The Monthly Messenger

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Chartered Accountants

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India | Accounting News

Companies (Indian Accounting Standards) Second Amendment Rules, 2025 - 19 August 2025

The Ministry of Corporate Affairs (MCA) in consultation with National Financial Reporting Authority (NFRA) has issued Companies (Indian Accounting Standards) Second Amendment Rules, 2025 introducing modifications to several Indian Accounting Standards (Ind ASs).

Summary of Key Amendments:

Ind AS	Amendments / Insertions / Omissions
Ind AS 7 ‘Statement of Cash Flows’ and Ind AS 107 ‘Financial Instruments: Disclosures’	**Amendments have been made to introduce new disclosure requirements for ‘Supplier Finance Arrangements’ such as supply chain finance, payable finance or reverse factoring arrangements etc.** The amendments now require: • Disclosure of terms and conditions, including nature, settlement, and funding mechanisms. • Quantitative disclosure of opening and closing balances, and associated classification in the balance sheet. • Comparison of payment due dates for financed vs. non-financed payables. • Disclosure of non-cash movements (e.g., reclassifications, interest accruals) affecting such liabilities. Effective date: Annual reporting periods beginning on or after 1 April 2025. Transitional relief applies to earlier period comparatives.
Ind AS 12 ‘Income Taxes’	**Introduction of ‘International tax reforms- OECD Pillar Two model rules’ in Ind AS 12.** • Mandatory temporary exception from recognising deferred taxes on Pillar Two related top-up taxes. • Additional disclosures for entities in jurisdictions enacting Pillar Two, including: • Qualitative description of the entity’s exposure and impacted jurisdictions.

	• Governance responses and quantitative disclosures (e.g., proportion of profits subject to top-up tax, effect on effective tax rates). Effective dates: • Temporary exception – Immediate, retrospective as per Ind AS 8. • Disclosure requirements – Annual reporting periods beginning 1 April 2025 (no disclosure required in interim period ending on or before 31 March 2026)
Ind AS 1 'Presentation of Financial Statement' and Ind AS 10 'Events After the Reporting Period'	**The amendments clarify how to classify liabilities between current and non-current with when covenants attached to it considering:** • The ability to defer settlement for 12 months must exist at the balance sheet date. • Covenants assessed post-reporting date do not affect classification. • Failure to meet covenants at or before the reporting date impacts current vs. non-current classification. • Breach after the reporting date but before approval does not change the classification if a waiver/right exists. • New disclosure requirements (Ind AS 1) around covenant details, liability amounts, and history of compliance. Effective date: Annual periods beginning 1 April 2025 with retrospective application and certain specified paragraphs beginning 1 April 2026, with retrospective application, allowing entities time to review and renegotiate covenants where necessary.
Other Technical/Editorial Amendments Ind AS 101, 108, 109, 115, 28 and 32	• Ind AS 101: Transitional reliefs for joint arrangements and particularly regarding lease classification (land and building elements) as finance or operating lease under Ind AS 116. • Ind AS 108: Updated reference from 'IFRS 8' to 'Ind AS 8'. • Ind AS 109: Clarification that certain IFRS 9 effective date provisions are not applicable in India. • Ind AS 115: Editorial corrections to numbering and references. • Ind AS 28: Clarifications on interaction with IFRS 5 and IFRS 9. • Ind AS 32: Revised heading for treasury shares.

The amendment shall come into force on the date of their publication in the Official Gazette unless expressly specified.

For more information, **click here**

India | Auditing News

Limit on number of tax audits - 30 July 2025

The Institute of Chartered Accountants of India (ICAI), has issued detailed guidelines dated 25 July 2025 i.e. The Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025 which state that: -

- The existing limit of 60 tax audit assignments per member in a particular financial year is retained.
- This aggregate limit of 60 shall apply to all tax audit assignment accepted and signed by a member, whether individually or as a partner of a firm.
- The said limit cannot be distributed / shared between partners in a firm.
- The limit of 60 would, however, not apply to tax audit assignments arising out of the requirements under clause (c), clause (d) and clause (e) of section 44AB, in relation to persons covered under section 44AE, 44ADA and 44AD, respectively.
- Revised tax audit reports will not be considered for the purpose of computing the ceiling of 60 tax audits.

The revised guidelines shall be effective for the tax audits under section 44AB of the Income tax Act, 1961 from 1 April 2026.

