JAIPUR BRANCH OF CIRC OF ICAI
[Largest Branch of CIRC of ICAI]

Rise & Reflect

E-NEWSLETTER

SEPTEMBER 2025

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[Set up by an Act of Parliament]

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From the desk of Chairman.....

"विद्या विनयेन शोभते।"

Dear Esteemed Members,

September was a month of reflection, learning, and reaffirmation of the values that define our profession. It reminded us that the strength of the Jaipur Branch lies not merely in the number of programs we conduct, but in the depth of engagement, quality of discourse, and the culture of respect for knowledge that we collectively nurture.

During the month, the branch focused on academic enrichment, technological awareness, and student development—three pillars that will shape the future of the profession. Structured sessions on emerging technologies, particularly artificial intelligence and analytical tools, encouraged participants to move beyond compliance-oriented thinking and adopt a mindset of innovation. These initiatives were a natural continuation of the branch's long-term vision to prepare members for a rapidly transforming professional environment where judgment, technology, and ethics must coexist.

A deeply meaningful highlight of September was the celebration of Teachers' Day. The felicitation of faculty members was not merely ceremonial; it was an acknowledgment of the silent yet powerful role played by mentors in shaping generations of Chartered Accountants. As professionals, we often measure success in numbers and outcomes, but September reminded us that true success is built on guidance, patience, and values imparted over time. The gratitude expressed during this celebration resonated strongly across members and students alike.

The student talent search activities held during the month further reinforced the idea that professional excellence is holistic. Competitions such as chess sharpened analytical ability, while creative pursuits like sketching and cultural expressions showcased imagination and emotional intelligence. Academic presentations reflected confidence and clarity of thought. These platforms ensure that future professionals are not only technically competent but also balanced individuals capable of leadership and innovation.

From a leadership perspective, what stood out most was the seriousness with which members approached learning. Attendance was marked by curiosity, active participation, and thoughtful discussion. Volunteers, faculty, and branch staff worked with quiet efficiency, ensuring seamless execution of each program. Such dedication reflects a mature institutional culture where ownership is shared and excellence is collective.

September also served as a reminder of the branch's journey over the past year—marked by national conferences, AI certification initiatives, student-centric programs, and social responsibility drives. Each month has contributed to building momentum, and September reinforced that consistency is as important as scale.

As we move forward, the Jaipur Branch will continue to focus on meaningful learning, ethical grounding, and inclusive participation. The coming months will see further initiatives aimed at deepening professional competence while strengthening bonds within the fraternity. Let us continue to walk this path together—with humility, curiosity, and commitment.

Warm regards,

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Chairman

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From the desk of Secretary.....

"ज्ञान ड़ा कोई धन नहीं।"से ब

Respected Members,

September was a month that highlighted the importance of systems, coordination, and purposeful engagement. From an administrative and operational perspective, it demonstrated how disciplined planning and member cooperation create impactful professional outcomes.

The academic and technical initiatives conducted during the month were designed with a clear objective—to provide relevance, depth, and continuity in learning. Sessions focusing on technology and analytical thinking aligned well with the evolving expectations from Chartered Accountants. Participation levels reflected a growing awareness among members that continuous learning is essential to remain relevant and confident in p ractice.

Teachers' Day observance added a valuable emotional dimension to the month. The felicitation of faculty members reinforced our collective respect for those who dedicate themselves to teaching and mentoring. Such acknowledgments strengthen institutional values and inspire students to pursue excellence with integrity.

Student-focused activities were executed with equal seriousness and attention to detail. These programs require meticulous coordination—from registrations and scheduling to evaluation and logistics. I sincerely appreciate the disciplined efforts of volunteers, faculty members, and staff who ensured smooth execution. The enthusiasm of participants reaffirmed the importance of providing platforms that encourage confidence and creativity.

From the Secretariat's perspective, September reaffirmed the importance of transparent communication, structured timelines, and teamwork. The cooperation extended by members, whether through punctuality, feedback, or participation, played a crucial role in maintaining quality standards across all initiatives.

As the branch continues its journey through the year, the Secretariat remains committed to strengthening systems that support learning, engagement, and inclusiveness. Together, we will continue to build a branch that is efficient, responsive, and forward-looking.

Let us continue to work together with discipline, optimism, and commitment to uplift the identity of our profession.

Warm Regards,

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Accounting for Provisions, Contingent Liabilities and Contingent Assets

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Executive Summary:
This article provides an expert-level, practice-oriented treatment of the accounting for provisions, contingent liabilities and contingent assets under the Indian Accounting Standards framework. It integrates the provisions of Accounting Standard (AS) 29 — 'Provisions, Contingent Liabilities and Contingent Assets' and Accounting Standard (AS) 4 — 'Contingencies and Events Occurring After the Balance Sheet Date' with their corresponding Indian Accounting Standards (Ind AS 37 and Ind AS 10 respectively). The article explains the fundamental accounting concepts embedded in these standards, sets out detailed recognition and measurement guidance, discusses practical complexities and judgement areas, provides numeric illustrations, and presents corporate case studies to demonstrate real-world application. Readers will find a detailed checklist of best practices and a model disclosure format to aid compliance and transparent reporting.

1. Introduction
Provisions and contingencies lie at the heart of faithful financial reporting because they reconcile uncertainty with prudence. An entity's obligations and potential rights may depend on future events; accounting standards provide guidance to ensure that users of financial statements receive reliable, relevant and comparable information about these items. In India, AS 29 sets out recognition, measurement and disclosure requirements for provisions, contingent liabilities and contingent assets. AS 4 addresses contingencies and events occurring after the balance sheet date, clarifying when subsequent events require adjustment to recognised amounts and when disclosure suffices. Under the Ind AS regime, Ind AS 37 and Ind AS 10 correspond respectively to AS 29 and AS 4, being largely aligned with IAS 37 and IAS 10 issued by the IFRS Foundation. The interaction between these standards ensures that obligations existing at the reporting date are appropriately reflected, while protecting against premature recognition of uncertain gains.

