

23rd January

UPDATES December 2025

The Sankrant Vel signifies growth, resilience, and shared prosperity. Rooted in Indian tradition, it marks new beginnings and the spirit of togetherness as we welcome the harvest season.



Updates



December 2025

P G BHAGWAT LLP (“PGB LLP”) is glad to release updates for the month of December 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.

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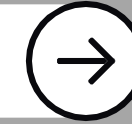
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We compile only the most relevant & important updates and therefore urge to you go through them...

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1. Companies (Specification of Definition Details) Amendment Rules, 2025. Issued by the Ministry of Corporate Affairs under Section 469 of the Companies Act, 2013

Summary of Gazette of Companies (Specification of Definition Details) Amendment Rules, 2025



What's New in the Notification?

The notification amends the definition of "Small Company" by increasing the threshold limits:

- **Paid-up Capital:** Increased from ₹4 crores to ₹10 crores
- **Turnover:** Increased from ₹40 crores to ₹100 crores

This is a substantial expansion - companies can now have 2.5 times the previous paid-up capital and 2.5 times the previous turnover while still qualifying as a small company.

Detailed Explanation

The notification substitutes clause (t) of sub-rule (1) of Rule 2 in the Companies (Specification of Definition Details) Rules, 2014. This clause specifies the thresholds for classification as a "small company" under Section 2(85) of the Companies Act, 2013.

The amendment modifies the quantitative criteria that companies must meet to be classified as "small companies," thereby extending beneficial compliance relaxations to a larger group of companies that were previously classified as regular private companies.

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Key Conditions

For a company to qualify as a Small Company, it must satisfy both of the following conditions:

1. **Paid-up Share Capital:** Must not exceed ₹10 crores
2. **Turnover:** Must not exceed ₹100 crores

Both conditions must be met simultaneously. If either threshold is exceeded, the company will not qualify as a small company.

Additional Conditions:

The notification should be read in conjunction with Section 2(85) of the Companies Act, 2013, which contains additional exclusions. A company cannot be classified as a small company if it is:

1. A holding company or subsidiary company
2. A company registered under Section 8 (non-profit companies)
3. A company or body corporate governed by any special Act

These exclusions remain unchanged by this notification.



Practical Implications

• Benefits for Companies:

1. **Reduced Compliance Burden:** Small companies enjoy relaxations in various provisions including auditor rotation requirements, board meeting frequency, and certain disclosures in financial statements.
2. **Cost Savings:** Lower compliance requirements translate to reduced professional fees and administrative costs.

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3. **Wider Eligibility:** Many more companies will now qualify as "small companies" and can avail these benefits. Companies with turnover up to ₹100 crores (previously only up to ₹40 crores) can now benefit.

4. **Growth Flexibility:** Companies can grow significantly larger while retaining small company status and its associated benefits.

- **Impact on Company Operations:**

1. Companies currently classified as regular private limited companies may now qualify as small companies and should reassess their classification
2. Existing small companies have more headroom for growth before losing their small company status
3. Simplified financial statements and reduced audit requirements for a larger universe of companies

- **Implementation Deadlines:**

Effective Date: The rules came into force on December 1, 2025 (the date of publication in the Official Gazette).

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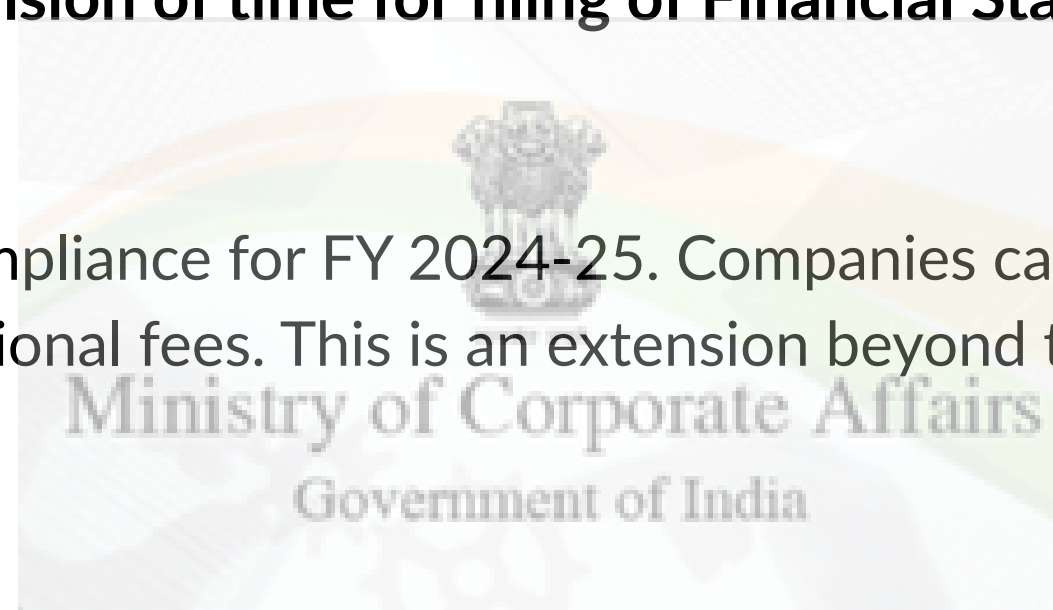


2. General Circular No. 08/2025 - Relaxation of additional fees and extension of time for filing of Financial Statements and Annual Returns under the Companies Act, 2013

Summary of Relaxation of additional fees and extension of time for filing of Financial Statements and Annual Returns

What's New in the Notification?

This circular extends the deadline for annual filing compliance for FY 2024-25. Companies can now file their financial statements and annual returns up to 31st January 2026 without paying additional fees. This is an extension beyond the timeline provided in the earlier General Circular No. 06/2025 dated 17.10.2025.



Detailed Explanation

The Ministry of Corporate Affairs has issued this circular in response to representations received from various stakeholders. The notification provides relief to companies by allowing them additional time to complete their mandatory annual filings for the financial year 2024-25 without incurring late filing fees. This extension applies specifically to electronic forms related to annual returns and financial statements that companies are required to file under the Companies Act, 2013.

The circular is a continuation of earlier relief measures and demonstrates the government's understanding of the practical challenges companies face in completing their annual compliance requirements within the statutory deadlines.

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Key Conditions

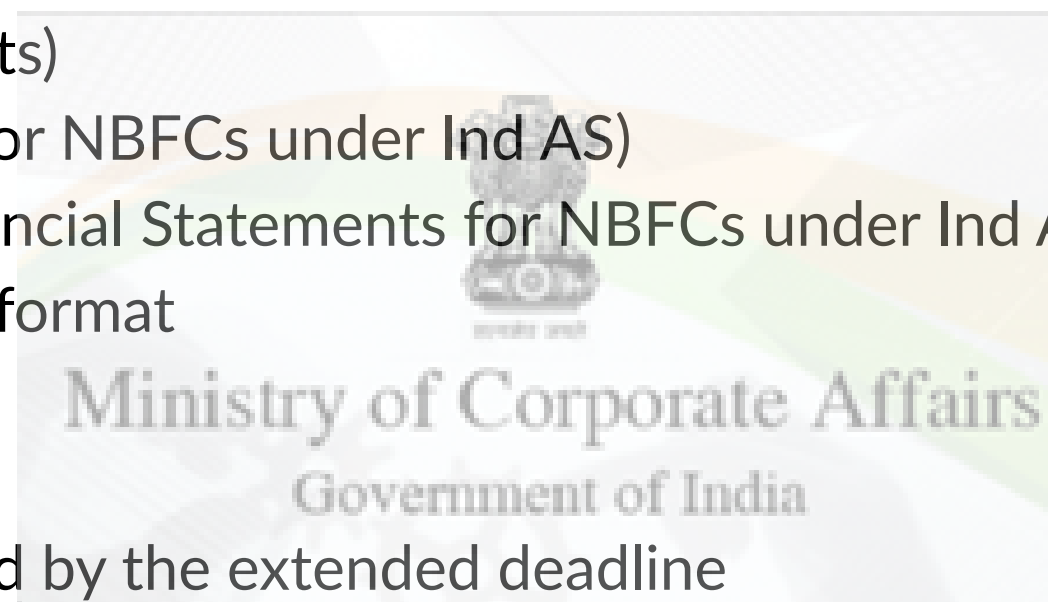
1. **Applicable Forms:** The extension covers the following e-Forms:

- MGT-7A (Annual Return for OPC and Small Companies)
- AOC-4 (Financial Statements)
- AOC-4 CFS (Consolidated Financial Statements)
- AOC-4 NBFC (Ind AS) (Financial Statements for NBFCs under Ind AS)
- AOC-4 CFS NBFC (Ind AS) (Consolidated Financial Statements for NBFCs under Ind AS)
- AOC-4 (XBRL) (Financial Statements in XBRL format)

2. **Applicable Financial Year:** FY 2024-25 only

3. **Extended Deadline:** 31st January 2026

4. **Fee Waiver:** No additional fees required if filed by the extended deadline



Practical Implications:

• For Companies:

1. Companies get approximately one additional month beyond the typical deadline to complete their annual filings without penalty
2. Significant cost savings as additional fees (which can be substantial for delayed filings) are waived
3. Provides breathing room for companies that may be facing delays due to audits, board approvals, or other procedural requirements
4. Particularly beneficial for small companies and One Person Companies (OPCs) that may have limited resources

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- **For Compliance Officers and Professionals:**

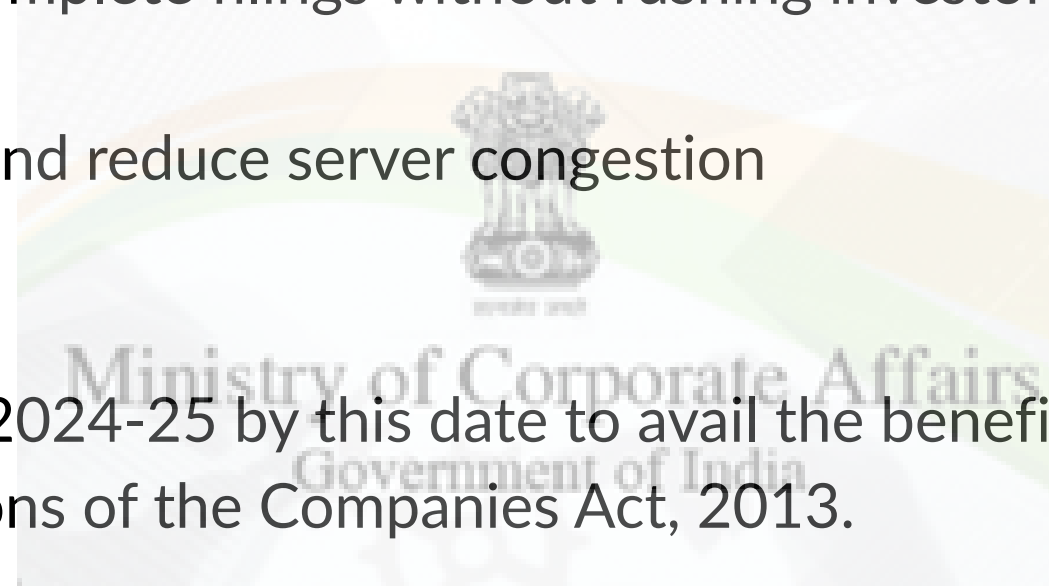
1. Allows better planning and workload management during the peak filing season
2. Reduces pressure on chartered accountants, company secretaries, and compliance teams
3. Opportunity to ensure more accurate and complete filings without rushing investors

- **For the MCA Portal:**

May help distribute the filing load more evenly and reduce server congestion

Implementation Deadlines:

Companies must file all applicable forms for FY 2024-25 by this date to avail the benefit of fee waiver. Filings made after this date will attract additional fees as per the normal provisions of the Companies Act, 2013.



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3. Amendment Notification S.O. 6114(E) dated December 30, 2025 - Amendment to the Limited Liability Partnership Act, 2008 notification S.O. 4851(E) dated October 23, 2025.

Summary of Amendment to the Limited Liability Partnership Act, 2008 notification S.O. 4851(E)

What's New?

This is an amendment notification that extends a compliance deadline. The original date of January 1, 2026 has been postponed to February 16, 2026. This represents extension of approximately 46 days for whatever compliance requirement was specified in the original notification.

Detailed Explanation

The Central Government, through the Ministry of Corporate Affairs, has exercised powers under sub-section (1) of Section 68A of the Limited Liability Partnership Act, 2008, to amend a previous notification. The amendment is straightforward - it modifies paragraph 2 of the original notification S.O. 4851(E) by substituting the implementation date.

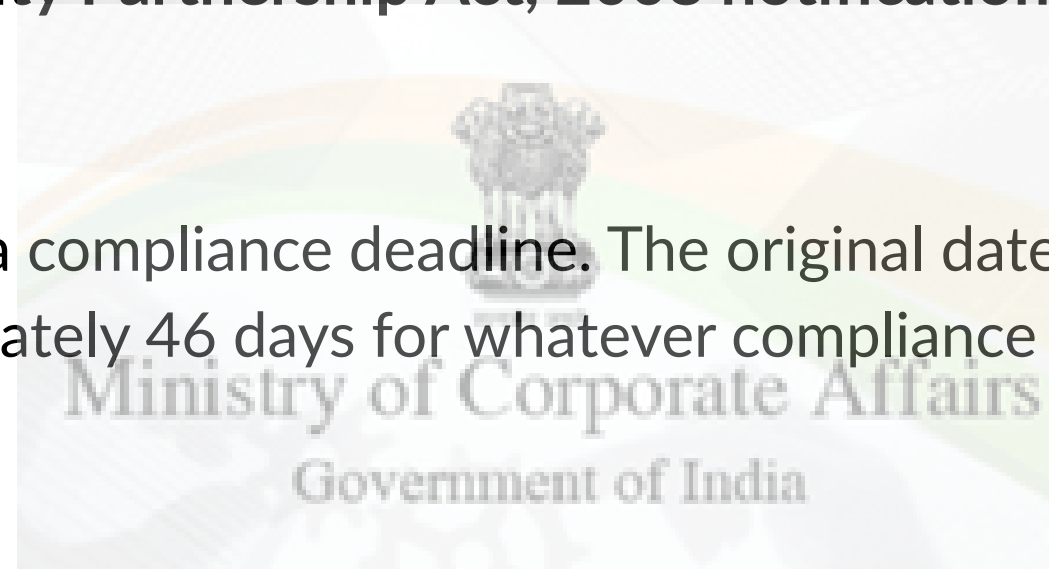
The notification follows standard legal procedure:

Published in the Gazette of India (Extraordinary)

Part II, Section 3, Sub-section (ii)

Issued under proper legal authority

Signed by Balamurugan D, Joint Secretary



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Key Conditions:

The only condition specified in this amendment is:

Date Change: The compliance deadline mentioned in the original notification is extended from January 1, 2026 to February 16, 2026

Note: To understand the actual compliance requirements, one would need to refer to the original notification S.O. 4851(E) dated October 23, 2025, which is not provided in this document

Practical Implications:

- **Extended Compliance Window:** Limited Liability Partnerships (LLPs) affected by the original notification now have an additional 46 days to ensure compliance
- **Relief to Stakeholders:** This extension provides breathing room for LLPs that may have been facing challenges in meeting the original January 1, 2026 deadline
- **Planning Adjustment:** Businesses and professionals need to update their compliance calendars and internal deadlines accordingly
- **Penalty Avoidance:** The extension helps LLPs avoid potential penalties or non-compliance issues that might have arisen from the original tight deadline



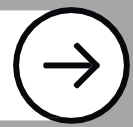
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Implementation Deadlines:

New Deadline: February 16, 2026

This is the revised date by which LLPs must comply with whatever requirements were specified in the original notification S.O. 4851(E).



