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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(SET UP BY AN ACT OF PARLIAMENT)

BENGALURU BRANCH SIRC
E-NEWSLETTER

UTKARSHA

September - the audit marathon:

- Tax Audits
- Statutory Audits
- AGMs

Inside:

Exclusive Coverage of Samvaada - 2 Days CA Conference at Bengaluru

From the Chairperson's Desk

Dear Members,

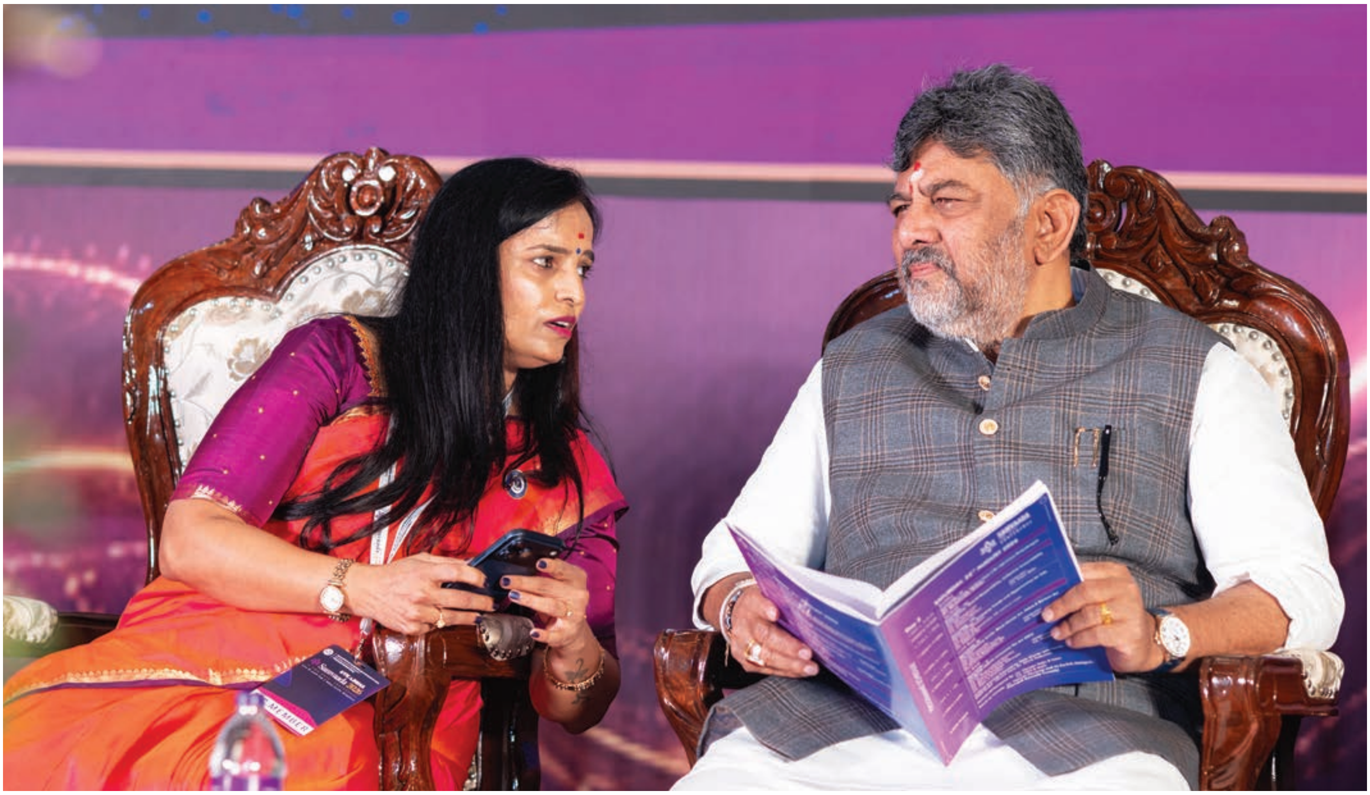
Dhanyavaada for blessing and gracing SAMVAADA!

My wholehearted gratitude goes out to everyone who attended and made the event meaningful. SAMVAADA was a roaring success, bringing together over 1,800 delegates, 40+ speakers, and nearly 60 sponsors.

The Hon'ble Chief Minister of Karnataka, **Shri D. K. Shivakumar,** graced the inaugural as the Chief Guest, while **CA Rostow Ravanan, former CEO of Mindtree,** was the Guest of Honour. We were also privileged by the presence of **Shri Priyank Kharge, Minister of Karnataka,** and **Shri Ponnanna, Political Secretary to the Government of Karnataka.**

The Hon'ble Chief Minister appreciated the significant contribution of the CA community to the state and acknowledged our role in making Karnataka the second-largest tax revenue-generating state in the country. He sought ICAI's advice on managing the state's finances and implementing various schemes effectively. His recognition of Chartered Accountants as **custodians of trust** and his statement that "the nation is proud of CAs" were particularly gratifying. We are also happy that he assured us that he would renew the lease for our Vasanthanagar premises.

Three Past Presidents of ICAI, CA K. Raghu, CA (Dr.) Debashis Mitra and CA Aniket Talati, shared their perspectives on how our profession must prepare itself for changing times and contribute to India's march towards becoming an economic leader.



SAMVAADA concluded on a high note with an enthralling cultural evening. Legendary actor Dr. Shivarajkumar captivated our members and their families with an energetic dance performance and song.

August also saw vibrant celebrations for the 80th Independence Day at the Branch. Around 200 members and students gathered for the flag hoisting, followed by inspiring patriotic skits and dance performances by our students. Detailed updates on other activities conducted throughout the month are available in the Newsletter.

The details of the other activities conducted at the Branch during August are also provided in this Newsletter.

As we move into the audit season, I am sure many of you are already preparing for the deadlines and deliverables ahead. The Branch is conducting study circle meetings on topics that will be particularly relevant for this audit season, and I encourage you to make the most of these learning opportunities.

Recognising that the expectations from auditors are increasing in a constantly changing professional and regulatory environment, the Auditing and Assurance Standards Board (AASB) of ICAI has constituted an Expert Panel to provide technical support to members on auditing-related queries during the forthcoming audit season. Members with specific queries may write to auditfaq@icai.in. The panel will remain operational until 30th September 2026.

As we approach the most demanding period of our professional calendar, I would like to share one thought.

Deadlines matter. Deliverables matter. Our allegiance to our clients matters. But none of them should come at the cost of our health.

Let us plan for the audit season instead of reacting to it. Schedule your work, delegate when possible, take breaks, get enough rest, and make time for family and yourself. A healthy professional is more alert, balanced, and better equipped to exercise the judgment our profession requires.

Audit seasons and due dates will come and go, but there is no revised due date for health.

As you strive for excellence in your profession, please remember to prioritize your well-being as well.

As the saying goes: "Take care of your body. It's the only place you have to live."

Wishing each one of you a successful, meaningful and most importantly, healthy audit season.

Yours in service,

CA Kavitha Paramesh
Chairperson 2026-27

Independence Day Celebration

CALENDAR OF EVENTS

CPE MEETINGS FOR THE MONTH OF SEPTEMBER 2026

DATE AND DAY	TOPIC / SPEAKER	VENUE & TIME	STRUCTURED CPE CREDIT
31-08-2026 to 02-09-2026	**AI Certification Course Module 2**	**Hotel Hyde Park, Hyde Park Orchards,** 137/7, Raj Mahal Vilas Extension, Armane Nagar, Bengaluru	18 Hrs.
02-09-2026 Wednesday	Study Circle Meeting **Audit documentation** **CA Virinchi Nandula V S D** Delegate Fees : **Members** – **Rs.300/-** Plus GST **Non Members** – **Rs.600/-** Plus GST	**ICAI Bhawan** Vasanthanagar, Branch Premises Bengaluru **5:00 PM to 8:00 PM**	3 Hrs.
09-09-2026 Wednesday	Study Circle Meeting **CARO: Recent changes and Ind AS Considerations** **CA Kaleshwara Prasad** Delegate Fees : **Members** – **Rs.300/-** Plus GST **Non Members** – **Rs.600/-** Plus GST	**ICAI Bhawan** Vasanthanagar, Branch Premises Bengaluru **5:00 PM to 8:00 PM**	3 Hrs.
11-09-2026 to 13-09-2026	**AI Certification Course Module 1** **(Offline)**	**Hotel Hyde Park, Hyde Park Orchards,** 137/7, Raj Mahal Vilas Extension, Armane Nagar, Bengaluru	18 Hrs.
12-09-2026 Saturday	**Convocation**	**PES UNIVERSITY 100 Feet Ring Road, Banashankari III Stage, Bengaluru – 560085**	—
16-09-2026 Wednesday	Study Circle Meeting **Tax Audit Reporting Requirements** Delegate Fees : **Members** – **Rs.300/-** Plus GST **Non Members** – **Rs.600/-** Plus GST	**ICAI Bhawan** Vasanthanagar, Branch Premises Bengaluru **5:00 PM to 8:00 PM**	3 Hrs.