2. Fundamental accounting concepts embedded in the standards
Several basic accounting concepts underpin AS 29 and AS 4 (and their Ind AS counterparts). Understanding these concepts aids consistent application:

- **Prudence (conservatism)**: Recognise liabilities and losses when probable, but recognise assets (including contingent assets) only when inflow is virtually certain. Prudence restrains over-
- optimistic recognition of gains while ensuring liabilities are not understated.
- Accrual and Matching: Provisions often represent accrued costs that relate to the current reporting period (for example, warranty costs) and must therefore be recognised in the period to which they relate.
- Materiality: The extent of recognition and disclosure depends on materiality. Trivial contingencies need not clutter financial statements, but material items require full disclosure.
- Substance over Form: Legal form alone does not determine recognition. A constructive obligation (an entity's established pattern of past practice, published policies or statements) can create a present obligation even in absence of legal compulsion.
- Going Concern: Events after the reporting period (AS 4 / Ind AS 10) may call into question an entity's ability to continue as a going concern — in such cases, both recognition and disclosure policies are affected.

3. AS 29 — Recognition criteria for provisions
AS 29 requires three conditions to be satisfied before a provision is recognised:

1. A present obligation (legal or constructive) has arisen as a result of a past event (an obligating event).

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2. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
3. A reliable estimate can be made of the amount of the obligation.

If any of these conditions is not met, AS 29 requires that an item should not be recognised as a provision; rather, a contingent liability or contingent asset disclosure may be required depending on circumstances.

The standard distinguishes between provisions (recognised liabilities) and contingent liabilities (possible obligations or present obligations not recorded because recognition criteria are not met).

Present obligation: A present obligation arises from a past event when the entity has little or no realistic alternative to settling the obligation. Practical examples include warranties given to customers, legal claims where a court judgment has already been rendered in favour of the claimant, and statutory obligations for environmental remediation under licensing conditions.

Probability threshold: AS 29 uses the term 'probable' to indicate a likelihood more than remote; in practice, entities must exercise judgement. Ind AS 37 uses similar language, but the guidance under Ind AS emphasises careful evaluation of constructive obligations and quantitative probability assessments where possible.

4. Measurement principles for provisions

Provisions shall be measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. The best estimate is the amount an entity would rationally pay to settle the obligation or to transfer it to a third party. When there is a range of possible outcomes, the mid-point or the probability-weighted expected value may be appropriate depending on the nature of the obligation and the entity's experience.

Discounting: Ind AS 37 requires that provisions be measured at the present value of the expenditure expected to be required to settle the obligation when the effect of the time value of money is material. Historically AS 29 did not mandate discounting in the same manner; differences in approach to discounting are among the practical distinctions between AS 29 and Ind AS 37. Practitioners must therefore check which framework is applicable and apply discounting consistently when required.

Reimbursements: When an outflow to settle a provision is expected to be reimbursed (for example by a supplier under a warranty agreement or by an insurer) the reimbursement is recognised as a separate asset but only when it is virtually certain that reimbursement will be received.

5. Numeric illustration: Warranty provision

Consider an electronics manufacturer that sold 100,000 units with a one-year warranty. Historical experience indicates a defect rate of 2% and an average repair cost of ₹1,500 per unit. The provision calculation is as follows:

Step 1: Calculate expected number of defective units: 100,000 units × 2% = 2,000 units.

Step 2: Multiply expected defective units by repair cost per unit: 2,000 × ₹1,500 = ₹3,000,000.

Therefore, the entity should recognise a warranty provision of ₹3,000,000 at the reporting date, assuming the other recognition criteria are satisfied. (100,000 × 0.02 = 2,000; 2,000 × 1,500 = 3,000,000).

6. AS 4 and Ind AS 10 — Events after the reporting period

AS 4 addresses contingencies and events occurring after the balance sheet date. Ind AS 10 (Events after the Reporting Period) provides equivalent guidance under Ind AS. These standards classify subsequent events into two categories:

a. **Adjusting events:** Those which provide evidence of conditions that existed at the reporting date and therefore require adjustment to the recognised amounts in the financial statements. An example is the insolvency of a customer that confirms that a trade receivable was impaired at the reporting date.
b. **Non-adjusting events:** Those which are indicative of conditions that arose after the reporting date and therefore do not lead to adjustments, although material non-adjusting events require disclosure (for example, a major business combination concluded after the reporting date).
c. Dividends declared after the reporting period are not recognised as liabilities at the reporting date but must be disclosed. If events after the

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reporting date indicate that the entity is no longer a going concern, both AS 4 and Ind AS 10 require the financial statements to reflect that fact.

Example: If a material product defect is discovered after the reporting date but evidence shows the defect existed prior to year-end (for example, multiple complaints received before the reporting date that were not fully addressed), the event is adjusting and the provision or impairment should be recognised or adjusted accordingly.

7. Ind AS 37 and key differences with AS 29

Ind AS 37 — 'Provisions, Contingent Liabilities and Contingent Assets' is aligned broadly with IAS 37 and therefore with the principles of AS 29; however, there are notable differences in emphasis and application. The most material differences commonly encountered in practice include:

- Discounting: Ind AS 37 requires discounting when the time value of money is material; AS 29 historically did not mandate discounting to the same degree.
- Constructive obligations: Ind AS 37 provides more explicit guidance on recognising constructive obligations arising from the entity's published policies or past practice.
- Presentation and disclosure granularity: Ind AS 37 (and the IFRS framework) requires more detailed disclosure in many cases including sensitivity analysis for provisions influenced by market variables.

Practitioners transitioning between AS and Ind AS frameworks should carefully review the transitional provisions and ensure that policies for measurement and disclosure comply with the applicable standard.

8. Practical complexities and judgement areas

Application of AS 29/Ind AS 37 and AS 4/Ind AS 10 often involves significant judgement. Common complexities include:

- Litigation and legal claims: Assessing the probability of adverse outcomes frequently depends on legal counsel opinions, precedent, and the entity's own history. Where a reliable estimate can be made and an outflow is probable, a provision must be recognised; otherwise the matter is disclosed as a contingent liability.
- Onerous contracts: A contract becomes onerous when the unavoidable costs of meeting the obligations exceed the expected economic benefits. Recognition requires a reliable estimate of costs to fulfil the contract and may involve complex cash flow forecasting.
- Environmental remediation and decommissioning: These obligations often stretch many years into the future, requiring the use of discounting and technical inputs to estimate the timing and magnitude of outflows.
- Restructuring provisions: AS 29 and Ind AS 37 permit recognition of a restructuring provision only when a detailed formal plan exists and a valid expectation has been created in those affected that the restructuring will occur.
- Measuring the 'best estimate': When a range of outcomes exists, the standard directs entities to use a point within the range that best represents the expected settlement amount. For some obligations, a probability-weighted expected value is the most informative measure; for others, the most likely single outcome may be appropriate.

