding, or litigation arising from past assessments will remain adjudicated under the old law. Notably, penalty proceedings initiated under **Clauses 270A and 271(1)(c)** of the 1961 Act will not be invalidated merely due to the repeal.

Additionally, **Clause 536(2)(d)** clarifies that any proceeding for the imposition of a penalty for tax years before April 1, 2026 may still be initiated under the 1961 Act, ensuring continuity in tax enforcement.

IMPLICATIONS FOR FY 2025-26: DUAL FRAMEWORK FOR INCOME AND TDS COMPLIANCE

A unique challenge arises in the taxation of income for FY 2025-26, given that it overlaps the transition from the old to the new regime. While the assessment year for FY 2025-26 (AY 2026-27) falls after the repeal, Clause 536 ensures that any income earned before April 1, 2026, remains governed by the old law.

Similarly, TDS and TCS compliance faces a transitional issue, especially for the last quarter of FY 2025-26, whose returns are due in April 2026, under the new regime. Clause 536(2)(g) creates a split framework:

- (i) A refund falls due after commencement of this Act; or
- (ii) Default is made after such commencement in the payment of any sum due under such proceeding, the provisions of this Act, relating to interest payable by the Central Government

on refunds and interest payable by the assessee for default, shall apply for the period after the commencement of this Act.

This means that **TDS deducted before March 31, 2026, will be governed by the 1961 Act**, but any defaults or delays in filing post-April 1, 2026, will attract interest and penalties under the new Act. This dual compliance requirement necessitates meticulous tax planning for businesses and individuals.

IMPACT ON TAX DEDUCTIONS, CARRY-FORWARD OF LOSSES, AND MAT CREDIT

Another significant aspect of Clause 536 is its role in safeguarding past tax benefits, including deductions, exemptions, and the carry-forward of losses. The transition from the Income-tax Act, 1961, to the Income-tax Bill, 2025, necessitates clarity regarding whether past claims under the old Act will remain intact or be extinguished by the repeal. **Clause 536(2)(h)** ensures that any deductions claimed under the 1961 Act continue to be valid, provided that all relevant conditions continue to be met. However, where the deductions were granted conditionally and those conditions are violated after April 1, 2026, the sum earlier deducted or excluded from income will be added back in the tax year when the violation occurs. This provision prevents taxpayers from manipulating the transition to evade tax liabilities by claiming that previously granted exemptions or deductions are no longer subject to post-repeal scrutiny.

Additionally, **Clause 536(2)(m)** through **(q)** ensures that taxpayers who have carried forward losses under **Clauses 71B, 72, 73, and 74** of the 1961 Act will not lose their entitlement to set off those losses against future income. The provision states that losses under various heads, including income from house property, business, speculation business, specified



businesses, and the activity of maintaining racehorses, can be set off against income computed under the new Act, as per the methodology prescribed in the corresponding Clauses of the 1961 Act. This protection extends to capital losses under **Clause 74**, allowing them to be set off against capital gains arising under the new Act for up to eight financial years, ensuring taxpayers are not penalized due to legislative transition.

Furthermore, **Clause 536(2)(o) and (p)** safeguard the set-off of losses and allowances in cases of amalgamation, mergers, and succession of cooperative banks, reinforcing the continuity of tax planning structures executed under the 1961 Act.

The transition also raises concerns regarding the fate of Minimum Alternate Tax (“MAT”) credit, which companies have accumulated over the years. Given that the MAT framework has been a crucial component of corporate taxation, taxpayers may worry about the potential forfeiture of unused MAT credit upon the repeal of the 1961 Act. **Clause 536(2)(l)** alleviates such concerns by explicitly allowing MAT credit under **Clauses 115JAA and 115JD** of the 1961 Act to be carried forward under the new law. It ensures that tax paid under MAT provisions does not become a sunk cost merely due to the enactment of a new tax regime. This provision mandates that MAT credit will be available for set-off in the same manner and for the same duration as it would have been under the old law, provided that the taxpayer continues to meet the conditions prescribed under the new Act. These provisions collectively guarantee that taxpayers who structured their affairs around the framework of the 1961 Act do not suffer undue hardship and that their legitimate tax planning strategies remain honored in the new regime.

