



# **R.C. JAIN AND ASSOCIATES LLP**

## **NEWSLETTER**

December 2025

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## **Direct Tax**

### **MINISTRY OF FINANCE (Department of Revenue) (CENTRAL BOARD OF DIRECT TAXES)**

#### **➤ Notification No. 166 / 2025/F. No. 300176/2/2025/ITA-I**

#### **Tax deduction for donations towards its renovation Shree Balakrishna Lalji & Other Deities Temple**

Issued on 2 December 2025, this notification notifies Shree Balakrishna Lalji & Other Deities Temple, Bhuleshwar, Mumbai as a place of historic importance under Section 80G(2)(b), allowing tax deduction for donations towards its renovation or repair, **subject to an overall cap of ₹50 crore up to 31 March 2030** or until exhausted.

#### **➤ Notification No. 167 /2025/F.No.300195/18/2024-ITA-I**

#### **Tax exemption to the Jalandhar Development Authority**

Issued on 4 December 2025, this notification grants tax exemption to the Jalandhar Development Authority under Section 10(46A) of the Income-tax Act, 1961, effective from AY 2024-25, subject to conditions regarding its constitution and functions.

#### **➤ Notification No. 168 /2025/F.No.300195/26/2024-ITA-I**

#### **Tax exemption to Ajmer Development Authority**

The Central Government has notified the Ajmer Development Authority (ADA) under Section 10(46A) of the Income-tax Act, 1961, granting it income tax exemption. This benefit is effective from the Assessment Year 2024–25, subject to conditions regarding its constitution and functions.

#### **➤ Notification No. 169/2025/F. No. 300195/59/2024-ITA-I**

#### **Tax exemption to Tamil Nadu Pollution Control Board**

The Central Government has notified the **Tamil Nadu Pollution Control Board (TNPCB)** under Section 10(46A) of the Income-tax Act, 1961, granting it income tax exemption. This benefit is effective from Assessment Year 2024–25, subject to conditions regarding its constitution and functions.

➤ **Notification No. 170/2025/ F.No. 279/Misc./M-110/2025-ITJ**

Issued on 15 December 2025, assigns **specific Commissioners of Income-tax (Appeals) [CIT(A)]** with appellate jurisdiction over **appeals arising from search, seizure, requisition, and survey cases.**

It covers appeals under **sections 246A and 248**, including related **penalty matters**, where additions are based on **seized or impounded material**. The objective is to **streamline and centralise appellate proceedings** and remove ambiguity regarding jurisdiction in such cases.

➤ **Notification No. 171 /2025/F. No. 196/83/2024-ITA-I**

**Tax exemption to New Okhla Industrial Development Authority (NOIDA)**

The Central Government has notified the New Okhla Industrial Development Authority (NOIDA) under section 10(46) of the Income-tax Act, 1961, granting income tax exemption on certain specified income. This includes grants from the State Government, income from sale and rent of movable and immovable properties, interest and dividend income, and fees, tolls, and charges collected under the Uttar Pradesh Industrial Area Development Act, 1976. The exemption is subject to conditions that NOIDA does not engage in commercial activities, its activities and nature of income remain unchanged, and it files income tax returns as required under the Act. The notification **applies retrospectively for assessment years 2012–13 to 2015–16.**

➤ **Notification No. 172/2025/F. No. 300195/6/2024-ITA-I**

**Tax Exemption to Urban Planning and Development Authority**

The Central Government has notified the Punjab Urban Planning and Development Authority under section 10(46A) of the Income-tax Act, 1961. This notification makes the authority eligible for income tax exemption **from assessment year 2024–25 onwards.**

The exemption will continue as long as the authority remains constituted under the Punjab Regional and Town Planning and Development Act, 1995, and carries out one or more of the specified public purposes mentioned in section 10(46A) of the Income-tax Act.

➤ **Notification No. 173/2025/F. No. 203/45/2024/ITA-II**

The Central Government has approved the Christian Medical College Vellore Association, Vellore, Tamil Nadu, for scientific research under section 35(1)(ii) of the Income-tax Act, 1961. It is recognized as a university, college, or other institution for this purpose. This approval takes effect from the date of publication in the Official Gazette and will be applicable for assessment years 2026–27 to 2030–31.

➤ **Notification No. 174/2025/F. No. 203/01/2025/ITA-II**

The Central Government has approved the Indian Institute of Science Education and Research, Pune, for scientific research under section 35(1)(ii) of the Income-tax Act, 1961. It is recognized as a university, college, or other institution for this purpose. This approval will apply for assessment years 2026–27 to 2030–31.

