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DEVMANTRA TIMES

JULY EDITION

Issue No.52, Dated 4th July, 2025

Dear Readers,

We welcome you to the Fifty second edition of DevMantra Times for the month of July 2025. This edition of our newsletter, where we bring you the latest developments shaping India's dynamic business and innovation landscape. India's corporate and startup landscape has witnessed several significant developments. The government has launched Sagarmala Finance Corporation Ltd. (SMFCL), India's first maritime sector NBFC, to address financing gaps in ports, shipbuilding, and coastal logistics under the Sagarmala Programme. RBL Bank has announced plans to enhance its net interest margins by venturing into high-yield retail segments like commercial vehicle and used car financing, targeting tier-II and III cities while leveraging digital tools for efficient underwriting. Meanwhile, Finance Minister Nirmala Sitharaman has urged public sector banks to boost credit growth and leverage the RBI's 50 bps rate cut, after a record ₹1.78 lakh crore profit in FY25. The ICAI will implement new audit guidelines from April 2026, capping each CA partner to 60 tax audits annually to ensure equitable distribution and improve compliance. The CAG is setting up a dedicated unit to expedite audits of over 1,600 state PSUs, aligning it with central PSU structures for better oversight. In the startup ecosystem, Slice Small Finance Bank, despite consolidated losses in FY24, targets profitability by FY26 through operational efficiency and tech-driven credit strategies. Former ISRO Chairman Dr. S. Somanath has joined Skyroot Aerospace as an honorary advisor to support its Vikram-1 launch. According to Tracxn, Indian tech startups raised $4.8 billion in H1 2025, a 25% YoY drop, yet the ecosystem continues to demonstrate resilience. AI-detection startup Pangram, founded by former Tesla and Google engineers, raised $4 million to expand its services, with clients like Quora and NewsGuard. Finally, ideaForge Technology secured a ₹137 crore order from the Indian Army for hybrid mini UAVs, further strengthening domestic defense capabilities with indigenous solutions.

Here's to a year filled with new milestones, shared successes, and inspiring moments. July 2025 bring health, happiness, and prosperity to you and your loved ones. Thank you for being an essential part of our community. Together, let's make this year extraordinary!

Industry & Economic Updates

India's first maritime NBFC launched

EDITORIAL NOTE: India has launched Sagarmala Finance Corporation Limited (SMFCL), the country's first Non-Banking Financial Company (NBFC) dedicated to the maritime sector, registered with the Reserve Bank of India (RBI). SMFCL is established to bridge critical financing gaps by offering tailored financial solutions to stakeholders such as ports, maritime startups, logistics providers, and allied institutions. With strong Tier 1 capital backing, the corporation aims to facilitate investments in strategic areas including port infrastructure, shipbuilding, inland waterways, cruise tourism, and coastal logistics. As a key pillar under the Sagarmala Programme, SMFCL is expected to play a transformative role in enabling port-led development and strengthening India's maritime economy through efficient capital infusion and sector-specific financial support.

RBL Bank aims to widen interest margin from retail assets; to start commercial vehicle finance in 3 months

EDITORIAL NOTE: RBL Bank has outlined a strategic plan to enhance its Net Interest Margins (NIMs) by shifting its focus towards high-yielding retail assets. As part of this initiative, the bank intends to foray into

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commercial vehicle and used car financing, which are expected to offer better returns and help diversify its retail loan portfolio. In a bid to deepen its market presence, RBL Bank is targeting expansion into tier-II and tier-III cities, aiming to tap into the growing credit demand in these underserved geographies. The bank will also harness advanced digital tools to streamline and strengthen its loan underwriting processes, thereby improving efficiency and credit assessment. Furthermore, RBL Bank plans to optimize its existing workforce to support the scale-up of its retail credit operations, ensuring resource efficiency while maintaining service quality. Through these measures, the bank seeks to drive sustainable growth and improve profitability in the evolving banking landscape.

Finance Minister nudges PSU banks to raise credit growth, maintain profitability

EDITORIAL NOTE: Finance Minister Nirmala Sitharaman has called upon Public Sector Banks (PSBs) to effectively leverage the Reserve Bank of India's recent 50 basis points rate cut to enhance lending activity, particularly towards productive sectors of the economy. This strategic push is aimed at sustaining the strong profitability momentum, as PSBs collectively posted a record cumulative net profit of ₹1.78 lakh crore in FY25. The Finance Minister emphasized the importance of maintaining robust credit growth, while simultaneously advancing the government's agenda on financial inclusion through active participation in flagship schemes such as PM Jan Dhan Yojana, PM SVANidhi, and PM Vishwakarma. Banks have also been advised to exercise prudent risk management and uphold asset quality standards amid the expanding credit landscape. The directive reinforces the government's broader objective of fostering inclusive economic development while ensuring the continued resilience and profitability of the banking sector.

New tax audit limit rule for CAs to apply from April 2026: ICAI President

EDITORIAL NOTE: The Institute of Chartered Accountants of India (ICAI) has announced the implementation of revised guidelines effective from April 2026, wherein each partner of an accounting firm will be restricted to undertaking a maximum of 60 tax audits per financial year. This regulatory change is aimed at preventing the undue concentration of audit assignments among a few senior partners and promoting a more equitable distribution of professional opportunities within firms. By capping the number of tax audits per partner, the ICAI seeks to enhance audit quality, ensure better compliance with regulatory expectations, and foster healthy competition among professionals. The initiative is aligned with ICAI's broader commitment to strengthening ethical standards, improving governance practices, and supporting the holistic development of the profession.

CAG sets up dedicated unit to speed up state PSU audits

EDITORIAL NOTE: The Comptroller and Auditor General of India (CAG) has initiated the formation of a dedicated audit unit to oversee the auditing of approximately 1,600 State Public Sector Undertakings (PSUs). This strategic move is designed to streamline and expedite the audit process, ensuring timely and efficient evaluation of the financial and operational performance of these entities. By adopting a structure analogous to the existing framework for Central PSUs, the new unit will facilitate improved consolidation of audit information, promote uniformity in reporting, and enable more meaningful comparisons across state-level enterprises. The initiative is expected to strengthen financial oversight,

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enhance transparency, and support better-informed decision-making by stakeholders, including state governments and legislative bodies. This reform underscores the CAG's continued commitment to institutional efficiency and accountability in the public sector.

Startup Updates

Slice Small Finance Bank turns profitable on monthly basis; targets IPO in 3–4 years

EDITORIAL NOTE: North East Small Finance Bank reported a loss of ₹441 crore in FY24, while Slice, its parent entity, also incurred losses at the consolidated level. However, with the transition into full-scale banking operations, the combined entity is optimistic about achieving profitability by FY26. The strategy hinges on leveraging Slice's technological strengths and digital-first approach to drive operational efficiency, broaden its customer base, and enhance asset quality. By focusing on cost optimization, disciplined credit underwriting, and expanding its portfolio of high-yield products, the bank aims to establish a sustainable and scalable business model that delivers profitability within the projected timeframe.

Former ISRO chief S Somanath joins Skyroot Aerospace as honorary chief technical advisor

EDITORIAL NOTE: Skyroot Aerospace has announced the appointment of Dr. S. Somanath, former Chairman of ISRO and a renowned launch vehicle expert, as an honorary advisor to support the company in its preparations for the launch of its flagship Vikram-1 launch vehicle. The engagement is advisory in nature, non-exclusive, and honorary, reflecting Dr. Somanath's continued commitment to advancing India's space ecosystem. Skyroot highlighted that his extensive expertise in launch vehicle technology and strategic insights from decades of leadership at ISRO will provide valuable guidance as the company scales its capabilities in the commercial space launch sector.

