SEPTEMBER 2025

BHUTA SHAH & CO LLP

CHARTERED ACCOUNTANTS

Monthly E-Newsletter

BSC BEACON

TAX & REGULATORY INSIGHTS

WHAT'S INSIDE

I.	**Direct Taxation**	**01**
	A. Corporate Tax	01
	B. International Taxation	**04**
II.	**Transfer Pricing**	**06**
III.	**Important Circulars and Notification**	**07**
IV.	**Regulatory updates**	**08**
V.	**Compliance Calendar for October 2025**	**09**
	Glossary	11

I. DIRECT TAXATION:
A. CORPORATE TAX

1. *Reassessment proceedings under Section 147 of the Act quashed due to lack of fresh tangible material*

During the AY 2014-15, KAG India Pvt. Ltd. ('the Assessee'), [an Indian company engaged in trading of tiles and sanitary wares] received share capital from M/s. Devanayagam Finance Pvt. Ltd. ('DFPL') amounting to INR 22.23 Crore. The Assessee filed its ROI for A.Y. 2014–15 reporting income of INR 1.63 Crore. During the assessment proceedings, the AO questioned the genuineness of transaction with DFPL. The Assessee sought directions from JCIT under Section 144A of the Act to consider the transaction with DFPL as genuine. Based on the materials submitted by the Assessee, the JCIT passed an order stating that identity, creditworthiness and genuineness of the transaction with DFPL is substantiated. Also, no materials were available on record to show the impugned transaction as a sham transaction. Hence, the JCIT directed AO not to treat the said transaction as 'unexplained credit' under Section 68 of the Act. Accordingly, the AO passed an order under Section 143(3) read with Section 144A of the Act accepting the returned income. Subsequently, the AO reopened the assessment by issuing notice under Section 148 of the Act and treated the investment as unexplained credit under Section 68 of the Act. Aggrieved, the Assessee filed a writ petition with the Hon'ble Madras HC. The Hon'ble HC directed to set aside the assessment and to undertake fresh proceedings. However, no fresh order was passed within the stipulated time.

Thereafter, a search under Section 132 of the Act was conducted and assessment was made under Section 143(3) r.w.s. 153A of the Act on 31.03.2022, making an addition of INR 22.23 Crore in respect of above-mentioned transaction with DFPL. The AO treated the share capital received from DFPL as unexplained credit under Section 68 of the Act, alleging that the company lacked financial capacity and the transaction was a sham.

Aggrieved, the Assessee filed an appeal before the CIT(A). The CIT(A) relied on the JCIT's findings under Section 144A of the Act, who had categorically held the transaction to be genuine. It was observed that the AO had not conducted any further investigation and made the addition solely on suspicion. The CIT(A) relied on the decision of the Hon'ble SC in the case of Abhisar Buildwell Pvt. Ltd.[1], wherein it was held that in the absence of incriminating material, no addition can be made in respect of completed assessments. Therefore, the CIT(A) allowed the appeal by deleting the addition of INR 22.23 Crore, on the basis that the assessment was unabated and no incriminating material was found during the search.

Aggrieved, the tax authorities filed an appeal before the Hon'ble Chennai ITAT. The Hon'ble ITAT upheld the CIT(A)'s order and dismissed the Revenue's appeal. It held that reassessment under Section 147 of the Act was invalid as no fresh tangible material was cited, and the reopening was based on the issue already adjudicated under Section 144A of the Act. The Hon'ble ITAT emphasized that the assessment as on the date of search was unabated and hence governed by the judgment of Abhisar Buildwell Pvt. Ltd. (supra). It found no evidence in the seized records to support the AO's claim that the transaction was sham. The Hon'ble ITAT concluded that the addition made under Section 68 of the Act was void-ab-initio and based merely on surmises and suspicion, without any counter to the JCIT's findings.

KAG India Private Limited [TS-1166-ITAT-2025(CHNY)]

[1] *[TS-202-SC-2023]*

2. *Section 10AA Incidental Income; Income deemed part of Business Profits of SEZ units*

Infosys Limited ('the assessee') is an Indian company engaged in the business of development and export of computer software. The Assessee had filed its return of income for AYs 2020-21 and 2021-22 wherein the AO disallowed deduction under Section 10AA on certain incidental incomes such as interest on NCDs, loans to subsidiaries, government securities, debentures, tax refund, government bonds, CST refund, incentives, and miscellaneous incomes etc. The AO noted that the above incomes were allocated to various units under Sections 10A and 10AA, based on respective turnover. However, it was held that classification as business income alone doesn't qualify them for deductions under these sections, as the income must

be directly derived from the eligible activity. Since the incomes were merely attributable, and not derived from software development and export, the AO excluded them from business profits for 10AA deduction.

On further appeal, the Hon'ble CIT(A)/NFAC partly allowed deduction under Section 10AA in respect of interest on GLES deposits, employee loans, sale of scrap, interest on deposits, security deposits, and realized forward contract gains, but disallowed deduction on other incomes including interest on NCDs and loans to subsidiary.

The Hon'ble Bangalore ITAT, relying on the Full Bench ruling of the Karnataka HC in *CIT v. Hewlett Packard Global Soft Ltd* and other precedents (Motorola, Green Agro Pack, Wipro Ltd), held that incidental and ancillary incomes arising from SEZ undertakings cannot be delinked from business profits. It observed that the SEZ units were engaged in software exports and the incomes in dispute arose out of business decisions and commercial expediency of those units. The ITAT held that all incidental activities resulting in incidental incomes in the SEZ units are out of business decisions and in view of commercial expediency, the incidental incomes cannot be delinked from the profits and gains derived by SEZ units from export of computer software and cannot be taxed separately under income from other sources." Hence, such incomes including interest on NCD and interest on loan to subsidiary form part of "profits and gains" of SEZ undertakings and are eligible for deduction under Section 10AA of the Act.

