

Tax Street

A flagship publication that captures key developments in the areas of Tax and Regulatory environment

January 2025

WORLD TAX
RECOMMENDED
FIRM
2025

Introduction

Tax Street

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We are pleased to present the latest edition of Tax Street – our newsletter that covers all the key developments and updates in the realm of taxation in India and across the globe for the month of January 2025.

- The '[Focus Point](#)' covers key aspects of applicability of GST on Leasehold Rights Transfer.
- Under the '[From the Judiciary](#)' section, we provide in brief, the key rulings on important cases, and our take on the same.
- Our '[Tax Talk](#)' provides key updates on the important tax-related news from India and across the globe.
- Under '[Compliance Calendar](#)', we list down the important due dates with regard to direct tax, transfer pricing and indirect tax in the month.

We hope you find our newsletter useful and we look forward to your feedback.

You can write to us at taxstreet@nexdigm.com. We would be happy to hear your thoughts on what more can we include in our newsletter and incorporate your feedback in our future editions.

Warm regards,
The Nexdigm Team

Focus Point

GST on Leasehold Rights Transfer – An End to the Conundrum?

The taxability of assignment/transfer of leasehold rights has been a largely debated topic under the GST law. Generally, companies set up their units on land provided by the State Government Industrial Development Corporation under long-term lease arrangements (30 years and above). However, there could be situations where such companies do not want to continue their operations and accordingly, transfer their rights in land and building to a third party for the remaining lease life, subject to the Corporation's approval.

The GST Department is of the view that such transfer qualifies as supply service in terms of Section 7(1) of CGST Act r/w Schedule II¹ to the CGST Act and therefore liable to GST at 18%. On the other hand, the industry has been contesting these demands on the ground that the same is akin to the sale of land and buildings and thereby excluded from the scope of GST in terms of Schedule III². At this juncture, it may be pertinent to note that a one-time upfront amount (called premium, salami, cost, price, development charges, or by any other name) leviable in respect of the service, by way of granting long-term (30 years, or more) lease of industrial plots, provided by the State Government Industrial Development Corporations or Undertakings to industrial units, is exempt from GST vide Notification No. 12/2017-CT (Rate).

There have been multiple advance rulings on this subject matter such as in the case of Enfield Apparels Ltd [2020 (40) G.S.T.L. 230 (A.A.R. - GST - W.B.)], Greentech Mega Food Park (P.) Ltd. [2019 (27) G.S.T.L. 143 (A.A.R. - GST)], and Remarkable Industries Pvt. Ltd. [2024 (84) G. S. T. L. 389 (A. A. R. - GST - U. P.)] wherein it has been held that the activity of assignment is in the nature of agreeing to transfer one's

leasehold rights, which is classifiable under SAC 999792 and taxable at 18% under Sr. No. 35 of Notification No. 11/2017-CT (Rate) r/w Entry No. 5(e)³ of Schedule II.

However, recently, the Gujarat High Court in the case of Gujarat Chambers of Commerce & Industry vs. Union of India [2025 (1) TMI 516 - Gujarat High Court] ruled that the assignment of leasehold rights in land allotted by the Gujarat Industrial Development Corporation (GIDC) constitutes a transfer of immovable property and is not liable to GST.

The petitioners therein had challenged the notices and summons issued by the GST authorities arguing that transfer/assignment of the leasehold rights is nothing but a sale and transfer of benefits arising out of immovable property i.e. plot of land, which cannot be considered as a supply of services because sale, transfer, and exchange of benefit arising out of immovable property is nothing but sale, transfer and exchange of the immovable property itself and, therefore, such transactions would not be subject to levy of tax under the provisions of GST Act. The petitioners also pointed out that the imposition of GST on such an assignment would lead to double taxation since the said transaction is also subjected to stamp duty.

On the other hand, the Revenue sought to distinguish "immovable property" and "interest in immovable property" i.e. difference between tangible rights and intangible rights in the immovable property to submit that immovable property as such is not liable to levy of GST whereas interest in immovable property like leasehold rights which is transferred by way of sale is liable to levy of GST falling within the scope of "supply of services".

1. As per Entry No. 2 of Schedule II, "Land and Building -
(a) any lease, tenancy, easement, licence to occupy land is a supply of services;
(b) any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a supply of services."

2. Entry No. 5 of Schedule III reads as follows - "sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building."

3. As per Entry No. 5(e) of Schedule II, "agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act" shall be treated as supply of service.

Upon going through the definition of “immovable property” under various legislations such as the General Clauses Act, the Transfer of Property Act and the Registration Act, the Gujarat High Court noted that what the petitioners have transferred by way of assignment/sale is leasehold rights which is over and above the actual physical plot of land and building, encompassing the incorporeal ownership right in such land and building such as the right to possess, to enjoy the income from, to alienate, or to recover ownership of such right from one who has improperly obtained the title. Therefore, immovable property includes, in addition to the right of ownership, the aggregate of rights that are guaranteed and protected by the further agreement or contract between the owner and the lessee.