India ranks third globally in tech startup funding despite slowdown: Tracxn

EDITORIAL NOTE: According to a recent report released by market intelligence platform Tracxn, Indian tech startups collectively raised $4.8 billion during the first half (H1) of 2025, marking a 25% year-on-year decline compared to $6.4 billion in H1 2024 and a 19% drop from $5.9 billion raised in H2 2024. The report attributes this contraction in funding volumes to continued macroeconomic uncertainties and cautious investor sentiment. However, Tracxn Co-founder Neha Singh emphasized that despite the decline, India's technology startup ecosystem has demonstrated notable resilience and maturity. She highlighted that the sustained entrepreneurial activity, strategic capital deployment, and consistent emer
gence of innovative ventures reflect the underlying strength and long-term growth potential of the Indian tech landscape.

Former Tesla, Google engineers raise $4 million for AI-text detection startup Pangram

EDITORIAL NOTE: Pangram, a promising startup founded by former employees of Tesla and Google, has successfully raised $4 million in seed funding to advance and scale its suite of AI-text detection tools. The funding round was led by ScOp Venture Capital, with participation from other prominent investors. Pangram leverages an active learning algorithm that continuously improves its detection capabilities, positioning the company as a strong competitor to established players like Turnitin in the rapidly evolving landscape of AI-generated content. With a growing client

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base that includes platforms such as Quora and NewsGuard, Pangram aims to address increasing concerns around content authenticity and integrity, particularly in sectors like education, journalism, and digital publishing. The fresh capital will be utilized to enhance its proprietary technology, expand its team, and deepen market penetration across global content-driven industries.

IdeaForge bags around Rs 137 crore drone order from Indian Army

EDITORIAL NOTE: ideaForge Technology has secured a ₹137 crore contract from the Indian Army for the supply of hybrid mini unmanned aerial vehicles (UAVs) under the emergency procurement route. These UAVs, already deployed in Intelligence, Surveillance, and Reconnaissance (ISR) operations, were selected for their proven operational effectiveness and compliance with the Indian government's strategic procurement mandates. The systems met key criteria, including indigenous design and the use of critical components sourced exclusively from nations that do not share a land border with India. This order reinforces ideaForge's position as a leading player in India's defense UAV sector and highlights the Army's continued emphasis on bolstering tactical capabilities through domestically developed, mission-ready platforms.

Why this Volume of Newsletter is important for reader?

Through the series of this newsletter, we aim at covering all relevant Income Tax, Goods & Service Tax and Companies Act, Start-up Update, notification, circulars and case laws which may directly or indirectly impact our readers.

At DevMantra, it is our utmost priority to help our readers to be informed with respect to the changes in relevant laws for a smoother compliance.

DevMantra was founded based on the unalterable premise of excellence, acuity, integrity and an unwavering commitment to delivery. These principles continue to form the edifice of our approach as an organization, to our clients, our professionals and our community, and this has served us well in our journey so far. This approach has allowed DevMantra to work with and advise the very best clients, both in India and internationally. We encourage our people to strive for excellence and innovation within a meritocratic working environment and support their entrepreneurial spirit. It is our consistent endeavor with our people, to ensure that they imbibe the culture of the firm and form part of the weft and weave of the fabric of DevMantra. Our core values remain the guiding principles for everything we do, and we would like to emphasize "Knowledge" as one of the fundamental beliefs which drive the success of our operations. As we keep on reiterating, Knowledge is our number one priority. We don't count time when it comes to gain any new knowledge or to reinstate the earlier one. Our clients trust our expertise and putting countless hours in keeping ourselves up to date on the subject we are advising on, deserve their trust.

Regards & Best Wishes,
Editorial Team

GST

JUDICIAL UPDATES

Order to be set aside as assessee's detailed SCN reply raising multiple grounds was not considered: HC

EDITORIAL NOTE: Where the assessee had submitted a detailed and comprehensive

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reply to the show cause notice, raising several factual and legal contentions in support of their case, but the adjudicating authority failed to consider or address those submissions while passing the impugned adjudication order, such an omission amounted to a violation of the principles of natural justice. It is a settled position of law that a quasi-judicial authority is duty-bound to consider and deal with all material submissions made by the assessee before arriving at a reasoned conclusion. The failure to do so renders the adjudication order non-speaking and arbitrary. As the assessee was deprived of an effective opportunity to be heard and the order lacked proper application of mind, the impugned order could not be sustained in law. Accordingly, the matter was liable to be set aside and remanded to the adjudicating authority for fresh consideration and disposal, in accordance with law and after affording due opportunity to the assessee.

Refund allowed by appellate authority cannot be withheld by department in absence of challenge to such order: HC

EDITORIAL NOTE: Where the assessee had submitted a detailed and comprehensive reply to the show cause notice, raising several factual and legal contentions in support of their case, but the adjudicating authority failed to consider or address those submissions while passing the impugned adjudication order, such an omission amounted to a violation of the principles of natural justice. It is a settled position of law that a quasi-judicial authority is duty-bound to consider and deal with all material submissions made by the assessee before arriving at a reasoned conclusion. The failure to do so renders the adjudication order non-speaking and arbitrary. As the assessee was deprived of an effective opportunity to be heard and the order lacked proper application of mind, the impugned order could not be sustained in law. Accordingly, the matter was liable to be set aside and remanded to the adjudicating authority for fresh consideration and disposal, in accordance with law and after affording due opportunity to the assessee.

Credit cannot be denied without considering assessee's contention and documents; matter to be remanded: HC

EDITORIAL NOTE: Where the assessee had submitted a detailed response to the show cause notice, including various contentions and supporting documents—particularly a credit note relevant to the matter—the respondent authority was obligated to consider and examine the same in a reasoned and objective manner. However, the impugned order was passed without appropriately appreciating or addressing these materials and arguments, thereby violating the principles of natural justice. A quasi-judicial authority is required to pass a speaking order that reflects due consideration of the assessee's submissions and evidence. The failure to do so renders the order non-speaking and arbitrary. In such circumstances, the impugned order was liable to be set aside and the matter remanded to the adjudicating authority for fresh adjudication, after proper appreciation of all contentions and documents placed on record by the assessee.

Matter remanded as SCN & reminders uploaded on 'Additional Notices Tab' not visible to assessee: HC

EDITORIAL NOTE: Where the show cause notice (SCN) and subsequent reminders were issued to the assessee but were uploaded only under the 'Additional Notices and Orders' tab on the GST portal—rather than in the primary communication section—thereby escaping the notice of the assessee, it resulted in a denial of a fair opportunity to be heard. Since the petitioner was

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unaware of the issuance of the SCN and consequently could not file a reply or present their case, the principles of natural justice were clearly violated. The obligation to ensure effective service of notice, particularly when actions are taken through digital platforms, lies with the revenue authorities. A procedural lapse that deprives the assessee of the opportunity to respond vitiates the adjudication process. Accordingly, the impugned order, having been passed without affording the assessee a proper opportunity to be heard, was unsustainable in law and liable to be set aside. The matter was therefore required to be remanded to the concerned authority for de novo adjudication, after duly serving the SCN in a manner accessible and visible to the assessee, and affording a reasonable opportunity of representation.

Matter remanded as lower authority did not consider issue of non-availability of utility for IGST submission: HC

EDITORIAL NOTE: Where the Input Tax Credit (ITC) of IGST claimed by the assessee in GSTR-3B was denied solely on the ground of a mismatch with the details reflected in GSTR-2A, the adjudicating authority was required to consider all relevant facts and circumstances, including the technological limitations prevailing at the relevant time. Specifically, the issue regarding the non-availability of a utility or mechanism for submission or reconciliation of IGST data during the relevant period was a material aspect that ought to have been duly examined. The failure to consider this critical contention resulted in an order passed without proper appreciation of facts, thereby rendering the decision arbitrary and violative of principles of natural justice. As the denial of ITC was based on procedural shortcomings that were beyond the control of the assessee and without addressing the explanation provided, the impugned order was liable to be set aside. Accordingly, the matter deserved to be remanded for fresh adjudication, after granting the petitioner an opportunity to present relevant evidence and submissions in support of its claim.

