

kcm **Insight**

December 2025



Dear Reader,

We are happy to present **kcmInsight**, comprising of important legislative changes in finance & market, direct & indirect tax laws, corporate & other regulatory laws, as well as recent important decisions on direct & indirect taxes.

We hope that we are able to provide you an insight on various updates and that you will find the same informative and useful.

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For detailed understanding or more information, send your queries to knowledge@kcmehtha.com

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MCA

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Passive Investing

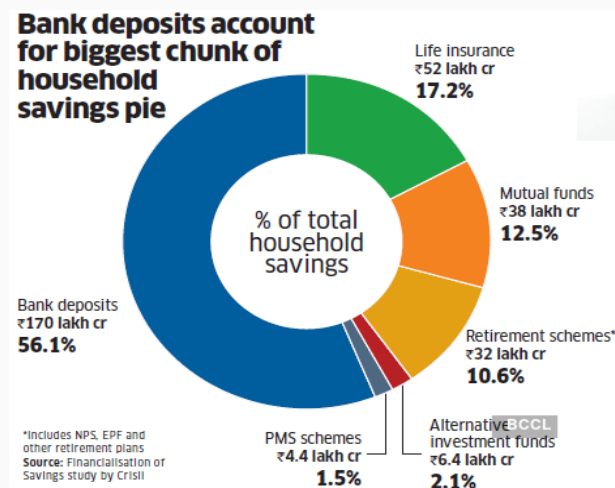
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Fixed Income Investments: Risk and Return Dynamics

Introduction

In a conventional Indian household balance sheet, fixed income investment occupies a dominant position. As per RBI household financial savings data, around 55-60% of household financial assets are allocated to bank deposits, small savings schemes, insurance, and other fixed income instruments, while equities and mutual funds together account for a much smaller share. This investment ideology comes at the back of a deeply ingrained belief: fixed income is safe, predictable, and capital protective.



However, safety in fixed income is often misunderstood. Investors frequently equate "fixed" with "risk-free", overlooking how interest rates, credit cycles, inflation, and taxation materially influence investment and return outcomes. In practice, many fixed income investments carry risks that are poorly understood rather than fully absent.

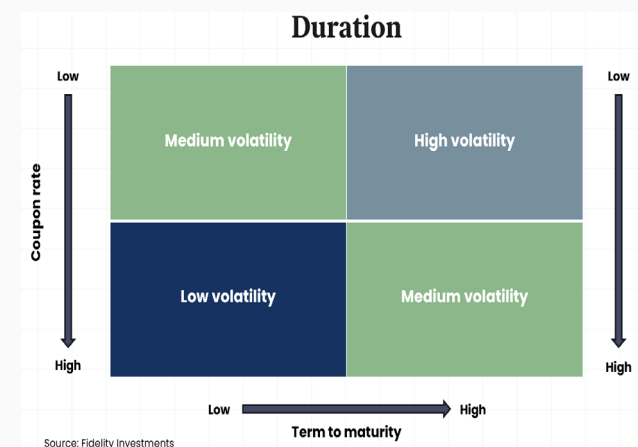
Current Yield and Interest Rate Environment

- The 10-year Government of India benchmark yield has recently hovered around 6.45 to 6.55%, reflecting market sentiment around future rate moves and liquidity conditions.
- RBI liquidity operations are currently a key driver: the RBI is injecting ₹2.90 lakh crore into the banking system through bond buying and dollar-rupee swaps to ease monetary conditions and support bond prices. This is expected to soften yields and lower borrowing costs, potentially cushioning bond markets in the early part of 2026.
- Recent RBI rate policy remains accommodative relative to earlier cycles, following a 25-basis point repo rate cut to 5.25% in December 2025. Fund managers point to

opportunities in short duration and dynamic bond funds in this environment.

- Yield levels reflect real economic expectations: inflation, growth prospects, liquidity, and fiscal supply pressures. Yield curves across tenors show higher rates at longer maturities (for instance, ~6.33% at 4-5 years and ~6.99% at 13-15 years).

Understanding Credit and Duration Risks in Fixed Income Investments



Credit Risk

Indian fixed income markets offer a wide yield spectrum. As of recent years, AAA rated PSU

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bonds have typically traded 150-200 bps above comparable G-Sec yields, while lower rated corporate bonds can offer spreads exceeding 300-500 bps above the G-Sec yields. These spreads exist for a reason – indicating risk premium.

India's credit history provides several reminders (e.g., IL&FS, DHFL, Yes Bank AT1 bonds write-down) that credit events are not theoretical risks. Even diversified debt mutual funds experienced NAV erosion during these episodes, despite holding instruments that were once rated investment grade.

Bank fixed deposits are often perceived as immune, yet they carry issuer concentration risk and limited deposit insurance (₹5 lakh per bank per depositor). Corporate fixed deposits and high yield bonds further amplify credit risk without offering commensurate liquidity or diversification.

Credit risk is episodic rather than continuous; however, when it materialises, it is abrupt and far reaching.

Duration or Interest Rate Risk

India is a structurally inflation sensitive economy, making interest rates cyclical. Between

2020 and 2022, the 10-year Government Security yield moved from ~5.8% to ~7.4% as inflation surged and the RBI tightened monetary policy. During this period, long duration debt funds delivered negative one year returns, surprising many investors who expected stable outcomes.

This was not mismanagement. Bond prices mathematically adjust downward when yields rise. A 1% increase in yields can lead to a 5 - 7% price decline in long duration portfolios. The impact is temporary if the holding period matches the duration but damaging if investors exit prematurely.

Investors often treat debt funds as substitutes for fixed deposits, ignoring that fixed deposits do not have mark-to-market volatility because prices are not visible - not because the risk is absent.

Borrower Type	Example	Approx. Yield	Risk Level
Government of India	10-year G-Sec	~6.58%	Risk Free (Sovereign Guarantee)
Top Corporates	AAA Rated PSU & Corporates	~7.1%-7.4%	Low Risk
Lower Rated	AA or Below Rated Debt Papers	> 8.50%	Moderate to High Risk

Fixed Deposits vs Bonds vs Debt Funds: A Current Comparison

In late 2025, bank fixed deposit rates have largely softened in line with RBI rate cuts. For example, the highest FD rates from major banks are now around 6.5-7% for retail investors.

However, debt mutual funds have historically outpaced these rates over a cycle, particularly when held beyond short horizons. Earlier data showed ~250 debt funds outperforming a 6.5% FD rate over a two-year period.

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Key differences:

Fixed deposits offer nominal certainty, but returns are taxable at the investor's slab rate and do not adjust for mark-to-market yields.

- **Direct Government / Credit Bonds** provide clear cash flows but require investor expertise in credit selection and liquidity timing.
- **Debt funds** offer diversification, professional management, liquidity, and return potential tied to market yields, not fixed ceilings.

However, the return gap widens because mutual fund returns are taxed only at the time of transfer while interest on fixed deposits and bonds is taxed on accrual owing to TDS implications which adversely affects compounding of returns.

Feature	Fixed Deposits (FDs)	Debt Mutual Funds	Direct Bonds
Current Yields (Approx)	6.30% - 6.60% (SBI 1 - 3 year)	6.5% - 7.5% (depending on category)	7.0% - 8.0% (AAA Corporates)
Liquidity	Low (Penalty on premature withdrawal)	High (T+1 or T+2 days redemption)	Low (Secondary market liquidity is poor for retail)
Capital Protection	High (Up to ₹5L insured by DICGC)	Variable (Market Linked)	Variable (Depends on Issuer)
Taxation	Taxed at Slab Rate (and subject to TDS)	Taxed at Slab Rate only upon Transfer (if bought post - Apr 1, 2023)	Taxed at Slab Rate (and subject to TDS)
Best Suited for	Conservative investors; Emergency funds	Portfolio rebalancing; better liquidity	HNI investors engaging as "hold-to-maturity"

Arbitrage and Income plus Arbitrage Funds: Tax Efficient Alternatives

In the Indian mutual fund landscape, arbitrage funds occupy a unique space. They earn returns by exploiting price differences between spot and futures markets, typically targeting low volatility returns.

Crucially under the Indian tax laws, arbitrage funds are taxed as equity funds, even though they behave largely like fixed income in risk profile (market neutral). As of 2025:

- **Short term capital gains** (held for <1 year) are taxed at 20% (excluding surcharge & cess) in case of arbitrage funds.

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- **Long term capital gains** (held for >1 year) are taxed at 12.5% (excluding surcharge & cess) beyond the exemption threshold of Rs 1.25 lakhs.

This structure can create superior post-tax outcomes, particularly for investors in high tax brackets, compared to traditional fixed income investments where income is taxed at marginal rates.

Further, Income plus Arbitrage Fund of Funds (FoF) products are being preferred for a time horizon of 2-3 years which provides a blend of debt and arbitrage to deliver enhanced post-tax returns. Taxation of Income plus Arbitrage Fund of Funds follows as under:

- **Short term capital gains** (held for <2 years) are taxed at applicable slab rates.
- **Long term capital gains** (held for >2 years) are taxed at 12.5% (excluding surcharge & cess). Further, if Arbitrage (Equity) composition of the fund exceeds 65%, then the exemption threshold of Rs 1.25 lakhs also applies.

The Myth of Guaranteed Returns

Investors are particularly susceptible to products marketed as “guaranteed” - insurance savings plans, small savings schemes, and structured deposits. While these products often ensure nominal payouts, they typically involve long lock-in periods, low internal rates of return (often 4-5%), and limited flexibility.

Guarantees rarely account for inflation, opportunity cost, or liquidity needs. Moreover, guarantees are only as strong as the issuer and regulatory framework backing them. The absence of mark-to-market volatility does not equate to economic safety.

True safety lies in real returns, liquidity, diversification, and transparency - not simply from the absence of visible fluctuations.

Fixed Income Investment as Portfolio Composition, Not a Parking Lot

Fixed income investment is frequently used tactically, i.e., money is “parked” when equity valuations appear high. This approach ignores the strategic role fixed income plays in funding goals, managing volatility, and providing predictable cash flows.

