

# Manubhai & Shah LLP

Chartered Accountants

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```
extern double Stoploss =200; // SL for an opened order
extern double TakeProfit =39; // TP for an opened order
extern int Period_MA_1=11; // Period of MA 1
extern int Period_MA_2=21; // Period of MA 2
extern double LotSize =0.1; // strictly set amount of lots
extern double LotStep =0.1; // Percent of free margin
```

```
es());
MarketInfo(Symb,MODE_MINLOT);
accountFreeMargin();
MarketInfo(Symb,MODE_MARGINREQUIRED); // Free margin
MarketInfo(Symb,MODE_LOTSTEP); // Price of 1 lot
// Step is changed
```

```
extern double Stoploss =200; // SL for an opened order
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# NEWSLETTER

## FEBRUARY 2025

Achieving Excellence in Client Service Through  
**Expertise & Experience**

Covering Updates for the Month of January 25  
For private circulation and clients only

**VOL 59**

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Due dates of various compliances falling in the month of February 2025



# DIRECT TAX UPDATES

## Circulars & Notifications

### 1. Vivad Se Vishwas Scheme, 2024- Clarification on Eligibility of Appeal filing Due after 22.07.2024 C.B.D.T. Notification No.8/2025 dated 20.01.2025

It is clarified that in case of an assessee an order had been passed on or before the specified date, i.e. 22.07.2024 and the time for filing an appeal against such order was available as on the said date and the same has been after 22.07.2024 but within the stipulated time for filing of such appeal without any application for condonation of delay then such appeal shall be considered as pending as on the specified date, i.e. 22.07.2024 and eligible for the purposes of the VSV Scheme.

### 2. New Rule 6GB for Presumptive Taxation of Non-Resident Cruise Ship Operator C.B.D.T. Notification No.9/2025 dated 21.01.2025

The Finance (No.2) Act, 2024, introduced a new section 44BBC providing presumptive taxation regime for a non-resident operator of cruise ship, providing that the profits and gain from such business shall be deemed to be at @20% of the aggregated amount received or receivable or deemed to be received on account of carriage of passengers. CBDT vide this Notification has inserted new Rule 6GB. It is provided under the Rule that for the purposes of section 44BBC, the non-resident, engaged in the business of operation of cruise ships shall:

- (i) Operate a passenger ship having a carrying capacity of more than 200 passengers or length of minimum 75 meters for leisure and recreational purposes and having appropriate dining and cabin facilities for passengers;
- (ii) Operate such ship on scheduled voyage or shore excursion touching at least two seaports of India or same seaports of India twice;
- (iii) Operate such ship primarily for carrying passengers and not for carrying cargo; and
- (iv) Operate such ship as per the procedure and guidelines if any, issued by the Ministry of Tourism or Ministry of Shipping.

### 3. No T.D.S. U/sec 194Q r.w. sec. 197A on purchase of goods from a unit of IFSC C.B.D.T. Notification No.3/2025 dated 02.01.2025

Section 197A of the Act provides for no deduction of tax at source (TDS) shall be made on payment under sections as specified. CBDT has amended section 197A providing that no deduction of tax shall be made under the provisions of section 194Q of the Act by a resident buyer, in respect of purchase of goods from a seller Unit of International Financial Services Centre (IFSC), subject to the following conditions:

- (a) the seller shall furnish a statement-cum-declaration duly verified in the format provided in Form No. 1 to the buyer giving details of previous years relevant to the ten consecutive assessment years for which the seller opts for claiming deduction under section 80LA(1A) and (2) of the said Act; and
- (b) the buyer shall not deduct tax on payment made or credited to the seller after the date of receipt of copy of the statement-cum-declaration in the said Form from the seller and furnish the particulars of all the payments made to the seller in the statement of deduction of tax referred to in section 200(3) of the said Act read with Rule 31A of the Income-tax Rules, 1962.

