19th August



UPDATES July 2025

The lotus flower symbolism is rich and varied, embodying concepts of rebirth, spiritual awakening, and resilience.

This powerful flower would close at night and reopen at dawn, mirroring the sun's journey and symbolizing renewal.

Lets the lotus inspire you to stand tall and unyielding, even when life's water gets muddy...!!!

Authored by: PGB LLP Technical Desk

Updates July 2025



P G BHAGWAT LLP ("PGB LLP") is glad to release updates for the month of July 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. Note: The information contained herein is in summary form. It has been written in general terms and should be seen as broad guidance only. The information is not intended to cover specific situations and you should refrain from acting, or should not act, upon the information contained therein without obtaining specific professional advice. Please contact P G BHAGWAT LLP to discuss these matters in the context of your circumstances. P G BHAGWAT LLP and its partners and/or employees do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

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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









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1. Income Tax Notification S.O. 2954(E) dated July 1, 2025 - Amendment to Cost of Inflation Index for Assessment Year 2026-27

Summary of Amendment to Cost of Inflation Index for Assessment Year 2026-27

What's New?

- Addition of Cost of Inflation Index (CII) for Financial Year 2025-26
- New serial number 25 added to the existing table with CII value of 376
- This extends the CII table which was previously updated up to AY 2025-26

Detailed Explanation

This notification amends the principal notification S.O. 1790(E) dated June 5, 2017, which originally established the Cost of Inflation Index table under section 48 of the Income Tax Act, 1961. The Central Government, exercising powers under clause (v) of the Explanation to section 48, has added the CII for FY 2025-26 as 376.

The Cost of Inflation Index is a crucial factor used for calculating indexed cost of acquisition and indexed cost of improvement while computing capital gains on transfer of capital assets. This index helps adjust the historical cost of assets for inflation, thereby providing relief to taxpayers from inflation-induced capital gains.





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Key Conditions

- 1. Statutory Authority: Issued under clause (v) of Explanation to section 48 of the Income Tax Act, 1961
- 2. Index Value: Cost of Inflation Index for FY 2025-26 is fixed at 376
- 3. Serial Addition: Added as serial number 25 in the existing CII table
- 4. Legal Framework: Amendment to the principal notification dated June 5, 2017

Additional Conditions:

- 1. No additional specific conditions are mentioned in this notification
- 2. The notification follows the standard format of previous CII notifications
- 3. References the last amendment made vide S.O. 2103(E) dated May 24, 2024

Practical Implications

- Capital Gains Calculation: Taxpayers can now use CII of 376 for FY 2025-26 when calculating long-term capital gains for assets sold in AY 2026-27
- Indexed Cost Benefit: Assets acquired in FY 2025-26 can be indexed using this factor for future capital gains calculations
- Inflation Adjustment: The CII helps in adjusting the purchase cost of capital assets for inflation, reducing the taxable capital gains
- Investment Planning: Investors and tax planners can now factor in this CII value for long-term investment strategies and tax planning
- Compliance: Tax practitioners and taxpayers must use this updated CII value for accurate capital gains computation





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Implementation Deadlines

- Effective Date: April 1, 2026
- Applicable Period: Assessment Year 2026-27 and subsequent years
- Notification Date: July 1, 2025
- Immediate Effect: While notified in July 2025, the practical application begins from AY 2026-27













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2. Income-tax (Twentieth Amendment) Rules, 2025 - Notification No. 126/2025 G.S.R. 503€ dated 28th July, 2025 Summary of Notification No. 126/2025 G.S.R. 503€

What's New?

This amendment introduces significant changes to Rule 21AK of the Income-tax Rules, 1962, specifically:

- **Expansion of derivative instruments scope** Addition of "over-the-counter derivatives" alongside existing "offshore derivative instruments"
- New entity inclusion Foreign Portfolio Investors (FPIs) being units of International Financial Services Centres are now covered
- **Enhanced regulatory framework** Foreign Portfolio Investors are specifically defined and included in the offshore banking unit provisions
- **Definitional clarity** Introduction of a comprehensive definition for "Foreign Portfolio Investor"

Detailed Explanation

Amendment to Sub-rule (1), Clause (b):

Original scope: Limited to offshore derivative instruments

Amended scope: Now includes "over-the-counter derivatives" expanding the coverage of financial instruments

Entity expansion: Includes "Foreign Portfolio Investor being a unit of an International Financial Services Centre" alongside existing

IFSCA-regulated entities

















• Amendment to Sub-rule (2):

Coverage extension: Foreign Portfolio Investors are now included alongside offshore banking units Regulatory alignment: Ensures consistent treatment across different types of international financial entities

New Definition Added:

Foreign Portfolio Investor: Defined as a person registered under SEBI (Foreign Portfolio Investors) Regulations, 2019

Regulatory framework: Links to Securities and Exchange Board of India Act, 1992

Registration requirement: Emphasizes the need for proper SEBI registration

Key Conditions

- 1. Registration Requirement: Foreign Portfolio Investors must be registered under SEBI (FPI) Regulations, 2019
- 2. IFSC Connection: FPIs must be units of International Financial Services Centres to qualify for the expanded provisions
- 3. Regulatory Compliance: Entities must comply with International Financial Services Centres Authority regulations or be properly registered FPIs
- 4. Instrument Coverage: Applies to both offshore derivative instruments and over-the-counter derivatives









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Additional Conditions

- 1. Existing Regulatory Framework: All amendments work within the existing Income-tax Act, 1961 framework under Section 295 and Section 10(4E)
- 2. **SEBI Compliance**: FPIs must maintain compliance with SEBI regulations throughout their operations
- 3. **Documentation Requirements**: Proper registration and documentation with relevant authorities (IFSCA/SEBI) is mandatory

Practical Implications

For Foreign Portfolio Investors:

- **Expanded opportunities**: Access to over-the-counter derivatives market with potential tax benefits
- Compliance burden: Need to ensure proper registration and ongoing compliance with SEBI regulations
- IFSC operations: May need to establish or maintain units in International Financial Services Centres

For Financial Markets:

- **Market expansion**: Broader participation in derivative markets
- **Regulatory clarity**: Clear framework for FPI participation in various derivative instruments
- International competitiveness: Enhanced attractiveness of Indian financial markets for foreign investors











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For Tax Administration:

- **Improved monitoring**: Better framework for tracking and regulating foreign investment in derivatives
- Regulatory alignment: Harmonization between different regulatory bodies (CBDT, SEBI, IFSCA)

For Market Participants:

- Enhanced liquidity: Potential increase in market liquidity due to expanded FPI participation Product diversity: Access to wider range of derivative products
- Compliance framework: Clear guidelines for engaging with FPIs in derivative transactions

Implementation Deadlines

- Effective Date: The rules came into force on 28th July, 2025 the date of publication in the Official Gazette.
- No Grace Period: The notification indicates immediate implementation without any transitional provisions or grace periods.
- **Compliance Timeline**: All affected entities must ensure compliance from the effective date itself.









