The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Kumbakonam Branch (SIRC)



NEWSLETTER

JUNE 2026

From The Chairman's Desk



Esteemed Members:

Greetings from Kumbakonam Branch (SIRC)

At the outset, I sincerely hope that all our members have spent the summer season with joy and warmth in the company of their children and families. As we now step into the tax filing season, another important and demanding phase of our professional journey begins, calling for renewed focus, energy and commitment from all of us.

I am happy to share that the Kumbakonam Branch is launching its redesigned website – https://kumbakonamicai.org, which we believe will serve as an effective platform for communication, updates and member engagement. This initiative is part of our continued effort to strengthen the Branch's outreach and connectivity with members and students.

The month of June 2026 has been planned with a series of meaningful and vibrant programmes for the benefit of members and students. During the first week, we are hosting the AICA Level 2 Certificate Course. In the second week, the Branch is proposing to conduct the Workshop on the Income-tax Act, 2025, which will be of great relevance as the profession enters a new phase in direct tax practice. The third week is proposed to feature the Students' Sports Programme and Yoga Day Celebrations, promoting both physical well-being and student participation. In the fourth week, we look forward to observing International MSME Day, recognising the importance of the MSME sector in nation-building and economic development.

I am also glad to share that on 21st May 2026, we represented before the respected Thanjavur District Collector seeking allotment of land for construction of our new Branch premises. This is an important step in our long-term vision for the growth and infrastructure development of the Branch. In continuation of the same, we have also submitted a representation to the Infrastructure Development Committee of ICAI seeking approval for the formation of an Infrastructure Development Committee (IDC) for our Branch, so that the matter can be pursued in a structured and focused manner.

The month of May 2026 was also active and productive for the Branch. We commenced our Advanced Excel Workshop, which is aimed at enhancing the practical and technological capabilities of members and students. We also conducted an online session on the changes in ITR for Assessment Year 2026–27, which received an overwhelming response, with around 700 members and students participating from 12 branches. The Kumbakonam Branch had the honour of being the master host for this programme, with valuable co-hosting support from the branches of Tiruchirappalli, Puducherry, Vellore, Madurai, Chengalpattu District Branch, Coimbatore, Kottayam and Tirunelveli. Such collaborative initiatives reflect the spirit of unity and shared learning within the fraternity.

At this juncture, as our nation passes through a period of heightened geopolitical sensitivity and calls for responsible public conduct, we as professionals must continue to stand with the nation in the spirit of discipline, responsibility and constructive contribution. Guided by the larger national interest and the call for mindful and prudent use of resources, let us continue to play our role as responsible citizens and partners in nation-building.

As we enter a busy and professionally significant season, I am confident that our Branch will continue to move forward with purpose, participation and progress. Let us all make the most of the learning opportunities ahead and work together for the growth of our profession, our Branch and society at large.

Jai ICAI, Jai Hind.

With Best Regards

CA. H. Vijay Sarathi

Chairman, ICAI Kumbakonam Branch (SIRC)

SNIPPETS FROM MAY 2026 PROGRAMMES

Excel Workshop Session-1 on 8th & 9th May 2026



Excel Workshop Inaguration: CA R Venkatesh, Tresurer, is introducing the speaker CA S Rathinagiri



While members eagerly attending the workshop

Branch Level National Students Talent Search 2026 22nd May 2026



Welcome Address by **CA Vivek Manohar**, SICASA Chairman, Kumbakonam Branch (SIRC)



