



Gurugram Branch of NIRC

The Institute of Chartered Accountants of India
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e-Newsletter

Chartered Accountants

November 2021 Edition

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Chairman's Message

CA Nitin Kataria,
Chairman, Gurugram Branch

Dear Professional Colleagues,

I pray for your good health and safety. In the month of November we have celebrated the auspicious occasion of Diwali, Birthday of Guru Nanak Dev and also we remembered Guru Tegh Bahadur Sahib on his martyrdom day. These festivals/occasions always inspire us to learn the lesson of always moving forward on the path of truth.

During the past month we conducted various programmes for our members. The most important programme of the past month was the organisation of "Cultural Evening on the occasion of Diwali" the festival of lights which was of immense value to the participants as we were joined by more than 350 participants.

As we are recovering from the covid aftereffects we tried our best to bring back the physical sessions on track and in this effort we organized Seminar on Tax Audit and also organized Seminar on New ITR, AIS, Presumptive Taxation And Detailed overview Of 15CA-CB And Section 195. These events have touched upon various aspects from updates, peer interactions to exploring professional opportunities. The gathering in these events shown us a way that members are once again ready to participate and interact with each other.

I sincerely thanks all the members of Gurugram branch & all other branches for taking active participation in our activities including the webinar participation. We assure you that we will keep on doing such activities on regular basis to always keep you a step forward.

Would like to leave you with a wonderful shaloka from Bhagvad Gita

**कर्मण्येवाधिकारस्ते मा फलेषु कदाचन ।
मा कर्मफलहेतुर्भूर्मा ते संगोऽस्त्वकर्मणि ॥**

You have the right to work but never to the fruits of the action. Further you do not have the right to the root cause of the fruits of action. You also do not have the right to remain in the society without performing any work.

Stay safe, stay healthy.



Section 80AC held hyper-technical, cannot demean law

Author: CA Gopal Nathani

Section 80AC of the Income tax Act, 1961 provides that no deduction under Chapter VI-A (part C) would be claimable unless a return thereto is filed before the due date mentioned in section 139(1). The section is worded as:

Deduction not to be allowed unless return furnished.

80AC. Where in computing the total income of an assessee of any previous year relevant to the assessment year commencing on or after—

(i) the 1st day of April, 2006 but before the 1st day of April, 2018, any deduction is admissible under section 80-IA or section 80-IA B or section 80-IB or section 80-IC or section 80-ID or section 80-IE;

(ii) the 1st day of April, 2018, any deduction is admissible under any provision of this Chapter under the heading "C.—*Deductions in respect of certain incomes*",

no such deduction shall be allowed to him unless he furnishes a return of his income for such assessment year on or before the due

date specified under sub-section (1) of section 139.

Delhi

This harsh and mandatory provision had come into debate before the benches of Tribunal in the past. The Delhi Tribunal in CIT Vs. Unitech Limited **[2016] 6 ITR-OL 0370** stalled section 263 adverse action against the assessee thus preventing the Commissioner to withdraw the deduction allowed to the assessee in assessment completed u/s 143(3) on the ground that the requirement under section 80AC that the return had to be filed within the due date specified under section 139(1) of the Act was mandatory. In this case the assessee filed its return of income for the assessment year 2008-09 on April 2, 2009, claiming the benefit of deduction under section 80-IB(10) as against the return had to be filed by the assessee on or before October 31, 2008. In dismissing the appeal of the revenue the Delhi Tribunal held that that there were conflicting opinions of different benches of the Tribunal on whether section 80AC was mandatory. The bench further left with the



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the following notable observation made in this case that:-

"11. It is clarified that the question whether the requirement under section 80AC of the Act is mandatory is left open for consideration in an appropriate case. The appeal is dismissed in the above terms."

