The Monthly Messenger

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S.N. Dhawan & CO LLP
Chartered Accountants

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India | Accounting News

Compendium of opinions Volume XLIII – February 2025 Edition

The Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) has issued the 43rd Volume of 'Compendium of Opinions', comprising of opinions finalized by it during the period 12 February 2023 to 11 February 2024. Some of the important matters on which the opinions have been provided include:

- Accounting treatment of subsequent expenditure as per Ind AS 16, 'Property, Plant and Equipment'.
- Classification of Lease Receivables.
- Treatment of Government Grant under AS framework.
- Accounting treatment of Concession Agreement under AS framework.
- Accounting for CSR Expenditure under AS framework.
- Accounting treatment of revenue on conversion of leasehold land to freehold land under Ind AS framework.
- Presentation of amounts received under Channel Financing Facility as per the requirements of Schedule III to the Companies Act, 2013.
- Presentation of Trade Receivables realised by way of discounting of bills in the Financial Statements under Ind AS framework.
- Presentation of interest payable and depreciation for earlier years in the Statement of Profit and Loss.
- Accounting treatment and disclosure of Debit Balance of Capital Reserve arising on merger.
- Foreign Exchange fluctuation applicability in the books of the Company.
- Accounting treatment of pre-project expenses for which fund approval is pending under Ind AS framework.
- Factoring time value of money while calculating Expected Credit Losses (ECL) on deferred debt (retention money) under Ind AS framework.
- Accounting treatment of foreign exchange gain/loss arising out of payables for capital goods/services under Ind AS framework.
- Method to be adopted to determine Fair Value of Investment under Ind AS framework – Book Value of Standalone Financial Statements or Consolidated Financial Statements.
- Timing of capitalisation of the project as Property, Plant and Equipment under AS framework.
- Classification of accrued interest on short term FDR/flexi deposits of 3 months or less.
- Classification of portion in the common office complex, occupied by Parent Company, as investment property in the Subsidiary company's financial statements under Ind AS framework.
- Accounting for major spares.
- Revenue recognition from Contracts with Customers under Ind AS 115.

For more information, **click here**

India | Auditing News

Auditor - Audit Committee* Interactions Series 1 (Part 2) Audit of Accounting Estimates and Judgments Income Taxes - Ind AS 12 – March 2025

The National Financial Reporting Authority (NFRA) has released the **second** communication in the series of its

Auditor-Audit Committee Interactions, titled Audit of Accounting Estimates and Judgments – Series 1 (**Part 2): Income Taxes under IND AS 12**. Part 1 of this series was earlier released this year on 10 January regarding Expected Credit Losses (ECL) under IND AS 109.

In the course of NFRA's review and monitoring activities, the auditor's communication with those charged with Governance (TCWG) (including the Audit Committees) has been variously highlighted.

With the objectives of ensuring improvements in overall audit quality, promoting awareness and significance of accounting and auditing standards, auditor's responsibilities, protecting public interest and investor protection, NFRA commenced this series of Auditor – Audit Committee interactions, which is being issued on significant areas of accounting and auditing, from time to time.

The said Series 1 (Part 2) draws the attention of the auditors to the potential questions of the Audit Committees/ Board of Directors which may be asked by them in respect of accounting of Income Taxes (in particular, Deferred Tax Assets and Deferred Tax Liabilities) and related estimates and judgments required under Ind AS 12 Income Taxes.

For more information, **click here**

NFRA Auditor- Audit Committee Interactions Series 2 - Audit Strategy and Planning - 28 March 2025

The National Financial Reporting Authority (NFRA) has released another communication in continuation to Part 1 & Part 2 of Series 1 of its Auditor-Audit Committee Interactions, titled Audit Strategy and Audit Plan -SA 300 etc.

In the course of NFRA's review and monitoring activities, the auditor's communication with those charged with Governance (TCWG) (including the Audit Committees) has been variously highlighted.

With the objectives of ensuring improvements in overall audit quality, promoting awareness and significance of accounting and auditing standards, auditor's responsibilities, protecting public interest and investor protection, NFRA commenced this series of Auditor – Audit Committee interactions, which is being issued on significant areas of accounting and auditing, from time to time.

The said Series 2 draws the attention of the auditors to the potential questions of the Audit Committees/ Board of Directors which may be asked by them in respect of Audit Strategy and Audit Plan, it discusses key Standards on Auditing (SA 300, SA 315, SA 330, and others) that guide audit planning, risk assessment, and execution.