9. Numeric illustration: Decommissioning obligation (discounting)

Assume an entity expects to pay ₹10,000,000 in five years to decommission a facility. If the discount rate is 8% per annum, the present value of the obligation is:

PV = ₹10,000,000 / (1 + 0.08)^5

Compute (1 + 0.08)^5 = 1.08^5 = 1.469328...

PV = 10,000,000 / 1.469328 ≈ ₹6,805,831.97

Therefore, when discounting is required under Ind AS 37, the provision should be measured at approximately ₹6,805,831.97 at the reporting date, with the unwinding of the discount recognised as a finance cost over the period. (For full precision entities should use the precise discount curve they deem appropriate.)

10. Numeric illustration: Litigation contingency

A company faces a lawsuit. Legal counsel estimates a 70% chance of an adverse settlement of ₹5,000,000 and a 30% chance of a nominal settlement of ₹500,000. The expected value (probability-weighted) is:

EV = 0.70 × ₹5,000,000 + 0.30 × ₹500,000 = ₹3,650,000.

If, at the reporting date, the criteria for a provision are met (present obligation, probable outflow, reliable estimate), the entity should recognise a provision of ₹3,650,000. If the probability is judged to be lower or the amount cannot be measured reliably, the matter should be disclosed as a contingent liability instead.

11. Corporate case studies (illustrative, composite)

Case study 1 — Consumer electronics manufacturer (warranty provision):

Background: 'ElectroIndia Ltd' (composite illustration) sells high volumes of consumer electronics with a standard one-year warranty. Using five years of historical data, management estimates a 2% failure rate in the first year and an average repair cost of ₹1,500 per claim. The company follows AS 29/Ind AS 37 when preparing financial statements.

Application: Management recognises a warranty provision using the expected-defect approach (100,000 units × 2% × ₹1,500 = ₹3,000,000). The amount is reviewed each period; actual claims are charged against the provision and the provision is adjusted for experience variations. Management discloses the nature of the obligation, the basis of estimation and any significant uncertainties.

Post-balance sheet event: If, after year-end, a manufacturing defect becomes evident and evidence shows the defect originated prior to year-end, this is an adjusting event under AS 4/Ind AS 10 and the provision must be adjusted accordingly.

Case study 2 — Mining company (environmental remediation and decommissioning):

Background: 'MinerCo' (composite) operates mines under statutory licences that require restoration of the site after extraction. Estimated restoration costs are long-term and subject to technical uncertainty. The obligating event occurs as extraction activities commence and regulatory obligations mount.

Application: Under AS 29/Ind AS 37, MinerCo recognises a provision for the best estimate of restoration costs. Because the obligations arise over many years, discounting is applied where Ind AS is applicable. The provision is included in the cost base of the asset where the expenditure relates to construction or development of a long-lived asset, and it is reviewed annually and adjusted for changes in estimated cash flows, discount rates and technology.

Disclosure: MinerCo provides a detailed reconciliation of the provision balance, listing additions, amounts utilised, unwinding of discount and changes in estimates. Management also discloses the key assumptions (discount rate, timing of cash flows) and sensitivity to changes in those assumptions.

Case study 3 — Banking litigation / tax assessment (composite):

Background: A bank faces a tax assessment arising from a historical interpretation of interest income recognition. Legal counsel provides a range of probable outcomes.

Application: The bank assesses whether a present obligation existed at the reporting date and whether an outflow is probable. If the bank concludes a probable outflow and can reliably estimate the amount (for example via a probability-weighted approach), it recognises a provision. If either criterion is not met, the bank discloses the nature of the contingency, the possible financial effect and the uncertainties involved.

Best practice: Banks should involve tax specialists and legal counsel, document the basis of probability assessments, and present a reconciliation of provision movements in the notes to the financial statements.

12. Disclosure requirements and model notes

AS 29 and Ind AS 37 require entities to disclose sufficient information to enable users to understand the nature, timing and amount of provisions and contingencies. A good model disclosure includes:

- A brief description of the nature of the obligation.
- Expected timing of outflows.
- Indication of uncertainties about the amount or timing.
- The amount of any expected reimbursement.
- A reconciliation of the carrying amount at the beginning and end of the period, showing additions, amounts used, unused amounts reversed, accretion of discount and changes in assumptions.

Model reconciliation table (example):

Provision for environmental restoration — Opening balance: ₹8,000,000

Additions recognized in current year: ₹1,200,000

Amounts utilised: (₹300,000)

Unwinding of discount (finance cost): ₹400,000

Revisions in estimate: ₹(100,000)

Closing balance: ₹9,200,000

13. Practical checklist for practitioners

1. Identify obligating events and decide whether they give rise to present obligations (legal or constructive).
2. Evaluate probability and whether recognition criteria

are met.

3. Choose an appropriate measurement technique (most likely outcome, expected value, or other) and apply discounting where Ind AS requires it.

4. Consider reimbursements and account for them as separate assets only when virtually certain.

5. Review provisions at each reporting date and adjust for new information.

6. Document judgments, assumptions, and the basis for probability assessments; involve legal and technical specialists where appropriate.

7. Present clear disclosures and a reconciliation of provision movements.

14. Conclusion

Provisions, contingent liabilities and contingent assets require careful application of judgement and transparent disclosure. AS 29 and AS 4, together with Ind AS 37 and Ind AS 10, provide a robust framework to ensure that obligations existing at the reporting date are recognised and measured faithfully while avoiding premature recognition of uncertain gains. Practitioners should apply the principles of prudence, accrual, materiality and substance over form, maintain adequate documentation of judgments and assumptions, and communicate clearly in the financial statement notes. The numerical illustrations and composite case studies provided herein demonstrate the practical application of the standards across industries.

References and further reading

Selected authoritative references:

1. Accounting Standard (AS) 29 — Provisions, Contingent Liabilities and Contingent Assets (ICAI).
2. Accounting Standard (AS) 4 — Contingencies and Events Occurring After the Balance Sheet Date (ICAI).
3. Ind AS 37 — Provisions, Contingent Liabilities and Contingent Assets.
4. Ind AS 10 — Events after the Reporting Period.

IAS 37 and IAS 10 — IFRS Foundation (for comparative guidance).

Income Tax Act-2025

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From British Tax to Modern Tax: How India's Income Tax Law Evolved

Did you know?

India's Income Tax system did not begin after Independence. It was first introduced by the British in 1860,to compensate huge losses which were suffered due to revolt of 1857, making it one of the oldest surviving tax systems in the world.

BRITISH ERA:

Origin of Income Tax Act in India: The Income Tax Act in India was first introduced by the Britishers in 1860.By Sir James Wilson, a British officer during British rule in India.

