The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Kumbakonam Branch (SIRC)



NEWSLETTER

MAY 2026

From The Chairman's Desk

Esteemed Members:



Greetings from Kumbakonam Branch (SIRC)

As this Newsletter reaches you, we would have entered the new financial year **2026–27**, opening yet another important phase in our professional journey. The month of April has been a busy and significant period for many of us, with members being actively engaged in **bank branch audit assignments**. I sincerely hope that the audit season has been smooth, productive and professionally satisfying for all. At the Branch level as well, the **audit of our Branch** is presently under progress.

I am happy to share that we have received approval for conducting the **AICA Level 2 course**, which are proposed to be held during the **end of May and the first week of June.** This is a welcome development for our Branch, and I am sure that the programme will offer a valuable learning platform for members who wish to strengthen their professional knowledge and practical understanding.

Further, with a view to enhancing day-to-day professional efficiency, we are commencing our **Excel Master Classes from 8th May.** In today's professional environment, proficiency in Excel is not merely an added advantage, but an essential skill. I am confident that these classes will be of great practical benefit to both members and students in improving productivity, analysis and presentation in their professional work.

I am also pleased to inform you that **the one-day workshop on "Disclosure of Accounting Policies for Non-Corporate Entities with the help of AI"**, held on **25.04.2026**, was very well received by the participants. We were glad to organise the programme as part of the observance of **Accounting Standards Day** along with ICAI. The encouraging response to the programme reflects the growing interest among professionals in combining sound accounting principles with emerging technological tools.

Further, I am glad to share that we have also formed various **committees for our Branch**. The details of these committees will be announced after obtaining the necessary approval from ICAI. We are confident that these committees will play a meaningful role in strengthening the activities of the Branch and in laying a strong foundation for the years to come.

The implementation of **the Income-tax Act, 2025** also marks the beginning of a new legal and professional journey for all of us. Our Branch has planned various programmes in the coming months to help members understand and navigate the new law in a practical and meaningful manner. In addition, during the month of **May 2026**, the Branch is also proposing to organise a **Public Awareness Programme on the New Income-tax Law** in various parts of the **Delta districts**, subject to the approval of the **Direct Taxes Committee.** We believe that such an initiative will help in spreading awareness among the public and strengthen the visibility of the profession in society.

I sincerely hope that the year ahead will offer all of us a rich and rewarding learning experience. Let us continue to move forward with unity, dedication and a shared commitment to the growth of our profession and our Branch.

Jai ICAI, Jai Hind.

With Best Regards

CA. H. Vijay Sarathi

Chairman, ICAI Kumbakonam Branch (SIRC)

SNIPPETS FROM April 2026 PROGRAMMES

Members' Interaction Meet
01st April 2026

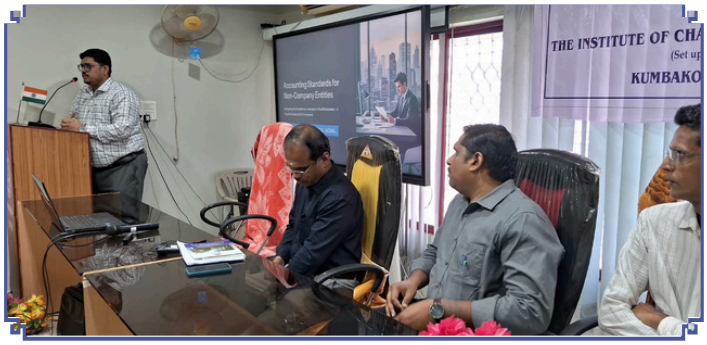


Group Photo with Branch Members



Group Photo with Branch Members

One Day Wokshop on Drafting of Accounting Policies for Non-Corporates with the help of AI
25th April 2026



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



During Inagural: from Left to right CA V A Sitharasan (Secretary), CA MSK Prasanna Kumar (Vice-Chairman) and CA K Shanmuganathan (Speaker)



CA K Shanmuganathan Providing the valuable insights on the topic



CA K R Viswanathan past chairman and CA Hemalatha are hornouring the Speaker



CA. Kumar Sitaraman while sharing his experience with AI in Drafting of Accounting Policies

