

FIN-0-SCOPE

30 April 2025



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CBDT Introduces New TCS Provisions on Luxury Goods and Collectibles

Notice No.: CBDT/TCS/2025/04 | Date: 22nd April, 2025

The Central Board of Direct Taxes (CBDT) has issued a notification (G.S.R. 252(E) dated 22nd April, 2025, amending the Income-tax Rules, 1962, to expand the scope of Tax Collected at Source (TCS) under Section 206C of the Income-tax Act, 1961. The new rules introduce TCS on the sale of luxury goods, collectibles, and high-value items, aiming to enhance tax compliance and streamline revenue collection.

Key Amendments

The amendment inserts new entries in Form No. 27EQ, requiring sellers to collect TCS at the rate of 1% (unless specified otherwise) on the following categories:



Top Trends

- NIFTY struggled to break and close above the 24,360 resistance, despite intraday strength.
- Best close in 4.5 months at 24,335.95 shows underlying strength.
- A decisive breakout above 24,360 could trigger a rally toward 24,550 – 25,200 levels.
- Support at 24,100 is crucial; any break below may lead to short-term consolidation.

Top Trends

- Reliance surged 2.26%, closing at ₹1399.70.
- Touched a high of ₹1410.90 – highest level since 04 Oct 2024.
- Strong momentum indicates potential for further upside; watch for volume confirmation.
- BPCL reported better-than-expected Q4FY25 results after market hours.
- Positive earnings surprise could lead to upward price action in the coming sessions.
- Add to watchlist for possible breakout or gap-up opening.
- Despite resistance, bullish undertone remains intact due to strong closing and breakout stocks.
- Traders await decisive move above resistance for next leg of rally in the May Series.

Section	Item Description	Code	Category
206C	Sale of wrist watches	6C	MA
206C	Sale of art pieces (antiques, paintings, etc.)	6C	MB
206C	Sale of collectibles (coins, stamps)	6C	MC
206C	Sale of yachts, boats, helicopters	6C	MD
206C	Sale of sunglasses	6C	ME
206C	Sale of bags (handbags, purses)	6C	MF
206C	Sale of shoes	6C	MG
206C	Sale of sportswear/equipment (golf kits, etc.)	6C	MH
206C	Sale of home theatre systems	6C	MI
206C	Sale of horses (racing/polo)	6C	MJ

Implementation

- The rules are effective immediately from the date of publication in the Official Gazette.
- Sellers must report TCS collections under the new codes in Quarterly Statements (Form 27EQ).

Objective

- Broaden the tax base by covering high-value transactions in luxury and niche markets.
- Deter tax evasion through improved tracking of transactions involving movable assets.
- Align with global practices for taxing luxury goods and collectibles.

Conclusion

The amendment reflects the government's focus on tightening tax compliance while adapting to evolving economic trends. Businesses dealing in luxury goods, art, or collectibles must ensure adherence to the new TCS provisions to avoid penalties.

Official Documents:

[CBDT Notification \(G.S.R. 252\(E\)\)](#)

CBDT Expands TCS Scope to Luxury Goods & High-Value Items

Notification No. 36/2025 | Date: April 22, 2025

The Central Board of Direct Taxes (CBDT) has introduced the Income-tax (Eleventh Amendment) Rules, 2025, under Section 206C(1F)(ii) of the Income-tax Act, 1961. Key highlights include:

New TCS (Tax Collected at Source) Applicability:

- Luxury goods (e.g., wristwatches, yachts, helicopters) and high-value items (e.g., art pieces, collectibles, sportswear) exceeding ₹10 lakhs will now attract TCS.

Expanded Categories:

- Art (paintings, antiques, sculptures)
- Collectibles (coins, stamps)
- Sports equipment (golf kits, ski-wear)
- Fashion accessories (sunglasses, handbags, shoes)
- Recreational assets (horses for racing/polo, home theatre systems).

Top Trends

- AI is helping detect and prevent financial fraud.
- Zero-trust security models are becoming common in finance.
- IoT technology is being used for smart payment systems.
- Open finance and API standardization are promoting interoperability.
- UPI transactions are expected to touch 100 billion monthly.
- Pre-approved credit lines are being offered through UPI apps.
- Central Bank Digital Currencies are moving from pilot to adoption stages.
- Foreign Direct Investment is growing in manufacturing and tech sectors.
- The insurance sector is expanding due to rising awareness.
- Mutual fund investments are growing among retail investors.
- Cryptocurrency and blockchain technologies are gaining financial use cases.

