VENTURA PRANAS
ACCOUNTANTS WITHOUT BORDERS

WIDE ANGLE

The Ventura Pranas Quarterly Newsletter

August - October 2026

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ANNOUNCEMENTS

Welcome to the next issue of our newsletter. We have a few important announcements to make.

Year End Tax Planning

Since Q4 of the financial year is coming up, our team will be in touch with all of our clients to set up times for year-end tax planning. In an effort to serve our clients better, we will also endeavour to meet a majority of our clients with some planning ideas and tips before the end of the year.

As a reminder, this is a great time to use our new meetings feature in our client portal to track and put in meeting requests. For more details on this feature, you can read further into our **What's New in Our Client Portal** section of this newsletter.

Office Closure for Diwali Break

Happy Diwali! Ventura Pranas wishes you wealth, health, and success this Diwali season.

Please note that our offices will be closed on 8-11 November 2026. We appreciate your understanding and encourage clients to plan accordingly for any upcoming deadlines during this period.

Coming Soon: Estate Planning Webinar with Ventura Pranas & NS Srinivasan

A reminder that our Estate Planning webinar is coming up soon. The session will cover important estate planning considerations for individuals and families with USA and India-related interests, with a focus on practical guidance for cross-border situations.

We are still inviting our clients to pre-register your interest in order to be notified once the session details and registration open. We also invite you to share any questions, topics or estate planning concerns you would like addressed, and we will use your input to shape the session.



What's New in Our Client Portal

Over the past few months, we've continued enhancing the Ventura Pranas Client Portal with one objective in mind – to make working with us simpler, more collaborative, and more secure.

Here's a quick look at what's new.

One of the most significant additions this quarter is the **Meeting Hub** – a dedicated workspace that brings every client meeting together in one place. Whether it's a periodic review, an advisory discussion, or an ad hoc meeting, you'll now be able to view meeting agendas, attach supporting documents, and keep track of discussions directly within the portal. After each meeting, our team will upload the meeting notes, key decisions, and action items, giving both you and our team a single source of truth that can be referred to at any time. You'll also be able to request meetings directly through the portal, suggest agenda items, and propose convenient meeting times.

We've also introduced an **Escalations & Feedback** feature, making it easier to raise queries, share feedback, or seek assistance directly through the portal. Every request is tracked centrally, providing greater visibility and ensuring timely follow-up from our team.

To help organise your records, the **Repository** has been enhanced into a permanent document library where you can securely maintain important documents such as trust deeds, incorporation documents, shareholder agreements, estate planning records, and other long-term reference documents. You can now also create sub-folders within the Repository, making it easier to organise information in a way that best suits your needs.

We've made several enhancements to improve your day-to-day portal experience. **Checklist** items now support direct ZIP file uploads, making it easier to share multiple documents together while keeping requests organised. Our **Expense Tracker** has also been introduced, allowing receipts to be uploaded, automatically processed, categorised, and viewed through intuitive dashboards.

Every enhancement we introduce is guided by a simple objective: to create a secure, connected workspace that simplifies collaboration, improves transparency, and makes working with Ventura Pranas more seamless.

A Few Helpful Reminders:

We strongly encourage you to review any pending Tasks, Approvals, and Checklist requests within the portal to help us complete your engagement on time.

Your **Vault** continues to serve as your secure digital repository for highly confidential information such as passports, tax documents, bank account details, passwords, and other sensitive records.

You remain in complete control of your information and can securely share access with Ventura Pranas only when required – helping minimise email exchanges while ensuring important information is always available when needed.

As always, if you need any assistance in accessing or using any of these features, please feel free to reach out to us at **contact@venturapranas.com.**

FOREIGN ASSETS OF SMALL TAXPAYERS – DISCLOSURE SCHEME (FAST-DS)

The Indian government has introduced a new one-time voluntary disclosure scheme, **Foreign Assets of Small Taxplayers – Disclosure Scheme (FAST-DS)**, allowing eligible taxpayers to disclose previously undeclared foreign assets and income. The scheme covers foreign bank accounts, immovable property, jewellery, artwork, shares, securities and other foreign assets or income on payment of a specified tax or fee.

The FAST-DS scheme came into effect on 16th August 2026, with **31st December 2026 as the last date** for making a declaration.