➤ **Notification No. 175 /2025/ F.No. 203/46/2024/ITA-II**

The Central Government has approved the Cancer Institute (W.I.A), Chennai, for scientific research under section 35(1)(ii) of the Income-tax Act, 1961. It is recognized as a university, college, or other institution for this purpose. This approval will be applicable for assessment years 2027–28 to 2031–32.

## **Case Laws**

**IN THE ITAT AHMEDABAD BENCH 'SMC'**

**Jayshreeben Jayantibhai Palsana**

*vs*

**Income-tax Officer\***

MAKARAND V. MAHADEOKAR, ACCOUNTANT MEMBER  
AND MS. SUCHITRA R. KAMBLE, JUDICIAL MEMBER

IT APPEAL NO. 1014 (AHD.) OF 2025  
[ASSESSMENT YEAR 2024-2025]

12<sup>th</sup> AUGUST, 2025

❖ **Issues Involved:**

- Whether a resident individual opting for the new tax regime under section 115BAC(1A) is eligible to claim rebate under section 87A when total income does not exceed Rs.7,00,000.
- Whether such rebate under section 87A can be claimed against tax payable on short-term capital gains (STCG) arising from transfer of listed equity shares taxable at special rate under section 111A.
- Whether absence of an express exclusion in section 111A or section 87A permits grant of rebate, notwithstanding special rate taxation under Chapter XII.

❖ **Gist of the Case:**

- The assessee challenged denial of rebate under section 87A by CPC, Bengaluru, on tax payable on STCG under section 111A, despite opting for the new tax regime and having total income below Rs.7 lakhs.
- The Revenue contended that rebate under section 87A is not available against tax on incomes chargeable at special rates under Chapter XII.
- The Tribunal examined statutory provisions, legislative intent, and judicial precedents to determine whether such denial was legally sustainable.

❖ **Facts of the Case:**

- The assessee, a resident individual, filed a return declaring total income of Rs.4,27,635, comprising:
  - STCG under section 111A –Rs.3,79,559
  - LTCG under section 112A – Rs.38,840
  - Income from other sources – Rs.9,236
- A revised return was filed opting for new tax regime under section 115BAC(1A); total tax liability computed was 13,320, arising solely from STCG taxable at 15%.
- Since total income was below Rs.7,00,000, the assessee claimed rebate under section 87A.
- CPC denied the rebate and raised a demand of Rs.15,820 (tax, interest, and cess).
- The CIT(A) upheld the denial, relying on:
  - “Subject to Chapter XII” clause in section 115BAC(1A), and
  - Explanatory Memorandum to the Finance Bill, 2025.
  - Aggrieved, the assessee appealed to the ITAT.

❖ **Held:**

- The Tribunal held that section 87A, as amended by Finance Act, 2023, grants rebate to a resident individual assessed under section 115BAC(1A) whose total income does not exceed Rs.7,00,000, without distinguishing between normal income and special-rate income.
- It was observed that:
  - Section 112A(6) expressly restricts rebate on certain LTCG,
  - No such restriction exists in section 111A or section 87A for STCG.
- The phrase “subject to Chapter XII” in section 115BAC(1A) governs computation of tax rates, not eligibility for rebates under Chapter VIII.
- Reliance on the Finance Bill, 2025 was held to be misplaced, as the proposed restriction is prospective (from A.Y. 2026-27).
- The Tribunal held that system-based denial by CPC cannot override statutory provisions.
- Accordingly, the assessee was held eligible for rebate under section 87A, even though income included STCG under section 111A.
- The Assessing Officer was directed to:
  - Allow rebate of Rs.13,320,
  - Delete the demand of Rs.15,820, and
  - Grant refund, if any, as per law.
- Appeal allowed in favour of the assessee.

**IN THE ITAT MUMBAI BENCH 'I'**

**Income-tax Officer**

**vs**

**Godrej Agrovet Ltd.<sup>\*</sup>**

MS. SUCHITRA KAMBLE, JUDICIAL MEMBER  
AND GIRISH AGRAWAL, ACCOUNTANT MEMBER

IT APPEAL NO. 2026 (MUM) OF 2025

[ASSESSMENT YEAR 2016-17]

DECEMBER 16, 2025

**❖ Issues Involved :**

- Whether the assessee-company was required to deduct TDS at 23.072% or 11.54% on payments made to non-resident shareholders for purchase of shares.
- Whether first and second provisos to section 48 affect the rate of tax or only the computation of capital gains.
- Whether the assessee could be treated as an assessee in default under section 201 for short deduction of TDS.