RECOVERY OF OUTSTANDING TAX LIABILITIES AND PENDING SEARCH PROCEEDINGS

Yet another crucial aspect of the transition is the enforceability of outstanding tax liabilities and the continuation of recovery proceedings initiated under the 1961 Act. **Clause 536(2)(i)** unequivocally states that any unpaid tax liability under the repealed Act may still be recovered under the new Act, without prejudice to actions already taken under the 1961 Act. The phrase “may be recovered” has been the subject of judicial interpretation in cases such as *Imperial Chemicals Industries Ltd. v. CIT* [1979] 116 ITR 516 (Cal.), where the Calcutta High Court ruled that such language does not imply discretion on the part of the tax authorities but rather reinforces the enforceability of outstanding dues. In the present context, this ensures that any outstanding tax demands, interest, or penalties imposed under the 1961 Act will remain legally recoverable even after the new Act comes into force. This provision prevents a situation where taxpayers attempt to argue that the repeal of the 1961 Act nullifies their pre-existing obligations, thereby safeguarding the integrity of tax collections.

Similar continuity provisions are extended to pending search and seizure proceedings. **Clause 536(2)(v)** clarifies that where a search has been initiated under **Clause 132** or a requisition has been made under **Clause 132A** before April 1, 2026, the provisions of the repealed Act shall continue to apply to all proceedings connected with such search or requisition. This ensures that taxpayers who were under investigation before the repeal cannot claim immunity simply because of the legislative transition. The provision effectively prevents disputes regarding whether pending search cases should be adjudicated under the old or new law and ensures that all procedural and substantive aspects of search assessments, penalties, and appeals remain governed by the 1961 Act. A crucial issue that remains

unresolved, however, is whether searches initiated on or after April 1, 2026, but relating to transactions before this date, will be assessed under the new or old regime. This could become a contentious issue requiring judicial clarification in the years following the enactment of the Income-tax Bill, 2025.

The new legislation also addresses the fate of agreements, notifications, approvals, and rulings issued under the 1961 Act. Given the prevalence of Advance Pricing Agreements (“APAs”), safe harbour rules, and rulings by the Authority for Advance Rulings (“AAR”), taxpayers might be concerned that these administrative rulings will lose their force upon repeal. **Clause 536(2)(j)** safeguards such instruments by stating that any agreement, appointment, approval, or notification issued under the repealed Act shall be deemed to have been made under the corresponding provision of the new Act, provided that it is not inconsistent with the new law. This continuity ensures that taxpayers do not have to renegotiate or reapply for approvals merely due to the transition. The provision aligns with judicial principles established in cases like *Gammon India Ltd. v. Union of India* (1974 AIR 960), which emphasized that administrative and regulatory approvals granted under repealed statutes should remain valid unless explicitly revoked.

CONCLUSION

The provisions of Clause 536 highlight the broader principle of legal continuity, ensuring that the transition to a new tax regime does not create undue hardship for taxpayers or administrative inefficiencies for the government. By preserving pending cases, safeguarding past tax benefits, and maintaining enforcement mechanisms, the Clause provides a structured framework that prevents tax administration from descending into procedural uncertainty. While ambiguities remain particularly regarding faceless tax schemes, interest computations on refunds, and procedural rules for cases straddling the transition

period—the overarching approach of Clause 536 reflects a balanced strategy of repeal with savings rather than a disruptive overhaul. The legislature has sought to ensure that the legal, procedural, and financial obligations created under the 1961 Act are not arbitrarily extinguished but rather integrated into the new framework in a manner that upholds both taxpayer rights and the interests of revenue authorities.