Who is Eligible to Make a Declaration

FAST-DS is primarily available to taxpayers who were resident in India in the relevant year, and certain individuals who are currently non-resident or RNOR where they were resident in India in the year to which the undisclosed foreign income relates or in the year the foreign asset was acquired.

Types of Declarations & Amounts Payable

There are two broad categories of declarations:

1. Undisclosed foreign assets located outside India or income which was not offered to tax. These foreign assets and income must not exceed Rs. 1 crore in value.

   The amount payable is an aggegrate of tax at 30% of value of the asset and tax at 30% of the undisclosed foreign income, and an additional amount equal to 100% of the above tax. The effective payment is therefore 60% of the declared value or income.

2. Assets (including financial interest in any entity) located outside India, which was offered to tax or was acquired while the taxpayer was non-resident but not reported in the relevant foreign asset schedule. The value of these assets must not exceed Rs. 5 crore.

   The amount payable for this type of declaration is a flat fee of Rs. 1 lakh.

The scheme does not apply to assets or income representing proceeds of crime where proceedings under the Prevention of Money-laundering Act, 2002 have been initiated or are pending, or to matters where assessment proceedings under the Black Money Act have already been completed.

Valuation is Critical

The valuation date specified for this scheme is 31st March 2026 where the fair market value (FMV) of assets declared must be computed as on this date. As a general rule, the FMV is the higher of the asset's cost of acquisition and its open-market price on that date. Specific valuation rules apply to different asset classes, including quoted and unquoted securities, immovable property, jewellery and interests in foreign firms or LLPs.

Foreign bank accounts have a specific method of valuation. The value is generally based on the aggregate deposits made into the account up to 31 March 2026, subject to exclusions designed to prevent double counting of amounts withdrawn and subsequently redeposited.

How to File a Declaration

Declarations must be filed electronically in Form 1, together with supporting documents and valuation reports where applicable. Multiple assets of types of assets/income may be declared in a single Form 1.

Following verification, the tax authority will issue an order in Form 2 specifying the amount payable. Payment must be made within two months from the end of the month in which the order is received. A further period of up to two months is permitted, subject to simple interest at 1% per month or part thereof.

Once payment is made and the required intimation is submitted in Form 3, the authority will issue a certificate in Form 4.

What This Scheme Actually Means

After a valid declaration is made and the required amount is paid:

- The income disclosed, or the amount invested in the disclosed asset, will not be taxed again under either the Income-tax Act, 1961 or the Black Money Act, 2015.
- No additional tax or penalty is levied under the Black Money Act in relation to the income or asset covered by the declaration.
- The taxpayer will also be protected from prosecution under the Black Money Act for the matter disclosed under the scheme.

It is also important to note that Sections 137 and 138 of the Finance Act, 2026 place restrictions on amounts paid and assessments covered by FAST-DS. Hence, amounts paid under the scheme cannot subsequently be claimed back. Further, once an assessment relating to the disclosed income or asset has been completed, the declarant cannot use rectification, revision, appeal or similar proceedings to obtain a reduction, set-off or other relief in respect of that matter.

FAST-DS provides a defined window for eligible taxpayers to address foreign assets that may not have been correctly reported in their Indian tax returns. Before making a declaration, taxpayers should carefully review their residential status, source of funds, historical tax treatment, foreign asset disclosures, valuation as of 31 March 2026 and the applicable FAST-DS category.

Disclaimer: *This article is intended for general informational purposes only and should not be considered tax or legal advice. Eligibility and applicability should be assessed based on the taxpayer's individual circumstances and records.*

REPURCHASE OF STOCK OPTIONS: PERQUISITE V/S CAPITAL GAINS

ESOP Buybacks: Perquistie or Capital Gains?

Employee Stock Options (ESOPs) are generally taxed at two stages. When an employee exercises the options and receives shares, the difference between the shares' fair market value and the exercise price is generally taxed as a salary perquisite. Any subsequent gain when those shares are sold is generally taxed as capital gains.

But what happens when vested ESOPs are bought back or cancelled before the employee exercises them?

A recent ruling by the Bangalore Bench of the Income Tax Appellate Tribunal (ITAT) in Pramod Kumar Jain v. DCIT has provided useful guidance on this question.

The Case

The taxpayer, an employee of Flipkart Internet Private Limited, held stock options granted under the Flipkart Stock Option Scheme. Before exercising the options, he received approximately ₹2.34 crore when 2,653 vested options were repurchased by the group company.