Why did the British introduce it?

Due to huge financial losses after the Revolt of 1857,thet needed funds to run the British Government in India and to collect money Income Tax Act was introduced which continued even after Independence in 1947 though it designed for colonial interests.Over time, it was seen as regressive and unsuitable for a newly independent democracy.

INDIAN PARLIAMENT:

Indian Parliament Steps In with Income Tax Act, 1961:

To break free from colonial tax laws, the Indian Parliament introduced the Income Tax Act, 1961, which came into force on 1 April 1962,(PY 1961-1962)(AY1962-1963) and this Act reflected India's economic and social priorities.For over 60 years, this Act governed taxation in India. But with time, it became heavily amended—so much so that it resembled a patchwork quilt of laws rather than a simple rulebook..

This old patched-up rulebook is already used from more than 60 years from its implementation.Over decades, the 1961's Act accumulated hundreds of amendments,multiple explanations and provisos,complicated legal language which resulted in:

- Confusion among taxpayers
- Difficulty for students and professionals
- Increased disputes and litigation

India indeed needed a new law that matched its modern, digital, and growing economy.

INCOME TAX ACT 2025

To address issues under old Act, the government drafted a new, simplified law Income Tax Act, 2025 which is new, clean, simplified rulebook designed for a developed India to be applicable from 1 April 2026 onwards.

The Income Tax Act 2025 is a comprehensive legislation governing the **levy, administration, collection, and recovery** of direct taxes in India. Spanning over 600 pages with 536 sections, 23 chapters, and 16 schedules, it covers all aspects of taxation. The Act came into force on 21st August, 2025 after the income tax bill 2025 was approved by the Parliament.

Features of Income Tax Act 2025:

Simplified tax provisions with clearer language

The Income Tax Act 2025 aims to provide a more simpler tax which is less complex, easily understandable and much easier to interpret.

Reduced tax rates and increased Rebate

This Act aims to reduces the income tax rates in order to promote higher demand for goods and services. This, in turn, leads to increased money in the hands of the taxpayer which leads to more savings and consumption.

Reduced legal disputes by removing ambiguities

With a streamlined tax administration and use of modern mechanisms for tax compliance, the Act aims to reduce legal disputes and provide for a more easier redressal system.

Easier compliance

With a reduction in the content, the Act aim to make compliance more easier and efficient. This in turn will encourage more tax filings and reduced tax evasion.

Recognition of Virtual Digital Asset

The definition of Virtual Digital Asset has been broadened to include cryptocurrencies and other digital assets. This has been done with a focus to simplify the taxation process of such assets.

Main concern(will our tax liability increse due to this new Act?)

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Income Tax Act-2025

The government did not change how much tax you pay, but changed how the law is written and organised.Only the structure, language, and organisation of the law have changed.

Biggest change under Income Tax Act, 2025:

Concept of Tax Year

Under Old Tax System (1961 Act)

People used to get confused between the terminology such as Assessment Year and Previous Year.

Under Income Tax Act 1961 ,year in which Income is earned is called Previous Year and the year in which tax liability is determined is called as Assessment Year even though tax is paid on income within the Previous Year .

Example:

If income earned in FY 2024-25 then FY 2025-2026 is known as Previous Year and tax liability shall be determined in FY 2026-2027 which will be known as Assessment Year2026-2027 but tax will be paid within the PY 2025-2026.

This was Confusing for taxpayers as well as other interested parties.

Same concept under Income Tax Act 2025:

Concept of only ONE year is used now that means year in which income is earned will be now known as **TAX YEAR**.However for many compliance purposes the term Financial Year has been used which has not been defined in the Act.

In simple words:

Income Tax Act, 1961 was like a notebook written for 60 years with overwriting.

Income Tax Act, 2025 is a fresh notebook with neat handwriting.

Interesting Fact to Remember:

Though India's income tax journey began under British rule in 1860—but in 2025, it finally gets a modern rewrite for a modern nation.

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In our professional journey, progress is not only about moving ahead but also about taking time to look back and learn. The theme "Rise & Reflect" **उदय और झलकाव** (reminds us that true growth comes when advancement is supported by self-reflection and values.

As Chartered Accountants, we are constantly rising to new responsibilities. Changes in laws, evolving business environments, and growing expectations from clients require us to continuously update our knowledge and skills. Each challenge we face strengthens our experience and helps us grow as professionals.

At the same time, reflection is equally important. Reflection allows us to review our work, understand our mistakes, and improve our approach. It reminds us of the ethical principles that form the foundation of our profession—integrity, honesty, and accountability. When we reflect, we ensure that our progress remains meaningful and responsible.

To rise means उदय to accept change with confidence and dedication. Today's CA plays many roles—not only as an auditor or tax consultant, but also as an advisor and guide to businesses. This growth brings new opportunities, but it also demands discipline, professional judgment, and continuous learning.

To reflect means झलकाव to remain grounded. By learning from past experiences, we gain wisdom that helps us make better decisions in the future. Reflection strengthens our character and reinforces the trust placed in us by society.

The idea of "Rise & Reflect" is not limited to individual growth alone. As a professional community, sharing knowledge and experiences helps the entire fraternity progress together. Initiatives like this E-Newsletter encourage learning, thoughtful discussion, and mutual inspiration.

In conclusion, steady progress combined with thoughtful reflection leads to lasting success. When we rise with determination and reflect with humility, we contribute positively to the profession and to society at large.

Let us continue to rise in our professional journey while reflecting on our responsibilities, values, and duties—thus building a future that is strong, ethical, and respected.

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Drafting Effective Replies to GST Show Cause Notices From Compliance to Conviction

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"Most GST disputes are not lost on law, but on drafting."

In the GST regime, the Show Cause Notice (SCN) is not merely a procedural formality—it is the foundation of the entire demand. A weak reply at this stage often results in avoidable litigation, penalties, and prolonged uncertainty.

For Chartered Accountants, drafting an effective SCN reply is both a technical skill and a strategic exercise, requiring clarity of facts, precision in law, and persuasive presentation.

Understanding the Purpose of an SCN

A GST SCN seeks to:

Inform the taxpayer of specific allegations
Provide the legal basis for proposed action
Offer an opportunity to explain or rebut

Therefore, the reply must not be defensive alone—it must be constructive, reasoned, and legally sustainable.

An SCN reply is not a narration of facts; it is a rebuttal of allegations.

