The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Pune Branch of WIRC of ICAI

NEWSLETTER JUNE 2025

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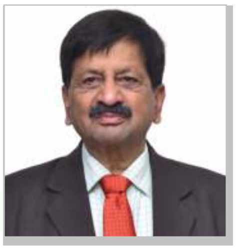
Our Torch Bearer



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Pune Branch Chairman's Communique

CA. Sachin Miniyar
Chairman
Pune Branch of WIRC of ICAI

Dear Esteemed Members,

Warm greetings to all of you.

Greetings from the Pune Branch of WIRC of ICAI!

As we step into the mid-year month of June, I take this opportunity to reflect on our collective journey so far in 2025 and share a glimpse of the exciting initiatives we have in the pipeline.

This past month has been filled with meaningful engagements, insightful learning sessions, and vibrant member interactions. Our recently concluded seminars on UAE Corporate Tax, Direct tax refresher Course, format for non-corporate entities etc. saw enthusiastic participation from members across experience levels. These events reaffirm our shared commitment to ongoing learning and professional excellence.

The month of June marks the arrival of a new financial quarter and brings with it fresh challenges and opportunities. It is also a time of start of intense activity, as almost all of us are into statutory audits and regulatory compliances. In this context, I urge all members to uphold the highest standards of ethics, integrity, and independence. As torchbearers of financial discipline, our credibility is our greatest asset.

Looking ahead, the branch is gearing up to host a AI National Conference next month — a two-day knowledge fest featuring national-level speakers, focused technical sessions, and networking opportunities. I invite you all to actively participate and make the most of this grand event.

On a personal note, I am grateful for the continuous support, encouragement, and feedback I receive from our member fraternity. Your involvement is what breathes life into all our endeavors at the branch.

Let us continue to stand united, uphold the dignity of our noble profession, and contribute meaningfully to the growth story of our nation.

Wishing you all good health, success, and professional fulfillment.

Warm Regards,
CA Sachin Miniyar
Chairman,
Pune Branch of WIRC of ICAI

Editorial Communique

CA Sarika Dindokar
Chief Editor & MCM
Pune Branch of WIRC of ICAI

Dear CA professionals,

The Institute of Chartered Accountants of India (ICAI) has issued guidance note on the format of financial statements for non-corporate entities. This article aims to provide an overview of the key aspects.

Applicability:

The guidance note applies to non-corporate entities, including proprietary firms, partnerships, and other entities.

Key Features:

1. Standardized Format: Provides a standardized format for financial statements.

2. Disclosure Requirements: Outlines specific disclosure requirements.

3. Accounting Policies: Emphasizes the importance of accounting policies.

Benefits:

1. Enhanced Transparency: Standardized format enhances transparency.

2. Comparability: Facilitates comparability.

3. Compliance: Ensures compliance with regulatory requirements.

Conclusion:

The guidance on format of financial statements for non-corporate entities will improve financial reporting and transparency.

Pune Branch Initiative:

The Pune Branch of ICAI had organized seminars to facilitate understanding and implementation. Therefore this month's newsletter is covering the same topic as a theme.

Best Practices:

Members can adopt best practices in financial reporting.

Future Developments:

Stay updated on future developments and guidance from ICAI.

Enjoy reading!

COVER STORY & EXPERT VIEWS

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NON-CORPORATE ENTITIES (NCE)- FORMATS OF FINANCIAL STATEMENTS AND REVISED APPLICABILITY OF ACCOUNTING STANDARDS

FORMATS FOR FINANCIAL STATEMENTS

Normally the Companies prepare their Financial Statements (FSs) as per the applicable formats prescribed in Schedule III to the Companies Act, 2013. Some entities do prepare their FSs as per the specified formats as per the Law/ regulation/ authority applicable to them. Hitherto, in absence of prescribed formats of FSs, the non-corporate entities used to prepare the same in varied formats. To standardise the information to be presented in the FS of the Non-Corporate Entities (NCE), The Accounting Standard Board (ASB) of the ICAI in June 2022 had issued a 'Technical Guide on Financial Statements of Non-Corporate entities' recommending formats of FS of NCE.

To further enhance the quality and comprehensiveness of FSs of NCE and to prescribe authoritative guidance for the members of ICAI for the effective implementation of Accounting Standards (AS) for preparation of FSs of such entities, the ASB has upgraded the said Technical Guide into “Guidance Note on Financial Statements of Non-Corporate Entities” in August 2023.This guidance Note (GN) also contains the illustrative formats for preparation of FSs of NCE. [Separate GN has been issued by ICAI for Limited Liability Partnership (LLPs)]

The NCE should be encouraged to prepare their FSs as per the formats of FSs prescribed in the GN. However, without disturbing the basic structure of the prescribed format, some minor additions or deletions in the prescribed formats may be done, if the situation so requires for more fair and comprehensive presentation. Comparative figures, if any, for the immediately preceding financial year should also be given. Significant Accounting policy and Notes to the Accounts, as applicable to the entity should also be disclosed in the FSs. In case of non-adherence of the Financial Statements formats or the Accounting standards by the entity (client), the auditor need to report the same appropriately in his report.

The formats for Financial statements of NCE or LLP or Non-profit Organisation (NPO) contained in the GN or TG can be downloaded from the website of ICAI or from following links

GN on NCE containing Illustrative Formats – https://resource.cdn.icai.org/75516asb61093-a.pdf
GN on LLP containing Illustrative Formats – https://resource.cdn.icai.org/75517asb61093-b.pdf
TG on NPO containing Illustrative Formats - https://resource.cdn.icai.org/74188asb60123.pdf

ACCOUNTING STANDARDS

It is very essential that financial reporting of an entity should be comparable, transparent, complete and unbiased. Accounting Standards contain wholesome principles of accounting and can be viewed as standardised language of business to communicate high quality information in financial statements based on principles of transparency, consistency and also comparability and reliability. Accounting standards are a set of principles which entities are required to follow while preparing the financial statements providing a standardised way of describing the entity's financial position and financial performance.

Revised Classification Criteria for Non-Company Entities Effective from April 1, 2024

Kindly note of an important development regarding the classification of non-company entities for the purpose of applicability of Accounting Standards.

The Guidance Note on Financial Statements of Non-Corporate Entities (issued in August 2023) continues to reflect the older classification system based on Levels I to IV. However, pursuant to a significant decision taken during the 433rd Council Meeting of the Institute of Chartered Accountants of India (ICAI) held from August 13 to 15, 2024, the classification norms for non-company entities have been revised.

Effective April 1, 2024, non-company entities will now be classified under the following two broad categories:

(a) Micro, Small, and Medium-Sized Entities (MSMEs)
(b) Large Entities

This new classification replaces the earlier system based on Levels I to IV and will be applicable for accounting periods commencing on or after April 1, 2024. The revised framework aims to bring clarity and better alignment with contemporary business practices and regulatory expectations.

This change supersedes the previous announcement of the ICAI dated March 2021 titled "Criteria for Classification of Non-Company Entities for Applicability of Accounting Standards." However, this Announcement of August 2024 is not relevant for Non-company entities which may be required to follow Indian Accounting Standards (Ind AS) or Accounting Standards (AS) as per relevant regulatory requirements applicable to such entities.

Stakeholders are requested to refer to the latest announcement and ensure compliance with the revised classification while preparing or auditing the financial statements of non-company entities.

For any queries or clarification, members may reach out to the Accounting Standards Board (ASB) or refer to relevant announcement on the ICAI website.

https://resource.cdn.icai.org/82761asb66837.pdf

Micro, Small and Medium Sized Entity (MSME) means, a non-company entity:

(I) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;

(ii) which is not a bank, financial institution or an insurance company;

(iii) whose turnover (excluding other income) does not exceed two hundred and fifty crore rupees in the immediately preceding accounting year;

(iv) which does not have borrowings in excess of fifty crore rupees at any time during the immediately preceding accounting year; and

(v) which is not a holding or subsidiary of an entity which is not a micro, small and medium-sized entity.
Explanation- For the purposes of this clause, a non-company entity shall qualify as a Micro, Small and Medium Sized entity, if all the five conditions mentioned herein above are satisfied.

It may further be noted that the category of MSME described above should not be equated or misunderstood with the definition of Micro, Small or Medium entity as defined in the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006).

Large entity is a non-company entity that is not an MSME.

The terms 'Small and Medium Enterprise' and 'SME' used in Accounting Standards shall be read as 'Micro, Small and Medium size entity' and 'MSME', respectively. Further, the terms Level II, Level III and Level IV entities used in Accounting Standards shall be read as 'Micro, Small and Medium Sized Entity' and Level I entity shall be read as a 'Large' entity.

Large entities are required to comply in full with all the Accounting Standards.

Certain exemptions/relaxations have been provided to Micro, Small and Medium sized Entity (MSMEs). Applicability of Accounting Standards and exemptions/relaxations to such entities are given in this compilation.

An MSME which avails the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an MSME and has complied with the Accounting Standards insofar as they are applicable to an MSME.

