

MUKUND & ROHIT

CHARTERED ACCOUNTANTS

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# NEWSLETTER

- JULY 2024

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# OPENING LETTER

## Self-Learning & Positive Approach



- CA Akanksha Talaiya

In today's ever growing and fast paced world, the ability to learn things and gain knowledge on your own and adopting a positive approach for this has become very important.

Self-learning helps us to evolve, grow and adapt to the changing environment. It encourages inquisitiveness, helps in mental development and also opens plethora of opportunities.

Positive approach, in the meanwhile helps in navigating challenges with resilience and optimism. It's about seeing opportunities in every situation, learning from our experiences, and continuously striving for improvement. By cultivating a positive mindset, we not only enhance our personal well-being but also inspire those around us.



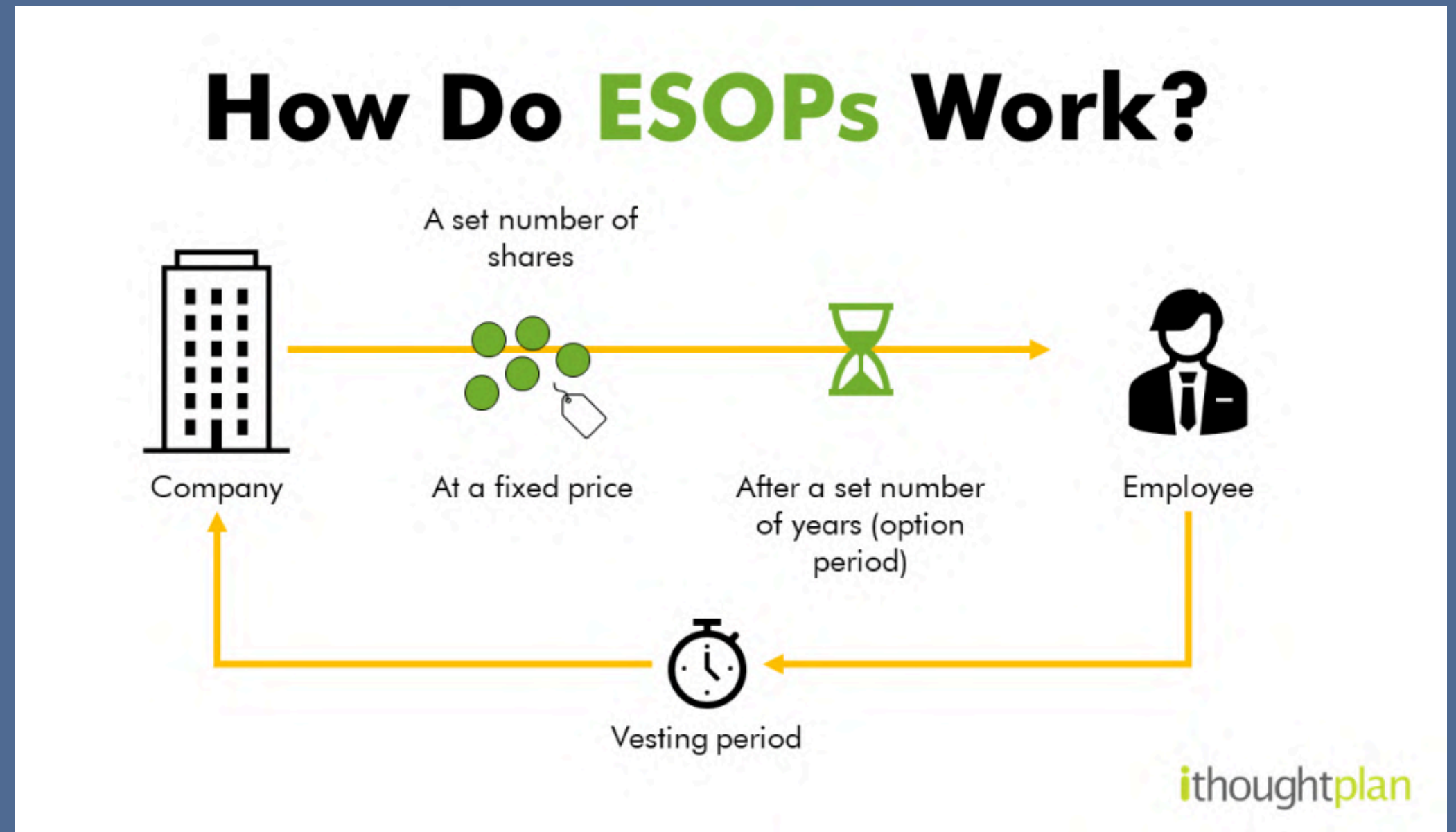
# EMPLOYEE STOCK OWNERSHIP PLAN

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An ESOP (Employee stock ownership plan) refers to an **employee benefit plan** which **offers** employees an **ownership interest** in the **organisation**. Employee stock ownership plans are issued as direct stock, profit-sharing plans or bonuses. However, employee stock ownership plans are just options that could be purchased at a specified price before the exercised date.



An organisation grants ESOPs to its employees for buying a specified number of shares of the company at a defined price after the option period (a certain number of years). Before an employee could exercise his option, he needs to go through the pre-defined vesting period which implies that the employee has to work for the organisation until a part or the entire stock options could be exercised.



Employees can use their ESOPs to purchase business stock at allowed prices that are lower than the market value. Employees can also sell shares purchased through ESOPs and profit from their investments.

If an employee leaves or retires before the vesting term, the corporation must purchase back the ESOP at fair market value within 60 days