For more information, **click here**

Guidance Note on Tax Audit under Section 44AB of the Income-tax Act, 1961 (Revised 2025)

The Direct Taxes Committee of the Institute of Chartered Accountants of India (ICAI) has issued the revised edition of the Guidance Note on Tax Audit under Section 44AB of the Income-tax Act, 1961, considering the recent changes in Form No. 3CD and amendments by the Finance (No. 2) Act, 2024 and Finance Act, 2025 in the Income-tax Act, 1961 and to provide clarity on various other aspects of the tax audit.

For more information, **click here**

Widening the scope of mandatory applicability of Audit Quality Maturity Model (AQMM) and disclosure of AQMM Levels on ICAI Website and Peer Review Certificates - 11 August 2025

The Institute of Chartered Accountants of India (ICAI) has widened the scope of mandatory applicability of **Audit Quality Maturity Model (AQMM) Version 2.0 in a phased manner as mentioned hereunder:**

Sr. No	Category of Firms	Date of applicability (Peer Review conducted on or after)
1	Firms auditing the Holding/Subsidiary/ Associates/Joint Ventures of the following entities: a. A Listed Entity. b. Banks other than Co-operative banks (Except multi- state Co-operative banks). c. Insurance Companies. However, the firms conducting only branch audits are not	1 April 2026

	to be covered.	
2	Firms which propose to undertake statutory audit of unlisted public companies that meet criteria of paid-up capital of ₹500 crore, turnover of ₹1,000 crore, or outstanding debts of ₹500 crore as on the 31st March of immediately preceding financial year.	1 April 2026
3	Firms which propose to undertake statutory audit of entities which have raised funds from public or banks or financial institutions of over ₹50 crores during the period under review or of any body corporate including trusts which are covered under public interest entities	1 April 2027

Additionally, it has also been decided that the list of AQMM v. 2.0 reviewed Firms will be hosted level-wise on the ICAI website by the Peer Review Board, and the AQMM v. 2.0 level of the Firm will also be mentioned on the Peer Review Certificate issued to the Firms.

For more information, **click here**

Frequently Asked Questions (FAQs) on Management Representation Letter - 14 August 2025

The Auditing and Assurance Standards Board (AASB) of ICAI has released the publication FAQs on Management Representation Letter (MRL). The publication contains responses to the common queries on MRL and appendices containing illustrative formats for Representation Letter, a format for updating MRL, format for additional considerations, and a compliance checklist for SA 580. This publication is aimed at supporting auditors in effectively obtaining management representations and providing practical guidance on implementation of the principles laid down in SA 580 (*Written Representations*).

For more information, **click here**

India | Regulatory News

Public Notice for Mandatory Filing of Form IEPF-1A - 31 July 2025

The Ministry of Corporate Affairs (MCA) has issued a public notice regarding Mandatory filing of Form IEPF-1A with Prescribed Excel Template under Rule 5 (4A) of the IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016.

The Companies that transferred amounts to IEPF/Central Government under Section 205C of the Companies Act, 1956 or Section 125 of the Companies Act, 2013 but failed to file Form IEPF-1A in the mandated Excel format must now do so within **30 days of this notice**. Any **failure to comply with the above directions on or before 30 August 2025 shall attract regulatory action under the provisions of the Companies Act, 2013.**

For more information, **click here**

The Companies (Incorporation) Second Amendment Rules, 2025 - 29 August 2025

The Ministry of Corporate Affairs (MCA) has issued the Companies (Incorporation) Second Amendment Rules, 2025 to amend the existing Companies (Incorporation) Rules, 2014. The sole change introduced by this amendment is the substitution of the current Form No. RD-1 with an updated version of the same Form.

The amended rules shall come into effect on 15 September 2025.

For more information, **click here**

Consultation paper for review of LODR Regulations - measures towards Ease of Doing Business - 25 July 2025

The Securities and Exchange Board of India (SEBI) has released a consultation paper proposing amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) with the objective to seek comments or suggestions from the public on the proposal related to the Ease of Doing Business and streamlining compliance requirements for non-convertible securities.

The following amendments are proposed:

1. Relaxing the requirement of sending hard copies of financials statements/ Annual report under Regulation 58(1)(b) of the LODR Regulations for an issuer of non-convertible security, to align with the similar relaxation available for entities with listed specified securities.

2. Specifying timelines for issuers having listed non-convertible securities regarding requirements of Regulation 58(1) of the LODR Regulations.

