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Monthly E-Newsletter

BSC BEACON

TAX & REGULATORY INSIGHTS

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I. DIRECT TAXATION: A. CORPORATE TAX

1. Order passed under Section 148A(d) of the Act set aside since it was passed beyond the scope of notice issued under Section 148A(b) of the Act

Independent News Services Private Limited ('the Assessee') filed its original as well as revised ROI for the AY 2017-18. The total income was accepted in regular assessment under Section 143(3) of the Act. Thereafter, the AO initiated reopening proceedings and issued notice under Section 148A(b) of the Act alleging that it had made foreign remittances amounting to INR 6.5 Crores, based on data obtained from the survey conducted in 2019 at J&K Bank. However, these bank remittances did not match with the bank statements of the Assessee. The AO concluded that there is an escapement of income of INR 6.50 Crores.

The Assessee submitted that the said amount does not pertain to it and also furnished the copy of the confirmation from the J&K Bank. However, the AO passed the order passed under Section 148A(d) of the Act holding that it is the fit case for reassessment under Section 148 of the Act by concluding that inwards and outward remittance transactions amounting to INR 11.37 Crores remained unexplained. Against the impugned order, the assessee filed a Writ Petition before the Hon'ble Delhi HC.

Before the Hon'ble HC, the Assessee contended that the amount of income escaping assessment as per 148A(b) notice was Rs. 6.50 Cr and did not contain the allegation regarding the income escapement amounting to Rs 11.37 Cr as mentioned while passing

148A(d) Order. Thus, there is a question of credibility of the information as set out in the 148A(b) notice.

The Hon'ble HC held that the AO went beyond the scope of notice issued under Section 148A(b) of the Act and passed order deeming fit case for reassessment based on additional/new allegations which is unsustainable in law. Therefore, the order passed under Section 148A(d) of the Act was set aside. However, the Hon'ble HC allowed AO to issue a fresh notice if credible evidence available which suggests that income has escaped assessment in case of the Assessee.

Independent News Service Pvt Ltd. [TS-888-HC-2025(DEL)]

2. Reassessment proceedings are valid irrespective of an approval of Resolution Plan under IBC

VRDV Traders Pvt Ltd, (the Assessee) is engaged in trading of currency derivatives. The Assessee chose the Corporate Insolvency Resolution Process (CIRP) and the resolution plan was duly accepted by NCLT on 31-01-2020 under the IBC 2016. However, the tax authorities reopened the assessments for AY 2014-15 to 2016-17 based on the trading data received from Project Falcon, indicating certain manipulative reversal trades with objective of evading payment of tax. The Assessee submitted its reply to notice of reassessment proceedings but did not refer to the proceedings before the NCLT or about the CIRP process.

However, the Assessee filed writ petition before the Hon'ble Telangana HC challenging the reassessment proceedings on the ground that the resolution plan has been approved by the NCLT, and accordingly as per the IBC, all tax liabilities for the years prior to the approval stood extinguished. The Assessee relied upon the Hon'ble Supreme Court Judgement in case of Ghanshyam Mishra and Sons (P.) Ltd V, Edelweiss Asset Reconstruction Company Ltd.¹ However, the tax authorities were of the view that Assessee's case was identified as a high risk transaction and there could be higher amount escaping assessment.

The Hon'ble HC held that reassessment proceedings are valid if such proceedings are intended to ascertain whether there have been any illegal, fake and fraudulent transactions even after the order of NCLT under IBC is passed. It is only bad in law if the tax authorities go for recovery proceedings after passing of the assessment order. The Hon'ble HC thus held that



¹ [LSI-216-SC-2021(NDEL)]

the provisions of IBC cannot be misused to cover up fraud or misdeeds and the tax authorities have a right to scrutinize and investigate suspicious trades if new credible information emerges in the case and only recovery of tax is barred after IBC resolution, not the reassessment proceedings or investigation. Since, the present case deals with initiation of reassessment proceedings in case of Assessee dealing with shell companies with a mala fide intention of evading tax, and not with an assessment order passed fastening tax liability, the Hon'ble HC dismissed the writs. The Hon'ble HC held that if the view of tax authorities after reassessment proceedings, is found correct, then the tax authorities could not be left remediless for taking appropriate action against the mischief, misdeeds, or illegality.

VRDV Traders Pvt Ltd. Vs. Union of India, Telangana [TS-5343-HC-2025(Telangana)-O]

3. Sales Tax Incentive received for promoting setting-up of new industrial unit in a specified backward area is a Capital receipt

Bajaj Auto Ltd ('the Assessee') was engaged in the production and sale of two-wheelers, three-wheelers, and spare parts. The Assessee set up a new manufacturing unit in a notified backward area located at Waluj, Maharashtra in AY 1987-88. To support industrialization, the Government of Maharashtra had introduced the 1983 Incentive Scheme, that offered sales tax exemptions or deferrals to new industrial undertakings. The Assessee has opted for this sales tax incentive scheme and obtained the necessary eligibility certificate. The Assessee claimed sales tax exemptions of INR 3.56 Crores for the AY 1987-88.

During the assessment proceedings, the AO rejected the Assessee's claim of the sales tax incentive being treated as a capital receipt on the basis that the incentive was only available after production was commenced. The incentives were also adjusted against sales tax liabilities. The AO contended that the benefit was linked to production and sales and impacted the Assessee's profitability and operating cost. Accordingly, the AO concluded that the incentive was granted to support ongoing business activities, and not for setting up the unit. Therefore, the receipt was revenue in nature and taxable under the Act. The Assessee challenged the assessment order before the CIT(A) and Hon'ble Mumbai ITAT which upheld the assessment order and considered the incentive as a revenue receipt. Aggrieved by the order of the Hon'ble Mumbai ITAT, the Assessee filed an Appeal before the Hon'ble Bombay HC.

² [TS-8-SC-1997-O]



Before the Hon'ble HC, the Assessee contended that incentive was under the sales tax scheme introduced by State Government for setting up of industry in the backward areas and not towards production activity. The scheme envisaged adjustment of the incentive amount against sales tax liability instead of making cash payments towards subsidies. The purpose of the scheme was not to enable the Assessee to earn higher profits but to incentivise for setting up the industry in notified backward area. Further, the Assessee relied on the "purpose test" laid down by the Supreme Court in the case of Sahney Steel & Press Works Ltd.². Per contra, the tax authorities supported the assessment order.

The Hon'ble Bombay HC agreed with the view of the Assessee that the 1983 incentive scheme was introduced to promote industrialization in backward areas. Thus, even though the subsidy was granted post-production, its underlying purpose was to encourage the establishment of new units through long-term economic support. Hence, the incentive / subsidy received under the scheme would be on capital account and not on revenue account. Consequently, it would not be chargeable to tax.

Bajaj Auto Ltd. Vs. DCIT [TS-5379-HC-2025(Bombay)-O]

4. No liability of the Assessee to deduct tax under Section 194-I of the Act on payments made for alternate accommodation or rent

Shivalik Ventures Pvt Ltd ('the Assessee') is engaged in the business of development of commercial complexes

and rehabilitation under Slum Rehabilitation Authority (SRA Scheme). The Assessee filed its ROI for AY 2016-17. The AO received an information that the Assessee received INR 130.80 Crores as consideration from SRA for a project without any agreement or MOU. Based on such information, the case of the Assessee was reopened and the proceedings under Section 148 of the Act were initiated. During the re-assessment proceedings, it was found that the Assessee made payments to slum dwellers to vacate land for redevelopment purposes and for meeting the expenditure towards the rent (if any). However, no tax was deducted under Section 194-I on such payments. The Assessee submitted that the said transaction was in the nature of compensation and not rent, and there was no relationship of lessor/lessee with slum dwellers. However, the AO did not accept the above submission and passed an order disallowing 30% of total amount, under Section 40(a)(ia) of the Act.

Aggrieved, the Assessee filed an appeal before the CIT(A), who allowed the appeal following the decision of Hon'ble Mumbai ITAT in Assessee's own case for AY 2012-13 and deleted the addition. Aggrieved, the tax authorities filed an appeal before the Hon'ble ITAT.

The Hon'ble ITAT relying on the decision of the Co-ordinate bench and on the decision of Jurisdictional HC in the case of Sarfaraz S Furniturewala Vs. Afshan Sharfali Ashok Kumar & Ors.³ held that payment made by the Assessee towards "Alternate accommodation charges / rent" is not liable for tax deduction under Section 194I of the Act.