The employer treated this amount as a salary perquisite and deducted tax at source accordingly. The taxpayer took a different position and reported the amount as long-term capital gains, arguing that the vested options themselves were a capital asset.

What Did the Tribunal Decide?

The ITAT agreed with the taxpayer.

The Tribunal noted that the perquisite provisions for ESOPs apply when the options are exercised and shares are allotted or transferred to the employee. In this case, the options had never been exercised and no shares had been allotted. Therefore, the amount received for the repurchase of the vested options could not be taxed as a salary perquisite under Section 17(2)(vi) of the Income-tax Act, 1961.

Instead, the Tribunal held that a vested stock option represents a right to subscribe to shares and can constitute a capital asset. The cancellation or repurchase of that right can therefore be treated as a transfer of a capital asset, with the resulting income falling under the head "Capital Gains."

Why This Matters

The ruling draws an important distinction between vesting and exercise. Vesting gives an employee the right to acquire shares, while exercise results in the actual acquisition of those shares. The Tribunal's view is that the ESOP perquisite provisions are triggered at the exercise stage, not merely when the options vest.

The ruling also clarifies that the way an employer has reported a payment in Form 16, or the fact that tax was deducted as salary, does not by itself determine how the income should ultimately be taxed. The correct tax treatment should be determined based on the applicable provisions of the ITA.

However, the decision may not settle every question surrounding ESOP buybacks. The Tribunal did not consider Section 46A of the Income-tax Act, which specifically deals with certain purchases by a company of its own shares or specified securities, including employee stock options. This leaves some areas open for further interpretation and possible litigation.

What Employees Should Take Away

For employees holding vested but unexercised ESOPs, the tax treatment can depend significantly on how the transaction is structured. A repurchase or cancellation before exercise may have a different tax outcome from the conventional exercise-and-sale route.

Employees receiving proceeds from an ESOP buyback should therefore review the transaction carefully rather than relying solely on the tax treatment adopted by the employer.

CALIFORNIA ENACTS SB 122: SALES AND USE TAX ON CERTAIN SAAS AND DIGITAL PRODUCTS

What it means for your business before the 1 January 2027 effective date

California has enacted Senate Bill 122 (SB 122, Stats. 2026, Ch. 23), which expands California's sales and use tax treatment to certain digital products beginning January 1, 2027. The change is particularly relevant to businesses that sell or purchase SaaS, cloud-based software, or other qualifying prewritten software for use in California.

Under the new rules, qualifying digital products—including certain prewritten software delivered electronically or accessed remotely—will generally be brought within California's sales and use tax framework.

However, not every digital product, technology service, or cloud service will automatically become taxable. The tax treatment depends on the nature of the product, how it is delivered or accessed, the customer's location, applicable exclusions and exemptions, and the seller's California registration and collection obligations.

Note on Implementation Status

The California Department of Tax and Fee Administration (CDTFA) held a public workshop on July 21, 2026, and has proposed emergency regulations to implement SB 122. These regulations are not yet final. Certain definitions, bundling rules, and documentation requirements may be refined before January 1, 2027, operative date, so businesses should treat current interpretations as subject to further guidance.

What Has Changed?

SB 122 expands California's definition of taxable tangible personal property to include qualifying digital products, whether they are:

- Delivered through physical media;
- Delivered electronically; or
- Accessed remotely through cloud infrastructure.

As a result, many SaaS and software subscription transactions may become subject to California sales and use tax beginning January 1, 2027.

However, the legislation does not make every technology or digital service automatically taxable. The treatment may vary for custom software, professional services, human-effort-based services, digital infrastructure and other specifically excluded or differently treated transactions.

Who May Be Impacted?

SaaS and Software Sellers

Businesses selling SaaS, cloud platforms, subscription software or other digital products to California customers should assess whether they may have new sales tax collection and reporting obligations. Key areas requiring review include:

- Product and SKU taxability
- California sales tax nexus
- Customer and user location
- Contract terms and bundled services
- Existing subscriptions continuing into 2027
- Exemption eligibility
- Sales tax registration
- Billing and invoicing systems
- Ongoing return filing requirements

Businesses Purchasing SaaS and Software

The impact is not limited to software companies. Businesses purchasing software for California operations should also review their SaaS and digital product spend, particularly where vendors may not collect California tax. Areas to consider include:

- Software and SaaS vendor spend
- Vendor invoice tax treatment
- Multi-year software contracts
- Software renewal schedules
- User locations
- Use-tax obligations
- Internal accounts payable and tax-accrual procedures

Why Act During 2026?