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A well-constructed portfolio aligns debt duration with goal timelines, manages credit exposure conservatively, and integrates tax-aware instruments. Fixed income is not designed to maximise returns; it is designed to stabilise outcomes.

Using an improper fixed income instrument not corresponding to the investment time horizon creates disappointment - not because the product failed, but because expectations were misaligned with economic reality.

Conclusion: Active Positioning of Fixed Income Investments in Portfolios

In evolving fixed income markets, recent liquidity injections and rate decisions indicate a continued environment where yields are responsive to liquidity and macro-economic expectations. Investors should calibrate tenure exposure, credit quality, and tax efficiency while moving beyond fixed deposit heuristics.

Strategic fixed income allocation can help investors:

- Stabilise portfolios during equity volatility,

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- Provide predictable cash flows when durations are properly aligned,
- Deliver competitive post-tax returns when instruments are chosen with clarity on risk and holding period,
- Harness product innovations like arbitrage and hybrid income structures for tax efficiency.

In conclusion, fixed income remains a critical but structurally complex component of a robust portfolio construction exercise especially in Indian context where yields, tax structures, and policy shifts are actively shaping real returns.

Disclaimer: This article is meant for educative purposes only and should not be considered as investment recommendation.

Sources of Information: News articles, publicly available research reports, AI based tools.

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Important Rulings

SC Landmark: Non-Compete Fees Ruled as Revenue Expenditure*Sharp Business System Civil appeal no. 4072 of 2014, Supreme Court*

'Non-compete fee' a term which often appears in various agreements or arrangements have always been a subject matter of the litigation where question primarily revolves around: "Non-compete fee – revenue or capital" wherein different tribunals and courts have expressed different views. Apex court has dealt with the question of revenue vs. capital on multiple occasions, wherein the Apex court after analysing the facts of each case has laid several tests for determination of the nature of payments.

The saga of present case began in Assessment Year 2001-02 when the taxpayer, a joint venture between Sharp Corporation, Japan, and L&T Limited, paid ₹3 crore to L&T as consideration for a non-compete covenant. Under this agreement, L&T was restricted from undertaking or assisting in any competing business involving electronic office products in India for a period of seven years. This strategic payment was aimed at securing a "clear field" for the newly formed entity to establish its market presence. For over two

decades, this case travelled through various judicial forums, eventually reaching the Supreme Court to settle the long-standing debate on whether such substantial one-time payments to competitors constitute revenue or capital expenditure.

The Revenue relied on enduring benefit test and maintained that:

- The non-compete fee was capital in nature (but falling outside the definition of intangible asset for depreciation), as it provided an "enduring benefit" to the taxpayer by eliminating a major competitor from the Indian market for a substantial duration of seven years.
- Payment was not a recurring operational expense but a one-time outlay made to strengthen the profit-making structure of the company.

Relying on the "once and for all" expenditure test, the Revenue contended that since the restriction provided a long-term competitive advantage and protected the business structure, it effectively enhanced the fixed capital of the business, thereby falling outside the scope of

deductible revenue expenditure under Section 37(1).

The taxpayer contended that:

- The payment was made solely out of commercial expediency to facilitate smoother business operations and ensure immediate profitability in a competitive landscape.
- Non-compete fee did not result in the acquisition of any new tangible or intangible asset, nor did it increase the fixed capital of the company.
- Right acquired was merely a "right in personam" against L&T and not a "right in rem," meaning it lacked the fundamental attributes of a capital asset or a proprietary right.
- Preventing a competitor from entering the field is an operational strategy intended to protect the existing business flow and "profit-making process," making it a fully deductible business expense.

The Supreme Court reversed the High Court decision, holding that non-compete fees are allowable as revenue expenditure under Section 37(1). The Apex Court observed that:

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- The "enduring benefit" test is not a rigid or universal rule: the purpose of expenditure is decisive
- The benefit, though possibly long-term, is not in the capital field.
- Non-compete fee payment does not create a new business or a capital asset but is aimed at running the existing business more profitably.
- The non-compete compensation from the stand point of the payer of such compensation is so paid in anticipation that absence of a competition from the other party may secure a benefit to the party paying the compensation. However, there is no certainty that such benefit would accrue.
- Non-compete fees do not create monopoly.
- Payments aimed at protecting business operations or profitability, without adding to the profit-making apparatus, are revenue in nature.

This judgment may serve as the primary authority to ensure that such strategic outlays are no longer trapped in the legal "no man's land" of being neither deductible as revenue nor eligible for depreciation as capital and provide certainty

for taxpayers for deduction of such expenditure in joint ventures, M&A deals, and restructuring transactions where non-compete clauses are common.

However it is important to note that though this landmark judgment appears to settle the long-standing debate by emphasizing the Purpose Test over the traditional "enduring benefit" test, a potential conflict remains regarding the consistency of this ruling with other established legal precedents. In *Guffic Chem P. Ltd. v. CIT* (2011), the Supreme Court held that non-compete fees are capital receipts for the recipient in the pre-2003 era on the basis of argument that there is a loss of source of revenue. However, the present ruling of Hon'ble Apex Court, considered the payment of non-compete fees, from the point of view of payer, as payment for protecting business operation rather than protection of source of income where non-compete fees prohibit the receiver to compete with the payer's business. Though in the present ruling neither the Revenue nor the Apex Court has taken the cognisance of such decisions, one can take an argument that even though the receipt may be considered as capital receipt from the point of view of receiver of income, it may be

consider as revenue expenditure from the point of view of payer thereof considering the facts and arguments advanced.

Book profit on sale of depreciable asset not separately taxable after block adjustment

Suyog Electricals Ltd ITA No. 1352 of 2025, ITAT Ahmedabad

ITA follows block of asset concept for depreciation as well as gain/loss on transfer of the depreciable assets as against booking of gain/loss on each individual asset required by the accounting standards. Accordingly, as per ITA, on sale of depreciable asset, sale consideration (net of transfer expenses) is reduced from value of block which resultantly leads to lower depreciation under ITA.

In the present case, *Suyog Electricals Ltd.*, the taxpayer, while filing its ITR for AY 2018-19 credited to the profit & loss account, the profit on sale of motor vehicles and offered it as business income in books. However, the sales consideration was duly reduced from the block of assets following the computation mechanism prescribed in Section 32 of the Act thereby

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excluding book profit. Subsequently upon assessment, AO finalised the returned figures.

But, on examination of computation sheet, the taxpayer identified the addition of book profit on sale of assets as income and contended the issue before CIT(A). Taxpayer contended that since the sale consideration was already reduced from the relevant block, the consequential addition of book profit to the business income would result in double taxation. However, CIT(A) affirmed the order of AO by observing that the taxpayer failed to demonstrate its claim of double taxation. CIT(A) considered reduction of book profit from taxable income to be a new claim and held that it cannot be admitted without backing of revised return.

Subsequently, Ahmedabad ITAT, placing reliance on facts already on record, admitted the taxpayer's contention by emphasizing that computation of income must follow statutory method and cannot be overridden merely because accounting standard requires such profit recognition. ITAT observed that once an asset form part of a block, the individual identity of the asset is lost and sale of an individual asset does not give rise to separate taxable profit.

ITAT thus held that once the sale consideration has been duly reduced from the block, the book profit or loss loses its relevance for computation purpose and thus can not be added to the income for taxation purpose.

This ruling strengthens the settled principal of 'no double taxation'. It gives a clear message that while accounting and tax treatment may differ in view of accounting standards and ITA requiring differential treatment for various transactions, this differential treatment can not be used as a means to tax the same amount twice. It is once again made clear that statutory computation mechanism will override the accounting treatment.

Interest on Delayed Refund: HC Orders Interest-on-Interest

Shree Renuka Sugars Limited WP No. 101678 of 2024, Karnataka High Court

In the case of Shree Renuka Sugars Limited, the taxpayer settled its long-standing tax disputes under the Direct Tax Vivad Se Vishwas (VSV) Act, 2020. Following the settlement process, the Revenue determined the refund due to the taxpayer and issued the requisite certificate in

Form No. 5 on February 24, 2021. However, despite the determination of the debt, the refund amount was only credited to the taxpayer's account on January 10, 2024, resulting in a substantial delay of approximately 35 months. The taxpayer filed a writ petition before the Karnataka High Court seeking interest on this delayed refund, as the department had failed to provide any compensation for the period during which the funds were withheld.

The taxpayer contended that once a refund is determined and certified by the Revenue under Form No. 5, the amount becomes a debt due from the State to the taxpayer, and any delay in its disbursement must be compensated with interest. It was further argued that the interest component essentially merges with the principal to become an integral part of the "refund corpus" if it is not paid concurrently. Relying on the Supreme Court's decision in H.E.G. Ltd., the taxpayer maintained that it was entitled not only to interest on the delayed refund but also to "interest on interest" for the period the Revenue withheld the interest compensation that

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should have been paid alongside the principal amount on January 10, 2024.

The Revenue maintained that the VSV Act is a specialized, self-contained code designed for the settlement of disputes and does not contain any explicit mandate for the payment of interest on refunds arising from such settlements. It was argued that the general interest provisions under Section 244A of the Income Tax Act do not automatically extend to refunds processed under a specific amnesty or settlement scheme unless explicitly provided for. The department further contended that the delay was purely administrative and did not stem from any mala fide intent, and therefore, the State should not be burdened with additional interest liabilities for a settlement intended to provide finality to litigation.

The Karnataka High Court placing reliance on decision of Apex court in case of H.E.G. Limited. allowed the petition, directing the Revenue to pay interest on the delayed refund amount as well as interest on such interest upto date of actual payment of interest. The Court observed that there was an unjustified delay of nearly three years from the date the refund was

determined (February 24, 2021) to the date it was actually credited. The High Court held that interest becomes a component of the refund itself if it is not paid within a reasonable period—which it determined to be 90 days from the issuance of Form No. 5. Consequently, the Court granted the taxpayer interest on the refund up to the date of payment and further awarded interest on that interest from the date the principal refund was paid without the interest component until the date of actual payment of interest.