DATE AND DAY	TOPIC / SPEAKER	VENUE & TIME	STRUCTURED CPE CREDIT
18-09-2026 Friday	Half a Day Seminar on **Paradigm Shift in Financial Reporting and Expected Audit Quality - A NFRA perspective** **CA Daniel P**, NFRA Member **CA Mohan R Lavi** Delegate Fees : **Members** – **Rs.500/-** Plus GST; **Non Members** – **Rs.1,000/-** Plus GST	**ICAI Bhawan** Vasanthanagar, Branch Premises Bengaluru **5:00 PM to 8:00 PM**	3 Hrs.
18-09-2026 to 20-09-2026	**AI Certification Course Module 1 (Offline)**	**Hotel Hyde Park, Hyde Park Orchards,** 137/7, Raj Mahal Vilas Extension, Armane Nagar, Bengaluru	18 Hrs.
25-09-2026 to 27-09-2026	**AI Certification Course Module 1 (Offline)**	**Hotel Hyde Park, Hyde Park Orchards,** 137/7, Raj Mahal Vilas Extension, Armane Nagar, Bengaluru	18 Hrs.
29-09-2026 to 30-09-2026	**AI Certificate Course Module 2**	**Hotel Hyde Park, Hyde Park Orchards,** 137/7, Raj Mahal Vilas Extension, Armane Nagar, Bengaluru	18 Hrs.
23-10-2026 to 24-10-2026	**Global Summit (GCC)**	To be notified	12 Hrs.

EDITOR :
CA KAVITHA PARAMESH

SUB EDITOR :
CA SHRIPAD H N

Audit Documentation

The File is the Audit

CA Vikas Oswal

As per Hitopadesha

"udyamena hi sidhyanti kāryāṇi na manorathaiḥ —

na hi suptasya siṃhasya praviśanti mukhe mṛugāḥ"

Tasks are accomplished by effort, not by wishing for them, deer do not walk into the mouth of a sleeping lion. The audit file is the profession's standing proof of udyama — of work actually done. An auditor may have thought carefully, questioned shrewdly, and concluded rightly, but if none of it was written down while it happened, the profession has only a manoratha, a wish, to show for it. a case where the lion slept and expected the deer to arrive anyway.

An audit happens twice. The first time, it happens in the field — in the client's office, in the conversations, in the doubt an auditor entertains at eleven at night and resolves by morning. The second time, it happens years later, in a room the auditor is not in, when someone else opens the file and asks what was done and why. An Experienced Auditor reviews the Working Papers or Audit Documentation which is an evidence that Auditor is not negligent of his duties. Audit should be conducted as per standards on Auditing and this is proved by the Working papers of the Auditor.

When a matter reaches the National Financial Reporting Authority, the Disciplinary Committee of the Institute, a Quality Review Board panel, or a court, nobody is present to describe the audit as it was lived. There is only a file. Whatever the file says happened, happened. Whatever it does not say, did not. Audit Documentation contains Audit procedures performed by the Auditor, Evidence obtained by Auditor and conclusions drawn by the Auditor. This is not only crucial to form opinion but also an evidence Audit was conducted as per Standards on Auditing.

Read the disciplinary orders of the last five years of NFRA and a pattern emerges that ought to trouble every Chartered Accountant. Not one of them holds that the auditor did no work at all. What they hold, again and again, is that the work could not be seen. In several, the auditor plainly did perform procedures — and then argued about them at the hearing, orally, months later, without a contemporaneous paper to stand behind. In each case the argument failed, and it failed for the same reason. "If it is not documented, it is not done" is not a slogan for articled assistants. It is now, quite literally, the standard of proof in a regulatory proceeding.

SA 230: The Architecture

SA 230, Audit Documentation, is issued by the Auditing and Assurance Standards Board of the Institute of Chartered Accountants of India, and corresponds to ISA 230 of the IAASB. Its force does not rest on professional convention. Section 143(9) of the Companies Act, 2013 provides that every auditor shall comply with the auditing standards, and the proviso to Section 143(10) provides that until standards are notified by the Central Government, the standards specified by ICAI are deemed to be the auditing standards.

NFRA has made the consequence of that drafting explicit. In the Tanglin Developments order, the auditors argued that the Standards are a guidance to an auditor acting professionally. NFRA rejected the argument in a single line of reasoning: the fundamental principles of the Standards are contained in the requirements paragraphs, represented by the word "shall", and Section 143(9) is mandatory. There is, the order records, no scope for deviation from the Standards.

Practitioners should absorb what this means. A requirement of SA 230 is not a best practice. It is a statutory obligation whose breach is capable, on its own, of grounding a charge of professional misconduct — without any need to show that the financial statements were wrong.

SA 230 identifies what the documentation is for, and the three purposes explain almost every requirement that follows:

a. Evidence of the basis for the opinion. The file must show a clear line from the procedures performed, through the evidence obtained, to the conclusion reached and the opinion issued.

b. Evidence of compliance. The file must show that the audit was planned and performed in accordance with the SAs and applicable legal and regulatory requirements.

c. Assistance in conducting the audit. Planning, supervision, review, accountability of the team, and the retention of a record useful for subsequent audits and for quality reviews.

The first two are the ones that matter in a proceeding. The third is the one that makes the file worth building for its own sake.

The requirements section of SA 230 is as follows

Para 7 — Prepare audit documentation on a timely basis.

Para 8 — Sufficient to enable an experienced auditor with no previous connection to understand

(a) nature, timing and extent of procedures

(b) results and evidence obtained

(c) significant matters, conclusions, and significant judgements.

Para 9 — Record

(a) identifying characteristics of items tested

(b) who performed the work and the date completed

(c) who reviewed the work, and the date and extent of review.

Para 10 — Document discussions of significant matters with management, TCWG and others, including the nature of the matters and when and with whom held. Significant Matters is related to

(a) Risk of Material misstatement

(b) Risk of Fraud

(c) Modified Opinion as per SA 705

(d) Going concern issues

(e) Related party Transactions

(f) Deficiency in Internal controls

Para 12 — Where a relevant requirement of an SA was departed from, document the reason and the alternative procedures performed.

Para 14 — Assemble the documentation in an audit file and complete the administrative process of assembly on a timely basis after the date of the auditor's report.

(a) SQC 1 requires firms to establish policies for the timely completion of assembly. An appropriate time limit is ordinarily not more than 60 days after the date of the auditor's report.

(b) The retention period for audit engagements is ordinarily no shorter than seven years from the date of the auditor's report

Para 15 — After assembly, do not delete or discard documentation before the end of the retention period.

SA 230 Does Not Stand Alone: The Documentation Web

It is a common and costly error to treat documentation as the concern of a single Standard. In practice, SA 230 sets the general rule and roughly a dozen other Standards impose their own specific documentation requirements on top of it. When an auditor is charged with failing to respond to a fraud risk indicator, the only possible defence is a working paper showing what was considered and how it was addressed. The following standards emphasises on the Audit Documentation.

SQC 1 — Firm-level policies for completion of assembly, confidentiality, safe custody, integrity, accessibility and retrievability, and retention of engagement documentation. Also defines the engagement partner — one engagement, one Engagement partner.

SA 220 — Documentation of conclusions on compliance with independence, conclusions on acceptance and continuance of client, the nature, scope and conclusions of consultations and the engagement quality control review was completed on or before the report date.

SA 240 — Documentation of the engagement team discussion on fraud susceptibility, identified and assessed risks of material misstatement due to fraud and communications about fraud with management, TCWG and regulators.

SA 250 — Identified or suspected non-compliance with laws and regulations, and the results of discussion with management, TCWG and, where applicable, outside parties.

SA 260 / SA 265 — Where communication with TCWG was oral, when and to whom it was communicated, retained copies where written. Significant deficiencies in internal control communicated in writing.

SA 300 — Documentation of overall audit strategy, the audit plan, and any significant changes made during the engagement together with the reasons.

SA 315 — Documentation of the team discussion and significant decisions reached; key elements of the understanding of the entity and its components; identified and assessed risks; and risks requiring special audit consideration.

SA 330 — Documentation of Overall responses to assessed risks at the financial statement level; the nature, timing and extent of further procedures and their linkage to assessed risks at assertion level; and the results.

SA 450 — Documentation of the amount below which misstatements are regarded as clearly trivial; all misstatements accumulated and whether corrected; and the conclusion on whether uncorrected misstatements are material, with the basis.

SA 500 / SA 505 — The basis for concluding on reliability of information produced by the entity; and, for confirmations, non-responses, exceptions, and the auditor's conclusions where management refused to permit a confirmation request.

SA 540 — The basis for the auditor's conclusions about the reasonableness of accounting estimates and their disclosure, and — importantly — indicators of possible management bias.

SA 550 — Documentation of the names of identified related parties and the nature of the relationships.

