

# NEWSLETTER

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**HAPPY 79TH  
INDEPENDENCE DAY**

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# DIRECT TAX UPDATES

## I. Circulars & Notifications

### **Relief to Tax Deductor/Collector Consequent to Inoperative PAN U/Rule 114AAA**

#### **(C.B.D.T. Circular No. 9/2025 dated 21.07.2025 )**

The C.B.D.T. vide its earlier Circular No. 03 dated 28th March, 2023 had specified that the consequences of PAN becoming inoperative as per Rule 114AAA of the Income-tax Rules, 1962 shall take effect from 1st July, 2023 and continue till the PAN becomes operative. Further, Circular No. 06 dated 23.04.2024, provided relief to deductors/collectors from the applicability of higher TDS/TCS rates under section 206AA/206CC of the Income-tax Act, 1961 (hereinafter 'the Act') for transactions entered into upto 31.03.2024, where the PAN becomes operative on or before 31.05.2024.

With a view to address a clarity on short deduction of TDS/TCS, the C.B.D.T. hereby specifies that there shall be no liability on the deductor/collector to deduct/collect the tax under section 206AA/206CC of the Act as the case may be, in the following cases :

- I. where the amount is paid or credited from 01.04.2024 to 31.07.2025 and the PAN is made operative (as a result of linkage with Aadhaar) on or before 30.09.2025.
- II. where the amount is paid or credited on or after 01.08.2025 and the PAN is made operative (as a result of linkage with Aadhaar) within two months from the end of the month in which the amount is paid or credited.

### **Extension of time limit for processing of incorrectly invalidated tax returns by CPC**

#### **(C.B.D.T. Circular No. 10/2025 dated 28.07.2025)**

The CPC, Bengaluru could not process many tax returns for A.Y. 2023-24 by 31.12.2024, which were erroneously invalidated by it due to various technical reasons. Therefore, these returns need to be validated and processed as per law.

The C.B.D.T. has given relaxation vide this circular by extending the due date of processing of tax returns as provided under the second proviso of section 143(1) of the Income-tax Act, 1961. Accordingly, tax returns e-filed upto 31.03.2024 which were erroneously invalidated by CPC shall now be processed under section 143(1) of the Act by 31.03.2026.

## II. Supreme Court Decision

### International Tax

#### Substantive Operational control establishes Fixed Place Permanent Establishment

#### Hyatt International Southwest Asia Ltd. v. ADIT [2025] 176 taxmann.com 783 (SC)

##### Facts:

The assessee company was incorporated in Dubai, entered into two Strategic Oversight Services Agreements (SOSA) with one AHL, India - one for AHL, Delhi and another for AHL, Mumbai. Under the SOSA, the assessee agreed to provide strategic planning services and 'know-how' to ensure that the hotel was developed and operated as an efficient and a high-quality international full-service hotel.

For the relevant assessment years, the Assessing Officer passed assessment orders taxing the hotel related services rendered by the assessee, inter alia, on the ground that the assessee had a Permanent Establishment (PE) in India in the form of a place of business under article 5(1) of the DTAA.

The High Court held that the assessee had a PE in the form of a place of business in India as contemplated under article 5(1) of the DTAA.

##### Issues:

The principal issue that arises for determination of the Supreme Court was whether the assessee – Hyatt International Southwest Asia Ltd., a tax resident of the UAE, has a Permanent Establishment (PE) in India under Article 5(1) of the Indo – UAE Double Taxation Avoidance Agreement (DTAA), and consequently, whether its income derived under the SOSA is taxable in India.

##### Decision:

Article 5(1) of the India – UAE DTAA defines a PE as “a fixed place of business through which the business of an enterprise is wholly or partly carried on”. This is consistent with the definition provided in section 92F(iii-a) of the Income Tax Act, 1961.

Article 7 of the DTAA governs the taxation of business profits. Article 7(1) provides that the profit of an enterprise shall be taxable only in the State of its residence, unless the enterprise carries on business in the other Contracting State through a PE situated therein. In such a case, only so much of the profits as is attributable to that PE may be taxed in the other State.

