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NEWS LETTER MAY 2025

Achieving Excellence in Client Service Through
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Covering Updates for the Month of April 25
For private circulation and clients only

**VOL
62**

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DIRECT TAX UPDATES

Circulars & Notifications

1. Addition of Luxurious Goods in the list of TCS U/sec 206C(1F)

C.B.D.T. Notification No. 36/2025 dated 22.04.2025

The C.B.D.T. has notified following goods on sale of the value exceeding Rs.10Lakhs to collect tax at source (TCS) U/sec 206C(1F) of the Income tax Act, 1961 of:

- I. any wrist watch
- ii. any art piece such as antiques, painting, sculpture
- iii. any collectibles such as coin, stamp
- iv. any yacht, rowing boat, canoe, helicopter
- v. any pair of sunglasses
- vi. any bag such as handbag, purse
- vii. any pair of shoes
- viii. any sportswear and equipment such as golf kit, ski-wear
- ix. any home theatre system
- x. any horse for horse racing in race clubs and horse for polo

The said amendment is effective from 22.04.2025

2. New Rule 12AE for filing of Return of Income U/sec 158BC (Search cases)

C.B.D.T. Notification No. 30/2025 dated 07.04.2025

C.B.D.T. has inserted a new Rule 12AE which notifies to file return of income in the form ITR-B by any person U/sec 158BC(1)(a) of the Income tax Act, 1961, relating to any search-initiated U/sec 132 or requisition made U/sec 132A on or after the 1st day of September, 2024.

I. High Court Decision

Sec 32 r.w.sec.43(6) - Unabsorbed depreciation of amalgamating company can be added to the WDV of block of assets of amalgamated company

Technova Imaging Systems Ltd. v. DCIT [2025] 173 taxmann.com 405 (Bom)

Facts of the Case

The appellant/assessee-company, amalgamated with two companies pursuant to a court-approved scheme effective. All assets and liabilities of the amalgamating companies vested in the assessee-company. Consequently, the amalgamating companies were dissolved without winding up and ceased to carry on business or own assets.

The assessee - company contended that the unabsorbed depreciation of the amalgamating companies ought to be added to the written down value (WDV) of the block of assets in its books.

The Assessing Officer rejected the claim on the ground that the assessee had not obtained the approval of the Central Government as required under section 72A.

Decision of the High Court

Section 43(1) provides for definition of 'actual cost'. Section 43(6) provides for the definition of 'written down value'. As far as the assets which are transferred under the scheme of amalgamation or merger is concerned, Explanation 2 of sub-section (6) of section 43 is relevant.

The appellant did not claim carry forward of unabsorbed depreciation of amalgamation of amalgamating companies in its own assessment. The appellant's claim was with reference to the adoption of 'correct written down value' of the block of assets of the amalgamating company which vested in the appellant pursuant to the scheme of amalgamation. According to the appellant, provisions of section 72A are not applicable as none of the amalgamating companies were not financially non-viable.

The Commissioner (Appeals) had rightly held that the unabsorbed depreciation of the amalgamating companies should be added to the written down value of the block of assets of the amalgamated company.

Our Comment:

Bombay High Court has allowed to add unabsorbed depreciation of the amalgamating companies to the WDV of block of assets of assessee-company U/sec 32 r.w.sec.43(6) on the ground that the assessee company did not seek carry forward of unabsorbed depreciation.

II. Tribunal Decision

1. Aborted IPO Expenses allowable U/sec 37(1)

AGS Transact Technologies Ltd. V. DCIT [2025] 172 taxmann.com 458 (Mum-Trib.)

Facts of the Case

The assessee-company filed DRHP with SEBI on 20.08.2018 for IPO aggregating Rs. 1,000 crores comprising of fresh issue of Rs. 400 crores and offer for sale (OFS) by promoters of Rs. 600 crores. The SEBI approved the said IPO vide letter dated 26.10.2018 with a timeline to open the IPO within twelve months. The assessee incurred a certain IPO related expenditure toward fees to merchant bankers, stock exchange and SEBI filing fees, legal and professional fees and advertisement fees, etc. in two assessment years 2019-20 and 2020-21.

