

DEVMANTRA TIMES

AUGUST EDITION

Issue No.53, Dated 2nd August, 2025

Dear Readers,

We welcome you to the Fifty third edition of DevMantra Times for the month of August 2025. This edition of our newsletter, where we bring you the latest developments shaping India's dynamic business and innovation landscape. The personal loan landscape is undergoing a notable transformation as traditional banks grow increasingly cautious amid rising delinquencies and RBI advisories. High-value personal loans exceeding Rs 10 lakh are gaining traction, while mid-ticket loans in the Rs 1-5 lakh range are declining. At the same time, NBFCs and fintech lenders are expanding their presence by focusing on low-ticket loans, driving higher transaction volumes and fostering greater financial inclusion among underserved segments. Banking credit grew by 9.5% year-on-year in Q1 FY26, with deposits rising 10.1%, and analysts expect credit growth to accelerate to 12-13% in FY26 due to cheaper loans and anticipated repo rate cuts, which could boost consumption and retail inflation. Unclaimed deposits with Indian banks surged to Rs 67,003 crore by June 2025, primarily held by public sector banks, prompting the RBI to launch the UDGAM portal to help depositors locate their funds. In the startup ecosystem,

eyewear manufacturer Lenskart has filed draft papers for an Rs 8,000 crore IPO to support its global expansion and technology investments, while Ather Energy is narrowing its market share gap with Ola Electric amid rare earth magnet supply challenges affecting the EV sector. Despite over 6,000 startups shutting down, the ecosystem shows signs of recovery with 22,000 new registrations and five new unicorns in the first half of 2025. Semiconductor startups in India are attracting record investments thanks to government-backed initiatives, highlighting progress in innovation and self-reliance. On the regulatory front, ICAI plans to enforce new tax audit limits starting April 2026, penalizing non-compliant Chartered Accountants and expanding global certification programs to enhance professional standards. king landscape.

May August 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

High-value personal loans surge as lenders grow cautious

EDITORIAL NOTE: Amid rising delinquencies and heightened caution from traditional banks

following RBI advisories, the personal loan landscape is witnessing a notable shift. High-value loans exceeding Rs 10 lakh are gaining traction, whereas mid-ticket loans in the Rs 1-5 lakh range are declining. Non-Banking Financial Companies (NBFCs), particularly fintech lenders, are expanding their market share by focusing on low-ticket loans, thereby driving increased transaction volumes and promoting greater financial inclusion across underserved segments.

Bank Q1 credit growth at 9.5%, likely to pick up

EDITORIAL NOTE: RBI data indicates that banking credit grew by 9.5% and deposits by 10.1% year-on-year in the June quarter. Despite a slowdown in fiscal 2025, analysts project a credit growth rebound to 12-13% in FY26, driven by cheaper loans and anticipated repo rate cuts. According to ICICI Bank, improved liquidity conditions could spur consumption and, with some delay, contribute to a rise in retail inflation.

Unclaimed deposits with banks stand at Rs 67,003 cr, SBI and ICICI top list: Govt in Parliament

EDITORIAL NOTE: Unclaimed deposits in Indian banks surged to Rs 67,003 crore by June 2025, predominantly held by public

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sector banks. To assist depositors in locating these funds, the RBI launched the UDGM portal, enhancing transparency and accessibility. Meanwhile, the government has no current plans to introduce Virtual Digital Asset ETFs, instead prioritizing depositor education and advancing financial inclusion through schemes such as the Bima Sakhi Yojana.

Action to be taken against CAs if they violate new tax audit limit rules: ICAI president

EDITORIAL NOTE: The Institute of Chartered Accountants of India (ICAI) will impose penalties on CAs violating the new tax audit limits effective April 2026, aiming to curb concentration of audit assignments and promote fair practice. ICAI has also partnered with the Indian Private Equity and Venture Capital Association (IVCA) and NSE International Financial Service Centre (NSE-IFSC) to bolster alternative capital markets through enhanced knowledge sharing and standardization. Further, ICAI launched an international Alternative Dispute Resolution (ADR) center for commercial disputes and introduced certification programs in the US and UK to strengthen global capacity building for its members.

