The Institute of Chartered Accountants of India

(Setup by an Act of Parliament)

KUMBAKONAM BRANCH (SIRC)

September 2026

NEWSLETTER

STEWARDS OF TRUST.
DRIVERS OF TRANSPARENCY.
PARTNERS IN NATION BUILDING.



FOCUS THIS MONTH

- Audit Excellence
- Financial Reporting
- GST & Tax Compliance
- Ethics & Professional Standards
- Continuous Learning & Capacity Building

IMPORTANT REMINDER

Tax Audit Report for AY 2026–27 is due on **30th September 2026**

OUR VALUES

Integrity | Excellence | Objectivity | Competence | Confidentiality | Professionalism

From The Chairman's Desk



Dear Professional Colleagues,

Warm greetings to all!

August was an eventful month for our Kumbakonam Branch, with programmes covering professional development, students, career counselling, financial literacy and outreach activities. Our Independence Day celebrations, AURA, CAFY Season 5, Financial Literacy Programme at GSK School and the NGO Outreach Programme were made possible by the wholehearted support of our members, students, officials and well-wishers. My sincere thanks to everyone who contributed to these initiatives.

September – The Audit Season

As we step into September, most of us enter one of the busiest phases of our professional calendar. Tax audits, statutory audits and various compliance assignments demand not merely our time, but more importantly, our professional judgement and responsibility.

In the pressure of deadlines, we should remind ourselves that an audit is not merely the uploading of a report. The quality of our working papers, evidence obtained, enquiries made and professional judgement exercised is ultimately what supports the opinion we sign.

With increasing availability of information through AIS, TIS, GST data and other digital sources, the information ecosystem available to professionals and the tax administration has changed considerably. Reconciliation and consistency across various statutory filings have therefore assumed greater significance. Members may consider building these checks into their audit processes rather than treating them merely as year-end reconciliations.

Technology – An Assistant, Not a Substitute

Artificial Intelligence and automation are rapidly becoming part of our professional environment. They can help us analyse data, identify inconsistencies, prepare checklists and improve productivity. However, technology can assist our judgement; it cannot replace professional scepticism, experience and accountability.

The Chartered Accountant who combines professional knowledge with technology will undoubtedly be better equipped for the future.

Quality Before Deadline

During this busy season, let us resist the temptation to measure productivity merely by the number of reports completed. A few additional minutes spent understanding an unusual transaction, documenting an important judgement or discussing an issue with the client may prevent a much larger difficulty later.

Let our approach therefore be:

“Comply on time – but never compromise on quality.”

At the same time, I request members and their teams to take care of their health during this demanding period. Long working hours may sometimes be unavoidable, but proper rest and a supportive working environment for our staff and articled assistants are equally important for maintaining professional quality.

Our Branch will continue to bring programmes that are practical and relevant to the immediate needs of members. I invite you all to actively participate in our forthcoming CPE programmes and continue sharing your suggestions with us.

Let September be a month of **learning, quality, professional excellence and timely compliance.**

Jai ICAI, Jai Hind.

With warm professional regards,



CA. H. Vijay Sarathi

Chairman, ICAI Kumbakonam Branch (SIRC)

SNIPPETS FROM AUGUST 2026 PROGRAMMES

Independence Day
15th August 2026

Flag Hoisting by CA H. Vijay Sarathi, Chairman, Kumbakonam Branch (SIRC)





CAFY - Super Mega Career Counselling Programme at PMIST
21st August 2026



During Inaugural - Super Mega Career Counselling Programme at PMIST, from left to right **CA Vivek Manohar**, SICASA Chairman, **CA R. Venkatesh**, Treasurer kumbakonam Branch (SIRC), **CA Kumar Sitaraman**, Career Counseller, **Dr. R. Malliga**, Pro-vice-chancellor (PMIST), **Dr. N. Jayanthi**, Dean(PMIST), **Dr. A. N. Christy**, HOD (PMIST)



CA Kumar Sitaraman, Career Counsellor is being honoured by **Dr. R. Malliga**, Pro-vice-chancellor (PMIST)