Top Trends

- ESG (Environmental, Social, Governance) investing is becoming mainstream.
- Insurance FDI limits have been raised to boost investments.
- India and other countries are aligning policies with global sustainability goals.
- Investments in renewable energy and green infrastructure are increasing.
- Blockchain is being used for transparent ESG reporting.
- Smart cities are integrating clean technologies for urban development.
- Governments are focusing on embedding sustainability into the economy.
- NBFCs are partnering with fintechs for digital lending growth.

Effective Date:

- Rules apply from the date of publication in the Official Gazette (April 22, 2025).

Purpose:

- Curb tax evasion on high-value transactions.
- Formalize tracking of luxury goods purchases.

Conclusion

This amendment strengthens compliance for luxury transactions. Businesses dealing in specified goods must implement TCS collection mechanisms immediately.

Official Document:

[Income-tax \(Eleventh Amendment\) Rules, 2025](#)
[FAQs](#)

Government Clarifies: No GST on UPI Transactions

Notice No.: MoF/DigitalPayments/2025/04 | Date: 18th April, 2025

The Ministry of Finance has categorically denied recent claims about the imposition of Goods and Services Tax (GST) on UPI transactions exceeding ₹2,000. In an official statement released on 18th April, 2025, the Press Information Bureau (PIB) clarified that such rumors are false, misleading, and baseless. The government reaffirmed its commitment to promoting digital payments and highlighted key initiatives supporting the Unified Payments Interface (UPI) ecosystem.

Key Clarifications

No GST on UPI Transactions

- **Current Policy:** GST is not applicable on UPI transactions as there is no Merchant Discount Rate (MDR) charged.
- **Legal Basis:** The CBDT Gazette Notification (30th December 2019) abolished MDR for Person-to-Merchant (P2M) UPI transactions, making GST irrelevant.

Government's Stance on Digital Payments

- The government denies any proposal to tax UPI transactions and emphasizes its focus on expanding digital payment adoption.

- Incentive Scheme: Since FY 2021-22, a dedicated scheme has provided ₹7,230 crore in incentives to promote low-value UPI transactions, benefiting small merchants.

Growth of UPI: By the Numbers

- Transaction Value:
 - FY 2019-20: ₹21.3 lakh crore
 - March 2025: ₹260.56 lakh crore (12x growth)
- P2M Transactions: ₹59.3 lakh crore (reflecting widespread merchant adoption).
- Global Leadership: India accounts for 49% of global real-time transactions (ACI Worldwide Report, 2024).

Incentive Scheme Allocations

Financial Year	Amount (₹ crore)
2021-22	1,389
2022-23	2,210
2023-24	3,631

Conclusion

The government’s proactive measures—from MDR removal to incentive schemes—have solidified India’s position as a global digital payments leader. The clarification on GST underscores its commitment to a tax-friendly, inclusive digital economy. Citizens and merchants are encouraged to continue using UPI without concerns about additional taxation.

Top Trends

- Green finance is booming, especially in the electric vehicle sector.
- Real estate markets are expected to grow with possible interest rate cuts.
- Affordable housing projects are receiving strong government support.
- Home loan processes are becoming more digital and transparent.
- Technological advancements are transforming the financial ecosystem.
- Collaboration between regulators, industries, and fintechs is driving a balanced financial future.
- Global inflation is cooling but remains above pre-pandemic levels.
- Central banks are cautiously cutting interest rates in 2025.
- Oil prices are fluctuating due to geopolitical tensions.
- Gold demand is rising as a safe-haven asset.

Top Trends

- Emerging markets are seeing faster economic recovery than expected.
- Developed economies are facing slower GDP growth projections.
- Global debt levels are at record highs after the pandemic.
- Currency volatility remains a major concern for investors.
- Governments are investing heavily in infrastructure to boost economies.
- Digital trade agreements are becoming common between nations.
- AI chatbots are improving customer service in banks.
- Cross-border payments are getting faster with blockchain technology.
- Digital wallets usage is increasing across all age groups.
- Central banks are exploring blockchain for real-time settlements.

CBDT Clarifies Disallowance Under Section 37

Notification No. S.O. 1838(E) | Date: April 23, 2025

The Central Board of Direct Taxes (CBDT) has issued a notification under Section 37(1) of the Income-tax Act, 1961, clarifying the tax treatment of expenditures incurred to settle legal proceedings related to certain financial and regulatory laws.

