

NEWS LETTER

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Covering Updates for the Month of June' 25
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DIRECT TAX UPDATES



Circulars & Notifications

1. Cost Inflation Index U/sec 48 for F.Y. 2025-26

(C.B.D.T. Notification No. 70/2025 dated 01.07.2025)

Cost Inflation Index for the purpose of indexation of cost U/sec 48 is notified by C.B.D.T. as "376" for the F.Y.2025-26.

2. Guidelines for selection of complete Scrutiny Cases during F.Y.2025-26

(C.B.D.T. Circular F.NO.225/37/2025 dated 13.06.2025)

The CBDT has notified the under mentioned parameters for compulsory selection of returns for Complete Scrutiny during F.Y.2025-26:

- i. Cases pertaining to survey u/s 133A conducted on or after 01.04.2023.
- ii. Cases pertaining to Search & Seizure on or after 1-04-2023 but before 01.09.2024.
- iii. Cases pertaining to Search & seizure on or after 1-09-2024 but before 1-04-2025 for the Assessment Year 2025- 26
- iv. Cases where no return has been furnished in response to a notice u/s 142(1) of the Income tax Act
- v. Notices u/s 148 of the Act have been issued
- vi. Cases where registration/approval under various sections of the Act, such as section 12A,12AB, 35(1)(ii)/(iia)/(iii), 10(23C), etc. have not been granted or have been cancelled/withdrawn by the Competent Authority, yet the assessee has been found to be claiming tax-exemption/deduction in the return.

However, where such orders of withdrawal of registration/approval have been reversed/set-aside in appellate proceedings, those cases will not be selected under this clause.

Where the addition in an earlier assessment year(s) on a recurring issue of law or fact (including transfer pricing issue) exceeding Rs.50 lakhs in eight metro charges (Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune) and in other charges exceeding Rs.20 lakhs.

Cases related to specific information regarding tax-evasion is provided by any law-enforcement agency, (Investigation Wing/ Intelligence/ Regulatory Authority/ Agency, etc.) and the tax return is also furnished for the relevant assessment year by the assessee.

3. No Deduction of T.D.S. on specified payments made by any payer to an IFSC unit U/sec 197A
r.w. Sec. 80LA of the Act
(C.B.D.T. Notification No. 67/2025/F.NO. 275 Dated 20.06.2025)

The Central Government has notified vide this Notification that no TDS shall be deducted under the provisions of the Income-tax Act, 1961, in regard to below mentioned nature of payments, made by any 'payer' to a person (payee) being a Unit of International Financial Services Centre (IFSC) subject to fulfilment of conditions: -

List of payments receivable by a Unit of IFSC:

Sr. No.	Unit in IFSC (Payee)	Nature of Receipt	Section
1	Book-keeping, Accounting, Taxation, & Financial Crime Compliance (BATF) Service Provider	Professional or Consulting or Advisory fees	194J
2	Recognized Stock Exchange	Professional or Technical Services fees	194J
		Rent for Data Centres	194J
		Interest Income	194A
		Penalty levied on Members by Stock Exchanges	194J
3	Finance Company	Interest on Lease Finance	194A
		Freight Charges or Hire Charges	194C
4	Fund Management Entity	Portfolio management fees	194J
		Management Fees	194J
		Investment advisory fees	194J
		Performance Fees	194J
5	Recognized Clearing Corporation	Professional or Technical Services fees	194J
		Interest Income	194A
		Penalty levied on clearing members	194J
6	Recognized Depository	Professional or Technical or Contractual fees	194J/194C
7	Broker Dealer	Payment made by Recognized Stock Exchanges	194J
		Commission Incentives	194H/194J

Conditions for No TDS:

- The Payee shall furnish a statement-cum-declaration in Form No. 1 to the 'payer' giving details of previous years relevant to the ten consecutive assessment years for which the deduction under section 80LA of the Income-tax Act is opted; and
- such Form No. 1 shall be furnished for each previous year relevant to the ten consecutive assessment years.

Accordingly, the said relaxation of No TDS shall be available to the 'payee' only during the previous year's relevant to the ten consecutive assessment years as declared by the 'payee' in Form No. 1 for which deduction under section 80LA is being opted. The 'payer' shall be liable to deduct tax on payments in regard to the above nature of transactions for any other year.

The above Notification is effective from 1st July, 2025.

4. Relaxation of time limit for processing of belated returns e-filed U/Sec 119(2)(b) (C.B.D.T. Circular No. 07 Dated 25.06.2025)

C.B.D.T. has given relaxation in processing of returns U/sec 143(1) of the Act, which were e-filed belatedly in pursuance of the order U/sec 119(2)(b) of the Act till 31.03.2026.

