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Monthly Newsletter Series
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Income tax refunds top Google Trends: High-value refunds under investigation, pending cases expected to be cleared by December

Income Tax Refunds: Income tax refunds were among the most searched terms in India over the last week. According to Google Trends, people extensively searched for questions like refund delay, income tax refunds, and “when will I receive my income tax refund?” A key reason for this is CBDT Chairman Ravi Agarwal's recent statement, in which he stated that the department is conducting a detailed investigation into some high-value and red-flagged refund claims. This investigation is causing a temporary delay in the refund process.

Aggarwal clearly stated that all valid refunds will be issued by December. However, public concerns have not been allayed, as “Income Tax Refunds” continues to trend on Google Trends.

81.8 million ITRs filed, but 9.2 million returns still pending processing. According to government data available on the Income Tax Department's portal: Over 81.8 million ITRs filed, 78.7 million returns verified, but only 69.5 million of these have been processed.

<https://www.financialexpress.com>

I-T compliance forms for charitable entities may be eased

The finance ministry is reviewing and simplifying the compliance forms used by the charitable institutions for return filings, registration and renewal, a senior official said on Monday.

The new Income Tax Act, 2025, to be effective from April 1, 2026, has already reorganised exemption provisions into a simplified and cohesive structure, and the forms are now being reviewed.

Addressing the PHD Chamber of Commerce and Industry's (PHDCCI) session on the taxation of charitable institutions and exempt entities, Debjyoti Das, principal chief commissioner of income tax (exemption) acknowledged that the I-T 1961 is complex and fragmented, particularly with regard to exemption provisions.

He pointed out that shifting provisos, scattered clauses, and repeated piecemeal amendments had created a web of procedural and interpretative difficulties, often leading to frustration for taxpayers, tax professionals, and officers alike. He said that efforts are underway to ease procedural hassles related to registration and late filing of tax audit reports.

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I-T targets 25,000 high-risk foreign asset cases in fresh drive

Intensifying its efforts to curb tax evasion, the Central Board of Direct Taxes (CBDT) has launched the second phase of its “NUDGE” initiative to strengthen voluntary compliance by taxpayers on foreign assets and income. The exercise will begin with around 25,000 high-risk cases identified through Automatic Exchange of Information (AEOI) data for 2024-25.

From November 28, 2025, SMS and email alerts will be sent to the flagged taxpayers, advising them to review and revise their income tax returns (ITRs) for the assessment year 2025-26 by December 31, 2025. Non-compliance may invite severe penalties under the Income-tax Act and the Black Money Act, the tax department said.

Data-Driven Enforcement

The first phase of the exercise will focus on the highest-risk cases, while a second phase starting mid-December will expand the NUDGE campaign to cover additional taxpayers. Large corporates are also being brought on board to sensitise employees, who may have foreign assets that remain undisclosed in their returns.

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44,000 crypto traders on Income Tax Dept's radar: Govt tightens watch on black money in virtual digital assets.

The government has told Parliament that over 44,000 tax notices have been issued to people who traded in crypto but did not report it in their Income Tax Returns.

This single number shows how large the unreported trail is — thousands of investors bought and sold digital assets, but their gains never made it to official records.

Crypto unregulated, but not unwatched
India does not have a law specifically regulating cryptocurrencies yet. The government says crypto assets are inherently borderless, so regulating them locally without global alignment may not work.

“Crypto-assets/Virtual Digital Assets (VDAs) are unregulated in India, and the government does not collect data on them. As these assets are inherently borderless, they require strong international coordination to prevent regulatory arbitrage. Therefore, any regulatory framework for crypto assets can be effective only with significant international collaboration on the evaluation of the risks and benefits and the evaluation of common taxonomy and standards,” the government said replying to queries around crypto regulations.

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Auto Suspension of GST Registration for Non-Furnishing of Bank Account Details — Rule 10A Update

The GST Portal has introduced significant changes to enforce compliance with **Rule 10A**, which mandates timely submission of bank account details after registration. These updates impact all taxpayers **except** TCS, TDS, and Suo-moto registrations.