First Response: Read Before You React

Before drafting, every professional must ask:

What exactly is the allegation?
Which section and rule are invoked?
Is the notice within limitation period?
Are documents and calculations disclosed?
Is the SCN vague or specific?

Many SCNs fail at the very threshold due to lack of clarity.

Common Mistakes in SCN Replies

- Emotional or argumentative language
- Repeating facts without linking them to law
- Ignoring limitation and jurisdiction
- Submitting bulky annexures without explanation
- Relying on assumptions instead of evidence

A reply should educate the authority, not confront it.

Anatomy of an Effective GST SCN Reply

1. Proper Addressing and Reference

Mention SCN number, date, and period
Identify the issuing authority
State jurisdiction clearly

2. Brief Facts of the Case

This section should be:

Concise
Chronological
Neutral in tone

Avoid arguments here. Facts must speak for themselves.

3. Allegation-wise Rebuttal (Most Critical Section)

Each allegation must be replied point by point, supported by:

Statutory provisions
Rules and notifications
Circulars and clarifications
Judicial precedents

Example:

"The allegation that ITC is inadmissible solely on the basis of GSTR-2A mismatch is legally

4. Legal Grounds of Defence

This is where the reply gains strength. Key grounds include:

Violation of natural justice
Absence of mens rea (for penalty cases)
No suppression or wilful misstatement
Limitation under Section 73 vs 74
Lack of jurisdiction or improper invocation of provisions

Many demands collapse purely on procedural lapses.

5. Reliance on Judicial Precedents

Cite:

Jurisdictional High Court decisions
Supreme Court rulings
Relevant Appellate Authority orders

Briefly explain how the ratio applies to the case.

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6. Prayer / Relief Sought

Conclude with a clear and respectful prayer:

Dropping of proceedings

Quashing of demand and penalty

Grant of personal hearing

Any alternative relief, without prejudice

Special Focus Areas in GST SCNs

ITC Mismatch Cases

ITC cannot be denied without supplier default inquiry

2A/2B is a facilitation tool, not a statutory restriction

Cancelled Registration Matters

Retrospective cancellation cannot nullify genuine transactions

Penalty Proceedings

Penalty is not automatic

Absence of intent must be highlighted

Importance of Personal Hearing

A written reply must always be supplemented by:

Request for personal hearing

Brief oral submissions

Filing of additional documents, if required

A hearing is an opportunity to humanize the case.

Drafting Style: What Makes a Difference

✓ Use headings and numbering

✓ Avoid unnecessary jargon

✓ Keep sentences precise

✓ Maintain professional and respectful tone

Remember:

The officer reading your reply may not be legally trained—but the order must survive judicial scrutiny.

Role of Chartered Accountant: More Than a Draftsman

A CA's responsibility is to:

Protect client rights

Reduce unnecessary litigation

Assist authorities in passing reasoned orders

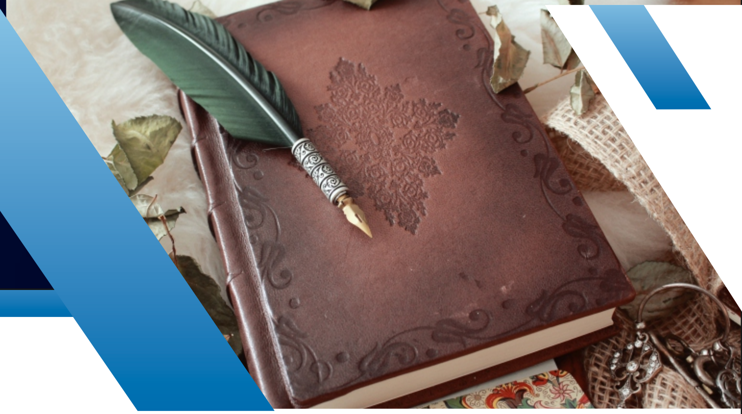
An effective SCN reply serves both the taxpayer and the system.

Conclusion: Reply Today, Relief Tomorrow

A GST SCN reply is not a routine compliance document—it is a strategic legal representation. Time invested at this stage often saves years of litigation.

As professionals, Chartered Accountants must approach SCN drafting with preparation, precision, and purpose.

Disclaimer: The views expressed are personal and intended for academic and professional discussion.



CA. YOGESHWARI JOSHI

cayogeshwari1993@gmail.com

संघर्ष

सब कहते हैं कि
संघर्ष आदमी को मजबूत बना देता है
समझ सिखा देता है, सजग बना देता है।

