

A Monthly E-Newsletter

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The Bottom Line

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KEY METRICS

Indices

BSE SENSEX	84,675	-1.20%	▼
NSE NIFTY50	25,939	-1.01%	▼
NASDAQ Composite	23,419	0.23%	▲
NIKKEI 225	50,339	0.17%	▲

Currency

USD/INR	89.77	-0.46%	▼
Euro/INR	105.46	-1.78%	▼
GBP/INR	120.90	-2.21%	▼
JPY/INR	0.57	-0.30%	▼

Note: The month-on-month movement as on December 30, 2025, is represented in percentages
Source: NSE.com, BSE.com, NASDAQ.com, NIKKEI.com, Investing.com

DIRECT TAX

Circulars/Notifications

Judicial Rulings

Interest on tax cannot be levied where demand raised as per rectified order

The Tribunal, while ruling in favour of the Assessee, held that interest on delayed tax payment cannot be charged for a period when no valid demand existed against the Assessee. The AO initially issued a demand notice with 'Nil' liability alongwith the original assessment order but later passed a rectification order correcting a computational error resulting into a demand and also charged interest on the same retrospectively. The Tribunal held that since the original demand notice showed Nil demand, the taxpayer cannot be penalized for the AO's mistake, and interest can only be levied after the expiry of 30 days from the fresh demand notice issued post-rectification.

Samsara Shipping Pvt Ltd (Mumbai ITAT)

Non-resident's foreign salary not taxable since services rendered abroad

The Assessee, employed with the Indian Company, was deputed to Philippines for 336 days while staying in India for only 29 days, and excluded the salary attributable to foreign services, declaring only Indian-sourced salary as taxable. The AO added the excluded amount contending that since the employer was Indian and salary was paid from India, the income accrued in India. The Tribunal held that salary accrues at the place where services are rendered i.e., the place of employment and rendering of services determines accrual, not the employer's residence or source of payment and hence, the salary

earned by a non-resident employee for services rendered outside India cannot be taxed in India merely because the employer is an Indian company.

Debashis Das (Kolkata ITAT)

Virtual PE concept to not apply without express treaty provision

The High Court, in a landmark ruling, upheld the decision of ITAT to reject Revenue's claim that a Singapore-based law firm had a service or virtual PE in India., While two employees were present in India for 120 days during the relevant Assessment Year, the Court excluded 71 days spent on vacations, business development and overlapping visits. This reduced the count to below the 90-day threshold under the India-Singapore DTAA, as no client services were rendered during the excluded period. Regarding the "virtual PE" issue, the Court held that the Service PE clause specifically requires a firm to "furnish services within a Contracting State through employees," implying a necessity for physical presence. While acknowledging the Revenue's concerns regarding the digital economy and citing OECD commentary, the Court emphasized that treaty amendments are required before such concepts can be legally applied.

Clifford Chance PTE Ltd (Delhi High Court)

Salary reimbursement for seconded employees on cost-to-cost basis not taxable as FTS

Relying on jurisdictional High Court judgment in Boeing India Pvt Ltd, as well as Flipkart Internet, held that reimbursements received by Assessee from Indian group

Interest on tax cannot be levied where demand raised as per rectified order

Salary reimbursement for seconded employees on cost-to-cost basis not taxable as FTS

Virtual PE concept to not apply without express treaty provision

entities for salaries of the seconded employees on cost-to-cost basis without markup are not taxable as FTS, since explanation 2 to Section 9(1)(vii) expressly excludes consideration taxable under 'Salaries' from FTS definition. The Tribunal found genuine employer-employee relationship between seconded employees and Indian entities based on employment contracts, evidence for deduction of TDS u/s 192 and Indian entities operational control including termination rights, confirming the payments were pure salary reimbursements without any profit element.

Toshiba Energy System & Solutions Corporation (Delhi ITAT)



INDIRECT TAX

Circulars / Notifications / Press Releases

Suspension of registration

If a taxpayer fails to furnish bank account details within 30 days of registration, the system will automatically suspend the registration.

Advisory dated Dec 05, 2025

Judicial Rulings

GST on residential dwellings used as hostel accommodation not taxable

A property that is sublet on a long-term basis for hostel accommodation continues to qualify as a residential dwelling. Accordingly, the GST exemption criterion of "use as a residence" remains fulfilled.

