



# GARUDA

MANGALURU BRANCH OF SICASA  
OF ICAI

*Monthly Newsletter*

## FEBRUARY

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# ***CHAIRMAN'S MESSAGE***

**Dear Students,  
Greetings to all!**



**CA. B. NITHIN BALIGA  
SICASA CHAIRMAN**

It is with immense joy and deep sense of responsibility that I address you as the newly elected Chairman of SICASA, Managlore Branch of SIRC. As I step into this role, I am filled with enthusiasm to serve our student fraternity and contribute to its growth. I look forward to working closely with all of you to make this year an enriching and engaging experience for CA students in Mangalore.

At the very outset, I would like to extend my heartiest congratulations to the newly elected Student Committee for the year 2025-26:

Vice Chairperson – Bhoomika M

Secretary – Aditii Raj

Treasurer – Justin Joseph

Members – Sharan VS, Samiksha, Madhussodan CH, Avinash Bhat K, Pallavi K, Mohammad Raazee

Wishing each of you a successful tenure ahead. I am confident that with your dedication and collective efforts, SICASA Mangalore will reach new heights. Let us work together to create an environment of learning, growth, and camaraderie.

**Upcoming Events – March 2025**

To kick-start this journey, we have planned two insightful seminars for the month of March that will help you enhance your technical knowledge and stay updated with the latest developments in the field of accounting and taxation:

**Bank Audit Seminar-**As the financial year-end approaches, bank audits become a crucial area of focus. This seminar will provide valuable insights into the audit process, practical challenges, and key considerations to keep in mind.

**Seminar on Budget 2025-26** –With the announcement of the Budget 2025-26, it is essential for aspiring Chartered Accountants to understand its implications. This session will cover the major provisions, changes, and their impact on businesses and individuals.

I strongly encourage all students to actively participate in these sessions and make the most of this opportunity to enhance your technical skills and knowledge. These seminars will not only add value to your learning but also prepare you for the dynamic world of finance and taxation.

### **Festive Wishes**

March is a month of celebrations, and I take this opportunity to extend my warmest wishes to all of you on the occasion of

International Women's Day. Let us celebrate and acknowledge the invaluable contributions of women in every sphere of life.

Additionally, I wish you all a joyous and colorful Holi, a prosperous Ugadi, and a peaceful and blessed Ramadan. May these festivals bring happiness, success, and positivity into your lives.

As we embark on this journey together, I urge each one of you to stay motivated, take advantage of the various initiatives planned, and contribute to making SICASA Mangalore a hub of excellence.

Looking forward to an exciting and productive year ahead!

Wishing you all the best for your studies and future endeavors.

Best regards,

CA BANTWAL NITHIN BALIGA

Chairman, SICASA Mangalore Branch of SIRC



# ACTIVITY REPORT



# NAVRANG





**The Mangaluru Branch of SICASA of ICAI had the incredible opportunity to organize Navrang, a vibrant event that brought together nine different activities, each filled with fun, excitement, and friendly competition. The atmosphere was electric with energy as participants engaged in various challenges, showcasing their skills, creativity, and teamwork. Laughter and cheers echoed throughout the venue, creating an environment of joy and togetherness. From intense competitions to lighthearted moments, Navrang was a celebration of enthusiasm, sportsmanship, and unforgettable memories. Seeing so many happy faces and smiles made all the effort worthwhile, making it a truly special and successful event.**

# Annual General Meeting.



**The Mangaluru Branch of SICASA of ICAI hosted its Annual General Meeting of SICASA Committee 2024-25 on 25th February and the final Activity report presented by Secretary Amrutha Yedage.**

# SICASA Committee Elections



**The Mangaluru Branch of SICASA of ICAI conducted elections for the tenure 2025-2026 on 28th of February at ICAI Bhavan, Padil .**

# SICASA COMMITTEE 2025-2026



MANGALURU BRANCH OF SICASA OF ICAI  
SICASA COMMITTEE 2025-26



**C.A. Nitin Baliga**  
SICASA Chairperson



**Bhoomika M**  
Vice Chairperson



**Aditi Raj**  
Secretary



**Justin Joseph**  
Treasurer

## MEMBERS



**Sharan V S**



**Samiksha**



**Madhusoodan C H**



**Avinash Bhat K**



**Pallavi K**



**Mohammad Raazee**



# ARTICLES

# **THE AUDIT SYMPHONY**

## **INTRODUCTION**

“Auditing is not just about compliance. It’s about building trust, ensuring transparency, and upholding the symphony of accountability.” In today’s rapidly evolving world, where businesses are redefined by technology and globalization, auditing has transformed from a mere compliance activity to an intricate symphony, that is, a harmonious blend of technology, regulations, and human judgement. Just as a symphony requires a skilled conductor and synchronized instruments, auditing in this fast changing environment demands precision, collaboration, and adaptability.