However, the assessee abandoned the said proposed IPO during the relevant assessment year 2020-21 vide Board Resolution dated 16.12.2019. In subsequent year, it again filed a DHRP with the SEBI on 18.08.2021 for IPO aggregating Rs. 800 crores through offer for sale (OFS) by promoters which was approved by the SEBI vide letter dated 24-11-2021. It has mentioned that banker/stock exchange and SEBI filing fees, legal fees, advertisement fees, etc. was incurred and born by the selling promoter in their individual capacity and not by the assessee and the same was claimed by the promoter against the sale of the shares under the OFS.

The Assessing Officer disallowed the claim of the assessee for the aborted IPO expenses incurred amounting to Rs. 10.22 crores during the relevant assessment year 2020-21 for raising equity share capital were revenue expenditure under section 37(1).

Decision of the Tribunal

The Tribunal held that in the case of share issue expenses, the statutory scheme expressly treats them as capital in nature, thereby precluding their deduction under section 37, save as permitted under section 35D. In the instant case also the part of the expenses out of Rs.10.22 crores pertains for raising share capital, although the plan of the assessee for raising such capital could not go through and the assessee aborted the entire process, still the intended application of the expenses was toward increase in share capital.

The Tribunal following the Bombay High Court in the case of CIT v. Nimbus Communication Ltd., has categorically held that expenses incurred towards aborted share issue expenditure falls under section 37 and allowed the aborted IPO expenditure.

2. Surcharge on Tax as per Slab Rates in case of Private Discretionary Trusts

Araadhya Jain Trust V. ITO [2025] 173 taxmann.com 343 (Mumbai - Trib.)

Facts of the Case

The assessee, a Private Discretionary Trust, filed its return of income for the assessment year 2023-24, declaring income of Rs.4.85 lakhs. The assessee paid tax at the "maximum marginal rate" (MMR). Centralized Processing Centre (CPC) levied highest rate of surcharge on the MMR at which the tax was computed.

Decision of the Tribunal

The Discretionary Trust is covered either under section 164 or 167B of the Act. These provisions provided that the income of such Trusts are brought to tax at the maximum marginal rate. '**Maximum marginal rate**' has been **defined under section 2(29C) to mean the rate of income-tax** (including surcharge on income tax, if any) **applicable in relation to the highest slab of income** in the case of an individual, association of persons or, as the case may be, body of individuals as specified in the Finance Act of the relevant year.

As could be seen from a conjoint reading of sections 164/167B, these provisions provide for computation of income-tax at the MMR. However, **in these provisions there is no reference to levy of surcharge**. Whereas, the definition of "maximum marginal rate" under section 2(29C) refers to surcharge. But, this definition clause by itself does not fix the rate of tax, instead, refers to the rate prescribed under the Finance Act of the relevant year. Thus, what should be the MMR of income-tax is to be determined based on the rate of income-tax provided in the Finance Act of the relevant year. The rates of income tax is provided under section 2 of the Finance Act.

Thus, in the ultimate analysis, it is held that in case of Private Discretionary Trusts, whose income is chargeable to tax at maximum marginal rate, surcharge has to be computed on the income tax having reference to the slab rates prescribed in the Finance Act under the heading "surcharge on income tax" appearing in **Paragraph A**, Part 1, First Schedule, applicable to the relevant assessment year.

IFSCA UPDATES

About International Financial Services Centres Authority (IFSCA):

The IFSCA has been established on April 27, 2020 under the International Financial Services Centres Authority Act, 2019. It is headquartered at GIFT City, Gandhinagar in Gujarat.

The IFSCA is a unified authority for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centre (IFSC) in India. At present, the GIFT IFSC is the maiden international financial services centre in India. Prior to the establishment of IFSCA, the domestic financial regulators, namely, RBI, SEBI, PFRDA and IRDAI regulated the business in IFSC.

As the dynamic nature of business in the IFSCs requires a high degree of inter-regulatory coordination within the financial sector, the IFSCA has been established as a unified regulator with a holistic vision in order to promote ease of doing business in IFSC and provide world class regulatory environment.