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4. Amendment Notification to S.O. 4852(E) - Extension of Implementation Date

Ministry of Corporate Affairs Notification dated 30th December, 2025, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii).

Summary of Extension of Implementation Date vide Amendment Notification to S.O. 4852(E)

What's New?

This notification amends the original notification S.O. 4852(E) dated 23rd October, 2025 by extending the implementation deadline from 1st January, 2026 to 16th February, 2026.

Detailed Explanation

This is an amendment notification issued by the Ministry of Corporate Affairs under Section 396(1) of the Companies Act, 2013. The notification modifies the effective date mentioned in the principal notification S.O. 4852(E) that was originally published on 24th October, 2025.

Key Amendment:

Original Date: 1st January, 2026

Revised Date: 16th February, 2026

Extension Period: Approximately 46 days



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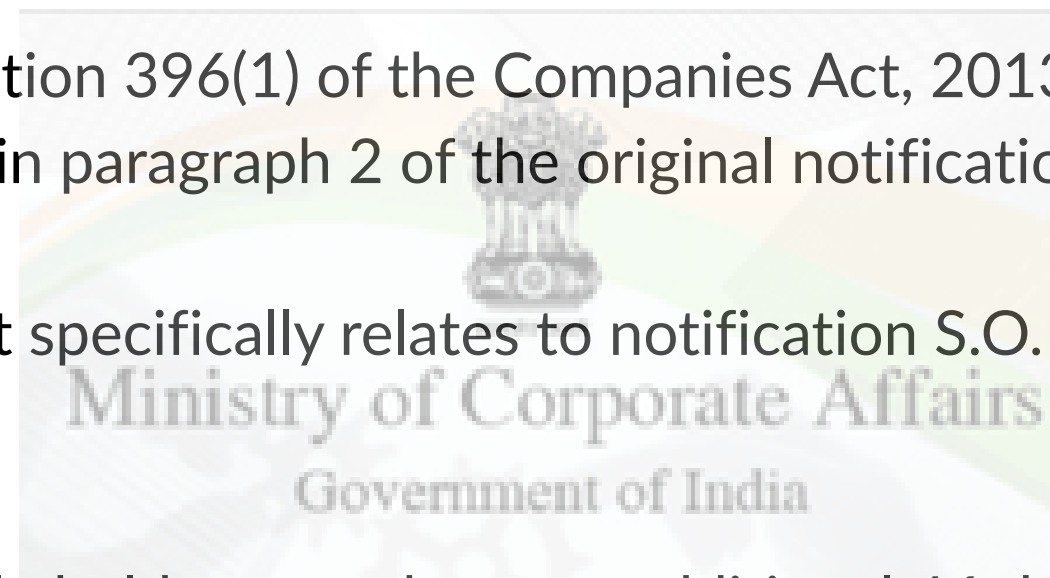
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The Central Government has exercised its powers under sub-section (1) of Section 396 of the Companies Act, 2013 to make this amendment, providing additional time for compliance with whatever requirements were stipulated in the original notification.

Key Conditions:

1. Legal Authority: The amendment is made under Section 396(1) of the Companies Act, 2013
2. Specific Amendment: The date "1st January, 2026" in paragraph 2 of the original notification has been substituted with "16th February, 2026"
3. Reference to Principal Notification: The amendment specifically relates to notification S.O. 4852(E) dated 23rd October, 2025



Practical Implications:

- Extended Compliance Window: Companies and stakeholders now have an additional 46 days to comply with the requirements of the original notification
- Relief for Businesses: This extension provides breathing room for companies that may have been struggling to meet the original 1st January, 2026 deadline
- Planning Opportunity: Organizations can use this additional time to ensure proper implementation and compliance
- Reduced Risk of Non-Compliance: The extension reduces the risk of unintentional violations due to insufficient preparation time

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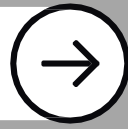
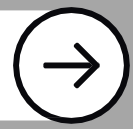
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Implementation Deadlines:

- Revised Deadline: 16th February, 2026
- Original Deadline: 1st January, 2026 (now superseded)
- New Deadline: 16th February, 2026
- Amendment Published: 30th December, 2025
- Effective From: 30th December, 2025 (date of publication)





5. Amendment to Notification S.O. 4850(E) dated 23rd October, 2025

Summary of Amendment to Notification S.O. 4850(E) dated 23rd October, 2025

What's New?

This amendment notification extends the implementation deadline of the original notification S.O. 4850(E). The effective date has been postponed from 1st January, 2026 to 16th February, 2026, providing an additional 46 days for compliance.

Detailed Explanation

The Central Government, exercising powers under sub-sections (1) and (2) of Section 396 of the Companies Act, 2013, has amended the original notification published on 24th October, 2025. The amendment specifically modifies paragraph 2 of the principal notification by substituting the original implementation date with a new extended deadline.

Key Points:

This is a procedural amendment that only changes the timeline

The substantive provisions of the original notification S.O. 4850(E) remain unchanged

The amendment was necessitated to provide more time for stakeholders to comply with the requirements of the principal notification

Section 396 of the Companies Act, 2013 deals with the power of the Central Government to make rules.



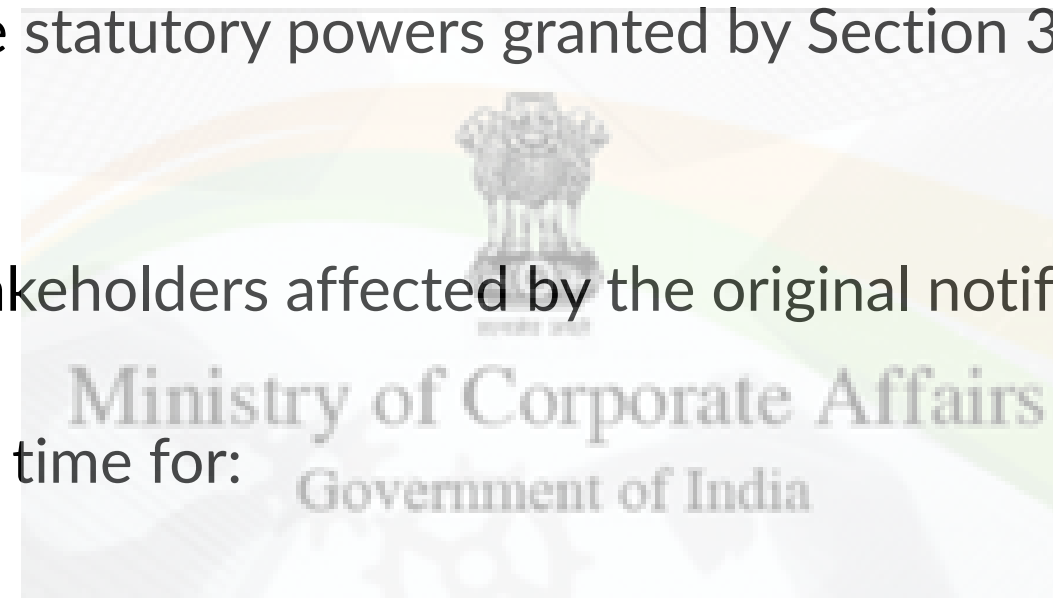
Key Conditions:

Since this is an amendment notification that only changes the implementation date, the key conditions are:

- **Extended Deadline:** The implementation date is now 16th February, 2026
- **Original Notification Intact:** All other provisions of notification S.O. 4850(E) remain applicable
- **Legal Authority:** The amendment is made under the statutory powers granted by Section 396 of the Companies Act, 2013

Practical Implications:

- **Extended Compliance Window:** Companies and stakeholders affected by the original notification now have an additional 46 days to ensure compliance
- **Planning and Preparation:** Organizations gain more time for:
 1. Internal system modifications
 2. Staff training and awareness
 3. Documentation preparation
 4. Procedural adjustments
- **Reduced Compliance Pressure:** The extension alleviates immediate compliance burden, particularly beneficial given the original deadline fell during the year-end period
- **Regulatory Relief:** Demonstrates regulatory flexibility and responsiveness to stakeholder concerns or implementation challenges



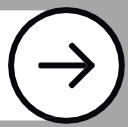
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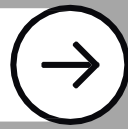
Implementation Deadlines

- **Original Deadline:** 1st January, 2026 (now superseded)
- **Revised Deadline:** 16th February, 2026 (current effective date)
- **Notification Publication Date:** 30th December, 2025
- **Time Available from Notification:** Approximately 48 days



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1.Maintenance, archival and submission of Audit File to National Financial Reporting Authority_(NFRA)

Summary of Maintenance, archival and submission of Audit File to National Financial Reporting Authority

What's New?

This circular addresses deficiencies observed by NFRA in audit firms' submission of audit files, particularly focusing on:

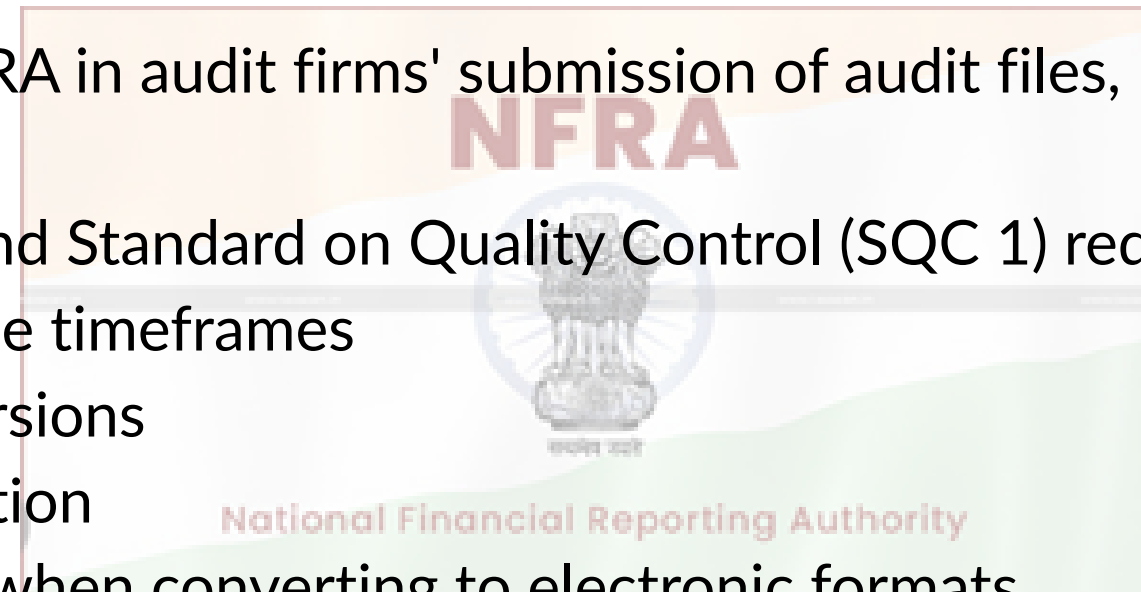
Non-compliance with Standards on Auditing (SAs) and Standard on Quality Control (SQC 1) requirements

Delays in submission of audit files beyond reasonable timeframes

Loss of data integrity due to improper format conversions

Inadequate retention practices for audit documentation

Improper handling of original paper documentation when converting to electronic formats



The circular reiterates and clarifies existing requirements rather than introducing entirely new regulations, emphasizing proper audit file management practices.



Detailed Explanation

1. Audit File Definition and Components

An Audit File contains records of audit documentation including working papers, evidence obtained, and conclusions reached. It must provide sufficient basis for the auditor's report and demonstrate compliance with professional standards.

2. Assembly and Archival Requirements

- Final audit files must be assembled within 60 days after the auditor's report date
- Files must be organized, indexed, and archived in a manner that ensures completeness and integrity

3. Retention Requirements

- Minimum retention period: 7 years from the date of auditor's report
- Extended retention required when matters are under regulatory scrutiny, legal proceedings, or court challenges
- Firms must establish policies addressing both standard and extended retention scenarios

4. Handling Original Documentation

When converting paper to electronic format, firms must:

- Generate scanned copies reflecting entire content including signatures, cross-references, and annotations
- Integrate and index scanned copies properly
- Enable retrieval and printing as needed
- Consider retaining original paper documentation for legal/regulatory reasons



5. Format Conversion Issues

NFRA has observed serious integrity losses from converting between formats:

- Loss of metadata (timestamps, authorship, edit history)
- Loss of embedded documents, formulae, and interactive elements
- Creation of unsearchable PDFs
- Obscuration of original content and audit evidence

6. Observed Delays

Audit firms have been taking unreasonable extensions beyond the 60-day limit, with some using extensions to convert physical files to electronic formats or prepare fresh documentation solely for NFRA submission—which is unacceptable.



Key Conditions:

1. Condition 1: Policy and Procedures Establishment

Audit firms must establish adequate policies, procedures, and controls for maintenance, archival, and retention of audit files complying with professional standards and Indian laws/regulations.

2. Condition 2: 60-Day Assembly Deadline

Final audit files must be assembled and archived within 60 days after the auditor's report date. Files should be ready for NFRA submission with minimal notice.



3. Condition 3: 7+ Year Retention

Retention policy must not be less than 7 years, with provisions for extended retention during regulatory scrutiny or legal proceedings.

4. Condition 4: Preserve Original Work Papers

- Original work papers must be preserved without alteration
- Electronic documentation must remain in electronic form unless conversion was done without loss of evidentiary value
- Any modification or addition to original workpapers is violative of SAs and SQC 1

5. Condition 5: No Invalid Format Conversions

Converted documentation (e.g., Excel worksheets printed and rescanned) cannot constitute valid audit evidence as it doesn't ensure authenticity, nature, and timing of audit procedures.

6. Condition 6: 7-Day Submission Timeline

Audit files requisitioned by NFRA must be submitted in complete form and prescribed manner within 7 days of receipt of communication.