#### **4. Exemption from TCS U/sec 206C(1H) to Unit of IFSC**

##### **C.B.D.T. Notification No.3/2025 dated 02.01.2025**

Section 206C(1H) of the Act provides to collect TCS by a seller of alcoholic liquor, forest produce, scrap, etc. from a buyer subject to the provisions of section 206C(1H).

C.B.D.T. vide this Notification has clarified that a Unit of IFSC shall not be considered as buyer for the purposes of section 206C(1H), subject to the following conditions,

- (a) the buyer shall furnish a statement-cum-declaration duly verified in Form No. 1A to the seller giving details of previous years relevant to the ten consecutive assessment years for which the buyer opts for claiming deduction section 80LA(1A) and (2) of the said Act; and
- (b) the seller shall not collect tax (TCS) on payment received from the buyer after the date of receipt of copy of statement-cum-declaration in the said Form from the buyer and furnish the particulars of all the payments received from the buyer in the statement of collection of tax referred to in section 206C(3) of the said Act read with Rule 31AA of the Income-tax Rules, 1962.

#### **5. Guidance for Application of the Principal Purpose Test under India's DTAA**

##### **C.B.D.T. Circular No.01/2025 dated 21.01.2025**

The Multilateral Convention to Implement Tax Treaty Related Provisions to Prevent Base Erosion and Profit Shifting ("MLI") entered into force for India on 1st October, 2019. The MLI modifies some of India's Double Taxation Avoidance Agreements (DTAAs). A key provision of the MLI is the Principal Purpose Test (PPT), which seeks to curb tax evasion by preventing treaty abuse. While the PPT is included in most of India's DTAAs through the MLI, it is part of some other DTAAs through bilateral processes.

The PPT envisages denial of benefits under a DTAA where it is reasonable to conclude, having considered all the relevant facts and circumstances that one of the principal purposes of an arrangement or transaction was to obtain a benefit, directly or indirectly, under a DTAA. Where this is the case, however, the last part of the PPT provision allows the person to whom the benefit would otherwise be denied the possibility of establishing that obtaining the benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of the convention. The PPT is intended to ensure that DTAAs apply in accordance with the objects and purpose for which they were entered into, i.e. to provide benefits in respect of bona fide exchange of goods and services, and movement of capital and persons.

C.B.D.T. has issued a Guidance Note vide this Circular in regard to application of the PPT under India's DTAA, which is summarised here under:

- i. PPT provision shall be applicable prospectively as follows:
  - (a) For DTAAs where the PPT has been incorporated through bilateral processes (such as Chile, Iran, Hong Kong, China, etc.) from the date of entry into force of the DTAA or the Amending Protocol incorporating the PPT.
  - (b) For DTAAs where the PPT has been incorporated through the MLI-from the date of entry into effect of the provisions of the MLI with respect to the DTAA specified in Article 35 of the MLI.
- ii. Application of PPT shall be subject to the interaction of such provisions with Treaty Specific Bilateral commitments. India has made certain treaty-specific bilateral commitments in the form of grandfathering provisions under the following DTAAs, as on date with Cyprus, Mauritius and Singapore. It is clarified that the grandfathering provisions under such DTAAs shall remain outside the purview of the PPT provision, and shall be governed by the specific provisions of the respective DTAA.
- iii. Additional/Supplementary Sources of Guidance

The application of the PPT provision is expected to be a context-specific fact-based exercise, besides the BEPS Action Plan 6 Final Report, subject to India's reservations.



## I. Supreme Court Decision

**Reduction in shareholding of assessee in its subsidiary on reduction in share capital is Transfer U/sec 2(47)**

**Pr.C.I.T. v. Jupiter Capital (P.) Ltd. 170 taxmann.com 305 (SC)**

### Facts of the Case:

The assessee-company had made investment in its subsidiary company which constituted 99.88 per cent of the total number of shares of the company. The said subsidiary company incurred losses, as a result of which the net worth of the company got eroded. Subsequently, the High Court permitted for reduction of its share capital.