Below are the regulatory updates of the Authority for the month of April, 2025 –

A. Revision in reporting formats for Fund Management Entities in IFSC:

IFSCA has amended the reporting formats for Fund Management Entities set up in IFSC particularly with the view to seek salient details of Retail Schemes, capture granular information in certain areas for supervisory purpose, provide greater clarity to the FMEs by restructuring some of the tables, include guidance notes where deemed necessary, and to align the formats with the recently notified IFSCA (Fund Management) Regulations, 2025

The Circular can be accessed at:

<https://ifsc.gov.in/Viewer?Path=Document%2FLegal%2Frevision-in-reporting-formats-for-fund-management-entities-in-ifsc03042025071927.pdf&Title=Revision%20in%20reporting%20formats%20for%20Fund%20Management%20Entities%20in%20IFSC&Date=03%2F04%2F2025>

B. Guidelines on Corporate Governance and Disclosure Requirements for a Finance Company:

IFSCA has come out with guidelines to be formulated as framework for Corporate Governance and Disclosure requirements by Finance companies set up in IFSC in addition to such requirements mandated by the Companies Act, 2013.

The guidelines are divided into two parts wherein Part I is applicable to every finance company registered with IFSCA under Regulation 3 except for Finance Company registered for undertaking the activity of Global/Regional Corporate Treasury Centre. Further Part II is applicable to a Finance Company registered with the Authority under Regulation 3 and intending to undertake one or more core activities with or without non-core activities, except for Global/Regional Corporate Treasury Centres.

The Circular can be accessed at:

<https://ifsc.gov.in/Viewer?Path=Document%2FLegal%2Fguidelines-on-corporate-governance-and-disclosure-requirements-for-a-finance-company-updated-as-on-april-04-2025-16042025061853.pdf&Title=Guidelines%20on%20Corporate%20Governance%20and%20Disclosure%20Requirements%20for%20a%20Finance%20Company%20%28updated%20as%20on%20April%2004%2C%202025%29&Date=04%2F04%2F2025>

C. Framework for Finance Company/Finance Unit undertaking the activity of Global/ Regional Corporate Treasury Centres:

IFSCA had earlier provided framework for undertaking Global/Regional Corporate Treasury Centres Activities by Finance Company through a circular dated June 25, 2021. However, to encourage ease of doing business and bring alignment with international best practices, the Authority, in supersession of the Framework of year 2021, issued an updated Framework and shall come into effect from the date of the circular i.e. April 4, 2025.

The notice can be accessed at:

https://ifsc.gov.in/Viewer?Path=Document%2FLegal%2Fframework-for-grctc_updated07042025120933.pdf&Title=Framework%20for%20Finance%20Company%2FFinance%20Unit%20under%20the%20activity%20of%20Global%2F%20Regional%20Corporate%20Treasury%20Centres&Date=04%2F04%2F2025



D. Framework for Ship Leasing:

A financial lease transaction for ship lease including a hybrid of financial lease and operating lease transaction for ship lease is classified as a 'permitted core activity'. IFSCA has come out with the framework for entities to get registered under Finance Company Regulations for undertaking ship lease transactions.

The framework can be accessed at:

<https://ifsc.gov.in/Viewer?Path=Document%2FLegal%2F02-revised-framework-for-ship-leasing-clean-version07042025081142.pdf&Title=Framework%20for%20Ship%20Leasing%2C%20updated%20as%20on%20April%2007%2C%202025&Date=07%2F04%2F2025>



E. Transition to IFSCA (Fund Management) Regulations, 2025

The IFSCA (Fund Management) Regulations, 2025, have been published in the official gazette on February 19, 2025, repealing the IFSCA (Fund Management) Regulations, 2022. Accordingly, IFSCA has come out with the transition provisions with respect to validity of Private Placement Memorandums, non-applicability of processing fees in certain cases etc. in order provide clarity and ease of operations.

