Newsletter

Sharp View

March 2024

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MARCH 2024

March is the third month of the year and marks the beginning of summer in India. There is a pick-up in demand for certain consumer durables like air conditioners, refrigerators, coolers, fans, etc. during this period.

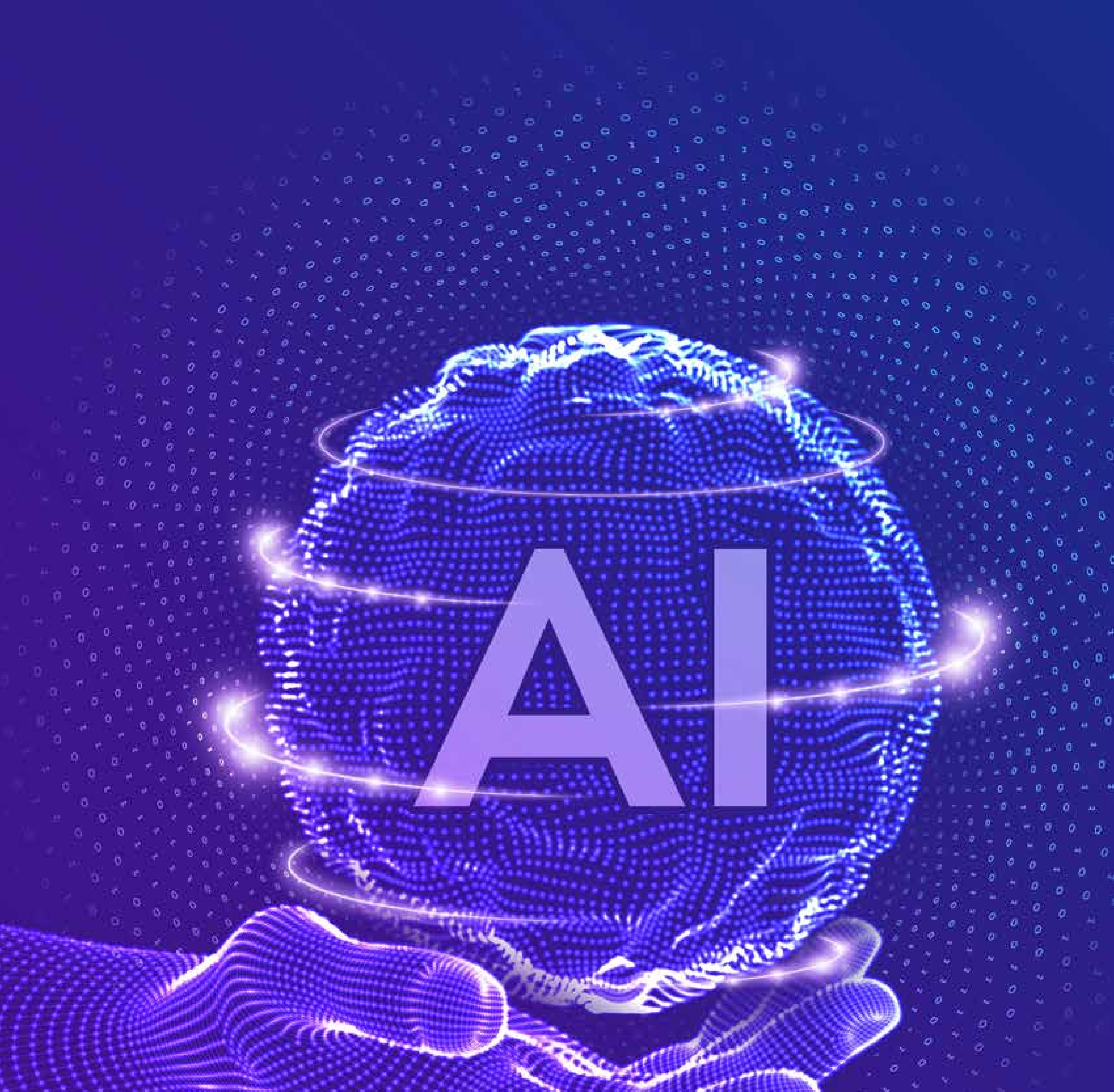
Many festivals and international days are celebrated this month, the most prominent being Holi, the Vernal Equinox Day, International Women's Day and World Water Day. The Indian Meteorological Department forecasts that the average temperatures in the country are expected to rise further by upto 3 degrees by mid-March.