Shivalik Ventures Pvt. Ltd. [TS-855-ITAT-2025 (Mum)]



5. Generation of incidental income from activities of Trust's does not vitiate the charitable nature of the activities carried on, if such income is reinvested towards object of the Trust

Rasha Welfare Foundation ('Assessee ' or 'Trust') is a public charitable trust registered under the Indian Trusts Act, 1882. The Trust applied for registration under Sections 12AA and 80G of the Act to avail income tax exemptions. Its one of the objective is to promote environmental sustainability by encouraging the use of electric vehicles (EVs), reducing carbon emissions, and providing livelihood opportunities to marginalized communities, such as women and tribal populations.

The trust received CSR funds from various companies and used them to lease electric two-wheelers to selected beneficiaries at a nominal monthly user fee. The arrangement was governed by agreements, and the vehicles were to be transferred to the beneficiaries after the lease period.

However, the CIT(E) denied the registration, alleging that the Trust was engaged in commercial activities because it charged rent for the vehicles. Aggrieved, the Assessee filed an appeal before the Hon'ble Delhi ITAT. The Assessee contended that its activities were charitable in nature, aligned with CSR objectives, and any surplus from such activities were reinvested into the project and not retained as profit or diverted for personal/ commercial use. Per contra, the tax authorities contended that entire scheme is devised to earn profits. Further, it was argued that the rent for use of EV reflects the commercial nature of transaction and therefore the order of CIT(E) should be upheld.

The Hon'ble Delhi ITAT concluded that the activities carried out by Assessee were indeed charitable in nature and aligned with the objectives stated in its trust deed. The ITAT observed that the Trust had implemented its projects in a professional and transparent manner through proper agreements and had utilized CSR funds to empower marginalized communities by providing them access to electric vehicles. It emphasized that charging a nominal user fee did not make the activity commercial, especially since the surplus generated was reinvested into the project and not used for personal gain.

The Hon'ble ITAT relied on the judgment of Hon'ble Supreme Court in case of Surat Art Silk Cloth Manufacturers Association⁴ wherein it was upheld that the presence of incidental income does not affect the charitable status of a trust, if the primary purpose is charitable and the income is not distributed among members. Accordingly, the Hon'ble ITAT allowed the appeal and directed the CIT(E) to grant registration

³ [TS-5256-HC-2024(Bombay)-O]

⁴ [TS-5030-SC-1979-O]

under Section 12A and Section 80G of the Act. Also, the Hon'ble ITAT stated that at the juncture of grant of registration, the tax authorities is only required to examine the genuineness of activities of the Trust and its compliance of any other law.

Rasha Welfare Foundation [TS-882-ITAT-2025(DEL)]

6. Set-off of business loss against capital gains is allowed as it is perfect tax planning duly supported by the provisions of the Act.

Priya Kapil Todarwal (Assessee) filed her ROI for the AY 2019-20 declaring income at INR 98.36 lakhs after claiming a set-off of partial business loss against the LTCG as per Section 71(2) of the Act. The balance business loss was set-off against income from other sources. Such act of partial set off against LTCG and other sources was done to claim deduction under Chapter VIA of the Act (as deduction under Chapter VIA is not allowed against LTCG).

While processing the ROI, the CPC proposed adjustment under Section 143(1)(a) of the Act stating that the return filed by the Assessee contains incorrect claim under Chapter VIA. Assessee filed objections against the said adjustments, which were ignored by the CPC and an intimation under Section 143(1) of the Act was passed denying the Chapter VIA deductions.

Aggrieved, the Assessee filed an appeal before CIT(A). The CIT(A) relying on various judicial pronouncement contended that business loss cannot be set-off against LTCG. Since, there is only LTCG income within the Gross Total Income, the deduction under Chapter VIA of the Act is not allowed as per Section 80A of the Act.

Aggrieved, the Assessee filed an appeal before the Hon'ble Mumbai ITAT. Before the Hon'ble Mumbai ITAT, the Assessee contended that Act permits a business loss to be set off against income, including capital gains, in the absence of any restriction or sequence under Section 71 of the Act. The Assessee relied on the of Coated Fabrics Pvt. Ltd.⁵ and Opus Realty Development Ltd.⁶, in support of its contention.

The Hon'ble ITAT allowed the appeal by holding that the set-off of business loss against long-term capital gains was perfectly valid under Section 71(2) of the Act. It clarified that the law does not require a particular sequence or order in which losses must be set off, and there is no restriction on setting off business loss against capital gains. The Hon'ble ITAT emphasized that the Assessee's computation was well within the four corners of the Act and termed it "a perfect tax planning."

Priya Kapil Todarwal [TS-887-ITAT-2025(Mum)]

⁵ [TS-5006-ITAT-2006(Pune)-O]

⁶ [TS-5807-ITAT-2016(Delhi)-O]

7. CSR Donation eligible for deduction under Section 80G of the Act

ACG Pam Pharma Technologies (P.) Ltd. ("Assessee"), engaged in broking and distribution of financial products, made donation of INR 24,20,000/- to Axis Foundation (registered under Section 80G) during the AY 2020-21. The Assessee treated the donation as CSR expenditure in its books and suo motu disallowed it while computing its business income. Further, the Assessee claimed deduction under Section 80G of the Act for the same in its ROI for the AY 2020-21. The AO accepted the same in the scrutiny assessment for the AY 2020-21 concluded under Section 143(3) of the Act.

Subsequently, the PCIT invoked Section 263 of the Act and held that the AO had erroneously allowed the deduction under Section 80G of the Act. The PCIT opined that CSR expenditure is mandatory and not voluntary in nature and hence does not qualify for deduction under Section 80G of the Act. On this basis, the PCIT set aside the AO's order and directed a fresh assessment.

On appeal before the Hon'ble Mumbai ITAT, the Assessee contended that there is no express bar in Section 80G of the Act prohibiting deduction for CSR-related donations. The Hon'ble ITAT noted that while CSR expenses are disallowed under Section 37(1) of the Act, they still qualify for deduction under other Sections like 80G if other relevant conditions are met. The Hon'ble ITAT relied on CBDT Circular No. 1/2015 and judicial precedents in case of Sharda Cropchem Ltd. and Inter Gold (India) Pvt. Ltd., reaffirming that Section 80G and Section 37(1) operate independently. Hence, the invocation of Section 263 of the Act by PCIT was unjustified, and the original assessment order allowing the deduction was restored. Thus, the Hon'ble ITAT allowed the appeal.

ACG Pam Pharma Tech (P) Ltd vs. PCIT [TS-5780-ITAT-2025(Mumbai)-O]



8. Proceeds from sale of immovable property converted from Stock-in-Trade to Investment, taxable as capital gains

HKT Corporation Pvt Ltd ("the Assessee"), an Indian company engaged in property dealings, purchased an immovable property in AY 2011-12 and classified it as stock-in-trade. In AY 2017-18, it converted the said property into an investment, supported by a board resolution and appropriate disclosure in financial statements. On sale of such property in AY 2020-21, the Assessee offered the gains as LTCG, using FMV on the date of conversion as the cost of acquisition, under Section 45(2) of the Act. The AO rejected the treatment of income as LTCG by considering the gain as business income. The tax authorities alleged that the conversion is a tax avoidance measure by referring to Section 28(via) of the Act (applicable from 01.04.2019). The AO also disallowed all the related expenses by treating them as prior period expenses.

On appeal, the CIT(A) allowed the Assessee's contention by holding the conversion valid and the gain taxable under the head capital gains. It noted that Section 28(via) is prospective and not applicable to conversions before 01.04.2019. Aggrieved, the tax authorities filed an appeal before the Hon'ble Delhi ITAT.

The Hon'ble ITAT noted that where the tax authorities did not question and reject the conversion of asset from stock-in-trade to investment in AY 2017-18, the consequential capital gains arising from sale of such asset cannot be rejected. The Hon'ble ITAT relied on the judgement of the Delhi HC in case of CIT v. Express Securities Pvt. Ltd. and confirmed that such conversion is legally permissible. The Hon'ble ITAT held that the Assessee has disclosed and offered such capital gains to tax and further stated all the related expenses were allowable under Section 48 of the Act, as the prior period disallowance was not applicable to a capital asset. Thus, the Hon'ble ITAT upheld the order of CIT(A) and dismissed appeal filed by the tax authorities.