The circular can be accessed at:

<https://ifsc.gov.in/Viewer?Path=Document%2FLegal%2Ftransition-to-ifsc-fund-management-regulations-202508042025093121.pdf&Title=Transition%20to%20IFSCA%20%28Fund%20Management%29%20Regulations%2C%202025&Date=08%2F04%2F2025>





FEMA UPDATES

RBI Clarifies that Bonus shares can be issued in FDI-prohibited sectors if pre-existing foreign shareholding doesn't change

An Indian Company engaged in a sector/activity prohibited for FDI, is permitted to issue bonus shares to its pre-existing non-resident shareholder(s) provided that the shareholding pattern of the pre-existing non-resident shareholder(s) does not change pursuant to the issuance of bonus shares.

Notification Link:

https://dpiit.gov.in/sites/default/files/pn2_07April2025.pdf



RBI to mandate application submissions for regulatory authorisations/licenses/approvals via PRAVAAH from May 1, 2025

- RBI has directed all applicants, including Regulated Entities (REs), to use PRAVAAH to submit applications for regulatory authorisations, licenses, and approvals to the RBI using the application forms already available in the portal.
- Applications for which a specific form is unavailable can be submitted using the general-purpose form.
- In exceptional cases, public members who cannot submit their applications through the PRAVAAH system may submit their applications directly to the RBI.

Notification Link:

<https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR96DD0AAE3A80F84362850782C9E7D58E07.PDF>



RBI issues revised guidelines on opening and operation of deposit accounts of minors

- The Reserve Bank of India has revised its guidelines on opening and operation in the deposit accounts of minors.
- Now, Minors of any age may be allowed to open and operate savings and term deposit accounts through his/ her natural or legal guardian.
- Further, Minors aged 10 years and above may independently open and operate savings/term deposit accounts, subject to limits and terms set by banks based on their risk management policies, which must be duly communicated to the account holder.

Notification Link:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI26E21042025B35AB7277C81467494DF47468C737383.PDF>



RBI eliminates previous order linkage in FEMA compounding; fresh applications to be considered independently

- The RBI has revised its directions on the Compounding of Contraventions under FEMA, 1999.
- The earlier provision that linked the compounding amount payable to a previous compounding order has been reviewed.
- Now, each application will be treated as a fresh one, and the compounding amount will no longer be linked to any earlier compounding orders.
- Further, to avoid delays, applicants must now share more details like mobile numbers, payment office, etc. with their payment.

Notification Link:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT296569B9A65D704247B9760EFEBFD93D55.PDF>



RBI allows repatriation of full export value from 'Bharat Mart' UAE within 9 months of sale from warehouse

- To boost exports via 'Bharat Mart' in UAE, RBI has permitted AD banks to allow Indian exporters to repatriate export proceeds within 9 months from the date of sale from the warehouse.
- Further, exporters with a valid IEC may open/hire warehouses and remit funds for initial and recurring operational expenses without prior approval, subject to reasonableness. The above instructions shall come into force with immediate effect.

Notification Link:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/03APDIR2304202563F1C840B9C445EC88ACE954E0CF1CD3.PDF>



RBI updates compounding norms under FEMA; caps compounding amount at Rs. 2 lakhs for 'non-reporting contraventions'

- RBI has amended the Directions on 'Compounding of Contraventions under FEMA, 1999', adding a new clause.
- The amendment allows the compounding authority to cap the maximum compounding amount at **INR 2,00,000 for each contravention** in an application, specifically for contraventions under row 5, which covers all other non-reporting contraventions, in the computation matrix.

Notification Link:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT32487356046A734602A503A8CCF5B1BC33.PDF>





ACCOUNTING UPDATES

EAC Opinion:

Accounting treatment and classification of sales bills discounting, under Ind AS framework

The relevant text of the Opinion is reproduced below:

The Committee notes from the facts of the case that the Company has guaranteed to indemnify the bank in the event of non-payment of amount due on account of bill discounting. Thus, it appears that in case of default, the only course of action available with the bank is to approach the Company to get the payment and the bank has no other right available, such as, right to sell or pledge the receivables, etc. These terms, in the view of the Committee, indicate that the Company retains substantially all the risks and rewards of ownership of the receivables despite the transfer and consequently, the derecognition criteria as per Ind AS 109 are not met in respect of the receivables.