I. High Court Decision

1. Section 36(1)(vii) - Loans amount written off as Bad debts is Allowable CIT V. Star Investments (P.) Ltd. [2025] 175 taxmann.com 274 (Madras)

Facts:

The assessee was an investment company engaged in the trading of shares. The assessee also held shares in promoter company. The assessee held these shares as stock-in-trade. One of the companies which was promoted by the assessee was 'BICL'. 'BICL' availed a loan of Rs. 10 crores from ICICI Ltd. The assessee, being the promoter of 'BICL', had to pledge the shares that it held in 'BDL', to ensure asset coverage of 1.5 times of loan sanctioned by ICICI and guarantee assistance on market value basis.

Over a period, 'BICL' was unable to repay its loan to ICICI. ICICI, sold out of shares pledged by assessee to recover the loan amount due by 'BICL'. Consequently, 'BICL' became liable to pay to the assessee a sum of Rs. 9,46,97,280. Indisputably, 'BICL' paid only Rs. 1 crore to the assessee and the assessee accepted the same in full and final settlement of the outstanding amount of Rs. 9,46,97,280. The unpaid amount of Rs. 8,46,97,280, the assessee decided to write it off as bad debts in the books of account for the year ending 31-3-2009. The Assessing Officer disallowed claim for the said bad debts of the Assessee.

Decision:

The High Court held following the decision of Bombay High Court in the case of Mahindra and Mahindra Ltd. v. CIT [2023] 151 taxmann.com 332`, whether to treat the debt as bad debt or as business loss/deduction is a commercial or business expediency of the assessee based on the relevant material and possession of the assessee. Once the assessee records the amount as business loss/deductions in his books of account, that would prima facie establish that it was not recoverable loss, unless the Assessing Officer for good reasons, holds otherwise. The burden would be on the Assessing Officer to make out cogent reasons, which is not so in the case here.

It is quite obvious therefore that the loss incurred by the assessee was for the business expediency of the group company. Such loss/debt should be treated as having been incurred for the purpose of business and directly relatable to the business of the assessee and thus eligible for deduction as loss or bad debt in their return of income. Otherwise, it would not reflect the true profit and gain of assessee. A sum of money expended, not of necessity and with a view to a direct and immediate benefit to the trade, but voluntarily and on the grounds of commercial expediency and in order indirectly to facilitate the carrying on the business, may yet be expended wholly and exclusively for the purposes of the trade.

2. Sec 37- Mark to Market loss on interest swap agreement is allowable expense Pr. CIT V. Adani Power Maharashtra Ltd. [2025] 175 taxmann.com 715 (Gujarat)

Facts:

Assessee company availed external commercial borrowings (ECB) at rate of LIBOR+4.4 per cent to refinance its project. Assessee to hedge itself from fluctuation in interest rate entered into derivative contract in nature of interest rate swap with Standard Chartered Bank on which it incurred loss which was claimed as a business expenses/loss allowable under section 37(1). Assessing Officer disallowed

the same holding that mark to market loss on derivative instrument held by assessee as on balance sheet was not real but notional loss for reason that there was no actual transaction carried out by assessee.

Decision:

The High Court held that mark-to-market loss on SWAP contract was allowable where loans were converted into foreign currency loan to take benefit of low interest rate and loss recognized on account of foreign exchange fluctuation as per notified Accounting Standard 11 (AS-11) was an accrued and subsisting liability and not merely a contingent or hypothetical liability.

II. Tribunal Decision

1. Sec 37- Irrecoverable advance for acquisition of Land for business expansion is allowable expense

Mahakoshal Refractories (P.) Ltd. V. ITO [2025] 175 taxmann.com 673 (Mumbai)

Facts

The assessee-company was engaged in manufacturing of refractories. The assessee made an advance payment of Rs. 20 lakhs for purchase of the land. However, the deal never went through. The assessee, thus, wrote off the amount in the books of account and claimed it as bad debt/business loss under section 37(1). The Assessing Officer disallowed said claim holding that it was not a debtor-creditor relationship pertaining to business and the advance was clearly for acquisition of a capital asset.

Decision of the Tribunal

The factual position of assessee making an advance payment for acquiring the land adjacent to its existing factory premises for the purpose of expansion has not been controverted by the authorities below nor by the revenue by bringing any cogent material on record. The sum of Rs.20 lakhs expended by the assessee with a view to gain direct and immediate benefit to its business on the grounds of commercial expediency, is expended wholly and exclusively for the purpose of its business. The said amount became irrecoverable and thus, the loss incurred by the assessee is for business expediency, directly relatable to its business. Even if deduction of advance written off by the assessee during the year is not allowable as a bad debt, same would not jeopardise claim of assessee for deduction of it as a business loss. Assessee has evidently demonstrated the money advanced by it was in the nature of business expediency and is an allowable deduction under section 37(1), if not under this section, then as business loss under section 28(1). The claim of the assessee is agreeable and accordingly the disallowance made by the Assessing Officer is deleted. It is not a case where the payment made by the assessee is held to be a sham, bogus or accommodation entry. This being a genuine transaction undertaken in the ordinary course of business, is allowable as claimed by the assessee.