**Shannel Dsouza**  
**SRO0798373**

## **Modern Audit Practices**

Gone are the days of manual vouching and physical record-keeping. Today, audits are performed with the aid of sophisticated tools and technologies, making the process more efficient and accurate. Techniques like data analytics and artificial intelligence have redefined how auditors examine financial records. Take, for instance, data analytics tools that analyse entire populations of transactions rather than relying on samples. Patterns emerge, anomalies stand out, and insights flow seamlessly, enabling auditors to dive deeper into the nuances of financial performance. Automation has not only enhanced the accuracy of audits but also saved time, allowing auditors to focus on areas requiring professional skepticism.



# **The Impact of Automation**

**While automation has undoubtedly streamlined many auditing procedures, it has also introduced new challenges. Cybersecurity risks, data integrity, and algorithm bias now occupy the auditor's checklist. Additionally, the growing dependence on technology has shifted the auditor's role from just a financial checker to a digital guardian.**

**For example, blockchain technology, while offering unparalleled transparency, challenges auditors to understand its intricacies and validate the immutability of transactions. Similarly, AI tools, while powerful, require auditors to question their outputs, ensuring that machine-generated conclusions align with ethical and regulatory standards. "Trust, but verify"—this golden rule of auditing becomes even more relevant in the era of automation.**

## **Transparency and Accountability**

**In a world of dynamic regulations and stakeholder scrutiny, the role of an auditor is more critical than ever. From ESG reporting to forensic audits, the demand for transparency has expanded beyond financial numbers.**

**But transparency is not just about publishing reports. It's about ensuring that businesses uphold integrity, even in the face of adversity. Auditors act as the guardians of this trust. Whether it's uncovering fraudulent practices or ensuring compliance with evolving tax laws, they are instrumental in maintaining the public's confidence in the corporate ecosystem. In simpler words, "An audit without accountability is like music without rhythm—it lacks purpose."**



# CONCLUSION

**Auditing, at its core, remains a humadriven process. Despite all the advancements, it is the auditor's judgment, ethical backbone, and professional skepticism that ensure the symphony is performed flawlessly. To thrive in this environment, auditors must evolve continuously, learning, unlearning, and relearning to keep pace with the times. The audit profession is no longer a backstage act. It has taken center stage in ensuring the financial health and credibility of businesses. As auditors, let us embrace technology, uphold integrity, and strike the right chord in this ever-changing audit symphony.**

# AIRLINES TO ZERO-EMISSION TECHNOLOGIES- TATA'S GOT A TO Z COVERED

**“YOU DON'T HAVE TO BE  
BIG TO MAKE A  
DIFFERENCE, YOU JUST  
HAVE TO BE COMMITTED”**



**Apeksha A Kamath**  
**SRO0757783**

These words spoken by Sir Ratan Tata himself stands as the truest testament to the empire called 'TATA' he has built from scratch.

## **INTRODUCTION**

Ratan Tata, born in the year of 1937, he has worked extensively and with such precision that it has today resulted in earning him the title of 'The Man who Built India'.

For the ease of understanding the process of Tata's attainment of the title and the building of the TATA Dynasty, this entire article is divided into smaller paragraphs that cover certain elements which reflect light on his pioneering into various industries.

# I. TATA'S CORE VENTURES- DIVERSIFICATION ACROSS VARIOUS SECTORS

Over the years, under Ratan Tata's vision, the group has grown by expanding into various sectors making it one of the most diversified conglomerates in the world. Let us dive into some of its core sectors:

## 1. STEEL

**Tata Steel is one of the largest steel manufacturers in the world and a key player in the Tata Group's industrial portfolio.**



- **Global Reach:** Tata Steel operates steel plants in India, the UK, the Netherlands, and several other countries. The company acquired Corus Group (a leading British steel manufacturer) in 2007, expanding its international presence.
- **Sustainability Focus:** Tata Steel is committed to sustainability, and it is a leader in adopting green technologies in the steel-making process. The company is working towards producing "green steel" by utilizing cleaner technologies and renewable energy sources in its production processes.

