

FIN-O-SCOPE

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Parliamentary Panel Clears Income Tax Bill 2025 with Key Revisions

Notice No.: ITB/2025/07 | Date: July 19, 2025

The Income Tax Bill, 2025, aimed at overhauling India's direct tax regime, has been unanimously adopted by the Parliamentary Select Committee after incorporating 285 suggested revisions. The bill is set to be tabled in the upcoming Monsoon Session of Parliament

Top Trends

- Digital assets gaining institutional adoption
- Tokenization of securities and funds rising
- Surge in global M&A and private equity deals
- Climate finance frameworks becoming mainstream
- Carbon and social impact credits on the rise
- UPI transactions in India hitting record highs
- RBI pushing retail and wholesale e-Rupee pilots

Top Trends

- Growing fintech and digital payment infrastructure
- AI and analytics becoming core to CFO strategies
- Sovereign wealth funds expanding brand value
- Rising use of stablecoins challenging USD dominance
- Indian banks focusing on green financing models
- RBI cautious on inflation and liquidity management
- Startups facing tighter funding and due diligence
- SEBI increasing surveillance and compliance checks
- Corporate bond market reforms underway
- Public sector banks reporting strong Q1 profits
- Insurance sector seeing digital product innovation
- Gold investment demand rising amid global volatility

285 Amendments Proposed

The committee recommended changes to ensure simplification, taxpayer fairness, and anti-avoidance measures.

Balanced Anti-Tax Avoidance Rules

The government has agreed to modify General Anti-Avoidance Rules (GAAR) to prevent misuse while easing compliance.

Rationalization of Tax Slabs

The revised bill may introduce new tax brackets to reduce the burden on middle-income groups.

Digital Compliance Focus

Enhanced e-filing and automation provisions to streamline tax administration.

The Lok Sabha Select Committee emphasized a balanced approach, ensuring the bill aligns with economic growth while curbing tax evasion.

Conclusion

The Income Tax Bill, 2025, marks a significant step toward a modernized, taxpayer-friendly regime. With most recommendations accepted, the bill is expected to pass in the Monsoon Session, paving the way for a simpler and more efficient tax system.

Official Document Link

[Income Tax Bill 2025 – Select Committee Report](#)

ICAI: Revises Technical Guide on Accounting for CSR Expenditure

Notice No.: ICAI/GN/APS/1579 | Date: July, 2025

The Institute of Chartered Accountants of India (ICAI) has issued a technical guidance note titled Accounting for Expenditure on Corporate Social Responsibility Activities. This document elaborates on the updated legal definitions under Section 135 of the Companies Act, 2013 (including key terms like financial year, net profit, net worth, and turnover), and outlines the recognition and measurement principles for CSR expenditures. Additionally, it provides implementation clarity through amendments, rules, and circulars issued by the Ministry of Corporate Affairs (MCA)

Key Definitions & Scope

The note explains key terms like financial year, net profit, turnover, and net worth, helping companies determine CSR applicability and obligations accurately.

Recognition & Treatment of CSR Spend

- Non-Ongoing Projects: Unspent CSR funds must be transferred to specified government funds within 6 months, and a provision should be created.
- Ongoing Projects: Funds must be moved to an Unspent CSR Account within 30 days and utilized within 3 years.
- Excess CSR Spending: Extra spend beyond the required 2% can be carried forward for 3 years and treated as a prepaid expense.
- In-Kind Contributions: Not recognized as CSR unless unrelated to normal business; valuation must be based on cost.
- Surplus Income: Any interest or income generated from CSR must be reinvested in CSR activities and not treated as business income.

Presentation & Disclosures

CSR spending must be shown separately in financials with key details like amount spent, unspent, surplus, and admin costs. Movement of funds should be reported in table format.

Conclusion

The guidance promotes consistency, transparency, and accountability in CSR accounting, ensuring companies meet their legal and social responsibilities effectively.

