OCTOBER 2025

BHUTA SHAH & CO LLP

CHARTERED ACCOUNTANTS

Monthly E-Newsletter

BSC BEACON

TAX & REGULATORY INSIGHTS

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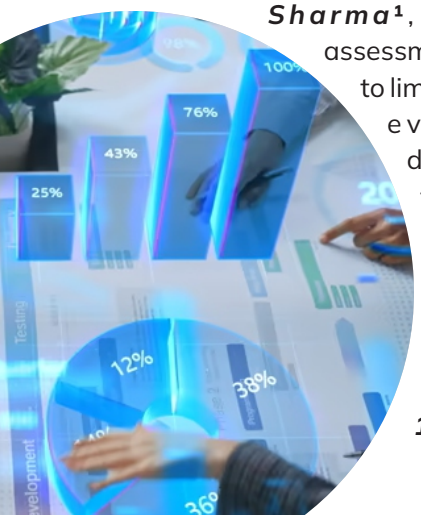
I. DIRECT TAXATION:
A. CORPORATE TAX

1. *Notices under Section 148 of the Act quashed as limitation period for reassessment already expired as per Section 150(2) of the Act*

During the assessment proceedings for AY 2014–15 of Shubh Buildcon ("the Assessee"), a partnership firm, the AO made additions based on income disclosed during survey. Aggrieved, the Assessee filed an appeal before the CIT(A). The CIT(A) vide an order dated 03.04.2019, partly allowed the appeal by estimating the GP rate at 12.5% of the total receipts for AY 2014–15 and further directed that the GP additions be apportioned across AYs 2011–12 to 2014-15, instead of being made solely in AY 2014–15. In compliance with the said directions, the AO issued reassessment notices under Section 148 of the Act for the AYs 2011–12 and 2012–13 amounting to INR 69,683 and INR 4,46,402 respectively.

The Assessee challenged the validity of the reopening notices for both AYs before the Hon'ble Gujarat HC. It was argued that they were time-barred under Section 149 and that Section 150(2) of the Act restricted the reopening of assessments that had already become time-barred at the time of the appellate order. The Assessee contended that since the alleged escaped income for AY 2011-12 was below INR 1 lakh, the limitation period ended on 31.03.2015; and for AY 2012-13, [income escaping assessment exceeds INR 1 lakh], the six-year limitation period expired on 31.03.2019. The Hon'ble HC held that although Section 150(1) of the Act allows reassessment at any time to give effect to appellate directions, it is expressly subject to Section 150(2) of the Act, which prohibits such action if the limitation under Section 149 of the Act had already expired. Further, it was held that the order of the CIT(A) for AY 2014-15, directing reopening under Section 150(1), was issued beyond the permissible time limit and was contrary to the provisions of the Act.

The Hon'ble HC relied on the SC's ruling in ***KM Sharma***[1], which clarified that assessments attaining finality due to limitation cannot be reopened even under appellate directions. Consequently, the Hon'ble HC allowed the petitions filed by the Assessee and quashed the impugned notices as being time-barred.



Shubh Buildcon [TS-1275-HC-2025(GUJ)]

2. *Exemption under Section 10(23C)(iv) reaffirmed, rejecting allegations of undue benefit to trustees and applying rule of consistency*

Hamdard Laboratories (India) ("the Assessee"), a charitable trust registered under Section 12A of the Act, filed its ROI for AY 2016-17 declaring Nil income claiming exemption under Section 11 and Section 12 of the Act. During the scrutiny assessment, the AO held that the Assessee made available 2 residential accommodations to its trustees and their families at a consolidated rent of INR 90,000 per month, which was allegedly below market value. Relying on data obtained from makaan.com, the AO invoked Section 13(2)(b) read with Section 13(3) of the Act, treating this as a benefit to specified persons and denying exemption under Section 11 and 12 of the Act, assessing total income at INR 193.93 Crores (including the addition of INR 31.20 Lakhs as income from house property and disallowing claim of INR 5.23 Lakhs for depreciation in respect of leased out properties). Aggrieved, the Assessee filed an appeal before the CIT(A).

Before the CIT(A), the Assessee has claimed the exemption under Section 10(23C)(iv) of the Act for the first time and contended that no undue benefit had been conferred upon any trustee. The CIT(A) observed that the Assessee had consistently been granted exemption under Section 10(23C)(iv) in prior years (i.e., AY 2013-14 to AY 2015-16) and that there was no change in the factual position. The CIT(A) also observed that there is no dispute that the Assessee exists solely for charitable purpose and not for the purpose of profit since no such findings were recorded in the assessment order. The CIT(A) further noted that the AO had not produced any cogent evidence to justify the invocation of Section 13 of the Act. Relying on *Radhasoami Satsang*[2] and *Adarsh Public School*[3] wherein the importance of principle of consistency is held, the CIT(A) deleted the additions and allowed the exemption claim under Section 10(23C)(iv) of the Act.

Aggrieved, the tax authorities filed an appeal before the Hon'ble Delhi ITAT. The tax authorities contended the violation of Section 13(2)(b) and that the CIT(A) erred in entertaining a fresh claim under Section 10(23C)(iv) of the Act. The Hon'ble ITAT dismissed the appeal by observing that there was no change in facts from previous AYs, and that reliance on online rent data lacked evidentiary value.

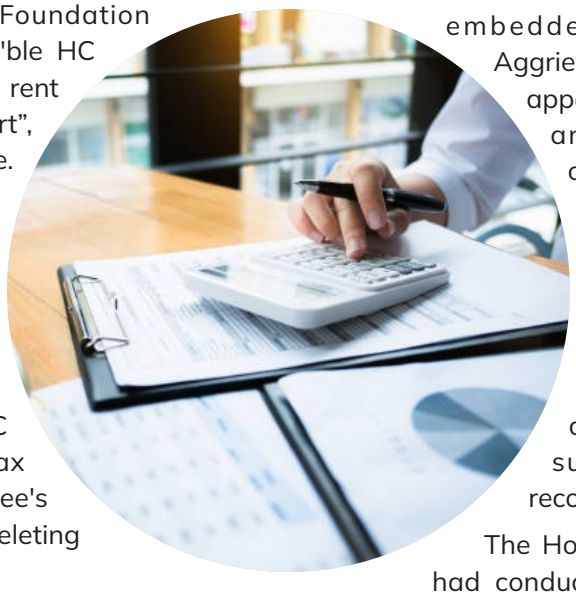
[1] *KM Sharma v. ITO (2002) 254 ITR 772*
[2] *Radhasoami Satsang v. CIT (1992) 193 ITR 321 (SC)*
[3] *Adarsh Public School v. JCIT [2018] 90 taxmann.com 356 (Delhi - Trib)*

Aggrieved, the tax authorities filed an appeal before the Hon'ble Delhi HC.

The Hon'ble Delhi HC upheld the findings of the CIT(A) and Hon'ble ITAT. The Hon'ble HC also held that the AO's reliance on rental data from online portals was untenable. The comparison lacked corroborative evidence and could not establish inadequacy of rent. The difference in rental values could not be a base for conclusion that undue benefit was passed to trustees under Section 13(2)(b) / Section 13(3) of the Act. The Hon'ble HC relied on *Kishore Trust*[4], *Bharat Sewa Sansthan*[5], and *Hamdard National Foundation*[6], which held that the burden of proving inadequacy of rent rests with the tax authorities and must be based on the cogent evidence. The Hon'ble HC observed that the Assessee's activities falls under the first three heads of charitable purposes under Section 2(15)—medical relief, education, and relief for the poor.

The Hon'ble HC relied on Assessee's own *case*[7] wherein the Hon'ble Delhi HC has quashed the order of DGIT(E) withdrawing the exemption under Section 10(23C)(iv) of the Act with retrospective effect from AY 2004-05 and held that dominant purpose of the Assessee was charitable in nature and not guided by motive of profit making. Hence, the exemption granted under Section 10(23C)(iv) of the Act was not withdrawn, and the tax authorities had accepted the same in earlier years. Applying the rule of consistency (as per Radhasoami Satsang and Excel Industries Ltd.), the Hon'ble HC held that the AO was not justified in deviating from the settled position, in absence of any change in the facts or the law.

Following Hamdard National Foundation (India) (supra), wherein the Hon'ble HC reiterated that unless the price / rent "shocks the conscience of the Court", it cannot be said to be inadequate. The Hon'ble HC emphasized that once the exemption under Section 10(23C)(iv) has been granted and consistently followed, the same cannot be denied without a material change in facts or law.



Accordingly, the Hon'ble HC dismissed the appeal of the tax authorities, affirming the Assessee's status of that of a charitable and deleting the addition of INR 193.93 Crores.

Hamdard Laboratories (India) [TS-1339-HC-2025(DEL)]

[2] Kishore Trust v. ADIT (1996) 59 ITD 137 (Cal HC),
[5] CIT v. Bharat Sewa Sansthan (2013) 36 taxsman.com 539 (All HC)
[6] CIT (Exemption) v. Hamdard National Foundation (India) (2022) 441 ITR 348 (Del)
[7] Hamdard Laboratories India & Anr v. ADIT(E) 2015:DHC:7806-DB
[8] N.K. Proteins Ltd. v. DCIT [2017] 84 taxmann.com 195 (SC)

3. Addition under Section 69C of the Act for bogus purchases, however restricted to GP rate of the Assessee's turnover

Bhavya Pipe Industry ("the Assessee") is engaged in the manufacturing of PVC pipes. The ROI for AY 2022-23 was filed declaring a total income of INR 12.61 lakh. The case was selected for scrutiny for verification of trade creditors.

During the assessment proceedings, the AO issued notices under Section 133(6) of the Act to 11 suppliers from whom the Assessee had made purchases amounting to INR 40.96 crore. However, except for two parties, none of the suppliers responded. On physical verification by the verification unit, none of the parties were found at their stated addresses. It was further observed that the GST registrations of 10 suppliers out of the 11 suppliers had been cancelled, and 6 of them had never filed ITRs, despite having shown substantial sales to the Assessee.

Based on these findings, the AO treated the purchases as bogus and made an addition of 25% of the total purchases under Section 69C of the Act as unexplained expenditure. The AO relied on the decision of the Hon'ble SC in case of ***N.K. Proteins Ltd.***[8]. Aggrieved, the Assessee filed an appeal before the CIT(A).

After examining the facts, the CIT(A) upheld the finding that the suppliers were non-existent and that purchases from them were non-genuine. However, the CIT(A) restricted the disallowance by applying the Assessee's GP rate of 1.39% on such purchases, resulting in an addition of INR 56.94 Lakhs considering it to be a fair estimate of the profit element embedded in the bogus purchases. Aggrieved, the tax authorities filed an appeal before the Hon'ble Delhi ITAT and the Assessee filed cross-objections. The Assessee contended that its books of account had not been doubted and were duly audited. Further, the purchases were supported by invoices, bank payments, and GST returns, and that the corresponding sales arising from such purchases had also been recorded.

The Hon'ble ITAT observed that the AO had conducted detailed enquiries, and the verification report clearly showed that the suppliers were non-existent and had cancelled GST registrations during the relevant period. The CIT(A) rightly concluded that purchases from such parties could not be treated

as genuine. Since sales were accepted and not doubted by the AO, estimation of profit element embedded in the purchases was the correct approach. Relying on decisions of various ITATs, the Hon'ble ITAT held that the GP rate of 1.39% as adopted by CIT(A) was reasonable and fair, considering the nature of the business and past results. Accordingly, both the appeal of the tax authorities and the Cross Objections of the Assessee were dismissed.

The Hon'ble ITAT upheld the order of CIT(A) applying a GP rate of 1.39% on bogus purchases under Section 69C of the Act.

Bhavya Pipe Industry [TS-1355-ITAT-2025(DEL)]

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4. *No TDS liability under Section 194H of the Act on payment gateway charges in the absence of principal–agent relationship*

One Mobikwik Systems Pvt. Ltd. ('the Assessee'), was granted permission by the RBI for operating a payment system for issuance and operation of prepaid instruments known as 'Stored Value Card Wallet' and engaged in providing digital payment facilities through payment gateways such as CC Avenue and Zaakpay. During a TDS survey, the AO observed that the payments represented "commission" due to a supposed principal-agent relationship, and the Assessee had not deducted tax at source under Section 194H on amounts paid to these gateways and held the company as an Assessee-in-default under Sections 201 and 201(1A) of the Act. Aggrieved the Assessee filed an appeal before the CIT(A).

