N. D. KAPUR & CO.
CHARTERED ACCOUNTANTS

Monthly Updates

SEPTEMBER 2025

S. No.	Particulars	Page number
(I)	CORPORATE LAW	1-2
(II)	INDIRECT TAXATION	3-8
(III)	DIRECT TAXATION	9-11

(I) CORPORATE LAW

MCA NOTIFIES COMPANIES (COMPROMISES, ARRANGEMENTS AND AMALGAMATIONS) AMENDMENT RULES, 2025

The Ministry of Corporate Affairs ("**MCA**") by way of Notification dated 04.09.2025 notified the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025 ("**CAA Amendment Rules**") to amend the existing Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ("Principal Rules"). The CAA Amendment Rules came into force from 08.09.2025, from the date of its publication in the Official Gazette.

The salient features of the CAA Amendment Rules are as follows:

(i) Notice of Scheme in Form CAA-9 (Rule 25(1)):

(a) The notice inviting objections or suggestions for a proposed fast-track merger, which earlier had to be issued only to the Registrar and the Official Liquidator, must now, pursuant to the CAA Amendment Rules, also be issued to the concerned sectoral regulator such as Reserve Bank of India ("**RBI**"), SEBI, Insurance Regulatory and Development Authority of India ("**IRDAI**"), and Pension Fund Regulatory and Development Authority ("**PFRDA**") in case of regulated entities.

(b) In case of listed companies involved in the merger, the notice shall now also be issued to the concerned stock exchanges.

(ii) Expanded scope of fast-track mergers (Rule 25(1A)):

(a) The scope of companies eligible for fast-track mergers has now been expanded beyond small companies, start-ups, and mergers between a holding company and its wholly owned subsidiary.

(b) Pursuant to the CAA Amendment Rules, the fast-track route shall now also include:

(1) Mergers between unlisted companies (excluding Section 8 companies) where the total borrowings, including loans, debentures, and deposits, do not exceed INR 200 Crore (Indian Rupees Two Hundred Crores) and no default has occurred, provided that an auditor's certificate is filed in the newly introduced Form CAA-10A;

(2) Mergers between a holding company (listed or unlisted) and its subsidiary (listed or unlisted), except where the transferor company is listed;

(3) Mergers between subsidiaries of the same holding company, provided the transferor companies are not listed; and

(4) Mergers of a foreign holding company with its wholly owned subsidiary incorporated in India.

(iii) **Application to demerger (Addition of Sub-Rule 9):** The fast-track provisions have now been expressly extended to apply *mutatis mutandis* to schemes of division or transfer of undertakings, i.e., demergers.

(iv) **Other procedural refinements:**

(a) Form CAA-10 (declaration of solvency) shall now be required to be filed as an attachment to Form GNL-1, which is used for seeking approval of a Scheme of Arrangement.

(b) Form CAA-11 (Notice of Approval of Scheme) shall now be required to be filed as an attachment to Form RD-1, which is used for approval of schemes submitted to the Central Government and for other purposes, and must also include a statement detailing how the objections or suggestions of regulators and stock exchanges have been addressed.

MCA ALLOWS AGMS AND EGMS VIA VIDEO CONFERENCE TILL FURTHER ORDERS

The MCA has, through General Circular No. 03/2025 dated 22.09.2025, clarified that companies may continue to hold Annual General Meetings ("**AGMs**") and Extraordinary General Meetings ("**EGMs**") through Video Conference ("**VC**") or Other Audio Visual Means ("**OAVM**"), until further orders.

This continuation follows earlier circulars issued since 2020 in view of facilitating virtual participation. However, the MCA has emphasized that the relaxation does not extend statutory timelines for holding AGMs under the Companies Act, 2013, and any company failing to comply with prescribed deadlines will remain liable for legal action. The circular also reiterates that EGMs may be conducted via VC/OAVM or through postal ballot as per the existing framework, with all other requirements under previous circulars remaining unchanged.

MCA EXTENDS DEADLINE FOR FILING DIR-3-KYC AND DIR-3-KYC-WEB TILL 15.10.2025

The MCA, through General Circular No. 04/2025 dated 29.09.2025, has extended the due date for filing e-form DIR-3-KYC and web-form DIR-3-KYC-WEB without payment of additional fees. Earlier, the deadline was 30.09.2025; it has now been extended to 15.10.2025.