ACCOUNTING UPDATES

EAC Opinion

Accounting treatment of investment in erstwhile associate under Ind AS framework

The relevant text of the Opinion is reproduced below:

Facts

The querist has stated that the associate company (X Ltd.) was having negative net worth upto financial year (F.Y.) 2020-21. In financial year 2021-22, associate company (X Ltd.) has made a right offer at premium in which the Company did not participate; therefore, its holding has come down to 19% and it discontinued to be associate of the Company. Now (i.e. in F.Y. 2023-24), the net worth of the erstwhile associate has become positive and there is visibility that it will earn profits in future. In view of turnaround of the erstwhile associate, the management of the Company has decided to value the investment in erstwhile associate at fair value.

Query

the querist has sought the opinion of the Expert Advisory Committee of the ICAI as to whether the Company has option to measure investment as at fair value through OCI.

Response

Committee notes that the investments in equity instruments falling within Ind AS 109 are required to be measured at fair value. The Company may make an irrevocable election to present the subsequent changes in fair value through OCI instead of through profit or loss at initial recognition of equity instruments as per the requirements of paragraphs 4.1.4 and 5.7.5 of Ind AS 109. To emphasise, the option to measure instrument as at fair value through OCI is available only at the time of initial recognition of equity instruments and not subsequently.

Since, in the extant case, after the right issue by X Ltd. in F.Y. 2021-22, X Ltd., was no longer considered to be an associate by the Company, the Company had to apply the requirements of Ind AS 109 for the first time in accounting for its equity investments in X Ltd. in F.Y. 2021-22. In that year, the Company could have irrevocably elected to present the subsequent changes in fair value through OCI (provided it met the conditions of paragraph 5.7.5 of Ind AS 109). However, since it appears from the Facts provided by the querist that the Company did not make such an election in F.Y. 2021-22, that option is not available subsequently in the current reporting period. Therefore, the Committee is of the view that in the extant case, the Company cannot measure investment in equity shares of X Ltd. at fair value through OCI (FVOCI) and it should measure investment in equity shares of X Ltd. at fair value through profit or loss (FVTPL).

EAC Opinion can be accessed at:

<https://resource.cdn.icai.org/86757cajournal-july2025-41.pdf>

COMPANY LAW UPDATES



A. Separate filing of e-Form CSR-2 post the period of transition from MCA21 V2 to V3:

Considering the decommissioning of MCA21 V2 portal with effect from 18th June, 2025, the MCA has decided that the stakeholders intending to file e-form CSR-2 as an independent form with V2 SRN of Form AOC-4/ AOC-4 (XBRL)/ AOC-4 (NBFC) can file the same in V3 portal from 14th July, 2025 to 15th August, 2025.

The Circular can be accessed at:

[https://www.mca.gov.in/bin/dms/
getdocument?mds=KiZzdTSOj2gB6ObQWyXg1A%253D%253D&type=open](https://www.mca.gov.in/bin/dms/getdocument?mds=KiZzdTSOj2gB6ObQWyXg1A%253D%253D&type=open)

B. Relaxation of additional fees for filing of 13 e-forms during the period of transition from MCA21 V2 to V3:

Considering the migration of 13 e-forms from MCA21 V2 to V3 during 18th June, 2025 to 13th July, 2025 and its unavailability for filing thereof, the MCA has decided that in cases where the due dates or resubmission dates of the said e-forms fall between the above mentioned period of migration, filing of such e-forms will be allowed without levying any additional fees upto 15th August, 2025.

The Circular can be accessed at:

[https://www.mca.gov.in/bin/dms/
getdocument?mds=FxG2WLOE0zvo%252B7GUP3e%252Fng%253D%253D&type=open](https://www.mca.gov.in/bin/dms/getdocument?mds=FxG2WLOE0zvo%252B7GUP3e%252Fng%253D%253D&type=open)

IFSCA UPDATES

A. Amendment to the 'Framework for Finance Company/Finance Unit undertaking the activity of Global/ Regional Corporate Treasury Centres':

In exercise of powers conferred to IFSCA under section 12 and 13 of the IFSCA Act 2019, the GRCTC Framework is hereby amended, to include a 'proviso' under clause 3. (2) (ii), as below:

"Provided that, based on a request made by the Applicant, the Chairperson of the Authority may grant relaxation from the above condition, considering the permissible activities proposed to be undertaken and the proposed business volume, for a period not exceeding one year from the date of commencement of operations."

The amendment is effective immediately from the date of the circular i.e. 9th June, 2025.

