

**N. D. KAPUR & CO.  
CHARTERED ACCOUNTANTS**

**Monthly Updates**

**DECEMBER 2025**

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**(I) CORPORATE LAW**

**MCA EXPANDS “SMALL COMPANY” THRESHOLDS TO EASE CORPORATE COMPLIANCE**

The Ministry of Corporate Affairs (“MCA”) has notified the Companies (Specification of Definition Details) Amendment Rules, 2025, which shall come into force with effect from 1 December 2025.

The amending act significantly revising the financial thresholds for classification of a “Small Company” under the Companies Act, 2013.

Under the amended framework, the maximum paid-up share capital limit has been enhanced from Rs. 4 crore to Rs. 10 crore, and the turnover threshold from Rs. 40 crore to Rs. 100 crore, thereby bringing a substantially larger number of private companies within the Small Company regime.

While public companies, holding or subsidiary companies, Section 8 companies, and entities governed by special statutes remain excluded, eligible companies will now benefit from wide-ranging compliance relaxations, including fewer board meetings, exemption from cash flow statements and auditor rotation, reduced audit and reporting obligations, lower penalties, continued ability to hold shares in physical form, and access to fast-track mergers without NCLT approval.

**MCA GRANTS FURTHER TIME AND FEE RELAXATION FOR ANNUAL FILINGS FOR FY 2024–25**

The MCA, vide General Circular No. 08/2025 dated 30 December 2025, has granted additional relief to companies by extending the timeline for filing financial statements and annual returns for FY 2024–25 without payment of additional fees. This circular has been issued in continuation of General Circular No. 06/2025 dated 17 October 2025, taking into account representations received from stakeholders.

Under the circular, companies are permitted to file the prescribed e-forms—MGT-7, MGT-7A, AOC-4, AOC-4 CFS, AOC-4 NBFC (Ind AS), AOC-4 CFS NBFC (Ind AS), and AOC-4 (XBRL) up to 31 January 2026 without incurring any additional fees, notwithstanding the expiry of the original statutory timelines under the Companies Act, 2013. This relaxation applies specifically to filings relating to FY 2024–25.

The MCA has clarified that all other conditions and requirements stipulated under General Circular No. 06/2025 shall remain unchanged, and the present circular is limited solely to the extension of time and waiver of additional fees.

## **MCA NOTIFIES AMENDMENTS TO DIRECTOR KYC AND REGIONAL DIRECTOR DESIGNATION UNDER COMPANIES ACT**

The MCA on 31 December 2025 has notified the Companies (Appointment and Qualification of Directors) Amendment Rules, 2025, which are scheduled to come into force on 31 March 2026. These amendments introduce targeted changes to the regulatory framework governing Director Identification Numbers (DINs) and update the designation of the concerned Regional Director authority.

Under the amendment, Rule 11 has been modified to substitute the existing reference to “Regional Director (Northern Region), Noida” with “Regional Director, Northern Region Directorate I”, reflecting an internal administrative reorganisation within the MCA without altering the substantive powers or functions of the authority.

More significantly, Rule 12A has been substituted in entirety, revising the periodicity and manner of Director KYC compliance. As per the new framework, every individual holding a DIN as on 31 March of a financial year is now required to file Form DIR-3 KYC Web with the Central Government once every three consecutive financial years, on or before 30 June of the immediately following third year. This marks a departure from the earlier annual KYC requirement and substantially rationalises compliance for directors.

In addition, the amended Rule 12A introduces a continuous disclosure obligation. Any change in a director’s personal mobile number, email address, or residential address must now be intimated by filing Form DIR-3 KYC Web within 30 days of such change, along with the prescribed fee under the Companies (Registration Offices and Fees) Rules, 2014.

## **MCA ANNOUNCES MAJOR EXPANSION OF REGIONAL DIRECTORATES AND REGISTRARS OF COMPANIES FROM 16 FEBRUARY 2026**

The MCA has announced a significant reorganisation and expansion of its regulatory infrastructure by establishing 3 new Regional Directorates (RDs) and 6 new Registrars of Companies (RoCs), with effect from 16 February 2026, as part of its continued push towards ease of doing business and improved regulatory facilitation, as conveyed through a press release issued by the Press Information Bureau on 31 December 2025.

The existing Northern Region Regional Directorate, headquartered at Delhi and having jurisdiction over Delhi, Haryana, Uttar Pradesh, Himachal Pradesh, Punjab, Uttarakhand, and the UTs of Chandigarh, Ladakh and Jammu & Kashmir, will be split into two Regional Directorates.