On the basis of the above, the Committee is of the opinion that in the extant case, the Company should continue to recognise and present the trade receivables in entirety and also recognise a financial liability for the consideration received from the Bank on discounting of the receivables, under an appropriate head as per the requirements of Schedule III to the Companies Act, 2013.

EAC Opinion can be accessed at:

<https://resource.cdn.icai.org/85649cajournal-may2025-30.pdf>





Article : Compounding of Offences under the Income-tax Act

CA Dalpat Shah

The Income tax Act, 1961 (the Act) provides for levy of interest, penalty, fees for default or non-compliances of tax payment, T.D.S. payment tax or evasion by an assessee or tax payer. Besides, the Act also provides for Prosecution for such offences which may range from 3 months to 7 years imprisonment. The sections dealing with offences and prosecution thereof are included in Chapter XXII of the Act. Sections 275A to 280D of the Act relate to prosecution.

Compounding of Offences

Compounding of an offence is a mechanism whereby the defaulter is reprieved of major legal consequences by paying certain sum of money to escape prosecution. The specified offences can be compounded by the competent authority either before or after the initiation of proceedings. It may be noted that compounding of an offence does not result into admission of an offence by the applicant but merely to resolve pending offences.

Sec 279(2) of the Act provides that any offence under the said chapter may be compounded. C.B.D.T. issues Guidelines for Compounding of Offences under the Act.

CBDT issued a Revised Guidelines for Compounding of offences ("Guidelines") under **the 'Act'** on 17.10.2024. The Revised Guidelines superseded all existing guidelines and are applicable to pending as well as new applications, from the date of their issuance. The **Revised Guidelines has eliminated categorization of offences, removing the limit on number of occasions for filing applications, allowing fresh application upon curing of defects, which was not permissible under earlier Guidelines**, allowing compounding of offences under sections 275A and 276B of the Act, removing the existing time limit for filing application viz 36 months from the date of filing of complaint, etc. **As per the revised guidelines all offence under Income Tax Act are compoundable.**

We have discussed features of the Revised Guidelines and clarifications issued by the C.B.D.T. in this Article.

1. Conditions for Compounding Application

- i. An application for compounding is made to the Pr.CCIT/CCIT/Pr. DGIT/DGIT having jurisdiction over the case, for compounding of the offence(s) in the prescribed form of an affidavit on a stamp paper of Rs. 100/-.
- ii. The compounding application may be filed for offence(s) pertaining to one financial year (in case of taxpayers) or quarter (in case of tax deductors) or for multiple years/quarters. The Compounding Application, filed for multiple years/quarters, shall be called "Consolidated Compounding Application". Similarly, if there are more than one rejected application under the previous Guidelines, one Consolidated Compounding Application may be filed for all such previous applications.
- iii. The compounding application or 'Consolidated Compounding Application' may either be filed suo-moto at any time after the offence(s) is committed or after the launch of prosecution proceedings.

2. Compounding Application Fee

2.1 For Compounding Applications or the Consolidated Compounding Applications, filed on or after the date of issuance of these Guidelines, irrespective of the year of offence, the applicant shall deposit non-refundable Compounding Application Fee as following:

- Single Compounding application - Rs. 25,000/- (per application).
- Consolidated Compounding application - Rs. 50,000/- (per application).

The said fee is a non-refundable fee, but adjustable against applicable total compounding charges decided by the Competent Authority, if any.

2.2. **The Compounding Application Fee shall also be payable in respect of applications which were filed before the date of issuance of these Guidelines but have been rejected and that are proposed to be revived in terms of these Guidelines.**

3. Payment of all taxes, interest & other sums relating to offence for which compounding sought:

All outstanding tax, interest (including interest U/sec 220 of the Act), penalty and any other sum due, relating to the offence for all relevant years and/or quarter(s) for which compounding has been sought shall be paid before making the Compounding Application or the Consolidated Compounding Application, as the case may be.

