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NEWSLETTER

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

Circulars & Notifications

1. Extension of Due Date of filing of ITR from 31.07.2025 to 15.09.2025

C.B.D.T. Circular No. 06/2025 dated 27.05.2025

The C.B.D.T. has extended due date of filing of income tax return for the assesseees whose due date is 31st July,2025 to 15th September,2025.

It may be noted that any interest U/sec 234B of the Income tax Act,1961 shall be payable till the date of filing of tax return.

I. Supreme Court Decision

Expenses on Heart Surgery not allowable U/sec 31 nor U/sec 37

Shanti Bhushan. v. CIT [2025] 174 taxmann.com 551 (SC)

Facts of the Case

The assessee, a lawyer, incurred certain expenditure on his heart surgery. He claimed deduction of said expenditure is allowable U/sec 31 or U/sec 37 of the Income tax Act. The assessee's stand was that the expenditure incurred by him on coronary surgery conducted on him, was akin to expenses incurred on current repairs of a plant. The assessee's stand was that a human heart was in the nature of a plant. The Assessing Officer, however, was of the view that the expenditure in issue, was in the nature of a personal expense and, hence, not allowable as deduction either under section 31, or even, under section 37.

Decision of the Supreme Court

The Supreme Court affirmed the decision of Delhi High Court holding that the deduction U/sec 31 would not be available for two reasons:

Firstly, if the heart of a human being, as in the case of the assessee, were to be considered a plant, it would necessarily mean that it is an asset which should have found a mention in the assessee's balance sheet of the previous year in issue, as also, in the earlier years. Apart from the fact that this was admittedly not so, the difficulty that the assessee would face in showing the same in his books of account would be of arriving at the cost of acquisition of such an asset. Therefore, before expenses on repair of plant are admitted as a deduction, the plant would necessarily have to be reflected as an asset in the books of account.

Secondly, even if one were to give the widest meaning to the word 'plant' in section 31, the assessee's claim would still not fall within the definition of the word 'plant'. It cannot be said that the assessee who is a lawyer would have used his heart as a tool for his professional activity. The fact that a healthy and a functional human heart is necessary for a human being irrespective of his vocation or social strata is stating the obvious. But this would not necessarily lead to the conclusion that the heart is used by, a human being, as a tool of his trade or professional activity. General well being of the heart and its functionality

cannot be equated with using the heart as a tool for engaging in trade or professional activity. At least the facts in instant case did not demonstrate the same. Hence, the assessee's claim for allowing deduction of the expenses incurred by him on his coronary surgery under section 31 was to be rejected.

The Supreme Court further affirmed the decision of High Court rejecting alternate claim of the assessee U/sec 37 holding that the claim for deduction under section 37 should satisfy three conditions: firstly, it should be an expense which is incurred wholly and exclusively for the purpose of the assessee's business or profession; secondly, it should not be an expense incurred to bring into existence a capital asset; and lastly, it should not be an expense of a personal nature.

The assessee's claim under section 37 did not fulfil the first condition which was that the expense in issue had been incurred wholly and exclusively for the purposes of the assessee's profession. Therefore, to claim a deduction on account of expenses incurred by the assessee on his coronary surgery under section 37(1) would have to be rejected.

II. Tribunal Decision

1. Set-off of STT bearing STCL against Non-STT bearing STCG allowable U/sec 70

Eastspring Investments India Equity Open Ltd.. V. DCIT 174 taxmann.com 445 (Mum)

Decision of the Tribunal

The Tribunal held that as per the provisions of section 70(2) of the Income tax Act, 1961, the short-term capital loss (STCL) can be set off against gain from any other capital asset. Section 70(2) does not make any further classification between the transactions where STT was paid and where STT was not paid. Therefore, Set-off of STT bearing STCL against Non-STT bearing STCG is allowable U/sec 70 of the Act.