Although the new rules become effective on January 1, 2027, businesses should use the remaining months of 2026 to understand their exposure and prepare their systems. Waiting until 2027 may create challenges involving:

- Incorrect customer invoicing
- Missed tax collections
- Use-tax exposure
- Contract disputes
- ERP and billing configuration issues
- Registration delays
- Potential penalties and interest

A proactive review provides an opportunity to address these matters before the new rules take effect.

At a Glance

Effective Date	January 1, 2027
Main Impact	Certain digital products, including qualifying SaaS and prewritten software, become subject to California sales/use tax
Who May Be Affected	Software/SaaS sellers, and businesses that purchase qualifying digital products
Applicable Tax Rate	Applicable California state, local and district rate based on the applicable place-of-sale rules
Key Threshold	Special $5 million rule that may shift the reporting obligation from the retailer to the purchaser
Action Required	Review product taxability, nexus, customer/vendor data, contracts, and billing systems during 2026

Frequently Asked Questions (FAQs)

Q1. What products are now taxable?

Qualifying prewritten computer software can fall within the new digital-product rules whether it is transferred on physical media, electronically, or accessed remotely. This includes qualifying SaaS arrangements where customers receive the right to access and use the provider's prewritten software. The classification should be based on the substance of the product and transaction rather than simply the way the product is marketed or described.

Q2. What remains exempt or excluded?

SB 122 specifically excludes several categories, including:

- Digital assets;
- Digital audio works;
- Digital audiovisual works;
- Digital books;
- Digital infrastructure;
- Digital video game products; and
- Digital visual works.

Qualifying custom computer software is also treated differently from prewritten software.

The distinction between SaaS, custom software, professional services and cloud infrastructure can therefore be important. Businesses with products containing multiple components should consider a product-by-product review.

Q3. Does SB 122 make every SaaS product taxable?

The new rules apply to qualifying digital products. The specific product, transaction structure, delivery method, applicable exclusions or exemptions, and other facts must be considered. Accordingly, businesses should not assume that every SaaS transaction is taxable—or that every SaaS transaction remains non-taxable.

Q4. How is a sale sourced, and what tax rate applies?

The applicable rate depends on California's sourcing rules, which generally look to how the product is delivered:

- Tangible storage media — generally sourced to where the transfer occurs
- In-person transactions (non-tangible delivery) — generally sourced to the seller's place of business
- Remote or electronic delivery — generally sourced to the customer's billing address

If a California address cannot be identified for a remote or electronic transaction, the sale may be treated as occurring outside the state. Accordingly, businesses should not apply a single blanket tax rate to all California SaaS transactions.

Q5. What is the $5 million rule, and who does it affect?

SB 122 includes a special rule for certain qualifying digital products that are transferred electronically or accessed remotely.

For calendar year 2027, when aggregate gross receipts from qualifying digital-product sales by a retailer to the same purchaser exceed $5 million, the retailer may be relieved of its obligation to collect or pay tax on the transaction that causes the threshold to be exceeded, subject to the statutory requirements. The purchaser then becomes responsible for reporting and paying the applicable use tax directly to the California Department of Tax and Fee Administration (CDTFA).

Beginning in 2028, the threshold generally looks to the current or preceding calendar year. Purchasers subject to the direct-reporting requirement generally need to obtain a Use Tax Direct Payment Permit and provide the required documentation to the retailer. This is not a blanket exemption from tax. Businesses approaching this threshold should review the specific requirements before relying on the provision.

Q6. Does the rule apply to businesses outside California?

Potentially, yes.

An out-of-state business may have California sales-tax registration and collection obligations if it is considered engaged in business in California under the applicable nexus rules. As a general reference point, California's existing economic nexus threshold requires remote sellers exceeding $500,000 in sales into California (in the current or preceding calendar year) to register with the CDTFA and collect California tax — and SB 122 brings sales of taxable digital products and SaaS into that same calculation.

Accordingly, a business should not determine its California sales-tax obligation solely by looking at its state or country of incorporation.

Businesses should review their California sales, activities and other nexus factors to determine whether registration and collection requirements apply.

Q7. What if our company is based outside the United States?