SA 570 — Documentation of Events or conditions casting significant doubt on going concern, and the auditor's evaluation of management's plans.

SA 580 — Written representations, obtained in the form of a representation letter dated as near as practicable to, but not after, the date of the auditor's report.

SA 600 — Procedures performed on and evaluation of the work of other auditors — evidence of review is itself a working paper.

SA 700 / 701 / 705 — Documentation of the basis for forming the opinion; and, for listed entities, the matters determined to be key audit matters and the significant judgements in reaching that determination.

CASE STUDY

Tanglin Developments Limited (FY 2019–20)

NFRA Order No. NF-28/2023 dated 18 August 2023

In April 2022 SEBI shared with NFRA its investigation into the diversion of approximately Rs 3,535 crore from seven subsidiaries of Coffee Day Enterprises Limited to Mysore Amalgamated Coffee Estate Limited (MACEL), an entity owned and controlled by the promoters. Tanglin Developments Limited, a CDEL subsidiary developing IT parks in Bengaluru and Mangaluru, was one of the conduits. Though unlisted, TDL fell within NFRA's jurisdiction under Rule 3 of the NFRA Rules, 2018, having borrowings and deposits of Rs 2,254.46 crore.

NFRA called for the audit file on 26 July 2022. It was submitted on 10 August 2022.

The findings, as recorded in the order, were these:

a. The audit workings were maintained in editable Excel files with no security feature to prevent alteration of audit documentation.

b. The audit file contained fifteen Excel files. All fifteen were found to have been modified between 26 July 2022 — the date NFRA asked for the file — and 10 August 2022, the date it was submitted.

c. the closing memorandum, the audit tracker, and the related party transactions working — were created on 6 August, 10 August and 10 August 2022 respectively, that is, after NFRA had asked for the file.

d. The auditor's report was dated 21 November 2020. Assembly was therefore due by 20 January 2021. Modifications made in July and August 2022 fell some nineteen months outside the assembly window.

e. Separately and independently, NFRA recorded that the name of the engagement team member and the date of performing audit procedures were not mentioned in any of the audit work papers, and neither was the name of the reviewer or the extent of review. Paragraph 9 of SA 230 was therefore breached across the whole file, quite apart from the tampering.

f. With the reply to the show cause notice, the auditors submitted eight further work papers running to 84 pages, explaining that they had inadvertently missed certain evidence as they were not aware of NFRA's expectations in relation to verification of the audit file.

g. The file had been submitted under a notarised affidavit dated 10 August 2022, signed by a partner, certifying that the audit file as defined in SA 230 had been submitted and that the information was true and complete in all respects with nothing concealed. The later production of 84 further pages was held to point to incorrect points in that affidavit.

The auditors argued that SA 230 does not prohibit maintaining editable Excel files, that paragraph 16 permits modification, that they had only formatted the files to make them pleasant to view and easy to reference, that workings kept on loose sheets had been compiled into digital form after receipt of NFRA's notice and that the changes were cosmetic, the contents unchanged.

NFRA's reasoning in rejecting this is worth setting out carefully, because it establishes the operative principles.

1. Paragraph A24 permits modification after the assembly period only to clarify existing audit documentation, including in response to comments received during monitoring inspections by internal or external parties. It is a narrow gateway, not a general licence.

2. Paragraph 16 requires, in every case and regardless of the nature of the change, that the specific reasons be documented together with when and by whom the change was made and reviewed. NFRA examined the file and found no recorded reason or justifying

document at all. The permission in paragraph 16 is conditional, and the condition had not been met.

3. The claim that only presentation changed could not be verified — and this is the sentence practitioners should paste above their desks — because once modifications are made in Excel files, it is impossible to establish what was modified.

4. Creating a new Excel file from workings held on loose sheets is not transcription. NFRA held that the creation of a new work paper from loose sheets is itself proof of tampering of audit documentation.

NFRA held them to be an afterthought to cover up deficiencies in the audit, and treated their production as itself constituting tampering.

Ushdev International Limited (FY 2017–18)

NFRA Order No. 24/2024 dated 21 October 2024

Ushdev International Limited, a Mumbai company, had entered insolvency proceedings in 2018. NFRA examined the statutory audit for FY 2017–18 suo motu under Section 132(4), following a show cause notice of 13 October 2023.

The documentation findings

a. Certain working papers lacked authentication by the preparer.

b. The engagement partner's signatures were undated.

c. Some documents in the file had been prepared by a person who was not a member of the audit team.

Seya Industries Limited (FY 2018–19 and 2019–20)

NFRA order of January 2024

NFRA orders concern auditors who did not, or could not, hand over the file at all.

NFRA found that the auditor failed to submit audit documents despite repeated reminders, together with non-compliance with accounting standards. The consequence was a monetary penalty of Rs 20 lakh reported, and a ten-year debarment of both the chartered accountant and the firm — the maximum debarment available under Section 132(4)(c).

Brightcom Group Limited (FY 2019–20 to FY 2021–22)

NFRA order of 2024

The NFRA findings, as reported, included failure to submit documents to NFRA, the filing of a false affidavit and the continuation of professional services while debarred.

CMI Limited (FY 2019–20 to FY 2021–22)

NFRA order

CMI illustrates the most common shape of a documentation finding

The findings, as reported, were a failure to assess going concern despite declining revenue, profit after tax and net worth, the absence of physical inventory verification and documentation deficiencies.

Six Disciplines for a Defensible File

1. Before closing a working paper, ask whether a competent auditor who has never met this client could follow it without asking you a question. If the answer is no, the paper is incomplete.

2. Record the extent of the review, not merely the fact of it. An undated review sign-off invites the inference that the review followed the report.

3. Move away from freely editable spreadsheets as the system of record. Use software or storage that preserves version history and data. If a regulator or peer reviewer asks when a paper was last modified, you should be able to answer without discomfort — and should be able to prove the answer.

4. Put it in the engagement calendar on the day the report is signed, record the date assembly was completed, and have the engagement partner sign the completion checklist.

5. Discussions with management and TCWG on significant matters need a dated note naming the persons.

6. Retain for seven years, and know where. Retention is meaningless if the file cannot be located and produced on reasonable notice. Test this - pick a file and see how long it takes to produce it complete.

A Self-Test Before You Sign

Six questions we can ask ourselves

1. Who did this work, and when? — Preparer name and date on every working paper (SA 230 para 9).

2. Who reviewed it, when, and how far? — Reviewer name, date and extent (SA 230 para 9), EQCR completion where applicable (SA 220).

3. Why did we select these items? — Identifying characteristics of items tested and the basis of selection (SA 230 para 9(a)).

4. What worried us, and what did we do about it? — Risks identified and responses (SA 315, SA 330), fraud risk work (SA 240), the negative conclusions.

5. What did we discuss, with whom, and when? — Dated file notes of discussions with management and TCWG (SA 230 para 10; SA 260).

6. When was this file closed, and has anything changed since? — Assembly completion date, and, for any later change, reason, date, person and reviewer (SA 230 paras 14 and 16).

Dear Professional Colleagues, compliance of Standards itself is a High Quality work done, Let our Audit files speak, Let our Audit Documentation explain, Let our Work papers clarify and let us complete the Audit Documentation before the Audit report is issued, Lets Comply.

Select Changes in Chapter IV-E of the Income-tax Act, 2025

CA Shreyas U

Introduction

The Income-tax Act, 2025 **(2025 Act)** has come into force with effect from 1 April 2026. It has been consistently stated that the 2025 Act has been enacted to simplify the law relating to income-tax as contained in the Income-tax Act, 1961 **(1961 Act)**, thereby indicating that the exercise was intended to restate and simplify the law in a more accessible form, rather than to introduce substantive policy changes.[1] However, a granular reading of the provisions of the 2025 Act, when juxtaposed with the 1961 Act, suggests that even minor changes in language may alter the understanding that prevailed under the 1961 Act. This article examines certain such changes in Chapter IV-E of the 2025 Act, which deals with capital gains. The discussion is confined to few changes that may have interpretive significance. These issues are discussed below on an issue-by-issue basis.

Basis for determining period of holding and cost of acquisition for securities held in DEMAT form which are not listed on any recognised stock exchange

Section 67(7)(c) provides that the period of holding and the cost of acquisition of securities held in DEMAT form are to be determined on a first-in, first-out (FIFO) basis.[2] At first glance, this appears to be a restatement of the position under the 1961 Act. However, a comparison of the earlier language with the present formulation suggests a potentially significant shift. Under the 1961 Act, the reference was to the "proviso to clause (42A) of section 2", whereas the 2025 Act now refers to "section 2(101)(b)". Although both provisions broadly relate to the period-of-holding requirement for classifying inter alia listed securities as short-term or long-term capital assets, the change in drafting may affect the scope of the FIFO rule. Under the 1961 Act, it could plausibly be argued that the reference in section 45(2A) to the proviso to section 2(42A) was merely a reference to the concept of period of holding embedded in section 2(42A), particularly since a proviso is ordinarily construed as qualifying the main provision rather than as an independent substantive provision.[3] In contrast, under the 2025 Act, the earlier proviso has been recast as a distinct sub-clause with independent statutory standing. Applying a literal rule of interpretation, section 67(7)(c), which mandates determination of period of holding and cost of acquisition on a FIFO basis, may therefore be confined to the class of assets specifically covered by section 2(101)(b). If so, in the case of shares of unlisted companies held in DEMAT form, it may be arguable that an assessee could follow either FIFO or LIFO, provided the chosen method is applied consistently.[4]

Transfer of a capital asset as stock-in-trade by a parent to its wholly owned subsidiary or vice versa may not be taxable under the 2025 Act

A more consequential drafting change appears in sections 70(1)(c) and 70(1)(d) of the 2025 Act, which correspond to sections 47(iv) and 47(v) of the 1961 Act.

