

FIN-O-SCOPE

15th April, 2025



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Mandatory Aadhaar-PAN Linking: CBDT Notifies New Compliance Rules for Pre-2024 PAN Allottees

Notification No. 25/2025 | Date: 3rd April 2025

Key Provisions

1. Mandatory Aadhaar Intimation for PAN Holders

- Applies to individuals who were allotted Permanent Account Numbers (PAN) based on:
 - Aadhaar Enrolment ID
 - For applications filed before 1st October 2024
- Requires submission of Aadhaar number to:
 - Principal DGIT (Systems) or DGIT (Systems)
 - Or their authorized representatives



Top Trends

- **Rupee Strengthens:** The Indian Rupee has been appreciating, reaching 86.41 against the US dollar, marking its seventh consecutive day of gains.
- **FDI Dynamics:** Net Foreign Direct Investment (FDI) dipped to \$1.4 billion during April-January 2025, despite a 12.4% rise in gross FDI inflows.

Top Trends

- **Liquidity Measures:** The Reserve Bank of India (RBI) has injected approximately \$68 billion into the financial system since late January to address liquidity deficits.
- **Digital Payments Concern:** The Payments Council of India expressed that the Rs 1,500 crore UPI incentive is insufficient to sustain the digital payment ecosystem.
- **Fintech Evolution:** India's financial ecosystem has transitioned from conventional methods to being fintech-driven, enhancing financial inclusion.
- **Inflation Control:** The government is adopting a medium-term approach to combat inflation, focusing on measures like open market sales of wheat and rice.
- **Private Sector Readiness:** India's private sector is better positioned to invest compared to a decade ago, owing to reduced debt and stronger balance sheets.

2. Amendment to Rule 114 of Income-tax Rules, 1962

- New Sub-Rule (5AA) Inserted:
- Specifies the Aadhaar intimation requirement for pre-October 2024 PAN allotments.
- Modification to Sub-Rule (6):
- Expands compliance scope to include both existing sub-rule (5) and new sub-rule (5AA).

Purpose & Impact

- **Enhanced KYC Compliance:** Strengthens linkage between PAN and Aadhaar databases.
- **Prevents Duplicate/Mismatched Records:** Ensures uniformity in taxpayer identification.
- **Non-Compliance Implications:** While not stated explicitly, failure to intimate may lead to PAN-related restrictions (as per existing Section 139AA provisions).

Legal Basis

- Introduced under powers granted by:
 - Section 139AA(2A) (Aadhaar-PAN linking)
 - Section 295 (Rule-making authority) of Income-tax Act, 1961.

Implementation

- The notification was published in the Gazette of India (Extraordinary, Part II, Section 3).
- Forms part of ongoing efforts to digitize and streamline tax administration.

Note: The principal rules were last amended vide Notification No. G.S.R. 207(E), dated 28.03.2025.

For Full Text:

Refer to the [official notification](#).

Amendments to Income-tax Rules for Safe Harbour Provisions

CBDT Notification No. 124/2024 | Date: 29th November 2024

Key Amendments

1.Extension of Safe Harbour Rules

- Substitutes Rule 10TD(3B) to include AY 2024-25 for applicability of safe harbour provisions.

2.New Safe Harbour Rules for Diamond Mining Companies

- Inserted Rules 10TI to 10TIC:
- **Eligible Assessee:** Foreign companies engaged in raw diamond mining operating in notified special zones.
- **Safe Harbour Threshold:** Declared profits must be $\geq 4\%$ of gross receipts from raw diamond sales.

Conditions:

- Raw diamonds must be uncut, unpolished, and Kimberley Process-certified.
- No deductions (Sections 30–38) or loss set-offs (Sections 70–72) allowed under safe harbour.

3.Compliance Procedure

- Form 3CEFC: Mandatory for opting into safe harbour (filed before ITR submission).
- Invalidation: AO may reject safe harbour if facts are concealed or incorrect.

Impact & Applicability

- Retrospective Effect: Applies from 1st April 2024 (AY 2024–25).
- Targeted Beneficiaries: Foreign diamond miners selling in India's special zones.
- Key Restriction: Bars use of Mutual Agreement Procedure (MAP) under tax treaties if safe harbour is opted.

Legal Basis

- Sections Invoked:
- Section 295 (Rule-making power)
- Section 92CB(2) (Safe harbour provisions) of Income-tax Act, 1961.

Action Points for Taxpayers

- Eligible Companies: File Form 3CEFC before ITR due date.
- Documentation: Maintain Kimberley Process certificates and gross receipts proof.
- Compliance: Ensure declared profits meet the 4% threshold to avoid invalidation.