- **Innovation in Steel:** Tata Steel manufactures a variety of specialty steels for industries like automotive, construction, and engineering. It also innovates in creating advanced steel alloys used in the aerospace and defence industries.

## **2. AUTOMOBILES**

**Tata Motors is the flagship automobile company of the Tata Group and one of the largest and most diverse automotive manufacturers in India.**

- **Wide Product Range:** Tata Motors manufactures a range of vehicles from affordable passenger cars to heavy-duty trucks and buses. Its brands include Tata Passenger Vehicles, Tata Commercial Vehicles, and Jaguar Land Rover (acquired in 2008).
- **Electric Vehicles (EVs):** Tata Motors has been a pioneer in the electric vehicle market in India, with models like the Tata Nexon EV and Tata Tigor EV gaining significant traction.
- **Jaguar Land Rover:** A premium automotive brand acquired in 2008, JLR operates globally and produces luxury cars and SUVs. The focus is increasingly on electric vehicles, as seen with the introduction of JLR's I-Pace, an electric SUV.
- **Commercial Vehicles:** Tata Motors is a dominant player in the Indian commercial vehicle market, producing trucks, buses, and military vehicles. It is a market leader in India for medium and heavy commercial vehicles.

### **3. INFORMATION TECHNOLOGY**

- Tata Consultancy Services (TCS) is the largest IT services company in India and a global leader in digital services, business solutions, and consulting.

### **4. ENERGY AND POWER**

- Tata Power is the largest integrated power company in India and plays a major role in the country's energy sector. It is involved in power generation, transmission, and distribution, as well as renewable energy projects.

### **5. CONSUMER GOODS**

Tata Consumer Products is a leading company in the Indian consumer goods sector, with a wide range of products spanning food and beverages, including tea, coffee, salt, and packaged foods.

- Tea & Beverages: Tata Consumer Products owns some of India's most iconic brands in the beverage sector, including Tata Tea (including brands like Tetley and Tata Tea Gold), Tata Coffee, and Tata Water.



- **Packaged Foods** The company's food portfolio includes brands like Tata Salt, Tata Sampann (spices, pulses, and packaged foods), and Tata Nutrikorner (nutrition products).

## CONCLUSION

Tata Group's remarkable journey across diverse sectors has crystallized its position as one of India's most influential and multifaceted conglomerates. By venturing into a wide array of industries, from steel and automotive to IT, telecommunications, consumer goods, and hospitality, Tata has demonstrated its ability to adapt, innovate, and cater to a broad spectrum of economic markets.

The group's strategic diversification has allowed it to not only mitigate risks but also capitalize on emerging opportunities in various sectors. Its focus on sustainability, ethical business practices, and community development further enhances its reputation as a socially responsible and globally competitive entity. Through visionary leadership, relentless pursuit of excellence, and a commitment to creating value, Tata Group has effectively covered nearly all major segments of the economic market, contributing to India's growth while leaving a lasting global impact.

# **NPS: The scheme, the success & the subsequence**

**NPS or National Pension Scheme is a modern contribution scheme regulated by PFRDA (Pension Fund Regulatory & Development Authority) which is under the jurisdiction of Dept. of Economic Affairs of Ministry of Finance & Government of India. NPS Trust are established under Indian Trust Act, 1881 read with relevant rules. It was established in 2004 & tier-II of this scheme was started in 2009.**



**Tonse Shashank Kini  
SRO0817034**

**Its other schemes are NPS Lite (2010), NPS Swavalamban Fund (20xx), Atal Pension Yojana (APY, 2015). In 2018, NPS was made completely tax-free instrument, through Sec. 80CCD (1), 80CCD (1b), 80CCD(2) & 80CCE. It currently contains 24 lakhs union govt. & 61 lakhs state govt. employees along with 17 lakhs corporate & almost 30 lakhs employees of unorganised sectors as on April, 2023. NPS Swavalamban Fund & APY subscribers are 41.75 lakhs and 4.6 crores respectively as on April, 2023.**