2. Section 56(2)(x) applicable to Agricultural Land

Clay Minerals LLP V. ITO [2025] 174 taxmann.com 1111 (Ahmedabad)

Facts of the Case

The assessee firm purchased a property during the relevant year for Rs. 42,72,000/-, whereas the stamp duty value of the same was Rs. 1,15,62,880/-. The assessee contended that the land in question, was agricultural at the time of purchase on 21.09.2017. The land was later converted to non-agricultural use after obtaining permission from the Collector on 23.10.2017, and the property was registered on 26.03.2018. The assessee submitted that since the property was agricultural land at the time of purchase, it did not qualify as a "capital asset" as per section 2(14), and therefore, section 56(2)(x) was not applicable.

The assessing officer held that the provisions of section 56(2)(x) were attracted, and the difference of Rs. 72.90 lakhs between the purchase consideration and the stamp duty value was liable to be taxed as 'income from other sources'.

Decision of the Tribunal

The Tribunal observed that section 56(2)(x) mentions the term "any immovable property". Now the issue for consideration is whether "Agricultural land" falls within the ambit of an "immovable property" as stated in section 56(2)(x). The term "immovable property" has not been defined in section 56(2)(x) or in any other section in the Income Tax Act. This renders the word to be interpreted in general parlance. In general understanding of the term, the word "Immovable Property" means an asset which cannot be moved without destroying or altering it. Therefore, going by the general definition, "immovable property" would include any rural agricultural land, in absence of any specific exclusion in section 56(2)(x). Notably, section 56(2)(x) does not use the word "capital asset". The sale of rural agricultural land is exempt in the hands of the seller since the word "capital asset" has been specifically defined to exclude

agricultural land in rural areas under section 2 clause 14. Thus, sale of rural agricultural land shall not give rise to any capital gains in the hands of the seller as it is not considered as a capital asset itself. However, from the point of view of the "purchaser" of immovable property, as stated above, section 56(2)(x) mentions "any immovable property" which going by the plain words of the Statute, does not specifically exclude "agricultural land".

Therefore, going by the plain words of the section 56(2)(x), which uses the term "immovable property", agricultural land cannot be taken out of the purview of section 56(2)(x).

3. Receipt of Donations on Ketto Platform diverted to personal accounts/use is Income from Other Sources U/sec 56(2)(x)

Ms. Rana Ayyub Shaikh V. DCIT [2025] 174 taxmann.com 277 (Mumbai)

Facts of the Case

The assessee, a journalist and a columnist for the Washington Post newspaper, raised donations Rs. 1,94,82,506/- from three campaigns on Ketto platform for Covid relief. The assessee withdrew said donation in her or her family member's personal bank account. A substantial amount of donations was transferred from her father and sister's accounts to the account of the assessee.

In spite of time spent of more than one year from the first campaign, the assessee had unutilized funds of approximately Rs.2.4 crores, for which no separate accounts were maintained for each campaign. Moreover, instead of carrying out any relief work, the assessee opened a new current account and made investment of a fixed deposit in her name and also incurred personal expenditure from the same savings account in which the funds were received. The Assessing Officer invoked the provision of section 175 and issued notice. The Assessing Officer further held that the donations allegedly received for Covid relief were taxable as the income of the assessee under section 56(2)(x).

Decision of the Tribunal

The Tribunal observed that the assessee failed to maintain separate accounts of donations received and no documentary evidences were furnished to establish utilization of donation amount although the assessee has stated in her statement under section 133 recorded before the investigation wing that part of the amount was spent in sending migrant workers home and some part was used for ration, hospitalization, procuring transportation, procuring tarpaulin sheets for those who were affected in floods in West Bengal. Further, she also invested in fixed deposit receipts of Rs.50,00,000 in her personal name.