**❖ Gist of the Case :**

- The assessee deducted TDS at 11.54% on remittances to non-resident shareholders while purchasing shares of Indian companies.
- The Assessing Officer held that TDS should have been deducted at 23.072%, treating the assessee as in default.
- The Tribunal held that section 112(1)(c)(iii) prescribes the applicable tax rate, and section 48 provisos relate only to computation, not tax rate.
- Therefore, TDS at 11.54% was correct, and the assessee was not in default.

**❖ Facts of the Case :**

- The assessee, Godrej Agrovet Ltd., purchased:
  - Shares of an unlisted Indian company (Creamline Dairy Products Ltd.), and
  - Shares of a listed Indian company (Astec Lifesciences Ltd.) from non-resident individual shareholders during FY 2015–16.

- TDS was deducted:
  - @11.54% on most remittances (10% LTCG + surcharge + cess),
  - @23.07% in one case due to non-availability of PAN.
- The Assessing Officer passed an order under section 201, raising:
  - TDS demand of ₹1.25 crore, and
  - Interest under section 201(1A) of ₹1.12 crore.
- CIT(A) allowed the assessee's appeal and directed the AO to verify remittances applying 11.54% TDS.
- Revenue appealed before the ITAT.

❖ **Held:**

- Section 112(1)(c)(iii) clearly prescribes a 10% tax rate (plus surcharge and cess) on long-term capital gains from transfer of shares by a non-resident individual.
- First and second provisos to section 48:
  - Deal only with the mode of computation of capital gains, and
  - Do not prescribe or alter the rate of tax.
- The assessee correctly applied 11.54% TDS, being the effective rate applicable for the relevant period.
- The Assessing Officer erred in applying a higher rate of 23.072%.
- The direction of CIT(A) to verify remittances applying 11.54% TDS was upheld.
- Revenue's appeal was dismissed.
- Decision rendered in favour of the assessee.

# GST

## **GST UPDATE – TOBACCO & PAN MASALA PRODUCTS**

### **(Notification No. 19/2025 – Central Tax (Rate))**

Effective from 1st February 2026

#### **❖ Background**

The Government has issued **Notification No. 19/2025** – Central Tax (Rate) dated 31st December 2025, which amends the earlier **Notification No. 9/2025** – Central Tax (Rate) dated 17th September 2025 (G.S.R. 641(E)).

The earlier notification prescribed GST rates for tobacco and related products under multiple slabs, including 9%, 14%, and 20% CGST. The present amendment revises these rates to simplify the tax structure and bring greater clarity.

- Key Highlights:**

- Biris:**

Biris have now been specifically classified under the 9% CGST slab. This removes ambiguity and ensures uniform taxation.

- Pan Masala & Tobacco Products – Higher GST**

The following products will now attract 20% CGST:

1. Pan Masala
2. Unmanufactured tobacco and tobacco waste (excluding tobacco leaves)
3. Cigarettes, cigars, cheroots, and cigarillos
4. Other manufactured tobacco products (excluding biris)
5. Tobacco extracts and essences
6. E-cigarettes and other non-combustible inhalation products containing tobacco or nicotine

Most tobacco and nicotine products are now subject to higher GST.

- **14% CGST Slab Discontinued**

The 14% CGST slab (Schedule VII) provided under the earlier notification has been completely omitted.

Products previously covered under this slab have been shifted mainly to the **20% CGST slab**, simplifying rate classification.

❖ **Effective Date**

From 1st February 2026

❖ **Impact on Businesses**

- Increase in GST liability for manufacturers, traders, and distributors of tobacco and pan masala products.
- Reduced classification disputes due to clearer rate structure.
- Businesses should update pricing, invoicing, and ERP systems before the effective date.

❖ **Conclusion**

This amendment reflects the Government's intent to rationalise GST rates and discourage consumption of tobacco-related products through higher taxation, while ensuring uniformity and ease of compliance.

**Notification No. 20/2025–Central Tax dated 31 December 2025. The amendments will be effective from 1 February 2026.**

**1. Introduction of Rule 31D – Valuation Based on Retail Sale Price (RSP)**

A new Rule 31D has been inserted to prescribe a special method for valuation of supply of certain specified goods. For goods such as pan masala, tobacco, cigarettes, other manufactured tobacco products, and inhalation products containing tobacco or nicotine, the value of supply shall be deemed to be the Retail Sale Price (RSP) declared on the package, after reducing the applicable GST.

