N. D. KAPUR & CO.
CHARTERED ACCOUNTANTS

Monthly Updates

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(I) CORPORATE LAW

MCA NOTIFIES THE COMPANIES (LISTING OF EQUITY SHARES IN PERMISSIBLE JURISDICTIONS) AMENDMENT RULES, 2025

The Ministry of Corporate Affairs ("**MCA**") by notification dated 03.07.2025, has issued the Companies (Listing of Equity Shares in Permissible Jurisdictions) Amendment Rules, 2025 ("**Amendment Rules**") to amend the Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024 ("**Principal Rules**").

The Amendment Rules shall come into force from 04.07.2025. As per Rule 4(4) of the Principal Rules, an unlisted public company intending to list securities on permitted stock exchanges is required to file the prospectus for such listing, with the Registrar in e-Form LEAP-1, within seven days of the prospectus being finalised and filed with the stock exchanges. The Amendment Rules have substituted the existing Form LEAP-1 (as specified in the Second Schedule of the Principal Rules).

MCA NOTIFIES THE COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) AMENDMENT RULES, 2025

MCA by notification dated 07.07.2025, issued the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025 ("**CSR Amendment Rules**") to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("**CSR Principal Rules**"). The CSR Amendment Rules shall come into force from 14.07.2025. Rule 4(2) of the CSR Principal Rules provide that every entity required to comply with provisions of Section 135 of the Companies Act, 2013 for carrying out CSR activities must register itself with the Central Government by filing the e-form No. CSR-1 with the Registrar. The CSR Amendment Rules have substituted the existing e-form No. CSR-1.

MCA FAQ FOR E FORMS MIGRATED TO V3

MCA has released a set of Frequently Asked Questions (**"FAQs"**) regarding the Lot 3 forms, which are part of the MCA21 V3 portal migration. These FAQs aim to guide stakeholders through the transition and address various aspects of the new system, including annual filing, user registration, digital signature management, and troubleshooting.

FILING OF ANNOUNCEMENTS PERTAINING TO AWARDING, BAGGING/ RECEIVING OF ORDERS/CONTRACTS IN XBRL FORMAT ON NSE ELECTRONIC APPLICATION PROCESSING SYSTEM ("NEAPS") PLATFORM

National Stock Exchange (**"NSE"**) has issued a circular mandating all listed companies file announcements regarding awarding, receiving, amending, or terminating of orders/contracts in XBRL format on the NEAPS platform.

The requirement follows earlier NSE circulars and is applicable for disclosures under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Initially, the PDF format filing of such disclosures will be considered as regulatory compliance. However, listed entities must submit the XBRL filing within 24 hours of the PDF submission.

MANDATORY FILING OF FORM IEPF-1A WITH EXCEL TEMPLATE – FINAL DEADLINE 30.08.2025

On 31.07.2025, the Investor Education and Protection Fund Authority (IEPFA), MCA, issued a public notice directing companies to comply with Rule 5(4A) of the IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended on 14 August 2019. The rule mandates that any company which has transferred amounts specified under Section 205C(2)(a)–(d) of the Companies Act, 1956, or filed Form IEPF-1 under Section 125(2)(a)–(n) of the Companies Act, 2013, in a format other than the prescribed Excel template, must submit Form IEPF-1A along with the required template.

Despite multiple reminders, over 3,000 companies (1,758 listed and 1,103 unlisted) have failed to comply, and the IEPFA holds over 31,000 SRNs filed in non-compliant formats, hampering identification of investor dues. With the IEPFA's migration to MCA21 V3, non-compliant companies have been given 30 days from the date of notice to file Form IEPF-1A in the prescribed Excel format. Relevant SRNs and templates will be shared with companies' nodal officers by email to facilitate compliance.

Failure to file by 30.08.2025 will invite regulatory action under the Companies Act, 2013.

(II) INDIRECT TAXATION

SECONDMENT OF EXPATS FROM OVERSEAS GROUP ENTITIES WHEN IS NOT LIABLE TO GST

The Karnataka High Court vide its judgment dated 15.07.2025 in the matter of ***M/S. Alstom Transport India Limited versus. Commissioner of Commercial Taxes and others [Writ Petition No.1779 of 2025 (T-RES)]*** held that the secondment of expats does not constitute import of manpower supply service. The services rendered by employees to their employer are not liable to GST under Entry 1 of Schedule III of the CGST Act. The reimbursements are not consideration, and in the absence of invoice and with full ITC, no tax is payable under the CBIC Circular.

In this case, the petitioner is engaged in infrastructure projects for railways and metros, including design, manufacturing, installation, and software-related services. Between July 2017 and March 2023, employees from overseas group entities were seconded to work in India under formal employment agreements with the petitioner. These expats worked exclusively for the Indian entity and were assigned full-time roles in India.