Krystal Integrated Services bags three orders worth Rs 84 crore

EDITORIAL NOTE: Krystal Integrated Services Limited has secured new contracts worth approximately Rs 84 crore, with the Airport Authority of India as a key client. The company will provide services at Jay Prakash Narayan International Airport in Patna, along with contracts from Maharashtra Tourism and Maha Mumbai Metro. These significant wins are set to strengthen Krystal's foothold in the manpower services sector.

Startup Updates

Lenskart IPO: Eyewear firm files draft papers with Sebi for Rs 8,000 crore listing

EDITORIAL NOTE: Lenskart IPO news: Eyewear manufacturer Lenskart has submitted its Draft Red Herring Prospectus (DRHP) to SEBI, marking its intent to launch an Initial Public Offering (IPO). The offering includes a fresh issue of shares worth Rs 2,150 crore alongside an Offer for Sale (OFS) of up to 132.3 million shares. Lenskart plans to deploy the capital raised to fuel its global expansion, enhance supply chain capabilities, and invest in technological advancements.

Ather Energy narrows gap with Ola Electric as EV sales decline amid rare earth magnet crunch

EDITORIAL NOTE: Ola Electric's strong focus on profitability has resulted in a decline in its market share, allowing competitors like Ather Energy to narrow the gap. The electric two-wheeler industry is currently grappling with supply chain challenges, particularly due to China's export restrictions on rare earth magnets, which have disrupted production for major players such as Bajaj Auto and TVS Motor. In response, Bhavish Agarwal-led Ola Electric is investing efforts into developing alternative motor technologies to mitigate these constraints and sustain its market position.

Startup registrations cross 1.8 lakh mark, as 22,000 new entities join in 2025

EDITORIAL NOTE: However, as of July 18, 2025, a total of 6,019 recognised startups have shut down, according to Ministry of Corporate Affairs data. This occurs amid signs of recovery in the country's startup ecosystem following more than three years of funding slowdown. Notably, during the first half of the year, five new startups achieved unicorn status, highlighting renewed investor confidence and growth potential.

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Driven by government support, semiconductor startups in India attract record investment

EDITORIAL NOTE: The semiconductor design ecosystem in India is strengthening significantly, with startups supported under MeitY's Design Linked Incentive (DLI) Scheme and Chips to Startup (C2S) Programme gaining substantial momentum, according to the Ministry of Electronics & IT. This growth underscores India's progress in fostering innovation and self-reliance in the critical semiconductor sector.

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 for confirming demand without considering amount paid and matter remanded for fresh decision: HC

EDITORIAL NOTE: Where the Assessing Officer confirmed the demand without taking into account the amount already paid by the assessee, and subsequently rejected the rectification application on the ground that there was no error apparent on the face of the record, such rejection amounts to a violation of the principles of natural justice. The failure to consider the payment made by the assessee resulted in an erroneous demand. Therefore, the order rejecting the rectification application is liable to be set aside, and the matter should be remitted back to the Assessing Officer for fresh consideration after duly accounting for the amount paid by the assessee.

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Vehicle leasing and logistics management services held classifiable under SAC 997319 and taxable at 18%: AAR

EDITORIAL NOTE: "Vehicle Leasing and Logistics Management Services" are classified under the broader category of leasing or rental services pertaining to machinery and equipment without operator involvement. Specifically, these services fall under the Services Accounting Code (SAC) 997319, which covers leasing or rental services of other machinery and equipment excluding those supplied with an operator. According to Notification No. 11/2017-Central Tax (Rate), dated 28.06.2017, these services attract a Goods and Services Tax (GST) rate of 18%, as specified at Sl. No. 17(viii) of the said notification. This classification ensures that vehicle leasing services, provided without drivers or operators, are uniformly taxed under the prescribed GST framework.

No tax payable on goods in transit for export being zero rated supply and hence penalty for expired e-way bill not sustainable: HC

EDITORIAL NOTE: Where the goods in transit were meant for export, which qualifies as a zero-rated supply under the Goods and Services Tax (GST) regime, the petitioner-exporter is

not liable to pay any GST on such goods. Since zero-rated supplies are exempt from tax, no tax amount becomes payable during the movement of such goods. The penalty provisions related to the e-way bill under GST are triggered only when there is a failure to comply with the rules in respect of taxable supplies on which tax is payable. In this case, as there was no tax liability on the petitioner-exporter because of the zero-rated nature of the export transaction, the expiry of the e-way bill during transit cannot give rise to any penalty. Therefore, the penalty imposed for the lapse of the e-way bill is not sustainable, as penalty liability presupposes a tax default which is absent here. This position upholds the principle that procedural lapses, where no tax is due, should not attract penal consequences under GST law.

