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KALYAN DOMBIVLI BRANCH OF WIRC OF ICAI

e-newsletter

"INVEST FOR THE LONG HAUL.

DON'T GET TOO GREEDY AND DON'T GET TOO SCARED."

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LEAP TOWARDS EXCELLENCE, ACHIEVEMENT AND DEVELOPMENT

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Message from Branch Chairman CA Kaushik Gada

Chairperson Ke Dil ki Baat....

My Dear Friends,

May month is one of hottest month across the country. We also have witnessed the highest temperature of upto 44~ Degree. It was as high as 51~ Degree in Gujarat a few days back. This is all due to climate change and the carbon emissions which is happening due to excessive use of gadgets, environmental changes and many other reasons caused by we human beings. We have a serious problem to solve.

This is one the months, where many of our professional colleagues are a bit relaxed and take a family break to refresh themselves and get ready for the next season of returns filing. Also, the CA exams have started this month. This time, the number of exam centres have been reduced considerably. This is a matter of concern of us, as students appearing for exams have reduced.

Also, the Russia-Ukraine war has extended far beyond everyone's expectations, impacting the world economy in many ways. The Global Stock markets have started correcting, oil imports have become expensive, some countries have stopped exports of grains. The Indian stock market have corrected by almost 20-30% from the high levels, giving a good opportunity to invest. However, many of us still are fearful and waiting for more corrections and waiting for the bottom, so as to invest. Which no one can predict or time the market. The biggest IPO of the country -LIC was listed may be at the wrong time and so it did not have a profitable listing, as expected by people.

Branch had planned for a session on Cryptocurrency, a topic which many of us are interested to learn, as it is one of trending thing of the recent past in the investment asset class. It was well received by the participants and very well appreciated by all.

Branch is revamping its website and giving it a vibrant look, so that all the program updates and events are updated to all the members and students. The team is working closely with the vendors to get it operational very soon and also planning to launch the App.

This month is being celebrated as the RERA month and in line with it, Branch has planned a full day session of Real Estate, jointly with MCHI, the body of builders in Kalyan and Dombivli. It will cover Rera, forms and taxation related to real estate.

Lastly, this month was full of excitement in the stock market and personally I feel this year 2022, the stock markets are going to be volatile, as suggested by the experts. This year is an opportunity to buy good quality stocks at every dip and have patience to build wealth.
Stay Tuned...

Wishing you a happy reading and a healthy and safe days ahead.

Yours in Service...

CA. Kaushik Gada
Chairperson 2022-23
Kalyan Dombivli Branch of WIRC of ICAI

Message from Central Council Member

CA Priti Paras Savla

Social Stock Exchange & accomplishment of Sustainability Development Goals (SDGs)

Non Profit Organisations (NPOs) are playing an important role in helping out the common man with their rightful demands and also try to help needy people in every possible way. They work to address various concerns and issues prevailing within the society.

In order to gain economic sustainability, NGOs work with the objective to help reduce poverty, promote education, create jobs, and promote income generation, reduce inequalities, clean water, climate action etc. COVID-19 pandemic has led to a significant rise in government fiscal spending in India. But even this spending will not be enough for India to meet the United Nations' Sustainable Development Goals (SDGs) by 2030.

But while impact investment in India has been growing over the last few years, it is still nowhere near those levels, and the country's social enterprises face substantial financing gaps of their own. It is difficult for the government to address this financing gap. This increases the need for private investors to get involved and reduce the burden on the government to achieve the SDGs.

One way for the country to address this need is by setting up a social stock exchange (SSE).

The Hon'ble Finance Minister as part of the Budget Speech for FY 2019-20 had proposed to initiate steps towards creating an electronic fund raising platform – a social stock exchange, under the regulatory ambit of Securities and Exchange Board of India, for listing social enterprise and voluntary organizations so that they can raise capital as equity, debt or as units like a mutual fund.

Subsequently SEBI has constituted a Working Group (WG) & Technical Group (TG) consisted of representatives of stakeholders active in the space of social welfare, social impact investing, representatives from Ministry of Finance, the stock exchanges, ICAI and NGOs which has outlined its vision for SSE making certain high level recommendations.

Once established, the SSE will act as a trading platform to raise capital for social enterprises transparently and efficiently, making various fundraising instruments available under the regulatory guidelines for these enterprises.
Eligible social enterprises can include both non-profit organizations (NPO) and for-profit enterprises (FPE) with social intent and impact as their primary goals. They must be engaged in one of the 15 broad social activities approved by the Securities and Exchange Board of India.

The Social Stock Exchange will provide these enterprises with improved market access and visibility among investors using the SSE platform, giving them the opportunity to raise capital through impact investing, philanthropy, corporate social responsibility and government funding. The Group has recommended the eligibility of SEs, qualifying criteria for registration, instruments available for NGOs & FPEs, social impact funds, capacity building fund, disclosure requirements, social audits minimum reporting requirements, possible means/ mechanisms of raising finance, standardization of financial reporting by NPOs, creation of separate Self-Regulatory Organizations (SROs) for Social Auditors etc.

The SSE will also establish minimum reporting standards and metrics for social impact assessment for all enterprises listed on the exchange, which are likely to improve market discipline and encourage healthy competition among social enterprises to achieve impact goals.

The SSE will also safeguard the interests of investors. It will reduce an information asymmetry that has held back the current impact investing market, by making investors aware of financially attractive and impactful social enterprises.

Several comments were received on the recommendation of WG & TG which were largely from NGOs, professional firms, Institutions, Academicians including MoF. The comments are largely in support of the recommendations of the TG and also in additional support to the proposals.

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Historical evolution of stock market in India

18th Century

Indian stock market started in around the 18th century, when East India Company used to transact loan securities.

1830

Trading on corporate stocks and shares in Banks and cotton press started in Bombay.

1850

From Mid 1850, a group of 22 Stockbrokers began trading in Bombay under a Banyan tree opposite Horniman Circle Park, Mumbai.

1860

When the American Civil War broke out, the cotton supply from US to Europe stopped. During this period, Indian stock market flourished.

1875

The informal stock brokers came together to form The Native share and stock broker association and in 1875, it was formally organized as the Bombay Stock Exchange.

1928

The plot of land on which the BSE building now stands was aquired

1930

On the acquired plot a building was constructed and occupied.

1956

The Government of India recognized the Bombay Stock Exchange as the first stock exchange in the country under the Securities Contracts (Regulation) Act.

1992

The most decisive period in the history of BSE.
In the aftermath of a major scandal involving a BSE Member Harshad Mehta.

Birth Of National Stock Exchange

After the Harshad Mehta Scam, the government was forced towards the creation of National Stock Exchange (NSE).
NSE started trading on 4 November 1994

Did you know?

Indian Stock Market is the oldest stock Market in Asia.

Momentum Investing

By CA Harish Menon

Why 'Buy Low Sell High' is not necessarily a good investment idea

The fallacy of Buy Low & Sell High

We have all been told this. This is supposedly the golden rule of making big bucks in stock markets – Buy Low & Sell High. Simple.

Who said making money is difficult! .

A random analysis of actual behavior of most investors will reveal two commonalities:

1. They will hold on to loss making stocks for too long in their portfolio with the eternal hope that what goes down has to come back sooner or later.
2. They will book profits soon & miss out on a possible multi-baggers and then regret it forever.

The crucial challenge in the buy low-sell high philosophy is – How do you know when to sell?

Which high price is really high?

Instead...

How about you hold on to your winners and ditch the losers?