Requirement Under Rule 10A

Every taxpayer must furnish valid bank account details **within 30 days of GST registration or before filing GSTR-1/IFF**, whichever is earlier.

Key Updates Implemented on the GST Portal

1. Automatic Suspension of GST Registration

If a taxpayer does not furnish bank account details within the prescribed 30 days, the GST registration will be **automatically suspended** by the system. The suspension order can be accessed at: **Services > User Services > View Notices and Orders**

2. Adding Bank Account Details

Bank details can be added anytime through a **non-core amendment** using the following path: **Services > Registration > Amendment of Registration (Non-Core Fields)**

3. Automatic Dropping of Cancellation Proceedings

Once bank account details are successfully updated, **any initiated cancellation proceedings will be automatically dropped** by the system.

4. Manual Option to Drop Proceedings

In cases where the cancellation is not automatically dropped on the same day, taxpayers may use the manual option: **Services > User Services > View Notices and Orders > Initiate Drop Proceedings**

5. Exemptions Under Rule 10A

- Furnishing bank account details is **not mandatory** for **OIDAR** and **NRTP** taxpayers.

- Exception: For **OIDAR** taxpayers who select **“Representative Appointed in India – Yes”**, furnishing bank details becomes mandatory.

CBIC Issues Important Advisory on Table 3.2 Reporting in GSTR-3B

The CBIC has issued a crucial update regarding the reporting of values in **Table 3.2 of GSTR-3B**, effective from **November 2025**. This change will significantly impact monthly GST compliance.

1. What is Table 3.2 of GSTR-3B?

Table 3.2 captures details of **inter-state outward supplies** made to:

- Unregistered persons
- Composition taxpayers
- UIN holders

These values are auto-populated from **GSTR-1 / GSTR-1A/IFF**.

2. What is changing from November 2025?

Table 3.2 will become non-editable.

GSTR-3B must be filed strictly based on system auto-populated values. No manual correction will be permitted.

3. What if auto-populated values are incorrect?

Taxpayers will not be able to edit Table 3.2 in GSTR-3B. Corrections must be made through:

- GSTR-1A for the same tax period, or
- GSTR-1 / IFF in subsequent periods

4. How will corrections work?

The correction flow will be system-driven:

- Amend the incorrect data in **GSTR-1A**
- The system will automatically update **Table 3.2** in GSTR-3B
- File GSTR-3B with updated values

5. Why has CBIC made this change?

The objective is to ensure:

- No mismatch between GSTR-1 and GSTR-3B

- Prevention of tax leakage
- Stronger audit trail
- Reduction in disputes and notices

6. Important compliance reminder

Going forward:

Do not treat GSTR-1 as provisional.

Treat GSTR-1 as the primary basis for determining your tax liability.

Key Judicial Insight

Kerala High Court Protects Buyers From ITC Denial Due to Supplier Default

In **K.V. Joshy & C.K. Paul v. Assistant Commissioner (2024)**, the Kerala High Court held that **Input Tax Credit cannot be denied to a genuine buyer merely because the supplier has not deposited GST**.

What the Court Ruled

- If the recipient has a **valid invoice, e-way bill, and proof of GST payment**, ITC cannot be disallowed under Section 73.
- Under **Section 42**, the GST department must issue discrepancy notices to **both** the supplier and the recipient.
- **Buyer liability applies only in cases of collusion or fraud.**
- Since no action was taken against the suppliers and no collusion was alleged, the **Show Cause Notice was quashed**.

Why This Matters (Especially for Section 37A Notices)

Authorities cannot demand ITC reversal from the buyer solely due to supplier non-filing.

Before issuing recovery notices, they must:

1. Proceed against the supplier
 2. Follow the Section 42 mismatch procedure
 3. Establish collusion, if any
- Failure to do so makes the demand unsustainable.

Supported by Precedents

- **Suncraft Energy Pvt. Ltd.** (Calcutta HC), upheld by the Supreme Court
- Multiple courts consistently protect buyers who comply with documentation and payment requirements.

GST law does not permit automatic ITC reversal due to supplier default.

A compliant buyer's ITC cannot be disturbed unless the department first acts against the supplier and proves collusion.