Taghar Vasudeva Amrish (Supreme Court of India)

ITC cannot be claimed on basis of challan

In case of import of goods, the ITC cannot be claimed solely on the basis of TR-6 challans. Challans are not substitutes for Bill of Entry.

Becton Dickinson India Pvt Ltd (AAR Tamil Nadu)

Refund of IGST on export of goods

IGST refund on zero-rated exports cannot be denied merely due to wrong punching of drawback code by Custom House Agent. Shipping bill to be amended.

Kothari Infotech Pvt Ltd (Gujarat High Court)

Seizure of goods not permissible

Goods cannot be seized just because shipping address wasn't declared as additional place of



business, without any intent to evade tax.

Prostar M Info Systems Ltd (Allahabad High Court)

Interest on delayed filing of return

No interest payable on delay in filing of return where the cash portion of the tax liability was paid on or before the due date of filing return.

Bangalore International Airport Ltd (Karnataka High Court)

Services provided by educational institutions exempt

Affiliation fees, admission fees, postgraduate registration fees, convocation fees and other sums collected by universities are not liable to GST as these are covered under the exemption Notification.

Rani Channamma University (Karnataka High Court)

GST on residential dwellings used as hostel accommodation not taxable

Services provided by educational institutions exempt

ITC cannot be claimed on basis of challan



CORPORATE & ALLIED LAWS

Circulars / Notifications

Relaxation of additional fees and extension of time for filing of Financial Statements and Annual Returns

MCA has extended the deadline for filing Annual Financial Statements (Form AOC-4), Annual Returns (Form MGT-7/MGT-7A), and related forms for FY 2024-25 until January 31, 2026, without any additional fees. This continues the relief provided in earlier timelines.

MCA Circular No. 08/2025, dated December 30, 2025

Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025

The Ministry of Finance has notified the Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025 on December 30, 2025 to align foreign investment norms in the insurance sector with the recently approved policy allowing up to 100 per cent FDI. Under the new rules, foreign investors can now hold full ownership in Indian insurance companies, subject to the provisions of the Insurance Act, 1938. The amendment also updates governance requirements to ensure continuity of Indian oversight. At least one of the key leadership positions like Chairperson, Managing Director or Chief Executive Officer must be held by a resident Indian citizen, even in companies with foreign investment. Outdated provisions from earlier rules have been removed to simplify compliance and align with current regulatory standards.

Ministry of Finance, Dept. of Financial Services Notification: G.S.R. 928(E), dated December 30, 2025

Thresholds for 'Small Company' increased

MCA has amended the Companies (Specification of Definition Details) Rules, 2014, effective December 1, 2025, revising the financial criteria for "Small Company" classification under Section 2(85) of the Companies Act, 2013 making the thresholds of paid-up capital as INR 10 crore and of turnover as INR 100 crore, expanding eligibility and reducing compliance burdens.

MCA Notification G.S.R. 880 (E) dated December 1, 2025

Disclosure requirements for SDIs

SEBI has mandated that trustee of a special purpose distinct entity must furnish information to SEBI and to the stock exchanges where these are listed on a half yearly basis, within 30 days from the end of March or September. Disclosures are required for SDIs backed by loan/listed debt securities/ credit facility exposures and also by SDIs backed by other exposures, effective March 31, 2026.

SEBI Circular No. HO/17/11/18(1)2025-DDHS-POD1/I/342/2025 dated December 16, 2025

Accessibility requirements in digital platforms of regulated entities

Investors right to have digital accessibility requirements will have to be included in Investor Charters published by SEBI, which are applicable to regulated entities.