4. Undertaking by the Applicant:

The applicant shall undertake to pay the Compounding charges, determined by the Pr. CCIT/CCIT/Pr. DGIT/DGIT in accordance with these Guidelines within the stipulated time

5. Withdrawal of appeals

The applicant shall also undertake to withdraw appeals filed, if any, related to the offence(s) sought to be compounded. In case such an appeal has mixed grounds, one or more of which may not be related to the offence(s) under consideration, an undertaking shall be given for withdrawal of such grounds as are related to the offence to be compounded.

6. Revival of a defective application

Applications which do not fulfil any of the specified conditions or are not acceptable due to curable defects such as non-payment of outstanding tax interest, penalty, or any other sum related to the offence; Application not filed in correct pro-forma; Applications filed for incorrect financial year or assessment year, or under incorrect section, etc. **shall be treated as "defective"** under these guidelines and shall not be proceeded with.

However, such applications can be revived without additional payment of Compounding Application Fee, **provided the defects are cured within a period of one month** from the date of intimation of the defect. Any further application filed for the same purpose will be considered as subsequent compounding application and charges will be applicable as per these guidelines.

7. Competent authority/Jurisdiction

The compounding application can be filed before the jurisdictional Pr. CCIT / CCIT / Pr. DGIT / DGIT, being the Competent Authority for compounding of offences.

In case, TDS related offences the Pr. CCIT/ CCIT/ Pr. DGIT/ DGIT in whose jurisdiction compounding application has been filed will be the Competent Authority, However, in case the applicant files applications in more than one jurisdictional charge, the Competent Authority will be the jurisdictional authority where the quantum of TDS default is higher.

8. Compounding Procedure

8.1 On receipt of the compounding application, the Competent Authority shall obtain a report from the jurisdictional Assessing Officer.

8.2 In cases where, the compounding application is not acceptable, then the Competent Authority shall dispose of such application through a speaking order within two months from the end of the month of receipt of the application as far as possible.

8.3 In cases where, the compounding application is found to be acceptable, then the Competent Authority shall pass an intimation order within two months from the end of the month of receipt of the application along with the compounding charges payable and other pending liabilities.

8.4 They has to pay the compounding charges within one month from the end of the month of receipt of such intimation which may be extended by the Competent Authority, under exceptional circumstances, up to six months, on receipt of a written request from the applicant.

However, an extension beyond 6 months and upto 12 months shall not be permissible except with the prior approval in writing of the Pr. Chief Commissioner of Income Tax of the Region concerned. Extension beyond 12 months and upto 24 months from the end of month shall not be permissible except with the prior approval of Chairman, CBDT or a Member, CBDT authorized by the Chairman, CBDT on a proposal of the Competent Authority concerned. No extension shall be allowed after 24 months from the end of the month of receipt of such intimation of compounding charges,

- 8.5 Where compounding charge is not paid within the time allowed/extended, the application will be rejected and prosecution proceedings shall be initiated.
- 8.6 The complainant shall serve a copy of the prosecution complaint to each accused within 15 days of filing complaint to allow prompt filing of compounding application.
- 8.7 The order of acceptance/rejection of application of compounding shall be brought to the notice of the Court, where the said prosecution proceedings are pending before the Court, immediately through prosecution counsel in all cases where prosecution proceedings have been instituted.
- 8.8 The Competent Authority shall pass the compounding order within one month from the end of the month of payment of total compounding charges within the time allowed.

The Competent Authority is directed to include the following paragraph in the compounding order issued under section 279(2) of the Act to address the misconception that compounding constitutes an admission of offences :

"This compounding order is intended to resolve the offence under section 279(2) of the Act and should not be construed as an admission of the offence(s) by the applicant."