As the financial year-end approaches, we've compiled some important compliance dates for March 2024

Income-tax			
15th Fourth instalment of advance tax for the assessment year (A.Y.) 2024-25. Due date for payment of the whole amount of advance tax in respect of A.Y. 2024-25 for assessees covered under presumptive scheme of taxation under section 44AD / 44ADA	**16th** Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194IB, 194M and 194S in the month of January 2024	**30th** Due date for furnishing of challan-cum-statement in respect of tax deducted under sections 194IB and 194M in the month of February 2024	**31st** Country-By-Country Report in Form No 3CEAD for the previous year 2022-23 by a parent entity or the alternate reporting entity, resident in India, in respect of the international group of which it is a constituent of such group . Furnishing of an updated return of income for A.Y. 2021-22

GST	
20th	Monthly GST return for February 2024

ESIC and Provident Fund	
15th	ESIC and PF payment for February 2024



CONSULTING

Navigating the Ethical and Strategic Landscape of AI Implementation: The Crucial Role of Auditing and Consulting Firms

Artificial intelligence is evolving as a transformative force across industries supporting innovation and decision making. One of the primary responsibilities of auditing and consulting firms in the context of AI implementation is to identify potential risks and vulnerabilities inherent in AI systems. The present article by Ms. Aarti Joshi (Vadodara office) delves into the role of auditing and consulting firms in effective AI implementation, including risk identification, mitigation and management.

Navigating the Ethical and Strategic Landscape of AI Implementation: The Crucial Role of Auditing and Consulting Firms

In today's rapidly evolving technological landscape, the integration of artificial intelligence (AI) into various industries promises innovation and efficiency. However, with this promise comes the responsibility to mitigate risks and address ethical considerations associated with AI implementation. Auditing and consulting firms play a pivotal role in guiding organizations through this complex terrain, leveraging their expertise to ensure responsible and ethical AI practices.

Introduction to AI Implementation:

AI has emerged as a transformative force across industries, revolutionizing processes, enhancing decision-making, and unlocking new opportunities for innovation. From healthcare and finance to manufacturing and retail, organizations increasingly leverage AI technologies to drive efficiency, improve productivity, and gain competitive advantage in today's digital economy.

However, the adoption of AI is not without its challenges. As organizations embrace AI-driven solutions, they must navigate a myriad of risks, ranging from data breaches and algorithmic biases to regulatory compliance and ethical considerations. In this dynamic landscape, auditing and consulting firms play a crucial role in helping organizations identify, mitigate, and manage these risks effectively.

Identifying Risks in AI Implementation:

One of the primary responsibilities of auditing and consulting firms in the context of AI implementation is to identify potential risks and vulnerabilities inherent in AI systems. These risks can manifest in various forms, including data security breaches, algorithmic biases, regulatory non-compliance, and ethical dilemmas.

Auditing firms specialize in assessing the security posture of organizations, scrutinizing data handling practices, access controls, and encryption mechanisms to identify vulnerabilities that could expose sensitive information to unauthorized access or exploitation. Meanwhile, consulting firms delve into the intricate workings of AI algorithms, analyzing data sources, preprocessing techniques, and model architectures to detect biases that may result in discriminatory outcomes.

Moreover, both auditing and consulting firms are tasked with ensuring regulatory compliance, particularly in highly regulated industries such as healthcare, finance, and telecommunications. Regulations such as the General Data Protection Regulation (GDPR) in the European Union and the Health Insurance Portability and Accountability Act (HIPAA) in the United States impose strict requirements on the collection, processing, and storage of personal data, necessitating rigorous compliance assessments and adherence to regulatory standards.

Mitigating Risks and Ensuring Ethical AI Practices:

Once risks have been identified, auditing and consulting firms work collaboratively with organizations to develop and implement strategies for risk mitigation and ensuring ethical AI practices. This involves the establishment of robust governance frameworks, ethical guidelines, and accountability mechanisms to promote transparency, fairness, and accountability in AI-driven decision-making processes.