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3. Clarification regarding CBDT's Circular No. 5/2025 dated 28.03.2025 for waiver on levy of interest under section 201(1A) (ii)/206C(7) of the Income-tax Act, 1961.

Summary of Circular No. 5/2025 dated 28.03.2025 for waiver on levy of interest 2

What's New?

This circular provides crucial clarifications on the implementation of the earlier Circular No. 5/2025 dated 28.03.2025, specifically addressing:

- Retrospective Application: Clarifies that waiver applications can be entertained for interest charged even before the issuance of the original circular
- Authority Empowerment Timeline: Defines when the prescribed authorities became empowered to pass waiver orders
- Application Filing Guidelines: Provides clear timelines for filing waiver applications

Detailed Explanation

• The notification addresses representations from field authorities seeking clarity on two critical aspects of the original circular:

Authority Empowerment: Whether the prescribed authority's power to pass waiver orders is effective from the date of the circular's issuance

Scope of Applications: Whether waiver applications are limited only to cases where interest is charged on or after the circular's date.



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The CBDT has clarified that:

Prescribed authorities (CCIT/DGIT/Pr.CCIT) can pass waiver orders only after the date of issuance of Circular No. 5/2025 (i.e., from 28.03.2025 onwards)

However, these authorities can consider waiver applications for interest charged even before 28.03.2025, subject to the one-year filing deadline

Key Conditions

- 1. **Prescribed Authority**: Only CCIT (Chief Commissioner of Income Tax), DGIT (Director General of Income Tax), or Pr.CCIT (Principal Chief Commissioner of Income Tax) can pass waiver orders
- 2. **Effective Date**: Waiver orders can only be passed after 28.03.2025 (date of original circular)
- 3. Time Limit for Applications: Applications must be filed within one year from the end of the financial year for which interest is charged
- 4. Applicable Sections: The waiver applies to interest under:

Section 201(1A)(ii) - Interest on TDS defaults

Section 206C(7) - Interest on TCS defaults

Additional Conditions

- 1. Retrospective Relief: Interest charged before the issuance of the original circular (28.03.2025) is also eligible for waiver consideration
- 2. **Documentation**: Applications must be submitted to the prescribed authority as per the format and requirements mentioned in the original circular







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3. Case-by-Case Evaluation: Each application will be evaluated based on the specific circumstances and criteria outlined in Circular No. 5/2025

Practical Implications

- For Taxpayers:
 - Extended Relief Scope: Taxpayers can now apply for waiver of interest that was charged even before March 28, 2025
 - Clear Timeline: Provides certainty on when to file applications based on the financial year of interest charge
 - Broader Coverage: Removes uncertainty about retrospective application of the waiver provisions

For Tax Practitioners

- Strategic Planning: Can advise clients on filing waiver applications for historical interest charges
- Documentation Preparation: Need to prepare comprehensive cases for waiver applications covering pre-circular interest charges
- Client Advisory: Must inform clients about the expanded scope and filing deadlines

• For Department:

- Increased Workload: Field authorities may expect higher volume of waiver applications due to retrospective coverage
- Uniform Implementation: Provides clear guidelines to avoid inconsistent interpretation across different jurisdictions











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Implementation Deadlines

Immediate Implementation:

Effective Date: The clarification is effective immediately from the date of issuance

Application Filing Deadlines (Examples):

For FY 2023-24 Interest: Applications must be filed by March 31, 2025

For FY 2024-25 Interest: Applications must be filed by March 31, 2026

For FY 2022-23 Interest: Applications must be filed by March 31, 2024

(likely expired)

Key Deadline Principle:

Applications must be filed within one year from the end of the financial year for which the interest is charged, regardless of when the interest was actually levied or when the circular was issued.



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4. Circular No. 9/2025 dated 21st July, 2025- Partial Modification of Circular No. 3 of 2023 dated 28.03.2023 regarding consequences of PAN becoming inoperative as per Rule 114AAA of the Income-tax Rules, 1962 Summary of Circular No. 9/2025 dated 21st July, 2025

What's new?

This circular provides relief to deductors/collectors from higher TDS/TCS rates under sections 206AA/206CC of the Income Tax Act, 1961, for transactions involving inoperative PANs. The circular extends the relief period and introduces a new framework for transactions conducted after 31st July, 2025.

Detailed Explanation

- Background Context
 - Previously, Circular No. 3/2023 made consequences of inoperative PANs effective from 1st July, 2023
 - Circular No. 6/2024 provided relief for transactions up to 31st March, 2024, where PANs became operative by 31st May, 2024
 - The current circular addresses grievances from taxpayers receiving notices for "short-deduction/collection" of TDS/TCS

Current Relief Provisions

The Board has specified that there shall be no liability on deductors/collectors to deduct/collect tax at higher rates under sections 206AA/206CC in specific circumstances, providing significant relief from punitive tax rates that apply when dealing with inoperative PANs.









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The relief from higher TDS/TCS rates applies in two distinct scenarios:

- Scenario 1: Transactions from 1st April, 2024 to 31st July, 2025
 - **Transaction Period**: Amount paid or credited between 01.04.2024 to 31.07.2025
 - PAN Activation Deadline: PAN must be made operative (through Aadhaar linkage) on or before 30.09.2025
- Scenario 2: Transactions from 1st August, 2025 onwards
 - **Transaction Period**: Amount paid or credited on or after 01.08.2025
 - PAN Activation Deadline: PAN must be made operative (through Aadhaar linkage) within two months from the end of the mont in which amount is paid or credited

Additional Conditions

- Aadhaar Linkage Requirement: PAN must become operative specifically as a result of linkage with Aadhaar
- Standard TDS/TCS Rates Apply: In cases where relief is granted, normal deduction/collection rates as per other provisions of Chapter XVII-B or Chapter XVII-BB shall be applicable
- Retrospective Relief: The circular addresses past transactions and provides relief from demands already raised by the Department









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Practical Implications

- For Deductors/Collectors
 - Immediate Relief: No need to deduct/collect tax at higher punitive rates for qualifying transactions
 - Reduced Compliance Burden: Eliminates the need to track and apply different rates based on PAN status during the relief period
 - Protection from Demands: Relief from departmental demands for "short-deduction/collection" in qualifying cases