The CIT(A) upheld the AO's findings, concluding that the payment gateways acted as an agent on behalf of the Assessee and thus attracted TDS obligations. Aggrieved, the Assessee appealed to the Hon'ble ITAT, arguing that the relationship with payment gateways was on a principal-to-principal basis and that the charges constituted service fees, not commission.

The Hon'ble ITAT analyzed the contractual agreements and found that the payment gateways operated independently, merely providing technological infrastructure to facilitate electronic transactions. It was held that there was no fiduciary, supervisory, or controlling element between the Assessee and the payment gateways to establish a principal-agent relationship. Referring to Section 182 of the Contract Act and the Supreme Court's ruling in Bharti Cellular Ltd., the ITAT reiterated *'that a principal-agent relationship is a sine qua non for Section 194H to apply'*. It also relied on the Delhi High Court's decision in MakeMyTrip (India) Pvt. Ltd., which held that payment gateway charges are similar to credit/debit card charges rather than commission or brokerage. Further, the Hon'ble ITAT noted that CBDT Notification No. 47/2016 clarified that TDS is not required on credit/debit card commission payments, a principle equally applicable to payment gateway charges.

The Hon'ble ITAT held that payments made by the Assessee to payment gateways do not constitute commission under Section 194H of the Act, as no principal-agent relationship existed between the parties. Accordingly, the Assessee could not be treated as an Assessee-in-default under Sections 201 and 201(1A) of the Act. The Hon'ble ITAT set aside the orders of the AO and the CIT(A) and directed deletion of the demand for all three assessment years (2015–16 to 2017–18). Thus, the appeals filed by the Assessee were allowed in full, reaffirming that payment gateway charges represent service fees and fall outside the ambit of TDS under Section 194H of the Act.

One Mobikwik Systems Pvt. Ltd [TS-1302-ITAT-2025-DEL]

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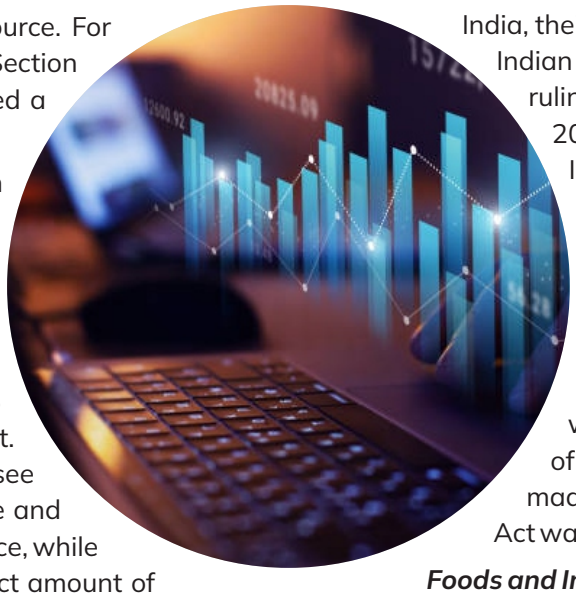
5. *Withholding tax is not applicable on foreign remittances towards commission and overseas warehousing charges, disallowance under Section 40(a)(ia) of the Act deleted*

Foods and Inns Limited ("the Assessee") is engaged in the manufacture and export of fruit pulp and processed food products. During the AY 2017-18, the Assessee paid commission to non-resident agents located in various countries amounting to INR 25.84 lakhs. These agents neither have any business operations nor a PE in India. The role of agents was restricted to canvass the order and facilitating export transactions for which payments were made in foreign currencies. The Assessee also paid warehouse charges amounting to INR 3.19 crores in Europe for storage of finished goods. These warehouses only provided the storage facility outside India. During the assessment proceedings, the AO observed that although the services were rendered outside India, they were "utilised" in India, and hence the amounts were deemed to accrue or arise in India under Section 9(1) of the Act. Referring to Section 195 of the Act, he concluded that the Assessee was under

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

an obligation to deduct tax at source. For failure to do so, the AO invoked Section 40(a)(ia) of the Act and disallowed a sum of INR 4.52 crores.



Aggrieved, the Assessee filed an appeal before the CIT(A) who confirmed the disallowance, observing that the payments represented managerial, consultancy, or technical services falling within the ambit of FTS under Section 9(1)(vii) of the Act. The CIT(A) held that the Assessee was liable to deduct tax at source and accordingly upheld the disallowance, while directing the AO to verify the exact amount of payment.

Aggrieved, the Assessee filed an appeal before the Hon'ble Mumbai ITAT. The Assessee contended before the ITAT that both the commission and warehousing charges constituted business income of non-residents, accruing outside India and were not taxable in India in absence of a business connection or PE in India. It was further submitted that the issue had already been decided in the Assessee's favour in earlier AYs (AYs 2013-14 to 2015-16), where identical payments were held to be non-taxable.

The Hon'ble ITAT examined the matter and relied on the Supreme Court judgment in ***GE India Technology Centre Pvt. Ltd. v. CIT (SC),*** wherein it was established that the obligation to deduct tax at source arises only when the payment to a non-resident is chargeable to tax in India. The ITAT observed that the commission paid to foreign agents was business income accruing and received abroad, as the agents conducted all activities overseas - canvassing orders and facilitating export sales - without any operations in India. Since no PE existed in India, there was no territorial nexus to tax such income. The Hon'ble ITAT rejected the view of the tax authorities that these payments constituted FTS, noting that canvassing orders does not involve providing technical know-how, management advice, or consultancy services.

With respect to warehousing charges, the Hon'ble ITAT held that the payments were made purely for storage and safekeeping of goods abroad, which did not involve an element of any technical, managerial, or consultancy services. The Hon'ble ITAT remarked that *"to elevate mere storage into a technical service is to inflate a simple commercial transaction into something it is not."* The warehouse operators earned business income in their respective countries, and without a PE in India, their income could not be taxed under Indian law. Referring to its own earlier rulings in the Assessee's favour for AYs 2013-14 to 2015-16, the Hon'ble ITAT reaffirmed that both commission and overseas warehousing charges were business income accruing outside India, and not FTS under Section 9(1)(vii) of the Act. Accordingly, the Hon'ble ITAT held that no tax was deductible under Section 195 of the Act, and the disallowance made under Section 40(a)(ia) of the Act was unsustainable.

Foods and Inns Limited [2025] TS-1323-ITAT-2025 (Mum)

6. *SDV as on date of booking/Part payment should be considered and not as on registration date under Section 56(2)(vii)(b) of the Act*

Rudaram Dungararamji Choudhary ("the Assessee"), filed his ROI declaring a total income of INR 9.37 Lakhs for AY 2014–15. During the scrutiny proceedings, the AO observed that the Assessee purchased a flat for a consideration of INR 1.16 crores (Date of registration: 05.03.2014). The AO noted that stamp duty was paid on a value of INR 1.33 crores. The AO invoked Section 56(2)(vii)(b) of the Act, treated the difference between the SDV as on the date of registration as well as the actual purchase consideration as "income from other sources". Aggrieved, the Assessee filed an appeal before the CIT(A) who upheld the addition under Section 56(2)(vii)(b) of the Act due to absence of a separate agreement prior to the registered agreement. Aggrieved, the Assessee filed an appeal before Hon'ble Mumbai ITAT.

Before the Hon'ble Mumbai ITAT, the Assessee submitted that he had made part payment by cheque in October 2010 and January 2011, thereby creating a valid agreement with the developer, irrespective of formal sale deed being registered in December 2014. The Assessee contended that the relevant date for determining SDV should be the date of booking/part payment, as a valid agreement existed from that date, supported by payments made through banking channels. Per contra, the tax authorities relied on the assessment order and CIT(A) order.

The Hon'ble ITAT observed that the booking and part payments in 2010 constituted an enforceable agreement between the parties, later formalized through registration. Therefore, the Hon'ble ITAT held

that both, the first and second provisos to Section 56(2)(vii) of the Act clearly apply in case of the Assessee. Hence, the SDV as on the date of initial payment has to be considered as the part consideration was paid in a mode other than cash before the registered agreement date. The Hon'ble ITAT directed the AO to recompute the addition, if any, based on the SDV as on the booking date (18-10-2010) and remanded the matter for verification.

Rudaram Dungararamji Choudhary [TS-1349-ITAT-2025(Mum)]

7. *Capital Gains on Assets allotted on retirement to be taxed in the hands of retiring partner, not firm*

Go Go Garments ('the Assessee') is a partnership firm that filed its ROI for AY 2013-14 on 28.09.2013 declaring total income of INR 4.91 Lakhs. During the assessment proceedings, the AO noticed in the AIR information of the Assessee, that the Assessee had sold 3 immovable properties during the year under consideration and that the assessee has not declared the income by way of Capital Gain on sale of the said properties. The Assessee submitted before the AO that Mr. Goenka and his family had retired from the partnership firm w.e.f 01.04.2003 and the aforesaid 3 immovable properties were allotted to them as part of the retirement settlement. The Assessee also submitted that the impugned properties were removed from the business account of the firm since the same is transferred to the outgoing partner.

However, the AO rejected this explanation and noted that the sale deed was executed by the Assessee. Further, the settlement deed was not registered, and Mr. Goenka had not filed its ROI or declared any capital gains on sale of such properties. The AO noticed that registration value is lower than market value and accordingly, an addition of INR 6.80 crores was made under Section 50C of the Act. Aggrieved, the Assessee filed an appeal before the CIT(A).

The Assessee produced various documents before the CIT(A) including the retirement deed, family settlement, and proof of consideration received by retiring partner. The CIT(A) held that the properties were in fact transferred to Mr. Goenka upon his retirement and that he had been using them for his own business purpose. It was further observed that the sale proceeds were credited directly to bank account of Mr. Goenka. Hence, the CIT(A) deleted the addition made by the AO, ruling that the capital gains, if any, were assessable in the hands of Mr. Goenka and not in the hands of the firm.

Aggrieved, the tax authorities filed an appeal before the Hon'ble Mumbai ITAT. The tax authorities contended that the firm was the legal owner as per records and that the unregistered retirement settlement could not be considered as a valid transfer.

The Hon'ble ITAT upheld the CIT(A)'s decision, emphasizing that the term “transfer” under Section 2(47)(vi) of the Act includes any transaction enabling the enjoyment of immovable property, even without a registered deed. The Hon'ble ITAT noted that Mr. Goenka had been in possession and use of the property since AY 2004-05. It further held that the sale consideration received by Mr. Goenka clearly established him as the beneficial owner, and non-declaration of income by him could not justify taxation in the hands of the Assessee. Accordingly, the Hon'ble ITAT dismissed the appeal of the tax authorities and confirmed the deletion of the addition made under Section 50C of the Act.

Go Go Garments [TS-1354-ITAT-2025(Mum)]

8. *Addition under Section 56(2)(vii)(b) of the Act upheld on purchase of second flat at less than SDV, contention of appreciation foregone on exchange of the first flat not acceptable*

Aparna Sandeep Kulkarni (“the Assessee”) is a Non-Resident Indian. The Reassessment proceedings were initiated during FY 2022–23, wherein the AO observed that the Assessee had purchased a flat during FY 2008–09 for a consideration of INR 67.30 lakhs, vide agreement dated 03.01.2009. Due to construction issues and disputes with the builder, the agreement was cancelled in the year 2014, and the Assessee entered into a new agreement for the Flat in the same project for INR 1.07 crore. The stamp duty value (SDV) of the new flat was INR 1.35 crore.

The AO invoked Section 56(2)(vii)(b) of the Act, 1961, and added INR 28.93 lakhs to the Assessee's income as “income from other sources,” citing that the consideration paid was less than the SDV. The AO rejected the Assessee's claim that the transaction was a continuation of the earlier agreement and that the consideration included non-monetary elements such as appreciation forgone.

The DRP upheld the AO's findings, rejecting the bifurcation of consideration between the original and incremental area and the argument that the first proviso to Section 56(2)(vii)(b) of the Act applied.

Before the Hon'ble Mumbai ITAT, the Assessee argued that the original flat agreement dated 03-01-2009 should be considered for applying the first proviso to Section 56(2)(vii)(b) of the Act, and that the consideration included appreciation forgone on the original flat, which should be treated as non-monetary consideration. The incremental area (49.06 sq. mtrs) was purchased at a rate higher than the SDV, hence no addition should be made.

The tax authorities contended that the two agreements were distinct and independent, and the adjustment of consideration was merely a financing mechanism. The SDV differential should be attributed to the incremental area, justifying the addition.