Infosys Limited [TS-1127-ITAT-2025(Bang)]

3. *Private Trusts Entitled to Section 54F of the Act exemption alongside Individuals and HUFs*

Merilina Foundation ('the Assessee') is a private trust established for the benefit of identified beneficiaries, had sold certain immovable properties developed through collaboration and the sale proceeds was invested in the purchase of a residential house and exemption under Section 54F of the Act was claimed. The AO disallowed the claim of the Assessee under Section 54F of the Act on the basis that such exemption is applicable only to individuals and HUF and not to a trust.

On appeal, the CIT(A) held in favour of the assessee, treating the return as valid despite being filed under the PAN of the trustee due to technical limitations in e-filing at the relevant time, and further held that the benefit of Section 54F of the Act could not be denied to the trust.

The Hon'ble ITAT upheld the order of the CIT(A), observing that the assessee had duly discharged its tax obligations and that the returns, though filed under the trustee's PAN, reflected the bonafide intent to comply with statutory requirements and therefore couldn't be treated as invalid. On the substantive issue of Section 54F of the Act eligibility, the Hon'ble ITAT noted that although the section refers expressly to individuals and HUFs, judicial precedents, have consistently held that a trust assessed as a representative assessee under Section 161 is to be subjected to the same rights and liabilities as its beneficiaries. In the present case, since the beneficiaries of the private trust were identifiable individuals, the benefit available to them directly under Section 54F could not be denied when the transaction was carried out through the trust structure. The Hon'ble ITAT distinguished the case of charitable trusts, where beneficiaries are the public at large and which are accordingly treated as AOPs, from the present case of a private trust with specified beneficiaries.

Accordingly, the Hon'ble ITAT dismissed the Revenue's appeal, holding that the assessee trust was entitled to exemption under Section 54F, and dismissed the cross-objection filed by the assessee. A private trust with identified beneficiaries, being assessed in a representative capacity under Section 161, is eligible to claim exemption under Section 54F of the Act

Merilina Foundation [TS-1218-ITAT-2025(DEL)]

4. *Dismissal of appeals instead of adjudication on merits is a "Mistake Apparent from Record" – rectifiable under Section 254(2) of the Act*

For the AY 2012-13, Shashikala Vinaykumar ("the Assessee") had filed her ROI disclosing salary income from M/s. Yojaka India Pvt Ltd and claiming deduction of INR 19 lakhs under the provisions of the Act . The AO initiated reassessment proceedings on the basis that the deduction claimed without specifying appropriate provision of the Act. The AO made disallowance of entire deduction in the assessment order under Section 147 of the Act. Aggrieved, the Assessee filed an appeal before the CIT(A) who dismissed the Appeal. Upon further appeal, the Hon'ble Bangalore ITAT noticed that the Assessee preferred an option of VSV to which tax

authorities also agreed. However, since the Assessee failed to comply with necessary procedural formalities (including submission of withdrawal letter, final form of DTVSV scheme), the Hon'ble ITAT dismissed the appeal of the Assessee without going into the merits. Aggrieved, the Assessee filed a miscellaneous application on the ground that there is a *mistake apparent from the record,* warranting rectification under Section 254(2) of the Act. The Assessee contended that the Hon'ble ITAT had dismissed her appeals solely on the ground that Assessee failed to furnish the requisite Forms 4 and 5 under the DTVSV.

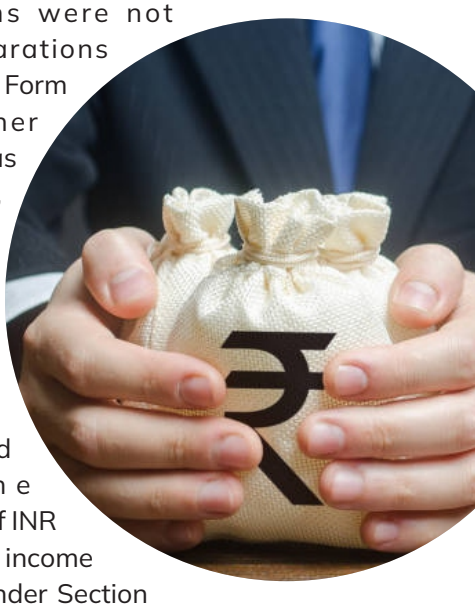
In the miscellaneous application, the Assessee contended that mere failure to conclude settlement under the DTVSV scheme should not have resulted in outright dismissal of the appeal. Instead, once the DTVSV process was unsuccessful, the Hon'ble ITAT was required to adjudicate the appeal on merits.

The Hon'ble ITAT observed that the DTVSV scheme does not contemplate automatic dismissal of appeals upon failure to settle the dispute. On the contrary, the Hon'ble ITAT retains its appellate jurisdiction, and appeals must be decided on merits. Therefore, the coordinate bench, by dismissing the appeals without considering their merits, committed an apparent and manifest error in law. Accordingly, the Hon'ble ITAT held that such dismissal constitutes a "mistake apparent on record" within the meaning of Section 254(2) of the Act, consequently the order was recalled, and the appeal was fixed for hearing on merits.

Shashikala Vinaykumar [TS-1232-ITAT-2025(Bang)]

5. *Addition in respect of inaccurate disclosure of accumulation in return deleted on punching error basis*

Christ Church Byculla (The Assessee), is a public charitable /religious trust. It had accumulated income in earlier years i.e. AY 2012-13 to 2016-17 under Section 11(2) of the Act for major repairs and restoration of its century-old church building and has spent the entire accumulated income by AY 2016-17. However, due to a punching error while filing ITR for AY 2018-19, an amount of INR 5.36 Crore was erroneously shown as accumulation of earlier years and applied the same in AY 2018-19. The erroneous disclosure in Schedule – I led to assessment proceedings. During the assessment proceedings, the Assessee furnished the year-wise accumulation and corresponding application of income as well as computation of income from AY 2012-13 to AY 2016-17. The Assessee also contended that during the AY 2017-18, there was no accumulation at all. Therefore, the question of accumulation and corresponding application does not arise in AY 2018-19. However, the AO disagreed with the submissions and held that Assessee was indulged in manipulative exercise. Its claims were not supported by declarations made in the ITR and Form 10B. The AO further opined that if there has been a punching error, the Assessee should have filed a revised return. Accordingly, the AO rejected the claim of Assessee by relying on Goetze (India) Ltd.[2] and considered the accumulated income of INR 5.36 crore as deemed income for the AY 2018-19 under Section 11(3) of the Act.