HC condoned delay of 1 day in filing appeal as last date of filing appeal fell on Sunday

EDITORIAL NOTE: Where the assessee filed an appeal with a delay of one day, citing that the last date for filing fell on a Sunday and thus the appeal could not be submitted on that day, the reason provided appeared genuine and reasonable. In such circumstances, the delay of one day in filing the appeal deserves

to be condoned. Consequently, the Appellate Authority should be directed to admit the appeal and decide the matter on its merits, without rejecting it solely on the ground of the marginal delay.

Amount deposited 'under protest' can not be treated as admission of liability enabling department to impose interest and penalty: HC

EDITORIAL NOTE: Amount deposited 'under protest' cannot be construed as an admission of tax liability by the assessee. Such payment is made merely to avoid coercive action or to comply with procedural requirements while disputing the demand. Therefore, the Department cannot rely on this deposit as a basis to impose interest or penalty, since there is no acceptance of the correctness of the tax demand. The protest serves as a clear indication that the liability is contested, and hence, interest and penalty should not be levied solely on the ground of such deposit.

Registration cancelled on non-filing of returns for 6 months to be restored on payment of dues and filing returns: HC

EDITORIAL NOTE: Where the GST registration was cancelled on account of non-filing of returns for a continuous period exceeding six months, the

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registration shall be restored upon the assessee furnishing all the pending returns and making full payment of the outstanding tax liabilities along with applicable interest and late fees. Compliance with these conditions fulfills the statutory requirements for revival of registration, thereby enabling the assessee to resume normal business operations under GST law.

Lease cancellation not a taxable supply; refund for unutilised lease period not liable to GST: AAR

EDITORIAL NOTE: While leasing of property is treated as a supply of service under the GST Act, the mere cancellation of a lease does not amount to a taxable event under the CGST Act. Accordingly, any refund received by the lessee that is proportionate to the unexpired or unutilized portion of the lease period is not subject to GST, as it does not constitute consideration for a supply but rather a reimbursement or adjustment arising from termination of the contract.

Adjudication order can't be passed without setting out relevant facts and basis of decision by proper officer: HC

EDITORIAL NOTE: Even where the assessee fails to respond to a notice issued under section 73, the respondent is nonetheless

obligated to pass a final order in strict compliance with the requirements of section 75(6), which mandates that the order be self-contained and comprehensive. An order that merely references the notice without independently addressing the facts, grounds, and reasons for the demand cannot be regarded as a valid, self-contained final order. Consequently, such an order is legally deficient and liable to be set aside for non-compliance with the statutory mandate.

Commissioning and erection of rail tracks with client-supplied goods is Construction Service falling under Heading 9954 & taxable at 18%: AAR

EDITORIAL NOTE: Where the applicant is engaged solely in providing commissioning and erection services for rail tracks, and the goods required for such services are supplied by the client, the service rendered by the applicant cannot be classified as a composite supply of works contract. Instead, these services fall under the residuary category of Construction Services, classified under Heading 9954. Accordingly, the services are liable to Goods and Services Tax (GST) at the rate of 18%.

Arithmetical error in order leading to excess tax demand allows assessee to seek rectification without limitation: HC

EDITORIAL NOTE: Where an order passed by the adjudicating authority contained an arithmetical error resulting in the tax demand exceeding the taxable value of turnover, the assessee, upon filing a writ petition, should be granted the liberty to file an application for rectification of such error. The rectification application must be considered on its merits without being barred by any limitation period, ensuring correction of the mistake and preventing unjust demand.

GSTN enables filing of appeals against waiver rejection orders (SPL-07) on the GST Portal

EDITORIAL NOTE: The GSTN has issued an advisory informing taxpayers that they can now file appeals (Form APL-01) against waiver rejection orders (SPL-07) directly on the GST Portal. To file the appeal, taxpayers need to navigate to "My Application" and select the order type as "Waiver Application Rejection Order." It is important to note that once an appeal is filed under the waiver scheme, it cannot be withdrawn. Alternatively, if a taxpayer had earlier withdrawn their original appeal to opt for the waiver scheme, they can restore the

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original appeal by submitting an undertaking through the “Orders” section on the portal. This functionality aims to streamline the appeal process and provide clarity on waiver-related appeals.

