

R. C. Jain & Associates LLP

Newsletter

October 2025



“Never stop dreaming. You never know where your destiny will take you.”

- Harmanpreet Kaur

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Direct Tax

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

Notifications

Notification No. G.S.R. 789(E) dated 24 October 2025

Issued by the Ministry of Finance (Dept. of Revenue), Government of India, under section 90 of the Income-tax Act, 1961

➤ **Key Points**

- The notification gives effect to the **Agreement and Protocol between the Republic of India and the State of Qatar for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income**, which was signed on 18 February 2025.
- The Agreement entered into force on 10 September 2025.
- The Agreement shall have effect in India in respect of income arising on or after the first day of the fiscal year immediately following the calendar year in which the agreement entered into force. That means income arising from 1 April 2026 (since it entered into force in September 2025) will be covered, unless specified differently in the protocol.
- The notification directs that all the provisions of the Agreement and its Protocol (as annexed) shall be given effect to in India.

➤ **Practical Implications**

- For Indian residents who earn income in Qatar (or Qatari residents earning in India) the terms of the treaty now apply from 1 April 2026.
- Key articles in the treaty: definition of “resident”, permanent establishment, business profits, dividends (tax capped at 5% / 10% depending on shareholding)
- The clauses on elimination of double taxation: India allows deduction for tax paid in Qatar; Qatar allows deduction for tax paid in India.

- The treaty also has non-discrimination, exchange of information, mutual agreement procedure etc., aligning with standard OECD-type treaty provisions.

➤ **Recommendations**

- Entities and individuals earning cross-border income between India and Qatar should review their tax structuring for fiscal years from 2026-27 onwards.
- Verify whether existing arrangements (permanent establishments, consultancy services, dividends/interest/royalties) fall under treaty provisions.
- Ensure documentation to claim treaty benefits (e.g., certificate of residence, beneficial ownership) is in readiness.
- Monitor domestic implementation — Indian tax rules/administrative procedures may be updated to align with treaty terms.
- If there is income arising before 1 April 2026, the treaty may not apply (unless specified otherwise).

- Compiled by Dhruv Jain

Case Laws

INCOME TAX: Whether donations made towards Corporate Social Responsibility (CSR) activities to entities registered under section 80G are eligible for deduction under section 80G, and whether the Principal Commissioner was justified in invoking revisionary powers under section 263 when the Assessing Officer had examined and allowed the deduction.

IN THE ITAT MUMBAI BENCH 'D'

Rishabh Instruments Ltd.

v.

Principal Commissioner of Income-tax

SANDEEP GOSAIN, JUDICIAL MEMBER

AND GIRISH AGRAWAL, ACCOUNTANT MEMBER

IT APPEAL NO. 3358 (MUM.) OF 2025

[ASSESSMENT YEAR 2020-21]

OCTOBER 16, 2025

➤ **Gist of the Case:**

The ITAT Mumbai held that CSR donations made to entities registered under section 80G are eligible for deduction under that section, even though such expenditure is disallowed as a business expense under section 37(1). There is no express statutory bar under section 80G against such deduction. Further, since the Assessing Officer had duly examined the claim, invocation of section 263 by the PCIT was invalid.

➤ **Facts of the Case:**

The assessee made CSR donations of Rs.21.08 lakhs and claimed deduction of Rs.10.54 lakhs under section 80G.

These donations were made to registered 80G institutions and were suo moto disallowed as business expenditure under section 37(1).

The Assessing Officer, after calling for and verifying documents, allowed the deduction under section 80G during assessment under section 143(3) r.w.s. 144B.

The PCIT invoked section 263, contending that since CSR expenditure is mandatory and not voluntary; it does not qualify as a “donation” under section 80G.

The assessee appealed before the Tribunal.

➤ **Held:**

- Section 135 of the Companies Act mandates CSR spending but does not specify to whom or how it must be spent; therefore, such donations can still be voluntary in nature.
- CBDT Circular No. 1/2015 clarifies that CSR expenditure is not allowable as a business expense under section 37(1), but may still be eligible for deduction under other provisions like section 80G.
- The Ministry of Corporate Affairs (Circular No. 01/2016) further supports this position.
- Relying on ACIT v. Sharda Cropchem Ltd. and Inter Gold (India) (P.) Ltd. v. Pr. CIT, the Tribunal held that there is no statutory bar to claiming deduction under section 80G for CSR expenses except for specific exclusions (e.g., Swachh Bharat Kosh).
- Invocation of section 263 was unjustified as the AO had examined the issue in detail.
- Held in favour of the assessee

INCOME TAX: Whether, when the CBDT extends the specified date for furnishing audit reports under section 44AB, it must correspondingly extend the due date for filing income-tax returns under section 139(1) to maintain the statutory one-month gap between the two dates.