Where an MSME had qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be an MSME. The fact that it was an MSME in the previous period and it had availed of the exemptions or relaxations available to it shall be disclosed in the notes to the financial statements. The fact that previous period figures have not been revised shall also be disclosed in the notes to the financial statements.

An entity which was previously not an MSME and subsequently becomes an MSME, shall not be qualified for exemption/relaxation in respect of Accounting Standards available to an MSME until the entity remains an MSME for two consecutive years.

If an MSME opts not to avail of the exemptions or relaxations available to an MSME in respect of any but not all of the Accounting Standards, it shall disclose the Standard(s) in respect of which it has availed the exemption or relaxation.

If an MSME opts not to avail any one or more of the exemptions or relaxations available to it, it shall comply with the relevant requirements of the Accounting Standard.

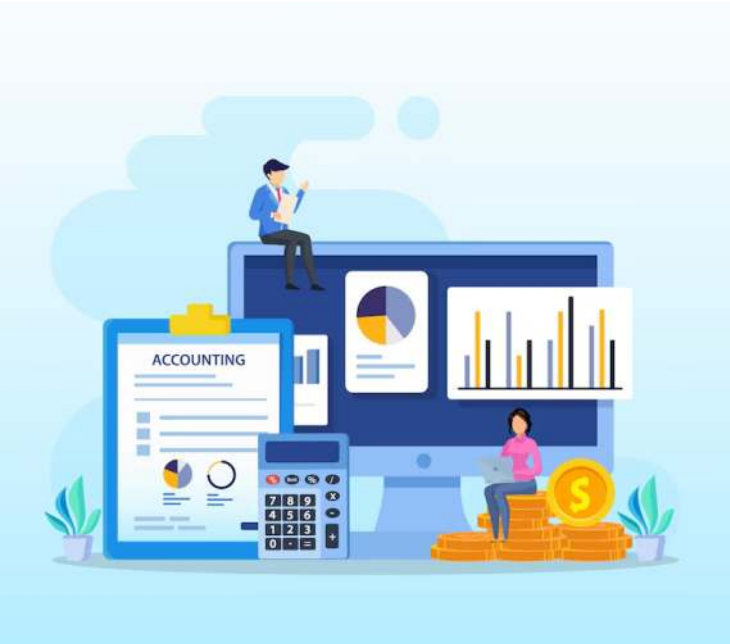
An MSME may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard: Provided that such a partial exemption or relaxation and disclosure shall not be permitted to mislead users of financial statements.
It may also be remembered that

(a) **Disclosure of accounting policies or of changes therein cannot remedy wrong/ inappropriate treatment of the item in the books of accounts.**

(b) The disclosure requirements recommended in the formats are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards

(c) Additional disclosures specified in the Accounting Standards shall be made in the notes to accounts or by way of additional statement unless required to be disclosed on the face of the Financial Statements

(d) Similarly, all other disclosures as required by the relevant statute shall be made in the notes to accounts in addition to the requirements set out in these formats



'Preface to the Statements of Accounting Standards', issued by the ICAI, lays down a few critical principles, which are reproduced below, regarding compliance with Accounting Standards:

"6.1 The Accounting Standards will be mandatory from the respective date(s) mentioned in the Accounting Standard(s). The mandatory status of an Accounting Standard implies that while discharging their attest functions, it will be the duty of the members of the Institute to examine whether the Accounting Standard is complied within the presentation of financial statements covered by their audit.

In the event of any deviation from the Accounting Standard, it will be their duty to make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviation.

(d) Similarly, all other disclosures as required by the relevant statute shall be made in the notes to accounts in addition to the requirements set out in these formats

6.2 Ensuring compliance with the Accounting Standards while preparing the financial statements is the **responsibility of the management** of the enterprise. Statutes governing certain enterprises require of the enterprises that the financial statements should be prepared in compliance with the Accounting Standards, e.g., the Companies Act, 1956 (section 211)[Section 133 of the Companies Act,2013] , and the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2000.

6.3 Financial Statements cannot be described as complying with the Accounting Standards unless they comply with all the requirements of **each applicable Standard.**"

In view of the above, **the auditors are required to examine compliance with AS** while discharging their attest function

Applicability of Accounting Standards

(1).Applicability of the Accounting Standards to Large Non- company entities.

Large entities are required to comply in full with all the Accounting Standards.

(2). Applicability of the Accounting Standards and exemptions/relaxations for Micro, Small and Medium sized Non-company entities

(A) Accounting Standards not applicable to Micro, Small and Medium sized entity (MSME) in their entirety

(i) The following four Accounting Standards are not applicable to all MSMEs in their entirety:

o AS 3, Cash Flow Statements
o AS 17, Segment Reporting
o AS 20, Earnings per Share
o AS 24, Discontinuing Operations

(ii) AS 18, Related Party Disclosures and AS 28, Impairment of Assets not applicable in their entirety to MSMEs if they comply all the three following conditions:

a) whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;

b) which does not have borrowings in excess of rupees ten crore at any time during the immediately preceding accounting year; and

c) which is not a Holding and subsidiary of an MSME not covered above.

(B) Relaxations/exemptions from certain requirements (paras) of Accounting Standards to Micro, Small and Medium sized Entities (MSMEs)

(i) Accounting Standard (AS) 10, Property, Plant and Equipment MSMEs may not comply with paragraph 87 relating to encouraged disclosures.

(ii) AS 11, The Effects of Changes in Foreign Exchange Rates MSMEs may not comply with paragraph 44 relating to encouraged disclosures.

(iii) AS 15, Employee Benefits (1) MSMEs may not comply with the following paragraphs:

(a) paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short-term accumulating compensated absences which are nonvesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);

(b) paragraphs 46 and 139 of the Standard which deal with discounting of amounts that fall due more than 12 months after the balance sheet date;

(c) recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such entities may calculate and account for the accrued liability under the defined benefit plans by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year; and (d) recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. Such entities may calculate and account for the accrued liability under the other long-term employee benefits by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year.

(iv) AS 19, Leases MSMEs may not comply with paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e) relating to disclosures.
(v) AS 22, Accounting for Taxes on Income

(a) MSMEs shall comply with the requirements of AS 22, Accounting for Taxes on Income, for Current tax defined in paragraph 4.4 of AS 22, with recognition as per paragraph 9, measurement as per paragraph 20 of AS 22, and presentation and disclosure as per paragraphs 27-28 of AS 22.

(b) Transitional requirements On the first occasion when an MSME avails this exemption, the accumulated deferred tax asset/liability appearing in the financial statements of immediate previous accounting period, shall be adjusted against the opening revenue reserves/owner's funds.

(vi) AS 26, Intangible Assets MSMEs may not comply with paragraphs 90(d)(iii); 90(d)(iv) and 98 relating to disclosures.
(vii) AS 28, Impairment of Assets

(a) MSMEs that are otherwise not exempted from applying this standard [refer note 2(A)(ii)] are allowed to measure the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if such MSME chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such an entity. Further, such an entity need not disclose the information required by paragraph 121(g) of the Standard.

(b) MSMEs that are otherwise not exempted from applying this standard [refer note 2(A)(ii)] may not comply with paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123 relating to disclosures.
(viii) AS 29, Provisions, Contingent Liabilities and Contingent Assets MSMEs may not comply with paragraphs 66 and 67 relating to disclosures.

© In case of Micro, Small and Medium sized Non-company entities, generally there are no such transactions that are covered under AS 14, Accounting for Amalgamations, or jointly controlled operations or jointly controlled assets covered under AS 27, Financial Reporting of Interests in Joint Ventures. Therefore, these standards are not applicable to Micro, Small and Medium size Non-company entities. However, if there are any such transactions, these entities shall apply the requirements of the relevant standard.

(D) AS 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements, AS 27, Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to Consolidated Financial Statements), and AS 25, Interim Financial Reporting, do not require a Non-company entity to present consolidated financial statements and interim financial report, respectively. Relevant AS is applicable only if a Non-company entity is required or elects to prepare and present consolidated financial statements or interim financial report.