This ruling reinforces the fundamental principle that the State cannot retain a taxpayer's money and refund should be credited to the account of the taxpayer on the day it is determined. Further, by holding that interest becomes part of the "refund corpus," the Court has ensured that administrative delays do not result in a loss of the time-value of money for the taxpayer. This decision serves as a crucial precedent for taxpayers facing similar delays, as it upholds the constitutional right to be compensated for withheld funds irrespective of refund being determined under VSV or normal provision.

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Examining the Principal-to-Principal Framework in Pharma Distribution: An ITAT Perspective

Novartis Healthcare Private Limited, ITA No. 2768 of 2025, ITAT Mumbai

In the case of Novartis Healthcare Private Limited, the taxpayer, a pharmaceutical company, was treated as an assessee in default under Section 201/201(1A) of the ITA for failing to deduct Tax at Source (TDS) on discount offered to stockist. Following a survey, the Revenue concluded that the margins and discounts allowed by the company to its stockists and wholesalers were essentially "commissions" that attracted TDS under Section 194H. Although the Commissioner of Income Tax (Appeals) had deleted these additions, the Revenue approached the Mumbai ITAT as the appellant, primarily challenging the characterization of the stockist discounts as commission.

The Revenue contended that the pervasive oversight exercised by the taxpayer over the stockists' operations indicated a principal-to-agent relationship rather than a buyer-seller one. It was argued that because the company provides pricing guidelines, invoicing formats,

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margin rates, and even territorial allocations, the stockists lacked the commercial autonomy characteristic of independent principals. The Revenue further maintained that the fixed margins granted were compensation for distribution services, effectively making them commission in substance. Relying on precedents like CIT vs. Idea Cellular Ltd., the department asserted that such a tightly controlled distribution mechanism, including requirements for monthly sales and stock reporting, must be subjected to the TDS provisions of Section 194H.

The taxpayer contended that its transactions with stockists and wholesalers were conducted strictly on a principal-to-principal basis. It was argued that the title to the pharmaceutical products passed to the stockists immediately upon sale, and all subsequent risks related to storage and further distribution were borne entirely by stockists. The taxpayer maintained that the various "controls" highlighted by the Revenue were not indicators of an agency relationship but were instead mandatory regulatory requirements of the Medical Council of India (MCI) and other pharmaceutical industry standards. Furthermore, the taxpayer clarified that it did not pay or credit any commission; rather, it received

the sale price from stockists and appropriately charged and paid Goods and Services Tax (GST) on these sales, which were recorded as "purchases" by the stockists.

The Mumbai ITAT dismissed the Revenue's appeal, affirming that the relationship between the taxpayer and its stockists was on a principal-to-principal basis. The Tribunal observed that the sale invoices clearly treated the transactions as "sales" and that the taxpayer's payment of GST reinforced this characterization. It noted that the various restrictions and controls identified by the Revenue were consistent with the regulatory guidelines of the MCI intended to ensure product safety and goodwill of the taxpayer. ITAT has also taken the cognisance of the facts that such stockists take risk of storage and selling of such products in the market. Further though the products cannot be sold at above MRP, the stockists are free to decide the price which can be lower than MRP to increase its sale.

The Tribunal emphasized that Section 194H requires a "payment" of commission or brokerage to be triggered, whereas in this case, the taxpayer was the recipient of the sale price rather than the payer of a commission. By following

jurisdictional High Court and coordinate bench precedents, the ITAT concluded that no TDS was required on these stockist discounts.

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DTAA's silence rules out "virtual presence" or "virtual PE"

Clifford Chance Pte Ltd [ITA No. 353 and 354 of 2025 (Delhi HC) – Order dated 04th December 2025]

The present case deals with two main issues, (i) number of days to be considered for Service PE threshold and (ii) whether services rendered from outside India can constitute virtual Service PE of the taxpayer in India as per Article 5 of India-Singapore DTAA.

For the year wherein the services were completely rendered from outside India, it was argued by the Revenue that rapidly evolving global virtual economy, diminishes the requirement of physical presence. Accordingly, the Revenue by relying on various judicial precedents held that courts have recognized the concept of virtual PE and since in the given case as well the preference should be given to economic participation over the traditional PE framework for taxing the India source income of the taxpayer. The taxpayer strongly argued that the taxability of income shall be construed from the applicable provisions of DTAA and domestic law. And in absence of concept of virtual PE

clause in DTAA, being drafted and executed after numerous rounds of bilateral deliberations and negotiations, shall be interpreted strictly and if something is conspicuous by its absence, the presumption is that it done so deliberately.

The Hon'ble High Court observed that the concept of a virtual PE is not currently recognized under the DTAA. While the Court acknowledged the Revenue's concerns regarding the taxability of foreign entities within an increasingly digital global economy, it noted that such developments do not override the specific constraints of the existing treaty. Since India has not yet administratively integrated virtual PE provisions into the DTAA, the High Court upheld the Tribunal's decision in favor of the taxpayer.

In relation to the other issue on the computation of days in India for considering the threshold of 90 days for constituting Service PE, it was submitted by the taxpayer that the employees had rendered services in India only for 44 days and days spent on vacation, business development activities, and common days are to be excluded. It was argued by the taxpayer that for the purposes of Article 5, only those days during which services were actually rendered could be

counted, and not mere physical presence. The revenue did not agree to the said position and considered entire physical stay in India. The Hon'ble HC observed that the taxpayer has provided sufficient documents evidencing that no services were provided by the employees on vacation and business developments days to the customer of the taxpayers and hence the HC held that only days on which services were actually rendered are to be considered.

While the OECD Commentary on Installation/Construction PE clarifies that temporary interruptions are not to be excluded while computing the duration threshold, the current ruling strengthens the position in the context of a Service PE that only actual number of days for which the services were offered are to be considered. Judicial and administrative practice has consistently recognised that, for Service PE purposes, only the days on which services are actually rendered by the employees in the source country are to be reckoned, and mere presence or passive availability cannot be included. However, the Hon'ble SC in the landmark ruling in the case of Hyatt has laid down an interesting principle that once the business continuity is

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established, the intermittent presence becomes insignificant in determining the existence of PE.

Further, the judgement does not have any discussion over taxability of such advisory services where there is no PE. Therefore, in such type of services in case of no PE, an evaluation from the perspective of Independent Personal Services vis-à-vis Fees for Technical Service vis-à-vis Other Income also require so as to provide complete taxability of such kind of transactions.

Section 44C ceiling applies across all HO expenses – Whether exclusive or common expenses

American Express Bank Ltd. [Civil Appeal No. 8291 of 2015 & 4451 of 2016 (SC) – Order dated 15th December 2025]

The taxpayer, a non-resident banking company, claimed full deduction under section 37(1) of the Act in respect of expenses incurred by the Head Office ('HO') exclusively for the Indian branch. It was argued that the statutory ceiling under section 44C applies only to common expenses shared across global operations, not to expenses incurred solely for the Indian branch. The AO disallowed the claim and restricted the

deduction to 5% of adjusted total income applying section 44C of the Act. The Hon'ble ITAT and HC issued the order in the favour of the taxpayer relying on earlier judicial precedents by stating that section 44C does not apply to expenses incurred exclusively for Indian branch office.

The SC after hearing both sides of the case, rejected the taxpayer's argument, holding that section 44C applies uniformly to all head-office expenses incurred outside India, whether common or exclusive attributable to Indian business. After close analysis of the meaning assigned to 'head office expenditure' under section 44C, the SC observed that the definition is unambiguous and it nowhere appears that the legislature has limited the scope to cover only common expenditure. The SC further stated that if the taxpayer's contention of only considering common expenses under the purview of section 44C is accepted, it would be tantamount to adding additional words in the legislature thereby rewriting the statute in itself.

In doing so, the Supreme Court overruled earlier High Court decisions, such as Emirates Commercial Bank, which permitted exclusive deductions

under Section 37(1). It clarified that Section 44C, being a special provision with a non-obstante clause, overrides Section 37(1). Consequently, the statutory ceiling of 5% of adjusted total income applies across the board. Further, the SC also distinguished the facts of the case of Rupenjuli Tea, which was heavily relied by the taxpayer.

The SC laid down a three parameter test to determine whether an expense qualifies as head-office expenditure under Section 44C – i) expenses must be incurred outside India, ii) must be related to executive or general administration, and iii) must fall under clauses (a) to (d) of the Explanation to section 44C. Applying this framework, SC remanded the matter to the ITAT for the limited purpose of verifying whether the claimed expenses fall within the definition of head-office expenditure.

This ruling has significant implications for non-resident entities operating in India, as it eliminates any scope for claiming full deductions for exclusive head-office expenses under section 37(1). All such expenses, whether shared or exclusive, are now subject to the section 44C cap, reinforcing uniformity and preventing tax base erosion.

Indian Rulings

Subscription fees escape FTS tag in absence of human intervention

Alibaba.com Singapore ECommerce (P.) Ltd [ITA No. 3125 to 3127 of 2025 (Mumbai ITAT) – Order dated 18th November 2025]

This appeal by the Revenue contended the characterization of subscription fees and related reimbursements as FTS. The taxpayer, a Singapore tax resident, operates a global online platform enabling enterprises to list products and initiate sales, for which it charges subscription fees. To serve the Indian market, the taxpayer appointed its Indian subsidiary as a non-exclusive reseller on a principal-to-principal basis. The subsidiary operates independently, placing orders with the taxpayer only upon customer requisitions, and undertook subscriber authentication and verification through third-party agencies, the costs of which were reimbursed by the taxpayer.

During assessment, the AO treated the subscription fees and related reimbursements as FTS under the ITA and the India-Singapore DTAA and made additions accordingly. The CIT(A), however, held that these receipts did not constitute FTS since the services were provided through an automated platform without human

intervention or specialised expertise, and in any event, the “make available” condition under Article 12 of DTAA was not getting satisfied. Aggrieved, the Revenue appealed before the Hon’ble bench of Mumbai ITAT, alleging error in the CIT(A)’s findings.