Official Document Link

[ICAI Guidance Note on Concurrent Audit](#)

Exemption from TDS for Specified Payments to ICRISAT

Notification No.: S.O. 3288(E) | Date: 18-7-2025

Key Provisions

The Central Government, exercising powers under Section 197A(1F) of the Income-tax Act, 1961, has notified that:

- TDS Exemption: The provisions of Chapter XVII (relating to Tax Deduction at Source) shall not apply to payments received by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT).

Top Trends

- Real estate investment trusts (REITs) gaining interest
- Focus on financial inclusion through digital lending
- Mutual fund SIP flows at all-time high
- Wealth-tech platforms expanding in tier-2 cities
- RBI monitoring NBFC leverage and stress levels
- GST collections showing consistent monthly growth
- Government focusing on capital expenditure push
- Retail investors driving small-cap rally
- Rupee volatility managed through forex interventions
- Corporate India deleveraging balance sheets
- ESG funds attracting long-term retail money
- IT sector cautious but stable in hiring & revenue outlook
- RBI's monetary policy stance remains data-driven
- Cross-border payments reforms via fintech rails

Top Trends

- Credit card usage growing among rural youth
- Crypto regulation likely to tighten post-G20 talks
- MSMEs getting more access to formal credit
- India Inc exploring global debt markets
- PSU disinvestments to pick up in Q3-Q4
- Fintech M&As rising due to regulatory pressure
- NBFCs facing stricter capital adequacy norms
- Tax compliance improving via AI-driven scrutiny
- Market volatility driven by global rate cycle
- Equity market IPO pipeline robust for H2
- Capital markets adapting to T+0 settlement systems
- Pensions and retirement planning gaining focus
- Housing loan demand stable in affordable segments
- Women-centric finance schemes expanding
- Real-time GST e-invoicing hitting MSMEs

Conditions

The exemption is subject to compliance with:

- The United Nations (Privileges and Immunities) Act, 1947
- Notification No. UI/222(66)/71 dated 28th October, 1972 (issued by the Ministry of External Affairs).

Effective Date

The notification comes into force from the date of its publication in the Official Gazette.

Implications

- Payers making specified payments to ICRISAT are not required to deduct TDS under the Income-tax Act.
- ICRISAT must continue to adhere to the privileges and immunities granted under the UN Act and related notifications.

Official Reference

[Notification S.O. 3288\(E\)](#)

CBDT Provides Relief from Higher TDS/TCS Rates for Inoperative PAN Cases

Circular No.: 9/2025 | Date: 21st July, 2025

Key Provisions

The Central Board of Direct Taxes (CBDT) has issued Circular No. 9/2025 to modify the consequences of PAN becoming inoperative under Rule 114AAA of Income-tax Rules, 1962. This provides relief to deductors/collectors from higher TDS/TCS rates under sections 206AA/206CC in specified cases:

For transactions between 01.04.2024 to 31.07.2025:

- No higher TDS/TCS liability if PAN becomes operative (via Aadhaar linkage) on or before 30.09.2025.

For transactions on or after 01.08.2025:

- No higher TDS/TCS liability if PAN becomes operative (via Aadhaar linkage) within two months from the end of the month of payment/credit.

Background

- Earlier circulars (No. 3/2023 and No. 6/2024) had imposed higher TDS/TCS rates for transactions with inoperative PANs.
- Taxpayers faced demands for "short-deduction/collection" even after PANs were subsequently linked to Aadhaar.

Implications

- Deductors/Collectors: Relief from higher tax rates if PAN is regularized within stipulated timelines.
- Taxpayers: Avoids unnecessary litigation for genuine cases where PAN-Aadhaar linkage was delayed.
- Normal TDS/TCS rates under Chapter XVII-B/XVII-BB continue to apply.

Effective Date

The circular is effective immediately from its date of issue (21.07.2025).