During inaugural address



While students from the department of commerce are eagerly attending the career counselling programme

Vitiyagyan Mela - Financial and Tax Literacy at GSK School on 22nd August 2026



During the Inaugural session - FTL at GSK School, from left to right **CA G Ganesh**, Past Chairman, **CA H Vijay Sarathi**, Chairman, kumbakonam Branch (SIRC), **CA N Srinivasan**, Speaker, **Ms Anusha**, Principal, GSK School, **Ms. Kamalayathakshi.N**, GSK School Teacher, **Ms.Lovely Lalu,** Teacher.



While students are waiting for the session



Dignitaries being honoured by the school management



CA H. Vijay Sarathi, Chairman, Kumbakonam Branch (SIRC), honouring **CA N. Srinivasan,** Speaker

Vitiyagyan Mela - Financial and Tax Literacy at Thatchankuruchi Village on 22nd August 2026



During the Inaugural Session



While **Dr. Aruna,** CEO, PTBI is introducing the Speaker **CA V Mahadevan** (sitting next to Dr. Aruna)



CA V. Mahadevan addressing the villagers on financial management and safety mechanisms in digital payments



When **CA V Mahadevan** is being honoured by **Mr. Dillip**, Programme Co-ordinator (PMIST)

Public Outreach Programme on the Income-tax Act, 2025, in Relation to RNPOs 24th August 2026



During Inaugural Session - From left to right **Mr. J Rajaram** (ITO), **CA H Vijay Sarathi**, (Chairman, ICAI Kumbakonam Branch), **Mr. Premanand, I.R.S.**, (CIT), **Mr. B Adhavan, I.R.S.,** (JCIT), **Ms. J Aiswarya, I.R.S**. (DCIT)



Kindling the Flame of Knowledge – **Mr. J. Premanand, I.R.S.**, Commissioner of Income Tax (Exemptions), Chennai



Welcome Address by **CA H. Vijay Sarathi,** Chairman, Kumbakonam Branch (SIRC).



Inaugural Address by **Mr. J. Premanand, I.R.S.,** Commissioner of Income Tax (Exemptions), Chennai.



The Commissioner of Income Tax is being honoured by **CA I Rajesh, CA R Sattanathan** and **CA H Vijay Sarathi**



Session on Salient Features of New Income Tax Act – NPOs by **Ms. J Aiswarya, I.R.S.,** Deputy Commissioner of Income Tax, Exemptions Circle, Coimbatore



The Deputy Commissioner of Income Tax is being honoured by **CA R Ganesh** and **CA Nisha Deepak**



Session on TDS Provisions & Key Changes in the New Forms by **Mr. J. Rajaram,** ITO, Exemptions Ward, Trichy



Mr. J. Rajaram, ITO, being honoured by **CA K. Ravi Sankar** and **CA M. Prabudas**



Mr. J. Premanand, I.R.S., Commissioner of Income Tax (Exemptions), Chennai, addressing queries raised by the participants



Vote of Thanks by **Mr. B. Adhavan, I.R.S.**, JCIT



Mr. B. Adhavan, I.R.S., JCIT is being honoured by **CA K S Kumaravelu**

Kumbakonam Branch (SIRC)

FORTHCOMING PROGRAMMES – SEPTEMBER 2026

Date	Day	Timing	Place	Mode	Topic	Resource Person	Fee (incl. GST)	CPE
4th & 5th Sep 2026	Fri & Sat	10:00 am to 06:00 pm	ICAI Bhawan, Kumbakonam	Physical	Excel Workshop	CA Rathinagiri	-	NA
6th Sep 2026	Sun	10:00 am to 01:00 pm	ICAI Bhawan, Kumbakonam	Physical	Seminar on Tax Audit 2026 - Practical Insights	CA V Ramnath	₹500	3 Hrs

ARTICLE 1



SOCRATIC PROMPTING - PART 3

USING AI TO ASK BETTER QUESTIONS

Contributed by: CA S. Santhanakrishnan, B.Com., FCA

In the earlier parts of this series, we discussed two prompting styles.