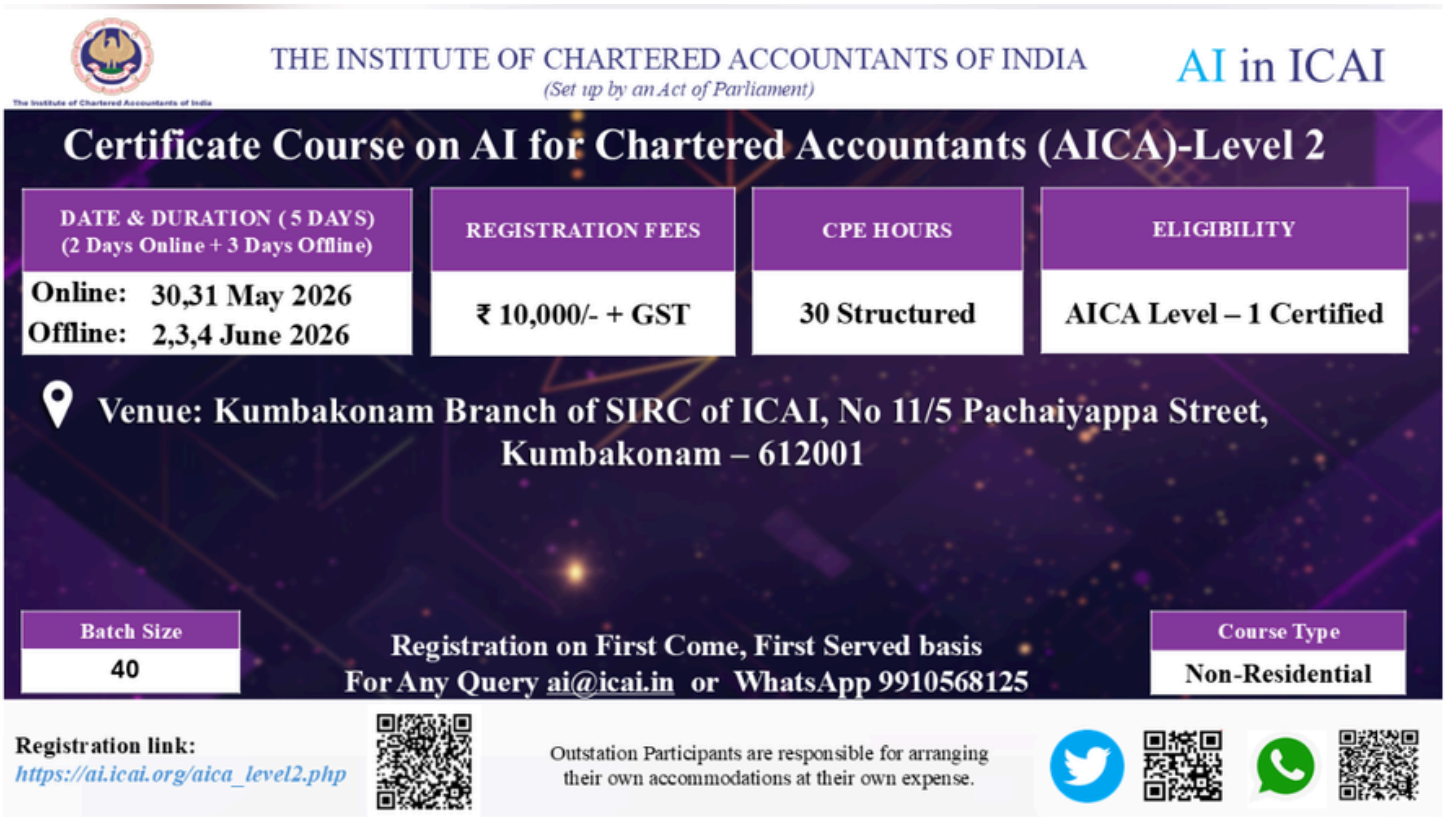


Members of Kumbakonam Branch while activly participating in the seminar

Kumbakonam Branch (SIRC)

FORTH COMING PROGRAMMES, May- 2026

Date	Day	Timing	Place	Mode	Topic	Resource Person	Fee (Inc. GST)	CPE
8 & 9 May 2026	Fri & Sat	10:00 am to 05:15 pm	ICAI Bhawan, Kumbakonam	Phy	Two Day Workshop on Advanced Excel-Series 1 (Monthly Twice till Dec 2026)	CA Rathinagiri	₹11,620	NA
15 to 17 May 2026 (any One day)			Thanjavur, Mayiladuthurai , Nagapattinam, Thiruvarur		Public Out Reach Programme with Income Tax Department	Eminent Speakers	Nil	NA
23 May 2026	Sat	04:30 pm to 06:30 pm	Zoom	Online	Online programme for Articled and Audit Assistants on Changes in ITR for AY 2026-27 (For Studetns)	CA. (Dr.) Abishek Murali	Nil	NA
30 & 31 May 2026	Sat & Sun	09:30 am to 06:00 pm	-	Online	Certificate Course on AI for Chartered Accountants - Level 2	Eminent Speakers	₹11,800	30 Hrs



ARTICLE 1

PAN COMPLIANCE UNDER THE INCOME-TAX ACT, 2025

Contributed by: CA. R. Venkatesh, Kumbakonam.



The Income-tax Act, 2025 introduces a significant overhaul of PAN compliance through new application forms (93 to 96), structured correction mechanisms (PAN CR-01 and PAN CR-02), enhanced documentation requirements effective from 1 April 2026, and revised thresholds for mandatory PAN quoting. The changes extend across resident individuals, non-residents, domestic entities, and foreign entities, creating a more robust and data-driven compliance framework. This article examines the key differences between the earlier and new regimes in relation to PAN application, correction, documentation, transaction-level compliance, and the expanding advisory role of Chartered Accountants.

1. Introduction: PAN as an Evolving Compliance Tool

Under the Income-tax Act, 2025, PAN has evolved from a static identifier into a **dynamic compliance and verification tool** integrated with financial systems. The reform is marked by:

- Introduction of **Forms 93, 94, 95 & 96**
- Introduction of **correction forms PAN CR-01 and PAN CR-02**
- Enhanced documentation requirements (from April 1, 2026)
- Revised and aggregate-based PAN quoting limits
- Expanded scope covering **non-residents and foreign entities**

2. PAN Application Forms: Old vs New Structure

Old Form	New Form	Applicable To
49A	93	Indian individuals (Citizens of India)
49A	34	Indian companies and entities formed in India
49AA	95	Individuals who are not Indian citizens (Non-residents/foreign individuals)
49AA	96	Companies or entities formed outside India

Key Insight:

The new structure clearly segregates applicants into resident individuals, domestic entities, non-residents, and foreign entities, enabling better compliance tracking.

3. NEW: PAN Correction Mechanism

A major structural improvement under the new regime is the formalisation of PAN correction procedures.

Correction Type	Old Regime	New Regime (Income-tax Act, 2025)
PAN data correction	Correction through same application formsndividuals or limited structured process	Dedicated correction forms introduced
Individuals	No separate standardized correction form	Form PAN CR-02
Scope of correction	Name, DOB, address (basic corrections)	Expanded scope including structural, identity and entity-level corrections
Validation	Limited Verification	Stricter validation and documentation based correction process

Editorial Insight: This change is highly significant as PAN corrections now become **formal compliance events,** not mere administrative updates. Incorrect PAN data may now have wider implications in a data-integrated ecosystem.