HKT Corporation Pvt Ltd [TS-911-ITAT-2025 (Del)]

9. Deduction under Section 80JJAA allowable despite delay in filing Form 10DA and available during assessment

IIFL Samasta Finance Limited ('the Assessee'), a micro-finance company and NBFC registered with RBI, filed its ROI for AY 2023-24. The Assessee also submitted its tax audit report under Section 44AB of the Act on 28.09.2023 wherein a deduction of INR 35.71 Crores under Section 80JJAA was claimed. However, filing of

Form 10DA was delayed until 26.10.2023 [Due date: 30.09.2023]. The ROI was processed, and CPC disallowed the entire deduction due to delay in submitting the Form 10DA. On appeal, the CIT(A) upheld the disallowance, citing the mandatory compliance with Rule 19AB of the Rules for filing Form 10DA along with the ROI. The CIT(A) pointed out that the only recourse available to Assessee was to seek condonation of delay from higher tax authorities under Section 119(2)(b) of the Act.

Aggrieved, the Assessee filed an appeal before the Hon'ble Bangalore ITAT. The Assessee contended that Form 10DA was duly signed and ready before the due date but could not be filed due to technical glitches. The Assessee also highlighted that the deduction under this provision had been consistently claimed in earlier AYs starting from AY 2019-20. Per contra, the tax authorities supported the order of the CIT(A).

The Hon'ble ITAT emphasized that while furnishing the accountant's report in Form 10DA is mandatory, the timing of filing is procedural aspect. Since the form was signed and ready before the due date and part of the records at the time of assessment, denial of deduction was not justified. The Hon'ble ITAT relied on the Supreme Court ruling in G.M. Knitting Industries⁷, which accepted similar delayed filings made before completion of assessment. Moreover, the Hon'ble ITAT emphasized that in case of any conflict between the Act and the Rules, the provisions of the Act must prevail. The Hon'ble ITAT allowed Assessee's appeal, stating that the deduction under Section 80JJAA was valid and should not have been disallowed simply due to procedural delay. However, the Hon'ble ITAT remanded the matter to the AO for limited verification of the quantification of allowable deduction under Section 80JJAA of the Act.

IIFL Samasta Finance Ltd [TS-895-ITAT-2025 (Bang)]



⁷ CIT vs. G.M. Knitting Industries [TS-5043-SC-2015-0]

10. Benefit available under Section 56(2)(x) of the Act cannot be denied merely on omission of name in the allotment letter

In the year 2015, Ramaswamy Parameswaran (the Assessee) and his spouse jointly purchased two properties valued at INR 1.15 Crores; However, the builder had inadvertently issued the allotment letter solely in the name of the Assessee's spouse in 2015. During the assessment proceeding for AY 2018-19, the AO observed that the SDV of the said properties was INR 1.60 Crores, and the allotment letter was issued in the name of the spouse alone. Therefore, the AO alleged that the Assessee is not eligible for the benefit available under first proviso to Section 56(2)(x) of the Act⁸ with respect to the rates pertaining to year 2015. However, the AO opined that such benefit can only be claimed by his spouse as her name was mentioned in the allotment letter. Accordingly, the AO made addition under Section 56(2)(x) of the Act of INR 22.58 Lakhs, being 50% of Assessee's share in the difference between the SDV and actual purchase cost in the hands of Assessee on the premise that allotment letter does not bear his name. Aggrieved, the Assessee filed an appeal before the CIT(A) who upheld the addition made by the AO.

Upon further appeal, the Assessee contended that the bank loan for buying these properties was obtained in joint names i.e. the Assessee and his spouse, as evident from the loan sanction letter. Also, the Assessee submitted the passbook of the bank to substantiate that the booking amount for the flat has also been paid by the Assessee.

The Hon'ble ITAT noted that documentary evidence filed by the Assessee – e.g. Bank passbook, copy of agreement to sell shows that flats were allotted to both Assessee and his spouse. Further the housing loan was obtained in joint names. Also, since the consideration was paid by both Assessee and his spouse, the condition to get the benefit available under first proviso to Section 56(2)(x) of the Act was fulfilled. Therefore, the Hon'ble Mumbai ITAT held that the benefit as per first proviso to Section 56(2)(x) of the Act cannot be denied merely because the name of the Assessee was not mentioned in the allotment letter. Accordingly, the additions made by the AO was deleted and appeal of Assessee was allowed.

Ramaswami Parameswaran Nallepilly [TS-898-ITAT-2025(Mum)]

⁸ First proviso to Section 56(2)(x) of the Act provides the benefit to owner of an immovable property, where the date of fixing the consideration and date of registration is different, then SDV as on date of agreement can be taken for computing income from other sources.

⁹ CIT v. Amadeus It Group Sa [TS-5598-HC-2023(Delhi)-O]

B. INTERNATIONAL TAXATION

1. Payments for Computer Information System ("CRS") and the use of Altea software for inventory management and hosting system for airlines constitutes business income and not royalty based on Assessee's own cases for earlier years

Amadeus IT Group SA ('Assessee') is a tax resident of Spain and is engaged in developing automated travel technology systems such as the Computer Reservation System ("CRS") and the Altea System, an inventory management and hosting software for airlines.

For the AY 2022–23, the Assessee filed its ROI declaring NIL income and claimed a refund of taxes of INR 44.68 crores. During the assessment proceedings, the AO, considered the receipt of booking fees (INR 446.01 crores) and payment received for use of Altea System payments (INR 364.03 crores) from airlines as royalty income, subject to tax under Section 9(1)(vi) of the Act and Article 13 of the Indo-Spain DTAA at 10%. On filing objections, the DRP confirmed the draft assessment order.

Aggrieved, the Assessee filed an appeal before the Hon'ble Delhi ITAT. It was contended that the CRS and Altea systems were proprietary platforms where no right to use equipment or process was granted to the airlines, and thus, payments received could not be considered as royalty. The Assessee emphasized that similar issues in its own case for earlier years were settled in its favour by both the Hon'ble Delhi ITAT and the Hon'ble Delhi HC⁹. The Hon'ble HC held that booking fees were taxable as business income and not royalty. It was observed that Altea System was



installed at airports and was accessible only to airlines and not to the Assessee's Indian agents and the hosting took place outside India. Accordingly, such payments were also not royalty in nature.

The tax authorities also raised a ground for levy of interest under Section 234B of the Act. In response, the Assessee contended that interest under Section 234B of the Act shall not be applicable in case of the Assessee as the income of the Assessee is subject to TDS. Further, it is not the case that the payer has not deducted TDS, the same has been duly deducted and paid by the payer. The Hon'ble ITAT agreed with the contention of the Assessee and dismissed the ground raised by the tax authorities.

Amadeus IT Group SA [TS-5781-ITAT-2025(Delhi)-O]

2. Set-Off of Business Loss of PE against interest income earned on ECB loans without involvement of its PE allowable

Abu Dhabi Commercial Bank PJSC Wework India Management (P) Ltd ('the Assessee') is a bank, operating in UAE and having two PE in India located at Mumbai and Bangalore. The PEs of the Assessee had incurred business loss during the AY 2020-21 amounting to INR 75.32 Crores. Further, the Assessee had advanced ECBs to Indian customers and received interest income of INR 138.48 Crores without involvement of its PE. The Assessee treated the interest income as income from other sources as per Article 11(2) of the India-UAE DTAA. The Assessee had set off the interest income on ECBs against the business loss of its PE and computed the tax liability at the rate of 5% on the balance income (INR 63.15 Crores).

However, the AO disallowed the claim of the Assessee with respect to the set-off of the business losses, contending that the interest income is taxable on gross basis at the concessional rate of 5%. Subsequently, the Assessee raised objections before the DRP. The DRP confirmed the draft assessment order and held that interest income shall be calculated on gross basis, without allowing any deduction including set-off of loss. The DRP held that interest income is in nature of business income and Section 115A is not applicable. Even if it is assumed that Section 115A of the Act is applicable, the said interest income would be taxable under Section 115A(1)(a)(ii) at the rate of 20% since loan agreements have to be approved by Central Government for claiming rate of tax of 5% under Section 115A of the Act.