Official Document:

Circular No.: 9/2025

Supreme Court Upholds Mandatory Faceless Procedure for Section 148 Notices

Deepanjan Roy v. ADIT (Int Taxn) | Supreme Court of India | SLP (Diary No. 33956/2025) | Date: 16.07.2025

The Hon'ble Supreme Court of India has conclusively ruled that issuance of notices under Section 148 of the Income Tax Act, 1961, must strictly adhere to the faceless and automated procedure prescribed under the e-Assessment of Income Escaping Assessment Scheme, 2022 (notified under Section 151A).

Key Highlights:

- Dismissal of Revenue's SLP – The SC upheld the Telangana High Court's judgment, dismissing the Revenue's SLP (Diary No. 33956/2025) on 16.07.2025.
- No Exemption for International Tax Cases – The Court affirmed that CBDT's exemption under Section 144B applies only to final assessment orders, not to the issuance of notices under Section 148.
- Quashing of Non-Compliant Notices – All Section 148 notices issued without following the faceless procedure (and consequential assessments) stand quashed. Revenue may initiate fresh proceedings in compliance with the law.

Top Trends

- RBI exploring programmable digital rupee for targeted subsidies
- Sovereign green bond issuance gaining momentum
- Surge in digital lending apps and regulatory action
- Banks adopting blockchain for trade finance and settlements
- Shift towards passive investing via ETFs and index funds
- SEBI focusing on investor protection in PMS and AIFs
- Micro-investing apps gaining traction among Gen Z
- India's forex reserves nearing all-time highs
- Corporate ESG disclosures becoming mandatory in phases
- India pushing for rupee trade settlements with global partners
- Cross-border remittances getting cheaper via UPI integration
- Mutual funds launching thematic and global schemes

Top Trends

- Private credit markets growing as alternative to bank loans
- RBI sandbox expanded to cover insurance and regtech
- IPOs of fintech and SaaS firms expected in Q3
- Digital KYC norms being standardized across sectors
- Credit bureau models evolving to include utility payment data
- Crypto exchanges lobbying for regulatory clarity in India
- Financial literacy campaigns expanding under RBI mandate
- AI chatbots and robo-advisors deployed in wealth management
- Gold ETFs seeing higher SIP inflows amid inflation fears
- Sustainable agriculture finance emerging as niche sector
- Tax tribunals adopting faster digital dispute resolution

Judicial Precedents Cited:

- Telangana HC Judgment (24.07.2024): Held that the faceless scheme is mandatory for Section 148 notices, irrespective of jurisdiction (including international tax cases).
- Bombay HC in Hexaware Technologies Ltd.: Reinforced that the scheme's Clause 3(b) explicitly covers faceless issuance of notices.

Conclusion

This landmark ruling cements the transparency mandate of the faceless assessment regime, ensuring uniformity in tax proceedings. Authorities must strictly comply with the automated, faceless protocol for Section 148 notices.

Official Document Links

[Supreme Court Order and Telangana HC Judgment.](#)

No Tax Liability for Foreign Reinsurer: Core Risk Assumption Outside India, No PE in India

RGA International Reinsurance Company DAC v. DCIT (IT)-4(1) (1) | IT Appeal No. 1092 (Mum) of 2025 | Date: June 25, 2025

The Mumbai ITAT ruled that a foreign reinsurance company (tax resident of Ireland) providing reinsurance services to Indian insurers does not constitute a Permanent Establishment (PE) in India, as the core activity of risk assumption was performed outside India. The Tribunal quashed the Revenue's attribution of 50% profits to India, upholding the assessee's claim of nil taxable income.

Key Findings

No Fixed Place PE:

- The Indian entity (RGA Services) provided only support services (underwriting, actuarial, and marketing support) but had no authority to conclude contracts or assume risks.
- No disposal of premises to the assessee, as required under Article 5 of India-Ireland DTAA.

No Dependent Agent PE (DAPE):

- RGA Services operated on a principal-to-principal basis, remunerated at arm's length, and performed preparatory/auxiliary functions.
- No IRDAI license to act as a reinsurer/broker in India, negating Revenue's DAPE claim.

