UPDATES

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Authored by: PGB LLP Technical Desk

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Updates

April 2025

NEXT

P G BHAGWAT LLP (“PGB LLP”) is glad to release updates for the month of April 2025
The objective of these updates is to make you aware of the latest changes in auditing, accounting, taxes, labour laws etc.

We hope these updates are useful to you to stay on top of the development in your field.

“It is what we know already that often prevents us from learning”

For detailed information and / or queries, please do get in touch with us at updates@pgbhagwatca.com.
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We compile only the most relevant & important updates and therefore urge to you go through them...

This edition contains the following: click on the content line to navigate

1. The Income-tax (ninth Amendment) Rules, 2025

Summary of Notification No. 25/2025, dated 3rd April 2025, issued by the Central Board of Direct Taxes (CBDT) under the Income-tax Act, 1961:

1. What's New?

A new sub-rule (5AA) has been added to Rule 114 of the Income-tax Rules, 1962.
This mandates Aadhaar-PAN linkage for people allotted PAN using Aadhaar Enrolment ID before 1st October 2024.

2. Detailed Explanation

If any individual received a PAN on the basis of an Aadhaar Enrolment ID before 1st October 2024, they are now required to inform their actual Aadhaar number to the:

a)Principal Director General of Income-tax (Systems),
b)Director General of Income-tax (Systems), or

Sub-rule (6) of Rule 114 has been updated to reflect inclusion of new sub-rule (5AA) alongside the existing (5).

2. Key Conditions

Applies only to individuals who:

a) Were allotted PAN based on Aadhaar Enrolment ID.

b) Filed the Aadhaar application before 1st October 2024.

They must intimate their actual Aadhaar number once allotted.

3. Practical Implications

a) Ensures data accuracy and compliance in PAN-Aadhaar linkage for taxpayers.

b) Prevents misuse or delay in linking Aadhaar with PAN by individuals who obtained PAN using Aadhaar enrolment slips.

c) Enhances tracking and validation of PAN holders for tax administration.

4. Implementation Deadlines

Effective immediately from the date of publication in the Official Gazette (i.e., 3rd April 2025).

5. Applies To?

a) All individuals who were allotted PAN based on Aadhaar Enrolment ID and

b) Whose enrolment/application was filed before 1st October 2024.

Link : Click Here

2. Every person who has been allotted permanent account number on the basis of Enrolment ID of Aadhaar application form filed prior to the 1st day of October, 2024, shall intimate his Aadhaar number to the Principal Director General of Income tax (Systems)

Summary of Notification No. 26/2025, dated 3rd April 2025, issued by the Central Board of Direct Taxes (CBDT) under the Income-tax Act, 1961:

1. What's New?

A deadline has been notified for individuals to link their Aadhaar number with their PAN, where the PAN was allotted based on an Aadhaar Enrolment ID filed before 1st October 2024.

2. Detailed Explanation

Individuals who were allotted a Permanent Account Number (PAN) using the Aadhaar Enrolment ID (not the Aadhaar number) must provide their actual Aadhaar number.

The Aadhaar must be submitted to the:

a) Principal Director General of Income-tax (Systems), or
b) Director General of Income-tax (Systems), or
c) Any authorised person designated by these authorities

This ensures the PAN database is updated with the correct Aadhaar details.

3. Key Conditions

a) The Aadhaar application must have been filed before 1st October 2024.
b) PAN must have been issued based on the Aadhaar Enrolment ID.
c) Aadhaar must be linked on or before 31st December 2025, or a later date as may be notified by CBDT.

4. Practical Implications

a) Ensures compliance and verification of identity in PAN records.
b) Failure to update Aadhaar may lead to inoperative PAN, impacting tax filings and financial transactions.
c) Important for individuals who obtained PAN using just the Aadhaar enrolment slip (before Aadhaar number was issued).

5. Implementation Deadlines

The Aadhaar number must be intimated by 31st December 2025.
CBDT may extend this deadline through further notifications, if required.

6 Applies To?

Any person who:
a) Was issued a PAN using Aadhaar Enrolment ID, and
b) Filed the Aadhaar application before 1st October 2024.

Link : Click Here

3. Under section 194EE of the Act on payment of amount referred to in clause (a) of sub-section (2) of section 80CCA

Summary of Notification No. 27/2025, dated 4th April 2025, issued by the Central Board of Direct Taxes (CBDT) under the Income-tax Act, 1961:

1. What's New?

No TDS (Tax Deducted at Source) shall be made under section 194EE on certain withdrawals from specified savings accounts under section 80CCA(2)(a) by individuals.

2. Detailed Explanation

Section 194EE requires TDS on payments from National Savings Scheme (NSS) accounts if the withdrawal exceeds ₹2,500.
This notification, under section 197A(1F), provides an exemption from TDS for withdrawals made by individuals from NSS accounts covered under section 80CCA(2)(a).
The exemption applies from the date of publication of the notification in the Official Gazette.

3. Key Conditions

Applicable only to individual taxpayers.

Applies to withdrawals under section 80CCA(2)(a) — i.e., National Savings Scheme or similar accounts notified under that provision.

No tax shall be deducted under section 194EE on or after the notification date.

4. Practical Implications

Individuals withdrawing from NSS-type accounts will now receive full withdrawal amounts without TDS.

Reduces administrative burden on both taxpayers and payers.

Encourages savings by making withdrawals more tax-efficient.

5. Implementation Deadlines

The exemption is effective immediately from the date of publication in the Official Gazette: 4th April 2025.

6. Applies To?

Individual assesses only who withdraw from accounts specified under section 80CCA(2)(a).

Mainly relevant to those holding National Savings Scheme accounts.

Link : Click Here

4. The Income-tax (Tenth Amendment) Rules, 2025

Summary of Notification No. 30/2025, dated 7th April 2025, issued by the Central Board of Direct Taxes (CBDT) under the Income-tax Act, 1961:

1. What's New?

Introduction of Rule 12AE under the Income-tax Rules, 1962.
Launch of a new Income Tax Return Form – ITR-B for cases involving search and seizure (block assessments) under section 158BC.
Applicable retrospectively from 1st September 2024.