Consequently, the share of the assessee was reduced proportionately from 15.33 crores shares to 9,988 shares. However, the face value of shares remained the same even after the reduction in the share capital.

During the year, the assessee claimed long-term capital loss accrued on the reduction in share capital from the sale of shares of such company. The Assessing Officer held that reduction in shares of the subsidiary company did not result in the transfer of a capital asset as envisaged in section 2(47).

### Decision of Supreme Court

The Supreme Court decided the appeal in favour of assessee company allowing to set-off capital loss arises on reduction in share capital of the subsidiary company on the ground that proportionate reduction in the shareholding of the assessee would be squarely covered within the ambit of the expression "sale, exchange or relinquishment of the asset" used in section 2(47). The Supreme Court relied upon its own decision in the case of *Kartikeya V. Sarabhai v. CIT* [1997] 94 Taxman 164 wherein it was observed that reduction of right in a capital asset would amount to "transfer" under section 2(47). Sale is only one of the modes of transfer envisaged by section 2(47). **Relinquishment of any rights in it, which may not amount to sale, can also be considered as transfer and any profit or gain which arises from the transfer of such capital asset is taxable under section 45.**

## II. High Court Decision

**Rebate U/sec 87A Allowable unless expressly prohibited under the Act**

**Chamber of Tax Consultants v. DGIT (systems) 170 taxmann.com 707 (Bom)**

### Facts of the Case:

The Tax Department modified its utility with effect from 5-7-2024 unilaterally which disabled assesseees from claiming rebate U/sec 87A of the Income tax Act (the Act). As a result, taxpayers, despite being statutorily eligible, were effectively deprived of their entitlements for rebate due to technical modifications introduced by the department. The Chamber of tax Consultants filed this writ petition for the benefit of general public.

### Decision of Bombay High Court

The High Court held that, the revenues cannot restrain or prohibit an assessee from taking a particular stand on taxability or determination of tax thereon when filing the income return of income when the Income tax Act does not contain any such prohibition. Therefore, the revenue, cannot introduce Such a prohibition by simply tweaking the income tax return utility. The utility, should not overtake tax governance and decide which claim an assessee may make or not. The facility to claim rebate could not have been abruptly discontinued simply because the revenue officials, acting in their administrative capacities, felt that such a claim was untenable.

### Our Comment

**The Bombay High Court has directed the tax department to modify the utility in view of the provisions of section 87A which do not prohibit to claim rebate against tax on capital gain income which is included in total income.**

**However, the finance Bill, 2025 has amended section 87A by inserting a Proviso restricting the amount of rebate to the extent of tax payable at the rates provided under new regime of tax only, i.e. under section 115BAC (1A). Accordingly, an assessee shall not be eligible to claim rebate U/sec 87A against tax on capital gain from A.Y. 2026-27. This amendment nullifies the decision of the Bombay High Court.**

### III. Tribunal Decision

**Registration U/sec 12AB - Trust having objects for the benefit of particular religious community not eligible**

**Soudharma Brihad Tapogachchiya Tristutik Jain Sangha Samarpanam**

**V.CIT (Exemption) (2025) [170 taxmann.com 590] (Ahmedabad-Tribunal)**

#### **Facts of the Case:**

The assessee-trust was created on 05.01.2023. The Commissioner (Exemption) denied registration under section 12AB of the trust on ground that the objects of the trust was for the benefit of particular religious community or caste namely "Jains" as its objects were confined to following the principles of lord Mahavira and the principles of Jainism, which was specific violation as defined in Explanation to section 12AB(4).

#### **Decision of the Tribunal**

The Tribunal confirmed the order of Commissioner (Exemption) on the ground that **section 13(1)(b) exclude the benefit of sections 11 and 12 to a charitable institution created or established after commencement of the Act, with an object for the benefit of any particular religious community or caste.** A conjoint reading of sections 11, 12, 12A and 12AA makes it clear that registration under sections 12A and 12AA is a condition precedent for availing benefit under sections 11 and 12. The assessee trust being purely a religious activities of particular community is not entitled for registration as a specified violation under Explanation (d) of section 12AB(4).