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Ethical AI frameworks take center stage in risk mitigation efforts, guiding organizations in the development and deployment of AI solutions that prioritize ethical considerations such as fairness, transparency, accountability, and privacy. These frameworks encompass a range of principles and best practices aimed at mitigating the risks of algorithmic biases, discriminatory outcomes, and privacy violations.

Auditors play a critical role in validating AI models and algorithms, conducting rigorous testing and validation processes to assess their accuracy, reliability, and robustness. Techniques such as stress testing, adversarial testing, and sensitivity analysis are employed to identify vulnerabilities and potential failure points in AI systems, enabling organizations to address these issues proactively.

Consulting firms, on the other hand, focus on governance and oversight, assisting organizations in establishing governance structures and oversight mechanisms to monitor AI implementations throughout their lifecycle. This includes defining roles and responsibilities, establishing escalation procedures, and implementing mechanisms for ongoing risk assessment and mitigation.

Regulatory Compliance in AI Implementation:

Navigating the complex regulatory landscape surrounding AI implementation is a significant challenge for organizations. Auditing and consulting firms play a pivotal role in helping organizations understand and comply with relevant regulations and industry standards, such as GDPR, HIPAA, and PCI DSS.

Regulatory compliance involves a comprehensive assessment of AI implementations to ensure alignment with regulatory requirements, data governance principles, consent management practices, and accountability frameworks. Auditors conduct thorough assessments to evaluate the impact of regulations on AI initiatives, identify areas of non-compliance, and develop remediation plans to address gaps effectively.

Consulting firms assist organizations in developing and implementing policies, procedures, and controls to ensure compliance with regulatory frameworks. This includes establishing data protection measures, consent mechanisms, and privacy safeguards aligned with regulatory requirements, as well as conducting privacy impact assessments to identify and mitigate privacy risks associated with AI initiatives.

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Ethical Considerations in AI Implementation:

Ethical considerations are paramount in the development and deployment of AI systems, particularly concerning issues of fairness, transparency, accountability, privacy, and societal impact. Auditing and consulting firms collaborate with organizations to address these ethical considerations and develop responsible AI strategies that prioritize ethical principles and values.

Principle-based approaches to ethical AI emphasize the adoption of ethical principles such as fairness, transparency, accountability, and privacy as guiding principles for AI development and deployment. Impact assessment frameworks are utilized to evaluate the potential ethical, social, and economic implications of AI initiatives across various stakeholders and societal domains.

Moreover, auditing and consulting firms assist organizations in implementing techniques to detect and mitigate biases in AI algorithms and decision-making processes, including algorithmic auditing, fairness-aware machine learning, and diverse dataset collection. Explainability and transparency in AI systems are prioritized to enable stakeholders to understand how decisions are made and to facilitate accountability and oversight.

Governance Frameworks for AI Implementation:

Designing robust governance frameworks for AI implementation requires expertise in legal compliance, ethics, AI and data science, cybersecurity, audit, and project management. Auditing and consulting firms collaborate with organizations to design governance frameworks that ensure the integrity, reliability, and ethical compliance of AI systems throughout their lifecycle.

These governance frameworks encompass a range of components, including policies, procedures, controls, and oversight mechanisms designed to promote transparency, accountability, and responsible stewardship of AI technologies. Collaboration among diverse stakeholders is essential to ensure the effective implementation and enforcement of governance frameworks, fostering a culture of ethical AI adoption and compliance within organizations.

Monitoring Performance and Continuous Improvement:

Monitoring the performance of AI systems is crucial to ensuring their effectiveness, reliability, and ethical compliance over time. Auditing and consulting firms assist organizations in establishing performance metrics, implementing monitoring tools, and conducting comprehensive assessments to evaluate the performance of AI systems.

Root cause analysis is performed to identify underlying factors contributing to performance degradation, such as data quality issues, algorithmic biases, model drift, and system configuration errors. Optimization strategies are developed to enhance the performance of AI systems, including fine-tuning algorithms, optimizing model parameters, and retraining models with updated data.

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Continuous improvement initiatives are implemented to iteratively enhance the performance of AI systems over time. Feedback loops, A/B testing, and monitoring of performance metrics are utilized to measure the impact of optimization efforts and drive continuous innovation in AI technologies.