Additional Conditions:

1. Extension Requests (if exceptional circumstances exist):

Must be made within 7 days of NFRA communication and include:

- Description of exceptional circumstances with documentary proof
- Total pages/volume of audit file in MBs
- Index page or logical listing of documents



- **Specific mandatory documents including:**

Audit Strategy and Audit Plan (SA 300)

Risk assessment summary (SA 315)

Summary of Corrected/Uncorrected Misstatements (SA 450)

Communications with Audit Committee/Board (SA 260, SA 265)

Practical Implications:

- For Audit Firms:

1. **Technology Infrastructure:** Need robust electronic document management systems preserving metadata, searchability, version history, and preventing unauthorized alterations
2. **Process Discipline:** Strict 60-day compliance required; extensions should be exceptional, not routine
3. **No Post-Facto Documentation:** Cannot prepare or "freshen up" audit files after 60-day period when NFRA requests them
4. **Immediate Policy Review:** Update audit file management policies for full SAs and SQC 1 compliance
5. **NFRA Readiness:** Maintain files ready for 7-day submission with proper indexing and organization
6. **Staff Training:** Train auditors on proper documentation practices and audit file integrity importance



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- **For PIE Audits:**

1. Enhanced Documentation Standards: Greater scrutiny on quality and completeness from the outset
2. Compliance Risk: Non-compliance could result in regulatory action
3. Original Format Preservation: Maintain electronic workpapers (Excel, PDFs with embedded data) without unnecessary conversions

- **For NFRA Oversight:**

1. **Stricter Enforcement:** Signals intent to enforce existing standards more rigorously
2. **Focus on Audit Quality:** Strengthens ability to assess actual audit quality through proper documentation
3. **Reduced Extensions:** Expect fewer and more scrutinized extension approvals



Implementation Deadlines:

No new implementation deadline specified as this reiterates existing requirements under SAs, SQC 1, and NFRA Rules 2018.

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1. Auto Suspension of GST Registration due to Non-Furnishing of Bank Account Details as per Rule 10A

Summary of Auto Suspension of GST Registration due to Non-Furnishing of Bank Account Details

What's New?

The GST Portal has implemented automated enforcement mechanisms for Rule 10A compliance:

Automatic suspension system for registrations without bank account details within the stipulated timeframe

System-generated suspension orders that are viewable through the GST Portal

Automated cancellation proceedings drop feature once bank details are furnished

Non-core amendment pathway for adding bank account information post-registration

Manual intervention option for dropping cancellation proceedings if automatic drop doesn't occur

Detailed Explanation

Rule 10A mandates that taxpayers must furnish their bank account details within 30 days of registration grant or before filing their first return (GSTR-1 or IFF), whichever is earlier. The notification explains the complete workflow that has now been automated on the GST Portal.



When a taxpayer fails to comply within the 30-day window, the system automatically initiates suspension of their GST registration. This suspension order becomes immediately visible in the taxpayer's account under Services > User Services > View Notices and Orders section. To remedy the suspension, taxpayers can add their bank account details through a simplified non-core amendment process without requiring the standard amendment procedure for core registration fields. Once the bank details are submitted, the system is designed to automatically drop any pending cancellation proceedings.

However, recognizing potential technical delays, the notification also provides a manual fallback option. If the automatic dropping doesn't occur on the same day as bank detail submission, taxpayers can manually initiate the drop proceedings through the "Initiate Drop Proceedings" button available in the same View Notices and Orders section.

Key Conditions:

- 1.Mandatory compliance timeframe:** Bank account details must be furnished within 30 days of registration or before filing the first GSTR-1/IFF, whichever is earlier
- 2.Exempt categories:** The requirement does not apply to taxpayers registered under TCS (Tax Collected at Source), TDS (Tax Deducted at Source), or Suo-moto registrations
- 3.OIDAR special condition:** For OIDAR (Online Information and Database Access or Retrieval) taxpayers who select "Representative Appointed in India" as 'Yes', bank account details become mandatory despite the general exemption
- 4.Non-core amendment:** Bank details can be added through a simplified amendment process that doesn't require changes to core registration fields

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Additional Conditions:

The notification clarifies exemptions for specific taxpayer categories:

1. OIDAR taxpayers generally are not required to furnish bank account details
2. NRTP (Non-Resident Taxable Person) taxpayers are also exempt from this requirement
3. However, the exemption for OIDAR taxpayers is conditional - it applies only when they have not appointed a representative in India.

Practical Implications:

• For New Registrants:

1. Immediate action is required post-registration to avoid automatic suspension
2. Bank account details should be prepared and submitted promptly within the 30-day window
3. Failure to comply will result in inability to conduct business transactions under GST

• For Suspended Taxpayers:

1. Registration suspension prevents the filing of returns and conducting normal business operations
2. Swift action to add bank details through the non-core amendment route is necessary
3. Taxpayers must monitor their portal for suspension orders and act immediately

• Operational Impact:

1. The automated system reduces manual intervention and speeds up enforcement
2. Taxpayers have clear visibility of their compliance status through the portal
3. The provision for manual drop proceedings ensures taxpayers aren't stuck due to technical glitches

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- **Compliance Burden:**

1. While the process is now streamlined, it places responsibility on taxpayers to be proactive
2. Businesses must ensure their compliance calendars include this 30-day deadline
3. Tax professionals need to advise clients immediately upon registration grant

Implementation Deadlines:

Effective Date: December 5th, 2025 (date of notification issuance)

Compliance Timeline:

30 days from registration grant OR before filing first GSTR-1/IFF (whichever is earlier) - Deadline for furnishing bank account details





1.FAQs on key accounting implications arising from the New Labour Codes - issued to clarify accounting treatment under Indian Accounting Standards (Ind AS) and Indian GAAP for changes resulting from India's consolidated labour legislation framework.

Summary of FAQs on key accounting implications arising from the New Labour Codes

What's New?

The notification addresses accounting implications of four consolidated Labour Codes that replace 29 existing labour legislations:

Expanded wage definition: Minimum 50% of total remuneration must now constitute "wages" (Basic Pay + Dearness Allowance + Retaining allowance) for gratuity calculations, up from typically lower percentages like 35%.

Reduced vesting period for fixed-term employees: Gratuity entitlement now applies after just one year of service for contracted/fixed-term employees, compared to the previous five-year requirement (permanent employees still require five years).

Similar changes to leave obligations: The wage definition changes also impact leave encashment calculations.

Effective date: November 21, 2025 (though supporting Rules are pending notification).

Detailed Explanation

Accounting Treatment

1. Under Ind AS 19 (Employee Benefits):

- The increase in gratuity and leave obligations constitutes "past service cost" arising from plan amendments



- Past service cost must be recognized immediately as an expense in the Statement of Profit and Loss
- No amortization is permitted

2. Under AS 15 (Indian GAAP):

- For vested benefits (employees who completed the required service period): recognize immediately as expense
- For unvested gratuity benefits: amortize the past service cost over the remaining vesting period
- For leave obligations: recognize immediately (no amortization allowed even for unvested benefits)
- Distinction Between Plan Amendment vs. Actuarial Assumption
- The notification clarifies that entities must separate:
 - Plan amendments (structural salary changes to comply with new wage definitions) - treated as past service cost
 - Actuarial assumption changes (routine salary increments) - treated as actuarial gains/losses
- If salary restructuring occurs with no real increase, the entire impact is past service cost.
- Tax Implications
 - The changes follow existing Income Tax Act provisions:
 - Current tax: Only contributions actually paid or gratuity/leave actually disbursed are deductible
 - Deferred tax: Increased obligations not yet paid create deductible temporary differences, resulting in deferred tax assets (subject to prudence requirements)



Key Conditions:

1. Immediate recognition required: Entities cannot defer the accounting impact once the codes become effective on November 21, 2025.
2. Interim reporting: For entities with March 31 year-end, the additional obligation must be recognized in interim results for the period ending December 31, 2025 (cannot be deferred to March 2026).
3. Non-adjusting event treatment: For financial statements with periods ending before November 21, 2025 but approved after that date, this is treated as a non-adjusting event requiring disclosure only.
4. Consistent accounting policies: The same treatment must apply across interim and annual financial statements.
5. Materiality assessment: Entities must assess whether the impact is material enough to warrant separate disclosure or presentation as an exceptional item.