9. Compounding Charges

- 9.1 For the purpose of computation of the compounding charges, the word "tax" means-tax including surcharge and any cess but excluding interest.
- 9.2 In the case of an application for compounding of an offence(s) which was applied earlier, then compounding charges for subsequent offence(s) shall be 1.2 times, 1.4 times, 1.6 times, and so on of the compounding charges as per these Guidelines, for the second, third, fourth, etc. time of such offence.
- 9.3 However, if a subsequent application includes any offence(s) which had not been disclosed in any of the earlier applications, the compounding charges for the said offence(s) shall be computed only as per the charges given in these Guidelines.
- 9.4 Where the compounding application(s) has been filed in accordance with earlier Guidelines and are either pending or were rejected or have been compounded, then such applications shall be considered as 'first' compounding application.
- 9.5 If the application is made beyond 12 months from the end of the month in which the prosecution complaint is filed, the compounding charges shall be increased by 50% of the amount calculated.

10. Clarifications by C.B.D.T. on Revised Guidelines by FAQ

C.B.D.T. has also issued a Circular No.04/2025 dated 17.03.2025 replying various queries for better understanding of the Revised Guidelines. We have discussed few important queries here under:

- i. Whether an applicant whose application was pending before issuance of revised guidelines required to deposit application fee?

Ans: No application fees are payable for applications filed under earlier guidelines and pending on 17.10.2024.

- ii. Whether compounding application fee is adjustable against compounding charge payable?

Yes, compounding fee is adjustable but only against compounding charges payable for the offence(s) sought to be compounded in the particular application. Cross application adjustment is not allowed. However, if compounding application is rejected for any reasons, the application fees shall neither be refundable nor adjustable against any subsequent application.

- iii. Is there any limitation as to the number of times compounding applications can be filed by a person?

No, there is no limitation on the number of times a person can file compounding application. However, the Competent Authority may reject an application filed by a person on the ground of him being a 'habitual offender'.

- iv. Whether the applicant whose application was rejected in earlier guidelines on the ground of being convicted is eligible to re-apply for compounding as per revised guidelines?

Yes, in case the rejection was solely on account of conviction, without examination of merits, as per any of the earlier guidelines, such applicant can reapply in terms of revised guidelines.

- v. Whether an applicant who has filed a Writ Petition for rejection of his application being not filed within stipulated period of 12/24/36 months from filing of compliant as per earlier guidelines and is still to be decided by the Hon'ble Court, can again file a compounding application and how shall this application be treated?

Yes, after submission of an undertaking to withdraw the Writ Petition from the Hon'ble Court along with the application, the applicant can again file the compounding application, which shall be treated as a subsequent application for the purpose of determination of compounding charges.

- vi. Whether offence can be compounded where applicant has been convicted for imprisonment for two years or more?

Yes, even if applicant has been convicted with imprisonment of 2 years or more for any offence under Income Tax Act or for an offence under any other law, which is related to offence under the Income Tax Act, may apply for compounding. Such offence shall, however, be compoundable only with the approval of Chairman, CBDT.

- vii. Whether cases involving other agencies such as ED /CBI can be compounded?

Yes, such offence(s) may be compounded by the competent authority if applicant is not found to be involved in anti-national or terrorist activity. However, if the applicant is found to be involved in such activity, the offence shall be compounded only with the approval of Chairman, C.B.D.T.

- viii. Whether compounding charges include Prosecution Establishment Expenses and Litigation Expenses?

No. Such expenses has been removed in revised guidelines.

- ix. Whether co-accused can file compounding application where the liability of main accused company ceases under Insolvency Bankruptcy Code?

The liability of co-accused does not extinguish even if the liability of main accused company ceases. The co-accused may file compounding application in such cases, either separately or conjointly and payment of compounding charge can be made by co-accused or the main accused company.



Article : Resetting the Risk Universe for FY 2025-26: Practical Insights for Indian Businesses

CA Pravruti Shah

As we enter the new financial year, Indian businesses face a rapidly evolving risk landscape shaped by global uncertainties and regulatory updates. Here's a focused guide to help organizations recalibrate their risk management and compliance strategies for FY 2025-26.

Emerging Risks for 2025-26

- **Geopolitical and Trade Tensions:** Ongoing global trade disputes and geopolitical risks continue to disrupt supply chains and impact pricing. The Reserve Bank of India and Ministry of Finance have highlighted these as key growth risks for FY 2025-26.
- **Climate and Monsoon Variability:** Increased frequency of extreme weather events threatens agriculture and rural demand, impacting sectors dependent on monsoon cycles.
- **Commodity Price Volatility:** India's dependence on oil imports exposes it to price shocks that affect inflation and fiscal deficits.
- **Regulatory Shifts:** Post-Budget changes in tax, ESG disclosures, and sector-specific rules require close monitoring to ensure compliance.