The tax component shall be calculated using the following formula:

Tax Amount = (Retail Sale Price × applicable tax rate) ÷ (100 + total applicable tax rate)

### **Key clarifications under Rule 31D:**

- RSP means the maximum price declared on the package, inclusive of all taxes and cesses.
- If multiple RSPs are declared, the highest RSP shall be considered
- Any increase in RSP at any stage shall be treated as the RSP for valuation.
- Where different RSPs are declared for different areas, valuation shall be based on the area-specific RSP.

### **Amendment to Rule 86B – Restriction on ITC Utilization**

Rule 86B has been amended to provide relief to registered persons (other than manufacturers) dealing in goods covered under Rule 31D. Such persons shall be exempt from the restriction of minimum 1% cash payment, provided tax has already been paid by the supplier on the basis of RSP valuation.

### **Impact:**

The amendment aims to prevent undervaluation in sensitive sectors such as tobacco and pan masala, while ensuring smoother Input Tax Credit utilisation for downstream traders.

## **CASE LAWS**

**Rc Sales and Services**

**v.**

**State of Uttar Pradesh**

**(High Court of Allahabad)**

**Date: 18 December 2025**

### **GST Detention Unsustainable for Mere PIN Code Error in E-Way Bill**

The Allahabad High Court held that detention of goods under section 129 of the CGST Act is not justified when the only discrepancy is an incorrect PIN code in the “ship to” address of the e-way bill, provided all other details and documents are correct.

### **❖ Facts:**

The petitioner, a GST-registered supplier, was transporting goods under a bill-to ship-to transaction. The movement of goods was supported by a valid tax invoice, e-way bill and goods receipt (GR). At the time of interception, authorities found no mismatch in goods or documents. However, proceedings under section 129 were initiated only because the PIN code of Patna was mistakenly mentioned instead of Samastipur in the 'ship to' details of the e-way bill.

❖ **Held:**

The Court relied on CBIC Circular No. 64/38/2018-GST dated 14-09-2018, which clarifies that no action under section 129 should be initiated for a PIN code error if the address of consignor and consignee is correct and the validity of the e-way bill is not affected. Since the issue was merely a clerical error with no intention to evade tax, the detention was held to be legally unsustainable.

❖ **Decision:**

The detention order and penalty proceedings under section 129(3) were annulled, and the writ petition was allowed in favour of the assessee.

❖ **Key Takeaway:**

- Minor clerical errors such as an incorrect PIN code, without intent to evade tax and with valid supporting documents, cannot be a ground for detention of goods under GST.
- The judgment reinforces that CBIC circulars are binding on GST authorities and protects taxpayers from excessive action for procedural lapses.

**HIGH COURT OF DELHI**

**Kapil Madan**

**vs**

**Union of India**

DEVENDRA KUMAR UPADHYAYA, CJ.

AND TUSHAR RAO GEDELA,

J.W.P.(C) NO. 19644 OF 2025

24th DECEMBER, 2025

**❖ Issues Involved:**

- Whether air purifiers and HEPA filters fall within the definition of “**medical devices**” under Section 3(b)(iv) of the Drugs and Cosmetics Act, 1940, as per Notification S.O. 648(E) dated 11-02-2020.
- Whether levy of 18% GST on air purifiers and HEPA filters is arbitrary, unreasonable and unconstitutional.
- Whether air purifiers and HEPA filters should attract 5% GST, similar to other notified medical devices.
- Whether the GST Council is required to urgently reconsider the GST rate on these products in view of public health concerns and Parliamentary Standing Committee recommendations.

**❖ Gist of the Case:**

- The petitioner filed a Public Interest Litigation (PIL) challenging the levy of 18% GST on air purifiers and HEPA filters.
- It was contended that these products serve a preventive health function and qualify as medical devices under the expanded statutory definition.
- The petitioner relied on the Drugs and Cosmetics Act notification and a Parliamentary Standing Committee report recommending reduction or abolition of GST on such products due to severe air pollution.
- The relief sought was a direction to apply 5% GST to air purifiers and HEPA filters.

**❖ Facts of the Case:**

- Notification S.O. 648(E) dated 11-02-2020 expanded the definition of medical devices under the Drugs and Cosmetics Act, 1940.
- Medical devices covered under this notification are subject to 5% GST.
- Air purifiers and HEPA filters, though performing a health-protective role, were classified under HSN 84213920 and taxed at 18% GST.
- Air quality in Delhi and NCR had deteriorated significantly, increasing dependence on air purifiers.
- A Parliamentary Standing Committee report dated 12-12-2025 recommended that GST on air purifiers and HEPA filters be abolished or reduced.
- The respondents submitted that the GST Council, being a pan-India body, requires time to convene and decide on rate changes.