The assessee is responsible for providing strategic plans, policies, procedures, and guidelines to ensure adherence to the 'Hyatt Operating Standards'. As per various clauses of the SOSA, the assessee is responsible for formulating policies relating to human resources, procurement, guest admittance, use of premises, pricing, sales and marketing, and reservations, to formulate policies governing the hotel's operating bank accounts, to identify, recruit and assist in appointing non-local hotel employees including the General Manager, key personnel, and members of the Executive Committee on behalf of the hotel owner, to align the hotel's human resource policies with Hyatt Operating Standards. It may also temporarily assign its own employees to serve as full-time executive staff at the hotel.

From the contractual provisions, it is evident that the assessee's role was not confined to mere policy formulation. On the contrary, the SOSA conferred upon the assessee a continuing and enforceable right to implement its policies and ensure compliance in all operational aspects of the hotel. The degree of control and supervision exercised by the assessee clearly transcends a mere advisory capacity and aligns with the criteria for a Fixed Place Permanent Establishment (PE) under Article 5(1) of the India – UAE DTAA.

The Supreme Court held that what constitutes a “place of business” under Article 5(1) of the DTAA is no longer res integra. The Supreme Court following the decision in the case of Formula One World Championship Limited. v. CIT, International Taxation [2017] 248 Taxman 192 (SC), held that for a PE to exist, two essential conditions must be satisfied:

- (i) the place must be “at the disposal” of the enterprise, and
- (ii) the business of the enterprise must be carried on through that place.

**The Court further held that a PE must demonstrate the three core attributes of: stability, productivity, and a degree of independence. Among these, the “disposal test” is pivotal, meaning thereby the enterprise must have a right to use the premises in such a way that enables it to carry on its business activities. This test is to be applied contextually, taking into account the commercial and operational realities of the arrangement.**

The Supreme Court held that for determining whether a Fixed place PE exists must involve a fact-specific inquiry, including the enterprise’s right of disposal over the premises, the degree of control and supervision exercised and the presence of ownership, management, or operational authority.

In the present case, a detailed review of the SOSA executed between the assessee and AHL demonstrates that the assessee exercised pervasive and enforceable control over the hotel’s strategic, operational, and financial dimensions. Specifically, the agreement vested the assessee with powers to appoint and supervise the General Manager and other key personnel, implement human resource and procurement policies, control pricing, branding, and marketing strategies, manage operational bank accounts, assign personnel to the hotel without requiring the owner’s consent.

**These rights go well beyond mere consultancy and indicate that the assessee was an active participant in the core operational activities of the hotel.**

The assessee’s contention that the absence of an exclusive or designated physical space within the hotel precludes the existence of a PE, is misconceived. In Formula One World Championship Ltd , this Court expressly held that exclusive possession is not essential – temporary or shared use of space is sufficient, provided business is carried on through that space. The actual role of the assessee is not just advisory in nature but extends to various other administrative and operational roles. In this case, the 20-year duration of the SOSA, coupled with the assessee’s continuous and functional presence, satisfies the tests of stability, productivity and dependence and also revenue sharing.

**Therefore, the hotel premises clearly satisfy the criteria required to be classified as a “fixed place of business” or PE and the income received under the SOSA is attributable to such PE and is therefore taxable in India.**

### **Our Comment**

**A foreign entity having control of operational functions even without having an office in India, shall be considered to have a PE in India and therefore income earned by such PE shall be taxable in India.**

### III. Tribunal Decision

#### 1. Sec 37- Royalty payment for Trademark to non-owner not allowable expense

**GDG Educational Trust v. Addl.CIT [2025] 176 taxmann.com 450 (Delhi - Trib.)**

##### **Facts:**

The assessee claimed U/sec 37 of the Income tax Act,1961, Royalty paid to G.D. Goenka Pvt. Ltd. for use of name 'G.D. Goenka'. The Assessing Officer disallowed the same on the ground that the assessee was registered much before the date of signing the MoU and thus the assessee was entitled to use the name 'GDG' or 'G.D. Goenka' even without signing the MoU. The assessee was making royalty payment without serving the purpose of the business. Therefore, expenses claimed by the assessee was not wholly and exclusively for the purpose of business.

