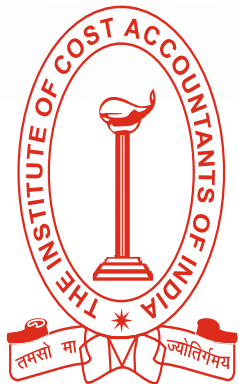


December, 2025

TAX Bulletin

Volume - 198

17.12.2025



ICMAI
**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**

भारतीय लागत लेखाकार संस्थान

Statutory Body under an Act of Parliament

(Under the Jurisdiction of Ministry of Corporate Affairs)

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Kolkata Office: CMA Bhawan, 12, Sudder Street, Kolkata - 700016. Ph: 091-33-2252 1031/34/35/1602/1492

VISION STATEMENT

“The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.”

MISSION STATEMENT

“The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.”

Objectives of Taxation Committees:

1. Preparation of Suggestions and Analysis of various Tax matters for best Management Practices and for the professional development of the members of the Institute in the field of Taxation.
2. Conducting webinars, seminars and conferences etc. on various taxation related matters as per relevance to the profession and use by various stakeholders.
3. Submit representations to the Ministry from time to time for the betterment and financial inclusion of the Economy.
4. Evaluating opportunities for CMAs to make way for further development and sustenance of the opportunities.
5. Conducting and monitoring of Certificate Courses on Direct and Indirect Tax for members, practitioners and stake holders and also Crash Courses on GST for Colleges and Universities.

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Certificate Courses Offered by the Tax Research Department

1. Certificate Course on GST (CCGST)
2. Advanced Certificate Course on GST (ACCGST)
3. Advanced Certificate Course on GST Audit and Assessment Procedure (ACGAA)
4. Certificate Course on TDS (CCTDS)
5. Certificate Course on Filing of Returns (CCFOF)
6. Advanced Course on Income Tax Assessment and Appeals (ACIAA)
7. Certificate Course on International Trade (CCIT)

Admission Link - <https://eicmai.in/advsc/DelegatesApplicationForm-new.aspx>

Modalities

Description	Course Name						
	CCGST	ACCGST	ACGAA	CCTDS	CCFOF	ACIAA	CCIT
Hours	72	40	30	30	30	30	50
Mode of Class	Offline/ Online	Online					
Course Fee* (₹)	10,000	14,000	12,000	10,000	10,000	12,000	10,000
Exam Fee* (₹)	1,000 per attempt						
Discounts	20% Discount for CMA Members, CMA Qualified and CMA Final Pursuing Students						

*18% GST is applicable on both Course fee and Exam fee

Eligibility Criteria for Admission

- ▲ Members of the Institute of Cost Accountants of India
- ▲ Other Professionals (CA, CS, MBA, M.Com, Lawyers)
- ▲ Executives from Industries and Tax Practitioners
- ▲ Students including CMA Qualified and CMA Pursuing

On passing the examination with 50% marks a Certificate would be awarded to the participant with the signature of the President of the Institute

Course Details

<https://icmai.in/TaxationPortal/OnlineCourses/index.php>

Courses for Colleges & Universities by the Tax Research Department

Modalities

Eligibility

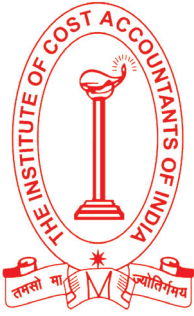
- ▲ B.Com/ BBA pursuing or completed
- ▲ M.Com/ MBA pursuing or completed

Description	Courses for Colleges and Universities	
	GST Course	Income Tax
Batch Size	Minimum 50 Students per Batch per course	
Course Fee* (₹)	1,000	1,500
Exam Fee* (₹)	200	500
Duration (Hrs)	32	32

For enquiry about courses, mail at: trd@icmai.in

*18% GST is applicable on both Course fee and Exam fee

Behind every successful business decision, there is always a **CMA**



Chairman's Message



CMA Rajendra Singh Bhati
Chairman Direct Taxation Committee

The recent developments in the direct taxation landscape reflect a decisive shift towards data-driven governance, enhanced compliance oversight, and targeted enforcement mechanisms. The proactive initiatives undertaken by the Central Board of Direct Taxes (CBDT), particularly through its focused “NUDGE” campaign, signify a transformative approach in addressing tax evasion and promoting voluntary compliance.

The detection of bogus deduction claims—especially in relation to donations made under Sections 80G and 80GGC—highlights the increasing reliance on advanced data analytics to identify high-risk patterns and non-genuine transactions. The uncovering of organized networks facilitating such claims, including the misuse of Registered Unrecognised Political Parties (RUPPs) and certain charitable institutions, underscores the need for stricter due diligence and accountability in tax filings. The subsequent revision of returns by a significant number of taxpayers further demonstrates the effectiveness of such targeted interventions.

From a regulatory standpoint, recent notifications issued under Section 10 continue to provide clarity on the tax treatment of statutory authorities, while ensuring that exemptions are granted in a structured and conditional manner. Additionally, the rationalization of appellate jurisdiction through notifications relating to Commissioners of Income-tax (Appeals) reflects an effort to streamline dispute resolution mechanisms, particularly in search and seizure-related cases.

The compliance framework has also been reinforced through clearly defined due dates and reporting requirements, including obligations relating to international taxation (such as Form 3CEAD) and withholding tax compliances. These measures collectively aim to strengthen transparency, improve reporting accuracy, and align domestic practices with global tax standards.

From a practical perspective, taxpayers and professionals are required to adopt a more cautious and diligent approach, ensuring the authenticity of claims, maintaining adequate documentation, and staying responsive to departmental

communications. The emphasis on correct disclosure of contact details further highlights the importance of seamless communication in a digitally driven tax administration system.

Overall, the evolving direct tax regime reflects a balanced approach—combining enforcement with facilitation—thereby fostering a culture of voluntary compliance while minimizing litigation. In this dynamic environment, it is imperative for stakeholders to remain updated, exercise professional diligence, and align with the expectations of a transparent and technology-enabled tax ecosystem.

In view of the enactment of the Income Tax Act, 2025, the Tax Research Department, under the guidance of the Direct Taxation Committee, launched a dedicated Webinar Series on the Income Tax Act, 2025 (Income Tax Law 2.0) in collaboration with the Income Tax Department (CBDT). The series was conceptualised as a joint capacity-building initiative to provide authoritative insights into the new legislation by combining professional expertise with administrative perspectives.

The inaugural webinar of the series was held on 16th December 2025 and marked the formal commencement of this collaborative initiative. The session was graced by Dr. Megha Bhargava (Additional Director NADT, RC, Bhopal from the Income Tax Department) as the Chief Guest. As part of our continued knowledge dissemination initiatives, a webinar was conducted on 16.12.2025 titled “Reform, Redesign, and Rationalization: Understanding the Structural Framework of the Income-tax Act, 2025” by CMA Mritunjay Acharjee. The session provided valuable insights into the structural transformation of the proposed legislation, highlighting its emphasis on simplification, clarity, and alignment with a modern, digital tax ecosystem.

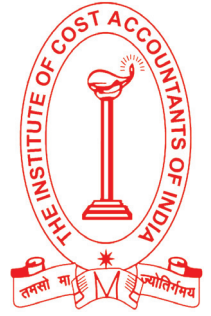
CMA Rajendra Singh Bhati
Chairman – Direct Taxation Committee
The Institute of Cost Accountants of India
17.12.2025



Chairman's Message

CMA Dr. Ashish P. Thatte

Chairman Indirect Taxation Committee



The recent developments in the indirect taxation regime reflect a continued and focused effort towards trade facilitation, digitization, and process integration. The introduction of SWIFT 2.0 (Single Window Interface for Facilitating Trade) marks a significant advancement in India's EXIM ecosystem, reinforcing the Government's commitment to enhancing ease of doing business through a unified and technology-driven framework.