# HOW ARE ESOP'S TAXED IN INDIA?

**ESOPs have dual tax effects:**

**A. When an employee exercises their rights and purchases company stock**

Tax treatment at the time of buying the shares : Employees can purchase shares after the vesting date at a price less than the share's Fair Market Value (FMV) on that date. As a result, the **difference between the FMV and the exercise price** of the share is **considered a pre-condition** in the employee's hands and **taxed at his income tax slab rate**. However, the government has softened the tax implications of ESOPs in case of new business. Employees at the start-up would not have to pay the tax on the perk in the year in which they exercised the ESOP.

**B. When the employee sells the stock after purchasing it:**

If the employee sells the shares, the difference between the selling price and the FMV on the date the share was exercised is taxable as capital gains. If you sell your shares within a year of buying them, you will have to pay a 10% tax on any profits over Rs.1 lakh. If the shares are sold within 12 months, the profits are taxed at 15%.

# WHY COMPANY OFFERS ESOP'S TO THEIR EMPLOYEES?

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ESOPs provide advantages like:

1. Aligning the interest of the managers with those of the owners.
2. It is a non-cash compensation tool to compete for the best human resources.
3. It gives an opportunity to corporate to pay without a reduction in book profits [accounting advantage].
4. Sense of Ownership and Belongingness amongst the Employees.
5. Lower Attrition Rates.
6. Boosted Morale of Employees.
7. Greater Effort on the Part of Employees.
8. More Equitable Distribution of Profits.

# WHAT ARE THE NEW REGULATIONS BY SEBI FOR ESOP'S?

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Recently, in the year 2013 SEBI restricted the scope of the application of ESOPs by limiting listed Companies from acquiring their own shares from secondary market. The concern was that the framing & administration of such schemes through fraudulent practices led to inflation, depression or fluctuations in the price of the securities. Subsequently, same year in the month of November, SEBI issued a discussion paper to review the ESOP Guidelines. There was a proposal to replace the ESOP Guidelines with a set of regulations in order to ensure better enforce ability, to provide for a regulatory framework for all kinds of employee benefit schemes, involving securities of the company to address the concerns raised with reference to composition of employee welfare trusts, disclosures, etc. and to enable secondary market transactions with adequate safeguards. The proposal was accepted in the Board meeting of SEBI held in June, 2014 and accordingly SEBI issued new ESOPs Regulation on 28th October, 2014.

- Dev Hemrajani.