Picture this scenario. You are an owner of 10 different businesses. Over a period of time, 7 of them are making profits and 3 are losing money – and you have to invest more money, would you invest in profitable businesses or loss making ones? A prudent businessman would sell/close loss making ventures. Penny saved is penny earned. Losses avoided are quasi profits.

A momentum investor buys a security when the price is increasing and sells them once the prices start to lose momentum after breaking a stop loss level.

Momentum indicators

There are many ways to define momentum.

A common strategy is the Moving Average (MA) Crossover strategy to determine ideal exit and entry signals in the market.

An example would be taking 50-days (shorter) MA and a 200-days (longer) MA to generate trading signals.

- When the 50-day MA crosses the 200-day MA from below, it indicates a bullish trend in the market and signals traders to enter buy/long orders, commonly called as Golden Cross
- When the 50-day MA crosses the 200-day MA from above, it indicates a bearish trend in the market and signals traders to enter sell/short orders

Different time period moving averages can be used. Moving Averages could be simple or exponential. Many use Relative Strength Indicators too. Some investors add to their holdings when a stock crosses its 52 week high or life time high price.

Like with any strategy that attempts to make profits, this strategy also needs robust focus and discipline.

So, is it time to ditch long term patient holding of stocks?

Not really!

Momentum investing will need a lot more constant tracking of prices than buy and hold /forget strategy. Investors have to decide for themselves which style suits them more. As we always say, investing success is more a function of good behavior than it is about logics and data.

Momentum Investing strategy is one amongst many. It just tries to optimize long term investing by closely tracking momentum indicators.

When you buy a stock at say Rs. 500 expecting it to become 10x over many years, momentum investors will sell the stock if it falls below say 450 (based on indicators) and only re-enter if price rises back above 520/530. This way they reinvest the money elsewhere while the stock is consolidating in a range.

Think of ITC stock in this context. The stock is stuck in a range of 200-250 for most part of the last 8+ years. If one is holding ITC since 2013 expecting it to surge 3-4 times, they have been incurring opportunity losses all this while. Alternatively, why not sell the stock now and re-enter if it crosses 300! If the stock indeed were to touch 1000 in the future, the gain you missed between 250-300 will look negligible in retrospect.

Another example to drive this point home would be Reliance Industries Ltd. The stock price was in the 450-500 range in 2007 and in 2017 too. So 10 years of consolidation would result in opportunity losses for buy and hold investors. Post 2017, the stock saw a breakout and is currently at around 2650 today.

Moreover, momentum investing strategy suggests adding more quantity when price rises further. 'Buy Low Sell High' investors tend to keep selling part of holdings when prices go up. Consequently, even if such investor ends up identifying a genuine multi-bagger stock, the effective impact on their wealth is negligible because the stock that generates 500% returns might be just 1% of their portfolio.

This strategy is gradually becoming mainstream
An index has already been created using Momentum as the theme. The Nifty200 Momentum 30 Index aims to track the performance of 30 high momentum stocks across large and mid-cap stocks. The Momentum Score for each stock is based on recent 6-month and 12-month price return, adjusted for volatility.

Like with other indices, mutual fund schemes have also been launched to track this index. Be prepared to hear more about Momentum Investing in times to come.

Harish Menon
Co-Founder: House of Alpha Wealth Management

India's Growth Is undeterred!

By CA Gaurav Kothari

India's recovery has been rickety but resilient. Post-covid domestic recovery was not highly dependent on fiscal & monetary expansion. Therefore, unlike developed economies, damage from withdrawal of policy support is limited. While the developed world seems to be entering another round of slowdown, most domestic high frequency indicators have shown strength. Credit growth is picking up & remains a strong indicator of sustained recovery. Amongst the Emerging Markets basket, India has the biggest opportunity size, given the strong fundamentals. There are some headwinds, but gradually India is finding its own economic rhythm and is delinking from US economic cycle. Indian engineering goods exports comprise mainly of auto parts components & automobile exports. Due to exceptional price rise & strong demand trends globally, India's engineering goods industry has reaped immense benefits. Over time, this is the category in which export growth has been key. This sector is the one where India is developing size, scale & already has expertise. This trend in export growth is positive for auto ancillary & the automobile sector in general.

GST collections shot up to INR 1.68 trillion in April, 2022, were a good sign & remain a function of the year end phenomenon, better compliance & inflation. GST collections have two components, one that is dependent on domestic activity & the other that benefits from imports. Post covid, GST collections from imports related activity is clocking a higher growth as shooting up of global commodity prices increased the import bill. GST collections can structurally improve, helping the fiscal math further. If GST collections remain robust it would support govt revenues & help ease pressure from the bond market.

With rising interest rates, removal of all government funded stimulus & end of the 'pent-up' demand in developed economies, the growth is slowing. This has coincided with Chinese manufacturing activity registering de-growth. This can have a severe impact on some markets. Particularly, commodity markets which are dependent on huge demand from developed economies & China could see demand shocks. This is negative for commodity prices.

Every time the US Federal Reserve has tried to tighten the monetary policy, it has caused either an economic slowdown or a disruption in the financial markets. Over the last decade, attempts by US Fed to remove monetary policy stimulus have almost always led to a growth slowdown. The US Fed & most other central banks, with an exception of a few are steadily moving towards removal of all extraordinary stimulus provided during COVID. This is making other markets volatile. Equity markets especially are witnessing steady compression in P/E multiples. Till the time Fed remains on tightening cycle, markets are likely to remain volatile.

Past episodes of US Fed balance sheet unwind were met with rising rates. This occurred due to reduction in liquidity and was then followed by a growth slowdown. This eventually forced the US Fed to abandon tightening and take a U-turn to again implement quantitative easing, even before COVID struck. This time a similar market pattern is repeating. US interest rates are rising in anticipation of tighter policy. This is already slowing growth in US & may push the US central banks to abandon tightening much earlier than market perceives today.

Best Time To Buy Indian Stocks? Are We There Yet?

Every time Indian stocks witness large FII outflows, it causes some dislocation in valuations and ownership trends. In the past, large FII outflows have coincided with deep cuts for Indian stocks and bear markets. This was because local ownership of equities was small. Over time domestic institutional & Indian households have increased their equity holdings providing a cushion on markets. At this time the rolling 12 month FII flows are the most negative on record. FIIs have sold stocks worth USD 17 bn in the first 4 months of 2022, a record in itself. Also, the inflation and rate hikes have already been majorly priced in the valuations. There is a good margin of safety in lot of sectors on the valuation front. However, one needs to keep a watch on the geo political situation. Macroeconomic outlook gets clouded by the continuing geo-political friction and supply side bottlenecks. History says when FII outflows rise to such levels, it's usually a good time to buy Indian stocks, but in a staggered manner.

“The most beautiful destinations are not reached in a straight line. For the ones with a calm mind, the journey itself is the destination”

CA GAURAV KOTHARI

AMFI Registered Mutual Fund Distributor

Kya sach mein " Yeh Market Sabhka Hai BOSS" ????

By CA Siddharth Kamra

CURRENT SCENARIO AND BRIEF OVERVIEW

Tensions back on the Street. Retail Investors back in a dilemma of what should be done with the Portfolio Holdings. Many have seen stocks rallying to multiple times, but in the recent downside rally, those have fell for almost 50% or so from All Time Highs and scared the retail investors. While some stocks have just gripped the investors around fear of possibility of more fall ahead by seeing 15-20% fall so far. As we move ahead here in this article, we will relate the current market situation with past trends, briefly understand the ways to analyse the stock market, mindset the beginners must carry to sustain long in the stock market, variety of new instruments coming in for beginner investors to reap good benefits, etc.