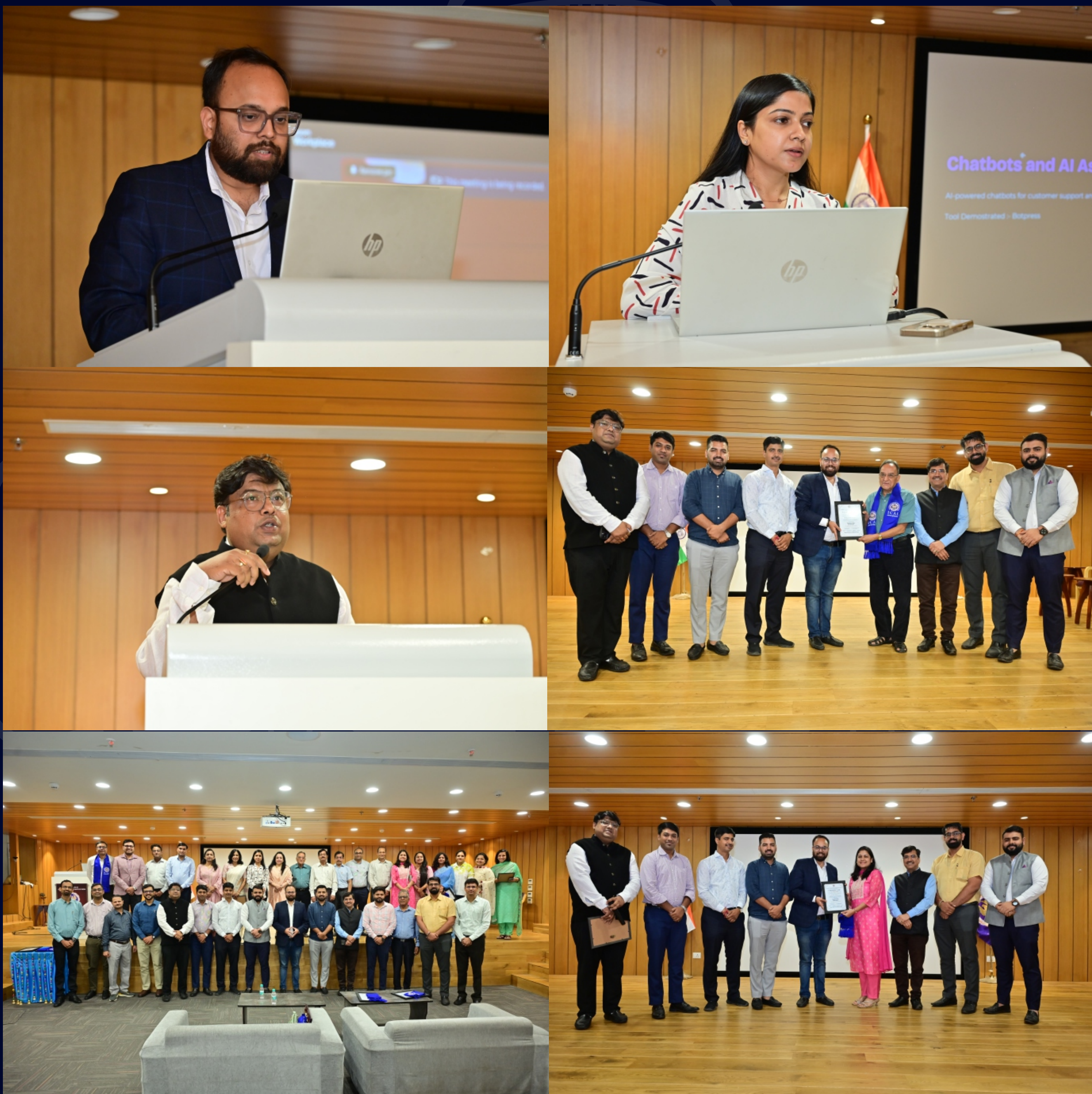
पर मैंने देखा है,
संघर्ष, जब सयंम से ज्यादा हो जाये तो
जीवन को मृत बना देता है
हृदय को पत्थर बना देता है।
आँखों को जरजर बना देता है।
~~ख्वाबों~~ ख्वाबों को खंडहर बना देता है
और जुबान को खंजर बना देता है

मुझे लगता है, संघर्ष की भी
एक सीमा तय होनी चाहिए
वरना वो आदमी को आदमी के सिवा
कुछ भी बना देता है।

मेरी कलम
योगेश्वरी
9.57 | 6/1/25

ACTIVITIES BY JAIPUR BRANCH

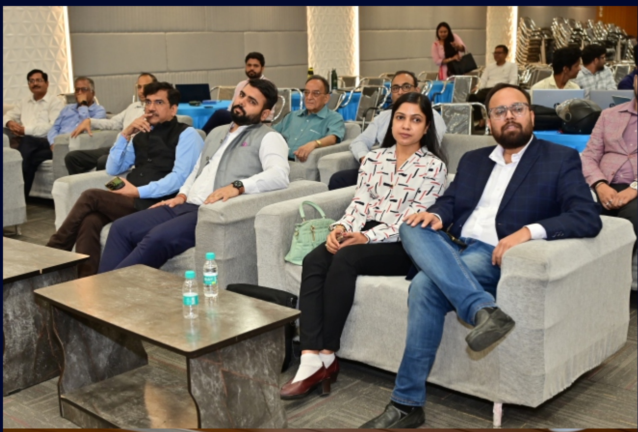
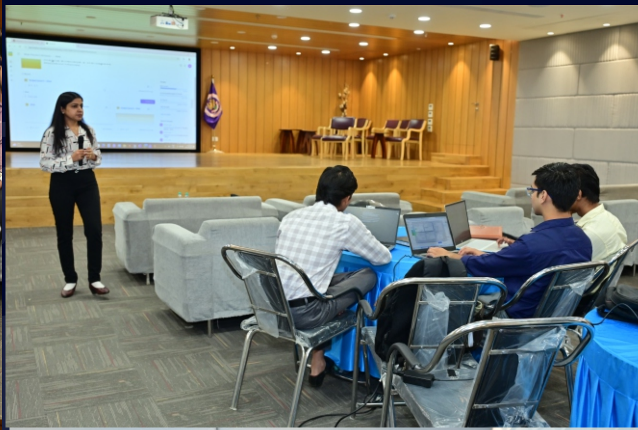
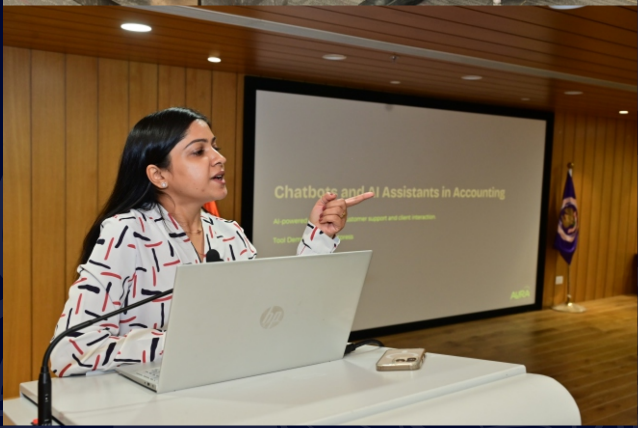
Teachers' Day Celebration

