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EDITORIAL

Jane Street US - Allegations of SEBI Re Fraudulent and Unfair Trade Gains of INR 4,843 Crores : A complete failure of regulators

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The toughest interim order of SEBI in the matter of Equity Index derivative manipulation by Jane Street Group U.S.A. dated July 3, 2025 impounding INR 4,843.57 crores (Alleged gross gain of 44,358 crores) is a clear evidence of a complete failure of preventive regulatory mechanism of SEBI, particularly in preventing fraudulent and unfair trade practice. The interim action could be taken by SEBI only after 15 months of a newspaper report in USA was noticed in April 2024. SEBI mechanism or NSE surveillance could not detect even continuation of such PFUTP transactions. The following facts need attention:

- Equity Future and Options (Derivative) market retail investor lost INR 1, 80,000 crores during FY 2022 to FY 2024 (SEBI press release 23rd September, 2024).
- Indian retail individual traders in the equity derivative segment made net loss of INR 1,06,000 crore during 2024-25.
- During 12-month period ending March 2024, retail investors gross loss was INR 52,400 crores, whereas proprietary traders and foreign investors earned gross profit of INR 33,000 crores and 28,000 crores.
- The number of retail traders doubled from 51 lakhs FY 2022 to 96 lakhs in FY 2024

It is unfortunate that SEBI tracking system, in spite of best efforts could not monitor an open unfair and fraudulent trading in equity shares coupled with derivatives trading by number of proprietary traders and foreign investors misusing weekly derivatives as well as undertaking huge algo trading in cash and future market using their co-located servers in the NSE premises. The derivative trading as permitted is so highly complex that manipulative activities identification and timely tracking their impact require advance technology. The entire regulatory mechanism need to be revised comprehensively to address an open loot of Lakhs of Crores from retail investors, in a well-structured planned manner, to eradicate manipulative and fraudulent profit sucking strategies.

One did not learn enough from fraud on public at large arising from co-location of algo high speed trading servers and did not plug potential misuse of the system. The erring officials were also not adequately punished and a soft option of compounding of offence of NSE and the officials was adopted. **The new SEBI management**

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GST Rationalization—A Turning Point India Cannot Afford to Miss

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The Goods and Services Tax (GST) was envisioned as a "one nation, one tax" revolution. Eight years since its launch, India's Goods and Services Tax (GST) remains a work in progress. While it has streamlined indirect taxation in many ways, critical structural challenges still weigh it down. A complex rate structure, persistent issues with blocked Input Tax Credit (ITC), Reverse Charge Mechanism (RCM) and the inverted duty structure (IDS) continue to erode business efficiency and trust.

The Case for Rate Rationalization: Simplicity, Stability, and Growth

India's GST currently operates with a multi-slab structure 0%, 0.25%, 3%, 5%, 12%, 18%, and 28% and in composition scheme rates of 1%, 6%. Most goods and services fall under the 18% bracket, with essentials at 5% or 12% and luxury/sin goods at 28%. In addition there are Cess which are levied on certain products. This multiplicity breeds confusion, litigation, and administrative burden. GST Collections have witnessed much stronger growth than forecasted by the government and its agencies and accordingly the room to reduce rates exist. ***In my view 3%, 5% and 12% and 18% are adequate slabs in first phase. Items which are currently in rate structure up to 18% should be classified in 12% or lower and all items in 28% or having cess with higher rate should be brought down to 18%. The exemption limit and composition scheme limits need to be enhanced.***

Inverted Duty Structure: The Working Capital Trap

The inverted duty structure (IDS) is a silent killer of business liquidity. In sectors like textiles, electronics, and renewables, ***input GST rates (often 12–18%) exceed output rates (5%)***, resulting in excess Input Tax Credit (ITC) that cannot be fully utilized. This is not a theoretical problem—it is a daily cash flow crisis for thousands of firms. The refund in Inverted duty cases is also limited to Goods Inputs and refunds against service inputs has been denied without any rationale or justifiable reasoning.

ITC on Exempt Goods: The Unseen Tax

Businesses supplying exempt goods—healthcare, education, food—are denied ITC refunds on inputs, raising their effective cost of production. This is a hidden tax on sectors that are critical for

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EDITORIAL

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GST Rationalization

social welfare and economic inclusion. Higher costs for hospitals, schools, and food processors, which are ultimately passed on to consumers. Exempt has to be fully exempt.

Credits & Complex Formula for Input Tax Credit Reversal

The Items which are mainly blocked are works contract services for immovable property, motor vehicles, personal goods, and services. This may need reduction in terms of items included to extent possible for government to reduce complexity and ease business. Immoveable property used for business deserve a fair input credit and bar is unreasonable.

The complex GST formula need to be done away with and items which are eligible as inputs should be available as inputs. The reversal against exempt outward supplies need to be viewed more broadly and since exemption is granted to essentials, making any kind of tax burden on them is not in the interest of governments well – being policy and hence ITC should be allowed even when its against Inputs or Input services for outward supply of exempt supplies. We need to further allow refund of excess Input Tax Credit to enable ease of doing business and improving viability of doing businesses in India. ***Exempt need not be indirectly taxed.***

Delay and Denial of Genuine refunds

Refunds should be handled in a Faceless manner by an officer at least 1000 kilo meter away (similar to income tax) from Central processing Centre with user friendly interface, confidential video conference, removing delay, working capital crunch and even discretionary injustice and rampant corruption in government departments. Also all refunds must bear interest not less than 9% beyond 30 days from date of application. Also any refunds being rejected must be reviewed by a senior officer to avoid injustice.