For more information, **click here**

NFRA Auditor-Audit Committee Interaction Series 3 – Related Parties – 28 March 2025

The National Financial Reporting Authority (NFRA) has released another communication in continuation to Part 1 & Part 2 of Series 1 and Series 2 of its Auditor-Audit Committee Interactions, titled Audit of Related Parties – Ind AS 24, AS 18 & SA 550.

In the course of NFRA's review and monitoring activities, the auditor's communication with those charged with Governance (TCWG) (including the Audit Committees) has been variously highlighted.

With the objectives of ensuring improvements in overall audit quality, promoting awareness and significance of accounting and auditing standards, auditor's responsibilities, protecting public interest and investor protection, NFRA commenced this series of Auditor – Audit Committee interactions, which is being issued on significant areas of accounting and auditing, from time to time.

The said Series 3 draws the attention of the auditors to the potential questions of the Audit Committees/ Board of Directors which may be asked by them in respect of related party relationships, transactions and disclosures as required by Ind AS 24 Related Party Disclosures and SA 550 Related Parties.

Related party transactions, includes loans, investments and remuneration, that have historically been a source of fraud, leading to concerns about fund diversion, lack of approvals, and improper disclosures
The Companies Act, 2013 and SEBI (LODR) 2015 require Audit Committees and Boards to oversee and approve such transactions, ensuring transparency through disclosures and internal controls. Auditors must assess compliance, scrutinize approvals, identify fraud risks, and maintain proper documentation.

For more information, **click here**

India | Regulatory News

Frequently Asked Questions (FAQs) on MCA-21: V3: Login & Registration and Do's & Don'ts- 20 March 2025

The Institute of Company Secretaries of India (ICSI) has issued Frequently Asked Questions (FAQs) on MCA-21: V3 detailing the process of login and registration. The FAQs explain types of users, including Registered and Business Users, and their access rights. The FAQs also state common issues and suggestive solutions, such as login errors, DSC registration, and updating user details.

For more information, **click here**.

Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025- 8 March 2025

Securities and Exchange Board of India ("SEBI") vide its notification dated 3 March 2025, has issued Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025 ("Amendments") to further amend SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. The said Amendments pertain to various revisions to the initial public offer (IPO) framework and related disclosures, the rights issue of securities, aspects relating to SME IPOs, harmonization of various provisions in the SEBI ICDR Regulations with the SEBI LODR Regulations. The key amendments are as mentioned below:

- Proposed pre-IPO placement disclosed in the draft offer document is required to be reported to the stock exchanges within 24 hours of such pre-IPO transactions, whether partial or full.
- IPO lock-in period revision: Repayment of existing capex loans to be considered towards determining the extent of issue proceeds proposed to be utilized for capital expenditure purposes, eligible for longer

promoter lock-in requirements and; bonus issuances on ESOP allotments exempt from IPO lock-in requirements.
- Stock Appreciation Rights have also been included alongside employee stock options at various instances in the regulations.
- Revised timeline for publishing DRHP filing advertisement.
- Disclosure on material agreements entered by specified persons required in the offer document.
- New requirement introduced for the compliance officer to be a company secretary.
- Additional disclosures on shareholding pattern in the offer document.
- Clarification on securities ineligible for minimum promoter contribution.
- Revised provisions with respect to disclosure of litigations in IPO offer documents including those related to KMPs.
- The floor price or price band must be announced at least two working days prior to the opening of the bid in the pre-issue.
- Disclosure of proforma financials and financials of business/ subsidiaries acquired/ divested in the offer document.

These amendments have been introduced to align Indian capital markets with best practices and to foster greater investor confidence and regulatory clarity.

These Regulations shall come into force on the date of the publication in the Official Gazette i.e. 8 March 2025.

For more information, **click here**.

Faster Rights Issue with a flexibility of allotment to specific investor(s)-11 March 2025

The Securities and Exchange Board of India (SEBI**)** has issued a circular dated 11 March 2025 regarding a new framework for the faster Rights Issue process with flexibility of allotment to specific investors. The new framework has been introduced through notification of SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025, as published in official gazette on 8 March 2025.

