



A Monthly E-Newsletter

Vol 06 Issue 6
June 2025

The Bottom Line

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KEY METRICS

Indices

BSE SENSEX	81,451	1.51%	▲
NSE NIFTY50	24,751	1.71%	▲
NASDAQ Composite	19,114	9.56%	▲
NIKKEI 225	37,965	5.33%	▲

Currency

USD/INR	85.53	-1.09%	▼
Euro/INR	97.05	-1.27%	▼
GBP/INR	115.12	-2.08%	▼
JPY/INR	0.59	-0.45%	▼

Note: The month-on-month movement as on May 31, 2025, is represented in percentages
Source: NSE.com, BSE.com, NASDAQ.com, NIKKEI.com, Investing.com



DIRECT TAX

Circulars/Notifications

Due date for filing ITR by individuals / HUF for AY 2025-26, extended

The due date for filing of ITRs by individuals, HUFs as well as firms not liable to audit, which were originally due on July 31, 2025, have been extended to September 15, 2025. The extension has been announced keeping in mind structural and content revisions in the ITR utilities, since though the forms have been released, the final ITR utilities are still awaited. The extension was also needed since credits arising from TDS statements, due for filing by May 31, 2025, are expected to begin reflecting in early June. This will address taxpayers concerns and provide adequate time for compliance.

Circular No. 06 of 2025 dated May 27, 2025.

Judicial Rulings

Expenditure for maintenance of a liquidating group company allowable considering commercial expediency

The Tribunal, upholding the order of Commissioner Appeals, disallowed the expenditure incurred by the assessee for its subsidiary company which was in the process of winding up. This was cited on the grounds that the assessee did not incur the expenditure to carry on the business of the subsidiary. The High Court, dismissing the contention of the Tribunal, ruled that expenditure incurred shall be allowable as deduction since the assessee was holding a

substantial portion of equity capital in its subsidiary. The expenditure incurred to protect the value of goodwill attached to the assessee was permissible as a deduction.

Mahindra & Mahindra Ltd. (Bombay High Court)

Rights entitlements distinct from shares, taxable only in seller's home country under India-Saudi Arabia DTAA

The Tribunal, in the case of an assessee based in Saudi Arabia, held that capital gains from the transfer of rights entitlements are taxable only in the seller's home country in accordance with India-Saudi Arabia DTAA. The Tribunal opined that rights entitlements are distinct from shares and their transfer is not akin to share transfer. This interpretation reinforces residence-based taxation, avoids double taxation and provides clarity for foreign investors on the tax treatment of rights entitlements under similar treaty provisions.

General Organisation for Social Insurance (Mumbai ITAT)

Penalty and Late fees levied on non-fulfilment of contractual terms allowed as a deduction.

The assessee was engaged in providing road construction services to the Government Authorities and during the year certain amount was deducted from the certified bills as a reason due to delay in commencement or fulfilment of work. The assessee claimed the penalties and late fees as business expenditure which

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were disallowed by the Assessing Officer. The Tribunal held that those penalties and late fees arose from contractual terms and hence are in the normal course of the business and should be allowed.

G.L. Construction Pvt. Ltd. (Mumbai ITAT)

India-Cyprus Tax Treaty Benefit allowed on share sale where the assessee proved its substance

The Tribunal ruled that a Cyprus-based assessee was entitled to capital gains tax exemption under the India-Cyprus DTAA on the sale of shares in an Indian company. The assessee had a valid TRC, made key decisions in Cyprus, and complied with Indian regulatory norms, including SEBI scrutiny. Hence, it was not considered as a mere shell or pass-through entity and treaty benefits were allowed.

Gagil FDI Ltd. (Delhi ITAT)

INDIRECT TAX

Circulars / Notifications / Press Releases

Changes in refund filing process

The refund filing process of the following category of supplies will now be as per 'invoice based filing' instead of 'tax period based filing' i.e. the taxpayer can upload eligible invoices and claim refund:

- i) Export of services with payment of tax
- ii) Special Economic Zone supplies with payment of tax
- iii) Deemed exports where application filed by supplier

Advisory dated May 08, 2025

Judicial Rulings

ITC eligible on immovable property based on functionality test

The review petition filed by Revenue against Safari Retreats judgement has been dismissed by the Apex Court, allowing ITC on construction of immovable property based on functionality test.

Safari Retreats Pvt Ltd (Supreme Court of India)

Method of payment of pre-deposit

Apex Court sustained the High Court order which had held that pre-deposit for appeal can be made through credit ledger.

Yasho Industries Ltd (Supreme Court of India)

Taxability of development rights

Where the contract for transfer of development right was entered

prior to implementation of GST but the right on property arose in GST regime, said transfer is taxable under GST and cannot be brought within preview of sale of land.