Training and Skill Development in AI:

Promoting workforce training and skill development is essential to build organizational capacity and capability in AI-related domains. Auditing and consulting firms offer strategies for providing training workshops, certifications, and educational programs to equip employees with the knowledge and skills needed to effectively leverage AI technologies.

These training programs cover a range of topics, including AI fundamentals, data science, machine learning algorithms, ethical considerations, regulatory compliance, and best practices in AI implementation. By investing in workforce training and skill development, organizations can foster a culture of innovation, collaboration, and continuous learning in AI-related fields.

Promoting Collaboration and Knowledge Sharing:

Collaboration and knowledge sharing are essential to drive innovation and progress in the field of AI. Auditing and consulting firms facilitate collaboration among diverse stakeholders, including policymakers, industry leaders, researchers, and civil society organizations, to share insights, best practices, and lessons learned in AI implementation.

Through industry forums, conferences, and collaborative initiatives, stakeholders come together to exchange ideas, discuss emerging trends, and address common challenges in AI adoption. By promoting collaboration and knowledge sharing, auditing and consulting firms contribute to the development of a vibrant and inclusive AI ecosystem that benefits organizations, communities, and society as a whole.

Insights into Future Trends and Challenges:

The future of AI is marked by emerging trends and challenges that shape the trajectory of AI adoption and innovation. Trends such as explainable AI, democratization, and AI at the edge are reshaping the AI landscape, while challenges such as data quality, regulatory compliance, and talent shortage continue to pose significant barriers to AI implementation.

Staying abreast of future trends and challenges requires organizations to invest in research, innovation, and strategic planning. Auditing and consulting firms provide insights into emerging trends, best practices, and cutting-edge research in AI, enabling organizations to anticipate market dynamics, identify growth opportunities, and mitigate potential risks.

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Case Studies and Best Practices:

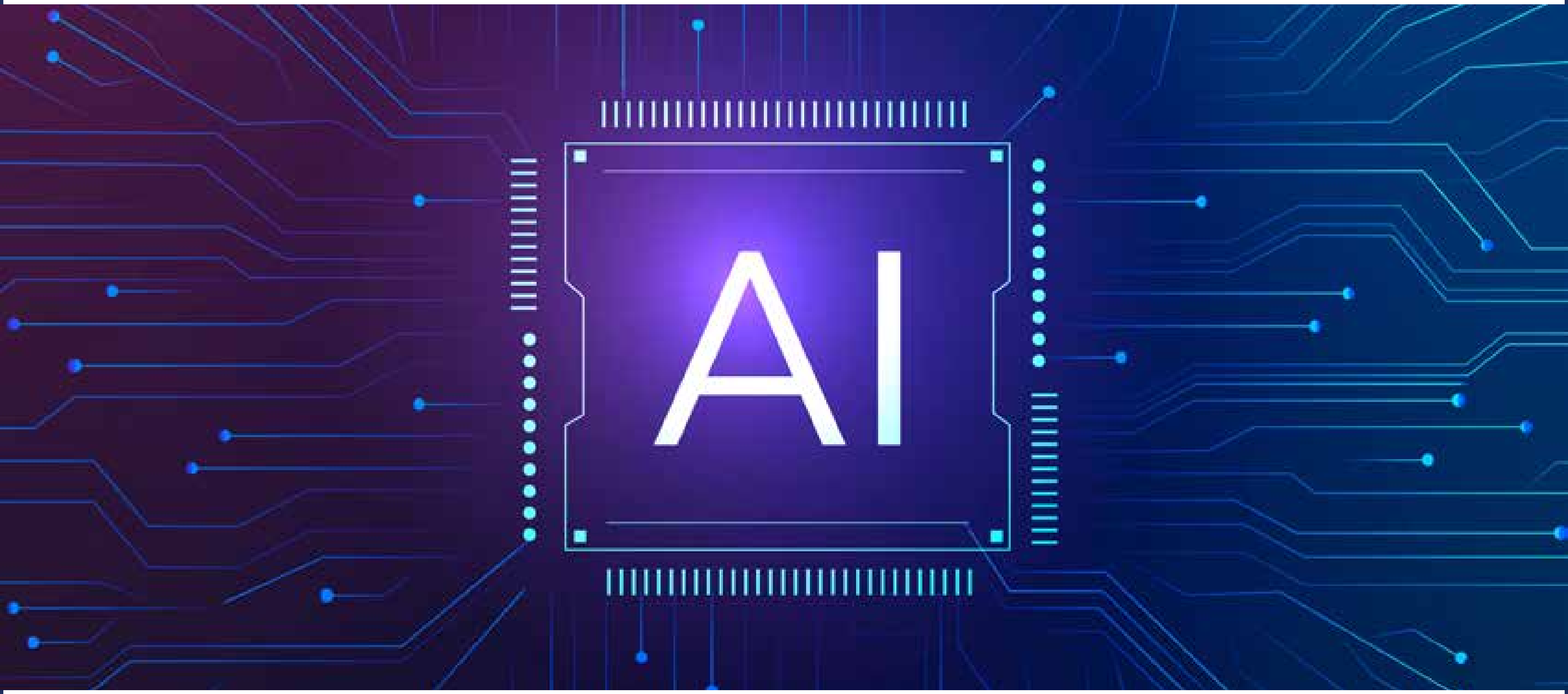
Case studies and best practices offer valuable insights into successful AI implementations and lessons learned from real-world experiences. Auditing and consulting firms showcase case studies from diverse industries, highlighting innovative use cases, challenges encountered, and strategies for overcoming obstacles in AI adoption.

