

NEWS BULLETIN

January 2026 - Vol. 13, Issue 06 - ₹ 15/-
English Monthly - for Private Circulation only

KSCAA[®]

Karnataka State Chartered Accountants Association (R)



**Block Your
Calendar**



38th KSCAA Annual Conference

on Friday, 27th & Saturday, 28th February 2026

Venue : Prestige Centre for Performing Arts (PCPA)

Next to Konanakunte Cross Metro Station, Bengaluru



From the President

My Dear Readers,



The year has begun on a purposeful and action oriented note for our Association. The first month of the year is often a bridge between reflection and renewed momentum and I am pleased to connect with you through this edition of the News

Bulletin to share key updates, recent milestones and important initiatives that lie ahead. The enthusiasm and participation by members over the past few weeks reinforce the strength and vibrancy of KSCAA as we continue our journey together.

Recent Events

January witnessed the successful conduct of several impactful initiatives. One of the key highlights was the National Financial Reporting Authority (NFRA) Audit Workshop titled “Essential Habits of Effective Auditors,” at Hotel Taj M G Road, Bengaluru. The workshop featured the Inaugural Address by Shri Nitin Gupta, Chairperson – NFRA, followed by high-quality technical sessions delivered by subject matter experts from across the country. Interactive Q&A session with the Chairperson and a Full-Time Member of NFRA provided participants with valuable insights into audit quality, professional judgement and regulatory expectations. The workshop was extremely well received and reaffirmed the importance of engagement between the profession and the regulator to strengthen public trust in audit processes.

The Direct Tax Committee recently launched a dedicated Study and Research Group on the new Income Tax Act, 2025. The program saw the formation of 9 study groups, with around 35 members actively involved in this intensive study exercise. Designed to foster structured research and practical understanding, this initiative served as a platform for informed deliberations on the new legal framework. I was heartened to see such enthusiastic participation, with members engaging deeply with the Act’s provisions and their far-reaching implications. I extend my heartfelt gratitude to the mentors for guiding these discussions with clarity and foresight and to every member who contributed with such diligence. It is initiatives like these that accentuate the collective strength of our fraternity and stand as a testament to KSCAA’s unwavering commitment to fostering deep subject expertise and holistic professional growth.

The Direct Tax Committee also organised a focused webinar on “Schedule Foreign Assets (ITR) – Decoded: Disclosures, Notices and How to Respond,” which addressed common practical issues, compliance challenges and departmental communications. The strong participation in these initiatives and programs reflects members preference for concise, practice oriented and technically robust learning formats.

Representations Made

KSCAA has submitted a representation to the CBDT highlighting key procedural challenges in registration and renewal of charitable institutions under Sections 12AB and 80G.

Upcoming Events

The 3-Day Residential Refresher Course (RRC) on Co-operative Audits, organised by the Co-operative & NPO Committee, has been rescheduled and will now be held from 2nd to 4th February 2026 at the Regional Institute of Co-operative Management (RICM), Bengaluru. This RRC is designed to provide in-depth conceptual clarity and practical guidance on contemporary issues in the co-operative audit domain, including recent legislative amendments, digital audit of PACS, audit manuals and instructions and case based discussions. I encourage members engaged in this practice area to make the most of this well curated valuable program.

38th KSCAA Annual Conference – XCELERATE

Preparations for the 38th KSCAA Annual Conference themed “XCELERATE”, the most awaited event of the association for the year, are in full swing. Scheduled on Friday, 27th and Saturday, 28th February 2026 at the Prestige Centre for Performing Arts (PCPA), Konanakunte Cross, Bengaluru, the conference is being curated to deliver a truly enriching two-day experience. The details of the technical sessions and speakers are provided elsewhere in this edition of the News Bulletin. I assure members that the conference will offer a high quality technical sessions, an engaging overall conference experience, excellent networking opportunities and vibrant cultural and entertainment programs for members and their families. The venue is well connected by the Namma Metro, enabling convenient access while avoiding city traffic and offers ample parking facilities for cars and two wheelers. I warmly encourage all members to register and be part of this flagship event.

Do follow our Association’s website and WhatsApp group for regular updates on forthcoming programs and initiatives.

As we move into the months ahead, the pace of professional activity will continue to intensify, bringing with it both opportunities and responsibilities. What remains constant is the strength of commitment to professionalism, learning and service. Let us carry this momentum forward with clarity, collaboration and confidence as we work together to strengthen the Association and the profession.

Happy Reading!

Regards,

CA Shivaprakash Viraktamath

President

VISION

- KSCAA shall be the trusted and value based knowledge organisation providing leadership and timely influence to support the functional breadth and technical depth of every member of CA profession;
- KSCAA shall be the nucleus of activity, amity and unity among members aimed at enhancing the CA profession's social relevance, attractiveness and pre-eminence;
- KSCAA shall in public interest, be a proactive catalyst, offering a reliable and respected source of public statement and comments to induce effective laws and good governance;
- KSCAA shall be the source of empowerment for leadership and excellence; disseminating knowledge to members, public and students; building a framework for new opportunities and partnerships that enhance life in the community and beyond; encouraging highest ethical standards and professional integrity, in realization of India global leadership vision.

MISSION

The KSCAA serves the interests of the members of CA profession by providing new generation skills, amity, unity, networking and leadership to strengthen the professional capabilities, integrity, objectivity, social relevance, standards and pre-eminence of India's Chartered Accountants-nationally and internationally -through: becoming a gateway of knowledge for Chartered Accountants, students and public; helping members add value to their customers/employers by enhancing their professional excellence and services; offering a reliable and respected source of public policy advice and comments to bring about more effective laws and policies and transparent administration and governance.

MOTTO: KNOWLEDGE IS STRENGTH

Email: journal@kscaa.com | Website: www.kscaa.com

CONTENTS

Updates	4
Indirect Tax Updates	
Direct Tax Updates	
Indirect Tax	
▪ Analysis On Applicability Of Gst For Educational Institutions (Part 2/3)	6
CA Yatish Vernekar	
General	
▪ 25 Years of Indian Stock Markets (2000–2025): Reforms, Reckonings & The Road to 2050	8
CA Vinayak Revanki	
Photo Gallery	11
Direct Tax	
▪ Valuation of Shares under the Income-Tax Act	15
CA Pradeep Hegde	
Audit	
▪ Public Service Meltdown: ESG Analysis of Social and Governance Failures	18
CA Adithya Kumar S	
RERA	
▪ Karnataka RERA – Latest Updates – February 2026	21
CA Vinay Thyagaraj	

Disclaimer

The Karnataka State Chartered Accountants Association does not accept any responsibility for the opinions, views, statements, results published in this News Bulletin. The opinions, views, statements, results are those of the authors/contributors and do not necessarily reflect the views of the Association.

GST Updates

I. Notifications

The Government has restructured the taxation of tobacco and pan masala effective 01st February 2026 by introduction of the three notifications, read together, introduce a new valuation-cum-rate framework with prospective effect.

- i. Vide Notification No. 19/2025–Central Tax dated 31st December 2025, the Government has notified certain goods such as pan masala and tobacco products for the purposes of section 15(5) of the CGST Act, thereby taking such supplies outside the general valuation rule under section 15(1).
- ii. Subsequently, vide Notification No. 20/2025–Central tax, the valuation mechanism contemplated under section 15(5) has been prescribed. A new rule 31D is introduced for determining the value of supply of goods on the basis of retail sale price.
- iii. Simultaneously, GST rates applicable to the said goods have been amended vide Notification No. 19/2025–Central Tax (Rate).

II. Judicial Update:

The supreme Court in case of *State of Karnataka & Anr. v. Taghar Vasudeva Ambrish & Anr. (2025)*, held that leasing of a residential dwelling to an entity which further uses it as a hostel/PG for long-term residential stay continues to qualify as “renting of residential dwelling for use as residence” and is therefore exempt from GST. The Court clarified that the exemption depends on the nature and end-use of the property (residential) and not on the identity of the immediate lessee, so long as the accommodation is for long-term residence and not akin to hotel or short-stay lodging.

Customs Updates

III. Notification

Notification No. 79/2025–Customs (N.T.), vide dated 31st December 2025, amends the Sea Cargo Manifest and Transshipment Regulations, 2018 by extending the prescribed compliance timeline mentioned after *Form XII* (declaration / statement to be filed by shipping lines or authorised carriers in relation to sea cargo and transshipment operations) to 31st March 2026. The amendment provides additional time to shipping lines and other stakeholders to comply with the relevant sea cargo manifest and transshipment requirements and comes into force from the date of its publication in the Official Gazette.

Direct Tax Updates

Section 80G of The Income-Tax Act, 1961 – Donation To

Place of Historic And Public Worship

(Notification No. 166/2025, dated 2nd December 2025)

CBDT has notified Shree Balakrishna Lalji & Other Deities Temple, Bhuleshwar, Mumbai, managed by Mota Mandir Trust, as a place of historic importance and public worship for the purposes of section 80G(2)(b).