The Hon'ble Mumbai ITAT held that the two agreements were separate and distinct transactions, and the second agreement was not a continuation of the first. It rejected the argument of non-monetary consideration, noting that appreciation forgone was not factored into the second agreement. ITAT upheld the addition of INR 28.93 lakhs under Section 56(2)(vii)(b) of the Act.

However, the Hon'ble Mumbai ITAT remanded the matter to the AO to verify and determine capital loss arising from the cancellation of the first agreement and allow set-off/carry forward as per law.

Aparna Sandeep Kulkarni [TS-1351-ITAT-2025(Mum)]

9.Failure to comply with filing audit report in Form 10B/10BB, disentitles the trust from exemption benefits under Section 11/12 of the Act

Shri Bhadreshwar Education and Social Welfare Trust ("the Assessee") is a charitable and educational trust engaged in running multiple educational institutions with objectives including education, healthcare, relief to the poor, and empowerment of women. The trust was provisionally registered under Section 12A(1)(ac)(vi) of the Act (effective from AY 2021–22 to AY 2023–24) and provisionally approved under Section 80G(5) of the Act.

For AY 2021–22, the Assessee filed its ROI on 31.03.2022, belatedly (the extended due date being 15.03.2022), declaring NIL income. The Assessee failed to file the mandatory audit report in Form No. 10B/10BB as required under Section 12A(1)(b) of the Act. The books of account were audited only on 16.03.2023, i.e., after the due date for furnishing the return of income, and notably after the intimation under Section 143(1) of the Act had been received.

The CPC disallowed the exemption claimed under Section 11 of the Act on the ground that the audit report was not furnished at least one month prior to the date of filing the return of income. Consequently, the entire gross receipts were treated as taxable income, resulting in a demand of INR 1.42 crore. Aggrieved by the intimation order, the Assessee filed an appeal before the CIT(A). The CIT(A) upheld the action of the CPC, observing that non-compliance with the conditions prescribed under Section 12A(ba)—i.e., timely filing of the return of income and the audit report—rendered the claim for exemption under Section 11 invalid. Aggrieved by this order, the Assessee preferred an appeal before the Hon'ble ITAT, Bangalore.

The Hon'ble ITAT upheld the CIT(A)'s finding that, as the audit report in Form No. 10B was not furnished either before the due date of filing the return of income or prior to the intimation under Section 143(1) of the Act, the Assessee was not entitled to claim exemption under Sections 11 and 12 of the Act, notwithstanding its provisional registration under Section 12A of the Act. The Hon'ble ITAT observed that Section 12A lays down mandatory preconditions for availing exemption under Sections 11 and 12, one of which is the timely submission of the audit report. Failure to comply with this requirement invalidates the claim for exemption.

The Hon'ble ITAT noted that while denying exemption, the tax authorities had erroneously taxed the entire gross receipts without allowing deductions for related expenditures, contrary to the principle of taxing only real income. Accordingly, while upholding the denial of exemption under Section 11 of the Act, the Hon'ble ITAT remitted the matter to the AO/AO (Exemptions) to verify the Assessee's expenditure claims as per the audit report and allow legitimate deductions in accordance with law. The Assessee was directed to produce audited books and supporting evidence.

Shri Bhadreshwar Education and Social Welfare Trust [TS-1295-ITAT-2025-Bang]

B. INTERNATIONAL TAXATION

1. *DTAA benefit denied as Assessee is not the beneficial owner of interest income under India–Cyprus DTAA*

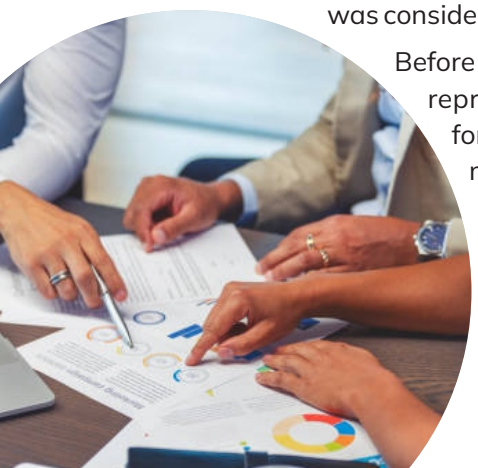
Silverplass Holdings Ltd. ("Assessee") is a non-resident company incorporated in and tax-resident of Cyprus, engaged in business of holding investment in shares and debentures. The Assessee had invested in 66,030 CCDs of its Indian AE, Amrapali Princely Estate Pvt. Ltd. ("APEPL"), carrying an interest rate of 17.75% per annum. During AY 2015–16, the Assessee earned interest income of INR 13.02 crore on such CCDs and offered it to tax at 10% under Article 11 of the India–Cyprus DTAA, claiming benefit of the lower treaty rate.

The AO noted that the Assessee had made only one investment since incorporation and had no business activity, employees, or substantive operation in Cyprus. The AO questioned whether the entity had been formed solely to avail lower tax rates under the India–Cyprus DTAA. On examination, the AO observed contradictions in the submissions, while the Assessee contended that it bore the risk and enjoyed the income from CCDs, it failed to produce any shareholders' agreement to substantiate its ownership and control. The AO further noted that the Assessee itself admitted that its shareholder, IL&FS India Realty Fund II LLC ("IIRF II"), a Mauritius entity, was the beneficial owner of the interest income and exercised attributes of ownership such as use, enjoyment, risk, and control.

Accordingly, the AO held that the Assessee was merely a conduit company created to obtain treaty benefits and was not the beneficial owner of the interest income for purposes of Article 11 of the India–Cyprus DTAA. The AO denied treaty benefits and taxed the interest income at 20% under Section 115A of the Act.

On appeal, the DRP upheld the AO's findings, comparing the arrangement with a similar structure in another entity, Silber Bella Holdings Ltd., which had also made a single investment, had no employees, and was considered a conduit.

Before the Hon'ble ITAT, no representative appeared for the Assessee despite multiple adjournments.



The Delhi bench of the ITAT examined the record and affirmed the findings of the tax authorities. The ITAT held that, in the absence of the shareholders' agreement and on the Assessee's own admission, it could not be regarded as the beneficial owner of interest income. Consequently, the Assessee was not entitled to treaty relief under the India–Cyprus DTAA, and the interest was rightly taxed at 20% under section 115A of the Act.

Silverplass Holdings Ltd. [TS-1308-ITAT-2025(DEL)]

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2. *Distribution income of Warner Bros not taxable in India where transactions with Indian AE are at arm's length; No further profit attribution warranted*

Warner Bros Distributing Inc. ("Company" or "Assessee") is a tax resident of the United States engaged in the business of distribution of cinematographic films. The Assessee entered into an agreement with its Indian AE, Warner Bros. Pictures (India) Pvt. Ltd. ("Warner Bros India"), granting exclusive distribution rights for theatrical films in India.

During the relevant AY, the Assessee received INR 53.52 crores from Warner Bros India as distribution revenue, which it claimed to be business income not taxable in India in the absence of a PE under Article 7 of the India–USA DTAA. The AO however held that Warner Bros India constituted a Dependent Agent PE (DAPE) of the Assessee under Article 5(4) of the DTAA and attributed 65% of the revenue (INR 34.78 crores) to the alleged PE as taxable business income.

The DRP upheld the AO's findings and further held that the income was alternatively taxable as royalty under Section 9(1)(vi) of the Act.

Aggrieved, the Assessee filed an appeal before the Hon'ble ITAT. The Assessee contended that Warner Bros India operated on a principal-to-principal basis and bore its own entrepreneurial risks, did not conclude contracts on behalf of the Assessee, and therefore did not constitute a DAPE. Even otherwise, since the inter-company transactions were at arm's length, no further profit attribution was warranted, relying on *CBDT Circular*[9] and the Supreme Court decision in DIT (International Taxation) v. *Morgan Stanley & Co.*[10]. It was further submitted that the receipts could not be treated as royalty in view of the exclusion under Explanation 2(v) to Section 9(1)(vi) for sale, distribution, or exhibition of cinematographic films.

The tax authorities argued that Warner Bros India habitually exercised authority to conclude contracts and performed core distribution functions in India on

[9] 23 (1969) and 5 (2004),
[10] (292 ITR 416)

behalf of the Assessee, constituting a DAPE, and alternatively that the income represented royalty for grant of distribution rights.

The Hon'ble ITAT observed that mere existence of authority to conclude contracts does not establish a DAPE unless such authority is exercised 'on behalf of' the foreign enterprise. The lower authorities had not demonstrated that Warner Bros India acted as an agent for the Assessee in negotiating or concluding contracts with third parties. Further, once the transactions between the Assessee and its AE are determined to be at arm's length, no further profit attribution is required, following the ratio of Morgan Stanley (supra). The Hon'ble ITAT noted that the TPO had accepted the transaction as being at arm's length in both preceding (A.Y. 2018–19) and subsequent (A.Y. 2022–23) years, where the contractual terms remained identical, and therefore no deviation was justified for the impugned year. Accordingly, the ITAT directed deletion of the Rs. 34.78 crore addition made by the AO. On the issue of royalty, the ITAT relied on its earlier ruling in Warner Bros Pictures Inc. and held that revenue from distribution of cinematographic films cannot be characterized as royalty under the Act or the DTAA.

Warner Bros Distributing Inc [TS-1347-ITAT-2025(Mum)]

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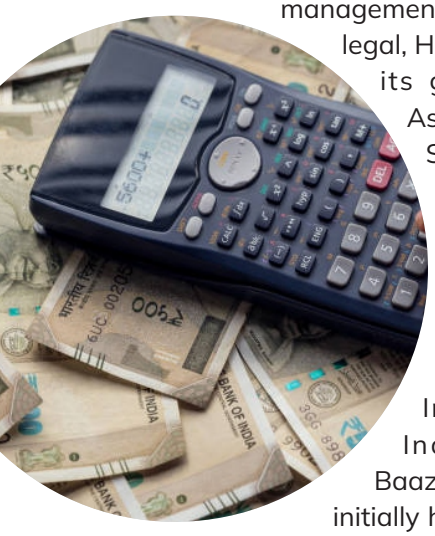
3. *Benefit of exemption from capital gains tax sustained in the absence of 'look through' clause in the India-Singapore DTAA*

eBay Singapore Services Private Limited (the Assessee) is a company incorporated in Singapore in 2003 and a subsidiary of e-Bay International AG. It provides e-commerce related services – product management, business development, legal, HR, and finance services to its group companies. The Assessee is a tax resident of Singapore. The Assessee is a holding company for investments in Asia Pacific region. In 2005, the eBay Group acquired Baazee Group globally (including a subsidiary in India named – Baazee India Private Limited – Baazee India). Bazee India was initially held by a Mauritian entity. Pursuant to acquisition, the Assessee became holding company of Baazee India (now known as eBay India). With the rise of evolving e-commerce market, the Assessee sold its India e-commerce operations to Flipkart vide share purchase agreement on 10.04.2017. The consideration for sale of shares in eBay India was discharged by way of issue of shares in Flipkart Singapore worth USD 225 Million (equivalent to INR 5,182.876 Crores). Also, the Assessee made an additional cash investment of USD 500 Million in Flipkart Singapore. However, such investment and shareholding of the Assessee was a minority stake in Flipkart Singapore.



In 2018, the Walmart Group decided to acquire a majority stake in Flipkart Singapore through its shareholders Fit Holding SARL (FHS), a Singapore based company. Therefore, the Assessee decided to sell its shareholding in Flipkart Singapore to FHS on 17.08.2018 for a sale consideration of INR 7,440.795 Crores. This transaction led to STCG on sale of shares of Flipkart Singapore in the hands of the Assessee amounting to INR 2,257.919 Crores. The Assessee claimed exemption under Article 13(5) of the India-Singapore DTAA in respect of this STCG and filed its ROI. During the assessment proceedings for the AY 2019-20, the AO misconceived that control and management of the Assessee in substance was situated in USA and not Singapore. Accordingly, he denied the said exemption and considered the STCG as taxable income. The Assessee filed its objections before the Hon'ble DRP which confirmed the addition. Aggrieved, the Assessee filed an appeal before the Hon'ble Mumbai ITAT.