2. Detailed Explanation

Rule 12AE specifies the return filing mechanism under section 158BC, which deals with block period assessments arising from search and seizure actions.

A new Form ITR-B is introduced specifically for block assessment returns, including detailed sections on:

a) General taxpayer information
b) Year-wise and head-wise income declarations
c) Item-wise undisclosed income (e.g., money, bullion, jewellery, digital assets)
d) Tax calculations, payments, and credits

e) Submission to be done either:
f) Electronically with digital signature for companies, audited entities, and political parties
g) With digital signature or EVC (electronic verification code) for all others

3. Key Conditions

Applies to search or requisition actions under sections 132 or 132A initiated on or after 1st September 2024.
Taxpayers must use Form ITR-B for filing block assessment returns under section 158BC(1)(a).
Credits for taxes paid (TDS/TCS/Advance/Self-assessment) must be substantiated and will be allowed subject to Assessing Officer's verification.

4. Practical Implications

a) Provides a dedicated, standardized mechanism to report undisclosed income discovered during search operations.
b) Enhances compliance, transparency, and traceability in search-related assessments.
c) Reduces ambiguity in reporting undisclosed income across multiple years (block period) and types (money, assets, false claims).
d) Clarifies timelines and responsibility for data capture and filing via digital infrastructure.

5. Implementation Deadlines

Comes into retrospective effect from 1st September 2024.
Applicable to all relevant searches initiated on or after this date.

6. Applies To?

All persons subject to search and seizure (section 132) or requisition (section 132A) proceedings on or after 1st September 2024.
Includes individuals, companies, and other entities required to file block returns under section 158BC.

Link : Click Here

5. Bonds redeemable after five years and issued on or after 01st day of April, 2025, by the Housing and Urban Development Corporation Limited (HUDCO) as 'long-term specified asset'

Summary of Notification No. 31/2025, dated 7th April 2025, issued by the Central Board of Direct Taxes (CBDT) under the Income-tax Act, 1961:

1. What's New?

Bonds issued by Housing and Urban Development Corporation Limited (HUDCO) on or after 1st April 2025 are now notified as "long-term specified assets" under Section 54EC of the Income-tax Act.

2. Detailed Explanation

- Section 54EC provides capital gains tax exemption when the proceeds from the sale of long-term capital assets are invested in specified bonds.
- This notification recognizes HUDCO's 5-year redeemable bonds (issued on or after 01.04.2025) as eligible investment instruments for claiming this exemption.
- HUDCO must utilize the proceeds only for self-sustainable infrastructure projects—i.e., projects that can repay debt from project revenues and not depend on State Government funding.
- The definition of infrastructure is aligned with the Updated Harmonised Master List of Infrastructure Sub-sectors as per DEA Notification dated 11 October 2022.

3) Key Conditions

Bonds must be:

a) Issued by HUDCO

b) Redeemable after 5 years

c) Issued on or after 1st April 2025

The funds raised through these bonds must be deployed only in infrastructure projects that can generate sufficient revenue independently.

4. Practical Implementation

a) Investors can now claim capital gains tax exemption under Section 54EC by investing in HUDCO bonds issued after 1 April 2025.

b) Offers taxpayers more investment options for capital gains exemption.

c) Encourages private sector investment in sustainable infrastructure projects.

d) Promotes revenue-generating infrastructure rather than state-funded initiatives.

5. Implementation Deadlines

Effective from 1st April 2025 (i.e., applies to bonds issued on or after this date).

6. Applies To?

Individual and corporate taxpayers seeking capital gains exemption under Section 54EC.

HUDCO, as the issuing entity of the bonds.

Applies specifically to infrastructure projects with independent debt servicing capability.

Link : Click Here

6.The Income-tax (Eleventh Amendment) Rules, 2025

Summary of Notification No. 35/2025, dated 22nd April 2025, issued by the Central Board of Direct Taxes (CBDT) under the Income-tax Act, 1961:

1. What's New?

New items have been added to the list of goods subject to Tax Collection at Source (TCS) under Section 206C of the Income-tax Act.
These changes are reflected in Form 27EQ, used for TCS reporting.

2. Detailed Explanation

Form 27EQ is used for quarterly statements of TCS collected by sellers.
The annexure to this form has been amended to include new luxury/lifestyle goods, each with a unique transaction code for compliance purposes.
The newly notified items subject to TCS include:

- Wrist watches (6C MA)
- Art pieces (antiques, paintings, sculptures) (6C MB)
- Collectibles (coins, stamps) (6C MC)
- Yacht, rowing boat, canoe, helicopter (6C MD)

- Sunglasses (6C ME)
- Handbags, purses (6C MF)
- Shoes (6C MG)
- Sportswear & equipment (golf kits, ski-wear) (6C MH)
- Home theatre systems (6C MI)
- Horses for racing/polo (6C MJ)

3. Key Conditions

a) TCS applies on the sale of these items by sellers liable under Section 206C.
b) Collection is to be done at the time of sale.
c) The seller must report the transaction using Form 27EQ and the correct 6C code.

4. Practical Implications

a) Sellers of luxury/lifestyle items must:
b) Collect TCS at applicable rates.
c) Update billing and accounting systems to reflect new 6C codes.
d) Ensure proper reporting and compliance via Form 27EQ.

e) Buyers may see higher upfront costs due to TCS being collected on these high-value goods.
f) Encourages tracking of high-value discretionary spending for tax purposes.

5. Implementation Deadlines

The amendments are effective from 22nd April 2025, i.e., the date of publication in the Official Gazette.

6. Applies To?

Sellers dealing in the newly listed goods who are liable to collect TCS under Section 206C.
Buyers purchasing items like luxury watches, art, collectibles, yachts, premium fashion accessories, and racehorses.

Link : Click Here

7. Clause (ii) of sub-section (1F) of section 206C of the

Summary of Notification No. 36/2025, dated 22nd April 2025, issued by the Central Board of Direct Taxes (CBDT) under the Income-tax Act, 1961:

1. What's New?

The government has notified specific luxury goods valued above ₹10 lakh that will now be subject to Tax Collection at Source (TCS) under Section 206C(1F)(ii) of the Income-tax Act, 1961.