Calcutta

The Calcutta High Court has been leg start in holding a view in CIT v. **SHELCON PROPERTIES P. LTD. [2015] 370 ITR 305 (Cal)** and **SUOLIFICIO LINEA ITALIA (INDIA) (P.) LTD.vs. Joint CIT [2018] 407 ITR 16 (Cal)** that When the governing provision expressly mandated that no such deductions should be allowed unless the assessee had filed his return of income "on or before the due date specified under sub-section (1) of section 139" there was no question of referring to the extended period permitted under section 139(4) to seek the benefit. Since the provision refers only to sub-section (1) of section 139 , reference to the other provisions of the section must be understood to have been excluded. An embargo was imposed by section

80AC on the conferment of the benefit under section 80-IB of the Act. The condition also specifically referred to section 139(1) and not to section 139 as a whole.

Karnataka

Vide **HINDUJA LAND DEVELOPMENTS (P.) LTD. vs. Assistant CIT (2022] 440 ITR 135 (Kar)** the assessee withdrew claim for deduction under section 80-IB of part C in chapter VI-A in the revised return but later before Commissioner (Appeals) it pressed for the same which was denied in the light of section 80AC embargo.

The High Court in this case is reminded of the settled law that no tax would be collected without the authority of law and there is no estoppel against law. Even if any consent is made as in this case for withdrawal, the same would not confer jurisdiction on the authorities to deny the benefit when the law holds otherwise. Citing reference to co-ordinate Bench decision in the case of **Bhandari Metals and Alloys (P.) Ltd. v. State of Karnataka [2004] 136 STC 292 (Karn) ; ILR 2004**



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Karn 2025, that if the assessee makes a mistake in submitting a return and submits to be assessed to tax before the assessing authority, he is not estopped or precluded by any law from preferring an appeal and demonstrate before the appellate authority that he is not exigible to such tax. The Court held a view that the appellate authority including Tribunal is bound to examine the matter and determine the question on the merits and do not get guided by the hyper technicalities like in section 80AC as the denial of the claim on hyper technicalities would cause injustice to the assessee. In setting aside the adverse orders of the Commissioner (Appeals) and the Tribunal the Karnataka High Court directed the Assessing Officer to ascertain the genuineness of the claim/return and to reconsider the matter in so far as the denial of deduction of the claim under section 80-IB(10) of the Act and to pass appropriate orders in accordance with law in an expedite manner. Thus the words **“in accordance with law”** are notable and cannot be discounted at any costs be it provisions in section 80AC.

This Karnataka High Court decision pronounced in October 2021 in the latest has overturned the tables in favour of the taxpayer and almost set on motion a thought on the unconstitutionality of section 80AC provision in the Act. With this the Delhi Tribunal Decision in Unitech case also gets more strengthening and support.



IPO - MEANING And ITS VALUATION

Author: Ms. Rashi Gupta

IPO - MEANING And ITS VALUATION

2021 is not only the year of Olympics but it is also a year of IPO's , With Zomato listing at a premium of over 53% on its IPO issue price on Friday, July 30 and Rolex Rings getting applications 130 times more than its issue size. India is all set to witness a record number of companies going public.

Let us try to understand what is an IPO?

An initial public offering or IPO is a process under which a private company offers its shares to the general public for the first time in order to raise money from market. This process marks the transition of a private company to a public listed Company. Private shareholders may hold onto their shares in the public market or sell a portion or all of them for gains.

IPO is used by small and medium enterprises, start ups and other new companies to expand or improve their existing business. An IPO is a way for companies to acquire fresh capital, which can be used to finance its Research & Development, Capital expenditures, pay

off debt or to explore other opportunities.

There are two common types of IPO

1. Fixed Price Offering- Under a fixed price offering , Company set a Fixed Price say 100 Rs. At which it offers its shares to the public. This price is set by the company after evaluating its Assets, Liabilities and other financial aspects and non – financial aspects. In a Fixed price issue , Investors need to pay the full share price while applying for the issue .
2. Book Building Issue – In a Book Building Issue , instead of a fixed price , Companies offers a price range i.e. A Price Band in which there is an lower limit(called floor price) and a upper limit (cap price) . Investors bid for the desired price they want to pay . Thereafter the price of the stock is fixed after evaluating the bids. Only after the closing date of the bid, the exact price of the share is fixed .For example – Zomato offered a price band of Rs 72-76 per share where as Indigo Paints offered a price band of 1488 to 1490 per equity



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share.