4. Documentation Requirements effective from 1 April 2026

Particulars	Old Regime	New Regime (From April 1, 2026)
Identity Proof	Basic KYC	Expanded government document list
Acceptable Documents	Aadhaar, passport etc.	Birth certificate, voter ID, passport, driving licence, matriculation certificate, etc.
Verification	Moderate	Multi-layered and stricter validation
Non-resident documentation	Passport-based	Expanded identity and tax nexus verification
Entity documentation	Basic registration documents	Detailed constitutional and ownership records required

5. PAN Quoting Requirements: Revised Thresholds

Transaction Type	Till March 31, 2026	From April 1, 2026 (New Regime)
Cash deposits /withdrawals	PAN required for deposits above ₹50,000/day	**PAN required for aggregate deposits/withdrawals ≥ ₹10 lakh in a financial year**
Motor vehicle purchase	PAN required only for certain high-value vehicles	**PAN mandatory across wider categories including two-wheelers**
Hotel bills	PAN required above ₹50,000 per transaction	**Stricter reporting and continued mandatory quoting**
High-value purchases	Limited scope	**Expanded coverage of goods/services**
Property transactions	₹10 lakh threshold	**Stronger enforcement and integration with reporting systems**
Investments	Specified thresholds	**Wider PAN applicability across financial instruments**

6. Special Focus: Non-Residents & Foreign Entities

Category	Old Regime	New Regime	Impact
Non-resident individuals	Event-based PAN requirement	Form 95 + stricter documentation	Higher compliance rigor
Foreign companies/entities	Limited PAN requirement	Form 96 + enhanced scrutiny	Early planning required
Cross-border transactions	Isolated	Integrated monitoring via PAN linkage	Increased transparency

7. Special Focus: Non-Corporate Entities

Entity Type	Old Regime	New Regime (Form 94 + CR-02)
Partnership firms	Basic compliance	Enhanced partner validation
LLPs	Standard	Structural scrutiny increased
Trusts/AOPs/BOIs	Limited	Governance-focused compliance
HUFs	Basic	Structured identity verification

8. Compliance Burden: Then and Now

Aspect	Old Regime	New Regime
Documentation	Moderate	**Extensive**
Scrutiny	Selective	**Continuous & data-driven**
Correction process	Simple	**Formal (CR-01 / CR-02)**
Non-resident compliance	Moderate	**High**

9. Role of Chartered Accountants

Area	Earlier Role	New Role
PAN application	Filing	Strategic classification (Forms 93–96)
PAN correction	Limited assistance	Handling CR-01 / CR-02 corrections
Non-resident advisory	Transaction-based	Cross-border compliance planning
Entity advisory	Basic	Documentation and governance alignment

As highlighted in ICAI's continued emphasis on evolving regulatory frameworks and digital transformation, professionals must adapt to these enhanced compliance requirements.

10. Key Compliance Risks

Risk Area	Impact
Wrong form (93–96)	Application rejection
Incorrect PAN data	Requires formal correction (CR-01/CR-02)
Weak documentation	Compliance failure
Non-reporting of aggregate transactions	Penalties
PAN-income mismatch	Scrutiny

11. Way Forward

- Use correct forms (93–96) for application
- Use CR-01 / CR-02 for corrections (avoid informal updates)
- Maintain strong documentation (especially post-April 2026)
- Monitor aggregate financial transactions
- Align PAN with tax and financial data

12. Conclusion

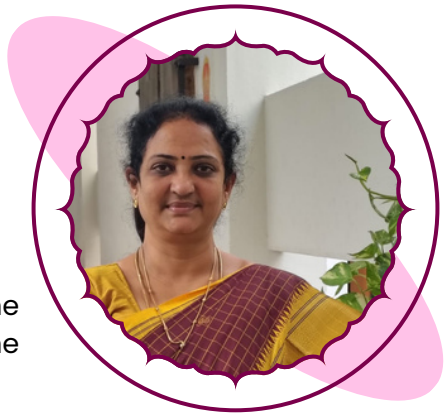
The Income-tax Act, 2025 fundamentally reshapes PAN compliance through reorganised application forms (93 to 96), a formal correction mechanism through CR-01 and CR-02, enhanced documentation standards, and aggregate-based PAN quoting thresholds. These reforms significantly affect non-residents, foreign entities, non-corporate entities, and high-value transaction ecosystems. PAN is no longer merely a static identifier; it is increasingly becoming a live compliance instrument forming an important part of India's tax transparency and financial reporting framework

ARTICLE 2

INSIDE THE WORLD OF BANK CONCURRENT AUDIT

Realities, Responsibilities, and Reflections from the Field

Contributed by: CA D. Deepa, Tiruchirapalli



THE MYTH VS REALITY

There is a common perception about bank concurrent auditors—that the role is routine, structured, and confined to simple verification. In reality, the experience is far more dynamic and nuanced.

Audit engagements vary across branches. In some cases, auditors may be required to be present more frequently, while in others, the review is periodic. Regardless of the model, each engagement demands the ability to quickly understand operations, review transactions, and assess compliance within the available time.

An auditor enters with an objective perspective—reviewing records, analysing processes, and quietly uncovering key areas that require attention. The responsibility lies not just in identifying gaps, but in presenting them constructively.

EFFORT AND EXPECTATION

Audit assignments often come with defined scopes and structured fees. However, the nature of banking operations means that one observation can lead to several interconnected areas requiring review.

The effort involved may expand beyond initial expectations, requiring deeper analysis, additional verification, and careful documentation. This calls for a balanced approach—delivering quality work while managing practical constraints.

THE VISIT EXPERIENCE

Each audit interaction brings its own pace. Activities accumulate between reviews, and auditors are expected to understand and evaluate them efficiently.

A familiar statement often heard is:

“Madam, many things have happened since your last review.”

This reflects the dynamic environment in which concurrent audit operates—where every visit requires both speed and clarity of thought.

COORDINATION AND COOPERATION

Effective audit depends significantly on coordination with branch teams. At times, responses may be delayed due to operational priorities, system constraints, or workload pressures.

An auditor learns that progress is built not only on technical knowledge, but also on patience, communication, and professional persistence.

MAINTAINING PROFESSIONAL BOUNDARIES

In practice, there can be situations where auditors are requested to guide or clarify processes. While such interactions contribute to smoother operations, it is equally important to maintain clear professional boundaries.

The strength of audit lies in its independence. Preserving that objectivity ensures that observations remain unbiased and credible.

PERCEPTION OF THE AUDIT ROLE

The role of a concurrent auditor is sometimes viewed differently across branches. While many appreciate its value in strengthening systems, others may see it as an additional layer of review.

In essence, audit is not about fault-finding—it is about risk identification, process improvement, and ensuring long-term stability.

TEAM AND TRAINING

Behind every effective audit is a well-trained team. Developing audit staff is an ongoing process, especially in an environment where banking practices evolve and differ across branches.

Practical exposure plays a key role, as real understanding emerges when theoretical knowledge meets on-ground situations.

DOCUMENTATION CHALLENGES

Documentation remains a critical aspect of audit. While records may be available, their completeness, accuracy, and timeliness often require careful verification.