(II) INDIRECT TAXATION

CLARIFICATION ON VARIOUS DOUBTS RELATED TO TREATMENT OF SECONDARY OR POST-SALE DISCOUNTS UNDER GST

The Central Board of Indirect Taxes and Customs ("**CBIC**") has issued a Circular dated 12.09.2025 clarifying the Goods and Services Tax ("**GST**") treatment of secondary or post-sale discounts. The Circular addresses input tax credit eligibility, treatment of post-sale discounts between manufacturers, dealers, and end customers, and the GST implications on promotional activities undertaken by dealers. Key clarifications include:

(i) **Input Tax Credit (ITC):** It is clarified that the recipient will not be required to reverse the Input Tax Credit attributed to the discount provided on the basis of financial/ commercial Credit notes issued by the supplier, as there is no reduction in the original transaction value of the supply and accordingly the corresponding tax liability would also not get reduced.

(ii) **Post-Sale Discounts by Manufacturers**: Discounts offered by manufacturers to dealers/distributors are generally not considered consideration for dealers' onward supply to customers, as these operate on a principal-to-principal basis. However, if a manufacturer has an agreement with the end customer for a discounted price and issues credit notes to dealers accordingly, such discounts will form part of the overall consideration.

(iii) **Promotional Activities by Dealers:** Normal post-sale discounts reducing sale price are not treated as payment for services rendered by dealers. GST will apply only if dealers undertake specific promotional activities (e.g., advertising, co-branding, sales campaigns) under a contractual arrangement with separately agreed consideration.

The circular directs trade notices to be issued for wider awareness and invites stakeholders to report implementation difficulties to the Board.

AMENDMENT IN CENTRAL TAX RATE

The Central Government, through Ministry of Finance ("**MoF**") issued a Circular dated 17.09.2025 exercising its powers under Section 9(5) of the Central Goods and Services Tax ("**CGST**") Act, 2017, has amended Notification No. 17/2017, Central Tax (Rate) dated 28.06.2017. A new clause (v) has been inserted to cover "services by way of local delivery", except in cases where the person providing such services through an electronic commerce operator is already liable for registration under Section 22(1) of the CGST Act.

EXEMPTION FROM FILING GST ANNUAL RETURN FOR SMALL TAXPAYERS

The CBIC, issued a notification dated 17.09.2025, exempting registered persons with an aggregate turnover of up to INR 2 Crore in any financial year from filing the annual return (Form GSTR-9) for Financial Year 2024-25 onwards.

SEEKS TO NOTIFY CLAUSES (II), (III) OF SECTION 121, SECTION 122 TO SECTION 124 AND SECTION 126 TO 134 OF FINANCE ACT, 2025 TO COME INTO FORCE

CBIC issued a notification dated 17.09.2025 bringing certain provisions of the Finance Act, 2025 into effect from 01.10.2025. The following parts of the Finance Act, 2025, will apply;

Section 121 (Clause (ii) and (iii)): Input Tax Credit;

(i) **Section 122**: Changes in issuing credit/debit notes, likely shifting to more electronic processes;

(ii) **Section 123**: Amendments to GSTR-3B and related return filing provisions;

(iii) **Section 124**: Changes in the appeal process, including faster timelines and higher pre-deposit requirements; and

(iv) **Sections 126-134**: Compliance & Penalties

CENTRAL GOODS AND SERVICES TAX (THIRD AMENDMENT) RULES, 2025

CBIC via notification dated 17.09.2025, has amended the Central Goods and Services Tax Rules, 2017. The new amended rules are known as Central Goods and Services Tax (Third Amendment) Rules, 2025 ("**CGST Rules 2025**"). These CGST Rules introduces several procedural and compliance-related changes, particularly concerning refund processing, appellate procedures, and reporting in annual GST returns. The changes are aimed at improving efficiency, transparency, and risk management in GST administration.

(i) **Rule 31A (2) Amendment – Value of Supply in Lottery, Betting, Gambling, Horse Racing:** Rule 31A of the CGST Rules (dealing with valuation of certain actionable claims like lottery, betting, gambling, and horse racing) is amended in sub-rule (2) by substituting the figure "128" with "140". The amendment to "140" means the value of supply will now be taken as 100/140 of the gross amount, effectively increasing the portion of the price attributable to taxable value.