For Full Text: Refer to [Notification No. 124/2024](#)

Finance Ministry Notifies Revised ITR Form for Undisclosed Income

Notification No. 30/2024 | Date: 7th April 2024

The Finance Ministry has issued a notification (No. 30/2024) on 7th April 2024, introducing a revised Income Tax Return (ITR) Form ITR-B to facilitate the disclosure of previously undisclosed income. This update aligns with the government's efforts to enhance tax compliance and transparency.

Top Trends

- Insurance premiums rise — Life insurers saw moderate premium growth, but new business dropped recently.
- NBFC loan growth moderates — NBFCs are witnessing a slowdown in lending activity.
- Consumption rising in NE states — States like Sikkim and Meghalaya show increased spending patterns.
- Stock market volatility — Significant value erosion in markets due to global economic tensions.
- Active IPO season — High-value IPOs are rolling out, with more expected in the coming months.
- Startup funding push — Government announces a ₹10,000 crore fund for startups.
- Disinvestment targets lowered — The government is expected to reduce its disinvestment target for FY25.
- Focus on ease of doing business — Industry bodies pushing for simpler compliance and regulatory norms.

Top Trends

- Capital expenditure boost — Continued emphasis on infrastructure investment through increased capex.
- Green energy investment surge — Renewables and their supply chains are drawing significant investor attention.
- India joining global supply chains — Efforts underway to integrate more deeply into global manufacturing networks.
- Real estate recovery — Positive signs in housing and commercial real estate investment.
- Repo rate cuts continue — RBI continues reducing interest rates to stimulate the economy.
- Export pressure from global tariffs — Indian exporters face rising trade barriers, especially in the US.
- Trade deal optimism — India is actively negotiating FTAs, including one with the UK.

Key Highlights:

- **Mandatory Disclosure:** Taxpayers must now declare any undisclosed income or assets in the updated ITR-B form.
- **Simplified Process:** The revised form aims to simplify declarations while ensuring accuracy.
- **Compliance Deadline:** Taxpayers should file returns as per the prescribed timelines to avoid penalties.

Conclusion:

This revision reinforces the government's focus on curbing tax evasion and encouraging voluntary compliance. Taxpayers are advised to review the updated form and seek professional guidance if required.

Official Notification Link:

[CBDT Notification No. 30/2024](#)

CBDT Extends Deadline for Direct Tax Vivad se Vishwas Scheme

Notification No. S.O. 1650(E) | Dated 8th April 2025

The Ministry of Finance (Department of Revenue) has issued Notification No. S.O. 1650(E) on 8th April 2025, extending the deadline for filing declarations under the Direct Tax Vivad se Vishwas Scheme, 2024.

Key Details:

- **Extended Deadline:** Declarations for tax arrears must now be filed by 30th April 2025
- **Legal Basis:** Amendment made under Section 89(1)(l) of Finance (No. 2) Act, 2024
- **Applicability:** Covers all pending tax disputes eligible under the scheme
- **Filing Authority:** Declarations to be submitted to the designated authority as per Section 90

Conclusion:

This extension provides taxpayers with additional time to resolve pending disputes under the government's dispute resolution scheme. Taxpayers and practitioners should utilize this window to settle eligible cases.

Official Notification:

[CBDT Notification No. S.O. 1650\(E\) dated 8th April 2025](#)

MCA Proposes to Widen Scope of Fast Track Mergers

Press Release | Date: 5th April 2025

The Ministry of Corporate Affairs (MCA) has invited public comments on proposed amendments to the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 to expand the scope of fast track mergers under Section 233 of the Companies Act, 2013.

Key Highlights:

- **Budget Initiative:** Proposal aligns with Para 101 of the Union Budget 2025-26
- **Current Framework:** Fast track mergers currently require approval from Regional Directors
- **Proposed Changes:** Amendments aim to simplify and broaden eligibility criteria for companies opting for this route
- **Public Consultation:** Stakeholders can submit comments via MCA's e-Consultation Module until 5th May 2025

Conclusion:

This move demonstrates the government's commitment to ease of doing business by streamlining corporate restructuring processes. Industry participants should review the draft rules and provide constructive feedback.