Shashi Ranjan Constructions Pvt Ltd (Patna High Court)

Intermediary services

Since support services were provided to a foreign holding company for Indian student's foreign university admissions, without any contractual obligation with the universities or students, the services do not fall under the definition of an intermediary.

IDP Education India Pvt Ltd (Bombay High Court)

Services were provided by the petitioner on its own account to foreign recipients under the 'Buying Support Services Agreement' and there was no facilitation of services by the petitioner. Accordingly, the petitioner was not treated as an 'intermediary' and the services were classified as 'export of services'

Columbia Sportswear India Sourcing Pvt Ltd (Karnataka High Court)

ITC not eligible on expenses related to buy back of shares

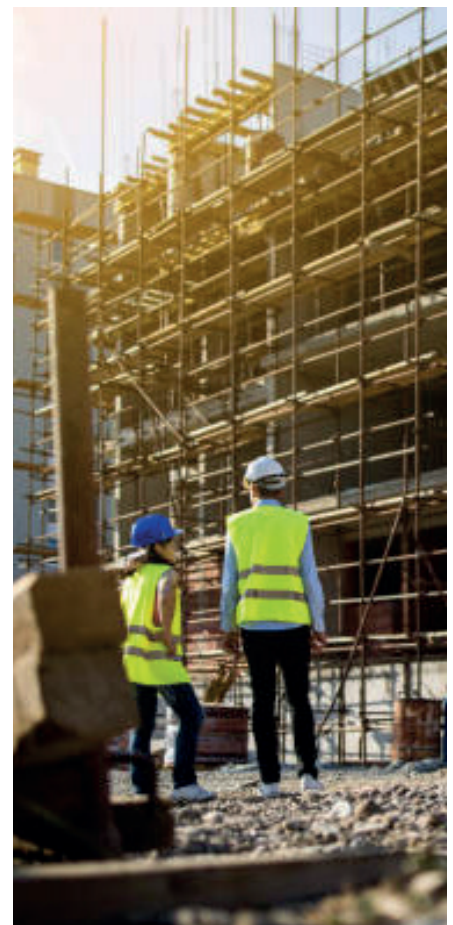
ITC is not eligible on expenditure incurred for buyback of shares as 'securities' are excluded from the definition of goods and services. Therefore, its buy back is neither supply of goods nor services.

Gujarat Narmada Valley Fertilizers & Chemicals Ltd (AAR Gujarat)

Advisory released on changes in refund filing process

Apex Court settles dispute over ITC eligibility on immovable property based on functionality test

ITC not eligible on expenses related to buy back of shares



CORPORATE & ALLIED LAWS

Circulars / Notifications

Ind AS 21 amended

Companies (Indian Accounting Standards) Amendment Rules, 2025 have been notified amending Ind AS 21 to help entities assess whether a currency is exchangeable and estimate the spot exchange rate when a currency is non-exchangeable. Detailed guidance has been provided including disclosures to be made when currency is non-exchangeable.

Ministry of Corporate Affairs Notification dated May 7, 2025

RBI issues comprehensive guidelines to regulate digital lending ecosystem in 2025

Digital Lending Directions, 2025, seek to ensure innovation in digital credit while safeguarding borrowers' interests and financial stability. The directions address concerns like misuse of third-party service providers, data privacy breaches, unethical recovery methods, and high interest rates. These comprehensive directions consolidate previous instructions and introduce new measures, particularly for lending service providers engaged with multiple regulated entities and the creation of a directory of digital lending apps.

*RBI/2025-26/36 DOR.STR.
REC. 19/21.07.001/2025-26 dated May 8, 2025*

Guidelines for Internal Audit mechanism at MIIIs

SEBI outlines norms for the internal audit mechanism and composition of the audit committee for MIIIs

including stock exchanges, clearing corporations, and depositories. The circular mandates annual internal audits across all MII functions by independent auditors, reporting solely to the audit committee. It also prescribes audit procedures, timelines, and reporting protocols. To further strengthen the governance, the audit committee must exclude executive directors, though key management personnel may attend meetings without voting rights. These provisions aim to enhance transparency, governance, and risk management, and will take effect 90 days from the issuance of the circular.