Regulated entities have to ensure following compliances:

- Regulated entities to submit status of their readiness and

Disclosure requirements for SDIs

Insurance sector opens doors to 100 per cent FDI

Accessibility requirements in digital platforms of regulated entities

compliance to the accessibility requirements for each of their investor facing digital platforms by March 31, 2026 to specified reporting authorities

- Specified format for submission have been prescribed
- Investor should be able to lodge accessibility related complaints on SCORES- the online grievance redressal facilitation platform and regulated entities have to remediate the same
- All regulated entities have to conduct periodic accessibility audits of all their digital platforms

SEBI Circular No. HO/13/19/13(2)2025-ITD-1_VIAP/I/187/2025 dated December 08, 2025



CFO WATCH



IAASB issues illustrative sustainability assurance report to support ISSA 5000 implementation

The illustrative reports provide practical guidance for applying ISSA 5000 in real-world engagements. The five example reports include unmodified conclusions covering assurance on sustainability disclosures aligned with IFRS S1 and S2, selected disclosures, multi-framework reporting, and combined limited and reasonable assurance engagements. In addition, three illustrative reports demonstrate modified conclusions, including qualified, disclaimer and adverse conclusions. These examples aim to address emerging practical challenges and promote consistent, high-quality application of sustainability assurance standards globally.

Revised valuation framework for SBEBSEER

SEBI has notified the amendments to existing SBEBSEER framework of 2021. The definition of “valuer” has been aligned with Section 247 of the Companies Act, 2013. Further, the responsibility for valuation of employee benefit and sweat equity schemes has shifted from merchant bankers to independent registered valuers. Merchant bankers currently handling valuation assignments are required to complete such engagements within nine months from the date the amendment comes into force. These amendments will be effective from January 2, 2026.

IAASB issues illustrative sustainability assurance report to support ISSA 5000 implementation

Revised valuation framework for Share-Based Employee Benefits and Sweat Equity



MERGERS & ACQUISITIONS

Leveling the Playing Field: India Revamps M&A Rules to Protect Retail Investors

In a key development for India's corporate landscape, SEBI is poised to overhaul M&A regulations aiming to strengthen fairness, protect retail investors, and accelerate deal timelines. The proposed reforms are rooted in a realisation that past M&A practices sometimes provided advantage to big shareholders at the expense of smaller investors, leading to inequality and delayed closures of critical deals.

At the heart of these changes is a proposal to ban acquiring firms from

offering preferential pricing or special deals to large shareholders within six months of an open offer. This will ensure uniformity and fairness in pricing, strengthening confidence among retail holders who often feel sidelined in high-stakes corporate actions.

Another significant proposal is to cut the timeframe for open offers from 60 to 30 days. Faster open offers can dramatically reduce uncertainty for investors and companies alike, making the entire M&A process more efficient and predictable a welcome shift in a market where delays often dampen deal sentiment.

SEBI is also reviewing "creeping acquisition" norms which currently allow incremental stake increases up to 5% annually without triggering an open offer with an eye on aligning with global practices such as stricter thresholds in Singapore and Hong Kong.

For professionals tracking M&A trends, these reforms signal a maturing regulatory mindset, one that balances investor protection with a more streamlined, transparent path to deal completion. If implemented thoughtfully, this could boost retail participation and reinforce trust in India's dynamic M&A ecosystem.



IN THE NEWS

India–Australia Business Summit 2025 - December 09, 2025

December 09, 2025

Ajay Sethi, Baker Tilly ASA India, participated in a fireside chat on "Navigating Opportunities and Challenges in Bilateral Trade and Investment." He shared perspectives on cross-border partnerships, evolving trade dynamics, and the future of India–Australia economic collaboration.

CII Mysuru Annual Finance Conclave 2025

December 05, 2025

Baker Tilly ASA India partnered with the CII Mysuru Annual Finance Conclave 2025, where Shrikrishna Dikshit spoke on "Understanding Cyber Threats and Risks." He highlighted emerging cyber risks and the need for stronger, well-aligned cyber practices across organisations.

Mizuho Bank Knowledge Session on Regulatory Developments

December 30, 2025

Sathyabama Rangarajan, ASA, and Netra Prakash, Baker Tilly ASA India, spoke at a Mizuho Bank Knowledge Session, discussing compliance implications of the DPDP Act and the new Labour Codes, with a focus on emerging challenges and early preparation for businesses.

BCIC Panel on the Changing Role of Independent Directors Returns and Refunds

December 09, 2025

BCIC hosted a panel discussion on "The Changing Role of Independent Directors," where D. Ramprasad, ASA, along with other industry experts, shared insights on evolving board responsibilities. The discussion emphasised stronger governance, ethical leadership, accountability, and stakeholder trust in a complex regulatory environment.