Income Tax Department Advisory on Rightful Claim of Tax Refunds

Notice No.: ITD/Refund-Awareness/2025-26

Key Details

1. Issuing Authority

- Central Board of Direct Taxes (CBDT)
- Directorate of Income Tax (Systems)

2. Applicability

- All taxpayers filing ITR (AY 2024-25 onwards)
- Especially relevant for those claiming refunds

Top Trends

- **Banking liquidity surplus** — The banking system has moved into a liquidity surplus phase.
- **Corporate bond boom** — Firms raised record amounts through bonds early in FY25.
- **NBFCs prefer short-term bonds** — NBFCs are issuing shorter-term debt to manage interest rate risks.
- **PSUs locking in long-term funds** — Government companies are securing long-term funding at attractive rates.
- **RBI forex swaps** — RBI actively using forex tools to stabilize currency and liquidity.
- **More rate cuts expected** — Markets anticipate additional rate cuts throughout the year.
- **Debt over equity** — Companies showing a preference for debt funding due to lower borrowing costs.

Top Trends

- Improved investor confidence — Stable returns and lower inflation are encouraging cautious optimism.
- Retail participation up — More individual investors are entering mutual funds and direct equity.
- Mutual fund inflows strong — SIP and mutual fund investments remain consistent and growing.
- Corporate tax collections healthy — Direct tax collections show signs of healthy business activity.
- GST revenues robust — Monthly GST collections remain above the ₹1.5 lakh crore mark.
- Gold demand fluctuates — Volatility in gold prices affecting physical demand and ETF inflows.
- NBFC borrowing costs remain high despite expected rate cuts in 2025, impacting profitability.

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Critical Refund Guidelines

1. Eligibility Criteria

- Excess tax paid via:
- TDS (Form 26AS verification)
- Advance tax/self-assessment tax
- Valid deductions under:
- Section 80C/80D/other Chapter VI-A provisions

2. Claim Process

- Mandatory steps:
- Pre-validate bank account (IFSC + account number)
- Reconcile ITR with AIS/Form 26AS
- File before due date (July 31 for individuals)

3. Red Flags (Common Rejection Reasons)

- Mismatched PAN-bank account details
- Unreported income in AIS
- Mathematical errors in tax computation

Timelines & Interest

- Normal processing: 90 days from ITR verification
- Delayed refunds:
- Interest @ 0.5% monthly (Section 244A)
- Claimable after 6 months of ITR filing

Compliance Alert

- Fraudulent claims may attract:
- Penalty u/s 270A (50-200% of tax evaded)
- Prosecution u/s 276C (up to 7 years imprisonment)

Official Document:

[Access Full Advisory Here](#)

ITAT Deletes ₹93 Lakh Bogus LTCG Addition; Upholds Exemption as AO Failed to Rebut Demat/Bank Evidence

Case Law: Late Arvind Kumar Kotawal v. ACIT | **Court:** ITAT DELHI BENCH 'A' | **ITAT Appeal No.:** 9580 (DEL) OF 2019 | **Date:** 27th March, 2025

Key Issues

Validity of Assessment Proceedings:

- Whether the assessment order was null and void as notices were issued to a deceased assessee (Arvind Kumar Kotawal, who died on 05.05.2015) and served on his legal heir?

Taxability of LTCG from Shares:

- Whether the Assessing Officer (AO) was justified in treating the Long-Term Capital Gains (LTCG) of ₹88,84,000 from the sale of shares of UNNO Industries Ltd. as bogus and taxing it under Section 68 read with Section 115BBE, despite the assessee providing documentary evidence?

Denial of Cross-Examination:

- Whether the AO violated principles of natural justice by denying the legal heir an opportunity to cross-examine entry operators whose statements were relied upon?

Addition of Alleged Commission:

- Whether the addition of ₹4,44,200 (5% of LTCG) as "commission paid to brokers" was sustainable without evidence?

Facts

- The deceased assessee was a habitual investor in shares and had declared LTCG of ₹88,84,000 from the sale of shares of UNNO Industries Ltd., claiming exemption under Section 10(38).
- The AO, based on an investigation report alleging "arranged capital gains" by entry operators, treated the LTCG as unexplained cash credit under Section 68 and taxed it at 30% under Section 115BBE.

Top Trends

- Fintech personal loan growth slows down, showing a post-pandemic normalization trend.
- Government introduces ₹10,000 crore startup fund, aimed at boosting innovation and entrepreneurship.
- RBI injects over ₹5.2 trillion liquidity into the financial system to ease market stress.
- Corporate bond sales surge, with firms raising \$4.5 billion in the first week of April 2025.
- RBI absorbs excess dollar inflows, helping stabilize the rupee.
- UPI expands to Singapore, allowing over 12,000 merchants to accept UPI payments.
- Rupee shows resilience, supported by RBI interventions and strong macroeconomic indicators.