# ELECTION 2024

The **Lok Sabha elections results 2024** led to a major setback in the stock market resulting in worst market crash in four years.

The **Indian stock markets** had anticipated that the BJP - led **National Democratic Alliance (NDA)** will win more than 300 seats. However, the election results came worse than expected and the BJP depended on the NDA alliance to form a government, rattling investors.

Benchmark stock market indices experienced their worst session in four years as the Lok Sabha election results unsettled investors on Dalal Street. The S&P BSE Sensex plunged by 4,389.73 points, closing at 72,079.05, while the NSE Nifty50 dropped 1,379.40 points, settling at 21,884.50.

Investors were disheartened as the BJP failed to secure a majority on its own in the 2024 Lok Sabha elections, despite the NDA achieving an overall majority. The market remains uncertain and volatile, with the India VIX surging 31% to above 28 levels," Tapse added.

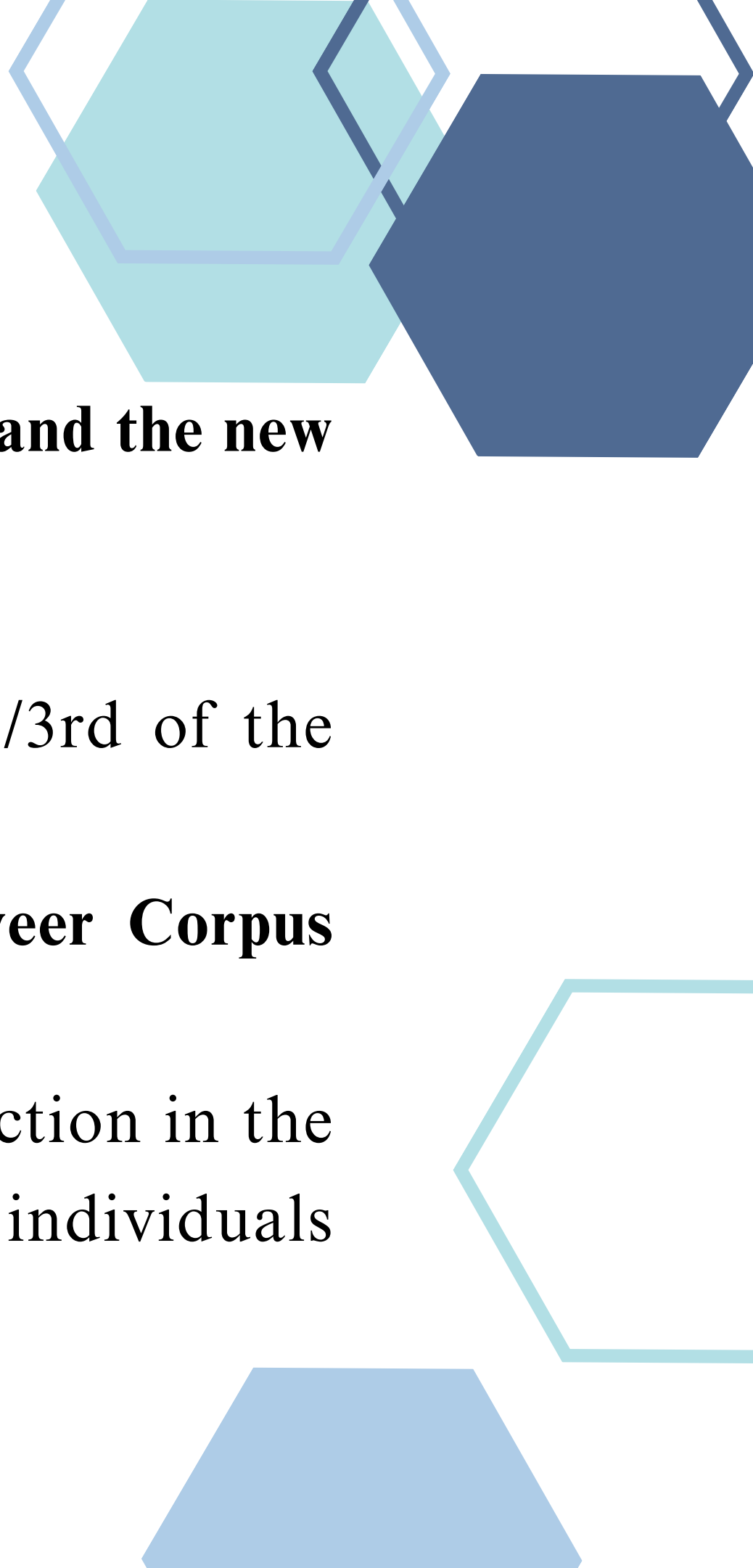
**- India Today**

# LATEST INCOME TAX COMPLIANCES FOR ITR FILING.

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It is important to note that this new tax regime has been introduced as the default tax regime from fiscal year 2023-24 (from April 1, 2023) i.e. for **A.Y. 2024-25**, taxpayers will have to opt for either the old tax regime or the new tax regime, and the **new tax regime** will be the **default tax regime**

- If you plan to **switch back to the old tax regime**, submitting a form (**Form 10-IEA**) is vital while filing the tax return.
- The frequency of switching between old and new tax regimes depends on the type of your income. If it's professional or business income, you can switch between old and new tax regimes only once during the lifetime else you can switch yearly.