The focus is not merely on whether documents exist, but whether they adequately support the transaction and comply with requirements.

LOAN FILE REVIEWS

Loan files reflect the lifecycle of credit decisions—from sanction to monitoring. Each stage carries its own set of risks.

Audit involves identifying gaps such as pending documentation, outdated financial data, or deviations from sanction terms—ensuring that these are addressed at an early stage.

CRITICAL AREAS: DP & NPA

Drawing Power and NPA classification are areas that require particular attention.
Situations such as outdated stock statements or continued operations despite constraints warrant careful evaluation. Similarly, asset classification must be based on current facts rather than expectations.

In audit, conclusions are guided by evidence and prudence.

REVIEW AND OVERSIGHT

Audit reports are often subject to further review by inspection teams. Observations may be analysed, clarified, or revisited.

This layered review process reinforces the importance of clarity, documentation, and professional judgment in every audit report.

THE ART OF REPORTING

Effective reporting is both a skill and a responsibility. The language must be precise, balanced, and constructive.

A well-drafted report highlights concerns without overstating them and communicates findings in a manner that supports corrective action.

TIME AND RESPONSIBILITY

Audit timelines often require reviewing significant volumes of data within limited periods.

This creates a unique balance—between thoroughness and efficiency—where prioritisation and focus become essential.

MOMENTS THAT DEFINE THE ROLE

Certain situations are familiar across audit assignments—the delayed clarification, the last-minute document, or the recurring observation.

These moments reinforce the core responsibility of audit: to report what is relevant, necessary, and supported by facts.

WHY IT MATTERS

Despite its challenges, concurrent audit plays a vital role in the banking ecosystem.

It strengthens internal controls, enhances compliance, and helps identify risks at an early stage.

Its contribution may not always be visible immediately, but its impact is significant and long-lasting.

CONCLUSION

Bank concurrent audit is a profession that demands diligence, adaptability, and integrity.

It is built on careful observation, balanced judgment, and a commitment to objectivity.

In banking, numbers tell a story. In audit, the responsibility is to ensure that the story is accurate, complete, and reliable.

“Behind every audit report lies careful effort. Behind every observation lies responsibility. And behind every concurrent auditor lies a perspective shaped by experience.”

ARTICLE 3

NGO TAX COMPLIANCE UNDER THE INCOME-TAX ACT, 2025 AND THE INCOME-TAX RULES, 2026



Contributed by: CA. S. Govindarajan, Kumbakonam.

A practical note for NGOs, trusts, societies and section 8 companies

With effect from 1 April 2026, the Income-tax Act, 2025 replaces the earlier law and introduces a more structured framework for charitable and religious organisations. For NGOs, this transition is not merely a change in numbering. The new Act reorganises the legal and compliance framework for registered non-profit organisations into a dedicated sequence of provisions in Chapter XVII. These provisions cover registration, taxability, application and accumulation of income, corpus treatment, restrictions on commercial activity, books of account, audit, return filing, specified violations, accreted income, approval, and interpretation. This makes the regime easier to navigate, but it also means that internal legal references, donor communications, advisory notes, and compliance trackers should be updated carefully.

Section Mapping: The New Legal Structure

The migration from the Income-tax Act, 1961 to the Income-tax Act, 2025 should be understood as a structural rewrite rather than as a simple renumbering exercise. The following table provides a practical cross-reference for newsletter, advisory, and internal compliance purposes.

Particulars	Old Section (1961 Act)	New Section (2025 Act)	Remarks
Registration procedures	12A / 12AA / 12AB	332	Section 332 is the new application-for-registration provision for registered non-profit organisations.
Switching between regimes	Earlier scattered framework	333	Section 333 is a standalone provision for switching over of regimes.
Tax on income of NGO / charitable institution	11 & 12 framework	334	Section 334 now acts as the charging framework for income of a registered non-profit organisation.
Regular income	Embedded in old exemption framework	335	Section 335 separately defines regular income, including gains of permissible commercial activity.
Taxable regular income / 85% application rule	Earlier application framework	336	Section 336 provides nil taxable regular income where 85% or more of regular income is applied or accumulated as permitted.
Anonymous donations	115BBC	337	Section 337 now treats anonymous donations as specified income, subject to the threshold carve-out.

Particulars	Old Section (1961 Act)	New Section (2025 Act)	Remarks
Income not to be included in regular income	Earlier exemption carve-outs	338	Section 338 is specifically for income not to be included in regular income.
Corpus donation	Old corpus concept	339	Corpus donation is now separately recognised as its own section.
Deemed corpus donation	Earlier dispersed treatment	340	Deemed corpus donation is now separately codified.
Application of income	Earlier application framework	341	Section 341 is now the principal application-of-income provision.
Accumulated income	Old accumulation framework	342	Accumulated income is now separately codified.
Deemed accumulated income	Earlier embedded concept	343	Deemed accumulated income is now separately codified.
Business undertaking held as property	Old charitable business-property framework	344	Now a separate section.
Restriction on commercial activities	Old incidental business / GPU restriction	345 and 346	The new Act splits this into two provisions: one for general registered NPOs and one for GPU entities.
Books of account	Old compliance framework	347	Now a standalone provision.
Audit	Old audit framework	348	Now a standalone provision.
Return of income	Old return framework	349	Now a standalone provision.
Permitted modes of investment	Old investment mode framework	350	Section 350 now separately addresses permitted investment modes.
Specified violation	Old breach / cancellation framework	351	Specified violation is now separately codified.
Exit tax / accreted income	115TD / 115TE / 115TF	352	This is the correct new provision. It should not be mapped to sections 341, 342 and 343.
Other violations	Earlier scattered	353	Now separately codified.
Donor deduction provision	80G	133	The donor deduction side now sits separately under section 133.
Institutional approval for donor deduction	80G approval side	354	Section 354 is the approval-side provision for deduction purposes under section 133(1)(b)(ii).
Interpretation / unified definitions	Earlier scattered definitions	355	Section 355 defines approval, registration, anonymous donation, commercial activity, registered non-profit organisation, related person and related expressions.

What the new structure means in practice

One of the most useful changes in the new law is the adoption of the single expression "registered non-profit organisation." The Act now uses this unified term instead of relying on multiple older formulations for trusts, institutions, societies and approved entities. The result is a cleaner chapter structure and a more standardised compliance vocabulary.

