



The Institute of Chartered Accountants of India

TORONTO CHAPTER

E-Newsletter | Fall Edition

IT'S TIME TO RISE!
FALL

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"TCICAI" and "the Chapter" in the e-newsletter refer to Toronto Chapter of the Institute of Chartered Accountants of India

"ICAI" in the e-newsletter refers to the Institute of Chartered Accountants of India

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FROM THE CHAIRPERSON'S DESK

CA Vivek Kapoor
TCICAI, Chairperson

Esteemed members and supporters of the Chapter,

Welcome to the 2022 Fall edition of Toronto Chapter of ICAI's Newsletter.

It gives me immense pleasure in sharing my first newsletter as the Chairman of the Toronto Chapter of the ICAI with our beloved members. The summers were bright and fun-filled with a wide range of exciting in-chapter events alongside the dynamic world. We had a great time having in-person picnic and seeing our fellow members qualify their prestigious CFE to attain the CPA designation.

With COVID receding, your Chapter has been trying to have more in-person events and encourage a stronger professional network amongst the members. We also take great pride in the launch of "Unite in America" an initiative under which we launched Chapters of ICAI in 6 Regions in the USA - ARIZONA, AUSTIN, LOS ANGELES, MICHIGAN, NORTH CAROLINA & OHIO.

And now when the Chapter and Institute has such great initiatives, we encourage you to make the most of it all. I welcome all the new members, leaders and take the opportunity to thank all those outgoing ones for their contributions and supporting the Chapter's initiatives and making them all a success! I am sure that together we are all here to achieve more and be supportive and confident of each other's capabilities and success. Your active participation will not only provide you the sense of giving back to the India's Chartered Accountant community in Canada, but will also provide you a sense of belonging and a warm professional family but also enhance your professional knowledge.

Any member who would like to be part of these activities - ranging from professional circles, mentorship, Toastmasters club, social and professional development events, cricket or other sports - is welcome to join by reaching out to us at info@icaitoronto.com.

It is your Chapter, come forward and help us elevate it to the next level! I would also like to thank all our guests and members who have contributed to this edition which brings us tax and IFRS updates and enhances our knowledge



EDITOR'S NOTE

CA Heer Gajjar
Editor

Dear Readers,

I am so delighted to have yet another opportunity to talk to you! This quarter we have had a lot of memorable events happening around. Our chapter had its annual meeting and we welcome the new Chairperson – CA Vivek Kapoor.

We had an eventful and social quarter this summer and had the opportunity to interact at in-person events, and it was a welcome change. This newsletter is once again a messenger to provide you glimpses and knowledge of the quarter by-gone.

In this edition, we have an article from CPA Ontario debating a very ethical dilemma that most of us have in our professional life – “Transparency v. Honesty Blurb”. I am also thankful to the guest authors who have given insights on topics from Technology, Sustainability and Governance. Also a special note of thanks to CA Rekha Paranjape for taking us through a literary tour of Yukoon.

Also I would take this opportunity to convey best wishes and heartiest congratulations to all the members who successful May 2022 CFE candidates!

The art section is solely the contribution of the young bubbling brains (and hands) of the little geniuses. They often leave me in an awe with their creative abilities.

On behalf of TCICAI, I would like to thank everyone for their contribution. Also, this newsletter would not have its prominence without you readers either. Thank you for being an active reader. As always, if you have any opinions, feedback, concerns or ideas, I am all ears and happy to hear. Please feel free to reach out to me at caheergajjar@gmail.com

| Date & Day | Subject | Faculty | CPE Hours |
|-------------------------|---|--|-----------|
| Saturday - Jun 11, 2022 | B.C. Chapter Event - Cryptocurrencies | Mr. Shaz Khan, CEO of Baker Tilly Oman and IFRS advisory partner and Ms. Riddhi Jain, Blockchain/cryptocurrency enthusiast, CA, CS | |
| Saturday - Jun 18, 2022 | International Yoga Day Celebrations, 2022 | Ms. Usha Lakshminarayanan and Ms. Barbara Dizdarevic | |
| Sunday - Jul 24, 2022 | Fund Accounting (Virtual) | CA Madan Reddy | TBD |
| Sunday - Aug 14, 2022 | Annual Family Picnic 2022 | Not Applicable | |

* "These events may qualify for CPE hours for CPA Ontario. However, CPA Ontario members are personally responsible to evaluate the CPE eligibility of the event, maintain the supporting documents and application of credits for the events attended"

HIGHLIGHTS OF CPE EVENTS



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
Chapters in
Canada: British Columbia & Toronto
USA: Chicago, Dallas, Houston, San Francisco & Washington DC
jointly present

International Day of Yoga 2022 Celebrations

June 18, 2022 at 9:30 AM PST | 12:30 PM EST | Virtual Event

Mrs. Usha Lakshminarayanan
Head of Yoga Studies,
Himalayan School of Traditional Yoga
himalayanschool.com/yoga

Himalayan School of Traditional Yoga

Ms. Barbara Dizdarevic,
Certified Yoga Instructor,
Himalayan School of Traditional Yoga
himalayanschool.com/yoga

Register at: www.icai.us/yogaday2022

Partners: ICAI Representative Offices at New Jersey, Florida, Atlanta & Seattle

All are welcome to join the yoga day event

The Institute of Chartered Accountants of India
TORONTO CHAPTER

Webinar: Fund Accounting; Sunday, July 24, 2022 – 11:30 am EST (8:30 am PST)

CA Madan Reddy
- Chartered Accountant & Executive MBA from IIM, Calcutta having experience of 15 years in Investment Banking, Financial Services and Audits.
- Worked in world's top Investment Banks like J.P. Morgan, Deutsche bank and Goldman Sachs.
- Areas of expertise are Private equity, Real Estate Fund Accounting, Business Analytics, Derivatives, Legal entity Controlship etc.
- Founder, Managing Director of UniQfin Business school (UBS). UBS provide training and placement services to students from CA/CMA/MBA/M.Com/BBA/B.Com students. So far, 3500+ students are placed in leading investment banking companies, asset management companies

Topics to be covered

1. Overview of asset management/Fund accounting Industry
- Top AMCs, services offered
- Top custodians & Fund administrators, services offered

2. Different types of funds, differences between those funds
- Private equity, Venture capital funds, Hedge funds, Mutual funds
- Expected knowledge/skills from fund accountants, over view of some of the topics like Structure of the funds, different fee arrangements in the Industry etc.

Zoom link: <https://us06web.zoom.us/join/register/t2lof-mqajlqHdBqjFyaWOFugatz093SjldV>



CPA
ONTARIO

TRANSPARENCY VS. HONESTY: A WORKPLACE TRADE OFF

In recent years many organizations have introduced policies to be more open about pay structures as one way to be more transparent with employees, increasing trust and goodwill.

However, research developed by the CPA Ontario Centre for Capital Markets at Wilfred Laurier University shows that introducing policies to increase salary transparency can actually be counterproductive depending on organizational structure.

In organizations in which those at the top of the org chart are paid significantly more than those lower in the chart, increasing transparency can lead to feelings of unfairness. This can lead employees seeking to make things fairer by creating budgetary slack to increase incentive pay, hurting overall competitiveness.

Alternatively, the research found that in organizations with a more egalitarian pay structure, salary transparency can lead to a more honest reporting environment.

To learn more, visit [CPA Ontario Insights](#)

SBI Canada Bank, a wholly owned subsidiary of State Bank of India (SBI), provides full-service banking and has been serving local communities across Greater Toronto Area and Greater Vancouver Area. We have six full-service branches with 04 in GTA and 02 in GVA.

The products and services of SBI Canada Bank are aligned to service the requirements of Newcomers to Canada, International students and existing communities residing in Canada who are connected to friends and families back in India.