2. Detailed Explanation

This notification expands the scope of TCS by including luxury lifestyle goods (beyond motor vehicles, which were already covered).

- TCS is applicable when any of the specified goods are sold for a consideration exceeding ₹10 lakh.
- The notified items include:
  a) Wrist watches
  b) Art pieces (antiques, paintings, sculptures)
  c) Collectibles (coins, stamps)
  d) Yachts, rowing boats, canoes, helicopters

e) Sunglasses
f) Handbags/purses
g) Shoes
h) Sportswear and equipment (e.g., golf kits, ski-wear)
i) Home theatre systems
j) Horses for racing or polo

3. Key Conditions

TCS applies

- Only if the value exceeds ₹10 lakh per transaction.
- On sale to any buyer (not limited to business-to-business).
- Seller is required to collect TCS at prescribed rates under Section 206C(1F).
- Applies in addition to GST or other applicable taxes.

4. Practical Implications

a) Sellers of luxury goods must:
b) Update invoicing systems to include TCS.

c) Collect and deposit TCS with the government.
d) File TCS returns accordingly.
e) Buyers will incur additional upfront costs, although TCS can be claimed as tax credit.
f) Enhances tracking of high-value discretionary spending for tax administration.

5. Implementation Deadlines

Effective from the date of publication in the Official Gazette: 22nd April 2025.

6. Applies To?

Sellers of the above-listed goods when selling items valued above ₹10 lakh.
Buyers (individuals or entities) making high-value purchases of specified luxury items.

Link : Click Here

8. Any expenditure incurred to settle proceedings initiated in relation to contravention or defaults under the following laws shall not be deemed to have been incurred for the purpose of business or profession and no deduction or allowance shall be made

Summary of Notification No. 38/2025, dated 23rd April 2025, issued by the Central Board of Direct Taxes (CBDT) under the Income-tax Act, 1961:

1. What's New?

The government has notified that expenditures incurred to settle legal proceedings for violations under specific financial laws will not be allowed as business deductions under Section 37(1) of the Income-tax Act.

2. Detailed Explanation

As per Explanation 3 to Section 37(1), any expense incurred for a purpose that is an offense or prohibited by law shall not be deductible.

This notification clarifies and specifies that any expense incurred to settle proceedings related to contraventions or defaults under the following laws is non-deductible:

- Securities and Exchange Board of India Act, 1992
- Securities Contracts () Act, 1956
- Depositories Act, 1996
- Competition Act, 2002

This includes fines, penalties, settlements, or any compromise payments made to resolve such proceedings.

3. Key Conditions

The non-deduction applies only to expenditures incurred to settle proceedings under the above Acts.
These expenditures are considered not incurred for business purposes, even if the entity claims it as part of commercial operations.

4. Practical Implications

a) Companies and businesses cannot claim tax deductions for:
b) Regulatory penalties
c) Compromise settlements
d) Legal fees related to contraventions under the specified Acts
e)Ensures greater tax compliance and deterrence against financial market violations.
f)May increase effective tax liabilities for entities involved in such regulatory settlements.

5. Implementation Deadlines

Effective immediately from the date of publication in the Official Gazette, i.e., 23rd April 2025.

6. Applies To?

All taxpayers (individuals, firms, companies) who incur settlement-related expenditure under:

- SEBI Act
- Securities Contracts (Regulation) Act
- Depositories Act
- Competition Act

Link : Click Here

9. The Income-tax (twelfth Amendment) Rules, 2025

Summary of Notification No. 40/2025, dated 29th April 2025, issued by the Central Board of Direct Taxes (CBDT) under the Income-tax Act, 1961:

1. What's New?

- Introduction of Income-tax (Twelfth Amendment) Rules, 2025.
- Revised formats of ITR-1 (SAHAJ) and ITR-4 (SUGAM).
- Expanded eligibility to include long-term capital gains under section 112A up to ₹1. 25 lakh.
- Amendments to Rules 12 and 11B, and updates to instructions for filing income tax returns.

2. Detailed Explanation

ITR-1 (SAHAJ) and ITR-4 (SUGAM) are simplified return forms for small taxpayers.
Now, taxpayers with:

- Long-term capital gains up to ₹1.25 lakh under section 112A, and
- No brought forward or carry forward capital losses can use these forms.
- Rule 12(1)(a)(iv) and Rule 12(1)(ca) updated to reflect new eligibility conditions.
- Form 10BA (housing deduction claim form) must now be filed along with the return.

Both forms include updated sections for:

- Salary
- House property
- Capital gains
- Business/professional income under presumptive taxation (Sec. 44AD, 44ADA, 44AE)
- Bank accounts, TDS/TCS, taxes paid, etc.

3. Key Conditions

Applies to individuals, HUFs, and firms (other than LLPs) with:

- Total income up to ₹50 lakh
- Salaries, one house property, and other sources
- Presumptive income under Sec. 44AD/44ADA/44AE (for ITR-4)
- Long-term capital gains under Sec. 112A ≤ ₹1.25 lakh

Not eligible if:

- Director in a company
- Invested in unlisted shares
- Deferment of tax on ESOPs

- Agricultural income > ₹5,000
- Holding assets outside India

2. Practical Implications

a) Simplifies compliance for salaried individuals and small businesses.
b) More taxpayers can now use ITR-1 or ITR-4 even with small capital gains.
c) Reduces the burden of using complex ITR-2 or ITR-3 for low-value gains.
d) Aligns reporting requirements with pre-filled return features and digital filing.

5. Implementation Deadlines

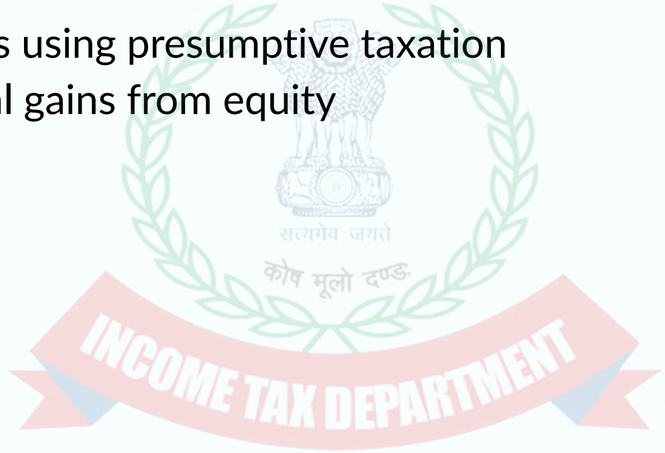
Effective from 1st April 2025, applicable for Assessment Year 2025–26.