Aggrieved, the Assessee filed an appeal before the CIT(A). The CIT(A) observed the submission made by the Assessee during the assessment proceedings and concluded that there was no amount left for spending in AY 2016-17. Therefore, there cannot be any accumulations in the year under consideration. Accordingly, the CIT(A) directed the AO to delete the addition. Aggrieved, the tax authorities filed an appeal before the Hon'ble Mumbai ITAT.

The Hon'ble ITAT concurred with the view of the CIT (A) as the year-wise details of accumulation made and spendings therefrom has been substantiated. Further, the Hon'ble ITAT noted that Assessee was left with no accumulated funds from earlier years to spend in the relevant AY. Also, the Hon'ble ITAT rejected the AO's reliance on Goetze (India) Ltd (supra), stating that such reliance was not applicable since the Assessee was not making a fresh claim but only correcting a factual error. Further, the Assessee had not claimed any deduction based on these funds in the relevant year in either the ITR or during the assessment proceedings. Therefore, the Hon'ble ITAT upheld the order of the CIT(A) and dismissed the appeal of the tax authorities.

Christ Church Byculla [TS-1172-ITAT-2025(Mum)]

6. *Buyback of Own Shares – not considered "Receipt of Property" under Section 56(2)(viia) of the Act*

In the case of Lupin Investments Pvt. Ltd. v. DCIT for AY 2016–17, the company bought back 1,90,097 of its own shares at INR 10 each, totaling INR 19,00,970. The AO, applying Rule 11UA, determined the fair market

[2] *[TS-21-SC-2006-O]*

value of the shares at INR 1,836 per share. On this basis, the AO held that the assessee had acquired shares below fair market value and made an addition of INR 34.71 crore under Section 56(2)(viia) of the Act. The CIT(A) upheld this addition, agreeing with the AO's view that the provisions of Section 56(2)(viia) of the Act were attracted.

The Hon'ble Mumbai ITAT relied on its earlier decision in the case of Vora Financial Services (P.) Ltd. v. ACIT [2018] and held that Section 56(2)(viia) of the Act applies only where the receipt of shares results in such shares becoming property in the hands of the recipient, and this can occur only if the shares are of another company. It also observed that the Assessee had carried out a buyback of its own shares, which were then extinguished through a reduction of capital. Therefore, the conditions of "becoming property" and "shares of any other company" were not satisfied. As a result, the additions made by the tax authorities were deleted by the Hon'ble ITAT.

Lupin Investments Private Limited v. DCIT [TS-924-ITAT-2025(Mum)]

B. INTERNATIONAL TAXATION

1. ***Receipts from supply of End-User Licenses to Indian customers are not taxable as royalty under the India-USA DTAA in absence of transfer of any copyright***

Trans Union LLC ('the Assessee') is a non-resident corporate entity incorporated in and a tax resident of the USA. In the ROI filed for AY 2020-21, the Assessee initially offered receipts from EULA as income. However, during the assessment proceeding, based on the judgment of the Hon'ble SC in the case of Engineering Analysis Centre of Excellence Private Limited[3], the Assessee made a revised claim that the receipts are not taxable as royalty in India in terms of Article 12(3) of the India-USA DTAA.

The Assessee filed detailed submissions as to how supply of licenses were not taxable in India. However, the AO proceeded to treat the receipts as royalty both under Section 9(1)(vi) of the Act as well as under the India-USA DTAA. The AO held that that the judgment in the case of Engineering Analysis Centre of Excellence Private Limited (supra) would not cover the transactions under present case. Further, as the tax authorities has preferred review petition against the aforesaid judgement, the issue has not reached finality. Hence, the receipts must be held taxable in India.

[3] *[TS-106-SC-2021]*

Aggrieved, the Assessee filed an appeal before the CIT(A). The CIT(A) observed that as per EULA, the software licenses supplied by the Assessee to customers in India are nothing but sale of computer software simpliciter. The CIT(A) also noted that under the terms of license agreement, the licensee does not acquire any right, title, interest, copyright, trade secret, patent or other proprietary rights through the licenses. Further, the source code is also not granted to the licensee and remains with the licensor (Assessee). Accordingly, the CIT(A) held that receipts from the EULA are not in the nature of royalty under the India-USA DTAA. The CIT(A) also relied on the judgment of Engineering Analysis Centre of Excellence Private Limited and deleted the addition made by the AO.

Aggrieved, the tax authorities filed an appeal before the Hon'ble Mumbai ITAT. The Hon'ble ITAT noted that the AO has referred to the provisions of India-Singapore DTAA, which is not at all applicable in case of Assessee, which reflects non-application of mind. Further, the Hon'ble ITAT also noted that CIT(A) gave a categorical finding on supply of software license and related services by the Assessee without transferring any copyright. The AO did not bring on record any material to substantiate that while providing the services under the EULA, the Assessee has transferred the copyright to the licensee. Accordingly, the Hon'ble ITAT upheld the order of the CIT(A) and affirmed the view that receipts under EULA are not taxable as royalty under the Act as well as under the India-USA DTAA.

Trans Union LLC [TS-1141-ITAT-2025(Mum)]

2. ***Management and consultancy services not taxable as FTS under India – Singapore DTAA in absence of "make available" condition***

Keller Asia Pacific Ltd. ("Assessee") is a Singapore-based and a Singapore tax resident company engaged in providing ground engineering services in the Asia Pacific region. The Assessee entered into a Management Services Agreement with its Indian AE, Keller Ground Engineering India Pvt. Ltd. ("Keller India"), for providing various services including strategic management consultancy, legal, engineering and

technical advice, marketing, human resources, procurement, and IT services. In consideration, the Assessee received management fees. Except for IT services (which were voluntarily offered to tax), the Assessee claimed that the other services were advisory in nature and did not "make available" any technical knowledge, skill, or know-how in terms of Article 12(4)(b) of the India–Singapore DTAA.