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BANK
OF
CANADA

hikes benchmark interest rate again, to 3.25%

Jimmy Jean, vice-president and chief economist with financial services conglomerate Desjardins Group, says the bank is making it crystal clear that it is committed to raising lending rates for as long as it takes to get inflation back down to below three per cent.

Five large rate hikes in barely six months, "by any historical standard is a very aggressive tightening cycle, but what the bank is saying today is that this is not over," Jean said in an interview with CBC News on Wednesday.

Jean says it typically takes up to two years for the impact of higher rates to be fully felt in the economy, which means he thinks high rates will stick around through 2023 at least, even if they come at a cost of tipping the economy into recession.

"We're already having the highest interest rates we've had since 2007 and it's going to be very difficult to think that this won't have a high impact on consumer budgets and even possibly on things like insolvencies," he said.

Smart Locks - Part of a Connected Home



An important part of today's Smart Home is a Smart Lock. It eliminates the need for carrying a physical key. Just enter the code on the pad, or use a SmartPhone

to say "open" from near or afar. Forget codes, some locks offer fingerprint access. Pair a Smart Lock with a video doorbell and you can control access, plus have a visual of who arrives and leaves.

Today's Smart Locks are marketed as being "unpickable," with new technologies that make the locks virtually tamper-proof.

If you don't want to replace the entire lockset, there is another option.

Convert An Existing Deadbolt Lock Into A Smart Lock

Retrofit smart locks are the easiest way to add connectivity to your door without replacing the entire deadbolt system. With a retrofit lock controller like August Smart Lock, Kwikset Kevo Convert or Sesame Smart Lock, you keep the hardware already on the outside of your door and add connectivity inside your home. It also means you keep the same physical keys.

Once installed, your door can be opened through your SmartPhone Bluetooth connection. Or add a Wi-Fi connected hub to lock or unlock your door from almost anywhere. Then, add a Smart doorbell for total remote management.

This type of lock upgrade sells for about \$150. Before you buy, check to see that the smart lock fits with your existing brand of deadbolt.

Lighting Sets The Mood

Different techniques have been used over time to create a certain mood. Lighting has a huge impact.



Candles or a crackling fire used to set the mood of a home. Fast forward to incandescent lights that emitted “warm” light, and with an added dimmer switch, we could set the room’s atmosphere. Along came CFL bulbs which did save energy but gave-off somewhat harsh lighting. Now we have LEDs which enable us to save energy and still choose the mood.

When shopping for LED light bulbs, you’ve likely notice that there are different types of LEDs “warm white/soft white,” “bright white/cool white” and “daylight”. Warm/soft white bulbs produce a more yellowish hue, closer to the light of an incandescent bulb, while bulbs labelled as bright white will produce a “whiter” or “bluer” light.

From a technical perspective, light colour, also described as colour temperature, is measured in degrees Kelvin. The lower the number, the warmer (yellower) the light. A typical incandescent bulb has a light temperature of about 2,700K. Warm/Soft White (2700K – 3000K), Bright /Cool White (3500K – 4100K), and Daylight (5000K – 6500K).

Although the whiter lights will appear brighter than those of a lower Kelvin temperature, the amount of Lumens (measurement for brightness) does not actively change, and true brightness is not affected.

You may want to consider Smart Bulbs like the Philips Hue, Wyze or LIFX bulbs. They’re a bit more expensive than regular LED bulbs but brightness, temperature and colour can be changed using a SmartPhone. Plus, they can connect to other SmartHome devices to turn on and off by a routine, so they’re great for giving a home a lived-in look while you’re away.

What to Expect From Condominium Living

The Governing Documents of a Condominium outline the powers and responsibilities of the Condo Corporation, an owner’s rights and obligations, as well as what is and is not permitted in the condo. Standard

municipal zoning applies, but condos can, and often do drill-down further into details.

Declaration. Description. What Are They?

The Declaration and the Description frame the governing documents of a Condominium Corporation.

Declaration - a written document that establishes the Condominium

Corporation’s rule set. For example, it outlines the exclusive use common elements; the percentage of the common interest owned by each unit owner; and the percentage of the common expenses each unit pays. It also details unit owner and corporation obligations such as maintenance, repair, and insurance. And sometimes goes further into things like what percentage of a year, or when a unit can be rented, or the actual number of people that can occupy a suite.

Description - a specific set of measures and survey drawings that outline the perimeter boundaries of the condominium and show which parts of the property are “Units” and which are considered part of the “Common Element.” It should also describe and show Exclusive Use Common Elements.

Governing Documents are an important part of the Condo Experience. Ask to see them, become familiar, especially with any rules that may limit your plans





Auditing Automated Environment – Understanding the Basics

CA Narasimhan Elangovan

Introduction

With increasing digitization and rapid adoption of technology, organizations have understood the need to enhance their cyber defenses, thanks to growing technology risks. This has resulted in organizations laying greater emphasis on their underlying Information and Technology Controls. While Auditing Automated Environment – Understanding the Basics on one side, COVID-19 has accelerated the technology adoption, it has also made virtual and hybrid working a reality. All these changes call for lines of defense to regularly review the risks pertaining to the underlying technologies and ensure it is within its appetite.

While the regulatory frameworks such as the RBI, SEBI or IRDA Guidelines, require organizations to periodically review these risks and report the same, it is equally important for all establishments to assess their "digital risk" in today's era. Even a kirana store (your neighborhood grocer) who accepts digital payment via wallets or UPI is exposed to technological risks! From an audit perspective, the auditing standards require auditors to understand the underlying risks including the technological risks and take appropriate safeguard to assess those risks. Legislations like the Internal Control over Financial Reporting (part of the Companies Act, 2013), the Sarbanes Oxley Act, have mandated the management and auditors to comment on the design and effectiveness of internal controls. In this assessment often disregarded are the implications of technology and the technological risks. Financial Auditors also want to get comfort in the way the financial reports are being generated and if all information provided by entities (IPE) are generated after adequate checks and balances. All of these require technology to be designed and operate effectively. Thus, there is a need for auditing the Technology Controls, also known as IT Controls.

These IT Controls can be Application specific or embedded within an application called as IT Application controls (ITACs) or could be pervasive across the organization or work behind the scenes of an application and are popularly referred to as IT General Controls (ITGCs).

ITGCs vs ITACs

IT General Controls (ITGC) [sometimes also referred to as General IT Controls (GITC)] are controls that apply to all systems, components, processes, and data for a given organization or IT environment. The objective of ITGCs are to ensure the proper development and implementation of applications, as well as the integrity of programs, data files, and computer operations, ensuring the access is restricted to those who are in need and to the extent which is required.

ITGCs also give assurance that the underlying IT system produces accurate results and reliance can be placed on the output of the system. ITGC audits are normally done as part of financial statements audits to review the controls in place for the IT systems that have a direct effect on the financial statements. ITGC audits could also be performed independently to assess the accuracy and integrity of the output of any system. They could be mandated by virtue of any regulatory requirements, as a part of corporate restructuring or due diligence exercise as well.

ITGCs should be clearly distinguished from IT Application Controls (ITACs) which predominantly focus on the controls built into any application such as input controls, limit checks, validation, and integrity checks etc. It is to be noted that Application controls often are embedded within the Business process controls, such as controls built in Procurement to Pay (P2P)

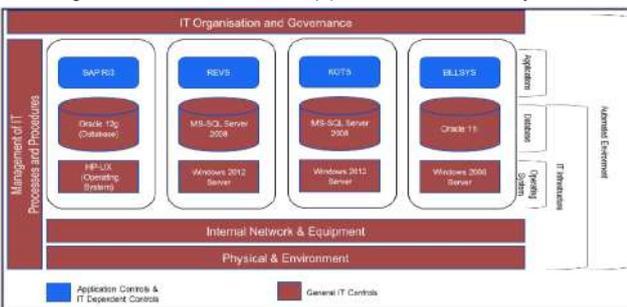
or Order to Cash (O2C) etc. and give assurance for the underlying business processes.