(ii) **Rule 39(1A) Amendment – ISD Distribution of ITC (Covering IGST Reverse Charge):** With retrospective effect from 01.04.2025, Rule 39(1A) of the CGST Rules (which governs the procedure for Input Service Distributors ("**ISD**") to distribute input tax credit) is amended. After the words and figures "of section 9" (which refer to supplies attracting reverse charge under section 9 of CGST Act), the following text is inserted: "of the Central Goods and Services Tax Act, 2017 or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017.

(iii) **Rule 91(2) Substitution– Time-bound Provisional Refund Process:** With effect from 01.10.2025, Rule 91(2) of the CGST Rules (governing grant of provisional refunds to exporters and other refund applicants) is entirely substituted with a new provision. The new Rule 91(2) mandates that the proper officer shall issue an order in Form GST RFD-04 (the provisional refund sanction order) "within a period not exceeding seven days from the date of the acknowledgement" of the refund claim (Form GST RFD-02/RFD-01 acknowledgement)."

(iv) **Rule 110 Amendments – Streamlined Appellate Tribunal Appeal Process**: Rule 110 of the CGST Rules outlines the procedure for filing an appeal to the GST Appellate Tribunal. The Third Amendment introduces several changes to modernize this process (effective from 22.09.2025 unless stated otherwise):

(a) In sub-rule (1), after the phrase "filed electronically and provisional acknowledgement", the rule now inserts "in Part A of Form GST APL-02A". This indicates that when an appeal is filed, the provisional acknowledgment of its filing will be issued in Part A of a newly introduced Form GST APL-02A (replacing the earlier practice of Form GST APL-02).

(b) In sub-rule (2), the proviso is omitted as well.

(c) In sub-rule (4), wherever the words "FORM GST APL-02" appeared (for issuance of final acknowledgment of appeal or any order of the tribunal on admission), they are substituted with "Part B of Form GST APL-02A".

(v) **Insertion of Rule 110A- Appellate Tribunal Appeal Process**: Procedure for Appeals before a Single-Member Bench Interpretation: A new Rule 110A is inserted after Rule 110 to lay down how certain appeals will be handled by a Single Member Bench of the GST Appellate Tribunal. This rule, effective 22.09.2025, establishes a mechanism for filtering and assigning cases to single-member benches where permissible under the law (Section 109 of the CGST Act).

(a) Transfer of Eligible Appeals: Under sub-rule (1), the President of the Appellate Tribunal (or a Vice-President, if authorized for a State Bench) may, suo motu (on his own motion) or upon application by the parties, scrutinize an appeal and transfer it to a Single Member Bench of that State, provided the case does not involve any question of law.

(b) Reverting if Legal Issue Arises: Sub-rule (2) stipulates that if a single-member bench, while hearing a transferred appeal, realizes a substantial question of law is involved, that single member must record reasons in writing and send the case back to the Tribunal President/Vice-President.

(c) Consistency Check (Avoiding Contradictory Rulings): Sub-rule (3) introduces a check during the initial scrutiny or reconsideration: if the same taxpayer ("same taxable person within a State") and the same issue for a different period has already been decided or even heard by a Division Bench (a bench of two Members) in the Tribunal, then the new appeal must not go to a single member bench. Such cases must continue to be heard by a Division Bench.

(d) Monetary Limit Clarification (INR 50 Lakh): The CGST Act Section 109(8) permits single-member benches for cases where the tax or credit involved does not exceed INR 50 lakh (except questions of law). Sub-rule (4) clarifies that this INR 50 Lakh limit is to be calculated cumulatively for the appeal in question. This means if an appeal involves multiple issues or multiple periods, one must add up all the tax, ITC, fine, fee, or penalty amounts in dispute across all issues/periods covered in that one appeal order.

(vi) **Rule 111 Amendments** – Applications to Appellate Tribunal (Procedural Simplification): Rule 111 deals with applications to the Appellate Tribunal (for matters like rectification or stay, distinct

from appeals). The Third Amendment aligns Rule 111 procedure with the changes made in Rule 110, effective 22.09.2025:

(a) In sub-rule (1), after "provisional acknowledgement", the phrase "in Part A of Form GST APL-02A" is inserted, just as in Rule 110.