Key Provisions

Disallowance of Expenditure on Legal Settlements

Applicability:

- Expenditure incurred to settle proceedings for contraventions/defaults under the following laws will not be allowed as a business deduction:
- Securities and Exchange Board of India Act, 1992 (SEBI Act)
- Securities Contracts (Regulation) Act, 1956 (SCRA)
- Depositories Act, 1996
- Competition Act, 2002
- Tax Implication:
- Such expenses shall not be deemed as incurred for business purposes.
- No deduction or allowance shall be permitted under Section 37(1) of the Income-tax Act.

Effective Date

- The notification comes into force immediately upon publication in the Official Gazette (April 23, 2025).

Conclusion

- Objective: Prevent tax deductions for penalties/legal settlements arising from regulatory non-compliance.
- Impact: Businesses settling SEBI, SCRA, Depositories Act, or Competition Act cases cannot claim tax benefits on such payments.

Authority:

- Issued by Ashish Kumar Agrawal, Deputy Secretary (Tax Policy & Legislation), CBDT.
- File No.: [F. No. 38/2025/F. No 370142/11/2025-TPL]

Official notification:

[Notification No. S.O. 1838\(E\)](#)

[FAQs on Notification No. 38/2025](#)

CBDT Notifies Revised ITR Forms 1 to 4 for FY 2024-25 (AY 2025-26)

Notification No. 50/2024 | Date: 29th April 2024

The Central Board of Direct Taxes (CBDT) has notified the updated Income Tax Return (ITR) Forms 1 to 4 for the Financial Year (FY) 2024-25 (Assessment Year 2025-26). The revised forms introduce significant changes, particularly in ITR-1 (Sahaj) and ITR-4 (Sugam), to streamline disclosures and incorporate new tax provisions.

Key Changes in ITR Forms

ITR-1 (Sahaj) – For Salaried Individuals & Small Income Earners

- **Inclusion of Long-Term Capital Gains (LTCG) Taxes:** Taxpayers must now disclose income from LTCG on listed equity shares/units (under Section 112A) and other LTCG separately.
- **Foreign Assets & Income Reporting:** Enhanced disclosures for foreign assets, even if held as a beneficiary.
- **Dividend Income:** Separate disclosure required for dividends taxed under Section 115BBDA (dividends over ₹10 lakh).

ITR-4 (Sugam) – For Presumptive Income Taxpayers

- **Expanded Business Codes:** New business and profession codes added for better categorization.
- **Digital Transactions Reporting:** Mandatory disclosure of turnover via digital modes (aligned with Section 44AD/ADA).
- **Capital Gains Reporting:** Now includes capital gains from assets like cryptocurrencies (if not covered under presumptive taxation).

General Changes Across ITR Forms

- **Additional Disclosures:** Enhanced reporting for high-value transactions, investments, and foreign remittances.
- **Simplified Sections:** Pre-filled fields for TDS, SFT (Statement of Financial Transactions) data, and AIS/TIS integration.

Top Trends

- Tokenization of real-world assets like property is gaining momentum.
- Traditional banks are launching their own fintech platforms.
- Payment fraud detection systems using AI are becoming smarter.
- Embedded finance is making financial services accessible inside non-finance apps.
- BNPL (Buy Now Pay Later) services are seeing regulatory tightening.
- Partnerships between banks and fintech companies are growing stronger.
- Global stock markets are recovering after last year's volatility.
- Passive investing through index funds is gaining more popularity.
- Sovereign Wealth Funds are increasing investments in tech and green assets.
- IPO activity is picking up after a slowdown in 2023-24.
- Venture Capital funding is rebounding in healthtech and AI sectors.

Top Trends

- Alternative investments like private credit are attracting investors.
- Robo-advisors are becoming mainstream for retail investors.
- Family offices are diversifying portfolios globally.
- Wealth management firms are offering ESG-centric portfolios.
- Cryptocurrency ETFs are being launched in more countries.
- Climate risk reporting is becoming mandatory in many countries.
- Green bonds issuance is hitting new records.
- Carbon credit markets are expanding internationally.
- Corporates are setting net-zero targets with strict deadlines.
- Electric vehicles sector is receiving major financing boosts.
- Climate-focused investment funds are seeing high inflows.
- Agri-finance innovations are supporting sustainable farming.

