



A Monthly E-Newsletter

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# The Bottom Line

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## KEY METRICS

### Indices

BSE SENSEX	81,186	-2.90%	▼
NSE NIFTY50	24,768	-2.93%	▼
NASDAQ Composite	21,122	3.70%	▲
NIKKEI 225	41,070	1.44%	▲

### Currency

USD/INR	87.52	-2.13%	▼
Euro/INR	99.97	1.02%	▲
GBP/INR	115.61	1.76%	▲
JPY/INR	0.58	2.49%	▲

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



# DIRECT TAX

## Circulars/Notifications

### **CBDT Eases Compliance for Inoperative PAN-related TDS/TCS Issues**

The CBDT has provided relief to taxpayers and tax deductors/collectors facing issues due to PANs becoming inoperative for non-linkage with Aadhaar. Earlier, higher TDS/TCS rates applied in such cases, leading to demands even when the PAN was later made operative. The new circular clarifies that no liability for short deduction or collection will arise if the amount was paid or credited between April 1, 2024 and July 31, 2025 and the PAN is made operative by September 30, 2025 or the amount is paid on or after August 1, 2025 and the PAN is made operative within two months from the end of that month. In such cases, regular deduction or collection provisions will apply.

*Circular no. 09 of 2025 dated July 21, 2025*

## Judicial Rulings

### **Operational oversight and functional control can result into a PE**

The Apex Court held that a UAE-based entity had a Fixed Place PE in India under Article 5(1) of the India-UAE DTAA. The entity entered into long-term SOSAs with Indian hotel owners and exercised continuous control over strategic, operational, and financial matters. It managed HR policies, procurement, pricing, marketing, and had the authority to assign personnel to hotel premises. The profit-linked fee model and regular executive presence established a substantive commercial nexus. The Court ruled that the hotel premises were effectively at the disposal of the entity, meeting the test for a fixed place PE. Consequently, income

earned under the SOSA was held attributable to the PE and taxable in India.

*Hyatt International Southwest Asia Ltd. (Supreme Court of India)*

### **Structured rentals under operating lease not taxable as interest income**

The Tribunal held that lease rentals received by an Irish entity from an Indian airline under aircraft lease agreements were not taxable in India, as the arrangements qualified as operating leases. The Tribunal observed the facts from the ASLA and CTA that the ownership remained with the lessor, the aircraft had to be mandatorily redelivered at lease-end, the lease term did not cover the aircraft's full economic life, subleasing was also restricted, and no RBI approval was obtained for a finance lease. Pursuant to the above, it rejected the Revenue's characterization of the rentals as interest under Article 11 of the India-Ireland DTAA. This ruling affirms that lease classification must follow the legal form and commercial substance of the contract as mere economic linkage cannot convert an operating lease into a financial lease for tax purposes.

*Celestial Aviation Trading 15 Ltd. (Delhi ITAT)*

### **Tax Relief for AIFs not restricted by category classification**

The High Court held that a Category III AIF is entitled to exemption on income such as capital gains, dividends, and interest, similar to other AIF categories, provided the income is of a specified nature. The fund had applied for a certificate seeking nil or lower tax deduction, which was denied by the Revenue on the ground that such exemption applied only to Category I and II AIFs. The Court rejected this

### **CBDT eases compliance for inoperative PAN-related TDS/TCS Issues**

### **Operational oversight and functional control can result into a PE**

### **Structured Rentals under Operating Lease not taxable as interest income**

interpretation and clarified that the exemption is based on the nature of the income and not the category of the AIF. It ruled that if the income is of the type specified for pass-through treatment, such as capital gains or interest, it remains exempt in the hands of the AIF, regardless of its category. The ruling confirms that Category III AIFs are eligible for exemption where applicable, and tax withholding must follow this interpretation.

*Equity Intelligence AIF Trust (Delhi High Court)*

### **Non-compliance to faceless assessment protocol can render the re-assessment notice as void**

The Apex Court dismissed the Revenue's Special Leave Petition, affirming the Telangana High Court's ruling that notices under Section 148 issued in violation of faceless assessment protocol Section 151A and the guidelines of the CBDT for 'e-assessment' under Income Escaping Assessment Scheme, 2022 are invalid. This verdict conclusively establishes that all Section 148 notices, including those in international taxation cases, must adhere to the faceless assessment protocol under the CBDT Scheme in the absence of which such notices and subsequent actions shall be regarded as void.