[1] See generally, Central Board of Direct Taxes, FAQs on Interplay and Transition, Topic 1, available at https://www.incometaxindia.gov.in/documents/20117/43138/press-release-executive-summary-on-the-comprehensive-simplification-of-the-income-tax-act-1961-new.pdf/e02d10b6-938d-f275-3e74-a167bb838f3f?t=1753871051030 (last accessed 13 July 2026); and CBDT, Press Release: Executive Summary on the Comprehensive Simplification of the Income-tax Act, 1961 (13 February 2025), stating that the simplification exercise was guided, inter alia, by the core principle of not carrying out major tax policy changes, available at https://www.incometaxindia.gov.in/documents/20117/43138/press-release-executive-summary-on-the-comprehensive-simplification-of-the-income-tax-act-1961-new.pdf/e02d10b6-938d-f275-3e74-a167bb838f3f?t=1753871051030 (last accessed 29 August 2026). Also see, Bharat's Commentary on Income Tax, 2026 Edition, Volume 1, pp. 2, 5 under the chapter "History of the Act".

[2] Section 45(2A) of the 1961 Act.

[3] GP Singh, Principles of Statutory Interpretation, 15th ed., p. 153

[4] See Circular No. 704 dated April 28, 1995, which was issued prior to the introduction of section 45(2A) and provided for the application of the FIFO method. The preference for FIFO also accords with general accounting practice, as reflected in AS-14. Ultimately, the position may turn on the principle of consistency, and LIFO could arguably be adopted where that method is consistently followed.

Under the 1961 Act, transfers of a capital asset by a holding company to its wholly owned Indian subsidiary, and vice versa, were not regarded as transfers, subject to a specific proviso that withdrew the exemption where the capital asset was transferred "as stock-in-trade" after 29 February 1988. By contrast, the 2025 Act incorporates the words "not being stock-in-trade" in the main clauses themselves and omits the earlier proviso. The question is whether this reformulation truly carries forward the earlier position, or whether it inadvertently narrows the exception that was earlier intended to apply where the asset, though a capital asset in the hands of the transferor, was taken over as stock-in-trade by the transferee.

The legislative object underlying the proviso to section 47(v) of the 1961 Act was explained in Circular No. 528.[5] The intent, therefore, was not merely to exclude assets that were already stock-in-trade in the hands of the transferor,.[6] but to deny non-recognition treatment where the transferred capital asset was received by the transferee in the character of stock-in-trade. The effect of the proviso was succinctly by Chaturvedi & Pithisaria's Income Tax Law, Eighth Edition as under:.[7]

"It is to be noted that with effect from 1-4-1988, proviso below section 47(v) has been inserted by the Finance Act, 1988 (26 of 1988) which provides that the above exemption provisions shall not apply in case of transfer of a capital asset as a stock-in-trade if made after 29-2-1988. Thus, this provision shall apply only if the capital asset, on its transfer, constitutes stock-in-trade in the hands of the transferee. If it constitutes stock-in-trade in the hands of transferor, but not in the hands of transferee, then this provision shall not apply."

It is in this backdrop that the phraseology of section 70(1)(c)/(d) assumes significance. Under the 1961 Act, the relevant proviso denied exemption where the capital asset was transferred "as stock-in-trade".

The word "as" is used as a preposition to refer to the function or character of someone or something.[8] In ordinary legal usage, the word "as" denotes the character, capacity, or manner in which something is dealt with.[9] In the context of section 47(iv)/(v), "as" was the correct preposition to convey the meaning of the proviso.

By contrast, section 70(1)(c)/(d) of the 2025 Act uses the expression "not being stock-in-trade", which is more naturally read as describing the inherent nature of the asset itself. "Being" in general parlance is understood as the nature or essence of something.[10] The word being, as used in a sense similar to that of the ablative absolute, has sometimes been translated as, "having been"; *but it properly denotes a state or condition existent at the time when the conclusion of law or fact has to be ascertained.*[11]

Given the above discussion, usage of the word "not being" does not seem to be apt for the thought sought to be expressed.

The shift in language may therefore be significant: while the earlier proviso could apply where a capital asset was taken over by the transferee in the character of stock-in-trade, the present clause may be read as excluding only an asset that is itself stock-in-trade ab initio.

If that reading is accepted, the words "not being stock-in-trade" may do little more than state what is already implicit in the expression "capital asset", since stock-in-trade is ordinarily outside that concept. On that construction, the present drafting may fail to capture the mischief at which the 1988 proviso was directed, namely, cases where a capital asset is transferred between a parent and its wholly owned subsidiary but is taken over by the transferee as stock-in-trade. In such a case, there is a tenable argument that the transfer would still satisfy section 70(1)(c) or section 70(1)(d), because the subject-matter transferred remains a capital asset in the hands of the transferor, even though the transferee proposes to hold it as stock-in-trade. Section 71(1) of the 2025 Act cannot apply because it contemplates a conversion of the capital asset into stock-in-trade by the transferee company. The transferee company would not satisfy this requirement where the asset is already held by it as stock-in-trade; there is, in such a case, no subsequent conversion to which section 71(1) could apply.

This gives rise to a possible interpretive anomaly under the 2025 Act: a transfer of a capital asset by a parent to its wholly owned Indian subsidiary, where the asset is received by the subsidiary as stock-in-trade, may arguably still fall within the non-recognition rule. That result would sit uneasily with the legislative object underlying the earlier proviso, which was introduced to prevent avoidance through conversion of the transferred capital asset into stock-in-trade at the point of transfer. For this reason, it may have been preferable for section 70(1)(c)/(d) to retain the earlier formulation using the word "as", which more clearly addresses the character in which the asset is taken by the transferee. Unless this ambiguity is clarified, the present text may leave room for the argument that a transaction intended to be taxable under the 1961 Act is no longer brought to tax under the 2025 Act.

[5] dated 16 December 1988 [1989] 176 ITR (St.) 165 wherein it was explained that "In order to circumvent the operation of Section 47A of the IT Act, transferee holding/subsidiary companies are resorting to a device of converting the capital asset as stock-in-trade at the time of transfer itself. With a view to plug this loophole, a proviso after clause (v) has been inserted in section 47 of the IT Act after 29th February 1988, to its wholly-owned subsidiary company or vice versa will be subject to tax under the head "capital gains" in case where the capital asset is taken over as stock-in-trade by the transferee company at the time of transfer itself"

[6] If the proviso were to be read in this manner, the proviso would have been rendered a surplusage for the fact that Section 2(14) of 1961 Act would have not regarded as such asset as a capital asset in the first instance.

[7] Chaturvedi & Pithisaria's Income Tax Law, Eighth Edition, Volume 5, p. 8097.

[8] Concise Oxford English Dictionary, 12th edition, p. 75.

[9] Advanced Law Lexicon, Seventh Edition, Volume 1, p. 479.

[10] Concise Oxford English Dictionary, 12th edition, p. 123.

[11] Advanced Law Lexicon, Seventh Edition, Volume 1, p. 668.

Supreme Court's judgment in V.S. Dempo: Effectively Overruled?

The Supreme Court in V.S. Dempo[12] drew a distinction between the deeming fiction contained in Section 50 of the 1961 Act and the substantive pre-condition for claiming rollover relief under provisions such as Sections 54E and 54EC. The underlying rationale was that Section 50 was merely a special computational provision: it deemed the gains arising from the transfer of depreciable assets to be gains arising from the transfer of short-term capital assets, but did not deem the underlying asset itself to be a short-term capital asset. Consequently, where the asset was in fact held for the requisite long-term period, the exemption provisions could still apply, since the relevant enquiry under those provisions was whether the asset transferred was a long-term capital asset, and not whether the gain was computed as short-term by virtue of Section 50.

Insofar as this principle is concerned, Section 74 of the 2025 Act is pari materia with Section 50 of the 1961 Act. The 2025 Act retains the basic computational framework embodied in Section 50.