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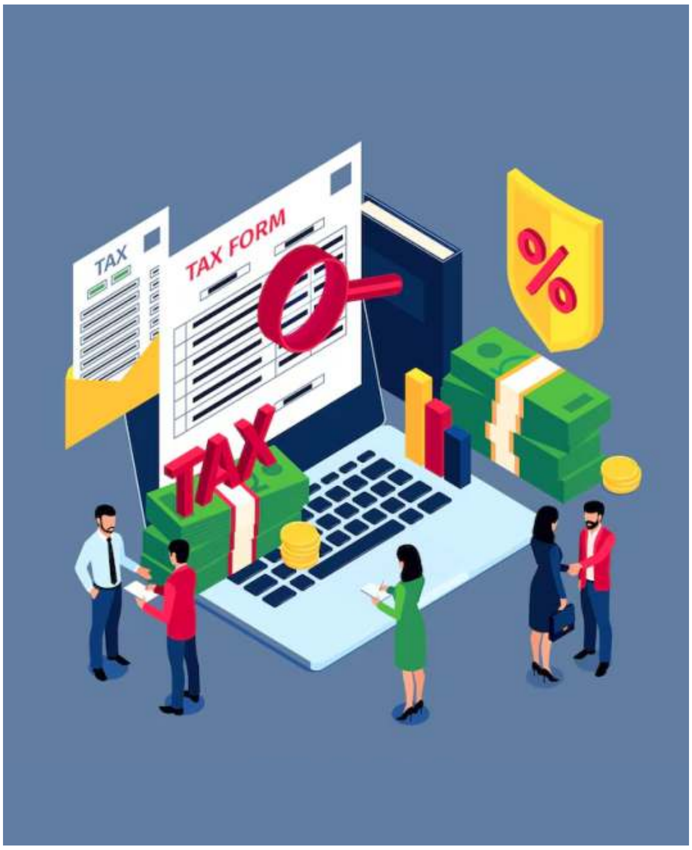
ELEVATING NON-CORPORATE ENTITY COMPLIANCE: ACCOUNTING AND FINANCIAL STATEMENTS AND TAX PLANNING PERSPECTIVES

In India's diverse economic fabric, non-corporate entities such as sole proprietorships, partnerships, Hindu Undivided Families (HUFs), Limited Liability Partnerships (LLPs), and trusts play a crucial role. These entities not only support local employment but also act as engines for grassroots-level entrepreneurship. Non-corporate entities constitute the majority of business structures in India. Despite being unregistered or informal in many cases, these entities engage in substantial commercial activity and are critical to the Indian economy.

However, despite their economic importance, their accounting and tax practices are often unstructured and under-optimized. As regulatory oversight and digitization increase, proper accounting, financial reporting, and tax planning are no longer optional—they are critical for survival and growth.

Accounting for Non-Corporate Entities More Than Just Bookkeeping — It's the Language of Sustainable Growth:

Accounting is no longer limited to recording transactions — it is about telling a clear and credible financial story. As famously said, “Accounting is the language of business. When you help small businesses speak fluently, you help them grow — and you grow with them.”



For non-corporate entities, which form the backbone of the MSME sector, accounting plays a critical strategic role that extends far beyond compliance. The following explains:

1. Performance Measurement

The Profit and Loss Account acts as a performance mirror. It highlights profitability, identifies cost leakages, and points to areas that require operational improvement — helping entities stay financially healthy and competitive.

2. Regulatory Compliance

Maintaining accurate and timely books of accounts ensures compliance with:

- Income Tax provisions,
- GST regulations,
- Tax audit requirements under Section 44AB, and
- Industry-specific norms and local laws.

Non-compliance today leads not just to penalties but reputational damage and funding rejections.

3. Credit and Subsidy Eligibility

Lenders and financial institutions such as banks and NBFCs rely heavily on financial statements to evaluate an entity's:

- Creditworthiness,
- Loan repayment capacity,
- Eligibility for government subsidies or schemes.

Clean, standardized financials open the doors to formal finance.

4. Informed Business Decision-Making

From budgeting and pricing strategies to cost control and expansion planning, structured accounting data enables smarter business decisions. It empowers business owners to make choices based on real-time financial insights rather than estimates.

In the context of increasing digitization, regulatory scrutiny, and stakeholder expectations, we can rightly conclude:
"Proper accounting and financial reporting have moved from being good-to-have to must-have in today's regulated, digital-first economy."

4. Financial Reporting Evolution for Non-Corporate Structures:

While these entities may not be governed by the Companies Act, the preparation of financial statements is equally crucial from a taxation, funding, and regulatory compliance perspective.

The Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI) has underscored the growing importance of structured financial reporting by non-corporate entities in today's compliance-driven and digitally connected environment. In an effort to bring consistency, proportionality, and clarity in financial reporting, the Institute of Chartered Accountants of India (ICAI) has issued a Revised Accounting Framework applicable to Non-Corporate Entities (NCEs). This framework classifies entities into three categories—Level I, II, and III—based primarily on turnover, borrowings, and other qualitative criteria. This classification helps in ensuring that small and medium entities are not overburdened with unnecessary compliance, while larger entities maintain higher standards of financial reporting.

Recognizing that financial statements are not merely records of transactions but powerful tools for decision-making, compliance, funding, and stakeholder trust, the ASB released a "Technical Guide on Financial Statements of Non-Corporate Entities" in August 2023. This guide recommends a standardized format for preparing and presenting financial statements across proprietorships, partnerships, LLPs, HUFs, and similar non-corporate structures.

Key Components Covered in the Prescribed Formats:

1. Balance Sheet
2. Profit & Loss Account / Income & Expenditure Account
3. Schedules and Annexures
4. Statement of Changes in Capital (for partnerships/LLPs)

Notes to Accounts and Accounting Policies

These formats are aligned with the revised classification of non-corporate entities (Level I, II, and III) as per ICAI's 2020 framework and ensure compliance with applicable Accounting Standards (AS).

By mandating uniformity and clarity in financial disclosures, this initiative aims to:

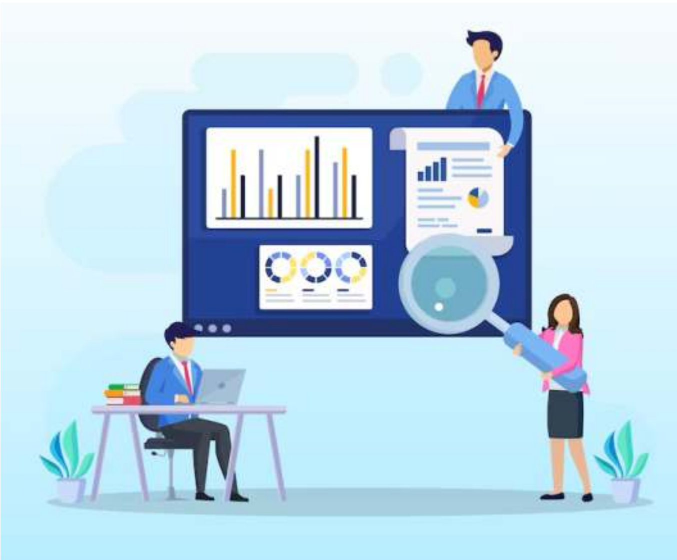
- Enhance transparency in the books of accounts,
- Improve the comparability and credibility of financial reports,
- Strengthen bankability and access to formal credit,
- And promote professional discipline in financial reporting.

As non-corporate entities play a vital role in India's MSME ecosystem, standardized financial statements will help bridge the gap between traditional practices and modern expectations of investors, tax authorities, banks, and regulators. Ultimately, the move reinforces a key message:

"Well-prepared financial statements are not just regulatory documents—they are strategic assets that define the credibility and future readiness of a business."

Tax Planning for Non-Corporate Entities

Tax planning is an integral part of managing a business's finances. It involves strategizing financial activities to minimize tax liability legally and maximize savings. Non-corporate entities such as proprietorships, partnerships, LLPs, and others traditionally face challenges in tax planning due to inconsistent financial records, lack of standardized disclosures, and varied accounting practices. The introduction of a uniform financial statement format provides a strong foundation to overcome these hurdles and optimize tax strategies efficiently.



Impact of Standardized Financial Statements on Tax Planning

1. Improved Accuracy and Transparency

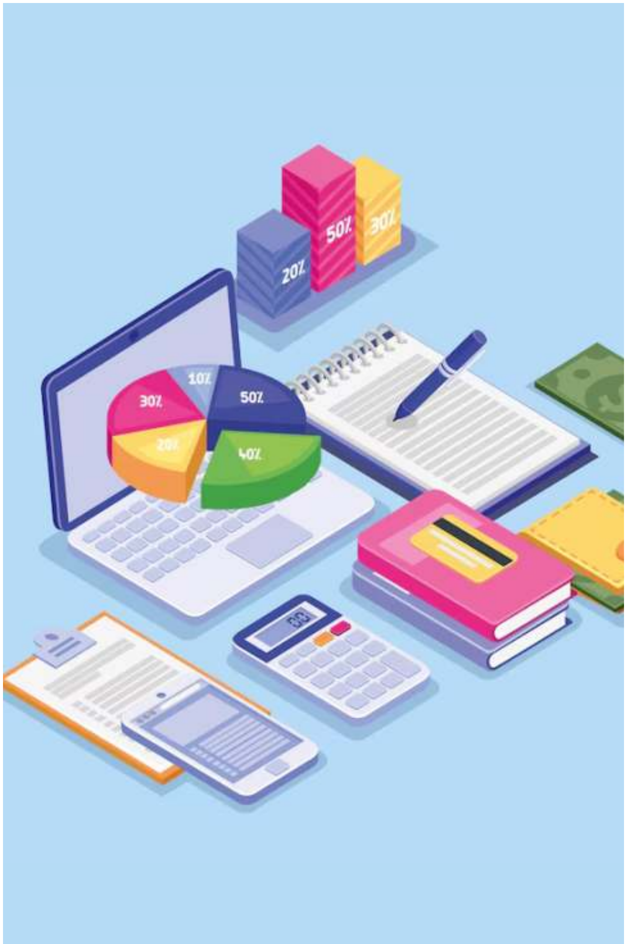
Standardized financial statement formats ensure that all income, expenses, assets, and liabilities are recorded clearly and uniformly. This reduces the chances of errors or omissions, which often lead to tax scrutiny or penalties. With accurate and comprehensive data, entities can better identify deductible expenses, depreciation claims, and available tax credits, leading to more precise tax calculations.