HIGH COURT OF GUJARAT

Income-tax Bar Association

v.

Union of India

BHARGAV D. KARIA AND PRANAV TRIVEDI, JJ.

R/SPECIAL CIVIL APPLICATION NOS. 13533, 13582 AND 13589 OF 2025

OCTOBER 13, 2025

➤ **Gist of The Case:**

The Gujarat High Court held that the Central Board of Direct Taxes (CBDT) must mandatorily extend the due date for filing returns under section 139(1) when it extends the specified date for furnishing audit reports under section 44AB, as required by the statutory one-month gap introduced by the Finance Act, 2020. Failing to do so would defeat legislative intent and render the provision nugatory.

➤ **Facts of The Case:**

BDT issued Circular No. 14/2025 dated 25-09-2025 extending the specified date for filing audit reports from 30-09-2025 to 30-10-2025.

However, the due date for filing income-tax returns under section 139(1) remained 31-10-2025.

The Income-tax Bar Association and others filed petitions seeking extension of the return filing date to 30-11-2025, contending that the law requires a one-month gap between audit report and return filing dates.

The Court examined the statutory framework under sections 44AB, 139(1), and 119, and the Finance Act, 2020 amendment that introduced this gap.

➤ **Held:**

Explanation (ii) to section 44AB defines “specified date” as one month prior to the due date under section 139(1); hence, both dates are interlinked.

Extending the audit report date without extending the return filing date violates statutory intent and renders the amendment ineffective.

Citing *Bansal Wire Industries Ltd. V. State of U.P. and Municipal Corporation of Greater Mumbai v. Century Textiles* (2025 INSC 36), the Court emphasized that statutory provisions must be interpreted harmoniously and not rendered redundant.

CBDT’s argument of monitoring the e-filing portal was rejected as irrelevant to statutory compliance.

CBDT directed to issue a circular under section 119 extending the due date for filing returns to 30-11-2025 for AY 2025-26.

Held in favour of the assessee/petitioners.

- **Compiled by Vedant Gaikwad**

GST Laws

Circulars

CBIC Circular No. 253/10/2025–GST dated 1 October 2025

Withdrawal of Circular No. 212/6/2024–GST:

What was Circular No. 212/6/2024–GST about?

The circular required suppliers to collect either CA/CMA certificate or a self-declaration from recipient to validate compliance with Section 15(3)(b)(ii) of the CGST Act.

The circular had prescribed a procedure for suppliers to obtain proof that buyers had reversed input tax credit (ITC) in cases of post-sale discounts.

- **Earlier requirement:**
For tax amount above 5 lakhs per recipient per financial year – certificate from recipient's CA/CMA.
For tax amount up to 5 lakhs – self declaration from recipient confirming ITC reversal.
- **Reason for withdrawal:**
The procedure was found to be cumbersome and impractical, requiring excessive coordination and documentation.
Trade and industry raised strong concerns over increased compliance burden.
- **Effect of withdrawal:**
The documentation mechanism prescribed under the circular stands cancelled.
The legal condition under Section 15(3)(b)(ii) of the CGST Act – that the recipient must reverse ITC – still remains in force.

Advisory

Clarification on GST Return Filing Changes Effective October 1, 2025

➤ Key Highlights:

It has come to the government's notice that incorrect information is being circulated regarding changes in GST return filing starting October 1, 2025. This advisory provides official clarifications on the matter:

1. No Change in Auto Population of ITC

There is no change in the way Input Tax Credit (ITC) is auto populated from GSTR-2B to GSTR-3B. The auto population mechanism continues without any manual intervention, even with the introduction of the Invoice Management System (IMS).

Taxpayers can rest assured that the current process remains unchanged.

2. GSTR-2B Generation

GSTR-2B will still be automatically generated on the 14th of every month. There is no manual intervention required for its generation. Taxpayers can take actions in the IMS even after GSTR-2B is generated and up until the filing of GSTR-3B.

If needed, GSTR-2B can be regenerated after taxpayers take action in IMS.

3. Credit Note Handling (Effective from October 2025 onward)

The new system offers flexibility for recipient taxpayers when dealing with Credit Notes. Taxpayers can keep Credit Notes or related documents pending for a specified period. Upon acceptance of a Credit Note, the recipient can adjust the reversal of ITC manually to reflect the extent to which the Credit Note has been used.

4. Summary

There are no immediate changes to the core GST filing process. Enhancements introduced through IMS aim to provide more flexibility, particularly in the handling of Credit Notes and ITC adjustment.