6. Applies To?

Resident individuals, HUFs, and firms (excluding LLPs) meeting income and asset criteria.

Especially relevant to:

- Salaried taxpayers
- Professionals and small business owners using presumptive taxation
- Individuals with small amounts of capital gains from equity



Link : Click Here

10. The Income-tax (Thirteenth Amendment) Rules, 2025

Summary of Notification No. 41/2025, dated 30th April 2025, issued by the Central Board of Direct Taxes (CBDT) under the Income-tax Act, 1961:

1. What's New?

The Income-tax (Thirteenth Amendment) Rules, 2025 introduce a new format of ITR-3.
The revised ITR-3 form is applicable from Assessment Year 2025–26 onwards.

2. Detailed Explanation

ITR-3 is used by individuals and HUFs having income from profits and gains of business or profession, and not eligible to file ITR-1, ITR-2, or ITR-4.
The new format includes:

a)Updated Part A (general info, tax status, audit info, etc.
b)Enhanced sections for:
c)Disclosure of foreign assets, unlisted shares, directorships
d) Presumptive taxation schemes (44AD, 44ADA, 44AE)
e) Depreciation, audit details, quantitative details
f) Integrated options to opt out of the new tax regime (u/s 115BAC) using Form 10-IEA
g) Fields aligned with MSME payment timelines, Portuguese Civil Code applicability, and Significant Economic Presence

3. Key Conditions

Applies to:

Individuals or HUFs earning income under the head “Profits and Gains from Business or Profession”

Not eligible to file ITR-1, ITR-2, or ITR-4

Mandatory for:

Taxpayers under audit (Section 44AB/92E)

Those opting out of the new tax regime under Section 115BAC

Persons with foreign assets, multiple directorships, or significant economic presence

4. Practical Implications

Taxpayers must ensure:

a) Detailed reporting of business/profession income, asset disclosures, and audit confirmations.

b) Correct selection of regime (new vs. old) via Form 10-IEA.

c) Compliances such as reporting MSME payments, GST reconciliation, and ICDS deviations.

d) Chartered accountants and tax filers must update systems and processes to align with the revised structure.

5. Implementation Deadlines

Effective from 1st April 2025

Applicable for AY 2025–26 and onwards.

6. Applies To?

Individuals and HUFs:

Having income from business or profession

Not covered under ITR-1, ITR-2, or ITR-4

Especially relevant for:

- Professionals under Section 44AA/44AB
- Business owners
- Taxpayers opting out of the new tax regime
- Persons with foreign holdings, audits, or shareholdings in unlisted companies

Link : Click Here

1. Clarification on the position of Compliance Officer in terms of regulation 6 ofthe SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015–Reg

Summary of SEBI's clarification regarding the position of the Compliance Officer under Regulation 6 of the SEBI (LODR) Regulations, 2015, as per the circular issued on April 25, 2025:

1. What's New?

SEBI has issued a clarification on the designation and role of the Compliance Officer under Regulation 6 of the SEBI (LODR) Regulations, 2015.

Dual appointment allowed: A listed entity may now appoint more than one Compliance Officer with clearly demarcated roles.

2. Detailed Explanation

Regulation 6(1) of SEBI (LODR) mandates the appointment of a qualified Company Secretary as Compliance Officer to oversee compliance with:

- SEBI Act
- Rules, regulations, and circulars issued thereunder
- SEBI LODR provisions
- Clarification Issued:
  Multiple Compliance Officers may be appointed.
  Each must be jointly and severally liable for compliance unless responsibilities are explicitly divided and defined.

If roles are defined, liability is based on respective domains.
Communication with stock exchanges must clearly identify the designated officer responsible for that matter.

3. Key Conditions

a) The Compliance Officer must be a qualified Company Secretary.
b) In case of multiple officers:
- Responsibilities must be explicitly segregated.
- Joint and several liability applies by default, unless defined otherwise.

c) Intimation to stock exchanges about the respective Compliance Officer's domain is mandatory.

4. Practical Implications

- Offers flexibility for large entities to manage compliance through multiple officers.
- Reduces risk exposure by allowing functional separation (e.g., equity, debt, governance).
- Promotes clearer accountability and communication with stock exchanges.
- Entities must ensure well-documented role allocation and formal communication protocols.

5. Implementation Deadlines

Effective immediately from the date of issuance: April 25, 2025.

6. Applies To?

All listed entities under SEBI (LODR) Regulations, 2015.
Especially relevant for:
Companies with multiple business segments or complex compliance requirements.
Entities already having or planning to appoint multiple compliance officers.

Link : Click Here

2. Standardized format for System and Network audit report of Market Infrastructure Institutions(MIIs)

Summary of SEBI's directive titled "Standardized format for System and Network Audit Report of Market Infrastructure Institutions (MIIs)", issued on April 25, 2025:

1. What's New?

SEBI has introduced a standardized format for the System and Network Audit Report to be followed by Market Infrastructure Institutions (MIIs).

The change aims to bring uniformity, clarity, and completeness to audit reporting across all MIIs.

2. Detailed Explanation

MIIs (such as stock exchanges, depositories, and clearing corporations) are required to undergo annual system and network audits.

The new format standardizes:

- Audit scope and areas (e.g., cybersecurity, IT systems, access control)
- Findings categorization (Critical, Major, Medium, Low)
- Corrective Action Reports (CARs)
- Root Cause Analysis (RCA)

Auditor's recommendations and MII responses

The report must provide detailed observations and status updates in a tabular format for ease of review and regulatory compliance.