Additional Conditions:

1. Disclosure requirements:

- For non-adjusting events (pre-November 21, 2025 periods), disclose the nature of the event and estimated financial effect per Ind AS 10/AS 4
- Provide relevant disclosures explaining the impact of New Labour Codes regardless of exceptional item presentation

2. Exceptional item presentation:

- Optional if the impact meets materiality tests for both size/nature and incidence (non-recurring nature)
- Must consider Ind AS 1 requirements for material items
- Relevant disclosures required whether or not presented as exceptional



3. Component segregation: When salary restructuring accompanies routine increments, entities must separately identify and account for each component appropriately.

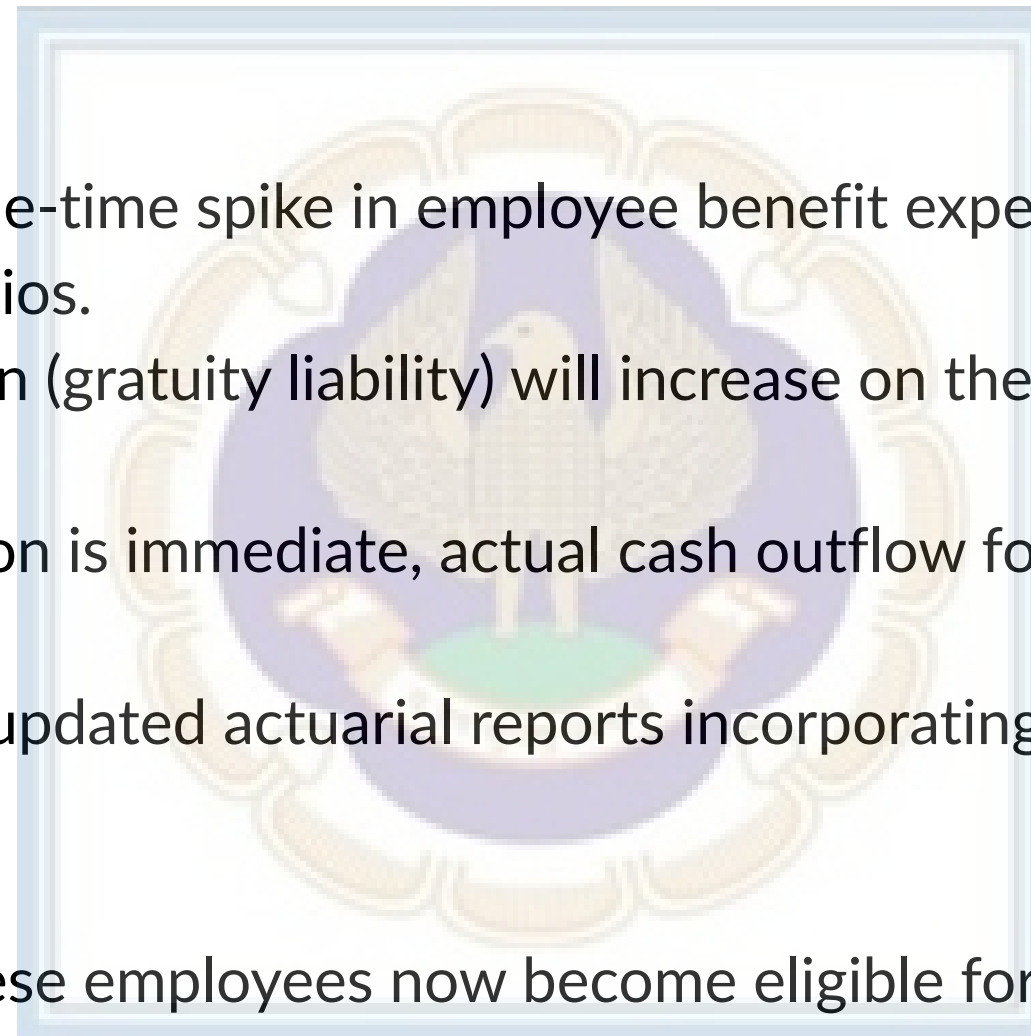
Practical Implications:

1. For Financial Reporting

- Immediate P&L impact: Companies will see a one-time spike in employee benefit expenses when recognizing past service costs, potentially affecting profitability metrics and ratios.
- Balance sheet impact: Defined benefit obligation (gratuity liability) will increase on the balance sheet, affecting net worth and leverage ratios.
- Cash flow planning: While accounting recognition is immediate, actual cash outflow follows contribution/payment patterns, creating timing differences.
- Actuarial valuations required: Companies need updated actuarial reports incorporating the new wage definitions and vesting changes to quantify the impact.

2. For Different Employee Categories

- Fixed-term employees: Significant impact as these employees now become eligible for gratuity after one year versus five years previously.
- Employees with low basic pay structures: Companies with traditional salary structures having basic pay below 50% will see proportionally larger increases.