An overseas business, including an India-based software company, may have California sales-tax obligations if it has the required California nexus and makes taxable sales for use in California. The fact that the seller is located outside the United States does not, by itself, eliminate potential California sales-tax obligations.

Separate U.S. federal, state and international income-tax considerations may also apply to an overseas business. Those issues should be evaluated separately based on the entity structure and facts.

Q8. What if our vendor does not charge California sales tax?

The absence of sales tax on a vendor invoice does not necessarily mean that no California tax is due. Depending on the circumstances, the purchaser may have a use-tax obligation and may need to report and pay the tax directly. Businesses should therefore review their accounts payable and software/vendor spend as part of their 2026 readiness process.

Q9. What should our businesses do before January 1, 2027?

We recommend completing a California SB 122 Readiness Review during 2026.

The review should cover:

1. Product Taxability
Identify software, SaaS and other digital products and determine whether they fall within the new rules.

2. California Nexus
Evaluate whether your business has a California registration and collection obligation.

3. Customer Information
Review California customer addresses and information needed to apply the appropriate sourcing rules.

4. Contracts and Pricing
Review customer agreements, pricing and tax clauses for transactions beginning January 1, 2027.

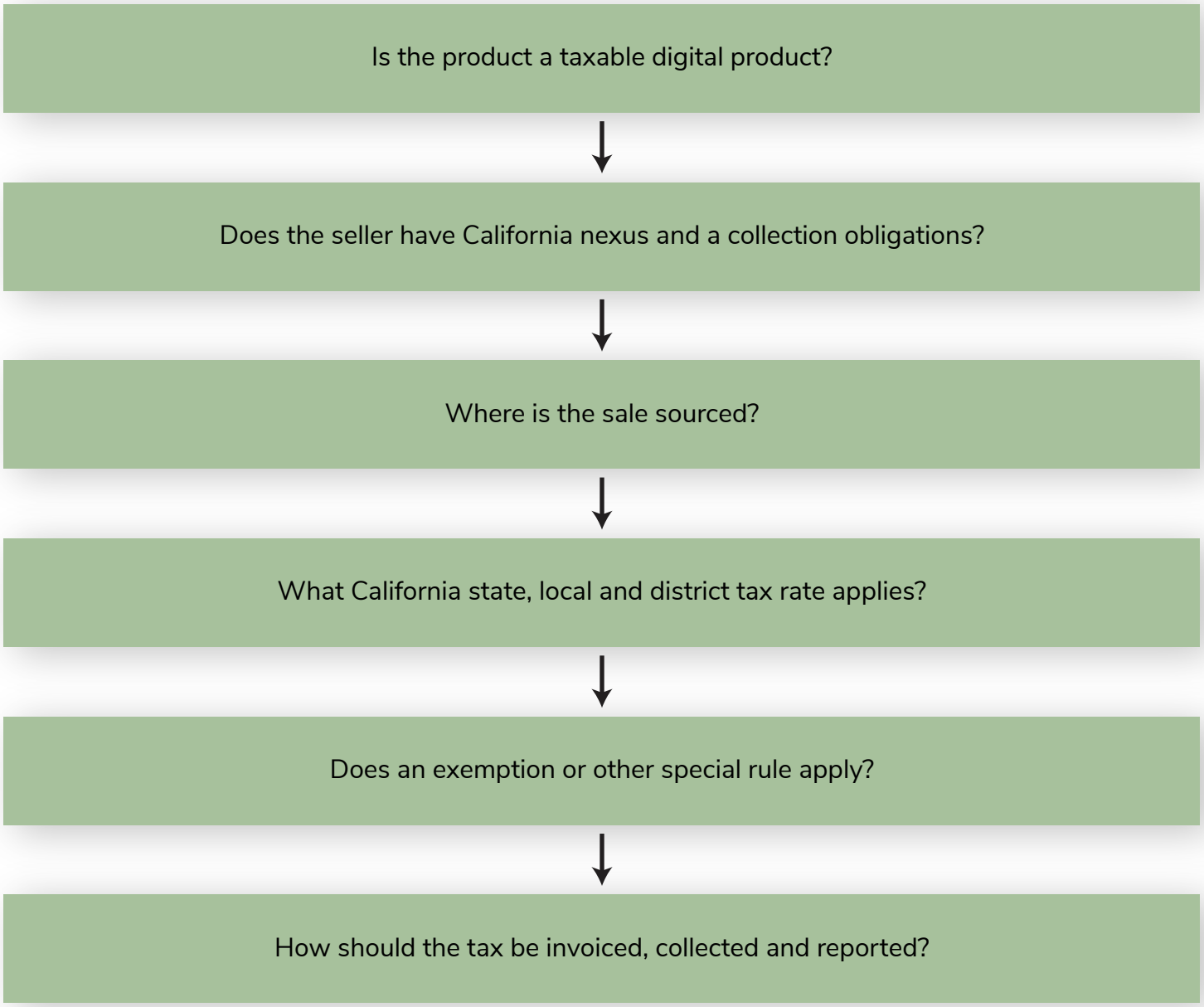
5. Billing and Accounting Systems
Confirm that billing, ERP and accounting systems can appropriately identify taxable transactions and account for sales tax.