The notification is valid only for renovation or repair of the temple and is restricted to ₹50 crore, or up to 31st March 2030, whichever is earlier.

Section 10(46A) of The Income-Tax Act, 1961 – Exemption For State Government Authorities

(Notifications 167/2025, 168/2025, 169/2025 & 172/2025)

CBDT has notified the following authorities under section 10(46A), granting exemption to specified income, subject to continuation as statutory authorities and performance of public purposes specified in the Act:

- Jalandhar Development Authority – effective from AY 2024-25
- Ajmer Development Authority – effective from AY 2024-25
- Tamil Nadu Pollution Control Board – effective from AY 2024-25
- Punjab Urban Planning and Development Authority (PUDA) – effective from AY 2024-25

All notifications have retrospective effect and clarify that no person is adversely affected.

Section 120 of The Income-Tax Act, 1961 – Jurisdiction Of Commissioners Of Income-Tax (Appeals)

(Notification No. 170/2025, dated 15th December 2025)

CBDT has issued a comprehensive notification assigning jurisdiction and functions to specified Commissioners of Income-tax (Appeals) across India.

The notification covers appeals relating to:

- Search, requisition and survey assessments
- Additions based on seized or impounded material
- Penalty orders connected with such cases

The notification is effective from the date of publication in the Official Gazette.

Section 10(46) of The Income-Tax Act, 1961 – Exemption For Noida

(Notification No. 171/2025, dated 15th December 2025)

CBDT has notified New Okhla Industrial Development Authority (NOIDA) under section 10(46), granting

exemption to specified income such as grants, land disposal receipts, rent, interest, dividends and statutory fees.

The exemption is subject to conditions including:

- No engagement in commercial activities
- Nature of income remaining unchanged
- Filing of return under section 139(4C)

The notification applies retrospectively for Assessment Years 2012-13 to 2015-16, pursuant to the Delhi High Court decision.

Section 35(1)(ii) of The Income-Tax Act, 1961 – Approval For Scientific Research

(Notifications No. 173/2025, 174/2025 & 175/2025)

CBDT has granted approval to the following institutions as eligible for Scientific Research under the category of

University, college or other institution for the purposes of section 35(1)(ii) of the Income-tax Act, 1961 read with Rules 5C and 5E of the Income-tax Rules, 1962:

- The Christian Medical College Vellore Association, Tamil Nadu – Applicable for Assessment Years 2026-27 to 2030-31
- Indian Institute of Science Education and Research (IISER), Pune – Applicable for Assessment Years 2026-27 to 2030-31
- Cancer Institute (W.I.A), Chennai – Applicable for Assessment Years 2027-28 to 2031-32

Approval under this provision enables eligible donors to claim deduction under section 35 of the Act.

Source: CBDT Circulars & Notifications issued during December 2025

REPRESENTATION

KSCAA has submitted a representation to the CBDT on 07th January 2026 highlighting procedural challenges in registration and renewal of Charitable Institutions under Sections 12AB and 80G. Given the vital role of charitable organisations and the significant pendency of applications, timely administrative intervention is essential to ensure a fair, transparent and efficient process.

KSCAA Welcomes New Members in the Month of January 2026

S.N.	NAME	PLACE
Life Members		
1	CA Brijesh C S	Mysore
2	CA Srisamarth G Khasnis	Mysore
3	CA Shashikanth K M	Bengaluru
4	CA Vinayak	Bengaluru
5	CA Rehan Khan	Bengaluru
6	CA Karthik Rao U	Bengaluru
7	CA Rishab Lodha	Bengaluru
8	CA Gaurav Gangwal	Bengaluru
9	CA Amit Suresh Pawani	Bengaluru
10	CA Naresh Kumar Poojala	Bengaluru
11	CA Mahesh Kumar B	Bengaluru
12	CA Jaya Jyothi Reddy M	Bengaluru
13	CA Vasuki Heragu	Bengaluru
14	CA Shreya Kabra	Bagalkot
15	CA Karthik Tabjul	Bengaluru
16	CA Gubba Lakshminarayana Amrutha	Bengaluru

S.N.	NAME	PLACE
17	CA C R Deepak	Bengaluru
18	CA Sriraam Alevoor M	Bengaluru
19	CA Teja P	Bengaluru
20	CA Seethalakshmi	Bengaluru
21	CA Saurabh Jain	Bengaluru
22	CA Irappa Chinchakhandi	Bengaluru
23	CA Athiyan	Bengaluru
24	CA Mayank Manot	Bengaluru
25	CA Vidhyadhar Kulkarni	Mumbai
26	CA Deepak Gunashekar	Bengaluru
27	CA Darsh B Jain	Bengaluru
28	CA Akash Sudarshan S	Bengaluru
29	CA Srinivas Parashuram Mahendrakar	Davanagere

Ordinary Members		
30	CA Sagar N	Mysuru
31	CA Badal N Patel	Mysuru



CA Yatish Vernekar

ANALYSIS ON APPLICABILITY OF GST FOR EDUCATIONAL INSTITUTIONS (PART 2/3)

ARE EDUCATIONAL SERVICES EXEMPTED?

Proceeding on the assumption that educational activity constitutes “supply” under GST, we turn to Entry No. 66 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, which provides exemption for educational services.

While the entry provides for a “person-oriented” exemption, the nature of “educational services” is embedded within the definition of “educational institution” contained in the exemption notification itself.

Entry 66: Services Provided

Services provided:

- (a) by an educational institution to its students, faculty and staff;
- (aa) by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee;
- (b) to an educational institution, by way of:
 - (i) transportation of students, faculty and staff;
 - (ii) catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory;
 - (iii) security or cleaning or house-keeping services performed in such educational institution;
 - (iv) services relating to admission to, or conduct of examination by, such institution;

[The above exemption is available for pre-school education and up to HSC or equivalent]

- (v) supply of online educational journals or periodicals:

[The above exemption excludes pre-school education, education up to HSC, and approved vocational courses]

Definition of “Educational Institution”

“Educational institution” means an institution providing services by way of

- (i) pre-school education and education up to higher secondary school or equivalent;
- (ii) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;

- (iii) education as a part of an approved vocational education course;

Furthermore, “approved vocational education course” is defined in the same notification as:

- (i) a course conducted by an industrial training institute or industrial training centre affiliated to the National Council for Vocational Education and Training or State Council for Vocational Training, offering courses in designated trades notified under the Apprentices Act, 1961 (52 of 1961); or
- (ii) a Modular Employable Skill Course approved by the National Council of Vocational Education and Training, conducted by a person registered with the Directorate General of Training, Ministry of Skill Development and Entrepreneurship;

Understanding the Scope

A plain reading of the definition reveals that the scope of “educational institution” is determined by the curriculum and courses offered. The opening phrase “by way of” restricts the scope to institutions that directly impart education. Institutions that merely provide training to students for education from other schools/colleges are excluded. In other words, while education imparted directly by schools and colleges is covered, education provided by private coaching classes, tuitions, etc., is not covered.

The exemption applies to:

Educational services for pre-school through higher secondary – Schools and colleges up to higher secondary level are exempt under this provision.

Educational services for obtaining qualifications recognized by law – Only recognized courses qualify for exemption. Most universities are established under Central or State legislation, and courses offered by such universities receive exemption. Section 22(1) of the University Grants Commission Act, 1956 provides that only ‘universities’ or ‘deemed universities’ may confer or grant degrees.

Educational services as part of approved vocational education courses - The exemption is restricted to vocational courses that are specifically affiliated or notified.

Services to Students, Faculty and Staff



Services provided by educational institutions to students, faculty, and staff are exempt. The fact that exemption extends beyond students to include faculty and staff demonstrates the legislature’s intent to provide broad-based relief. Furthermore, as explained earlier, the exemption is “person-driven,” meaning all services provided by educational institutions are exempt, even if they do not directly involve education delivery.

Several government clarifications emphasize this expansive interpretation:

Circular No.	Key Clarification
85/04/2019-GST dated 01.01.2019	Food and beverages supplied by an educational institution to its students, faculty and staff are exempt.
177/09/2022-TRU dated 03.08.2022	Fees charged from prospective students for entrance/admission, eligibility certificates during the admission process, and migration certificates issued to departing or former students are covered by the exemption.

WHETHER AFFILIATION SERVICES ARE COVERED?

A pertinent question arises: whether the exemption applies only to “schools and colleges” or extends to “Government Education Boards” and “Universities.” This doubt stems from the fact that education and training are directly imparted by schools and colleges, whereas Government Education Boards/Universities provide recognition to curricula/courses/institutions and collect affiliation fees from schools and colleges.