If we talk where is the market heading to – while I am writing this article, NIFTY 50 (The Broader Index) is at a price of 16336. Refer chart at https://invst.ly/y8693 ,expecting it to consolidate in the range of 15800-16800 levels, however with also a probability of going on a dip till 15000-15100 levels as well if it breaks the recent lows created of 15735 and 15671. However, quick recovery chances would also be there of recovering from there and coming back to this consolidation range of 15800-16800 levels.

Well, this is a result of the beauty of Elliott Wave theory which many of us would have read about sometimes in our learning path. It is a form of technical analysis that looks for recurring long-term price patterns related to persistent changes in investor sentiment and psychology. In a nutshell, the theory says that stock market always move in a zig zag wave pattern.

READING BETWEEN THE LINES FROM PAST MARKET TRENDS DURING SUCH BLACK SWAN EVENTS

Relating the 2020 Covid Fall with 2008 Financial Crisis fall

If we look back to history that was made around in 2008 Financial crisis fall, Nifty 50 had dipped from high of 6357 in Jan 2008 to 2252 in Oct 2008 giving a bombastic 64%+ fall. Post that, we have seen an awesome rally from 2252 to 6338.5 fetching 181% rally from the lows. While in the recent COVID fall, from the then all time high of 12430 to 7511 giving 39%+ fall. Post that we witnessed the rally by marking All time high of 18604 in October, 2021 giving 147%+ returns from lows.

If we are an Investor in stock market, the first thing is that we should never panic in such situations, the history will keep repeating of Big dips in such Black Swan events followed by strong upwards recovery and rally ahead.

Relating the period post Nov 2010 to Dec 2012 Profit booking with period post Oct 2021 till today

Post rally of 181% returns as mentioned above, the profit booking phase which took place between Nov 2010 – Dec 2012. So that was good dip of approx. 28%+ from all time high and as we see now from Oct 2021 where market touched high of 18604, so far it has touched 15671 in March 2022 making it a 15.75% profit booking from all time highs.

The bigger rallies contain such smaller zig zag phase where the entire market rallies to All Time High and then a decent profit booking comes in. To make the market lead the Upside rally, it is always good for such smaller zig zag events to come in which gives a bit of stability to rally ahead and even if we speak technically, it creates nearby supports for rallies ahead.

SECTORS HARD HIT IN THIS RECENT FALL

Its around the street and even in many of investor's portfolios, the sector which had shown an awesome rally from this COVID fall to Oct 2021 is the IT sector and when we are here in profit booking phase this sector has seen one of the hardest hit. It is very normal to witness around that we are heading to Automation, Technology and AI driven processes, and hence IT sector as a whole would be able to reap these good benefits ahead. It had seen one such good rally and then a profit booking by the short term investors – positional traders, while those who had invested for long term would use this dip opportunity to add more on their portfolios. Remember, we discussed above, the market moves in zig zag wave pattern, so does a particular stock. We cannot deny the fact of technology taking over on many business processes ahead, and hence IT stocks which have seen a good fall in this recent dip are available at very attractive valuations and even technically placed very good to add on to the portfolios or even enter afresh here.

ANALYSIS AND MINDSET

Yeh Market Sabka Hai Boss! is one of the marketing campaigns run by a well known company on television advertisements. No harm from the dialogue they use it, rather they are rightfully creating the awareness among the retail sector to invest in the stock market. Yes, this market had been for all since beginning, but many were not aware or were afraid of losing bucks there. Equity has always been the most rewarding asset and also wealth building, and it will continue to be ahead too. Such campaigns and the other marketing videos, attractive news and articles have attracted many to enter into stock market and dream of turning into millionaires overnight, while without knowing that they themselves are digging their grave everyday if they are not investing with proper knowledge of their investments and carrying a proper required mindset.

I always say, Investing is all about 20% analysis you do, 80% mindset and conviction that your carry. If we talk first about Analysis, there are broadly two type of analysis that we follow – Fundamental Analysis (followed since long in stock market) and the other is Technical Analysis (got well known in the decade of 2011-2020 in India). I have witnessed it from my 6-7 years of experience in stock market, technical analysis works much better than the fundamental analysis. However, since we all know, Investing / Trading in stock market is all about working with probabilities, why not then improve our probability of winning an investment. Hence, the approach that we follow is popularly known as Techno-Funda Analysis wherein the base is your Technical analysis added with a topping of Fundamental analysis. It means that, firstly the stock should go through the clearance of being technically good and then certain ratios and financials are studied to increase our winning probabilities of investing in that stock.

(What we study in Technical Analysis – Candlestick charts, Candles (mindset that leads to formation of those candles), Chart patterns, Technical indicators, etc)

Secondly, if we talk about the Mindset which is required to be a good investor is all about balancing the two strongest emotions of Greed and Fear. Patience, aggression, satisfaction, etc. all such emotions have their roots to Greed and Fear. To play out well on this battle between Greed and Fear, one must have proper onviction over their investments. And conviction

comes from proper analysis. In a nutshell, it means, If you analyse well, you have the conviction in your investments and you ride the rally well. Many people say they don't need to worry above their investments, they have the proper mindset, they can wait for years for the stocks to turn into profits from deep red losses. Boss, Conviction without analysis backing it is just gambling and dreaming which has only nightmares and panic ahead.

VARIETY OF INSTRUMENTS

As we are witnessing good growth in younger generation across streams to invest in stock market very actively, it becomes necessary to gain knowledge, learn analysis maybe from any certified organization or maybe even other stock market professionals whom you have been following for a while now and are performing well. Practice well on the art of analysis you learn from them. This will gain you independence of making your investment decisions and will gain you the confidence of learning the highest rewarding skill in the world. To those who still wish to invest without learning, a piece of advice would be to at least follow the new types of instruments being provided like Small case, Wealth Desk, etc. wherein the SEBI registered analyst or portfolio managers provide advice in the form of various readymade portfolios by them, while one needs to just subscribe to them and invest in to make their portfolios replica of what these investors have.

These research analysts are highly knowledgeable and are doing investing or trading day in and day out, which makes them to attain greater level of excellence in their work. Hence, it is always prudent to opt for such curated portfolios rather than going for reckless trading or news/tips based investments.

FAQs

Some of the most frequent queries, many of the members of our telegram/twitter family ask me are as follows with my suggestions on it. I believe many of the readers would also be having such queries:

Which are the penny stocks to turn into future multibaggers where one can invest?

Yes, there would be some, but even many would not be. Not every stock that has came all the way from All time Highs in 10s of rupees would rally back again to hundreds and thousands. Not necessary. Also important thing to note here is that people get flown and blown away by seeing post on various social media channels or hearing from any other known investors that their stocks have given 1000%, 2000% or so bombastic returns, but they don't make a note that the person while investing would not have invested a significant proportion of investment in such stocks if he / she is a wise investor. It is always suggestible to keep investments in penny stocks to maximum 5% of your portfolio in total. Again, allocating a significant proportion of your capital to such penny stocks with expectation of it turning a multibagger is a pure gamble to play around. Your end in the stock market career could be near.

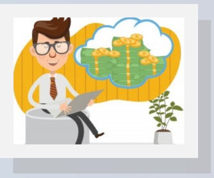
How do I earn money from Options Trading?