SWIFT 2.0 represents a paradigm shift from a document-based clearance mechanism to a fully digital, data-driven platform that provides a single touch point for all stakeholders, including importers, exporters, and Partner Government Agencies (PGAs). The integration of key regulatory bodies such as Animal Quarantine and Certification Services (AQCS), Plant Quarantine Management System (PQMS), and the Food Safety and Standards Authority of India (FSSAI) in the initial phase demonstrates a structured and phased approach towards comprehensive inter-agency coordination.

The platform's features—such as real-time tracking of applications, online submission of documents, digital issuance of No Objection Certificates (NOCs), automated alerts, and integrated payment mechanisms—are expected to significantly reduce physical interface, enhance transparency, and improve turnaround time in clearance processes. The move towards a unified dashboard and end-to-end digital processing also aligns with global best practices in trade facilitation.

From a compliance perspective, the requirement to furnish standardized data elements and documents at the time of filing the Bill of Entry signifies a shift towards upfront and accurate disclosures. This will necessitate greater preparedness and system alignment on the part of trade stakeholders, while also reducing post-clearance interventions and delays.

In parallel, the GST compliance framework continues to emphasize timely reporting and reconciliation, as reflected in the prescribed due dates for returns such as GSTR-3B, GSTR-5A, PMT-06, and annual filings including GSTR-9 and GSTR-9C. The consistent reinforcement of compliance timelines underscores the importance of discipline and accuracy in return filing within the GST ecosystem.

Overall, these developments indicate a balanced approach combining facilitation with control, leveraging technology to create a more transparent, efficient, and accountable indirect tax regime. It is imperative for professionals and businesses to proactively adapt to these changes, strengthen internal compliance systems, and align with the evolving digital infrastructure to fully realize the benefits of these reforms.

As part of our knowledge dissemination initiatives, a webinar was conducted on 10.12.2025 titled "CMAs – A National Building Force for GSTAT" by CMA (Dr.) Anil Sharma, graced by the presence of Shri Vikas Kumar, IRS, Chief Commissioner, Customs (Preventive), Patna as the Chief Guest. The session provided valuable insights into the pivotal role of Cost and Management Accountants in strengthening the GST Appellate Tribunal (GSTAT) framework and contributing effectively to the evolving dispute resolution mechanism under GST.

Ashish Thatte

CMA (Dr) Ashish P Thatte

Chairman – Indirect Taxation Committee
The Institute of Cost Accountants of India
17.12.2025

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C O N T E N T S



Articles on the Topics of Direct and Indirect Taxation are invited from readers and authors. Along with the article please share a recent passport-sized photograph, a brief profile and the contact details. The articles should be the author's own original.

Please send the articles to
trd@icmai.in / trd.dd2@icmai.in

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Post-Sale Discounts under GST: Recent Clarifications and Practical Implications



CMA Neeraj Kumar Kedia

Cost Accountant

Brief

The treatment of post-sale discounts has been one of the most debated areas under India's GST regime. Under the earlier framework of Section 15(3)(b) of the Central Goods and Services Tax Act, 2017, post-sale discounts could be excluded from the value of supply only if strict conditions were satisfied including the existence of a prior agreement and a clear link between the discount and specific invoices.

Example: A car manufacturer offers volume-based incentives to dealers at the end of a quarter depending on actual sales. Earlier, this could not be deducted from GST liability unless pre-documented.

The 2026 reforms focus on the substance of transactions, clarify the treatment of commercial vs tax credit notes, reduce litigation, and align GST law with business practice.

This article examines the evolution of the legal framework governing post-sale discounts, relevant judicial interpretations and the practical implications of the 2026 reforms for businesses include more efficient incentive programs.

Introductory

Post sale discounts such as rebates, incentives are important tools for businesses to manage sales channels, inventory control and respond to market conditions. They are widely used in industries like FMCG, automobiles, pharmaceuticals, and consumer durables.

Earlier, it was required that post sale discounts be mentioned in contracts and specifically linked to invoices for exclusion from the value of supply under GST law. In practice, many discounts are determined after sales which become difficult to meet these strict conditions.

Example: A pharmaceutical company offers hospitals a 3% discount at year end if they order more than 10,000 units in a year.

Issues under earlier law:

- Denial of deductions
- Double taxation on discounted amounts

Recent reforms have shifted the focus from strict paperwork to the substance of commercial transactions which makes easier for businesses to apply post sale discounts.

Statutory Provisions

As per Section 15(3)(b) of the CGST Act, 2017 post sale discounts to be excluded from the value of supply only if three cumulative conditions were met:

1. The discount was mentioned in an agreement entered into at or before the time of supply;
2. The discount was specifically linked to relevant invoices; and

3. The recipient of supply reversed proportionate ITC.

In practice, these requirements did not work effectively. Incentives that were announced during the year or based on past performance were often disallowed by tax authorities. As a result, businesses sometimes faced an additional tax burden and this also led to unnecessary disputes and litigation.

Further, Section 34 of the CGST Act, 2017 allowed for the issuance of credit notes for post sale adjustments, but output tax liability could be reduced only if the Section

15(3)(b) conditions were satisfied. If these conditions were not met, taxable person were forced to issue credit notes leading to overpayment of tax related to the actual transaction value.

CBIC Circular (Circular No. 251/08/2025-GST)

The Central Board of Indirect Taxes and Customs clarifying the tax treatment of secondary and post sale discounts under GST and the key clarifications are:-

Sl. No.	Scenario	GST/ITC Treatment	Clarification
1	Supplier issues financial/commercial credit notes for discount	Recipient not required to reverse ITC	Since the original value of supply is not reduced, the supplier's tax liability also remains unchanged.
2	Post-sale discount by manufacturer to dealer to support competitive pricing	Not treated as consideration for any supply	These discounts only reduce the sale price of goods and are not linked to any independent activity performed by the dealer.
3	Manufacturer agrees with end customer to supply goods at discounted price and issues credit note to dealer to compensate	Discount included in value of supply of dealer to customer	The discount acts as an inducement to the dealer's supply to the end customer, therefore it forms part of the value of supply.
4	Dealers receive post-sale discounts and may run promotions for their own sales	Not treated as consideration for a service to the manufacturer	Promotional activities done independently by the dealer for increasing their own revenue do not attract GST as a service to the manufacturer.
5	Dealer undertakes specific promotional/marketing services under contractual agreement	GST applicable on such services	When promotional services are clearly agreed and consideration is separately identifiable, it becomes a taxable supply of service by dealer to manufacturer.

Further, the requirement for a pre-existing agreement as per section 15(1)(b) has been removed in budget 2026. The new reform has relaxed the business from strict compliances required in case of post sale discount. It makes it easier to handle discounts, credit notes, and price adjustments correctly under GST. Also, Section 34 (about credit notes) is now linked to Section 15 (about the value of supply).

Case Laws

Southern Motors v. State of Karnataka [2017] 99 VST 429 (SC): The Supreme Court held that mandatory invoice-level reflection of discounts is commercially impractical. The Court read down Rule 3(2)(c) of the Karnataka VAT Rules, holding that trade discounts are deductible if substantiated by contemporaneous records



and reflected in the accounts, even if not shown in the original invoice.

Tvl. Kalyan Jewellers India Ltd. v. Union of India [2024] : The High Court quashed demands on volume discounts already taxed at invoice value, reiterating that GST applies to real consideration, not notional values

The judiciary has consistently prioritized commercial substance over procedural form, recognizing the practicalities of trade and the need to avoid double taxation.

Synopsis

The 2026 GST reforms have significantly changed the treatment of post-sale discounts in India under the Central Goods and Services Tax Act, 2017. Earlier, businesses had to meet strict documentation requirements, such as having a pre-existing agreement and linking discounts to specific invoices. These conditions often conflicted with commercial practices and led to disputes and litigation.