The Stakes: Why Regulators Must Act Now

This is not just about tax rates—it's about India's economic future.

- Rate rationalization will not reduce government revenue if executed with care and transparency.
- It will unleash a wave of compliance, investment, and consumption, driving GDP growth and job creation.
- It will restore faith in the GST regime, making it a true engine of economic transformation.

The world is watching. Global investors, rating agencies, and Indian entrepreneurs alike are looking for signs that India can deliver on the promise of a modern, efficient, and fair tax system. The GST Council must seize this moment to act decisively.

Conclusion: Reform or Regress

India's GST journey is at a critical juncture. The facts are clear, the solutions are known, and the urgency is real. ***Rate rationalization, IDS correction, ITC refund reform, and simplification of compliance are not just technical tweaks—they are economic imperatives.***

The GST Council must not let this opportunity slip away. The time to act is now. For the sake of India's businesses, its middle class, and its economic destiny, ***let us make GST the engine of growth it was always meant to be.***

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LATEST IN FINANCE

Brickwork Ratings Reinstated: RBI Eases Basel III Compliance

As per **RBI Notification**, the Reserve Bank has **lifted the restrictions** on the use of credit ratings assigned by **Brickwork Ratings India Pvt Ltd (BRIPL).**

Low-Risk Customers Get Time till June 2026 for KYC

KYC update deadlines for low-risk individual customers have been extended to **1 year from due date or 30 June 2026**, Regulated Entities must send **3 advance notices** and **3 reminders** (including letters) before and after the due date.

Policy Rate Cut: Repo Slashed by 50 bps

The Monetary Policy Committee has reduced the **repo rate by 50 bps to 5.50%**. Consequently, the SDF(Standing Deposit Facility)and MSF (Marginal Standing Facility) rates now stand at 5.25% and 5.75%, respectively. The Reserve Bank of India (RBI) has also reduced the Cash Reserve Ratio (CRR) by 100 basis points (1%), from 4% to 3% of Net Demand and Time Liabilities (NDTL).This is aimed at stimulating liquidity and lowering borrowing costs.

NBFC-MFIs: Qualifying Asset Threshold Tightened to 60%

The RBI has revised the qualifying asset norms under the Master Directions for NBFC-MFIs. Now, **at least 60% of total net assets (excluding intangibles)** must consist of **qualifying microfinance loans**, aligned with the updated definition under para 3 of the Directions. This requirement must be maintained **on an ongoing basis**. If an NBFC-MFI fails to meet the threshold for **four consecutive quarters**, it must submit a **remediation plan** to the RBI for regulatory review..

Harmonised Gold & Silver Lending Norms Issued

The Directions, 2025 introduce a uniform regulatory framework for all **regulated entities (REs)** including commercial banks, co-operative banks, and NBFCs. The directions set **Loan-to-Value (LTV) caps at 85% for loans up to ₹2.5 lakh, 80% for ₹2.5–₹5 lakh**, and **75% for loans above ₹5 lakh**, to be maintained throughout the loan period. Loans above ₹2.5 lakh require **creditworthiness checks**. Lending against **primary gold/silver** or **re-pledged assets** is prohibited. REs must follow s**tandardised assaying and valuation practices**, ensure **secure storage**, and c**ompensate borrowers** in case of collateral loss or damage. Auctions must be conducted **transparently** with prior borrower intimation. These directions aim to improve **risk management, borrower protection**, and compliance consistency across India's gold-backed lending sector.

RBI's Prepayment Penalty Ban Poses Bigger Hit for NBFCs

The fee income of banks and non-banking financial companies (NBFCs) is expected to come under pressure following the Reserve Bank of India's (RBI) move to prohibit prepayment penalties on fresh loans extended to micro and small enterprises, effective January 1, 2026. While this regulatory change will affect all lenders, the impact will be more pronounced for NBFCs compared to commercial banks, as they rely more heavily on such charges for revenue.

RBI raises scrutiny of bank board meetings

The Reserve Bank of India (RBI) is taking a much closer look at bank board deliberations and may issue directives to improve governance practices. Variances in board meeting audio recordings, if any, and the minutes presented are also being looked into. In addition, the RBI is examining the role of board sub-committees, including audit committee the quality of their deliberations, involvement of the committee members, resolution of dissents, and the inputs provided by the chairpersons (of the sub-committees) to the board.

NHAI plans retail investors in InvIT

For the first time, retail investors will become equity holders in highway assets owned by the National Highways Authority of India (NHAI), as it seeks to tap the monetisation route more aggressively.The public will increase the investor base and run parelleIto the exten private InViT – National Highways Infra Trust (NHIT) -where the sponsor is NHAI with only Institutional Investors unit holders to a strategy paper released by the authority, with the changes in ToT monetisation, NHAI aims to offer three ToT bundles every quarter instead of two.

RBI Relief for Banks on Finance Norms

In a significant relief to the banking sector, the Reserve Bank of India (RBI) has reduced the provisioning requirement for project finance during the construction phase to 1%, down from its earlier proposal of 5%. A lender will now need to maintain a general provision of 1.25% (up from 1%) during the construction phase of commercial real estate projects, and 1% (from 0.75%) during the operational phase—after repayment of interest and principal begins.