Now here comes a question, how Zomato decided to keep its share price at low as 72 and Indigo Paints decided to keep it as high as 1490? For this we need to know how a company values its IPO?

VALUATION OF IPO

Valuation of an IPO is definitely one of the complex procedures operated in the Stock Market. It is a process by which a company decides at which price it will offer its IPO to the public. If the share price is undervalued then the company is probably leaving its potential money on the table. On the other hand if the share price is overpriced, then there is a risk of under subscription of shares of the company. Therefore it is crucial for every company going for an IPO to fix a favourable price for their shares to avoid any types of losses.

Let us one by one understand different methods of valuation-

1. P/E METHODOLOGY

The most common and popular method of Valuation is p/e Ratio i.e. Price to Earnings Ratio.

P/E Ratio or Price to Earnings Ratio is the ratio of the current price of a company's share in relation to its earnings per share (EPS). It signifies the amount of money an investor is willing to invest in a single share of a company for Re. 1 of its earnings. For instance, if a company has a P/E Ratio of 10, investors are willing to pay Rs. 10 in its stocks for Re. 1 of their current earnings.

For Instance – ABC is a company going for an IPO having a p/e ratio of 10 and their net incomes for the last financial year was Rs. 200 Crores, then their business value is 10×200 , i.e. 2000 Crores. Assuming the Business is looking to liquidate 20% of the Company, then the IPO Size will be 400 Crores.

2. Relative Valuation

Relative Valuation means to compare the company with similar companies dealing in the same business, preferably the company which is already listed with the stock



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exchanges. It is also called as Comparative Valuation. Suppose the company coming up an IPO is having a growth rate of 10% now we compare this growth rate to the other companies that are in the same industry or the business and analyse if we want to invest in the company .

3. Absolute Valuation –

This Technique require the businesses to look at company own fundamentals to predict the future income streams of the company. This model use the information available in the financial statements and books of accounts of the company to arrive at its intrinsic value or real worth .

4. Enterprise Value to EBITDA Multiple-

The EV/EBITDA is a popular valuation tool that helps investors compare the companies in order to make an informed investment decision. EV i.e. enterprise value can be calculated by adding market capitalisation of the company to its

long term and short term debts and by subtracting cash and cash equivalents from it. EV depicts the theoretical takeover price a company need to pay to acquire the another company. EBITDA means Earnings Before Interest and tax but after Depreciation and Amortisation . A company whose EV/EBITDA is below 10 is considered healthy .

5. ECONOMIC VALUE –

The value is arrived by considering the Company's residual income, assets, the risk-bearing potential, debts to be paid off and such economic factors.

Value of equity = Enterprise value + Value of cash and investments – Value of debt and other liabilities

6. Discounted Cash Flow -

In DCF Analysis , we predict the future cash flows of the company with the help of financial statements of the company and books of accounts and discount them to



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arrive at the present value of the firm. The present value is regarded as the true worth or the intrinsic value of the firm. There are multiple DCF Analysis such as Dividend Discount Analysis , Discounted Asset Analysis and Discounted Free Cash Flow Analysis. The company normally uses the Weighted Average cost of capital rate (WACC) while discounting its cash flows.

WACC is average cost of capital that company needs to pay to finance their overall operations both by equity and debt instruments. The main disadvantage of DCF is that it requires many assumptions . A person needs to estimate correct future cash flows for calculation of a correct intrinsic value of the company.



Know Your Ethics

Source: www.icai.org

Q. Can a Chartered Accountant in practice/ firm give advertisement in press?

A. No, however, the members in practice may advertise the services setting out the services provided by him or his firm, and particulars of his firm, through a 'Write-Up', subject to Advertisement Guidelines issued by the Council.