# The Schemes

NPS was launched by Central Govt. in 2004 for all new public sector employees other than those introduced in the Indian army from 2004. This scheme was launched on the recommendation submitted by the Old Age Social & Income Security committee est. in 1998 which submitted the report which is well-known as the OASIS report. In 2008, its authorities were transferred to PFRDA in December of the same year, it was made free for public involvement by establishing a tier-II scheme & allowing the multi-tier-I A/c. NPS Swavalamban scheme/NPS Lite was introduced with focus for limited persons such as agrarians and professionals. APY is a scheme for persons not covered by both EPF & NPS and for unorganised sectors' employees' old age security, but now even EPF/NPS can open APY A/c. The limitation of APY is it doesn't provide lumpsum withdrawal of any portion like NPS, other than the death of both subscriber & his spouse. The NPS Vatsalya scheme is kind of similar version of Sukanya Samruddhi Yojana i.e. SSY or Bhagyalaxmi scheme of Karnataka Govt. whose further info is yet to be published. The best part of all these schemes are all are exempt u/s. 80's various sub-sections which will be explained further.

# The Objectives

- To arrange old age income security to its subscribers.
- To provide reasonable market-based returns to the subscribers.
- To reduce fiscal workload from the government/s.
- To regulate & manage old age income schemes in India.
- To involve a mass public in retirement planning & to promote.

## What is OPS?

OPS can be differentiated from EPF, ESI & other pension schemes. This scheme is provided for govt. employees, where employer i.e. the govt. is sole contributor for this scheme. Where CG/SG assure half of the last pay drawn & making it a defined benefit, in private entities both employer as well as employee/s will contribute a part of this scheme. While NPS was being launched, all states other than West Bengal would insert it even to their state govts. But post-COVID, it gained political limelight since the state govts. of Rajasthan, Chhattisgarh, Jharkhand, Himachal Pradesh & Punjab reverted to OPS, & states like Telangana & Karnataka are also in thoughts whether to join the list. But the RBI has identified the similarities in the states' awful finances esp. operating experiences of salaries & pensions as 1/4th of state's revenue is allotted to pension funding under the OPS.

**These points were highlighted by the OASIS report which were,**

- **High fiscal burden on govts. by the OPS**
- **The presence of large & untapped employee**
- **A gigantic fund to invest into various instruments**

## **Key Features**

**NPS pension is a scheme for person who's an Indian citizen who is 18 to 70 years old. He shall submit the UOS-S1 registration forms to Point of Presence Service Providers (POP-SPs). POP-SPs will submit the form to Customer Register Agencies (CRAs) who'll send you welcome kit containing Permanent retirement account number (PRAN) & other basic details like linked PAN, Aadhar, nominee details, etc. along with TPIN/IPIN which we'll need to access the account. Afterwards, he shall contribute the following amounts during the tenure till he attains the age of 60.**

<b>Contribution</b>	<b>Tier-i</b>	<b>Tier-ii</b>
<b>Minimum Opening Deposit</b>	<b>NIL</b>	<b>RS. 1000</b>
<b>Minimum Sum per contribution</b>	<b>RS. 500</b>	<b>RS. 250</b>
<b>Minimum Annual contribution</b>	<b>RS. 6000</b>	<b>RS. 2000</b>

**The benefits of Tier-I is & Tier-II are given below**

<b>Difference</b>	<b>Tier-i</b>	<b>Tier-ii</b>
<b>Person Focused</b>	<b>Employees &amp; person with stable income</b>	<b>Businessmen &amp; Public with unstable income</b>
<b>Opening deposit charges from contribution</b>	<b>More compared with Tire-ii</b>	<b>Less compared with Tire-i</b>
<b>Limit of Withdrawal</b>	<b>25% of corpus invested after lock in of 3 years</b>	<b>No limit of withdrawal</b>
<b>Contribution to</b>	<b>The POP-SP who's nominated by the employer</b>	<b>Any POP-SP allowed by PFRDA</b>
<b>Transferability</b>	<b>Can't move to tier-ii</b>	<b>Can't move to tier-i</b>
<b>KYC</b>	<b>Present</b>	<b>Absent</b>
<b>Bank details requirement</b>	<b>Voluntary</b>	<b>Mandatory</b>
<b>Withdrawal Limit</b>	<b>20%- before attaining 60 60%-after attaining 60</b>	<b>Can withdraw your corpus anytime, anyhow</b>