MLI Anti-Fragmentation Rule Inapplicable:

- The Multilateral Instrument (MLI) exemption denial under Article 5(4.1) was rejected as the assessee had no cohesive business operations in India.
- Risk assumption—the core reinsurance activity—occurred outside India.

Consistency with Precedents:

- Followed the assessee's own case for AY 2021-22 ([2024] 156 taxmann.com 178) and Bombay HC's Hexaware Technologies ruling.
- Transfer Pricing Acceptance: Payments to RGA Services were already benchmarked as arm's length; no further profit attribution permissible.

Conclusion

The Tribunal reaffirmed that reinsurance profits cannot be taxed in India without a PE, emphasizing the territorial nature of risk assumption. The ruling provides clarity on:

- PE Threshold: Auxiliary support services $\neq$ PE.
- MLI Limitations: Complementary functions must form a cohesive business operation in India.
- Judicial Consistency: Aligns with global tax principles and prior rulings on risk location and arm's length remuneration.

Official Document Link

ITAT Mumbai Order (25.06.2025)

Supreme Court Upholds Vodafone Idea's Position on Tax Treatment of International Telecom Payments

**Deputy Commissioner of Income-tax (International Taxation)
v. Vodafone Idea Ltd. | Supreme Court of India | SLP (Civil) Diary
No. 21784 of 2024 | Date: 14th July 2025**

Key Rulings

DTAA as Sovereign Document

The Supreme Court dismissed the Revenue's SLP, affirming that:

- Double Taxation Avoidance Agreements (DTAAs) are binding sovereign documents between nations.
- Tax authorities must consider DTAA provisions alongside domestic law (Sections 4, 5, 9, 90, and 91 of the Income-tax Act, 1961) in TDS proceedings under Section 201.

Top Trends

- Indian startups using revenue-based financing models
- NBFCs focusing on co-lending partnerships with banks
- Disinvestment targets tied to capital market performance
- Digital gold platforms collaborating with banks for reach
- Venture capital moving toward profitability-focused funding
- India Inc issuing sustainability-linked bonds (SLBs)
- Debt mutual funds attracting HNIs post-tax reforms
- High net-worth investors shifting to alternate investments
- Indian pension funds increasing global exposure
- P2P lending platforms facing new audit requirements
- Bharat BillPay expanding to non-financial categories
- Smart contract insurance being explored by IRDAI

Top Trends

- Global wealth migration impacting Indian fund flows
- India's GIFT City attracting global fund registrations
- Cybersecurity in finance being audited under new norms
- Tighter norms on corporate governance in listed firms
- Neobanks launching specialized SME accounts
- Fractional real estate investment gaining momentum
- RBI flagging unregulated digital finance influencers
- ESG scoring and benchmarking tools entering Indian markets
- Financial fraud detection via AI being adopted across banks
- GSTN introducing AI to detect input credit fraud
- Digital rupee wallet interoperability under discussion
- Financial apps facing scrutiny over data sharing and privacy

Non-Taxability of Interconnect Payments as Royalty

- Payments made by Vodafone Idea to non-resident telecom operators (NTOs) for:
- International interconnect services and
- Capacity transfer agreements (e.g., with Belgacom/Omantel for submarine cable bandwidth)
- Held not taxable as "royalty" under Article 12 of the OECD Model Convention, as services were rendered outside India.

Extra-Territorial Jurisdiction Barred

- Income arising from sources outside India (e.g., foreign telecom infrastructure) cannot be taxed by Indian authorities.
- No TDS obligation on payments to NTOs lacking a Permanent Establishment (PE) in India.

Judicial Precedents Followed

- Vodafone Idea Ltd. v. DDIT (2024) 165 Taxmann.com 392 (SC):
- Earlier SC ruling confirming similar principles on DTAA applicability and extraterritorial income.