The Finance Act, 2026 and CBIC clarifications now allow post-sale discounts to be adjusted through credit notes without a prior agreement, provided credit notes are issued and proportionate Input Tax Credit (ITC) is reversed where applicable.

Example: A manufacturer gives a 10% year-end rebate to distributors based on total annual purchases. Under pre-2026 rules, the rebate had to be pre-agreed and linked to each invoice. Post-2026, the company can adjust the discount through a credit note at year-end without prior linkage.

The 2026 reforms have aligned the law with court rulings and real business practices. This shift from tax disputes to clear rules lets businesses focus on growing and creating value instead of dealing with legal disputes. These changes reduce litigation risk, improve working capital and allow flexible incentive schemes. Proper documentation and internal controls remain essential to ensure correct tax treatment and to avoid legal disputes.

Tax Evasion - Tax Avoidance - Tax Planning - Tax Management - An Overview



CMA Bhaskaran K

Cost Accountant

Introduction:

- While the State seeks to augment its revenue resource through taxes, the citizens attempt to seek ways and means to reduce their tax liability. State concerned with the welfare its people with social objectives also come out with specific benefits, schemes, relief measures, exclusions, exemptions and deductions in the taxing provisions to reduce the tax liability in deserving cases.
- The ways and means to reduce the tax liability is to be judged from the perspective of its objective, intentions and legality. It is in this context the difference between Tax evasion, Tax avoidance, Tax planning and Tax management has to be looked into.
- **Tax evasion** is a deliberate attempt to reduce the tax liability with dubious intension through fraudulent means and methods like underreporting of income, inflating expenses, claiming deductions without proof, hiding income, falsifying and fabricating records etc. It is illegal and a criminal offence which is not in consonance with the spirit of the legislation. It entails interests, Penalty, hefty fine, criminal prosecution, imprisonment etc depending upon the gravity of the offence.
- **Tax avoidance** is technically legal and it operates within the boundaries of law but it is done by taking undue advantage of the loopholes/ambiguities/shortcoming or grey areas in law and bypassing it. Though it is done with an intention to reduce the tax liability, it is against the spirit of the law. Tax avoidance involves structuring financial affairs within the legal framework to take advantage of available exemptions, deductions, and loopholes to minimize tax liability. The methodology adopted

for the purpose is improper arrangements like colorable devices such as routing funds through Shell Company's creative accounting without genuine purpose etc solely to circumvent the provisions of law and to reduce the ultimate tax liability.

- **Tax Planning** is taking advantage of the beneficial provisions of the law in line with its spirit and objective. It is legal and ethical. The methodology adopted may be to take advantage of various concessions, exemptions, and deductions in a legitimate manner with due diligence and compliance of concerned laws, rules and regulations and procedural requirements as applicable. For example, investment in retirement benefit schemes, claiming eligible deductions and availing exemptions and reliefs provided in the laws in line with its spirit and objective and there by reducing the tax liability. There won't be any fine or penalties in taking advantage of the beneficial provisions for reducing the tax liability, rather it is a legitimate approach and is encouraged by the government through various investment schemes (e.g., Section 80C deductions for life insurance, PPF, ELSS, etc.).
- **Tax management** is nothing but ensuring due compliance of the administrative provisions of law to avoid penal provisions like interest and penalties for non compliance etc. It is legal and essential. It deals with the procedural aspects like timely filing of income tax returns, payment of advance



tax as per rules, getting accounts audited wherever needed by law, deduct tax at source and remit to Government etc as per rules. It helps in avoiding interest and penalties and ensures a smooth assessment process.

- **Reasons for Tax evasion and avoidance**

- ▶ High rate of taxes tempts taxpayers to evade or avoid tax
- ▶ Poor tax administration
- ▶ Lack of credible policies on taxes
- ▶ Complex tax provisions
- ▶ Inadvertent evasions and avoidances of Tax due to improper understanding of the provisions of tax
- ▶ Lack of awareness about the penal provisions on Tax evasion

- **Consequences of Tax evasion and avoidance**

- ▶ Tax evasion is an illegal criminal offence subject to severe penalties, including hefty fines and imprisonment, while tax avoidance involves using legal methods and loopholes to minimize tax liability, which generally does not carry penalties but may face scrutiny.

- **Penal Provisions on Tax Evasion (Illegal)**

- ▶ Tax evasion is the deliberate and intentional act of not paying taxes that are legally owed. The penalties are stringent to act as a deterrent.
- ▶ Monetary Penalties: Fines typically range from 100% to 300% of the tax amount evaded, depending on the nature and severity of the concealment or misreporting.

- **Imprisonment:**

- ▶ For a willful attempt to evade tax where the amount exceeds ₹25 lakh, the punishment is rigorous imprisonment for a term of at least six months to up to seven years, along with a fine.
- ▶ For cases involving an evaded tax amount

of less than ₹25 lakh, the imprisonment term ranges from at least three months to two years, along with a fine.

- **Other Consequences:**

- ▶ **Interest** is also levied on the unpaid taxes, typically at a rate of 1% per month.
- ▶ Authorities may **seize assets** (property, bank accounts) to recover unpaid taxes and penalties in extreme cases.
- ▶ For non-compliance with specific procedural requirements- penalties vary:
- ▶ Failure to file an income tax return by the due date can result in a late fee of up to ₹5,000 (or ₹1,000 for income up to ₹5 lakh).
- ▶ Providing incorrect PAN details or not furnishing them when required attracts a penalty of ₹10,000.
- ▶ Failure to get accounts audited can lead to a penalty of ₹1.5 lakh or 0.5% of sales/turnover, whichever is less.
- ▶ Provisions on Tax Avoidance (technically legal, but may face scrutiny)
- ▶ **Legality:** It is not an illegal activity per se, but termed as part of financial planning in general and in genuine cases.
- ▶ **Penalties:** Generally, there are **no penalties** for legitimate tax avoidance.
- ▶ **Scrutiny & Anti-Avoidance Rules:** Aggressive tax avoidance schemes, which might be perceived as exploiting loopholes contrary to the spirit of the law, can be challenged by tax authorities under provisions like the **General Anti-Avoidance Rules (GAAR)** in India. If a scheme is deemed to have no genuine commercial purpose other than tax benefit, the tax authorities can deny the tax benefit.
- ▶ **Consequences of Aggressive Avoidance:** If an avoidance scheme is challenged and fails, the taxpayer may be required to pay the

intended tax, along with interest and potentially civil penalties for misrepresentation, though typically not subject to criminal charges or imprisonment unless reclassified as evasion.

Judicial interpretations and precedence:

I. “Substance” over “form” doctrine (McDowell & Co Ltd Vs. CTO (1985) SC

- Tax avoidance, though not illegal, shall not be achieved through dubious means.
- In this case focus is shifted from the earlier lenient Westminster Principle which supported tax avoidance which shall no longer be applied in deciding cases on tax avoidance
- Modern judicial interpretations increasingly priorities the substance of the transaction over its legal form while analyzing whether the transaction is a sham
- Though tax planning within the legal framework is permissible, **colorable devices** to evade tax are not permissible

CIT v. Kharwar (1969) SC

- Tax authorities can look behind the legal form of a transaction to determine its true nature, though this should be done within the legal framework.

International tax and substance:

- **Tiger Global Intl case (Mauritius Entity):** in this case the Hon’ble Supreme Court emphasized that a Tax Resident Certificate (TRC) is not sufficient to shield from tax evasion investigations if the transaction is deemed a treaty abuse.

II. Treaty shopping (Vodafone international holdings BV 2012):

- SC Held that a corporate structure, if legal, can

be used for tax planning, distinguishing it from “pre-ordained transactions” solely designed to avoid tax. Foreign investors can structure their transactions to minimize the tax liability so long as it is genuine and not a sham and has commercial substance. Thus investment through treaty favored jurisdictions (like Mauritius) is not inherently objectionable’ if the entity is not a sham

- In this case the Hon’ble SC reinforced the principle of legitimate tax planning and discussed about the fine line between tax avoidance and tax evasion in cross-border transactions.