Q. Whether Companies in which Chartered Accountants have been appointed as directors on their Board can publish description about the Chartered Accountant's expertise, specialization and knowledge in any particular field or add appellations or adjectives to their names in the prospectus or public announcements issued by these companies?

A. The Council's attention has been drawn to the fact that more and more companies are appointing Chartered Accountants' as directors on their Boards. The prospectus or public announcements issued by these companies often publish descriptions about the Chartered Accountants' expertise, specialization and knowledge in any particular field or add

appellations or adjectives to their names. Attention of the members in this context is invited to the provisions of Clause (6) and (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949. In order that the inclusion of the name of a member of the Institute in the prospectus or public announcements or other public communications issued by the companies in which the member is a director does not contravene the above noted provisions, it is necessary that the members should take necessary steps to ensure that such prospectus or public announcements or public communications do not advertise his professional attainments and also that such prospectus or public announcements or public communications do not directly or indirectly amount to solicitation of clients for professional work by the member. While it may be difficult to lay down a rigid rule in this respect, the members must use their good judgement, depending upon the facts and circumstances of each case to ensure that the above noted provisions are complied with both in letter and spirit. It is advisable for a member that as soon as he is appointed as



Know Your Ethics

Source: www.icai.org

a director on the Board of a company, he should specifically invite the attention of the management of the company to the aforesaid provisions and should request that before any such prospectus or public announcements or public communication mentioning the name of the member concerned, is issued, the material pertaining to the member concerned should, as far as practicable be got approved by him.

Q. If a member is a partner in more than one firm, is it permissible to print the names of all the firms on visiting cards, letter-heads, stationery etc.?

A. Yes, there is no violation under Clause (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949

Q. Whether a member in practice/ Firm of Chartered Accountants is permitted to use logo on letter-heads, stationery, etc.?

A. No, the use of logo/monogram of any kind/ form/style/design/colour etc. whatsoever on any display material or media e.g. paper stationery, documents, visiting cards, magnetic devices, internet,

signboard by the members in practice and/ or a firm of Chartered Accountants, is prohibited. Use/ printing of member/firm name in any other manner tantamounting to logo/monogram is also prohibited.

Q. Whether members of the Institute can use common CA logo?

A. Yes, the common CA logo can be used by all members, whether in practice or not. Encapsulating the current beliefs, attitudes and values of the profession, the CA logo seeks to enhance the identity of the members. The logo consists of the letters 'CA' with a tick mark (upside down) inside a rounded rectangle with white background.

Q. Whether a member may put CA Logo on his website on the same background colour as that of the website?

A. As per Logo Guidelines issued by ICAI, in the CA logo, the background colour of Logo has to be white. It is to be complied with accordingly, irrespective of the background colour of website.

Q. Can a Chartered Accountant in practice use/fix a monogram of the Institute on any



Know Your Ethics

Source: www.icai.org

column/wall located inside the office or on professional documents?

A. No, in view of the Council directions under Clause (7) of Part I of the First Schedule to the Act, a Chartered Accountant in practice is not permitted to use/fix a monogram of the Institute on any column/wall located inside the office or on any professional documents.

Q. Whether the office of a Chartered Accountant is permitted to go in for ISO certification or other similar certifications?

A. Yes, there is no bar for a member to go in for ISO certification or other similar certifications. However, the member cannot use the expression like "ISO Certified" on his professional documents, visiting cards, letter heads or sign boards, etc.

Q. Whether public notice published in the newspaper by a Chartered Accountant individually or jointly with an Advocate in respect of acquisition of land by their client is permitted?

A. Yes, in terms of the provisions of Paragraph 3.8.1 of Council Guidelines for

Advertisement, 2008, appearing in Volume II of the Code of Ethics, the public notice published in the newspaper in respect of acquirement of land by their client is permissible.

Q. Whether the members in practice can print their photograph on their visiting cards?

A. No, it is not permissible for the members in practice to print their photograph on their visiting cards.

Q. Whether it is permissible for a member in practice to publish an advertisement in the press for recruiting staff in the member's own office?