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

The Tribunal affirmed the decision of C.I.T.(Appeal) of disallowance of the royalty expenditure claimed under section 37 of the Act on following observations.

The assessee has applied for the registration under section 12A, however the same was rejected. Further, going through the income & expenditure account, it is observed that the assessee is making these payments to G.D. Goenka Pvt. Ltd. on the pretext that G.D. Goenka Pvt. Ltd. has registered trademark/patent. However, it is observed that the registered trademark/patent was held by 'AKG' not by the G.D. Goenka Pvt. Ltd. Since the G.D. Goenka Pvt. Ltd. does not have trademark/patent registered in their name, they cannot claim the royalty even though it was out of an agreement held with 'AKG'. Royalty can be treated as a proper expenditure if it is entered with holder of the actual registered trademark/patent holder. It is irrelevant of the fact that the company, G.D.Goenka Pvt. Ltd. has declared the same as income in their books of account. Looking at the income and expenditure account, it looks like a tax planning to shift the profit from the trust to the private limited.





# ACCOUNTING UPDATES

## EAC Opinion:

### Treatment and presentation of Perpetual Loan under Ind AS framework

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

*In the extant case, the Committee notes that since the liabilities of Rs. 372.22 crores have been converted in a perpetual loan with no interest payment or repayment of principal amount within a specified time, there is neither a contractual obligation to pay cash or other financial asset nor to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the Company, as envisaged in the definition of 'financial liability' as per Ind AS 32. Further, since there is no fact in the extant case suggesting that the loan will or may be settled in the issuer's own equity instruments, the evaluation related to conversion in entity's own equity instruments is not applicable.*

*Accordingly, the Committee is of the view that the perpetual loan in the extant case does not meet the definition of financial liability as per the requirements of Ind AS 32. Furthermore, since the perpetual loan is not to be settled in the Company's own equity instruments and as discussed above, neither there is a contractual obligation to deliver cash or another financial asset to another entity nor to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company, the perpetual loan fulfills the conditions of an equity instrument as per paragraph 16 of Ind AS 32. Therefore, as per the requirements of the Guidance Note on Schedule III, the perpetual loan representing a contract or instrument evidencing residual interest in the Company's net assets should be considered as having the nature of 'Equity' and shall be termed as 'Instruments entirely equity in nature' in the financial statements of the Company.*

EAC Opinion can be accessed at:

<https://resource.cdn.icai.org/87366cajournal-aug2025-36.pdf>



# COMPANY LAW UPDATES

## **A. Frequently Asked Questions for lot 3 forms to be migrated from V2 portal to V3 portal:**

Considering the complete migration of MCA21 V2 portal to MCA21 V3 portal, the Ministry of Corporate Affairs (“Ministry” or “MCA”) has published a set of Frequently Asked Questions (FAQs) for lot 3 forms to be migrated to V3 portal to aide stakeholders.

The FAQs can be accessed at:

[https://www.mca.gov.in/bin/dms/  
getdocument?mds=obd2Sfxdh0Lui3yMybiT7A%253D%253D&type=open](https://www.mca.gov.in/bin/dms/getdocument?mds=obd2Sfxdh0Lui3yMybiT7A%253D%253D&type=open)

## **B. Amendment to Form LEAP-1 (Form for submission of Prospectus with the Registrar):**

In its constant endeavour to improve clarity and ensure better regulatory compliance for companies listing equity shares in permissible foreign jurisdictions, the Ministry has introduced the Companies (Listing of equity shares in permissible jurisdictions) Amendment Rules, 2025 vide notification G.S.R. 443(E) dated July 03, 2025.

The Notification can be accessed at:

[https://www.mca.gov.in/bin/dms/  
getdocument?mds=x0Tqw4cwkkPubwESbOajAA%253D%253D&type=open](https://www.mca.gov.in/bin/dms/getdocument?mds=x0Tqw4cwkkPubwESbOajAA%253D%253D&type=open)

## **C. Update in form CSR-1(Registration of Entities for undertaking CSR Activities):**

The MCA has substituted the Form CSR-1 available under the MCA21 V2 portal with a new Form CSR-1 under the MCA21 V3 portal vide introduction of Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025. The same were published vide notification G.S.R. 452(E). dated 07th July, 2025, in the Official Gazette of India.

