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Monthly Newsletter Series
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KNOWL with an **EDGE**



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ITR portal update: Now view if and when an I-T official saw or reviewed your tax notice submissions, know how it benefits taxpayers

The Income Tax (I-T) Department has introduced a new feature on its website which shows the exact date and time when the Assessing Officer (AO) or Commissioner of Income Tax (Appeals) [CIT(A)] has viewed or reviewed your tax notice submission in faceless proceedings.

The new feature ensures taxpayers know when their response has been accessed by the tax authority.

<https://economictimes.indiatimes.com>

Why Income Tax Cases Drag On For Decades?

When the Karnataka high court disposed of a tax case against Texas Instruments in 2020 the ruling could not have come a day sooner for the American chipmaker.

It took the court no fewer than 3,403 days to pass its ruling.

That the resolution of the case -- the ruling went in favour of the multinational -- took nearly 10 years is not unusual in India.

There were 14,858 cases that took 10 to 15 years to resolve across high courts, shows a Business Standard analysis of a database of over 320,000 tax disputes filed between 2000 and 2021 across 23 out of 25 high courts compiled by legal thinktank DAKSH.

Another 1,890 took more than 15 years for disposal.

A combination of overburdened courts, misaligned incentives for department behaviour including aggressive revenue targets, and a tendency to treat all cases alike -- without prioritising important ones -- has resulted in unending timelines, according to experts who say speeding up this process may take some doing.

<https://www.rediff.com>

Tax dept used AI to issue income tax notice; Bombay High Court quashes notice, calls process unfair to taxpayer

The Bombay High Court has observed that the income tax department has relied on AI (artificial intelligence) to reference three non-existent judicial rulings and issued a tax notice for Rs 22 crore income of a taxpayer.

The court noted that there are no such rulings that the income tax department is trying to use for this tax notice. The Bombay High Court questioned how the tax department came across these supposed judicial judgements.

Bombay High Court said: "In this era of Artificial Intelligence ('AI'), one tends to place much reliance on the results thrown open by the system. However, when one is exercising quasi judicial functions, it goes without saying that such results [which are thrown open by AI] are not to be blindly relied upon, but the same should be duly cross verified before using them. Otherwise mistakes like the present one creep in."

<https://economictimes.indiatimes.com>

GST Portal data alone cannot be basis for making additions

Tribunal accepted that AO's approach was based on a portal-extracted figure that may not reflect filing corrections or reconciliations done by Assessee. It noted that mere divergence in volumes between GST-portal data & ITR figures does not automatically imply inflation or wrongdoing, unless the difference is conclusively shown to be spurious or fabricated. While procedural non-compliance by Assessee was noted, Tribunal found that justice requires a genuine opportunity to reconcile differences before confirming massive additions. ITAT Remands for Full Reconciliation insisting on genuine reconciliation.

www.itatonline.org

Rejection of DCF Valuation

In the case of Kataria Snack Pellets Pvt. Ltd. Vs ACIT, ITAT Rajkot held that

The CA's report lacked independent verification & relied solely on management-provided data. Optimistic projections without industry benchmarking rendered the valuation speculative. Terminal value & discounting factors were absent or unsubstantiated. Since the foundation in form of valuation certificate was defective, the entire claim collapses. Adoption of NAV method by the AO was justified in such circumstances. The DCF valuation report being unreliable & inconsistent with ICAI standards, the AO rightly invoked section 56(2)(viib).

www.itatonline.org

Advisory on Simplified GST Registration Scheme (Rule 14A – CGST Rules, 2017)

To ease compliance for small taxpayers, the Government has notified a **Simplified GST Registration Scheme** under **Rule 14A**, enabling eligible persons to obtain a streamlined registration based on self-assessed monthly output tax liability.

Eligibility (Self-assessment basis):

Taxpayers whose **total monthly output tax liability** (CGST + SGST/UTGST + IGST + Compensation Cess) **does not exceed ₹2.5 lakh** may opt for registration under this rule.

Note: A person cannot obtain multiple registrations under Rule 14A in the same State/UT against the same PAN.

Key Features on GST Portal:

- At the time of filing **FORM GST REG-01**, applicants must select “**Yes**” for *Option for Registration under Rule 14A*.
- Aadhaar authentication** is mandatory for the Primary Authorised Signatory and at least one Promoter/Partner.
- Registration is granted **electronically within 3 working days** from ARN generation, subject to successful Aadhaar authentication.