Enthuastic participants for National Talent Search



CA. R. Venkatesh, Treasurer, Motivating Young Talents



Debate Competition: Winner : **Mr. Alahappan Subramanian**



Debate Competition: Runner: **Mr. SHANJAIVELAN V G**



Quiz Competition: Winner: **Ms. JAYAVARSHINI.R** & **Ms. Kaviya**



Chess Competition: Winner: **Mr. KOUSHIKDAS S M**



Chess Competition: Runner: **Mr. Srinivasan M**



Elocution Competition: Winner: **Ms. Mohanaashree K**



Elocution Competition: Runner: **Ms. RAJASHREE R**

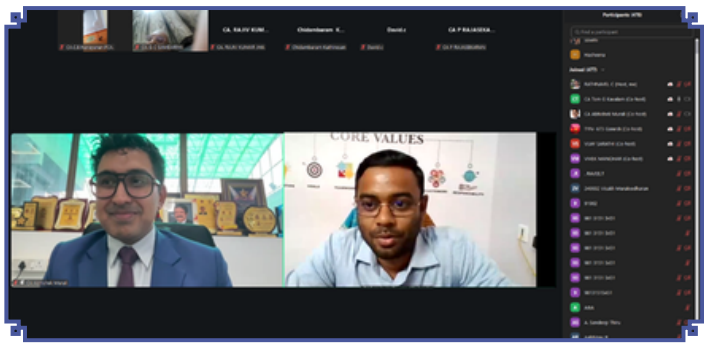


Sketching Competition: Winner: **Ms. Abarna**

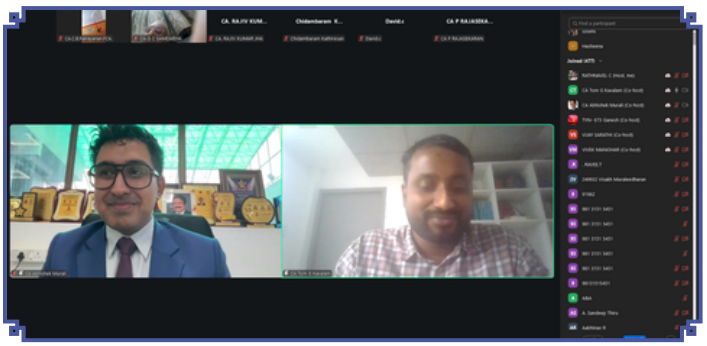


Sketching Competition: Runner: **Ms. Abhitha**

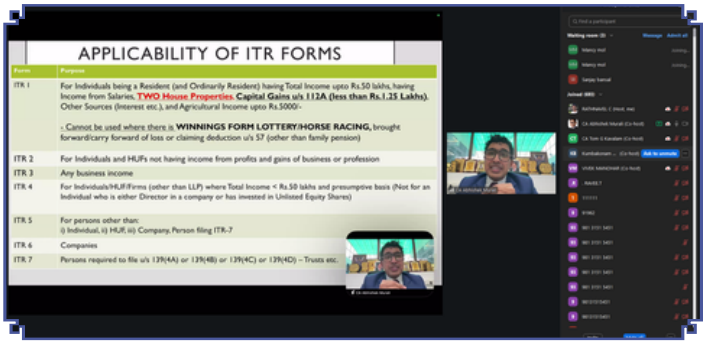
Online programme for Articled and Audit Assistants on Changes in ITR for AY 2026-27 on 23rd May 2026



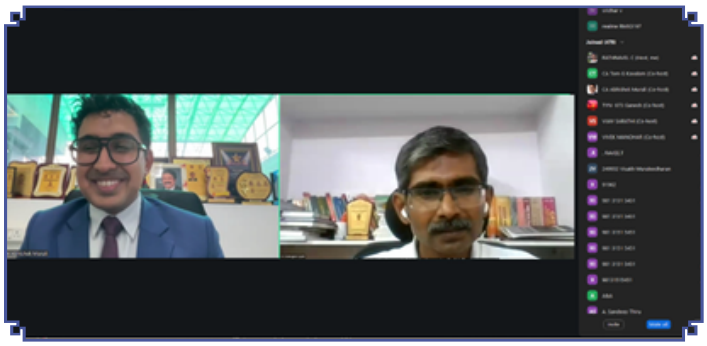
Welcome Address by **CA Vivek Manohar,** SICASA Chariman, Kumbakonam



Speaker Introduction by **CA Tom George Kavalam**, SICASA Chairman, Kottayam Branch



Knowledge Transfer by **Dr. CA. Abhishek Murali,** RCM, SIRC of ICAI



Vote of Thanks by **CA S. Arumugam Rajesh** , Vice Chairman of Puducherry Branch

Kumbakonam Branch (SIRC)

FORTH COMING PROGRAMMES, June- 2026

Date	Day	Timing	Place	Mode	Topic	Resource Person	Fee (Inc. GST)	CPE
2nd to 4th June 2026	Tue to Thu	09:30 am to 06:00 pm	ICAI Bhawan, Kumbakonam	Physical	Certificate Course on AI for Chartered Accountants - Level 2	CA Borra Kumar Venkatesh CA Shubham Patel CA Anmol Lohia	₹11,800	30 Hrs
13th & 14th June 2026	Sat & Sun	10:00 am to 05:45 pm	RAS Residency, Kumbakonam	Physical	Two Day Workshop on Income Tax Act 2025	CA SASHANK SRIVATSAN S, CA. Abhinaya M A, CA. T. G. Suresh, CA. PRASANTH SRINIVAS, CA. L. MUTHUKALA, & CA. ASHWIN PATHAK	₹2,000	12 Hrs
26th & 27th June 2026	Fri & Sat	10:00 am to 06:00 pm	Excel Workshop - 2nd Session	Physical	Excel Workshop- Session 2	CA Rathinagiri	₹8,850	NA
27th June 2026	Sat	10:00 am to 01:15 pm	MSME Mahotsav	Physical	Branch Premises	Eminent Speakers	yet to decide	3 Hrs

ARTICLE 1

CROSS-EXAMINATION IN INCOME-TAX ASSESSMENT:

A VITAL SAFEGUARD AGAINST UNSUPPORTED ADDITIONS



Contributed by: CA Nisha Deepak, Kumbakonam

Consider this situation: A trader receives a draft assessment order proposing a substantial addition for alleged bogus purchases. The Assessing Officer's sole basis is a statement recorded from a supplier during a survey conducted two years ago — a statement the trader never saw, never had a chance to respond to, and which the supplier himself may have since retracted. The trader has filed invoices, ledger entries, bank statements, and confirmations. Yet the addition stands, anchored entirely on that one third-party statement. This is precisely the situation where the right to cross-examination becomes not merely a procedural nicety but a substantive safeguard against an unjust addition.

The Right and Its Legal Basis

Cross-examination refers to the opportunity given to an assessee to question a person whose statement is proposed to be relied upon adversely in assessment proceedings. This issue commonly arises where additions are based on statements recorded during search or survey proceedings, investigation wing reports, or statements of third parties such as entry operators, brokers, suppliers, lenders, or donors.

This right is rooted in the principles of natural justice. If material is collected behind the back of the assessee and is proposed to be used against him, the assessee must be given a fair opportunity to controvert it. Section 142(3) of the Income-tax Act also recognises the requirement of giving an opportunity of being heard in respect of material gathered during inquiry and proposed to be used in assessment.