Union Of India V. Azadi Bachao Andolan (2004) SC

- i. The tax payers are entitled to arrange their tax affairs to take advantage of international treaties through treaty shopping (like Mauritius treaty) so long as it is not specifically restricted.

III. Legitimate tax planning (CIT V. A Raman & Co) 1968 SC

- Arranging commercial affairs to reduce tax liability is not prohibited if done within the framework of law and not designed solely to evade tax otherwise legitimately due

IV. Interpretation of exemptions: (Commissioner of Customs V. Dilip Kumar & Co):

- If an exemption notification is ambiguous, the benefit of such ambiguity should go to the revenue and not to the tax payer.

Trends and Principles evolved

- Greater scrutiny and strict approach in complex offshore tax structures
- Procedural flexibility as part of *ease of doing business* approach
- Legitimate Tax planning within the legal framework is an entitlement of an Assessee



- Colorable devices masking true nature of transactions to evade tax shall not be relied upon.
- Burden of proof as regards genuineness of a transaction lies on the assessee
- Lower courts and tribunals shall follow binding precedents set by higher courts (supreme court/High Courts)
- Tax planning should be backed by commercial substance
- Priorities substance over form
- Tax planning should confirm strictly to the statutes, Rules and notifications
- Legal and Legitimate incentives/deductions/exemptions/benefits can be availed
- Management and control implies the place where *de facto* (actual) head and seat of power is situated and not just based on *de jure* place of registration
- Income should have a direct first degree nexus to the business to be considered as *derived from* it
- Ambiguous tax exemptions are likely to be interpreted against the tax payer and in favor of revenue
- Tax planning must strictly adhere to the literal wording of the law
- Where tax statutes are clear, it should be interpreted in their literal meaning regardless of its consequences

How to be a Responsible Citizen through a good Taxpayer

- To be a good assessee and tax payer, it is essential to adhere to tax laws by fulfilling compliance requirements and strategically utilizing legal tax planning measures to minimize your tax liability

Adhering to Tax Laws

- **Understand Your Obligations:** Familiarize yourself with the tax laws applicable to your income type (salary, business, investments, etc.). This involves staying current with changes in tax legislation each financial year.
- **Maintain Accurate Records:** Keep meticulous records of all income, expenses, investments, and deductions. This documentation is crucial for accurate filing and necessary for substantiating claims if audited.
- **File Returns on Time:** Ensure your income tax return is filed by the specified due date.

Late filing can result in penalties, interest charges, and potentially legal notices. You can access official information and file your returns via the IRS website if you're outside India or through India's Income Tax Department e-filing portal if you're in India.

- **Pay Taxes Promptly:** Pay any tax due on your income, including advance tax or self-assessment tax, within the stipulated time frames to avoid interest and penalties.
- **Be Honest and Transparent:** Declare all sources of income accurately. Deliberate misrepresentation or concealment of income constitutes tax evasion, which carries severe legal consequences.
- **Seek Professional Advice:** Consult a qualified tax professional if you are unsure about complex tax matters. Their expertise can ensure compliance and prevent errors.
- **Availing Tax Planning Measures**
- Tax planning involves arranging your financial affairs in a tax-efficient manner within the legal framework.

- **Utilize Deductions and Exemptions:** Take full advantage of deductions (e.g., under Section 80C, 80D for medical insurance, etc.) and exemptions (e.g., House Rent Allowance) that reduce your taxable income.

- **Invest in Tax-Saving Instruments:** Invest in approved tax-saving schemes such as:
 - ▶ Public Provident Fund (PPF)
 - ▶ National Savings Certificates (NSC)
 - ▶ Equity Linked Savings Schemes (ELSS)
 - ▶ Specific retirement funds
- **Plan for Long-Term Capital Gains:** Structure your investments to benefit from favourable tax treatment on long-term capital gains, utilizing holding periods and rules specific to different asset classes (e.g., stocks, real estate)
- **Leverage Retirement Planning:** Contribute to retirement accounts (like NPS in India) to avail immediate tax benefits while building a retirement corpus
- **Optimize Salary Structure:** Discuss with your employer the possibility of structuring your compensation to include tax-exempt components like food coupons, transport allowance, or phone bill reimbursements, where permitted by law.
- **Regular Review:** Tax laws change annually. Regularly review your financial plan and investments with a professional to ensure they remain tax-efficient under current regulations

Thus, by diligently following tax laws and strategically implementing these planning measures, one can effectively manage one's tax liability while remaining a responsible and compliant. The future of taxation will be defined by AI-driven enforcement, reducing the scope for tax avoidance and evasion while elevating strategic, transparent tax planning. Tax authorities will use real-time data analytics, making evasion high-risk and compliance automated, forcing a shift towards proactive tax management and ethical, legal tax minimization.

Future Scenario Highlights:

- **Tax Planning (Legal & Ethical Optimization):**

Will focus on leveraging government incentives (e.g., green energy, R&D credits) to achieve long-term financial goals. It will be characterized by transparency and alignment with the spirit of the law.
- **Tax Avoidance (Plugging Loopholes):**

Will become riskier as governments accelerate the closure of legal loopholes. Complex schemes will face higher scrutiny, and the distinction between aggressive avoidance and evasion will blur in regulatory actions.
- **Tax Evasion (Near-Impossible):**

With the adoption of advanced technology (e.g., block chain, AI), hiding income or creating fake expenses will become nearly impossible. International cooperation and digital surveillance will render traditional tax evasion, like offshore tax havens, less effective.
- **Tax Management (Automated Compliance):**

Tax management will move towards automation, with accurate, real-time records and direct integration with tax authorities. It will be about managing compliance risk rather than just filing annual returns.

In nutshell, the future favours proactive tax planning that aligns with societal expectations, supported by robust, tech-enabled tax management, reducing, if not eliminating, illegal evasion and aggressive avoidance.



PRESS RELEASE

DIRECT TAX

CBDT NUDGEs taxpayers against the claims of bogus deductions through data-driven approach

Fake donations claims to political parties and trusts Under Tax Scanner

Many taxpayers revise returns after CBDT detection drive; SMS and email alerts sent from 12 December 2025

CBDT had launched 'NUDGE' campaign to help taxpayers correct returns

Posted On: 13 DEC 2025 2:59PM by PIB Delhi

Recently, the Central Board of Direct Taxes (CBDT) has acted upon many intermediaries who were involved in filing income tax returns with bogus claims of deductions and exemptions under the Income Tax Act. The exercise revealed that some intermediaries have established network of their agents all over India for filing returns with incorrect claims on commission basis. It was observed that huge amount of bogus claims have been made on account of donation to Registered Unrecognised Political Parties (RUPPs) or Charitable Institutions and reduced their tax obligations and have also claimed bogus refunds. Evidence gathered from enforcement actions indicated that RUPPs many of which were non-filers, non-operational at their registered addresses, and are not engaged in any political activity

were being used as conduits for routing funds, hawala transactions, cross border remittances and issuing bogus receipts for donations. The CBDT carried out follow up searches against some of these RUPPs and Trusts and gathered incriminating evidences in respect of bogus donations by individuals and bogus CSR by companies.

The CBDT has strengthened its data-driven approach to early detection of suspicious claims and identification of high-risk behaviour patterns, one such risk pattern has been identified for taxpayers who have made claims under section 80GGC or 80G of the Income Tax Act, 1961. The data analytics indicated that many taxpayers are suspected to be indulged in claiming deductions for donation made to suspicious entities or have not provided relevant information to ascertain genuineness of entities. A large number of taxpayers have already revised their Income Tax Returns for current AY that is 2025-26 and have filed updated ITRs for past years.