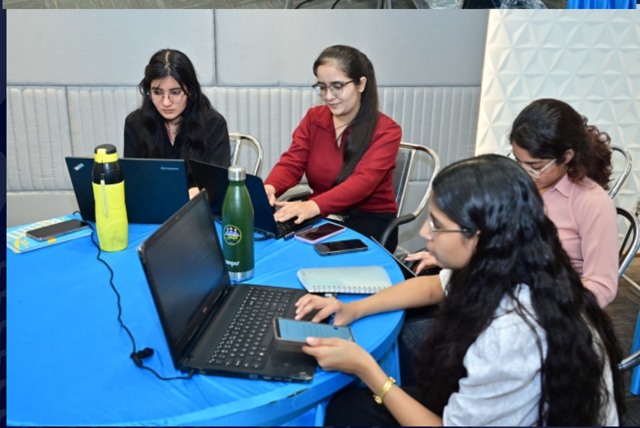


Date : 5.9.2025

ACTIVITIES BY JAIPUR BRANCH

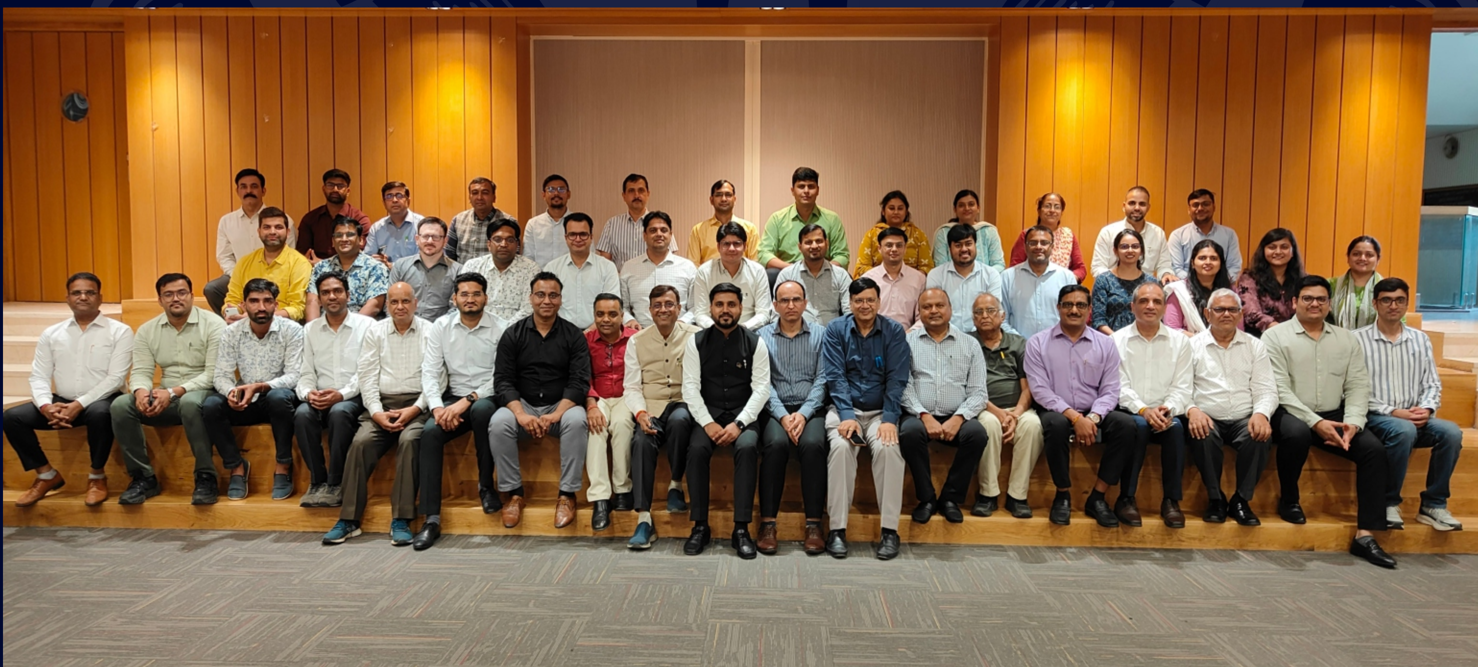
Workshop on AI AURA for CA Students



Date : 5.9.2025, 6.9.2025

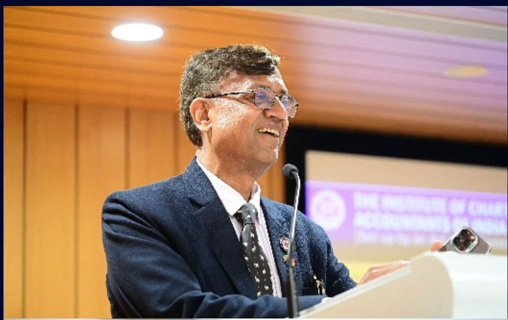
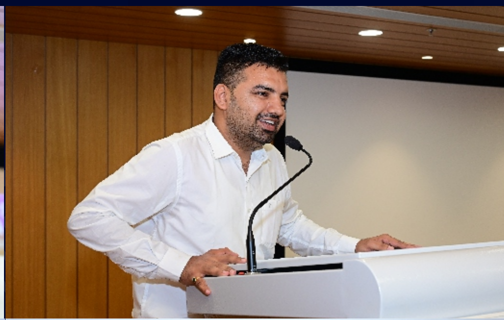
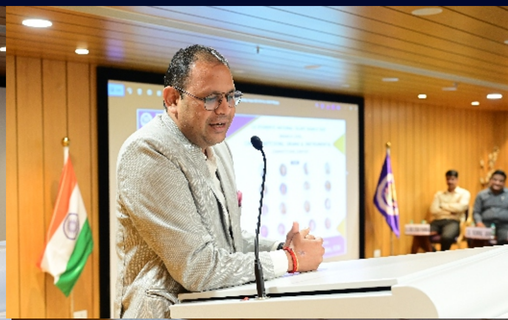
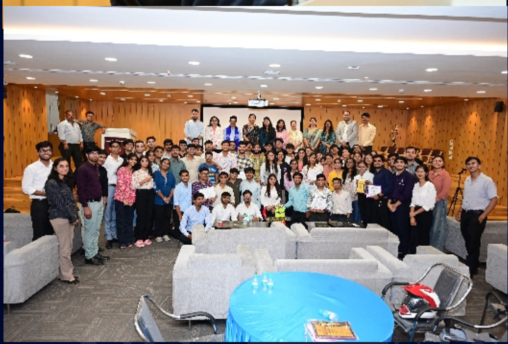
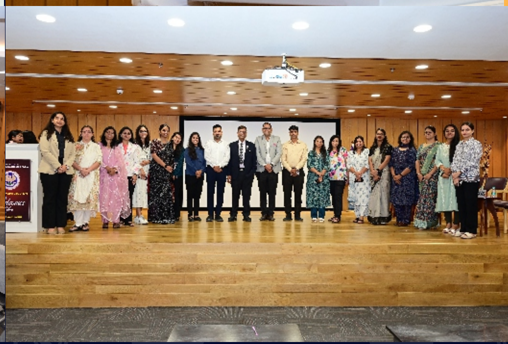
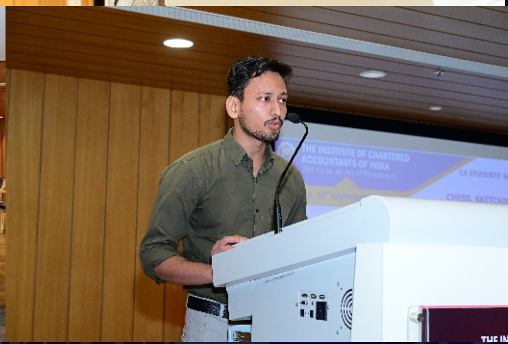
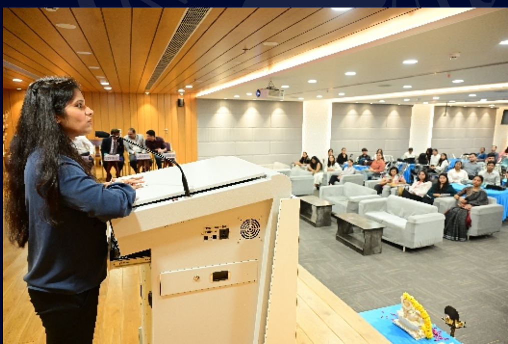
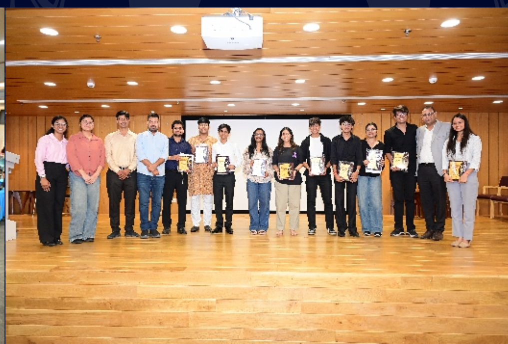
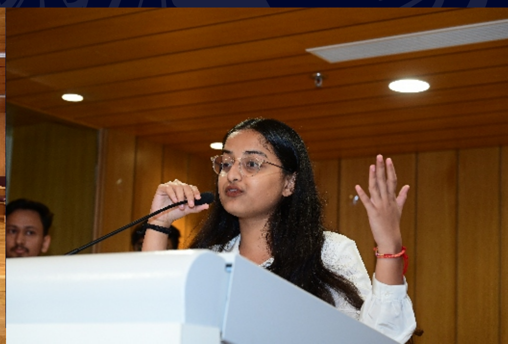
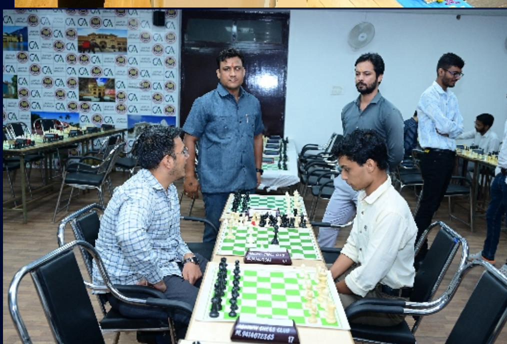
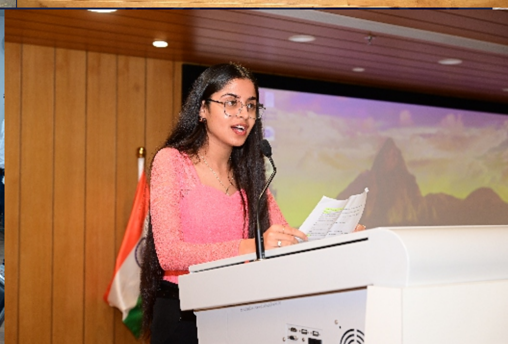
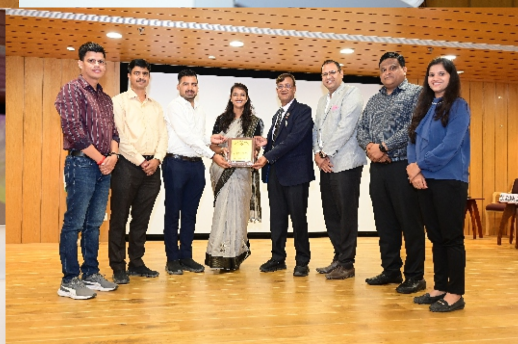
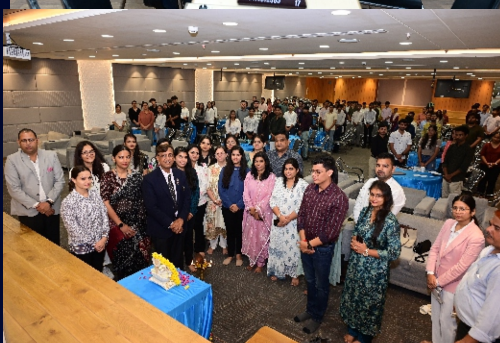