3. Key Conditions

MIIs must:

- Appoint CERT-In empanelled auditors.
- Ensure audit covers SEBI-prescribed areas and controls.
- Submit reports in the standardized format only, including:
- Audit summary
- Classification of issues by severity
- Compliance status with timelines
- Closure verification
- Reports must be signed and validated by both the auditor and the MII's senior management.

4. Practical Implications

- Enhances audit consistency and facilitates better regulatory oversight.
- Enables comparability of audit findings across MIIs.
- Promotes faster identification and resolution of critical IT/systemic issues.
- Improves accountability and traceability in the audit and remediation process.

5. Implementation Deadlines

Effective immediately from the date of the circular: April 25, 2025.

Applies to all audits conducted thereafter.

6. Applies To?

All Market Infrastructure Institutions (MIIs) regulated by SEBI:

a) Stock Exchanges

b) Clearing Corporations

c) Depositories

Link : Click Here

3. Amendment to Circular for mandating additional disclosures by FPIs that fulfil certain objective criteria

Summary of SEBI's circular titled "Amendment to Circular for mandating additional disclosures by FPIs that fulfil certain objective criteria", issued on April 26, 2025:

1. What's New?

- SEBI has amended its earlier circular dated August 24, 2023, to:
- Provide clarity and relaxation on timelines for certain FPIs (Foreign Portfolio Investors).
- Introduce a new block-based threshold for clubbing of FPI investments for disclosure requirements.
- Extend the timeline for compliance with enhanced disclosure norms.

2. Detailed Explanation

Original circular required certain FPIs to make additional granular disclosures on ownership and economic interest if:

- They held more than 50% of their Indian equity AUM in a single corporate group, and
- The value exceeded ₹25,000 crore.
- The April 2025 amendment introduces:
- A "block concept": Only if a corporate group's exposure is more than ₹25,000 crore in any 90 consecutive calendar days, disclosure requirements will be triggered.

- Exclusion of transactions prior to April 1, 2024, for exposure calculation.
- Extended compliance deadline to September 30, 2025 (from the earlier deadline of May 2024).
- Clarification that clubbed investments across multiple FPIs will be considered for exposure calculations.

3. Key Conditions

Applies to High-Risk FPIs as per SEBI categorization.

Triggered when:

- Exposure to a single Indian corporate group exceeds ₹25,000 crore for 90 consecutive days.
- Clubbing across multiple FPIs with common ownership/structure.

Requires:

- Detailed disclosure of ownership structure, control, and economic interest.
- Ongoing compliance monitored by DDPs (Designated Depository Participants).

4.Practical Implications

- Provides greater clarity and flexibility to FPIs with large Indian exposures.
- Reduces compliance burden for FPIs with temporary or incidental breaches.
- Strengthens SEBI's oversight on concentrated ownership and potential control via FPI channels.
- Encourages restructuring of investments to stay below disclosure thresholds.

5. Implementation Deadlines

Extended compliance deadline: Now September 30, 2025.
Applicable from the effective date of the circular: April 26, 2025.
Only exposures from April 1, 2024 onwards are to be considered.

6. Applies To?

Foreign Portfolio Investors (FPIs):

- Identified as high-risk under SEBI guidelines.
- Holding large Indian equity positions concentrated in a single group.
- Designated Depository Participants (DDPs) responsible for monitoring and ensuring compliance.

Link : Click Here

4. Trading Window closure period under Clause 4 of Schedule B read with Regulation 9 of Securities and Exchange Board of India(Prohibition of Insider Trading) Regulations, 2015 ("PIT Regulations") –Extension of automated implementation of trading window closure to Immediate Relatives of Designated Persons, on account of declaration of financial results

Summary of SEBI Circular No. SEBI/HO/ISD/ISD-PoD-2/P/CIR/2025/55, dated April 21, 2025, regarding automated implementation of trading window closure for immediate relatives of Designated Persons (DPs) under the SEBI (Prohibition of Insider Trading) Regulations, 2015:

1. What's New?

SEBI has extended the automated trading window closure mechanism (which previously applied to DPs) to also cover their immediate relatives.

This aims to prevent insider trading violations during periods when unpublished price sensitive information (UPSI) is likely to be known.

2. Detailed Explanation

- As per Clause 4 of Schedule B and Regulation 9 of PIT Regulations, DPs and their immediate relatives must not trade during the trading window closure period.

- The existing automated system to restrict DPs from trading (by freezing PANs at the ISIN level) will now also apply to their immediate relatives.

a) The system works by:
b) Identifying DPs and their relatives based on PAN and demat account details.
c) Freezing their trading rights (on-market and off-market) during the window closure period.
d) Allowing exemptions and de-freezing in defined circumstances.

3. Key Conditions

Applies to financial result declaration periods and other events involving UPSI.
Listed companies must:

- Upload accurate DP and relative details.
- Specify start and end dates for the trading window closure.
- Ensure compliance through their Designated Depository (DD).
- Stock exchanges and depositories must enforce PAN-level trading freezes and track exemptions.

4. Practical Implications

- Enhances compliance and surveillance on insider trading regulations.
- Requires listed companies to proactively manage and disclose DP-relative data.
- Helps avoid inadvertent violations by relatives of insiders.
- May require system upgrades and process integration by listed entities and intermediaries.

5. Implementation Deadlines

Phase-wise implementation:

Phase 1: Top 500 listed companies (by BSE market cap as of March 31, 2025) — from July 1, 2025.

Phase 2: All remaining listed companies (including newly listed) — from October 1, 2025.

6. Applies To?

- All listed companies on BSE, NSE, and MSEI.
- Designated Persons (DPs) and their immediate relatives.
- Depositories (NSDL/CDSL) and recognized stock exchanges, responsible for enforcement.

Link : Click Here

5. Clarificatory and Procedural changes to aid and strengthens ESG Rating Providers (ERPs)

Summary of SEBI's circular titled "Clarificatory and Procedural Changes to Aid and Strengthen ESG Rating Providers (ERPs)", issued on April 25, 2025:

1. What's New?

SEBI has introduced clarificatory and procedural changes to the framework governing ESG Rating Providers (ERPs) in India.
Aims to enhance transparency, consistency, and governance in ESG rating processes.