The AO treated the management fees as FTS on the ground that the technical knowledge was made available to Keller India. Aggrieved, the Assessee filed its objections before the DRP which upheld the AO's findings.

Aggrieved, the Assessee filed an appeal before the Hon'ble Delhi ITAT. The Assessee contended that the services were consultancy/advisory in nature and did not result in transfer of technology or know-how. Reliance was placed on judicial precedents including Tagit (P.) Ltd. v. DCIT[4], Inter Continental Hotels Group (Asia Pacific) Pte. Ltd. v. ACIT[5], and Bramhacorp Hotels & Resorts Ltd. v. DCIT[6]. The tax authorities argued that the agreement and nature of services demonstrated transfer of skill/know-how and hence the "make available" test was satisfied, placing reliance on H.J. Heinz Company v. ADIT[7].

The Hon'ble ITAT observed that under Article 12(4) of the India–Singapore DTAA, satisfaction of the "make available" clause is sine qua non for classifying payments as FTS. On review of the Management Services Agreement and emails on record, the Hon'ble ITAT noted that no evidence was brought on record by the tax authorities to establish the transfer of know-how or technology. The services were advisory and consultancy in nature, provided on a recurring basis, which itself showed that Keller India had not acquired any enduring technical knowledge or skill. The Hon'ble ITAT relied on coordinate bench rulings in Criteo Singapore Pte. Ltd.[8], Crocs Inc.[9], and Bio Rad Laboratories Inc.[10], to hold that mere incidental benefit to the service recipient does not satisfy the "make available" condition.

Accordingly, the Hon'ble ITAT deleted the addition and held that the payments received by the Assessee from Keller India cannot be taxed as FTS under Article 12 of the India-Singapore DTAA.

Keller Asia Pacific Ltd [TS-1128-ITAT-2025(DEL)]

3. *Services rendered outside India; not taxable, consequently no TDS obligation for Indian payer.*

Manisha Kiran Temkar ("Assessee"), an individual engaged in international merchant trade through her sole proprietorship firm, Kathmandu Apparel Group. The Assessee filed her ROI declaring the total income of INR 5.74 crore. During the assessment proceedings, the AO observed that the Assessee had made foreign remittances to various parties, including Imperial Impact Bangladesh Ltd., Bureau Veritas Hongkong Ltd., and EC Vision Hongkong Ltd., ('Foreign Parties') without deducting tax at source under Section 195 of the Act. The AO treated such payments as liable for TDS, considering them in the nature of FTS/royalty. Hence, the AO disallowed the same under Section 40(a)(i) of the Act. Aggrieved, the Assessee filed an appeal before the CIT(A) who upheld the disallowance.

Aggrieved, the Assessee filed an appeal before the Hon'ble Mumbai ITAT, contending that the services were rendered outside India by non-resident parties. It was further argued that in a case where non-residents (not having PE in India) who have not rendered any services in India, would not be subject to tax in India in respect of such services. Hence, no income accrued or arose to them in India. The Assessee argued that commission paid to foreign agents cannot be treated as FTS. Also, the inspection/testing charges or software subscription payments cannot be classified as royalty. Reliance was placed on judicial precedents including SC rulings in GE India Technology[11], Vedanta Ltd.[12], Toshoku Ltd.[13], and Engineering Analysis Centre of Excellence[14].

The Hon'ble ITAT accepted the Assessee's submissions and observed that the non-resident agents had rendered services entirely outside India, and their income had not accrued in India. The commission payments could not be treated as FTS, and even inspection/testing through use of software would not qualify as royalty. Accordingly, no TDS obligation arose on the Assessee under Section 195 of the Act. The Hon'ble ITAT deleted the disallowances made under Section 40(a)(i) of the Act and allowed the appeal of the Assessee.

Manisha Kiran Temkar [TS-1111-ITAT-2025(Mum)]

[4] *[TS-5076-ITAT-2024(Delhi)-O]*
[5] *[TS-933-ITAT-2021(DEL)]*
[6] *[TS-6504-ITAT-2015(Pune)-O]*
[7] *[TS-505-ITAT-2019(DEL)]*
[8] *[TS-926-ITAT-2024(DEL)]*
[9] *[TS-423-ITAT-2025(DEL)]*
[10] *[TS-1009-ITAT-2022(DEL)]*
[11] *[TS-201-SC-2010]*
[12] *[TS-5106-SC-2022-O]*
[13] *[TS-4-SC-1980]*

II. TRANSFER PRICING

1. ***For deciding the Guarantee commission, the bank guarantee rate that would have been charged by AE's bank to AE in absence of Assessee's guarantees on the basis of its credit rating needs to be considered.***

Synthite Industries (P) Limited ('the Assessee') has issued corporate guarantee on behalf of its AE to the third-party bank in India for availing credit facilities by the overseas subsidiary (AE). During the AY 2018-19, the Assessee charged Guarantee Commission ('GC') at the rate of 0.4% being the guarantee fees recovered by third party bank from its AE. The TPO on the other hand made an adjustment w.r.t GC by considering the average of 5 banks varying from 1.8% to 3% and averaging to 2.56% p.a. On filing objections before the Hon'ble DRP, the order of the TPO was upheld.

On the ground of interest on outstanding receivable, the TPO made an adjustment at the rate of 6-month Libor + 450 basis points (as per RBI master circular on external commercial borrowings and trade credits), including 100 basis points toward foreign exchange risk borne by the assessee.