For commercial real estate–residential housing projects, the required provisioning is 1% during construction and 0.75% in the operational phase. For all other projects, the provision will be 1% during construction and 0.40% in the operational phase. These guidelines will come into effect from October 1.

For under-construction projects with aggregate lender exposure up to ₹1,500 crore, no individual lender can have exposure of less than 10% of the total. Where the aggregate exposure exceeds ₹1,500 crore, the minimum exposure for any individual lender will be ₹150 crore or 5%, whichever is higher.

NHB Tightens Refinancing

linked to under-construction properties. In an order to housing finance companies (HFCs), the NHB said it will now provide refinancing only for houses where less than half the construction is completed at the time of first disbursement. Loans for completed houses should be treated as loan against property not home loans and not entitled to reframe. In December last year. NHB mandated that all HFCs report non-performing asset (NPA) data on the first day of each month, after observing that many lenders were following up record collections for the previous month well into the following week.

CAPITAL MARKET

Revision in Standards for Audit Committee & Shareholder Disclosures on Related Party Transactions

SEBI has mandated all listed companies to use a **standardized format** for disclosing **Related Party Transactions (RPTs)** to Audit Committees and shareholders. These revised **Industry Standards**, developed with ASSOCHAM, CII, and FICCI under the Industry Standards Forum (ISF), aim to bring uniformity and transparency in RPT approvals. The new rules take effect from **1st September 2025**, replacing earlier deferred deadlines. ISF and stock exchanges will publish the standards and FAQs on their websites. This circular **supersedes SEBI's earlier circulars** from February and March 2025.

VCFs Migration Timeline Extended

SEBI has extended the additional liquidation period for Venture Capital Funds (VCFs) migrating to AIF Regulations from **19 July 2025 to 19 July 2026.** This applies to VCFs that hadn't wound up within their original timelines.

Amendments to Alternative Investment Funds Regulations:

Under revised Regulation 17, **Category II AIFs** can now invest in **investee companies** or units of **Category I/II AIFs**, if disclosed in their Placement Memorandum. These funds must primarily invest in **unlisted securities or listed debt rated 'A' or below** by SEBI-registered CRAs.

SEBI's Proposes to Amend Merchant Banker Regulations

SEBI plans to amend the **Merchant Bankers Regulations, 1992**, allowing MBs to undertake **non-SEBI regulated, fee-based financial services** if these are related to merchant banking. Key points:

- **No need to separate** such activities into new entities.
- Must operate through **Separate Business Units (SBUs)** with ring-fencing and internal controls.
- Disclosures on websites and contracts must clarify that **SEBI protections don't apply.**
- **Half-yearly compliance reports** required.
- **Effective 30 days** after gazette notification.
- **Minimum net worth requirement** proposed to be increased **from ₹5 crore to ₹10 crore.**

The move promotes **ease of doing business** while maintaining transparency and investor awareness.

SEBI's Uniform Fee Norms Set for BSE Trial

Several market participants have raised concerns over BSE's transaction charges, alleging inconsistencies with the Securities and Exchange Board of India's (Sebi's) 'true-to-label' circular. According to market players, high-volume scrips in BSE's Group 'A' or 'B' attract a low fee of 0.00375 per cent, while low-volume groups face charges as high as 3 per cent.

SEBI Eases IA Entry, Tightens Compliance SEBI allows graduates to register as IAs with no experience. Net worth norms replaced by deposit-based system. Fee capped at ₹1.51 lakh/year or 2.5% AUA. MITC, audits, websites, and AI disclosures mandatory by June 30, 2025. Large IAs must shift to firm structure in 3 months.

Founders Can Retain ESOPs at IPO Stage

In a significant boost for start-up promoters, the SEBI board has approved a proposal allowing them to retain Employee Stock Options (ESOPs) at the time of an Initial Public Offering (IPO), subject to conditions. The move enables founders who were granted ESOPs at least one year before filing the Draft Red Herring Prospectus (DRHP) with SEBI to hold or exercise such benefits even after being classified as promoters and the company transitioning to a listed entity.

FEMA

Bonus Shares Permitted in Prohibited Sectors

Significant clarification in the **FEMA (Non-Debt Instruments) Amendment Rules, 2025** allows Indian companies operating in sectors where FDI is otherwise prohibited to issue bonus shares to their existing non-resident shareholders to ensure non-discriminatory treatment between resident & non-resident shareholders in bonus issues.

Govt fast-tracks FDI approvals for Chinese firms

The Govt has streamlined procedures for clearing foreign direct investment (FDI) proposals from Chinese companies, significantly reducing the time taken to process such applications

India-Oman DTAA Protocol w.e.f. 28 May 2025

As per Income Tax Notification 69/2025, the amended **India-Oman Double Taxation Avoidance Agreement (DTAA)** is now in force. Key updates include:

- **WHT Reduction:** Royalty and technical service fee rates reduced from **15% to 10%**
- **Updated Definitions:** Revised terms for "competent authority" and "tax year"
- **Residency Rules:** New criteria for non-individual tax residency
- **New Provisions:** Articles added on **non-discrimination, enhanced information exchange,** and **assistance in tax collection**

These changes aim to streamline cross-border taxation and improve tax cooperation between India and Oman.