A targeted NUDGE campaign has been launched as a taxpayer friendly measure, providing them opportunity to update their ITRs and withdraw wrong claims if any. SMSs and Email advisories are being issued from 12th December 2025 to such taxpayers on their registered mobile numbers and emails.

Every taxpayer is advised to ensure that correct mobile and email ids are mentioned in their filings with the Department so that they do not miss out any communication.

Additional information on deduction provisions and filing of Updated Returns is available at www.incometax.gov.in.

NOTIFICATION

DIRECT TAX

Notification

New Delhi, the 4th December, 2025

S.O. 5599(E).— In exercise of the powers conferred by sub-clause (b) of clause (46A) of section 10 of the Income-tax Act, 1961 (43 of 1961), (hereinafter referred to as “the Income-tax Act”), the Central Government hereby notifies “Jalandhar Development Authority” (PAN: AAALC0454G) (hereinafter referred to as “the assessee”), an authority constituted under the Punjab Regional and Town Planning and Development Act, 1995 (Punjab Act No. 11 of 1995), for the purposes of the said clause.

2. This notification shall be effective from the assessment year 2024-25, subject to the condition that the assessee continues to be an authority constituted under the Punjab Regional and Town Planning and Development Act, 1995 (Punjab Act No. 11 of 1995), with one or more of the purposes specified in sub-clause (a) of clause (46A) of section 10 of the Income-tax Act.

Notification

New Delhi, the 4th December, 2025

S.O. 5600(E).— In exercise of the powers conferred by sub-clause (b) of clause (46A) of section 10 of the Income-tax Act, 1961 (43 of 1961), (hereinafter referred to as “the Income-tax Act”), the Central Government hereby notifies “Ajmer Development Authority” (PAN: AAALS0528D) (hereinafter referred to as “the assessee”), an authority constituted under the Ajmer Development Authority, Act, 2013 (Act No.39 of 2013), for the purposes of the said clause.

2. This notification shall be effective from the assessment year 2024-25, subject to the condition that the assessee continues to be an authority constituted under the Ajmer Development Authority, Act, 2013 (Act No.39 of 2013), with

one or more of the purposes specified in sub-clause (a) of clause (46A) of section 10 of the Income-tax Act.

Notification

New Delhi, the 4th December, 2025

S.O. 5601(E).— In exercise of the powers conferred by sub-clause (b) of clause (46A) of section 10 of the Income-tax Act, 1961 (43 of 1961), (hereinafter referred to as “the Income-tax Act”), the Central Government hereby notifies “Tamil Nadu Pollution Control Board” (PAN: AAALT0344G) (hereinafter referred to as “the assessee”), a board constituted under the Water (Prevention and Control of Pollution) Act, 1974 (Central Act 6 of 1974) and the Air (Prevention and Control of Pollution) Act, 1981 (Central Act 14 of 1981) by the State Government of Tamil Nadu for the purposes of the said clause.

1. This notification shall be effective from the assessment year 2024-25, subject to the condition that the assessee continues to be a board constituted under the Water (Prevention and Control of Pollution) Act, 1974 (Central Act 6 of 1974) and the Air (Prevention and Control of Pollution) Act, 1981 (Central Act 14 of 1981) with one or more of the purposes specified in sub-clause (a) of clause (46A) of section 10 of the Income-tax Act.

Notification

New Delhi, the 15th December, 2025

S.O. 5799(E).—In exercise of the powers conferred by sub-sections (1) and (2) of section 120 of the Income-tax Act, 1961 (43 of 1961), and in continuation to the notification number S.O. 2907(E), dated the 13th November, 2014, published in the Gazette of India, Part II, Section 3, Sub-section (ii), the Central Board of Direct Taxes hereby directs that the Commissioner



of Income-tax (Appeals) specified in column (2) of the Schedule annexed hereto, having their headquarters at the places specified in corresponding entries in column (3) of the Schedule, shall exercise the powers and perform the functions in respect of following class of cases, namely:-

- (i) appeals under sections 246A and 248 of the Income-tax Act, 1961 (43 of 1961) (the said Act) against assessments completed in pursuance to search under section 132, requisition under section 132A or survey under section 133A of the said Act;
- (ii) appeals under sections 246A and 248 of the said

Act against assessments where addition or change of income is made on the basis of material seized under section 132 or section 132A or impounded under section 133A of the said Act; and

- (iii) appeals under sections 246A and 248 of the said Act against penalty orders passed in category of cases mentioned in clauses (i) or (ii), in respect of the persons or class of persons, for whom the Income-tax authorities specified in column (4) of the Schedule exercise the powers and perform the functions specified in the notification numbers S.O. 2752(E) dated the 22nd October 2014 and S.O. 2754(E), dated the 22nd October 2014.

SCHEDULE

Sl. No.	Designation of Income Tax Appellate Authority	Headquarters	Income Tax Authorities
(1)	(2)	(3)	(4)
1	Commissioner of Income Tax (Appeals), Hyderabad-11	Hyderabad	Principal Commissioner of Income Tax-1, Hyderabad; Principal Commissioner of Income Tax-2, Hyderabad; Commissioner of Income Tax (Exemptions), Hyderabad
222	Commissioner of Income Tax (Appeals), Hyderabad-12	Hyderabad	Principal Commissioner of Income Tax-4, Hyderabad; Principal Commissioner of Income Tax, Tirupati
3	Commissioner of Income Tax (Appeals), Visakhapatnam- 3	Visakhapatnam	Principal Commissioner of Income Tax-1, Vishakhapatnam; Principal Commissioner of Income Tax, Vijayawada
4	Commissioner of Income Tax (Appeals), Bhubaneswar- 2	Bhubaneswar	Principal Commissioner of Income Tax-1, Bhubaneshwar; Principal Commissioner of Income Tax, Sambalpur
5	Commissioner of Income Tax (Appeals), Patna-3	Patna	Principal Commissioner of Income Tax, Patna; Principal Commissioner of Income Tax, Ranchi; Principal Commissioner of Income Tax, Dhanbad; Commissioner of Income Tax (Exemptions), Patna

Sl. No.	Designation of Income Tax Appellate Authority	Headquarters	Income Tax Authorities
(1)	(2)	(3)	(4)
6	Commissioner of Income Tax (Appeals), Delhi-23	Delhi	Principal Commissioner of Income Tax-1, Delhi
7	Commissioner of Income Tax (Appeals), Delhi-24	Delhi	Principal Commissioner of Income Tax-4, Delhi

Entire notification can be read at : <https://www.incometaxindia.gov.in/documents/d/guest/notification-170-2025-pdf>

Notification

New Delhi, the 15th December, 2025

S.O. 5779(E).— In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, ‘New Okhla Industrial Development Authority’ (PAN- AAALN0120A), an authority constituted by the State Government of Uttar Pradesh, in respect of the following specified income arising to that Commission, namely:-

- (i) Grants received from the State Government;
 - (ii) Money received from the disposal of land, building, and other properties, movable and immovable;
 - (iii) Money received by the way of renting the building, and other properties, movable and immovable;
 - (iv) The amount of interest and dividend earned; and
 - (v) All fees, tolls and charges received by the authority under the Uttar Pradesh Industrial Area Development Act, 1976;
2. This notification shall be effective subject to the conditions that ‘New Okhla Industrial Development Authority,-
- (a) shall not engage in any commercial activity;
 - (b) activities and the nature of the specified income shall remain unchanged throughout the financial years; and
 - (c) Shall file return of income in accordance with

the provision of clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961.

3. This notification shall be deemed to have been applied for the period of assessment years 2012-2013, 2013-2014, 2014-2015, 2015-2016 and shall apply with respect to the financial years 2011-2012, 2012-2013, 2013-2014 and 2014-2015.