2. Detailed Explanation

Key changes introduced include:

- Sub-categorization of ESG ratings:
- ERPs must assign separate ratings for each pillar: Environmental (E), Social (S), and Governance (G), in addition to the overall ESG rating.

Disclosure of Methodology:

- ERPs must publish detailed rating methodology and data sources used.
- Disclosure of the weightages assigned to each ESG pillar.
- Handling of Confidential Information:
- ERPs must establish policies for managing confidential data, with internal audit mechanisms.

Compliance and Review:

- ERPs are required to conduct periodic reviews of methodologies.
  Establish a rating committee for approval of methodologies and changes.

Grievance Redressal:

- ERPs must create dedicated mechanisms to handle complaints from rated entities.

3. Key Conditions

Applicable only to SEBI-registered ERPs.

Must comply with:

- ESG rating sub-categorization requirements.
- Full and transparent disclosure norms.
- Confidentiality protection and governance norms.
- Methodologies must be publicly disclosed and periodically reviewed.

4. Practical Implications

- Increases accountability and comparability across ESG ratings.
- Helps investors and stakeholders make informed ESG-based decisions.
- Requires ERPs to upgrade internal systems, ensure staff training, and enhance reporting mechanisms.·
- Encourages consistent interpretation of ESG performance across sectors.

5. Implementation Deadlines

Effective immediately from the date of issuance: April 25, 2025.

ERPs expected to align existing practices promptly and ensure compliance.

6. Applies To?

All SEBI-registered ESG Rating Providers (ERPs).
Indirectly impacts:
Listed entities receiving ESG ratings.
Investors and stakeholders relying on ERP reports.

Link : Click Here

6. Clarifications to Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)

Summary of SEBI's circular titled "Clarifications to Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)", issued on April 26, 2025:

1. What's New?

SEBI has issued clarificatory guidelines to strengthen implementation of the Cybersecurity and Cyber Resilience Framework (CSCRF) for all SEBI-regulated entities.

Addresses interpretation issues, compliance expectations, and standardization in cybersecurity protocols.

2. Detailed Explanation

Key clarifications issued include:

- Definitions and Scope:
- Clear definitions provided for critical assets, near-miss events, and material cyber incidents.
- All systems that affect confidentiality, integrity, or availability of data are covered.
- Incident Reporting:
- All material incidents must be reported to SEBI within 6 hours of detection.
- Near-miss" cyber events also need to be logged and reviewed, though not immediately reported.
- Board & Senior Management Responsibility:

- Clarifies that Boards and CXOs are accountable for ensuring cyber compliance and resilience.
- Requires REs to review their cybersecurity governance at least annually.

Use of Third-Party Technology/Cloud:
REs must ensure due diligence and risk assessment for third-party/cloud vendors.
Must ensure that SEBI can access logs, data, and audit trails from such third-party arrangements.
Continuous Monitoring:
Specifies minimum controls such as endpoint detection, SIEM tools, patch management, and multi-factor authentication (MFA).

3. Key Conditions

Applies to SEBI-registered intermediaries, including brokers, AMCs, depositories, and mutual funds.
Must:
Implement controls for critical assets.
Conduct periodic audits, vulnerability assessments, and penetration testing.
Submit annual cybersecurity compliance reports to SEBI.
Designate a Chief Information Security Officer (CISO).

4. Practical Implications

Enhances cyber vigilance and accountability across capital market participants.

Increases compliance responsibility for Boards and senior leadership.
Imposes strict incident reporting timelines.
Requires integration of third-party/vendor cybersecurity into internal frameworks.

REs need to invest in tools, audits, training, and governance upgrades.

5. Implementation Deadlines

Immediate effect from April 26, 2025.
Ongoing compliance required through annual reviews and audits.
Six-hour incident reporting to SEBI is already mandatory under prior directives.

6. Applies To?

All SEBI-regulated entities, including:
Stock brokers and trading members
Asset Management Companies (AMCs)
Depositories and Clearing Corporations
Portfolio Managers, RTAs, KRAs, and other intermediaries

Link : Click Here

1. The Companies (Indian Accounting Standards) Amendment Rules, 2025.

summarized version of the amendment to Ind AS 21 ("The Effects of Changes in Foreign Exchange Rates") as per the notification dated 7 May 2025 from the Ministry of Corporate Affairs in the following structured format:

1. What's New?

The Companies (Indian Accounting Standards) Amendment Rules, 2025 introduce detailed guidance on determining lack of exchangeability between currencies and methods to estimate spot exchange rates when exchangeability is not present, along with new disclosure requirements.

2. Detailed Explanation

A currency is deemed exchangeable if it can be obtained within a normal administrative timeframe via a legal and enforceable market mechanism.

When a currency is not exchangeable, entities must estimate the spot exchange rate to reflect the rate that would be available in an orderly transaction.

Appendix A provides a two-step framework:

Step I: Assess whether a currency is exchangeable.

Step II: If not exchangeable, estimate the spot rate using observable rates or other estimation techniques.

New paragraphs added (e.g., 8A, 8B, 19A, 57A, 60L) and disclosure requirements detailed in Appendix A (paras A18–A20).

3. Key Conditions

Assessment of exchangeability must be purpose-specific (e.g., for settlement of transactions, translation of financials).
Insignificant ability to obtain foreign currency implies lack of exchangeability.
Market mechanism used for exchange must create enforceable rights and obligations.

Discosures required when a currency is not exchangeable, including:
Nature of restriction
Estimation techniques used
Quantitative and qualitative risk exposures

4.Practical Implications

Icreased judgment and documentation required for determining exchangeability.
Entities may need to develop models for estimating spot rates in the absence of active markets.
Significant disclosures to be made in financial statements when currencies are not exchangeable, especially in hyperinflationary economies or jurisdictions with foreign exchange controls.
Affects entities with foreign operations, functional currency translation, and reporting in presentation currencies different from functional currencies.

5. Implementation Deadlines

The amendments are applicable from 1 April 2025 for annual reporting periods beginning on or after this date.

Comparative information need not be restated.