Eligible ITC can be claimed under different heads since Electronic Credit Ledger is in nature of a wallet: HC

EDITORIAL NOTE: The Electronic Credit Ledger under the GST framework operates as a digital wallet with separate compartments for CGST, SGST, and IGST, each reflecting the Input Tax Credit (ITC) available under the respective tax head. While these balances are maintained distinctly, the law allows cross-utilisation of credit in a specified order, subject to conditions laid down under section 49 of the CGST Act. For instance, IGST credit can be utilised for payment of IGST, CGST, and SGST, in that sequence, whereas CGST and SGST credits can only be used to pay liabilities under their respective heads and not interchangeably. This structured utilisation ensures tax neutrality and prevents cascading effects, while the ledger's compartmentalised design aids in maintaining transparency and compliance. Thus, although the ITC is recorded under separate heads, it remains partially fungible for utilisation across tax liabilities within the framework prescribed by law.

Detention of vehicle for mere possession of e-way bill without corresponding movement of goods is unjustified: HC

EDITORIAL NOTE: The mere recovery of an e-way bill, purportedly issued without actual movement of goods, from the driver of a vehicle does not, by itself, justify the detention or impounding of the vehicle under the provisions of the GST law. For lawful detention, there must be

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tangible evidence indicating contravention of provisions relating to the transportation of taxable goods, such as discrepancy in documentation, evasion of tax, or unauthorized movement of goods. In the absence of any physical goods being transported and without establishing a deliberate intent to contravene statutory provisions, the detention of the vehicle solely on the basis of the presence of an e-way bill amounts to an arbitrary exercise of power. Detention under such circumstances violates the principles of natural justice and proportionality, and accordingly, the impugned action is unsustainable in law.

Auto-populated liabilities in GSTR-3B to become non-editable from July 2025; corrections to be made via GSTR-1A: Advisory

EDITORIAL NOTE: The Goods and Services Tax Network (GSTN) has issued an advisory notifying taxpayers that, with effect from the July 2025 tax period—i.e., returns to be filed in August 2025—the auto-populated tax liability in Form GSTR-3B, derived from Form GSTR-1, GSTR-1A, or the Invoice Furnishing Facility (IFF), will become non-editable. This significant change is aimed at ensuring consistency between the outward supply details declared in Form GSTR-1 and the tax liability reported in GSTR-3B. As a result, any discrepancies, modifications, or corrections to the tax liability reflected in GSTR-3B will no longer be permissible directly within GSTR-3B. Taxpayers must instead carry out any such rectifications through Form GSTR-1A before the submission of GSTR-3B. This measure reinforces the integrity of return filing and minimizes the scope for mismatches, thereby enhancing transparency and compliance within the GST framework. Taxpayers are advised to ensure timely review and correction of data in Form GSTR-1 through GSTR-1A to avoid any inadvertent errors or mismatches in their monthly returns.

Assessee not liable to pre-deposit amount duplicated in second GST order; earlier payment to be adjusted: HC

EDITORIAL NOTE: Where two Orders-in-Original were issued in the case of the assessee, but the demand raised in the second order was found to be erroneously duplicated in the first order, it was held that the assessee should be required to make a pre-deposit only in respect of the demand validly arising from the first order while filing the appeal. No separate pre-deposit was warranted for the second order, as it did not give rise to an independent or additional liability. Further, any amount paid by the assessee during the course of investigation was directed to be treated as payment toward the mandatory pre-deposit under section 35F of the Central Excise Act, 1944 (as made applicable to GST matters), or the corresponding provision under GST law. This approach ensures that the assessee is not burdened with multiple or duplicative liabilities for the same demand and aligns with the principles of fairness and natural justice.

Customer support services provided to foreign affiliates not intermediary services; qualify as export under IGST Act: HC

EDITORIAL NOTE: Certain e-commerce consumer entities had engaged the foreign affiliates of the petitioner to provide pre-sales and post-sales customer support services. These foreign affiliates, in turn, subcontracted the provision of such support services to the petitioner. Under this arrangement, the petitioner was responsible for addressing queries and concerns raised by end customers or selling partners operating on the e-commerce platforms of the said Amazon consumer entities. The petitioner

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discharged these responsibilities through various communication channels including telephone, live chat, email, and other forms of instant messaging. The nature of services provided by the petitioner was integral to enhancing the overall customer experience on the e-commerce platform and was rendered in accordance with the terms of the subcontracting arrangement with the foreign affiliates. This operational model effectively positioned the petitioner as a service provider facilitating real-time customer and partner support on behalf of the group entities.

GST reimbursement claim on post-GST contract cannot be denied by applying clause meant for pre-GST contracts: HC

EDITORIAL NOTE: In the present case, the petitioner, a government works contractor, was denied GST reimbursement under the GST regime by relying on paragraph 3(iv) of Notification No. 5050-F(Y) dated 16-08-2017, issued by the Finance Department (Audit Branch), Government of West Bengal. The petitioner contended that such reliance was misplaced, as paragraph 3(iv) of the said notification specifically applies to pre-GST contracts—i.e., contracts executed prior to 1st July 2017. It was argued that for contracts awarded and executed on or after the implementation of GST (i.e., post 01-07-2017), paragraph 4 of the same notification is applicable, which provides for reimbursement of GST in eligible cases. Therefore, invoking paragraph 3(iv) to deny GST reimbursement in respect of post-GST contracts amounted to a misapplication of the notification and was contrary to its plain language and legislative intent. Accordingly, the denial of reimbursement was challenged as arbitrary, ultra vires, and unsustainable in law.

State authority barred from acting where Central authority had already initiated proceedings on same cause: HC

EDITORIAL NOTE: Where the Central Tax authority had already initiated proceedings against the assessee prior in point of time, the State Tax authority was not competent to independently undertake parallel action for the same cause of action. In particular, the State Tax officers could not have carried out a raid or sealed the premises of the assessee when the matter was already under the jurisdiction of the Central authorities. As per settled principles of administrative discipline and coordination between Central and State tax administrations under the GST regime, the authority which first initiates proceedings retains jurisdiction to complete the investigation and adjudication. Any unilateral and duplicative action by the other authority not only results in jurisdictional overreach but also violates principles of natural justice and leads to undue harassment of the assessee. Therefore, the actions taken by the State Tax authority in this instance were without jurisdiction and liable to be set aside, with exclusive jurisdiction resting with the Central Tax authority to continue and conclude proceedings.

Assessee is allowed to seek restoration of GST registration upon filing all pending returns: HC

EDITORIAL NOTE: Where the GST registration of an assessee has been cancelled on account of non-filing of returns for a continuous period of six months, the assessee is entitled to seek restoration of the cancelled registration by approaching the jurisdictional tax authority. For this purpose, the assessee must ensure compliance by furnishing all pending returns for the relevant tax periods and discharging the entire outstanding liability, including tax

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dues, applicable interest, and late fees. Upon such compliance, the concerned authority is obligated to examine the request for revocation of cancellation and, subject to satisfaction of the statutory conditions and procedural requirements under the GST Act and Rules, take appropriate steps for restoration of the GST registration. This approach facilitates compliance and aligns with the objective of encouraging voluntary tax discipline while safeguarding the assessee's right to continue lawful business operations under the GST regime.

Authority was directed to rectify GSTR-3B due to error by assessee in filling certain figures: HC

EDITORIAL NOTE: Where the assessee inadvertently committed an error in reporting certain figures while filing the GSTR-3B return and subsequently submitted an application seeking rectification of GSTR-3B to align it with the accurate figures already disclosed in GSTR-1, the rejection of such rectification request by the tax authority was unwarranted. Since GSTR-1 reflects the correct transactional details and there was no mala fide intent or revenue loss, the consequential demand order arising solely from the clerical error in GSTR-3B deserved to be set aside. In such circumstances, the concerned authority is expected to exercise discretion judiciously and facilitate rectification of the GSTR-3B return so as to bring it in conformity with the contents of GSTR-1. This approach is consistent with the principles of natural justice and promotes substantive compliance under the GST framework, avoiding penal consequences for genuine and bonafide mistakes.