For Deductees/Collectees

- Incentive for PAN Activation: Provides a grace period to link PAN with Aadhaar without facing higher tax deduction
- Reduced Tax Burden: Avoids higher TDS/TCS rates during the transition period

For Tax Administration

- Reduced Litigation: Likely to reduce grievances and disputes related to inoperative PAN consequences
- Smoother Transition: Facilitates better compliance with PAN-Aadhaar linkage requirements











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Implementation Deadlines

- Critical Deadline:
 - 30th September, 2025: Final deadline for PAN activation for transactions conducted between 01.04.2024 to 31.07.2025
 - Two-Month Rule: For transactions from 01.08.2025 onwards, PAN must be activated within two months from the end of the month in which payment/credit is made

Examples of Two-Month Rule Application:

- Payment made in August 2025 → PAN must be activated by 31st October, 2025
- Payment made in September 2025 → PAN must be activated by 30th November, 2025
- Payment made in December 2025 → PAN must be activated by 28th/29th February, 2026

Immediate Effect:

The circular is effective immediately upon issuance (21st July, 2025) and provides retrospective relief for qualifying transactions conducted since 1st April, 2024.

Link: <u>Click Here</u>









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Summary of Circular No. 10/2025 dated 28th July, 2025 - Relaxation of time limit for processing of returns of income filed electronically which were incorrectly invalidated by CPC - reg.

What's new?

- Extension of processing timeline for electronically filed income tax returns that were erroneously invalidated by CPC-Bengaluru
- Relaxation of statutory time limits under Section 143(1) of the Income Tax Act, 1961
- Special provision for returns filed up to 31st March, 2024 that faced technical invalidation issues

Detailed Explanation

The Central Board of Direct Taxes (CBDT) has issued this circular in response to grievances received regarding erroneous invalidation of electronically filed income tax returns by the Centralized Processing Centre (CPC) in Bengaluru. These invalidations occurred due to various technical reasons during the processing of returns for different assessment years.

The Board has exercised its powers under Section 119 of the Income Tax Act, 1961 to relax the time-frame prescribed in the second proviso to sub-section (1) of Section 143. This relaxation allows for the processing of returns that were previously invalidated due to technical errors, even though the normal processing time limits have expired (the latest being 31st December, 2024 for Assessment Year 2023-24).





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Key Conditions

- 1. Scope of Coverage: Only returns of income filed electronically up to 31st March, 2024 that were erroneously invalidated by CPC are covred
- 2. Processing Timeline: Intimation under Section 143(1) for these returns must be sent to assessees by 31st March, 2026
- 3. Validation Requirement: These returns need to be validated and processed as per law
- 4. **Technical Error Basis**: Only returns invalidated due to technical reasons (not substantive issues) are eligible

Additional Conditions

- 1. PAN-Aadhaar Linkage Requirement: In cases where PAN-Aadhaar linkage is not found, refund of any tax amount will not be processed, as per Circular No. 03/2023 dated 28th March, 2023
- 2. Subsequent Effects: All subsequent effects under the Act, including issue of refunds with applicable interest, shall follow in eligible cases
- 3. Reference to Previous Circular: The PAN-Aadhaar linkage condition follows the guidelines established in F.No.370142/14/2022-TPL









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- Relief for Taxpayers: Taxpayers whose returns were invalidated due to technical glitches will now get their returns processed without having to file revised returns
- Refund Processing: Eligible taxpayers will receive refunds along with applicable interest for the delayed processing
- System Rectification: This addresses systemic issues in the electronic filing and processing system
- PAN-Aadhaar Compliance: Taxpayers must ensure PAN-Aadhaar linkage to receive refunds
- Administrative Efficiency: Reduces the burden on taxpayers who faced technical issues beyond their control

Implementation Deadlines

- Current Status: Circular effective from 28th July, 2025
- Processing Deadline: Intimation under Section 143(1) to be sent to concerned assessees by 31st March, 2026
- Coverage Period: Returns filed electronically up to 31st March, 2024 are eligible
- Original Deadline Reference: Normal processing time had lapsed by 31st December, 2024 for AY 2023-24

Link: <u>Click Here</u>











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1. SEBI Master Circular for ESG Rating Providers (ERPs) Dated July 4, 2024

Summary of SEBI Master Circular for ESG Rating Providers (ERPs)

What's new?

This is the first consolidated Master Circular issued by SEBI on ESG Rating Providers (ERPs), compiling all applicable circulars and guidelines into a single reference document. It establishes a regulatory framework for entities seeking to act as ERPs in India.

Detailed Explanation

- The circular outlines:
 - Eligibility criteria for entities to be registered as ESG Rating Providers.
 - Registration process, code of conduct, and operational guidelines.
 - Mandatory disclosures and periodic reporting.
 - Governance and conflict of interest management.
- It aims to ensure that ESG ratings issued in India are credible, transparent, consistent, and aligned with global best practices, while considering Indian context and relevance.
- It also introduces the concept of Core ESG Rating, which is based on the BRSR (Business Responsibility and Sustainability Report) disclosures mandated by SEBI.











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Key Conditions

1. Eligibility & Registration:

- Only SEBI-registered Credit Rating Agencies (CRAs) or Research Analysts (RAs) can apply to be ERPs.
- Entities must have adequate resources, skilled manpower, internal policies, and no conflicts of interest.

2. Core ESG Ratings:

- Must be based on BRSR Core disclosures by listed entities.
- To ensure standardisation and comparability.

3. Code of Conduct:

- Transparency, objectivity, and independence must be maintained.
- Clear policies on managing conflicts of interest are mandatory.

4. Operational Guidelines:

- Methodology must be publicly disclosed.
- Regular review and validation of models used in ESG ratings.
- Annual internal audits and SEBI reporting.

5. Disclosures:

- Methodology and rating rationale to be disclosed in public domain.
- History of ratings and rationale must be accessible.

















Additional Conditions

- 1. ERPs must segregate non-ESG businesses if operating multiple rating services.
- 2. ERPs are prohibited from offering consulting or advisory services to the rated entities on ESG matters.
- 3. There must be a firewall between ESG rating teams and other business segments.

Practical Implications

- Enhances credibility and standardisation in ESG ratings, improving investor confidence.
- Listed companies will have greater responsibility to disclose quality ESG data through BRSR.
- Investors and stakeholders will have more reliable ESG signals to make decisions.
- Companies seeking ESG investments must align with BRSR Core metrics to receive ratings

Implementation Deadlines

- The Master Circular is effective immediately from the date of issuance: July 4, 2024.
- ERPs must align their operations with the provisions laid out in this circular.
- Ongoing compliance and reporting obligations apply as per the timelines specified in relevant annexures.