Before the Hon'ble Mumbai ITAT, the Assessee contended that:

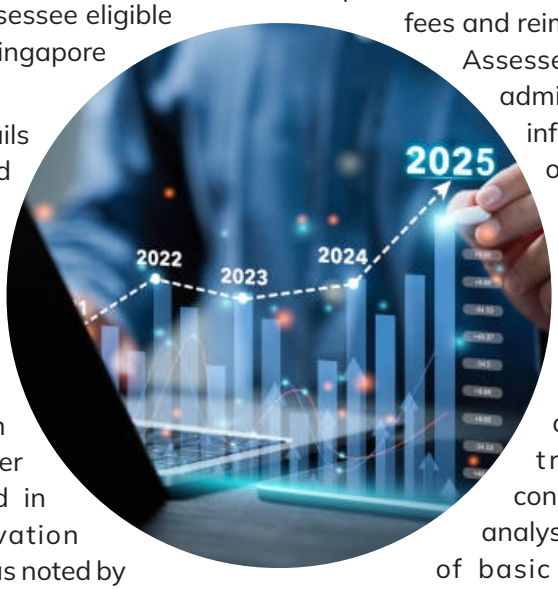
- The Assessee and Flipkart Singapore are Singapore tax residents. The Assessee has submitted a copy of the TRC for the Calendar Year 2018 and 2019.
- Article 13(5) of the India-Singapore DTAA is applicable to the Assessee since capital gains on transfer of shares of Flipkart Singapore (Singapore tax resident) by the Assessee (Singapore tax resident) are not taxable in India.
- Circular No. 789 dated 13.04.2010 and decision of Hon'ble SC in case of *Vodafone International Holdings BV*[11] clarified that a TRC should constitute sufficient evidence for accepting status of residence and beneficial ownership for applying DTAA provisions.
- Decision of Hon'ble SC in case of *Azadi Bachao Andolan*[12] and *P.V.A.L. Kulandagan Chettiar*[13] wherein it was held that a taxpayer has an option to choose the provisions of the Act or the DTAA, whichever is beneficial, in determining its liability to

[11] *Vodafone International Holdings BV (2012) 341 ITR 1*

tax in India.

- Decision of Hon'ble Andhra Pradesh HC in case of *Sanofi Pasteur Holdings SA*[14] wherein indirect transfers were held to be not taxable in India in terms of the relevant tax treaty.
- The view of AO that one of the directors of the Assessee was director of US entity, is proved to be factually incorrect by a letter given by eBay Singapore that such person was not a director or employee of eBay Singapore.
- The Board of directors of the Assessee were involved in the decision-making process on the key issues and there was no involvement of eBay Inc US in any of the decisions.

Per contra, the tax authorities relied on the assessment order. It was contended that Section 9(1)(i) of the Act applies to the transaction of indirect transfer. Further, the tax authorities placed reliance on AAR vs. *Tiger Global International II Holding*[15], and urged on the applicability of the said decision to the present case. It was further argued that TRC cannot be taken as conclusive proof for making the Assessee eligible for the benefits under the India-Singapore DTAA.



The Hon'ble ITAT perused the details and documents on records. It found that submissions made by the Assessee were not controverted by the tax authorities. Also, the provision of Section 9(1)(i) of the Act will not apply to the present case as the transactions does not fall within the ambit of sub-section (2). Also, the decision in case of Tiger Global (supra) cannot be applied in absence of preliminary observation regarding the layered transactions as noted by the Hon'ble SC. The Hon'ble ITAT noted that amended India-Mauritius DTAA or India-Cyprus DTAA contains a 'look through' rule for shares deriving substantial value which is not the case with India-Singapore DTAA. Therefore, in absence of a look-through clause, the Article 13(5) being residuary clause would be applicable to the Assessee. Accordingly, the appeal of the Assessee is allowed.

II. TRANSFER PRICING

1. Infrastructure fees and reimbursement of expenses are separate transaction and cannot be clubbed with basic transaction

During the AY 2021-22, Honda R & D (India) Pvt Ltd (the Assessee) has undertaken various international transactions with its AE (including provision of basic market research & testing services, reimbursement of expenses, expenses for infrastructure service fees, etc.). During the assessment proceedings, the TPO has accepted the benchmarking analysis in respect of basic market research & testing services. However, the TPO proposed TP adjustment on infrastructure fees and reimbursement of expenses. The Assessee filed its objections before the Hon'ble DRP which has confirmed the findings of the TPO. Aggrieved, the Assessee filed an appeal before the Hon'ble Delhi ITAT.

Before the Hon'ble ITAT, the Assessee contended that since the benchmarking analysis of basic market research & testing services is accepted by the TPO, no separate benchmarking is required for infrastructure fees and reimbursement of expenses. Also, the Assessee raised an alternative plea to admit additional evidence (in respect of infrastructure fees & reimbursement of expenses) which were not earlier submitted before the tax authorities for the purpose of benchmarking analysis. Per contra, the tax authorities contended that infrastructure fees & reimbursement of expenses are separate international transactions and cannot be considered as a part of benchmarking analysis carried out by TPO (for provision of basic market research and testing services).

The Hon'ble ITAT perused the submissions and held infrastructure fees and reimbursement of expenses as separate international transactions. Accordingly, these transactions are required to be evaluated based on TP provisions. The Hon'ble ITAT accepted the additional evidence submitted by the Assessee and remitted the same to AO/TPO with a direction to verify the same and redo TP study based on material available on record. Resultantly, the Hon'ble ITAT allowed the appeal of the Assessee for statistical purposes.

Honda R&D (India) Pvt Ltd [TS-593-ITAT-2025(DEL)-TP]

[12] *UOI vs. Azadi Bachao Andolan (263 ITR 306)*
[13] *CIT vs. P.V.A.L. Kulandagan Chettiar 267 ITR 654*
[14] *Sanofi Pasteur Holdings SA vs. Department of Revenue, MoF (2013) 354 ITR 316 (AP)*
[15] *Tiger Global International II Holdings Mauritius (429 ITR 288) (AAR)*

2. *Royalty / FTS held to be taxable on receipt basis. Adhoc disallowance cannot be made without recording any defect in the TP analysis of the Assessee*

Siemens Aktiengesellschaft ('the Assessee'), a non-resident company, engaged in the business of global engineering & technology, earned income from royalty and fees for technical services from its Indian AEs. During the scrutiny proceedings for the AY 2017-18, the matter was referred to the TPO for determination of the ALP of the international transactions. The Assessee benchmarked the transactions by adopting TNMM as the MAM. However, during the transfer pricing assessment proceedings, the TPO rejected the benchmarking documentation of the Assessee and made additions in the draft assessment order as under:

1. Calculating the value of transactions on accrual basis against receipt basis as followed by the Assessee – INR 414.71 Crore
2. Supply of software was treated as royalty income – INR 15.03 Crore
3. Offshore supply of goods taxable in India at 5% of total receipts on protective basis by treating the parties to the agreement, i.e. Assessee and Indian AE as an AOP – INR 1.64 Crore
4. Adhoc disallowance of 10%

Based on the above, the AO passed a draft assessment order. Aggrieved, the Assessee filed its objections before the DRP. The DRP upheld the adjustments in the draft assessment order and hence, the final assessment order was passed accordingly. Aggrieved, the Assessee filed an appeal before the Hon'ble Mumbai ITAT.

The Hon'ble ITAT observed that the issue of taxability of income on accrual or receipt basis was a recurring matter and also a covered matter in the Assessee's own case in previous year assessments. Accordingly, the Hon'ble ITAT following the decision of Hon'ble Bombay HC and coordinate bench in Assessee's own case held that the income should be taxed on receipt basis in accordance with the provisions of DTAA and not on accrual basis.

On the ground of supply of software taxable as royalty income, the Hon'ble Mumbai ITAT observed that the issue stands covered by the decision of co-ordinate bench in the case of Siemens AG (Assessee is demerged entity of Siemens AG) and is adjudicated in previous years in favour of Siemens AG. The Hon'ble ITAT further observed that the software is a standard software where no copyright was given by the Assessee. Further, the contract with CMRL was passed onto by Siemens AG to the Assessee with no change in facts. Further, applying the rationale of the Hon'ble SC in case of *Engineering Analysis Centre of Excellence Pvt Ltd*[16], and following the decision of co-ordinate bench in case of Siemens AG, the Hon'ble ITAT held that income derived from the supply of software cannot be taxed as royalty income either under DTAA or under the Act.

On the grounds of addition made towards offshore supply of goods, the Hon'ble ITAT observed that transfer of goods happened outside India and hence, the receipts are not liable to tax in India. The Assessee submitted that that there is no assessment ongoing in the hands of the AOP on substantive basis and hence protective assessment cannot be done without substantive assessment. In support of its contention, the Assessee relied on the Assessee's own case in previous years, the Hon'ble ITAT held that both the entities do not constitute AOP.

In relation to the TP adjustment of adhoc disallowance of 10%, the Hon'ble ITAT observed the findings in the Assessee's own case for the AY 2009-10. It was held by the co-ordinate bench of Hon'ble ITAT for the AY 2009-10 that *'... without finding any defect in such TP analysis and determination of ALP by the assessee, ld. TPO could not have resorted to adhoc mechanism for adding 10% markup on adhoc basis. Thus, in absence of any contrary inference drawn by the ld. TPO on the TP study report of the assessee and at the same time in the case of Indian AE, same transaction has been benchmarked and ALP has been determined then we do not find any reason for taking adhoc 10% mark-up. ...'* Accordingly, the adhoc disallowance was deleted.

In summary, the Hon'ble ITAT allowed the appeal of the Assessee.

Siemens Aktiengesellschaft [TS-581-ITAT-2025(Mum)-TP]

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3. *AO does not have the jurisdiction to make any adjustments relating to TP matters and hence the reassessment order passed by the AO on the said grounds is liable to be quashed and set aside.*

Weatherford Drilling and Production Services[17] (India) Pvt Ltd ('Assessee') filed its ROI for AY 2013-14. During the scrutiny proceedings, the matter was referred to the

[16] *125 taxmann.com 42(SC)*
[17] *TS-571-HC-2025(GUJ)-TP*

TPO for determination of the ALP of the International transactions. The TPO passed the order without making any adjustments. Accordingly, the assessment order was passed under Section 143(3) r.w.s 92CA of the Act without any adjustments.

Thereafter, the Assessee received a notice under Section 148 dated 31.3.2021 asking the Assessee to file its ROI. In response, the Assessee filed its ROI and sought for reasons recorded for reopening. The basis for reopening the assessment as shared by the tax authorities stated that the Assessee had not shown consistency in application of filters as well as in selection of comparables in the year under consideration while comparing to previous years as per the DRP's order. The reasons for reopening further stated that the Assessee has not truly disclosed all material facts necessary for conclusion of assessment. The Assessee filed its objections against the re-opening of the assessment. The tax authorities instead of disposing the objections issued a notice under Section 142(1) of the Act asking for various details in connection with the assessment. Thereafter, the tax authorities issued a SCN. The Assessee filed a writ petition before the Hon'ble Gujarat HC challenging the notice of reassessment and to which an order was passed by the Hon'ble HC granting an ad-interim relief to the Assessee. However, the tax authorities proceeded to pass the assessment order and issued notice of demand along with levy of penalty on 30.03.2022.

During the proceedings, the Hon'ble HC observed that the AO has referred the case to the TPO for determination of the ALP during the scrutiny proceedings and that the TPO after considering the due submissions of the Assessee passed the order without making any adjustments pursuant to which the AO was duty bound to incorporate the same in its final assessment order.

Further relying on the principles as laid down in the decision of Principal Commissioner of Income Tax-4, Mumbai v. S.G. *Asia Holding (India) Private Limited*[18] wherein it was held that the order passed by the TPO is binding on the AO and is not a subject matter of even revision before the CIT or by the DIT. The act of the AO to reopen the matter on TP grounds has violated the guidelines issued by the CBDT in Instruction No. 3 of 2003 with reference to TPO.

Weatherford Drilling and Production Services (India) Pvt Ltd [TS-571-HC-2025(GUJ)-TP]

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4. *For computation of margin on the transaction with AEs, domestic revenue/expenditure transactions should be excluded. For loans denominated in INR currency, the interest should be benchmarked using SBI PLR rate.*

Invesco (India) Private Limited[19] (Assessee) is engaged in the business of providing Information Technology Enabled Services ("ITES") and has provided ITES to its AE during the year. The Assessee filed its ROI for AY 2021-22, and the case was selected for scrutiny. During the year under consideration, the Assessee has conducted the search and identified the comparables from prowess and capitaline database and benchmarked the ITES transaction separately by computing segmental margin of the ITES transaction with AE. Further, the Assessee applied the RPT filter of 25% by aggregating related-party revenue and expenditure and dividing the same by total revenue. In respect of outstanding receivables and interest on CCDs, the Assessee benchmarked the transactions on the basis of LIBOR + 200 basis points and SBI Prime Lending Rate (PLR) rate respectively.