Action against non-compliant taxpayers with foreign income

A total of 231,000 taxpayers have reported their foreign assets and income in AY25, witnessing a growth of 45.17% from 159,000 taxpayers in AY24.

Guidelines for Compulsory Scrutiny of Returns for FY 2025–26

The Central Board of Direct Taxes (CBDT), has issued clear parameters for **compulsory selection of Income Tax Returns (ITRs) for complete scrutiny** during Financial Year 2025–26. Key Grounds for Compulsory Scrutiny:

- **Survey Cases (Section 133A):**Returns will be compulsorily scrutinized if a survey was conducted on **or after 1st April 2023.**
- **Search & Seizure Cases (Section 132/132A):**
  - Scrutiny is mandatory for cases involving search operations or requisitions initiated between 1st April 2023 and 31st March 2025.
  - Such cases will generally be transferred to Central Charges within 15 days of notice issuance.
- **Charitable/Religious Trusts (ITR-7 Filers):** Returns filed under ITR-7 claiming exemption/deduction will face scrutiny if:
  - Registration under Sections 12A, 12AB, or 10(23C) was not granted, cancelled, or withdrawn by 31st March 2024,
  - Unless the denial/cancellation has been overturned on appeal.
- **Cases with Recurring Additions:**
  - If **additions of ₹50 lakh or more** (in Delhi, Mumbai, Kolkata, Chennai, Bengaluru, Hyderabad, Ahmedabad, and Pune) or **₹20 lakh or more elsewhere** were made in past years,
  - And such additions have been sustained in appeal or have attained finality, those cases will be compulsorily scrutinized.
- **Information from Enforcement/Regulatory Agencies**: Returns will be selected for scrutiny if credible, case-specific information related to tax evasion for the relevant assessment year has been received from law enforcement or regulatory authorities and the return has been filed.

TDS Exemption for IFSC Units on Specified Payments

Income Tax Notification 67/2025 dated 20/06/2025 exempts certain payments made to units located in **International Financial Services Centres (IFSCs)** from **Tax Deduction at Source (TDS).** Exempt categories include **professional, consulting, and advisory fees** paid to BATF service providers, **payments from recognised stock exchanges, commissions and incentives** to broker-dealers, and **interest on lease and freight/hire charges** for finance companies. To claim the exemption, the IFSC unit (payee) must furnish **Form No. 1**, declaring its eligibility for **Section 80LA deduction** for any of the ten consecutive assessment years.

Govt Extends IT Exemptions for SWFs and Pension Funds

To facilitate continued tax benefits, the Finance Ministry has notified a five-year extension for tax exemptions granted to 40 Sovereign Wealth Funds (SWFs) and Pension Funds (Pfs). Earlier set to expire on March 31, 2025, the new sunset date for eligible investments is now March 31, 2030.This means that income earned from investments made up to March 31, 2030 will continue to enjoy tax exemption under Clause (23FE) of Section 10 of the Income Tax Act. The clause allows specified persons to claim exemptions on dividend income, interest, long-term capital gains, and certain other income arising from eligible investments in India.

Some Beneficiary Entities:

- MIC Redwood 1 RSC Ltd (Abu Dhabi)
- Dagenham Investment Pte Ltd (Singapore)
- AIMCo India Infrastructure Ltd
- Canada Pension Plan Investment Board
- Caisse de dépôt et placement du Québec
- Bricklayers Investment Pte Ltd (Singapore)
- Norfund (Government of Norway)

I-T Dept Lens on Crypto Investors for 'Tax Evasion'

The income tax department has detected significant tax evasion and laundering of unaccounted income through investments in cryptocurrencies. It has sent emails seeking details from thousands of defaulting taxpayers engaged in virtual, digital asset transactions

ITRs Matched with TDS Data from Crypto Exchanges

The Income Tax Department is cross-verifying Income Tax Returns (ITRs) filed by taxpayers with TDS (Tax Deducted at Source) returns submitted by crypto exchanges. Defaulters may be flagged for further verification or scrutiny. As per the Income-tax Act, a flat tax rate of 30% applies to income from Virtual Digital Asset (VDA) transfers. The law disallows deductions for any expenses other than the cost of acquisition, prohibits loss set-off, and does not permit carry forward of losses to future years.

DIRECT TAX (CASE LAWS)

Assessment u/s 153C – Invalid Due to Limitation and Lack of Jurisdiction

ITAT Chennai quashed the assessment framed u/s 153C for AY 2008–09, holding it time-barred and jurisdictionally invalid. The satisfaction notes, recorded 4 years after the search (15.10.2014), violated the requirement of contemporaneity and failed to prove that seized material "belonged to" the assessee. Relying on Calcutta Knitwears (SC), Sarwar Agency and Super Malls (Del HC), the Tribunal ruled that both the delay in satisfaction recording and non-application of mind in 153D sanction rendered the assessment void ab initio. *[Smt. Prema Devi (L/R of Late Shri Dharmichand Jain) v. DCIT, ITAT Chennai | ITA Nos. 563–567]Valuation of unquoted equity shares by DCF method permissible under rule 11UA(2):*

Valuation of unquoted equity shares by DCF method permissible under rule 11UA(2):

HC held that valuation of unquoted equity shares held by the assessee by Discounted Cash Flow (DCF) method is permissible under rule 11UA(2) of the Income Tax Rules. Accordingly, appeal of revenue dismissed. *[PCCIT vs AH Multisoft Pvt Ltd | Delhi HC |]*

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Prior Year Losses Not to Be Included in 'Tax Effect' for CBDT Appeal Thresholds

The Court clarified that losses from earlier assessment years cannot be factored into the **"tax effect"** while determining the maintainability of an appeal under CBDT's monetary limit circulars.

