

# DEVMANTRA TIMES

## JANUARY EDITION

Issue No.58, Dated 2<sup>nd</sup> January, 2026

### Dear Readers,

We welcome you to the Fifty eighth edition of DevMantra Times for the month of January 2026. This edition of our newsletter, where we bring you the latest developments shaping India's dynamic business and innovation landscape. India's finance, startup, and regulatory landscape saw several notable developments this week. HDFC Bank ramped up its CSR spending to ₹1,068 crore in FY25, while the RBI imposed a ₹61.95 lakh penalty on Kotak Mahindra Bank for regulatory lapses and initiated a review of scale-based regulations for NBFCs amid their growing systemic role. Private sector banks continued to lead small business lending, with NBFCs gaining significant traction among sole proprietors, as total small business credit rose 16% year-on-year to ₹46 lakh crore. LIC Housing Finance reduced home loan rates to 7.15% to boost housing demand, and the Finance Ministry directed banks to promptly report vigilance issues relating to directors. On the startup front, Rentomojo doubled its profits and readied for an IPO, Sarla Aviation began ground testing of its air taxi, Naxatra Labs raised \$3 million in funding, and Shiprocket filed revised papers for a ₹2,342 crore IPO, while the government highlighted that India now has

over two lakh recognised startups. Meanwhile, rising IPO activity is driving demand for capital markets lawyers, the ICAI has proposed clearer audit responsibility demarcation to strengthen financial reporting, and BARC India ordered a forensic audit following allegations of TRP manipulation.

Here's to a year filled with meaningful milestones, shared achievements, and inspiring moments that move us forward. May January 2026 usher in renewed energy, good health, joy, and lasting prosperity for you and your loved ones. We are deeply grateful to have you as an integral part of our community - your trust, support, and engagement continually strengthen and uplift us. As we step into the year ahead, let's continue to learn, grow, innovate, and shape new possibilities together, making the journey not only successful but truly extraordinary in every way.

### Industry & Economic Updates HDFC Bank spends Rs 1,068 crore in CSR during FY25

**EDITORIAL NOTE:** HDFC Bank has significantly scaled up its corporate social responsibility (CSR) initiatives, with total CSR expenditure rising to ₹1,068.03 crore in FY 2024-25, reflecting an increase of about ₹123 crore over the previous year. Over the past

decade, the Bank's flagship CSR programme, Parivartan, has emerged as a key vehicle for inclusive and sustainable development, positively impacting more than 10.5 crore lives across India. The initiative focuses on critical areas such as rural development, livelihood enhancement, education, healthcare, environmental sustainability, and financial inclusion, underscoring HDFC Bank's long-term commitment to social responsibility and nation-building alongside its core banking operations.

### RBI slaps Rs 62 lakh fine on Kotak Mahindra Bank

**EDITORIAL NOTE:** The Reserve Bank of India (RBI) has imposed a monetary penalty of ₹61.95 lakh on Kotak Mahindra Bank for non-compliance with certain regulatory directions. The penalty was levied for violations relating to the operation of Basic Savings Bank Deposit Accounts and engagement of Business Correspondents, as well as for furnishing incorrect information to Credit Information Companies. These lapses were identified during a recent inspection conducted by the RBI with reference to the bank's financial position. The RBI clarified that the penalty is based on deficiencies in regulatory compliance and does not question the validity of

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any transaction or agreement entered into by the bank with its customers.

### **FinMin asks banks, financial institutions to promptly report vigilance matters**

**EDITORIAL NOTE:** Public sector banks and financial institutions have been directed to immediately report any vigilance-related issues pertaining to their directors to the appropriate authorities. The Finance Ministry issued this instruction in view of instances where critical adverse information was not reported in a timely manner, thereby undermining the integrity of the appointment and posting process. The scope of mandatory reporting includes private complaints, adverse observations made by courts, and inputs received from law enforcement or investigative agencies. The Ministry has underscored that any delay or omission in sharing such information is a matter of serious concern, as it directly impacts decisions relating to appointments, continuation, and postings of directors in public sector banks and financial institutions.

### **LIC Housing Finance reduces lending rates to 7.15% on new home loans**

**EDITORIAL NOTE:** LIC Housing

Finance has reduced its home loan interest rates to as low as 7.15 per cent with effect from 22 December 2025, following the Reserve Bank of India's cut in the repo rate. This reduction is aimed at improving homebuyer sentiment by lowering borrowing costs and making home ownership more affordable for a wider section of borrowers. The move is expected to provide a boost to the housing sector by encouraging new home purchases as well as refinancing by existing borrowers. It also reinforces LIC Housing Finance's continued commitment to promoting affordability and supporting growth in the housing market.