Pursuant to hearing both parties, the Hon’ble bench of Mumbai ITAT held that the Revenue had incorrectly characterised the services as managerial, technical, or consultancy, without placing any supporting material on record. The Hon’ble bench of Mumbai ITAT observed that services rendered through an automated platform without human intervention cannot be regarded as technical services and accordingly upheld the CIT(A)’s decision that the subscription fees and related reimbursements were not taxable as FTS.

The ruling clarifies that a service can be classified as FTS only where there are active human involvement and the application of specialised skill or expertise. Services rendered through an automated system, constituting a standard facility available to the public at large, and not involving any customised or exclusive assistance, cannot be regarded as technical services. Mere use of advanced technology or infrastructure,

without human intervention or bespoke service elements, is insufficient to bring such services within the ambit of FTS.

Taxability of Buying Commission, Business Profits vs FTS

Skechers Sarl [ITA No. 2028 of 2025 (Mumbai ITAT) – Order dated 03rd November 2025]

The taxpayer is a tax resident of Switzerland. It entered into a Buying Agency Agreement with SSAPL, its Indian affiliate, under which the taxpayer acted as a buying agent for sourcing goods outside India and received commission at the rate of 10% of the FOB value. The taxpayer did not offer the said buying commission income to tax in India on the ground that the services were rendered outside India and that the commission constituted business income, which was not taxable in India in the absence of a PE of the taxpayer in India.

During the assessment, the AO held that the commission income was taxable in India as business income on account of the taxpayer’s SEP in India under section 9(1)(i) of the ITA and due to non-furnishing of valid TRC the tax benefit under India-Singapore DTAA cannot be availed.

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Consequently, the AO made an addition based on SEP provisions.

The Dispute Resolution Panel held that the commission income was not taxable in India as business income due to the absence of a PE and held that the certificate of registration issued by Swiss Authority can be constituted as a valid TRC. However, it was further concluded that the income was taxable as FTS as per Article 12 of the India-Switzerland DTAA and, accordingly, reclassified the income from business to FTS and taxed the same as FTS. Aggrieved by the said order, the taxpayer preferred an appeal before the Hon'ble bench of ITAT Mumbai.

Pursuant to a careful analysis of the Buying Agency Agreement, the Hon'ble bench of Mumbai ITAT held that the taxpayer's role was limited to procurement facilitation and commercial agency functions, such as identifying and coordinating with vendors, placing purchase orders, conducting quality checks, assisting in logistics, and providing administrative support. Although these activities involve business acumen and coordination, they do not entail any technical knowledge, experience, skill, or know-how so as to qualify as FTS. Accordingly, it was concluded that the taxpayer acted purely as a buying agent of SSAPL, without any decision-making authority to bind the principal, and

functioned strictly in accordance with the principal's instructions.

The Hon'ble bench of Mumbai ITAT held that the commission income could not be characterised as FTS under the India-Switzerland DTAA and instead constituted business income. In the absence of a PE in India, such income was not taxable in India under the DTAA.

The ruling clarifies that classification as FTS depends on the true nature of the services and requires the provision or transfer of technical knowledge, experience, skill, know-how, or processes. Mere receipt of commission income, without any technical element, does not qualify the same as FTS.

Authorities cannot demand letters / certificates beyond treaty requirements, FTC allowed

Bahwan Cybertek (P.) Ltd. [ITA No. 1836 of 2024 (Chennai ITAT) - Order dated 21st November 2025]

The taxpayer is an Indian company engaged in the business of software development services. It earned dividend income from its subsidiary company situated in Oman and offered the same to tax u/s 115BBD of the ITA. No FTC was initially claimed in the tax return since no tax was actually paid in Oman towards such dividend income on account

on the same being exempt from tax in Oman. Subsequently, during the course of assessment proceedings, the taxpayer claimed FTC as per Article 25(4) of the India-Oman DTAA arguing that the credit should apply to taxes that would have been otherwise payable on the dividend income earned in Oman under Article 11 of the India-Oman DTAA. The taxpayer's claim was supported by the decision of Hon'ble Delhi HC in case of Pr. CIT v. Krishak Bharati Cooperative Ltd (2017) 395 ITR 572 which allowed FTC at the rate of 10% even though no tax was actually paid in Oman. The AO however did not consider the submissions of the taxpayer and hence no FTC was granted.

Aggrieved by the order of AO, the taxpayer filed an appeal before the CIT(A) wherein the CIT(A) upheld the AO's rejection, citing the absence of letter from the Omani tax authorities similar to the letter produced by the taxpayer before the Delhi HC in the case Krishak Bharti Cooperative Ltd. confirming the reason for exemption. The aggrieved taxpayer raised the issue before the Hon'ble bench of Chennai ITAT. The taxpayer relied on the decision of SC in case of Krishak Bharati Cooperative Ltd, which affirmed the Delhi HC ruling. The taxpayer submitted that the SC clarified that the Indian taxpayers are eligible for FTC on dividend income from Oman under Article 25(4) r.w. Article 11 of

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the Indian-Oman DTAA, even if no tax is actually paid. The taxpayer further highlighted that the SC also emphasized that the letter from Omani authorities is only clarificatory and not mandatory for each taxpayer to claim FTC.

The taxpayer further argued that neither the ITA nor the India-Oman DTAA imposes a burden to prove the reason behind Oman's tax exemption. Citing the Bengaluru Tribunal's decision in the case of Kemwell (P.) Ltd, the taxpayer highlighted that the exemption itself demonstrates that it is intended to promote economic development and no separate letter or certificate from the source country is required. It contended that the revenue cannot impose additional conditions nor explicitly stated in the DTAA.

The Hon'ble bench of Chennai ITAT after carefully hearing the rival submissions agreed with the contentions of the taxpayer and held that the tax authorities cannot create special requirements which do not exist under DTAA. FTC should be allowed on taxes that are exempted in Oman under its tax laws. Consequently, the ITAT directed the AO to grant FTC on dividend income earned from Oman.

Thus, the said ruling clarifies that FTC under Article 25(4) is allowable on dividend income from Oman even if no tax is actually paid there and further no authorities can insist on additional letter / certificates not mandated by treaty.

Foreign Updates

Brazil introduces tax cuts for individuals, dividend withholding tax and a new minimum tax

Brazil has enacted Law No. 15.270, published in the Official Gazette on 27th November 2025, introducing several tax measures affecting individuals that were approved by the Senate earlier in the month in November 2025. The law provides for new monthly and annual tax reductions, imposes a 10% withholding tax on dividends and profit distributions exceeding BRL 50,000 per month from the same company and establishes a new minimum tax on annual income above BRL 6,00,000.

In addition to the measures affecting individuals, the law also introduces a 10% withholding tax on dividends and profit distributions paid abroad to natural or legal persons subject to specific exemptions and transitional provisions. These measures will be effective from January 2026 (Calendar Year 2026).

Russia directs banks to facilitate tax registration for foreign companies opening accounts

On 17th November 2025, Russia has enacted Federal Law No. 416-FZ published in the Official Gazette which introduces a revised procedure for tax registration of foreign companies seeking to open bank accounts in Russia. Tax registration being a prerequisite for account opening, foreign entities

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previously had to submit their registration applications and supporting documents directly to the Federal Tax Service. Alternatively, some banks could assist with this process. However, this option was not uniformly available since not all banks offered such filing service.

As per Federal Law No. 416-FZ, which will be effective from 1st September 2026, banks have now been mandated to carry out the tax registration process on behalf of foreign companies as a part of account opening process.

Australia issues new and updated Pillar Two guidance with specific implications for tax consolidated groups

On 17th December 2025, the Australian Taxation Office (ATO) issued new guidance on the Pillar Two global minimum tax focusing on how the Pillar Two rules interact with Australia's tax consolidation regime. The guidance specifically addresses:

- Pillar Two Lodgement Obligations for tax consolidated groups - clarifying how filing requirements apply to entities being members of a tax consolidated group.
- Top-up tax for tax consolidated groups - outlining the methodology for calculating and

Foreign Updates

allocating top-up tax within consolidated groups and;

- Pillar Two reporting for tax consolidated groups - detailing available for reporting simplifications under the Pillar Two framework.

Additionally, the ATO has updated several related guidance materials, including:

- Global and Domestic minimum tax - providing an overview of Pillar Two implementation for multinational groups in Australia under the OECD/G20 Two-Pillar Solution.
- When and how the Pillar Two rules apply - explaining the scope, operation and applicability of the global and domestic minimum tax rules.
- Lodging, paying and other Pillar Two obligations - outlining compliance requirements such as returns, payment obligations and key deadlines
- Transitional CbC reporting safe harbour - detailing the use of transitional CbC reporting safe harbour under Pillar Two
- Specific Pillar Two issues - addressing matters raised by shareholders that are not covered elsewhere in Pillar Two guidance.

Taiwan releases guidance on tax credit incentives for advanced and green technology investments

Taiwan's MOF has issued a notice setting out the procedures and eligibility requirements for claiming tax credits on investments in smart machinery, 5G systems, cyber security solutions, AI Products / services and energy-saving and carbon-reduction technologies. As previously announced the scope of this incentive was expanded w.e.f. 1st January 2025, the incentive period has been extended to 31st December 2029 and the maximum qualifying threshold has been increased.

Under the clarified framework, companies and LLPs that make qualifying investments between TWD 1 million to TWD 2 billion in a single year may choose one of the two methods to claim the incentive.

A tax credit of up to 5% of the qualifying expenditure against corporate income tax payable in the year the investment is made or;

- A tax credit of up to 3% of the expenditure in each of the following three years

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In all cases, the tax credit claimed in any year is capped at 30% of the taxpayer's annual tax liability. Where other investment-related tax incentives are claimed in the same year, the total amount of deductions may not exceed 50% of the annual tax liability, unless a higher limit is expressly permitted under other legislation.