Aggrieved, the Assessee filed an appeal before the Hon'ble Mumbai ITAT. Before the Hon'ble ITAT, the

Assessee contended that 'gross' used in Article 11(2) of the DTAA would mean an amount without allowing any deduction of expenses. However, the Assessee has not claimed any expense from interest income. Further, loss cannot be equated with expenses. The Assessee has claimed the set off in respect of business loss against the interest income. Also, as per Section 90(2) of the Act, the Assessee can opt either to choose domestic tax law provisions or DTAA provisions, whichever is more beneficial. Also, the Assessee contended that CBDT Circular dated 21.09.2012 was also overlooked, which categorically stated that no specific approval in case of each loan agreement is required to be given by Central Government. The Assessee also raised an alternative plea that even if the interest income is taxable as per the provisions of the Act, then such income would be taxable at 5% under Section 115A(1)(a)(iiaa) of the Act. Per contra, the tax authorities supported the final assessment order.

The Hon'ble ITAT noted the relevant provisions of the Act as well as the India-UAE DTAA. It observed that as per Article 11(2) of the DTAA, computation of income and tax has to be determined as per the domestic tax laws. Accordingly, the Hon'ble ITAT concluded that Article 11(2) of the DTAA read with provisions of the Act clarifies that Assessee can claim set off of current year business loss of PE against the interest income. Referring to OECD Model Tax Convention, the Hon'ble ITAT held that the term 'gross' means interest without claiming a deduction of expenses. The Hon'ble ITAT observed that Assessee has not claimed any deduction of expense under Section 57. Therefore, the total income of the Assessee has to be computed after set off of loss provided under Section 71 of the Act. With respect to alternative plea of the Assessee, the Hon'ble ITAT noted that requirement of approval of loan agreement by the Central Government has been dispensed with and that ECB loans shall be in compliance with ECB regulations framed by RBI. Accordingly, the Hon'ble ITAT held that interest income on ECBs falls within the ambit of Section 115A(1)(a)(iiaa) of the Act.

Abu Dhabi Commercial Bank PJSC Wework India Management (P.) Ltd. [TS-5493-ITAT-2025(Mumbai)-O]

3. E-license Portal Services Not Taxable as FTS under UK DTAA as 'Make Available' Test not satisfied

The Assessee did not file tax returns for AY 2016-17 and 2017-18, claiming no taxable income. However, the Assessing Officer (AO) identified receipts of

₹2,93,92,810 for AY 2016-17 and ₹3,31,98,980 for AY 2017-18 from Genpact India Pvt. Ltd. (GIPL), suggesting these were taxable within the scope of Article 13 of the India-UK DTAA and issued the draft Assessment orders. The Assessee filed its objections to the draft assessment orders before the DRP contesting the proposed assessments.

The AO's assessment was upheld by the Dispute Resolution Panel (DRP) and subsequently the Tribunal emphasizing that the assessment order discussed the nature of income under the various headings held that the income received by the Assessee from GIPL is taxable as FTS being chargeable to tax under both, the tax statute and India-UK DTAA. Aggrieved by the order of the Tribunal, the Assessee filed an appeal with the Hon'ble Delhi HC.

The Delhi HC relying on the judgement of the Hon'ble Supreme Court in the case of *Engineering Analysis*¹⁰ and the judgement of the Hon'ble Karnataka HC in the case of *De Beers India Minerals*¹¹, held that for services to qualify as FTS, not only it is required to be of technical knowledge or skill but it has to be a service that 'make available technical knowledge, experience, skill or know-how etc.', to enable the service recipient to absorb the same and to use the same on its own. In this case, GIPL did not acquire any rights in the Assessee's proprietary software or technology from the Assessee, limiting its role to facilitating service provision to end-users. The training provided to GIPL's employees did not transfer any technical know-how that would allow GIPL to operate independently. Hence, the Assessee's services do not satisfy the "make available" condition. Further it held that the services rendered were not of a

technical nature that would meet the criteria for FTS under the DTAA.

Tungsten Automation England Limited [TS-917-HC-2025(DEL)]

4. **Capital Gains arising from alienation of derivatives considered exempt under Article 13(4) of the India-Mauritius DTAA and not to be considered under Article 13(3A)**

3 Sigma Global fund (the Assessee) is a public limited company registered under the laws of Republic of Mauritius and holds global business licence issued by Financial Service Commission in Mauritius. For the AY 2022-23, the Assessee has earned an income of INR 1.88 Crores from sale of Derivatives. While filing the ROI, the Assessee claimed the said income as exempt in India under Article 13(4) of the India-Mauritius DTAA. As per Article 13(4), the gains from the alienation of any property other than those referred to in Paragraphs 1, 2, 3 and 3A are taxable only in Mauritius.

During the scrutiny assessment, the AO held that since the Assessee failed the Principle Purpose Test, it is not entitled for the treaty benefits. Accordingly, the AO made additions with respect to the income from Derivatives while passing the draft assessment order.

Pursuant to the same, the Assessee filed an objection before the DRP which held that the Assessee is entitled for the treaty benefits. However, the DRP held that since Derivatives and shares are closely related, the income is to be taxed in India as per Article 13(3A) of India-Mauritius DTAA. Accordingly, the AO passed the final assessment order based on the directions of the DRP.

Aggrieved, the Assessee filed an appeal before the Hon'ble Mumbai ITAT. The Hon'ble ITAT relying on the decision of the co-ordinate bench in case of **Vanguard Emerging Markets Stock Index Funds**¹², held that the Derivatives are assets distinct from shares and the gain from the alienation of Derivatives would fall within the purview of Article 13(4) of the India-Mauritius DTAA and cannot be considered under Article 13(3A).

The Hon'ble ITAT also observed that in Assessee's own case for AY 2023-24, the tax authorities raised query on identical issue and after considering Assessee's reply did not make any addition by denying the applicability of Article 13(4) of the DTAA. In view of the above, the Hon'ble ITAT held that the gain arising from the transfer of Derivatives cannot be taxed in India and deleted the additions made by the AO.

3 Sigma Global Fund [TS-928-ITAT-2025(MUM)]



¹⁰ *Engineering Analysis Centre of Excellence (P) Ltd v. Commissioner of Income Tax [TS-106-SC-2021]*

¹¹ *Commissioner of Income Tax, Central Circle v. De Beers India Minerals (P.) Ltd. [TS-312-HC-2012(KAR)]*

¹² *Vanguard Emerging Markets Stock Index Funds vs. ACIT (IT) [TS-231-ITAT-2025(Mum)]*

II. TRANSFER PRICING

1. For benchmarking interest rate on External Commercial Borrowings, interest rate prescribed by the RBI should be considered.

Gleason Works (India) Pvt. Ltd ('the Assessee') is a company engaged in manufacture and sale of gear cutting tools and servicing of Gelson Gear Processing Machines. The Assessee made payment of interest on ECB loans to its AE in the AY 2021-22. During the scrutiny proceedings, the TPO made an adjustment in respect of the interest paid on the ECB availed from AE. The TPO without performing FAR analysis selected 97 comparables which were not similar with the business of the Assessee and calculated the interest rate of 3% to be at Arm's Length. Accordingly, the AO passed the draft assessment order considering the additions proposed by the TPO. Aggrieved, the Assessee filed its objections before the Hon'ble DRP which subsequently rejected the objections raised by the Assessee and affirmed the adjustments made by TPO.

On further appeal before the Hon'ble Bangalore ITAT, the Hon'ble ITAT held that since neither the TPO nor DRP has performed FAR test at the time of selecting the comparables, the matter needs to be examined afresh after applying the FAR test. Further, the Assessee contended that rate of interest as prescribed by RBI shall be made applicable for benchmarking the rate of interest paid to its AE. The Hon'ble ITAT relying on the decision of the Hon'ble Jurisdictional HC¹³ held that the rates prescribed by RBI is the relevant factor for determining the rate of interest applicable to the commercial borrowings. Accordingly, the Hon'ble ITAT allowed the appeal in favour of the Assessee for statistical purpose by directing the AO to examine the case afresh in the light of its observations.

Gleason Works (India) Pvt. Ltd [TS-398-ITAT-2025(Bang)-TP]

2. When the availing of services from AE and its corresponding benefit is substantiated with documentary evidence, the TPO cannot calculate the Arm's Length Price to be NIL by applying rendition test and benefit test. No TP adjustment on ad-hoc basis (i.e., without adopting any method prescribed under Section 92C(1) of the Act) can be made.