Top Trends

- Positive credit outlook for India Inc, with 21 out of 26 sectors showing favorable prospects.
- Bank credit projected to cross ₹200 lakh crore by March 2025, growing at 14%.
- Gross NPAs at decadal lows, showing improved asset quality.
- RBI expected to cut interest rates in the second half of FY25.
- GDP growth hits 6.2% YoY in Q3 FY25, showing strong economic momentum.
- Nifty valuations align with historical averages after recent corrections.
- Midcap and smallcap stock valuations normalize following early 2025 corrections.
- Central government capex growth slows to 7%, indicating a shift in fiscal strategy.
- Private investment in renewables rising, driven by policy and investor interest.

- The legal heir submitted:
 - Demat account ledgers,
 - Broker transaction statements (Quest Securities Ltd.),
 - Bank statements, and
 - Proof of physical share delivery (2011) and subsequent dematerialization.
- The AO did not provide the investigation report or statements of entry operators to the assessee and rejected the request for cross-examination.

Tribunal's Ruling

Validity of Assessment on Deceased Person

- The ITAT noted that the AO issued notices after the assessee's death (21.09.2015 notice to a person who died on 05.05.2015).
- Precedent Relied On:
 - Andaman Timber Industries v. CCE (2015): Violation of natural justice if adverse actions are taken without allowing cross-examination.
- Conclusion: Assessment proceedings were vitiated as they were initiated against a dead person.

Bogus LTCG Addition

- The ITAT held that the AO failed to:
 - Point out defects in the submitted documents (Demat/bank records).
 - Link the assessee to any entry operator or price manipulation.
 - Provide the investigation report or evidence to disprove the transactions.
- Precedents Followed:
 - PCIT v. Smt. Krishna Devi (2021): LTCG cannot be treated as bogus if supported by demat/bank records and routed through recognized stock exchanges.
 - Sandipkumar Parsottambhai Patel (2023): Suspicion alone cannot override documentary evidence.
- Conclusion: Addition under Section 68 was unjustified.

Denial of Cross-Examination

- The AO's refusal to allow cross-examination of entry operators violated natural justice.
- Precedent: Andaman Timber Industries (SC): Denial of cross-examination renders the order null and void.

Commission Addition

- The AO added 5% of LTCG as "commission" without any evidence.
- Conclusion: Addition deleted as purely conjectural.

Final Decision

- The ITAT deleted the additions of ₹88,84,000 (LTCG) and ₹4,44,200 (commission), allowing the appeal.

Key Takeaways

- Documentary Evidence Prevails: Demat/bank records and broker statements are sufficient to prove genuineness of share transactions unless contradicted by specific evidence.
- Natural Justice: AO must provide investigation reports and allow cross-examination.
- Assessment on Deceased Persons: Proceedings against dead persons are void ab initio.
- Judicial Consistency: ITAT followed multiple precedents favoring assessees in similar "bogus LTCG" cases.

ITAT Shields Assessee from ₹93 Lakh Tax Demand: DCR Changes & Banking Channel Payments Validate Original Allotment Date for Stamp Duty Valuation

Case Law: Pinstripe Properties (P.) Ltd. v. DCIT | Court: ITAT MUMBAI BENCH 'C' | ITAT Appeal No.: 3756 (MUM) OF 2024 | Date: February 21, 2025

Key Issues

Applicability of Section 56(2)(x):

- Whether the difference between the stamp duty value (₹2.73 crores) and the purchase price (₹1.79 crores) of Flat No. 204 could be added to the assessee's income under Section 56(2)(x) of the Income-tax Act, 1961?

Proviso to Section 56(2)(x):

- Whether the allotment letter (dated 18.03.2011) for the original flats (Nos. 1601 & 1701) could be treated as an "agreement to sell" under the first proviso to Section 56(2)(x), given that part payment (₹25 lakhs) was made via banking channels before the final agreement?

Change in Development Control Regulation (DCR):

- Whether the replacement of the originally allotted flats with Flat No. 204 (due to DCR changes) justified the adoption of the 2011 allotment date (instead of the 2016 revised allotment) for stamp duty valuation?

Top Trends

- India integrates deeper into global supply chains, enhancing trade and manufacturing.
- Simplified regulatory approval system proposed, with focus on National Single Window System.
- Unified environmental compliance framework suggested, to reduce business hurdles.
- Online land authority proposed, with digitized land records and clarity on disputes.
- Industry body recommends 15% capex increase in FY26 to sustain growth.
- Inter-state reform platforms suggested, focusing on land, labor, and power reforms.
- Alternate Investment Funds receive ₹91,000+ crore commitments, backed by government initiatives.
- Deep Tech fund proposal in works, targeting next-gen startup innovations.
- GST revenue continues strong, consistently crossing ₹1.5 lakh crore monthly.