The Circular can be accessed at:

https://www.ifsc.gov.in/CommonDirect/GetFileView?id=f4ac1b5b4a9f69ca6f378d84bb2100bb&fileName=amendment_to_grctc_circular_june_09_2025_final_09062025113944_20250610_1222.pdf&TitleName=Legal

B. Amendment to the 'Directions to IBUs for operations of the Foreign Currency Accounts (FCA) of Indian resident individuals opened under the Liberalised Remittance Scheme (LRS)':

In exercise of powers conferred to IFSCA under section 12 and 13 of the IFSCA Act 2019, the directions are hereby amended by :

a. replacing para 3 (ii) of the extant directions with the following :

"(ii) obtain a declaration from the RI, confirming that amount being spent from its FCA for availing financial services or financial products in IFSC is for the purpose declared while remitting the money to the FCA under LRS or is for a purpose permitted under LRS".

b. replacing para 4(ii) of the extant directions with the following :

"(ii) obtain a declaration from the RI, confirming that amount being remitted from its FCA is for the purpose declared while remitting the money under LRS or is for a purpose permitted under LRS".

The Circular can be accessed at:

https://www.ifsc.gov.in/CommonDirect/GetFileView?id=f4ac1b5b4a9f69ca6f378d84bb48d371&fileName=Amendatory_Circular_Operations_of_the_FCA_of_RIs_opened_under_LRS_20250623_0457.pdf&TitleName=Legal

SEBI UPDATES



A. Limited relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

1. It has been decided that entities having listed non-convertible securities, who have complied with the conditions as specified in MCA general circular No.09/2024 dated September 19, 2024 and have not sent hard copy of statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013 and rules made thereunder, to those holders of non-convertible securities, who have not registered their email address, shall not be subject to any penal action for non-compliance with Regulation 58(1)(b) under the LODR Regulations for the period October 01, 2024 to June 05, 2025.
2. For the period June 06, 2025 to September 30, 2025, similar relaxation from the requirements of Regulation 58(1)(b) of the SEBI LODR Regulations is hereby provided for entities having listed non-convertible securities provided that advertisement in terms of Regulation 52(8) of the SEBI LODR Regulations shall disclose the web-link to the statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013 and rules made thereunder, so as to enable the holder of non-convertible securities to have access to the said the statement.

The Circular can be accessed at:

https://www.sebi.gov.in/legal/circulars/jun-2025/limited-relaxation-from-compliance-with-certain-provisions-of-the-sebi-listing-obligations-and-disclosure-requirements-regulations-2015_94423.html

C. Framework for Environment, Social and Governance (ESG) Debt Securities (other than green debt securities):

In order to facilitate Issuers to raise funds through issuance of ESG debt securities (other than green debt securities), the operational framework for ESG debt securities (other than green debt securities) i.e. social bonds, sustainability bonds and sustainability-linked bonds has been finalized in consultation with Industry Standard Forum.

The circular can be accessed at:

https://www.sebi.gov.in/legal/circulars/jun-2025/framework-for-environment-social-and-governance-esg-debt-securities-other-than-green-debt-securities-_94424.html

RBI UPDATES



RBI Issues Revised Guidelines on Inoperative Accounts and Unclaimed Deposits

- The Reserve Bank of India (RBI) has issued revised instructions titled Inoperative Accounts/ Unclaimed Deposits in Banks – Revised Instructions (Amendment), 2025, effective immediately.
- The key highlights are as follows:
 - Pertains to deposit accounts that have remained inoperative or amounts unclaimed for ten years or more, as defined under Paragraph 3(iii) of the Depositor Education and Awareness (DEA) Fund Scheme, 2014.
 - Banks are now mandated to provide the facility for Know Your Customer (KYC) updation for activation of inoperative accounts and unclaimed deposits at all branches, including non-home branches.
 - Banks are encouraged to facilitate KYC updation through Video-Customer Identification Process (V-CIP) in accordance with the provisions of the Master Direction – Know Your Customer (KYC) Direction, 2016, as amended from time to time.
 - Authorized Business Correspondents may be engaged by banks to assist in the activation of inoperative accounts, in line with Paragraph 38(a)(ia) of the above KYC Direction.
 - These instructions have been issued under Sections 35A, 26A, 51, and 56 of the Banking Regulation Act, 1949, and other enabling provisions.
 - The revised guidelines are applicable with immediate effect.

Notification Link:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT51DBAEE225F2C146A387F924D11F548CB6.PDF>

RBI Update on Periodic KYC Updation – Simplification and Customer Facilitation Measures

- As per paragraph 38 of the Master Direction - KYC Direction, 2016, banks are required to ensure periodic updation of customer KYC details.
- The Reserve Bank has noted a significant backlog in KYC updation, particularly in:
 - Accounts opened for credit of Direct Benefit Transfer (DBT) / Electronic Benefit Transfer (EBT)
 - Scholarship-related accounts
 - Accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY)
- To ease the process and enhance convenience for customers, amendments have been introduced through the RBI (KYC) (Amendment) Directions, 2025, which include:
 - Enabling Business Correspondents (BCs) to assist in the KYC updation process
- As per paragraph 38 of the Master Direction - KYC Direction, 2016, banks are required to ensure periodic updation of customer KYC details.