Finding the Revenue’s argument to be untenable, the High Court observed that in the case of a lease, the right of ownership of the plot remains with the GIDC and such land along with all other rights thereto (such as the right to occupy, to construct, to possess) will revert on expiry of the lease period. On the other hand, upon sale/transfer of leasehold rights, the lessee-assignor divests all the absolute rights in the property to the assignee. Therefore, interest in immovable property in the form of leasehold rights cannot be said to be different from the immovable property itself.

It was further observed that under the Service Tax law, even the development rights which are the benefits arising from land, were not liable to tax. Leasehold rights are in fact a greater right and interest in the land than development rights and therefore, the principle under the Service tax regime would continue to apply even under the GST regime.

In view of the above, the High Court held that when the lessee-assignor transfers the land having leasehold rights and building to the assignee, the same cannot be considered as supply of service as it would be a transfer of immovable property covered by Entry No. 5 of Schedule III. Resultantly, it rejected Revenue’s reliance on the advance ruling in the case of Remarkable Industries Pvt. Ltd. (supra) by holding that the consideration received by the lessee-assignee is not in nature of premium but is a consideration for the outright sale of leasehold rights which cannot be equated with subleasing in any manner.

Consequently, the High Court concluded that assignment by sale and transfer of leasehold rights of the plot of land allotted by GIDC to the lessee in favour of third party-assignee for a consideration shall be assignment/sale/transfer of benefits arising out of “immovable property” and therefore, not liable to GST.

In a similar matter, the Bombay High Court in the case of Panacea Biotec Limited vs. Union of India & Ors. [TS-22-HC(BOM)-2025-GST] quashed the demand order and directed the Revenue to take into consideration the aforesaid decision of the Gujarat High Court while adjudicating the issue afresh.

Comments

The above verdict provides clarity on the taxability of leasehold rights, which in turn should reduce the tax burden on businesses undertaking such transactions. While media reports suggest that the Government is contemplating challenging this decision before the Apex Court, the taxpayers could rely on the said judgement while responding to the demand notices received so far. Further, those who have already paid taxes on such assignment deeds may explore the possibility of seeking refunds, subject to the time limit and by passing the test of unjust enrichment.

Moreover, it would be interesting to see if the aforesaid principle can be applied to the transfer of other rights in immovable property such as development rights and tenancy rights. Here, it is pertinent to note that the CBIC vide Circular No. 44/18/2018-GST dated 2 May 2018 has clarified that the activity of transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is a supply of service liable to GST. Hence, in the coming times, we could see a lot more litigation on these aspects and one has to wait for the Apex Court’s decision for the issue to attain finality.

From the Judiciary

Direct Tax

Can AO deny treaty benefits solely based on suspicion and raise questions over the authenticity of the TRC?

SC Lowy P.I. (LUX) S.A.R.L.
[TS-972-ITAT-2024(DEL)]

Facts

RSC Lowy P.I. (LUX) S.A.R.L. (assessee) was an LLC incorporated in Luxembourg and a Category II Foreign Portfolio Investor registered with SEBI. It was a subsidiary of SC Lowy (Incorporated in Cayman Island). The assessee had invested in securities in India and claimed interest income taxable at the rate of 10%, claimed benefit of exempted business income and capital gains under Articles 11, 7, and 13(6) respectively of the India-Luxembourg tax treaty.

The AO contended that the assessee was a conduit company which was established for evading tax and the beneficial owner of the income should be in fact the Cayman Islands Holding Company. The AO did not bring on record any evidence to substantiate such a claim.

Held

Based on the grounds submitted by the assessee and considering the various

rulings the Tribunal held that the treaty benefit should not be denied to the assessee due to the following reasons:

- The business activities of the assessee are beyond Indian jurisdiction, and it has also filed tax returns and paid tax in Luxembourg on its worldwide income.
- The assessee continues to exist in Luxembourg, holds substantial investments, and controls its assets and income independently, not as a conduit.
- Assessee's Tax Residency Certificate (TRC) was considered conclusive, and cannot be questioned unless it is backed with standard proof.
- The AO failed to provide sufficient evidence to indicate that the appellant was, in substance, a conduit except for expressing his views and presumptions.

Referred cases

- Tiger Global International III Holdings
- Union of India vs. Azadi Bachao Andolan
- Bid Services Division (Mauritius) Ltd. v. Authority for Advance Rulings

Our Comments

The case highlights the importance of conducting genuine economic activity and control to claim DTAA benefits, emphasizing that mere allegations of treaty shopping without sufficient evidence cannot deny tax benefits, further recognising TRC as conclusive evidence.

Does the secondment of employees to an Indian subsidiary result in the creation of a Permanent Establishment (PE) for the foreign company under a tax treaty?

Samsung Electronics Co. Ltd. [TS-21-HC-2025(DEL)]

Facts

The assessee, a company, was a tax resident of South Korea. It had a subsidiary in India to which some of its employees were deputed to.

The AO contended that the deputed employees resulted in the creation of a PE of the assessee in India through its Indian subsidiary. The Dispute Resolution Panel (DRP) also concurred with the AO's view.