Section 74(1), inter alia, provides that, "irrespective of" anything contained in Section 2(101)[13], the provisions of Sections 72 and 73 shall be subject to Sections 74(2) and 74(3). Sections 74(2) and 74(3) further provide that, where the consideration received on the transfer of assets forming part of a depreciable block exceeds the prescribed base, or where the entire block ceases to exist, the resulting amount "shall be deemed to be capital gains arising from the transfer of short-term capital assets."

Significantly, therefore, the deeming fiction under Section 74 remains materially the same as that contained in Section 50 of the 1961 Act, which was interpreted by the Supreme Court in V.S. Dempo. On this basis, the principle laid down in V.S. Dempo would, at first instance, appear to continue to hold good under the 2025 Act.

The difficulty, however, arises from the change in the language of Section 85.[14] Section 85 substitutes the expression "long-term capital gains arising from the transfer of land or building or both" for the expression "capital gains arising from the transfer of a long-term capital asset, being land, building or both" appearing in Section 54EC of the 1961 Act. It was the latter formulation which, in substance, provided the basis for permitting depreciable assets held for the requisite long-term period to qualify for exemption under Section 54EC, notwithstanding the operation of Section 50 and its treatment of the resulting gains as gains arising from the transfer of short-term capital assets.

At first blush, this change in language may appear merely cosmetic. Section 2(68) of the 2025 Act defines "long-term capital gains" to mean capital gains arising from the transfer of a long-term capital asset, while Section 2(67) defines a "long-term capital asset" negatively, as a capital asset which is not a short-term capital asset. Moreover, although Section 74 expressly operates "irrespective of" Section 2(101), which defines "short-term capital asset", its deeming fiction does not expressly provide that the depreciable asset itself shall be treated as a short-term capital asset. Rather, it provides that the gains arising therefrom shall be deemed to be capital gains arising from the transfer of short-term capital assets.

If this reasoning is accepted, the ratio decidendi of V.S. Dempo would continue to apply: Section 74 would deem the character of the gain, without altering the character of the asset, and the statutory requirement under Section 85 would consequently remain capable of being satisfied by an asset that is, in fact, a long-term capital asset. Thereby, the gain therefrom would still remain long term capital gain under Section 2(68) for all other purposes.

A closer reading of the 2025 Act, however, suggests that the matter may not be so straightforward.

The change in language has been made specifically in Section 85, whereas Section 86[15] continues to employ language referring to the nature of the asset as being long-term. This deliberate difference in drafting raises the question whether the expression "long-term capital gains" in Section 85 is intended to operate according to the general definition in Section 2(68), or whether the context of Section 85 requires that expression to bear a different meaning.

This question assumes significance because the opening provision to the definitions in Section 2 makes those definitions applicable throughout the Act "unless the context otherwise requires". The issue, therefore, is how the requisite context is to be ascertained for determining whether a definition in Section 2 should yield to a context-specific construction.

Justice G.P. Singh, while discussing the principles of statutory interpretation, observes, quoting a judgment of the High Court of Australia, that the modern approach to statutory interpretation "insists that the context be considered in the first instance" and that context must be understood in its widest sense, including "the existing state of the law and the mischief" which the legislation was intended to remedy.[16]

The same principle finds expression in Heydon's Case, where Lord Coke identified four matters to be considered in interpreting a statute: (i) what the law was before the enactment; (ii) what mischief or defect the law did not address; (iii) what remedy Parliament had resolved to provide; and (iv) the true reason for that remedy.[17]

Applying these principles to Section 85, the legislative context surrounding the change in terminology becomes particularly significant. The apparent

[12] CIT v. V.S. Dempo Company Ltd. [2016] 387 ITR 354 (SC).
[13] Corresponds to Section 2(42A) of the 1961 Act.
[14] Corresponds to Section 54EC of the 1961 Act.
[15] Corresponds to Section 54F of the 1961 Act.
[16] G.P. Singh, Principles of Statutory Interpretation, 15th ed., p. 27.
[17] [1584] 76 ER 637. See also G.P. Singh, Principles of Statutory Interpretation, 15th ed., p. 73, where "context" is described as including the statute as a whole, the previous state of law, other statutes in pari materia, the general scope of the statute and the mischief it was intended to remedy.

mischief sought to be addressed was the availability of exemption in respect of gains arising from the transfer of depreciable assets which, by virtue of the deeming fiction in Section 74, are treated as capital gains arising from the transfer of short-term capital assets.

The Ministry of Finance, in its response before the Parliamentary Select Committee, expressly addressed the concern that the proposed change in language from “long-term capital asset” to “long-term capital gain” could affect the availability of exemption in respect of depreciable assets. Its response was:

“The current clause, as drafted in the Bill is clearer and unambiguous in meaning. The deduction under section 54EC is intended only for long term capital gains and not for assets that are long term. The current provisions may be retained. The suggestion has no merits.”[18]

This statement is significant because it directly identifies the legislative distinction between a long-term asset and long-term capital gains, and indicates that the intended scope of Section 85 was confined to the latter.

The relevance of such legislative material is supported by the Supreme Court’s judgment in Kalpana Mehta.[19] Chief Justice Dipak Misra recognised that Parliamentary Committee reports and speeches may be consulted to ascertain the circumstances leading to the enactment of legislation and, where the meaning of a provision is unclear or ambiguous, to ascertain legislative intent. The Court observed that such reports may assist in appreciating the historical background of a statutory provision and may be referred to where there is ambiguity or incongruity in the enactment.[20]

The Select Committee’s response is therefore relevant not merely as an extraneous statement of legislative intention, but as evidence of the particular mischief that the revised formulation in Section 85 was intended to address.

In the author’s view, therefore, the amendment to Section 85 ought to be understood against this legislative background. Although Section 74 retains substantially the same deeming fiction as Section 50, the expression “long-term capital gains” in Section 85 should, in its specific statutory context, be understood as excluding gains which are deemed to be short-term capital gains by virtue of Section 74.

On this construction, V.S. Dempo would not necessarily stand expressly overruled. Rather, its underlying proposition—that a deeming provision such as Section 50 alters the character of the gain for computational purposes without converting the underlying asset into a short-term capital asset—would continue to hold good. What would change is the consequence of that proposition for the availability of relief under Section 85, because Section 85 now makes the character of the gain, rather than merely the character of the asset, the relevant statutory criterion.

This distinction may ultimately prove decisive. The 2025 Act preserves the deeming fiction considered in V.S. Dempo, but simultaneously alters the language of the exemption provision in a manner that appears designed to deny relief where the gains themselves are deemed to be short-term. In that sense, the better characterisation may be that V.S. Dempo has not been overruled in principle, but its application to the new Section 85 has effectively been legislatively displaced.

One may, of course, contend that if Parliament intended to achieve this result, it ought to have amended Section 74 itself by expressly deeming the depreciable asset to be a short-term capital asset, in addition to deeming the resulting gains to be gains arising from the transfer of short-term capital assets. Such drafting would have placed the matter beyond doubt. Nevertheless, that argument may not ultimately prevail if the Court is persuaded that the altered language of Section 85, read in its statutory and legislative context, was deliberately intended to address precisely the situation contemplated in *V.S. Dempo.*

This is ultimately an application of the mischief rule: where two constructions are possible, the Court would prefer the construction that suppresses the mischief and advances the remedy which Parliament intended to provide.[21]

That said, it may still be arguable that V.S. Dempo (supra) remains relevant in the context of the applicable rate of tax under Section 197 of the 2025 Act, which continues to prescribe the rate by reference to the nature of the asset transferred, i.e., “any income arising from the transfer of a long-term capital asset”. On that basis, the ratio of the Mumbai Income-tax Appellate Tribunal in SKF India[22] may continue to hold good under the 2025 Act.

Section 73 of the 2025 Act dealing with cost of acquisition in certain scenarios

Section 73 of the 2025 Act23 titled “cost with reference to certain modes of acquisition” prescribes the cost of acquisition of a capital asset in various scenarios, including assets acquired pursuant to gift or inheritance, amalgamations, demergers, shares acquired pursuant to exercise of ESOPs, assets which have been subjected to tax under section 92(2)(m)[24] and so on. The provisions are pari materia with the erstwhile provisions, except for the tabular form of arrangement. While a few transactions listed therein have no specific reference to any section, such as the items in clauses (a) to (d) of Sl. No. 1 of the Table, the other entries refer only to provisions of the 2025 Act and do not refer to the corresponding provisions of the 1961 Act.

[18] Report of the Select Committee Report on Income-tax Bill, 2025 on pp. 892-893, available at https://prsindia.org/files/bills_acts/bills_parliament/2025/Select_Committee_Report_the_Income-Tax_Bill,2025.pdf (last accessed on 29 August 2026).

[19] Kalpana Mehta v. Union of India [2018] 7 SCC 1 (SC), para 117 of the CJI’s judgment.

[20] For a detailed discussion, see K.N. Chaturvedi, Interpretation of Taxing Statutes, 2nd ed., pp. 55–62.

[21] G.P. Singh, Principles of Statutory Interpretation, 15th ed., p. 96.