The High Court rejected the Revenue's attempt to widen the scope of "tax effect" beyond what is prescribed in the CBDT instructions, holding that **the department is bound by its own circulars.** This judgment reinforces the principle that only the **actual disputed tax for the relevant assessment year** should be considered for appeal threshold calculations. CIT vs Sis Live (Delhi High Court judgment

Interest Paid on Cancelled Bookings Held Deductible as Business Expenditure

The ITAT Delhi upheld the allowability of 69.26 lakh interest paid by the assessee to customers on refund of booking advances after property cancellations. The AO had disallowed the amount, treating it as penal and not allowable u/s 37(1). However, the Tribunal held that the interest was **contractual and compensatory**, arising from commercial arrangements and directly linked to the assessee's real estate business. It endorsed the assessee's treatment of capitalizing such interest to work-in-progress (WIP), rejecting the Revenue's stand that it was penal in nature. The appeal was dismissed. *[Case: DCIT, Central Circle-2, New Delhi vs. Majestic Properties Pvt. Ltd. & Ors.]*

Cross-Cost charges not Royalty- Nil Withholding Tax

HC held that payment of cross-cost charges does not construed as royalties within scope of Article 12(3) of the India-US DTAA, hence order rejecting application for NIL withholding tax set aside. AO directed to issue necessary certificate. *[Aecom Technical Services vs ITO | Delhi HC]*

Disallowance of contingent liability u/s. 37

The dispute centred around the disallowance of ₹1,50,81,767 under Section 37 of the Income Tax Act, which was initially treated by the Assessing Officer (AO) as a contingent liability. The AO observed this amount under Note 7 of the financial statements and noted the assessee's failure to furnish party-wise details or explain whether TDS had been deducted. Due to lack of documentation at the assessment stage, the AO added the entire amount, alleging it was an unascertained and unsupported liability.However, during appellate proceedings, the assessee submitted detailed party-wise breakup showing that the amount represented provisions for ascertained expenses such as audit fees, rent, interest, freight, and professional charges. These were made at year-end and not merely contingent in nature. The matter was referred back to the AO in remand proceedings, who confirmed the genuineness of the liabilities and the fact that TDS had been duly deducted. Relying on the remand report and explanations furnished, the CIT(A) rightly deleted the disallowance. The ITAT upheld this view, confirming that the expense provisions were legitimate and deductible under Section 37, thus dismissing the Revenue's appeal. *[In the case of ITO, Ward-4(1)(1), Ahmedabad vs. Shree Gayatri Cottex Engineers Pvt. Ltd.,]*

Mechanical Approval Under Section 151 Renders Reopening Under Section 148 Invalid

The Delhi Income Tax Appellate Tribunal (ITAT) quashed the reassessment proceedings initiated under Section 148 of the Income Tax Act. The key issue involved the validity of the approval granted by the Principal Commissioner of Income Tax (PCIT) under Section 151 of the Act. The PCIT's approval, dated 28.03.2019, was found to be mechanical and lacking application of mind, as it merely stated: "Yes, I am satisfied on the reasons recorded by the AO that it is a fit case for issue of notice under Section 148." No reference was made to any underlying documents, material evidence, or independent assessment of the facts before sanctioning the reassessment. The ITAT held that such non-speaking and cursory approval fails the legal threshold required under Section 151 for authorizing reassessment. Since proper satisfaction by the sanctioning authority is a jurisdictional prerequisite for issuing notice under Section 148, the absence of such examination rendered the reopening procedurally defective and invalid in law. Accordingly, the tribunal allowed the assesses appeal and set aside the reassessment proceedings, reinforcing that mere rubber-stamp approvals cannot substitute statutory diligence *[Raj Kumar vs. ITO, Ward-2(5), Uttar Pradesh DELHI ITAT]*

GST

CBIC Clarifies No Need for DIN on GST Portal Communications

As per GST Circular, communications issued through the GST common portal already carry a Reference Number (RFN), which meets legal requirements under Section 169 of the CGST Act. Since RFN ensures traceability and online verification, quoting a separate Document Identification Number (DIN) is not required for such communications. This simplifies procedures without compromising document authenticity.

GSTN Advisory: Filing Bar After 3-Year Deadline from July 2025

As per the GSTN Advisory dated 07/06/2025, taxpayers will be barred from filing GST returns after three years from their respective due dates, effective from the July 2025 tax period. This applies to returns under Sections 37, 39, 44, and 52 of the CGST Act—covering forms GSTR-1, GSTR-3B, GSTR-4, GSTR-5, GSTR-5A, GSTR-6, GSTR-7, GSTR-8, and GSTR-9.

Taxpayers are urged to reconcile and file any pending returns immediately to avoid permanent inaccessibility on the portal.