### **Total small business credit touch Rs 46 lakh crore: Report**

**EDITORIAL NOTE:** Small business credit exposure has witnessed strong growth, rising to ₹46 lakh crore, marking a year-on-year increase of about 16 per cent, while the number of active loan accounts has also expanded by 11.8 per cent. This momentum has been driven by sustained policy support and the effective implementation of various government-backed credit schemes, which have improved access to finance for small businesses. The expansion has been accompanied by an improvement in portfolio quality

and a moderation in risk profiles across segments, indicating healthier credit behaviour. Sole proprietors, who continue to dominate the small business credit ecosystem, have shown steady improvement, particularly those with a formal entity presence, reflecting the benefits of increased formalisation and structured credit support.

### **Startup Updates**

#### **IPO-bound Rentomojo doubles net profit on 37% revenue growth in FY25**

**EDITORIAL NOTE:** Rentomojo, a furniture and electronics rental startup, reported a sharp rise in profitability in FY 2024-25, with profits increasing to ₹43 crore, reflecting improved operating efficiencies and scale. The company also recorded strong top-line growth, with operating revenue rising by 37 per cent during the year. Riding on this performance, Rentomojo is preparing for an initial public offering targeted in FY 2026-27. With a subscriber base exceeding 2.2 lakh and a growing omni-channel presence through 71 offline stores across 23 cities, the company continues to strengthen its market position and expand its footprint in India's rental and subscription-based consumption segment.

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### **Startup Sarla Aviation commences ground testing of air taxi at Bengaluru facility**

**EDITORIAL NOTE:** Sarla Aviation has commenced ground testing of its half-scale electric vertical take-off and landing (eVTOL) demonstrator, SYLLA SYL-X1, at its Bengaluru facility, marking a key milestone in the development of India's next-generation vertical flight systems. The successful initiation of ground tests reflects progress in validating critical subsystems and design architecture ahead of full-scale development. With ambitions to roll out a full-scale air taxi by 2028, the company is positioning itself at the forefront of advanced air mobility in India. Backed by substantial funding, Sarla Aviation aims to build a globally competitive, certified aviation platform that is designed, engineered, and manufactured in India, contributing to the country's emerging aerospace and urban mobility ecosystem.

### **EV motor startup Naxatra Labs raises \$3 million led by Zerodha's Rainmatter, angel investors**

**EDITORIAL NOTE:** The funding round also witnessed participation from a number of marquee startup founders, seasoned operators, and prominent angel investors, underscoring strong confidence

in the venture. Notable participants included Mohit Tandon of Delhivery, Himanshu Aggarwal of Aspiring Minds, Vijay Shekhar Sharma of Paytm, Alope Bajpai of Ixigo, Anupam Jalote of iCEM, Narayan of Ather Energy, Soumitra Sharma of Operators Studio, and Hemant Daga of Neo Assets, among others. Their involvement brings not only capital but also deep operational expertise and strategic guidance to support the company's growth journey.

### **India now home to over two lakh govt-recognised startups: Union minister Piyush Goyal**

**EDITORIAL NOTE:** Under the Startup India initiative launched in 2016, recognised startups are eligible to avail various incentives, including income-tax relief and other regulatory and financial benefits. Highlighting the impact of the initiative, Goyal stated that ₹775 crore has been provided under the Credit Guarantee Scheme for Startups to improve access to institutional credit. In addition, more than ₹585 crore has been approved for over 3,200 startup applications through incubators under the Startup India Seed Fund Scheme, reflecting the Government's continued focus on nurturing early-stage ventures and strengthening the startup ecosystem across the country.

### **Logistics startup Shiprocket files revised papers for Rs 2,342 crore IPO**

**EDITORIAL NOTE:** The Gurugram-based company, which provides shipment and checkout solutions to direct-to-consumer (D2C) brands, is planning to raise ₹1,000 crore through a fresh issue of shares, alongside an offer for sale (OFS) by its promoters and existing investors. Of the proposed fresh capital, the company intends to deploy around ₹294 crore towards marketing initiatives for both its core and emerging business segments, and approximately ₹211 crore for strengthening its technology infrastructure and capabilities. The proposed public issue is aimed at supporting growth and scaling operations, with the company targeting a stock market listing in the first quarter of FY 2026-27.

### **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

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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**

**Matter remanded as assessee failed to respond to SCN due to GST portal being operated by its consultant: HC**

**EDITORIAL NOTE:** Where the show cause notice issued to the petitioner was not checked or responded to by the Chartered Accountant who was operating and managing the petitioner firm's tax matters, the petitioner was effectively deprived of a proper and meaningful opportunity of being heard. The lapse was not attributable to any deliberate inaction on the part of the petitioner but arose due to procedural failure, resulting in violation of principles of natural justice. In such circumstances, following the ratio laid down by the Delhi High Court in *Sugandha Enterprises v. Commissioner of DGST* [2025] 179 taxmann.com 399, wherein it was held that

orders passed without granting an effective hearing are unsustainable, the impugned proceedings could not be allowed to stand. Accordingly, the matter was liable to be remanded to the adjudicating authority for fresh consideration after affording the petitioner a proper opportunity to respond and be heard in accordance with law.