Notification

New Delhi, the 15th December, 2025

S.O. 5778(E).— In exercise of the powers conferred by sub-clause (b) of clause (46A) of section 10 of the Income-tax Act, 1961 (43 of 1961), (hereinafter referred to as “the Income-tax Act”), the Central Government hereby notifies “Punjab Urban Planning And Development Authority” (PAN- AAALP0045J) (hereinafter referred to as “the assessee”), an authority constituted under the Punjab Regional and Town Planning and Development Act, 1995 (Punjab Act No. 11 of 1995), for the purposes of the said clause.

2. This notification shall be effective from the assessment year 2024-25, subject to the condition that the assessee continues to be an authority constituted under the Punjab Regional and Town Planning and Development Act, 1995 (Punjab Act No. 11 of 1995) with one or more of the purposes specified in sub-clause (a) of clause (46A) of section 10 of the Income-tax Act, 1961.



CIRCULAR

INDIRECT TAX

Circular No.29/2025-Customs

Subject: Launch of SWIFT 2.0 and onboarding of AQCS, PQMS and FSSAI on SWIFT 2.0 as Single Touch Point for Trade for NOC Processing – reg.

CBIC, in its continuous efforts toward trade facilitation and enhancement of ease of doing business, is developing Single Window Interface for Facilitating Trade (SWIFT 2.0), an upgraded, unified, and fully digital Single Window platform designed to provide a single touch point for importers, exporters, other stakeholders and all Partner Government Agencies in relation to all EXIM processes. SWIFT 2.0 brings enhanced automation, seamless data exchange, and end-to-end digital processing for EXIM clearances involving Partner Government Agencies (PGAs). The earlier version of SWIFT functioned as a document-repository-based NOC clearance system, whereas SWIFT 2.0 is an advanced, fully digital, data-driven platform designed to serve a wide range of trade stakeholders.

2. The following features will be available to importers, exporters, and other trade stakeholders under SWIFT 2.0 –

- Importers and exporters can submit additional data fields and documents which are necessary to obtain No Objection Certificates (NOC) from the PGAs directly in SWIFT 2.0 thereby reducing physical touch point of interaction with PGAs.
- Users can view all their details in a unified dashboard and track responses to queries, as well as review their previous transaction history with any PGA.
- Trade members will receive real-time SMS and email alerts on the status of their NOC applications, ensuring they are promptly informed about any required action.
- Users can make online payments for PGA fees

through the system and can obtain digital receipts for their records.

- Trade Stakeholders will be notified of the scheduled date and time of visual inspections by PGAs and can track confirmations directly through the SWIFT 2.0 platform.
 - Importers and exporters can digitally view and download the approved NOCs issued by PGAs.
 - The trading community will benefit from a seamless experience as all NOC-issuing PGAs are gradually integrated into a single platform, eliminating the need to navigate multiple PGA systems.
3. As a background, reference is invited to Board Circular No. 09/2015-Cus dated 31.03.2015, Circular 03/2016-Cus dated 03.02.2016, and Circular 10/2016-Cus dated 15.03.2016 regarding the earlier version of SWIFT. These Circulars, in the earlier version of SWIFT, provided integration for NOC/ test report for six PGAs viz. Food Safety and Standards Authority of India (FSSAI), Plant Quarantine (PQ), Animal Quarantine and Certification Services (AQCS), Central Drugs Standards Control Organization (CDSCO), Wildlife Crime Control Bureau (WCCB), and a lab module for the Textile Committee (TC) to provide test related NOC, for live consignments. This SWIFT platform enabled importers to lodge their clearance documents online through ICEGATE at a single point, facilitated risk- based inspection and an Online NOC from the PGAs. However, importers were still required to upload additional documents on respective PGA portals if so desired by PGAs for processing NOCs.
4. SWIFT 2.0 is proposed to onboard over 60 PGAs in a phased manner, incorporating the above features as indicated at para 2. Under the first phase of the SWIFT 2.0 rollout, consolidated lists of data fields/values and mandatory documents required by the following PGAs have been finalised for implementation:

I/131859/2025

- a. Animal Quarantine and Certification Services (AQCS);
- b. Plant Quarantine Management System (PQMS);
- c. Food Safety and Standards Authority of India (FSSAI)

The detailed list of data elements and document codes for AQCS, PQMS, and FSSAI is annexed as Annexure A, B, and C, respectively, for reference.

5. These data fields/values and mandatory documents have been formulated after inter-ministerial consultations involving the Department of Animal Husbandry & Dairying, Directorate of Plant Protection, Quarantine and Storage (DPPQS), Food Safety and Standards Authority of India, and the Central Board of Indirect Taxes and Customs (CBIC), with the objective of ensuring a single touch point for EXIM clearances for trade.

6. The finalized data elements and document codes will be effectively implemented through the Integrated Declaration in the Bill of Entry. These data elements and documents are required to be declared/uploaded by the trade at the time of filing the Bill of Entry or by filing the additional details and documents in the unified application dashboard under SWIFT 2.0, wherever import consignments are subjected to clearance by PGAs.
7. In view of above, all field formations are requested to issue suitable Public Notices/Trade Notices to sensitize stakeholders and ensure accurate filing of the required data/documents. These measures will and enhance ease in doing business experience to stakeholders.
8. DG Systems is advised to issue a detailed advisory in this regard. Mandatory filing for all three PGAs shall be effective from 01.12.2025.
9. Any difficulties in implementation may be brought to the notice of the Board at the earliest.



JUDGEMENT

INDIRECT TAXATION

Fraudulent ITC demand not interfered in writ as notices were known and reply filed; appeal under section 107 ordered: HC

Facts of the case :

Aman Sanitation vs. Principal Commissioner, CGST [2025] (Delhi)

The petitioner challenged an order-in-original on the ground of alleged fraudulent Input Tax Credit (ITC). The proceedings arose from an investigation into fake entities transferring ITC, with notices issued identifying the petitioner as a purported recipient of liability. The petitioner submitted that the demand violated the principles of natural justice due to the absence of a personal hearing and the failure to consider its reply. It was contended that the demand should be quashed. The matter was accordingly placed before the High Court.

Decision of the Case:

The High Court held that writ jurisdiction in fraudulent ITC matters is generally not exercised, given the complex facts and potential exchequer impact. The Court clarified that writ relief under Article 226 of the Constitution of India is available only in limited circumstances, such as violations of fundamental rights, breaches of natural justice, excess of jurisdiction, or challenges to vires. Since the petitioner was aware of the notices and had responded, no exceptional ground arose. The Court did not interfere with the demand order. It directed the petitioner to pursue an appeal under Section 107 of the CGST Act, subject to a pre-deposit.

HC quashes order as provisions of CGST Rules were repealed without any saving clause

Facts of the Case :

JJ Plastalloy (P.) Ltd. vs. Union of India [2025] (Gujarat)

The petitioner challenged the rejection or refusal of IGST export refund claims by the Department of Revenue. The petitioners had submitted applications for IGST refunds and had received show-cause notices regarding the claims, with some orders already passed before the issuance of the notification. It was contended that, due to the omission, the provisions were rendered redundant ab initio, applying to all pending proceedings and pre-notification orders that had not attained finality. They argued that as a result, the rejection or refusal of their refund claims lacked any statutory basis and should be quashed. The matter was accordingly placed before the High Court.

Decision of the Case :

The High Court held that the omission of Rules 89(4B) and 96(10) from the CGST Rules, by Notification No. 20/2024, dated 08-10-2024, without any saving clause, rendered those provisions redundant ab initio. The Court emphasised that this omission extended to all pending proceedings and pre-notification orders that had not been finalised due to appeals or other procedural delays. It noted that the Appellate Tribunal under the GST regime had not been constituted, meaning that no further statutory remedy was available. Therefore, orders-in-appeal could not attain finality. It was directed that the petitioners were entitled to IGST refunds under Section 54 of the CGST Act.