IACC Workshop on the Code on Social Security

December 24, 2025

Sathyabama Rangarajan, ASA, and Netra Prakash, Baker Tilly ASA India, spoke at the IACC Workshop on the Code on Social Security. They discussed key provisions, implementation considerations, and practical perspectives for HR and finance professionals navigating regulatory change.

Comparative Overview of Germany's Transaction Matrix and Indian Compliance

December 08, 2025

Author: Ameet Baid, Viri Shah, and Sagar Nagaraj, ASA

In this article, Germany's new Transaction Matrix is compared with India's Form 3CEB, highlighting how

Germany's approach strengthens transparency by mandating disclosure of contractual basis and tax treatment for related-party transactions. It explains how incorporating similar elements into India's framework could enhance audit readiness, reduce transfer pricing risks, and improve global reporting alignment.

Supreme Court Clarifies 'Temporary Lull' v. 'Cessation of Business'

December 19, 2025

Author: Ameet Baid, Chandandeep Kaur and Mohit Jain, ASA

In this article, the Supreme Court's ruling in *Pride Foramer S.A. v. CIT* is analysed to clarify the difference between a temporary lull and cessation of business. It explains how preparatory activities, strategic intent and continuity of engagement can sustain business existence for tax purposes, even without an active contract or Permanent Establishment in India.



GLOSSARY

AAR

Authority for
Advance Ruling

AO

Assessing Officer

BCIC

Bangalore
Chamber of
Industry and
Commerce

CII

Confederation of
Indian Industry

DPDP

Digital Personal
Data Protection

DTAA

Double Taxation
Avoidance
Agreement

FDI

Foreign Direct
Investment

FTS

Fee for Technical
Services

FTS

Fee for Technical
Services

GST

Goods & Services
Tax

IAASB

International
Auditing and
Assurance
Standards Board

IACC

Indo-American
Chamber of
Commerce

IFRS

International
Financial Reporting
Standards

IGST

Integrated GST

ISSA

International
Standard on
Sustainability
Assurance

ITAT

International
Standard on
Sustainability
Assurance

ITAT

Income Tax
Appellate Tribunal

ITC

Input Tax Credit

M&A

Mergers &
Acquisitions

MCA

Ministry of
Corporate Affairs

OECD

Organisation for
Economic Co-
operation and
Development

PE

Permanent
Establishment

RBI

Reserve Bank of
India

SBESER

Share Based
Employee Benefits
and Sweat Equity
Regulations

SDI

Securitised Debt
Instrument

SEBI

Securities and
Exchange Board of
India

TDS

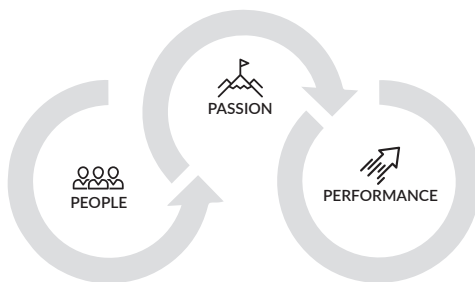
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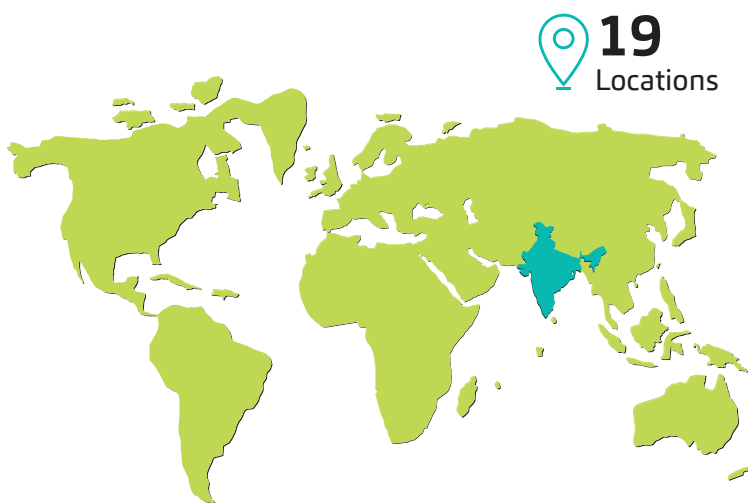
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