- RD (NR-I), headquartered at New Delhi, will exercise jurisdiction over the NCT of Delhi and the State of Uttar Pradesh.

- RD (NR-II), headquartered at Chandigarh, will have jurisdiction over Haryana, Himachal Pradesh, Punjab, Uttarakhand, and the UTs of Chandigarh, Ladakh and Jammu & Kashmir.

Correspondingly, the existing RoC, Delhi will be reorganised into three separate RoCs. Two RoCs, i.e., RoC (NCT of Delhi-I) and RoC (NCT of Delhi-II) will have jurisdiction over different districts within Delhi, while a separate RoC (Haryana), headquartered at Chandigarh, will assume jurisdiction over the entire State of Haryana.

Additionally, a new RoC, Noida will be carved out of RoC, Kanpur, with jurisdiction over 17 western districts of Uttar Pradesh.

The Western Region Regional Directorate, headquartered at Mumbai and earlier exercising jurisdiction over Maharashtra, Goa and the UT of Daman and Diu, will also be split into two Regional Directorates.

- RD (WR-I), headquartered at Mumbai, will oversee the districts of Mumbai and Mumbai Suburban, along with Goa and Daman & Diu.
- RD (WR-II), headquartered at Navi Mumbai, will cover all other districts of Maharashtra.

The existing RoC, Mumbai will be divided into three RoCs:

- RoC, Mumbai-I for Mumbai and Mumbai Suburban districts;
- RoC, Mumbai-II at Navi Mumbai for select districts including Thane, Palghar and Raigad; and
- A newly established RoC, Nagpur, which will exercise jurisdiction over 11 districts of Vidarbha and 7 districts of the Marathwada region.

A new Regional Directorate for the South-Western Region (SWR) will be established with headquarters at Bengaluru, having jurisdiction over the States of Karnataka and Kerala, and the UT of Lakshadweep.

In the eastern region, the existing RoC, Kolkata will be split into RoC, Kolkata-I, having jurisdiction over the district of Kolkata and the State of Sikkim, and RoC, Kolkata-II, which will cover the rest of West Bengal.

## **(II) INDIRECT TAXATION**

### **AUTO SUSPENSION OF GST REGISTRATION DUE TO NON-FURNISHING OF BANK ACCOUNT DETAILS UNDER RULE 10A**

Pursuant to Rule 10A of the CGST Rules, taxpayers (other than those registered under TDS, TCS or Suo-moto categories) are required to furnish their bank account details within 30 days from the grant of GST registration or before filing outward supply details in GSTR-1 or IFF, whichever is earlier.

With effect from the recent system updates on the GST portal, failure to comply with this requirement results in automatic suspension of GST registration, with the suspension order being made available under Services > User Services > View Notices and Orders.

Taxpayers can furnish or update their bank account details through a non-core amendment by navigating to Services > Registration > Amendment of Registration (Non-Core Fields). Upon successful furnishing of bank account details, any initiated cancellation proceedings are designed to be automatically dropped by the system. In cases where such proceedings are not dropped on the same day, taxpayers have the option to manually initiate the process using the Initiate Drop Proceedings button available under View Notices and Orders.

Furnishing of bank account details is not mandatory for OIDAR and NRTP taxpayers. However, where an OIDAR taxpayer has appointed a representative in India, furnishing of bank account details becomes mandatory.

### **GSTN CONSOLIDATED FAQs ON GSTR-9 / GSTR-9C FOR FY 2024-25**

GSTN has clarified that GSTR-9/9C for FY 2024-25 will be auto-enabled only after filing all due GSTR-1 (including GSTR-1A/IFF, as applicable) and GSTR-3B for the entire year; if any relevant return remains pending, the annual return will not be enabled since core tables in GSTR-9 (Tables 4, 5, 6, 8 and 9) are system-populated based on data filed in GSTR-1/1A/IFF, GSTR-2B and GSTR-3B.

Table 8A is explained as the GSTR-2B-based capture of FY 2024-25 inward supplies, which also includes FY 2024-25 invoices appearing in GSTR-2B of FY 2025-26 for the period April 2025 to October 2025, while excluding FY 2023-24 invoices that may appear during April 2024 to October 2024. GSTN further notes that actions taken on the IMS dashboard do not directly impact GSTR-9; the relevant impact is only through what ultimately reflects in GSTR-2B and what has been availed through GSTR-3B.