The comments/ suggestions should be submitted latest by 15 August 2025.

For more information, **click here**

Modification in the conditions specified for reduction in denomination of debt securities and non-convertible redeemable preference shares (NCRPS) - 1 August 2025

The Securities and Exchange Board of India (SEBI) has released a draft circular for public comments, which proposes to modify the conditions for issuing debt securities and non-convertible redeemable preference shares at reduced face value of Rs. Ten Thousand.

This proposal shall facilitate the issuers to issue debt securities or non-convertible redeemable preference share **which carry zero interest/dividend**, at a reduced face value of Rs. Ten Thousand.

The comments/ suggestions should be submitted latest by 21 August 2025.

For more information, **click here**

Consultation Paper on Amendments to Provisions Relating to Related Party Transactions Under SEBI (LODR) Regulations, 2015 and Circulars Thereunder- 4 August 2025

The Securities and Exchange Board of India ("SEBI") has issued a consultation paper on 4 August 2025, proposing amendments to the provisions relating to Related Party Transactions ("**RPTs**") under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and circulars thereunder.

The Consultation Paper seeks to recalibrate rules for RPTs undertaken by listed entities and their subsidiaries.

The proposed amendments can be categorized into following main areas:

- Threshold for determining material Related Party Transactions ("RPTs") undertaken by listed entities.
- Threshold for determining material RPTs undertaken by subsidiaries of a listed entity.
- Relaxation in the minimum information to be furnished to the Audit Committee and shareholders for the approval of RPTs.
- Inclusion of provision in Regulation with respect to validity of omnibus approval for RPTs granted by the shareholders.
- Clarifications pertaining to applicability of RPT provisions.

The comments or suggestions, along with rationale shall be submitted latest by 25 August 2025

For more information, **click here**

Master Circular for Debenture Trustees (DTs) - 13 August 2025

The Securities and Exchange Board of India (SEBI) has issued a comprehensive Master Circular for Debenture Trustees. This Master Circular consolidates and updates the regulatory framework governing debenture trustees, replacing a series of earlier circulars with a single comprehensive document.

The Master Circular for Debenture Trustees shall come into force with immediate effect i.e. from 13 August 2025.

For more information, **click here**

Technical Clarifications to Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)- 28 August 2025

The Securities Exchange Board of India (SEBI) has issued technical clarifications to the Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs), supplementing earlier circulars and FAQs issued between August 2024 and June 2025. The said framework was issued to establish and maintain robust cybersecurity and cyber resilience measures to protect market infrastructure and investors from cyber threats.

The current circular introduces the principles of exclusivity and equivalence to address cases where entities operate under the jurisdiction of multiple regulators (such as depository participants, banks etc. primarily regulated by RBI), the definitions of **critical systems have also been expanded,** technical requirements (VAPT, audits, Market-SOC onboarding, ISO 27001 certification, disaster recovery timelines, applicability of NCIIPC guidelines), and confidentiality safeguards for cyber audit reports. In addition to the technical updates, SEBI has revised the categorization thresholds for Portfolio Managers and Merchant Bankers. Stock Exchanges, Depositories, and BSE have been instructed to amend their byelaws, notify members and implement the directions with immediate effect to strengthen cyber resilience in the securities market.

For more information, **click here**

Rights of Persons with Disabilities Act, 2016 and rules made thereunder - mandatory compliance by all Regulated Entities - 29 August 2025

The Securities and Exchange Board of India (SEBI) has issued a Circular that mandates all regulated entities to ensure digital accessibility for persons with disabilities by complying with the Rights of Persons with Disabilities Act, 2016, and other standards, with timelines for implementation and reporting. This circular came into force from 31st July 2025.
SEBI has now issued a circular dated 29 August 2025 extending compliance timelines for its **Digital Accessibility Circular** following requests from Regulated Entities for more time.

Key extensions include submission of initial compliance reports and digital platform lists extended to 30 September 2025 from 30 August 2025, appointment of an IAAP certified auditor extended to 14 December 2025 from 14 September 2025, completion of digital platform audits have been extended to 30 April 2026 from 31 October 2025, and remediation of audit findings to 31 July 2026.

