

FIN-0-SCOPE

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Will Central Govt Employees Get NPS-Like Tax Benefits Under UPS? Finance Ministry Clarifies

Ministry of Finance Notification | Dated March 19 2025

The Finance Ministry has issued a clarification regarding tax benefits for Central Government employees under the Unified Pension System (UPS), addressing whether they will receive benefits similar to the National Pension System (NPS). This comes amid growing queries from employees and stakeholders seeking parity in tax treatment between the two pension schemes.



Top Trends

- Gold prices surged ~27% in 2025, nearing ₹1 lakh per 10g.
- Investors shifting focus to gold, alternatives, and global equities.
- AI-based crypto tokens are seeing massive growth in market cap.
- NBFCs leading record \$61 billion ECB borrowing in FY25.

Top Trends

- Government easing credit norms for NBFCs.
- Push to expand Global Capability Centres beyond metro cities.
- Corporate governance discussions now include cultural ethics.
- BRICS exploring alternative cross-border payment systems.
- Rise of rural embedded finance platforms and neobanking.
- Mutual fund SIP inflows hit all-time highs in mid-2025.
- Equity markets see record retail investor participation.
- RBI tightening norms for unsecured personal loans.
- Digital lending platforms face stricter KYC enforcement.
- Foreign portfolio investors show renewed interest in Indian bonds.
- Sovereign Gold Bonds see record subscription volumes.

Key Clarifications by the Finance Ministry

Tax Benefits Under UPS vs. NPS

- The ministry clarified that UPS does not currently offer the same tax deductions as NPS under Section 80CCD(1), 80CCD(1B), and 80CCD(2) of the Income Tax Act.
- NPS allows an additional deduction of ₹50,000 under Section 80CCD(1B), which is not applicable to UPS.

Applicability for Central Govt Employees

- Central Government employees enrolled in UPS will continue to receive standard pension benefits but without the additional tax exemptions available under NPS.
- The ministry emphasized that UPS is structured differently, focusing on defined benefits rather than a contributory model like NPS.

Future Revisions

- The Finance Ministry indicated that any changes in tax treatment would require amendments to existing laws.
- No immediate plans have been announced to extend NPS-like tax benefits to UPS subscribers.

Conclusion

The Finance Ministry's clarification reaffirms that Central Government employees under UPS will not receive the same tax benefits as NPS subscribers. Employees should consider this distinction while planning their tax-saving investments. For further details, refer to the official notification.

Official Link:

[Ministry of Finance Clarification on UPS Tax Benefits](#)

Companies (CSR Policy) Amendment Rules, 2025 – Key Changes and Implications

Ministry of Corporate Affairs Notification No. : G.S.R. 452(E) | Date: 7th July, 2025

The Ministry of Corporate Affairs (MCA) has introduced the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025, bringing significant changes to CSR compliance for businesses in India. These amendments aim to streamline CSR spending, enhance transparency, and align corporate contributions with national development goals.

Key Highlights of the Amendment Rules

Revised CSR Spending Thresholds

- Companies meeting the specified financial thresholds must now allocate 2% of their average net profits from the preceding three years towards CSR activities.
- New provisions allow carry-forward of unspent CSR funds under specific conditions.

Expanded List of Permissible CSR Activities

- The amended rules include new categories such as:
- Green energy initiatives (solar, wind, and waste-to-energy projects).
- AI and digital literacy programs for underserved communities.
- Healthcare infrastructure in rural and aspirational districts.

Enhanced Disclosure and Monitoring

- Companies must now submit detailed impact assessment reports for CSR projects exceeding ₹1 crore.
- Mandatory real-time tracking of CSR funds through the MCA21 portal for better accountability.

Stricter Penalties for Non-Compliance

- Failure to meet CSR obligations may attract higher fines and disqualification of directors in severe cases.
- Unspent CSR funds must be transferred to a designated government fund if not utilized within a stipulated time.

Conclusion

The Companies (CSR Policy) Amendment Rules, 2025 reinforce India's commitment to sustainable and inclusive growth by tightening CSR governance. Businesses must review their policies to ensure compliance with the updated regulations.

Official Link:

[MCA Notification on CSR Amendment Rules 2025](#)

Top Trends

- SEBI boosts surveillance on penny stocks and pump-dump schemes.
- Surge in UPI-based credit cards and digital payments.
- India's forex reserves touch record highs in July 2025.
- Retail gold investment rising amid geopolitical tensions.
- Debt mutual funds gaining traction after tax changes.
- Large-cap stocks regain favour as market volatility rises.
- MSMEs getting better credit access through fintech channels.
- RBI introduces real-time forex settlement system.
- Private equity inflows rebound in Q2 2025.
- Banks increasing focus on green and ESG-compliant lending.