As India embarks on a new era of taxation with the Income-tax Bill, 2025, Clause 536 will be the cornerstone ensuring that past obligations, deductions, exemptions, and assessments remain legally valid while simultaneously allowing the new Act to chart a modernized and efficient tax regime. The continuity mechanisms embedded in this provision will not only preserve fiscal stability but also reduce the scope of litigation and procedural disputes that could otherwise arise from such a significant legislative transition. Ultimately, while tax laws evolve, the principle that taxpayers must not suffer due to legislative changes remains at the heart of Clause 536, ensuring that the past, present, and future of Indian taxation remain harmoniously aligned.

-----By CA K Hemalatha



The Institute of Chartered Accountants of India

Visakhapatnam Branch

ONE TIME ANNUAL PAYMENT OF DELEGATE FEE (2025-26)

Registration Form

To
The Secretary,
The Institute of Chartered Accountants of India
Visakhapatnam Branch (SIRC)
ICAI Bhawan,
VISAKHAPATNAM -530 003

Dear Sir,

I/We have enclosed Cheque No..... of
Bank dated for Rs/- in favour of **VISAKHAPATNAM BRANCH
OF SIRC OF ICAI, VISAKHAPATNAM** towards my/our **ONE TIME ANNUAL DELEGATE FEE PAYMENT** for
CPE Seminars at Visakhapatnam Branch for the period from 01.04.2025 to 31.03.2026.

Details of the Member/Members

S.No	Name of the Member	Date of Enrolment	M. No	Mobile No.	E-mail ID

Thanking You,

Yours Truly,

Signature



GST No. :

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ACCOUNT NAME : VISAKHAPATNAM BRANCH OF SIRC OF ICAI
ACCOUNT NO : 024510011011521
BANK NAME : Union Bank of India
BRANCH NAME : PITHAPURAM COLONY
IFSC CODE : UBIN0802450

Please forward the UTR No., Name and Membership No. to the following
mail ID : icaivskpbranch@gmail.com

One Time Annual Fee Structure for 2025-26 :

Rs. 3,000+GST 18% (Rs. 3,540/-) for New Members enrolled after 01.04.2022

Rs. 6,000+GST 18% (Rs. 7,080/-) for Members enrolled on or before 01.04.2022

Program Calendar for the Month

S.No	Date & Time	Topics
1	01/03/2025 – 10:00 am-05.00 pm (Saturday) - 6Hrs	SME IPO & Opportunities for CA's UAE Business set up & Compliance
2	08/03/2025 – 10:00 am-01.30 pm (Saturday) - 3 Hrs	Bank Audit under CBS Environment
3	08/03/2025 – 05:00 pm-08.30 pm (Saturday) - 3 Hrs	International Women's Day
4	12/03/2025 – 05:00 pm-08.30 pm (Wednesday) - 3 Hrs	Workshop on Bank Audit - Audit of Balance Sheet & Profit and Loss Account
5	19/03/2025 – 05:00 pm-08.30 pm (Wednesday) - 3 Hrs	Workshop on Bank Audit - LFAR
6	26/03/2025 – 05:00 pm-08.30 pm (Wednesday) - 3 Hrs	Workshop on Bank Audit - IRAC Norms
7	29/03/2025 – 10:00 am-05.00 pm (Saturday) - 6 Hrs	NPOs and Charitable Trusts

“Snapshot of Memories: A Glimpse into Last Month's Events”

Physical - CPE Seminar on Finance Bill & FEMA held on 8th February, 2025





Felicitation to our Newly elected Vice President of ICAI held on 15th February, 2025







Introduction of New Torch Bearers for the Year 2025-26 held on 20th February, 2025





Managing Committee Members of Visakhapatnam Branch of SIRC of ICAI



CA. Sridhar Andhavarapu

Chairman



CA. Patnala Lokesh

Vice Chairman



CA. Ramu Naidu N

Secretary



CA. Ujwala M L D

Treasurer



CA. D. Leela Vara Prasad

SICASA Chairman



CA. Mogalapalli P GuruMurthy

Member & Editor



CA. K. Rambabu

Member

Physical CPE Seminar on Bank Audit held on 22nd February, 2025





Physical CPE Seminar on Bank Audit held on 22nd February, 2025



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The Views expressed by contributors in this Newsletter do not necessarily reflect the opinion of the Branch or the Institute