11th July, 2025
27th Edition www.basco.in

BASCO BULLETIN

CONTENTS:

- Direct Taxation
- Indirect Taxation
- FEMA
- International Taxation
- Compliance Calendar
- About us

Helping with Compliance, Securing with Advice

BAS & Co LLP

Kolkata- Ahmedabad-Delhi-Purnea

1. DIRECT TAX

CIRCULARS/NOTIFICATIONS

Extension of ITR Filing Deadline

CBDT Notification, dated May 27, 2025, extends ITR filing for AY 2025-26 from July 31 to September 15, 2025, due to ITR form revisions and TDS issues. This aids compliance. Non-filing by the new deadline incurs penalties.

(CBDT Notification, dated May 27, 2025)

Section 54EC Bonds

CBDT Notification notifies HUDCO bonds (post-April 1, 2025, redeemable after five years) as Section 54EC assets for capital gains exemption if invested within six months. Proceeds must fund infrastructure. This encourages tax-saving investments. Non-compliance forfeits benefits, increasing tax liability.

(CBDT Notification No. 31/2025, dated April 7, 2025)

ITR-B for Block Assessments

CBDT via Notification introduces Form ITR-B for block assessments under Section 158BC(a) for searches post-September 1, 2024. Mandatory digital signatures apply to companies and tax audit assessees. It includes tax credit rules and provisional income disclosure. This streamlines reporting for high-stakes cases. Non-compliance may delay assessments, increasing liabilities.

(CBDT Notification No. 30/2025, dated April 7, 2025

TCS on Luxury Goods

CBDT introduces TCS on luxury items exceeding specified values under Section 206C. This enhances compliance in high-value transactions. Non-compliance may lead to penalties. Businesses must adjust systems to collect TCS, impacting pricing.

(CBDT Notification No. 35 & 36/2025, dated April 22, 2025)

Extension of ITR Filing Deadline
Section 54EC Bonds
ITR-B for Block Assessments
TCS on Luxury Goods
Non-Deductible Expenses

Non-Deductible Expenses

CBDT ,amends Section 37 of the Income Tax Act, disallowing deductions for penalties and fines imposed under specified laws, effective from the same date. This measure aims to deter non-compliance by increasing taxable income for businesses incurring such expenses. Companies must now review and adjust their expense policies to ensure compliance with the updated regulations, as non-adherence will result in higher tax liabilities. The notification reinforces the government's stance against violations by making such expenses non-deductible, urging businesses to prioritize adherence to legal frameworks. This change necessitates a thorough evaluation of financial practices to mitigate tax implications.

(CBDT Notification No. 38/2025, dated April 23, 2025)

1.1 DIRECT TAX

RECENT CASE LAWS:

Simple Utilization of Technology Not Taxable as FTS under India-US Treaty

The Income Tax Appellate Tribunal (ITAT) in Mumbai has adjudicated that payments received by the assessee for passenger-related services rendered to an Indian airline are not subject to taxation as Fees for Technical Services (FTS) under the India-US tax treaty. The Tribunal determined that these services, encompassing reservations, departure control, and booking systems managed through the company's data center in the United States, do not involve the dissemination of technical knowledge to the recipient, a prerequisite under Article 12 of the treaty. The Tribunal affirmed the Revenue's prior decision, concluding that since these services merely employ technology without transferring it, the income generated is not liable for taxation in India.

Sita Information Networking Computing USA Inc. (Mumbai ITAT)

Business Expense Related to Group Investment Permissible Despite Absence of Income

The Income Tax Appellate Tribunal (ITAT) in Delhi has delivered a ruling in favor of the Assessee, endorsing the permissibility of expense claims for a holding company despite its lack of business income. The Assessing Officer had previously rejected these claims, contending that a company devoid of business income or tangible fixed assets was ineligible to claim deductions under Section 37(1) of the Income Tax Act. However, the Tribunal countered this view, asserting that investment activities directed toward subsidiaries qualify as legitimate business operations. This decision draws on established judicial precedents that recognize expenses incurred by holding companies as valid business costs, thereby providing a significant clarification for similar entities.