Circular No. SEBI/HO/MRD/POD 3/P/ CIR/2025/69 dated May 19, 2025

Ind AS 21 amended to provide for disclosures when currency is non-exchangeable

RBI issues comprehensive guidelines to regulate digital lending ecosystem in 2025

Guidelines for Internal Audit mechanism at MIIIs



CFO WATCH

India unveils draft climate finance taxonomy for climate-aligned activities, aiming to drive capital toward green growth

IAASB to withdraw ISAE 3410 following approval of comprehensive sustainability assurance standard

Draft framework for India's climate finance taxonomy, unveiled

Draft framework for India's Climate Finance Taxonomy has been released. This initiative aims to mobilize capital towards climate adaptation and mitigation, supporting the country's Net Zero goal by 2070 and the vision of a developed India by 2047. The taxonomy outline principles and methodologies to classify climate-aligned activities, ensuring transparency and minimizing greenwashing. It emphasizes inclusivity for sectors like MSMEs, Power, Mobility, building, iron, steel, cement and agriculture and will be refined through public consultation. The final taxonomy will guide financial institutions in channelling investments towards sustainable, climate-resilient growth.

IAASB to withdraw ISAE 3410 following approval of comprehensive sustainability assurance standard

IAASB has approved the withdrawal of ISAE 3410, which deals with assurance on greenhouse gas statements. This decision aligns with the introduction of ISSA 5000, a comprehensive standard for sustainability assurance engagements, approved in 2024. ISSA 5000 covers all types of sustainability information, including greenhouse gas emissions, regardless of format. It becomes effective for reporting periods beginning on or after December 15, 2026, or as at a specific date thereafter. Accordingly, ISAE 3410 will be withdrawn from the same effective date to streamline and consolidate sustainability assurance standards.

MERGERS & ACQUISITIONS

March Quarter Startup Funding Hits Two-Year High in India

India's startup ecosystem is showing strong signs of revival, with startup funding in the March 2025 quarter reaching its highest level in two years. Indian startups raised \$3.7 billion in Q1 2025, marking a 34.5% increase from \$2.75 billion in the same period last year, and a 9.5% rise from Q4 2024.

The funding boost comes amid growing investor interest in sectors like artificial intelligence, fintech, health tech, and enterprise software. Bengaluru led the surge with 122 deals amounting to over \$1.4 billion, accounting for nearly 38% of the total funding during the quarter.

The surge was driven by substantial investments in sectors like AI, fintech, health tech, and enterprise solutions. Notable deals included Impetus Technologies securing \$350 million, Innovaccer raising \$275 million, and Zolve obtaining \$251 million.

Mergers and acquisitions also saw an uptick, with 45 M&A transactions in Q1 2025—the highest in two years and a 61% increase from the same period last year. The median acquisition price rose to \$16.7 million, up 60.6% from the previous quarter. Fintech, in particular, continues to be a major draw for investors. India now ranks as the third-highest funded fintech startup ecosystem globally for Q1 2025, following only the US and the UK.

With funding picking up pace, startups are expected to shift focus back to growth and expansion strategies, after nearly two years of cost-cutting and cautious scaling. The March quarter's performance signals a strong start to 2025 for India's innovation-driven economy, highlighting the resilience of India's startup ecosystem. It also reflects growing investor confidence and a renewed sense of optimism surrounding the country's innovation-driven growth trajectory.



IN THE NEWS

ICAI National Conference in Bhubaneswar

May 07, 2025

Ajay Sethi, Baker Tilly ASA India delivered the Keynote Address at the ICAI National Conference in Bhubaneswar, where he inspired over 600 Chartered Accountants on the theme "Skill Up, Scale Up." He shared insights on how Indian Chartered Accountants could expand their horizons, tap into global opportunities, and strengthen their role in cross-border advisory and compliance.

WIRC's Internal Audit & Management Accounting Committee for 2025-26 -

May 12, 2025

Chintan Nisar, ASA was nominated as a Member of the Internal Audit & Management Accounting Committee of the WIRC of ICAI for 2025-26. His expertise is set to contribute meaningfully to the advancement of internal audit practices in India.

Professional services firms seek PE money to expand as scale becomes a necessity

May 05, 2025

In a recent article by Vinod Mahanta titled "Professional services firms seek PE money to expand as scale becomes a necessity", published in The Economic Times, Ajay Sethi, Baker Tilly ASA India shared his insights on how professional services firms are leveraging growth capital through private equity to scale their operations.

Aerospace and Defence Spotlight Auditor's Considerations

May 12, 2025

Author: Parveen Kumar & Abhishek Babbar, ASA

This article examines key accounting challenges in the Aerospace and Defence sector under Ind AS, including recognition of manufacturing and R&D costs, treatment of long-cycle intangible assets, estimation-at-completion, lease accounting, inventory valuation, MRO inventory management, and emerging ESG considerations.

HR Leadership Award at the HR Leadership Conclave 2025

May 13, 2025

Nitin Arora, Baker Tilly ASA India received the HR Leadership Award at the HR Leadership Conclave 2025, held at the Indian Institute of Technology, Delhi. The award recognized his people-first approach and impactful contribution to the future of HR.