The petitioner entered into individual employment agreements with the expats. Salaries were paid by the petitioner directly, with TDS deducted as per Indian Income Tax laws. The foreign entity continued to pay social security and retirement benefits in the home country, and these were reimbursed by the petitioner without any markup or service charge.

The Petitioner, from November 2020 has voluntarily discharged IGST under the Reverse Charge Mechanism on the amounts reimbursed to the foreign entities, and claimed ITC on the same. No invoice was issued by the foreign entity for any manpower services.

However, the department issued a show cause notice demanding IGST for the entire period, alleging the arrangement to be import of "manpower supply services".

The petitioner relies on CBIC Circular No. 210/4/2024-GST dated 26.06.2024, which clarifies that where no invoice is issued in related party services and full ITC is available, the value may be deemed 'Nil'.

The issue before the court was Whether the secondment of expat employees constitutes a taxable "supply of manpower services" under GST law. whether the relationship between the petitioner and the expats is thatof employer-employee, and thus excluded from GST under Entry 1 of Schedule III of the CGST Act. Whether in the absence of any invoices and in light of Circular 210/4/2024-GST, the taxable value can be deemed as 'Nil' under Rule 28(1) of the CGST Rules.

The High Court noted that expatriate employees were on the payroll of the petitioner and functioned under its direct control and supervision. Individual employment agreements were executed between the petitioner and the expats, who were assigned official email IDs, responsibilities, and benefits, similar to regular employees.

The TDS on salaries was deducted and paid to the Indian Income Tax Department by the petitioner. The fact that social security contributions were reimbursed to the foreign entity does not override the actual functional employment by the petitioner.

The Court held that there exists a clear employer-employee relationship, and services rendered during such secondment fall under Schedule III, which excludes such activities from the scope of supply under GST.

Further, the Court heavily relied on Paragraph 3.7 of the CBIC Circular 210/4/2024-GST dated 26.06.2024, which clearly states that in case of related party transactions, where no invoice is raised and full ITC is available, the value of supply may be deemed as 'Nil' under Rule 28 of the CGST Rules. In this case, the petitioner did not raise any invoice, and full ITC was available and claimed. The Court held that the department's insistence on taxing the reimbursement ignores the binding CBIC Circular, which specifically deals with valuation in such related-party transactions.

The Court discussed the Supreme Court's ruling in Northern Operating Systems (NOS) case, but clarified that NOS case was based on different facts, particularly where the foreign entity retained control and raised invoices for services. Here, the petitioner did not receive any invoice, the expats were fully integrated into the Indian entity, and there was no profit element or markup in reimbursements.

The Court therefore quashed the impugned orders confirming IGST demand.

CLARIFICATION BY GSTN ON FILING APPEALS AGAINST WAIVER APPLICATION REJECTION ORDERS (SPL-07)

On 16.07.2025, the Goods and Services Tax (**"GST"**) Department issued a clarification stating that taxpayers who have received rejection orders in Form SPL-07, pursuant to the filing of waiver applications in Form SPL-01 or SPL-02, may now file appeal applications (Form APL-01) against such rejection orders through the GST Portal.

The portal has been enabled to facilitate this process. To initiate an appeal, taxpayers are required to navigate to the 'My Applications' tab under the 'User Services' section, select the application type as "Appeal to Appellate Authority," and proceed to file a new application. Within the application form, under the 'Order Type' field, taxpayers must select "Waiver Application Rejection Order" and fill in all the relevant details of the SPL-07 order.

It has also been clarified that once such an appeal is filed, it cannot be withdrawn through the portal, and taxpayers are therefore advised to exercise due caution before proceeding.

Further, in cases where the taxpayer does not intend to file an appeal against the SPL-07 order but wishes to restore a previously withdrawn appeal (originally filed against the demand order and withdrawn for the purpose of waiver application), they may do so by filing an undertaking. The option is available under the "Orders" section in the "Waiver Application" case folder on the GST Portal.

LEASE CANCELLATION NOT A TAXABLE SUPPLY. REFUND FOR UNUTILISED LEASE PERIOD IS NOT LIABLE TO GST: AAR

In *Indian Institute of Information Technology and Management, In re* [2025] 176 taxmann.com 724 (AAR – Kerala), the applicant had taken two parcels of land on long-term lease from Technopark on 21 January 2009 and 15 March 2011, both during the pre-GST regime when service tax applied. Subsequently, Technopark proposed to cancel the leases to enable transfer of the land to KUDSIT and agreed to refund to the applicant a proportionate amount for the unexpired lease period. The issue before the Kerala AAR was whether such cancellation of a lease agreement executed prior to GST could be treated as a "supply" under Section 7 of the CGST Act, 2017.