ISS Facility Services India (P.) Ltd ('the Assessee') is engaged in rendering cleaning, catering, guest house management, office support, pest control and technical services. During the AY 2014-15, the Assessee entered

into international transactions pertaining to the payment of Management Service Fees of INR 2.45 Crores and Global Client Management Fees amounting to INR 9.12 Crores to its AE. The Assessee benchmarked both the transactions using foreign AE as the tested party and selecting TNMM as the MAM. The Assessee selected the foreign comparable operating in the European Region providing similar Management Services and concluded the transactions to be at Arms' Length as the net cost plus margin of the tested party was within the Arm's Length range of net cost-plus margin of the comparable companies. During the assessment proceedings for the AY 2014-15, the TPO made an adjustment in respect to the international transaction on the ground that the Assessee has failed to provide acceptable documentary evidence to prove the benefit received by it from the services availed from AE. However, the Assessee submitted various e-mail correspondence with presentations, manuals and brochures shared by the AE on several areas, including management programme, e-learning for the new ISS Code of Conduct and other operational issues, advice on legal contracts, detailed slide decks on best practices for Global Communicators and guidelines on several areas, such as sponsorship, ISS acquisition manual, etc.

The TPO alleged that the documents furnished by the Assessee do not prove the actual receipt of services from AE and its corresponding benefits and further held that the services availed from AE were only in the nature of shareholder services. Further, the TPO contended that the documents/information submitted by the Assessee were general correspondence



¹³ CIT Vs. GE Technology reported in [TS-6011-HC-2020(Karnataka)-O]

between the Assessee and the AE. Accordingly, the TPO computed the ALP of the Management Service fees as NIL by applying rendition test & benefit test. Also, the TPO rejected 50% of the amount paid by the Assessee towards Global Client Management Fees on ad-hoc basis based on the documents submitted by the Assessee.

Aggrieved, the Assessee filed an appeal before the CIT(A) who deleted the addition made by the TPO by relying on the decisions of the Hon'ble Mumbai ITAT in the Assessee's own case for the previous years.

On further appeal before the Hon'ble Mumbai ITAT, the Hon'ble ITAT observed that the TPO have accepted similar international transaction pertaining to payment of Management Service Fees without any addition in the subsequent AYs. Further, the Hon'ble ITAT held that since the availing of services from the AE and its benefit has been duly substantiated with documentary evidence by the Assessee, no addition is required in the transaction of management fees. The Hon'ble ITAT noted that TPO had not adopted any of the methods prescribed under Section 92C(1) of the Act for benchmarking international transaction of payment of Global Client Management Fees by the Assessee. On the contrary, the TPO made an ad-hoc adjustment of 50%. Also, in respect of transaction of the Global Client Management Fees, the Hon'ble ITAT relying on the decisions of the co-ordinate bench in Assessee's own case for earlier AYs, deleted the said adjustment.

ISS Facility Services India (P.) Ltd [TS-341-ITAT-2025(Mum)-TP]



III. IMPORTANT CIRCULARS AND NOTIFICATIONS

1. **CBDT¹⁴ notifies the Cost of Inflation Index (CII) for the FY 2025-26**

The CBDT notifies the Cost Inflation Index (CII) for the FY 2025–26 (AY 2026–27) under section 48 of the Act. As per this notification, the CII for FY 2025–26 is fixed at 376. The Cost Inflation Index is used to calculate the inflation-adjusted cost of acquisition for the purpose of computing long-term capital gains on the sale of capital assets.

2. **CBDT¹⁵ notifies the Indian Renewable Energy Development Agency (IREDA) to be consider as long term specified asset under Section 54EC of the Act.**

The Central Government, under clause (ba) of the Explanation to section 54EC of the Act, has notified that bonds issued by the **Indian Renewable Energy Development Agency (IREDA)** - a government-owned NBFC-will be considered 'long-term specified assets' under this section. These bonds must be issued on or after the date of this notification and be redeemable after five years.

¹⁴ Notification No. 70/2025/F.No.370142/24/2025-TPL

¹⁵ Notification No. 73/2025/F. No. 225/192/2023

IV. REGULATORY UPDATES

1. India Economic Outlook: July 2025 Newsletter

A Snapshot of Progress and Potential

The Indian economy is entering a '**Goldilocks**' phase of moderate growth and subdued inflation, driven by strong domestic performance and strategic global engagements.

Domestic Market Dynamics: A Promising Landscape

- **Net leasing in office real estate is projected to hit an all-time high by FY26**, signalling confidence in corporate expansion. (Crisil report)
- India is one of the **fastest-growing luxury watch markets**, reflecting rising disposable incomes (H. Moser & Cie. CEO; IBEF report)
- The Cabinet approved a **Rs 24,000 crore Agri plan and Rs 27,000 crore for renewables**, showcasing a dual focus on strengthening agriculture and accelerating green energy transition. (GOI - Press Information Bureau)

Electronics Push: Centre Receives ₹8,000 Crore Proposals for Components Scheme

The Indian government has received investment proposals totaling **₹7,500–8,000 crore** from nearly 100 Indian and international companies, under the newly launched **Electronics Components Manufacturing Scheme (ECMS)**. This is a major step to boost India's capacity in electronics manufacturing, reduce import dependence, and create high-value jobs.

Key Details of the ECMS

Scheme Launch: Announced in April 2025.

Total Outlay: ₹22,919 crore over six years, starting FY25.

Application Window: Opened May 1, 2025, for a three-month period.

Scope: Covers a wide range of components including:

- Display and camera modules
- Printed Circuit Boards (PCBs)
- Non-surface mount (non-SMD) devices
- Lithium-ion cells for digital applications
- Essential components: resistors, capacitors, inductors, transformers, fuses, potentiometers, thermistors, connectors

Incentive Structure

- **Capital Expenditure Reimbursement**

- **Direct Job Creation** (number of new jobs created in manufacturing units)

- **Turnover-based Rewards**

Unlike previous schemes that focused solely on incremental sales, the ECMS is broader, integrating scale, capex, and job creation as metrics for incentives

Approval Process

- **Applications Received:** Around 100 from both domestic and global firms.
- **Vetting Process: Ongoing;** approvals expected to begin in batches from late August or early September 2025.
- **Project Management:** A dedicated agency will be appointed to monitor implementation and ensure timely rollout of approved projects

Note

- The scheme is designed to support both greenfield and brownfield projects.
- Comprehensive list of all applicants has **not been disclosed** by the Government as of July 2025.

a) **Tata Electronics**, b) **Dixon Technologies**, c) **Foxconn**. These three companies are consistently cited across multiple sources as prominent applicants or participants in the ECMS.

The strong inflow of proposals signals deepening confidence in India's electronics policy ecosystem, with the ECMS scheme set to play a pivotal role in the nation's ambitions to become an electronics manufacturing leader.



Sector Focus - Fertilizers: Navigating Global Supply Risks

The EU's new sanctions on Russian fertilizer imports raise global supply risks and could drive up prices. As a key importer, **India may face higher costs**, impacting companies like Chambal Fertilizers and Coromandel (and others including SME entities), while non-Russian exporters like Canada and Morocco could benefit. This highlights India's need to diversify import sources and boost domestic production for food security.

Global Trade Position Update: Navigating Complexities

India's external trade shows mixed but strengthening signs:

- a) **Trade deficit narrowed to \$18.78 billion in June**, indicating improved export performance.
- b) Gold imports in June fell to a two-year low as record prices deterred demand, conserving foreign exchange.
- c) Gems and jewellery exports declined 14.25% in June due to global uncertainties.
- d) **Russia plans to import 1 million skilled workers from India**, boosting remittances and employment for Indian professionals.
- e) **India's new copper import rules could trigger a supply crunch**, warning of potential impacts on industries.
- f) **India-UK FTA Signed, Boosting Bilateral Trade Goals On a more positive note for trade, India and the UK formally signed the Comprehensive Economic and Trade Agreement (CETA) on July 24, 2025.** This landmark Free Trade Agreement (FTA) aims to eliminate tariffs on key Indian exports, including leather goods, footwear, and apparel, while reducing import duties on major UK products like whisky and automobiles. Both countries have ambitious targets to significantly boost bilateral trade, aiming to double it to US\$120 billion by 2030. This agreement is anticipated to open new avenues for economic growth and collaboration.
- g) **US Tariffs Imposed Amidst Geopolitical Tensions In a significant development, US President Donald Trump announced on July 30, 2025, a 25% tariff on Indian imports, effective August 1.** This move comes alongside an additional, unspecified penalty, reportedly linked to India's ongoing acquisition of Russian military equipment and oil. The tariffs are expected to impact a wide range of Indian goods entering the US market, potentially



reshaping trade dynamics between the two nations.