Options trading is a different thing altogether. Not even for beginners who are wanting to stay for a long term career in stock market. It is highly volatile, requires a very active trading mindset. Why do 99% of the investors lose money in stock market, it is because they fall prey to the GREED which such Options Trading offer. The suggestion would be to learn analysis properly, practice with good efforts daily, make a grip on it, use it for long term investing. While you do this you get wise enough to tweak on your mindset and strategies to use it for short term and medium term investments. And then you can further tweak and drill down further to intraday or positional trading and go for Futures and Options type of instruments. Yes, you can succeed here as well, but the approach has to be structured and disciplined. Avoid the noise around to keep you away from Greed and Fear.

INDIA ON THE FRONTFOOT

India is emerging stronger by the great policy changes made by our Hon'ble Prime Minister Shri. Narendra Modi. By this I remember what Amazon Founder and Tech Mogul Jeff Bezos said "I predict that the 21st-century is going to be the Indian century. The dynamism, energy ... everywhere I go here, people are interested in self-improvement, growth. This country has something special. This is going to be the Indian century." at the Amazon Sambhav Summit.

You can connect with me if you have any queries or if you want any views on your portfolio holdings, etc.



Regards,

CA LLB Siddharth Kamra

Mb no.+91 8369353062

Virtual Digital Assets – Cryptos, NFTs, Virtual Land & more

By CA Vivek Shah

Introduction

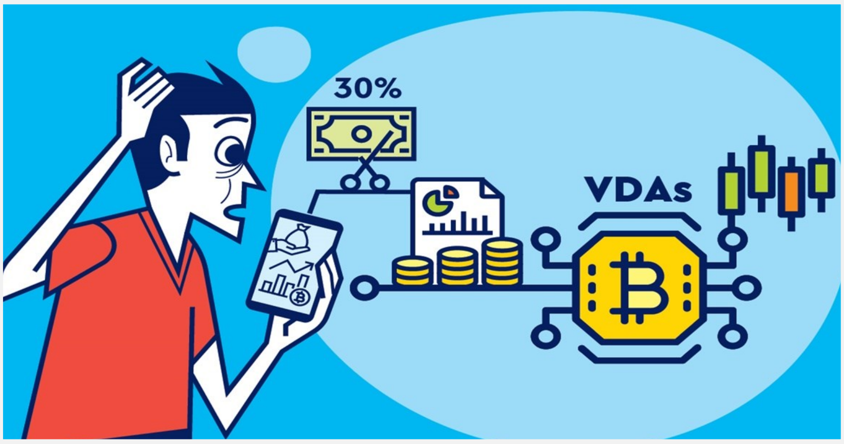
We are living in an era, where digital assets have been gaining attention, and in some cases, they are costlier than assets in the real world. When such a paradoxical situation arises, it is time to deep dive in the topic and understand the nuances of it, especially from a financial perspective.

Ever since the inception, cryptocurrencies have always been a subject matter of discussion. Right from its early days when they were touted to be like “just another ponzi scheme”, to now, where we see countries accepting it as a legal tender; the journey so far has been quite adventurous & interesting. The technology behind cryptos is known as ‘blockchain’. It is a decentralised technology which can be used for multiple purposes such as land records, medical records, banking, insurance etc. Just to share a perspective, crypto transactions are just one “small application” of blockchain technology. Blockchain much larger and can be used for multiple other applications.

The matter related to cryptocurrencies in India was first discussed on the floor of the house of the parliament, when the then finance minister late Shri Arun Jaitley famously remarked “India does not accept cryptocurrencies as a form of legal tender, however, the benefits of blockchain technology shall be used for the development of our country.”. At that stage it was not mentioned whether cryptocurrencies were legal or illegal. Back then, there was no clarification whether cryptocurrencies were to be considered as a separate asset class or not. Moving forward, the question was asked to the RBI about the legality of cryptocurrencies, however, it only mentioned that it does not consider any cryptocurrency as a legal tender and hence it was not under their jurisdiction. As the market matured, there are more number of people getting associated with crypto transactions. At this juncture the RBI decided to impose a ban on all banks from providing services to crypto exchanges. This led to even greater confusion among those who were trading in cryptos. Subsequently, the matter about registration & regulation of crypto exchanges was raised to SEBI. SEBI concluded that cryptos were neither securities nor commodities nor currencies, and in that case they would not have jurisdiction over these crypto exchanges. This makes us ponder over another question that how did these exchanges get recognized as exchanges. If one takes a liberal view, it is prudent to say these so called crypto exchanges are self regulated, self assumed and self governed. There is absolutely no regulatory authority, agency or department which governs the transactions taking place on these so called crypto exchanges. On analysing the above given facts and the sequence of events, one wonders whether this was a collective failure of the system at large.

Investment in VDAs

Investments in cryptos are not only subject to market risks, but also regulatory risk, geopolitical risks & social media risks. It is emphasised over here that social media plays a major role in fluctuating the price of certain cryptos. In the past it has been observed that the price of a particular crypto increases if an entrepreneur / billionaire tweets that they will accept crypto for selling their electric vehicles. Similarly, after a couple of weeks when the same entrepreneur / billionaire tweets that they will no longer accept cryptos for selling their electric vehicles the prices of cryptos started crashing. Though the prices of cryptos are determined by the market forces, one cannot overlook the fact that inherently, cryptos are extremely volatile in nature.



Before one plans to invest in cryptos there are multiple factors which should be considered and analyzed. It is important to understand that as of now there are more than 9500 cryptos which are recognised, there could be many more cryptos than this figure, which are not even recognised yet. The number of cryptos in the market are increasing everyday, even as you read this article. Before investing there are multiple factors which need to be analyzed such as the price, the total circulating supply, the total mined quantity, the total volume of transactions, exchanges on which a particular crypto can be traded, it's team, their vision & finally, is it a business or just a currency. Quite a few cryptos claim that in order to avail their service they need to be paid in their own crypto. In such cases, these cryptos are not just a currency but also a business. If the number of people wanting to avail their services are large, then in that case it is observed that the price of that particular crypto may increase overtime. Some cryptos claim that a particular process can be simplified or expedited using their blockchain.

In order to invest in cryptos in India, the easiest way is to open an account with one of these so called self assumed, self regulated & self governed crypto exchanges. One needs to verify their kyc documents and load money through banking channels to start investing in cryptos. Charges and Commission on some of these exchanges are not transparent and they can range from anywhere between 0.25% to 7% of the transaction value.

Cryptos have been classified as a separate asset class in India, they are now considered as virtual digital assets (VDA). Another evolving area in the crypto world is of non fungible tokens, which are referred to as NFTs. NFTs are form of digital art which can be bought and sold just like a traditional piece of art. the creator of this digital art or NFT can decide its price, rarity and percentage of royalty on every subsequent sale. NFTs establish ownership of the digital art on blockchain. There are music NFTs, video NFTs & image NFTs, virtual avatars of celebrities, virtual land etc. as of now. Any person can create its own NFT and put it up for sale on an open decentralised platform. Recent trends have shown that celebrities, sports persons and entrepreneurs have started launching their own NFT collections on various platforms. Globally, the demand for NFTs is extremely huge and India shall also witness an increase in demand for digital art from good content creators in the years to come. Some NFTs also come with real world benefits, such as seeking advice from an entrepreneur, or meeting your favourite celebrity for 15 minutes, or a video call with a sports person. Though the art is digital, but to create value for a prospective buyer, some real world benefits can also be added to the NFT.

Corporations and gaming companies are selling virtual land in the Metaverse as a digital asset. Gaming is becoming more immersive where a person has an option to build or develop its own avatar or play with an avatar of a celebrity (of course for a price). So now, musicians are organising virtual concerts in a virtual auditoriums which are built on virtual land. It is an economy in itself – a virtual world which is capable of being self-reliant or lets just say "Atmanirbhar". What is even more interesting to know, is that there is more demand than supply for such digital assets. Some of these virtual pieces of land cost millions of dollars. There are a few home-grown companies which are also developing their version of the virtual universe. A virtual universe today, is something similar to what email was in the early 2000's.