### **GSTN issues additional FAQs on GSTR-9 and GSTR-9C for FY 2024-25: Advisory**

**EDITORIAL NOTE:** The GST Network (GSTN) has released an additional set of Frequently Asked Questions (FAQs) to clarify and address various practical issues faced by taxpayers while furnishing the annual return in Form GSTR-9 and the reconciliation statement in Form GSTR-9C for FY 2024-25. The FAQs provide detailed guidance on the correct reporting of transactions liable to reverse charge mechanism (RCM), including appropriate table-wise disclosures, as well as the treatment and reporting of ineligible input tax credit and ITC reversals. They also clarify how non-GST supplies and purchases are to be disclosed, the manner of reconciling figures between returns and audited financial statements, and specific reporting requirements applicable to e-commerce

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operators. Overall, the additional FAQs aim to ensure uniformity, reduce errors, and facilitate accurate compliance by taxpayers while completing the annual GST filings for the relevant financial year.

### **GSTN enables auto-suspension of GST Registration due to missing bank details under Rule 10A: Advisory**

**EDITORIAL NOTE:** The GST Network (GSTN) has implemented an automated mechanism to ensure timely furnishing of bank account details by registered taxpayers, under which GST registrations are liable to be system-suspended if the requisite bank account information is not provided within 30 days of registration or before filing GSTR-1 or the Invoice Furnishing Facility (IFF), whichever is earlier. Once the taxpayer updates the bank account details by filing a non-core amendment application, the system will automatically drop the suspension and cancellation proceedings, thereby restoring the registration without further intervention; however, a manual facility has also been kept available with the tax authorities to drop such proceedings wherever required. It has further been clarified that taxpayers registered as OIDAR (Online Information and Database Access

or Retrieval services) providers and Non-Resident Taxable Persons (NRTP) are generally exempt from the requirement of furnishing bank account details, except in cases where an OIDAR entity appoints a person in India for compliance purposes, in which event furnishing of bank account details becomes mandatory. This automated framework is intended to strengthen compliance while minimizing procedural hardships for genuine taxpayers.

### **GSTN makes Table 3.2 of GSTR-3B non-editable from Nov 2025 tax period: Advisory**

**EDITORIAL NOTE:** The GST Network (GSTN) has announced a significant compliance change whereby the auto-populated figures reflected in Table 3.2 of Form GSTR-3B, relating to inter-State supplies made to unregistered persons, composition taxpayers, and UIN holders, will be made non-editable from the November 2025 tax period onwards. This measure is aimed at ensuring consistency between outward supply details furnished in Form GSTR-1 and the tax liability discharged through Form GSTR-3B. To address taxpayer concerns and procedural aspects, GSTN has also issued detailed FAQs clarifying that any correction or modification

required in the auto-populated values of Table 3.2 must be carried out only through Form GSTR-1A. Upon filing Form GSTR-1A, the corrected figures will be instantly reflected in Table 3.2 of GSTR-3B before its filing, thereby providing taxpayers an opportunity to rectify discrepancies while maintaining system-driven accuracy and reducing post-filing mismatches.

### **Long-term sub-letting as hostel still qualifies property for residential dwelling; GST exemption condition met: SC**

**EDITORIAL NOTE:** Where a co-owned residential building was leased to a company, which in turn sub-let the rooms as hostels for long-term accommodation to students and working professionals, the nature and character of the property continued to be that of a residential dwelling. The essential condition under Entry 13 of Notification No. 9/2017-Integrated Tax (Rate) is that the dwelling is "used as a residence," and this requirement stood satisfied when the end users, namely the students and working professionals, actually occupied the premises for residential purposes. The exemption cannot be denied merely because the immediate lessee was a company or because the property was further sub-let, as the notification makes the exemption

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activity-specific and not person-specific. Accordingly, leasing of the residential dwelling for use as residence qualified for exemption, and the benefit under the said entry was rightly allowable.

### **CENVAT credit distributed by ISD failed due to technical glitches; Dept. to reflect CENVAT credit on ECL of ISD: HC**

**EDITORIAL NOTE:** Where a GST-registered Input Service Distributor (ISD) having multiple units possessed closing balance of eligible pre-GST Cenvat credit and had duly filed Form TRAN-1 within the prescribed time, mere non-reflection of such credit in the Electronic Credit Ledger on account of technical glitches in the GST portal could not defeat the substantive right of the assessee to avail and distribute the credit. Once the eligibility and quantum of transitional credit stood established and there was no dispute regarding its admissibility under the erstwhile law, denial of credit solely due to system-related errors would be unjustified. Transitional provisions are procedural in nature and cannot override vested substantive rights. Accordingly, the credit disclosed in TRAN-1 was required to be credited to the Electronic Credit Ledger and made available to the ISD for

onward distribution to its units in accordance with law.