By analyzing case studies and best practices, organizations gain valuable insights into the key success factors and critical considerations in AI implementation. Lessons learned from previous experiences inform future decision-making processes and enable organizations to make informed choices about AI adoption and investment strategies.

Conclusion:

In conclusion, auditing and consulting firms play a pivotal role in guiding organizations through the complexities of AI implementation. By leveraging their expertise in risk assessment, regulatory compliance, ethical considerations, governance frameworks, and performance monitoring, auditing and consulting firms help organizations navigate the challenges and opportunities of AI adoption.

As AI continues to reshape industries and transform business processes, the role of auditing and consulting firms remains indispensable in ensuring a responsible and ethical AI ecosystem. By working collaboratively with organizations, policymakers, industry leaders, and other stakeholders, auditing and consulting firms contribute to the development of a vibrant and inclusive AI ecosystem that fosters innovation, transparency, and accountability in AI-driven decision-making processes.



GRC

Embracing Extended Producer Responsibility: A Sustainable Approach to Environmental Stewardship

Extended Producer Warranty is a term that has come into focus on the background of emerging environmental issues. It imposes an obligation on the manufacturers, importers and buyers of various environmentally hazardous products by compensating back the environment by recycling such material. Our Pune office -GRC team discusses this concept, the compliance aspects in Indian scenario and the role of auditors in EPR compliance.

Embracing Extended Producer Responsibility: A Sustainable Approach to Environmental Stewardship

In the age of rapid industrialization and consumption, the worldwide community faces an unprecedented environmental emergency. From flooding landfills to contaminated water bodies, the consequences of our unsustainable consumption patterns are becoming increasingly evident. However, amidst these challenges, there sparkles a signal of hope: Extended Producer Responsibility (EPR).

Extended Producer Responsibility, or EPR, is a transformative concept that places the onus of environmental stewardship squarely on the shoulders of producers. Instead of viewing products as mere commodities with a limited lifecycle, EPR mandates that producers assume responsibility for their products throughout their entire lifecycle – from design and production to disposal and beyond.

The EPR makes it mandatory for producers, importers and brand owners of plastic goods, electronic goods and batteries to recycle, refurbish and bring back the product to the market instead of disposing it. Recycling and reuse saves the resources of the planet which would have been otherwise exploited in generating new merchandise.

EPR Framework in India

- **Legislative Basis:** EPR in India primarily draws its foundation from the Plastic Waste Management Rules, 2016 (amended in 2022), the E-Waste (Management) Rules, 2016 (amended in 2023), and the Batteries (Management and Handling) Rules, 2001 (amended in 2023). These regulations outline specific EPR obligations for Producers, Importers, and Brand Owners (PIBOs) across various product categories.
- **Key Targets:** EPR mandates that PIBOs must collect and recycle a stipulated percentage of the waste generated from their products. These targets progressively increase over time, fostering innovation and long-term improvements in waste management practices.
- **Centralized EPR Portal:** The government's centralized EPR portal, managed by the Central Pollution Control Board (CPCB), streamlines the EPR process. It is the platform for PIBO registration, target declarations, and the purchase of EPR certificates.