GST authorities bound to act against supplier as assessee could not utilize ITC due to non-filing of GSTR-1 by supplier: HC

EDITORIAL NOTE: Where the assessee duly informed the GST authorities that it was unable to avail and utilize Input Tax Credit (ITC) towards discharge of its output tax liability solely due to the failure of its service provider (referred to as R-6) to file GSTR-1, the authorities were under a statutory obligation to initiate appropriate action against the defaulting supplier under sub-section (2) of section 76 of the CGST Act. The said provision empowers the department to recover tax amounts collected but not paid to the Government, and in cases where the recipient is denied credit due to supplier default, the liability and enforcement action must lie with the supplier, not the compliant recipient. Therefore, once the assessee demonstrated its bona fide conduct and compliance, the authorities were required to proceed forthwith against R-6 for recovery and enforcement, rather than penalizing the assessee for circumstances beyond its control.

Order to be quashed as blocking of electronic credit ledger was based solely on enforcement authority reports without independent satisfaction: HC

Editorial Note : Where the impugned order blocking the assessee's electronic credit ledger was passed solely on the basis of a generalized assertion that the assessee was found non-existent and not conducting business from the registered premises, without providing any independent reasoning or material evidence, and relying merely on the reports of the enforcement authority, such an action is legally untenable. The absence of specific findings or application of mind by the jurisdictional officer renders the order a classic case of "borrowed satisfaction," which is impermissible in law. Administrative actions affecting substantive rights, such as blocking of credit ledgers, must be supported by cogent reasons

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and adherence to principles of natural justice. In the absence of such compliance, the impugned order is vitiated and liable to be set aside for want of proper justification and procedural fairness.

No interest to be levied if tax liability was deposited in ECL before due date of GSTR-3B despite tax amount is debited later: HC

EDITORIAL NOTE: Where the assessee had deposited the tax amount into the Electronic Cash Ledger (ECL) on or before the prescribed due date, the mere fact that the said amount was debited at a later stage while filing the return beyond the due date would not attract interest liability under the GST law. The relevant date for computation of interest is the date on which the tax is actually paid to the Government, which, in the case of payment through the ECL, is the date of deposit. Since the funds were made available to the Government within the statutory timeframe, there is no revenue loss or delay attributable to the assessee. Therefore, in such circumstances, imposition of interest would be unwarranted and contrary to the principles underlying section 50 of the CGST Act, 2017.

IGST paid on imported machinery through Bill of Entry cannot be availed beyond prescribed time: AAR

EDITORIAL NOTE: The time limit prescribed under section 16(4) of the CGST Act, 2017, for availing Input Tax Credit (ITC) is equally applicable to IGST paid on imports, where such ITC becomes eligible based on the Bill of Entry. In the present case, the applicant imported machinery from China in August 2022 and duly paid IGST at the time of import, as reflected in the Bill of Entry. However, the applicant failed to avail the said credit in the GSTR-3B return filed for the financial year 2022–23. As per section 16(4), ITC in respect of any invoice or debit note must be claimed by the earlier of: (i) the due date of filing the return under section 39 for the month of November following the end of the financial year to which such invoice pertains, or (ii) the date of filing the annual return. Since the IGST credit arising from the Bill of Entry was not claimed within this prescribed time frame, the applicant is barred from availing it in subsequent periods. Consequently, the IGST credit, though otherwise eligible, lapses due to the expiry of the statutory time limit.

Matter remanded for re-adjudication as order ignored CBIC Circular on export transactions and denied opportunity to submit documents on ESOPs: HC

EDITORIAL NOTE: Where the GST demand order was passed confirming tax liability on issues pertaining to export transactions and Employee Stock Option Plans (ESOPs), and the assessee challenged the order on the grounds that it was issued without proper consideration of the relevant CBIC Circular clarifying the treatment of export transactions, and without affording the assessee an adequate opportunity to submit supporting documents in respect of the ESOP component, such action amounts to violation of the principles of natural justice. Given the failure of the adjudicating authority to consider binding clarifications and to ensure due process, the impugned demand order is liable to be set aside. Accordingly, the matter warrants remand to the adjudicating authority for fresh adjudication after granting the assessee a fair opportunity to present relevant documentary evidence and after duly taking into account the CBIC Circular and legal position on both the issues.

INCOME TAX REGULATORY UPDATES

Reassessment to make additions on basis of same material collected during

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search and seizure operation is bad in law: HC

EDITORIAL NOTE: Where a reopening notice under Section 147 was issued based on documents such as Tally data, ledgers, and cash books allegedly seized during a third-party search—indicating undisclosed investments and withdrawals—but those very documents were already available with the Assessing Officer during the original assessment, the reopening is invalid. In the absence of any new or tangible material, such action constitutes a mere change of opinion, which is not permissible in law. As held in CIT v. Kelvinator of India Ltd., reassessment must be based on fresh material, and reopening on the basis of previously considered documents is unsustainable.

Appeal delay of 536 days excused due to clerk not notifying trustees of registration denial: ITAT

EDITORIAL NOTE: Where the assessee-trust filed an appeal with a delay of 536 days against an ex parte order passed by the Commissioner (Exemptions), rejecting its applications for registration under Section 12AB and approval under Section 80G of the Income Tax Act, the delay was held to be condonable in the interest of justice. The trust had established that its objects were genuine and in furtherance of charitable purposes, and that it had consistently filed its returns of income, indicating compliance with statutory obligations. Furthermore, the trustees, being elderly individuals with limited exposure to digital and email-based communication, were unable to respond appropriately to the notices issued electronically, which led to the ex parte order. Given the absence of mala fide intent or deliberate negligence, and in light of the bona fide explanation for the delay, the appellate authority rightly exercised discretion to condone the delay. Accordingly, the matter was remitted back to the Commissioner (Exemptions) for fresh adjudication on merits, ensuring that the assessee is not denied substantive justice on account of procedural lapses.

ITAT remanded matter as CIT(A) gave very short time to assessee to furnish details

EDITORIAL NOTE: Where the assessee filed its return of income claiming exemption under Section 10(23C)(iiiad) of the Income Tax Act, but the same was denied in the intimation issued under Section 143(1)(a), and subsequently, the Commissioner (Appeals) disposed of the appeal without affording adequate opportunity to the assessee to furnish supporting documents or explanations, such an approach is contrary to the principles of natural justice. It was observed that the Commissioner (Appeals) granted only a very short window to respond, which, prima facie, indicated that a fair and reasonable opportunity of hearing was not provided. Given that the assessee had made a bona fide claim of exemption and was prevented from effectively presenting its case due to procedural constraints, it was held that the matter required reconsideration. Accordingly, the issue was restored to the file of the Commissioner (Appeals) for de novo adjudication, with a direction to grant the assessee sufficient opportunity to submit relevant details and to decide the matter afresh on merits in accordance with law.

Reassessment to tax NRI's investment in property in India without income escapement is not justified: HC

EDITORIAL NOTE: Where the

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assessee, a Non-Resident Indian (NRI), purchased immovable property in India and the funds for such acquisition were transferred from the United States through proper banking channels, the source of investment was duly explained and transparently docudocumented. The assessee was able to establish that the funds originated abroad and were remitted in compliance with applicable foreign exchange regulations. In such circumstances, where the identity of the investor, the genuineness of the transaction, and the source of funds were all verifiable and substantiated with documentary evidence, there was no justification for the Assessing Officer to initiate reassessment proceedings under Section 148 of the Income Tax Act. The mere fact of investment in property by an NRI, without any contrary material to suggest that the transaction involved unaccounted or unexplained income chargeable to tax in India, cannot be a valid ground for forming a belief that income has escaped assessment. Therefore, in the absence of any tangible material indicating escapement of income, the issuance of notice under Section 148 was unjustified and liable to be quashed as being without jurisdiction.