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1. Salaried individuals **standard deduction** under **both the old and the new regime** is Rs.50,000.
  2. Other **Deductions newly added** under the new regime.
    - Deduction from **family pension income** of Rs.15,000 or 1/3rd of the pension (whichever is lower).
    - Deduction of the amount **paid or deposited in the Agniveer Corpus Fund** under Section 80CCH(2) of Income Tax Act.
  3. The implementation of the new tax regime leads to a reduction in the surcharge rate from 37% to 25%. This is applicable for individuals with income exceeding Rs. 5 Crores.

# CHANGES IN THE PRESUMPTIVE TAXATION

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| <b>Category</b>   | <b>Turnover Receipts<br/>Before Budget 2023</b> | <b>Turnover Receipts<br/>After Budget 2023</b> |
|---|---|--|
| Small Business Owners (as per Section 44AD)   | Rs. 2 Crore                                     | Rs. 3 Crore*                                   |
| Specified Professionals (such as lawyers, doctors, freelancers, engineers, interior decorators, etc. (as per Section 44ADA) | Rs. 50 lakhs                                    | Rs. 75 lakhs*                                  |

# COMPLIANCE CALENDAR - JULY 2024

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| <b>TDS/TCS</b>    |  |
|-------------------|--|
| 7th July          | TDS/TCS Payment for June, 2024   |
| 15th July;y       | TCS Quarterly Statements for April to June, 2024                                 |
| 31st July         | TDS Quarterly Statements for April to June, 2024                                 |
| <b>Income Tax</b> |  |
| 31st July         | Due date to Income Tax Return for Non-Audit case for the assessment year 2024-25 |
| 31st July         | Form 10-IEA to switch back to the old tax regime                                 |