Conclusion

The revised ITR forms aim to improve compliance and transparency while aligning with recent tax amendments. Taxpayers must carefully review the new disclosure requirements to avoid errors. The last date for filing ITR-1 and ITR-4 for FY 2024-25 is 31st July 2025 (unless extended).

Official Links

[CBDT Notification No. 50/2024](#)

India's Retail Inflation Drops to Six-Year Low in FY 2024-25

PIB Release | Date: April 16, 2025

India's retail inflation (CPI) fell to 4.6% in FY 2024-25, the lowest since 2018-19, with March 2025 recording a 3.34% YoY decline. This achievement reflects successful policy coordination between the RBI and the Government of India.

Key Drivers of Decline:

Food Inflation:

- Dropped to 2.69% (lowest since Nov 2021), led by lower prices of vegetables, pulses, and cereals.
- Rural: 2.82% | Urban: 2.48%

Policy Interventions:

- Buffer stock releases & subsidized sales of staples (rice, wheat, onions).
- Reduced GST rates on essentials and import duty simplifications.
- Targeted subsidies (e.g., Ujjwala Yojana, Garib Kalyan Anna Yojana).

Sectoral Trends:

- Fuel & Light: Rebounded to 1.48% (from -1.33% in Feb).
- Housing/Education/Health: Marginal rises (3-4% range).
- Top Deflators: Tomato (-34.96%), Ginger (-38.11%).

Long-Term Trend:

- Inflation has declined steadily: 6.7% (2022-23) → 5.4% (2023-24) → 4.6% (2024-25).
- Contrasts sharply with the 8.2% average inflation during 2004-14.

Conclusion

The sustained low inflation underscores India's macroeconomic stability, driven by supply-side measures and prudent fiscal-monetary policies. This creates a favorable environment for inclusive growth and consumer welfare.

Official References:

[PIB Release](#)

Income Tax: Supreme Court Reiterates Finality of Litigation in Tax Disputes

Garden City Education Trust vs. Deputy Director of Income-tax (Exemptions) | court: Supreme Court of India | Diary No. 3646 of 2025 | date: March 25, 2025

The Supreme Court of India dismissed a review petition challenging its earlier order that had rejected a Special Leave Petition (SLP) regarding the filing of successive review petitions in income tax litigation. The judgment reinforces the principle of finality in legal proceedings.

Key Proceedings

Initial Review Petition:

- Assessee filed review before Karnataka High Court against IT order (AYs 1995-96 to 1998-99)
- Withdrawn without seeking liberty to file fresh review

First SLP (15583/2024):

- Dismissed by Supreme Court on merits

Second Review Petition:

- Filed before High Court after SLP dismissal
- Rejected as impermissible

Present SLP:

- Challenged High Court's rejection of second review
- Supreme Court dismissed, emphasizing finality principle

Court's Analysis

- Procedural Fatal Flaw: Failure to seek liberty for second review during initial proceedings

Top Trends

- Subscription-based finance tools are gaining traction among freelancers.
- Wealth managers are integrating AI to track client life goals.
- Fintech firms are enabling credit access through social scoring.
- Global pension funds are shifting focus to sustainable infrastructure.
- Digital gold savings are becoming popular in Asian markets.
- AI is helping detect money laundering in financial institutions.
- Invoice discounting platforms are supporting MSME cash flows.
- ESG-themed ETFs are being launched across global markets.
- Climate risk stress testing is being adopted by major banks.
- Asset management firms are using AI to optimize portfolio allocation.
- Hyper-personalized banking is being built using behavioral data.

Top Trends

- Real-time payment systems are expanding to new countries.
- Retail investors are driving trading volumes in emerging markets.
- Crypto regulation is tightening in major economies like US and Europe.
- Wealth managers are offering more personalized portfolio strategies.
- The demand for sustainable banking products is increasing sharply.
- Cross-border fintech investments are reaching all-time highs.
- Small business lending is shifting towards digital-first platforms.
- Green mortgages are being introduced by major banks.
- Blockchain is being used for trade finance and supply chain transparency.

- Judicial Policy: "There must be an end to litigation" - prevents endless litigation cycles
- Statutory Context: Section 260A of Income-tax Act doesn't permit such sequential challenges.

Key Observation:

"Allowing such successive review petitions would render judicial finality meaningless and create perpetual confusion in tax administration."