**APY is a scheme where an Indian citizen aged 18 to 40 years can invest for a post-retirement plan starting from Rs.1,000 to 5,000 who is not covered under any other social security scheme covered by govt. contribution regulations, 2015. This scheme is differentiated from NPS since it doesn't have withdrawal plans other than the death or critical illness of subscribers, within range of 1.7 lakhs to 8.5 lakh Rs. It also has a varied contribution depending upon age (NPS has min. pension ranges).**

**Maximum limit of Rs. 1318 (NPS has no upper limit of investment). NPS is preferred over APY because of flexibility & tax deductions. APY is for persons with lower level of income or no formal retirement plans or both.**

**NPS lite or NPS Swavalamban fund is a fund incorporated for specified personnels such as businessmen & other people with variable monthly income. The minimal contribution of Rs.100 and 4 PFMs i.e. LIC, UTI, SBI and Kotak Mahindra FMC are going to invest such sum to provide you returns. It can be differentiated from NPS by voluntary bank details' disclosure & 20% pre-retirement withdrawal compared with APY which mandates disclosures of bank details & no premature withdrawal options.**

**NPS Vatsalya is a child contribution scheme where parents provide money for child's scheme until they turn 18 & after attaining 18, it will be converted into a full-proof NPS account. Withdrawal rules & online form for application are yet to be made public.**

## **Persons associated with the authority**

**The persons involved in the process of opening the NPS or other accounts are,**

- POP-SPs = It's first point of interactions of subscriber with NPS system. It generally includes banks & security registers. It provides services of NPS to subscribers like contribution/deposit collection, KYC processes, etc.**
- CRA = It's a recordkeeping & administrating entity which shall provide customer service functions for all subscribers like PRAN records maintenance, KYC register etc.**
- Depository = It acts as record keeper & recorder of the data of NPS subscribers. NSDL is acting at this role at NPS ecosystem.**



- **Trustee Bank** = It is appointed under NPS to facilitate fund transfers across various entities of NPS systems viz. PFMs, ASPs, subscribers, banks & other entities. Bank of India (BoI) is acting as trustee bank at this time.
- **Custodian**=It's the persons who hold the amount provided as contribution as asset under his custody. This activity is generally under taken by banks & CRA who collect the charges which is distinct from other charges.
- **Pension Fund Managers (PFMs)**=PFMs are persons nominated by PFRDA & who manage the funds provided by subscribers & invest in various classes provide sustainable returns on retirement funds. 6 persons are appointed as PFMs who are ICICI Prudential FMC\*, IDFC Pension FMC\*, Kotak Mahindra pension fund, Reliance Capital pension fund, UTI retirement solutions & SBI pension funds Pvt. Ltd. & other entities are public companies. (FMC=Fund Management Company)
- **Annuity Service Providers (ASPs)** = They are persons appointed by PFRDA & who are responsible for delivering a regular monthly pension to subscribers when they exit from the scheme.



- **Retirement Advisors** = These persons assist the subscribers & make them take an informed decisions about their benefits of retirement planning through NPS by considering various factors like risk profiling, asset allocation, investment diversification & understanding financial status for periodic planning
- **NPS trust** = It is an entity established under Indian trust act, 1882 & they are responsible for taking care of the funds under NPS in the best interests of subscribers.
- **PFRDA** = It's established in 2003 which is segregated from ministry of finance regulated by PFRDA Act, 2003.

## **Impact player for savings?**

- **Sec. 80C** provides deduction for contributions for investment in NPS (both tiers) & APY upto the limit of Rs. 1,50,000 along with other schemes & expenses. Under **Sec. 80CCD (1)** any assessee can claim deduction for contribution to NPS (both tiers), APY, NPS Lite & NPS Swavalamban scheme upto 10% of salary (i.e. basic pay & DA for retirement) or 20% of GTI in case of non-salaried assessee. Under **Sec. 80CCD (1B)** additional deduction of 50,000 is also available other than these 2.

- Under Sec.80CCD (2) Employer's contribution is deductible upto 14% of salary irrespective of employer from AY2025-26. However, under Sec.80CCE total deductions under 80C & 80CCD(1) is upto Rs.1,50,000, but 80CCD (2) and 80CCD(1B) aren't covered u/s.80(CCE). But only 80CCD(2) is allowed in new tax regime. Rest Sec.80C, 80CCD(1) and 80CCD(1B) are limited to tax regime u/s. 115BAC(1A) .
- It also acts as an alternate platform for investing other than the traditional methods of shares, bonds & mutual funds & modern platforms of REITs, Cryptos & others. It is also an opportunity to provide your retirement funds in a hybrid platform. We can opt invest in equities upto 50% of our funds in auto-choice (invested proportionately by PFM) & active choice (invested proportionately at our choice) funds till the age of 35, which reduces 2% since & reaches 10% at the age of 55. The only limitation is 25% quick/emergency withdrawal limit, which is fair for a pension fund.