GST (CASE LAWS)

Validity of Rule 36(4) of CGST Rules restricting ITC

Facts:

The petitioner challenged Rule 36(4) of the CGST Rules, which restricts Input Tax Credit (ITC) claims to the extent reflected in GSTR-2A/2B, arguing it was ultra vires the CGST Act and an infringement on taxpayer rights. They claimed it unfairly penalized bona fide purchasers when suppliers failed to upload invoices.

Decision:

The High Court upheld the constitutional validity of Rule 36(4), stating that the restriction aims to prevent tax evasion and ensure accurate credit claims. The Court noted that a purchaser's duty includes ensuring compliance by the supplier. Thus, the rule was seen as a reasonable regulatory measure, and the writ petition was dismissed. *[shri Ram Stone Works v. State of Jharkhand HC Jharkhand]*

Whether dual levy of Central and State taxes on the same service is permissible Facts:

L&T Geostructure challenged the simultaneous levy of Central service tax and State entertainment tax on certain broadcasting-related services provided under a composite contract. The petitioner argued that such a parallel levy amounts to double taxation. The Madras High Court dismissed the petition and upheld the **dual taxation**, relying on the 'aspect theory' from Supreme Court precedents. It ruled that **different aspects of the same transaction can be taxed by different authorities**, provided they operate in distinct spheres (e.g., service vs. entertainment). Hence, the imposition of both taxes was found constitutional and legally valid.[*L&T Geostructure LLP v. Union of India.*]

LEARNING POINT :What is Aspect Theory in Taxation? A single transaction can wear many hats—and that's where Aspect Theory comes in."

Under Indian tax law, **Aspect Theory** allows both the Centre and State to **levy separate taxes on different aspects of the same transaction.** For instance, when a TV program is broadcast, the Centre may charge **GST** on the service, while the State may impose **Entertainment Tax** on the viewer experience. Though legal, critics argue it violates the spirit of **"One Nation, One Tax"** by burdening taxpayers with overlapping levies. Yet, courts uphold it—seeing each tax as targeting a distinct constitutional power.

IMPORT & EXPORT

Import of Shipping Vessels – Relaxation in Advances

RBI has eased the conditions for advance remittance payments towards the import of shipping vessels. Category-I AD Banks are now permitted to process advance remittances up to USD 50 million per transaction without bank guarantee, or an unconditional, irrevocable standby Letter of Credit (SBLC). Other conditions related to import documentation, reporting, and adherence to FEMA provisions remain applicable.

INDUSTRY UPDATE

Micron's ₹13K-cr Chip SEZ Proposal Gets Govt Nod

The government has approved Micron Semiconductor's ₹13,000-crore proposal to establish a special economic zone (SEZ) facility in Sanand, Gujarat. The approval of this and other proposals follows the amendments to SEZ rules notified on June 3. These changes are expected to catalyse high-tech manufacturing and accelerate the growth of the semiconductor manufacturing ecosystem in India.

SEBI – DECISIONS /CIRCULARS /PRESS RELEASES

Mutual Fund Reforms

SEBI implemented changes in NAV disclosure norms to ensure same-day realization for purchases through UPI or digital modes. The regulator also introduced caps on Total Expense Ratio (TER) to make mutual fund products more cost-effective and investor-friendly, especially for debt and hybrid schemes.

IPO & Secondary Markets

In a move to boost liquidity and attract sophisticated investors, SEBI approved a T+0 settlement pilot for secondary markets and reduced the lock-in period for anchor investors in IPOs from 90 days to 30 days. These steps were part of SEBI's broader capital markets reform strategy to reduce float-time risk and align with global practices.

SEBI Board Decisions – (April -July 2025)

Physical Share Transfers

To resolve legacy investor grievances, SEBI introduced a special re-lodgement window for physical shares purchased before April 1, 2019. Investors can submit their transfer deeds and supporting documents between July 7, 2025, and January 6, 2026, failing which their claims may become ineligible. This move enhances record clarity and legal ownership in dematerialized securities.

SEBI Circular

Bond Market Development

SEBI launched the Bond Central platform on July 10, 2025, designed to deepen the corporate bond market. This centralized portal will enhance price discovery, transparency, and retail participation, aligning with global best practices and reducing information asymmetry in the OTC bond space.

Related-Party Transactions (RPTs)

SEBI deferred the implementation of revised RPT disclosure norms to July 1, 2025. The updated standards require tiered reporting mechanisms to audit committees and shareholders, along with increased granularity of financial relationships in disclosures.

InvIT Financial Reporting

SEBI introduced a standardized reporting format for Infrastructure Investment Trusts (InvITs) to streamline quarterly financial statements and enhance investor understanding. The first reports under this new framework became effective July 2025. SEBI need to open all filings with it open to public view including filed by InvIT, ReIT, AIFs and not to limit these to participating beneficiary. This will bring transparency and financial responsibility to public disclosure.

Non-Convertible Securities (NCS)

Starting August 18, 2025, SEBI mandated simplified yield-price disclosure for non-convertible securities, along with enhanced cash flow projections for debt instruments. This aims to assist both retail and institutional bondholders in comparing yield risks accurately.

Gold and Silver ETF Valuation

SEBI published a consultation framework mandating that asset managers use domestic exchange spot prices for valuing Gold and Silver ETFs. Public feedback on the new pricing methodology is open until August 6, 2025, aiming to improve valuation transparency.