Top Trends

- Increased M&A activity in financial services sector.
- Tax-saving ELSS funds back in trend before quarter-end.
- India Inc sees high demand for infrastructure bonds.
- RBI cautious on inflation despite global rate cuts.
- Credit card spending at record levels in urban India.
- India's core inflation stable but services inflation rising.
- Global investors tracking India's fiscal deficit closely.
- SEBI proposes T+0 settlement on optional basis.
- Real estate sector gets boost from home loan rate cuts.
- Crypto tax clarity awaited in upcoming budget.
- LIC launches digital onboarding for term plans.

CBDT Notifies Cost Inflation Index (CII) for FY 2025-26

Notification No. 70/2025 | Date: 1st July 2025

The Central Board of Direct Taxes (CBDT) has notified the Cost Inflation Index (CII) for Financial Year 2025-26 as 376 through Notification No. 70/2025. This index is crucial for calculating long-term capital gains by adjusting the purchase price of assets for inflation under Section 48 of the Income-tax Act, 1961.

Key Details of the Notification

Applicability

- Effective from 1st April 2026 (Assessment Year 2026-27 onwards)
- To be used for computing indexed cost of acquisition/improvement of assets

Comparative Analysis

- FY 2024-25: 363
- FY 2025-26: 376 (3.58% increase)

Impact on Capital Gains Calculation

- Higher CII reduces taxable capital gains for assets held long-term
- Particularly benefits real estate and equity investors

Historical Context

- Base year remains 2001-02 (CII=100)
- 24th amendment since original notification (S.O. 1790(E) dated 5th June 2017)

Conclusion

Taxpayers must use the revised CII (376) for all capital gains computations pertaining to FY 2025-26. This adjustment:

- Maintains parity with inflation
- Reduces tax burden on long-term investments
- Continues the annual indexation practice

Official Notification:

Notification No. 70/2025

CBDT Clarifies Applicability of Interest Waiver Provisions Under Circular No. 5/2025

CBDT Letter F.No. 275/92/2024-IT(B) | Date: 1st July 2025

The Central Board of Direct Taxes (CBDT) has issued a clarification regarding the implementation of Circular No. 5/2025 dated 28.03.2025, which provides for waiver of interest under Sections 201(1A)(ii) and 206C(7) of the Income-tax Act, 1961. This clarification addresses concerns raised by field authorities about the retrospective applicability of the waiver provisions.

Key Clarifications Provided

Effective Date of Waiver Authority

- The prescribed authority (CCIT/DGIT/Pr.CCIT) is empowered to pass waiver orders from the date of issuance of the Circular (28.03.2025).

Time Limit for Filing Waiver Applications

- Applications must be filed within one year from the end of the financial year for which the interest is charged.
- Example: For interest charged for FY 2023-24, the deadline is 31.03.2025.

Retrospective Applicability

- Waiver applications can be entertained for interest charged even before the issuance of the Circular, provided they meet the time limit condition above.

Conclusion

This clarification ensures uniformity in the application of the waiver provisions and provides relief to taxpayers facing interest charges under Sections 201(1A)(ii) and 206C(7). Taxpayers and practitioners should:

- Review pending interest charges for eligible periods
- File waiver applications within the specified timelines
- Ensure compliance with procedural requirements

Official Document:

[CBDT Clarification Letter](#)

Top Trends

- Mutual fund penetration increasing in tier 2 and 3 cities.
- Insurance claims digitization speeding up post-settlement.
- Central Bank Digital Currency (CBDC) pilot expands to more banks.
- Stock market IPO pipeline strong for H2 2025.
- Corporate earnings season showing strong Q1 growth.
- Fintech startups moving toward profitability in 2025.
- PSU banks showing improved asset quality metrics.
- Wealth tech platforms expanding advisory offerings.
- RBI reviewing charges on digital payment systems.
- Surge in sustainable investment funds among millennials.
- Fixed deposit interest rates holding steady post-hike cycle.

Top Trends

- Credit penetration in rural areas rising via digital banks.
- Corporate India increasing hedging against forex volatility.
- Real estate investment trusts (REITs) gaining retail traction.
- Tax authorities increasing scrutiny on high-value transactions.
- ESG compliance becoming mandatory in many sectors.
- RBI allowing tokenization for more payment instruments.
- Government pushing for public sector bank mergers.
- NBFCs expanding into micro-lending and agriculture credit.
- PPF and small savings schemes continue to attract conservative investors.
- Finfluencer regulations by SEBI under active consideration.
- Digital rupee trials expanding to merchant-level transactions.