2. Enhanced Compliance with Tax Audit Requirements

Under Section 44AB of the Income Tax Act, tax audits require the submission of audited financial statements. Adoption of the ICAI-prescribed formats aligns financial reporting with the expectations of tax authorities, minimizing compliance risks. This uniformity builds confidence during tax assessments and audits, reducing the likelihood of disputes and penalties.

3. Facilitates Strategic Use of Tax Provisions

Standardized statements provide clear separation between capital and revenue items, detailed disclosures of related party transactions, and schedules of fixed assets. This clarity assists businesses in prudent tax planning, enabling informed decisions about opting for presumptive taxation schemes such as Sections 44AD, 44ADA, or 44AE. Additionally, it supports optimized claims related to depreciation, business expenses, and provisions that directly impact taxable income.



4. Better Cash Flow Management

Comprehensive Profit & Loss accounts and Balance Sheets help in accurately forecasting tax liabilities. This allows for timely tax payments and effective planning of advance tax, thereby avoiding unnecessary interest and penalty charges. Efficient cash flow management is critical for the financial health of non-corporate entities.

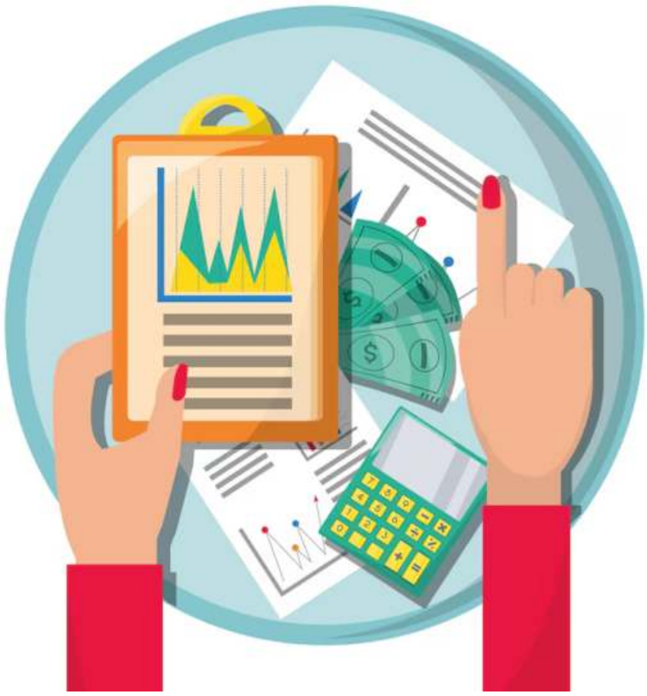
5. Eases Transition and Future Growth

Maintaining properly standardized and transparent financial records smoothens the path for non-corporate entities considering a transition to corporate structures. It also facilitates tax-efficient restructuring, mergers, or conversions. Moreover, preparation based on standardized formats reduces manual effort in advance tax assessment, minimizes manpower requirements, and helps avoid interest and penalty burdens related to delayed or incorrect tax payments.

Tax planning for non-corporate entities goes beyond mere compliance — it plays a vital role in optimizing resources, minimizing risk, and aligning financial goals with regulatory expectations. With increasing scrutiny and frequent changes in tax laws, staying ahead through informed planning is essential.
At its core, this underscores a vital truth - Tax planning today is not an option—it's a necessity. In a rapidly evolving regulatory landscape, proactive compliance and accurate financials define long-term success.

Conclusion:

Accounting and financial statements for non-corporate entities have entered a new era of standardization and professionalism, thanks to the recent initiatives by the ICAI Accounting Standards Board. The adoption of prescribed formats not only enhances transparency and comparability but also strengthens the foundation for effective tax planning.



For non-corporate entities, accurate and standardized financial reporting is no longer optional but essential — enabling better compliance with tax laws, smoother audits, improved access to finance, and informed business decisions. Properly maintained financial statements empower these entities to optimize tax liabilities, manage cash flows efficiently, and prepare confidently for future growth or structural transitions.
In this evolving landscape, Chartered Accountants and financial professionals play a crucial role in guiding non-corporate entities through compliance, reporting, and strategic tax planning — ensuring professional excellence and long-term sustainability.

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PRESUMPTIVE TAXATION FOR INDIVIDUALS: SIMPLIFYING YOUR TAX BURDEN

Navigating the complexities of income tax can be a daunting task for many individuals, particularly those engaged in professions or businesses. Maintaining detailed books of accounts, documenting every transaction, and preparing elaborate financial statements can be time-consuming and often require professional assistance.

To ease the compliance burden and encourage voluntary compliance, the Income Tax Act offers a Presumptive Taxation Scheme (PTS). This scheme is a boon for small taxpayers, allowing them to declare income at a prescribed rate, thereby freeing them from the obligation of maintaining extensive books of accounts and undergoing a compulsory audit.

What is PTS?

PTS "presumes" a certain percentage of your gross receipts or turnover as your net taxable income. Instead of calculating actual profit, you declare income based on a fixed percentage, simplifying tax computation.

Who Can Opt for Presumptive Taxation?

Currently, two primary sections under the Income Tax Act allow individuals to opt for presumptive taxation:
Section 44AD: For Businesses

- This section is applicable to resident individuals, Hindu Undivided Families (HUFs), and partnership firms (excluding Limited Liability Partnerships) engaged in any business (except plying, hiring, leasing goods carriages), provided their total turnover or gross receipts during the financial year does not exceed 3 crore.

- Under this section, the presumptive income is calculated at:
  - 8% of gross turnover (if received in cash)
  - 6% if receipts are via digital means (cheque, bank transfer, UPI, etc.)

Example: If turnover is 50 lakhs and all receipts are via bank: Presumptive income = 50,00,000 × 6% = 3,00,000

Section 44ADA: For Professionals

This section caters to resident individuals and partnership firms (excluding LLPs) engaged in specified professions like legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration, and other notified professions provided total gross receipts from these professions does not exceed 75 lakhs.

The presumptive income is deemed to be 50% of the total gross receipts from the eligible profession.

Example: If gross receipts = 40 lakhs - Presumptive income = 20 lakhs (50% of 40 lakhs)

Key Benefits of Opting for Presumptive Taxation:

1. Reduced Compliance Burden: The most significant advantage is the elimination of the need to maintain detailed books of accounts as per Section 44AA.

2. No Compulsory Audit: If you opt for presumptive taxation and declare income as per the prescribed rates, you are not required to get your accounts audited under Section 44AB.

3. Simpler Tax Filing: The process of calculating and declaring income becomes straightforward, making tax filing less complex.

4. No Need to Prove Expenses: You don't need to substantiate individual expenses as the presumptive rate already factors in all deductions.

Important Considerations and Conditions:

1. No Further Deductions: If you opt for presumptive taxation, you cannot claim any further deductions for business or professional expenses under sections 30 to 38 of the Income Tax Act. The presumptive income is considered the final income after all deductions.

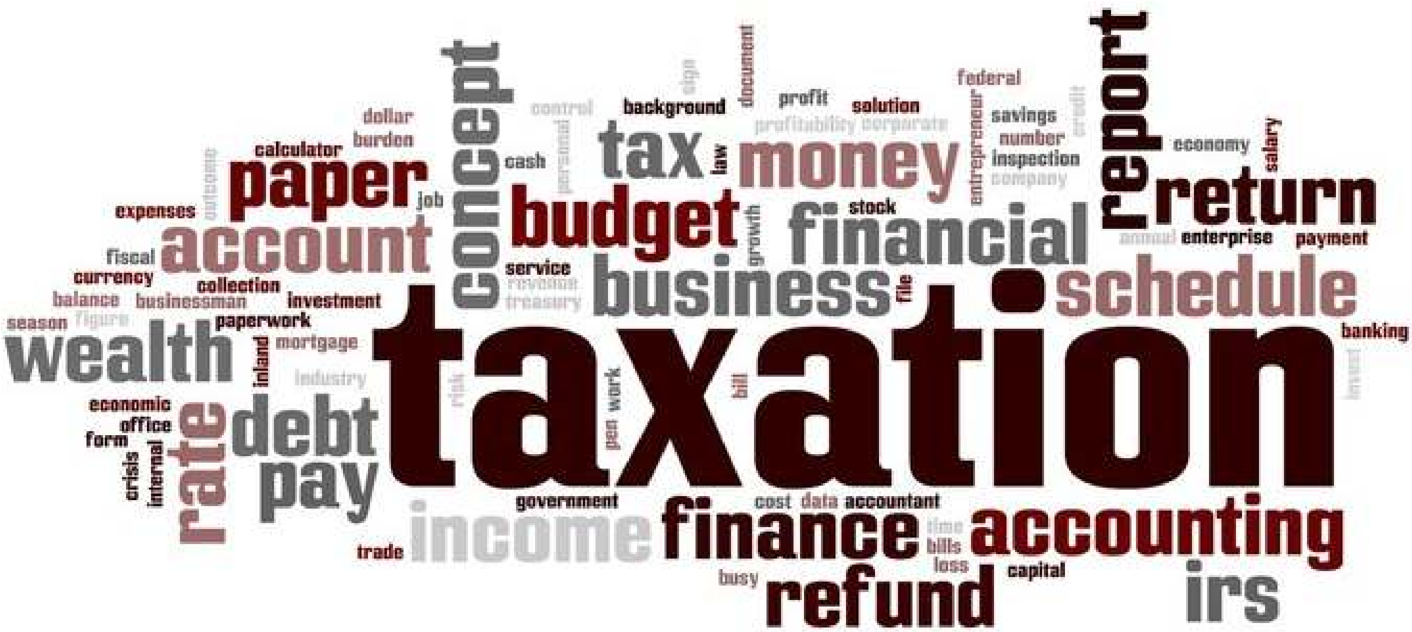
2. Depreciation: While you cannot claim actual depreciation as an expense, the law deems that depreciation has been allowed and deducted. This means that the written down value (WDV) of assets will be reduced for future calculations.