Chain-of-Thought style prompting helps us ask AI to show the working.
Tree-of-Thought style prompting helps us ask AI to compare options.

The third useful method is **Socratic prompting.**

What is Socratic Prompting?

Socratic prompting means asking AI to guide us through questions instead of giving an immediate answer.
In professional work, the quality of judgement often depends on the quality of questions asked. Many errors do not arise because the professional does not know the rule. They arise because the right question was not asked at the right time.
This method is useful for:

- testing assumptions;
- training juniors;
- preparing review checklists;
- improving analytical thinking;
- identifying missing facts.

For Chartered Accountants, this method is particularly useful because our work requires both knowledge and judgement.

Simple Example

Suppose someone says:

"We have signed a Three-year annual maintenance contract this year. Can we recognise the entire revenue in year 1?"

A normal AI prompt may be:

"Can revenue be recognised fully in year 1?"

A better Socratic prompt would be:

"I think we can recognise revenue from a 3-year AMC contract entirely in year 1 because the contract was signed this year. Ask me questions to help determine the correct revenue recognition treatment under Ind AS 115."

This prompt makes AI ask useful questions such as:

- What are the performance obligations?
- Is the service provided over time or at one point in time?
- Does the customer receive benefit over the contract period?
- Is consideration received upfront?
- Are there cancellation or refund clauses?
- Is there any separate implementation obligation?
- What evidence supports the revenue recognition pattern?

These questions help the CA or audit team examine the issue more carefully.

Another Example

Prompt:

"Guide me through questions to determine whether an investment should be consolidated, accounted using the equity method, or treated as a financial asset. The company holds 22% of the voting rights but has no board representation."

The AI may ask questions relating to:

- voting rights;
- significant influence;
- board representation;
- participation in policy decisions;
- material transactions;
- management interchange;
- access to financial information;
- contractual arrangements.

This helps the professional identify missing facts before reaching a conclusion.

Where CAs Can Use This Prompting Style

Socratic prompting is useful in:

- training articled assistants;
- reviewing audit files;
- preparing client questionnaires;
- internal quality review;
- revenue recognition analysis;
- consolidation assessment;
- going concern review;
- related party identification;
- internal control evaluation;
- fraud risk discussions.

It is also useful for self-review. Before finalising a note, a CA may ask:

"Ask me ten questions that a reviewer may raise on this accounting position."

This can reveal weak areas in the analysis.

Why This Matters

AI is often seen as a tool for answers. But for professionals, it may be equally useful as a tool for questions.

Good questions can improve:

- fact gathering;
- documentation;
- risk identification;
- professional scepticism;
- training quality;
- client communication

For Chartered Accountants, this is relevant because our work requires both knowledge and judgement.

Professional Caution

Socratic prompting can improve review quality, but it cannot replace professional scepticism. AI may miss important questions or ask questions that are not relevant to Indian law, accounting standards or the specific facts of the case.

Therefore, the CA must still apply professional knowledge and experience.

A safe approach is: **Use AI to expand the question list.**

Use professional judgement to decide which questions matter.

Prompts for Practice

1. Ind AS Practice Prompt
"Act as a senior review assistant. I believe revenue from a three-year annual maintenance contract can be recognised fully in the year of signing because the invoice is raised upfront. Do not answer immediately. Ask me a sequence of questions under Ind AS 115 to test performance obligations, timing of revenue recognition, customer benefit, contract terms, refund clauses, evidence required and possible audit objections. After the questions, summarise the key risk areas for professional review."

2. Income-tax Litigation Practice Prompt

"Act as a litigation review assistant. The assessee wants to contest an addition made under scrutiny assessment based mainly on mismatch between books, Form 26AS/AIS and return disclosures. Do not draft the appeal immediately. Ask me detailed questions to identify factual gaps, reconciliation issues, evidentiary support, limitation concerns, grounds of appeal, possible revenue arguments and risk of penalty proceedings. Then prepare a checklist of information required before drafting the response."