No sec. 68 additions on account of unsecured loan merely because some operator managed affairs of lender: ITAT

EDITORIAL NOTE: Where the assessee had obtained unsecured loans from two companies and furnished comprehensive documentary evidence in support of the genuineness of the transactransaction - including audited financial statements of the lending companies, bank statements reflecting the loan transactions, confirmation letters, and details of interest payments and subsequent repayment of the loan—the mere fact that the affairs of the lending companies were managed by a person alleged to be an entry operator does not, by itself, justify treating the loans as accommodation entries. The assessee had discharged the initial onus under Section 68 of the Income Tax Act by establishing the identity of the creditors, the genuineness of the transactions, and the creditworthiness of the lenders. In the absence of any specific material on record to demonstrate that the funds received were unexplained or routed back to the assessee in a circular manner, or that the assessee was complicit in any arrangement to introduce unaccounted income in the guise of loans, the addition made merely on the basis of general allegations against the operators of the lending entities is unsustainable. Accordingly, in such circumstances, the loan cannot be treated as an accommodation entry solely on suspicion or third-party conduct, and any adverse inference drawn without cogent evidence would be contrary to the settled principles of law.

Surcharge couldn't be levied on trust if its income was below threshold of Rs. 50 lakh: ITAT

EDITORIAL NOTE: Where the assessee, a private discretionary trust, was chargeable to tax at the maximum marginal rate (MMR) under the provisions of the Income Tax Act, the levy of surcharge must still be governed by the threshold limits prescribed in the Finance Act of the relevant assessment year. Although the trust is taxable at the MMR, which includes the highest rate applicable to individuals, Association of Persons (AOP), or Body of Individuals (BOI), the surcharge is not automatically leviable in every case. The surcharge, being a statutory addition to the basic tax liability, must be computed in accordance with the slabs and thresholds specified in the Finance Act. Therefore, where the total income of the trust is below Rs. 50 lakhs, which is the minimum threshold for the levy of surcharge as per

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the applicable Finance Act, no surcharge can be imposed merely on the ground that the assessee is subject to tax at the MMR. The computation of surcharge must be in conformity with the prescribed income slabs, and any deviation would be contrary to legislative intent and settled principles of tax computation.

HC remanded matter as no draft penalty order was ever generated by AO under faceless mechanism for levy of penalty

EDITORIAL NOTE: Where no draft penalty order was ever generated by the Assessing Officer under the faceless penalty mechanism for initiating proceedings under Section 271(1)(c) of the Income Tax Act, nor was any final penalty order passed or served on the assessee, any subsequent action taken by the Revenue to raise a penalty demand and communicate the same to the Centralized Processing Centre (CPC) is devoid of legal authority. Under the faceless regime, the initiation and completion of penalty proceedings must strictly adhere to the prescribed procedural framework, which includes issuance of a show-cause notice, consideration of the assessee's response, and passing of a speaking penalty order. In the absence of any such draft or final order on record, the creation of a demand is without jurisdiction and in violation of the principles of natural justice. Consequently, the adjustment of refund by the CPC based on such an invalid and uncommunicated demand is wholly illegal and without factual or legal foundation. Such an act not only undermines procedural fairness but also contravenes the statutory safeguards provided to the assessee under the Income Tax Act.

Reassessment not valid to disallow management fee paid to AE if same was subject matter of scrutiny: HC

EDITORIAL NOTE: Where the Assessing Officer issued a reassessment notice on the ground that the assessee had made substantial payments of management fees to its associated enterprises for services allegedly overvalued, the alleged escapement of income arose from a recurring commercial arrangement and not from a specific one-time event or transaction. As per Section 149(1A) of the Income Tax Act, the extended time limit for reopening beyond three years is applicable only when the escaped income is represented in the form of an asset, expenditure, or entry in the books of account arising from a singular event or transaction. Since the payments in question were part of an ongoing arrangement and not attributable to any identifiable transaction or event at a particular point in time, the case does not fall within the exceptions under Section 149(1A). Therefore, the reassessment notice issued beyond the prescribed limitation period is without legal sanction and is liable to be set aside.

AO can't inquire into issues **which were beyond scope of limited scrutiny assessment: ITAT**

EDITORIAL NOTE: Where the Assessing Officer treated the capital loss arising from the sale of shares as a business loss chargeable under Section 28(i) of the Income Tax Act, it was held that the Officer had exceeded the jurisdiction vested in him under the limited scrutiny framework. In a case selected for limited scrutiny, the Assessing Officer is bound to confine his examination strictly to the specific issues for which the case was picked up, unless a proper procedure is followed for its conversion into a complete scrutiny with prior approval from the prescribed authority, as mandated under CBDT guidelines. In the absence of such conversion, any inquiry or addition made on issues falling outside the scope of limited

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scrutiny constitutes a jurisdictional error. In the present case, the treatment of capital loss as business loss was not part of the original scrutiny parameters and, therefore, fell outside the scope of the AO's mandate. Consequently, the assessment order passed by the Assessing Officer, to the extent it dealt with matters beyond the permitted scope, was held to be without authority of law and liable to be quashed.

AO can't make sec. 40(a)(i) disallowance if he himself accepted assessee's contention in scrutiny assessment: ITAT

EDITORIAL NOTE: Where the Assessing Officer, during the course of regular assessment proceedings, had accepted the assessee's contention that the payment made to a foreign company towards certification fees for products was not chargeable to tax in India—being in the nature of business income not accruing or arising in India in the absence of a permanent establishment of the payee—and accordingly made no disallowance under Section 40(a)(i), the said position was duly reflected in the assessment order. However, while computing the total taxable income in the assessment order, the Assessing Officer inadvertently adopted the returned income as processed under Section 143(1), which included an adjustment under Section 40(a)(i) for the same certification fee. This computational error resulted in the incorrect addition of a disallowance that had, in fact, been consciously dropped during scrutiny assessment. Since the final determination of income must reflect the conclusions drawn by the Assessing Officer in the body of the assessment order, the inclusion of a disallowance that was explicitly not made constitutes a clerical or arithmetical mistake apparent from the record, and such error is rectifiable under Section 154. Therefore, the assessment order, to the extent it mechanically included the earlier disallowance under Section 143(1), is inconsistent with the AO's findings and requires suitable correction.

Exp. incurred on business promotion of another firm in which assessee had share to be allowed to extent of benefit: ITAT

EDITORIAL NOTE: Where the assessee claimed exhibition expenses as business promotion expenditure, incurred on behalf of a partnership firm in which he held a 10% profit share, it was observed that the said expenses were not incurred wholly and exclusively for the assessee's individual business, but rather for promoting the business of the partnership firm. Under Section 37(1) of the Income Tax Act, expenses can be allowed as a deduction only if they are laid out wholly and exclusively for the purposes of the assessee's own business. In the present case, while the assessee may have contributed to the expenditure in the interest of the firm, the direct nexus with his own business was limited, especially given his minor stake in the firm's profits. Recognizing that some benefit would accrue to the assessee through his partnership interest, a reasonable allocation of the expenses was warranted. Accordingly, only 25% of the exhibition expenses was considered allowable as a deduction in the hands of the assessee, reflecting a fair attribution of business benefit, while the balance was disallowed on the ground that it did not satisfy the test of exclusivity under Section 37(1).

AO can't ignore rectified ITR without intimating assessee about its defect: HC

EDITORIAL NOTE: Where the assessee filed a revised return within the prescribed time in response to a notice under Section 139(9) of the Income Tax Act, and the return was neither rejected by the Revenue nor any

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defect was communicated or sought to be rectified, the return attains legal finality and is deemed valid. In such a scenario, the assessee cannot be denied the benefit of refund merely on account of a discrepancy between the TDS claimed in the return and the TDS reported by the deductors in the system. Once the return is duly filed and accepted without objection, and the assessee has substantiated the claim of TDS through valid certificates or other supporting documents, the Revenue is under an obligation to process the return and grant refund in accordance with law. The failure of deductors to correctly report TDS data in the system cannot prejudice the assessee's rightful claim, particularly when the TDS has actually been deducted and deposited to the credit of the Central Government. Accordingly, denying refund in such circumstances would be contrary to the principles of equity, fairness, and the statutory scheme of the Act.