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1. Reserve Bank of India (Pre-payment Charges on Loans) Directions, 2025 RBI/2025-26/64 DoR.MCS.REC.38/01.01.001/2025-26 dated July 2, 2025

Summary of the RBI Circular RBI/2025-26/64 DoR.MCS.REC.38/01.01.001/2025-26 dated July 2, 2025

What's New?

This notification introduces comprehensive reforms in pre-payment charge policies for loans, representing a significant shift towards borrower-friendly practices. The key changes include:

- Complete elimination of pre-payment charges for individual loans (non-business purpose)
- Selective elimination of pre-payment charges for business loans to individuals and MSEs based on lender type and loan amount
- Standardized approach across different categories of regulated entities
- Enhanced disclosure requirements for pre-payment charge policies
- Prohibition on retrospective charges that were previously waived

Detailed Explanation

- The RBI has issued these directions to address divergent practices among Regulated Entities (REs) regarding pre-payment charges, particularly for Micro and Small Enterprises (MSEs). The notification stems from supervisory reviews that revealed:
- Inconsistent pre-payment charge practices leading to customer grievances
- Restrictive loan contract clauses deterring borrowers from switching lenders

























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- Barriers to accessing lower interest rates or better service terms
- The directions establish a tiered approach based on:
 - a. Loan purpose (business vs. non-business)
 - b. Borrower category (individuals vs. MSEs)
 - c. Lender type (commercial banks, cooperative banks, NBFCs, etc.)
 - d. Loan amount (with ₹50 lakh threshold for certain lenders)

Key Conditions

- 1. Complete Prohibition of Pre-payment Charges
- Individual loans (non-business): No pre-payment charges regardless of lender type
- Business loans to individuals and MSEs:
- Commercial banks (excluding SFBs, RRBs, LABs)
- Tier 4 Primary Urban Cooperative Banks
- NBFC-UL (Upper Layer NBFCs)
- All India Financial Institutions



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2. Conditional Prohibition (up to ₹50 lakh)

- For business loans to individuals and MSEs up to ₹50 lakh sanctioned amount:
- Small Finance Banks
- Regional Rural Banks
- Tier 3 Primary Urban Cooperative Banks
- State Cooperative Banks
- Central Cooperative Banks
- NBFC-ML (Middle Layer NBFCs)

3. Universal Application

- Applies regardless of pre-payment funding source
- No minimum lock-in period requirements
- Covers both partial and full pre-payments

Additional Conditions

1. Dual/Special Rate Loans

- Applicability depends on whether the loan is on floating rate at the time of pre-payment
- Fixed-rate components may have different treatment























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2. Cash Credit/Overdraft Facilities

- Pre-payment charges on early closure limited to sanctioned limit amount
- No charges if borrower provides advance notice as per loan agreement terms
- Facility must close on due date to avoid charges

3. Disclosure Requirements

- Clear mention in sanction letters and loan agreements
- Inclusion in Key Facts Statement (KFS) where applicable
- Prohibition on charging undisclosed pre-payment fees

4. Lender-Initiated Pre-payments

- No charges when pre-payment is at the instance of the RE
- Protection against retrospective fee imposition on previously waived charges

Practical Implications

1. For Borrowers

- Cost Savings: Elimination of pre-payment penalties will reduce overall borrowing costs
- Enhanced Mobility: Easier switching between lenders for better rates or services































- Transparency: Clear upfront disclosure of pre-payment policies
- MSE Benefits: Particular advantage for micro and small enterprises in accessing affordable credit

2. For Lenders

- Revenue Impact: Loss of fee income from pre-payment charges
- Competitive Pressure: Increased borrower mobility may intensify competition
- Policy Restructuring: Need to review and modify existing loan products and pricing
- Operational Changes: Updates required in loan documentation and systems

3. For the Market

- Increased Competition: Level playing field across different lender categories
- Better Credit Access: Improved financing conditions for MSEs
- Reduced Switching Costs: Enhanced market efficiency in loan products

Implementation Deadlines

- Effective Date
 - 1. January 1, 2026: All provisions become applicable
 - 2. Applies to loans and advances sanctioned or renewed on or after this date

















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Scope of Application

- 1. Covers all floating rate loans (term loans and demand loans)
- 2. Applicable to all specified regulated entities:
- 3. Commercial banks (excluding payments banks)
- 4. Cooperative banks
- 5. NBFCs
- 6. All India Financial Institutions

Transition Period

- 1. Existing loans sanctioned before January 1, 2026, will continue under previous regulations
- 2. REs have approximately 6 months from notification date (July 2, 2025) to prepare for implementation

Regulatory Compliance

- 1. Immediate effect on policy formulation and documentation
- 2. Systems and processes must be updated before the effective date
- 3. Staff training and customer communication to be completed before implementation









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2. Reserve Bank of India (Investment in AIF) Directions, 2025 Circular Reference: RBI/DOR/2025-26/138,

DOR.STR.REC.43/21.04.048/2025-26 dated July 29, 2025

Summary of RBI Notification No.: RBI/DOR/2025-26/138, DOR.STR.REC.43/21.04.048/2025-26 dated July 29, 2025

What's New?

- This notification represents a revised framework that replaces two existing circulars from 2023-24:
 - 1. Previous circular dated December 19, 2023
 - 2. Previous circular dated March 27, 2024
- The revision incorporates:
 - 1. Industry feedback received since the original guidelines
 - 2. Alignment with SEBI regulations on due diligence requirements for AIF investors and investments
 - 3. Enhanced regulatory framework for RE investments in Alternative Investment Funds

Detailed Explanation

The RBI has comprehensively reviewed and updated its regulatory framework governing investments by Regulated Entities (REs) in Alternative Investment Funds (AIFs). The new directions are issued under multiple statutory provisions including the Banking Regulation Act, 1949, RBI Act, 1934, and National Housing Bank Act, 1987.







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- 1. The directions apply to all major categories of REs:
- 2. All types of commercial banks (including Small Finance Banks, Local Area Banks, Regional Rural Banks)
- 3. Cooperative banks at all levels (Primary Urban, State, and Central Cooperative Banks)
- 4. All-India Financial Institutions
- 5. Non-Banking Financial Companies (including Housing Finance Companies)

Key Regulatory Framework

The notification establishes a structured approach to AIF investments with specific limits, provisioning requirements, and capital treatment mechanisms to ensure prudential oversight while allowing legitimate investment opportunities.