Subsidiary's independent services to US parent were zero-rated exports; refund of unutilised ITC was allowable: HC

Facts of the Case :

Infodesk India (P.) Ltd. vs. Union of India - [2025] (Gujarat)

The petitioner was a wholly owned Indian subsidiary of a US company established exclusively to provide services fulfilling the parent company's technical

requirements by assisting it in carrying on the business of software development and related consultancy. It managed IT infrastructure, editorial and content creation activities, customer support, and raised tax invoices for providing software consultancy services directly to the parent company. It was submitted that the services were provided in an independent capacity and not as an agent or intermediary. The matter was accordingly placed before the High Court.

■ **Decision of the Case:**

The High Court held that the petitioner was required to assist the parent company in carrying on its software consultancy business. The Court observed that the petitioner was to perform the services on its own account with payment based on actual costs plus an 8 per cent markup, thereby earning a profit. It found that the petitioner could not be regarded as an intermediary or agent and that the services were zero-rated exports. The Court directed the jurisdictional officer under GST to process the refund claim for unutilised input tax credit in accordance with Section 16 of the IGST Act and Section 54 of the CGST Act.

Negative blocking of electronic credit ledger without available ITC held impermissible: HC

■ **Facts of the Case :**

ISKCON Steel Traders vs. Union of India - [2025] (Punjab & Haryana)

The petitioner challenged the action of the jurisdictional officer under GST effected negative blocking of input tax credit (ITC) in the Electronic Credit Ledger under Rule 86A of the CGST Rules. The petitioner submitted that Rule 86A does not authorize blocking of ITC exceeding the credit actually available and that negative blocking without available ITC is impermissible. The matter was accordingly placed before the High Court.

■ **Decision of the Case :**

The High Court permits withholding only of available ITC in the Electronic Credit Ledger and does not authorize negative blocking in absence of available credit. The Court observed that the provision is designed for emergent situations and can be exercised without prior notice but must be limited to credit actually present in the ledger. The Court further held that the authorities retain the statutory remedies for recovery under Sections 73 and 74 of the CGST Act if any amount is due. The Court directed that negative blocking without available ITC is impermissible.

In view of gravity and ongoing probe Bail denied for alleged involvement in organized cross-state fake GST credit racket:HC

■ **Facts of the Case:**

Bahadur Islam vs. Union of India - [2025] (Gauhati)

The petitioner was arrested for his alleged involvement in GST fraud using fake registrations and invoices to pass on ₹ 8.59 crore bogus input tax credit. He was arrested under Section 132 of the CGST Act. The case diary and statements indicated the petitioner's participation, receipt of illegal remuneration, evasive disclosure on bank accounts, and assistance in fraudulent registrations.

■ **Decision of the Case :**

The High Court held that the safeguards for arrest were held applicable to GST arrests as well. Notices of grounds and authorization were examined. Investigation materials, if accepted at face value, showed conscious participation and illegal benefit. The network appeared organized across states, and the probe remained active. Given gravity, ongoing investigation, and punishment up to five years, bail at this stage was declined.



DIRECT TAXATION

Sec. 263 revision invalid as demerger wrongly treated as amalgamation for section 72A benefit: HC

■ Facts of the Case :

Commissioner of Income-tax vs. Eastman Exports Global Clothing Pvt Ltd. - [2025] (Madras)

The assessee received manufacturing undertakings of three companies pursuant to court-approved schemes of demerger and filed its return accordingly, which culminated in an assessment order allowing carry forward of accumulated business losses and unabsorbed depreciation.

The Commissioner invoked revisionary jurisdiction under section 263, taking the view that the arrangement was akin to an amalgamation and that the conditions prescribed under section 72A(2), particularly the requirement that the amalgamating companies had been in existence for at least 3 years, were not fulfilled.

On appeal, the Tribunal set aside the revisionary order. The matter reached before the Madras High Court.

■ Decision of the Case :

The High Court held that the jurisdiction under section 263 can be exercised only when the assessment order is both erroneous and prejudicial to the interests of the revenue. In the present case, the foundational error committed by the Commissioner was mischaracterising a demerger as an amalgamation, despite the assessee having placed on record the Company Court's orders clearly evidencing the nature of the transaction.

The Court observed that, while section 72A governs the carry-forward and set-off of accumulated losses and unabsorbed depreciation in cases of amalgamation and demerger, the three-year condition applies only under section 72A(2), which deals with amalgamation. In contrast, section 72A(4), applicable to demergers, does not impose any such condition. The assessee had specifically pointed out this distinction in its reply to the show-cause notice, and the same was even reflected in the Commissioner's order, indicating due consideration of the explanation.

In the absence of any demonstrable error in the assessment order, the direction issued under section 263 amounted to nothing more than a roving and fishing enquiry, which is impermissible in law. Accordingly, the High Court held that the pre-conditions for invoking section 263 were not satisfied and answered the questions of law in favour of the assessee and against the revenue.

Non-compete fee paid to restrict competition held allowable as revenue expenditure under sec. 37(1): SC

■ Facts of the Case :

Sharp Business System vs. Commissioner of Income-tax - [2025] (SC)

Assessee, a public limited company, was engaged in the business of software development, hardware sales, technical training and engineering services. It filed its return of income for the relevant assessment year, declaring a net loss. During the assessment proceedings, the Assessing Officer (AO) computed the assessee's total income and made several disallowances. One of the disallowances concerned the depreciation claim on the non-compete fee.

Aggrieved-assessee preferred an appeal to the CIT(A), where it contended that the non-compete fee was nothing but a license. Assessee could exclusively carry on the business of software development, training and export of technologies by restraining M/s. Pentamedia Graphics Limited is not allowed to carry out the same activities. Thus, the payment of the non-compete fee was held to be an intangible asset entitled to depreciation under Section 32(1)(ii).

The matter, after passing through the ITAT and the High Court, was carried in appeal before the Supreme Court

■ Decision of the Case :

The Supreme Court ruled that non-compete fee is paid by one party to another to restrain the latter from competing with the payer in the same line of business. The restriction may be limited to a specified territory

or otherwise; similarly, it can be for a specified period or otherwise. The purpose of a non-compete payment is to give the payer's business a head start. It can also be for the purpose of protecting the payer's business or enhancing its profitability by insulating it from competition.

Thus, the non-compete fee seeks only to protect or enhance the business's profitability, thereby facilitating its carrying on more efficiently and profitably. Such payment neither results in the creation of any new asset nor accretion to the profit-earning apparatus of the payer. The enduring advantage, if any, of restricting a competitor in business is not in the capital field.

Following the judicial trend, it can be safely inferred that the length of time over which the enduring advantage may enure to the payer is not determinative of the nature of expenditure. As long as the enduring advantage is not in the capital field, where the advantage merely facilitates carrying on the business more efficiently and profitably, leaving the fixed assets untouched, the payment made to secure such advantage would be an allowable business expenditure, irrespective of the period over which the advantage may accrue to the payer (assessee) by incurring such expenditure.

Thus, the Supreme Court held that a payment made by the assessee as a non-compete fee is an allowable revenue expenditure under Section 37(1) of the Act.

Income from sale of tissue cultured plants is agricultural income; exempt from tax: HC

Facts of the Case :

A.G. Biotech Laboratories (India) Ltd. vs. Income-tax Officer - [2025] (Telangana)

The assessee was engaged in the business of micro-propagation of plants through tissue culture technology. It earned income from the sale of tissue-cultured plants and claimed that it should be treated as agricultural income exempt from tax under section 10(1).

The Assessing Officer (AO) rejected the assessee's claim. AO treated the income as business income subject to taxation. The CIT(A) upheld the order of the AO.

On further appeal, the Tribunal held that the majority

of the activities were performed in a laboratory under sterile conditions, using sophisticated scientific equipment and research methods. In contrast, the land was used only incidentally to grow mother plants from which tissues were extracted. Thus, the plants were not a direct result of basic agricultural operations on land but rather the outcome of advanced scientific methods.