3. FEMA Practice Prompt

"Act as a FEMA compliance review assistant. An Indian company has delayed realisation of export proceeds from an overseas customer beyond the expected credit period. Do not give a final conclusion. Ask me questions to examine invoice terms, shipping/service documentation, bank realisation status, AD bank communication, write-off possibility, extension requirement, related-party angle and reporting exposure. Then summarise the compliance risks and documents required for professional review."

Conclusion of Part 3

Socratic prompting helps CAs use AI not only for answers, but also for better questions. This is important because professional judgement improves when facts, assumptions and risks are tested properly.
Used responsibly, AI can support preparation, analysis and documentation. However, the final conclusion, certification, opinion and responsibility must remain with the Chartered Accountant.
In future parts of this series, we may explore other practical prompting methods such as role-based prompting, checklist prompting, review prompting, red-flag prompting and prompt templates for audit, tax and advisory work.

To be continued in future issues...

ARTICLE 2

CAN THE INCOME TAX DEPARTMENT TAX YOU FOR A TRANSACTION THAT NEVER HAPPENED?



ITAT DELHI: PORTAL MISMATCH CANNOT REPLACE EVIDENCE — BURDEN SHIFTS TO THE REVENUE

Contributed by: CA R Varatharajan, B.Com., FCA, DISA(ICAI), Kumbakonam

Income Tax Appellate Tribunal, Delhi Bench "C", New Delhi | Maheepal v. Income Tax Officer | ITA No. 547/Del/2026 | Assessment Year: 2016–17 Core Issue: Whether an addition can be made merely on the basis of third-party TDS/portal information when the assessee denies the transaction and supports the denial with bank statements.

Key Principle

An assessee cannot ordinarily be asked to prove a negative. Once a taxpayer denies a transaction and supports that denial with credible, verifiable evidence, the burden shifts to the Revenue to establish, through independent material, that the transaction actually took place.

Background

In the present era of data-driven tax administration, information appearing in AIS, TIS, Form 26AS, SFT reports and TDS statements often forms the basis of tax notices, reassessments and additions.

While such digital information is useful for identifying possible tax issues, it is not always error-free. Wrong PAN reporting, incorrect TDS returns, duplicate reporting, data-entry mistakes and portal mismatches can result in incorrect information being reflected against a taxpayer.

The ITAT Delhi ruling in Maheepal (ITA No. 547/Del/2026, AY 2016–17) is a reminder that portal information may justify an inquiry, but it cannot automatically become taxable income without proper verification.

Facts of the Case

The assessee had not filed a return of income for AY 2016–17, the income being below the taxable limit.

The Revenue subsequently received information from the tax portal indicating that the assessee had allegedly sold a property for Rs.75 lakh, based on a TDS return filed by an alleged purchaser. Relying mainly on this information, the Assessing Officer reopened the assessment and proceeded on the assumption that the assessee had received consideration from the alleged transaction.

The assessee denied the transaction from the outset.

The Assessee's Defence

- No property had been sold, and no amount of Rs.75 lakh had ever been received.
- The information on the tax portal was factually incorrect.
- Bank statements showed that no such consideration had been credited.
- Any error had originated in the TDS return filed by the alleged purchaser, and its rectification lay with that deductor.

Despite these submissions, the Revenue continued to rely on the portal information without bringing independent evidence on record.

Third-party information appears on the portal → Revenue initiates inquiry → Taxpayer denies the transaction and produces evidence (e.g. bank statements) → Burden shifts to the Revenue → Revenue must verify independently (purchaser, Sub-Registrar records, summons/notices) → Addition sustainable only on cogent, conclusive proof. Portal information can trigger an inquiry, but it cannot replace evidence.