It is also noteworthy that the purpose of providing affiliation by Government Education Boards/Universities is to monitor and ensure that institutions possess requisite infrastructure in terms of space, technical capability, financial viability, faculty strength, etc.

Government Clarifications

The Government issued Circular No. 151/07/2021-GST dated 17.06.2021, stating that GST at 18% is payable for accreditation services provided by Education Boards. However, the GST Council subsequently exempted affiliation services provided by Central or State Educational Boards to “Government schools,” and with effect from 10.10.2024, Entry No. 66A was introduced in Exemption Notification No. 12/2017.

However, this exemption was highly restrictive, applying only to affiliation services provided to Government schools. The Government clarified through Circular No. 234/28/2024-GST dated 11.10.2024 that affiliation services (other than those to Government schools) provided by universities and educational boards to their constituent schools/colleges are not covered within the exemption’s ambit because affiliation services are purportedly not related to student admissions or examination conduct by such schools.

(To be continued - the final part of the article will address relevant judicial decisions under GST and concluding remarks.)

*Author can be reached at :
yatishvernekar@yahoo.com*

Indirect Tax

ADVERTISE WITH US

Reach to over 4300+ members all over India

The News Bulletin will also reach various Government Departments & Ministries
Soft copy of News Bulletin sent through email to 19000+ Chartered Accountants in India

We solicit to advertise your brand in our monthly News Bulletin.

The revised advertisement tariff with effect from 01st January 2026 is as below:

Full Page Color		Black & White	
Inside Cover - Front Right	₹ 35,000/-*	Full Page	₹ 15,000/-*
Outside Back Cover	₹ 32,500/-*	Half Page	₹ 7,500/-*
Inside Cover - Back Left	₹ 25,000/-*	Quarter Page	₹ 5,000/-*
Inside Cover - Back Right	₹ 25,000/-*	*Excluding GST	
Inside Colour	₹ 20,000/-*		

For More Enquiries Contact : +91 - 9535 715 015 or write to us at info@kscaa.com



CA Vinayak Revanki

25 YEARS OF INDIAN STOCK MARKETS (2000–2025): REFORMS, RECKONINGS & THE ROAD TO 2050

General

From the chaos of scams to the calm of confidence-how India's markets evolved, learned, and are preparing for an AI-powered, trillion-dollar future.

Over the last quarter century, India's stock markets have shifted from a paper-based, clubby system to a digital, broad-based and fast-settling ecosystem. Demat at population scale, T+1 (and a beta T+0 window), and data-assisted supervision now sit alongside a booming fintech layer. The task for 2025–2050 is not just bigger markets, but smarter, fairer, sturdier ones.

A Quarter-Century Story Arc (2000–2025)

- 2000s - Modernisation: dematerialisation, electronic trading, rolling settlement and risk-based margins replaced manual processes and paper risk.
- 2010s - Accountability: governance, disclosure and insolvency frameworks (LODR, PIT, IBC) improved incentives and market plumbing.
- 2020s - Democratisation: retail rails (UPI), cheap execution and digital KYC expanded participation; settlement moved from T+2 to T+1 and into a beta T+0 segment.

The 2000s: From Paper to Pixels

Crises around Harshad Mehta and Ketan Parekh revealed systemic weaknesses-manual records, opaque financing, and leverage via bank receipts. The response locked in demat, nationwide electronic trading, rolling settlement and VaR-based margins-changes that made abuse harder and transparency standard.

“The ultimate objective ... is that for every entity we regulate, compliance should simply be a low hum which goes on in the background - just like we breathe.”
- Madhabi Puri Buch (SEBI Chair, 2022-25)

The 2010s: Policy Earthquakes & Institutional Repair

Events such as Satyam (2009) catalysed tougher rules. SEBI (LODR) Regulations, 2015 raised the bar on board independence, related-party oversight and continuous disclosure; the Insolvency and Bankruptcy Code (2016) reset creditor rights; and GST (2017) unified the market. By decade-end the rails were ready for a retail-first, app-driven 2020s.

“Financial inclusion is a key driver of sustained and balanced economic growth which helps reduce income inequality and poverty.”- Shaktikanta Das, RBI Governor.

2020–2025: Fintech, IPOs & a Faster Core

Theme	What changed	Key datapoints (period)	Why it matters	Source type / refs
Retail participation (demat)	Mass onboarding into equity markets via app-first brokers and seamless KYC	≈15.1 crore ⇔ ≈21.6 crore demat accounts (Mar-2024 ⇔ Dec-2025)	Indicates breadth & depth of retail access (note: accounts ≠ unique investors)	Depositories (CDSL/NSDL) tallies; media round-ups
Payments rails (UPI)	UPI becomes the retail flow backbone for investing, broking wallets, and fund transfers	Oct-2024: 16.58 bn txns; ₹23.49 lakh crore value	Always-on, low-friction rails that supercharge liquidity and on-ramps	PIB / NPCI-based reporting
Market plumbing (settlement)	India compresses cycles and pilots same-day settlement	T+1 universal (Jan-27, 2023); beta T+0 launch (Mar-21, 2024); scope expansion (Dec-10, 2024)	Reduces counterparty/settlement risk & cost of capital; improves competitiveness	SEBI circulars / exchange notices
Market mood (new-age listings)	Rapid listing pipeline followed by valuation reality checks	Post-listing volatility/resets in some tech IPOs	Re-anchors expectations; spotlights disclosure quality & governance	Offer docs / exchange data; business press

Year	Major IPOs / filings	Notable significance
2020	SBI Cards	Listed amid global turmoil; signalled market resilience
2021	Zomato, Nykaa, Paytm	India's tech-IPO moment and retail participation surge
2022	LIC, Delhivery	Record capital raise; insurance & logistics in focus
2024 & 2025	Swiggy (DRHP), Hyundai Motor India (DRHP), NTPC Green Energy (DRHP; listed Nov-27, 2024)	Consumer-tech, auto MNC domestic listing plan and energy transition names in the pipeline

SEBI's Regulatory Trajectory (2000-2025): What Actually Changed

- **Governance & disclosure - LODR (2015 - updates):** A single rulebook for boards, related-party transactions and material events; multiple amendments since 2021 tightened timeliness and transparency.
- **Insider trading - PIT (2015 - guidance - 2025 update):** Structured UPSI handling, trading windows and digital databases; March-2025 amendments keep pace with practice.
- **Investor protection - SCORES (2012 - Master 2022 - 'SCORES 2.0' 2024):** Centralised, time-bound grievance redress with improved routing and escalations.
- **Surveillance & tech rules - GSM/ASM; co-location/ algo:** Master circulars consolidated surveillance; co-location / algo controls strengthened alongside multi-year NSE co-location enforcement.
- **Enforcement & intermediary risk - Karvy; QSB (2023):** Karvy's client-securities episode drove tougher client-asset protections; the Qualified Stock Broker regime raised governance, cyber-resilience and wind-down standards.
- **Market plumbing - T+2-T+1-beta T+0:** Full T+1 (Jan-27, 2023) followed by optional beta T+0 (Mar-21, 2024) and scope expansion (Dec-10, 2024) placed India ahead of many markets on speed.
- **Cyber & SupTech - CSCRF (2024) and broker/DP cyber (2022):** Controls for all SEBI-regulated entities and specific obligations for brokers/DPs; the regulator also flagged AI-assisted review with human accountability.

Scams & Sentinels: What Crises Taught

- 1990s–2001 leverage and BR frauds - dematerialization, rolling settlement and strengthened surveillance.
- Satyam (2009) - stronger audit committees and board accountability via the Companies Act and LODR.
- IL&FS (2018) - tighter NBFC asset–liability management and credit-chain oversight.
- Karvy (2019) - enhanced client-asset protection; stricter Power of Attorney and pledge norms.
- The IL&FS collapse (2018) exposed opacity in complex group structures, excessive leverage and over-reliance on credit ratings, with spillovers across debt funds,

NBFCs and short-term funding markets. Regulatory responses strengthened NBFC supervision, asset-liability management norms and inter-regulatory coordination, reinforcing the importance of balance-sheet transparency and systemic risk monitoring in market plumbing.

- The Karvy Stock Broking episode (2019)-where client securities were misused as collateral for proprietary borrowing-exposed weaknesses in custodial segregation despite dematerialisation. SEBI's response tightened client–proprietary asset separation, restricted PoA usage, enhanced pledge disclosures, and culminated in the Qualified Stock Broker regime with higher capital, governance, cyber-resilience and orderly wind-down standards, marking a shift from demat-led to custody-first supervision.

These failures have also entered public consciousness through popular culture. Scam 1992: The Harshad Mehta Story revisited settlement loopholes and leverage in the pre-demat era, reinforcing the rationale for rolling settlement and electronic ownership. Fictionalised films such as Baazaar and The Big Bull echoed themes of information asymmetry and regulatory lag, while Scam 2003: The Telgi Story broadened the lens beyond equities to stress the importance of verification and audit trails.