The key highlights of the Circular are as follows:

- Rights Issues must now be completed within **23 working days** from the date the Issuer's Board of Directors approves the Rights Issue.
- Rights issues must remain open for subscription for a minimum period of **7 days** and maximum period of **30 days.**
- Revised indicative timeline for completion of broad activities involved in Rights Issue process from the date of approval of Board of Directors of the Issuer till the date of closure of Rights Issue specified.
- The validation of application bids for subscribing to shares in the rights issue and the finalisation of the basis of allotment shall now be carried out by **stock exchanges, depositories, and the registrar to the issue.**
- An automated system for validation of applications by investors shall be developed by the Stock Exchanges and Depositories within **6 months from the date of applicability of the Circular.**

The Circular also introduces consequential modifications in the SEBI Master Circular on ICDR regulations dated 11 November 2024.

This circular shall come into effect from 7 April 2025 and shall apply to Rights Issues approved by the Issuer's Board of Directors from that date onward.

For more information, **click here**.

Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2025-11 March 2025

The Securities and Exchange Board of India (SEBI) has issued SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2025 dated 11 March 2025 to further amend the SEBI (Prohibition of Insider Trading) Regulations, 2015 ('PIT regulations').

The amendment expands the scope of definition of unpublished price sensitive information (UPSI) incorporating new inclusions such as contract awards or terminations, change in rating, fund raising activities, agreements affecting management control, financial or regulatory actions etc. and accordingly, new events have been added in the UPSI definition by including Sub-clauses (vi) to (xvi) in Regulation 2(1)(n) of PIT Regulations.

The amendments also provide that UPSI, not emanating from within the organisation, shall be entered into structured digital database not later than 2 calendar days from the receipt of such information. It is further clarified that for UPSI not emanating from within the Listed Company, the trading window may not be closed.

The amendment shall come into force on the ninetieth day from the date of their publication in the Official Gazette i.e. 9 June 2025.

For more information, **click here**.

Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction"-21 March 2025

The Securities Exchange Board of India (SEBI) has issued a Circular dated 21 March 2025 in reference to the Circular issued by SEBI dated 14 February 2025 on **Industry Standards** for **minimum information disclosure** required for **audit committee and shareholder approval** of **Related Party Transactions (RPTs)** with effect from 1 April 2025.

The effective date of the aforesaid circular has been **extended to 1 July 2025** after receiving feedback from various stakeholders requesting extension of timeline for applicability of the Industry Standards.

For more information, **click here**

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2025-27 March 2025

Securities and Exchange Board of India (SEBI) has issued Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2025 ("Amendments") to further amend Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulations") dated 27 March 2025. The key amendments are as mentioned below:

1. In Regulation 3(2)(b), within the proviso, the term "assurance" shall be replaced with "assessment or assurance of the specified parameters".

2. As per Regulation 15 (1A) the threshold for High Value Debt Listed Entities (HVDLEs) has been raised from ₹500 crore to ₹1000 crore for outstanding listed non-convertible debt securities. Further, entities crossing this threshold are required to comply with the relevant Regulations within 6 months from the date of such trigger.

3. Sub-regulation (1AA) is inserted after Regulation 15 (1A), stating that Regulations 15 to 27 apply to a ‘high value debt listed entity’ until its listed debt remains below the threshold for three consecutive financial years.

4. The amendments also introduced new reporting standards for corporate governance w.e.f. 1 April 2025, applicable to entities with listed specified securities on SME Exchanges, exceeding defined capital and net worth criteria.

5. In Regulation 17A, the explanation is renumbered as (1), and references to independent directors now include those from ‘high value debt listed entities.’ A new Explanation (2) clarifies that ex-officio directorships in Public Sector Undertakings and Public Private Partnerships entities are excluded from the directorship limit. Provisions related to HVDLE take effect six months after the SEBI amendment's publication in the Official Gazette or date of the Annual General Meeting, **whichever is later**.

6. In Regulation 23 (1) with effect from 1 April 2025, for SME-listed entities, a related party transaction is considered material if its value exceeds ₹50 crore or 10% of the entity’s annual consolidated turnover, whichever is lower.

7. In Regulation 26(1) (a) the words ‘high value debt listed entities’ shall be deleted.

8. In Regulation 34(2) (f), the disclosure requirements for Business Responsibility and Sustainability Reports have been refined.

9. After Chapter V, a new Chapter VA shall be inserted, namely **Corporate Governance norms for A listed entity which has listed its non-convertible debt securities.**

The above amendments are applicable from the date of their publication in the Official Gazette i.e. 27 March 2025

For more information, **click here**.

Exposure to Forward Contracts in Government Securities (Bond Forwards)-10 March 2025

The Insurance Regulatory and Development Authority of India (IRDAI) has issued a circular that allows insurers to undertake transactions in Forward Contracts in Government Securities (**Bond Forwards)** as users for hedging purposes. The Circular aligns the concerned regulatory framework with the Reserve Bank of India’s (RBI) recently introduced (Forward Contracts in Government Securities) Directions, 2025, which also permits non-retail users to undertake Bond Forward transactions.