What the Revenue Failed to Do

The Tribunal found that the Department had not carried out the verification necessary before making the addition. In particular, the Revenue failed to:

- Verify property records — no confirmation was obtained from the Sub-Registrar's office of any transfer by the assessee.
- Examine the alleged purchaser — the purchaser was neither summoned nor examined.
- Use its statutory powers — sections 131 and 133(6) of the Income-tax Act, 1961 were not effectively invoked to obtain corroborating information.
- Bring independent evidence — no documentary material was placed on record to show the sale or receipt of Rs.75 lakh.

The addition was therefore founded mainly on third-party portal information.

ITAT's Observations

The Tribunal noted that the assessee had consistently denied the transaction and had produced bank statements showing no such receipt. At that stage, the assessee had discharged the burden reasonably expected of it, and the Department could not insist that the assessee prove the transaction had never taken place.

The Tribunal rejected the approach of requiring the taxpayer to prove a negative fact. It may be possible to prove that a transaction took place — through documents, registration records or payment trails — but proving a negative is often difficult and, in many cases, practically impossible. Once the assessee denied the transaction and supported the denial with available evidence, the burden shifted to the Revenue to bring positive, cogent and conclusive evidence that the transaction had actually occurred.

Portal Information Is Not Final Proof

The ruling is especially relevant to taxpayers facing notices based on information in AIS, TIS, Form 26AS, SFT reports, TDS statements or other third-party reporting systems. Such information may be a useful starting point for inquiry, but it is not conclusive proof of income.

Errors in third-party reporting are not uncommon — a wrong PAN, an incorrect TDS return, duplicate reporting or a data mismatch can all result in incorrect information being reflected in a taxpayer's profile. The Tribunal's approach makes clear that suspicion arising from portal data cannot replace evidence.

Burden of Proof in Tax Proceedings

The decision reaffirms that the burden of proof in tax proceedings is not static. At the initial stage, a taxpayer may be required to explain or deny a transaction; but once a plausible explanation is given and supported by available evidence, the burden shifts to the Revenue, which must then investigate, verify and establish the facts through independent evidence. An addition cannot be sustained merely because certain information appears in a database.

Practical Relief for Taxpayers

This ruling offers relief to taxpayers facing notices arising from incorrect AIS entries, wrong PAN reporting, erroneous TDS reporting, inaccurate SFT reporting, or mismatches in Form 26AS or TIS. It makes clear that a taxpayer cannot be penalised merely because someone else has uploaded incorrect information, and that the Revenue must verify the facts and bring proper evidence on record before making an addition.

The relief available in any given case will still depend on the quality and completeness of the evidence the taxpayer is able to produce. This article discusses the principle laid down by the Tribunal and is not a substitute for professional advice on the facts of a specific case.

Key Takeaways

- Assessee cannot be asked to prove a negative — a taxpayer cannot be expected to conclusively prove that a transaction never occurred.
- Burden shifts to the Revenue — once the assessee denies the transaction and produces available supporting evidence, the burden moves to the Department.
- Portal data is only informational — AIS, TIS, Form 26AS, TDS statements and SFT reports are useful tools, but not conclusive proof of income.
- Investigation is mandatory — the Revenue must verify facts through property records, purchasers, statutory notices and other independent evidence.
- Additions cannot rest on assumptions — tax liability must be based on facts, evidence and proper investigation, not unverified portal entries.
- Practice point — members should advise clients to reconcile AIS/TIS/Form 26AS promptly and raise an AIS feedback or grievance with the reporting deductor as the first line of correction, before the matter escalates to reassessment or appeal.

Concluding Note

The ITAT Delhi's ruling in Maheepal (ITA No. 547/Del/2026, AY 2016–17) is a timely reminder that technology can assist tax administration, but cannot replace the principles of natural justice and evidence. Third-party information may justify an inquiry, but it cannot automatically result in taxation — once the taxpayer denies the transaction and supports that denial with available evidence, the Revenue must independently verify the facts.

For taxpayers facing incorrect AIS entries, erroneous TDS reporting or inaccurate third-party disclosures, this ruling is a useful safeguard against arbitrary additions. It reinforces a simple but powerful principle:

The burden of proving a transaction lies on the person who alleges it, not on the person who denies it.

