



22nd September

The Indian Marigold, is a widely cultivated ornamental plant in India, valued for its vivid yellow and orange blossoms. It holds significant cultural and religious importance, frequently used in ceremonial decorations, and also possesses medicinal properties, including antiseptic and anti-inflammatory effects.



Updates



August 2025

P G BHAGWAT LLP ("PGB LLP") is glad to release updates for the month of August 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 Authored by: PGB LLP Technical Desk

CIRCULAR FROM INCOME TAX











1.Title of the Notification

CIRCULAR FROM INCOME TAX

<u>Income-tax (Twenty Second Amendment) Rules, 2025 – Notification No. 133/2025, dated 18th August 2025</u>

What's New?

- Introduction of Rule 3C and Rule 3D in the Income-tax Rules, 1962.
- Rule 3C prescribes salary income threshold of ₹4 lakh for the purposes of item (c) of sub-clause (iii) of clause (2) of section 17 of the Income-tax Act, 1961.
- Rule 3D prescribes gross total income threshold of ₹8 lakh for the purposes of clause (vi) of proviso to section 17(2).

Detailed Explanation

1.Background:

- Section 17(2) of the Income-tax Act defines "perquisites."
- The proviso to this section allows the Government to prescribe monetary limits for certain exemptions/valuations.
- This amendment provides specific income thresholds under the Income-tax Rules, 1962, to operationalize these provisions.

2.Insertion of Rules:

• Rule 3C (Salary income for section 17(2)(iii)(c)):

If an employee's salary income (under the head "Salaries") is up to ₹4 lakh, certain perquisites (likely relating to small benefits) may not be taxed.







• Rule 3D (Gross total income for section 17(2) proviso (vi)):

If an employee's gross total income is up to ₹8 lakh, certain perquisites specified in the proviso to section 17(2) are exempt.

Key Conditions

- Salary income ceiling fixed at ₹4,00,000 (Rule 3C).
- Gross total income ceiling fixed at ₹8,00,000 (Rule 3D).
- These limits apply specifically for the purpose of exemptions/valuations under section 17(2) proviso items (iii)(c) and (vi).

Additional Conditions:

- No additional compliance conditions are prescribed in the notification itself.
- The benefit is conditional upon the income of the employee being within the prescribed limits.
- The rules will be read with section 17(2) of the Act, meaning applicability depends on nature of perquisites and income level.

- Employees with lower salary/gross total income (within thresholds) will get tax relief on certain perquisites.
- Employers need to consider these thresholds while computing taxable perquisites in Form 16 and TDS.·Tax practitioners and payroll processors must update systems to apply these rules prospectively.
- Likely to benefit entry-level employees, junior staff, or those with moderate incomes.







Implementation Deadlines

- The notification came into effect from the date of publication in the Official Gazette i.e., 18th August 2025.
- Applicable for salary and perquisite taxation from FY 2025-26 onwards.











2. Income-tax (Twenty-Fourth Amendment) Rules, 2025 - Notification No. 136/2025, dated 21st August 2025

What's New?

- Amendment in Rule 21AIA of the Income-tax Rules, 1962.
- Sub-rule (4) of Rule 21AIA has been omitted.

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• The Explanation to Rule 21AIA has been substituted to clarify the meaning of "specified fund".

Detailed Explanation

- Rule 21AIA (Special provision relating to computation of income of certain funds):
- Deals with taxation aspects of income attributable to units held by non-residents in specified funds.
- Changes made:
- Omission of sub-rule (4): The earlier sub-rule (4) in Rule 21AIA is no longer applicable. (This sub-rule likely contained an additional condition or reporting requirement, now withdrawn.)
- Substitution of Explanation: Now, for the purpose of Rule 21AIA, the term "specified fund" will have the same meaning as defined under section 10(4D)(c)(i) of the Income-tax Act.
 - o This brings alignment between the Act and the Rules, avoiding multiple definitions.









Key Conditions

- Rule 21AIA continues to apply, but with:
 - o No sub-rule (4).
 - o A clarified definition of specified fund.
- Any computation/exemption under this Rule must now strictly follow the meaning of specified fund as per section 10(4D) of the Act.

Additional Conditions (if any)

- No new conditions introduced; the change is mainly clarificatory and simplifying.
- By omitting sub-rule (4), compliance burden may be reduced.