On further appeal, the Hon'ble Cochin ITAT observed that the nature of guarantee is demand guarantee which is in contradistinction to a normal guarantee. The liability is payable on demand notwithstanding any objection raised by the borrower. The Hon'ble ITAT held that it is relevant to note what guarantee fees would have been charged by AE's bank to AE on the basis of its credit rating. The Hon'ble ITAT held that guarantee is basically a risk mitigation product for a person extending the credit. As the guarantee is given by Assessee to the third-party bank, it is not a corporate guarantee per se and is strictly speaking and a risk mitigation product, the difference between a bank and corporate guarantee being largely superficial. Accordingly, Hon'ble ITAT upheld the order of the DRP and provided partial relief to the assessee by reducing the average rate from 2.56% to 2.45%.

On the ground of interest on outstanding receivable, the Hon'ble ITAT upheld the order of the DRP. Further, the Hon'ble ITAT held that the rate is consistent with Safe Harbour Rules ('SHR') providing for SBI base rate plus 300 basis points.

Synthite Industries (P) Ltd [TS-759-ITAT-2023(COCH)-TP]

2. ***Final Assessment order passed beyond the period prescribed under Section 144C(13) of the Act is barred by limitation.***

BMW India Pvt. Ltd ('the Assessee') was subject to scrutiny assessment proceedings and a final assessment order was passed on 19.02.2016 under Section 143(3) r.w. Section 144C of the Act for AY 2011-12. The AO made adjustments on account of AMP expenditure as well as receipt of information technology support services (as it was not at ALP). Aggrieved, the Assessee filed an appeal before Hon'ble Delhi ITAT. The Hon'ble ITAT vide its order dated 25.01.2019 set aside the final assessment order by deleting the adjustment made on AMP and remanded the adjustment on support service transaction. Based on the order of the Hon'ble ITAT, the TPO passed an order on 31.01.2021. Thereafter, the TPO also passed rectification order on 09.02.2021. The AO passed its draft assessment order on 15.07.2021, to which the Assessee filed its objections on 31.08.2021. The DRP issued its directions on 28.04.2022 under Section 144C(5) of the Act. Accordingly, following the directions, TPO passed its order on 20.05.2022 and AO passed its final assessment order on 28.06.2022.

The Assessee has challenged the validity of the order dated 28.06.2022 before the Hon'ble ITAT alleging that the same is barred by limitation under Section 144C of the Act.

The Hon'ble ITAT took cognizance of the decisions in case of Honda R&D (India) P Ltd[15] as well as jurisdictional HC in the case of Louis Dreyfus Company India Private Limited[16], and M/s Fiberhome India Pvt Ltd.[17] The Hon'ble ITAT observed that it is mandatory upon the Assessing Authority to complete the assessment as per Section 144(13) of the Act (i.e. within 1 month from the end of the month in which DRP's direction are received by the Assessing Authority), failing which the assessment proceedings are barred by limitation and liable to be set aside. Applying a similar analogy, the Hon'ble ITAT observed that the DRP's directions were issued on 22.04.2022, whereas the final assessment order was passed on 28.06.2022 by AO. The impugned final assessment order is barred by limitation and is accordingly set aside.

BMW India Pvt. Ltd [TS-535-ITAT-2025(DEL)-TP]

[14] [TS-106-SC-2021]
[15] [TS-5619-ITAT-2024(Delhi)-O]
[16] [TS-70-HC-2024(DEL)]

3. ***Assigning values to independent assets sold under slump sale and resorting to provisions of Section 50C is outside the jurisdiction of TPO***

Schneider Electric Systems India Limited (erstwhile Invensys India Private Limited - ("the Assessee") was incorporated as a 100% subsidiary of Invensys Plc UK. The French Group Schneider Electric took over Invensys Group during 2013 & 2014. The Assessee is primarily engaged in the business for manufacture & supply of Distribution Control Systems (DCS), Emergency Shutdown Systems (ESS) and related equipments along with assembly and sale of panels for DCS. During the AY 2015-16, Invensys PLC entered into a Stock and Asset Purchase Agreement (SAPA) with FOX Holdings S.A.R.L. (Fox Group) to transfer certain assets and liabilities of Appliance Control Division Unit of the Assessee *(dealing with manufacture of components for use in refrigeration and AC units - ACD unit).* The consideration was fixed at INR 22.30 crore payable to the Assessee. This sale was part of a global acquisition, and the consideration was determined independently as per DCF valuation method.

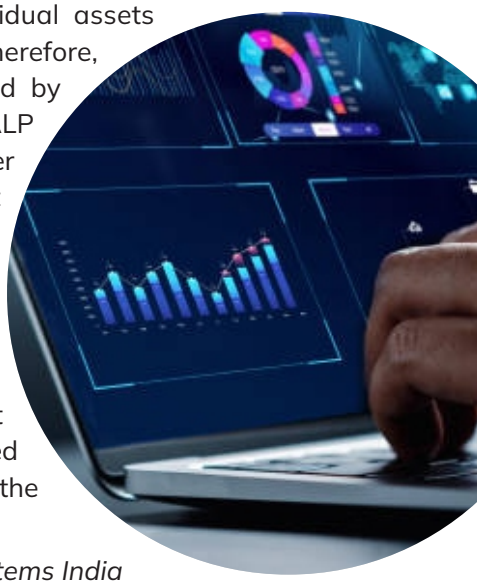
The Assessee filed its ROI for the AY 2015-16. During the assessment proceedings, the case was referred to the TPO for determining ALP of international transactions. Amongst others, the TPO made an adjustment towards slump sale by itemizing assets for determining ALP. The TPO accepted the BV of all assets except land and building (where guideline value was considered) and made adjustment of INR 13.05 crore. Against final assessment order, the Assessee filed an appeal before the CIT(A).

The CIT(A) allowed the appeal of the Assessee on the reasoning that there cannot be any itemization of assets in case of slump sale. The characterization of the transaction was duly verified and accepted by the AO. The Assessee has made full compliance with provisions of Section 50B. The CIT(A) held that determination of the ALP must be undertaken for the business as a whole and cannot be itemized. Also, the TPO does not have the jurisdiction to invoke Section 50C of the Act in respect of land & building. Since the division was sold as a going concern, and sale value is higher than value as per DCF and NAV method, the TPO cannot make any adjustment.