For more information, **click here**

Reserve Bank of India (Non-Fund Based Credit Facilities) Directions, 2025 - 6 August 2025

The Reserve Bank of India (RBI) has issued the "**Reserve Bank of India (Non-Fund Based Credit Facilities) Directions, 2025**, establishing a unified regulatory framework for granting non fund based credit facilities like guarantees, letters of credit, co-acceptances etc. These directions aim at improving uniformity, risk control, and prudential supervision, these norms apply to Commercial Banks, Primary (Urban) Co-operative Banks, All India Financial Institutions, and Non-Banking Financial Companies (NBFCs).

The framework seeks to promote consistent practices and strengthen financial stability. The directions outline clear rules for issuing guarantees, co-acceptances, and other guarantee types, as well as regulatory provisions for partial credit enhancement to support debt instrument creditworthiness enhancing transparency and mitigating risks linked to non-fund based credit exposures.

These Directions shall come into force from 1 April 2026, or from any earlier date as decided by a RE as per its internal policy. The directions mandate that any new or renewed non fund based facilities after the effective date must comply with these directions.

For more information, **click here**

Reserve Bank of India (Co-Lending Arrangements) Directions, 2025 - 6 August 2025

The Reserve Bank of India (RBI) has issued the "Reserve Bank of India (Co-Lending Arrangements) Directions, 2025", a comprehensive regulatory framework for co-lending arrangements ("CLAs"), by regulated entities (REs). The directions apply to Commercial Banks (excluding Small Finance Banks, Local Area Banks, and Regional Rural Banks), All-India Financial Institutions and Non-Banking Financial Companies (including Housing Finance Companies).

Under the new guidelines, each RE in a co-lending arrangement must retain at least **10% of each individual loan** in its own books, ensuring all CLA partners share the risk and follow responsible lending practices. The agreement between CLA partners must detail the terms of the arrangement, including borrower selection criteria, product lines, and grievance redressal mechanisms.
These Directions shall come into force from 1 January 2026, or from any earlier date as decided by a RE as per its internal policy.

For more information, **click here**

Guarantee regulations under Foreign Exchange Management Act (FEMA), 1999 – Draft for feedback - 14 August 2025

The Reserve Bank of India (RBI) has released draft *Foreign Exchange Management (Guarantees) Regulations,* *2025* to streamline and simplify the framework for guarantees under FEMA, 1999.

The proposed principle-based rules seek to enhance ease of doing business by allowing a wider range of cross-border guarantees that can be issued under the **automatic route**, provided that the underlying transaction and any subsequent transactions on invocation comply with FEMA, 1999.

Key features of the draft framework include:

- A **comprehensive reporting system**, mandating that all issued and invoked guarantees shall be reported to the RBI.
- Clear definitions of terms such as *creditor, guarantee, principal debtor,* and *surety.*
- Specific conditions outlining when a person resident in India may act as a surety, principal debtor, or creditor.

The RBI has invited public comments on the draft regulations until **4 September 2025**.

For more information, **click here**

Income Tax Act, 2025 - 21 August 2025

The President of India has given his assent to the Income Tax Bill, and the Income Tax Act 2025 has been published in the Official Gazette. The new Act replaces the six-decade-old Income Tax Act, 1961. This Act aims to create a **simpler, transparent and compliance-friendly tax regime**, reducing number of sections from 819 to 536. It also introduces the concept of a **"tax year"** in place of the previous and assessment years.

The amended law will come into effect from 1 April 2026.

For more information, **click here**

International | Accounting News

IASB issues amendments to IFRS 19 to complete catch-up work- 21 August

The International Accounting Standards Board (IASB) has released amendments to *IFRS 19: Subsidiaries without Public Accountability—Disclosures.* IFRS 19 was originally issued in May 2024 and permits eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. While the Standard initially covered pronouncements issued up to February 2021, the latest amendments extend these reduced disclosures to Standards and amendments published between February 2021 and May 2024.
Key updates include:

- **IFRS 18** – *Presentation and Disclosure in Financial Statements*
- **Supplier Finance Arrangements** (Amendments to IAS 7 and IFRS 7)
- **International Tax Reform—Pillar Two Model Rules** (Amendments to IAS 12)
- **Lack of Exchangeability** (Amendments to IAS 21)
- **Classification and Measurement of Financial Instruments** (Amendments to IFRS 9 and IFRS 7)

With these amendments, IFRS 19 reflects the changes to IFRS Accounting Standards that take effect up to 1 January 2027, when IFRS 19 will be applicable.

For more information, **click here**

Disclaimer

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