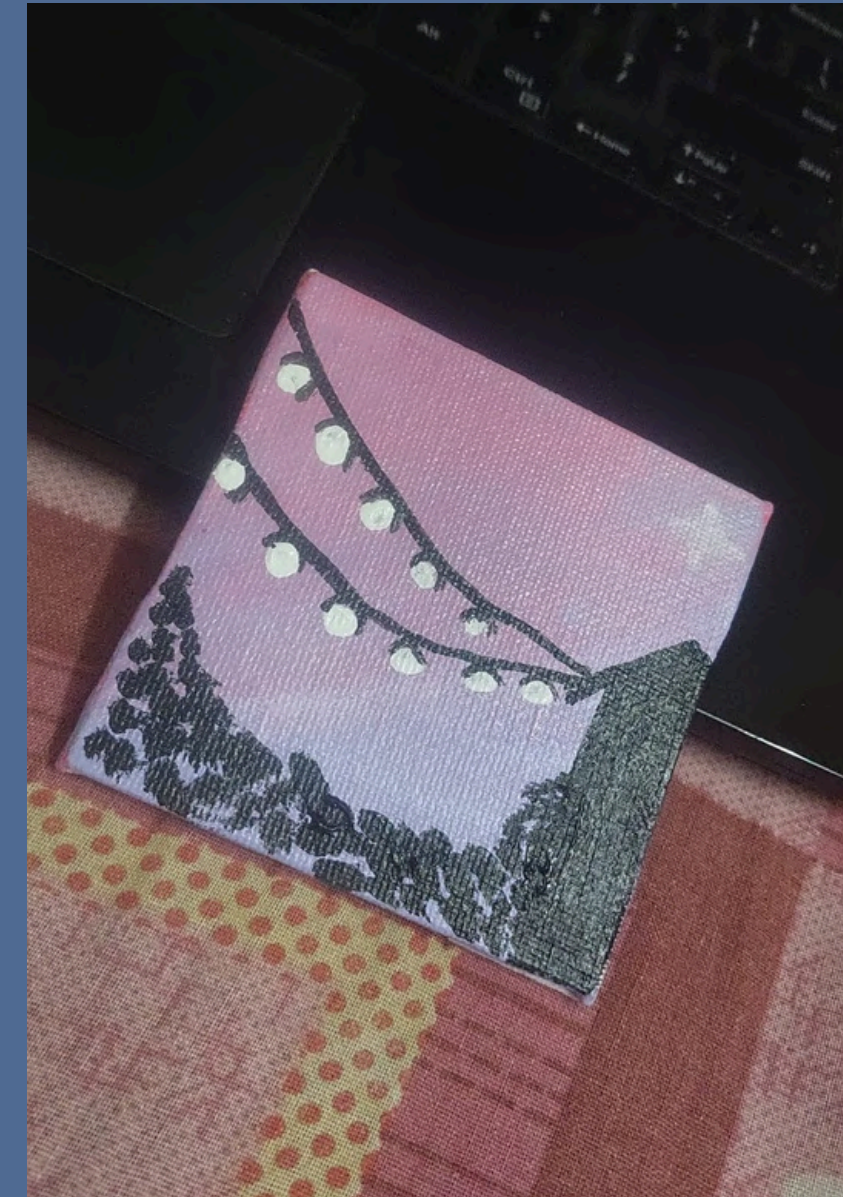
## **Indirect Tax & Other Compliances**

|           |   |
|-----------|---|
| 11th July | Details of outward supplies in GSTR1 for June, 2024                                 |
| 13th July | Quarterly Return GSTR1 for April to June 2024 for QRMP Filers                       |
| 13th July | Return for Input Service Distributor in GSTR6 for June, 2024                        |
| 15th July | P.F. & ESIC – Payment for June, 2024  |
| 18th July | Quarterly Statement for composition taxable person in CMP 08 for April to June 2024 |
| 20th July | GSTR3B for June 2024 if aggregate turnover above Rs. 5 crore                        |
| 22nd July | GSTR3B for month/quarter ended June 2024 if aggregate turnover below Rs. 5 crore    |
| 31st July | To opt out or in from QRMP for the period July to September 2024                    |
| 31st July | Prof. Tax – Rs. 1,00,000/- & above for June, 2024                                   |

# CREATIVE SECTION



- By Tax Department



-Megha Dodia

# CA DAY CELEBRATION

## 1ST JULY 2024

On this CA Day, **Mukund & Rohit Chartered Accountants** celebrated the unsung heroes of balance sheets, experts of financial clarity and the guardians of fiscal integrity – **Chartered Accountants!**

From Audit to Taxation and GST to Financial Advisory, our team of CAs stands at the forefront of financial excellence.

We honored their commitment to innovation, integrity, and dedication with flowers, chocolates, and heartfelt notes that lit up their faces with joy.







# NEWSLETTER CREDIT

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- Devkumar Hemrajani
- Ritika Singh

# DISCLAIMER

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