3. Loss Carry Forward: If your actual income is lower than the presumptive income, you cannot declare lower income and claim a loss. You must declare at least the presumptive income.

4. Withdrawal from Scheme: If you opt for presumptive taxation under Section 44AD and then declare income on a non-presumptive basis in any of the subsequent five assessment years, you will not be eligible for the presumptive scheme for the next five years. This "lock-in" period encourages consistency. This rule does not apply to Section 44ADA.

5. Advance Tax: Individuals opting for presumptive taxation are required to pay their entire advance tax in a single installment on or before March 15th of the financial year.

6. Applicability to Specific Entities: It's crucial to remember that these schemes are specifically for resident individuals, HUFs, and partnership firms (excluding LLPs). Companies cannot opt for these schemes.



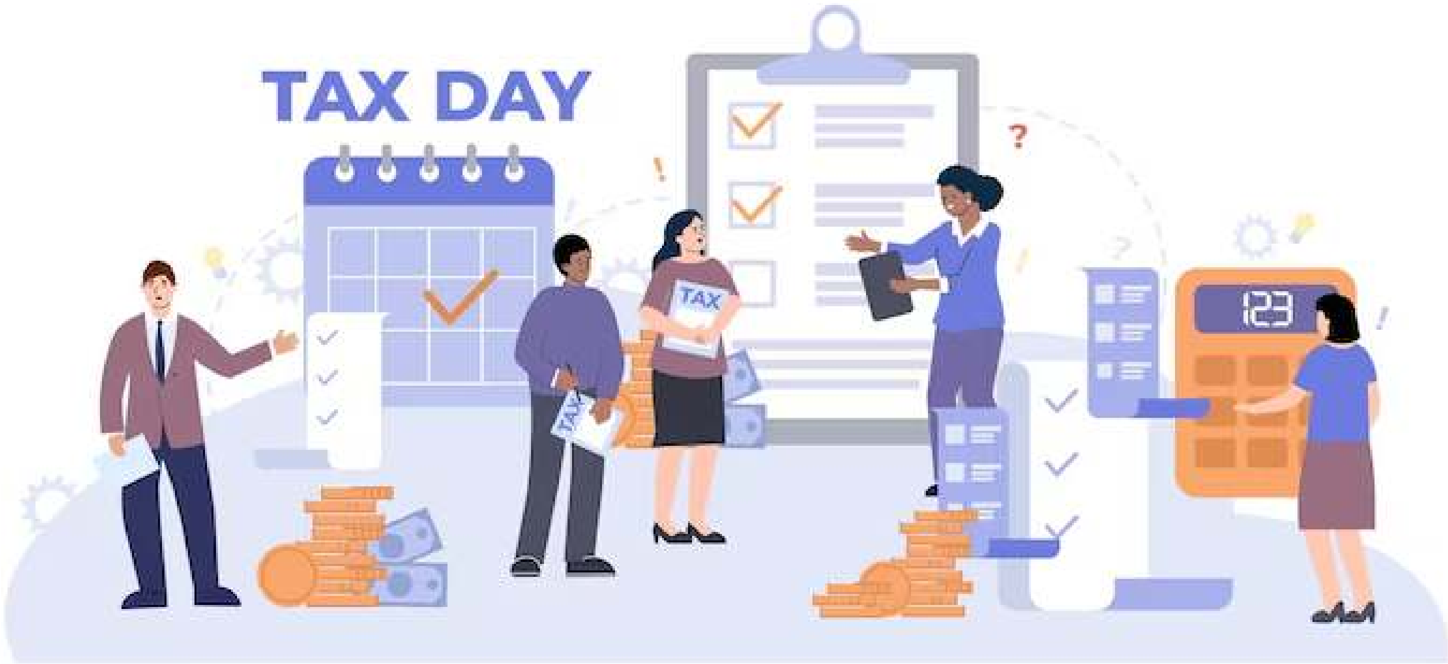
How to Opt In and Out:

Opting for presumptive taxation is straightforward. You simply declare your income as per the presumptive rates in your Income Tax Return (ITR). There's no separate application form. If you wish to opt out (subject to the lock-in period for Section 44AD), you would simply declare your actual income and maintain books of accounts.

Conclusion:

Presumptive taxation schemes are excellent initiatives by the Indian government to promote ease of doing business and simplify tax compliance for small businesses and professionals especially freelancers, small traders, and consultants—this scheme can simplify tax compliance while keeping them within the legal framework. By reducing the administrative burden, these schemes allow individuals to focus more on their core activities and less on complex tax calculations. However, it's essential to understand the conditions and implications before opting for these schemes to ensure they align with your financial situation and business operations. Consulting a tax professional is always advisable to make an informed decision.

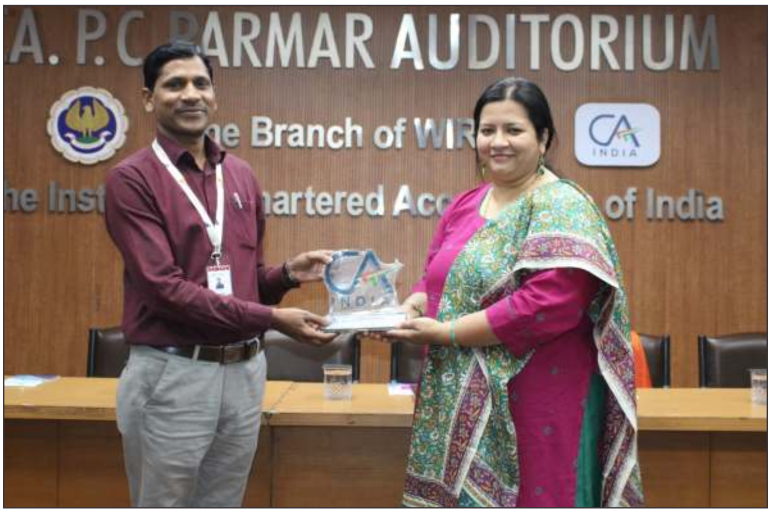
CA. Aishwarya Jaju
Email : jajuaishwarya555@gmail.com