Aggrieved, the tax authorities filed an appeal before the Hon'ble Chennai ITAT. Before the Hon'ble ITAT, the tax authorities argued that valuation as per DCF method should not be accepted in view of the continuous losses incurred by the ACD Unit. Also, the transaction was a deemed international transaction as it is a fall out global arrangement and hence, the redetermination of value by TPO is not faulted.

Per contra, the Assessee contended that TPO did not point out any specific error in the DCF valuation adopted. The provisions of Section 50C of the Act are outside the scope of TPO. In support of its contention, the Assessee relied on decision of Hon'ble Delhi ITAT in case of Topcon Singapore Positioning (P) Ltd[18] wherein it was held that role of TPO remain confined to determining ALP under Section 92CA of the Act and not to intrude in the exclusive domain of the AO to determine taxable income.

The Hon'ble ITAT observed that Section 50B does not permit identification / value attribution to individual assets in case of slump sale. Also, value determined for computing stamp duty and registration charges cannot be assigned to individual assets under slump sale. Therefore, the approach adopted by the TPO to identify ALP for freehold land under Section 50C of the Act contravenes the provisions of the Act. The jurisdiction of TPO is limited to computing ALP under Section 92C of the Act and cannot be extended to other provisions of the Act.



Schneider Electric Systems India Private Limited [TS-544-ITAT-2025(Chny)-TP]

III. IMPORTANT CIRCULARS AND NOTIFICATIONS

1. ***CBDT Announces Extension of Audit Report Filing Deadline for AY 2025-26***

The CBDT, through a press release dated 25.09.2025, has extended the due date for filing various audit reports under Explanation 2 to Section 139(1) of the Act for AY 2025-26, from 30.09.2025 to 31.10.2025

2. ***CBDT issued a circular[19] on waiver of interest payable under section 220(2) due to late payment of demand, in certain cases***

The CBDT issued Circular to address issues arising from the incorrect allowance of rebate under Section 87A of the Act in certain income tax returns. It was

[17] *[TS-45-HC-2024(DEL)-TP]*
[18] *[TS-8014-ITAT-2018(Delhi)-O]*
[19] *Circular no. 13/2025 dated 19.09.2025ss*

observed that while processing returns filed under the new tax regime specified in Section 115BAC(1A) of the Act, the rebate under Section 87A was mistakenly granted on incomes taxed at special rates, such as short-term capital gains under Section 111A of the Act. As per the law, such rebate is not applicable to income that is taxed at special rates, and therefore, this error necessitated rectification. The Income Tax Department has initiated rectification proceedings to correct this mistake and raise additional tax demands where required.

However, considering the genuine hardship faced by taxpayers due to this inadvertent error during automated processing, the CBDT has, under the powers granted by Section 119 of the Act, provided relief from interest under Section 220(2) of the Act. This interest, which would ordinarily apply on delayed payments of demand, will be waived **if the outstanding demand (arising solely from such rectifications) is paid on or before 31.12.2025.** If payment is made after this date, interest under Section 220(2) will be applicable from the day immediately following the end of the period allowed under Section 220(1) of the Act. The waiver is applicable only to cases where the demand arises due to the disallowance of Section 87A rebate on special-rate income and does not cover any other types of demand.

IV. REGULATORY UPDATES

1. *Ministry of Corporate Affairs eases merger process*

On 04.09.2025, the Ministry of Corporate Affairs issued the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025 under Section 233 of the Companies Act, 2013.

The amendment simplifies procedures for mergers, amalgamations, and arrangements. Earlier, notice of a proposed scheme had to be sent only to the Registrar of Companies and the Official Liquidator. Now, such notice (Form CAA-9) must also be given to sectoral regulators like RBI, SEBI, IRDAI, and PFRDA, and to stock exchanges in case of listed companies.

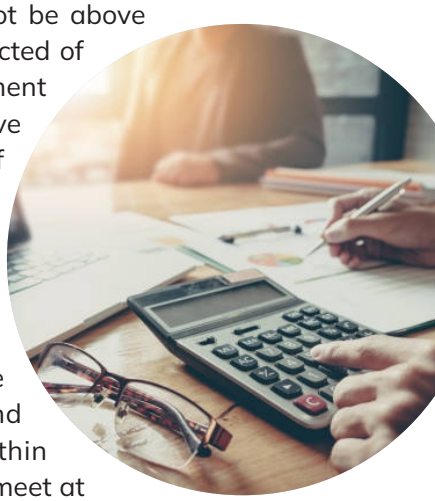
The scope of simplified mergers has been widened. They are now permitted between: (i) two or more unlisted companies with combined loans, debentures, or deposits not exceeding INR 200 crore and no defaults; (ii) a holding company and its subsidiary, where neither is listed; (iii) subsidiaries of the same holding company; and (iv) a foreign holding company and its wholly owned Indian subsidiary. In these cases, an auditor's certificate in Form CAA-10A must be filed with the scheme.

Additionally, directors must submit a solvency declaration in Form CAA-10, supported by audited accounts. Once members and creditors approve, the transferee company must file the scheme in Form CAA-11 (as attachment to Form RD-1). Finally, approval is confirmed through Form CAA-12, making the merger effective.

These changes strengthen regulatory oversight, streamline the fast-track merger process, and provide clarity through revised statutory forms.

2. *Payments regulatory board regulations 2025*

The IFSCA has notified the Payments Regulatory Board (PRB) Regulations, 2025 with the objective of strengthening the governance and oversight of payment and settlement systems in IFSC. The new framework repeals the 2024 - Board for Regulation and Supervision of Payment and Settlement Systems Regulations but ensures continuity by recognising actions already taken under them. The PRB is constituted as per the Payment and Settlement Systems Act, 2007, and may also include experts from fields such as payments, information technology, law, and cyber security as invitees. Members are nominated by the Central Government based on ability, integrity and expertise, and cannot be above 70 years, insolvent, convicted of offences with imprisonment of 180 days or more, or have unresolved conflicts of interest. Members will hold office for four years on a non-renewable basis unless they are public servants. The Board is supported by the Division of Payment and Settlement Systems within IFSCA and is required to meet at least twice a year. Quorum for meetings is three members including the Chairperson, and decisions are made by majority with the Chairperson holding a casting vote.