To illustrate, assume an ERP has a feature where Invoices shall be automatically processed, on successful completion of 3-way match, i.e., only when the details as per Purchase Order, Goods Receipt Note and Invoice match or a Sales invoice can be raised only if the Sales Order matched with the Dispatch note, these are said to be Application Controls which ensure, the underlying business process, in this case the Procurement and Sales respectively, are in order.

On the other end, it is equally important to ensure that person having access to enter the above data is restricted and ensure appropriate segregation of duties are in place to avoid conflicts. This is achieved by restricting access to appropriate personnel and regularly reviewing the access granted. These controls over access are examples of IT General Controls.

Case Study:

An organization has 4 IT Applications namely SAP R/3



as ERP, HRMS for HR and Payroll operations, KOTS for managing Procurement and BILLSYS for billing and receivable management. All of these are hosted within the organizations servers located at Head Office. These are standalone applications and are all integrated with the ERP. Each of them has different Databases and Operating Systems and are well networked across the organization.

Fig 1: Illustration of the Organizations IT Environment and how IT Application Controls and General Controls operate

Given this set up, let us illustrate what could be the possible IT Risks:

- Risk of unauthorized access into the systems and network
- Risk of data loss or data theft
- Risk of operating system vulnerabilities (say Manufacturer not giving support to outdated Operating Systems) or risk of default credentials not modified in database
- Risk of unauthorized changes made to the Application or the Programs
- Risk pertaining to application interfaces
- Risk of unauthorized access to server room (physical environment)
- Environmental risks such as Fire, Humidity, Air conditioning etc.
- Risk of incorrect inputs given to the system owing to lack of mandatory checks and balances such risk of entering incorrect GST rate instead of not being chosen as a drop down or auto configured in BILLSYS
- Risk of incorrect processing logic, say HRMS calculating the salary incorrectly or KOTS incorrectly recording the logic of 3-way match.
- Risk of output generated incorrectly, say output not getting refreshed every time fresh entries are posted into the system, say the ERP is not generating the updated Profit and loss after passing audit adjustment entries.

In the above illustrations, risks 1 to 7 can be mitigated by ensuring appropriate IT General Controls are in place and risk 8 to 10 can be mitigated with appropriate IT Application Controls.

Concluding Thoughts

It is clear from the above that the role of IT controls is significant to get comfort on the underlying IT Infrastructure and to place reliance on the integrity, processing and accuracy of the processes and reports generated. The next interesting question as auditors is, how does one audit these controls? How can one ensure that the risks are under control? Well, let us explore them in our next article.



Business Responsibility and Sustainability Reporting

CA Shivani Mehra

Many climatic related phenomena such as floods, droughts and fires are visible in Asia, Europe and North America and different regions of the world and different geographical zones and in a world where we are very well connected have value change all over the world all across different countries. These natural disruptions are causing disruption to the businesses, so climate change is no longer an isolated environmental issue, it is affecting our life and affecting our businesses and one of the areas which is also affecting is the food security, agriculture and supply chain which is going to affect all our lives sooner or later.

These changes have been addressed by stakeholders policy makers, Regulators, innovators, international agreements addressing the climate change like COP 26 or various government regulators are imposing in the companies and business in relation to the climate change and sustainability such as elementary reporting, carbon footprints etc.

These International agreements have come up with the technologies and ideas and the stakeholders are becoming more active whether you are a retail investor institutional, consumers or other form of stakeholder. They are demanding more of climate related responses from the businesses and that are exposing businesses to transitional risk. So, we have Physical risk and transitional risk that businesses must look at and this is no longer optional if they want to survive in the business target and they are taking it quite seriously for quite some time and they have made a bit of progress and calling it Climatic emergencies, where we have to respond as quickly as possible.

Why Sustainability Reporting?

Sustainability is very holistic, we have social, environmental and economic aspect. If we for example, look at only social issues in the business, the economic and environmental issues might suffer and vice versa. So, every other issue must be taken seriously in a holistic and balanced way. Sustainability is based on system thinking, sustainability is holistic means sustainability we must take different elements of sustainability comprehensively together and make sure there is balance in it and that's how the sustainability accounting and sustainability reporting framework has evolved over the last 25 years since the publication of Cannibals with four introductions of the ideal of triple bottom line, the traditional GRI in 1997 and so on. Sustainability reporting is an evolving discipline and it's still developing and over 10 years companies have started reporting on sustainability globally. Predominantly this sustainability recruitment has been these days for three drivers:

- Requirement by regulators especially for public listed companies;
- Required by Institutional investors;
- Demanded by other stakeholders like environmentalist, social groups, activists who would like to look after the environmental and the social issues from various perspectives

Sustainability Reporting is mainly done by listed companies but some of the SME's are looking at sustainability reporting and accounting issues because of a lot of opportunities arising from technological and transitional changes where SME can take this opportunity

and some of the self-motivated entrepreneurs also driving sustainability in their business units; in their companies whether they're large or small.

WHAT TO REPORT?

Q1: Who do you report to?

There are certain frameworks which help in reporting to different stakeholders. Below are some frameworks mentioned:

GRI

Description: GRI – **Set of standards** used by companies to report the topics that are material to their business

Deals in: Economic, social and environmental material issues

Stakeholders: All Stakeholders

Value Reporting Foundation- SASB Standards

Description: **Industry specific standards** to help companies select topics that may impact their financial performance

Deals in: Financially material ESG issues.

Stakeholders: Predominantly investors

CDP

Description: Disclosure of environmental information through **questionnaires** with the ability to benchmark against peers and engage supply chain

Deals in: Environmental issues

Stakeholders: Investors and customers

Sustainability Development goals

Description: Broad goals that are part of the 2030 UN agenda for Sustainable Development. Used by companies as **Framework** to track their progress against global issues.

Deals in: Economic, social and environmental material issues

Stakeholders: All stakeholders recognized by general society

TCFD - Task Force on Climate-related Financial Disclosures

Description: Framework for disclosing the impact of climate-related risk on your business

Deals in: Environment and governance

Stakeholders: Predominately investors

Q2: HOW TO REPORT?

- Drawing the boundaries and analyze the context/ scenarios- In business context, stakeholder context and at the same terms of climatic changes, transitional risks and drawing the boundary that will be covered within the report
- Identify the material key stakeholders and material issues.
- Reviewing and selecting the suitable methods and framework as discussed above.

Q3: Where to Report?

It depends whether to report within the annual report along with financial performance or in different section in the annual report where on only non-financial information will be there.

According to a new report from PwC Canada reveals lack of reliable data being made available to investors. Its analysis of the top 150 public companies in Canada reveals that ESG reporting is falling short, which is not only leaving investors with an incomplete picture but is likely to weaken growth and goodwill opportunities for the companies. More than half (59%) of the organizations reviewed are not including sustainability-related information in their annual report beyond a dedicated corporate social responsibility section. Individuals and organizations are dealing with a growing trust deficit, due to fundamental economic, environmental, and societal changes in the world," said Mike Harris, PwC Canada partner and ESG Practice and Net Zero Leader.

Solution to this can be according to me : Companies can start looking at materiality assessment and publish a sustainability section within the annual report that do not necessarily provide metrics instead describe some case studies and said here's the outcome of the materiality assessment and here's what were are planning to do for next 12 months which is determination frameworks are suitable to it for us and begin to collect data and publish data and set out material themes aligned to business purpose to make easier for everyone to understand

Until regulations are agreed and implemented there are above things that Canada's public companies can do to build trust among stakeholders.