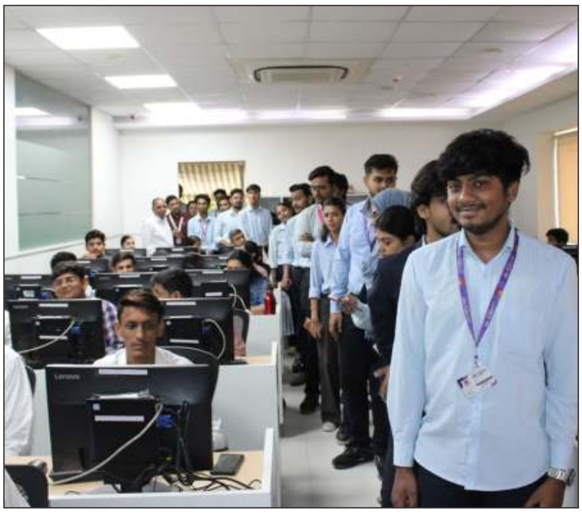


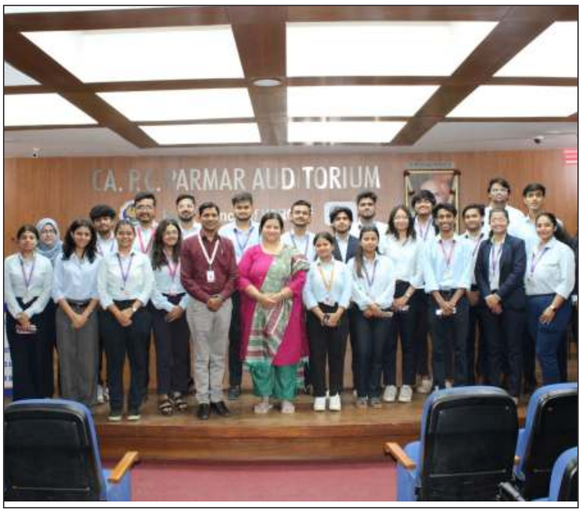
GLIMPSES OF THE PAST SEMINARS / EVENTS

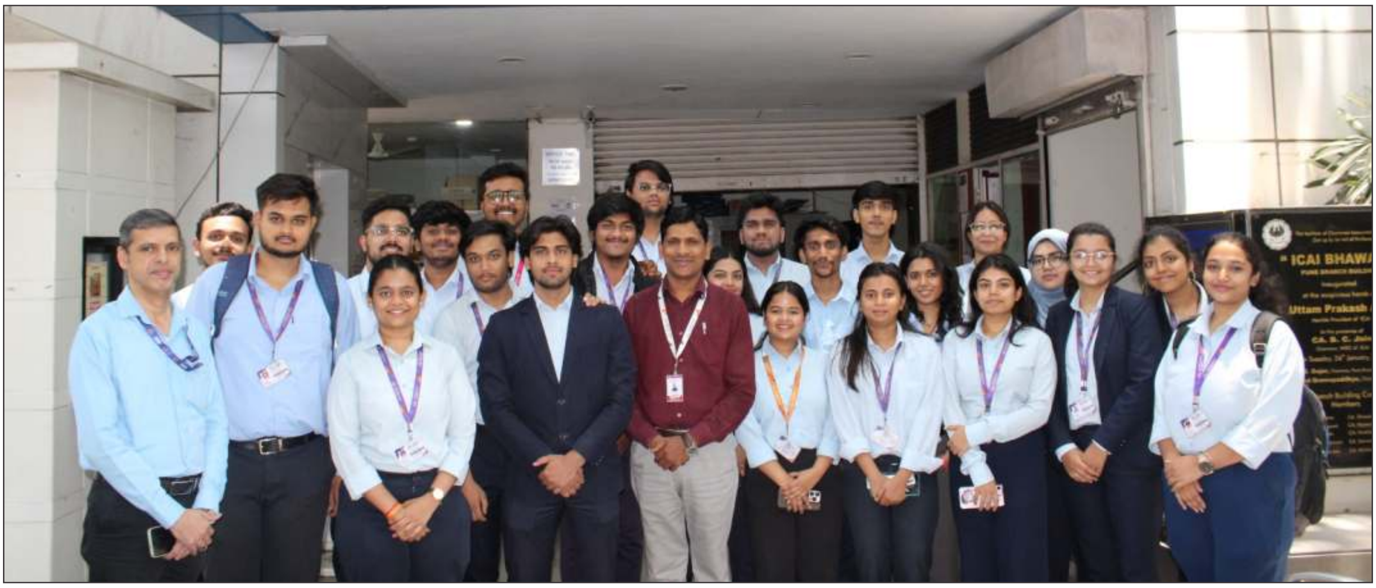
Study visit to ICAI Bhavan
MIT-WPU School of Economics and Commerce