The facts on record show that the assessee has not maintained separate accounts for donations funds and personal funds. All funds from the donation including those in foreign currency have been transferred to the personal accounts of the assessee and her family members. In fact, the assessee showed her ignorance to the taxability to the donation received by Ketto. The assessee made a representation before the CBDT on 01.07.2021 in connection with the taxability of funds received as donation for Covid relief but facts on record show that this action of the assessee was taken only after the revenue sent her a summon under section 131 on 15.06.2021 for enquiry in this matter. Throughout the proceedings, the assessee took a stand that she is not a beneficiary of those funds but the same cannot be exhibited because the funds have been mixed up with her personal funds as no separate account was maintained. The stand of the assessee that, in case of Ketto, the beneficiary is clearly identified by Ketto to whom the funds are to be transferred, is also not acceptable as the funds have been transferred in the personal account of the assessee, her father and her sister. When the assessee was cornered by the Tax Department, she offered the entire donations raised from Ketto platform as 'income from other sources'.

Considering the facts of the case in totality, the Tribunal held that the all the sums of donation received exceeded Rs.50,000 and were without any consideration. Such donation receipts received in personal account with no liability to return, makes them taxable under section 56(2)(x) of the Act.



ACCOUNTING UPDATE

A. Companies (Indian Accounting Standards) Amendment Rules, 2025

The Ministry of Corporate Affairs has amended Ind AS 21 by introducing the concept of Exchangeable Currency.

“A currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.”

Guidance is also provided on how to assess whether a currency is exchangeable, how to estimate the spot exchange rate when a currency is not exchangeable and which disclosure to be made when a currency is not exchangeable.

The Notification can be accessed at:

<https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NTM0OTE2NzU5&docCategory=Notifications&type=open>

B. Extension for filing of Form CSR-2:

The Ministry of Corporate Affairs has further extended the due date for filing of Form CSR-2 for financial year 2023-24 with regards to Report on Corporate Social Responsibility from March 31, 2025 to June 30, 2025.

The Circular can be accessed at:

<https://www.mca.gov.in/bin/dms/getdocument?mds=LDpXKzuAigAavIWskXaZDw%253D%253D&type=open>

C. Launch of Final Set of Forms on V3 portal:

The MCA will launch the final set of 38 company forms (including 13 Annual filing and 6 Audit/ Cost audit forms) on July 14, 2025 at 12.00 AM.

Following are the important dates and actions:

1. V2 Portal Shutdown:

Company filings on the V2 portal will be disabled from 18 June 2025 (12:00 AM).

→ Ensure no SRNs are pending for payment/ resubmission before this date.

2. Offline Payments Halted:

Offline payments using the “Pay Later” option in V2 will stop from 8 June 2025 (12:00 AM).

→ Use online payments only (credit/ debit card, net banking).

3. V3 Portal Downtime:

V3 portal will be unavailable from 9 July to 13 July 2025 (12:00 AM to 11:59 PM).

→ File/ resubmit V3 forms before 9 July to avoid missed deadlines or penalties.

4. User ID and DSC Update:

→ Create/upgrade/merge your V2 ID to V3 as a Business User and associate your DSC, if not already done.

5. Pending SRNs (Investor/Subsidiary Details):

→ Upload required details by 17 June 2025. SRNs not updated will be marked as “Not to be Registered (NTBR)”.



IFSC UPDATE

A. Revised Consultation Paper on Draft Revamped Regulatory Framework for Global Access in the IFSC:

IFSCA has come out with the consultation paper dated 8th May, 2025 and 30th May, 2025 in order to seek comments/views/suggestions from the public on draft of revamped regulatory framework specifying the requirements for broker dealers within the IFSC to undertake business activities on global markets (i.e., stock exchanges in foreign jurisdictions).