# Future prospects & Public Opinion

Currently there 4 class who are still enjoying the OPS they are

- Personnel of armed forces(post-retirement benefits)
- MPs & MLAs (life time benefits)
- Professors of IITs ,IIMs & NITs (post-retirement)
- CG/SG Employees who joined on 31/8/2003 or before
- Judges with 12 years of service (life time benefits)
- Certain ministries' employees who joined on 31/8/2003 or before

These classes still cover 2.07 lakh crore as on budget 2024, of which 1.41 lakh crores is reserved for armed forces. In further years, Agnipath scheme joiners & other sepoy or subedar level entrants may be covered under NPS. Politicians' pensions may be covered under NPS under further along with MLCs in foreseeable future.



PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY

High court judges & magistrate judges maybe wrapped under NPS after judiciary approval. As far as public opinion, the introduction of NPS was appreciated by taxpayers since their tax was no more a pension of officers whose age is of their parents. But political limelight a swell as need of economic relief through freebies might make them retract towards OPS. One of the ways to revert their mindset is covering all PFRDA schemes under sec. 80CCD for income tax reliefs & adding it as one of the deductions in new regime, since majority of salaried class is moving towards new tax regime.

## Conclusion

It was just a brief summary upon the various schemes of PFRDA & their comparisons. None of the mare my advisory service for retirement plans & for further details, you can contact your nearby scheduled banks' branches or their other applications. Since we all belong to the finance domain, I thought it to be my little efforts to contribute to your knowledge regards retirement planning & advisory regards it to your related circles.

# **Success Through Collaboration: Why Peer Learning Matters in the CA Journey.**



**Vidhi Mittal**  
**SRO0725910**

As CA students, we face a unique set of challenges that require technical skills, emotional strength, time management, and strategic thinking. Engaging with peers on the same path can offer fresh perspectives and mutual support.

## **Learning from Different Perspectives**

Each student approaches the CA syllabus differently. Some might excel in taxation while others are stronger in auditing or accounting. We can share these diverse insights when we come together in study groups or discussions. Peer learning offers an excellent opportunity to share valuable resources such as study materials, revision notes, or links to useful online tutorials.

## **Emotional Support and Motivation**

The CA journey can be mentally and emotionally taxing. Sharing experiences of late-night study sessions, discussing fears about exams, and celebrating small wins can help build a sense of camaraderie. Others facing the same challenges create a support network that motivates everyone to push forward.

## **Accountability and Discipline**

In a study group, you are responsible for learning and contributing to the group's progress. This sense of accountability often pushes students to be more disciplined in their approach to studying.

## **How to Make the Most of Peer Learning?**

To make peer learning most effective, it's important to adopt a few best practices:



- **Form Study Groups Wisely**

Create or join study groups with students who are serious and committed to the CA journey. A mix of different strengths within the group can help everyone cover all areas of the syllabus.

- **Set Clear Goals**

Have a clear agenda for each study session. Whether reviewing a specific chapter, solving problems, or revising a topic for the exam, having defined objectives will keep the group focused and productive.

- **Share, Don't Compete**

The goal is mutual learning, not competition. Be generous with your knowledge and study materials, and encourage others to do the same. Remember, success in the CA course is a collective effort, not an individual race.

- **Encourage Healthy Discussions**

Solve disagreements with health debates. This encourages critical thinking and helps clarify doubts.

Let's embrace the power of peer learning, not just to excel in exams but to grow together as future leaders in the accounting profession.