6. Applies To?

All companies preparing financial statements under Ind AS, particularly those with:

Foreign currency transactions

Operations in jurisdictions with FX restrictions or hyperinflation

Multiple currency exposures

Also impacts entities transitioning under Ind AS 101, specifically in hyperinflationary environments.

Link : Click Here

2. Amendment in Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 [CAA Rules]

Here is a structured summary of the proposed amendments to the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, based on the Public Notice dated 4 April 2025 by the Ministry of Corporate Affairs:

1. What's New?

Expansion of the scope of Fast Track Mergers under Section 233 of the Companies Act, 2013.
Proposal to include more classes of companies under the simplified fast-track merger route via amendments to Rule 25 of the CAA Rules, 2016.
Stakeholder consultation invited on the draft notification.

2. Detailed Explanation

Currently, fast-track mergers apply to small companies, start-ups, and wholly-owned subsidiaries.
Proposed amendments now aim to also include:
Unlisted companies (excluding Section 8 companies) that:
Have borrowings less than ₹50 crore, and
Have no defaults on such borrowings.
Holding company (listed/unlisted) with unlisted subsidiary (not necessarily wholly-owned).
Fellow subsidiaries (subsidiaries of the same holding company), where none are listed.

Inclusion of merger of foreign holding company with its Indian wholly-owned subsidiary (currently under Rule 25A) into Rule 25 for consolidation.

3.Key Conditions

For unlisted companies merger:
Borrowing < ₹50 crore.
No default on borrowings.
Auditor's certificate confirming above.
Subsidiary merger with holding company:
Subsidiary must be unlisted, even if not wholly-owned.
Fellow subsidiaries merger:
All entities must be unlisted.
Section 8 companies excluded from these provisions.

4. Practical Implications

Reduces time and cost for mergers involving unlisted and group companies.
Eases corporate restructuring and group consolidation.
Provides relief for non-defaulting, low-debt companies to merge under simplified processes.
Encourages compliance with due diligence via auditor certification.

5. Implementation Deadlines

Draft rules open for public comments until 5 May 2025.

Final implementation date will be notified after considering feedback and publishing the final notification.

6. Applies To?

Companies eligible for fast-track merger under Section 233:

Startups

Small companies

Unlisted companies with borrowings < ₹50 crore

Holding companies (listed/unlisted) with unlisted subsidiaries

Fellow unlisted subsidiaries

Foreign holding companies merging into Indian WOS

Section 8 companies are excluded.

Link : Click Here

3. The Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025

Here is a structured summary of the Draft Notification (2025) for amending the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016:

1. What's New?

Draft Amendment to Rule 25 of the Companies (CAA) Rules, 2016.
Expansion of fast-track merger provisions under Section 233 of the Companies Act, 2013.
Five new categories of company combinations are now eligible for simplified merger approval.

2. Detailed Explanation

The draft proposes the following additions to the types of companies eligible for fast-track mergers:
Unlisted Companies (non-Section 8) with:
Borrowings < ₹50 crore.
No defaults on borrowings.
Auditor's certificate to be filed with the application.
Holding Company (listed or unlisted) with one or more unlisted subsidiary companies (not limited to wholly-owned subsidiaries).
Fellow Subsidiaries (subsidiaries of the same holding company), where none of the transferor companies are listed.
Merger of a foreign holding company (incorporated outside India) with its Indian wholly-owned subsidiary, already allowed under Rule 25A(5), now included directly in Rule 25.

These additions build on earlier scope expansions (e.g., startups and small companies in 2021) under sub-rule (1A).

3. Key Conditions

For unlisted company mergers:
All companies involved must be unlisted and not Section 8 companies.
Borrowing must be < ₹50 crore.
No default on borrowings.
Auditor's certificate is mandatory.
Subsidiary mergers:
All subsidiaries involved must be unlisted.
Applies even if not wholly-owned (broadens earlier rule).
Foreign holding company merger:
Must be into Indian wholly-owned subsidiary.

4. Practical Implications

Simplifies restructuring for private and group companies.
Reduces burden of NCLT route for eligible companies.
Enables faster, cost-effective internal consolidation within corporate groups.
Promotes ease of doing business by encouraging compliant, low-debt companies to use Section 233.

5. Implementation Deadlines

Will come into force from the date of publication in the Official Gazette (not yet notified).
Stakeholders can provide feedback on the draft via e-consultation before final notification.

6. Applies To?

Unlisted companies (non-Section 8) with:
Low borrowing and no defaults.
Listed/unlisted holding companies merging with unlisted subsidiaries.
Fellow unlisted subsidiaries of the same parent company.
Foreign holding companies merging into their Indian wholly-owned subsidiaries.

Link : Click Here

1. Amendments to Directions - Compounding of Contraventions under FEMA, 1999

Here is a structured summary of the RBI Circular (A.P. (DIR Series) Circular No. 02/2025-26 dated April 22, 2025) regarding amendments to the compounding of contraventions under FEMA, 1999:

1. What's New?

Delinking of compounding amounts from earlier compounding orders.
Additional details required in email communications related to electronic payments.
Updated instructions to improve reconciliation and processing timelines.

2. Detailed Explanation

Earlier Provision (Now Deleted): Paragraph 5.4.II.v of Circular No. 17/2024-25 linked the compounding amount to earlier orders. This link has now been removed.
New Rule: Each application for compounding will now be treated as a fresh application, without referencing previous orders.
Communication Enhancement: Applicants must now include the following in emails after making electronic payments:
Mobile number of applicant/authorized representative.
RBI office to which payment was made (Central/Regional/FED CO Cell).
Mode of submission (PRAVAAH portal or physical).

3. Key Conditions

All electronic payments for compounding must be accompanied by a properly formatted email to the correct RBI office.
The new details mentioned above are mandatory for proper reconciliation and tracking.

4. Practical Implications

Faster Processing: Inclusion of detailed identifiers helps reduce reconciliation issues and delays.
Avoiding Mistakes: Ensures correct routing of payments and avoids processing setbacks.
Independent Applications: Treating each application independently avoids confusion over past compounding history.

5. Implementation Deadlines

Effective Immediately as of April 22, 2025, the date of the circular issuance.
Relevant systems and procedures should be updated by AD Category-I and Authorised banks without delay.