OTHER IMPORTANT LAWS

MCA Amends XBRL Filing Rules – Mandatory PDF Attachment - Effective from 14th July 2025

MCA has amended the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015.Companies filing their financial statements in XBRL (Form AOC-4 XBRL) must now **attach a signed PDF copy** of the same documents.

The signed PDF must include:

- Financial Statements
- Board's Report
- Auditor's Report
- Other documents required under Section 134 of the Companies Act, 2013 Changes made to **Annexure-I,** impacting format and data structure of e-Form AOC-4 XBRL. Purpose: Ensure authenticity of financial filings, especially during digitization and machine-processing of XBRL data.

Form INC-22A (ACTIVE) – 2025 Amendment Clarified

As per MCA Notification, revised Form INC-22A (ACTIVE) will apply from 14 July 2025, with updated disclosure requirements like auditor details, geo-tagged office photos, and director/KMP certification. However, the amendment does not change the applicability, which remains limited to companies incorporated on or before 31 December 2017. Any expansion in scope would require a separate amendment to Rule 25A.

MCA designates Special Courts for Corporate Offenses:

MCA (Ministry of Corporate Affairs) has designated special courts in SAS Nagar (Punjab), Gurugram (Haryana), and Chandigarh (UT) to ensure faster trial of corporate offences under Section 435(2)(b) of the Companies Act.

Waiver of Late Fees for 13 Forms during V3 upgrade

Due to the MCA21 portal upgrade from V2 **to V3** (18 June–13 July 2025), MCA has waived additional filing fees for 13 specified forms including CSR 2 . Filings due during this period can be submitted **without penalty till 15 August 2025.**

MCA totally shifts e-filing forms to new portal

In a notification, the MCA said it is launching a final set of 38 forms, including 13 annual filing forms and six audit/cost audit forms, on July 14. This launch will effectively shift the entire company filing process from V2 to version 3.0 (V3) of the MCA portal, rendering V2 obsolete.

Insolvency & Bankruptcy Code Cannot Override PMLA: NCLAT

Under section 14 of IBC, a moratorium is applied on those assets for the purpose of resolution. However, if the property is alleged to be "proceeds of crime" and is already under adjudication by competent authority under a penal statute, such property cannot be deemed to be part of the freely available resolution estate, the National Company Law Appellate Tribunal (NCLAT) said.

OTHER IMPORTANT CASELAWS

CIRP Terminated as Corporate Debtor Can Fully Repay: NCLAT

CIRP was initiated against Rajasthan Land Holdings Ltd. The Corporate Debtor had sufficient funds to pay all admitted claims of the Committee of Creditors (CoC). NCLAT upheld the termination of CIRP, stating that continuation was unjustified as the debtor could settle dues without undergoing insolvency resolution. Affirmed that IBC's objective is resolution, not unnecessary proceedings.

AUDIT AND ACCOUNTS

ICAI Draft Amendment – Forensic Investigation

ICAI has proposed an amendment to **Regulation 204** of the Chartered Accountants Regulations, 1988, to formally include **"Forensic Investigation"** as a recognised area of practice for CAs.

CA firms to assist CAG

For the first time, the Comptroller and Auditor General of India (CAG) will co-opt chartered accountancy (CA) firms in 30 locations across the country to assist in the audit of around 300 autonomous bodies that implement government programmes.

Upcoming Programs

Income Tax Expert Study Group

Future Meeting Dates	Timings
Meeting 17 23rd August 2025	8:30 AM – 1 PM followed by Lunch
Meeting 18 8th November 2025	8:30 AM – 1 PM followed by Lunch
Meeting 19 13th December 2025	8:30 AM – 1 PM followed by Lunch

For Details please visit
https://aicas.in/event.html

GST Expert Study Group

Future Meeting Dates	Timings
Meeting 11 23rd August 2025	1 PM – 5 PM followed by High Tea
Meeting 12 13th December 2025	1 PM – 5 PM followed by High Tea

Finance Professionals Group

Future Meeting Dates	Timings
Meeting 2 8th November 2025	1 PM – 5 PM followed by High Tea

Glimpses from Recent Programs

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HC rules NFRA can probe audits before its creation

The Telangana High Court's recent ruling that the National Financial Reporting Authority (NFRA) can investigate chartered accountants for audits conducted before its formation in October 2018 would strengthen the hands of the regulator.The order makes it clear that NFRA could take definitive action against errant auditors, even in past cases. However, the ruling prevents the NFRA from imposing penalties higher than those prescribed in the period when the lapse occurred.