Key Judicial Pronouncements

The Supreme Court in Andaman Timber Industries v. Commissioner of Central Excise (2015) 62 taxmann.com 3 (SC) held that denial of cross-examination of witnesses whose statements were relied upon amounted to a serious violation of natural justice. Though arising from Central Excise, this principle has been widely imported into income-tax proceedings by various High Courts and Tribunals. Similarly, in Kishinchand Chellaram v. CIT (1980) 125 ITR 713 (SC), the Supreme Court held that material collected behind the back of the assessee cannot be used without giving an opportunity to rebut it.

> Material collected behind the back of the assessee cannot be used as the sole or decisive basis for an addition without giving a meaningful opportunity to rebut it.

When Does This Right Become Critical?

Cross-examination becomes particularly relevant in cases involving alleged bogus purchases, accommodation entries, unexplained cash credits, share capital, unsecured loans, on-money allegations, or questionable donation claims. In many such cases, the addition is not based on direct evidence found from the assessee but substantially on third-party statements or external information.

Where the assessee has discharged the primary onus by filing supporting evidence, and the Assessing Officer still proposes to rely on a third-party statement, denial of cross-examination may seriously weaken the department's case. Courts and Tribunals have repeatedly held that evidence collected behind the back of the assessee should not be used as the sole or decisive basis for an addition.

How to Invoke This Right Properly

The right must be invoked properly. The assessee should make a specific written request for copies of the statements, adverse material, and an opportunity to cross-examine the concerned person. A vague oral or informal objection will not suffice — the request must be explicit, documented, and retained as part of the assessment record.

Special Considerations in Faceless Proceedings

In the faceless assessment environment, this right requires more deliberate and documented assertion. The Faceless Assessment Scheme, 2019, and the subsequent guidelines issued by CBDT, recognise that an assessee must be given a meaningful opportunity before adverse material is used against him. Where the National Faceless Assessment Centre proposes to rely on third-party statements, investigation wing reports, or AIR/SFT data, the assessee should take the following steps without delay:

1. File a specific written request through the e-proceedings portal asking for complete copies of all third-party statements, inquiry reports, and other external material proposed to be used in the assessment.
2. Clearly state in the request that the assessee disputes the contents of such statements and seeks an opportunity to cross-examine the concerned person. Even if physical cross-examination is not feasible in a faceless regime, the demand itself places the department on notice. If the opportunity is denied and the addition is nonetheless made, this becomes a ground of challenge before the CIT(A) and the ITAT.
3. Where the Assessing Officer proceeds without providing this opportunity, the assessee should specifically raise this grievance in the grounds of appeal. Tribunals have consistently held that additions made primarily on the basis of third-party statements, without giving the assessee a chance to rebut them, are liable to be deleted or remanded for fresh consideration.

The practical lesson is simple: in faceless proceedings, your written trail is your only trail. Every request, every objection, and every response must go through the portal and be preserved. What is not on record does not exist for the purposes of an appeal.

An Important Caveat

Taxpayers should remember that cross-examination is not a substitute for documentary evidence. The assessee must first maintain and produce proper records, confirmations, bank statements, invoices, agreements, and other relevant documents. Cross-examination becomes a powerful safeguard when the department seeks to reject such evidence mainly on the basis of third-party statements — not a tool to compensate for absent documentation.

Key Takeaway

Whenever an addition is proposed on the basis of third-party statements or external material, the assessee should promptly seek copies of such material and request cross-examination in writing. A timely and well-documented request can become a strong ground in assessment as well as appellate proceedings.

This article is for informational purposes only and does not constitute legal or tax advice. Members are advised to consult their advisors for case-specific guidance.

ARTICLE 2

FOREIGN ASSETS OF SMALL TAXPAYERS DISCLOSURE SCHEME, 2026 – RELIEF FOR DISCLOSURE FAILURES OR AMNESTY FOR NON-COMPLIANCE?



Contributed by: CA Ravichandran V, Kumbakonam

The Union Budget 2026 introduced a significant compliance initiative in the form of the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (FAST-DS 2026). The Scheme, incorporated in Sections 114 to 128 of the Finance Act, 2026, seeks to address a long-standing practical problem faced by taxpayers and tax professionals – the existence of undisclosed foreign assets, unreported foreign income and technical failures in reporting foreign assets in income-tax returns.

Unlike earlier enforcement-focused measures under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, the new Scheme adopts a more balanced approach. It distinguishes between deliberate tax evasion and genuine reporting lapses, particularly those involving returning NRIs, overseas employees, ESOP holders and individuals who acquired foreign assets during their non-resident years but subsequently became residents in India.

Legislative Framework

The Scheme is contained in Sections 114 to 128 of the Finance Act, 2026. It will come into force on a date to be notified by the Central Government and shall remain open until a notified closing date. The Central Board of Direct Taxes (CBDT) has been empowered to issue rules, forms, clarifications and implementation guidelines.

Who Can Avail the Scheme?

The Scheme is available to:

Persons who are resident in India within the meaning of Section 6 of the Income-tax Act, 1961;

Persons who are currently non-residents or not ordinarily residents but were residents during the year in which the foreign income arose or the foreign asset was acquired.

This extended eligibility is particularly relevant for individuals who have changed their residential status over time and may have historical reporting deficiencies.

Assets and Income Covered

The Scheme covers undisclosed foreign assets and foreign income. Foreign assets may include foreign bank accounts, overseas investments, shares, ESOPs, financial interests in foreign entities, foreign immovable properties and beneficial interests held outside India.