GSTN to introduce enhanced OTP consent alerts and access controls for Application Suvidha Provider usage

EDITORIAL NOTE: The GSTN has issued an advisory announcing upcoming security enhancements aimed at increasing transparency and control for taxpayers using Application Suvidha Providers (ASPs) to interact with the GST system. Under the new measures, taxpayers will receive email and SMS notifications whenever an ASP accesses their data through OTP-based consent. Moreover, the GST Portal will feature a dedicated section where taxpayers can view all active consents granted to ASPs and revoke them if desired. These enhancements are designed to strengthen data security and empower taxpayers with greater oversight over third-party access to their GST information.

Refund of unutilized ITC could not be denied as IGST was paid on zero-rated exports: HC

EDITORIAL NOTE: Refund of unutilized Input Tax Credit (ITC) cannot be denied where IGST has

been paid on zero-rated exports. Such refund is admissible under Section 54 of the CGST Act and must be computed in accordance with Rule 89 of the CGST Rules. This ensures that exporters are not financially burdened and are able to claim a refund of the ITC accumulated on inputs and input services used in the course of zero-rated export supplies.

GST is payable on hotel rental income when hotel is rented to Govt. to accommodate security forces: HC

EDITORIAL NOTE: Where hotel accommodation is rented out to the Government for housing its security forces, GST is payable on the rental income earned by the hoteliers over and above the fixed rent paid by the Government. The liability to reimburse the GST amount rests with the State Home Department, which is responsible for covering the tax expense incurred on such rentals.

Inter-State supplies auto-populated in Table 3.2 of GSTR-3B on the GST portal would be non-editable from July 2025: GSTN

EDITORIAL NOTE: In continuation of the previous advisory, the GSTN has announced that, starting from the July 2025 tax period, Table 3.2 of GSTR-3B—which captures details of inter-State supplies to

unregistered persons, composition taxpayers, and UIN holders—will be auto-populated and made non-editable. Taxpayers are required to ensure that their reporting in GSTR-1, GSTR-1A, or the Invoice Furnishing Facility (IFF) is accurate and complete, as these filings will determine the auto-filled values in Table 3.2 of GSTR-3B. This measure aims to enhance data consistency and reduce errors in GST returns.

GSTN issues an advisory on erroneous system-generated GSTR-3A notices for non-filing of GSTR-4

Editorial Note : The GSTN has acknowledged a system glitch that led to the erroneous issuance of GSTR-3A notices for non-filing of GSTR-4 to certain composition taxpayers whose registrations were cancelled prior to FY 2024–25. The technical team is actively working to resolve this issue. Taxpayers who have already filed the required returns or whose registrations were cancelled before FY 2024–25 are advised to disregard these notices, as no further action is necessary.

Demand can't be raised beyond amount specified in SCN; matter to remanded back: HC

EDITORIAL NOTE: Where the show-cause notice specifies a

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certain amount as the demand, including tax, interest, and penalty, but the final order reflects a significantly higher demand than indicated in the notice, such a discrepancy constitutes a procedural irregularity. The assessee is entitled to be informed of the exact amount sought to be recovered to ensure fairness and adherence to the principles of natural justice. Issuing an order demanding an amount substantially different from that stated in the show-cause notice violates the requirement of clear communication and opportunity to respond. Therefore, the matter must be remanded back to the adjudicating authority for reconsideration, and a fresh order should be passed either in line with the original notice or after issuing a revised notice with appropriate justification for the increased demand.

HC allows transfer of unutilized ITC from transferor company to amalgamated company registered in different state

EDITORIAL NOTE: Transfer of unutilized Input Tax Credit (ITC) remaining in the electronic credit ledger of the transferor company to the amalgamated company is permissible even if the two companies are located in different States. The GST provisions recognize such

transfer as part of the amalgamation process, allowing seamless credit movement regardless of the geographic location of the entities involved. This facilitates continuity of credit utilization post-amalgamation without being hindered by inter-state differences.