The Circular can be accessed at:

<https://ifsc.gov.in/Viewer?Path=Document%2FReportandPublication%2Fconsultation-paper-on-draft-revamped-regulatory-framework-for-global-access-in-the-ifsc08052025125426.pdf>

B. Consultation Paper on draft IFSCA (TechFin and Ancillary Services) Regulations, 2025:

The International Financial Services Centres Authority (IFSCA) aims to establish a regulatory framework for TechFins and Ancillary Services Providers to aid, help, assist, strengthen, support, directly or indirectly the entities, which are attendant upon or connected with the delivery of financial services specified under clause (e) of subsection (1) of Section 3 of the IFSCA Act, 2019. With an intend to create an effective single regulatory architecture in GIFT-IFSC for Ancillary Services, TechFin component of IFSCA FinTech Entity framework, and outsourced activities permitted by financial sectoral regulators, a single consolidated regulation is prepared titled as 'Draft IFSCA (TechFin and Ancillary Services) Regulations, 2025'. The IFSCA has invited comments/views/suggestions from the public on draft.

The Circular can be accessed at:

https://ifsc.gov.in/Viewer?Path=Document%2FReportandPublication%2Fdraft-tas-regulations_09-05-2025-3-50-1-09052025043323.pdf

C. Consultation Paper on the Proposed International Financial Services Centres Authority (Procedure for Making Regulations and Subsidiary Instruction) Regulations, 2025:

IFSCA has come out with the consultation paper dated 22nd May, 2025 in order to seek comments/views/suggestions from the public on draft of IFSCA (Procedure for Making Regulations and Subsidiary Instruction) Regulations, 2025. The regulatory objective of the proposed regulations is to specify the regulatory framework for making, amending regulations and subsidiary instructions. These Regulations aim to promote the Ease of Doing Business by strengthening the principles of transparency, stakeholder participation, and regulatory clarity.

The Circular can be accessed at:

<https://ifsc.gov.in/Viewer?Path=Document%2FReportandPublication%2Fconsultation-paper-on-draft-ifsc-procedure-for-making-regulations-and-subsidiary-instruction-regulations-202522052025063905.pdf>

D. Extension of timeline for appointment of Custodian under Regulation 132 of the IFSCA (Fund Management) Regulations, 2025:

Regulation 132 of the IFSCA (Fund Management) Regulations, 2025 requires the FME to appoint an independent custodian to provide the custodial services for the some of the specific schemes. An additional period of 6 months over and above the 12 months from the date of issuance of this circular is granted for the appointment of an independent custodian based at IFSC.

The Circular can be accessed at:

<https://ifsc.gov.in/Viewer?Path=Document%2FLegal%2Fextension-of-timeline-for-appointment-of-custodian-under-regulation-132-of-the-ifsc-fund-management-regulations-202525052025100420.pdf>



SEBI UPDATE

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2025:

The Securities and Exchange Board of India (SEBI) issued the Listing Obligations and Disclosure Requirements (LODR) Second Amendment Regulations, 2025 on April 29, 2025, to enhance disclosure requirements, particularly regarding securitized debt instruments. The amendments are effective from May 1, 2025.

The Notification can be accessed at:

https://www.sebi.gov.in/legal/regulations/may-2025/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2025_93783.html



FEMA UPDATE

FPIs can now invest in corporate debt securities via general route without short-term investment and concentration limits

- The Reserve Bank of India (RBI) has relaxed rules for Foreign Portfolio Investors (FPIs) investing in corporate debt securities through the general route, removing the short-term investment limit and the concentration limit.
- This change allows FPIs to invest in corporate debt without restrictions on investment duration or concentration in specific issuers.

Notification Link:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/35NT1A4AAAC7E141470486FC6785028754FA.PDF>

US Remittance Tax Proposal

- A significant development is underway regarding international money transfers from the United States.
- The US House of Representatives recently passed the “One Big Beautiful Bill,” which includes a proposed 3.5% excise tax on all remittances sent abroad by Non-US citizens.
- This measure is now awaiting Senate approval and, if enacted, could take effect from January 1, 2026
- The tax would apply to all outward remittances made by non-citizens, including those on H-1B, F-1 visas, green card holders, and other non-resident Indians (NRIs).
- Remittance providers, banks, and money transfer applications will deduct the tax at the time of transfer and remit it to the US Treasury.
- The proposed levy will not be applicable to US citizens.
- For instance, an Indian worker in the US who sends \$1,000 home each month would now either have to pay \$35 in tax. The measure is expected to increase the cost of sending money abroad for millions of immigrants, including a large number of Indians