Key Conditions

1. Investment Limits

- Individual RE Limit: No single RE can contribute more than 10% of any AIF scheme's corpus
- Collective RE Limit: Combined contribution by all REs cannot exceed 20% of any AIF scheme's corpus

2. Provisioning Requirements

- Threshold-based Provisioning: If a RE contributes more than 5% of an AIF scheme's corpus AND the AIF has downstream non-equity investments in the RE's debtor company, then:
- 100% provision required on the RE's proportionate investment in the debtor company through the AIF
- Maximum provision capped at the RE's direct loan/investment exposure to that debtor company



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3. Capital Treatment

• Subordinated Units: If RE's contribution is in subordinated units form, the entire investment must be deducted from capital funds (proportionately from Tier-1 and Tier-2 capital)

4. Policy Requirements

• Internal Policy Mandate: All REs must have suitable provisions in their investment policies governing AIF investments, compliant with applicable laws and regulations

Additional Conditions

1. Exemptions

- Legacy Investments: Outstanding investments made with prior RBI approval under Master Direction on Financial Services are exempted from the 10% and 20% limits
- Government Consultation: RBI may exempt certain AIFs from these directions (except general policy requirements) in consultation with Government of India

2. Definitions and Scope

- Debtor Company: Any company to which the RE has current or previous loan/investment exposure (excluding equity) in the preceding 12 months
- Equity Instruments: Specifically includes equity shares, compulsorily convertible preference shares (CCPS), and compulsorily convertible debentures (CCD)

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Practical Implications

- For Regulated Entities
 - 1. Investment Strategy Review: REs need to reassess their AIF investment portfolios and strategies to ensure compliance with new limits
 - 2. Enhanced Due Diligence: Stricter monitoring required for downstream investments, especially regarding debtor company exposures
 - 3. Capital Planning: Subordinated unit investments will directly impact capital ratios, requiring careful capital management
 - 4. Policy Updates: Internal investment policies must be updated to reflect new requirements
- For AIF Industry
 - 1. Diversified Funding Sources: AIF schemes will need to diversify their investor base as RE participation is capped at 20%
 - 2. Structural Considerations: AIF managers may need to restructure schemes to accommodate RE investment limits
 - 3. Compliance Costs: Enhanced reporting and monitoring requirements may increase operational costs
- Risk Management Impact
 - 1. Concentration Risk: Limits help prevent over-concentration of RE investments in single AIF schemes
 - 2. Connected Party Exposure: Provisioning requirements address potential conflicts of interest and connected party risks
 - 3. Capital Adequacy: Clear capital treatment ensures proper risk weighting of AIF investments





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Implementation Deadlines

Effective Date

- 1. Primary Effective Date: January 1, 2026
- 2. Alternative Option: REs can implement earlier based on their internal policy decisions

Transition Arrangements

Existing Investments: Outstanding investments in AIF schemes where commitments are fully honored remain governed by previous circulars

Pending Commitments: For investments under existing commitments as of the notification date, or new commitments before the effective date, REs can choose to follow either:

Previous circular provisions, OR

New directions (must follow completely, not partially)

New Commitments: All new AIF commitments after the effective date must comply with the 2025 directions







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1. Mandatory Filing of Form IEPF-1A with Prescribed Excel Template under Rule 5 (4A) of the IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016 - Final Compliance Deadline: 30.08.2025

Summary of Mandatory Filing of Form IEPF-1A with Prescribed Excel Template under Rule 5 (4A)

What's New?

- Final compliance deadline extension: Companies get one last opportunity to file Form IEPF-1A with prescribed Excel template
- Migration to MCA21 V3: IEPFA has moved to the new MCA21 V3 system
- Proactive assistance: Authority will share relevant SRNs list and applicable Excel templates with Nodal Officers via registered email addresses
- Clear regulatory warning: Explicit mention of regulatory action for non-compliance after the final deadline

Detailed Explanation

Background Rule 5 (4A) was inserted into the IEPF Rules through Notification G.S.R. 571(E) dated August 14, 2019, effective from August 20, 2019. This rule mandates companies to file statements in specific Excel template format when transferring amounts to IEPF.





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Current Situation

- Over 3,000 companies (1,758 listed + 1,103 unlisted) have not complied with Form IEPF-1A filing requirements
- Authority holds more than 31,000 SRNs of IEPF-1/7 forms filed in non-compliant formats
- This non-compliance leads to:
- Difficulty in identifying amounts due to investors
- Short payments to investors
- Increased investor complaints

• Authority's Response

With the migration to MCA21 V3, IEPFA is providing one final opportunity for compliance while warning of regulatory action for continued non-compliance.

Key Conditions

- 1. Mandatory Filing Required When:
- Historical transfers under Companies Act, 1956: Any amount referred to in clauses (a) to (d) of sub-section (2) of Section 205C was transferred to IEPF or Central Government without filing required statement OR filed in format other than Excel template
- Recent filings under Companies Act, 2013: Companies filed Form IEPF-1 under clauses (a) to (n) of sub-section (2) of Section 125 in any format other than mandated Excel template after the notification date (August 20, 2019)













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2. Filing Requirements:

- Form IEPF-1A must be filed along with prescribed Excel template
- Filing must be done within the specified deadline
- Compliance with exact format specifications is mandatory

Additional Conditions

1 Authority Support Measures:

- Proactive communication: Relevant SRNs list will be shared with company Nodal Officers
- Template provision: Applicable Excel templates will be provided via registered email addresses
- Facilitation objective: These measures aim to enable faster disbursal of investor claims

2. System Integration:

- Filing must be compatible with MCA21 V3 system
- Companies should ensure their systems can handle the new platform requirements





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Practical Implications

- For Companies:
 - Immediate action required: Companies must review their IEPF filing history and identify non-compliant submissions
 - Resource allocation: Need to assign dedicated personnel to handle Form IEPF-1A filing and Excel template preparation
 - System readiness: Ensure compatibility with MCA21 V3 platform
 - **Email monitoring**: Nodal Officers must monitor registered email addresses for Authority communications
- For Investors:
 - Improved claim processing: Compliant filings will lead to faster and accurate claim disbursals
 - Reduced disputes: Proper format compliance will minimize short payments and associated complaints
 - Better transparency: Excel template format enables easier identification of due amounts
- For Regulatory Environment:
 - **Enhanced compliance culture**: Clear deadline and penalty warning reinforces regulatory discipline
 - Streamlined processes: Standardized Excel format will improve administrative efficiency
 - Data integrity: Consistent format ensures better data quality and processing accuracy

Implementation Deadlines

- Critical Timeline:
- 1. Notice Date: July 31, 2025
- 2. Compliance Window: 30 days from notice date