No sec. 68 additions if cash deposits were included in turnover declared under section 44AD: ITAT

EDITORIAL NOTE: Where the cash deposits, which formed the basis of addition under Section 68 of the Income Tax Act, were already reflected in the turnover declared by the assessee under the presumptive taxation scheme of Section 44AD, and the Assessing Officer failed to establish that such deposits were distinct from the assessee's business receipts, the addition was unjustified. Under Section 44AD, once the gross receipts or turnover are declared and a presumptive rate of profit is applied, the assessee is not required to maintain books of account or substantiate individual entries unless specifically provided otherwise. In the present case, there was no finding by the Assessing Officer that the cash deposits represented any income other than business receipts. Consequently, treating such deposits—already forming part of declared turnover—as unexplained cash credits under Section 68 amounted to double taxation of the same income. As the Commissioner (Appeals) erroneously sustained the addition without addressing this core issue, the impugned addition was liable to be deleted, being contrary to both the letter and spirit of the presumptive taxation provisions.

ITAT remanded matter as similar issue for same AY was already sent back to AO to decide afresh

EDITORIAL NOTE: Where the Assessing Officer observed that the assessee had failed to offer capital gains to tax arising from the transfer of his rights in a plot of land and consequently brought the resulting short-term capital gains to tax, it was noted that the factual matrix involved was identical to that of the assessee's brother for the same assessment year, in whose case the matter had already been remanded to the Assessing Officer for a fresh adjudication. Given the commonality of facts, nature of transaction, and assessment year, and to ensure consistency in the treatment of similar issues and avoid contradictory outcomes, it was held that, in the interest of justice, the assessee's case should also be remanded to the Assessing Officer. This would allow a comprehensive and uniform examination of all relevant facts and evidence, including the nature of rights transferred, the date and manner of transfer, and the computation of capital gains, in line with the principles of natural justice and fair adjudication.

AO can't adjust refund against demand if assessee had already deposited 20% of demand before filing stay application: HC

EDITORIAL NOTE: Where the assessee had voluntarily deposited 20 per cent of the

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disputed tax demand for Assessment Year 2015–16 even prior to filing a stay application, in conformity with CBDT Instruction No. 1914 dated 21.03.1996 (read with subsequent amendments), the demand was deemed to be stayed, subject to fulfilment of such conditions. In such circumstances, the Revenue was not justified in making an adjustment of the refund due for Assessment Year 2022–23 against the outstanding demand for Assessment Year 2015–16. Once the assessee has complied with the standard condition of depositing 20 per cent of the demand, any coercive recovery action, including adjustment of refund under Section 245, without affording proper opportunity or issuing prior intimation, would be contrary to the settled administrative instructions and principles of natural justice. Therefore, the adjustment effected by the Revenue in this case was arbitrary and unsustainable in law, and the refund for Assessment Year 2022–23 ought to have been released to the assessee without such unilateral set-off.

ITAT quashed reassessment as AO treated share capital of Cos as bogus without proper verification

EDITORIAL NOTE: Where the share capital received by the assessee from two companies was treated as bogus solely on the ground that the said companies had not filed their statutory returns with the Registrar of Companies (ROC) and were alleged to be accommodation entry providers, such a conclusion was untenable in the absence of concrete evidence to substantiate the allegation. The mere non-compliance by the investing companies with ROC filing requirements cannot, by itself, be a basis to disregard the genuineness of the share capital received, especially when the companies were found to be active and existing on the ROC portal and their financial statements reflected substantial share capital and reserves. In the absence of any adverse material to show that the assessee's own funds had been routed back through these companies or that the transactions lacked identity, creditworthiness, or genuineness, the onus cast upon the assessee under Section 68 stood discharged. Accordingly, the addition made on account of share capital receipts merely based on assumptions regarding the nature of the investor companies was unjustified and liable to be deleted.

Delay in filing Form 10B condoned due to accountant's unavailability from son's illness: HC

EDITORIAL NOTE: Where the assessee, a charitable organisation registered under the Income Tax Act, filed its return of income along with Form 10B after a delay of one month, it was explained that the delay occurred due to the unavailability of the assessee's accountant, who was suffering from Dengue during the relevant period. Given that the filing of Form 10B is a procedural requirement and the substantive conditions for claiming exemption under Sections 11 and 12 were duly fulfilled, the delay was neither deliberate nor with an intent to evade compliance. In such circumstances, where a reasonable and bona fide cause is established and the charitable nature and activities of the assessee remain undisputed, the delay in filing Form 10B merits condonation in line with the principles laid down by courts in various cases emphasizing substantial compliance over mere technical lapses. Therefore, in the interest of justice and to uphold the charitable intent of the statute, the delay in filing Form 10B was to be condoned, and the assessee's claim for exemption could not be denied on this procedural ground alone.

ITAT set-aside order as CIT(A)

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dismissed appeal without considering valuation report of shares

EDITORIAL NOTE: Where the Assessing Officer made an addition of the entire share premium received by the assessee-company from its shareholders by invoking the provisions of section 56(2)(viib) of the Income Tax Act, and the Commissioner (Appeals) dismissed the assessee's appeal on the ground that no formal application for admission of additional evidence had been filed, despite the assessee having submitted relevant documents during the appellate proceedings, such dismissal amounted to denial of a fair opportunity. It is a settled principle that procedural technicalities should not override substantive justice, especially when the assessee has attempted to support its claim and the documents go to the root of the matter. In view of the above, and to ensure that the assessee is afforded a reasonable opportunity to present its case and substantiate the genuineness and valuation of share premium, the impugned order of the Commissioner (Appeals) is liable to be set aside and the matter restored to his file for de novo adjudication. The Commissioner (Appeals) is directed to pass a speaking order after admitting and examining the evidence on record and granting the assessee adequate opportunity of being heard in accordance with the principles of natural justice.

No TDS u/s 194A if joint venture ceased to exist and entire income was offered to tax by assessee: ITAT

EDITORIAL NOTE: Where the joint venture (JV) between the assessee and its partner ceased to exist as an Association of Persons (AOP) pursuant to duly executed amendment agreements, and the assessee independently undertook execution of the entire project, bearing full entrepreneurial and financial risk, the payment made to the erstwhile JV partner in the form of a fixed, turnover-based fee represented a contractual obligation rather than income in the nature of interest. In the absence of any shared execution, joint control, or profit-sharing arrangement post-amendment, the JV structure stood dissolved for all practical and legal purposes. Consequently, the payment made was not in the nature of "interest" under section 2(28A) of the Income Tax Act and did not fall within the purview of section 194A, which mandates deduction of tax at source on interest payments. Therefore, the assessee could not be treated as an assessee-in-default under section 201 for non-deduction of TDS on such payments, as the nature of the transaction did not attract the provisions of section 194A in the first place.

HC set-asides order passed by Faceless Assessment Unit without considering adjournment sought by assessee

EDITORIAL NOTE: Where the assessee sought an adjournment of the assessment proceedings on the ground that he and his family members had tested positive for COVID-19 and were under home quarantine at the time the hearing via video conferencing was scheduled, the request constituted a genuine and reasonable cause for non-compliance. Despite this, the Assessing Officer proceeded to pass the assessment order under section 143(3) without considering the adjournment request or affording any further opportunity of hearing to the assessee. This action amounted to a violation of the principles of natural justice, as the assessee was deprived of the opportunity to be heard and to present his case. The right to a fair hearing is fundamental to the assessment process, and the failure to accommodate a bona fide adjournment request—particularly during a public health emergency—renders the

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proceedings arbitrary and unsustainable in law. Accordingly, the impugned assessment order was liable to be quashed and set aside, with directions for de novo assessment after affording a reasonable opportunity of hearing to the assessee.