*Deepanjan Roy [SLP before Supreme Court of India]*

# INDIRECT TAX

## Circulars / Notifications / Press Releases

### Reporting values in GSTR 3B

From July 2025 tax period, inter-State supplies auto-populated in Table 3.2 of GSTR-3B on the GST portal, would be non-editable. In case any modification/amendment is required, the same can be carried out by amending corresponding values in GSTR-1A or in GSTR-1 filed for subsequent tax periods.

*Advisory dated July 19, 2025*

## Judicial Rulings

### Secondment of expats

If no self-invoice is raised by the petitioner for the alleged services provided by the foreign related party through secondment of employees, the taxable value of such supplies shall be deemed 'Nil' in accordance with the clarification provided in Circular No. 210/4/2024-GST dated June 26, 2024.

*M/s Alstom Transport India Ltd (Karnataka High Court)*

### Transfer of ITC post inter-State amalgamation permitted

Transfer of unutilized ITC in the electronic credit ledger of the transferor company to the amalgamated company is allowed, even if the companies are in different States.

*Umicore Autocat India Pvt Ltd (Bombay High Court)*

### Leasehold rights

Assignment of leasehold rights in industrial plot for consideration, is transfer of immovable property benefits, not taxable under GST.

*Dhiraj Can Co. Pvt Ltd (Gujarat High Court)*

### Receivables from group entities can be adjusted against payables

Where ITC is claimed as a refund on account of export of services to group entities, the refund application should not be denied solely due to the non-submission of FIRC, if the applicant provides a Chartered Accountant's certificate confirming the receipt of net consideration and

**Absence of FIRC does not justify refund rejection**

**Transfer of ITC post inter-State amalgamation permitted**

**Receivables from group entities can be adjusted against payables**

submits the necessary approval from the RBI for such netting arrangements.

*Keehne Plus Nagel Private Limited (Gujarat High Court)*

### Absence of FIRC does not justify refund rejection

Non-submission of FIRC does not justify rejection of refund if net foreign exchange receipt is certified by Chartered Accountant.

*Kuehne Plus Nagel Pvt Ltd (Gujarat High Court)*





# CORPORATE & ALLIED LAWS

## Circulars / Notifications

### Reserve Bank of India (Investment in AIF) Directions, 2025

Existing circulars have been reviewed and post feedback from industry, RBI has issued detailed guidelines regarding investment by REs of RBI in AIFs. The key guidelines are:

#### Investment:

- REs internal investment policy must have suitable provisions governing investment in an AIF scheme compliant with existing laws and regulations
- Individual contribution by a RE must not exceed 10 per cent of the corpus of AIF scheme
- Consolidated contribution by all REs in any AIF scheme shall not exceed 20 per cent of the corpus of that scheme.

#### Provisioning:

- In case a RE contributes more than 5 per cent of the corpus of a scheme, which has a downstream investment in debtor company of the RE, then RE has to make 100 per cent provision to the extent of its proportionate investment in the debtor company through the AIF scheme
- If REs contribution is in the form of subordinated units, then entire investment in debtor company has to be deducted from REs capital funds proportionately

#### Exemptions:

- Outstanding investments made with prior approval from RBI
- Through a notification by the RBI

*RBI/DOR/2025-26/138 DOR.STR.  
REC.43/21.04.048/2025-26 dated July 29, 2025*

### Re-lodgement of transfer requests of physical shares

Transfer of securities in physical mode was discontinued effective April 1, 2019. Transfer deeds lodged prior to that date and rejected due to deficiency in documentation could have been re-lodged for transfer with requisite documents, by March 31, 2021. This deadline was missed by some investors and hence extended time to re-lodge shares for transfer was allowed to facilitate ease of investing. Now, the re-lodgement of transfer deeds window will remain open for the period July 7, 2025, through January 6, 2026.