- Banks have been advised to:
 - Conduct special KYC camps and intensive awareness campaigns
 - Focus especially on rural and semi-urban branches and areas with high KYC pendency
 - Take an empathetic approach towards account activation, as guided in circular DoS.CO.PPG. SEC.12/11.01.005/2024-25, dated December 2, 2024
- RBI emphasized that KYC-related processes have been consistently simplified over the years and consolidated in the Master Direction for ease of implementation.

Notification Link:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT52DD0CD290B156436CBF342592D55179DF.PDF>

Reserve Bank of India (Know Your Customer (KYC) (Amendment)

Directions, 2025

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Know Your Customer (KYC)) (Amendment) Directions, 2025 under powers derived from multiple statutory provisions, including the Banking Regulation Act, RBI Act, PMLA, FEMA, and the Payment and Settlement Systems Act.

Sr. No.	Amendment Title	Details & Requirements	Effective Date
1	KYC Relaxation for Low-Risk Individual Customers	<ul style="list-style-type: none"> • All transactions permitted for low-risk customers even if KYC is overdue. • KYC updation to be completed by whichever is later: <ul style="list-style-type: none"> → 1 year from due date of KYC updation → June 30, 2026 • Regulated Entities must ensure ongoing transaction monitoring of such accounts. 	Effective immediately
2	Involvement of Business Correspondents (BCs)	<ul style="list-style-type: none"> • Banks are now permitted to use authorized BCs for obtaining self-declarations for: <ul style="list-style-type: none"> → No change in KYC details, or → Change only in address • Process: <ul style="list-style-type: none"> → Electronic mode: Biometric e-KYC + self-declaration → Physical mode: Allowed until e-mode becomes fully operational. • Business Correspondents (BCs) must: <ul style="list-style-type: none"> → Authenticate customer documents → Forward them promptly to the branch → Provide acknowledgment of receipt to the customer • Bank remains ultimately responsible for ensuring KYC updation and notifying the customer upon completion. 	Effective immediately
3	Advance Intimations for KYC Updation	<ul style="list-style-type: none"> • 3 advance KYC reminders before due date: <ul style="list-style-type: none"> → At least one must be by letter → Via appropriate communication channels (email/SMS/letter/etc.) • Reminder must include: <ul style="list-style-type: none"> → Simple KYC updation instructions → Escalation mechanism (for support) → Clear mention of consequences of non-compliance 	

4	Post-Due Date Reminders	<ul style="list-style-type: none"> If KYC remains un-updated post due date: <ul style="list-style-type: none"> → REs to send 3 reminders, at suitable intervals → At least one reminder must be by letter All reminders must include: <ul style="list-style-type: none"> → How to update KYC → Contact points for help → Repercussions of delay All communications must be documented in RE's system for audit trail. 	Must be implemented by January 1, 2026
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Notification Link:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT517A41C334FB0A42BC9D58A37DE3793F4E.PDF>

Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) (Sixth Amendment) Regulations, 2025

- The Reserve Bank of India has notified the Sixth Amendment to the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015 under powers conferred by Section 9 and Section 47(2)(e) of the FEMA, 1999.
- The Key change are as follows :

Clause	Pre-Amendment	Post-Amendment
Schedule II – Annex titled “Application for Opening Diamond Dollar Account(s)”	The applicant has been in the diamond business for at least 2 years."	The applicant has been in the diamond business for at least three years."

Notification Link:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/FEMA10R6062025C73FD4FFF21F4DC4A2828185B93EDA09.PDF>

RBI Eases Norms for Advance Remittance on Shipping Vessel Imports

- The Reserve Bank of India (RBI) has announced a relaxation under Para C.1 of the Master Direction – Import of Goods and Services (MD-Imports), dated January 1, 2016.
- The change are as follows :

Particulars	Earlier Provision	Revised Provision (June 2025)
Advance Remittance for Import of Shipping Vessels	Permitted only with a bank guarantee or an unconditional, irrevocable standby Letter of Credit (SBLC).	Now permitted without bank guarantee or SBLC.
Remittance Limit	Not specifically liberalised for shipping vessels under the previous guidance.	permitted to make advance remittances up to USD 50 million for the import of shipping vessels,

- This relaxation is subject to compliance with the conditions laid down in Para C.1.3.3 of MD-Imports.

- Authorized Dealer (AD) Category-I banks are advised to inform their concerned clients accordingly.
- This directive is issued under Section 10(4) and Section 11(1) of FEMA, 1999, and is in addition to any other applicable legal approvals.