The matter reached before the High Court.

Decision of the Case :

The High Court held that the fundamental question was whether the employment of advanced scientific techniques and laboratory-based processes necessarily transforms what is essentially an agricultural activity into a commercial or business operation.

The essence of the assessee's activity remains rooted in agriculture: the cultivation of mother plants on land through basic agricultural operations, i.e., tilling, planting, nurturing, and harvesting, followed by the multiplication and propagation of plant material through tissue culture technology. The fact that sophisticated scientific methods are employed to enhance efficiency and productivity does not alter the agricultural character of the underlying operation.

The legislature, in defining agricultural income, did not intend to freeze the concept of agriculture in a time warp or to restrict it to primitive cultivation methods. Agriculture, like all human endeavours, evolves with technological advancement, and the introduction of tissue culture technology serves the same purpose as traditional agricultural methods, the production of plant material for cultivation, but achieves this objective with greater efficiency, uniformity, and disease-free quality.

Therefore, income earned by the assessee from the sale of tissue-cultured plants constituted agricultural income within the meaning of section 2(1A) and was exempt from tax under section 10(1).

Advocacy of policy between EU business community & Indian public authorities is charitable activity u/s 2(15): ITAT

Facts of the Case :

Federation of European Business in India vs. Commissioner of Income-tax (Exemption) - [2025] (Delhi - Trib.)



The assessee, a non-profit company, registered under section 8 of the Companies Act, 2013, filed its Form No. 10AB for regular registration under section 12A(1)(ac)(vi) as it was engaged in “Advancement of any other objects of general public utility”, which were charitable activities.

The CIT (Exemptions) rejected the request for regular registration under section 12A(1)(ac)(vi) and also cancelled the provisional registration granted for assessment years 2024-25 to 2026-27 on the ground that the assessee was not engaged in any charitable activity as defined under section 2(15).

■ **Decision of the Case :**

On appeal, the Delhi Tribunal held that as per the object of the assessee, it had to promote commerce in India with the European Union business community and to protect & facilitate the interest of the European Union business community in India by advocacy of policy between the European Union business community and the Indian public authorities regarding trade policy, ease of doing business, intellectual property right protection and European union investment protection in India.

It was evident from the assessee’s object that it had to build an overall environment that secures the interests and well-being of the European Union business community, so that they have ease of doing business in India. The issue here was only whether an entity that watches over the business interests of its members can be said to be engaged in charitable activities as defined under section 2(15).

In the given case, it was not the case of the CIT that the assessee was found engaged in any trade and commerce. The assessee was various European business entities, European trade associations, etc. Thus, the CIT was not justified in the eyes of the law by rejecting the registration under section 12A on the reason that the assessee was not doing any charitable activity within the ambit of section 2(15).

Limitation for rectification under section 254 starts from date of receipt of ITAT order by assessee, not date of order: HC

■ **Facts of the Case :**

Accost Media LLP vs. Deputy Commissioner of Income-tax [2025] (Bombay)

The assessee, Accost Media LLP, filed a rectification application under section 254(2) of the Income-tax Act, 1961, seeking rectification of an order passed by the Income Tax Appellate Tribunal dated 10-12-2024. The said order was received by the assessee on 24-3-2025, and the rectification application was filed on 16-7-2025.

The Registry of the Tribunal issued a notice stating that the rectification application was barred by limitation, as it was filed beyond six months from the end of the month in which the Tribunal’s order was passed. The assessee explained that the application could not have been filed before the order was received and was therefore within the prescribed time limit. However, the Tribunal rejected the rectification application as time-barred by order dated 13-10-2025.

Aggrieved, the assessee filed a writ petition before the Bombay High Court challenging the rejection of the rectification application. The High Court examined section 254(2), read with rule 34A and rule 9 of the Income-tax (Appellate Tribunal) Rules, 1963, and observed that a rectification application cannot be filed without being served with a copy of the order sought to be rectified.

■ **Decision of the Case :**

The High Court held that the period of limitation for filing a rectification application under section 254(2) commences from the date of communication of the Tribunal’s order and not from the date on which the order is passed. Since the assessee had filed the rectification application within six months from the date of receipt of the order, the Tribunal had misdirected itself in treating the application as time-barred.

Accordingly, the High Court held that the rectification application was filed within time and quashed the Tribunal’s order rejecting the application as barred by limitation, while permitting the assessee to raise all contentions on merits in the appeal filed against the original Tribunal order.

TAX CALENDAR

INDIRECT TAX

20th December 2025	GSTR-3B (Nov'25)
	GSTR-5A (Nov'25)
25th December 2025	PMT-06 (Nov 2025)
31th December 2025	GSTR-9 (FY 2025 – 2026)
	GSTR – 9C (FY 2025 – 2026)

DIRECT TAX

Due Date	Return
December 30th 2025	Furnishing of report in Form No. 3CEAD for a reporting accounting year (assuming reporting accounting year is January 1, 2024 to December 31, 2024) by a constituent entity, resident in India, in respect of the international group of which it is a constituent if the parent entity is not obliged to file report under section 286(2) or the parent entity is resident of a country with which India does not have an agreement for exchange of the report etc.
	Due date for furnishing statement by a recognised association in respect of transactions in which client codes been modified after registering in the system for the month of November, 2025
	Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IA, 194-IB, 194M and 194S (by specified person) in the month of November, 2025
December 31st 2025	Filing of belated/revised return of income for the assessment year 2025-26 for all assessee (provided assessment has not been completed before December 31, 2025)



E-PUBLICATIONS

Of

TAX RESEARCH DEPARTMENT

Guide Book for GST Professionals

Handbook for Certification for difference between GSTR-2A & GSTR - 3B

Impact of GST on Real Estate

Insight into Customs-Procedure & Practice

Input Tax Credit and In depth Discussion

Taxation on Co-operative Sector

Guidance notes on Preparation and Filing of Form GSTR 9 and 9C

Guidance Note on Anti Profiteering

Handbook on GST on Service Sector

Handbook on Works Contract under GST

Handbook on Impact of GST on MSME Sector

Assessment under the Income Tax Law

Impact on GST on Education Sector

International Taxation and Transfer Pricing

Handbook on E-Way Bill

Handbook on Filing of Returns

Handbook on Special Economic Zone and Export Oriented Units

For E-Publications, Please Visit Taxation Portal
<https://icmai.in/TaxationPortal/>



NOTES:

TAXATION COMMITTEES - PLAN OF ACTION

Proposed Action Plan:

1. Successfully conduct all Taxation Courses.
2. Publication and Circulation of Tax bulletin (both in electronic and printed formats) for the awareness and knowledge updation of stakeholders, members, traders, Chambers of Commerce, Universities.
3. Publication of Handbooks on Taxation related topics helping stakeholders in their job deliberations.
4. Carry out webinars for the Capacity building of Members - Trainers in the locality to facilitate the traders/registered dealers.
5. Conducting Seminars and workshops on industry specific issues, in association with the Trade associations/ Traders/ Chamber of commerce in different location on practical issues/aspects associated with GST.
6. Tendering representation to the Government on practical difficulties faced by the stakeholders in Taxation related matters.
7. Updating Government about the steps taken by the Institute in removing the practical difficulties in implementing various Tax Laws including GST.
8. Facilitating general public other than members through GST Help-Desk opened at Head quarter of the Institute and other places of country.
9. Introducing advance level courses for the professionals on GST and Income Tax.
10. Extending Crash Courses on Taxation to Corporates, Universities, Trade Associations etc.

Disclaimer:

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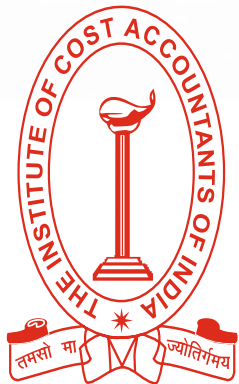
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