Conditions for Withdrawal from the Scheme:

- All pending returns from the effective registration date to withdrawal application date must be filed.
- Minimum return filing requirement:
> **3 months** of returns if withdrawal is sought **before 1 April 2026**, or
> **1 tax period** if applying **on/after 1 April 2026**.
- No amendment or cancellation application should be pending.
- No proceedings under **Section 29** should be initiated or pending.

Advisory: Introduction of Import of Goods Section in IMS

From the **October 2024** tax period, the **Invoice Management System (IMS)** enables taxpayers to accept, reject, or keep pending invoices uploaded by suppliers via GSTR-1/1A/IFF.

To enhance reconciliation efficiency, a new “**Import of Goods**” section has been introduced in IMS. From the **October 2025** period onwards, taxpayers can view

Bills of Entry (including SEZ imports) and take appropriate actions on each BoE.

Key Note:

If no action is taken on a BoE, it will be treated as **deemed accepted**. Actions taken will auto-populate the draft GSTR-2B on the **14th of the following month**.

Supreme Court Update – Major Relief for Businesses & MSMEs

SC allows Input Tax Credit to Buyer even if Seller fails to deposit tax

In a landmark decision, the Hon'ble Supreme Court has upheld the Delhi High Court ruling granting **VAT Input Tax Credit** to buyers despite the supplier's later default and cancellation of registration.

Key Observations:

- Tax invoices and transactions were genuine and duly supported.
- Sellers were validly registered at the time of the transaction.
- Default in tax payment and cancellation of registration occurred **after** the transaction.
- Buyers acting in **good faith** cannot be penalised for the seller's subsequent non-compliance.

Case Reference:

Shanti Kiran India Pvt. Ltd. vs. Commissioner of Trade & Tax, Delhi
Civil Appeal No. 2042–2047/2015 | **Judgment Date:**
09.10.2025

Significance:

A highly positive ruling that safeguards bona fide purchasers. The principles of this judgment may hold persuasive value under the **GST regime** as well.

RBI Simplifies EDPMS & IDPMS Reconciliation for Small Exporters and Importers

In a move to ease compliance for small traders and accelerate trade data reconciliation, the Reserve Bank of India (RBI) has through its recent Circular introduced a simplified procedure for closing small-value entries in the Export Data Processing and Monitoring System (EDPMS) and Import Data Processing and Monitoring System (IDPMS).

Key Highlights of the Circular

1. Simplified Closure for Small-Value Transactions

- Authorised Dealer (AD) Category I banks may now close EDPMS/IDPMS entries up to ₹10 lakh per bill/entry based solely on a declaration from the concerned exporter or importer.
- This declaration will confirm either realisation of export proceeds or payment of import dues.

2. Acceptance of Value Adjustments

- Reductions in invoice or declared value (e.g., due to post-shipment discounts or quality disputes) will be accepted on the basis of the trader's declaration alone, without additional documentation.

3. Quarterly Consolidated Declarations Permitted

- Exporters and importers can submit one consolidated declaration per quarter covering multiple small-value transactions for bulk reconciliation and closure.

4. Review of Bank Charges

- AD banks have been directed to revisit service charges for handling these small-value transactions and ensure that fees are reasonable and proportionate to the reduced compliance effort.
- No penal charges are to be levied for delays in meeting procedural timelines.

Impact and Implications

- This relaxation marks a significant compliance relief for MSMEs, small exporters, and importers, allowing quicker closure of trade data entries and reduced documentation.
- The change will streamline trade monitoring for banks and improve India's export ease-of-doing-business metrics.
- It also reinforces RBI's focus on risk-based supervision—prioritising larger, higher-risk transactions while simplifying low-value, low-risk ones.

With this move, the RBI has balanced compliance simplification with regulatory prudence, empowering smaller businesses to focus on trade rather than paperwork.

Exporters, importers, and AD banks should align internal processes to leverage this declaration-based closure mechanism effectively.

(A.P. (DIR Series) Circular No. 12 dated October 1, 2025)

RBI Expands Investment Options for Surplus Balances in Special Rupee Vostro Accounts

In a move to further internationalise the Indian Rupee (INR) and deepen its global trade usage, the Reserve Bank of India (RBI) has recently issued a Circular permitting broader investment avenues for surplus funds held in Special Rupee Vostro Accounts (SRVAs).