The Ecosystem-Shortened to What Matters

Digital rails-UPI, low-cost brokers, e-KYC / e-sign-lowered entry frictions. UPI's ubiquity explains liquidity on-ramps; NSE turnover data show depth; yet the small / mid-cap cycle highlighted valuation and liquidity vulnerabilities that demand product-suitability and disclosure discipline.

The Expanding Role of Chartered Accountants

- Audit & assurance now tests systems and data flows as much as financial statements.
- Governance: independent directors/audit chairs interrogate RPTs and disclosure timeliness (LODR).
- Forensics & ESG: digital trails and credible sustainability attestation.
- Model risk & AI: reviewing change logs, explainability and data lineage consistent with CSCRF.

AI Governance to 2050-Principles, Not Hype

General

Expect layered controls: registration and audit of high-risk models, explainability thresholds, kill-switch with human-in-the-loop, auditable data lineage, and sandboxed stress-tests-aligned to CSCRF and global prudential thinking.

Critics' Perspective: Growth with Caution

Optimism can mask fragilities. Madhabi Puri Buch (SEBI Chair 2022–25; first woman to head the regulator) warned of “pockets of irrational exuberance” in small- and mid-caps, pushing stress-tests and enhanced disclosures to protect retail investors from froth and liquidity risk-while championing AI-enabled oversight with clear human accountability. Uday Kotak has stressed transparent IPO pricing and stronger governance to sustain trust through cycles. Gita Gopinath (IMF First Deputy MD) has cautioned that tighter global financial conditions and geoeconomic fragmentation can amplify risks for emerging markets, underscoring the need for strong domestic frameworks alongside innovation.

Conclusion: From Scandal to Structure, From Emotion to Algorithm

India's market story is one of resilience forged by adversity. Paper scrips gave way to demat; shouting rings to matching engines; monthly cheques to instant retail rails. The next 25 years demand balance: technology with trust, innovation with ethics, and speed without fragility. If regulators, market institutions, fintechs and professions (including CAs) continue to co-create guardrails, India's markets in 2050 can be larger and also smarter, fairer and globally respected.

Notes:

- Settlement compression: SEBI circulars on T+1 universalisation and beta T+0 (Mar 21 & Dec 10, 2024).
- Governance/disclosure & insider-trading: SEBI (LODR) Regulations, 2015 (updates); SEBI (PIT) Regulations, 2015 (last amended Mar 12, 2025).
- Investor protection: SCORES circulars (2012) & Master Circular (Nov 7, 2022).
- Surveillance & co-location: SEBI Master Circulars on Surveillance (2021/2023); NSE co-location orders/adjudications (2019–2022).
- Cyber/CSCRF: Cyber-security for brokers/DPs (2022) and Cybersecurity & Cyber Resilience Framework (CSCRF) for SEBI REs (2024).
- Participation & flows: Depository tallies/media round-ups for demat growth (CDSL/NSDL; Deccan Chronicle/CNBC-TV18); UPI volumes/value (PIB & NPCI-based coverage); NSE 'Capital Turnover & Business Growth'.
- IPO examples: SBI Cards (2020), Zomato/Paytm/Nykaa (2021), LIC (2022); Swiggy DRHP (2024), Hyundai Motor India DRHP (2024), NTPC Green Energy DRHP & listing (2024).
- Quotes used: Madhabi Puri Buch on compliance as a 'low hum' (regulator addresses on AI/compliance); Shaktikanta Das on financial inclusion (RBI/BIS speech archive); Gita Gopinath on EM risks (IMF speeches).

Author can be reached at :
cavinayak81@gmail.com

Income Tax Savings Scheme

54EC **REC Capital Gains Bonds**
5 years, 5.25% Annual Interest

54EC **IRFC Capital Gains Bonds**
5 years, 5.25% Annual Interest

Fixed Income

Trust u/s 11(5) **Trust Deposits Eligible u/s 11(5)**

RBI **Reserve Bank of India Bonds**
7 years, Floating rate 8.05% Half-yearly Interest

FD NBFC

Retirement Solution

Mutual Funds
Hybrid Funds (Systematic Withdrawal Plan)
Pension Policies, NPS

Growth Option

Mutual Funds
Large Cap / Mid Cap / Small Cap / Flexi Cap / ELSS Funds

For further information, please contact

Kiran Boal 98803 93743 **wecare@wealthlab.co.in**

Achieve your financial goals with proper financial planning

Tax Savings Wealth Creation
 Home Plan Retirement Plan
 Wealth Protection Life / Health Insurance
 Marriage Plan Children's Education

WEALTH LAB

NFRA Audit Workshop: Essential Habits of Effective Auditors in Collaboration with Karnataka State Chartered Accountants Association held on Saturday, 10th January 2025 at Taj MG Road, Bengaluru



President, KSCAA Welcoming NFRA Chairperson and Full Time Member, NFRA



Inauguration of NFRA Audit Workshop



Inaugural Session of NFRA Audit Workshop



Shri. Nitin Gupta
Chairperson, NFRA



Shri. P Daniel
Full Time Member, NFRA



CA Shivaprakash Viraktamath
President, KSCAA



CA Sunil Bhandary
Vice President, KSCAA



CA Vidhyadhar Kulkarni
NFRA



CA Amitesh Dutta
Audit Professional



CA Ajit Viswanath
Audit Professional



CA Arun Kumar
NFRA



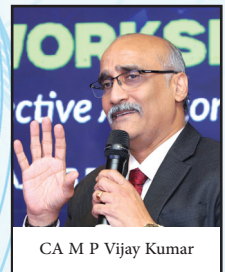
Shri. Sushant Jain
NFRA



Shri. Shyam Tonk
NFRA



CA Mohan R Lavi



CA M P Vijay Kumar



CA Archana Bhutani



CA Ravi Anantharamiah
Global Controller, Wipro Enterprises



Falicitation of Shri. Nitin Gupta
Chairperson, NFRA



Falicitation of Shri. P Daniel
Full Time Member, NFRA

Participants Attending the NFRA Audit Workshop: Essential Habits of Effective Auditors



MCs for the NFRA Audit Workshop



CA Siddhartha S Javali
Secretary, KSCAA



CA Herambha Hegde
Joint Secretary, KSCAA



CA Rahul Gandhi



Group Photo of the Participants

Sports & Cultural Committee of KSCAA Organized Sports & Cultural Meet 2026 for CA's and Family on Sunday, 11th January 2025 at Sheshadripuram Main College, Sheshadripuram, Bengaluru



CA Shivaprakash Viraktamath
President, KSCAA



The AI & Technology Initiatives Committee Inaugurated the Tech Study Circle 2025 at the KSCAA Office, Rajajinagar, on Wednesday, 14th January 2026.



CA Shivaprakash Viraktamath,
President KSCAA



CA Venugopal Gella, Mentor of the Committee Addressing the Gathering



CA Prabhava,
Chairman, AI
& Technology
Committee



CA Ramajayam Jayachandran,
Speaker



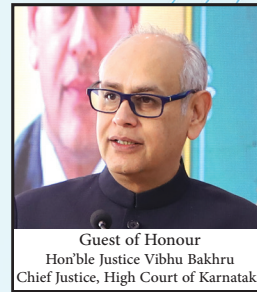
Participants of the Program



28th National Convention Organized by All India Federation of Tax Practitioners Jointly with Karnataka State Chartered Accountants Association and Bengaluru Branch of SIRC of ICAI on 13th and 14th December 2025 at Tennis Pavillion, Bengaluru Palace



Chief Guest
Hon'ble Justice Ujjal Bhuyan
Judge, Supreme Court of India



Guest of Honour
Hon'ble Justice Vibhu Bakhru
Chief Justice, High Court of Karnataka



Adv. Samir Jani
National President, AIFTP



CA Venkataramani S
Incoming National President,
AIFTP



CA F R Singhvi
Chairman, Convention Committee



CA Padamchand Khincha
Co-Chairman, Convention Committee



CA Shivaprakash Viraktamath
President, KSCAA



CA Manjunath M Hallur
Chairman, Bengaluru Branch of
SIRC of ICAI



Inauguration of the National Convention



Release of Souvenir



Release of Publications



Falicitation of Chief Guest



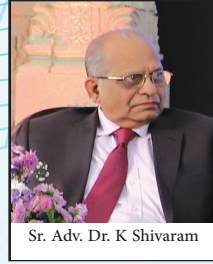
Falicitation of Guest of Honour



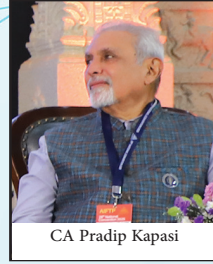
Falicitation of Incoming National President
CA Venkataramani S