Another important improvement is the clearer separation of concepts that were earlier embedded within the exemption framework. The new Act now separately identifies tax on income, regular income, taxable regular income, specified income, corpus donation, deemed corpus donation, application of income, accumulation and deemed accumulation. For compliance teams, this makes the reporting framework more segmented and easier to trace provision by provision.
The earlier draft also required one major correction: exit tax should now be linked to section 352 – tax on accreted income. It is not correct to map this subject to sections 341, 342 and 343, as those sections deal with application and accumulation of income.

The old 80G structure has also been reorganised more clearly. Under the new law, the donor deduction side is now connected to section 133, while the institutional approval side is dealt with separately under section 354. This split improves clarity by distinguishing donor eligibility from the NGO's approval and compliance obligations.

Key Takeaways

1.Trust provisions are now placed in a dedicated NPO Chapter XVII

The main NGO framework now runs from sections 332 to 355, creating a dedicated and more coherent chapter structure.

2. New Label: Registered Non-Profit Organisation

The 2025 Act introduces the statutory Term " Registered Non-Profit Organisation" (RNPO) to replave the previously disparate classifications of trusts, societies, sec 8 companies and Institutions. The terminological Shift is not merely cosmetic; it signals the end of the bifurcated tax treatment that previously differentiated between institutions registered U/S 12AB and those under the various sub-clauses of Sec 10(23C).

3.Section 336 is about taxable regular income

It should not be loosely described as a blanket replacement for old section 13.

4.Section 352 is the correct exit-tax provision

Any reference to accreted income or exit tax should now be linked to section 352.

5.The 80G framework is now split

Section 133 deals with the donor side, while section 354 deals with the NGO approval side.

6. Capital gains

Section 341(9) and (10) provide a specific formulaic approach for capital gains, replacing the more narrative Section 11(1A) of the 1961 Act. When a trust transfers a capital asset held for charitable purposes, the whole or part of the gain is deemed applied if the consideration is used to acquire new capital assets.

Scenario	Treatment of Capital Gain
Full net consideration utilized	The entire capital gain is deemed as application of income.
Partial net consideration utilized	The excess of the amount utilized over the cost of the transferred asset is deemed as application.
Property held partially for trust	Only an "appropriate fraction" of the gain, based on the percentage of charitable use, is considered.

This mathematical clarity is intended to reduce disputes over the exact amount of gain that can be shielded from tax through reinvestment, a common area of friction in assessments under the 1961 Act.

7. Anonymous donations remain a key risk area

Section 337 now covers anonymous donations as specified income, and the Rules reporting format separately identifies anonymous donations taxable at 30% under section 337.

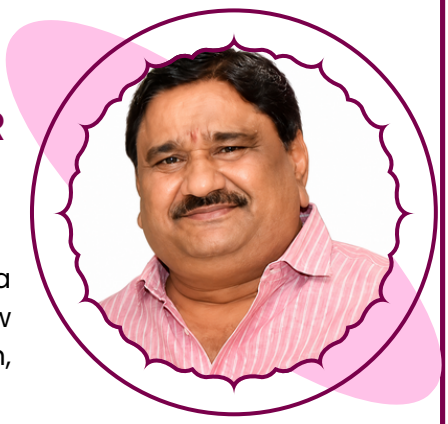
Comparative Table of Major Changes: ITA 1961 vs. ITA 2025

Subject Matter	Old Provision (1961 Act)	New Provision (2025 Act / 2026 Rules)	Key Change / Impact
Statutory Nomenclature	Multiple terms: Trust, Society, Sec. 8 Co., Institution.	Registered Non-Profit Organisation (RNPO)	Unified term for all charitable/religious entities; eliminates dual regimes (10(23C) vs 11/12).
Tax Compliance Cycle	"Previous Year" (earning) followed by "Assessment Year" (taxing).	Tax Year	Single concept (April 1 to March 31); period of earning and regulatory compliance are now aligned.
Registration Validity	Generally 5 years for all regular registrations.	5 Years / 10 Years	"Small Trusts" (Income $\le$ ₹5 Cr in preceding 2 years) get an extended 10-year validity on renewal/conversion.
Audit Report Deadline	Due on the same date as the ITR filing (typically Oct 31).	One month BEFORE ITR due date	Audit Report (Form 112) must be filed 1 month prior to the return filing deadline (Rule 188).
Inter-charity Donations	100% of donation to another trust considered application of income.	85% Cap	Only 85% of a donation to another RNPO is valid application; 15% is disallowed to prevent circular funding.
Anonymous Donations Threshold	Higher of ₹1 Lakh or 5% of TOTAL donations.	Higher of ₹1 Lakh or 5% of ANONYMOUS receipts	Significantly narrows the exemption floor; 5% is now calculated only on the pool of anonymous receipts.
GPU Commercial Breach	Crossing 20% receipt limit resulted in loss of exemption for that year.	Year-specific denial (Finance Bill 2026 update)	Initially proposed as a ground for cancellation; now restored to a year-specific exemption denial under Section 353.
Corpus Replenishment	No specific time limit for reinvesting amounts spent from corpus.	5-Year Time Limit	Replenishment must occur within 5 years of the original spend to qualify as application (original spend must be post-31.03.2021).

Subject Matter	Old Provision (1961 Act)	New Provision (2025 Act / 2026 Rules)	Key Change / Impact
Modification of Objects	Requirement to apply for registration within 30 days of change.	Section 332(3) Scenario 7	Failure to re-register within 30 days of modifying objects is now an explicit ground for Exit Tax.
Consolidated Audit Form	Forms 10B (Large) and 10BB (Small).	Form 112	Single form for all; uses built-in differential reporting based on size and foreign contribution status.

ARTICLE 4

RULE 279 HRA EXEMPTION: DOCUMENTS TO KEEP READY — AND RED FLAGS THAT MAY INVITE CLOSER REVIEW



Contributed by: CA. I. Rajesh, Mayiladuthurai.

The exemption formula under Rule 279 may appear straightforward, but a sustainable HRA claim depends on far more than arithmetic. Under the new Income-tax Rules, 2026, the real strength of the claim lies in documentation, landlord disclosures, and the credibility of the rental arrangement.