The notice also clarifies that companies and LLPs seeking to claim the investment tax credit must submit an application via the Ministry of Economic Affairs online platform (idbtax.org.tw) within the prescribed application period which opens four months prior to the due date of annual income tax return. For example, taxpayers using the calendar year as their fiscal year must submit applications for the 2025 year of assessment between January and May 2026.

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Important Rulings

Segmented results should capture the FAR analysis to reflect appropriate comparability in addition to product difference

Swatch Group (India) Retail Private Ltd [TS-763-ITAT-2025(DEL)-TP]

The taxpayer, a wholly owned subsidiary of Technocorp Holding SA, Switzerland, was primarily engaged in retail trading of watches. During the year under scrutiny, in addition to the sale of watches, the taxpayer had also entered into one off a transaction of sale of diamonds. The taxpayer justified the international transactions through a segmental segregating the sale of diamonds from the watch segment. The transfer pricing officer ('TPO') aggregated the diamond and the watch segment and made an adjustment by comparing the margin at entity level with the external comparables engaged in diamond trading.

The taxpayer aggrieved by the TPO's actions placed its arguments before the Dispute Resolution Panel ('DRP') which upheld the actions of the TPO. Aggrieved by the TPO's and DRP's actions, the taxpayer preferred an appeal before the Delhi Tribunal.

The Delhi Tribunal noted that the TPO had rejected the segmental based on the fact that the watches segment has been continuously running into losses since a couple of years. In respect of which, the TPO remarked that such a case is not possible and can only arise in case expenses belonging to the diamond segment have been wrongly allocated to the watch segment.

Considering the arguments of the taxpayer (discussed in detail below) and having regard to the functional profile of the two segments i.e., diamond vis-à-vis watches, the Delhi Tribunal held that the diamond segment is inherently different from the watches segment and therefore, comparison at the entity level is not commensurate with the OECD principle of comparability. Therefore, the Delhi tribunal held that the segmental drawn up by the taxpayer is correct and consequently, comparison of the diamond segment alone with the similar companies is appropriate.

Reader's focus

In the present facts of the case, the taxpayer presented detailed information in respect of the FAR analysis (functions performed, assets

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utilised, and risk undertaken) of both the business activities i.e., sale of diamonds and sale of watches. The taxpayer successfully argued that the diamond segment was a one-time activity and therefore, most of the expenses incurred by the taxpayer were correctly allocated towards the watch segment.

In addition to the fact that the product being dealt under both the segments itself was altogether different, the segmented financials presented by the taxpayer capture the functional analysis comprehensively. In this regard, the taxpayer allocated only those expenses to the diamond segment which were explicitly incurred for the diamond business such as revenue from diamonds, purchase cost of diamonds, freight & clearing charges for diamond handling, travel cost of the consultant who handled the quality of the diamonds, and other expenses directly related to the diamond segment. The taxpayer also stated that the other costs towards customer acquisition, or marketing or procurement of diamonds was not incurred by it as the AE had chosen the supplier for the diamonds to the taxpayer which was not the case for the watches segment.

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As a result, the taxpayer argued that the revenue and the cost structure substantially take into account the explicit elements which can be traced to the diamond and watches segment separately and therefore, the contention of the TPO questioning the loss-making nature of the watches segment or lower allocation of expenses to diamonds segment was rejected. The present case stresses the importance of the substantial evidence, FAR analysis and product differentiation to successfully defend a segmental analysis drawn in respect of the different business profiles of a taxpayer.

Irrespective of above discussion, though there is not a mandate of providing a certified segmental from a chartered accountant but the same may aid in furthering the cause of the taxpayer before the tax authorities. Further, the Tribunal's emphasis on the acceptability of unaudited segmental data, provided it is supported by reasonable allocation keys and corroborative evidence, offers relief to businesses that cannot practically audit segmental results.

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GST - Advisories

GSTN strengthens validation controls for electronic credit reversal, reclaim of ITC, and RCM ITC through system-based ledgers

The Goods and Services Tax Network (GSTN) has issued an Advisory & FAQ dated December 29, 2025, clarifying the framework and forthcoming system validations for the Electronic Credit Reversal and Re-claimed Statement (ITC Reclaim Ledger) and the RCM Liability/ITC Statement (RCM Ledger) introduced on the GST portal. These statements were implemented to ensure accurate reporting of temporarily reversed ITC, its subsequent re-claim, and proper matching of RCM liability with corresponding ITC availed in GSTR-3B.

The ITC Reclaim Ledger, effective from August 2023 (monthly filers) and July–September 2023 (quarterly filers), tracks ITC reversed in Table 4(B)(2) and re-claimed in Tables 4(A)(5) and 4(D)(1) of GSTR-3B. Similarly, the RCM Liability/ITC Statement, operational from August 2024, captures RCM liability reported in Table 3.1(d) and ITC claimed in Tables 4(A)(2) and 4(A)(3). Taxpayers have been provided multiple opportunities to declare or amend opening

balances for past periods prior to implementation of these ledgers.

GSTN has now announced that negative balances and excess ITC claims will soon be system restricted. Re-claimed ITC in Table 4(D)(1) will be permitted only to the extent of the closing balance of the ITC Reclaim Ledger plus current-period reversals, and RCM ITC claims will be limited to RCM liability paid in the same return plus the ledger balance. Where negative balances already exist, taxpayers will be blocked from filing GSTR-3B until corrective reversals or payments are made in the current return period, with excess ITC reversals being added to output tax liability where no ITC is available.

This advisory marks a critical shift towards hard system validations for ITC discipline under GST. Taxpayers must immediately review their ITC Reclaim and RCM ledgers to identify negative balances arising from past excess claims. Proactive correction through timely reversals or payment of RCM liability is critical, as future GSTR-3B filings will be system-blocked for non-compliance.

GST - Order

GSTAT revokes staggered filing mechanism for appeals under section 112 due to improved portal capacity

(Order No. 315/2025 dated December 16, 2025 – Goods and Services Tax Appellate Tribunal)

The Goods and Services Tax Appellate Tribunal, vide Order No. 315/2025 dated December 16, 2025, has withdrawn the earlier direction issued on 24 September 2025 which mandated staggered filing of appeals under Section 112 of the CGST Act, 2017. The earlier order, passed under Rule 123 of the GSTAT (Procedure) Rules, 2025, had restricted appeal filing in a phased manner due to assessment of the portal's technical capacity.

Upon re-evaluation of the GSTAT appeal portal's operational capability, the Tribunal has observed that the system is now adequately equipped to handle appeal filings without constraints. In view of this improvement, the staggered filing protocol has been dispensed with, enabling unrestricted access to the portal for filing appeals.

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The revocation has been made effective from December 18, 2025. The Tribunal has expressly clarified that appeals already filed pursuant to the earlier staggered filing order up to December 17, 2025 shall remain valid and unaffected. The order has been issued without prejudice to the statutory powers of the Tribunal under Section 112 of the CGST Act.

This order provides significant procedural relief to taxpayers and professionals by restoring open and continuous access to the GSTAT appeal portal. The revocation reflects improved digital readiness and removes uncertainty surrounding appeal timelines. Taxpayers intending to file appeals under Section 112 may now proceed without concern of phased filing restrictions, while ensuring adherence to statutory limitation periods and procedural requirements.

Government allocates benches and places of posting for members of the Goods and Services Tax Appellate Tribunal (GSTAT).

Government allocates benches and places of posting for members of the Goods and Services Tax Appellate Tribunal (GSTAT)

(Office Order No. 03/2025, dated December 26, 2025)

The Ministry of Finance, Department of Revenue, Government of India has issued Office Order No. 03/2025 dated December 26, 2025, approving the allocation of benches and places of posting to the newly appointed members of the Goods and Services Tax Appellate Tribunal (GSTAT). The order covers postings of Technical Members (Centre), Technical Members (State), and Judicial Members across various locations in India, with the objective of operationalising GSTAT benches nationwide

The order further directs that all members shall join their respective benches on January 21, 2026, marking a significant step towards the commencement of regular appellate proceedings under GST at the national tribunal level.

This office order represents a critical administrative milestone in the long-awaited operationalisation of the GST Appellate Tribunal. The clear allocation of benches and postings provides certainty to taxpayers and professionals regarding jurisdictional access to GSTAT. With members scheduled to assume charge from 21 January

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2026, stakeholders can expect progressive activation of appellate remedies under GST, significantly strengthening the dispute resolution framework and reducing dependency on High Courts for routine GST appeals.

Important Rulings

Denial of Section 128A benefit on technical grounds set aside; appellate authority directed to reconsider waiver of interest and penalty

[WPA 24840 of 2025; Calcutta High Court; Order dated December 15, 2025]]

The petitioner was issued a show cause notice alleging excess availment of input tax credit for multiple financial years, including FY 2018–19. An order-in-original dated March 26, 2024 disallowed ITC of Rs. 2,46,92,900 and appropriated Rs. 2,30,48,532 already paid. The petitioner preferred an appeal under Section 107 of the CGST Act. During pendency of the appeal, Section 128A was notified, providing for waiver of interest and penalty subject to conditions. Relying on the CBIC Circular dated March 27, 2025, the petitioner informed the appellate authority of his intent to avail the benefit of Section 128A for FY 2018–19 and also filed a formal application before the proper officer, asserting full payment of tax for the said period. Despite this, the appellate authority rejected the appeal on June 23, 2025 without considering the petitioner's request under Section 128A, and the proper officer also rejected the waiver application on technical grounds

The petitioner contended that he had fully complied with the requirements of Section 128A by discharging the tax liability for FY 2018–19 and had duly intimated the appellate authority in advance of his intention to avail waiver of interest and penalty, in line with the CBIC Circular dated March 27, 2025. It was argued that when a demand covered multiple financial years, the appellate authority was obliged to segregate the period eligible under Section 128A and allow the statutory benefit. The petitioner further submitted that rejection of the waiver application on the ground of non-furnishing of Form DRC-03A and alleged non-submission of reply was factually incorrect and demonstrated non-application of mind.