This was according to reports published on January 28,2022.

During the recent meeting with IFRS on June 28,2022, following actions has been taken to consider for Sustainability reporting.

IFRS Foundation launches Montreal ISSB centre:

The IFRS Foundation today announced a package of key actions, including a new Memorandum of Understanding (MoU) with Montréal International to obtain the financial support of the Government of Canada and the Government of Quebec. This support will help the IFRS Foundation to fully establish its International Sustainability Standards Board (ISSB) within the Canadian sustainability ecosystem. The actions follow the announcement at the November 2021 COP26 climate conference that the ISSB would establish a Montreal centre as part of a multilocation approach.

This latest announcement builds on the April 2022 signing of an MoU with a coalition of private-sector stakeholders, organised by Chartered Professional Accountants of Canada (CPA Canada). The IFRS Foundation has signed a public sector MoU facilitated by Montréal International on behalf of the Government of Canada and the Government of Quebec; commenced operations in Montreal with the June 2022 Trustees meeting, and initiated activities to support the ISSB's full onsite presence, which would include staff and recently announced ISSB members, Jeffrey Hales and Michael Jantzi; announced the appointment of Charles-Antoine St-Jean as Regional Director–Americas, located in the Montreal office, with responsibilities that include connecting the work of the ISSB into the broader Canadian sustainability ecosystem; scheduled initial ISSB meetings to be held in Montreal in October and December 2022; and confirmed that the inaugural ISSB Symposium will be hosted in Montreal, with the dates to be confirmed.

This announcement coincides with a meeting of the IFRS Foundation Trustees, taking place for the first time in Montreal on 28-30 June 2022. The Trustees are responsible for the governance, oversight and financing of the IFRS Foundation, as well as appointments to the International Accounting Standards Board and the ISSB. As part of their meeting, the Trustees will co-host with

CPA Canada a stakeholder event to recognise support from the Canadian private and public sectors.

Revolution of BRSR in India

SEBI and NGRBC

Before introducing BRSR, we need to understand about SEBI and NGRBC(National Guidelines on Responsible Business Conduct) which are two regulatory bodies in shaping BRSR

SEBI- Securities Exchange Board of India

It is a Statutory Regulatory Body established in 1988 to regulate Indian Capital Markets Industry, however, it was given statutory powers to regulate the market in 1992 as per SEBI Act 1992. SEBI's core function is to monitor and regulate Indian securities market and to protect the interest of the investors. To provide the transparency to the investment and protect the interest of the investors, SEBI introduced BRR- Business Responsibility Reporting in 2011. BRR was an initiative by SEBI to ensure that investors have access to standardized ESG disclosures. Investors can access to ESG related risk and opportunities and to identify best suitable organization for their investment portfolio. In 2012, SEBI has mandated 100 entities by Market Capitalization to disclose non-financial performance as per BRR in addition to disclosure of financial performance. In 2020, SEBI has announced some amendments to BRR and has launched BRSR to make this as a one stop solution of all non-financial disclosures for the organization. In 2021, SEBI has mandated Top 1000 entities by MCAP to publish CSR Reports with effect from 2022-23 financial year which will be released after April 2023. However, it is optional for these entities to disclose their ESG report as per BRSR for year 2021-2022.

Let us understand what NGRBC(National Guidelines on Responsible Business Conduct) is and what is the importance of this body in BRSR.

NGRBC is started by MCA (Ministry of Corporate Affairs) which is an Indian Government Body by setting up guidelines and principles for business to follow the statutory and regulatory compliance requirement. It has developed 9 Principles for businesses to follow. These principles are based on United Nations Guiding Principles.

Principle 1: Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent, and accountable.

Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe.

Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains.

Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders.

Principle 5: Businesses should respect and promote human rights.

Principle 6: Businesses should respect and make efforts to protect and restore the environment.

Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

Principle 8: Businesses should promote inclusive growth and equitable development.

Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner.

So, BRSR was introduced by SEBI in collaboration with NGRBC. It provides the guidelines and standards for the organizations to disclose their non-financial parameters. As per SEBI's regulations, organizations are to follow the guidelines and standards as laid down by BRSR and to publish their ESG report/CSR report/Sustainability Report. BRSR is an integration of:

- 9 Principles of NGRBC
- Vertical wise ESG disclosure alignment from GRI
- Core elements of UNGP for Human Rights and Stakeholder's disclosure
- Climate change aspects from CDP
- Financial implications of Climate change from TCFD
- Financial sustainability aspects from SASB

The Structure of BRSR: It is comprised of three verticals:

- **General Disclosure:** It details about the reporting entity aiming at understanding general details of the entity, nature of business, operations, employees statistics, revenue generation, shareholding details, materiality of the business etc.
- **Management and Process Disclosure:** It details about the management approach aiming at demonstrating structures, policies and process to help business.
- **Principle wise Performance disclosure:** It details about each principle of the framework which is MANDATORY disclosure under **Essential Indicators** and Voluntary disclosure under **Leadership Indicators**.

This Framework BRSR is not just designed for entities listed on Indian Stock Exchanges, it has guidelines for all the entities registered with the Indian government.

The Question is reporting is the next STEP before reporting there is accounting, we have to do the accounting properly before we should be able to report what we want to report, so that's one of the capacity Gap remained in the market because there are many entities and individuals who are preparing and doing sustainability reporting actually do not have thorough expertise on sustainability accounting that creates lot of inconsistencies in sustainability reports across industries and sectors, so this is what issue to address either because we need to give time to build this capacity.



CORPORATE GOVERNANCE – An Effective Fraud Prevention Tool

CS Lalit Rajput

INTRODUCTION – CORPORATE FRAUDS

A corporate fraud occurs when a company or an entity deliberately changes and conceals sensitive information which then apparently makes it look financially stable and competitive. Corporate frauds/crime is viewed as 'illegal acts or omissions, punishable by the State under administrative, civil or criminal law, which are the result of deliberate decision making or culpable negligence within a legitimate formal organization. Corporate fraud can be difficult to prevent and to catch. Corporate fraud consists of illegal or unethical and deceptive actions committed either by a company or an individual acting in their capacity as an employee of the company. Corporate fraud schemes are often extremely complicated and, therefore, difficult to identify. It often takes an office full of forensic accountants' months to unravel a corporate fraud scheme in its entirety. Many corporate fraud schemes consist of fraudulent accounting schemes used to make a company appear more profitable than it actually is. The impetus behind such schemes is the desire or perceived need to attract or retain investors.

In the era of globalisation, corporate scandals are no longer shocking news in corporate world. These incidents of frauds result destroy the confidence of investors and damage the reputation of the affected company, its management and board of directors.

The companies adopt various modus-operandi to commit such corporate frauds, which may include miss-information in the prospectus, manipulation of accounting records, debt hiding etc. The aspect of falsification of financial information includes false accounting entries, false trades for inflation of profits, disclosure of price sensitive information which comes

under the ambit of insider trading and showing false transactions which result in attracting more investors and lenders for funding. Companies are bounded by corporate governance guidelines and procedures, so that chances of fraudulent activities can be reduced.

According to Canadian Laws, Fraud is essentially theft by deceit. There are so many different forms of deception and there are many different kinds of fraud. Common forms of fraud include:

- Embezzlement
- Tax fraud
- Bank fraud
- Internet fraud
- Medical fraud
- Insurance fraud
- Credit card fraud
- Identity theft fraud

Here are some of the most common scams used against business in Canada and some tips about what to look for and how to protect your business:

- Business grants and loans scam
- Directory scam
- Office supply scam
- Phishing, spear phishing, whaling, vishing, smishing
- CEO scam
- Intellectual property renewal notices scam
- Malware and ransomware

Civil Fraud Cases & Criminal Fraud Cases under the Canadian Law:

In order to amount to Fraud, an act must be confined to acts committed by a party to contract with an intention to deceive another party or his agent or to induce him to enter into a contract. Fraud, which vitiates the contract, must have a nexus with the acts of the parties entering into the contract.