### **GST Appellate Tribunal revokes staggered filing protocol for GST appeals from 18-12-2025: Order**

**EDITORIAL NOTE:** The GST Appellate Tribunal (GSTAT) has revoked its earlier order dated 24-09-2025, which had introduced a staggered mechanism for filing appeals under section 112 of the CGST Act, 2017. Consequently, with effect from 18-12-2025, taxpayers are now permitted to file appeals before the GSTAT without adhering to the earlier staggered filing protocol. At the same time, it has been clarified that appeals already filed in accordance with the erstwhile staggered framework prior to 18-12-2025 shall remain valid and will be treated as properly instituted. This withdrawal is intended to streamline appellate procedures and remove procedural constraints while safeguarding actions already taken by appellants.

### **No liability to pay CGST/SGST if IGST was duly paid on supply of goods to common carrier for delivery to recipient: HC**

**EDITORIAL NOTE:** Under the GST law, the place of supply of goods is to be determined with reference to the place where the

movement of goods terminates for delivery to the recipient and not the place from where the movement of goods originates. Where the assessee had correctly discharged IGST on the transaction based on such determination of place of supply, issuance of a show cause notice seeking to levy CGST and SGST in addition to the IGST already paid was contrary to the statutory scheme and resulted in impermissible double taxation. Accordingly, the show cause notice demanding CGST and SGST was unsustainable in law and liable to be quashed.

### **Govt. amends recruitment rules for GST Appellate Tribunal Group 'C' employees: Notification**

**EDITORIAL NOTE:** The Government has notified the GST Appellate Tribunal (Recruitment, Salary and other Terms and Conditions of Service of Group 'C' Employees) Amendment Rules, 2025, introducing key changes in the recruitment framework for certain posts in the Tribunal. Under the amended rules, the educational qualification prescribed for the post of Stenographer Grade II has been revised and relaxed from a Degree in any discipline from a recognised University or Institute to a minimum qualification of 12th

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pass or equivalent. Further, the provision permitting appointment to the post of Upper Division Clerk (UDC) on deputation basis has been removed, indicating that such posts will now be filled only through the prescribed direct recruitment or other approved methods. These amendments aim to rationalise eligibility criteria and streamline staffing norms within the GST Appellate Tribunal.

### **GSTAT allocates benches to Technical and Judicial Members across India: Office Order**

**EDITORIAL NOTE:** The Government has issued an Office Order formally allocating benches to the newly appointed Members of the GST Appellate Tribunal (GSTAT), encompassing Judicial Members, Technical Members (Centre), and Technical Members (State), across various bench locations in different parts of the country. The allocation specifies the respective benches where each Member will function, ensuring an appropriate composition of judicial and technical expertise at every location in accordance with the statutory framework of the CGST Act, 2017. It has further been directed that all the appointed Members shall report and assume charge at their respective allocated benches on 21 January

2026. This step marks a significant milestone towards the operationalisation of the GSTAT and is expected to facilitate expeditious disposal of GST appeals and strengthen the appellate mechanism under the GST regime.

### **GSTN to block excess ITC re-claim and RCM ITC through system validations in GSTR-3B: Advisory**

**EDITORIAL NOTE:** The GST Network (GSTN) has issued an advisory, along with detailed FAQs, introducing system-based validations in respect of the ITC Reclaim Ledger and the Reverse Charge Mechanism (RCM) Liability/ITC Statement, with the objective of strengthening return filing discipline and preventing excess availment of credit. It has been clarified that, shortly, the GST portal will restrict the filing of Form GSTR-3B in cases where the amount of ITC reclaimed exceeds the available balance in the ITC Reclaim Ledger or where RCM-related ITC is claimed in excess of the corresponding RCM liability. In such situations, taxpayers will be required to first reverse the excess ITC wrongly reclaimed or discharge the additional RCM liability, as applicable, before being permitted to file GSTR-3B. This system-driven control is intended to ensure accurate reporting, curb

incorrect credit utilisation, and align ITC claims strictly with the available and eligible balances reflected in the GST system.

### **Registration cancellation for "non-existent business" failed since tax demands raised for prior years proved activity: HC**

**EDITORIAL NOTE:** Cancellation of GST registration on the ground of alleged non-existence of business was held to be unsustainable where, at the same time, the department alleged and sought to determine tax liability for earlier periods. The allegation of past tax liability necessarily presupposes that the business was in existence and had carried on taxable activities during the relevant period. Such mutually contradictory stands taken in the show cause notice and the consequential orders vitiated the very foundation of the proceedings. Accordingly, the show cause notice, the order cancelling the registration, and the appellate order rejecting the appeal were held to be invalid in law, and the assessee's GST registration was liable to be restored.