## SEBI UPDATE

### Note on SEBI LODR 3rd Amendment Regulations, 2024 dated 12th December, 2024 Related Party Transactions ('RPTs')

#### Δ Reg 2(1) (zc) of LODR specifies the following exclusions from definition of RPT:

- Issue of specified securities on preferential basis, subject to compliance with ICDR (Issue of non convertible securities is not excluded)
- Corporate actions (viz. dividend, rights, buy-back, etc.) by subsidiaries of a listed entity and corporate actions received by the listed entity or its subsidiaries which are uniformly applicable to all shareholders in proportion to their shareholding
- Acceptance of current account deposits and saving account deposits by banks as per directions of Reserve Bank of India / central bank in the overseas jurisdiction from time to time (applicable to banks)
- Retail purchases from any listed entity or its subsidiary by its directors/ employees, without establishing a business relationship and at the terms which are uniformly applicable to all directors and employees

#### Δ Omnibus approval for transactions of subsidiaries:

- Reg 23(3) of LODR amended as:  
“.....Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity or its subsidiary subject to the following conditions...”

#### Δ Ratification of RPTs by Audit Committee:

- **Who?** – Independent Directors who are members of Audit Committee
- **By when?** - within 3 months from date of RPT or next AC meeting, whichever is earlier
- **Maximum value that can be ratified?** –
- Rs. 1 crore for each party on aggregate (along with already ratified in the same FY) for all ratified transactions in a FY
- Not being material RPT in terms of Reg 23(1) - being 10% of consolidated turnover of the listed entity, since absolute turnover threshold is not relevant
- **Disclosures required?**
- Rationale for inability to seek prior approval for the RPT -before Audit Committee at the time of ratification
- Details of ratification -in half-yearly RPT disclosure to Stock exchange

#### Δ Other exemptions w.r.t approvals and disclosures:

- Exemption from approval and disclosure requirements:
- remuneration and sitting fees paid by LE or its subsidiary

- to its director, KMP or senior management
- and not a material RPT u/ r 23(1)
- Transactions entered into between a public sector company (as defined in Securities Contracts (Regulation) Rules, 1957) on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- Transactions with Central/ State Govt in the nature of payment of statutory dues, statutory fees or statutory charges excluded

### Board, Committees, Compliance officer and SMP related

#### Δ Shareholders' approval for Board appointments:

- Prior approval required for appointment/continuation of NEDs beyond 75 years [Reg17(1A)]
- Shareholders' approval for board appointment within earlier of 3 months of appointment or next general meeting [Reg17(1C)] (not required for director nominated by financial sector regulator, Court or Tribunal)

#### Δ Committee Composition and meetings:

- Filling of vacancy in a committee – within 3 months from the date of vacancy (not required if does not result into non-compliance)
- Compliance with minimum number of committee meetings to be ensured on a financial year basis and maximum gap to be checked between two consecutive meetings

#### Δ Strengthening position of Compliance Officer:

- Compliance Officer shall be:
- A qualified Company Secretary;
- An officer in whole time employment;
- Not more than one level below BOD;
- Designated as KMP

#### Δ Changes in definition of SMP:

- Definition amended to include all KMPs who are not holding board positions.

### Secretarial Auditor aligned with Statutory Auditor

The provisions regarding the appointment of Secretarial Auditor of a Listed Entity have been amended as to align with the provisions of Statutory Auditor of the Listed Entity. Some of the provisions are as follows:

- Recommendation by Audit Committee and Board of the Listed Entity.
- Appointment by Shareholders in AGM with tenure of 1 term of 5 consecutive years for individual and 2 terms of 5 consecutive years for firm and shall have a cooling period of 5 years.
- Only a peer reviewed individual/firm shall be appointed as Secretarial Auditor of the Listed Entity.
- Disqualifications and prohibited services by the Secretarial Auditor have been listed down in the Amended Regulations.
- In order to avail non-audit services from the Secretarial Auditor, Board approval of the Listed Entity is required.