Obligations of Producers, Importers, and Brand Owners

1. **Producers:** Under EPR, producers and individuals who make products – bear the major responsibility. They are required to use eco-friendly materials, decrease waste yield, and design products with recycling in mind. Producers must set up effective waste-collecting frameworks, collaborate with recycling facilities, and make sure that their products are ethically disposed off at the end of their useful lives.
2. **Importers:** The products that importers bring into the country must adhere to the EPR laws. Their responsibility is to enroll with the appropriate regulatory bodies, give the required data with respect to the imported goods, and follow waste management methodologies. Regarding recycling goals and reporting on waste management operations, importers are held at par with the producers.
3. **Brand Owners:** Brand owners, who do not manufacture the goods themselves but rather only affix their brand name to them, are likewise covered by EPR. In order to fulfil their collective EPR commitments, they

must work with producers and importers. Brand owners are responsible for ensuring that the goods they endorse are recyclable and have a sustainable end-of-life management strategy.

The Auditor's Role in EPR Compliance

- **Assessing Financial Impact:** EPR introduces costs related to waste collection, transportation, recycling, and potential penalties for non-compliance. Auditors need to evaluate the financial implications of these costs and ensure they are accurately reflected in the company's financial statements, including provisions and reserves.
- **Reviewing Internal Controls:** Robust internal controls are essential for EPR compliance. From product design to waste management plans, auditors need to examine the internal controls implemented by the company to meet its EPR targets and mitigate risks. This includes systems for data collection, target tracking, and engagement with third-party waste management providers.
- **Verifying EPR Disclosures:** Companies may be required to disclose their EPR strategies, targets, and achievements in their annual reports and sustainability disclosures. Auditors play a key role in verifying the accuracy and completeness of these disclosures.
- **Identifying Potential Risks:** Non-compliance with EPR regulations can result in financial penalties and reputational damage. Auditors need to identify and assess potential risks arising from inadequate EPR systems and report these risks to management and stakeholders.

Embracing Extended Producer Responsibility: A Sustainable Approach to Environmental Stewardship

Challenges in Auditing EPR in India

The evolving nature of EPR regulations and the complexity of waste management systems pose unique challenges for auditors in India. Some key issues include:

- **Informal Sector Integration:** The informal sector plays a significant role in waste collection and recycling. Auditing the formalization and integration of this sector into official EPR channels can be complex.
- **Data Accuracy and Reliability:** Ensuring the accuracy of waste data, especially when dealing with multiple supply chain partners, can be challenging. Auditors need to establish robust internal controls and verification mechanisms.
- **Technology Adoption:** Assessing the effectiveness of technology solutions that are deployed or being considered for waste tracking, monitoring, and reporting is vital. Auditors need to be equipped with the expertise and possess the required manpower required to assess the effectiveness of the technology solutions.
- **Standardization and Benchmarks:** The lack of standardized EPR metrics and reporting frameworks can impede the comparability of companies' EPR performance. Auditors need to exercise judgment and encourage clear industry benchmarks.

The Auditor's Role in Promoting Sustainability

Auditors have a broader role to play in promoting sustainability within an organization. In the context of EPR, auditors need to advocate for:

- **Long-term EPR Strategy:** Encouraging companies to move beyond mere compliance and focus on developing long-term EPR strategies that align with broader sustainability goals and minimize environmental impact.
- **Product Design for Recyclability:** Emphasizing the importance of design for recyclability and the use of sustainable materials as a proactive approach to EPR.
- **Consumer Awareness and Participation:** Encouraging companies to arrange for effective communication with the consumers regarding proper recycling and waste disposal practices.
- **Innovation and Collaboration:** Exploring innovative solutions for waste management and fostering collaboration among industry players, waste management partners, and government agencies.

Embracing Extended Producer Responsibility: A Sustainable Approach to Environmental Stewardship

Conclusion:

In India, while EPR regulations have made significant strides in managing certain waste streams, there remain challenges related to enforcement, infrastructure development, and awareness among stakeholders. Strengthening the implementation of EPR laws, enhancing monitoring mechanisms, and promoting public-private partnerships are crucial for realizing the full potential of EPR in India's sustainability agenda.