The Notification can be accessed at:

[https://www.mca.gov.in/bin/dms/  
getdocument?mds=niVkkKeB1Qpcvmxy9DtsJg%253D%253D&type=open](https://www.mca.gov.in/bin/dms/getdocument?mds=niVkkKeB1Qpcvmxy9DtsJg%253D%253D&type=open)



# IFSCA UPDATE

## **Guidance for Finance Companies/ Units on submission of requests pertaining to changes requiring prior approval/ intimation to the Authority:**

With a view to facilitating uniformity and ease of doing business for the Regulated Entities (REs), the International Financial Services Centres Authority ("IFSCA" or "Authority") has issued a 'Guidance Note' outlining the process to be followed by Finance Company/Unit (FCs/FUs) for such requests and the documents to be submitted in each case.

The same has been published vide Circular (efile No. IFSCA-FCR0FCR/5/2025-Banking/01) issued by the Authority dated July 01, 2025.

The Circular can be accessed at:

[https://www.ifsc.gov.in/CommonDirect/GetFileView?id=f4ac1b5b4a9f69ca6f378d84bb2100bb&file-Name=amendment\\_to\\_grctc\\_circular\\_june\\_09\\_2025\\_final\\_09062025113944\\_20250610\\_1222.pdf](https://www.ifsc.gov.in/CommonDirect/GetFileView?id=f4ac1b5b4a9f69ca6f378d84bb2100bb&file-Name=amendment_to_grctc_circular_june_09_2025_final_09062025113944_20250610_1222.pdf)



# SEBI UPDATES

## **A. Ease of Doing Investment –Special Window for Re-lodgement of Transfer Requests of Physical Shares:**

1. Transfer of securities in physical mode was discontinued with effect from April 01, 2019 and it was clarified that transfer deeds lodged prior to the deadline of April 01, 2019 and rejected/returned due to deficiency in the documents may be re-lodged with requisite documents by March 31, 2021.
2. Pursuant to representations received from investors as well as RTAs and listed companies that some of the investors had missed the timelines for re-lodging their documents for transfer of securities and in order to facilitate ease of investing for investors and to secure the rights of investors in the securities which were purchased by them, it has been decided to open a special window only for re-lodgement of transfer deeds, which were lodged prior to the deadline of April 01, 2019 and rejected/returned/not attended to. The period for such special window is July 07, 2025 till January 06, 2026 (i.e. a period of 6 months).

The Circular can be accessed at:

[https://www.sebi.gov.in/legal/circulars/jul-2025/ease-of-doing-investment-special-window-for-re-lodgement-of-transfer-requests-of-physical-shares\\_94973.html](https://www.sebi.gov.in/legal/circulars/jul-2025/ease-of-doing-investment-special-window-for-re-lodgement-of-transfer-requests-of-physical-shares_94973.html)

## **B. Frequently Asked Questions (FAQs) related to regulatory provisions for Research Analysts:**

Pursuant to receipt of representations from Research Analysts (RAs) requesting to provide clarifications on certain regulatory provision, the Securities and Exchange Board of India (SEBI) has notified SEBI (Research Analysts) (Third Amendment) Regulations, 2024 on December 16, 2024. Pursuant to these amendments, SEBI has issued a circular dated January 08, 2025 on guidelines for research analysts.

The circular can be accessed at:

[https://www.sebi.gov.in/legal/circulars/jul-2025/frequently-asked-questions-faqs-related-to-regulatory-provisions-for-research-analysts\\_95549.html](https://www.sebi.gov.in/legal/circulars/jul-2025/frequently-asked-questions-faqs-related-to-regulatory-provisions-for-research-analysts_95549.html)



# FEMA UPDATE

## **Foreign Exchange Management (Export of Goods & Services) (Amendment) Regulations, 2025**

- The Reserve Bank of India has amended the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015.
- A new clause has been added to allow the export of certain offshore support vessels — such as tugs, tug boats, dredgers, and similar vessels — provided they are re-imported back into India.
- In this context, if a tugboat, dredger, or similar vessel is sent out of India temporarily for offshore services, it must be brought back into India after the job is done — that's what "re-import" refers to.
- This change is effective from the date of its publication in the Official Gazette.