Top Trends

- Retail mutual fund investment rises, especially through SIPs.
- Physical gold demand fluctuates, affected by price volatility and global cues.
- Equity markets recover post-correction, with renewed investor confidence.
- Corporate tax collections remain healthy, indicating good business performance.
- Corporate bond issuances surged, with Indian companies raising \$4.5 billion in early April.
- NBFCs are facing sustained high borrowing costs, impacting profit margins.
- Growth in fintech personal loan disbursements has slowed, reflecting market stabilization.
- Government announced a ₹10,000 crore startup fund to boost innovation.
- RBI infused over ₹5.2 trillion liquidity into the system to ease financial stress.

Facts

- The assessee initially booked Flats 1601 & 1701 in "Insignia" (16th floor) in 2011, paying ₹25 lakhs via RTGS.
- Due to DCR changes, the builder revised plans and allotted Flat No. 204 (2nd floor) in 2016, adjusting the earlier payment.
- The sale agreement was executed on 11.09.2017 for ₹1.79 crores, while the stamp duty value was ₹2.73 crores.
- The AO added the difference (₹93.46 lakhs) under Section 56(2)(x), alleging undervaluation.

Tribunal's Ruling

Allotment Letter as "Agreement to Sell"

- The ITAT held that the 2011 allotment letter (for Flats 1601 & 1701) qualified as an "agreement to sell" under the first proviso to Section 56(2)(x), since:
 - Part payment (₹25 lakhs) was made via banking channels (RTGS) in 2011.
 - The 2016 allotment (Flat No. 204) was a continuation of the original booking due to DCR changes, not a fresh transaction.

Stamp Duty Valuation Date

- The ITAT ruled that the stamp duty value should be considered as of 2011 (original allotment date), not 2017 (registration date), because:
 - The builder's revised allotment was due to unavoidable DCR changes, not the assessee's discretion.
 - The AO failed to disprove the assessee's claim or seek builder verification.

No Addition Under Section 56(2)(x)

- Since the proviso applied, the difference between the purchase price and stamp value could not be added to income.

Final Decision

- The ITAT deleted the addition of ₹93.46 lakhs, allowing the appeal.

Key Takeaways

Proviso to Section 56(2)(x) Protects Genuine Transactions:

- If part payment is made via banking channels before the agreement, the allotment date (not registration date) governs stamp duty valuation.

DCR Changes Justify Revised Allotments:

- Unavoidable regulatory changes leading to revised allotments do not trigger Section 56(2)(x) if the transaction remains continuous.

AO Must Verify Builder Claims:

- The AO's failure to investigate the builder's DCR justification weakened the case for addition.

Facts of the Case:

- The AO issued a notice under Section 148A(b) alleging that the assessee had sold a property after holding it for three years, resulting in LTCG of ₹55.77 lakh, which had escaped assessment.
- The assessee argued that after deducting the cost of acquisition, the actual capital gain was only ₹33.85 lakh, which was below the ₹50 lakh threshold for reopening under Section 149(1)(b).
- The Single Judge held that the entire sale consideration could not be considered as escaped income without deducting the cost of acquisition. The notice was set aside.

Key Legal Issues:

- Whether the amount mentioned in the registered conveyance deed can be taken as escaped income without deducting the cost of acquisition.
- Whether the reopening notice was valid given the time limitation under Section 149(1)(b).

Court's Decision:

- The Division Bench agreed with the Single Judge's view that the cost of acquisition must be deducted from the sale consideration to determine the actual escaped income.
- The Court held that the AO could not straightaway consider the entire sale consideration as escaped income without accounting for the cost of acquisition.
- The Court dismissed the Revenue's appeal, affirming that the reopening notice was rightly set aside.

Case Law Referred:

- Nitin Nema v. Principal Chief CIT [2023] 155 taxmann.com 276 (Madhya Pradesh): The Madhya Pradesh High Court had followed the Single Judge's decision in this case, and the Supreme Court had dismissed the Revenue's appeal against it.
- Office of Principal Chief Commissioner of Income-tax v. Nitin Nema [2024] 168 taxmann.com 531 (SC): The Supreme Court upheld the Madhya Pradesh High Court's decision, reinforcing the principle that the cost of acquisition must be deducted to determine escaped income.

Conclusion

The Karnataka High Court upheld the quashing of the reopening notice, ruling that the AO must deduct the cost of acquisition to compute escaped income. As the net gain (₹33.85 lakh) fell below the ₹50 lakh threshold under Section 149(1)(b), the notice was invalid. The judgment reaffirms that sale consideration alone cannot justify reassessment.