Intro Box

Rule 279 of the Income-tax Rules, 2026 prescribes the limit for exemption in respect of the special allowance referred to in Schedule III, Table Sl. No. 11. The exempt amount is the least of the actual allowance received, the excess of rent paid over 10% of salary, or 50%/40% of salary depending on the city of residence. At the compliance stage, Rule 205 read with Form No. 124 requires the employee to furnish specified landlord particulars and supporting details, including the house rent agreement.

HRA exemption is not just a formula

In tax practice, HRA exemption is often treated as a simple computation exercise. Salary is taken, rent is plugged in, the metro or non-metro percentage is applied, and the exempt amount is worked out. That approach is incomplete. Under the new framework, the exemption under Rule 279 is only one part of the story. The other, equally important part, is the factual and documentary basis of the claim. The Rules do not stop at computation. They also expect the employee to furnish specified particulars in support of the claim, particularly at the employer stage through Rule 205 and Form No. 124.

That makes one point clear: a correct computation without proper documentation is only half a claim.

What Rule 279 actually provides

Rule 279 states that the exempt amount shall be the least of the following:

- the actual amount of allowance received for the relevant period
- the amount by which actual rent paid for the residential accommodation exceeds 10% of salary for the relevant period
- 50% of salary where the accommodation is in **Mumbai, Kolkata, Delhi, Chennai, Hyderabad, Pune, Ahmedabad or Bengaluru**, and 40% of salary in any other place

The Rule further clarifies that:

- **relevant period** means the period during which the accommodation was occupied during the tax year
- **salary** for this purpose includes dearness allowance where so provided under the terms of employment, but excludes other allowances and perquisites

The mathematics, therefore, is precise. But it is the supporting record that determines whether the claim stands on firm ground.

Documents and particulars that form the backbone of the claim

1. **House rent agreement**

The uploaded Rules specifically refer to the **house rent agreement as Annexure A-1** to Form No. 124.
This makes the rent agreement the principal supporting document for the claim. It should be consistent with the rent amount claimed, the address of the premises, the period of occupation, and the identity of the landlord.

2. Landlord's name and address
Rule 205 requires the employee to furnish the **name and address of the landlord** for the HRA claim. This is not a minor formality. Complete and accurate landlord particulars are central to the credibility of the exemption claim.

3. Landlord's PAN where rent exceeds ₹1,00,000
Where the **aggregate rent paid during the tax year exceeds ₹1,00,000,** the **PAN of the landlord or landlords** must be furnished.
This is one of the clearest compliance thresholds under the Rule framework and should be treated as mandatory where applicable.

4. Landlord's Aadhaar number
Part B of Form No. 124 also captures **the Aadhaar Number of the landlord**.

5. Rent paid details
The same form requires disclosure of the **rent paid to the landlord**.
The amount disclosed should match the actual arrangement and the occupation period for which exemption is computed.

6. Relationship with landlord, if any
The Rules also require the employee to disclose the **relationship with the landlord**, **if any**.
A tenancy involving a relative is therefore not something the form ignores. It is something the form expects to be disclosed.

Why documentation matters more than ever

The logic behind the documentation requirement is straightforward. HRA exemption is based on actual occupation of rented residential accommodation and actual rent paid. Where the foundational facts are not clearly supported, the computational result alone may not be enough.

A well-supported claim is one where the documents, the numbers, and the disclosures all point in the same direction. The stronger the internal consistency, the more credible the claim.

Practical watchpoints that may invite closer review

A note of caution is necessary here. The following points are not expressly stated in the retrieved Rule 279 / Rule 205 text as statutory scrutiny triggers. They are better described as practical risk indicators that may lead to closer factual examination.

1. Rent paid in cash without a reliable trail
The retrieved Rule 279 material does not expressly require payment only through banking channels. However, where the claim rests entirely on cash payments, substantiation may become more difficult.
It is relevant that in another rent-related form in the uploaded Rules, **Form No. 31**, the mode of payment is separately captured as **cash, cheque, bank draft, or online transfer.** While that does not insert a new condition into Rule 279, it does show that payment mode is recognised elsewhere in the Rules as a relevant compliance fact.

2. Circular fund movement
Where the alleged rent is paid to the landlord and the money is subsequently returned to the tenant, the genuineness of the tenancy arrangement may be questioned. The uploaded materials retrieved for this query do not expressly discuss such a situation, so it should be presented only as a practical warning sign.

3. Landlord not reporting the rental income

The uploaded material requires landlord particulars such as name, address, PAN and Aadhaar to be furnished. However, the retrieved text does not expressly state that the tenant's exemption automatically fails merely because the landlord does not disclose the rent. This point must therefore be framed with care.

4. Rent significantly above market reality

Rule 279 works with actual rent paid and does not, in the retrieved material, prescribe a market benchmark test. Still, where the rent appears unusually high compared to the property or locality, it may prompt closer verification of the arrangement.

A useful supporting clue from the Rules

Although not part of Rule 279 itself, the uploaded Rules contain Form No. 31 under another rent-related provision, and that form separately captures whether rent was paid in cash or through banking channels. That does not convert payment mode into a statutory Rule 279 condition. But it does support a broader compliance insight: where the Rules call for rent-based claims, documentary traceability matters.

The practical message for taxpayers and employers

For taxpayers, the message is simple. A strong HRA claim is not built only on the formula under Rule 279. It is built on the quality of the supporting record. The rent agreement, landlord particulars, threshold-based PAN compliance, Aadhaar details, rent figures, and relationship disclosure together form the compliance spine of the claim.

For employers, the lesson is equally important. Where the claim is backed by complete and coherent particulars, payroll treatment becomes more defensible. Where the facts appear inconsistent or inadequately supported, the claim naturally becomes more vulnerable to review.

Takeaway Bullets

- **Rule 279 sets the exemption formula**, but documentation is equally important.
- **House rent agreement** is specifically required as **Annexure A-1** to Form No. 124.
- **Landlord's name, address, PAN, Aadhaar, rent details, and relationship disclosure** are central to the compliance framework.
- **PAN is mandatory where annual rent exceeds ₹1,00,000.**
- **Cash payments without trail, circular fund movement, non-reporting by landlord, and inflated rent levels** are better described as practical risk indicators, not express statutory triggers in the retrieved Rule 279 text.