NDTV Networks Limited (Delhi ITAT)

Rights Entitlements Distinct from Shares, Taxable Solely in Seller's Home Country under India-Saudi Arabia DTAA

The Income Tax Appellate Tribunal (ITAT) in Mumbai has ruled that capital gains arising from the transfer of rights entitlements by an assessee based in Saudi Arabia are taxable exclusively in the seller's home jurisdiction, as stipulated by the India-Saudi Arabia Double Taxation Avoidance Agreement (DTAA). The Tribunal asserted that rights entitlements constitute a separate category from shares, and their transfer does not equate to the sale of equity shares. This interpretation underscores the principle of residence-based taxation, effectively prevents the risk of double taxation, and offers clear guidance for international investors regarding the tax implications of rights entitlements under analogous treaty frameworks.

General Organisation for Social Insurance (Mumbai ITAT)

India-Cyprus Tax Treaty Benefit Granted for Share Sale with Demonstrated Substance

The Income Tax Appellate Tribunal (ITAT) in Delhi has determined that a Cyprus-based assessee is eligible for a capital gains tax exemption under the provisions of the India-Cyprus Double Taxation Avoidance Agreement (DTAA) concerning the disposal of shares in an Indian corporation. The assessee successfully presented a valid Tax Residency Certificate (TRC), conducted significant decision-making activities within Cyprus, and adhered diligently to Indian regulatory requirements, notably undergoing thorough scrutiny by the Securities and Exchange Board of India (SEBI). Consequently, the tribunal concluded that the entity did not qualify as a mere shell company or a pass-through conduit, thereby justifying the extension of treaty benefits.

Gagil FDI Ltd. (Delhi ITAT)

2. INDIRECT TAX

CIRCULAR/NOTIFICATIONS

GSTR-3B Auto-Population Hard-Locking

GSTN Advisory, effective July 2025 (filed August 2025), hard-locks GSTR-3B sales liability values based on GSTR-1/GSTR-1A/IFF data, preventing manual edits. Amendments must be made via GSTR-1A or future filings. This ensures accuracy in tax liability reporting, reducing errors. Taxpayers must verify data before filing to avoid discrepancies. Non-compliance may lead to penalties or ITC issues. The measure enhances compliance rigor, prompting timely corrections in source returns.

(GSTN Advisory, effective July 2025)

Three-Year Time Limit for GST Returns

CBIC Notification, effective July 2025, restricts GST return filings (GSTR-1, GSTR-3B, etc.) to three years from the due date under Sections 37, 39, 44, and 52. This applies to returns like GSTR-4, GSTR-5, and GSTR-9. Taxpayers must reconcile and file pending returns promptly to avoid penalties and ITC loss. Non-compliance forfeits filing rights, escalating disputes. The measure aligns with compliance enforcement goals, urging timely reporting.

(CBIC Notification, effective July 2025)

Advisory on Case-Insensitive Invoice Numbers for IRN Generation

GSTN Advisory effective June 1, 2025, treats invoice numbers as case-insensitive (e.g., "abc123" = "ABC123") for Invoice Reference Number (IRN) generation on the IRP. This aligns with GSTR-1, where invoice numbers are already case-insensitive, preventing duplication errors. Businesses must ensure consistency in e-invoicing submissions. Non-compliance may lead to rejected IRNs, impacting e-invoice compliance. The change simplifies processes for taxpayers, reducing manual corrections. Taxpayers are advised to update systems to handle uppercase conversion by the effective date.

(GSTN Advisory, dated April 4, 2025)

RECENT CASE LAWS:

ITC Ineligible on Share Buyback Expenses

The Authority for Advance Rulings (AAR) Gujarat ruled that Input Tax Credit (ITC) cannot be claimed on expenses incurred for the buyback of shares. Under GST law, securities, including shares, are excluded from the definition of "goods" and "services" as per Sections 2(52) and 2(102) of the CGST Act, 2017. Consequently, the buyback of shares does not constitute a taxable supply. Expenses related to the buyback, such as legal or consultancy fees, are not eligible for ITC under Section 16, as they are not used for taxable supplies in the course of business.

Gujarat Narmada Valley Fertilizers & Chemicals Ltd. (AAR Gujarat)

Pre-Deposit for Appeal Allowed via Credit Ledger

The Supreme Court upheld the High Court's decision permitting the use of the Input Tax Credit (ITC) credit ledger for making pre-deposits required for filing appeals under GST law. This ruling clarifies that taxpayers can utilize available ITC in their electronic credit ledger to fulfill the mandatory pre-deposit requirement (typically 7.5% to 10% of the disputed tax amount) for appeals before appellate authorities. This facilitates easier compliance for taxpayers, reducing the need for cash payments and easing liquidity concerns during the appeal process under the CGST Act, 2017.