Income Tax Department Launches Crackdown on Bogus Deduction & Exemption Claims

CBDT Press Release | Date: 14th July 2025

The Income Tax Department has initiated a nationwide verification drive starting 14th July 2025 to identify and penalize fraudulent claims of deductions and exemptions under the Income-tax Act, 1961. This action comes in response to widespread misuse of tax benefits by organized networks exploiting loopholes in tax provisions.

Key Findings of the Verification Drive Widespread Misuse of Tax Provisions

- Investigations uncovered organized fraud involving tax consultants and preparers manipulating:
- HRA claims under Section 10(13A)
- Donation-related deductions (80G, 80GGA, 80GGC)
- Education & medical expense claims (80E, 80D, 80DDD)
- Housing loan benefits (80EE, 80EEB)

Use of Fake Contact Details

- Many fraudulent returns were filed using temporary/disposable email IDs, making it difficult for the department to issue notices.
- Taxpayers unaware of such filings are now facing scrutiny due to non-response to official communications

Pan-India Search Operations

- Raids conducted in Maharashtra, Tamil Nadu, Delhi, Gujarat, Punjab, and Madhya Pradesh revealed involvement of multiple entities in falsifying claims.
- Over ₹1,045 crore in wrongful deductions have been voluntarily withdrawn by ~40,000 taxpayers after departmental outreach.

Strict Action Against Non-Compliance

- Defaulters who fail to rectify returns will face:
- Heavy penalties under Section 270A (50%-200% of tax evaded)
- Prosecution under Section 277 (false statements) and Section 276C (wilful evasion)

Conclusion

The Income Tax Department's latest drive underscores its zero-tolerance policy towards tax fraud. Taxpayers are advised to:

- Verify all deductions/exemptions claimed in their name
- Avoid unauthorized intermediaries promising inflated refunds
- Respond promptly to department notices
- Voluntary compliance is encouraged—but evasion will be met with stringent consequences.

Official Link:

Official notification

ICAI Seeks Public Comments on Draft Guidance for Tax Audit Under Section 44AB

ICAI Exposure Draft DTC-EXP-Draft-44AB | Dated

The Institute of Chartered Accountants of India (ICAI) has released an Exposure Draft proposing revised guidance for tax audits conducted under Section 44AB of the Income-tax Act, 1961. This draft aims to clarify ambiguities and align procedures with recent amendments, inviting stakeholder feedback until Deadline Date.

Key Provisions of the Draft Guidance

Enhanced Reporting Requirements

- Mandatory disclosure of GST turnover reconciliation with audited financials
- Separate reporting for presumptive taxation cases under Sections 44AD/44ADA
- Clarification on digital transaction reporting thresholds

Revised Documentation Standards

- Standardized formats for audit working papers
- Specific guidance on verification of Section 43B deductions (outstanding statutory dues)
- Procedures for banking cash transaction verification

Clarity on Controversial Areas

- Treatment of disallowances under Section 40A(3) (cash payments exceeding ₹10,000)
- Audit implications for intra-group transactions
- Reporting of income from cryptocurrency/NFT transactions

Top Trends

- Stock exchanges enhancing AI-based trade surveillance tools.
- Surge in gold loan portfolios by private lenders.
- India exploring BRICS currency mechanism alternatives.
- SEBI tightening norms for investment advisors.
- Tech IPOs making a comeback after 2022–24 lull.
- SIPs in international mutual funds gaining traction.
- Family offices increasing allocation to private equity.
- Rise in investor complaints triggers focus on grievance redressal.
- RBI emphasizing financial literacy in semi-urban regions.
- Government planning framework for AI in finance.
- Senior citizens opting more for annuity-based schemes.

Top Trends

- Surge in demand for passive index funds over active ones.
- Insurance companies introducing AI-driven claim processing.
- HNI investors showing interest in structured debt products.
- Corporate treasuries investing more in liquid mutual funds.
- Neo-banking platforms expanding into credit and wealth services.
- Credit bureaus updating real-time credit scores for lenders.
- Government bonds gaining retail popularity via RBI Retail Direct.
- Rise in demand for tax-harvesting strategies among retail investors.
- SEBI enhancing norms for ESG fund disclosure.

Proposed Implementation Timeline

- Applicable for AY 2025-26 onwards if finalized
- Transition provisions for ongoing audits

Conclusion

This Exposure Draft represents ICAI's effort to reduce litigation by providing clear audit benchmarks. Professionals and taxpayers should:

- Review the draft thoroughly
- Submit comments to technicaldirector@icai.in by Deadline
- Anticipate significant changes in tax audit reporting practices.

Official Link:

[ICAI Exposure Draft DTC-EXP-Draft-44AB](#)

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