Ministry of Home Affairs (MHA) allows NGOs with expired FCRA registration to pay compounding penalty and fees via FCRA online portal

- The Ministry of Home Affairs (MHA), under FCRA 2010, issued a public notice permitting associations with expired FCRA registration to pay compounding penalties and fees exclusively through their FCRA bank account at SBI New Delhi Main Branch via the online FCRA portal's new “SBI Branch Payment” mechanism.
- Associations are strictly prohibited from any additional receipt or utilization of funds during the expired registration period, with potential penal consequences for violations.
- The directive aims to provide a regulated pathway for NGOs to manage financial obligations after registration expiration while maintaining regulatory compliance.

Notification Link:

https://fcraonline.nic.in/home/PDF_Doc/fc_notice_14052025.pdf

RBI grants grace period for Investment Vehicles to file Form InVI for pre-May 23, 2025 partly paid units without LSF

- Earlier, the RBI had permitted Investment Vehicles (IVs) to issue partly paid units to Person Resident outside India.
- Now, the RBI has prescribed that IVs that had issued partly paid units prior to May 23, 2025 are now allowed to report issuances in Form InVI within a grace period of 180 days from the issuance of this circular.
- No late submission fee (LSF) will be levied.
- Further, for issuances on or after 23-05-2025, the existing requirement of filing Form InVI within 30 days of issuance remains applicable.

Notification Link:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOT40716512B4DD71483093A4BFA8832016C5.PDF>

Aadhaar is no longer mandatory for NRIs to register inherited properties

- The office of the Inspector General of Registration and Superintendent of Stamps has granted relief to NRI property holders by no longer mandating Aadhaar Cards for the registration of inherited properties.
- Authorities have clarified that NRIs can now use any one of the 14 officially recognized identity documents instead of Aadhaar.
- Previously, registration offices demanded an Aadhaar from all involved parties, but since many NRIs do not have an Aadhaar, the department has made the rule change.
- This will ensure that document registration can proceed with any one of the approved identity proofs, offering greater flexibility and ease to NRIs in managing ancestral property.

Foreign Liabilities and Assets (FLA) Return - Annual FEMA Compliance for Entities with Cross-Border Investments

The Foreign Liabilities and Assets (FLA) Return is a mandatory annual reporting requirement under the Foreign Exchange Management Act, 1999. This return must be submitted by eligible Indian entities to the Reserve Bank of India to report their foreign liabilities and assets as on the end of the financial year. With Indian companies increasingly engaging in inbound Foreign Direct Investment and outbound Overseas Direct Investment, this return plays a vital role in helping RBI compile accurate data on India's International Investment Position, contributing to balance of payments statistics and macroeconomic decision-making.

Applicability

Filing of the FLA return is compulsory for the following categories of Indian entities:

- 1. Entities Receiving FDI:** All Indian companies, Limited Liability Partnerships, and other entities that have received FDI in any financial year, including the current or any previous year, are required to file the FLA return.
- 2. Entities Making ODI:** Any entity that has made ODI by investing in equity, loans, or other financial instruments in Joint Ventures or Wholly Owned Subsidiaries abroad must file the return.

If a company has received FDI in any year (even if not during the current financial year), and there is any outstanding foreign investment as of the balance sheet date, FLA filing remains mandatory.

Due Date

The FLA return for the financial year ending 31st March 2025 must be filed on or before 15th July 2025.

Information & Documents Required for Filing

The information should be based on audited or unaudited financials as of 31st March 2025. If audited accounts are not ready by the due date, the return must be filed based on unaudited figures and later revised, once audited figures are available.

Filing Process

The filing must be completed through the FLAIR portal of RBI.