Notification Link:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/55APDIR589952A39CDC4603A031807407C25C04.PDF>

Government extends the validity of FCRA Registration Certificates upto September 30,2025

- The Government in the public interest has decided to extend the validity of FCRA registration certificates.
- The validity of registration certificates of entities whose validity was extended till 30.06.2025 and whose renewal is pending, will stand extended till 30.09.2025 or till the date of disposal of renewal application, whichever is earlier.
- Similarly, the validity of FCRA entities whose 5-year validity period is expiring from 01.07.2025 to 30.09.2025 will stand extended up to 30.09.2025.

Notification Link:

https://fcraonline.nic.in/home/PDF_Doc/fc_notice_24062025.pdf

ARTICLE :- INTERNAL CONTROL OVER SUSTAINABILITY REPORTING



—CA Hemang Daru

Demystifying ESG & BRSR: What it Means for us?

In today's corporate world, ESG is more than just a buzzword — it's a strategic imperative. As investors, regulators, and customers demand greater accountability, Indian businesses are aligning with a more transparent and responsible model of growth. At the heart of this shift are ESG principles and BRSR reporting requirements.

What is ESG?

ESG stands for Environmental, Social, and Governance—three critical dimensions that measure the non-financial performance of a company:

Environmental: How a company impacts (and manages) issues like climate change, resource use, and pollution.

Social: Its treatment of employees, communities, customer responsibility, and human rights.

Governance: Business ethics, board diversity, internal controls, and transparency in leadership.

Business Responsibility and Sustainability Report (BRSR): India's ESG Reporting Framework

To bring structure and comparability to ESG disclosures, the Securities and Exchange Board of India (SEBI) introduced the Business Responsibility and Sustainability Report (BRSR). Replacing the older Business Responsibility Report (BRR), the BRSR aligns more closely with global ESG frameworks like GRI, SASB, and TCFD.

Applicability:

- Mandatory for the top 1,000 listed companies (by market capitalization) from FY 2022–23 onwards.
- These companies are required to submit the BRSR report as part of their Annual Report, replacing the earlier Business Responsibility Report (BRR).

Given the basic understanding of ESG and BRSR reporting requirements in the Indian context, it is imperative to understand the roles in Governance & oversight of Sustainability Reporting.

Key roles in Sustainability Reporting (BRSR) Governance and Oversight

1. Management Functions

- Responsible for the collection, preparation, and control of sustainability information, considering double materiality and legal requirements.
- Multiple areas are involved (Sustainability, Risk, Finance, Human Resources, etc.), in charge of activities, such as defining reporting criteria, compiling information, and designing controls.
- A coordinating area oversees the consistency and comparability of the process, ensuring compliance with regulations and integration between financial and sustainability information.

2. Control Functions

- Ensure that controls are in place to mitigate risks associated with Sustainability Reporting.
- Tasks include ensuring the integrity of sustainability reporting, assessing risks and controls, overseeing the execution of controls, and promoting process automation.
- They act as critical support for management, ensuring that controls are sufficient and effective.

3. Evaluation Function (Internal Audit)

- Performs an independent review of the design and effectiveness of the system for sustainability reporting.
- Assesses risks and the model for governance and controls, issuing recommendations to improve the system.
- Provides confidence to the Board of Directors (or governing body) and stakeholders through periodic reviews and advisory activities, thereby strengthening risk management and internal control

Recent Developments on BRSR (as of 2024–25):

- SEBI is working towards assurance requirements for ESG disclosures.
- ESG Rating Providers (ERPs) are being regulated to enhance credibility.
- Extended BRSR Core indicators for assurance have been introduced, with a phased roadmap for mandatory third-party assurance.

Looking Ahead

As ESG and BRSR evolve, we must embed sustainability into our strategy, operations, and culture. This requires collaboration across departments—from HR and finance to supply chain and legal.

ESG metrics are now seen as indicators of long-term resilience and risk management. Companies that perform well on ESG are viewed as better prepared to handle regulatory, reputational, and environmental shocks.

Let's view ESG not as a checkbox, but as a compass for creating long-term value—for our business, society, and the planet.

Sources : IIA Spain – essential guide Feb. 2025

ARTICLE :- OUTBOUND REMITTANCE TAX – 1% EXCISE TAX



Key Takeaways

- House approved remittance tax at 1%, affecting non-US citizens sending money abroad.
- Tax applies starting January 1, 2026, pending Senate approval and presidential signature.
- Exemptions include US citizens and nationals; providers collect tax quarterly.

What is the Remittance Excise Tax?

The Remittance Excise Tax is a proposed tax on outbound money transfers (remittances) from individuals in the U.S. to foreign countries. It is part of the legislative package known as “The One Big Beautiful Bill” (OB BB), which is gaining traction in Congress in 2025.