Refreshing the ERM Heat-Map

- Incorporate emerging risks such as AI disruptions, cybersecurity threats, and ESG compliance into your enterprise risk management framework.
- Engage leadership and relevant stakeholders with updated risk insights to align strategy and oversight.
- Use dynamic risk scoring to prioritize mitigation efforts effectively.

Post-Budget Regulatory Changes: Immediate Actions

- Review amendments in direct and indirect tax laws including GST and TDS updates.
- Track new ESG reporting requirements, especially for listed and large unlisted companies.
- Stay alert to sector-specific regulatory changes by RBI, SEBI, and other regulators.

Practical Tips to Stay Ahead

- Schedule regular risk review meetings with cross-functional teams.
- Maintain a compliance calendar tailored to your business to track deadlines.
- Invest in training your staff on new regulatory requirements.
- Use technology tools to monitor risks and automate compliance where possible.

In an increasingly complex and uncertain environment, businesses must proactively reset their risk universe to stay ahead. By integrating emerging risks into risk management frameworks, closely monitoring regulatory changes, and maintaining disciplined compliance practices, organizations can reduce vulnerabilities and seize growth opportunities. A forward-looking, agile approach to risk and compliance is essential to navigate FY 2025-26 successfully and build resilience for the future.

LU	MA	MI	JU	VI	SA	DO
				01	02	03
04	05	06	07	08	09	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	



DUE DATES

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

Sr.No	Due Date	Act/Authority	Compliance Description
1.	07-05-25	Income Tax	Deposit of Tax Deducted at Source (TDS) / Tax Collected at source (TCS) during the month of April- 2025
2.	10-05-25	GST	GSTR-7 for the month of April - 2025 for persons required to deduct TDS
3.	10-05-25	GST	GSTR-8 for the month of April - 2025 for e-commerce operator required to Collect TCS
4.	11-05-25	GST	GSTR-1 for the month of April - 2025 for taxpayers having turnover more then Rs. 5 crores or opted to file Monthly Return
5.	13-05-25	GST	GSTR-5 by Non-resident taxable person carrying out business in India for the month of April - 2025
6.	13-05-25	GST	GSTR-6 for the month of April - 2025 for Input Service Distributor
7.	15-05-25	Income Tax	Quarterly statement of TCS deposited for the quarter ending March 31, 2025
8.	15-05-25	PF/ESIC	Payment of PF / ESIC for the month of April - 2025
9.	20-05-25	GST	Payment of GST & Filing of GSTR-3B for the month of April - 2025, for taxpayers having turnover of more than Rs.5 Crore in preceding financial Year
10.	20-05-25	GST	GSTR-5A by Non-resident taxable OIDAR Service Provider for the month of April - 2025
11.	25-05-25	GST	PMT-06 Monthly tax payment for the month of April- 2025 under QRMP Scheme
12.	30-05-25	Income Tax	Furnishing of challan-cum-statement in respect of tax deducted under section 194-IA,194-IB,194M and 194S in the month of April - 2025
13.	30-05-25	MCA	Filing of Annual return by Limited Liability Partnership (LLP) for the financial year 2024-2025
16.	30-05-25	MCA	Filing of Reconciliation of Share Capital Audit Report for the half year ended on March 31, 2025 by unlisted public company
17.	31-05-25	Income Tax	Quarterly statement of TDS deposited for the quarter ending March 31, 2025
18.	31-05-25	Income Tax	Furnishing details of reportable financial transactions for the financial year 2024-2025 in Form No. 61A and 61B
19.	31-05-25	Income Tax	Statement of donation in Form 10BD to be furnished by Charitable Trust for the financial year 2024-2025

“ **SUCCESS IS WALKING FROM
FAILURE TO FAILURE WITH NO
LOSS OF ENTHUSIASM** ”

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