Cash belonging to Co. found in possession of director couldn't be treated as deemed dividend u/s 2(22)(e): ITAT

EDITORIAL NOTE: Where the Assessing Officer treated the unaccounted cash found during the course of search as deemed dividend under section 2(22)(e) in the hands of the assessee, such an addition was unjustified in law and on facts. It was established that the cash in question belonged to the assessee's company, was duly accounted for and offered to tax by the company itself, and there was no evidence to suggest that the said amount was either advanced as a loan or an advance to the assessee, or utilized for his personal benefit. For the provisions of section 2(22)(e) to be attracted, there must be an actual payment by way of loan or advance by a closely held company to a shareholder holding not less than 10% voting power, and such payment must be for the benefit of the shareholder and not for business exigencies. In the absence of any such factual matrix indicating a loan or benefit extended to the assessee, the deeming fiction under section 2(22)(e) could not be invoked merely on the basis of the presence of unaccounted cash, especially when it had already been taxed in the hands of the company. Therefore, the addition made under section 2(22)(e) was liable to be deleted.

Reassessment proceedings were to be quashed as AO passed order without disposing of assessee's objections: HC

EDITORIAL NOTE: Where the Assessing Officer issued a reopening notice on the ground that the assessee had allegedly entered into bogus transactions with one NJ, and the assessee duly filed objections challenging the validity and merits of the reopening, it was incumbent upon the Assessing Officer to dispose of such objections by passing a speaking order in compliance with the binding directions laid down by the Hon'ble Supreme Court in GKN Driveshafts (India) Ltd. v. ITO (2003) 259 ITR 19 (SC). However, the Assessing Officer, in disregard of this mandatory procedural requirement, proceeded to complete the reassessment without disposing of the assessee's objections. Such failure constitutes a gross violation of the principles of natural justice, rendering the reassessment proceedings fundamentally flawed and unsustainable in law. The procedural safeguard of disposing of objections prior to reassessment is designed to prevent arbitrary exercise of powers under section 147. In view of the above breach, the impugned reassessment order is vitiated and liable to be set aside, and the matter is to be remanded back to the Assessing Officer for fresh consideration, strictly in accordance with law and after duly addressing the objections raised by the assessee.

ITAT directs AO to allow sec. 43B deduction on bonus paid during year if supporting evidence is furnished

EDITORIAL NOTE: Where the assessee had an opening liability in respect of bonus/commission payable to employees and made the actual payment of such bonus during the relevant previous year, the assessee would be eligible to claim deduction under section 43B of the Income Tax Act, 1961, in respect of the bonus paid. Section 43B allows deduction of specified expenses, including bonus, only on actual payment basis, irrespective of the method of accounting regularly employed by the assessee. Accordingly, if the assessee discharges the liability

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by making payment during the financial year and furnishes the necessary documentary evidence—such as payment vouchers, bank statements, and employee-wise computation—substantiating that the payment pertains to the statutory liability incurred in the earlier year, such expenditure would qualify for deduction under the provisions of section 43B. The existence of an opening liability alone does not disentitle the assessee from claiming the deduction, so long as the condition of actual payment within the prescribed time frame is duly met and verified.

AO can't disallow exp. merely on ground that there was no sign board on premises of parties to establish commercial activity

EDITORIAL NOTE: Where the assessee-company claimed deduction in respect of payments made to six parties towards services rendered, and the Assessing Officer disallowed the said expenditure solely on the ground that there were no signboards displayed at the premises of these parties to evidence commercial activity, such disallowance was unjustified and not supported by material evidence. It was established that all six creditors had duly responded to notices issued by the Assessing Officer under section 133(6), confirming the transactions with the assessee. Furthermore, it was demonstrated that these creditors had disclosed the payments received from the assessee as income in their respective returns of income filed under section 139 of the Income Tax Act. In such circumstances, where the identity of the parties, the genuineness of the transactions, and the creditworthiness of the recipients stood established, the absence of a signboard at their premises cannot be a valid basis to disregard the entire transaction as non-genuine. The disallowance made by the Assessing Officer was based on suspicion and surmise rather than any substantive evidence, and therefore, the claim of expenditure was allowable as a legitimate business expense under section 37(1).

Exemption u/s 54 couldn't be denied just because assessee purchased new flat from her husband: ITAT

EDITORIAL NOTE: Where the assessee sold two residential flats and claimed exemption under section 54 of the Income Tax Act in respect of the capital gains arising from such sale by investing the proceeds in the purchase of a new residential property from her husband, the Assessing Officer sought to disallow the claim on the ground that the purchase was from a related party. However, it was evident that the assessee had complied with the substantive conditions prescribed under section 54, namely, that the investment was made in a residential house property within the stipulated period of two years from the date of transfer of the original assets. The provision does not restrict the exemption merely because the new residential property is purchased from a relative, including a spouse, so long as the purchase is genuine, duly supported by legal documentation, and the consideration has been paid. There was no allegation of the transaction being a sham or colourable device. Therefore, since the assessee fulfilled all the statutory requirements for claiming exemption under section 54, including the timely purchase of a new asset, the exemption was rightly allowable, and denial of the same merely due to the identity of the seller being her husband was unsustainable in law.

CORPORATE LAW UPDATES

Sale of company property to firm held valid as no status quo order existed and sale was

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conducted in a legal manner: NCLT

EDITORIAL NOTE: Where the subject property belonging to the company 'A' was sold to firm 'B', and it was established that the said sale transaction was effected at a time when no status quo order was in operation concerning the properties of 'A', and further, that the entire sale consideration was remitted to the secured creditor towards discharge of outstanding dues, the transaction was in conformity with legal requirements. In the absence of any injunction or restraint in force at the time of sale, and considering that the sale proceeds were utilized for settling lawful liabilities, the transfer of property cannot be termed as irregular or void. Accordingly, a sale which has been lawfully executed, without any subsisting legal bar and for valid consideration, cannot be invalidated merely on speculative or retrospective grounds.

MCA substitutes Form GNL-1; requires disclosures on company defaults, probes and drops stamp duty information

EDITORIAL NOTE: The Ministry of Corporate Affairs (MCA) has notified the Companies (Registration Offices and Fees) Amendment Rules, 2025, introducing significant revisions to procedural compliance through the substitution of the existing Form GNL-1 with a new version. The revised Form GNL-1 mandates additional disclosures aimed at enhancing transparency and regulatory oversight. Companies are now required to furnish comprehensive details pertaining to the period of default, reasons leading to such default, whether the default has since been rectified, and whether any investigation has been initiated against the company. Furthermore, particulars such as the name of the investigating agency and a brief summary of the investigation must also be disclosed. Notably, the revised form has removed the requirement to provide details related to the payment of stamp duty, thereby simplifying certain aspects of the filing process. These amendments reflect MCA's continued efforts to strengthen corporate governance and streamline regulatory processes through enhanced disclosure requirements.

MCA amends CRA-2 & CRA-4 forms: Introduces fields for appointment nature, auditor consent, and AGM extension details

EDITORIAL NOTE: The Ministry of Corporate Affairs (MCA) has notified the Companies (Cost Records and Audit) Amendment Rules, 2025, which will come into effect from 14th July 2025. Pursuant to the amendment, Forms CRA-2 and CRA-4 have been substituted with revised versions to enhance disclosure and compliance requirements. The revised Form CRA-2 now requires companies to furnish details regarding the nature of the cost auditor's appointment, such as whether it is a fresh appointment or reappointment, along with confirmation of the auditor's consent. In the updated Form CRA-4, companies must disclose the auditor's lead status and, in case of any extension of the Annual General Meeting (AGM), provide the Service Request Number (SRN) of Form GNL-1 used to obtain such extension along with the revised AGM date. These changes are intended to improve transparency, accountability, and oversight in the cost audit process.