*SEBI/HO/MIRSD/MIRSD-PoD/P/  
CIR/2025/97 dated July 2, 2025*

### Mandatory filing with prescribed excel template

IEPFA has directed all concerned companies to ensure mandatory compliance with IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016. Companies who have transferred an amount to Investor Education and Protection Fund or Central Government but have not yet submitted details of transfer to IEPF are directed to submit details in Form IEPF-1A along with excel template within the prescribed timeline. As the IEPFA has moved to MCA21 V3, companies who have not filed Form IEPF-1A along with the prescribed excel template may do so by August 30, 2025. Non-submission will mean invocation of regulatory action.

*MCA Investor Education and Protection Fund Authority Public Notice dated July 31, 2025*

**Guidelines issued regarding investment by REs in AIFs**

**CSR Rules updated by MCA**

**Mandatory compliance with IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016**

### Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025

MCA has updated the rules for companies doing CSR work. From July 14, 2025, NGOs and other groups must use a new form (CSR-1) to register for CSR projects. Further, they must share more details, like income tax approvals and registrations and must have at least 3 years of CSR experience, unless set up by Government. PAN, email verification, digital signatures and certificates from professionals are now required. Providing false information may lead to penalties.

*MCA Notification No. G.S.R. 452(E)  
dated July 7, 2025*



## CFO WATCH

**SEBI amends regulatory framework to broaden participation in SSE**

**Auditors to apply 'Fraud Lens' under new ISA 240 guidelines**

**New guidance supports IFRS S2 implementation for climate transition plans**

**SEBI amends regulatory framework to broaden participation in SSE**

To enhance participation of both for-profit and not-for-profit organisations definition of NPOs now includes trusts, charitable societies, and companies under Section 25 of the Companies Act, 1956. A new category SIAO has been introduced to broaden professional inclusion, with SIAOs requiring empanelment with specified Self-Regulatory Organisations. Other key changes include a two-year fundraising timeline post-registration, alignment of eligible activities with Schedule VII of the Companies Act, relaxed eligibility norms for NPOs, and annual self-reporting requirements bifurcated into financial and non-financial components.

**Auditors to apply 'Fraud Lens' under new ISA 240 guidelines**

IAASB has overhauled ISA 240, to sharpen auditors' role in detecting and responding to fraud. The revised standard, effective from 15 December 2026, strengthens professional scepticism and embeds a fraud lens across audit planning, execution, and reporting. Key enhancements include improved risk assessment, use of data analytics, expanded documentation, and clearer communication with governance bodies. It clarifies fraud responsibilities and calls for greater transparency in auditor reports. The revision responds to global concerns over inconsistent fraud risk practices and aims to restore investor and regulator trust.

**New guidance supports IFRS S2 implementation for climate transition plans**

IFRS Foundation has issued guidance to support implementation of IFRS S2 Climate-related Disclosures. It aims to help entities provide consistent, high-quality disclosures on climate-related transition plans, covering both mitigation and adaptation strategies. Developed with input from the TPT, the guidance positions transition planning as a strategic process aligned with an entity's risk-return goals. It reduces fragmented reporting, offers insights on relevant disclosures, and allows jurisdictions to add local requirements without undermining IFRS S2 clarity. Importantly, the guidance supplements but does not alter IFRS S2 requirements.

## MERGERS & ACQUISITIONS

**India's IPO Pipeline Set to Break Records in 2025**

India's capital markets are poised for a record-breaking year in 2025, with over 2.58 lakh crore worth of IPOs expected to hit the public markets over the next 18–24 months. This surge marks one of the most ambitious fundraising cycles in recent times and is being driven by a strong pipeline of companies across sectors, including fintech, e-commerce, healthcare, and financial services.

According to Prime Database, 1.15 lakh crore in IPOs have already received SEBI approval, while an additional 1.43 lakh crore are awaiting clearance. The second half of the year is expected to be particularly active, led by major players such as Tata Capital (17,200 crore), LG Electronics India (15,000 crore), and Groww (5,950 crore). A host of high-growth startups and unicorns, including PhonePe, Meesho, Lenskart, and Physics Wallah are also preparing to go public, with estimated issue sizes ranging from 1,500 to 9,000 crore. In the first half of 2025 alone, 26 companies have already raised 52,200 crore, with HDB Financial Services' 12,500 crore IPO standing out as one of the largest in recent years. This builds on a strong 2024, when 1.60 lakh crore was raised through 90 IPOs, reflecting rising investor participation and confidence.