The regulations also lay down a code of conduct requiring members to file a declaration of fidelity and secrecy, maintain confidentiality, disclose conflicts of interest, and uphold the highest standards of integrity. The PRB may delegate its powers to the Chairperson, members, sub-committees, or officers of the Authority and may constitute committees with the ability to invite external experts. Members and invitees are entitled to meeting allowances, travel and lodging expenses as decided by the Board.

3. *Listing of convertible debt securities*

IFSCA has issued a clarification on the listing of convertible debt securities via circular dated 18.09.2025. As per this clarification, the procedure, manner, and conditions already specified for the listing of debt securities under the IFSCA (Listing) Regulations, 2024 shall mutatis mutandis apply to convertible debt securities such as Foreign Currency Convertible Bonds (FCCBs) or similar instruments, until their conversion.

Further, issuers are required to ensure that the offer document or information memorandum prominently discloses the listing status of equity shares to be issued upon conversion of such securities. Recognised Stock Exchanges in the IFSC must bring these clarifications to the attention of listed entities, market participants, and other stakeholders, and ensure compliance.

The circular has been issued under the powers conferred by the International Financial Services Centres Authority Act, 2019, and is applicable to all existing as well as proposed issuances of convertible debt securities.

V. COMPLIANCE CALENDAR FOR OCTOBER 2025

A. Income tax

Sr. No.	Due Dates	Concerned (reporting) Period	Compliance Detail	Applicable to
01	7th Oct	September 2025	TDS / TCS Payment	Non-Government Deductors
02	15th Oct	Qtr. 2. (FY 24-25) (July to September)	TCS Return	All deductors
03	15th Oct	Qtr. 2. (FY 24-25) (July to September)	Form 15G/Form15H	No Deduction of TDS
04	31st Oct	Qtr. 2 (FY 24-25) (July to September)	TDS Return	All Assessee
05	31st Oct (Note)	FY 2024-25	Filing the Income Tax Audit Report (other than Transfer pricing audit)	For All taxpayers to whom tax audit is applicable
06	31st Oct	FY 2024-25	Filing of Tax Audit Report	Assesses covered under Transfer Pricing
07	31st Oct	FY 2024-25	TP intimation Form 3CEAB/3CEAA FY 2022-23	Assesses covered under Transfer Pricing
08	31st Oct	FY 2024-25	Report to be furnished in Form 3CEB	Assesses covered under Transfer Pricing
09	31st Oct	FY 2024-25	ITR due date for corporate and tax audit taxpayers	For All taxpayers to whom tax audit is applicable (non TP cases)

Note: Accordingly, to CBDT press release issued on 25.09.2025 the due date for filling the Tax audit report is extended from 30.09.2025 to 31.10.2025

B. Goods and Service Tax

Sr. No.	Due Dates	Concerned (reporting) Period	Compliance Detail	Applicable to
01	10th October	September 25	GSTR – 7 (TDS)	Person required to deduct TDS under GST
02	10th October	September 25	GSTR – 8 (TCS)	Person required to collect TCS under GST
03	11th October	September 25	GSTR 1	a) Taxable person 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 October	Qtr. 2 FY 2025-26 (Jul to Sept)	GSTR – 1 - QRMP	All those taxpayers opted for Quarterly Return Monthly Payment Scheme
05	13th October	September 25	GSTR – 6 (ISD)	Person registered as ISD
06	18th October	Qtr. 2 FY 2025-26 (Jul to Sept)	CMP-08	Person Registered under Composition Scheme
07	20th October	September 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
08	13th October	September 25	GSTR - 5 (NRTP)	Non-resident taxable person (NRTP)
09	20th October	September 25	GSTR - 5A (OIDAR)	OIDAR services provider
10	22nd October	Qtr. 2 FY 2025-26 (Jul to Sept)	GSTR – 3B - QRMP (for Jul - Sept 25) (D)*	Aggregate Turnover is up to Rs. 5 crore
11	24th October	Qtr. 2 FY 2025-26 (Jul to Sept)	GSTR – 3B - QRMP (for Jul - Sept 25) (E)**	Aggregate Turnover is up to Rs. 5 crore
12	25th October	FY 2025-26 (April to Sept)	GST – ITC 04	Half yearly return for good sent for Job work

**D - Taxpayers who have availed the Quarterly Return Monthly Payment (QRMP), option having aggregate TO up to INR 50 Mn in PFY whose principal place of business is in Category -1 states*

***E - Taxpayers who have availed the Quarterly Return Monthly Payment (QRMP), having aggregate TO up to INR 50 Mn in PFY whose principal place of business is in Category -2 states*

C. FEMA Compliance

Sr. No.	Due Dates	Particulars	Applicable to
01	7th October	ECB 2 Return (External Commercial Borrowing)	All Indian Borrowers who have non-resident lenders