Whether one should invest in cryptos, NFTs or in the digital universe, totally depends on the risk appetite of the individual. A lot of people follow the policy of investing only an amount which they can afford to lose. Traditionally, fiat currencies (INR, USD, GBP, etc) are backed with some asset, in the case of cryptos, there is no asset backing and hence, there is no intrinsic value which one can derive. However, nothing contained herein shall be construed to be financial or investment advice. Each person must exercise caution before investing in any asset class including cryptos.

Legality

Whether virtual digital assets (VDAs) are legal or illegal is determined by the law of the land. As of now, in India, there are no law which regulates them or legalises them. At the same time, there is no law which prohibits them either. So, in the absence of any specific law or regulation, the decision of a person lies on the interpretation of the facts and circumstances of every case.

To understand the legal position, one must look at precedents and the global scenario to determine whether holding, trading & mining of cryptos would be a legal or illegal activity. Let's take an example of marijuana – a prohibited substance under the Narcotic Drugs & Psychotropic Substances Act, 1985 in India. There is a law, and that law declares it illegal to possess, consume or deal with such substances. However, the same substance, is legal for consumption in some states in USA, because the law allows people to consume that substance. So, the question of legality can only be answered if there is a law present. Realistically, VDAs enable people to move their wealth from one country to another, without reporting it to anyone and with no restrictions whatsoever. The icing on top is that there is complete anonymity, and the beneficial owner cannot be tracked. This has led to a lot of illicit wealth being parked in VDAs. Based on the present law, this would amount to a clear violation of Foreign Exchange Management Act & Prevention of Money Laundering Act in India.

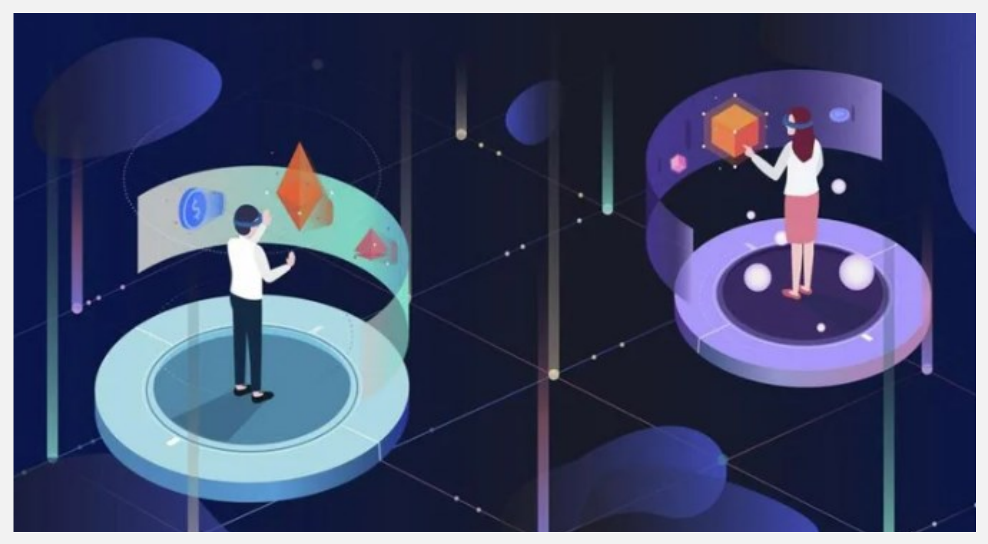
However, globally some countries have recognised cryptos as a separate asset class. In some countries such as El Salvador, it is a legal tender, which is to say that one can pay taxes to the government in crypto. In times of economic crisis and sanctions, cryptos are gaining more adoptability and popularity. In China, it is illegal to deal with cryptos.

Due to regulatory hurdles and uncertainty in the crypto policy in India, a lot of companies have shifted to other countries where they can officially create, distribute, deal and trade in virtual digital assets. Some popular countries which are VDA-friendly are British Virgin Islands, St. Vincent & the Grenadines, Curacao & Panama to name a few. Many have also selected Singapore as their destination primarily because VDAs are regulated and there is clarity in the legislation which regulates it. Companies prefer floating 2 entities at the time of creating their own crypto – first a trust or a foundation which holds the cryptos and the second one is a marketing or distributing arm which conducts all activities and enters in contracts with others. This structure is preferred so that the founders can safeguard the crypto in case of any eventuality or an adverse regulatory condition.

About legality of cryptos, a major concern which looms is whether issuing any currency is a 'soverign right' or whether any person or corporation can also enjoy this right. Countries have had the right to issue their own currency, regulate and monitor it. Also, currencies are issued by Central Banks and not by the governments in power at the time of its issuance. So essentially, there is separation of control and power in fiat currencies. This maintains the value of a currency to a large extent. In cryptos, none of this is possible due to the inherent nature of blockchain technology. At the same time, some also argue that cryptos are necessary to break the monopoly of certain governments which keep printing additional currency without any fundamental justification.

Taxability

The Finance Budget of India has proposed to tax income from crypto transactions at a flat rate of 30%, without claiming any deduction and no set-off of any losses against any income. In addition to it, there is 1% TDS on every transaction which is applicable. This implies that any cost incurred such as brokerage, commission & trading costs cannot be deducted from the gains. In any other business, various deductions such as rent, office expenses, staff salary etc are allowed as a business deduction, however, in cyrpto trading no such deductions shall be allowed.



The Finance Ministry has recently clarified in the Rajya Sabha (the Upper House), that gains from one crypto cannot be set off against losses of another crypto. It seems the government has taken a strict view considering that there have been some instances in the past where manipulation of stock prices could be done in some listed companies to book losses against actual profits and that would reduce the overall tax liability of the assessee. It seems that government has taken a correct and a fair stand on this matter, since cryptos are not regulated and there could be some deliberate attempts by some sections of the society to specifically manipulate the price of cryptos to book losses and make adjustments so that there would not be any tax liability. This is highly possible in cryptos since they are not regulated. At this stage, there is no clarity on the matter whether profits arising from crypto trade can be set off against losses arising from the same crypto in another trade. In my personal opinion, it seems that the government has taken an approach to “nationalise profits and privatise losses” arising from cryptos. As far

Some people argue that taxing cryptos makes it a legal activity to deal in. It is pertinent to note that the present Hon’ble Finance Minister Smt. Nirmala Sitharaman has clarified that taxing a transaction is the right of the government, but the issue of legality will be decided only after consulting all stakeholders and the process would take time to reach its finality.

In recent times, the matter of indirect taxes on crypto transactions has also erupted. Transactions which take place on crypto exchanges are subject to GST. Major crypto exchanges have paid tax on the commission or brokerage charged on transactions. However, as of now, there is no GST on trading of the full value of the cryptos, but only on the brokerage element in the transaction.

GST is also applicable on sale of NFTs by celebrities, sportspersons and artists which transact in India in Indian currency. However, it is observed that many NFT platforms are registered in jurisdictions outside India. In such a case, the NFTs are listed for sale or auction on the platform of the service provider which is situated outside India. The point of sale for such transactions is outside India. The sale consideration is also paid in crypto and not in fiat currency to a wallet which is situated outside India. Due to the nature of transactions, many exchanges and / or NFT creators deem this transaction to be ‘export of services’ and hence there is no taxability in India with respect to GST. For such transactions, one may argue that the ultimate buyer could be situated in India, however, there is no way as of now, to identify the location of the buyer from its wallet address.