This momentum of listings points to a deeper maturity in India's capital ecosystem. Enhanced disclosure standards, robust regulatory oversight, and experienced founding teams are driving more investor-friendly offerings. Increasingly, companies view a public listing as a long-term strategic milestone rather than just a capital-raising event.

With large-scale offerings lined up and positive sentiment sustaining momentum, 2025 is shaping up to be a landmark year, one that could significantly transform the landscape of India's public markets.

# IN THE NEWS

## Indo-Australia Trade Facilitation Roadshow, New Delhi

July 01, 2025

Ajay Sethi, Baker Tilly ASA India, joined an engaging panel on "Strategic Collaboration in the Indo-Australian Trade Potential," sharing perspectives on Doing Business in India and how ECTA is shaping cross-border opportunities.

## Webinar on Staying Ahead of the Curve: DPDP Act Readiness for Enterprises

July 17, 2025

Medhanshu Mishra, Shrikrishna Dikshit, and Rachit Shukla shared expert perspectives on the evolving data protection landscape under the DPDP Act. The webinar highlighted compliance priorities, roles of Data Fiduciaries, third-party risk management, and actionable frameworks for businesses to stay ahead.

## IIA Delhi CAE-CRO Leadership Dialogue

July 02, 2025

Gaurav Bhatia, Baker Tilly ASA India, concluded the IIA India Delhi Branch session with compelling insights on the evolving role of internal audit and its alignment with emerging risk priorities.

## Leader Speak on How to File Your Income Tax Return

July 03, 2025

Pankaj Aneja, ASA, was featured live on DD News where he explained how to file your Income Tax Return correctly and how getting it right can benefit taxpayers.

## Leader Speak on AI Appreciation Day

July 16, 2025

Shrikrishna Dikshit, Baker Tilly ASA India, shared a timeless reminder on valuing effort over outcome, an insight that resonates deeply this AI Appreciation Day, as we navigate automation with a mindset of continuous learning and adaptability.

## Financial Fraud & Forensic Audit Conference

July 18, 2025

Gaurav Bhatia, Baker Tilly ASA India, participated in the panel discussion at Achromic Point's Financial Fraud & Forensic Audit Conference 2025, where he shared practical insights on aligning audit frameworks with anti-fraud strategies in a digitally evolving environment.

## Webinar on Bridge to India: Market Entry Strategies

July 23, 2025

Shyam Ramakrishnan and Kim Collaco, Baker Tilly ASA India, joined the UK Export webinar Bridge to India to help UK businesses navigate market entry into India with clarity, practical strategies, and confidence.

## Session on "Challenges of Dreaming Big"

July 24, 2025

Laure Mounier, CEO of Baker Tilly France and Board Member of Baker Tilly International, led a virtual session reflecting on Baker Tilly France's 60-year journey and her experiences in leadership. Her insights highlighted the link between ambition, resilience, and values.

## Ghost Revenues: How Round-Tripping Tricks Bank and Masks Financial Trouble

July 09, 2025

Author: Gaurav Bhatia & Ankit Saini, Baker Tilly ASA India

In this article, forensic investigations reveal how round-tripping distorts financial reality. Though statements may seem healthy, this technique inflates revenues without real economic activity exposing gaps in oversight and the need for sharper scrutiny.