Top Trends

- The Indian Rupee has been strengthening against the US dollar due to positive macro indicators.
- Net FDI inflow dipped, but gross FDI saw a 12.4% year-on-year rise.
- RBI's forward forex position increased significantly, showing active market intervention.
- UPI expanded globally, now accepted by over 12,000 merchants in Singapore.
- Fintech industry is forming a Self-Regulatory Organization to ensure compliance and credibility.
- Government likely to cut its disinvestment target by 40% for the financial year.
- Industry bodies have proposed simplification in doing business through regulatory reforms.
- RBI is expected to implement further rate cuts to stimulate growth.
- Private investment in renewable energy is expected to rise with supportive policies.
- GST revenue continues to cross ₹1.5 lakh crore per month, showing economic robustness.

Top Trends

- Mutual Fund SIP contributions are hitting record highs with increased retail participation.
- Digital lending platforms are expanding rapidly, driven by mobile access and tech adoption.
- Government is prioritizing infrastructure development with significant capital expenditure.
- Private equity inflows have increased, particularly in tech and healthcare sectors.
- The corporate bond market is growing due to favorable interest rates and investor appetite.
- Mergers and consolidation are reshaping the Indian banking landscape.
- NPAs (Non-Performing Assets) have decreased, indicating better asset quality in banks.
- Foreign Portfolio Investors (FPIs) are returning to Indian markets, boosting capital inflows.

ITAT Ruling: Portal Notices Alone Insufficient for Rejection of 80G Approval

Case Law: Sharan Foundation v. CIT (Exemptions) | Court: IT Appeal No. 254 (Asr) of 2024 | Date: March 13, 2025

Introduction

The Amritsar ITAT recently set aside the rejection of an assessee-trust's application for Section 80G approval, holding that mere uploading of notices on the departmental portal without proper service (via email/post/SMS) violates principles of natural justice. The matter was remanded for fresh consideration.

Key Facts

Application Rejection:

- The CIT (Exemptions) rejected the trust's Form 10AD application for 80G(5) approval due to non-compliance with notices seeking verification of activities.

Assessee's Contention:

- Notices were only uploaded on the IT portal (not sent via email/post/SMS).
- No electronic communication from the CIT's office.
- Final notice gave only 7 days to comply (vs. standard 15-day SOP).

Legal Precedent Cited:

- *Munjal BCU Centre of Innovation v. CIT (Exemptions) (P&H HC)*: Portal uploads alone don't constitute valid service under Section 282.

Remand for Fresh Consideration

- The CIT (Exemptions) must re-examine the application on merits.
- Assessee directed to submit all required documents and cooperate.

Key Takeaways

- For Tax Authorities: Ensure notices are served as per Section 282 (email/post/SMS) and allow adequate compliance time (15+ days).
- For Trusts/Donors: Track portal updates but insist on formal notices. If approval is denied due to improper service, appeal promptly.

Quote: "Service through portal alone is not valid service." – ITAT

Conclusion

The ruling reinforces that procedural lapses (like improper notice service) invalidate adverse orders. Trusts facing similar rejections should:

- Verify notice delivery under Section 282.
- Appeal within deadlines (condonation possible for genuine delays, as here).
- Remain proactive in compliance during remand proceedings.

Action Point: Affected entities should audit past notices and challenge rejections based on technical/service flaws.

ITAT Ruling on Tonnage Tax Scheme for Shipping Companies

Case Law: Shipping Corporation of India Ltd. vs. DCIT | Court: ITAT Mumbai Bench 'G', Appeal no. : ITA Nos. 1751 & 1971/Mum/2024 | date: 11th March 2025

Key Rulings:

Treatment of Interest Income:

- Interest from business-linked fixed deposits (lien-marked, public offering funds, loan compliance deposits, working capital) qualifies as core shipping income
- Held to be "inextricably linked" to shipping operations under Chapter XII-G
- Reliance placed on Varun Shipping Co. Ltd. (Bombay HC) and commercial expediency principle

Section 14A Disallowance:

- No disallowance permissible for Tonnage Tax companies
- Chapter XII-G provisions override general disallowance rules
- Followed Tribunal's earlier view in Varun Shipping Co. Ltd.