- For taxpayers/investors:
 - o Non-resident investors in specified funds (such as Category I/II AIFs located in IFSCs) will have clarity on eligibility.
- For fund managers and AIFs:
 - o Simplifies compliance by removing sub-rule (4).
 - o Ensures uniformity by linking definition of specified fund directly to section 10(4D).
- For tax authorities:
 - o Reduces interpretational disputes on what constitutes a specified fund







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Implementation Deadlines

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- Effective from the date of publication in Official Gazette i.e., 21st August 2025.
- Applicable for computation of income of specified funds from FY 2025-26 onwards.











1. Master Circular for Debenture Trustees – SEBI/HO/DDHS-PoD-1/P/CIR/2025/117 dated August 13, 2025

What's New?

- SEBI has issued a comprehensive Master Circular consolidating all existing circulars applicable to Debenture Trustees (DTs).
- This circular supersedes earlier circulars (listed in Annex-1) while retaining their applicability in updated and harmonized form.
- It provides a **chapter-wise framework** covering registration, due diligence, monitoring, disclosures, investor grievance handling, security cover, and compliance requirements.

Detailed Explanation

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1. Purpose:

- To simplify regulatory framework by compiling and consolidating all circulars governing Debenture Trustees.
- To strengthen the functioning of the corporate bond market by providing clarity and uniformity.

2. Scope:

• Applies to all registered Debenture Trustees, issuers of debt securities/municipal debt securities, CRAs, stock exchanges, and depositories.

3. Content Highlights:

• **Terms of Registration:** Online registration via SEBI Intermediary Portal, digital payment of fees, prior approval for change in control, and surrender of registration certificate.







- **Due Diligence by DTs:** Detailed procedures for verifying security, guarantees, and encumbrances; obligation to issue due diligence certificates at various stages.
- Security & Covenant Monitoring System: Use of a depository-hosted platform for security creation, covenant monitoring, and payment tracking using unique asset IDs.
- Recovery Expense Fund (REF): Issuers must contribute (0.01% of issue size, max ₹25 lakh) to cover enforcement/legal costs in case of default.
- Security Cover Certificate: Quarterly preparation and certification by statutory auditor; separate disclosure if third-party/ group assets are used.
- Continuous Monitoring & Disclosures: DTs must oversee compliance, disclosures on their websites, investor grievance redressal, and breach/default handling.
- Operational Framework for Defaulted Debt Securities: Guidelines for handling transactions post maturity or redemption in case of default.
- Outsourcing & Conflicts of Interest: DTs must follow SEBI's guidelines on outsourcing and conflict management.
- FIU-India Registration: DTs must be registered with FINNET 2.0 for reporting under PMLA.

Key Conditions

- Mandatory due diligence and reporting by DTs before and after issue of debt securities.
- Issuers must register and disclose creation of security within stipulated time.







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• **REF contribution is compulsory** before listing.

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- DTs' **Board of Directors responsible** for compliance.
- Existing circulars stand rescinded but actions taken earlier remain valid under this Master Circular.

Additional Conditions (if any)

- Exemptions for share transfers among immediate relatives not treated as change in control.
- Strict **timelines** for uploading/validating information on the security monitoring system.
- Specific formats of due diligence certificates (Annex-IIA to Annex-IID).

- For Issuers: Increased compliance responsibility must provide detailed disclosures, create security promptly, contribute to REF, and file periodic security cover certificates.
- For Debenture Trustees: Enhanced accountability through due diligence, monitoring obligations, and liability for lapses.
- For Investors: Stronger safeguards, better transparency, and protection of rights in case of default.
- For Market Infrastructure (Exchanges/Depositories): Requirement to host systems, maintain databases, and enable monitoring through technology.









Implementation Deadlines

• Effective immediately from August 13, 2025.

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• Applicable to all new issuances of debt/municipal debt securities and to existing issuances wherever continuing obligations apply.















1. Companies (Incorporation) Second Amendment Rules, 2025 - MCA Notification dated 26th August 2025 [G.S.R. 579(E)]

What's New?

- The existing Form RD-1 under the Companies (Incorporation) Rules, 2014 has been substituted with a new revised Form RD-1.
- The amendment comes into effect from 15th September 2025.

Detailed Explanation

- The Ministry of Corporate Affairs (MCA) has exercised powers under multiple sections of the Companies Act, 2013 (Sections 3, 4, 5(5) & (6), 6, 7(1) & (2), 8(1) & (2), 12(2)-(5) & (9), 13(3)-(5), 14(2), 17(1), 20 read with 469).
- The amendment specifically impacts the process of applications to the Regional Director (RD), as Form RD-1 is the prescribed form for seeking approval in matters such as:
 - o Shifting of registered office from one state to another
 - o Applications under Section 8 (companies with charitable objects)
 - o Change in name, or other approvals requiring RD sanction
- By replacing the earlier Form RD-1 with a new one, MCA has streamlined the compliance and approval mechanism.