The TPO rejected the benchmarking of the Assessee and made upward adjustment in its draft order as under:

1. The TPO recalculated the margin on ITES transactions by including domestic revenue and expenditure transactions, i.e. entity level margins.
2. The TPO changed the approach of RPT filter and applied the RPT filter separately for revenue and expenditure.
3. Excluded certain comparables as the same did not appear in the prowess search conducted by the TPO.
4. Recomputed the Interest on overdue receivables by applying SBI short-term deposit rate
5. Benchmarked the interest on CCDs by applying Singapore Interbank Offered Rate ('SIBOR') rate

Aggrieved by the draft assessment order, the Assessee filed objections before the Hon'ble DRP. The Hon'ble DRP, without giving any specific findings, upheld the approach of TPO and issued its directions. Based on these directions, the final assessment order was passed by the AO. Aggrieved, the Assessee filed its appeal before the Hon'ble Hyderabad ITAT.

[18] *(2019) 13 SCC 353 = {[108 Taxmann.com 213]}*
[19] *[TS-597-ITAT-2025(HYD)-TP]*

The Hon'ble ITAT observed that neither the TPO nor the DRP has given any specific reasoning or findings for inclusion of domestic revenue and expenditure in the calculation of margins. The Hon'ble ITAT held that inclusion of domestic revenue or expenditure results in distortion of profitability from AE transactions and directed the TPO to recalculate the operating margin of the Assessee afresh after excluding the domestic transactions.

On the ground of RPT filter, the Hon'ble ITAT observed that the Assessee's methodology was accepted by the TPO in earlier years. Relying on the decision of Hon'ble Bangalore ITAT in the case of *Toyota Kirloskar Motor Pvt. Ltd*[20], the Hon'ble ITAT followed the principle of consistency and held that the RPT filter should be applied on aggregate basis. It further held that once the method has been accepted by the TPO in the earlier years and in the absence of any change of law or facts, the same method should be followed.

On the ground of inclusion of comparable not found in prowess database, the Hon'ble ITAT held that selection of comparable is dependent on whether the company satisfies the FAR analysis and passes the filter test. Mere exclusion of the comparable on the ground of not appearing in one database is not tenable as both the databases are validly recognized databases. The Hon'ble ITAT directed the TPO to run the fresh search on capitaline database with the directions to include the company only when it passes the FAR analysis.

On the ground of Interest on overdue receivables, the Hon'ble ITAT following the ITAT judgement in Assessee's own case in earlier year directed the TPO to recompute interest on overdue receivable at the rate of LIBOR+200 basis points.

The Hon'ble ITAT relying on the decision of Special Bench of the Hon'ble ITAT in Assessee's own case for earlier years held that interest paid/payable on FCCDs/NCDS/other debentures denominated in Indian currency should be benchmarked using SBI PLR. In the instant case the CCDs were issued by the Assessee in Indian currency. Applying the rationale of Special bench, the Hon'ble ITAT directed the TPO to recalculate the arm's length interest on CCDs by applying SBI PLR instead of SIBOR.

In summary, the Hon'ble ITAT allowed the appeal of the Assessee.

Invesco (India) Private Limited [TS-597-ITAT-2025(HYD)-TP]

[20] *Toyota Kirloskar Motor Pvt. Ltd. vs. ACIT [147 Taxmann.com 558]*

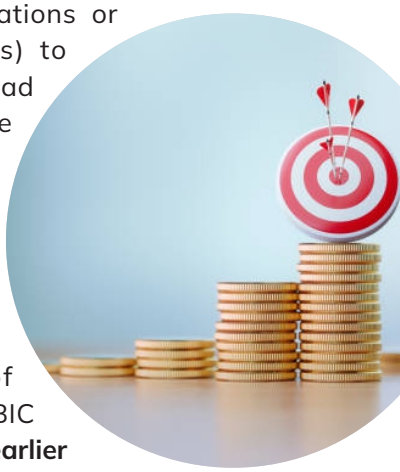
III. GOODS AND SERVICES TAX

A. CIRCULARS & INSTRUCTIONS

1. *Circular No. 253/10/2025–GST dated 1 October 2025*

The Central Board of Indirect Taxes and Customs (CBIC) has issued the present circular under Section 168(1) of the CGST Act, 2017, withdrawing **Circular No. 212/6/2024–GST dated 26 June 2024.**

Circular No. 212/6/2024-GST laid down a detailed procedure and documentary requirements (such as obtaining recipient declarations or professional certifications) to prove that the recipient had reversed the proportionate Input Tax Credit (ITC) corresponding to post-sale discounts allowed through credit notes. Thus, to avoid unnecessary procedural complexity and ensure uniform interpretation of Section 15(3)(b)(ii), the CBIC has now **withdrawn the earlier procedural guidelines.**



While the withdrawal removes the mandatory documentary requirements prescribed earlier, the **statutory condition** under Section 15(3)(b)(ii) continues to apply. The Board's action merely grants flexibility in the nature of acceptable proof; it does not waive the underlying compliance requirement.

2. *Instruction No. 06/2025–GST dated 3 October 2025*

The CBIC has issued Instruction No. 06/2025 to ensure uniformity in the implementation of refund provisions and to streamline the process for granting provisional refunds based on system-based risk assessment. The instruction follows the amendment to Rule 91(2) of the CGST Rules, 2017, notified vide Notification No. 13/2025–Central Tax dated 17 September 2025, and in effect from 1 October 2025.

The Refund applications filed post 1 October 2025, will be classified as “low-risk” by the system, shall be granted 90% provisional refunds, while the remaining cases will undergo detailed scrutiny under Rule 92 of the CGST Rules. The statutory preconditions for provisional refund remain unchanged. However, the exclusion of certain category of persons not eligible for provisional refund is subject to Notification No. 14/2025-Central Tax dated 17 September 2025.

Officers have been advised to exercise discretion

sparingly and not to deny refunds for routine or presumptive reasons. Where provisional refunds exceed admissible amounts, officers must issue notice in FORM GST RFD-08 under Sections 73, 74, or 74A of the CGST Act.

It has also been clarified that pending formal amendment to Section 54(6), the risk-based provisional refund mechanism will temporarily apply to inverted duty structure (IDS) refund claims filed on or after 1 October 2025. The functionality for such processing has been enabled on the GSTN portal.

B. CASE LAWS

1. ***Blocking of Electronic Credit Ledger without recording reasons under Rule 86A is in violation of principles of natural justice***

The Assessee's electronic credit ledger was blocked by the Tax Authorities vide order dated 8 September 2025, invoking Rule 86A of the CGST Rules and Maharashtra GST Rules. The order did not record the reasoning for such action or provide the satisfaction to "reason to believe" requirement. Prior to such blocking, the Assessee received notices and summons seeking details regarding the disputed transactions. The Assessee appeared once and sought time to furnish documents but did not subsequently comply. Aggrieved by the blocking of the electronic credit ledger and the lack of recorded reasons or post-decisional hearing, the Assessee filed a writ petition before the High Court.

The Court observed that the Tax Authorities has failed to provide the "reason to believe" as provided under Rule 86A of the CGST Rules and proceeded to block the electronic credit ledger. The High Court made reference to the decisions of the Gujarat High Court in the matter of New Nalbandh Traders v. State of Gujarat (2022) 66 G.S.T.L. 334 (Guj.), wherein it was held that even where reasons are cited, a post-decisional hearing be given to the Assessee.

The Court noted that the Tax Authorities have expressed willingness to grant such hearing, and the Assessee had also undertaken to cooperate in the proceedings.

The High Court, while setting aside the order, held that interference was justified in view of the absence of a reasoned order and violation of principles of natural justice. The Court also directed to furnish a bank guarantee of ₹6.50 crores, which is not to be encashed until four months after the final decision. The Court vide this decision has reinforced the principles of natural justice and that the Tax Authorities cannot mechanically proceed to block the electronic credit ledger without following the due process provided under law.

Rithwik Projects Pvt. Ltd. v. Union of India, High Court of Bombay (Aurangabad Bench), decision dated 1 October 2025, reported at (2025) 35 Centax 104 (Bom.)

2. ***Time period from filing of refund claim till communication of deficiency memo to be excluded while computing limitation period under Section 54 of the CGST Act.***

The Assessee, engaged in the manufacture of textile products, filed a refund application under Section 54 of the CGST Act, for the refund of IGST paid on procurement of capital goods for export. The refund claim was filed within 2 years from the relevant date as prescribed. Upon scrutiny, a deficiency memo in Form GST RFD-03 was issued by the Tax Authorities alleging non-furnishing of declarations and documents. The Assessee subsequently filed rectified refund applications along with all requisite documents. The refund was, however, rejected on the ground that the rectified claim was to be treated as fresh proceedings and that it was filed beyond the prescribed two-year limitation period. Aggrieved, the Assessee filed a writ petition before the Gujarat High Court challenging the rejection order.

The question that was raised before the High Court was whether the period between the filing of the refund claim and the communication of deficiency memo under Rule 90(3) of the CGST Rules, should be excluded while computing limitation under Section 54(1) of the Act. The High Court in this regard held that a deficiency memo issued only points out the technical defects and does not reset the time limit for seeking a refund. The Court relied on its earlier decision in the case of La-Gajjar Machineries (P.) Ltd. v. Union of India and the Delhi High Court's ruling in National Internet Exchange of India v. Union of India, to hold that the time consumed from the date of filing the refund claim till the communication of deficiency in Form GST RFD-03 must be excluded while determining the two-year period.

The Court quashed the order rejecting the refund claim as time-barred and directed the restoration of the refund application for consideration on merits.

Varidhi Cotspin Pvt. Ltd. v. Union of India, High Court of Gujarat, decision dated 7 October 2025, reported at (2025) 35 Centax 136 (Guj.)

3. ***Parallel proceedings under GST barred once initiated by either State or Central Authority***

The Assessee, engaged in works contracts and registered under both CGST and Orissa GST Acts, was subjected to simultaneous proceedings by the State

GST and Central GST authorities on the allegation of wrongful availment of Input Tax Credit (ITC) based on fake invoices issued by non-existent suppliers. The State Tax Officer had issued a notice in July 2021 under Section 74 of the OGST/CGST Act, determining the liability through adjudication orders passed in April 2023. Meanwhile, the DGGI issued a separate notice in August 2021 under Section 74 for the same tax periods and allegations. The Central authority thereafter passed an Order-in-Original (OIO) in January 2025 and raised demands through DRC-07. Aggrieved, the Assessee approached the Orissa High Court contending that such parallel actions by both authorities on identical subject matter were impermissible under Section 6(2)(b) of the Act.

The Tax Authorities argued that the summons issued by the Central authority in May 2019 constituted prior initiation of proceedings and that the State proceedings were based on intelligence shared by the Central department. The Assessee, however, maintained that the proceedings were formally initiated only upon the issuance of the SCN, and since the State authority had issued the SCN earlier, the subsequent Central proceedings were without jurisdiction.

The High Court held that the issuance of a notice constitutes the initiation of proceedings, while inquiry or summons do not. It was observed that the State and Central authorities acted on the same suppliers, periods, and allegations, thus involving the same "subject matter."

The Court therefore quashed the DGGI notice dated 13.08.2021, the subsequent OIO, along with the related DRC-07, holding them to be invalid and inoperative. The Court concluded that once one authority initiates proceedings under Section 74, the other is barred from initiating fresh proceedings on the same issue under Section 6(2)(b) of the Act. The judgment reinforces the prohibition on parallel adjudication under GST and ensures that taxpayers are not subjected to double proceedings on the same subject matter.

Tansam Engineering and Construction Company vs Commissioner, CGST and Central Excise, Rourkela, High Court of Orissa, Cuttack, decision dated 14 October 2025, reported at (2025) 35 Centax 155 (Ori.)

4. *GST is not to be included for calculating stamp duty on renting or leasing of residential dwelling*

The Assessee had entered into a lease deed for the purpose of renting the property for residential purposes. While registering the lease deed the sub-registrar impounded the lease deed under Section 33 of the Indian Stamp Act, 1899, on the ground that the GST shall included for computing the stamp duty.