The safest way to understand Rule 279 is this: the exemption may be computed by formula, but it is defended by facts. And in tax compliance, facts are only as strong as the documents that support them.

ARTICLE 5

HEIGHTENED RESPONSIBILITIES OF CHARTERED ACCOUNTANTS UNDER THE NEW TAX REGIME



Contributed by: G. Ganesh, Thiruvarur.

The compliance framework under the Income-tax Act, 2025 and the Income-tax Rules, 2026 places renewed emphasis on accountant-certified forms, structured reporting, and professional accuracy. These changes go beyond mere renumbering. In several areas, the role of the Chartered Accountant has become more visible and professionally more sensitive from a risk perspective.

1. Form 67 now relates to AMT, not Foreign Tax Credit

An important transition under the new framework is that Form No. 67 now relates to Alternate Minimum Tax under section 206 and not to Foreign Tax Credit. Under the Income-tax Rules, 2026, Form No. 67 is prescribed as the report for computation of adjusted total income and Alternate Minimum Tax for the purposes of section 206(2). Accordingly, members should avoid proceeding on the basis of the earlier framework.

Under the Income-tax Rules, 2026, Foreign Tax Credit is now dealt with through Form No. 44. Rule 158 provides for Foreign Tax Credit through Form No. 44, and in specified cases the form is required to be verified by an accountant.

This verification requirement applies where the assessee is a company, or in any other case where foreign tax paid outside India for the tax year is Rs. 1,00,000 or more.

2. Section 463 increases professional exposure in case of inaccurate certificates

Members should pay particular attention to section 463 of the Income-tax Act, 2025. It provides that where any accountant, merchant banker, or registered valuer furnishes incorrect information in any report or certificate under the Act or the Rules, a penalty of Rs. 10,000 may be imposed for each such report or certificate. This assumes direct practical significance for CA-certified forms, particularly Form No. 146 in foreign remittance cases. nce Form No. 146 is a CA certificate prescribed under the Rules, any inaccuracy in the certificate may expose the signing professional to a specific statutory penalty under section 463.

Some of the key certifications and reports under the new framework are set out below:

S. No.	Nature of certification / report	Section / Rule / Schedule Ref	Form No.	What the CA / accountant certifies or reports
1	Tax audit report	Section 63; Rule 47	**Form 26**	Audit of accounts for eligible business / profession cases. Part A applies where accounts are already audited under another law; Part B for other cases; Parts C and D carry prescribed particulars. Revised report is also contemplated in specified situations.
2	Report for specified deduction claims	Rule 66	**Form 32**	Audit report for deductions under sections 46, 138, 139, 140, 141, 142, 143 and 144; separate report for each eligible undertaking / enterprise.

S. No.	Nature of certification / report	Section / Rule / Schedule Ref	Form No.	What the CA / accountant certifies or reports
3	Accountant report under section 146	Rule 68	Form 34	Report of an accountant required under section 146(3)(c), to be furnished with the return.
4	Accountant report under section 147	Rule 69	Form 35	Report of the accountant required under section 147(4)(a).
5	Zero coupon bond investment certificate	Rule 7(8)	Form 3	Certificate of an accountant specifying the amount invested each year out of funds raised through issue of zero coupon bonds.
6	CA certificate for foreign remittance	Rule 220; FAQ transition note	Form 146	Certificate used where remittance exceeds Rs.5 lakh and Part C of Form 145 is being furnished instead of AO-certificate route. FAQ confirms Form 146 is the CA certificate and UDIN is built in.
7	Certificate for non-deduction / short deduction not treating payer as assessee in default	Section 398(2); Rule 221	Form 149	Accountant certificate for cases of non-deduction or short deduction of tax. The form text also states it is to be given by a chartered accountant / eligible auditor.
8	Certificate for non-collection / short collection not treating collector as assessee in default	Section 398(2); Rule 221	Form 150	Accountant certificate for non-collection or short collection of tax. The form notes similarly permit chartered accountant / eligible auditor.
9	Report for computation of book profit	Section 206(1)(s); Rule 137	Form 66	Accountant's report certifying that book profit has been computed in accordance with the section.
10	Report for adjusted total income / alternate minimum tax	Section 206(2)(j); Rule 138	Form 67	Accountant's report certifying adjusted total income and AMT computation.
11	Electoral trust audit report	Relevant rule in Rules 2026	Form 181	Every electoral trust must get its accounts audited by an accountant and furnish the audit report in Form 181. The form notes expressly say the report can be given by a chartered accountant.
12	Audit report for tea / coffee / rubber development account deduction	Schedule IX read with section 48; Rule 290	Form 182	Audit report of accounts for deduction linked to tea development account, coffee development account, and rubber development account.
13	Audit report for site restoration fund deduction	Schedule X read with section 49; Rule 291	Form 183	Audit report of accounts for deduction linked to site restoration fund.
14	Special audit ordered by the Department	Section 268(5)(i); Rule 171	Form 100	Where the Assessing Officer directs the assessee to get accounts audited by an accountant, the report is furnished in the prescribed form. This is a departmental special audit, not a routine voluntary report.

Conclusion

The broader message of the new regime is clear. The Income-tax Act, 2025 and the Income-tax Rules, 2026 require Chartered Accountants not only to familiarise themselves with a revised set of forms, but also to adapt to a more exacting compliance culture in which structured reporting, digital validation, and professional accountability are more closely integrated.

Accordingly, legacy assumptions must give way to careful reading of the new provisions and formsAudit and certification engagements will require earlier preparation, stronger documentation, and greater caution at the stage of professional sign-off. Ultimately, the new regime represents not merely a revised reporting format, but a more demanding and accountable professional role for Chartered Accountants.

THE 10% REALITY

Redefining Value in an Automated Profession

For illustrative purposes — the 90/10 framing reflects the direction of change, not a cited statistic.

Every profession is periodically tested by change. For Chartered Accountants, that test arrives today in the form of rapid advances in artificial intelligence and automation.

If a significant portion of routine GST and Income Tax compliance were to be handled by technology, it would be natural to question the future of traditional practice. Yet the strength of this profession has never been rooted merely in process — it has always been anchored in judgment, integrity, and trust.

Automation will undoubtedly transform how work is executed. Repetitive tasks such as data entry, reconciliations, and standard filings may increasingly be performed faster and more efficiently by systems. But this does not diminish the role of the Chartered Accountant — it elevates it.