Hon'ble Dr. Justice
Anita Sumanth,
Judge, Madras High Court



Sr. Adv. Dr. K Shivaram



CA Pradip Kapasi



CA M R Venkatesh,
Advocate



Dr Anand Ranganathan



Sr. Adv. Premalata Bansal



CA Guruprasad Makam



CA Chetan Venugopal



CA Rajendra Rao



Adv. Nikita Badheka



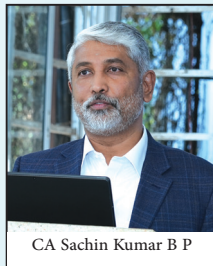
CA V S Sudhir



Sr. Adv. K K Chythanya



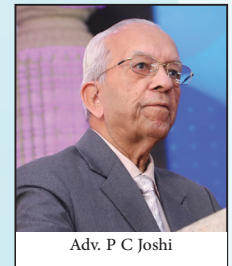
CA Jatin Christopher



CA Sachin Kumar B P



CA Narendra Jain
Advocate



Adv. P C Joshi



CA Vinay Mruthyunjaya



CA K R Pradeep, Advocate



CA Ashok Raghavan



Adv. D K Gandhi



CA Mohan R Lavi



Adv. Lakshmi Menon

Direct Tax Committee of KSCAA organized Orientation Program for KSCAA Study and Research Group: New Income Tax Act, 2025 on 3rd January 2025 at KSCAA Office, Rajajinagar



CA Narendra Jain, Advocate



Attendees attending Orientation Program



CA Vijaykumar M Patel,
Imm. Past President KSCAA,
Honouring the Speaker



CA Pradeep Hegde

VALUATION OF SHARES UNDER THE INCOME-TAX ACT

Position Before and After Budget 2025

1. Introduction

Valuation of shares has long been a critical element under the Income-tax Act, 1961, particularly in the context of issue of shares by closely held companies. The introduction of section 56(2)(viib), popularly referred to as the *angel tax provision*, marked a significant anti-abuse measure aimed at curbing the generation and circulation of unaccounted money through inflated share premiums.

However, over time, the practical application of this provision resulted in considerable compliance burden, valuation disputes, and prolonged litigation, especially for start-ups and growth-stage companies. Recognising these challenges, the Union Budget 2025 introduced a major reform by abolishing section 56(2)(viib) with effect from assessment year 2026-27.

This article analyses the valuation framework applicable to issue of shares under the Income-tax Act before Budget 2025 and examines the legal position post such amendment.

2. Statutory Framework Prior to Budget 2025

Scope of Section 56(2)(viib)

Prior to its omission, section 56(2)(viib) provided that where a company, not being a company in which the public are substantially interested, issued equity shares at a price exceeding the fair market value of such shares, the excess consideration so received was chargeable to tax under the head "Income from other sources".

The provision applied irrespective of whether the consideration was received from a resident or a non-resident investor.

Determination of Fair Market Value

Explanation to section 56(2)(viib) read with Rule 11UA of the Income-tax Rules, 1962 prescribed the manner for determination of fair market value (FMV) of unquoted equity shares.

The FMV could be determined by adopting any of the following methods:

- Net Asset Value (NAV) Method
- Discounted Cash Flow (DCF) Method

In addition, Rule 11UA permitted certain internationally accepted valuation methodologies in respect of consideration received from non-resident investors, such as comparable company multiple method, option pricing method, probability weighted expected return method, etc.

Valuation under the DCF method was required to be supported by a report from a merchant banker, while valuation under the NAV method could be certified by a chartered accountant.

3. Challenges under the Pre-Budget 2025 Regime

The angel tax framework was subject to criticism on account of:

- Subjective scrutiny of business projections adopted in DCF valuation
- Taxation of notional income at the fund-raising stage
- Retrospective questioning of commercial decisions
- Increased litigation and uncertainty for start-ups and private companies
- These factors prompted a policy review of the provision.

4. Amendment by Budget 2025

Omission of Section 56(2)(viib)

The Finance Act, 2025 omitted section 56(2)(viib) with effect from assessment year 2026-27. As a result, no income is deemed to arise merely because shares are issued at a price exceeding their fair market value.

The omission applies uniformly, without distinction between resident and non-resident investors.

Impact on Valuation under the Income-tax Act

Consequent to the omission of section 56(2)(viib):

- Determination of fair market value under Rule 11UA is no longer required for taxing share premium
- Prescribed valuation methodologies and safe harbour limits cease to have relevance for this purpose
- Valuation reports are not mandatory under the Income-tax Act solely for issue of shares
- The amendment effectively delinks valuation from taxability at the stage of capital infusion.

Conclusion

From the perspective of ease of doing business, this reform is a welcome measure for start-ups, as it facilitates fund-raising without undue compliance burden. By eliminating valuation-linked tax hurdles at the capital infusion stage, the amendment reinforces India's position as an attractive destination for foreign direct investment.

Valuation for Transfer of Equity Shares under the Income-tax Act

1. Introduction

Valuation assumes critical importance under the Income-tax Act, 1961 in cases involving **transfer of equity shares**, as it directly impacts the computation of capital gains and the determination of taxability in the hands of both the transferor and, in certain circumstances, the transferee. Unlike valuation for issue of shares, which historically attracted anti-abuse provisions such as section 56(2)(viib), valuation for transfer of equity shares continues to be expressly governed by statutory deeming provisions.

The Act incorporates specific mechanisms to substitute the actual consideration with a deemed fair market value (FMV) in order to prevent understatement of consideration and tax avoidance. This article examines the valuation framework applicable to transfer of shares, with reference to relevant statutory provisions and rules.

2. Statutory Provisions Governing Share Transfer Valuation

Valuation for transfer of shares arises primarily under the following provisions:

- Section 48 – Computation of capital gains
- Section 50CA – Transfer of unquoted shares
- Section 56(2)(x) – Taxability in the hands of the recipient
- Rule 11UA – Determination of fair market value

Each of these provisions operates in a distinct manner, depending upon the nature of shares transferred and the parties involved. Let us understand it one by one.

3. Valuation under Section 50CA – Transfer of Unquoted Shares - Taxation in Hands of Transferor

Scope of Section 50CA

Section 50CA applies where:

- A capital asset, being unquoted shares, is transferred; and
- The consideration received or accruing is less than the fair market value of such shares.

In such cases, the fair market value of the shares is deemed to be the full value consideration for the purpose of computing capital gains under section 48. This provision applies only to the seller (transferor).

Determination of Fair Market Value

The fair market value for the purposes of section 50CA for equity shares is required to be determined in accordance with Rule 11UA(1)(c)-**Net Asset Value (NAV) Method** only

The FMV is computed based on the book value of assets and liabilities as appearing in the balance sheet of the company, subject to specified adjustments.

This is pertinent to note that the only allowed method for 50CA for equity share transfer is the NAV method as prescribed under rule 11UA.

4. Valuation under Section 56(2)(x) – Taxation in Hands of Transferee for equity shares

Applicability

Section 56(2)(x) applies where any person receives any shares either for nil consideration, or for consideration less than FMV exceeding Rs. 50,000. The difference between FMV and consideration is taxable as income from other sources in the hands of the recipient.

FMV Determination

FMV for section 56(2)(x) is determined as per Rule 11UA:

- Quoted shares – Based on stock exchange price
- Unquoted shares – NAV method

5. Rule 11UA(1)(c)(b) Reads as Follows

The fair market value of unquoted equity shares shall be the value, on the valuation date, of such unquoted equity shares as determined in the following manner, namely:

the fair market value of unquoted equity shares = (A + B + C + D - L) × (PV)/(PE), where,

A =book value of all the assets (other than jewellery, artistic work, shares, securities and immovable property) in the balance sheet as reduced by:

- (i) any amount of income-tax paid, if any, less the amount of income-tax refund claimed, if any; and
- (ii) any amount shown as asset including the unamortised amount of deferred expenditure which does not represent the value of any asset;

B =the price which the jewellery and artistic work would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer;

C =fair market value of shares and securities as determined in the manner provided in this rule;

D =the value adopted or assessed or assessable by any authority of the Government for the purpose of payment of stamp duty in respect of the immovable property;

L =book value of liabilities shown in the balance sheet, but not including the following amounts, namely:

- (i) the paid-up capital in respect of equity shares;
- (ii) the amount set apart for payment of dividends on preference shares and equity shares where such dividends have not been declared before the date of transfer at a general body meeting of the company;
- (iii) reserves and surplus, by whatever name called, even if the resulting figure is negative, other than those set apart towards depreciation;

- (iv) any amount representing provision for taxation, other than amount of income-tax paid, if any, less the amount of income-tax claimed as refund, if any, to the extent of the excess over the tax payable with reference to the book profits in accordance with the law applicable thereto;
- (v) any amount representing provisions made for meeting liabilities, other than ascertained liabilities;
- (vi) any amount representing contingent liabilities other than arrears of dividends payable in respect of cumulative preference shares;

PV = the paid-up value of such equity shares;

PE = total amount of paid-up equity share capital as shown in the balance sheet.