Bunching of Show Cause notice for more than one financial year is not permissible in law: HC

EDITORIAL NOTE: Bunching of show cause notices covering multiple financial years is impermissible and considered bad in law. Issuing or passing show cause notices/orders spanning more than one financial year exceeds the jurisdictional limits of the authorities and violates procedural norms. Such clubbing of multiple years into a single notice or order is legally untenable and liable to be quashed on the grounds of lack of jurisdiction and procedural impropriety. Each financial year must be dealt with separately to ensure fairness and compliance with statutory provisions.



INCOME TAX REGULATORY UPDATES

No refund adjustment against outstanding demand while appeal against demand was pending before CIT(A): HC

EDITORIAL NOTE: The Assessing Officer's adjustment of refunds due for Assessment Years 2021-22 and 2024-25 against the outstanding demand for Assessment Year 2017-18 is legally untenable, as the said demand is under dispute with the assessee's appeal pending before the Commissioner of Income Tax (Appeals). As per CBDT Instruction No. 1914 and settled judicial precedents, recovery of disputed demand should be stayed during the pendency of appeal, and any adjustment under Section 245 of the Income-tax Act, 1961 requires prior intimation and an opportunity of being heard. The adjustment made without following due process and in disregard of the pending appeal violates principles of natural justice and is therefore bad in law.

Payment from 'Flipkart' for stock option loss due to divestment is a capital receipt: Karnataka HC

EDITORIAL NOTE: Where the assessee, an employee of FIPL, received a one-time voluntary compensation from the parent

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company, FPS, on account of loss in value of stock options due to disinvestment of a subsidiary, such payment constitutes a capital receipt and is not exigible to tax. Since the assessee neither exercised the stock options nor was there any allotment or transfer of shares in his favour, the essential conditions for taxation as a perquisite under section 17(2)(vi) of the Income-tax Act, 1961 are not satisfied. The amount received, being compensatory in nature and unrelated to any exercise or transfer of specified securities, falls outside the ambit of salary income and cannot be brought to tax under the head "Income from Salaries."

No additions towards unexplained purchases if assessee was following presumptive taxation scheme: ITAT

EDITORIAL NOTE: Where the Assessing Officer made additions on account of alleged bogus purchases, such additions are unsustainable in law given that the assessee had opted for presumptive taxation under section 44AD of the Income-tax Act, 1961. Under this scheme, the assessee is taxed on a presumptive basis at a fixed percentage of gross receipts, and once the gross receipts are accepted and remain undisputed,

there is no requirement to maintain books of account or to explain individual expenditure or purchase entries. As held in various judicial precedents, no further scrutiny of individual transactions is warranted under section 44AD, and therefore, the additions made by the Assessing Officer towards bogus purchases are unwarranted and liable to be deleted.

Deposit of 20% of disputed demand as per CBDT's Circular is directory and not mandatory: HC

EDITORIAL NOTE: Where the Revenue rejected the assessee's stay application and initiated recovery proceedings solely on the ground of non-payment of 20% of the disputed demand, as referred to in CBDT Circular dated 29-02-2016, such action is not legally sustainable. The condition of paying 20% is directory in nature and not mandatory, as clarified by courts in multiple rulings. Therefore, the Appellate Authority ought to be directed to dispose of the pending appeal on merits without insisting on the pre-deposit of 20% of the disputed demand, especially where a prima facie case exists and the assessee has demonstrated financial hardship or other compelling circumstances.

Tax benefits available under NPS shall apply mutatis mutandis to UPS: Finance Ministry

EDITORIAL NOTE: The Department of Financial Services, Ministry of Finance, vide Notification No. FS-1/3/2023-PR dated 24.01.2025, introduced the Unified Pension Scheme (UPS) as an optional framework within the existing National Pension System (NPS) for recruits to the Central Government civil services. In order to promote adoption of the UPS, the Government has clarified that all tax benefits currently available under the NPS shall apply mutatis mutandis to the UPS as well. This ensures parity in tax treatment between NPS and UPS, thereby maintaining consistency in retirement benefit incentives for eligible government employees opting for the UPS.