> **In moments of ambiguity, risk, or conflict, it is not speed but sound judgment that clients rely upon.**

The real value of the profession will shift decisively toward areas where human insight remains indispensable: interpretation of complex transactions, handling of scrutiny and litigation, strategic tax planning, business advisory, and ethical decision-making.

This transition also redefines how we must prepare the next generation. Technical competence will remain essential, but it must be complemented with review skills, drafting ability, analytical thinking, and the confidence to engage with clients and authorities alike. The profession's future will belong to those who can combine technological efficiency with intellectual depth.

The narrative, therefore, is not one of displacement, but of transformation. If routine compliance becomes increasingly automated, the profession must consciously move toward becoming a strategic partner in business and governance.

> If, one day, 90% of routine work is handled by systems, the remaining 10% will not be residual — ***it will be the most critical, the most complex, and the most valuable part of our role.***

That is the opportunity before us.

Member Pulse: The Future of Our Practice

We invite members to share their perspectives on the profession's transformation. The collective voice of the membership will be featured in our next issue. Please mark your choice(s) for each question by scanning the QR given below.

Closing Note for Members

Your insights will help shape how the profession collectively responds to this transformation. We encourage you to reflect carefully and participate. The responses shared by our membership carry the weight of lived practice — and it is that voice which matters most.

IT/OC Faculty Empanelment Notice

We request you to kindly register as a Faculty at https://www.icaionlineregistration.org/

As you are aware, the institute has announced the implementation of new course for the students pursuing Chartered Accountants under the New Syllabus for Education and Training from July 1, 2023. Consequently, the curriculum for ICITSS (IT/OC) and AICITSS (Adv.IT/MCS) regulatory program have also been amended/ changed.

Criteria for Empanelment of Faculty for ITT and Advanced ITT

Following eligibility criteria, based on their qualifications and experience, be adopted for empanelment of faculty Members in the IT Centre(s).

CA with D.I.S.A. (ICAI) having minimum. 3 years' experience in Information Technology related fields. CA having minimum. 5 years' experience in Information Technology-related fields. M. Tech (CS/IT) or MCA or M.Sc. (CS/IT) or B.E./ B. Tech. (CS/IT) or MBA(IT) or 'B' Level Certification in Computer Application from DOEACC or M.Sc./ M. Com with at least 1 year PG Diploma in Computer Applications and minimum of 3 years teaching/ Information Technology related experience. Experience on ZOHO, KNIME, Python, MS-Dynamics, Power BI, Oracle Fusion and Tally will be given preference.

Note:

- Faculty members of ITT centers must not be directly or indirectly associated with any of the private coaching conducting Chartered Accountancy courses. An undertaking for the same should be obtained by the branch, and if required, it should be produced before the inspecting officials of the ICAI. (Annexure IV)
- Further, no relative of the employee (wife, husband, brother, sister etc.) shall be engaged as a faculty for the aforestated classes. Regional Head/DCO Head/Chairman, Branch Incharge should share the names of the faculty members who are the relatives of the employees of ICAI and are registered in the portal taking classes.
- The faculty should not be allowed to take sessions more than 24 hours in a batch and 90 hours in aggregate per month for taking sessions at various batches in different places for both ITT and Advanced ITT.
- No member of the Central Council / Regional Council / Branch Managing Committee and their relatives shall be engaged as a faculty even if honorarium is not paid to them. Partners/relatives falling within the definition of 'relative' in the Income Tax Act,1961 of the aforestated members shall not be engaged as the faculty.

Faculty Honorarium : Rs. 2500/- per day (Six Hours per day)

After registering yourself as a Faculty at https://www.icaionlineregistration.org/ Share your Latest Profile and 5 minutes video on the topic you chose to handle to kumbakonam@icai.org with email subject as Faculty Empanelment- 2026.

Criteria for Empanelment of faculty for OC/MCS Course

Following eligibility criteria, based on their qualifications and experience, be adopted for empanelment of faculties:

- **Professional Qualification:** A CA qualification or equivalent is essential to demonstrate a deep understanding of the specific challenges & requirements of the accounting profession.

- **Advanced Degrees:** A Minimum of a master's degree in a relevant field such as Psychology, Sociology, Business Administration, Management, Organizational Communication, Law, or a related discipline. A Ph.D. is desirable for such programs. Any other allied courses in line with the advanced degree may also be considered. Certificate Course on Soft Skills Development, Leadership Skills, High Impact Presentation Skills, Training and Development and any Executive Education Programs in Communication Skills, Program in Leadership and Change Management, strategic thinking and NLP Trainer Certification may also be considered.

- **Professional experience:** Typically, 5-15 years of relevant professional experience. This experience may include a combination of industry practice, teaching and potentially some form of management and leadership experience. This experience should demonstrate a significant impact in their field, leadership capabilities, and a record of effective teaching and program development.

- **Previous Residential program experience.**

- **Communication Skills:** (a) Clear and effective communication skills, both verbal and written; (b) Ability to convey complex concepts in an accessible and understandable manner.

- **Teaching and Training experience:** (a) Proven experience in conducting training sessions or workshops, especially in a residential or immersive setting; (b) Demonstrated ability to engage and effectively communicate with diverse groups of participants.

- **Industry Experience:** Practical experience and a strong background in the industry related to the skill being taught;(b) Knowledge of real-world application and industry trends.

- **Curriculum Development:** Experience creating structured lesson plans and hands-on activities.

- **Facilitation and interpersonal skills:** (a) Strong facilitation skills to lead group discussions, interactive activities, and collaborative projects. ;(b) Excellent interpersonal skills to build rapport with participants and create a positive learning environment.

- **Technological Proficiency:** Familiarity with relevant technologies to enhance learning experience and (b) Capability to integrate technology into skill development activities.

- **Student engagement and mentoring:** (a) commitment to student success through engagement, mentorship, and support; (b) Evidence of fostering positive and inclusive learning environment.

Faculty Honorarium : Rs. 2500/- per day (Six Hours per day)

After registering yourself as a Faculty at https://www.icaionlineregistration.org/ Share your Latest Profile and 5 minutes video on the topic you chose to handle to kumbakonam@icai.org with email subject as Faculty Empanelment- 2026.

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Kumbakonam Branch (SIRC)