This tax is intended to:

- Generate federal revenue from untaxed money leaving the U.S. economy.
- Discourage undocumented or untracked cash remittances, especially those sent outside formal banking channels.

Legislative Background

House Version (Earlier Proposal):

- Imposes a 5% excise tax on all international remittances made by non-U.S. citizens.
- Would be collected by remittance service providers (e.g., Western Union, MoneyGram).
- Targeted mainly at immigrants—even legal ones like H-1B visa holders and green card holders.

Senate Version (July 2025, Latest Draft):

- Proposes a 1% excise tax on all outbound remittances, regardless of citizenship.
- U.S. citizens may be exempt if the remittance is made through a Qualified Remittance Transfer Provider (Q RTP), such as a U.S.-regulated financial institution.
- Non-citizens cannot claim the exemption, even if they use Q RTPs.
- Effective date: Tentatively January 1, 2026, if passed this year.

Affected Law Aspects and Key Provisions

Who is affected:

- H-1B visa holders (specialty occupation workers)
- L-1 visa holders (intra-company transferees)
- F-1 student visa holders
- Green card holders (lawful permanent residents)
- Other non-citizen residents

Who is exempt:

- U.S. citizens/nationals sending funds via:
 - Banks

- Major U.S. fintech apps (e.g., PayPal, Wise, Remitly) that register as QRTPs
- Government agencies, nonprofit humanitarian transfers

How the tax is collected:

- The financial institution, remittance provider, or money transfer service:
 - Calculates the 1% tax
 - Deducts it before remitting the amount
 - Deposits the tax with the IRS under new remittance excise tax rules
- The sender receives a receipt showing the amount withheld as tax

Tax rate:

- 1% of the total amount sent abroad.

Effective date:

- January 1, 2026, pending Senate approval and presidential signature.

Reporting and compliance:

- Remittance providers will be required to maintain records and report transactions to the IRS and Treasury Department.

Implications for Different Groups

1. Non-US Citizens in the United States
 - H-1B and L-1 Visa Holders: \$10 tax per \$1,000 sent.
 - F-1 Student Visa Holders: Transfers via OPT or campus jobs are taxable.
 - Green Card Holders: Remittances to home countries are also taxed.
2. Families and Recipients Abroad
 - Reduced remittance value affecting household incomes.
 - Potential rise in use of informal, unregulated transfer methods.
3. Remittance Service Providers
 - Need for compliance upgrades and IRS reporting.
 - Risk of lower transaction volumes due to disincentives.
4. Home Country Economies
 - India: \$32.9 billion remitted from US in 2023–24, 27.7% of total remittances.
 - Other major recipients in Latin America, Africa, and Southeast Asia could also be impacted.

Real-Life Examples

Example 1: Non-citizen sending cash to India

- Mr. A, an H-1B visa holder, sends \$1,000 in cash to his family in India via Western Union.
- Tax: 1% = \$10
- Collected by Western Union at the time of transaction.

Example 2: U.S. citizen using PayPal

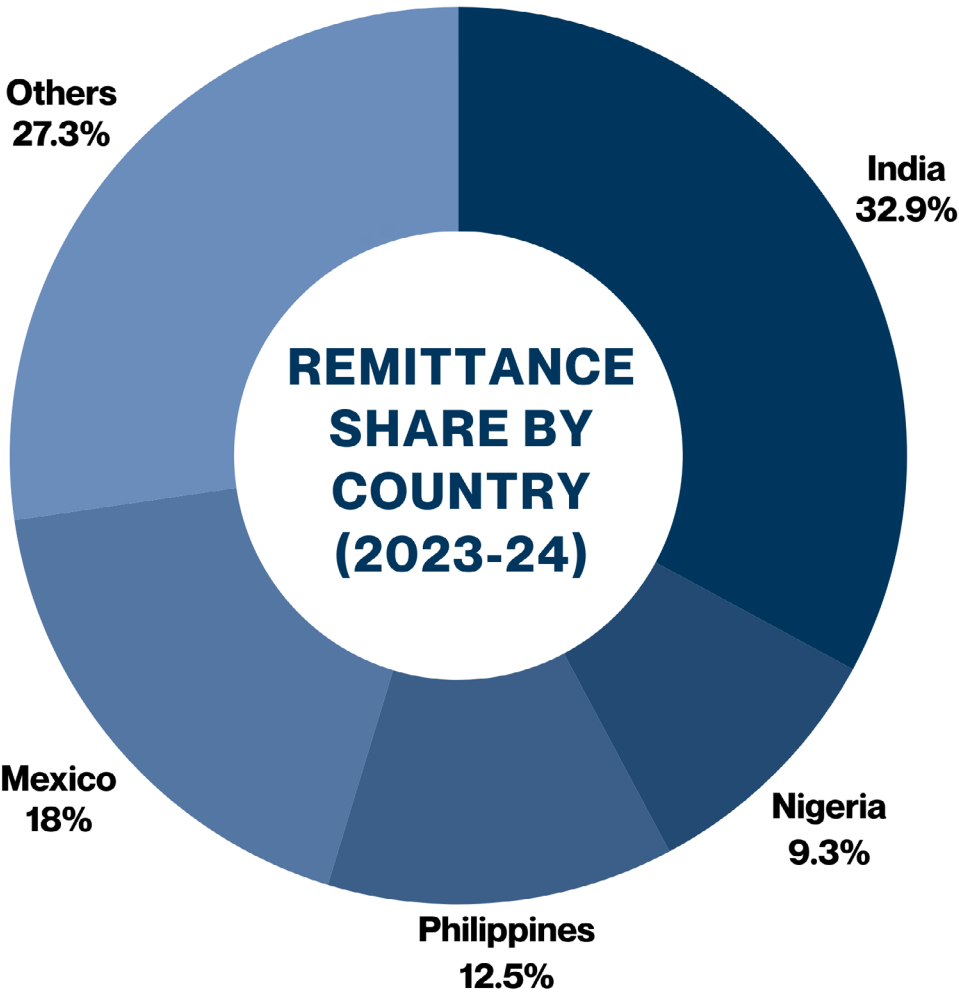
- Mr. Y, a U.S. citizen, sends \$3,000 to her son studying in Germany via PayPal (QRTP).
- Tax: \$0 (exempt if PayPal is a QRTP)