Implications

- Clarity on Cross-Border Telecom Transactions: Payments for offshore services are not subject to Indian TDS if no PE exists.
- DTAA Supremacy: Reinforces that DTAA's override domestic tax provisions in conflict scenarios.
- Relief for MNCs: Prevents dual taxation on income derived from foreign-sourced services.

Supreme Court Upholds Taxability of Hyatt's India Operations Under DTAA

Hyatt International Southwest Asia Ltd. v. Additional Director of Income Tax | Civil Appeal Nos. 9766–9773 of 2025 (Arising from SLP (C) Nos. 5710, 10152, 10157, 10796–10798, 10800, and Diary No. 14972 of 2024) | Supreme Court of India | Date: 24th July 2025

Key Findings

Permanent Establishment (PE) Confirmed:

- The Supreme Court upheld the Delhi High Court's ruling that Hyatt's 20-year Strategic Oversight Services Agreement (SOSA) with Indian hotels created a fixed place PE under Article 5(1) of the India-UAE DTAA.

- Critical Factors:
- Operational Control: Hyatt exercised substantive authority over hotel management, staffing, branding, and financial policies.
- Stability & Duration: The 20-year term and continuous oversight satisfied the "stability" and "productivity" tests for PE.
- Disposal Test: Hyatt's functional use of hotel premises for core operations (despite no exclusive ownership) met the "at disposal" criterion (Formula One World Championship Ltd. v. CIT applied).

Rejection of Hyatt's Arguments:

- No Exclusive Space Required: PE can exist even with shared/temporary use of premises if business is conducted through it.
- Beyond Advisory Role: Hyatt's involvement in daily operations (e.g., appointing General Managers, controlling bank accounts) transcended "preparatory/auxiliary" functions (E-Funds IT Solutions distinguished).
- Separate Entity Argument Ignored: Hyatt India Pvt. Ltd.'s role was immaterial; economic substance of Hyatt UAE's control prevailed.

Taxability of Income:

- Profits from SOSA fees (linked to hotel revenues) were held taxable in India under Article 7(1) of the DTAA, as attributable to the PE.

Judicial Precedents Relied On

- Formula One World Championship Ltd. v. CIT (2017): PE tests for shared/controlled premises.
- Union of India v. UAE Exchange Centre (2020): Contrasted preparatory vs. core business activities.

Implications

- Foreign Enterprises: Sustained operational control in India—even without physical offices—may trigger PE liability.
- DTAA's: Functional substance over legal form determines taxability.
- Compliance: MNCs must document arm's-length arrangements and limit on-ground activities to avoid unintended PE risks.

Official Reference

[2025] INSC 891 | [Supreme Court of India]

Top Trends

- Central banks prioritizing financial stability over rate cuts
- SEBI planning tighter norms for SME IPOs
- T+0 trade settlement testing underway in select exchanges
- Surge in family office registrations post-wealth tax debates
- Credit card EMI's fueling short-term consumption boom
- Digital rupee pilots expanding to rural districts
- Infrastructure investment trusts (InvITs) seeing retail interest
- GIFT City pushing for global fintech tie-ups
- Startups shifting to invoice discounting for working capital
- RBI tightening norms on digital lending NBFCs
- Banks increasing exposure to renewable energy projects
- Asset reconstruction companies (ARCs) under regulatory review
- CBDC interoperability with UPI being prototyped

Top Trends

- MSME bad loans being addressed through credit guarantee expansion
- Banks adopting AI for real-time fraud prevention
- Finfluencers facing SEBI scrutiny over unregistered advice
- Neo-insurance startups offering usage-based pricing
- PSU banks reporting record fee-based income
- Wealth managers offering ESG portfolio customization
- Real estate finance shifting to lease-rental discounting
- Short-duration debt funds preferred in rising rate scenarios
- India Post Payments Bank expanding financial literacy missions
- Regulatory focus on sustainability-linked lending covenants

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