Conclusion

The judgment:

- Affirms strict adherence to review petition procedures
- Protects integrity of tax litigation process
- Serves as caution for taxpayers considering multiple challenges

Significance:

Clarifies that dismissal of SLP constitutes finality unless specific liberty granted. Taxpayers must raise all grounds in initial review petitions.

ITAT Bangalore Restores Trust's Registration, Quashes Retrospective Cancellation

Case law: Sri Srinivasa Educational and Charitable Trust v. Dy. Commissioner of Income tax | Court: ITAT BANGALORE BENCH 'B' | IT Appeal No. 835 (Bang) OF 2023 | Date : MARCH 24, 2025

The case involves Sri Srinivasa Educational and Charitable Trust, which ran educational institutions and was registered under Section 12AA (later migrated to Section 12AB). The dispute arose after a search under Section 132 on February 17, 2021, leading to assessment proceedings for AY 2021-22. The Assessing Officer (AO) alleged fund diversions, bogus expenses, capitation fees, and violations of Sections 269SS & 269T, recommending cancellation of the trust's registration. The Principal Commissioner of Income Tax (PCIT) cancelled the registration, prompting the trust to appeal before the ITAT.

Key Legal Issues & Findings

Prospective Application of Amendments

- The Finance Act, 2022 introduced changes (second proviso to Section 143(3) and Explanation to Section 12AB(4)) effective from AY 2022-23

- The AO and PCIT applied these amendments to AY 2021-22, which was impermissible as the law cannot be applied retrospectively unless expressly stated.
- The ITAT held that the cancellation based on inapplicable provisions was legally invalid.

Procedural Lapses & Natural Justice Violations

- The AO's recommendation relied solely on seized materials without independent inquiry.
- The assessee was not given a proper opportunity to rebut the allegations, violating principles of natural justice.
- The AO's reliance on presumptions under Sections 132(4A) & 292C without verification amounted to "borrowed satisfaction", which is legally unsustainable.

Tribunal's Decision

The ITAT quashed the PCIT's cancellation order on grounds of:

- Retrospective application of amendments.
- Lack of independent verification by the AO.
- Violation of natural justice (no fair hearing).
- Direction: The trust's registration under Section 12AB was restored immediately.

Conclusion

The ITAT allowed the assessee's appeal, emphasizing:

- Statutory provisions must be applied as they stood in the relevant AY (no retrospective application).
- Authorities must conduct proper inquiries and ensure natural justice before adverse actions like cancellation of registration.
- The PCIT's order was set aside, and the trust's registration was reinstated.

This ruling reinforces the importance of procedural fairness and strict adherence to the law as applicable in the relevant assessment year.

Top Trends

- Digital banking licenses are being issued to non-traditional players.
- Private credit funds are attracting pension and insurance companies.
- Global remittances are rebounding after previous slowdown.
- Peer-to-peer lending platforms are witnessing stricter regulations.
- High net worth individuals are diversifying into global real estate.
- Financial literacy programs are being launched in rural areas worldwide.
- Crowdfunding for small businesses is gaining new regulatory support.
- ESG scores are being integrated into credit ratings of companies.
- Big Tech companies are entering insurance and wealth management sectors.
- Tokenized treasury bonds are being tested in international markets.

Top Trends

- Cyber risk is now considered a key credit risk factor.
- Remote onboarding for bank accounts is now standard.
- Tokenized real estate platforms are growing in developed nations.
- Inflation forecasts are influencing central bank communication strategies.
- ESG due diligence is now a must in M&A transactions.
- Quantum-resistant blockchain is being developed in finance labs.
- Climate insurance is emerging for weather-dependent businesses.
- Central banks are exploring tokenized securities settlement.
- Retirement income planning is shifting towards hybrid products.
- AI is being used to analyze central bank policy impacts.
- Banks are investing in carbon footprint tracking tools.

ITAT Mumbai Upholds Treaty Benefits: Allows Separate Treatment of LTCG Exemption and LTCL Carry Forward

Qualcomm Asia Pacific Pte. Ltd. v. CIT(A) | ITAT Mumbai Bench 'I' | IT Appeal No. 686 (Mum) of 2025 | Date: March 28, 2025

The case involves Qualcomm Asia Pacific Pte. Ltd., a Singapore-based company, which earned Long-Term Capital Gains (LTCG) from the sale of shares in Indian companies. The assessee claimed exemption under Article 13 of the India-Singapore DTAA (Double Taxation Avoidance Agreement) and sought to carry forward Long-Term Capital Losses (LTCL) incurred from other share transactions. The Assessing Officer (AO) disallowed the carry-forward of LTCL, and the CIT(A) further held that LTCL must be set off against LTCG before claiming treaty benefits. Aggrieved, the assessee appealed before the ITAT Mumbai Bench.