The Tribunal, on appeal, found that the seconded employees were primarily posted to India under a tripartite agreement between the assessee, the

Indian company, and the employees.

It noted that although some discussions related to the Indian market were held, the activities of the seconded employees did not involve conducting the business of Samsung Korea in India. The Tribunal further noted that the employees' activities were for the benefit of Samsung India Electronics (SIEL) and not the global business of the assessee. Thus, it overturned the DRP's decision that a PE had been created.

Held

The High Court upheld the Tribunal's decision, which rejected the DRP's finding that the secondment of employees created a deemed PE in India.

The Court referred to principles from the *Progress Rail*⁴ case and the OECD/UN Model Commentaries, noting that secondment within a group does not automatically create a PE unless the employees are involved in the foreign enterprise's business in India.

Since the seconded employees' activities (market research, data collection, etc.) benefited the India entity, and not the assessee, no Fixed Place PE, Dependent Agent PE (DAPE), or Service PE was created. Furthermore, the Court emphasized that activities such as market research and information collection for the Indian entity fell outside the scope of Article 5(3)(d) of the India-Korea DTAA, which excludes such activities from creating a PE.

The High Court dismissed the Revenue's appeal and upheld the Tribunal's decision that no PE was created by the secondment of employees.

Our Comments

The case is relevant for scenarios where the secondment of employees to an Indian subsidiary is alleged to create a PE for the foreign parent company without the activities directly relating to the parent's business in India.

Transfer Pricing

Bangalore ITAT reinforces the importance of Annual Accounts while selecting AE as the tested party – admits additional evidence

Decathlon Sports India Private Limited⁵

Facts of the case

The taxpayer imported branded goods from its Associated Enterprises (AEs) and local vendors to resell in India. The taxpayer identified its AE as the tested party under the Transactional Net Margin Method (TNMM), stating that it was the least complex entity with lower functional risks. However, the Transfer Pricing Officer (TPO) rejected this approach, stating that the foreign AE's financials weren't available with the taxpayer and were also not publicly available, making it difficult to conduct a reliable benchmarking analysis. Instead, the TPO selected the taxpayer as the tested party since its financial statements were available and verifiable and thereby proposed an adjustment. Citing the OECD Transfer Pricing Guidelines, the TPO reasoned that the tested party should be the entity with the least complexity and accessible financial data. The Dispute Resolution Panel (DRP) upheld the TPO's rejection of the foreign AE as the tested party. Aggrieved by the order the taxpayer appealed to the Income tax appellate tribunal (ITAT).

Held by ITAT: The ITAT observed that at the time of preparing the transfer pricing study report and also before the TPO and DRP, the taxpayer did not have this information available and hence neither the taxpayer nor the TPO had a complete and well-substantiated justification for selection of their tested party. ITAT found additional evidence of audited accounts critical and noted that it needed further examination. Accordingly, ITAT remanded the selection of the tested party issue back

4. TS-374-HC-2024(DEL)

5. Income Tax Appellate Tribunal SA No. 60/Bang/2024 & IT(TP)A No. 1874/Bang/2024 for AY 2020-21 [TS-570-ITAT-2024(Bang)-TP]

to the TPO, directing the taxpayer to substantiate the Arm's Length Price (ALP) by showing sufficient data about the foreign AE as the tested party.

Our Comments

The tested party should be the entity with the least complex and most reliable financial data to ensure an accurate and defensible benchmarking analysis. Taxpayers should be proactive in ensuring that financial information for their chosen tested party is available at the time of preparing the TP study to validate the function, assets and risk undertaken and gathering the necessary information to demonstrate strong documentation.

Specified Domestic Transaction Applicability (92BA) independent from the claim of deduction

Sanghi Industries Limited⁶

Facts of the case

The taxpayer is a cement manufacturer, engaged in a specified domestic transaction involving the supply of electricity from its power plant to 14 related parties through power purchase agreements. The taxpayer contended that since it did not claim deductions under Section 80IA, the transaction should not be subject to the provisions of Section 92BA. The TPO noted that the taxpayer's arrangement of purchasing electricity at higher rates from its power-generating unit led to a shifting of profits. The TPO rejected the taxpayers' use of internal comparable rates as per the Gujarat State Electricity Board (GSEB) tariff rates as comparable for the ALP determination, highlighting significant differences in the risk profile, functions, and assets between GSEB and the taxpayer power plant – as GSEB operates under different conditions compared to the taxpayer internal transactions with its power unit.

Held by ITAT: The ITAT highlighted

- The relationship between the taxpayer's power-generating unit and its business operations was clearly covered under Section 80IA(8) and Section 80IA(10), making the transaction a qualified one within the scope of Section 92BA.
- It was not necessary for the taxpayer to have claimed a deduction under Section 80IA for the provisions of Section 92BA to apply.
- The taxpayer was shifting profits by purchasing power at a higher rate, which reduced its taxable income.
- Upheld the TPO's rejection of the GSEB tariff as a comparable for determining the ALP as the taxpayer had not sold electricity in the open market, nor was it involved in selling electricity to a State Utility or an electricity exchange. Instead, the FAR profile of the taxpayer power plant was materially different from those of the State Utility, making GSEB an unsuitable external comparable.