Key FAQs on New IMS Changes (Effective October 2025 Tax Period)

1. Pending Option Now Extended:

The Invoice Management System (IMS) now allows taxpayers to mark additional documents as Pending – a feature not available earlier.

Newly covered documents include:

- Credit Notes and upward amendments of Credit Note.
- Downward amendments of Credit Note (if original Credit Note was rejected).
- Downward amendments of Invoices / Debit Notes where the original was accepted and GSTR-3B filed.
- Downward amendments of ECO documents under similar conditions.

2. Other New Features Introduced:

Option to declare ITC to be reduced for Credit Notes or amendments where ITC was already reversed or not availed. Facility to add remarks when marking documents as Reject or Pending.

3. Applicability:

All new features are prospective, applicable from October 2025 tax period onwards. Records (even if pre-dated) reported in GSTR-1 for October 2025 and onwards will reflect these options in IMS.

4. Pending Duration Allowed:

Taxpayers can now keep eligible records pending for:

- **Monthly filers:** 1 month (next tax period)
- **Quarterly filers:** 1 quarter (next tax period)

Example (Monthly Filer):

If supplier files GSTR-1 on 10 Nov 2025, records can be kept pending until 20 Dec 2025 (due date of Nov GSTR-3B).

5. After Expiry of Pending Period:

Once the allowed period ends:

Pending option is **disabled**.

The taxpayer must either **Accept or Reject**.

If no action is taken → System treats the record as **Deemed Accepted**.

6. New ITC Reversal Flexibility:

Earlier, IMS automatically reversed the entire ITC on Credit Note acceptance.

Now, taxpayers can declare the exact amount of ITC to be reversed:

- Select “Yes” → Full or Partial ITC reversal (with value entry option).
- Select “No” → No reversal, if ITC was not availed.

This ensures accurate reflection in GSTR-2B and GSTR-3B.

7. Remarks Feature Enabled:

While marking Reject or Pending, taxpayers can now record remarks – mandatory in cases of partial or no ITC reversal.

8. Summary of Impact on Records

Record Type	Action	ITC Impact	Supplier Liability
Credit note (CN)	Accept (Yes)	ITC reduced (full/declared)	No Change
Credit note (CN)	Reject	Nil	Liability Increases
Upward Amendment	Accept (Yes)	ITC reduced by delta/declared value	No Change
Downward Amendment	Accept (Yes)	ITC adjusted accordingly	Supplier's liability changes as per amendment

9. Takeaway:

These enhancements in IMS bring greater control, accuracy and transparency for recipients in managing ITC and document actions – especially relevant for businesses reconciling input tax credits from October 2025 onwards.

Instructions/Guidelines

➤ **Provisional Sanction of GST Refunds – Key Updates**

In a significant move to facilitate trade, the 56th GST Council meeting has introduced changes to the GST refund process. The key update allows for the provisional sanctioning of 90% of the refund on claims related to zero rated supplies based on a risk based evaluation by the system.

➤ **Key Highlights:**

1. **Provisional Refunds for Low Risk Claims:** Refunds of up to 90% can be sanctioned on a provisional basis for low risk applications, with no need for further scrutiny once FORM GST RFD-02 is issued, unless specific conditions apply.
2. **Detailed Scrutiny for High Risk Claims:** Claims flagged as high risk will undergo detailed examination and refunds will not be granted provisionally.
3. **Implementation from 1st October 2025:** The new procedure comes into effect from 1st October 2025 for zero rated supply claims, with similar provisions for Inverted Duty Structure (IDS) refunds on an interim basis.
4. **Conditions for Refund:** Statutory conditions for provisional refunds remain unchanged and any overpayment will trigger a show cause notice for recovery.

These changes are expected to streamline the refund process, especially for businesses involved in zero rated.

Case Laws

Mobile Communications (India) (P.) Ltd.

v.

Deputy Commissioner ST [2025]

(Andhra Pradesh High Court)

Date: 03 September 2025

Coram: R. Raghunandan Rao & T.C.D. Sekhar, JJ.

Whether tax authorities can retain or impose conditions on a taxpayer's funds after 10% pre-deposit has been made under Section 107 of the CGST/APGST Act during appeal.

➤ **Facts:**

1. The petitioner faced an assessment order demanding Rs. 244.63 crores.
2. Prior to this, the Department had provisionally attached the petitioner's bank account and later recovered Rs. 170 crores under Section 79(1)(c).
3. Due to complete recovery, the petitioner was unable to make the 10% pre-deposit required for filing an appeal.
4. The High Court permitted adjustment of Rs.24.4 crores (10% of the demand) from the recovered amount as the statutory pre-deposit.
5. The Department later revoked the attachment but directed the petitioner to maintain Rs. 130 crores in its account until appeal disposal.