### **Notification Link:**

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/FEMA23R04072025C5E8E50817814A4FB4C7A77E0060B0D9.PDF>

## **RBI Advisory on SOFTEX Filing for Service Exporters**

- The RBI has issued an advisory to banks, highlighting the need to create awareness among service exporters about SOFTEX filing requirements.
- The Advisory is as follows:
  - SOFTEX forms are required only for software exports not involving physical goods (i.e., software transmitted electronically).
  - SOFTEX is not required for export of services, including IT-enabled services (ITES).
  - However, all service exporters must ensure timely receipt of export payments as per RBI's prescribed timelines.

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# INTERESTING ITAT CASE LAW

—CA Drupad Patel

## Can you claim Section 54 exemption when purchasing a residential property from your spouse?

The Income Tax Appellate Tribunal (Mumbai) answered **YES!!** in a landmark judgment - Kavita Manoj Damani vs. ITO (June 2025).

### Case in Brief:

- The assessee sold a residential flat in January 2020, earning ₹4.21 crore in LTCG.
- She had earlier received full ownership via a registered gift deed from her husband.
- She reinvested by purchasing another residential flat from her husband for ₹3.85 crore + stamp duty, through a registered agreement.

The Assessing Officer had denied exemption, citing: Section 64(1)(iv) (clubbing provisions), Allegations of a colourable device, and Circular fund flows through their jointly held company.

Both the AO and CIT(A) disallowed the exemption.

### What ITAT Held:

- The capital gain was rightly assessed in the assessee's hands—her ownership was not in dispute.
- Section 64(1)(iv) does not affect exemption eligibility once the gain is taxed in the assessee's name.
- The purchase was genuine—registered deed, banking channels, TDS deduction, and completed within 2 years as per Section 54.
- Fund rotation through a related company did not nullify the transaction's legality or intent.

### Key Legal Insight:

There is no bar in Section 54 against purchasing property from a spouse or relative, as long as:

- The Transaction is genuine,
- Reinvestment is timely, and
- Documentation is complete.

The Tribunal emphasized that relationship alone does not imply tax evasion.

This ruling is a timely reminder that compliance, not conjecture, should drive tax outcomes.

# DUE DATES

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

Due Date	Act/Authority	Compliance Description
07-08-25	Income Tax	Deposit of Tax Deducted at Source (TDS) / Tax Collected at source (TCS) during the month of July-2025
10-08-25	GST	GSTR-7 for the month of July-2025 for persons required to deduct TDS
10-08-25	GST	GSTR-8 for the month of July-2025 for e-commerce operator required to Collect TCS
11-08-25	GST	GSTR-1 for the month of July-2025 for taxpayers having turnover more than Rs. 5 crores or opted to file Monthly Return
13-08-25	GST	GSTR-5 by Non-resident taxable person carrying out business in India for the month of July-2025
13-08-25	GST	GSTR-6 for the month of July-2025 for Input Service Distributor
15-08-25	PF/ESIC	Payment of PF / ESIC for the month of July-2025
20-08-25	GST	Payment of GST & Filing of GSTR-3B for the month of July-2025 for taxpayers having turnover more than Rs. 5 crores or opted to file Monthly Return
20-08-25	GST	GSTR-5A by Non-resident taxable OIDAR Service Provider for the month of July-2025
25-08-25	GST	PMT-06 Monthly tax payment for July - 2025 under QRMP Scheme
28-08-25	GST	GSTR-11 for the month of July - 2025 for Persons having Unique Identity Number and claims a refund of the taxes paid on their inward supplies
30-08-25	Income Tax	Furnishing of challan-cum statement of tax deducted under 194-IA, 194-IB, 194M, and 194S in the month of July - 2025



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