Sec. 54 exemption can't be denied for investment made in name of legal heirs after assessee's death: HC

EDITORIAL NOTE: Where the petitioner, being the legal heir of the late assessee, claimed exemption under section 54 by depositing the capital gains in the Capital Gains Account Scheme (CGAS) through fixed deposits in the names of the legal heirs, such investment was made in

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compliance with the intent and conditions of section 54. Since the sale consideration was received by the deceased assessee and the reinvestment was carried out by the legal heir, the benefit of exemption cannot be denied merely because the deposit was made in the names of the legal heirs, who stepped into the shoes of the deceased. Therefore, the Assessing Officer was not justified in reopening the assessment on the ground that such investment in the name of legal heirs disentitles the assessee from exemption under section 54, as the reinvestment was bona fide and within the statutory framework.

CBDT notifies bonds issued by IREDA as 'long-term specified asset' for Sec. 54EC exemption

EDITORIAL NOTE: The Central Board of Direct Taxes (CBDT) has notified that bonds issued by the Indian Renewable Energy Development Agency (IREDA), redeemable after five years, shall be treated as a "long-term specified asset" for the purposes of claiming exemption under section 54EC of the Income-tax Act, 1961. Accordingly, investment in such bonds will qualify for exemption from capital gains tax under section 54EC, subject to fulfillment of other prescribed conditions. It is further specified that the proceeds from these

bonds shall be utilized by IREDA exclusively for financing renewable energy projects, aligning with the Government's commitment to promote clean and sustainable energy initiatives.

No penalty for non-compliance of notice if assessee requested time to file documents: ITAT

EDITORIAL NOTE: Where the Assessing Officer issued a notice under section 142(1) seeking certain information and subsequently initiated penalty proceedings under section 272A(1)(d) on the ground that the assessee failed to comply with the notice, such penalty is not sustainable where the assessee had, in fact, responded to the notice by seeking additional time to furnish the required documents. In the absence of a speaking order rejecting the request for extension, it cannot be concluded that there was wilful non-compliance on the part of the assessee. Since the assessee's response constituted a valid reply and no opportunity was afforded by way of a reasoned denial, the imposition of penalty lacks justification and is liable to be deleted.

CBDT initiates verification drive against individuals/entities claiming fake deductions in ITR

EDITORIAL NOTE: On 14th July 2025, the Income-tax Department

launched a nationwide verification drive targeting individuals and entities involved in making fraudulent claims of deductions and exemptions in their Income Tax Returns (ITRs). The initiative aims to curb widespread misuse of tax provisions under the Income-tax Act, 1961, often perpetrated in collusion with intermediaries and ITR preparers who facilitated the filing of false returns to unlawfully avail tax benefits. The Department is leveraging advanced data analytics and third-party information to identify high-risk cases and ensure strict action against non-compliant taxpayers and those aiding such malpractices.

No demerger occurs if only certain assets/liabilities are transferred and cash is paid instead of shares: HC

EDITORIAL NOTE: Where the scheme of restructuring approved by the High Court involved the transfer of only specified assets and liabilities of two divisions of the assessee to two separate companies, and the consideration paid by the resulting companies was solely in cash without any issuance of shares, the conditions for a valid 'demerger' as defined under section 2(19AA) of the Income-tax Act were not satisfied. Consequently, the

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provisions of section 72A(4), which provide for carry forward and set-off of accumulated losses and unabsorbed depreciation in case of a demerger, do not apply to the scheme of arrangement between the assessee and the two companies.

HC slams CBDT for not taking steps to ensure that proceedings are initiated under new faceless scheme only

EDITORIAL NOTE: Following the amendment by the Finance Act, 2021, effective from 1-4-2021, all proceedings under sections 148A and 148 must be initiated and conducted through the faceless assessment scheme to ensure transparency and reduce human intervention. In this case, the jurisdictional Assessing Officer issued notices under these sections in a non-faceless manner, contrary to the statutory mandate. Such non-compliance renders the notices and consequent proceedings legally invalid and liable to be quashed for failure to adhere to the prescribed faceless procedure.

No deduction for bad debt if written-off amount wasn't shown in previous year's books: HC

EDITORIAL NOTE: Where the assessee, who is not engaged in the business of money lending, advanced certain amounts on

interest and subsequently claimed a deduction for the amount written off as bad debts due to non-recovery, the claim was rightly disallowed by the Assessing Officer. This is because the amount written off was never included in the assessee's income in any previous year, and as per the principles of income computation, a deduction for bad debts is allowable only if the debt had previously been recognized as income. Since the advances were not reflected as income earlier, the amount written off cannot be treated as a deductible bad debt, justifying the disallowance.