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### INCOME TAX REGULATORY UPDATES

**NRI working in USA, staying in India under 182 days, held non-resident; foreign income not taxable: ITAT**

**EDITORIAL NOTE:** Where the assessee, being an individual, had left India in 2011 for the purpose of employment in the USA, his residential status for the relevant assessment years is to be determined in accordance with section 6 of the Income-tax Act, 1961. For Assessment Years 2015-16 to 2018-19, the assessee had stayed in India for less than 182 days in each of the relevant previous years. Accordingly, by virtue of Explanation 1(a) to section 6(1), which provides a relaxed threshold for individuals leaving India for employment abroad, the assessee was rightly to be treated as a Non-Resident for those years. As a Non-Resident, the scope of total income under section 5 was restricted only to income received or deemed to be received in India or income accruing or arising, or deemed to accrue or arise, in India. Consequently, foreign-sourced

deposits and expenses, having no nexus with India and neither received nor accrued in India, could not be brought to tax in India for the said assessment years.

**Exemption allowed for leave encashment earned during assessee's qualifying service with State Government: ITAT**

**EDITORIAL NOTE:** Where the assessee was an employee of the Punjab State Electricity Board (PSEB), which is an undertaking of the State Government, the leave encashment received by him to the extent relatable to his qualifying service under the State Government would be eligible for exemption under section 10(10AA) of the Income-tax Act, 1961. However, in respect of the period of service rendered under the Corporation, which does not qualify as service under the Central or State Government for the purposes of section 10(10AA), the assessee would not be entitled to claim the said exemption, and the leave encashment attributable to such period of service would be taxable in accordance with law.

**TDS credit allowed in sale year as income is taxable on transfer date despite buyer depositing TDS in later year: ITAT**

**EDITORIAL NOTE:** Where a non-resident assessee sold an

immovable property and duly declared the resulting long-term capital gains in the year in which the transfer took place, the taxability of such income arises in that very year under the provisions of the Income-tax Act. Merely because the purchaser deducted and deposited tax at source and reported the same in a subsequent year would not alter the year of taxability of the underlying income. In such circumstances, the credit of TDS is required to be allowed in the year in which the corresponding income is assessable, i.e., the year of transfer, in terms of section 199 read with Rule 37BA. This position is further reinforced where Form 71 has been duly filed by the assessee through the ITBA portal, clearly establishing the linkage between the TDS and the income offered to tax, and therefore denial or deferment of TDS credit would be unjustified.

**TDS credit can't be denied to ex-employee merely because employer failed to comply with TDS provisions: ITAT**

**EDITORIAL NOTE:** Where the employer had deducted tax at source from the salary of the assessee but failed to issue Form 16, the absence of such certificate by itself could not be a ground to deny credit of the tax so deducted. If the assessee had

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placed on record relevant salary slips or other contemporaneous evidence clearly demonstrating that TDS was in fact deducted from his salary and paid to the credit of the Central Government, the Revenue was not justified in refusing the grant of TDS credit. The substance of tax deduction and payment having been established, denial of credit merely for non-issuance of Form 16 would be contrary to the scheme of section 199 and the settled principle that an assessee cannot be prejudiced for the default of the deductor.

### **Ad hoc disallowance of travelling & telephone expenses unjustified as no defects in books of account: ITAT**

**EDITORIAL NOTE:** Where the assessee had claimed travelling and telephone expenses incurred wholly and exclusively for the purposes of business, and the Assessing Officer proceeded to make an ad hoc disallowance of 10 per cent on the ground of alleged non-production of complete vouchers, such disallowance was not sustainable in law. In the absence of any specific defects or discrepancies pointed out in the audited books of account, and without bringing any cogent material on record to demonstrate that the expenses were not business related or were

excessive or personal in nature, a mere ad hoc or estimated disallowance could not be justified. Accordingly, the arbitrary disallowance made by the Assessing Officer was liable to be deleted.

### **No penalty u/s 270A where assessee missed filing ITR but later paid tax and disclosed full income; explanation bona fide: ITAT**

**EDITORIAL NOTE:** Where the assessee did not file the return of income within the time prescribed under section 139(1) but subsequently furnished the return in response to a notice issued under section 148, admitting the total income, and the Assessing Officer accepted such returned income without making any addition, the basic condition for levy of penalty under section 270A, namely under-reporting of income, was not satisfied. Further, where the assessee had already paid substantial self-assessment tax much prior to the issuance of notice under section 148, it clearly demonstrated the absence of any intent to under-report income. In such circumstances, since there was neither any variation between the returned income and the assessed income nor any under-reporting as defined under section 270A, the levy of penalty was unwarranted and liable to be

deleted.