# GLOSSARY

**AI**  
Artificial  
Intelligence

**AIF**  
Alternative  
Investment Fund

**ASLA**  
Aircraft Specific  
Lease Agreement

**CBDT**  
Central Board of  
Direct Taxes

**CSR**  
Corporate Social  
Responsibility

**CTA**  
Common Terms  
Agreement

**DPDP Act**  
Digital Personal  
Data Protection Act,  
2023

**DTAA**  
Double Taxation  
Avoidance  
Agreement

**ECTA**  
Economic  
Cooperation and  
Trade Agreement

**FIRC**  
Foreign Inward  
Remittance  
Certificate

**GST**  
Goods &  
Services Tax

**IAASB**  
International  
Auditing and  
Assurance  
Standards Board

**IEPF**  
Investor Education  
and Protection  
Fund

**IEPFA**  
Investor Education  
and Protection  
Fund Authority

**IFRS**  
International  
Financial Reporting  
Standards

**IIA**  
Institute of Internal  
Auditors

**IPO**  
Initial Public Offer

**ISA**  
International  
Standard on Auditing

**ITAT**  
Income Tax  
Appellate Tribunal

**ITC**  
Input Tax Credit

**MCA**  
Ministry of  
Corporate Affairs

**NPO**  
Not-for-Profit  
Organisation

**PAN**  
Permanent Account  
Number

**PE**  
Permanent  
Establishment

**RBI**  
Reserve Bank  
of India

**RE**  
Regulated Entity

**SEBI**  
Securities and  
Exchange Board  
of India

**SIAO**  
Social Impact  
Assessment  
Organisation

**SOSA**  
Strategic Oversight  
Services Agreement

**SSE**  
Social Stock  
Exchange

**TCS**  
Tax Collected at  
Source

**TDS**  
Tax Deducted at  
Source

**TPT**  
Transition Plan  
Taskforce

**V3**  
Version 3

We value your feedback.

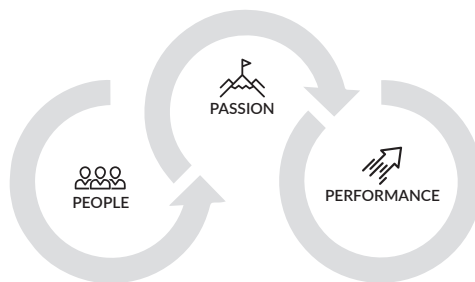
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# ABOUT US

A full services firm of corporate strategists, accountants, tax advisory experts and financial and marketing analysts.

## SERVICES

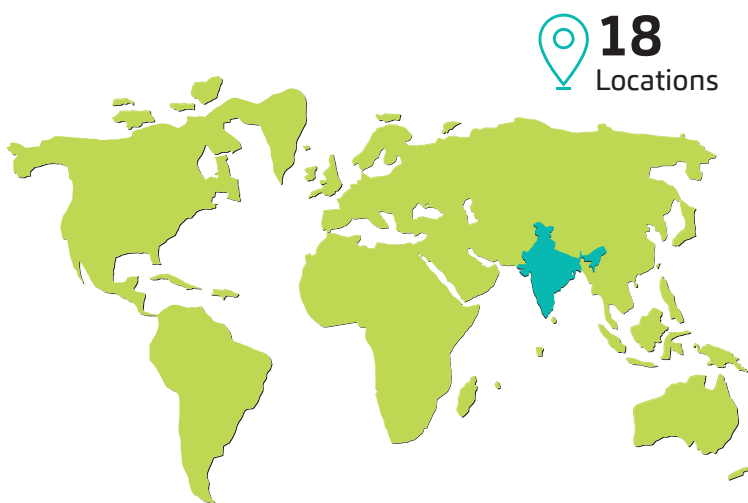
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- Taxation
- Transaction Advisory



**Well structured teams with domain specialization are guided by leaders who possess expertise and experience and are present PAN India to ensure excellent client service.**

PRESENTLY POSITIONED IN THE

TOP 10 ACCOUNTING & CONSULTING FIRMS



**70** Partners/  
Directors

**6000+**  
Clients

**1200+**  
In-house  
Professionals

## GLOBAL PRESENCE



**43,000**  
Staff



**700**  
Offices



**143**  
Territories



**\$5.6bn**  
Turnover



*Disclaimer: We have taken all steps to ensure that the information in this document has been obtained from reliable sources and is accurate. However, this document is not intended to give legal, tax, accounting or other professional guidance. We recommend appropriate advice be taken prior to initiating action on specific issues.*

**ASA**  
Going The Extra Mile

**bakertilly**  
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