Key Policy Update

Building upon its earlier A.P. (DIR Series) Circular No. 10 (July 11, 2022) and Circular No. 13 (October 3, 2025), the RBI has now allowed that:

- Surplus balances in SRVAs maintained by foreign partner banks can be invested not only in Government securities and Treasury Bills, but also in:
 - > Non-Convertible Debentures (NCDs),
 - > Corporate Bonds, and
 - > Commercial Papers (CPs)

issued by Indian companies, subject to extant FEMA guidelines and prescribed limits.

Background

The SRVA framework was introduced by the RBI in July 2022 to facilitate invoicing, payment, and settlement of international trade in Indian Rupees. It enables:

- Trade partners from countries facing currency restrictions or sanctions to settle trade in INR;
- Promotion of bilateral trade through rupee-based mechanisms; and
- Conservation of foreign exchange reserves.

By now permitting investment of SRVA balances into corporate debt instruments, the RBI aims to:

- Enhance yield opportunities for foreign banking partners;
- Deepen India's corporate bond market; and
- Strengthen INR's role as a settlement and investment currency globally.

Implications for Stakeholders

- **Foreign Banks:** Can now better utilise idle SRVA balances, enhancing returns on rupee holdings.
- **Indian Corporates:** Potential for increased demand for corporate debt instruments, improving market liquidity and access to capital.
- **Trade Partners:** Broader investment flexibility may encourage participation in **INR-based trade settlement frameworks**.

The RBI's policy evolution demonstrates a steady push towards Rupee internationalisation by linking trade settlement, investment, and capital markets. With this change, SRVAs transform from mere settlement vehicles into strategic conduits for investment in Indian debt markets, advancing India's long-term goal of positioning the INR as a global trade and investment currency.

(A.P. (DIR Series) Circular No. 14 dated October 3, 2025)

Delhi Tribunal Reaffirms That MLI's Principal Purpose Test Requires Separate Treaty Notification

In a ruling with significant implications for cross-border leasing and treaty interpretation, the Delhi ITAT in *Kosi Aviation Leasing Ltd. v. ACIT* has held that the Principal Purpose Test (PPT) under the Multilateral Instrument (MLI) cannot be applied to deny treaty benefits unless specifically notified for the concerned tax treaty under Section 90 of the Income-tax Act, 1961.

The taxpayer, an Ireland-based aircraft lessor, entered into dry lease agreements with Indian airlines. It claimed that lease rentals were taxable only in Ireland under Article 8 of the India–Ireland DTAA, which grants exclusive taxing rights on income from operation or rental of aircraft in international traffic. The Revenue denied treaty relief by invoking the MLI PPT, arguing that the arrangements were primarily designed to obtain treaty benefits. It further alleged that the lease should be treated as a finance lease (taxable as interest) and that the taxpayer had a PE in India.

Tribunal's Key Findings

1. PPT Not Applicable Without Notification

- Referring to the Supreme Court ruling in *Nestlé SA* [458 ITR 756 (SC)] and Mumbai ITAT's *Sky High* case, the Tribunal held that MLI provisions are not self-executing.
- A specific notification under Section 90(1) is required for each treaty. Since no such notification exists for the India–Ireland DTAA, PPT could not be applied.

2. Omnibus Notification Insufficient

- India's 2019 omnibus notification implementing the MLI was found inadequate to alter specific treaties.
- Domestic legal requirements prevail over international practice, as clarified by the OECD itself.

3. Lease Rentals Covered by Article 8

- The Tribunal held that rental of aircraft in international traffic falls squarely within Article 8, irrespective of whether the lease is wet or dry.
- The broader treaty language was deliberate, ensuring protection for aircraft leasing income.

4. No Finance Lease Recharacterization

- The lease agreements lacked purchase options or residual value clauses, confirming them as operating leases, not finance leases.

PPT under MLI requires specific domestic notification for each treaty, general ratification is not enough. Aircraft lease rentals to Indian airlines are protected under Article 8 of the India–Ireland DTAA and taxable only in Ireland. The ruling provides much-needed certainty for global aircraft leasing companies, reaffirming that legitimate structures with commercial substance will be respected. However, Revenue may appeal, so taxpayers should remain prepared for continued litigation on MLI applicability.