The AAR held that although leasing of property constitutes a supply of service under GST, the act of cancelling a lease is not, in itself, a taxable activity under the CGST Act. Therefore, cancellation of a pre-GST lease cannot be treated as a "supply" under Section 7, and the refund received for the unutilised portion of the lease period is not liable to GST.

However, this ruling is applicable only to the refund of the proportionate amount corresponding to the unexpired portion of the lease period. Any other amounts received by any person in connection with the cancellation of the lease, if any, are not covered under this ruling.

(III) DIRECT TAXATION

CLARIFICATION ON APPLICABILITY OF WAIVER OF INTEREST UNDER SECTIONS 201(1A) (II) AND 206C (7)

The Central Board of Direct Taxes (**"CBDT"**), vide Circular No. 6/2025 dated 18.07.2025 issued a clarification regarding the scope and applicability of Circular No. 5/2025 dated 28.03.2025, which provides for waiver of interest levied under Sections 201(1A) (ii) and 206C (7) of the Income-tax Act, 1961. It has been clarified that the prescribed authorities, namely the CCIT, DGIT, or Pr. CCIT are empowered to pass waiver orders only after the issuance of the said Circular dated 28.03.2025. However, the waiver applications may pertain to interest charged even before the date of issuance, provided such applications are filed within one year from the end of the relevant financial year in which the interest was levied, as stipulated in Paragraph 6 of Circular No. 5/2025. For example, in case of interest charged for FY 2023–24, the waiver application must be filed by 31.03.2025

PARTIAL MODIFICATION REGARDING CONSEQUENCES OF PAN BECOMING INOPERATIVE AS PER RULE 114AAA OF THE INCOME-TAX RULES, 1962

CBDT vide its circular dated 21.07.2025 partially modified its earlier Circular No. 3 of 2023 regarding the consequences of an inoperative Permanent Account Number (**"PAN"**). Previously, if a PAN was inoperative due to a lack of Aadhaar linkage, higher rates of Tax Deducted at Source (**"TDS"**) or Tax Collected at Source (**"TCS"**) under Sections 206AA or 206CC of the Income-tax Act, 1961, were applicable. It led to grievances from deductors and collectors who received notices for "short deduction/collection" when transacting with inoperative PANs, resulting in demands raised by the Income Tax Department. To address these concerns, the CBDT has provided relief for amounts paid or credited between 01.04.2024 and 31.07.2025, deductors/collectors will not face higher TDS/TCS liability if the deductee's/collectee's PAN becomes operative (linked with Aadhaar) by 30.09.2025.

Furthermore, for payments or credits made on or after 01.08.2025, the relief applies if the PAN is made operative within 2 months from the end of the month in which the amount is paid or credited. In these specified instances, the regular TDS/TCS rates, as per other provisions of the Act, will be applicable.

RELAXATION OF TIME LIMIT FOR PROCESSING INCOME TAX RETURNS FILED ELECTRONICALLY

The CBDT vide circular dated 28.07.2025 has granted a time relaxation under Section 119 of the Income-tax Act, 1961, for processing electronically filed income tax returns (**"ITRs"**) that were erroneously marked invalid by the Centralized Processing Centre ("**CPC**"), Bengaluru. These errors occurred due to technical issues and affected returns from various assessment years, including Assessment Year 2023–24,

which were due for processing by 31.12.2024. The Board has decided to extend the processing window for such returns filed up to 31.03.2024. The concerned returns will now be validated and processed under Section 143(1), and the intimation must be issued to taxpayers by March 2026. Additionally, all relevant consequences under the Income-tax Act, 1981 including the issuance of refunds with applicable interest, will follow.

HYATT INTERNATIONAL HELD TO HAVE PERMANENT ESTABLISHMENT IN INDIA UNDER INDIA–UAE DTAA; LIABLE TO TAX

The Supreme Court of India in the case of ***Hyatt International Southwest Asia Ltd. v. Additional Director of Income Tax (CIVIL APPEAL NO. 9766 OF 2025 (Arising out of SLP (C) No. 5710 of 2024))*** vide its order dated 24.07.2025 dismissed appeals by Hyatt International, holding that its operations in India constituted a "Fixed Place Permanent Establishment" (PE) under Article 5(1) of the India–UAE DTAA.

The Court found that under the 20-year Strategic Oversight Services Agreement (SOSA) with Indian hotel owners, Hyatt exercised substantive and enforceable control over strategic, operational, and financial aspects of the hotels, including appointment of key staff, implementation of policies, pricing, branding, and operational oversight.