The Assessee contended that the that residential lease used for residential purposes were exempt from GST under Entry No. 12 of Notification No. 12/2017-CT (Rate) dated 28 June 2017. Thus, no GST was applicable on the residential lease executed. Further, it was also contended that where GST is applicable on execution of lease deed, the same has been specifically excluded vide Circular No. 3759/01/2015-2 dated 24 May 2019, issued by the Inspector General of Registration, Chennai, which clarified that GST is not a recurring charge on property and hence cannot be treated as part of rent under Article 35 of Schedule I to the Indian Stamp Act. The Assessee also placed reliance on Circular No. 44/18/2018-CGST dated 02.05.2018, which clarified that renting of residential dwellings for residence was exempt.

Aggrieved by the order passed by the Collector dated 19 October 2020, the Assessee filed a writ petition before the Delhi High Court to determine whether the GST component on a lease deed executed for residential purposes could be included in the computation of stamp duty.

The High Court allowed the writ petition, holding that Entry No. 12 of Notification No. 12/2017, clearly exempts the renting of a residential dwelling for use as a residence from levy of GST. Consequently, there was no justification for including the GST component while determining the lease rent for the purpose of stamp duty computation. Accordingly, the Court quashed the impugned order dated 19 October 2020 passed by the Collector of Stamps, holding it to be misconceived and unsustainable in law.

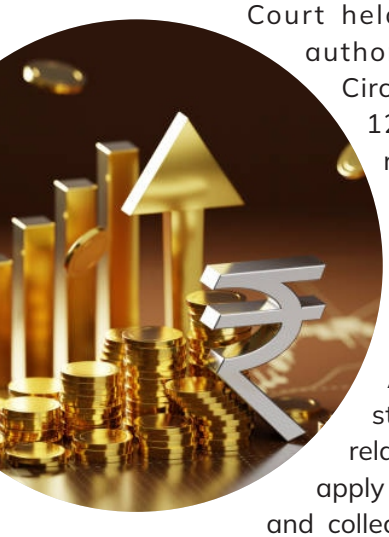
Mr. Gurdev Raj Kumar Versus Collector of Stamps (Government of NCT of Delhi), High Court of Delhi, decision dated 28 October 2025, W.P.(C) 1463/2021

5. *Refund of ITC of Compensation Cess availed on Coal used for Export of Goods is allowed*

The Assessee is a manufacturer and exporter of goods and had purchased coal upon payment of compensation cess and manufactured goods that were exported under a LUT. The export of goods was subject to payment of IGST, however the transaction didn't attract levy of compensation cess. Accordingly, the Assessee filed refund application claiming refund of the unutilized ITC of cess paid on coal. Initially, refunds were granted, however, later SCN's were issued rejecting the refund claims based on Circular No. 125/44/2019-GST dated 18 November 2019 and para-5 of Circular No. 45/19/2018-GST dated 30 May 2018. The Tax Authorities argued that refund of unutilized ITC of compensation cess was not permissible where

exports were made on payment of IGST.

Aggrieved by the rejection order, the Assessee filed a writ petition before the Gujarat High Court. The High Court held that the departmental authorities had misinterpreted Circulars No. 45/19/2018 and 125/44/2019 while denying refund of unutilized ITC of Compensation Cess. It was observed that from a combined reading of Section 54(3) of the CGST Act, and Sections 16(3) of the IGST Act and 11(2) of the Cess Act, stipulate that the provisions relating to ITC and refund shall apply mutatis mutandis to the levy and collection of Compensation Cess. The proviso to Section 11(2), which restricts utilization of cess credit only for payment of cess, was held inapplicable since no cess liability arose on exports.



The Court while quashing the rejection order held that the Assessee was entitled to refund of unutilized ITC of Compensation Cess paid on coal used in manufacturing exported goods.

The Court clarified that refund of unutilized Compensation Cess on export inputs cannot be denied merely because exports were made on payment of IGST, when no cess is leviable on such exports. Circulars No. 45/19/2018 and 125/44/2019 must be read harmoniously with Section 54(3) of the CGST Act and Section 11(2) of the Cess Act.

The Supreme Court, while hearing declined to interfere with the Gujarat High Court's ruling, thereby affirming exporters' entitlement to refund of unutilized ITC of Compensation Cess on inputs used in goods exported on payment of IGST, where no cess is leviable.

By dismissing the SLP, the Supreme Court upheld the High Court's interpretation, settling that exporters can claim refund of unutilized Compensation Cess even when exports are made on payment of IGST, as the cess component remains unutilized. The ruling aligns the zero-rated supply framework under the IGST Act with refund provisions under the CGST Act and Cess Act.

Union Of India & Ors. Versus Patson Papers Private Limited, Supreme Court, decision dated 27 October 2025, Special Leave Petition (Civil) Diary No. 49578/2025

IV. CIRCULARS AND NOTIFICATIONS

1. *CBDT authorizes CIT and ACIT/JCIT to issue rectification and demand orders for cases processed through CPC–AO interface*

CBDT has issued a directive authorizing the Commissioners of Income-tax, as listed in the attached Schedule, to exercise concurrent powers within their respective jurisdictions. These powers include the authority to:

(I) rectify mistakes apparent from records u/s 154 of the Income-tax Act, such as errors in tax computation, refund determination, or demand, as well as omissions related to prepaid tax credits, eligible reliefs, or interest calculations u/s 244A of the Act; and

(ii) issue notices of demand u/s 156 in connection with such rectified cases.

This directive applies to the territorial areas, categories of cases, persons, and classes of income as specified in the corresponding entries of the Schedule.

The notification empowers the Commissioner of Income-tax to delegate powers and functions in writing to the Additional or Joint Commissioners under their supervision for specific areas, persons, or classes of cases as listed in the Schedule. It further authorizes these Additional or Joint Commissioners to issue written orders delegating such powers and functions to the AO subordinate to them, for the same specified jurisdictions and categories as permitted by the Commissioner.

V. REGULATORY UPDATES

1. *Circular on Governing Boards of Market Infrastructure Institutions*

IFSCA has issued a circular on strengthening governance norms for Market Infrastructure Institutions (MIIs). The framework mandates that governing boards include directors with expertise across capital markets, finance, law, and technology, with at least one Public Interest Director (PID).

The circular also lays down clear structured process for appointment and reappointment of PIDs led by the Nomination and Remuneration Committee, subject to IFSCA's approval. MIIs are directed to frame a performance review policy for the PIDs and also ensure knowledge upgradation of PIDs through training programs conducted annually in the relevant areas. These measures are designed to enhance

transparency, investor confidence, and long-term resilience of MIIs in India's international financial ecosystem.

2. *Facilitation of External Trade and payments*

In order to facilitate external trade and payments the Reserve Bank of India has made several amendments to the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 and Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015.

To facilitate cross border trade transactions AD banks in India have been permitted to lend in Indian rupees to person resident in Bhutan, Nepal and Sri Lanka. Indian exporters were allowed to open foreign currency accounts with a bank outside India for export purposes. The repatriation period for unutilized balances in the accounts maintained with a bank in IFSC has been extended upto three months, which earlier was by the end of month next to the date of the realization.

3. *Access to FX-Retail Platform through Bharat Connect*

The FX-Retail platform by Clearcorp has been linked with the Bharat Bill Payment System (Bharat Connect). This link will now allow individual customers of participating banks to easily buy or sell foreign currency (like US Dollars) through their bank's digital channels or third-party apps such as CRED and Mobikwik.

A pilot of this new system was launched at the Global Fintech Fest 2025 by RBI Deputy Governor T. Rabi Sankar. Initially, customers of Axis Bank, Federal Bank, ICICI Bank, State Bank of India, and Yes Bank can use it. They can purchase US Dollars using Indian Rupees for foreign remittances, forex cards, or cash currency. Customers of Federal Bank and SBI can also access it directly through their internet banking.

Going forward, more banks, apps, and types of forex transactions will be added. Detailed guidelines and FAQs are available from Clearcorp and NPCI Bharat BillPay Ltd.

This linkage will make it easier for people to buy foreign currency online safely and conveniently through familiar apps and bank platforms.

4. *IFSCA Facilitates Bullion Imports via IIBX for Qualified Jewellers and TRQ Holders*

IFSCA has issued a pivotal circular enabling the import of gold and silver through the India International Bullion Exchange (IIBX) by two key categories: Qualified Jewellers (QJs) and holders of Tariff Rate Quota (TRQ) licenses under the India–United Arab Emirates Comprehensive Economic Partnership Agreement (India-UAE CEPA). This initiative is a significant step toward streamlining bullion imports and positioning GIFT City as a global bullion trading hub.

To be recognized as a QJ, an entity must be engaged in the business of precious metals under specific ITC(HS) codes—namely 7106 (silver), 7108 (gold), and 7113 (jewellery articles). The eligibility criteria includes timely filing of GST returns and demonstrating either a minimum of 60% turnover from precious metals over the last three financial years or 90% in the immediately preceding year. Additionally, the applicant must maintain a minimum net worth of ₹15 crore, supported by a certificate from a practicing CA or CS. Applications are submitted through IIBX, which verifies the credentials and forwards them to IFSCA for final notification.

Once approved, QJs can participate in IIBX either as clients of registered Bullion Trading Members or as Special Category Clients, which allows them direct access to the exchange without requiring a physical presence in the IFSC. This dual-mode access is designed to encourage broader participation from domestic jewellers while maintaining robust regulatory oversight.

For TRQ holders under the India-UAE CEPA, the circular provides a simplified route. Entities holding a valid TRQ license issued by the Directorate General of Foreign Trade (DGFT) are automatically eligible to import UAE Good Delivery (UAEGD) gold through IIBX. These entities are not required to undergo a separate QJ registration process. However, their eligibility is valid only for the duration of the TRQ license and is subject to continued compliance with DGFT norms.

RBI has also permitted advance remittance for the import of gold and silver through IIBX. QJs and TRQ holders can remit funds in advance based on an authenticated price document issued by IIBX. The remitted amount must be utilized within 11 calendar days, failing which it must be refunded to the remitter. Notably, only buy orders are permitted for Bullion Depository Receipts (BDRs), and these must be settled in accordance with IFSCA's regulatory framework.

All participants must comply with the IFSCA (Bullion Exchange) Regulations, 2020, the IFSCA (Bullion

Market) Regulations, 2025, and applicable guidelines issued by the RBI, DGFT, and under Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) obligations. IIBX is responsible for conducting market surveillance and is mandated to submit monthly reports to IFSCA, ensuring transparency and regulatory compliance.

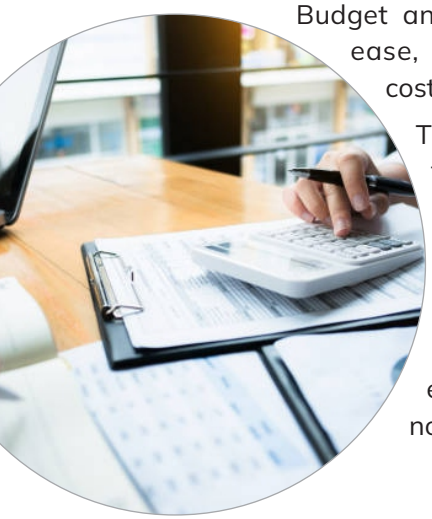
This regulatory development is expected to significantly enhance India's bullion ecosystem by simplifying access for domestic jewellers, leveraging international trade agreements, and fostering a secure and efficient bullion trading environment within GIFT City.

5. Foreign Currency Settlement System

The IFSCA has launched the Foreign Currency Settlement System (FCSS) to facilitate settlement of transactions in foreign currencies by IFSC Banking Units (IBUs). CCIL IFSC Limited (CIL) has been authorized to operate the FCSS under the Payment and Settlement Systems Act, 2007, with Standard Chartered Bank (IBU) designated as the Settlement Bank. Initially, the FCSS will handle transactions in US Dollars (USD) and operate on a gross settlement basis between 08:00 a.m. and 08:00 p.m. IST on business days. The system supports ISO 20022 messaging standards for global compatibility. IBUs can become members of FCSS by meeting the prescribed access criteria and following procedures detailed in the Bye-Laws, Rules, and Regulations (BRR).

6. SEBI releases Consultation Paper on Administration of Stock Exchanges

SEBI has issued a consultation paper dated October 8, 2025, seeking public feedback on proposed modifications to the Master Circular for Stock Exchanges and Clearing Corporations and the Master Circular for the Commodity Derivatives Segment. The move aligns with the Finance Minister's FY 2023–24 Budget announcement to simplify, ease, and reduce compliance costs in the financial sector.