(b) In sub-rule (2), the proviso is omitted. Previously, this proviso might have allowed some relaxation (for instance, condoning delay in filing an application) or required a particular action for acknowledgment.

(c) In sub-rule (4), two changes are made: (i) any reference to "FORM GST APL-02" is now replaced with "Part B of FORM GST APL-02A", and (ii) In the second proviso of sub-rule (4), the wording "self-certified copy" is replaced by "self-attested copy".

(vii) Rule 113(2) Substitution – Tribunal to Issue Summary of Order (Form GST APL-04A): Rule 113 pertains to orders of appellate authorities and Tribunals. The amendment substitutes sub-rule (2) entirely with a new requirement, when the Appellate Tribunal passes an order under section 113(1) of the CGST Act (i.e. disposes of an appeal), it "shall, along with its order issue, or cause to be issued, a summary of the order in Form GST APL-04A, clearly indicating the final amount of demand confirmed by the Appellate Tribunal.".

(viii) Amendments to FORM GSTR-9 (Annual Return) and GSTR-9C – Reporting Enhancements from FY 2024-25 Onwards: The notification introduces extensive changes to FORM GSTR-9 (Annual Return) format and instructions, applying for Financial Year 2024-25 and onwards filings and FORM GSTR-9C (Reconciliation Statement).

(ix) Insertion of FORM GST APL-02A and FORM GST APL-04A: A completely new form, GST APL-02A (Provisional Acknowledgment for Appeals/Applications), is introduced and A new summary form **GST APL-04A** is introduced to record the outcome of Tribunal orders.

(x) Substitution of FORM GST APL-05, GST APL-06 and GST APL-07: The revised formats introduce a more comprehensive structure requiring detailed disclosure of appellant/respondent particulars, case summaries, disputed tax/interest/penalty amounts, pre-deposit compliance, and categorized annexures. FORM APL-06 now enables cross-objections before the Tribunal under Section 112(5) with structured relief tables, while FORM APL-07, meant for applications by tax authorities under Section 112(3), has been aligned to allow the Commissioner or authorized officer to challenge appellate/revisional orders in a more systematic manner.

COMMUNICATION TO TAXPAYERS THROUGH E- OFFICE

CBIC through a circular dated 23.09.2025, has clarified that the communications dispatched using the public option in CBIC's e-Office application will no longer require a separate Document Identification Number ("**DIN**"). An online utility has been developed and made functional (URL https://verifydocument.cbic.gov.in), where the taxpayers and other concerned persons can verify online the electronically generated unique "Issue number" borne on communications dispatched using public option in e-Office application by CBIC officers. Upon verification, this utility confirms the Issue

number, and other details and provides information to authenticate the document, like File number, Date of issuing the document, Type of communication, Name of Office issuing the document, Recipient name (masked), Recipient address (masked) and Recipient email (masked).

For communications sent through the public option in CBIC's e-Office, the automatically generated Issue Number will itself be treated as the DIN. Since both DIN and Issue Number are unique verifiable identifiers, quoting a separate DIN is unnecessary, and such communications shall be considered valid with the Issue Number alone. It is therefore decided that for communications dispatched using public option in CBIC's e-Office application, the verifiable e-Office 'Issue number' shall be deemed to be the DIN and such communication shall be treated as a valid communication. However, quoting DIN remains mandatory for all other communications not sent via the e-Office public option or those lacking a verifiable Reference Number ("**RFN**") generated on the GST portal.

GOODS AND SERVICES TAX APPELLATE TRIBUNAL ISSUES STAGGERED FILING SCHEDULE FROM APPEALS

The Goods and Services Tax Appellate Tribunal ("**GSTAT**"), issued an Order dated 24.09.2025, directing that all appeals and applications under Sections 107 and 108 of the CGST Act, 2017 must be filed and processed electronically through the GSTAT portal developed by NIC. The Order notes that a large number of appeals have already been disposed of by first appellate and revisional authorities, many of which are now appealable before GSTAT. Since the newly launched portal may face capacity constraints if a large number of appeals are filed simultaneously, GSTAT has introduced a staggered filing schedule to avoid system overload and ensure smooth functioning.