EPR is a pivotal concept in India's environmental regulatory framework, requiring producers to take responsibility for the entire lifecycle of their products. As India continues to grapple with mounting environmental challenges, robust implementation of EPR regulations can play a vital role in fostering sustainable consumption and production patterns, thereby contributing to the country's broader goals of environmental conservation and resource efficiency.

TAXATION

Income-tax: Deduction allowed on payment basis to micro and small enterprises

Finance Act, 2023 inserted clause (h) in section 43B of the Income-tax Act, 1961 with effect from the assessment year 1 April 2024. Accordingly, any payment that can be claimed as a deduction under the head 'income and gains from business and profession' made to a micro or small enterprise beyond the due date specified in the Micro, Small and Medium Enterprises Act, 2016 will be allowed on actual payment. Ms. Aarti Joshi (Vadodara office) explains the implications of this amendment under certain scenarios and with some FAQs.

Income-tax: Deduction allowed on payment basis to micro and small enterprise

Background

The Finance Act 2023 introduced clause (h) to section 43B of the Income-tax Act, 1961 ('IT Act') to allow the deduction in respect of payments made to micro and small enterprises beyond the time limit specified under section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'), only in the previous year in which such payments were made, irrespective to the period in which they accrued or arose. The said clause will apply from assessment year ('AY') 2024-25.

Accordingly, any sum payable by an assessee to a micro or small enterprise beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'), will be allowed as a deduction in the previous year ('PY') in which it is made.

Section 15 of the MSMED Act is reproduced below

Where any supplier supplies any goods or renders any services to any buyer, the buyer shall make payment therefor on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, before the appointed day.

Provided in no case the period agreed upon between the supplier and the buyer in writing will exceed forty five days from the day of acceptance or deemed acceptance.

According to the MSMED Act

Day of acceptance will be:

1. Day of actual delivery of goods/rendering of services
2. If the buyer denies/objects to the acceptance of goods/services, then 15 days after accepting the delivery of goods/rendering of the services.

Deemed acceptance: In case no objection is raised by the buyer, 15 days from the date of delivery of goods/rendering of services will be deemed as the day of acceptance.

Appointed day: Will be 15 more days after the date of acceptance.

According to section 15 of the MSMED Act, the appointed day cannot exceed 45 days from the day of acceptance.

Important points

1. The buyer of goods/services/both is obligated to make the payment to the supplier of goods/services/both as per the agreed-upon date (necessarily in writing).
2. In case there is no such written agreement, the maximum period is to be taken as 45 days from the date of acceptance/deemed acceptance. In no case, the payment shall be delayed beyond 45 days from the date of acceptance.

Income-tax: Deduction allowed on payment basis to micro and small enterprise

3. The buyer can be any person including MSME. The supplier must be a micro or a small enterprise at the time when the provision of goods/services was made by it.
4. For claiming a deduction under section 28 of the IT Act, the buyer needs to ensure that the payment must fall in the previous year for which the deduction is intended to be claimed. Irrespective of the method of accounting employed by any parties, the deduction is admissible on a payment basis, i.e. in the PY when the payment is made. Such a deduction cannot be claimed even if the payment is done after the end of the concerned PY, but before filing the income-tax return under section 139 of the IT Act.
5. Provision of section 43B (h) will apply from assessment year ('AY') 2024-25, i.e. for the transactions occurring on or after 1 April 2023.
6. Refer to the table explaining various possibilities for determining allowance of the payment under section 43B of the IT Act.

Case 1: The agreed upon date (for payment) is 50 days from the delivery date.

Date of delivery and invoice	Due date as per MSME Act	Actual date of payment by the buyer	Allowed for the financial year as per the IT Act	Remarks, if any (Agreed date or 45 days whichever falls earlier.)
1 Jan 2024	15 February 2024	15 March 2024	2023-24	In all three scenarios, the agreed date is 50 days, hence the due date will fall after 45 days from the date of delivery.
31 Jan 2024	16 March 2024	29 March 2024	2023-24	
31 Jan 2024	16 March 2024	1 April 2024	2024-25	

Case 2: The agreed-upon date (for payment) is 30 days from the delivery date.