Date : 02nd May, 2025



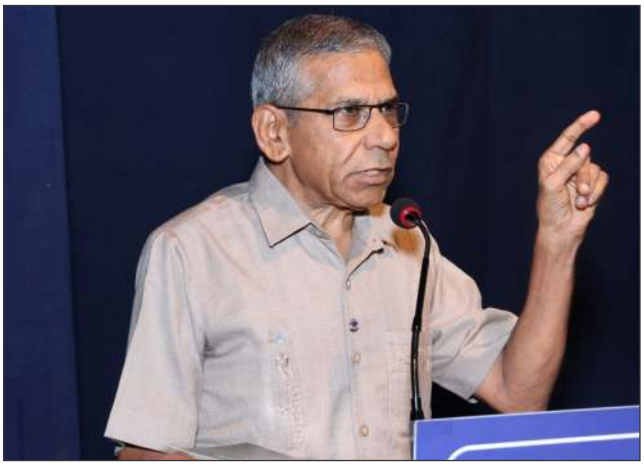


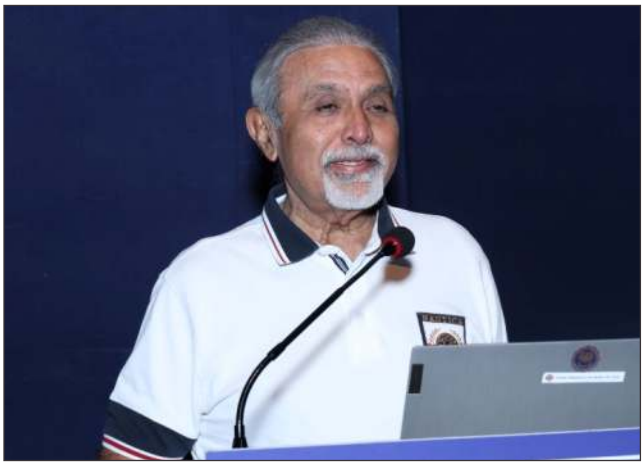


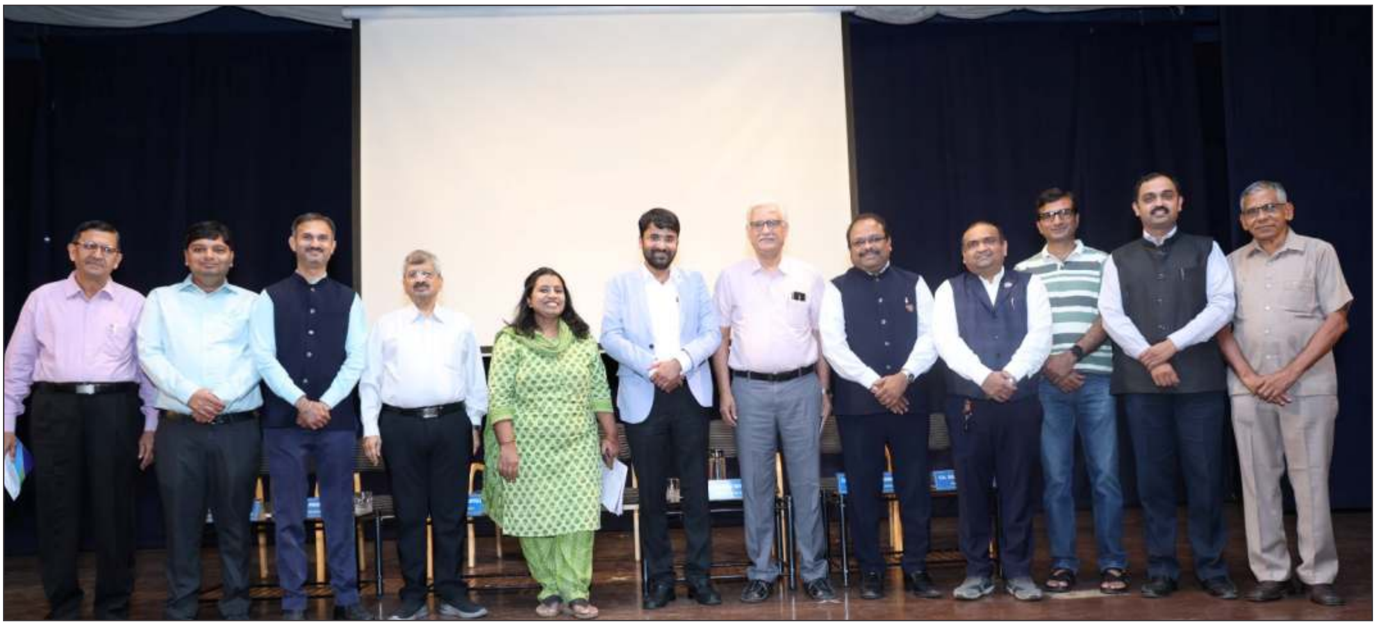


Direct Tax Refresher Course - DTRC - 2025

Date : 10th, 11th, 24th & 25th May, 2025







Direct Tax Refresher Course - DTRC - 2025

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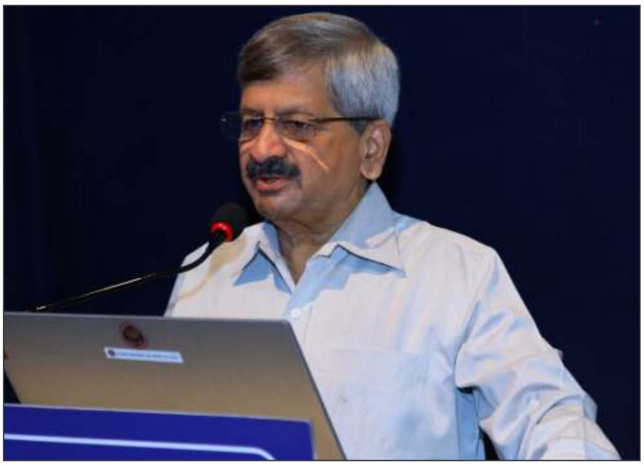
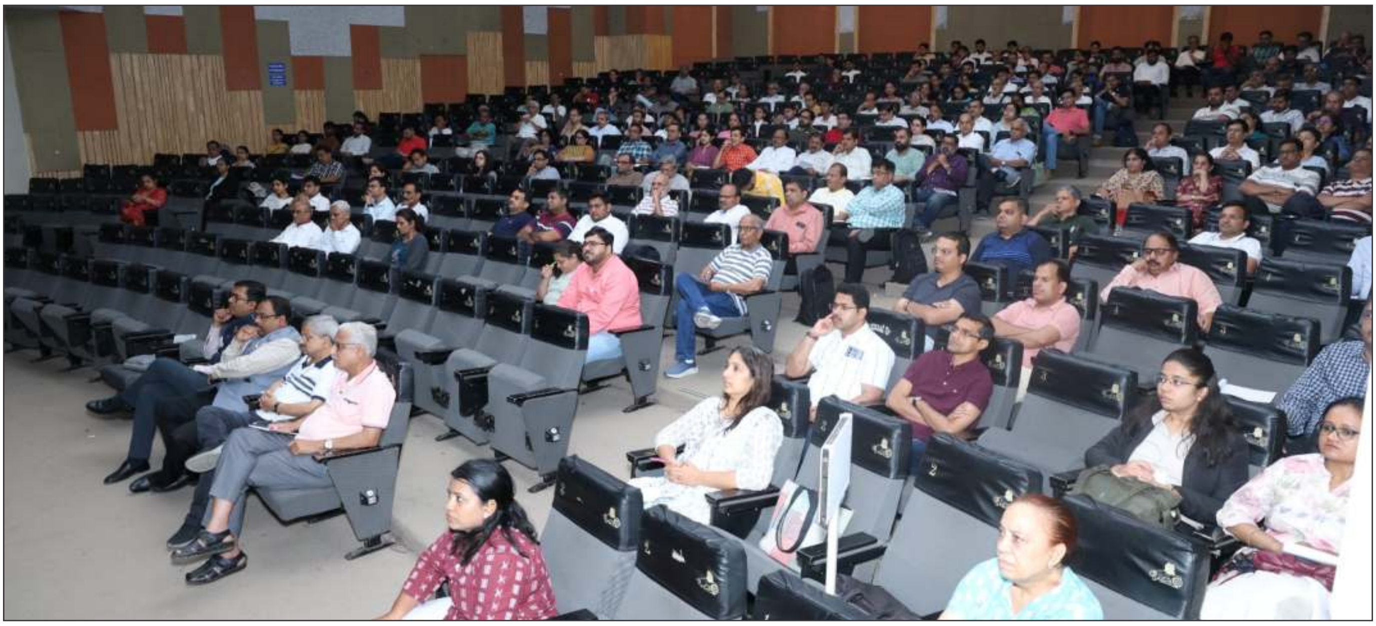


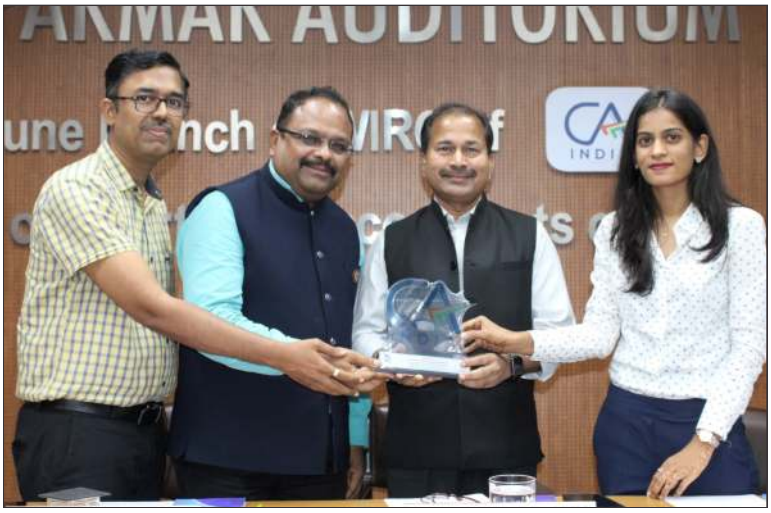
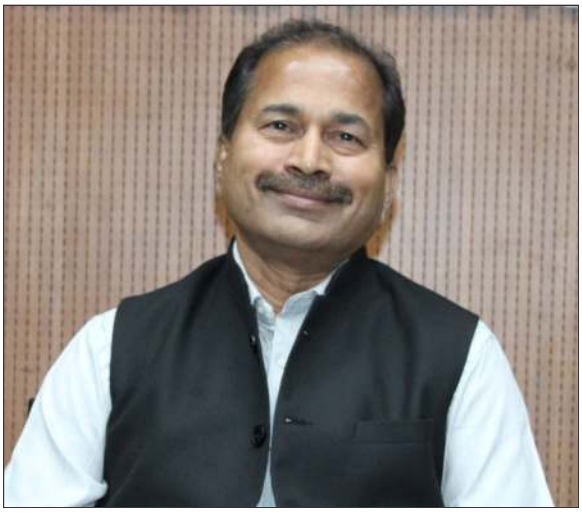


Seminar on GST Latest Trends and Amendments

Date : 23rd May, 2025

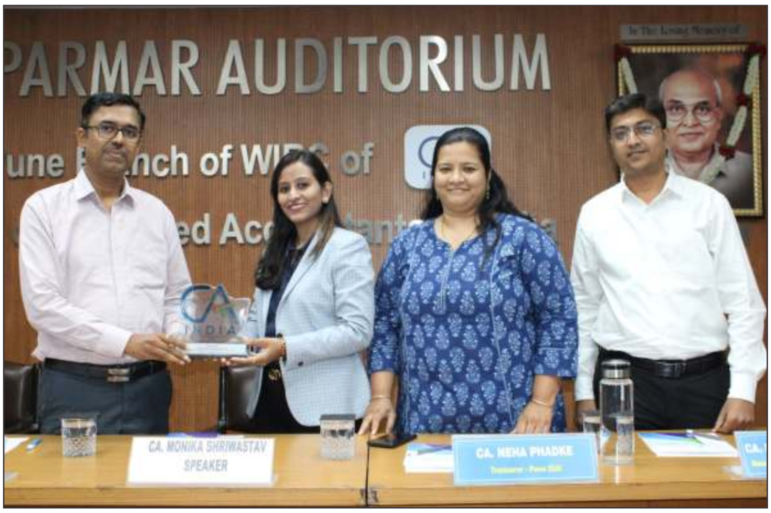
Seminar on Format for Non Corporate Entities

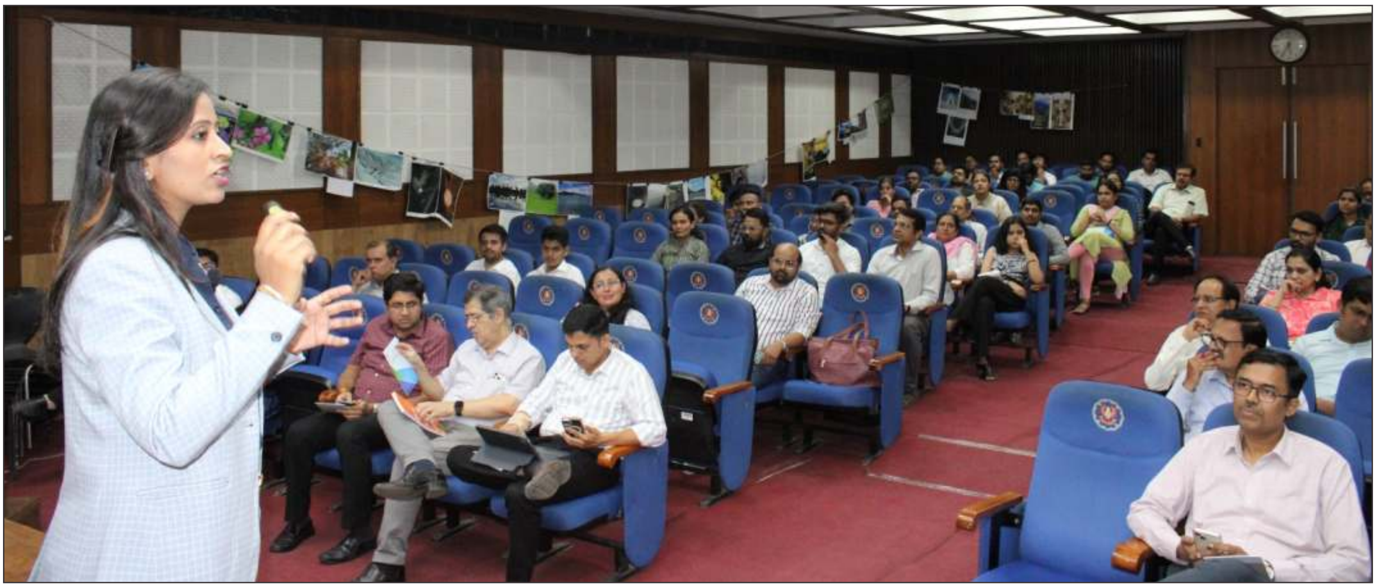
Date : 26th May, 2025


Seminar on Role of AI in Internal Audit

Date : 30th May, 2025





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Incorporation of Tricolor:

The incorporation of the tricolor into the logo is a powerful symbol of the Institute's connection to India. The three colors of the Indian flag represent unity, diversity, and sovereignty, and they reflect the brand's commitment to serving the people of India and contributing to the nation's development. The tricolor has been used in such a fashion that it hints at motion, a flight, and a journey toward progress, showcasing the Institute's forward-thinking approach.