Exemptions from Filing the FLA Return

The following categories of companies are exempt from this annual reporting requirement:

- **Non-Repatriable Share Issuances:** Entities that have issued equity shares to non-resident shareholders on a non-repatriable basis, and have not received any Foreign Direct Investment on a repatriable basis, are not required to file the FLA return.
- **No Outstanding FDI/ODI as on Financial Year-End:** Entities that have received FDI or made ODI in the past but have fully repatriated or divested such investments, and thus do not hold any foreign assets or liabilities as on 31st March of the reporting year, are exempt from filing the FLA return for that year.

Consequences of Non-Compliance

As per RBI's Circular No. RBI/2022-23/122 A.P. (DIR Series) Circular No.16 dated 30th September 2022, a Late Submission Fee of Rs 7,500 is applicable for delayed filing of FLA Returns.

FCRA UPDATE

Key Highlights: FCRA Amendment Rules, 2025

The Ministry of Home Affairs (MHA) has notified significant changes via the Foreign Contribution (Regulation) Amendment Rules, 2025, effective May 26, 2025. These amendments aim to tighten compliance and boost transparency under the FCRA, 2010, with sweeping changes to forms, procedures, and documentation.

Revised Document Requirements for FCRA Registration (Form FC-3A)

Sr. No.	Document/Requirement	Details
(a)	Audited Financials	Financial statements and audit reports for the last three financial years, including: <ul style="list-style-type: none"> Statement of Assets and Liabilities Receipts and Payments Account Income and Expenditure Account
(b)	Activity-wise Expenditure Certificate	If financials do not specify activity-wise expenditure, a Chartered Accountant's certificate (in prescribed format on MHA portal) reconciling the expenditure with books of accounts is required.
(c)	Activity Reports	Year-wise activity reports for the last three years.
(d)	Affidavits (Proforma AA)	Affidavit in Proforma "AA" for each person mentioned in serial number 6 of Form FC-3A.
(e)	Undertaking on Publication Activities	If the entity is engaged in or has objectives relating to publications, an undertaking from the Chief Functionary confirming compliance with Section 3(1)(g) of FCRA, 2010. Format available on MHA portal.
(f)	Not a Newspaper Certificate	If the entity's publication is registered with the Registrar of Newspapers for India, a certificate stating "Not a Newspaper" is required. Format available on MHA portal.
(g)	Post-Expiry Affidavit & Bank Statements	If the association was earlier registered but registration has expired or was cancelled, submit: <ul style="list-style-type: none"> Affidavit in prescribed format Bank statements (FCRA designated and utilisation accounts) from date of expiry/cancellation till present, certified by bank officer.
(h)	Capital Investment Declaration	If expenditure on aims and objects is less than Rs 15 lakhs in last three years, submit affidavit regarding capital investments under Rule 9(1)(f)(ii) in prescribed format (available on MHA website).

Document Requirements for FCRA Prior Permission (Form FC-3B)

Sr. No.	Document/Requirement	Details
(a)	Commitment Letter from Donor	The commitment letter must clearly state the amount of foreign contribution and match the donation amount mentioned in Form FC-3B.
(b)	Project Report with Expense Breakup	A detailed project report must be provided, showing a breakup of proposed expenses. It must include a declaration that administrative expenses will not exceed 20% of the foreign contribution.
(c)	Letter from Chief Functionary	Letter in prescribed format (available on MHA website) providing point-wise details for each item of guidelines for prior permission issued by the Ministry of Home Affairs.
(d)	FATF Compliance Undertaking	Undertaking to follow the Good Practice Guidelines of the Financial Action Task Force (FATF), as per format available on the MHA website.