The Department defended the impugned appellate and waiver rejection orders, contending that the petitioner had not fulfilled procedural requirements and that the authorities were justified in rejecting both the appeal and the waiver application.

The Calcutta High Court held that both the appellate authority and the proper officer acted in complete disregard of the petitioner's statutory right to seek benefit under Section 128A. The

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Court found that documentary evidence clearly showed that the petitioner had intimated the appellate authority of his intent well in advance and had furnished proof of tax payment along with the CBIC Circular. The appellate authority's failure to consider this request while disposing of the appeal was held to be improper. Similarly, the Court noted serious inconsistency and non-application of mind in the waiver rejection order, particularly where the summary order acknowledged filing of reply, while the detailed order proceeded on the contrary assumption. Accordingly, the appellate order was set aside to the extent it rejected the appeal for FY 2018–19, and the waiver rejection order was also quashed. Both matters were remanded for fresh consideration in accordance with Section 128A and the CBIC Circular, after granting opportunity of hearing.

This decision provides important interpretative clarity on the implementation of Section 128A. The Court has underscored that statutory amnesty provisions cannot be frustrated by procedural rigidity or administrative oversight, particularly where the taxpayer has demonstrated substantive compliance. Appellate authorities

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are required to meaningfully consider requests for waiver when demands span both eligible and non-eligible periods. The ruling will be especially relevant for taxpayers whose appeals were pending at the time of introduction of Section 128A and who seek to avail partial waiver benefits in line with the CBIC's clarificatory circular.

Service tax demand under reverse charge and denial of CENVAT credit held unsustainable where tax already paid by service provider and directors acted as employees

[Final Order No. 77402/2025 dated September 10, 2025; CESTAT, Kolkata]

The petitioner was subjected to service tax demands and CENVAT credit reversals for the pre-GST period. The adjudicating authority confirmed (i) service tax demand under reverse charge mechanism (RCM) on manpower supply services received (ii) service tax on directors' remuneration on the allegation that the director was not a full-time employee, and (iii) reversal of CENVAT credit on the ground that tax ought to have been paid by the assessee under RCM. These findings were upheld by the

Commissioner (Appeals). Aggrieved, the assessee preferred an appeal before the CESTAT.

The appellant contended that the manpower service provider, had already charged and deposited service tax with the Government, and therefore, a further demand under RCM would amount to double taxation. It was also submitted that directors' remuneration was paid as salary, with TDS deducted under Section 192 of the Income-tax Act and Form 16 issued, clearly establishing an employer-employee relationship. Consequently, no service tax could be levied on such remuneration. As regards CENVAT credit, it was argued that once tax stood paid and valid invoices were available, credit could not be denied merely because of a dispute on the mode of tax payment.

The Department reiterated the findings of the lower authorities and contended that since the services were liable under RCM, the recipient was required to discharge tax liability, failing which both tax demand and credit reversal were justified

The CESTAT, Kolkata observed that the issues involved were identical to those already decided

in the appellant's own case for an earlier period. Relying on its prior decision, the Tribunal held that where the service provider had already discharged service tax liability, recovery of tax again from the recipient under RCM would result in impermissible double taxation. With respect to directors' remuneration, the Tribunal held that services rendered by directors in the course of employment fall outside the definition of "service" under Section 65B(44) of the Finance Act, 1994, a position also supported by binding CBEC Circular dated July 31, 2009. On the issue of CENVAT credit, the Tribunal ruled that once service tax had been paid and proper invoices were available, credit could not be denied merely on the ground that tax was allegedly payable under RCM. Accordingly, all demands, interest, and penalties were set aside, and the appeal was allowed with consequential relief.

This decision reinforces two settled principles under service tax law: first, that the Department cannot demand tax twice on the same transaction merely by invoking reverse charge when tax has already reached the exchequer; and second, that directors' remuneration paid in an

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employer–employee relationship is outside the service tax net. The ruling also provides clarity that procedural disputes regarding RCM cannot be used as a basis to deny substantive CENVAT credit when tax payment is undisputed. The case has strong precedential value for legacy service tax disputes involving RCM and director remuneration.

Educational support services to foreign parent not intermediary services; treated as export of services

(CWP Nos. 18774 & 29033 of 2024; Punjab & Haryana High Court; Judgment dated December 9, 2025)

The petitioner is an Indian subsidiary of IDP Australia entered into a support services agreement effective July 1, 2017, to assist Indian students seeking admission to foreign universities through its Australian parent. Under the arrangement, IDP Australia shared a portion of the student placement service fee with the Indian entity. The petitioner classified these services as export of services under Section 2(6) of the

IGST Act and did not discharge GST. The Department issued show cause notices alleging that the petitioner acted as an “intermediary” under Section 2(13) of the IGST Act and, by virtue of Section 13(8)(b), the place of supply was in India, making the services taxable. The petitioner challenged the demand and show cause notices before the Punjab & Haryana High Court.

The petitioner contended that the services were rendered exclusively to IDP Australia under a principal-to-principal, bipartite contract, with no contractual relationship with foreign universities or students. It had no authority in the admission process and merely provided support services to its overseas parent. Reliance was placed on binding precedents in the petitioner’s own case, including a Bombay High Court judgment dated May 5, 2025, and a Rajasthan High Court judgment dated September 4, 2025, both of which held that the petitioner was not an intermediary and that the services qualified as exports. The petitioner also relied on CBIC Circular No. 159/15/2021-GST clarifying that the scope

of “intermediary” under GST is largely unchanged from the service tax regime.

The Department argued that the petitioner facilitated and arranged placement services between foreign universities and Indian students, thereby satisfying the definition of “intermediary.” It was contended that since the place of supply was deemed to be India under Section 13(8)(b), the petitioner was liable to pay GST.

The High Court allowed the writ petitions, holding that the issue was squarely covered by earlier judgments of the Bombay and Rajasthan High Courts in the petitioner’s own case. The Court observed that an intermediary relationship requires the existence of three parties in a contractual arrangement, which was absent in the present case. The petitioner rendered services only to IDP Australia and had no contractual nexus with universities or students. Noting that the earlier High Court judgments had attained finality and were already implemented by the Department, the Court held that the petitioner could not be treated as an intermediary. Consequently, the impugned order and show

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cause notice were quashed, and the services were held to qualify as export of services.

This judgment further buttresses the judicial position that overseas support services rendered under a principal-to-principal arrangement cannot be recharacterized as intermediary services merely because they facilitate an underlying supply. The Court's reliance on consistency across jurisdictions and prior finalised rulings underscores the importance of certainty and uniformity in GST administration. For exporters of services, particularly group entities providing back-end or support functions to foreign affiliates, the ruling provides strong precedent against aggressive application of Section 13(8)(b) of the IGST Act.

Cross-border cost sharing with overseas subsidiaries not liable to service tax under reverse charge; extended limitation and penalties held unsustainable

(Final Order No. 41468/2025 dated December 15, 2025; CESTAT, Chennai)

The petitioner is a software development company, licensed its software products to overseas subsidiaries ("Licensees"), which in turn entered into implementation contracts with foreign end-customers. Under inter-company agreements, the appellant was entitled to a substantial portion of the implementation fee, with costs incurred by Licensees for performing part of the implementation work being adjusted through debit notes. The Department viewed these adjustments as consideration for import of manpower and software support services and raised a service tax demand under the reverse charge mechanism on the allegation of short-payment due to mismatch in ST-3 returns. The adjudicating authority confirmed the demands along with interest and penalties, leading to the appeal before the Tribunal.

The appellant contended that there was no flow of service from the foreign subsidiaries to the Indian entity. The inter-company arrangement only involved revenue sharing or downward price adjustment of implementation fees and not consideration for any service. It was submitted that the appellant was the sole service

provider to the Licensees, and the foreign entities were not contractually obligated to render any service to the appellant. Reliance was placed on judicial precedents to argue that internal cost sharing within a multinational group does not constitute taxable consideration. The appellant also argued that the dispute was interpretational, revenue-neutral, and fully disclosed in audited accounts, rendering invocation of extended limitation and penalties untenable. As regards December 2016, it was contended that the alleged short-payment was only a clerical reporting error, with full tax having been paid.

The Department argued that the debit notes reflected employee benefit and software development expenses, evidencing receipt of manpower and software services by the appellant from its overseas subsidiaries. It was contended that the contractual framework established an integrated arrangement and that services were consumed in India, making them taxable under reverse charge. The Department further justified invocation of extended limitation on the ground of suppression detected during audit and opposed the plea of revenue neutrality.

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The CESTAT, Chennai held that the foundational requirement of a “service” under Section 65B(44) of the Finance Act, 1994 was not satisfied, as there was no activity performed by the foreign subsidiaries “for” the appellant. The Tribunal found that the payments made through debit notes merely represented adjustment of implementation fees and internal cost settlement, not consideration for any imported service. It further held that even otherwise, the implementation activities were performed outside India and were not taxable under the Place of Provision of Services Rules, 2012. The Tribunal also accepted the plea of revenue neutrality and held that the dispute was purely interpretational, with full disclosure in records, thereby invalidating invocation of extended limitation and penalties. Accordingly, the demand of was set aside in entirety.