Yasho Industries Ltd. (Supreme Court of India)

ITC Allowed on Immovable Property via Functionality Test

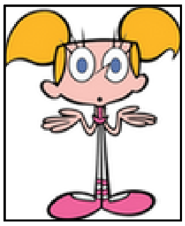
The Supreme Court dismissed Revenue’s review petition, upholding ITC eligibility on immovable property construction if it meets the functionality test, enabling taxable supplies like leasing under Section 17(5)(c) and (d) of the CGST Act, 2017.

Safari Retreats Pvt Ltd (Spreme Court of India)

3. FEMA

RBI'S PRAVAAH Portal

Hi Mr. FEMA Scientist! I recently heard about something called the PRAVAAH portal by RBI. What is it? A new banking scheme? A passport service? What's the story?



Great question! And nope—no passports here! 😄
PRAVAAH stands for:
➡️ Platform for Regulatory Application, Validation, and Authorization.
It's an initiative by the Reserve Bank of India (RBI) to digitize and simplify how entities interact with RBI for regulatory approvals and licenses.

Think of PRAVAAH as RBI's very own single-window system—just like how online shopping brings everything to one app, PRAVAAH brings multiple RBI approvals under one digital roof!

🧪 *So... what can I do on PRAVAAH?*

You can apply for things like:

✅ Authorisation as a Payment Aggregator
✅ NBFC licensing requests
✅ Permission to open a branch abroad
✅ Compounding applications under FEMA
✅ Many more RBI-related approvals

There are more than 60 application forms available—and the list is growing!

👨‍🔬 *How does it actually help people like me?*

Great question again! PRAVAAH is built for:
1. Transparency: You can track your application in real-time (no more chasing emails and letters!)
2. Efficiency: No need to send physical documents or walk into RBI offices.
3. Accessibility: Whether you're a bank, NBFC, fintech startup, or individual—you can access it online, 24/7.

You also get alerts and status updates, and you can respond to RBI's queries right through the portal!

Wow, this actually makes RBI sound tech-savvy. Thanks, Mr. FEMA Scientist!

Always happy to help decode the finance universe for you! 🌍🧪

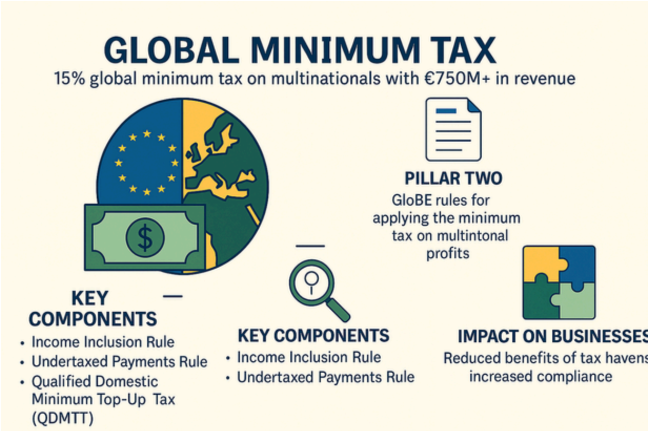
👉 And remember—BAS & Co can help you file and track PRAVAAH applications with ease. Reach out if you need expert support!

4. INTERNATIONAL TAXATION

Global Minimum Tax: A New Era in International Taxation

The Global Minimum Tax is a landmark initiative under the OECD/G20's Inclusive Framework on Base Erosion and Profit Shifting (BEPS). It aims to introduce a 15% minimum effective tax rate on multinational enterprises (MNEs) earning over €750 million in global revenue. This initiative is designed to curb tax avoidance by ensuring that profits are taxed at least at a minimum rate, no matter where they are booked.

Why Is It Needed?
The global economy has witnessed a surge in tax avoidance through profit shifting, where companies route profits to low or no-tax jurisdictions like Bermuda, Cayman Islands, or Ireland—even when little economic activity takes place there. This erodes the tax base of source countries and gives unfair advantage to MNEs over domestic businesses.



With digitalization and globalization, traditional tax rules based on physical presence have become outdated. The global minimum tax is designed to plug these gaps and restore fairness in international taxation.

Core Framework: Pillar Two
The Global Minimum Tax falls under Pillar Two of the OECD's two-pillar solution. It is enforced through a set of rules called the Global Anti-Base Erosion (GloBE) Rules.