Other Changes are summarised as under:

Form /Rule	Nature of Change	Key Amendment/Requirement
Form FC-3C (Renewal)	Affidavits and records	<ul style="list-style-type: none"> Affidavit in Proforma 'AA' for key persons An affidavit and bank statements regarding receipt and utilization of foreign contribution after expiry of registration certificate (if registration expired)
Form FC-4 (Annual Return)	Enhanced asset reporting	Revised formats for: <ul style="list-style-type: none"> Fresh assets purchased (Movable and immovable assets) CA certification now includes Project/activity-wise and location-wise utilization details.
Form FC-6A to FC-6E (Intimations)	Additional documents required	FC-6A (Change of name/address): <ul style="list-style-type: none"> Authority approval + Governing Body Resolution FC-6B (Change in objects/nature): <ul style="list-style-type: none"> Authority approval + Resolution FC-6C (Change in FCRA Account): <ul style="list-style-type: none"> Letters from both banks + Resolution FC-6D (Additional Utilisation A/c): <ul style="list-style-type: none"> Bank letter + Resolution FC-6E (Change in key members): <ul style="list-style-type: none"> Resolution + Affidavit in Proforma 'AA'
Proforma 'AA'	Expanded affidavit	New mandatory declarations: <ul style="list-style-type: none"> Citizenship and OCI details Conviction and prosecution status under any law

Notification

https://fcraonline.nic.in/home/PDF_Doc/fc_gaz_27052025.pdf



Article :- Overseas Investment Under Scrutiny: RBI Sets August 2025 Deadline for ODI Clean-Up

—CA Vidhi Shah & CA Poorva Mundra

Pursuant to the circular issued by the Reserve Bank of India (RBI) concerning the imposition of Late Submission Fee (LSF) for delays in reporting under the Foreign Exchange Management Act, 1999 (FEMA), the facility to regularize delayed reporting through payment of LSF shall be available for a period not exceeding three years from the prescribed due date of submission. The said provision is equally applicable in respect of delayed compliance under erstwhile Notification No. FEMA 120/2004-RB and corresponding earlier regulations, subject to the condition that such delay falls within three years from the date of notification of the Foreign Exchange Management (Overseas Investment) Regulations, 2022.

This regulatory development has significant implications for Indian companies with historical Overseas Direct Investments (ODIs), including joint ventures, wholly-owned subsidiaries, or other financial commitments abroad. The RBI has mandated that such companies must identify and rectify all past reporting lapses or FEMA contraventions relating to ODI on or before August 21, 2025.

If addressed within this window, companies may settle the issue by merely paying the prescribed LSF, thereby avoiding prolonged regulatory proceedings. However, non-compliances that remain unrectified beyond this date will require the company to undergo either compounding under Section 15 of FEMA or face adjudication by the Directorate of Enforcement under Section 13, both of which involve lengthier and more stringent procedures.

The scope of contraventions includes, but is not limited to,

1. Failure to submit Form ODI (Parts I and II),
2. Non-filing or delayed submission of Annual Performance Reports (APRs),
3. Non-repatriation of dues within prescribed timelines, and
4. Transactions structured through undisclosed or non-permissible funding routes.

In certain cases, companies have either inadvertently failed to disclose material financial details or have deliberately withheld information relating to ODI transactions. These may include round-tripping arrangements or diversion of funds through overseas entities without appropriate reporting under FEMA.

The directive further provides that companies which have not regularized past ODI-related non-compliances shall be prohibited from undertaking any fresh overseas investment until such contraventions are addressed. This embargo includes restrictions on establishing new overseas subsidiaries or joint ventures, acquiring foreign entities, extending loans or corporate guarantees to overseas step-down subsidiaries, or disinvesting from existing foreign investments. The RBI has effectively linked the ability to undertake new foreign financial commitments to the company's past compliance track record, thereby reinforcing a compliance-first approach to outbound investments.

This measure highlights the RBI's continued emphasis on strengthening regulatory oversight and governance in cross-border transactions. The central bank's focus is not limited to real-time compliance, but extends retrospectively to ensure historical transparency in capital flows and financial disclosures. Accordingly, Indian entities are advised to conduct a detailed assessment of their ODI portfolios in coordination with their Authorised Dealer (AD) Category-I banks, identify legacy non-compliances, and initiate rectification before the stipulated deadline to avoid enforcement action.