6. Purchases and Use Tax
Review SaaS and software purchases to identify situations where California use tax may need to be accrued or reported.

7. Large Customer Transactions
Identify customers whose purchases from the same retailer may approach the $5 million threshold.

A Simple Example

Assume a company sells a qualifying prewritten SaaS subscription for $100,000 to a California business. Beginning January 1, 2027, the company should determine:



The answer cannot be determined simply by applying a blanket "10% SaaS tax." The applicable tax depends on the transaction and California's applicable sourcing rules.

Likewise, if a California business purchases qualifying SaaS from an out-of-state provider that does not collect California tax, the purchaser may need to consider its own use-tax obligations.

This example is illustrative only and does not determine the tax treatment of any particular transaction.

How Can Ventura Pranas Help?

Our California SB 122 Impact & Readiness Review can help businesses identify and address potential exposure before the effective date. Our team can assist with:

- **Taxability Assessment** — Review SaaS, software and digital-product offerings and identify potentially taxable and exempt revenue streams.
- **Nexus Review** — Analyse California sales and business activities to determine potential registration and collection requirements.
- **Sales Data Analysis** — Review California customer revenue and identify transactions potentially affected by the new rules.
- **Software Spend Review** — Analyse vendor and general ledger data to identify SaaS and digital-product purchases that may create sales or use-tax obligations.
- **Contract & Invoice Review** — Review agreements, invoices, product descriptions and bundled offerings for sales-tax considerations.
- **Registration & Implementation** — Support California sales tax registrations and implementation of billing, ERP or tax-engine processes.
- **Ongoing Compliance** — Assist with sales tax return preparation, use-tax reporting, and monitoring of finalized CDTFA regulations as they are issued.

Already Working with Us for Bookkeeping, Tax or Audit?

If we currently support you with bookkeeping, tax or audit services, we may already have access to information that can help identify potential SB 122 exposure. For example, our team can review:

Revenue records → California customer sales → Product taxability

Accounts payable → SaaS/software vendors → Potential use-tax exposure

This allows us to help determine whether additional action may be required before the law becomes effective.

THE QUESTION TO ASK NOW

The question is not simply “Is SaaS taxable in California?” The more relevant question is:

“How will California SB 122 affect our specific products, customers, purchases and compliance requirements?”

If your business sells or purchases SaaS or software used in California, 2026 is the time to review your position before the new rules become operative on January 1, 2027.

Disclaimer: *This publication is intended to provide general information and does not constitute tax, accounting or legal advice. The application of SB 122 depends on the specific facts and circumstances of each business and transaction.*

INTRODUCTION TO ONZA

As part of our ongoing series of introductions, this issue spotlights Onza, a wealth management firm built by five industry veterans to serve founders and UHNI families. The name spells out its values:

- **O** — **Open:** transparent, clean, simple
- **N** — **Networks:** collaboration over silos
- **Z** — **Zen:** calm attention to portfolio and legacy
- **A** — **Accountable:** always answerable, no excuses

About the Firm

Onza's five co-founders were part of the wealth businesses at Kotak and Nuvama from an early stage, spending over two decades each as both grew to scale. At Onza, wealth management is the whole business, not a cross-sell, with no in-house AMC or investment banking deals to place. Many clients have traveled with the founders across organizations over the last 20 years.