A. Civil Cases:

- A civil case is a private case where someone sues someone else.
- This is also known as a suit or action.
- Civil fraud cases involve the intentional misrepresentation or concealment of an important fact upon which the victim is meant to rely, and in fact does rely, to the harm of the victim. Proving fraud in a court of law is challenging.
- Every element of fraud must be proven, such as the state of mind of both the perpetrator and the victim.
- A civil suit can also result if someone is injured or property is damaged.

B. Criminal Cases:

- Under section 380 (1) of the Canadian Criminal Code, fraud is defined as:

“Everyone who, by deceit, falsehood or other fraudulent means, whether or not it is a false pretence within the meaning of this Act, defrauds the public or any person, whether ascertained or not, of any property, money or valuable security or any service”

- In a criminal case, the Crown prosecutes an accused under a public-law statute such as the Criminal Code or the Controlled Drugs and Substances Act.
- The person charged with a criminal offence is called the accused. The accused is always presumed innocent until proven guilty.
- Penalties for fraud when convicted under Section 380 are based on the monetary value of the property involved.
- When considering an appropriate sentence Judges also consider mitigating factors, such as attempts at restitution, remorse, and not having an existing criminal record.

MAJOR FRAUDS IN INDIA

1) The Sorenson and Brost Ponzi scheme

Two businessmen Gary Sorenson and Milowe Brost ran one of the biggest Ponzi schemes in Canada for nine years (from 1999 to 2008), tricking more than three thousand local and international investors. The investors were promised a high return rate (35%) if they invested their money into a business with gold refinement. But such thing didn't exist. Instead, the old investors were paid up with money from the new ones. After a certain period, the payments stopped and the fraud started to unravel. Many of the the victims were left completely broke after having invested all of their savings. Total damages were estimated to \$100 – \$400, and Sorenson and Brost were sentenced to 12 years in jail.

2) The Livent scandal

Livent Entertainment of Canada Inc. was an entertainment company listed on Toronto Stock Exchange in 1993. The company grew fast and based on its successful financial reports it attracted a lot of investments. However, in 1997 the first signs of trouble started to emerge with the first reports of losses. The following year the company filed for bankruptcy and a criminal investigation was launched. A couple of its managers and two co-founders, Garth Drabinsky and Myron Gottlieb, were accused and sentenced in the court of Ontario for defrauding the shareholders by “cooking the books” – hiding losses and misstating financial statements. Furthermore, the company's auditors Deloitte & Touche LLP were also ordered to pay over 84.8 million dollars for failing to prevent the fraud, a decision the company said it will complain about.

3) Brian Molony's compulsive gambling

Brian Molony from Toronto embezzled millions of dollars from the Canadian Imperial Bank of Commerce where he worked primarily to satisfy his gambling addiction. He deposited millions of dollars from the bank into a company owned by a Las Vegas casino, which allowed him to lead a lavish gambling lifestyle. Finally he was arrested in 1982., and the casino company Caesars was also sued because it was confirmed they knew the money wasn't his, but they still heavily encouraged him to continue gambling. Caesars got a settlement, while Brian served two and half years in jail. A book was later written about his-out-of control gambling.

Source of this information: [Click Here](#)

MAJOR REASONS OF CORPORATE FRAUDS

Corporate fraud consists of illegal or unethical and deceptive actions committed either by a company or an individual acting in their capacity as an employee of the company. Corporate fraud schemes are often extremely complicated.

The following are the main reasons for committing Corporate Frauds in the companies:

- Conciliation of information from auditors of the companies.
- Lack of checks and controls in the companies.
- Poor corporate governance practices
- Board of directors consisting of unquestioning or silent yes man directors
- Centralisation of decision-making powers in hands of promoters or a few top management officials.
- Non- adherence to systems and controls.
- Absence of system requiring confirmations for bank balance, key debtors, advance, suppliers etc.
- Lack of effective internal controls and systems, including IT control and internal audit system
- Lack of effective oversight and monitoring mechanism.
- Imprudent bank.
- Absence of effective mechanism like whistle blower mechanism.
- Complex corporate structures with multiple subsidiaries, which make it easy to commit frauds through complex web of transactions.
- Absence or lack of MIS systems.

ROLE OF CORPORATE GOVERNANCE IN MITIGATING CORPORATE FRAUDS

Corporate governance refers to the policies and procedures according to which an organization is operated, regulated and controlled. These processes are designed to protect the diverse interests of the organization's stakeholder groups. Effective corporate governance measures are also essential to prevent corporate scandals, fraud, and potential civil and criminal liability. Given a strong governance structure,

the focus should be on effective processes for fraud risk assessment (which, in turn, must be followed by a focus on fraud prevention, fraud detection, and fraud investigation). Fraud risk assessment must be considered within the larger context of enterprise risk management.

Corporate governance include the combination of various laws, regulations, listing rules and voluntary private sector practices that facilitate the company to draw more capital, execute efficiently, generate profit and meet other legal obligations and general societal expectations. Corporate governance is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company.

The good corporate governance in any business safeguard stakeholders and ensures the following:

- Shareholder agreement provides for a right of access to the books and records of the company and that they exercise this right from time to time especially for the minority shareholders. If the shareholder is not themselves financially literate, an accountant or auditor may perform this role in their stead.
- Directors understand their fiduciary obligations and ensure that they exercise the necessary oversight in respect of the financial position of the company.
- Ensure that relevant staff are trained in identifying potential fraud. Consider to whom an employee may report a fraud being perpetrated against the business.
- Insist on rolling out Whistle Blower Policy in the organisation.
- Boards and/or key management should conduct a risk analysis and put in place a fraud prevention plan, systems and policy for the absence of a key person.
- Put in place specific transaction limits on access to electronic funds transfers.
- Provide for a process where any larger transactions require two or more signatories
- Improve controls by implementing continuous auditing and monitoring.
- Communicate the monitoring activity throughout the organization.

Good corporate governance is a foundation attribute for a healthy organisation. It defines the relationship between the Board of Directors, management and the rest of the organisation. Corporate governance becomes the key element in order to prevent the organization from Corporate Frauds. It ensures that the board is accountable for shareholders. Corporate Governance is not just the law provisions / clause, it is much more than the law and it can't be imposed and run by the legislation alone because its different parts come from the management's mindset and their culture. The affairs of the organisation are conducted by the corporate governance in order to provide the fairness for all of the shareholders which comes from these three- accountability, integrity and the openness. To certify standards, the legislation can and should put down a general framework which is the "form". Corporate governance is about promoting corporate fairness, transparency and accountability.

PUNISHMENTS PROVIDED FOR COMMITTING FRAUD

Under section 380 (1) of the Canadian Criminal Code:

- The severity of fraud is determined by the value and complexity of the fraud.
- The punishment ranges from a maximum of two years in prison if total value of fraud is under \$5,000; to up-to 14 years in prison if the amount is over \$5,000.
- In cases of fraud over 1 million dollars, there is a minimum sentence of two years.

Under Section 322 of the Criminal Code

Embezzlement is a type of fraud addressed under Section 322 of the Criminal Code covering theft. The penalties for embezzlement include a maximum prison sentence of up to 10 years for property values greater than \$5,000, and a maximum prison sentence of two years for embezzlement involving property valued at less than \$5,000.

Under Section 239 of Canada's Income Tax Act

Penalty of Tax fraud defined under Section 239 of the Canada's Income Tax Act. Penalties include extensive fines and prison sentences of up to five years.