➤ **Petitioner's Contention:**

1. Once 10% pre-deposit is made, a deemed stay operates under Section 107(6).
2. The Department cannot insist on maintaining additional funds or restrain use of recovered amounts.

➤ **Held:**

1. No legal provision permits retention or restraint of funds after the statutory 10% pre-deposit and deemed stay come into play.
2. However, to protect revenue interests, the Court required the petitioner to give undertakings to safeguard the refunded amount.

➤ **Directions Issued:**

1. Petitioner to file an undertaking to maintain refunded amounts (from Rs. 170 crores) in its bank account till appeal disposal.
2. Department to refund the balance amount after retaining 10% pre-deposit.
3. Upon receipt of sale proceeds, petitioner to maintain a minimum balance of Rs. 221 crores (Rs. 24 crores pre-deposit + Rs. 197 crores balance) until appeal is decided.

➤ **Key Takeaway:**

Once the 10% pre-deposit under Section 107(6) is made, recovery proceedings or fund restraints cannot continue. However, courts may require undertakings to protect revenue during pendency of appeal.

➤ **Affirmation by Supreme Court:**

The said judgement passed by the Honourable Andhra Pradesh High Court is affirmed by the Supreme Court in the case [2025] 179 taxmann.com 343 (SC) [06-10-2025] when it disposed of the Special Leave Petition filed by the Deputy Commissioner against the order of the High Court. The said order was passed by the Supreme Court on 6th October, 2025.

Shanti Kiran India (P) Ltd.

v.

The Commissioner, Trade and Tax, Delhi

Civil Appeal No - 2042-2047/2015

(Honourable Supreme Court)

October 9, 2025

Supreme Court Upholds ITC Claim Despite Retrospective Supplier Cancellation

In a landmark ruling, the Supreme Court of India in *The Commissioner, Trade and Tax, Delhi vs Shanti Kiran India (P) Ltd.* has upheld the validity of Input Tax Credit (ITC) claimed by purchasers, even where the supplier's registration was cancelled retrospectively.

The Court dismissed the Department's Civil Appeal, thereby affirming the Delhi High Court's decision in favour of the taxpayer.

➤ **Key Facts**

- The Department had challenged the High Court's order allowing ITC to registered purchasing dealers.
- The purchasers had paid tax to sellers who were registered at the time of sale.
- Subsequently, the seller dealers failed to deposit the collected tax and their registrations were cancelled retrospectively.

➤ **Court's Observations**

The sellers were registered on the transaction date, satisfying the legal precondition for ITC.

There was no dispute over the genuineness of the invoices or transactions.

The Court held that ITC cannot be denied to bona fide purchasers merely because the supplier defaulted later in depositing tax.

➤ **Supreme Court's Judgement**

The Supreme Court dismissed the Department's appeal, upholding ITC eligibility for the buyer after due verification.

This decision offers significant relief to genuine taxpayers, reinforcing the principle that bona fide purchasers should not suffer for the defaults of their suppliers.

➤ **Takeaway**

This ruling reinforces that honest taxpayers should not suffer because of their supplier's mistakes.

If a buyer has purchased goods from a registered person and has paid due tax in good faith, their ITC cannot be denied later.

- **Compiled by Simran Jetwani and Aryan Shejwal**

RBI

Ref. CO.CEPD.PRS.No. S684/13-55-001/2025-2026

October 7, 2025

RBI Brings Co-operative Banks Under Ombudsman Scheme.

An ombudsman scheme is a free and fast process to resolve customer complaints against entities like banks, non-banking financial companies, and payment system participants. It is a grievance redressal mechanism where a senior official, the ombudsman, investigates issues of "deficiency in service" and works to find a satisfactory solution for the customer.

The Reserve Bank of India has extended the Integrated Ombudsman Scheme, 2021 (RB-IOS) to include State Co-operative Banks and Central Co-operative Banks as regulated entities under Section 35A of the Banking Regulation Act, 1949.

With this change, the RB-IOS, 2021 now applies to:

All Commercial Banks, Regional Rural Banks, State & Central Co-operative Banks, and Primary (Urban) Co-operative Banks with deposits of Rs 50 crore or more.

All NBFCs (excluding Housing Finance Companies) that:

Accept deposits, or

Have customer interface with assets of 100 crore or more.