Regulatory Alignment: Sebi's Move for Uniformity

Sebi proposes to unify the valuation process for gold and silver ETFs, aiming to enhance transparency, investor confidence, and market efficiency.

Milestones in the field of Space & Technology (India and Global)

- **India - Astronaut Shukla completed a historic 18-day mission aboard the International Space Station (ISS)**, becoming the first Indian to visit and the second Indian to travel to space. This achievement highlights India's technological prowess and commitment to scientific advancement, inspiring future innovation and potentially boosting the economy through R&D.
- **India-US Collaborate on Groundbreaking Space Mission** In a testament to international scientific cooperation, **July 30, 2025, marked the successful launch of the Nasa-Isro Synthetic Aperture Radar (NISAR) mission.** This first-of-its-kind joint venture saw a GSLV rocket precisely place the earth observation satellite, NISAR, into orbit. Unlike traditional optical sensors, NISAR utilizes synthetic aperture radar (SAR) technology, employing microwaves to "see" through clouds and operate effectively day or night.
- **Leap in internet speed:** Japan achieved a groundbreaking 1.02 petabits per second internet speed using existing fiber optics. While not yet consumer-ready, this leap in data transmission will revolutionize global data sharing, cloud computing,

and AI, underscoring the rapid pace of global tech India must adapt to.

Key State Updates:

1. **Assam is set to become India's first state to produce and profit from crude oil**, a significant step towards energy self-reliance and regional economic empowerment.
2. **Tamil Nadu - Grama Bank** has entered into partnership with **Ashok Leyland** to ease commercial vehicle financing in **rural Tamil Nadu**, aiming to boost LCV sales, rural logistics, and financial inclusion.
3. **Karnataka** became the **first state to cap movie ticket prices at Rs. 200**, including entertainment tax, potentially boosting domestic consumption.

Overall Outlook: The 'Goldilocks' Scenario

With retail inflation at 2.1% in June 2025 (prompting potential RBI rate cuts) and GDP growth steady at 6.5%, India is in a **'Goldilocks' phase**. Strong domestic demand, strategic government investments, growing technological prowess, and proactive engagement in global trade, despite looming uncertainties from US tariff policies, position India for sustained robust economic performance.

2. SEBI informal guidance dated 19.06.2025 on acquisition of shares

Pritish Nandy Communications Ltd (PNCL) made a request to SEBI for informal guidance under the Securities and Exchange Board of India (Informal Guidance) Scheme 2003.

The promoter group of PNCL acquired 6,23,950 (4.312 %) equity shares of PNCL on March 28, 2025. The payments were made before the execution date itself. However, as there were trading holidays from March 29, 2025 to March 31, 2025, the shares acquired were credited to the demat account of Acquirer on April 02, 2025. Now, as per SEBI Provisions, a person who holds more than 25 % of shares or voting powers in a company, cannot acquire more than 5 % shares or voting power of company in a financial year without making a public announcement of open offer.

Thus, guidance was sought by PNCL on whether acquisition of shares is to be considered in the year when contracted or the year in which the delivery is completed. In the request made, PNCL stated that if the date of acquisition is considered date of trading rather than on the date of credit, it would give a buffer and enable the promoter group to further acquire up to 5% shares during FY 2025-26.

In response to this, SEBI with the relevant regulations stated that it is not the completion of acquisition of shares or voting rights but the intention of such acquisition which is the relevant factor. Therefore, the acquisition of shares for this purpose may be considered in the financial year wherein the purchase order was placed for the execution of trades to acquire the shares.

SEBI/HO/CFD/PoD-1/OW/P/2025?16482/1 (June 19,2025)

3. Regulatory action(s) against certain Fund Management Entities for non-compliance with IFSCA (Fund Management) Regulation, 2025

In a recent move to tighten regulatory oversight, the International Financial Services Centres Authority (IFSCA) has conducted a series of surprise inspections on Fund Management Entities (FMEs) operating in GIFT IFSC.

These visits were aimed at checking whether Key Management Personnel (KMPs), including the Principal Officer, are genuinely based out of IFSC, as required under the Fund Management Regulations, 2025 and whether there is necessary infrastructure in place for the functioning of the FMEs.

During these inspections, IFSCA found that several FMEs had their offices either closed or unattended during regular working hours, and in many cases, the designated KMPs were consistently absent. Such repeated instances of non-compliance violate key provisions under Regulation 7(5), which mandates that KMPs must operate from IFSC, and Regulation 10(1), which requires FMEs to maintain adequate infrastructure—such as office space, systems, and staff—aligned with their scale of operations.

In light of these ongoing lapses, IFSCA has initiated regulatory action against **9 FMEs**. This development serves as a firm reminder that registration alone is not enough; FMEs must demonstrate real, on-ground presence and operational readiness to remain in good standing with the regulator.

Press Release dated July 18, 2025

4. NSDL Policy Update: Processing of off-market transfer instructions in shares of Private Limited Companies

Earlier during transfer of shares of private limited company, the demat account holders were required to submit Delivery Instruction Slip (DIS) to the Depository Participant (DP) for initiation of the off-market transfer of shares.

In this process, the intimation was directly made by the shareholder to the DP's. Therefore, no confirmation was required from Private Limited companies under the current practice.

Now, along with the DIS, the accountholders must also submit a confirmation letter from the Private Limited Company whose shares are being transferred.

This letter must confirm:

- The transfer complies with the Companies Act, 2013.
- All necessary internal approvals for the transfer have been obtained from the company.

The format for this confirmation is provided in the circular and must be on the company's letterhead signed by an authorized signatory such as Company Secretary or Managing Director.

This procedural update has not added a limb of confirmation from the Private Limited Company on the transfer of the shares, resulting in strict regulatory compliance and adherence to the provisions of the Companies Act, 2013.

Circular No. NSDL/POLICY/2025/0071 | Date: June 3, 2025



5. Amendment to the 'Directions to IBUs for operations of the Foreign Currency Accounts (FCA) of Indian resident individuals opened under the Liberalised Remittance Scheme (LRS)

On June 23, 2025, the International Financial Services Centres Authority (IFSCA) issued an amendment to its earlier directions¹⁶ concerning the operation of FCAs maintained by Resident Individuals (RIs) in GIFT City under the LRS.

The earlier guidelines directed the IBU's to obtain a

declaration from RI, confirming that the amount being spent from the FCA for availing financial services or financial product in IFSC/ availing services in any other foreign jurisdiction is for the purpose declared while remitting the money to the FCA under LRS.

Now, the IFSCA has amended the earlier direction and have directed the IBU's to obtain declaration from RI, confirming that the amount being spent from the FCA for availing financial services or financial product in IFSC/ availing services in any other foreign jurisdiction is for the purpose declared while remitting the money to the FCA under LRS or for a purpose permitted under LRS.

This amendment brings more clarity to the RI who is transferring amount to the FCA under LRS, that if the purpose for which the amount was remitted, if not spent, the same can be utilized for any other purpose which is permitted under LRS.

F. No. IFSCA-FMPP0BR/1/2021-Banking-Part(1)/3 (June 23, 2025)

6. Ease of Incorporation for Companies in IFSC

In response to IFSCA's request, the Ministry of Corporate Affairs (MCA) has issued recommendations for streamlining the incorporation process for IFSC companies vide Officer Memorandum dated 24th June 2025. The highlights of the Officer Memorandum are as under:

- **Faster Processing:** MCA has prioritized IFSC-related incorporation filings after IFSCA's request. This means quicker approvals for companies setting up in IFSC.
- **Industrial Code No Longer a Hurdle:** Companies applying under industrial codes 65, 66, or 67 (linked to financial services) will not face unnecessary objections from the Central Registration Centre (CRC).
- **Name Similarity:** Subsidiaries using "IFSC" in their name can proceed with incorporation by submitting a NOC from the parent company.
- **More Time to Confirm Office Address:** IFSC companies now have 60 days (instead of 30) to file INC-22 and verify their registered office. Plus, provisional allotment letters or NOCs from co-developers will be accepted instead of rent receipts.
- **Photo Requirement:** Registered office photo is still required for INC-20A (within 180 days)
- **PIN Code Glitch Fixed:** Technical issues in INC-22 related to IFSC PIN codes have been resolved.