About the Author: CA Vivek Shah is a crypto expert who has structured & advised numerous transactions across the globe. He has been delivering lectures on cryptocurrencies since 2017. All views are personal. He can be reached at info@shahvivek.com

How to do Stock market Analysis

By CA Darshan Mehta

Analyzing stocks helps investors find the best investment opportunities. By using analytical methods when researching stocks, we can attempt to find stocks trading for a discount to their true value. This can put you in a great position to capture market-beating returns in the future

1. Learn the two basic types of stock analysis

When it comes to analyzing stocks, there are two basic ways you can go: fundamental analysis and technical analysis.

Fundamental analysis is based on the assumption that a stock price doesn't necessarily reflect the intrinsic value of the underlying business. This is the central tool value investors use to try to find the best investment opportunities. Fundamental analysts use valuation metrics and other information to determine whether a stock is attractively priced. Fundamental analysis is designed for investors looking for excellent long-term returns.

Technical analysis generally assumes that a stock's price reflects all available information and that prices generally move according to trends. In other words, by analyzing a stock's price history, you may be able to predict its future price behavior. If you've ever seen someone trying to identify patterns in stock charts or discussing moving averages, that's a form of technical analysis.

One important distinction is that fundamental analysis is intended to find long-term investment opportunities. Technical analysis typically focuses on short-term price fluctuations.

2. Learn some important investing metrics

With that in mind, let's take a look at four of the most important and easily understood metrics every investor should have in their analytical toolkit to understand a company's financial statements:

Price-to-earnings (P/E) ratio: Companies report their profits to shareholders as earnings per share, or EPS for short. The price-to-earnings ratio, or P/E ratio, is a company's share price divided by its annual per-share earnings. For example, if a stock trades for $30 and the company's earnings were $2 per share over the past year, we'd say it traded for a P/E ratio of 15, or "15 times earnings." This is the most common valuation metric in fundamental analysis and is useful for comparing companies in the same industry with similar growth prospects.

Price-to-earnings-growth (PEG) ratio: Different companies grow at different rates. The PEG ratio takes a stock's P/E ratio and divides it by the expected annualized earnings growth rate over the next few years to level the playing field. For example, a stock with a P/E ratio of 20 and 10% expected earnings growth over the next five years would have a PEG ratio of 2. The idea is that a fast-growing company can be "cheaper" than a slower-growing one.

Price-to-book (P/B) ratio: A company's book value is the net value of all of its assets. Think of book value as the amount of money a company would theoretically have if it shut down its business and sold everything it owned. The price-to-book, or P/B, ratio is a comparison of a company's stock price and its book value.

Debt-to-EBITDA ratio: One good way to gauge financial health is by looking at a company's debt. There are several debt metrics, but the debt-to-EBITDA ratio is a good one for beginners to learn. You can find a company's total debts on its balance sheet, and you'll find its EBITDA (earnings before interest, taxes, depreciation, and amortization) on its income statement. Then turn the two numbers into a ratio. A high debt-to -EBITDA ratio could be a sign of a higher-risk investment, especially during recessions and other tough times.

3. Look beyond the numbers to analyze stocks

This is perhaps the most important step in the analytical process. While everyone loves a good bargain, there's more to stock research and analysis than just looking at valuation metrics. It is far more important to invest in a good business than a cheap stock. With that in mind, here are three other essential components of stock analysis that you should watch:

Durable competitive advantages: As long-term investors, we want to know that a company will be able to sustain (and hopefully increase) its market share over time. So it's important to try to identify a durable competitive advantage -- also known as an economic moat -- in the company's business model when analyzing potential stocks. This can come in several forms. For example, a trusted brand name can give a company pricing power. Patents can protect it from competitors. A large distribution network can give it a higher net margin than competitors.

Great management: It doesn't matter how good a company's product is or how much growth is taking place in an industry if the wrong people are making key decisions. Ideally, the CEO and other main executives of a company will have successful and extensive industry experience and financial interests that align with shareholder interests.

Industry trends: Investors should focus on industries that have favorable long-term growth prospects. For example, over the past decade or so, the percentage of retail sales that take place online has grown from less than 5% to more than 11% today. So e-commerce is an example of an industry with a favorable growth trend. Cloud computing, payments technology, and healthcare are a few other examples of industries that are likely to grow significantly in the years ahead.

Solid analysis can help you make smart decisions

As I just mentioned, there's no one correct way to analyze stocks. The goal of stock analysis is to find companies that you believe are good values and great long-term businesses. Not only does this help you find stocks likely to deliver strong returns, but using analytical methods like those described here can help prevent you from making bad investments and losing money.

Direct Tax Case Laws

Compiled by CA. Shekhar Patwardhan

SUPREME COURT DECISIONS

Union of India & Others Vs Ashish Agarwal Civil Appeal Nos 3005 to 3020 of 2022 6 NYPCTR 504 SC

Date of Publication 4th May , 2022 Sections 147,148, 148A , 149 & 151

The issue before the Apex court was deciding the fate of the Notices issued under old provisions of Section 148 after 1.4.2021 although the new provisions were replaced in the statute on 1st April 2021 and various High Courts of the country termed the Notices to be void and bad in law. The Honourable Supreme Court considering all the facts decided the matter in favour of revenue partly by terming the Notices to be valid with a rider that all the defenses as per the substituted provisions of section 147 to 151 shall be available to the Assessee

Decision in favour of :- Revenue Partly

Under the substituted provisions vide Finance Act, 2021, no notice under s. 148 can be issued without following the procedure prescribed under s. 148A. Along with the notice under s. 148, the AO is required to serve the order passed under s. 148A. Sec. 148A is a new provision which is in the nature of a condition precedent. By way of s. 148A, the procedure has now been streamlined and simplified. It provides that before issuing any notice under s. 148, the AO shall (i) conduct any enquiry, if required, with the approval of specified authority, with respect to the information which suggests that the income chargeable to tax has escaped assessment; (ii) provide an opportunity of being heard to the assessee, with the prior approval of specified authority; (iii) consider the reply of the assessee furnished, if any, in response to the show-cause notice referred to in cl. (b); and (iv) decide, on the basis of material available on record including reply of the assessee, as to whether or not it is a fit case to issue a notice under s. 148 and (v) the AO is required to pass a specific order within the time stipulated. Therefore, all safeguards are provided before notice under s. 148 is issued. At every stage, the prior approval of the specified authority is required, even for conducting the enquiry as per s. 148A(a). Only in a case where, the AO is of the opinion that before any notice is issued under s. 148A(b) and an opportunity is to be given to the assessee, there is a requirement of conducting any enquiry, the AO may do so and conduct any enquiry. Thus if the AO is of the opinion that any enquiry is required, the AO can do so, however, with the prior approval of the specified authority, with respect to the information which suggests that the income chargeable to tax has escaped assessment.

Substituted s. 149 is the provision governing the time limit for issuance of notice under s. 148. The substituted s. 149 has reduced the permissible time-limit for issuance of such a notice to three years and only in exceptional cases ten years. It also provides further additional safeguards which were absent under the earlier regime pre- Finance Act, 2021.