Allocation of Common Costs:

- Administrative expenses for core+incidental activities must be allocated reasonably
- Turnover-based apportionment upheld as valid method
- Supported by assessee's own case precedent for AY 2010-11

Top Trends

- The real estate sector is showing signs of recovery with rising residential demand.
- Government is reviewing gold import rules to control trade deficit and stabilize the rupee.
- Ongoing discussions are happening around cryptocurrency regulations for investor protection.
- Agricultural credit is being expanded to support farmers and rural economies.
- Microfinance institutions are growing, improving financial inclusion in rural areas.
- Insurance penetration is increasing as more people opt for health and life coverage.
- Traditional banks are collaborating with fintech firms to enhance digital services.
- GAIL is planning to buy a 26% stake in a U.S. LNG project to import gas starting in 2029.

Top Trends

- Smartphone exports from India to the U.S. rose sharply to beat potential U.S. tariffs.
- Moody's reduced India's 2025 GDP forecast to 6.1% due to global economic pressures.
- RBI cut the repo rate to 6% to support growth amid global uncertainties.
- Government to borrow ₹7.5 lakh crore in the first half of FY25, including green bonds.
- SEBI announced interoperability of stock exchanges from April 2025.
- IIFCL plans to raise \$200 million through external commercial borrowing.
- HSBC says India's long-term economic outlook remains strong.
- The new Waqf Act mandates representation of Muslim women in waqf boards.
- India and UK have finalized 90% of their Free Trade Agreement talks.
- SEBI proposed a 30-day deadline for mutual funds to deploy funds from new offers.

Conclusion:

This landmark ruling benefits shipping companies under the Tonnage Tax Scheme by: (1) treating business-linked interest income as part of core shipping profits, (2) exempting them from Section 14A disallowances, and (3) allowing reasonable allocation of common expenses. The decision provides tax certainty and aligns with the government's ease of doing business objectives for the maritime sector. Companies should review their tax positions accordingly.

Taxation of Gains from Sale of Rights Entitlement Under India-Ireland DTAA: Vanguard Funds Public Ltd. v. Assistant Commissioner of Income-tax

Case Law: Vanguard Funds Public Ltd. v. Assistant Commissioner of Income-tax | Court: ITAT Mumbai Bench 'I' | Appeal No.: IT Appeal No. 4658 and 4659 (Mum) of 2023 | Date : March 19, 2025

Key Facts

- **Assessee Details:** Vanguard Funds Public Ltd., a company organized in Ireland, is a tax resident of Ireland and registered with SEBI as a Foreign Portfolio Investor (FPI). It invests in Indian capital markets.
- **Capital Gains:** During the financial year, the assessee earned short-term capital gains from the sale of rights entitlement (RE) of shares of an Indian company. It claimed these gains as exempt under Article 13(6) of the India-Ireland Double Taxation Avoidance Agreement (DTAA), which states that gains not covered under Articles 13(1) to 13(5) are taxable only in the resident state (Ireland).
- **Assessing Officer's View:** The AO argued that rights entitlement and shares are closely related assets, making the gains taxable in India under Article 13(5). The AO also set off short-term capital gains against carried-forward short-term capital losses.

Tribunal's Decision

Rights Entitlement Exemption:

- Rights entitlement is distinct from shares, as per Section 62 of the Companies Act, SEBI regulations, and Supreme Court judgments. Rights entitlement grants an exercisable right to subscribe to shares but is not equivalent to shares themselves.
- SEBI and NSE treat rights entitlement differently by assigning separate ISINs and applying distinct Securities Transaction Tax (STT) rates.
- Under Article 13(6) of the India-Ireland DTAA, rights entitlement does not fall under Articles 13(4) or 13(5), which cover shares and comparable interests. Therefore, gains from rights entitlement are taxable only in Ireland.

Set-off of Losses:

- Short-term capital losses incurred on taxable assets (shares under Article 13(5)) cannot be set off against short-term capital gains exempt under Article 13(6). This principle aligns with earlier Tribunal decisions, such as J.P. Morgan India Investment Co. Mauritius Ltd. v. DCIT.

Key Legal Points

Definition of Rights Entitlement:

- Rights entitlement is defined as an option to purchase securities in the future, distinct from shares themselves.
- Domestic laws and DTAA provisions support this distinction.

Taxation Under DTAA:

- Gains from rights entitlement fall under Article 13(6), making them taxable exclusively in Ireland.
- India's taxing rights do not extend to these gains, even after amendments post-Multilateral Instrument (MLI).

Set-off Rules:

- Capital gains exempt under DTAA cannot be adjusted against losses arising from taxable assets.