MCA Office Memorandum dated June 24, 2025

¹⁶ F. No. IFSCA-FMPP0BR/1/2021-Banking-Part (1)/3 (December 13, 2024)

7. IFSCA Authority meeting outcome

The IFSCA Authority meeting was held on June 24, 2025. The gist of the approval

made by the Authority are as under: -

1. Transition Bonds Framework Approved

IFSCA has approved issuance of circular towards to govern issue and listing of Transition Bonds under the IFSCA (Listing) Regulations, 2024. Key highlights include a credible transition plan at entity level, alignment with globally recognized taxonomies, mechanism for independent external reviews, and strong disclosure requirements.

2. Third-Party Fund Management Now Allowed

In a major boost to the GIFT fund ecosystem, FMEs can now launch schemes for third-party fund managers (local or global) without them setting up base in IFSC.

This “platform model” includes strong safeguards-like mandatory FME authorization, a \$500K additional net worth requirement, dedicated Principal Officers, and a \$50M cap per scheme.

3. Unified TechFin & Ancillary Services Framework Launched

IFSCA has approved the IFSCA (TechFin and Ancillary Services) Regulation 2025, marking a pivotal step in establishing unified regulatory framework. The regulation governs TechFin and Ancillary Services in IFSC—covering areas like fund admin, audit, cybersecurity, AI, and RegTech. It streamlines registration via the Single Window IT System (SWIT) and allows foreign entities (not from FATF high-risk countries) to set up in IFSC. This move is set to make GIFT City a global financial services hub.

4. Revamp of Regulation-Making Process

To make regulations more transparent and inclusive,



IFSCA has updated its framework to include public consultation for both regulations and circulars.

5. IFSCA Joins IOPS as Governing Member

IFSCA has been inducted as a Governing Member of the International Organisation of Pension Supervisors (IOPS) vide its meeting held on February 17, 2025.

IFSCA Authority meeting held on June 24, 2025

8. SEBI grants special window of 6 months for re-lodgement of transfer requests of physical shares initiated prior to 01 April 2019 but rejected/returned due to deficiency in the documents

The physical transfer of securities was discontinued by SEBI from 01 April 2019. However, in certain cases the physical transfer requests were lodged prior to 01 April 2019 but were rejected/ denied on account of deficiency of documents. In such cases, additional window up till 31 March 2021 was allowed wherein investors were allowed to re-lodge transfer requests that were denied or returned prior to that date.

Representations were made by Registrar & Share Transfer Agents (“RTAs”)/ listed companies to SEBI stating that some of the investors have failed to meet the deadline of 31 March 2021. A group of experts, comprising listed companies, RTAs, and legal professionals, suggested offering an additional time for such re-lodgement.

As a result, SEBI has designated a six-month special window, from 07 July 2025, to 06 January 2026, for re-lodging transfer requests of physical shares that were initially submitted prior to 01 April 2019 but were denied, returned, or left unattended on account of deficiency of documents.

Important instructions comprise:

- To ensure proper due process, the securities that are re-lodged for transfer shall be issued only in demat mode.
- Listed companies/RTAs/stock exchanges are instructed to use social media and print media to promote the special window.
- To deal with such requests, RTAs and listed companies need to establish focused teams.
- Listed companies/RTAs are required to submit monthly reports in a specific format that includes the average processing time as well as the number of requests received, processed, approved, and rejected.

SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/97 (July 02, 2025)

9. IFSCA Guidance for procedure pertaining to changes requiring prior approval/intimation to Authority

The International Financial Services Centres Authority (“IFSCA”) has issued a circular to rationalize the procedure of filing different regulatory requests by Finance Companies/Units (“FCs”/ “FUs”) functioning in GIFT City, in accordance with the IFSCA (Finance Company) Regulations, 2021. The circular is intended to provide uniformity, regulatory clarity, and convenience in doing business.

Scope and Applicability

The circular outlines the specific request types that are subject to prior approval or intimation to the IFSCA, such as:

- Change in management/control
- Change of name
- Broad-banding of activities
- Voluntary surrender of registration
- Request for waiver/exemption from regulations

All requests have to be made to the concerned division within IFSCA depending on the nature of the change (e.g., Banking Supervision, Banking Regulation).

Types of Requests and corresponding documentation:

Change in Management/Control of Regulated Entities (REs)

Prior approval is required for a transaction

(merger/acquisitions/takeovers/etc) is required, if the transaction results into change in more than 20% shareholding. Detailed documentation is mandated such as formal request letter, shareholding structure, UBOs, finances, and funds source.

Change of Name

Intimation to the authority is required along with board resolution, new Certificate of Incorporation, and payment receipt.

Broad-Banding of Activities

Where new activities are within FC Regulation, business plans, financial projections, and KMP expertise are to be filed. If activities are outside FC Regulations (e.g., capital markets), a two-step process of a No Objection Certificate (NoC) followed by follow-up documentation is applicable.

Voluntary Surrender of Registration

A formal application in the approved format needs to be made, addressing operational status, compliance, stakeholders' notification, clients' protection, and legal requirements.

Pre-facto Waiver/Exemption

Organizations can seek relaxation from certain provisions under FC Regulations, Aircraft/Ship Leasing structures, personnel standards, or relevant guidelines.

efile No. IFSCA-FCR0FCR/5/2025-Banking/01 July 1, 2025



V. GOODS AND SERVICE TAX

1. *Services provided to Foreign Entity by an Indian Subsidiary qualifies as Export of Service: Bombay HC*

The Assessee was engaged in providing design and engineering services, office support services, etc., to its group entities located outside India. The Assessee filed refund claims of unutilized ITC for the period Q2 and Q3 of FY 2021-22.

The refund claims of the Assessee were rejected by the adjudicating authority, which was upheld by the appellate authority on the grounds that the services received by the foreign group companies qualifies as an agency or mere establishment of a distinct person. Thus, the service provided to the group entity does not qualify as an export of service as per clause (v) of Section 2(6) of the IGST Act and accordingly, and refund of unutilized ITC cannot be claimed.

The order was challenged before the Bombay HC with the question:

Whether the Assessee and its foreign group company qualify as “establishments of a distinct person” under Explanation 1 to Section 8, thereby rendering the services ineligible to be treated as exports and consequently disqualifying them from claiming a refund of ITC?

HC Ruling:

The Bombay HC examined the agreement entered between the Assessee and the foreign group company and observed that the services provided by the Assessee is using its own infrastructure and resources. The agreement also mentions the consideration as cost-plus mark-up and audit provisions which are standard commercial arrangements. The HC observed that the arrangement between the parties fails the statutory test of an agent under Section 2(5) of CGST Act, which requires the supplier to act “on behalf of another”. Further, it was observed that the condition (v) of Section 2(6) of the IGST Act is not violated in the present case since entities are separately incorporated and transacting on principal-to-principal basis. The denial of refund eligibility premised on “establishments of distinct persons” through agency stands quashed.

The Court held that the services of the Assessee qualify as “export of service” under Section 2(6) of the IGST Act, and directed to process the refund along with statutory interest within four weeks.

Sundyne Pumps and Compressors India Pvt Ltd vs Union of India and Others [TS-530-HC(BOM)-2025-GST]

2. *Periods already audited by State GST Authorities cannot be investigated by DGGI*

The Assessee was audited under Section 65 of the CGST Act, for the period starting from FY 2019-20 to 2021-22, which resulted in issuance of a SCN dated 29 November 2024 by the State GST Authorities. The State GST Authorities also initiated a search and seizure proceeding as per Section 67 of the CGST Act, for the period starting from FY 2022-23 to 2024-25, vide panchanama dated 22 August 2024. Subsequently, the DGGI initiated an investigation vide notices dated 21/22 November 2024 and 30 May 2025.

The Assessee filed a writ petition before the Calcutta High Court, challenging the DGGI investigation on the ground that the parallel proceedings for the same period by DGGI and state GST Authorities cannot be initiated.

The question raised before the Calcutta High Court:

Whether an audit or search has been initiated by the State GST authorities under Section 65 and 67 of the CGST Act, can the DGGI initiated an investigation for the same tax period?

HC Ruling:

The Calcutta High Court noted that while parallel proceedings are not inherently barred, such simultaneous proceedings for the same period already under scrutiny by the State Authorities, is inapt.