Undisclosed foreign income includes income from sources located outside India that was chargeable to tax in India but was not disclosed in the return of income.

The Scheme permits declarations relating to any previous year, including years preceding the financial year ending 31 March 2026.

Cases Excluded from the Scheme

The Scheme does not extend to assets or income representing proceeds of crime where proceedings have been initiated under the Prevention of Money Laundering Act, 2002. Further, cases where assessment proceedings under the Black Money Act have already been completed are outside the scope of the Scheme.

Two-Tier Relief Structure

One of the most significant features of the Scheme is the distinction between substantive tax evasion and technical disclosure failures.

Category I – Undisclosed Foreign Assets or Income

This category applies where there is actual undisclosed foreign income or unexplained foreign assets. The aggregate value of such foreign assets and income should not exceed Rs. 1 crore.

The declarant is required to pay:

- Tax at 30% of the fair market value of undisclosed foreign assets as on 31 March 2026;
- Tax at 30% on undisclosed foreign income;
- Penalty equal to 100% of the tax payable.

Upon payment, complete immunity from further tax, penalty and prosecution under the Black Money Act is granted in respect of the income or asset disclosed.

Category II – Reporting Defaults Without Tax Evasion

This category provides substantial relief for taxpayers who acquired foreign assets out of:

(a) income earned during a non-resident period; or

(b) income already offered to tax in India,

but failed to disclose such assets in Schedule FA after becoming residents.

For such cases, where the value of the foreign asset does not exceed Rs. 5 crore, only a flat fee of Rs. 1 lakh is payable. No further tax or penalty is leviable under the Scheme.

This category is likely to benefit returning NRIs, expatriates, multinational employees and foreign ESOP holders who may have inadvertently failed to disclose overseas assets despite having paid tax on the source funds.

Procedure Under the Scheme

The declaration is required to be filed electronically in the prescribed form. After verification, the designated income-tax authority shall issue an electronic order determining the amount payable.

The amount determined is required to be paid within two months from the end of the month in which the order is received. A further period of up to two months may be available subject to payment of simple interest at 1% per month.

Tax Consequences

Income or assets validly declared under the Scheme shall not be included in the total income of the declarant under either the Income-tax Act, 1961 or the Black Money Act, 2015.

Amounts paid under the Scheme are non-refundable and cannot subsequently be challenged through rectification, revision, appeal or any other proceedings.

Immunity from Penalty and Prosecution

A valid declaration coupled with payment of the prescribed amount grants immunity from tax, penalty and prosecution under the Black Money Act in respect of the declared income or assets.

This immunity is one of the most significant incentives offered by the Scheme and provides certainty and finality to taxpayers seeking to regularise past non-compliances.

Practical Relevance for Chartered Accountants

The introduction of FAST-DS 2026 places an important responsibility on Chartered Accountants. Practitioners should proactively identify clients who:

- Worked abroad and subsequently returned to India;
- Hold foreign bank accounts;
- Possess foreign ESOPs or shares;
- Have beneficial interests in overseas entities;
- Own foreign immovable properties;
- Have historically omitted Schedule FA disclosures.

A structured questionnaire should be incorporated into return filing and tax audit procedures to identify potential exposures.

Issues Requiring Further Clarification

Although the Scheme provides significant relief, certain practical questions remain.

Clarifications may be required regarding:

- Determination of fair market value of foreign assets;
- Treatment of jointly held foreign assets;
- Multiple declarations by the same taxpayer;
- Computation of the Rs. 1 crore and Rs. 5 crore thresholds;
- Interaction with reassessment proceedings under the Income-tax Act;
- Treatment of foreign retirement accounts and pension plans.
- Detailed rules and FAQs from CBDT are expected to provide greater operational clarity.

Conclusion

The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 represents a pragmatic compliance initiative. By differentiating deliberate tax evasion from genuine reporting failures, the Scheme provides an opportunity for taxpayers to regularise historical non-compliances while obtaining legal certainty.

For Chartered Accountants, the Scheme presents both a responsibility and an opportunity. Timely identification of eligible cases, careful evaluation of disclosure requirements and proper professional advice can help taxpayers avail the benefits of the Scheme while avoiding the significant consequences that may otherwise arise under the Black Money Act.

Disclaimer:

This article is intended for professional awareness among members. Readers are advised to refer to the Finance Act, 2026, notifications, rules, forms and subsequent CBDT clarifications before advising clients or taking any action under the Scheme.

ARTICLE 3



PROFESSIONAL UPDATE FOR MEMBERS
F&O TURNOVER CALCULATION AND DISCLOSURE IN INCOME TAX RETURN

Contributed by: CA R Ganesh, Thirubuvanam

Practical Guidance for FY 2024-25 and AY 2025-26 Filing

This redrafted note removes duplication from the earlier draft and presents consolidated member-friendly guidance on classification, turnover computation, ITR disclosure, audit applicability and filing precautions relating to Futures and Options transactions.

1. Background

Retail participation in Futures and Options (F&O) has increased substantially. For income tax filing, the Chartered Accountant should not merely adopt the broker's net profit or loss figure. The nature of income, turnover computation, option premium treatment, expense claim, audit applicability and ITR disclosure should be verified before filing.

2. Nature of F&O Income

Eligible derivative transactions carried out on a recognised stock exchange are generally treated as non speculative business transactions under Section 43(5)(d) of the Income Tax Act, 1961. Accordingly, profit or loss from F&O transactions is normally taxable under the head Profits and Gains from Business or Profession and not under Capital Gains.