Key Components:
1. Income Inclusion Rule (IIR):
The parent company's jurisdiction collects additional tax if foreign subsidiaries are taxed below 15%.
2. Undertaxed Payments Rule (UTPR):
Allows other countries to deny deductions or impose additional tax if the low-taxed income wasn't caught by IIR.
3. Qualified Domestic Minimum Top-Up Tax (QDMTT):
Allows source countries like India to collect the top-up tax themselves, keeping tax revenue local.
4. Subject-to-Tax Rule (STTR) (proposed):
Allows withholding taxes on certain payments (like interest or royalties) made to related entities in low-tax jurisdictions.

India's Response
India supports the Global Minimum Tax, especially as it aligns with the country's goal to ensure fair taxation of digital and multinational companies. India has also implemented its own digital taxation measures—like the Equalisation Levy and Significant Economic Presence (SEP) rules.

India is expected to introduce QDMTT as part of its future tax framework, possibly under the upcoming Income Tax Bill, 2025, to ensure it retains taxing rights before other jurisdictions apply IIR or UTPR.

Impact on Businesses
1. Reduced advantages of routing profits to tax havens
2. Increased compliance burden for MNEs
3. Need for restructuring of group entities and tax planning strategies

Businesses will need to adapt to the new regime with improved transparency, documentation, and reporting of global effective tax rates.

5. COMPLIANCE CALENDAR

DUE DATES FOR INCOME TAX:

FILING TDS RETURN FOR THE F.Y. 2025-26:
Q1 (Apr'25 - June'25) - 31st July 2025
Q2 (July'25 - Sept'25) - 31st Oct 2025

FILING TCS RETURN FOR THE F.Y. 2025-26
Q1 (Apr'25 - June'25) - 15th July 2025
Q2 (July'25 - Sept'25) - 15th Oct 2025

Deposit of Advance Tax:
First Installment: 15th June 2025
(15% of tax liability)
Second Installment: 15th September 2025
(45% of tax liability)

DUE DATES FOR GST Returns

S. No	Form	The Object of e-form	For the month/year	Last Date	Remarks
1	GSTR-1	Monthly/ Quarterly Return	June, 2025	11th/13th July, 2025	Normal/ QRMP
2	GSTR-3B	Monthly Return	June, 2025	20th/22nd July, 2025	Normal/ QRMP
3	GSTR-6	Monthly Return	June, 2025	13th July, 2025	Filed by ISD
4	GSTR-7	Monthly Return	June, 2025	10th July, 2025	Deductor of TDS under GST
5	GSTR-8	Monthly Return	June, 2025	10th July, 2025	E-commerce operators required to collect TCS
6	GSTR-9	Annual Return	2024-25	31st December, 2025	Turnover>2 crore
7	GSTR-9C	Annual Return	2024-25	31st December, 2025	Turnover>5 crore

6. ABOUT US

BAS & Co LLP

Kolkata
CA Arun Patodia
Email: arun@basco.in
Phone: 033-25587917
Address: Suryadeep , 2nd Floor,
1/IE/6, Rani Harsha Mukhi
Road, Kolkata 700002

Additional Office:
Unit 401, PS ABACUS 4th floor,
NH12, Action Area IIE,
Newtown, Kolkata, 700157

Ahmedabad
CA Sumeet Singhania
Email: sumeet@basco.in
Phone: 9879105798
Address: Dev Aurum,
A-702, Anandnagar Road, Ahmedabad
380015

Delhi
CA Ritika Agarwal
Email: ritika@basco.in
Phone: 9717057567
Address: 1217, Pearls Omaxe Building,
Netaji Subhash Place, Delhi-110034

Purnea
CA Himanshu Patodia
Email: himanshu@basco.in
Phone: 8210540166
Address: Kosi Auto Farm & Equipment
Pvt. Ltd,near bus stand,
behind Vikas Bazar,
Purnea, Bihar 854301

ABOUT THE FIRM

With 27 years of experience in the industry, BAS & Co LLP continues to deliver high-quality performance to its clients. The growing team of young professionals with dynamic approaches will surely carve more paths for the firm in the coming future.

SERVICES

- **Audit**
- **Direct Tax**
- **Indirect TAX**
- **Secretarial**
- **FEMA**
- **International tax**
- **IPO Advisory**

DISCLAIMER

This bulletin is meant for internal circulation and general information purposes only. These information materials are not intended, and must not be taken, as legal advice on any particular set of facts or circumstances.