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3. Final Deadline: August 30, 2025

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4. Regulatory Action: Immediate action under Companies Act, 2013 for non-compliance post-deadline

Historical Context:

- 1. Original deadline: 60 days from August 20, 2019 (expired October 19, 2019)
- 2. Extended period: Nearly 6 years of additional time provided
- 3. Final opportunity: Current 30-day window represents the last chance for compliance

Action Items for Companies:

- 1. Week 1: Review filing history and identify gaps
- 2. Week 2: Prepare Form IEPF-1A and Excel templates
- 3. Week 3: File compliance documents on MCA21 V3
- 4. Week 4: Verify successful submission and maintain records

Consequences of Non-Compliance:

- 1. Regulatory action under Companies Act, 2013 provision
- 2. Continued investor complaints and potential legal issues
- 3. Operational difficulties in IEPF claim processing
- 4. Reputational risk for listed companies







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2. Companies (Listing of equity shares in permissible jurisdictions) Amendment Rules, 2025 Notification Number: G.S.R. 443(E) dated

<u>July 3, 2025 Published in: The Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i)</u>

Summary of G.S.R. 443(E) dated July 3, 2025 Published in: The Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i)

What's New?

This notification introduces amendments to the Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024 by replacing the existing Form LEAP-1 with a revised version. The amendment specifically updates the form used for submission of prospectus with the Registrar for listing equity shares in permissible jurisdictions.

Detailed Explanation

- The notification exercises powers under:
- Section 23(3) read with Section 469 of the Companies Act, 2013
- Amends the Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024

Key Changes:

- Complete replacement of Form LEAP-1 in the Second Schedule
- Enhanced information requirements for companies seeking to list equity shares in permissible jurisdictions
- Standardized format for prospectus submission with the Registrar
- Digital filing mechanism with specific attachment requirements

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Key Conditions

1. Mandatory Information Requirements:

- Corporate Identity Number (CIN) of the company
- Company Details:
 - a. Name of the company
 - b. Registered office address
 - c. Email ID
- Application Purpose: Filing of prospectus
- Regulatory Approvals:
 - d. Date of approval from Securities regulator/Stock exchange
 - e. Date of submission of prospectus with Securities regulator/Stock exchange
- Compliance Disclosure:
 - f. Pending inspection status under Companies Act, 2013
 - g. Pending investigation status under Companies Act, 2013
 - h. Pending inquiry status under Companies Act, 2013











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2. Mandatory Attachments:

- Copy of approval from securities regulator/stock exchange
- Copy of acknowledgement of filing of prospectus
- Copy of the prospectus
- Optional attachments (if any)

3. Authorization Requirements:

- Board Resolution authorizing the signatory
- Digital Signature by designated personnel (Director/Manager/Company Secretary/CEO/CFO)
- Professional Certification by practicing CA/Cost Accountant/Company Secretary

Additional Conditions

- 1. Professional Certification Requirements:
- Practicing Professional must be in whole-time practice
- Must be either Associate or Fellow member
- Verification from original company records required
- Certificate must confirm completeness and accuracy of information



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2. Technical Requirements:

- Maximum file size: 2 MB per attachment
- Digital signatures mandatory for both company representative and practicing professional
- Form language options: English or Hindi
- Electronic filing through designated portal

3. Legal Compliance:

- Reference to Section 448 and 449 of Companies Act, 2013 regarding punishment for false statements and false evidence
- Company must comply with all provisions of the rules

Practical Implications

• For Companies:

- 1. Enhanced Due Diligence: Companies must provide more detailed information about pending legal proceedings
- 2. Regulatory Coordination: Need to coordinate with both domestic registrar and foreign securities regulators
- 3. Professional Engagement: Mandatory involvement of practicing professionals for certification
- 4. Documentation: Comprehensive documentation package required

• For Professionals:

- 1. Increased Responsibility: Enhanced verification requirements from original records
- 2. Liability Exposure: Professional certification carries legal implications
- 3. Due Diligence: Thorough review of company's compliance status required



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• For Regulatory Process:

- 1. Streamlined Process: Standardized form for better regulatory oversight
- 2. Digital Integration: Electronic filing with Service Request Number (SRN) tracking
- 3. Transparency: Enhanced disclosure requirements for pending proceedings

Implementation Deadlines

- Effective Date: From the date of publication in the Official Gazette (July 3, 2025)
- Timeline Implications:
 - 1. Immediate Effect: All new applications for listing equity shares in permissible jurisdictions must use the revised Form LEAP-1
 - 2. No Transition Period: The amendment takes effect immediately upon gazette publication
 - 3. Existing Applications: Applications filed before July 3, 2025, would likely continue under the previous format
 - 4. Compliance Requirement: Companies planning overseas listing must ensure compliance with the new form requirements from July 3, 2025, onwards
- Action Required:
 - 1. Companies and their advisors should:
 - a) Update procedures to incorporate new form requirements
 - b) Review documentation to ensure compliance with enhanced disclosure requirements
 - c) Engage professionals early in the process for certification requirements
 - d) Prepare comprehensive regulatory approval documentation









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3. The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025 Notification Number: G.S.R. 452€ dated July 7,

Summary of Notification Number: G.S.R. 452€ dated July 7, 2025

What's New?

<u>2025</u>

- Complete replacement of e-Form CSR-1 with a new revised version
- Enhanced registration process for entities undertaking CSR activities
- More comprehensive entity classification system
- Strengthened verification and authentication requirements
- Improved digital submission framework

Detailed Explanation

Purpose

The amendment aims to streamline and strengthen the registration process for entities that wish to undertake Corporate Social Responsibility (CSR) activities under Section 135 of the Companies Act, 2013.