#### Promoter Reclassification

- Board of directors to analyse the reclassification request and give their views within 2 months. (Earlier it was 3 months)
- Application for seeking NOCs from the stock exchange to be made within 5 days of consideration by Board. (Earlier approval was required from stock exchange and after shareholder approval)
- Shareholder approval to be obtained within 60 days of NOC
- Intimation to stock exchange regarding shareholders approval within 5 days of such approval and give effect to such reclassification.



## Other Amendments

- Schemes involving reduction of capital on account of writing off accumulated losses are now exempted from seeking NoC of stock exchange.
- Option to provide exact web-link of SE intimation instead of placing information separately on website
- Provision w.r.t integrated filings introduced to reduce the number of filings, fragmentation and duplication of information.
- The requirement for Listed Entities to publish detailed financial results has been made optional, instead it can publish a small advertisement with QR code and web link to the page with full financial results will be required to be published for the benefit of the investors.
- The requirement to publish advertisements of notices given to shareholders, along with simultaneous submission to stock exchange has been done away with.



## ACCOUNTING UPDATE

### EAC Opinion:

#### **Classification and Presentation of accrued wages and salaries to employees under Trade Payables or Provisions (Current)**

#### **The relevant text of the Opinion is reproduced below:**

*The Committee is of the opinion on the issue raised that accrued wages and salaries should not be classified and presented under 'Trade Payables' or under 'Provisions'. The Company should present accrued wages and salaries of employees under the head 'other current liabilities' or any other appropriate separate head created for this purpose (when such presentation is relevant to an understanding of the Company's financial position) under 'Current Liabilities' in the balance sheet of the Company, as per the requirements of Division II - Ind AS Schedule III to the Companies Act, 2013.*

*EAC Opinion can be accessed at:*

<https://resource.cdn.icai.org/84352cajournal-feb2025-34.pdf>



# FEMA UPDATES

## RBI Issues Master Direction Consolidating FEMA Regulations and Directions on Non-Resident Investment in Debt Instruments

The Reserve Bank of India has issued the Master Direction on Non-resident Investment in Debt Instruments, 2025, through Circular No. RBI/2024-25/126 FMRD.FMD.No.10/14.01.006/2024-25, Dated January 07, 2025 consolidating Foreign Exchange Management (Permissible Capital Accounts Transactions) Regulations, 2000, Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, Foreign Exchange Management (Debt Instruments) Regulations, 2019, and directions.

Notification Link:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12765&Mode=0>



## Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025

Reserve Bank of India (RBI) has issued amendments to the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019, through Notification FEMA 395(3)/2025-RB, dated January 14, 2025. These changes streamline payment methods and reporting for investments by persons residing outside India. Key updates include revised rules under various schedules:

Sr. No	Schedules	Mode of Payment	Remittance of Sale / Maturity / Disinvestment Proceeds
1	Schedule I Investment by a Person Resident Outside India in Equity Instruments	<ul style="list-style-type: none"><li>• Consideration must be received as an inward remittance through banking channels or from a repatriable foreign currency or Rupee account under FEMA (Deposit) Regulations, 2016.</li><li>• Consideration includes<ul style="list-style-type: none"><li>• Issue of equity shares against any funds payable by the Indian company.</li><li>• Swap of equity instruments.</li></ul></li><li>• Equity instruments shall be issued to the person resident outside India making such investment within sixty days from the date of receipt of the consideration.</li></ul>	<ul style="list-style-type: none"><li>• Proceeds (net of taxes) can be remitted abroad or credited to the investor's repatriable foreign currency or Rupee account.</li></ul>