It is respectfully submitted that the valuation mechanism under Rule 11UA is based exclusively on the book value of assets and liabilities as recorded in the books of account, without reference to their economic substance, realisable value, or commercial utility. The rule adopts a purely accounting-driven approach and does not assess whether such book values represent economically valuable resources.

This creates significant issues where financial statements are prepared under Indian Accounting Standards (Ind AS), which rely on estimates, models, and probability-based assumptions such as fair value measurements, impairment provisions, expected credit losses, and deferred tax balances. These figures often do not reflect actual transactional or liquidation values. The mechanical adoption of such notional book values under Rule 11UA therefore leads to valuations disconnected from commercial reality.

Further, Rule 11UA does not allow any qualitative or line-item-wise assessment to determine whether balance-sheet items possess real economic worth or merely arise from accounting recognition requirements. At the same time, several economically valuable assets—such as self-generated goodwill, brand value, customer relationships, and intellectual property—are not recognised in the books due to restrictive accounting criteria. Since Rule 11UA confines valuation strictly to recorded assets, it excludes such commercially significant intangibles.

Accordingly, Rule 11UA simultaneously includes book values that may lack economic substance and excludes assets with real commercial value, resulting in artificial and distorted valuation outcomes inconsistent with settled principles of valuation and taxation of real income.

6. Challenges Faced

The prevailing valuation framework for transfer of unquoted equity shares effectively treats the Net Asset Value (NAV) method as a statutory floor, particularly under section 50CA (for the transferor) and indirectly under section 56(2)(x) (for the transferee) read with Rule 11UA.

This rigid, asset-centric approach disregards commercial and economic realities of genuine share transfers and proceeds on the flawed assumption that NAV represents the minimum realisable value in all circumstances. In cases such as distressed sales, internal restructuring, promoter exits, succession planning, or transfers under financial stress, erosion of value is commercially inevitable. By statutorily substituting NAV as the minimum consideration, the framework nullifies the economic rationale of such transactions and imposes an artificial tax floor divorced from enterprise value, cash flows, and market conditions.

Further, this mechanical reliance on NAV ignores that equity shares represent a bundle of economic rights whose value is driven by future earnings, control, liquidity, and risk—factors not captured by a static balance-sheet-based valuation. As a result, the framework leads to taxation of notional income, undermining genuine business exigencies and settled principles that income tax can be levied only on real and legally recognisable income.

7. Exception to valuation requirement under 11UA(1)(c) (b)

The valuation mechanisms prescribed under Rule 11UA are enabling and computational provisions, intended only to quantify income once the charging provisions—section 56(2)(x) in the hands of the transferee and section 50CA in the hands of the transferor—are triggered. It is a settled principle that where the charging provision does not apply, the computation machinery must fail, and a valuation rule, being subordinate legislation, cannot create a tax charge independently.

Accordingly, the statutory exclusions contained in section 56(2)(x) must operate as exceptions to Rule 11UA. These include transfers of shares between relatives, transfers under a will or by inheritance, and transfers in contemplation of death.

Similarly, under section 50CA, the legislature recognises that the NAV-based deeming fiction cannot apply universally. Therefore, transactions excluded from capital gains under section 47—such as transfers between a holding company and its subsidiary and transfers pursuant to amalgamations or reorganisations—must equally stand outside the scope of Rule 11UA.

In cases where the transaction itself is excluded from the charging provisions, application of Rule 11UA would be legally untenable, as the valuation mechanism cannot operate independently of the charge.

*Author can be reached at :
pradeepsanmane@gmail.com*



CA Adithya Kumar S

PUBLIC SERVICE MELTDOWN: ESG ANALYSIS OF SOCIAL AND GOVERNANCE FAILURES

Background: In December 2025 India's biggest Airlines cancelled thousands of flights across its network, some reports suggest 2,000+ cancellations in a matter of days. The root cause(s) cited included a severe shortage of cockpit crew (pilots/first-officers), triggered by the recent rollout of new regulatory norms under DGCA (the Indian aviation regulator), which imposed stricter flight-duty time limitations (FDTL) longer rest periods, fewer permitted night landings per pilot, and tighter duty-time windows. This rule was essentially made at the best interest of the passengers and also the pilots. The crisis triggered regulatory scrutiny including high-level reviews and the airline was asked to submit a roadmap for restoring operations and crew recruitment aligned with fleet induction.

Public service disruptions arising out of natural calamities etc., is well known and is beyond anybody's control, but if it is due to operational and administrative reasons which could have been mitigated gains more importance and scrutiny. In a classic case of public services being disrupted without any intimation or prior communication puts people into risk and causes lot of inconvenience. Many may not even be monetarily compensated for the time and efforts; let alone the agony of going through it. This could have happened to rail and road transport, telecom infrastructure, public emergency services or any other utility where public could be impacted severely.

ESG is not a marketing exercise or mere "check-the-box" compliance, but a commitment to resilience, stakeholder welfare, transparency, and long-term value creation.

Mapping the Crisis to ESG Pillars - Why This Matters for ESG Reporting / Ratings: At a high level, ESG frameworks and rating methodologies are predicated on the assumption that companies factor in long-term resilience, stakeholder impact, risk governance, and social value, and not just financial performance. The crisis shows a disconnect between business-as-usual practices and what modern ESG accountability demands. The key affected pillars: **Social (S)** and **Governance (G)**. (Environmental, "E", is less directly relevant here, though emissions/fuel usage may come under scrutiny if operations change significantly.)

Social (S) - Impact on Stakeholders

1. Passenger Welfare & Trust

- o Thousands of passengers faced cancellations, delays, deplanements, and lack of adequate communication or support (hotels, meals, rebooking, medical issues apart) in many cases.

- o The disruption occurred during a peak travel season (holidays, weddings, festivals), amplifying inconvenience and emotional stress among travellers.
- o The airline's brand equity, long built on reliability which would now take a severe hit;
- o Passenger confidence and goodwill were eroded.

2. Employee / Crew Welfare, Safety & Well-being

- o Pilot shortage was partly a result of changes in duty / rest regulations aimed at improving safety and well-being. But the failure to plan adequately means the airline's prior operating model was heavily dependent on overworked crew (high night-landing density, tight scheduling).
- o During the crisis, both cockpit crew and ground staff would have faced stress: extended hours, last-minute schedule changes, uncertain duty-calls, public anger at airports, affecting morale, workplace safety, and mental health.
- o The crisis arguably exposed a deeper cultural issue: human resource optimisation at the cost of staff welfare, revealing lack of padding or buffer in human capital planning.

3. Stakeholder Communication & Consumer Protection Ethics

- o Reports indicate communication breakdowns: inconsistent updates, insufficient ground support (food, accommodation, rebooking), lack of clarity over refunds/compensation for stranded travellers.
- o Also, the systemic lack of preparedness signals weak stakeholder empathy and disregard for consumer inconvenience during foreseeable transitional risks.

Governance (G) - Structural and Strategic Failures

1. Risk Management & Operational Resilience

- o The crisis is fundamentally a governance failure-IndiGo underestimated its future crew requirements despite clear regulatory signals. It lacked a credible buffer, contingency planning, or scenario analysis before implementing significant schedule volumes.

- o The result: massive schedule collapses, flight cancellations, network-wide disruption - avoidable had governance and planning been robust.
- 2. Internal Controls and Planning Failures**
- o Crew rostering, fleet-crew linkage, scheduling logic - the systems (both human and software) failed to adapt. Reports mention “technical glitches,” “scheduling software faults,” and poor roster management.
 - o Inadequate internal control over operational readiness; no evidence of stress testing capacity vs new regulatory environment; lack of redundancy planning.
- 3. Board Oversight and Strategic Accountability**
- o Considering the scale of disruption, questions arise: Did Board / senior leadership anticipate the risk? Did they allocate resources commensurate with fleet size and regulatory compliance?
 - o The fact that the company’s operating model remained “lean” despite regulatory changes suggests a misalignment between aggressive growth strategy and governance prudence.
- 4. Crisis Response & Transparency**
- o The speed, clarity, and adequacy of IndiGo’s public communication, refund/compensation mechanisms, stakeholder support (grounding hotels, alternate

travel, assistance) during the crisis will be scrutinised. Reports indicate patchy support and customer distress.

- o For an airline with market dominance, prolonged failure and poor public response undermines credibility.

The same situation or even worse would have happened if there is any severe disruption in any other public utility as well.

ESG Implication: Ratings and investors may question the governance culture: whether risk oversight is superficial, whether long-term sustainability (including operational sustainability) is prioritized, or whether short-term cost-efficiency is prioritized at the cost of resilience and stakeholder trust. Reflects weak internal governance structures; undermines reliability of future operational disclosures and risk reporting. ESG rating frameworks will penalize such lapses. Governance scores would take a direct hit. Ratings will view this as lack of enterprise-risk management, poor strategic foresight, and inadequate resilience planning. Poor crisis governance and stakeholder transparency weaken governance scores and may lead to reputational damage, which ESG-rating entities and investors treat as material risk.