As per the Circular, Insurers are now permitted to undertake only long positions in Bond Forwards i.e. buying, and which are not allowed for Unit-Linked Insurance Plan (ULIPs) business.

Additionally, insurers must report their Bond Forward transactions **quarterly** in line with Interest Rate Forward Rate Agreements and comply with RBI Directions and operational guidelines issued by Fixed Income Money Market and Dealers Association of India (FIMMDA).

The circular has been issued with approval of the Competent Authority.

For more information, **click here**.

Circular on Cyber Incident or Crisis Preparedness - 26 March 2025

Insurance Regulatory and Development Authority of India (IRDAI) has issued a circular emphasizing cyber incident and crisis preparedness for regulated entities, insurance intermediaries, and training institutes.

The key highlights of the Circular states:

- The IRDAI Information and Cyber Security Guidelines, 2023, requires that entities must report cyber incidents within **six hours of detection**, maintain and monitor **ICT logs for 180 days and** implement a Cyber Crisis Management Plan.
- Entities must engage in certified Forensic auditors for severe incidents and ensure no conflict of interest with security vendors and comply with CERT-In's directives on cyber incident reporting and security practices.
- All regulated entities are required to present compliance measures to the Board in the next meeting and submit minutes of meeting to IRDAI.

For more information, **click here**

Frequently Asked Questions (FAQs) on Guidelines for Compounding of Offences under the Income-Tax Act, 1961- 17 March 2025

The Central Board of Direct Taxes (CBDT) has issued a circular regarding Frequently Asked Questions (FAQs) to provide clarity on its revised guidelines issued with respect to the compounding of offences under the Income Tax Act, 1961 dated 17 October 2024. The revised guidelines were introduced that aim to streamline the compounding process and make it more accessible to taxpayers seeking relief from prosecution.

The FAQs provide clarifications on the scope of revised guidelines, eligibility and mode of filing compounding applications, terms of compounding, charges and procedure for payment, time limits, and other related aspects.

For more information, **click here**.

Income-tax (Eighth Amendment) Rules, 2025 -28 March 2025

The Ministry of Finance has notified the Income-tax (Eighth Amendment) Rules, 2025 to further amend the Income Tax Rules,1962. These rules introduce changes to Form 3CD, the tax audit report mandated under section 44AB of the Income-tax Act, 1961. Key changes include:

1. Insertion of Clause 44BBC in Clause (12) of Form 3CD.
2. Omission of Particular Tax Deductions in Clause (19)
3. The taxpayers need to report the expenditures pertinent to the settlements for the breach of regulations, as reported by the Central Government.
4. Adjusted MSME Payment Reporting in Clause (22)
5. Deletion of Clauses (28) & (29) easing the tax audit reporting framework.
6. Revision in Loan and Deposit Reporting in Clause (31)
7. A new clause 36B is added where the taxpayers are required to declare the information of buyback of shares u/s 2(22)(f).

The amendment shall come into force on 1 April 2025.

For more information, **click here**

The Finance Act, 2025 – 29 March 2025

The Ministry of Finance has notified The Finance Act 2025 dated 29 March 2025, to give effect to the financial proposals of the Central Government for the financial year 2025-2026. The Finance Bill, 2025 was passed in Lok Sabha on 25 March 2025. The Act aims to simplify tax administration, enhance taxpayer relief, and align India's fiscal regime with global standards. The following has been stated in the Act:

- Chapter II -specifies the rates of income tax
- Chapter III- specifies the Direct taxes
- Chapter IV- Indirect taxes
- Chapter V – Miscellaneous

Sections 2 to 91, 104 to 120, 125 and 136 shall come into force on the 1 April, 2025; (b) sections 121 to 124 and sections 126 to 134 shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

For more information, **click here**

Master Circular for Compliance with the Provisions of the SEBI (LODR) Regulations, 2015 by Listed Entities-11 March 2025

The Bombay Stock Exchange (BSE) has issued a notice dated 11 March 2025 regarding the issuance of Master Circular by SEBI for compliance with the provisions of SEBI (LODR) Regulations 2015. It states that SEBI has released the Master Circular dated 11 November 2024 which supersedes and update the previous master circular dated 11 July 2023 incorporating all relevant circulars issued on or before 30 September 2024.