Our Comments

In relation to specified domestic transactions - Sections 80IA(8) and 80IA(10) apply regardless of whether the taxpayer claims the 80IA deduction.

Upcoming Webinars

Recent Corporate tax assessment trends / GST Litigation

4 March 2025

Nexdigm | Sneha Pai, Sanjay Chhabria

Alternate Dispute Resolution Mechanism in India – Achieving Tax Certainty (APA/MAP)

12 March 2025

Nexdigm | Abhay Saboo

Past Webinars

8th National GST Summit & Awards 2025

20 February 2025

Nexdigm | Sanjay Chhabria

New Income Tax Code

17 February 2025

Nexdigm | Amit Amlani, Sanjay Chhabria

Decoding Union Budget 2025 - USIBC

5 February 2025

Nexdigm | Sneha Pai, Sanjay Chhabria

Decoding Union Budget 2025

3 February 2025

Nexdigm | Amit Amlani, Sanjay Chhabria

Union Budget 2025 - Nexdigm

3 February 2025

Nexdigm | Sneha Pai, Aditya Nadkarni

Union Budget 2025 - EBG, DBS, IBLCCI

3 February 2025

Nexdigm | Maulik Doshi, Sanjay Chhabria

India Taxation Summit 2025

23 January 2025

Nexdigm | Maulik Doshi

Taxsutra Summit 2025

22 January 2025

Nexdigm | Maulik Doshi

Advanced Training on FEMA

17 January 2025

Nexdigm | Rahul Chedda

6. Income Tax Appellate Tribunal ITA (TP) No.104/Hyd/2022 for AY 2017-18 [TS-18-ITAT-2025(HYD)-TP]



Tax Talk

Indian Developments

Direct Tax

Removal of difficulties while implementing direct tax Vivad Se Vishwas Scheme, 2024

Order S.O. 348(E) [NO. 8/2025/ F. No. 370153/01/2025-TPL], Dated 20 January 2025

1. The Direct Tax Vivad Se Vishwas Scheme, 2024 was introduced to resolve pending tax disputes and was effective from October 1, 2024. However, while implementing concerns were raised on eligibility in cases where:

- i. An order was passed by tax authorities on or before 22 July 2024.
- ii. The time to file an appeal was still available on that date.
- iii. The appeal was filed after 22 July 2024, within the allowed time, but without requesting an extension for the delay.

2. To address these issues, the Central Government issued an order stating:

- i. The appeal will be treated as pending on 22 July 2024, for the scheme.

ii. The person filing the appeal will be considered an appellant under the scheme.

iii. The disputed tax will be calculated based on the appeal.

iv. The provisions of the scheme and related rules will apply to such cases.

Unit of international financial services centre shall not be considered as buyer for purposes of SECTION 206C(1H) and seller for the purpose of SECTION 194Q

Notification S.O. 99(E) [NO. 6/2025/F. NO. 275/108/2024-IT(B)] and S.O. 21(E) [NO. 3/2025/F. NO. 275/109/2024-IT(B)] respectively, dated 6 January 2025 and 2 February 2025 respectively

The board has notified that a unit of the International Financial Services Centre (IFSC) is not considered a buyer under Section 206C(1H) or a seller under Section 194Q. Therefore, sellers do not need to collect Tax Collected at Source (TCS) on sales to these buyers, and buyers do not need to deduct Tax Deducted at Source (TDS). This is provided the IFSC unit submits a statement-cum-declaration in Form No.

1A, stating it has opted for a deduction under Section 80LA. Additionally, sellers and buyers must report these transactions, indicating that TCS was not collected or TDS was not deducted when filing Form 27EQ or 26Q for the relevant period.

Conditions prescribed for non-residents engaged in the business of operation of cruise ships under presumptive taxation regime

Notification G.S.R. 67(E) [NO. 9/2025/F.NO.370142/18/2024-TPL], dated 21 January 2025

1. Section 44BBC of the Income-tax Act, 1961 (ITA) provided a presumptive taxation regime for non-residents engaged in the business of operation of cruise ships. Further, exemption has been provided for any income of a foreign company from lease rentals of cruise ships, received from a related company which operates such ship or ships in India.

2. Conditions for Applicability: The new rule i.e. rule 6GB has been inserted which states:

- a. Operate a passenger ship with a capacity of over 200 passengers or a length of 75 meters or more,

for leisure and recreational purposes, with appropriate dining and cabin facilities;

- b. Operate such ship on scheduled voyages or shore excursions touching at least two sea ports of India or the same sea ports of India twice;
- c. Operate such ships primarily for carrying passengers, not cargo; and
- d. Follow procedures and guidelines issued by the Ministry of Tourism or Ministry of Shipping.