Significance of blue color:

The primary color of the new logo is blue, which has been culled from the ICAI logo. Blue is a color that is associated with divinity, immortality, bravery, and determination. It reflects vastness, being the colour of the sky and ocean, and has been an integral part of the Indian cultural, political, and social landscape over the years. Blue is also culturally significant, as it has been a part of the Indian tradition for more than 5,000 years.

In a nutshell:

The new logo of CA India reflects the brand's connection to India while retaining its existing identity. The incorporation of the tricolor, the significance of the blue color, and adaptability on all platforms are all essential elements of the new logo. The design is intended to be aesthetically pleasing and culturally significant, making it a strong representation of the Institute's values and commitment to serving the people of India.

Colour Palette

#F37920
C0 M62 Y91 K0

#145886
C93 M61 Y24 K9

#55B848
C67 M0 Y88 K0

Guidelines (2023)

for using the new CA India logo for CA members

- The logo consists of the letters 'CA' in blue colour with a tri colour tick mark (upside down) with white background. The blue colour not only stands out on any background but also denotes creativity, innovativeness, knowledge, integrity, trust, truth, stability, and depth. The upside-down tick mark, typically used by Chartered Accountants, has been included to symbolise the wisdom and value of the professional.

'India' is also added in the logo, as it epitomizes the Institute's connection to India First approach and commitment to the serve the Indian economy in public interest.

- There should be no alteration of the font (colour, bold/unbold, size). Moreover, there should be no change in spacing and dimensions.
- The colour palette is

#F37920 C0 M62 Y91 K0 | #145886 C93 M61 Y24 K9 | #55B848 C67 M0 Y88 K0

- Do not change the design and colours including the white background.
- Refrain from rotating or tilting the logo clockwise and anti- clockwise.
- The logo should not be shrunk or distorted changing the original proportion.
- While members are encouraged to use the new CA India Logo as published on letterheads, visiting cards, website etc, a transition time of one year has been provided to use existing stationary/signage replacement etc.

*Effective from 24th November, 2023.

Correct Logo

Do not change background

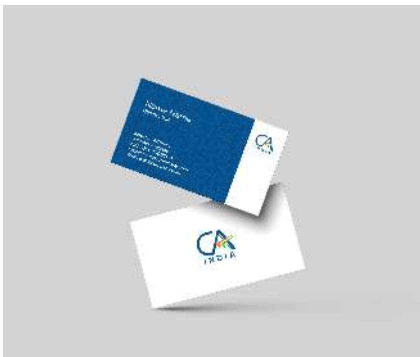
Do not change the colours

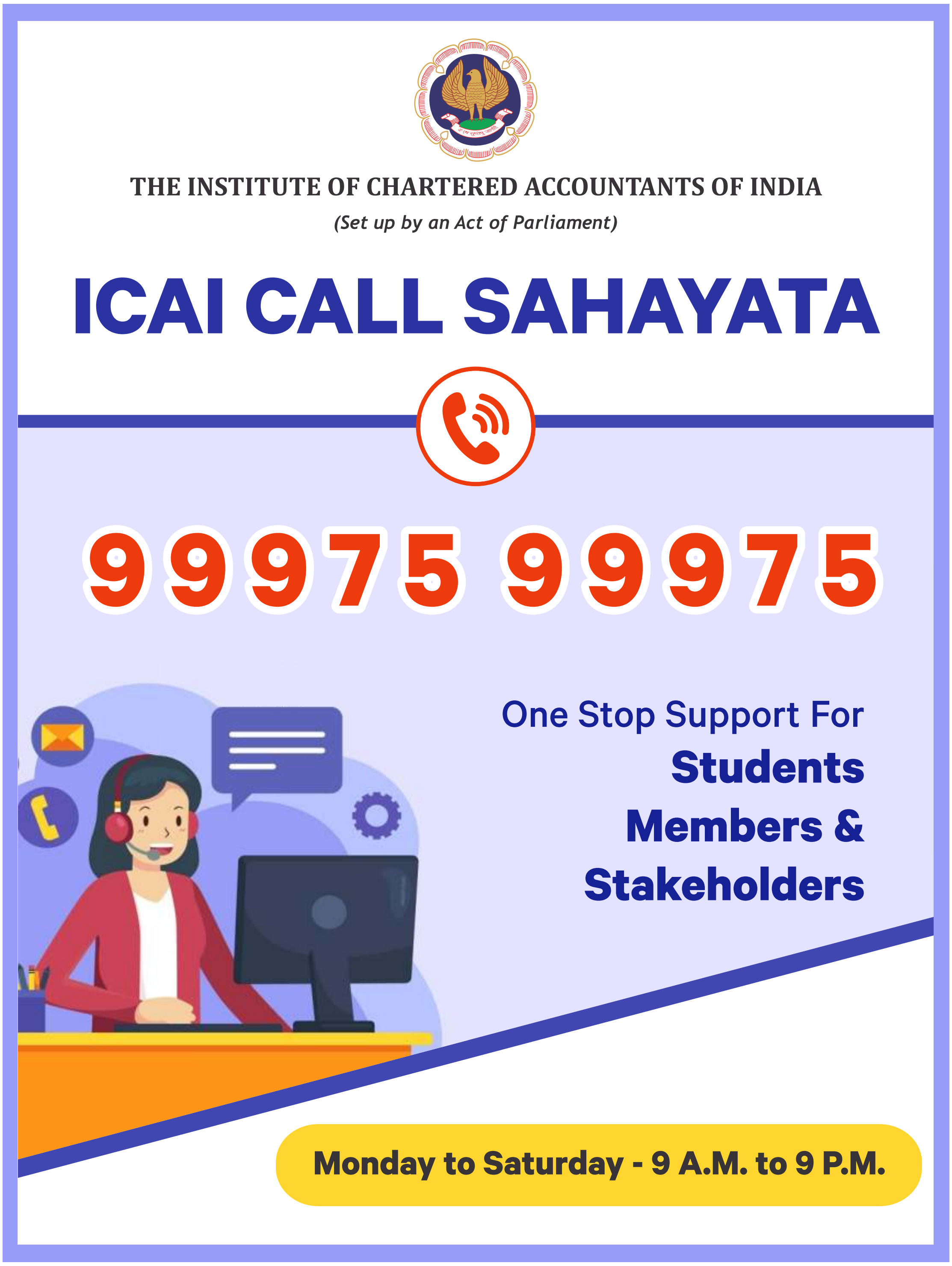
Do not Rotate

Do not Rotate

Do not crop

Do not shrink, shear or distort

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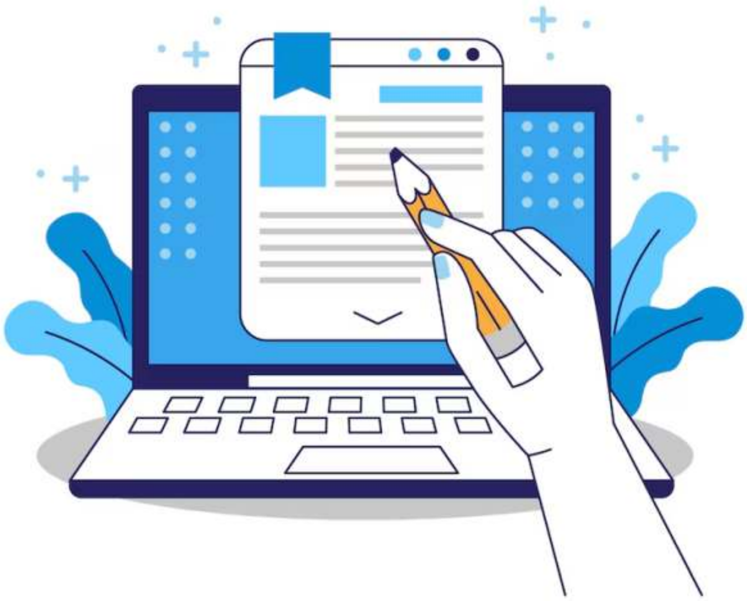
Monday to Saturday - 9 A.M. to 9 P.M.



Invitation to Write Articles

Dear Member,

Your contribution for Pune Branch E-newsletters is welcome in following ways:
Contribute your own articles in areas of Professional Interest; the article may cover any topics relevant to auditing, finance, laws, strategy, taxation, technology and so on.

While submitting articles.
- Please keep following aspects in mind:
- The length of articles should be about 750-1000 words
- Articles should be original in nature

Please send articles with:
- A Photograph, your full name, membership number etc.
- Editable soft copy of file
- Declaration of originality of articles

Please send in your articles to : editor@puneicai.org; cpe@puneicai.org

latest by 25th of every month.

All contributions are subject to approval by the editorial board.

June Month Theme
Theme:...
Focus:...

Pune Branch of WIRC of ICAI

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Pune ICAI Newsletter Committee 2025 - 2026

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