Stakeholders would expect lot of information from this incident in the upcoming BRSR of the Company, some of which could be:

BRSR Reporting Point	Expected / Relevant Reporting
Principle 1: Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.	<ul style="list-style-type: none"> • Training and awareness programmes on any of the Principles during the year given to Board of Directors, Key Managerial Personnel, Other employees and workers. • Details of fines and penalties imposed by authorities. • Disciplinary action taken against any Director, KMP or Employee or worker • Complaints with regard to conflict of interest.
Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains.	<ul style="list-style-type: none"> • Details of insurance and retirement benefits on all its employees. • Employee grievance redressal mechanism. • Details of training given to employees. • Performance and career development reviews. • Health and Safety Management system including occupational health and safety management, work-related health hazards etc., • Safety related incidents. • Measures taken to ensure safety and healthy work place • Statistics on complaints on working conditions and health & safety. • Assessment of Health and safety practices and working conditions and corrective action taken.
Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders	<ul style="list-style-type: none"> • Processes for identifying key stakeholder groups and frequency of engagement with each stakeholder. • Process of consultation between stakeholders and the Board on economic, environmental and social topics and how those inputs were incorporated in policy / decision making.

BRSR Reporting Point	Expected / Relevant Reporting
Principle 5: Businesses should respect and promote human rights.	<ul style="list-style-type: none"> • Details of training provided on human rights issues and policies of the entity. • Details of remuneration of Board of Directors,, Key Managerial Personnel, Employees other than the above, and workers. • Responsibility to address human rights issues and internal mechanism to redress the grievances. • Statistics on complaints received and mechanisms to prevent adverse consequences. • Would human rights be part of business agreements and contracts.
Principle 7: Businesses, when engaging in influencing public regulatory policy, should do so in a manner that is responsible and transparent.	<ul style="list-style-type: none"> • Details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities. • Public policy positions advocated by the entity.
Principle 9: Businesses should engage with and provide value to their consumer in a responsible manner.	<ul style="list-style-type: none"> • Mechanism in place to receive and respond to consumer complaints and feedback. • Details of consumer complaints in delivery of essential services, data privacy, advertising, cyber-security, restrictive trade practices, unfair trade practices and others. • Action taken by regulatory authorities on safety of products / services. • Mode of communication to the consumers. • Mechanisms in place to inform consumers of any risk of disruption / discontinuation of essential services.

Way Forward? Given the severity and visibility of this crisis, any serious ESG or sustainability report should strive to maintain integrity and stakeholder credibility and reflect the following:

- **Full disclosure of the causes and impact:** quantitative data - number of flights cancelled, passengers impacted, financial impact (refunds, compensation), crew shortage metrics, scheduling gaps, rest-hour compliance statistics, plan for remediation.
- **Root-cause analysis and post-mortem:** not just “crew shortage” but what led to under-provisioning: e.g. lean-staffing policy, failure to model new regulatory load, inadequate human capital forecasting. Demonstrate recognition of governance failure.
- **Corrective action plan:** detailed, time-bound commitments - e.g. increased pilot hiring, revised roster strategy, system upgrades, stress-testing, buffer creation, enhanced internal controls.
- **Stakeholder remediation and support plan:** for customers (refunds, alternate transport, transparent communication), for employees (welfare, roster fairness, training), suppliers and regulators.
- **Governance reforms:** Aim to strengthen risk management frameworks; embed operational-risk KPIs in board dashboards; institutionalize resilience planning (for regulatory shifts, seasonality, demand volatility).
- **ESG-relevant disclosure metrics for future stability:** flight-cancellation rates, on-time performance trends, crew-to-fleet ratio, average rest compliance, grievance resolution time, customer satisfaction scores, number of compensated passengers, etc.

ESG Ratings & Investor/Rating Agency Assessments

- ESG ratings are meant to capture not only static metrics

(e.g. number of employees, policies, environmental footprint), but *how well a company adapts to systemic risks, regulatory changes, and stakeholder expectations*. A failure of this magnitude undermines confidence in governance and stakeholder reliability.

- For airlines, social and governance risk is central - consumers need consistent safety, reliability, and predictable service. Investors care about long-term sustainability, risk to revenues, regulatory backlash, brand damage, and potential future disruptions.
- ESG risk is increasingly viewed as “material risk”. Companies with high ESG scores aren’t necessarily immune to “tail risks” - but ESG assessment ought to capture how robust their risk governance is.
- Going forward, lack of improvements will likely penalize ratings, increase cost of capital, reduce stakeholder trust, and invite regulatory or liability risk.

Conclusion: The failure of this magnitude demonstrates a broader principle that holds for any business operating at scale in a regulated environment with high operational leverage:

- Lean, efficiency-driven models can succeed — until external shocks or regulation changes expose their fragility.
- ESG isn’t just about environmental footprint or social branding; it encompasses operational integrity, risk preparedness, stakeholder obligations, and governance discipline.
- Long-term value creation depends on viewing ESG not as a compliance exercise, but as an integral part of enterprise-risk management and strategic planning.

Author can be reached at :
aditya@rgnprice.com



CA Vinay Thyagaraj

KARNATAKA RERA – LATEST UPDATES – FEBRUARY 2026

Update No 1 – Circular on Extension of timelines for submission of RERA Annual Audit report for the FY 2024-25 and imposition of Penalty for non-compliances:

The issuance of circulars and notifications by the Karnataka Real Estate Regulatory Authority is an essential tool for exercising the powers vested under the Act and for communicating regulatory expectations to all stakeholders of the Real Estate Industry.

In this context, the Karnataka Real Estate Regulatory Authority has issued multiple circulars relating to the submission of Annual Audit reports for the Financial Year 2024-25, including the grant of additional time beyond the statutory due dates, to address practical compliance challenges and ensure accurate and orderly disclosures.

Karnataka RERA has issued the multiple Circulars on the following dates with references directing the promoters to submit the Annual Audit for the financial year 2024-25

- Circular dated:12th September 2025 vide No: RERA/Accounts/CR/244050/2024-25
- Circular dated:15th November 2025 vide No: RERA/Accounts/CR/244050 /2024-25
- Circular dated:12th December 2025 vide No: RERA/Accounts/CR/244050 /2024-25

(source - <https://rera.karnataka.gov.in/circularPage>)

In response to these circulars, many promoters have submitted the Annual Audit Reports along with the requisite documents, details, and professional certificates. After granting sufficient time, including extensions for submission, the Karnataka RERA Authority considered it necessary to issue a circular as a final notice, clarifying that non-filing or delayed filing would attract penalties, and that failure to pay such penalties would entail further consequences.

The penalty shall be payable through the RERA e-payment mechanism, and the facility for payment has been integrated into the Annual Audit Report submission module on the KRERA portal. This measure emphasizes the importance of timely financial disclosures and underlines regulatory discipline in project level compliance.

- Levy of Penalty for Non-submission and Delay in Submission of Annual Audit Report under Section 60 of the RERA Act, 2016
- The final opportunity to submit the annual audit report for the FY 2024-25 is extended upto 20th January 2026, without payment of penalty
- Penalty Proposed -

Sl. No.	Total Estimated Cost of the Project	Penalty Amount
1	Less than ₹ 25 crores	₹ 20,000
2	Above ₹ 25 crores and upto ₹ 50 crores	₹ 25,000
3	Above ₹ 50 crores and upto ₹ 100 crores	₹ 50,000
4	Above ₹ 100 crores	₹ 1,00,000

- Penalty is for every financial year delay / default -
 - first financial year shall end on 31st March 2026
 - Next financial years shall commence from 01st April of the successive years, immaterial of the period of delay / default
- In the event of failure on the part of promoter to pay the penalty and to submit the annual audit report as stated above from 21st January 2026 till 31st March 2026, the Authority will initiate action from 01st April 2026 for **recovery** of penalty amount in accordance with the provisions of the RERA Act and/or the Rules and the regulations made thereunder

Update No 2 – Judgement by the Karnataka Real Estate Regulatory Authority Full Bench passed a judgment on 29th November 2025 in the matter of Dhananjay and Varsha Dhananjay v. Sobha Ltd. and another: **Transfer of the insurance benefits to the Association:**

- Complaint Seeking Disclosure of Project Insurance Details - A complaint was filed under Section 31 of the Real Estate (Regulation and Development) Act, 2016 in respect of the project Sobha Arena, seeking directions to the promoter to undertake repairs to the damaged clubhouse, ensure safety measures, and furnish details of the project insurance policy. The complainants

contended that, despite repeated requests, the promoter failed to provide copies of the insurance policy or related documents, raising concerns as to whether the project amenities were insured at all. Consequently, the complainants sought intervention of the Authority for enforcement of statutory obligations, including disclosure and transfer of insurance documents to the Association of Allottees.