The proposed revisions aim to streamline regulatory requirements, eliminate redundant provisions, and merge overlapping frameworks for stock and commodity derivatives exchanges. Among the notable proposed changes are the discontinuation of obsolete provisions like exchange code allotments and outdated exit timelines, rationalized attendance norms for Public Interest Directors (PIDs), and simplified reporting mechanisms to reduce administrative burden.

SEBI also proposes a single Investor Protection Fund (IPF) for exchanges across equity and commodity segments, harmonizing norms on contributions, utilization, and oversight.

Additional measures which are open for public comments include updating exit policy thresholds, clarifying timelines for Exclusively Listed Companies (ELCs), delegating certain enforcement powers to internal committees, and separating circulars for stock exchanges and clearing corporations for better compliance clarity.

7. SEBI announces extension for implementation of Algo Trading Measures

SEBI has issued a circular dated 30th September, 2025 extending the timeline for implementation of algo trading by retail investors covered vide circular issued in February 2025 titled “Safer participation of retail investors in Algorithmic trading”.

The implementation of algo trading has been delayed and additional time is required to carry out necessary changes in systems. Firstly, brokers who are ready with the required systems should go live w.e.f 10 October 2025. For those brokers who are not ready to go live from 1st October 2025, they shall provide information regarding the number of existing clients in the format specified by the exchange.

Stock brokers who are yet to carry out the necessary system changes can implement the same as per the following milestones:

Milestone 1-

- To apply for registration for algo trading purposes with exchange by – 31st October, 2025.

Milestone 2 -

- Registration of retail algo products coming through Application Program Interface (API) shall be done by – 30th November, 2025.

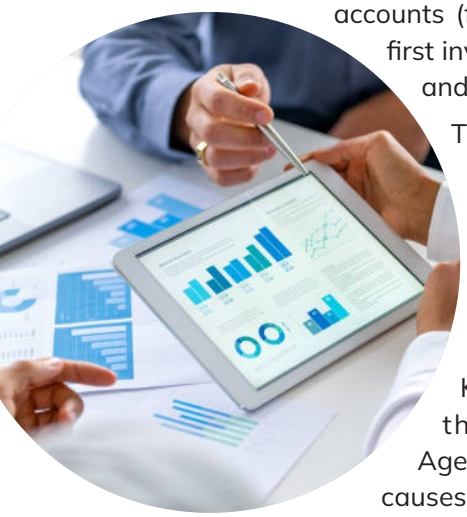
Milestone 3-

- Stock brokers are required to participate in at least one mock session with new functionality by 3rd January, 2026 to the exchange.

If the stock brokers fail to comply with the above milestones, they will be barred from onboarding new clients for API based algo trading w.e.f 5 January 2026.

8. *Consultation Paper on Standardization of Process for Opening of Mutual Fund Folios and Execution of First Investment*

SEBI has released a paper asking for public feedback on making the process of opening mutual fund accounts (folios) and making the first investment more uniform and secure.



The main goal is to make sure that every new investor is fully KYC verified before they can start investing. At present, some folios are opened before the KYC is fully approved by the KYC Registration Agency (KRA), which later causes problems — investors cannot make transactions, receive redemption money or dividends, and AMCs face issues in contacting investors or transferring money.

To fix this, SEBI has proposed that:

1. AMCs must first verify the investor's KYC details.
2. KRA should complete and confirm the KYC before the folio is marked as "KYC compliant."
3. The first investment will be allowed only after this step.
4. Investors will be kept informed through email or SMS at every stage.

People can share their comments on SEBI's website by November 14, 2025. This new rule will help make mutual fund investments safer, avoid payment issues, and ensure all investor details are properly verified.

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9. *SEBI releases Consultation paper on Listing Obligations and Disclosure Requirements Regulations*

SEBI has released a Consultation Paper proposing amendments to certain provisions of the SEBI LODR (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Since April 1, 2019, SEBI discontinued transfers of physical shares to promote dematerialisation. Investors who lodged transfer deeds before this date, but whose transfers were rejected or delayed, were initially allowed to re-lodge them until March 31, 2021. However, SEBI received multiple representations from investors and RTAs citing missed deadlines due to issues such as: death of the seller, dissolution of entities, non-traceable or non-cooperative transferors, incorrect submission to wrong RTAs, etc. SEBI has proposed to amend Regulation 40(1) of LODR to allow transfers of such physical securities for a limited period as may be specified by SEBI. This exception will only apply to transfers executed before April 1, 2019.

The current process for dematerialization of shares involves:

- The RTA issuing a Letter of Confirmation (LOC) in lieu of physical certificates, valid for 120 days.
- Investors submitting this LOC to their Depository Participant (DP) for dematerialisation.
- If not submitted in time, securities are transferred to a Suspense Escrow Demat Account (SEDA).

This system leads to increased turnaround time for dematerialization and requires additional effort from investors.

SEBI proposes to eliminate the LOC process entirely. Instead, RTAs will directly credit securities to the investor's demat account after due diligence. Investors must have a demat account and provide its Client Master List (CML) when submitting their service requests. Accordingly, Regulation 39(2) of the LODR Regulations will be suitably amended.

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10. *IFSCA – Consultation Paper on Framework for Differential Distribution*

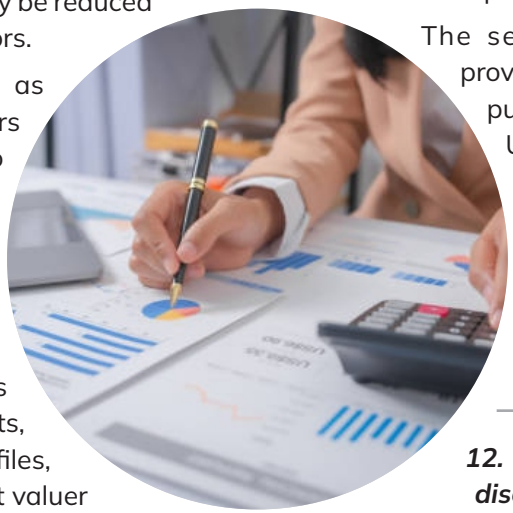
With the growing importance of blended finance (strategic use of public, concessional, or philanthropic capital to mobilize private investment for projects advancing sustainable development and social objectives), IFSCA has released a consultation paper proposing a regulatory framework to facilitate differential distribution for Venture Capital Schemes and Restricted Schemes under the IFSCA (Fund Management) Regulations, 2025.

The schemes would be allowed to offer Senior and Junior/Subordinate units to investors. Where, the senior units will carry priority rights over distribution proceeds, while subordinate units will bear higher risk and potentially lower returns.

For ESG-focused schemes, IFSCA proposes to allow acceptance of grants up to 20% of the total corpus, providing an avenue for philanthropic or concessional capital to catalyze investments in sustainable projects aligned with the United Nations Sustainable Development Goals (SDGs). The fund manager will be required to disclose how such investments advance these goals. To mitigate concentration risk, non-ESG schemes adopting differential distribution will be

required to limit exposure to 25 percent of the corpus in a single investee company or its associates, with a two-year transition period to achieve diversification after the first close.

Further, to ensure safe investor participation in higher-risk classes, the minimum investment threshold for investors subscribing to junior or subordinate units is proposed at USD 2 million, which may be reduced to USD 1 million for accredited investors.



To prevent potential misuse, such as evergreening of loans, fund managers will be mandated to ensure that no portion of the scheme's investment is used, directly or indirectly, by the investee company to service obligations towards any investor in the scheme or its associates.

To address valuation challenges arising from multiple classes of units, each with distinct risk and return profiles, IFSCA proposes that an independent valuer compute the NAV separately for each class of units. This will ensure uniformity, transparency, and fairness in valuation practices across funds.

Recognizing the risk of mis-selling, particularly for complex fund structures, IFSCA has proposed enhanced disclosure requirements in the Placement Memorandum (PPM). Fund managers will be required to clearly articulate the distribution waterfall and the hierarchy of payments through illustrative examples. The PPM must also prominently disclose the risks associated with subordinate classes of units, highlighting potential loss of capital and subordination of returns relative to senior investors.

11. IFSCA seeks public consultation on amendments to Banking Handbook

IFSCA has issued a public consultation on proposed amendments to the Banking Handbook: Conduct of Business (COB) Directions, specifically to Module 16 titled “Providing Credit.” The proposed changes aim to align IFSCA's regulatory framework with international best practices, including the Basel norms. The amendments focus on two key areas: (a) advances to directors and (b) restrictions on credit to companies for the buy-back of their securities.

Under the revised framework for advances to directors, IBUs may grant loans to a director of the parent banking company or to any related party of such a director, provided that strict governance and risk management measures are in place. These include establishing a clear policy on loans to related parties, ensuring that such loans are conducted free of conflicts of interest, and that the terms and conditions are not more favorable than those offered to other borrowers under similar circumstances. Additionally, IBUs are required to inform the Department of Banking Supervision at IFSCA within fifteen working days of any such related-party transaction.

The second amendment concerns the provision of credit to companies for the purpose of buy-back of their securities. Under the proposed change, IBUs may extend loans to companies for buy-back activities, provided that such transactions are permissible under the applicable laws of the jurisdiction in which the company is incorporated.

12. Relaxation in timeline for disclosure of allocation methodology by Angel Funds

SEBI circular dated October 15, 2025, provides relaxation in the timeline for Angel Funds regarding the disclosure of their investment allocation methodology. As per the amended AIF Regulations, 2012, and SEBI's earlier circular dated September 10, 2025, existing Angel Funds were required to define and disclose the methodology for allocating investments among angel investors in their Private Placement Memorandum (PPM) and apply it to investments made after October 15, 2025. Considering industry representations for additional time, SEBI has extended the compliance deadline to January 31, 2026. Hence, allocations made after this date must follow the disclosed methodology. All other provisions of the earlier circular remain unchanged, and this relaxation aims to facilitate smooth compliance while protecting investor interests.

13. SEBI - Relaxation on Related Party Transaction Disclosures

The circular aims to simplify and revise the disclosure requirements for listed entities when seeking approval for Related Party Transactions (RPTs) from Audit Committees and Shareholders. These changes are based on recommendations from the Industry Standards Forum (ISF) and SEBI's Advisory Committee on Listing Obligations and Disclosures (ACLOD).

SEBI has now introduced a threshold-based simplification. For transactions that do not exceed 1% of the annual consolidated turnover of the listed entity

or ₹10 crore, whichever is lower, only a simplified disclosure as prescribed in Annexure-13A will be required to be provided to the Audit Committee and included in the notice to shareholders seeking approval. Moreover, transactions with related parties not exceeding ₹1 crore in value, whether individually or cumulatively during a financial year, have been fully exempted from the minimum information requirements.

Annexure-13A outlines essential elements such as the type, terms, value, and tenure of the transaction, the relationship and interest of the related party, financial details including source of funds and security, justification for the transaction, and any external valuation reports. It also allows voluntary disclosure of the counter-party's turnover percentage. These revised requirements are effective immediately and must be followed by all listed entities from the date of issuance of the circular.

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14. Foreign Currency Settlement System - Notification of Bye-laws, Rules and Regulations

IFSCA has issued a circular dated October 3, 2025, notifying the authorization of CCIL IFSC Limited (CIL) under Section 7 of the Payment and Settlement Systems Act, 2007, and the IFSCA (Payment and Settlement Systems) Regulations, 2024. CIL is authorized to operate the "Foreign Currency Settlement System" (FCSS) in GIFT IFSC for the settlement of foreign currency transactions. Further, under Section 10 of the Payment and Settlement Systems Act, 2007, and Regulation 9 of the said Regulations, the IFSCA has approved and notified the Bye-laws, Rules, and Regulations framed by CIL to govern the FCSS operations.

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15. IFSCA - Consultation Paper on Master Circular for IFSC Stock Exchanges & Clearing Corporations

IFSCA has issued a consultation paper seeking public feedback on the draft Master Circular for Stock Exchanges and Clearing Corporations in IFSC. The circular aims to consolidate and supersede all existing SEBI and IFSCA circulars governing Market Infrastructure Institutions (MIIs) in IFSC, creating a unified regulatory framework.

It covers key operational areas such as trading norms, technology and system requirements, governance structures, settlement mechanisms, and risk management xframeworks. Stakeholders are invited to share their comments by October 22, 2025.

16. Niti Aayog's Consultative Group releases working paper on Permanent Establishment

NITI Aayog has released its first working paper under the Tax Policy Working Paper Series, titled "Enhancing Certainty, Transparency, and Uniformity in Permanent Establishment and Profit Attribution for Foreign Investors in India."