		<ul style="list-style-type: none"> <li>Where such equity instruments are not issued within sixty days from the date of receipt of the consideration the same shall be refunded to the person concerned by outward remittance through banking channels or by credit to his repatriable foreign currency or Rupee account maintained in accordance with the <u>Foreign Exchange Management (Deposit) Regulations, 2016</u>, as the case may be within fifteen days from the date of completion of sixty days.</li> </ul>	
2	Schedule II Investment by Foreign Portfolio Investors (FPIs)	<ul style="list-style-type: none"> <li>Investment to be made through an inward remittance or from a foreign currency account or Special Non-Resident Rupee (SNRR) account under FEMA (Deposit) Regulations, 2016.</li> </ul>	<ul style="list-style-type: none"> <li>Sale proceeds (net of taxes) can be remitted abroad or credited to the FPI's foreign currency or SNRR account.</li> </ul>
3	Schedule VI Investment in a Limited Liability Partnership (LLP)	<ul style="list-style-type: none"> <li>Capital contribution must be made through an inward remittance or from a repatriable foreign currency or Rupee account.</li> </ul>	<ul style="list-style-type: none"> <li>Proceeds from disinvestment can be remitted abroad or credited to the investor's repatriable foreign currency or Rupee account.</li> </ul>
4	Schedule VII Investment by a Foreign Venture Capital Investor (FVCI)	<ul style="list-style-type: none"> <li>Investment to be made via inward remittance, foreign currency account, or SNRR account.</li> <li>The foreign currency account can only be used for transactions under this schedule.</li> </ul>	<ul style="list-style-type: none"> <li>Sale/maturity proceeds (net of taxes) can be remitted abroad or credited to the investor's foreign currency or SNRR account.</li> </ul>
5	Schedule VIII Investment by a Person Resident Outside India in an Investment Vehicle	<ul style="list-style-type: none"> <li>Investment can be made via inward remittance, swap of shares of a Special Purpose Vehicle (SPV), or repatriable foreign currency/Rupee account.</li> </ul>	<ul style="list-style-type: none"> <li>Proceeds (net of taxes) can be remitted abroad or credited to the investor's repatriable foreign currency or Rupee account.</li> </ul>
6	Schedule X Investment in Indian Depository Receipts (IDRs)	<ul style="list-style-type: none"> <li>NRIs/OCIs: Can invest through their NRE/FCNR(B) account.</li> <li>FPIs: Can invest through their foreign currency or SNRR account.</li> </ul>	<ul style="list-style-type: none"> <li>Redemption / conversion of IDRs into underlying equity shares must comply with FEMA (Overseas Investment) Rules, 2022.</li> </ul>

Notification Link:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12768&Mode=0>



### Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) (Fifth Amendment) Regulations, 2025

Reserve Bank of India (RBI) has issued new regulations under Foreign Exchange Management through Notification FEMA 10(R)(5)/2025-RB, dated "January 14, 2025."

The Amendment are as follows :

A new sub-regulation (CA) under Regulation 5 now permits Indian exporters to open, hold, and maintain Foreign Currency Accounts with banks outside India.

Account Purpose	Fund Utilization
<p>These foreign currency accounts can be used for:</p> <ul style="list-style-type: none"> <li>Receiving the full value of exports.</li> <li>Holding advance remittances received for future exports of goods or services.</li> </ul>	<p>Funds held in these accounts can be used for:</p> <ul style="list-style-type: none"> <li>Making payments for the exporter's imports into India.</li> <li>Repatriating funds to India within a period not exceeding the end of the next month from the date of receipt, after adjusting for any forward commitments.</li> </ul>

Notification Link:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12767&Mode=0>



## Foreign Exchange Management (Deposit) (Fifth Amendment) Regulations, 2025

The Reserve Bank of India ("RBI"), in exercise of the powers conferred by Section 6(2) and Section 47(2) of the Foreign Exchange Management Act, 1999, vide Notification No. FEMA5(R)(5)/2025-RB, dated January 14, 2025, issued the Foreign Exchange Management (Deposit) (Fifth Amendment) Regulations, 2025, which shall come into force immediately.