All System Participants under the Scheme & **All Credit Information Companies.**

Notification No. FEMA 10(R)(7)/2025-RB

October 13, 2025

RBI Updates Rules for Exporters' Foreign Currency Accounts

The Reserve Bank of India has amended the **Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015** to provide greater flexibility for exporters in managing their foreign currency receipts.

Exporters may also open such accounts **within IFSCs in India.**

Exporters can **open and maintain foreign currency accounts abroad** for export proceeds and advance remittances.

Funds may be: > **Used for import payments, or**

> **Repatriated to India**

within **3 months** (for accounts in IFSCs) or **1 month** (for other jurisdictions).

RBI/2025-26/95
DOR.MCS.REC.59/01.01.003/2025-26
October 28, 2025

**Reserve Bank of India (Nomination Facility in Deposit Accounts, Safe
Deposit Lockers and Articles kept in Safe Custody with the Banks)**
Directions, 2025

The Reserve Bank of India (RBI) has issued new **Nomination Facility Directions, 2025** to align with the **Banking Laws (Amendment) Act, 2025** and the **Banking Companies (Nomination) Rules, 2025**. These aim to simplify the claim settlement process for deposit accounts, lockers, and articles in safe custody.

Mandatory offer: Banks must inform customers about the nomination facility at account opening and explain its benefits.

No restriction: Account opening cannot be denied if a customer declines nomination
Acknowledgement: Banks must confirm registration or rejection of nomination within **three working days**.

Visibility: Nominee's name and "Nomination Registered" status must appear on passbooks/statements.

Awareness: Banks to promote the nomination facility through public awareness and customer guidance.

Repeal: Previous circulars on nomination facility stand repealed from November 1, 2025.

To ensure **faster claim settlement**, reduce legal hurdles for families, and promote **transparent banking practices**.

~Compiled by Harsh Bhadra

ROC

Ministry of Corporate Affairs (MCA) – Fee Waiver Announcement

- **ANNOUNCEMENT**

The **Ministry of Corporate Affairs (MCA)** has announced an extension of due dates for filing of **Form AOC-4, AOC-4 (CFS), AOC-4 NBFC (Ind AS), AOC-4 CFS NBFC (Ind AS), MGT-7, and MGT-7A** for the **Financial Year 2024-25**.

This relief has been granted through **General Circular No. 06/2025** dated **17 October 2025**, providing companies additional time to complete their annual filings **without payment of additional fees**.

- **KEY DATES**

Form	Purpose	Original Due Date	Extended Due Date
AOC-4 / AOC-4 (CFS)	Filing of Financial Statements	30 October 2025	31 December 2025
AOC-4 NBFC (Ind AS) / AOC-4 CFS NBFC (Ind AS)	Filing for NBFC Companies	30 October 2025	31 December 2025
MGT-7 / MGT-7A	Filing of Annual Return	29 November 2025	31 December 2025

- **Note:** No additional filing fees will apply for submissions completed on or **before 31 December 2025**.

- **FEE WAIVER ANNOUNCEMENT**

The extension provides a **one-time fee waiver** for the FY 2024-25 filings.

Companies that file **AOC-4 and MGT-7/MGT-7A** by **31 December 2025** will not be charged any additional fees.

This measure aims to facilitate a smooth transition to the **MCA V3 portal** and accommodate technical and compliance challenges faced during implementation of the **new e-forms**.

Filings **after 31 December 2025** will attract the standard late filing fees of Rs.100 per day per form.

- **ADDITIONAL INFORMATION**

The **MCA V3 Portal** has been upgraded from **14 July 2025**, introducing revised e-Forms (AOC-4, MGT-7, CSR-2, etc.).

Companies must still **hold their AGM within the statutory limit** (normally by 30 September 2025).

Ensure Board's Report and Annual Return include new disclosures under the **Companies (Accounts) Second Amendment Rules, 2025**, such as:

- **POSH (Prevention of Sexual Harassment) disclosure details**
- **Compliance under the Maternity Benefit Act, 1961**

- **REFERENCES**

1. **MCA General Circular No. 06/2025**, dated 17 October 2025
2. **Companies (Accounts) Second Amendment Rules, 2025**– effective 14 July 2025
3. **MCA V3 Portal Update** – Implementation of new e-forms
4. **Companies Act, 2013** – Section 129 & 92 (related to AOC-4 and MGT-7)

- **WHAT THIS MEANS FOR CORPORATES**

This extension offers significant relief to corporates and professionals by providing **additional time for accurate and compliant filings**.

Companies should use this opportunity to review financials, update statutory registers, and ensure **error-free submission** before the extended deadline.

- **Compiled by Amruta Govekar**

Hunar Art



- By Aryan Shejwal

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