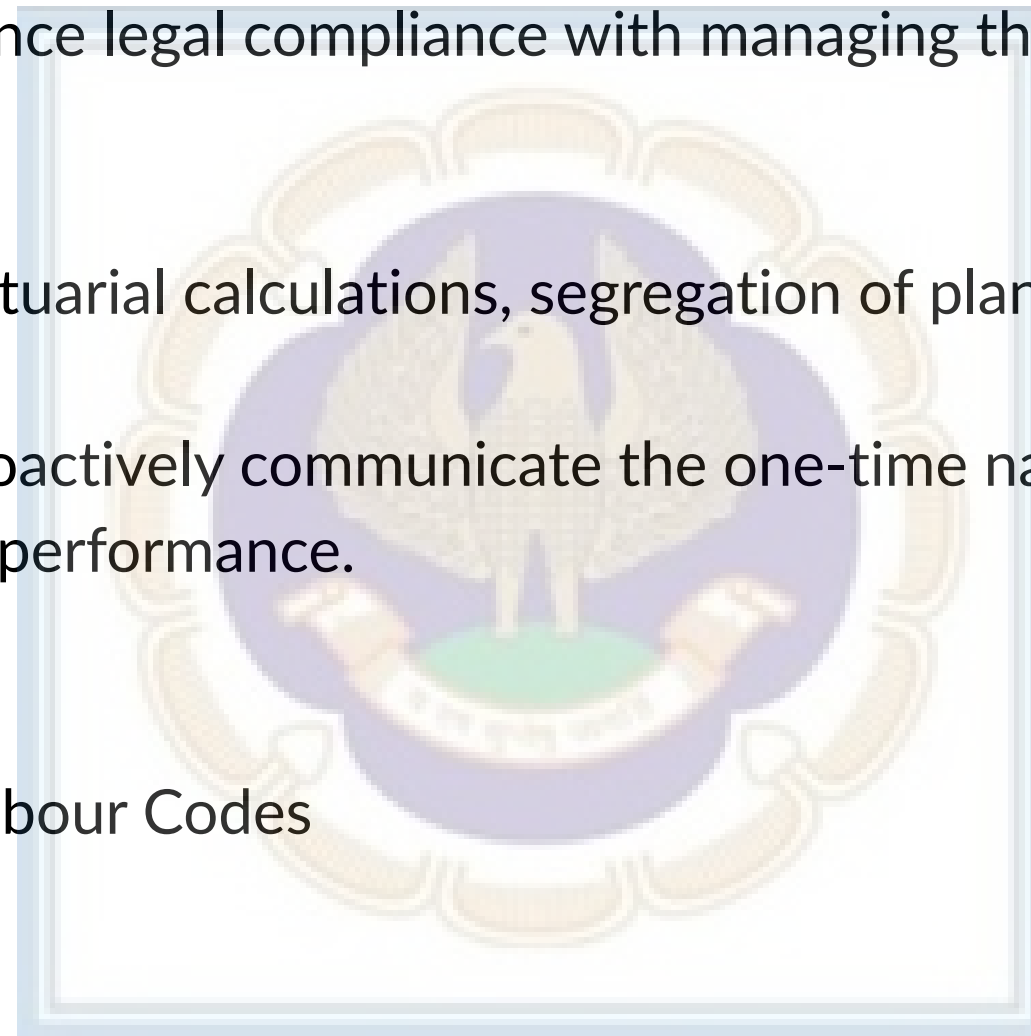


3. For HR and Compensation Planning

- **Salary restructuring:** Companies may need to redesign compensation structures to comply with the 50% wage requirement while managing cost implications.
- **Cost management:** Organizations need to balance legal compliance with managing the increased gratuity burden, particularly for contract workforce.

4. For Auditors and Stakeholders

- **Audit focus area:** Auditors will scrutinize the actuarial calculations, segregation of plan amendments versus actuarial changes, and appropriateness of disclosures.
- **Investor communication:** Companies should proactively communicate the one-time nature of this expense to investors and analysts to avoid misinterpretation of underlying business performance.



Implementation Deadlines:

November 21, 2025 - Effective date of the New Labour Codes

Reporting Deadlines

For periods ending December 31, 2025:

Listed entities with March 31 year-end must recognize the impact in Q3 FY 2025-26 results

Cannot defer to annual results

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For periods ending before November 21, 2025:

If approved for issuance on or after November 21, 2025: Treat as non-adjusting event with disclosure

Examples: September 30, 2025, June 30, 2025, or March 31, 2025 results

For annual financial statements ending March 31, 2026:

Full impact must be recognized in FY 2025-26 financial statements

Action Timeline for Companies

Immediate: Engage actuaries to quantify the impact

Before December 31, 2025 results: Complete calculations for interim reporting

Before March 31, 2026 annual closing: Finalize all accounting entries, tax computations, and disclosures

Ongoing: Review and potentially restructure salary components to optimize compliance and cost management



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1. Reserve Bank of India issues Consolidated Master Directions Dated November 28, 2025

Summary of Reserve Bank of India issues Consolidated Master Directions Dated November 28, 2025

What's New?

- The RBI has undertaken a major regulatory overhaul by consolidating over 9,000 existing circulars and guidelines into 244 Master Directions (MDs).
- This represents a paradigm shift in regulatory communication, moving from scattered instructions to a unified, function-wise framework organized by regulated entity type.

Detailed Explanation:

1. The Reserve Bank of India recognized that its regulatory framework had become complex over the years due to:
 - a. An expanding regulatory perimeter.
 - b. Distributed supervisory jurisdiction.
 - c. Accumulation of instructions without repealing outdated ones.
2. To address this, the RBI's Department of Regulation consolidated approximately 3,500 directions, circulars, and guidelines into 238 Master Directions (later finalized as 244, including 7 new MDs on Digital Banking Channels). These MDs are organized specifically for 11 categories of regulated entities, creating a single, comprehensive regulatory library.



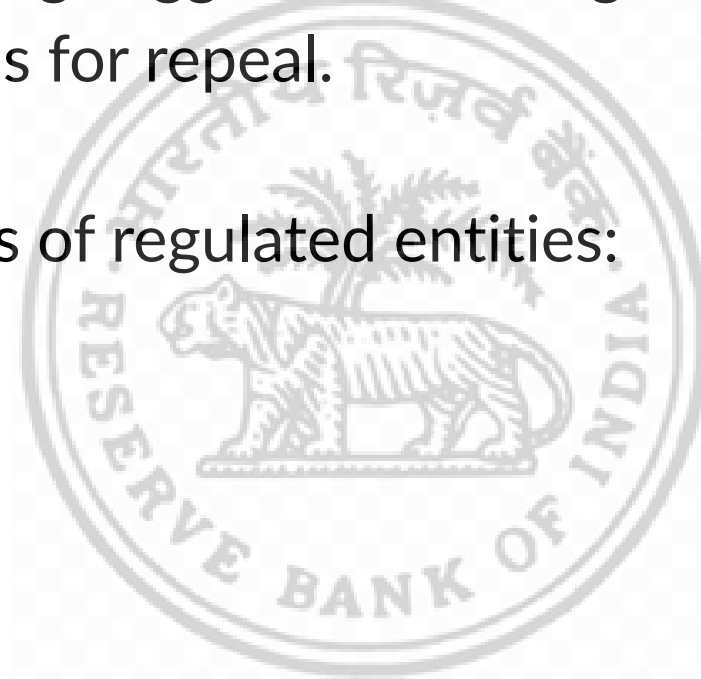
3. consolidation exercise involved:

- a. Publishing draft MDs on October 10, 2025 for public consultation.
- b. Receiving over 770 comments from stakeholders.
- c. The Incorporating relevant feedback (excluding suggestions for regulatory changes beyond the scope of consolidation).
- d. Identifying and marking obsolete instructions for repeal.

Key Conditions:

1. Entity Coverage: The MDs apply to 11 types of regulated entities:

- Commercial Banks
- Small Finance Banks
- Payments Banks
- Local Area Banks
- Regional Rural Banks
- Urban Co-operative Banks
- Rural Co-operative Banks
- All India Financial Institutions
- Non-Banking Financial Companies
- Asset Reconstruction Companies
- Credit Information Companies



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2. Consolidation Basis: Instructions have been consolidated on an 'as-is' basis - meaning no substantive regulatory changes, only reorganization.

3. Single Source of Truth: The Master Directions will serve as the sole library of regulations administered by the Department of Regulation.

4. Repeal of Old Circulars: 9,445 circulars are being repealed/withdrawn following the issuance of these consolidated MDs.

Additional Conditions:

1. **NABARD Collaboration:** Instructions issued by NABARD to Regional Rural Banks, State Co-operative Banks, and Central Co-operative Banks were consolidated in consultation with NABARD.

2. New Digital Banking MDs: 7 new Master Directions specifically on Digital Banking Channels Authorization have been issued for 7 types of regulated entities.

3. Accessibility: All documents are accessible through the RBI website under:

a. Notifications → Master Directions → Department of Regulation.

b. Notifications → Circulars Withdrawn → Circulars withdrawn by the Department of Regulation.

4. Standalone Notifications: Certain notifications have been retained as standalone documents (list was provided during the consultation phase).



2. Practical Implications:

1. For Regulated Entities:

- Reduced Compliance Burden: Single reference point instead of searching through thousands of scattered circulars.
- Enhanced Clarity: Function-wise organization makes it easier to identify applicable regulations.
- Ease of Access: Simplified navigation and reference for compliance teams.
- Better Compliance Management: Reduced risk of missing applicable regulations.

2. For the Industry:

- Improved Ease of Doing Business: Streamlined regulatory framework.
- Operational Efficiency: Less time spent on regulatory interpretation and compliance mapping.
- Reduced Legal/Compliance Costs: Easier to train staff and maintain compliance systems.

3. For RBI:

- Efficient Regulatory Communication: Centralized, organized framework.
- Easier Updates: Future amendments can be made to specific MDs rather than issuing numerous circulars.
- Better Supervisory Oversight: Clear regulatory expectations.