# **The Tax Implications of Joint Development Agreements: A Deep Dive into Income Tax and GST**

**Joint Development Agreements (JDAs) offer an exciting way for companies to pool resources, share risks, and create new products or technologies together. However, alongside the collaboration, JDAs bring along complex tax implications, particularly when it comes to both Income Tax and Goods and Services Tax (GST). Understanding how these two distinct tax systems interact with JDAs is crucial for the financial success and tax compliance of the parties involved. Let's break down the major tax considerations that come into play.**



**Twisha Devadiga**  
**SRO0793573**

# **Income Tax Implications of Joint Development Agreements**

**When companies enter a JDA, they agree to share both costs and rewards. The resulting income from the development is subject to Income Tax, and how that income is taxed depends on various factors. Let's explore these:**

## **Revenue Recognition and Timing of Taxation**

**In an Income tax context, one of the most important aspects is the timing of income recognition. Revenue can be recognized at different points in the life cycle of the JDA, and it's important to understand when the income is taxable.**

- 1. Completion of Development:** If the JDA results in the creation of a physical product, income could be recognized when the product is sold. For example, if the joint effort is focused on developing a new drug, the income would be recognized when the drug is sold to the market.
- 2. License Agreements and Royalties:** If the developed product is licensed rather than sold, income is generally recognized as the licensing fees or royalties are earned. This could mean regular income being taxed as ordinary income. If there is an upfront payment or a milestone-based arrangement, these payments might be taxable in the year they are received.

# Taxation of JDAs Under Capital Gains

The taxation under capital gains for JDAs is governed primarily by Section 45(5A) of the Income Tax Act, 1961.

## Applicability of Section 45(5A)

1. Section 45(5A) was introduced to address the timing and valuation of capital gains in JDAs.
2. It applies only to individual and HUF landowners entering into a JDA for the development of real estate.
3. The year of taxation of capital gains is deferred to the year in which the Certificate of Completion (CoC) for the project is issued by the competent authority.

## Calculation of Capital Gains

### 1. Full Value of Consideration:

- The stamp duty value of the landowner's share in the developed property on the date of the CoC.
- Any monetary consideration received is also included

### 2. Capital Gains Formula:

- Option – I (20% Tax): Capital Gains = Full Value of Consideration – Indexed Cost of Acquisition.
- Option – II (12.50% Tax): Capital Gains = Full Value of Consideration – Cost of Acquisition.

### **3. Tax Rate:**

- **Long-Term Capital Gains (LTCG): 20%** with indexation benefits (if the property is held for more than 24 months).
- **Long-Term Capital Gains (LTCG): 12.50%** without indexation benefits (if the property is held for more than 24 months).
- **Short-Term Capital Gains (STCG): Taxed at slab rates.**

### **4. Important Exclusions:**

- **Section 45(5A)** does not apply to companies, partnerships, or any landowners other than individuals and HUFs.
- Landowners other than individuals and HUFs are taxed in the year the agreement is executed.

## **Goods and Services Tax (GST) Implications of Joint Development Agreements**

In Joint Development Agreements (JDAs) related to real estate projects, several types of transactions occur, with different GST implications depending on whether the agreement was entered before or after 31st March 2019. Here's a detailed breakdown of the three main types of transactions and their corresponding tax treatment:

### **Transfer of Development Rights by Landowner to Developer:**

### **Before 31st March 2019:**

- **Landowner to Developer:** When the landowner transfers development rights to the developer (in exchange for construction services or other considerations), the landowner is liable to pay GST on the value of these rights.
- **Value of Supply:** The value of the development rights is determined based on Rule 27 of the CGST Rules and Section 15 of the CGST Act.
- **Time of Supply:** The GST liability arises when the possession or rights in the constructed complex, building, or civil structure are transferred, typically upon the execution of a conveyance deed or allotment letter.
- **Rate of GST:** 18% on the determined value.

### **After 1st April 2019:**

- **Developer's Liability under Reverse Charge Mechanism (RCM):** For JDAs entered after 31st March 2019, the developer is liable to pay GST on development rights under RCM.
- **Value of Supply:** GST is calculated on the proportion of un-booked carpet area of residential apartments as of the date of the completion certificate or the first occupation.
- This calculation uses the formula:
- **GST Payable**=GST payable on developmental rights \* carpet area of apartments unbooked as of the date of the completion certificate / total area of the apartment.
- **GST Rates:** 1% for affordable housing and 5% for non-affordable housing.
- **Time of Supply:** GST is payable at the time of completion of the project or first occupation, whichever is earlier.