Particulars	Usual tax treatment
F&O trading on recognised stock exchange	Non speculative business income
Intraday equity trading	Speculative business income
Delivery based share transactions	Capital gains or business income depending on facts
F&O loss	Non speculative business loss
Set off of F&O loss	Can be set off against income other than salary, subject to provisions
Carry forward of F&O loss	Generally allowed for 8 assessment years, subject to filing within the due date under Section 139(1)

3. Meaning of Turnover in F&O Transactions

For F&O transactions, turnover does not mean the total contract value or total sale value. Turnover is computed with reference to the aggregate of favourable and unfavourable differences. In simple terms, all profits and all losses are added without considering the plus or minus sign.

F&O Turnover = Sum of absolute profits + Sum of absolute losses

Trade	Profit / Loss	Amount considered for turnover
Trade 1	Profit Rs. 25,000	Rs. 25,000
Trade 2	Loss Rs. 18,000	Rs. 18,000
Trade 3	Profit Rs. 7,500	Rs. 7,500
Trade 4	Loss Rs. 12,500	Rs. 12,500
Total	Net profit Rs. 2,000	Turnover Rs. 63,000

4. Treatment of Futures

In the case of futures, turnover is the aggregate of absolute profit and absolute loss arising on squaring off or settlement of the contracts.

Particulars	Profit / Loss	Turnover value
Nifty Futures profit	Rs. 55,000	Rs. 55,000
Bank Nifty Futures loss	Rs. 30,000	Rs. 30,000
Total	Net profit Rs. 25,000	Turnover Rs. 85,000

5. Treatment of Options and Premium Received

Options require special care because premium is involved. Under Paragraph 5.10(b) of the Revised Guidance Note (Revised 2023/2025), options turnover must be calculated as follows:

1. **Long Options (Bought Options):** Turnover is computed as the sum of absolute profits and absolute losses on squared-off trades. No opening premium on sale is received, so no premium is added.

2. **Short Options (Sold/Written Options):**
   - Premium Received on Sale: The premium received on the sale of options must be included in the turnover.
   - Treatment of Net Profit: Where the premium received is included for determining net profit for transactions, then such net profit should not be separately included to prevent double counting.
   - Treatment of Net Loss: Since there is no net profit to exclude, the absolute loss on the trade is an independent unfavourable difference and must be added along with the premium received.

A. Squared off option contract (Profitable Short Trade)

Amount	Amount
Option sold for premium	Rs. 100
Option bought back	Rs. 60
Profit	Rs. 40
Turnover	Rs.100(premium received on sale; net profit of Rs. 40 is excluded.

Note: Under the revised Guidance note, the premium of Rs.100 is considered as the turnover, and the Rs.40 profit is excluded to avoid double counting.

B. Squared off option contract (Loss making Short Trade)

Particulars	Amount
Option sold for premium	Rs. 100
Option bought back (squared off)	Rs. 120
Net Loss	Rs. 20
Turnover	Rs.120(premium received on sale Rs.100+ absolute loss Rs.20.

C. Expired option contract

Situation	Tax result for turnover
Buyer of option and option expires worthless	Premium paid becomes loss and forms part of turnover
Seller of option and option expires worthless	Premium received becomes profit and forms part of turnover

6. ITR Form and Business Code

For individuals and HUFs having F&O income, the appropriate return form is generally **ITR 3**, because the income is reported under business income. A salaried person having F&O transactions should generally not file ITR 1 or ITR 2 for such income, as it may lead to defective return or mismatch issues.

Case	Suggested return form
Salaried individual with F&O income	ITR 3
Individual having business income and F&O income	ITR 3
HUF having F&O income	ITR 3
Only delivery based capital gains and no F&O	ITR 2 may apply
Presumptive business income where otherwise eligible	ITR 4 may be examined carefully depending on facts

For AY 2025-26, members should select the appropriate nature of business code for F&O trading, namely **Business Code 21010: Futures and Options Trading,** wherever applicable in the ITR utility.

7. Disclosure in ITR 3

F&O income should be disclosed in ITR 3 under business income. The ITR utility has specific fields for turnover from F&O trading and income from F&O trading transferred to the Profit and Loss Account. The figures should be consistent with the broker report, turnover working and books of account, if maintained.

Item	Practical disclosure approach
Turnover / gross receipts	Enter F&O turnover computed using absolute profit / loss method
Gross profit / loss	Enter the actual net trading result before expenses
Expenses	Claim eligible expenses such as brokerage, STT, exchange charges, GST, internet and advisory fees
Net profit / loss	Report the net business result after expenses
Schedule BP	Ensure the final business income or loss flows correctly into Schedule BP
Balance Sheet	Report margin with broker, broker ledger balance, bank balance, capital account and liabilities where books are maintained

8. Allowable Expenses

Since F&O income is treated as business income, expenses incurred wholly and exclusively for such trading activity may be claimed, subject to supporting evidence.

- Brokerage
- Securities Transaction Tax
- Exchange transaction charges
- GST on brokerage and charges
- Stamp duty and SEBI charges
- Internet and data charges
- Advisory or research subscription
- Trading software charges
- Depreciation on computer or laptop used for trading
- Bank charges
- Professional fees

9. Tax Audit Applicability

Tax audit applicability in F&O cases should be examined with care. It depends on turnover, declared profit, presumptive taxation provisions, cash transaction limits, total income and past filing position.