Rejecting arguments that Hyatt lacked exclusive premises or that operations were handled by an Indian subsidiary, the Court applied the "disposal test" and held that exclusive possession is unnecessary; shared or temporary use suffices if core business is conducted from the location.

The Court also clarified that profit attribution to a PE is permissible even if the foreign enterprise incurs global losses, reaffirming the source State's taxing rights. Consequently, income under the SOSA was held taxable in India as attributable to the PE, and all appeals were dismissed.

DELHI HIGH COURT RULES CATEGORY III AIFS AS DETERMINATE TRUSTS EVEN WITHOUT NAMING BENEFICIARIES IN TRUST DEED

The Delhi High Court in the case of *Equity Intelligence AIF Trust v. The Central Board of Direct Taxes & Anr. W.P.(C) 9972/2024 & CM APPL Nos.40840/2025, 69940/2024 & 1448/2025*, vide order dated 30.07.2025, held that a Category III Alternative Investment Fund (AIF) set up as a trust shall be treated as a determinate trust if the identity of investors and their respective shares are ascertainable from contribution agreements, even if such details are not specified in the original trust deed. The Court read down CBDT Circular No. 13/2014 to the extent it mandated naming of beneficiaries in the trust deed, holding that such a requirement was contrary to the SEBI AIF Regulations, 2012, and legally impossible to comply with at the time of execution.

The petitioner, an open-ended Category III AIF registered with SEBI, invested in listed equity shares through a trust structure. The trust deed did not name investors; instead, investor details and their respective income shares were recorded in contribution agreements as permitted under the trust deed. The Board for Advance Rulings (BAR) held the trust to be indeterminate and taxable at the maximum marginal rate (MMR), relying on CBDT Circular No. 13/2014. The petitioner challenged both the BAR ruling and the validity of the Circular before the Delhi High Court.

Ruling in favour of the petitioner and quashing the order passed by BAR, the Delhi High Court concluded that once the investors are identified with their respective shares, a trust shall be treated as determinate in nature. Key findings of the High Court are as set out below:

(a) **Determinate nature:** A trust is determinate if beneficiaries and their shares are identifiable, whether or not their names are in the trust deed. Contribution agreements are valid sources for such identification.

(b) **Regulatory impossibility:** SEBI AIF Regulations prohibit naming beneficiaries at trust deed execution stage because investor admission occurs only post-registration. The Circular's mandate was thus impossible to comply with and legally unsustainable.

(c) **Constitutional uniformity:** Paragraph 6 of the Circular, allowing different interpretations in different jurisdictions, was read down as unconstitutional; tax law must apply uniformly once settled by a Constitutional Court.

(d) **Writ maintainability:** The petition was maintainable despite alternate remedies because the issue involved broader questions of law, statutory interpretation, and public interest impacting the entire AIF industry.

MUMBAI ITAT RULES THAT ADVANCE RECEIVED BY A SHAREHOLDER HOLDING MORE THAN 10% SHARES FROM A CLOSELY HELD COMPANY FOR A COMMERCIAL TRANSACTION CANNOT BE CONSIDERED AS DEEMED DIVIDEND

The Mumbai ITAT in the matter of *Subhash Chander Oberoi Vs. ACIT ITA No. 1667/Mum/2024 dated 06/01/2025 (AY 2014-15)* has held that advances given for commercial transactions are not covered by the provisions of Section 2 (22)(e) of the Income Tax Act, 1961.

The facts of the case are that the assessee was holding 35% shares in the company, which had two subsidiary companies. A foreign entity wanted to purchase stake in the company but was not interested to take any stake in the subsidiary companies. Therefore, shareholders of the company decided to give advance to assessee's firm (M/s Paros Corp, a sole proprietorship firm of the assessee) for purchase of shares of said subsidiary companies from the company, to facilitate the completion of transaction with the foreign entity. It was agreed that the said advance could not be used for any other purpose, and that the said advance was to be refunded to the company after the assessee shall receive proceeds from sale of shares to the foreign entity. Thereafter, 70% stake in the company was sold to the foreign entity and assessee returned the amount of advance from sale consideration received to him.

Upon perusal of the shareholding of the company, the ITAT noted that after transaction with the foreign company, all the shareholders of the company (including the assessee) hold in-total 30% shareholding in the company. Therefore, the Bench did not find any merits in the submissions of the Revenue that the loan transaction was entered solely for the purpose of providing a way out to the shareholders and to rescue the shareholders to enable them to sell its stake in the company.

Reliance in this regard was also placed on CBDT's Circular no. 19 of 2017 dated 12.06.2017, which provides that the trade advances, which are in the nature of commercial transactions, would not fall within the ambit of "advance" u/s 2(22)(e).

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