Under Section 342 of the Criminal Code

Cases related to credit card fraud are dealt under Section 342 of the Criminal Code. Penalties for fraud covered under this section of the Code can result in a maximum penalty of 10 years in prison.

Under Section 342 of the Criminal Code

Cases related to Internet fraud is so common and are laid down under several different sections of the Criminal Code. Section 342 and 403 both are dealing with it. Internet fraud-related charges can prove especially complex and call for the expertise of an experienced professional.

CONCLUSION

Corporate frauds have emerged as the biggest risks which companies are exposed to and are increasingly becoming a big threat. We must accept that frauds are inevitable, and companies should lay down strong systems, processes, corporate governance practices and a robust recruitment process to ensure that right people with integrity and value systems are hired.

It is also important to create awareness among employees through rigorous training mechanisms, as to areas exposed to fraud and ensure that frauds are impartially investigated and culprits are punished, in time.

Fraud is a significant business risk that must be mitigated. A well-designed and implemented fraud detection system, based on the transactional data analysis of operational systems, can significantly reduce the chance of fraud occurring within an organization. The timely detection of fraud directly impacts the bottom line, reducing losses for an organization. Given increased regulatory requirements and compliance demands, the decision is no longer if an organization should implement a complete fraud detection and prevention program, but rather how quickly that program can be put into place.

Canada is a country of good opportunity due to the availability of sound technology and resources provided by the Government. Apart from this supportive environment is also offered in Canada. Company registration in Canada is a seamless and straightforward process.



YUKON EXPERIENCE #WeTheNorth

Rekha Paranjape

Do you dream of clear skies, endless hours of sunlight, and being far away from the city lights? Imagine being here: the blue skies spanning across Yukon Territory are very charming as it stretches across the entire horizon in ways that will mesmerize you. During the summer, you can embrace being outdoors for long as the sun almost never sets, and you can bathe in more than 20 hours of sunlight. Whether you choose to hike or drive, you will notice an expanse of mountains with glaciers, pristine emerald and turquoise hued lakes, rivers with refreshing colours, and roads lined by continuous forests of evergreen spruce trees. In fact, the subalpine fir has been known to be Yukon's official tree which can range from 6 to 20 metres tall. You will notice purple and white flowers scattered all along the highway known as Wild Iris. An added bonus for all of you city dwellers, you can enjoy the great outdoors without any traffic. If this excites you, visiting Yukon should be on your bucket list. The name "Yukon" comes from the local indigenous language, meaning "big river".

If you tell someone that you are going to Yukon, even in Canada, often people are not sure where Yukon is situated. People know Alaska but not Yukon which is a Canadian Territory bordering Alaska. Yukon, formerly called Yukon Territory and sometimes referred to as The Yukon, is the smallest and westernmost of Canada's three territories.

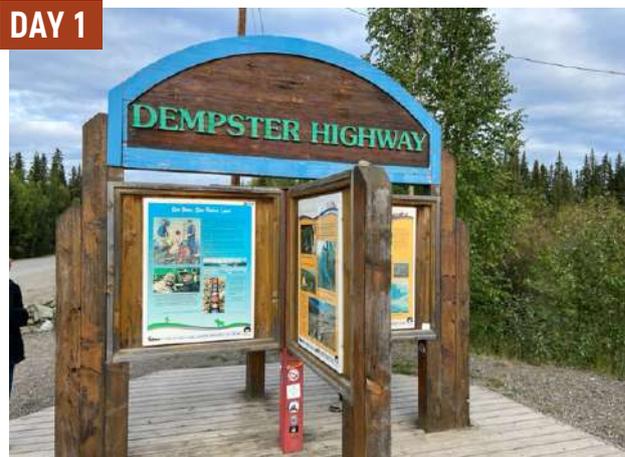
It also is the second-least populated province or territory in Canada, with a population of around



40,000. The capital city is Whitehorse, which is the largest city in any of the three northern Canadian territories and has a population of about 20,000 which is almost 50% of the total population of Yukon.

Yukon offers breathtaking natural beauty, which luckily is not disturbed by humans, and has a rich and immense Indigenous culture of the First Nations people, who are welcoming and friendly. Though I try to write it, The Yukon experience cannot really be described on paper; one really must experience it. Come follow our journey!

DAY 1



We visited Yukon in August. We started our trip from Whitehorse, the capital of Yukon. Whitehorse is a 2 1/2 flight from Vancouver. July and August are the summer months here with weather like spring or fall in Toronto. Whitehorse is a beautiful town with availability of most of the urban facilities like a couple

of big box stores, hotels, and restaurants. The first stop on our journey was the Kluane National Park, a 2-hour drive from Whitehorse. Kluane National Park offers visitors serene landscapes surrounded by snow covered mountains, roads lined by spruce trees alongside and number of rivers and lakes with clear water mixed with refreshing mix of colours. We visited Kluane and Kathleen lakes. I will highly recommend visiting Kluane National Park Visitor Centre, the Thechai Dhal Visitor Centre, and then decide what you would like to visit given your schedule. This place abodes various indigenous communities. Both the centres have a lot of interesting information about their culture, beliefs, and the way the indigenous people respect nature. They taught their children and grandchildren values and respect through a number of stories. In an interesting story they taught their kids that bears should be treated as their grandfathers, members who are highly regarded.

Kluane National Park and Reserve, has the highest mountain (Mount Logan) in Canada and the second-highest on the North American continent (after Denali in the U.S. state of Alaska). This is not readily visible from the surrounding low land or the coast due to its peculiar position. Another fun part of our trip was climbing Rock Glacier. This is a trail of about 2 kilometres. When you reach the top, you have a stunning panoramic view of Dezadeash lake.

DAY 2



The next day, we went to Skagway, Alaska, USA, a 2-hour ride from Whitehorse via Carcross, traversing the gorgeous White Pass, amazing Emerald Lake, and a micro desert. Carcross is home to various Indigenous communities, and you can see beautiful artwork done by them. You should not miss Caribou Coffee place

where there are a couple of art stores which display Indigenous artwork and paintings. Visitors from cruise ships docked at Skagway (Alaska), USA take the White Pass and Yukon train ride along the same scenic route we travelled by road. Skagway is generally the first stop for the Alaskan cruise ships. The road to Skagway from Whitehorse is breathtaking with mountains on both sides and lakes and rivers in between. In Skagway you can take a floating boat tour in the nearby rivers and get a scenic view of the landscape from the mountains above Skagway. You will find tremendous photo opportunities all along the route.

DAY 3



We then drove from Skagway to Dawson City, which is north of Whitehorse, back in Canada. The journey takes about 12 hours on the Klondike Highway. There is very little traffic and other than two stops on the way the road is desolate. The two small towns (Carmack and Pelly Crossing) which we came across have a population of only 500 people each.

When you travel in Yukon you need to be careful and prepared as the network is very spotty and cell phones do not work, most of the time. This helps you to be off the grid, but also be mindful to plan your trip accordingly and safely. You need to stack up food and water and fill up your gas tank before you leave Whitehorse. If you are wondering whether food is available, it is not an issue at all, especially if you do not have too many dietary restrictions (vegetarian food is available) and are not fussy about choices. The choices are limited, but you never stay hungry.

If you have time, you can learn a lot about various indigenous communities and their cultures. As you travel north you will see Fox lake and Twin lakes before Carmack. The whole area is surrounded by Boreal forests and high open Alpine valleys. One should not

miss another beautiful stop, the “five finger rapids” . This was a major hazard to the river boat skippers during gold rush.

On the way to Dawson City, we encountered a unique spectacle. While driving at about 11 PM the sun was setting right in front of us at the horizon. It was so bright that we could not see anything beyond 50 feet. The only option was to stop the car and let the sun set and savour the sun rays.