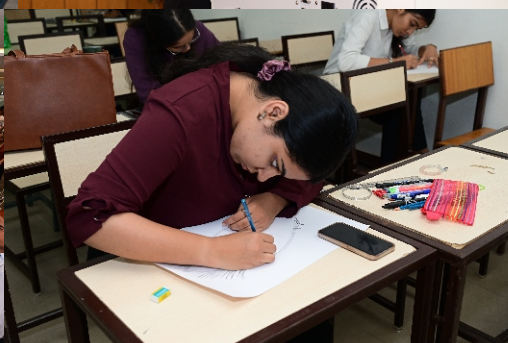
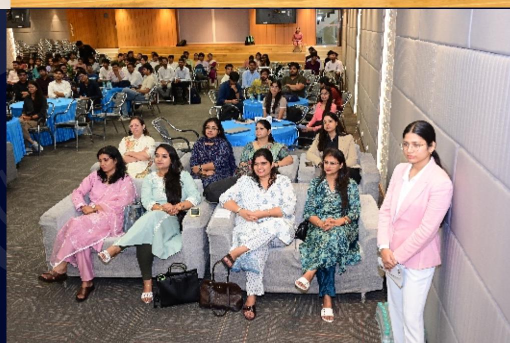
Certificate course on Artificial Intelligent Batch No. 517



Date : 8.9.2025, 9.9.2025

ACTIVITIES BY JAIPUR BRANCH

CA STUDENT TALENT SEARCH COMPETITION

Date : 20.9.2025

BRANCH HELP DESK

Administrative Work	Mr. Vishal Gupta	9672023888
Members and Students related query	Mr. Gopal Lal Gurjar	9667555211
Students CICASA matters	Mr. Shiv Singh Chauhan	9672000551
Query related to OC	Ms. Garima Rastogi	9672041119
Query related to GMCS	Mr. Naresh Meena	9672000552
Query related to IT / Adv. ITT	Mr. Anil Kumar Sharma	9667555216
Query related Members benefits	Mr. Vishal Banjara	9667555213

ICAI JAIPUR

Contact Details

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