A. General threshold

The general business audit threshold under Section 44AB is Rs. 1 crore. However, since exchange-traded derivative transactions are cleared digitally, F&O traders satisfy the digital receipt and payment requirement (where cash receipts and payments do not exceed 5% of total transactions). Consequently, the audit threshold is enhanced to Rs. 10 crore.

B. Presumptive taxation and Section 44AD

If the correctly computed turnover is upto Rs.3 crore, the assesse can opt for presumptive taxation U/S 44AD, declaring 6% of the turnover as profit. U/S 44AD(4), once an assesse opts for presumptive tax, they must continue to declare presumptive income for 5 consecutive assessment years. If they opt out in any of these years(declare a loss or profit lower than 6%), they are barred from opting back into sec 44AD for the next 5 assessment years, and a tax audit is mandatory U/S 44AB(e) provided their total income exceeds the basis exemption limit.

Suggested audit checklist

- Compute F&O turnover using the Guidance Note
- Check net profit percentage after expenses.
- Verify whether the assessee is eligible for Section 44AD.
- Check whether Section 44AD was opted for in earlier years.
- Verify whether total income exceeds the basic exemption limit.
- Check whether business loss is claimed and intended to be carried forward.
- Document the conclusion on tax audit applicability in the working paper.

10. Loss Reporting and Due Date Caution

F&O loss is a non speculative business loss. To carry forward current year business loss, the return should be filed within the due date prescribed under Section 139(1). If the return is filed belatedly, the assessee may lose the right to carry forward the current year F&O business loss.

11. AIS / TIS and Broker Report Reconciliation

AIS and TIS may not always match the turnover computed as per the absolute profit method. Therefore, the purpose of reconciliation is to identify omissions, duplicate reporting, incorrect classification and unusual mismatches rather than to mechanically match AIS with broker turnover.

- Broker Tax P&L report
- Trade wise F&O statement
- Broker ledger
- AIS and TIS
- Bank statement
- Expense details and supporting evidence

12. Common Mistakes in F&O Reporting

Common mistake	Correct approach
Reporting F&O as capital gains	Report eligible F&O income as non speculative business income
Taking contract value as turnover	Use absolute profit / loss method
Adding option premium twice	Do not add premium again if already included in broker P&L
Using wrong ITR form	Use ITR 3 for individuals and HUFs having F&O business income
Ignoring expenses	Claim genuine trading related expenses with evidence
Not checking audit applicability	Examine Section 44AB, Section 44AD and total income position
Belated filing of loss return	File within due date to preserve carry forward of business loss
Not preserving working papers	Maintain turnover working, broker report and audit conclusion

13. Practical Illustration

Facts: Mr. A has the following F&O transactions during FY 2024-25:

Particulars	Profit / Loss
Nifty Futures profit	Rs. 55,000
Bank Nifty Futures loss	Rs. 30,000
Nifty Call Option bought and expired (Bought at Rs.20000, squared off (sold) at Rs.15000	Loss Rs. 5,000
Bank Nifty Put Option sold and expired Sold at Rs.50000, squard off (bought back) at Rs.35000	Profit Rs. 15,000

Turnover computation:

Particulars	Amount considered for turnover
Absolute value of futures profit	Rs. 55,000
Absolute value of futures loss	Rs. 30,000
Absolute value of option loss	Rs. 5,000
Absolute value of option profit (premium received included)	Rs. 50,000
Total F&O turnover	Rs. 1,40,000

Net income computation:

Particulars	Amount
Total profits	Rs. 70,000
Less: Total losses	Rs. 35,000
Net trading profit before expenses	Rs. 35,000
Less: Brokerage, STT and other expenses	Rs. 8,000
Net business income	Rs. 27,000

ITR reporting summary:

Particulars	Reporting
Head of income	Profits and Gains from Business or Profession
Nature of business	Futures and Options Trading
Business code	21010
F&O turnover	Rs. 1,40,000
Net business income	Rs. 27,000
ITR form	ITR 3

14. Practical Filing Checklist for Members

Area	Checklist points
Documents	Broker Tax P&L, trade wise statement, broker ledger, contract notes, bank statement, AIS, TIS and expense details
Classification	Separate F&O, intraday equity, delivery based shares and investments
Turnover	Use absolute profit / loss method and avoid double counting option premium
Expenses	Verify brokerage, STT, exchange charges, GST, advisory fees, software and other genuine expenses
Audit	Check turnover, profit percentage, Section 44AD position, total income and loss carry forward impact
ITR disclosure	Use correct ITR form, business code, Schedule BP, Profit and Loss Account and Balance Sheet fields
Working paper	Preserve turnover computation, broker reconciliation and audit applicability conclusion

Conclusion

F&O reporting is not merely a data entry exercise based on the broker's net profit or loss statement. The Chartered Accountant should independently verify classification, turnover computation, premium treatment, expense claim, audit applicability and ITR disclosure. A concise working paper should be maintained for every F&O filing assignment to support the return filed and to respond to future mismatch or defective return issues.

Disclaimer

This note is intended only for educational and professional awareness purposes for circulation among Chartered Accountant members. It does not constitute professional advice or a substitute for detailed examination of facts. Members are advised to refer to the applicable provisions of the Income Tax Act, 1961, Income Tax Rules, notified ITR forms, ICAI guidance and the facts of each case before finalising any return, audit report or client advisory.