### **Disallowance of director's remuneration based on retracted uncorroborated statement and revenue neutrality was unsustainable.: ITAT**

**EDITORIAL NOTE:** Where the assessee-company had paid remuneration to its director and the same was disallowed by the Assessing Officer under section 40A(2)(b) solely on the basis of an uncorroborated statement recorded from the director under section 132(4) during the course of search, such disallowance could not be sustained in law, particularly when the statement was subsequently retracted and supported by documentary evidence demonstrating her active role and responsibilities in the affairs of the company. In the absence of any independent or cogent material brought on record to establish that the remuneration was excessive or unreasonable having regard to the fair market value of services rendered, a bald reliance on a retracted statement was impermissible. Further, where the remuneration so paid had already been offered to tax in the hands of the director, rendering the disallowance revenue neutral, the action of the Assessing Officer lacked justification and the disallowance was liable to be

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deleted.

**Entire trading-related cash deposits cannot be taxed u/s 69A; only 8% profit taxable at normal rates: ITAT**

**EDITORIAL NOTE:** Where the assessee, being a small trader engaged in the business of brass components, had cash deposits in his bank account which represented trading receipts directly deposited by purchasers from across the country, the nature of such deposits was intrinsically linked to the regular course of business. In such circumstances, treating the entire amount of cash deposits as unexplained money under section 69A was erroneous and unsustainable. Once the deposits were found to be business receipts, only the profit element embedded therein could be brought to tax. Accordingly, a reasonable estimation of profit at 8 per cent of the trading receipts was justified, and such income was liable to be taxed at normal rates applicable to business income, and not under the special rate prescribed under section 115BBE, which applies only to incomes assessed under sections 68 to 69D without any explanation.

**CBDT nudges taxpayers against claims of bogus deductions; many revised ITRs for AY 2025-26**

**EDITORIAL NOTE:** The Central Board of Direct Taxes (CBDT) has initiated a focused crackdown on intermediaries involved in filing Income-tax Returns with bogus deduction and exemption claims, particularly through fictitious donations to Registered Unrecognized Political Parties (RUPPs) and certain charitable institutions. Such practices were found to be used to artificially reduce taxable income and claim undue refunds. With a view to promoting voluntary compliance and providing taxpayers an opportunity to rectify genuine mistakes without immediate penal consequences, the CBDT has launched a targeted NUDGE (Non-intrusive Usage of Data to Guide and Enable) campaign. Under this initiative, SMS and email advisories have been issued to identified taxpayers from 12 December 2025 onwards, urging them to review their returns, withdraw incorrect claims, and update their filings accordingly, failing which further verification and penal action may be initiated as per law.

**Income from JDA not taxable as business receipt as land remained capital asset and no transfer occurred: ITAT**

**EDITORIAL NOTE:** Where the assessee entered into a Joint Development Agreement (JDA) with a developer under which the assessee was entitled to receive 37 per cent of the revenue arising from the sale of the developed flats, the mere execution of such JDA did not, by itself, result in conversion of the capital asset into stock-in-trade, nor did the revenue-sharing arrangement transform the assessee into a real estate developer. In the absence of any intention or action demonstrating exploitation of the property as a business asset, the character of the land as a capital asset remained unchanged. Further, where possession was not irrevocably handed over and the conditions contemplated under section 53A of the Transfer of Property Act were not fully satisfied, there could be no "transfer" within the meaning of section 2(47)(v). Likewise, the arrangement did not fall within section 2(47)(vi) as there was no transaction enabling the enjoyment of immovable property in the relevant assessment year. Accordingly, no taxable transfer of property could be said to have taken place during the year under consideration.



TAX

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### **Delay in filing appeal condoned as NRI assessee was abroad and showed reasonable cause; matter remanded: ITAT**

**EDITORIAL NOTE:** Where the assessee, being a non-resident Indian purchaser of immovable property, was residing abroad and, on account of such absence from India, did not receive the assessment or appellate notices in time, the consequent delay in filing the first appeal was attributable to circumstances beyond his control. Such delay, being neither deliberate nor mala fide, constituted a reasonable cause within the meaning of law. In these facts, the appellate authority was justified in condoning the delay and restoring the matter for fresh adjudication on merits, after affording the assessee a proper opportunity of being heard.