• Scope of Amendment

The notification completely substitutes the existing e-Form CSR-1 with a new comprehensive form that includes:

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• Entity Categories Covered:

- 1. Section 8 Companies Both exempted under Income Tax Act provisions and registered under Section 12A
- 2. Registered Public Trusts With appropriate tax exemptions and approvals
- 3. Registered Societies Meeting specified tax compliance requirements
- 4. Government Entities Trusts/Societies established by Central/State Government
- 5. Statutory Bodies Entities established under Parliamentary or State Legislative Acts

• Key Form Sections:

- 1. Entity Details and Classification
- 2. Incorporation/Registration Information
- 3. Contact and Address Details
- 4. Authorized Representatives Information
- 5. Required Attachments and Documentation
- 6. Digital Signature Requirements
- 7. Professional Certification













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Key Conditions

Mandatory Requirements:

- Entity Nature Classification Entities must clearly identify their legal structure and tax status
- Three-Year Track Record Non-company promoted entities must demonstrate established experience
- Complete Documentation Registration certificate and PAN card copies mandatory
- Digital Signatures Specific officials must digitally sign based on entity type:
 - 1. Section 8 Companies: Director
 - 2. Public Trusts: Trustee/CEO
 - 3. Societies: Chairperson/CEO/Secretary
 - 4. Statutory Bodies: Authorized Representative
- Professional Certification Chartered Accountant, Cost Accountant, or Company Secretary must certify the form

Additional Conditions

1. Entity Establishment Requirements:

- a. Entities established by companies must provide complete details of promoting companies (CIN and names)
- b. Independent entities must demonstrate three years of established track record in similar activities











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2. Verification Process:

- OTP verification required for email addresses
- Digital signature authentication mandatory
- Professional must verify all documents from original/certified records
- Declaration of completeness and accuracy required

3. Documentation Standards:

- All attachments must be complete and legible
- Records must be properly prepared and signed by authorized officials
- No material information should be suppressed

Practical Implications

- For Companies:
 - a. Enhanced Due Diligence: More rigorous vetting of CSR implementing agencies
 - b. Better Compliance: Clearer documentation requirements reduce compliance risks
 - c. Improved Transparency: Comprehensive entity details ensure better partner selection
- For CSR Implementing Entities:
 - a. Streamlined Process: Single comprehensive form replaces multiple submissions
 - b.Clear Requirements: Specific documentation needs eliminate ambiguity
 - c. Professional Validation: Mandatory professional certification adds credibility





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• For Regulators:

- a. Better Oversight: Enhanced information collection improves monitoring capabilities
- b. Risk Mitigation: Stronger verification processes reduce fraudulent registrations
- c. Data Quality: Comprehensive form ensures consistent and complete information

Implementation Deadlines

- Effective Date: July 14, 2025
 - 1. All new CSR entity registrations must use the revised e-Form CSR-1 from this date
 - 2. Previous version of the form will no longer be accepted
- Transition Period:
 - 1. Entities with pending applications under the old form should resubmit using the new format
 - 2. Existing registered entities are not required to re-register unless making changes
- Compliance Timeline:
 - 1. Immediate: New form becomes mandatory for all fresh registrations
 - 2. Ongoing: All future amendments/updates must use the new form structure









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Summary of Handling of Inadvertently Rejected records on

What's New?

This notification addresses the procedural framework for handling invoices, debit notes, credit notes, and ECO-documents that have been wrongly rejected by recipients in the Invoice Management System (IMS), particularly when the corresponding GSTR-3B has already been filed.

Detailed Explanation

- For Wrongly Rejected Invoices/Debit Notes/ECO-Documents:
 - 1. Recipient's Action: When a recipient has wrongly rejected documents and already filed GSTR-3B, they can request the supplier to report the same record (without any changes) in:
 - 2. Same return period's GSTR-1A, OR
 - 3. Amendment table of subsequent GSTR-1/IFF
 - 4. ITC Availability: The recipient can then avail full ITC by accepting the amended record on IMS and recomputing GSTR-2B
 - 5. Supplier's Liability: No additional liability for the supplier as amendment tables consider delta values only, resulting in zero differential liability increase





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• For Wrongly Rejected Credit Notes:

1. Recipient's Action: Request supplier to furnish the same credit note in GSTR-1A or amendment table of subsequent periods

Goods and Services Tax

- 2. ITC Reversal: Recipient can reverse the previously availed ITC by accepting the credit note on IMS
- 3. Supplier's Liability: Initially, liability gets added back due to rejection, but gets reduced again when the same credit note is furnished in amendments, resulting in net effect occurring only once

Key Conditions

- 1. No Changes Allowed: The same record must be furnished without any modifications
- 2. Time Limit Compliance: Amendments must be made within the specified time limit
- 3. IMS Processing: All actions must be processed through the Invoice Management System
- 4. **GSTR-2B Recomputation**: Recipients must recompute GSTR-2B on IMS to reflect changes
- 5. Period Restriction: ITC for re-furnished documents can only be taken in the GSTR-2B of the concerned tax period

Additional Conditions

- 1. Supplier Notification: Suppliers can notice rejected records through their IMS dashboard view
- 2. Request-Based Action: Suppliers may act either on their own notice or upon recipient's request
- 3. Amendment Table Usage: Subsequent period amendments must use the amendment table of GSTR-1/IFF
- 4. Complete Value Impact: The system considers complete amended values, not partial adjustments











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Practical Implications

- For Recipients:
 - 1. ITC Recovery: Can recover wrongly lost ITC without waiting for the next filing period
 - 2. Compliance Continuity: Maintains compliance even after GSTR-3B filing
 - 3. Coordination Requirement: Must coordinate with suppliers for re-furnishing documents
- For Suppliers:
 - 1. No Additional Burden: No extra tax liability for correcting wrongly rejected documents
 - 2. Monitoring Need: Should monitor IMS dashboard for rejection notifications
 - 3. Amendment Flexibility: Can correct rejections in the same period or subsequent periods
- For System Efficiency:
 - 1. Error Correction Mechanism: Provides a systematic approach to handle inadvertent rejections
 - 2. Automated Calculations: IMS automatically handles delta calculations and liability adjustments
 - 3. Audit Trail: Maintains proper documentation of all amendments and corrections









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Implementation Deadlines

Note: The notification does not specify explicit implementation deadlines. However, it references:

- General Time Limit: Amendments must be made "till the specified time limit" (referring to existing GST amendment deadlines)
- Immediate Processing: Once amendments are made, recipients can immediately process them on IMS
- Period-Specific ITC: ITC must be availed in the GSTR-2B of the concerned tax period only



Link: Click Here





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2. Advisory: Regarding GSTR-3A Notices issued for non-filing of form GSTR 4 to cancelled Composition Taxpayers dated July 20th, 2025

Summary of Advisory: Regarding GSTR-3A Notices issued for non-filing of form GSTR 4 to cancelled Composition Taxpayers

What's New?

- GSTN has acknowledged a system-related glitch that resulted in erroneous issuance of Form GSTR-3A notices
- The glitch caused notices to be sent to taxpayers who were not required to receive them, particularly those with cancelled registrations
- Technical corrective measures are being implemented to prevent future occurrences

Detailed Explanation

The notification addresses an inadvertent system error in the GST portal that led to incorrect issuance of Form GSTR-3A notices. These notices are typically issued under Section 39(2) of the CGST Act, 2017, read with Rule 68 of the CGST Rules, 2017, for non-filing of Form GSTR-4 by composition taxpayers.