No higher TDS/TCS liability under sections 206AA/206CC if PAN is made operative within prescribed time: CBDT

EDITORIAL NOTE: The CBDT has issued a partial modification to Circular No. 03/2023, clarifying that no higher TDS/TCS liability under sections 206AA/206CC shall be imposed if the PAN is made operative through Aadhaar linkage by 30th September 2025 for payments made up to 31st July 2025. For payments made on or after 1st August 2025, the PAN must be linked with Aadhaar within two months from the date of such payment to avoid the higher TDS/TCS deduction. This relaxation aims to provide taxpayers additional time to

complete the Aadhaar-PAN linkage without attracting penal tax deduction or collection at source rates.

Provisions made for gratuity & leave encashment not to be treated as exp. if not debited in P&L A/c: HC

EDITORIAL NOTE: Where the assessee, being a regional rural bank, made provisions for gratuity and leave encashment based on the total employee strength each year, and the amounts debited to the Profit & Loss account represented actual expenditure incurred and paid during the relevant financial year, the disallowance of deduction on account of alleged excess payments towards gratuity and leave encashment is unjustified. Since these provisions constitute genuine business expenses duly reflected in the accounts and actually paid, the Assessing Officer's disallowance lacks merit and the claimed deductions should be allowed in full.

CBDT relaxes time limit for processing of ITRs which were incorrectly invalidated by CPC

EDITORIAL NOTE: The CBDT has announced a relaxation in the time frame for processing electronically filed income tax returns for various assessment years due to technical issues. It has directed that all returns filed

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electronically up to 31st March 2024, which were previously invalidated in error by the Central Processing Centre (CPC), will now be processed. Further, the corresponding intimation under section 143(1) of the Income-tax Act shall be issued to the affected assesseees on or before 31st March 2026, ensuring that taxpayers receive due communication despite earlier processing delays.

No additions relying upon loose papers found during search if they were mere rough notings: ITAT

EDITORIAL NOTE: Where, during the course of a search, a diary was seized containing only two pages with names of certain persons and corresponding amounts noted against them, but the entries did not specify the nature of these amounts—whether they were receipts, payments, loans, or any other form of transaction—such records cannot be treated as reliable evidence. The absence of any supporting details, explanations, or contextual information renders these entries vague and ambiguous. In tax jurisprudence, documents lacking clarity or connection to concrete transactions are often referred to as “dumb documents,” which, by themselves, do not form a valid basis for making

additions to the assessee's income. Consequently, without further corroboration or concrete proof linking these entries to undisclosed income or unaccounted transactions, no addition can be legitimately made solely on the basis of such incomplete and inconclusive diary entries.



CORPORATE LAW UPDATES SEBI extends the timeline for Regulated Entities to adopt and implement 'Cybersecurity & Cyber Resilience Framework'

EDITORIAL NOTE: SEBI, in response to multiple requests from Regulated Entities (REs) seeking additional time to comply with the Cybersecurity and Cyber Resilience Framework (CSCRF), has extended the compliance deadline by two months, now set for August 31, 2025. This extension aims to facilitate smoother adherence to the framework. However, it is important to note that the revised timeline does not apply to Market Infrastructure Institutions (MIIs), KYC Registration Agencies (KRAs), and Qualified Registrars to an Issue and Share Transfer Agents (QRTAs), who must

comply within the originally prescribed timelines.

MCA amends Form CRL-1; introduces fields for subsidiary and holding company details, registered office address and email ID

EDITORIAL NOTE: The Ministry of Corporate Affairs (MCA) has notified the Companies (Restriction on Number of Layers) Amendment Rules, 2025, introducing a revised Form CRL-1 for filing returns related to the number of layers of subsidiaries. The updated Form CRL-1 now requires companies to provide detailed information about their subsidiary and holding companies. Additionally, companies must disclose the address of their registered office and their official email ID. These changes aim to enhance transparency and improve regulatory oversight of corporate structures.