### **TDS @11.54% on non-resident share sale upheld as per sec.112; sec.48 provisos affect computation, not rate: ITAT**

**EDITORIAL NOTE:** Where the assessee-company acquired shares of an Indian company from its non-resident shareholders and remitted the purchase consideration after deducting tax at source at the rate of 11.54 per cent, such deduction was in accordance with the rate prescribed under section 112(1)(c)(iii) of the

Income-tax Act, 1961. The first and second provisos to section 48 merely lay down the mechanism for computation of capital gains in the case of non-residents and do not govern or alter the applicable rate of tax. Accordingly, the Assessing Officer was required to verify the remittances made to the non-resident shareholders by applying TDS at the said rate and, upon such verification, accept the compliance as being in accordance with law.

### **Allotment letter held valid agreement; no section 56 addition on flat purchase due to stamp value difference: ITAT**

**EDITORIAL NOTE:** Where an allotment letter issued for the purchase of a flat clearly fixed the total consideration and laid down a definite payment schedule, conferred enforceable and exclusive rights upon the allottee, and part of the consideration was paid through an account-payee cheque, such allotment letter assumed the character of a valid and binding agreement between the parties. For the purposes of the proviso to section 56(2)(vii)(b) of the Income-tax Act, such an allotment letter was sufficient to be treated as an "agreement" fixing the consideration. Consequently, where the conditions of the proviso were duly satisfied, the stamp duty value as on the date of the

allotment letter could not be substituted for the agreed consideration, and no addition was warranted merely on account of the difference between the agreement value and the stamp duty value.



### **CORPORATE LAW UPDATES MCA raises small company thresholds to Rs 10 crore paid up capital and Rs 100 crore turnover**

**EDITORIAL NOTE:** The Ministry of Corporate Affairs has notified the Companies (Specification of Definition Details) Amendment Rules, 2025, thereby revising the financial thresholds for classification of a "small company" under section 2(85) of the Companies Act, 2013. Pursuant to the amendment, the maximum paid-up share capital limit has been increased to ₹10 crore and the turnover threshold has been enhanced to ₹100 crore. These revised limits will determine the eligibility of a company to be treated as a small company for the purposes of the Act, along with the other

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prescribed conditions. The amendments are aimed at extending regulatory and compliance reliefs to a larger number of companies and promoting ease of doing business. The revised thresholds shall come into force with effect from 1 December 2025.

**SEBI & IEPFA will hold the 4th Niveshak Shivir in Jaipur on 06.12.2025 to help investors with unpaid dividends, KYC & claims**

**EDITORIAL NOTE:** The Securities and Exchange Board of India (SEBI) and the Investor Education and Protection Fund Authority (IEPFA) are jointly organising the fourth Niveshak Shivir at Jaipur on 06 December 2025, with active support from Market Infrastructure Institutions (MIIs) and Registrar and Transfer Agents (RTAs). The initiative is aimed at providing a single-window, investor-friendly platform to assist shareholders in resolving long-pending issues relating to their investments. During the Shivir, investors will receive hands-on assistance for matters such as transfer of unpaid or unclaimed dividends, updation of KYC details and nomination, and redressal of pending IEPFA claims pertaining to unclaimed shares and dividends. The event will be held from 10:00 AM to 4:00 PM at

Swarn Mahal, Vaishali Nagar, Jaipur, and is intended to enhance investor awareness, ease procedural bottlenecks, and facilitate quicker resolution of investor grievances.

**SEBI revises valuer definition and replaces merchant banker with independent registered valuer under SBEB Regulations**

**EDITORIAL NOTE:** The Securities and Exchange Board of India (SEBI) has amended the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations by aligning the definition of "valuer" with the provisions of the Companies Act, 2013 and by substantially revising Regulation 34 relating to valuation. Under the amended framework, valuation of shares for the purposes of employee stock options, employee stock purchase schemes, and sweat equity shares, which was earlier mandatorily required to be carried out by a merchant banker, shall now be undertaken by an independent registered valuer. To ensure a smooth transition and avoid disruption of ongoing processes, a proviso has been inserted permitting merchant bankers to complete valuation assignments that were already undertaken prior to the amendment, within a period of nine months. Further, sub-regulations 34(2) and 34(3)

have been omitted, thereby simplifying the regulatory structure and removing redundant provisions. These amendments are intended to harmonise SEBI regulations with corporate law, enhance objectivity in valuation, and bring greater clarity and consistency in the implementation of share-based employee benefit schemes.

**ICSI calls for a stronger Board Oversight and Governance following the Indigo Airlines incident**

**EDITORIAL NOTE:** The Institute of Company Secretaries of India (ICSI) has called for urgently strengthening corporate governance practices across India Inc., in the backdrop of the Government's firm stance on the recent Indigo Airlines incident. Emphasising the critical role of Boards in ensuring accountability and ethical conduct, the ICSI underscored that robust corporate governance frameworks enable companies to remain prepared, act responsibly, and effectively manage challenging situations. It highlighted the need for Boards to align their processes in the best interests of all stakeholders, foster early identification of risks, ensure timely and decisive action, and maintain clear and transparent communication.