This decision is a comprehensive reaffirmation of the principle that internal cost-sharing or revenue-adjustment mechanisms within multinational groups do not automatically give rise to taxable import of services. The Tribunal’s de-

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The "Reserve Bank of India Gold Metal Loans Directions, 2025" is a draft regulatory framework consolidating and updating guidelines for banks extending gold metal loans (GML) to the jewelry industry, effective from April 1, 2026.^[1]

Background

The GML scheme launched in 1998 to provide working capital for jewelers, with scope expanded over time and prudential guidelines added for risk management. These directions shift to a principle-based framework, harmonizing rules for domestic and export jewelers while addressing regulatory gaps, broadening scope, and granting banks more policy flexibility.^[1]

Key Definitions

Gold Metal Loans (GML) involve banks lending gold metal to eligible borrowers. They split into import-linked GML (from banks' imports, repaid in cash) and GMS-linked GML (from Gold Monetization Scheme deposits, repayable in gold, cash, or both).^[1]

Eligible Lenders and Borrowers

Nominated banks (gold importers) can offer import-linked GML to jewelers

(manufacturers/sellers) or non-manufacturers outsourcing production. Designated GMS banks extend GMS-linked GML to jewelers or MMTC Limited for India Gold Coins minting.^[1]

Main Requirements

Banks must create GML policies covering borrower limits, due diligence, end-use monitoring (no raw gold sales/exports), and daily INR valuation using LBMA prices. Repayment tenors cap at 270 days (except exporters per trade policy), in INR or (for GMS-linked) physical gold under strict conditions; monthly RBI reporting is required. Prior circulars listed in annexure are repealed.^[1]

The RBI Master Circular on Exposure Norms and Statutory/Regulatory Restrictions for Urban Co-operative Banks (UCBs), dated April 1, 2025, outlines prudential measures from page 3 onwards to manage credit risk, starting with definitions and detailed exposure limits. It consolidates guidelines up to March 31, 2025, without new instructions.^[1]

Key Definitions

Tier-I capital is based on the prior year's March 31 figures for exposure limits, including

funded/non-funded credit and non-SLR investments. Exposure covers loans, advances, underwriting, leasing, and ad-hoc limits (sanctioned or outstanding, whichever higher), excluding own-term deposit loans. Groups are defined by common management/control, and unsecured advances exclude government-backed or short-term supply bill loans.^[2]

Exposure Ceilings

Individual borrower exposure caps at 15% of Tier-I capital; group exposure at 25%, applicable to post-March 2020 fresh exposures (excesses phased down by March 31, 2023). At least 50% of loans must be small-value (\leq ₹25 lakh or 0.4% Tier-I capital, max ₹3 crore/borrower) by March 31, 2026 (40% by 2025). Ceilings are recomputed annually post-audit, with half-yearly share capital adjustments.^[2]

Real Estate and Inter-bank Limits

Residential housing loans (non-priority sector) \leq 25% of total advances; other real estate \leq 5% (exempting small construction working capital). Individual housing limits vary by UCB tier: Tier 1 \leq ₹60 lakh, up to Tier 4 \leq ₹3 crore. Inter-bank

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gross/counterparty limits follow investment portfolio directions.^[2]

Unsecured Advances

Per-borrower limits scale by deposit size/CRAR (e.g., ₹5 lakh max for large UCBs with CRAR \geq 9%). Aggregate unsecured \leq 10% of prior year's assets; exceptions for priority sector-focused UCBs up to 35% or small loans \leq ₹10,000. Salary earner banks get relief if tied to salary deductions.^[2]

Restrictions

Prohibits director-related loans (exemptions for staff/MD loans, govt securities); nominal member advances capped at ₹50,000-₹1 lakh. Bans bridge loans to NBFCs, own-share advances; shares/debentures loans \leq ₹10 lakh (50% margin, 20% Tier-I cap). Specific rules for NBFCs, agriculture, SHGs/JLGs, and statutory defaulter checks included, with annex listing prior circulars.^[2]

1. 07-GML-Draft-Directions.pdf
2. Exposure-nomrs-foir-UCB.pdf

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GRC

Coverage



The 2024 Global Internal Audit Standards are the new core benchmark issued by The IIA to govern how internal auditing is defined, organized, managed, and performed worldwide. They are structured around five domains and 15 principles, turning the framework into a more prescriptive, evidence-oriented model for evaluating and improving internal audit functions.^[1]

Structure and positioning

- The Standards sit within the International Professional Practices Framework (IPPF) alongside Topical Requirements (mandatory by topic) and Global Guidance (good practice), forming a complete professional architecture.^[1]
- Content is organized into five domains: Purpose of Internal Auditing, Ethics & Professionalism, Governing the IA Function, Managing the IA Function, and Performing IA Services.^[1]

Principles and standards

- Fifteen high-level principles (e.g., integrity, objectivity, competency, due professional care, independence, governance, planning, quality, and engagement

performance) define what “effective internal auditing” should look like.^[1]

- Each principle is supported by standards that include: mandatory requirements (“must”), implementation considerations (“should/may”), and examples of evidence of conformance usable for QAIP and external assessments.^[1]

Applicability and flexibility

- Standards apply to any provider of internal audit services (in-house or outsourced) and to both the function and individual auditors, with explicit responsibilities for the chief audit executive.^[1]
- There is specific guidance on how to apply the Standards in small internal audit functions and in the public sector, recognizing resource constraints and different governance structures.^[1]

Emphasis areas

- Strong focus on ethics, professionalism, and public interest, positioning internal audit as a contributor to organizational stability, sustainability, and trust.^[1]

- Clear expectations on chartering, board authorization and oversight, independence, resource management, quality assessment, engagement planning and execution, communication (including errors/omissions and unacceptable risk), and performance measurement.^[1]

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RBI

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Master Direction – Reserve Bank of India (Rupee Interest Rate Derivatives) Directions, 2025

RBI/FMRD/2025-26/380

FMRD.DIRD.No.06/14.03.046/2025-26 dated December 08, 2025

Master Direction – Reserve Bank of India (Rupee Interest Rate Derivatives) Directions, 2025 (“hereinafter referred to as the New Master Direction”) replaces the Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019, as amended from time to time.

Some of the salient features of the New Master Direction are as follows:

- Certain new definitions have been included such as “back to back arrangement”, “net-worth” and certain definitions have been modified such as “forward rate arrangement”, “related entities” being replaced by “related party”.
- For ease of understanding of eligible participants, the term “person resident in India” has been replaced by “resident” which is defined in the Master Direction as a “person resident in India” under section 2 (v) of Foreign Exchange Management Act, 1999 (42 of 1999).

- Trading Venues have been defined to include platforms where Interest Rate Derivatives (IRD) contracts can be transacted including (i) on Recognized Stock Exchanges (referred hereafter as exchanges), or, (ii) Over-the-Counter (OTC). OTC transactions shall refer to all transactions done outside of recognized stock exchanges and shall include transactions on Electronic Trading Platforms (ETPs).
- User classification framework has been put in place to direct market-makers to classify users either as retail or non-retail, for the purpose of offering interest rate derivative contracts.
- Product categories / Purpose for transacting in IRDs have been identified separately instead of classifying them under the head of offerings under each platform such as Stock Exchanges / OTC etc. for ease of understanding and reducing redundancy.
- Penal and / or regulatory action in accordance with law for violations of provisions by disallowing any person from participating in the IRD markets for a period not

exceeding one month at a time has also been put in place to regulate and monitor the market.

Effective date: from March 01, 2026

RBI releases Draft Circular on Disclosure of Transaction Cost for Foreign Exchange Transactions, dated December 09, 2025

RBI has released Draft Circular *on Disclosure of Transaction Cost for Foreign Exchange Transactions* for comments and suggestions by January 06, 2026.

The objective is to promote transparency in the foreign exchange market by mandating Authorised Dealers to provide the details of transaction cost (remittance fees, foreign exchange rate, currency conversion charges etc.), associated with various foreign exchange contracts, to users (both retail and non-retail) including:

- foreign exchange cash;
- foreign exchange tom;
- foreign exchange spot;
- foreign exchange derivative contracts; and

RBI

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- v. foreign currency interest rate derivative contracts.

The proposed information / details to be shared by AD Bank will be as follows:

- For transactions by retail users in foreign exchange derivatives / foreign currency interest rate derivatives, an AD Bank will have to provide the mid-market mark / bid and ask price of the derivative before entering into the contract with the user and the same has to be included in the deal confirmation / term sheet.
- For users transacting in foreign exchange cash, foreign exchange tom and foreign exchange spot contracts, an AD Bank will have to provide details of the total transaction cost (showing all relevant costs and charges viz., sending and receiving fees including those of any intermediaries, foreign exchange rate and currency conversion charges). These details will have to be shared prior to entering into the contract and included in the deal confirmation to the users.

Effective date: for comments upto January 06, 2026

RBI issues Amendment Directions on Maintenance of Cash Credit Accounts, Current Accounts

and Overdraft Accounts by Banks dated December 11, 2025

Reserve Bank of India has released amendment directions in the Banking sector on the basis of comments sought against the draft directions issued on October 01, 2025. The primary objective of circulating the drafts was aimed at providing greater flexibility to banks for opening and maintaining cash credit accounts, current accounts and overdraft accounts.

Some of the key suggestions / comments from the banking fraternity that were accepted are as follows:

- Removal of restrictions (of availing multi banking facility for cash credit) on cash credit facilities for easier disbursement of working capital as these accounts are operationally different from current accounts and overdraft accounts.
- Permitting any lending bank with exposure greater than 10 per cent to maintain a current account or overdraft account. This was based on the suggestion to reconsider the limit of two banks for maintaining transaction accounts for operational ease of customers.

The revised provisions for maintaining exposure with two banks is as follows:

"Para 9: In cases of borrowers to whom the exposure of the banking system is ₹10 crore or more:

(i) Any two lending banks within the banking system, as per the choice of the borrower, can maintain transaction accounts, provided that each of such banks has either a minimum 10% share in banking system's aggregate exposure to the borrower, or a minimum 10% share in banking system's aggregate fund-based exposure to the borrower."

The proposed changes are bound to increase the flexibility available with customers and in easier flow of working capital.

Effective date: Immediate effect

SEBI

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Reclassification of Real Estate Investment Trusts (REITs) as equity related instruments for facilitating enhanced participation by Mutual Funds and Specialized Investment Funds (SIFs)

HO/24/13/12(1)2025-IMD-POD-2//157/2025 dated November 28, 2025

SEBI vide circular dated November 28, 2025, announced the reclassification of Real Estate Investment Trusts ("REITs") as equity-related instruments to encourage greater participation from Mutual Funds as well as Specialized Investment Funds ("SIFs"). Thus, investments in REITs by such funds will be treated as equity-related instruments, whereas investments in Infrastructure Investment Trusts ("InvITs") will continue to be classified as hybrid instruments.