❖ **Held :**

- The Delhi High Court directed the GST Council to consider lowering or abolishing GST on air purifiers and HEPA filters at the earliest.
- The Court observed that the grave air quality situation warranted urgent consideration of the issue.
- It was clarified that the GST Council may meet physically or through video conferencing if required.
- The Court recorded a *prima facie* view that there was no reason why air purifiers and HEPA filters should not attract 5% GST, given their function and the GST rate applicable to other medical devices under the 2020 notification.
- The matter was listed for further hearing to ascertain the timeline for the GST Council's decision.+

## **RBI**

**RBI/2025-26/132**

**FMOD.MAOG.No.153/01.01.001/2025-26**

**December 05, 2025**

### **Liquidity Adjustment Facility - Change in rates**

1. As announced in the Monetary Policy Statement dated December 05, 2025, it has been decided by the Monetary Policy Committee (MPC) to reduce the policy repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points, from 5.50 per cent to 5.25 per cent, with immediate effect.
2. Accordingly, the Standing Deposit Facility (SDF) rate and the Marginal Standing Facility (MSF) rate are revised to 5.00 per cent and 5.50 per cent respectively, with immediate effect.
3. All other provisions under the existing LAF framework shall remain unchanged.

**RBI/2025-26/140**

**A.P. (DIR Series) Circular No.18**

**December 8, 2025**

### **Export and Import of Indian Currency to or from Nepal and Bhutan**

1. **Attention of Authorised Persons is invited** to A.P. (DIR Series) Circular No. 24 dated March 20, 2019.
2. Upon review, it has been decided, **in supersession** of the aforesaid circular, to permit any person, other than a citizen of Pakistan or Bangladesh, to:
  - i. take or send out of India to Nepal or Bhutan, and bring into India from Nepal or Bhutan, Government of India currency notes and Reserve Bank of India notes of any amount in denominations up to ₹100;
  - ii. take out of India to Nepal or Bhutan, currency notes of denominations above ₹100, up to an aggregate value of ₹25,000;
  - iii. bring into India from Nepal or Bhutan, currency notes of denominations above ₹100, up to an aggregate value of ₹25,000.

3. Authorised Persons are advised to bring the contents of this circular to the notice of their constituents and customers.
4. Necessary amendments have been carried out through the **Foreign Exchange Management (Export and Import of Currency) (Amendment) Regulations, 2025** [[Notification 6\(R\)/\(4\)/2025-RB dated November 28, 2025](#)], published in the Official Gazette on December 02, 2025 ([copy annexed](#)).
5. The directions contained in this circular are issued under Sections 10(4) and 11(1) of the **Foreign Exchange Management Act, 1999 (42 of 1999)** and are without prejudice to any permissions or approvals that may be required under any other applicable law.

## **ROC**

### **Important MCA Amendments: Small Company Criteria and Annual Filing Relief**

The Ministry of Corporate Affairs (MCA) has revised the financial thresholds for classification of a Small Company under the Companies Act, 2013.

Key Update: MCA has increased the paid-up capital and turnover limits, enabling more companies to qualify as Small Companies and avail compliance relaxations.

#### **Revised Limits**

- Paid-up Share Capital: Up to 10 crore
- Turnover: Up to 100 crore

(Both conditions must be satisfied together)

#### **Impact:**

- Larger number of companies now eligible for simplified compliance
- Reduced regulatory and filing requirements under the Companies Act
- Supports ease of doing business for growing companies

#### **Effective Date**

- Applicable from 1 December 2025

#### **Exclusions**

- Public companies
- Holding and subsidiary companies
- Section 8 (non-profit) companies
- Companies governed by special statutes

**Takeaway:** *More companies can now qualify as Small Companies and benefit from simplified compliance due to increased capital and turnover limits.*

**Extension of Due Date for Annual Filings : The Ministry of Corporate Affairs (MCA) has extended the due date for filing annual statutory documents for FY 2024-25.**

Key Update: MCA has granted an extension without additional fees for filing financial statements and annual returns.

Extended Due Date: New last date: **31 January 2026**

Forms Covered

- Financial Statements: AOC-4 (including XBRL / CFS variants)
- Annual Return: MGT-7 / MGT-7A

**Impact**

- No additional or late fees if filings are completed by the extended date
- Relief to companies facing technical issues on MCA V3 portal
- Additional time provided for accurate and timely compliance

**Takeaway:** *Companies get additional time till 31 January 2026 to complete FY 2024-25 filings without incurring late fees.*

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