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According to the ICSI, reinforcing governance standards at the Board level is essential not only for regulatory compliance but also for sustaining trust, resilience, and long-term value creation.

### **SEBI relaxes geo-tagging requirement for NRIs for re-KYC and modifies provisions under the Master Circular on KYC**

**EDITORIAL NOTE:** SEBI has modified the provisions of the Master Circular on Know Your Customer (KYC) with a view to easing the re-KYC process for Non-Resident Indian (NRI) clients. Under the revised framework, the requirement that the client must be physically located in India at the time of completing re-KYC through digital mode has been relaxed for existing NRI clients. Accordingly, paragraph 51 of the Master Circular has been amended to clarify that while geo-tagging and related technological checks will continue to apply, the condition of physical presence in India shall not be insisted upon for re-KYC of NRIs. At the same time, necessary safeguards have been retained, including the requirement that the GPS coordinates captured during the process must correspond with the client's Proof of Address and that adequate controls are in

place to prevent the use of spoofed or masked IP connections. This relaxation is intended to facilitate ease of compliance for NRIs while maintaining the integrity and security of the KYC framework.

### **MCA further extends the due date for filing FY 2024-25 financials and annual returns without additional fees till Jan 31, 2026**

**EDITORIAL NOTE:** Earlier, the Ministry of Corporate Affairs (MCA), vide its Circular dated 17 October 2025, had granted a one-time relaxation to companies by permitting the filing of their financial statements in Form AOC-4/AOC-4 XBRL/AOC-4 CFS and annual returns in Form MGT-7/MGT-7A for the financial year 2024-25 up to 31 December 2025 without levy of additional fees. The MCA has now further extended this relaxation by an additional period of one month. Accordingly, companies may file their financial statements and annual returns for FY 2024-25 up to 31 January 2026 without payment of any additional fees, thereby providing further relief to companies and facilitating timely compliance.



### **Govt. extends effective date for establishment of LLP Regional Directors from 1 January to 16 February 2026**

**EDITORIAL NOTE:** The Central Government has amended the notification issued under section 68A of the Limited Liability Partnership Act, 2008, which relates to the establishment of Regional Directors under the Ministry of Corporate Affairs. By way of this amendment, the date of enforcement of the said notification has been deferred, and the earlier notified effective date of 1 January 2026 has now been extended to 16 February 2026. This extension provides additional time for administrative preparedness and smooth implementation of the revised framework concerning the jurisdiction and functioning of Regional Directors under the LLP regime.

### **Govt. extends effective date for establishment of ROCs under Companies Act, 2013**

**EDITORIAL NOTE:** The Central Government has amended the notification issued under section 396 of the Companies Act, 2013, pertaining to the establishment and reorganisation of Registrars of Companies (ROCs) under the Ministry of Corporate Affairs. By virtue of this amendment, the date of coming into force of the notification dated 23 October

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2025 has been deferred, and the earlier effective date of 1 January 2026 has now been extended to 16 February 2026. The extension is intended to allow additional time for administrative readiness and ensure a smooth transition in the implementation of the revised ROC framework.

# COMPLIANCE CALENDAR

## Tax Compliance Calendar for January 2026

Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To
1 <sup>st</sup> January	January 2026 to March 2026	Hold Board Meeting for quarter January to March	Section 173 provides for holding at least four board meetings in a year in such manner that not more than 120 days shall intervene between two board meetings. Regulation 17(2) of SEBI (LODR) Regulations, 2015 provides for holding at least one board meeting in a quarter with the stipulation that maximum time between two board meetings should not exceed four months.
7 <sup>th</sup> January		TDS Deposit for the month of December 2025	Deposit of Tax Deducted/Collected at Source for transactions made in December 2025.
11 <sup>th</sup> January		GSTR-1 (Outward supply return)	Filing of outward supply details for December 2025 by taxpayers with a turnover more than ₹5 crore or who opted for monthly filing.
13 <sup>th</sup> January		GSTR-1 (Outward supply return)	Every regular taxable person who is required to furnish details of outward supply every quarter, is required to furnish details of outward supply for the quarter October-December, 2025
		ISD Return	An Input Service Distributor is required to furnish monthly return of input tax distributed for the month of December, 2025
20 <sup>th</sup> January		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 December, 2025.
22 <sup>nd</sup> January		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 December, 2025

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24 <sup>th</sup> January		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 December, 2025
31 <sup>st</sup> January		File e-Forms AOC-4/AOC-4 XBRL/AOC-4 CFS/MGT-7/ MGT-7A	E-Forms AOC-4/AOC-4 XBRL/AOC-4 CFS/MGT-7/ MGT-7A are required to be filed to RoC in respect of Balance Sheet & Profit and Loss account with no additional fees until December 31, 2025

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