The new provisions substituted by the Finance Act, 2021 being remedial and benevolent in nature and substituted with a specific aim and object to protect the rights and interest of the assessee as well as and the same being in public interest, the respective High Courts have rightly held that the benefit of new provisions shall be made available even in respect of the proceedings relating to past assessment years, provided s. 148 notice has been issued on or after 1st April,

It is true that due to a bona fide mistake and in view of subsequent extension of time vide various notifications, the Revenue issued the impugned notices under s. 148 after the amendment was enforced w.e.f. 1st April, 2021, under the unamended s. 148. The same ought not to have been issued under the unamended Act and ought to have been issued under the substituted provisions of ss. 147 to 151 as per the Finance Act, 2021. There appears to be genuine non-application of the amendments as the officers of the Revenue may have been under a bona fide belief that the amendments may not yet have been enforced. Therefore, some leeway must be shown in that regard which the High Courts could have done so. Therefore, instead of quashing and setting aside the reassessment notices issued under the unamended provision of IT Act, the High Courts ought to have passed an order construing the notices issued under unamended Act/unamended provision of the IT Act as those deemed to have been issued under s. 148A of the IT Act as per the new provision s. 148A and the Revenue ought to have been permitted to proceed further with the reassessment proceedings as per the substituted provisions of ss. 147 to 151 as per the Finance Act, 2021, subject to compliance of all the procedural requirements and the defences, which may be available to the assessee under the substituted provisions of ss. 147 to 151 and which may be available under the Finance Act, 2021 and in law. Therefore, the judgments and orders passed by the respective High Courts are modified as under : (i) The respective impugned s. 148 notices issued to the respective assessees are to be deemed to have been issued under s. 148A and treated to be show-cause notices in terms of s. 148A(b). The respective AOs shall within thirty days from today provide to the assessees the information and material relied upon by the Revenue so that the assessees can reply to the notices within two weeks thereafter; (ii) The requirement of conducting any enquiry with the prior approval of the specified authority under s. 148A(a) is to be dispensed with as a onetime measure vis-a-vis those notices which have been issued under the unamended s. 148 of the unamended Act from 1st April, 2021 till date, including those which have been quashed by the High Courts; (iii) The AOs are directed to pass an order thereafter in terms of s. 148A(d) after following the due procedure as required under s. 148A(b) in respect of each of the concerned assessees; (iv) All the defences which may be available to the assessee under s. 149 and/or which may be available under the Finance Act, 2021 and in law and whatever rights are available to the AO under the Finance Act, 2021 are kept open and/or shall continue to be available and;(v) The present order shall substitute/modify respective judgments and orders passed by the respective High courts quashing the similar notices issued under unamended s. 148 irrespective of whether they have been assailed before this Court or not.—Ashok Kumar Agarwal vs. Union of India (2021) 322 CTR (All) 873 : (2021) 206 DTR (All) 329 modified.

The present order shall be applicable PAN India and all judgments and orders passed by different High Courts on the issue whereby similar notices issued after 1st April, 2021 under s. 148 are set aside are to be governed by this order and stand modified to the aforesaid extent.

HIGH COURT DECISIONS

HIGH COURT OF BOMBAY (Aurangabad Bench) SOUVENIR DEVELOPERS PVT LTD Vs UOI

IT Appeal No 79 of 2018 AY 2009-10 Date of Publication 6th May , 2022 Section 43(5) , 70 &73

The issue before the High Court was whether Transaction in derivatives is Speculation business? The High Court held that transaction in derivatives is non-speculative in nature.

Decision in favour of :- Assessee

The High Court ruled that "By virtue of insertion of cl. (d) to the proviso to s. 43(5), the transactions in respect of the trading in derivatives as prescribed in cl. (d) inserted in proviso to s. 43(5) would not be a speculative transaction; the High Court held that the assessee was thus entitled to claim set off of the loss suffered by the assessee in the said transactions in derivatives against the business income of the assessee from infrastructure business u/s 70 for the asst. yr. 2009-10"

HIGH COURT OF DELHI - SEVEN SEAS HOSPITALITY Pvt Ltd VS PCIT

Writ Petition No 6784 of 2022 - Section 220(6) Date of Publication 2nd May 2022

The issue before the High Court was whether the payment of 20% of the disputed demand is the pre-requisite for keeping the balance demand in abeyance? The High Court answered the same in negative and in favour of Assessee .

Decision in favour of: - Assessee With Remand

The High Court held that Requirement of payment of twenty percent of disputed tax demand is not a pre-requisite for putting in abeyance recovery of demand pending first appeal in all cases. The High court observed that Even the Office Memorandum dt. 29th Feb., 2016 gives instances like where addition on the same issue has been deleted by the appellate authorities in earlier years or where the decision of the Supreme Court or jurisdictional High Court is in favour of the assessee . The High Court observed that in the instant case the department has not considered the submissions made by the Assessee and therefore it ordered to remand the matter to CIT Appeals for fresh adjudication.

TRIBUNAL DECISIONS

PUNE TRIBUNAL   Jaywant Gajanan Sutar Vs ITO

Section 54   ITA No 556/ Pune / 2020 AY 2015-16   Date of Publication 4th May 2022

The issue before the Tribunal was whether the deduction u/s 54 to be allowed in case the investment is made in the name of Wife? The Tribunal answered in negative and in favour of Revenue ..

Decision in Favour of : Revenue

The High Court observed that in the present case of Purchase of new residential property in the name of assessee's wife, Authorities below were justified in denying the benefit of exemption under s. 54—Prakash vs. ITO (2008) 220 CTR (Bom) 249 : (2008) 15 DTR (Bom) 97 : (2009) 312 ITR 40 (Bom) followed; CIT vs. Kamal Wahal (2013) 258CTR (Del) 251 : (2013) 86 DTR (Del) 37 : (2013) 351 ITR 4 (Del) and CIT vs. Gurnam Singh (2008) 218 CTR(P&H) 674 : (2008) 6 DTR (P&H) 83 : (2010) 327 ITR 278 (P&H) not followed.

The Tribunal further commented that when there is Decision of jurisdictional High Court vis-a-vis contrary decision of non-jurisdictional High Court, Decision of a High Court is binding on all subordinate Courts and authorities or Tribunal under its superintendence throughout the territories in relation to which it exercises jurisdiction within the terms of Art. 227 of the Constitution of India—When discordant views are rendered by different High Courts, an inferior authority under one of such High Courts is bound to follow its jurisdictional High Court notwithstanding that the other view of the non-jurisdictional High Court may sound more appealing on individual level. Principle of following a view in favour of the assessee when contrary views are available, applies to the authorities acting under neutral High Courts, namely, which have not expressed any opinion for or against on that point. Once the jurisdictional High Court decides a particular issue in a particular manner, that manner has to be mandatorily followed by all the authorities acting under it so long as it holds the field and is not deactivated by the Supreme Court

JAIPUR TRIBUNAL   Kaushalendra Singh VS ITO

Section 54F AY 2011-12   ITA No 191/ JP / 2021 Date of Publication 4th May , 2022

The issue before the Tribunal was whether the deduction u/s 54 F to be allowed in case the investment is made in the name of Wife? The Tribunal answered in affirmative and in favour of Assessee.