D. Ministry of Corporate Affairs (MCA) Compliance

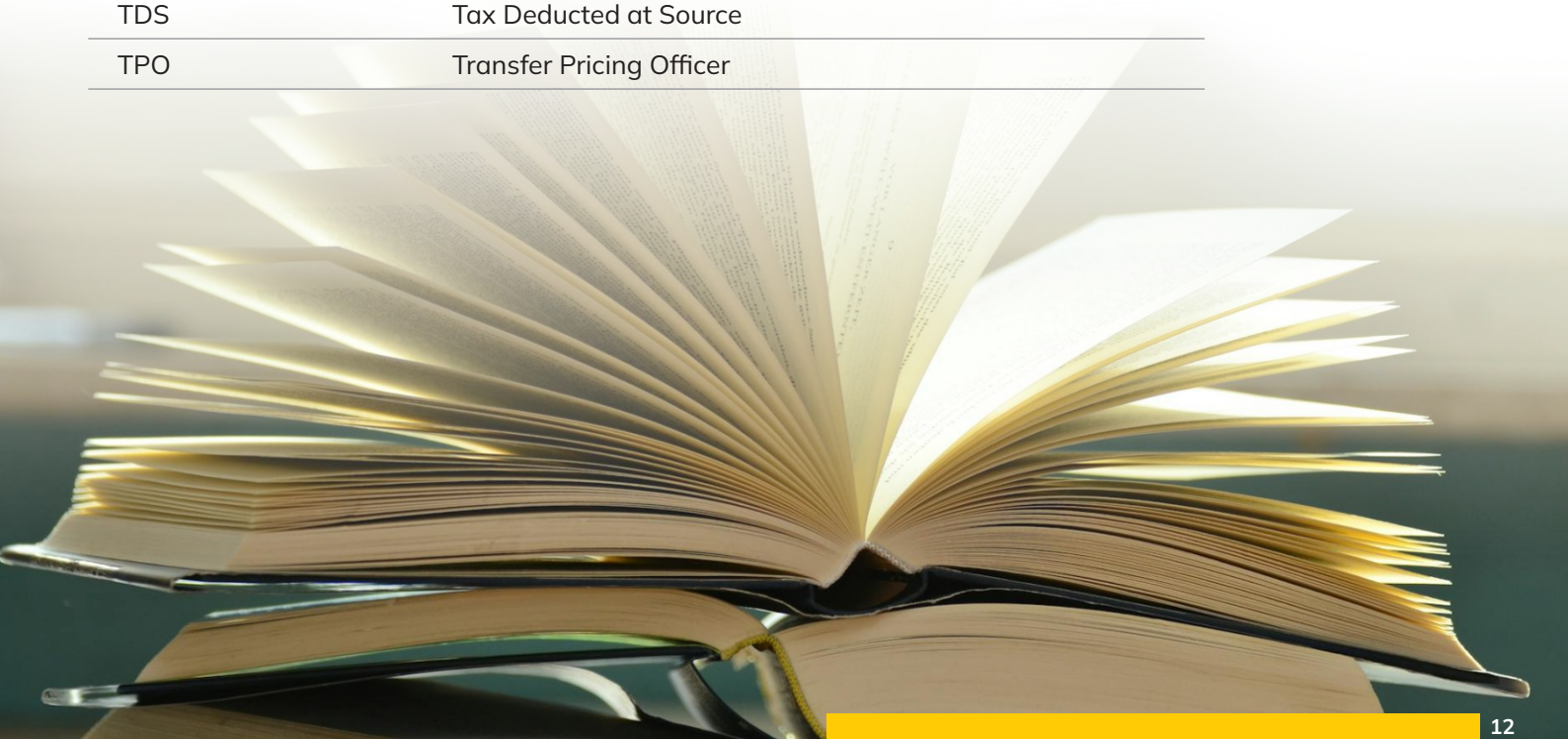
Sr. No.	Due Dates	Particulars	Applicable to
01	29th Oct.	Filing of Form AOC-4-Annual account	For all Companies

GLOSSARY

ABBREVIATION	FULL FORM
Act	Income-tax Act, 1961
AE	Associated Enterprise
AOP	Association of Persons
ALP	Arm's Length Price
ACIT	Assistant Commissioner of Income Tax
ACD	Appliance Control Division
AMP	Advertisement, Marketing and Promotion Expenses
AO	Assessing Officer
AY	Assessment Year
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Tax and Customs
CGST	Central Goods & Services Tax
CIT	Commissioner of Income-tax
CIT(Appeals) / CIT(A)	Commissioner of Income-tax (Appeals)
COI	Computation of Income
CST	Central State Tax
CPC	Centralized Processing Centre
DCS	Distribution Control Systems
DCIT	Deputy Commissioner of Income Tax
DRP	Dispute Resolution Panel
DTVSV	Direct Tax Vivad se Vishwas Scheme
DCF	Discounted Cash Flow
DTAA	Double Taxation Avoidance Agreement
ESS	Emergency Shutdown Systems
ECB	External Commercial Borrowings
EULA	End-User License Agreement
FCCB's	Foreign Currency Convertible Bonds
FTS	Fess for Technical Services
FY	Financial Year
GLES	Group Leave Encashment Scheme
GC	Guarantee Commission
GST	Goods & Service Tax
HC	High Court
HUF	Hindu Undivided Family
Hon'ble	Honorable
IRDAI	Insurance Regulatory and Development Authority of India

GLOSSARY

ABBREVIATION	FULL FORM
ITC	Input Tax Credit
ITR	Income Tax Return
ITAT	Income Tax Appellate Tribunal
IFSCA	International Financial Services Centre's Authority
IFSC	International Financial Service Centre
JAO	Jurisdictional Assessing Officer
JCIT	Joint Commissioner of Income Tax
LIBOR	London Inter Bank Offered Rate
NFAC	National Faceless Appeal Centre
NAV	Net Asset Value
NCD	Non-Convertible Debentures
PAN	Permanent Account Number
PCIT	Principal Commissioner of Income Tax
PE	Permanent Establishment
PFRDA	Pension Fund Regulatory and Development Authority
PRB	Payments Regulatory Board
Rules	Income-tax Rules, 1962
RBI	Reserve Bank of India
ROI	Return of Income
SC	Supreme Court
SEZ	Special Economic Zone
SEBI	Securities and Exchange Board of India
SHR	Safe Harbour Rules
TDS	Tax Deducted at Source
TPO	Transfer Pricing Officer



BHUTA SHAH & CO LLP
CHARTERED ACCOUNTANTS

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.

The Leadership Team comes with rich experience and is supported by a competent and efficient team of Professionals including Chartered Accountants, Professionals with Big-4 Consulting and Industry experience, Advocates, Company Secretaries, MBAs, Former IRS Officers, who are committed to providing timely, professional and quality services to our clients.

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

SCAN TO KNOW MORE