GSTAT President has issued an order exercising the powers under Rule 123 of GSTAT (Procedure) Rules, 2025 to streamline the filing system of appeals before GSTAT against the orders of first Appellate Authority under Section 107of CGST ACT, 2017 or orders of Revisional Authority under Section 108 of CGST Act, 2017 in view of the huge pendency of appeals to be filed.

(i) The filing of appeals before GSTAT shall be staggered over a period of time to reduce the burden on the electronic system.
(ii) The staggered time schedule is as under:

Category	**Period of filing appeal in Form APL-01 or APL-03 under Section 107nof the Act or issuance of notice in Form RVN-01 in terms of Section 108 of the Act**	**Period during which the appeal under Section 112 of the Act before the GSTAT may be filed**
1	On or before 31.01.2022	24.09.2025 – 31.10.2025
2	01.02.2022 –28.02.2023	01.11.2025 - 30.11.2025

3	01.03.2023 – 31.01.2024	01.12.2025 –31.12. 2025
4	01.02.2024 – 31.05.2024	01.01.2026 –31.01.2026
5	01.06.2024 –31.03.2026	01.02.2026 onwards or any date succeeding such date being not later than 30.06.3036
6	Not filed by March 31, 2026	01.03.2026 onwards or any date succeeding such date being not later than 30.06.2026.

(III) DIRECT TAXATION

ORDER UNDER SECTION 119 OF THE INCOME-TAX ACT, 1961 FOR WAIVER OF INTEREST PAYABLE UNDER SECTION 220(2) DUE TO LATE PAYMENT OF DEMAND, IN CERTAIN CASES

Central Bureau of Direct Taxes ("**CBDT**") in exercise of its powers conferred under section 119 of the Income Tax Act, 1981 ("**IT Act**") has issued a notification dated 19.09.2025 directing a waiver of interest under Section 220(2) for certain taxpayers.

This applies where and payment of demands is made on or before 31st December 2025. In such cases, if a taxpayer fails to pay the demand raised as a result of rectification order passed by the Centralized Processing Centre ("**CPC**") on or before 31.12.2025, the interest shall be charged under section 220(2) of the IT Act from the day immediately following the end of the period mentioned in subsection (I) of section 220 of the IT Act.

EXTENSION OF TIMELINES FOR FILING OF VARIOUS REPORTS OF AUDIT FOR FINANCIAL YEAR 2024-25 (RELEVANT TO ASSESSMENT YEAR 2025-26) BY AUDITABLE ASSESSEES

CBDT vide notification dated 25.09.2025 under Section 119 of the Act, has extended the due date for furnishing audit reports for Financial Year 2024-25 (Assessment Year 2025-26) for assesses referred in clause (a) of Explanation 2 to section 139(1) from 30.09.2025 to 31.10.2025.

SEIZED AMOUNTS TO SUBJECT TO PMLA INVESTIGATION ARE PROCEEDS OF CRIME, CAN'T BE TREATED AS TAXABLE INCOME PRIOR TO CONCLUSION OF TRIAL

The High Court of Delhi vide its judgment dated 18.09.2025 in ***Asst. Commissioner of Income Tax v State & Ors., (Crl. M.C. No. 2198 of 2018),*** has held that the seized amounts subject to investigation under Prevention of Money Laundering Act, 2002 ("**PMLA**") are prima facie proceeds of crime, and not lawful income from trade or business and it would be erroneous to treat such amounts as taxable income recoverable by the Income Tax Department, prior to the conclusion of the PMLA trial or adjudication. The Petition before the High Court was filed under Section 482 of the Code of Criminal Procedure, 1973 ("**CrPC**") on behalf of the Petitioner/Asst. Commissioner of Income Tax ("**ACIT**"), to challenge the Order of the Special Judge dismissing the Application under Section 226(4) of the IT Act, 1961. The Petitioner had sought a direction to release all the Fixed Deposit Receipts ("**FDRs**"), for recovery of Tax Demand against the Respondents.
The Bench noted that there were competing claims of the Income Tax Department to adjust the recovered amounts towards tax liability and of the individuals who had been defrauded of their investments made with Respondents and whether the recovered amounts were proceeds of crime to be dealt as per provisions of PMLA. The Bench further noticed that it was not the money which was relatable to the Income of the Accused. Prima facie, this was the money which had been fraudulently obtained by the accused persons by floating fraudulent schemes under the name of various Companies. Noting that the money was the

defrauded/embezzled amounts of innocent investors acquired by the Accused through illegal means, the Bench held that these funds would not come within the income of the Accused.