Decision in favour of :- Assessee

Assesee sold immovable property for sale consideration of Rs. 14,75,000 on 11th Oct., 2010, the value of which was estimated at Rs. 14,79,960 by the Stamp Duty Authority. Out of the sale consideration of Rs. 14,75,000 the assesee made investment of Rs. 7,48,000 in the purchase of new residential house property in the name of his wife within the prescribed time-limit as prescribed under the provisions of s. 54F.The Tribunal observed that

AO has not disputed the purchase of new house in the name of wife of the assessee though the claim was denied by the AO. Therefore, the claim of deduction under s. 54F cannot be denied merely on the ground that the new residential house was purchased in the name of his wife when the investment made by the assessee from the sale proceeds of the existing asset and yielded capital gain from the said transactions. Therefore, assessee claimed exemption under s. 54F against the investment of new residential house in the name of his wife is justifiable Laxmi Narayan vs. CIT (2019) 306 CTR (Raj) 361 relied on; Kalya vs. CIT & Ors. (2012) 251 CTR (Raj) 174 : (2012) 73 DTR (Raj) 302 distinguished

PUNE TRIBUNAL Shri Sant Zolebaba Sansthan Chikhali VS CIT Exemptions

Section80G ITA No 381 / PUNE / 2021 Date of Publication 12th May , 2022

The issue before the Tribunal was can the benefit of deduction U/S 80 G be denied when in fact though the expenses are termed as religious they are in fact incurred for the benefit of large of the Society , The Tribunal decided the matter in favour of Assessee .

Decision in favour of : Assessee

Auditor of the assessee has clarified that the 'Religious expenses' referred to in the income and expenditure account embraced the expenses incurred for greater good of society at large and were not restricted to any particular caste or community. The Tribunal observed that the .Expenditure under this head was not incurred for the benefit of a specific community or any specific religion. Beneficiaries of the said expenditure included people from every caste and community of the society. Objects of the assessee-trust which are admittedly of charitable nature . Expln. 3 to s. 80G 'charitable purpose' does not include any purpose the whole or substantially the whole of which is of a religious nature. This shows that at least some part of activities of a trust, which are of religious nature, are permitted. This fact is further fortified by sub-s. (5B) of s. 80G which provides that institution or fund which incurs expenditure during any previous year, which is of a religious nature for an amount not exceeding 5 per cent of its total income in that previous year, shall be deemed to be an institution or fund to which the provisions of this section apply. In this case, the religious expenditure is less than the prescribed percentage. Therefore, assessee is entitled for recognition under s. 80G(5)(vi)

PUNE TRIBUNAL DCIT VS Haldex India Pvt Ltd

Section 4 AY 2014-15 ITA No 852 / PUNE / 2019 Date of Publication 19th May , 2022

The issue before the Tribunal was whether the subsidy received from the State Government is a revenue receipt chargeable to tax? The Tribunal answered in negative and in favour of Assessee .

Decision in favour of : Assessee

The Tribunal observed that the Subsidy was granted actually as incentives for encouraging the dispersal of industries to the less developed areas of the State of Maharashtra, the subsidy cannot be treated as revenue receipt. As regards to the applicability of provisions of s. 28(iv), the Tribunal said this envisages the value of entire benefit, whether convertible to money or not, which means the benefits have to be in the kind, the monetary benefits are not covered by the said provisions—CIT vs. Chaphalkar Brothers Pune (2018) 300 CTR (SC) 113 : (2018) 161 DTR (SC) 41 : (2018) 400 ITR 279 (SC) followed

Compiled By

CA SHEKHAR PATWARDHAN

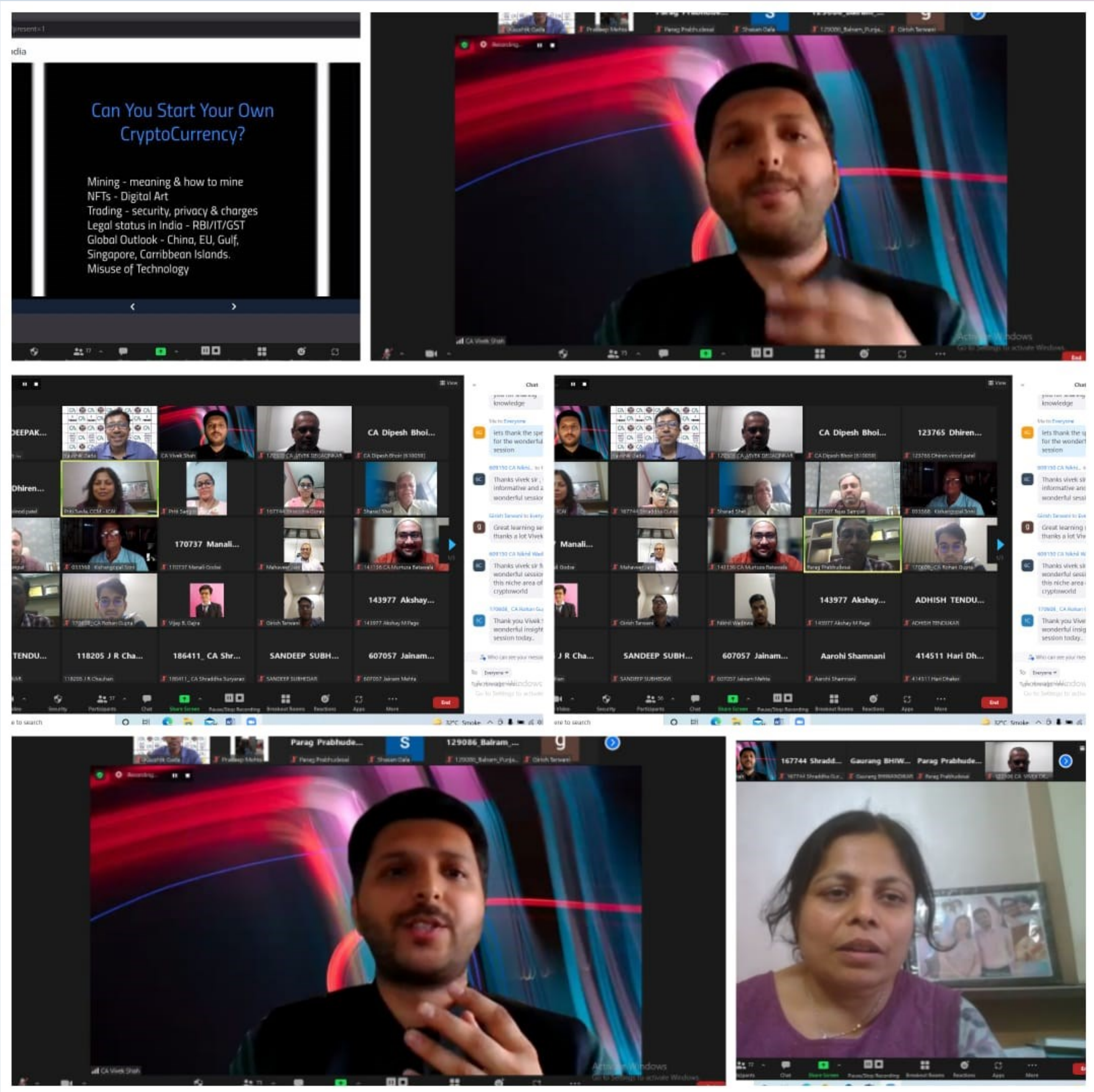
Former Chairman Kalyan – Dombivli Branch of WIRC

Income Tax, GST & Co's Act., Compliance Calender June 2022

Mon	Tue	Wed	Thu	Fri	Sat	Sun
		1	2	3	4	5
6	7 Payment of TDS/TCS of May 2022	8	9	10 GSTR-7 & GSTR-8	11 GSTR-1	12
13 GSTR-6 & IFF	14 FORM 16B & FORM 16D	15 E-Payment Of PF & ESIC & Advance Tax	16	17	18	19
20 GSTR-3B & GSTR-5 & 5A	21	22	23	24	25 PMT-06	26
27	28	29	30 Co's Act DPT-3 & MBP-1 & Form LLP 11			

Seminars conducted in the Month of May

GLIMPES OF SESSION ON VIRTUAL SEMINAR ON CRYPTOCURRENCY



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