Key Legal Issues & Findings

Treaty Benefit on LTCG vs. Carry-Forward of LTCL

- Assessee's Claim:
- LTCG from shares acquired before April 1, 2017, was exempt under Article 13 of the India-Singapore DTAA.
- LTCL from other share sales was claimed to be carried forward under domestic tax laws (Income Tax Act).

Revenue's Argument:

- LTCL must be set off against LTCG before claiming exemption.
- Only net LTCG (after setting off losses) should be eligible for DTAA benefits.

ITAT's Ruling:

- Article 13 of DTAA grants exclusive taxation rights to Singapore (residence country) for such gains.
- Since LTCG does not enter Indian tax computation, there is no requirement to set off LTCL against it.
- Each transaction is a separate source of income—assessee can choose to apply DTAA for gains and domestic law for losses.
- Precedents Followed:
- J.P. Morgan India Investment Co. (Mauritius) Ltd. (2022)
- Matrix Partners India Investment Holdings LLC (2025)

Validity of Adjustment under Section 143(1)

- The AO disallowed LTCL carry-forward during intimation under Section 143(1) (summary assessment).

ITAT's View:

- The issue of whether LTCL can be carried forward is debatable and cannot be decided in a summary proceeding.
- Natural justice violation: No prior intimation was given to the assessee before adjustment.
- Decision: AO's adjustment was invalid; CIT(A)'s enhancement was set aside

The ITAT allowed the assessee's appeal, holding:

- LTCG exemption under DTAA is absolute—no need to set off LTCL.
- LTCL can be carried forward under domestic tax provisions.
- Section 143(1) adjustments cannot be made on debatable issues.

This ruling reinforces:

- Treaty benefits override domestic tax provisions when more favorable.
- Separate sources of income (gains/losses from different transactions) can be treated independently.
- Summary assessments (Section 143(1)) cannot decide complex legal issues.

Tax Treatment of Common Area Maintenance (CAM) Charges

Diamondtree v. Income-tax Officer | ITAT Delhi Bench 'B' | IT Appeal Nos. 5062 & 5063 (Delhi) of 2024 | Date: February 27, 2025

The case involves Diamondtree, which was treated as an "assessee-in-default" by the Assessing Officer (AO) for not deducting TDS @ 10% under Section 194-I (rent payments) on Common Area Maintenance (CAM) charges. The CIT(A) upheld the AO's order.

The assessee appealed before the ITAT, arguing that CAM charges are contractual service payments liable for TDS under Section 194C (contract payments @ 2%), not Section 194-I (rent).

Top Trends

- Financial gamification is being used to improve saving habits.
- Token-based loyalty programs are increasing customer engagement.
- Robo-insurance tools are simplifying policy comparisons.
- Venture debt is emerging as a startup financing alternative.
- Green fintechs are offering sustainable credit cards and wallets.
- Wealth apps are offering fractional investing in art and collectibles.
- Global fintech regulations are moving toward standardization.
- Cross-border tax automation tools are gaining popularity.
- Investment platforms are adding AI-powered retirement planners.
- Insurance premiums are being personalized using wearable data.
- Asset managers are integrating ESG metrics into risk models.
- Governments are incentivizing green investment bonds for retail buyers.

Top Trends

- Startups in financial wellness tools are attracting major funding.
- Robo-investing is expanding beyond equities into alternative assets.
- Sovereign digital currencies are being piloted across Asia and Africa.
- Cloud computing is reducing costs for financial institutions.
- Cross-border e-commerce is driving demand for fintech solutions.
- Algorithmic trading is becoming more accessible to retail investors.
- Startups are offering insurance products through embedded platforms.
- Sustainable mutual funds are outperforming traditional funds in some markets.
- Micro-investing platforms are gaining popularity among Gen Z.
- Financial firms are focusing on cybersecurity insurance.

Key Legal Issues & Findings

Nature of CAM Charges – Rent (194-I) or Contractual Service (194C)?