MCA amends MGT-7, MGT-7A and MGT-15 forms; add fields for shareholder breakup, Registered Office photo & AGM

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FY details

EDITORIAL NOTE: The Ministry of Corporate Affairs (MCA) has notified the Companies (Management and Administration) Amendment Rules, 2025, introducing significant revisions to Forms MGT-7, MGT-7A, and MGT-15, which shall be effective from 14th July 2025. Under the amended framework, Form MGT-7 has been updated to include a detailed summary of indebtedness specifically pertaining to debentures, along with a category-wise breakup of shareholding, thereby enhancing disclosure standards related to a company's capital structure. Form MGT-7A, applicable to small companies and OPCs, now requires the attachment of a photograph of the registered office, clearly displaying the external building along with the name of the company as per signage, to ensure physical verification of the company's principal place of business. Furthermore, in Form MGT-15, companies are now required to furnish particulars related to the financial year to which the Annual General Meeting (AGM) pertains. These revised forms are aimed at improving corporate transparency and regulatory compliance and will be made available on the MCA V3 portal starting 14th July 2025.

MCA overhauls ADT forms w.e.f. 14.07.2025; seeks prior audit info, offence details & SRN linkage

EDITORIAL NOTE: The Ministry of Corporate Affairs (MCA) has notified the Companies (Audit and Auditors) Amendment Rules, 2025, bringing into effect revised versions of Forms ADT-1, ADT-2, ADT-3, and ADT-4, effective from 14th July 2025. The amended Form ADT-1 now mandates the disclosure of the nature of the auditor's appointment, along with details of any prior audit engagement conducted by the auditor, firm, or its members, thereby enhancing the traceability and accountability of audit assignments. In Form ADT-2, which relates to applications for removal of auditors before the expiry of their term, the requirement to submit proof of service of notice to the concerned auditor has been introduced to ensure due process and adherence to principles of natural justice. Further, Form ADT-3, which deals with resignation of auditors, now requires the quoting of the SRN (Service Request Number) of the corresponding ADT-1 form to establish linkage with the original appointment. Lastly, Form ADT-4, pertaining to the reporting of fraud by the auditor, now necessitates disclosure of the email ID of the company, specific office details where the alleged offence was committed, and particulars of officers involved, thereby strengthening the enforcement and investigative mechanism. These amendments are aimed at bolstering regulatory oversight and ensuring greater transparency in audit-related processes.

SEBI warns of fraudulent notices, scam messages from imposters; urges public to verify via SEBI site and avoid fraud

EDITORIAL NOTE: SEBI has issued an alert cautioning the public against fraudulent communications from imposters posing as SEBI officials, who are using forged letterheads, logos, and seals to demand fines through social media, issue fake sale certifcertificates, and misuse vendor accounts. SEBI clarified that genuine communications are sent only from official email addresses ending with @sebi.gov.in and that all authentic documents contain a Unique Document Identification Number (UDIN), which can be verified on the SEBI website. The regulator has urged investors to remain vigilant, avoid responding to suspicious messages, and use the SEBI Directory available on its website to verify the identity of

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officials.

MCA substitutes Form AOC-4 XBRL; new version requires disclosures on CSR & mandates to attach signed financials in a PDF format

EDITORIAL NOTE: The Ministry of Corporate Affairs (MCA) has notified the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Amendment Rules, 2025, introducing significant changes effective from 14th July 2025. As per the amendments, Form AOC-4 XBRL has been substituted with a revised version that mandates enhanced disclosures, specifically requiring reporting on Corporate Social Responsibility (CSR) activities undertaken by the company. Additionally, companies filing their financial statements in XBRL format are now required to attach a copy of the signed financial statements, duly authenticated in PDF format, along with the e-Form AOC-4 XBRL. These changes are aimed at strengthening compliance, improving transparency in CSR reporting, and ensuring consistency in financial disclosures submitted to the MCA.

SEBI to launch exclusive UPI IDs for SEBI-registered intermediaries to collect funds from investors to curb trading scams

EDITORIAL NOTE: The Securities and Exchange Board of India (SEBI) has announced the implementation of a structured Unified Payment Interface (UPI) mechanism aimed at enhancing transparency and security in fund transfers between investors and SEBI-registered intermediaries. Under this framework, investors will be able to transfer funds directly to the designated bank accounts of intermediaries through a standardized UPI system. This initiative is designed to ensure that payments are routed exclusively to verified and registered market participants, thereby mitigating risks associated with fraudulent transactions. To facilitate this process, exclusive UPI IDs will be allocated to each intermediary, and these will be made accessible to investors starting from October 1, 2025. This measure is part of SEBI's ongoing efforts to strengthen investor protection and improve the integrity of the capital market ecosystem.

NCLT directs restoration of company name as non-filing of INC-20A was technical and business had already commenced

EDITORIAL NOTE: Where the company had already received share subscriptions and had duly commenced its business operations, the non-filing of Form INC-20A—being a declaration of commencement of business—was held to be a mere technical or procedural lapse. Since the substantive requirements under the Companies Act, 2013, namely the receipt of subscription money and actual commencement of business, had been duly fulfilled, the defect was not of such gravity as to warrant the striking off of the company's name from the Register of Companies. Accordingly, in the interest of justice and to avoid undue hardship, the name of the appellant company was directed to be restored in the Register of Companies, subject to compliance with any conditions imposed by the concerned Registrar.

SEBI tightens AIF norms; mandates NISM certification for key investment personnel by July 31, 2025

EDITORIAL NOTE: The Securities and Exchange Board of India (SEBI) has notified amendments to the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007, to enhance professional standards and regulatory compliance within the Alternative Investment Fund

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(AIF) ecosystem. Pursuant to the amendment, it is now mandatory for Category I, Category II, or combined Category I and II AIFs to ensure that at least one key personnel from the Manager's key investment team possesses valid certification from the National Institute of Securities Markets (NISM). This requirement can be fulfilled by successfully completing either the existing NISM Series-XIX-C certification or the newly introduced NISM Series-XIX-D certification, designed specifically for AIF-related competencies. For AIFs in existence as of the date of the notification, SEBI has stipulated a compliance deadline of July 31, 2025, by which time the requisite certification must be obtained. This regulatory enhancement is aimed at strengthening governance, ensuring informed decision-making, and safeguarding investor interests in the rapidly growing AIF sector.

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Issue No.52, Dated 4th July, 2025

Tax Compliance Calendar for July 2025

Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To
7th July	July 2025 to September 2025	TDS Deposit for the month of June 2025	Deposit of Tax Deducted/Collected at Source for transactions made in June 2025
10th July		GSTR-7 & GSTR-8 Filing	Filing of TDS (GSTR-7) and TCS (GSTR-8) returns for June 2025.
11th July		GSTR-1 (Outward supply return)	Filing of outward supply details for June 2025 by taxpayers with a turnover more than ₹5 crore or who opted for monthly filing.
13th July		ISD Return	An Input Service Distributor is required to furnish monthly return of input tax distributed for the month of June, 2025
		GSTR-1 (Quarterly)	Filing of outward supply details for Q1 Apr-Jun 2025 by taxpayers under the QRMP scheme.
15th July		TCS Return Filing (Form 27EQ)	Filing of quarterly TCS return for Q1 ending June 30, 2025.
		FLA Annual Return	Filing of Annual Return on Foreign Liabilities and Assets by companies with FDI or ODI.
20th July		GSTR-3B (Summary return)	A regular taxpayer having aggregate turnover more than Rs. 5 crore in the preceding financial year is required to make payment of tax and furnish monthly return for the month of June, 2025.
22nd July		Monthly Return	A regular taxpayer having an aggregate turnover of upto Rs. 5 crore in the previous financial year, whose principal place of business is in category A States, is required to make payment of tax and furnish monthly return for the month of June, 2025
24th July		Monthly Return	A regular taxpayer having an aggregate turnover of upto Rs. 5 crore in the previous financial year, whose principal place of business is in category B States, is required to make payment of tax and furnish monthly return for the month of June, 2025
31st July		TDS Return Filing (Form 24Q, 26Q, 27Q)	Filing of quarterly TDS returns for salary (24Q) and non-salary (26Q, 27Q) payments for Q1 ending June 30, 2025.

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