Example 3: Green card holder using bank wire

- Ms. Z sends \$5,000 to Mexico via Bank of America (QRTP).
- Since she is not a citizen, she pays 1% = \$50, even though she used a qualified channel.

Summary:

Sender Status	Tax Applicable?	Exemption Available?	Explanation
U.S. Citizen	Yes	Yes – if using QRTP (bank, debit, credit)	Tax applies only if using cash or physical instruments like money orders
U.S. Resident Alien (e.g. green card holder or substantial presence)	Yes	No exemption	Must pay 1% if using cash or similar instruments, even through QRTP
U.S. National (e.g. American Samoan)	Yes	Yes – if using QRTP	Same treatment as U.S. citizens
Non-Resident Alien (NRA)	Yes	No exemption	Must pay 1% on any qualifying remittance transfer using cash



DUE DATES

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

Due Date	Act/Authority	Compliance Description
07-07-25	GujRera	Quarterly Progress Report (QPR) Compliances for the financial quarter ended June 30, 2025
07-07-25	Income Tax	Deposit of Tax Deducted at Source (TDS) / Tax Collected at source (TCS) during the month of June- 2025.
10-07-25	GST	GSTR-7 for the month of June- 2025 for persons required to deduct TDS.
10-07-25	GST	GSTR-8 for the month of June- 2025 for e-commerce operator required to Collect TCS.
11-07-25	GST	GSTR-1 for the month of June- 2025 for taxpayers having turnover more then Rs. 5 crores or opted to file Monthly Return.
13-07-25	GST	GSTR-1 for the quarter ended June 30, 2025 for taxpayers having turnover upto Rs. 5 crores opted to file Quarterly Return.
13-07-25	GST	GSTR-5 by Non-resident taxable person carrying out business in India for the month of June- 2025.
13-07-25	GST	GSTR-6 for the month of June- 2025 for Input Service Distributor.
15-07-25	Income Tax	Quarterly statement of TCS deposited for the quarter ended June 30, 2025.
15-07-25	PF/ESIC	Payment of PF / ESIC for the month of June- 2025.
15-07-25	FEMA	Filing of Annual Return by Indian companies which have received FDI (foreign direct investment) and/or made FDI abroad (i.e. overseas investment) in the previous year(s) including the current year i.e. who holds foreign Assets or Liabilities in their Balance Sheet
18-07-25	GST	Filing of Form CMP-08 for the quarter ended June 30, 2025.
20-07-25	GST	Payment of GST & Filling of GSTR-3B for the month of June- 2025, for taxpayers having turnover of more than Rs.5 Crore in preceding financial Year.
20-07-25	GST	GSTR-5A by Non-resident taxable OIDAR Service Provider for the month of June- 2025.
22-07-25	GST	Payment of GST & Filling of GSTR-3B for taxpayers having turnover upto Rs.5 Crore in preceding Financial year for the quarter ended on June 30, 2025 who opted for Quarterly Return Monthly payment(QRMP) Option depending on place of business(State)
24-07-25		
28-07-25	GST	GSTR-11 for the month of June- 2025 (Statement of inward supplies by persons having Unique Identification Number).
30-07-25	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 June - 2025.
31-07-25	Income Tax	Quarterly statement of TDS deposited for the quarter ended June 30, 2025.

“ THE ONLY LIMIT TO OUR REALIZATION OF
TOMORROW WILL BE OUR DOUBTS OF TODAY ”

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