From the President

Dear Members

I am thrilled to announce the formation of 15 robust committees for the 2023-24 term, all set to propel the multifaceted endeavours of our Chamber. The steady commitment and the vibrant energy displayed by these fifteen leaders and their dedicated teams have truly been inspirational. Joining me in this exciting journey is an exceptional team of office bearers, bubbling with an infectious energy and steady excitement. Their zeal to contribute and bring change is commendable and I believe it's this spirit that will lead us to newer heights. As we embark on this transformative journey together, we remain confident that with the support of all our members, the invaluable guidance from our seniors and past presidents, we are poised for remarkable achievements. Our collective endeavour will undoubtedly drive us towards realizing our shared vision for the Chamber.

As the July 31 tax deadline approached, I've witnessed the intense dedication many of you bring to this annual challenge. Despite our best efforts, last-minute details can still create pressure. It's essential we foster a culture of punctuality among our clients for smoother processes. While the journey to timely filings is ongoing, every year gets us closer to that ideal.

In the midst of the busy tax season last month, our vibrant student committee successfully organized two online meetings. Their ability to pull in enthusiastic participation from student members, even amid the hectic schedule of the July ITR deadline, was truly commendable. Alongside this, our Accounts and Audit committee, also held an informative virtual session. Their discussion on "Audit Trail – Legal and Practical Aspect" lead by CA Narasimhan Elangovan shed light on key facets, such as legal requirements as per the Companies Act, auditors' reporting obligations, and the practicality of technology usage.

The International Tax Committee is launching a comprehensive virtual course on Transfer Pricing this August. Renowned experts will explore complex issues in Transfer Pricing using case studies and interactive Q&A sessions. This timely course, set right before the compliance season, welcomes all interested participants.

I realize many of you are currently bracing yourselves for the impending Tax Audit Season. Amid this demanding period, I urge you all not to lose sight of the numerous festivities lined up, as they provide the perfect opportunity to recharge and celebrate amidst the hard work. Let's balance our professional obligations with personal joys as we navigate through this busy yet enriching period.

It brings me immense relief to share that Mumbai has already been blessed with nearly 60% of the season's rain by the end of July. With two more months of the monsoon season ahead, we remain hopeful that other regions will receive ample rainfall to boost our robust economy further.

The government has brought the Goods and Services Tax Network (GSTN) under the ambit of the Prevention of Money Laundering Act (PMLA). This will allow probe agencies like the Enforcement Directorate (ED) to seek information from the GST authorities and prevent tax evasion through generation of fake tax invoices. As per a government notification, issued on July 7, the Goods and Services Tax Network (GSTN) has been added as the 26th entity to the list of agencies, which are required to share information with the Enforcement Directorate and the Financial Intelligence Unit (FIU) under the PMLA. Many Central agencies like the Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), Competition Commission of India (CCI), Reserve Bank of India (RBI), Serious Fraud Investigation Office (SFO), and Director General of Foreign Trade (DGFT), among other have already been included to the list of government bodies, which as mandated to share data with ED and FIU as per PMLA. This change allows agencies like the ED and FIU to access GSTN information, aiding the detection of tax evasion and money laundering. This enhances business transparency and honesty in record-keeping. Ultimately, these steps could potentially increase GST revenue for the country, thus supporting the economy. This amendment could increase business costs due to higher compliance needs and potential audits. The expanded access to GSTN data might lead to potential misuse of power by agencies, possibly troubling honest taxpayers. Furthermore, extensive data sharing could raise concerns about privacy, emphasizing the need for strong data protection measures. In summary, while the amendment can aid in curbing tax evasion and money laundering, it is crucial to address potential challenges such as higher compliance costs, misuse of power, and privacy concerns to ensure the initiative's effectiveness and fairness..

India's top companies are grappling with the new Environmental, Social, and Governance (ESG) rules established by the Securities and Exchange Board of India (SEBI). Implemented on July 12, 2023, these regulations mandate the auditing and disclosure of non-financial data, significantly increasing the complexity and burden of regulatory compliance. This data, crucial for gauging a company's ESG performance, is often spread across various internal systems, making its aggregation a formidable challenge. The new rules necessitate what SEBI terms as "reasonable assurances" on nine indicators of the Business Responsibility and Sustainability Report (BRSR) Core, based on National Guidelines of Responsible Business Guidelines. These guidelines require a high degree of auditing rigor, akin to statutory audits, testing the abilities of internal and external accounting personnel. This shift is to be phased in gradually, affecting the top 150 companies in financial year 2023-24, extending to the top 250 in 2024-25, the top 500 in 2025-26, and finally reaching the top 1000 companies in 2026-27. As a result, many businesses are seeking consultation to identify gaps in their ESG processes and formulate strategies that will meet regulatory standards. However, the main difficulties lie in data harmonization, privacy concerns, and the complexities associated with elaborate supply chains. Companies with operations in multiple countries are tasked with standardizing data that may follow different metrics and disclosure timelines due to diverse regional regulations. Moreover, the requirement to disclose sensitive governance issues like gender pay disparity, related party transactions, and data breaches may reveal operational weaknesses that companies would prefer to keep private.

Perhaps the greatest challenge is the stipulation that ESG parameters should include data from supply chains. This involves collecting and auditing information from thousands of suppliers, varying greatly in size and sophistication, which can be a logistically daunting task. In essence, while SEBI's ESG rules are a positive move towards transparency and responsible business conduct, they present significant practical challenges for businesses. Success will require meticulous planning, governance, engagement with value chain partners, and advanced technology for managing sustainability information. It's clear that Indian companies will need to significantly upgrade their data management and auditing systems, ensuring the flow of reliable and accurate information for ESG compliance.

Further, this new ESG assurance regulation by SEBI is raising questions among top professional services firms. This new rule stipulates that the assurance providers and their associates must refrain from selling their products or offering any non-audit/non-assurance services to the entities they audit, aiming to prevent any potential conflicts of interest. These firms argue that this ruling is overly restrictive, as they often provide non-conflicting non-audit services such as tax compliance and advisory services, which are permissible under Section 144 of the Companies Act, 2013. This debate calls attention to a broader issue, not only affecting India but also being discussed globally - should statutory auditors or specialized consultancy agencies be responsible for conducting such audits? As the ESG audit process is gradually implemented, starting with India's top 150 companies in the financial year 2023-2024, this topic is becoming increasingly critical. While the regulation's intention is to uphold the integrity of the auditing process, its scope requires clarification. Some professionals argue that the rule should restrict only ESG advisory services and not extend to all non-audit services. However, there is also a view that the new regulation might lead to a more equitable distribution of work, promoting specialization in different audit areas.

As we proceed through this transition, it's imperative that our members understand the implications of these new regulations. The need for clarification from SEBI is crucial for professional services firms to continue offering their comprehensive services without undermining audit integrity. As we adapt to these changes, we are committed to keeping our members informed and prepared for the evolving landscape of corporate governance in India.

I'm delighted to announce our latest Journal edition focusing on the crucial topic of “Clause by Clause Legal Analysis of Tax Audit Report”. Thanks to our Journal Committee Chairman, Shri Ameya Kunte, for creating an insightful narrative. The issue provides an in-depth understanding of Tax audit compliance, especially Section 44AB, vital for financial transparency. I'm confident our members will find this issue a helpful and comprehensive guide. My gratitude goes out to all contributors and our hardworking committee, making each issue a triumph in addressing key topics.

With best wishes,

HARESH KENIA
President