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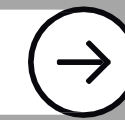
Implementation Deadlines:

- No specific implementation deadline is mentioned in this notification.
- The Master Directions have been issued with immediate effect as of November 28, 2025.
- The 9,445 circulars are being repealed/withdrawn concurrently with the issuance of these consolidated MDs.



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3. A.P. (DIR Series) Circular No. 15/2025-26 dated November 24, 2025: Amendments to Directions - Compounding of Contraventions under FEMA, 1999

Summary of A.P. (DIR Series) Circular No. 15/2025-26 dated November 24, 2025: Amendments to Directions - Compounding of Contraventions under FEMA, 1999

What's New?

The Reserve Bank of India has revised the bank account details where compounding application fees and compounding amounts under FEMA, 1999 are to be deposited. The payment modes remain NEFT (National Electronic Fund Transfer) and RTGS (Real Time Gross Settlement), but the receiving account information has been updated.

Detailed Explanation:

1. This circular amends the Master Directions on compounding of contraventions under the Foreign Exchange Management Act (FEMA), 1999, which were originally issued on April 22, 2025. The purpose of this amendment is to streamline the receipt of two types of payments:
 - a. Compounding Application Fee: The fee required to be paid when filing an application for compounding of FEMA contraventions.
 - b. Compounding Amount: The actual sum for which a contravention is compounded (the settlement amount).



2. The notification specifically modifies Annexure I of the Master Directions to reflect the new account details where these payments should be made. This is an administrative change aimed at improving the efficiency of the payment receipt process.

Key Conditions:

1. All payments (both application fee and compounding amount) must be made through NEFT or RTGS only.
2. Payments must be made to the revised account details as specified in the modified Annexure I.
3. The previous account details are no longer valid for receiving these payments.
4. Authorised Persons must inform their constituents about these changes.

Additional Conditions:

- The directions are issued under Section 10(4) and Section 11(1) of FEMA, 1999.
- These directions are without prejudice to any permissions or approvals required under any other law.
- All Authorised Persons are required to communicate these guidelines to their constituents.

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Practical Implications:

1. For entities or individuals seeking to compound FEMA contraventions:
 - a. They must use the new account details for making payments going forward.
 - b. Any payments made to old account details may face processing delays or rejection.
 - c. Entities should update their internal records and payment systems with the new account information.
 - d. Authorised dealers, banks, and other financial institutions need to update their systems and inform clients who may need to file compounding applications.
2. **For Authorised Persons:**
 - a. They must ensure widespread communication of the new account details to all relevant stakeholders.
 - b. Internal processes and documentation must be updated to reflect the new payment instructions.

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Implementation Deadlines:

No specific deadline mentioned. The circular is dated November 24, 2025, and appears to be effective immediately from the date of issue. However, the notification does not explicitly state a cut-off date for the old account details or a go-live date for the new ones. Stakeholders should treat this as effective from the date of circular issuance and adopt the new account details for all future transactions.

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4. Foreign Exchange Management (Export of Goods and Services) (Second Amendment) Regulations, 2025

Notification Number: FEMA 23(R)/(7)/2025-RB

Dated November 13, 2025

Summary of Foreign Exchange Management (Export of Goods and Services) (Second Amendment) Regulations, 2025

Notification Number: FEMA 23(R)/(7)/2025-RB

Dated November 13, 2025

What's New?

This amendment introduces two significant extensions to existing time limits:

1. Extension of export realization period from 9 months to 15 months.
2. Extension of export incentive claim period from 1 year to 3 years.

Detailed Explanation:

The RBI has amended the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 by modifying two key regulations:



- 1. **Amendment to Regulation 9 (Export Realization Period)**

a. The time limit for exporters to realize export proceeds (receive payment) has been extended from 9 months to 15 months from the date of export. This applies to:

- i. Sub-regulation (1): General realization period.
- ii. Sub-regulation (2), clause (a): Specific realization provisions.

- 2. **Amendment to Regulation 15 (Export Incentive Claims)**

a. The time limit for claiming export incentives has been extended from 1 year to 3 years. This modification affects:

- i. Sub-regulation (1), clause (i): Primary incentive claim period.
- ii. Proviso to sub-regulation (1): Extended claim conditions.
- iii. Sub-regulation (2): Additional claim provisions.

- **Key Conditions:**

- **Export Payment Realization Timeline:** Exporters now have 15 months (instead of 9 months) to realize export proceeds from the date of export.
- **Incentive Claim Window:** Exporters can claim export incentives within 3 years (instead of 1 year) from the relevant date.
- **Legal Authority:** Amendments made under Section 7, Section 8, and sub-section (2) of Section 47 of FEMA, 1999.
- **Effective Date:** Comes into force from the date of publication in the Official Gazette.

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Additional Conditions:

- The amendments apply to the Principal Regulations dated January 12, 2016.
- These are the seventh set of amendments to the original FEMA 23(R)/2015-RB regulations.
- All other provisions of the Principal Regulations remain unchanged.
- The notification is issued by the Regional Director, Foreign Exchange Department, RBI Mumbai.

Practical Implications:

1. For Exporters:

- a.Greater Payment Flexibility: Additional 6 months to realize export proceeds reduces pressure on follow-up with foreign buyers and provides cushion for delayed payments.
- b.Reduced Compliance Risk: Lower likelihood of violations for late payment realization, especially for exports with extended credit terms.
- c.Extended Incentive Claims: Two additional years to claim export incentives allows better planning and reduces risk of missing claim deadlines.
- d.Cash Flow Management: More time to negotiate with buyers and resolve payment disputes without breaching FEMA regulations.

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2. For Banks:

- a. Revised monitoring timelines for export bills.
- b. Updated compliance reporting requirements.
- c. Modified follow-up procedures for unrealized export proceeds.

3. Business Impact:

- a. Particularly beneficial for exports to countries with slower payment cycles.
- b. Helps exporters offering longer credit periods to international buyers.
- c. Aligns regulations with practical business realities in international trade.

Implementation Deadlines:

- Effective Date: The regulations come into force from the date of their publication in the Official Gazette (notification dated November 13, 2025).
- No Transition Period Required: The amendments provide relaxations (extended timelines), so they can be implemented immediately without any adverse impact on existing exporters.

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5. Circular No. 622/2025 dated 21/11/2025 regarding Online Submission of Annual Financial Returns for the year 2024-2025

Summary of Circular No. 622/2025 dated 21/11/2025 regarding Online Submission of Annual Financial Returns for the year 2024-2025.



What's New?

The Charity Commissioner has mandated that all registered charitable trusts must submit their annual financial returns for the fiscal year 2024-2025 through the online portal charity.maharashtra.gov.in.

Detailed Explanation:

- This circular is issued under Section 41-K of the relevant charitable trust legislation. It requires all registered charitable organizations under the jurisdiction of the Charity Commissioner, Maharashtra, to file their annual returns for the financial year 2024-2025 exclusively through the designated online portal (charity.maharashtra.gov.in).
- The submission must be completed before the specified deadline, and the circular emphasizes that all district-level charity offices should take note of this requirement.

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Key Conditions:

- Applicable to all registered charitable trusts in Maharashtra.
- Returns must be for the financial year 2024-2025.
- Submission must be made online through charity.maharashtra.gov.in.
- All district charity offices are to be informed.

Practical Implications:

- All charitable trusts must transition to online filing if they haven't already.
- Physical or offline submissions will not be accepted.
- Trusts need to ensure they have proper access credentials for the online portal.
- Compliance is mandatory for maintaining registered status.

Implementation Deadlines:

Last date for submission: December 31, 2025.

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