ARTICLE 4

THINK BEFORE YOU CLICK SUBMIT: ITR FORMS GET SMARTER



Contributed by: CA M Prabudas, B.Com, FCA, CISA, Thirubuvanam

Filing an ITR used to be about filling numbers. Now, it is about matching data. The newly notified ITR forms for AY 2026–27 may look familiar, but the system behind them has become far more intelligent—and far less forgiving. The real shift is not in the format of the form—it is in the intent behind it. Today, every entry in your return is quietly cross-checked with AIS, TDS and multiple reporting sources. The department is no longer just collecting information; it is validating it. In this new regime, your ITR is not just what you report—it is what the system agrees with.

Let us understand the key changes that truly matter for the common taxpayer—without getting buried in technical complexity.

1.Expanding the Scope ITR Form – 1 & 4:

a) One of the most welcome changes is the relaxation in eligibility for simpler ITR forms. Earlier, taxpayers having more than one house property were forced to move out of ITR-1 or ITR-4 and into more complex forms. Now, income from up to two house properties can be reported in these simpler forms. This is a practical relief for salaried individuals who may have one self-occupied property and another rented or deemed let-out property. All such person can continue to file the ITR in simple form ITR-1.

b) Another sensible change is for small investors in the stock market. Earlier, even minor capital gains would push taxpayers into ITR-2. Now, long-term capital gains up to ₹1.25 lakh from listed shares or equity mutual funds can be reported in ITR-1 itself. This reduces unnecessary complexity for retail investors.

2.Incorporating the Revised Return Late Fees in all the ITR:

a) Finance Act – 2026 has extended the time limit for filing a revised return. Taxpayers can now revise their returns up to 12 months from the end of the assessment year. This provides flexibility to correct errors.

b) A seemingly beneficial change—but one that comes with a hidden cost. The law now introduces a fee of ₹1,000 or ₹5,000 under section 234-I for delayed revisions. New ITR forms are suitably amended so as to incorporate this change. This means corrections are allowed, but procrastination is penalised. The underlying message is clear: "Be accurate the first time."

3.Political Donation – Enhanced Reporting:

Another significant area of change in the ITR form is regarding the reporting of donations. In earlier years, many taxpayers claimed deductions under Section 80G or 80GGC with minimal documentation. Recent tax drives have shown that many deduction claims were either unsupported or completely fictitious—prompting stricter reporting requirements.

This is no longer possible. The new ITR forms require detailed reporting, including PAN of the donee, transaction reference number and banking details. Now every donation claim requires PAN, transaction reference and banking details—making the entire trail fully traceable. This change is aimed at eliminating fictitious claims and ensuring full traceability. For taxpayers, this means one thing—no documentation, no deduction.

4.Promoting MSME – Reporting of Interest paid to MSME:

A relatively less discussed but highly impactful change relates to payments to MSMEs. As per existing provisions, if payments to micro or small enterprises are delayed beyond the prescribed time, the interest is disallowed as a deduction. But there was no reporting requirement in the ITR forms till last year. Now, the ITR forms require specific disclosure of such disallowance. This makes it much easier for the department to identify non-compliance.

5.Presumptive Scheme of Taxation:

While presumptive taxation reduces compliance burden in terms of books of account, it does not mean complete exemption from scrutiny. Now, every taxpayer opting for presumptive taxation schemes under Sections 44AD or 44ADA is now required to provide additional details, including investment information. This is a subtle but important shift. By asking for investment details, the department is indirectly assessing whether the declared income aligns with the taxpayer's financial behaviour and asset creation. Further, such persons are also required to report their bank balance as on 31.03.2026 in the ITR Forms.

6.Reporting by Partner:

a) Recent amendments by the Finance Act – 2025 have introduced Tax Deduction at Source (TDS) implications on payments like interest and remuneration to partners, making compliance more critical for partnership firms. FY 2025-26 will be the first year whereby the partnership firms will need to ensure TDS compliance on such payments for which the due date of payment is 30th April 2026.

b) The new ITR forms have added following two additional reporting requirements:

- Amount of interest due or received from the partnership firm
- Amount of remuneration due or received from the partnership firm

7.Capital Gain Reporting:

There are some simplifications introduced in the forms. The requirement to bifurcate capital gains based on dates (a transitional provision last year) has been removed.

8.Dual Address allowed in ITR Forms:

Another seemingly minor but important addition is the option to provide primary and secondary address and contact details. This change aims to improve communication between the taxpayer and the department. In an era where most proceedings are faceless and digital, accurate contact details are crucial. Missing an email or notice due to outdated contact information can have serious consequences.

Further, the existing fields for two mobile numbers and two email IDs have been titled as "Primary" and "Secondary" contact details.

9.Other simplification measures in ITR Forms:

- Auditor-related disclosures have been rationalised, reducing unnecessary duplication of information.
- Certain irrelevant fields, such as reporting of foreign retirement accounts in simple forms, have been eliminated.

These changes reflect an effort to streamline compliance, but they benefit only those taxpayers who maintain proper and accurate records.

Conclusion:

Perhaps the most significant change is not in the form, but in the system behind it. The new ITR regime reflects a little more shift in tax administration. The focus is no longer just on disclosure, but on verification. With AIS, TDS and data analytics, every entry in your return is matched and validated. This leaves very little room for error. Even minor inconsistencies can attract scrutiny. Tax filing today is not about filling a form—it is about aligning your return with your financial footprint. The form may look simple, but the backend is anything but simple. The message is simple and direct:
Accuracy is not optional anymore—it is essential.