[22] SKF India v. DCIT [2025] 121 ITR(T) 307 (Mum.)(SB), where the majority held in favour of the applicability of Section 112 of the 1961 Act to depreciable assets, with one member dissenting.

[23] Corresponds to Section 49 of the 1961 Act.

[24] Corresponds to section 56(2)(x) of the 1961 Act.

To illustrate, consider Sl. No. 17 of the Table under section 73(1), which deals with a capital asset being property where the capital gain arises from the transfer of such property, the value of which has been subject to income-tax under section 92(2)(m). The cost of acquisition of such property is the value taken into account under section 92(2)(m). Assume that Mr. A received shares of A Ltd. as a gift from his friend, Mr. B, on 28 September 2025, when the transaction was governed by the 1961 Act and the value of such shares would have been subjected to tax under section 56(2)(x). What would be the cost of acquisition of the shares when they are subsequently transferred? Would Sl. No. 1 or Sl. No. 17 of the Table apply?

If the provision is read literally, the cost of acquisition may not be the fair value of the property on which tax was paid under section 56(2)(x), but may instead be restricted to the cost to the previous owner under Sl. No. 1 of the Table. This issue also has an interplay with the provisions of the General Clauses Act, 1897 (GCA), to which I shall return shortly.

If read in this manner, section 73 may produce varying results—sometimes in favour of the assessee and sometimes to the assessee's detriment, as in the gift example above. An example where the assessee may be entitled to claim a higher cost base is Sl. No. 2, which deals with the cost of acquisition of shares of an amalgamated company received pursuant to a tax-neutral amalgamation. Where the amalgamation is exempt from the operation of section 67 by virtue of section 70(1)(f), the cost of acquisition is taken to be the cost of the shares of the amalgamating company.

Assume that the amalgamation had taken place and been effected when the 1961 Act was in force and exemption had been claimed under section 47(vii). What would be the cost of acquisition of the shares of the amalgamated company when they are subsequently transferred? On first principles, the cost of acquisition should arguably be the FMV of the shares of the amalgamating company given up,[25] plausibly as on the appointed date, since the scheme is deemed to take effect from that date for all purposes.[26] Here, the absence of an express reference to the corresponding provisions of the 1961 Act may operate in favour of the assessee, who may contend that the FMV constitutes the cost of acquisition.

Given the constraints of space, it is not proposed to examine the possible implications of each of the entries in section 73. The foregoing examples, however, illustrate the interpretational difficulty arising from the manner in which the provision has been drafted.

At this point, it is relevant to consider section 536 of the 2025 Act, titled "Repeals and savings". Section 536(1) deals with repeal of the 1961 Act, while section 536(2) sets out various savings in relation to matters arising under the repealed legislation. Section 536(4) further provides that, without prejudice to section 536(2), section 6 of the GCA shall apply with regard to the effect of the repeal.

Section 536(2)(b) provides that the repeal of the 1961 Act shall not affect any right, privilege, obligation or liability acquired, accrued or incurred under the 1961 Act or any order made under that Act. A question therefore arises whether claiming an exemption under section 47 of the 1961 Act in respect of a non-taxable transfer would result in the assessee acquiring a right, privilege, obligation or liability to determine the cost of acquisition in accordance with section 49 of that Act. Similarly, where an assessee was subjected to tax on an ESOP perquisite under section 17(2)(vi) of the 1961 Act, did a corresponding right accrue in his favour to claim the FMV of the shares as on the date of exercise as the cost of acquisition under section 49(2AA)?

The subsequent clauses of section 536(2), however, make the position less straightforward. For instance, clause (q) specifically deals with profits or gains arising from the transfer of a capital asset which were not charged under the head "Capital gains" by virtue of section 47(iv), (v), (xiii), (xiiib) or (xiv) of the 1961 Act. It provides that such profits or gains shall be deemed to be income chargeable under the head "Capital gains" under the 2025 Act for the tax year in which the specified conditions are subsequently breached.[27]

The corresponding provisions continue to operate under the 2025 Act and are now contained in section 71. However, section 71 refers to exemptions under the corresponding provisions of the 2025 Act and does not expressly refer to the provisions of the 1961 Act. Does this suggest that, wherever Parliament intended the provisions of the repealed legislation to continue to operate, an express reference was considered necessary? If so, could the absence of such a reference in section 73 indicate that section 536(2) does not provide a complete answer to the issue under consideration?

This could potentially leave room for more than one view regarding the cost of acquisition in situations covered by section 73 where the relevant exemption was claimed, or tax was imposed, under the 1961 Act. Depending on the provision involved, the resulting cost could arguably be the FMV, the cost to the previous owner, or even an indeterminable or nil amount.

One may further contend that section 536 should not, by itself, prevent an assessee from claiming a cost different from that specified in section 73, particularly in light of the drafting of other provisions of the 2025 Act. For instance, section 39, which deals with actual cost, expressly refers in Sl. No. 9 of the Table under section 39(4) to a situation where an asset used in a business ceases to be used for scientific research relating to that business and a deduction was allowable under section 33(3). In such a case, the actual cost is required to be reduced by the deduction allowed for the capital asset under section 45(1)(a)(i) or **under**

[25] See generally, Sarjit Ghanshyam Desai v ITO [2026] 186 taxmann.com 732 (Mumbai - Trib.), Kamlesh Pukhraj Talera v DCIT [TS-1262-ITAT-2026(Bang)](para 27).
[26] See Marshall Sons & Co. (India) Ltd. v ITO [1997] 223 ITR 809 (SC)
[27] Except for Section 71(1) of the 2025 Act which reverts taxation back to the year of original transfer.

section 35(1)(iv) of the 1961 Act. Similarly, section 41 dealing with determination of WDV, section 74 dealing with capital gains on depreciable assets and section 81 dealing with advance money forfeited also contain express references to the 1961 Act.

Strictly speaking, section 536(4) may also not come to the rescue. Section 6 of the GCA deals with the effect of repeal, but section 536(2) itself contains detailed and specific savings provisions dealing with the consequences of repeal. It may therefore be difficult to invoke section 536(4) to supplement section 536(2) in a manner that overrides or expands the specific scheme enacted therein.

At this juncture, it is pertinent to refer to section 24 of the GCA. It reads as follows:

"Continuation of orders, etc. issued under enactments repealed and re-enacted

24. Where any [Central Act] or Regulation, is, after the commencement of this Act, repealed and re-enacted with or without modification, then, ***unless it is otherwise expressly provided,*** *any [appointment, notification,]* ***order****, scheme, rule, form or bye-law, [made or] issued* ***under the repealed Act*** *or Regulation, shall, so far as it is not inconsistent with the provisions re-enacted, continue in force,* ***and be deemed to have been [made or] issued under the provisions so re-enacted,*** *unless and until it is superseded by any [appointment, notification], order, scheme, rule, form or bye-law, [made or] issued under the provisions so re-enacted [and when any [Central Act] or Regulation, which, by a notification under section 5 or 5A of the Scheduled Districts Act, 1874, (14 of 1874), or any like law, has been extended to any local area, has, by a subsequent notification, been withdrawn from re-extended to such area or any part thereof, the provisions of such Act or Regulation shall be deemed to have been repealed and re-enacted in such area or part within the meaning of this section."*

(Emphasis supplied)

Section 24 of the GCA, insofar as relevant to the issue under discussion, provides that an order made under the repealed Act shall, so far as it is not inconsistent with the provisions re-enacted, be deemed to have been made under the provisions so re-enacted. This is, however, subject to the re-enacted legislation providing otherwise expressly.

In the present context, application of section 24 could result in orders—including assessment orders—made under the 1961 Act being treated as orders made under the corresponding provisions of the 2025 Act. Consequently, even where an order under the 1961 Act had allowed an exemption or subjected a particular item to tax under a provision of that Act, such exemption or tax treatment could, arguably, be regarded as having been made under the corresponding provisions of the 2025 Act.

If this interpretation is accepted, the apparent difficulty in applying section 73 substantially disappears. In this regard, the judgment of the Supreme Court in *Poonjabhai*[28] is instructive. In *Poonjabhai*, the assessee had claimed a deduction for bad debts under section 10(2)(xi) of the (Indian) Income-tax Act, 1922 (1922 Act). The debts were subsequently recovered after the 1922 Act had been repealed and the 1961 Act had come into force. At the time of recovery, the business carried on by the assessee had ceased to exist. Section 41(4) of the 1961 Act dealt with the taxability of recovered bad debts; however, the provision, referred only to bad debts in respect of which a deduction had been allowed under section 36(1)(vii) of the 1961 Act. It did not expressly refer to deductions allowed under the corresponding provision of the 1922 Act.

The assessee therefore contended that the recoveries could not be brought to tax under section 41, since the deduction had been allowed under the 1922 Act and not under section 36(1)(vii) of the 1961 Act.29 The Supreme Court rejected this contention. It held that the order of the Income-tax Officer under section 10(2)(xi) of the 1922 Act allowing the deduction was, by virtue of section 24 of the GCA, to be treated as an order made under section 36(1)(vii) of the 1961 Act. Consequently, the subsequent recovery of the bad debt was held to be taxable under section 41(4) of the 1961 Act.