The recent amendments have introduced key changes to the Foreign Exchange Management (Deposit) Regulations, 2016 (the "Principal Regulations")

- Authorized dealers in India and their branches abroad can now extend services, broadening their operational reach.
- Transfer of funds between repatriable Rupee accounts is now permitted for all legitimate transactions.
- Significant changes have been made to Special Non-Resident Rupee (SNRR) accounts:
  - Non-residents with business interests in India can open SNRR accounts with authorised dealers in India or their overseas branches.
  - Units in International Financial Services Centres (IFSCs) can open SNRR accounts with authorised dealers outside IFSCs for business-related transactions outside the IFSC.
  - The tenure of SNRR accounts is now linked to the duration of the underlying contract, operational period, or business of the account holder, providing greater flexibility.
- A minor technical change replaces "Indian Bank" with "a bank" in Schedule 4.

Notification Link:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12766&Mode=0>



## Amendments in Master Directions

The Reserve Bank of India (RBI) has made certain amendments in the Master Direction on Export of Goods and Services, Master Direction on Foreign Investment in India and Master Direction on Deposits and Accounts.

Some of the Changes are as follows

### 1. Master Direction - Foreign Investment in India (Updated up to January 20, 2025)

The notable changes in the master direction is as follows:

- Meaning of Convertible debentures:** Convertible debentures means fully and mandatorily convertible debentures which are fully paid.
- Meaning of Preference shares:** Preference shares means fully and mandatorily convertible preference shares, which are fully paid.
- Clarification regarding downstream investments :** The guiding principle of the downstream investment guidelines is that "what cannot be done directly, shall not be done indirectly".

The Master Direction now expressly states that, based on the guiding principles of downstream investment, arrangements permitted for direct investment under the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 ("NDI Rules"), such as investment through equity instrument swaps and deferred payment arrangements, will also be available for downstream investments, provided they comply with the provisions governing such investments under the NDI Rules.



- **Form DI filing requirement** : Form DI filing requirement has been extended to reclassification of investments where an investor entity, who had made the original investment in the investee entity as a resident, but later becomes an foreign owned or controlled companies ('FOCC,") will be required to report such reclassification of investment into downstream investment, within 30 days from the date on which the investor entity becomes an FOCC, in Form DI.
- **Minimum Net Owned Fund (NOF)** : An Indian investee company whose proposed activities are regulated by a financial sector regulator, may receive foreign investment to comply with the criteria of minimum net owned funds prescribed by such regulator. However, such investment shall only be used to comply with the minimum NOF criteria and shall not be used for any other purpose/activity. In case the registration/license is not granted by the respective regulator then the investment so received shall be repatriated or shall be subject to the conditions applicable on an investment in an Indian company not housing any operations.
- **Acquisition through rights issue** : An Indian company may dispose unsubscribed equity securities in a rights issue (in the manner prescribed under Section 62(1)(a)(iii) of the Companies Act, 2013) by issuing equity instruments to a person resident outside India (other than overseas corporate bodies (OCBs)). Such issuance shall be subject to adherence to entry routes, sectoral caps/investment limits, pricing guidelines and other attendant conditions under the NDI Rules.
- **Transfer on deferred payment basis, under indemnification or escrow** : Transfer on deferred payment basis, under indemnification or escrow has been modified to require that a transaction intended to be undertaken under any of these mechanisms should be appropriately captured in the share purchase/transfer agreement, along with the related conditions for such arrangement.
- **Share Based Employee Benefits to persons resident outside India**:

An Indian company may issue "employees' stock option", "sweat equity shares", and "Share Based Employee Benefits" to its employees or directors or employees or directors of its holding company or joint venture or wholly owned overseas subsidiary or subsidiaries who are resident outside India: Provided that:

- The scheme has been drawn either in terms of regulations issued under the Securities and Exchange Board of India Act, 1992 or the Companies (Share Capital and Debentures) Rules, 2014 or as per other applicable law, as the case may be.
- The "employee's stock option" or "sweat equity shares" or "Share Based Employee Benefits" so issued under the applicable rules or regulations are in compliance with the sectoral cap applicable to the said company
- The issue of "employee's stock option" or "sweat equity shares" or "Share Based Employee Benefits" in a company where foreign investment is under the approval route shall require prior government approval
- Issue of "employee's stock option" or "sweat equity shares" or "Share Based Employee Benefits" to a citizen of Bangladesh or Pakistan shall require prior government approval.
- Issue of "sweat equity shares" to a person resident outside India was permitted with effect from June 11, 2015. Issuance of equity instruments under any share-based employee benefit scheme, other than Employees Stock Options and Sweat equity shares, was permitted with effect from April 12, 2022.

Notification Link:

<https://website.rbi.org.in/web/rbi/-/notifications/master-direction-foreign-investment-in-india-updated-up-to-march-17-2022-11200>



## 2. Master Direction - Deposits and Accounts (Updated up to January 16, 2025)

The notable changes in the master direction is as follows:

- **Special Non-Resident Rupee Account - SNRR account**
  - A person resident outside India, having a business interest in India, may open a Special Non-Resident Rupee Account (SNRR account) with an authorised dealer in India or its branch outside India for the purpose of putting through permissible current and capital account transactions with a person resident in India in accordance with the Act, rules and regulations framed under the Act, and for putting through any transaction with a person resident outside India.

Explanation: A unit in an International Financial Services Centre (IFSC) under section 18 of the Special Economic Zones Act, 2005 may open an SNRR account with an authorised dealer in India (outside IFSC) for its business related transactions outside IFSC.

- The transfer of funds, for all bona fide transactions, between repatriable Rupee accounts maintained in accordance with Foreign Exchange Management (Deposit) Regulations, 2016 has been permitted.

Notification Link:

<https://website.rbi.org.in/web/rbi/-/notifications/master-direction-deposits-and-accounts-updated-as-on-january-9-2020-10198>



# DUE DATES

## Due dates of various compliances falling in the month of February 2025

Sr.No	Due Date	Act/Authority	Compliance Description
1.	07-02-25	Income Tax	Deposit of Tax Deducted at Source (TDS) / Tax Collected at source (TCS) during the month of January – 2025
2	10-02-25	GST	GSTR-7 for the month of January - 2025 for persons required to deduct TDS
3	10-02-25	GST	GSTR-8 for the month of January - 2025 for e-commerce operator required to Collect TCS
4	11-02-25	GST	GSTR-1 for the month of January - 2025 for taxpayers having turnover more than Rs. 5 crores or opted to file Monthly Return
5	13-02-25	GST	GSTR-5 by Non-resident taxable person carrying out business in India for the month of January - 2025
6	13-02-25	GST	GSTR-6 for the month of January - 2025 for Input Service Distributor
7	13-02-25	GST	GSTR-1 IFF (Optional) for the month of January - 2025 for taxpayers who opted quarterly filing GST Return
8	15-02-25	PF/ESIC	Payment of PF / ESIC for the month of January-2024
9	20-02-25	GST	Payment of GST & Filing of GSTR-3B for the month of January - 2025, for taxpayers having turnover of more than Rs.5 Crore in preceding financial Year
10	20-02-25	GST	GSTR-5A by Non-resident taxable OIDAR Service Provider for the month of January - 2025
11	25-02-25	GST	Payment of GST in form GST PMT-06 for the month of January-2025 for taxpayers who opted for Quarterly Return Monthly payment (QRMP) Option

“ **The biggest adventure you  
can take is to live  
the life of your dreams.** ”

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