- b. **Mandatory Nature of Insurance Obligations** - The Authority observed that the core grievance related to non-compliance with the statutory requirement of obtaining and transferring project insurance. It reiterated that the obligation to insure the project and its amenities, and to transfer the benefit of such insurance to the Association of Allottees, is mandatory in nature and operates independently of issues concerning maintenance or its handover.
- c. **Proof of Compliance Required** - The Authority emphasised that compliance must be demonstrated through production of insurance policy documents, proof of premium payments, and records evidencing transfer of the insurance benefits to the Association. In the present case, the promoter had not produced any material to establish that mandatory insurance had been obtained for the clubhouse or allied amenities, nor were any renewal documents or transfer records furnished. The contention that maintenance had been handed over in 2019 was held to be irrelevant, as the statutory obligation to obtain and transfer insurance remains distinct and continues until duly complied with.
- d. **Promoter's Continuing Obligation** - The Authority held that failure on the part of the promoter to obtain or transfer insurance cannot result in any financial burden being imposed on the allottees or the Association for losses that ought to have been covered under such insurance. The promoter continues to remain under a statutory obligation to furnish all documents relating to insurance obtained in respect of the project amenities, along with proof of premium payments.
- e. **Directions Issued by the Authority** - Accordingly, the Authority directed the promoter to furnish to the Association of Allottees all documents relating to insurance obtained for the entire project, including the clubhouse and common areas or facilities. This includes copies of insurance policies, premium payment receipts, endorsements, and documents evidencing transfer of the benefit of insurance. The promoter was directed to comply with these directions within a period of 30 days from the date of the order.

This judgement draws the attention and the need for professionals to proactively advise promoters on timely compliance with insurance related obligations to prevent avoidable financial exposure. Early guidance and monitoring can significantly reduce the risk of non-compliance under Section 16 of the RERA Act 2016.

Update No 3 – interplay between Occupancy Certificates (OC) and Completion Certificates (CC) in the state of Karnataka for the Real Estate Project:

The Hon.Chairman, Karnataka RERA has urged the state government to issue clear and uniform norms on **Occupancy Certificates (OC) and Completion Certificates (CC)** due to ongoing confusion among local authorities and developers. Under the current framework, the responsibility to obtain both OC and CC lies with the promoter, yet many municipal bodies treat them as interchangeable, which undermines regulatory intent and impacts effective implementation across the state. A senior official noted that the newer Greater Bengaluru Authority Act defines OC as proof that construction is complete and fit for occupancy, separate from CC, but older municipal laws use the terms differently. This lack of harmonisation has led to project delays, disputes, and uncertainty for homebuyers and developers. Karnataka RERA has recommended that all urban local bodies and planning authorities be directed to uniformly follow the definitions as envisaged under the regulatory framework to avoid inconsistent application and protect stakeholder interests.

source [http://timesofindiaindiatimes.com/articleshow/126146467.](http://timesofindiaindiatimes.com/articleshow/126146467.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

[cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst](http://timesofindiaindiatimes.com/articleshow/126146467.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

To opine, the present practice of treating the Occupancy Certificate as a alternative for the Completion Certificate for income tax and GST purposes, despite pending project works, has led to interpretational inconsistencies and compliance risks. Clear demarcation and certainty between OC and CC, as envisaged under the regulatory framework, will bring uniformity in tax treatment, regulatory compliance, and project reporting. This clarity will align legal, technical, and financial positions, reduce disputes, and ensure that statutory obligations are discharged based on actual project completion rather than convenient assumptions..

Author can be reached at :
vinay@vnmv.ca



BN Corp LLC – DUBAI
Accounting | Tax | Assurance

Your Trusted Partner for Global Business, Compliance & Growth

Expand. Comply. Succeed.

BN Corp brings world-class expertise across the UAE, India & USA, delivering end-to-end business, financial, tax and regulatory solutions.

OUR CORE SERVICES

▶ **UAE Business Setup & Corporate Services**

Company formation in Dubai & across UAE Mainland, Free Zones & Offshore.

▶ **Accounting & Tax Compliance**

Comprehensive bookkeeping, VAT, Corporate Tax & regulatory reporting.

▶ **Audit & Assurance**

Independent audits ensuring transparency and credibility.

▶ **Transfer Pricing, Pillar 2 & CbCR Compliance**

Advanced cross-border tax solutions for multinational groups.

▶ **Succession Planning & Family Business Advisory**

Holistic structures for long-term wealth preservation.

▶ **Family Office Setup**

Customised governance, investment, and risk management frameworks.

▶ **AML Compliance Solutions**

AML policies, procedures, risk assessment & implementation support.

▶ **UAE Golden Visa Assistance**

End-to-end support for eligible investors, professionals & families.

▶ **Real Estate Investment Advisory**

Expert guidance on UAE and global property investments.

OUR OFFICES

BN Corp LLC – Dubai (Corporate Office)
1902-04, 19th Floor, The Exchange Tower,
Business Bay, Dubai, UAE
☎ +971 58 556 4654

BN Corp Private Limited – India
41/7, 2nd Floor, 15th Cross,
Malleshwaram, Bengaluru – 560003
☎ +91 98863 01422

BN Global Corp – USA
Orange Studios, 2205 152nd Ave NE,
Redmond, WA 98052, USA

✉ info@bncorpglobal.com

🌐 www.bncorpglobal.com

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION®



38th KSCAA Annual Conference 2026



Friday, 27th & Saturday, 28th February 2026



Prestige Centre for Performing Arts
Konanakunte Cross, Bengaluru



The Learning Flow

27th Feb '26
Friday

9:00 AM **Registration**

10:00 AM **INAUGURAL SESSION**
Inaugural Address by Chief Guest
Key Note Address by Guest of Honour

11:00 AM **Release of Souvenir & Publications**

11:15 AM **INAUGURATION OF EXHIBITION
AND TEA BREAK**

11:45 AM **FIRST TECHNICAL SESSION**

Topic: Judiciary, Legislature and Executive:
Roles, Boundaries and Tensions
Speaker: Sr. Adv. Arvind Datar, Chennai

1:00 PM **LUNCH BREAK**

1:45 PM **SECOND TECHNICAL SESSION**

Topic:
Income Tax Act 2025: Practitioner's Perspective
What to Unlearn, What to Relearn, What to Ignore
Speaker: CA Gururaj Acharya

3:00 PM **CA Talk**
Journey Within: A Transformative Experience

3:15 PM **THIRD TECHNICAL SESSION**

Topic: AIFs Unlocked – Opportunities for CAs
Speaker: Eminent Panel*

4:15 PM **FOURTH TECHNICAL SESSION**

Topic: The Real Estate Playbook: Tax,
RERA, FEMA & Structuring
Moderator: CA Vinay Mruthyunjaya
Panelists: CA Venkataramani S, *National President, AIFTP*
CA Ashok Raghavan
CA Vinay Thyagaraj
CA Krishna Prasad

28th Feb '26
Saturday

8:30 AM **BREAK FAST**

9:30 AM **SPECIAL SESSION**
Speaker: Eminent Speaker*

11:00 AM **CA Talk**
Journey Within: A Transformative Experience

11:15 AM **FIFTH TECHNICAL SESSION**

Topic: Technology Session
Speaker: Eminent Speaker*

12:00 PM **SIXTH TECHNICAL SESSION**

Topic: Audit Readiness for India's
New Labour Codes
Speakers: CA Amarpal Singh Chadha
CA Archana Bhutani, New Delhi

1:00 PM **LUNCH BREAK**

1:45 PM **SEVENTH TECHNICAL SESSION**

Topic: Advertising, MDPs & Networking —
Is our Ethics framework future ready?

Moderator: Eminent Speaker*

Panelists:

CA Chandrashekhar Vasant Chitale
Chairman - Ethical Standards Board, ICAI
CA Madhukar Hiregange
Chairman - Committee for Members in Practice, ICAI
CA Aniket Talati, *Past President, ICAI*
CA P R Ramesh, *Hyderabad*

4:00 PM **FAMILY CULTURAL EVENT**

5:00 PM **VALEDICTORY SESSION**

6:30 PM **FAMILY ENTERTAINMENT PROGRAM**

8:00 PM **FAMILY THEME DINNER**

*Confirmation Awaited



SCAN QR FOR REGN.

visit xcelerate.kscaa.com
Passes are currently available at
discounted prices

**Special
Discount
for**

- Mofussil Members of ICAI
- Members qualified in last 3 years
- Students
- 25% Additional discount for
New KSCAA Life Members enrolled
after 1st Aug 2025

**10 CPE Hrs.
UNSTRUCTURED**

Helpdesk Contact:
9535 715 015

24