Existing holdings of REITs in debt schemes of Mutual Funds and investment strategies of SIFs as of December 31, 2025, will be grandfathered, but Asset Management Companies (AMCs) are encouraged to gradually divest these holdings based on market conditions, liquidity, and investor interests.

Effective Date: January 01, 2026

Modalities for migration to AI only schemes and relaxations to Large Value Funds for Accredited Investors under SEBI (Alternative Investment Funds) Regulations, 2012

HO/19/34/11(5)2025-AFD-POD1//188/2025 dated December 08, 2025

SEBI has introduced new provisions for Alternative Investment Funds ("AIFs") to establish schemes exclusively for Accredited Investors ("AI") and introduce operational relaxations for Large Value Funds ("LVFs") that are targeting accredited investors. These amendments are designed to enhance business efficiency and flexibility for AIFs, specifically with the view to:

- facilitate introduction of a separate category of AIF schemes, exclusively for Accredited Investors and offering the scheme specific regulatory flexibilities in terms of less compliance around investor protection.
- extend additional relaxations and operational flexibilities to Large Value Funds (LVFs) for accredited investors.

Effective Date: Immediate

Relaxation on geo tagging requirement in India for NRIs while undertaking re-KYC

HO/38/30/12(1)2025 MIRSD SEC FATF dated December 10, 2025

Existing provisions for re-KYC process by NRIs has been eased in respect of requirement of physical location in India, by allowing NRI clients to undertake due diligence through digital mode.

This change is intended to make the process easier for NRIs and reduce their travelling burden for periodic KYC updates thus, supporting greater financial inclusion and convenience for this group of investors. These measures are designed to maintain security and integrity in the KYC process while accommodating the needs of NRIs, however this relaxation applies only to re-KYC for existing clients and not for new account openings.

Effective Date: Immediate

Deferment of timeline for implementation of Phase III of Nomination Circular dated January 10, 2025 read with Circular dated February 28, 2025 and July 30, 2025

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HO/42/36/12(4)2025-OIAE-IAD3 dated December 11, 2025

In order to revise and revamp the norms for nomination for demat accounts and mutual fund (MF) folios and to prevent the generation of unclaimed assets in the Indian securities market, guidelines were prescribed for Nomination Facility vide Circular No. SEBI/HO/OIAE/OIAE_IAD-3/P/ON/2025/01650 dated January 10, 2025.

On representation from various stakeholders, introduction of provisions was split into phases for ease of implementation vide circular dated February 28, 2025.

However, till date the IIIrd Phase is yet to be implemented (due date post deferment was December 15, 2025). Some of the key provisions yet to be implemented are:

- Nomination of up to 10 persons in the account / folio by the investor.
- Allowing nominees to either remain joint holders or create individual folios post-transmission.
- Authorization to nominee by investor with single folio to operate and encash limited

assets during physical incapacity with flexible mandate updates.

- Allowing unclaimed portion in multi-nominee accounts / folios to be transmitted to remaining nominee(s) by Depository Participants (DPs)/AMCs.

Effective Date: Yet to be notified

Modification in the conditions specified for reduction in denomination of debt securities

HO/17/11/24(1)2025-DDHS-POD1//491/2025 dated December 18, 2025

SEBI through circular SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/94 dated July 03, 2024, amended the rules regarding the reduction in the denomination of debt securities and non-convertible redeemable preference shares. The amendment allows issuers to offer debt securities or non-convertible redeemable preference share without any structured obligation at a reduced face value of INR 10,000 on a private placement basis.

Zero coupon debt securities that are issued at a discount and redeemed at par, allow investors to realize returns through the difference in issue

and redemption value though considered as structured instruments, vide this amendment Circular are now eligible for issuance by the issuer.

These amendments are intended to increase flexibility for issuers as well as attract a broader range of investors by including zero coupon securities.

Effective Date: Immediate

MCA Notifications

Coverage

**Expansion of Threshold Limit for Small Companies***Notification dated December 01, 2025*

Ministry of Corporate Affairs notified the Companies (Specification of definition details) Amendment Rules, 2025 and modified Companies (Specification of Definition Details) Rules, 2014 for broadening the scope of a small company under the Companies Act, 2013.

Under the revised provisions, the threshold limit for small companies has been raised to:

Criteria	Existing	Changed to
Paid-up Capital	Not exceeding INR 4 crores	Not exceeding INR 10 crores
Turnover	Not exceeding INR 40 crores	Not exceeding INR 100 crores

This revision widens the coverage of small companies, bringing more entities under the definition. By raising the thresholds, the government has ensured that more enterprises benefit from simplified compliance and reduced burdens.

Effective Date: December 01, 2025

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Abbreviations

Abbreviation	Meaning
AA	Advance Authorisation
AAR	Authority of Advance Ruling
AAAR	Appellate Authority of Advance Ruling
AAC	Annual Activity Certificate
AD Bank	Authorized Dealer Bank
AE	Associated Enterprise
AGM	Annual General Meeting
AIR	Annual Information Return
ALP	Arm's length price
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Person
APA	Advance Pricing Arrangements
AS	Accounting Standards
ASBA	Applications Supported by Blocked Amount
AY	Assessment Year
BAR	Board of Advance Ruling
BEAT	Base Erosion and Anti-Avoidance Tax
CBDT	Central Board of Direct Tax
CBIC	Central Board of Indirect Taxes and Customs
CCA	Cost Contribution Arrangements
CCR	Cenvat Credit Rules, 2004
COO	Certificate of Origin

Abbreviation	Meaning
CESTAT	Central Excise and Service Tax Appellate Tribunal
CGST Act	Central Goods and Service Tax Act, 2017
CIT(A)	Commissioner of Income Tax (Appeal)
Companies Act	The Companies Act, 2013
CPSE	Central Public Sector Enterprise
CSR	Corporate Social Responsibility
CTA	Covered Tax Agreement
CUP	Comparable Uncontrolled Price Method
Customs Act	The Customs Act, 1962
DFIA	Duty Free Import Authorization
DFTP	Duty Free Tariff Preference
DGFT	Directorate General of Foreign Trade
DPIIT	Department of Promotion of Investment and Internal Trade
DRI	Directorate of Revenue Intelligence
DRP	Dispute Resolution Panel
DTAA	Double Tax Avoidance Agreement
ECB	External Commercial Borrowing
ECL	Electronic Credit Ledger
EO	Export Obligation
EODC	Export Obligation Discharge Certificate

Abbreviation	Meaning
EPCG	Export Promotion Capital Goods
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FII	Foreign Institutional Investor
FIFP	Foreign Investment Facilitation Portal
FIRMS	Foreign Investment Reporting and Management System
FLAIR	Foreign Liabilities and Assets Information Reporting
FPI	Foreign Portfolio Investor
FOCC	Foreign Owned and Controlled Company
FTC	Foreign Tax Credit
FTP	Foreign Trade Policy 2015-20
FTS	Fees for Technical Service
FY	Financial Year
GAAR	General Anti-Avoidance Rules
GDR	Global Depository Receipts
GMT	Global Minimum Tax
GILTI	Global Intangible Low-Taxed Income
GSTN	Goods and Services Tax Network
GVAT Act	Gujarat VAT Act, 2006
HSN	Harmonized System of Nomenclature

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Abbreviations

Abbreviation	Meaning
IBC	Insolvency and Bankruptcy Code, 2016
ICDS	Income Computation and Disclosure Standards
ICDR	Issue of Capital and Disclosure Requirements
IEC	Import Export Code
IIR	Income Inclusion Rule
IMF	International Monetary Fund
IRP	Invoice Registration Portal
IRN	Invoice Reference Number
ITC	Input Tax Credit
ITR	Income Tax Return
IT Rules	Income Tax Rules, 1962
ITAT	Income Tax Appellate Tribunal
ITR	Income Tax Return
ITSC	Income Tax Settlement Commission
JV	Joint Venture
LEO	Let Export Order
LIBOR	London Inter Bank Offered Rate
LLP	Limited Liability Partnership
LOB	Limitation of Benefit
LODR	Listing Obligations and Disclosure Requirements
LTA	Leave Travel Allowance
LTC	Lower TDS Certificate

Abbreviation	Meaning
LTCG	Long term capital gain
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
MeitY	Ministry of Electronics and Information Technology
MSF	Marginal Standing Facility
MSME	Micro, Small and Medium Enterprises
NCB	No claim Bonus
OECD	The Organization for Economic Co-operation and Development
OM	Other Methods prescribed by CBDT
PAN	Permanent Account Number
PE	Permanent establishment
PPT	Principle Purpose Test
PSM	Profit Split Method
PY	Previous Year
QDMTT	Qualified Domestic Minimum Top-up Tax
RA	Regional Authority
RMS	Risk Management System
ROR	Resident Ordinary Resident
ROSCTL	Rebate of State & Central Taxes and Levies
RoDTEP	Remission of Duties and Taxes on Exported Products

Abbreviation	Meaning
RPM	Resale Price Method
SC	Supreme Court of India
SCN	Show Cause Notice
SDS	Step Down Subsidiary
SE	Secondary adjustments
SEBI	Securities Exchange Board of India
SEP	Significant economic presence
SEZ	Special Economic Zone
SFT	Specified Financial statement
SION	Standard Input Output Norms
SOP	Standard Operating Procedure
ST	Securitization Trust
STCG	Short term capital gain
SVLDRS	Sabka Vishwas (Legacy Dispute Resolution Scheme) 2019
TCS	Tax collected at source
TDS	Tax Deducted at Source
TNMM	Transaction Net Margin Method
TP	Transfer pricing
TPO	Transfer Pricing Officer
TPR	Transfer Pricing Report
TRO	Tax Recovery Officer
UTPR	Undertaxed Profits Rules
u/s	Under Section
WOS	Wholly Owned Subsidiary

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