If you'd like, I can provide a shorter LinkedIn post version as well.

RBI Extends Export Realisation Timelines — Major Compliance Relief for Exporters

The Reserve Bank of India (RBI) vide its recent notification has introduced significant amendments to the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015. The changes provide substantial additional time for exporters to realise export proceeds and to meet obligations under advance-payment and export-without-payment arrangements. These amendments are immediately effective upon publication in the Official Gazette.

According to the amendment notification, the RBI has made two major relaxations:

1. Export Realisation Period Increased from 9 Months to 15 Months

Regulation 9(1) and 9(2)(a) of the principal regulations have been amended to substitute the earlier nine-month limit with a fifteen-month window for realising export proceeds.

Impact:

- Exporters now have additional flexibility in securing payments from overseas buyers.
- Particularly beneficial for exporters dealing with long manufacturing cycles, delayed remittances, or markets with slower payment systems.

2. Time Limit for Utilisation/Return Under Advance Payment & Short-Supply Scenarios Extended from 1 Year to 3 Years

Amendments to Regulation 15 (clauses (i), proviso, and sub-regulation (2)) extend the earlier one-year deadline to three years.

This change applies to:

- Advance export payments received but not fully utilised within the prescribed period;
- Situations where exporters are unable to fulfil the entire export obligation and must adjust/return the advance;
- Contracts involving short supply or interruptions in the export process.

Impact:

- Considerable relief for exporters in volatile markets or those dealing with complex supply chains.
- Provides breathing room for renegotiation, fulfilment extensions, or orderly return of advance funds.

These amendments mark one of the most substantial relaxations in India's export regulatory regime in recent years. They aim to:

- Ease compliance pressure on exporters;
- Support sectors facing long gestation cycles (infrastructure, EPC contractors, heavy machinery, defence, engineering goods);
- Strengthen India's position in global trade by aligning timelines with practical business realities.

The expanded timelines also reflect a policy shift toward greater flexibility and reduced procedural defaults, especially for MSMEs that often struggle with overseas payment delays. Businesses should revisit export compliance calendars, align ERP systems, and recalibrate contract terms to take advantage of the revised FEMA timelines.

(RBI Notification No. FEMA 23(R)/(7)/2025-RB dated November 13, 2025)

Mumbai ITAT Upholds Netflix India as a Limited-Risk Distributor; Rejects Revenue's Entrepreneurial Re-Characterisation

In a significant transfer pricing ruling with wide implications for digital-platform business models, the Mumbai ITAT, in the case of Netflix Entertainment Services India LLP, has reaffirmed the primacy of contractual arrangements and FAR analysis, holding that Netflix India operates purely as a limited-risk distributor and not as an entrepreneurial content-and-technology service provider. The Tribunal consequently upheld the TNMM as the most reliable method and deleted the Revenue's ₹444.93-crore TP adjustment, which was based on an unsubstantiated royalty construct.

Netflix India acted as a non-exclusive distributor providing Indian users access to the global Netflix streaming service. All content, technology, algorithms, platform architecture, trademarks, and IP were owned and controlled by foreign AEs. Netflix India undertook marketing support, billing, customer interface, and regulatory compliance, earning a fixed return over costs. The Taxpayer benchmarked distribution fees under TNMM using software-distribution comparables. The Revenue, however, alleged that Netflix India was the *entrepreneurial face* of Netflix in India, applied the Other Method, and benchmarked returns using third-party royalty agreements—arguing that Netflix India exploited content and technology akin to an IP licensee. These arguments were reinforced before the DRP, which endorsed a profit-attribution-based benchmarking model.

Tribunal's Key Findings

1. Netflix India's Role Is Purely That of a Limited-Risk Distributor

Based on a detailed functional assessment across the Distribution Agreement, Terms of Use, Open Connect Appliances (OCAs), DEMPE analysis, and staffing structure, the Tribunal concluded that the Indian entity does not own, control, or exploit any content or technology. It performs routine, cost-insulated activities under strict supervision of foreign AEs. No DEMPE functions are performed in India.