Guidance for application of the principal purpose test under India's double taxation avoidance agreement

Circular NO. 1/2025 [F. NO. 500/05/2020/FT&TR-II], dated 21 January 2025

1. Principal Purpose Test (PPT): This rule in tax treaties prevents tax avoidance by stopping artificial arrangements for tax benefits. It's included in most of India's Double Taxation Avoidance Agreements (DTAAs) through the Multilateral Convention (MLI) and some through bilateral processes.

2. Guidance on PPT Application:

a. Application Period:

- Bilateral DTAAs: This applies from the date the DTAA or Amending Protocol incorporating the PPT comes into force.
- MLI DTAAs: Applies from the date the MLI provisions take effect:
 - For taxes withheld at source: From the first day of the previous year falling after

the date on which MLI enters into force.

- For other taxes: From the previous year falling after the expiration of six months from the date on which MLI enters into force.

- b. Treaty-Specific Bilateral Commitments: Grandfathering provisions in the India-Cyprus, India-Mauritius, and India-Singapore DTAAs are not affected by the PPT.
- c. Additional Guidance: The PPT application is case-specific. Tax authorities may refer to various sources including the UN Model Tax Convention Commentary (2021), subject to India's reservations.

Insertion of new rules 2DAA and 21ACA

Notification G.S.R. 76(E) [NO. 10/2025/ F. NO.370142/26/2024-TPL] dated 27 January 2025

1. The Income-tax (Second Amendment) Rules, 2025 make several updates to the Income-tax Rules, 1962, focusing on venture capital funds, finance companies in International Financial Services Centres (IFSCs), and certain investment schemes.
2. A new rule - 2DAA has been added, which clarifies that a Venture Capital Fund, as defined by the International Financial Services Centres Authority (Fund Management) Regulations, 2022, will now be recognized as a Category I Alternative Investment Fund under these regulations.
3. Rule 21ACA outlines what activities a finance company based in an IFSC can engage in. These activities include things like lending, credit enhancement and treasury functions

(such as managing currency or commodity risks). Additionally, it's now required that any interest paid on loans taken from non-residents must be in foreign currency.

4. Sub rule 4 is inserted to Rule 21AIA, wherein criteria for a retail scheme to qualify under section 10(4D) is provided, as under:

Having at least 20 investors, with no single investor owning more than 25%.

Limiting investments in associated companies, unlisted securities, and individual companies to certain percentages.

5. An Exchange Traded Fund (ETF) must be listed on a recognized stock exchange and adhere to the regulations under the International Financial Services Centres Authority (Fund Management) Regulations, 2022.

Application for requesting Order Giving effect (OGE) is enabled on the e-filing Portal

Now, after receiving any appellate order, an Assessee may log on to the e-filing portal and file an OGE request under the 'Services' tab.

Indirect Tax

Customs

CBIC rolls out Automated Out of Charge for AEO T2 and T3 clients

Circular No. 01/2025-Customs dated 1 January 2025

The Central Board of Indirect Taxes & Customs (CBIC) has rolled out a trade facilitation measure, viz., Automated Out of Charge (Auto-OOC) for Authorized Economic Operators (AEO) T2 & T3 certificate-holders, where Container Control Regime (CCR) verification is not required.

In the first phase, Auto-OOC will apply to Bills of Entry (BEs) that meet specific criteria, including those not selected for examination or scanning or for any Partner Government Agency (PGA) related NoC. Additionally, the assessment must be complete, and authentication of the BE via OTP must be successfully completed for duty deferment.

The said facility will be available on a risk basis for the eligible BEs. In case of any intelligence, the Auto-OOC can be overridden by the Customs officers concerned.

Foreign Trade Policy

DGFT introduces the 'Diamond Imprest Authorization' Scheme

Notification No. 53/2024-25 dated 21 January 2025

The Directorate General of Foreign Trade (DGFT) has introduced the 'Diamond Imprest Authorization' (DIA) scheme under the Foreign Trade Policy 2023, effective from 1 April 2025. This scheme would allow eligible exporters to import Natural Cut and Polished Diamonds for re-export, with a 10% value addition requirement in foreign exchange.

Only exporters with a Two Star Export House status, a minimum annual export of USD 15 million in diamonds each

year for the last three financial years, and full compliance with tax filings would be eligible for the authorization. The imports have been capped at 5% of the exporter's average annual export performance over the previous three financial years subject to a maximum value of USD 15 million. The authorization shall be subject to the 'actual user' condition and a pre-import condition.

DGFT rolls out online module for Annual RoDTEP Return

Trade Notice No. 27/2024-25 dated 29 January 2025 r/w Public Notice No. 27/2024-25 dated 23 October 2024

DGFT has launched an online module for filing of Annual Returns by exporters in relation to Remission of Duties and Taxes on Exported Products (RoDTEP) claims.

Vide Public Notice No. 27/2024-25, the said Annual Return was notified with the aim to assess the nature of inputs used in export production and the amount of actual taxes and duties incurred. The Return for RoDTEP claims filed in a particular financial year shall be filed on the DGFT portal by 31 March of the next financial year.