Curbs on Ads by Accounting Firms Lifted: ICAI

NEW DELHI

The Institute of Chartered Accountants of India (ICAI) has operationalised its revised Code of Ethics from this fiscal, easing various restrictions on chartered accountants (CAs) and their firms to advertise themselves and develop websites, its president Prasanna Kumar D said on Tuesday, reports Banikinkar Patlikinkar Pattanayak. The move will enable them to better present their service offerings and attract lucrative assignments.

The institute is also considering opening up non-assurance services, such as consultancy work, for chartered accountants for audit clients, subject to conditions, he told ET in an interview. The institute's council is working on it. Prior to the issuance of the latest guidelines, CAs and their firms were allowed to advertise only in a limited manner through 'write-ups', with curbs on the size of the font and photographs that can be used, among other restrictions.

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Chief General Manager (Inspection)

ICAI to Set Up Advanced Forensic Lab for Small, Medium Practitioners

New Delhi: Chartered accountants' institute ICAI will be setting up a centrat advanced forensic Lab for Small, Medium Practitioners.

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"We are establishing an advance forensic auditing lab at the Centre of Excellence (CoE) in Hyderabad. In next 2-3 months, we will launch it," Kumar said.

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Attributed: PTI News

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MSMEs to get new 'mitras' for affordable professional help

Corporate Mitra programme will include six months of virtual training with nearly 150 hours of recorded lectures, followed by six months of practical training under a seasoned CA, CS

Priyadarshini.Gupta
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To improve graduate employability in tier-I and tier-II cities and create a skilled workforce support for small businesses, the central government's proposed Corporate Mitra programme is expected to be rolled out in July. The initiative will help Micro, Small and Medium Enterprises (MSMEs) get access to affordable professional support without having to hire full-time CAs or other professionals. They will be able to rely on trained graduates through this programme for their day-to-day business work. Corporate Mitras will not possess statutory authority like CAs or company secretaries however, will be able to assist small enterprises in areas such as basic accounting, documentation, office operations, compliance awareness, and digital record-keeping.

The framework is being developed, and the courses will be launched on SWAYAM Plus platform in July. The Corporate Mitra programme was announced by FM Nirmala Sitharaman in the Union Budget 2026-27. To enhance job readiness, and domain-specific expertise among young graduates, the scheme is being jointly implemented by Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI), and Institute of Cost Accountants of India (ICoAI).

Speaking to *Education Times*, Prasanna Kumar D, president, ICAI, says, "Several components of the scheme have already been finalised.

The details of module and allocation

S No	Module	Topics	Allocated
1	Module 1	Accounting, Taxation, Banking and Financial Management	ICAI
2	Module 2	Legal and Secretarial	ICSI
3	Module 3	Cost and Management Accounting	ICoAI

The initiative, jointly implemented by the government along with ICAI, ICSI, and ICoAI, will create skilled workforce

The programme is expected to run for 12 months and will be open to graduates as well as final-year students below 30 years. The first six months will focus on virtual training through SWAYAM Plus platform, where students will receive 150 hours of recorded lectures and videos. Each institute has been assigned 50 hours of content covering accounting, taxation, costing, management accounting, legal compliance, and corporate governance."

Innovative Framework

The lectures are in English and Hindi, with plans to gradually expand the content in other regional languages. Under the proposed structure, students will undergo module-based online assessments during the virtual learning phase. Prasanna says, "After online session, candidates will spend six months of practical training under practicing CAs, cost accountants, or company secretaries. The stipend structure is still under discussion."

The final assessment framework includes 10% for module-based tests, 50% for the final exam, and 40% for performance during practical training. Candidates successfully completing the programme will receive a 'Corporate Mitra' certification, enabling them to function as authorised facilitators.

"The initial plan is to train around 2,000 students under the pilot phase to evaluate operational challenges and assess outcomes before expanding it nationally. ICAI has over 180 branches and a large pool of practicing professionals to support practical training," says Prasanna.

Employable Graduates

The scheme is expected to support small businesses in districts where access to professional accounting and compliance services remains limited or unaffordable. "Corporate Mitras will not possess statutory authority like CAs or company secretaries. Instead, they will function as trained support professionals capable of assisting small enterprises in areas such as basic accounting, documentation, office operations, compliance awareness, and digital record-keeping. The objective is to transform 'just graduates' into 'employable graduates'. Many students from smaller colleges remain unemployed not because they lack degrees, but because they lack practical exposure, workplace understanding, and professional communication skills. The programme aims to bridge gap through structured mentorship and hands-on training," says Prasanna.

The move is expected to particularly benefit students from small cities, many of whom face barriers in accessing professional training and industry exposure. Durgesh Kumar Kabra, Central Council Member, ICAI, and chairman, ICAI Corporate Mitra Committee, says, "The programme is being designed with a special focus on tier-II and tier-III cities, particularly the Northeast region, where access to qualified professionals remains limited. Initially, the course material on the SWAYAM portal will be available in English and Hindi; additional regional languages may be considered in the future if required. However, since most professional and compliance-related processes, including Income Tax and GST filings, are conducted primarily in English or Hindi, the programme's immediate focus is on these two languages."

Largescale outreach and publicity initiatives for the programme have not yet begun. "Once preparations are complete; the Ministry of Corporate Affairs (MCA) is expected to begin promoting the initiative through newspapers, social media, and other publicity campaigns. Registration for students is also expected to open after the July launch. Enquiries from graduates have already started coming in, but active enrolment and marketing efforts will begin only after the platform is fully ready," says Kabra.



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Kumbakonam Branch (SIRC)