Date of delivery and invoice by the supplier	Due date as per MSME Act	Actual date of payment by the buyer	Allowed for the financial year as per the IT Act	Remarks, if any
31 Jan 2024	2 March 2024	31 March 2024	2023-24	Here, the agreed-upon date exceeded 30 days, (which is less than 45 days). Hence the due date will fall after 30 days.
17 Feb 2024	19 March 2024	15 March 2024	2023-24	
17 Feb 2024	19 March 2024	3 April 2024	2024-25	

Income-tax: Deduction allowed on payment basis to micro and small enterprise

Originally, the invoice was issued on 17 Feb 2024. Thereafter, a revised Invoice was issued after rectifying the defective goods on 5 March 2024	5 April 2024	15 March 2024	FY 2023-24 However, payment can be done by 5th April 2024 (due date) and a deduction can be availed in FY 2023-24.	In case of a revised invoice (issued subsequently, after rectifying the defective goods/services), the due date of 30 days will be calculated from the date of the revised invoice and not of the original invoice.

Certain frequently asked questions on the subject:

1. How is turnover and investment determined?

The composite criteria of net turnover and net investment need to be fulfilled to be qualified as an MSME.

Micro enterprise	• Net investment in plant and machinery or equipment does not exceed Rs 1 crore; and • Net turnover does not exceed Rs 5 crores.
Small enterprise	• Net investment in plant and machinery or equipment does not exceed Rs 10 crore; and • Net turnover does not exceed Rs 50 crores.

The turnover does not include the export of goods and services.

Investment in plant and machinery will be the value as per the income-tax return, calculated on WDV basis.

2. What is the treatment of the GST component in the payment made to Micro or Small Enterprise ('MSE')?

If the sum payable to MSE includes GST, the following are two ways in which the GST component is treated:

1. If the GST component is claimed as Input Tax Credit ('ITC') in the books of accounts, the disallowance, if any, will apply only to the amount excluding GST.
2. If the buyer opts not to claim the ITC and treats it as an expense in its Profit and Loss account, deduction against GST also will be allowed based on actual payment, as referred above.

Income-tax: Deduction allowed on payment basis to micro and small enterprise

3. To have the right to receive the payment on priority under section 43B, is it necessary to have Udyam Registration number for an MSE?

There are two views:

1. Mentioning the Udyam Registration number (with a specific mention whether the enterprise is micro' or 'small') on letterheads, invoices and correspondences will readily identify the MSEs as such and they will have a preferential payment treatment from their buyers so as to avail the benefit under section 43B.
2. However, the absence of the Udyam Number itself or non-disclosure of an existing Udyam Registration number to the buyer will absolve the buyer entities from giving preferential payment treatment to the MSEs in terms of section 43B.

   Hence, it is always better for MSEs to quote such number on invoices, proforma invoices, proposals and other stationery/letterheads, etc.

For the buyer entities, it would be a good practice to include a clause in the purchase order necessitating the supplier to quote his status as MSE or otherwise along with the Udyam Registration number. This can be incorporated in the accounting software (of the buyer) in the master file of a potential/new supplier along with the date since when such a supplier is categorised as MSE.

4. Will section 43B(h) apply to a Chartered Accountancy firm/LLP?

All the professional service providers falling within the turnover and investment criteria can apply and avail the status of MSME under the MSMED Act. Hence a CA firm and other professional services firms can obtain the benefit of section 43B(h) made to them. It would be a better practice to quote the Udyam Registration Number on all the correspondences and invoices.

Conclusion:

The amendment in section 43B (h) made through the Finance Bill, 2023 has opened up the compliance sphere for the direct tax assessees. The government's aim to protect the MSME sector has surely brought the advantage of receiving a preferential payment treatment to the MSEs but at the same time has burdened the assessees in terms of compliance towards the MSEs. The buyers of goods and services have to be more careful while transacting with MSEs. The Udyam Registration Number covers the 'medium' enterprises also, hence mere quoting of Udyam Registration number may be misleading for buyers. It is also necessary for the buyer to ask for a declaration from the supplier about the supplier's status as 'micro' or 'small' enterprise while entering into a transaction.

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