This requirement for filing the Annual Return shall begin with the exporters (IECs) whose total RoDTEP claim exceeds INR 10 million in a financial year across all 8-digit HS Codes. Non-reporting shall lead to denial of benefits under the RoDTEP scheme and no further scroll out of RoDTEP claims for shipping bills will be permitted at the Customs port of export after the grace period of 3 months, i.e. after 30 June.

Quotes and Coverage

Union Budget 2025: Will standard deduction limit be increased under the old, new tax regime?

31 January 2025

<https://tinyurl.com/mr3zb28z>

Affordable credit, timely payments: MSMEs' Key Budget Demands

28 January 2025

<https://tinyurl.com/4thyxfhd>

Semicon Sector needs sops

28 January 2025

<https://tinyurl.com/3tdc8shs>

MSMEs Seek Overhaul Of Credit Guarantee Schemes To Fix Growth Barriers

27 January 2025

<https://tinyurl.com/54ddhyyf>

Budget 2025: Electronics industry pushes for R&D tax cuts, DLI extension, and export incentives

27 January 2025

<https://tinyurl.com/5n8pmb93>

Budget 2025: India Inc seeks game-changing corporate tax cuts, R&D boost, and MSME overhaul

27 January 2025

<https://tinyurl.com/9x7e88s8>

Trump's US exit from OECD deal may bring back India's equalisation levy; immediate impact unlikely

23 January 2025

<https://tinyurl.com/54js5z5e>

Budget 2025 Expectation: Semiconductor Industry

23 January 2025

<https://tinyurl.com/32uzuj7f>

Customs announces relief for international travelers' stuck duty payments

20 January 2025

<https://tinyurl.com/2tvtbxnd>



DGFT provides relief in Average EO under the EPCG scheme for 469 product groups

Policy Circular No. 11/2024-25 dated 21 January 2025

DGFT has granted relief under the Export Promotion Capital Goods (EPCG) scheme to exporters dealing in sectors/product groups that witnessed a decline of more than 5% in exports as compared to the previous year. Accordingly, all Regional Authorities have been requested to refix the Annual Average Export Obligation (EO) for EPCG Authorizations for the year 2023-24, in relation to 469 sector/product groups.

SOP for voluntary disclosure of non-compliance/violations related to the export of SCOMET items and Regulations

Public Notice No. 40/2024-2025 dated 15 January 2025

DGFT has notified the Standard Operating Procedure (SOP)/Guidelines for voluntary disclosure of non-compliance/violations related to the export of SCOMET (Special Chemicals, Organisms, Materials, Equipment, and Technologies) items and SCOMET Regulations, with immediate effect.

Voluntary disclosures cover unauthorized exports, misuse of authorizations, and other violations, except for SCOMET Category 0 and specific Chemical Weapons Convention (CWC) schedules. Exporters must submit their disclosures to DGFT using the prescribed format along with supporting documents.

Failure to voluntarily disclose violations in a timely manner may lead to penalties, show cause notices, and adjudication orders.

Transfer Pricing

Unpacking 2025 Budget | Strengthening the Transfer Pricing Assessment Framework with Block Assessments

The Finance Minister, in her recent budget speech of 1 February 2025⁷, briefly underlined Taxation Reforms as one of the key reforms to realize the vision of 'Viksit Bharat' (Advanced India). She touched upon the topic of ease of doing business and introduced measures to streamline the process of transfer pricing assessment. The Finance Bill 2025 has proposed a multi-year framework to determine ALP aimed at reducing excessive compliance burdens and eliminating redundant assessments where there is uniformity in transactions that remain consistent over time.

[Click Here](#) to Read the detailed article in this regard.

Key Takeaways

The introduction of block assessments, covering a three-year period, is a key reform in the Indian transfer pricing regime, providing taxpayers with an elective alternative to annual assessments. This aims to reduce the administrative burden that businesses face during litigation when engaging in similar intercompany transactions year over year and improve predictability for taxpayers. However, the success of this framework will largely depend on the detailed provisions, administrative implementation, and effective clarifications. Businesses will need to carefully evaluate the potential benefits and challenges of opting into this new system and prepare for its implementation once the detailed rules are finalized. In the current aggressive TP audit environment, this could be challenging, as taxpayers may hesitate to exercise this option due to uncertainty regarding the outcome of the first year's assessment.

Alerts

MCA Extends Timeline to Dematerialize Shares

13 February 2025

<https://tinyurl.com/yhwc8pvv>

Key Highlights GST Notifications and Clarification Circulars

6 February 2025

<https://tinyurl.com/2cthjbdv>



7. https://www.indiabudget.gov.in/doc/budget_speech.pdf

Tax Talk

Global Developments

Indirect Tax

Spain introduces stricter VAT rules for energy products from 2025

Excerpts from various sources

Starting 1 January 2025, Spain has introduced new VAT rules to prevent fraud in energy products trading. The last trader or warehouse operator owning the goods will be responsible for VAT upon removal from a tax warehouse. A guarantee covering 110% of VAT from the last two months' sales must be provided unless exemptions apply, and tax authorities can enforce the same if VAT is unpaid for three months, post-removal.