However, due to a technical glitch, the system generated and sent these notices to taxpayers who should not have received them, including: Taxpayers who had already filed their relevant returns

Taxpayers whose GST registrations were cancelled before Financial Year 2024-25

The tax administration has recognized this error and is taking corrective action to resolve the technical issue and prevent similar problems in the future.





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Key Conditions

- 1. Applicable to: Composition taxpayers who received erroneous GSTR-3A notices
- 2. Specific Cases: Taxpayers with cancelled registrations prior to FY 2024-25
- 3. Action Required: No action needed from affected taxpayers they should ignore the notices
- 4. System Correction: Technical team is implementing fixes to prevent recurrence

Additional Conditions

- 1. Taxpayers who have duly filed their relevant returns should also ignore these erroneous notices
- 2. For any other GST-related issues or concerns, taxpayers should use the Self-Service Portal on the GST Portal
- 3. All relevant details should be provided when raising grievances for prompt resolution

Practical Implications

- For Taxpayers:
 - a. Relief: No compliance burden or penalty concerns for those who received erroneous notices
 - b. Clarity: Clear guidance on which notices can be safely ignored
 - c. Peace of Mind: Assurance that no further action is required in cases of system error

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• Tax Administration:

- a. System Reliability: Need for better quality checks before issuing notices
- b. Process Improvement: Implementation of corrective measures to prevent similar glitches
- c. Communication: Proactive communication to taxpayers about system issues

Business Impact:

- a. Reduces unnecessary compliance anxiety and costs
- b. Prevents wastage of time and resources in responding to erroneous notices
- c. Maintains trust in the GST system through transparent communication

Implementation Deadlines

No specific deadlines mentioned in the notification However, the following timelines are implied:

- **Immediate Effect**: Taxpayers can ignore erroneous notices with immediate effect
- **Ongoing**: Technical corrective measures are being implemented (timeline not specified)
- **Future**: Enhanced system checks to prevent recurrence (no specific deadline provided)







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1. CIRCULAR No. 619 DATED 21-07-2025 Issued by the Charity Commissioner, Maharashtra State, Mumbai

Summary of CIRCULAR No. 619 DATED 21-07-2025 Issued by the Charity Commissioner, Maharashtra State, Mumbai

What's New?

This circular introduces a general permission for trustees of Public Trusts to invest up to 50% of Trust money in specified securities without requiring individual applications to the Charity Commissioner for each investment decision. This represents a significant shift from the previous requirement of seeking permission for every investment outside traditional banking deposits.

Detailed Explanation

Background

The Office of Charity Commissioner

- 1. Section 35 of the Maharashtra Public Trusts Act traditionally required trustees to deposit Trust money in Scheduled Banks, Postal Savings Banks, or approved Co-operative Banks, or invest in public securities
- 2. The second proviso of Section 35 empowers the Charity Commissioner to permit investments in other securities
- 3. Parliament amended Section 20 of the Indian Trusts Act, 1882 (via The Indian Trusts Amendment Act, 2016) to allow investments in securities specified by the Central Government
- 4. Central Government issued a notification dated 21st April, 2017 specifying eligible securities











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Current Permission

a. The Charity Commissioner now permits trustees to invest up to 50% of Trust money in securities specified in the Central Government's 2017 notification, subject to specified conditions.

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Key Conditions

- 1. Eligible Investment Categories (up to 50% of Trust money):
 - **Government Securities**
 - Securities Unconditionally Guaranteed by Central/State Governments
- Debt Mutual Fund Units regulated by SEBI
- Listed Debt Securities issued by body corporates (including banks and public financial institutions) with:

2. Minimum 3-year residual maturity from investment date

- Basel III Tier-I Bonds issued by scheduled commercial banks under RBI guidelines (listed or proposed to be listed)
- Infrastructure-Related Debt Instruments including:
 - a. Debt securities from infrastructure development/operation companies
 - b. Debt securities from low-cost housing development companies
 - c. Units from infrastructure debt funds regulated by SEBI











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- Equity Shares of listed companies with market capitalization ≥ ₹5,000 crores
- Mutual Fund Units (SEBI regulated) with minimum 65% investment in listed shares
- Exchange Traded Funds/Index Funds replicating BSE Sensex, NSE Nifty, or Government disinvestment portfolios

Additional Conditions

1. Rating Requirements:

- For categories (d), (e), and (f): Securities must have minimum AA rating (or equivalent) from at least two SEBI-registered credit rating agencies
- For sub-clause (ii) of clause (f): Ratings apply to the non-banking financial company
- Multiple Ratings: If rated by more than two agencies, the two lowest ratings will be considered

2. Compliance:

• All investments must comply with conditions specified in the Central Government notification dated 21st April, 2017





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• For Trustees:

- 1. Greater Investment Flexibility: Can diversify up to 50% of Trust funds across various asset classes
- 2. Reduced Administrative Burden: No need for individual applications to Charity Commissioner for each investment
- 3. Enhanced Returns Potential: Access to potentially higher-yielding instruments compared to traditional bank deposits
- 4. Professional Portfolio Management: Can invest in professionally managed mutual funds and ETFs

For Trust Beneficiaries:

- 1. Improved Fund Growth: Potential for better returns on Trust corpus
- 2. Risk Diversification: Spread of investments across different asset classes
- 3. Professional Oversight: Investments subject to SEBI regulations and rating requirements

• For the Charity Commissioner:

- 1. Streamlined Operations: Reduced application processing workload
- 2.Standardized Framework: Clear guidelines for permissible investments
- 3.Enhanced Oversight: Continued regulatory control through rating requirements

Implementation Deadlines

The circular states "It shall come into force with immediate effect" from the date of issuance (21-07-2025).



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Practical Implications

- For Trustees:
 - 1. Greater Investment Flexibility: Can diversify up to 50% of Trust funds across various asset classes
 - 2. Reduced Administrative Burden: No need for individual applications to Charity Commissioner for each investment
 - 3. Enhanced Returns Potential: Access to potentially higher-yielding instruments compared to traditional bank deposits

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- 4. Professional Portfolio Management: Can invest in professionally managed mutual funds and ETFs
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- 1. Improved Fund Growth: Potential for better returns on Trust corpus
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- 3. Professional Oversight: Investments subject to SEBI regulations and rating requirements
- For the Charity Commissioner:
 - 1. Streamlined Operations: Reduced application processing workload
 - 2. Standardized Framework: Clear guidelines for permissible investments
 - 3. Enhanced Oversight: Continued regulatory control through rating requirements

Implementation Deadlines

The circular states "It shall come into force with immediate effect" from the date of issuance (21-07-2025).