DAY 4



The next day we went on Dempster Highway. This is one of the most spectacular road trips on earth as it offers astounding scenery, yet many people have not heard about it. It is the only all-weather road that takes you to the Arctic Circle. The Highway to the Arctic Ocean is about 900 kilometres and is a treacherous road. The road is not paved and is made of shale because the road rests on permafrost (permanent ice just below the land surface) and that can melt and shift in some spots. One must be extra cautious while driving on this highway as you may encounter problems with your tires. There is also a risk of windshield cracking because of loose stones. We were fortunate we did not have any problems. We were a little concerned as our rented car did not have a proper spare tire. If you want to take extra precaution, you may request the rental company to assist you with proper spares and tools as a backup. There is literally no one on the road. We crossed Boreal forests along the way to shrubs which is the sub-tundra region. We saw the magnificent Tombstone mountains from a lookout point.

We drove about 100 km on the Dempster highway. We spent some time at Tombstone Territorial Park. It is a popular place for hiking, RV camping, backcountry camping, wildlife watching and lots of winter recreational activities. For more information and guidance, one

must visit Tombstone Interpretive Center. If you are adventurous and enjoy nature, this centre provides fishing licences, camping permits and maps. The staff is extremely enthusiastic and gives useful information about trekking routes and vista points. Make sure you carry a lot of food, snacks, and water with you.

Further north of the highway, you reach the Continental Divide. It separates the watersheds that drain into the Pacific Ocean from those river systems that

drain into the Atlantic and (in northern North America) Arctic oceans (including those that drain into the Gulf of Mexico, the Caribbean Sea and Hudson Bay).

DAY 5



The highlight of the next day was a visit to a Gold Mining tour. Dawson City is famous for the Gold Rush (Klondike Stampede). In 1898-1903 prospectors from Western US reached Dawson in search of gold, which had been discovered in 1896. Over 100,000 people went there in search of gold but only a few hundred made a fortune. Our tour guide was very enthusiastic and explained in detail about gold panning. We also collected a marginal amount of gold by doing gold panning- another interesting experience. People who have gold mines have the right to mine gold but do not have rights to the land.

At night, we visited the Midnight Dome, a viewpoint on a hill above Dawson City where you can see the city and surrounding area at midnight in summer. You can also go to Fairbanks, Alaska by the Top of the World highway about 120 km away. We went on the highway only for a short distance and would have loved to go further if we had more time.

DAY 6



The next day we returned to Whitehorse and visited the Miles Canyon, a point on the Yukon River where the river enters a narrow canyon and creates rapids and fast flowing water gushes- very difficult to navigate by boat. Many Gold rushers lost their lives passing through this canyon and upstream at the Five finger rapids.

Yukon is one place where Indigenous people have been assimilated in the society and lands taken by the European settlers were returned to them. On the last day of our trip, we happened to visit by chance an Indigenous centre. We got an opportunity to interact with a couple of people and listen to their grandparents' unfortunate experiences, particularly during the Gold Rush when they were driven away to reserves and treated very unfairly. These interactions gave us further insights to why listening to Indigenous stories and experiences are so valuable and the importance and urgency of truth and reconciliation across the nation.

One of our friends is managing the laying on a Fibre Optic network along the Dempster Highway. He said that he had to get approval from several First Nations communities to build the highway. The First nations people have been given rights to their lands and any major change done there needs their approval. He described the depth of their knowledge of the environment there, which helped him plan the project keeping in mind possible obstacles pointed out by the Indigenous people.

We visited Yukon during summer. However, there are numerous activities you can do in winter and spring or fall like dog sledding, viewing Arctic animals, snowmobiling, canoeing, camping, skiing, watching the northern lights among others. We were unfortunate that we did not see any wildlife (other than the raven, which is the official bird of Yukon) during our stay which is quite rare. Probably the animals and birds were on strike when we visited Yukon!!

This was an adventure of a lifetime. To my fellow Canadians, living in this humongous country, we often overlook the beauty that rests among our own land. When planning a trip, uncovering and enjoying Canadian beauty is exciting. It helps to identify further to different parts of the country and learn more about your land. Canada, is a land of rich resources and natural beauty. Canada often is associated with snow and deep winters, where people forget the vast lands of beauty you can unravel in the summers. Hence, if you are one who adores the wonders of nature in an environment largely untouched by human development, this is the place you would like to visit. If you are interested in knowing more, you can contact me any time





TAX UPDATES

CA Azhar Sakriwala

Updates to electronic filing and certification of tax and information returns

The 2021 federal budget included measures that would amend electronic filing thresholds for prescribed information returns. There was some concern with these proposals, around their effective dates (they were to apply for calendar years after 2021).

The August 9, 2022 draft legislation has deferred the effective date for the following measures to now apply for taxation years beginning 2023 and payments made or information returns filed after 2023:

Electronic filing thresholds for income tax returns

- Proposals to eliminate the mandatory electronic filing threshold for corporate income tax returns (i.e., all corporations except those exempted under ITR 205.1(2)) will be required to file electronically.
- Proposals for tax preparers to file returns electronically if, for a calendar year, they prepare more than five corporate income tax returns, more than five personal income tax returns, or more than five estate or trust income tax returns.

Electronic filing and issuance requirements for information returns

- Reduction in the mandatory electronic filing threshold for income tax information returns, from 50 to 5 returns of a particular type for a calendar year.

Electronic payments

- The requirement for electronic payments for remittances made under the Income Tax Act that are over \$10,000.

Revised Legislation – Mandatory Disclosure Rules

On February 4, 2022, Finance Canada released proposed mandatory disclosure rules, which would require more detailed reporting of certain transactions. These proposals were organized in three components that would:

- Expand the current rules for reportable transactions
- Introduce a new requirement to report notifiable transactions
- Add a new requirement for specified corporations to report uncertain tax treatments (UTT)

The Joint Committee on Taxation of the Canadian Bar Association and CPA Canada (the "Joint Committee"), made submissions in response to the government's consultation on the February 4, 2022, mandatory disclosure rules. In addition, CPA Canada made a submission on the uncertain tax treatments proposals.

Included in Finance Canada's August 9, 2022, release of revised and new legislation were revisions to the mandatory disclosure rules. Some notable revisions include:

- Deferral of the application date of the reportable transaction, notifiable transaction and UTT rules by one year – generally, the reportable transaction and notifiable transaction rules will apply to transactions entered after 2022 and the UTT rules will apply to taxation years beginning after 2022.
- Narrowing and clarifying the confidential and contractual protection hallmarks of the reportable transaction rules so that bona fide commercial transactions are not impacted. The Joint Committee has raised concerns as to whether these changes will work effectively.
- Lengthening the re-assessment period for reportable transactions, notifiable transactions and UTTs to four years from three years for taxpayers that are mutual fund trusts or corporations that are not Canadian-controlled private corporations to align with subsection 152(3.1). Under the original draft, a three-year period would apply to all taxpayers based on the date the required information return was filed. The assessment period is not limited where a return is not filed.
- Alleviating multiple reporting obligations by deeming each employee of an employer to have filed an information return with respect to a notifiable transaction where the employer has filed the required return. Similarly, for partnerships, partners will be deemed to have filed the return where the partnership has filed. Employees and partners will also not be subject to any related late filing penalties provided proposed subsection 237.4(5) applies. Note that it appears that a similar rule was not included for reportable transactions despite the elimination of subsection 237.3(4).
- Clarification that reporting obligations will not apply to banks, insurance companies, and credit unions providing secondary or ancillary financial services. However, this exemption does not apply where the financial institution knows that the relevant transaction is a notifiable transaction. Again, a similar rule does not appear to apply for reportable transactions.
- Clarification that persons who offer clerical or secretarial services with respect to the planning are not required to file information returns (this exception is available for both notifiable transactions and reportable transactions).