A key structural change for FY 2024-25 is the introduction of Table 6A1 to separately capture ITC of the preceding FY (FY 2023-24) that is claimed in the current FY (FY 2024-25) up to the specified time period (with an express carve-out that ITC reclaimed due to Rule 37/37A is not to be reported in Table 6A1). Consequently, Table 6A2 (6A minus 6A1) is treated as the “current year” ITC pool to be split across Tables 6B to 6H, and this design is intended to avoid artificial differences that earlier arose in Table 6J. The FAQs also provide detailed reporting guidance for ITC that is claimed, reversed and reclaimed—

distinguishing between (i) all three events within FY 2024-25 (claim in Table 6B, reversal in Table 7, reclaim in Table 6H), (ii) reclamation in FY 2025-26 for reasons other than Rule 37/37A (reclaim reflected in Table 13 of FY 2024-25 and then in Table 6A1 of FY 2025-26), and (iii) reclamation in FY 2025-26 due to Rule 37/37A (reclaim reported in Table 6H of FY 2025-26 and not in Table 13 of FY 2024-25). It is also clarified that ITC reclaimed under Rule 37/37A is treated as ITC of the year of reclamation (and therefore reported in Table 6H of that year).

On Table 8A, GSTN has introduced an invoice-wise “Table 8A Document Details” downloadable Excel from the GSTR-9 dashboard and explains that the Excel and the online Table 8A may differ in certain scenarios (for example, outward supplies under RCM, certain amendment trails, PoS amendments making ITC ineligible, or invoices shifted across FYs through amendments), while noting that the online Table 8A is the correctly populated base for GSTR-9. For missed ITC of FY 2024-25 first availed in FY 2025-26 (up to the specified period), Table 8C is meant to capture such cases; however, ITC that was claimed and reversed in FY 2024-25 and reclaimed in FY 2025-26 is specifically stated not to be reported in Table 8C to avoid mismatches in Table 8D, with such reclaim being routed through Table 13 (where applicable). Additional clarifications include: a new reporting row for imported goods ITC claimed in the next FY (Table 8H1) with IGST paid on import in Table 8G; Table 9 “tax payable” is based on net liability from GSTR-3B (and may remain blank where the net is negative, though editable); Table 17/18 no longer carry the 65% concessional rate checkbox for FY 2024-25; a utility has been provided to assist HSN reporting in Table 17; non-GST purchases are not required to be reported in GSTR-9 due to absence of a dedicated table; and Table 4G1 is applicable only for e-commerce operators liable under Section 9(5). For GSTR-9C, GSTN explains a revised late fee computation approach (Circular No. 246/03/2025-GST) and insertion of a dedicated table for late fee payable/paid, with late fee for GSTR-9C running from the later of the annual return due date or the filing date of GSTR-9 up to the filing date of GSTR-9C.

**(III) DIRECT TAXATION**

**INCOME TAX DEPARTMENT ISSUES FAQs ON SECTION 80G UNDER NUDGE CAMPAIGN**

On December 18, 2025, the Income Tax Department issued a comprehensive set of FAQs on Section 80G of the Income-tax Act, 1961 under the Non-intrusive Usage of Data to Guide and Enable (NUDGE) Campaign, with the objective of enhancing taxpayer awareness and strengthening compliance relating to deductions for charitable donations.

The FAQs provide a structured explanation of Section 80G, clarify the distinction between donations and deductions, and outline the eligibility of donors and donees.

Donations are categorised into four classes, 100% or 50% deduction, with or without a qualifying limit, subject, in certain cases, to an overall cap of 10% of the donor's adjusted gross total income.

The guidance reiterates that deductions are available only for donations made to funds and institutions expressly listed under Section 80G(2) or those duly approved and registered under Section 80G.

It highlights key categories of eligible donees, including specified national and government funds, approved charitable institutions, local authorities for charitable purposes, housing and urban development authorities, notified religious places of historic importance, and certain sports-related bodies. Donors are advised to verify the registration status and deduction category of the donee before claiming any benefit.

From a compliance perspective, the FAQs emphasise that deductions are restricted to monetary donations and that cash donations exceeding Rs. 2,000 are not eligible. Donations in kind are excluded, and a single donation can be claimed as a deduction only once under the Act. It is further clarified that no deduction under Section 80G is available where the taxpayer opts for the new tax regime under Section 115BAC.