It is also pertinent to note that the compounding process, post-August 2025, could extend for a period of up to six months from the date of application, during which the entity will remain ineligible to proceed with any further overseas investment. This procedural delay could result in missed strategic opportunities and commercial disadvantages, particularly in sectors where cross-border expansions are time-sensitive.

In conclusion, this compliance initiative signals a firm regulatory stance. The RBI has drawn a clear line that historical laxity will not be overlooked, and future foreign investment activity hinges squarely on the timely rectification of past errors. Indian corporates, therefore, must act decisively, review all past ODI transactions, and ensure complete and accurate reporting within the prescribed window to remain eligible for future cross-border financial commitments under FEMA.



Article:- Staying Compliant: May 2025 SEBI & MCA Updates for Boards and Leadership

—CA Pravruti Shah

Staying Compliant: May 2025 SEBI & MCA Updates for Boards and Leadership

A. SEBI LODR Amendments – Key Highlights

- **High Value Debt Listed Entities (HVDLEs):** SEBI has revised the HVDLE threshold to Rs 1,000 crore (from Rs 500 crore). Entities above this must now comply with stricter governance norms, including enhanced board composition and disclosure requirements.
- **Directorship Limits:** Directorship caps now aggregate both equity listed entities and HVDLEs. Directors should ensure compliance with these revised limits by the later of September 27, 2025, or the next AGM.
- **Related Party Transactions (RPTs):** SMEs listed with paid-up equity capital over Rs10 crore or net worth above Rs25 crore must comply with RPT disclosure and approval norms from April 1, 2025.

B. MCA Circulars – Compliance Updates

- **Dematerialization of Shares:** The MCA has extended the deadline for private companies (excluding small companies) to dematerialize their shares to June 30, 2025. This extension is expected to ease compliance and facilitate smoother corporate actions.

C. Director & KMP Disclosures – Essential Updates

- **Cumulative Directorships:** Directors now need to include HVDLEs in their directorship count for disclosure purposes.
- **Annual Disclosure Cycle:** Ensure all directors and KMPs update their interest disclosures, related party relationships, and independence confirmations as part of the annual board review.

D. Practical Pointers for Boards & Committees

- **Review entity status:** Confirm if your company newly qualifies as an HVDLE or SME under the revised thresholds and update governance practices accordingly.
- **Update policies:** Align RPT and director/KMP disclosure policies with the latest regulatory requirements.
- **Prepare for Q1:** Ensure all statutory registers, disclosures, and board processes are up to date ahead of Q1 results.

Staying current with these regulatory changes ensures robust governance and smooth compliance.



DUE DATES

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

Due Date	Act/Authority	Compliance Description
07-06-25	Income Tax	Deposit of Tax Deducted at Source (TDS) / Tax Collected at source (TCS) during the month of May- 2025
10-06-25	GST	GSTR-7 for the month of May- 2025 for persons required to deduct TDS
10-06-25	GST	GSTR-8 for the month of May- 2025 for e-commerce operator required to Collect TCS
11-06-25	GST	GSTR-1 for the month of May- 2025 for taxpayers having turnover more then Rs. 5 crores or opted to file Monthly Return
13-06-25	GST	GSTR-5 by Non-resident taxable person carrying out business in India for the month of May- 2025
13-06-25	GST	GSTR-6 for the month of May- 2025 for Input Service Distributor
15-06-25	Income Tax	First instalment of advance tax for Financial Year 2025-2026
15-06-25	PF/ESIC	Payment of PF / ESIC for the month of May- 2025
20-06-25	GST	Payment of GST & Filling of GSTR-3B for the month of May- 2025, for taxpayers having turnover of more than Rs.5 Crore in preceding financial Year
20-06-25	GST	GSTR-5A by Non-resident taxable OIDAR Service Provider for the month of May- 2025
25-06-25	GST	PMT-06 Monthly tax payment for the month of May- 2025 under QRMP Scheme
30-06-25	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 May - 2025
30-06-25	MCA	Filing the DPT-3 for the Financial year ended on March 31, 2025

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