(Kosi Aviation Leasing Ltd. v. ACIT (ITA No. 994/Del/2025, batch of 75 appeals))

Supreme Court Holds Temporary Business Inactivity Is Not Cessation — “Lull” Period Still Counts as Continuation of Business

In a landmark decision clarifying the distinction between temporary discontinuation and cessation of business, the Supreme Court of India, has held that a non-resident taxpayer experiencing a temporary lull in operations continues to be engaged in business and is entitled to claim business deductions and carry forward unabsorbed depreciation.

The taxpayer, a France-based offshore oil drilling company, had conducted drilling operations for ONGC under a 10-year contract (1983–1993) and later bid for new contracts in 1996–1998. During the assessment years 1996–97 to 1999–2000, no active drilling contract was in place, though the taxpayer maintained business correspondence and tenders with ONGC. The Assessing Officer disallowed administrative expenses and depreciation carry-forward, holding that the taxpayer was no longer “carrying on business.” The ITAT reversed this, treating the period as a “lull in business,” while the High Court reinstated the disallowance. The matter reached the Supreme Court.

Key Supreme Court Findings

1. Temporary Inactivity ≠ Business Cessation

A lean period or temporary gap between contracts

does not amount to business closure, provided the taxpayer's intention to continue operations exists.

- The Court termed such a phase a “lull in business”, not cessation.

2. No PE Required for Domestic Taxability

- The Supreme Court clarified that existence of a Permanent Establishment (PE) is irrelevant for domestic taxation under the Income-tax Act, 1961.
- A non-resident is taxable in India on income deemed to accrue or arise in India; the PE concept applies only to treaty interpretation.

3. Wider Scope of “For the Purpose of Business”

- The Court reiterated that “for the purpose of business” includes acts incidental to business operations, not just profit-earning activities.
- Expenses such as audit fees, administrative charges, and correspondence costs were allowable deductions.

4. Documented Intent Matters

- The Court relied on evidence of continuous correspondence, bid submissions, and retained office infrastructure to establish continuity of business intent.

5. Ease of Doing Business Perspective

- The Court criticized the High Court's restrictive view, noting that disallowing deductions for overseas communication contradicts India's “Ease of Doing Business” commitments.

Temporary inactivity does not terminate business continuity if the taxpayer's intent and efforts to revive operations are demonstrable. Non-residents can be “carrying on business” in India even without a PE or physical office presence. Maintaining robust documentation—such as bids, communications, and administrative records—is essential to support continuity of operations. The decision strengthens taxpayers' ability to claim legitimate business deductions and depreciation during transition or downtime periods.

(Pride Foramer S.A. v. CIT (Civil Appeal Nos. 4395–4397 of 2010))

Gist of notifications during the month of October, 2025

1. Notification dated 1st October, 2025- By this notification the Form IEPF-5 (**Application to the Authority for claiming unpaid amounts and shares out of Investor Education and Protection Fund**) has been substituted with new Form IEPF-5. The updated Form aims to streamline the refund and transfer process managed by the IEPF Authority.
2. Due date for filing e-form DIR-3-KYC and DIR-3 KYC-WEB was extended without additional fees upto 31st October, 2025 vide notification dated 15th October, 2025.
3. Ministry of Corporate Affairs (MCA), through General Circular No. 06/2025 dated 17 October 2025, has granted a relaxation from payment of additional fees for filing Forms MGT-7, MGT-7A, AOC-4, AOC-4 CFS AOC-4 NBFC (Ind AS), AOC-4 CFS NBFC (Ind AS), AOC-4 (XBRL) for the financial year 2024-2025 upto 31st December, 2025.
4. The Ministry of Corporate Affairs vide notification dated 23rd October, 2025 established new 10 Registrar of Companies (ROC) in South Delhi, Central Delhi, Chandigarh (State of Haryana), Kanpur, Noida, Mumbai, Navi Mumbai, Nagpur, Kolkata-I and Kolkata- II under the Companies Act, 2013. and The Limited Liability Partnership Act, 2008. This shall come into force with effect from 01st January, 2026.
5. The Ministry of Corporate Affairs vide notification dated 23rd October, 2025 established new 10 Regional Director (RD) office at Delhi, Chandigarh, Chennai, Ahmedabad, Mumbai, Navi Mumbai, Bangalore, Guwahati, Hyderabad, Kolkata under the Companies Act, 2013 and The Limited Liability Partnership Act, 2008. This shall come into force with effect from 01st January, 2026.
6. Ministry of Corporate Affairs (MCA), through General Circular No. 07/2025 dated 27th October 2025, has granted a relaxation from payment of additional fees for filing the Cost Audit Report (Form CRA-4) in XBRL format for the financial year 2024-2025 upto 31st December, 2025.