6. Applies To

All Authorized Dealer (AD) Category-I Banks
All Authorized Banks
Applicants making compounding applications under FEMA, 1999.

Link : Click Here

2. Amendments to Directions - Compounding of Contraventions under FEMA, 1999

Here is the summary of RBI's Master Direction No. 04/2025-26 (dated April 22, 2025, updated April 24, 2025) on Compounding of Contraventions under FEMA, 1999 in the requested format:

1. What's New?

Issuance of consolidated Master Direction incorporating latest changes including:
New Foreign Exchange (Compounding Proceedings) Rules, 2024.
Updated compounding procedures, matrix for penalties, and eligibility conditions.
Standardization of submission formats and mandatory details for application and payment.
Deletion of linkage to earlier compounding amounts (via Circular No. 02/2025-26).

2. Detailed Explanation

The direction compiles all compounding guidelines under FEMA, based on updated Rules (2024) replacing the 2000 version.
Clarifies which contraventions can be compounded and outlines detailed steps from application to order issuance.
Introduces a structured matrix for computing compounding amounts based on type, value, and duration of contravention.
Streamlines application procedures via PRAVAAH portal or physical submission, with defined email and payment protocols.
Requires applicants to declare DoE (Directorate of Enforcement) involvement, if any.
Encourages minimal legal involvement during hearings; promotes voluntary compliance.

3. Key Conditions

Compounding not permitted for:
Repeated contraventions within 3 years.
Serious cases involving money laundering, terror financing, etc.
Contraventions under Section 3(a) of FEMA.
Cases where adjudication order is already passed or matter is under DoE adjudication.
Compounding applications must include:
Prescribed fee ₹10,000 + 18% GST.
Supporting documents (e.g., FDI/ECB/ODI/LO details).
Mandatory details (mobile, email, mode of submission, RBI office paid to).
Undertaking on DoE proceedings.

4. Practical Implications

Enhances transparency and predictability in determining penalty amounts.
Reduces compliance burden for minor or unintentional violations.
Faster turnaround due to standardized application and communication process.
Provides clarity for businesses and legal advisors on eligibility and process.
Improves internal compliance systems for Authorized Dealers.

5. Implementation Deadlines

Effective from April 22, 2025, with updated rules notified earlier on September 12, 2024.
Circulars consolidated up to April 24, 2025.

6. Applies To

All Authorised Dealer Category-I Banks.
All Authorised Banks.
Individuals and entities who commit contraventions under FEMA (excluding Section 3(a) violations).
Specific jurisdictional directions for FDI, ECB, ODI, and LO/BO/PO-related contraventions.

Link : Click Here

3. Amendments to Directions - Compounding of Contraventions under FEMA, 1999

Here is a structured summary of RBI's A.P. (DIR Series) Circular No. 04/2025-26 dated April 24, 2025, which amends the Master Directions on Compounding of Contraventions under FEMA, 1999:

1. What's New?

Introduction of a cap of ₹2,00,000 on compounding amount per regulation/rule under specific contraventions (Row 5 of the computation matrix), subject to discretion of the compounding authority.

2. Detailed Explanation

A new provision Para 5.4.II.vi is added to the Master Directions (dated April 22, 2025).
This provision empowers the compounding authority to limit the penalty amount to ₹2,00,000, per regulation/rule in a compounding application.
The cap applies in cases:
With exceptional circumstances or facts.
Where applying the cap is in the wider public interest.
It specifically applies to contraventions under Row 5 of the computation matrix, which generally relates to non-reporting contraventions.

3. Key Conditions

The cap is not automatic but subject to:
Satisfaction and discretion of the compounding authority.
Evaluation of the nature of contravention and public interest considerations.
Only applies to cases classified under Row 5 of the matrix (non-reporting contraventions).

4. Practical Implications

Cost relief for entities involved in minor or unintentional non-reporting violations.
Encourages voluntary compliance without fear of excessive penalties.
Brings uniformity and fairness in treatment of similar cases with mitigating circumstances.

5. Implementation Deadlines

Effective from April 24, 2025, the date of issuance of this circular.
Updates have been/will be reflected in the Master Directions immediately.

6. Applies To

All Authorised Dealer Category-I banks.

All Authorised Banks.

Entities/individuals applying for compounding of eligible contraventions under FEMA, 1999—specifically those involving non-reporting issues 6.under Row 5 of the matrix.

Link : Click Here

4. Proposal regarding processing of prior permission application under FCRA, 2010.

Here is the structured summary of the proposal regarding processing of prior permission applications under FCRA, 2010, in the requested format:

1. What's New?

Defined validity periods introduced for both receiving and utilizing foreign contributions under prior permission granted by the Ministry of Home Affairs.

Applicable to both new and certain existing approvals.

2. Detailed Explanation

As per FCRA, 2010, individuals or organizations not registered under Section 11(1) may accept foreign contributions only after obtaining prior permission from MHA.

The new directive, under Section 46 of FCRA:

Sets the validity for receiving foreign contributions to 3 years from the date of approval.

Sets the validity for utilizing foreign contributions to 4 years from the date of approval.

For already approved applications (where project duration exceeds 3 years), the validity will start from the date of this order, not from the original approval date.

Provision for case-by-case extension by the competent authority in MHA based on the merits.

3. Key Conditions

These validity periods apply to all prior permission holders unless:
An extension is granted by MHA on individual merit.
Exceeding these periods for either receiving or utilizing foreign contribution will be treated as a violation of FCRA, 2010 and will attract punitive action.

4. Practical Implications

Brings clarity and predictability in planning and executing foreign-funded projects.
Ensures timely utilization and accountability of foreign contributions.
May require reassessment or restructuring of longer-term projects or programs.
Associations must ensure compliance with deadlines or proactively seek extension to avoid legal consequences.

5. Implementation Deadlines

Effective immediately from the date of issuance of the order.
For previously approved permissions with >3 years project span, the validity is recalibrated from the date of this order.

6. Applies To

All persons or organizations receiving foreign contribution under prior permission (i.e., not registered under FCRA Section 11(1)).

Specifically includes:

New applicants.

Existing prior permission holders with extended project durations.

Link : Click Here