BW BusinessWorld Tech Leaders Connect 2025

May 06, 2025

Shrikrishna Dikshit, Baker Tilly ASA India spoke at BW Tech Leaders Connect 2025 on tech-powered business transformation, highlighting the role of AI, automation, and data analytics in driving operational efficiency.

Section 194T: Unravelling the TDS Implications for Partnership Firms and Their Partners

May 06, 2025

Author: Y Ramakrishnan, ASA

The Finance (No. 2) Act 2024 has brought forth Section 194T, a new provision mandating 10% TDS on

payments exceeding ₹20,000 during the financial year made by firms to their partners as salary, remuneration, bonus, commission or interest. This introduction raises several critical questions, particularly concerning its impact on small and professional firms and the resulting cash flow implications for individual partners, especially in light of the revised new tax rates for Individuals under the Finance Act 2025.

Secondment Uncovered: Insights from a Service PE Lens

May 23, 2025

Author: Ameet Baid, Pragya Bansal & Saahil Mehra, ASA

Secondment can be understood as an arrangement where the employee of one entity is temporarily assigned to work for another entity. This concept is extensively utilized across the globe by multinational entities, mainly to expand businesses while achieving various managerial objectives such as curtailing expenditure with respect to hiring more workforce, sharing of talent pool across group entities and maintaining global standards.

Navigating ESG in India: Current Regulations and Future Outlook

May 13, 2025

Author: Gaurav Bhatia, Baker Tilly ASA India

India is undergoing one of the most significant financial evolutions of the modern era, guided by its net-zero 2070 pledge and the Viksit Bharat commitment to inclusive growth. ESG principles are moving from the sidelines to the centre of policymaking, shaping how companies govern, conduct, produce, innovate, and report.

GLOSSARY

DTAA

Double Taxation
Avoidance
Agreement

Ind AS

Indian
Accounting
Standard

MII

Market
Infrastructure
Institution

SEBI

Securities and
Exchange Board
of India

WIRC

Western India
Regional Council

ESG

Environmental,
Social and
Governance

ISSA

International
Standard on
Sustainability
Assurance

MRO

Maintenance,
Repair and
Operations

TDS

Tax Deducted at
Source

GST

Goods & Services
Tax

ISAE

International
Standard on
Assurance
Engagements

MSME

Micro, Small
and Medium
Enterprise

TRC

Tax Residency
Certificate

HR

Human Resource

ITAT

Income Tax
Appellate
Tribunal

PE

Private Equity

HUF

Hindu Undivided
Family

R&D

Research &
Development

IAASB

International
Auditing and
Assurance
Standards Board

ITC

Input Tax Credit

RBI

Reserve Bank of
India

ICAI

Institute of
Chartered
Accountants of
India

ITR

Income Tax
Return

M&A

Mergers &
Acquisitions

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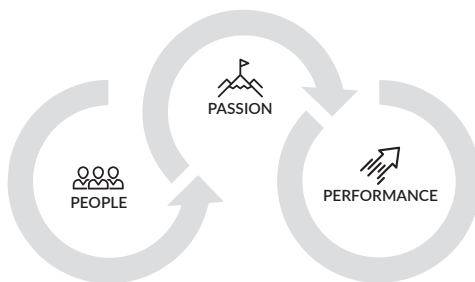
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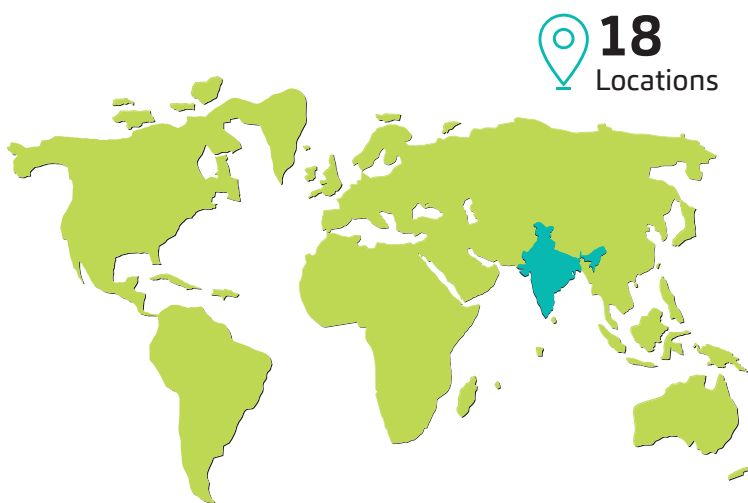
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Going The Extra Mile

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