Top Trends

- RBI increased gold reserves by 32.63 tonnes in the first half of FY25.
- Indians lost ₹4,245 crore due to digital fraud in the first 10 months of FY25.
- Indian rupee strengthened against the U.S. dollar due to strong inflows.
- Payment companies requested reintroduction of MDR charges for large merchants.
- CBDT extended the income tax filing deadline for companies to Nov 15, 2024.
- EPFO processed a record 2.16 crore claims in FY25; 99% were online.
- Direct tax collections rose 16.2% year-on-year to ₹25.9 lakh crore.
- Over ₹10 lakh crore worth of insolvency cases resolved under IBC.
- RBI increased its forex market intervention; short forward contracts at \$77.5B.
- The Indian stock market's FDI inflows hit a new high of ₹40,000 crore in FY25.

Top Trends

- U.S. Fed kept interest rates unchanged, signaling slower growth ahead.
- Shriram Finance raised \$306 million under its Social Finance Framework.
- India and New Zealand resumed trade talks to strengthen economic ties.
- RBI warned banks about excessive reliance on AI due to systemic risks.
- Credit growth for banks expected to slow to 12% in FY25.
- RBI barred four NBFCs from giving new loans due to high interest practices.
- SEBI made sale proceeds available to FPIs on settlement day for efficiency.
- Rising gold prices could impact returns from sovereign gold bonds.
- India recorded record-high exports in electronics, led by mobile phones.

Conclusion

The Tribunal's ruling in Vanguard Funds Public Ltd. vs. Assistant Commissioner of Income-tax establishes a significant precedent on the taxation of gains from rights entitlement (RE) under the India-Ireland DTAA. By holding that RE is distinct from shares, the decision clarifies that such gains fall under Article 13(6), making them taxable only in Ireland and exempt in India. Additionally, the Tribunal reaffirmed that short-term capital losses from taxable transactions cannot be set off against exempt gains, ensuring compliance with treaty provisions. This judgment not only strengthens the legal distinction between RE and shares but also reinforces the primacy of DTAA provisions in preventing double taxation. The ruling provides much-needed clarity for foreign portfolio investors (FPIs) and upholds the principle that tax treaties override domestic tax adjustments where applicable.

Key Ruling on Foreign Assets Under Black Money Act

Case Law: Nirmal Jethalal Modi v. DDIT/ADIT (Inv.)-2(1)

Court: ITAT Mumbai Bench | BMA No. 8 (Mum) of 2024 |

Date: 5th February, 2025

Facts

- The assessee, an Indian tax resident, was found to hold undisclosed foreign assets (USD 200,000) in a Jersey-based bank account.
- The Assessing Officer (AO) invoked the Black Money Act (BMA), 2015, alleging non-disclosure in IT returns (AY 2012-13 to 2018-19).
- The assessee claimed the funds were inherited from his late father (who operated a business in Sudan) and managed by his mother until her demise in 2017.

Key Arguments

Assessee's Stand:

- Submitted passport entries, bank KYC forms, and internal bank communications to prove inheritance.
- Highlighted that deposits were made pre-2010 by his parents from foreign earnings, not taxable in India.

Revenue's Stand:

- Rejected claims due to lack of "documentary evidence" and treated the assets as undisclosed.

ITAT Ruling

Inheritance Claim Validated:

- The Tribunal accepted circumstantial evidence (mother's passport, brother's birth in Sudan, bank records) to conclude funds were inherited.
- Critical Observation: The assessee was 13 years old when accounts were opened, ruling out independent income.

BMA Act Not Applicable:

- The BMA targets untaxed Indian income stashed abroad. Here, deposits were from parents' foreign earnings (non-taxable in India).
- Transfers between family accounts did not alter the nature of funds.

Deletion of Addition:

- The ITAT directed the AO to delete the Rs. 1.56 crore addition, holding the deposits were not undisclosed foreign assets.

Key Takeaways

- Burden of Proof: Heirs may rely on circumstantial evidence (e.g., family history, bank records) to explain legacy assets.
- BMA Scope: Does not cover foreign assets acquired from non-taxable foreign income or already taxed funds.
- Practical Tip: Maintain KYC declarations and historical records to substantiate inheritance claims.

Conclusion

- The ruling reinforces that the BMA cannot be invoked mechanically. Tax authorities must evaluate source explanations holistically, especially in legacy cases with operational constraints.

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Top Trends

- India's retail inflation hit a 4-month high in March 2025 due to rising food prices.
- The government has introduced new tax benefits for electric vehicle buyers in the upcoming budget.
- SEBI has launched an initiative to encourage small investors to participate in the bond market.
- The Indian insurance market saw a rise in the number of policies sold in FY25, signaling growing awareness.
- Mutual fund inflows have picked up significantly, with a 30% increase in SIP registrations.
- The Indian government is planning to increase its focus on fintech innovation and digitization.
- RBI is considering relaxing liquidity norms for MSMEs to boost their financial access.