Tax warehouse operators may share the liability for unauthorized removals. Monthly VAT returns and reporting to the Immediate Supply of Information System are mandatory.

EU to implement mandatory e-invoicing for cross-border transactions by 2030

Excerpts from various sources

The 27 EU member states have agreed to implement mandatory e-invoicing for cross-border transactions starting 1 July 2030. Businesses will be required

to issue e-invoices for intra-community supplies of goods, EU services under the reverse charge mechanism, and intra-EU transfers of their own goods.

Member states will have a transition period to adapt their domestic digital reporting systems. The European Commission has emphasized that beyond regulatory control, e-invoicing aims to simplify VAT compliance, reduce administrative burdens, and enhance business efficiency and customer service.

New VAT rate changes in Finland from January 2025

Excerpts from various sources

Starting from 1 January 2025, the VAT rate has been hiked from 10% to 14% in respect of several goods and services including books, medicines, passenger transport, pharmaceuticals, hotel accommodation services, physical exercise services, and certain entry fees. On the other hand, tampons and nappies will see a reduction from 24% to 14%.

Further, from 1 June 2025, the sale of confectionery and chocolate will be shifted from the reduced VAT rate of 14% to the new standard rate of 25.5%.

Transfer Pricing

UAE transfer pricing disclosure

The Ministry of Finance has announced amendments to the existing Ministerial Decision No.125 of 2023 on tax groups for the purpose of Federal Decree-Law No. 47 of 2022 (UAE CT law) through the issuance of an updated Ministerial Decision No. 301 of 2024 (new decision). Disclosure as required under Article 8 of the UAE CT Law has now been aligned with the relevant provisions and decisions issued under transfer pricing regulations instead of the 'notice or a decision issued by the Authority'. The new decision is effective for tax periods commencing from 1st January 2025.

A brief of the key amendments published in the tax alert published earlier can be found in the link – [Click Here](#).

Malaysia introduces new transfer pricing guidelines and transfer pricing audit framework.

On 24 December 24 2024, the Inland Revenue Board of Malaysia introduced the TP Guidelines 2024⁸ and the Transfer Pricing Audit Framework (TPAF) 2024 which provides new details and clarifications to the transfer pricing audit process.

8. <https://www.hasil.gov.my/media/c55fiwyk/malaysia-transfer-pricing-guidelines-2024.pdf>

a. Exemptions have been defined such as:

- Individuals not carrying on a business,
- Individuals carrying on a business that only engages in domestic controlled transactions,
- Entities with controlled transactions totalling to not more than RM1 million annually.

b. Scope to prepare full Contemporaneous Transfer Pricing Documentation (CTPD) amended to include - Entities with gross business income exceeding RM30 million and engaging in cross-border controlled transactions of RM10 million or more annually or receiving/providing controlled financial assistance exceeding RM50 million annually. The Full CTPD must be prepared before the due date for furnishing a tax return for the year in which a controlled transaction occurs.

c. Entities that fall below these thresholds are eligible to prepare a minimum CTPD as per 11.12 of the guidelines (which include Group Structure, Organization Structure, key controlled transactions that constitute 20% or more of the operating revenue and pricing policy). There is no explicit requirement to prepare a comparability analysis under the minimum CTPD which may be required upon request.

d. However, even exempted taxpayers are required to comply with the arm's length principle and maintain documentation in support of the arm's length nature of related party transactions.

e. The comparability analysis has reinforced the IRB's preference for local comparables and local taxpayers as tested parties.

However, 'sufficient and verifiable' information on both taxpayer and comparables is essential.

- f. A tighter arm's length range is adopted, with acceptable figures falling between the 37.5th to the 62.5th percentile of the data set.
- g. Others: expanded guidelines align with OECD Transfer Pricing Guidelines, emphasizing the application of the arm's length principle in business restructuring, introduction of a simplified approach for low-value-adding intragroup services, allowing a 5% mark-up on relevant costs incurred. Further, stringent penalties for non-compliance with the TP Guidelines 2024 range from RM20,000 to RM100,000 per year, in addition to applicable surcharges of up to 5% on any transfer pricing adjustment made.

Taxpayers are advised to review their existing transfer pricing documentation and practices to ensure alignment with the new guidelines and audit framework.

Quotes and Coverage

Union budget 2025: Top tax reforms and economic policies india is hoping for

20 January 2025

<https://tinyurl.com/5eyyrc26>

India may tweak customs duties regulations in budget to back local component manufacturing, ease trade

15 January 2025

<https://tinyurl.com/2d4349pr>

Budget 2025: Experts predict impact on small savings schemes PPF, NSC

15 January 2025

<https://tinyurl.com/2j7yhwxw>

Budget 2025: Will you get more income tax rebates?