No entrepreneurial risks—market, technology, content, or platform—are borne in India

2. Re-characterisation Without Evidence Is Prohibited

Citing Maruti Suzuki and Vodafone, the Tribunal held that rewriting contractual relationships is permissible only where transactions are sham or artificial. The Revenue's inference-based narrative had no documentary basis.

3. OCAs Are Logistical Aids, Not Core Technology Assets

The Revenue argued OCAs were proof of infrastructure ownership. The Tribunal disagreed, noting OCAs simply cache content locally to improve streaming efficiency. Ownership/placement of OCAs does not translate to ownership of platform technology or content.

4. TNMM Is the Appropriate Method; Royalty Proxies Are Unfounded

The Tribunal rejected Revenue's "Other Method". Royalty agreements used by Revenue had zero functional comparability—they involved transfer of film rights or technology licenses, unlike Netflix's access-distribution model. The DRP's attribution model lacked economic reasoning, filters, or external benchmarks, and was termed a "spreadsheet fiction". TNMM best reflects the economic reality of routine distribution functions with no ownership of intangibles.

5. Functional Comparability > Product Comparability

Even if comparables are from "software distribution," what matters is functional similarity, not sector labels—a point emphasised using OECD TP Guidelines.

The ruling offers a strong precedent for global OTT, SaaS, gaming, and digital-platform businesses operating through limited-risk Indian entities.

(Netflix Entertainment Services India LLP v. ACIT (ITA No. 6857/Mum/2024))

Gist of notifications during the month of November, 2025

1. Amendment in Companies (Meetings of Board and its Powers) Amendment Rules, 2014. (Notification dated 3rd November, 2025)

It interprets the term “business of financing industrial enterprises” for NBFC registered with RBI and for Finance Company registered with the International Financial Services Centres Authority used in the clause (a) of sub-section (11) of section 186 of the Act. This clause of Section 186 provides certain exemptions from the loan and investment restrictions under Section 186.

Compliance Calendar

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Due dates for the Month of January, 2026#

Regulation	Due Date	Compliance	Description
Income Tax Act, 1961	7-Jan-26	TDS/TCS	Due date for deposit of Tax deducted/collected for the month of December, 2025.
	15-Jan-26	TDS	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA/194IB/194IM in the month of November, 2025
	15-Jan-26	TCS	Quarterly statement of TCS deposited for the quarter ending December 31, 2025
	30-Jan-26	TDS	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA/194-IB/194IM in the month of December, 2025
	30-Jan-26	TCS	Quarterly TCS certificate (in respect of tax collected by any person) for the quarter ending December 31, 2025
	31-Jan-26	TDS	Quarterly statement of TDS deposited for the quarter ending December 31, 2025
Goods and Service Tax (GST)	10-Jan-26	GSTR 7	Summary of Tax Deducted at Source (TDS) and deposited for the month of December 2025
	10-Jan-26	GSTR 8	Summary of Tax Collected at Source (TCS) and deposited by E-Commerce Operator for the month of December 2025
	11-Jan-26	GSTR-1	Return of outward supplies of taxable goods and/or services for the Month of December 2025 (for Assesses having turnover exceeding 5 Cr.)
	13-Jan-26	GSTR-1	Return of outward supplies of taxable goods and/or services for the Quarter Oct to Dec 2025 under QRMP Scheme
	13-Jan-26	GSTR 6	Return for Input Service Distributors for the month of December 2025
	20-Jan-26	GSTR-3B	Simple GSTR return for the Month of December 2025 (based on category of taxpayer)
	22-Jan-26	GSTR-3B	Simple GSTR return for the quarter October to December 2025 under QRMP Scheme (based on category of taxpayer)
PT Act 1975 (Employee)	31-Jan-26	PT Employees	PT Payment for the month of Dec, 2025
Employees' Provident Funds & Miscellaneous Provisions Act, 1952	15-Jan-26	PF Payment	PF Payment for the month of Dec, 2025
Employees' State Insurance Act, 1948 - (ESIC)	15-Jan-26	ESIC Payment	ESIC Payment for the month of December, 2025

The above due date calender contains compliances generally applicable to taxpayers and this calender 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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