# **Transfer of Construction Services by Developer to Landowner:**

## **Before 31st March 2019:**

- **Construction Services:** When the developer provides construction services to the landowner (in exchange for development rights), this is considered a supply under GST.
- **Value of Supply:** The value is calculated as per Rule 27 of the CGST Rules, factoring in the consideration for land and construction services.
- **Time of Supply:** The time of supply is when the possession or rights are transferred to the landowner, similar to the development rights transaction.
- **Rate of GST:** 12% on the value of construction services, after a 1/3rd deduction for the value of land (or 1.5%/7.5% depending on the affordability of the housing project).

## **After 1st April 2019:**

- The developer's GST liability remains for construction services provided to the landowner.
- **Value of Supply:** The value is determined based on the amount charged to independent buyers for similar services in the same market, closest to the date of the JDA.
- **Time of Supply:** The liability arises on the date of completion of the project or first occupation, whichever is earlier.
- **Rate of GST:** 1.5% for affordable housing and 7.5% for non-affordable housing, post-deduction for land value.



# **Normal Sale of Developed Area by Landowner and Developer:**

**This refers to the direct sale of the developed property (either residential or commercial) by the landowner and developer to buyers.**

**Before 31st March 2019:**

- **Rate of GST: 12% on the value of supply (after 1/3rd deduction for land as per the provisions).**

**After 31st March 2019:**

- **If the project opts for the new scheme, the GST rate is 1.5% for affordable housing and 7.5% for non-affordable housing.**
- **If the developer opts for the old scheme, the rate remains 12%, with the land deduction**

## **Conclusion: Navigating the Complex Tax Terrain of JDAs**

**Joint Development Agreements bring together not just business partners, but also a host of tax considerations, including both income tax and GST. The income generated from the JDA is subject to income tax, with careful attention needed to timing, cost-sharing, and the treatment of intellectual property. On top of that, GST can apply to transactions between the parties, especially when goods, services, or IP are transferred. With the complexity of both taxes involved, understanding how they interact—and how they affect the bottom line—is crucial.**

# सैनिक देश के रखवाले

सैनिक है हमारे देश के रखवाले  
अपने प्राण खथ्रे मे डालनेवाले  
देश की सेवा करने में बी अपनी खुशी को मनानेवाले  
अपने परिवार से दूर रहने में दुखी पानेवाले  
अपने देश के लिए सब कुछ त्याग कर्नेवाले  
वे ही हैं हमारे देश के रखवाले ।

उनके बिना हम खुशी से नहीं रह सकते  
उनके बिना इतनी सुरक्षा से नहीं रह सकते  
हम रहते हैं आभारी उनके इस त्याग के लिए  
वे रहते है अपने परिवार से दूर पर दिल से दूर नहीं  
उनके परिवार बहुत धन्य है जो उनको साहस देते है  
हमारे देश के रक्वालो को हमारा बडा सलाम है ।

हम है आभारी उन सैनिको को  
जिन्होंने किया हमारा जीवन जीने के लिए मुमकिन  
इस देश की सीमा में रहते है अपना जीवन खतरे में डालकर  
हम सलाम करते हैं अपने सैनिकों को  
हम सलाम करते हैं अपने देश के रक्वालो को  
सैनिक ही है देश के रक्वाले ।

हमारे सच्चे नायक हैं सैनिक  
हमारे आदर्श बनना है, हमारे देश के सैनिक  
न कि सिनेमा के नायक ,खिलाडी या राजनेता ।



**Ankitha Pai**  
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अंकिता पै

## VOICE OF CA STUDENT: TRIBUTE TO INDIA 🌸

Saffron shines, the color of might,  
Guiding us through challenges, burning bright.  
Like a CA's courage to face the unknown,  
With integrity and ethics, seeds are sown.

White glows, pure as truth's embrace,  
A symbol of balance in every case.  
Like a CA's wisdom to bring clarity,  
Uniting numbers with accountability.

Green blooms, a vision of growth,  
A nation's progress, our sacred oath.  
Like a CA nurturing financial streams,  
Turning ambitions into tangible dreams.

Oh Tricolor, you are our pride,  
With ICAI, we walk by your side.  
Building India, one step at a time,  
With honesty, hard work, and ideals sublime.


This Republic Day, let us all proclaim,  
In the name of Tricolor, we fuel the flame.  
For as CA professionals, we stand tall,  
For the nation, the people, and justice for all.

**Moray Venkata Sahitya**  
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**Moray Venkata Sahithya**

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# Upcoming Events

- **Women's Day Celebration**
- **Seminar on Income Tax Budget**
- **Bank Audit Seminar**
- **Walkathon**