15 January 2025

<https://tinyurl.com/5h7xz4us>

E-way bill generation rebounds in December, signalling supply chain recovery

09 January 2025

<https://tinyurl.com/3mj2e8vs>



Compliance Calendar

■ Direct Tax
■ Indirect Tax

10 February 2025

- GSTR-7 for the month of January 2025 to be filed by authorities liable to Tax Deduction at Source (TDS)
- GSTR-8 for the month of January 2025 to be filed by E-Commerce Operators liable to Tax Collection at Source (TCS)

13 February 2025

- GSTR-6 for the month of January 2025 to be filed by Input Service Distributors (ISDs)
- Uploading B2B invoices using Invoice Furnishing Facility (IFF) under QRMP scheme for the month of January 2025 by taxpayers with aggregate turnover of up to INR 50 million
- GSTR-5 for the month of January 2025 to be filed by Non-Resident Foreign Taxpayers

15 February 2025

- Due date for furnishing statement in Form No. 3BB by a stock exchange in respect of transactions in which client codes been modified after registering in the system for the month of January 2025
- Due date for furnishing statement in Form No. 3BC by a recognized association in respect of transactions in which client codes have been modified after registering in the system for the month of January 2025
- Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of January 2025
- Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending 31 December 2024, in Form 16A

07 March 2025

- Securities Transaction Tax - Due date for deposit of tax collected for the month of February, 2025
- Commodities Transaction Tax - Due date for deposit of tax collected for the month of February 2025
- Declaration under sub-section (1A) of Section 206C of the ITA to be made by a buyer for obtaining goods without collection of tax for declarations received in the month of February, 2025 in Form 27C
- Collection and recovery of equalization levy on specified services in the month of February 2025
- Due date for deposit of Tax deducted/collected for the month of February 2025. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an Income tax Challan

11 February 2025

- GSTR-1 for the month of January 2025 to be filed by all registered taxpayers not under QRMP scheme

14 February 2025

- Due date for issue of TDS Certificate for tax deducted under Section 194-IA in the month of December 2024 in Form 16B
- Due date for issue of TDS Certificate for tax deducted under Section 194-IB in the month of December 2024 in Form 16C
- Due date for issue of TDS Certificate for tax deducted under Section 194M in the month of December 2024 in Form 16D
- Due date for issue of TDS Certificate for tax deducted under Section 194S in the month of December 2024 in Form 16E

20 February 2025

- GSTR-5A for the month of January 2025 to be filed by Non-Resident Service Providers of Online Database Access and Retrieval (OIDAR) Services
- GSTR-3B for the month of January 2025 to be filed by all registered taxpayers not under QRMP scheme

02 March 2025

- Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IA in the month of January 2025 in Form 26QB
- Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IB in the month of January 2025 in Form 26QC
- Due date for furnishing of challan cum statement in respect of tax deducted under Section 194M in the month of January 2025 in Form 26QD
- Due date for furnishing of challan cum statement in respect of tax deducted under Section 194S in the month of January 2025 in Form 26QE

10 March 2025

- GSTR-7 for the month of February 2025 to be filed by authorities liable to TDS
- GSTR-8 for the month of February 2025 to be filed by E-Commerce Operators liable to TCS

Compliance Calendar

11 March 2025

- GSTR-1 for the month of February 2025 by all registered taxpayers not under QRMP scheme

■ Direct Tax
■ Indirect Tax

13 March 2025

- GSTR-6 for the month of February 2025 to be filed by ISDs
- Uploading B2B invoices using IFF under QRMP scheme for the month of January 2024 by taxpayers with aggregate turnover of up to INR 50 million
- GSTR-5 for the month of February 2025 to be filed by Non-Resident Foreign Taxpayers

Easy Remittance Tool

by Nexdigm



Form 15CA/CB Automation



Review of tax position by experts



Issuance of bulk certificates through Automated tool



Repository - Access to entire set of documents



Access to Detailed transaction wise reports



Representation Support



Generation 15CA bulk files & utility to generate Form A2

About Nexdigm

Nexdigm is a privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise, enables us to deliver customized solutions tailored for our clients.

We provide integrated, digitally-driven solutions encompassing Business and Professional Services across industries, helping companies address challenges at all stages of their business lifecycle. Through our direct operations in the USA, Poland, the UAE, and India, we serve a diverse range of client base, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries. By combining strategic insight with hands-on execution, we help businesses not only develop and optimize strategies but also implement them effectively. Our collaborative approach ensures that we work alongside our clients as partners, translating plans into tangible outcomes that drive growth and efficiency.

At Nexdigm, quality, data privacy, and confidentiality are fundamental to everything we do. We are ISO/IEC 27001 certified for information security and ISO 9001 certified for quality management. Additionally, we comply with GDPR and uphold stringent data protection standards through our Personal Information Management System, implemented under the BS 10012:2017 Standard.

We have been recognized over the years by global organizations, including the Everest Group Peak Matrix® Assessment, International Tax Review, World Commerce and Contracting, ISG Provider Lens™ Quadrant Report, International Accounting Bulletin, Avasant RadarView™ Market Assessment, and Global Sourcing Association (GSA) UK.

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