It was observed by the Court that the DGGI may restrict its enquiry to periods not already covered by the State proceedings. All subsequent actions by the DGGI will depend on the outcome of this writ petition. Since the matter has not been conclusively decided, the High Court directed the GST Authorities, to file affidavits, granting liberty to list the matter for final hearing thereafter.

Truvolt Engineering Company Private Limited vs. Additional Assistant Director DGGI [TS(DB)-GST-HC(CAL)-2025-1972]

3. *ITC eligibility is subject to Supplier depositing the tax to the Government*

The Assessee claimed ITC during the FY 2017-18, for purchases from a supplier who was a registered dealer at the time of the transaction. During the time, the goods were transferred using the Assessee’ vehicle and the payment for the goods was made via RTGS. The Assessee received a SCN proposing recovery of ITC on the ground that the supplier had not deposited the

tax to the Government. The demand was confirmed by the Adjudicating Authority and the Appellate Authority. The order of the Appellate Authority was challenged before the Allahabad HC.

The question raised before the Allahabad High Court:

Whether ITC availed by the Assessee was eligible in absence of payment of tax by the supplier to the Government?

HC Ruling:

While upholding the order of the tax authorities, the High Court observed that the eligibility and availment of ITC is subject to deposit of tax by the supplier which is clearly stated under Section 16(2)(C) of the CGST Act.

Further, the HC observed that the provision stated that, subject to Sections 41 or 43A of the CGST Act, the tax charged in respect of the supply must have been actually paid to the Government. It was also observed that Section 41 of the CGST Act (prior to amendment), dealt with the provisional acceptance of ITC, while Section 43A outlined the procedure for furnishing returns and availing ITC. Thus, in view of the provisions that existed during the relevant period, the Assessee could not claim ITC of the tax paid.

Trendships Online Services Private Limited Vs Commissioner Commercial Taxes U.P. at Lucknow and Another [TS-529-HC(ALL)-2025-GST]



VI. COMPLIANCE CALENDAR FOR AUGUST 2025

A. Income tax

Sr. No.	Due Dates	Concerned (reporting) Period	Compliance Detail	Applicable to
01	7th August	July 2025	TDS / TCS Payment	Non-Government Deductors
02	14th August	June 2025	Issue of TDS Certificate for TDS deducted under section 194-IA, 194-IB, 194M and 194N in Form 16B, 16C, 16D and 16E respectively	Assessee who deducted TDS under this Section
03	15th August	July 2025	Provident Fund (PF) and Employee State Insurance Corporation (ESIC) Returns and Payment	All deductors
04	30th August	July 2025	TDS Payment in Form 26QB (Property), Form 26QC (Rent), Form 26QD (Contractor Payment)	Non-Government deductors

B. Goods and Service Tax

Sr. No.	Due Dates	Concerned (reporting) Period	Compliance Detail	Applicable to
01	10th August	July 25	GSTR – 7 (TDS)	Person required to deduct TDS under GST
02	10th August	July 25	GSTR – 8 (TCS)	Person required to collect TCS under GST
03	11th August	July 25	GSTR 1	a) Taxable persons having annual turnover > Rs. 5 crore in FY 2024-25 b) Taxable persons having annual turnover ≤ Rs. 5 crore in FY 2024-25 and not opted for Quarterly Return Monthly Payment (QRMP) Scheme
04	13th August	July 25	GSTR – 1 (IFF)- QRMP	Aggregate Turnover is up to Rs. 5 crores
05	13th August	July 25	GSTR – 6 (ISD)	Person registered as ISD
06	20th August	July 25	GSTR – 3B	a) Taxable persons having annual turnover > Rs. 5 crore in FY 2024-25 b) Taxable persons having annual turnover ≤ Rs. 5 crore in FY 2024-25 and not opted for QRMP scheme
07	20th August	July 25	JGSTR - 5 (NRTP)	Non-resident taxable person (NRTP)
08	20th August	July 25	GSTR - 5A (OIDAR)	OIDAR services provider
09	25th August	July 25	PMT-06 - QRMP scheme- Monthly payment	Aggregate Turnover is up to Rs. 5 crores

C. FEMA Compliance

Sr. No.	Due Dates	Particulars	Applicable to
01	7th August	ECB 2 Return (External Commercial Borrowing)	All Indian Borrowers who have non-resident lenders
02	30th August	Form DIR-3 KYC to be completed for Directors before 30th September,2024	All the Directors



GLOSSARY

ABBREVIATION	FULL FORM
Act	Income-tax Act, 1961
AE	Associated Enterprise
ALP	Arm's Length Price
AO	Assessing Officer
AY	Assessment Year
CBDT	Central Board of Direct Taxes
CIRP	Corporate Insolvency Resolution Process
CIT	Commissioner of Income-tax
CIT(Appeals) / CIT(A)	Commissioner of Income-tax (Appeals)
CIT(E)	Commissioner of Income-tax (Exemption)
CPC	Centralized Processing Centre
CRS	Computer Reservation System
CSR	Corporate Social Responsibility
CII	Cost Inflation Index
CUP	Comparable Uncontrolled Price
DRP	Dispute Resolution Panel
DTAA	Double Taxation Avoidance Agreement
ECB	External Commercial Borrowings
EVs	Electric Vehicles
FAR	Functions performed, Assets employed, and Risks assumed
FMV	Fair Market Value
FTS	Fees for Technical Services
FY	Financial Year
GST	Goods & Service Tax
HC	High Court
Hon'ble	Honorable
ITAT	Income Tax Appellate Tribunal
IBC	Insolvency and Bankruptcy Code
LTCG	Long Term Capital Gains
MAM	Most Appropriate Method
MOU	Memorandum of Understanding
NCLT	National Company Law Tribunal
NBFC	Non-Banking Financial Companies
OECD	Organization for Economic Co-operation and Development
PCIT	Principal Commissioner of Income Tax
PE	Permanent Establishment

GLOSSARY

ABBREVIATION	FULL FORM
Rules	Income-tax Rules, 1962
RBI	Reserve Bank of India
ROI	Return of Income
SC	Supreme Court
SDV	Stamp Duty Value
SRA	Slum Rehabilitation Authority
TDS	Tax Deducted at Source
TP	Transfer Pricing
TNMM	Transactional Net Margin Method
TPO	Transfer Pricing Officer



About us

Bhuta Shah & Co LLP (BSC) is a dynamic professional Chartered Accountants firm with a distinctive blend of skill sets, experience and expertise. Established in the year 1986, we operate from our Head Office in Nariman Point, Mumbai while having 6 offices across India in Mumbai, Pune, Ahmedabad and New Delhi.

We offer our clients a wide range of services including Audit & Assurance, Direct Taxation, Indirect Taxation, Transaction Advisory, Corporate Finance, Corporate Advisory, Risk Advisory, Cyber Security and Resolution & Insolvency Advisory.

We provide services to a diverse set of leading Indian and Multinational Clients, including FPIs, Mutual Funds, Large Banks, Broking Institutions, Listed Companies including Pharmaceutical Companies, Manufacturing Companies, Insurance Companies, Realty Companies, Jewellery Companies, Hospitals and several other Large and Medium Businesses.

Our forte is high quality services to our clients based on the core principles of Quality, Focus, Timeliness and Commitment.

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Our Locations

Mumbai

Head Office

302-303, Regent Chambers, Nariman Point, Mumbai – 400 021.

Suburban

3rd Floor, Solitaire Corporate Park no. IV, Andheri Kurla Road, Chakala, Andheri East, Mumbai – 400 093.

New Delhi

E-6, First floor, Connaught Place, New Delhi – 110 001.

Ahmedabad

813, Shree Balaji Heights, Besides IDBI Bank, C G Road, Ahmedabad – 380 006.

Pune

501-502, Building # B3, Pride Kumar Senate II, CTS # 970, Senapati Bapat Road, Shivajinagar, Pune- 411 016.

Jaipur

309-B, Windsor Plaza, Sansar Chandra Road, Jaipur, Rajasthan – 302 001.

Bengaluru

151, 5th Floor, Moksha Mansion 1st Cross, Sarjapur, Sarjapur - Marathahalli Road, 1st Block Koramangala, Bengaluru, Karnataka – 560 034.

Hyderabad

VVC Konark, 2nd Floor, Plot, 5, Hitech City Road, Jubilee Enclave, Madhapur, Hyderabad, Telangana – 500 081.

Tel: +91 079 4003 9647

L: +91 22 4343 9191

E: mail@bhutashah.com

W: www.bhutashah.com

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