The significance of *Poonjabhai* lies in the fact that the Supreme Court applied section 24 of the GCA notwithstanding the absence of an express reference to the corresponding provision of the repealed legislation in the re-enacted provision. In other words, the fact that the original deduction had been allowed under the repealed 1922 Act did not prevent the subsequent provision of the 1961 Act from operating; section 24 treated the earlier order as having been made under the corresponding provision of the re-enacted legislation. By analogy, an order under the 1961 Act allowing an exemption or subjecting an item to tax could, subject to the provisions of section 24, be regarded as having been made under the corresponding provisions of the 2025 Act. If so, the absence of an express reference to the 1961 Act in section 73 may not, by itself, create the difficulty considered above.

One aspect that merits emphasis is that the 1961 Act did not contain equally elaborate repeal and savings provisions. Section 297 primarily dealt with matters relating to assessments for years governed by the 1922 Act. While section 297(2)(k) contained a provision similar to section 24 of the GCA, and a corresponding provision has been carried forward in section 536(2)(j) of the 2025 Act, the 1961 Act did not expressly address, in detail, the treatment of deductions allowed under the 1922 Act and the subsequent consequences arising therefrom, such as the recovery of bad debts. The 2025 Act, in contrast, expressly addresses such matters in section 536(2)(h).

This difference in legislative drafting raises a question as to whether the express treatment of such matters in section 536(2) indicates an intention to deal comprehensively with the consequences of repeal, thereby limiting the scope for invoking section 24 of the GCA. Put differently, could the express

[28] Poonjabhai Varmalidas v CIT [1990] 186 ITR 572 (SC).

[29] Here it may be noted that such recovery of bad debts does not represent income in its natural sense, for these are mere windfalls lacking a definite source to be regarded as income. However, section 2(24)(v) explicitly includes these items within the ambit of income, to the extent covered under Section 41.

savings provisions in section 536 be regarded as provisions which, in the circumstances contemplated by section 24 of the GCA, are "otherwise" provided for, or render the application of section 24 inconsistent with the provisions re-enacted? This assumes significance because section 24 itself operates only "so far as it is not inconsistent with the provisions re-enacted".[30]

The qualification embedded in section 24 has itself been recognised as a source of uncertainty in its practical application. It has been suggested that provisions such as section 24 may create uncertainty because of the need to determine whether an existing order, rule or other instrument is "inconsistent" with the re-enacted legislation. One suggested legislative solution is to repeal such general saving provisions and instead identify and incorporate in the re-enacted legislation the rules, orders and other instruments intended to continue in force, with such modifications as may be necessary—a course which may be more practicable in the present age of electronic databases.[31]

Against this backdrop, the question in the present context is whether section 536 should be viewed as an exhaustive code governing the transition from the 1961 Act to the 2025 Act, or whether section 24 of the GCA can continue to operate in areas not expressly or inconsistently dealt with by section 536. The answer to this question may have a direct bearing on whether the orders made under the 1961 Act can be treated as having been made under the corresponding provisions of the 2025 Act for the purposes of section 73.

The author would, therefore, leave this issue open for deliberation as to whether, in the context of the 2025 Act, the continuity contemplated under section 24 of the GCA and/or the specific saving provision in section 536(2)(j) should govern. The question is not merely one of reconciling two saving provisions, but also of determining the scope of the expression "order" used therein. The issue assumes significance because "order" appears alongside expressions such as "agreement", "circular", "direction", "instruction", "notification", "approval", "recognition", "scheme", "rule", "form" and "bye-law". Could such a grouping invite the application of the principle of noscitur a sociis, thereby requiring the expression "order" to be understood in the context of the words with which it is associated, and consequently in a manner narrower than the meaning attributed to it by the Supreme Court in Poonjabhai? Equally, would such an approach be justified when the Supreme Court has already recognised the operation of section 24 in the context of an assessment order made under the repealed enactment? These questions remain open, and their resolution may ultimately require the imprimatur of the courts. In the context of repeal and re-enactment, however, courts may be inclined to prefer an interpretation that preserves continuity of legal operation over one that produces a legislative hiatus, practical deadlock, or disruption in the working of the statute.

[30] One interesting aspect may be noted. The proviso to Section 10(2)(xi) of the 1922 Act was akin to Section 41(4), subject to one distinction: the former did not cover recoveries of bad debts after cessation of the business carried on by the assessee, as held by the Supreme Court in CIT v. Express Newspapers Ltd. [1964] 53 ITR 250 (SC) in context of similar provision under section 10(2)(vii) of the 1922 Act. Section 41(4), in a sense, expanded the scope of the provision by expressly including the words "whether the business or profession in respect of which the deduction has been allowed is in existence in that year or not." Notwithstanding this background, the Supreme Court held that there was no inconsistency between Section 10(2)(xi) and Section 41(4). The point to be noted is that the Supreme Court examined inconsistency with reference to the relevant provisions themselves, and not with reference to the 1961 Act and the 1922 Act as a whole (see para 7 in 186 ITR 572).

[31] Robert A. Duperron (Chief Legislative Editor, Department of Justice, Canada), "Interpretation Acts—Impediments to legal certainty and Access to the Law", 26 (2005) Statute Law Review 64, p.67.

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The schedule is as follows:

Series - I

Date	Subject	Time
09.09.2026 Wednesday	Paper-1: Financial Reporting	2:00pm to 5:00pm
11.09.2026 Friday	Paper-2: Advanced Financial Management	
15.09.2026 Tuesday	Paper-3: Advanced Auditing, Assurance and Professional Ethics	
17.09.2026 Thursday	Paper-4: Direct tax Laws & International Taxation	
19.09.2026 Saturday	Paper-5: Indirect Tax Laws	
21.09.2026 Monday	Paper-6: Integrated Business Solutions (Multidisciplinary Case Study with Strategic Management)	

Series - II

Date	Subject	Time
23.09.2026 Wednesday	Paper-1: Financial Reporting	2:00pm to 5:00pm
26.09.2026 Saturday	Paper-2: Advanced Financial Management	
28.09.2026 Monday	Paper-3: Advanced Auditing, Assurance and Professional Ethics	
30.09.2026 Wednesday	Paper-4: Direct tax Laws & International Taxation	
03.10.2026 Saturday	Paper-5: Indirect Tax Laws	
05.10.2026 Monday	Paper-6: Integrated Business Solutions (Multidisciplinary Case Study with Strategic Management)	

Mock Test Registration Details

- **Fee:** ₹100 per subject
- **Registration Link:** https://bosmtp.icai.org/mocktest/pou

Please Note:

- Registration is on a first-come, first-served basis. Kindly register at least one day in advance.
- Spot registrations will not be permitted.
- Registration is online only. Offline registrations will not be accepted.
- Fees once paid are non-refundable.
- For queries, email blrstudentevents@icai.org or call 080-4394 4868 / 4876 or 9880007904.
- Venue: ICAI Bhawan, #16/O, Millers Tank Bed Area, Vasanth Nagar, Bengaluru – 560052

CA. Kavitha Paramesh
Chairperson

CA. Shripad H N
Secretary

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

BENGALURU BRANCH (SIRC)

- **ICAI Bengaluru Branch – Coaching Classes Announcement**

The ICAI Bengaluru Branch is pleased to announce that it is organizing coaching classes for:

- **CA Foundation**
- **CA Intermediate**

ADMISSIONS OPEN FOR SUBJECTWISE COACHING

In pursuance of our objective to provide fruitful and quality teaching to our students, we are pleased to inform you that PHYSICAL coaching classes for CA FOUNDATION & CA INTERMEDIATE students.

Why you Should Choose ICAI – Bengaluru Branch

Salient Features

- Experienced, expert, and dedicated faculty members
- Concept-oriented teaching methodology
- Affordable coaching fees
- Library and reading room facilities
- Mock tests, revision classes, crash courses
- Quiz programmes and classroom presentations
- The journey of a CA student with the Bengaluru Branch will be enriched with numerous knowledge-oriented activities, motivational sessions, and orientation programmes. Students will receive guidance from our senior members, renowned faculty, and experienced resource persons to make their academic journey productive and fruitful.
- It is a golden opportunity to be part of the Bengaluru Branch by enrolling as a student and progressing towards becoming a prestigious member of this esteemed profession.

Online Registration Now open!