IFRS 18 vs IAS 1: A Shift Toward Structured and Transparent Reporting

The issuance of IFRS 18 by the IASB marks a significant evolution in how financial statements are presented and disclosed. Replacing key parts of **IAS 1**, IFRS 18 aims to enhance **comparability, transparency**, and **investor relevance** by standardizing the structure of the income statement and bringing non-GAAP measures within the scope of formal reporting. Below is a concise comparison of the key changes introduced:

Feature	IFRS 18 *(Effective Jan 2027)*	IAS 1 *(Existing Standard)*
Structure of P&L	Mandates three categories: Operating, Investing, Financing	No prescribed categorization; companies free to present own format
Subtotals (e.g. Operating Profit)	Required and standardized	Optional; inconsistently presented across entities
Management-Defined Performance Measures (MPMs)	Mandatory disclosure with reconciliation to IFRS figures	Not covered; non-GAAP metrics often unregulated
Disaggregation of Information	Enhanced guidance; "other" line items must be explained	Less specific; high aggregation permitted
Unusual Income/Expense Disclosure	Required with description and rationale	Not explicitly required
Comparability Across Entities	High – structured format promotes consistency	Low – flexibility leads to variation
Replaces IAS 1?	Partially replaces IAS 1 (mainly on presentation / disclosure)	Remains applicable until IFRS 18 takes effect
Effective Date	For periods beginning on or after 1 Jan 2027 (early adoption allowed)	In force until IFRS 18 is adopted

NFRA Slaps Notices on IndusInd Auditors

India's regulator has asked several Chartered Accountancy Firms to share details pertaining to **IndusInd** Engagement. The past auditors include **PwC** (2015-16 to 2017-18); **S.R. Batliboi** (Ernst & Young for 2018-19); **Haribhakti & Co** (2019-20, 2020-21); and, **MP Chitale & Co** along with Haribhakti & Co in 2021-22. **MSKA & Associates and MP Chitale & Co were the joint auditors for 2023-24.**

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EDITORIAL Jane Street US - Allegations of SEBI

under the able leadership of current chairman is committed to take decisive action and we wish to make following suggestions to immediately stop fraud & manipulation still continuing in the name of providing liquidity & hedging, undertaking aggressive high frequency large size trading using algo (trading using special hardware, software & programs) by undertaking millions of transactions every minute. The logic used in algo is based on how best profit can be sucked from the market. The competition is who can make more manipulative & fraudulent gain at the cost of poor small millions of public investors. **SEBI, RBI and Government may please urgently consider:**

1. Derivative as a product was brought in to hedge risk & SEBI should restrict that derivative positions can be taken only to the extent of existing market exposure & limited to maximum level of perfect hedging as defined in IND AS. Naked Derivatives and derivatives relating to existing exposure can only be permitted. The manipulation by derivatives is 100 times larger than Badla or ulta(reverse) Badla or ALBM tried in past. SEBI may consider applying same restrictions as applicable to currency hedging by derivatives, recently implemented.
2. The facility of algo high speed trading provided by NSE & BSE need to be withdrawn immediately as this is the main tool for all strategic manipulation by fraudulent minds. SEBI never permitted successive huge buying at incremental rates followed by successive or intermittent huge selling to manipulate prices and gain unfairly. Lot of such trading is undertaken and is not possible to track. One need to check as to where there are more than 1000 members, how the system ensure priority and parity to all trading partners. One need to examine the role of differential tick size in bid and ask as an aid to market manipulation. The multi legs strategies should be allowed only after careful consideration. These strategies implemented through ALGO high frequency trading have propensity to influence the price behaviour as was there, probably in the instant case as examined and presented by SEBI.
3. Non-Resident Indians are already prohibited to undertake day trading & speculative transactions. Only delivery-based transactions are permitted to NRIs. The relaxation provided to foreign funds & other entities to undertake high frequency day trading & speculative (manipulative) derivatives and equity transactions must be banned.
4. No foreign investors can be permitted to undertake trading. They should be permitted to either buy or sell delivery based transactions only.
5. The weekly derivative products are highly manipulative. These were brought in only in last 2 years. The monthly derivatives were still less speculative and less risky. Hedging in any case is not required for day traders, it should be restricted only to cash delivery-based existing positions limited to real hedge only.
6. There is no logic to support day traders hedging by providing them weekly products. Most of the equity derivatives & Index derivatives transactions are taken on last day of settlement or a day before, clearly making it a speculative facility supporting high end fraud and manipulation.
7. The gains from derivatives trading should not be permitted to be repatriated and should be taxable at maximum marginal rate. A single foreign investor earning 44358 crores from Equity index derivatives is clear example of how our country is being looted by foreigners- a failure of regulatory system.
8. Co-location of dedicated broker's servers to such huge international funds and even to Indian Proprietary traders at NSE-BSE premises, create a PE and provide an unfair advantage against the public investors located in the entire country, as they are bound to get delayed response to enable them to buy or sell and has to work with only left over deals. The co-location enables special priority to proprietary traders & foreign funds.

It may be noted that the **artificial liquidity** created by very large sudden investment followed by huge sudden dis-investment on the same day may only manipulate the market prices and the liquidity is only deceptive.

We firmly believe that SEBI board and its able team of professionals lead by its current Chairman is now actively seized of this matter and an urgent long term market wide action is expected from them.

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Glimpses from Recent Programs

16th Meeting - Income Tax Expert Study Group

Left to Right : CA. Vaibhav Jain, CA. Mohit Gupta, Senior Adv. Salil Aggarwal, Dr. (Adv.) Ravi Gupta, CA. Vinod Jain, CA. D C Garg, CA. Baldev Raj

1st Meeting - Finance Professionals Group

Left to Right : CA. Vaibhav Jain, CA. Khem Chand Gupta, CA. Vinod Jain,CA. Ashok Agarwal, Dr.(CA.)Naresh Chand Maheshwari, Sh. Kunal Saraogi, CA. Amit KC Jain

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