A. Yes, in terms of the provisions of Paragraph 3.8.1 of Council Guidelines for Advertisement, 2008, appearing in Volume II of the Code of Ethics, it is permissible for a member in practice to publish an advertisement in the press for recruiting staff in the member's own office provided that only the name and address of the member or that of his firm, with the description Chartered Accountant (s) is mentioned in such advertisement and the advertisement is not displayed more



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Source: www.icai.org

prominently than is usual for such advertisements or the name of the member or that of his firm with the designation Chartered Accountant(s) appears in type not bolder than the substance of the advertisement.

Q. What should be the sequence /order of designations, while a member also uses the designation 'Dr.' along with 'CA'?

A. The member is free to use the designation 'Dr.' along with 'CA' in whichever sequence/order he wants to.

Q. Whether a member in practice empanelled as "Insolvency Professional" may mention the same on his visiting cards, letter heads and other communication?

A. A member in practice empanelled as Insolvency Professional may mention "Insolvency Professional" on his visiting cards, letter heads and other communication, as this is recognized by the Central Government in terms of Clause (7) of Part -I of First Schedule to Chartered Accountants Act, 1949. Mention of any

other nomenclatures/designations, including membership of any IPA is not allowed.

Q. Whether a Chartered Accountant who is appointed as tax auditor for conducting special audit under the Income-tax Act by the IT Authorities is required to communicate with statutory auditor?

A. Yes, Council direction mentioned in Paragraph 2.14.1.8(xiii) under Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949, appearing in Volume II of the Code of Ethics, prescribes that it would be a healthy practice if a tax auditor appointed for conducting special audit under the Income-tax Act, 1961 communicates with the members who has conducted the statutory/tax audit.

Q. Whether the Chartered Accountant who is appointed as a liquidator of a company can do the audit of that company?

A. No, Clause (4) of Part I of the Second Schedule to the Chartered Accountants Act, 1949, and Regulations framed there under may be referred.

Q. Whether the Chartered Accountant will be



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Source: www.icai.org

guilty of professional misconduct, if he: (i) accepts the auditorship of a college, if he is working as a part-time lecturer in the college. (ii) accepts the auditorship of a trust where his partner is either an employee or a trustee of the trust.

A. Yes, the Chartered Accountant will be guilty of professional misconduct in both the above referred circumstances.

Q. Can a Chartered Accountant working in a Firm of Chartered Accountants hold Certificate of practice?

A. Yes, a Chartered Accountant working in a Firm of Chartered Accountants can hold Certificate of practice. However, w.e.f.1.4.2005, he is not entitled to do any attest function.

Q. Whether a member in practice owning intellectual property rights of domain names sell these domain names to some entity for earning royalty on the same?

A. No, since the activity of selling domain names for earning Royalty would amount to "other business/occupation", which is prohibited under Clause (11) of Part-I of

the First Schedule to the Chartered Accountants Act, 1949.

Q. Whether a member in practice can also practice simultaneously as an Actuary?

A. A. No, the members in practice have not been permitted by the Council to practice as Actuary simultaneously.



Programme hosted by Gurugram Branch in November 2021

Date : Thursday, 18th November 2021

Topic: VCM On Comprehensive Approach To RERA & Development Authorities

Speakers : CA. Gaurav Agrawal

Venue: Webinar

Date : Saturday, 20th November 2021

Topic: Physical Seminar on Tax Audit

Speakers : CA. Sachin Sinhay & CA.(Dr.) Rakesh Gupta

Venue: Hotel Radisson Gurugram, Sohna Road, Sec-49, Gurugram

Date : Saturday, 27th November 2021

Topic: Physical Seminar on New ITR, AIS, Presumptive Taxation And Detailed Overview Of 15CA-CB And Section 195

Speakers : CA. Abhishek Jain & CA. Alok Vasant

Venue: Hotel Radisson Gurugram, Sohna Road, Sector-49, Gurugram

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