Course	Fees	Starting Dates	Timings
CA Foundation	Rs. 15,000/- (Including Crash Course)	**Starting in December 2026, for the May 2027 Exams.**	04.30pm to 07.30pm (Monday to Saturday) 8.00am to 2.00pm (Sunday) (Evening batch)
CA Intermediate	Rs. 25,000/- for Both Groups Rs. 15,000/- for Single Group (Including Crash Course) Rs. 6000/- for Single Subject	**Starting from 17th Sep. 2026 for May 2027 Exams. First, we will start with Group II, and after that, we will proceed to Group -I**	7:00am to 10:00am (Monday to Saturday) 7:00am to 2:00pm (Sunday) (Morning batch)

Registration Fees - Mode of payment: Cash / Online www.bangaloreicai.org
Email: blrstudentevents@icai.org | Website: www.bangaloreicai.org
Venue: ICAI Bhawan", 16/O, Miller's Tank, Bed Area, Vasanthanagar, Bengaluru -52
Please Note: 1) Fees once paid will not be refunded.
2) Tentative scheduled faculty may change due to non availability at that point of time.
3) In case of less registration, it may be changed or cancelled.

CA. Kavitha Paramesh
Chairperson

CA. Shripad H N
Secretary

For further details /Queries
Pls call 080 - 4394 4868 /4876
Mob: 9880007904

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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BENGALURU BRANCH (SIRC)

BENGALURU BRANCH ICAI IS ORGANISING CA INTERMEDIATE COACHING CLASSES FOR MAY 2027 EXAMS – PHYSICAL

Schedule from: 17.09.2026 to 19.03.2027

Timings 7:00am to 10:00am (Monday to Saturday)

7:00am to 2:00pm (Sunday)(Morning batch)

Tentative scheduled faculty may change due to non availability at that point of time

REGISTRATION OPEN FOR CA INTERMEDIATE COACHING CLASSES FOR MAY 2027 EXAMS

Registration Now open!

GROUP – II

Subject and dates	Faculty name
Paper-5: Auditing and Ethics **Dates: 17.09.2026 to 13.10.2026**	**CA. VIKAS OSWAL**  **CA. POOJA KATRI** 
Paper-4: Cost and Management Accounting **Dates: 14.10.2026 to 18.11.2026**	**CA. NARENDRA KUMAR B**  **CA. PUNITH KUMAR N** 
Paper-6 Section A: Financial Management **Dates: 19.11.2026 to 02.12.2026**	**CA TRILOK CHANDRA** 
Paper-6 Section B: Strategic Management **Dates: 03.12.2026 to 14.12.2026**	**CA. RAKSHA KUTHNIKAR** 

GROUP – I

Subject and dates	Faculty name
Paper - 1 : Advanced Accounting **Dates: 15.12.2026 to 18.01.2027**	**CA. MURALI NAGARAJ** **All-India Rank Holder** 
Corporate and Other Laws **Dates: 19.01.2027 to 07.02.2027**	**CS. BHARATH K L** 
Paper-3: Taxation **A: Income Tax Law** **Dates: 08.02.2027 to 02.03.2027**	**CA. PRASHANTH S BHARADWAJ** 
Paper-3: Taxation **Section B: Goods and Services Tax** **Dates: 03.03.2027 to 19.03.2027**	**CA. VENKATA KRISHNA KOTHARI** 

Course	Fees	Timings
CA Intermediate	Rs. 25,000/- for Both Groups Rs. 15,000/- for Single Group (Including Mock Test and Crash Course) Rs. 6000/- for Single Subject	Registration Fees - Mode of payment: Cash / Online www.bangaloreicai.org Note: 1) Fees once paid will not be refunded. For further details /Queries Pls call 080 - 4394 4868 /4876 Mob: 9880007904 Email: blrstudentevents@icai.org

Venue: ICAI-Bengaluru Branch (SIRC)'ICAI BHAWAN' #, 16/O, Millers Tank Bed Area,Vasanth Nagar, Bangalore - 52.

CA. Kavitha Paramesh Chairperson	CA. Shripad H N Secretary

SAMVAADA - Two Days' Conference on 21st & 22nd August 2026

Day 1 - Inauguration Session




Inauguration of the Conference by Lighting the Lamp


CA Kavitha Paramesh, Chairperson, Bengaluru Branch (SIRC)

Chief Guest Shri. D. K. Shivakumar, Hon'ble Chief Minister of Karnataka

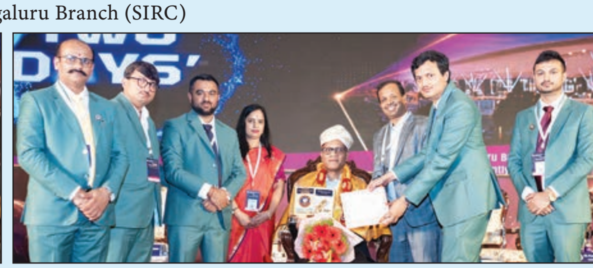
Guest of Honour CA Rostow Ravanan

CA Shripad H N, Secretary, Bengaluru Branch (SIRC)

CA Pramod Hegde, Secretary, SIRC of ICAI

CA Tuppad Virupakshappa Muppanna, Vice Chairman Bengaluru Branch (SIRC)

Shri. Priyank Kharge, Home Minister of Karnataka and Shri. A. S. Ponnanna, MLA

Felicitation to Chief Guest Shri. D. K. Shivakumar, Hon'ble Chief Minister of Karnataka

SAMVAADA - Two Days' Conference on 21st & 22nd August 2026

Day 1 – Technical Sessions


Panelist CA K. Raghu, Member, Appellate Authority CAs, CS & CMA (Past President of ICAI)


Panelist CA (Dr.) Debashis Mitra, Past President, ICAI


Panelist CA Aniket Talati, Past President, ICAI


CA Vivek Mallya, Panelist


CA Lavanya Pachisia, Panelist


CA Guna Tantry, Panelist


CA Ravi Bhamidipaty, Panelist


CA Raghavendra G S., Moderator


CA A. Jatin Christopher, Speaker


CA Sandeep Chalapathy, Speaker


Mr. Saumil Shah, Speaker


Adv. Shreyas Jayasimha, Panelist


Adv. K G Raghavan, Panelist


CA (Adv) S S Naganand, Panelist


CA Pramod Srihari, Moderator


CA Raghav Bansal, Panelist


CA Krunal Jogani, Panelist


CA Varun Nirmal, Moderator


Felicitation to CA K. Raghu, Member, Appellate Authority CAs, CS & CMA (Past President of ICAI)


Felicitation to CA Aniket Talati, Past President, ICAI


Felicitation to CA (Dr.) Debashis Mitra, Past President, ICAI

Day 2 – Inauguration Session

SAMVAADA - Two Days' Conference on 21st & 22nd August 2026

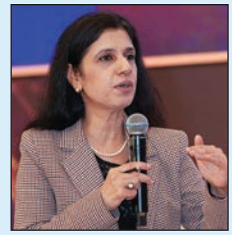
Day 2 – Technical Sessions


Rtn. Ravishankar Dakoju, Speaker


CA Vijay Tadimalla, Moderator


CA M. P. Vijaykumar, Panelist


CA Mohan R Lavi, Panelist


CA Archana Bhutani, Panelist


CA Anjan Babu, Moderator


CA Pranav Dholakia, Panelist


CA Amith Raj, Panelist


Mr. Rajesh Subramanian, Panelist


CA Siddarth Pai, Panelist


Adv. Amit Khemka, Panelist


CA (Dr.) Ashwani Taneja, Panelist


Panelist Dr. Dheeraj Bhatnagar, IRS, Member, Securities Appelliate Tribunal


Adv. Tanmayee Rajkumar, Moderator


CA H. Padamchand Khincha, Panelist


CA (Adv) A Shankar, Panelist


CA (Dr.) K R Pradeep, Panelist


CA (Adv) K. K. Chythanya, Panelist


CA Naveen Khariwal G., Moderator

Day 2 – Entertainment


Chief Guest Karunada Chakravarthy Dr. Shiva Rajkumar


Felicitation to Chief Guest Karunada Chakravarthy Dr. Shiva Rajkumar


Felicitation to CA Niranjan Prabhu A


Mr. Naveen Sajju, Singer


Mr.Karthik Matagodu


Mr. Veeresh Havaragi

(NamduK Kannada Comedy)

SAMVAADA - Two Days' Conference on 21st & 22nd August 2026

65th Campus Orientation Programme for Newly Qualified Chartered Accountants


Inauguration of Programme by lighting the lamp


CA Kavitha Paramesh, Chairperson, Bengaluru Branch (SIRC)


CA Shripad H N, Secretary, Bengaluru Branch (SIRC)


CA Arpit Kabra, Convener, ICAI Placement Directorate


CA Rajesh Sharma, Deputy Convener, ICAI Placement Directorate


CA Madhukar Hiregange, Central Council Member


CA Vinay Bhat T


CA Navel Kishore Bajaj


CA Ganesh B N


CA Venkatesh Padiyar


Dr. Nimisha Jariwala


Mr. Virinchi Nandula


Participants

Certification Course on AI for CAs from 1st Aug. to 3rd Aug. 2026

Study Circle Meeting


CA Vinay K S

Certification Course on AI for CAs from 7th Aug. to 9th Aug. 2026

Certification Course on AI for CAs from 24th Aug. to 26th Aug. 2026

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