- Removal of the definition of “solicitor-client privilege” used in the reportable transaction rules (as such, the meaning developed under applicable Canadian case law should be used).

While some of the issues and concerns raised in the Joint Committee submission have been addressed, others have not. We will be reviewing the rules in greater detail over the coming weeks and will continue to communicate any new or ongoing issues to the government

Update on trust reporting requirements

On August 9, Finance Canada released draft legislation on a broad range of initiatives including revised trust reporting rules. These rules were originally announced in the 2018 federal budget and draft legislation was previously released on February 4, 2022

Changes in the August 9 release include the following:

- the list of trusts not subject to the rules under subsection 150(1.2) has been expanded to include trusts under or governed by employee profit sharing plans, registered supplementary unemployment benefit plans and first home savings accounts (which were proposed in the 2022 federal budget)
- the situations described in proposed subsection 204.2(2) of the regulations where the filing requirement will be deemed to have been complied with has also been expanded to include:
 - certain indigenous groups, communities, or people if prescribed conditions are met
 - trusts where some but not all the units are listed on a designated stock exchange (in this case, only information on the unlisted unit holders must be reported)

Otherwise, the rules have not changed since the February 4 release. Proposed subsection 150(1.3) remains and will create a reporting requirement to ensure that so-called bare trustee arrangements are subject to the rules. It was hoped that the government would consider a more streamlined approach for obtaining beneficial ownership information that would not involve filing a T3 return.

The effective date of the proposals has also not changed – they will apply for taxation years ending after December 30, 2022.

CRA opens registration for luxury tax

The CRA has recently opened registration for the new luxury tax, which will come into effect on September 1, 2022. To help impacted businesses determine the application of the luxury tax, the CRA has launched a dedicated phone line, a rulings and interpretations process and has also published some technical guidance.

IFRS UPDATES

| SI No | Topic | Update |
|-------|---|---|
| 1 | Post-implementation Review of IFRS 9—Classification and Measurement | Discussion on when to clarify how an entity would apply the requirements to financial assets with particular features such as ESG-linked features and to contractually linked instruments. Based on its analysis, the IASB decided to start a standard-setting project to clarify particular aspects of the requirements in IFRS 9 Financial Instruments for assessing the contractual cash flow characteristics of a financial asset. |
| 2 | Dynamic Risk Management (Agenda Paper 4) | The IASB discussed the 'Mechanics of the DRM model' - which is intended to enable an entity to better reflect its dynamic risk management strategy in its financial statements and provide useful information to users of financial statements |
| 3 | Goodwill and Impairment (Agenda Paper 18) | The committee decided to consider and prioritise : a. making tentative decisions on the package of disclosure requirements about business combinations described in the Discussion Paper Business Combinations—Disclosures, Goodwill and Impairment; and b. analysing specific aspects of the feedback on the subsequent accounting for goodwill. |
| 4 | Financial Instruments with Characteristics of Equity (Agenda Paper 5) | The IASB tentatively decided to add general requirements on reclassification to IAS 32 Financial Instruments: Presentation to prohibit reclassification other than for changes in the substance of the contractual terms arising from changes in circumstances outside the contract. This approach does not affect reclassifications already required in IAS 32. |
| 5 | Equity Method (Agenda Paper 13) | The IASB considered an analysis of its preferred approach to applying the equity method of accounting, along with the implications of an alternative approach. |
| 6 | Financial Instruments with Characteristics of Equity (Agenda Paper 5) | The IASB discussed accounting for financial instruments containing obligations for an entity to redeem its own equity instruments, including written put options on non-controlling interests (Agenda Paper 5A). The IASB discussed problems that arise when entities apply paragraph 23 of IAS 32 Financial instruments: Presentation . The IASB also discussed possible clarifications it could develop to help resolve these problems. |



ONGOING PROGRAMS

MENTORSHIP
PROGRAM

TOASTMASTERS
TCCA
SPEAKERS
CLUB

PROFESSIONAL
CIRCLES

TALENT SHARE
PROGRAM

PROGRAMS & LEADS



CA Ritesh Desai

Mentorship Program Lead (Interim)

The Toronto Chapter of ICAI launched the Mentorship Program in the spring of last year amidst the pandemic. Amongst other things, the purposes of the Program was to provide guidance from our experienced and successful members to any member trying to find a job, seeking to enhance their career and professional progress in Canada. Our mentors who have volunteered for this initiative, collectively include a rich experience in myriad areas, including public accounting, taxation, private practice, risk management, business development/management, internal audit, leadership roles, etc.



CA Azhar Sakriwala

Toastmasters International Program Lead (Interim)

Effective communication is one of the most important life skills. We are pleased to introduce the Chapter's new initiative "Toastmasters International Club".

The Toronto Chapter of ICAI has chartered TCCA Speakers Club (the Toastmasters Club) for members of the chapter and their families, to help them improve their communication and leadership skills. This initiative started on Jan 20, 2021 and the club has been officially chartered on March 25, 2021 with 22 enthusiastic and confident members



CA Akhil Kapoor

Professional Circles Program Lead

With an aim to connect the Chapter members in local areas and to promote formal and informal engagement amongst them, the Chapter initiated creation of Professional Circles at the beginning of the month of February 2021. As a pilot project, the Chapter has created four area specific Professional Circles ("Circles").

Members can join any of these Circles based on the region where members reside, however the Chapter allows a member to join any circle of their preference (irrespective of where they live).

TCICAI PICNIC



CRICKET MATCH



PROFESSIONAL CIRCLES

Toronto Professional Circle (Toronto Circle)

Total members as on date: 39

Circle Leads:

Jithin Ajith Kumar & Rutwik Tambe



Brampton Professional Circle

Total members as on date: 21

Circle Leads:

Limcy Thomas & Sinthia



Halton Professional Circle

Total members as on date: 13

Circle Leads:

Aarti Deshmukh & Harsh Khiara



Mississauga Professional Circle

Total members as on date: 19

Circle Leads:

Avani Shah & Hardik Patel



Durham Circle

Total members as on date: 4

Circle Leads:

Harsh Khiara

TALENT SHARE PROGRAM



The Institute of Chartered Accountants of India
TORONTO CHAPTER

Talent Share Program

The program is an opportunity to access database of qualified experienced Chartered Accountants from the Institute of Chartered Accountants of India (ICAI) who have gone through one of the most rigorous CA / CPA examinations and training requirements and are well equipped to succeed in accounting, auditing, taxation, and finance roles.

Highlights

- ✓ 24 hours access to a database of qualified, experienced Chartered Accountants
- ✓ Most of the candidates have CPA designation or are pursuing CPA designation
- ✓ Opportunity to hire permanent or contract basis
- ✓ Flexibility on hiring terms / roles
- ✓ The Chapter will mentor the candidates to succeed at their work
- ✓ The Chapter will work with a Talent Share Partner's Program Champion to monitor success of the program

Contact us at:
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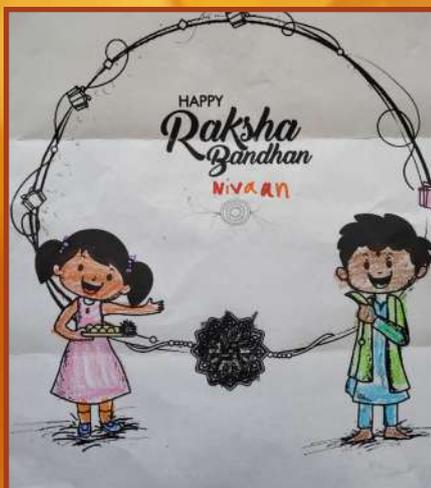


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