Srivathsan Murlidharan


Dushyant Sharma


Nikhil Shah


Rohit Bhatia


Prashant Shastri

100+ client families | **~₹4,000 Cr** AUM visibility

The Onza Approach

Onza was founded on one philosophy: wealth solutions free of product conflicts, built around a client's balance sheet and legacy, from a partner that stays for the long term. Planning comes first, across investments, structures, estate planning and global diversification. Every portfolio is then actively managed through performance attribution and disciplined reviews.

India's Long-Term Growth

01
Growth will be **broad-based**, across consumption, services and manufacturing.

02
Manufacturing is one area where Onza sees fresh opportunities, many still in private companies.

03
Onza helps clients **explore them early**, across listed and private markets, within their plan.

India @ Present · FY26
~US$3.9 trillion
~US$0.5 trillion

GDP · ~10% a year
Manufacturing · ~13% a year

Viksit Bharat @ 2047
US$30 trillion
US$7.5 trillion · 25% of GDP

Sources: MoSPI provisional estimates, FY26 (June 2026); NITI Aayog targets for 2047. Growth rates are implied, in nominal US$.

Website: https://www.onzawealth.com/

LinkedIn: https://www.linkedin.com/company/onza-wealth/

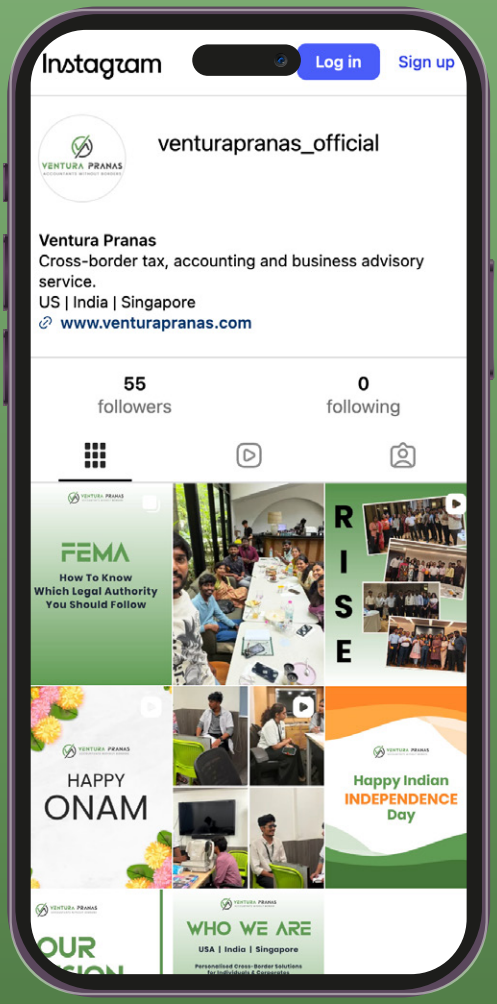
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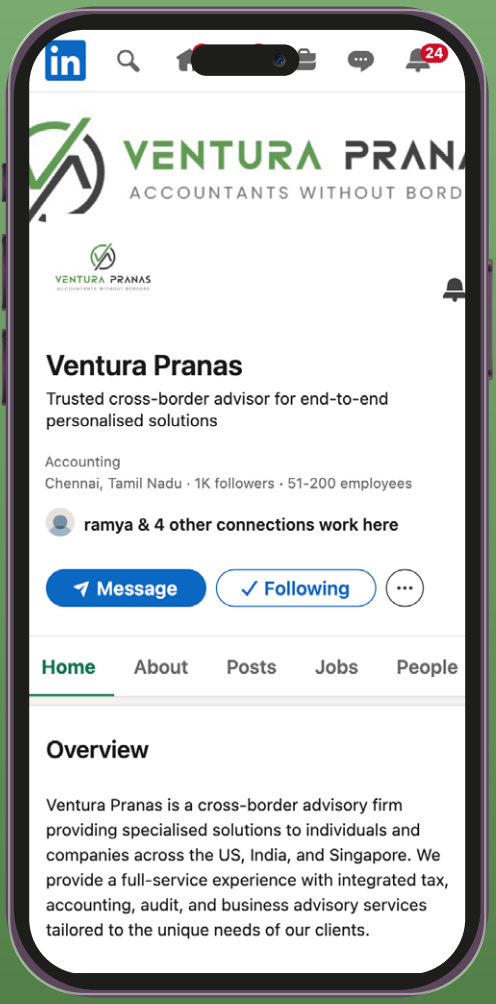
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