The study highlights that while India continues to attract record levels of FDI, persistent ambiguities in Permanent Establishment (PE) rules and profit attribution have led to prolonged litigation, which often span over a decade and effectively increases compliance burdens for multinational enterprises.

To address these challenges, the paper proposes a comprehensive framework to enhance tax certainty, including legislative clarity, capacity building, stronger dispute resolution mechanisms, and a consultative policymaking process. Its key recommendation is the introduction of an optional, industry-specific Presumptive Taxation Scheme - a simplified, formula-based regime that would allow foreign investors to pay taxes at pre-defined rates instead of undergoing complex PE assessments and prolonged audits.

By offering clarity and predictability, the working paper aims to drastically reduce tax disputes, improve India's investment landscape, and ensure a fair share of revenue from foreign enterprises.

It is pertinent to note that Niti Aayog per se has no role / formal recognition under the Income-tax Act nor is part of the Central Board of Direct Taxes (CBDT).

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17. RBI proposes amendments to Foreign Exchange Management (Borrowing and Lending) Regulations

RBI has released a draft circular on Foreign Exchange Management (Borrowing and Lending) Regulations, 2025 proposing an insertion of a new section titled "Prohibition on end-use of borrowed funds".

It aims to ensure External Commercial Borrowings (ECB) proceeds are utilized strictly for permissible end-uses and to curb diversion into speculative activities. It lists out the specified purposes for which the funds borrowed under these regulations cannot be utilized such as investment in real estate, Chit fund, Nidhi Company, etc. The provision aligns with RBI's ongoing

efforts to ensure transparency, avoid any misuse of funds and strengthening the prudential regulations.

18. Consultation paper on IFSCA Fund Management Regulations

The IFSCA has issued a consultation paper on October 17, 2025, proposing amendments to the IFSCA (Fund Management) Regulations, 2025. The paper seeks public feedback on measures aimed at enhancing (a) ease of doing business, (b) introducing additional safeguards, and (c) providing regulatory clarity for sssfund management entities operating in GIFT-IFSC. Stakeholders can submit comments to IFSCA by November 6, 2025.

We have summarized below the proposed changes open to comments.

A. EASE OF DOING BUSINESS

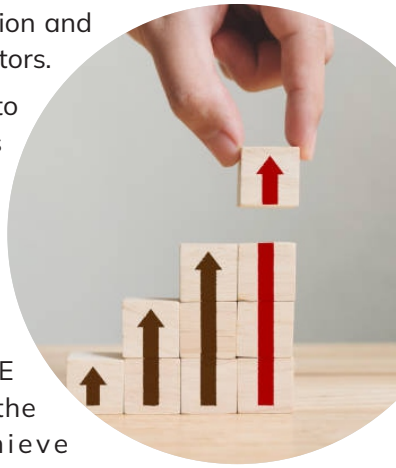
1. The eligibility criteria for KMPs has been broadened to include individuals with a post-qualification work experience of at least 3 years in a financial institution in IFSC, India or any foreign jurisdiction.
2. Venture Capital Schemes allowed multiple six-month extensions of placement memorandum validity (instead of a one-time extension).
3. Venture Capital Schemes allowed to invest during the subsequent rounds of the investee company even if the 10 years' time period has elapsed subject to certain conditions.
4. Contribution by the FME in the Venture Capital Scheme and Non-Retail Restricted Scheme has been simplified.
5. Non-Retail Restricted Schemes allowed to invest in unlisted securities only after achieving the minimum corpus of $3 Million.
6. Non-Retail Restricted Schemes failing to achieve the minimum corpus of $3 Million within 6 months of filing placement memorandum, can file further extension of 6 months by paying 50% of the application fee.
7. The FME of the Non-Retail Restricted Schemes to ensure that NAV is disclosed monthly for open ended schemes and half-yearly for closed ended schemes starting from the month/half year period starting from the date of first close. The period could be enhanced to one year in the case of Cat. I and II schemes with prior approval of 75% of the investors by value.
8. Exemption from FME contribution in Non-Retail Restricted Schemes and Retail Schemes in case of index scheme or a fund of funds scheme investing in index or passive ETFs.
9. Fund of Funds Retail Schemes exempted from the sector limits if they invest in schemes which are regulated by the concerned regulatory authority and are permitted to offer to retail investors in its home jurisdiction.
10. The disclosures to investors in the offer documents of Retail Schemes should also include the methodology to compute NAV and disclosure of NAV along with conflicts of interest.
11. The requirement for additional disclosures for Environmental, Social and Governance (ESG) funds with AUM in excess of $3 billion will not apply vis-à-vis the assets managed under Fund of Fund schemes.
12. The timeline for appointing a custodian in IFSC has been extended from 12 months to 24 months from the date of notification of the amended regulations. During this extended period, FMEs may appoint an independent custodian in India or any foreign jurisdiction regulated by its financial sector regulator, subject to providing information to the Authority when directed.
13. The timeline for submitting the Annual report and summary of annual report of scheme by the FME, has been extended from 4 months to 6 months from the end of financial year.
14. The requirement of separation of auditors from the FME is not applicable to FMEs which are set up by Government and Government related investors
15. Certain services like auditors, fund administrators, independent valuer, custodian can now be appointed before the first close of any scheme as compared to launch of the scheme.

B. SAFEGUARDS

1. All the policies, frameworks and plans prepared by the FME shall have prior approval of board of directors or designated partners or trustees before they are implemented or amended.

C. CLARIFICATION

1. For Venture Capital Schemes receiving money from contributors prior to first close, the money should only be deployed in bank deposits with option for premature withdrawal or any other instrument as specified by the Authority.
2. The Venture Capital Scheme is allowed to offer differential rights to select investors if it is in accordance with the disclosures in the placement memorandum and the rights of other investors remain unaffected.
3. The rights of investors in the distribution from a Venture Capital Scheme shall be pari-passu and in same proportion of their investments except in case where an investor has been excused or excluded.
4. The FME of the Venture Capital Scheme should ensure that the NAV is disclosed at least on a yearly basis starting from the financial year in which the first close was declared.
5. It is further clarified that the guidelines for valuation of the Venture Capital Scheme are for the purpose of computation and disclosure of NAV to investors.
6. FMEs are also instructed to maintain records pertaining to internal policies, frameworks, plans or SOPs prepared by FME in compliance with the regulations.
7. The scheme of the FME may be wound up if the scheme fails to achieve minimum corpus during the validity of the placement memorandum and the FME has not filed for extension.



VI. COMPLIANCE CALENDAR FOR NOVEMBER 2025

A. Income tax

Sr. No.	Due Dates	Concerned (reporting) Period	Compliance Detail	Applicable to
01	7th Nov	October 2025	TDS / TCS Payment	Non-Government Deductors
02	15th Nov	Form 16A (July to September)	Salaried Employees	All deductors
03	10th Nov (Note)	FY 2024-25	Filing the Income Tax Audit Report (other than Transfer pricing audit)	For All taxpayers to whom tax audit is applicable
04	30th Nov	FY 2024-25	Safe Harbour Form 3CEFA	Assesses covered under Transfer Pricing
05	30th Nov	FY 2024-25	Transfer pricing Master file Form 3CEAA	Assesses covered under Transfer Pricing
06	30th Nov	FY 2024-25	Transfer pricing CBCR Form 3CEAD	Assesses covered under Transfer Pricing
07	30th Nov	FY 2024-25	Filing of Income tax Return (Including partner of such firm covered under TP)	Assesses covered under Transfer Pricing
08	10th Dec (Note 2)	Financial Year 2024-25	ITR due date for corporate and tax audit taxpayers	For All taxpayers to whom tax audit is applicable (non TP cases)

*Note: As per the CBDT Circular dated 29.10.2025, the due date for furnishing the return of income for taxpayers subject to tax audit (excluding transfer pricing cases) has been extended from **31.10.2025 to 10.12.2025**. Further, the due date for furnishing the tax audit report (other than TP cases) has been extended from **31.10.2025 to 10.09.2025**.*

B. Goods and Service Tax

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

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	31st December (extended due date)	Filing of Form MGT-7 Annual Return	For all Companies

GLOSSARY

ABBREVIATION	FULL FORM
ACD	Appliance Control Division
ACIT	Assistant Commissioner of Income Tax
ACLOD	Advisory Committee on Listing Obligation and Disclosure
Act	Income-tax Act, 1961
AE	Associated Enterprise
ALP	Arm's Length Price
AML	Anti-Money Laundering
AMP	Advertisement, Marketing and Promotion Expenses
AO	Assessing Officers
AOP	Association of Persons
API	Application Program Interface
AY	Assessment Year
BDR	Bullion Depository Receipts
BRR	Byelaws rules and Regulation
CA	Chartered Accountant
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Tax and Customs
CCD	Compulsory convertible debenture
CEPA	Comprehensive Economic Partnership Agreement
CFT	Combating the financing of Terrorism
CGST	Central Goods & Services Tax
CIT	Commissioner of Income-tax
CIT(Appeals) / CIT(A)	Commissioner of Income-tax (Appeals)
CML	Client Master List
COB	Conduct of Business
COI	Computation of Income
CPC	Centralized Processing Centre
CS	Company Secretary
CST	Central State Tax
DAPE	Dependent agent PE
DCF	Discounted Cash Flow
DCIT	Deputy Commissioner of Income Tax
DCS	Distribution Control Systems
DGIT (E)	Director General of Income Tax (Exemption)
DGFT	Directorate General of Foreign Trade
DP	Depository Participant
DRP	Dispute Resolution Panel

GLOSSARY

ABBREVIATION	FULL FORM
DTAA	Double Taxation Avoidance Agreement
DTVSV	Direct Tax Vivad se Vishwas Scheme
ECB	External Commercial Borrowings
ELC's	Exclusively Listed Companies
ESG	Environmental Social and Governance
ESS	Emergency Shutdown Systems
EULA	End-User License Agreement
FAQ's	Frequently Asked Questions
FCCB's	Foreign Currency Convertible Bonds
FCCD	Fully Compulsory Convertible Debentures
FCSS	Foreign Currency Settlement System
FTS	Fees for Technical Services
FY	Financial Year
GC	Guarantee Commission
GLES	Group Leave Encashment Scheme
GP	Gross Profit
GST	Goods & Service Tax
HC	High Court
Hon'ble	Honourable
HUF	Hindu Undivided Family
IBU	IFSC Banking Unit
IDS	Inverted Duty Structure
IFSC	International Financial Service Centre
IFSCA	International Financial Services Centre's Authority
IGST	Input Goods and Services Tax
IIBX	India International Bullion Exchange
IPF	Investor Protection Fund
IRDAI	Insurance Regulatory and Development Authority of India
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
ITR	Income Tax Return
JAO	Jurisdictional Assessing Officer
JCIT	Joint Commissioner of Income Tax
KRA	KYC Registration Agency
KYC	Know your customer
LIBOR	London Inter Bank Offered Rate
LOC	Letter of Confirmation

GLOSSARY

ABBREVIATION	FULL FORM
LODR	Listing Obligation and Disclosure Requirement
MII	Market Infrastructure Institution
NAV	Net Asset Value
NCD	Non-Convertible Debentures
NFAC	National Faceless Assessment Centre
NPCI	National Payment corporation of India
OIO	Order in Original
PAN	Permanent Account Number
PCIT	Principal Commissioner of Income Tax
PE	Permanent Establishment
PFRDA	Pension Fund Regulatory and Development Authority
PID	Public Interest Director
PPM	Private Placement Memorandum
PRB	Payments Regulatory Board
QJ's	Qualified Jewellers
RBI	Reserve Bank of India
ROI	Return of Income
RPT	Related Party Transactions
RTA	Registrar and Transfer Agent
Rules	Income-tax Rules, 1962
SBI PLR	State Bank of India - Prime Lending Rate
SC	Supreme Court
SDG's	Sustainable Development Goals
SDV	Stamp duty value
SEBI	Securities and Exchange Board of India
SEDA	Suspense Escrow Demat Account
SEZ	Special Economic Zone
SGST	State Goods and Services Tax
SHR	Safe Harbour Rules
SIBOR	Singapore Inter Bank Offered Rate
STCG	Short term Capital Gain
TDS	Tax Deducted at Source
TP	Transfer pricing
TPO	Transfer Pricing Officer
TRC	Tax Residential Certificate
TRQ	Tariff Rate Quota
UAEGD	UAE Good Delivery
USD	US Dollars

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.

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