MCA replaces e-form CSR-1 with web-based form effective July 14, 2025

EDITORIAL NOTE: The Ministry of Corporate Affairs (MCA) has notified the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025, which substitute the existing Form CSR-1 with a new web-based version, effective from July 14, 2025. Form CSR-1 is

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utilized for the registration of entities intending to undertake Corporate Social Responsibility (CSR) activities. The updated form continues to require comprehensive details about the entity, including its type, date of incorporation, registered address, email ID, PAN, as well as information about key personnel such as directors, board of trustees, chairman, secretary, and authorized representatives. This move aims to streamline the registration process and enhance ease of compliance.

MCA releases FAQ on 38 e-forms migrating to V3 portal from July 14, 2025, with key changes and filing guidance

EDITORIAL NOTE: The Ministry of Corporate Affairs (MCA) has released a comprehensive FAQ to guide stakeholders on the migration of 38 e-forms (Lot 3) from the V2 to the V3 portal, effective from July 14, 2025. The document highlights key differences in the V3 system, including the introduction of both online and offline filing modes, linked filings, enhanced validation rules, and the Excel upload process. It also addresses the transition and handling of pending forms from the V2 portal. This FAQ serves as a valuable resource providing step-by-step filing instructions, troubleshooting common errors,

and outlining new features available in the updated MCA portal to ensure a smooth transition for users.

SEBI proposes a review of valuation of physical gold and silver held by Exchange Traded Funds

EDITORIAL NOTE: SEBI has issued a consultation paper proposing revisions to the valuation methodology of physical gold and silver held by gold and silver Exchange Traded Funds (ETFs). The objective of this proposal is to standardize the valuation process across the mutual fund industry, ensuring consistency and alignment with prevailing domestic market prices of gold and silver. This initiative aims to enhance transparency and fairness in the valuation of assets held by these ETFs. Stakeholders and the public are invited to submit their comments on the proposal by August 6, 2025.

SEBI allows NRIs to trade in exchange-traded derivatives without notifying names of clearing members

EDITORIAL NOTE: SEBI has decided to remove the mandatory requirement for Non-Resident Indians (NRIs) to notify clearing members or obtain a custodial participant (CP) code when trading in exchange-traded

derivatives. This decision, driven by recommendations from the Brokers' Industry Standards Forum, seeks to simplify the trading process for NRIs, making it more convenient and efficient. By eliminating these compliance hurdles, SEBI aims to promote greater ease of investment and improve operational efficiency in the derivatives market for NRIs.

New Digital Credit Assessment Model enables fast, objective, and fully digital MSME loan approvals using real-time data

EDITORIAL NOTE: The Union Budget 2024-25 introduced the New Digital Credit Assessment Model for MSMEs, mandating public sector banks (PSBs) to develop in-house capabilities for assessing MSME creditworthiness, eliminating dependence on external agencies. This initiative aims to streamline the loan approval process by reducing paperwork, minimizing branch visits, and shortening turnaround times (TAT), thereby enabling seamless credit processing for both existing and new MSME borrowers. Since its launch, over 98,000 loans have been sanctioned between April and mid-July 2025, reflecting its positive impact on MSME financing.

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COMPLIANCE CALENDAR

Tax Compliance Calendar for August 2025

Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To
7 th August	July 2025 to September 2025	TDS Deposit for the month of July 2025	Deposit of Tax Deducted/Collected at Source for transactions made in July 2025.
10 th August		GSTR-7 & GSTR-8 Filing	Filing of TDS (GSTR-7) and TCS (GSTR-8) returns for July 2025.
11 th August		GSTR-1 (Outward supply return)	Filing of outward supply details for July 2025 by taxpayers with a turnover more than ₹5 crore or who opted for monthly filing.
13 th August		ISD Return	An Input Service Distributor is required to furnish monthly return of input tax distributed for the month of July, 2025
		GSTR-1 IFF (Optional)	An optional facility for QRMP taxpayers to furnish B2B invoice details for July 2025.
20 th August		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 July, 2025.
22 nd August		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 July, 2025
24 th August		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 July, 2025
31 st August		Furnishing of challan -cum-statement in respect of TDS under section 194-IA/194-IB/194M/194S	Challan-cum-statement in respect of tax deducted under section 194-IA/194-IB/194M/194S during the month of July, 2025 to be furnished

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