The views expressed are personal and intended for general information only. This article does not constitute legal or professional advice; readers should consult a qualified professional in relation to the facts of their specific case.

ARTICLE 3



ITR FILING FOR AY 2026-27: FREQUENTLY ASKED QUESTIONS

NEW DISCLOSURE REQUIREMENTS, ITR FORM SELECTION, AND PENAL CONSEQUENCES OF FALSE CLAIMS

Contributed by: CA Hasiqismail S, Kumbakonam.

Q1. I have returned to India after working in the USA. For AY 2026-27, I am a tax resident of India. Can I still file ITR-1?

Eligibility to file ITR-1 depends not only on residential status and income, but also on whether the taxpayer holds any foreign asset or earns foreign income. ITR-1 is available only to resident individuals with specified sources of income who do not hold any foreign asset or earn foreign income. A taxpayer who has returned to India after working abroad but continues to hold a foreign asset — such as a foreign bank account, retirement account, shares, mutual funds, or any other financial interest outside India — is not eligible to file ITR-1.

Where foreign assets must be reported in Schedule FA, the applicable form is ITR-2 (no business income) or ITR-3 (income from business or profession).

Q2. I have a foreign retirement account but no foreign income. Which ITR should I file?

A foreign retirement benefit account is treated as a foreign asset. Even where no income has accrued or been received from such an account during the relevant previous year, the taxpayer may still be required to disclose it in Schedule FA. A resident taxpayer holding such an account is accordingly not eligible for the simplified return forms — ITR-2 is appropriate where the taxpayer has salary income, and ITR-3 where there is also income from business or profession.

Q3. What are the new disclosures required in the ITR forms while claiming certain deductions?

The ITR forms for AY 2026-27 require taxpayers to furnish additional details while claiming deductions under the following provisions:

(1) House Rent Allowance (HRA) — Section 10(13A)

(a) Place of work (metro or non-metro)
(b) Actual HRA received
(c) Actual rent paid
(d) Salary details as per Section 17(1)
(e) Amount under the '50%/40% of salary' column

(2) Interest on home loan — Section 24(b)

(f) Whether the loan is taken from a bank or other than a bank
(g) Name of the bank/institution/person from which the loan is taken
(h) Loan account number of the bank/institution
(i) Date of sanction of the loan
(j) Total amount of the loan
(k) Loan outstanding as on the last date of the financial year
(l) Interest on borrowed capital u/s 24(b)

All the above fields are mandatory to claim the deduction under Section 24(b).

(3) Investment-linked deductions — Section 80C

(a) Amount eligible for deduction
(b) Policy number or Document Identification Number
(4) Medical insurance — Section 80D
(c) Name of the insurer (insurance company)
(d) Policy number

(5) Interest on loan taken for specific purposes — Sections 80E, 80EE, 80EEA and 80EEB

(e) Name of the bank or institution from which the loan is taken
(f) Loan account number of the bank/institution
(g) Date of sanction of the loan
(h) Total amount of the loan
(i) Loan outstanding as on the last date of the financial year
(j) Amount of interest paid
(k) Vehicle registration number (for Section 80EEB only)

Q4. What are the consequences if a taxpayer claims deductions by furnishing false information?

Section 270A of the Income-tax Act provides for levy of penalty in cases of under-reported income. The penalty may be levied at 50% of the tax payable on under-reported income, rising to 200% where the under-reporting arises in consequence of misreporting. Claiming fake deductions or making bogus claims falls within "misreporting" of income and may accordingly attract a penalty of 200% of the tax payable on the under-reported income.

Source: CBDT, ITR-2 e-Filing Validation Rules for AY 2026-27, Version 1.0 (26 May 2026); CBDT, ITR-3 e-Filing Validation Rules for AY 2026-27, Version 1.0 (18 June 2026), incometax.gov.in.

This FAQ is intended for the general awareness of members and does not constitute tax advice for any specific case. Members should verify applicability against their own facts and the notified ITR forms/utility before filing.

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Kumbakonam Branch (SIRC)