AO's Stand:

- CAM charges were part of a composite rent agreement, attracting TDS @ 10% under Section 194-I.
- Relied on Sunil Kumar Gupta (P&H HC, 2016).

Assessee's Argument:

- CAM charges were separate contractual payments for maintenance services, not rent.
- Hence, TDS @ 2% under Section 194C applied.

ITAT's Ruling:

- CAM charges are not for "use of premises" but for services/facilities (cleaning, security, etc.).
- Followed precedents:
- Connaught Plaza Restaurants Pvt. Ltd. (ITAT Delhi, 2021)
- Kapoor Watch Company Pvt. Ltd. (ITAT Delhi, 2021)
- Conclusion: CAM charges fall under Section 194C (2% TDS), not Section 194-I.

Validity of Section 201(1) Default Order

- Since CAM charges were not rent, the AO wrongly treated the assessee as "in-default" for non-deduction under Section 194-I.
- ITAT reversed the lower authorities' orders.

Conclusion

The ITAT allowed the assessee's appeals, holding:

- CAM charges are contractual service payments, taxable under Section 194C (2% TDS).
- No default under Section 201(1) since the assessee had correctly deducted TDS under Section 194C.

Final Order:

- CIT(A) and AO's orders were set aside.
- Assessee was not liable for TDS default

ITAT Delhi Allows Set-Off of PE Losses Against FTS Income in Favor of Hyosung Corporation

Hyosung Corporation v. ACIT | ITAT Delhi Bench 'D' | IT Appeal No. 2943/DEL/2023 | Date: April 23, 2025

The case involves Hyosung Corporation, a South Korea-based company with a Permanent Establishment (PE) in India, engaged in power business. The dispute arose from the disallowance of set-off of business losses (PE) against Fee for Technical Services (FTS) income by the Assessing Officer (AO) and DRP for AY 2021-22. The assessee appealed before the ITAT, challenging the addition of ₹4.81 crore.

Key Legal Issues & Findings

Set-off of PE Losses Against FTS Income

Assessee's Claim:

- PE incurred losses of ₹4.81 crore, while FTS income (taxable @ 10% under India-Korea DTAA) was ₹60.19 lakh.
- Argued that Section 71 permits inter-head adjustment (business loss vs. "Income from Other Sources").
- Relied on:
- Sumitomo Mitsui Banking Corp. v. DDIT (ITAT Mumbai SB): PE and Head Office (HO) are not separate taxable entities.
- Channel V Music Networks Ltd. (ITAT Mumbai): Allowed set-off of business losses against royalty income.

Revenue's Stand:

- FTS income (taxed u/s 115A) and PE losses are distinct streams; no set-off permitted under Article 7 of DTAA.
- Cited Iveco Spa, Italy v. ADIT (ITAT Delhi): PE and HO incomes cannot be clubbed.

ITAT's Ruling:

- PE and HO are part of the same legal entity under domestic law (Sumitomo Mitsui).
- Section 71 permits inter-head adjustment unless expressly barred (unlike Sections 115BBDA/115BBH, which explicitly disallow loss set-off).
- DTAA silent on set-off → Domestic law (Section 71) applies as it is more beneficial (Foramer S.A. v. DCIT precedent).
- Allowed set-off of PE losses against FTS income.

Top Trends

- Startups in financial wellness tools are attracting major funding.
- Robo-investing is expanding beyond equities into alternative assets.
- Sovereign digital currencies are being piloted across Asia and Africa.
- Cloud computing is reducing costs for financial institutions.
- Cross-border e-commerce is driving demand for fintech solutions.
- Algorithmic trading is becoming more accessible to retail investors.
- Startups are offering insurance products through embedded platforms.
- Sustainable mutual funds are outperforming traditional funds in some markets.
- Micro-investing platforms are gaining popularity among Gen Z.
- Financial firms are focusing on cybersecurity insurance.

Top Trends

- Data privacy rules are impacting how financial firms handle customer data.
- Gold-backed digital currencies are gaining acceptance.
- Inflation protection products like TIPS are seeing rising interest.
- Venture capitalists are focusing more on fintech and clean energy startups.
- De-dollarization trends are being discussed among emerging economies.
- ESG-linked loans are growing in global corporate finance deals.
- Fintech adoption in Latin America and Africa is growing rapidly.
- Credit card companies are offering crypto rewards programs.
- Wealth-tech platforms are introducing AI-driven advisory features.

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