Compliance Calendar

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Due dates for the Month of December, 2025#

Regulation	Due Date	Compliance	Description
The Companies Act, 2013	On or Before 28th Nov, 25	Form MGT-7 / Form MGT-7A	Form for filing Annual Return by a Company
	On or Before 30th Nov, 25	Form PAS-6	Form for filing of half yearly Return of Reconciliation of Share Capital Audit Report
Income Tax Act, 1961	7-Dec-25	TDS Payment	Due date for deposit of tax deducted/collected for the month of November, 2025
	10-Dec-25	ITR	Furnishing of Return of Income under sub-Section (1) of Section 139 of the Act for the Assessment Year 2025-26, which was due on 31st October, 2025 in the case of assessee referred in clause (a) of Explanation 2 to sub-Section (1) of Section 139 of the Act, is extended to 10th December, 2025.
	15-Dec-25	TDS Certificate	Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194-M in the month of Oct, 2025
	15-Dec-25	Advance Tax	Third instalment of advance tax for the assessment year 2026-27
	30-Dec-25	TDS Payment	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB & 194-M in the month of November, 2025
	30-Dec-25	Form 3CEAD	Report by a parent entity or an alternate reporting entity or any other constituent entity, resident in India, for the purposes of sub-section (2) or sub-section (4) of section 286 of the Income-tax Act, 1961 (assuming reporting accounting year is January 1, 2024 to December 31, 2024).
	31-Dec-25	Belated ITR	Furnishing of belated or revised return of income for Assessment Year 2025-26
Goods and Service Tax (GST)	10-Dec-25	GSTR 7	Summary of Tax Deducted at Source (TDS) and deposited for the month of November 2025
	10-Dec-25	GSTR 8	Summary of Tax Collected at Source (TCS) and deposited by E-Commerce Operator for the month of November 2025
	11-Dec-25	GSTR-1	Return of outward supplies of taxable goods and/or services for the Month of November 2025 (for Assesses having turnover exceeding 1.5 Cr.)
	13-Dec-25	IFF-QRMP	Option of uploading Invoices for November 2025 using Invoice Furnishing Facility (IFF) applicable to tax payers opted for Quarterly Return Monthly Payment (QRMP) Scheme
	13-Dec-25	GSTR 6	Return for Input Service Distributors for the month of November 2025
	20-Dec-25	GSTR-3B	Simple GSTR return for the Month of November 2025 (based on category of taxpayer)
	25-Dec-24	Payment-QRMP	Registered persons under the QRMP Scheme s depositing the amount in Form GST PMT-06
	31-Dec-25	GSTR-9	Annual GST return to be filed by registered taxpayers having turnover above INR 2 Cr under the Goods and Services Tax (GST) for FY 2024-25
	31-Dec-25	GSTR-9C	Annual GST reconciliation to be filed by registered taxpayers having turnover above INR 5 Cr under the Goods and Services Tax (GST) for FY 2024-25
PT Act 1975 (Employee)	31-Oct-25	PF Payment	PT Payment for the month of Nov, 2025
Employees' Provident Funds & Miscellaneous Provisions Act, 1952	15-Dec-25	ESIC Payment	PF Payment for the month of Nov, 2025
Employees' State Insurance Act, 1948 - (ESIC)	15-Dec-25	ESIC Payment	ESIC Payment for the month of Nov, 2025
FCRA Act 2010	31-Dec-25	Form FC-4	The due date for filing the FCRA annual return for the financial year (FY) 2024-25

The above due date calendar contains compliances generally applicable to taxpayers and this calendar has been compiled by HSCo on basis of data available on various portals and other sources. One should always check applicable compliances based on their business needs and should also check updated due dates, if any, on the government portal before making the compliance.

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