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Key Conditions

- 1. The amendment is limited to substitution of **Form RD-1** in the Incorporation Rules, 2014.
- 2. All filings or applications to RD under relevant provisions must henceforth be made in the new RD-1 format.
- 3. Earlier versions of the form will not be accepted once the amendment becomes effective.

Additional Conditions (if any)

- No change in eligibility or substantive provisions under the Companies Act.
- The amendment is **procedural** in nature, focusing only on updating the statutory form.

- Companies, Professionals (CAs/CSs), and Legal Practitioners must ensure use of the revised RD-1 form for all filings post 15th September 2025.
- Pending applications filed before 15th September 2025 in old RD-1 may be processed as per earlier rules, but fresh filings must use the new format.
- Compliance software (like MCA V3 portal) will be updated to incorporate the new form.





Implementation Deadlines

- Effective Date: 15th September 2025
- From this date onwards, the new **RD-1 form becomes mandatory** for filings with the Regional Director.













2. Companies (Indian Accounting Standards) Second Amendment Rules, 2025 – issued by the Ministry of Corporate Affairs (MCA) on 13th August

What's New?

- Amendments have been made to multiple Ind AS standards under the Companies (Indian Accounting Standards) Rules, 2015.
- Key focus areas include:
 - Transitional provisions for first-time adoption (Ind AS 101).
 - Supplier finance arrangements disclosure (Ind AS 7 & 107).
 - Classification of liabilities as current/non-current & covenant-related changes (Ind AS 1, 10).
 - Updates to revenue and lease standards references (Ind AS 115, 116).
 - OECD Pillar Two model tax rules disclosures (Ind AS 12).

Detailed Explanation

- Ind AS 101 (First-time Adoption): Adjustments in transitional provisions, especially relating to joint arrangements (IFRS 11) and leases (Ind AS 116).
- Ind AS 107 (Financial Instruments Disclosures): New requirements for disclosure of supplier finance arrangements, linked to Ind AS 7 amendments.







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- Ind AS 108 (Operating Segments): Correction from IFRS 108 to IFRS 8 reference.
- Ind AS 109 (Financial Instruments): Clarification that IFRS 9 paras on effective date not relevant in India but numbering retained.
- Ind AS 115 (Revenue from Contracts with Customers): Updated references aligning with Ind AS 116 (Leases).
- Ind AS 1 (Presentation of Financial Statements):
 - Major amendments on classification of liabilities as current or non-current.
 - Inclusion of new paras (72A-76ZA) dealing with rights to defer settlement, covenant breaches, settlement definition, and disclosure requirements.
- Ind AS 7 (Cash Flow Statements):
 - Supplier finance arrangement disclosures terms, carrying amounts, due dates, and non-cash changes.
- Ind AS 10 (Events after Reporting Period): Terminology updated ("provision" \rightarrow "covenant"), effective 2026.
- Ind AS 12 (Income Taxes):
 - Specific disclosures on OECD Pillar Two global minimum tax (Pillar Two tax rules, risks, and exposures).
- Ind AS 28 & Ind AS 32: Alignment updates for consistency with IFRS references.

Key Conditions

- Amendments are largely aligned with IFRS updates but tailored to the Indian context.
- Certain paras of IFRS are not included where not relevant to India (e.g., IFRS 9 effective date provisions, IFRS 17-related changes).
- Disclosure requirements expanded for supplier finance and Pillar Two tax rules.











Additional Conditions

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- Entities must disclose covenant compliance and risks for classification of liabilities.
- Comparative disclosures for supplier finance not required for periods before first application.
- Exemption from certain interim disclosures in the year of first application.

Practical Implications

- Companies need to update financial statement classifications and disclosures in line with new requirements.
- Covenant breaches must be disclosed in more detail, with emphasis on timing and substance of rights to defer settlement.
- New supplier finance disclosures will improve transparency of financing structures.
- Pillar Two tax disclosures will impact multinational companies subject to OECD global minimum tax rules.
- Auditors will need to ensure compliance and consistency in financial reporting.

Implementation Deadlines

- From 1 April 2025:
 - Supplier finance arrangement disclosures (Ind AS 7 & 107).
 - Classification of liabilities amendments (Ind AS 1 except some specific paras).
 - Pillar Two tax disclosures (Ind AS 12 certain paras).









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• From 1 April 2026:

- Full implementation of Ind AS 1 liability classification with covenants (paras 74, 75, 75A, 76).
- o Ind AS 10 covenant-related amendments.