The FAQs also underscore the strengthened verification and reporting framework. Eligible donee institutions are required to file Form 10BD with detailed donor information and issue donation certificates in Form 10BE. Deduction claims made by donors in their income-tax returns will be cross-verified against these filings, and mismatches may result in denial of the deduction. Additionally, donations made after the cancellation or expiry of a donee's Section 80G registration are ineligible, and excess donations beyond the qualifying limit cannot be carried forward to subsequent years.

**SUPREME COURT CLARIFIES TAX TREATMENT OF NON-COMPETE FEES AND INTEREST ON BORROWED FUNDS: NON-COMPETE PAYMENTS HELD REVENUE EXPENDITURE; INTEREST DEDUCTION ALLOWED ON GROUNDS OF COMMERCIAL EXPEDIENCY**

The Supreme Court of India in the case of *Sharp Business System v. Commissioner of Income Tax (2025 INSC 1481)* (along with connected appeals, decided on 19 December 2025) held that non-compete fee paid by an assessee is allowable as revenue expenditure under Section 37(1) of the Income-tax Act, 1961,

where such payment does not result in the creation of a capital asset or addition to the profit-earning apparatus.

The assessee, Sharp Business System, paid a non-compete fee of Rs. 3 crores to Larsen & Toubro Limited to restrain it from competing in the electronic office products business in India for a period of seven years. The assessee claimed the payment as revenue expenditure. The tax authorities and the Delhi High Court treated the payment as capital expenditure, holding that it resulted in an enduring benefit, and further denied depreciation on the ground that no intangible asset was created.

The Supreme Court held that payment of non-compete fee is made to protect or facilitate the conduct of business by reducing competition and improving profitability, and does not create any new asset or enhance the capital structure of the business. The test of “enduring benefit” is not determinative unless the benefit lies in the capital field. Since the payment merely enabled the assessee to carry on its business more efficiently without acquiring any capital asset, it constituted revenue expenditure allowable under Section 37(1). The Delhi High Court’s judgment was set aside. Consequently, the alternative issue relating to depreciation under Section 32 was rendered academic in that case.

#### **SERVICE PE / “VIRTUAL SERVICE PE” UNDER INDIA–SINGAPORE DTAA (ARTICLE 5(6))**

The Delhi High Court in the case of *Commissioner of Income Tax (International Taxation)-1, New Delhi v. Clifford Chance Pte. Ltd.* (Delhi High Court; judgment delivered 04 December 2025) explored the question on whether a Singapore law firm’s fees from Indian clients were taxable in India as business profits on the footing that it had a “service PE” (and/or a purported “virtual service PE”) under Article 5(6) of the India–Singapore DTAA.

The respondent (Clifford Chance Pte. Ltd.), a Singapore non-resident providing legal advisory services, filed NIL returns for AY 2020–21 and AY 2021–22.

The AO passed draft (and later final) assessment orders making additions of approx. Rs. 15.55 Cr (AY 2020–21) and Rs. 7.97 Cr (AY 2021–22), alleging that the respondent had a service PE in India under Article 5(6) of the India–Singapore DTAA and also a “virtual service PE” because services were rendered remotely to Indian clients. For AY 2020–21, employees were stated to be present in India for 120 days; the assessee asserted that 36 vacation days, 35 business development days, and 5 common days should be excluded, leaving 44 days of actual client-service days in India. For AY 2021–22, no employees visited India; services were rendered from outside India.

The ITAT deleted the additions, holding there was no service PE and rejecting the concept of virtual service PE under the DTAA; the Revenue appealed to the High Court.

The Delhi High Court dismissed the Revenue’s appeals and upheld the ITAT. It held that Article 5(6) contemplates furnishing services “within” India “through” employees/personnel, which carries a territorial requirement, i.e., actual performance of services in India by personnel physically present in India is essential for a service PE.

Consequently, only days on which services were actually rendered to clients in India are relevant for counting the 90-day threshold; days spent on vacation, business development, and overlapping/common days cannot be used to artificially cross the threshold.

On facts, the assessee's in-India client service days (as accepted by ITAT) were below 90 days for AY 2020–21; and for AY 2021–22, in the absence of any employee presence in India, no service PE could arise.

The Court also held that the DTAA does not contain any concept of a “virtual service PE” based only on remote services, and courts cannot read such a concept into the treaty; OECD interim discussions or examples from other jurisdictions cannot override the treaty text unless the DTAA is renegotiated/amended. Accordingly, the receipts were treated as business profits not taxable in India in the absence of a PE, and both questions of law were answered against the Revenue

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