For more information, **click here.**

Master Circular for Issue of Capital and Disclosure Requirements- 11 March 2025

The Bombay Stock Exchange (BSE) has issued a notice dated 11 March 2025 regarding the issuance of Master Circular by SEBI for compliance with the provisions of SEBI (Issue of Capital and Disclosure Requirements) ('ICDR').

It states that SEBI has released Master Circular dated 11 November 2024 which supersedes and updates the previous master circular dated 11 July 2023 incorporating all relevant circulars issued on or before 30 September 2024.

For more information, **click here**.

Industry Standards Frequently Asked Questions (FAQs) on Applicability of the Industry Standards on "Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)"- 15 March 2025

The Securities and Exchange Board of India (SEBI) issued a circular dated 14 February 2025 regarding the Industry Standards on 'Minimum information to be provided for review of the audit committee and shareholders for approval of Related Party Transaction (RPT).

In this regard, Bombay Stock Exchange (BSE) has published a Circular that includes a copy of Frequently Asked Questions (FAQS) on Applicability of the aforesaid Industry Standards, issued by the Industry Standards Forum. The applicability of the Industry Standards under the different scenarios has been clarified in the FAQs which need to be complied with by the listed entity.

For more information, click here.

Revision of Definition of MSMEs - 21 March 2025

The Ministry of Micro, Small, and Medium Enterprises (MSME) has revised the classification criteria for MSMEs under the MSME Development Act, 2006, effective from April 1, 2025. These updates replace the limits set in the notification dated 26 June 2020 and aims to broaden eligibility for MSME classification to benefit more businesses through government schemes and incentives.

The revised criteria states that in:

- **Micro enterprises**: The investment limit has been increased from ₹1 crore to ₹2.5 crore, while the turnover limit has doubled from ₹5 crore to ₹10 crore.
- **Small enterprises**: The investment threshold has been raised from ₹10 crore to ₹25 crore, and the turnover limit increased from ₹50 crore to ₹100 crore.
- **Medium enterprises**: The investment cap now stands at ₹125 crore (previously ₹50 crore), and the turnover limit has been enhanced from ₹250 crore to ₹500 crore.

This revision is expected to **broaden the eligibility** for enterprises to benefit from MSME-related schemes, including easier access to credit, lower interest rates, and government incentives. By increasing the thresholds, the government aims to **support business growth** and **promote scalability** among MSMEs without losing benefits tied to their classification

For more information, click here

Submission of half yearly return to the Ministry of Corporate Affairs - 25 March 2025

The Central Government has issued a directive under Section 9 of the Micro, Small, and Medium Enterprises Development Act, 2006 (MSMED Act, 2006), making it mandatory for companies to report payment delays to micro and small enterprises (MSEs).

As per the notification, any company that:

- **Procures goods or services** from micro and small enterprises (MSEs), and
- **Fails to make payments within 45 days** from the date of acceptance or deemed acceptance, must file a **half-yearly return** with the **Ministry of Corporate Affairs (MCA)** stating the amounts of payments due and the reasons of the delay

For more information, click here

International | Accounting News

IFRS Foundation Releases IFRS Accounting Taxonomy 2025- 27 March 2025

The IFRS Foundation has published the IFRS Accounting Taxonomy 2025 updating digital tagging to align with current IFRS standards. The new taxonomy includes comprehensive tags covering all standards currently in force, alongside new disclosure requirements set out in:

- *IFRS 18 Presentation and Disclosure in Financial Statements*
- *Contracts Referencing Nature-dependent Electricity*
- *IFRS 19 Subsidiaries without Public Accountability: Disclosures,*
- *Classification and Measurement of Financial Instruments and*
- *Annual Improvements to the IFRS Accounting Standards—Volume 11*

The IFRS Accounting Taxonomy 2025 includes changes to the IFRS Accounting Taxonomy 2024 to reflect new or amended presentation and disclosure requirements.

For more information, **click here**

International | Regulatory News

GRI consults on new sector standards for financial services - 6 March 2025

Global Sustainability Standards Board of the Global Reporting Initiative (GRI) has initiated a consultation on three new sector standards for the financial services industry.

According to the press release, these proposed standards are the first of their kind to provide a comprehensive approach to evaluate the impact of financial services organizations, moving beyond specific topics to achieve consistent sustainability reporting globally. The proposed sector standards include:

- Sector Standard for Banking
- Sector Standard for Capital Markets
- Sector Standard for Insurance

The consultation period will be ended on 31 May 2025.

For more information, **click here**.