It is evident from the definition of the 'trade' that the modus operandi of the functioning of the Accused Company cannot be termed as an activity of trade and business. As has been discussed above, it is a money which is accumulated by fraud and deception and infact, prima facie comes within the definition of proceeds of crime", it further added.

Considering the objective and purpose of PMLA and the IT Act and also the fact that PMLA is a subsequent Act, the Bench held that the Application of the Income Tax Department for release of the FDR amounts to be appropriated towards the alleged tax liability of the accused persons, was rightly rejected and could not be entertained until the conclusion of the trial in the criminal case, as any premature release would prejudice the ongoing PMLA proceedings. Thus, finding no merit in the Petition, the Bench dismissed the same.

LOSS INCURRED ON PURCHASE AND SALE OF SHARES IN STOCK MARKET CANNOT BE DISALLOWED BY INVOKING GENERAL ANTI-AVOIDANCE RULE (GAAR) PROVISIONS
Smt. Anvida Bandi v. Deputy Commissioner of Income-tax [Writ Petition No. 3201 of 2023 and Judgment dated August 22, 2025 (Telangana High Court)]

The Taxpayer was an individual and an investor actively engaged in regular investments for several years. During AY 2020-21, the Taxpayer sold shares of a certain company and earned a long-term capital gains of INR 44,14,05,007/-. In the same AY, a portion of these proceeds were reinvested in the shares of HCL Technologies Pvt. Ltd.

Later, during the year under consideration, the Taxpayer sold certain shares of HCL Technologies Pvt. Ltd., incurring a short-term capital loss of INR 17,65,00,000/-. The Taxpayer claimed the set off of this short-term capital gains against the long-term capital gains earned during the year under consideration, in the return of her income for AY 2020-21.

During the assessment proceedings for AY 2020-21, the Revenue was of the view that the aforesaid transaction of purchase and sale of shares of HCL Technologies Pvt. Ltd. by the Taxpayer qualified as an impermissible avoidance agreement (IAA) under the GAAR provisions and therefore, referred the matter to the GAAR Panel.

The GAAR Panel held that considering the timing of purchase and sales of shares of HCL Technologies Pvt. Ltd. by the Taxpayer which resulted in a short-term capital loss, the arrangement amounts to IAA.

The assessee challenged the same before the high court.

Judgment of the Telangana High court –

The Court noted that for a transaction of purchase and sale of shares to be an IAA, there has to be, *firstly*, an arrangement arrived at between two or more parties, and *secondly*, the satisfaction of the conditions mentioned in Section 96(1) of the Act.

In the facts of the case, the Court held that (a) there was no material available with the Revenue to prove that the purchase-sale of shares by the Taxpayer was to its known person or entity, (b) there was no nexus between purchase-sale of shares by the Taxpayer, (c) shares were sold through stock exchange, (d) the concerned transaction was not an isolated transaction and were through the DMAT account of the Taxpayer, and (e) there was no material with the Revenue to hold the concerned transactions to be an IAA except for the timing of undertaking the said transactions.

As regards the timing of the transactions, the Court took note of the report prepared by the Expert Committee / Shome Committee with respect to GAAR under the Act. Therein, it is categorically stated that sale and purchase through stock market transactions would not come under GAAR.

Therefore, the Court held that the transactions undertaken by the Taxpayer were purely in the nature of trading, without there being any arrangement and thus, an IAA.

Accordingly, the order of GAAR Panel was set aside.

DISCLAIMER: This Newsletter is meant for information purposes only and does not purport to be an advice or opinion, legal or otherwise. The information provided herein is not intended to create an attorney client relationship or meant to be used for advertising or soliciting. N. D. Kapur & Co does not intend to advertise its service or solicit work through this Newsletter. N. D. Kapur & Co or its associates are neither responsible for any error or omission in this Newsletter nor for any action taken based on its contents.